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# UBS Australasia Conference

November 2021





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Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

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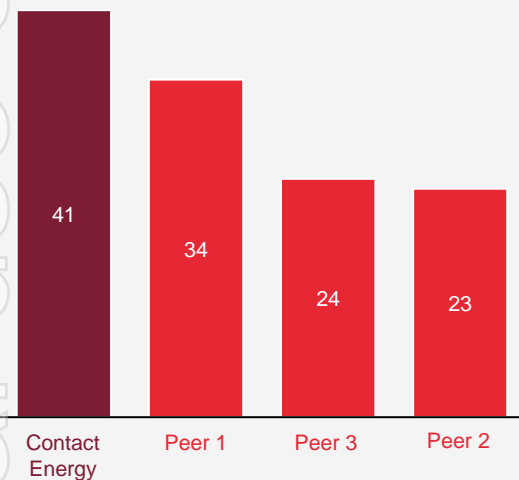
All references to \$ are New Zealand dollars

# Strategic evolution

Our previous strategy focused on efficient operations and use of capital which has delivered sector leading performance efficiency

## Profitable operations

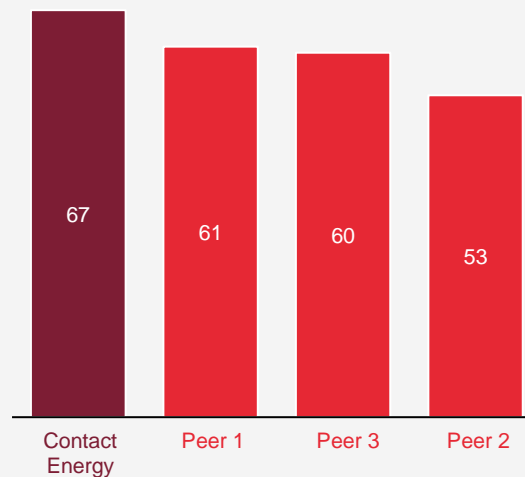
Operating free cash flows per MWh, \$/MWh  
FY21



Strong cash flow generation per unit despite higher cost thermal generation assets in our portfolio

## Strong cash conversion

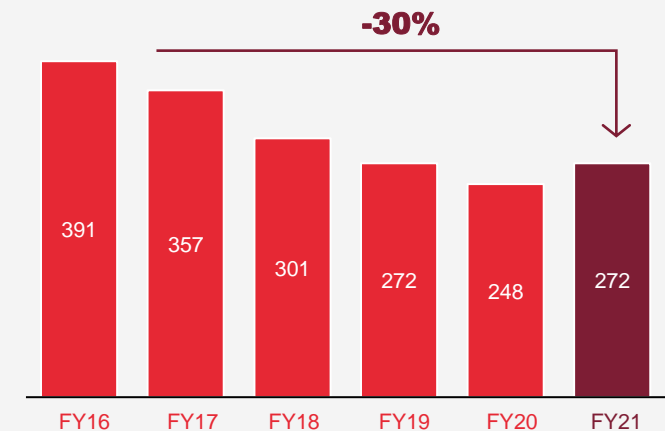
Operating free cash flows as a proportion of EBITDAF, %, 3-year average FY19-21



Strong conversion of operating earnings into cash flow, highlighting capital discipline

