

Capital Bond Offer

Investor presentation

29 October 2021



Disclaimer and important information

This presentation has been prepared by Contact Energy Limited (Issuer) in relation to the offer of unsecured, subordinated green capital bonds (Capital Bonds) (Offer). The Offer is a simplified disclosure offer made in accordance with clause 49G of the Financial Markets Conduct Regulations 2014 on the basis that the Capital Bonds rank in priority to ordinary shares in the Issuer, which are quoted on the NZX Main Board and the ASX.

A simplified disclosure product disclosure statement (PDS) has been prepared in respect of the Offer and is available, along with other information relating to the Capital Bonds, at www.companies.govt/disclose (OFR13200).

Contact is also subject to a disclosure obligation that requires it to notify certain material information to NZX Limited (NZX) for the purposes of that information being made available to participants in the market and that information can be found at www.nzx.com/companies/CEN.

Capitalised terms used in this presentation but not defined have the meaning given to them in the PDS.

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Investments in the Capital Bonds are an investment in the Issuer and may be affected by the on-going performance, financial position and solvency of the Issuer.

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Application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the date of distribution of the PDS have been duly complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

Contact presenters



Dorian Devers
Chief Financial Officer



Will Thomson
Corporate Treasurer

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Introduction to Contact



Presented by

Dorian Devers

Chief Financial Officer



Electricity market overview

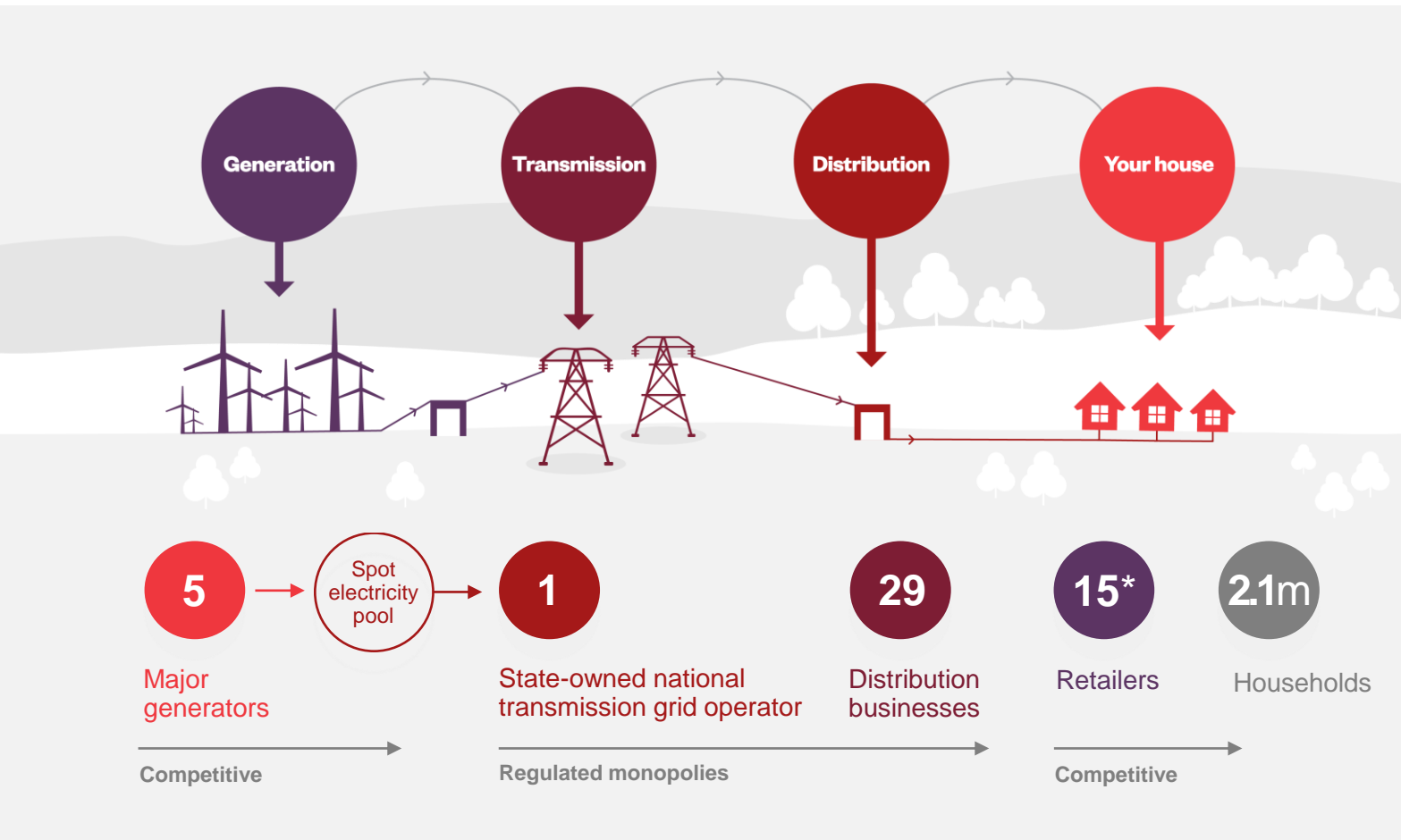


Contact Energy strategy

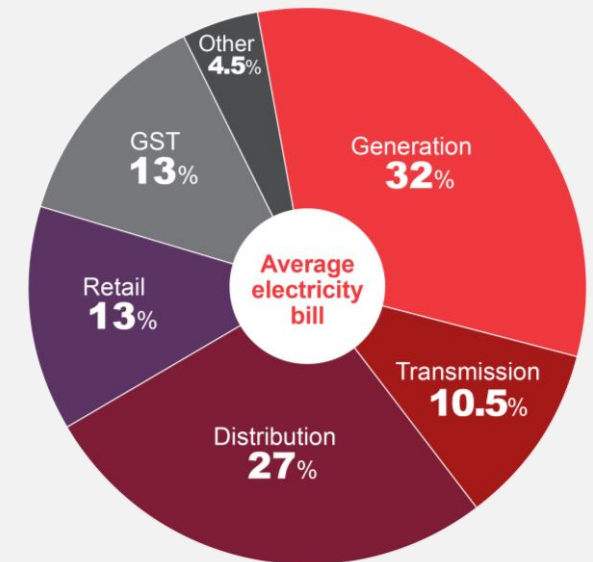


Business performance update

New Zealand enjoys a reliable, affordable and environmentally sustainable electricity system



What does your power bill pay for?



