

# Manawa Energy Bond Offer

Investor Presentation

August 2022

**Joint Lead Managers**





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# Offer highlights

<b>Issuer</b>	Manawa Energy Limited (MNW.NZX).
<b>Description</b>	Unsecured, unsubordinated, fixed rate bonds.
<b>Credit Rating</b>	Unrated.
<b>Offer amount</b>	Up to \$125 million with the ability to accept up to \$25 million in oversubscriptions at Manawa Energy's discretion. The Offer consists of two parts: a Firm Offer and an Exchange Offer.
<b>Term and Maturity</b>	5 years, maturing 8 September 2027.
<b>Use of proceeds</b>	General corporate purposes, including the purchase and repayment of the MNW150 bonds maturing 15 December 2022.
<b>Joint Lead Managers</b>	ANZ Bank New Zealand Limited, Craigs Investment Partners Limited, Forsyth Barr Limited.



# Introduction to Manawa Energy





# An overview of Manawa Energy

- Formerly Trustpower Limited.
- Name change to Manawa Energy Limited in May 2022 following the sale of mass market retail business to Mercury NZ in May 2022.
- Manawa means 'heart' – the name was gifted to us by Ngāti Hangarau hapū, who hold mana whenua over the area where our Kaimai scheme is located.
- 26 generation schemes throughout New Zealand. Capacity of 498MW.
- Approximately 650 large Commercial & Industrial (C&I) customers.
- New Zealand's largest independent\* electricity generator and renewables developer.
- Strategy focuses on growth through the development of new renewable generation as well as optimising and enhancing existing hydro generation assets.
- Headquartered in Tauranga, approximately 230 FTE employees.
- Current market capitalisation is ~\$1.9bn.
- 51% owned by Infratil, 27% owned by TECT Holdings Limited.

*\* By independent we mean without an integrated mass-market retail business.*



# Manawa Energy has a long & proud history

Manawa Energy is a new name, but its history is nearly 100 years old. Formerly Trustpower Limited with a long history owning, operating and developing new renewable generation assets.

1923

- Tauranga Electric Power Board established.

1993

- Trustpower Limited is formed.

1994-  
2015

- Trustpower exits distribution.
- Grows hydro and wind generation capacity through development of new schemes and purchasing of existing schemes to a peak of 1,101MW.
- Retail offering expanded to include telecommunications and gas with customers throughout New Zealand.

2016

- Wind assets demerged to form Tilt Renewables.

2022

- Trustpower Limited changes its name to Manawa Energy Limited following the successful sale of its mass market retail business to Mercury NZ Limited.





# Manawa Energy has a geographically diversified portfolio of hydro generation assets



**44**  
hydro  
power  
stations

**26**  
power  
schemes

**498MW<sup>1</sup>**  
total NZ  
installed  
capacity

**75%**  
shareholding in  
King Country  
Energy

**20%**  
shareholding in  
Rangitata  
Diversion Race  
(NZ's largest  
irrigation scheme)

**Geographically  
diversified**  
Reduces exposure to  
regional weather and  
pricing

**~1,942GWh<sup>1</sup>**  
expected long  
term average  
annual output

**~650**  
large commercial  
and industrial  
customers

**4**  
regional  
offices

<sup>1</sup>Includes 100% of King Country Energy assets and production.

