



**Q3 2018 Results &  
Supplemental  
Information**

**November 1, 2018**

# Safe Harbor



## **Forward Looking Statements**

This presentation contains forward-looking statements within the meaning of the federal securities laws. These statements give the current expectations of the Company's management. Words such as "could," "will," "may," "assume," "forecast," "strategy," "guidance," "outlook," "target," "expect," "intend," "plan," "estimate," "anticipate," "believe," or "project" and similar expressions are used to identify forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this presentation include the Company's expectations regarding anticipated financial and operational performance, including projected or forecasted financial results, distributions to stockholders, capital expenditures, adjusted funds from operations (AFFO) AFFO-to-debt ratios, capitalization matters and other forecasted metrics as well as the consummation of the transactions described herein.

Forward-looking statements can be affected by assumptions used or known or unknown risks or uncertainties. Consequently, no forward-looking statements can be guaranteed and actual results may differ materially and adversely from those reflected in the forward-looking statements. Factors that could cause actual results to differ materially from those indicated in the forward-looking statements include, among other things, (a) the following risks inherent in the transactions (in addition to others described elsewhere in this document and in the subsequent filings with the U.S. Securities and Exchange Commission (SEC): (1) failure to obtain the approval of the Company's stockholders; (2) failure to obtain regulatory approval necessary to consummate the transactions or to obtain regulatory approvals on favorable terms and (3) delays in consummating the transactions or the failure to consummate the transactions and (b) other risks and uncertainties disclosed in the Company's filings with the SEC, including, among others, the following (1) decisions by regulators or changes in governmental policies or regulations with respect to the Company's organizational structure, lease arrangements, capitalization, acquisitions and dispositions of assets, recovery of investments, the Company's authorized rate of return and other regulatory parameters; (2) the Company's current reliance on its tenant for all of its revenues and, as a result, its dependency on the tenant's solvency and financial and operating performance; (3) the amount of available investment to grow the Company's rate base; (4) the Company's ability to negotiate future rent payments or to renew leases with its tenant; (5) insufficient cash available to meet distribution requirements; and (6) the effects of existing and future tax and other laws and governmental regulations.

Because the Company's forward-looking statements are based on estimates and assumptions that are subject to significant business, economic and competitive uncertainties, many of which are beyond the Company's control or are subject to change, actual results could be materially different and any or all of the Company's forward-looking statements may turn out to be wrong. Forward-looking statements speak only as of the date made and can be affected by assumptions the Company might make or by known or unknown risk and uncertainties. Many factors mentioned in this presentation and in the Company's annual and quarterly reports will be important in determining future results. Consequently, the Company cannot assure you that the Company's expectations or forecasts expressed in such forward-looking statements will be achieved.

# Safe Harbor



## **Non-GAAP Legend**

This presentation contains certain financial measures that are not recognized under generally accepted accounting principles (GAAP). InfraREIT uses non-GAAP measures as important supplemental measures of its operating performance. InfraREIT also presents these measures because management believes they help investors understand InfraREIT's business, performance and ability to earn and distribute cash to its stockholders by providing perspectives not immediately apparent from net income. Reporting on these measures in InfraREIT's public disclosures also ensures that this information is available to all of InfraREIT's investors. The presentation of non-GAAP earnings per share (Non-GAAP EPS), funds from operations (FFO) and AFFO in this presentation are not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. In addition, InfraREIT's method of calculating these measures may be different from methods used by other companies, and, accordingly, may not be comparable to similar measures as calculated by other companies that do not use the same methodology as InfraREIT. Reconciliations of these measures to their most directly comparable GAAP measures are included in Schedules 1-3 to this presentation.

## **Important Additional Information and Where to Find It**

This presentation includes information related to a proposed business combination between InfraREIT and Oncor Electric Delivery Company LLC (Oncor). The proposed merger and the related agreement and plan of merger will be submitted to the Company's stockholders for their consideration and approval. In connection with the proposed transaction, the Company will file a proxy statement with the SEC. This presentation does not constitute a solicitation of any vote or proxy from any stockholder of the Company. Investors are urged to read the proxy statement carefully and in its entirety when it becomes available, as well as any other relevant documents or materials filed or to be filed with the SEC or incorporated by reference in the proxy statement, because they will contain important information about the proposed acquisition. The definitive proxy statement will be mailed to the Company's stockholders. In addition, the proxy statement and other documents will be available free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). When available, the proxy statement and other pertinent documents may also be obtained free of charge at the Investor Relations section of InfraREIT's website, [www.InfraREITInc.com](http://www.InfraREITInc.com), or by directing a written request to InfraREIT, Inc., Attention: Corporate Secretary, 1900 North Akard Street, Dallas, Texas 75201.

## **Participation in the Solicitation**

The Company and its directors and executive officers may be considered participants in the solicitation of proxies in connection with the proposed transaction. Information regarding the Company's directors and executive officers is available in its definitive proxy statement for its 2018 Annual Meeting of Stockholders filed with the SEC on March 22, 2018. Other information regarding the participants in the proxy solicitation and a description of their direct or indirect interests, by security holdings or otherwise, will be contained in the proxy statement and other relevant materials to be filed with the SEC when they become available.

# Q3 2018 Highlights



- Q3 2018 performance in line with expectations
  - ❑ Lease revenue was \$48.9 million, down 5 percent, driven by the change in the allocation of the total rent components between base and percentage rent partially offset by additional assets under lease
  - ❑ Net income decreased \$1.5 million to \$19.7 million in the third quarter of 2018, primarily due to lower lease revenue
  - ❑ Net income attributable to InfraREIT, Inc. common stockholders per share (EPS) of \$0.32 in 2018 compared to \$0.35 in 2017
  - ❑ Non-GAAP EPS of \$0.35 in 2018 compared to \$0.36 in 2017
  - ❑ \$17.0 million of capital expenditures during the third quarter of 2018
- InfraREIT signed a definitive agreement to be acquired by Oncor Electric Delivery Company (Oncor):
  - ❑ \$21.00 per share in cash, valued at approximately \$1.275 billion
- This transaction is a result of the Company's evaluation and pursuit of De-REIT Alternatives

# Transaction Overview

## Pending Sale and Asset Exchange



- InfraREIT signed a definitive agreement to be acquired by Oncor:
  - \$21.00 per share in cash, valued at approximately \$1.275 billion
  - Oncor will also assume InfraREIT's net debt, which was approximately \$940 million as of September 30, 2018
- The \$21.00 share price represents an 18 percent premium to InfraREIT's unaffected share price of \$17.79 on January 12, 2018, the last trading day before Hunt announced that it was pursuing alternative arrangements between itself and InfraREIT
- In conjunction with the pending sale, InfraREIT's regulated subsidiary (SDTS) signed a definitive agreement with its tenant, Sharyland, to exchange assets prior to Oncor's acquisition of InfraREIT, resulting in Sharyland owning all of InfraREIT's assets in South Texas, and InfraREIT owning Sharyland's assets in the Texas Panhandle and West Texas
- Quarterly dividends of \$0.25 per share expected to be paid through closing, including a pro-rated dividend for any partial quarter prior to the closing
- 30-day customary "go-shop" provision
- SDTS, Sharyland and Oncor are required to file a Sale-Transfer-Merger application (STM) with the Public Utility Commission of Texas (PUCT) no later than November 30, 2018

