



Towards customer 3.0

Contact's retail business

9 November 2015

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EBITDAF, underlying earnings after tax, OCAT and free cash flow are non-GAAP (generally accepted accounting practice) profit measures. Information regarding the usefulness, calculation and reconciliation of these measures is provided in the supporting material.

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This presentation does not constitute investment advice.

Key themes for today

BUSINESS MODEL EVOLUTION

- » Energy market continues to evolve
- » Contact's business model continues to generate strong cash flows
- » Limited outlook for growth investment and changing customer expectations increases focus on retail business to provide opportunities for growth and improvement

BECOMING TRULY CUSTOMER INSPIRED

- » Our purpose – to help New Zealander's live more comfortably with energy
- » Establishing a Customer business around the customer value chain ensures we truly put customers first, and can adapt and act quickly in a data-connected and digital-driven world
- » Customer intimacy = Data + Digital + Innovation + Agility

EVIDENCE OF PROGRESS

- » Strategic review of customer business complete and organisation being restructured
- » System of record stabilised, SAP investment complete with cost savings programme in flight
- » Customer segmentation by value and attitude being operationalized
- » Products, partnerships, pricing and customer engagement activity underway

MEASURES

- » Customer lifetime value
- » Customer net promoter score
- » Market share
- » Share of wallet
- » Cost to serve

Current market topics of interest

» Te Mihi outage

- First unit returned to service with the second unit taken out last week for ~30 days. Operational flexibility evidenced

» Otahuhu land sale

- Marketing campaign in progress with deadline for offers 18 November

» Share buyback

- Buyback commenced 22 October; \$21.5m of shares purchased to date

» Board of directors and AGM

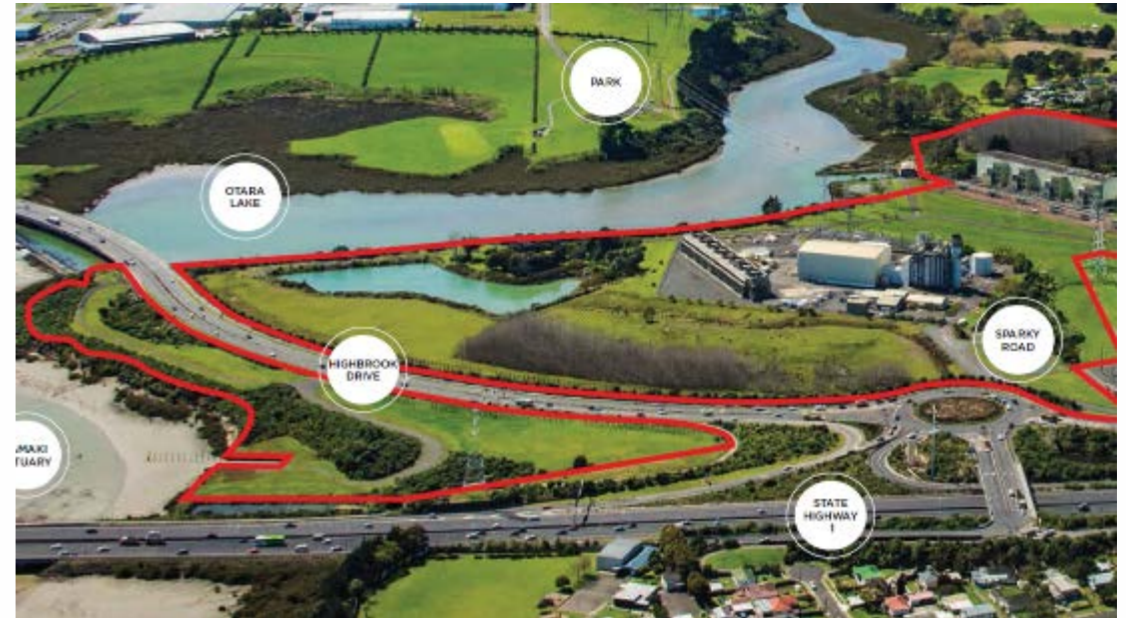
- AGM to be held 9 December
- Sir Ralph Norris, Victoria Crone and Rob McDonald appointed
- Seeking at least one further director with expertise in the area of large infrastructure operations and management

» Current retail performance

- Lower C&I sales and slower 'cost out' driven by Origin separation costs and bad debts
- Improvement in customer gains is being more than offset by high losses

» 2019 capacity requirement

- No update but confident industry will resolve in a rational manner
- Contact has good options and the Ahuroa Gas Storage facility will be pivotal in any industry solution



New technologies and changes in customer behaviours require us to adapt



Increased focus on renewable generation



Improving economics and competitiveness of new technology



Customer expectations around choice, control, certainty and value are requiring deeper relationships



Decreasing energy intensity in developed countries

Our Purpose – To help New Zealanders live more comfortably with energy

Finding, developing and generating the energy the market requires



Understanding, winning and keeping customers



Supporting our business



Contact has the scale, experience and capability to succeed in a changing retail market

Contact is accelerating the evolution of its retail business following a period focused on large capital development and integration

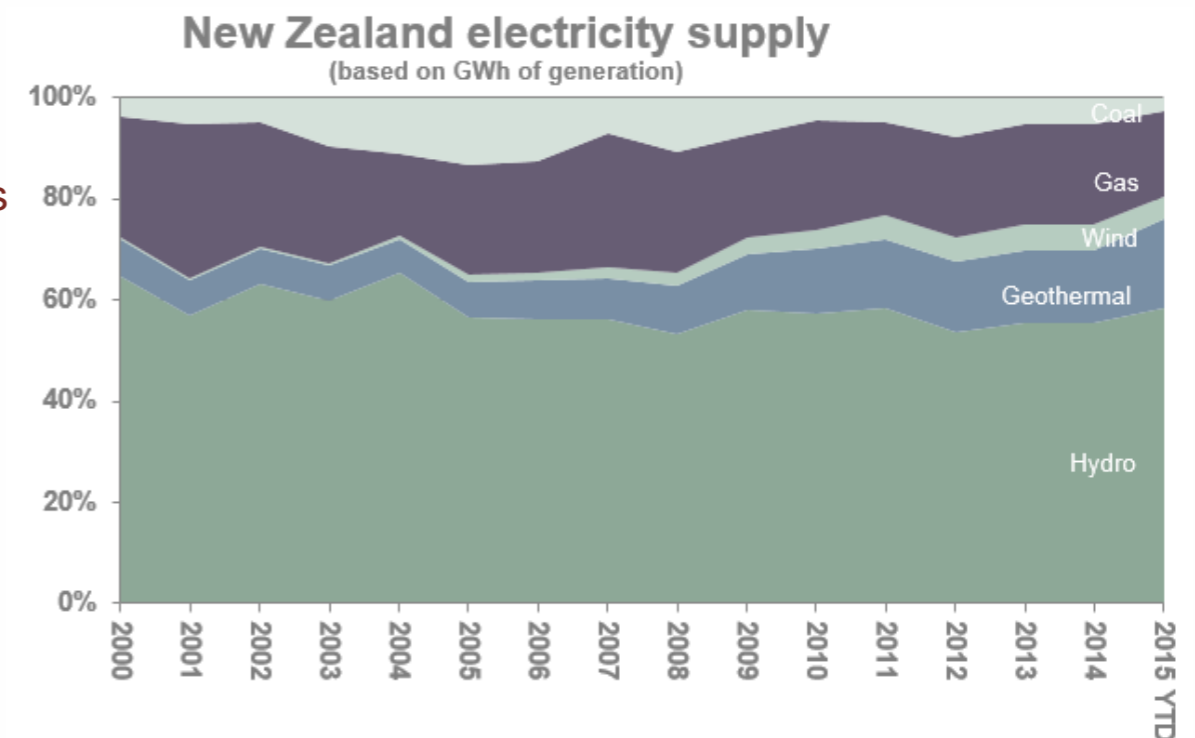
- » The industry and Contact have responded to significant change
 - Industry has managed the transition from gas and coal fired generation to renewables
 - Changes in customer expectations and technology provide new opportunities
- » Integrated business with diverse and flexible generation portfolio generating strong cash flow
 - Over \$2 billion invested in geothermal, gas storage, peakers and systems over the past 7 years
 - Contact now ex-growth capex, removing excess capacity and reducing opex after 4 years cost control
- » We start with a strong legacy position in energy retailing
 - 21% market share of electricity connections
 - 23% retail gas market share
 - 40% share of LPG sales

557,000

Customers across three products

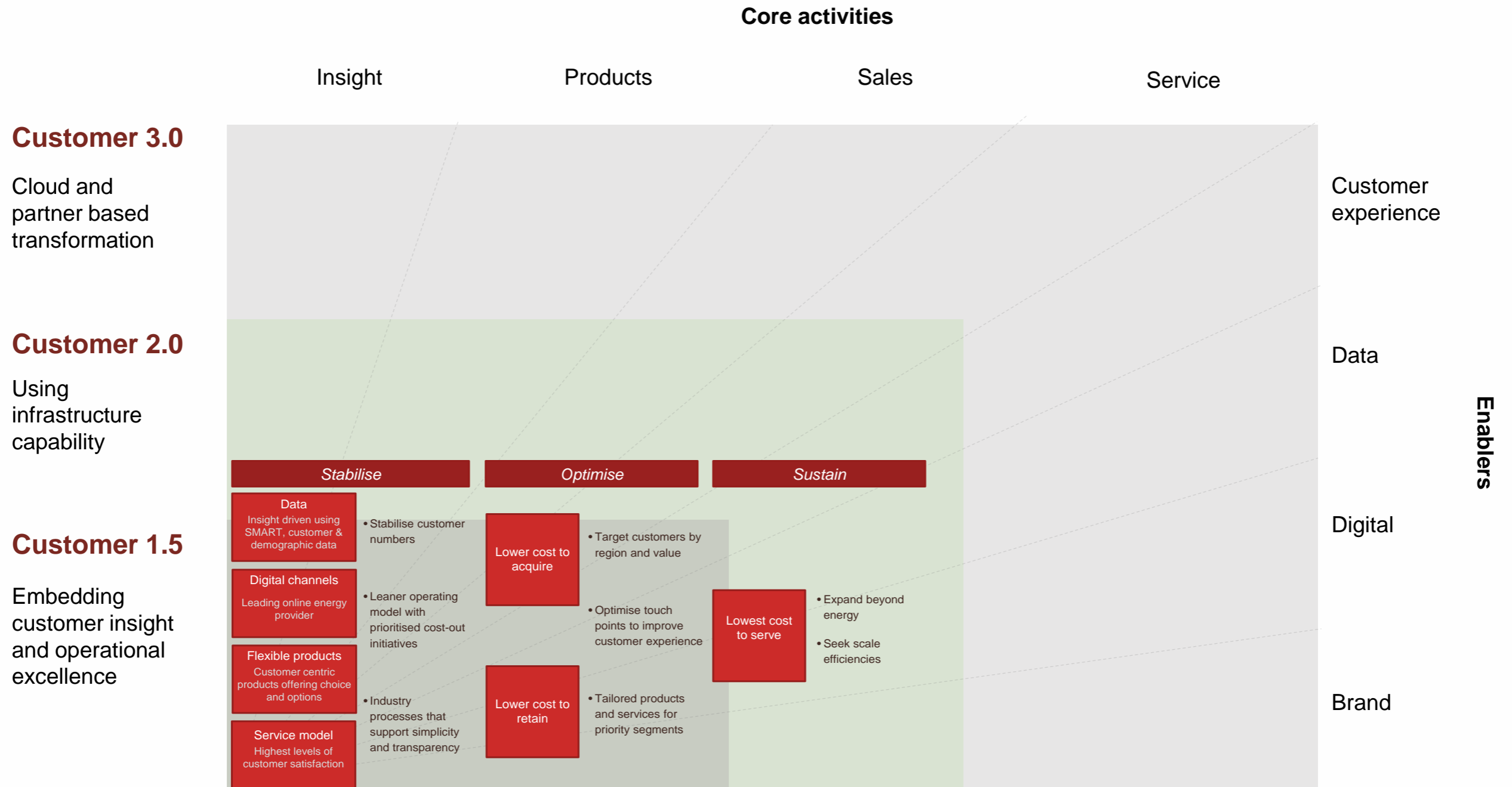
21%

Market share of electricity connections



Our customer strategy is developing across three horizons

Technology and customer expectations accelerate plans to move beyond lowest cost



We are positioned well to compete

Contact analysis	Contact		Average main competitors*
Electricity netback (\$/MWh)	93	▶	94
Net price (\$/MWh)	106	▶	113
Mass market electricity customers (000)	438	▶	360
12 month churn rate	20%	▶	19%
12 month change in customer numbers (000)	(8)	▶	4
% electricity sales to mass market	46%	▶	61%
Cost to serve per customer (\$/customer)	253	▶	256
Bad and doubtful debts as a % of revenue	1.5%	▶	1.0%
Net promoter score	(8%)	▶	(13%)

* Numbers based on Contact analysis from FY15 reported results and market benchmarking

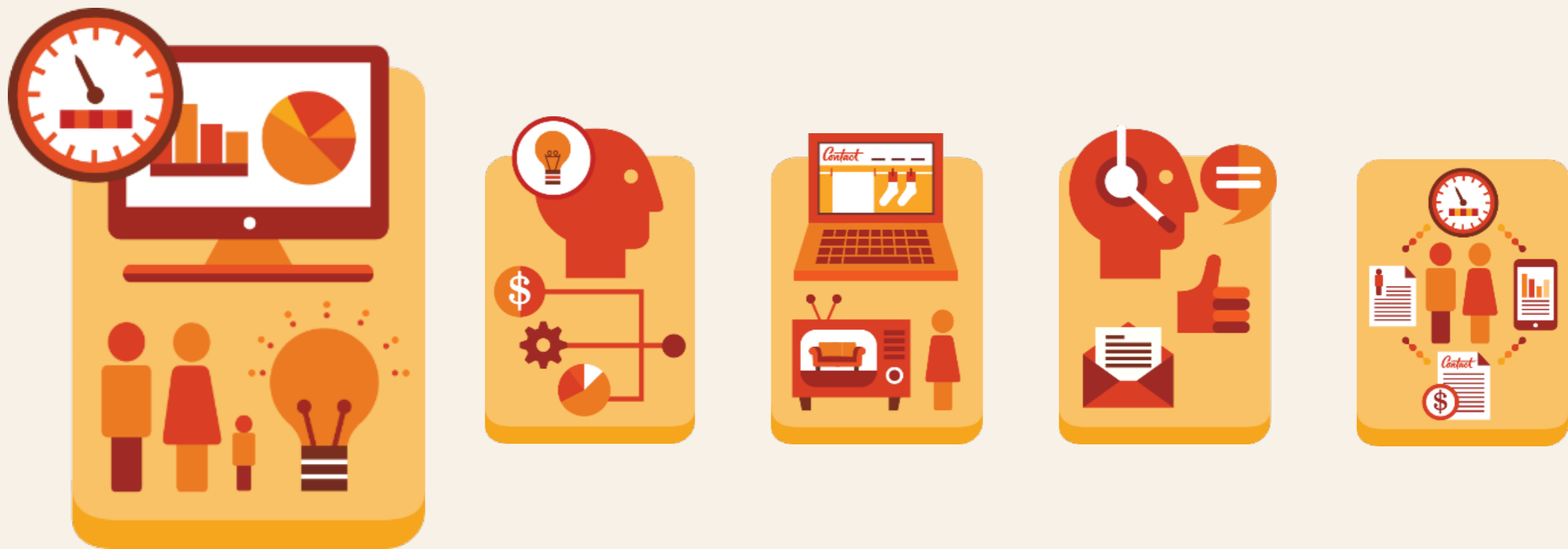
To be customer-centric you must be customer-inspired

That requires a customer-view of the business



Understand – Build propositions – Promote them – Provide great service – Support the operations

» Customer intimacy is built through Data + Digital + Innovation + Agility being embedded in every step of the chain



Data, analytics and insight

Targeted, meaningful and insightful analysis identifies customer lifetime value for us to pursue

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UNDERSTANDING WHAT CUSTOMERS WANT

- » Leverage digital and data opportunities to make connections that produce targeted, meaningful and valuable insights, analysis and recommendations for the Customer business

