



# ASX RELEASE

## Infigen Energy

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## FY18 INTERIM RESULTS AND EARLY REFINANCING ANNOUNCEMENT

Infigen Energy (ASX: IFN) today released its interim financial results for the 2018 financial year (FY18).

Infigen's net profit after tax for the six-month period ended 31 December 2017 increased to \$26.7 million, up \$5.3 million on the prior corresponding period (pcp).

### SUMMARY OF PERFORMANCE

|                             |  |   |
|-----------------------------|--|---|
| <b>Production</b>           | 854 GWh, decreased 35 GWh (-4%) on the pcp                         | Lower wind across the portfolio partially offset by improved turbine and network availability   |
| <b>Revenue</b>              | \$118.2 million, increased \$2.8 million (+2%) on the pcp          | Higher electricity prices, partially offset by lower LGC prices and lower production sold   |
| <b>Underlying EBITDA</b>    | \$88.0 million, increased \$4.0 million (+5%) on the pcp           | Higher revenue, lower corporate and development costs, partially offset by higher operating costs   |
| <b>Net profit after tax</b> | \$26.7 million, increased \$5.3 million (+25%) on the pcp          | Stronger operating result   |
| <b>Operating cash flow</b>  | \$49.2 million, increased \$16.2 million (+49%) during the period  | Lower net finance costs and timing of LGC settlement  |
| <b>Net debt</b>             | \$442.0 million, increased \$39.9 million (+10%) during the period | Debt repayment of \$44.4 million (\$41.1 million Global Facility borrowings and \$3.3 million Woodlawn facility borrowings) and a drawdown of debt to construct the Bodangora Wind Farm |

Infigen's Managing Director, Ross Rolfe, said, "Infigen has achieved solid first half results. Importantly we have made substantial progress on the transition of the business in response to the evolutionary pressures that have emerged in the Australian energy market. We now have a diversified sales portfolio that should deliver greater stability into our revenue streams in line with our five year targets for a balanced portfolio."

"We are pleased to report that the transition to the new fleet-wide operations and maintenance (O&M) agreement with Vestas has been successfully implemented, effective on 31 December 2017," said Mr Rolfe.

"The construction of the Bodangora Wind Farm is on budget and remains on track to commence commercial operations in Q1 FY19," said Mr Rolfe.

### STRATEGY UPDATE

The 5 year business plan for the transition of Infigen's business to an active participant in the Australian energy markets has three priorities:

1. Ensuring Infigen achieves appropriate value from the existing portfolio of assets on a risk adjusted basis;



2. Expanding the regions in which Infigen produces and supplies capacity in response to market signals; and
3. Creating a capital structure to better support Infigen's business strategy.

Over the last 12 months Infigen has moved to diversify its channels to market beyond a reliance on run of plant Power Purchase Agreements (PPAs). A particular focus has been delivering energy supply solutions to commercial and industrial customers (C&I). As a result over the 5 year outlook Infigen has rebalanced the portfolio to include 1/3 of expected generation production contracted under PPAs and 1/3 to C&I customers and the wholesale market. The balance is sold into the spot market. There is an opportunity for further expansion coupled with firming options.

The effectiveness of Infigen's strategy requires it to address the limitations of intermittency of supply. Infigen has conducted a detailed examination of options available to meet these requirements including storage, generation and contracting.

Infigen has made considerable progress on assessing optimal funding of the construction of the Cherry Tree Wind Farm, which is now investment ready. The manner and timing of proceeding can depend on the outcomes of government processes, the viability of the capital "lite" strategy through being the offtaker of a PPA with potential third party capital providers, and the overall energy market outlook.

Substantial progress has been made in relation to creating a capital structure to better support Infigen's business strategy with the launch of an underwritten term loan today.

## **UNDERWRITTEN TERM FACILITIES<sup>1</sup>**

In 2017 Infigen foreshadowed that it was exploring the merits of an early refinancing of its global debt facility which has a maturity date of 31 December 2022 and the Woodlawn Facility (Refinancing) to better support the execution of the business strategy.

Subsequent to a detailed exploration of the possible capital structure options, the Board has determined that it is in Infigen's best interest to refinance the debt early through a new Australian dollar Facility with the Term Facilities provided by the institutional market and the Liquidity Facilities provided by the traditional bank market.

Infigen has entered into a Commitment Letter in respect of \$525 million Term Facilities with 5-year maturity. Goldman Sachs is providing the financing commitment, subject to agreed terms and conditions. Infigen is seeking \$80 million of Liquidity Facilities with a 5-year maturity.

The Refinancing is targeted for closing by 31 March 2018, but ultimately the timing will be determined by the optimal outcome based on the syndication process. Given the underwriting of the Term Facilities the risk to closing is considered low.

Len Gill, Chairman commented, "The Board is very pleased with this outcome. It will allow the team to focus on the continuing transition of the Infigen business. The tenor and terms of the Term Facilities provide the flexibility required to operate in a dynamic energy market."

Further details about the Refinancing, considerations and pro forma information are included in the Appendix.

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<sup>1</sup> The Term Facilities are underwritten. The Liquidity Facilities are not underwritten.



## OUTLOOK

The period from January to June is historically a lower production period than the period from July to December, however, wind conditions are uncertain. Infigen's new O&M agreements are designed to deliver optimal production outcomes through production-linked incentives. Infigen will continue to disclose monthly production data to the market.

Electricity spot markets continue to be volatile, but fundamentals remain strong. H2 FY18 spot electricity market and short term contract markets are expected to remain in line with H1 FY18.

The strong LGC prices experienced in H1 FY18 are expected to continue throughout H2 FY18.

