



**RBC Capital Markets  
Global Energy & Power  
Executive Conference**

**June 5, 2018**

# Safe Harbor



## Forward Looking Statements

This presentation contains “forward-looking statements” about the business, financial performance, contracts, leases and prospects of InfraREIT, Inc. (InfraREIT or the Company). Words such as “could,” “will,” “may,” “assume,” “forecast,” “position,” “predict,” “strategy,” “guidance,” “outlook,” “target,” “expect,” “intend,” “plan,” “estimate,” “anticipate,” “believe,” “project,” “budget,” “potential” or “continue” and similar expressions are used to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management’s current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. This presentation also contains forward-looking statements that have previously been publicly disclosed by the Company. These previously disclosed forward-looking statements should not be deemed reaffirmed or updated by their inclusion in this presentation. The Company’s actual results, performance or achievements could differ materially from those expressed or implied by any forward-looking statements made in connection with this presentation, and in no event should the inclusion of forecasted information in this presentation be regarded as a representation by any person that the results contained therein will be achieved. Statements about the Company’s anticipated financial and operating performance, including projected or forecasted financial results, distributions to stockholders, capital expenditures, debt ratios, capitalization matters and other forecasted metrics, as well as statements about a possible De-REIT alternative and any other statements that are not historical facts in this presentation are forward-looking statements that involve certain risks and uncertainties, many of which are difficult to predict and beyond the Company’s control. Factors that could cause actual results to differ materially from the results contemplated by such forward-looking statements include, without limitation, 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, authorized rate of return and other regulatory parameters; the impact of any termination of the Company’s real estate investment trust (REIT) status; the implications of the Company’s relationships with Hunt and its affiliates on any transaction or arrangement that may be proposed with respect to InfraREIT’s business or structure; the Company’s current reliance on its tenant for all of its revenues and, as a result, the Company’s dependency on its tenant’s solvency and financial and operating performance; the amount of available investment to grow the Company’s rate base; the Company’s ability to negotiate future rent payments or to renew leases with its tenant; insufficient cash available to meet distribution requirements; and the effects of existing and future tax and other laws and governmental regulations. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” included in the Company’s filings with the U.S. Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. Forward-looking statements speak only as of the date made and reaffirmed, and the Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

## Non-GAAP Legend

This presentation contains certain financial measures that are not recognized under generally accepted accounting principles (GAAP). InfraREIT’s management 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. InfraREIT has a diverse set of investors, including investors that primarily focus on utilities, yieldcos, MLPs or REITs. Management believes that each of these different classes of investors focus on different types of metrics in their evaluation of InfraREIT. For instance, many utility investors focus on earnings per share (EPS) and management believes its presentation of non-GAAP earnings per share (Non-GAAP EPS) enables a better comparison to other utilities. Management believes it is appropriate to calculate and provide these measures in order to be responsive to these investors. Including the 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 EPS, funds from operations (FFO) and adjusted FFO (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.

# Q1 2018 Highlights and Recent Events



- Solid Q1 2018 performance
  - Growth in lease revenue was \$6 million, up 15 percent, driven by fixed rent comprising a larger percentage of expected total rent under the Company's leases for 2018 and additional assets under lease
  - Net income increased \$7 million to \$18 million in the first quarter of 2018, primarily due to higher lease revenue
  - Net income attributable to InfraREIT, Inc. common shareholders per share (EPS) of \$0.29 in 2018 compared to \$0.18 in 2017
  - Non-GAAP EPS of \$0.29 in 2018 compared to \$0.20 in 2017
  - \$15 million of capital expenditures
- Second Circuit of the Panhandle loop and two synchronous condensers placed in service during the first half of 2018