# Approvals and Timeline to Completion



- The closing of the transactions will be subject to a number of closing conditions, including:
  - PUCT approval of transactions, including:
    - The exchange of assets between SDTS and Sharyland;
    - The acquisition of InfraREIT by Oncor; and
    - Sempra Energy's indirect 50 percent investment in Sharyland
  - Other necessary regulatory approvals, including Federal Energy Regulatory Commission (FERC) approval, Hart-Scott-Rodino clearance and the Committee on Foreign Investment in the United States (CFIUS) clearance;
  - Stockholder approval;
  - Certain lender consents; and
  - Closing of Sempra Energy's indirect 50 percent investment in Sharyland and other customary closing conditions
- After the receipt of all required approvals, the transaction is expected to close by mid-2019

## Catalysts for Pursuit of De-REIT Alternatives and Analysis of Future Prospects as a Stand-Alone Company



- InfraREIT benefits from a strong asset franchise in the growing ERCOT market that is well-positioned to take advantage of the ongoing expansion of renewables in the western areas of the state and high growth in West Texas
- However, the REIT structure, the Tax Cuts and Jobs Act, and potential outcomes in the 2020 rate case negatively impact the Company's financial outlook as a stand-alone, independent company
  - As part of any De-REIT alternative, the Company would begin to record book federal corporate income taxes on its income statement at a 21 percent income tax rate
  - Repricing InfraREIT's leases to implement the 21 percent federal corporate income tax allowance, while holding all other inputs constant, would reduce net income attributable to InfraREIT, Inc. common stockholders per share (EPS) by approximately \$0.30 (pre-tax) per year
  - During the 2020 rate case, the Company's allowed cost of debt would be adjusted relative to the 6.73 percent cost of debt currently recovered through rates

***The Company's review of De-REIT alternatives, including the announced transactions, considered multiple factors, including those listed above. Actual impacts from these factors would depend upon timing, method of implementation and other considerations***

## Estimated Financial Outlook for A Potential Alternative as a Stand-Alone Company



- The Company's analysis of Oncor's proposal included consideration of potential alternatives, including a stand-alone plan that involves InfraREIT completing an asset exchange with Sharyland (similar to what was included in the October 18, 2018 announcement) and InfraREIT remaining an independent, stand-alone company. The potential stand-alone plan produces the following estimated EPS profile:

	2020E	2021E	2022E
EPS	\$1.08 - \$1.16	\$0.80 - \$0.88	\$1.00 - \$1.08

*Rate Case Effective*
*LP&L Project Completed*

***2022E EPS provides a full-year run-rate view of this potential stand-alone alternative following the implementation of the potential outcomes of the 2020 rate case and the completion of the Lubbock Power & Light (LP&L) Project in 2021***



# Transmission Development Update



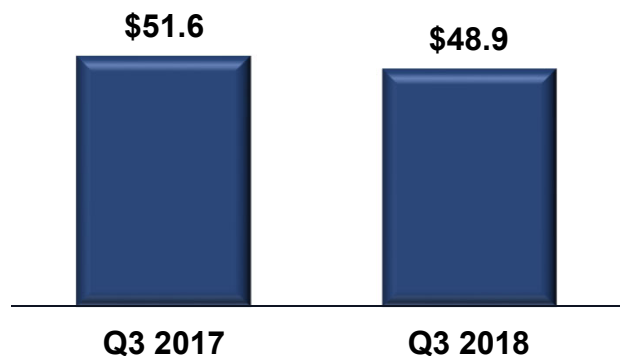
- LP&L and Sharyland are advancing the planning process for the integration of LP&L into ERCOT, with a target completion date of mid-2021
  - ❑ At the March 8<sup>th</sup> Open Meeting, the PUCT approved a final order related to LP&L's application to join the ERCOT market
  - ❑ On August 21<sup>st</sup> LP&L and Sharyland entered into a participation agreement
  - ❑ On September 6<sup>th</sup> Sharyland and LP&L filed a Certificate of Convenience & Necessity (CCN) with the PUCT for the proposed Ogallala to Abernathy 345kV transmission line
  - ❑ On September 20<sup>th</sup> Sharyland and LP&L filed a CCN with the PUCT for the proposed Abernathy to Wadsworth 345kV transmission line
  - ❑ The current planning-level estimate of the total transmission requirement to interconnect LP&L to ERCOT is \$364 million; LP&L and Sharyland will build the required transmission interconnections
  - ❑ The Company expects less than \$10 million of Sharyland's portion to be footprint capital expenditures
- Hunt and Sharyland have started construction of a new station in Deaf Smith County to connect a wind generator to the ERCOT grid by mid-2019; this is a ROFO project under the development agreement
- Sharyland is revising the scope for the South Plains Reinforcement Project given the significant overlap with the LP&L integration into ERCOT to include the third and potentially fourth synchronous condenser