# Experienced board and management team



**Paul Ridley-Smith**  
Board Chair &  
Non-Independent  
Director



**Joanna Breare**  
Independent Director



**Sheridan Broadbent**  
Independent Director



**Deion Campbell**  
Non-Independent  
Director



**Kevin Baker**  
Non-Independent  
Director



**Michael Smith**  
Non-Independent  
Director



**David Prentice**  
Chief Executive



**Catherine Thompson**  
General Manager  
Regulatory & Risk



**Phil Wiltshire**  
General Manager  
Corporate Services



**Rob Buchanan**  
General Manager  
Growth & Trading



**Stephen Fraser**  
General Manager  
Generation



**Matt Van Deventer**  
General Manager  
Technology & Delivery





# Strategic Overview

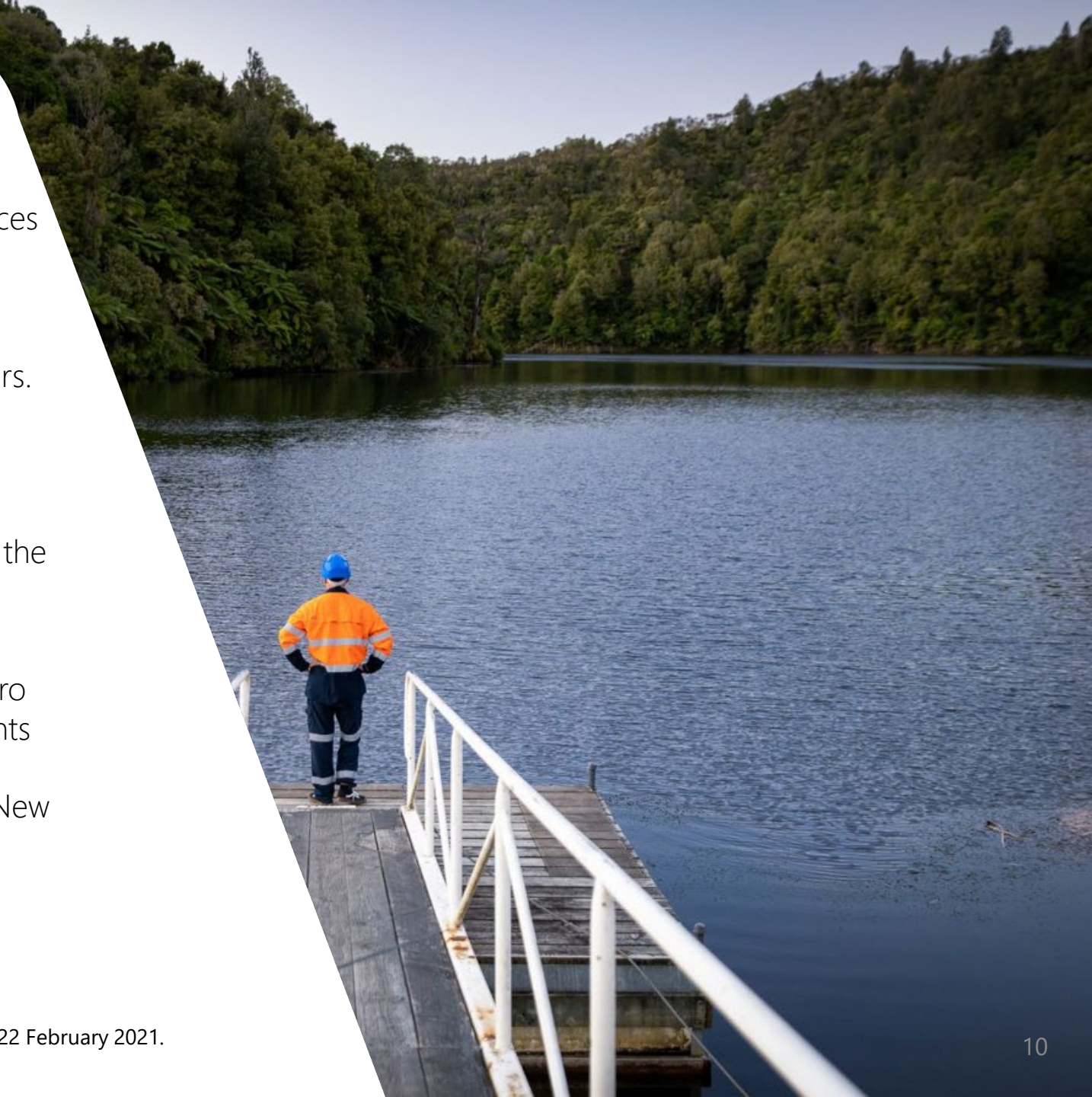




# Industry overview

- Competitive market with high levels of renewable resources (80%+).
- Prices set by competitive spot and forward markets.
- Demand growth of ~30-40%<sup>1</sup> expected over next 20 years.
- Anticipated retirement of existing thermal plant and the decarbonisation of transport and industry provides significant opportunity for Manawa Energy's strategy, to develop and enhance renewable generation, to support the transition.
- The Government's recently released Emissions Reduction Plan outlines a plan for New Zealand to meet our net zero emissions target by 2050. It includes a number of elements that will support the building of renewable electricity generation to meet expected increased demand as the New Zealand economy decarbonises.

<sup>1</sup>Climate Change Commission, *Electricity market modelling results summary*, published 22 February 2021.





# Strategic plan overview

## Growth



### Generation

Develop a large portfolio of options.  
Pursue partnerships with established participants.  
Focus on areas we can lead the market, such as solar and wind development.



### Market channels

Develop long-term relationships with customers through enhanced product offerings.  
Utilise relationships with customers to support generation investment.  
Investigate opportunities at grid-edge.

## Operational Excellence



### Generation

Deliver on our established value protection and enhancement strategies.  
Optimise our existing portfolio through improved decision-making capability.



### Market channels

Plan and optimise our wholesale risk position in the long-term.  
Identify the highest value customers for our energy portfolio.

