

# Challenger Infrastructure Fund

Half Year Results Presentation – February 2009

Chief Executive - Steve Bickerton

Chief Financial Officer - Lucas Barry

17 February 2009



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# Agenda

1. 2009 Half Year Results
2. Asset Performance
3. Outlook

# 1. 2009 Half Year Results



# Highlights

## Earnings Quality

- Highly predictable yet diversified cashflow – 62% regulated revenues
- Revenue of \$251.9m up 28% pcp
- Underlying Proportionate EBITDA growth of 19% pcp<sup>1</sup>

## Capital Management

- Sale of £100 million of Southern Water at NAV
- Reduction in total proportional net debt by \$1.7 billion (45%) over last 12 months
- Cash of \$102 million available at Fund level for capital management initiatives, including buy-back

## Distributions

- 12 cent distribution for HY2009
- Distribution funded 100% from operating cashflow

## Outlook

- Continue active capital management
- Highly predictable EBITDA in 2009
- EBITDA growth will continue via returns on recent capex investment
- Actively manage portfolio to maximise operational asset performance

<sup>1</sup> Underlying Proportionate EBITDA has been normalised to exclude disposed assets and include the full period impact of Southern Water and removes asset specific one off items as defined in each of the asset sections.

# Earnings Quality – Resilient Asset Performance

CIF	<ul style="list-style-type: none"><li>- Revenue growth 28% pcp</li><li>- Underlying Proportionate EBITDA growth 19% pcp<sup>1</sup></li></ul>
Inexus	<ul style="list-style-type: none"><li>- Revenue growth of 24% pcp, reflecting build out of the order book</li><li>- Underlying EBITDA growth of 28% pcp</li><li>- Record half year sales of 59,981 (25% pcp), reflecting potential of the multi-utility strategy</li></ul>
LBC	<ul style="list-style-type: none"><li>- Revenue growth of 20% pcp, reflecting growth capex build out</li><li>- Underlying EBITDA growth of 28% pcp</li><li>- Investment of €29.5 million capex and maintained utilisation rate of ~95%</li></ul>
Southern Water	<ul style="list-style-type: none"><li>- Revenue growth of 7% pcp, driven by capital program</li><li>- EBITDA growth of 13% pcp</li><li>- RCV growth of ~9% consistent with regulatory plan</li></ul>

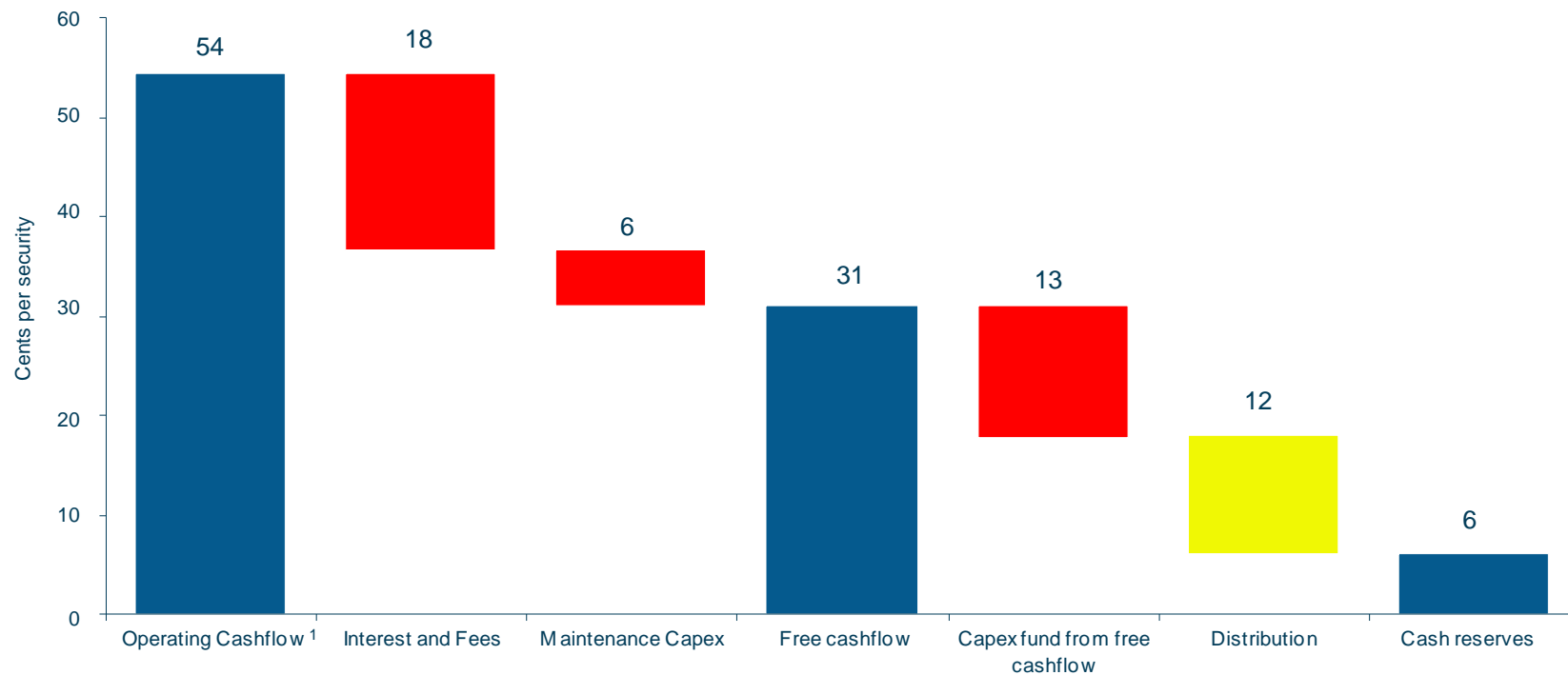
<sup>1</sup> Underlying Proportionate EBITDA has been normalised to exclude disposed assets and include the full period impact of Southern Water and removes asset specific one off items as defined in each of the asset sections.

