

The logo features the words "Trust power" in a white, sans-serif font. "Trust" is on the top line and "power" is on the bottom line, with a small "TM" trademark symbol to the right of "power". The text is centered within a large, multi-colored circular graphic composed of overlapping translucent shapes in shades of green, blue, orange, and red. The background of the entire slide is a dark purple gradient.

Trust  
power™

all the  
little  
things



Joint Lead Managers |



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## Please read carefully before the rest of the presentation

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# Offer highlights

## Bond issue objectives

- Extend the weighted average duration of Trustpower's debt
- Achieve an appropriate spread of maturities
- Further diversify funding sources – proceeds used for general corporate purposes, including to repay bank debt and future investment opportunities if any

Issuer	Trustpower Limited
Instrument	Unsecured, unsubordinated, re-setting fixed rate bonds
Volume	Up to \$75 million plus \$25 million over-subscriptions
Maturity	22 February 2029 – 10 year bond
Coupon	Fixed for an initial 5 year period, then resets
Joint lead managers	ANZ, Westpac, Forsyth Barr

# Agenda

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Welcome and  
introduction to  
Trustpower



Strategic  
overview



FY2019  
update



Debt position



Bond issue  
details

# Introduction to Trustpower



# Trustpower key facts



Tauranga based national electricity generator and retailer of energy and telco

1923

History dates back to **1923** as the Tauranga Electric Power Board

\$1.9b

Market capitalisation circa **\$1.9 billion**



FY19 EBITDAF<sup>1</sup> forecast to be **\$215 million to \$235 million**



Key shareholders **Infratil (51.0%)** and **TECT (26.8%)**

1,917GWh

New Zealand generation capacity (hydro) of **487MW** producing an average of circa **1,917GWh** per annum



Approximately **236,000** customers



**105,000** customers have more than one product



Approximately **800** full time equivalent employees

1. Refer to slide 30 for explanation of non-GAAP measure

# Governance & Management



## Board of Directors

- Paul Ridley-Smith, Chair
- Richard Aitken, Independent Director
- Kevin Baker, Director
- Alan Bickers, Director
- Sam Knowles, Independent Director & Chair of Audit & Risk Committee
- Susan Peterson, Independent Director & Chair of Governance & Nominations Committee
- Geoff Swier, Independent Director & Chair of People & Remuneration Committee



## Leadership Team

- Vince Hawksworth, Chief Executive
- Peter Calderwood, GM Strategy & Growth
- Simon Clarke, GM Business Solutions & Technology
- Melanie Dyer, GM People & Culture
- Stephen Fraser, GM Generation
- Craig Neustroski, GM Markets
- Kevin Palmer, CFO & Company Secretary
- Fiona Smith, GM Customer Operations

# Strategic overview

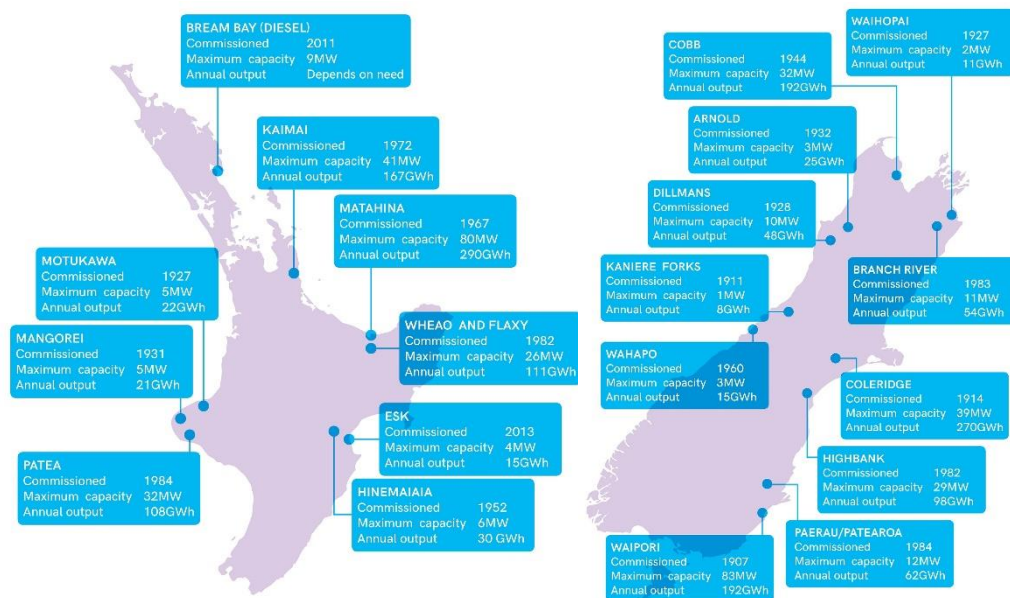
A large white rectangular screen is suspended from the ceiling by thin wires. Two spotlights are positioned above the screen, casting a soft glow. The screen displays the text "Strategic overview" in a bold, blue, sans-serif font. Below the screen, on a purple stage, several small human figures are visible. On the far left, two figures are pulling a rope that supports the screen. Along the bottom edge of the screen, four figures are standing with their arms raised, appearing to hold up the bottom edge. On the far right, two figures are standing on a ladder, one reaching up towards the screen. The entire scene is set against a dark purple background, and the stage floor is highly reflective, mirroring the figures and the screen.



