

20 INTERIM RESULTS 24

Six Months Ended 31 December 2023

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20 February 2024

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MERCURY TAKES LEADING ROLE IN NEW ZEALAND'S ENERGY TRANSITION.



Business performance and major events



Produced 4.5TWh of renewable generation in HY24 with both Turitea and Kaiwera Downs stage 1 wind farms now fully operational. Full year forecast sees 8.8TWh of diversified renewable generation



Mercury brand mass market customers successfully migrated to the Gentrack billing system. We now have a single retail platform to grow our position as NZ's leading multi-product utility retailer



New generation completed at Kaiwera Downs stage 1 on time and under budget. This ten turbine 43MW wind farm will have average annualised generation of 147GWh



Committed to the OEC5 expansion of Ngā Tamariki geothermal station. The expansion will have annualised generation of 390GWh and increase station net output by 46MW



Geothermal drilling campaign delayed. Currently in the process of negotiating an alternative drilling rig contractor



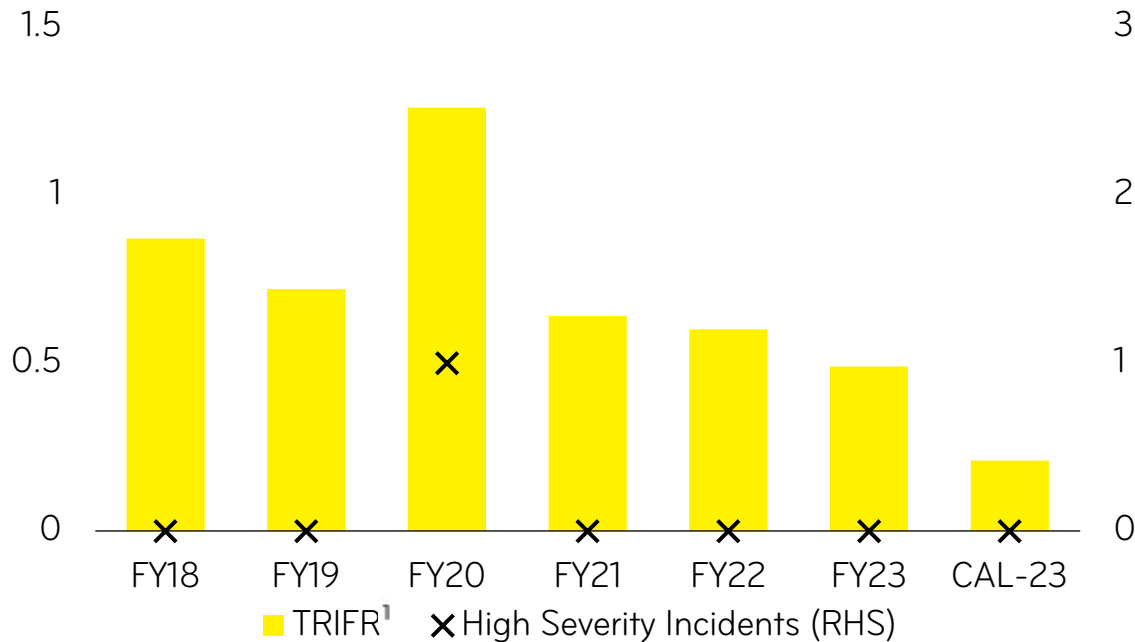
FY24 EBITDAF guidance increased to \$880m. 9.3cps interim dividend declared (7% higher than HY23) and FY24 ordinary dividend guidance maintained at 23.3cps, the 16th year of consecutive dividend growth



HEALTH, SAFETY & WELLBEING.



Continued focus on Health, Safety and Wellbeing



Zero high severity Health, Safety & Wellbeing incidents occurred in HY24. The Cal-23 TRIFR was 0.21, continuing the positive downward trend

Key messages

- We are focused on increasing our safety maturity and growing the capability of our people and systems to enable safe and healthy outcomes
- Our safety critical risk programme addresses 11 critical risks that can seriously harm our people, contractors and members of the public. These areas inform our actions
- We are taking a programme approach to fatality prevention. We are currently 36% of the way through our critical risk programme
- Completed the outstanding improvement notices from WorkSafe with the increased maturity in our Process Safety programme
- After careful consideration Mercury made the decision to plead not guilty to charges brought by WorkSafe in relation to the Rotokawa steam hammer event in July-21. We continue to work with WorkSafe on an enforceable undertaking

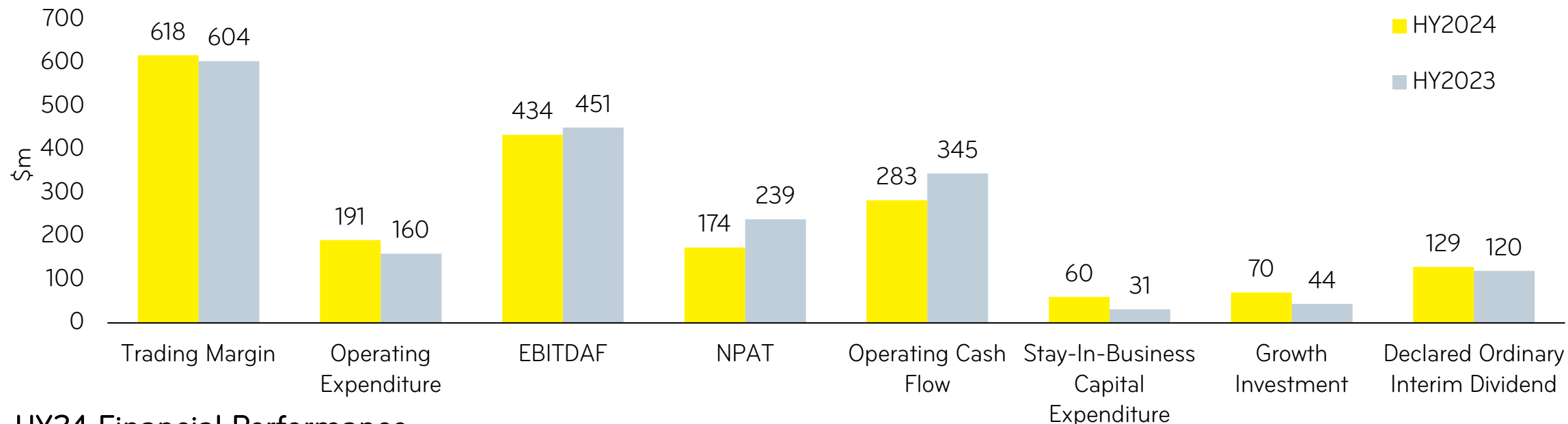


¹ TRIFR is the Total Recordable Injury Frequency Rate per 200,000 hours, includes employees and on-site contractors.

FINANCIAL – STRONG PERFORMANCE COMING OFF RECORD HYDRO GENERATION.

