



STOCK EXCHANGE LISTINGS: NZX (MCY) / ASX (MCY)

Mercury NZ Limited – 2020 Full Year Results

18 August 2020 - Attached are the following documents in relation to Mercury NZ Limited's full year results for the year ended 30 June 2020.

- > NZX Results Announcement
- > News Release
- > NZX Distribution Notice

Mercury's 2020 Annual Report and 2020 Financial Results Presentation are being loaded separately on ASX online.

Dividend information filed on Appendix 3A.1 will follow.

For the purposes of ASX Listing Rule 1.15.3, Mercury NZ Limited confirms that it has complied with the NZX Listing Rules during FY2020.

ENDS

Howard Thomas
General Counsel and Company Secretary
Mercury NZ Limited

For investor relations queries, please contact:

William Meek
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0275 173 470

For media queries, please contact:

Craig Dowling
Head of Communications
0272 105 337

ABOUT MERCURY NZ LIMITED

Mercury's mission is energy freedom. Our purpose is to inspire New Zealanders to enjoy energy in more wonderful ways and our goal is to be New Zealand's leading energy brand. We focus on our customers, our people, our partners and our country; maintain a long-term view of sustainability; and promote wonderful choices. Mercury is energy made wonderful. Visit us at: www.mercury.co.nz



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Results announcement

Results for announcement to the market		
Name of issuer	Mercury NZ Limited (MCY)	
Reporting Period	12 months to 30 June 2020	
Previous Reporting Period	12 months to 30 June 2019	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$1,768,000	-11.6%
Total Revenue	\$1,768,000	-11.6%
Net profit/(loss) from continuing operations	\$207,000	-42.0%
Total net profit/(loss)	\$207,000	-42.0%
Final Dividend		
Amount per Quoted Equity Security	\$0.09400000	
Imputed amount per Quoted Equity Security	\$0.03655556	
Record Date	15 September 2020	
Dividend Payment Date	30 September 2020	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$2.69	\$2.54
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to accompanying audited financial statements.	
Authority for this announcement		
Name of person authorised to make this announcement	Howard Thomas, Company Secretary	
Contact person for this announcement	Howard Thomas, Company Secretary	
Contact phone number	+64 9 308 8200	
Contact email address	Howard.Thomas@Mercury.co.nz	
Date of release through MAP	18/08/2020	

Audited financial statements accompany this announcement.

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NEWS RELEASE

Mercury's performance strong in testing year

FY2020 Financial Results Summary

	FY2020	FY2019	Change %
EBITDAF ¹ (\$M)	494	506	↓ 2
NET PROFIT AFTER TAX (\$M)	207	357	↓ 42
UNDERLYING EARNINGS AFTER TAX (\$M)	164	161	↑ 2
STAY-IN-BUSINESS CAPITAL EXPENDITURE (\$M)	114	89	↑ 28
ELECTRICITY GENERATION (GWh)	6,327	6,703	↓ 6
FINAL FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE) - TO BE PAID ON 30 SEPTEMBER	9.4	9.3	
TOTAL ORDINARY DIVIDEND (CENTS PER SHARE), FULLY IMPUTED	15.8	15.5	↑ 2

18 August 2020 – Mercury's overall performance was strong in a testing 2020 financial year affected by drought across the Waikato catchment which impacted hydro generation from September, and the disruption caused by the COVID-19 pandemic.

Minimal rainfall in the final quarter of the financial year continued a sequence of record low hydrological conditions. Lake Taupō hydro storage ended the year almost 100GWh below its long-term mean at the end of June. Hydro generation for the year of 3,712GWh (4,006GWh FY2019) was approximately 300GWh down against Mercury's long-term average. Careful management of Lake Taupō's storage levels, and prudent hedging, helped lessen the financial impact of the extremely low inflows.

Geothermal production of 2,615GWh was only modestly down on last year's record generation (2,697GWh FY2019), despite scheduled maintenance activity completed through the year.

Operating earnings, (EBITDAF) of \$494 million were down \$12 million on the prior year – a strong result given the 2020 financial year was the first full year without earnings from the Metrix smart metering business which was sold in FY2019.

Capital expenditure (CAPEX) of \$279 million (\$115 million FY2019) represented a high level of activity across generation assets and investments into information communication technology (ICT) initiatives – all part of ensuring the platforms for sustaining and growing performance are strong. This included stay-in-business CAPEX of \$114 million (\$89 million FY2019). Mercury completed multi-year refurbishments at Whakamaru and Aratiatia hydro stations as well as a three-well geothermal drilling programme at Kawerau and Rotokawa steamfields.

Mercury also advanced construction of the Turitea wind farm, committing \$184 million in total to 30 June 2020. Contractor delivery delays across design and construction, as well as some impacts from the COVID-19 related lockdown from late March, have set back the construction timetable. Completion of the 33 northern turbines is



expected in the final quarter of FY2021, and the 27 southern turbines in the second quarter of FY2022. Project times remain subject to contractor performance and further COVID-19 restrictions.

Our investment in Tilt Renewables has enabled us, as intended, to participate in renewable energy growth opportunities in Australia as well as Tilt's growth in New Zealand.

Operating costs, when normalised for the sale of Metrix and IFRS changes, remained broadly flat for a seventh year in a row, reflecting Mercury's disciplined and focussed approach to its core activities.

