



## Trustpower delivers on strategy

### Summary

- **Operating earnings (EBITDAF) of \$129.6 million, down 15%**
- **Underlying earnings after tax of \$64.7 million, down \$17.6 million or 21%**
- **Fully imputed interim dividend of 17 cents and unimputed special dividend of 25 cents payable on 7 December 2018**

Trustpower Limited (NZX:TPW) has delivered a sound half year result through implementation of its generation and retail strategies.

Generation volumes were up 70 GWh, 6 per cent higher than long run averages but 12 per cent below the highly favourable levels of HY2018. Wholesale prices also trended closer to long run averages, resulting in Trustpower's generation performance being lower than HY2018, but higher than HY2017.

Trustpower's telco customer numbers reached 91,000, up 11,000 or 14 per cent on the same time last year. Total utility accounts reached 399,000, up 2,000 from 31 March 2018, while customers with two or more products rose 2 per cent to 102,000. Overall retail revenues of \$487.4 million were in line with the same period last year however retail earnings were slightly down due to investment in capability.

		September 2018 (HY2019)	September 2017 (HY2018)	September 2016 (HY 2017)
Profit after tax from continuing operations	\$m	64.9	79.3	45.2
Operating earnings (EBITDAF)	\$m	129.6	152.2	110.2
Retail earnings (EBITDAF)	\$m	27.9	29.6	14.2
NZ generation earnings (EBITDAF)	\$m	108.1	126.6	102.2
Underlying earnings after tax	\$m	64.7	82.4	56.0
Fully imputed interim dividend	Cents	17	17	17
Unimputed special dividend	Cents	25	-	-
Underlying earnings per share	Cents	20.7	26.3	14.4

Announcing its interim financials, Trustpower Chair Paul Ridley-Smith said the company's results reflect a strong retail business, sound management of its 27 generation schemes across New Zealand and its commitment to delivering long-term sustainable value for investors.

Trustpower's total shareholder return over the six months was 14.8 per cent compared to the NZX50 index of 12.4 per cent.

Operational highlights included the refurbishment of two generators at the Coleridge Scheme, and the successful migration of 13,000 new customers with 17,000 electricity connections over to Trustpower following the acquisition of the King Country Energy Limited retail business.

### Dividend

An interim dividend of 17 cents per share, fully imputed, has been declared and is payable on 7 December 2018. Mr Ridley-Smith said this level of dividend was anticipated into the future, despite lower earnings following the sale of the Australian assets.

Following the sale of Green State Power in March 2018 and a consequent review of debt levels Trustpower has also declared an unimputed special dividend of 25 cents, also payable on 7 December 2018. Post payment Trustpower is forecasting a debt/EBITDAF ratio of approximately 2.3 to 2.5 at year end based on the current market guidance range for EBITDAF. Trustpower will further review its debt levels, including the tenor of that debt, as at 31 March 2019 and may consider a further special dividend.

## **Retail operations**

Trustpower now has New Zealand's fourth largest fixed-line internet service provider (ISP) customer base. This customer base is supported by a quality network coupled with a dedicated and talented operations team which has led to award winning performance. Netflix has rated Trustpower the best performing network in New Zealand for the last 10 months in a row. Trustpower was also named Home Phone Provider of the Year and Home Broadband Service Provider of the Year in the 2017 Roy Morgan New Zealand Customer Satisfaction Awards.

Trustpower's new app gained second place in the international Microsoft Global Partners awards for its customer focused technology development. The app, which offers functions such as online bill payment, faults and outages alerts and usage history, is just one of the many digital and human communications channels available to Trustpower customers.

Chief Executive Vince Hawksworth said the proof that Trustpower was delivering a high-quality value add service was the increase in telco connections of 5 per cent over the last six months.

"Our loyal and strong customer base is taking more products from our offering. More existing electricity customers are taking up our broadband service and about 80 per cent of new customers are now purchasing more than one product. Our numbers are also telling us that customers are more satisfied and less likely to leave when they purchase more than just electricity from us."

"Trustpower's bundled proposition has allowed us to form a new market segment that provides more value to customers and is less competitive than the separate electricity and telecommunications markets.

"Our multi-product retail business strategy bundling life's essential utilities including power, gas, internet and phone, continues to succeed and we intend to build on this."

## **FY2019 Guidance and Outlook**

Trustpower is actively contributing to a number of regulatory reviews, including the electricity price review and the mobile market study. In both cases Trustpower is supporting a well-functioning market that encourages innovation and provides value for customers.

Mr Ridley-Smith said Trustpower's prudent approach to risk meant it was well prepared to manage the current high wholesale marketing pricing, which was being driven by low national hydrology levels and a gas field outage.

On 15 October Trustpower revised EBITDAF guidance for the current financial year to be in the range of \$215 million to \$235 million, an increase of \$10 million. This guidance assumes average hydrology and current forward wholesale electricity prices. This remains the guidance for the underlying EBITDAF.

Mr Ridley-Smith said that looking ahead the company had capacity to grow, and was advancing plans to add more to the bundle proposition as well as making some strategic and targeted investments to continue to digitise the business and improve customer experience.

ENDS

## **Notes**

The half-year 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 26 hydro power schemes throughout New Zealand with a total installed capacity of 570MW. It operates a multi-product retail business, including electricity, gas and telecommunications products with approximately 270,000 electricity connections, 38,000 gas connections and 91,000 telecommunications connections. - For further information see [www.trustpower.co.nz](http://www.trustpower.co.nz)*