

A modern building with a facade of vertical metal slats, illuminated by vertical light strips in red, orange, and yellow. The building is set against a clear blue sky at dusk. In the foreground, there is a paved walkway, a black street lamp, and a landscaped area with green grass and small trees.

# Public Infrastructure Partners LP

Manager Presentation To NZ SIF AGM

28<sup>th</sup> August 2020



MORRISON & CO

PRIVATE AND CONFIDENTIAL

# Discussion Points

1. Summary of Fund Activities During Period

2. Portfolio Review

3. Fund Returns

4. Sale Process & Other Initiatives

5. Conclusion

6. Appendices

# Fund Activities Year End 31 March 2020

- Fund is fully committed, and the assets are in the lower risk operational phase
- Follow-On Investments being progressed:
  - Hobsonville Schools: Primary School expansion
  - NZ Schools 2: Expansions progressing at Wakatipu & Rolleston
- Refinancing work executed in 2020:
  - Bendigo Key Worker Accommodation
  - University of Wollongong
  - NZ Schools 2 PPP
  - NZ Schools 1 PPP (June 2020)
- Total Fund distributions
  - Reinvestment in Follow-On Investments will limit near-term distributions
- Portfolio revaluation gain
- Sales process update

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# Auckland Prison PPP Project

## Non-Custodial

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### Asset Overview

- DBFM of maximum security prison in Auckland
  - 260 new prison beds + 240 existing beds
- Financial Close: September 2015
- Operational Commencement: February 2016
- Full Service Commencement: June 2018

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### Governance and Service delivery

- PGG relationship very positive. Feedback on the AM/FM teams strong delivery was highlighted.

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### Mediation Resolution with Corrections

- The Department and NSP and its subcontractors are working towards agreement (without Deductions) on three items. All costs or Deductions, if any, are passed through NSP to its subcontractors.

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### Minimal impact from Covid-19

- Covid-19 has had a minimal impact on Auckland Prison, as an essential service. The Department provided very positive feedback of NSP's and its AM/FM contractors planning and response.
- The Refurbishment was delayed by mutual agreement of the Department by NSP by one month with no cost impact.

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### Refurbishment of existing prison almost complete

- Refurbishment of the last unit has commenced.
- Completion is due in August 2020.



# Melbourne Convention Exhibition Centre

## Part of the broader South Wharf precinct

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### Asset Overview

- Melbourne Convention and Exhibition Centre
  - 5,000 seat hall, meeting and banquet rooms and 30,000m<sup>2</sup> exhibition facility.
  - Operational Commencement: January 2009
  - Financial Close (PIP Fund investment): November 2010

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### Performance has been excellent

- Well run operation, 70% of all operating months to date have been free of any Quality Failure points.
- Nil abatements incurred in the financial year ended 2020.
- Minimal deductions incurred since operational commencement, all of which have been passed down to FM provider (no impact on equity)

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### Covid-19 has not impacted availability payments

- MCEC cancelled all events since 15th March – basic services (maintenance & security) continue to be delivered.
- Currently facility is closed until 31<sup>st</sup> August 2020 (likely to be extended)
- No impact from shut-down on availability-based payment stream.

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### Personal injury claims ongoing, low impact

- Personal injury claims raised in respect of incidents in 2013 and 2014 are progressing and are covered by insurance



# MCEC Expansion

## Second part of the project development

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### Asset Overview

- Expansion Exhibition area for MCEC
  - 7,500m<sup>2</sup> of additional flexible exhibition space and 1,500m<sup>2</sup> of additional multi-purpose space
  - Financial Close: May 2016
  - Service Commencement: July 2018

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### Performance has been excellent

- Very well-run expansion project, with no Quality Failure points and nil deductions since service commencement 2 years ago.

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### Covid-19 has not impacted availability payments

- All events cancelled since 15th March, similar to MCEC.
- Again, no impact on availability-based payment stream.

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### Defects & outstanding items

- Outstanding items, none of which are causing operational issues of significance for either the Operator or the Facilities Manager.



# Bendigo Health Village

## Key worker accommodation

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### Asset Overview

- Key worker accommodation in Bendigo, Victoria
- 120 new build units, 30 year lease
- Financial Close: April 2013
- Operational Commencement: March 2014

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### Performing in line with expectations

- Payment continue and relationships with BHCG remain positive.
- Asset remains a solid performer.

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### Covid-19 measures in place

- Pre-emptive Covid-19 measures in place to protect tenants, staff and maintain services should infection occur within the Bendigo Health Care community.

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### Refinancing Complete

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- Terms of refinancing materially improved against base case.



