



TRANSPower

DOMESTIC BOND OFFER

Investor Presentation

August 2021



Important Information

Transpower New Zealand Limited (Issuer or Transpower) is offering up to NZ\$150,000,000 fixed rate bonds (with the ability to accept up to NZ\$50,000,000 oversubscriptions) due 8 September 2026 (Bonds) in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 (FMCA).

The Bonds will have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Transpower's:

NZ\$150,000,000 fixed rate bonds maturing on 30 June 2022 with a fixed interest rate of 4.30%, which are currently quoted on the NZX Debt Market under the ticker code TRP030;
NZ\$100,000,000 fixed rate bonds maturing on 16 September 2022 with a fixed interest rate of 4.069%, which are quoted on the NZX Debt Market under the ticker code TRP040;
NZ\$125,000,000 fixed rate bonds maturing on 6 March 2025 with a fixed interest rate of 3.823%, which are quoted on the NZX Debt Market under the ticker code TRP050;
NZ\$150,000,000 fixed rate bonds maturing on 14 March 2024 with a fixed interest rate of 2.73%, which are quoted on the NZX Debt Market under the ticker code TRP060;
NZ\$450,000,000 fixed rate bonds maturing on 4 September 2025 with a fixed interest rate of 1.735%, which are quoted on the NZX Debt Market under the ticker code TRP070; and
NZ\$150,000,000 fixed rate bonds maturing on 8 April 2026 with a fixed interest rate of 1.52%, which are quoted on the NZX Debt Market under the ticker code TRP080,
(together, Quoted Bonds).

Accordingly, the Bonds are of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Transpower is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (NZX) for the purpose of that information being made available to participants in the market and that information can be found by visiting <https://www.nzx.com/companies/TRP>.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

The Bonds will be debt securities and will constitute unsecured, unsubordinated debt obligations of the Issuer. The Bonds will rank equally and without any preference among themselves and at least equally with all other unsecured and unsubordinated indebtedness of the Issuer, except indebtedness preferred by law and subject to laws affecting creditors' rights generally and equitable principles of general application. Neither the repayment of, nor the payment of interest on, the Bonds is guaranteed by the Crown or any other person.





Disclaimer

This presentation does not constitute a recommendation by the Issuer, Westpac Banking Corporation (ABN 33 007 457 141) acting through its New Zealand branch (Lead Manager), The New Zealand Guardian Trust Company Limited (Supervisor), nor any of their respective directors, officers, employees or agents to subscribe for, or purchase, any of the Bonds. None of the Issuer, the Supervisor or any of their respective directors, officers, employees or agents accepts any liability whatsoever for any loss arising from this presentation or its contents or otherwise arising in connection with the offer, except as provided for in the FMCA.

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Any internet site addresses provided in this presentation are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this presentation.

The presentation outlines a number of Transpower's forward-looking plans and projections. Those plans and projections reflect current expectations, but are inherently subject to risk and uncertainty, and may change at any time. There is no assurance that those plans will be implemented or that projections will be realised.

Pricing supplement No. 16, dated 31 August 2021 (Pricing Supplement) has been prepared in respect of the offer of the Bonds. The Pricing Supplement is an important document and should be read carefully. Investors should not purchase the Bonds until they have read the Pricing Supplement. Investors should consider the risks that are associated with an investment in the Bonds, particularly with regard to their personal circumstances (including financial and tax issues). Nothing in this presentation constitutes legal, financial, tax or other advice.

The Pricing Supplement sets out the applicable selling restrictions in respect of the Bonds.

Neither the Lead Manager nor any of its directors, officers, employees and agents: (a) accept any responsibility or liability whatsoever for any loss arising from this presentation or its contents or otherwise arising in connection with the offer of Bonds (b) authorised or caused the issue of, or made any statement in, any part of this presentation; and (c) make any representation or warranty, express or implied regarding the origin, validity, accuracy, adequacy, reasonableness or completeness of, or any errors or omissions in, any information, statement or opinion contained in this presentation and accept no liability (except to the extent such liability is found by a court to arise under the FMCA or cannot be disclaimed as a matter of law).





Agenda

- > Company Overview
- > Industry & Regulation
- > Capital Expenditure
- > Funding
- > Bond Offer
- > Questions



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Company Overview



Transpower Investment Highlights

- Strong investment grade profile – “AA, Stable outlook”
- Stable, regulated cash flow - reduction in regulated revenue a result of lower WACC in RCP3
- Prudent financial risk management
- Crown ownership
- Essential national utility / high barriers to entry
- Experienced governance and management team
- Low counterparty risk / enforceable requirement to pay
- A focus on sustainability / enabling renewable generation



Company Overview

- 100% state-owned by New Zealand Crown¹
- Rated AA, stable by S&P Global Ratings
- Central to the New Zealand electricity industry
 - Owner and operator of the National Grid
 - System Operator²
- No volume risk
- Highly regulated
 - Low volatility in underlying earnings
 - Stable regulatory regime
- Impact from COVID-19 continuing. Essential maintenance continues and global supply chain risks remain elevated

¹ The Crown does not guarantee bonds issued by Transpower

² The contract between the Electricity Authority and Transpower to perform the System Operator function reset on 1 July 2021 with minor amendments to the existing terms



Transmission Network

- Over \$4.9 billion regulated transmission assets
- Sole Transmission System Operator (TSO) in New Zealand
- Approximately 11,000 kilometres of transmission lines
- 178 substations
- 27 distribution customers
- 11 large industrial direct-connect customers¹
- 6 large grid-connected generator customers



¹ Several large industrial customers have signalled strategic reviews of operations

Source: Transpower's Audited Financial Statements June 2021 and Transpower's Transmission Planning Report 2020
<https://www.transpower.co.nz/sites/default/files/publications/resources/TPR%202020.pdf>



