



all the  
little  
things

Infratil Investor Day | 11 April 2018

# Trustpower re-positioning post demerger complete

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- A New Zealand focused multi-product platform with scale and growth potential
- Divestment of GSP Energy Australian Hydro assets adds value and tightens focus
- Completion of King Country Energy take over with King Country Electric Power Trust allows consolidation and synergy realisation
- Tauranga Energy Consumer Trust debate resolved
- We are well positioned in an uncertain world

# Trustpower's strategy – to create executable options driving shareholder returns



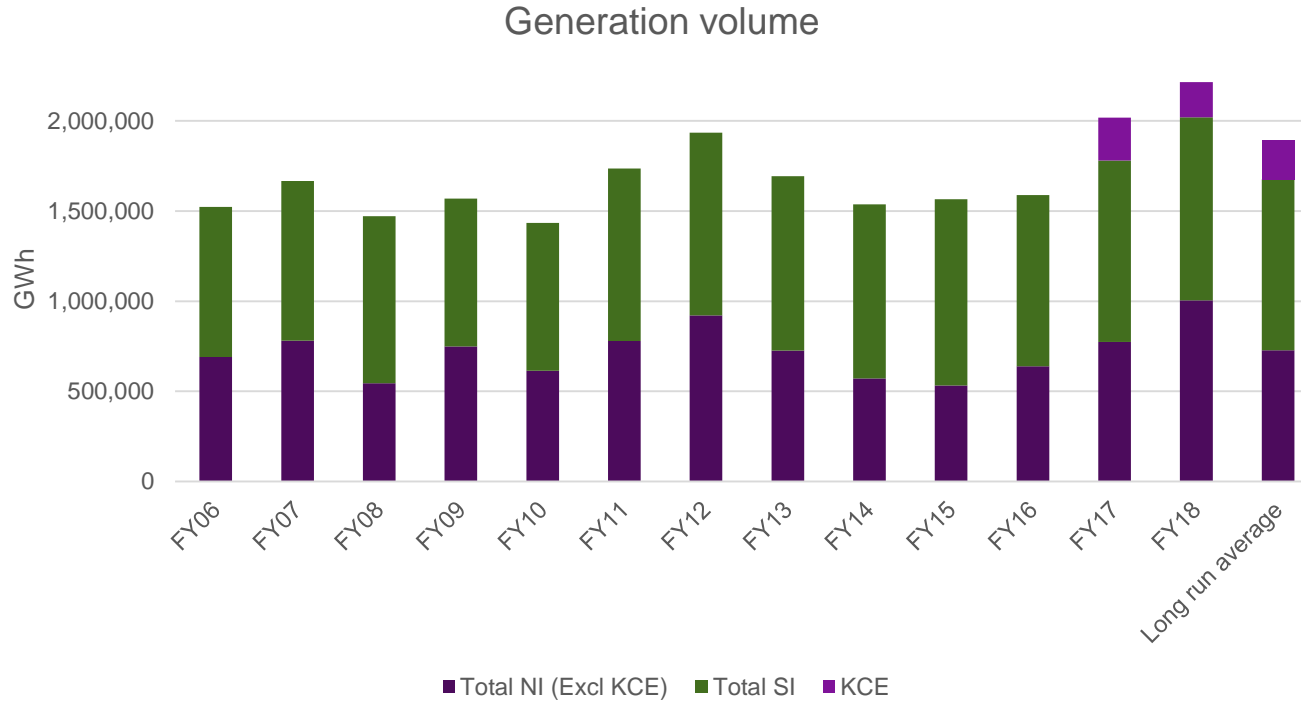


# Generation portfolio performance





# FY18 Generation volume – drives performance

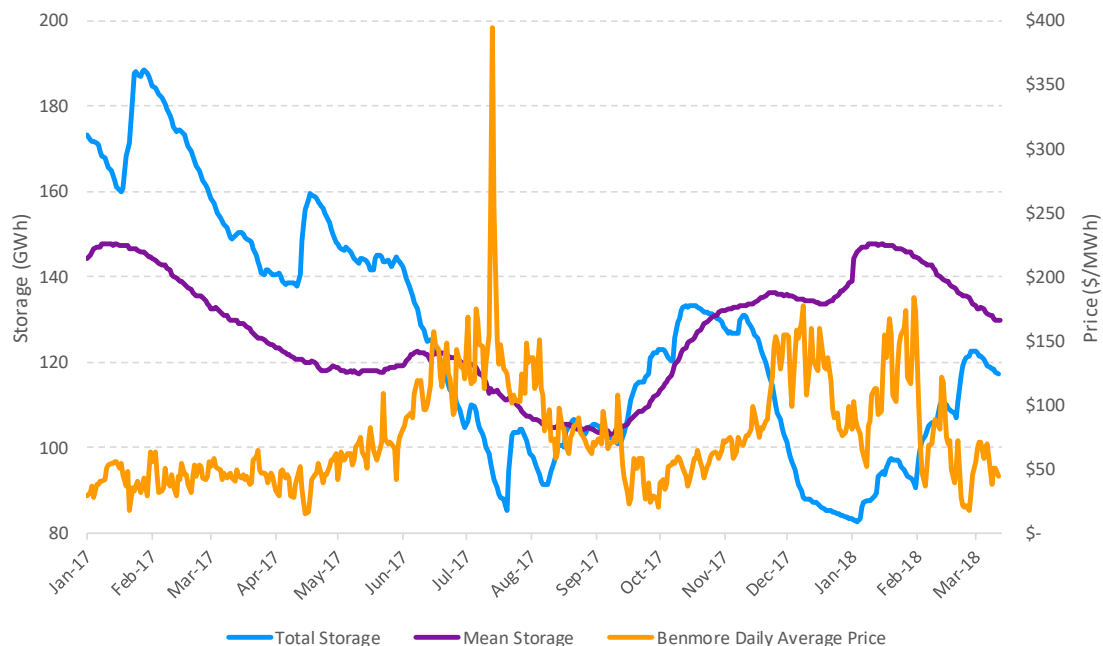


Generation volume well above long run average, however return to average would out perform FY14 – FY16

# Wholesale price and volume risk management – delivers sustainable earnings



Trustpower Controlled Storage



## Well positioned for the start of winter 2017

- Geographically distributed generation
- Strong generation throughout the year in response to high spot prices
- Use of hedging instruments to balance portfolio for the 2018 winter limits downside
- Lakes have largely recovered, retaining upside opportunity

Controlled storage = Cobb, Coleridge and Waipori





# Generation performance focus

- Emphasis on health & safety, dam/civil safety and maintaining our licence to operate and compliance projects
- Sharper focus on enhancement and incremental growth to create earnings uplift
- Improving asset management maturity – more predictive and preventative focus for long term