# InfraREIT's Corporate Structure



- InfraREIT's Board of Directors completed its initial review of the Company's REIT status and has directed management to pursue an alternative structure that would involve terminating REIT status and opting for a C-corp structure ("De-REIT alternative"), which could also include one or more of the following:
  - ❑ Combining SDTS and Sharyland
  - ❑ Terminating the leases between SDTS and Sharyland
  - ❑ Other negotiations with Hunt and its affiliates, including seeking to terminate or renegotiate the following:
    - Management agreement
    - Development agreement
    - Other related agreements
- The Board of Directors has not set a specific timeline for evaluating a De-REIT alternative nor is there any guarantee that a De-REIT alternative will be executed

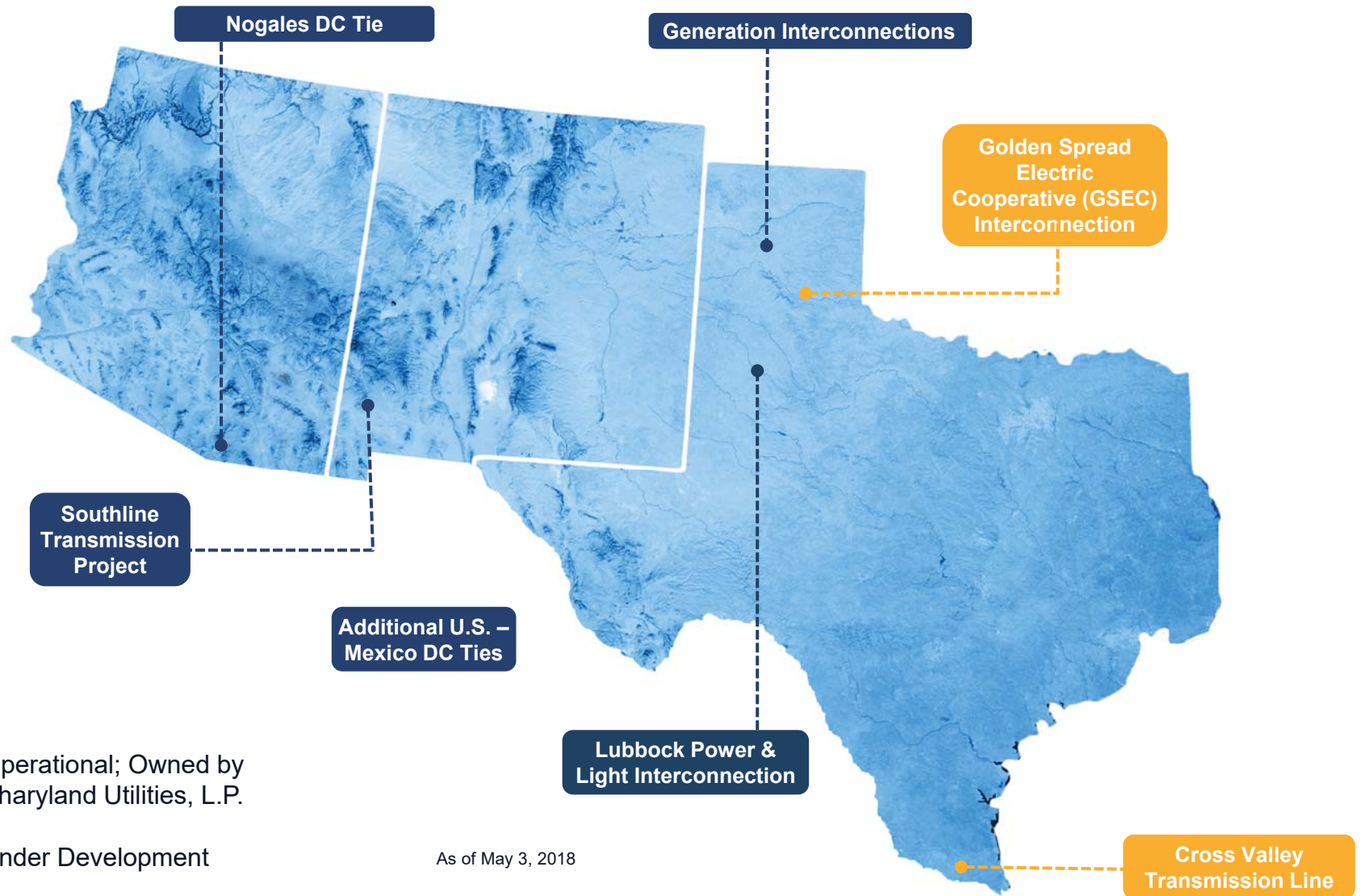
# Hunt's Schedule 13D

As of May 24, 2018



- Hunt's 13D amendment
  - Hunt no longer believes that a Hunt-led “going private” transaction is likely to be viable
  - Third-parties expressed interest during Hunt's process in a possible direct acquisition of InfraREIT as an alternative to “going private” transaction
  - Hunt stated that it currently expects at least one potential third-party acquirer will make an offer to purchase InfraREIT
- InfraREIT's Board of Directors and Conflicts Committee will consider any proposal that may be submitted by a third-party acquirer