# Q3 2018 Performance Summary

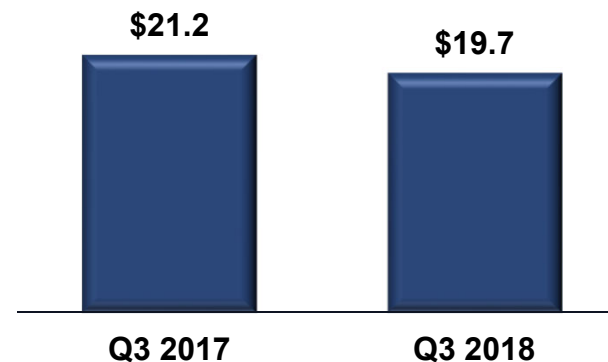
\$ millions, except per share amounts



## Lease Revenue



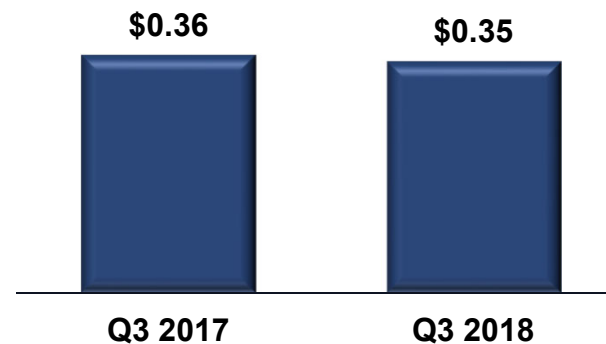
## Net Income



## EPS



## Non-GAAP EPS

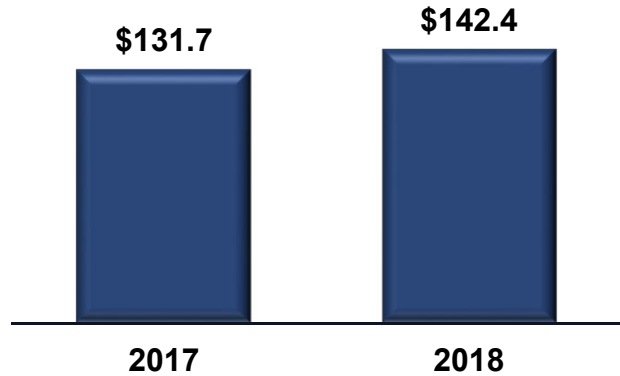


# Sept YTD 2018 Performance Summary

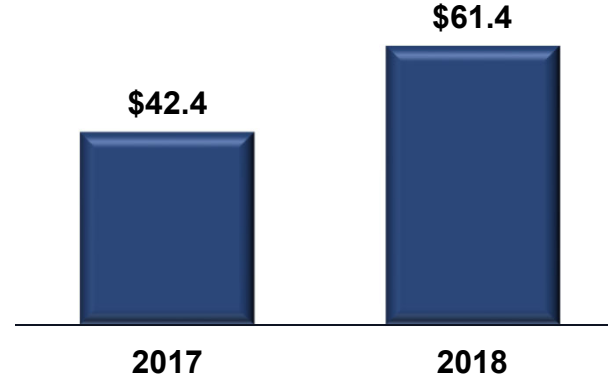
\$ millions, except per share amounts



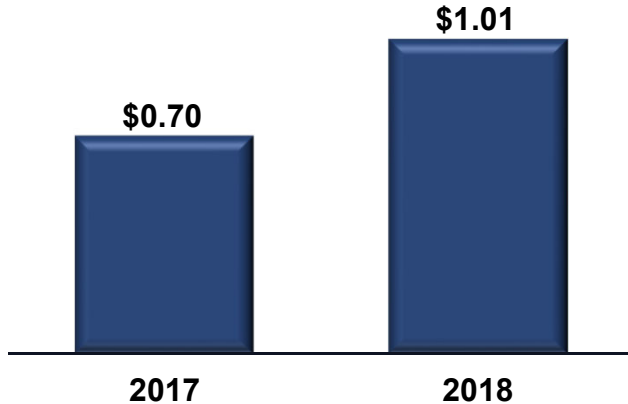
## Lease Revenue



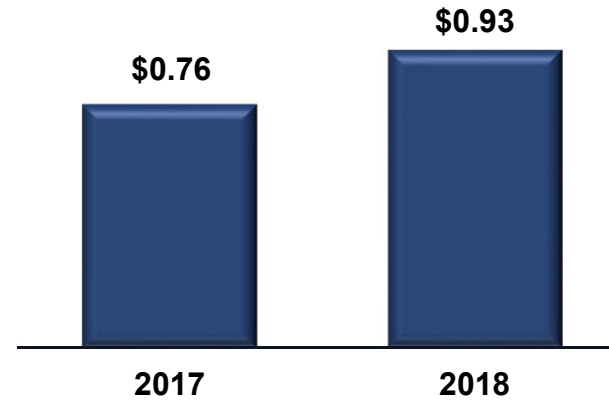
## Net Income



## EPS



## Non-GAAP EPS



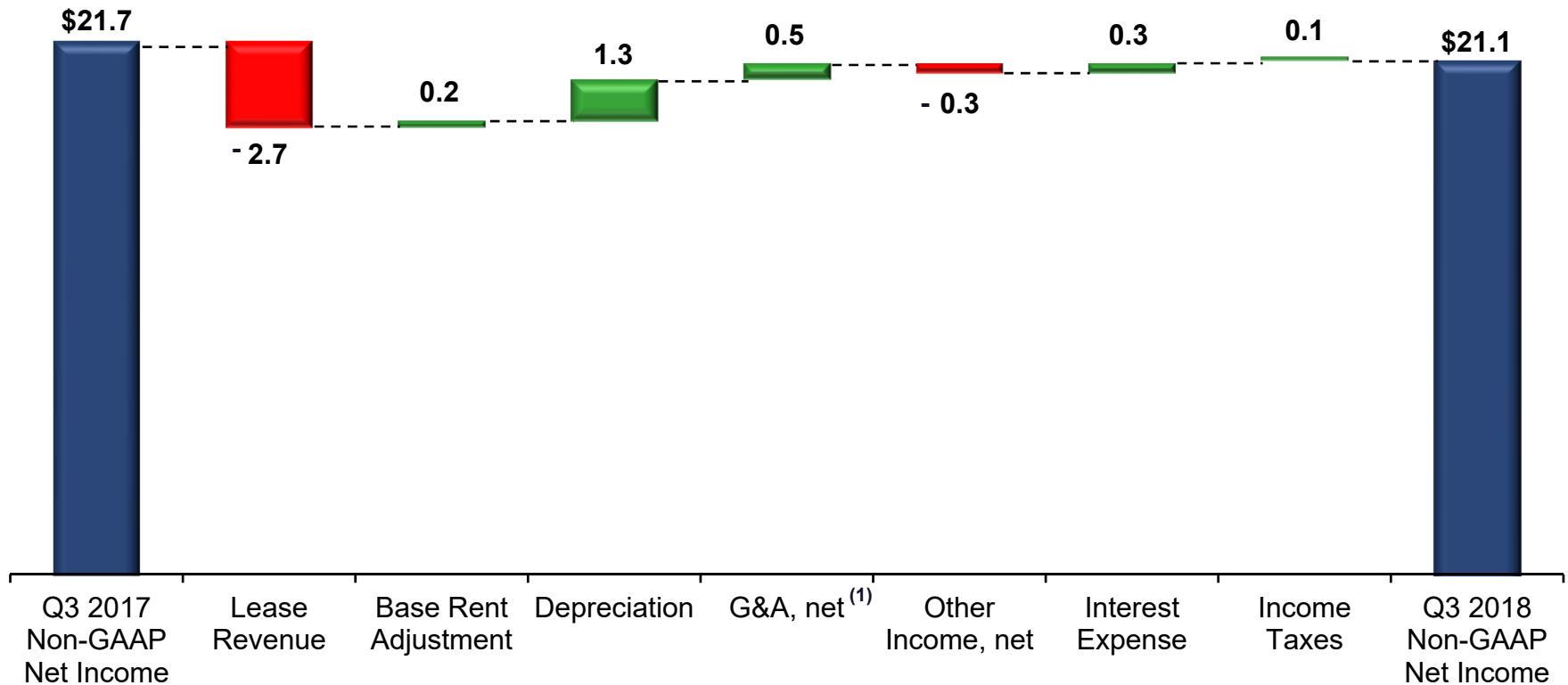
*Lease revenue is in line with expectations. Non-GAAP EPS is ahead of expectations due to lower than anticipated interest expense and routine general and administrative expense and higher AFUDC-equity*

