MARKET RELEASE

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Strategy on track despite challenging year

	12 months June 2024	12 months June 2023	Change
EBITDAF [1]	$407.2m	$523.5m	(22%)
Gross Margin	$770.3m	$853.7m	(10%)
Net Profit	$131.1m	$195.8m	(33%)
Operating Expenses	$363.1m	$330.2m	10%
Earnings Per Share	12.21 cps	18.21 cps	(33%)
Total Dividends Per Share	14.0 cps	17.6 cps	(21%)

Strategy Being Delivered:

- Retail reset progressed - 130 FTE removed
- 85 MW Huntly Firming Options sold
- 100 MW (200 MWh) battery for Huntly Power Station
- 190 MWp of solar agreements reached
- Development pipeline expanded to 1,000 MW
- Gas storage option of up to 10 PJ under negotiation

Genesis Energy delivered FY24 EBITDAF of $407.2m with Net Profit after Tax (NPAT) of $131.1m in a challenging operating environment. The financial result was impacted significantly by gas supply constraints, low hydro and wind levels and a seven-month unplanned outage of Huntly Unit 5. Fuel costs were $169.5 million higher, while 99.9% of Genesis customers were not impacted by the higher wholesale prices.

During the period, good progress was made in delivering on Gen35 strategy. The first stage of a new lower-cost retail operating model was implemented, a final investment decision was made on installing 100 MW/200 MWh of battery storage at Huntly Power Station, a new site for a 127 MWp[2] solar farm was confirmed, and negotiations are ongoing in securing a local and sustainable supply chain of biomass.

[1] Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, unrealised fair value changes, and other gains and losses. Refer to note A1 in the consolidated financial statements for reconciliation from EBITDAF to net profit before tax.

[2] MWp refers to the maximum direct current (DC) power output of a solar system under ideal conditions.

The operating conditions for FY24 were in direct contrast to the prior comparable period where near historic high hydro levels drove a record financial performance.

The company declared a final dividend of 7.0 cps. This takes the annual declared dividend to 14.0 cps.

Chief Executive Malcolm Johns said Gen35 is focused on driving earnings growth from new investments by FY27.

"In FY24 we met our challenges head on, demonstrated the resilience of the generation portfolio, shaped the business for the future and set up the 8 by '28 framework to deliver Horizon 2 of Gen35. These are our eight key deliverables for growth over the next four years," Johns said.

"Battery storage and biomass were advanced as we evolve Huntly Power Station to provide 1,400 MW of energy security for a high renewables grid, with 500 MW by FY28. In our solar programme, we are pleased to have secured another large solar site, we continue due diligence on other locations and Lauriston solar farm in Canterbury is on track for first generation toward the end of this calendar year.

"These show Genesis is delivering new renewables and energy security at scale."

The 8 by '28 framework includes investment into grid scale solar, battery storage, biomass, gas storage, customer flexibility, new billing and CRM platform, customer electrification and a focus on operational expenditure.

Strategy milestones FY24

Genesis has reached final investment decision to install 100 MW/200 MWh of battery storage at Huntly Power Station. This is the first tranche of up to 400 MW of battery on-site. Genesis is able to leverage existing land, infrastructure, and grid connection to deliver this project at an investment cost of approximately $150 million, the lowest cost grid scale battery in New Zealand to date. The battery is an important addition to evolving Huntly as the country's leading energy security generation site. Battery installation is expected to begin in Q2 FY25 and be operational in early FY27. The battery provider is SAFT, a subsidiary of Total Energies and a global battery specialist with strong experience in the New Zealand market.

An agreement has also been reached for a new 127 MWp solar development at Edgecumbe in the Bay of Plenty. The 207 hectare site will be developed by Genesis with first generation targeted for FY26. The site is a quality competitive solar development which provides a high solar yield. It is in a good location connecting to an existing substation and acquired from a reliable developer.

