



NZ Windfarms Ltd
POWERED BY NATURE

Full Year Results Presentation

For the period ending 30 June 2023

- **Successful TRH Repower fast-track resource consent delivered.** The Company secured fast-track consents to potentially repower the Te Rere Hau wind farm with 30 new-larger-three bladed turbines. The Company is currently advancing confidential commercial negotiations for the repower. Repowering the Te Rere Hau wind farm could position it as an onshore **wind farm with an estimated capacity factor between 48% to 51% (compared to our current fleet capacity factor of ~25%)**. Average annual energy production could increase substantially from 100 to 120 GWh to between **530 GWh and 570 GWh**.
- **Successful fast-track resource consent referral – Aokautere Extension Project.** We have identified an opportunity for further expansion of the repowered wind farm with nine additional turbines through the Aokautere Extension project. This could **add up to an additional 170 GWh** to the production potential of the repowered wind farm (**i.e. up to 740 GWh in total**). This project has been **successfully referred to the fast-track consenting pathway**, and we are currently progressing the resource consent application. Our intention is to submit this fast-track consent application by the end of October 2023, with **a consenting decision possible in Q1 2024**. If successful, this will be incorporated into the repower.
- We have **secured land rights to build an alternative higher capacity grid connection option**. We are in advanced discussions with Transpower on the grid connection requirements.
- **Generation: 98.2 GWh** (pcp: 100.2 GWh)
- **Average Wind Speed: 9.0 m/s** (pcp: 9.1 m/s)
- **Availability: 95.5%** (pcp: 97.3%)
- **Lost time injuries (LTI): Zero** (pcp: 1 x LTI)
- **Debt restructured to a cash offset facility (similar to revolving credit facility).**

- **Net Electricity Revenue⁽¹⁾: \$9.7m** (pcp: \$10.7m)
- **Net Electricity Price GWAP⁽²⁾: \$98.51 per MWh** (pcp: \$107.11 per MWh)
- **EBITDAF⁽³⁾: \$4.6m** (pcp: \$6.4m)
- **NPAT: -\$5.3m** (pcp: \$5.2m)
- **Operating Cash Flow: \$3.7m** (pcp: \$5.9m)
- **Our operational performance** has benefited from our **VVFP (Variable Volume Fixed Price Agreement)** programme which partially shielded the Company from the impact of difficult market conditions. **Realised derivative gains of \$4.18m** (2022: realised loss of \$0.05m)
- **TRH operating expenditure⁽⁴⁾** increased 14.2% to \$5.1m (2022: \$4.4m). Notwithstanding tight cost discipline the Company was not immune to the material inflationary environment.
- **Forward EBITDAF Guidance FY2024:** We anticipate EBITDAF in the range of **\$3.0m to \$4.5m**. The revision is based on a higher confidence full year generation estimate of **106 GWh** (previously 108.6 GWh) and an estimated blended electricity price of **\$92.50 per MWh** which incorporates VVFP prices levels, estimated spot prices, hedge ratios and seasonally adjusted generation profiles.

⁽¹⁾ Net Electricity Revenue – Electricity sales revenue less realised gain (loss) on derivatives.

⁽²⁾ Net Generation Weighted Average Price = (electricity sales + gain on realised derivatives – loss on realised derivatives) / generation

⁽³⁾ EBITDAF - Earnings before interest, tax, depreciation, amortisation, and fair value adjustments. EBITDAF is a non-GAAP measurement. The Company utilises EBITDAF to provide shareholders with a view of underlying operational earnings on a like-for-like basis over time. Please note NZ Windfarms definition may be different to others in the market. Please refer to the EBITDAF waterfall chart for a reconciliation of EBITDAF to the financial statements.

⁽⁴⁾ TRH Operating Expenditure = Total Operating Expenses – impairments – loss on property, plant and equipment – loss on derivatives – repowering consultation expenses (non-recurring expenses)

Snapshot

- We harness the power of wind to generate **clean** and **renewable electricity**.
- Well positioned to support the transition to a **low emissions economy**.
- **Te Rere Hau is a world class wind site - IEC Class 1A** certification.
- Independent wholesale wind generator.
- Experienced **board** and **management team**.
- **91 x 500kW** turbines, **45.5 MW** nameplate capacity.
- **30m** hub height, **33m** rotor diameter.
- Annual **community engagement** and **liaison meetings**.
- The wind farm received **resource consent** in 2005 with turbines installed in four stages with the final stage being completed in 2011.
- All maintenance carried out in-house.

Asset base

- **91** wind turbines (~**50%** of fixed asset base).
- **56** consented but undeveloped turbine sites.
- **324** hectare freehold farm.
- Land access agreements for **32** turbines (Eastern extension).
- Workshop and office buildings.
- Extensive spares, tools and inventory.
- Underground connection system:
 - Connects each turbine to the Te Rere Hau switchyard.
 - **2 x 33kV transmission lines** that connect Te Rere Hau switchyard to Mercury's Tararua Wind Farm grid injection point and T3 sub station.
 - Permits injection up to **48.5MW** into the national grid.

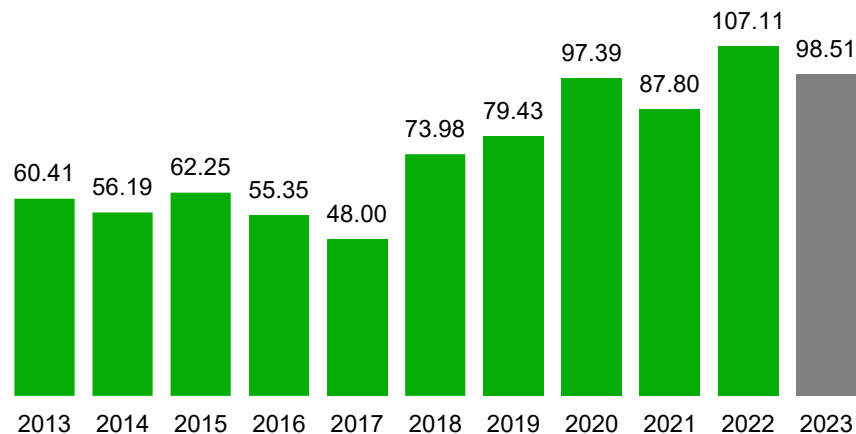
Successful TRH Repower fast-track consent delivered

- This year has been **significant for the Company in enhancing future shareholder value**. We have progressed our strategy, **unlocking growth potential through successfully gaining consents for repowering Te Rere Hau**.
- Repowering the Te Rere Hau wind farm could position it as an onshore **wind farm with an estimated capacity factor between 48% to 51%** (compared to our current fleet capacity factor of ~25%).
- Average annual energy production **could increase substantially** from 100 to 120 GWh to between **530 GWh and 570 GWh**.
- This would enable the Company to **unlock the full potential of its world-class wind resource and represents a major source of unrecognised value**.
- The Company is currently **advancing confidential commercial negotiations for the repower projects**
- While the consent for repowering represents an important step, **final decisions on funding structures have yet to be made** and will be reached in consultation with shareholders.
- It is essential to recognise that this project **focuses on repowering, setting it apart from new greenfield projects**. With the site already functioning as a wind farm, our familiarity with its geotechnical intricacies, wind resource, pre-existing road infrastructure, and reusable assets all provide a competitive edge in terms of cost and time. These factors also reduce construction and developmental risks compared to starting greenfield projects.
- **We are in advanced discussions with Transpower** on the grid connection requirements of a new and higher capacity grid connection as part of pursuing grid connection options to repower and extend the TRH wind farm.
- **The land rights for the transmission corridor have been secured** and are conditional on the final grid connection study outcome.