- No assurances can be given that InfraREIT will agree to a transaction proposed as a result of the efforts described in Hunt's 13D Amendment

# Pipeline of Hunt Projects



■ Operational; Owned by Sharyland Utilities, L.P.

■ Under Development

As of May 3, 2018

# Transmission Development Update



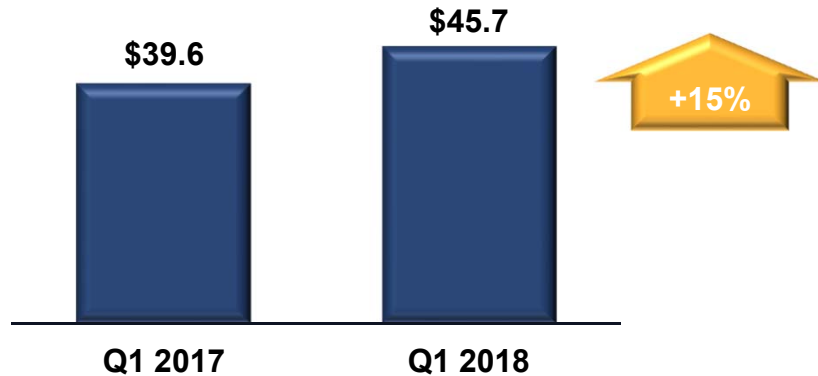
- At the March 8<sup>th</sup> Open Meeting, the Public Utility Commission of Texas (PUCT) approved a final order related to Lubbock Power & Light's (LP&L) application to join the ERCOT market
  - ❑ The current planning-level estimate of the total transmission requirement to interconnect LP&L to ERCOT is \$364 million
  - ❑ LP&L and Sharyland will build the required transmission interconnections
    - The two parties were asked to work jointly to determine which portions of the new transmission lines and substations would be built by each party
  - ❑ The Company expects less than \$10 million of Sharyland's portion to be footprint capital expenditures
- Later this summer, Sharyland expects ERCOT's completion of the South Plains study refresh taking into account the new lines already endorsed for the integration of Lubbock into ERCOT. ERCOT's independent review could include the endorsement of a third and, depending on the new levels of committed wind generation, a fourth synchronous condenser.
  - ❑ If included and ultimately approved, the new synchronous condensers would be footprint capital expenditures

