



# FY-20 FIRST HALF PERFORMANCE

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# LEADERSHIP TEAM



**PAUL RIDLEY-SMITH**  
Chair



**VINCE HAWKSWORTH**  
Chief Executive



**KEVIN BAKER**  
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**DAVID PRENTICE**  
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General Manager People and Culture



**STEPHEN FRASER**  
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**FIONA SMITH**  
General Manager Customer Operations



**SAM KNOWLES**  
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**KEVIN PALMER**  
Chief Financial Officer and Company Secretary



**CRAIG NEUSTROSKI**  
General Manager Markets



**GEOFF SWIER**  
Director



**SUSAN PETERSON**  
Director



**PETER CALDERWOOD**  
General Manager Strategy and Growth



**DR KEITH TURNER**  
Director



2019

HIGHLIGHTS

# Highlights

for the six months ended 30 September 2019

**\$39 million**

profit after tax of \$39 million,  
down \$26 million or 40%

**\$107 million**

operating earnings (EBITDAF)\*  
down \$23 million or 17%

**\$14 million**

retail earnings (EBITDAF)\*  
of \$14 million



**17 cents**

fully imputed interim  
dividend of 17 cents

**406,000**

total utility accounts reached  
406,000, a 2% increase from  
399,000 at 30 September 2018



**111,000**

customers with two or more products  
reached 111,000, a 9% increase  
from 102,000 at 30 September 2018



**\$95 million**

New Zealand generation  
production resulted in  
operating earnings of  
\$95 million

**72%**

of customer interactions  
are now handled via  
a digital channel



**100,000**

reached 100,000  
telco customers

Launched Mobile



Launched Wireless  
Broadband

Upgraded ISP network  
to 100G

**INTERIM REPORT 2019**



\*EBITDAF is a non-GAAP measure. Please refer to slide 37 for more details.

# MARKET OVERVIEW

# Market overview

The electricity and telecommunications industries are both dynamic and changing rapidly.

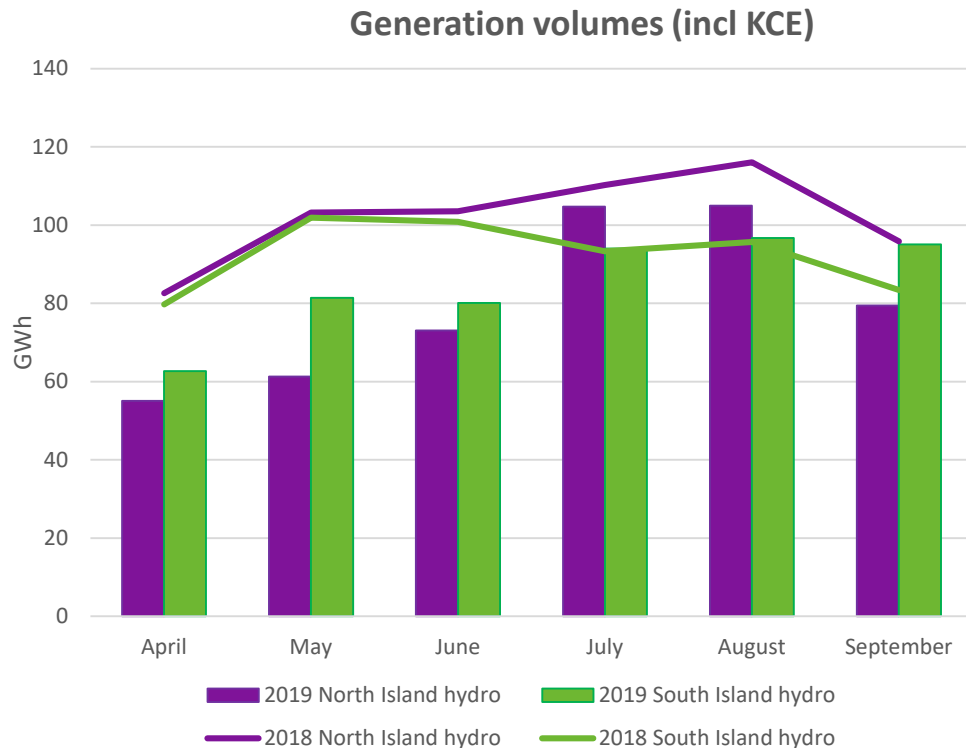
Market dynamic	Trustpower's position
Forecast for a material increase in renewable generation as New Zealand de-carbonises.	Hydro storage will help manage peaks caused by increased intermittent generation. Trustpower has the capability and capacity to participate in generation development.
Variable wholesale energy costs.	Trustpower's value led bundled strategy allows it to manage margin squeeze if prices increase, and loyalty if they decrease.
Increased demand for data.	Increased ISP system build for the Rugby World Cup will allow for increased demand. Two new international connection points installed this period.
Global consumer demand for bundled services.	Further investment in the bundle with Wireless Broadband and Mobile creating strategic differentiation from emerging competitors.



