

A photograph of a modern building at dusk. The building features a facade of vertical wooden slats, many of which are illuminated from within, creating a warm glow. A tall, black lamppost stands in the foreground on the left. The sky is a clear, deep blue. In the foreground, there is a paved area, a grassy lawn, and some young trees.

# **Public Infrastructure Partners LP:**

## **Manager's Report to NZ SIF – August 2022**



MORRISON & CO

**PRIVATE AND CONFIDENTIAL**



# Fund Activities Year End 31 March 2022

- Fund is fully invested and the assets are in the lower risk operational phase
- NZ SIF has invested in PIP Fund SE where schools expansions are being progressed
- Refinancing work executed in 2022 (*NZ Schools 1 PPP and Auckland Prison* )
- Total distributions (cash) paid to investors NZ\$13.6 million
- Portfolio revaluation gain of 7.5% (PIP) and 27.9% (PIP SE)
  - Combined portfolio revaluation gain of 8.5%
- Sales process being investigated in 2022



# Asset assessment – Traffic light status

All PIP Fund Assets are paid for on an “availability” basis and are robust

Asset	Status	Commentary
Auckland Prison PPP	●	Risk is well contained. Revenue streams unconnected with usage and force majeure protections applicable for Covid.
Bendigo Accommodation	●	Risk is well contained, a triple net lease. Revenue streams unconnected with usage. Some small construction defect work must be undertaken this year ~A\$1.25million.
MCC and MCEC	●	Risk is well contained. Revenue streams unconnected with usage and force majeure protections applicable for Covid.
Schools 1 PPP	●	Risk is well contained. Revenue streams unconnected with usage and force majeure protections applicable for Covid.
Schools 2 PPP	●	Risk is well contained. Revenue streams unconnected with usage and force majeure protections applicable for Covid.





# 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

- Good engagement at site level with all parties regularly attending scheduled meetings, including quarterly PGG meetings.
- Project Agreement obligations continue to be met.
- The Department is pleased with operational responsiveness
- Placement of Material Damage Insurance has shifted to the Department, de-risking the project going forwards.

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### Covid

- The project is an essential service and must remain open during any lockdown.
- Services are well managed, and revenues are based upon availability

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### Projects & Expansion

- The project ongoing changes and asset improvements but these are funded directly by the Department

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### Other

- A refinancing was achieved in Q2 2022 at rates better than those anticipated when the transaction was approved
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# Melbourne Convention & Exhibition Centre

## PIP Funds first investment

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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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### Governance and Service delivery

- The Centre is back to its normal usage levels following the various lock-down periods in 2020 and 2021.
- The event calendar is well populated.
- All contractual requirements were met during the Reporting Period and response and rectification times were below the required timelines.
- Opex and Capex remain within budget allocations.

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### Covid

- Venue was closed to the public during the long and recurring lock-downs in 2020 and 2021 but is now open

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### Other

- Nothing to report
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# 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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### Governance and Service delivery

- The Centre is back to its normal usage levels following the various lock-down periods in 2020 and 2021.
- The event calendar is well populated.
- All contractual requirements were met during the Reporting Period and response and rectification times were below the required timelines.
- Opex and Capex remain within budget allocations.

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### Covid

- Venue was closed to the public during the long and recurring lock-downs in 2020 and 2021 but is now open

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### Defects & outstanding items

- In February 2022 Probuild Construction went into Administration
- A bond for outstanding defects was drawn and defect rectification has proceeded under the supervision of our FM contractor
- No financial impact is expected
- No operational impact is expected





# Bendigo Health Village

## Key worker accommodation

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### Asset Overview

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

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### Performing in line with expectations

- Relationships with BHCG remain positive.
- Rent is paid on time
- Service obligations are adhered to by BHCG

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### Covid-19

- Pre-emptive Covid-19 measures remain in place to protect tenants

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### Water Ingress

- A review of building envelope and podium (following notification of leak) was completed by an expert in Q2 2022
  - Defective design and construction will need to be remediated to address water ingress
  - Remediation work is estimated at A\$1.3 million
  - SPV now working with court recognised expert and legal to pursue Design and Build Contractor for costs incurred.
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# New Zealand Schools 1 PPP

## Hobsonville Primary School expansion

### 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

### Operations

- Project Agreement requirements are being met and regular project governance meetings continue with the Ministry of Education on both the operations phase and the expansion of the Primary School.
- Service requirements and reporting obligations continue to be met with minimal performance failures.