Matahina Station (In top 5 highest value in portfolio):

- Identified system health & safety and reliability risks
- Fit for purpose solution – ‘second hand’ 56MVA transformer purchased and refurbished
- Improved system availability and reliability
- Reduced health & safety risk



Transformer lifted onto trailer for short journey to switchyard



Installed in final location in switchyard



# Bundling energy and telecommunications



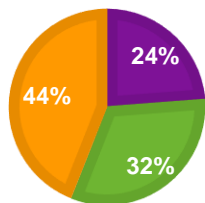


# Focus on execution of proven products with increasing customer acceptance



## TOTAL CUSTOMERS BY REGION

■ Bay of Plenty ■ Metro ■ Regional



### Comment

- 2/3rds of all new customers are taking 2 or more products
- We continue to see strong telecommunications growth and we are creating a diverse and resilient customer base
- We created a new bundled category and now others are attempting to follow

## Current connections



273,000 electricity



38,000 gas



88,000 telco



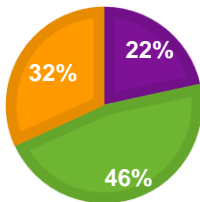
**Over 100,000** customers have more than one product

# Now the leading multiproduct business – differentiates from competition



## BUNDLED CUSTOMERS BY REGION

■ Bay of Plenty ■ Metro ■ Regional

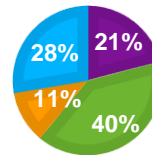


### Targeted acquisition

- Growth coming from the metros creating a more diverse and resilient customer base
- Targeted outbound campaigns are seeing 80% of new customers taking two or more products

## BUNDLE CUSTOMERS BY TENURE

■ Less than 1 Year ■ 1-3 Years  
■ 3-5 Years ■ > 5 Years



### Focused cross sell and retention in FY18

- Over 3,000 existing energy customers added Telco
- 1,200 electricity customers added gas
- 5,600 customers upgraded from DSL to Fibre



