



MARKET ANNOUNCEMENT

9 November 2022

Manawa Energy announces solid interim result: hydro enhancements continue and new development activity ramps up

Key metrics

	6 mths to 30 Sept 2022	6 mths to 30 Sept 2021	Change
Net profit after tax	\$391m	\$115m	+239%
EBITDAF ¹ from continuing operations	\$70m	\$106m	-34%
EBITDAF ¹ from discontinued operations	\$3m	\$16m	-78%
Underlying earnings ²	\$35m	\$59m	-41%
Underlying earnings per share	11 cents	19 cents	-41%
Operating cash flow ³	\$1m	\$94m	-99%
Dividends paid	51.0 cents	18.5 cents	+176%
Interim dividend to be paid per share	7.5 cents	17.0 cents	-56%
Generation volume	976GWh	1,000GWh	-2%
Electricity sold	580GWh	1,710GWh	-66%
Employees	236	766	-69%

Highlights

- *Net profit after tax of \$391m, underpinned by successful sale of the Trustpower mass market retail business, and underlying earnings of \$35m;*
- *Strong support from investors for successful \$150m bond issue in September;*

¹ EBITDAF (earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition adjustments) is a non-GAAP financial measure. For more detail please refer to Manawa Energy's FY23 Interim Results report.

² 'Underlying earnings' is a non-GAAP financial measure. For more detail please refer to Manawa Energy's FY23 Interim Results report.

³ Current year operating cash flow is significantly lower than the prior year because Manawa retained accounts payable for the mass market retail business as at 1 May and settled these in the ordinary course of business, and these funds flowed through 'operating cashflow' in the cash flow statement. Accounts receivable for the mass market retail business were sold to Mercury NZ Limited, and these funds flowed through 'investing cashflow' in the cash flow statement.

- *Good progress with the asset enhancement programme across key hydro assets, on track to deliver ongoing annual uplift of more than 100GWh;*
- *Landholder agreements or options in place for close to 800MW of new solar and wind renewable generation projects;*
- *Interim dividend of 7.5 cents per share to be paid on 2 December 2022.*

Renewable electricity generator and developer Manawa Energy ('Manawa') reported a solid interim results announcement following the successful sale of its Trustpower retail business earlier this year.

Chief Executive David Prentice said the six months to 30 September 2022 had been pleasing and included the company relaunching as Manawa Energy on 2 May 2022. "Alongside getting our new systems and processes up and running, we've been focused on enhancing and optimising our existing portfolio of hydro-generation assets, and cranking up our pipeline of solar and wind generation options."

Financial performance

Manawa reported a net profit after tax of \$391m and underlying earnings of \$35m, with the net profit after tax number dominated by the one-off sale of the Trustpower mass market retail business. It also reported operating earnings (EBITDAF) from continuing operations – excluding the earnings from Trustpower in the period – of \$70m.

The Manawa board approved an interim dividend of 7.5 cents per share and this will be fully imputed for qualifying shareholders and paid on 2 December 2022.

Prentice said: "While we have made good progress on a number of fronts, it has been a challenging last six months. The April-June quarter saw us navigate high prices and low hydro inflows, and then in the July-September quarter we were contending with strong hydro inflows and low prices."

He said it was very encouraging to see the level of support from investors for the company's \$150m bond launched in August and closing in early September. "This was our first time raising money in the market as Manawa Energy and the bond offer proved to be very popular and over-subscribed."

Renewable generation

Manawa generated 976GWh in the first six months of the financial year, down slightly from the 1,000GWh generated as Trustpower in the same period last year.

Prentice said the company continued to make good progress with significant and necessary investment in refurbishments and replacements across its key hydro generation assets, and these would deliver an ongoing annual uplift of more than 100GWh.

Significant weather events had an impact on the company's hydro schemes in the period, especially in the South Island. "In particular, heavy rain in July and August caused slips and damage to roads and water channels and this led to some unanticipated repair costs at Cobb near Takaka, Coleridge in Canterbury and Waipori in Otago."

New development pipeline

Prentice said Manawa's pipeline of new renewable development options was growing quickly. "Aotearoa New Zealand needs a huge amount of investment in renewable generation over the coming decades to meet the rising tide of demand for electricity, and we're very keen to play our part."

Reflecting a very busy six months for the development team, Manawa now has landholder agreements or options in place for close to 800MW of solar and wind projects.

On the solar front, the focus has been on securing projects in the upper North Island with attractive grid locations, seeking to complement previously announced solar projects near Thames (~100MW) and a joint venture with Hawke's Bay Airport (24MW).

In the North Island, options over three 100MW solar sites north of Auckland have been acquired, with one land purchase unconditional. All three have good expansion opportunities, strong grid connection potential, and are in close proximity to significant demand from customers.

A new 12MW grid-scale solar project in Northland is also in train, with a final investment decision on this expected in the first half of FY24, subject to securing satisfactory offtake arrangements with electricity customers.

Prentice said there was plenty of activity on the wind development front too. "Wind development lead times are longer than for solar, but we are actively pursuing opportunities. We've secured a 250MW project in the Waikato with strong connection prospects, and wind monitoring on the site is about to get under way."

Looking ahead

Manawa's revenue streams were largely insulated from the high inflationary environment as these are often linked to wholesale pricing or inflation-indexed contracts.

"There will be some headwinds from general cost inflation particularly for new development project returns and enhancement projects. However, this is largely offset by projected increases in forward wholesale electricity prices which underpin and support our investment thesis," Prentice said.

Capital expenditure would be significant over the next 2-3 years as Manawa invested in asset enhancements and replacements, dam safety, and built out new development options. Non-development spend was expected to peak in FY24 and taper off to a new business-as-usual level of \$22m-\$32m from FY26 onwards.

Manawa will pay an FY23 interim dividend of 7.5 cents per share and is targeting a 16 cents per share full year dividend, subject to second half performance being in line with expectations. The dividend is based on forecast cash flows over the next three years and seeks a balance between providing a stable dividend over the medium term and delivering on growth aspirations.

Guidance remains unchanged from information shared last month: FY23 operating earnings (EBITDAF) are expected to be in the range of \$127.5m-\$140m, based on the following assumptions:

- wholesale prices remain materially in line with the current ASX forward curve;
- generation volumes in the second half of FY23 will be ~830GWh;
- average hydrological conditions occur for the remainder of FY23; and
- there are no material adverse events to navigate.

Manawa's expected capital expenditure in FY23 was also unchanged at \$45m-\$55m.

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ADDITIONAL INFORMATION

1/ Interim Results webcast

CE David Prentice and GM of Corporate Services Phil Wiltshire will present the results to investors and analysts via a Zoom webcast at 10am (NZ time) today. To pre-register for the webcast please click [here](#). The webcast will also be recorded and posted in the investor section of our website.

2/ About Manawa Energy Limited

Manawa Energy is Aotearoa New Zealand's largest independent electricity generator and renewables developer, with 26 power schemes throughout New Zealand and a total installed capacity of 498MW. We also supply around 650 commercial and industrial customers with 1,200GWh of electricity each year via 6,700 electricity connections.

Manawa (meaning 'heart') acknowledges our heritage establishing electricity generation on the Omanawa River in the Kaimai area during the early 1900s. Our name was gifted by Ngāti Hangarau hapū, mana whenua of the area where our Kaimai hydro-electric power scheme is located.