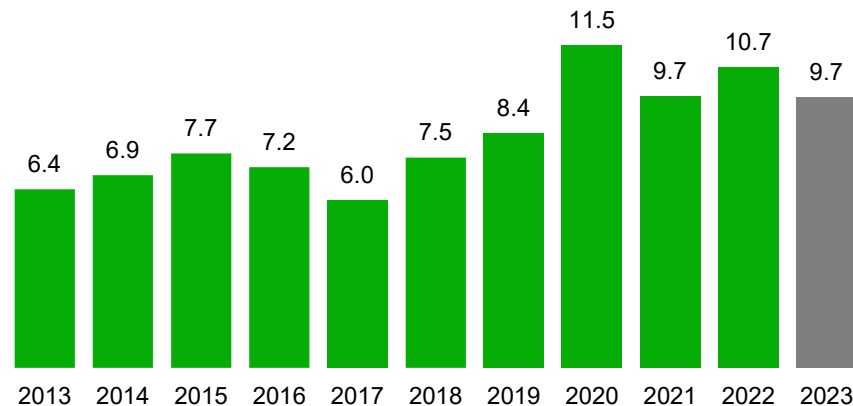
Successful fast-track resource consent referral - Aokautere Extension Project

- We have identified an **opportunity for further expansion** of the repowered wind farm with **nine additional turbines** through the **Aokautere Extension project**.
- This could add up to an **additional 170 GWh** to the production potential of the repowered wind farm (i.e. **up to 740 GWh in total**).
- This project has been **successfully referred to the fast-track consenting pathway**, and we are currently progressing the resource consent application.
- Our intention is to **submit a second fast-track consent application** by the end of **October 2023**, with a **consenting decision possible in Q1 2024**. If successful, this will be incorporated into the repower.
- The Aokautere Extension **offers economies of scale** during planning, construction, and operational phases.
- Most of the expenses associated with the pursuit of the TRH repower and Aokautere extension projects are **capitalised to the balance sheet** under capital work in progress.
- However, \$0.5m of costs mostly attributed to the expression of interest process to select a preferred partner, have been categorised as operating expenditure.
- All of these costs are **excluded from EBITDAF** calculations.

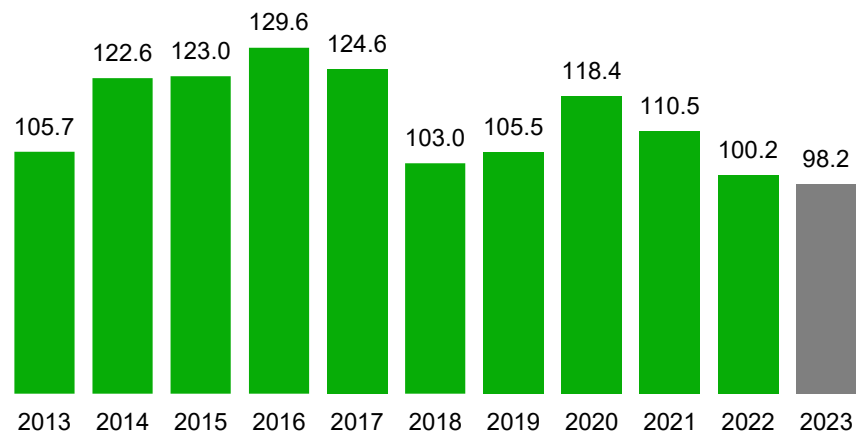
Net Electricity Price (GWAP \$MWh)



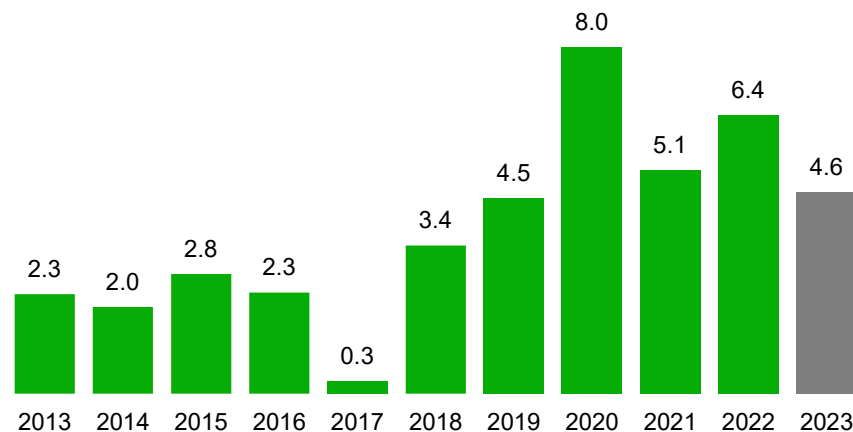
Net Electricity Sales (\$m)



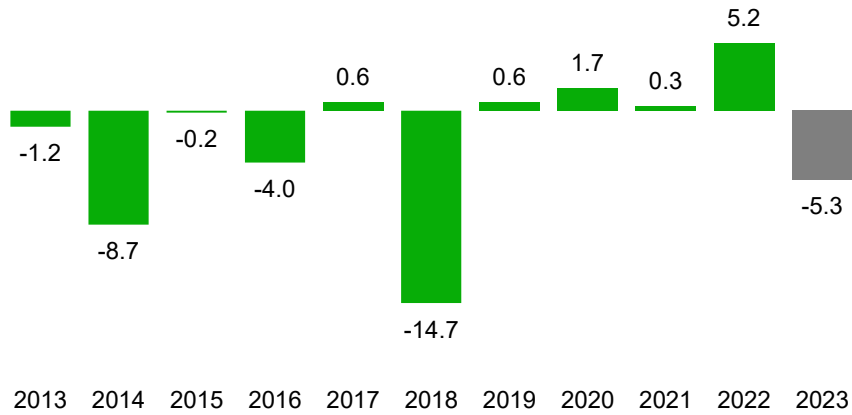
Generation (GWh)