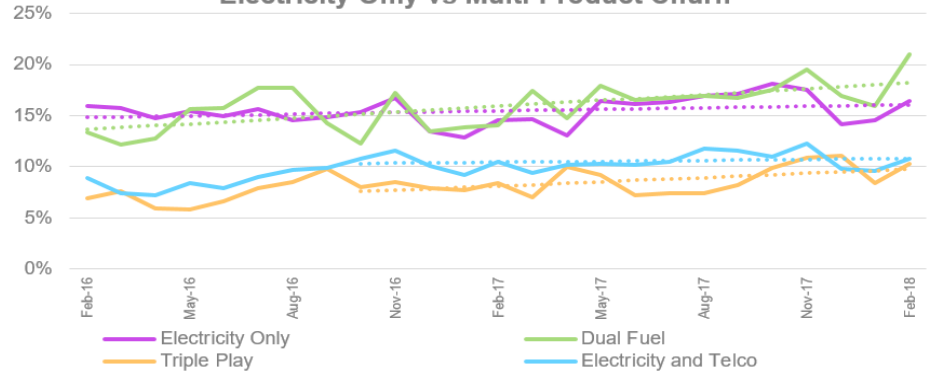
# Value based offers outperform discounting

A smart decision deserves a Samsung Home Appliance!

Join us for power and unlimited data broadband on a 24 month term and get your choice of Samsung TV, fridge or washing machine as part of your bundle.



Electricity Only vs Multi-Product Churn



**Acquisition incentive costs aligned to cost of discounts or cash incentives, however value based offers outperform:**

- Better sales conversion and lower sales leakage
- Lower churn and lower credit risk
- Higher energy consumption and larger data plans driving higher margin per customer



# Maximising electricity value





# Electricity segment – Demonstrates diversity & tenure

## Electricity only

- Electricity segment remains highly competitive with consolidation and failures likely
- Balanced portfolio across Commercial, Industrial, Government and Consumer
- Opportunities in new energy and emerging technology
- Cross sell within the Consumer segment is moving customers out of this category

## Commercial and Industrial market

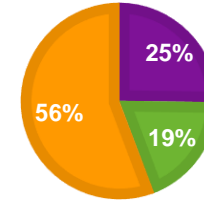
### Comment

- Diverse customer base, typical contract term 2-3 years
- Average tenure over 7 years, supply relationships with some of New Zealand's most recognised corporates for over 15 years
- Profitable and sustainable circa 1,700GWhrs/pa

## Consumer Market

### ELECTRICITY CUSTOMER BASE BY REGION

■ Bay of Plenty ■ Metro ■ Regional



### Comment

- Electricity only customer base biased away from the metros
- Around 60% of customers have 5+ years tenure