## Critical Enablers



### Technology and innovation

Embed a digital mindset in the business.  
Optimise our systems following retail sale.  
Use data and automation to enhance our decision-making and create value.



### Culture and capability

Create an environment that brings out the best in our people.  
Plan for the future to ensure we have the capability we need to succeed.

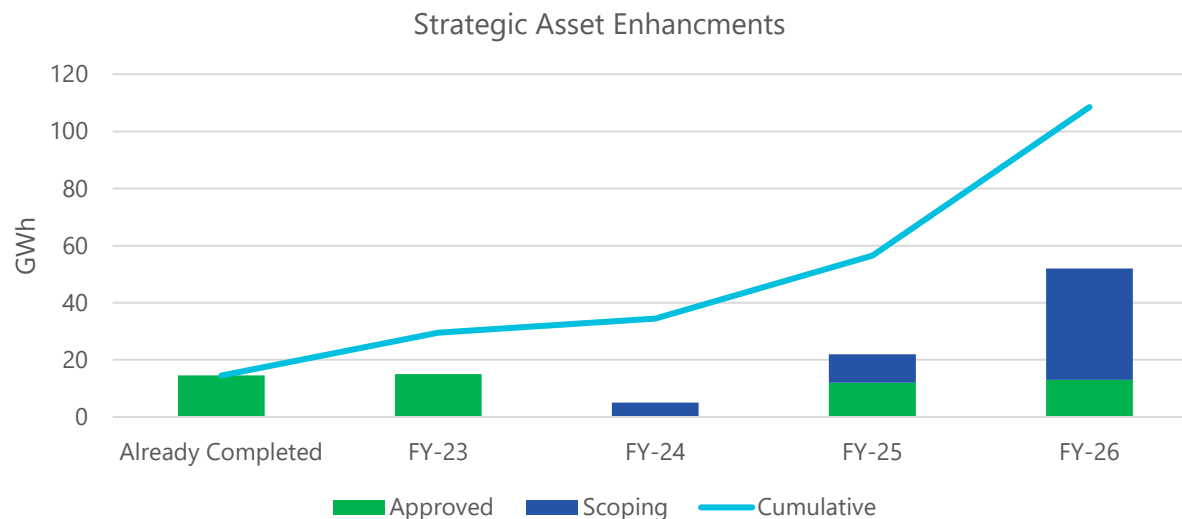
## Baseline Excellence

Sustainability – Health, Safety and Wellbeing – Reputation and Brand – Iwi Relationships – Business Performance and Financial Management.



# Asset enhancement programme

- Focus on strategic asset enhancements is delivering volume and value.
- ~15GWh/year worth of enhancements have already been completed, with 15GWh/year expected to be completed in FY-23.
- A further ~79GWh/year worth of enhancements currently planned to be delivered across FY-24 to FY-26.
- These are at various stages of progress, with three key projects already approved and contracts signed.





# Over 30 new solar & wind developments under consideration

- Manawa Energy has a history of new generation development with internal expertise as well as access to the capability of the broader HRL Morrison & Co group.
- Manawa Energy intends to employ a disciplined approach when seeking to execute on any of its portfolio of options.
- Focus to date on securing a wide range of options - focus now on execution of some more advanced options:
  - Up to ~120MW grid connected solar project near Thames, with the consenting process, including community and iwi consultation, commencing.
  - Up to ~100MW grid connected solar project north of Auckland.
  - MoU executed for a joint venture with Hawke's Bay airport for a 24MW solar development.
  - Consents have been obtained for a grid scale solar project, of up to ~12MW, in Northland, with potential offtake to a large C&I customer.
  - Evaluating over 1GW of wind projects in New Zealand across more than five sites.



Artist impression of proposed solar farm at Hawke's Bay Airport



# Commercial & Industrial sales channel provides opportunities

- Manawa Energy divested its mass market retail business but retained its 650 Commercial & Industrial (C&I) customers as an important channel to market.
- Total volume into this channel is currently approximately 1,200GWh per annum.
- Approximately 40% of this volume is at fixed pricing, with the remainder at spot.
- As the Mercury hedge (per slide 21) steps down over time, this channel provides opportunities for us to sell our output as well as originate offtake arrangements in respect of generation development projects.
- Evolving strategy is to work with high volume customers seeking a renewable energy partner.





# ESG – greater than 99% of generation is from renewable resources

- Given our reliance on natural resources, we maintain a strong focus on respecting and caring for the environment. Our approach is backed up by an Environmental Management System that is aligned with ISO14001.
- We are currently developing ESG commitments that will support our strategic ambitions and align with Infratil's portfolio entity ESG expectations.
- Manawa Energy participates annually in GRESB - a benchmarking assessment which captures information regarding environmental, social and governance performance and sustainability best practices for infrastructure companies (among other entities) worldwide.





