



11 November 2020

## CEO's address to ASM

Tēnā koutou katoa

Greetings to you all and thank you for tuning in today.

Rob, thank you for your kind words.

I would like to introduce my fellow Leadership Team members with me today: Jacqui, James, Dorian, Vena, Catherine and Jan. Our team has evolved this year with Jan joining in November 2019, Jacqui promoted to our Chief Generation Officer in July 2020 and James moving into a new role of Deputy CEO and leading our decarbonisation and demand growth efforts.

Contact is a great place to be and I'm very proud of what we have achieved over the past year. We have a fantastic, talented, resilient team and a very supportive Board. I'd like to thank everyone for making me feel so welcome and for their assistance over my first few months in the role, including the outgoing CEO Dennis Barnes. The time has flown by since my first day in February 2020.

As a relatively new starter, I think Contact is guilty of hiding its light under a bushel at times. We're not very good at celebrating our successes externally, when in fact we are doing a host of good things that more people need to know about. This is a challenge that I have put to the leadership team as something we need to work on over the remainder of FY21 and beyond: so expect to see a little more of us getting out there and making our voice heard. This will include on the ESG front where we are on a journey of pursuing a range of meaningful targets, and have this year produced one of the best integrated reports on the NZX.

On the financial front the year certainly threw its fair share of unique challenges our way. This included the impact of COVID-19, the Tiwai exit announcement and an unusual hydrology sequence where the Clutha River experienced periods of extremely low inflows and a one in 20 year flood. And we also felt the impact of recent under-investment in New Zealand's ageing gas fields as an unreliable supply of natural gas led to a sharp increase in thermal input costs.

I was particularly proud of the company's response to the pandemic situation we all found ourselves in, as the nation changed forever at 11:59pm on 25 March when we went into lockdown. Throughout the lockdown we stood up a crisis management team and continued to operate as an essential service and lifeline utility, with an unwavering focus on looking after our customers, looking after our people, and doing right by New Zealand.

This included extensive support for customers having a tough financial time in the maelstrom of uncertainty that accompanied the pandemic response, including adapting payment terms and options, working with social service agencies, suspending disconnections and debt collection referrals, and automatically applying prompt payment discounts or forgoing late payment fees.



We were also heavily involved in the Electricity Retailers Association-led initiative to fund 10,000 power credits worth \$120 each, allocated by community groups to households affected by COVID-19. And we acknowledged the efforts of organisations on the front line looking after New Zealanders, by providing Women's Refuge, Salvation Army and St John with more than \$400,000 of free electricity across their sites throughout New Zealand. We know the response to the pandemic – and the aftermath - is going to require an ongoing commitment of time, resources and perhaps most importantly kindness.

And from an organisation perspective, through necessity we mobilised almost all of our people to work from home, including home-based call centres – this was extraordinary and frankly it was something we never thought we could do. We looked after our people across our sites and offices in Te Rapa, Stratford, Levin, Taupo, Whirinaki, Dunedin, Clyde, Roxburgh, Auckland and Wellington. We continued to serve our customers but minimised any risk of spreading COVID-19 through meticulous continuity and crisis planning, and ramped up hygiene and physical distancing.

As the COVID-19 response got under way, we also reassured our 943 Contact people across New Zealand that if they needed to be home for anything pandemic-related – including looking after elderly relatives or to be with their kids – we would pay 100 per cent of their salaries and not require them to take leave. This was the right thing to do and the feedback we received was overwhelming.

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Despite all of these unusual circumstances our high-quality, long-life, renewable generation assets and lean, low-cost retail operations combined to deliver another solid financial result for our investors.

In FY20 Contact generated revenue of \$2,073 million, EBITDAF of \$451 million, profit of \$125 million and operating free cash flow of \$290 million.

Our statutory profit for FY20 of \$125m was \$220m lower than FY19, but note that last year included a \$170m gain on the sale of the Rockgas business and the Ahuroa gas storage facility.

EBITDAF from continuing operations was down \$54m (11%) on last year due to a combination of lower renewable generation, lower wholesale prices and the impact of rising costs of thermal generation and restricted gas supply.