Strategy and Performance Framework





Whakamana i Te Mauri Hiko¹

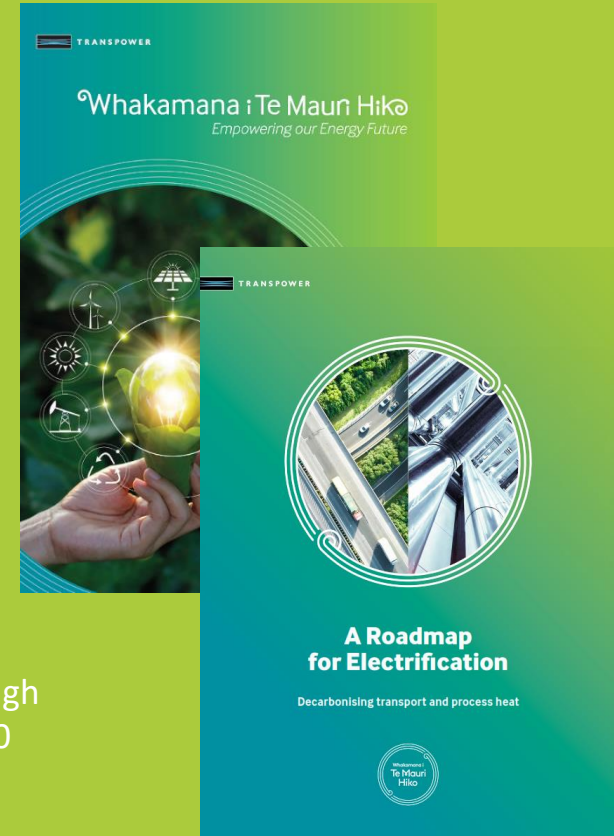
Transpower is committed to supporting a low cost and highly renewable energy future for New Zealand. The report examines a range of electricity supply, demand and future technology scenarios

Key findings of the report:

- Consensus forming that electrification is key to decarbonisation
- Transport and process heat electrification drive decarbonisation and electricity demand growth which is expected to be met by renewable generation

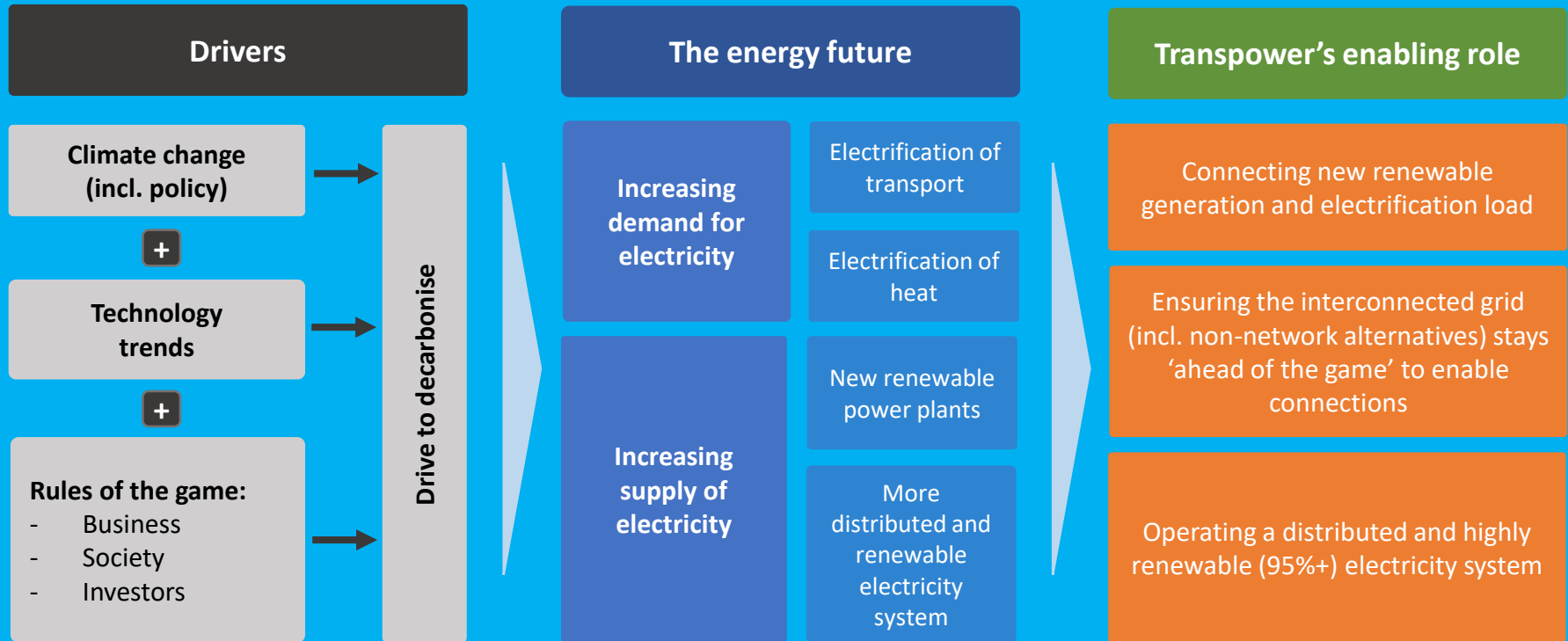
A Roadmap for Electrification

- In February 2021, we launched our Electrification Roadmap. It identifies policy, commercial and consumer levers available to accelerate the decarbonisation of New Zealand's transport and process heat sectors through electrification, consistent with meeting our 2030 Paris Agreement and 2050 net-zero carbon economy commitments