# Drivers of Non-GAAP Earnings Metric

\$ millions



Q3 2018 vs. Q3 2017



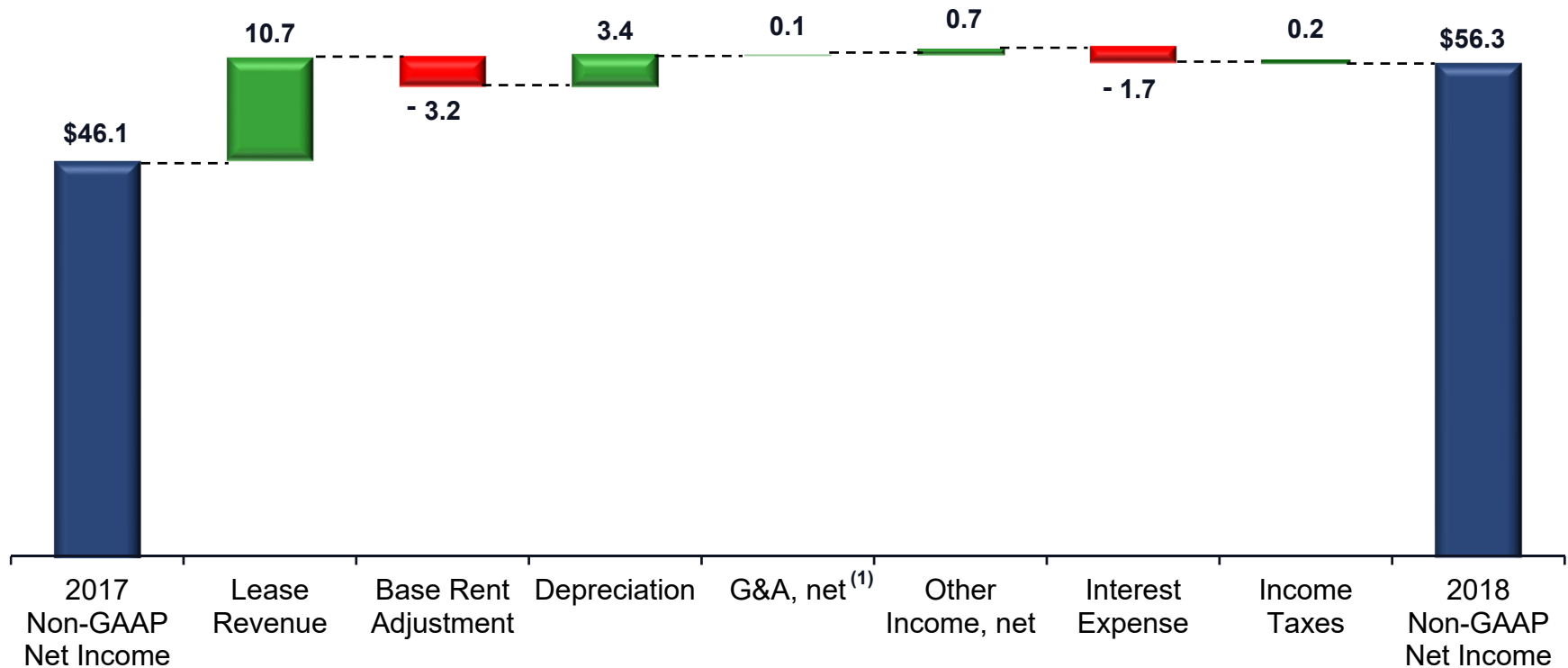
(1) Includes the add back of the professional services fee related to the Texas franchise tax settlement; transaction costs related to the pending sale of InfraREIT and the asset exchange with Sharyland; and transaction costs related to the asset exchange transaction completed during the fourth quarter of 2017 (2017 Asset Exchange Transaction)

# Drivers of Non-GAAP Earnings Metric

\$ millions



2018 YTD vs. 2017 YTD



(1) Includes the add back of the professional services fee related to the Texas franchise tax settlement; transaction costs related to the pending sale of InfraREIT and the asset exchange with Sharyland; and transaction costs related to the 2017 Asset Exchange Transaction

# Forward Outlook

As of November 1, 2018



- Guidance:
  - ❑ 2018 EPS range of \$1.35 to \$1.40
  - ❑ 2018 Non-GAAP EPS range of \$1.35 to \$1.40
  - ❑ Expect to maintain current quarterly cash dividend of \$0.25 per share through transaction close
  - ❑ Increase in Non-GAAP EPS guidance driven primarily by lower than expected net interest expense, along with lower than expected routine general and administrative expense, and higher than expected revenue and allowance for funds used during construction on other funds
- Current year earnings guidance assumes existing lease payments continue as scheduled
- InfraREIT will maintain its REIT status through transaction close
- Footprint capital expenditures for 2018 – 2020 in the range of \$85 million to \$155 million

# 2018E – 2020E Footprint Capital Expenditures

As of November 1, 2018



\$ millions	2018	2019	2020
Base Footprint Capex	\$45 - \$55	\$20 - \$35	\$10 - \$25
Synchronous Condensers & Second Circuit	\$10 - \$15	\$0	\$0 - \$25
<b>Total Footprint Capex</b>	<b>\$55 - \$70</b>	<b>\$20 - \$35</b>	<b>\$10 - \$50</b>

*Footprint capex guidance range of \$85 million – \$155 million for 2018 – 2020. Relative to last quarter, the increase in the forecasted Footprint capex for 2019 is due to an increase in scope and costs for several projects.*

*Long-term opportunities tied to generation interconnections and renewables expansion, regional growth and new projects required to improve reliability and relieve congestion*



Reg G  
Reconciliation



Schedule 1:

# Explanation and Reconciliation of Non-GAAP EPS

Q3 2018 vs. Q3 2017



## Non-GAAP EPS

InfraREIT defines non-GAAP net income as net income (loss) adjusted in a manner the Company believes is appropriate to show its core operational performance, including: (a) an adjustment for the difference between the amount of base rent payments that the Company receives with respect to the applicable period and the amount of straight-line base rent recognized under GAAP; (b) adding back the transaction costs related to the pending sale of InfraREIT to Oncor and the asset exchange with Sharyland; (c) adding back the transaction costs related to the 2017 Asset Exchange Transaction; (d) adding back the professional services fee related to the franchise tax settlement with the state of Texas; and (e) removing the effect of the Texas franchise tax settlement. The Company defines Non-GAAP EPS as non-GAAP net income (loss) divided by the weighted average shares outstanding calculated in the manner described in the footnotes below.

