



Mercury NZ Limited

Pitched by Athena Churchill



- › “Gentailer”
- › Only energy company in NZ that has 4 major sources of renewables
- › 9 Waikato River Hydro Power stations and 5 geothermal stations

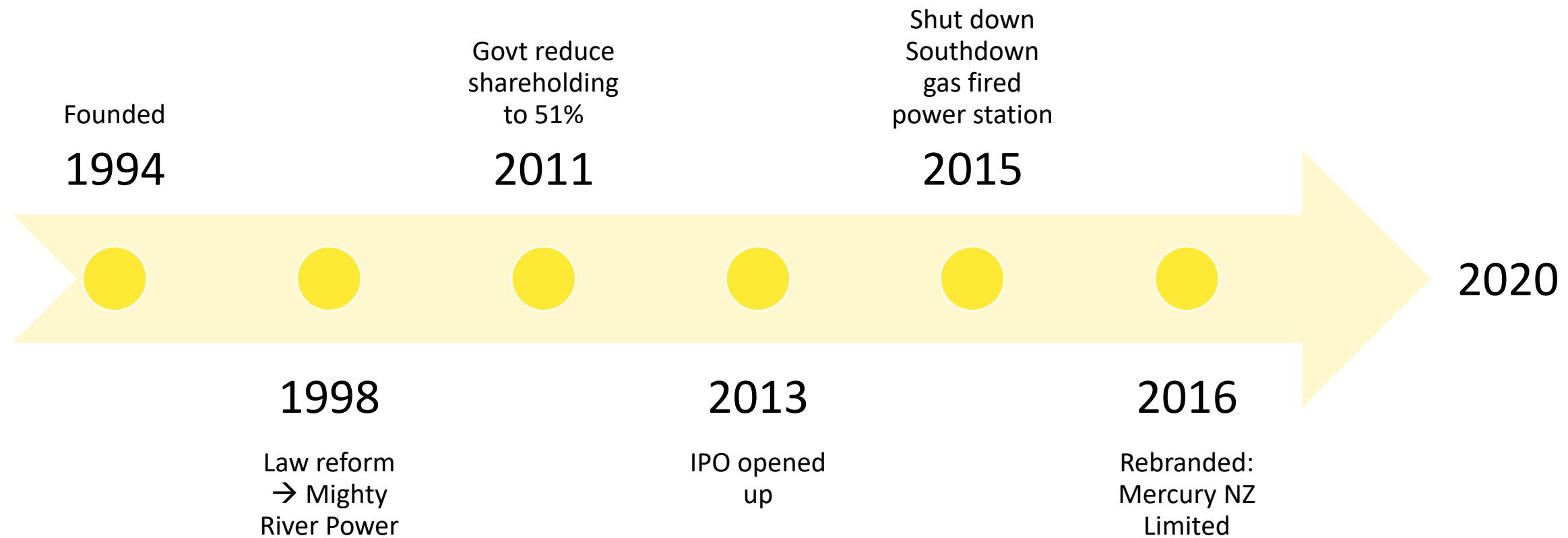
Metrics			
Current Share Price (5 May Close)	\$4.52	Market Cap	\$6.25B
52 Week Trading Range	\$3.60 - \$5.62	Enterprise Value	\$7.19B
Dividend Yield	3.55%	ROA	5.84%
P/E Ratio	18.58	ROE	10.09%

Share Price (5 years)

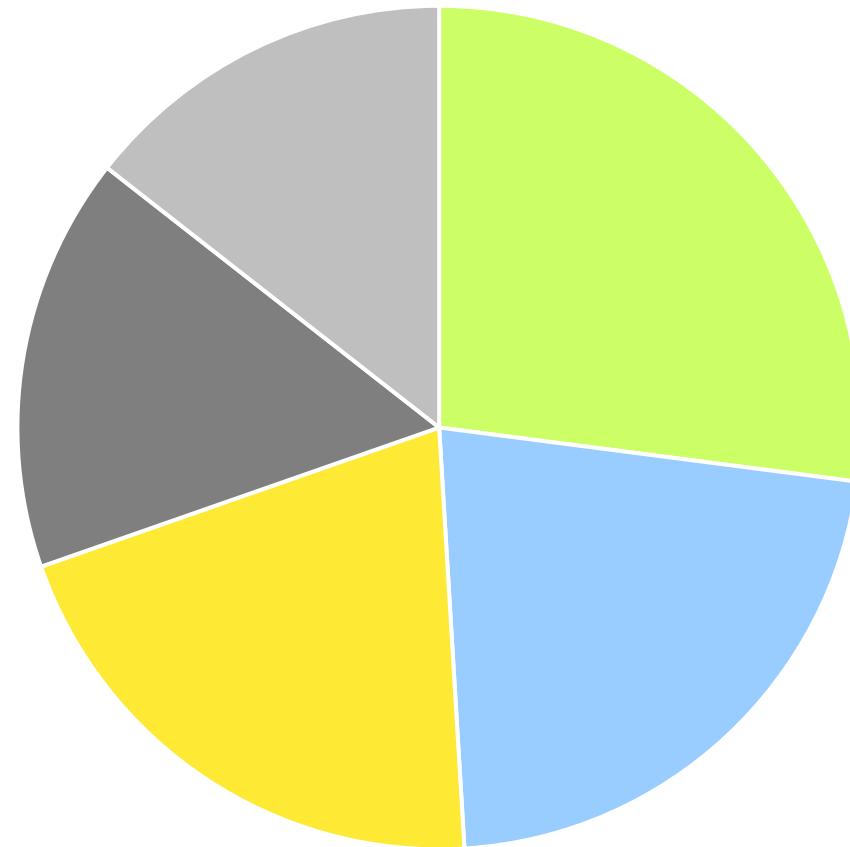
NZX: MCY Adjusted Close



- › 80% of NZ's electricity comes from renewable energy
- › 100% of Mercury's energy is renewable
- › Retail to over 395,000 customers through several brands

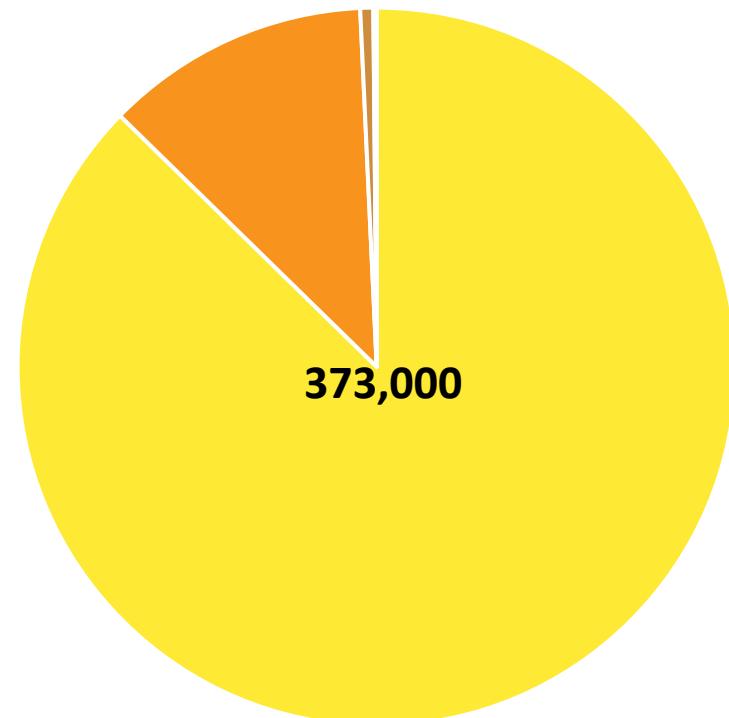


Gentailer Market Share in NZ



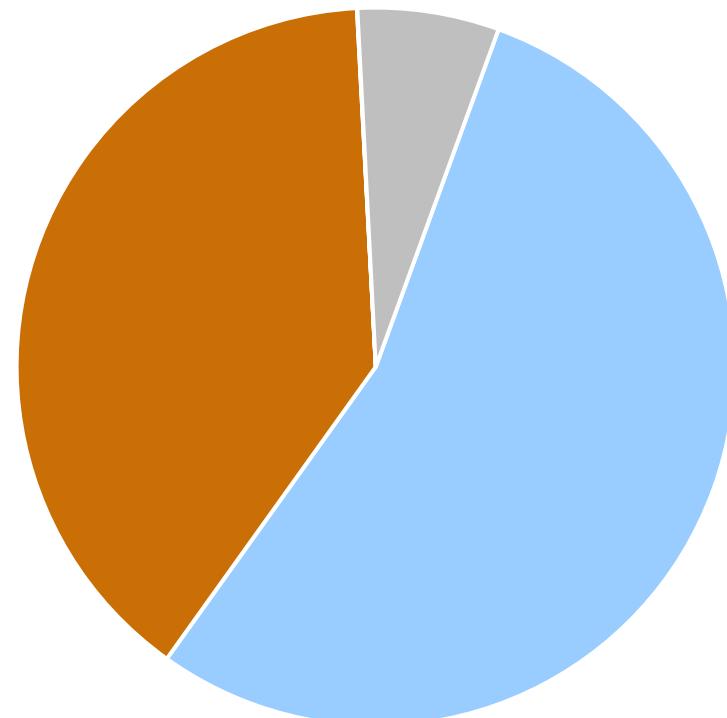
■ Genesis Energy ■ Contact Energy ■ Mercury Energy ■ Meridian Energy ■ Trustpower