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Performance benefited from diversified generation portfolio



HY24 Financial Performance

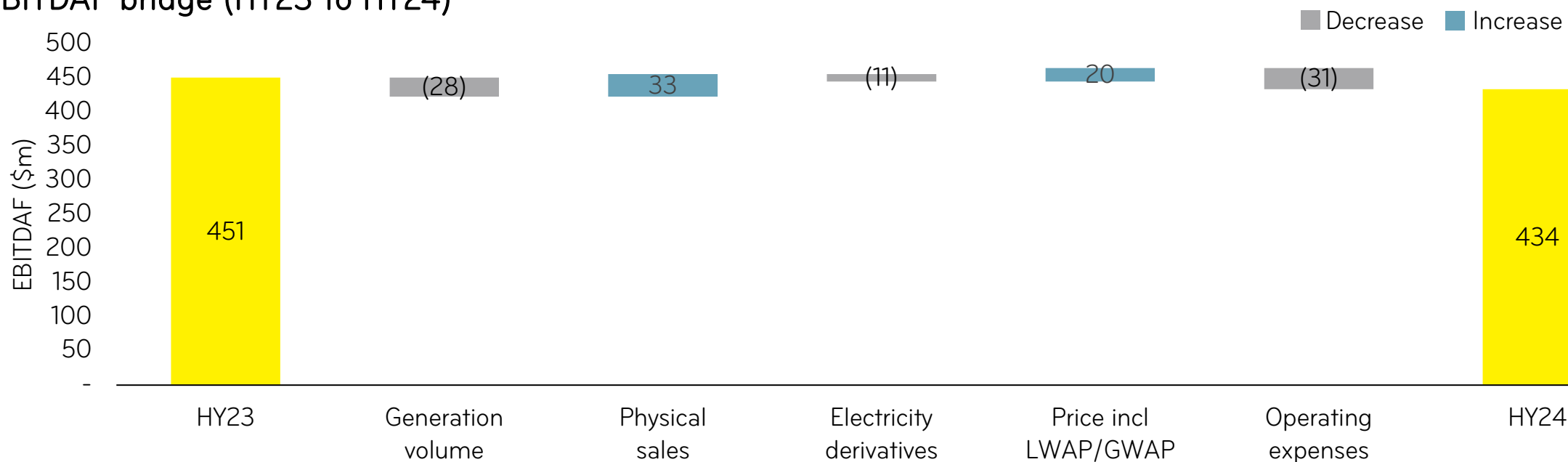
- EBITDAF lower coming off record high hydro generation in the prior period and higher operating expenditure. This was partially offset by new wind generation
- NPAT down due to EBITDAF (as above), higher depreciation (new wind assets), interest (more debt and increase in rates) and net change in fair value of carbon
- Stay-In-Business capital expenditure higher from geothermal drilling campaign, Karāpiro rehabilitation, retail integration and Kawerau turnaround
- Growth investment includes construction costs of 5th unit at Ngā Tamariki geothermal station and Kaiwera Downs stage 1 wind farm



FINANCIAL – SALES YIELDS AND NEW WIND GENERATION LIFT EARNINGS.

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EBITDAF bridge (HY23 to HY24)



HY24 Financial Performance

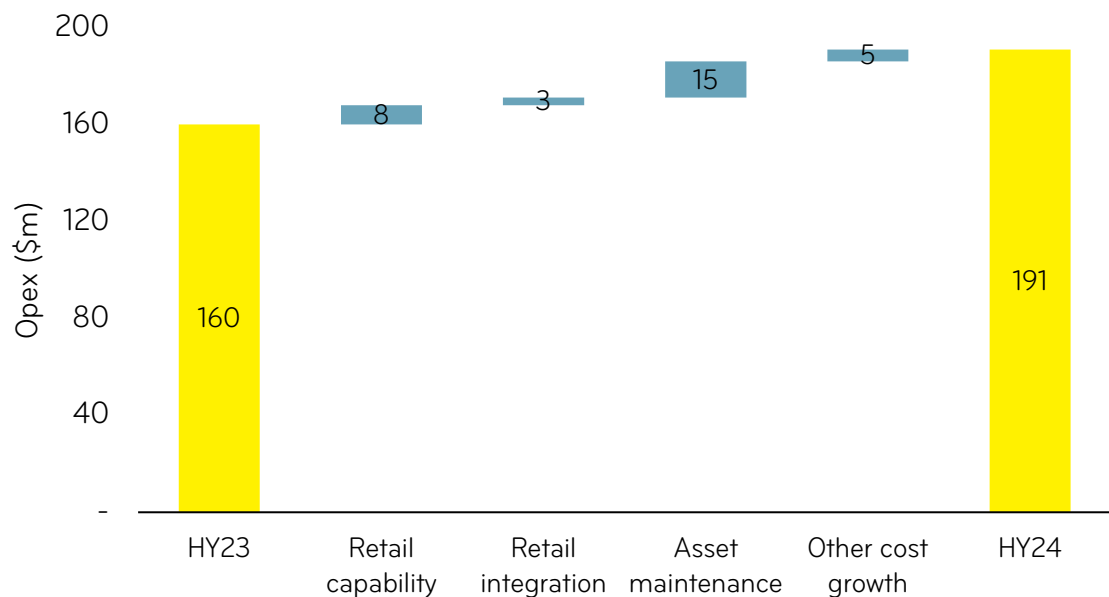
- Generation volume down 0.3TWh from lower hydro partly offset by new wind (Turitea and Kaiwera Downs)
- Physical Sales yield: Mass market VWAP up \$6/MWh, commercial and industrial VWAP up \$9/MWh
- Electricity derivatives: impact of higher prices on net sales position
- Price: higher wholesale prices, improved LWAP/GWAP (1.04 vs 1.06); lower trading gains; increased connection charges from TPM are offset by settlement residual related to loss and constraint rentals
- Operating expenses: see next slide



FINANCIAL – INVESTING IN FUTURE GROWTH.

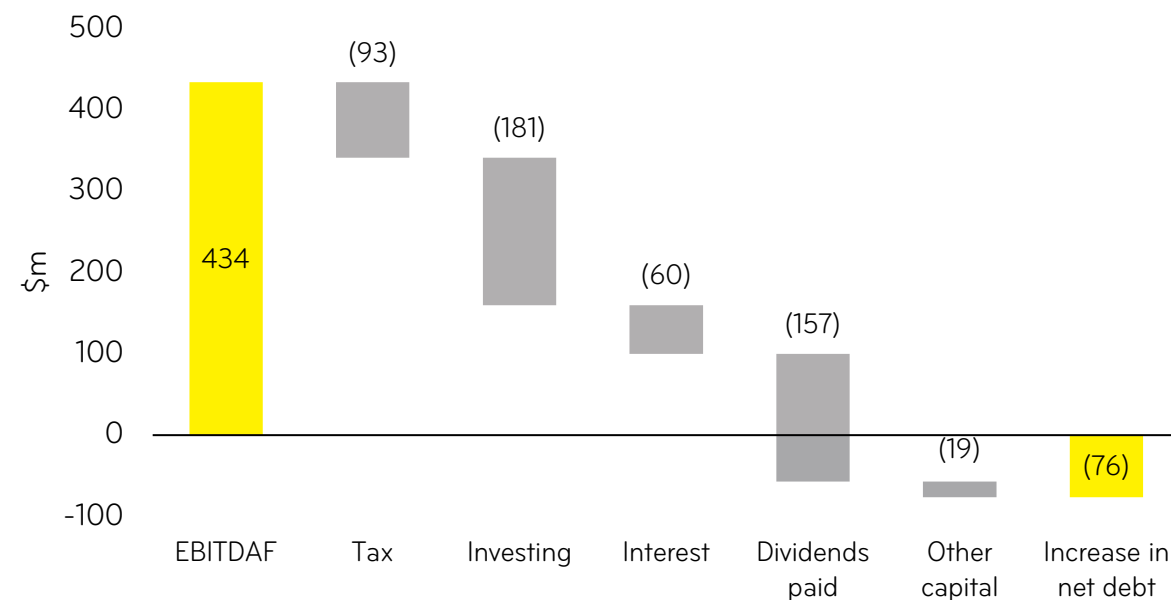
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Continued investment in growth and existing assets