## Reducing our cost base

Other operating costs and SIB capex, \$M

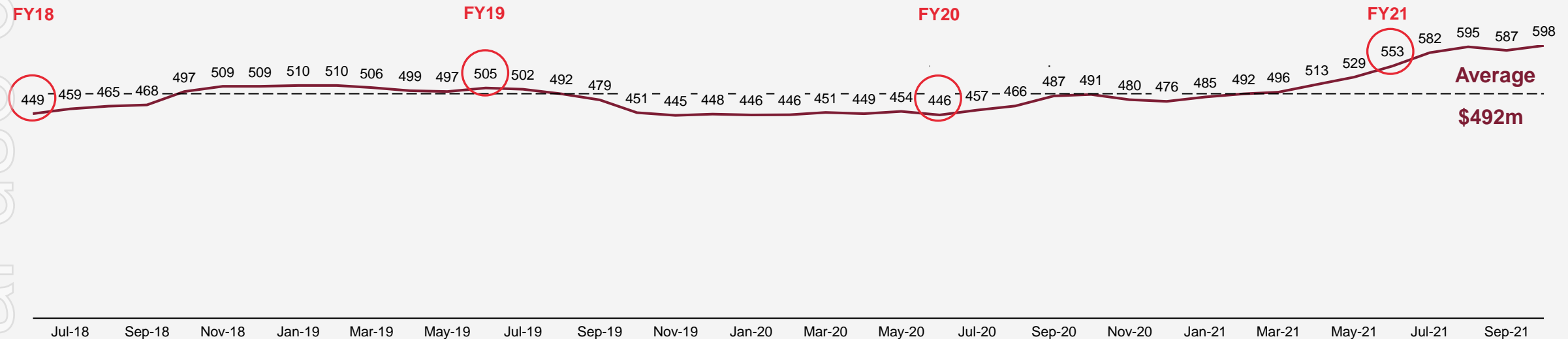


Controllable CAPEX and OPEX removed through our continuous improvement program

# Strategic delivery

Our focus has delivered solid EBITDAF over the past four years despite volatile wholesale markets and rising thermal fuel costs. Contact is now positioned well for growth

EBITDAF, \$M, continuing operations rolling 12 months average



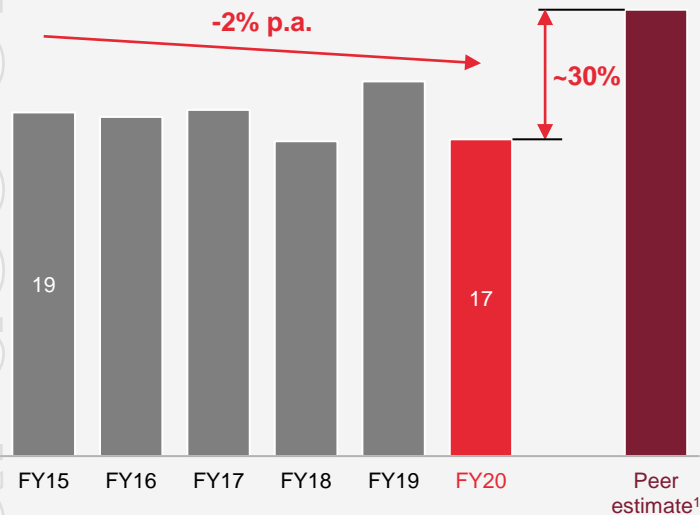
Financial year end circled

Net debt has reduced by \$800m between 30 June 2018 and 31 June 2021 positioning us well. This includes the equity raise of \$400m in February 2021 to support our capital investment programme.

# Strategic capability

Additionally, we have developed, acquired, or partnered with distinctive capabilities to position us for growth

**Strong geothermal capabilities** Geothermal generation cash-costs excluding transmission, \$/MWh



Geothermal fixed costs believed to ~30% less than major peers

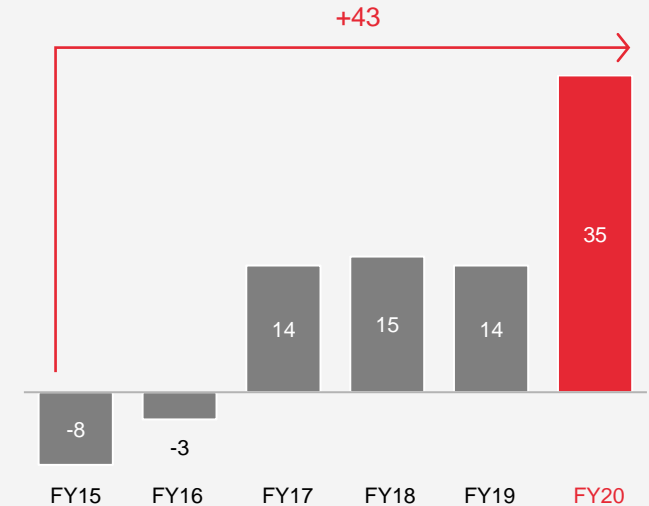
Operational excellence program achieved 2% p.a. cost reduction off-setting carbon price increase and inflation

