



27 May 2020

## Trustpower makes solid progress in challenging year

### *Trustpower & COVID-19*

The COVID-19 pandemic and the economic consequences of it dominated the last part of the 2020 financial year. However, Trustpower's resilience and capability meant there was almost no impact on generation capacity or services to customers. Through the successful deployment of our business continuity plans during the Level 4 lockdown and Level 3, we were able to move 720 of our office based staff in a single day from the office to working from home. Our staff were kept safe in their bubbles with only a small core of people required to work on site, in our control room or operating critical phone services.

During the early stages of the COVID-19 pandemic, Trustpower was able to:

- Service over 830,000 customer contacts during Level 3 and Level 4, with 91% of those via digital channels.
- Successfully complete all other back office functions through staff working from home, with no impact to customers or business processes.
- Proactively contact over 10,000 vulnerable and elderly customers to check on their wellbeing and offer support.
- Focus on proactive hardship support, resulting in payments tracking at similar levels to last year.
- Continue to provide a high level of internet service across its ISP network as more of its customers worked and streamed internet (~20% increase) from home.

Customer payments have closely tracked prior years, likely assisted by the Government's wage subsidy scheme. Going forward, Trustpower expects more customers to come under financial stress and will work with them on payment arrangements to mitigate disconnections.

"Trustpower recognises that economic effects of COVID-19 will be widespread. To help mitigate this, our directors have reduced their fees for the 2021 financial year by 10% and senior staff have agreed a similar reduction through the 2021 bonus pool. We will maintain our community sponsorship levels and from the savings in director and senior staff remuneration create an additional fund to help in the community," says Trustpower Chair Paul Ridley-Smith.

Trustpower is also discussing with electricity distribution companies and the Electricity Networks Association how these companies can also provide some financial assistance or relief to customers to help alleviate disconnection.

"No tangible arrangements have emerged yet but Trustpower is maintaining a constructive dialogue," says Mr Ridley-Smith. Similar initiatives are being discussed among the major telecommunication companies.

### *FY20 Performance*

Other aspects of our performance last year saw Trustpower make solid progress with strategic investments and operational improvements, despite a challenging year for the industry.



## ***Results at a glance (FY-2020 compared to FY-2019)***

- Profit after tax of \$97.6 million, up \$4.9 million or 5%
- Operating earnings (EBITDAF) of \$186.5 million, down \$35.7 million or 16%
- Retail earnings (EBITDAF) of \$35.3 million, down 45%
- NZ generation earnings (EBITDAF) of \$171.9 million, down 10%
- Underlying earnings after tax of \$75.5 million, down \$27.1 million or 26%
- Fully imputed final dividend of 15.5 cents bringing total ordinary dividends to 32.5 cents
- Earnings per share of 30.4 cents up 5%

A number of factors impacted Trustpower's FY-20 financial performance, including less rainfall causing lower generation production, warmer than average climate reducing customer demand, material plant outages, the sale of the meter asset business, accounting changes, restraint in pricing changes and costs of developing capability. Some of these are cyclical or one-off in nature or influenced by factors outside of Trustpower's control. Trustpower will work actively this year to mitigate those factors within its control, particularly its costs.

## ***Business Capability***

Trustpower continued to build capability and strength in the business. "Trustpower's high quality customer base, growing bundled retail business, and strategy to grow and enhance its portfolio of small-scale, localised, and renewable generation schemes, positions it well to grow and prosper in a changing and evolving environment," says Mr Ridley-Smith.

## **Operational highlights for the 12-month period included:**

- Launch of wireless broadband (WBB)
- Development of mobile capability
- Reaching a milestone 100,000 broadband customers
- Several significant overhauls and upgrades to our generation schemes
- Significant strengthening of our ISP network to meet demand from Rugby World Cup
- Continued gains in digitisation and automation which have improved the customer experience and reduced both operating, and cost to serve.