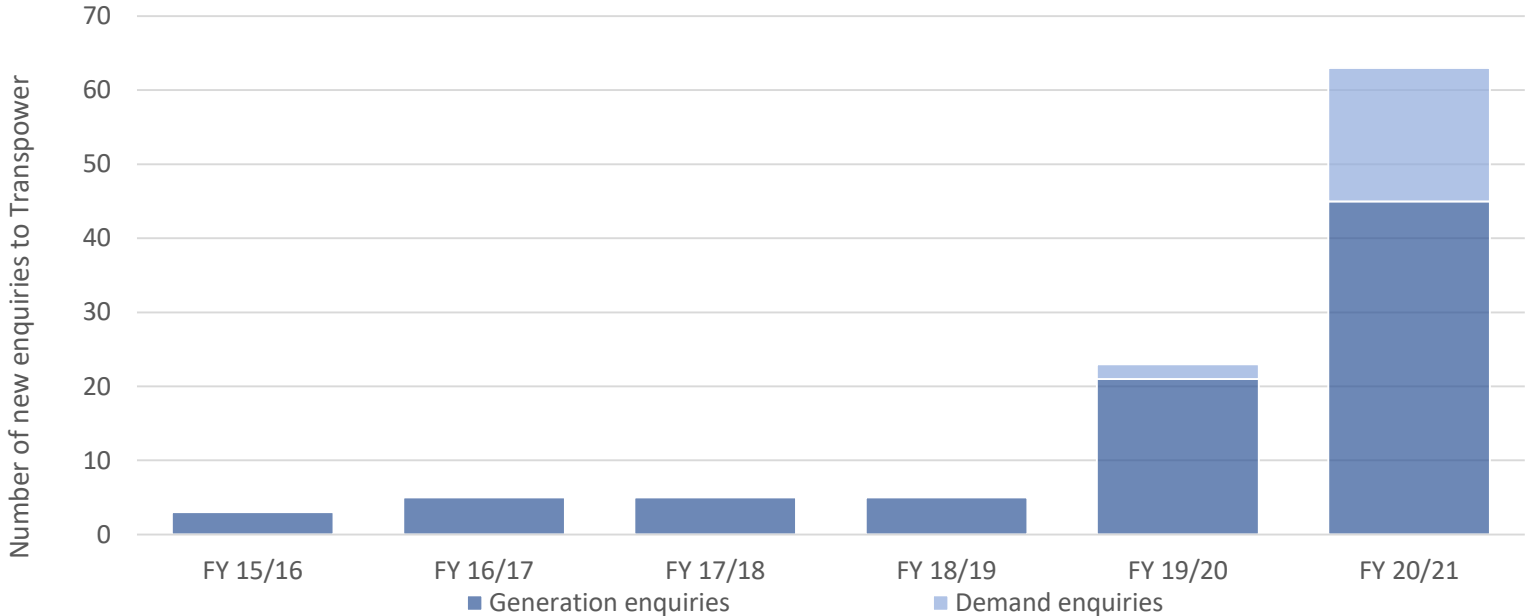


¹ <https://www.transpower.co.nz/resources/whakamana-i-te-mauri-hiko-empowering-our-energy-future>

Energy Future Implications for Electricity Transmission



Connection Enquiries



- There were 20 enquiries in July 2021, which continues the growing trend in enquiry numbers
- Not all enquiries to convert to connection but we expect a step change in connections in line with Te Mauri Hiko forecast scenarios and the Climate Change Commission decarbonisation scenarios



Sustainability Focus

Our Sustainability Strategy sets out goals and enabling actions across four challenge areas

Transpower is committed to:

- Annual Greenhouse Gas emissions inventory reporting
- Sustainability reporting under the Environment, Social and Governance (ESG) reporting framework
- Climate change reporting under the Task Force on Climate related Financial Disclosures (TCFD) framework by FY2023

Climate Change



We enable connections for new renewable generation and are working hard to reduce emissions across our supply chain

Environmental Stewardship



We aim to reduce the environmental impact and increase the efficiency with which we use materials and resources

Sustainable Business



We consider the social and environmental impacts of what we do and to report on our activities in a transparent way

Our Communities



We partner with iwi and acknowledge connection to land and we work with communities and landowners to minimise physical presence and disruption related to our assets

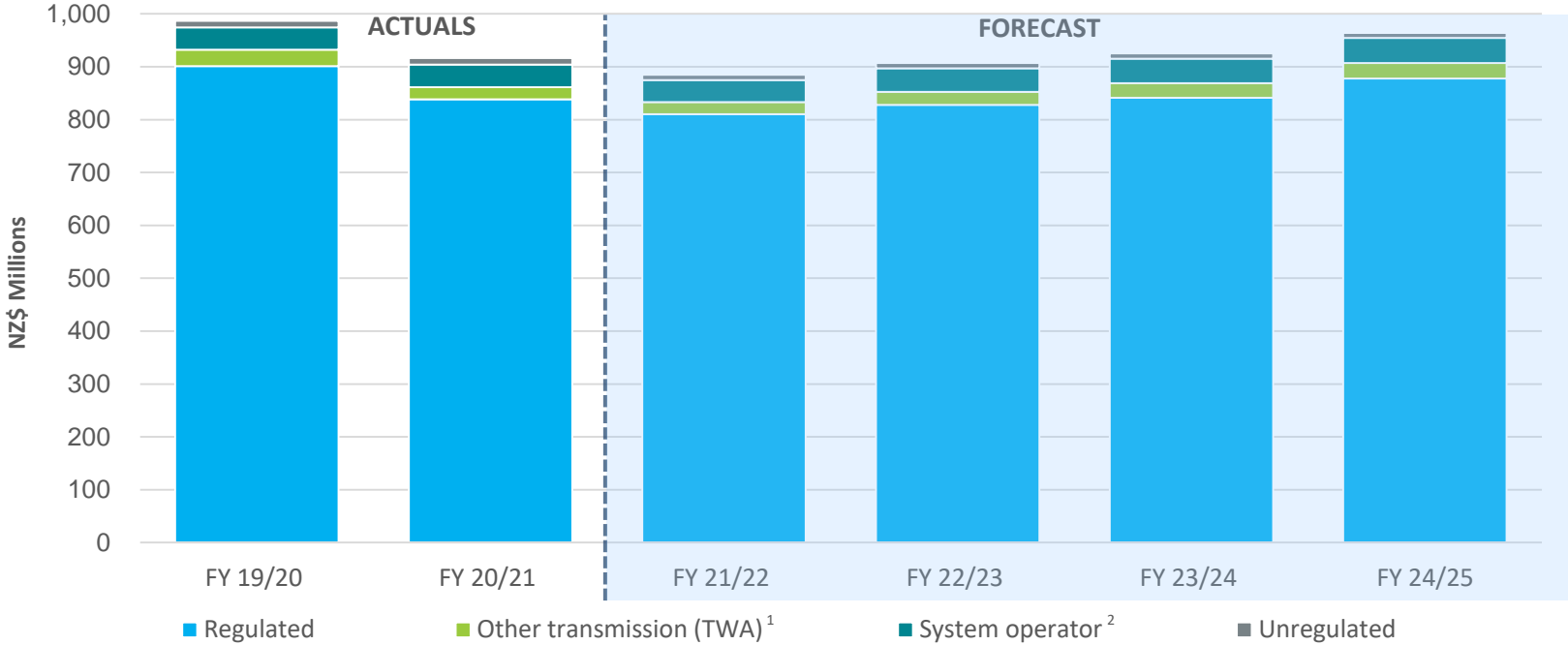
More about Transpower's sustainability focus, including strategy, governance and disclosure can be found here - <https://www.transpower.co.nz/about-us/sustainability>