**Strategic acquisitions and partnerships to build capability**



Strategic acquisitions and partnerships with distinctive capabilities to meet our electrification and development targets

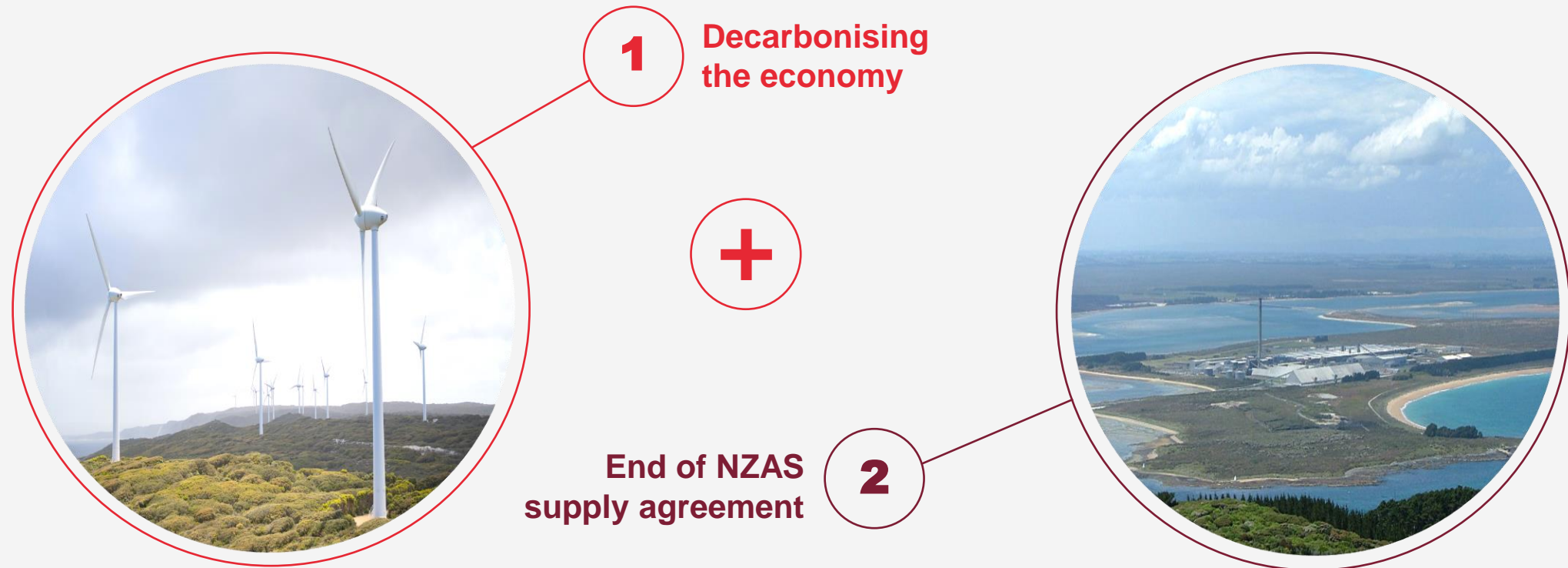
**Enhanced customer experiences driving highly engaged customers** Retail NPS, %



Digitisation of key touchpoints and growth into new adjacencies supporting rapid net promoter score (NPS) growth

1. Based on annual reports total generation cash-costs weighted by the relative capacity of each generation type

# Two structural shifts impact the NZ electricity market



# 1 Decarbonising the economy

Decarbonisation imperatives and technology improvements will accelerate electricity demand growth

## Key drivers of decarbonisation



**Increased** focus on climate change globally including from the NZ government and consumers, e.g. Climate Change Commission