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



# Geographically diversified generation portfolio



**43**

hydro power stations

**20%**

shareholding in Rangitata Diversion Race Management Limited (New Zealand's largest irrigation scheme)

**26**

schemes

**75% - 80%**

of Trustpower's EBITDAF is provided by the New Zealand generation business

**75%**

shareholding in King Country Energy

**496MW**

total NZ installed generation capacity

**Geographically diversified**

Reduces exposure to regional weather and electricity pricing

# Electricity demand forecast to rise

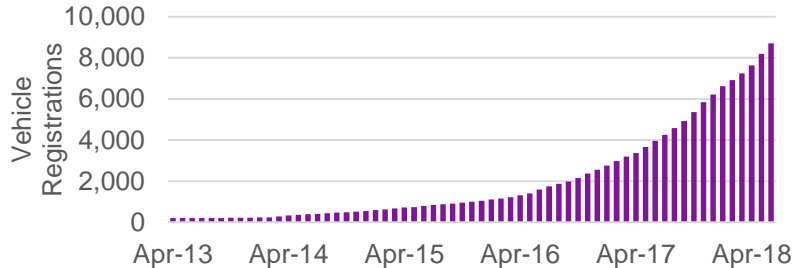
## Early signs of changing consumer preferences

We are already starting to see consumers choosing electricity over fossil fuels

“Synlait commits to never building another coal fired boiler – new boiler to be electric”<sup>1</sup>

Electric vehicles may soon start to make a difference

## Electric Vehicle fleet size<sup>2</sup>

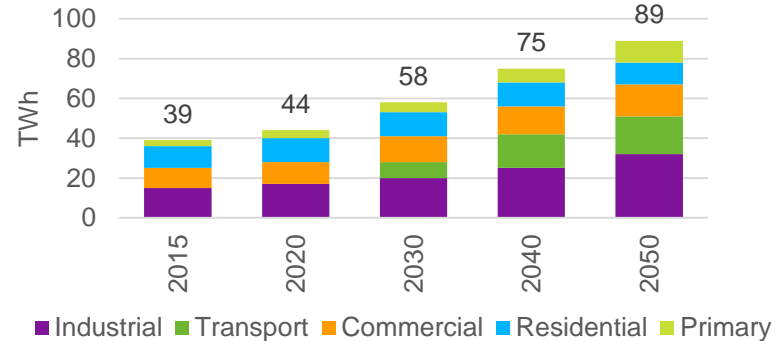


## Government policy settings support electrification

The proposed Zero Carbon Act, the establishment of the Climate Commission and the Renewable Electricity Target all support Trustpower’s view that the Government is steering the economy towards increased electrification

## Trustpower’s view

## Estimated delivered electricity demand by sector

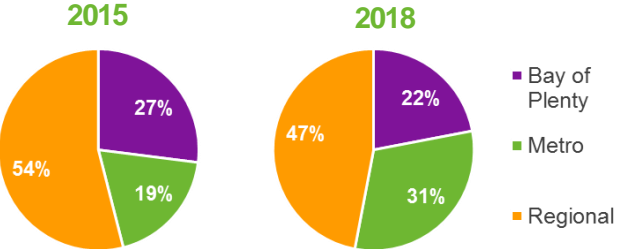


1. Synlait announcement 28 June 2018.  
2. <https://www.transport.govt.nz/resources/vehicle-fleet-statistics/monthly-electric-and-hybrid-light-vehicle-registrations/>  
3. Te Mauri Hiko Energy Futures – Trustpower White Paper 2018

