

Jemena Electricity Networks (Vic) Ltd

2016-20 Electricity Distribution Price Review Regulatory Proposal

Attachment 9-13

Grant Samuel letter - response to the AER draft
decision (for JGN)

Public

30 April 2015



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**STRICTLY CONFIDENTIAL AND
SUBJECT TO LEGAL PRIVILEGE**

12 January 2015

The Directors
TransGrid
180 Thomas Street
Sydney NSW 2000

Dear Directors

Australian Energy Regulator – Draft Decision**1 Introduction**

In May 2014, TransGrid engaged Grant Samuel & Associates Pty Limited (“Grant Samuel”) to provide advice to TransGrid in relation to the upcoming determination of the allowable return on capital by the Australian Energy Regulator (“AER”). Grant Samuel’s letter of 22 May 2014 was submitted by TransGrid to the AER as part of its broader package of materials.

In November 2014, the AER issued its draft decision for the period 1 July 2015 to 30 June 2018 (“the Draft Decision”). TransGrid has asked Grant Samuel to review and comment on the AER’s Draft Decision including, in particular, the manner in which it has used and presented data from an independent expert report prepared by Grant Samuel and published on 4 March 2014 in relation to a proposal by APA Group to acquire Envestra Limited (“the Envestra Report”)¹.

Grant Samuel’s focus in this letter is primarily on the AER’s conclusions and commentary set out in Attachment 3 (rate of return) of the Draft Decision.

2 Overview

We appreciate that there are important criteria that regulatory rate of return setting methodologies need to meet and are of the benefit of all stakeholders:

- widespread usage;
- simplicity;
- transparency;
- consistency;
- predictability; and
- availability of supporting data/evidence.

¹ The Grant Samuel report referred to by the AER in the Draft Decision was an independent report to the Independent Board Subcommittee of Envestra Limited. Subsequently, on 7 April 2014, Grant Samuel published a second independent report which was sent to Envestra Limited shareholders in relation to the APA Group proposal. Although the reports differ in a number of respects (including updated market evidence), Grant Samuel’s conclusions in relation to the discount rate/cost of capital used to estimate the value of Envestra Limited’s assets did not change.



Unfortunately, there is a tendency for these laudable objectives to descend into:

- support for the status quo at all costs;
- suspended disbelief as to data reliability;
- mechanistic application of tightly defined formulae;
- conformity with other regulators as a key driver; and
- minimal tolerance for ambiguity and volatility even though these are inherent features of financial markets.

In this case, it seems that the AER’s approach has been to avoid changing its existing (single) formula “foundation model” and proceed on the basis that as long as it can show that the model is widely used and the individual inputs can be justified, there is no need to concern itself with whether or not the final output is commercially realistic.

This objective is evident in the manner in which the AER approaches both:

- the acceptability/role of the dividend growth model (“DGM”); and
- the use/role of external perspectives such as independent expert reports and broker analyst research. In particular, it drives the AER’s attitude to the “uplift” that has been a feature of expert reports in recent years (and specifically the Envestra Report).

These two issues are examined in Sections 3 and 4 of this letter.

3 Dividend Growth Model

Our first issue concerns the AER’s approach to, and comments on, the DGM. In this context, we are primarily concerned with the AER’s approach to the use of the DGM as an alternative to the capital asset pricing model (“CAPM”) for measuring the return on equity, as opposed to its use in measuring the market risk premium (“MRP”), although the nature of the issues apply generally to both cases.

In our opinion, in examining the CAPM and comparing it to the DGM, the AER has unfairly accentuated the failings of the DGM while, at the same time, it has ignored many real shortcomings in the CAPM.

For example, in Table 3-5 of the Draft Decision, the AER states that the DGM has no role in directly estimating the return on equity of the benchmark efficient entity. It then states that:

“the models and required data are not sufficiently robust to directly estimate the return on equity. Direct benchmark efficient entity return on equity estimates from the models should not be used for any purpose as it is not expected to lead to an unbiased estimate of the return on equity or lead to and (sic) a rate of return that meets the rate of return objective.”

