

ANNOUNCEMENT

20 May 2024

FY24: Solid result driven by strong asset management, and focus on strategy and value creation

Key metrics

	FY24: 12 mths to 31 March 2024	FY23: 12 mths to 31 March 2023	Change
Net profit after tax	\$24m	\$444m	-95%
EBITDAF ¹ from continuing operations	\$145m	\$137m	+6%
Underlying earnings ²	\$66m	\$66m ³	n/c
Underlying earnings per share	20.7 cents	20.4 cents	+1%
Operating cash flow ⁴	\$120m	\$64m	+88%
Total ordinary dividend per share (fully imputed)	19 cents	16 cents	+19%
Generation volume	1,901GWh	1,917GWh	-1%
Employees	224	238	-6%

Highlights

- Net profit after tax of \$24m, down from \$444m last year: FY23 included the one-off gain on the sale of the mass market retail business, and a non-cash \$63m favourable movement in the fair value of financial instruments. FY24 includes a non-cash \$46m unfavourable movement in fair value of financial instruments;
- EBITDAF from continuing operations of \$145m (up 6%) driven by solid energy margins and operational efficiencies from transition to an independent power producer model;
- Underlying earnings of \$66m flat as higher EBITDAF was offset by the impact of discontinued operations, higher interest costs, and prior year tax adjustments;
- Generation production volume of 1,901GWh (down 1%);

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 FY24 Integrated Report.

² 'Underlying earnings' is a non-GAAP financial measure. For more detail please refer to Manawa Energy's FY24 Integrated Report.

³ FY23 underlying earnings has been adjusted down from \$70m to \$66m to ensure consistency with the treatment of deferred tax in the FY24 calculation. For more detail please refer to Manawa Energy's FY24 Integrated Report.

⁴ Current year operating cash flow is significantly higher 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.

- *Significant investment in strategic asset refurbishment and enhancement programme continues on track, expected to realise an increase in annual production above current long-term baseline from FY27;*
- *High quality development pipeline of more than 1,200MW of secured solar and wind development options;*
- *Green bonds now comprise more than 80% of the company's debt; and*
- *Fully imputed final dividend of 11 cents per share (to be paid on 14 June 2024), lifting the full year ordinary dividend to 19 cents per share.*

Independent power producer and renewable electricity developer Manawa Energy ('Manawa') reported a solid full year financial result for the 12 months to 31 March 2024, with EBITDAF from continuing operations up 6 per cent on the previous year, and underlying earnings in line with FY23.

Chief Executive Clayton Delmarter said the result was particularly pleasing given Manawa had lost the benefit of more than \$17m in avoided cost of transmission revenue, but this had been countered by increased energy margins, improved asset performance and strong discipline in the drive for operational efficiency.

"We have reset the business as an independent power producer ('IPP') focused on delivering for shareholders through strong asset management, a clear focus on value creation, and progressing a competitive new development pipeline. With our refreshed management team, refreshed Board, and refreshed strategy we are in an excellent position to realise our potential."

Profit after tax was down significantly year-on-year primarily because of the one-off gain from the sale of the mass market retail business in FY23, as well as a non-cash, net fair value loss on financial instruments of \$46m (in FY23 there was a non-cash, net fair value gain of \$63m).

Board Chair Deion Campbell said the Board had approved a final dividend of 11 cents per share, and this will be fully imputed for qualifying shareholders and paid on 14 June 2024. "This means the FY24 full year ordinary dividend paid to investors will be 19 cents per share, up from 16 cents in FY23. This increase is underpinned by a reduction in our planned capital expenditure as outlined at our interim results announcement in November 2023, FY24 gains relating to the sale of surplus carbon units and the divestment of surplus land, and a strong conviction in our ability to execute on our strategy."

He said that as Manawa transitioned to an IPP capital structure, the company's current dividend policy would be reviewed by the Board.

Manawa reported total electricity generation of 1,901 gigawatt hours, largely in line with the 1,917 gigawatt hours generated in FY23. "This was a strong result given we had a larger outage programme in FY24 than last year," Mr Delmarter said. "We were very pleased to see all of our plant reliability performance metrics improve, supporting both generation production volumes and helping us meet strong demand for irrigation in the South Island."

In October 2023, Manawa's three existing NZX-listed bonds were approved as Green Bonds by the NZX, and the company established a new Sustainable Finance Framework. This ensures access to ESG-linked capital and is part of Manawa's ongoing ESG efforts.

Progressing the strategy

Mr Delmarter said that as an independent power producer, Manawa's strategy aligned with Aotearoa New Zealand's need for an efficient, competitive landscape to deliver an affordable, secure and sustainable energy system. "The three core pillars of our strategy encompass our approach to our existing asset base, our revenue contracting strategy and our development pipeline."

Maximising the long-term value of existing assets is at the core of the business. "We refreshed our 10-year asset management plan and we're targeting our efforts where they will yield the greatest benefits. Our asset refurbishment and enhancement programme, combined with investments in dam safety improvements, will see us invest more than \$250m in the 10-year period from FY23 to FY32."

Major asset refurbishments completed or advanced throughout the year included projects at Waipori, Arnold, Matahina, Highbank, and Coleridge. These assets contribute more than 40% of Manawa Energy's annual hydro production volume.

Mr Delmarter said Manawa currently has a significant amount of volume contracted to Mercury Energy under hedging arrangements implemented at the time of the sale of the mass market retail business, and this volume would begin to reduce from October 2024. "This additional volume, along with repricing of the hedge from October 2026, provides further opportunities to create value for shareholders."

"We have reflected carefully on our revenue contracting strategy and significant work has been completed to understand potential channels to market and how these might underpin future growth. We're in discussions with a number of parties who have a strong interest in long-tenor, large volume offtake agreements from our existing and future portfolio."

He said it was pleasing to see Manawa positioning for growth by progressing a high-quality development pipeline of more than 1,200 megawatts of secured solar and wind development options.

"The projects in our pipeline are expected to present exciting, value-accretive growth opportunities to complement our existing asset base. Excellent progress has been made this year, including securing resource consent for our Argyle Solar Farm project and consent also lodged for an expansion, and seeing two large-scale wind farm developments in south Otago and the central North Island move towards resource consent application lodgement in FY25."

Outlook

Looking ahead, Mr Delmarter said Manawa's FY25 EBITDAF was expected to be in the range of \$130m-\$150m, with capital expenditure expected to be in the range of \$40m-\$50m.

Hydro-generation volumes were expected to be around 1,880 gigawatt hours, down on FY24 and below normal expected volumes, reflecting planned outages associated with the major asset refurbishment programme. "At the completion of this programme of work we will have significantly improved the condition, resilience and in many cases the efficiency of our highest strategic value assets for the coming decades. By FY27, we expect our annual average generation from the fleet to exceed our current long-run expected annual production of 1,942 gigawatt hours."

He said Manawa expected to spend approximately \$6.5m on operational expenditure and \$4.0m of capital expenditure on the progression and growth of the new development pipeline in FY25.

“Our future is bright, and our mission is clear. We are in a strong position to realise the potential of our diverse fleet of hydro assets, the specialist skills and deep local knowledge of our teams throughout the country, our proven track record of effective management of our assets, and our long history of successful renewable energy development.”

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About Manawa Energy Limited

Manawa Energy is Aotearoa New Zealand’s largest independent power producer and renewables developer. We have 26 power schemes throughout New Zealand and a total installed capacity of 510 megawatts, generating an average of 1942 gigawatt hours of electricity per year. We supply electricity to around 650 commercial and industrial customers.

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.