



MEPT Annual Reporting Meeting

16 December 2021

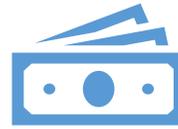
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Summary

New Vision & Mission

Our Vision

Our Mission

**Energising
Marlborough's
Future**

Deliver sustainable regional
growth and equity through
people, technology, and
environmental leadership

Strategic Objectives

To achieve MLL's vision and mission we will focus on the following six core objectives.



Assets

Optimise our assets to provide a flexible, dynamic, and resilient network to accommodate future technologies and promote regional growth.



Technology and Innovation

Empower our consumers and region by deploying technology and commercial innovation to accelerate electrification and provide for future load growth.



Financial objectives

Deliver value to all of our consumers through efficient operations and investment success.



Our people

Provide a workplace where our people are valued, engaged, and inspired to deliver positive personal and Company outcomes for the benefit of all consumers.



Community

Improve energy equity and support regional growth through education, employment, sponsorship, and investments.



Environment

Minimise our environmental footprint through operational efficiencies, reducing net carbon emissions, and supporting regional environmental initiatives.

Network Performance

Key Network Metrics

Volume of energy distributed ▲ UP 0.2%

417 GWh

Network volume up on prior year.

Average total minutes of lost supply per consumer per year ▼ DOWN 20%

138 minutes

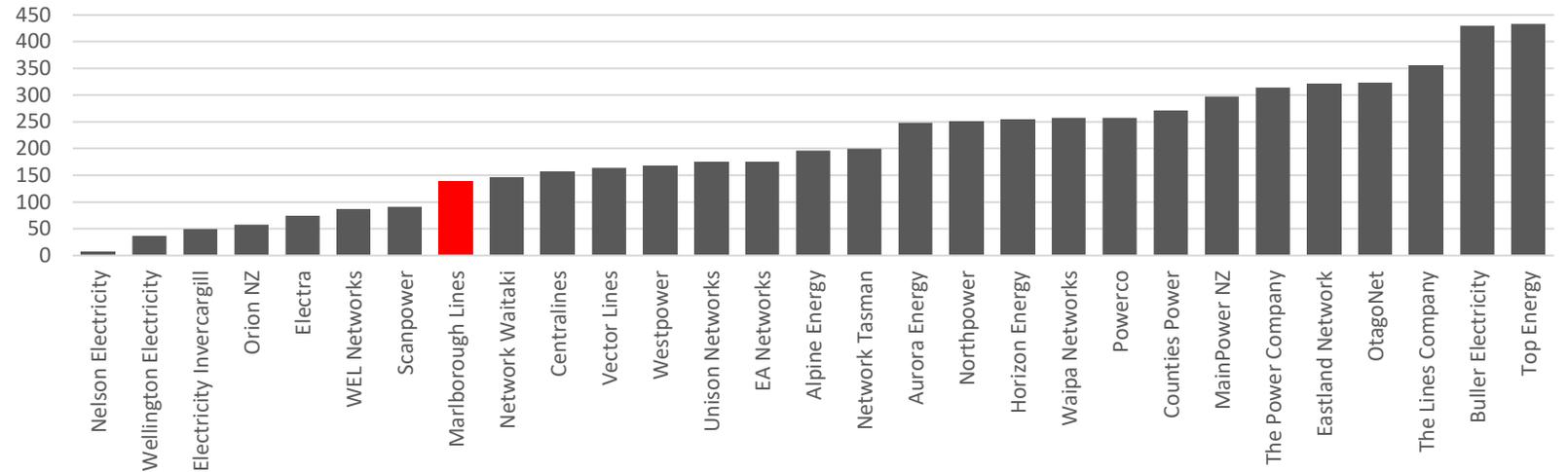
Outage minutes were lower than prior year and below MLL's target of 150 minutes.

