

ANNOUNCEMENT

13 November 2023

Solid interim result, renewable development projects advancing well

Key metrics

	6 mths to 30 Sept 2023	6 mths to 30 Sept 2022	Change
Profit after tax	\$56m	\$391m	-86%
Profit from continuing operations	\$57m	\$41m	+38%
EBITDAF ¹ from continuing operations	\$78m	\$70m	+11%
Underlying earnings ²	\$39m	\$35m	+13%
Underlying earnings per share	12 cents	11 cents	+9%
Dividends paid	8.5 cents	51.0 cents	-83%
Interim dividend to be paid per share	8.0 cents	7.5 cents	+7%
Generation volume	1,110GWh	976GWh	+14%
Electricity sold to customers	536 GWh	581GWh	-8%
Employees	234	236	-1%

Highlights

- EBITDAF from continuing operations (\$78m) and underlying earnings (\$39m) up 11% and 13% respectively;
- Profit from continuing operations up 38%;
- Profit after tax down 86% after last year's one-off gain from the sale of the Trustpower retail business of \$349m;
- Generation volumes up 14% to meet market demand ahead of planned outage at Waipori;
- Landholder agreements or options in place for more than 950MW of new solar and wind projects;
- Pipeline of new development projects includes Kaihiku Wind Farm (announced Oct 2023), Ototoke Wind Farm (new), Hapuakohe Wind Farm (new), and expansion of Argyle Solar Farm (announced May 2023);
- Good progress with refurbishment and replacement programme across key hydro assets, set to deliver an ongoing annual uplift of more than 78GWh by 2028;

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 financial measure. For more detail please refer to Manawa Energy's FY24 Interim Results report.

² 'Underlying earnings' is a non-GAAP financial measure. For more detail please refer to Manawa Energy's FY24 Interim Results report.

- *New sustainable finance framework established, Green Bonds now comprise more than 80% of the company's debt;*
- *Interim dividend of 8.0 cents per share to be paid on 1 December 2023, up from 7.5 cents last year.*

Independent power producer and renewable generation developer Manawa Energy ('Manawa') reported a solid interim result for the six months to 30 September 2023, with underlying earnings up 13 per cent to \$39m. The improved result was underpinned by higher hydro generation volumes.

Manawa Chair Deion Campbell said the Board had been focused on improving performance within the business to reflect its transition to an independent power producer. "This has seen a renewed emphasis on operational performance, a realigned approach to asset management focused on delivering value, increased momentum in the generation development pipeline, and identification of cost efficiencies.

"The Board is pleased with the interim result which reflects good work by management in maximising opportunities presented by the market, and this focus on value and shareholder returns will continue."

Manawa Interim Chief Executive Clayton Delmarter said: "We've seen profitability improve, driven primarily by an increase in generation volumes. We're pleased to report an increase in our underlying earnings despite losing avoided cost of transmission revenue following regulatory changes that came into effect in April this year."

Financial performance

Manawa reported profit after tax of \$56m, down from the \$391m reported last year, which was boosted by a one-off gain from the sale of the Trustpower retail business in May 2022.

Investment in capital projects was up by \$14m year-on-year to \$31.5m as the company's major asset investment programme continued, alongside increased investment in progressing new development opportunities.

The Manawa board approved an interim dividend of 8.0 cents per share and this will be fully imputed for qualifying shareholders and paid on 1 December 2023.

Elsewhere on the financial front, Manawa announced the establishment of a sustainable finance framework and all three of its NZX-listed bonds were approved as 'green' by NZX last month. This means more than 80 per cent of the company's debt is now classified as green.

Renewable generation ticks up

Manawa generated 1,110 gigawatt hours of renewable electricity in the first six months of the financial year, a 14 per cent increase from the 976 gigawatt hours generated in the same period last year, despite below average hydro-inflows this year.

Mr Delmarter said the company's overall water storage volume reduced from 133 per cent of average at the end of June, to 82 per cent of average at the end of September. "We've been deliberately generating more than usual at our Waipori scheme using storage in Lake Mahinerangi ahead of a planned outage. The team have done a good job ramping up production to meet the elevated demand for electricity and capturing value during the colder months."

He said the company continued to make good progress with significant and necessary investment in refurbishments, enhancements, and replacements across its key hydro generation assets, and collectively these would deliver an ongoing annual uplift of more than 78 gigawatt hours by 2028.

