



Monday, 18 June 2018

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

**Presentation for Investors**

Please find attached the presentation to be delivered to investors this week.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Alex Finley', with a stylized flourish at the end.

**Alexandra Finley**  
Company Secretary

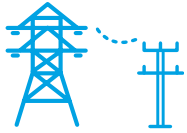
*spark*infrastructure

# FUTURE. ENERGY.

Presentation to investors  
Monday, 18 June 2018



# WE HAVE INVESTMENTS IN...



Total electricity  
network assets  
**\$17bn**



Across  
three states



Supplying homes &  
businesses  
**5.5m**

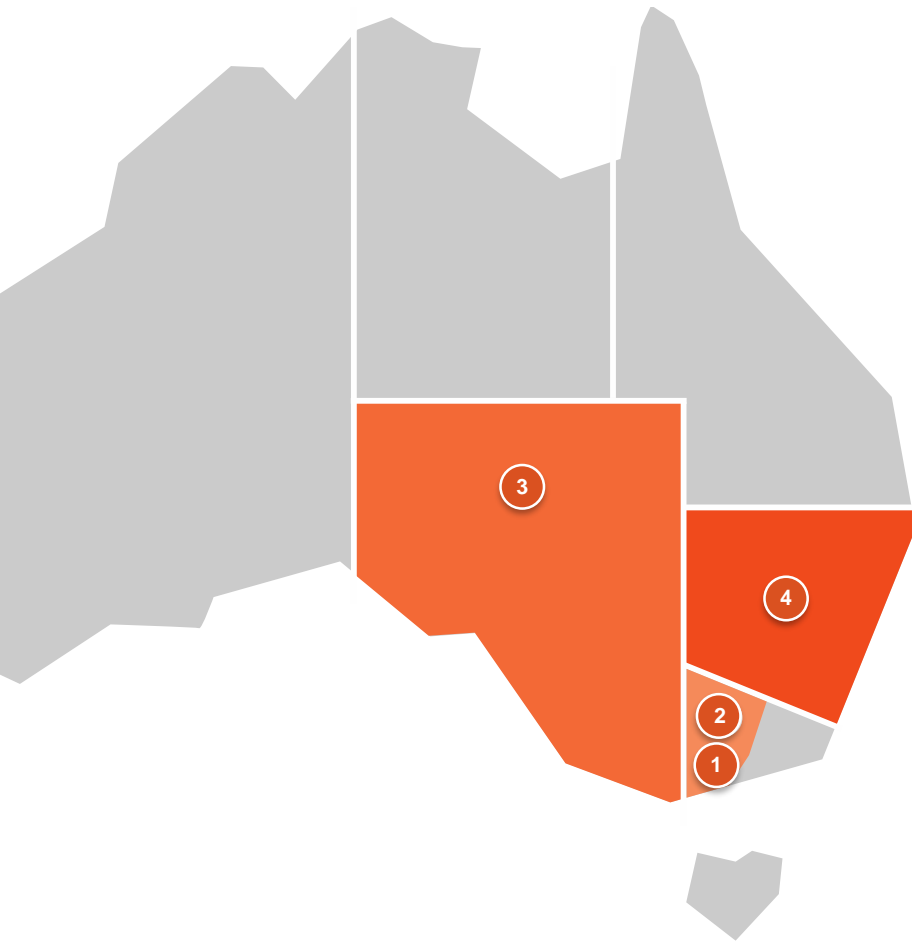


Employees  
**5,100**



Regulated revenue  
certainty to  
**2020**

# OUR INVESTMENTS PROVIDE EXPOSURE TO...



## ① CitiPower (VPN)

**49%**

Spark Infrastructure ownership

**\$1.93bn**

Regulated Asset Base

## ② Powercor (VPN)

**49%**

Spark Infrastructure ownership

**\$3.97bn**

Regulated Asset Base

## ③ SA Power Networks

**49%**

Spark Infrastructure ownership

**\$4.05bn**

Regulated Asset Base

## ④ TransGrid

**15%**

Spark Infrastructure ownership

**\$6.70bn**

Regulated and Contracted Asset Base ("RCAB")