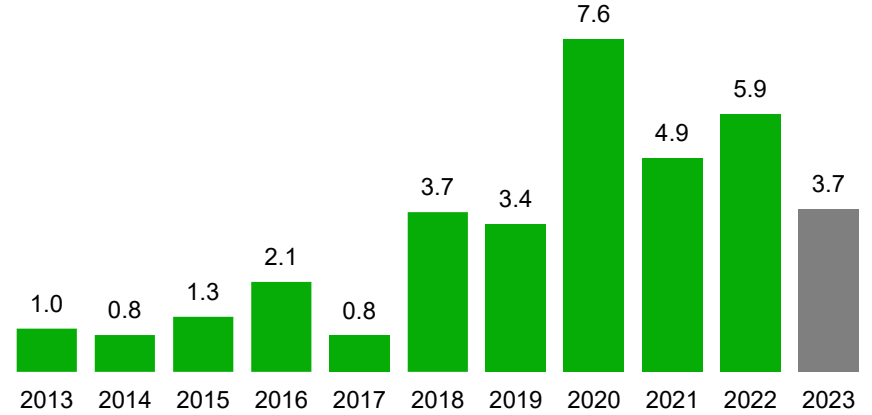
EBITDAF (\$m)



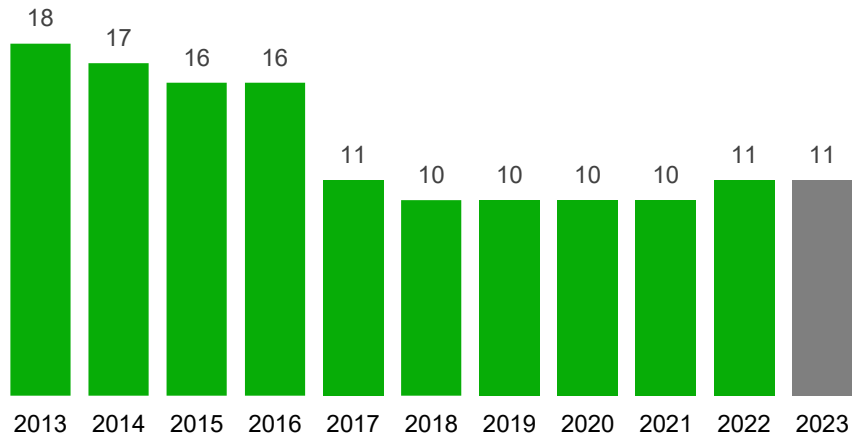
NPAT (\$m)



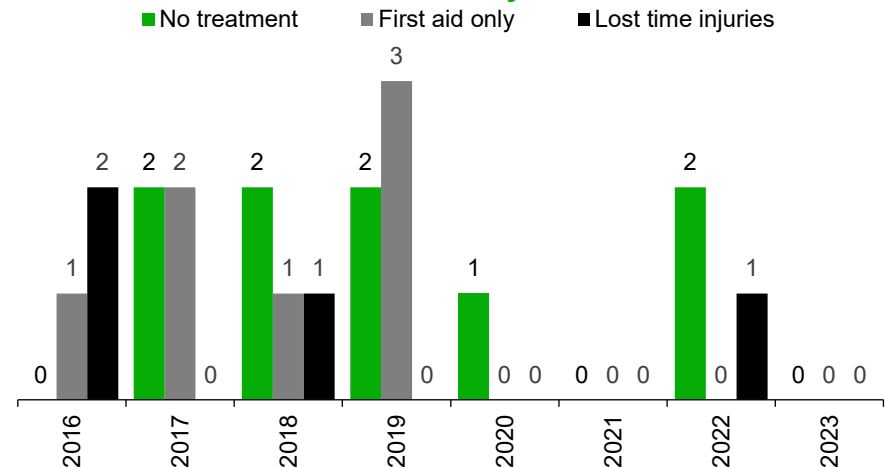
Operating Cash Flow (\$m)