# Q1 2018 Performance Summary

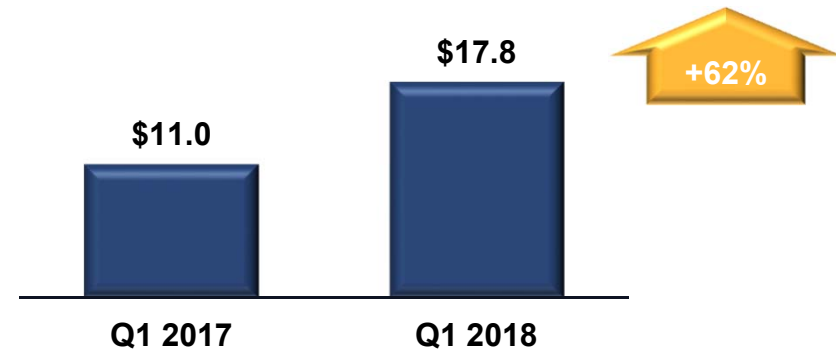
\$ millions, except per share amounts



## Lease Revenue



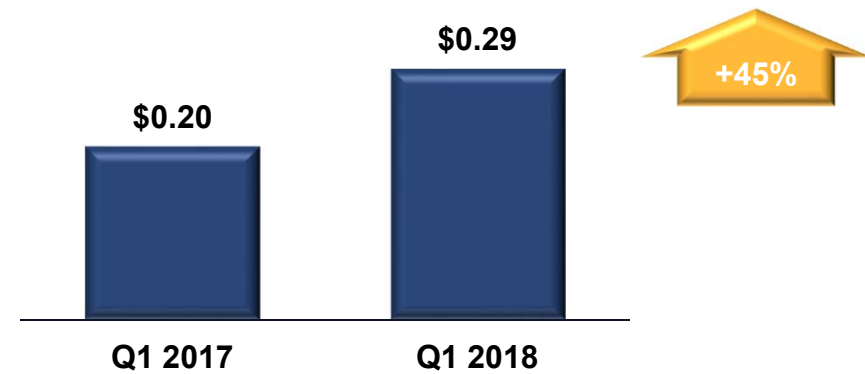
## Net Income



## Net Income Attributable to InfraREIT, Inc. Common Stockholders Per Share (EPS)



## Non-GAAP EPS



GAAP and Non-GAAP measures are in line with expectations

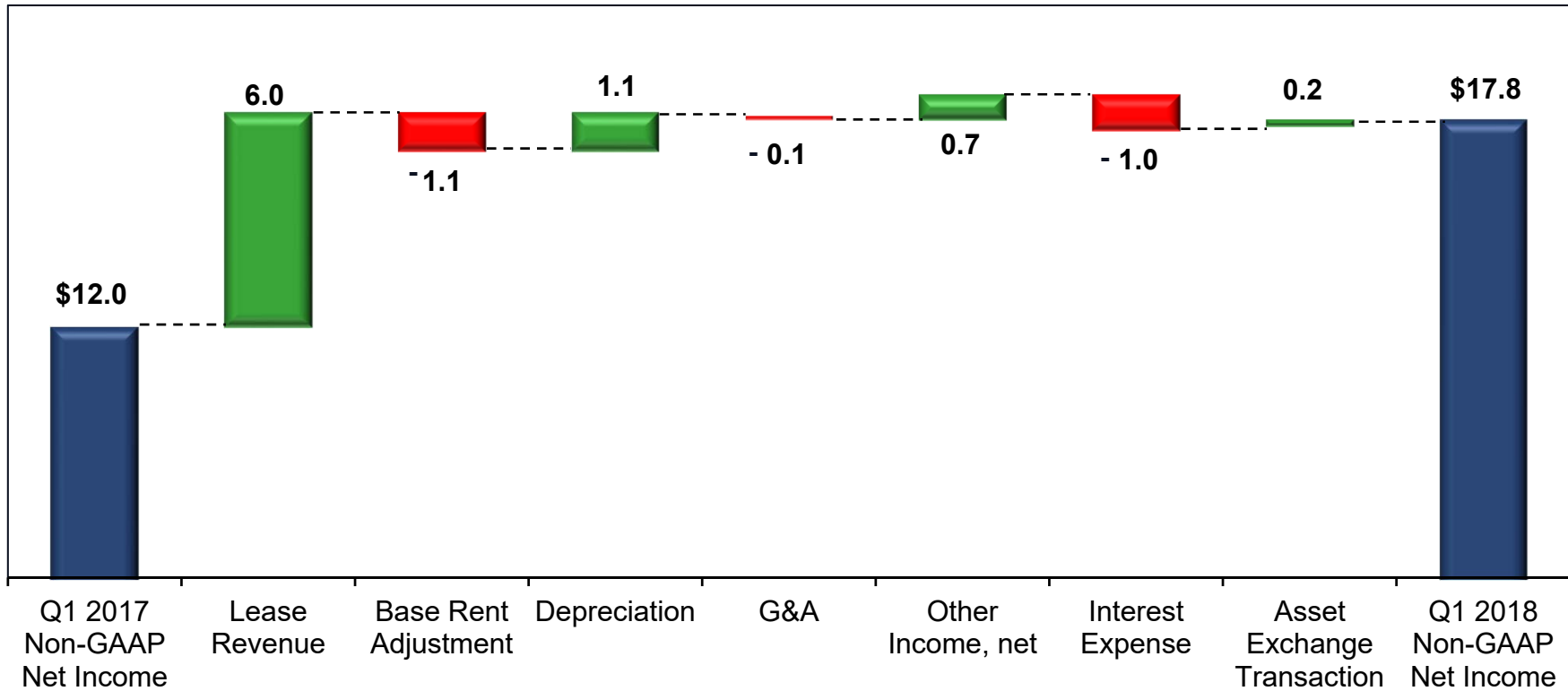


# Drivers of Non-GAAP Earnings Metric

\$ millions



Q1 2018 vs. Q1 2017



# Forward Outlook

As of May 3, 2018



- **Affirmed Guidance:**
  - 2018 EPS range of \$1.29 to \$1.39
  - 2018 Non-GAAP EPS range of \$1.22 to \$1.32
  - Expect to maintain current quarterly cash dividend of \$0.25 per share, or \$1.00 per share annualized through 2018
- Current year earnings and dividend guidance assumes existing lease payments continue as scheduled and that the Company maintains its REIT status throughout 2018
- Footprint capital expenditures for 2018 – 2020 in the range of \$70 million to \$180 million

# 2018E – 2020E Footprint Capital Expenditures

As of May 3, 2018



\$ millions	2018	2019	2020
Base Footprint Capex	\$40 - \$65	\$10 - \$30	\$10 - \$25
Synchronous Condensers & Second Circuit	\$10 - \$15	\$0 - \$20	\$0 - \$25
<b>Total Footprint Capex</b>	<b>\$50 - \$80</b>	<b>\$10 - \$50</b>	<b>\$10 - \$50</b>

*Footprint capex guidance range of \$70 million – \$180 million for 2018 – 2020  