Net profit after tax (NPAT) of \$207 million was down on the prior year's record (\$357 million FY2019) which benefitted by \$177 million from the sale of Metrix. Normalising for this gain on sale, NPAT was up \$27 million, primarily due to lower interest and tax charges more than offsetting the impacts of lower hydrology.

OPERATIONAL HIGHLIGHTS

- Effective management of record low hydro inflows.
- Active portfolio management capturing opportunities in a dynamic wholesale and retail market.
- Announcement of Mercury's commitment to complete all 60 turbines consented at the Turitea wind farm.
 - Advancing construction while adapting to challenges posed by the pandemic lockdown.
- Management of planned geothermal maintenance shuts and well drilling programme.
- Efficient change of a number of customer processes and product offers in response to Electricity Price Review recommendations.
 - Focus on minimising disruption for customers.
- Launch of a new brand campaign, Kiss Oil Goodbye, aimed at being more direct in promoting e.transport as an alternative to fossil fuel use in the New Zealand economy.
- Investment in data science and analytics capability to better inform our customer strategy.

COVID-19

As well as these operational highlights, Mercury was not alone in having to respond to impacts from the COVID-19 pandemic. This included support for Mercury's people, customers, partners and suppliers, all done with a focus on long-term outcomes. Mercury managed a smooth transition to working from home for most of our people during the Level 4 lockdown; faster payments were arranged for suppliers dependent on cashflow; communications were stepped up, and more choices offered to help customers; and essential workers were committed and diligent in their work to keep the lights on for New Zealanders by generating renewable electricity from our hydro and geothermal assets.

LEADERSHIP

Mercury Chair Prue Flacks noted change that included Joan Withers' retirement at the company's September Annual Shareholders' Meeting, and Vince Hawksworth, previously Trustpower's Chief Executive, joining Mercury in late March, in the midst of the COVID-19 lockdown, to replace Fraser Whineray.

"Vince's skills and deep experience in the industry have ensured a smooth transition and strong leadership through this testing period," Ms Flacks said.

DIVIDEND

Ms Flacks announced the Board had approved a fully imputed final dividend of 9.4 cents per share (CPS), taking total ordinary dividends for FY2020 to 15.8 CPS, an increase of 2% on FY2019. The dividend will be paid on 30 September 2020. This is Mercury's 12th consecutive year of ordinary dividend growth.

OUTLOOK

Mr Hawksworth said that the impacts of the COVID-19 pandemic on the economy and on customers will continue to be felt for some time, requiring careful consideration by Mercury of its decisions, and how it can support positive outcomes.



He noted that the announced closure of the Tiwai Point aluminium smelter, and decisions around timing of the closure, will lead to increased volatility in wholesale electricity markets, and that transmission pricing implications, and consideration of investments in pumped storage signalled by the Government, will also have market and investment implications for Mercury and others.

“Within this, we are looking closely at the things we can control,” Hawksworth said.

“We have instigated a programme to enhance our own operational excellence, and we will be investing carefully in our people, our assets and in digital solutions for our customers.

“Underpinning these activities, we are confident that we have a strong platform, powered by committed people, to continue to deliver incremental growth and opportunities in accordance with our strategy,” he said.

GUIDANCE

Mercury’s FY2021 EBITDAF guidance has been set at \$515 million, subject to any material events, significant one-off expenses or other unforeseeable circumstances including hydrological conditions. Guidance at the time of this report assumes 3,900GWh of hydro production. FY2021 SIB capex guidance is \$80 million.

FY2021 ordinary dividend guidance is 17.0 CPS, fully imputed, representing a 7.6% increase on FY2020 and the 13th consecutive year of ordinary dividend increases.

ENDS

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¹Earnings before net interest expense, tax expense, depreciation, amortisation, change in the fair value of financial instruments, gain on sale and impairments.





Distribution Notice

Section 1: Issuer information				
Name of issuer	Mercury NZ Limited			
Financial product name/description	Mercury NZ Limited ordinary shares			
NZX ticker code	MCY			
ISIN (If unknown, check on NZX website)	NZMRPE0001S2			
Type of distribution (Please mark with an X in the relevant box/es)	Full Year	X	Quarterly	
	Half Year		Special	
	DRP applies			
Record date	15/09/2020			
Ex-Date (one business day before the Record Date)	14/09/2020			
Payment date (and allotment date for DRP)	30/09/2020			
Total monies associated with the distribution	\$127,978,685.06			
Source of distribution (for example, retained earnings)	Income available for distribution			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution	\$0.13055556			
Gross taxable amount	\$0.13055556			
Total cash distribution	\$0.09400000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	\$0.01658824			
Section 3: Imputation credits and Resident Withholding Tax				
Is the distribution imputed	Fully imputed			
If fully or partially imputed, please state imputation rate as % applied	28%			
Imputation tax credits per financial product	\$0.03655556			
Resident Withholding Tax per financial product	\$0.00652778			

Section 5: Authority for this announcement

Name of person authorised to make this announcement	Howard Thomas, Company Secretary
Contact person for this announcement	Howard Thomas, Company Secretary
Contact phone number	+64 9 308 8200
Contact email address	Howard.Thomas@Mercury.co.nz
Date of release through MAP	18/08/2020