Customer Segments



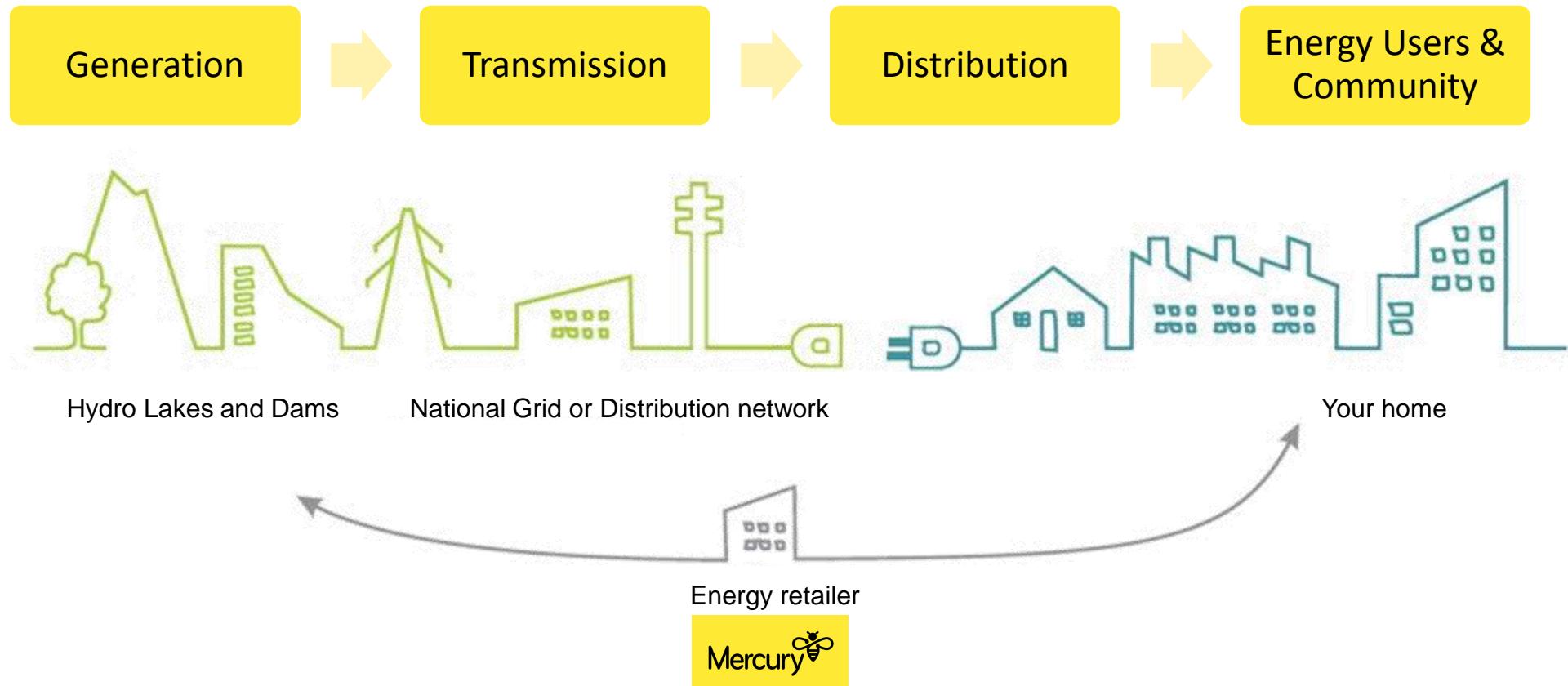
■ Residential ■ Commercial ■ Industrial ■ Spot

Energy Generation per year (GWh)



■ Hydroelectric ■ Geothermal ■ Wind

Energy Network in NZ



Business Drivers

What makes Mercury unique



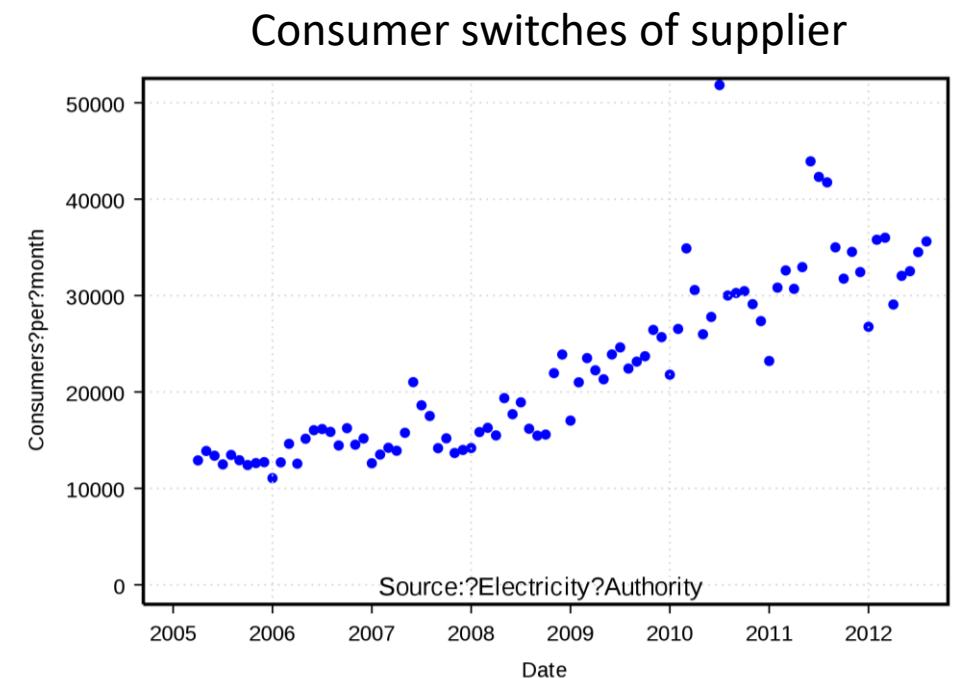
1. Diverse Product Offering



- › Reward loyalty
 - › COVID-19 Free Power Hour
- › Solar solutions
 - › Tesla Powerwall
 - › Solar panel sellback to the Grid
- › Partnerships
 - › Snap Rentals: Mercury Drive
 - › Air New Zealand: Airpoints



TESLA

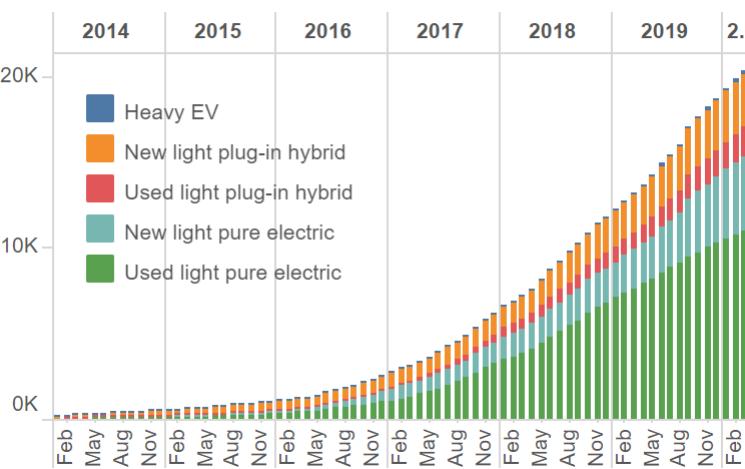


Mercury Drive: E-Mobility Program



- › Partnership with Snap Rentals
- › Hassle-free electric vehicle rental
- › NZ is particularly suited for EV's
 - › 80% renewable energy supply
 - › Low average commute
 - › Common off-street parking
- › Evie VR Adventure

