



4 April 2017

Investor Roadshow presentation – April 2017

Contact Energy Limited (Contact) will be making a number of presentations to international investor meetings during April 2017.

Attached is the presentation material.

ENDS



2017 International Investor Roadshow

Dennis Barnes – Chief Executive Officer

April 2017

*Contact*TM

Ticker: CEN.NZE

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Profile



Dennis Barnes Chief Executive Officer

Dennis Barnes has been Chief Executive Officer of Contact since 2011. Dennis has completed Contact's NZD2bn investment programme in renewable energy, flexible generation and companywide systems. Over his time at Contact Dennis has provided industry leadership on topics as wide ranging as wholesale electricity market structures and health and safety reform. During 2015, Dennis successfully led Contact as its majority shareholder exited and Contact diversified its shareholding base and listed on the ASX. Prior to joining Contact, he was General Manager Energy Risk Management at Origin where he oversaw Origin's significant and expanding operations in wholesale markets. Prior to Origin, Dennis held a number of positions operating in international energy markets; including managerial roles at Scottish and English electricity companies. Dennis' career began as a Metallurgist with Alcan and he holds a BSc(Hons), GradDip (Marketing) and MBA.

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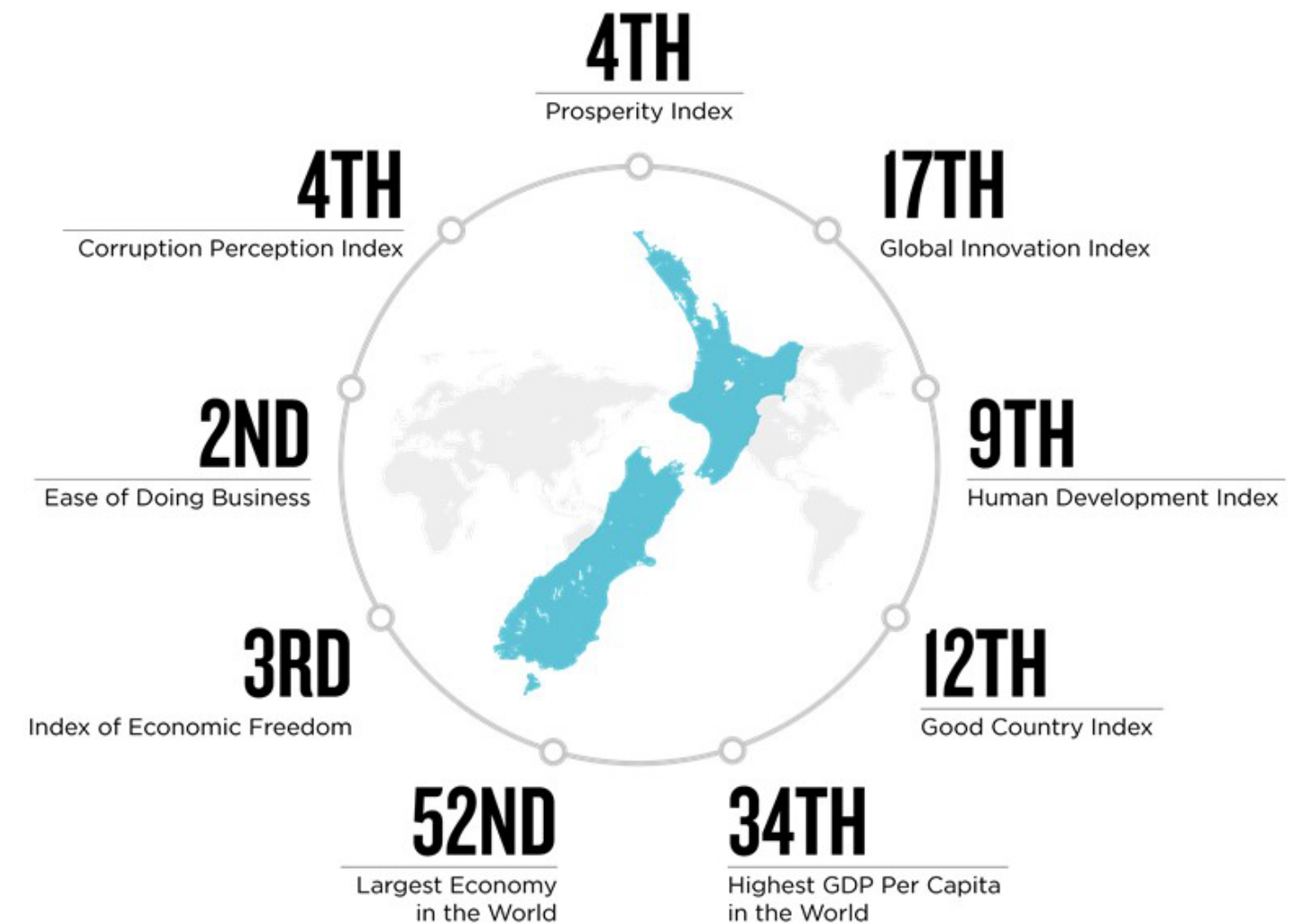
Industry and company information



New Zealand has an open economy that works on free market principles

New Zealand's stable economy and political system, reputation for innovation and the ease of doing business make it an attractive place to invest

- » Safe, stable and secure business environment
- » Ease of doing business
- » Comparatively low developed-country business costs
- » Simple tax system
- » Market orientated economy
- » Innovative and entrepreneurial culture
- » Policies to promote skills immigration
- » Abundant natural resources
- » Strong international transport links
- » Stable banking sector with Reserve Bank supervision
- » Modern telecommunications infrastructure



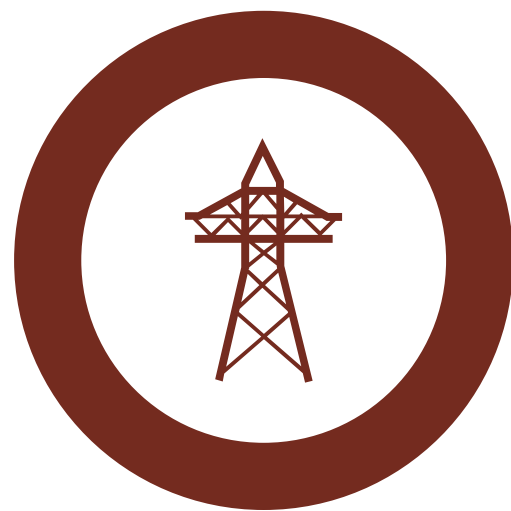
Sources: World Bank, 'Doing Business' 2016, Milkin Institute 'Global Opportunity Index' 2015, 2015-16 World Economic Forum Global Competitiveness index, Global Finance World's Safest Banks index, Heritage Foundation Index of Economic Freedom, Transparency International Corruption Perceptions index

New Zealand has delivered significant and sustainable economic progress

The efficient and sustainable use of resources has seen positive movements in key economic, social and environmental indicators over the past 30 years

Assets and infrastructure

Real net capital stock per person rose 33% from 1991 to 2015



Disposable income

Except for 2009 and 2010, average disposable income has increased every year since 1992



Energy intensity

The energy intensity of the economy has decreased 25% since 1990



Greenhouse gas intensity

The greenhouse gas intensity of the economy has decreased 36% since 1990



Labour productivity

Since 1987, labour productivity has increased by an average of 2% a year



Source: Statistics New Zealand, NZ Progress Indicators, www.stats.govt.nz

The New Zealand economy is entering its eighth year of expansion

Consumer confidence is translating into growth in private consumption

Domestic data and business surveys point to a continuation of solid economic growth

Record high net migration

Annual net migration inflow of 71,300
(+1.5% of population)



Strong tourism growth

Total annual hospitality spending up 9%, international visitor arrivals up 11% to 3 million in 2016



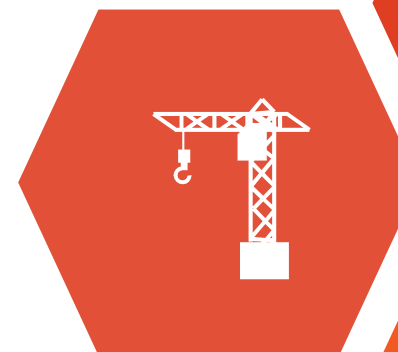
Terms of trade

Merchandise terms of trade rose 5.7% in the December quarter (up 6.7% for the year), led by a 13.7% increase in dairy prices



Strong construction

Housing consents for 2016 up 10%
on strong population growth



Accommodative monetary policy

Reserve Bank of New Zealand's official cash rate is expected to remain at a historic low of 1.75% for 2017

Source: The Treasury, Monthly Economic Indicators February 2017

The New Zealand electricity market continues to work effectively

Industry structure supports a reliable, affordable and environmentally sustainable electricity system

“New Zealand serves as a model for effective energy markets and secure power system operation”

International Energy Agency (IEA)
New Zealand 2017 Review



Quality renewable resources

Low cost, long-life renewable resources including hydro, wind and geothermal, which are cost competitive with gas and coal and have been developed without government subsidies.



Progressive regulatory settings

2011 competition and security of supply reforms have been effective. Current focus on efficient market structure including transmission pricing and how evolving technologies will impact distribution pricing.



Stable political environment

Strong bipartisan support to reduce greenhouse gas emissions to 30% below 2005 levels by 2030. Renewable energy at target 90% by 2025.

