

# New Zealand Social Infrastructure Fund



## Chairman's ASM Presentation 2016

August 2016

# NZSIF Chairman's Introduction

**WELCOME**

**APOLOGIES**

**CONFIRM QUORUM**

**INTRODUCTION OF DIRECTORS & GUESTS**

# NZSIF Formal Business

- **RESOLUTION – REAPPOINTMENT OF AUDITOR**
- **GENERAL BUSINESS**

# NZSIF Investment & Portfolio Highlights

## Operating Assets

- All performing well and distributions flowing to the PIP Fund
  - Melbourne Convention and Exhibition Centre
  - Hobsonville Schools (Schools 1)
  - Bendigo Healthcare Group Accommodation

## Operating with no distributions until completion of Stage 2

- University of Wollongong Student Accommodation (Stage 1)

## Under Construction

- Schools 2
- Auckland Prison

**Fund is now 99% committed**

# NZSIF Investment & Portfolio Highlights

## New Investment Commitments

- NZ Schools 2
  - Ormiston, Wakatipu, Rolleston, Aranui
  - Financial close achieved May 2015
  - Construction progressing on all schools
  - PIP Fund equity investment \$22m, NZSIF equity share \$5m
- Auckland Prison
  - Reached financial close in September 2015
  - Construction started December 2015
  - PIP Fund equity investment \$30m, NZSIF equity share \$7m
  - No custodial element
- Melbourne Convention and Exhibition Centre follow-on investment confirmed June 2016
  - Exhibition Centre expansion A\$15m. NZSIF equity share NZ\$3.7m

# NZSIF Investment & Portfolio Highlights

## Distributions

- Distributions for FY 2016 of 3.75 cps
- Total gross distributions since inception 15.05 cps (including a capital return of 2.8 cps in 2012)

## Net asset value

- Investment valuations at 31 March 2016, showed a significant uplift
- \$7m increase in Fair Value
- NAV at 31 March 2016 71.7 cps

# NZSIF Financial Performance

## Financial Result

- Profit for period \$9.3m
- Distributions of \$2.6m received from PIP Fund (reported as distribution income but also reduces the fair value of the PIP Fund)
- Positive movement in the valuation of PIP investments \$7.0m comprising FX gain \$1.3m and Fair Value adjustments \$5.7m
- Stable NZSIF costs