# GENERATION

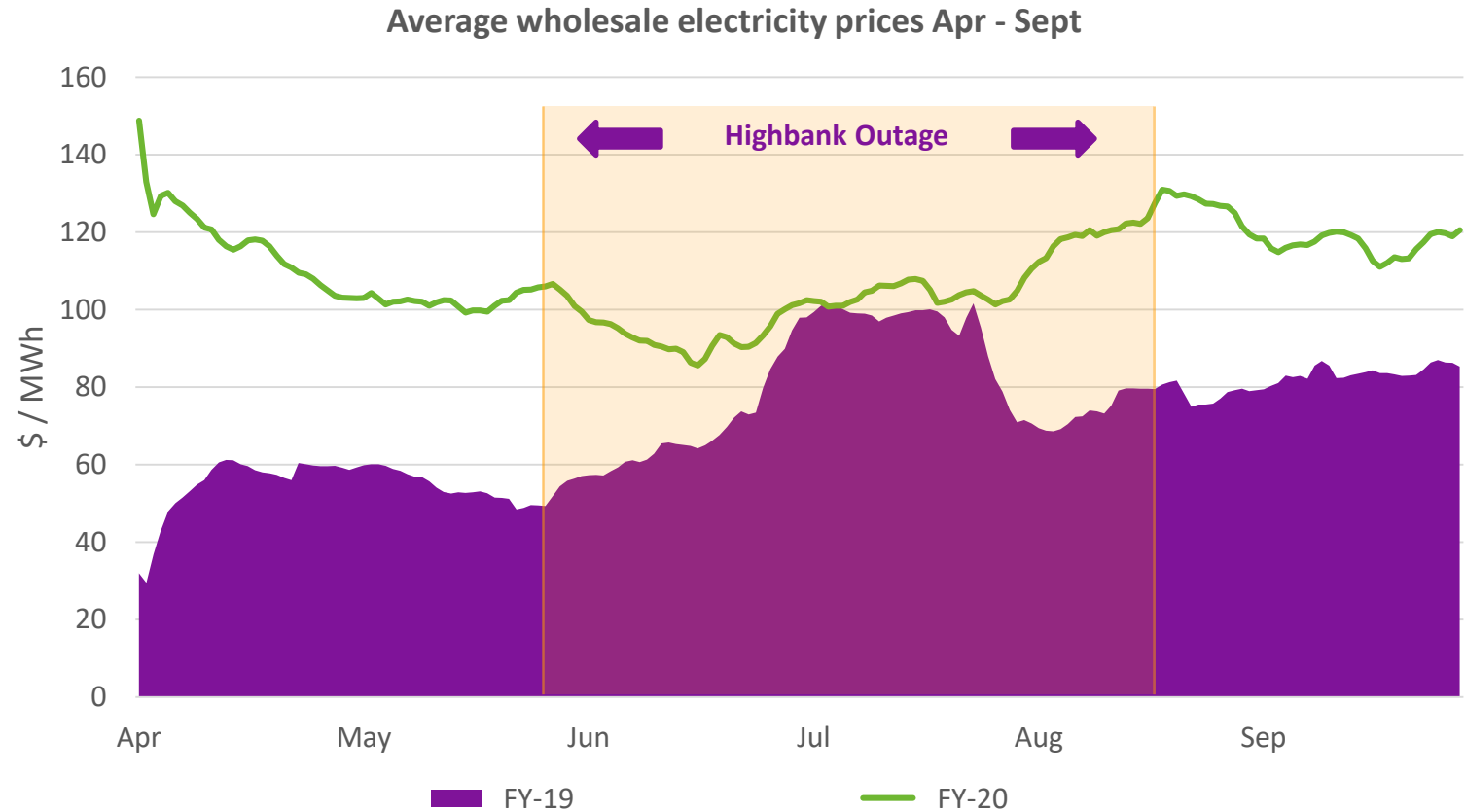
# Generation volumes – 6 months

## Generation volumes significantly impacted by hydrology.



- Highbank out for three months (43 GWh reduction).
- NI inflows down 23% against H1 FY-19 (down 11% on 10-year averages).
- Volumes down 178 GWh (15%) total vs FY-19 (in line with 10-year averages).

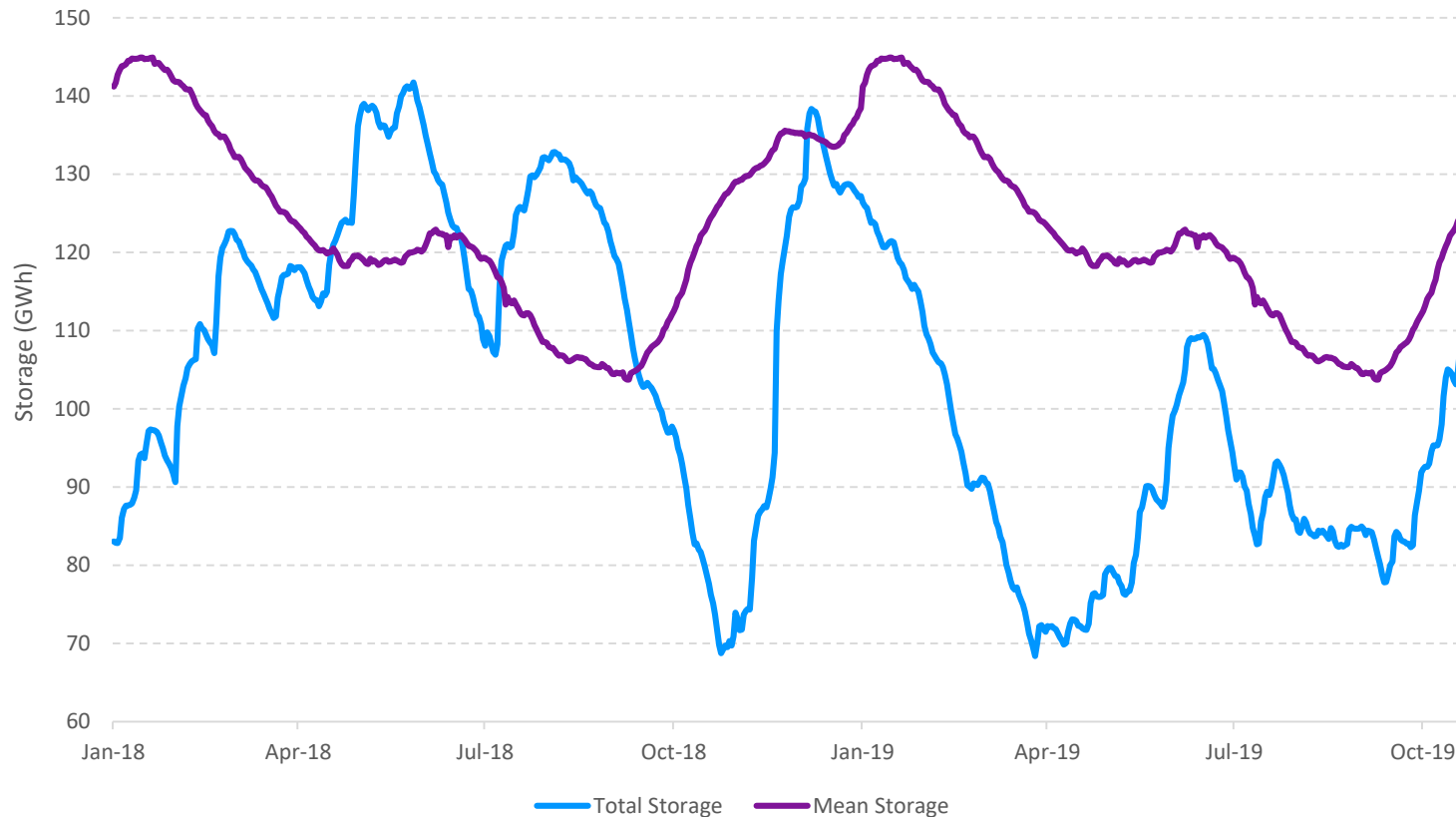
# NZ wholesale prices above average



Wholesale prices in FY-20 materially above same period in FY-19.

# Trustpower storage

Trustpower controlled storage



Trustpower storage has recovered well, creating a strong position to capitalise on above average wholesale prices.



# Highbank Outage

Trustpower's diverse Generation portfolio highlights resiliency during unplanned outage.

- Damage to the guide bearing of Trustpower's fourth largest machine, located at Highbank Power Station, resulted in a three-month forced outage.
- This was the worst single machine point of failure across the Trustpower Generation fleet but demonstrated the resiliency of a diverse portfolio.



**Bearing Housing put in place  
ready for alignment**

# Highbank Outage

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- The outage represented a 43GWh loss during this time which while significant, represented only ~2% of total annual Trustpower output.
- There were no health and safety incidents during the 4,750 hour refurbishment period.



**80t rotor**

# Building capability for the future

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**Asset enhancements are a key strategic priority and help to fill the expected long-term NZ energy gap. Trustpower is implementing a structured generation enhancement programme with a dedicated team focused on increasing Trustpower's long-run potential value from three main enhancement areas:**

- Increasing water sources for generation.
- Operating our schemes more efficiently.
- Adding more capacity and flexibility.
- The enhancements team have currently identified opportunities that once commissioned are anticipated to add an additional ~60 GWh per year, with further work ongoing to identify additional areas for value.
- Trustpower's current average annual output is 1,922 GWh per year.

The projects include turbine upgrades to provide better efficiency and capacity, generator upgrades to increase capacity and efficiency plus improved water capture and conveyance to maximise generation and reduce spill.