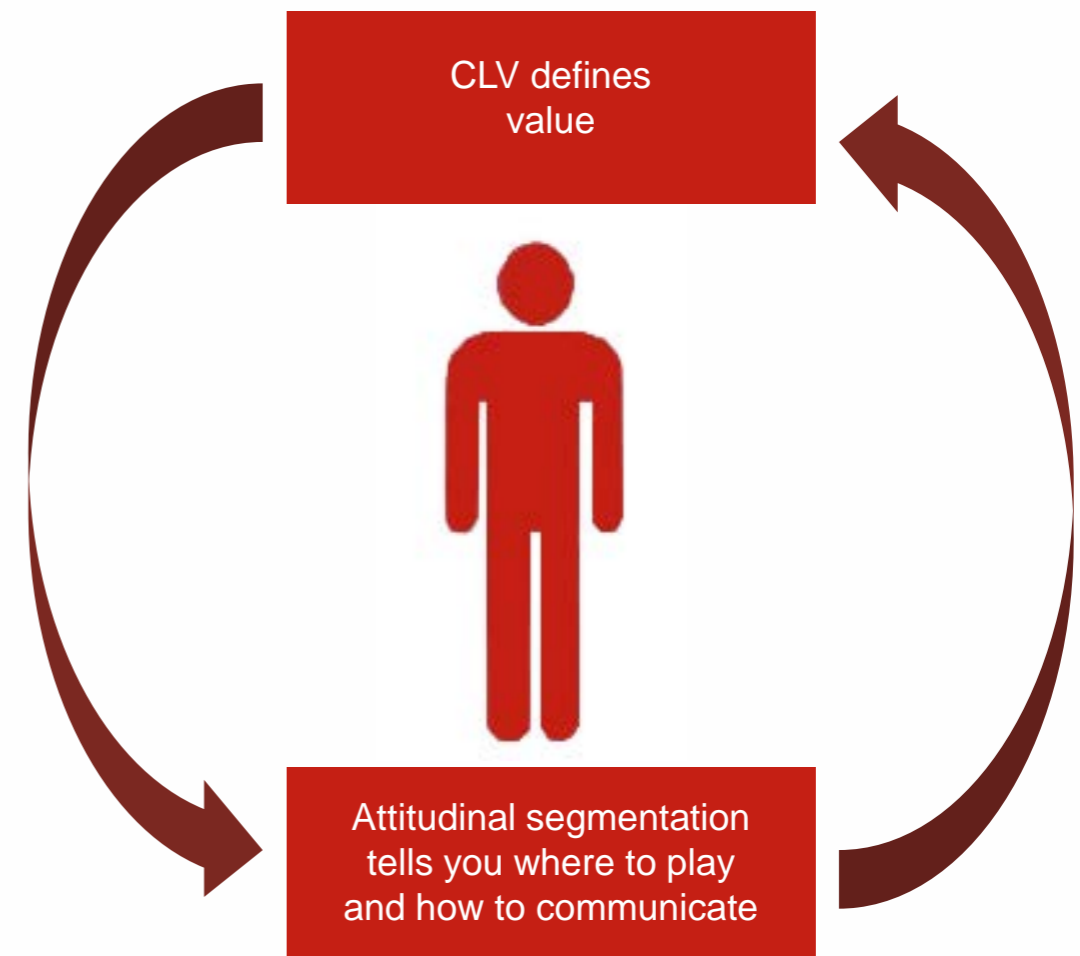
SUCCESSSES AND PROGRESS MADE

- » We now organise our customers by CLV
- » Customer engagement is based on our attitudinal segmentation
- » Targeting activity based on marginal propensity to leave

NEXT STEPS

- » Leverage system of record capabilities for next generation propositions
- » Digitisation of customer interactions builds more value in our data and insight
- » Use product/price architecture to encourage and reward value driving behaviour

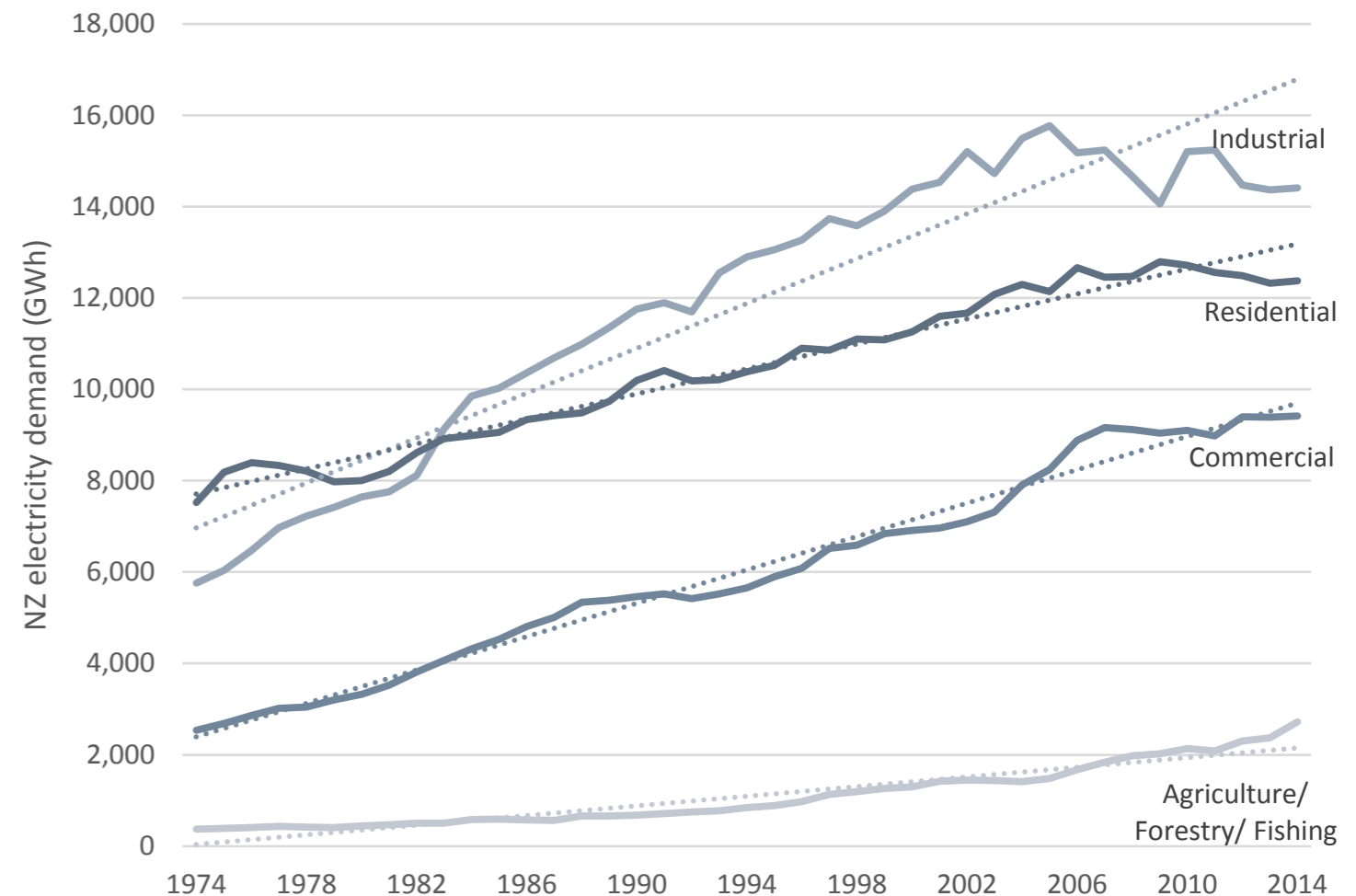
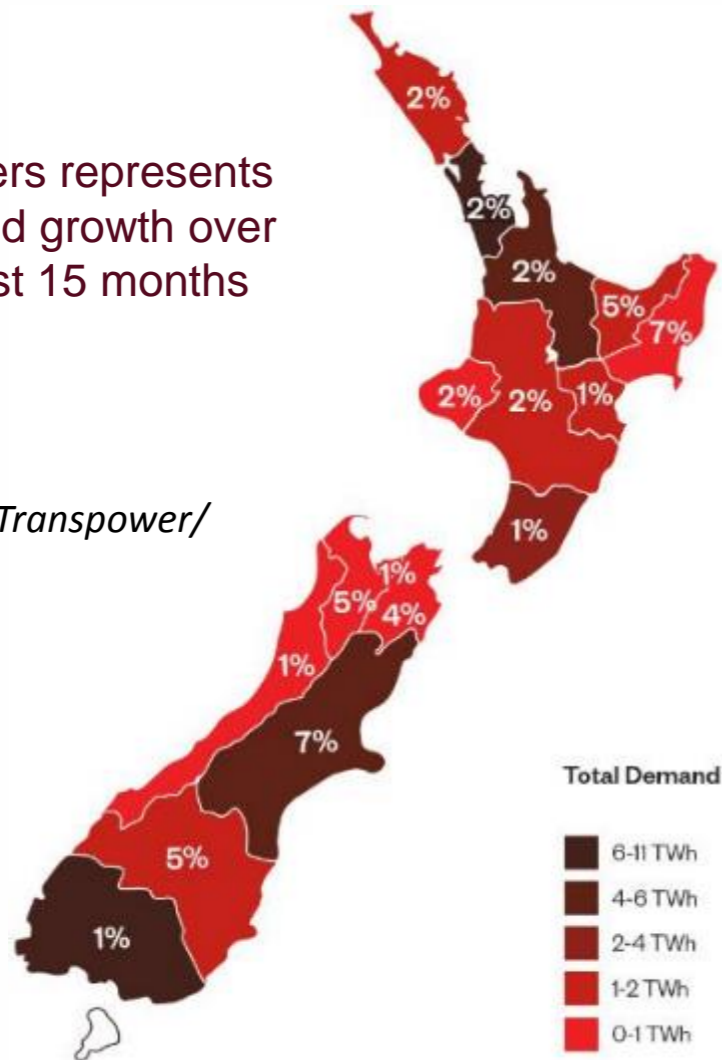
We use two key frameworks to understand customers



Demand growth has returned over the past five quarters

Numbers represents demand growth over the past 15 months

Source: Transpower/
Contact

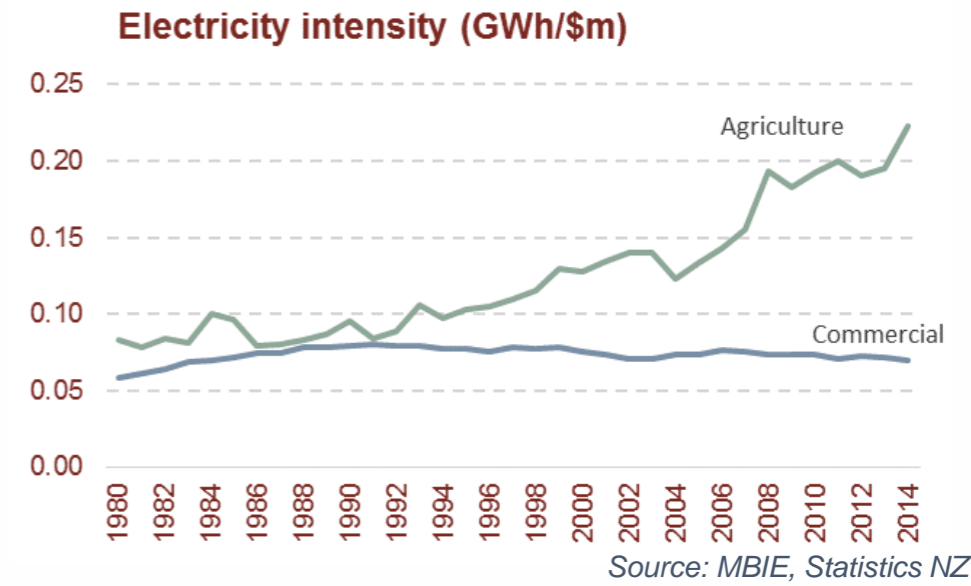
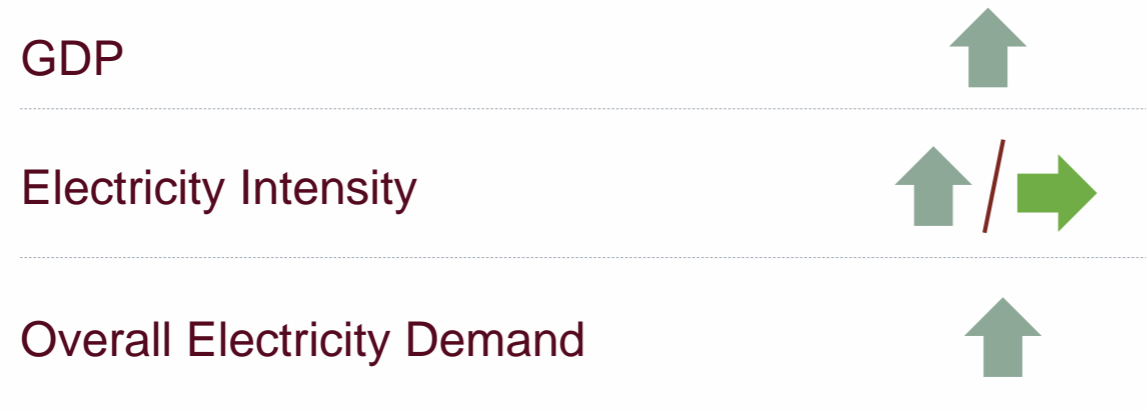


- » FY15 national demand increased 2.1% from FY14
- » First quarter FY16 up 2.4%

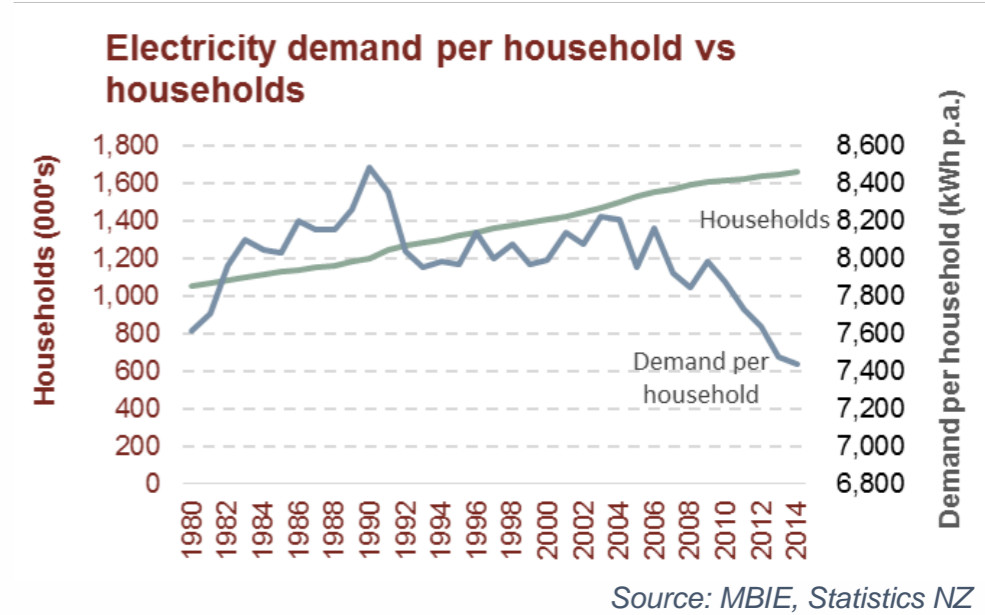
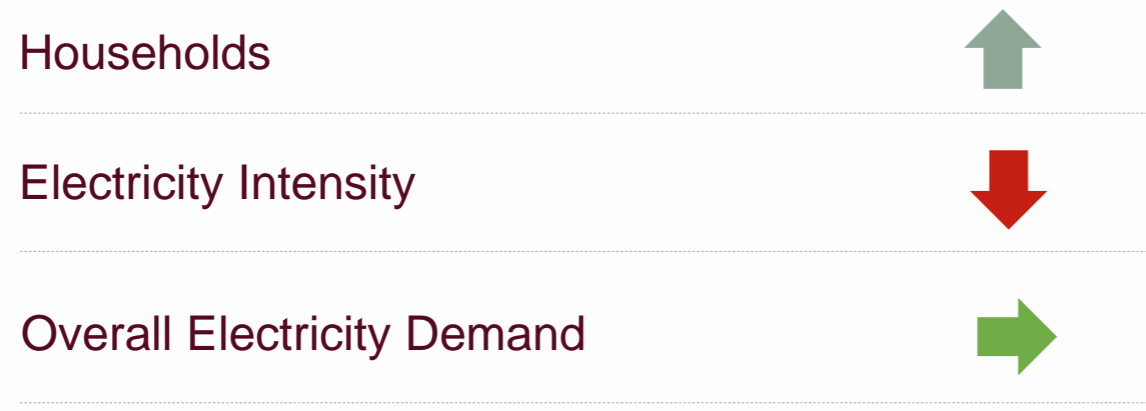
- » Residential demand growth has flattened as energy efficiency offsets new connections
- » Industrial demand continues to follow historical trends other than the closure of a paper machine at Norske Skog

The outlook for demand is improving although industrial closures quickly offset any growth