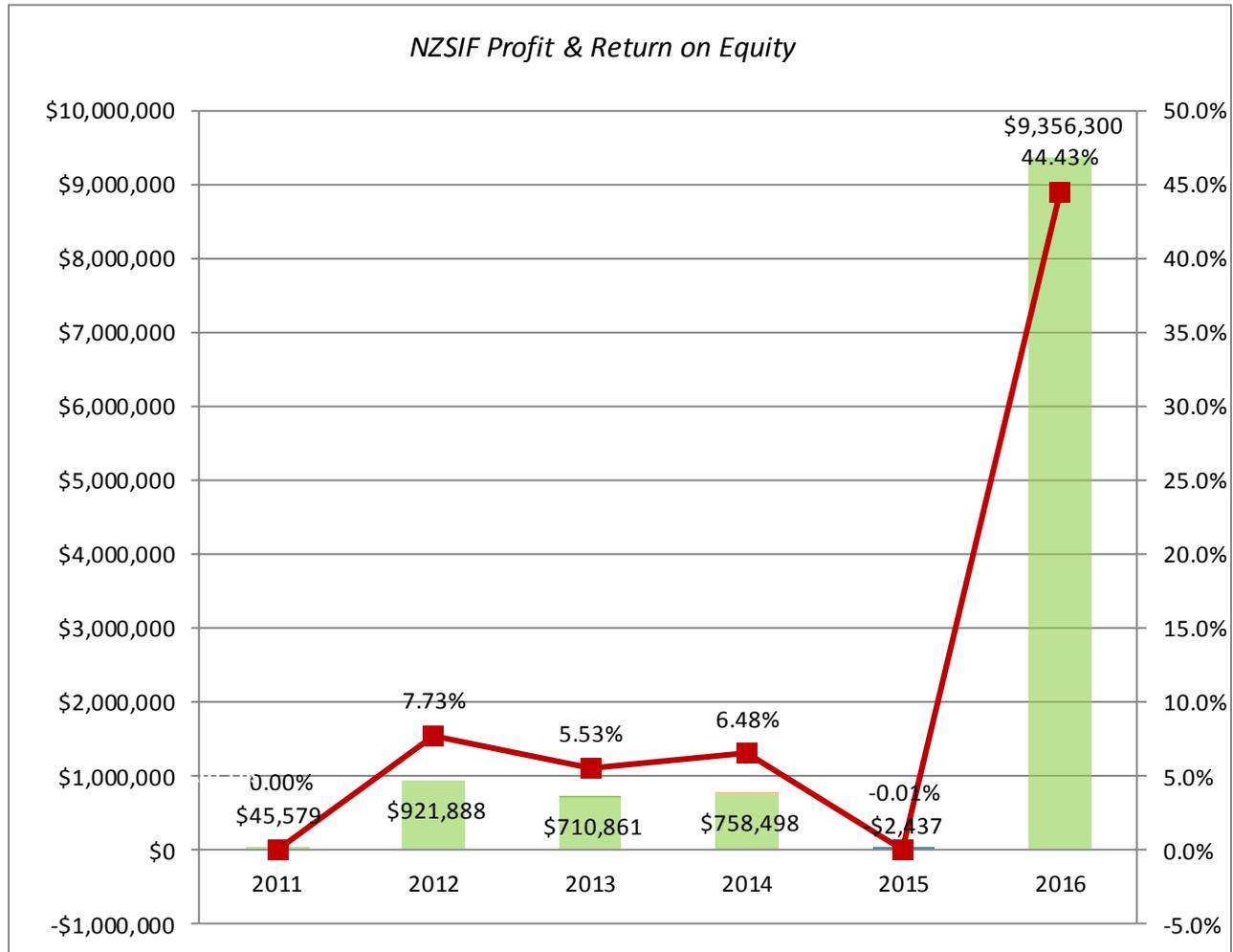
# NZSIF Financial Performance

|                                     | 12 months to<br>31 March<br>2016<br>NZ\$000s | 12 months to<br>31 March<br>2015<br>NZ\$000s |
|-------------------------------------|--|--|
| Distribution income                 | \$2,584                                      | \$1,944                                      |
| Interest income                     | \$15   | \$31   |
| Movement in fair value of PIP Fund  | <u>\$7,035</u>                               | <u>(\$1,706)</u>                             |
|                                     | \$9,634                                      | \$268  |
| Administrative Expenses             | (\$278)                                      | (\$271)                                      |
| Interest Expense                    | -  | -  |
| Profit before Tax                   | <u>\$9,356</u>                               | <u>(\$2)</u>                                 |
| Income Tax/(credit)                 | <u>-</u>                                     | <u>-</u>                                     |
| <b>Profit/(loss) for the Period</b> | <b>\$9,356</b>                               | <b>(\$2)</b>                                 |