- » Electrification of transport
- » Geothermal energy for industrial process



Rational market competition

Industry dominated by five integrated companies supplying 90% of the market. Capable new entrant retailers ensure the retail market remains competitive.

Industry risks are balanced with potential for growth, strong capital discipline to continue



With strong cash flow, Contact is well placed to grow shareholder value

Contact is well positioned to manage all risks.

Delivering operational performance improvements will unlock opportunities for growth



Quality portfolio of long life generation assets

- » Diverse and flexible portfolio requiring minimal investment provides strong free cash flow
- » Consented geothermal development options



Internalised risk management

- » Gas storage and peaking thermal generation underpins internal risk management



Retail systems and capability

- » Investment in systems and capability, supported by a clearly articulated customer strategy

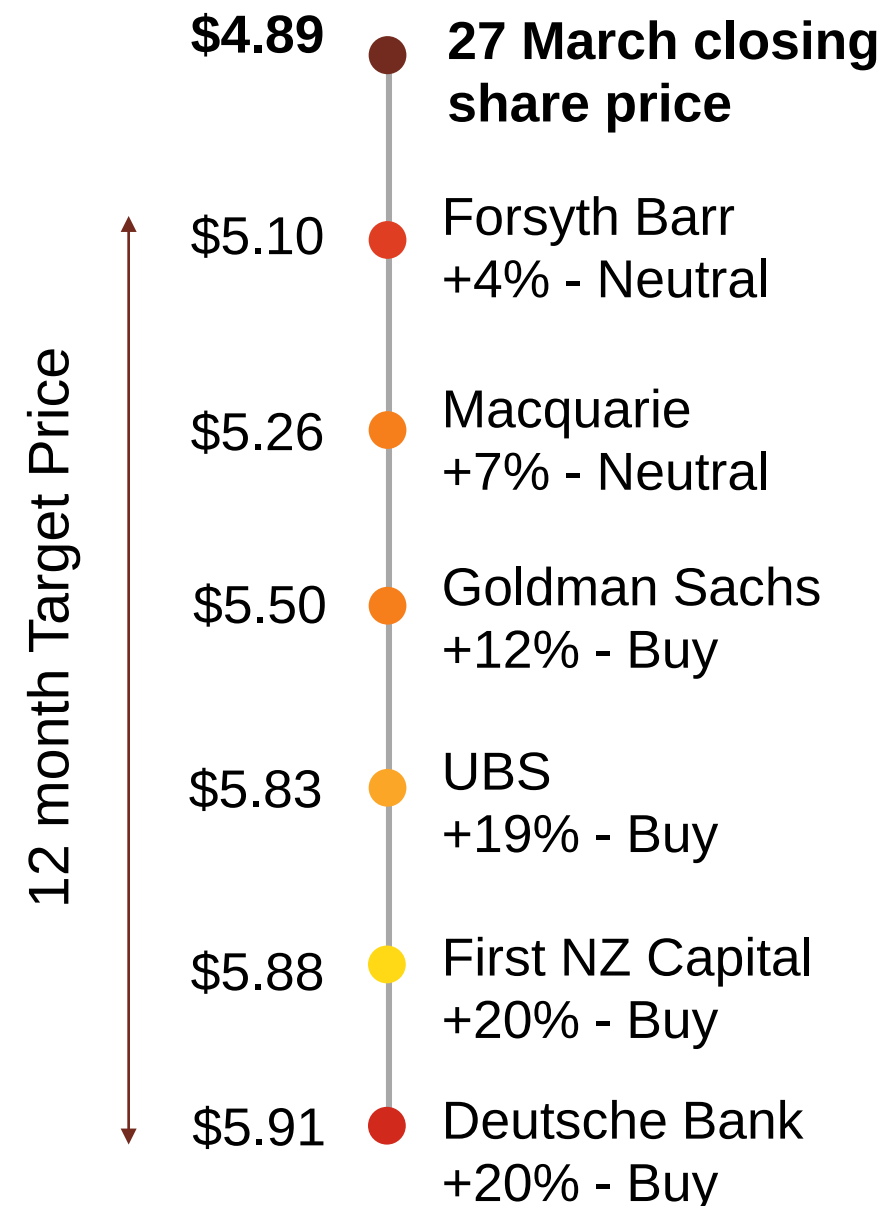


Strong governance and cash flow supports agility

- » Open share register provides increased liquidity and flexibility relative to peers
- » Board of Directors bringing new perspectives and experiences from other industries

Contact is trading below intrinsic value making it analysts' preferred sector entry point

Contact is currently undervalued relative to industry peers on DCF and multiple valuation basis



	Contact	genesis ENERGY	Mercury	meridian	Trust power.
EV / Consensus FY17 EBITDA	9.8x	9.4x	10.8x	12.2x	10.6x
Consensus FY17 Free Cash Flow Yield	9%	6%	6%	7%	10%
Current dividend yield	5.3%	7.7%	4.9%	6.7%	6.9%
EV / Consensus FY17 Free Cash Flow	13.3x	12.8x	15.5x	15.4x	14.7x
P/E ratio (on consensus FY17 Earnings)	20.8x	25.4x	27.5x	27.5x	14.3x

Source: Bloomberg 27 March 2017

Contact's debt levels temporarily higher than peers

Contact's financial framework prioritises a robust balance sheet, with strong free cash flow currently directed to debt repayment

\$122m in debt repayment between March and December 2016. Capital management options once debt reduces within target

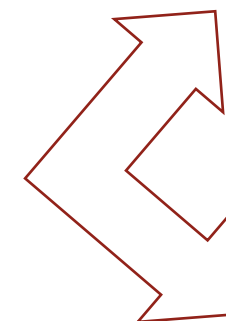
Free cash flow

- » Operating cash flow
 - Less net interest paid
 - Less stay in business capex
 - Add proceeds from asset sales



Balance Sheet

- » Investment grade credit rating
 - Net debt / EBITDA ratio of 2.6 – 3.0



Distributions

- » Ordinary dividend equal to 100% underlying profit
- » Special dividend where imputation credits available
- » Share buyback

Investment in growth

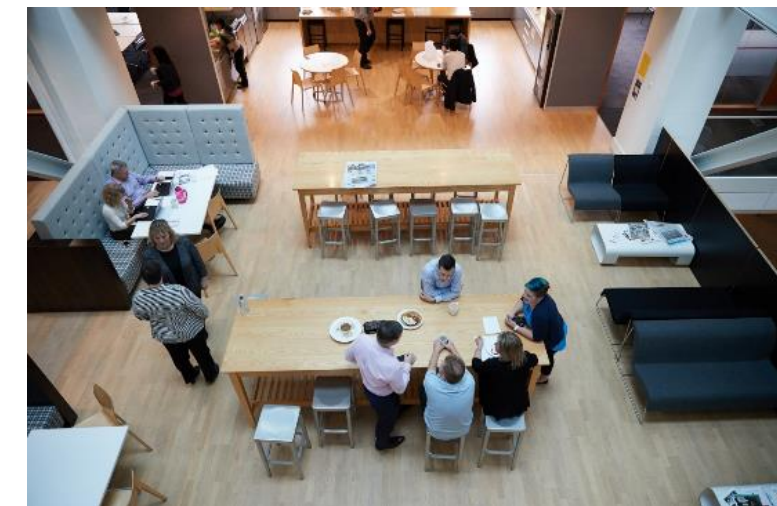
- » Returns greater than risk adjusted cost of capital
- » Focus on areas of strength

We expect net debt / EBITDA to return to our preferred range during the 2017 calendar year

Accelerating debt reduction through cost control and performance management

Keeping the focus on extracting value from our portfolio of assets

- 01 The Customer business will deliver value by providing customers with choice, certainty and control
- 02 The Generation business is on a continuous improvement path focusing on safety, reliability and resource utilisation
- 03 Continuing to optimise the portfolio



Delivering value by providing customers with choice, certainty and control

Reducing cost to serve and improving the customer experience through systems-enabled operational improvements

Sustain

Lowest Cost to Serve

Expand beyond energy. Seek scale efficiencies.



Optimise

Lower Cost to Acquire & Retain

Optimise customer touchpoints and value. Provide tailored products and services for priority segments.