AGRICULTURE AND COMMERCIAL DEMAND OUTLOOK

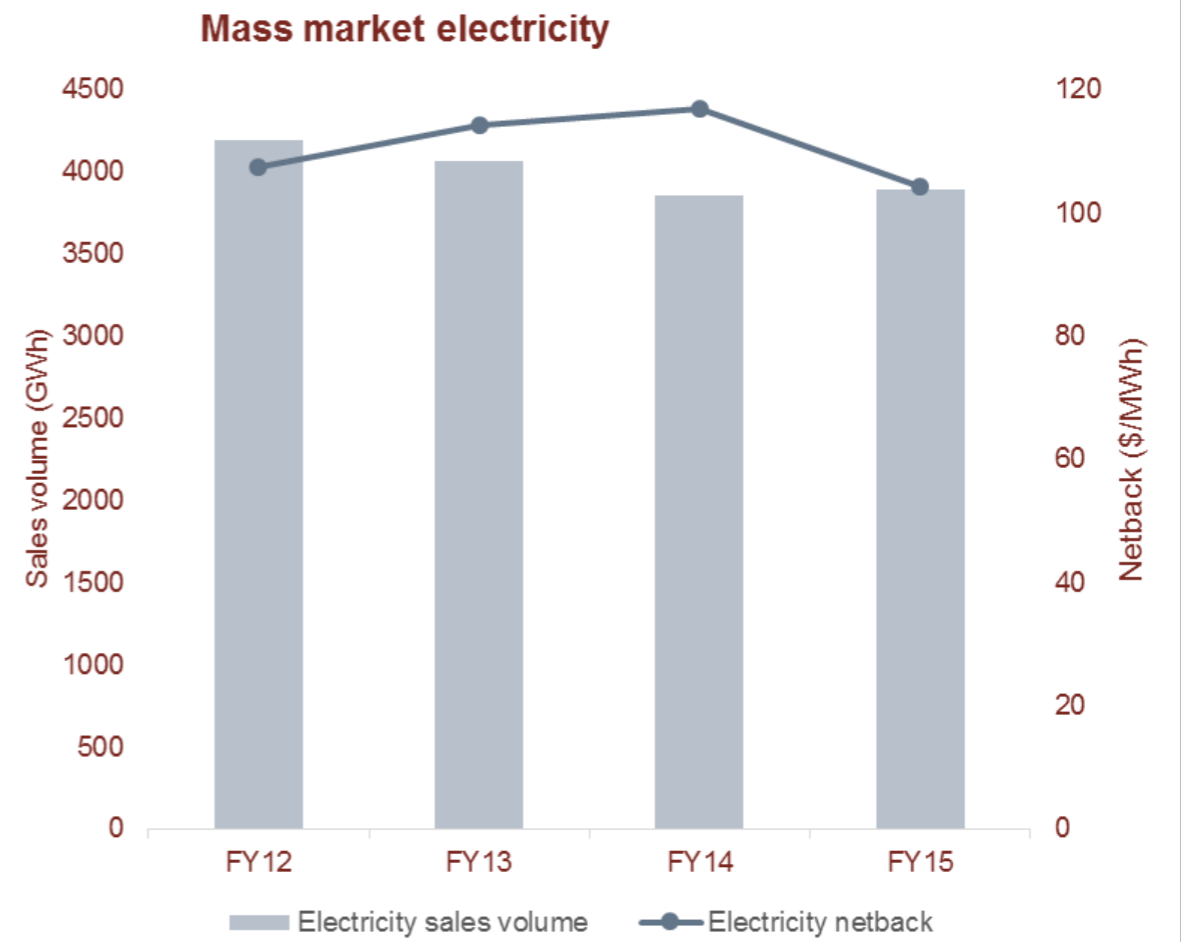
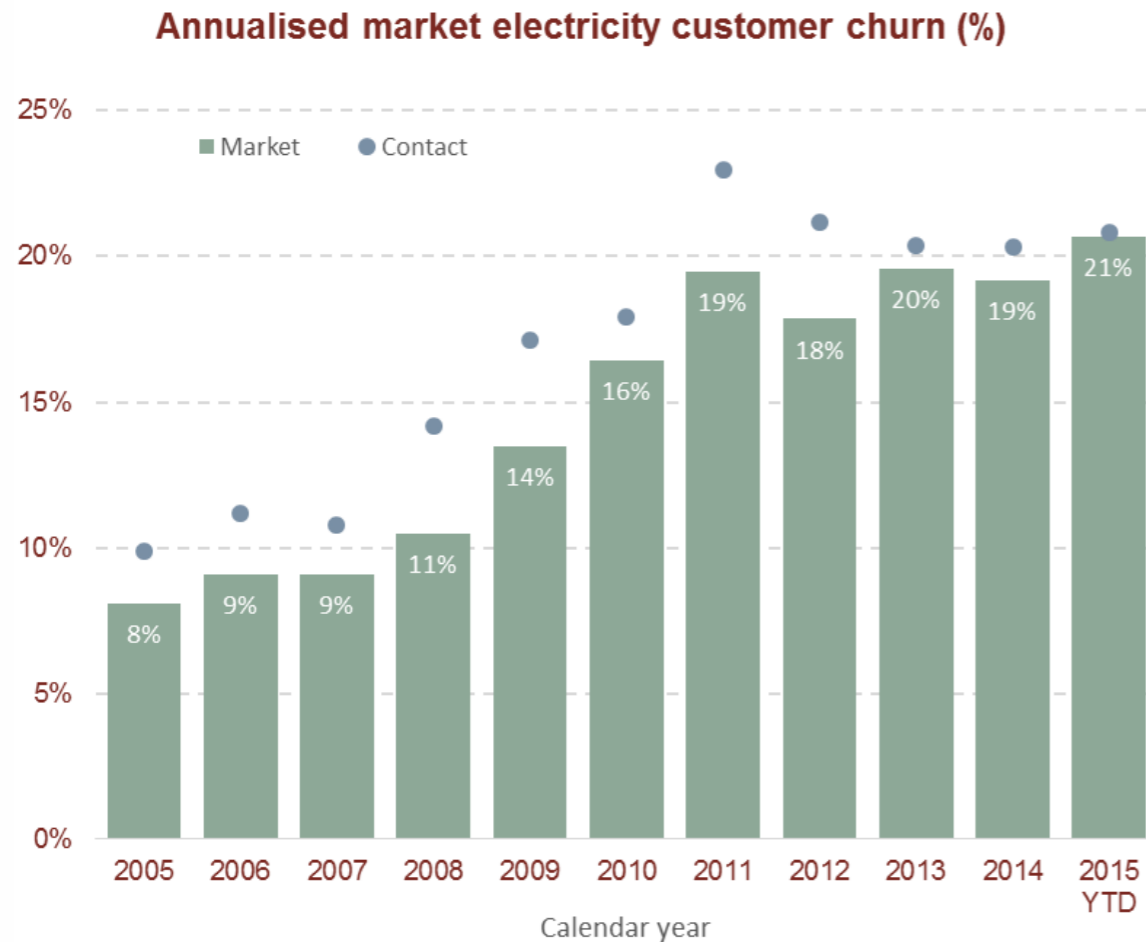


RESIDENTIAL DEMAND OUTLOOK



» Transpower forecasting demand growth of between 1.1% - 1.7% over next 4 years

Churn rates remain high – impacting CLV and sales volumes in our mass market business



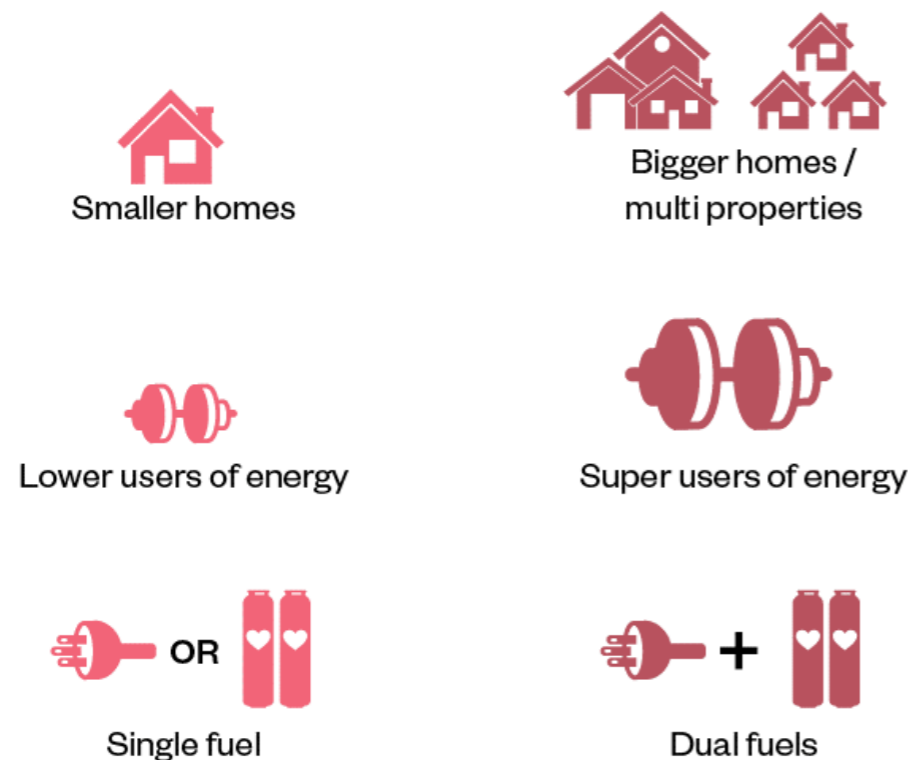
- » Approximately 60% of churn is driven by house movers rather than active switches
- » Over 70% of mass market electricity customers are now on products with higher than standard discounts offering them some of the most competitive pricing in the country

Customer Lifetime Value is a holistic metric for customer value

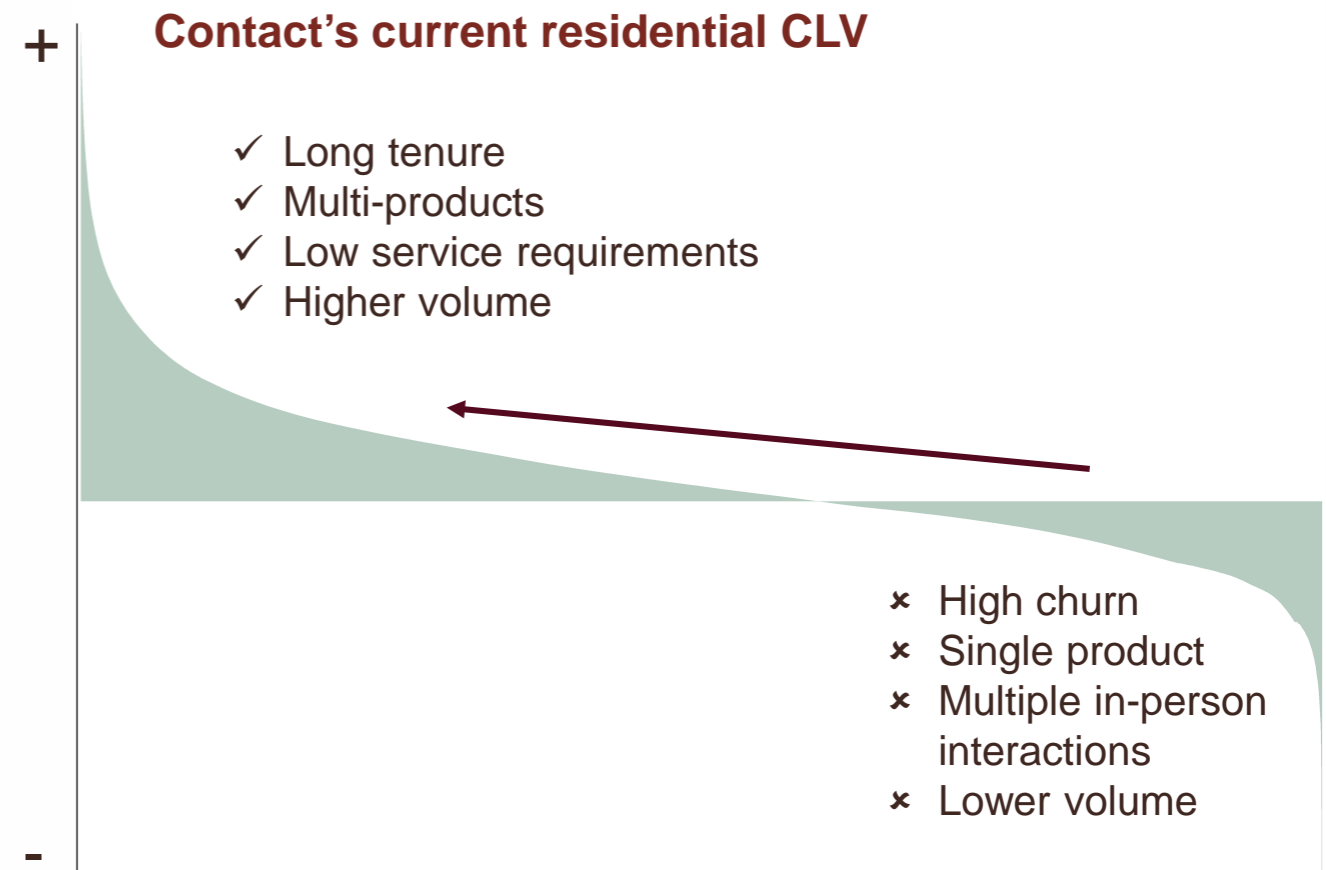
Not all customers provide the same value

- » A shift in focus to understanding customer lifetime value provides a better view of which customers to focus on, how much effort and resource is assigned to serving them and how to drive improved long-term value

Maximising customer lifetime value

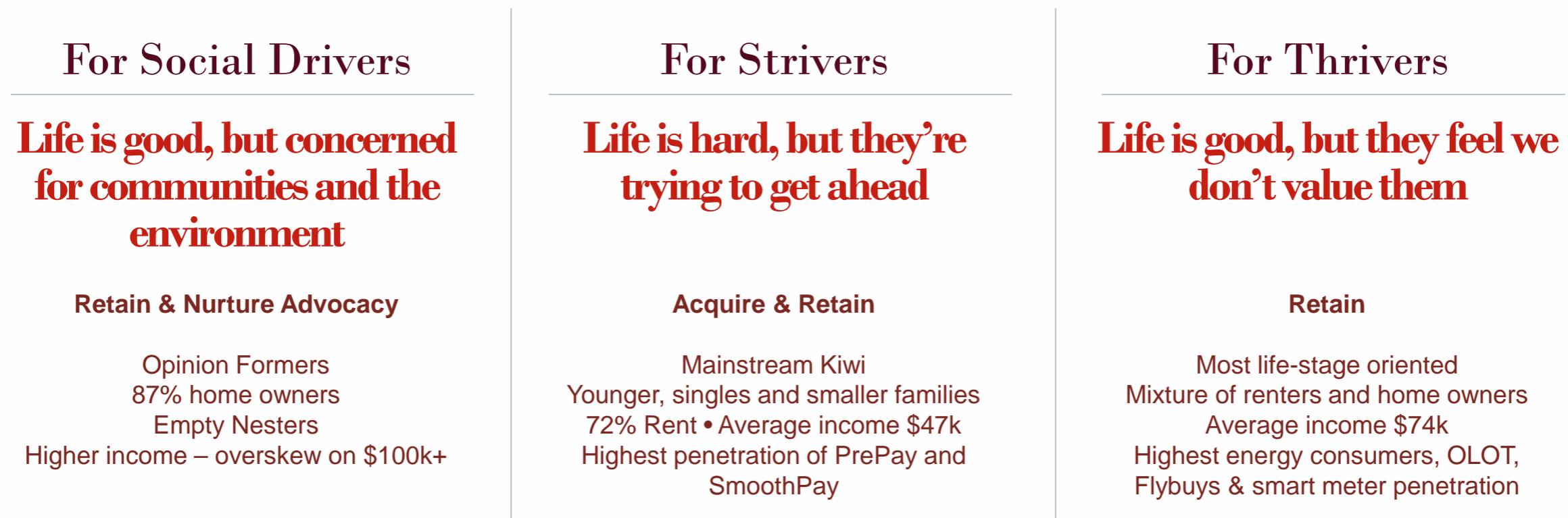


Historical price settings drive higher number of customers with a poor CLV



Future product and service propositions will lever CLV growth drivers

Attitudinal segmentation helps drive customer centricity and how we connect with them



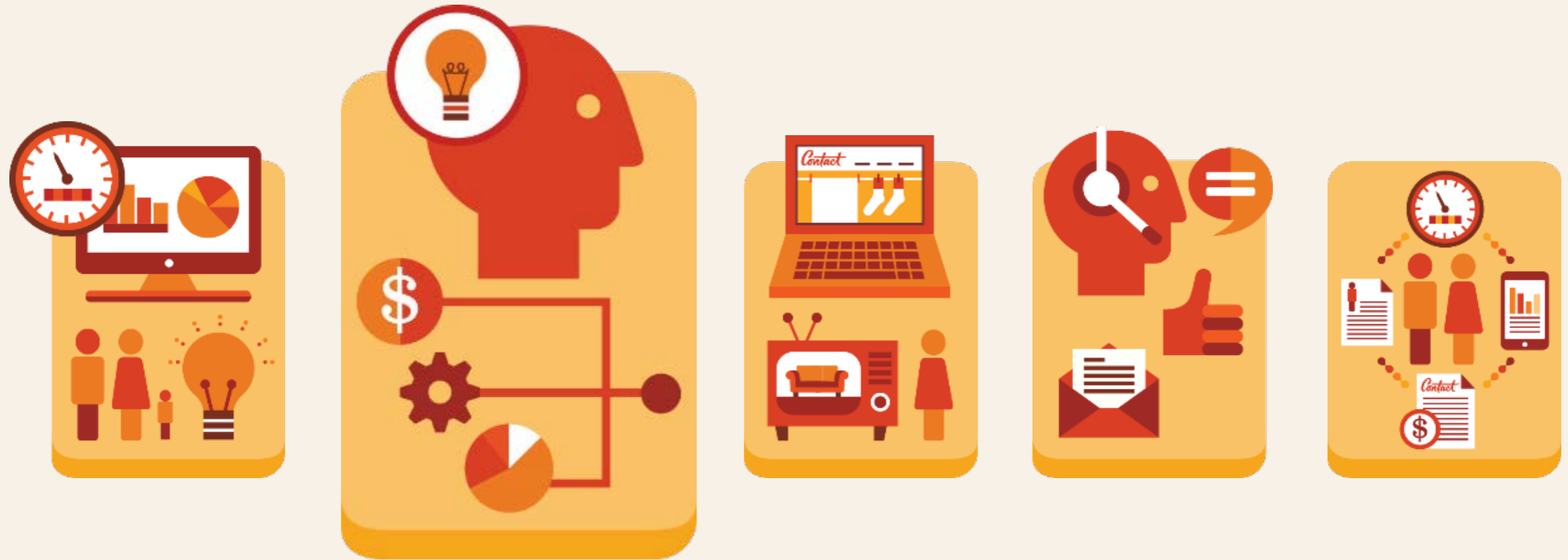
For each segment we understand ...