# Capital Management – Derisking & Prudent Management of Fund

- Completed sale of 1/3 of CIF's stake in Southern Water for £100m
  - Sale price at NAV
  - Repaid £50.7 million of Redeemable Preference Securities (RPS)
  - Reducing CIF's proportional net debt by A\$560 million
  - \$102 million of cash held at Fund level for capital management initiatives
  - Initiated on market buy-back
- Refinanced RPS to \$118.5 million and extended term to April 2011
- Cancellation of Fund acquisition facility, eliminating line fees
- Commenced foreign currency capital hedging
  - Targeting CIF NAV to be 60% protected from foreign currency movements
- Derived proportionate free cash flow of 31 cents per security
- Distribution to be 100% funded from operating cashflow

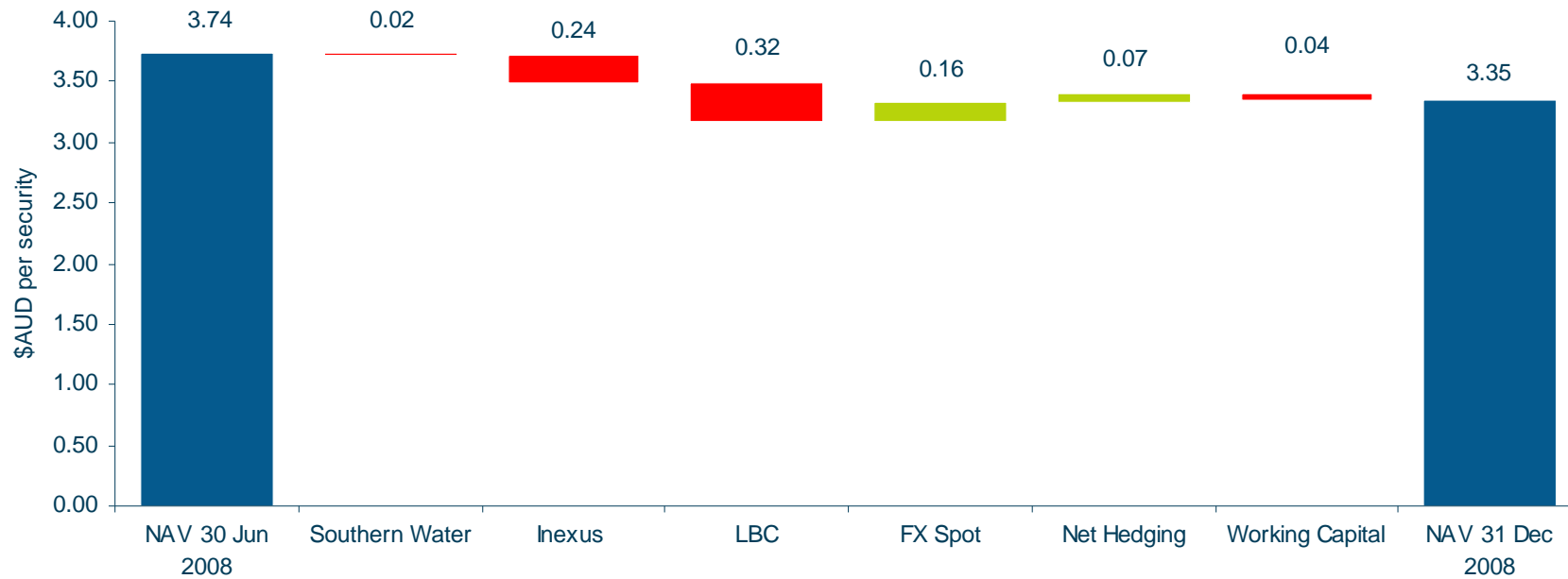
# Distributions – Strong Operating Cashflow Generation

