Meridian.

Release

Stock Exchange Listings NZX (MEL) ASX (MEZ)

Winter '24 hedging costs impact interim financial result

26 February 2025

Meridian Energy has reported a net loss after tax of $121 million for the six months ending 31 December 2024, compared to a net profit after tax of $191 million in last year's interim result. Operating cash flows were $50 million, down from $303 million in the same period last year. These results were heavily impacted by the cost of hedge contracts for winter 2024 in the face of 1 in 90-year record low inflows and an unexpected and unprecedented shortage of domestic gas. The hedge contracts included calling the largest demand response option with New Zealand's Aluminum Smelter (NZAS).

EBITDAF[1] fell from $443 million to $257 million and underlying net profit[2] fell from $175 million to a $5 million loss. Both of these are non-GAAP measures.

"The combination of particularly low hydro inflows, low wind and gas shortages made the operating environment for the first half of this financial year as tough as I can recall experiencing," says Meridian Chief Executive Neal Barclay.

"We took a hit for New Zealand. Meridian put this country's security of supply first and as New Zealand's largest renewable electricity generator, our balance sheet tends to underwrite the mitigation of extended droughts, and that's one of the ways the country benefits from having large and financially strong gentailers. While the situation was particularly challenging, we know we rely on Mother Nature for our fuel and accept the financial impact droughts bring. We prepare the business to deal with these kinds of eventualities, including maintaining a strong and flexible balance sheet."

"There is plenty of time before the coming winter, but we are highly focused on managing risks to winter 2025 security. We have reached a new agreement with NZAS for them to reduce demand by 50MW and are looking for simple rule changes to access this country's existing contingent hydro storage. The bigger issue, though, is the structural and significant shortage of domestic gas. New Zealand needs to take urgent action to address this. Gas is the biggest factor in setting spot and future electricity prices," says Neal Barclay.

---

[1]Earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges and asset related adjustments. EBITDAF is a non-GAAP financial measure but is commonly used within the electricity industry as a measure of performance as it shows the level of earnings before impact of gearing levels and non-cash charges such as depreciation and amortisation. Market analysts use the measure as an input into company valuation and valuation metrics used to assess relative value and performance of companies across the sector.

[2]Net profit after tax adjusted for the effects of changes in fair value of unrealised hedges, electricity option premiums and other non-cash items and their tax effects. Underlying net profit after tax is a non-GAAP financial measure. Because they are not defined by GAAP or IFRS, Meridian's calculation of such measures may differ from similarly titled measures presented by other companies and they should not be considered in isolation from, or construed as an alternative to, other financial measures determined in accordance with GAAP. Although Meridian believes they provide useful information in measuring the financial performance and condition of Meridian's business, readers are cautioned not to place undue reliance on these non-GAAP financial measures. A reconciliation of underlying net profit after tax is included on page 3.

With a challenging first half to the financial year, the Meridian Board has decided to maintain the interim dividend at the same level as the prior period, and declared an interim ordinary dividend of 6.15 cents per share. The dividend reinvestment plan will apply to this interim dividend at a 2% discount.

Mr Barclay says that Meridian has continued to build strong momentum to set the business up for future growth. This year, the company expects to commit over $1 billion of capital to new development projects.

“The relatively fast decline in gas resources has put even greater emphasis on the need to deploy new renewable developments as quickly as possible and also get more out of our existing fleet of hydro and wind generation. In that regard, we’ve had a few wins recently. We’ve reinstated capacity in the generation fleet after resolving transformer issues at Manapōuri and West Wind, and we’ve begun commissioning our Ruakākā grid scale battery. We’ve also made great progress in advancing a development pipeline that that will deliver additional megawatts for many years to come,” says Neal Barclay.

Meridian recently announced:

- A finalised consent for its 120MW Ruakākā solar development (February)
- Consent for its 90MW Mt Munro Wind Farm near Eketāhuna (February)
- A Scheme Implementation Agreement as part of its bid to acquire the remaining shares in NZ Windfarms (February)
- A Power Purchase Agreement with Harmony Energy / First Renewables in respect of their joint venture to build the 150MW Tauhei Solar Farm in the Waikato. (January)
- A 50-50 joint venture with Nova Energy Limited to build the 400MW Te Rahui solar farm at Rangitāiki near Taupō.(December).

The first half of FY25 has also seen tremendous progress in Meridian’s Retail business. Having completed a strategic reset and restructure to enable the business to meet changing technology and consumer needs, the company has launched three new products (Smart Hot Water, Smart EV Charging and the Four Hours Free Plan), with more to come over the remainder of the financial year.

“Customers are responding to these changes, with record numbers signing up. As of 1 January, we had achieved our highest ever market share of electricity connections, with 16.58% across the Meridian and Powershop brands. Our brands also led the industry rankings for new connections in December, with Powershop first and Meridian second, and more than 4,000 connections that month across both brands,” says Neal Barclay.

“The business has weathered an extraordinarily difficult set of circumstances and leveraged our financial strength to ensure the lights stayed on for New Zealand. At the same time, we’ve not backed away from our strategic goals one bit and our customer market share has continued to grow as has our renewable development pipeline.”

Income statement		
Six months ended 31 December	**2024**	**2023**
$M		
Energy margin	444	629
Other revenue	26	16
Hosting expense	(2)	(2)
Energy transmission expense	(37)	(36)
Electricity metering expenses	(26)	(25)
Employee and other operating expenses	(148)	(139)
EBITDAF	**257**	**443**
Depreciation and amortisation	(225)	(164)
Asset related adjustments	(8)	11
Net change in fair value of energy hedges	(143)	11
Net finance costs	(38)	(25)
Net change in fair value of treasury instruments	(11)	(13)
Net profit before tax	**(168)**	**263**
Income tax expense	47	(72)
Net profit after tax	**(121)**	**191**

Underlying net profit after tax		
Six months ended 31 December	**2024**	**2023**
$M		
Net profit after tax	(121)	191
Underlying adjustments		
Hedging instruments		
Net change in fair value of energy hedges	143	(11)
Net change in fair value of treasury instruments	11	13
Premiums paid on electricity options net of interest	(4)	(10)
Assets		
Asset related adjustments	8	(11)
Total adjustments before tax	158	(19)
Taxation		
Tax effect of above adjustments	(42)	3
Underlying net profit after tax	**(5)**	**175**

ENDS

Neal Barclay
Chief Executive
Meridian Energy Limited

For investor relations queries, please contact:
Owen Hackston
Investor Relations Manager
021 246 4772

For media queries, please contact:
Lachlan Forsyth
Media & Content Manager
021 243 5342