



TRANSPower

DOMESTIC BOND OFFER

Investor Presentation

March 2021



Important Information

Transpower New Zealand Limited (Issuer or Transpower) is offering up to NZ\$100,000,000 fixed rate bonds (with the ability to accept up to NZ\$50,000,000 oversubscriptions) due 8 April 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; and

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.

(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, Bank of New Zealand, 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.

This presentation is for preliminary information purposes only and no part of it shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. The information in this document is given in good faith and has been obtained from sources believed to be reliable and accurate at the date of preparation, but its accuracy, correctness and completeness cannot be guaranteed. All material information in this document is derived from publicly available information, unless otherwise indicated. All of the numerical data provided in this presentation is derived from the Statement of Corporate Intent 2020/2021, the RCP3 Proposal, the audited Financial Statements for the year ended 30 June 2020 and the unaudited Financial Statements for the half year ended 31 December 2020.

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. 15, dated 29 March 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 with some modest reduction in regulated revenue over the next five years
- 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



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 will reset on 1 July 2021 with the next cyclical review and reset in five years



Impact of COVID-19 Pandemic

- We have worked closely with service providers to support and develop COVID-19 Health and Safety protocols and work practices
- Critical and essential work has continued throughout different levels of lockdown with extensive re-planning of the project portfolio and related outages
- Spares and supply chain resilience actively monitored and managed, but global supply chain environment under pressure
- Strategic spares managed with contingency plans to accommodate longer delivery times and freight costs elevated
- Overall COVID-19 has had minimal impact on Transpower's capital investments and financial results to date



Transmission Network

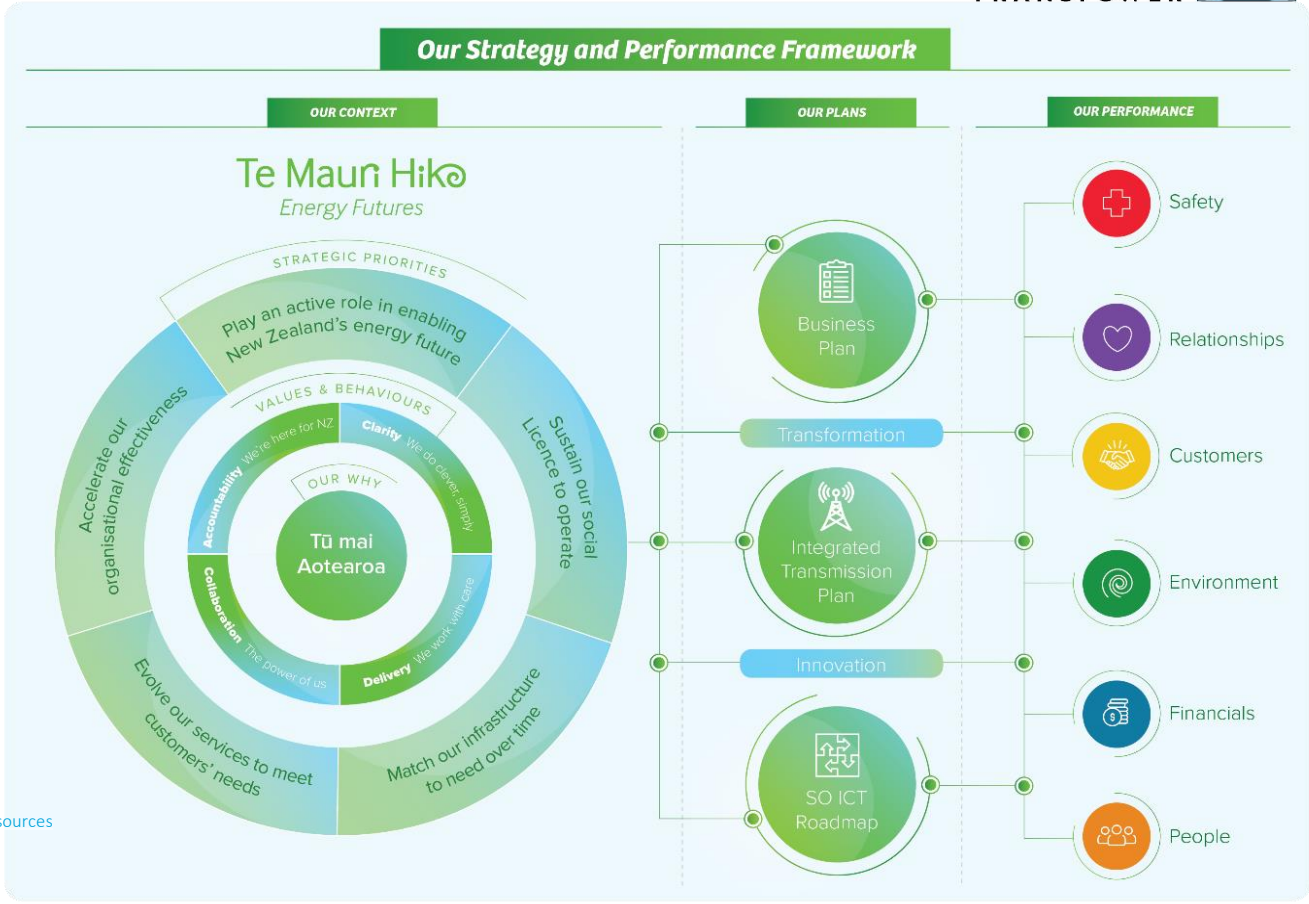
- Over \$4.8 billion regulated transmission assets
- Sole Transmission System Operator (TSO) in New Zealand
- Approximately 11,000 kilometres of transmission lines
- 178 power distribution substations
- 27 distribution customers
- 11 large industrial direct-connect customers¹
- 6 large grid-connected generator customers