“New Zealand serves as a model for effective energy markets and secure power system operation.”
International Energy Agency (IEA) New Zealand Review

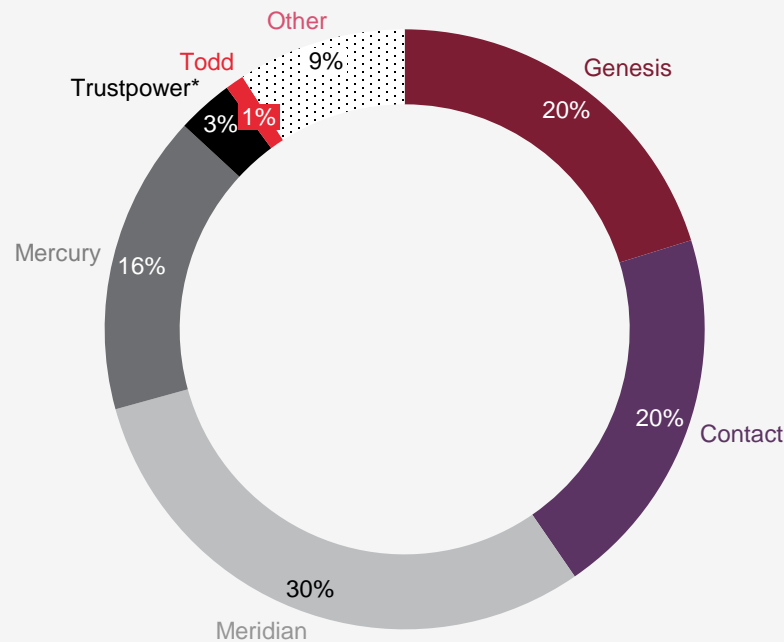
*Source: Retail brands with more than 500 ICPs. EMI as at 20 September 2021

Source: EA website: <https://www.ea.govt.nz/consumers/my-electricity-bill/>

The five largest electricity companies are vertically integrated and publicly listed

Contact's diverse generation portfolio allows for generation when hydro storage levels are low to continuously meets customer demand

Generation market share by volume

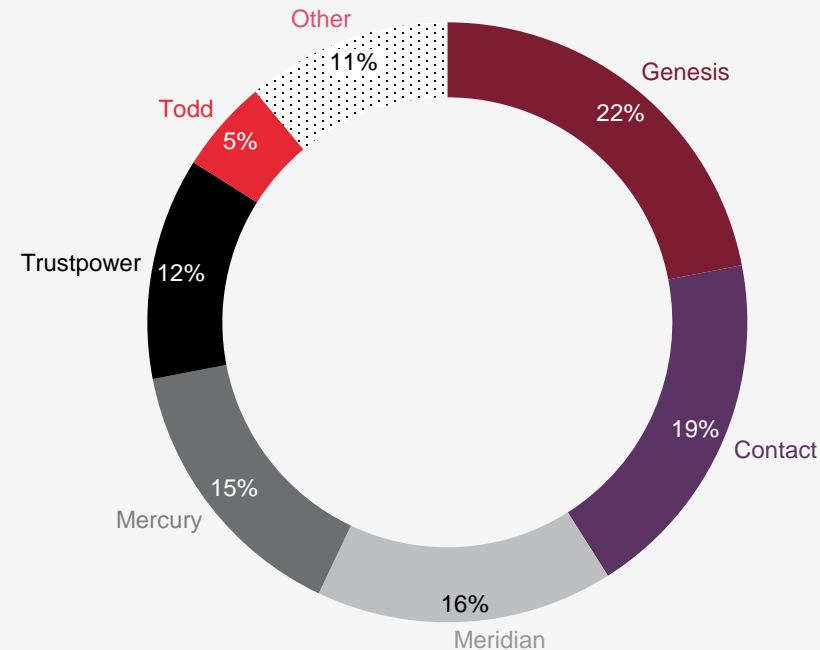


This will vary based on hydrology in a given year

Contact has a diverse generation portfolio

Source: EMI – Electricity Authority (FY21)

Retail electricity market share by customer connections (ICPs)



Meridian supplies the Tiwai smelter (~5TWh p.a.), contracted until December 2024

Mercury have agreed to the conditional purchase of the Trustpower retail business. Completion is expected in early 2022, subject to all conditions being met

