



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

## NEWS RELEASE

### **Mercury NZ Limited – HY2022 Results and Interim Report**

**22 February 2022** – Attached are the following documents in relation to Mercury's financial results for the six months ended 31 December 2021.

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

The following documents are being loaded separately on ASX online:

- > Mercury's HY2022 Interim Report
- > Financial Results Presentation
- > Information on Mercury's Dividend Reinvestment Plan

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

#### **ENDS**

Howard Thomas  
General Counsel and Company Secretary  
Mercury NZ Limited

#### **For investor relations queries, please contact:**

Tim Thompson  
Head of Treasury and Investor Relations  
0275 173 470

#### **For media queries, please contact:**

Shannon Goldstone  
Head of Communications  
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#### **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](http://www.mercury.co.nz)





## Results announcement

Results for announcement to the market		
Name of issuer	Mercury NZ Limited (MCY)	
Reporting Period	6 months to 31 December 2021	
Previous Reporting Period	6 months to 31 December 2020	
Currency	NZD	
	Amount (000s)	Percentage change
Revenue from continuing operations	\$873,000	-7.5%
Total Revenue	\$873,000	-7.5%
Net profit/(loss) from continuing operations	\$427,000	+228.5%
Total net profit/(loss)	\$427,000	+228.5%
Interim Dividend		
Amount per Quoted Equity Security	\$0.08000000	
Imputed amount per Quoted Equity Security	\$0.03111111	
Record Date	17 March 2022	
Dividend Payment Date	1 April 2022	
	Current period	Prior comparable period
Net tangible assets per Quoted Equity Security	\$3.32	\$2.66
A brief explanation of any of the figures above necessary to enable the figures to be understood	Refer to accompanying unaudited financial statements. The change in prior comparable period in net tangible assets per quoted equity security is based on HY21 restated figures as outlined in further detail in the HY22 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	22/02/2022	

Unaudited financial statements accompany this announcement.

## NEWS RELEASE

### Results reflect significant business change within half year

#### HY22 Financial Results Summary

	HY2022	HY2021	Change %
EBITDAF (\$M)	242	290	-17
NET PROFIT AFTER TAX (\$M)	427	130	228
UNDERLYING EARNINGS AFTER TAX (\$M)	89	115	-23
STAY-IN-BUSINESS CAPITAL EXPENDITURE (\$M)	20	23	-13
ELECTRICITY GENERATION (GWh)	3,745	3,320	13
INTERIM FULLY IMPUTED ORDINARY DIVIDEND (CENTS PER SHARE) – TO BE PAID ON 1 APRIL	8.0	6.8	18

**22 February 2022 – A period of significant change for Mercury – including becoming New Zealand’s largest wind generator – shaped Mercury’s half year results to 31 December 2021, said Mercury Chief Executive, Vince Hawksworth.**

The settlement of the Tilt Renewables transaction and the Turitea North wind farm reaching full generation, as well as the legacy Norske Skog contract close out, all shaped Mercury’s half year results as the company positions itself for a period of growth.

“Within the last six months, Mercury has transformed from a company with no wind generation to the largest wind generator in New Zealand,” Mr Hawksworth said.

In August, Mercury completed the acquisition of Tilt Renewables’ New Zealand wind farms (generating 482 GWh over the period), and within the remaining period progressively brought the Turitea North wind farm on stream (adding another 105 GWh over the period).

“Together these significantly diversify our revenue streams and position us well for an exciting period of growth as we head into an ever-accelerating pace of change with decarbonisation front and centre.”

The Turitea South wind farm is scheduled for completion in mid-2023, which will make Turitea New Zealand’s largest wind farm.

Meanwhile, the acquisition of Trustpower’s retail business will be another significant milestone for Mercury.

“This will accelerate Mercury’s retail strategy, which is centred on delivering utility solutions and creating more value for our customers.

“This acquisition also significantly increases our scale, allowing us to make meaningful investment in our underlying IT systems and ways of working to drive greater innovation, new products and experiences,” said Mr Hawksworth.

The High Court approved the Tauranga Energy Consumer Trust restructure in December with the transaction expected to be completed in the last quarter of FY22.

During the period Mercury also negotiated the early exit of a foundation hedge with Norske Skog. The settlement of the wider transaction and its associated accounting impacts reduced HY2022 EBITDAF by \$50m. Exiting this contract allows Mercury to recontract this volume at a price more reflective of the current market.

While positioning Mercury well for the future, collectively this activity has impacted the HY2022 result. HY2022 EBITDAF is \$242m, \$48m down on the prior year, recognising acquisition accounting for Tilt and the close-out of the Norske Skog legacy contract.

Net profit after tax was \$427 million, up \$297 million on the previous year largely due to the \$367 million net gain on sale of Mercury's 19.9% Tilt Renewables shareholding. Underlying earnings which normalise net profit after tax fell 23% to \$89m.

"The proceeds from the sale were effectively reinvested into furthering our decarbonisation ambitions, with the associated acquisition of Tilt's New Zealand operations and future development options."

Mercury acquired Tilt's New Zealand operations including future development options for an enterprise valuation of NZ\$797m in August 2021, funded from the sale of its Tilt shareholding and a cash cost of NZ\$634 million. This contributed to \$685 million of growth investment in the half.