As Infigen's transition to an energy markets company continues, revenue will be further influenced by contracting volumes to provide greater stability.

The expected FY18 portfolio-wide price range is \$133-139/MWh with a slight bias toward the upper end of the range.

As previously disclosed some modest costs may be incurred with the transition of the O&M services at Capital and Woodlawn Wind Farms to Vestas. To date costs have been approximately \$0.5 million. Any costs associated with any pre-existing conditions prior to the transition are expected to be in the low single digit millions and may not be incurred in H2 FY18.

As previously outlined at FY17 Results, FY18 corporate costs are expected to be approximately \$13.5 million.

## ENDS

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## About Infigen Energy

Infigen is a business actively participating in the Australian energy market. It is a developer, owner and operator of generation assets delivering energy solutions to Australian businesses and large retailers.

Infigen has 557 MW of installed generation capacity across New South Wales, South Australia and Western Australia with a further 113 MW under construction in New South Wales. It sells electricity and Large-scale Generation Certificates (LGCs) through a combination of medium and long term contracts and through the spot market.

Infigen trades on the Australian Securities Exchange under the code IFN.

For further information please visit our website: [www.infigenenergy.com](http://www.infigenenergy.com)

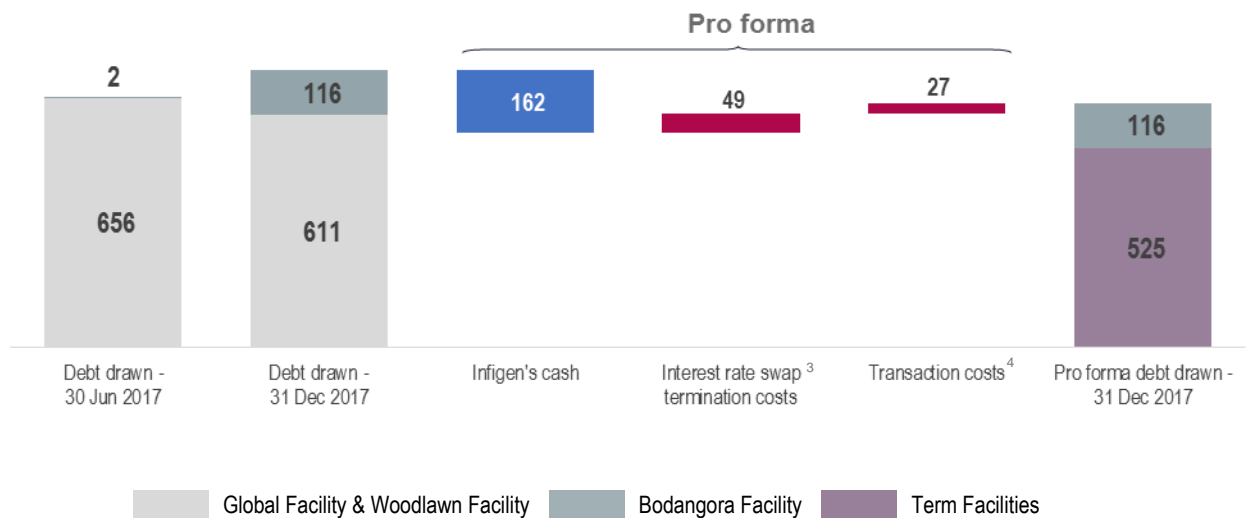


## APPENDIX: REFINANCING

### OVERVIEW OF 5-YEAR SYNDICATED FACILITY

| Term Facilities – Senior Secured and Underwritten  | Liquidity Facilities – Super Senior Secured  |
|--|--|
| \$525 million Term Facilities comprising: <ul style="list-style-type: none"> <li>— \$160 million Amortising Term Facility</li> <li>— \$365 million Bullet Term Facility</li> </ul> | \$80 million Liquidity Facilities comprising: <ul style="list-style-type: none"> <li>— \$60 million Bank Guarantee and Letter of Credit Facility</li> <li>— \$20 million Working Capital Facility</li> </ul> |

### PRO FORMA DEBT DRAWN ASSUMING REFINANCING AT 31 DECEMBER 2017<sup>2</sup>



<sup>2</sup> Numbers prepared on a pro forma basis to reflect the effect of the Refinancing on the 31 December 2017 drawn debt balances. Numbers will change to reflect actual principal repayments, interest payments, break costs and transaction costs as at the Refinance date.

<sup>3</sup> The cost of the interest rate derivative termination will be expensed in the profit and loss and is tax deductible.

<sup>4</sup> The estimated transaction costs include advisory and upfront fees and contingent costs only payable upon completion of the Refinancing. The Term Facilities in the financial statements will be brought to account net of the transaction costs.



## INFIGEN'S CONSIDERATIONS

- ✓ **Amortisation profile that allows flexibility for growth and distributions**
  - Cash flow available to support growth strategy.
  - Capacity to consider reintroduction of distributions.
- ✓ **Operate the business as a whole**
  - Flexibility to operate the business as one portfolio rather than a series of project finance entities.
  - Liquidity Facilities will support execution of the business strategy – counterparty credit support, ASX and futures support.
  - Corporate style security – less restrictive on operation of the business and lower cost and reduced time to implement.
  - Ability to add incremental facilities if required, to support future growth.
- ✓ **Costs**
  - Margin paid delivers flexibility regarding quantum, amortisation and covenants, but likely not at a reduced interest rate
- ✓ **Assessment**
  - The Board has determined that the flexibility benefits significantly outweigh implementation costs.
  - Significant debt pay-down is required of the Global Facility to achieve refinancing at any time
  - Cash on balance sheet used today is replenished over time from free cash flow from operations
  - Debt markets are currently open and available