Financial Performance Targets

- Our key financial performance targets are focused on:
 - Maintaining our credit rating
 - Balance sheet strength
 - Financial returns
- We remain focused on managing our financial metrics and financial profile consistent with our AA rating band (S&P Global Ratings)
- Transpower targets:
 - FFO/Interest cover no less than 2.8x
 - FFO/Debt no less than 12.5%



Forecast Revenue



¹ Transpower Works Agreement (Customer Investment Contracts)

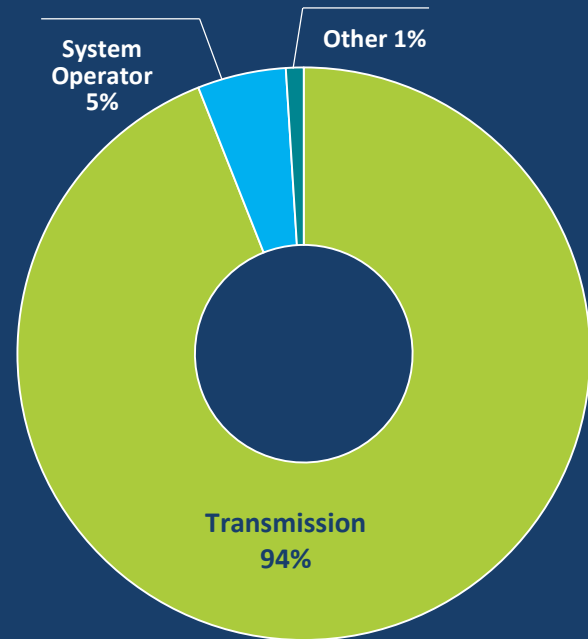
² System Operator revenue forecast based upon contract terms which reset from 1 July 2021

Source: Transpower

Revenue and Customers

- Customer charge recoverability – no exposure to credit risk on regulated revenue
- Total ca. 50 customers
- Top 10 customers account for ca. 77% of total revenue
- Transmission revenue by customer:
 - Distribution - 74% (27 distribution customers)
 - Generation - 17% (16 generators)
 - Other and direct connects - 9%
- Revenue is lower in FY 2021 than FY 2020 due to lower RCP3¹ regulated WACC for a full financial year

Operating revenue composition



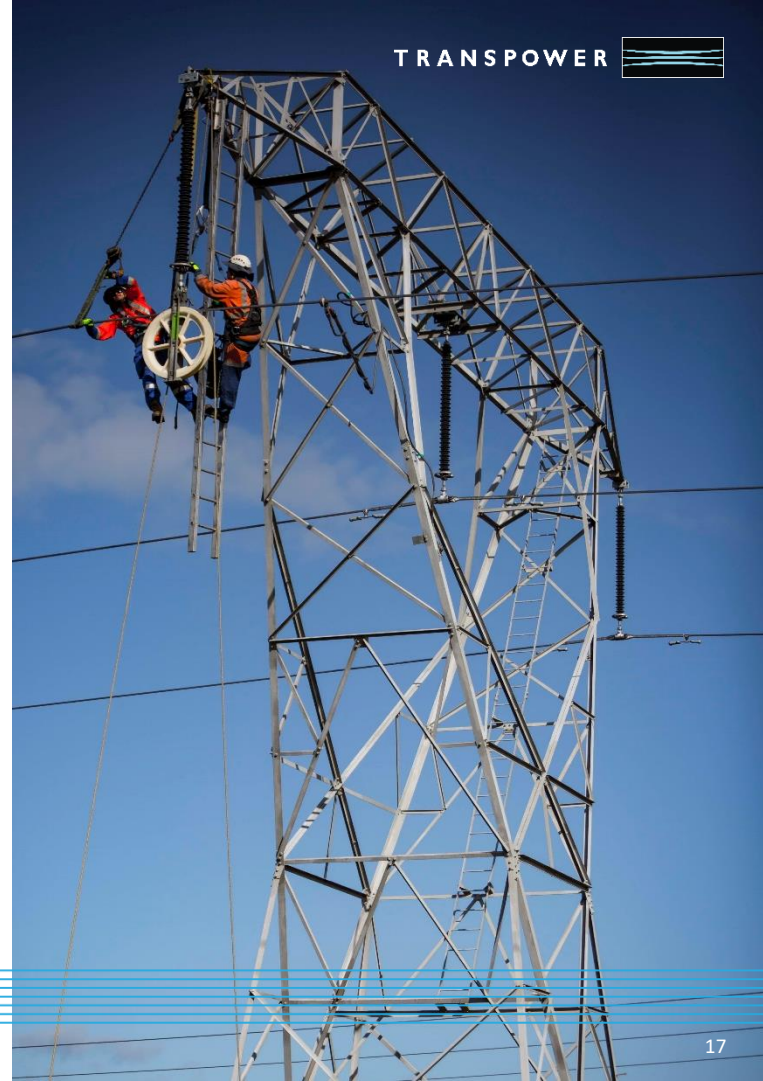
¹ Regulatory Control Periods - RCP3 revenue applies from 1 April 2020 to 31 March 2025. RCP2 applied from 1 April 2015 to 31 March 2020.