It goes on in Table 3-9 to say:

“We consider the models are fit for estimating a range within which the MRP is likely to fall for the purposes of informing our choice of MRP to use in the SLCAPM. However, we consider DGMs are note (sic) widely used for estimating the MRP or return on equity in the Australian context.”

“DGM estimates are highly sensitive to changes in the interest rate. DGMs are also highly sensitive to assumptions in relation to the short term and long term dividend growth rates. This makes DGMs highly sensitive to potential error.”

“Readily incorporates changes in market data however, DGMs may not track these changes accurately. DGMs can also generate volatile and conflicting results.”



In contrast, in Table 3-6 describes the Sharpe Lintner CAPM (“SLCAPM”), the AER’s “foundation model”, as follows:

“Relatively robust market data (proxies for the risk free rate government bonds; equity beta based on observed covariance of returns for proxy firms with the returns based on a market proxy and estimates for the market risk premium based on a range of information).”

“Careful application of the model will tend to give estimates of the return on equity that are sensible and reasonably stable over time.”

“The input parameters (risk free rate, equity beta and MRP) can be estimated with tolerable accuracy in line with good market practice.”

“All information used in the estimation of the model is credible and verifiable and can be clearly sourced.”

We find the differing approaches of the AER to each of these models surprising. The DGM, in its simplest form, has only two components to estimate – current dividend yield and the long term growth rate for dividends. The current yield is a parameter that can be estimated with a reasonably high level of accuracy, particularly in industries such as infrastructure and utilities. We accept that the question of the long term dividend growth rate becomes the central issue and is subject to a much higher level of uncertainty (including potential bias from sources such as analysts) and we do not dispute the comments by Handley on page 3-61.

However, there is no way in which the issues, uncertainties and sensitivity of outcome are any greater for the DGM than they are with the CAPM which involves two variables subject to significant measurement issues (beta and MRP). The uncertainties attached to MRP estimates in particular are widely known yet are glossed over in the AER’s analysis of the relative merits. Section D of Attachment 3 of the Draft Decision contains almost 40 pages discussing the most esoteric aspects of methodologies for calculating beta but in the end the AER’s choice of 0.7 is, in reality, an arbitrary selection rather than a direct outcome of the evidence. Moreover:

- the plausible beta range nominated by the AER (0.4-0.7) creates a 2 percentage point swing factor for the CAPM-based cost of equity. Its own expert nominated an even wider range (0.3-0.8);
- the 40 pages contain little meaningful discussion of issues such as standard errors or stability over time (as opposed to different time periods). Data on these aspects would be important to properly evaluate the overall reliability of the statistics; and
- the publication of only averages for individual companies and not the range hides the underlying level of variability in these measures.

In short, the claim of superiority for the CAPM is unfounded.

We disagree with the statement that DGM is not widely used in an Australian context. Even the most superficial of reviews would demonstrate that the equity markets use dividend yield analysis as a primary valuation/evaluation tool for the listed property investment sector. While it may not be an explicit formulation of the DGM (i.e. cost of equity equals yield plus growth), analysis in the property market is highly focused on the relationship between relative yield across peers and relative growth prospects which is the essence of the DGM. Indeed, the market for property securities very seldom focuses on long term discounted cash flow analysis. In our experience, dividend yield analysis is also an important evaluation tool in the listed infrastructure sector (which shares many similar characteristics with the property sector).

It is also difficult to fathom why the AER states that the DGM is highly sensitive to interest rates but makes no mention of the sensitivity of CAPM to interest rates. Finally, we have some trouble understanding what the AER means by its statement that while the DGM incorporates market data, it *“may not track these changes accurately”*.



We appreciate that, in the final analysis, the AER may consider the SLCAPM to provide a superior foundation model for regulatory purposes. The DGM is arguably likely to produce a more volatile result over time although, in our opinion, this appropriately reflects the realities of the equity market. Understandably, regulators tend to have a preference for lower levels of change over time.