# Active community participation

Manawa Energy is committed to supporting the communities and environments in which it operates. This includes:

- Kiwi and Kokako protection and monitoring in the Kaimai Ranges – a partnership with DoC and Ngamanawa Incorporation (Ngati Hangarau).
- Supporting the West Coast Wilderness Trail from Greymouth to Ross, which passes two Manawa Energy hydroelectric power schemes.
- Approximately \$250,000 annually to environmental funds or trusts, and educational scholarships.
- Community-run native planting projects throughout New Zealand.





# Current regulatory landscape

- Regulatory frameworks, including the recent establishment of the Emissions Reduction Plan (ERP) and the existing emissions trading scheme, provide strong foundations for the energy sector's role in supporting the transition to a highly renewable electricity market.
- Government has also recently announced significant financial support for decarbonisation activities.
- The development of a national energy strategy within the ERP, and clarification that the 100% renewable electricity target by 2030 is aspirational, support Manawa Energy's business strategy.
- These initiatives will help decarbonise the sector and provide more certainty around the balance between the energy trilemma (equity, security and sustainability).
- There are some regulatory work programmes that may challenge the sector (including resource management reform, freshwater reform and the NZ Battery project); we will continue to work closely with relevant decision makers to promote good policy decisions that reinforce the existing strong foundations for the sector.