Staff Numbers

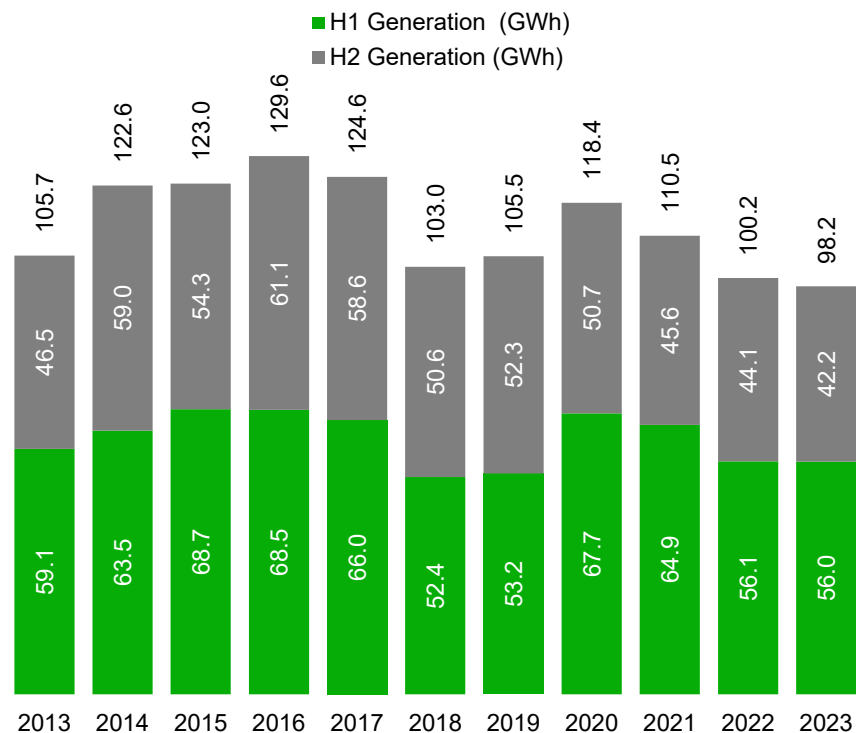


Health and Safety Metrics

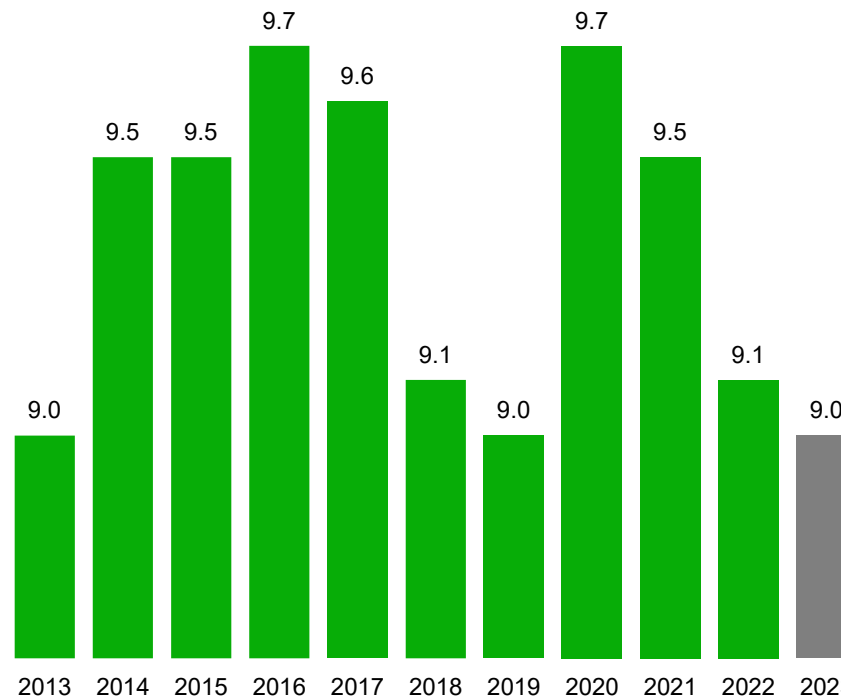


Generation (GWh) and Average Wind Speed (m/s)

H1 & H2 Generation (GWh)



Average Wind Speed (m/s)

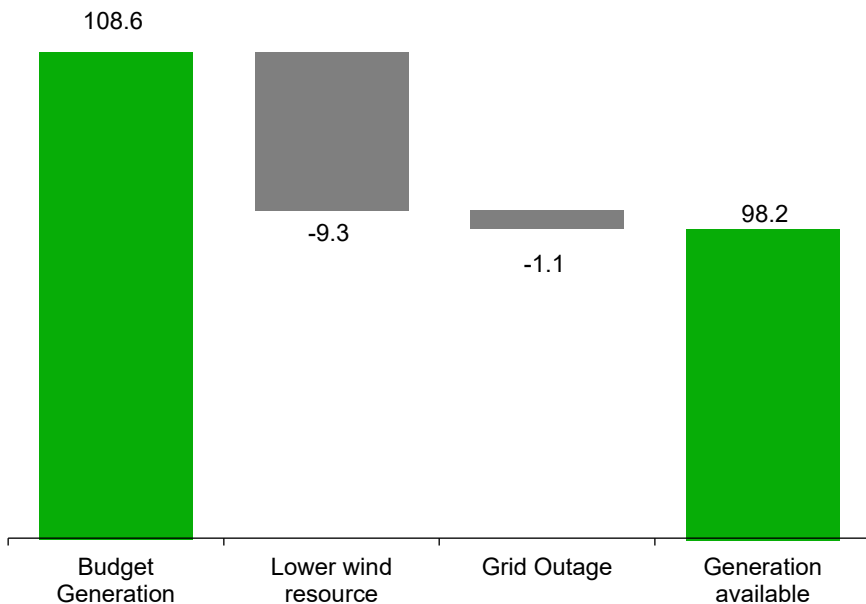


- FY23 generation was **98.2 GWh** (pcp: 100.2 GWh).
- Note the fleet size was initially **97** turbines. **6** turbines have been decommissioned over time and the operational fleet is now **91** turbines.

- Generation is correlated to average wind speeds.
- Wind flow was lower than normal across the entire country.

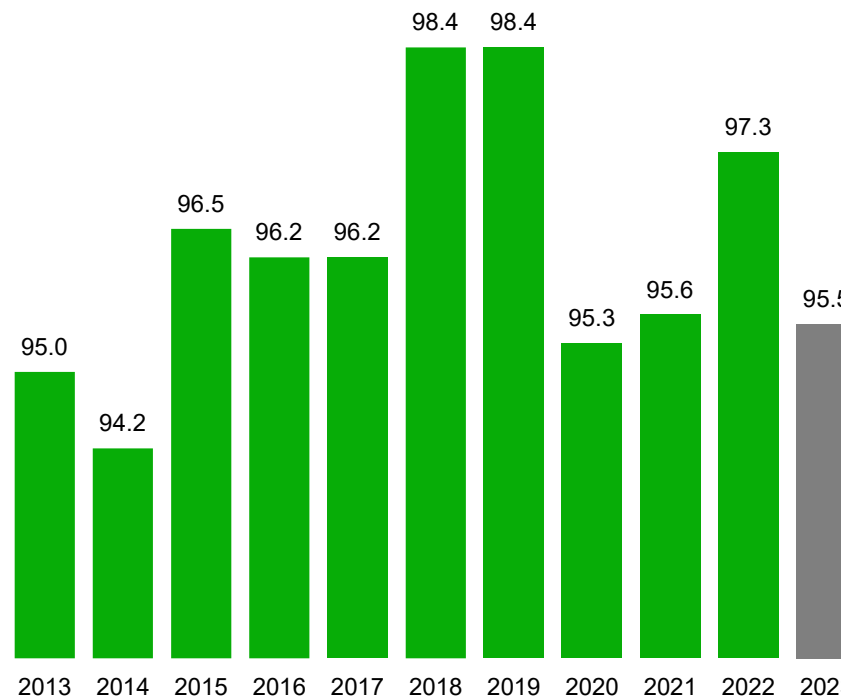
Generation Waterfall Chart (GWh) and Availability (%)

Generation waterfall chart for year ending 30 June 2023 (GWh)



- Generation was **-9.3 GWh** lower than expected.
- This is explained by **lower average wind speeds**
- A series of Transpower outages amounting to five days during the year, reduced generation potential by an estimated **1.1 GWh** (2022: no Transpower outages).

Availability (%)



- Availability for the period was **95.5%** (pcp: 97.3%).
- The turbine manufacturers benchmark for availability is **95.0%** and the industry benchmark is **97.0%**.