### Covid-19

- Operations have returned to normal under the Covid-19 traffic light system with no ongoing impacts on the facilities. Pandemic Plans are current and the Crown health order for vaccination of on-site staff has ended.

### Change Notices & Expansions

- Equity funded change notices continue to be utilised for the early design phases of the Hobsonville Point Primary expansion project.
- The Masterplan for the primary schools has been agreed
- Additional temporary modular buildings have been installed to cater for interim roll growth.

### Other

- A refinancing was achieved in Q2 2022 at rates better than those anticipated when the transaction was approved





# New Zealand Schools 2 PPP

## Second schools PPP project in NZ

### Asset Overview

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

### Operations

- Project Agreement requirements are being met and regular project governance meetings continue with the Ministry of Education on both the operations phase and the expansion of the Primary School.
- Service requirements and reporting obligations continue to be met with minimal performance failures.

### Covid-19

- Operations have returned to normal under the Covid-19 traffic light system with no ongoing impacts on the facilities. Pandemic Plans are current and the Crown health order for vaccination of on-site staff has ended.

### Construction Contractor Liquidation

- Bond funds, \$7.4m continues to be held by the SPV to cover all subcontractor's obligations.

### Change Notices & Expansions

- Wakatipu School Expansion - the builder has managed to mitigate many of the recent material supply issues and Covid delays. Separable portions of the expansion have been delivered on time with a large double gym due to be delivered in January next year (on track)
- Rolleston School Expansion – Financial advisers appointed, design has progressed and trade pricing is underway. Financial close is targeted for Q4 this year

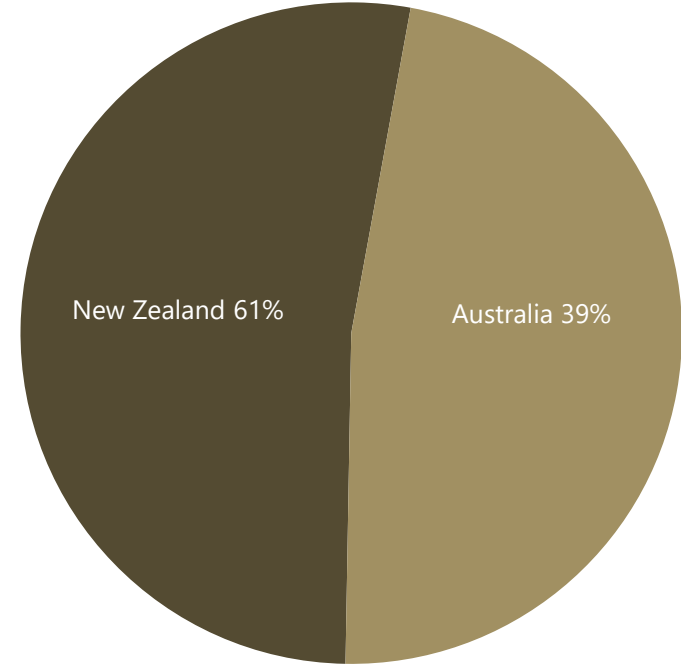
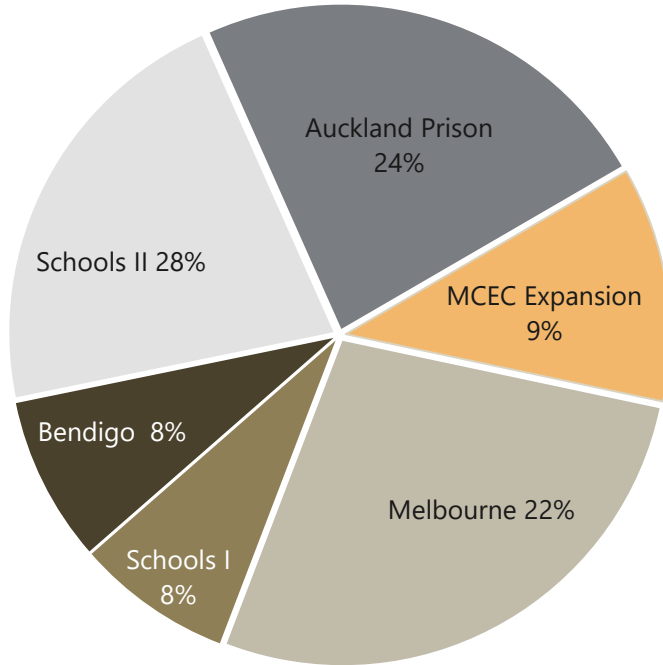
### Other