¹ Several large industrial customers have signalled strategic reviews of operations

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





Strategy and Performance Framework

Links our Why and Values to Our Strategic Priorities, Plans and Performance Measures

Source: Statement of Corporate Intent 1 July 2020
<https://www.transpower.co.nz/sites/default/files/publications/resources/TP%20SCI%20FINAL%20-%202030%20June%202020.pdf>





Whakamana i Te Mauri Hiko¹

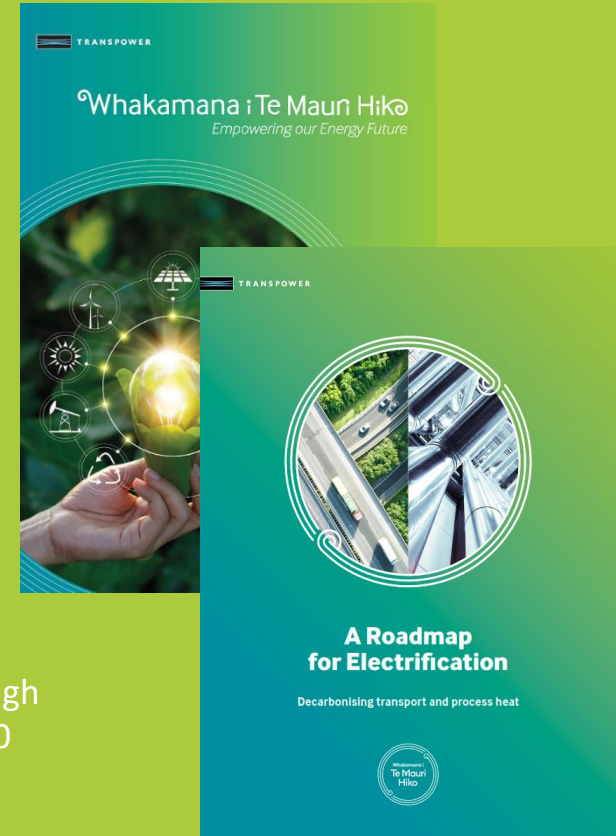
Transpower is committed to supporting a low cost and highly renewable energy future for New Zealand. The report examines a range of electricity supply, demand and future technology scenarios

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>



New Zealand Energy Strategies

- New Zealand's Paris Climate Accord commitment - reduce greenhouse gas emissions by 30% below 2005 levels by 2030
- The Climate Change Response (Zero Carbon) Amendment Act 2019 targets net zero carbon emissions by 2050 - energy expected to play a key role
- The Government's renewable energy strategy work programme focusses on three main outcomes:
 - An inclusive and consumer focused energy system
 - A system that encourages increased investment in low emissions technologies, and
 - An innovative and modern energy system that creates new opportunities for business and consumers

Sources: <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-strategies-for-new-zealand/>
<https://www.climatecommission.govt.nz/>



Sustainability Focus

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

Transpower is introducing:

- Sustainability reporting under the Environment, Social and Governance (ESG) reporting framework by FY2021
- Climate change reporting under the Task Force on Climate related Financial Disclosures (TCFD) framework by FY2023

Climate Change



We provide connections for new generation as the system moves towards becoming 100% renewable

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>



Transpower Sustainability – Aspiration

Component	Area	Key 2030 aspiration
Climate change	Enabling renewable connections	<ul style="list-style-type: none"> Integrate new renewable supply and electrification load from process heat and transport Advocate for a net zero emission grid with our customers and enable customer connections
	Planning networks	<ul style="list-style-type: none"> Ensure grid resilience to climate change and reporting to TCFD framework
	Carbon footprint	<ul style="list-style-type: none"> Reduce our carbon footprint to 60% below 2005 levels by 2030 and net zero by 2050
Sustainable business	Good governance	<ul style="list-style-type: none"> Decision frameworks consider social and environmental impact through asset life cycle Transparent reporting of our impacts, aspirations and progress
	Our people	<ul style="list-style-type: none"> Highly engaged, skilled and capable staff and leverage our diversity and inclusion
Environmental stewardship	Natural environment	<ul style="list-style-type: none"> Environment restoration target with a Kaitiakitanga (stewardship) approach Measurable reduction of pollution by 2030 and eliminated by 2050
	Material cycles	<ul style="list-style-type: none"> Efficient resource use and measurable improvements to waste minimisation by 2030
Our communities	Iwi (indigenous) relations	<ul style="list-style-type: none"> Partner with iwi and acknowledge connections to land
	Community relations	<ul style="list-style-type: none"> Connection and trust with our communities and ensure public safety around our assets
	Landowner relations	<ul style="list-style-type: none"> Minimise impact on their land, reduce our footprint