Operating Expenditure

- Retail capability and \$4m from NOW acquisition
- Retail integration (Mercury brand mass market customers migrating to the Gentrack billing system)
- Generation maintenance capability including \$6m of new wind operations
- Other includes insurance and landowner agreements



Movement in net debt

- Strong performance enabled continued investment in growth, with net debt lifting \$76m from June 2023
- Investing cash flows mainly capital expenditure (stay-in-business and growth capex)



STRATEGIC – HIGH QUALITY GENERATION PIPELINE.



Kaiwera Downs 2 in advanced stages of FID approval

Project	Capacity (MW)	Generation (GWh pa)	Type & Location	Stage	Progress Comment
Ngā Tamariki OEC5	46	390 uplift	Geothermal near Reporoa	Construction	First generation late Cal-25
Kaiwaikawe	74	220	Wind farm near Dargaville	Pre-FID	Delay FID to early FY25
Kaiwera Downs II	155	525	Wind farm near Gore	Pre-FID	FID expected FY24
Beyond FY24					
Puketoi	228	1,080	Wind farm near Pahiatua	Pre-FID	Scheme optimisation and development work underway
Mahinerangi 2	138	470	Wind farm near Dunedin	Consented	Consent amendment likely
Tararua repowering	60MW Uplift, to 221MW	270 uplift	Wind farm near Palmerston North	Pre Re-consenting	Constraints mapping and concept layouts
Various other prospects	1500	~5,000	Various	Prospecting, Feasibility and Consenting	

Key messages

- Well advanced to reach FID in FY24 of the stage two Kaiwera Downs wind farm. Site optimisation has reduced the annualised generation from 650GWh to 525GWh
- Kaiwaikawe wind farm is experiencing delays related to procurement and construction logistics which will likely delay construction commencement into FY25
- We are continuing to assess Mahinerangi 2 wind farm project. Changes to turbine technology and regulation are likely to result in consent amendments



STRATEGIC – STRONG GENERATION DEVELOPMENT PERFORMANCE.

OUR TRACK RECORD



Turitea South wind farm fully operational in FY23, increasing annual generation on average by 370GWh

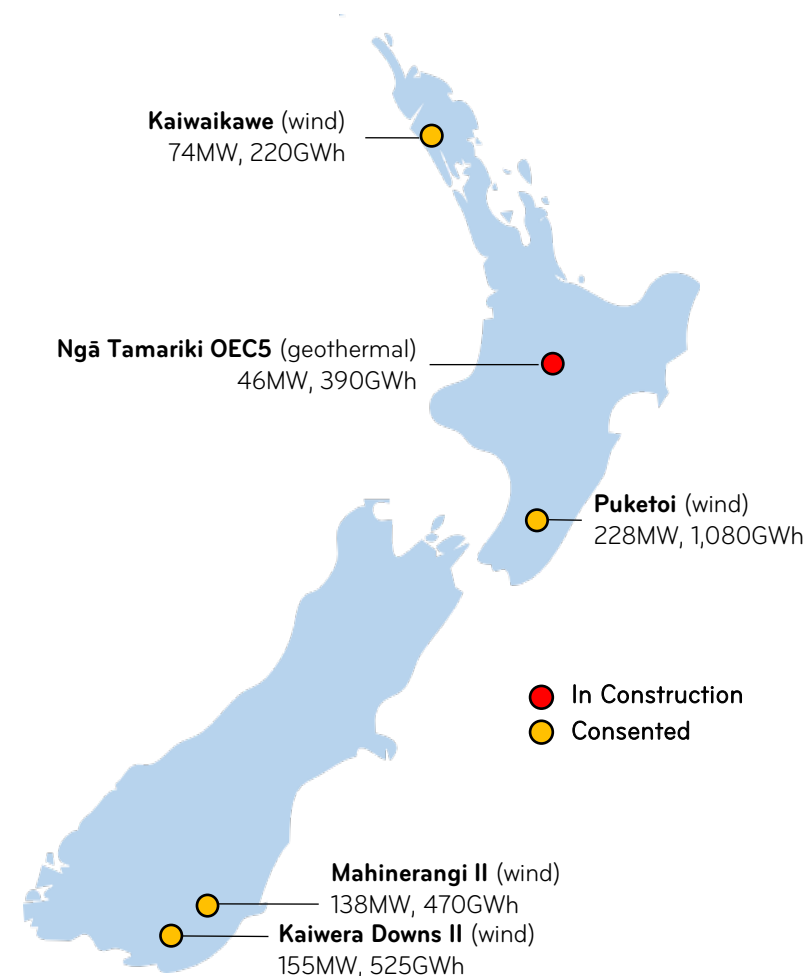


Kaiwera Downs stage 1 wind farm fully operational in HY24 increasing average annual generation by 147GWh. The project was on time and under budget



Committed to a 390GWh Ngā Tamariki geothermal expansion in HY24 with first generation expected late calendar 2025

PROJECTS UNDER CONSTRUCTION OR CONSENTED



STRATEGIC – EXPANSION OF HIGH QUALITY GEOTHERMAL GENERATION.



First generation expected late calendar 2025



Air-cooled condensers for OEC5

Key messages

- Ngā Tamariki power station was commissioned in 2013 and currently comprises four Ormat Energy Converter (OEC) units providing a net station capacity of 86MW. This OEC5 expansion was provided for in the long-term station development plan
- In September 2022, the \$220 million OEC5 unit was committed and will increase site generation by 390GWh and net output by 46MW
- Detailed design is significantly progressed and the manufacture commenced on long lead time equipment
- Our key supplier on this project, Ormat Technologies, has been impacted by the situation in Gaza and we are monitoring this carefully. We are not currently expecting delivery timeframes to be materially impacted



STRATEGIC – LEADING THE WAY IN THE CONSTRUCTION OF WIND GENERATION.



