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Infratil Investor Day | 29 March 2017



# Positive record of identifying and executing strategic opportunities

## From 1994 - 2013



- Listed in 1994 serving 40,000 customers
- High growth through acquisition, regulation, new generation builds
- Australian Renewables
- First forays into telco through Kinect
- Significant growth in shareholder value

## 2013 to today



- Rebrand
- Focused growth in telco including UFB
- Created platform for Tilt demerger
- Created additional shareholder value through bolt on acquisitions

## Looking to the future

- 4th largest in energy and growing multi product
- Strong position in telco
- Creates a platform for optimisation, convergence and growth
- Well positioned to create new shareholder value

## Our world view

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- Global trend towards industry convergence is increasing
- Single industry players face high competition from both within and from outside the sector
- Consolidation – is occurring within industry segments to achieve scale, and across industries to provide customer solutions

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

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- Easily restructured portfolio of generation assets
- Ability to grow in electricity, telco and adjacent markets
- Can seek convergence and growth through acquisition (King Country Energy)
- New customer facing technology fits well at the junction of energy and telecommunications business

“Trustpower’s core strategic approach is to create executable options in this world of uncertainty”

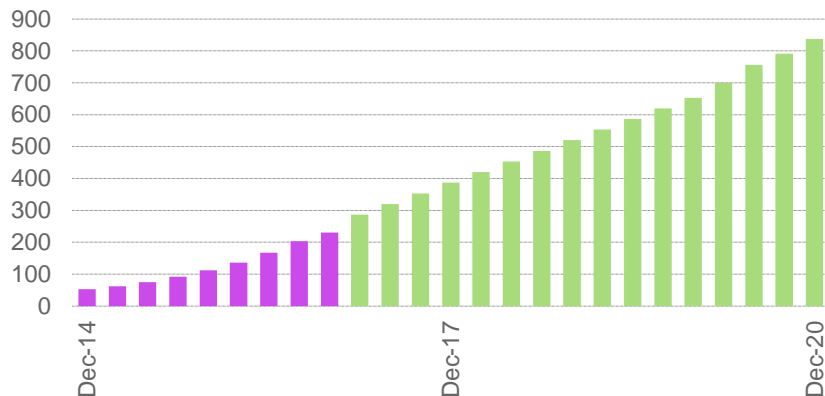
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# The dynamics and potential of our markets

## Actual and forecast fibre connections (000's)

Fibre opportunity growing fast

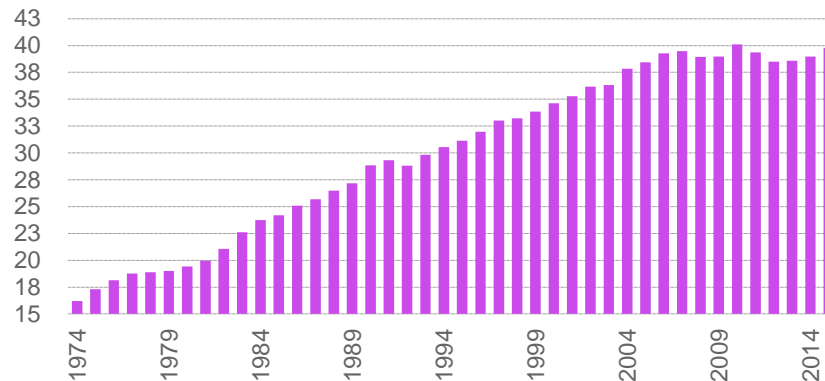
- Driven by data hungry customers
- Creates new opportunity for customer engagement



