

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

NEWS RELEASE

Mercury's earnings up, generation down

FY2021 Interim Results Financial Summary

	HY21	HY20	Change %
EBITDAF ¹ (\$M)	294	258	+14%
NET PROFIT AFTER TAX (\$M)	130	83	+57%
UNDERLYING EARNINGS AFTER TAX (\$M)	115	90	+28%
STAY-IN-BUSINESS CAPITAL EXPENDITURE (\$M)	27	53	-49%
ELECTRICITY GENERATION (GWh)	3,320	3,428	-3%
INTERIM FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE) - TO BE PAID ON 1 APRIL	6.8	6.4	+6%

23 February 2021 – Mercury results for the half year ended 31 December 2020 showed lifts across all key financial measures due to careful management of generation and retail portfolios, astute contract trading and ongoing cost control. This was achieved despite lower hydro generation.

Chief Executive Vince Hawksworth said Mercury had demonstrated resilience faced with ongoing COVID-19 uncertainty, sustained elevated wholesale and futures price for electricity and a highly competitive environment.

With such conditions forecast to continue, Mercury is pressing forward with changes to deliver ongoing success.

Mercury recently announced an executive restructure, which was implemented on 2 February. "We are undertaking process and operational changes aimed at enhancing efficiency and effectiveness and are reviewing both our long-term asset management plans and our customer strategy to ensure they are fit and flexible enough for such a dynamic environment," Mr Hawksworth said.

"Guiding our evolution is our desire to balance the internationally recognised energy trilemma of ensuring that we achieve our sustainability goals, keep the lights on for New Zealanders and do this all at the least-cost for consumers."

FINANCIAL SUMMARY

Mercury's earnings (EBITDAF¹) were \$294 million, up \$36 million on the prior comparable period. Higher energy margin associated with generation and customer portfolio decisions, additional trading profits and cost control, but partially offset by 108 GWh lower overall generation, explain most of the earnings uplift.

Net profit after tax (NPAT) was up \$47 million to \$130 million due mostly to higher EBITDAF and Mercury's gain on sale recognised from the sale of our interest in Hudson Ranch 1 and its geothermal power station in California receiving net proceeds of approximately \$40m.

Operational expenditure of \$87 million was down \$7 million on the prior comparable period.



Total capital expenditure for the period was \$148 million (up \$54 million), comprising \$27 million stay-in-business (“SIB”) expenditure and \$121 million relating to growth with \$115 million related to the Turitea wind farm construction and \$5 million for our Rotokawa geothermal plant upgrade which will increase output across the Rotokawa field by 5MW from FY22.

TURITEA WIND FARM

Construction of the Turitea wind farm continues. The transmission infrastructure to serve the wind farm (and scaled for future development at Puketoi when the time is right) is now largely complete. Wind turbines and the substation are being constructed in the northern section and environmental controls are being put in place for earthworks and construction in the south.

Continued contractor delivery delays across design and construction have led to completion of the northern turbines now being further delayed until October this year (subject to the timing of successful delivery of blades to site). Construction of the southern turbines portion of the wind farm is also significantly delayed, due in part to knock-on impacts of the northern build programme. According to Vestas’ most recent schedule completion of the southern turbines is now forecast to be in July 2023. Concerted effort is being applied to bring that date forward.

OPERATIONAL SUMMARY

Overall customer numbers were down 3% to 336,000, over the period. This was expected given our focus on value and lower acquisition of customers in a high wholesale price environment which is forecast to continue. Reduced mass market volume has been replaced with higher yielding wholesale sales.

Work at our Rotokawa geothermal station to boost output by optimising its geothermal fuel mix has progressed well. This project remains on track to deliver an expected 4-5MW uplift in generation capacity.

Simplification measures:

- moved the approximately 5,000 customers served under our Bosco brand to Mercury. The consolidation enhanced our ability to offer the benefits of the Mercury brand to Bosco customers
- sale of Mercury Solar (completed in February).

INTERIM DIVIDEND

Mercury Chair Prue Flacks announced the Board has declared a fully imputed interim dividend of 6.8 cents per share payable to our more than 75,000 owners including the Crown. This represents an increase of 6% on the HY20 dividend and equates to 40% of the guided full year normal dividend of 17.0 cents per share.

The dividend will be paid on 1 April 2021.

OUTLOOK

Mercury has reinvigorated its focus on continuous improvement with an in-house review of opportunities to work smarter, faster and to set us up to thrive in the future. Embedding and delivering on a culture of improvement is seeking to deliver a \$30m EBITDAF benefit in FY22.

The ability to plan for an orderly exit of the Tiwai aluminium smelter has been a positive development. Mercury remains relatively well positioned for this eventuality with its sources of renewable electricity generation located close to key areas of demand.

The Climate Change Commission’s draft report in February presents a number of opportunities, with renewable electricity seen as key driver to decarbonising the New Zealand economy.

“Mercury is looking forward to supporting swift action from the Government to respond to the findings. We will continue to advocate for careful policy settings that are supportive of an electricity sector that can continue to balance the energy trilemma for New Zealanders,” Mr Hawksworth said.



“It is pleasing to see strong support for transport electrification, with the Government already committed to an emissions standard and considering other incentives to support a faster transition.”

GUIDANCE

Mercury’s FY21 EBITDAF guidance has been revised from \$535 million to \$520 million. This reflects an expected 100GWh decrease in full year hydro generation to 3,800 GWh due to dry weather in the Taupō catchment since mid-January and ASX electricity futures indicating wholesale prices will remain elevated for the remainder of the financial year.

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

FY21 stay-in-business capital expenditure guidance has also been revised from \$80 million to \$70 million with the deferral of non-urgent investment.

FY21 ordinary dividend guidance remains at 17.0 cents per share representing a 7.6% increase on FY20 and the 13th consecutive year of ordinary dividend increases.

Howard Thomas
General Counsel and Company Secretary
Mercury NZ Limited

For investor relations queries, please contact:

Tim Thompson
Head of Investor Relations
0275 173 470

For media queries, please contact:

Craig Dowling
Head of Communications
0272 105 337

ABOUT MERCURY NZ LIMITED

Mercury’s mission is energy freedom. Our purpose is to inspire New Zealanders to enjoy energy in more wonderful ways and our goal is to be New Zealand’s leading energy brand. We focus on our customers, our people, our partners and our country; maintain a long-term view of sustainability; and promote wonderful choices. Mercury is energy made wonderful. Visit us at: www.mercury.co.nz

¹Earnings before net interest expense, tax expense, depreciation and amortisation, change in the fair value of financial instruments, gain on sale and impairments.