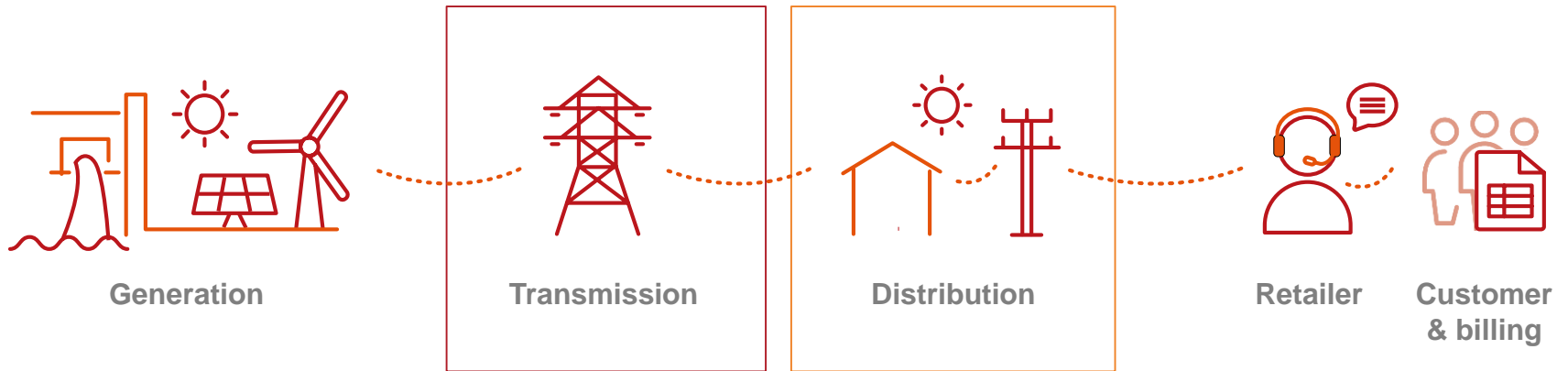
Distribution

Transmission

Based on data as at 31 December 2017

# OUR INVESTMENTS IN THE ENERGY SUPPLY CHAIN

## Traditional supply chain



### Typical residential tariff - transmission



**~5% Average  
TransGrid**

### Typical residential bill - distribution



**~25% Average  
SA Power  
Networks &  
Victoria Power  
Networks**

# FINANCIAL HIGHLIGHTS

Strong performance despite current low inflationary environment

	2017		2016
Proportional RAB + CAB <sup>(1)</sup>	\$5,880m	+2.7%	\$5,727m
Adjusted proportional EBITDA <sup>(2)</sup>	\$787.5m	+4.6%	\$752.9m
Standalone Operating Cash Flow <sup>(3)</sup>	\$267.5m	-7.9%	\$290.4m
Strong Investment Grade	SKI: Baa1 SAPN: A-/A3 VPN: A- TransGrid: Baa2		SKI: Baa1 SAPN: A-/A3 VPN: A- TransGrid: Baa2

2018 CASH YIELD OF 6.9%<sup>(4)</sup> BASED ON 2018 DPS GUIDANCE OF 16.0 CPS, UP 4.9% ON 2017

(1) Spark Infrastructure share. Regulated asset base and contracted asset base

(2) Spark Infrastructure share. EBITDA adjustments as disclosed in 31 December 2017 Full Year Results presentation

(3) VPN distributions includes both interest on and repayment of shareholder loans. Repayments of loan principal are classified as investing activities for statutory reporting purposes. 2016 figure excludes distributions from and finance costs paid on derivative contracts associated with the DUET interest of \$15.2m (net) (exited in 2016)

(4) Based on 15 June 2018 closing price of \$2.31 and 2018 distribution guidance of 16.0 cps

# OUR STRATEGIC VISION

Focusing on long term, low risk, value creation

## INVESTMENT PROPOSITION

Delivering long term value to Securityholders by building a quality portfolio of utility style assets