Ten-year monthly GWAP electricity prices (\$MWh)

Ten year monthly GWAP electricity prices (\$MWh)

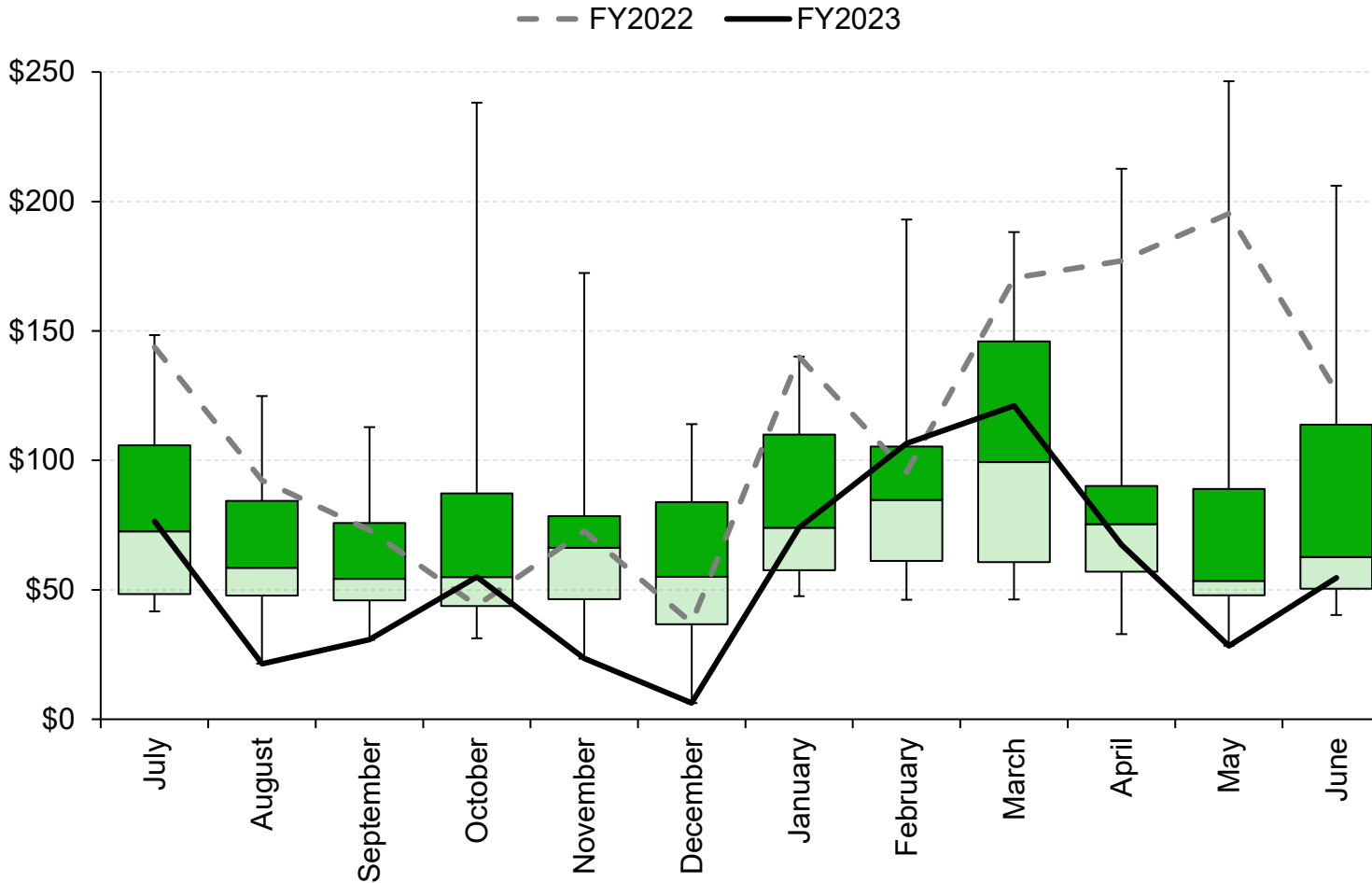


Chart Description

This is a box and whisker plot to illustrate the dispersion in historic monthly spot electricity prices received by the Company.

The top whisker denotes the max price received for each month.

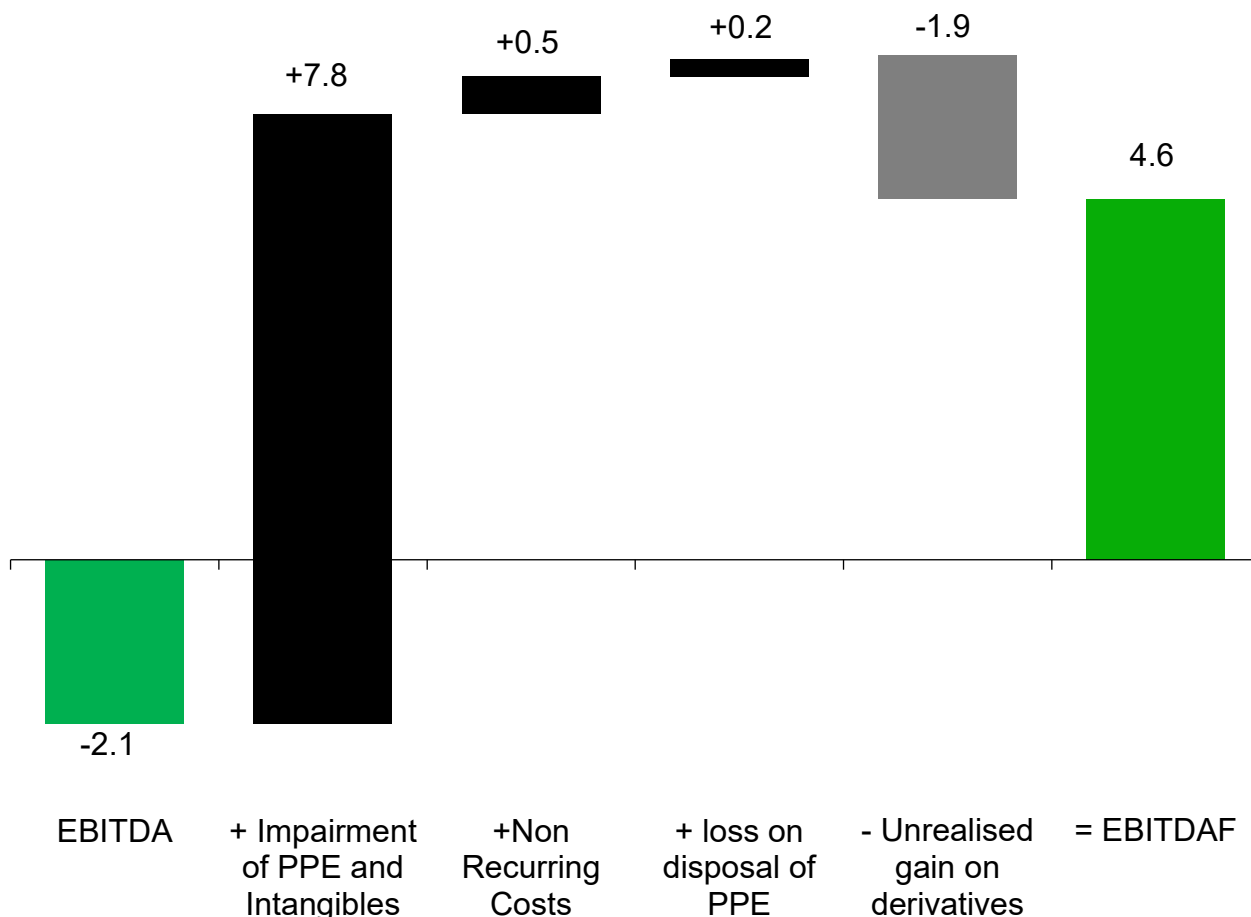
The top of each box denotes the 75th percentile price.