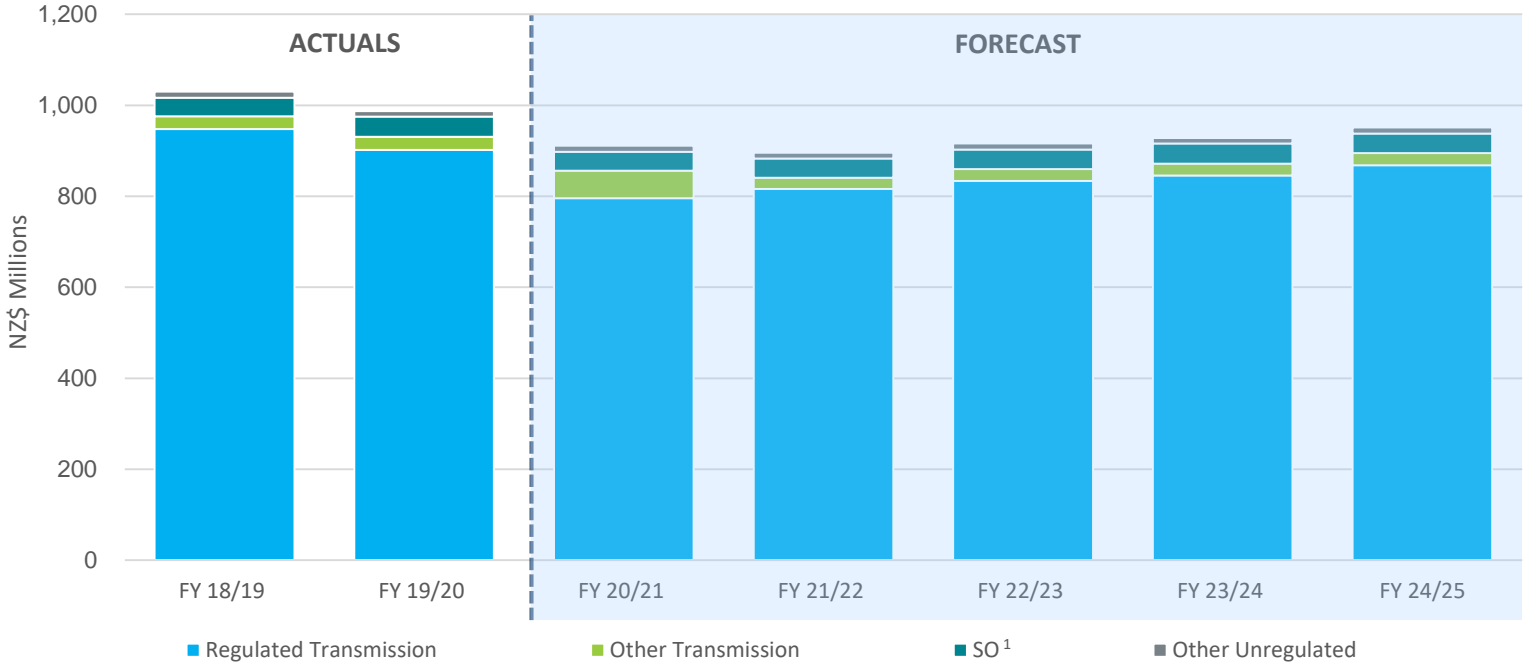


Financial Performance Targets

- 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%



Five Year Forecast Revenue



¹ System Operator revenue forecast based upon current contract terms; the contract will reset from 1 July 2021

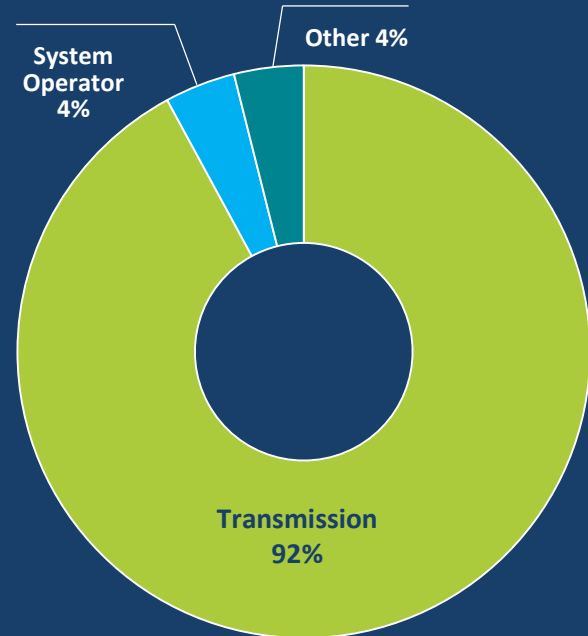
Source: Transpower



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 - 72% (27 distribution customers)
 - Generation - 19% (15 generators)
 - Other and direct connects - 9%
- Revenue is lower in RCP3¹ due to lower regulated WACC

Operating revenue composition



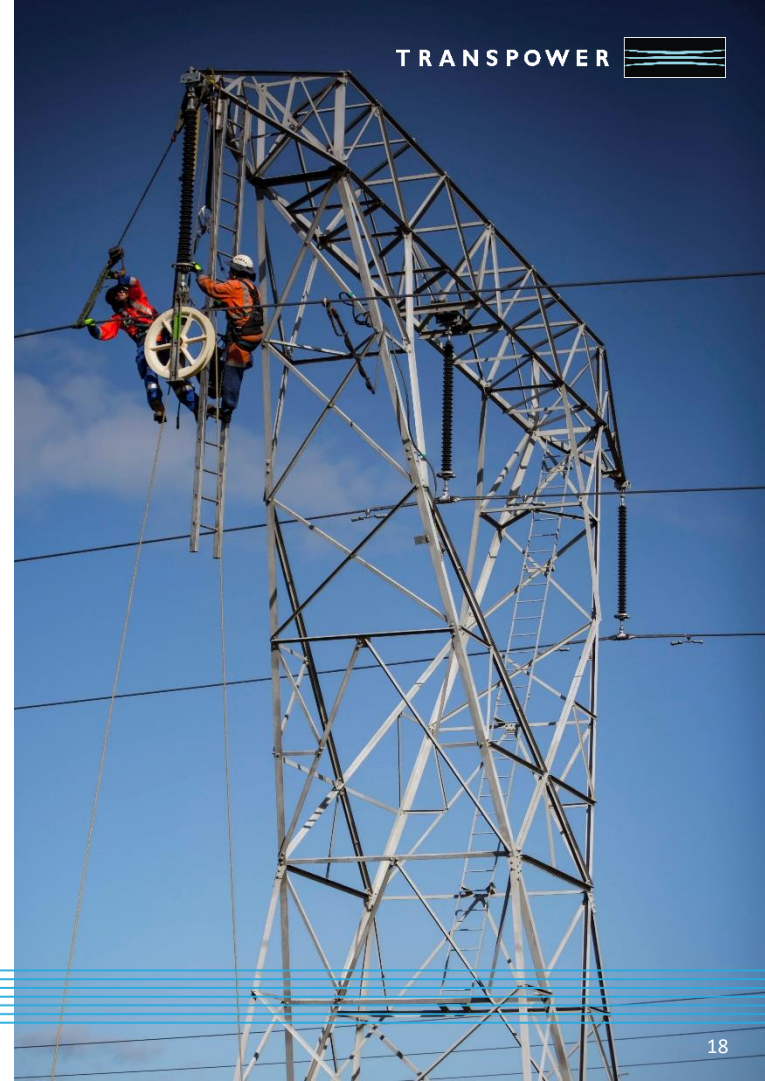
¹ Regulatory Control Periods - RCP3 revenue applies from 1 April 2020 to 31 March 2025. RCP2 applied from 1 April 2015 to 31 March 2020.