**Increasing** carbon and gas prices

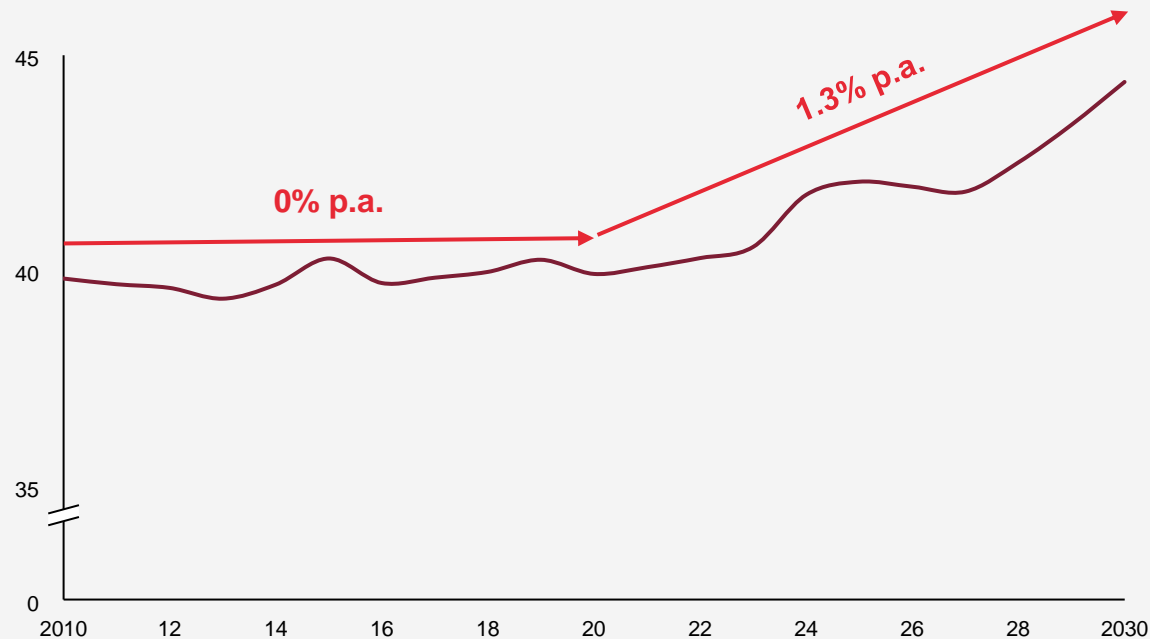


**Competitive** electricity costs against alternatives



**Falling** technology costs including renewables, electric boilers, electrolyzers and electric vehicles (EVs)

The Climate Change Commission expects electricity demand to grow to meet climate targets Electricity demand, TWh<sup>1</sup>