EV fleet size



TOTAL COST OF OWNERSHIP

Yearly cost breakdown

	Small	Compact	Medium	Large
Market value	\$29,077	\$34,284	\$47,462	\$66,893
Fixed costs				
Insurance	\$705	\$780	\$791	\$1,132
WOF	\$49	\$49	\$49	\$49
Registration	\$150	\$150	\$150	\$150
Cost of finance	\$799	\$803	\$1,253	\$1,636
Depreciation	\$2,719	\$3,635	\$4,725	\$7,078
	\$4,422	\$5,417	\$6,968	\$10,045
Flexible costs*				
Fuel	\$1,971	\$2,322	\$2,756	\$3,441
Oil & Tyres	\$412	\$476	\$531	\$739
Repairs	\$597	\$634	\$635	\$650
	\$2,980	\$3,432	\$3,922	\$4,830
Yearly cost (Fixed + Flexible)	\$7,402	\$8,849	\$10,890	\$14,875
Monthly cost	\$617	\$737	\$908	\$1,240

Nissan Leaf Gen 1
\$399/mo

Nissan Leaf Gen 4
\$1,099/mo

Tesla
\$2,799/mo

VW e-Golf
\$1,499/mo

- › Restored, refreshed
- › Fully electric
- › Stimulate the imagination of electric transport



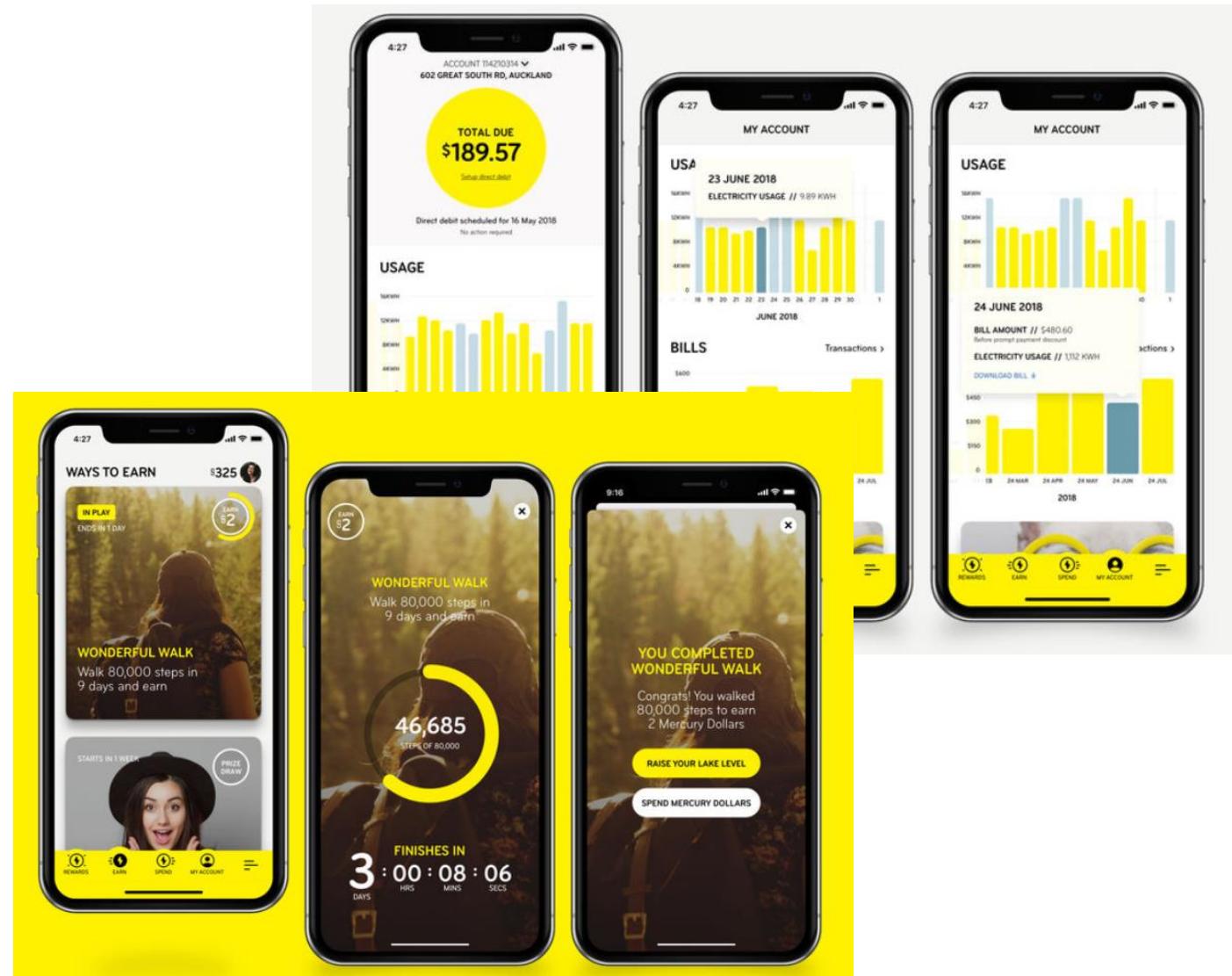
2. Stakeholder Management

Customers



› Mercury Go App

- › Earn Mercury Dollars
- › Free power days for one day every month
- › Bill credit after loyalty for 12 months
- › Fixed energy rates
- › Best Design Award by Designers Institute of New Zealand



OVERVIEW

BUSINESS

INDUSTRY

STRATEGY & CA

RISKS

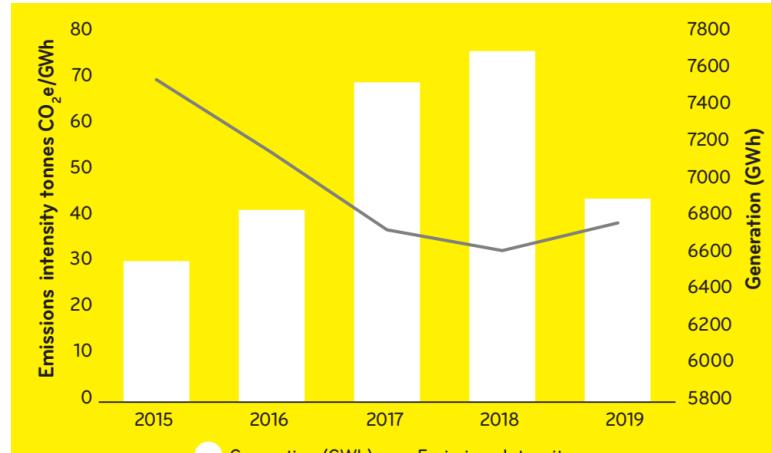
2. Stakeholder Management *Environment*

› Emissions

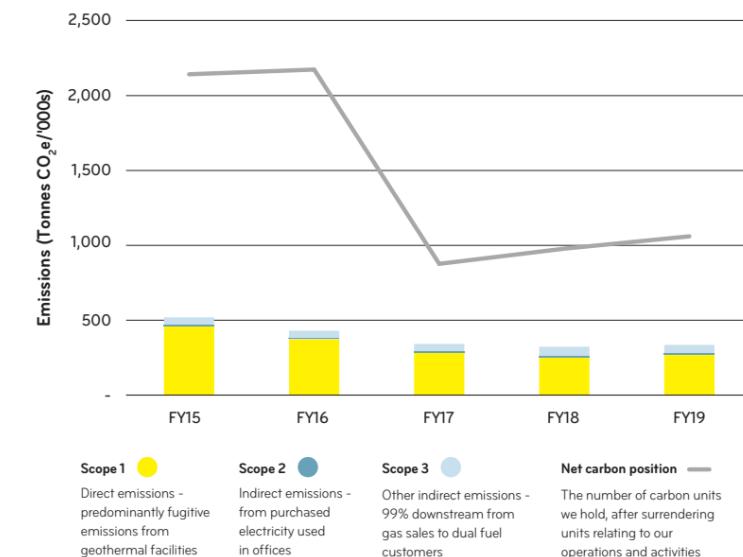
- › Carbon positive through Emissions Trading Scheme
- › Top 15 NZ companies on CDP

› Water Management

- › Water is NZ's treasured resource for renewable energy advantage
- › Work with Iwi, Hapu and Marae
- › Waikato Catchment Ecological Enhancement Trust (WCEET)
- › Operational compliance



Our carbon position FY2015 to FY2019



2. Stakeholder Management

Community

- › Starship Hospital
- › Waikato River Trails
- › Coastguard Lake Taupo
- › Ironman
- › Mighty River Domain
 - › **National Kiwi Hatchery**

KOMANAWA THE KIWI

Komanawa was the first kiwi to be treated in the National Kiwi Hatchery's new kiwi hospital. After two weeks of treatment, Komanawa was released back into the wild.