Total active Marlborough network connections ▲ UP 0.7%

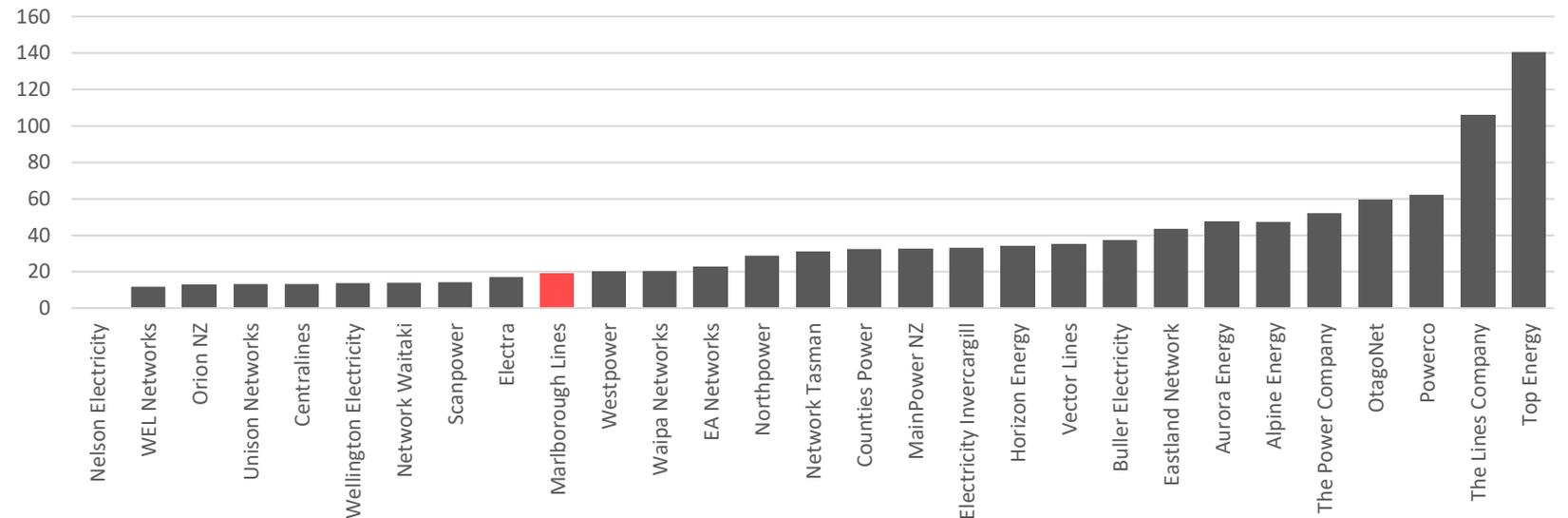
26,186 consumers

Marlborough continues to have low and steady growth in connections.

2021 Normalised SAIDI



2021 Unplanned SAIDI caused by defective equipment



Key Highlights - MLL

Parent Outcomes

Capital and maintenance expenditure to increase capacity and improve reliability ▲ UP 10%

\$21.1 million

Capital expenditure up as prior year was impacted by COVID-19 restrictions.

Total discounts, inclusive of GST, paid to Marlborough consumers ▲ UP 18%

\$11.6 million

MLL paid two discount payments during the year as part of COVID-19 relief measures and realignment of timing.

Total dividend paid to the Marlborough Electric Power Trust ▲ UP 260%

\$1.8 million

Dividend paid to the Trust increased with improvement to the Group's cash position and forecast.

- MLL has kept up its capital investment and has a quality network.
- Discounts of \$11.6m - the highest discount payment ever, made up of a COVID relief payment (6 months) in August 2020 and a further payment that re-aligned timing in May 2021.
- MLL paid a dividend of \$1.8m to MEPT, which should enable a \$50 distribution from the Trust to beneficiaries in early 2022. Funded from returns held over from FY20 and also investment returns in FY21.

Summary of Financial Performance

Group Financial Results

Total operating revenue ▼ DOWN 2.0%

\$144.8 million

Revenue below prior year due to COVID-19 impacting wine sales and lower electricity line revenue following a price reduction.