Operating free cash flow was \$290m, down 15 per cent on FY19 due to lower operating earnings, partially offset by lower stay-in-business capital expenditure and interest costs.

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I also wanted to update you on how things are tracking so far in FY21.

In September we were very pleased to complete the 100% acquisition of Simply Energy, a business we acquired a stake in last year. Simply is a Wellington-based company that delivers integrated energy solutions for generators, distributors, retailers and perhaps most importantly commercial and industrial customers. Simply's value proposition is to help customers take meaningful action toward a cleaner energy future and their efforts form a key part of our new #changematters initiative. We want Simply to operate as an agile, stand-alone company so it can stay nimble and keep innovating fast for our customers.



More broadly we have been pleasantly surprised in how strongly demand has held up, especially from large commercial and industrial customers.

- Given the hydrological sequence, and our gas supply, we are in good shape and have made a strong start to the year as you may have seen in this morning's October operating report.
- This has been supported by an excellent operating performance with strong plant uptimes. We also have more transformation initiatives in the pipeline to change the way we fundamentally work as a company.
- In terms of our customer business, we now have more than 510,000 connections across electricity, gas and broadband – we now provide more than 35,000 customers with broadband from a standing start 18 months ago. We're continuing our transformation to becoming a digital-first retailer, and more than 100,000 customers now use our apps and website for self-service each month.
- We committed money to accelerate the lower South Island upgrades to ensure that Tiwai leaves renewable energy isn't stranded in the South Island, and it is pleasing to see Transpower has begun this work with some urgency.

We also continue planning for a post-Tiwai environment. You may hear this described as a 'just transition' or 'orderly exit' to enable Southland, New Zealand and the electricity industry to prepare for a post-Tiwai world. We remain optimistic a deal will be done soon.

As Rob mentioned we have put the development of the power station on the Tauhara geothermal field near Taupō on hold. The team involved in the preparation of the site and \$40m appraisal campaign have done an outstanding job and confirmed that Tauhara is a world-class renewable geothermal project, with very low associated carbon emissions.

We believe Tauhara remains New Zealand's cheapest and most attractive option for new, renewable, electricity generation and when its time comes, it will deliver substantial economic benefits and jobs in the central North Island.

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Before I finish, I want to reiterate where we are putting our energy.

Firstly, we want to play a role in leading New Zealand to a low-carbon future by developing low carbon solutions for customers, and advocating for regulatory settings that will facilitate the transition of New Zealand's energy system away from fossil fuels.

We are well under way with helping large industrial customers transition from higher carbon fuels to low carbon fuels, with new products and renewable substitutes, based around renewable electricity and 'direct heat' geothermal steam. We are aiming to displace 1PJ of industrial heat with electricity by 2022 – roughly equivalent to the electricity used by all the homes in Taupō in a year.

Our recent successes include partnering with Open Country Dairy to support the installation of New Zealand's largest electrode boiler (13MW) at their Awarua site, and the expansion of our geothermal direct heat to connect the Nature's Flame wood pellet manufacturing plant and displace coal usage outside of New Zealand. We are actively pursuing other opportunities too, including electrifying further process heat applications and scoping green hydrogen production for potential use for the likes of green ammonia and urea production.



We have also continued to grow our demand flexibility platform – with more than 20 customers signed up to automatically reduce power consumption from equipment such as pumps, fans and compressors during high usage periods.

As well as our focus on decarbonisation and demand growth, we are also under way with several other areas of strategic activity including

- maintaining flexibility and the freedom to explore options around where we invest across multiple renewable energy sources (with a focus on geothermal);
- simplifying how Contact is set up to be more effective and efficient, transforming our operating model, and building on the experiences of the COVID-19 lockdown by transforming our ways of working;
- being a leading energy retailer in New Zealand as we accelerate digitisation, consider additional adjacent products and services, and optimise our spending; and
- embedding our commitment to best practice environmental, social and governance practices across Contact.

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Finally I wanted to thank Rob and the Board for their support over the past year. Thank you to the Contact team for their commitment to doing a great job. Thank you to our customers and suppliers.

And thank you to our neighbours. We live, work and operate in communities across the country, and we know our actions impact on the people and environment around us. We are not perfect but we strive to be the neighbour you'd want to have.

Nga mihi

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