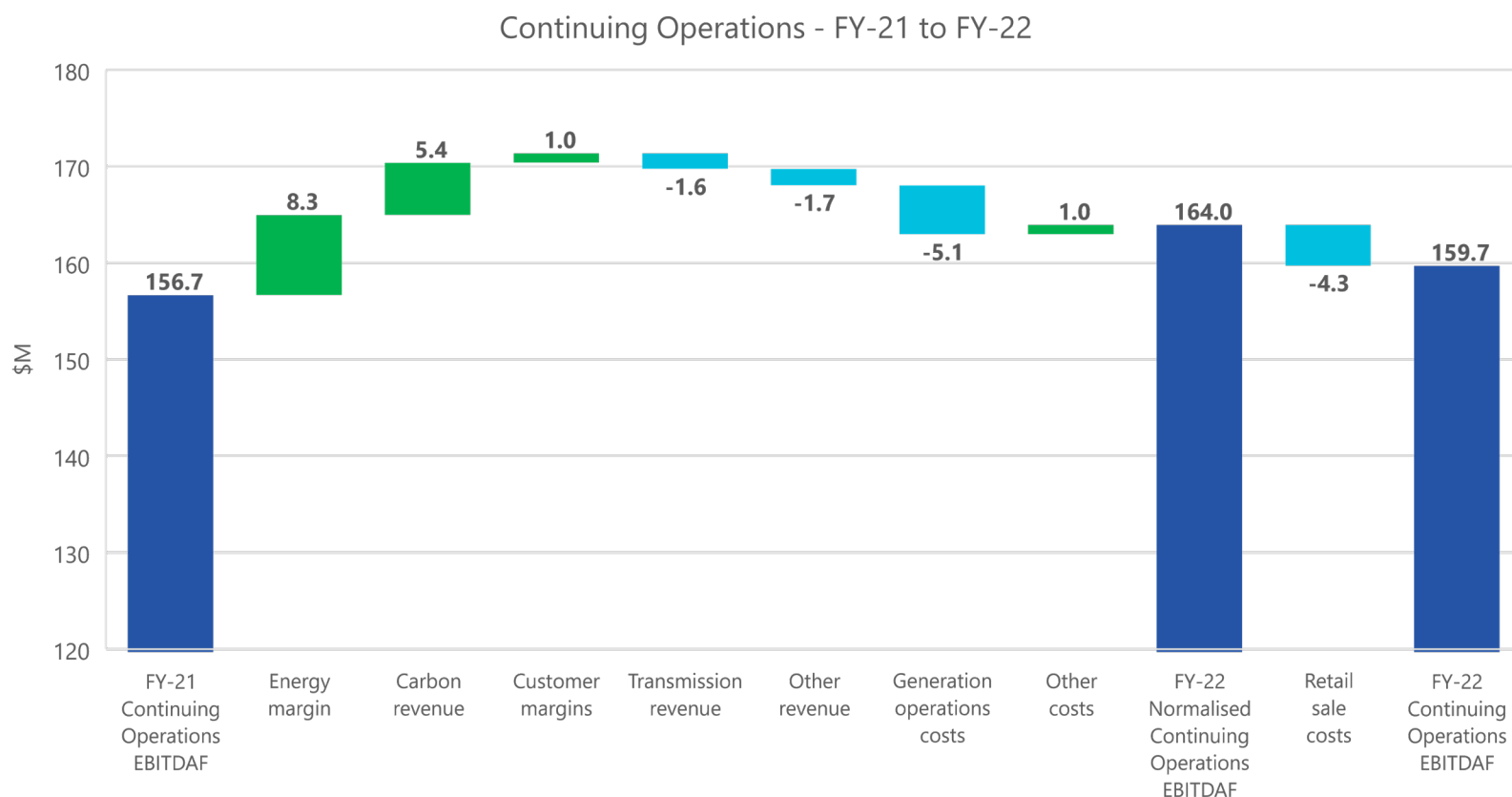


# **FY-22 Financial Performance, FY-23 Guidance & Capital Structure**





# FY-22 financial summary



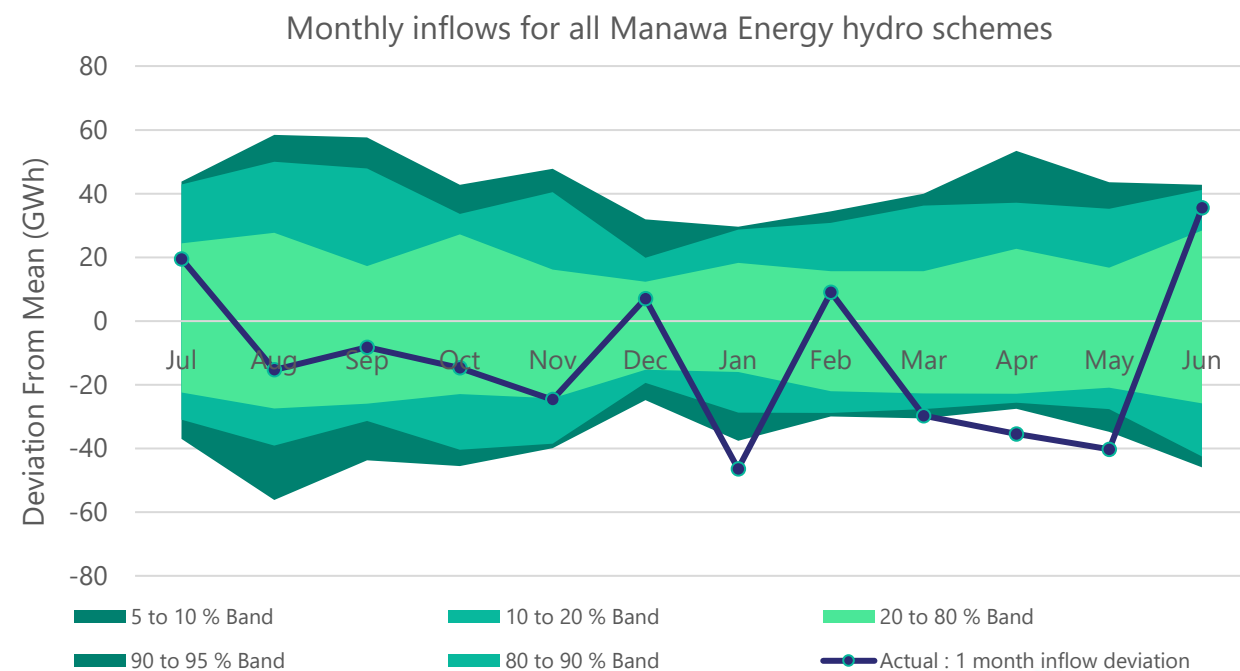
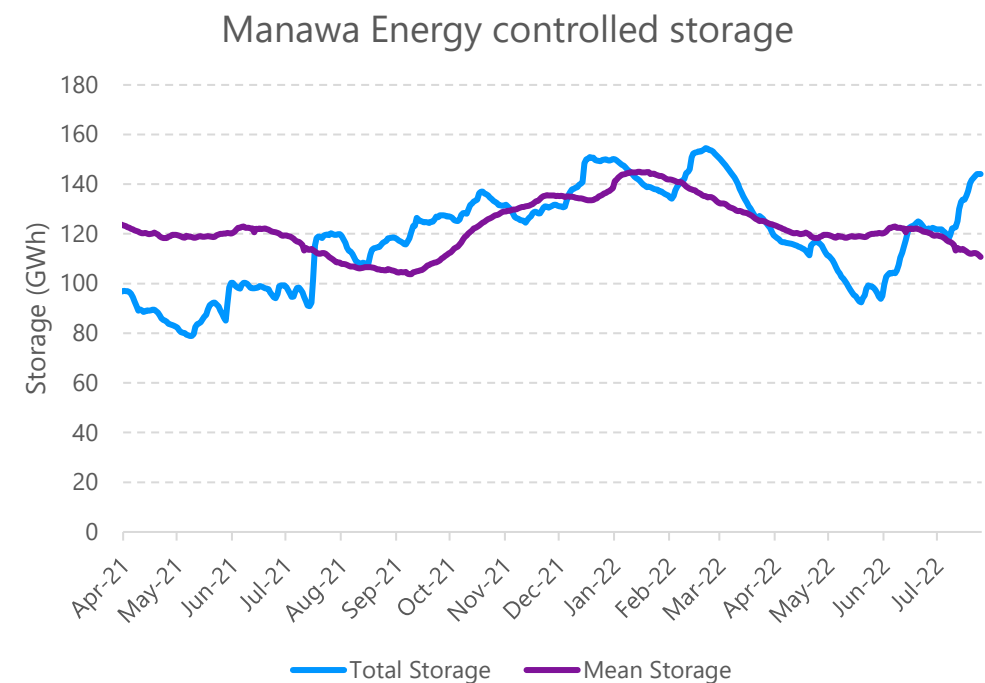
*EBITDAF is a non-GAAP financial measure, it is earnings before interest, tax expense, depreciation, amortisation, change in fair value of financial instruments.*