Earnings before interest, tax, depreciation and amortisation (EBITDA) ▼ DOWN 15%

\$16.7 million

EBITDA down on prior year, with higher wine cost of sales largely as a result of low harvest volumes.

Net profit after tax (NPAT) ▼ DOWN 26%

\$5.5 million

NPAT down on prior year, impacted by reduction to EBITDA, but assisted by gains on interest rate swaps.

- Parent results reasonably steady from prior year, but impacted by:
 - No YWG dividend; and
 - Lower dividend from NEL.
- YWG and therefore Group financial results negatively impacted by COVID and low V21 harvest:
 - YWG sales mix;
 - YWG cost of sales increased by NZ IFRS adjustment.
- YWG results positively impacted by gain on sale of vineyards in FY21 and also revaluation gain on vineyards held at year end (\$13.4m recognised below NPAT).
- YWG also recognised gain on interest rate and foreign exchange swaps.

YWG Financial Performance

Yealands Outcomes

Total grapes processed ▼ DOWN 34%

13,653 tonnes

Harvest yields impacted by weather over flowering season, consistent with Marlborough industry.

Wine sales ▼ DOWN 3.3%

\$98.6 million

Wine sales down this year with the continued impact of COVID-19 on on-premise sales, along with shipping delays. Also there was a reduction in available wine.

Dividends paid NO CHANGE

\$0 million

No dividend paid by Yealands Wine Group to Marlborough Lines as focus on debt reduction.

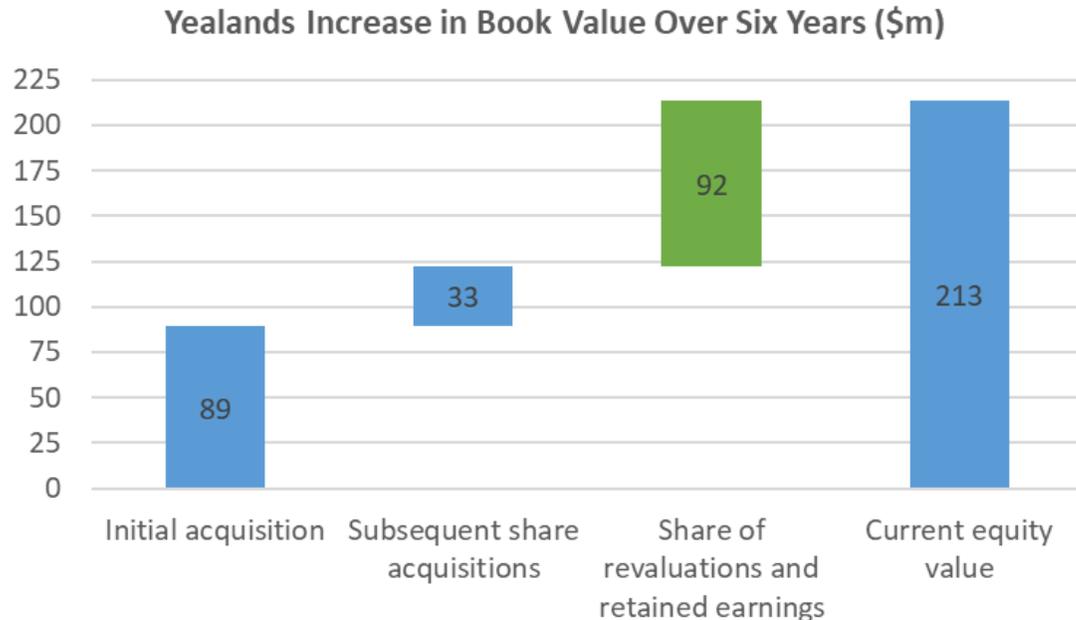
- V21 harvest volumes down 34% on prior year. Reasonably in line with other vineyards in the Marlborough region.
- Wine sales only down 3.3%, but negatively impacted by sales mix and also shipping delays and getting product to market. Demand for Yealands wine remains strong.
- Lower volumes has allowed YWG to negotiate higher prices with its customers, which will flow through into higher value sales in future years.
- No dividend paid to MLL with lower accounting profit and priority of debt repayment.
- \$13.4m revaluation gain on vineyards recorded within Other Comprehensive Income, which provides support for the underlying value of the assets.

