

HD INFRATIL MAY SELL ENERGY ASSETS

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NZX-listed Infratil has moved further down the strategic review road which could see it sell some of its Australian-based energy assets, possibly worth about A\$280 million (NZ\$298m) and a sale is seen as likely, according to one analyst.

Infratil Energy Australia (IEA) is negotiating with selected parties who expressed interest in its assets, including outright purchase and merger combinations.

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There are three businesses under the IEA banner - retailers Lumo Energy, IEA Generation which owns four small-scale "peaker generators" in South Australia and New South Wales, and utilities connection service Direct Connect.

Infratil executive Tim Brown said the review process covered all three businesses.

The reasons behind the review were outlined in Infratil's 2014 annual report.

It said since the sale of electricity to residential customers was deregulated in Victoria in 2004, Lumo had emerged as "by far the largest and most successful of the new entrants" into the market.

It also said the Direct Connect business was now Australia's "largest utilities connection provider" with "relationships with more than half of all the real estate agents in Australia".

The review would reflect "the need to consider market changes over the decade, and the probable next phase of market development", with South Australia, New South Wales and Queensland following Victoria into retail price deregulation.

Craig Investment Partners analyst Mark Lister said when it came to Lumo, Infratil had done a good job of growing the company.

"But growth from here is probably more limited than the easy gains they've had.

"So it is probably the right time for them to look at off-loading it to someone who has an existing business and would like to integrate it," Lister said.

He said that could be one of the big Australian companies, or an offshore player from the likes of Hong Kong or Asia which have shown interest in the Australian utilities sector.

Lumo's earnings before interest, taxes, depreciation and amortisation, and its customer base has risen from zero in 2004 to A\$69m (NZ\$73.5m) and 515,285 accounts respectively.

With that customer base, Lumo could be worth about A\$280m (NZ\$298m) based on the A\$562 a customer that AGL Energy paid last year for junior retailer Australian Power & Gas.

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