

MARKET ANNOUNCEMENT

16 May 2023

FY23: Solid result, good progress in line with strategy, new solar project announced

Key metrics

	FY23: 12 mths to 31 March 2023	FY22: 12 mths to 31 March 2022	Change
Net profit after tax	\$444m	\$120m	+271%
EBITDAF ¹ from continuing operations	\$137m	\$160m	-14%
EBITDAF ¹ from discontinued operations	\$3m	\$44m	-93%
Underlying earnings ²	\$70m	\$89m	-21%
Underlying earnings per share	21.6 cents	27.7 cents	-22%
Operating cash flow ³	\$64m	\$162m	-60%
Dividends paid per share to date	58.5 cents	35.5 cents	+65%
Final dividend per share to be paid (fully imputed)	8.5 cents	16.0 cents	-47%
Generation volume	1,917GWh	1,760GWh	+9%
Electricity sold to customers	1,095GWh	1,220GWh	-10%
Employees	238	777	-69%

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 Integrated Report.

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

³ Current year operating cash flow is significantly lower than the prior year because MNW retained accounts payable for the mass market retail business as at 1 May 2022 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.

Highlights

- *Net profit after tax of \$444m, underpinned by successful sale of the Trustpower mass market retail business, and underlying earnings of \$70m*
- *Established new brand, business model and management team*
- *Secured landholder agreements or options for ~920MW of new developments including Project Huriwaka (wind) and new solar project at Argyle*
- *Excellent progress on asset enhancement programme across key hydro assets, on track to deliver ongoing annual uplift of ~80GWh by FY28*
- *Managed significant weather events safely and with minimal impact on our assets*
- *Strong support from investors for successful \$150m bond issue in September*
- *Fully imputed dividend of 8.5 cents per share to be paid on 16 June 2023*

Independent renewable electricity generator and developer Manawa Energy ('Manawa') reported a solid full year financial result following the successful sale of the Trustpower mass market retail business earlier this year.

Chief Executive David Prentice said the 12 months to 31 March 2023 had initially focused on relaunching the company as Manawa Energy. "It has been a very busy 11 months of standing up a new company. We have set our new strategic plan which reinforces our commitment to delivering renewable energy to the country, playing our part in creating a sustainable future for Aotearoa New Zealand, and continuing to deliver to our shareholders.

"As a substantial independent renewable generator and developer, we are uniquely positioned. We have a diverse portfolio of existing renewable generation assets, strong development capability, a supportive major shareholder, and significant, flexible funding ability."

The company reported total electricity generation of 1,917 gigawatt hours, up nine per cent on the 1,760 gigawatt hours generated in FY22.

Prentice said that there had been "excellent progress" in pursuit of the company's three-year strategic plan in FY23, with important milestones achieved across the new developments pipeline and the ongoing asset enhancement programme. "We are on track to double the amount of electricity we generate by 2030."

New development pipeline

Manawa's pipeline of potential wind and solar developments has increased further to more than 900 megawatts over the past 11 months. "We know Aotearoa New Zealand needs a huge amount of investment in renewable generation over the coming decades – this is inextricably linked to our strategy. We're working hard to ensure we're playing our part in meeting the rising tide of demand for electricity," Prentice said.

"As part of the portfolio of development options we are considering, we are advancing work on a 28-megawatt solar farm adjacent to the Argyle power station, part of our Branch River hydro scheme in Marlborough. We anticipate this project will, if pursued, deliver enough electricity to power around 8,000 average Kiwi homes."

He said the site had a great solar resource, had excellent access to transmission, good construction characteristics as it was relatively flat, and was close to resources at the Argyle station. "If it proceeds, we estimate the solar farm will cost around \$55-60m to construct and we hope it will be up and running by 2026."

This follows on from Manawa's announcement earlier this month that it was pursuing the 230MW Project Huriwaka wind development in the central North Island. "This project has the potential to be one of the country's most significant renewable energy developments," Prentice said. "If it proceeds, it is expected to generate around 800GWh of electricity each year."

