



Investor Presentation

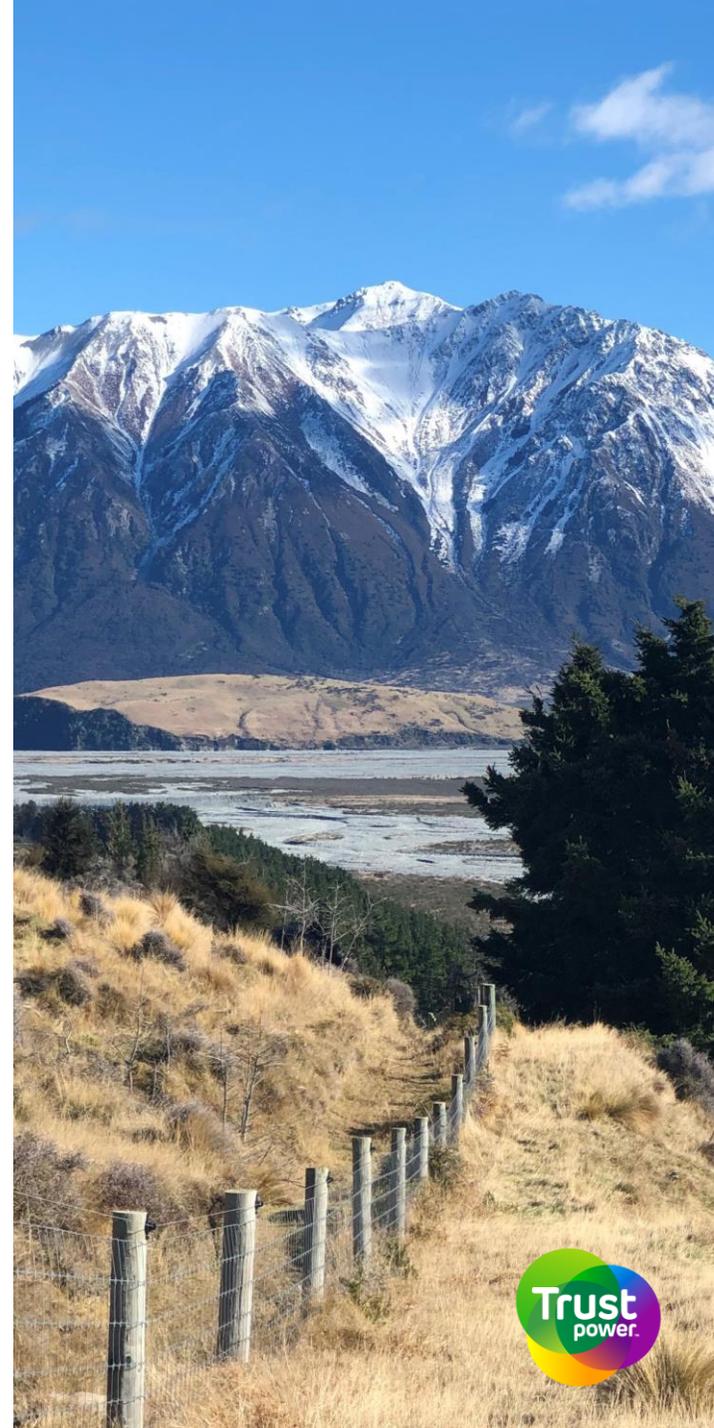
21 June 2021

Paul Ridley-Smith - Chair
David Prentice - Chief Executive
Kevin Palmer - Chief Financial Officer



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Overview

In late January Trustpower announced a strategic review to test market interest in its retail business, while also exploring the merits of a standalone generation business.

Trustpower confirms the conditional sale of its retail business to Mercury NZ Limited for \$441million, subject to post-completion adjustments

- Retail business comprises the gas, telecommunications and retail electricity supply business (excluding the supply of electricity to commercial and industrial customers).
- Sale of the retail business will take effect following the conditions of sale being met, late 2021 or early 2022.
- Key conditions of sale include:
 - Commerce Commission approval;
 - Approval by Trustpower's shareholders;
 - Completion of the TECT restructure; and
 - Other usual conditions of a transaction of this nature
- An electricity hedge structure has been agreed to support the customer retail demand.
- All assets used in the retail business including debtors and other working capital will be transferred.



Transaction Thesis

- Retail utility markets are, and are expected to remain, highly competitive.
- The more successful participants will be those that make substantial investments over an extended period in digitising, brand, products and service to meet evolving customer expectations. Rather than make these investments, Trustpower has preferred to focus on generation opportunities.
- Trustpower has created a valuable multi-utility platform with substantial growth opportunities that others with utility retail ambitions would value highly. Mercury's purchase, and other interest from unsuccessful bidders, has validated that view.
- Trustpower believes that, for a generator of its size, it doesn't need to own retail customers as a hedge.