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





Industry Issues

- New renewable generation and thermal generation decommissioning
 - Transition towards 100% renewables with new connections and security of supply considerations
 - 900MW of thermal capacity likely to be retired by 2030. We are working closely with industry and undertaking work on the National Grid implications
- Transmission Pricing Methodology (TPM)
 - Methodology by which Transpower's revenue is apportioned among transmission customers
 - The New Zealand industry regulator - Electricity Authority is consulting on changes to the TPM
 - It will not change Transpower's business plan assumptions or total revenue, only changes customers allocation of Transpower's transmission charge
- New Zealand's Aluminium Smelter (NZAS)
 - NZAS's owners have announced they will continue operating NZAS (uses ca. 13% of New Zealand electricity) until at least 31 December 2024



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 other large electricity distribution lines businesses (e.g. revenue setting)
 - 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 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

- Substantial regulated revenue
- 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 transmission assets receive a WACC return
- Regulated cost recovery for all approved operating costs
- Transpower's post tax WACC in RCP3 is 4.23%¹
- Transpower's Regulated Asset Base ca. \$4.8 billion (June 2020)
- 100% of transmission charges recovered across all regulated customers
- System Operator Service Provider Agreement - ca. 4% of total revenue

¹ RCP3 revenue applies from 1 April 2020 to 31 March 2025





Capital Expenditure





Capital Projects

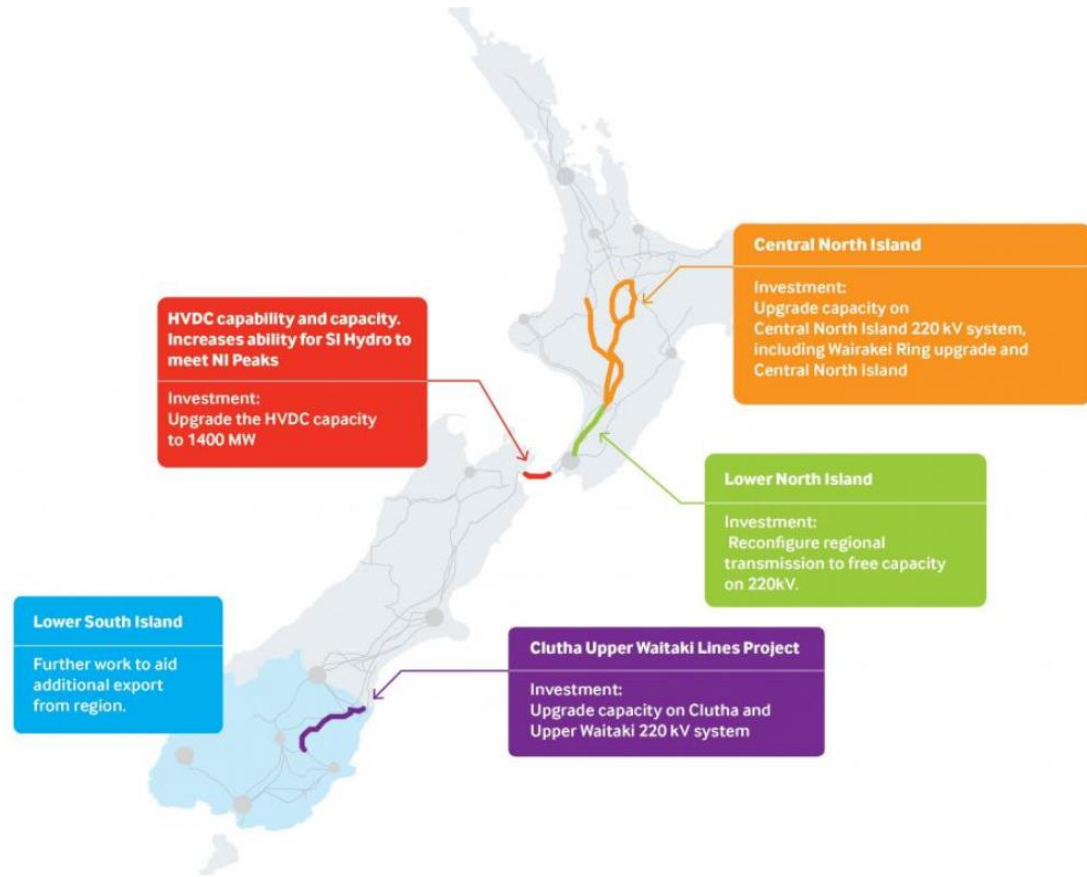
- Focus on efficiency and matching investment to need over time
- Growing asset base with capex spend exceeding depreciation
- Forecast capex over RCP3 is significantly higher than RCP2
- Most investment in transmission assets is recovered through regulated revenues approved by the Commerce Commission,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



