



21 June 2021

Trustpower agrees terms with Mercury for conditional sale of its retail business

Trustpower Limited (**Trustpower**), in which Infratil is a 51% shareholder, this morning announced the sale of its gas, telecommunications and retail electricity supply business (excluding the supply of electricity to commercial and industrial customers) to Mercury NZ Limited (**Mercury**). The sale is conditional on, among other things, Trustpower shareholder approval.

Infratil advises that it is supportive of the sale of Trustpower's retail business to Mercury, and intends to vote in favour of the sale at the Trustpower annual shareholder meeting on 22 September 2021.

Trustpower has advised that, subject to all conditions being satisfied, it expects the sale to complete late 2021 or early 2022.

A copy of the Trustpower release is attached.

Any enquiries should be directed to:

Mark Flesher, Investor Relations, Infratil Limited mark.flesher@infratil.com



NZX Release

Monday 21 June 2021

Title: *Trustpower agrees terms with Mercury for conditional sale of its retail business.*

Trustpower today announces the conditional sale of its gas, telecommunications, and retail electricity supply business (excluding the supply of electricity to commercial and industrial customers) to Mercury NZ Limited (Mercury) for \$441million, subject to post-completion adjustments. The sale of the retail business will take effect following the conditions of the sale being met, which is expected to be late 2021 or early 2022.

Key conditions of sale include Commerce Commission approval, Trustpower shareholder approval (which is expected to be sought at its Annual Shareholder meeting on 22 September 2021) and the TECT restructure being completed.

An electricity hedge structure has been agreed to support the customer retail demand. More details of this are provided in the separate Investor Presentation released along with this statement. The terms of this hedge underpin Trustpower's earnings for the medium term and the initial price has been set taking advantage of current firm wholesale prices.

The Trustpower name and brand is included in the transaction and will transfer at the completion of the sale. Trustpower will select a new name in due course.

Chairman Paul Ridley-Smith says there were several interested parties in the acquisition of the retail business, validating the opportunity that exists to continue to grow the successful offering of electricity, gas, broadband, mobile and wireless connection services.

"We are pleased that our business will stay in local hands, with a future owner committed to retaining Trustpower's Tauranga and Oamaru offices for the foreseeable future. Mercury clearly understands the business and the strategic value of a proven multi product offering, quality customer base and opportunities for future growth" Ridley-Smith says.

Ridley-Smith says the conditional sale of the retail business enables the Board and leadership team to continue to drive operational excellence in its generation business and focus on new generation and related opportunities.

"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," said Ridley-Smith.

Trustpower Chief Executive David Prentice says the opportunities for employees has been an important consideration in this process.

"The capability and performance of our people is what makes the difference for our customers, communities, and shareholders. 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" said Mr Prentice.

Equally, Trustpower is confident once Mercury completes the purchase it will maintain and enhance the value and quality of Trustpower's customer service.

"As to the future, this is an exciting time for Trustpower. 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,” says Prentice.

David Prentice will be the Chief Executive of the new generation business going forward.

Trustpower will consider capital structure, dividend policy and opportunities for re-investment of the proceeds as settlement of the transaction approaches. A further update will be provided at the Annual Shareholder meeting on 22 September 2021.

Forsyth Barr acted as Trustpower’s Financial Advisor in respect of this transaction.

END

10am Conference Call: Analysts and media are invited to a Trustpower conference call presentation via Zoom Webinar at 10am today (21 June). Please access the meeting via this link: <https://trustpower.zoom.us/j/92626467225>



Investor Presentation

21 June 2021

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



Contents

- Overview
- Transaction summary
- Trustpower generation
- Energy risk management
- Looking forward
- Questions