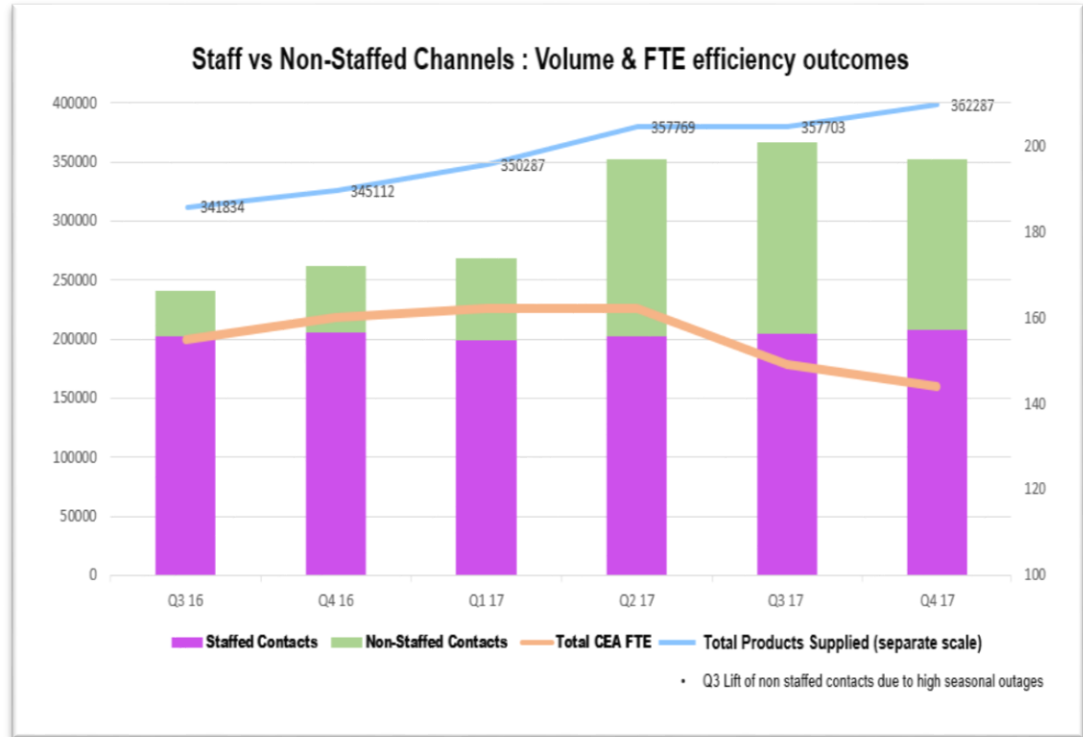
# Meeting our customer needs





# Focus on efficiency, automation and digital solutions

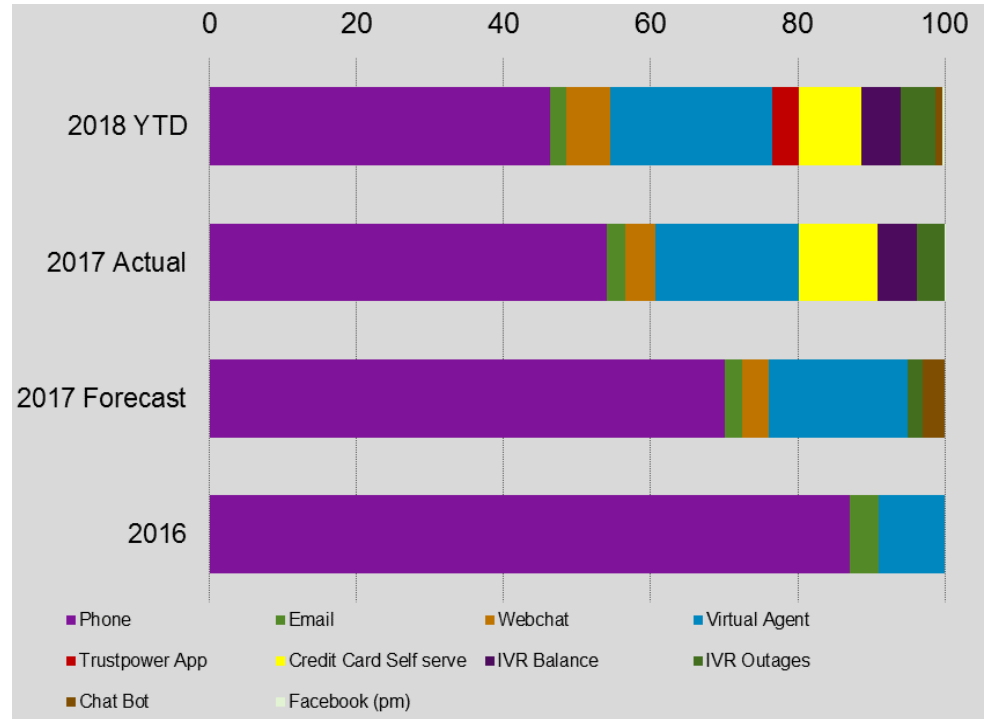
- Increase in the numbers of products supplied and associated customer contacts is offset by the migration of customers to non staffed channels, leading to lower staff numbers
- Productivity of our staffed workforce has increased from 1 contact centre employee servicing 2,163 products to now servicing 2,515 products





# Automation providing customers with choice

- 45.7% of all customer contacts are now serviced without human intervention
- Chatbot receiving customer satisfaction ratings on par with an agent
- Trustpower App released with 29,000 interactions to date and achieving high satisfaction & engagement rates
- Staffed channels are focussed on positively impacting churn through delivering high quality service in the moments that matter







# Growth and industry overview





# Evolution of TECT process

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## **TECT Proposal withdrawn**