Total market value

Number of households

Contact market share

Market average share



Designing tomorrow

Creating and making the products and services that customers value and want

Creating and making the products and services that customers value and want

DELIVERING WHAT THE CUSTOMER WANTS

- » We are digital futurists and innovators focused on a continuous process of designing, building, adapting, optimising and activating product and service propositions to drive profitable growth
- » In a dynamic market it is important that regulation keeps pace with the changing demands of customers

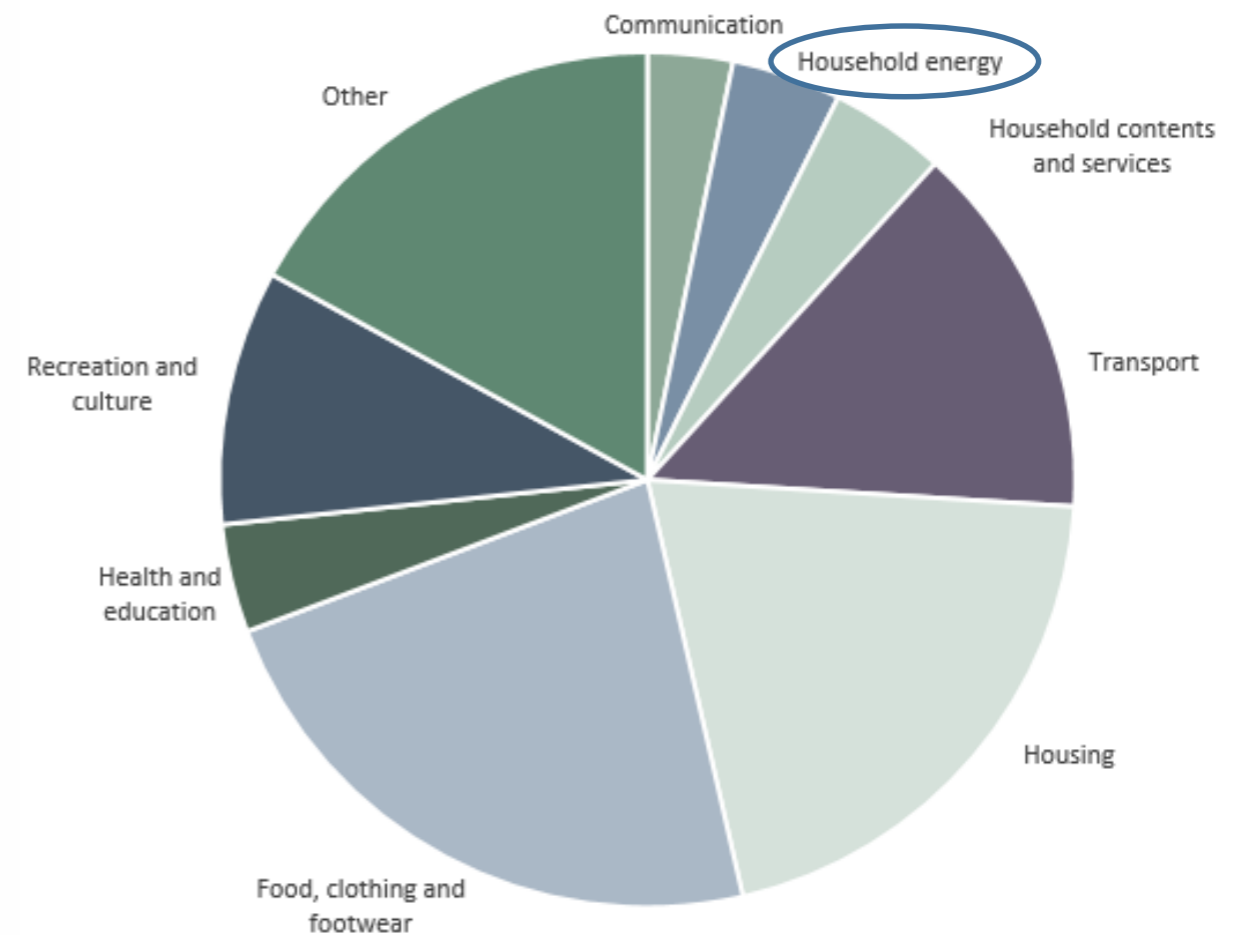
SUCCESS AND PROGRESS MADE

- » Solutions driven by insights, segmentation, CLV, FlyBuys partnership
- » Self service; LPG, billing, call-back, website
- » Electricity Retailers' Association of New Zealand (ERANZ) established

NEXT STEPS

- » Digital acceleration; sales, service, information
- » Breadth and scalability in product, partnerships and proposition canvas

Average weekly household expenditure



Source: Statistics New Zealand,
Household Economic Survey: Year ended June 2013

A series of paradoxes and seismic shifts within New Zealand culture*

NEW WAYS OF CONTESTING WHAT IT MEANS TO 'LIVE, BREATHE AND DO NEW ZEALAND', THAT INFORMS HOW WE SERVICE THE MARKET



WE WANT TO LIVE WITH BRANDS FROM EVERYWHERE



THE NECESSITY OF LIVING OFF THE SPREADSHEET, NOT THE LAND



SHE'S NOT ALRIGHT MATE



DETERMINED IS THE NEW LAID BACK



INTERDEPENDENCE, NOT DIY



SIMPLE IS ASPIRATIONAL

OUR RESPONSE AND ACTIONS TO DATE

- » Continued focus on Purpose and investment in brand assets
- » Propositions being designed with Choice, Certainty and Control attributes top of mind
- » Segmentation alignment
- » Marketing messages (tone and themes) and volume

IMPLICATIONS AND KEY CONSIDERATIONS FOR TOWARD CUSTOMER 3.0

- » Energy affordability is a mass-market issue for increasing number of Kiwis
- » More options for customers to manage their consumption and energy patterns
- » Community investment and shared value
- » Partnering for economic and social value
- » Non-monetised propositions

*JWT Paradoxically Kiwi Study 2014/2015

Sea-change in customer businesses is profound

Marketing is at the front edge of leveraging changing technology and expectations



A SHIFT IN POWER

From brands and media owners to customers, consumers and clients.



A NEW MODEL OF ENGAGEMENT

From broadcast to dialogue.



A METEORIC RISE IN CUSTOMER EXPECTATIONS

Focusing on speed, flexibility and value.



AN ERA OF MISTRUST

A growing focus on privacy, transparency and responsibility.



MORE INFORMATION THAN WE KNOW WHAT TO DO WITH

A new chapter of data-paralysis.

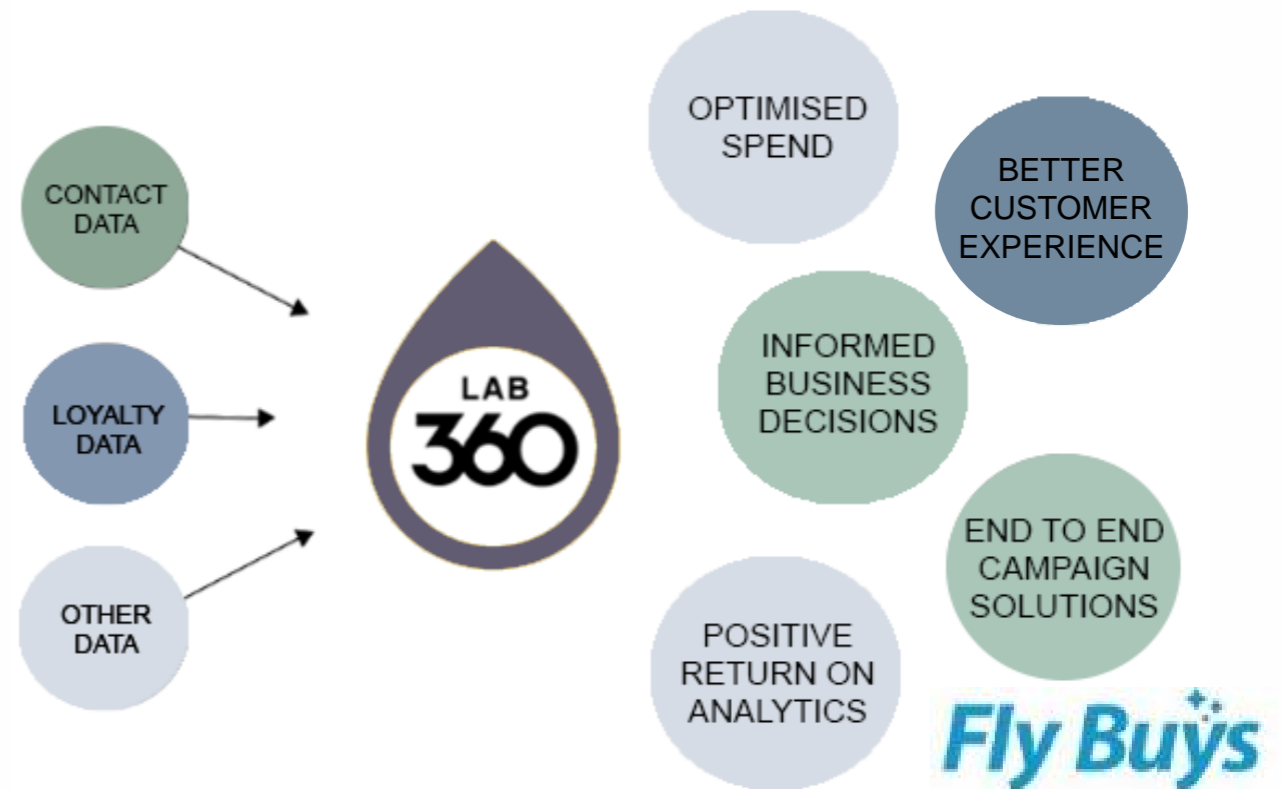
Resulting in

- » Hyper-personalisation
- » Digital everything, 24 x 7 x 365
- » Data-led currencies
- » Expectations of service performance set by other categories and from other geographies

Partnerships are critical in designing and developing new offers that leverage our system of record

Contact's scale makes it an attractive partner for third-parties

- » Contact's own data combined with spend and redemption data from 1.8 million active Fly Buys households as well as 53 other Fly Buys participating organisations provides strong access to information
- » System of record capabilities allows for ease of integrating third parties
- » Transition from a passive earn model to one that rewards value-driving behaviour
- » Rewards programme for business customers
- » Fly Buys provides a unique platform to improve employee engagement



Contact's exclusive Fly Buys partnership gives us access to New Zealand's largest and richest customer behaviour database

246k

Customers collecting Fly Buys with Contact

5.5 years

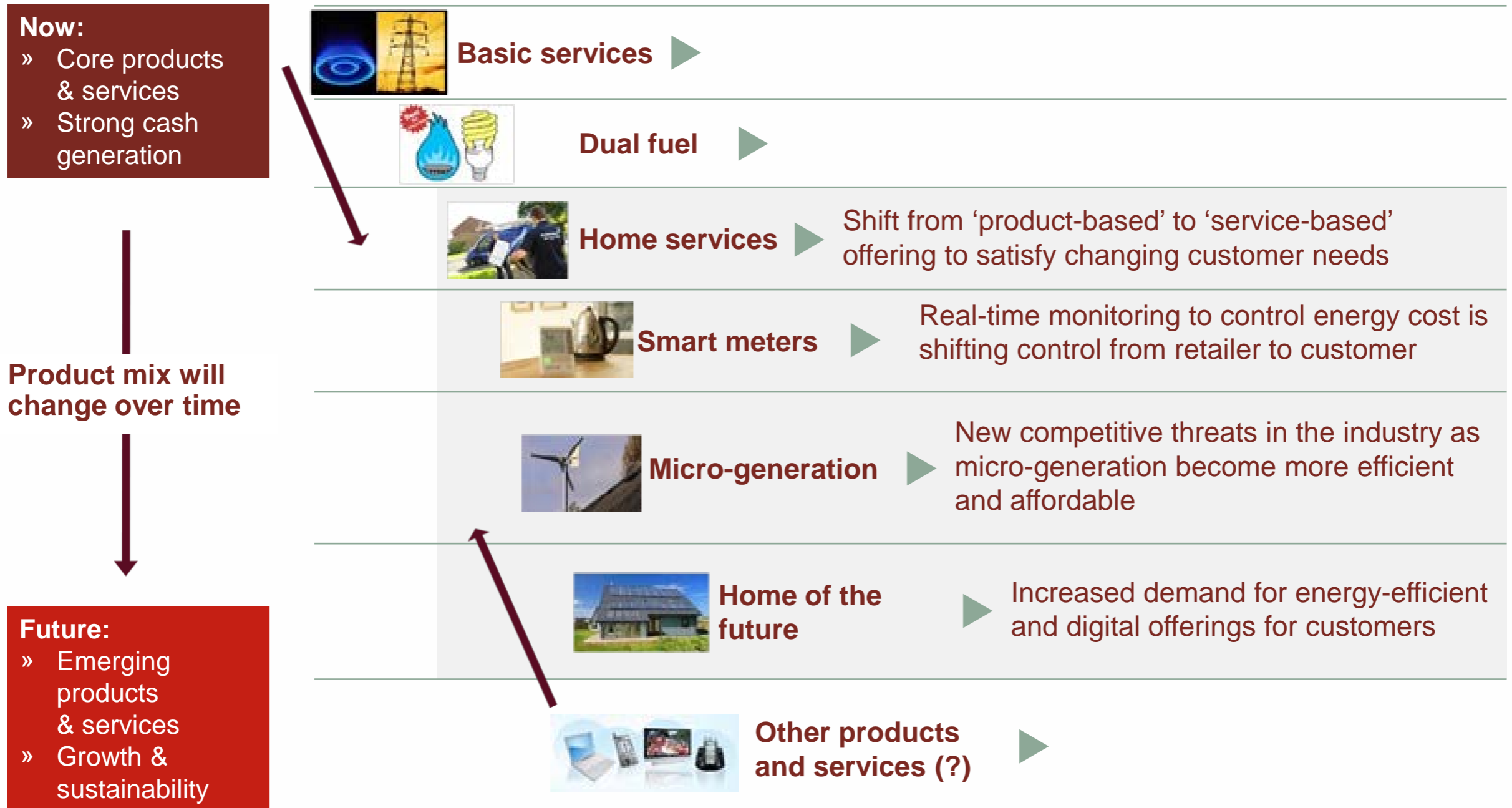
Average tenure of a Fly Buys customer (4.6 years for a non member)

15m

Fly Buys points issued in FY15

Partnerships and ventures will be key to developing non-core value propositions

Our system of record enables us to unlock growth opportunities from non-core products



Digital ubiquity

Digital experiences and customer behaviour is continually re-setting customer expectations – services from Amazon, Air BnB, Air NZ and many others lead the way

What New Zealanders do and see in the digital space

>50%

of consumers use online information as a primary source

7 hours

of screen time every day. 17% Tablet, 29% Laptop/PC, 28% TV, 27% smartphone

10.5m

NZ users registered across 8 social platforms

\$736m

NZ online marketing expenditure forecast for 2015

By 2016

60%

of smartphones users believe sensors will be widely in use in everything from healthcare, transport, cars, & the home

80%

use smartphones for browsing & searching

Energy sector implications

+12% YOY

Energy-related searching

35%

Of all energy searches now on mobile devices

+66% on mobile YOY

For Contact that means accelerating investment in:

- » Customers being able to stop, start, continue their energy journey seamlessly, across many channel & device types
- » Deploying digital sales, service and information channels simultaneously
- » Making every action a valuable data source – a two way exchange of value between us and the customer



Regulation may struggle to keep pace with changing technology and customer preferences

Contact's regulatory manifesto provides a framework for pursuing a competitive retail electricity market in New Zealand

Five pillars of our regulatory manifesto

Simplicity	Transparency	Access	Competition	Profitability
Market complexity costs Contact and consumers money. It's our job to make the complex simple.	Customers define transparency. Every element of what we do and charge can be defended factually and as reasonable.	There should be a reasonable way for everyone to live comfortably with energy.	Promote market design changes to ensure greater competition. A healthy competitive market is best for customers.	It is in New Zealand's long-term interests for investors to make a reasonable return on investment.