The following table sets forth a reconciliation of net income attributable to InfraREIT, Inc. per diluted share to Non-GAAP EPS for the three months ended September 30, 2018 and 2017:

(\$ thousands, except per share amounts)	Q3 2018		Q3 2017	
	Amount	Per Share <sup>(6)</sup>	Amount	Per Share <sup>(8)</sup>
Net income attributable to InfraREIT, Inc.	\$ 14,271	\$ 0.32	\$ 15,330	\$ 0.35
Net income attributable to noncontrolling interest	5,435	0.32	5,908	0.35
<b>Net income</b>	<b>19,706</b>	<b>0.32</b>	<b>21,238</b>	<b>0.35</b>
Base rent adjustment <sup>(1)</sup>	(1,259)	(0.02)	(1,479)	(0.02)
Transaction costs associated with pending sale of InfraREIT, Inc. <sup>(2)</sup>	2,615	0.05	—	—
2017 Asset Exchange Transaction costs <sup>(3)</sup>	—	—	1,972	0.03
Texas franchise tax professional services fee <sup>(4)</sup>	—	—	—	—
Texas franchise tax settlement <sup>(5)</sup>	—	—	—	—
<b>Non-GAAP net income</b>	<b>\$ 21,062</b>	<b>\$ 0.35</b>	<b>\$ 21,731</b>	<b>\$ 0.36</b>

Schedule 1:

## Explanation and Reconciliation of Non-GAAP EPS

YTD 2018 vs. YTD 2017



### Non-GAAP EPS

The following table sets forth a reconciliation of net income attributable to InfraREIT, Inc. per diluted share to Non-GAAP EPS for the nine months ended September 30, 2018 and 2017:

(\$ thousands, except per share amounts)	YTD 2018		YTD 2017	
	Amount	Per Share <sup>(7)</sup>	Amount	Per Share <sup>(8)</sup>
Net income attributable to InfraREIT, Inc.	\$ 44,469	\$ 1.01	\$ 30,587	\$ 0.70
Net income attributable to noncontrolling interest	16,937	1.01	11,797	0.70
<b>Net income</b>	<b>61,406</b>	<b>1.01</b>	<b>42,384</b>	<b>0.70</b>
Base rent adjustment <sup>(1)</sup>	(3,400)	(0.06)	(180)	—
Transaction costs associated with pending sale of InfraREIT, Inc. <sup>(2)</sup>	2,615	0.05	—	—
2017 Asset Exchange Transaction costs <sup>(3)</sup>	151	—	3,909	0.06
Texas franchise tax professional services fee <sup>(4)</sup>	1,196	0.02	—	—
Texas franchise tax settlement <sup>(5)</sup>	(5,633)	(0.09)	—	—
<b>Non-GAAP net income</b>	<b>\$ 56,335</b>	<b>\$ 0.93</b>	<b>\$ 46,113</b>	<b>\$ 0.76</b>

## Schedule 1:

# Explanation and Reconciliation of Non-GAAP EPS



- (1) This adjustment relates to the difference between the timing of cash base rent payments made under the Company's leases and when the Company recognizes base rent revenue under GAAP. The Company recognizes base rent on a straight-line basis over the applicable term of the lease commencing when the related assets are placed in service, which is frequently different than the period in which the cash base rent becomes due.
- (2) This adjustment reflects the transaction cost related to the pending sale of InfraREIT to Oncor and the asset exchange with Sharyland as these are not typical operational costs.
- (3) This adjustment reflects the transaction costs related to the 2017 Asset Exchange Transaction. These costs are exclusive of the Company's routine business operations or typical rate case costs and have been excluded to present additional insights on InfraREIT's core operations.
- (4) The adjustment reflects the professional services fee paid by the Company related to the Texas franchise tax settlement. These costs are exclusive of the Company's routine business operations and have been excluded to present additional insights on InfraREIT's core operations.
- (5) This adjustment relates to potential taxes and associated accrued interest and penalties that were removed from the Company's Consolidated Balance Sheets and recognized as an income tax benefit on the Consolidated Statements of Operations as a result of the franchise tax settlement with the state of Texas. This adjustment is not typical of the Company's business operations and has been excluded to provide additional insights into InfraREIT's core operations.
- (6) The weighted average common shares outstanding of 44.0 million was used to calculate net income attributable to InfraREIT, Inc. per diluted share. The weighted average redeemable partnership units outstanding of 16.7 million was used to calculate the net income attributable to noncontrolling interest per share. The combination of the weighted average common shares and redeemable partnership units outstanding of 60.7 million was used for the remainder of the per share calculations.
- (7) The weighted average common shares outstanding of 43.9 million was used to calculate net income attributable to InfraREIT, Inc. per diluted share. The weighted average redeemable partnership units outstanding of 16.8 million was used to calculate the net income attributable to noncontrolling interest per share. The combination of the weighted average common shares and redeemable partnership units outstanding of 60.7 million was used for the remainder of the per share calculations.
- (8) The weighted average common shares outstanding of 43.8 million was used to calculate net income attributable to InfraREIT, Inc. per diluted share. The weighted average redeemable partnership units outstanding of 16.9 million was used to calculate net income attributable to noncontrolling interest per share. The combination of the weighted average common shares and redeemable partnership units outstanding of 60.7 million was used for the remainder of the per share calculations.

Schedule 2:

# Explanation and Reconciliation of FFO and AFFO

Q3 2018 vs. Q3 2017



## FFO and AFFO

The National Association of Real Estate Investment Trusts (NAREIT) defines FFO as net income (computed in accordance with GAAP), excluding gains and losses from sales of property (net) and impairments of depreciated real estate, plus real estate depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated partnerships and joint ventures. Applying the NAREIT definition to the Company's consolidated financial statements, which is the basis for the FFO and the reconciliations below, results in FFO representing net income (loss) before depreciation, impairment of assets and gain (loss) on sale of assets. FFO does not represent cash generated from operations as defined by GAAP and it is not indicative of cash available to fund all cash needs, including distributions.

AFFO is defined as FFO adjusted in a manner the Company believes is appropriate to show its core operational performance, including: (a) an adjustment for the difference between the amount of base rent payments that the Company receives with respect to the applicable period and the amount of straight-line base rent recognized under GAAP; (b) adjusting for other income (expense), net; (c) adding back the transaction costs related to the pending sale of InfraREIT to Oncor and the asset exchange with Sharyland; (d) adding back the transaction costs related to the 2017 Asset Exchange Transaction; (e) adding back the professional services fee related to the franchise tax settlement with the state of Texas; and (f) removing the effect of the Texas franchise tax settlement.

The following table sets forth a reconciliation of net income to FFO and AFFO for the three months ended September 30, 2018 and 2017:

(\$ thousands)	Q3 2018	Q3 2017
Net income	\$ 19,706	\$ 21,238
Depreciation	12,063	13,328
<b>FFO</b>	<b>31,769</b>	<b>34,566</b>
Base rent adjustment <sup>(1)</sup>	(1,259)	(1,479)
Other income, net <sup>(2)</sup>	(7)	(331)
Transaction costs associated with pending sale of InfraREIT, Inc. <sup>(3)</sup>	2,615	—
2017 Asset Exchange Transaction costs <sup>(4)</sup>	—	1,972
Texas franchise tax professional services fee <sup>(5)</sup>	—	—
Texas franchise tax settlement <sup>(6)</sup>	—	—
<b>AFFO</b>	<b>\$ 33,118</b>	<b>\$ 34,728</b>

Schedule 2:

## Explanation and Reconciliation of FFO & AFFO

YTD 2018 vs. YTD 2017



### FFO and AFFO

The following table sets forth a reconciliation of net income to FFO and AFFO for the nine months ended September 30, 2018 and 2017:

(\$ thousands)	YTD 2018	YTD 2017
Net income	\$ 61,406	\$ 42,384
Depreciation	35,632	38,997
<b>FFO</b>	<b>97,038</b>	<b>81,381</b>
Base rent adjustment <sup>(1)</sup>	(3,400)	(180)
Other income, net <sup>(2)</sup>	(1,114)	(351)
Transaction costs associated with pending sale of InfraREIT, Inc. <sup>(3)</sup>	2,615	—
2017 Asset Exchange Transaction costs <sup>(4)</sup>	151	3,909
Texas franchise tax professional services fee <sup>(5)</sup>	1,196	—
Texas franchise tax settlement <sup>(6)</sup>	(5,633)	—
<b>AFFO</b>	<b>\$ 90,853</b>	<b>\$ 84,759</b>

(1) See footnote (1) on Schedule 1: Explanation and Reconciliation of Non-GAAP EPS

(2) Includes allowance for funds used during construction (AFUDC) on other funds of \$0.3 million for the three months ended September 30, 2017 and \$1.1 million and \$0.3 million for the nine months ended September 30, 2018 and 2017, respectively. There was no AFUDC on other funds recorded during the three months ended September 30, 2018.

