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Profit significantly up for Trustpower

Results at a glance (FY2018 compared to FY2017)

- Net profit after tax of $129 million, up $35 million or 38%
- Operating earnings (EBITDAF) from continuing activities of $243 million, up $57 million or 30%
- Operating earnings (EBITDAF) from all activities of $267 million
- Retail earnings (EBITDAF) of $60 million, up 33%
- NZ generation earnings (EBITDAF) of $196 million, up 16%
- Underlying earnings after tax of $135 million, up $20 million or 17%
- Fully imputed final dividend of 17 cents
- Earnings per share of 40.9 cents up 38%

Strong performance in both the retail and generation segments has contributed to a significant rise in profit for Trustpower for the year ended 31 March 2018.

Trustpower Limited (NZX:TPW) added the most shareholder value of all its listed competitors in the period, delivering a total return to shareholders of 29 per cent.

"It is particularly promising to see the strong retail result, as this represents a long term sustainable lift in profitability," said Trustpower Chair Paul Ridley-Smith. He said it was fitting that the share price was beginning to reflect the underlying value and growth potential of the company.

"We are well positioned to drive long-term sustainable value for investors."

A final dividend of 17 cents per share, fully imputed, has been declared bringing the total dividend for the year to 34 cents per share. "Following the sale of our Australian operations we still anticipate sustaining this level of dividend in the immediate future." Mr Ridley-Smith said the final dividend will be paid on 15 June 2018.

Chief Executive Vince Hawksworth said the company's retail earnings of $60 million were a good indication the company has a strong underlying retail business, forming a solid platform for continued growth.

"Our three generation schemes in New South Wales have performed well, however, given their size and distance from New Zealand, the Board considered that selling the Australian subsidiary was the best option for enhancing shareholder value," said Mr Ridley-Smith.

"Despite strong competition, our multi-product retail business strategy bundling life's essential utilities including power, gas, internet and phone, continues to deliver results.

"We are no longer a telecommunications start-up, but an established player with scale to compete with high quality internet service provision and network caching. For example, more customers are migrating to higher value internet plans with 52% of our telecommunication customers now on fibre."

Mr Hawksworth said the retail division was centred around value creation for its customers with an emphasis on technology and customer services aligned to Trustpower's core business, and the company was exploring opportunities such as the provision of mobile phone services.

"Our innovation and technology programme continues to assist us in delivering a great customer experience, and the launch of our new mobile app and chatbot during the year together with other customer facing technologies resulted in nearly half of all customer contacts being serviced by a virtual workforce."

Mr Hawksworth said that after a slower start to customer acquisition in the first half of the year while the company focussed its efforts on leveraging high wholesale electricity prices, the year finished on a high with a significant 11 per cent rise in bundled customers. "Our most recent marketing campaign has been a tremendous success and we now have 100,000 customers with two or more products."

Retail operations
Total utility account holders reached 397,000, a 3 per cent increase from 385,000 at 31 March 2017.

Gross margin increased to $151 million from $133 million in the previous year. “This rise is well in excess of the increase in utility accounts, validating Trustpower’s view that the new category of bundled energy/telco is more profitable than either energy or telco alone,” said Mr Hawksworth.

“We continue to see customer retention levels in our bundled customers that are higher than established energy retailers and much greater than the levels reported by the major telco players.”

New Zealand Generation
New Zealand generation production was up 11 per cent at 2,235 GWh. “While there is an element of good fortune in having strong hydrological inflows, the ability to capture that benefit requires a focus on long term asset management and a dedicated team of experts operating the equipment throughout the country,” said Mr Hawksworth. “To some extent you make your own luck.”

Industry consolidation
Trustpower remains well positioned to take advantage of opportunities for consolidation in both the energy and telco industries. Post balance date Trustpower completed the acquisition of King Country Energy Limited (KCE) together with the King Country Electricity Power Trust and is now integrating the customers into the retail business.

FY2019 Guidance and Outlook

Trustpower advises that its EBITDAF guidance for FY2019 is expected to be in the range of $205 million to $225 million, assuming average hydrology and climatic conditions. This guidance assumes a reduction in revenue of $27 million following the sale of the Australian operations and a reduction from the current year of approximately $25 million for a return to average hydrology and pricing.

Mr Ridley-Smith said Trustpower is focussing on automation and quality service while seeking to reduce cost to serve and cost to acquire.

“We will continue our pursuit of profitable growth in keeping with our core convictions that customers value the bundled product offer, the value of loyalty, and the importance of renewable generation in New Zealand.”

ENDS

Notes

The financial statements for the Trustpower Group have been lodged with NZX and are available from the NZX and Trustpower websites.

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.

	$ millions
EBITDAF per income statement	243.1
EBITDAF of discontinued operation per note 2	26.7
Reclassification of foreign currency translation reserve per note 2	(3.0)
Total EBITDAF	266.8

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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 27 hydro power schemes throughout New Zealand with a total installed capacity of 487MW. It operates a multi-product retail business, including electricity, gas and telecommunications products with approximately 273,000 electricity customer connections, 37,000 gas customer connections and 87,000 telecommunications customer connections. - For further information see www.trustpower.co.nz