- Energy margin variance was driven by higher inflows (albeit materially below average) than the pcp, and higher wholesale prices.
- Carbon revenue is due to carbon credit inventory revaluations.
- Generation operations cost increase was driven by higher level of works compared to COVID-impacted FY-21, as well as higher insurance costs, and recharges from Corporate.
- Retail sale costs are those one-off expenses incurred due to the sale but not incurred of directly relating to the sale of the Trustpower retail business (e.g., establishment of Manawa Energy and separation activities).



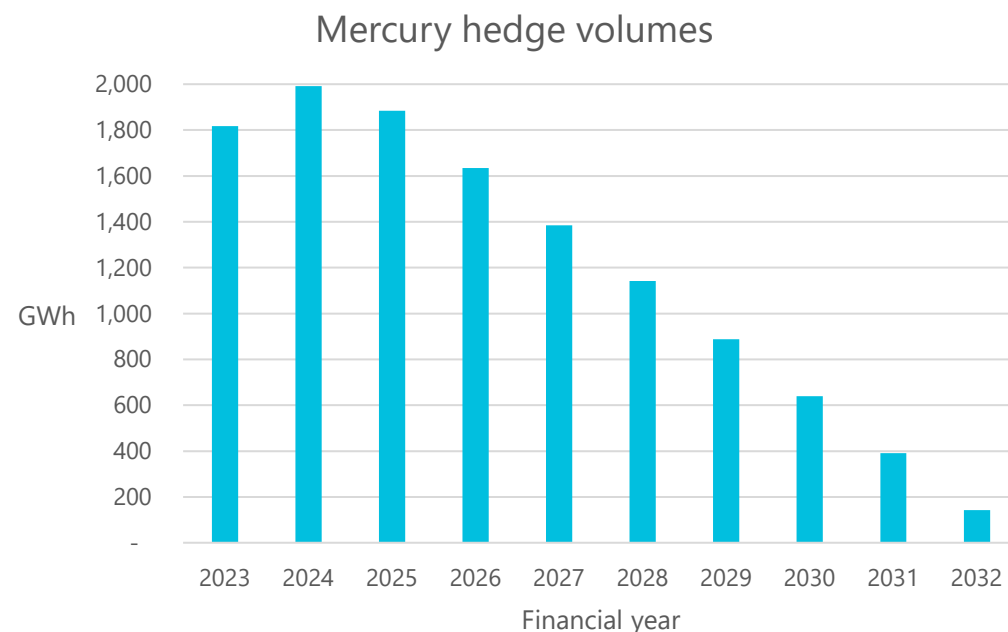
# Inflows and storage

Manawa Energy’s storage as at 31 July 2022 is at above average levels after below average inflows to start the year.



# Mercury offtake provides strong price certainty as the Manawa Energy strategy develops

- Manawa Energy entered a long-term hedge with Mercury upon the sale of the mass market retail business. Initial hedge volume approximates the previous retail load.
- Hedge expires in 30 September 2031 and will provide price certainty for the near-term. Initial volume is approximately 2,000GWh reducing from 1 October 2024 to zero at 30 September 2031.
- Price is fixed until 30 September 2026 with a quarterly CPI escalator commencing 1 October 2022. Pricing is set with reference to ASX futures pricing thereafter.
- The reduction in volume over a long period of time allows Manawa Energy time to diversify its wholesale energy sales portfolio.
- We intend to do this by expanding our Commercial & Industrial (C&I) customer proposition, engaging with other retailers to provide wholesale energy and, where appropriate, enter into long term power purchase agreements with wholesale energy users seeking long-term renewable energy.