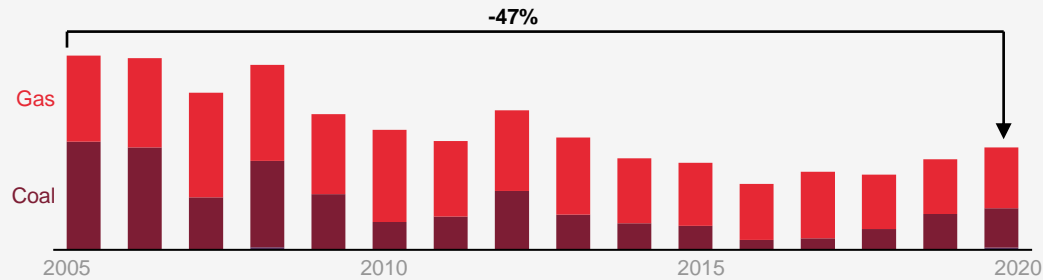
Source: EMI – Electricity Authority

*Trustpower only generation. Trustpower also purchases energy under long-term contracts from other market participants

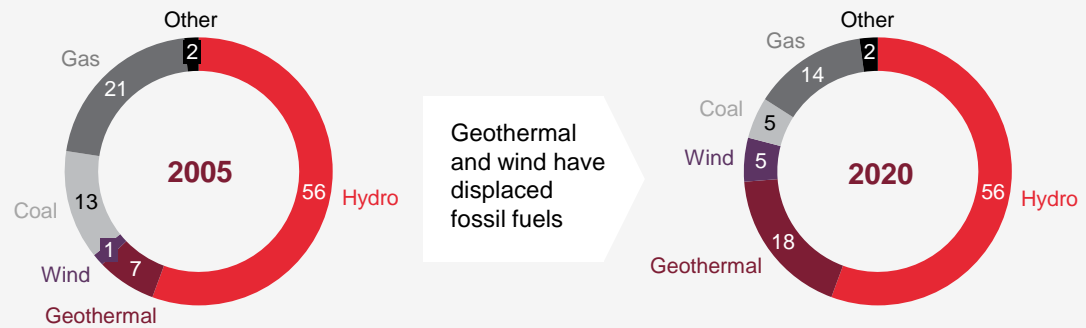
NZ electricity supply is highly renewable

Contact has led the way in decarbonising the NZ electricity system through geothermal development

Electricity generation carbon emissions (units of CO2e)

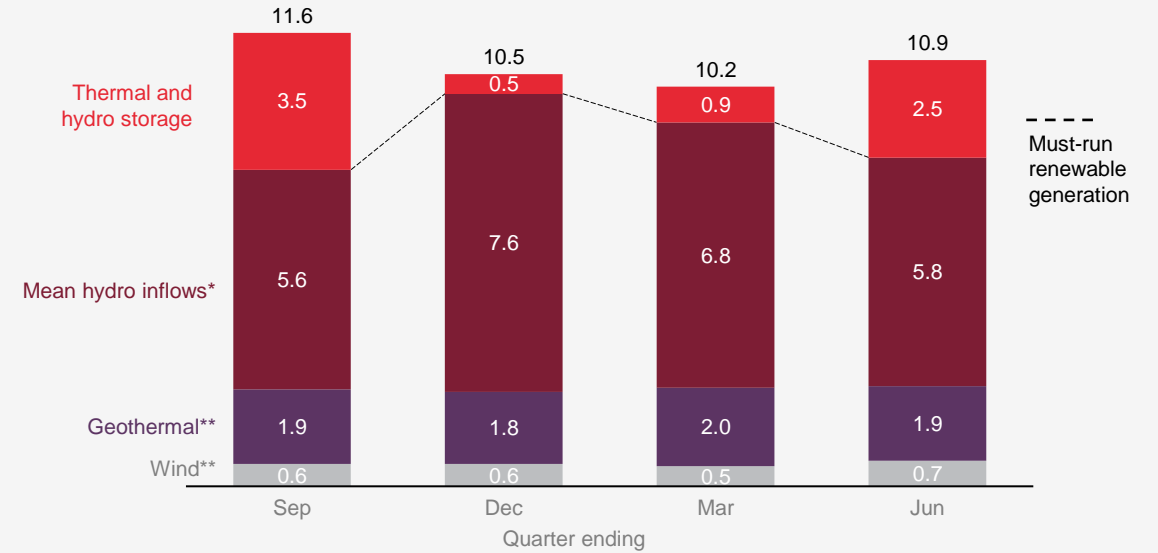


Electricity generation mix comparison 2005 and 2020



Current national quarterly supply and demand (TWh)

Measured at the station grid entry point



5TWh
per annum

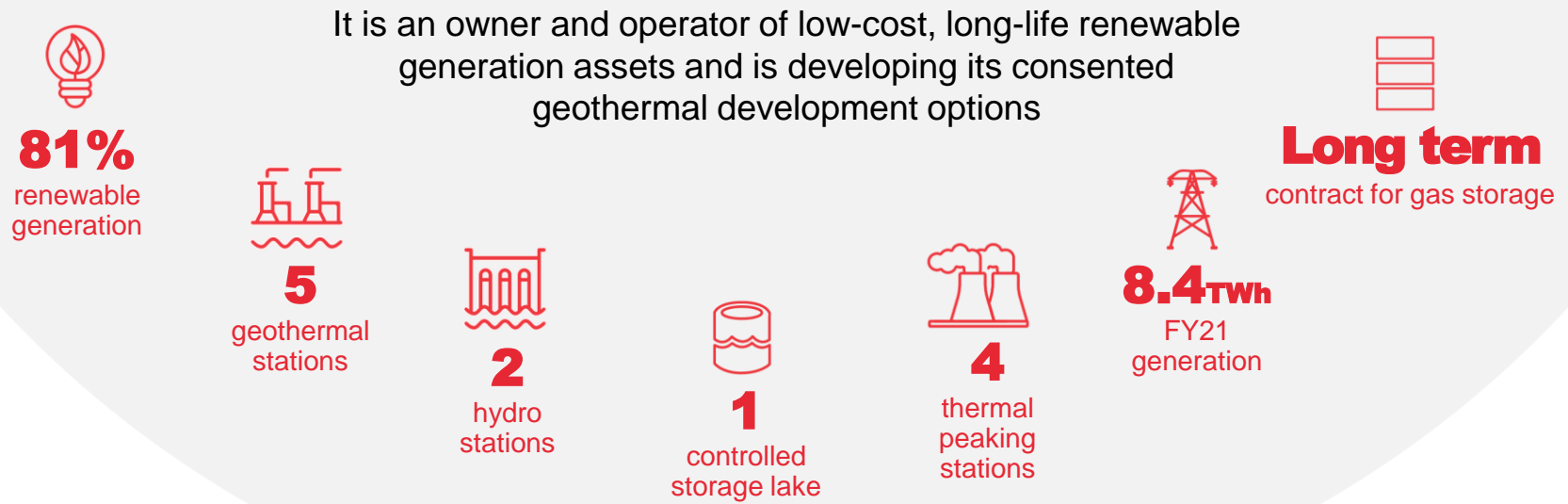
Flexible thermal production is required to complement

