

TRUSTED
FOR MORE
THAN JUST
POWER

Telco/Media | 29 June 2017



Overview

- Introduction to Trustpower
- Why Telco makes sense alongside electricity and gas from our perspective
- Insight driven retail strategy that positions us for an evolving market
- Why the future holds promise

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 Call South/Kinect (2007)
- Significant growth in shareholder value

2013 to today



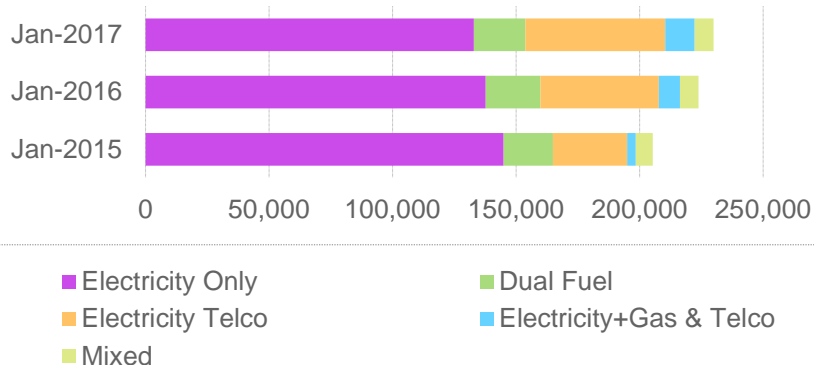
- Rebrand and addition new products
- Focused growth via telco led bundles (including UFB)
- Created platform for Tilt demerger
- Created additional shareholder value through bolt on acquisitions

Well positioned for the future

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

Retail business - growth is targeted at higher value bundled customers

Customer number growth



Targeted growth

- Focus is on optimising customer lifetime value
- Driving sustainable growth in the higher value segments
- Insight driven proposition development

Current connections



276,000 electricity



37,000 gas (incl LPG)

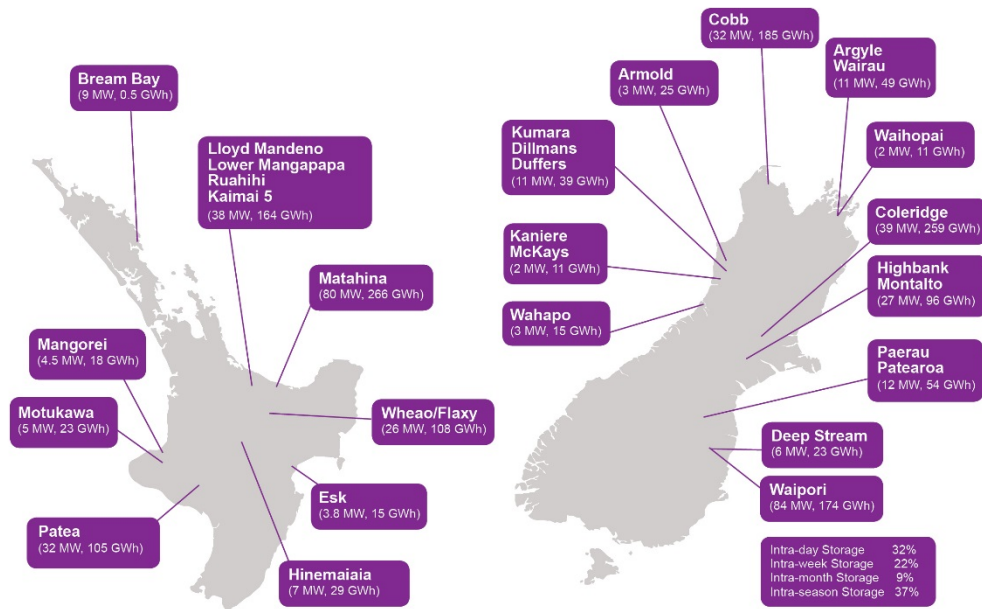


79,000 telco



94,000 customers have more than one product

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

Our world view

- Global trend towards industry convergence is increasing
- Single industry players face high competition from both within and 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