- Free cash flow of 31 cents per stapled security<sup>1</sup>
- Interim distribution of 12 cents per stapled security



<sup>1</sup> Represents CIF's proportionate share of assets net of Fund level items.

# Net Asset Value of \$3.35 per Security<sup>1</sup>



Notes:

1. Net asset value per security is calculated as the Directors' fair valuation of all CIF investments net of fund level net debt, working capital and hedging.
2. Asset values converted at \$A = £0.4850; \$A = €0.5016.

## 2. Financial Performance

# CIF Financial Performance – Statutory Consolidated

	1H09	1H08	% Mvt	Trend
Revenue	\$251.9m	\$196.4m	28%	↑
Expenses	(\$137.5m)	(\$108.0m)	27%	↑
Realised gains	\$19.1m	\$8.2m	133%	↑
Depreciation	(\$34.0m)	(\$28.3m)	20%	↑
EBIT before specific items	\$99.5m	\$68.2m	46%	↑
Financing costs	(\$76.4m)	(\$63.5m)	20%	↑
Net profit before tax & significant items	\$23.1m	\$4.7m	392%	↑
Specific Items:				
- Unrealised movements	(\$84.5m)	(\$85.4m)		
- Goodwill impairment – LBC	(\$73.2m)	-		
- Interest on minority loans	(\$3.7m)	(\$4.2m)		
- Transaction fees	-	(\$16.3m)		
Net loss before tax	(\$138.7m)	(\$101.1m)	37%	↑

# CIF Financial Performance

Underlying Proportionate EBITDA grew by 19% pcp

	1H09	1H08	% Mvt	Trend
Underlying Proportionate EBITDA <sup>1</sup>	\$208.0m	\$175.4m	19%	↑
Underlying Proportionate EBITDA Margin	65%	59%	10%	↑
Proportionate EBITDA <sup>2</sup>	\$197.9m	\$175.0m	13%	↑
Distribution Per Unit	12.0	14.5	-17%	↓

1 Underlying Proportionate EBITDA has been normalised to exclude disposed assets and include the full period impact of Southern Water and removes asset specific one off items as defined in each of the asset sections.

2 1H08 proportionate EBITDA has been normalised to exclude disposed assets and include the full period impact of Southern Water.

# Inexus – Financial Performance

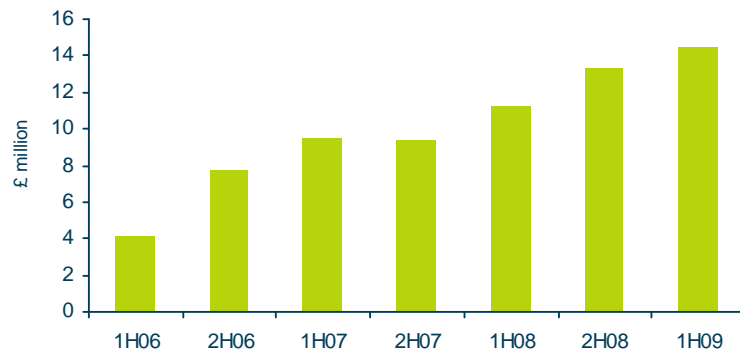
Growth in underlying EBITDA of 28% pcp in difficult market conditions

	1H09	1H08	% Mvt	Trend
Revenue	£24.6m	£19.9m	24%	↑
Underlying EBITDA <sup>1</sup>	£14.5m	£11.3m	28%	↑
Underlying EBITDA Margin	58.8%	56.9%	3%	↑
Sales	59,981	47,885	25%	↑
Connections	29,558	36,870	20%	↓