# New Zealand Schools 1 PPP

## First PPP transaction in NZ

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### Asset Overview

- Primary school (690 student capacity) and secondary school (1,500 student capacity) based in Hobsonville, Auckland
- Financial Close: April 2012
- Operational Commencement: Term 1 2013
- Full Service Commencement: Term 1 2014

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### Continues to perform well

- Service requirements and reporting obligations continue to be met with minimal performance failures.

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### Covid-19 Event

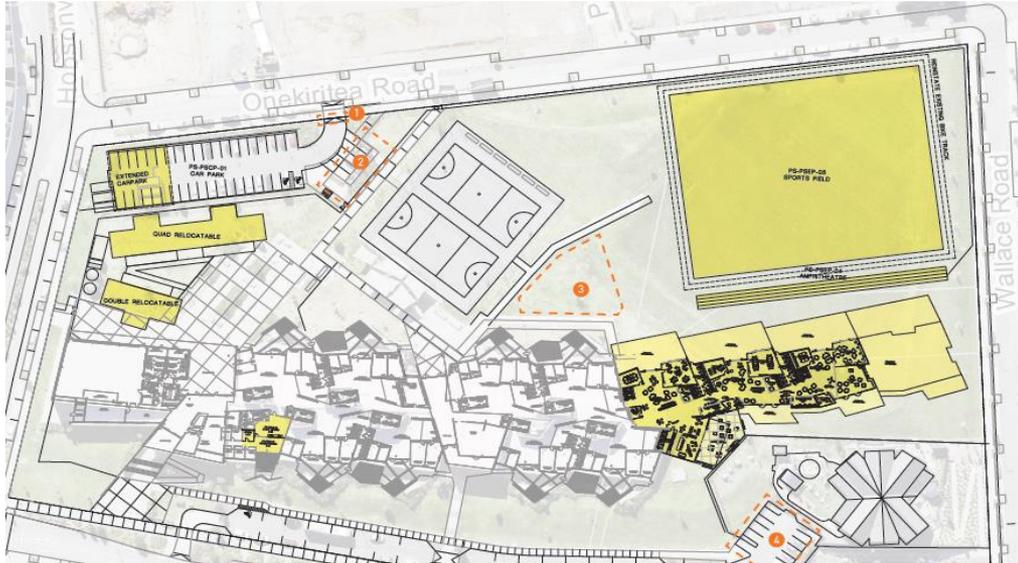
- Stakeholder communication was strong and no significant impact on the facilities during the lockdown period.
- PFM remobilised quickly and relevant relief from their service requirements and additional costs due to the event have been agreed with the Ministry.
- New lockdown, at Level 3, has not affected the project

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### Refinancing

- Terms of refinancing materially improved against base case
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# New Zealand Schools 1 PPP Expansion



## Hobsonville Point Primary School

- Expansion of the existing facility from 590 to 860 students.
- Initial concept design and construction estimate
- Preliminary design is underway, and contractor has been engaged to provide temporary modular teaching spaces to accommodate the construction.
- Contractor procurement scheduled for Q3 this year with construction to commence on site Q2 2021.



# New Zealand Schools 2 PPP

## Second schools PPP project in NZ

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### Asset Overview

- Four schools located in Auckland, Christchurch (x2) and Queenstown.
- Financial Close: 30 April 2015
- Full Service Commencement: Term 1 2018

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### Operations

- Service requirements and reporting obligations continue to be met with minimal performance failures.

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### Covid-19 Event

- Stakeholder communication was strong with no significant impact on the facilities during lockdown period.
- PFM remobilised quickly, relief from providing service requirements and additional costs incurred due to the event have been agreed with the Ministry.
- New lockdowns, at level 3 and below, have not affected operations

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### Construction Contractor Liquidation

- Some construction defects have continued to be rectified.

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### Refinancing and Change Notices

- Terms of refinancing materially improved against base case
  - Change Notices included in updated financial model
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# New Zealand Schools 2 PPP Expansion

## Wakatipu High School and Rolleston College



### Wakatipu High School

- Expansion of existing facility from 1,200 to 1,800 students, including:  
Two double storey teaching wings, New double court gym, theatre, associated external spaces, and temporary classrooms to house students
- Current status: Detailed Design & Contract Negotiations
- Current construction estimate
- Construction: Q4 2020 – Q1 2023



### Rolleston College

- Expansion of the existing facility from 1,100 to 1,800 students
- Initial concept design and construction estimate
- Preliminary design is underway, and contractor has been engaged to provide temporary modular teaching spaces to accommodate the construction.
- Contractor procurement scheduled for Q3 this year with construction to commence on site Q2 2021.