## NZ annual electricity consumption (000's)\*

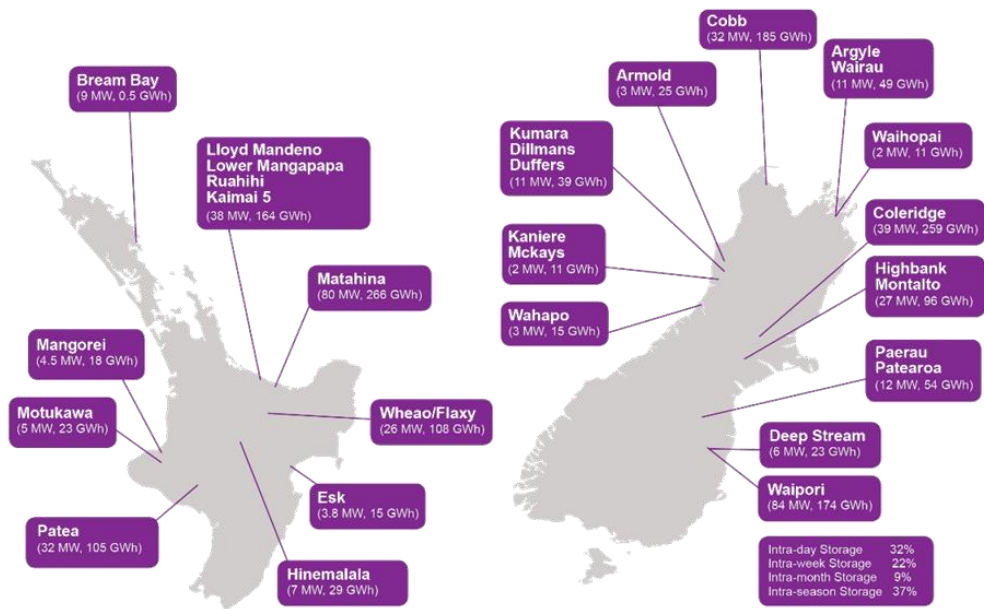
Electricity demand largely flat

- Driven by beyond the grid efficiency and generation
- Thermal plant retirement will tighten supply moving price towards LRMC



\* Data from MBIE

# Generation portfolio – provides efficient, flexible risk management



**38**

38 hydro power stations across

**21**

schemes

**65%**

shareholding in King Country Energy

**436MW**

total NZ installed generation capacity

**20%**

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

**75% - 80%**

of Trustpower's EBITDAF is provided by the NZ generation business

**Flexible and low marginal cost**

portfolio benefits from market firming and able to optimise growth, hold or divest

# Generation portfolio – provides efficient, flexible risk management



**3**  
Australian  
schemes

**6**  
generating  
units

**96MW**  
of AU generating  
capacity

**244GWh**  
typical annual production –  
approximately 13% of TWP total

# Transmission pricing & ACOT

## Assessment of ongoing ACOT (Avoided Cost of Transmission) payments

- Reduction in ACOT payments from April 2018

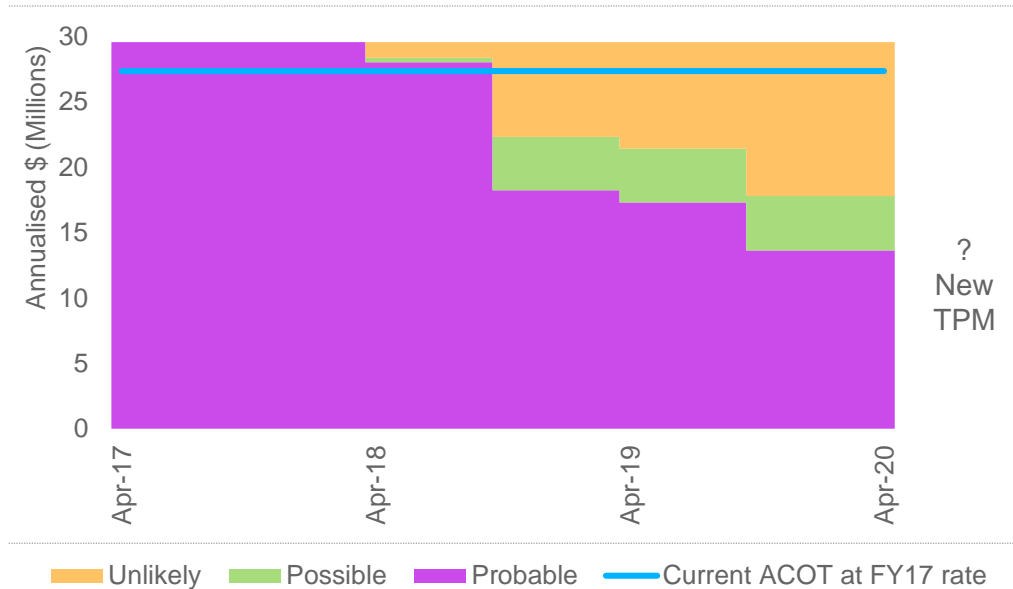
## Ongoing TPM uncertainty:

- We remain highly engaged in the Electricity Authority's TPM review
- We believe there are important precedents being set
- We remain highly concerned about the quality of the decision-making process

## Our submission focused on two key themes:

- The EA's review and proposals are based on fundamental errors of law and process
- The review and proposals are not based on sound evidence

## Current Trustpower estimate of future ACOT revenue

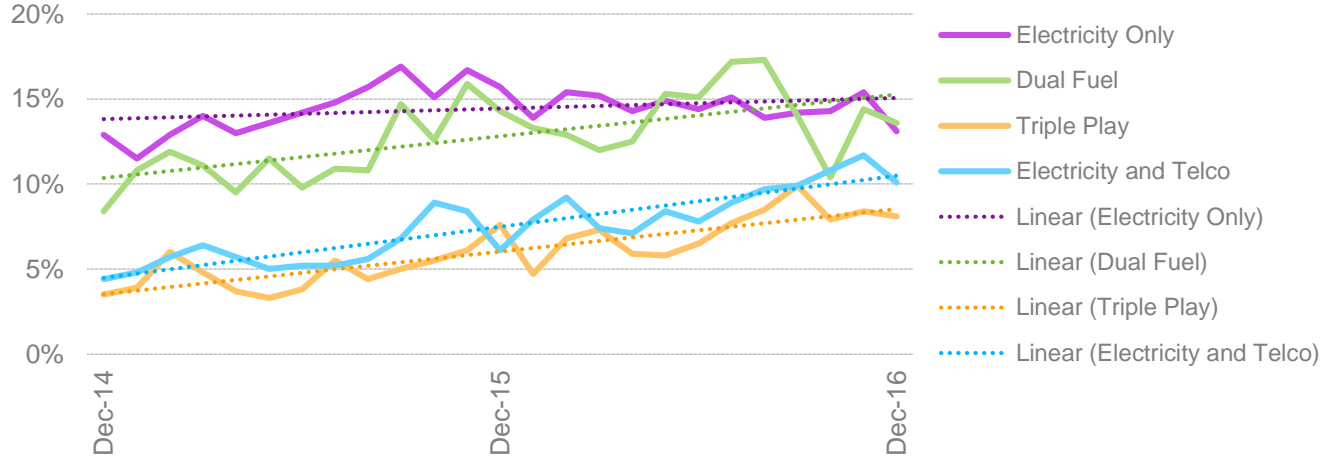


YOU'LL NEVER GET  
ANYWHERE, IF  
YOUR CUSTOMERS  
AREN'T LOYAL



# Multi-product loyalty benefits continue

## Electricity only vs multi-product customer churn



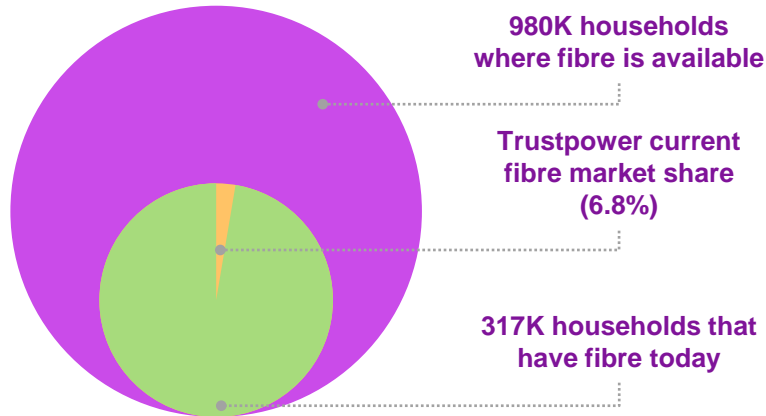
For example in Auckland the NPV of a bundled acquisition campaign with a median customer tenure of 4.7 years is more than 5 times that of an electricity only campaign

“Intense competition continues, however bundling has maintained position in the face of heavy price discounting of electricity that is not sustainable in the medium term”