## BUSINESS MODEL

Managing for Performance

Growing Organically

Disciplined External Growth

GROWTH IN ASSETS DELIVERING GROWTH IN DISTRIBUTIONS AND LONG TERM VALUE TO SECURITYHOLDERS

# OUTSTANDING AER EFFICIENCY RANKINGS

Our investments continue to drive strong efficiency outcomes

## Victoria Power Networks



**Powercor**

BEST PERFORMING NETWORK (DISTRIBUTION)<sup>(2)</sup>



**CitiPower**

SECOND BEST PERFORMING NETWORK (DISTRIBUTION)<sup>(2)</sup>

## SA Power Networks



**SA Power Networks**

MOST EFFICIENT STATE-WIDE NETWORK (DISTRIBUTION)<sup>(1)</sup>

## TransGrid



**TransGrid**

SECOND BEST PERFORMING NETWORK (TRANSMISSION)<sup>(2)</sup>

OUR MANAGEMENT TEAMS CONTINUE TO HAVE A VERY STRONG FOCUS ON EFFICIENCY, AS REFLECTED IN THE RECENT AER BENCHMARKING REPORTS

(1) Based on multilateral total factor productivity. Source AER Benchmarking Report, November 2017

(2) Based on opex multilateral partial factor productivity. Source AER Benchmarking Report, November 2017



# SECTOR CHARACTERISTICS AND GROWTH



**Inflation-linked regulatory regime**



**Changes in interest rates incorporated in regulated revenues**



**Incentive-based regulatory regime**



**Distributed renewable generation requires expanded grid connection**



**Increased importance of grid for reliability and for the operation of an efficient wholesale energy market**



**Customer interaction with the grid is dynamic and changing e.g. solar PV, batteries and electric vehicles in the future**

# PURSUING GROWTH INITIATIVES

Each of our investments continues to pursue various options for long term growth

**Victoria Power Networks**

**And**

**SA Power Networks**

- Customer growth of 1.3% and \$855.5m of net capital expenditure in 2017 across both networks
- Leveraging Victoria Power Networks smart meters
- Positioning SA Power Networks in a rapidly evolving renewable energy landscape

**TransGrid**

- Final regulatory determination and certainty from July 2018 to 2023
- \$1,249m (\$2017-18) regulated capital expenditure to 2023
- Includes \$235m (\$2017-18) Powering Sydney's Future project
- 9 large scale contingent projects including:
  - Snowy 2.0
  - South Australia to NSW Interconnect
- Significant ongoing unregulated new connections investment

**LONG TERM STRUCTURAL FORCES ARE SIGNIFICANTLY AND POSITIVELY INFLUENCING OPPORTUNITIES FOR GROWTH IN OUR INVESTMENTS**

# INDUSTRY AND REGULATORY ENGAGEMENT

Spark Infrastructure seeks to positively engage around and influence policy outcomes

**Actively protect and grow financial returns through out-performance**

## Revenue decisions

Secure revenue and growth opportunities for medium term

- TransGrid Final Decision
- SA Power Networks current regulatory period to 30 June 2020
- Victoria Power Networks current regulatory period to 31 December 2020

## Energy policy

Ensuring future opportunities for growth

- National Energy Guarantee
- Integrated System Plan
- Review Rights of regulator decisions