Nevertheless, to not give such a widely used evaluation tool as the DGM a role in considering the cost of equity is remarkable, particularly given the contentious nature of the debate relating to the SLCAPM. If the AER believes in the robustness of the SLCAPM, it should be prepared to compare the SLCAPM outputs at the time of any ruling with contemporaneous DGM outputs from listed company comparables and justify or explain the differences. At the very least, this would be a useful discipline and would be much more consistent with best practice. This kind of “cross check” is certainly common practice in other parts of the financial markets and proved invaluable in the aftermath of the global financial crisis when it became absolutely clear that the CAPM (as measured in practice) was not delivering an outcome that accorded with economic reality. It may matter less in more benign times but this does not detract from the principle.

We note that in relation to the SLCAPM, the AER states that *“empirical shortcoming (sic) of the model may be addressed through exercising regulatory judgement in determining final inputs into the model”* (Table 3-6). This is inadequate as a fundamental issue is the validity of the model (as a descriptor of how real world share prices behave). The same degree of latitude was not granted for the DGM.

4 Use of the Envestra Report

The Draft Decision makes extensive use of our Envestra Report, in particular the section of the report that assesses the discount rate/cost of capital used to estimate the value of Envestra Limited’s assets. It may be useful to briefly recap our conclusions:

- we initially calculated a weighted average cost of capital (“WACC”) using the CAPM to determine the cost of equity capital. The calculation of 5.9-6.5% reflected a cost of equity capital of 7.8-8.4% based on the following assumptions:
 - risk free rate 4.2%;
 - beta 0.6-0.7; and
 - market risk premium (no dividend imputation adjustment) of 6%.

The gearing ratio (debt over debt plus equity) was assumed to be 55-65% and the debt margin was 2.8%;

- we determined that the calculated rate of 5.9-6.5% was not a realistic overall WACC having regard to rates suggested by the DGM, the repricing of risk in the aftermath of the global financial crisis and other factors (refer Section 3.4 of Appendix 3 of the Envestra Report);
- we formed a judgement that reasonable discount rates (WACC) would fall in the range 6.5-8.0%; and
- we selected a rate of 6.5-7.0% (towards the lower end of that range) in order to ensure that the assessment of the “fairness” of the offer was robust (i.e. even if we use this “low” discount rate and generate a “high” value for Envestra Limited, the offer by APA Group is still “fair”).

This process reflects our approach which is to form an overall judgement as to a reasonable discount rate rather than mechanistically applying a formula. The fact is that, particularly in some market circumstances, the CAPM produces a result that is not commercially realistic. When this occurs it is necessary and appropriate to step away from the methodology and use alternative sources of information to provide insight as to what is, after all, an unobservable number that can only be inferred. In our view, Envestra was clearly a case in point.



In using the Envestra report, the AER seems to be trying to co-opt the parameters that we used for calculating the initial CAPM based rate to bolster its own case while trying to find ways to justify not having to recognise the fact that for the valuation of Envestra Limited's assets, we actually selected a different rate (i.e. 6.5-7.0% or, more correctly 6.5-8.0%, rather than 5.9-6.5%).

In support of its view to generally ignore the uplift factor, the AER makes a number of statements about inconsistencies between the basis of the discount rate that a valuer would use and the regulatory objective:

"We consider that these return on equity estimates likely overstate the return on equity that would be comparable to our objective." (Page 3-90)

"We do not consider that the adjustments that Grant Samuel took to uplift its discount rate estimates to address perceived risks relevant to its valuation task, are consistent with the rate of return objective." (Page 3-100)

"Broker reports and independent valuation reports have a different objective to the rate of return objective which may affect the return on equity estimates." (Page 3-276)

"Grant Samuel's uplift to its initial CAPM return on equity estimate when deriving a final rate of return reflects the different purpose of an independent valuation report compared to a regulatory return on equity allowance." (Page 3-279)

Section E (pages 3-274 to 3-281) sets out some explanation of the AER's rationale. In the sub-section "Differing objective", it refers to reports by Grant Thornton and Deloitte which indicate that their uplifts took into account specific risk. While those parties may have done so, it is very clear in our reports that our uplift has nothing to do with specific risk. Indeed, it is important to understand that we do not apply a specific uplift factor. Rather what we are seeking to do is form an overall judgement as to a reasonable discount rate having regard to CAPM outputs, alternative measures such as DGM and other factors. The "uplift" is an outcome of our commercial judgement process, not a determinant.

