



## MARKET RELEASE

Date: 22 February 2024

NZX: GNE / ASX: GNE

### Genesis meets expectations in challenging operating environment and progresses new strategy

	6 months Dec 2023	6 months Dec 2022	Change
EBITDAF <sup>1</sup>	\$202.1m	\$298.3m	(\$96.2m)
Gross Margin	\$383.6m	\$454.9m	(\$71.3m)
Net Profit	\$38.3m	\$145.3m	(\$107.0m)
Operating Expenses	\$181.5m	\$156.6m	\$24.9m
Earnings Per Share	3.60 cps	13.84 cps	(10.24 cps)
Interim Dividend Per Share	7.00 cps	8.80 cps	(1.80 cps)

Genesis Energy's earnings were down, in line with expectations, as generation costs increased due to lower hydro inflows and the extended outage of Unit 5 at Huntly Power Station. This resulted in EBITDAF of \$202 million for the first half of FY24, down 32% on the corresponding period. The company grew its customer base for the fourth consecutive quarter adding nearly 9,500 customers, up 2.0%, and started executing its long-term growth strategy, Gen35.

With hydro inflows falling back from last year's near historic levels, the Rankine units, with higher fuel costs and emissions, supported the market during the Unit 5 outage. Both these factors also impacted gross margin, down \$71.3m. The reduced earnings meant that Net Profit After Tax (NPAT) was lower at \$38m, a 74% drop.

Digital platform investments and inflationary pressures contributed to a 16% increase in operating costs to \$181.5m. As outlined at investor day, our new Gen35 strategy has clear plans to tackle operating costs going forward and work is on track in this regard. A review of the retail operating model is underway. A reduction of around 200 roles is expected across FY24 and FY25, with c.70% confirmed in FY24. The focus is on supporting staff through this process.

Chief Executive Malcolm Johns noted that the challenging operating environment underlined the flexibility of Genesis' portfolio of generation assets, while good progress was made on key strategic initiatives.

"We're a forward-looking business, setting the foundation for future growth through our Gen35 strategy that spans three horizons out to 2035. FY24 is the first of those and crucial for setting the platform to transition ourselves, our customers, and help the country reach net zero 2050. We're making good progress," Johns said.

"We look ahead to winter with some caution. National hydro storage is fluctuating, and gas supply is likely to be tight. Our thermal assets may again be relied upon to support the wholesale market, reiterating the importance of thermal generation to system security. We continue to work with Transpower on sector co-operation to support the market and on appropriate settings to ensure the New Zealanders have the power they need, when they need it."

#### Customers

During the half, Genesis grew its retail customer base to more than 493,000 with Frank Energy passing the milestone of 100,000 customers. Customer satisfaction for both brands continue to rise. The appeal of Genesis EV plans remains strong with more than 2,600 customers added.

<sup>1</sup> Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, unrealised fair value changes, and other gains and losses. Refer to note A1 in the condensed consolidated interim financial statements for reconciliation from EBITDAF to net profit before tax..



A strategic priority for the business is the delivery of a modern, integrated billing, sales and service platform. Gentrack and Salesforce were confirmed as Genesis' partners to deliver this project and the implementation phase has started.

#### **Generation investment and operational update**

Genesis and joint venture partner FRV Australia completed financial close on a 63 MW solar farm to be built at Lauriston on the Canterbury Plains. This is the largest solar farm in New Zealand to reach financial close and first electricity is expected later this year.

The joint venture also signed a 10-year power purchase agreement (PPA) with Genesis Energy which will take the renewable energy from the site, enough to power the equivalent of nearly 13,000 houses, or a centre the size of Ashburton. It is expected to create more than 50 jobs during the construction phase.

Construction contracts have been confirmed, initial work is underway, and procurement of key equipment has started. The expected construction costs are approximately \$104 million.

Work continues to progress three North Island solar sites as Genesis works toward its goal of developing up to 500 MW of solar generation.

The KS-9 drilling programme at the Kupe field was completed in January with our joint venture partners. The project was completed on time and within budget. Assessment of the reserves is underway, with conclusions of a full review expected in June 2024.

Under Gen35, profits from Kupe will support a \$1.1 billion programme to build new renewable generation and grid scale battery storage between now and 2030. Good progress is being made on the first stage of battery storage at Huntly Power Station. We are also progressing the establishment of a domestic supply chain of biomass to replace coal at Huntly Power Station.

The 400 MW Unit 5 was returned to service in late January, four months ahead of originally anticipated. The outage occurred last June, through an issue neither the manufacturer or Genesis has seen previously, and specialist parts had to be obtained from overseas to complete the repair. The early return is timely to support the market heading into autumn and winter.

#### **Guidance**

FY24 EBITDAF is expected to be around \$430 million subject to hydrological conditions, gas availability, and any material adverse events or unforeseeable circumstances.

As previously announced, Huntly Unit 5 has returned to service. The financial impact of this event is estimated to be in the range of \$20 million to \$25 million EBITDAF and is included in EBITDAF guidance.

Operating expenditure is expected to be around \$380 million. Capital expenditure in FY24 is expected to be around \$145 million.

As stated at Investor Day on 30 November 2023, FY25 EBITDAF outlook remains around \$500 million. This is subject to hydrological conditions, gas availability, and any material adverse events or unforeseeable circumstances.

#### **ENDS**

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**About Genesis**

Genesis (NZX: GNE, ASX: GNE) is a diversified New Zealand energy company. Genesis sells electricity, reticulated natural gas and LPG through its retail brands of Genesis and Frank and is one of New Zealand's largest energy retailers with more than 490,000 customers. The Company generates electricity from a diverse portfolio of thermal and renewable generation assets located in different parts of the country. Genesis also has a 46% interest in the Kupe Joint Venture, which owns the Kupe Oil and Gas Field offshore of Taranaki, New Zealand. Genesis had revenue of \$NZ2.4 billion during the 12 months ended 30 June 2023. More information can be found at [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)