## Key drivers

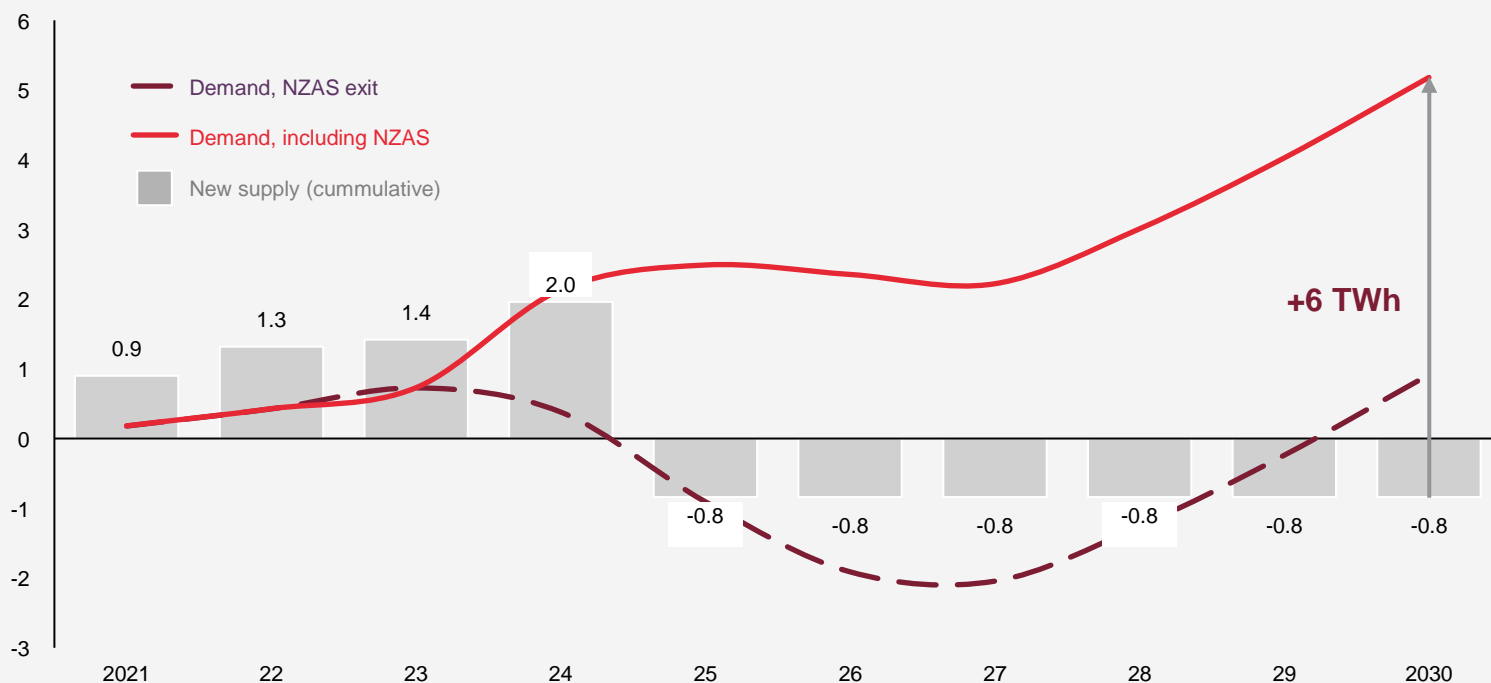


1. Assumes NZAS is retained or replaced through hydrogen, process heat conversion and data centres etc. Source: Climate Change Commission 2021, Contact Energy analysis

## ② NZAS supply agreement

Decarbonisation provides the opportunity for growth

Change in electricity demand and supply, TWh



### Implication for Contact

Our imperative is to deliver on our commitment to decarbonisation and grow demand by electrifying NZ and decarbonising new global industrial supply chains

Note: New supply includes Turitea (2021, 2022), Tauhara (2023), and Harapaki (2024). Assumes decommissioning of TCC (2023) and Huntly (2025).

Source: Climate Change Commission Draft Report 2021, Contact Energy analysis



# Positioning Contact for the future

Decarbonisation and the end of the NZAS supply agreement could leave the electricity market looking very different by 2030

## How the electricity market will change?



**Baseload thermal exits** with low utilisation for remaining thermal assets



**Intermittent renewables** will dominate the generation mix, with geothermal as the only baseload generation source



**Batteries and large-scale demand flexibility** will supplement existing hydro reservoirs and thermal peaking plant to maintain the energy balance