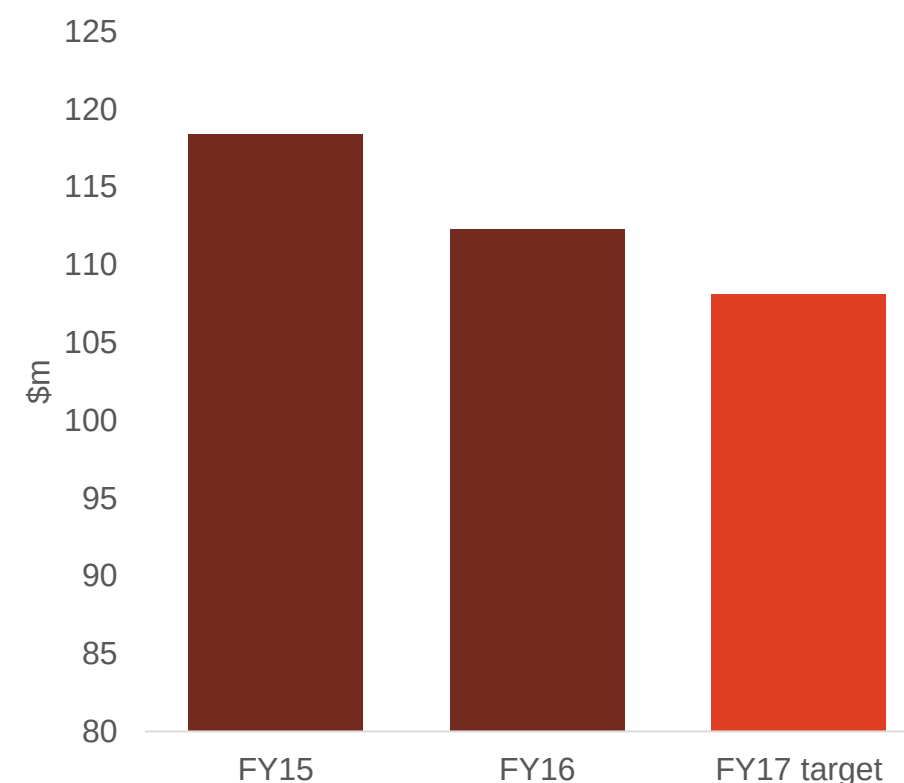


Stabilise

Data | Digital | Flexible Products | Service Model

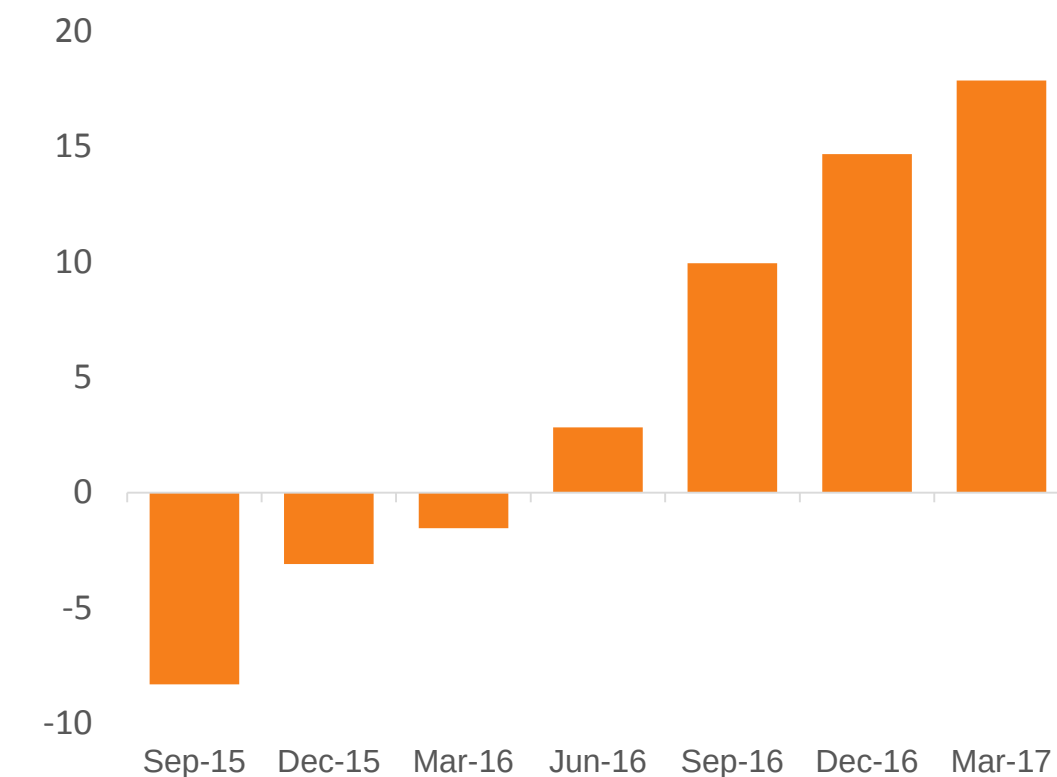
Stabilising SAP. Securing and strengthening our core business.

Electricity and gas cost to serve is reducing



Net promoter score is improving

Source: Contact, relational NPS



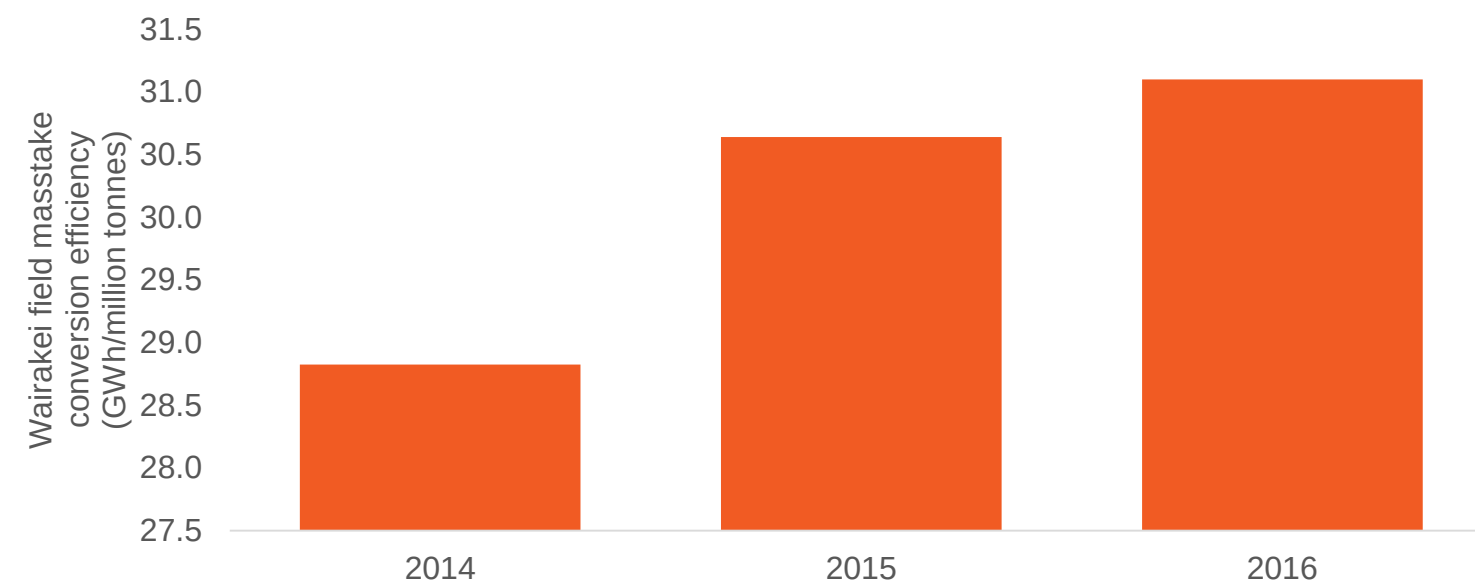
Contact

... helping us evolve into a Living Services business

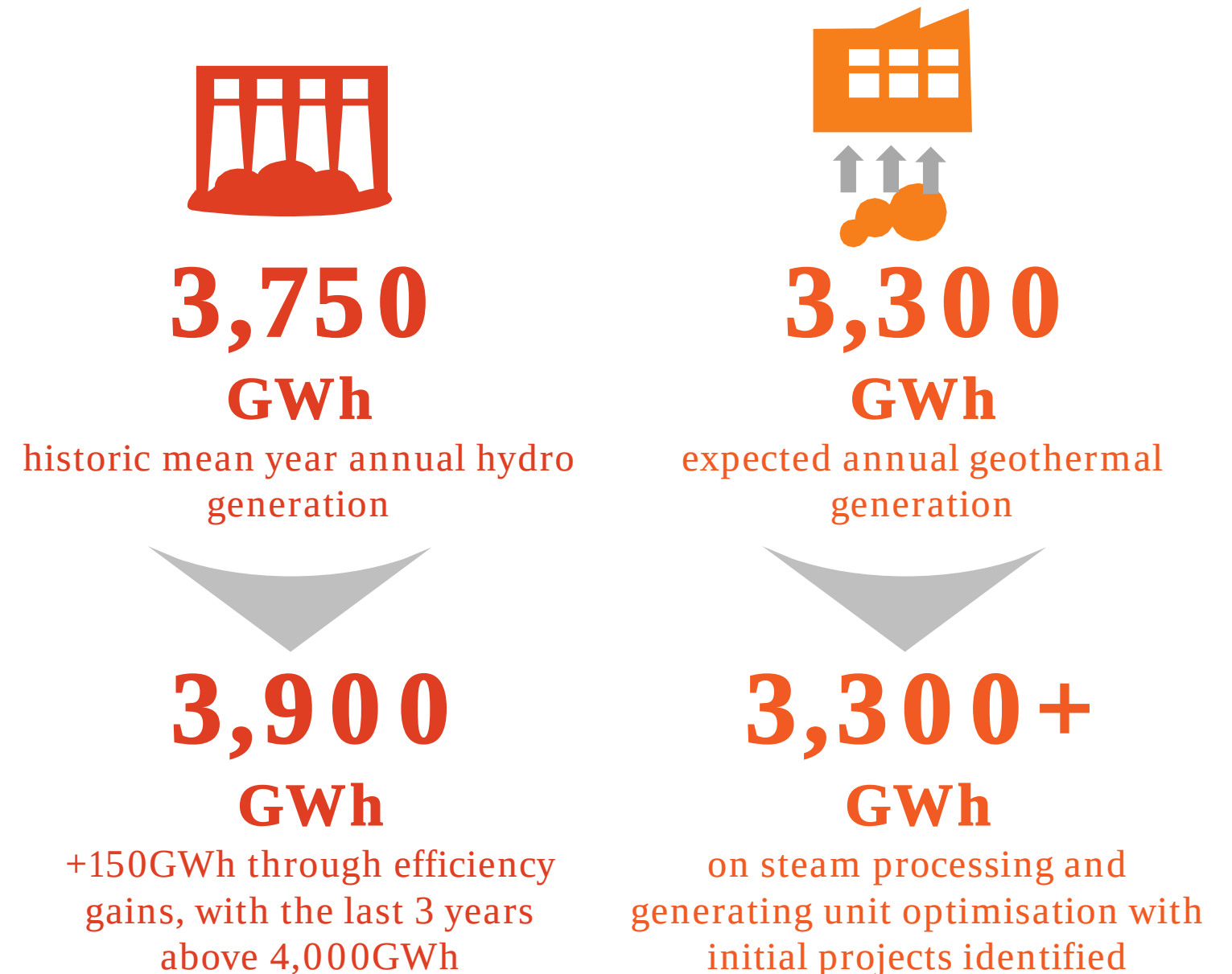
Continuous improvement is focused on safety, reliability, operating costs and resource utilisation