(3) See footnote (2) on Schedule 1: Explanation and Reconciliation of Non-GAAP EPS

(4) See footnote (3) on Schedule 1: Explanation and Reconciliation of Non-GAAP EPS

(5) See footnote (4) on Schedule 1: Explanation and Reconciliation of Non-GAAP EPS

(6) See footnote (5) on Schedule 1: Explanation and Reconciliation of Non-GAAP EPS

Schedule 3:

## Forecasted Guidance for 2018

### Reconciliation of GAAP to Non-GAAP

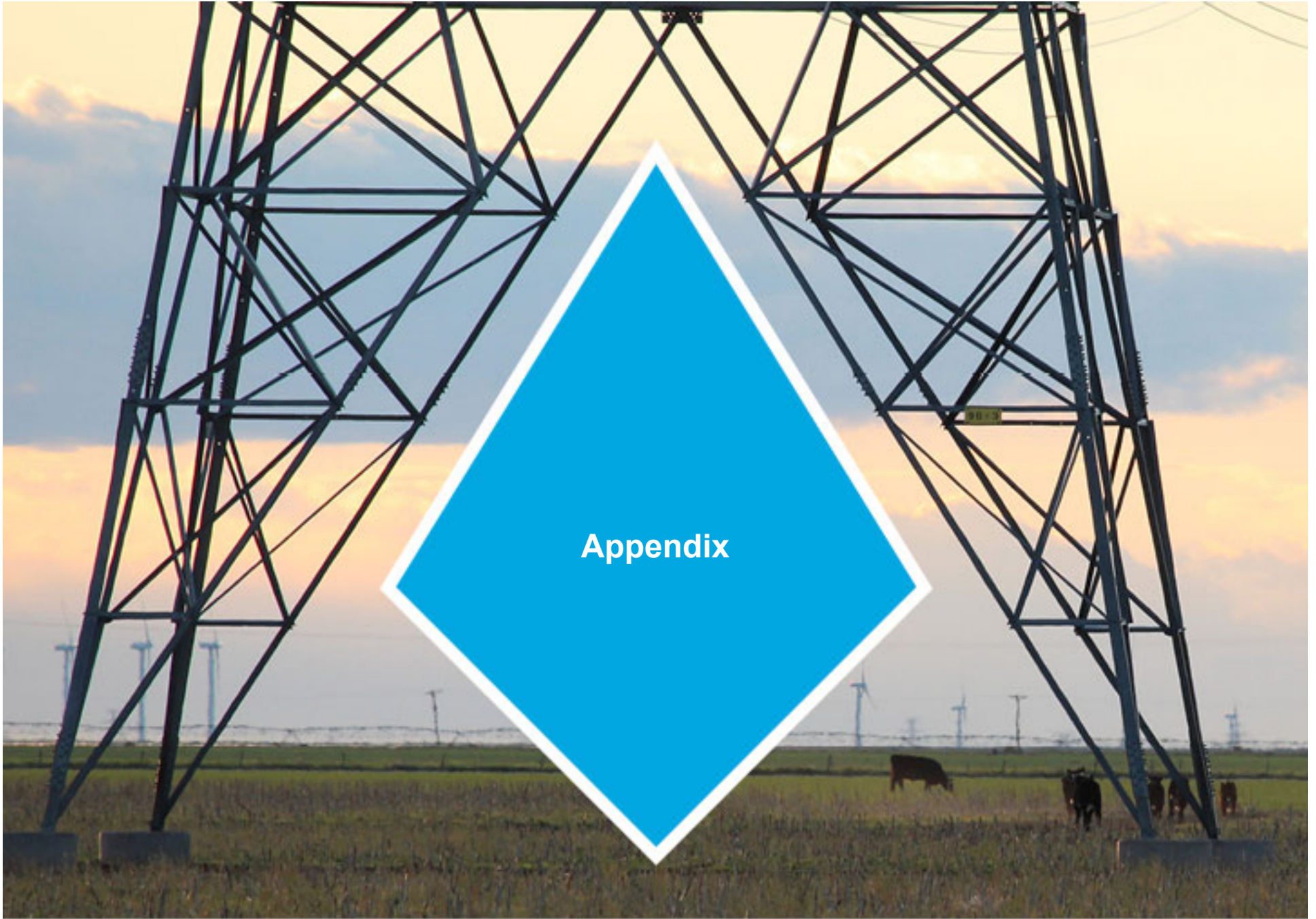


### Forecasted Guidance for 2018

The Company provides yearly guidance for Non-GAAP EPS, which is one of the supplemental financial measures it uses in evaluating the Company's operating performance. The Company believes that Non-GAAP EPS helps the Company and investors better understand the Company's business and performance by providing perspectives not immediately apparent from net income.

The following table sets forth a reconciliation of the forecasted GAAP net income attributable to InfraREIT, Inc. per share to Non-GAAP EPS for the year ending December 31, 2018:

(Per share amounts)	Full Year 2018	
	Low	High
Net income attributable to InfraREIT, Inc.	\$ 1.35	\$ 1.40
Net income attributable to noncontrolling interest	1.35	1.40
<b>Net income</b>	<b>1.35</b>	<b>1.40</b>
Base rent adjustment	(0.08)	(0.08)
Transaction costs associated with pending sale of InfraREIT, Inc.	0.14	0.14
2017 Asset Exchange Transaction costs	0.01	0.01
Texas franchise tax professional services fee	0.02	0.02
Texas franchise tax settlement	(0.09)	(0.09)
<b>Non-GAAP EPS</b>	<b>\$ 1.35</b>	<b>\$ 1.40</b>



Appendix

# InfraREIT's Investment Highlights



## Attractive Asset Portfolio

- » \$1.5 billion in regulated electric transmission and wholesale distribution assets (rate base)

## Stable Cash Flow

- » 100 percent of revenue driven by regulated asset base
- » 90 percent of assets in transmission, remainder in wholesale distribution (no end-use retail customers; Oncor is the sole distribution customer)

## Strong Track Record

- » Increased rate base from \$60 million in 2009 to \$1.5 billion in 2018
- » Successfully developed 300 miles and four substations in the CREZ transmission system and significantly expanded the West Texas assets