# NZSIF Balance Sheet

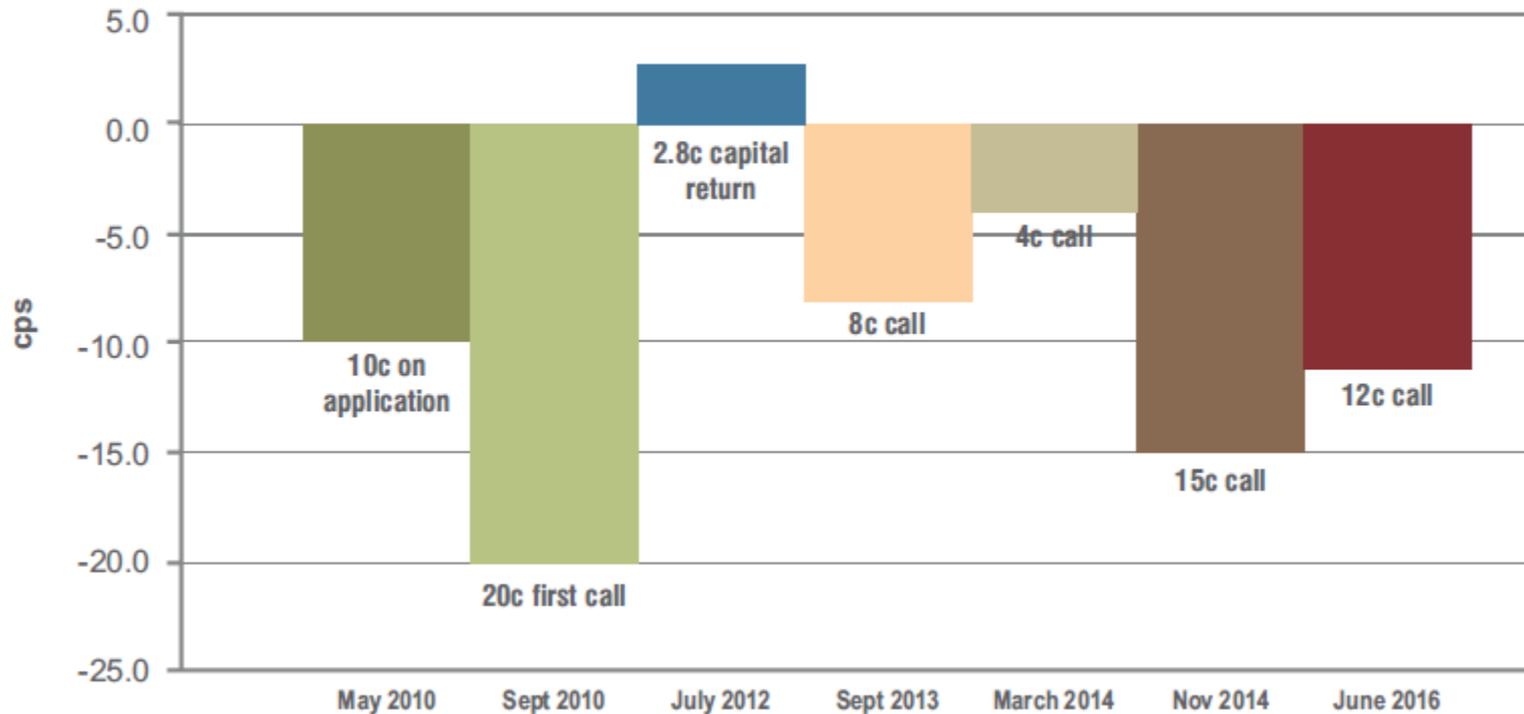
|                                     | 31 March<br>2016<br>NZ\$000s | 31 March<br>2015<br>NZ\$000s             | <i>Change<br/>for period</i> |
|-------------------------------------|------------------------------|--|------------------------------|
| Investment in PIP Fund              | \$28,530                     | \$20,067                                 | 42.2%                        |
| Property, plant, equipment          | \$1                          | -  | -                            |
| Cash and Cash Equivalents           | \$853                        | \$1,662                                  | -48.7%                       |
| Other Current Assets                | \$42                         | \$35                                     | 20.0%                        |
| <b>Total Assets</b>                 | <b>\$29,426</b>              | <b>\$21,764</b>                          | 35.2%                        |
| Creditors                           | \$37                         | \$706*                                   | -94.8%                       |
| <b>Total Equity</b>                 | <b>\$29,389</b>              | <b>\$21,058</b>                          | 39.6%                        |
| <b>Total Equity and Liabilities</b> | <b>\$29,426</b>              | <b>\$21,764</b>                          | 35.2%                        |
|                                     |                              | <i>*Includes dividend payable \$670k</i> |                              |
| <i>NTA per share (41,000,000)</i>   | 71.7 cps                     | 51.4 cps                                 | 39.5%                        |
| <i>NZD/AUD</i>                      | .9027                        | 0.9785                                   | -7.7%                        |
| <i>Called Capital per Share</i>     | 57cps*                       | 57 cps                                   | na                           |
| <i>Uncalled Capital per Share</i>   | 43cps                        | 43 cps                                   | na                           |
| <i>Returned Capital per Share</i>   | 2.8cps                       | 2.8 cps                                  | na                           |