Improving the efficiency of our generation portfolio, reducing the cost of energy by \$10m in 1H17

Improving efficiency of conversion (GWh produced per unit of geothermal fluid extracted) at Wairakei, Te Mihi and Poihipi geothermal power stations



- » 8% improvement in conversion efficiency
- » Generation capacity optimisation has increased extraction to 97% of consented mass take in 2016 (2015 – 98% and 2014 – 89%)



Through significant portfolio change, Contact has delivered value for shareholders

Finding, developing and generating the energy the market requires

- » Cost of energy improved from \$49/MWh in FY11 to \$28/MWh in 1H17
- » Renewable generation of 84% in 1H17 compared to 63% in FY11
- » Otahuhu closure September 2015

- » Geothermal and gas peaking development options supported by Ahuroa Gas Storage

Understanding, winning and keeping customers

- » Systems investment now enabling benefits realisation
- » Operational retailing improvements have improved the customer experience
- » New products launched

- » Net promoter score key metric in customer advocacy improved to +18 in 3Q17 (3Q16 -2)
- » Target of lowest cost to serve in market
- » Customer proposition realigned to value

Supporting our business through a lean and efficient head office function

Ownership and capital structure

- » Contact 100% free float with listing on both NZX and ASX
- » Equivalent of \$1.16/share distributed to shareholders in last 2 years
- » Improved tenor and diversity of funding; BBB re-affirmed

- » Refreshed Board
- » Full systems separation from Origin completed
- » Near term focus on reducing debt

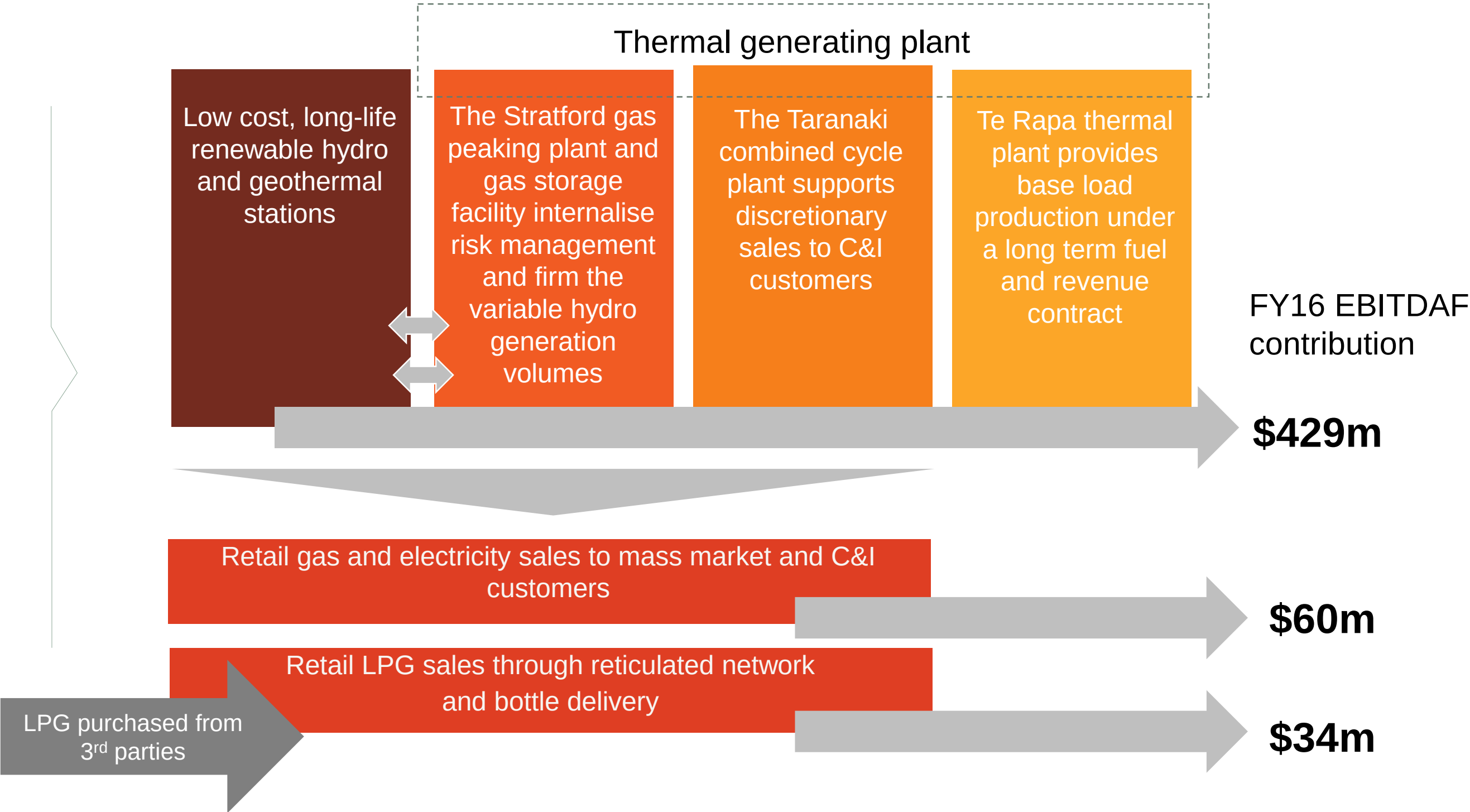
Health, safety and our people

- » TRIFR improved from 5.9 in FY11 to 1.2 in 1H17
- » Leadership role in the development of New Zealand's health and safety maturity
- » Process safety learnings being sought from global peers

- » Generative safety culture
- » Operational safety improvement programme is redefining process safety
- » Employee engagement improved from 44% in FY15 to 56% at June 2016

Contact will continue to optimise the value of assets in the portfolio

Contact focuses on structural efficiency, and balances short term earnings impacts with long term value creation