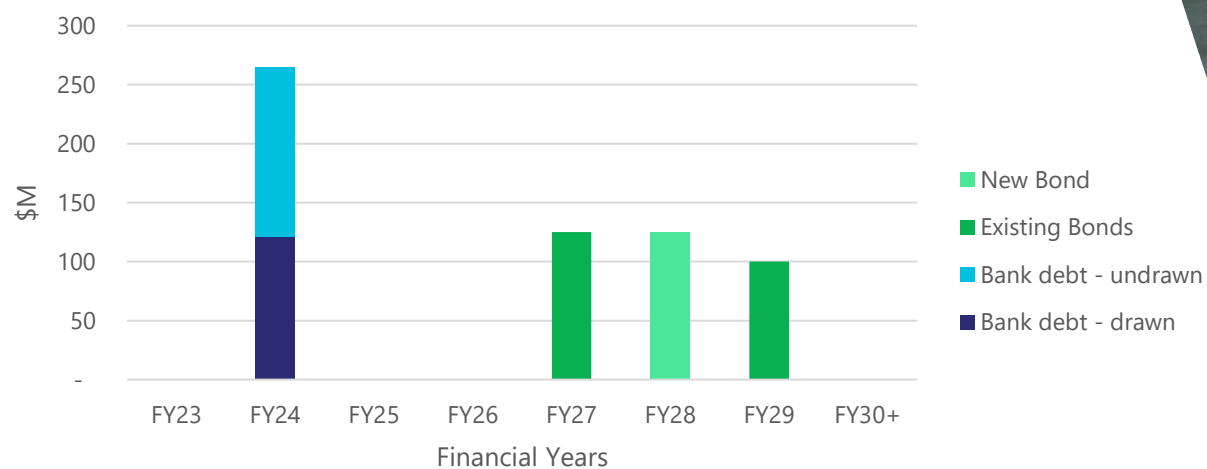




# Capital structure

- Debt funding comprises a mix of retail bonds and bank debt.
- \$85 million of bank facilities refinanced in July 2022.
- Of the ~\$470 million received for the mass market retail business, ~\$110 million was returned to shareholders via a special dividend and the remainder was applied to existing debt.
- Interest rate hedging in place in accordance with Board approved treasury policy.

Debt maturity profile<sup>1</sup>



<sup>1</sup>Following the July bank refinancing, assuming \$125m of new Bonds raised and MNW150 bond repaid.

# Capital structure (cont)

## *Gearing*

- Target gearing ratio (net debt to EBITDAF) of 3.0 – 3.5 times but allow flexibility to extend to 4.0 times to fund growth.
- 30 June 2022 net debt \$494m<sup>1</sup>.
- Net debt to EBITDAF of 3.3 times based on the mid-point of the full year FY-23 EBITDAF guidance range (see slide 24) and June 2022 net debt.
- 30 June 2022 gearing 26%<sup>2</sup> (debt to debt + equity).

## *Dividend Policy*

- Dividend policy targets a pay-out ratio of between 70% and 90% of free cash flow over time.

## *Negative pledge*

- Ensures equal ranking with bank lenders.

## *Covenants*

- Total secured liabilities less than 7.5% of total tangible assets of the consolidated group (TTA) (other than "Permitted Security").
- Maximum gearing covenant of consolidated net debt to consolidated TTA of 50%.
- Minimum 85% guaranteeing group TTA of consolidated group TTA.
- Minimum 85% guaranteeing group EBITDA of consolidated group EBITDA.

<sup>1</sup>Including 100% of the debt of King Country Energy

<sup>2</sup>If the day one fair value loss of the Mercury hedge is not deferred (see slide 24 for more details), this ratio would be 31%.



# FY-23 guidance

Manawa Energy continues to expect FY-23 EBITDAF to be in the range of \$140m - \$160m. This is underpinned by the following current assumptions:

- Generation volumes of ~1,850GWh.
- Wholesale prices in line with current forward pricing.
- C&I retail volumes of ~1,200GWh.
- Average hydrological conditions.
- No material adverse events.
- ACoT contribution of ~\$17.1m.

We expect CAPEX to continue to be in the range of \$45m - \$55m. This is comprised of the following expenditure:

- \$15m - \$19m of Generation asset maintenance and lifecycle, including King Country Energy assets.
- \$22m - \$26m for Generation asset enhancements and growth.
- \$8m - \$10m for technology, regulatory, environmental, and other capital expenditure.