Customer Credit Exposures

- Total annual revenue of ca. \$900 million - majority regulated transmission revenue and recoverable under regulation
- Customer investment contracts credit exposure is considered low
 - Currently ca. 2.5% of total revenue
 - Majority of credit exposure to Electricity Lines companies and Generators
 - Customer credit rating quality good. Low exposure to direct connect industrials
- Transpower Treasury counterparty credit rating policy minimum “A” stable

¹ Credit referenced to external rating agency score, or where no external rating, Transpower’s applies an internal credit assessment criteria





Industry and Regulation



Electricity Regulation in New Zealand

- Commerce Commission
 - All electricity transmission and distribution under economic regulation, including Grid investment approvals
 - Specific regulatory powers in respect of utilities including Transpower and electricity distribution lines businesses
 - Administers price control regime applying to transmission and distribution businesses for five-year control periods
- Electricity Authority
 - Determines, monitors and enforces the Electricity Industry Participation Code (Code), including the Transmission Pricing Methodology (TPM)
 - The Code gives enforceability to transmission charges as long as calculated in accordance with the TPM
 - Contracts with Transpower for System Operator services





Regulation Overview

- Transpower's revenues are governed by a regulated price-quality path for each pricing year, with the paths being reset every 5 years
- Revenue cap - no volume risk
- Building block model determined Maximum Allowed Revenue (MAR)
- Regulated cost recovery for all approved operating costs
- Regulated transmission assets receive a WACC return
- Transpower's post tax WACC in RCP3 is 4.23% (RCP2 WACC was 7.19%)
- 100% of regulated transmission charges recovered across all regulated customers
- Financial incentives apply to over/under performance on quality and expenditure
- System Operator Service Provider Agreement - ca. 4% of total revenue





Industry Issues

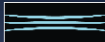
- New renewable generation and thermal generation decommissioning
 - Transition towards more renewable generation with new connections and security of supply considerations
 - 900MW of thermal capacity likely to be retired in coming years. We are working closely with industry and undertaking work on the National Grid implications
 - On 9 August 2021, a grid emergency was declared when record electricity demand coincided with insufficient generation - resulting in power outages to ca. 34,000 customers. Internal and external investigations into the event have commenced
- Transmission Pricing Methodology (TPM)
 - Methodology by which Transpower's revenue is apportioned among transmission customers
 - Transpower is currently developing a new TPM on behalf of the Electricity Authority based upon new guidance published in June 2020
 - The new TPM will change the way in which Transpower's regulated transmission revenue is allocated to transmission customers through transmission charges
 - It will not change Transpower's business plan assumptions or total revenue, it only changes customer allocation of Transpower's transmission charges





Capital Expenditure





Capital Projects

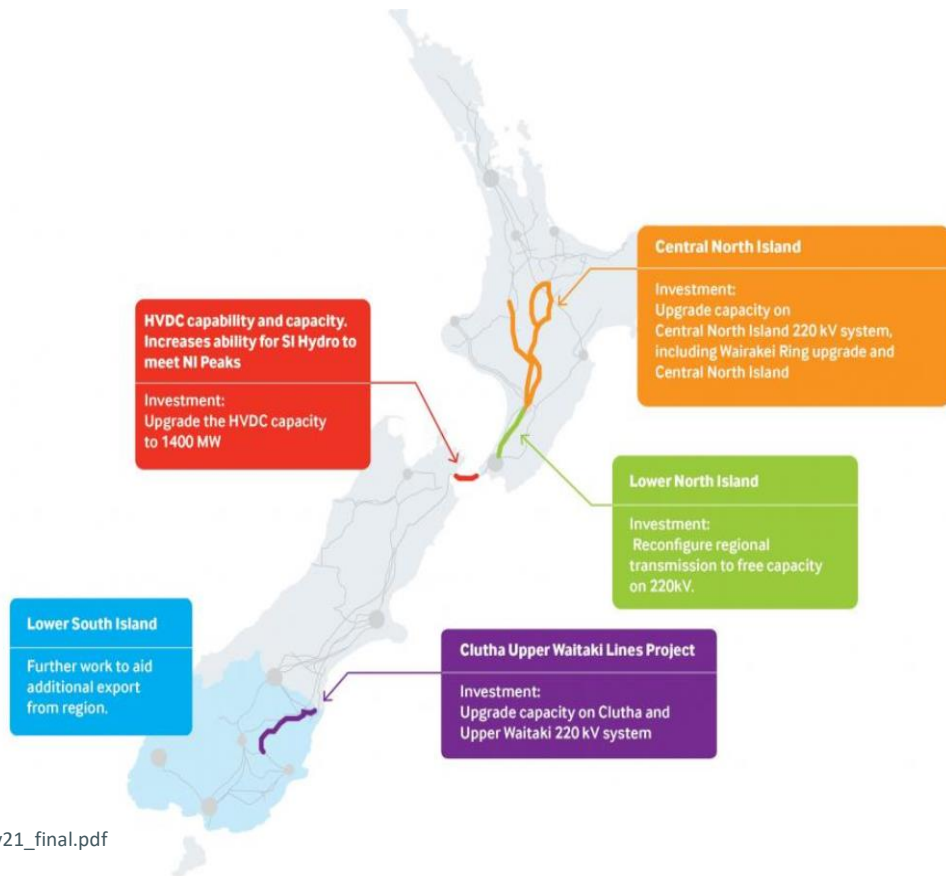
- Focus on efficiency and matching investment to need over time
- Growing asset base with capex spend exceeding depreciation
- Forecast capex over RCP3 is significantly higher than RCP2
- Most investment in transmission assets is recovered through regulated revenues approved by the Commerce Commission, with some investment directly recovered through bilateral contracts with customers