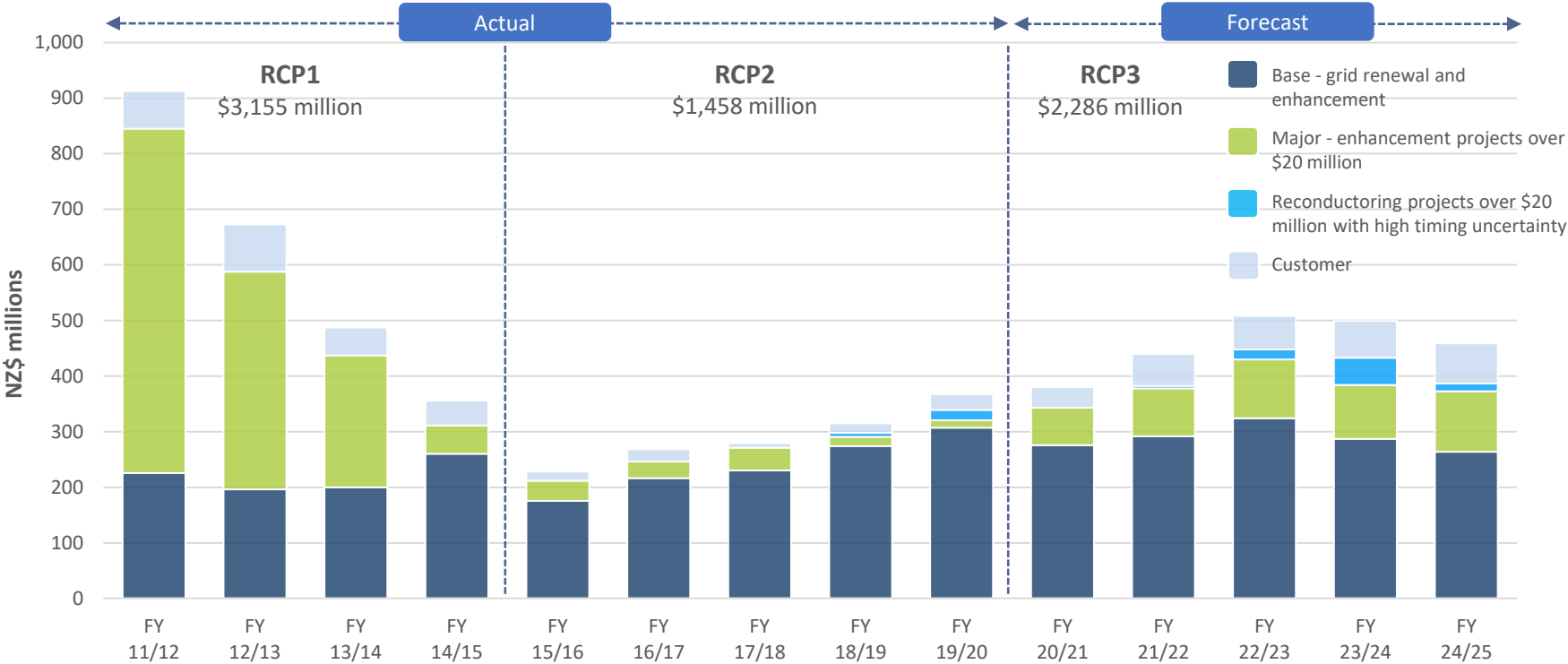


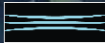
Net Zero Grid Pathways

- Growing Net Zero Grid Pathways is scenario planning for a range of options that moves the electricity system towards a higher renewable generation mix