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

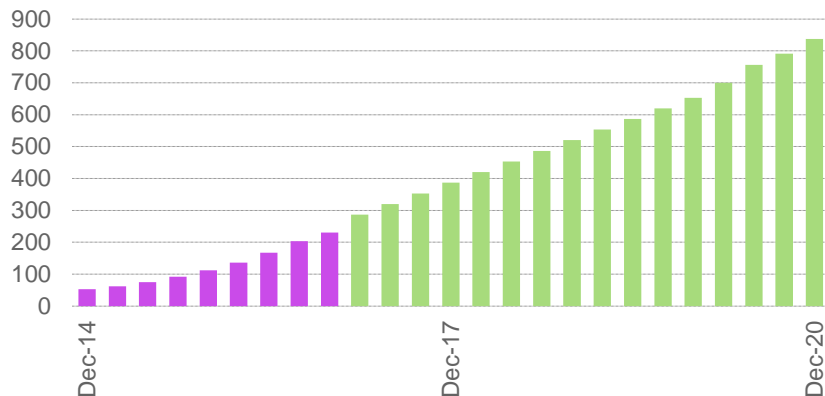
“Trustpower’s core strategic approach is to create executable options in this world of uncertainty”

Why Telco?

Actual and forecast fibre connections (000's)

Fibre opportunity growing fast

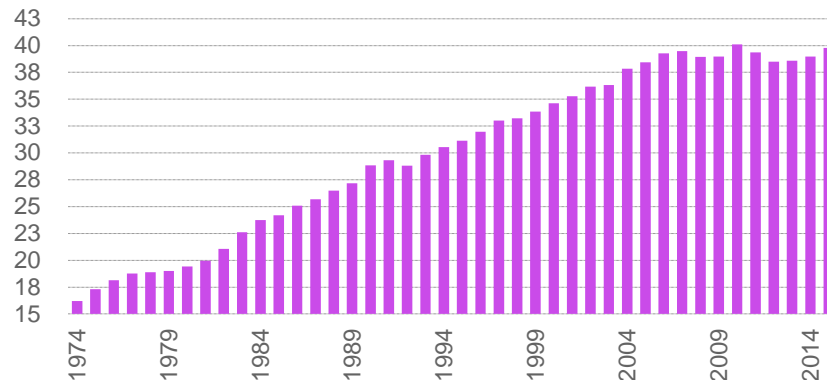
- Driven by data hungry customers
- Creates new opportunity for customer engagement