The Lauriston solar site is under construction and on track for first generation late this calendar year.

Genesis continues to make good progress with sourcing a sustainable local supply chain for biomass. We are working toward receiving a small domestic supply of biomass by the end of FY25 that will be used to fine tune the Rankine units to run on the fuel. A further update to the market will be provided later in 2024.

Drivers of FY24 financial performance

Lower rainfall in FY24 resulted in 27% lower renewable generation. This, alongside the Unit 5 outage and New Zealand gas shortages, saw the Rankine units at Huntly Power Station come to the fore, highlighting the deep resilience of the Genesis generation portfolio.

Thermal generation was up 1,105 GWh which meant higher fuel costs across the portfolio. This contributed to a $116m reduction in EBITDAF. Emissions were also higher, up 60% on FY23. Less gas means more coal, which produce twice the emissions of gas.

Gas supply will continue to be an issue for the sector for the foreseeable future and gas prices will remain high. There has been a strong correlation between gas and electricity prices. Imported coal has become a cheaper generation fuel than domestic gas.

Genesis has been able to secure additional gas supply to support customers and generation at Huntly through agreements with market participants. Genesis has also taken a right to develop up to 10 PJ of gas storage with the Tariki Joint Venture. This will enable gas to be stored for use during winter months.

Retail maintained high customer satisfaction levels as the retail operating model was simplified. A lower cost, lighter touch operating model saw 130 FTE disestablished across employees, contractors and vacancies. With new technology being deployed the retail business is on track for operating with around 200 fewer FTE by FY26.

There was a $33 million increase in operating expenditure due to investment in digital projects across the business, higher staff costs and inflationary pressures. This increase is in line with Gen35 expectations.

Investment was made into Tuai Power Station with the last of three new generators installed, lifting maximum production by around 10%. At Rangipo station, near Turangi, refurbishment work was undertaken on one of the turbines, generator and intake gate.

Market Conditions

Malcolm Johns said that current market conditions demonstrate energy security is non-negotiable in a high renewables grid.

"The market conditions New Zealand is experiencing demonstrate the critical importance of energy security to the New Zealand economy. Over the next four years Genesis is targeting building 500 MW of new renewable electricity and freeing up 500 MW of baseload generation at Huntly to support energy security. This is New Zealand's fastest, cheapest pathway to shoring up short term energy security in a high renewables grid," he said.

Huntly Power Station can only operate on specific types of coal which are now only available from two mines in Indonesia. These supply chains are long, mine supply volumes are fixed, and it takes up to six months to surge coal supplies to New Zealand.

New Zealand has a capacity reserve requirement in current market settings. As we add more solar and wind to the grid, the country also needs an energy reserve setting, and all generators need to take a share of that energy reserve. The market will efficiently solve for both capacity and energy reserves once the settings are in place.

Guidance

Genesis Energy advises that FY25 EBITDAF is expected to around $460 million. Genesis highlights current volatility across electricity and gas markets and notes that this could result in a wider range of earnings outcomes. Guidance is subject to gas availability, plant availability and any material adverse events or circumstances.

FY25 capital expenditure is expected to be around $180 million, including around $60 million investment in the 100 MW/200 MWh battery at Huntly. In line with Gen 35 Strategy, operating expenditure is expected be around $390 million.

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About Genesis
Genesis (NZX: GNE, ASX: GNE) is a diversified New Zealand energy company. Genesis sells electricity, reticulated natural gas and LPG through its retail brands of Genesis and Frank and is one of New Zealand's largest energy retailers with more than 490,000 customers. The Company generates electricity from a diverse portfolio of thermal and renewable generation assets located in different parts of the country. Genesis also has a 46% interest in the Kupe Joint Venture, which owns the Kupe Oil and Gas Field offshore of Taranaki, New Zealand. Genesis had revenue of $NZ3.1 billion during the 12 months ended 30 June 2024. More information can be found at www.genesisenergy.co.nz