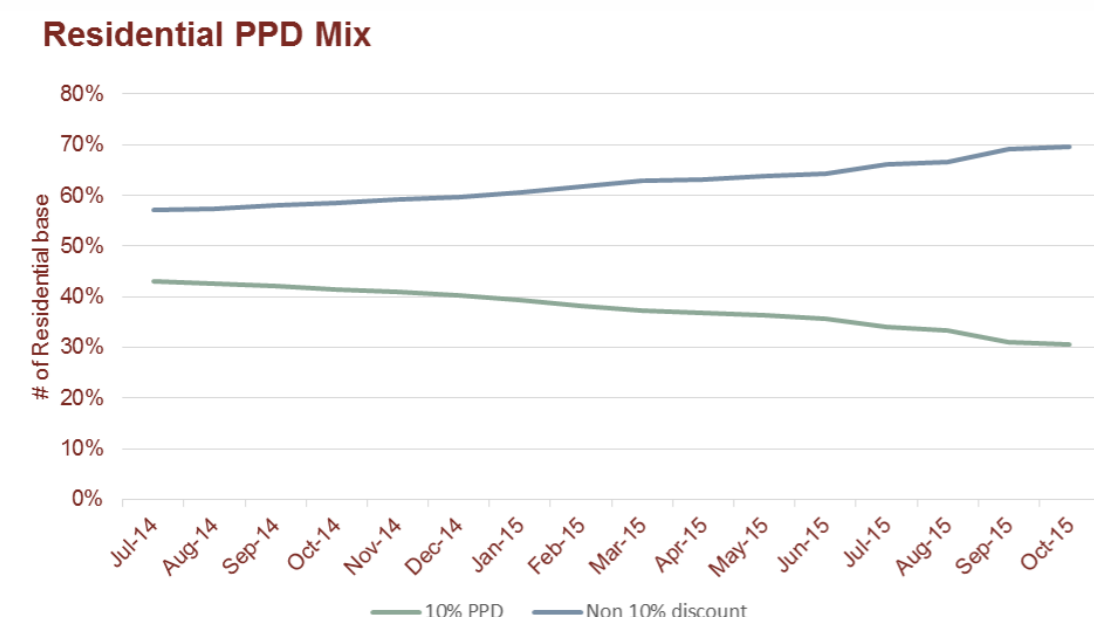
- » While regulatory momentum is strong, particularly in the retail space, the voice of the customer is noticeably absent
- » Regulation may struggle to keep pace with the pace of change in technology and customer expectations
- » Electricity Retailers' Association of New Zealand (ERANZ) established
 - Objective is a sustainable and competitive retail electricity market
- » Removal and replacement of the Low Fixed Charge regime

Contact's historical pricing construct is changing, improving competitiveness and customer value

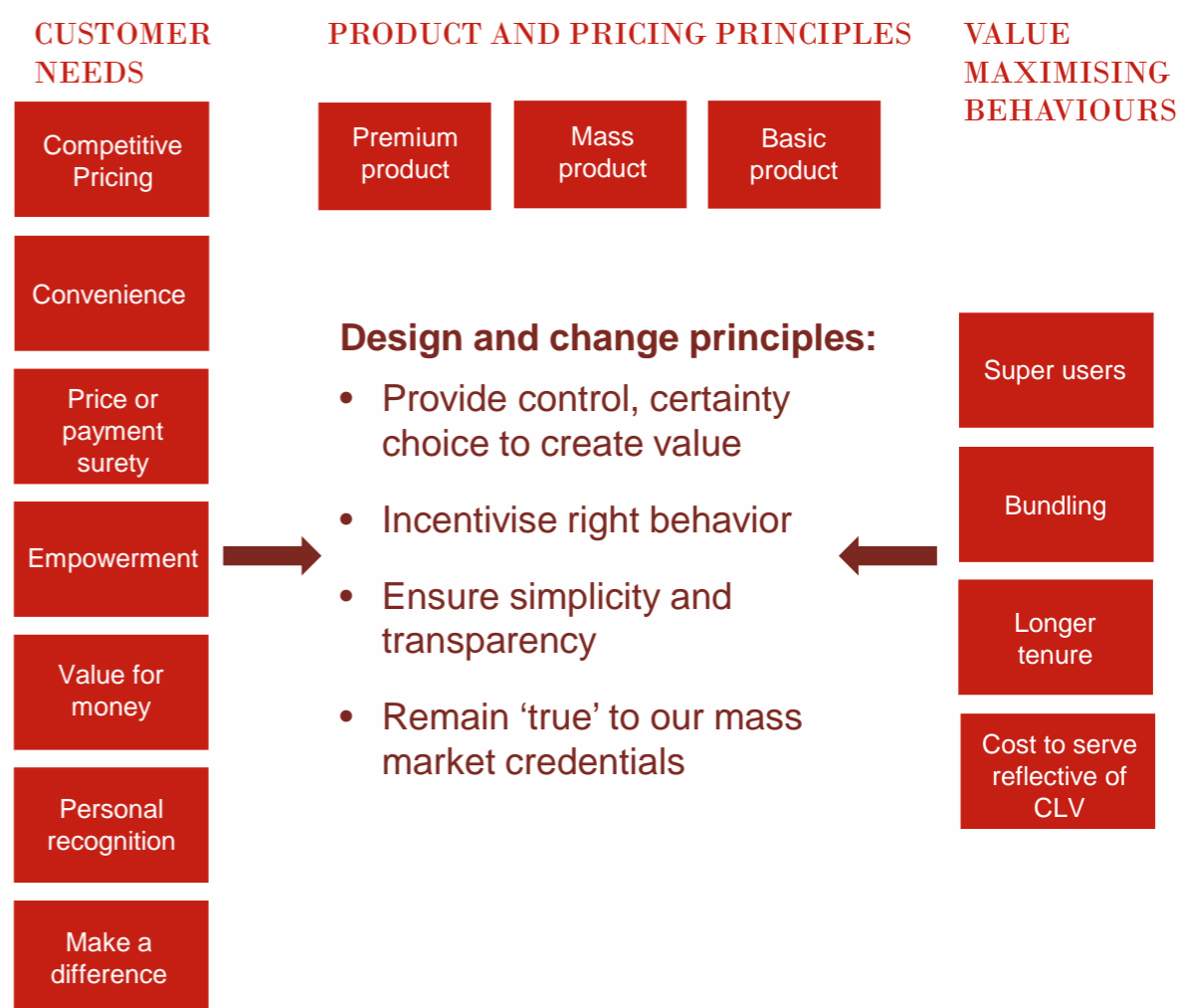
DISCOUNTING IS THE UNIVERSAL CURRENCY FOR CONTACT AND MOST OTHER ENERGY RETAILERS TO ACQUIRE AND RETAIN

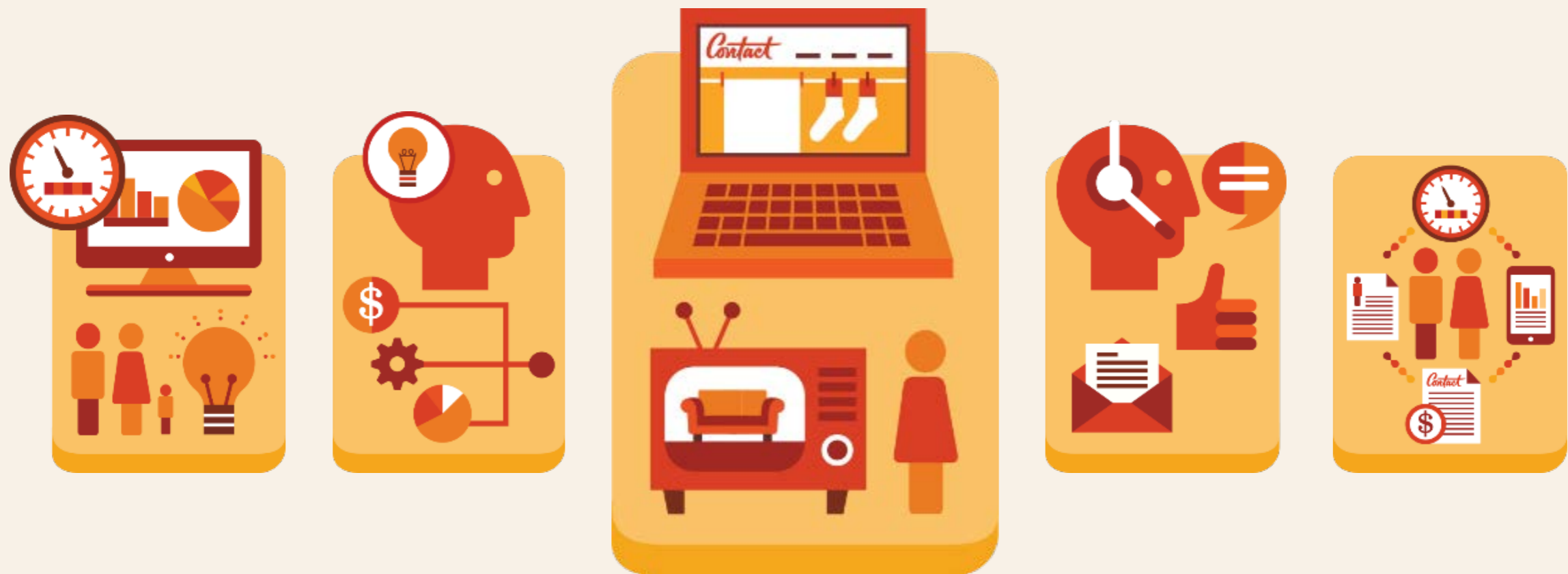
- » Contact's customer mix has changed over time and impacted the average tariff.
- » Since July 2014, we have seen
 - Customers on 10% PPD decrease ~12%
 - Customers on 22% PPD increase ~10%
- » Acquisition offers remain primarily price focussed

DURING FY16 WE EXPECT TO RESOLVE ALL HISTORIC PRICING ANOMALIES



Moving customer consideration from 'price' to 'value' is a key driver.





Customer experience – sales

Selling to the right customers, the right products at the right time

Selling to the right customers, the right products at the right time

TRANSITIONING TO CUSTOMER LIFE TIME VALUE

- » We leverage data insight and digital enablers to identify and acquire the right customers at the right value proposition – for both the Customer and Contact
- » Grow nationally through a regional strategy
- » Leverage partnerships to grow household share of wallet

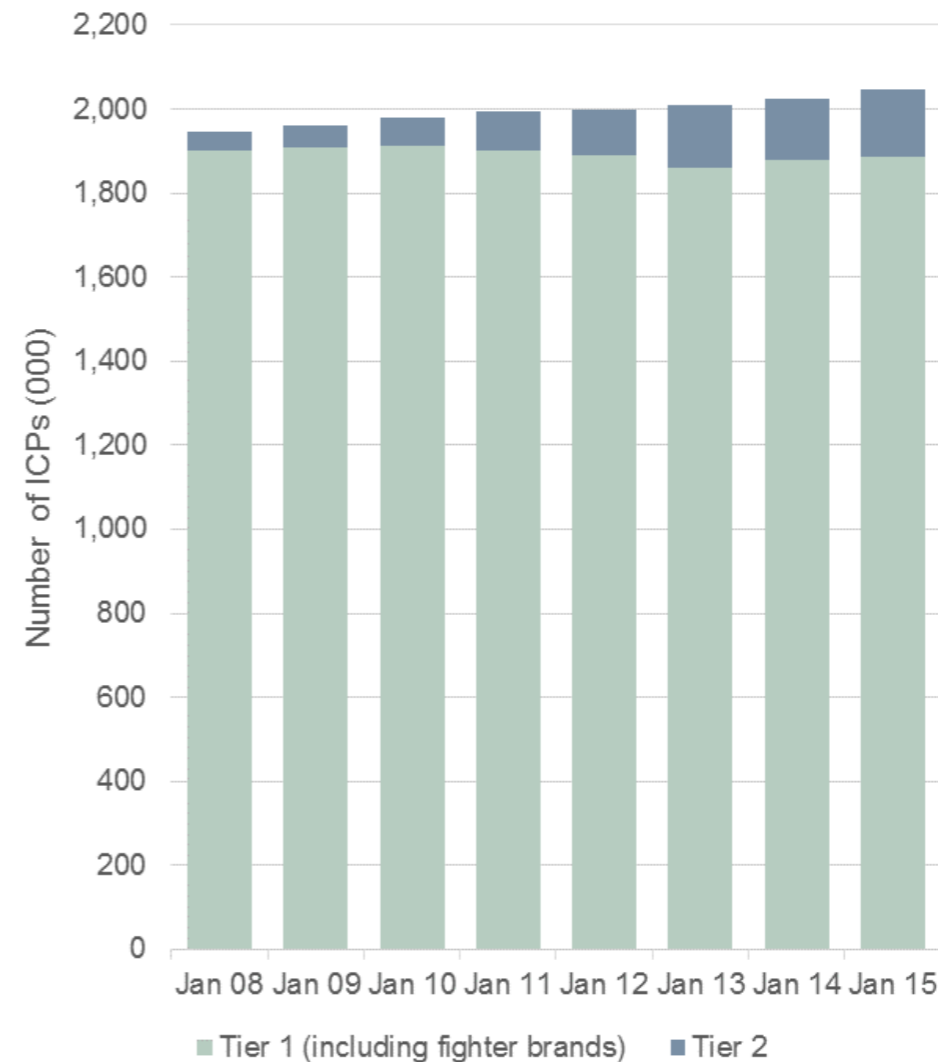
SUCCESSSES AND PROGRESS MADE

- » Live credit-checking now in play
- » Channel choice optimised around value and towards lowest cost
- » New single and multi-year fixed-term offers now in market securing increased CLV
- » Prepay pricing revised

NEXT STEPS

- » Further migration to lower cost digital acquisition channels and bundles

Market share changes over time



- » Retail remains dominated by the big 5 participants with Tier 2 participants securing slightly more than the growth in ICP connections

Contact's size, reach and footprint requires us to address the market through a retail mass market lens

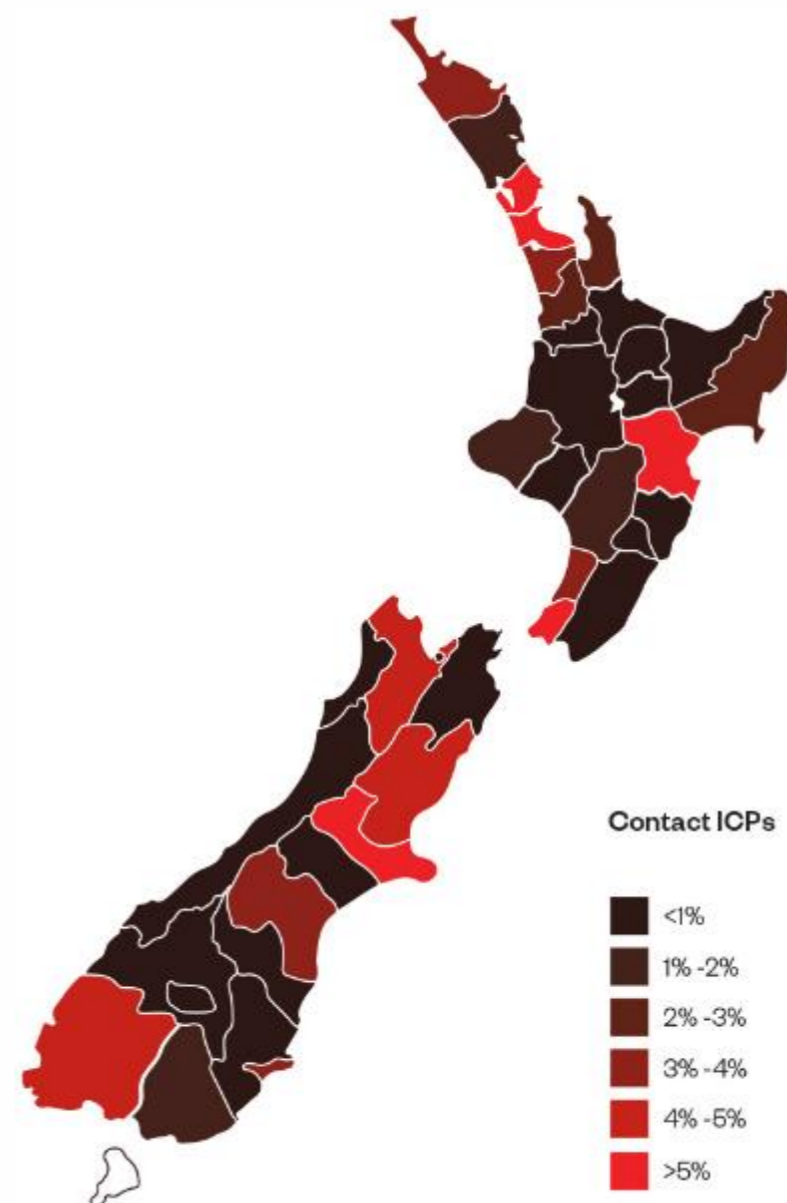
RETAIL MEANS BEING:

- » **Responsive** to large number of customers and different segments nationwide
- » **Agile** in our ability to 'compete'
- » **Scalable** propositions
- » **Ease** of implementation for many
- » **Volume** in data/insight/voice of customer

CONTACT MUST NAVIGATE THE TENSIONS BETWEEN:

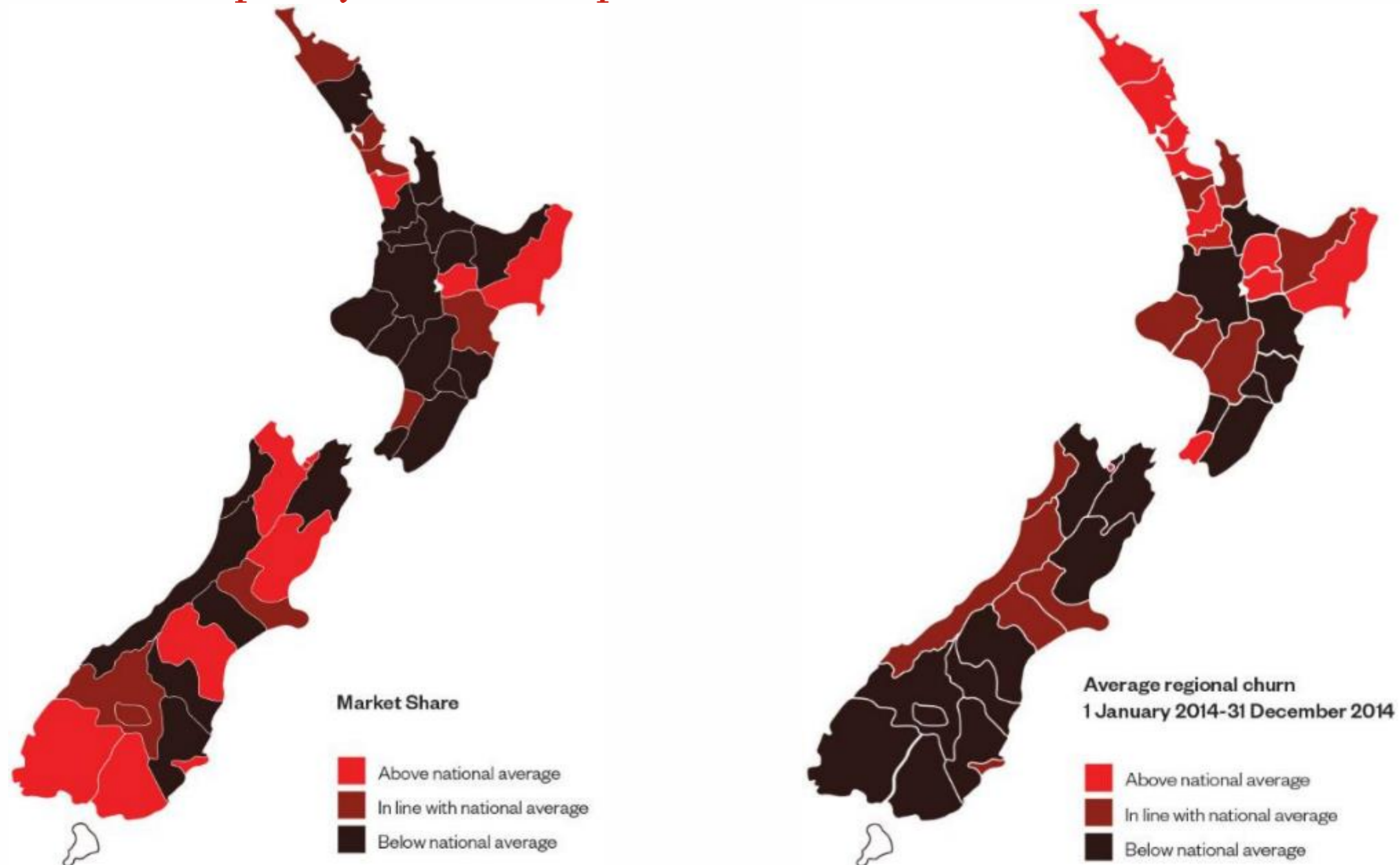
1:1 customer connectivity	vs	1:many approach
Big data	vs	Valuable data
Viable market response	vs	Bespoke solution
Regional solution	vs	National scale
Segmented service	vs	One size service

Location of Contact's current electricity customers



Customer value differs across the country depending on the region

Due to the network structure, competing in New Zealand's 29 different network regions adds complexity and cost to operations and confuses customers





Customer experience – service

Proactive, predictive and practical service for our customers

Proactive, predictive and practical service for our customers

DELIVERING AN 'OMNI' EXPERIENCE

- » A strong sales-through-service culture focused on giving the choice, certainty and control customers value
- » We provide a seamless service experience to our customers through every interaction and realise opportunities to add value to our customers, partners and to Contact

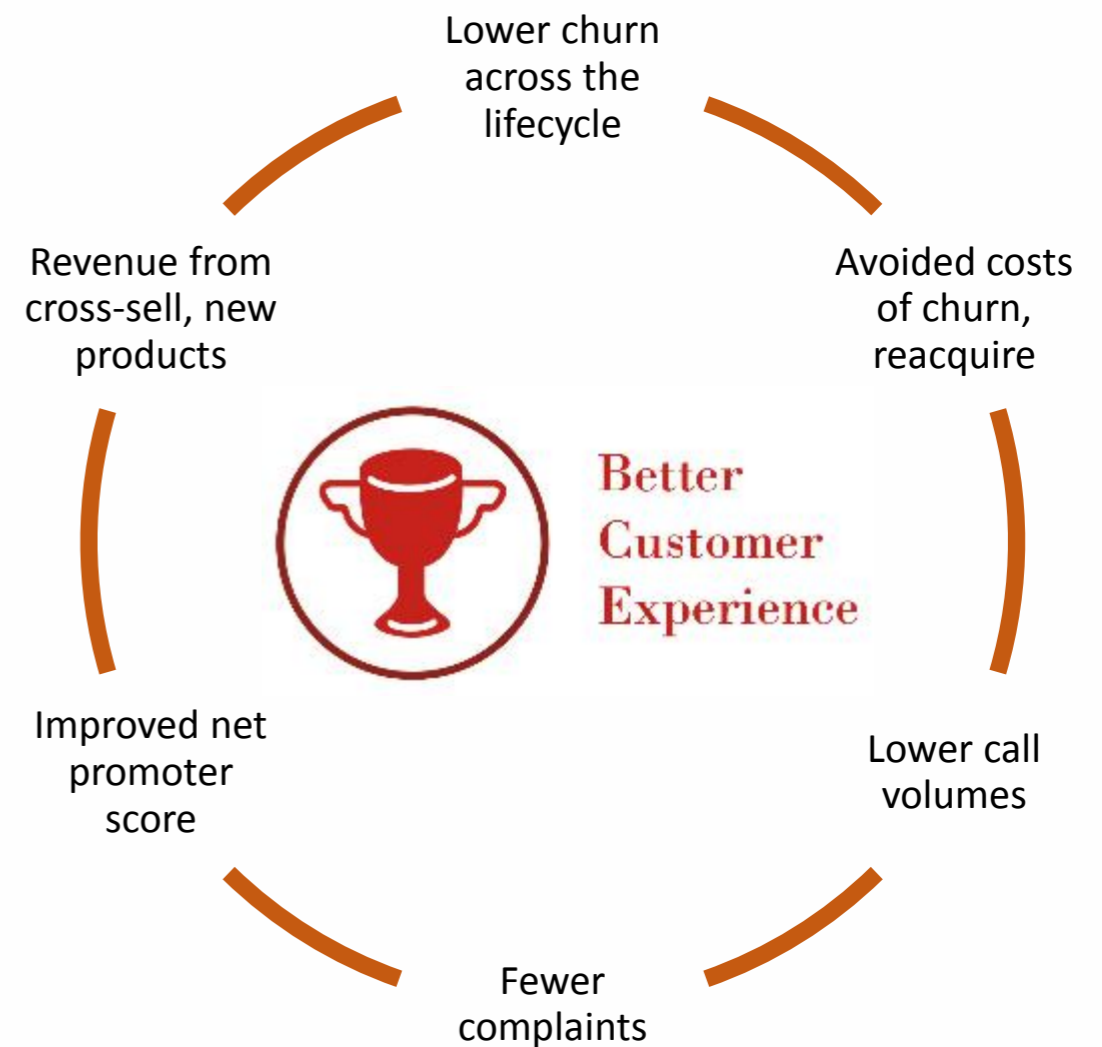
SUCCESSSES AND PROGRESS MADE

- » New website, call back function, e-service and social media presence live
- » Dedicated SME service team
- » Simplified communications
- » On-shoring back office functions to improve customer interactions

NEXT STEPS

- » Marketing automation and personalisation
- » Leveraging 190,000 customers signed onto online services

Delivering benefits for Customers and Contact



Running a retail energy business is not without complexity

In the past 12 months we have managed:

29

Network companies, each with their own tariff structures and billing cycles

5.3m

Bills sent

953,000

Website visitors

600,000

LPG cylinders delivered

211,000

Switches completed

15b

Rows of data means we are already a big data user

160+

External IT interfaces

370,000

Customer emails received

6,000

Mass market plans to support nationwide offering

15,600

People see our Facebook content each day on average

1.2m

Calls received

25

Retail electricity brands in the market

1,3,7,14

Month network wash-ups

150

Embedded networks with 23 added in the past year

2.28m

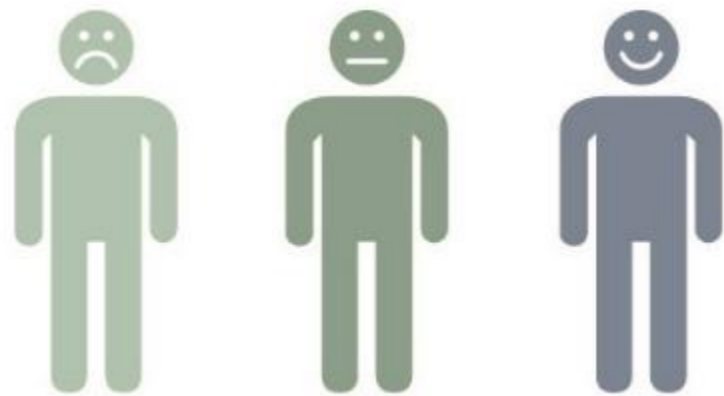
Online bills delivered

231,000

Service requests

Net Promotor Score is a key metric in customer-inspired businesses for advocacy/loyalty

Detractors **Passives** **Promoters**
 0-6 7-8 9-10



NPS = Promoters - Detractors

Industry	NPS*
Banking	12
FMCG	5
Freight/logistics	-2
Contact	-8
Insurance	-10
Phone companies	-10
Internet companies	-13
Energy companies	-13

* Source: NZ NPS Benchmarking - Customer Monitor; Perceptive Research 2015

NPS is based on a single question – ‘how likely is it that you recommend Contact to a friend of colleague?’ and provides a score between 0-10

-8

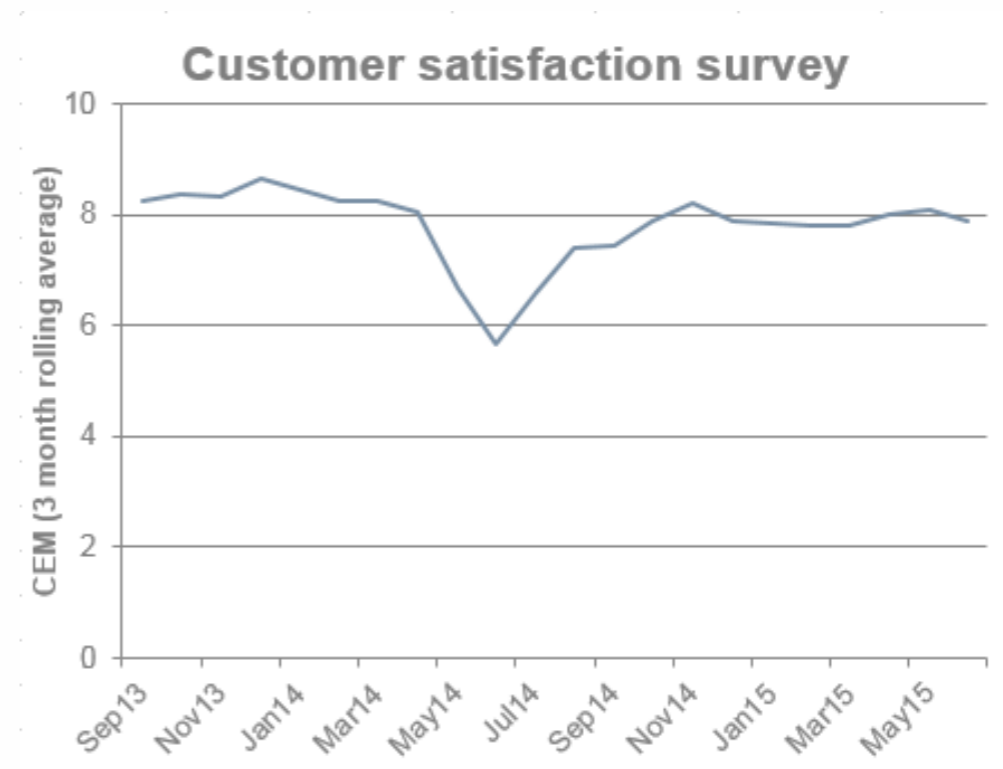
Contact's current NPS

-13

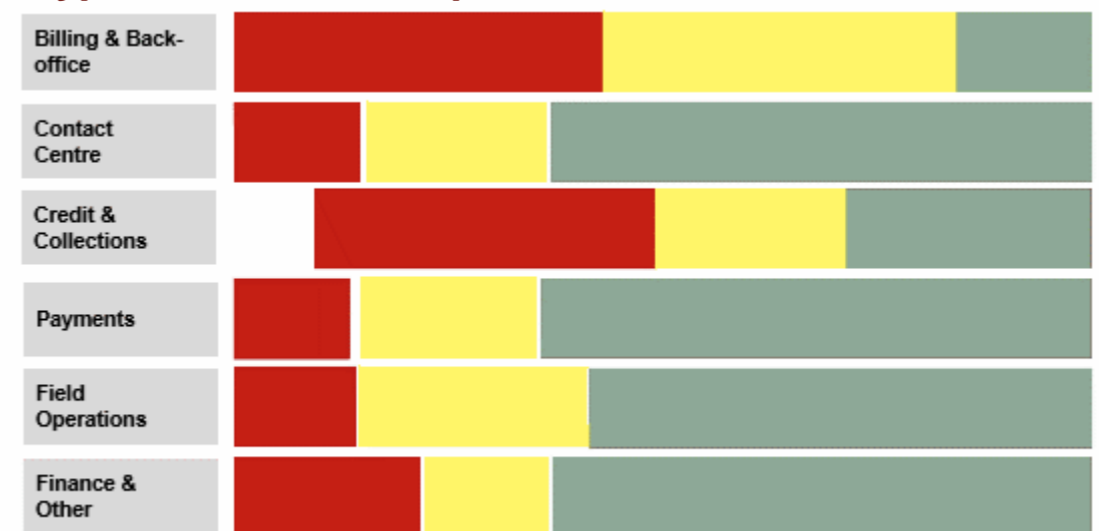
Average NPS of the energy sector as a whole

Build customer loyalty and trust by reducing customer effort and increasing their perceived value

We have made progress with further improvements as we drive online



Typical stabilisation period *



* Source: Accenture

	May-Oct 2013		May-Oct 2014		May-Oct 2015
Calls per customer (annualised)	2.6	▶	3.9	▶	2.4
Average handle time (secs)	374	▶	624	▶	485
Average speed to answer (secs)	28	▶	390	▶	288
Average call centre FTE	159	▶	189	▶	131
Average % customers on-line	40%	▶	43%	▶	48%

Predictive data model now operationalised

Using data insight to direct our customer service effort

What have we done?