NZ annual electricity consumption (TWh)*

Electricity demand largely flat

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

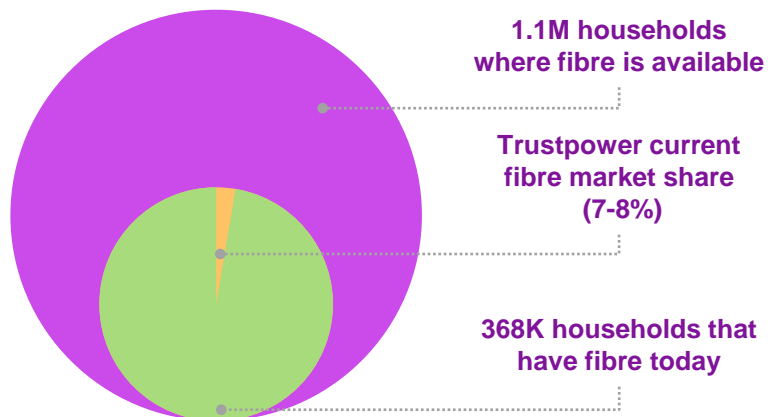


* Data from MBIE

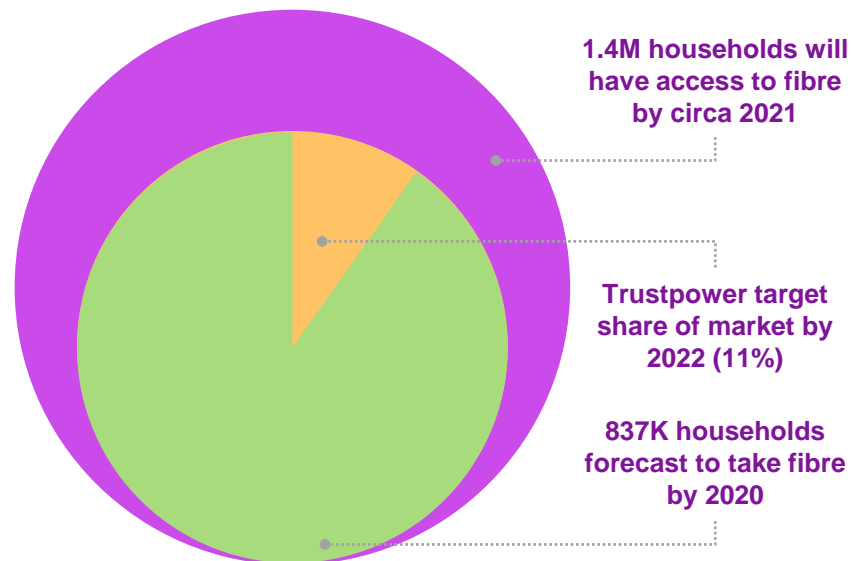
Growing share of a growing market

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



Our approach to market - Insight driven growth

Key focus areas

Understanding our customer

- Understanding customer attitudes, interests and opinions
- Understanding their needs and wants
- Understanding how to reach the customer

Understanding our markets

- Deep understanding of changing markets
- Understand where opportunities exist
- Understand costs and customer value

Creating value for both the customer and Trustpower

- We want to create great value bundles for our customers that are also profitable to Trustpower
- Focus is on improving customer life time value via targeted growth and retention

Trustpower makes it easy to get unlimited access to the content you want when you want it... through a telco-led entertainment bundle

