STOCK EXCHANGE LISTINGS: NZX (MCY) / ASX (MCY)

NEWS RELEASE

Mercury results reflect transformative year

FY22 Financial Results Summary

	FY2022	FY2021	Change %
EBITDAF ($M)	581	463	+25
NET PROFIT AFTER TAX ($M)	469*	141	+233
UNDERLYING EARNINGS AFTER TAX ($M)	146	145	+1
STAY-IN-BUSINESS CAPITAL EXPENDITURE ($M)	68	56	+21
ELECTRICITY GENERATION (GWh)	7,499	6,205	+21
FINAL FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE) - TO BE PAID ON 30 SEPTEMBER 2022	12.0	10.2	+17.6
TOTAL ORDINARY DIVIDEND (CENTS PER SHARE), FULLY IMPUTED	20.0	17.0	+17.6

* primarily due to the $367 million net gain on sale of Tilt Renewables shareholding and immediately reinvested into the associated acquisition of Tilt's New Zealand operations and future development options.

16 August 2022 – A year of transformative change has supported Mercury's financial performance for the year to 30 June 2022.

Mercury celebrated becoming New Zealand's biggest electricity retailer by customer market share and a truly multi-product utility provider during the year, following the $467 million acquisition of Trustpower's retail business.

The results also reflect a more diversified generation portfolio, with wind generation now complementing Mercury's hydro and geothermal generation, following the acquisition of Tilt's New Zealand wind operations in August and the commissioning of the northern section of the Turitea wind farm in December.

"This has been a year like no other. In less than twelve months, we have become New Zealand's largest wind generator after having no operating wind generation at the start of the year. We've also become New Zealand's largest electricity retailer and welcomed 570 new colleagues to the company," said Mercury Chief Executive, Vince Hawksworth.

"We are embarking on a major period of growth and are well-positioned to thrive in a rapidly changing world that is increasingly recognising the urgency with which we must decarbonise."

Mercury Chair Prue Flacks said that the steps the company had taken to build further diversity and resilience meant the outlook for Mercury remained bright.

"Decarbonisation will underpin significant growth for Mercury over the coming decade. With a scale retail business now contributing substantial forward revenue and a strong portfolio of existing and prospective generation assets, we expect to meaningfully contribute to emissions reduction," said Ms Flacks.

CHALLENGING CONDITIONS CAREFULLY NAVIGATED DURING THE YEAR

Mostly dry weather until June weighed on performance as Mercury focussed on prudent dispatch and lake management coming into winter. Elevated electricity spot pricing persisted during FY2022 but wet conditions across New Zealand from June have seen spot price levels ease as hydro generation displaces expensive thermal.

“Forward electricity prices remain high over the medium-term reflecting the transition away from fossil fuels with high gas and coal prices as well as rising carbon prices,” said Mr Hawksworth.

“High electricity spot prices mean we are focused on completing the southern section of the Turitea wind farm by mid-2023 and developing new wind and geothermal generation.”

Mercury reported $581 million EBITDAF, $118 million up on the prior year’s $463 million EBITDAF reflecting the addition of wind generation and performance improvements in the core business.

Operational expenditure was $230 million, up $40 million on the prior year, primarily due to an increase in operational activity resulting from acquisitions. Total stay-in-business capital expenditure was $68 million, up $12 million on the prior year. After normalising for acquisitions and new activity operational expenditure was broadly flat for its ninth year in a row.

Mercury’s net profit after tax was $469 million, up $328 million on the previous year, driven by the $367 million net gain on sale of Tilt Renewables shareholding which was immediately reinvested into the associated acquisition of Tilt’s New Zealand operations and future development options.

OTHER KEY OPERATIONAL RESULTS

- Customer care remained a key focus, with several initiatives launched during the year including establishing a new ‘Here to Help’ team specialising in supporting customers in hardship, and a co-designed pilot aiming to connect consumers with adverse credit to either Mercury or GLOBUG.
- The nearly $500 million commitment to the ongoing refurbishment of Mercury’s Waikato hydro stations continued, with the first turbine and generator replacement at Karāpiro station now underway.
- A five-year geothermal drilling contract with Iceland Drilling was signed, with the first phase of the extensive eight well programme underway.
- The ‘Thrive’ mindset of continuous improvement delivered an $47 million EBITDAF uplift compared to the $30 million target set last year.

DIVIDEND

The Board has declared a fully imputed final dividend of 12.0 cents per share (cps). This brings the full-year ordinary dividend to 20.0 cps, up 17.6% from 17.0 cps last year. This is the fourteenth consecutive year of ordinary dividend growth.

Shareholders can further support our growth by participating in Mercury’s Dividend Reinvestment Plan.

LOOKING FORWARD

“Decarbonisation will shape much of our future activity, and we do not under-estimate the challenge ahead of us. It will require collaboration between our industry, Government and officials to ensure that market and policy settings continue to evolve in a way that enables renewable energy development at the scale required,” said Ms Flacks.

“We are also mindful of the vital role we play in the wellbeing of New Zealanders and are thinking hard about how we support consumers as we make our way through the transition.

“While we continue to evolve our approach to meet these challenges, we can also take heart in the outstanding renewable generation pipeline New Zealand has. Our country’s total electricity supply is expected to be over 90% renewable in the next 3-5 years. This is a unique position enjoyed by only a handful of countries.

“The Government’s Emissions Reduction Plan sends a clear signal as to the collective effort that is needed towards the goal of decarbonising the economy, and we’re ready to play our part,” said Ms Flacks.

GUIDANCE

Mercury is on track to exceed its three-year objective to increase the value of our business to $700 million EBITDAF on a normalised basis and we have increased this target to $800 million EBITDAF.

Noting the strong platforms for growth established over the year and looking forward to the continued growth in value as these opportunities are realised, Mercury's FY23 EBITDAF guidance has been set at $580 million ($756 million on a normalised basis).

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

FY23 stay-in-business capex guidance is $160 million, and FY23 ordinary dividend guidance is 21.80 cps representing a 9.0% increase on FY22 and the 15th consecutive year of ordinary dividend increases.

ENDS

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ABOUT MERCURY NZ LIMITED

We generate electricity from 100% renewable sources – hydro, geothermal and wind. We also sell utility services to our customers through our retail brands – Mercury, Trustpower and GLOBUG.

We're listed on the New Zealand Stock Exchange and the Australian Stock Exchange with foreign exempt listed status with the ticker symbol 'MCY'. The New Zealand Government holds a legislated 51% shareholding in the Company.

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