- Customer service trial in 2014
- Mainstreamed into our contact centre operations
- Utilises a predictive churn model across the customer base

Which customers?

- New customers
- House movers
- Fixed-term roll-offs
- Cross-sell opportunities

How does it work?

- Dedicated outbound team of 10
- Unique call script
- Customised product offers

Targeting 1,100 calls per week

High level of customer engagement

Cross-sell and up-sell opportunities

15%

Reduction in churn for contacted customers during initial trial

32%

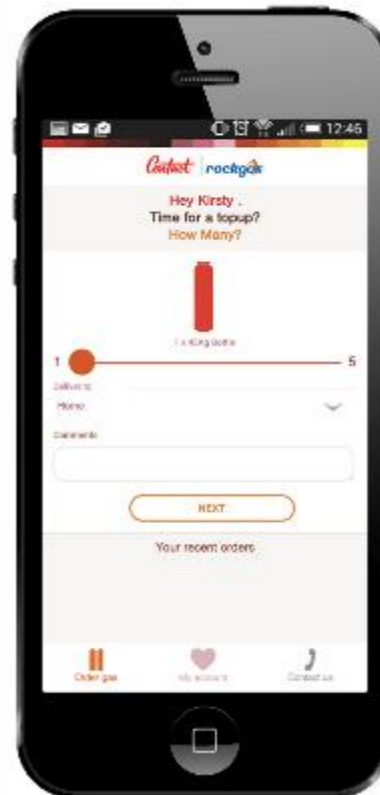
Net promoter score for customers contacted

Our digital channels

We have already deployed multiple digital channels

Retail website

- Redesigned customer journey to improve completion rates to sign-up process
- 590k unique users
- 15% of customers acquired via online channels per annum and growing



LPG self-service app

- ~25% of users each month are new users
- In the past 12 months usage has increased from ~70 users per month to over 2,000
- 13% LPG branch orders through app
- Reducing call centre volumes and cost



My account web app

- Integrated into core SAP system
- Rated 8.26 out of 10 by customers
- 47% uptake from the pilot group of 1,000 customers
- Customers can take a photo of their meter for a meter read
- A mobile website compatible with all mobile devices

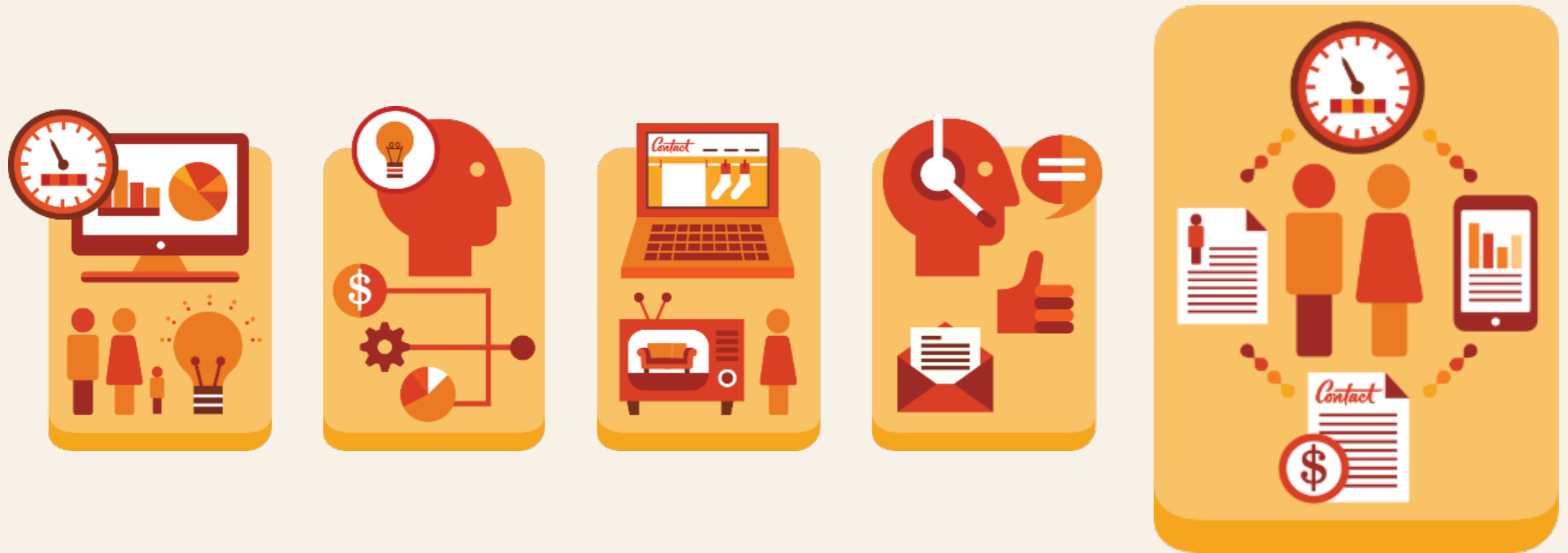
Contact is already a leading online electricity retailer with a large customer base engaged with their account management online

190,000

Contact customers online

105-120k

Average number of customers who actively monitor their account each month



Seamless operations

Best-in-class operations that support value

Best-in-class operations that support value

LEVERAGING SAP FOR GREATER EFFICIENCY IN OPERATIONS

- » An excellent customer experience at every touchpoint through streamlined data and digital enablers
- » We challenge the status quo and find ways to reinvent, streamline and automate business processes to drive cost and process efficiencies

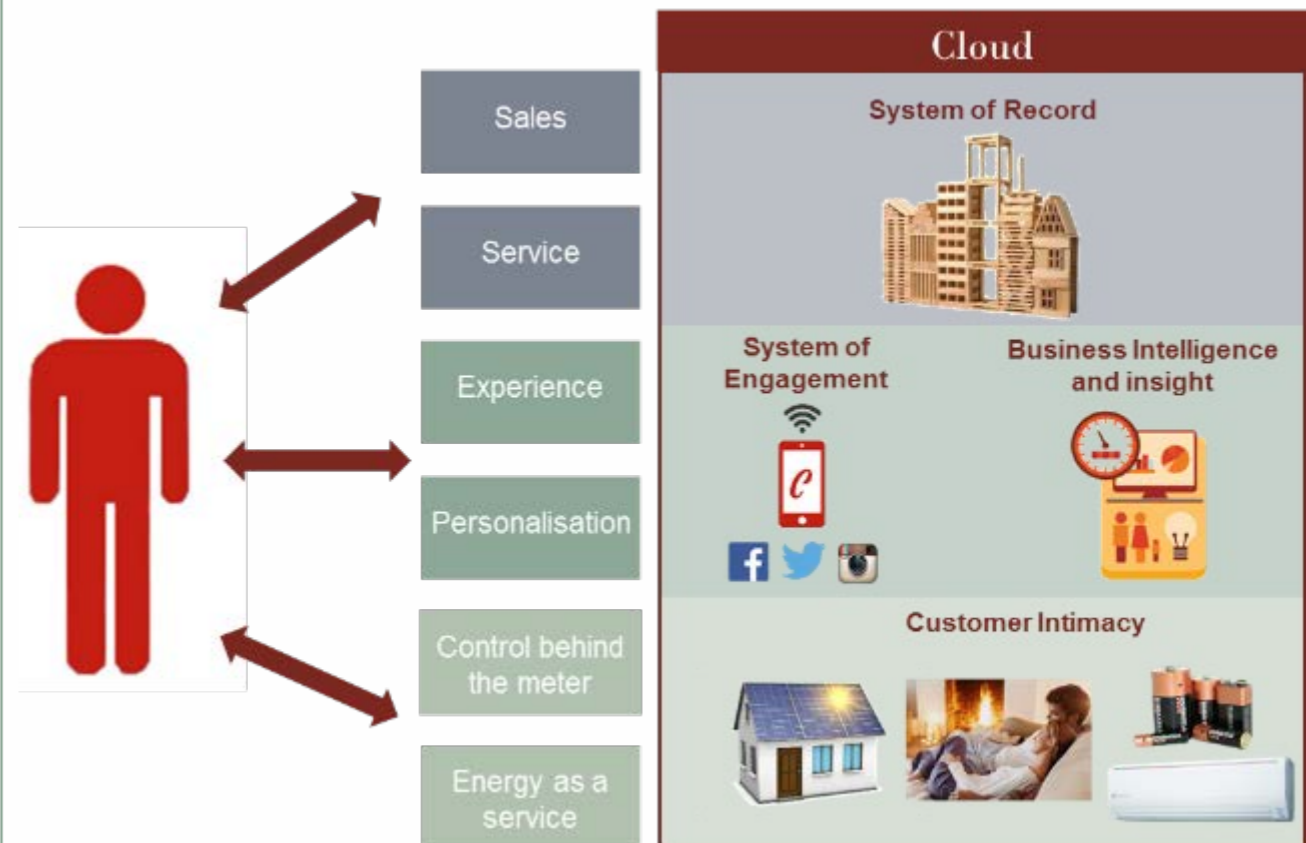
SUCSESSES AND PROGRESS MADE

- » Three major releases of SAP completed
- » System stabilised, metrics continue to improve
- » Late bills backlog cleared
- » Automated disconnection of vacant properties

NEXT STEPS

- » Separation from Origin accelerating move to the cloud
- » Focus on standardisation and simplification of system of record
- » System of engagement developing to leverage quality view of individual customers

Investment in technology capability - 3 system levels



The customer business has spent much of the past four years focused on the implementation and stabilisation of SAP



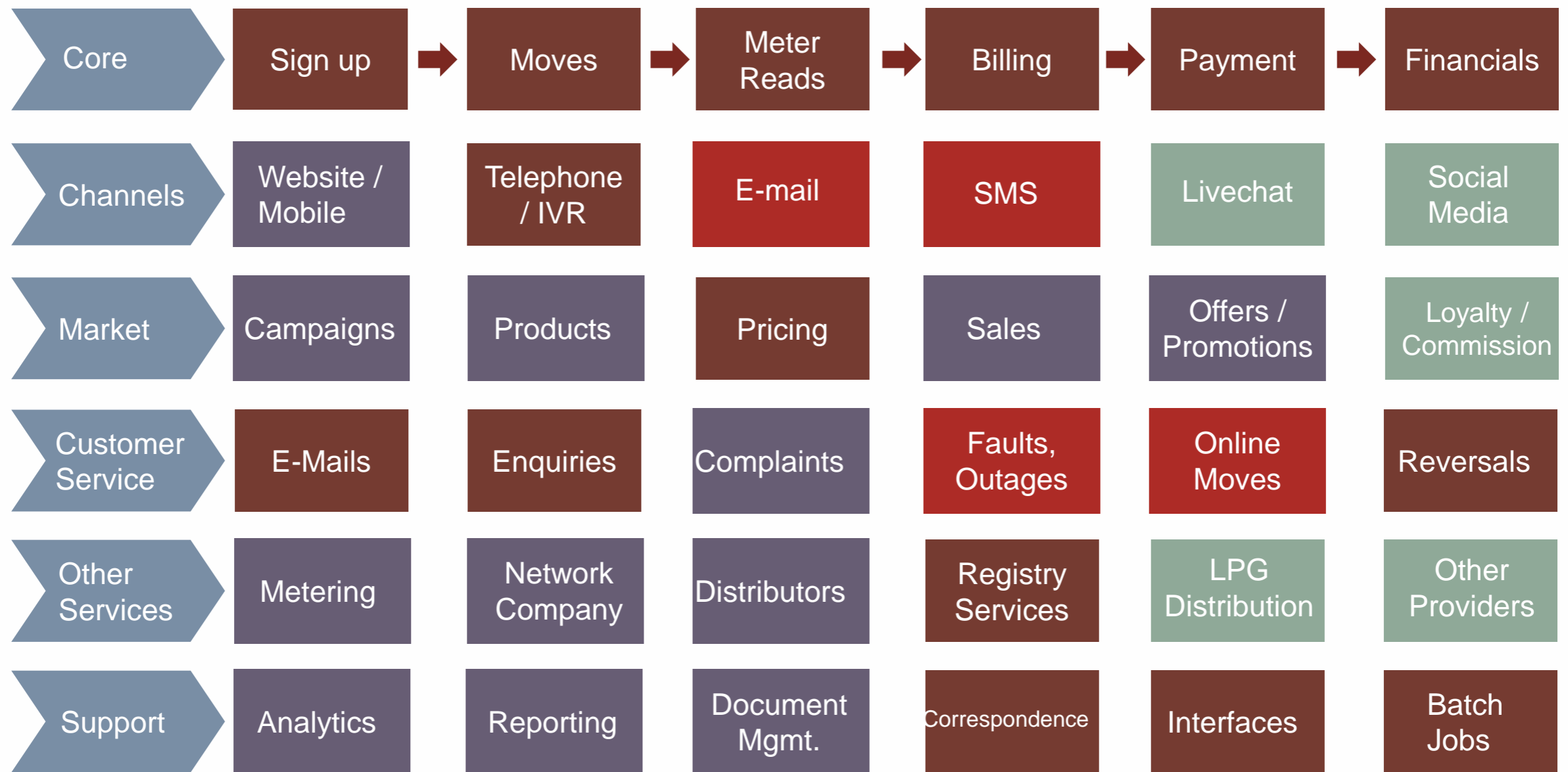
- » 161 non-SAP applications
- » 18 SAP modules
- » ~60 linking technologies
- » 10k+ (200 critical) Access databases
- » 360 desktop applications



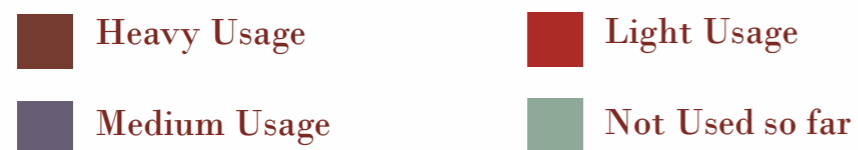
- » Our system of record now provides a simplified architecture with 4 key parts
 - Single view of customer (not plural)
 - Customer relationship / experience
 - Customer invoicing & billing
 - Bill presentation

Stabilisation has now moved to optimization of integration and a progression to customer intimacy

Where can SAP be used for customers?



