17 February 2025

Delivering new renewables while supporting security of supply

	Six months ended 31 December 2024 1H25	Six months ended 31 December 2023 1H24	
	Reported	Against reported	
EBITDAF[i]	$404m	↑	12% from $362m
Profit	$142m	↓	7% from $153m
Profit per share	17.9 c	↓	8% from 19.5 c
Operating free cash flow[ii]	$138m	↓	21% from $174m
Stay-in-business capital expenditure (cash)	$65m	↓	24% from $85m
Growth capital expenditure (cash)	$179m	↓	16% from $212m

Key strategic highlights

- Entered Scheme of Arrangement for the proposed acquisition of Manawa Energy.
- New long-term agreement to supply electricity to Fonterra, supporting electrification.
- Final commissioning activities completed on 174MW Tauhara geothermal station.
- Te Huka 3 geothermal station online December 2024. Final commissioning underway.
- Construction started on 100MW Glenbrook battery and 168MWp Kōwhai Park solar farm.
- Confirmed investment in Wairakei extension and Te Mihi Stage 2 geothermal projects.
- Supported the market in winter 2024 by securing Methanex gas and running TCC.

Financial performance

Contact Energy has reported net profit of $142m in 1H25, down 7 per cent ($11m) on the prior year, with market making and fair value movements in unhedged financial electricity contracts ($21m) impacting the current period.[iii] Operating earnings (EBITDAF) increased by $42m to $404m, up 12 per cent.

The improved operating result was driven by increased geothermal generation with Tauhara online, improved channel pricing from the commencement of long-term contracts and elevated Contracts for Difference (CFDs) in support of short-term supply conditions. This was partially offset by higher gas and acquired generation costs, losses on sale of excess gas and one-off costs of $10m associated with the proposed acquisition of Manawa.

Extreme hydro volatility characterised operating conditions throughout the period, with flow-on impacts to wholesale pricing as demand response calls and the cost of thermal generation reflected fuel scarcity. Contact supported the market by facilitating access to ~3.5PJ of gas from Methanex and increased generation at the Taranaki Combined Cycle (TCC) power station, while also delivering new geothermal generation into the market.

"The result has been a demonstration of the agility of Contact and the market to respond to challenging market conditions when unable to rely on the cheap and plentiful natural gas of the past."

“Contact’s renewable generation profile has now expanded, with its two new geothermal plants online and already contributing generation in the first half,” says Chief Executive Mike Fuge. “We expect to deliver EBITDAF of $790m in FY25 (previously $770m) excluding the costs associated with the proposed acquisition of Manawa.”

Operating free cash flow of $138m was down 21% on the prior year with the improved operating result offset by relatively higher levels of working capital (due to higher value and levels of stored gas) together with higher interest paid following the completion of Tauhara and the related reduction in interest capitalisation.

The Board declared an interim dividend of 16 cents per share, up 2 cents per share or 14% on 1H24. Shareholders will have the opportunity to participate in Contact’s dividend reinvestment plan at a 2% discount.

Demand

Contact’s new long-term supply agreement with the New Zealand Aluminium Smelter (NZAS) began on 1 July 2024 on improved pricing. Demand response was immediately activated by Meridian in response to dry market conditions at the start of 1H25.

In February 2025, Contact entered a new 10-year agreement with Fonterra to supply ~415 GWh of electricity a year to its Whareroa dairy site. Approximately two thirds of the volume will be new demand from planned electrification in the dairy sector. This new demand will step up between August 2026 and 2028 as transmission upgrades are completed.

“New summer-weighted demand aligns with Contact’s portfolio of renewable generation and is a great fit for the solar projects Contact is developing with Lightsource bp. The deal is an example of how electricity will play a key role supporting industry as it transitions from reliance on traditional fuels like natural gas,” says Mr Fuge.

Renewable development

Contact is building renewable energy projects at pace to meet the needs of the energy transition. In 1H25, construction started on the 100MW battery at Glenbrook and on the 168MWp Kōwhai Park solar farm in Christchurch. In November 2024, Contact confirmed its investment in the Wairakei station extension and Te Mihi Stage 2 geothermal projects.

Contact’s new 51MW geothermal plant, Te Huka 3, came online in December 2024. Together with the new 174MW Tauhara geothermal plant, Contact will be delivering ~1.9TWh a year of new geothermal electricity to the New Zealand market. Renewable electricity generated by geothermal power plants represented over 20% of New Zealand’s total electricity generation in 1H25, up from 17% in 1H24, with Contact being the largest contributor to this uplift.

“Contact is investing to increase renewable generation capacity, across a range of technologies, contributing both to energy market security and towards keeping wholesale electricity prices as low as possible,” says Mr Fuge.

Decarbonising our portfolio

Contact had planned to close its remaining baseload gas generation plant, TCC, at the end of last year. In response to public concern over security of supply in winter 2024, the plant will remain available to be recalled over 2025, subject to a number of operational conditions.

“Ultimately, continuing to develop and build out our renewable energy pipeline is the key to the continued decarbonisation of our portfolio,” said Mr Fuge.

In January 2025, Contact acquired an additional ~8% interest in Forest Partners, increasing its investment in long-term sustainable forestry investment partnerships.

Retail

In 1H25 Contact's total retail connections were up ~39,000 on 1H24, with a focus on multi-product customer growth.

Supporting our customers, we continue to see growth in our Time of Use 'Good' plans, with ~133,500 households now taking advantage of free off-peak energy, a 17 per cent increase in the past six months. Since launching in August 2021, our customers have enjoyed 215 million hours of free power. Contact also expanded its Hot Water Sorter programme to around 7,000 customers, supporting the shift of more than 2MW of electricity load away from peak demand periods each day.

Contact is increasingly focused on supporting its customers in energy hardship and has removed disconnection and reconnection fees under its Energy Wellbeing programme. The company has also extended its partnership with Women's Refuge covering the costs of power and broadband at its refuges and safe houses nationwide.

Outlook

Looking ahead, Mr Fuge said the next six months would see Contact preparing for its proposed combination with Manawa while continuing to deliver key milestones under its strategy to lead the decarbonisation of New Zealand.

"We will continue to deliver the new renewable electricity projects and innovative supply arrangements that are needed to support the energy transition in New Zealand. We have a strong track record in both regards and an experienced team standing ready to deliver. This is all underpinned by the strong performance of our underlying business, a range of capital options available and the ongoing support of our shareholders," said Mr Fuge.

1/ MORE INFORMATION

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2/ WEBCAST

A webcast to support the interim results announcement will be held at 11am, NZ (New Zealand) time on 17 February 2025. If you would like to attend the live presentation, please see the details below to view the webcast off your chosen device:

Click here to register for the webcast: Contact Energy 1H25 Results webcast registration

Or access this link via our website: https://contact.co.nz/aboutus/investor-centre

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[i] Refer to slide 43 of the 2025 interim results presentation for a definition and reconciliation between statutory profit and the non-GAAP profit measure earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments (EBITDAF). From FY24 Contact no longer reports impairments and write-offs within EBITDAF. These are now reported separately to better reflect underlying performance. 1H24 figures restated accordingly.

[ii] Refer to Note A3 of the interim financial statements for a definition and reconciliation between cash flow from operating activities and the non-GAAP measure operating free cash flow. Operating free cash flow represents cash available to repay debt, to fund distributions to shareholders and growth capital expenditure.

iii Refer to slide 44 of the 2025 interim results presentation for a reconciliation of the change in fair value of financial instruments.