Shareholders can further support our growth through Mercury's newly established Dividend Reinvestment Plan.

## **CHALLENGING OPERATING CONDITIONS CONTINUE**

"Despite much positive change, the six months was not without its challenges. Sustained dry conditions across the Waikato catchment reduced hydro generation. Careful lake management has been critical to manage electricity portfolio risks, and that prudence is reflected in our results."

Hydro generation was 91 GWh down on the prior comparable period (where conditions were also dry) as a result.

The 44-day unplanned outage at Kawerau geothermal power station also extended into the start of the financial year (ending on 20 July) and coincided with high spot prices.

"These challenging conditions reinforce the importance of building resilience in our business and our people."

Mr Hawksworth said it was pleasing to see Mercury's Thrive programme, focussed on building operational excellence as a mindset, continue to deliver value, tracking well against the \$30 million EBITDAF benefit signalled for FY22.

## **DECARBONISATION SHAPING MERCURY'S FUTURE**

Mercury Chair, Prue Flacks said, "Ensuring the transition to a renewable future is equitable is essential. Balancing affordability and security is a key consideration for the electricity sector's contribution to the decarbonisation challenge.

"The market must continue to evolve for the next phase of the transition, keeping what is good but adapting to address new challenges including the need for rapid response peaking capacity. Mercury welcomes the opportunity to participate in this transition.

"However, regulatory uncertainty facing the sector is a challenge. We agree with the Government's position that climate change must be a priority but are increasingly concerned about the potential for policy or regulatory change that unintentionally undermines this position and jeopardises New Zealand's decarbonisation goals.

"A good example of this is our resource management system, which needs to support renewable generation development if we are to decarbonise at a pace that becomes more urgent by the day," she said.

## **OTHER OPERATIONAL HIGHLIGHTS**

- Enhancing existing generation including \$30 million of rebalancing works at the Rotokawa geothermal field delivering an additional 7MW on average each year; and successful trial of CO<sub>2</sub> reinjection at Ngātamariki showing promising signs for reducing CO<sub>2</sub> emissions.
- Greater focus on supporting customers experiencing hardship including progress on Mercury's customer care approach through a collaborative approach with community, social and government agencies.



- Customer connections holding steady amidst high levels of competition at 327,000, ending a period of declining market share. A clear focus on delivering value to customers, including the 'Move with Mercury' campaign, contributed to this outcome.
- Collaborating with industry and the public on the energy transition initiatives like the Aotearoa Circle Low Carbon Energy Roadmap.
- Building out our COVID-19 preparedness and resilience to sustain critical business operations in a rapidly moving situation. Mercury has also been involved in the successful pilot of rapid antigen testing and introduction across the business of an enterprise-wide vaccination policy.
- Sustained low TRIFR (Total Reportable Incident Frequency Rate) of 0.25 in the six-month period and no serious harm injuries over the period, despite significant works at generation sites.

## INTERIM DIVIDEND

The Board has declared a fully imputed interim dividend of 8.0 cents per share, representing an increase of 18% on the HY21 dividend reflecting the expected lift in earnings, and announced a Dividend Reinvestment Plan which is intended to be underwritten for this dividend.

## GUIDANCE

Mercury's full year EBITDAF guidance remains at \$570 million reflecting impacts of the Tilt Renewables and Trustpower retail acquisitions and excludes likely interim insurance payment arising from Kawerau station unplanned outage.

Guidance may change and remains subject to any material events, significant one-off expenses or other unforeseen circumstances including changes to hydrological conditions.

FY22 stay-in-business capex guidance remains at \$70 million, and FY22 ordinary dividend guidance remains at 20.0cps, fully imputed, representing a 18% increase on FY21 and the 14<sup>th</sup> consecutive year of ordinary dividend increases.

## ENDS

### Howard Thomas

General Counsel and Company Secretary  
Mercury NZ Limited

#### For investor relations queries, please contact:

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Head of Treasury and Investor Relations  
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## 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		Quarterly	
	Half Year	X	Special	
	DRP applies	X		
Record date	17/03/2022			
Ex-Date (one business day before the Record Date)	16/03/2022			
Payment date (and allotment date for DRP)	01/04/2022			
Total monies associated with the distribution	\$108,915,263.52			
Source of distribution (for example, retained earnings)	Income available for distribution			
Currency	NZD			
Section 2: Distribution amounts per financial product				
Gross distribution	\$0.11111111			
Gross taxable amount	\$0.11111111			
Total cash distribution	\$0.08000000			
Excluded amount (applicable to listed PIEs)	N/A			
Supplementary distribution amount	\$0.01411765			
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	\$0.03111111			
Resident Withholding Tax per financial product	\$0.00555556			

Section 4: Distribution re-investment plan		
DRP % discount (if any)	2.5%	
Start date and end date for determining market price for DRP	21/03/2022	25/03/2022
Date strike price to be announced (if not available at this time)	28/03/2022	
Specify source of financial products to be issued under DRP programme (new issue or to be bought on market)	Treasury stock	
DRP strike price per financial product	TBC	
Last date to submit a participation notice for this distribution in accordance with DRP participation terms	18/03/2022	
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	22/02/2022	