Kaiwera Downs stage 1 wind farm fully operational

Key messages



Kaiwera Downs stage 1

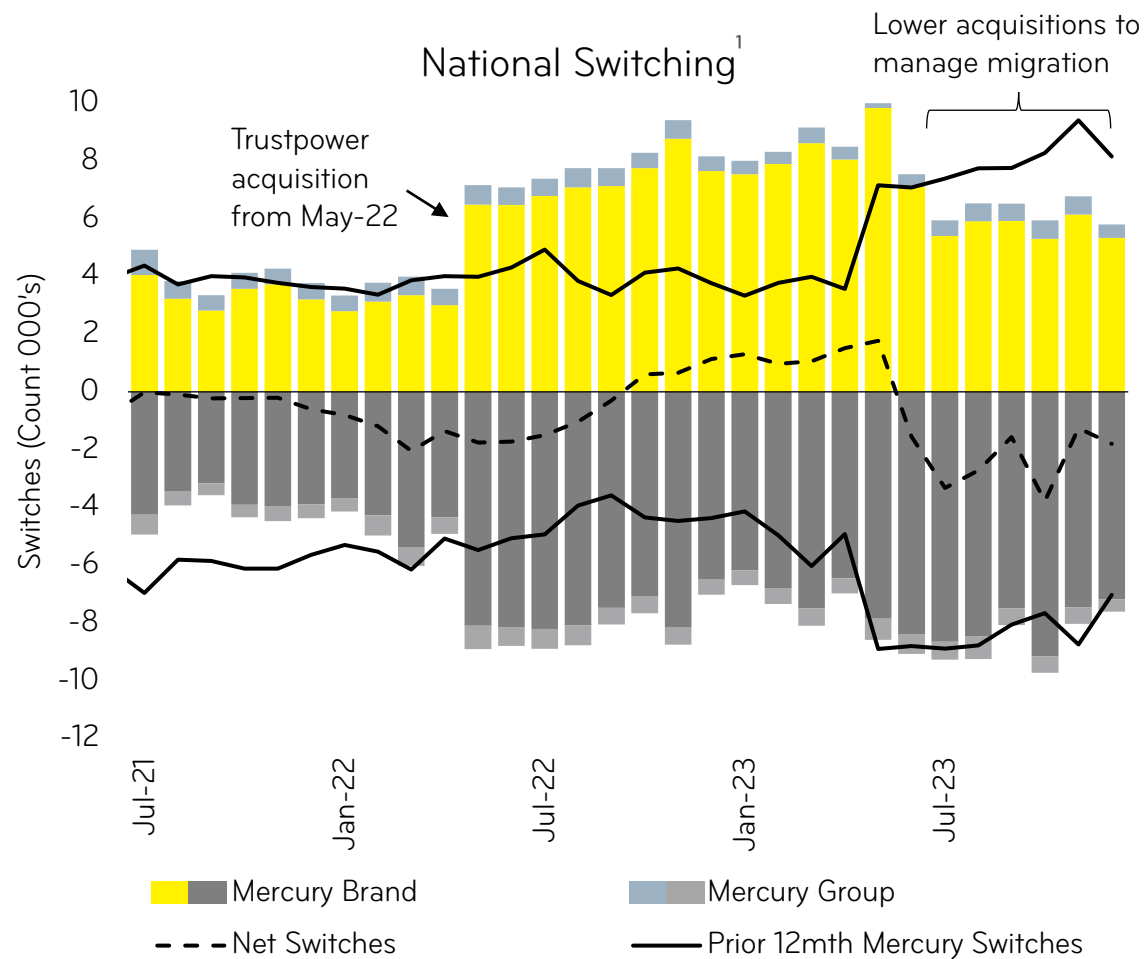
- New stage one wind farm generation completed at Kaiwera Downs on time and under budget
- Stage one is a ten turbine 43MW wind farm with annualised generation of 147GWh
- The success of the project provides a solid foundation for development and construction of Kaiwera Downs stage 2 wind farm
- Kaiwera Downs stage 2 155MW / 525GWh wind farm is expected to reach FID during FY24



STRATEGIC – NEW ZEALAND'S LEADING MULTI-PRODUCT UTILITY.



Customers migrated to a single technology stack



¹Source: Electricity Authority. Mercury Group includes Globug.

Key messages

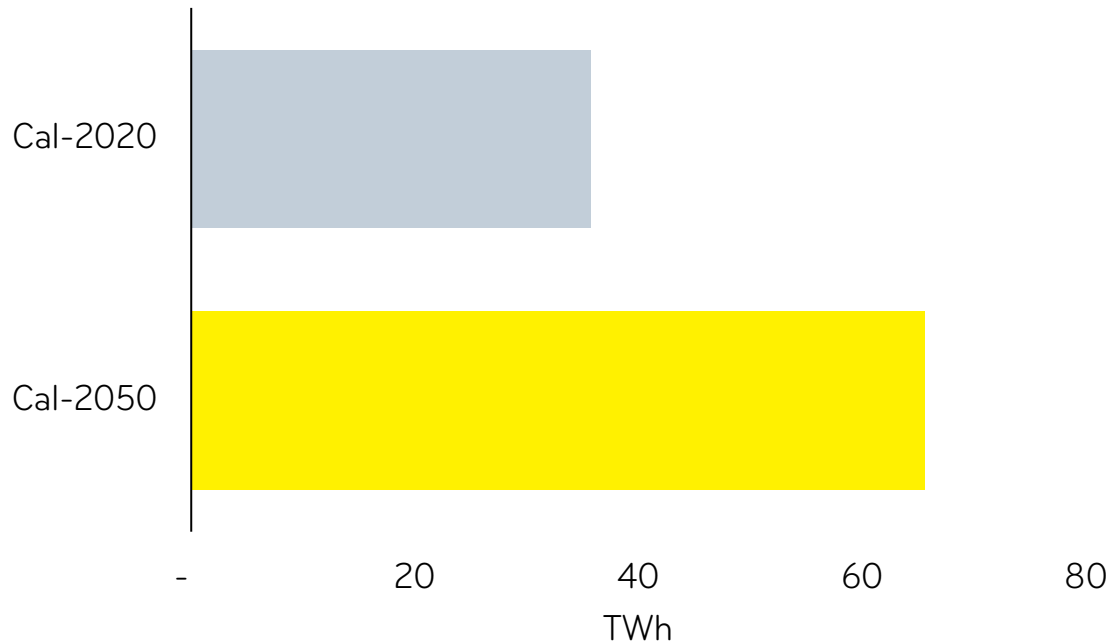
- The programme of work to migrate Mercury brand mass market customers to the Gentrack billing system was successfully completed in HY24. We reduced our acquisition activity throughout HY24 to manage the migration programme of work
- The single technology stack gives us a solid platform to deliver greater value for customers in terms of choice, enhanced experience, and the delivery of new and innovative solutions
- The business remains on track to realise the integration synergies previously forecast, with the majority expected in FY25
- Integration programme spend to date is on track at \$44 million relative to the \$50 million forecast spend. Project cost to date includes \$25 million of operating expenditure and \$19 million of capital expenditure



STRATEGIC – ELECTRIFICATION OPPORTUNITY IS SIGNIFICANT.