3TWh
per annum

of seasonal renewables firming

*Source: NZX hydro, mean inflows 1926 – 2021
** Source: MBIE quarterly electricity generation and consumption 2015 to 2021

Contact Energy is one of New Zealand's most significant companies



All figures at 30 June 2021 or for FY21 year
* Includes 543 bondholders for CEN030 which matures on 15th November 2021.

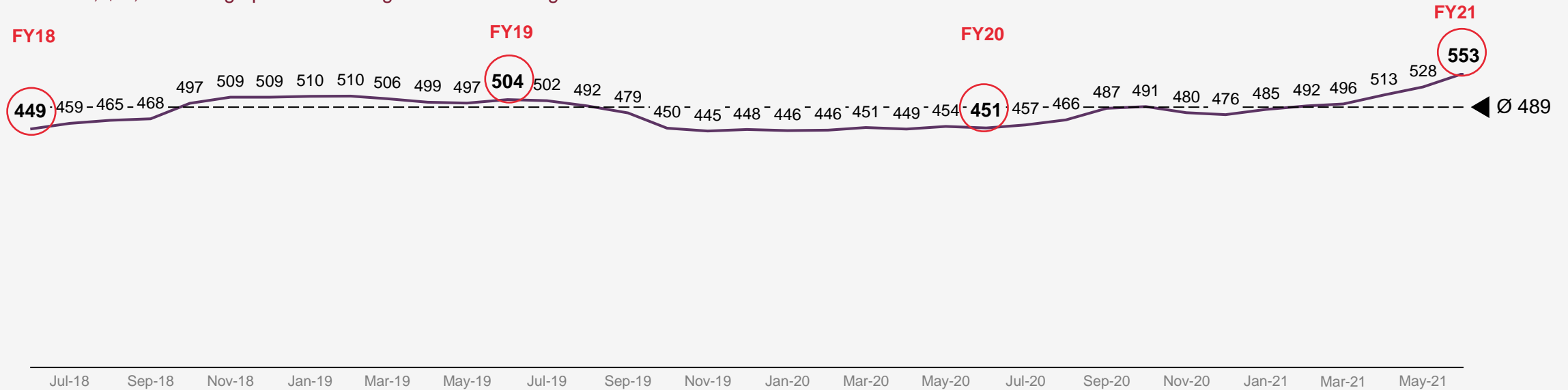
Contact 26 > Our strategy to lead NZ's decarbonisation



Contact has delivered stable EBITDAF over the past four years

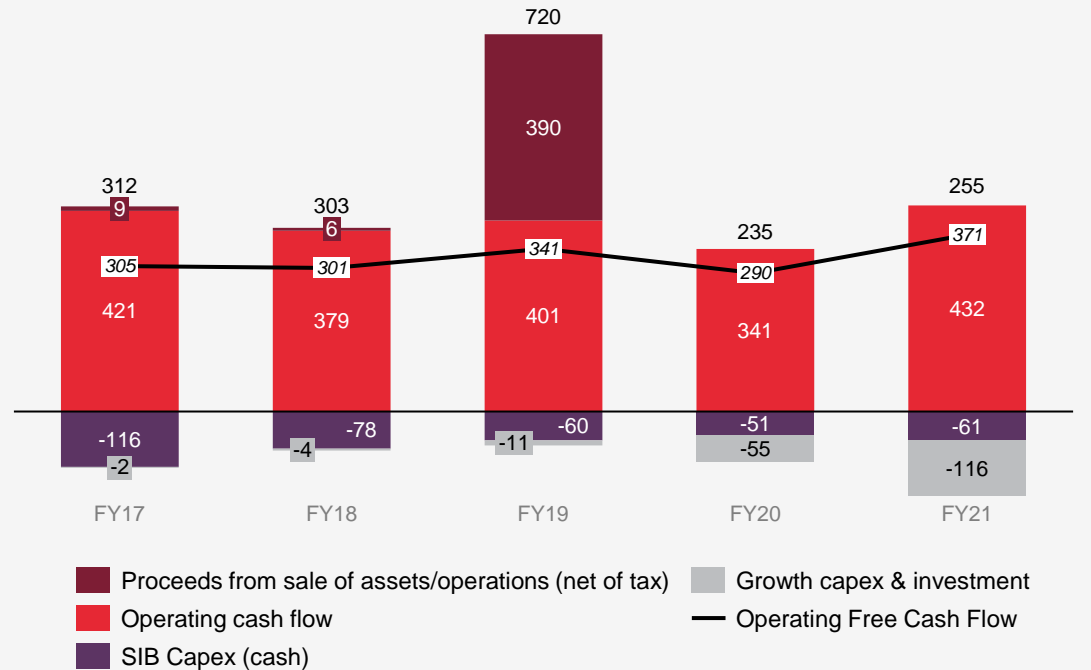
despite volatile wholesale markets and rising thermal fuel costs