YWG Financial Performance

YEALANDS WINE GROUP EBITDA RECONCILIATION	Financial statement note reference	FY21 \$m	FY20 \$m
EBITDA per management accounts		14.4	15.9
Depreciation reclassified to Cost of Sales	6, 8	(8.2)	(9.1)
Movement in harvest fair value adjustment	5	(5.2)	(2.1)
Valuation impairment to vineyards	6	(0.9)	(0.0)
EBITDA per NZ IFRS		0.0	4.7

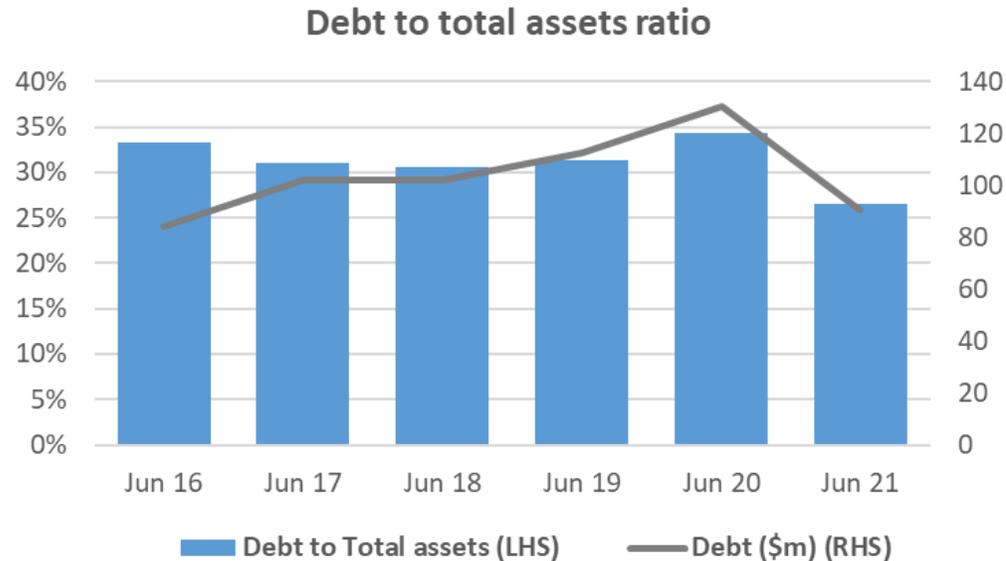
- EBITDA (management accounts) of \$14.4m was in line with budget once adjusted for one-offs.
- Budget incorporated conservative assumptions around COVID impacts to sales mix and shipping disruption, which largely played out.
- Improving cash returns is a major focus moving forward.

YWG Value Growth



- Due to land scarcity the long term strategy was to focus on vineyard development then optimise operational performance.
- Value has been captured through this strategy and the accelerated development of vineyards:
 - \$122m invested in the equity of YWG.
 - Current equity value of \$213m.
 - \$19.3m of dividends received by MLL since acquisition.
 - A rate of return (including valuation gains) of 13.6%.
- Operational performance reflects the focus on volume growth as it builds scale during the development phase.

YWG Debt



- YWG completed the sale of four vineyards to the New Zealand Superannuation Fund during FY21, which enabled YWG to reduce its overall debt balance from \$130m to \$90m and completed the development of the Maher vineyard.
- The sale of the vineyards included a long-term supply agreement with NZSF which secures YWG's position.
- YWG made \$5m of intercompany loan repayments during the year, which reduces MLL's portion of the \$90m to \$10m. Debt reduction was prioritised ahead of dividends.
- YWG debt ratio reduced to 26.5% of total assets. This is comparable to peers.
- YWG debt to EBITDA is an area of focus and should improve through stronger future operational performance.
- Recent vineyard sales has seen a significant reduction in total debt and supported vineyard valuations.