- Nothing to report



# Investment Concentration

## By capital invested

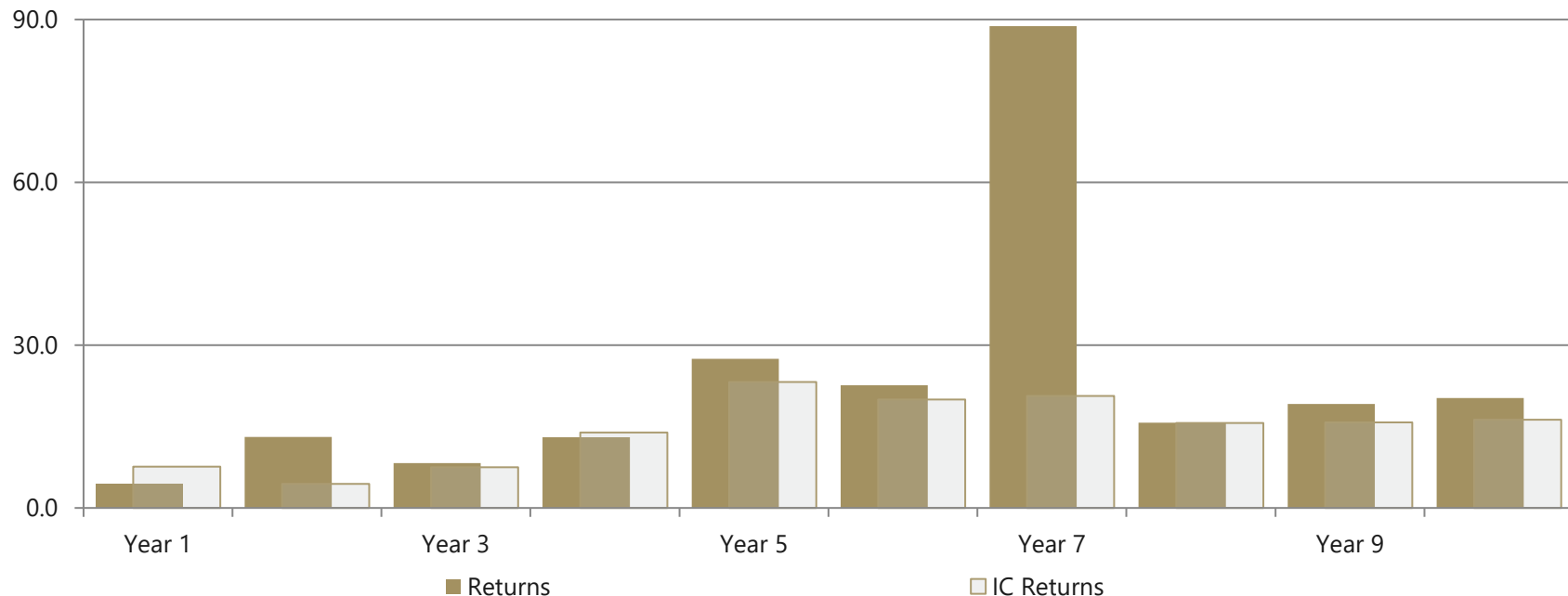




# Investment Returns Are On Track

Portfolio Company distributions delivering above investment case

Actual / Forecast Distributions compared to Investment Case

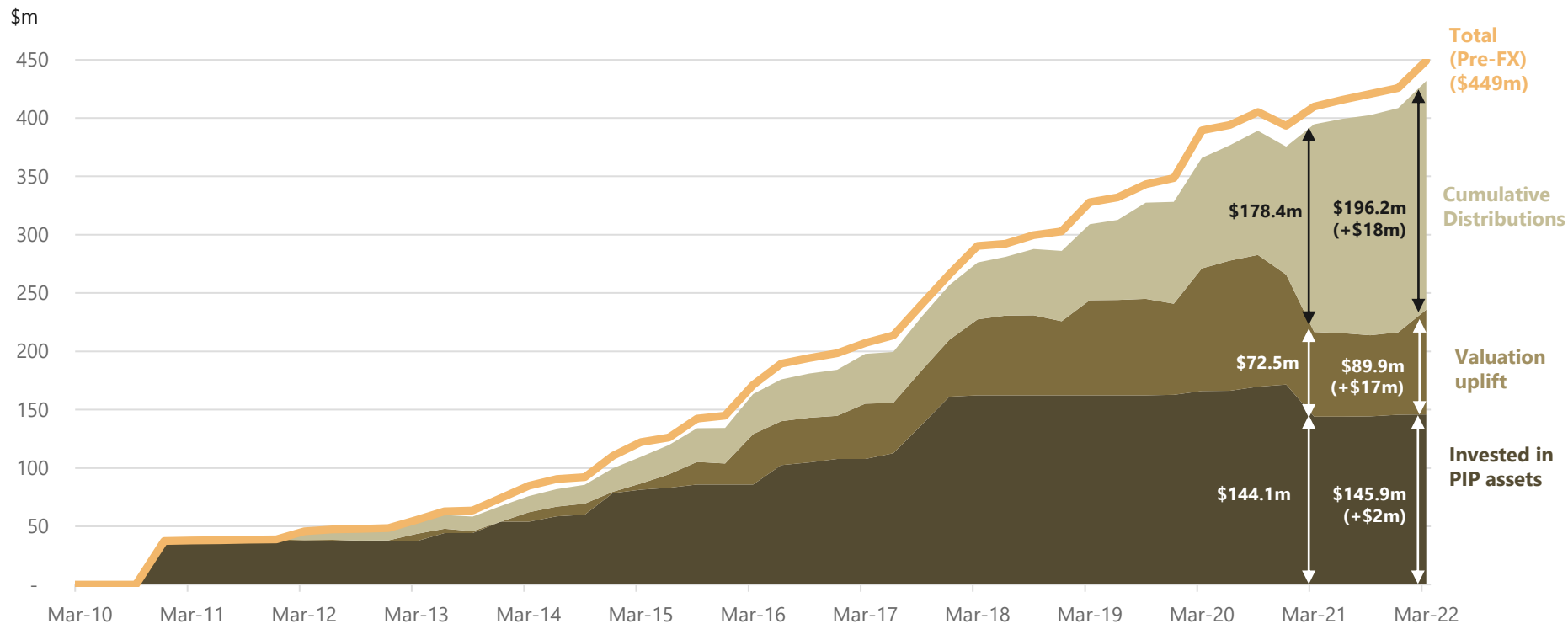


Note: PIP I assets only, excludes UoW IC returns from Year 8



# Asset Performance (Before FX, Fees & Tax)

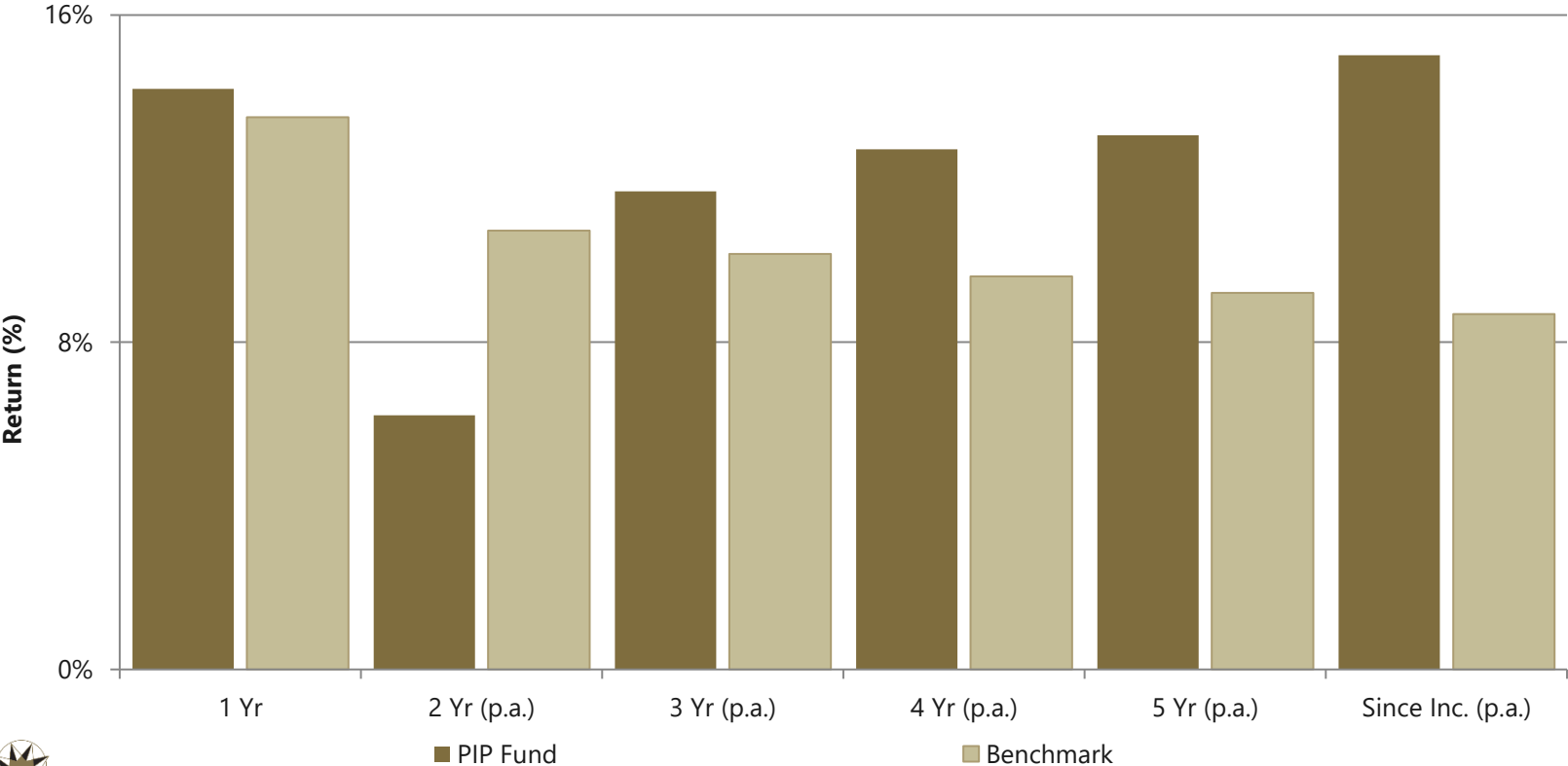
The combined PIP/SE portfolio continues its upward momentum





# Portfolio Returns to 31 March 2022

PIP's benchmark returns illustrate the impact of the current inflationary environment





# Conclusion

## Fund prospects good

- 2021/22 was a busy year
  - Managing the impact of Covid to ongoing service delivery is now much less of a burden
  - Financial close achieved on Wakatipu school expansion and Rolleston schools expansions is progressing well
  - Other schools expansions are starting to move
  - Refinancing several project level facilities has been achieved at value-enhancing margins
- Value enhancement/protection activity continues
  - Managing ongoing operational risks – refinancing risks, operating cost management
- PIP Fund prospects continue to look good
  - Investments performing at or above expectations
  - Return expectations from current assets remain attractive
  - Value maximising opportunities continue to be pursued
  - A sale of the portfolio is possible in the next 12 months



# Questions?



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