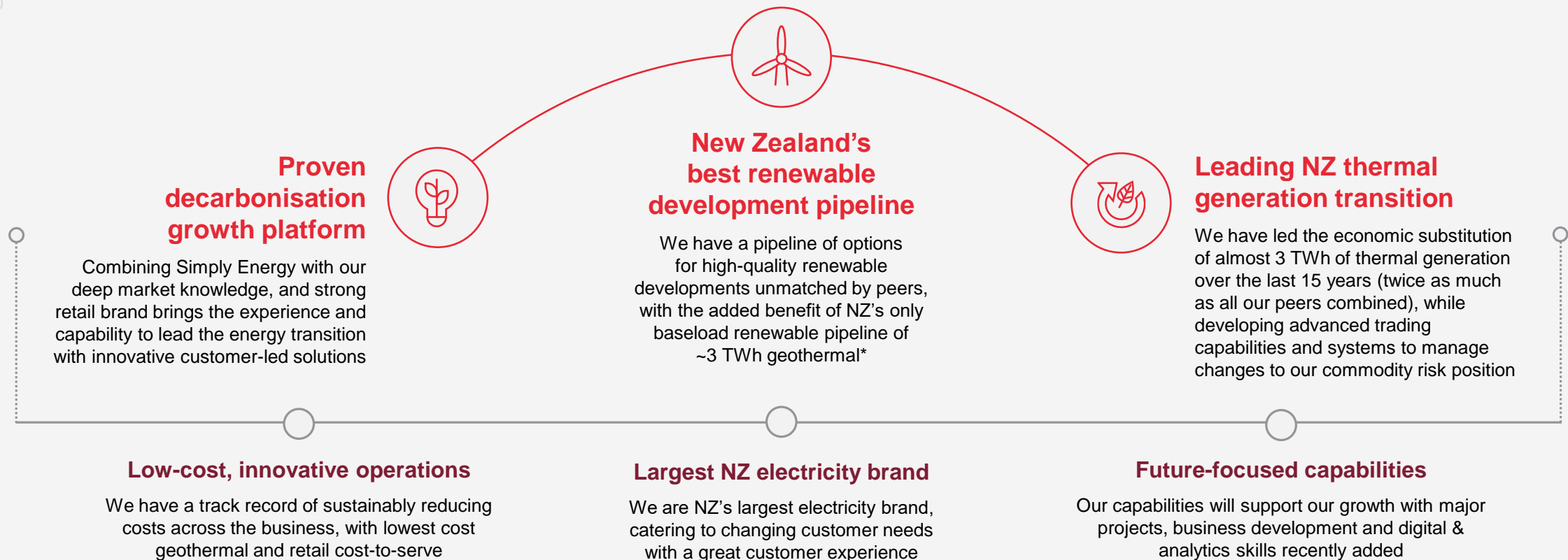
**Long-term PPAs secured** to supply large sources of demand

The energy transition will be bumpy with periods of increased volatility.

Winners will attract new demand with long-term PPAs recovering investment costs.

# Leading decarbonisation

We are best positioned to enable decarbonisation



\* Includes Tauhara which is currently under construction

# Contact 26 > Our strategy to lead NZ's decarbonisation

## Strategic theme

### Objective



#### Grow demand

Attract new industrial demand with globally competitive renewables



#### Grow renewable development

Build renewable generation and flexibility on the back of new demand



#### Decarbonise our portfolio

Lead an orderly transition to renewables



#### Create outstanding customer experiences

Create NZ's leading sustainable energy brand that will support renewable development ambitions

## Enablers

### ESG

Create long-term value through our strong performance across a broad set of environmental, social and governance factors

### Operational excellence

Continuously improving our operations through innovation and digitisation

### Transformative ways of working

Create a flexible and high-performing environment for NZ's top talent

## Outcomes

### Growth

Pivot our business to a new growth era that captures the value unlocked by decarbonisation

### Resilience

Deliver sustainable shareholder returns, aligned with our ESG commitment

### Performance

Realise a step-change in performance, materially growing EBITDAF through strategic investments

# Contact26 > Our ambitious measures of success

## Strategic theme



Grow demand



Grow renewable development



Decarbonise our portfolio



Create outstanding customer experiences

## Metrics & measures

Senior in-house capability to support industry electrification partnerships by 2021

613 GWh p.a. of new commercial and industrial demand by 2025<sup>3</sup>

Identified 300+ MW of market-backed demand opportunities, replacing NZAS in the lower SI by end of 2024 (e.g., hydrogen)

Tauhara online by 2023

FID on next renewable build (Wairākei, wind, and/or solar) by 2024

Decision on North Island battery by end of 2023, for delivery in 2024

100 MW demand response capacity by 2025

Complete thermal review in 2021, and executed by the end of 2022

TCC decommissioned by end of 2023

Reduce Scope 1 and 2 GHG emissions 45% compared to 2018 baseline by 2026<sup>2</sup>

Top 10 'most trusted retailer' by 2025<sup>1</sup>

650,000 customer connections by 2025

Cost to serve (CTS) < \$120 per connection

75% of customer interactions through digital channels

1. As per Colmar Brunton Rep Track report, 2021 ranked 44<sup>th</sup>

2. Science Based Targets Initiative (Sbti) target at 1.5 degrees.

3. Equivalent to 100MW of new demand at a 70% capacity factor (mix of data centres and process heat conversions)



# Financial strategy

Our strategy grows shareholder value by generating cash flows from strategic investments, backed by new demand