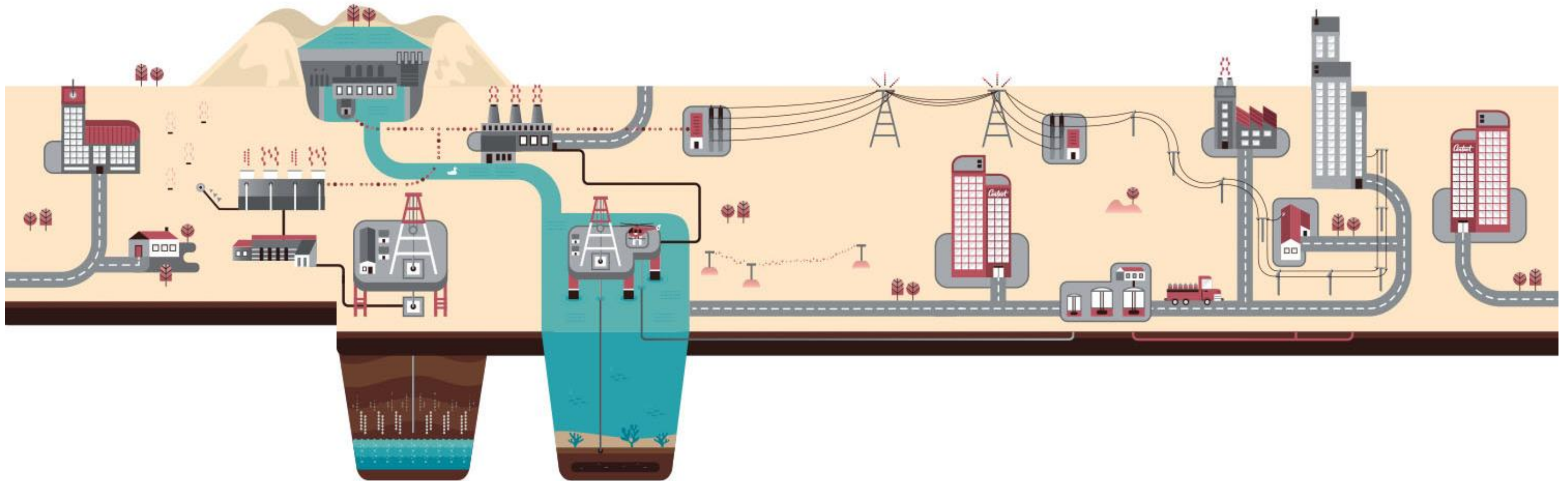


Industry and Company Information

Contact®

April 2017

The New Zealand electricity market



5 Major generators

1/2 Hourly wholesale spot market

1 State-owned national transmission grid operator

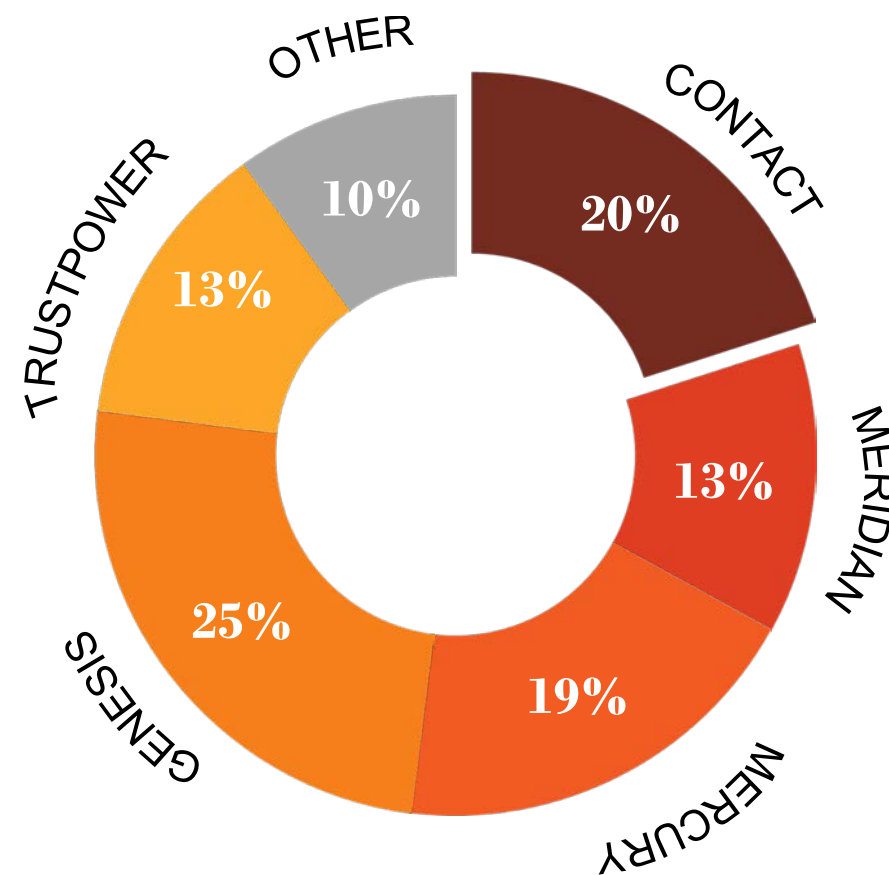
29 Distribution businesses

34 Retail electricity brands

2 Million consumers

Industry dominated by five listed vertically integrated companies

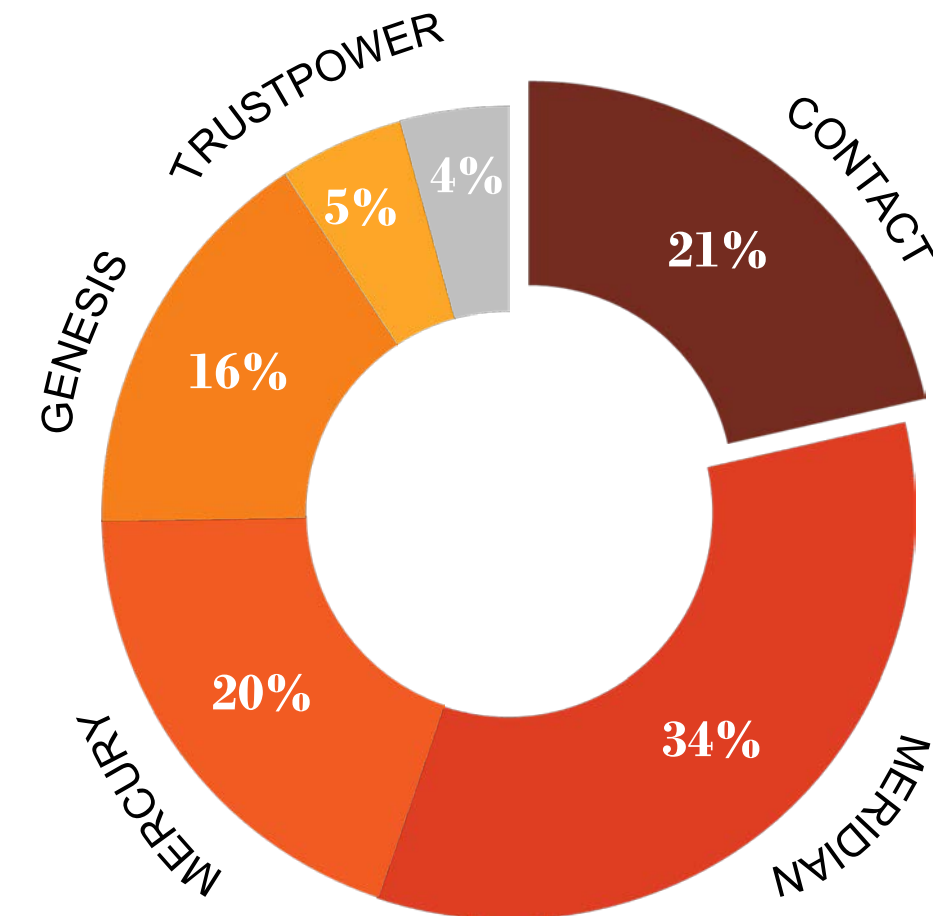
Retail electricity market share by customer connections



Source: Electricity Authority (as at 31 December 2016)

- » Exact generation market share is dependent upon hydrology
- » Contact has a diverse generation portfolio which is closely matched to load, allowing management of exposure to market volatility

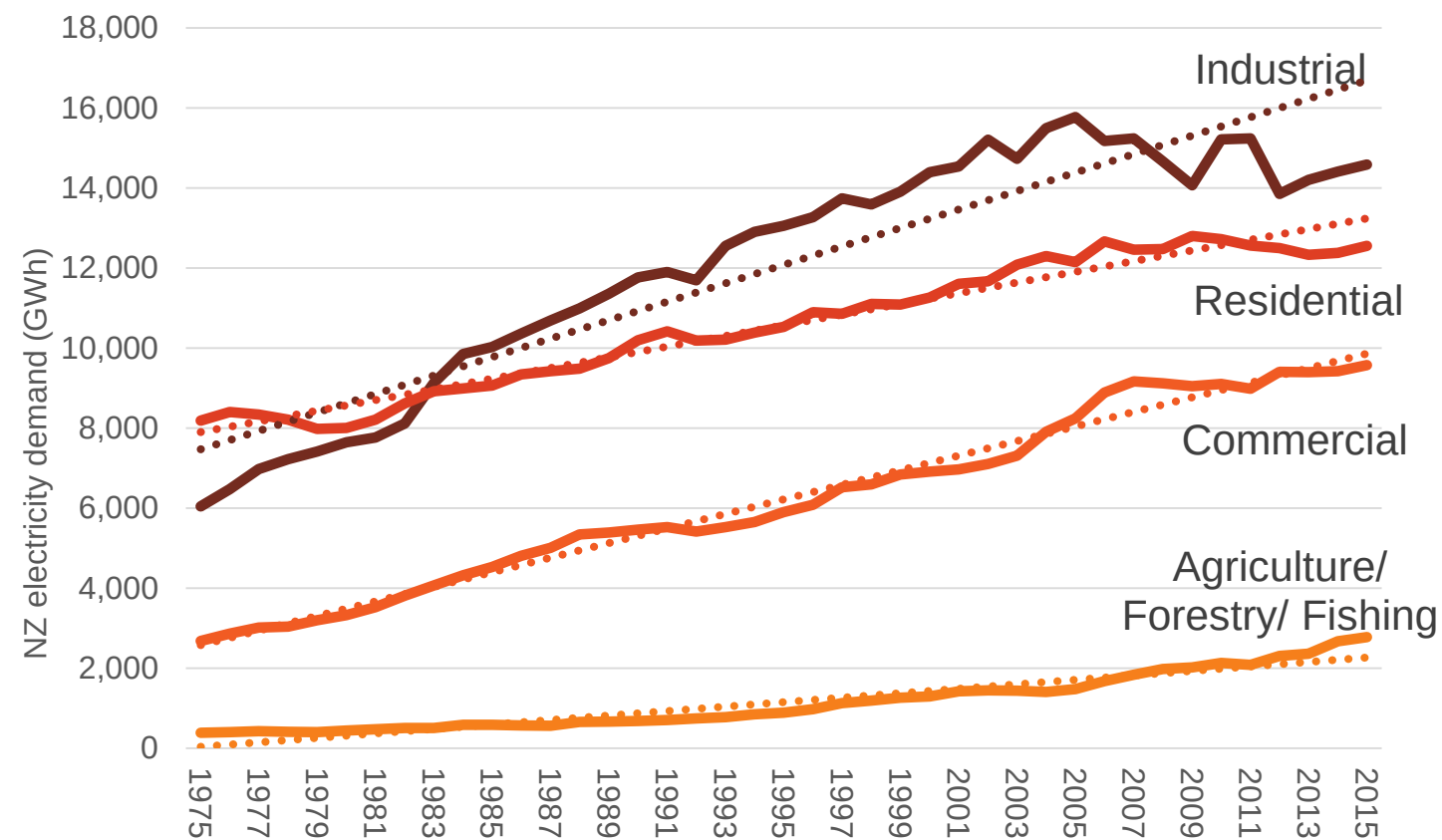
Generation market share by volume



Source: Electricity Authority (year ended 31 December 2016)

