Mercury

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NEWS RELEASE

Results reflect record generation and significant business growth

FY23 Financial Results Summary

	FY2023	FY2022	Change %
NET PROFIT AFTER TAX ($M)	103	469	-78%
EBITDAF ($M)	841	581	45%
STAY-IN-BUSINESS CAPITAL EXPENDITURE ($M)	119	68	75%
ELECTRICITY GENERATION (GWh)	9,038	7,499	21%
FINAL FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE)	13.1	12.0	9%
TOTAL ORDINARY DIVIDEND (CENTS PER SHARE), FULLY IMPUTED	21.8	20.0	9%

21 August 2023 – Significant investments to increase the scale of our business and record generation has delivered results for Mercury in 2023.

“This year we realise the full benefits of large-scale investments made over the past two years to grow our renewable generation and customer business,” said Mercury Chief Executive, Vince Hawksworth.

Annual generation exceeded 9 TWh up 21% from 2022 levels. Record inflows into the hydro catchment underpinned strong hydro generation at 5,209 GWh, 28% higher than average. More than 1,000 GWh was spilled during the year to maintain lakes within consented operating limits. Wind generation increased 16% to 1,471 GWh following the Turitea South wind farm becoming fully operational.

Mercury’s scaled retail business also contributed to this result. Mercury is New Zealand’s largest electricity retailer by customer market share, with 860,000 customer connections following the Trustpower retail and NOW NZ acquisitions in 2022.

Mercury’s net profit after tax was $103 million, down $366 million on the previous year, with the previous year’s results including the gain made on the sale of our Tilt Renewables shareholding. Mercury reported $841 million operating earnings (EBITDAF), up $260 million on the prior year’s $581 million EBITDAF. Operational expenditure was $346 million, up $116 million on the prior year, while total stay-in-business capital expenditure was $119 million (up $51 million on the prior year).

During the year there was record-breaking rainfall in many parts of New Zealand, including the Waikato catchment. This is reflected in today’s result, as signalled in previous updates to the market.

“We know that for some the rainfall events had devastating impacts, and we provided financial assistance and on-the-ground help for our most severely impacted customers during the year in recognition of this. We also elected to delay the implementation of customer price changes to these affected areas,” said Mr Hawksworth.

Results have been partially offset by lower annual geothermal generation due to outages and lower electricity spot prices, however the turnaround at Kawerau geothermal station to install a new turbine and generator was completed successfully.

Supporting customers in need

Mercury Chair, Prue Flacks, said the company remained highly attuned to its role supporting New Zealanders through the transition to a low-carbon economy and more immediate economic challenges.

“We acknowledge this is a challenging time for many, with the rising cost of living impacting many households. As a major electricity retailer, we have a role to play in supporting customers and we take that responsibility seriously,” said Ms Flacks.

Actions to strengthen customer care this year included collaborating on joint research into hidden hardship with Genesis Energy and working on potential solutions with community groups. A two-year Winter Energy Study in partnership with Kāinga Ora - Homes and Communities to trial how capped bills benefit customers over winter was also launched.

Significant progress 'InterGREATing' the retail business

Significant progress was made to bring together Trustpower and Mercury employees, customers, brands, processes and systems during the year. All Trustpower customers were welcomed onto the Mercury brand in June, which included a refreshed technology platform, bill, website and app.

"We are firmly focussed on the successful migration of all our customers to a single technology stack. This is a major programme of work, and managing customer experience through this process is front of mind," said Mr Hawksworth.

"Completion of integration is key to unlocking benefits of the acquisition and we're on track to deliver the cost synergies forecast when we announced the Trustpower retail acquisition."

Delivering on quality renewables pipeline

Mr Hawksworth said the company celebrated several key milestones during the year as the business continued to grow its wind generation portfolio.

Full operation of Turitea South wind farm commenced in July 2023 with total project cost confirmed at $450 million (excluding capitalised interest). The $115 million, 43 MW Kaiwera Downs 1 wind farm is also nearing completion and remains on track to be operational by October 2023, with first power targeted for early September.

"We are actively considering our next projects as we continue to move at pace to bring more renewables online for the country," said Mr Hawksworth.

Consent has been granted for the expansion of an additional generating unit at the Ngā Tamariki geothermal station, and design and procurement is now underway prior to Final Investment Decision. Kaiwera Downs 2 and Kaiwaikawe wind farms are also both nearing Final Investment Decision development stages.

"Simultaneously, we continued our 20-plus year, half billion-dollar hydro refurbishment programme, to ensure the vital hydro assets in the Waikato are able to operate for another century," said Mr Hawksworth.

Other operational highlights

- Developed Mercury's first Climate Transition Action Plan including emissions reduction targets, using tools provided by the Science-Based Targets Initiative.
- Cross-sector collaboration including commissioning an independent report by the Boston Consulting Group to provide a system-wide perspective on New Zealand's low-carbon transition.
- Sales to commercial and industrial customers (physical and financial) lifting to 3,592 GWh, including a significant long-term agreement with Amazon to purchase approximately half the real-time output from the southern section of the Turitea wind farm.
- Progress on Diversity, Equity and Inclusion initiatives including the launch of more inclusive leave policies and the extension of the Diverse Emerging Leaders programme.
- Launch of a comprehensive health, safety and wellbeing policy towards a more holistic approach to safety and wellbeing. Total Recordable Injury Frequency Rate (TRIFR) was 0.49 for FY23 (down from 0.60 in 2022).

Dividend

Ms Flacks announced the Board had declared a final dividend of 13.1 cents per share (cps) to be paid on 29 September 2023. This brings the full-year ordinary dividend to 21.8 cps, up 9% (20.0 cps FY22). This is the 15th consecutive year of ordinary dividend growth.

Shareholders can further support growth by participating in Mercury's Dividend Reinvestment Plan, which has been extended. Shares for the FY2023 final dividend will be offered at a discount of 2.0% to the market price, calculated in accordance with the Dividend Reinvestment Plan Offer dated 22 February 2022.

Guidance

Mercury is largely on track to meet or in some cases exceed its three-year objectives, two years in.

Mercury's FY24 EBITDAF guidance has been set at $835 million.

Guidance may change and remains subject to any material events, significant one-off expenses or other unforeseen circumstances including changes to hydrological conditions.

FY24 stay-in-business capex guidance is $160 million, and FY24 ordinary dividend guidance is 23.3 cps representing a 6.9% increase on FY23 and the 16th consecutive year of ordinary dividend increases.

ENDS

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ABOUT MERCURY NZ LIMITED

Mercury generates electricity from 100% renewable sources: hydro, geothermal and wind.
We are also a retailer of electricity, gas, broadband and mobile services.
We're listed on the New Zealand Stock Exchange and the Australian Stock Exchange with the ticker symbol 'MCY', with foreign exempt listed status. The New Zealand Government holds a legislated minimum 51% shareholding in the Company.

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