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## **Infratil Newsletter - March 2025**

The first quarter of the new calendar year has been marked by uncertainty and volatility across global markets. In recent weeks, equity markets have experienced heightened fluctuations, driven by escalating trade tensions and the introduction of new tariffs. These developments have raised investor concerns about inflation and economic slowdown, leading to significant declines in most major indices. Additionally, investors are closely monitoring policy changes and technological advancements.

Our share price has not been immune to the sell-offs impacting global markets. We also acknowledge that some of the recent share price weakness may reflect broader industry uncertainty around key areas of our portfolio - New Zealand's economic outlook (One NZ), hyperscale demand for AI deployments (CDC), and US renewables (Longroad Energy).

However, in times of heightened uncertainty, quality becomes an important differentiator. Infratil's strategy has always been built on backing high-quality assets, great management teams who are invested in their businesses, and structural tailwinds that drive sustainable, long-term growth.

While markets can fluctuate in the short-term, our focus remains on the core themes underpinning our investment strategy and careful, patient capital allocation. The AI revolution, for example, presents a transformational opportunity - particularly in digital infrastructure – and is still in its early stages.

We recognise the share price discount to net asset value has grown and reiterate that the board and management are focused on activities that will help to reduce that gap. Despite the current share price our 10-year shareholder return remains strong at 17.4%, against our rolling 10-year target of between 11-15% per annum. Our [target return](#) acknowledges that “company performance varies from year to year, for reasons to do with the company and reasons in the market as a whole. To reduce the effects of this “noise”, we set our targets for 10-year periods”.

Shareholders may have noticed recent share purchases by directors and senior management - including the CEO and CFO, as announced to the NZX - demonstrating their confidence in Infratil's outlook.

### **One NZ**

One NZ continues to perform in line with expectations, demonstrating resilience amid the current economic challenges in New Zealand. With reduced overall exposure to the government and enterprise sectors, One NZ is less affected by the downturn compared to its competitors as it navigates a complex landscape of recession. It also

adjusted its cost base early and has looked to lift pricing where possible to mitigate these impacts even in the face of ongoing discounting from competitors.

One NZ remains on track to meet the middle point of its FY2026 guidance of NZ\$580 to \$620 million, as announced in May 2024.

It continues to invest in bold moves such as the Satellite TXT service with Starlink to drive competitive advantage. More than 300,000 New Zealanders can now experience the benefits of One NZ [Satellite TXT](#) as the initial service widens eligibility to more devices with message delivery speeding up and are sending over 11,500 text messages a day. With over 500 Starlink direct to mobile satellites now in space and a launch plan to grow this significantly, the partner that One NZ has chosen will have a multi-year advantage over other potential providers. Both businesses and individuals are recognising the benefits of the coverage now provided, and realising productivity and health and safety benefits.

## **CDC**

We have received numerous investor inquiries regarding the outlook for data centre operators, of course given our largest investment, CDC.

We recently announced that we exercised pre-emption rights to acquire an additional 1.58% stake in CDC for ~A\$216 million, alongside Future Fund, which is acquiring 10.46%. Importantly, the transaction price of A\$13.7 billion (100% equity) was set in an auction process involving only third-parties, reinforcing the strong demand across private markets for this sector and CDC. Based on the transaction price the implied value of Infratil's investment is A\$6.6 billion, a 34% premium to the last independent valuation of A\$4.9 billion as at 31 December 2024. On settlement, which is conditional on regulatory approvals, this investment increases Infratil's holding to 49.75%, reinforcing our confidence in CDC's long-term growth and the powerful digital infrastructure tailwinds supporting it. With this increased stake, Infratil gains additional governance rights, and we look forward to working alongside Future Fund and CSC to support CDC's strategic direction and continued expansion.

Earlier this week, we held a briefing with institutional investors and CDC CEO and Founder Greg Boorer. He reinforced key elements of CDC's current and future success and some insights into the current market:

- CDC stands out in the data centre industry by focusing on flexible, future-proof solutions for customers. Unlike other providers who can impose limitations, CDC designs its data centres to adapt to evolving technology.
- The industry is seeing an increase in the size and complexity of contracts, with hyperscalers driving demand for large, multi-year agreements. However, this growth introduces new risks, including supply chain challenges and the pressure to meet tight deadlines.
- CDC has a strong track record with major hyperscalers, positioning it well in a market where contract sizes and complexity are steadily increasing. While demand from hyperscalers can fluctuate, CDC is fortunate to have established relationships, contracts, and forward work programmes with all the major hyperscalers, allowing it to effectively balance these variations in demand.