Decarbonising - Electrification



- Leading Electrification:
 - Four Electric Vehicles, two PHEVs and one electric bike now in the MLL fleet.
- How can MLL enable decarbonisation in the Marlborough region through investment in its electricity network:
 - Engaging with industrial consumers in the region to understand potential load.
 - Working with industry leaders such as Sounds Air with their vision to be the first airline in Australasia to provide zero emission flights.
 - How to proactively facilitate the reduction of diesel consumption for irrigation purposes.
- Investment in renewable generation in the Marlborough region to provide clean energy.

Energy Marlborough

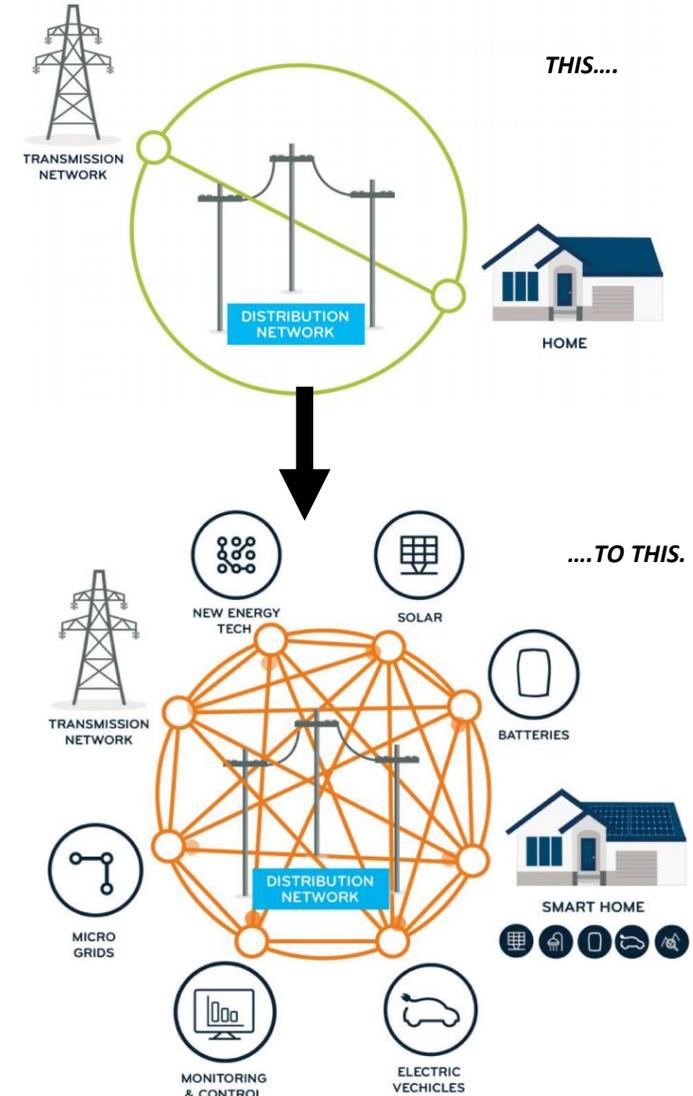
Strategic objective is to establish 50MW of renewable generation by 2030.

- Part of this portfolio will include grid scale solar PV.
- Need to develop internal technical, commercial, and project management capability to deliver projects for EML, but also efficiently facilitate connection of third party generation.
- The pilot project will develop a 1MW solar plant on MLL land at Taylor Pass that is currently underutilised.
- The area is a HAIL site so has limited alternative uses.
- EML is part of MLL's investment strategy to have a diversified investment portfolio.