WEIGHT ON ARRIVAL: 1392G

WEIGHT AT RELEASE: 1457G



1923
CHICKS HATCHED SINCE THE
OPENING OF THE NATIONAL
KIWI HATCHERY

145
CHICKS WERE RELEASED
INTO THE WILD IN FY2019

15 HRS
OF BACK-UP POWER
FROM SOLAR/BATTERY
INSTALLATION



OVERVIEW

BUSINESS

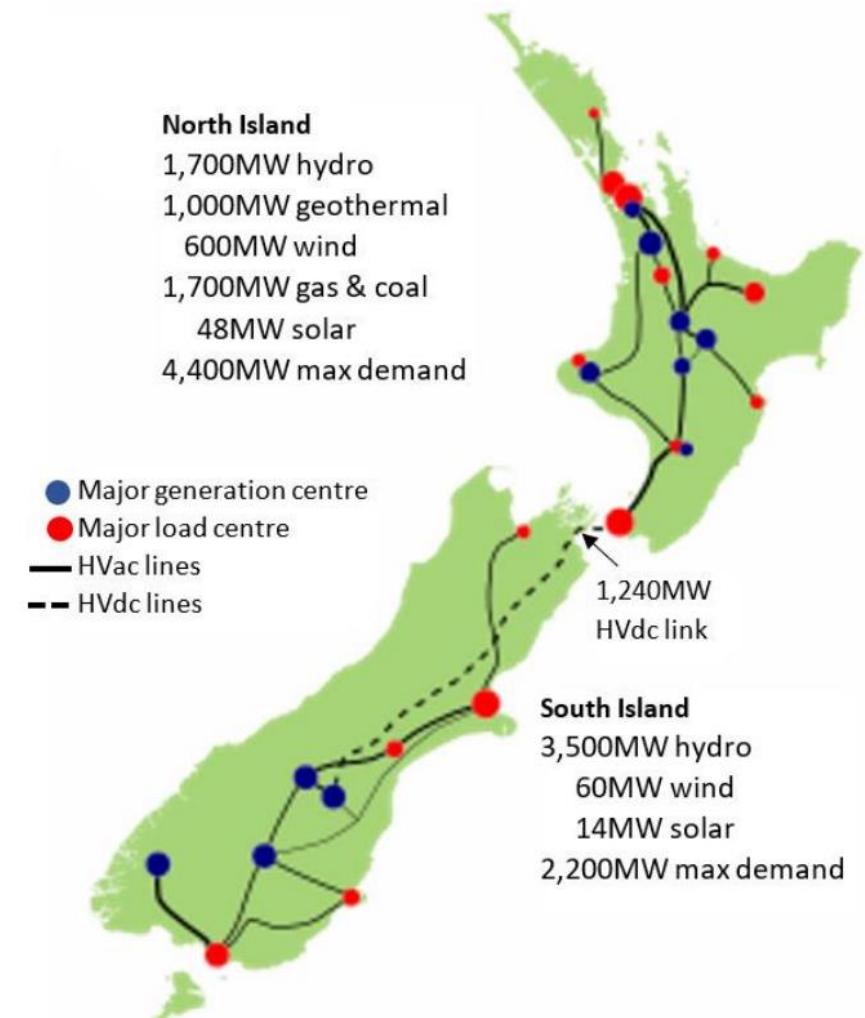
INDUSTRY

STRATEGY & CA

RISKS

3. Geographic location

- › Majority of Mercury's assets are in North Island
 - › Sheltered from risks Earthquakes and droughts
- › North Island electricity demand increasing faster than South Island
- › South Island-based assets deliver energy using underwater link
 - › High maintenance costs
 - › Inter-island transfers more limited by need to provide reserve support
- › Sheltered from natural disaster hotspots



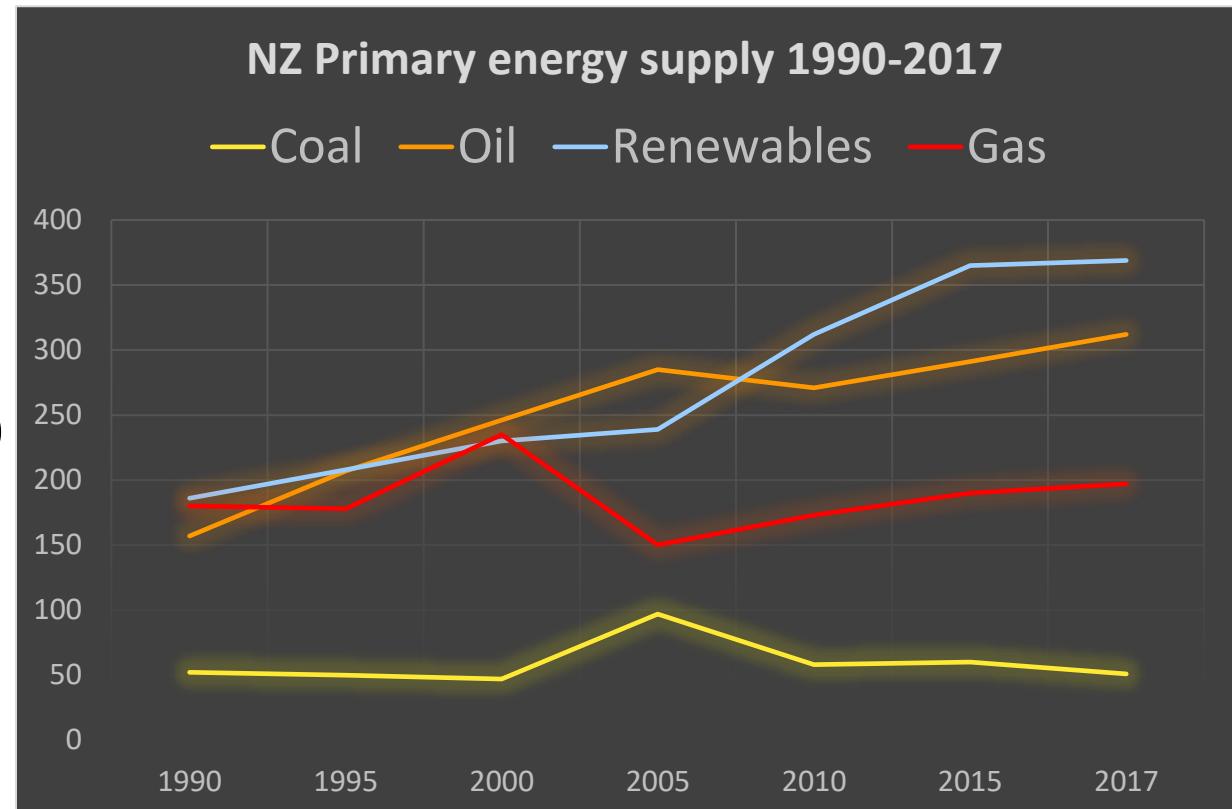
Industry Drivers

What the energy sector is underpinned by



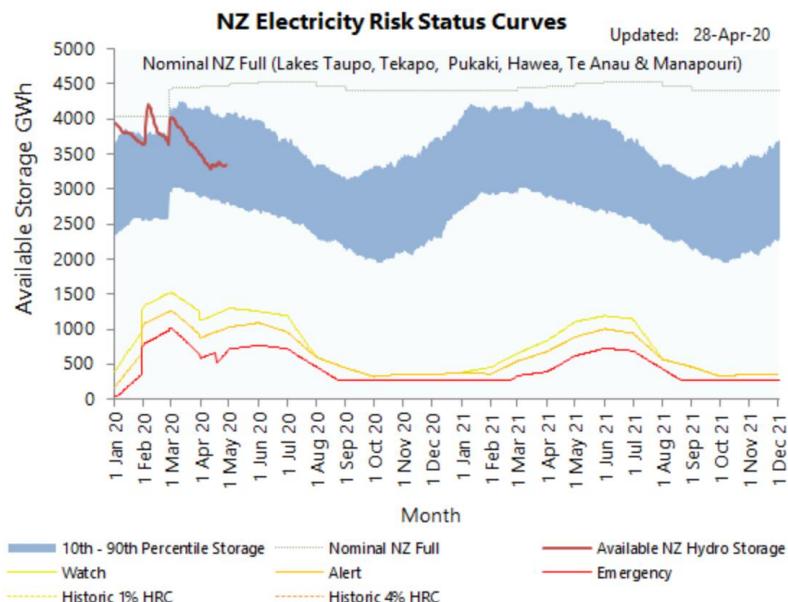
1. Demand for Renewable Energy

- › Renewable energy renaissance in NZ change to supply in gas
 - › Increased price
 - › Low deliverability
- › Technology
 - › Electric vehicles
- › Incentivised by Government initiatives
 - › Reduce emissions of all GhG to net zero by 2050
 - › Environmental benefits
 - › Social benefits
 - › Geopolitical benefits