40" Samsung Smart TV



free with

100/20 Fibre
for \$99/month

50" Samsung Smart TV



free with

200/20 Fibre
for \$119/month

55" Samsung Smart TV



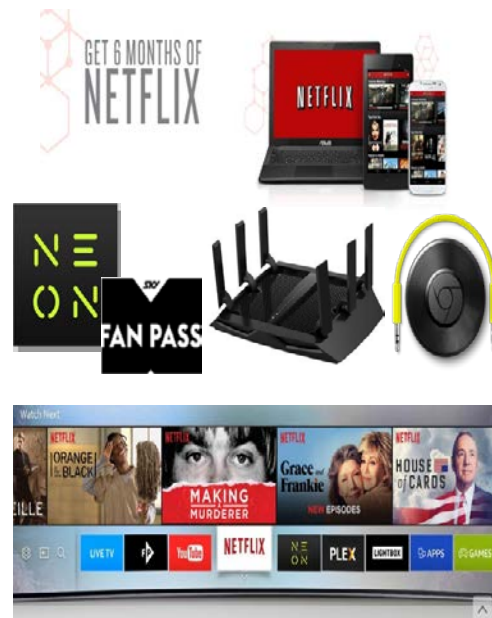
free with

200/200 Fibre
for \$139/month

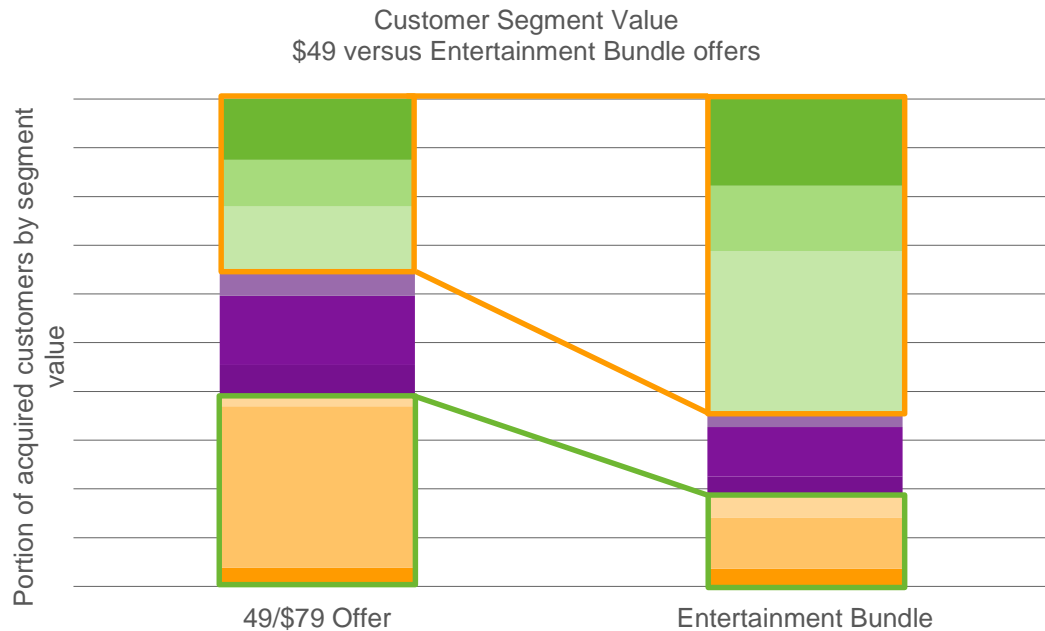
Key terms and conditions

- 2 year contract (price cap for energy and telco in ACQ markets)
- \$700, \$1100, \$1300 exit fee, plus \$59/mth for each month remaining on term
- Samsung responsible for warranty, returns and support

The Samsung Smart Hub offers New Zealand's most extensive collection of video entertainment apps and services. You can enjoy exclusive apps such as FAN PASS (Sky Sport channels 1-4) as well as all the other services you would expect such as Lightbox, NEON, Netflix, YouTube and Freeview Plus