Trustpower views increasing demand for electricity and data, increased electricity price volatility, and the capability developed within the business provide positive tailwinds for the future. Trustpower Chief Executive Dr David Prentice adds that Trustpower's investment over recent years in capability to respond to the changing expectations and needs of society is coming to the fore in the current climate, saying; "Deliberate investment into people, digitisation, and infrastructure has meant that a significant global disruption such as COVID-19 has proved Trustpower's position as a robust and resilient service provider".

"Investment in Trustpower's ISP network and meeting customers' increasing demand for digital interaction with market leading automation has meant that we can continue to meet and exceed customer expectations, which have been amplified by the COVID-19 situation. We are playing close attention to the changing context to ensure we are proactive in responding to the environmental, regulatory or societal changes that may impact or create opportunities for our business," says Dr Prentice.

Trustpower continues to track and submit on major regulatory issues. Trustpower continues to oppose the transmission pricing methodology changes proposed by the Electricity Authority and, while the water reform process has slowed, Trustpower will continue to submit that differential treatment of



hydroelectricity schemes solely based on the river on which they operate is both unfair and contrary to sensible environmental and climate change goals.

## ***Governance & Leadership***

Mr Ridley-Smith noted some key personnel and governance changes, namely Trustpower Chief Executive Vince Hawksworth who left the company after almost 10 years in the role in January. Following Mr Hawksworth's departure, Trustpower announced Dr David Prentice, who joined the Board in August 2019, would become interim Chief Executive. This came into effect on 24 January 2020.

Dr Prentice has now been confirmed as Chief Executive through to 31 December 2021 and will continue to remain on the Board as a non-independent director. Mr Ridley-Smith says; "in these times of disruption and uncertainty the Board considered it important that the company have the longer term commitment of a positive and capable leader. David brings a wealth of leadership experience from his role as CEO and Managing Director of Opus International Consultants and valuable insight into the key factors influencing the electricity industry from his recent role as Chair of the Interim Climate Change Committee".

Mr Ridley-Smith also announced that Sam Knowles, who has been a Director since 2007, will not be seeking re-election at the Annual Meeting in July. Geoff Swier who has also been on the Board since 2007, has also indicated his intention to step down from the Board later this year. Mr Ridley-Smith says; "Sam and Geoff have been highly capable and thoughtful members of the Board for a number of years. On behalf of the Board and Management, we thank them both for their strategic and operational insights that have helped Trustpower deliver improved value for all our stakeholders".

## ***Dividends & Guidance***

Trustpower has recently refinanced all its debt facilities maturing in 2020 and increased its aggregate available facilities, which provides the ability to weather potentially adverse future events, whilst allowing flexibility to continue investment.

Trustpower Limited (NZX:TPW) has announced a final dividend of 15.5 cents per share, fully imputed, delivering a total ordinary dividend to shareholders of 32.5 cents per share for the 2020 financial year. The final dividend will be paid on 26 June 2020.

Trustpower has reduced its final dividend by 1.5 cents per share, from the prior year, to give it some extra flexibility should trading conditions become more adverse as the economy contracts later in the year.

Trustpower expects FY-21 EBITDAF to be between \$190m - \$215m. This assumes:

- Generation volumes for FY-21 of ~1,862 GWh. This is below the expected long-run average of 1,917 GWh, reflecting current below average lake storage levels and dry conditions in the North Island
- NZ Wholesale prices are in line with current forward pricing for the year
- Average temperatures and average residential electricity consumption for the year. Commercial consumption is forecast to be ~35% lower than FY-21, primarily as a result of the recent lockdown
- Total average mass market customers of ~230,000, including ~109,000 telco customers
- There will be no material changes in overall customer pricing
- Bad debt levels are elevated in line with the expected economic downturn.

Developing this forecast in the early stages of the COVID-19 pandemic has proven challenging. There is material uncertainty surrounding the impact on the New Zealand economy and its impact on Trustpower's profitability.

**ENDS**

**Notes**

The 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 27 hydro power schemes throughout New Zealand with a total installed capacity of 487MW. It operates a multi-product retail business, including electricity, gas and telecommunications products with approximately 266,000 electricity customer connections, 41,000 gas customer connections and 104,000 telecommunications customers. - For further information see [www.trustpower.co.nz](http://www.trustpower.co.nz).