# RETAIL



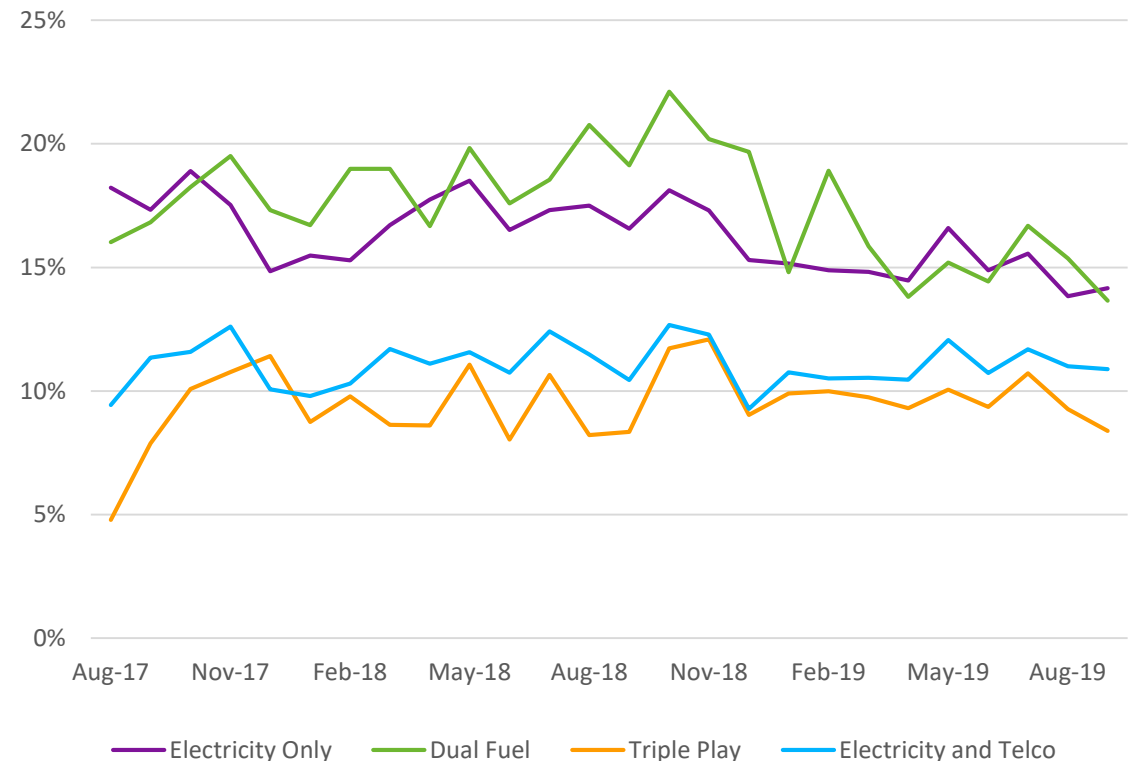
# Bundled strategy continues to add value

Current Connections	
Electricity	266,000
Gas	40,000
Telco	100,000*
2+ product customers	111,000

\*NOTE: 100,000 telco customers with ~157,000 connections

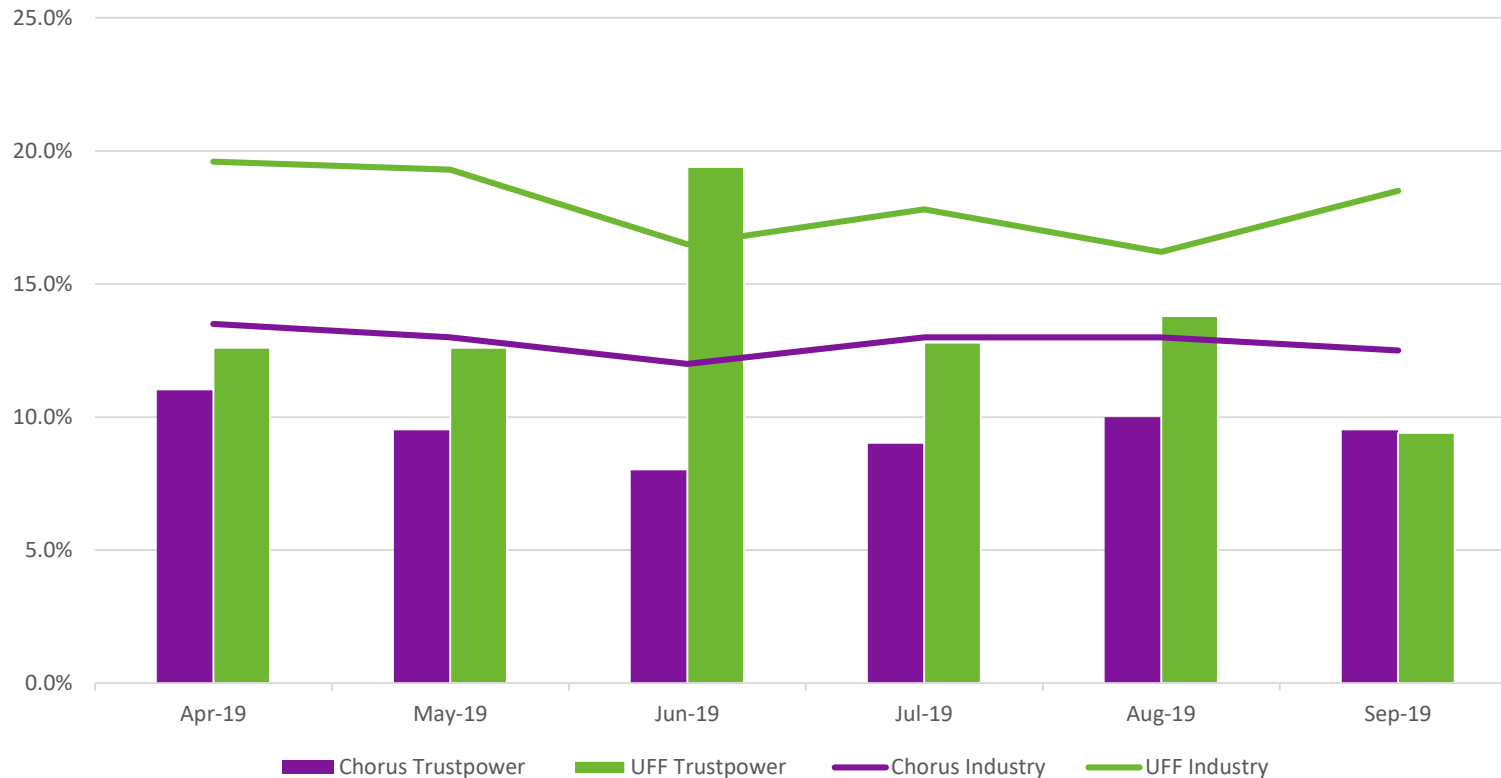
Consistently >80% of all new customer acquisitions take two or more products.

