

DELOITTE/MANAGEMENT MAGAZINE COMPANY OF THE YEAR

Infratil

ASTUTE INVESTMENTS

Successfully implementing New Zealand expertise around the globe is key to the winning formula of infrastructure company Infratil. Its long track record of consistent success went through the roof this year with the company returning a 336 percent increase in profit and jumping from a ranking of 95 in last year's Top 200 list to 41 this year.

On top of this, Infratil manages to constantly return at least 20 percent profits to shareholders. They say they will – and they do and it's a record like that which keeps investors happy.

The company was founded in early 1994 and listed on the New Zealand Stock Exchange (now NZX) later that year. With interests in the domestic electricity, port and airport sectors, Infratil made its first overseas investment in 2001 buying Scotland's Glasgow Prestwick Airport. It hasn't looked back.

Infratil currently owns and operates numerous businesses in the energy (mainly renewable), airport and public transport sectors. Its energy operations are predominantly in New Zealand and Australia, while the company also owns Wellington airport and three airports in Europe as well as public transport services in Auckland and Wellington. An investor who subscribed to the company's initial share float in March 1994 would have received a return of over 20 percent per annum after tax over the subsequent period.

The company's self-stated long-term aims are to acquire and manage large infrastructure and utility assets and to maximise returns while developing a high quality income stream. It aims to provide sustainable returns for shareholders by running its businesses on world-leading standards of performance – operationally, financially and in terms of service delivery.



Infratil is also known for commitment to, and investment in, its people. Managing director Lloyd Morrison chooses only the best, expects a lot from them in terms of performance, and rewards them well. It's a recipe which has proven very successful.

Infratil is expected to expand further and this, coupled with its low risk factor, makes it a broker's darling – they applaud its track record of creating shareholder wealth and growing its net asset value. Currently undertaking a \$175 million capital raising, expectations are for further expansion when this is completed.

The secret to this long-term performance is Infratil's judicious investment strategy which sees the company invest in quality assets with a long-term vision. They choose investments which will return an above average return to shareholders. Once financially committed, Infratil makes it its business to get involved in the assets – via management and/or board positions.

One such shareholding is Auckland International Airport – of which Infratil is the fifth largest shareholder via its eight percent stake (in partnership with the New Zealand Superannuation Fund). With the airport the subject of offers from overseas, Infratil is poised to once again prove itself a class player.

As of March this year, the company's balance sheet assets stood at over \$2.5 billion with control or influence in companies with assets in excess of \$4 billion. That's a very strong infrastructure from which to power further growth.

DASHBOARD YOUR

JUDGES' COMMENTS

WINNER INFRATIL

Few New Zealand companies exemplify the "Stepping Beyond" theme of this year's Deloitte/*Management* magazine Top 200 Awards better than utilities investment company Infratil. It consistently meets its commitment to provide shareholders with an annual return of 20 percent and had another outstanding year in 2007.

Infratil climbed from 95th to 41st place on *Management* magazine's Top 200 list with a stunning 336 percent jump in profitability to almost \$35 million. The company is becoming one of the world's most enlightened, best managed, focused and risk-wise investors in growth infrastructure. It is thoughtfully led, articulates its strategy and corporate objectives and has performed consistently over time.

Infratil has stepped beyond New Zealand with investments in Australia and Europe. It understands the importance and relevance of the world's changing environment. It provides energy, particularly renewable and waste-derived electricity, airports and public transport services.

And the company invests in its people. Infratil is committed to training and up-skilling its employees.

FINALIST FLETCHER BUILDING

Fletcher Building is simply an outstanding company. It has been a finalist in this Top 200 Company of the Year category on four previous occasions and twice taken home the winner's trophy.

The company is again a finalist after having managed the change of its outstanding leadership without so much as dropping a roof tile – testimony, in the judges' opinion, to impeccable succession planning and a perfectly executed transition management strategy.

The company's net earnings this year were up 28 percent, including a one-off tax benefit. However, every business unit fired with sales up seven percent and earnings per share climbed from a little over 81 cents to almost 102 cents. The total shareholder return (TRS) improved for the fourth year in a row, giving Fletcher Building the highest TRS among New Zealand publicly listed companies over the five years to December 31, 2006.

Last year Fletcher Building negotiated the purchase of US-based Formica Corporation, a globally recognised brand and world leading manufacturer of high pressure laminates.

FINALIST FOODSTUFFS GROUP

The combined performances of Foodstuffs Auckland, Foodstuffs Wellington and Foodstuffs South Island, three related but independently run cooperatives, was so impressive this year that the judges broke with tradition and evaluated their performance collectively. The result is a place as one of the three finalists in the Top 200 Company of the Year Award.

Food retailing is a tough, competitive market. These cooperatively run groups are fiercely New Zealand owned and operated. They have met head-on major competition from Australia's Progressive group and, notwithstanding a concerted assault on their market, the companies have collectively increased turnover, profitability and their return to shareholders.

Foodstuffs represents iconic New Zealand brands and has shown strategic nous by taking a key 10 percent stake in the Warehouse chain to ensure it stays in the battle waged by its Australian-based competitors.

Evaluating cooperatives presents a challenge for Top 200 judges. However, this year's performance by the Foodstuffs Group deserved recognition for strategic thinking, being fiercely competitive, delivering outstanding customer service and enhanced profitability for the cooperatives' store owners. A successful example of the cooperative business model in action.

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