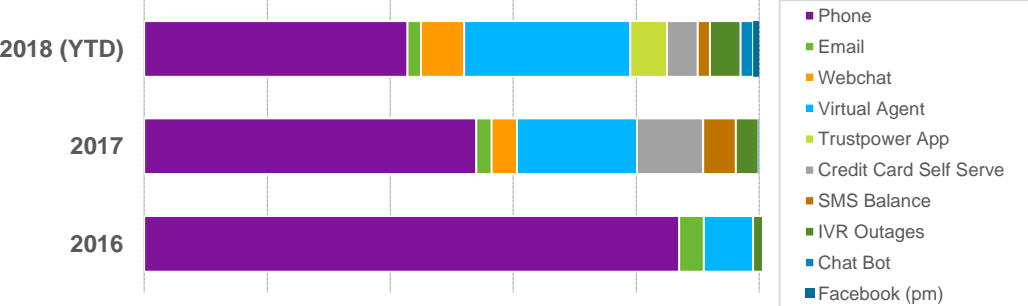


# Our retail business

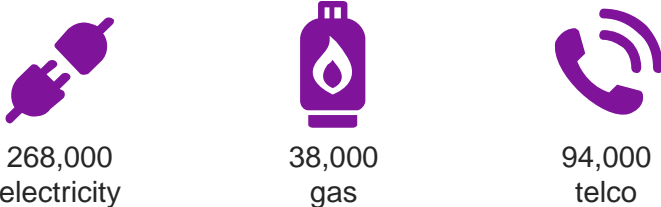
## Total customers by region



## Customer interactions by channel



## Current connections

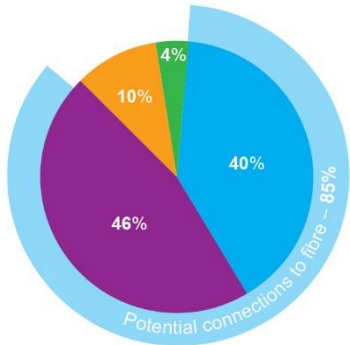


Over 105,000 customers have more than one product



# Data consumption and fibre connections are growing

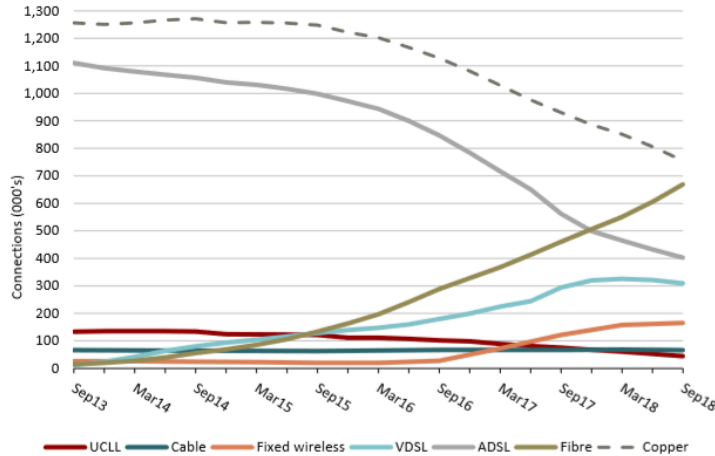
## Internet connections



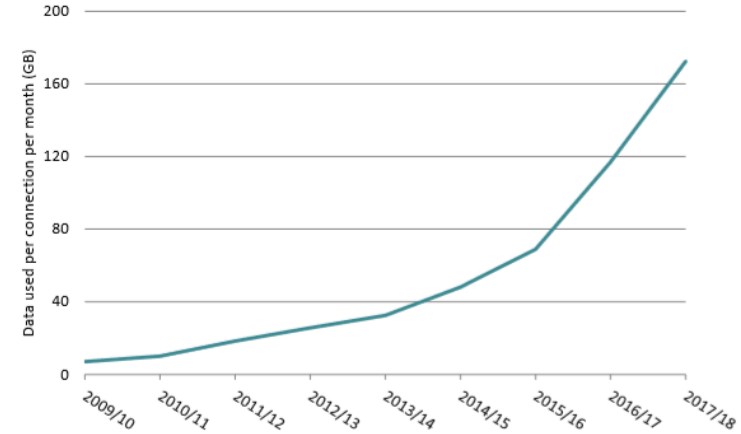
Fibre	669,000
Able to connect to fibre	1.4m
Copper (ADSL & VDSL)	755,000
Fixed wireless	165,000
Other	66,000