Electricity Only vs Multi-Product Churn



# Simple digital solutions delivering great outcomes

Cancellations Trustpower vs. Industry

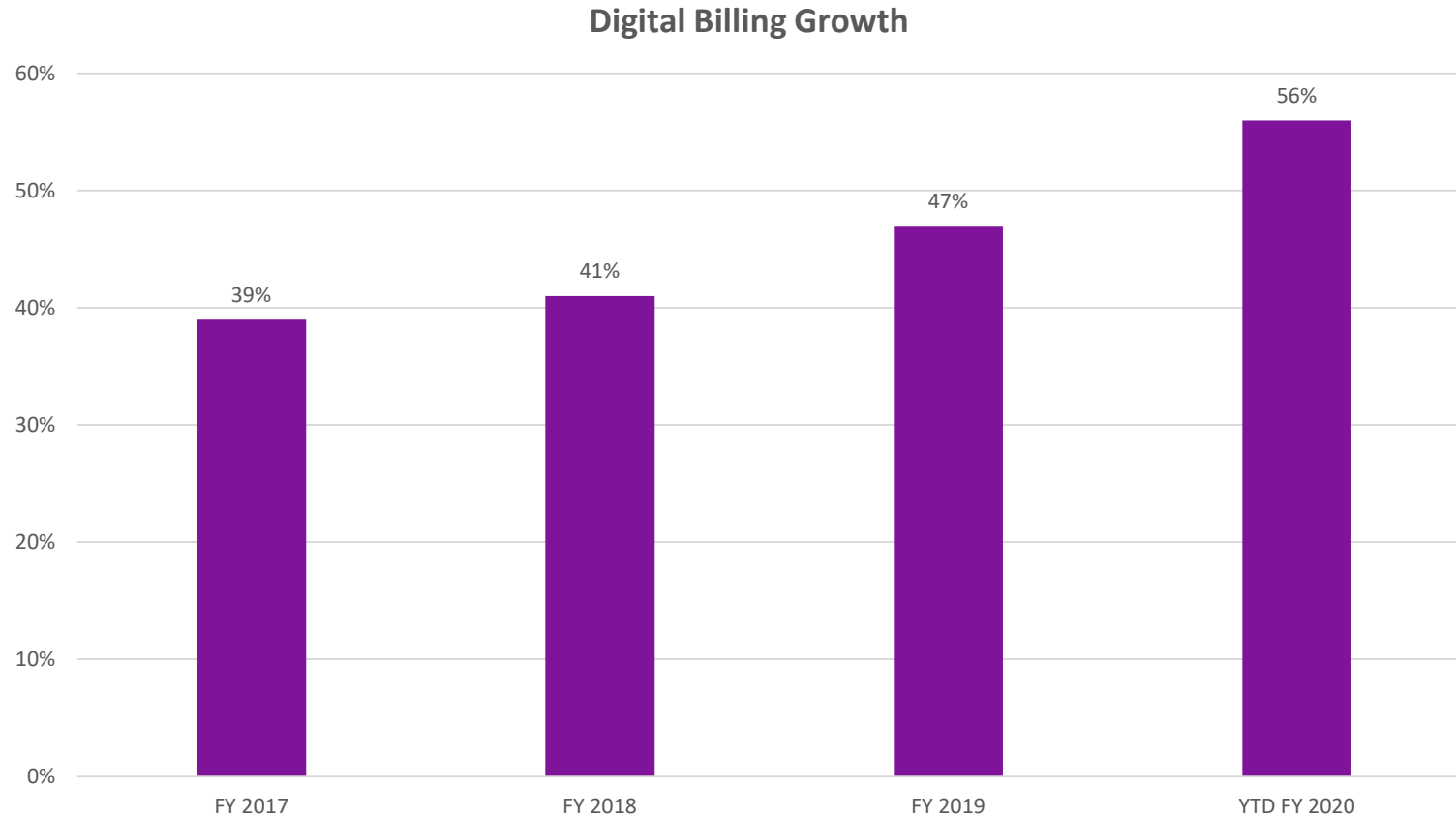


**NOTE:** June uplift is related to twelve “ Landlord permission not given “ connections being cancelled

We beat the industry when it comes to Fibre cancellations by a wide margin. Our Track and Trace, a customer centred release on the Trustpower App, helps our customers navigate the complex fibre connection journey. This bespoke feature drives high levels of customer satisfaction and makes sure we retain our customers.



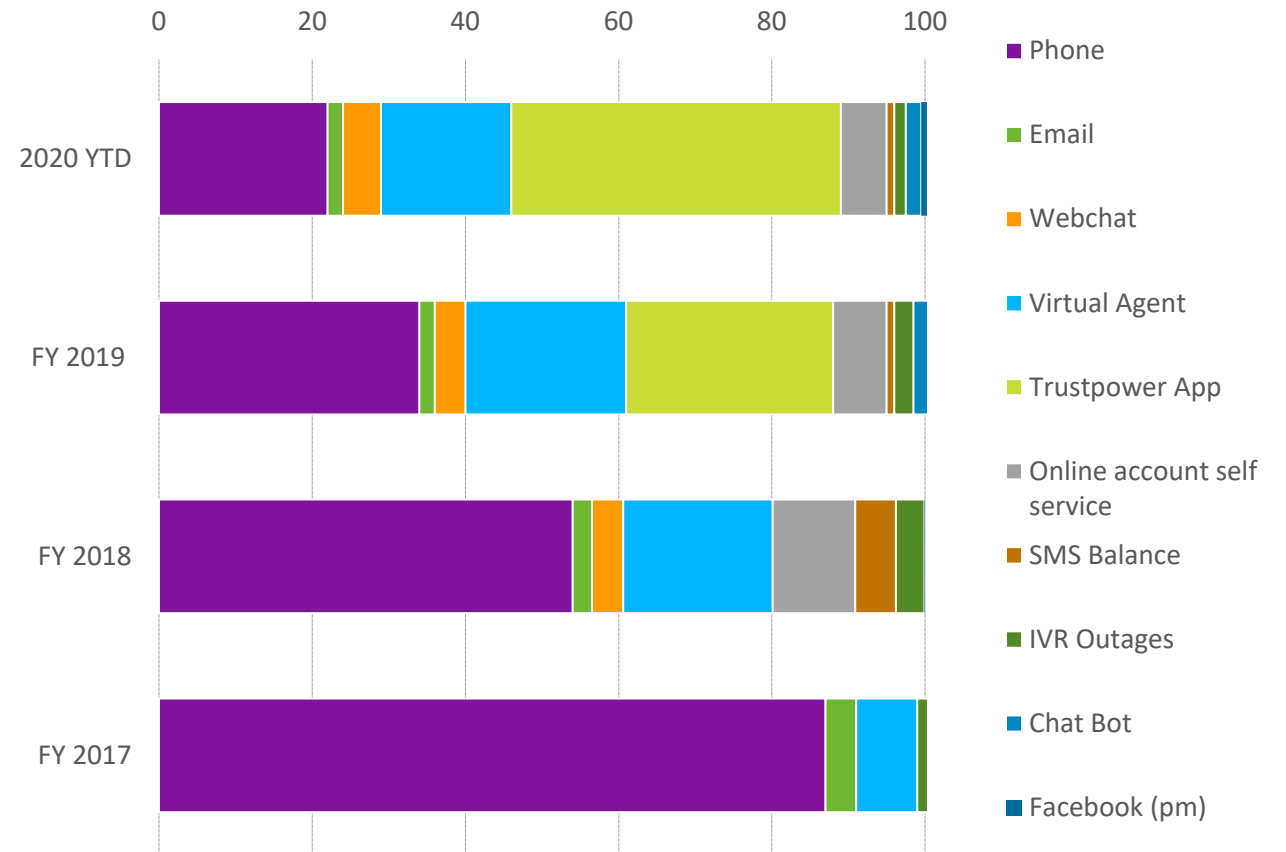
# Simple digital solutions delivering great outcomes



Digital billing has mitigated 5.9 million posted bills since FY-17. Good for the planet and delivering significant cost efficiencies.

# Customer choice driving significant digital engagement

- Over 1.1 million (72%) of the customer contacts this year have been handled via digital channels, with satisfaction ratings on par with those enjoyed by our staffed channels.
- The Trustpower App is now active on more than 79,000 devices and re-engagement remains high at 80%.
- There is a significant programme of new feature releases to ensure the App remains our customers anytime-online channel of choice.



# Trustpower is one of the fastest growing Telco's in New Zealand

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- Over the last five years Trustpower has lifted its telco customer numbers by over 65,000 (13,000 p/a).
- Trustpower is tied fourth equal for broadband market share and has been one of the fastest growing Telco's in New Zealand.
- In October we celebrated reaching 100,000 telco customers.
- 67% of our customers are now on fibre (up from 52% same time last year).
- 93% of our telco customers are now taking medium and fast speed fibre plans (100+MB download).