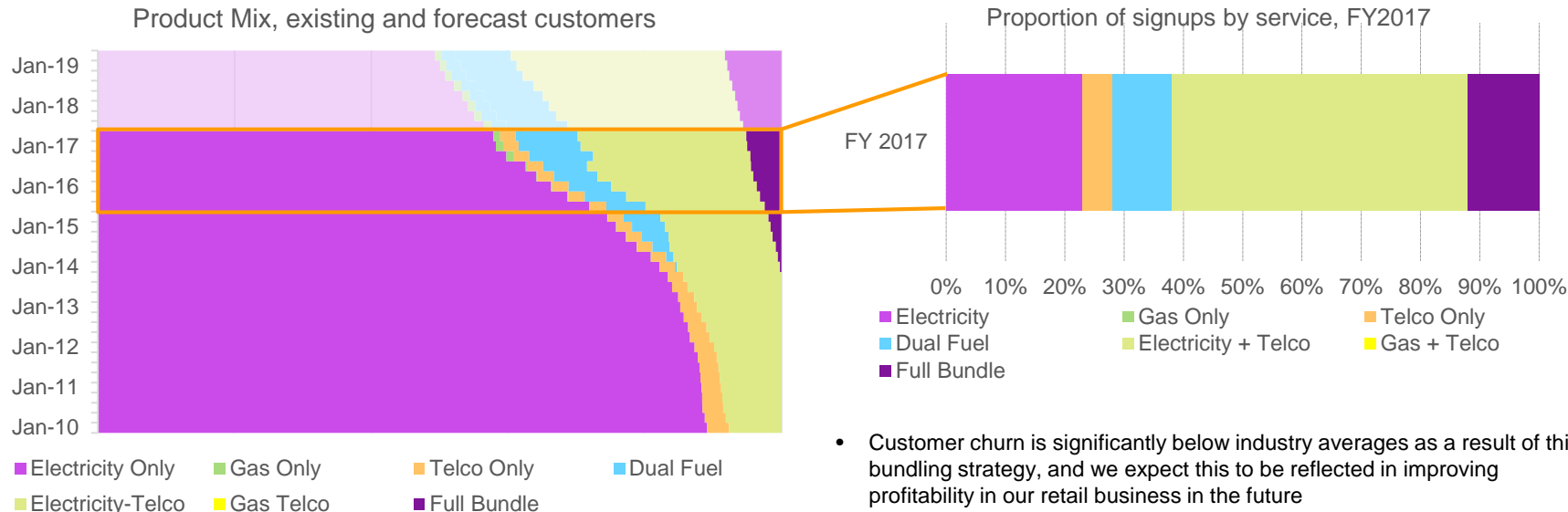


Proof point # 1



- NPV per customer 6-7 times electricity only
- Leakage below 10%

Product mix has changed significantly as a result of our focus on a bundling strategy, at the same time as we've delivered significant growth in total customer services



Electricity-only services are challenging due to high churn and margin decline, hence our continued focus to improve our product mix

- Customer churn is significantly below industry averages as a result of this bundling strategy, and we expect this to be reflected in improving profitability in our retail business in the future
- We have seen successful results of our focus in increasing the number of services per customer, with nearly 40% of customers now taking more than one service

What we have learnt

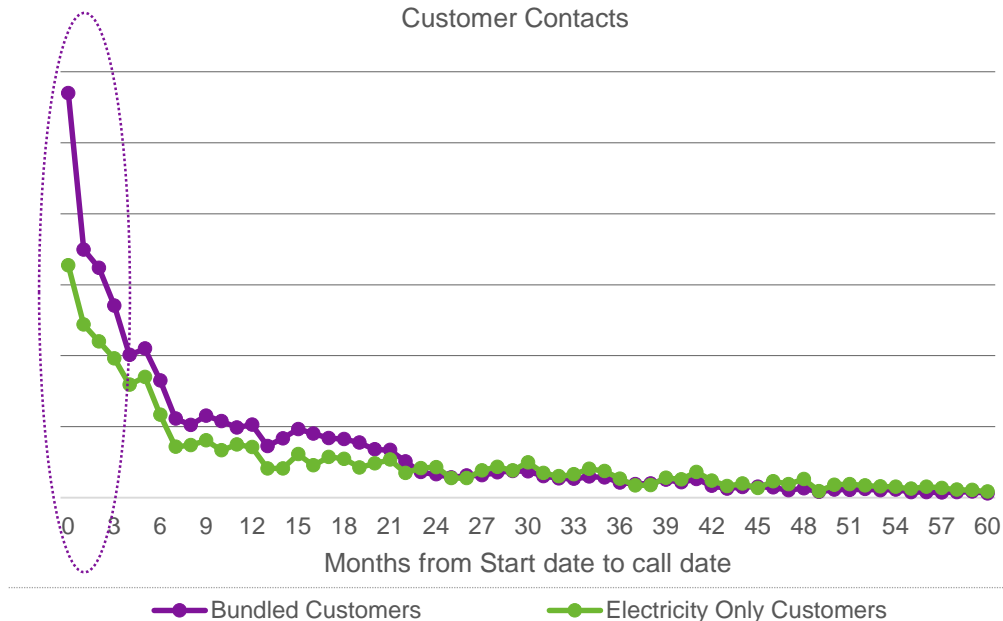
- It is hard work but working smarter pays off
- There is a correlation between segment and lifetime value, based on:
 - Energy consumption
 - Telco bundling
 - Tenure
- Target segments float to the top, BUT there are profitable customers in most segments
- Energy only offers with cash incentives and no contracts attract low value, high churn customers
- The future is positive



We can make the boat go faster

Changing nature of our customer base

- Customer effort is disproportionally driven by acquisition: increased use of technology & third party improvements drive out effort
- Longer tenure presents a significant opportunity to lower lifetime cost to serve: Supported by decreasing customer effort
- Providing effective channels of choice: without getting in the way of customer need