46% of household connections have no landline

## Fixed-line broadband connections by technology



## Fixed-line broadband data consumption

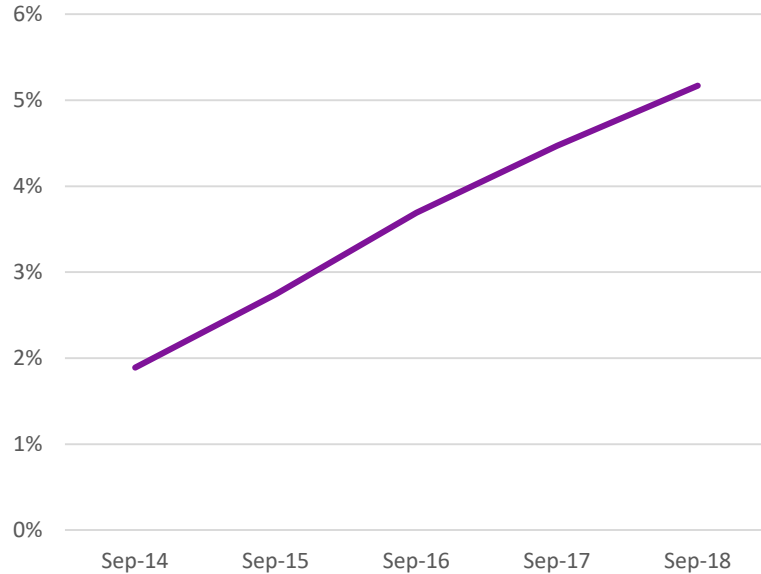


Source: Commerce Commission, Annual Telecommunications Monitoring Report, 18 December 2018,

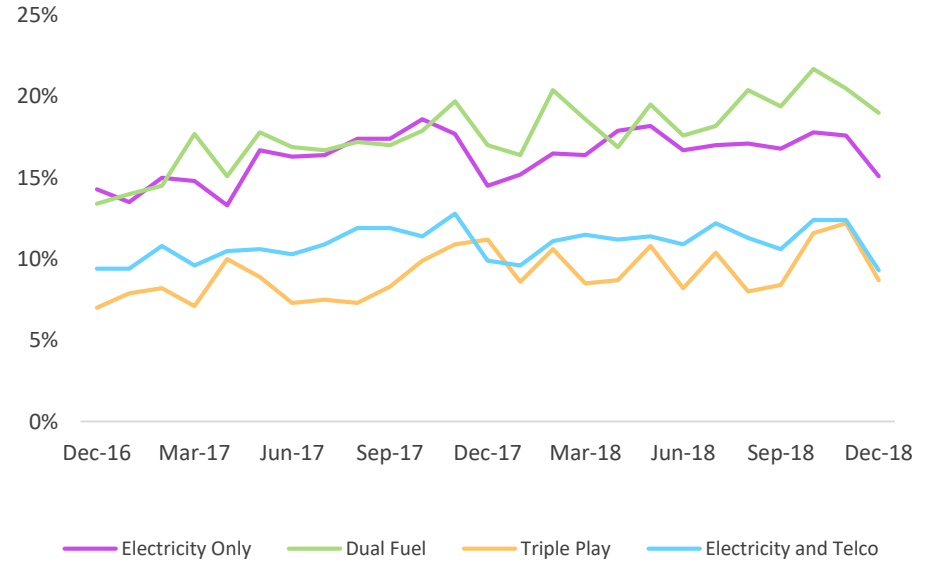
[https://comcom.govt.nz/\\_data/assets/pdf\\_file/0016/111292/2018-Annual-Telecommunications-Monitoring-Report-18-December-2018.pdf](https://comcom.govt.nz/_data/assets/pdf_file/0016/111292/2018-Annual-Telecommunications-Monitoring-Report-18-December-2018.pdf)

