MEDIA RELEASE

For immediate release

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Trustpower demonstrates ongoing resilience and capability in COVID-19 pandemic and very dry conditions

Summary:

- **Profit after tax of $33.6 million, down 13%**
- **Operating earnings (EBITDAF*) of $110.4 million, up 3%**
- **Underlying earnings after tax* of $52.7 million, up $3.5 million or 7%**
- **Operating cash flow of $71 million, up 20%**
- **Fully imputed interim dividend of 17.0 cents per share**

Trustpower Limited (NZX: TPW) has delivered a sound half year result despite external challenges.

Proactive customer care and diversified digital customer service platforms in the retail business, together with a commitment to generation performance have contributed to increased returns with EBITDAF* up three per cent on the same period last year. This is especially pleasing considering the sub-optimal operating conditions presented by reduced generation volumes and ongoing COVID-19 Alert Level changes.

While generation EBITDAF* is down three per cent primarily due to continued dry conditions, in retail, our product and margin growth have contributed to a strong underlying result, with EBITDAF* of $19.2 million, 38% higher than the same period last year.

Trustpower Chair Paul Ridley-Smith credits consistent and robust incident response planning for the company’s performance. “Trustpower has been investing in increased levels of automation and the development of staff leadership capability for many years. I’m pleased to see our preparedness is resulting in increased business resilience and continued value for our shareholders.”

Trustpower’s total shareholder return over the six months was 16.3%. An interim dividend of 17 cents per share, fully imputed, has been declared and is payable on 4 December, 2020.

Generation

Generation volumes are down four per cent on the same period last year, as the impacts of significant and prolonged drought conditions, particularly in the North Island, are felt. Reduced avoided cost of transmission (ACOT) payments and lost ongoing revenue as a result of the sale of Trustpower’s meter asset business have also contributed to a generation EBITDAF* of $91.9 million, down from $94.6 million for the same period last year.

Trustpower Chief Executive David Prentice said favourable wholesale market prices and a diverse generation portfolio were working in the company’s favour.

"Trustpower has been well placed to withstand the impacts of drought conditions in the North Island thanks to its geographically dispersed generation schemes. In the South Island, lake levels at Cobb and Coleridge are returning to near normal level while Waipori remains at lower levels than expected at this time of year partly due to increased generation," says Dr Prentice.

Essential scheme maintenance projects pushed ahead despite changes in Alert Levels, demonstrating Trustpower's commitment to its responsibility as a lifeline utility provider. The Arnold G2 turbine refurbishment was completed with site staff becoming 'one bubble' to ensure the lights stayed on for residents on the West Coast.

Long-term, a focus on efficiency and enhancements will continue with average annual generation forecast to increase by 67GWh from FY-21 to FY-25 through targeted enhancements.

Retail Operations

Telco customer numbers continue to increase, with 50% of customers now taking two or more products. Higher margins reflect a shift to unlimited and high-speed fibre plans. Reduced acquisition activity over April's lockdown period has resulted in lower than forecasted costs.

A continued increase in digital service and engagement is driving optimised staffed effort and supporting growth without headcount. Seventy-eight per cent of customer service engagements now take place digitally, with virtual agent 'Toni' experiencing a 33% increase in use. Investment in digital customer support services is paying off, with re-engagement sitting at 80%.

Pleasingly, pay on time rates continue to track at circa 2019 levels. Dr Prentice puts this down to the company's thorough and targeted approach to customer support.

"Trustpower has always had a strong commitment to customer service. During the COVID-19 lockdown we stepped it up a notch and proactively called 11,000 of our most vulnerable customers. We reached out to customers facing hardship, offering personalised payment plans and assistance with accessing budgeting support or social agencies."

Governance and Leadership

Trustpower welcomes two new directors to its Board, as originally announced in May. David Gibson took up his role in September, and Peter Coman joins on 6 November, 2020, contemporaneous with Geoff Swier's retirement.

Mr Ridley-Smith says, "We are very lucky to have had Geoff on our Board for over 13 years and will miss his wisdom and insight. On behalf of all Directors, I'd like to thank him for his contribution. We also welcome David and Peter onto the Board and look forward to working with them as we continue to drive success at Trustpower."

Sara Broadhurst joined the leadership team on 22 October, 2020, as General Manager, People and Culture. "Sara is an experienced general manager, with nearly 20 years of delivering significant people and business focussed outcomes and around 10 years working in executive teams for commercial, publicly listed, government and not-for-profit organisations in Australasia and the UK," said Dr Prentice.

Guidance and Outlook

Trustpower's judicial review of the Transmission Pricing Methodology (TPM) guidelines is ongoing, as it seeks to ensure fundamental changes to transmission charges with economy-wide repercussions are well justified and demonstrate real benefits to customers.

Trustpower expects its FY-21 EBITDAF* to be in the range of $185 million to $205 million. This reflects a revised generation volume forecast for FY-21 of approximately 1,702 GWh. This forecast has been driven by lower volumes across the first half of the year and current below average lake storage levels at some of our schemes. Wholesale prices, average residential energy consumption, mass market customer numbers and bad debt levels are all expected to remain broadly consistent. Trustpower expects FY-21 capex to be in the range of $34 million to $44 million.

Mr Ridley-Smith said that looking ahead, the company had capacity to grow and to participate strongly in a dynamic and fast-evolving retail environment, and to realise the opportunities presented by the need for increased electrification into the future.

ENDS

Notes: The half-year financial statements for Trustpower Limited have been lodged with NZX and are available from the NZX and Trustpower websites.

Contacts

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About Trustpower

Trustpower is New Zealand's fifth largest electricity generator and fourth largest energy retailer by market share, with approximately 12% electricity retail market share. It owns 25 hydro power schemes throughout New Zealand with a total installed capacity of 495MW. It operates a multi-product retail business, including electricity, gas and telecommunications products with approximately 263,000 electricity connections, 42,000 gas connections and 106,500 telecommunications customers. For further information see trustpower.co.nz

Key performance data for the six months to September:

		September 2020 (H1-21)	September 2019 (H1-20)	September 2018 (H1-19)
Profit after tax from continuing operations	**$m**	33.6	38.7	64.9
Operating earnings (EBITDAF*)	**$m**	110.4	107.1	129.6
Retails Earnings (EBITDAF*)	**$m**	19.2	13.9	27.9
NZ Generation Earnings (EBITDAF*)	**$m**	91.9	94.6	108.1
Underlying Earnings after tax**	**$m**	52.7	49.2	65.8
Fully imputed interim dividend	**Cents**	17	17	17
Underlying earnings per share**	**Cents**	16.8	15.7	21.0

*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 commonly used within the electricity industry as a measure of performance as it shows the level of earnings before the impact of gearing and non-cash charges such as depreciation and amortisation.

**Underlying Earnings is a non GAAP (Generally Accepted Accounting Principles) financial measure. Trustpower believes that this measure is an important additional financial measure to disclose as it excludes movements in the fair value of financial instruments which can be volatile year to year depending on movement in long term interest rate and or electricity future prices. Also excluded in this measure are items considered to be one off and not related to core business such as changes to the company tax rate or impairment of generation assets.