- As demand for data centres grows, CDC is expanding its capacity, with over 400MW under construction and a 1.6GW pipeline in development. Despite increasing competition, CDC maintains a strong position by securing land, building strong relationships with energy interconnection providers, and having seven data centres currently under construction.
- CDC has also been a pioneer in cooling technology, having used an innovative closed-loop cooling system to increase water efficiency across all data centres. Having this existing infrastructure in place, including the reticulation of water throughout its data centres, positions CDC well for the emerging needs of AI and supercomputing workloads.
- With its strong customer base, operational history, and strategic focus, CDC is set for continued growth, offering long-term, scalable solutions to meet the evolving demands of the data centre market.

CDC continues to scale its platform with the [launch](#) of a new 150MW data centre campus in Laverton, Melbourne. This expansion reinforces CDC's role in providing secure, reliable, and sustainable digital infrastructure to support government, research, education, and technology sectors. When complete, the Laverton campus - alongside CDC's existing Brooklyn campus - will bring significant new data centre capacity to the Victorian market.

## **Longroad Energy**

Investor discussions have also centred on our investment in Longroad Energy in the United States, given the new government there. To provide insight, we also recently hosted a briefing for institutional investors with the Longroad Energy management team, where key takeaways included:

- The expectation is that the Inflation Reduction Act (IRA) is unlikely to be fully repealed due to enough bipartisan support for key elements that are important to Longroad Energy, although they are likely to be rebranded and potentially reduced. These key elements are tax credits for investment in solar and battery storage projects, particularly using USA manufactured equipment.
- Reduced tax credits are expected to increase power purchase agreement (PPA) prices for future projects, leaving project economics to remain broadly the same, particularly as the demand for new generation increases and volatility and the need for scale continues to make it harder for new players to enter.
- Longroad has adopted a strategy to grandfather projects under the current tax regime, with projects through to 2027 now safe-harboured. This means those projects should be able to proceed without significant disruption over the next two years, while the IRA reforms proceed and bed down.
- The tax equity market (where external investors provide capital for renewable projects in exchange for tax benefits, such as credits and depreciation, to reduce their tax liability) has stabilised, and the PPA market remains resilient, with customers prioritising power supply over just renewable energy.
- Longroad sets a 1.5GW per year growth target but only achieved half in 2024. Delays were due to complexities in the interconnection process and issues with PPA counterparties (e.g., state or city approvals).

- While timelines for approval for interconnection to transmission networks are improving (3-5 years nationally, with California and Texas at the extremes), Longroad's diverse project pipeline (28GW through 2032) and secured interconnections for 2025-2026 mitigate these challenges. Merger and acquisition strategies are also being employed to fill gaps in the pipeline.
- Despite the delay, Longroad exceeded its targets to generate US\$300 million in net present value annually, as 2024 projects showed a doubling of unit economics, aided by IRA incentives.
- The target operating company run rate EBITDAF (the 5-year average EBITDAF once projects are operational and counted from when construction begins) remains US\$600 million by December 2027. Once Financial Close is reached, the project is considered largely derisked, though there is often a delay (up to 24 months) before this is reflected in financial statements due to the timing of construction.
- Longroad is well-funded through 2027 to meet its targeted US\$2 billion in capex annually, US\$1.7 billion of which is covered by project-level financing.

Longroad Energy also recently [finalised](#) a long-term Power Purchase Agreement with Meta for the entire output of its largest solar project to date, the 300MWac (400MWdc) 1000 Mile solar project in Yoakum County, Texas. Longroad and Meta have now worked together on more than 1.3GW of projects.

Longroad has successfully developed six wind and solar projects in Texas, but 1000 Mile is the first project that Longroad has developed within Texas's Southwest Power Pool footprint. The project is expected to achieve commercial operations in 2026.