Net Zero Grid Pathways

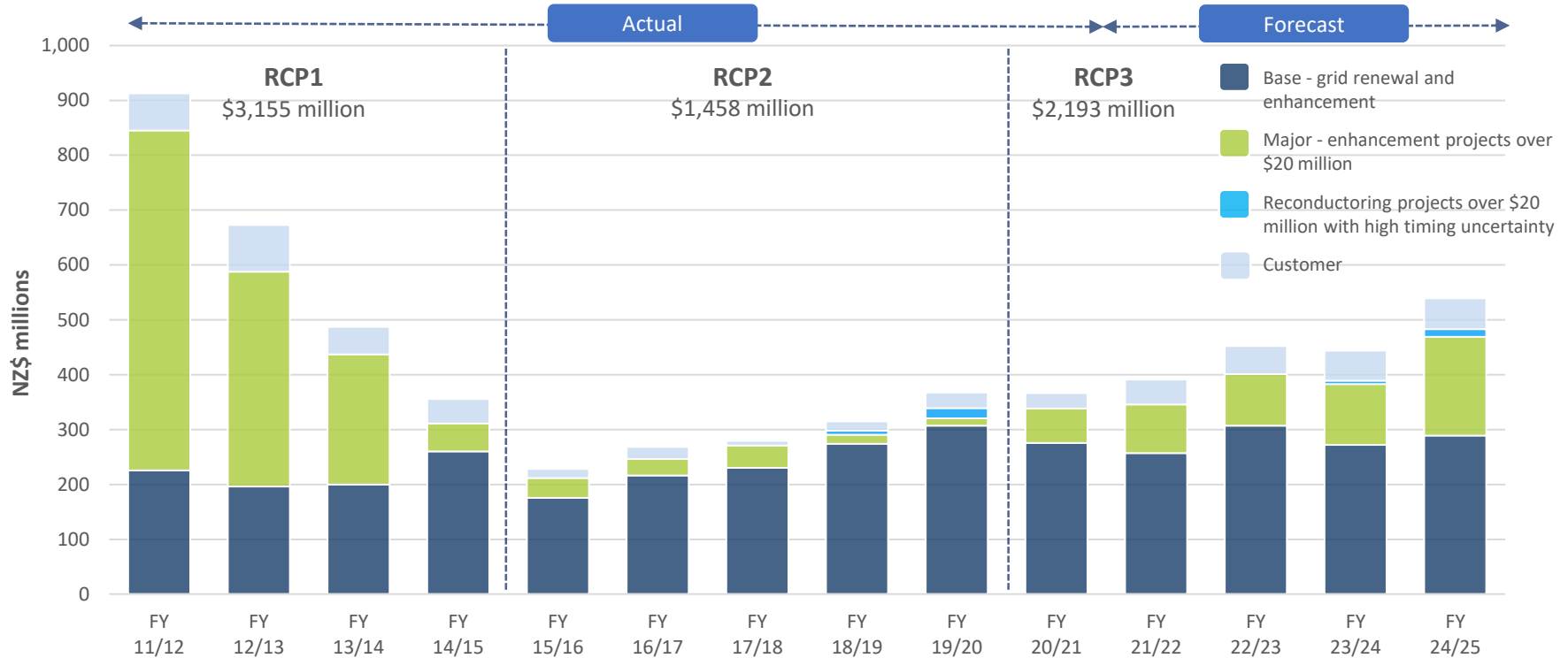
- Net Zero Grid Pathways covers Transpower's investments on the backbone of the electricity transmission grid
- Investments of ca. \$1.1 billion will enable the electrification of the economy and assist with meeting New Zealand's decarbonisation targets
- Two phases
 - enhance the existing grid backbone to 2035; and
 - addresses the likely need for a larger grid backbone with new interconnections beyond 2035



https://www.transpower.co.nz/sites/default/files/uncontrolled_docs/NZGPBrochure_6July21_final.pdf

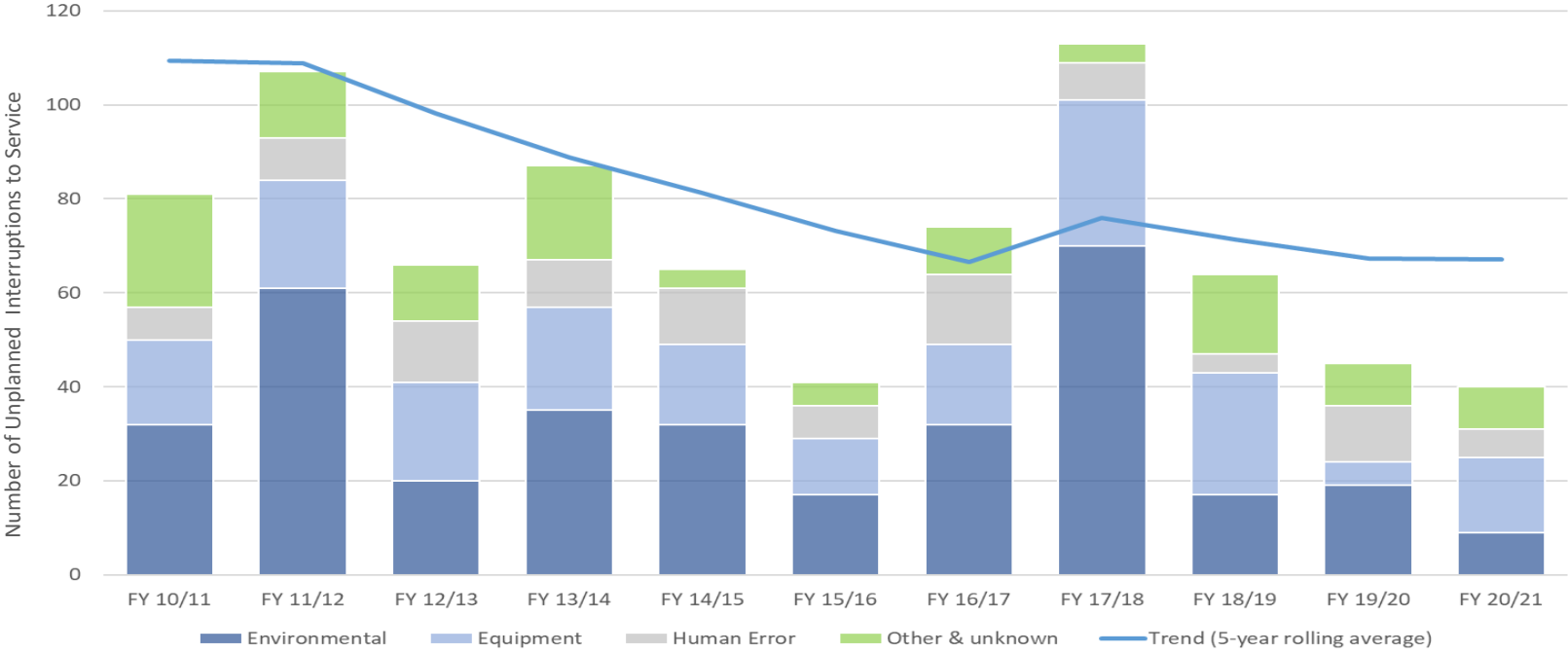


Capital Expenditure Forecast



Source: Transpower

Improving Asset Operating Performance



- Improved asset operating performance over time a result of investments in assets and maintenance