## Regulatory policy

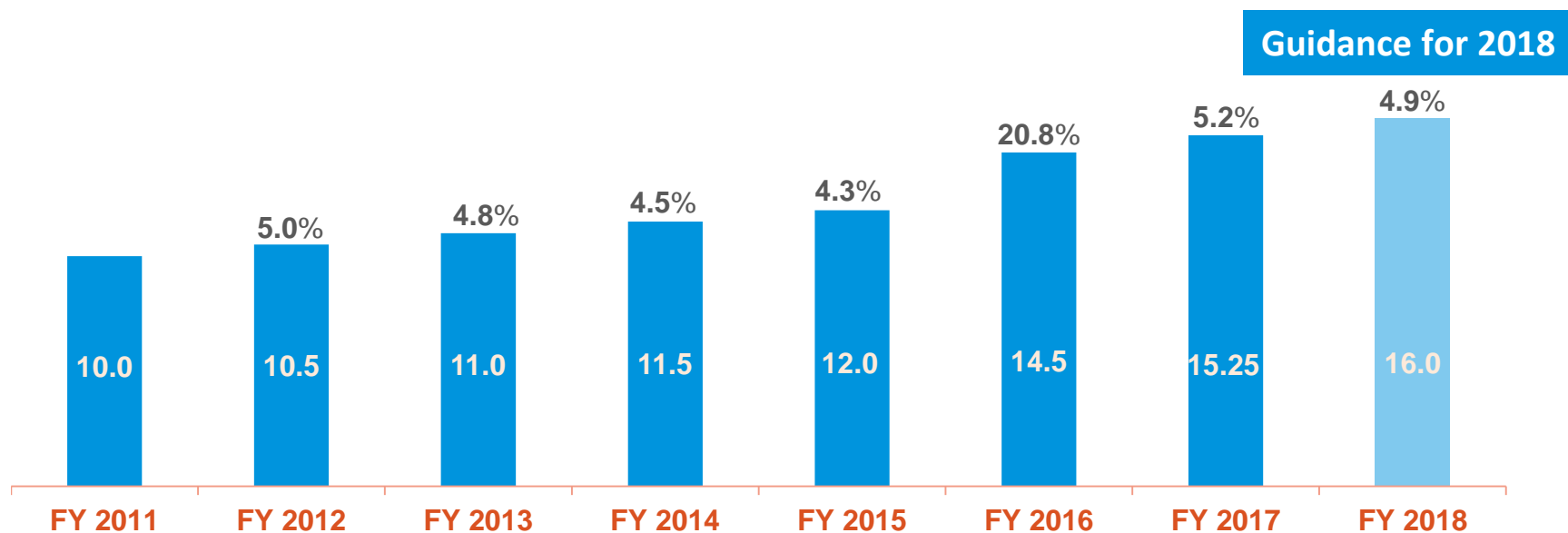
Opportunities to outperform returns & invest in asset service levels

- Allowed Rate of Return
- Regulatory Investment Test
- Review of regulatory allowances
- Ring Fencing Guideline
- Distribution Market Model

**SPARK INFRASTRUCTURE HAS DIRECTLY CONTRIBUTED AND LED CONTRIBUTIONS IN THESE POLICY AND REGULATORY REVIEW PROCESSES OVER THE LAST 12 MONTHS**

# DISTRIBUTION GUIDANCE

## Distribution per Security



- The Directors have reaffirmed distribution guidance for 2018 of 16.0cps (4.9% higher than 2017), subject to business conditions
- Growth in distributions per security, through to the end of the regulatory determinations in 2020, will be at least CPI, subject to business conditions

**SPARK INFRASTRUCTURE HAS A STRONG TRACK RECORD OF GROWING DISTRIBUTIONS**

# TAX PAYMENTS AND FRANKING

**As disclosed at Spark Infrastructure's 2017 full year results, we are moving to become a taxpayer**

- Spark Infrastructure expects to become a taxpayer in the short term
- The timing and amount of tax payable will be dependent on a number of factors including:
  - underlying financial performance of the investment portfolio businesses;
  - tax timing differences; and, in the longer term
  - outcome of existing disputes with the Australian Taxation Office
- Spark Infrastructure expects to be able to frank dividends to the extent that tax is paid

# QUESTIONS



# DISCLAIMER & SECURITIES WARNING

**Investment company financial reporting** - Adjustments are made to distribution and transmission revenues to defer/accrue for amounts in excess of/under the regulated revenue cap to reflect that these amounts will be returned to/recovered from electricity consumers in future periods via adjustments to tariffs.

2017 financial reporting for TransGrid is based on special purpose financial statements for the year ended 30 June 2017 and unaudited financial information for the period 1 July 2017 to 31 December 2017. Results have been adjusted by Spark Infrastructure to reflect the 12 month period to 31 December 2017.

**No offer or invitation.** This presentation is not an offer or invitation for subscription or purchase of or a recommendation to purchase securities or any financial product.

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