# Our bundled retail strategy

Fixed line broadband market share



Electricity Only vs Multi-Product Churn

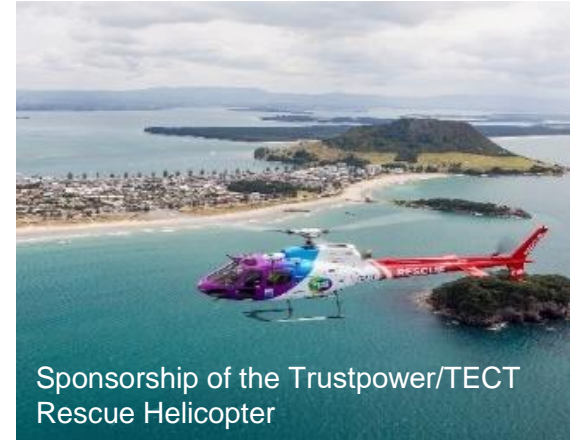


# Maintaining a strong community presence which recognises the value of being a good corporate citizen



## Community Awards

13 regional and 1 national Community Awards events held annually to celebrate the work of volunteers and community groups



Lend a Hand  
Foundation



# Key regulatory issues

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## Overview

- The Coalition Government is completing several key regulatory review programmes and has flagged some future changes will result
- As a renewable generator Trustpower considers it is well placed to support the transition to a low emissions and increased renewable electricity future

## Electricity price review (EPR)

- The EPR provides a valuable opportunity to fine-tune industry governance
- The EPR has found no evidence that generators or retailers are making excessive profits, but that there may be issues associated with energy affordability and fairness
- Trustpower's view is that changes are likely to result from the review which may have negative consequences. Trustpower remains confident it will be able to adapt to any changes that may arise.

## Regulatory frameworks for telecommunications and gas

- Trustpower would like to see similar issues regulated consistently across the electricity, gas and telecommunications sectors
- Trustpower would like to see pro-competitive measures adopted

## Water Reform

- The Government has announced a two year programme of water reform. While there is a possibility of a negative consequence arising from the review Trustpower's view is that hydro generators which are non-consumptive users and providers of renewable energy are less likely to be affected
-



# FY2019 performance

A large white rectangular screen is suspended from the ceiling by two silver spotlights. The screen displays the text "FY2019 performance" in a bold, green, sans-serif font. Below the screen, on a purple stage, several people are visible. On the far left, two people are holding a thick black cable that runs vertically down the side of the screen. In the center, three people are standing with their arms raised in a celebratory gesture. On the far right, two people are standing on a ladder, appearing to be working on the screen or the stage. The entire scene is set against a dark purple background.

# FY2019 highlights

- Forecast EBITDAF of \$215-235 million
- Refurbishment of two generators at the Coleridge Power Station, performed on-time and below budget
- Integration of King Country Energy's retail business successfully completed
- High wholesale electricity price event managed with no material adverse financial impact
- Agreement with Spark allows Trustpower to provide wireless broadband and mobile services with no material capital investment required
- 11 Agile teams established throughout the business
- Smart meter deployment and data service agreement signed with Intellihub. Deployment is well underway.
- Potential negative revaluation of generation assets from around \$2.02 billion to between \$1.85 and \$1.90 billion as at 31 March 2019

# Debt position

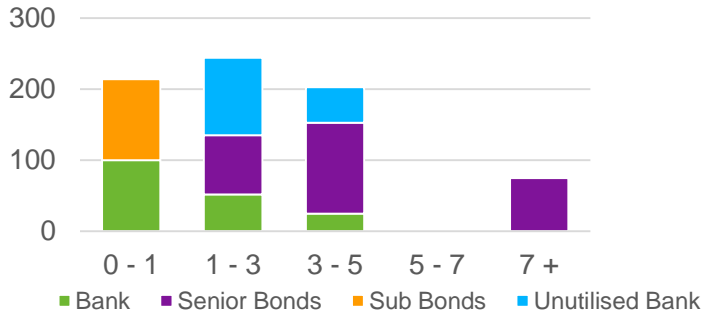
A large white rectangular screen is suspended from the ceiling by two silver clips. The screen displays the text "Debt position" in a bold, orange, sans-serif font. The background is a solid purple color. At the bottom of the screen, several small human figures are visible, appearing to be working on the screen. On the far left, two figures are pulling a rope. Along the bottom edge, four figures have their arms raised as if holding up the screen. On the far right, two figures are standing on a ladder, one reaching towards the top edge of the screen. Two spotlights are mounted on the ceiling, casting a glow on the screen. The floor is a reflective purple surface that mirrors the figures and the screen.