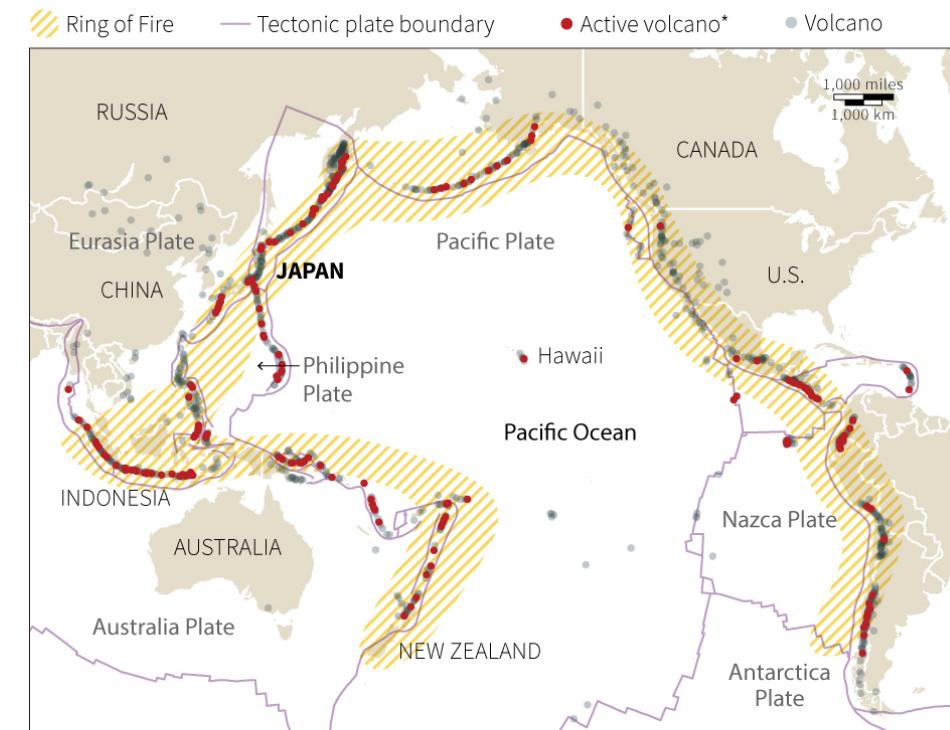
2. Security of Supply

- › Basic need
- › NZ lies on Pacific Ring of Fire
 - › Favourable geological conditions for geothermal power
 - › Does not depend on terrestrial weather systems
 - › 2nd largest energy source in NZ



The Pacific “Ring of Fire”

A 40,000-kilometre arc of volcanoes and oceanic trenches that partly encircles the Pacific Ocean.



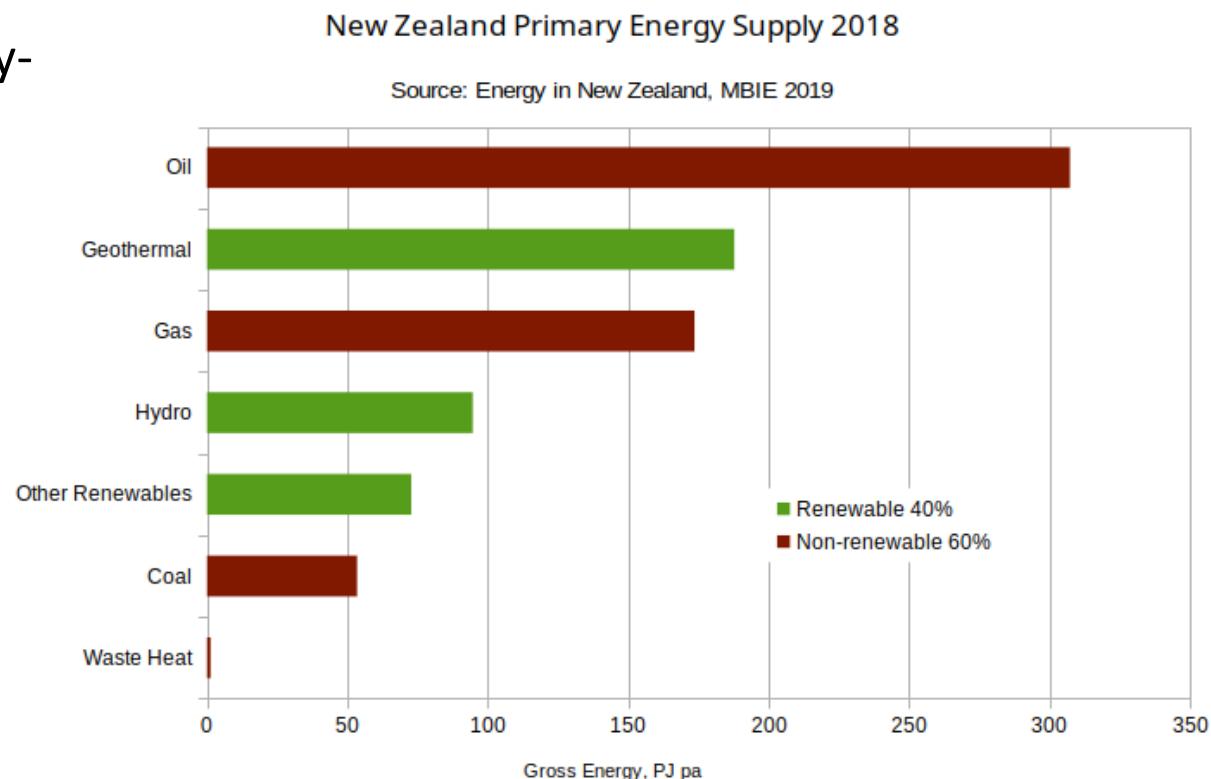
* With last known eruption documented from 2000.

Sources: Global Volcanism Program, Smithsonian Institution; U.S. Geological Survey.

Staff, W. Foo, 09/12/2019

3. Climate & Environmental Change

- › Government push toward 100% renewable energy
- › Consumer preference switch to more environmentally-conscious alternatives
 - › Consumption of energy makes largest impact
- › Room for improvement in non-renewable primary energy supply

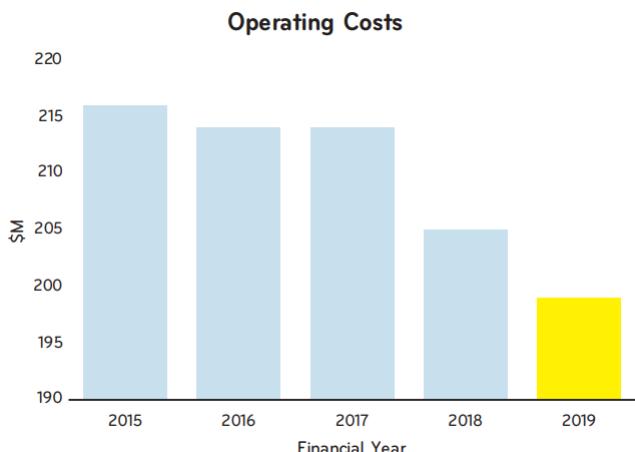
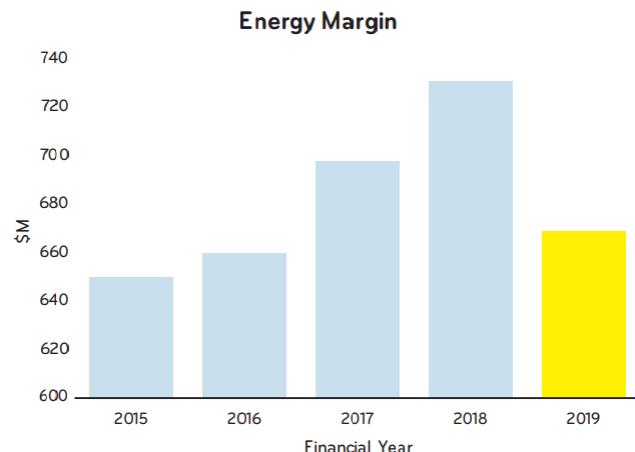


Strategy & Competitive Advantage

How current & future plans
will ensure success



- › 4 types of renewable generation sources
 - › Security in diversity of resources
 - › Diverse energy options for customers
- › Operate NZ's main geothermal generation
 - › Low intermittency
 - › More secure option
- › Sustained operating costs
- › Regular and sustained upkeep of current assets
 - › Decades-long programme of work
 - › Karapiro Dam Reinvestment



SECOND HALF, FY2020 ACTIVITIES:

COMPLETION OF WHAKAMARU AND ARATIATIA HYDRO REFURBISHMENTS

DRILLING PROGRAMME AT KAWERAU AND ROTOKAWA GEOTHERMAL FIELDS

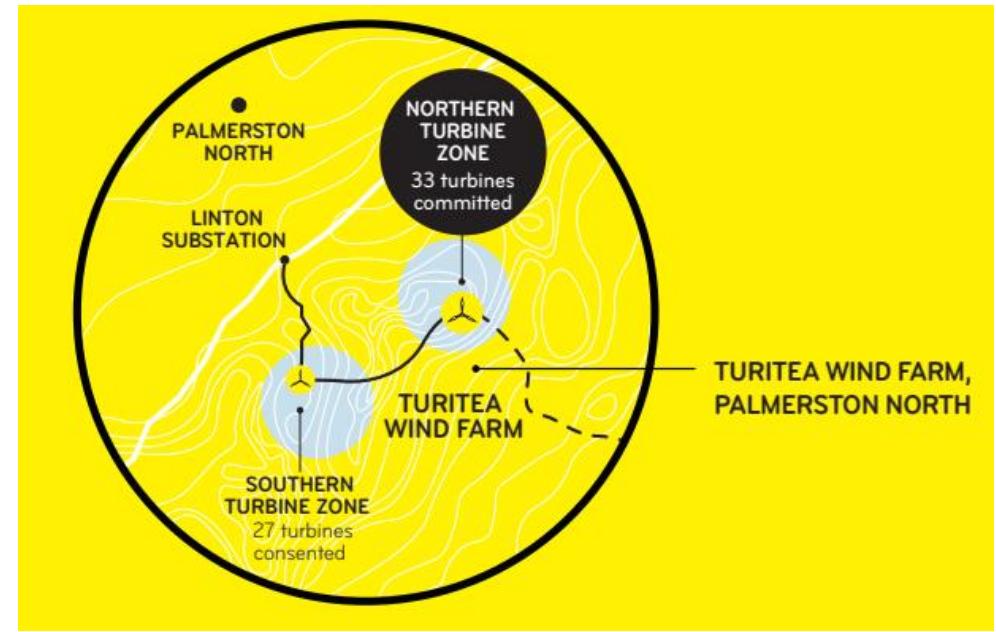
PROGRESS TURITEA WIND FARM CONSTRUCTION

EXPAND MERCURY DRIVE EV-BY-SUBSCRIPTION SERVICE

BUILD "WORLD'S BEST CATCHMENT" PLAN FOR WAIKATO RIVER SUSTAINABILITY

ENHANCE DIGITAL ENGAGEMENT WITH CUSTOMERS, INCLUDING LEVERAGE OF NEW BRAND CAMPAIGN

- › Locally
 - › Solar energy R&D
 - › Solar Storage Plan with Tesla Powerwall
 - › NZ's first grid-scale battery storage facility
 - › Turitea windfarm
 - › Their first wind farm
 - › Build "World's Best Catchment" Plan for Waikato River
- › Internationally
 - › 2019: bought 19.9% stake in Tilt Renewables
 - › Exposure to wind and solar in Australia
 - › Entry to Australia's renewable power market