The AER also seeks to distinguish discount rates for valuations from discount rates for regulatory purposes by the fact that valuations have a perpetuity timeframe (and must reflect expectations of investors over that timeframe) while the regulator sets the return on equity only for the length of that regulatory period (typically five years). We do not believe this distinction is valid. For a start, the AER adopts a 10 year term for its overall rate of return (page 3-25) including a 10 year risk free year rate so if the five year timeframe of the Draft Decision was paramount then its own methodology is inconsistent with the return objective. In any event, it is our view that the relevant period is always a perpetuity, even in the context of a five year regulatory period. The rate of return over the five year period can only be realised if the capital value is sustained at the end of the period. The sustainability of the capital value at the end of year five is in turn dependent on cash flows beyond year five (i.e. the cash flows in perpetuity).

Section E also claims that there is a lack of transparency that makes it uncertain whether broker/valuer estimates are consistent with the return objective. The only specific issue highlighted by the AER is the question of dividend imputation and the AER quotes a Grant Samuel report for Aquila Resources Limited (20 June 2014). We refute any suggestion of lack of transparency on this issue in particular. We have always made it clear in our reports that we do not believe that day to day market prices of Australian equities incorporate any particular value for franking credits attached to any future income stream and we have never made any adjustment for dividend imputation (in either the cash flows or the discount rate) in any of our 500 plus public valuation reports.

At the end of Section E, the AER sets out four reasons why the discount rate, and more particularly the uplift, from the Envestra Report should not be relied on:

- timeliness;
- the fact that one of the reasons for Grant Samuel's uplift is the view that the risk free rate is abnormally low and that, because of the perpetuity nature of valuation, this may be factored into the uplift. In contrast, the regulatory period is only for the next five years;



- the multiple of 1.4 to 1.6² times the regulated asset base (“RAB”) may indicate an expectation of cash flows greater than the regulatory allowance; and
- lack of transparency particularly around dividend imputation.

These reasons seem a rather thin basis on which to dismiss useful insights from alternative measures. While the decision about reliance is up to the AER, we point out that:

- estimates such as those in the Envestra Report can still be used as a useful cross check, even if they are not used as an alternative foundation model;
- at no stage did we state that we assumed an increase in risk free rates over time or use that as the specific basis for the uplift. We only noted the risk of this occurring and referred to the practices of other practitioners. To the extent the risk free rate played a role, it was relatively minor. The DGM outputs and risk premium issues were the primary factors;
- as explained in the Envestra Report, Envestra Limited was in the middle of a substantial mains replacement program which would result in a significant increase in the RAB over the short to medium term. Accordingly, the true RAB multiple is materially less than the AER’s calculated 1.4-1.6 times³. In any event, it is clear in the Envestra Report that above regulation cash flows⁴ were absolutely not (and logically would never be) a factor in the selection of the discount rate; and
- we reject the argument about transparency in relation to dividend imputation (see above). In view of the apparent importance of the Envestra Report in supporting the AER’s findings we are surprised that, if there were such transparency issues, the AER did not approach us for clarification. To our knowledge, we have never been approached to discuss any aspects of our discount rate or other valuation approaches.

Our other primary area of concern is the material set out on pages 3-90 to 3-95. In this section of the Draft Decision, the AER attempts to demonstrate that its return on equity estimate is in fact consistent with information from other sources such as independent expert reports, broker reports and other regulators and, in particular, with the Envestra Report. Our issues with this material are summarised below:

- Table 3-20 sets out data points from a significant number of independent expert reports for energy infrastructure entities completed over the period 1998 to 2014⁵. The table includes costs of capital data from each report – post tax WACC, return on equity and equity risk premium⁶ as well as the return on equity and equity risk premium, adjusted by the AER, for dividend imputation.