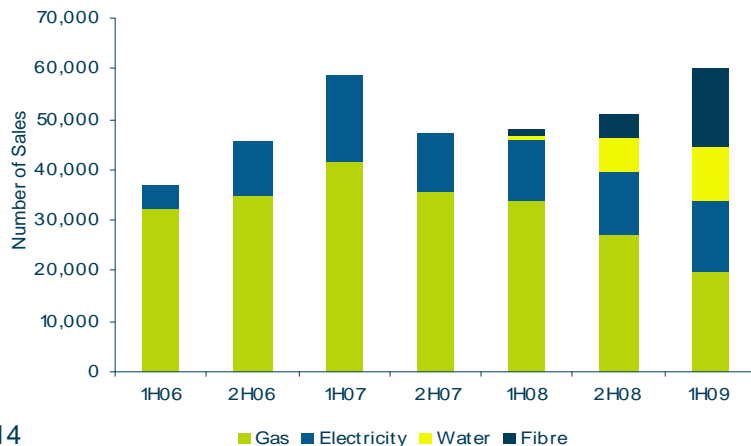
<sup>1</sup> Underlying EBITDA excludes £1 million provision for restructuring costs and EBITDA start up costs of water and fibre.

# Inexus – Operating Performance

## Underlying EBITDA



## Sales



## Highlights

- Operating in market that has experienced lowest level of housing starts since 1950
- Revenue growth of 24% pcp
- Highly predictable revenue and EBITDA from in the ground assets
- Underlying EBITDA growth of 28% pcp
- Record level of sales, benefits of first mover multi-utility provider further strengthening order book
- Active management of cost base protecting EBITDA margins
- Connections softened, reducing capex requirements

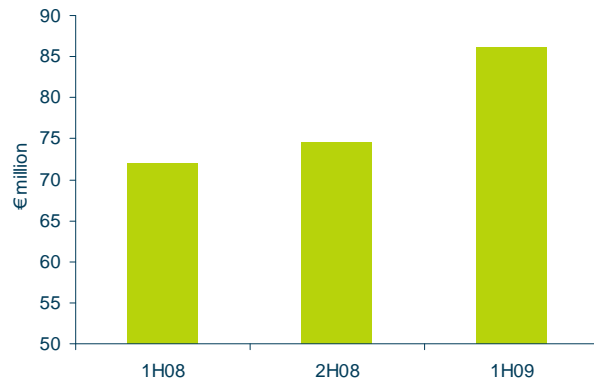
# LBC – Financial Performance

Financial Performance	1H09	1H08	% Mvt	Trend
Revenue	€86.1m	€72.0m	20%	↑
Underlying EBITDA <sup>1</sup>	€35.3m	€27.6m	28%	↑
EBITDA Margin	41.0%	38.3%	7%	↑
Utilisation	95%	95%	0%	↔
Growth Capex	€29.5m	€33.1m	11%	↓
Maintenance Capex	€7.9m	€7.4m	7%	↑

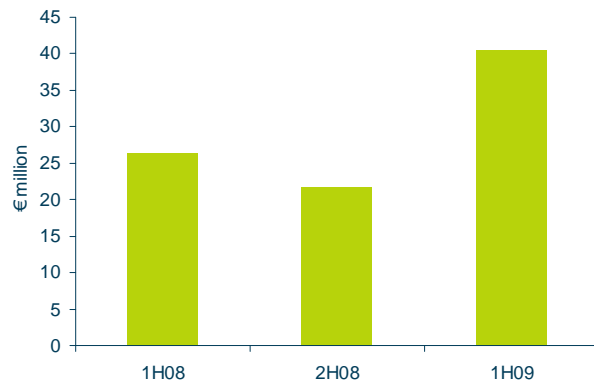
<sup>1</sup> Underlying EBITDA excludes restructure costs, repairs and maintenance costs, and other one off items.

