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NEWS RELEASE

Mercury results unlock up to \$1 billion of investment

FY24 Financial Results Summary

	FY2024	FY2023	Change %
NET PROFIT AFTER TAX (\$M)	290	112	159
EBITDAF (\$M)	877	841	4
STAY-IN-BUSINESS CAPITAL EXPENDITURE (\$M)	142	119	19
ELECTRICITY GENERATION (GWh)	8,780	9,038	-3
FINAL FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE)	14.0	13.1	7
TOTAL ORDINARY DIVIDEND (CENTS PER SHARE), FULLY IMPUTED	23.3	21.8	7

20 August 2024 – Mercury’s focus on growth and execution has continued, with the company progressing major renewable projects in FY24.

Mercury Chief Executive Vince Hawksworth said, “We’ve continued to deliver more renewable generation for New Zealand this year. This includes \$700 million committed to the expansions of Kaiwera Downs wind farm and Ngā Tamariki geothermal station and more planned. These will help support Aotearoa’s shift to an electrified future.”

The impact of significant investment to increase scale, together with strong generation performance, helped secure Mercury’s results over the period.

A rapidly changing landscape

Mercury Chair Scott St John said, “The energy transition will deliver long term gains for the nation; however, it requires careful navigation – particularly to maintain reliable power while rapidly and affordably scaling up renewables. This is front of mind for our strategic considerations.”

Mr St John said the company expected electricity price pressure to continue for some time, reflecting the ongoing need for higher cost thermal generation in the system.

“As we continue to invest in renewables, generating capacity must remain flexible enough to quickly adjust to changing environmental conditions, such as low rainfall or cloudy, still days.

“Gas has a critical role as a transition fuel. Gas supply challenges need to be addressed head on with recent projections highlighting this may continue to impact energy markets through to early 2026¹.”

To help facilitate the transition Mercury has supported the ongoing operation of the Huntly Power Station with purchases through the Market Security and Huntly Firming Options.

Mr St John said lower than usual hydro inflow at 5th percentile nationally from 1 February 2024 to 18 August 2024 had compounded current challenges, contributing to high spot and wholesale prices.

“While a few are exposed to these current high spot prices, 98% of our sales volume across residential, small and large business customers are protected from these elevated prices due to fixed-rate agreements.”

FY25 guidance

Mercury’s FY25 EBITDAF guidance has been set at \$820 million. Guidance may change and remains subject to any material events, significant one-off expenses or other unforeseen circumstances including changes to hydrological conditions.

¹ Gas Industry Company, June 2024 Quarterly Report



FY25 stay-in-business CAPEX guidance is \$160 million. FY25 ordinary dividend guidance is 24.0 cps, representing a 3% increase on FY24 and the 17th consecutive year of ordinary dividend increase.

FY24 financial overview

Mercury's net profit after tax lifted to \$290 million, largely due to changes in the fair value of unhedged financial instruments. Mercury reported \$877 million EBITDAF, up 4% on the prior year, due to increased wind and geothermal generation and higher customer prices, offset by reduced hydro generation and higher operating costs.

Taupō storage was impacted by 30th percentile inflows during the financial year, and hydro generation was 4,096GWh, down 21% on the prior year's record generation. Wind generation of 2,062GWh was up 40% on the prior year with the addition of new generation from Turitea South wind farm and stage 1 of the Kaiwera Downs wind farm. Geothermal generation was 2,622GWh, up 11% on the prior year due to improved resilience.

Operating costs were \$385 million, up 11% on the prior year, primarily due to an increase in the number of full-time employees and new generation maintenance costs relating to the operation of Kaiwera Downs wind farm. Stay-in-business capital expenditure (CAPEX) was \$142 million, up 19% on the prior year, with the geothermal drilling campaign ramped up during the year and continuing into FY25.

Delivering more generation for New Zealand

Mr Hawksworth said a key focus of the year was executing against Mercury's commitment to invest up to \$1 billion over the financial year in new generation projects. Two of the three projects signalled were progressed during the year. Higher procurement and construction costs lifted the cost of these projects, bringing Mercury's combined total FY24 commitment to these two renewables projects to over \$700 million.

"This included the \$220 million expansion of Ngā Tamariki geothermal station, which adds another net 46MW through the addition of a fifth generating unit," said Mr Hawksworth.

"We also began construction of the \$486 million, 155MW second stage of Kaiwera Downs wind farm after signing a long-term supply agreement with New Zealand Aluminium Smelters. This agreement gave us further confidence to execute on our high-quality generation development pipeline."

The third signalled project, Kaiwaikawe wind farm, was delayed due to procurement and construction logistics but is now nearing final investment decision. In addition, Mercury celebrated the opening of stage one of Kaiwera Downs in November 2023, completed under budget and on schedule.

Innovating for customers

Mr Hawksworth said another focus of the year was innovation, including giving all Mercury customers access to a broader range of products and services including a range of telecommunications solutions.

The integration of Mercury and Trustpower was completed on time and on budget in December 2023, following Mercury's acquisition of the Trustpower retail business in May 2022. The company anticipates exceeding the integration synergies previously forecast, however inflationary pressures remain. Most synergies are expected to be realised in FY25.

"We believe this is one of the largest and most complex technology integration projects for the sector, and its success is a testament to the commitment and capability of our people. We are now seeing the benefits of this, particularly the considerable capability for product bundling."

Mercury continued to provide wraparound support for customers experiencing hardship and focus on developing solutions that address the broader challenges related to affordability.

"We're proud of the meaningful impact our early intervention efforts and close community partnerships are having. Year-on-year, our post-pay disconnections were down 76% (to 299 total, or 0.03%) as a result of the intervention and support of our team and partners," said Mr Hawksworth.

"Among other initiatives, we continue to provide significant commercial support to social retailers, Nau Mai Rā and Toast Electric, to further help whanāu in need."

Chief Executive appointment

The Board has announced Mr Hawksworth's decision to retire from 31 August 2024, with Mercury's Executive GM Generation, Stew Hamilton, appointed to the role of Chief Executive to succeed Mr Hawksworth.

Mr St John said, "We are delighted to appoint Stew to the role, which is the result of focussed succession planning overseen by the Board. Stew has proven success leading large, complex businesses in New Zealand and internationally, including as Chief Executive at New Zealand Aluminium Smelters Ltd."

"I also extend my thanks to Vince for his significant contribution to not only the long-term success of Mercury, but also the sector more broadly."



Other key operational activities

- Trialled EV smart charging, hot water load control and time of use solutions to help customers shift their energy use.
- Published Mercury's first mandatory Climate Statement, which complies with Aotearoa New Zealand Climate Standards.
- Made significant progress towards becoming a more progressive, future-fit organisation, and set several milestones to reach safety citizenship, the gold standard of safety culture by December 2026.

Dividend

The Board has declared a fully imputed final dividend of 14.0 cents per share (cps) to be paid on 30 September 2024. This brings the full-year ordinary dividend to 23.3 cps, up 7% on prior year (21.8 cps FY23). This is the 16th consecutive year of ordinary dividend growth.

ENDS

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ABOUT MERCURY NZ LIMITED

Mercury generates electricity from 100% renewable sources: hydro, geothermal and wind. We are also a retailer of electricity, gas, broadband and mobile services. We're listed on the New Zealand Stock Exchange and the Australian Stock Exchange with the ticker symbol 'MCY', with foreign exempt listed status. The New Zealand Government holds a legislated minimum 51% shareholding in the Company.

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