## **Updates across the rest of the portfolio**

### ***Digital***

**Kao Data** has [announced](#) the construction of KLON-03 - a new, 17.6MW high performance data centre located at its Harlow campus. KLON-03 will be engineered to enable hybrid-cooling, allowing users to deploy direct-to-chip liquid cooling infrastructure alongside more traditional air-cooled servers within the same Technology Suite.

### ***Renewables***

**Gurin Energy** [achieved](#) a major milestone with the completion of its first operational project - the 75MW Palauig Solar Power Plant in the Philippines. Located in the municipality of Palauig, Zambales Province, the 80-hectare Palauig Solar Power Plant has installed 136,363 of the latest ground-mounted, energy-efficient solar photovoltaic panels. This marks an exciting step forward in delivering clean, renewable energy to the region.

Gurin also continues to progress Project Vanda, its US\$2.5 billion project to deliver non-intermittent renewables to Singapore. Having received a conditional licence from Singapore's Energy Market and signed a panel procurement framework, work is now progressing to undertake the subsea survey and undertake an Engineering, Procurement, and Construction tender.

Finally, Gurin continues the development of its 500MW Battery Energy Storage System (BESS) project in Japan. For its first phase, 240MW, the land has been secured; in-principle grid connection approval has been received; Contractor selection is underway; and financing discussions have begun.

**Galileo** continues to progress its development pipeline which stood at 13.5GW of dedicated projects at the end of the last quarter. Galileo now has 'in-country' origination capability in Italy, Germany, Poland, Sweden, UK, Ireland and France. Most recently Galileo expanded its renewable energy footprint in Europe with the [acquisition](#) of Quénéa's development business in France.

### ***Healthcare***

**Bay Radiology's** new flagship clinic is now fully open, bringing world-class medical imaging services to the Bay of Plenty. This purpose-built, 3,000-square-metre facility is the largest medical imaging clinic in New Zealand, offering a full suite of diagnostic services under one roof.

This is another great milestone for **RHCNZ Medical Imaging** and Bay Radiology as they continue to enhance healthcare access and outcomes across New Zealand.

It was all hands-on deck at **Qscan** responding to the recent tropical cyclone that passed through south east Queensland and northern NSW. Significant preparation was undertaken in the days leading up to the cyclone and immediately after the event, with staff working around the clock to reopen the clinics. Four clinics were closed on the first day of trading after the cyclone; three of those clinics opened the next day and the fourth clinic was another two days, with residual flooding in the surrounding area limiting access. No staff or patients were injured, and at the time of writing, no permanent damage was sustained.

**RetireAustralia** was also impacted by access and, to a lesser degree, power outages (backup generators were deployed). The team was well prepared and there were no impacts to the health and safety of staff or residents.

We appreciate the dedication of our local teams, who prioritised the safety of staff, patients, and residents while working tirelessly to reopen clinics and safeguard our villages.

### ***Airports***

Following the [announcement](#) to invest \$500 million in infrastructure over the next five years, **Wellington Airport** [has pushed the go button](#) on a \$20 million upgrade of retail and hospitality sites, including a new multi-level bar and duty-free provider.

A new two-storey bar and café will be built in the centre of the terminal above the current Blue Lady outlet, offering expansive views across the runway and Lyall Bay. This is expected to be open in the second half of 2025.

The airport also has a new duty-free operator after signing a contract with international provider LagardereAWPL following a competitive tender process late last year.

### ***Other news***

Following the **Contact Energy** announcement that it had entered into a Scheme Implementation Agreement to acquire 100% of **Manawa Energy**, the Commerce Commission has published a Statement of Issues relating to the application. The Statement of Issues outlines what the Commission considers to be the potential competition issues with the acquisition following its initial investigation.

Contact and Manawa have each provided substantive supporting evidence to the Commission as part of its ongoing assessment process and will continue to assist the Commission in its understanding of the matters noted in the Statement of Issues.

The Commission is currently scheduled to make a decision on the application by 31 March 2025.

We appreciate the continued support of our investors as we navigate an evolving market environment and pursue opportunities to drive long-term value. Your engagement and insights are invaluable, and we look forward to keeping you updated on our progress.

With strong momentum across the portfolio and exciting developments ahead, 2025 is shaping up to be another significant year for Infratil. We look forward to continuing to engage with you and sharing more on the opportunities that lie ahead.

For additional updates, please follow Infratil on [LinkedIn](#).

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