# LBC – Operating Performance

## Revenue



## Operating Cash Flow



## Highlights

- Starting to realise benefits of growth capex investment
- 28% growth in underlying EBITDA
- 20% growth in revenue
- 52% growth in operating cashflow
- Utilisation maintained at 95%
- Cash reserves and strong free cash flow enabling funding of €14.5 million of growth capex in 1H09 and conserving current debt capacity
- Opportunities to improve margins through better opex management in Northern Europe

# Southern Water – Financial Performance

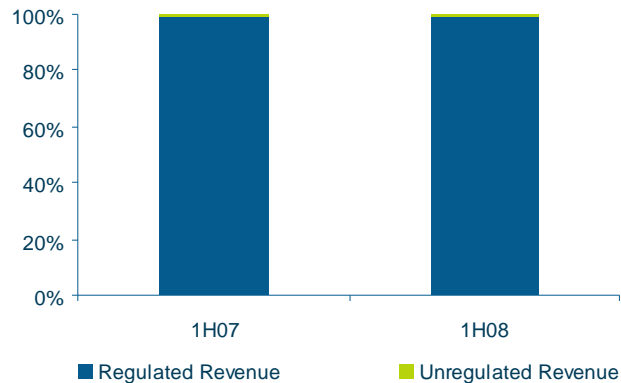
Financial Performance	1H09	1H08 <sup>1</sup>	% Mvt	Trend
Revenue	£335.0m	£313.1m	7%	↑
EBITDA	£248.0m	£218.8m	13%	↑
EBITDA Margin	74.0%	69.9%	6%	↑
Nominal Closing RCV <sup>2</sup>	3,236	2,980	9%	↑

1 HY08 refers to 6 months ended 31 December 2007. Interest acquired 15 October 2007.

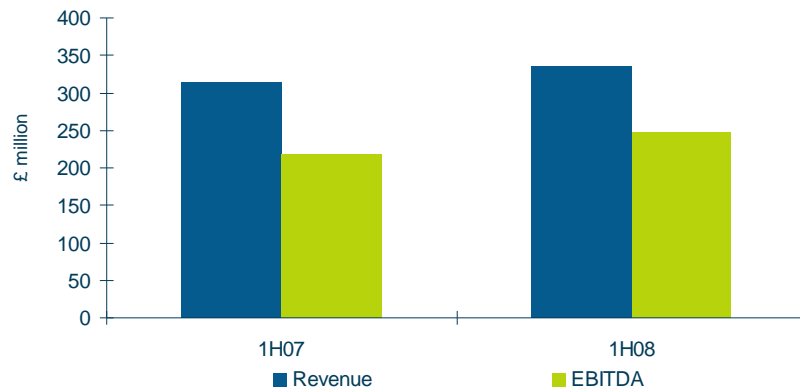
2 Estimated RCV as at 31 December.

# Southern Water – Operating Performance

## Revenue Composition



## Revenue and EBITDA Growth



## Highlights:

- Southern Water continues to perform in line with expectations
- EBITDA growth of 13% driven by capital program
- RCV growth of ~9% consistent with regulatory plan
- Brighton & Hove received planning approval
  - Work expected to commence in 2009 subject to judicial review
- Business received a number of awards:
  - Les Dawson received OBE for services to the Energy and Water industries
  - Won two categories of the International Business Awards – Best Management Team and Best Communications Team

### 3. Summary and Outlook

# Outlook – Inexus

Multi-utility strategy offsets lowest level of housing starts since 1950

- Primary focus on August 2010 refinance options and long term hedging strategy
- Lower housing starts will naturally slow growth capex
- Proactive response to UK housing market conditions via focus on multi-utility strategy
- ~90% of FY2009 EBITDA derived from existing in the ground connections
- Focus on capital structure to take advantage of high returns generated by the multi-utility strategy

# Outlook – LBC

Global economic downturn presents difficult operating conditions

- Significant capex investment of €64.3 million over last twelve months, revenue yet to fully reflect these completed growth projects
- Capex investment expected to slow in response to economic conditions
- LBC will deleverage business through:
  - EBITDA from completed projects
  - Cashflow funding of future growth capex
- Focus on improving the operational performance of the European business

# Outlook – Southern Water

## Delivery of draft AMP5 outcomes in current economic conditions

- UK government focused on investment in infrastructure as recession stimulus response
- Reset to provide certainty to March 2015
  - Final Determination released in November 2009
  - RCV growth expected to be consistent with current regulatory period
- Strong capital position:
  - Long-dated maturity profile, average maturity of 20 years
  - Refinancing of acquisition bridge facility of ~£134m expected to complete by April 2009

# Fund Outlook – Challenging economic, financial and capital markets

## High Quality Assets

- Highly predictable yet diversified cashflow – 62% regulated revenues
- Proportional weighted average debt maturity of ~ 11 years
- Highly predictable EBITDA in 2009
- Strong financial position to respond to difficult financial markets
- Distribution funded 100% from operating cash flow