Capital Expenditure Forecast





Funding

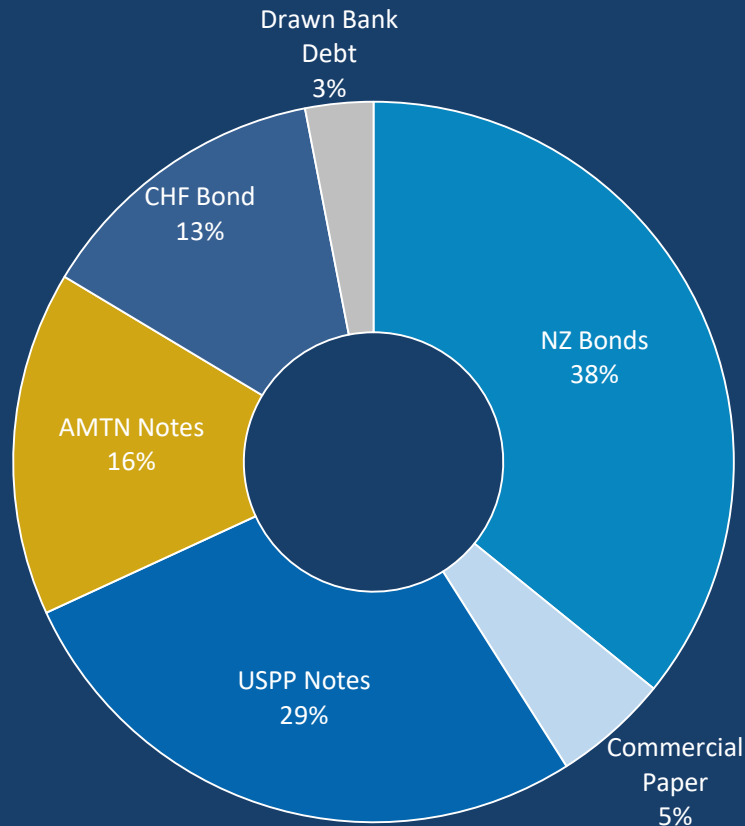


Conservative Policies/Targets

- 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

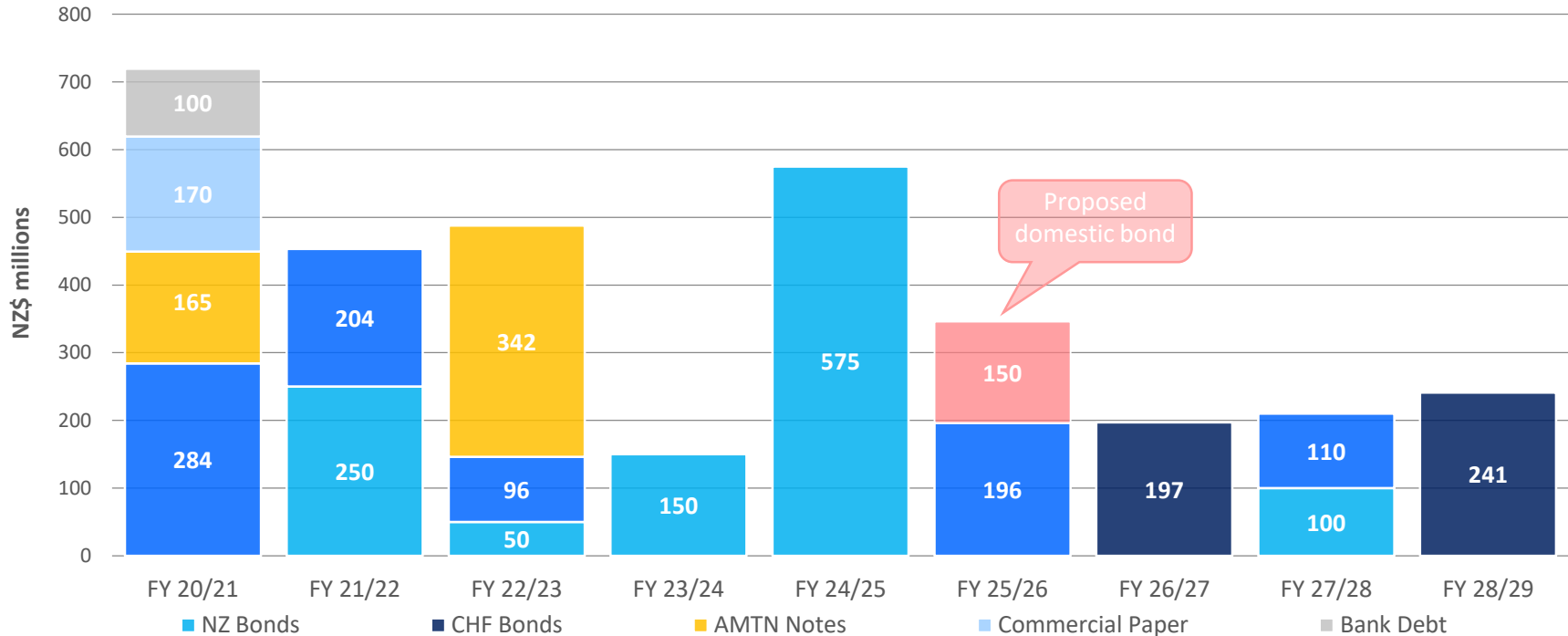


- Multiple sources of funding
- Approximately NZD\$3 billion debt as at December 2020
- Leverage of ca. 67%
- Undrawn bank facilities of NZD\$500 million

Source: Transpower, March 2021



Debt Maturity Profile



Source: Transpower, March 2021



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 April 2026
Issue Amount	Up to NZ\$100 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 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	The Bonds have been 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 existing NZX ticker code “TRP080”
Lead Manager	Bank of New Zealand



Timetable

Key Transaction Dates	
Offer Opens	Monday, 29 March 2021
Investor Conference Call	Monday, 29 March 2021
Offer Close	2.00 pm, Wednesday 31 March 2021
Issue Rate Set	Wednesday 31 March 2021
Issue and Allotment Date	Wednesday 8 April 2021
Interest Payments	8 October and 8 April in each year up to and including the Maturity Date





Questions

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>
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Appendices



Key Financial Metrics – SCI Outlook

Financial performance targets	2019/20 FY Actual	2020/21 HY Actual	2020/21 Target	2021/22 Target	2022/23 Target
FFO / Interest cover (x)	3.9	7.4	5.9	5.6	5.4
FFO / Debt (%)	15.7	16.7	15.2	13.9	13.6
