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Infigen Energy on lookout for growth as returns to profit

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Infigen Energy MD Miles George is still on the lookout for strategic opportunities for Infigen. *Jeremy Piper*

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by **Angela Macdonald-Smith**

Newly profitable Infigen Energy has ended earlier talks on a potential sale or merger of the wind power producer but managing director Miles George says it will still explore "opportunities that create value" in the rejuvenated renewable energy market.

Infigen revealed in May that it was considering options including a full sale of the company after receiving approaches from companies in China and Europe.
But after reporting a swing back to profit for Infigen for the full year, Mr George said that process was "no longer live".

"Nothing happened there but it's important to say that not only are we open to discuss things like that but we are also on the lookout for potential opportunities with a number of wind farms up for sale," he said in an interview.

"The industry itself is very fragmented ... and I think there are probably some good consolidation opportunities coming up."

Infigen reported full-year profit of $4.5 million for 2015-16, returning to the black after a $303.6 million loss the previous year. Profit from continuing operators was $7 million, up from a loss of $18.4 million in 2014-15, which Mr George said was mostly due to higher prices for electricity and for large-scale renewable energy certificates (LGCs).

He pointed to much higher forward wholesale prices in South Australia and NSW for 2016-17, which would benefit Infigen's plants that operate on the merchant market rather than being tied into a power sales contract. Futures prices in South Australia, where the market is more reliant on renewables and gas power since the closure of the last coal fired station, stand at $110 a megawatt hour for 2016-17, up 78 per cent from last year.

With prices also higher for LGCs, Infigen's estimate for an increase of about 8.1 per cent in earnings before interest, tax, depreciation and amortisation this coming year disappointed some analysts.

Ebitda is expected to be about $130 million in 2016-17, up from $120.2 million last year, Infigen said, citing cost increases for turbine maintenance and frequency control services.

"I would have thought that the EBITDA outlook looks light given the amount of price increase they're indicating and the fact they've got so much exposure to it from the Lake Bonney wind farm" in South Australia, one analyst said.

The stock, which has quadrupled in value over the last 12 months on the improving dynamics in the renewables sector, lost 4.8 per cent to 90c. It touched a high of $1.22 early this month.

The sale of Infigen's US wind power and solar development divisions during the year helped reduce debt and increased cash available for re-investment in growth. Net debt, which until recently had been running at about $1 billion, was down to $594.9 million as at June 30.

The bipartisan political agreement last year on a revised 2020 renewable energy target has opened up opportunities for growth in the sector, which Infigen looks set to tap into with its pipeline of potential new projects.

Mr George said Infigen no longer needed to look to third parties to help fund projects and said it is studying how best to move projects to market, whether to lock in power sales agreements or leave some exposure to the merchant market. He said Infigen would be able to fund the first 100 megawatts of new capacity from its balance sheet.

Meanwhile, Infigen is now rapidly paying down debt and expects to be able to refinance its borrowings to lower interest costs within about two years, Mr George said.

A refinancing could cut Infigen's interest rate on debt from about 7 per cent at present down to about 5 per cent and allow it to start paying dividends.