

Release

Stock Exchange Listings NZX (MEL) ASX (MEZ)

Strong retail and wholesale sales fuel Meridian's half-year result

28 February 2024

Meridian Energy has reported net profit after tax (NPAT) of \$191 million for the six months ended 31 December 2023, \$10 million or 5% lower than the same period last year. The year-on-year reduction in NPAT is largely due to changes in the fair value of hedge instruments. Operating earnings (EBITDAF¹) of \$443 million increased by \$18 million (4%) over the previous year, driven by higher retail and wholesale sales.

Meridian Energy Chief Executive Neal Barclay says he is particularly pleased with how the retail business is performing in extremely competitive market conditions: "This is a solid result overall, but the stand-out is a 3% lift in retail sales volumes over the same period last year. This increase was driven by the agribusiness and large business segments, up 9% and 6% respectively."

Meridian continued to gain momentum in supporting industrial customers to convert to electric boilers, including recent agreements with Fonterra and Open Country Dairy. Meridian now has 891GWh of process heat either contracted or under memoranda of understanding.

"These deals are significant in terms of both sales volumes and their contribution to decarbonising our customers' businesses and the New Zealand economy. Fonterra's installation of a 20-megawatt electrode boiler at its Edendale site in Southland will reduce the facility's emissions by around 20% or 47,500 tonnes of CO₂e per annum – the equivalent of taking almost 20,000 cars off New Zealand roads," says Barclay.

Development and Construction

The first six months of the year have seen Meridian make strong progress in the construction of its Harapaki wind farm in Hawke's Bay and the Ruakākā grid-scale battery north of Auckland. A year ago, communities in Hawke's Bay were devastated by Cyclone Gabrielle, causing a three-month

¹ EBITDAF is a non-GAAP measure of earnings before interest, tax, depreciation, amortisation, unrealised changes in fair value of hedges, impairments and gains and losses on sale of assets.

delay in the Harapaki project. Since first power in November 2023, Meridian now has 20 turbines commissioned, with the project on track for full power by September 2024. The Ruakākā battery also remains on track and should be operational by the end of this year.

Meridian has continued to advance its development pipeline, with consent applications live for both the 90MW Mt Munro wind farm in the Wairarapa and the 120MW Ruakākā solar farm.

In October 2023, the company reached an agreement with NZ Windfarms to form a joint venture to repower and extend the Te Rere Hau wind farm near Palmerston North. The project involves the design, construction and operation of up to 39 new turbines with generation capacity of up to 170MW. This will be New Zealand's first wind farm repowering project.

Also, during October 2023, Meridian and Europe-based Parkwind signed a memorandum of understanding for the exploration of offshore wind generation in New Zealand waters, focused principally off the Taranaki coast.

“We are creating a portfolio of renewable energy options and partnerships, utilising different technologies, that will help this country transition to net zero carbon by 2050. We are playing a long game. Our development pipeline reflects what we need to do over the next 30 years, not just the next few.” says Barclay.

Waitaki Reconsenting

During July 2023, Meridian submitted a reconsenting application to secure the generation outputs from the portion of the Waitaki Power Scheme that it owns and operates. Meridian is seeking new consents for 35 years, commencing in April 2025. The Waitaki scheme accounts for around 18% of Aotearoa's electricity production and, more importantly, around 67% of average hydro-electricity storage.

“The flexibility this scheme provides is a key enabler for New Zealand to decarbonise through continued electrification and enables further growth of intermittent wind and solar electricity. This reconsenting is mission critical for our business, but we have agreements in place with key parties and are confident of a positive outcome,” says Barclay.

Generation

Transformer reliability has been an issue for Meridian over the last year with reduced capacity at both the West Wind farm and the Manapōuri power station due to main unit transformer outages. West Wind is currently operating with a 31% reduction in generation capacity and two of the seven units at Manapōuri are currently out of service while transformers undergo critical maintenance.

“While these outages have presented challenges, our maintenance teams are working extremely hard to bring as much capacity as possible on-line before this winter,” says Barclay.

Hydro inflows were 95% of average during the first six months of the financial year and catchment storage levels are slightly below average at the end of January 2024.

“When we look forward to winter 2024, El Niño climate conditions are prevalent and expected to persist into autumn, which would typically bring more rainfall into the southern hydro catchments. But while the hydrology outlook is positive, long range weather forecasts in New Zealand are notoriously hard to predict, and so hydro lake management is as important as ever,” adds Barclay.

Interim Dividend

The Meridian Board has announced an interim ordinary dividend of 6.15 cents per share, 3% higher than last year’s interim dividend.

The interim ordinary dividend will be 80% imputed and Meridian’s Dividend Reinvestment Plan will apply to this interim ordinary dividend at no discount to the average market price over a five-day period ending on 14 March 2024. Shareholders are reminded outcomes from discussions with the owners of the Tiwai Point aluminium smelter on a potential contract beyond 2024 remain uncertain. The interim dividend will be paid, and new shares issued under the reinvestment plan on 26 March 2024.

Ends

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