 Long-term opportunities tied to generation interconnections and renewables expansion, regional growth and new projects required to improve reliability and relieve congestion*

# 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



Reg G  
Reconciliation

Schedule 1:

## Explanation and Reconciliation of Non-GAAP EPS

Q1 2018 vs. Q1 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 and (b) adding back the transaction costs related to the Asset Exchange Transaction. 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 March 31, 2018 and 2017:

(\$ thousands, except per share amounts)	Q1 2018		Q1 2017	
	Amount	Per Share <sup>(3)</sup>	Amount	Per Share <sup>(3)</sup>
Net income attributable to InfraREIT, Inc.	\$ 12,864	\$ 0.29	\$ 7,949	\$ 0.18
Net income attributable to noncontrolling interest	4,900	0.29	3,068	0.18
<b>Net income</b>	<b>17,764</b>	<b>0.29</b>	<b>11,017</b>	<b>0.18</b>
Base rent adjustment <sup>(1)</sup>	(120)	—	957	0.02
Transaction costs <sup>(2)</sup>	151	—	—	—
<b>Non-GAAP net income</b>	<b>\$ 17,795</b>	<b>\$ 0.29</b>	<b>\$ 11,974</b>	<b>\$ 0.20</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 rent becomes due.
- (2) This adjustment reflects the transaction costs related to the 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.
- (3) 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 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.

