



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

## NEWS RELEASE

### **Mercury delivers resilient financial performance, makes ambitious acquisitions**

#### FY21 Financial Results Summary

	FY2021	FY2020	Change %
EBITDAF (\$M)	463	490	-6
NET PROFIT AFTER TAX (\$M)	141	209	-33
UNDERLYING EARNINGS AFTER TAX (\$M)	145	166	-13
STAY-IN-BUSINESS CAPITAL EXPENDITURE (\$M)	56	110	-49
ELECTRICITY GENERATION (GWh)	6,205	6,331	-2
FINAL FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE) - TO BE PAID ON 30 SEPTEMBER 2021	10.2	9.4	+8.5
TOTAL ORDINARY DIVIDEND (CENTS PER SHARE), FULLY IMPUTED	17.0	15.8	+7.6

**17 August 2021 – The year ended 30 June 2021 saw Mercury deliver resilient financial performance, along with announcing two significant acquisitions to grow the company’s scale and capabilities.**

Mercury reported EBITDAF of \$463 million for the period, down 6% on FY20 EBITDAF of \$490 million.

The operational result was adversely impacted by a sustained period of low inflows into Lake Taupo (for the second consecutive year) and an unplanned outage at the Kawerau geothermal power station in June.

The financial impact of this loss of generation was more acute than previous years due to historically high spot prices as a consequence of low national fuel (hydro and gas) availability.

Capital expenditure (capex) of \$250 million comprised \$56 million of stay-in-business capex and \$194 million of growth investment. Operational expenditure remained broadly flat for the eighth consecutive year on a normalised basis.

Net profit after tax was \$141 million, down \$68 million on the previous year.

“Mercury has delivered a resilient financial performance in the face of some challenging market headwinds,” said Vince Hawksworth, Mercury Chief Executive.

“We have also made two ambitious acquisitions that will give Mercury additional scale and capability as we navigate a rapidly evolving landscape.

“The acquisition of Tilt Renewables’ New Zealand assets will increase Mercury’s total annual generation by over 1,100GWh. It has also secured several prospective development options.”

Construction of the Turitea wind farm also continues, with the transmission line, grid connection and northern wind farm substation fully commissioned. First generation has been achieved and Mercury anticipates the full completion of the 33-turbine northern section in the last quarter of 2021.



“These investments and our further pipeline of potential generation options are a clear demonstration of Mercury’s commitment to decarbonising the electricity supply, and investing for the future,” said Vince.

In addition to the extensive renewable generation pipeline, Mercury also reached agreement to acquire Trustpower’s retail business. This acquisition is subject to various approvals and completion of the acquisition is expected in the second half of FY22.

“We see Mercury’s and Trustpower’s retail businesses as highly complementary, and this agreement would see the best of both being brought together for our customers,” said Vince.

“Trustpower’s retail business is a leading multi-product utilities retailer selling electricity, gas, fixed and wireless broadband and mobile phone services to approximately 231,000 customers nationwide. The combined business would have approximately 780,000 connections across both energy and telco services.

“Bringing together the retail businesses of Mercury and Trustpower will also give us the scale to make meaningful investment in the underlying IT systems, driving greater innovation for our customers. Deeper integration of the two businesses is not planned until the underlying IT systems will enable improved customer experience.

“In combination, the Tilt and Trustpower acquisitions, along with our pipeline of renewable generation, will ensure Mercury has the scale and capabilities it needs to be able to thrive now and into the future,” he said.

## **OTHER KEY OPERATIONAL RESULTS**

- A second consecutive year of low rainfall saw a decrease in hydro generation to 3,611GWh, well below the long-term average of around 4,050GWh.
- Geothermal generation for the year also decreased from 2,615GWh during the previous financial year to 2,594GWh, due to the outage at Kawerau.
- Rationalisation of existing assets, which included:
  - The sale of Mercury’s interest in the US-based Hudson Ranch 1 geothermal power station joint venture, receiving net proceeds of NZ\$41 million;
  - Transfer of approximately 5,000 customers served under our Bosco brand to Mercury.
- Introduction of Thrive, a company-wide continuous improvement programme.
- Introduction of Whakapuāwai, a company-wide culture and capability programme.

## **DIVIDEND**

The Board has approved a fully imputed final dividend of 10.2 cents per share (cps), taking total ordinary dividends for FY21 to 17.0cps, an increase of 7.6% on FY20. The dividend will be paid on 30 September 2021. This is Mercury’s 13th consecutive year of ordinary dividend growth.

## **OUTLOOK**

“Across the industry in New Zealand, more than \$1.5 billion of investment is already committed by the industry to the construction of renewable infrastructure. This means the country is well placed to increase the proportion of generation that is renewable from around 80% today to over 90% within five years,” said Prue Flacks, Mercury Chair.

“However, the current market conditions illustrate the challenge of ensuring the right balance is struck between investment in decarbonisation, security of supply, and ensuring energy is affordable.”

“Mercury strongly supports the goal of net zero carbon emissions by 2050, and we are well placed to play our part in achieving that goal. A key aspect is that policy certainty is required to send the right investment signals. One wind farm a year is required to be built to achieve net zero carbon emissions by 2050. Delivering that outcome, while maintaining security and affordability should be foremost in the Government’s mind,” she said.

## **GUIDANCE**

Mercury’s FY22 EBITDAF guidance has been set at \$590 million with increased earnings from the Turitea wind farm, newly acquired Tilt Renewables’ New Zealand assets and our Thrive programme. Guidance at the time of this report assumes 3,900GWh of hydro production and is subject to any material events, significant one-off



expenses or other unforeseeable circumstances including hydrological conditions. FY22 stay-in-business capex guidance is \$70 million.

FY22 ordinary dividend guidance is 20.0cps, fully imputed, representing a 17.6% increase on FY21 and the 14th consecutive year of ordinary dividend increases.

## **ENDS**

### **Howard Thomas**

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## **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.

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