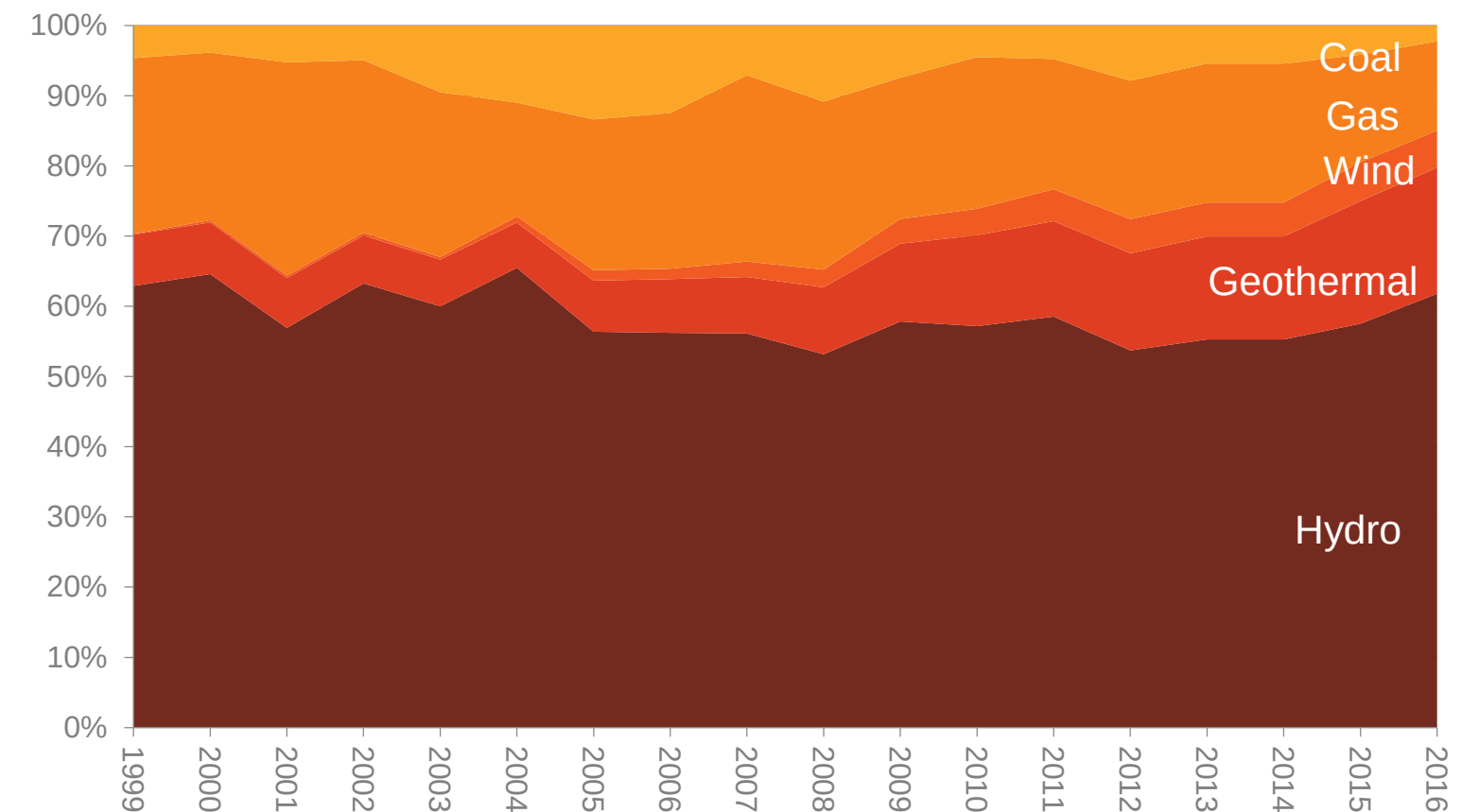
85% of New Zealand's consumption of 39TWh in 2016 came from renewable generation

National demand by sector



- » Total demand has remained largely stagnant since 2008
- » Distributed generation (e.g. solar) comprises approximately 0.1% of the total annual generation
- » Currently ~2,400 EVs in the total light passenger fleet of ~3 million

New Zealand electricity supply (% of generation)



Data source: MBIE, Electricity Authority

- » New Zealand has added subsidy free renewable generation, which, in a period of flat demand, has displaced fossil fuels

About Contact

21%

our share of the electricity generation market in New Zealand

84%

the proportion of electricity Contact generated from renewable resources in 1H17

\$84/MWh

the electricity and gas netback we received from retail sales in 1H17

\$28/MWh

the average cost to supply electricity and gas to our customers in 1H17

20%

our share of the national electricity and gas markets by ICP (41% of LPG market)

560k

customer connections across electricity, natural gas and LPG

+12

our net promoter score for the 6 months ended 31 December 2016

5th equal

out of over 5,000 companies globally in Thomson Reuters Diversity & Inclusion Index as at 30 June 2016

\$2.8bn

net assets at 31 December 2016

BBB

S&P issuer rating since 2002

71k

share and bond investors at 31 December 2016

36%

gearing ratio as at 31 December 2016

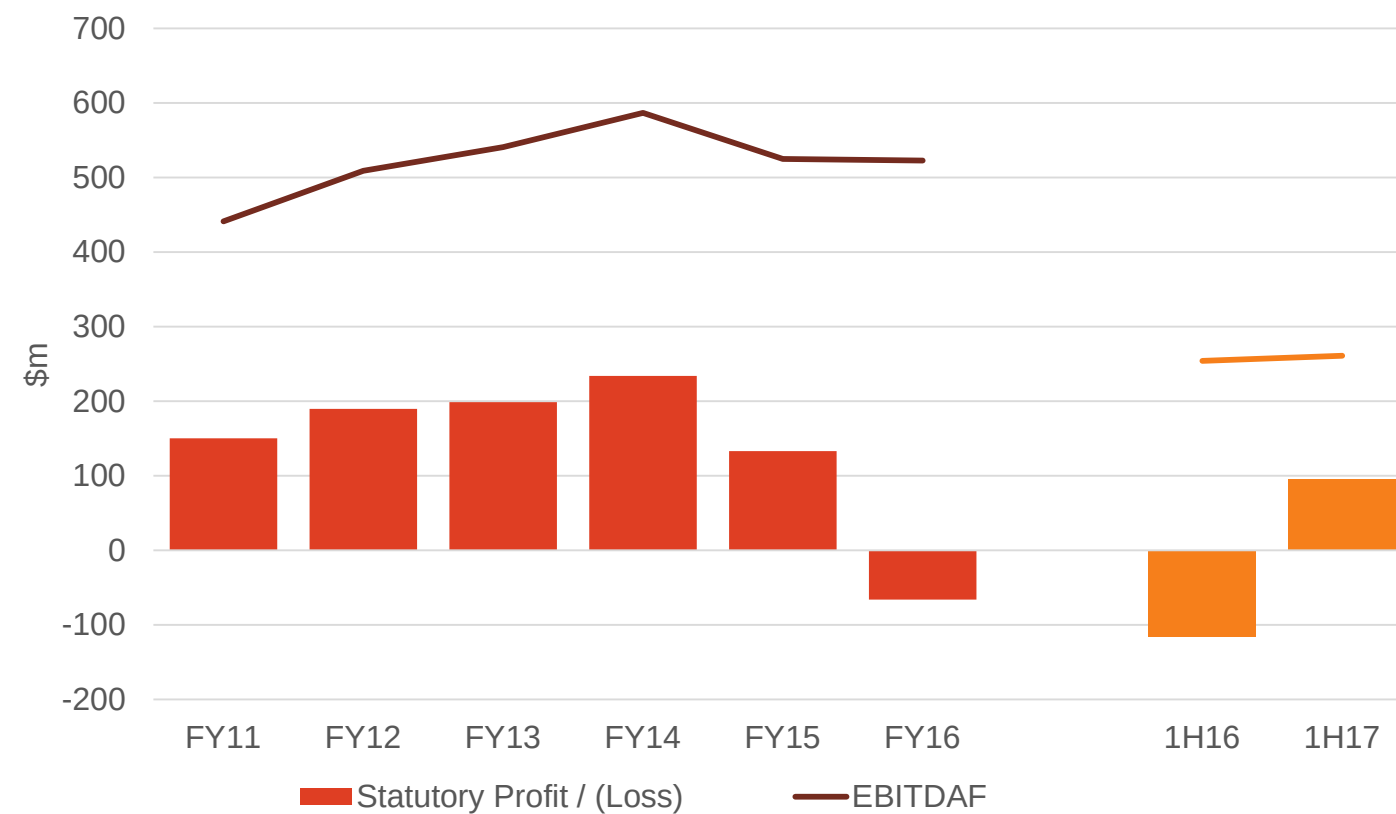
Contact's operations have a national footprint covering 45 locations