## Schedule 2:

# Explanation and Reconciliation of FFO and AFFO

Q1 2018 vs. Q1 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) adding back the transaction costs related to the Asset Exchange Transaction; and (c) adjusting for other income (expense), net.

The following table sets forth a reconciliation of net income to FFO and AFFO for the three months ended March 31, 2018 and 2017:

(\$ thousands)	Q1 2018	Q1 2017
Net income	\$ 17,764	\$ 11,017
Depreciation	11,577	12,687
<b>FFO</b>	<b>29,341</b>	<b>23,704</b>
Base rent adjustment <sup>(1)</sup>	(120)	957
Other income, net <sup>(2)</sup>	(733)	(3)
Transaction costs <sup>(3)</sup>	151	—
<b>AFFO</b>	<b>\$ 28,639</b>	<b>\$ 24,658</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 \$0.7 million for the three months ended March 31, 2018. There was no AFUDC on other funds recorded during the three months ended March 31, 2017.

(3) See footnote (2) 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.	\$ 1.29	\$ 1.39
Net income attributable to noncontrolling interest	1.29	1.39
<b>Net income</b>	<b>1.29</b>	<b>1.39</b>
Base rent adjustment	(0.08)	(0.08)
Transaction costs	0.01	0.01
<b>Non-GAAP EPS</b>	<b>\$ 1.22</b>	<b>\$ 1.32</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)

## Strong Track Record

- » Increased rate base from \$60 million in 2009 to \$1.5 billion in 2018
- » Successfully developed 300 miles and 4 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; 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