Contact's current usage



Post-stabilisation, SAP is supporting improvement across core back office functions

Billing and collections will continue to be a significant focus

400%

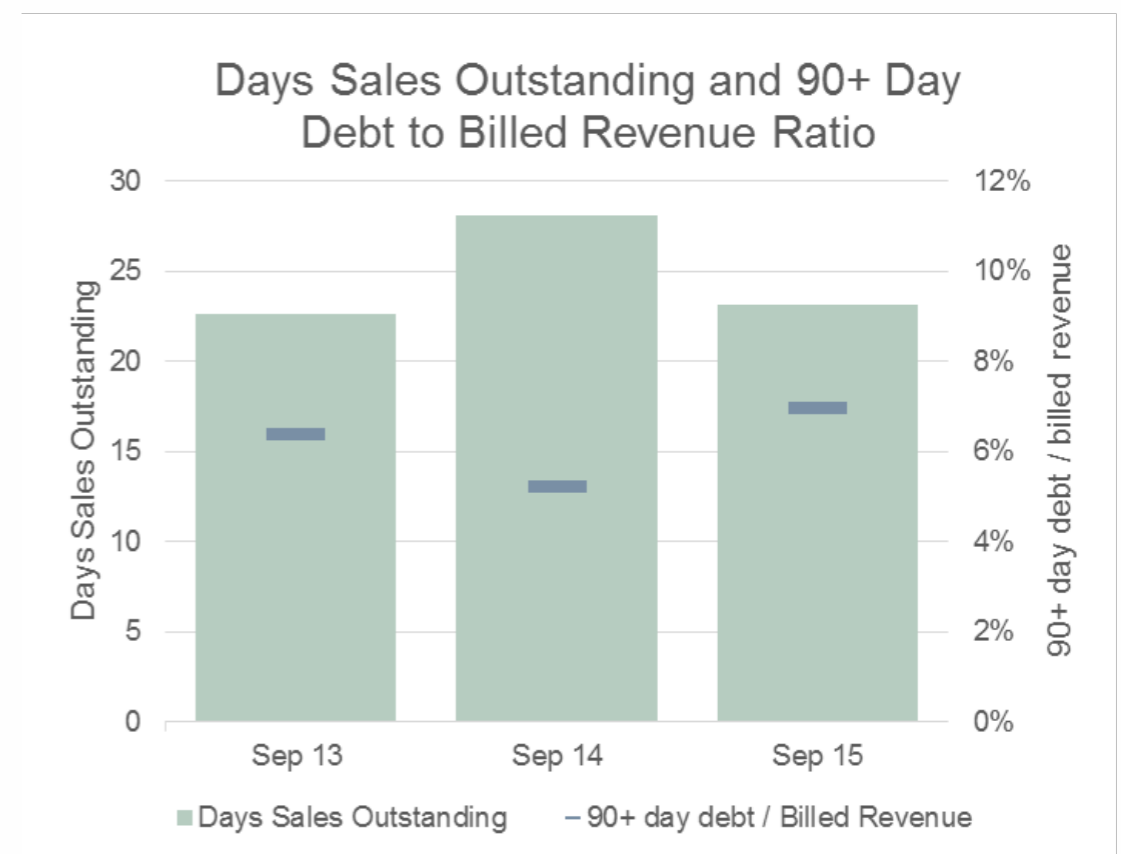
Reduction in late bills > 30 days in last year

11%

Smoothpay and prepay customers managing bill shock

	May–Oct 2013	May–Oct 2014	May–Oct 2015
Gross debtors 30-120 days to billed revenue	2.6%	4.1%*	3.2%
Average late bills >30 days (000)	7	12	3
% of customers on smoothpay/prepay	9.9%	10.7%	11.0%
Customer complaints per '000 customers	1.3	1.5	0.8

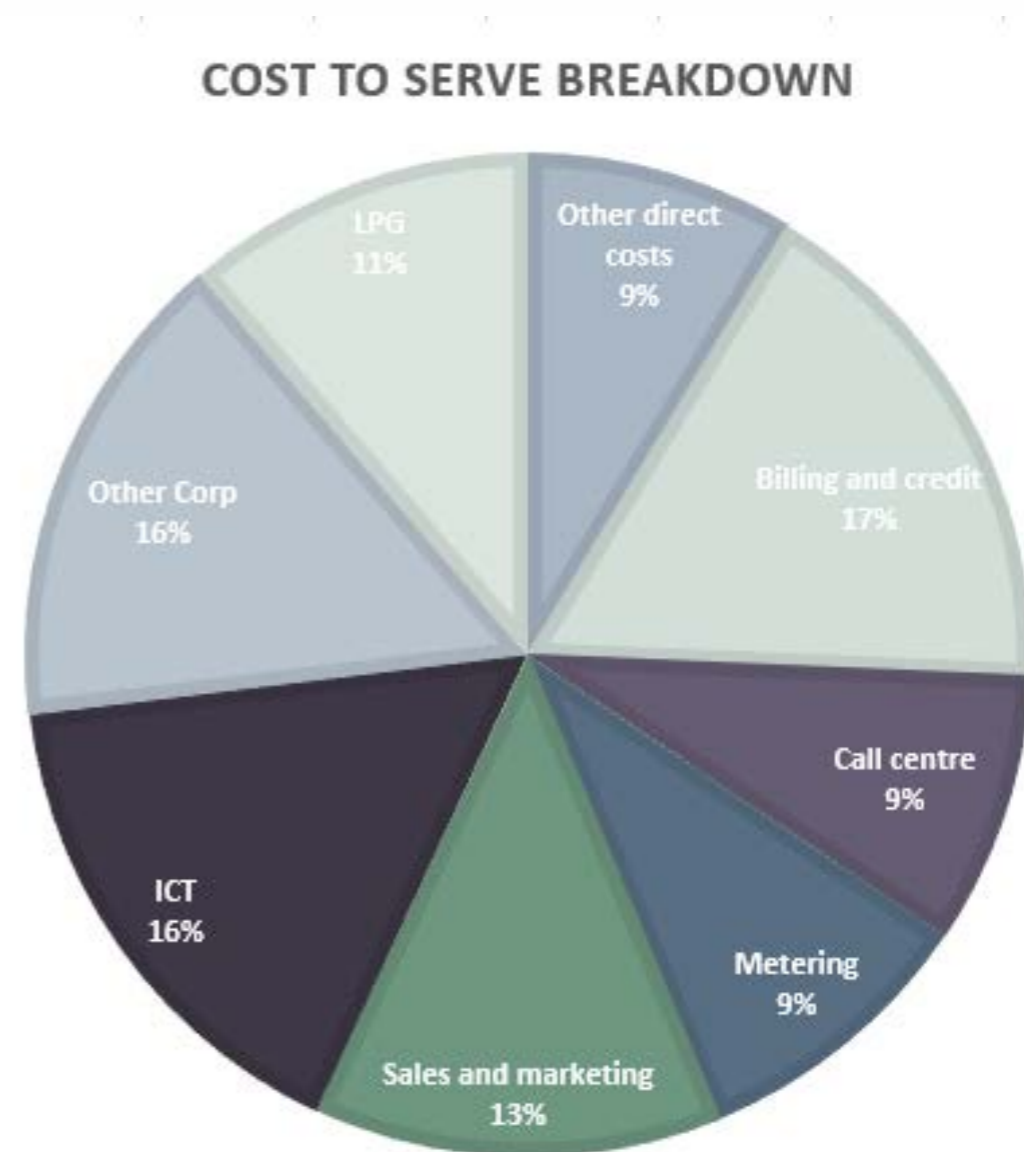
*November 2014 – April 2015



Cost-to-serve improvements are required to realise the value of SAP investment

While current cost-to-serve is competitive, Contact is targeting the lowest cost-to-serve in the industry

- » Contact's cost-to-serve represents the fully loaded cost of operating the retail business
 - Cost to serve electricity, gas and LPG customers (68%)
 - ICT operating costs (16%)
 - Corporate overhead allocation (16%)
- » SAP to deliver cost to serve reductions of ~10%
- » Year-to-date savings slower than expected
 - Higher credit costs
 - ICT costs and Origin separation costs
 - Share of vested long term incentive scheme
- » Expect to see improved run-rate in 2H16

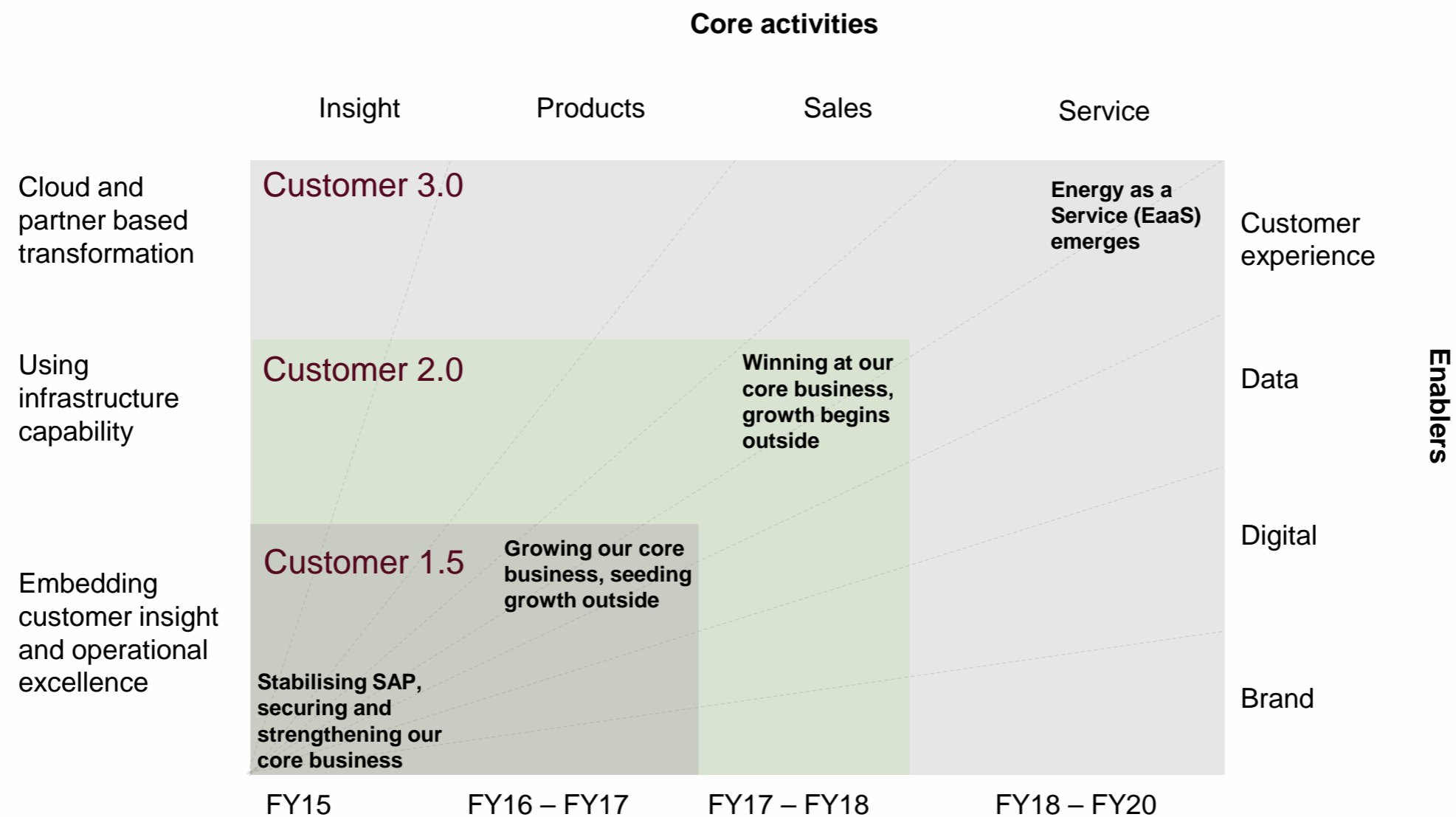




Three phases of the new Customer Business

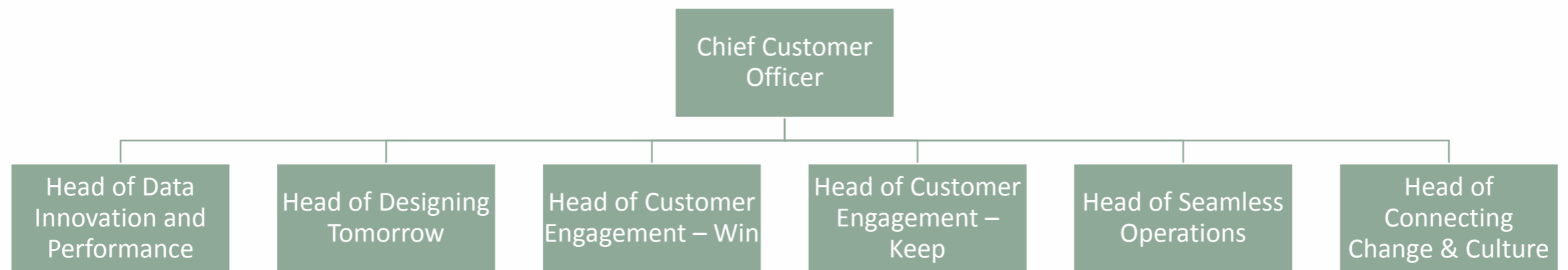
Customer strategy will develop across three horizons

Technology and customer expectations require acceleration of our plans and transformation



We are actioning the need to change our capabilities and culture

Realigning the customer structure to the customer value chain is the first priority



We are establishing a Customer business model that ensures we have the right leadership, capabilities, teams, processes and systems in place to truly put the customer first and be able to adapt and act quickly in a data-connected and digital-driven world

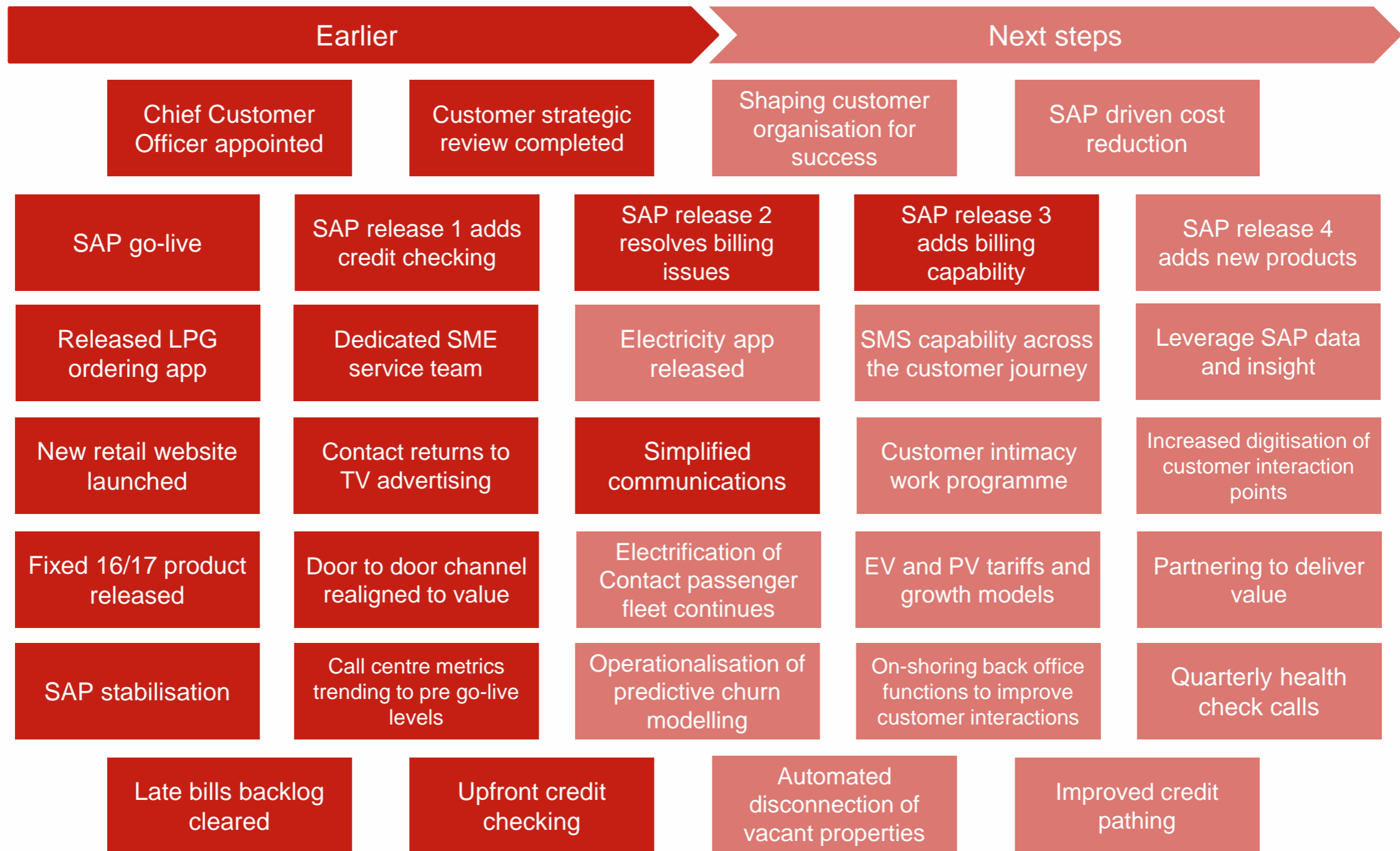
44%

Contact employee engagement in 2015



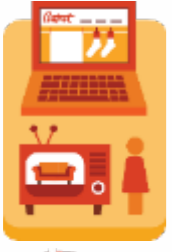


480

Employees directly employed in the customer business

We are making progress across the customer business



A new set of measures will be used to track progress

		Current measure	Future measure
	Data analytics and insight	Netback	Customer lifetime value % of HLV customers
	Designing tomorrow	Share of wallet % of dual fuel customers	Share of wallet Multiple products
	Customer experience - Sell	Number of ICPs	Sales volume by channel
	Customer experience - Service	Average handle time	Net promoter score
	Seamless operations	Cost to serve per customer	Cost to acquire per customer Cost to retain per customer

Summary

BUSINESS MODEL EVOLUTION

- » Energy market continues to evolve
- » Contact's business model continues to generate strong cash flows
- » Limited outlook for growth investment and changing customer expectations increases focus on retail business to provide opportunities for growth and improvement

BECOMING TRULY CUSTOMER INSPIRED

- » Our purpose – to help New Zealander's live more comfortably with energy
- » Establishing a Customer business around the customer value chain ensures we truly put customers first, and can adapt and act quickly in a data-connected and digital-driven world
- » Customer intimacy = Data + Digital + Innovation + Agility

EVIDENCE OF PROGRESS

- » Strategic review of customer business complete and organisation being restructured
- » System of record stabilised, SAP investment complete with cost savings programme in flight
- » Customer segmentation by value and attitude being operationalized
- » Products, partnerships, pricing and customer engagement activity underway

MEASURES

- » Customer lifetime value
- » Customer net promoter score
- » Market share
- » Share of wallet
- » Cost to serve