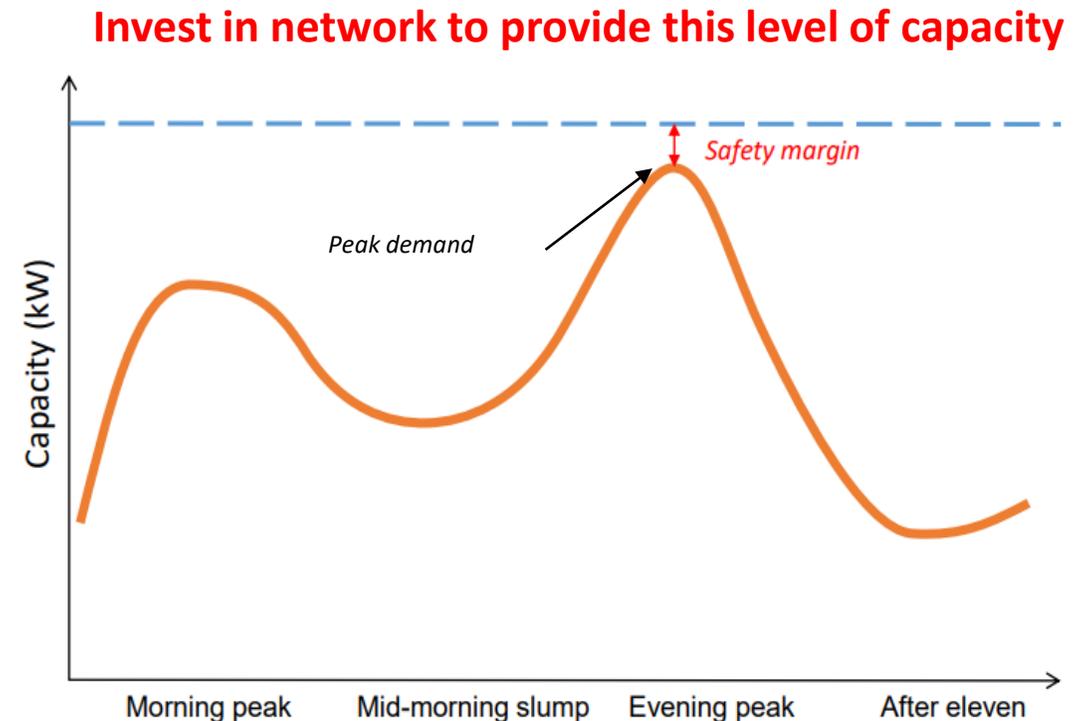
Disruptive Technologies

- Being an Electricity Distribution Business (EDB) used to be straightforward....
 - Predictable connections and load;
 - One way flow of electricity;
 - Control of consumers hot water electricity supply to manage periods of high electricity demand;
 - Simple technology (poles and wires); and
 - Little in the way of alternative forms of electricity supply (diesel generators).
- However, times are changing. Technology is evolving rapidly, and the rate of adoption of new technology may be accelerated through policy.
- The future will require a resilient, flexible and affordable distribution network.