The line in the middle where the colours change denotes the median price (50th percentile).

The bottom of each box denotes the 25th percentile price.

The bottom whisker denotes the minimum price received for each month.

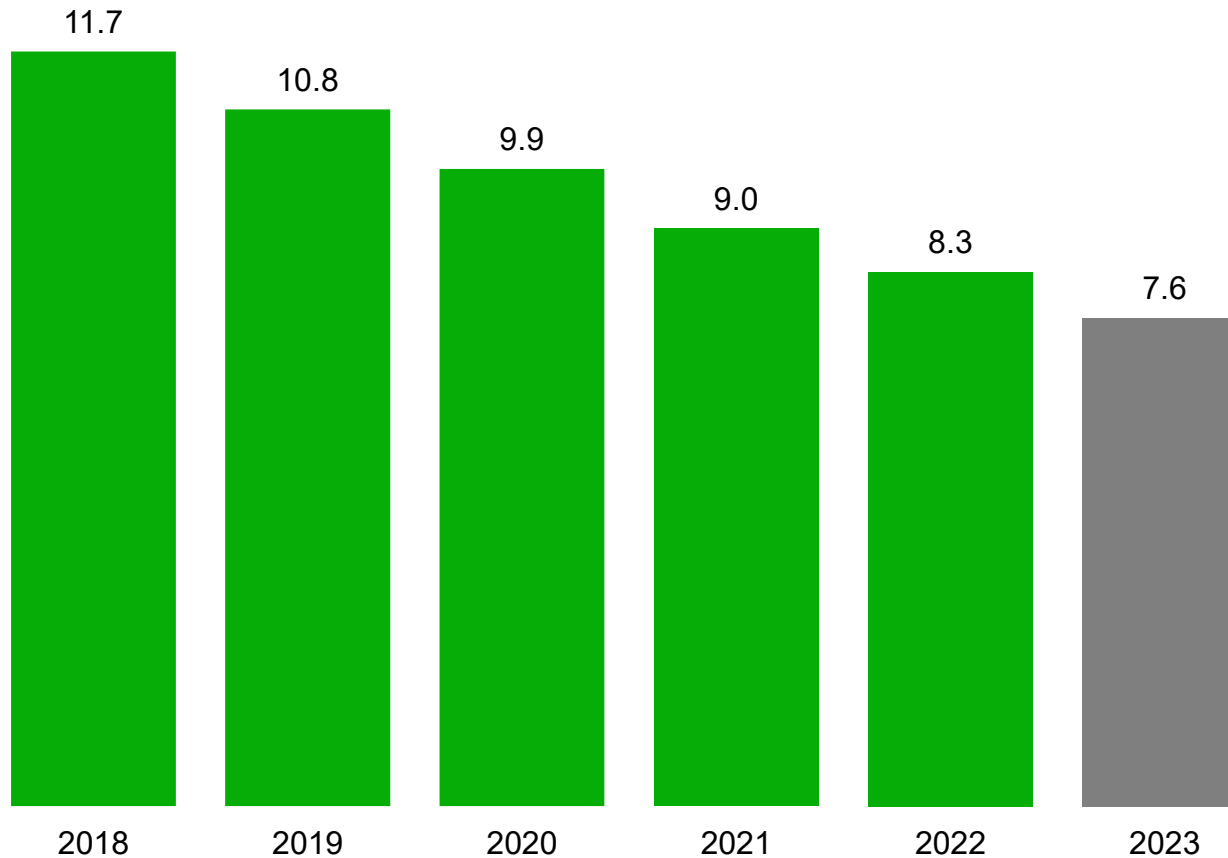
EBITDAF Waterfall Chart (\$m)



- **FY23 EBITDAF** was **\$4.6m** (pcp: \$6.4m).
- The Company utilises EBITDAF internally to evaluate profit and loss that relates to the financial period.
- EBITDAF is a **non-GAAP** measure.
- Four main adjustments are netted for EBITDAF calculation purposes being **impairments, non-recurring opex costs, a loss on disposal of PPE and unrealised gain on derivatives.**
- These items are netted from EBITDAF calculations to more easily compare profit or loss between financial periods.