Including 11 power stations with 1,969MW capacity



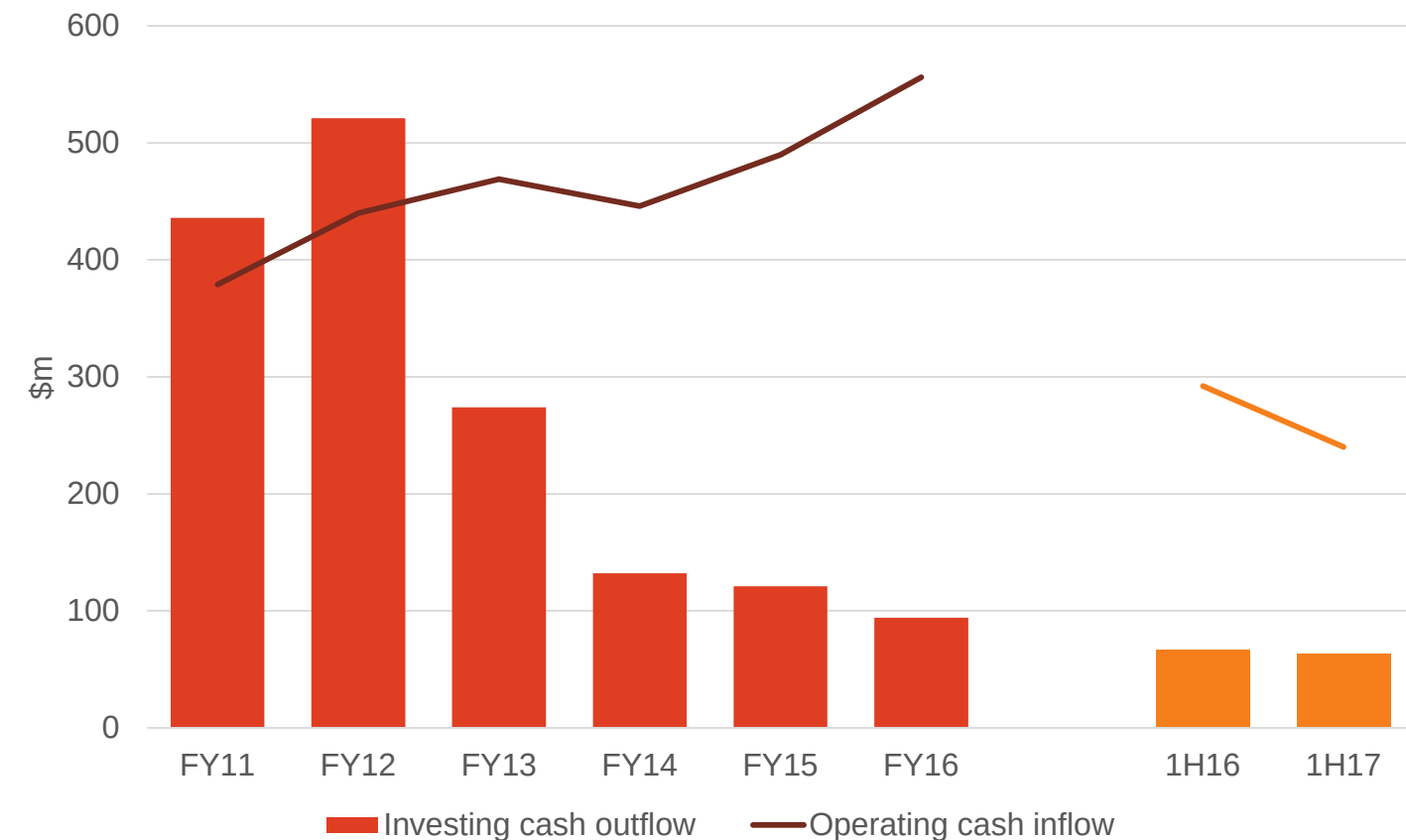
Following a period of significant capital investment, operating cash flow remains strong

EBITDAF and NPAT



- » One off non-cash impairments at Otahuhu and Taheke and a write-down of inventory gas resulted in a loss in FY16 of \$66m

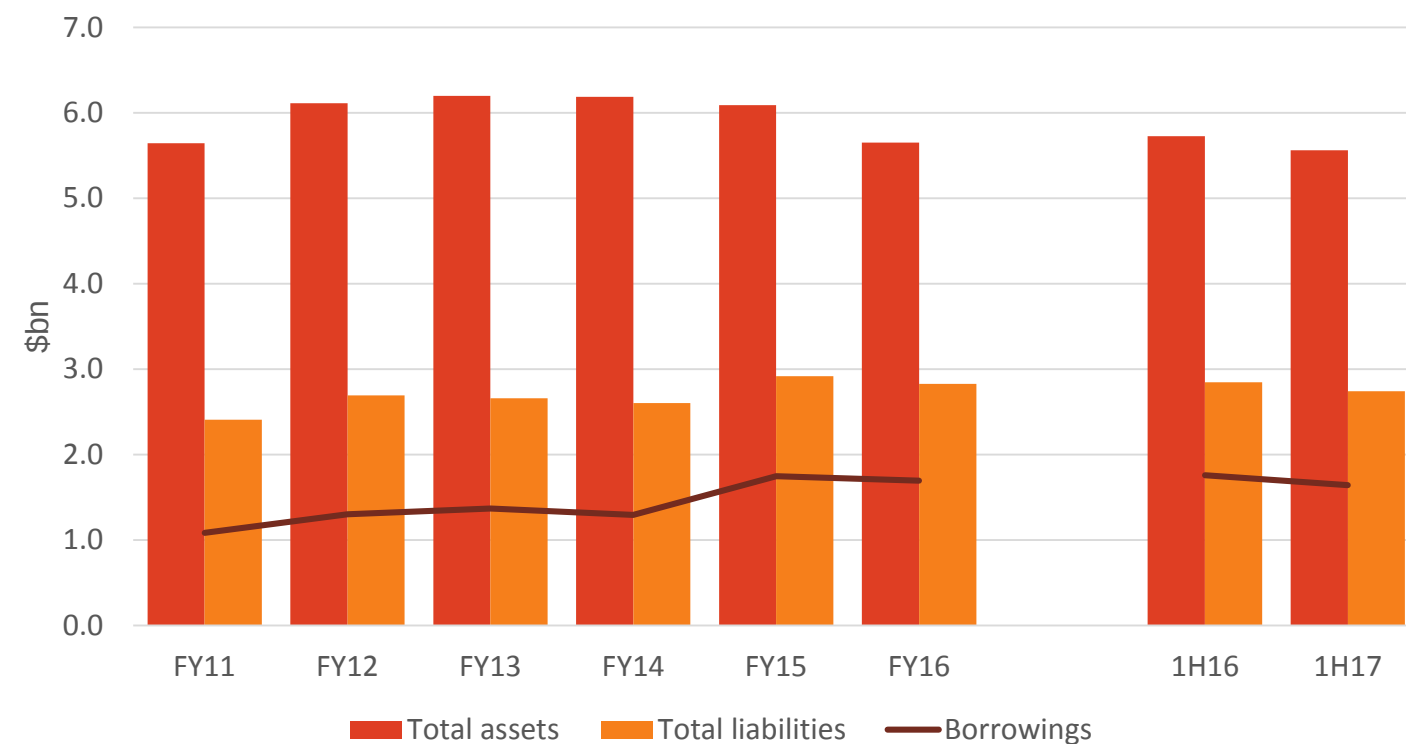
Group operating and net investing cashflow