Renewable electricity supply to increase 30TWh by 2050



Key messages

- Renewable electricity to account for 58% of New Zealand's total energy demand in 2050. This will require a further 30TWh of new renewable electricity from the current base of 36TWh¹
- Collective action and whole-of-system thinking in New Zealand will be critical to capture the opportunity in infrastructure investment that could support future prosperity from the energy transition
- Global regulators are accelerating the energy transition, growing demand and boosting the need for investment – for example, the Inflation Reduction Act in USA, the New Deal in South Korea and the EU's Green Deal Industrial Plan 2022

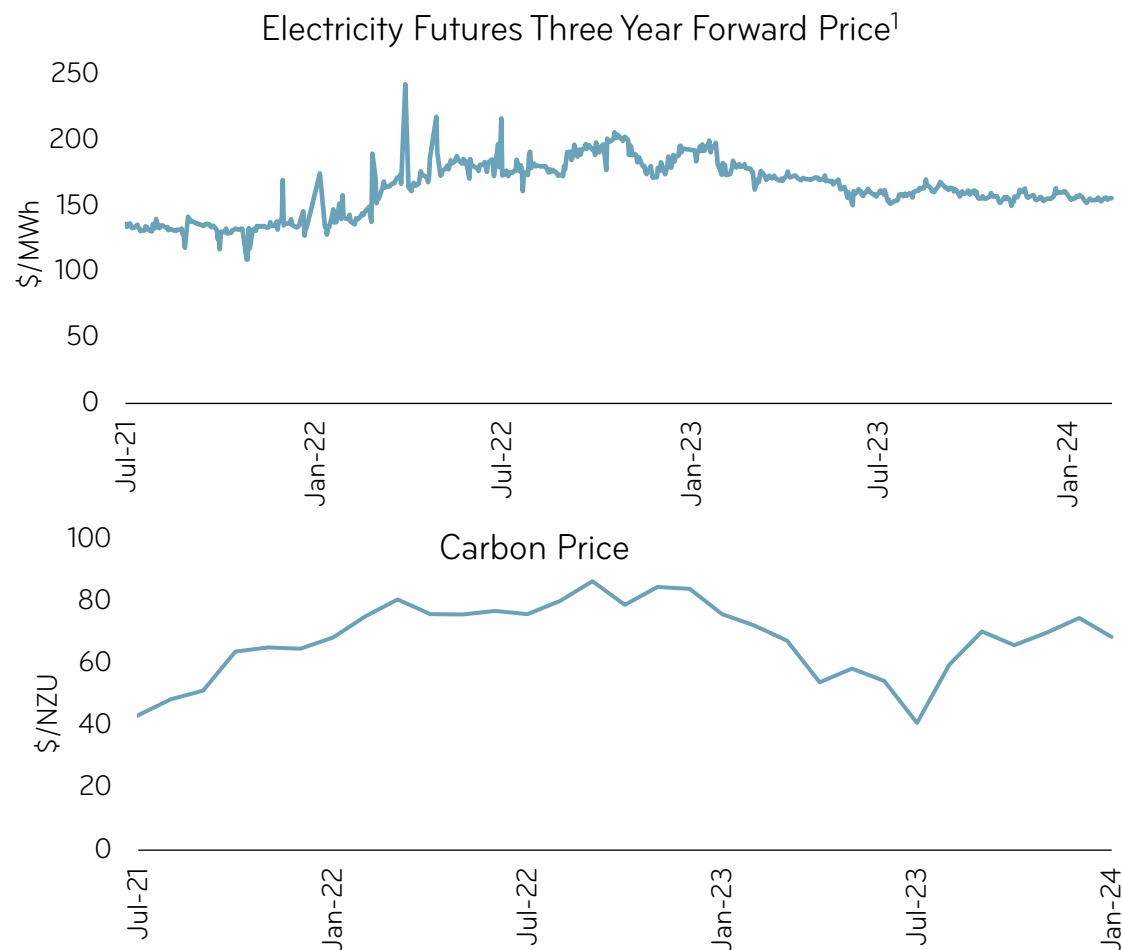
¹Refer to the Boston Consulting Group Report 'Climate Change in New Zealand: The Future is Electric' published October 2022



OPERATIONAL – ELECTRICITY THREE YEAR FORWARD PRICES STABILISED.

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Forward prices stable despite pipeline growth



Key messages

- Electricity futures three year forward price stable over HY24, this is partly a result of higher short term prices offsetting lower mid to long term prices
- Short term futures pricing impacted by hydrology, generation commissioning delays, peak demand growth, availability of firming generation and upstream gas production. Carbon prices lifted after the government adopted the Climate Change Commission's advice and then remained flat throughout the period
- Mid to long term forward prices decline, driven by supply and demand assumptions as new build generation is committed to across the sector. This is partially offset by higher generation development costs and increased firming requirements. Peak demand growth has been 1.5 - 2% per annum since 2020

Source: ASX, Mercury, Enerlytica

¹ Calculated on a two quarter ahead basis at Ōtāhuhu (Auckland), e.g. the Feb-24 price of \$156/MWh represents the average futures price for the period Jul-24 to Jun-27

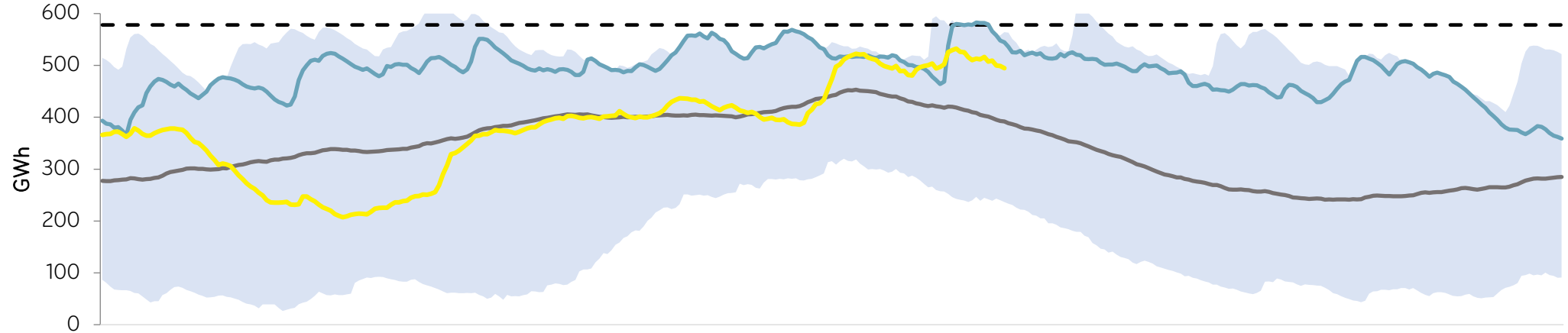


OPERATIONAL – TAUPŌ STORAGE PROVIDING A STRONG PORTFOLIO POSITION.