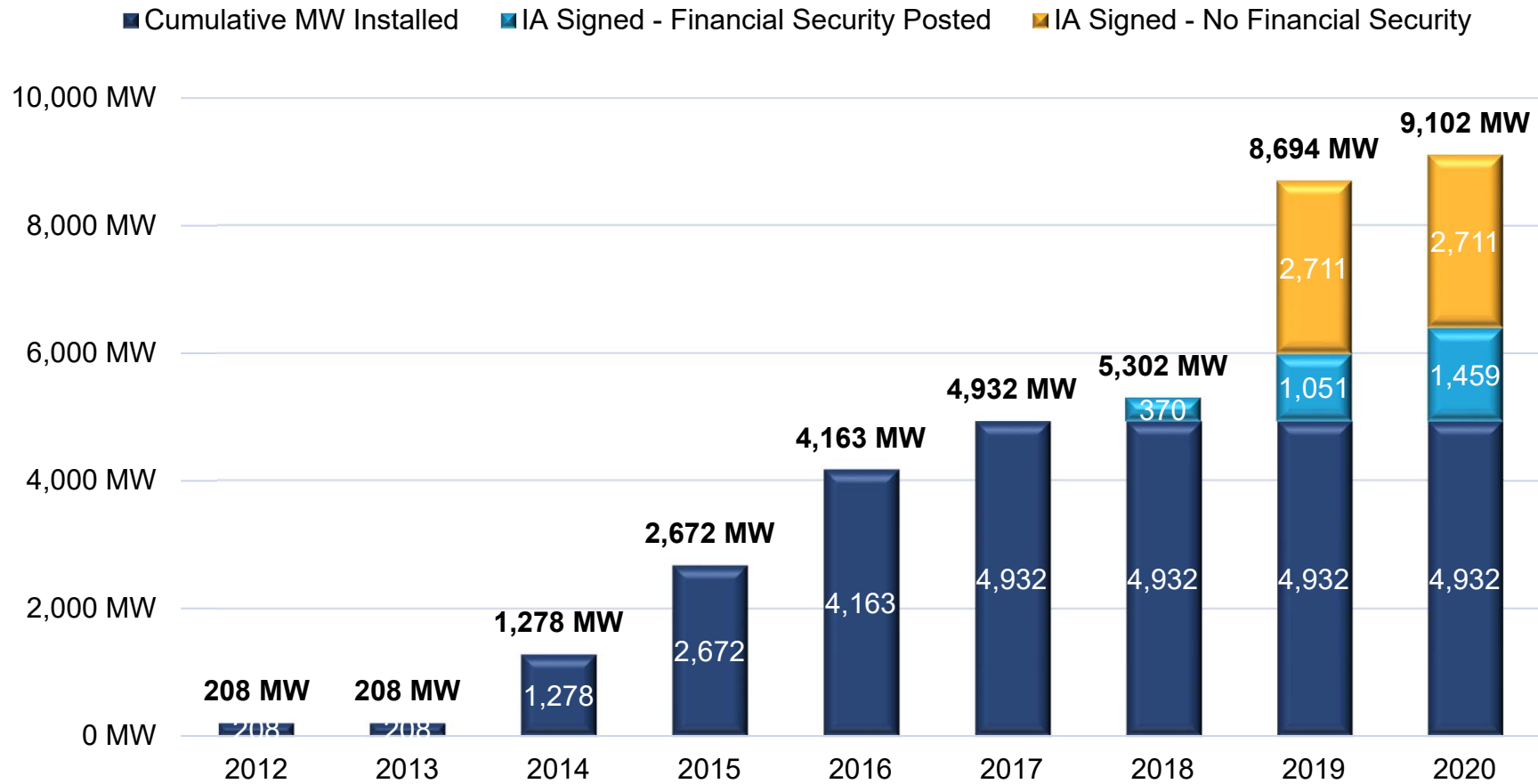
## Growth Opportunities

- » 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



# Interconnections Agreements for Panhandle Generation



Source: ERCOT – Summer 2018 Final Seasonal Assessment of Resource Adequacy and Generation Interconnection Status Report (March 2018)

# Hunt Projects (1)

As of May 3, 2018



## Assets in Operation

Project	State	Net Plant
Golden Spread	TX	~ \$90 mm
Cross Valley	TX	~ \$167 mm

## Construction or 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. However, Hunt has informed InfraREIT that it intends for InfraREIT to be primary owner of its development projects as they are completed and placed in service

# Debt Obligations and Liquidity

\$ millions



Long-Term Debt (rate / maturity)		Outstanding As of March 31, 2018	
TDC – Senior Secured Notes (8.50% / December 30, 2020)		\$ 15.9	
SDTS – Senior Secured Notes (5.04% / June 20, 2018)		60.0	
SDTS – Senior Secured Term Loan (3.04% / 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)		40.0	
SDTS – Senior Secured Notes (6.47% / September 30, 2030)		91.6	
<b>Total <sup>(1)</sup></b>		<b>\$ 907.6</b>	

Liquidity Facilities	Amount	Outstanding As of March 31, 2018	Available
InfraREIT Partners Revolver	\$ 75.0	\$ —	\$ 75.0
SDTS Revolver	250.0	35.5	214.5
<b>Total</b>	<b>\$ 325.0</b>	<b>\$ 35.5</b>	<b>\$ 289.5</b>
Cash (as of March 31, 2018)			1.6
<b>Total Available Liquidity</b>			<b>\$ 291.1</b>

22 (1) The sum of the Long-Term Debt Total may not equal due to rounding.