# Purposeful investment into our ISP network

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We are continuing to strengthen our ISP network to deliver a premium service to customers. Some of the work we have undertaken over the last six months includes:

- Forming Strategic partnership with Hawaiki.
- Upgraded Akamai caches to 100G to support additional load on the network during the Rugby World Cup.
- Trustpower now owns and operates sites in three countries; NZ, Australia, USA with scoping in flight to increase this.
- Over the last six months we have built two sites in the United States (Silicon Valley and Portland, Oregon) and added multiple new handovers and points of presence, with increased bandwidth productivity to 100G in the South Island.

**Control over our own network means that our customers experience seamless streaming, gaming and browsing.**



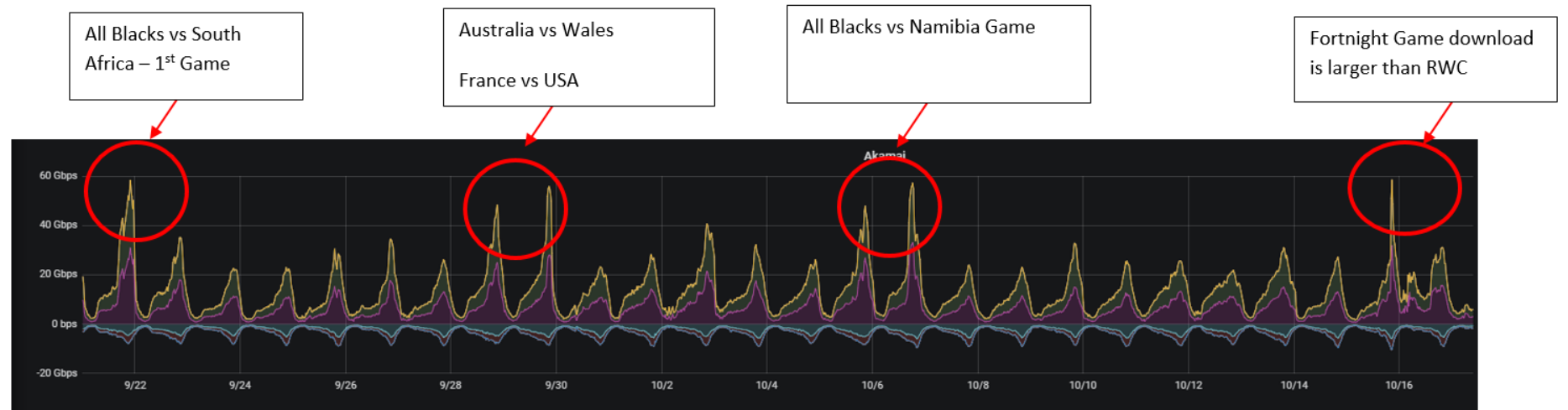
*Trustpower ISP Operations and Delivery Manager Ginny Buell says that the ISP network we've built is like a highway with a 'Trustpower customers only' lane. Trustpower customers are the only ones able to travel on it – meaning no traffic jams and faster travel times.*

# Additional network capacity improves customer experience

The additional capacity to support the anticipated load on the network during the Rugby World Cup was successful - providing a fast, high quality internet and customer experience during peak traffic times.

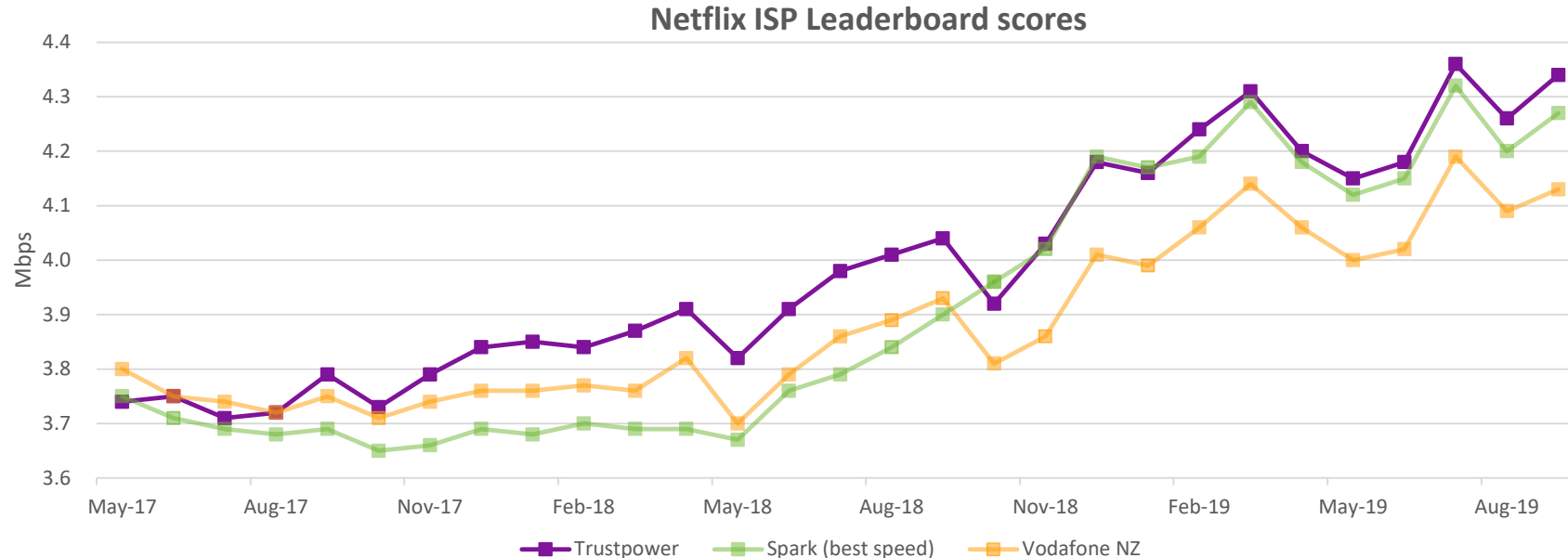
We now have a platform that we can leverage for growth which will deliver benefits beyond FY-20 and ensures that we can continue to provide high quality and high-speed internet, particularly for gaming platforms and new streaming services such as Disney+ and Apple TV Plus.

These heavy-demand loads used less than 50% of our network capacity.



# Trustpower ISP outperforms

Trustpower's ISP has ranked 1<sup>st</sup> on the Netflix speed index for 19 of the last 22 months, including the last eight consecutive months.



Trustpower's continued investment in ISP is evident in our performance, and provides a solid platform for further growth and opportunities.

**NOTE:** Since October 2018, the Spark line is measuring only their Fibre speeds, Trustpower is weighted average of fibre and DSL.

Source: <https://ispspeedindex.netflix.com>



# AIMing high - Leveraging our ISP network to benefit the community

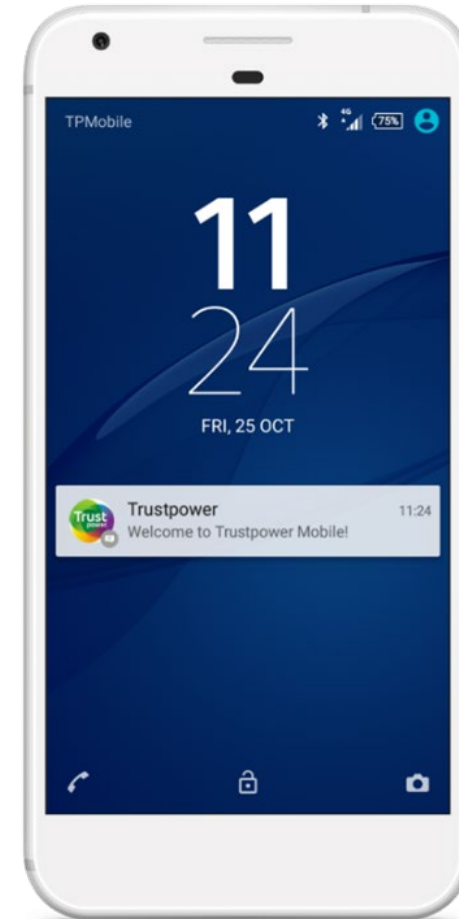
- We continue to build partnerships in the communities we operate in to achieve shared value.
- In September we provided streaming services for the Anchor Aims Games production company, enabling the games to be streamed internationally.
- We also leveraged our network to provide free public wi-fi across 13 sites, available to the 11,500 participants and their supporters across the weeklong event.