LAKE TAUPŌ STORAGE

(since 1 Jul 1999)



Month End	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb ⁵	Mar	Apr	May	Jun
Hydro Generation - Delta to Average ² (GWh)	22	47	-112	-58	-24	-17	33	16				
Waikato Inflows - Delta to Average ³ (GWh)	-64	-95	-27	-77	-41	-18	75	17				
Taupō Storage – Delta to Average ² (GWh)	9	-128	-14	-4	18	54	109	97				
Spot Price - Ōtāhuhu (\$/MWh)	\$120	\$148	\$126	\$133	\$152	\$183	\$203	\$114				
Futures Price (M-3 ⁴) Ōtāhuhu (\$/MWh)	\$220	\$177	\$131	\$109	\$121	\$108	\$105	\$185				

Source: NZXHydro, WITS, ASX

¹ Maximum Control Level

³ Monthly average since July 1999

² Monthly average since July 1999

⁴ Closing price 3 months prior

>50GWh above average

>50GWh below average

Above \$100/MWh

Above \$200/MWh

⁵ To 12 Feb 2024



OPERATIONAL – GEOTHERMAL DRILLING UNDERWAY WITH DELAYS.



Geothermal drilling programme rephased



Ngā Tamariki

Key messages

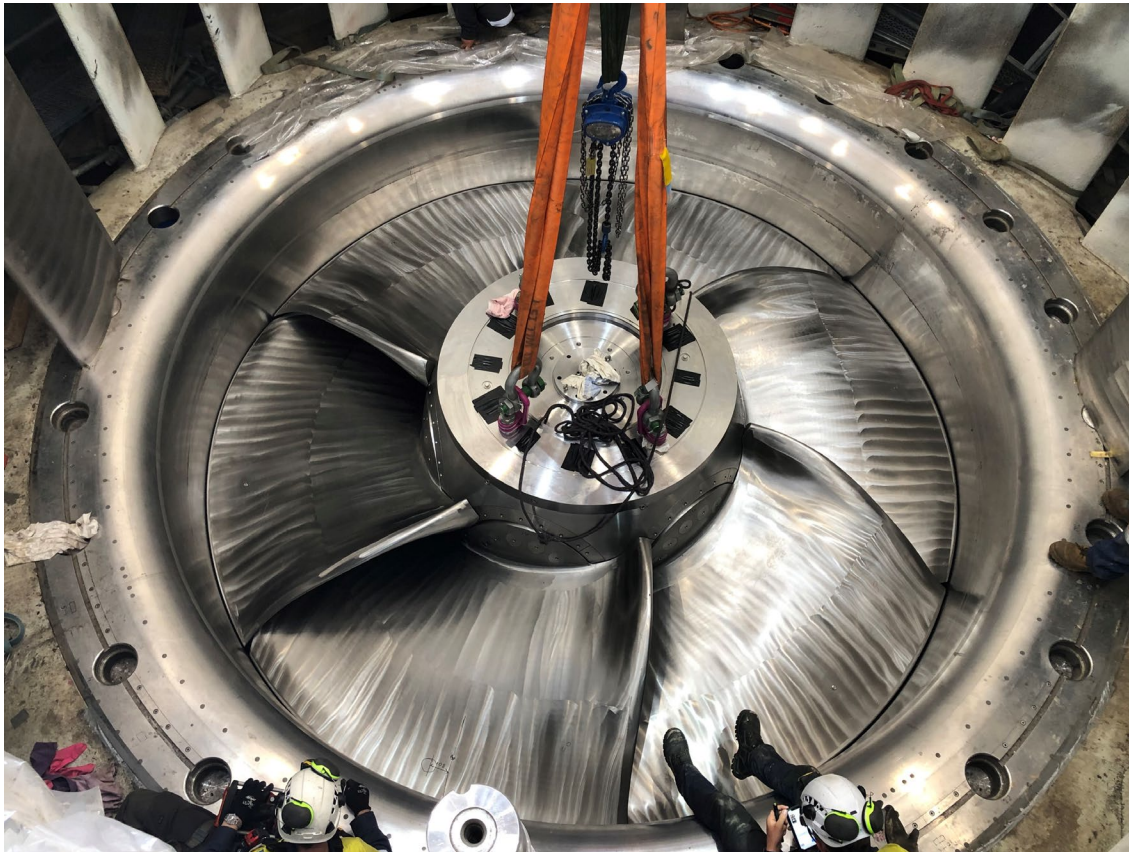
- The 14 month, 8 well, geothermal drilling campaign commenced in June 2023 to sustain capacity of the Kawerau, Ngā Tamariki and Rotokawa fields, offsetting the natural decline of well performance
- Our geothermal drilling campaign has experienced delays. We have terminated our drilling services contract and are currently negotiating an alternative drilling rig contractor to complete the campaign. We expect to engage a new provider shortly
- To date \$46 million has been invested in the campaign. Based on a revised schedule and early indicative costs the expected campaign cost is a further ~\$114 million through to FY26 (Total cost ~\$160m)



OPERATIONAL – ENHANCING AND OPTIMISING OUR EXISTING GENERATION ASSETS.