Debt / (Net Debt + Equity) (%)	65.5	66.9	65.4	65.8	66.4
Return on Equity (%)	10.1	8.0	7.9	8.3	8.1
Return on Capital Employed (%)	5.6	3.8	4.0	4.2	4.1

Source: Transpower's Operational and Financial Performance Report 30 June 2020 and 31 December 2020 (Actuals) and Statement of Corporate Intent (SCI) 1 July 2020 (Target)
<https://www.transpower.co.nz/sites/default/files/publications/resources/TP%20SCI%20FINAL%20-%2030%20June%202020.pdf>



Summary Financials (continuing activities)

Financial performance (NZ\$ million)	FY June 2017	FY June 2018	FY June 2019	FY June 2020	HY December 2020
Total operating revenue	1,061	1,084	1,030	987	479
Total operating expenses	(288)	(294)	(297)	(292)	(145)
EBITDAIF ¹	773	791	733	695	334
Earnings Before tax	371	352	359	316	119
Net profit	266	252	258	231	85

Cash flow (NZ\$ million)	FY June 2017	FY June 2018	FY June 2019	FY June 2020	HY December 2020
Net cash from operations	522	554	514	484	220
Net cash from investments	(230)	(343)	(268)	(423)	(165)
Net cash from financing	(344)	(165)	(165)	(204)	26
Closing net cash carried forward	28	75	156	13	95

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 and Unaudited December 2020 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	HY December 2020
Total assets employed	5,598	5,749	5,932	6,116	6,024
Total liabilities	4,116	4,193	4,292	4,493	4,423
Total equity	1,481	1,556	1,641	1,623	1,601

Source: Transpower's Audited Financial Statements and Unaudited December 2020 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