# Growth ambitions in retail continue

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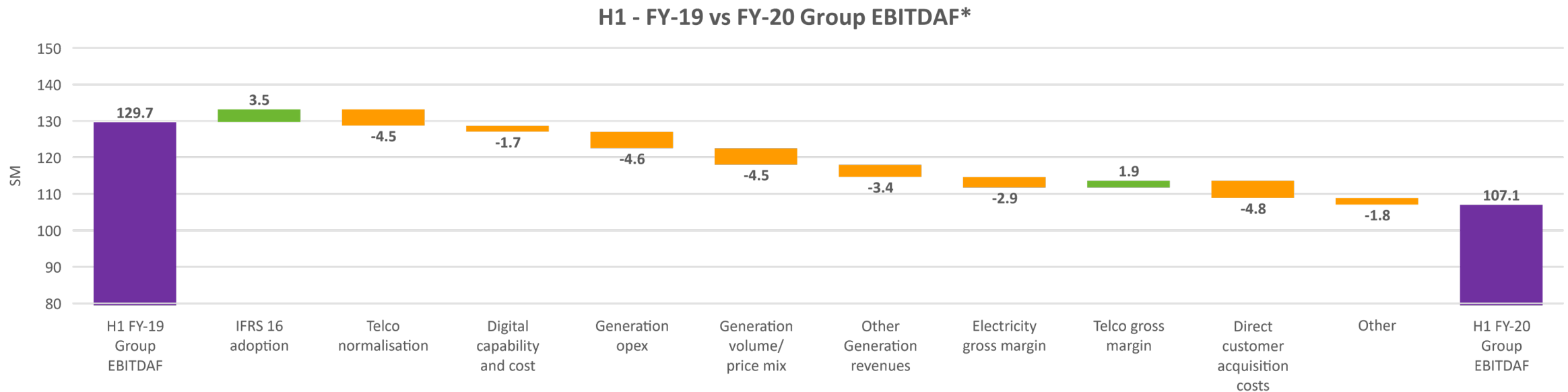
- Trustpower launched Wireless Broadband offerings in market in August.
- Mobile offering coming soon.
- Our smart metering deployment programme continues with >30,000 meters deployed so far.



# FINANCIAL OVERVIEW AND OUTLOOK

# Financial performance comparison

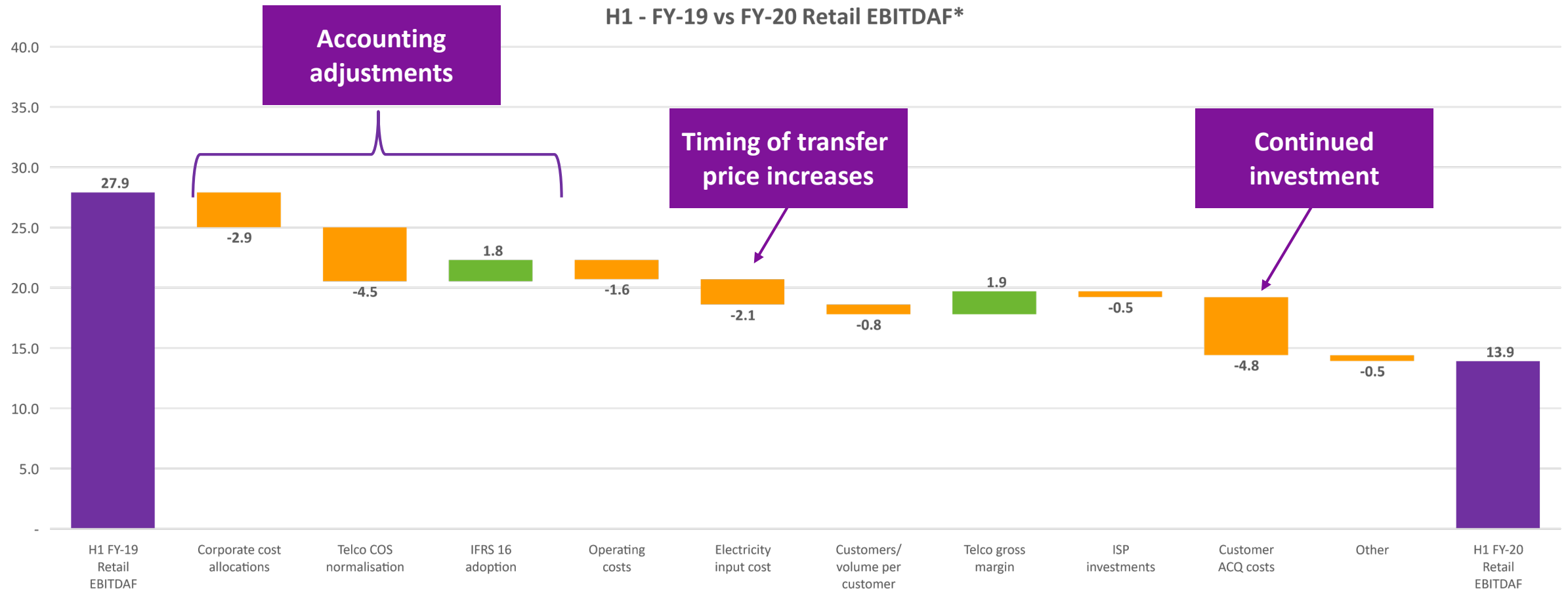
- The first half of FY-20 was impacted by lower generation volumes and higher generation operating costs, reflective of plant outages and materially lower inflows.
- Continued investment into capability and customer acquisition and service also weighed on the result.



**NOTE:** Telco normalisation relates to a large telco cost of sale accrual released September 2018 that related to prior periods.

\*EBITDAF is a non-GAAP measure. Please refer to slide 37 for more details.