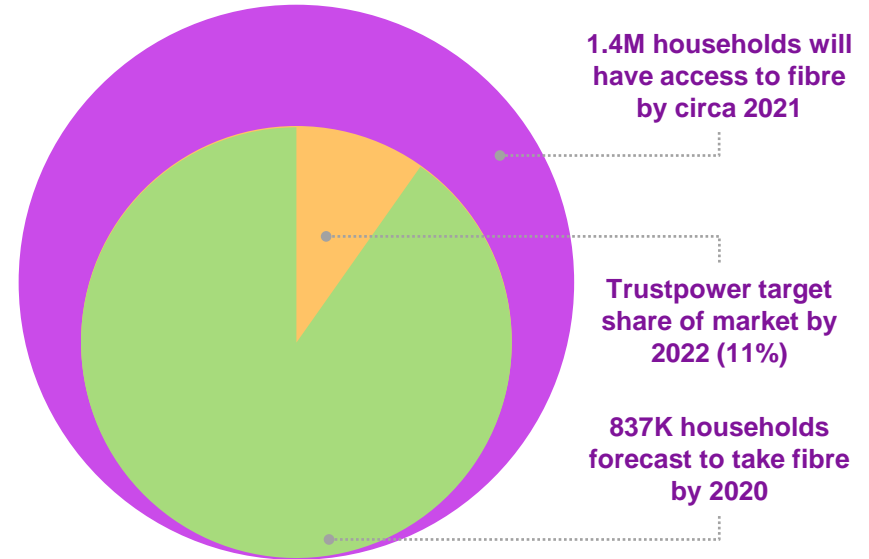
# We are focusing on growing our share of the higher-value fibre market

2017

Trustpower is taking a growing share of a growing market as customers of legacy copper services with incumbent providers accelerate their migration to higher value, higher margin fibre products

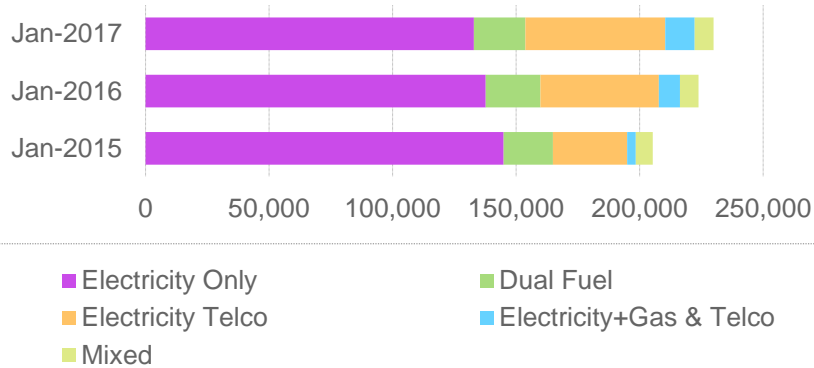


2020



# Customer acquisition is targeted at higher value bundled customers

## Customer growth



## Targeted growth

- Focus is on managing Customer Lifetime Value
- Driving sustainable growth in the higher value segments
- Insight driven proposition development