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Funding

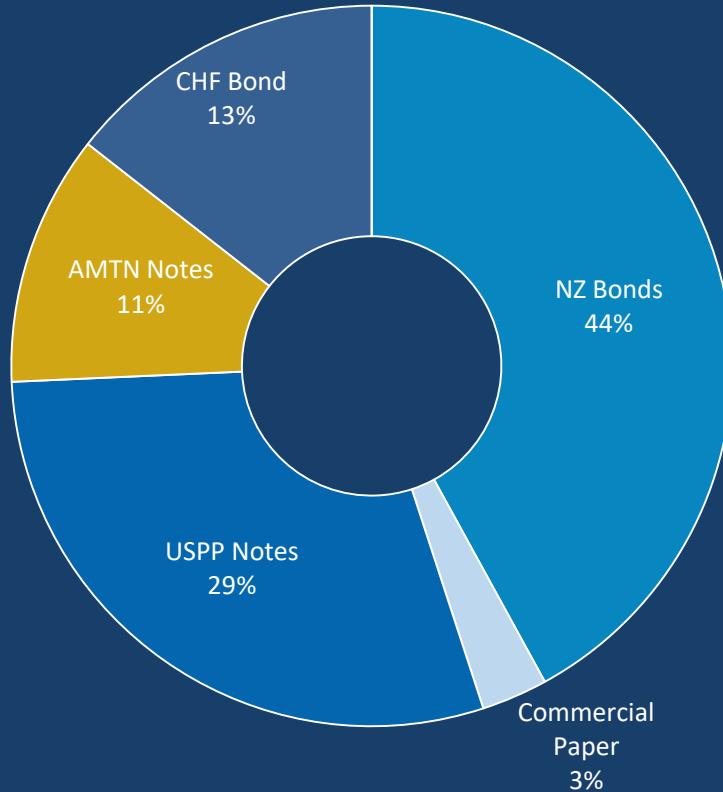


Conservative Policies/Targets

- Prudent financial policies and low financial risk
- Focused on maintaining current credit rating band, AA (S&P Global Ratings)
- Sufficient Liquidity & Funding
 - \$500 million undrawn committed standby facility¹
 - Multiple long-term and short-term funding programmes
 - Free cash flow from operations very strong
- Interest Rate
 - Interest rate risk management policies align with regulatory control periods.
Transpower Treasury Policy provides for some discretion for exposure to floating interest rates

¹ Two tranches of \$250 million, maturing 7 December 2021 and 7 December 2022.

Funding

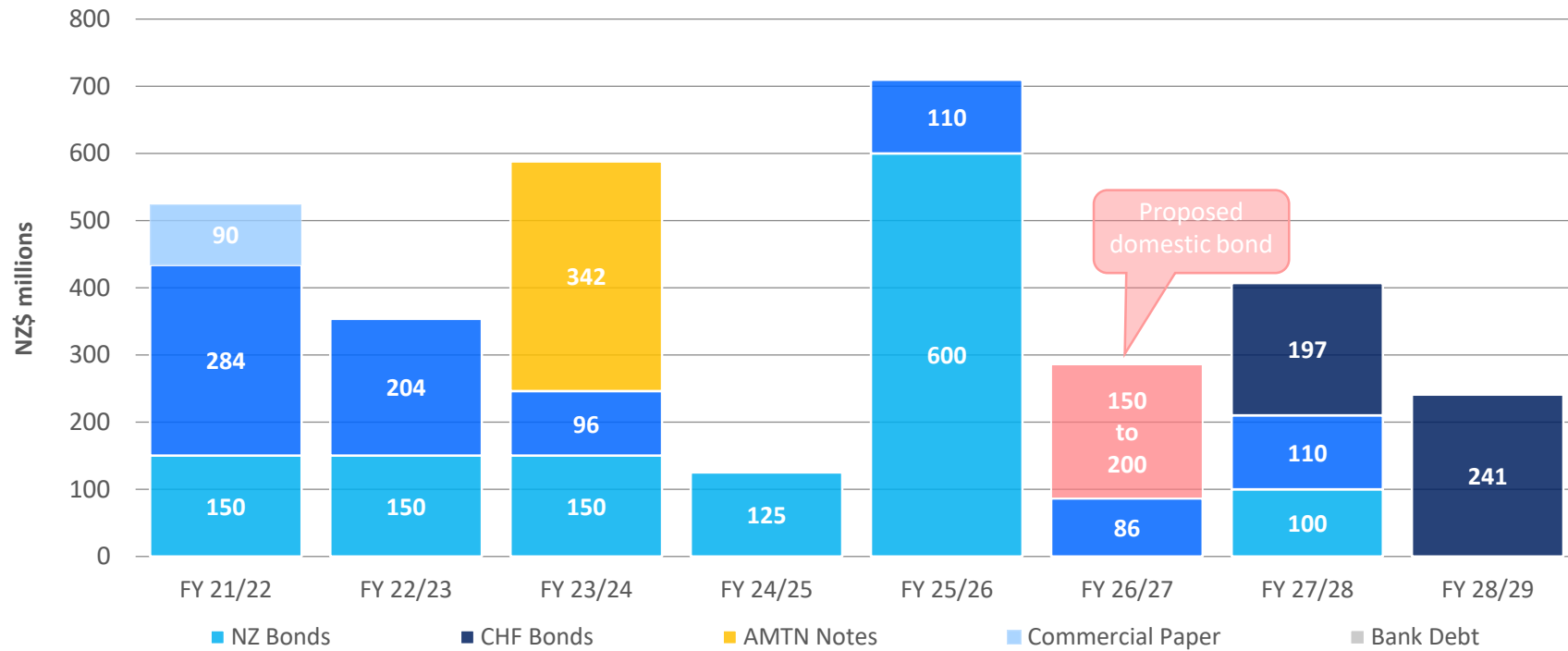


- Multiple sources of funding
- Approximately NZ\$3.1 billion debt
- Leverage of ca. 67%
- Undrawn bank facilities of NZ\$500 million