# UoW Student Accommodation

## Purpose built student accommodation

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### Asset Overview

- Purpose built student accommodation in Wollongong, New South Wales
  - 1,063 new beds + 1,631 existing beds
- Financial Close: December 2014
- Full Service Commencement: Semester 1 2018

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### Strong occupancy uplift pre-Covid

- Occupancy had been expected to increase to 83% in Semester 1 2020 (from 76% in Semester 1 2019), an increase of ~200 occupied beds

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### Covid impacts

- 2020 occupancy has declined to ~41%
- Limited impact on LLP due to underwrite

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### Relationship

- Covid related strains at the university level

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### Temporary mothballing proposed

- In May 2020, UoW provided a variation request to temporarily mothball Weerona College, Kooloobong 2 and Campus East
- Limited impact on LLP due to underwrite

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### ACP rectification

- Remediation works to remove ACP will be required on Marketview and Kooloobong 2
- UoW has confirmed a 'Compensation Event'
- Council & NSW Fire + Rescue have struggled to review large quantity of fire engineer reports.
- Interim mitigations have been implemented.

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### Refinancing complete

- Refinancing complete July 2019, at materially improved terms against base case.

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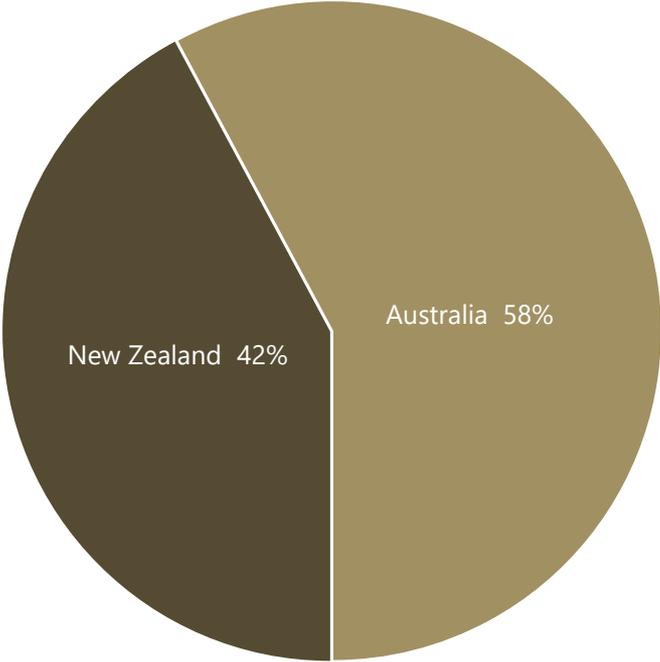
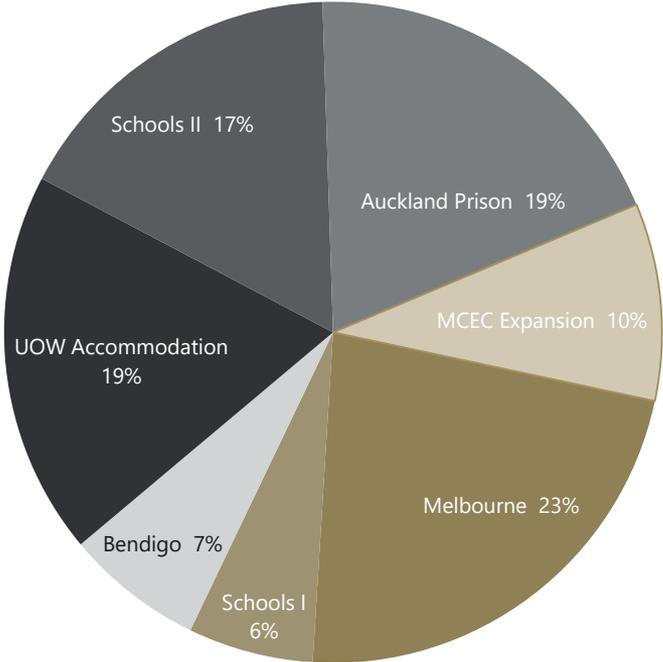
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# Investment Concentration