FY-23 financial statements will include a liability for the fair value of the Mercury hedge. This is a non-cash item that will unwind over the term of the hedge. The day one fair value loss is expected to be deferred to the balance sheet (creating an asset) with this deferred loss also unwinding over the term of the hedge. This treatment is subject to audit confirmation.

- The 1 May 2022 (day 1) fair value was approximately negative \$530m.
- The 30 June 2022 fair value was approximately negative \$422m.

*Note: Enhancement capex includes stand-alone enhancement projects as well as life cycle projects that include an enhancement of output alongside the replacement and life extension of the existing asset.*



# Trading conditions

- Trading conditions in the first two months of FY-23 were challenging - owing to dry conditions resulting in low hydro inflows and low wind production, combined with high wholesale prices.
- Combined with faster-than-anticipated new generation development investment (\$4.3 million of which is classified as opex), we are seeing some downward pressure on earnings for FY-23.
- However, well above-average lake storage and continued strong forward prices provide a more positive outlook for the remainder of the year.
- More details will be provided at the half-year results announcement in November.





# Bond Issue Details





# Senior bond issue summary

<b>Issuer</b>	Manawa Energy Limited (MNW.NZX).
<b>Description</b>	Unsecured, unsubordinated, fixed rate bonds.
<b>Credit rating</b>	Unrated.
<b>Offer amount</b>	Up to \$125 million with the ability to accept up to \$25 million in oversubscriptions at Manawa Energy's discretion.
<b>Term and Maturity</b>	5 years, maturing 8 September 2027.
<b>Interest rate</b>	The Interest Rate will be the sum of the Issue Margin (which may be above or below the Indicative Issue Margin) and the Base Rate on the Rate Set Date, but in any case will be no less than the minimum Interest Rate. The Interest Rate will be announced by Manawa Energy via NZX on the Rate Set Date.
<b>Interest payments</b>	Quarterly in arrear.  Interest payment dates – 8 March, 8 June, 8 September and 8 December up to (and including) the Maturity Date. First interest payment date is 8 December 2022.
<b>Financial covenant</b>	Net Debt of the Consolidated Group / Total Tangible Assets of the Consolidated Group $\leq$ 50% on each semi-annual test date.
<b>Issuer's early repayment option</b>	Manawa Energy may elect to redeem all the Bonds at the higher of face value (\$1.00) or volume weighted average market trading price.
<b>Quotation</b>	Expected to be quoted on the NZX Debt Market (ticker code MNW190).
<b>Denominations</b>	The minimum application is \$5,000, with multiples of \$1,000 thereafter.
<b>Brokerage</b>	Brokerage 0.50%, firm fee 0.25%.



# Offer Structure

<b>Firm Offer – bookbuild process</b>	<p>NZX firms, institutional investors and other approved parties to be invited to participate in the bookbuild process.</p> <p>No public pool.</p>
<b>Exchange Offer – MNW150 exchange option</b>	<p>Manawa Energy is offering New Zealand resident holders of its 127,734,000 MNW150 bonds maturing on 15 December 2022, the opportunity to exchange all or some of their MNW150 bonds for Bonds under an online Exchange Offer.</p> <p>If the Exchange Offer is oversubscribed, Manawa Energy will scale applications using a methodology of its choosing.</p>
<b>Firm Offer amount</b>	Up to \$75 million.
<b>Exchange Offer amount</b>	Up to \$50 million.
<b>Oversubscriptions</b>	Up to \$25 million. Can be accepted under the Firm Offer and / or the Exchange Offer.
<b>Purchase price under Exchange Offer</b>	<p>Existing MNW150 holders can apply to exchange their MNW150 bonds for the new Bonds (on a one-for-one basis). The purchase price will be retained by Manawa Energy and applied to the Issue Price of the new bonds.</p> <p>In addition, Manawa Energy will pay a cash payment to exchanging MNW150 holders equal to interest on the exchanged MNW150 bonds for the period from (and including) 15 June 2022 to (but excluding) the Issue Date of the new Bonds. This payment reflects the interest accrued on the MNW150 bonds from the last interest payment date to the Issue Date of the new Bonds.</p>

# Key dates

<b>Opening Dates</b>	Firm Offer: Monday, 22 August 2022 Exchange Offer: Friday, 26 August 2022
<b>Closing Dates</b>	Firm Offer: 12:00pm, Thursday 25 August 2022 Exchange Offer: 12:00pm, Friday, 2 September 2022
<b>Rate Set Date</b>	Thursday, 25 August 2022
<b>Issue Date and allotment date</b>	Thursday, 8 September 2022
<b>Expected quotation on the NZX Debt Market</b>	Friday, 9 September 2022
<b>Maturity Date</b>	Wednesday, 8 September 2027



# Thank you

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