MANAWA ENERGY

MEDIA RELEASE
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Manawa Energy poised to deliver on renewable generation ambitions following strong financial performance

FY22 Financial Results Summary:

	FY2022	FY2021	CHANGE (%)
Net profit after tax ($M)	120	31	+290%
Continuing operations operating earnings EBITDAF[1] ($M)	160	157	+3%
Discontinued operations operating earnings EBITDAF[3] ($M)	44	43	+2%
Underlying Earnings after tax[2] ($M)	89	91	-3%
Operating cash flow ($M)	162	161	-1%
Generation volume (GWh)	1760	1708	+3%
Fully imputed final dividend (Cents)	16	17	
Special dividend (Cents)	35	1.5	
Underlying Earnings per share[2] (Cents)	27.7	28.4	-2%

Manawa Energy (NZX:MNW), Aotearoa New Zealand's largest independent[4] electricity generator, today announced a strong financial result for the year ended 31 March 2022, concluding a transformative year for the company.

Amid the ongoing challenges of COVID-19, persistent below-average inflows, and sustained regulatory uncertainty, Manawa Energy undertook the work to successfully separate its mass market retail business delivering a solid performance in the process.

Net profit after tax climbed to $119.8 million – a significant increase on $30.7 million the previous year. This was largely due to a non-cash fair value gain on financial instruments in addition to increases in generation production and wholesale prices. Operating earnings (EBITDAF) were $204.2 million (including the divested Manawa Energy retail operations), up from $200.2 million last year.

Retail operations were in strong shape to hand over, contributing operating earnings (EBITDAF) of $44.5 million, with key highlights including a 5 percent increase in customers with two or more services, and 93 percent increase in mobile connections over prior year. The mass market retail operation saw net customer number growth this year and maintained customer retention rates above market average.

With the retail sale now complete, Chief Executive David Prentice says the focus is firmly on the future.

"Completing the sale of our mass market retail business to Mercury Energy has achieved the vision we set out over a year ago – to transition to Manawa Energy – a standalone renewable generation and commercial and industrial electricity business, optimally positioned to deliver on the growing energy needs of tomorrow. We now look forward to bringing that vision to life," said Prentice.

OPERATING PERFORMANCE IMPROVEMENTS

Generation production volumes across both the North and South Islands were 1,760 GWh – an increase of 3 percent on last year. Inflows were up on FY21's record low, although they remained materially lower than average. However, our work on asset investment delivered additional output which also contributed to the 52 GWh gain on last year.

Manawa Energy's asset management team again negotiated the challenges of COVID-19 to safely deliver scheme upgrades. These included major maintenance and asset renewals at Waipori, the installation of a new generating unit runner at Coleridge, and a new infiltration gallery intake at Branch River that when completed will yield an additional 10 GWh a year.

"Operational excellence and optimisation across our hydro fleet remains a key focus, and we are on track to deliver over and above our original production volume goals through enhancement uplifts from existing assets in the coming years," said Prentice.

STRATEGY & GROWTH

"Manawa Energy's goal is to develop renewable generation to support our country's ambitions for a thriving, low-emissions and climate-resilient future. Through our geographically dispersed fleet of existing assets and development capability we can deliver firmed renewable generation solutions to major industrial energy users in New Zealand," said Prentice.

The company plans to be flexible in its approach to funding and developing new generation projects. The business is currently assessing multiple projects at varying levels of scale and maturity, including three projects at the feasibility and resource consenting stage. Manawa Energy's growth focus also includes considering paths to market as it seeks to build its optimal portfolio of customers to complement the generation portfolio.

"Manawa Energy will play a key role in the sustainability journey of our current and future customers. Over 99 percent of our existing generation is renewable, and we have more in the pipeline. We believe we have an advantage over developers investing solely in the intermittent supply of wind and solar generation as we can 'firm' variable renewable supply through our hydro storage."

Prentice said the company has a track record of seeing the next opportunity early and acting. As Trustpower, the business pioneered wind development in New Zealand and Australia and was also one of the earliest providers to begin bundling utility services.

"The launch of Manawa Energy is another example of the innovative mindset that we are known for and will see us succeed in our strategic ambitions."

DIVIDEND

Following a strong end to the financial year and the sale of the retail business, Manawa Energy Chair Paul Ridley-Smith announced a fully imputed final dividend of 16 cents per share as well as a one-off special dividend of 35 cents per share, unimputed.

"We are pleased to be able to reward investors following the sale and consider we have struck the right balance between this and reserving some capital to enable growth and generate longer term returns."

Together with the interim dividend of 17 cents per share paid in December 2021, this provides a total fully imputed dividend of 33 cents per share for the 2022 financial year. These dividends will be paid on 17 June 2022.

GUIDANCE

Manawa Energy expects FY23 EBITDAF to be in the range of $140m to $160m and FY23 capital expenditure to be in the range of $45m to $55m.

OUTLOOK

Ridley-Smith said Manawa Energy was confident in charting new territory, as the undertakings of the past year have shown.

"There is significant potential for regulatory change in the energy sector moving forward, and the possibility of market developments to manage affordability and supply. At the same time, new technologies continue to evolve and mature into commercial viability, making it an optimal time to be geared for new investment.

"Manawa Energy's move away from mass market retail puts us one step ahead of other players still dividing focus between the diverging needs of retail and generation. With the successful retail sale behind us, we are poised to realise the opportunities that an increased demand for renewable generation will create."

Ridley-Smith noted that the first 6 weeks of FY-23 have been challenging owing to continued dry conditions resulting in low hydro inflows and low wind production, combined with high wholesale prices. However hydrological and wind conditions can change quickly, and annual production tends to be less volatile than monthly production.

ENDS

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Additional information

Investor Presentation available at manawaenergy.co.nz/investor-publications
Investor Webcast at 11.00am Monday 16 May, register at [Webinar Registration - Zoom]()
FY22 Annual Report available at manawaenergy.co.nz/investor-publications

FY22 audited financial statements for Manawa Energy have been lodged with NZX and are available from the NZX and Manawa Energy websites.

[1] *EBITDAF (Earnings before interest, tax, depreciation, amortisation, fair value movements of financial instruments, asset impairments and discount on acquisition adjustments) is a non-GAAP (Generally Accepted Accounting Principles) 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.*

[2] *Underlying Earnings is a non GAAP financial measure. Manawa Energy 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.*

[3] *The mass market retail business meets the definition of a discontinued operation under NZ IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. NZ IFRS 5 requires that where a non-current asset is classified as held for sale that asset must be carried at the lower of cost or the amount expected to be recovered on sale. The profit and cash flows must also be presented separately as discontinued operations.*

[4] *By independent we mean without an integrated mass-market retail business*

About Manawa Energy Limited

Manawa Energy is Aotearoa New Zealand's largest independent* electricity generator and renewables developer, with 26 power schemes throughout New Zealand and a total installed capacity of 498MW. Its commercial and industrial electricity business supplies around 680 customers at more than 14,000 electricity connections nationally, currently supplying ~1,220GWh per annum.

Manawa, meaning heart, acknowledges the business's heritage from its beginnings in the establishment of electricity generation on the Omanawa River in the Kaimai area during the early 1900s. The name was gifted by Ngāti Hangarau hapū, mana whenua of the area where the company's Kaimai hydro-electric power scheme is located, near its Tauranga office.

*By independent we mean without an integrated mass market retail business