## Grow our business



**Build a pipeline of demand**

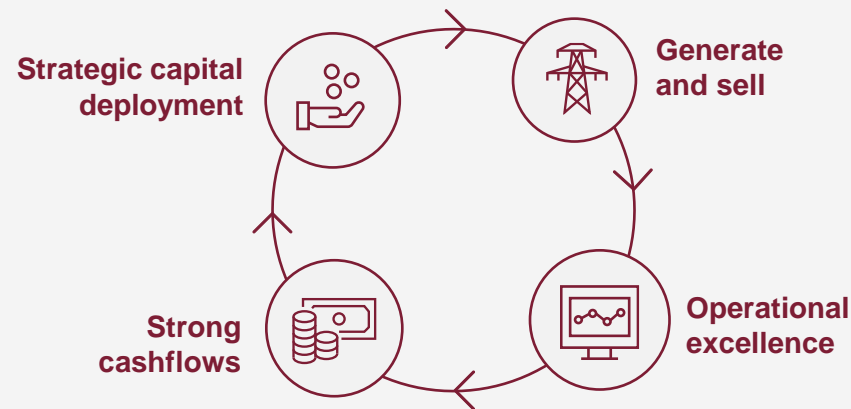


**Capabilities and endowments**

**Collaborate with customers across industry** to generate new demand opportunities

**Use our high-quality renewable resources and distinctive capabilities** to capture value from new projects

## Generate returns on our capital investments



**Operate our assets** to meet NZ's evolving energy needs

**Actively manage channels** to balance fuel risk and returns

**Continue to operate efficiently** through our operational excellence program

**Invest in a portfolio of projects with returns above the cost of capital**

## Fiscal discipline to maximise returns



**Return capital to shareholders**

Pay out **stable and predictable dividends to shareholders** with dividends between 80—100% of operating free cash flows over the preceding 4 years

**\$326m**

4-year average operating free cash flows (FY18 – 21)

**\$273m**

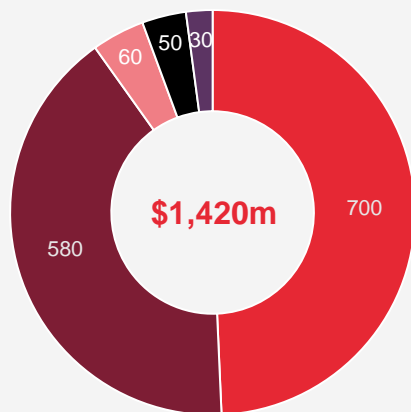
Expected FY22 ordinary dividend (35 cps)

**FY22 payout of 84% at DPS of 35 cps**

# Growth investment funding strategy

Complementing conventional debt funding and hybrid debt instruments, Contact has already accessed equity funding to support our base case investment programme

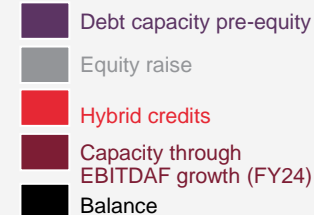
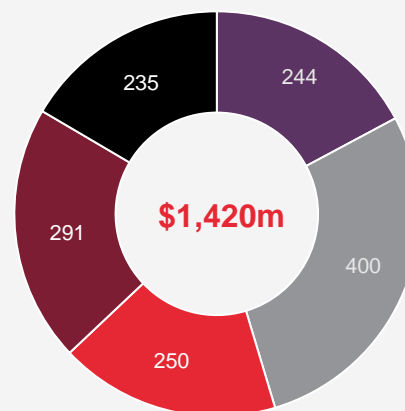
Medium-term capital investment programme  
(uncommitted)



Investments  
will be sized to  
meet the market



Potential sources of funding



Long-life renewable  
generation assets are  
capital intensive and  
require equity support

Wairakei investment  
decision provides  
balance sheet  
flexibility

Balance includes dividend reinvestment plan take-up, which can be increased to support upside demand growth, and retained operating free cash flow in excess of the ordinary dividend.