EBITDAF, \$m, continuing operations rolling 12 months average



Key financial metrics

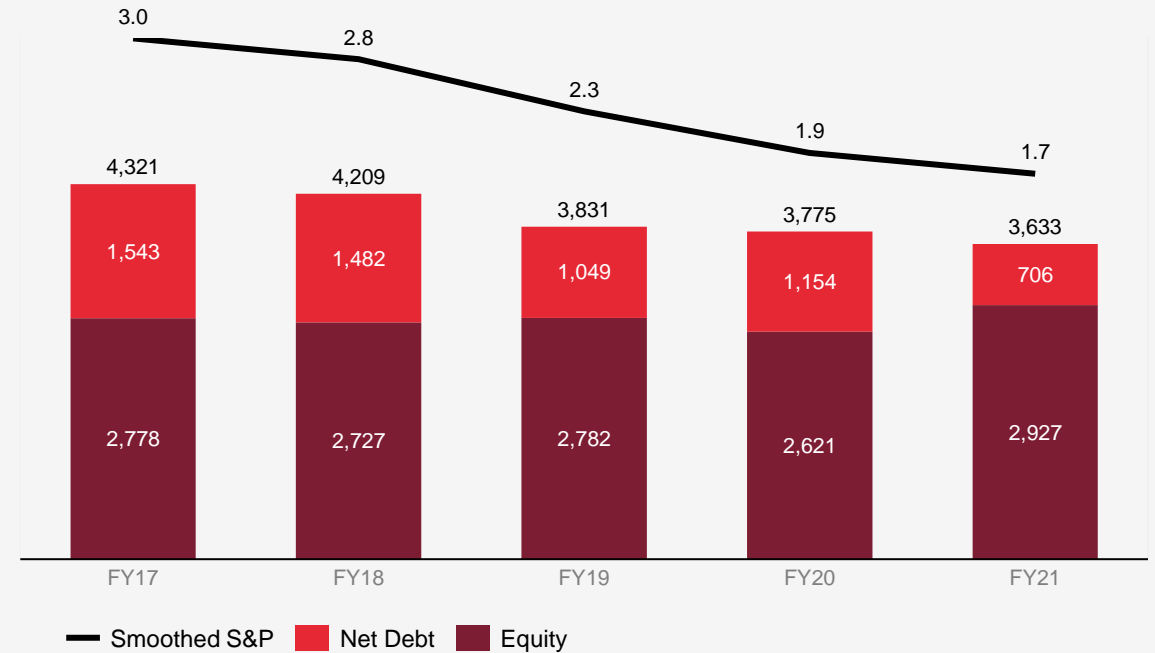
Operating Cash Flow less Investing Cash Flow (\$m)



SIB = stay in business

- Capital and operational efficiency have supported strong operating cash flows

Capital Employed (\$m) & S&P Net Debt to EBITDAF



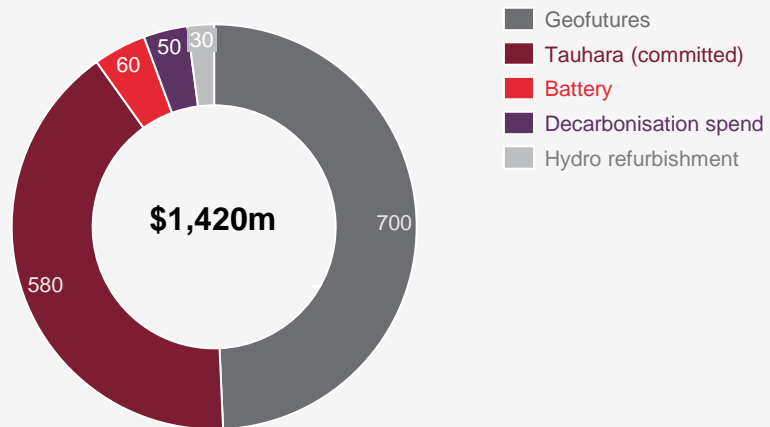
Contact continues to target an investment grade credit rating

- Provides Contact with benefits in terms of access to multiple funding markets and efficient borrowing costs
- Most recently reaffirmed by S&P in March 2021
- S&P's key financial metrics for BBB is a Net Debt/EBITDAF ratio targeting below 2.8x over the medium-term

Growth investment funding strategy

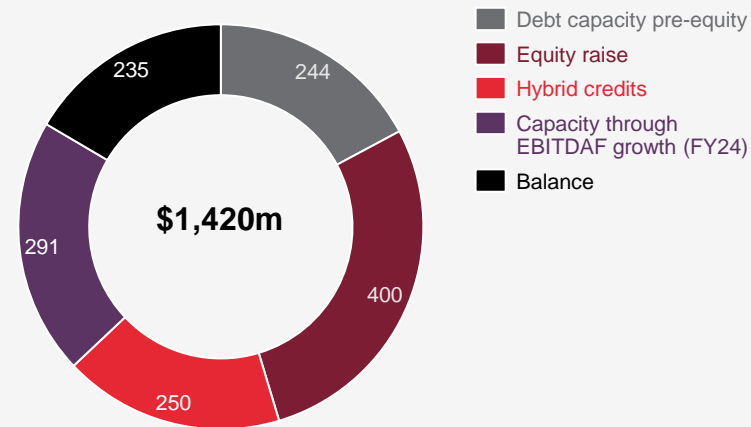
Complementing conventional debt funding and hybrid debt instruments, Contact has already accessed equity funding to support our medium term investment programme

Medium-term capital investment programme*



Investments will be sized to meet the market

Potential sources of funding



Balance includes dividend reinvestment plan take-up, which can be increased to support upside demand growth, and retained operating free cash flow in excess of the ordinary dividend

Commitment to maintaining S&P investment grade credit rating continued

Long-life renewable generation assets are capital intensive and require equity support

The timing of Geofutures** investment decision provides balance sheet flexibility

* Except for Tauhara, the remaining projects are uncommitted. The eventual capital spend may vary from the indicative capital investment programme outlined as market conditions change.

