MEDIA RELEASE | For immediate use

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Trustpower delivers substantial lift in profit

Results at a glance (HY2018 compared to HY2017)

- Net profit after tax of $82 million, up $37 million or 82%
- Operating earnings (EBITDAF) of $159 million, up 44%
- Retail earnings (EBITDAF) of $29 million, up 109%
- Generation earnings (NZ and Australia) of $134 million, up 21%
- Underlying earnings after tax of $84 million, up $28 million or 48%
- Interim dividend of 17 cents
- Earnings per share of 25.8 cents, up 79%

Trustpower Limited (NZX:TPW) has delivered a substantial lift in profit for the six months ended 30 September 2017.

Announcing its interim results today, Trustpower Chair Paul Ridley-Smith said that the company's diverse and flexible fleet of generation assets, together with sound operating decisions, has allowed it to take advantage of above average prices and record a strong result.

Trustpower's total shareholder return over the six months has been 24 per cent.

"It is pleasing to see this improved performance reflected in our share price," said Mr Ridley-Smith. "We also remain committed to delivering long-term sustainable value for investors."

An interim dividend of 17 cents per share, fully imputed, has been declared and is payable on 8 December 2017. Mr Ridley-Smith said that, subject to meeting guidance levels, the company expects to be able to increase the dividend payable at the year end.

Trustpower is actively managing its debt level and composition and will be repaying the retail bond maturing on 15 December 2017 and replacing it with bank debt.

Chief Executive Vince Hawksworth said the company's retail earnings of $29 million were a positive sign that its investment in growth was paying off.

"Our multi-product retail business strategy bundling life's essential utilities including power, gas, internet and phone, is gaining momentum."

Mr Hawksworth said the strategy was backed by a robust innovation and technology programme to ensure the company delivered a great customer experience and remained one step ahead in an evolving customer world.

"When you place your customer at the heart of your business, results follow. We have continued to invest in developing a strong service and technology platform, providing new options for our consumer queries including virtual agents and web bots. It's great to see more customers are choosing to engage with us digitally, 43 per cent of our customer interactions are now handled by our virtual workforce."

Mr Hawksworth said that growth in customer numbers had been modest, with retail acquisition campaigning put on hold during the period while the company leveraged high wholesale electricity prices. However, Trustpower's current marketing campaign for new bundle customers was proving very successful and the company was on track for a 20 per cent increase in telecommunication customers this year.

Retail operations

Trustpower's retail business continued to make solid progress. Total utility account holders reached 390,000, a 1 per cent increase from 385,000 at 31 March 2017. Customers with two or more products reached 94,000, a 4 per cent increase from 90,000 at 31 March 2017.

"While the energy and telecommunications markets remain highly competitive, Trustpower's bundled proposition resonates well with customers who can see its value," said Mr Hawksworth. "About 80 per cent of new customers who join Trustpower now purchase more than one product."

Mr Hawksworth said by focusing on service and value rather than just price, Trustpower is seeing its retail revenue grow. "Our overall revenues of $520 million were up by $18 million or 4 per cent on the same period last year, with growth in all product groups.

"It is fantastic to see the high number of customers who have remained with Trustpower once their initial contract period has ended."

Direct cost of sales increased in line with revenue, resulting in a retail gross margin increase of $11 million or 18 per cent. Other retail operating costs were $3 million or 6 per cent lower than the prior year.

Mr Hawksworth said that while a major contributor to the reduced costs was delayed promotional activity it was pleasing to see the cost saving initiatives starting to bear fruit.

"Our continued focus on technology improvements is expected to both enhance customer experience and drive a reduction in cost-to-serve and cost-to-acquire."

New Zealand Generation
New Zealand generation production lifted 20 per cent due to the impact of strong hydrological inflows, resulting in operating earnings of $127 million, up 24 per cent on last year. This reflects Trustpower's geographically diverse fleet of generation stations that allowed it to take advantage of record high inflows in some parts of New Zealand while other parts were facing extremely low inflows.

Australian Generation
The three generation schemes in New South Wales are all associated with irrigation schemes and as such they generate predominately in summer. Early indications are that generation volumes this summer will be consistent with Trustpower's forecast predictions.

"We are continuing to work through our strategic review of the New South Wales assets and expect to have this completed by early 2018," said Mr Ridley-Smith. "These assets are performing well, but due to their size and distance from New Zealand are a less strategic part of our portfolio."

FY2018 Guidance and Outlook

On 13 October Trustpower revised EBITDAF guidance for the current financial year to be in the range of $255 million to $270 million, assuming average hydrology and climatic conditions. This remains the guidance.

Mr Ridley-Smith said that looking ahead the company remained focused on optimising value from its generation assets, and using innovation and technology to improve customer experience, reduce costs and drive product growth.

"Trustpower will continue our pursuit of profitable growth – both organically through our multi-product retail strategy, and through value-add acquisitions."

ENDS

Notes

The half-year 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.

Contacts

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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 26 hydro power schemes throughout New Zealand and Australia with a total installed capacity of 570MW. 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 80,000 telecommunications customer connections. - For further information see www.trustpower.co.nz