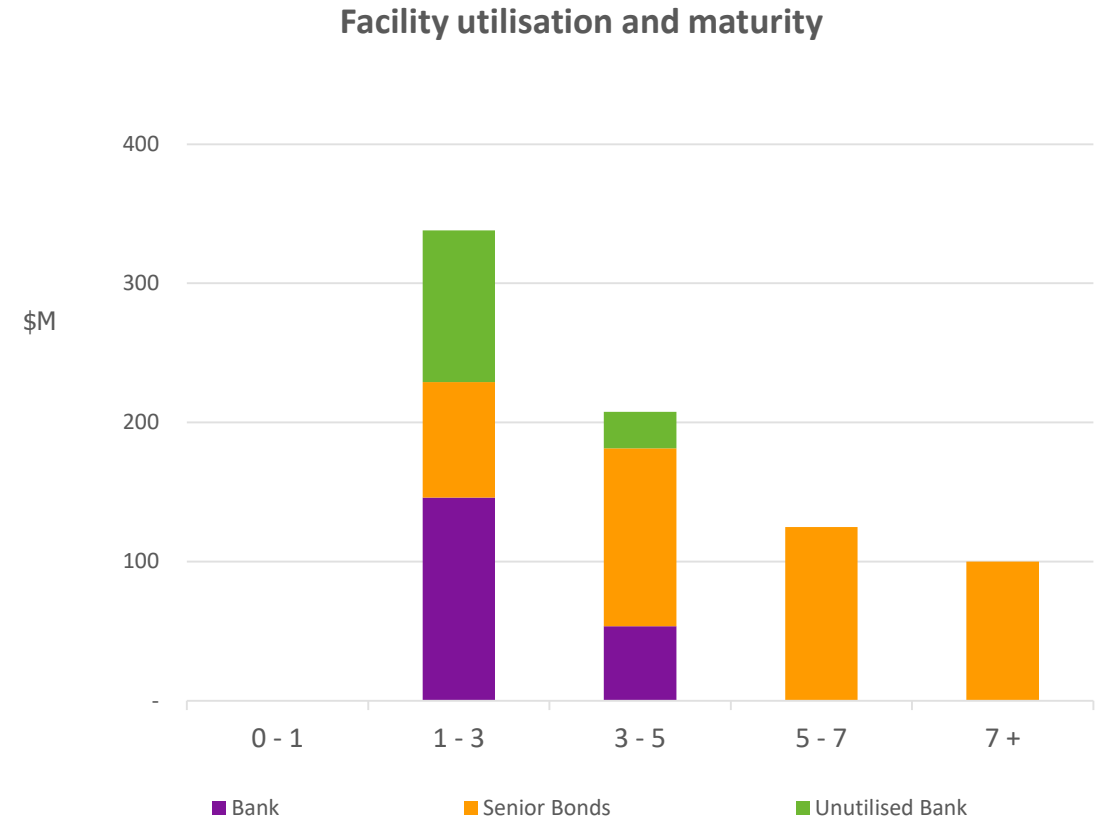
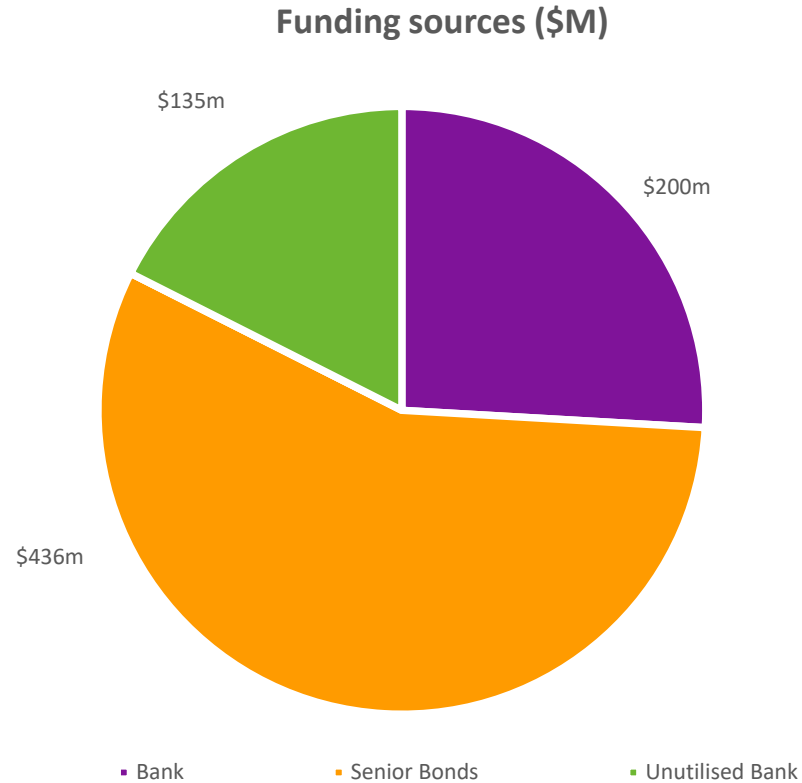
# Retail performance comparison



**NOTE:** \*EBITDAF is a non-GAAP measure. Please refer to slide 37 for more details.



# Debt capital management & dividend



Interim dividend declared of 17cps – fully imputed.  
All ordinary dividends are expected to be fully imputed from now onwards.

# Outlook

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Trustpower is well positioned for the second half of FY-20 due to:

- Current levels of water storage.
- Forecast firm prices.
- Completion of Highbank outage.
- Growing bundled customer numbers.

We believe we have built and continue to build a robust, agile business that has the capability to capitalise on opportunities. We are committed to investing today, to deliver sustainable and solid future value tomorrow.

Trustpower's current FY-20 EBITDAF\* guidance (\$205m - \$225m) was issued on 12th July 2019. As noted at that time, material levels of volatility still exist in key short-term profitability drivers. At this time, we still expect EBITDAF to be towards the bottom end of this range (\$205m - \$215m), assuming currently observable pricing and expected hydrology.

**NOTE:** \*EBITDAF is a non-GAAP measure. Please refer to slide 37 for more details.

# ADDITIONAL INFORMATION

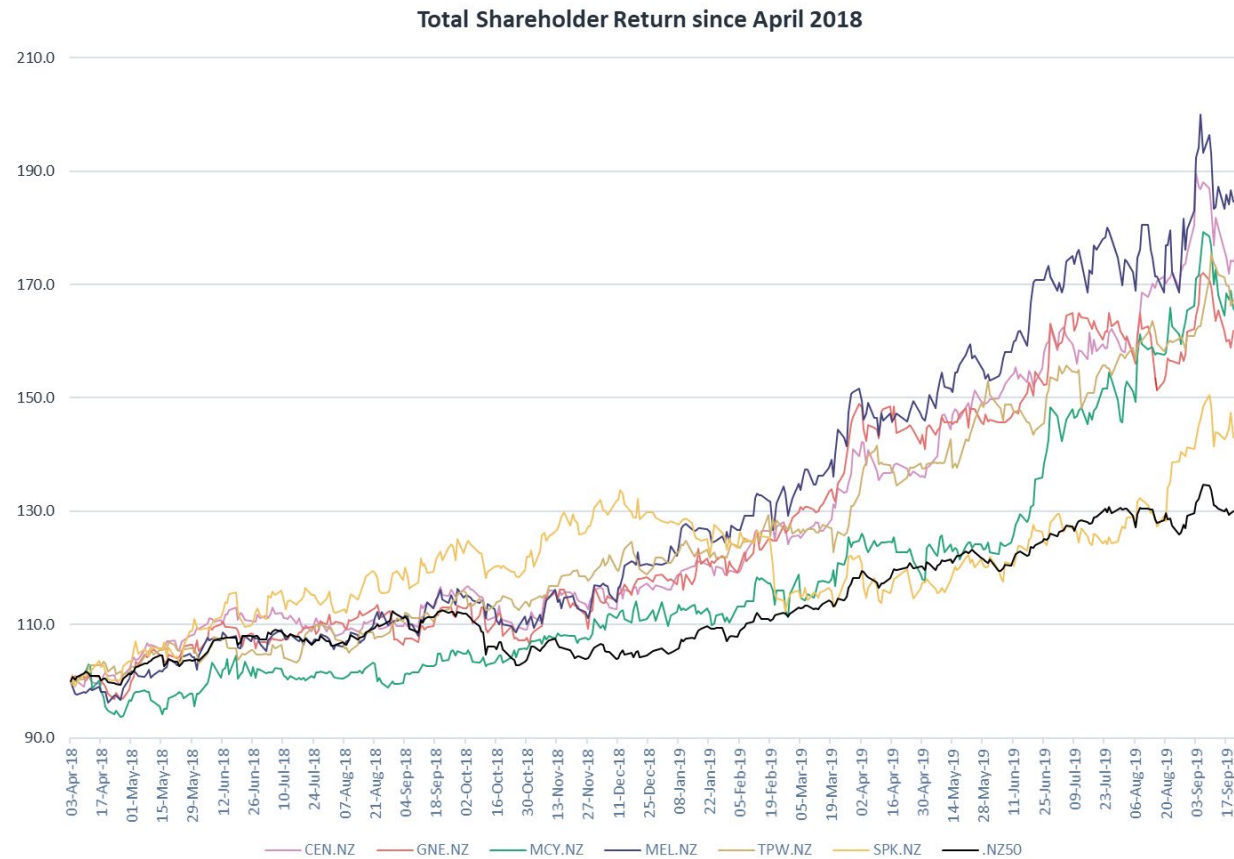


# Trustpower key facts

- Tauranga based national electricity generator and retailer of energy and telco.
- History dates back to 1915 as the Tauranga Electric Power Board.
- Market capitalisation circa ~\$2.6B
- Key Shareholders Infratil (51%) and TECT (26.8%).
- NZ generation capacity (hydro) of 487 MW producing an average of ~1,922 GWh per annum.
- Approximately 235,000 customers.
- 111,000 customers have more than one product.
- Approximately 800 FTE employees.