** Geofutures is the name of the project to replace and/or expand generation at Wairakei post current consent expiry in 2026

Funding



Presented by

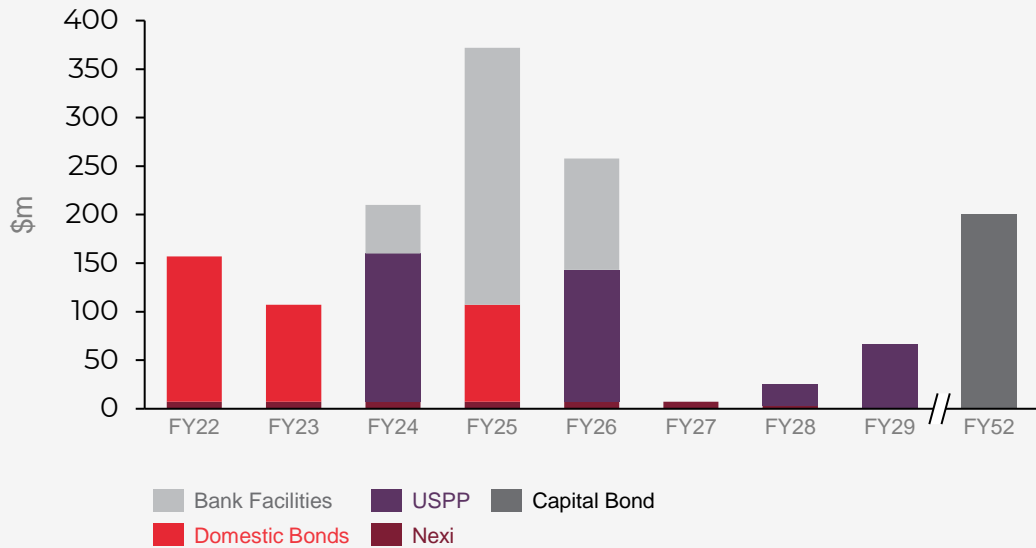
Will Thomson
Corporate Treasurer



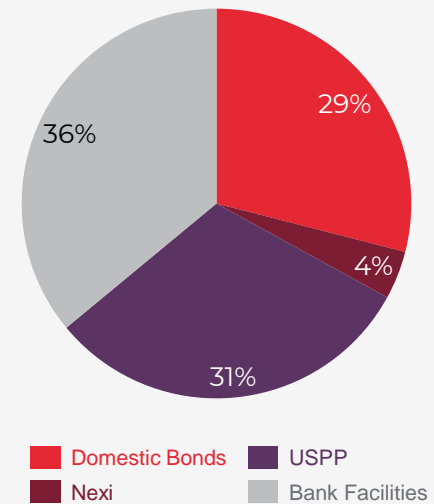
Funding

Balance sheet and funding portfolio

Funding maturity profile (at 30 June 2021, including new capital bonds)



Sources of funding (at 30 June 2021)



Balanced debt portfolio with diverse sources of funding; comprising bank debt, domestic bonds and USPP

All bank facilities have been converted to sustainability linked loans, and all debt is certified green

The average debt maturity profile (inclusive of the new issuance) is 7.6 years as at 31 October 2021

Bond proceeds will be used to effectively fund the repayment of the maturing \$150m domestic green retail bonds and fund geothermal development

- The Capital Bonds have been assigned intermediate equity content, providing equity content with S&P for rating purposes
- This will provide balance sheet support going forward as Contact continues to fund its \$1.4bn capital investment plan

Green Borrowing Programme

In August 2017, Contact obtained green certification from the Climate Bonds Initiative for all debt in the funding portfolio – the “Green Borrowing Programme”

The proceeds of the Green Borrowing Programme are used to finance existing and future renewable generation assets that meet the Green Bond Principles and the Climate Bonds Standard (Green Assets). All of Contact’s geothermal assets (excluding Ohaaki) qualify to be included as eligible Green Assets

CBI has recently released its final hydropower criteria. Contact is currently seeking to obtain green certification on its hydropower assets

Through certification, the Green Borrowing Programme means Contact’s funding portfolio reflects the low carbon nature of the company’s renewable generation assets and aligns with our focus on decarbonisation