# NZSIF Profit & ROE Comparison



# NZSIF Calls & Capital Return

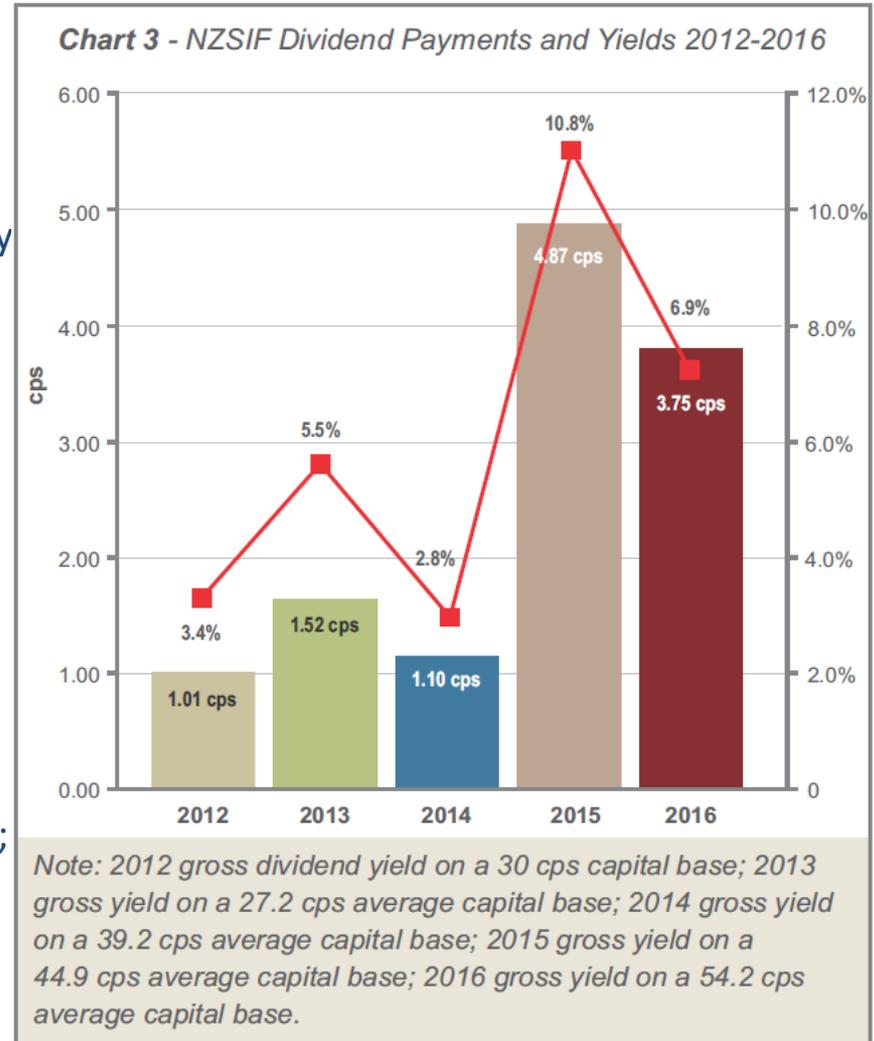
Chart 4 - NZSIF Calls & Capital Returns



Note: NZSIF shares are \$1 shares paid to 69cps (as at 17 June 2016) with 31 cps remaining uncalled

# Operating Distributions

- 2016 distributions for YTD total 3.75 cps
- 2017 forecast distributions of 2.5cps (1cps already paid) based on distributions received from the PIP Fund, less operating expenses.
- PIP and NZSIF operating costs taken into account
- Distributions after FY 2018 are expected to increase as investment committed to projects under construction reach completion (Auckland Prison, Schools 2, Wollongong Stage 2); plus cash flows from the follow-on MCEC investment



# NZSIF Valuation and NAV

- NAV at financial year end 31 March 2016

|                     |               |
|---------------------|---------------|
| PIP Fund Investment | 28.5m         |
| NZSIF Cash          | 0.9m          |
| Net working capital | <u>(0.0m)</u> |
|                     | <u>29.4m</u>  |