# Debt position

## Key comments

- Debt levels forecast to be ~2.3x Net Debt/EBITDAF and below the average of industry peers. A 25 cent per share special dividend was paid in December 2018 and further special dividends are being considered by the Board.
- The Bonds will increase Trustpower's average debt maturity from 2.2 to 3.3 years<sup>1</sup>.

## Debt maturity – post Bond issue (\$m)<sup>1</sup>



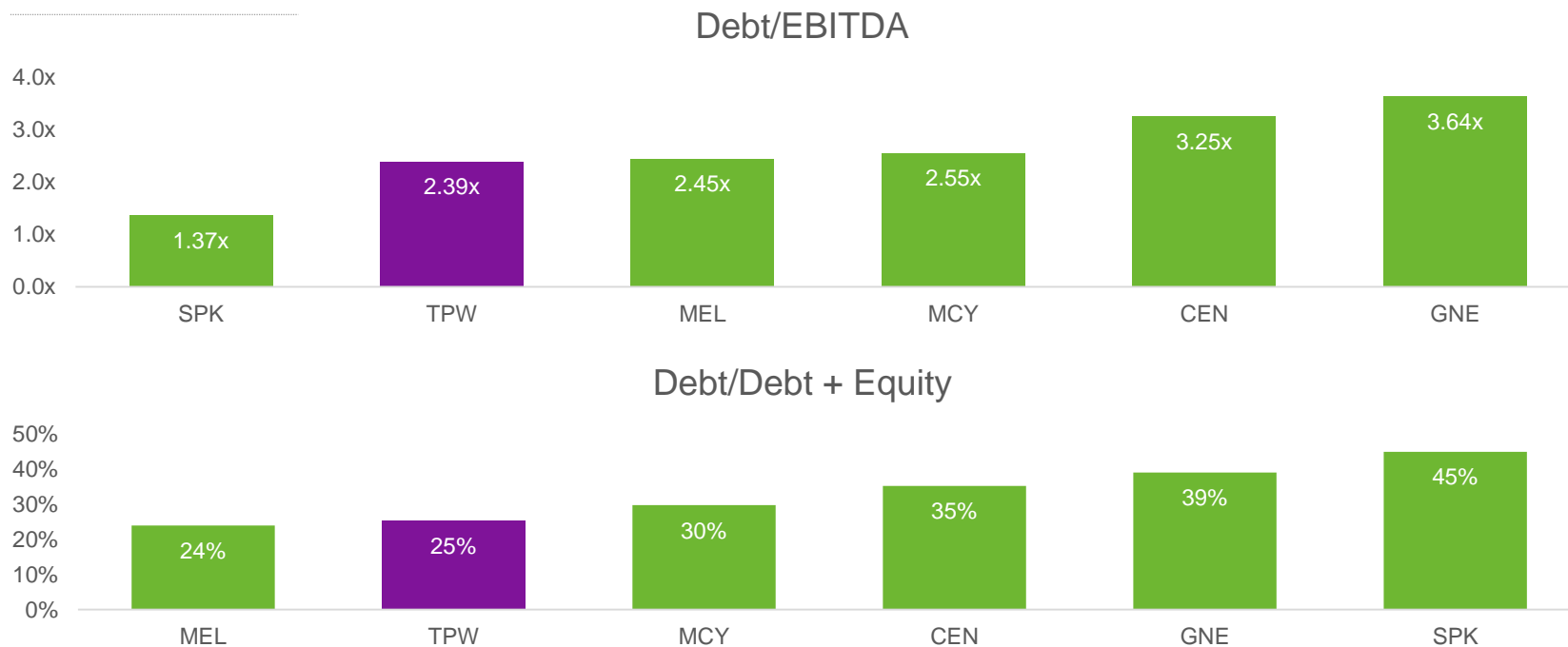
## Negative pledge and covenants

- Negative Pledge ensuring equal ranking with bank lenders
- Covenants
  - Total secured liabilities less than 7.5% of total tangible assets of the consolidated group (TTA) (other than “Permitted Security”)
  - Maximum gearing covenant of consolidated net debt to consolidated TTA of 50%
  - Minimum 85% guaranteeing group TTA of consolidated group TTA<sup>2</sup>
  - Minimum 85% guaranteeing group EBITDAF of consolidated group EBITDAF<sup>2</sup>

<sup>1</sup> Assuming a \$75 million issue and 100% of proceeds used to repay bank debt.