- The trustees of the Tauranga Energy Consumer Trust ("TECT") announced, following consultation, they will not be proceeding further with their proposal announced on 25 January 2018
- Under that proposal, the trustees proposed to move all the assets of TECT into a separate charitable trust (and wind up TECT), and to cease payments of the annual TECT cheque to Trustpower's electricity customers in the Tauranga and Western Bay of Plenty region from 2023 onwards
- The effect of this announcement is that the status quo, and the payment of TECT cheques, will continue
- We do not expect trustees to revisit this proposal



# Key regulatory issues

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## Low emissions economy

- Trustpower supports and is well placed to contribute to the transition to 100% renewable electricity by 2035

## Electricity price review

- The current market structure functions well. The focus should be on barriers for
  - transition to a low emission economy; and emergence and growth of new technologies
- The review is also a valuable opportunity to fine-tune industry governance:
  - In the generation and retail sector, we think the focus should be on promoting competition, and not on ex-post assessments of overall investment efficiency
  - In the lines sector, the focus should be on delivering the lowest possible prices for consumers while delivering a reliable service, fit for the modern economy

## Regulatory frameworks for telecommunications and gas

- We would like to see similar issues regulated with consistent approvals across the electricity, gas and telecommunications sectors
- A review of industry self-governance in telecommunications and gas, to accelerate the introduction of pro-consumer (particularly mass market) and pro-competitive measures. We are particularly interested in access to mobile networks

# Industry consolidation

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## Trustpower is well positioned to capitalise on emerging market opportunities

- The joint KCE takeover offer by Trustpower and the King Country Electric Power Trust (KCEPT) was successful. Trustpower and KCEPT are now working together to achieve synergies, primarily through the sale of the KCE retail customers to Trustpower. This sale has been completed and the transfer of customers is underway
- The GSP Energy sale is complete with a sale price of AUD168 million compared to AUD72 million purchase price (including two small wind farms now owned by Tilt Renewables) in 2014
- Following the sale of GSP and the takeover of KCE, Trustpower will be well positioned to participate in further industry consolidation
- Trustpower currently has undrawn committed bank facilities of around \$180 million and is towards the bottom of its leverage targets giving options for capital deployment

# In summary

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- Trustpower repositioned as a New Zealand focused multi-product platform
- Multi-product platform delivering for customers and shareholders
- Well positioned in an uncertain and changing world for further convergence with proven integration capability

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**Thank You**



# Appendix

A large white rectangular screen is the central focus, displaying the word "Appendix" in a bold, purple, sans-serif font. The screen is held up by two silver clips at the top. Below the screen, on a reflective purple floor, are seven small human figures. From left to right: two figures are pulling a rope that runs diagonally across the frame; one figure in an orange shirt stands with arms raised; one figure in a blue shirt stands with arms raised; one figure in a black shirt stands with arms raised; and two figures are on a ladder on the far right, one reaching towards the screen. The background is a solid dark purple, and the floor reflects the figures and the screen.



# Generation volumes

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	Long run average MWh
	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	MWh	
Long Term NI Generation	690,401	780,391	546,024	749,931	614,570	779,535	921,240	724,997	566,207	516,092	626,126	758,366	987,184	712,389
Long Term SI Generation	832,536	886,856	925,803	818,512	820,116	956,633	1,012,092	947,841	948,379	1,012,905	930,464	988,994	998,371	929,193
Bream Bay	-	-	-	-	-	-	311	994	1,030	666	981	2,249	2,448	1,395
Deep Stream	-	-	-	-	-	-	-	18,713	16,790	20,788	18,525	18,293	17,095	18,368
Esk	-	-	-	-	-	-	-	-	5,118	15,710	11,630	12,674	14,481	13,624
KCE												236,904	195,178	216,041
<b>Total NI</b>	<b>690,401</b>	<b>780,391</b>	<b>546,024</b>	<b>749,931</b>	<b>614,570</b>	<b>779,535</b>	<b>921,551</b>	<b>725,991</b>	<b>572,355</b>	<b>532,468</b>	<b>638,737</b>	<b>1,010,192</b>	<b>1,199,291</b>	<b>943,449</b>
<b>Total SI</b>	<b>832,536</b>	<b>886,856</b>	<b>925,803</b>	<b>818,512</b>	<b>820,116</b>	<b>956,633</b>	<b>1,012,092</b>	<b>966,554</b>	<b>965,169</b>	<b>1,033,694</b>	<b>948,989</b>	<b>1,007,287</b>	<b>1,015,466</b>	<b>947,560</b>