Per Share (41m) **71.7 cps**

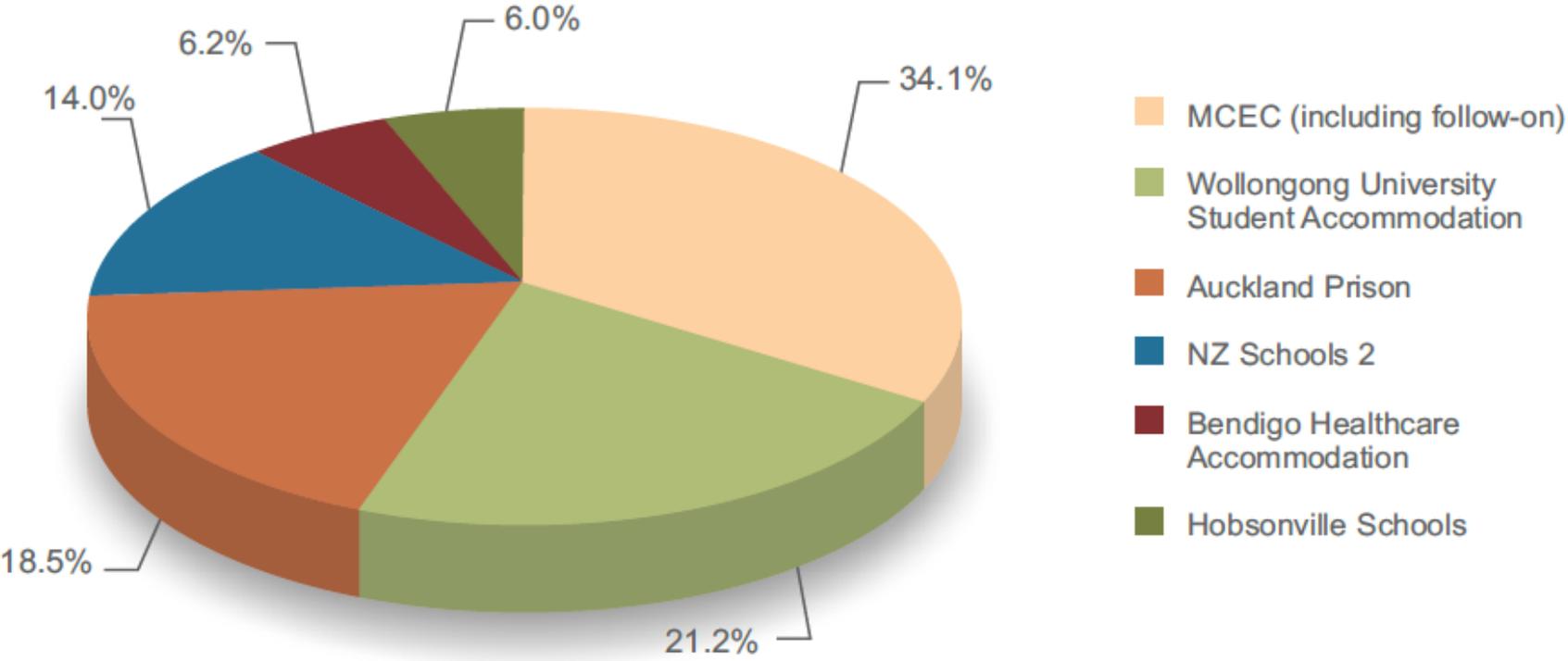
**Current estimated NAV (August 2016)** post 12 cps call payment in June is **82 cps**. (no FX adjustment)

- NZSIF returns less than PIP's returns due to NZSIF annual costs, set-up costs and cash drag from NZSIF cash held (returns on cash less than PIP Fund investments). The impact of all of these reduces as the invested base increases
- PIP distributions lower PIP valuation

# PIP Outlook

- PIP Fund investment is 99% committed
- Projects under construction expect to be fully completed by 1Q 2018
- Full distributions from all investments from 2Q 2018
- 2017 unlikely to see any material fair value adjustment unless market conditions warrant movement in discount rates
- 2018 may see material fair value adjustment as the three remaining projects reach construction completion and commence operations

# NZSIF Expected Investment Mix



*Investment values based on investment cost*

# NZSIF Outlook

- NZSIF continues to operate “true to brand”
- Yields expected to reduce, before growing substantially after FY 2018
- Expecting to deliver relatively stable returns over the long term, in excess of fixed interest
- Final equity will be invested over 2017-2018 – Wollongong (Stage 2); Auckland Prison and NZ Schools 2
- Full investment will significantly reduce the cost and cash ‘drag’ from not being fully invested
- Initial returns remain consistent with the original NZSIF prospectus
- 2017 Operating Distributions of 1.0cps paid already and then 0.5cps expected for next 3 quarters for total 2.5cps (dependent on quantum and timing of PIP distributions)
- 2018 Operating Distributions expected to be 0.5cps per quarter (dependent on quantum and timing of PIP distributions)

# Questions & Answers



# For Further Information

## Contacts:

NZSIF

Mike Caird

Craigs Investment Partners

Phone: (04) 914 2947

Email: [mike.caird@craigsip.com](mailto:mike.caird@craigsip.com)

NZSIF

David McCallum

Deutsche Craigs

Phone: (07) 927 7887

Email: [david.mccallum@deutschecraigs.com](mailto:david.mccallum@deutschecraigs.com)

NZSIF

Peter Lalor

Craigs Investment Partners

Phone: (07) 927 7927

Email: [peter.lalor@craigsip.com](mailto:peter.lalor@craigsip.com)

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