## Constructive Regulation

- » Constructive regulatory framework in Texas
- » Ability to submit interim transmission rate filings twice per year; minimizes regulatory lag

## Strong Sponsor

- » Hunt has long-term track record and relationships in Texas and the Southwest
- » High alignment between Hunt and other stakeholders

## Growth Opportunities

- » Pro-business, high-growth state with growing infrastructure needs in West and South Texas
- » Well-positioned relative to future expansion of wind and solar generation in the Panhandle, West Texas and South Plains
- » Pipeline of projects with Hunt Developer

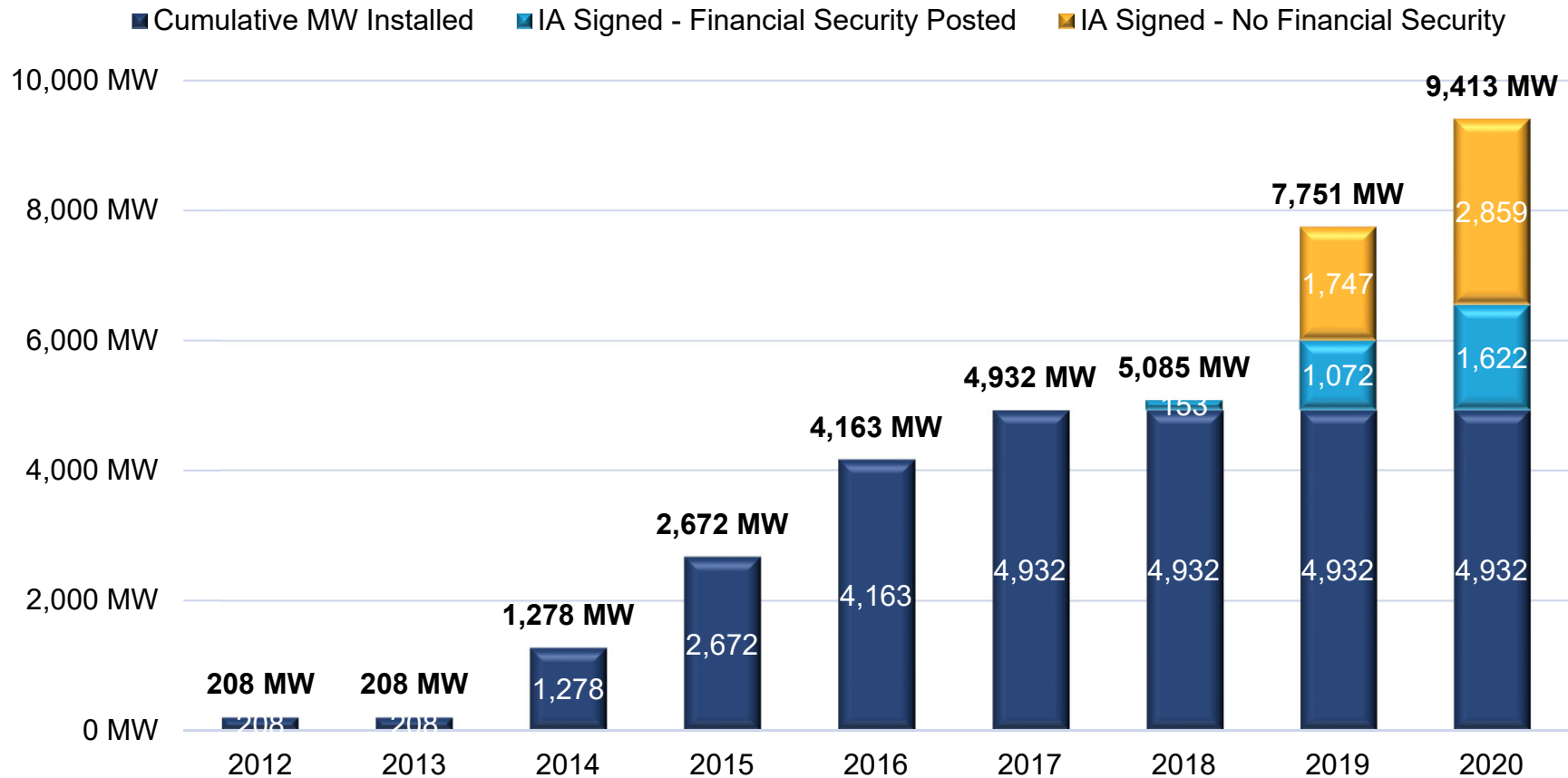


# InfraREIT's Transmission Assets

As of November 1, 2018



# Interconnections Agreements for Panhandle Generation



Source: ERCOT – Fall 2018 Final Seasonal Assessment of Resource Adequacy and Generation Interconnection Status Report (Sept. 2018)

# Hunt Projects (1)

As of November 1, 2018



## Assets in Operation

Project	State	Net Plant
Golden Spread	TX	~ \$89 mm
Cross Valley (2)	TX	~ \$174 mm

## Project in Construction

Project	~ Cost	~ Placed in Service
Deaf Smith Substation	~ \$13 mm	Mid-2019

## Development Projects

Project	State	Status
Generation Interconnections	TX	Development
LP&L Integration	TX	Development
Nogales – DC Tie	AZ	Development
Southline	AZ – NM	Development

(1) InfraREIT holds a right of first offer applicable to many, but not all, of Hunt's development projects.  
(2) Includes approximately \$7 million in construction work in progress

# Debt Obligations and Liquidity

\$ millions



Long-Term Debt (rate / maturity)	Outstanding As of September 30, 2018
TDC – Senior Secured Notes (8.50% / December 30, 2020)	\$ 15.3
SDTS – Senior Secured Term Loan (3.42% / June 5, 2020)	200.0
SDTS – Senior Secured Notes, Series A (3.86% / December 3, 2025)	400.0
SDTS – Senior Secured Notes, Series B (3.86% / January 14, 2026)	100.0
SDTS – Senior Secured Notes (7.25% / December 30, 2029)	38.9
SDTS – Senior Secured Notes (6.47% / September 30, 2030)	89.2
<b>Total</b>	<b>\$ 843.4</b>

Liquidity Facilities	Amount	Outstanding As of September 30, 2018	Available
InfraREIT Partners Revolver	\$ 75.0	\$ —	\$ 75.0
SDTS Revolver	250.0	101.0	149.0
<b>Total</b>	<b>\$ 325.0</b>	<b>\$ 101.0</b>	<b>\$ 224.0</b>
Cash (as of September 30, 2018)			3.2
<b>Total Available Liquidity</b>			<b>\$ 227.2</b>

# Financing Strategy



- ▶ Construct footprint capital expenditures
- ▶ Opportunistically acquire regulated assets
- ▶ Maintain significant liquidity to support capex plan and financial flexibility
- ▶ Maintain 55 percent debt-to-capitalization at InfraREIT's regulated subsidiary, SDTS
- ▶ Target consolidated credit metrics of 60 percent debt-to-capitalization and 12 percent AFFO-to-debt
- ▶ Sign long-term leases that reflect regulated rate structure