First phase of centralising geothermal control complete



Karāpiro Hydro Power Station

Key messages

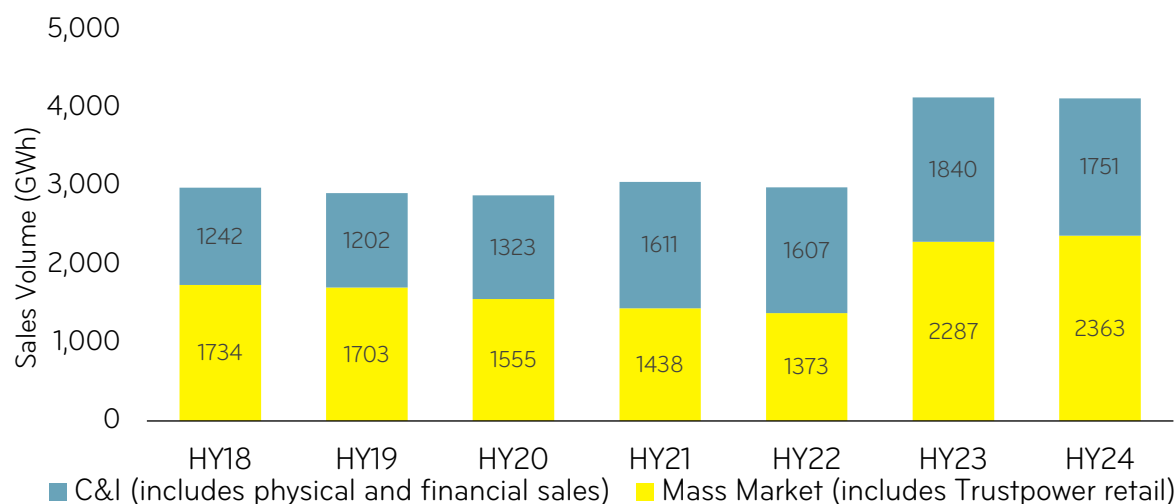
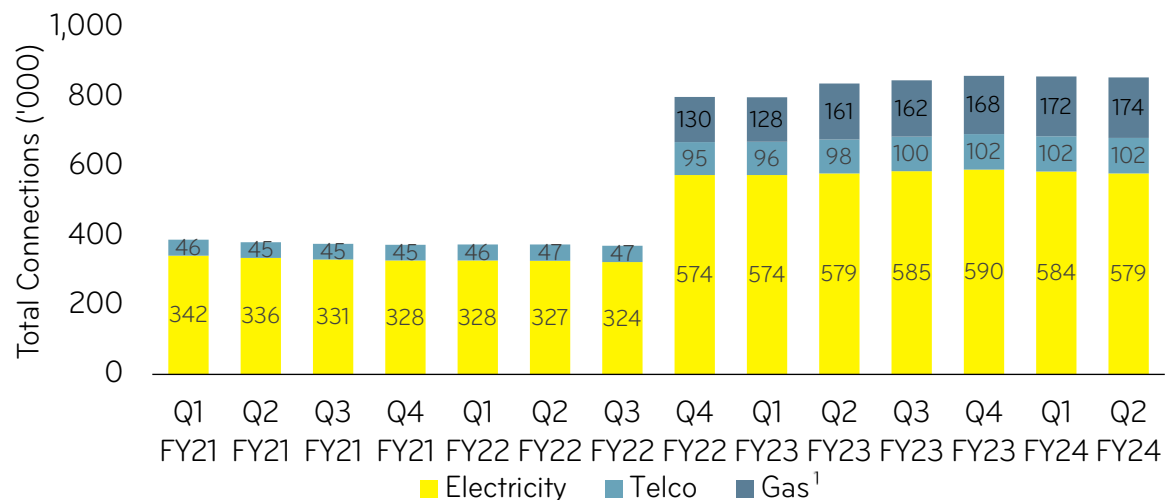
- First phase of centralising the geothermal control room operations implemented, with Ngā Tamariki and Ngā Awa Pūrua control combined onsite at Ngā Awa Pūrua. The next phase involves system testing, training and safety planning and onboarding Kawerau operations
- Control systems upgraded at Ngā Tamariki and Kawerau geothermal stations
- Rehab work of all three Karāpiro units is continuing with the second unit due for commissioning in July 2024. The overall project is expected to increase station capacity by 17MW and average generation by 32GWh



OPERATIONAL – PLATFORM FOR CONNECTION GROWTH THROUGH INTEGRATION.



Total connections across all products increased 17k



Key messages

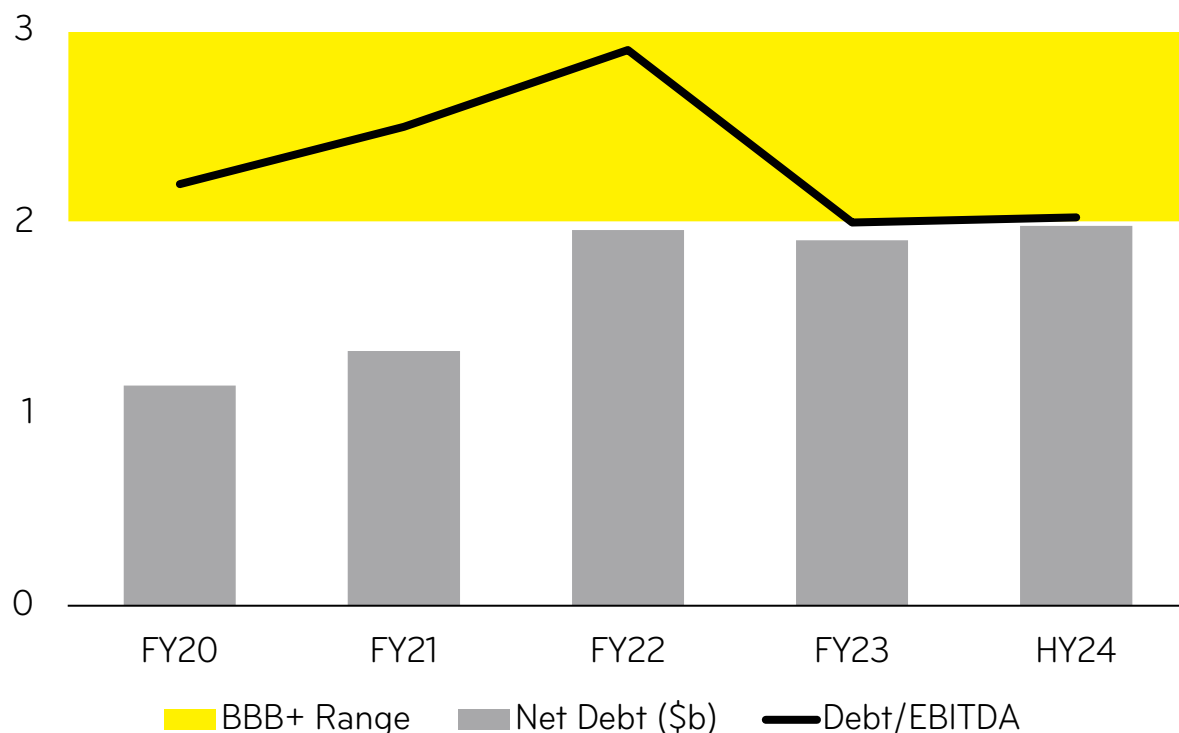
- Retail integration has reshaped Mercury into a scaled multi-product utility retailer, creating a foundation for enhanced operating efficiencies and growth
- Electricity connections remain stable with HY24 flat against PCP. Connection growth more than 17k across all other remaining products and brands. This includes 13k in Telco connections and 4k in Gas connections
- High forward curve pricing has seen strong contract renewal prices through HY24. C&I yields (including physical sales and end user CfDs) up \$10/MWh relative to PCP as a result of contracts repricing due to a sustained higher electricity forward curve
- Sales yields in Mass Market segment was \$6/MWh higher in HY24 relative to PCP. Increases primarily driven by relative price rises in addition to reductions in direct costs, through reduced retention and acquisition expenses



FINANCIAL – STRONG BALANCE SHEET SUPPORTS FURTHER INVESTMENT.