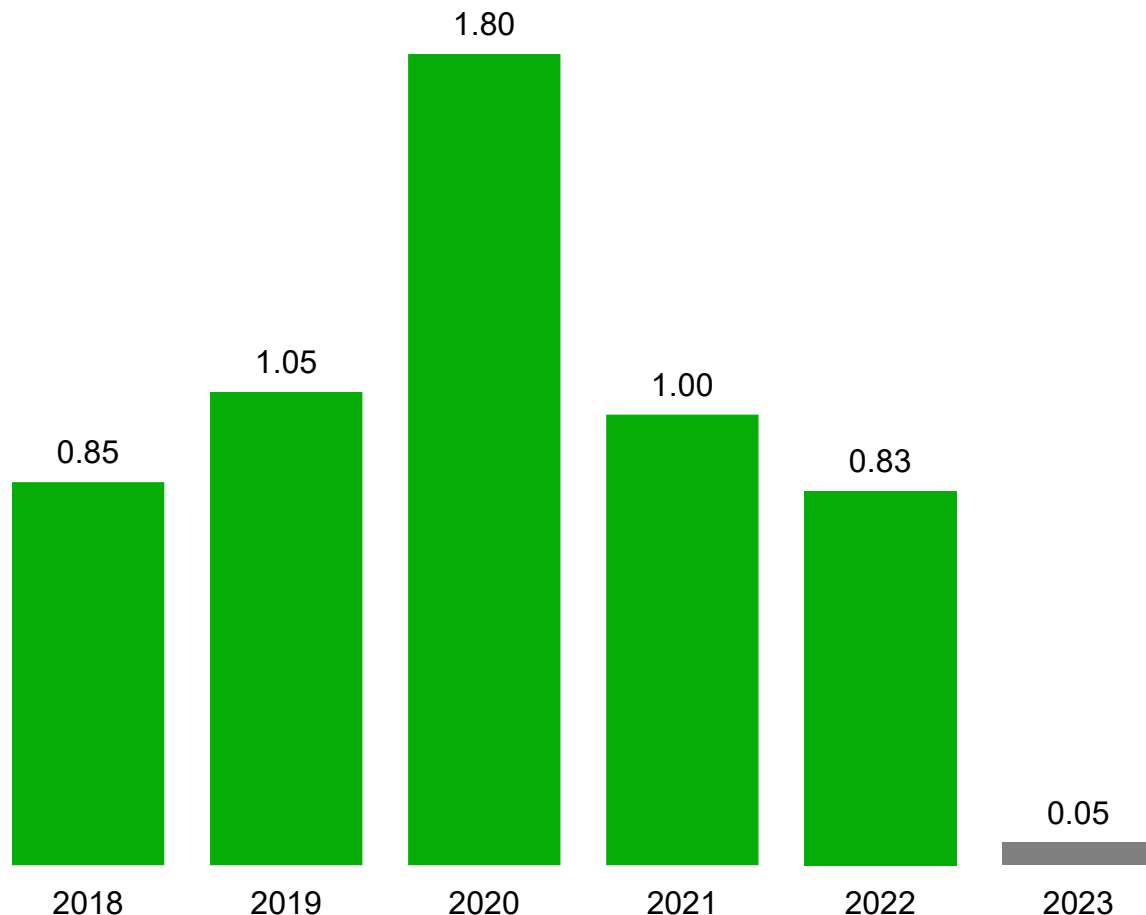
- Based on **our forecasts for FY24**, we estimate **EBITDAF** in the range of **\$3.0m - \$4.5m**
- The FY24 EBITDAF guidance range is based on an **annual production level of 106 GWh**, which is a higher confidence estimate based on a blend of annual averages and an independent determination of P75 AEP.
- Shareholders can view actual unaudited financial year to date production data on the company's website
- The Company's Electricity Price Hedging Policy, provides the **flexibility to hedge between a minimum hedge level and 100%, for the next 24 months**, enabling a more pro-active approach to managing electricity price risk.
- The Company's estimated operating expenditure and principal and interest payments will determine the minimum hedge ratio to apply.
- The Company is **67% hedged** for **FY2024** and **41% hedged** for **FY2025** (weighted to the first half of the 2025 financial year).
- We will progressively move to fill out the balance of the 24 month ahead period as market conditions allow.
- The **net electricity price for FY24** is estimated at **\$92.50 MWh**. This is a blended price of VVFPAs prices and estimated electricity spot prices based on ASX futures prices and adjusted for location and intermittency factors and weighted by monthly production estimates and quarterly hedge ratios.
- We are expecting both capital and operating costs to continue to increase in the coming year as we move through the back end of this inflationary cycle.
- EBITDAF guidance is provided on the basis of information available at this time, and may be subject to variations, including climatic and other conditions outside the Company's control.
- The **Company is focused on four key workstreams this year**. **1)** to continue to sustainably operate the existing fleet of turbines and continue to meet EBITDAF guidance **2)** to agree commercial terms with our preferred partner and then present the economics and funding of the repower to shareholders. **3)** to successfully consent the Aokautere Extension Project. **4)** continue to pursue strategic growth opportunities beyond the Te Rere Hau wind farm.

Bank Debt (\$m)



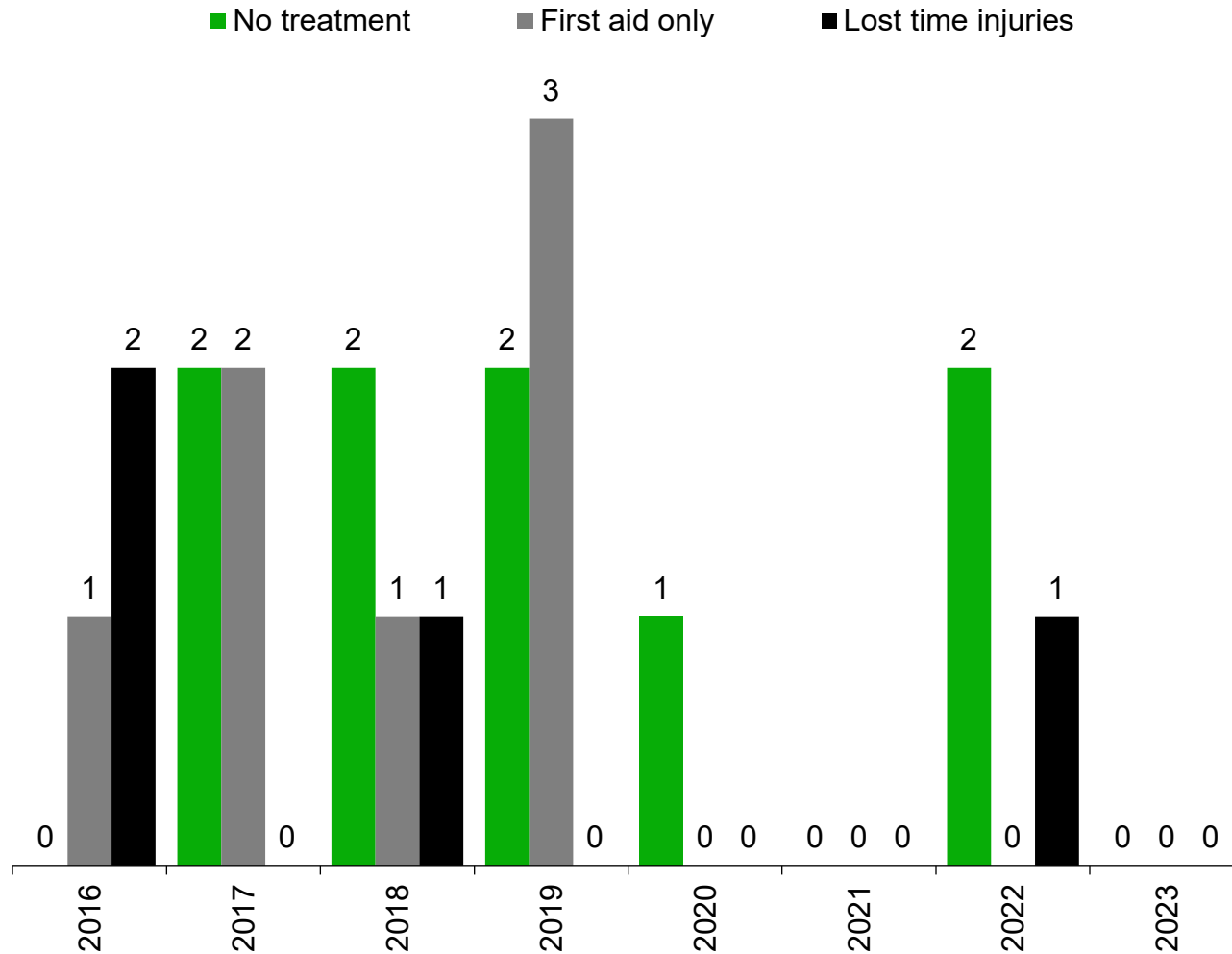
- **Total Bank Debt** is **\$7.6m** (pcp: \$8.3m) with \$0.9m headroom available on the facility to draw down.
- **Net debt** is **\$6.0m** (pcp: \$6.6m)
- **Net debt to EBITDAF** is **1.29** times (2022: 1.03 times).
- **Bank debt restructured to a cash offset facility.**
- **50%** of net interest rate exposure is **fixed to 1 July 2024**. The balance has a floating interest rate exposure.

