MEDIA RELEASE | For immediate use

Monday 13 May 2019

Solid operating result for Trustpower on lower generation volumes

Results at a glance (FY2019 compared to FY2018)

- Net profit after tax from continuing operations of $93 million, down $21 million or 19%
- Operating earnings (EBITDAF) from continuing activities of $222 million, down $21 million or 9%
- Retail earnings (EBITDAF) of $64 million, up 8%
- NZ generation earnings (EBITDAF) of $172 million, down 13%
- Underlying earnings after tax of $103 million, down $32 million or 24%
- Fully imputed final dividend of 17 cents bringing total ordinary dividends to 34 cents
- Unimputed special dividend of 15 cents bringing total special dividends to 40 cents
- Earnings per share from continuing operations of 29.0 cents down 19%

Competitive retail offerings and the consistency of generation strategies have contributed to a solid result for Trustpower for the year ended 31 March 2019, off the back of a previously exceptional year in FY2018.

The company's retail business attracted earnings of $64 million in the year and total company operating earnings were $222 million, with retail being a key platform for continued growth.

The highly favourable generation conditions from FY2018 did not repeat in FY2019, but this was not a surprise says Trustpower Chair Paul Ridley-Smith. Reduced hydrological inflows and pre-selling its expected surplus generation to achieve stable sustainable earnings for shareholders meant Trustpower wasn't able to fully capitalise on high spot prices from an unexpected gas outage in spring.

Operational highlights for the 12-month period include the refurbishment of two generators at the Coleridge Hydro-Electric Power Station in Canterbury, and the successful migration of 13,000 new customers with 17,000 electricity connections to Trustpower following the acquisition of the King Country Energy Limited retail business.

"We have seen the continuation of the strong retail result which validates Trustpower's now well-established bundling strategy," said Mr Ridley-Smith.

Trustpower Limited (NZX:TPW) has announced a final dividend of 17 cents per share, fully imputed, delivering a total ordinary dividend to shareholders of 34 cents per share for the 2017 financial year. The final dividend will be paid on 14 June 2019.

An unimputed special dividend of 25 cents per share was delivered in December 2018 following the sale of Green State Power. Trustpower continues to monitor its debt levels and will make a further unimputed dividend payment of 15 cents per share on 14 June 2019 delivering a total special dividend of 40 cents per share for the 2019 financial year.

Trustpower Chief Executive Vince Hawksworth says the company's multi-product retail business strategy to bundle essential utilities including power, gas, internet and phone contributed to the positive retail results.

"Everything we do is centred around value creation for our customers. We place emphasis on technology and customer services aligned to Trustpower's core business and are continually looking for new ways to expand in a competitive market," says Mr Hawksworth.

"We now have 107,000 customers using two or more products. Customer retention levels in our bundled customers continue to remain higher than established energy retailers and is greater than levels reported by major telcos."

Later this year, Trustpower will introduce both mobile phone and wireless broadband services, further building on its position as a leading provider of bundled services.

"A particular focus in recent years has been on laying robust foundations and investing in the capacity to offer our customers high quality internet service levels they require for downloading and streaming content, including major events and sport. We've developed a dedicated network throughout New Zealand and connectivity to Australia and the US," says Mr Hawksworth.

Trustpower's technological advancements have enhanced and personalised both its traditional and digital customer communication methods and its new app gained second place in the international Microsoft Global Partners awards. The app enables convenient online bill payment, provides faults and outages alerts and usage history.

During the 12-month period, a large focus was on the enhancement of Trustpower's generation assets, with innovation and development strategies implemented to ensure the company is constantly evolving in a constantly-changing industry.

"The electricity industry is poised for growth, particularly in renewable energy and our national network of power stations generates more than 99 percent of its electricity from renewable resources. Our long history of partnering with other industry players, particularly smaller companies, positions us well for the future," adds Mr Hawksworth.

Retail operations
Total utility account holders reached 402,000, a 1 per cent increase from 397,000 at 31 March 2018. Gross margin increased to $156 million from $148 million in the previous year. "This rise is well in excess of the increase in utility accounts, validating Trustpower's view that the new category of bundled energy/telco is more profitable than either energy or telco alone," said Mr Hawksworth.

Generation
Generation production was down 11 per cent at 1,994 GWh. "While this is a good outcome and above the long run average of 1,917 GWh there was not the good fortune in having the strong hydrological inflows we experienced last year," said Mr Hawksworth.

FY2020 Guidance and Outlook
Trustpower reaffirms that its EBITDAF guidance for FY2020 is expected to be in the range of $205 million to $225 million, assuming average hydrology and climatic conditions. Capex is expected to be in the range of $28m to $34m Following all dividend payouts the forecast for the debt/EBITDAF ratio sits at approximately 2.6 to 2.9 for the FY2020 year, based on the current market guidance range for EBITDAF. This level of debt is considered to be sustainable in the long term and brings Trustpower in line with its listed peers.

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

Vince Hawksworth, Chief Executive	021 223 4609
Kevin Palmer, Chief Financial Officer	021 471 779

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 267,000 electricity customer connections, 39,000 gas customer connections and 96,000 telecommunications customer connections. - For further information see www.trustpower.co.nz.