CHIEF EXECUTIVE'S ADDRESS: 2023 Manawa Energy Shareholder Meeting
David Prentice
27 July 2023

Ko Mauao te maunga
Ko Tauranga te moana
Ko Tauranga te whenua kura.
E nga iwi e pae nei.
Tena koutou.
Nau mai haere mai ki tenei Hui a Tau.
Tena koutou, tena koutou, tena koutou katoa.

Kia ora. I'd like to extend Deion's welcome and thank you all for joining us here today whether in person or online.

When I stood here last year, we had only just completed the sale of the mass market retail business a few months earlier. The last year has since focussed on setting up Manawa Energy for success, with work across many fronts that I'll talk about in a bit more detail soon.

Before I do that though, I would just like to acknowledge and thank everyone who has helped to make Manawa Energy a reality – and especially all of our people across the company. Our team has done a great job in navigating the uncertainty around the separation of the business, and the inevitable settling down period over the last year, while still delivering a solid result for our shareholders.

I would also like to acknowledge the ongoing relationship with Ngāti Hangarau hapū, mana whenua of the area where our Kaimai hydroelectric power scheme is located. Ngāti Hangarau gifted us our company name, and we appreciate their commitment to working with us across a range of activities.

[Strategy]

Our strategy is simple – as New Zealand largest independent renewable generator currently supplying 5% of the country's total electricity, we want to do our bit to help New Zealand meet its carbon reduction goals. That means continuing to supply electricity from the 25 hydro-electricity power schemes we have around the country, building new generation to meet expected significant increase in demand over the coming years, and helping customers with their renewable electricity needs.

And when I reflect on the last year, we achieved some great things. We increased renewable generation output despite some challenging hydrological conditions, confirmed an unprecedented level of investment across our fleet of existing hydro assets, and announced some exciting new generation opportunities.

Underlying all of that, we wanted to ensure that the business continued the transition away from Trustpower without any major issues. However, as we move forward, it is only right to continue to optimise and challenge ourselves around driving performance and value. I think there is more we can do on this front, and I will touch at a high level on some work we have under way on that shortly.

Of course, our people are our most important asset and their health, safety and wellbeing is paramount. This year we embarked on a major piece of work to review and reset our approach. Modern health and safety approaches are evolving to shift the focus from 'zero harm' to capacity-building and we're developing a new strategy that will be driven from our workforce. It's not a replacement, but an evolution that increases the focus on the capacity of our systems and our people and we are aiming to have that in place by the end of this year.

[Investing in existing assets]

We have made some excellent progress against our strategic plan in the first year.

We are making record levels of investment in our existing generation assets through until 2028, investment to increase efficiency and reliability, investment to increase our annual production, and investment to ensure we meet our regulatory and compliance obligations.

This multi-year capex programme will see us investing more than $200m enhancing, replacing and refurbishing our hydro assets, and undertaking necessary work as part of our extensive dam safety programme.

We are on track to be delivering around an extra 80 gigawatt hours of electricity per annum from our existing assets by FY28 and specific activity on this front includes:

- Enhancement projects completed at our Branch and Cobb schemes in Marlborough and Nelson/Tasman respectively
- Significant upgrade projects in progress at Waipori and Deep Stream in Otago, and
- Safety improvement projects in progress at Arnold and McKay's Tunnel on the West Coast

Looking ahead there are also major enhancement projects under way soon at both Coleridge and Highbank in mid-Canterbury and at Matahina here in the Bay of Plenty.

Alongside the asset upgrade activity, we have continued to focus on generation performance through ongoing training and development of our people, coupled with improvements to systems and processes.

And as Deion said, with 25 hydroelectric power schemes located all around the country we own more hydropower dams than anyone else in New Zealand. Alongside 42km of tunnels and 52km of canals, this means the need to understand the condition of all our assets is critical to ensure we prioritise maintenance and drive safe and efficient operation.

[Develop new generation]

On the new developments front, the team has continued to build our pipeline of potential wind and solar development opportunities to more than 900 megawatts.

We will be working the best of these opportunities through to final investment decision over the coming years and I would reiterate Deion's sentiment that we are confident our pipeline will present investors with attractive growth options and enable us to respond to the rising tide of demand for renewable electricity.

Our portfolio includes high quality wind generation sites in the North Island and South Island including the Project Huriwaka wind development near Waiouru. This 230 megawatt prospect was announced in May 2023 and has the potential to be one of the country's most significant renewable energy developments. If it proceeds, we expect it to generate around 800GWh of electricity each year, or enough to power around 100,000 average Kiwi households.

We also hope to be in a position to announce another wind development opportunity before Christmas.

The team is also progressing a pipeline containing more than 300MW of new solar opportunities. Our solar portfolio includes the recently announced Argyle Solar Farm, situated right next to our Argyle power station in Marlborough.

This 28MW solar farm is in the consenting process and will deliver enough electricity to power around 8,000 average Kiwi households. As we said in June when we announced the project, this location boasts a great solar resource, has excellent access to transmission, and good construction characteristics. We expect to progress this through to Final Investment Decision within the next 12 to 18 months.