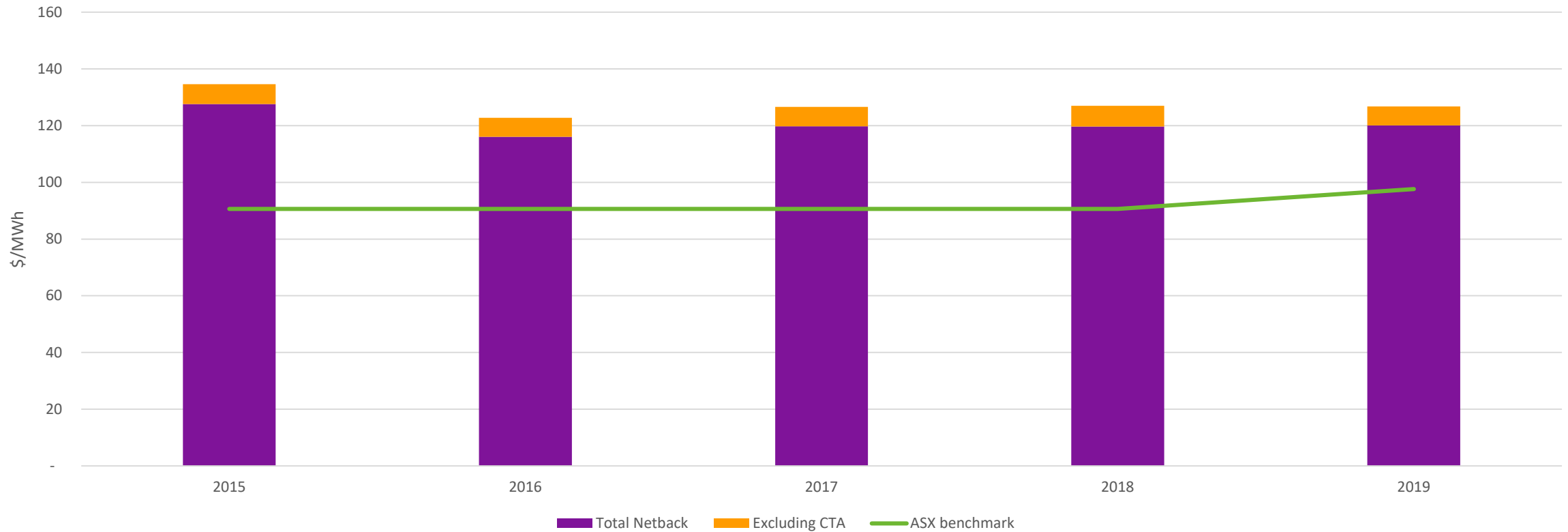


# Trustpower adds shareholder value

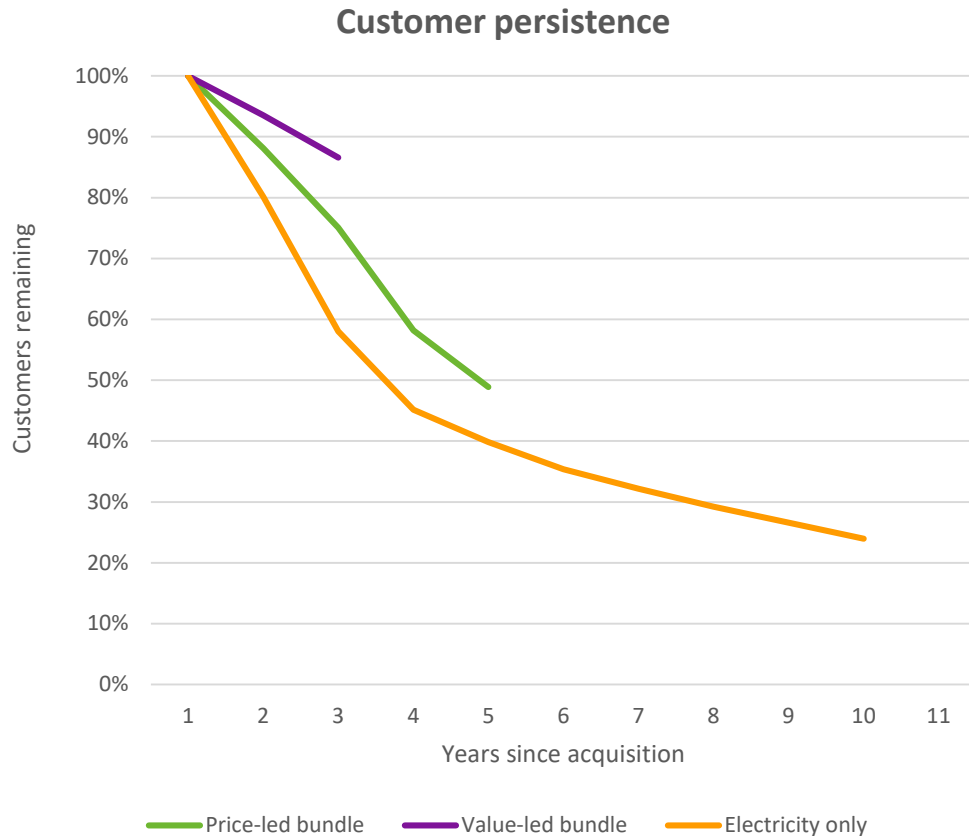


# Netback

FPVW Netback



# Value-led bundles provide superior value



**Value-led retail bundles demonstrate higher customer value than non-bundled, or price-led campaigns:**

- Better customer retention.
- Higher average electricity volumes.
- Higher-value telco plans.
- Better sales conversion and leakage.

# Non-GAAP measures

- Underlying Earnings is a non GAAP (Generally Accepted Accounting Principles) financial measure. Trustpower believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long term interest rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or impairment of generation assets.
- EBITDAF is a non GAAP financial measure but is commonly used within the electricity industry 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. The EBITDAF shown in the financial statements excludes the Australian business which is a discontinued operation.
- Reconciliation between statutory measures of profit and the two measures above, as well as EBITDAF per the financial statements and total EBITDAF, are given below:

	2019	2018
<b>Profit after tax</b>	38,678	64,869
Fair value losses on financial instruments	12,249	1,033
Impairment of assets	2,381	291
Changes in income tax expense in relation to adjustments	(4,096)	(371)
<b>Underlying earnings after tax</b>	49,212	65,822
<b>Operating profit</b>	72,705	103,420
Impairment of assets	2,381	291
Fair value losses on financial instruments	12,249	1,033
Amortisation of intangible assets	4,984	7,821
Depreciation	14,784	17,078
<b>EBITDAF</b>	107,103	129,643

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