Transaction summary

The transaction includes:

- The mass market retail business of ~231,000 customers which includes:



112,000 total telco connections



252,000 electricity connections



44,000 gas connections



8,000 mobile connections



52% of customers now have two or more products

- Nationwide carrier grade ISP network
- Mercury will offer roles to Trustpower's mass market employees
- IT systems and other business assets to ensure success from day one are included
- An assignment of Trustpower's leases at its Tauranga and Oamaru premises
- Normal levels of working capital

**OVERALL SALE
PRICE OF
~\$1,900
PER CUSTOMER**

**PROFORMA STANDALONE FY21
EBITDAF MULTIPLE OF 9 TIMES**

Trustpower Generation

Trustpower Generation will retain:

- All generation assets
- Energy trading capability
- ~14,000 C&I electricity connections
- Power Purchase Agreements with Tilt Renewables and other generators
- Existing hedge contracts

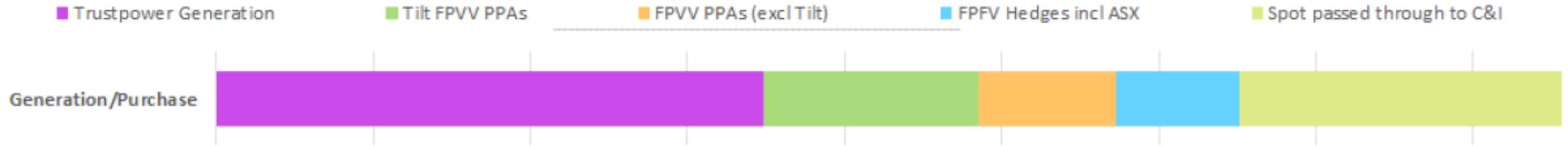
Trustpower Generation will:

- Play its role in helping the country achieve its climate change targets.
- Continue to drive operational excellence in its generation business and focus on new generation and related opportunities.
- Trustpower name and brand will transfer to Mercury and Trustpower will rename to better reflect its generation focus.
- Review its capital structure and dividend policy.
- David Prentice will be the Chief Executive of the new generation business going forward.



Current Energy risk position

Overview of a typical year



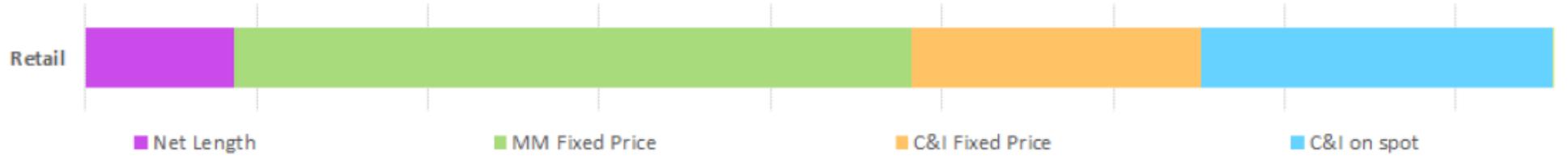
FPVV = Fixed Price Variable Volume

FPFV = Fixed Price Fixed Volume

Overall long generation to reduce exposure to weather related hydro/wind variability