On page 3-95, the AER states:

“We note that the return on equity and equity risk premium estimates contained in Table 3-20 are the final values used in the independent valuation report and reflect any uplifts applied.”

² Calculated as 1.37-1.50 by the AER in Footnote 1212 of the Draft Decision (page 3-277) by reference to the combined projected (as at 1 March 2014) nominal RAB of Envestra Limited’s networks of \$3,006.4 million. However, it has been calculated by reference to Grant Samuel’s enterprise valuation of \$4,122.1-4,501.1 million which allows for corporate cost savings in a takeover situation and other assets and liabilities. More appropriately, the numerator in this calculation would be \$4,027-4,378 million (the value attributed to the network assets) which decreases the implied RAB multiple to 1.34 to 1.46 times.

³ In addition, the adoption of a lower discount rate range of 6.5-7% (rather than 6.5-8%) has the effect of increasing the value of the network assets and therefore the implied RAB multiple (at least at the low end of the value range).

⁴ In any event, there were no above regulation cash flows. As set out in Section 5.3.2 of the Envestra Report, revenues (one variable in the net cash flows to be discounted) were based on the existing access arrangements until the reset date for each respective network after which the rate of return was assumed to be 7.58% (based on market conditions and AER guidelines) with rate of return sensitivity analysis undertaken in the range of 7.1% and 8.1%.

⁵ It should be noted that KPMG (not Grant Samuel) prepared the report for DUET Group dated 31 May 2013.

⁶ Equity risk premium calculated by AER: return on equity less risk free rate as adopted in reports.



This statement is simply not true as the table, at least in the case of Grant Samuel’s reports for Envestra Limited, DUET Group and Hastings Diversified Utilities Fund, only reflects the calculated post tax WACCs ignoring the uplifts and adopts midpoints for post tax WACC and return on equity, an approach which Grant Samuel considers inappropriate; and

- on page 3-95, the AER states that, in relation to the Envestra Report⁷:

“The most (and only) recent report for a regulated energy network business is Grant Samuel’s report for Envestra on 4 March 2014 (Grant Samuel). We find that this recent evidence supports our foundation model estimate, noting that:

- *Grant Samuel’s initial SLCAPM-based return on equity estimate provides an equity risk premium range of 3.6 to 4.2 per cent (without adjustment for dividend imputation, 4.1 to 4.8 per cent including our estimated adjustment for dividend imputation). This is consistent with our foundation model estimate of equity risk premium of 4.55 per cent.*
- *Grant Samuel outlined four separate uplift scenarios that supported its discretionary uplift to its rate of return above the initial SLCAPM-based estimate. Although we have concerns with the applicability of these uplifts to our rate of return objective, we note that the equity risk premium range in three of the four scenarios is consistent with our foundation model premium of 4.55 per cent.*
- *Even including discretionary uplifts, Grant Samuel’s final estimate of Envestra’s equity risk premium ranges from 4.3 per cent to 6.2 per cent. Our foundation model estimate of 4.55 per cent lies within this range. We also note that the upper end of the range is likely over-stated, due to our concerns over adjusting for dividend imputation and the likelihood that some of the uplift should apply to the return on debt.”*

We have very serious concerns about the validity and/or appropriateness of these statements and we would wish to see them revised in any final decision. In particular:

- in relation to the first point it is a clear case of selective “cherry picking” to use our initial calculated CAPM result, with or without dividend imputation adjustments, as supporting the AER’s final conclusion when a fundamental aspect of our analysis was to conclude that the calculated CAPM rate was not an appropriate benchmark and understated the realistic required rate of return on equity. The fact that we used similar inputs in the initial CAPM calculation and derived a similar rate as the AER is hardly surprising;
- the AER expresses some doubt as to whether a dividend imputation adjustment should be made to our estimate in order to put it on an “apples for apples” basis with the AER’s estimate presumably on the grounds of lack of transparency. It is abundantly clear in our reports that we make no adjustment in our valuations for dividend imputation. Accordingly, a dividend imputation adjustment would be required to ensure comparability with the AER basis of calculation. If a gamma factor is applied, the after tax cash flows will change to allow for the reduced effective tax charge (albeit only after four and a half years in the case of Envestra Limited) and it is therefore necessary to adjust the discount rate in order to generate the same net present value (the methodology and quantum of the imputation adjustment is a separate issue);
- the AER claims that the implied adjusted equity risk premium range in three of the four uplift scenarios referred to by Grant Samuel in Appendix 3 of the Envestra Report justifying its uplift is consistent with its foundation model premium of 4.55%. We do not know how the AER determined this but our calculations indicate that in fact the 4.55% is well in the range in only one of the scenarios, is right at the bottom of the range in one other scenario and is outside the range in the other two;

⁷ The AER references the Envestra Report of 4 March 2014. This was not the report sent to shareholders (see Footnote 1).



- in our view the final paragraph is misleading. The AER claims that based on our final WACC estimate for Envestra Limited (i.e. adjusted for the uplift), the implied equity risk premium is in the range 4.3-6.2% (again supposedly consistent with its estimate of 4.55%)⁸. The arguments underpinning this range are repeated in Figure 3-9. The AER claims the upper end of the range is likely overstated due to its concerns over dividend imputation and the likelihood that some of the uplift should apply to the return on debt. We have stated above that there is a clear need for a dividend imputation adjustment (to ensure comparability with the AER bases of calculation) and we reject the argument that any meaningful portion of the uplift should be attributed to debt. For a start, it is our decision as to where any uplift should be allocated but, in any event, the reasons that were set out in the Envestra Report, if carefully read, do not support the AER's argument. At no stage did we state that we assumed an uplift in risk free rates over time or use this as the basis of the uplift (we only noted the risk of this occurring and referred to other practitioners practices). Moreover, it is obvious that the cost of debt can, at least in theory, be locked in at the specified rate for the ten year duration of the assumption while the cost of equity is a constantly changing variable reflecting contemporaneous market conditions.

In fact, we consider that the low end of the range calculated by the AER to be misleading as it assumes no adjustment for dividend imputation and "maximises" the allocation of the uplift to the return on debt (whatever that means). We consider Figure 3-9 to be even more misleading as it presents the bottom of the range with no uplift and no imputation adjustment. We also object to this being described as the "Grant Samuel ERP Range" when it has been subject to a number of adjustments and assumptions by the AER (with which we disagree); and

- the AER has chosen to completely ignore our statement in the Envestra Report that the appropriate range for the WACC was realistically in the range 6.5% to 8.0%. We selected 6.5-7.0% so as to ensure a more robust conclusion as to "fairness". A more "middle of the road" estimate would arguably be, say, 7.0-7.5% (i.e. an additional 0.5% uplift in the cost of equity).

5 Beta

We note the inclusion of our beta analysis from the Envestra Report in Table 3-18 (page 3-85). We utilised a number of different sources for each of the peer group entities. The AER's table appears to average the different sources for each entity to derive the range of 0.42-0.62 for the sector as a whole.

This averaging approach disguises one of the key shortcomings of the CAPM, the reliability of the data. In fact, our analysis showed individual measurements of beta for entities in the sector, each from a credible source, in the range 0.08 to 0.83.

6 Qualifications and Other Matters

The person responsible for preparing this letter on behalf of Grant Samuel is Stephen Wilson BCom MCom (Hons) CA(NZ) SF Fin. Stephen is a representative of Grant Samuel pursuant to its Australian Financial Services Licence under Part 7.6 of the Corporations Act.

Set out in the appendix to this letter is information relating to the experience and expertise of Grant Samuel and Stephen Wilson in relation to issues relevant to this aspect of the Draft Determination.