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Forecast Debt/EBITDA provides platform for growth



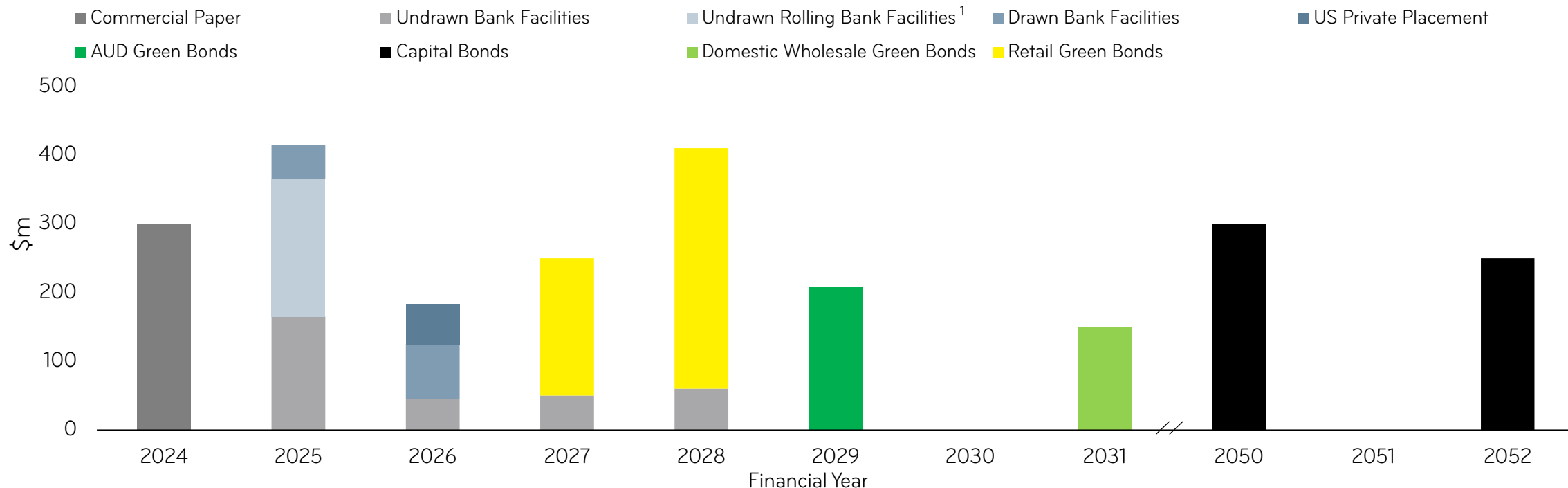
Key messages

- Debt/EBITDA¹ at 2.0x for FY24, consistent with FY23
- Capital structure flexibility enables growth
- S&P Global re-affirmed Mercury's credit rating of BBB+/stable in December 2023
- Mercury targets Debt/EBITDA between 2x-3x after adjusting for S&P Global treatment, consistent with our BBB+ rating
- Mercury commenced a Dividend Reinvestment Plan (DRP) in FY22, which remains active

¹ Adjusted for actual / expected S&P Global treatment, based on FY24 EBITDA guidance



FINANCIAL – DIVERSIFIED FUNDING PROFILE.



Debt maturities as at 31 December 2023

- Diversified funding sources: commercial paper, bank facilities, domestic wholesale bonds, retail bonds, AUD wholesale bonds, USPP and capital bonds
- Planning for \$300m Capital Bond (MCY020) refinancing in Jul-2024

¹ Requires 18 months notice of termination from lender

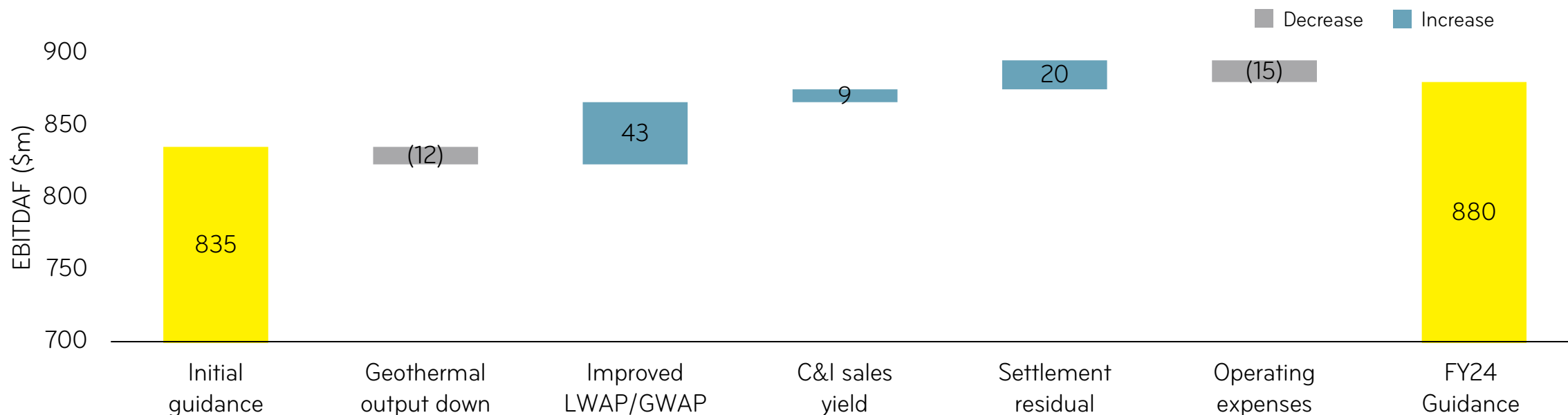


FINANCIAL – FY24 GUIDANCE UPDATED.

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FY24 EBITDAF guidance updated to **\$880m** on mean hydro generation (4,067GWh) subject to hydrological volatility, wholesale market conditions and any material adverse events, significant one-off expenses or other unforeseeable circumstances

- FY24 ordinary dividend guidance unchanged at 23.3cps (up 7% on FY23)
- FY24 stay-in-business capital expenditure guidance of \$135m down \$25m from original guidance mainly due to lower geothermal drilling spend



- Geothermal output down due to issues at Kawerau and Ngā Tamariki (now resolved)
- Improved LWAP/GWAP compared to expectation

- Yield growth in C&I customers with futures prices remaining elevated
- Settlement residual related to loss and constraint rentals



SUMMARY – KEY MESSAGES.



First half summary

- 390GWh Ngā Tamariki geothermal station expansion was announced and construction is underway
- 147GWh per annum Kaiwera Downs stage 1 wind farm was completed on time and under budget
- Strong Trading Margin from diversified renewable generation portfolio
- Our geothermal drilling campaign has experienced delays. We have terminated our drilling services contract and currently negotiating an alternative drilling rig contractor to complete the campaign
- 9.3cps interim dividend declared (7% higher than HY23)
- Higher operating expenditure from inflation, full period of NOW, new wind generation, maintenance capability and insurance
- Retail integration programme completed, synergies on track to be delivered

Outlook for the second half

- 525GWh per annum stage 2 wind farm at Kaiwera Downs in advanced stages of approval
- Single retail platform to further leverage our scale and grow our position as NZ's leading multi-product utility
- Alternative drilling rig contractor to be confirmed
- Advocating strongly for taking whole-of-system view of energy transition
- FY24 ordinary dividend guidance unchanged at 23.3cps (up 7% on FY23). This will be the 16th consecutive year of ordinary dividend growth
- FY24 EBITDAF guidance updated to \$880 million subject to hydrological conditions and any material adverse event or unforeseeable circumstances. FY24 Capex guidance reduced to \$135 million



Q&A