# Tax Cuts and Jobs Act (TCJA)

## Financial Implications



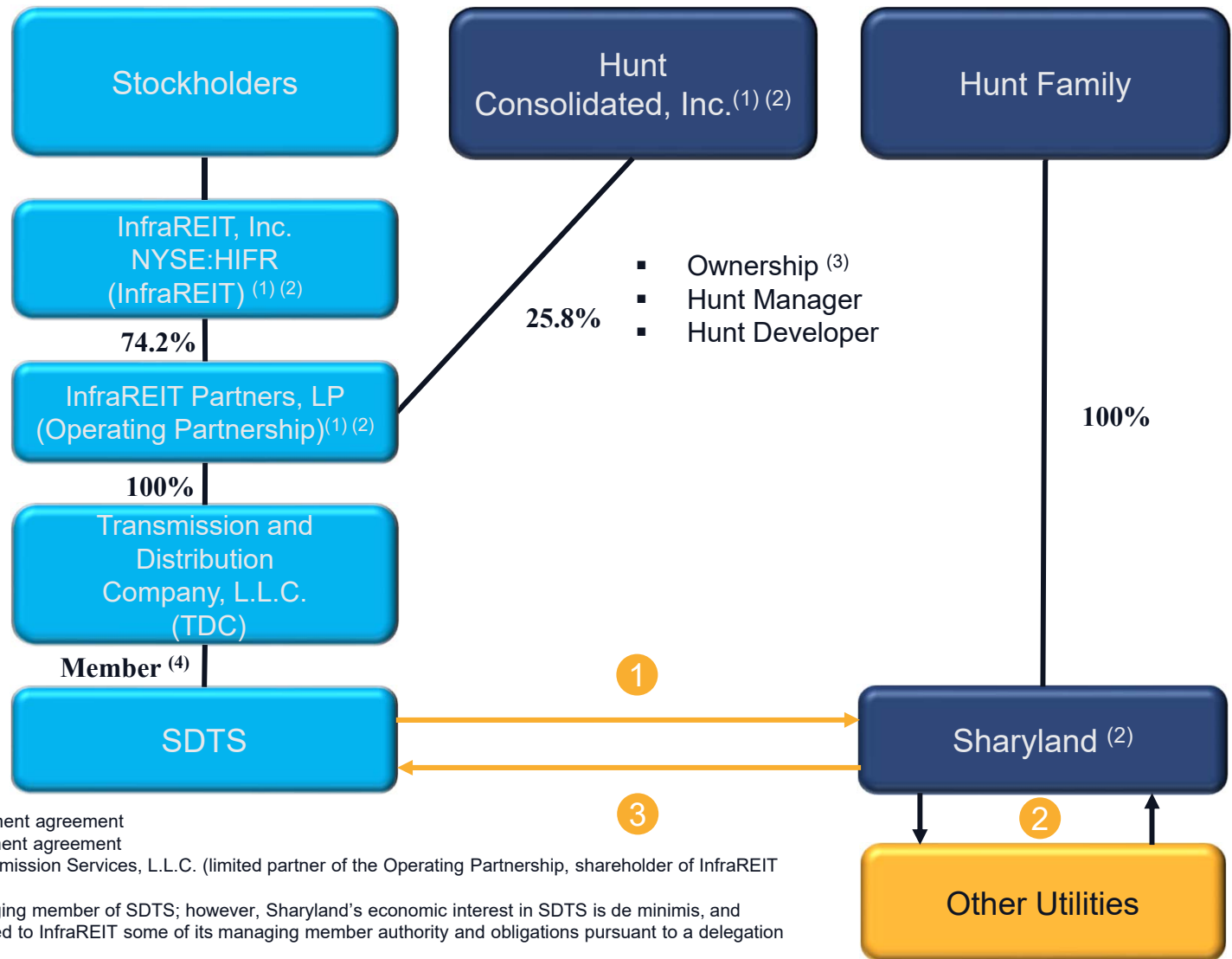
- The TCJA reduced the corporate federal income tax rate from 35 percent to 21 percent
- As a result, the PUCT ordered all electric utilities to book a regulatory liability for the revaluation of accumulated deferred federal income tax (ADFIT) and the customer rate differential resulting from the lower 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



# Structure Mechanics



- 1 SDTS owns the regulated assets and leases them to Sharyland
- 2 Sharyland provides regulated services to, and collects rate-regulated revenue from other utilities
- 3 Sharyland makes regular lease payments to SDTS



(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, shareholder 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 March 31, 2018