Recent revisions to Manawa's asset management plans meant expected capital expenditure across existing assets had reduced below indications provided in May 2023. "The mid-point of our total estimated capital expenditure across the next seven years has reduced by around \$48m. We are being deliberate and careful as we prioritise investments into our assets based on value and risk. We know our hydro assets are durable and reliable, and alongside efficiency gains the upgraded machines will deliver many decades of reliable generation once replaced."

New development pipeline progresses

Manawa's pipeline of new renewable development options continued to progress strongly, as the company looked to play a key part in helping decarbonise and electrify New Zealand.

"The ongoing electrification of the economy will see demand for new renewable generation increasing significantly', Mr Delmarter said. "Over the next 25 years or so, MBIE predicts the volume of electricity from wind and solar will increase by more than 400 per cent, Transpower estimates electricity demand could increase by about 70 per cent, and BCG estimates New Zealand needs an additional 15 gigawatts of additional generation.

"As an independent power producer with significant and proven renewable development capability, this represents a huge opportunity for Manawa. We are very well-positioned to deliver high quality projects into this growing market."

Manawa now has landholder agreements or options in place for more than 950MW of solar and wind development projects across the North and South Islands, and an additional ~850MW of prospective wind and solar developments at advanced stages of negotiation.

Key projects included the 300MW Kaihiku Wind Farm joint venture with Pioneer Energy in southwest Otago announced last month, and two new wind developments, one near the Whanganui coastline (Ototoka, ~150MW) and one in north Waikato (Hapuakohe Wind Farm, ~230MW). The potential capacity of the Argyle Solar Farm in Marlborough announced in May this year has also been increased from 28MWac to around 65MWac.

Mr Delmarter said the projects on Manawa's radar had 'strong fundamentals' and were expected to be very competitive from a pricing perspective.

"We are also exploring co-located development opportunities, including storage, across our diverse existing asset portfolio and associated connection points."

Strategy reset

Mr Campbell said Manawa was under way with a strategic reset. "We want to drive a clearer distinction between our historical position as a vertically integrated retailer versus our current status as an independent power producer.

“The volume of electricity currently being sold to Mercury reduces from October next year through until September 2031. We’ve received interest in long-term, large volume offtakes from multiple parties in relation to our existing assets and planned new developments.

“Over the next few years there is significant potential upside for both increasing portfolio length and hedge pricing, and over the longer term we see an opportunity to deliver stronger revenue certainty. In turn this will mean more flexibility in terms of our capital structure and a strong platform to support our investment in new developments.”

Looking ahead

The company's FY24 financial guidance remains unchanged: EBITDAF for the year ended 31 March 2024 is expected to be in the range of \$120m-\$140m, with capital expenditure in the range of \$65m-\$80m.

Total generation volume for the FY24 year was expected to land at around 1,905 gigawatt hours. A planned outage at the Waipori scheme (Otago) from November through to late January and storm repairs at the small Esk Valley scheme (Hawke's Bay) meant generation production was expected to be below long-term average in the second half of the year.

The company's guidance is based on the following assumptions:

- current ASX forward pricing is reflective of spot prices;
- average hydrological conditions occur for the remainder of FY24;
- around \$8m of operating expenditure related to new generation development activity; and
- no material adverse events to navigate.

Manawa expects to receive approximately \$20m (was previously \$20m-\$28m) of cash proceeds in FY24 from the divestment of surplus land and carbon credits, with the balance now expected in FY25.

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CONTACTS

Investor enquiries:

Phil Wiltshire

CFO

Ph 027 582 6600

investor.relations@manawaenergy.co.nz

Media enquiries:

Jen Spence

Comms

Ph 027 306 2618

comms@manawaenergy.co.nz

ADDITIONAL INFORMATION

1/ Interim Results webcast

Interim Chief Executive Clayton Delmarter and CFO Phil Wiltshire will present the results to investors and analysts via a Zoom webcast at 11am (NZ time) today. To pre-register for the webcast please click [here](#). The webcast will also be recorded and posted in the investor section of our website.

2/ About Manawa Energy Limited

Manawa Energy (manawaenergy.co.nz) is Aotearoa New Zealand's largest independent electricity generator and renewables developer. It has 26 power schemes throughout New Zealand and a total installed capacity of 510

megawatts, generating an average of 1942 gigawatt hours of electricity per year. The Manawa name (meaning 'heart') was gifted by the Ngāti Hangarau hapū, mana whenua of the area where the company's Kaimai hydro-electric power scheme is located.