<sup>2</sup> As at the date of this presentation, Trustpower Limited is the only member of the guaranteeing group.

# Peer comparison



Source: S&P Global Ratings CapIQ, 17 January 2019. TPW effective 30 September 2018, all others effective 30 June 2018.

# Debt position

	FY2019 Forecast	FY2018	FY2017
Net debt (\$ millions)	505-535	469.7	660.8
Undrawn committed funds (\$ millions)	150-180 <sup>1</sup>	197.8	117.5
Fixed rate cover	~90%	93%	85%
Net debt/EBITDAF	~2.3	1.9	3.5
Senior debt/EBITDAF	~1.8	1.5	2.1
EBITDAF/senior interest		10.5	5.6
Net debt to net debt plus equity		25%	32%
Average debt maturity		3.0	2.7
Average interest rate		5.9%	6.0%

1. Assuming a \$75 million issue and 100% of proceeds used to repay bank debt.



# Bond issue details

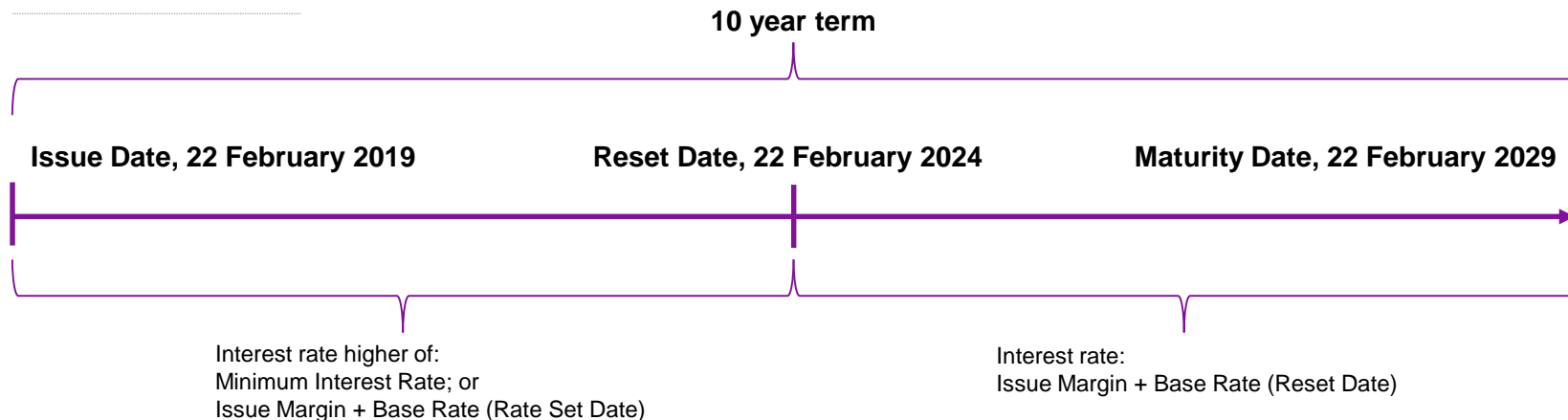
# Senior bond issue summary

Issuer	Trustpower Limited	
Description	Unsecured, unsubordinated, re-setting fixed rate bonds	
Rating	Unrated	
Volume	Up to \$75 million plus \$25 million over-subscriptions	
Maturity	10 years (22 February 2029)	
Two fixed interest rate periods	<u>Initial 5 Year Period</u> From (and including) the Issue Date to (but excluding) the Reset Date	<u>Reset 5 Year Period</u> From (and including) the Reset Date to (but excluding) the Maturity Date
Indicative issue margin (applicable to each 5 year period)	To be announced via the NZX on the opening date (11 February 2019)	
Base Rate	5 year swap rate (adjusted to quarterly basis)	
Covenants	Net Debt of the Consolidated Group / Total Tangible Assets of the Consolidated Group <=50%	
Issuer's early redemption option	Trustpower may elect to redeem all the Bonds at the higher of face value (\$1.00) or volume weighted average market trading price.	
Interest payments	Quarterly in arrear	
Listing	Expected to be listed on the NZX (ticker code TPW170)	
Brokerage	Brokerage 0.50%, firm fee payable 0.50%	
Denominations	The minimum application is \$5,000, with multiples of \$1,000 thereafter.	





