

# Question and Answer

**Andrew Rupert Pelham Harvey-Green**

*Forsyth Barr Group Ltd., Research Division*

Andrew Harvey-Green from Forsyth Barr. A couple of questions from me. First of all, I guess, on Metlifecare, you did comment how the 19.9% stake isn't, I guess, normal for Infratil. Are you able to expand, I guess, in terms of do you have any long-term plans here for the health care -- for the H-care [ph] sector generally, and I guess, ways of crystallizing value going forward?

**Marko Bogoievski**

*CEO & Director*

I think it's a fair question, Andrew. I mean, the reason why we say generically it's not normal is just so much you can do from that typically from a 19.9% stake. And I guess, always you're looking at your entry price and saying with the combination of the 2, what can you really achieve, right? In this case, I think it is one of those unusual situations, where you're very comfortable around the entry price and for a number reasons. If you think about the debt issues that business has had, the restructuring they've gone through, the mergers and the big sell-down from the major shareholder is quite a few things to distract what is otherwise quite a sound business plan. So I suppose you should ask them this. But my sense is that there's some sense of relief that there's potentially some more stability going forward from committed investor like Infratil. And we're getting high level of engagement already. So those sort of things are important to line up upfront. And now if you can get that and influence from a 19.9% stake, that's fine. So we'll try and make the \$148 million with a lot more in the future. What I mentioned earlier that we're broadly -- our views are broadly consistent with the company is that they have used around, I guess, a level of service and operations, the way they price their portfolio, their mix of business with so many independent living, H-care [ph] and hospital services, and the way they intend to develop their pipeline. I mean, each of those areas, I think, while we have only a top-level-high or high overview of them, I think they're on the right track. So it will be around what do you want to focus on first. And we do know that when we did the work on the acquisition itself, they benchmarked such that it suggests that there's still room for operational improvement almost in each of those areas, right? And I doubt it will be one thing you need to get right before you get a re-rating in that stock. So we'll just roll our sleeves up and get going, I think.

**Andrew Rupert Pelham Harvey-Green**

*Forsyth Barr Group Ltd., Research Division*

Okay. And your second question was just around TrustPower and, I guess, on the regulatory space and the risks with the Labour-Green policy in particular. TrustPower at the moment has the highest gearing levels, I guess, in the sector. And it's going to be going up a little bit further, given just finishing Snowtown 2. Are you comfortable with the level of debt that TrustPower is going to have on its box, given that it's going to be peaking at around about the same time as the election next year?

**Marko Bogoievski**

*CEO & Director*

You're doing the same thing that I talked about earlier in the presentation. So I think you've got to ask and answer that question by separating out their New Zealand electricity business from their development program. So when we're building this Snowtown wind farm in Australia, it's a \$500 million project. It's PPA-backed, so we've contracted and sold the energy to another retailer in that market. So you are taking credit risk on that retailer. But it's long-term contracted revenues associated with that asset, which is, I guess, different from running an integrated merchant business that's exposed to regulatory change. And if you were to say, "Allocate debt along those 2 lines," that you think you wouldn't lose any sleep whatsoever. So debt's the last thing I worry about with TrustPower. I do worry about David Kanelof [ph] and David Parker. We worry about that a lot. But I don't think it's about the capital structure of that business. In any case, you've got support of shareholders, right? So we do believe in the value in that

business. Any more questions in the room? Doesn't look like there is. Can we go to the telephones, please?

**Operator**

[Operator Instructions] I'm showing no questions at this time.

**Marko Bogoievski**

*CEO & Director*

Well, look, I do appreciate the interest. We've got one. So back to Wellington.

**Jenny Ruth**

Jenny Ruth from Radio New Zealand. Would it be fair to characterize your decision to buy into Metlifecare is kind of like buying the west house on a busy street [ph]?

**Marko Bogoievski**

*CEO & Director*

I think that would be a little bit unfair.

**Jenny Ruth**

[indiscernible] offer potential.

**Marko Bogoievski**

*CEO & Director*

I know what you're getting at. I mean, it's got 2 listed comparisons in particular that are trading at much higher multiples of NTA. And I think in some cases, there are reasons that explain that. And that has to do with things like sentiment and the fact that, that business has gone through a whole host of issues recently, which I think I mentioned when I answered that previous question. So we're at sort of -- for us, what's important, we think the entry price fully sort of absorbs, reflects all their current performance. And there's quite a bit of operational upside if we are successful at influencing that business. I think a re-rating is a very real possibility if they do some of those things, some of those basic things right. So you might -- your characterization may be not that unkind if you do get to that position. So was that it, Jenny? Okay. Thank you very much for your interest, and we look forward to seeing you at the full year result. Thank you.