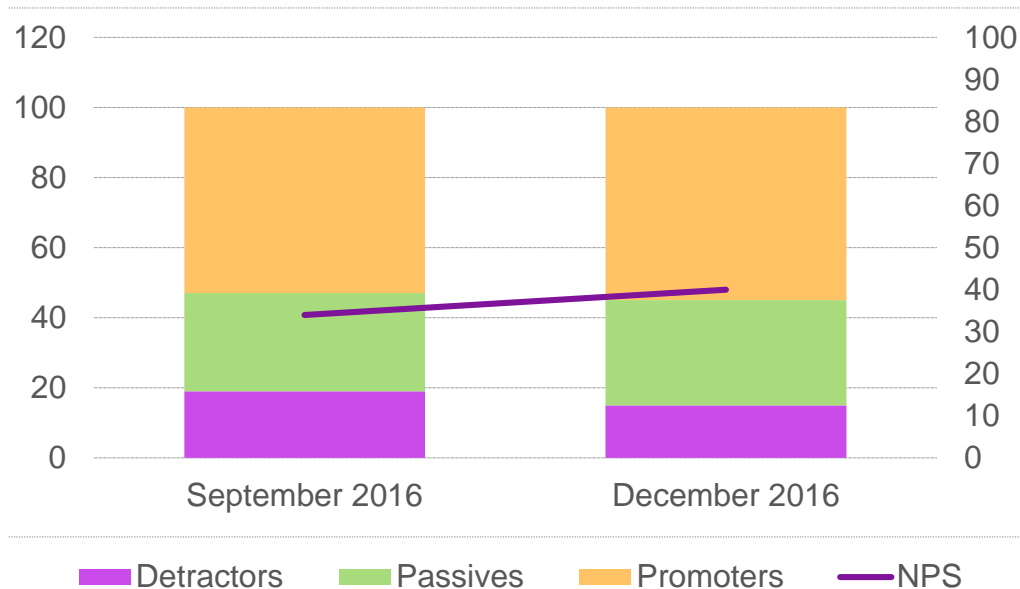
Reshaping the customer experience

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

Net promoter score increases due to:

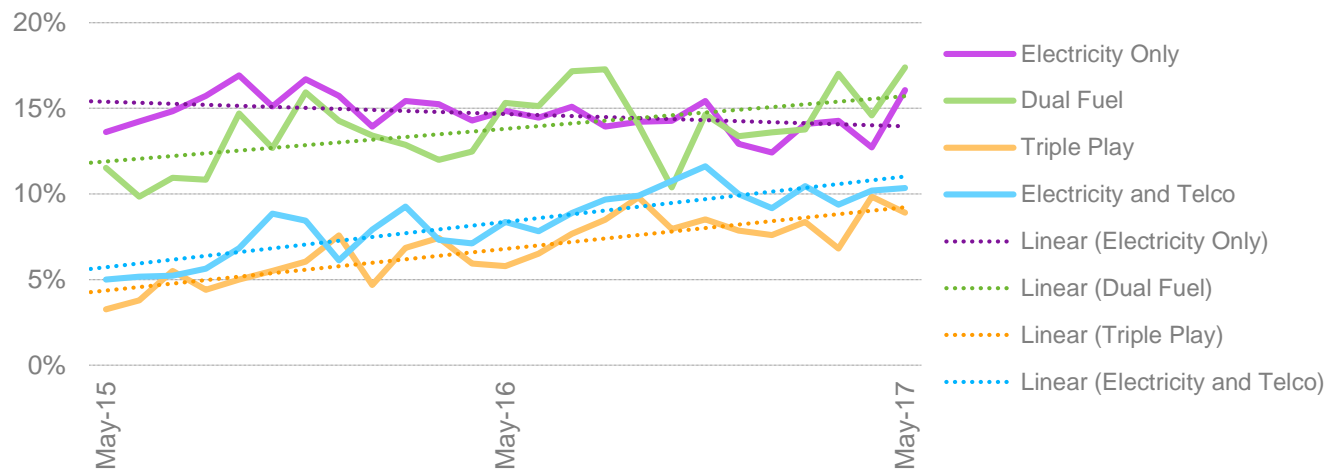
- Propensity models and proactive intervention
- Platform stability
- Process redesign
- Reduced customer effort

Net promoter score



Multi-product loyalty benefits are real

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”

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

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 systems, digital 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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