



# ASX RELEASE

## Infigen Energy

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18 December 2018

## **INFIGEN COMPLETES CAPITAL LITE TRANSACTION FOR CHERRY TREE WIND FARM AND REVIEWS DEVELOPMENT PIPELINE**

Infigen Energy (ASX: IFN) today announced that financial close has been reached in relation to the construction of the 57.6MW Cherry Tree Wind Farm near Seymour in Victoria on a 'Capital Lite' basis with the John Laing Group acquiring 100% ownership of the project.

Cherry Tree Wind Farm was identified in 2017 as a likely next development within Infigen's pipeline of development and growth projects. The key features of the transaction with the John Laing Group are:

- Infigen has sold the development for \$6.5 million. The John Laing Group has arranged debt financing for the project and will own and fund the construction of the wind farm going forward.
- Infigen has entered into a run-of-plant power purchase agreement (PPA) under which Infigen will purchase all the electricity and green products (currently LGCs) produced by the Cherry Tree Wind Farm for a term of 15 years after the commencement of commercial operations of the wind farm.
- Infigen will manage the construction process for the John Laing Group and provide asset management services in relation to the Cherry Tree Wind Farm for a term of 8 years after the commencement of commercial operations of the wind farm.

Cherry Tree Wind Farm will provide a valuable source of new generation for Infigen in the Victorian market, which Infigen identified as an important and growing market in which to execute its Multi-Channel Route to Market sales strategy. Combining Cherry Tree Wind Farm with Infigen's existing Kiata Wind Farm PPA creates a firmer portfolio of two geographically diverse Victorian wind farms. When operational, Cherry Tree Wind Farm is expected to produce approximately 182 GWh per annum of electricity which Infigen will sell in accordance with that sales strategy.

Infigen's Managing Director Ross Rolfe said, "Together with John Laing, we are pleased to have achieved financial close in relation to our first wind farm project in Victoria using a Capital Lite investment structure with John Laing as owner. Strong customer demand, the need to replace withdrawn coal-fired generation capacity and the drive to a lower emissions economy make Victoria a highly attractive market for Infigen. The Cherry Tree Wind Farm is set to provide a number of benefits for Victoria and the local community as well as furthering Infigen's growth and development in the state."

"We welcomed the opportunity to work with the John Laing Group who recognised the value of the project and Infigen's development capabilities. We look forward to delivering the project and then selling the Cherry Tree Wind Farm's generation within our expanding Victorian business".

Infigen's Capital Lite strategy allows it to grow its generation available for sale without increasing its capital investment in new plant, thereby preserving available capital for the development of firming options and further investment in customer service capabilities. Infigen's growth strategy seeks to expand and diversify its commercial & industrial (C&I) customer base, increase its reliability of revenues and preserve and create value for Infigen security holders.



Construction of the Cherry Tree Wind Farm is expected to commence in the first quarter of 2019, with an expected construction period of 17 months. The project is expected to contribute an estimated eighty direct jobs during construction and five permanent jobs during its operating life, creating significant economic activity in the local region. The expected annual generation output from the wind farm will equate to powering 37,000 average Victorian households and avoid the emission of 200,000 tonnes of CO<sub>2</sub> annually.

Further details about the Cherry Tree Wind Farm are in Appendix A.

### **Impairment of Development Assets**

The process associated with bringing the Cherry Tree Wind Farm to financial close has caused Infigen to consider the value of its development assets more generally. Changes to the requirements of network owners and regulators as well as in conditions in certain regions of the National Electricity Market have increased the cost and risk to realising the value of certain projects within our development pipeline.

Generic factors that are placing upward pressure on costs and time frames for development projects include AEMO's stricter regulatory power system stability requirements, potential additional costs associated with grid connection, increasing government regulation and the evolution of the requirements of planning agencies. These factors are exacerbated by the unprecedented level of national energy policy uncertainty and the returns that investors expect if they are to accept the risk associated with investing in these conditions.

In addition to assessing these broader factors that influence the market generally, the Infigen Board has examined the specific regional market conditions associated with each development project. In Queensland, for example, the dramatic increase in solar development has altered our view of the prospects for and value of solar development in that state in the near to medium term. As a result, the Board has determined that the Queensland solar pipeline is not likely to be developed by Infigen in the foreseeable future and additional costs would likely be incurred in reaching financial close for other pipeline projects. Against this determination a non-cash impairment of approximately \$9-10 million is expected to be recognised in FY19 in relation to Infigen's development assets. The impairment is non-cash in nature and has no effect on Infigen's banking covenants or free cash flow from operations.

Infigen's development assets represent expenditure incurred in the creation of the development pipeline and are classified as intangible assets on the balance sheet.

Infigen remains of the view that its pipeline of development assets creates substantial optionality to create additional capacity to grow its business over time, whether on balance sheet or through the Capital Lite strategy. Future investment by Infigen in additional capacity (and the timing of that investment) remains subject to the matters previously outlined to the market. Strong regional market signals for new capacity and Infigen's assessment of customer demand remains central to that analysis.

### **ENDS**

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### **About Infigen Energy**

Infigen is a leading Australian Securities Exchange (ASX) listed energy market participant delivering energy solutions to Australian businesses and large retailers.

Infigen supplies clean energy from a combination of renewable energy generation and firming solutions available from the broader energy market to Australian business customers.

Infigen is a licensed energy retailer in the National Electricity Market (NEM) regions of Queensland, New South Wales (including the Australian Capital Territory), Victoria and South Australia. The company has wind generation assets in New South Wales, South Australia and Western Australia. Infigen is also developing options for firming in the NEM to support its business strategy.

Infigen is proudly Australia's largest listed owner of wind power generators by installed capacity of 557MW, with a further 113.2MW under construction in New South Wales, and actively supports the communities in which it operates.

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



## Appendix A – Cherry Tree Wind Farm

<b>Installed Capacity</b>	57.6MW
<b>Expected Annual Output</b>	~182 GWh
<b>Turbines</b>	16 x 3.6MW V136 Vestas turbines
<b>Location</b>	Seymour, Victoria
<b>Developer</b>	Infigen
<b>Owner</b>	John Laing Group
<b>Estimated Construction Period</b>	17 months
<b>EPC Contractor</b>	Vestas – Australian Wind Technology Pty. Limited
<b>Construction Management</b>	Infigen will provide construction management services during the construction phase of the wind farm for a commercially agreed fee
<b>Asset Management</b>	Infigen will provide asset management services during the operational phase of the wind farm for a term of 8 years after the commencement of commercial operations for a commercially agreed fee
<b>PPA</b>	Infigen will purchase 100% of the electricity and green products (currently LGCs) for a term of 15 years after the commencement of commercial operations