Customer contracts matched to hedge contracts

Direct pass through with no market exposure

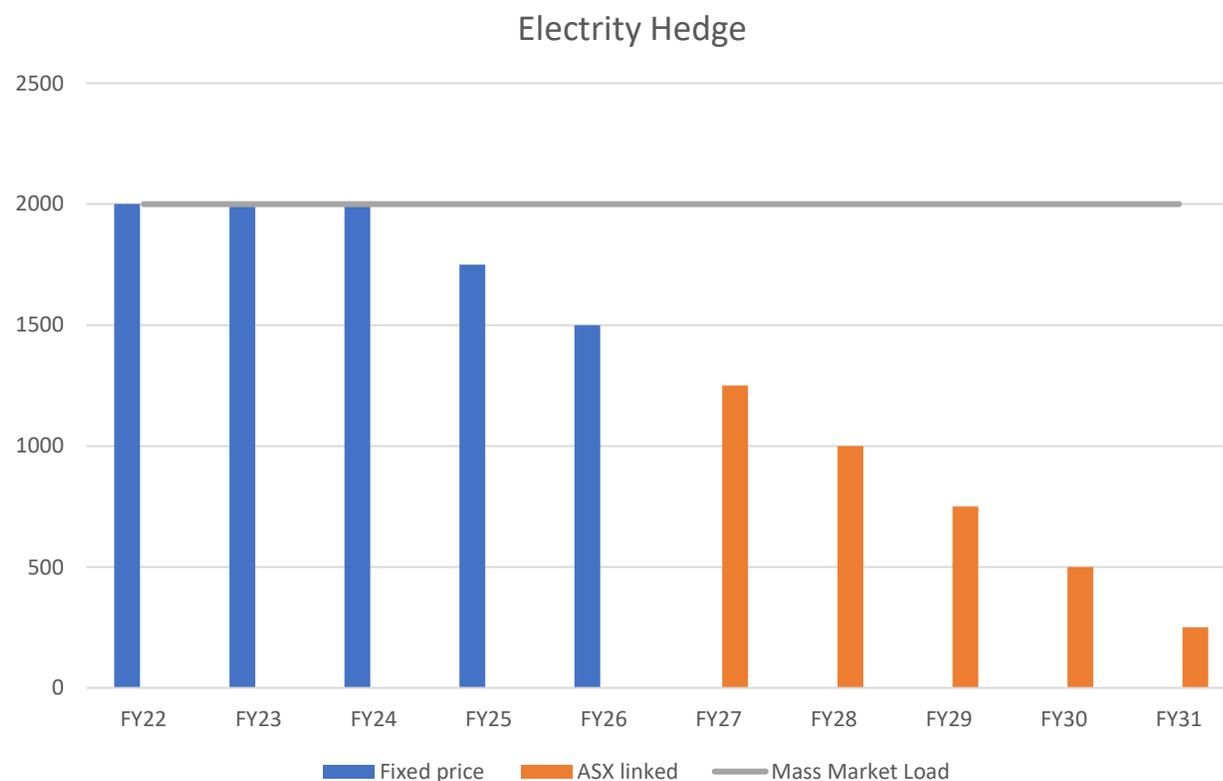


New hedge with Mercury to replace Mass market load



Energy hedge

When the transaction completes Trustpower will enter into a new energy hedge (CfD) with Mercury.



- Arms length pricing independent of the retail sale gives increased price certainty.
- Allows for an orderly transition between a bi-lateral hedge and a portfolio of hedges/sales into the C&I market.
- Volume shaped by season and time of day and price set at mutually agreed locations and with prevailing peaking factors.
- Trustpower believes that the wholesale energy market is sufficiently efficient that as these hedges roll off it can place its generation into market, or enter into further hedges, at fair prices.

Looking forward

Trustpower will be holding its Annual Shareholder Meeting on 22 September 2021

- At that meeting we will be asking shareholders to approve the transaction for the purposes of NZX Listing Rule 5.1.1 (a) and will provide further guidance on capital structure, dividend policy and opportunities for re-investment of the proceeds.
- Until the sale goes unconditional and then completes, it is business as usual for Trustpower. We will continue to do our best for our customers until the business joins with Mercury.
- The majority of employees will get the opportunity to transfer to Mercury and of the rest of the employees most will remain with the generation business.
- New Zealand needs to greatly increase renewable energy generation to aid the de-carbonisation and electrification of the economy and we are in a unique position to play a role in helping the country achieve its climate change targets.

Updated guidance will be issued when completion occurs. However, Trustpower confirms its current guidance of FY22 EBITDAF in the range of \$200-225 million assuming the retail business is held for the entire financial year.

Thank you



Questions

How to ask questions

While you're attending the webcast there are integrated features on the platform which allow you to send questions to the presenters. You can either ask questions via the **Q&A** feature and **type** your question, or you can use the **Raise Hand** feature if you would like to **verbally** ask your question to the presenters. If you are **dialling in** via the dial-in phone number, you can only ask questions **verbally** using the **Raise Hand** feature.

How to use the Q&A feature

Click on the **Q&A** button and type your question and press the **Send** button to submit. When the presenters are ready to answer your question, they will either answer it live, or they will reply in the Q&A feature where you will be able to read their response.

How to verbally ask your question online

Press the Raise Hand button. When the presenters are ready to answer your question, they will acknowledge and unmute you, so you are able to ask your question.

How to verbally ask your question via your phone

If you have dialled in via the phone number you can **press *9** on your phones dial pad which will raise your hand, the presenters will acknowledge and unmute you when they are ready for your question.

Additional Information

Trustpower key facts

- Tauranga based national electricity generator and retailer of energy and telco
- History dates back to 1923 as the Tauranga Electric Power Board
- Market capitalisation circa \$2.6 billion
- Key shareholders Infratil (51.0%) and TECT (26.8%)
- New Zealand generation capacity (hydro) 498MW producing an average of circa 1,937 GWh per annum
- Approximately 421,000 utility accounts
- Fifty-two per cent of customers have more than one product
- Approximately 801 FTE employees

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