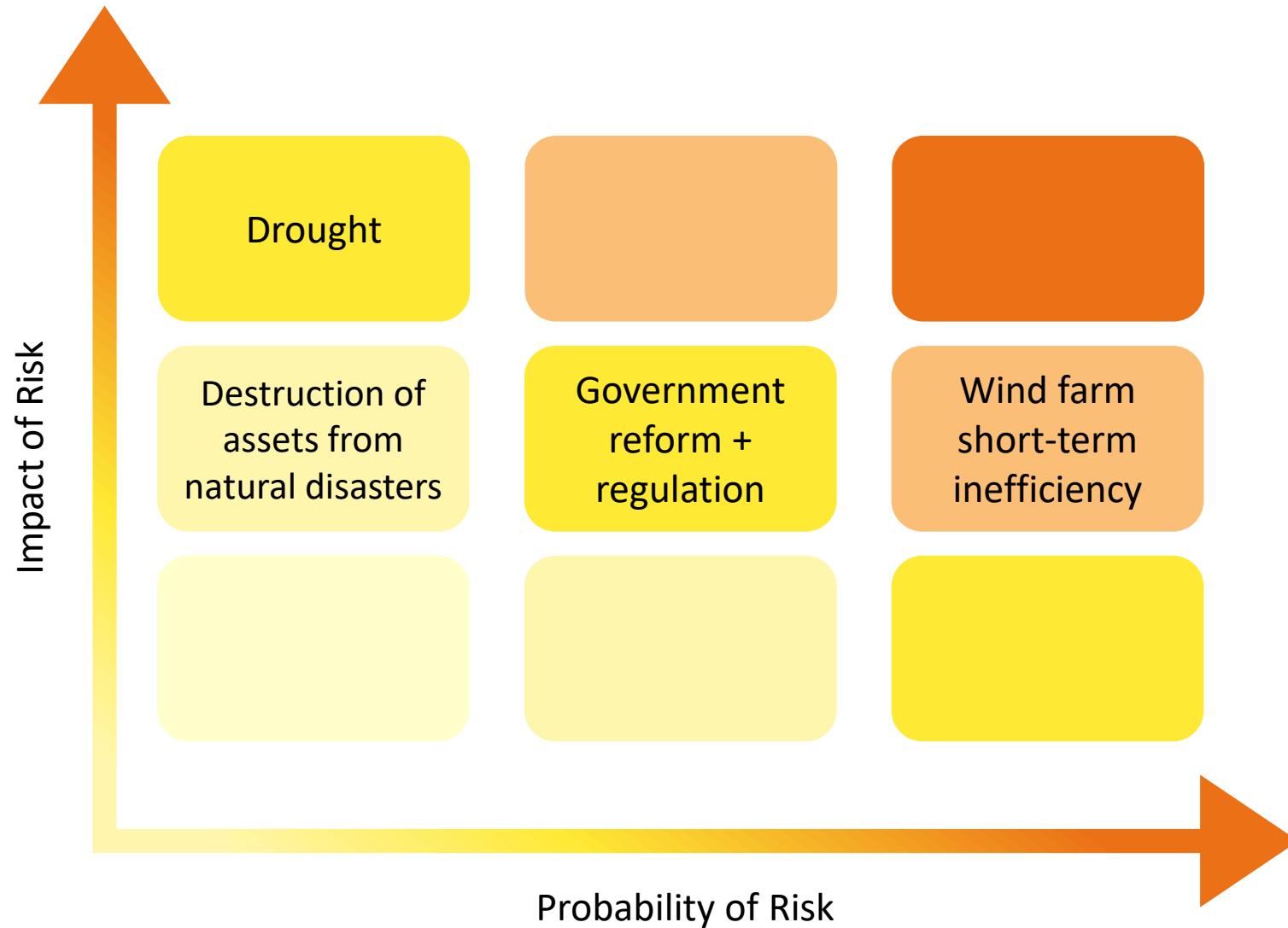


Risks

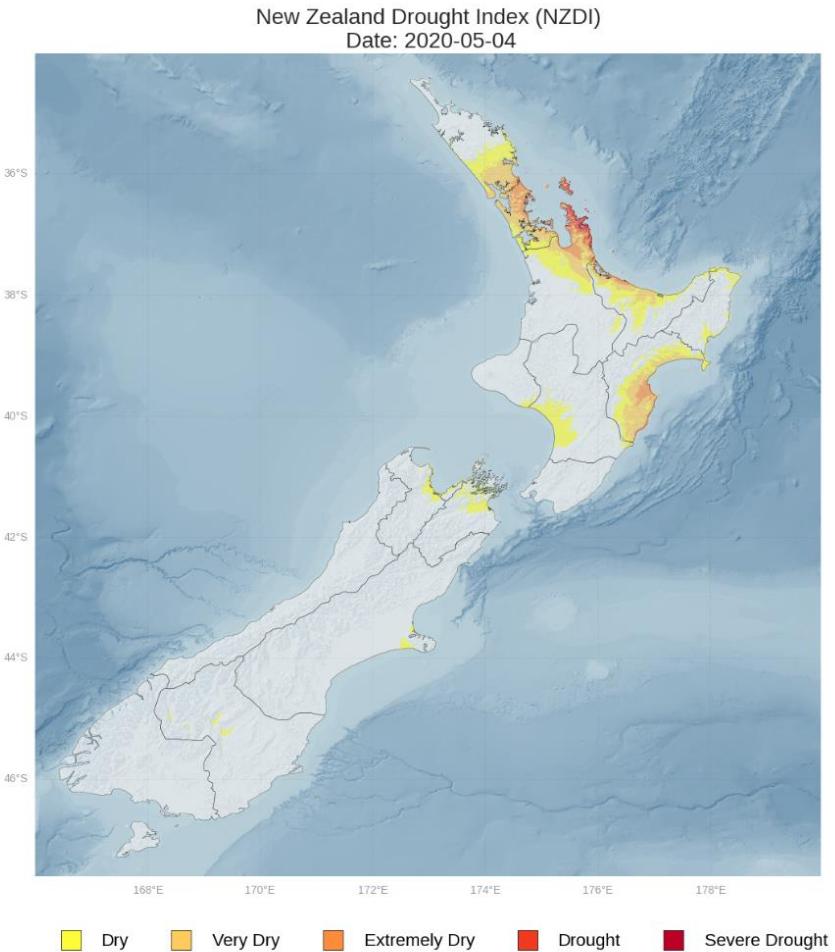
Risks that are mitigated

Risk	Effect	Mitigation
Environmental Change & Supply Security	Reduction in fuel used for generation	Diverse generation, continuously modelling possible scenarios
Increased severity of extreme weather with climate change	Impact fuel availability, asset security	Taken in to account as part of environmental risk management process
Coal price fall	Increased substitution toward non-renewable sources	Regulation constraints
Stagnant retail demand	Decline in client growth rate	Continuous investment into new technology in making NZ 100% renewable + push from govt for electrification of transport
Legislative or regulatory changes to emission restrictions	Increased spending on access to resources	Actively assess carbon pricing emissions trading mechanisms

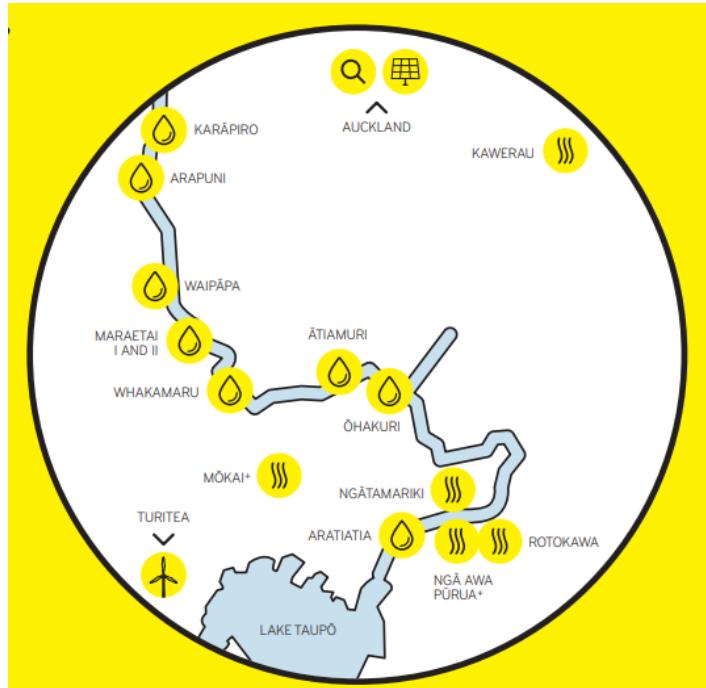
Risks that cannot be mitigated



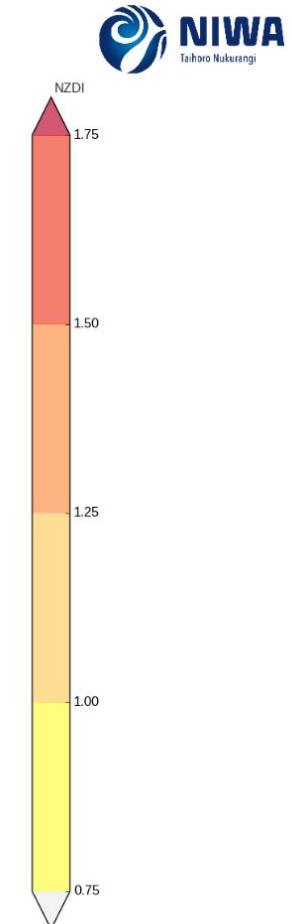
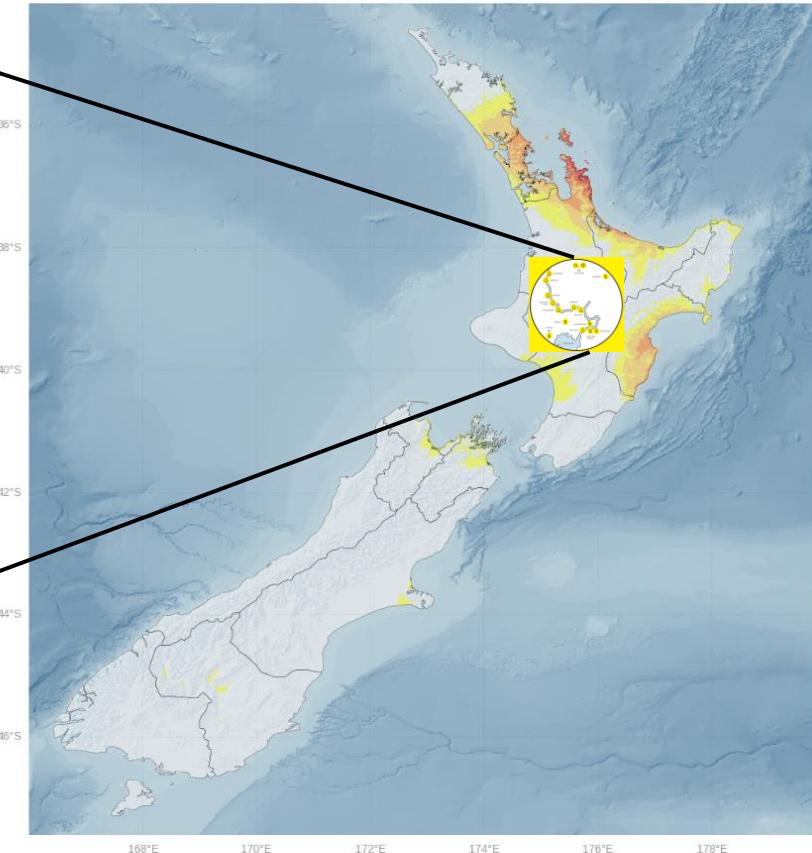
New Zealand Drought Index map



New Zealand Drought Index map



New Zealand Drought Index (NZDI)
Date: 2020-05-04



HYDRO STATIONS
 GEOTHERMAL STATIONS
 SOLAR
 WIND FARM
 R&D CENTRE
+ Not 100% owned by Mercury.

Dry
 Very Dry
 Extremely Dry
 Drought
 Severe Drought

Financial Statements



CONSOLIDATED BALANCE SHEET
For the year ended 30 June 2019

	Note	2019 \$M	2018 \$M
SHAREHOLDERS' EQUITY			
Issued capital		378	378
Treasury shares	5	(101)	(101)
Reserves		3,260	3,028
Total shareholders' equity		3,537	3,305
ASSETS			
Current assets			
Cash and cash equivalents		94	5
Receivables	11	256	226
Contract assets		3	3
Inventories	7	23	35
Derivative financial instruments	15	50	31
Total current assets		426	300
Non-current assets			
Property, plant and equipment	8	5,528	5,370
Intangible assets	9	85	101
Investments	10	234	130
Investment and advances to associates	10	76	88
Advances to joint operations	10	6	7
Derivative financial instruments	15	129	110
Total non-current assets		6,058	5,806
Total assets		6,484	6,106
LIABILITIES			
Current liabilities			
Payables and accruals	11	216	198
Borrowings	13	541	350
Derivative financial instruments	15	45	24
Taxation payable	6	19	17
Total current liabilities		821	589
Non-current liabilities			
Payables and accruals	11	9	6
Provisions	12	59	51
Derivative financial instruments	15	208	73
Borrowings	13	692	951
Deferred tax	6	1,158	1,131
Total non-current liabilities		2,126	2,212
Total liabilities		2,947	2,801
Net assets		3,537	3,305

For and on behalf of the Board of Directors, who authorised the issue of the Financial Statements on 20 August 2019.

FINANCIAL STATEMENTS.