## Current customers



275,000 electricity



32,000 gas



76,000 telco



90,000 customers have more than one product

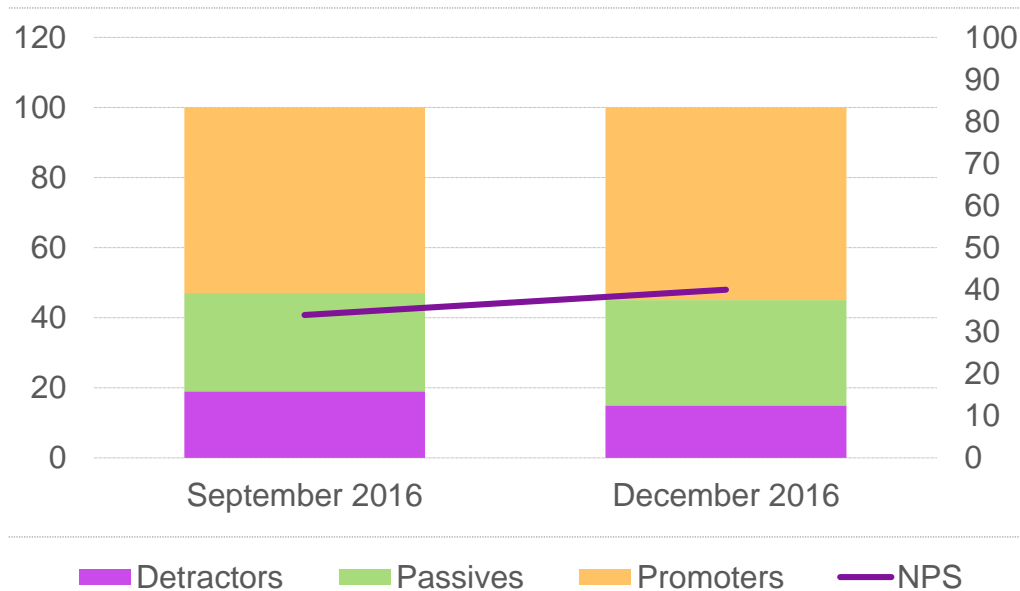
# Reshaping the customer experience

## Keeping pace with changing customer expectations and creating long-term, mutual customer value

Net promoter score increases due to:

- Propensity models and proactive intervention
- Platform stability
- Process redesign
- Easier interaction for the customer