# Potential Stand-Alone Plan Assumptions



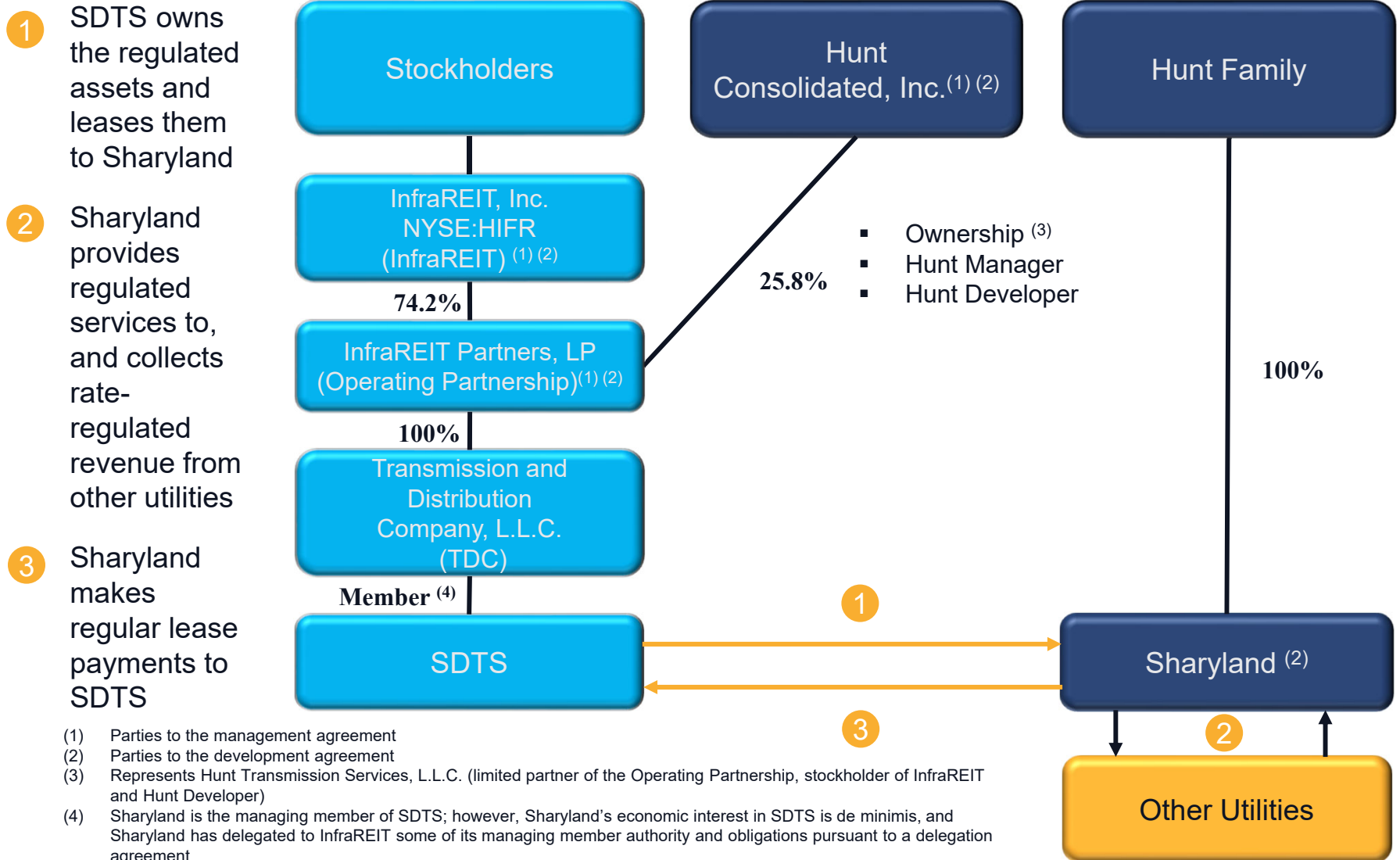
- The Company's analysis of Oncor's proposal included consideration of potential alternatives, including a stand-alone plan that involves InfraREIT completing an asset exchange with Sharyland (similar to what is included in today's announcement) and InfraREIT remaining an independent company. Key assumptions for the financial forecast relating to this stand-alone plan include:
  - ❑ Like-kind asset exchange between InfraREIT and Sharyland. InfraREIT receives the Golden Spread Project, Sharyland receives InfraREIT's assets in South Texas. The difference in net book value of the exchanged assets will be paid in cash at closing
  - ❑ InfraREIT conversion to a C-corporation, following which the Company would begin to record book federal corporate income taxes on its income statement at a 21 percent income tax rate
  - ❑ InfraREIT makes a \$40 million payment to Hunt to terminate the management agreement, the development agreement, the leases with Sharyland, and all other agreements between InfraREIT and either Hunt or Sharyland
  - ❑ Following the lease terminations, InfraREIT's go-forward revenues reflect a 21 percent corporate income tax allowance (relative to a 35 percent corporate income tax allowance in current lease revenue)
  - ❑ Implementation of 2020 rate case (2019 test year) outcome starting on January 1, 2021; rate case outcomes include an update to the currently allowed cost of debt of 6.73 percent, among other changes
  - ❑ Two TCOS filings during 2019, one during 2020 and two during 2021
  - ❑ Capital expenditures equal to InfraREIT's footprint capex, \$195 million for the LP&L Project in 2020 and 2021 and \$20 million per year of generation interconnections for 2020-2022. LP&L Project assumed to be placed in service during Q3 2021. No future development agreement with Hunt
  - ❑ Maintain targeted consolidated debt to capitalization ratio of 60 percent
  - ❑ Execute approximately \$100 million share repurchase program beginning in 2019
  - ❑ All transactions occur as of January 1, 2019

# Tax Cuts and Jobs Act (TCJA)



- The TCJA reduced the corporate federal income tax rate from 35 percent to 21 percent
- As a result, the PUCT ordered all electric utilities to book a regulatory liability for the revaluation of accumulated deferred federal income tax (ADFIT) and the customer rate differential resulting from the lower corporate federal tax rate
- Sharyland reduced its wholesale transmission rates for the reduced income tax allowance instead of booking the regulatory liability for the customer rate differential
  - Sharyland communicated to InfraREIT its current intent not to request a reduction to 2018 lease payments to reflect the impacts of the TCJA
- Impacts to InfraREIT
  - Reduced percentage rent in 2018 due to a reduction in Sharyland's revenues
  - Lower lease revenue per dollar of rate base on new assets placed in service or at lease renewals reflecting a lower tax rate
  - Created a \$56 million regulatory liability during the fourth quarter of 2017 to reflect the reduction in ADFIT

# Current InfraREIT Structure



(1) Parties to the management agreement  
 (2) Parties to the development agreement  
 (3) Represents Hunt Transmission Services, L.L.C. (limited partner of the Operating Partnership, stockholder of InfraREIT and Hunt Developer)  
 (4) Sharyland is the managing member of SDTS; however, Sharyland's economic interest in SDTS is de minimis, and Sharyland has delegated to InfraREIT some of its managing member authority and obligations pursuant to a delegation agreement  
 (5) Percentages as of September 30, 2018