We consent to this letter being provided to the AER and, if necessary, its publication subject to Grant Samuel being informed of, and agreeing to, the form and context in which it is to be published.

⁸ We are confused by the AER's calculations for this range. Footnote 347 of the Draft Decision refers to a range of 4.9% to 6.3%. However, it is clear that the range reflects manipulation by the AER for dividend imputation and uplift allocation (with which we disagree).

GRANT SAMUEL



Yours faithfully
GRANT SAMUEL & ASSOCIATES PTY LIMITED

A handwritten signature in black ink, appearing to read 'S. Wilson', with a long horizontal stroke extending to the right.

Stephen Wilson
Managing Director



Appendix

Experience and Expertise

1 Grant Samuel

The Grant Samuel group of companies provides corporate advisory services (in relation to mergers and acquisitions, capital raisings, debt raisings, corporate restructurings and financial matters generally) and provides marketing and distribution services to fund managers. The primary activity of Grant Samuel & Associates Pty Limited is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions.

Since inception in 1988, Grant Samuel and its related companies have prepared more than 500 public independent expert and appraisal reports. Grant Samuel is the clear market leader in Australia and New Zealand in the provision of public business valuations and independent expert reports and has held that position for over 20 years. Grant Samuel has prepared an independent expert report for every one of the 10 largest corporate acquisition transactions in Australia since 2007, including reports for:

- Coles shareholders on the \$19.6 billion acquisition by Wesfarmers;
- St George Bank shareholders on the \$19.1 billion merger of St George Bank and Westpac;
- Qantas shareholders on the \$15.8 billion takeover offer by Airline Partners Australia consortium;
- AXA Asia Pacific shareholders on the \$13.3 billion acquisition by AMP and AXA SA; and
- Telstra shareholders on the \$11 billion arrangements with NBN Co Limited and the Commonwealth to participate in the roll out of the National Broadband Network.

2 Energy Infrastructure

Grant Samuel and its senior executives have in-depth experience and expertise in valuation of businesses and preparation of independent expert reports for clients in the energy infrastructure sector.

Our sector experience includes:

- completion of independent expert's reports for most of the major energy infrastructure transactions in Australia including reports for Envestra (2014), Hastings Diversified Utilities Fund (2012), DUET Group (2012), Alinta Energy Group (2010 and 2011), Prime Infrastructure (2010 and 2009), Viridis Clean Energy Group (2009), Origin Energy (2008), Alinta (2006 and 2007), SP AusNet (2007), Alinta Infrastructure Holdings (2006) and The Australian Gas Light Company (two reports 2006);
- non-public valuations for clients such as for ERM Power, The Australian Gas Light Company, Alinta Infrastructure Holdings and Australian Pipeline Trust; and
- numerous corporate advisory assignments. For example, Grant Samuel advised Ausgrid on capital structure, credit standing review and liability management, the independent directors of Hastings Diversified Utilities Fund on the merits of recapitalisation alternatives, EnergyAustralia (now Ausgrid) on the sale of its retail business and in relation to its retail joint venture with International Power and Delta Electricity on an electricity supply agreement and a biomass generation joint venture.

3 Stephen Wilson

Stephen Wilson joined Grant Samuel at its inception in 1988. He has had responsibility for a wide range of Grant Samuel's assignments including acquisitions and divestments, public company takeovers, restructurings, public and private capital raisings and valuations and independent expert's reports.

Stephen has responsibility for overseeing all of the valuations and independent expert reports undertaken by Grant Samuel's Sydney office.

GRANT SAMUEL



Before joining Grant Samuel, Stephen spent six years with Macquarie Bank, including a two year secondment in London with Hill Samuel & Co. He began his career with KPMG.

Stephen's qualifications include:

- BCom, Senior Scholar (University of Auckland);
- MCom (Hons) (University of Auckland);
- CA, Chartered Accountants Australia and New Zealand;
- SF Fin, Financial Services Institute of Australasia; and
- CFIP (INFINZ).