Enhancing existing assets

Manawa is making record levels of investment into its existing generation assets over the next five years. “We are on track to be delivering around an extra 80 gigawatt hours of electricity per year from our existing assets by the FY28 financial year,” Prentice said.

Asset enhancement projects had been completed at the Branch River and Cobb River schemes, and major projects were also in full swing at the Waipori and Deep Stream schemes. Manawa’s West Coast team was also under way with a significant dam safety improvement at Arnold, and the McKay’s Tunnel remediation project. Meanwhile major enhancement projects would also be progressing at the Coleridge and Highbank schemes in Canterbury, and at Matahina in the Bay of Plenty.

Financials

Manawa delivered a solid financial performance in FY23 with profit after tax increasing to \$444m (FY22: \$120m), underpinned by the successful sale of the Trustpower mass market retail business early in the year.

Underlying earnings were \$70m, down from \$89m in FY22 and EBITDAF from continuing operations⁴ was \$137m (FY22: \$160m). Total EBITDAF was \$140m, landing at the top end of the company’s recent guidance. Mr Prentice said the key drivers of the reduction in EBITDAF were a reduction in the ‘fair value’ of the company’s carbon credits after a gain in the prior year (net difference of \$12m), along with additional new generation development expenditure (\$6m) and a difference in the allocation of corporate costs (\$5m).

“The first six months of the financial year was certainly a challenge,” Prentice said. “Initially in the first quarter we were navigating low hydro flows and high prices, and then in the second quarter it was strong hydro flows and low prices. Things settled down in the second half of the year, and the final quarter of the year finished particularly strongly with solid wholesale prices and strong generation volumes.”

Prentice said it was also “very encouraging” to see the level of support from investors for the company’s \$150m bond issue that launched in August and closed in September. “It was our first time raising money in the market as Manawa Energy and the bond offer proved to be very popular and over-subscribed.”

The Board has approved a final dividend of 8.5 cents per share, and this will be fully imputed for qualifying shareholders and paid on 16 June 2023. This means the FY23 full year dividend paid to investors will be 16 cents per share.

Looking ahead

Manawa continued to be largely insulated from the high inflationary environment in Aotearoa New Zealand, with its revenue streams mostly linked to wholesale pricing or inflation-indexed contracts.

Prentice said there were headwinds from general cost inflation, particularly for new development project returns and major enhancement projects, but these were expected to be largely offset by projected increases in future wholesale electricity prices.

He said the company’s capital expenditure programme over the next three years was going to be significant. “We’re committed to investing wisely in asset enhancements and upgrades, dam safety, and move towards the execution phase of our new development pipeline.”

The company’s guidance is unchanged from the detailed information provided in March 2023. EBITDAF in FY24 is expected to be in the range of \$120m to \$140m, assuming wholesale prices remain materially in line with the current ASX forward curve, average hydrological conditions, operational expenditure of around \$8m in relation to

⁴ Excluding the earnings from the Trustpower mass market retail business

new developments, no material adverse events, and generation volumes of approximately 1,915 gigawatt hours. FY24 capital expenditure is expected to be in the range of \$65m-\$80m.

“It will undoubtedly continue to be a period of huge change and opportunity in the renewable energy sector.” Prentice said. “We’re excited about the future as we continue to bring our strategy to life, creating value as we play our part in powering a sustainable future for Aotearoa New Zealand.

“There are clear opportunities for Manawa to contribute as demand for the supply of renewable electricity continues to grow significantly. We are looking forward to getting on with it as we look ahead to FY24 and beyond.”

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CONTACTS

Investor enquiries:

Phil Wiltshire
GM Corporate Services
investor.relations@manawaenergy.co.nz

Media enquiries:

Paul Ford
Comms
paul.ford@manawaenergy.co.nz

MORE INFORMATION

1/ FY23 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 11am (NZ time) today. To pre-register for the webcast please click [here](#). The webcast will also be recorded and uploaded to 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. We have 26 power schemes throughout Aotearoa New Zealand and a total installed capacity of 510 megawatts, generating an average of 1942 gigawatt hours of electricity per year. We supply around 650 commercial and industrial customers via 6,400 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.