

NZX release: 14 February 2022: Contact Energy FY22 Interim Result

Strong performance underpins Contact's ramp-up of investment in NZ's decarbonisation

Key financial metrics

	Six months ended 31 December 2021 1H 22		Six months ended 31 December 2020 1H 21
EBITDAF ¹	\$322m	↑	31% from \$246m
Profit	\$134m	↑	72% from \$78m
Interim dividend per share	14.0 cps	-	no change
Operating free cash flow ²	\$131m	↓	17% from \$157m
Stay-in-business capital expenditure	\$35m	↑	13% from \$31m
Growth capital expenditure	\$116m	↑	2220% from \$5m

Highlights

- Solid financial performance, with operating earnings and profit up off the back of strong hydro generation and increased sales to fuel-constrained competitors;
- Decarbonisation-driven investments ramping up, supported by long-term power purchase agreements;
- Good progress on the Tauhara geothermal project despite COVID19-related headwinds, with the power station's expected capacity upgraded to 168MW, and the potential Tauhara geothermal field output upgraded by a further 0.2TWh p.a.;
- Applications lodged for an extension of geothermal consents at Wairakei post-2026 and a potential 50MW geothermal power station at Te Huka in the Taupō region;
- Secured land access rights for ~600MW of wind projects across New Zealand through our exclusive relationship with wind generation experts Roaring40s;
- Intention to invest a further \$37m into a new afforestation partnership to support further carbon capture through tree planting;
- Launched 'It's good to be home' brand campaign, with new 'Good Nights' pricing plan resonating with customers; total connections increased by 29,000 in the first half of FY22;
- Interim cash dividend of 14 cents per share will be paid on 30 March 2022.

¹ Refer to slide 39 of the 2022 interim results presentation for a definition and reconciliation between statutory profit and the non-GAAP profit measures earnings before net interest expense, tax, depreciation, amortisation, change in fair value of financial instruments (EBITDAF)

² Refer to note A3 of the 2022 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.

New Zealand renewable energy company Contact Energy ('Contact') released its interim financial results for the six months to 31 December 2021 today.

Contact CEO Mike Fuge said the company had delivered a "solid financial performance" in the first half of the FY22 financial year and was investing in line with its strategy to lead New Zealand's decarbonisation efforts.

Financial performance

Contact reported a statutory profit of \$134m, up 72 per cent (\$56m) on the same period last year. Operating earnings (EBITDAF) increased by \$76m to \$322m, up 31 per cent on the prior year. Operating free cash flow for the period decreased from \$157m to \$131m in the first six months of FY22, down 17 per cent year-on-year.

Mr Fuge said: "It's very pleasing to provide investors with a solid financial report card. We've seen double-digit growth in our operating earnings and profit off the back of a period of strong hydro generation.

"While operating free cash flow is lower year-on-year, this is a feature of our generation asset mix. When it rains, operating earnings increase as we don't have to run more expensive thermal generation, but cash flow is impacted as we store the gas we purchased for use in the future.

"We've also progressed a range of renewable energy projects across New Zealand and our retail business has continued to build market share in electricity and broadband."

The Board has approved an interim dividend of 14 cents per share and this will be imputed up to 10 cents per share for qualifying shareholders and paid on 30 March 2022.

Demand

In line with Contact's decarbonisation focus, Mr Fuge said there had been strong demand for renewable electricity from forward-thinking customers.

"We're delighted to have secured long-term power purchase agreements with Oji Fibre, Pan Pac, Genesis Energy and Foodstuffs. Long-term contracts underpin sustainable operations, support additional renewable generation development, and can also displace thermal generation. These agreements will reduce carbon emissions and help keep electricity prices down over the long-term."

The Southern Green Hydrogen project to investigate the world's first large-scale green hydrogen plant in Southland with Meridian Energy is also progressing well. Potential development partners have been shortlisted and are engaged in a formal 'request for proposal' process.

Rio Tinto has recently indicated a desire to continue operating its unique low carbon smelter at Tiwai Point beyond 2024, when the current electricity supply contract concludes.

"It's early days, but we are encouraged that the smelter's owner recognises it needs to play a larger role to help manage dry year security of supply in New Zealand's electricity system," Mr Fuge said. "In turn, this will lower system carbon emissions and enable the development of more renewable generation, which is positive for New Zealand."

Renewable development

On the renewable development front, the Tauhara power station's expected capacity has recently been upgraded from 152MW to 168MW. It is now expected to be completed in the second half of 2023, with an increase in the estimated costs of the project.

"We have encountered some COVID19-related headwinds, but overall the project remains on track. It will be a world-class renewable development that will be a foundation for New Zealand's increased renewable electricity needs over the next decade," Mr Fuge said.

Consent applications have also been lodged with the Waikato Regional Council for an extension of the geothermal consents at Wairakei post-2026, and land use consents have been lodged for a new 50MW geothermal power station development at Te Huka, near Taupō.

Contact has also secured land access rights to build up to 600MW of wind projects across New Zealand, via its exclusive relationship with wind generation experts Roaring40s. And separately, an investigation is under way into the economics of a 100MW battery energy storage system investment.

Retail

Mr Fuge said there were encouraging results from Contact's retail business over the first half of the FY22 year. "We've seen total connections increase by 29,000 across electricity and broadband. A new time-of-use plan, 'Good Nights', was launched and has proven very popular with customers who are keen to have three hours of free power every night from 9pm."

A new brand campaign launched in January, focused on the idea that 'home is the best place in the world', provides Contact with a platform to grow its commitments to the community, environment, and people.

Outlook

Looking ahead, Mr Fuge said Contact was committed to leading the decarbonisation of New Zealand. "We are excited about the critical role that Contact's renewable electricity generation is set to play in the decarbonisation of the New Zealand economy over the next decade."

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MORE INFORMATION

1/ Enquiries

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2/ Conference call

A conference call to support the interim results announcement will be held at 10am, NZ time on 14 February 2022.



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>