# 5 + 5 bond issue structure



- The issue has a 10 year term
- The Issue Margin will remain unchanged for the duration of the Bonds
  - As per the existing TPW140 and TPW150 bonds, the new bonds will have an issuer early redemption option. Trustpower has no current intention to use this feature on the Reset Date. However, this intention could change and investors should be aware that the early redemption option could be used at any time.
- Investors are not exposed to a single fixed interest rate for the full 10 year term
  - 5 year period – from the Issue Date to, but excluding, the Reset Date
  - 5 year period – from the Reset Date to, but excluding, the Maturity Date
  - The interest rate from the Reset Date to the Maturity Date will not be known until the Reset Date. Investors should consider the risk that the interest rate for the second fixed rate period could be lower, the same or higher than the initial interest as part of their investment decision.

## Key dates and other information

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Offer opens	Monday, 11 February 2019
Offer closes	Bids due by 12pm, Friday, 15 February 2019
Rate Set Date	Friday, 15 February 2019
Issue Date and Allotment Date	Friday, 22 February 2019
Expected Quotation Date	Monday, 25 February 2019
Reset Date	Thursday, 22 February 2024
Maturity Date	Thursday, 22 February 2029

# Investment in Trustpower – Highlights

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- Poised to benefit from electrification of New Zealand industry and transport
- Bundled retail strategy likely to continue to benefit from the remainder of fibre rollout
- High value and diverse customer base
- Strong track record of financial performance
- Well managed capital structure
- Experienced Board and Management teams
- Consistent issuer in retail bond market since first issue in 2002
- This issue will increase the proportion of Trustpower's bond funding to its total debt to approximately 55%<sup>1</sup>

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1. Assuming a \$75 million issue and 100% of proceeds used to repay bank debt.



A large white rectangular screen is suspended from the ceiling by thin wires. Two spotlights are positioned above the screen, casting a soft glow. The screen displays the word "Questions?" in a bold, green, sans-serif font. Below the screen, on a purple stage, several tiny human figures are visible. On the far left, two figures are pulling a thick rope that runs vertically down the left side of the screen. In the center, three figures stand with their arms raised, as if cheering or presenting. On the far right, two figures are on a ladder, one appearing to be adjusting the screen's position. The entire scene is set against a dark purple background, and the stage floor is highly reflective, mirroring the figures and the screen.

Questions?



**Thank You**



# Non-GAAP Measures

- EBITDAF (Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments and asset impairments) is a non GAAP (generally accepted accounting principles) financial measure but is commonly used within the electricity industry (including internally by TPW's management) as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector. It may be useful to investors for these reasons. The EBITDAF shown in TPW's financial statements (and used in this presentation) has been audited and excludes the Australian business which is a discontinued operation.
- EBITDA (Earnings before interest, tax, depreciation and amortisation) is also a non GAAP financial measure. EBITDA is used in this presentation solely in the peer comparison table on slide 21 on the basis that this information has been sourced externally from S&P Global Ratings CapIQ, 17 January 2019. It may be useful to investors for this reason.
- Investors should note that, as neither EBITDAF nor EBITDA has a standardised meaning prescribed by GAAP, each such term may not be comparable to similar financial information presented by other entities.
- Reconciliation between statutory measures of profit and EBITDAF, as well as EBITDAF per the financial statements and total EBITDAF, is given below:

	2017	2018
<b>Operating profit</b>	<b>141,883</b>	<b>191,068</b>
Fair value losses / (gains) on financial instruments	(3,825)	2,675
Impairment of assets	3,479	5,099
Depreciation and amortisation	44,742	44,242
<b>EBITDAF per financial statements</b>	<b>186,279</b>	<b>243,084</b>
EBITDAF of Australian business	31,552	26,684
Reclassification of foreign currency translation reserve	-	(3,022)
<b>Total EBITDAF</b>	<b>217,831</b>	<b>266,746</b>