Gross Dividends (cps)



- **Total unimputed dividends** paid related to the **FY23** period **0.05 cps** (pcp: 0.83 cps).
- Funding our consent applications and developing our commercial partnerships represents a period of **investment by the Company to secure future returns to create value for shareholders.**
- For this period, **we are transitioning from a historical focus on dividends to investing for growth.**
- For this reason, **the Board decided to pause dividends.**

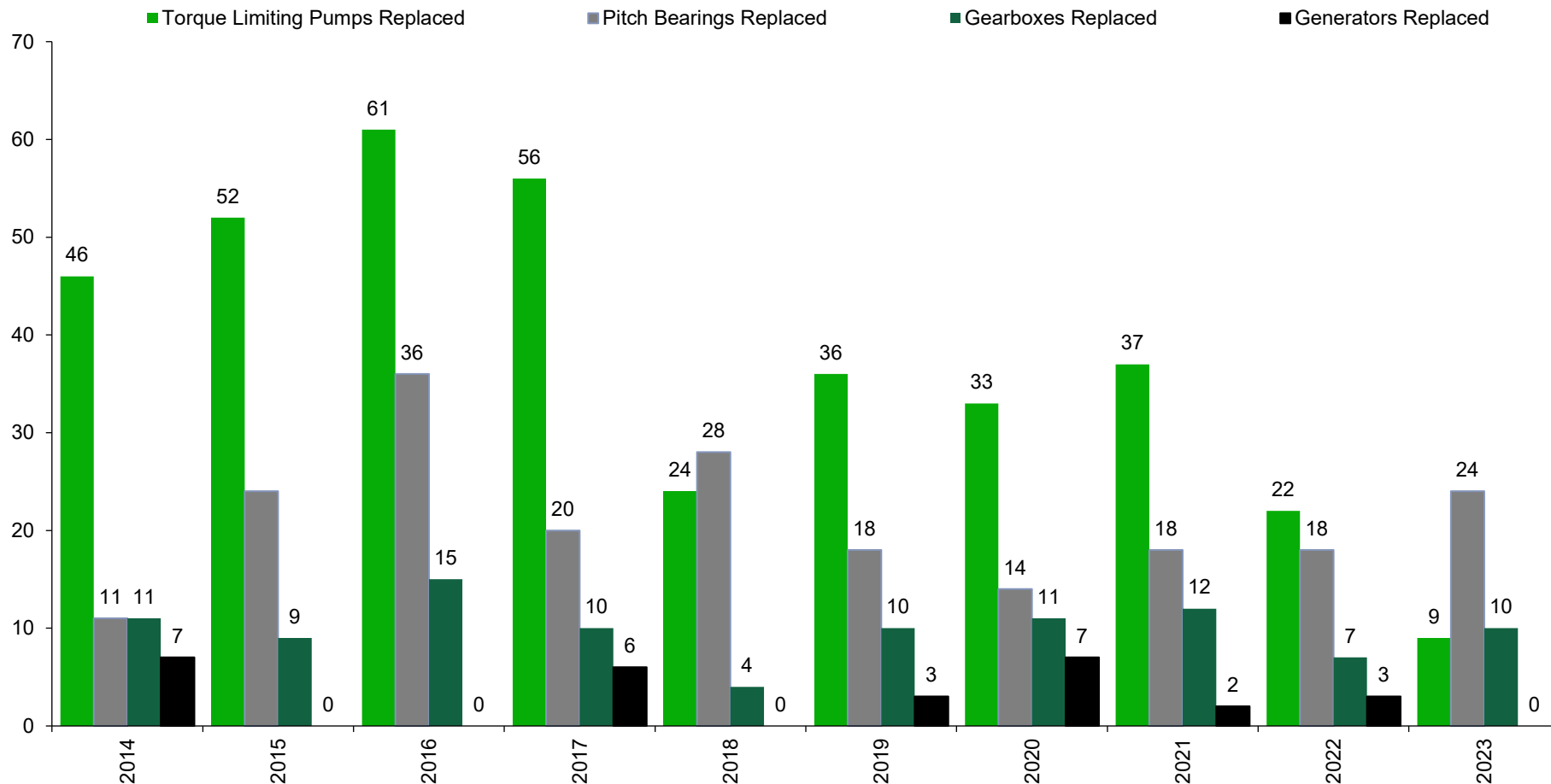
Health and Safety Metrics



- **Zero Lost Time Injuries (LTI)** (pcp: 1 x LTI)
- Daily tool box meetings are undertaken, along with monthly staff health and safety meetings.
- An annual independent audit is undertaken of the Company's health and safety procedures in conjunction with **Telarc certification**.
- The Board has governance oversight of the Company's health and safety procedures.

- The Company's annual impairment test compares the net present value (NPV) of future cashflows of the Company (adjusted to remove non-cash generating assets) against the combined carrying book value of property, plant and equipment and right of use of assets.
- The NPV calculation is sensitive to certain assumptions including **the calculation period, the forward electricity price path and weighted average cost of capital (WACC)**. PwC continue to be engaged by the Company to provide the forward electricity price path and updated WACC estimates.
- **Rolling forward the value in use calculation by a year** (FY24 to FY36) (2022: FY23 to FY41) results in the loss of a year of cashflow for the remaining economic life of the generating assets. For FY23, this was the largest contributor to the calculated impairment loss.
- PwC have estimated **WACC** (post-tax) to have increased to 7.66% from 6.74% (2022) mainly due to the increase in interest rates. The NPV calculation applies the equivalent pre-tax WACC as the discount rate input to apply to future pre-tax cashflows.
- PwC have **lowered their medium to long term forecast electricity price path** based on their view of prices required for new generation. PwC's view of medium to long term electricity prices has resulted in an adverse change to the remaining useful life assumption of the current turbine fleet. **The optimal economic life has been assessed as FY36 (2022: FY41)**. FY36 is therefore the revised final year during which the turbine fleet is assumed to generate electricity and decommissioning is then assumed to occur after 2036 financial year end.
- These assumptions resulted in a reduction in the NPV of forecast cash flows and an increase in the carrying book value of assets assessed in the impairment test which when compared **resulted in an impairment of \$7.8m for FY23 (2022: reversal of impairment +\$2.8m)**.

Key Components Replaced



- Key component replacement is reaching steady state.

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Some non-GAAP financial measures could be used in this document and these are usually defined as footnotes. Financial information should be read in conjunction with the latest audited financial statements for the Company available at www.nzwindfarms.co.nz



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www.nzwindfarms.co.nz

Contact:
Warren Koia
Chief Executive
E: info@nzwindfarms.co.nz
P: +64 (6) 280 2773