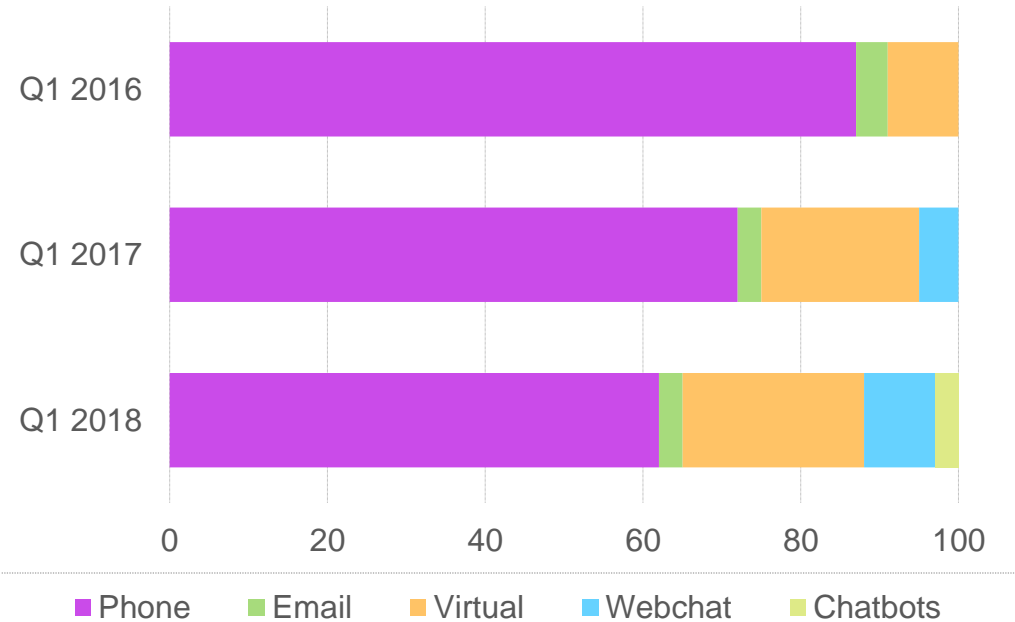
## Net promoter score



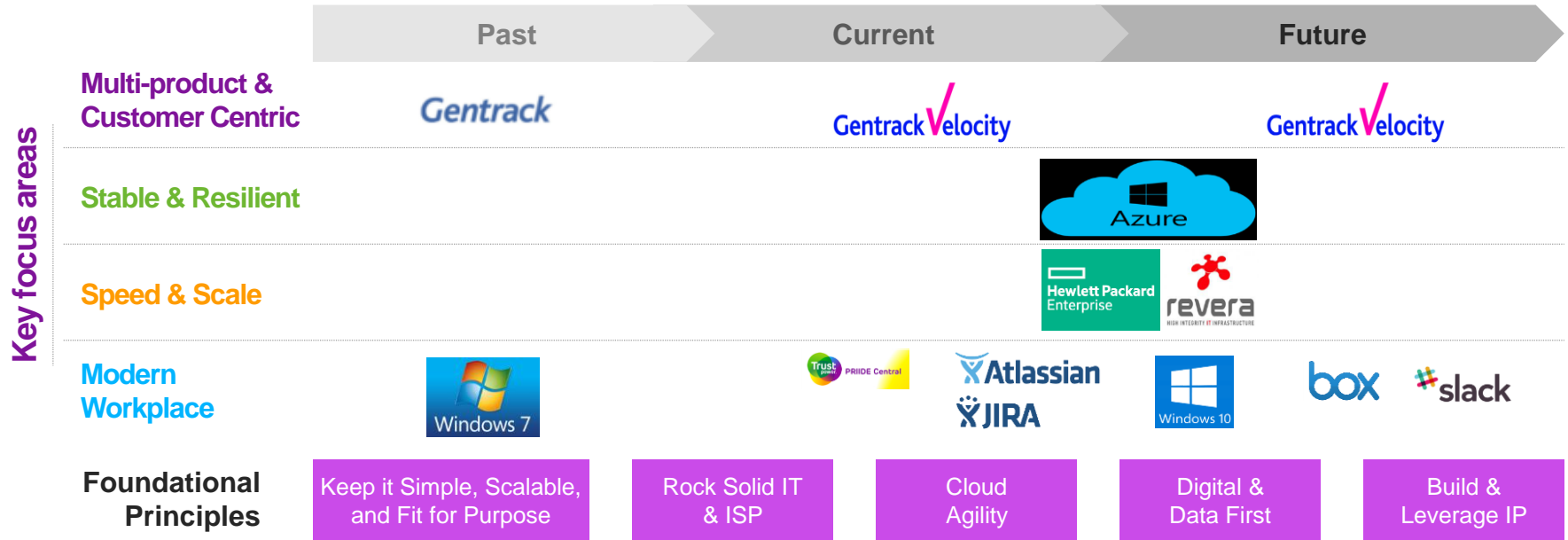
# Improving cost efficiency without compromising quality of service through the leverage of digital and emerging technology

## Interactions by channel

- We have focused on driving interactions to lower cost channels where customer preference allows us to do so
- Increased focus on digital channels has led to a reduction in recruitment of 16 staff
- Future investment; apps, push notifications, machine learning & greater use of robotics and chatbots will see continued improvements



# Investing in technology platforms that are fit for purpose, secure, modern and customer centered



# People capability – Trustpower senior leadership team



# People capability to execute on future opportunities

## Key focus areas

### Future organisational capability

- Strengthen resiliency, leadership, and collaboration for better business outcomes
- Fast business improvement
- Attracting and retaining new talent

### Adaptability and flexibility

- Activity based working
- Measuring responsiveness to customers and markets as well as individual and team measures

### Changing nature of the workforce

- Reward and recognition approach
- Graduate program to young professionals
- Increase gender and cultural diversity

### Keeping our workforce safe and secure

- Focus on risk-based assessment
- Reducing absenteeism and staff turnover



# Key performance areas

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A clear focus for ensuring a more valuable business in the future

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## Key focus areas

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### Optimising performance of the generation portfolio

- Asset management that is value driven
- Operating cost flexible to market conditions
- ACOT and TPM - continue to work for sustainable solution
- Maximise value within overall trading portfolio through flexible contracting

### Enhancing the multi-service offer and customer experience

- Continue to lead the change to value enhancing multi-service offers
- Improve customer experience in provisioning and customer service
- Demonstrate efficiency from scale and digital investment
- Align acquisition costs with the lifetime value of a multi-service customer

### Improving long-term industry structure

- Manage relative position given inevitable changes in future business models
- Execute accretive inorganic growth options when available
- Major shareholder that supports Trustpower to be part of future industry consolidation

# Trustpower is well positioned in a world that is decentralising and converging at the customer premise

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## A proven ability to execute in our target markets

- We are not relying on our strong relative position in the traditional electricity industry to build our future business
- Trustpower has made a series of investments in the last few years to pre-position for the inevitable changes in the industry:
  - diversified generation fleet, multi-service offer, flexible enterprise systems, online capability, improved work environment, and extending the Trustpower brand
- The most obvious strategic shift has been towards multi-service retail – this is a high conviction and important strategy but only part of the overall plan for preparing the business for major changes
- 2017/18 Proof points:
  - Customer retention post acquisition term
  - Continued ability to execute targeted campaigns in high value segments
  - Increased returns through cost optimisation and scale

**Will create opportunities for growth in energy and other utility services, and a path to value through customer insight, portfolio management, cost efficiency and targeted investment**

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