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

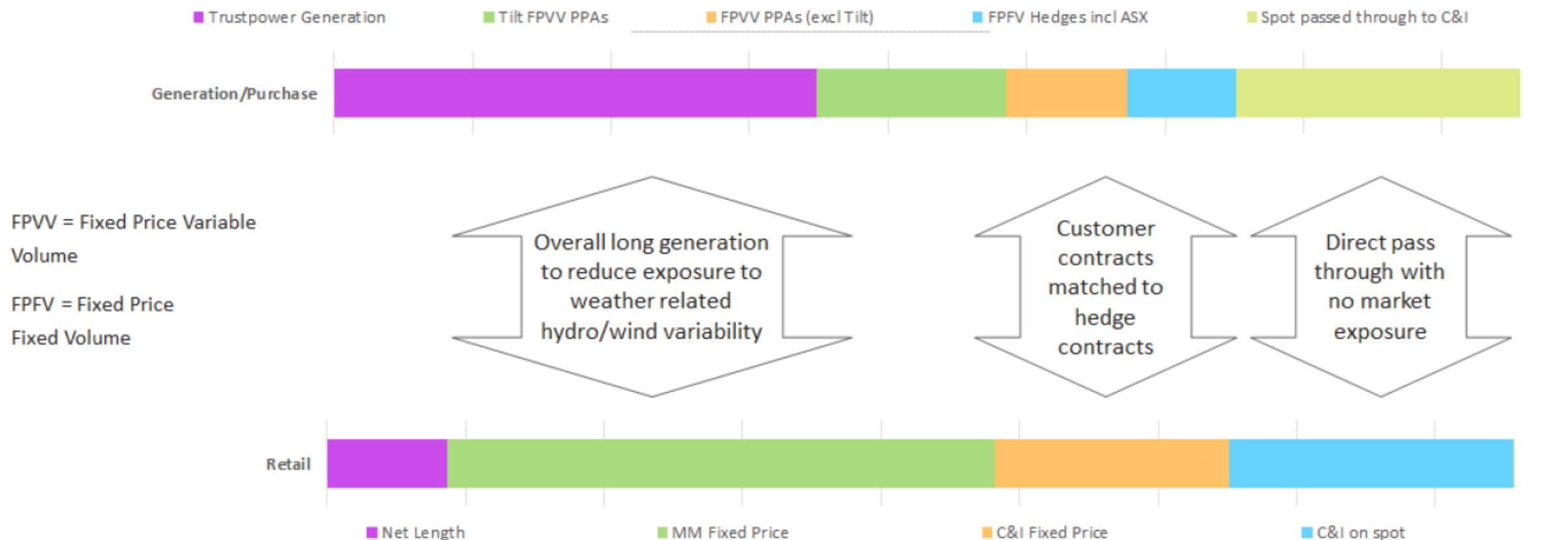
Trustpower Generation will:

- 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

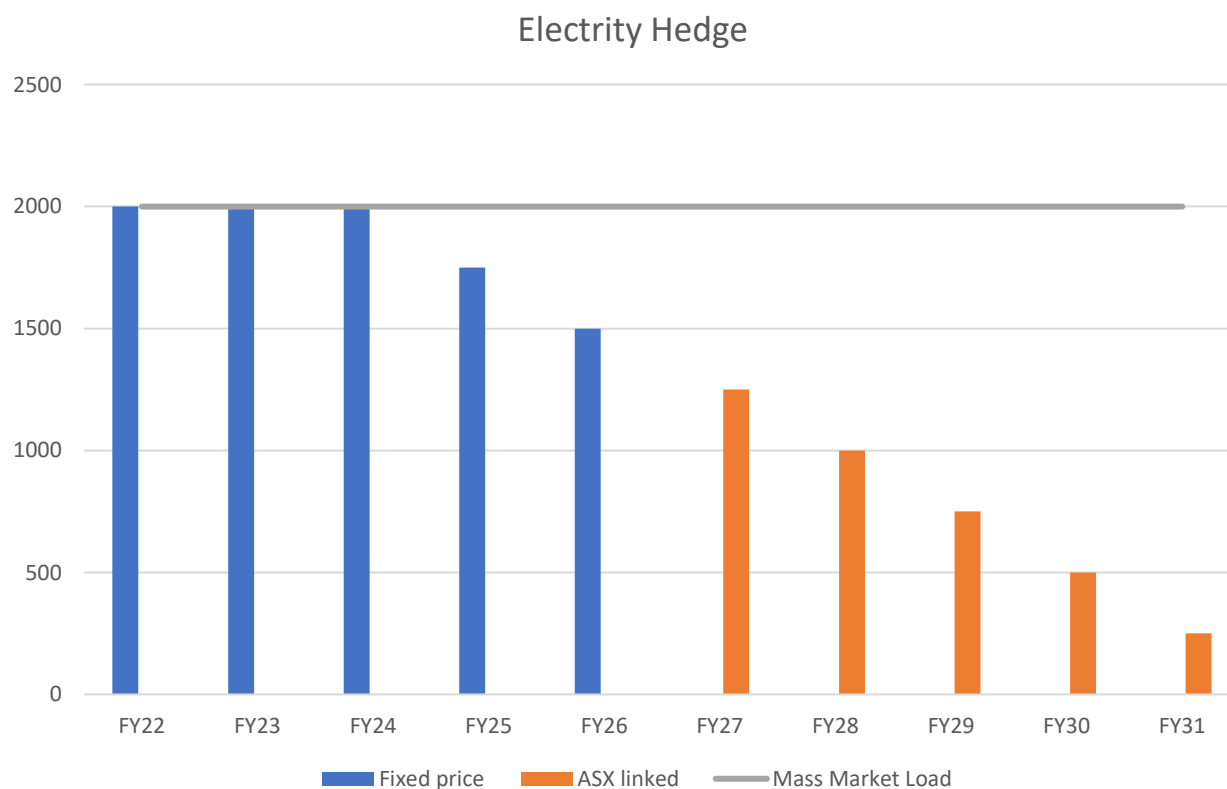
Overview of a typical year



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

Disclaimer



- While all reasonable care has been taken in the preparation of this presentation, Trustpower Limited and its related entities, directors, officers and employees (collectively "Trustpower") do not accept, and expressly disclaim, any liability whatsoever (including for negligence) for any loss howsoever arising from any use of this presentation or its contents. No representation or warranty, expressed or implied, is made as to the accuracy, completeness or thoroughness of the content of the information. All information included in this presentation is provided as at the date of this presentation. Except as required by law or NZX listing rules, Trustpower is not obliged to update this presentation after its release, even if things change materially.
- The reader should consult with its own legal, tax, investment or accounting advisers as to the accuracy and application of the information contained herein and should conduct its own due diligence and other enquiries in relation to such information. The information in this presentation has not been independently verified by Trustpower.
- Some of the information set out in the presentation relates to future matters, that are subject to a number of risks and uncertainties (many of which are beyond the control of Trustpower), which may cause the actual results, performance or achievements of Trustpower and its related entities (collectively, the "Trustpower Group") to be materially different from the future results set out in the presentation. The inclusion of forward-looking information should not be regarded as a representation or warranty by Trustpower or any other person that those forward-looking statements will be achieved or that the assumptions underlying any forward-looking statements will in fact be correct.
- This presentation may contain a number of non-GAAP financial measures. Because they are not defined by GAAP or IFRS, they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Trustpower believes they provide useful information in measuring the financial performance of the Trustpower Group, readers are cautioned not to place undue reliance on any non-GAAP financial measures.
- This presentation is for general information purposes only and does not constitute investment advice or an offer, inducement, invitation or recommendation in respect of Trustpower securities. The reader should note that, in providing this presentation, Trustpower has not considered the objectives, financial position or needs of the reader. The reader should obtain and rely on its own professional advice from its legal, tax, investment, accounting and other professional advisers in respect of the reader's objectives, financial position or needs.