**Commitment to maintaining S&P investment grade credit rating continued.**

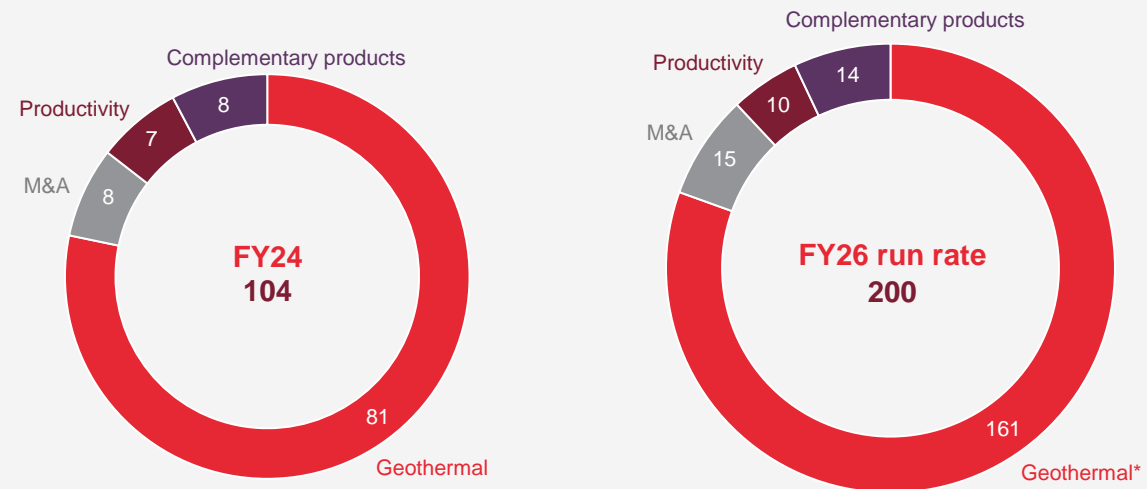
# Delivering on strategic capital deployment

The base business earnings in the short-term are leveraged to fuel availability. In the medium-term to NZAS retention or replacement success. Longer term, strategic capital deployment will drive earnings growth.

## Assumptions

- 1 NZAS load has not been fully replaced. FY26 is a recovery phase
- 2 Ambition to maintain South Island demand at current levels provides the upside of firmer prices and a further 3.5TWh of renewable development opportunities
- 3 Value from thermal strategic review will be additive
- 4 Will see higher operating costs to support development

EBITDAF from strategic capital deployment \$m



\*Includes full value from WRK investment but only 0.6 GWh of the 1.4 TWh is incremental to current Wairakei generation.

# Our operational plan

What you can expect in the next 18 months

## Strategic theme



**Grow  
Demand**



**Grow renewable  
development**



**Decarbonise  
our portfolio**



**Create outstanding  
customer  
experiences**

## H1-FY22

Hydrogen registration of interest followed by request for proposals  
Advance data centre partnerships  
Engage on industrial electrification

Build Tauhara  
Prepare further geothermal consents  
Secure solar partnership or add capability

Complete thermal review and design principles for structure  
Engage 3<sup>rd</sup> party to structure 'ThermalCo'

Launch time of use offer, with extension into EVs  
AI-driven optimised service channels  
Implications of sale of Trustpower retail to Mercury  
Customer technology upgrade

## H2-FY22

Assess hydrogen position  
Build data centres  
Lock in major industrial user electrification

Build Tauhara  
Further geothermal consenting  
Secure and consent wind sites  
Complete battery feasibility

Align future-state thermal structure  
Agree structure with owners and regulators  
Execute 'ThermalCo' and buy back PPAs

Pilot launch of wireless broadband  
Launch data driven energy monitoring  
Customer technology upgrade (cont.)

## H1-FY23

Develop hydrogen option  
Data centres online  
Commence boiler electrification

Complete Tauhara  
Tauhara phase II consent  
Secure solar consents

Prepare for end of TCC scheduled hours

Pilot complementary products  
Customer technology upgrade (cont.)