



19 August 2024

## Contact Energy performance supports renewable investment

	Twelve months ended 30 June 2024 FY24		Twelve months ended 30 June 2023 FY23	
	Underlying <sup>i</sup>	Reported	Against underlying	
EBITDAF <sup>ii</sup>	\$663m	\$675m	↑	16% from \$573m
Profit	\$230m	\$235m	↑	9% from \$211m
Profit per share	29.1 cps	29.9 cps	↑	8% from 26.9 cps
Operating free cash flow <sup>iii</sup>	\$470m		↑	67% from \$282m
Stay-in-business capital expenditure (cash)	\$110m		↓	3% from \$113m
Growth capital expenditure (cash)	\$470m		↓	0% from \$472m

### Key strategic highlights

- Tauhara geothermal station online since May 2024. Final commissioning underway.
- Te Huka 3 geothermal station now in commissioning. Expected online in Q4 2024.
- New long-term agreement to supply renewable electricity to NZAS.
- Construction started on 100MW grid-scale battery at Glenbrook, expected online Q1 2026.
- Confirmed investment in 168MWp Kowhai Park solar farm, expected online in Q2 2026.

### Financial performance

Contact Energy has reported net profit of \$235m in FY24 and operating earnings (EBITDAF) of \$675m. Reported figures include a net movement in the onerous contract provision relating to the Ahuroa Gas Storage facility (AGS) of \$12m within EBITDAF (\$5m within net profit after tax and interest). Excluding the movement in the provision, underlying net profit was up 9% on FY23 to \$230m and EBITDAF was up 16% to \$663m.

The improved operating result was driven by closer alignment of channel pricing to the wholesale market and greater thermal efficiency, partially offset by lower hydro generation, and reduced steam revenue following the closure of Te Rapa. Net profit was impacted by one-off write-offs of \$36m after tax relating to damage to peaker assets, remediation work required at the Tauhara geothermal plant and software projects not continuing as planned.

Hydro volatility characterised operating conditions throughout the period and gas supply tightened, with flow-on impacts to wholesale pricing from more thermal generation. Contact increased contracted sales volumes in anticipation of Tauhara coming online and with its delay to mid-2024 met this sales position through a balance of additional thermal and acquired generation. At the same time, Contact has executed well on its channel mix and pricing strategies.

“The result has been a demonstration of strength in our underlying performance as we managed through market volatility, while keeping the momentum to deliver existing and new renewable developments,” says Chief Executive Mike Fuge.

Operating free cash flow of \$470m was up 67% on the prior year on the improved operating result, relatively lower levels of working capital due to higher thermal generation and reflecting the continued capitalisation of interest on Tauhara borrowings. In FY24, growth capital expenditure was \$470 million as Contact invested twice its net profit for the year into renewable development.

The Board declared a final dividend of 23 cents per share, taking the annual dividend declared for FY24 to 37 cents per share. Shareholders will have the option to participate in Contact’s dividend reinvestment plan at a 2% discount.

## **Demand**

In May 2024, Contact entered into a new long-term agreement with the New Zealand Aluminium Smelter (NZAS) to supply renewable energy to its Tiwai Point operation in Southland. Under the agreement, Contact has been provided with demand response of up to 46MW, with the mechanism activated at maximum capacity in July 2024 to support New Zealand’s security of supply.

“This new long-term agreement de-risks investment in new renewable generation, contributes to energy security and helps to preserve an important export industry, supporting growth and decarbonisation of the New Zealand economy,” said Mr Fuge.

## **Renewable development**

Tauhara came online in May 2024 following accelerated remediation works, providing new renewable generation as gas supply tightened. Final commissioning activity is underway to lift initial operating capacity to 152MW. Commissioning is also underway on Contact’s 51MW Te Huka 3 geothermal power station, which is expected to be ready to receive steam by the end of this month. These power stations will add 1.9TWh per annum of baseload renewable output when full capacity is reached.

Construction has started on a 100MW grid-scale battery located at Glenbrook. Contact has also committed to its first solar project through its joint venture with Lightsource bp – a 168MWp solar farm at Kōwhai Park, adjacent to Christchurch International Airport. Both are expected online in 2026<sup>iv</sup>.

“Contact is demonstrating its commitment to invest in new renewable technologies by executing on the best projects within its ~7TWh development pipeline, contributing to security of supply as New Zealand decarbonises,” says Mr Fuge.

Contact is targeting a final investment decision in Q4 2024<sup>iv</sup> on Te Mihi Stage 2 – a ~100MW binary plant which will be the first phase of the Wairakei A&B geothermal station replacement. The investment decision will be considered alongside the plans to extend ~37MW of plant capacity at Wairakei A&B to 2031.

## **Decarbonising the portfolio**

Emissions from electricity generation increased by 421tCO<sub>2e</sub> in FY24, with higher thermal generation reflecting the delay in Tauhara commissioning and the drier hydrological conditions. Emissions intensity from thermal generation was down 32% on FY23 driven largely by the closure of Te Rapa on 30 June 2023. Contact is committed to being net zero from its generation activities by 2035.

## Retail

Retail electricity net price has improved to partially recover rising energy and pass-through costs. Total connections were up 37,000 on FY23, driven primarily by broadband and the introduction of Contact Mobile.

Contact remains focused on supporting our customers in energy hardship, collaborating with industry through ERANZ, which offers support programmes like EnergyMate, and partnering with national social services agency Women's Refuge and community group Good Shepherd. Helping customers in energy hardship, Contact provided two million dollars of support this year.

## Outlook

Looking ahead, Mr Fuge said the next twelve months will see Contact operating more than 200MW of newly constructed geothermal power stations and building a diverse set of new renewable projects as the company delivers on its Contact26 strategy to be a leader in the decarbonisation of New Zealand.

## 1/ MORE INFORMATION

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## 2/ CONFERENCE CALL

A conference call to support the interim results announcement will be held at 11am, NZ (New Zealand) time on 19 August 2024.

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 enter the webcast: [LIVE EVENT LINK](#)

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

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<sup>i</sup> The onerous contract provision for AGS is assessed every 6 months in line with NZ IAS 37. In FY24 there has been a net movement in the provision resulting in positive impacts of \$12m EBITDAF and \$5m profit. Underlying performance excludes these impacts. All variances and commentary reflect movements in underlying performance.

<sup>ii</sup> Refer to slide 50 of the FY24 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). Contact now reports impairments and write-offs outside of EBITDAF to better reflect underlying performance.

<sup>iii</sup> Refer to Note A3 of the 2024 Full Year 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.