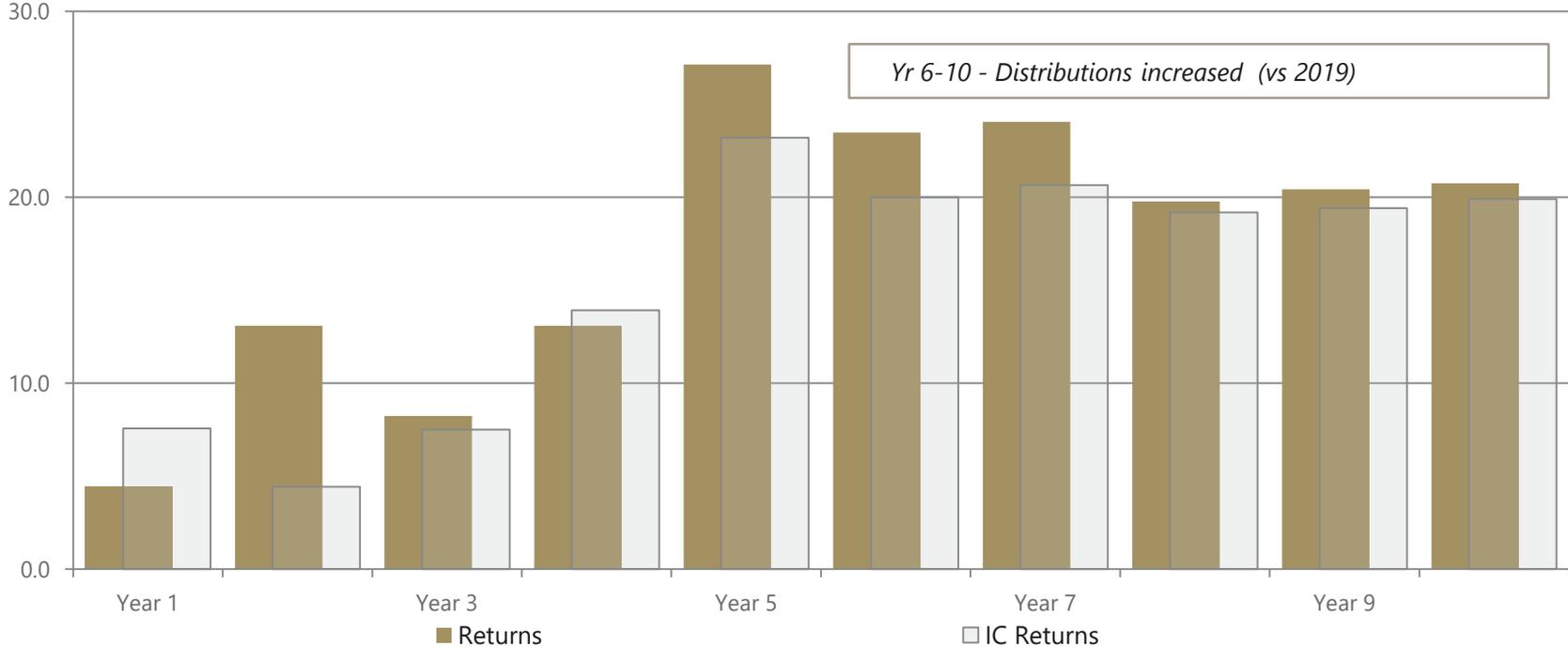
By capital invested



# Investment Returns

Portfolio Company distributions delivering above investment case

**Actual / Forecast Distributions compared to Investment Case**



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# Sale Progress

## Preferred Bidder appointed



### Progress in the year

- Process Commenced in July 2019 – 24 bidders registered for information
- Three bidders taken to Stage 2 in December 2019
- Stage 2 Completed June 2020 – 2 strong offers after Covid related delays
- One offer now selected as preferred



### OIO Considerations

- Local investor but with commercially sourced, ultra-long tenor, foreign debt
- OIO is being investigated because of the high level of gearing
- OIO consenting likely to take until Christmas



### FIRB Considerations

- Local investor but with commercially sourced, long tenor, foreign debt
- FIRB is being investigated because of the high level of gearing
- One bidder received FIRB prior to bidding – 5 month period straddling the shutdown period



### Indicative Timetable

- Process currently snagged on consenting matters
- Signing of SPA should happen in Q3 2020



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# Conclusion

## Fund prospects good

- 2019 / 20 was a busy year
  - Ran a two-stage sales process, appointed a Preferred Bidder
  - Progressed expansion opportunities for Hobsonville Schools, Schools 2
  - Executed refinancings for UoW, Bendigo and Schools 2
  - Operational asset management a core focus for Manager
- This year value enhancement/protection activity is underway
  - Executing sales process
  - Managing ongoing operational risks – refinancing risks, operating cost management
- PIP Fund prospects looking good overall
  - Investments performing at or above expectations
  - Return expectations from current assets remain attractive
  - Value maximising opportunities continue to be pursued

# Questions?

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