Source: Transpower, August 2021



Debt Maturity Profile



Source: Transpower, August 2021
 Foreign currency borrowings values are net of cross currency interest rate swaps





Bond Offer



Summary Terms and Conditions

Issuer	Transpower New Zealand Limited
Issuer Ratings	AA (stable) (S&P Global Ratings)
Expected Issue Ratings	AA (S&P Global Ratings)
Description of Bonds	Unsecured, unsubordinated debt obligations of Transpower
Maturity	8 September 2026
Issue Amount	Up to NZ\$150 million (with the ability to accept up to a further NZ\$50 million in oversubscriptions)
Interest Rate (Coupon)	The aggregate of the Base Rate on the Issue Rate Set Date and the Issue Margin
Issue Margin	The Issue Margin (which may be above or below the abovementioned indicative range) will be determined by Transpower in consultation with the Lead Manager following the bookbuild process and announced via NZX
Issue Yield	The aggregate of the Base Rate on the Issue Yield Set Date and the Issue Margin
Use of Proceeds	For general corporate purposes of the Transpower Group
Repo-eligibility	Application will be made to have the Bonds accepted by the Reserve Bank of New Zealand as eligible securities for domestic market operations
Principal Amount	NZ\$1.00 per Bond
Minimum Subscription Amount	NZ\$5,000 and thereafter in multiples of NZ\$1,000
Quotation	The Bonds will be quoted under the NZX ticker code “TRP090”
Lead Manager	Westpac Banking Corporation (ABN 33 007 457 141) acting through its New Zealand branch



Timetable

Key Transaction Dates	
Offer Opens	Tuesday, 31 August 2021
Investor Conference Call	Tuesday, 31 August 2021
Offer Close	2.00 pm, Thursday 2 September 2021
Issue Rate Set	Thursday, 2 September 2021
Issue and Allotment Date	Wednesday, 8 September 2021
Interest Payments	8 March and 8 September in each year up to and including the Maturity Date





Questions

[TRANSPower.CO.NZ](https://www.transpower.co.nz)



Other Information

<p>Investor centre</p>	<p>https://www.transpower.co.nz/keeping-you-connected/investors</p> <ul style="list-style-type: none"> • Financial statements • Annual Reports and Annual Reviews • Publications webcasts & resources • Links useful information – Statement of Corporate Intent (SCI)
<p>NZX Debt Market (NZDX)</p>	<p>https://www.nzx.com/companies/TRP</p>
<p>Direct contact</p>	<p>Gordon Davidson – Chief Financial Officer Phone: + 64 21 906 754 Email: gordon.davidson@transpower.co.nz</p> <p>Chris Sutherland - Treasurer Phone: +64 21 994 925 Email: chris.sutherland@transpower.co.nz</p> <p>22 Boulcott Street PO Box 1021, Wellington New Zealand</p>





Key Financial Metrics – SCI Outlook

Financial performance targets	2019/20 FY Actual	2020/21 FY Actual	2021/22 Target	2022/23 Target	2023/24 Target
FFO / Interest cover (x)	3.9	6.8	5.8	5.8	5.8
FFO / Debt (%)	15.7	14.5	13.8	13.6	13.5
Debt / (Net Debt + Equity) (%)	65.5	66.8	64.7	65.2	65.7
Return on Equity (%)	10.1	7.4	8.1	7.9	7.5
Return on Capital Employed (%)	5.6	3.5	3.9	3.9	3.8

Source: Transpower's Operational and Financial Performance Report 30 June 2020 and 30 June 2021 (Actuals), Financial Statements 30 June 2021 and Statement of Corporate Intent (SCI) 1 July 2021 (Target)
<https://www.transpower.co.nz/sites/default/files/news-articles/attachments/Transpower%20Final%20%202021%20SCI.pdf>



Summary Financials (continuing activities)

Financial performance (NZ\$ million)	FY June 2017	FY June 2018	FY June 2019	FY June 2020	FY June 2021
Total operating revenue	1,061	1,084	1,030	987	916
Total operating expenses	(288)	(294)	(297)	(292)	(297)
EBITDAIF ¹	773	791	733	695	619
Earnings Before tax	371	352	359	316	219
Net profit	266	252	258	231	158

Cash flow (NZ\$ million)	FY June 2017	FY June 2018	FY June 2019	FY June 2020	FY June 2021
Net cash from operations	522	554	514	484	476
Net cash from investments	(230)	(343)	(268)	(423)	(352)
Net cash from financing	(344)	(165)	(165)	(204)	92
Closing net cash carried forward	28	75	156	13	230

¹ Earnings Before Interest, Tax, Depreciation Amortisations and asset write-offs, Impairment and changes in Fair value of financial instruments

Source: Transpower's Audited Financial Statements

2018 results restated to be consistent with 2019 post IFRS 9 adoption. 2017 results are not restated



Summary Financials (continued)

Financial position (NZ\$ million)	FY June 2017	FY June 2018	FY June 2019	FY June 2020	FY June 2021
Total assets employed	5,598	5,749	5,932	6,116	6,163
Total liabilities	4,117	4,193	4,291	4,493	4,495
Total equity	1,481	1,556	1,641	1,623	1,668

Source: Transpower's Audited Financial Statements



Credit Rating Summary

S&P Global Ratings – Key Criteria and Assessments	
Corporate Rating:	AA / Stable
Business risk:	Excellent
<ul style="list-style-type: none"> • Country risk: • Industry risk: • Competitive position: • Cash flow/Leverage: 	Low Very low Strong Significant
Stand-alone credit profile:	a
Related government rating:	AA+ / Stable (foreign currency), AAA / Stable (local currency)
Likelihood of government support:	Very high (+3 notches)



Glossary/Key definitions

Crown	The New Zealand Government, or State
EA	Electricity Authority
FFO	Free Funds from Operations
FY	Financial Year
Grid	National Transmission Grid
GWh	Giga Watt hours - unit of power equal to one billion watt hours
MAR	Maximum Allowable Revenue
MW	Mega Watt - unit of power equal to one million watts
RAB	Regulated Asset Base
RCP	Regulatory Control Period
SO	System Operator
Te Mauri Hiko	Maori language name for Energy Future
TPM	Transmission Pricing Methodology
WACC	Weighted Average Cost of Capital