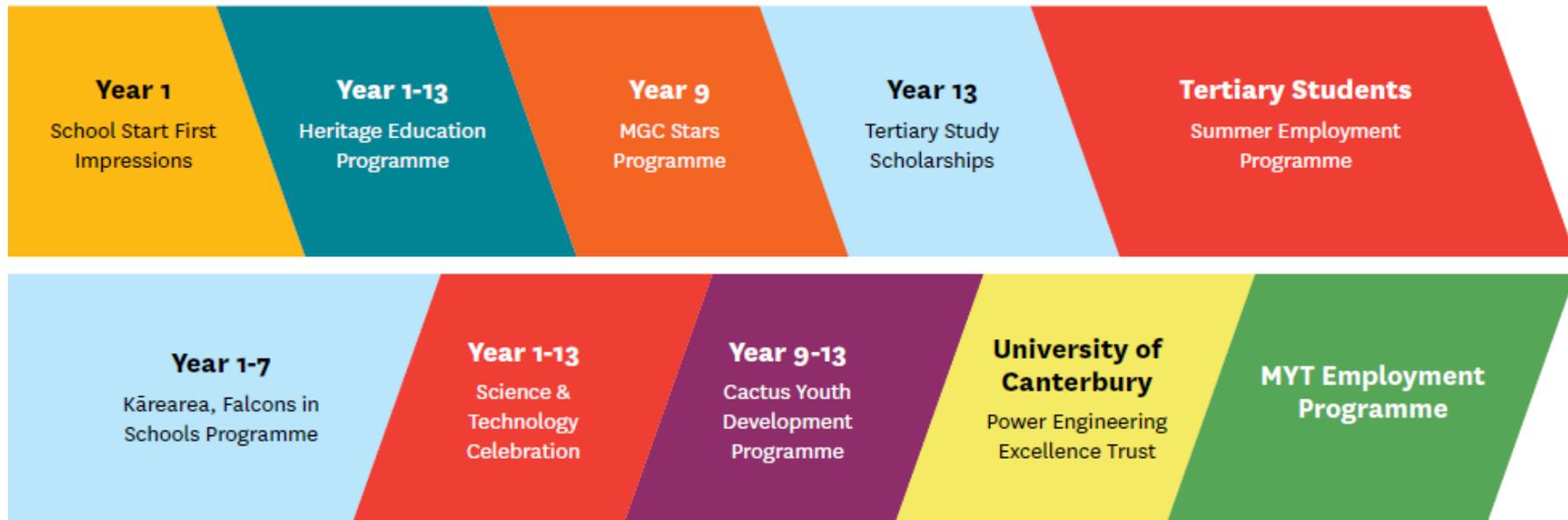
Electrification - Increase in Network Demand

- MLL's current peak network demand is approximately 75MW.
- Growth in network demand has generally followed regional growth.
- Investment in network generally driven by peak load and not energy consumption.
- Ban on any new coal-fired boilers from the end of this year and a phasing out of existing ones by 2037.
- MLL understands that there is over 34MW equivalent of load in coal and other non-renewal fuel sourced heating in Marlborough.
- This, plus a shift to electric vehicles, is going to result in significant increases in network demand.
- Not a question of "if", but "when" ...



Sponsorship - Youth

- MLL's sponsorship mission is to **Grow Marlborough Together** through supporting Marlborough initiatives which focus on:
 - Youth education and employment;
 - Regional events; and
 - The environment.



Sponsorship



\$383k

Sponsorship and donations (2020: \$205k).



\$15k

Tertiary grants awarded to three students (2020: \$39k). A change in approach to sponsorship will mean ongoing four-year support. This will result in tertiary grants increasing over the next three years to \$60k per annum in FY24.

- MLL continues to be the lead sponsor of Stadium 2000 and has also made a number of significant contributions to regional events and environmental enhancements.
- In addition, Yealands runs its own sponsorship programme, not included in the totals opposite.

Yealands Sustainability Initiative

The Yealands Wines Marlborough Sustainability Initiative will make available \$100,000 every year for local environmental projects.

Consumer Feedback



89%

Proportion of consumers surveyed that rated their satisfaction with the Company's overall performance as either satisfied or very satisfied.

- 2,180 consumers responded to the survey.
- 52% very satisfied overall with MLL's performance, 37% somewhat satisfied.
- 86% of respondents who recalled having an outage in the last 12 months thought it was restored in a reasonable timeframe.
- 61% supported the idea of differential pricing between remote consumers who cost more to supply.
- General support for:
 - targeted sponsorship
 - planned investment in renewable generation
- Seen as a party to be a leader in environmental and decarbonising initiatives in Marlborough.

Summary

- Electricity network was reliable.
- Great support from consumers through survey results.
- Both MLL and YWG financial results in line with expectations, acknowledging the challenging operating environment for YWG both with COVID and lower harvest.
- YWG execution of vineyard sales resulted in a gain on sale, and enabled improved financial position.
- MLL excited about its vision to **Energise Marlborough's Future**, by helping enable Marlborough's decarbonisation and also investing in renewable generation.