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2019

	Note	2019 \$M	2018 \$M
Total revenue	4	2,000	1,798
Total expenses	4	(1,495)	(1,232)
EBITDAF¹		505	566
Depreciation and amortisation	8, 9	(204)	(201)
Change in the fair value of financial instruments	15	26	49
Gain on sale	4	177	-
Earnings of associates and joint arrangements	10	1	2
Net interest expense	4	(75)	(91)
Profit before tax		430	325
Tax expense	6	(73)	(91)
Profit for the year attributable to owners of the parent		357	234
Basic and diluted earnings per share (cents)		26.23	17.00

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

		2019 \$M	2018 \$M
Profit for the year		357	234
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Movement in asset revaluation reserve		244	55
Movement in cash flow hedge reserve transferred to balance sheet	15	(1)	5
Share of movements in associates and joint ventures' reserves	10	(9)	14
Tax effect		(66)	(17)
Items that may be reclassified subsequently to profit or loss			
Movement in cash flow hedge reserve	15	(118)	33
Movement in other reserves		1	(64)
Tax effect		32	(9)
Other comprehensive income for the year, net of taxation		83	17
Total comprehensive income for the year attributable to owners of the parent		440	251

1. EBITDAF: Earnings before net interest expense, income tax, depreciation and amortisation, change in the fair value of financial instruments, impairments and equity-accounted earnings of associates and joint ventures

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2019

	2019 \$M	2018 \$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,952	1,800
Payments to suppliers and employees	(1,478)	(1,232)
Interest received	1	2
Interest paid	(70)	(92)
Taxes paid	(79)	(102)
Net cash provided by operating activities	326	376
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(93)	(94)
Acquisition of intangibles	(29)	(33)
Acquisition of investment	(55)	(144)
Disposal of land and associated real property	–	5
Distributions received from and advances repaid to associates and joint ventures	5	6
Proceeds from the sale of metering business	270	–
Net cash received/(used) in investing activities	98	(260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	–	(50)
Proceeds from loans	30	262
Repayment of loans	(166)	(75)
Receipt/(payment) of lease incentives/(liabilities)	9	(5)
Dividends paid	(208)	(273)
Net cash used in financing activities	(335)	(141)
Net change in cash and cash equivalents held	89	(25)
Cash and cash equivalents at the beginning of the year	5	30
Cash and cash equivalents at the end of the year	94	5
<i>Cash balance comprises:</i>		
Cash balance at the end of the year	94	5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

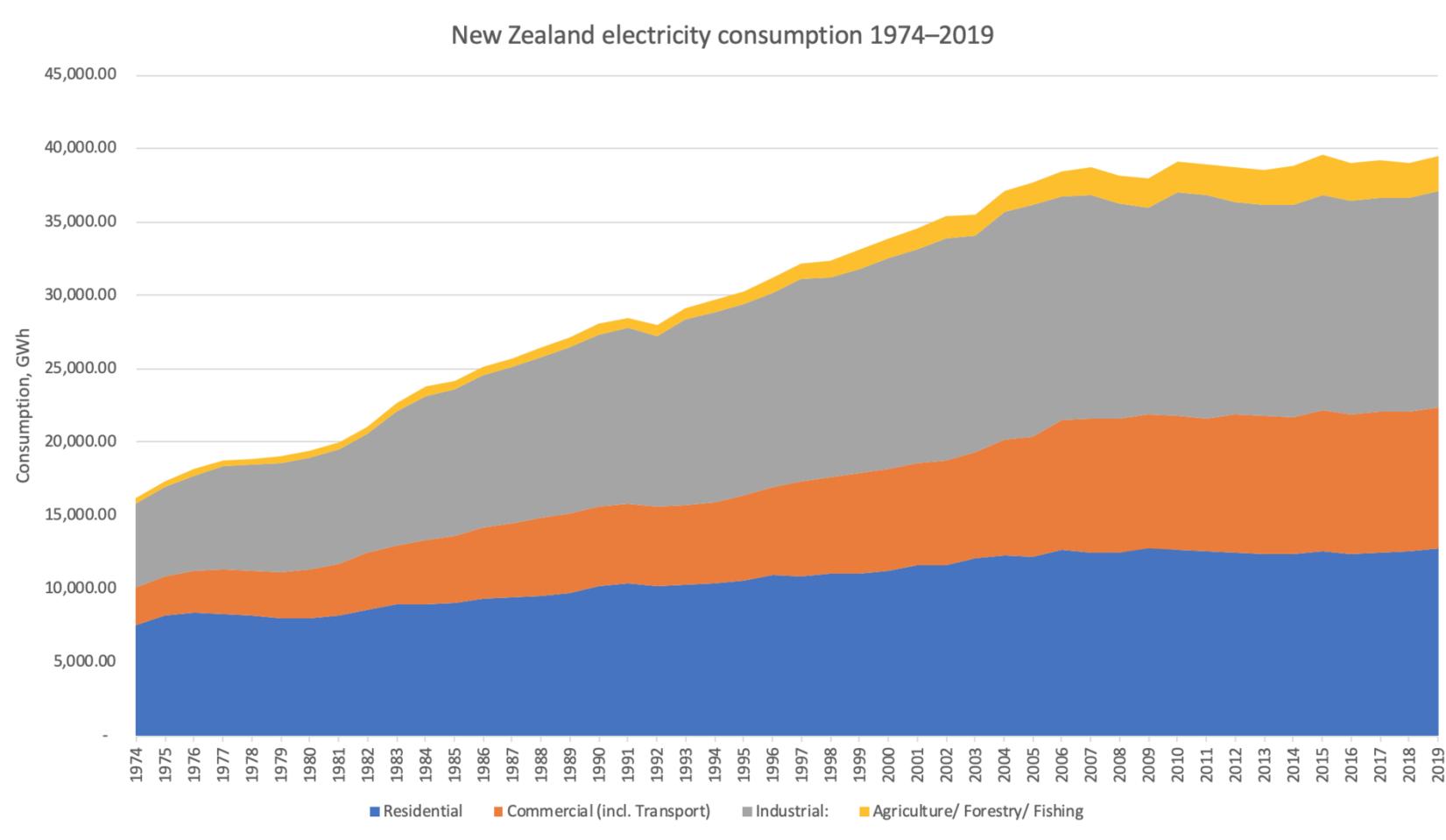
For the year ended 30 June 2019

	Issued capital \$M	Retained earnings \$M	Asset revaluation reserve \$M	Cash flow hedge reserve \$M	Other reserves \$M	Total equity \$M
BALANCE AS AT 1 JULY 2017	378	203	2,849	(53)	(50)	3,327
Movement in asset revaluation reserve, net of taxation	–	–	40	–	–	40
Movement in cash flow hedge reserve, net of taxation	–	–	–	27	–	27
Movements in other reserves	–	–	–	–	(14)	(14)
Share of movements in associates and joint ventures' reserves	–	–	12	2	–	14
Acquisition in treasury shares	–	–	–	–	(50)	(50)
Other comprehensive income	–	–	52	29	(64)	17
Net profit for the year	–	234	–	–	–	234
Total comprehensive income for the year	–	234	52	29	(64)	251
Dividend	–	(273)	–	–	–	(273)
Balance as at 30 June 2018	378	164	2,901	(24)	(114)	3,305
BALANCE AS AT 1 JULY 2018	378	164	2,901	(24)	(114)	3,305
Movement in asset revaluation reserve, net of taxation	–	–	176	–	–	176
Movement in cash flow hedge reserve, net of taxation	–	–	–	(85)	–	(85)
Movements in other reserves	–	2	–	–	(1)	1
Recycling of fair value losses in available for sale reserves	–	(15)	–	–	15	–
Share of movements in associates and joint ventures' reserves	–	–	–	(9)	–	(9)
Other comprehensive income	–	(13)	176	(94)	14	83
Net profit for the year	–	357	–	–	–	357
Total comprehensive income for the year	–	344	176	(94)	14	440
Dividend	–	(208)	–	–	–	(208)
Balance as at 30 June 2019	378	300	3,077	(118)	(100)	3,537

Appendices



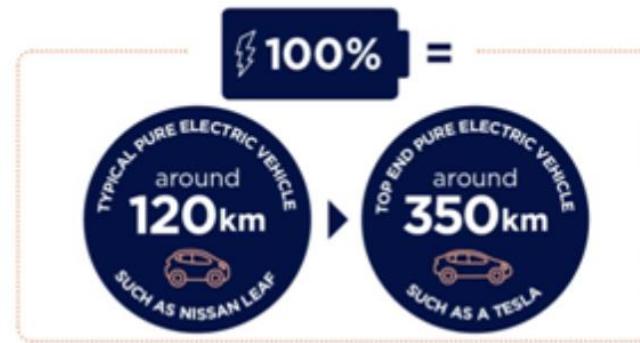
Electricity consumption



Earthquake occurrences over the last 10 years



Electric vehicles in New Zealand



80% fewer CO₂ emissions than a petrol vehicle when used in NZ

- **Ever-growing Industry**
 - Supply mostly from hydroelectric generation
- **Security in Supply**
 - Geothermal energy generation
- **Leader in Environmental Sustainability**
 - Carbon-positive
- **Pioneers in solar and battery storage technology**
 - Tesla Powerwall
 - NZ's first grid-scale battery storage facility
- **Focus on customer satisfaction**
 - Product offerings