[Selling electricity]

I just wanted to provide a bit more colour and detail to the Mercury supply arrangement that Deion touched on earlier. As he mentioned we currently supply 2000 gigawatt hours of electricity to Mercury Energy under a 10-year offtake agreement that was entered into as part of the sale of our mass market retail business in May 2022.

This has a fixed price providing a base level of revenue and price certainty until Oct 2026, and is indexed to inflation. From November 2026 the price reverts to an average 'ASX-linked' price through until September 2031.

With the volume of electricity we supply to Mercury reducing from October 2024 onwards, we will establish the optimal path to market to secure shareholder value. This may include supporting our own renewable development, short-term trading, or longer term agreements with other market participants. This path to market provides us with a very clear and exciting opportunity to drive value.

[FY23]

The first six months of the financial year were challenging but things did settle down in the second half of the year, with the final quarter delivering solid wholesale prices and strong generation volumes.

In terms of the key financial and operational metrics in FY23, it was pleasing to increase our installed generation capacity from 498 MW to 510 MW, and the volume of electricity we generated was up too: 1,917 gigawatt hours this year versus 1,760 gigawatt hours last year.

To put this in context the total installed capacity across NZ is around 9,800 megawatts so as I said earlier, we provide around 5% of this.

Our generation assets held up well in the face of some severe weather events in FY23, and we were very thankful our people and our assets fortunately avoided any significant impacts from Cyclone Gabrielle in particular.

The exception was the small, unmanned 3.8-megawatt hydro scheme we have in the Esk Valley which suffered significant damage and remains out of service.

We turned in a solid financial performance in FY23:

- profit after tax increasing to $444m (FY22: $120m) underpinned by the successful sale of the Trustpower mass market retail business early in the year
- underlying earnings were $70m, down from $89m in FY22
- EBITDAF from continuing operations was $137m (FY22: $160m)
- Total EBITDAF was $140m which was at the top end of the most recent guidance we had provided to the market.

It was very encouraging to see the level of support from investors for the company's $150m bond issue that closed in September last year. It was our first time raising money in the market as Manawa Energy and the bond offer proved to be very popular and over-subscribed.

[People/Communities]

Alongside our strong focus on growth, we continue to prioritise our broader corporate responsibilities. It is a privilege to be part of communities and be able to utilise water to generate renewable electricity in the many schemes we operate around the country.

We always aim to do the right thing in the way we operate our schemes and engage with local communities and particularly iwi.

We have a clear desire to see our natural environments flourish and local communities prosper as we continue to focus on social, environmental and cultural outcomes.

The health, safety and wellbeing of our people is paramount and we aim to create the right work environment and performance culture that brings out the best in everyone.

We also recognise that to deliver on our strategic goals, we need a diverse and inclusive workforce, where we can attract and retain the best people. This will be a key focus area for us this coming year.

We also want our people to be engaged. Earlier this year we completed our second annual engagement survey with a participation rate of 89 percent. It was great to see overall engagement increase significantly to 68%, up from 56% last year.

Elsewhere on the People front we have also had some changes to our management team. This year we appointed Matt James as our GM Commercial and Todd Mead as our GM Generation Operations. There was a great deal of external interest in these two positions and in the end both were internal promotions which was very pleasing considering both are long-serving and well-respected leaders.

Elsewhere we are also continuing our recruitment for a GM Major Projects and New Development. The whole management team are here today so for those of you in the room, please do come and say hello at the end of proceedings.

As Deion mentioned we have also had some Board changes recently – and I'd also like to acknowledge outgoing Chair Paul Ridley-Smith and outgoing director Kevin Baker for the time and energy they have devoted to Manawa Energy and Trustpower in their governance roles over the years.

And like Deion, I am looking forward to working with new directors Phillippa Harford and Joe Windmeyer.

[Optimisation]

As I mentioned earlier we have a programme under way to deliver performance, value and improvements across the company and ensure we are optimised for success in the future.

It is only in its early stages but various potential areas have already been identified including around technology optimisation, operational improvements and efficiency enhancements – with all of these aimed at driving increased value.

We anticipate being able to provide more information on this at our Half Year announcement in November.

[Outlook]

Looking to the future from an earnings perspective, we continue to be largely insulated from the high inflationary environment as our revenue streams are mostly linked to wholesale pricing or inflation-indexed contracts.

There are headwinds from general cost inflation to consider, particularly in relation to new development returns and major enhancement projects and these will be carefully considered as investment decisions emerge around key opportunities.

As mentioned, our capital expenditure programme is going to be significant. We always aim to invest prudently whether it is in relation to generating long-term value from our asset enhancements and upgrades, meeting our dam safety obligations, or being clinical in only progressing the best new generation projects as we move into the execution phase of our wind and solar development pipeline.

Our guidance remains unchanged from the detailed update we provided to shareholders and the market at our results announcement in March.

So to conclude, we can see clear opportunities to contribute as demand for the supply of renewable electricity continues to grow significantly as the country continues to transition to a low-emissions economy.

With our strengths around having a stable underlying business, diverse assets, strong stakeholder relationships and market knowledge, access to capital, and a clear and dedicated focus on our customers, we are in a great position to take advantage of the electrification transition, playing our part in powering New Zealand's sustainable future while continuing to deliver value to our shareholders.