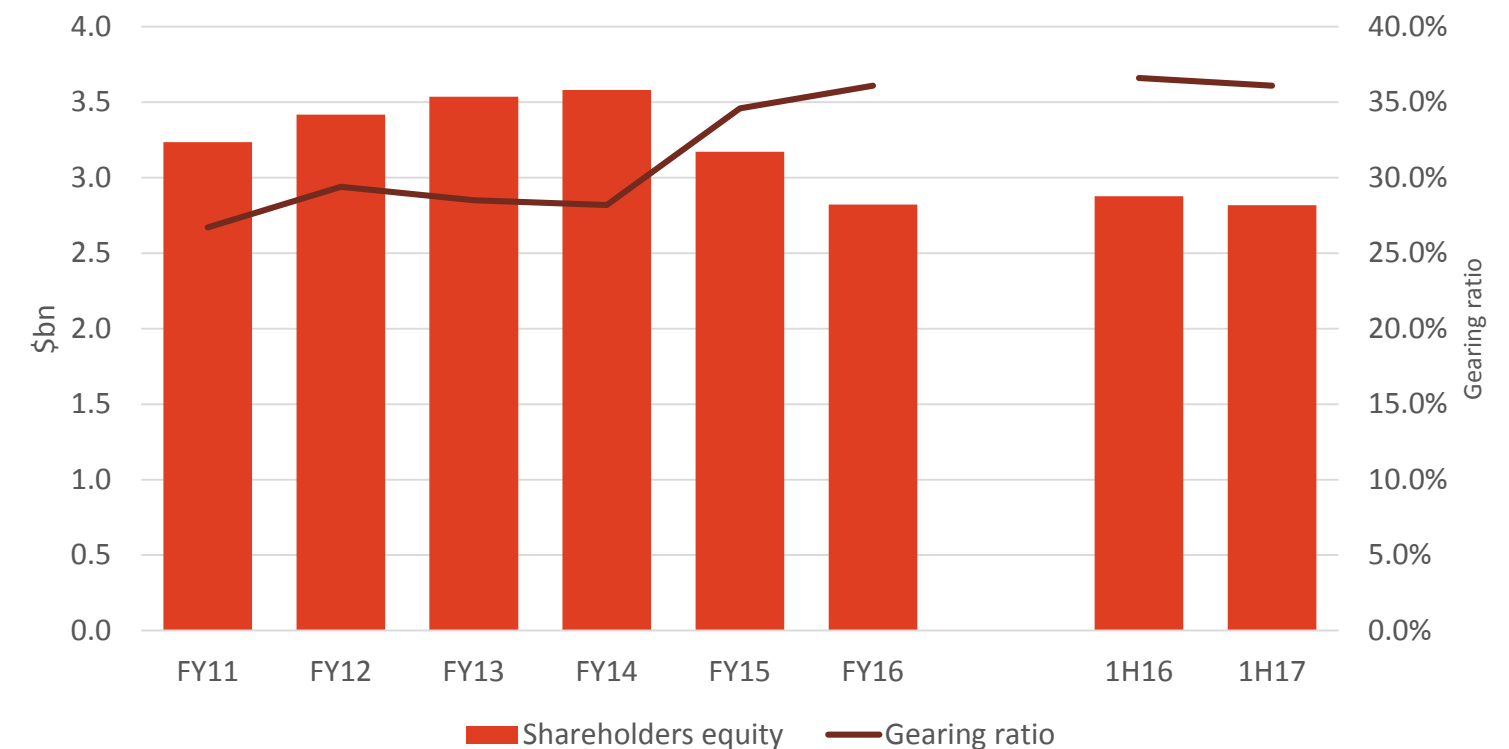
- » Following a period of significant capital investment operating cash flow is strong, despite margin pressure in mass market electricity retailing

Contact raised equity to maintain its investment grade credit rating during the period of capital investment

Total assets and liabilities



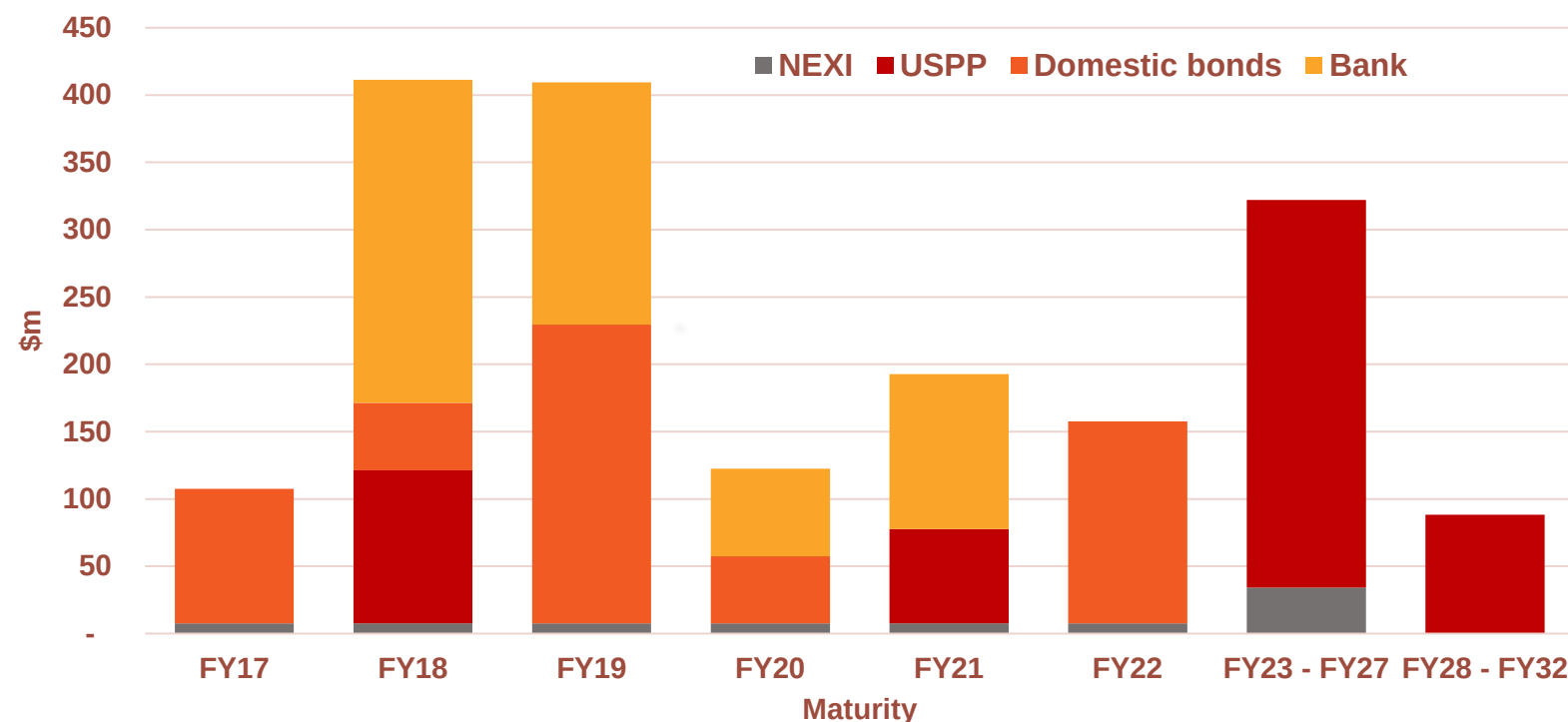
Shareholders' equity and gearing



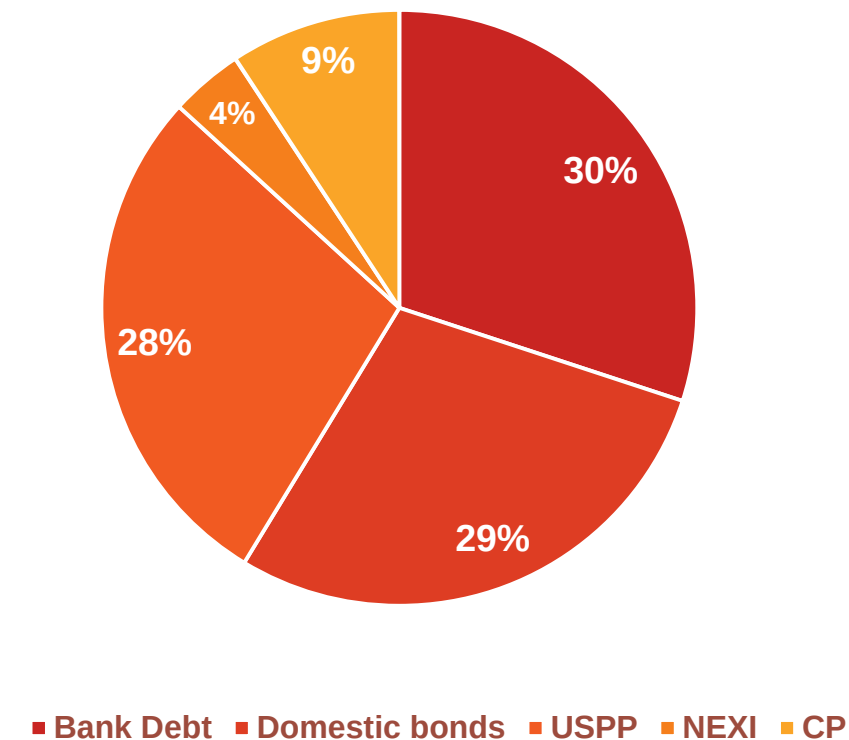
- » Gearing has remained low over the period of capital investment, increasing in FY15 and FY16 due to capital management initiatives and one-off impairments reducing the book value of equity, and has since stabilised
- » As at 31 December 2016:
 - » Face value of total borrowings \$1.61bn (including finance leases), relative to shareholders' equity of \$2.82bn
 - » Balance sheet gearing (net debt / net debt + shareholders' equity) is 36.1%

Contact's balance sheet is supported by a robust funding portfolio

Funding maturity profile



Funding sources



- » Contact benefits from a funding portfolio that is flexible, efficient, diverse and has a manageable maturity profile:
 - \$600m total committed bank facilities (\$187m drawn as at 31 December 2016) and \$160m commercial paper
 - Weighted average tenor of funding facilities 3.9 years
- » Average weighted cost of borrowings down 0.4% from 1H16 to 5.1% in 1H17