The new 2021 Capital Bond will be a certified green bond

It will be the first green capital bond in New Zealand

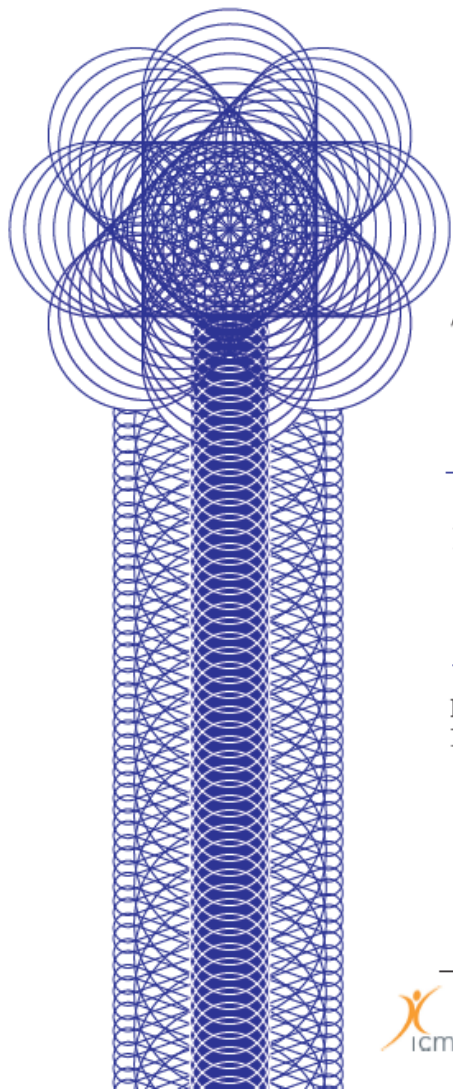
The Green Borrowing Programme has been independently verified by KPMG. As at 30 June 2021, the emissions intensity (of the Green Assets) was 30gCO₂/kWh, well below the 100gCO₂/kWh required under the standard, and the Green Ratio (Eligible Green Assets/Green Debt Instruments) was 1.45 times

Further information about the Green Borrowing Programme and the Green Borrowing Programme Framework is available on the Issuer's website:

www.contact.co.nz/aboutus/sustainability/financial-sustainability

Note that lack of compliance with the Green Borrowing Programme Framework or the CBI standards is not an event of default in relation to the Capital Bonds

Green Borrowing Programme



Certification



This is to certify that the

Green Capital Bond 2021

Issued by

Contact Energy Limited

Has met the criteria for certification by the Climate Bonds Standard Board on behalf of the Climate Bonds Initiative

SEAN KIDNEY
Chair of the Climate Bonds Standard Board

5 October 2021



CALSTRS IIGCC



Climate Bonds

Capital Bonds and the Offer

Key terms of the Capital Bonds

Description	Subordinated, unsecured, redeemable, interest bearing debt securities of Contact
Issuer	Contact Energy Limited
Guarantors	None
Ranking	The Capital Bonds rank behind bank debt, senior bonds, US private placement notes, commercial paper and any amounts owing to unsubordinated general and trade creditors, as well as indebtedness preferred by law and secured indebtedness The Capital Bonds rank equally and without preference among themselves and equally with any other subordinated, unsecured indebtedness
Credit ratings (S&P)	Expected Issue Credit Rating – BB+ The expected Issue Credit Rating is two notches below Contact's issuer credit rating of BBB <ul style="list-style-type: none"> • One notch for subordination and one notch for the potential deferral of interest
Issue amount	Up to \$200m with the ability to accept oversubscriptions of up to an additional \$25m at Contact's discretion
Tenor	30 years, maturing 19 November 2051
First Reset Date	19 November 2026
Optional early Redemption by Contact	First Reset Date and each subsequent Interest Payment Date and certain other limited circumstances (following a Tax Event or Rating Agency Event)
Reset Dates	The First Reset Date for the Capital Bonds is the date that is five years after the Issue Date. Thereafter there is a further Reset Date every five years
Interest Rate	The Interest Rate and Margin for the first five-year period will be set following a bookbuild on 12 November 2021 If not Redeemed earlier, on each Reset Date, unless there has been a Successful Election Process, the Interest Rate for the next five-year period will reset to the five-year swap rate on the applicable Reset Date plus the Margin plus the Step-up Percentage (0.25%)
Deferral of interest	Payment of interest can be deferred (for no more than five years) at Contact's discretion (and must be deferred if Contact is insolvent) Deferred interest is cumulative
Quotation*	It is expected the Capital Bonds will be quoted under the ticker code CEN060 on the NZX Debt Market

* Application has been made to NZX for permission to quote the Capital Bonds on the NZX Debt Market and all the requirements of NZX relating thereto have been complied with. However, NZX accepts no responsibility for any statement in this presentation. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the FMCA.

Interest payments

Interest Rate

The Margin and the Interest Rate for the period until the First Reset Date (19 November 2026) is to be set by Bookbuild

Before each Reset Date, Contact may propose, through an Election Process, new terms and conditions (including a new Interest Rate and Margin) that would apply to the Capital Bonds from that Reset Date

If no Successful Election Process occurs, the Interest Rate for the next five-year period resets to the sum of the Benchmark Rate on that Reset Date plus the Margin plus the Step-up Percentage of 0.25%

Interest deferral

An interest payment may be deferred at Contact's sole discretion for up to five years

If deferred, an interest payment amount will itself accrue interest at the prevailing Interest Rate on the Capital Bonds (in aggregate, the Unpaid Interest)

If there is any Unpaid Interest outstanding, Contact shall not:

- make any distributions on, redeem or repay, any of its shares or other securities ranking behind the Capital Bonds
- make any distributions on, or redeem or repay, any securities ranking pari passu with the Capital Bonds (other than on a pro-rata basis)

Issuer redemption rights

Contact must Redeem Capital Bonds on the Maturity Date or if an Event of Default occurs

Contact has a right to Redeem:

- a) all or part of the Capital Bonds on any Reset Date; or
- b) all or some of the Capital Bonds on any Interest Payment Date after a Reset Date if a Successful Election Process has not been undertaken (ie the Step-up Percentage applies); or
- c) all of the Capital Bonds if a Tax Event⁽¹⁾ occurs; or
- d) all of the Capital Bonds if a Rating Agency Event⁽²⁾ occurs

The redemption price will be:

If Redemption is on the Maturity Date, on a Reset Date or due to the occurrence of a Tax Event:

- the Principal Amount plus Unpaid Interest plus accrued interest;

otherwise, the higher of:

- a) the Principal Amount plus Unpaid Interest plus accrued interest; and
- b) the market price, which will include accrued interest

A partial redemption will be permitted only to the extent there will be at least 100m Capital Bonds outstanding after the partial redemption

Note that Standard & Poor's may reduce the equity content to "minimal" if Contact, without issuing a replacement security, redeems more than 10% of the Capital Bonds in any 12-month period or more than 25% of the Capital Bonds in any 10-year period

1) A Tax Event is where a change of law or regulation occurs and interest payable on the Capital Bonds is no longer tax deductible

2) A Rating Agency Event occurs where Standard & Poor's changes its criteria and the Capital Bonds no longer qualify for Intermediate Equity Content or if Contact ceases to have a credit rating

Key early redemption drivers

2026



Year five

Contact can Redeem the Capital Bonds or run an Election Process

- If the Election Process is unsuccessful the effective Margin will increase by the Step-up Percentage (0.25%)
- Capital Bonds are callable at par whereas any subsequent issuer call between Reset Dates will be at the higher of par and market value (unless it is due to the occurrence of a Tax Event)
- If the Capital Bonds are not called at year five then at year ten there is a refinancing requirement at the same time as there is a loss of equity content

2031

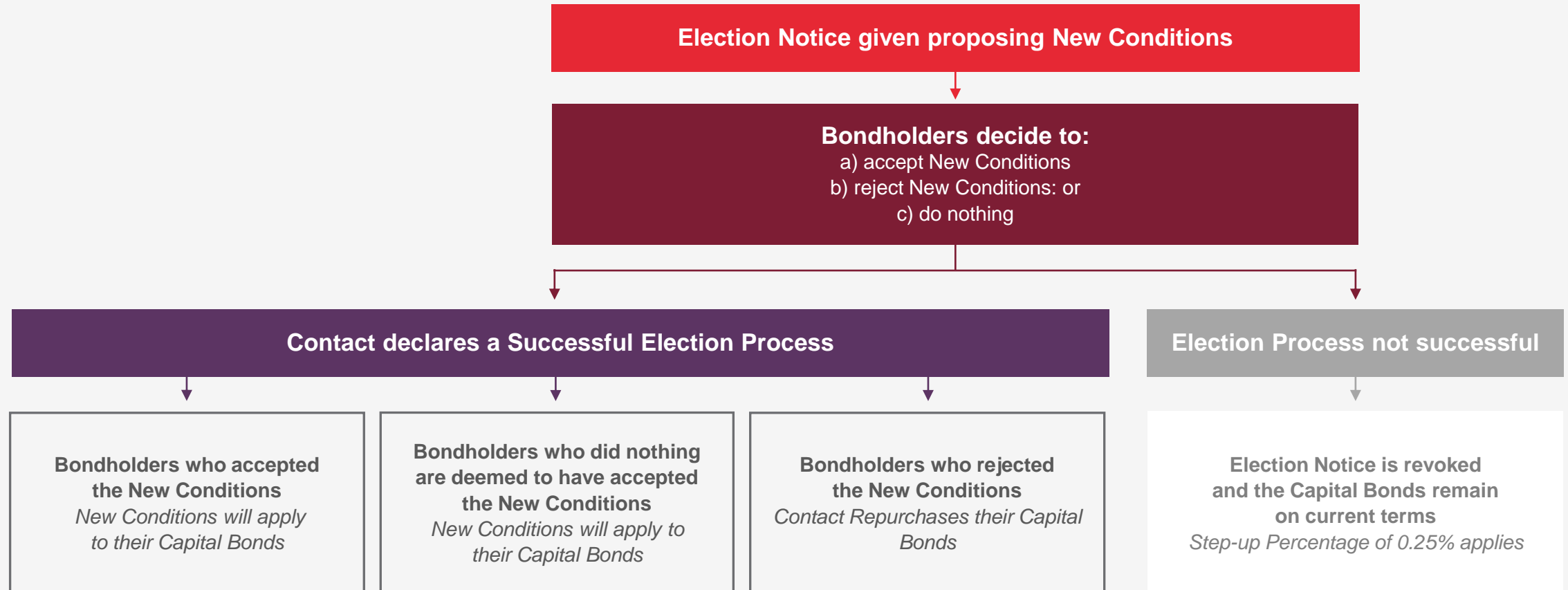


Year 10

- Equity content falls to minimal, Standard & Poor's treats the Capital Bonds as 100% debt in Contact's financial ratios
- Likely to be high-cost debt with limited benefits
- These outcomes not consistent with the rationale for the issue

- Notwithstanding these early redemption drivers Contact considers that hybrid securities that are ascribed equity content, such as the Capital Bonds, will be a key feature of its capital structure going forward
- As such if Contact chooses to redeem the Capital Bonds early, current expectation is that equivalent replacement securities would be issued to fund that redemption

The Election Process



Key information and timeline

The Offer

Bookbuild process

NZX Firms, institutional investors and other approved parties to be invited to participate in the bookbuild process

No public pool

Minimum applications

\$5,000 and multiples of \$1,000 thereafter

Fees

Firm fees of 0.50% to those participating in the bookbuild

Retail brokerage fee of 0.50%

2021	29 October	PDS lodged
	8 November	Offer opens Indicative pricing released
	12 November	Closing Date Rate Set Date
	19 November	Issue Date
	22 November	Quotation Date
2022	19 February	First Interest Payment Date
2026	19 November	First Reset Date
2031	19 November	Equity credit content expected to fall to minimal (0%)
2051	19 November	Maturity Date

Thank you