## Capital Management

- Actively manage our portfolio to maximise operational asset performance
- Proactive capital management and financial flexibility
- Solid revenue and EBITDA growth
- Cash of \$102 million available at Fund level for capital management initiatives, including buy-back



**CONTINUOUS FOCUS ON MAXIMISING SECURITYHOLDER VALUE**

# HY2009 Summary

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# Questions

# Contacts



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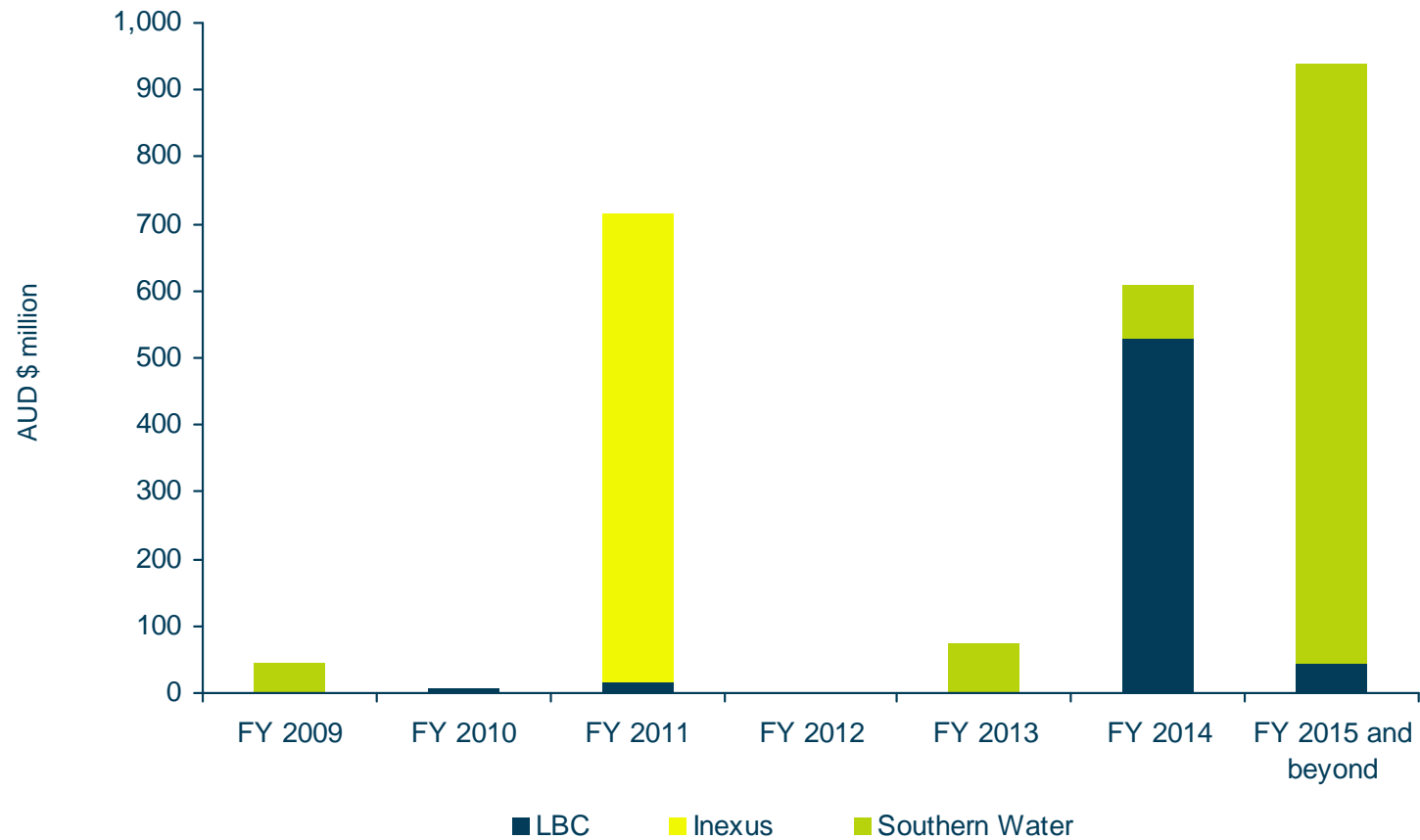
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# Appendix

# Proportionate Debt Maturity Profile<sup>1</sup>

- Proportional weighted average maturity of ~11 years<sup>1</sup>
- Next major refinance point – August 2010 Inexus refinance



<sup>1</sup> Excludes CIF RPS of £50.7million at 31 December 2008.