

FULL YEAR ENDED 30 JUNE 2020

# Financial and Operational Results

27 August 2020

# Disclaimer

This presentation contains forward-looking statements.

Forward-looking statements often include words such as “anticipates”, “estimates”, “expects”, “intends”, “plans”, “believes” and similar words in connection with discussions of future operating or financial performance.

The forward-looking statements are based on management's and directors' current expectations and assumptions regarding Vector's businesses and performance, the economy and other future conditions, circumstances and results.

As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Vector's actual results may vary materially from those expressed or implied in its forward-looking statements.

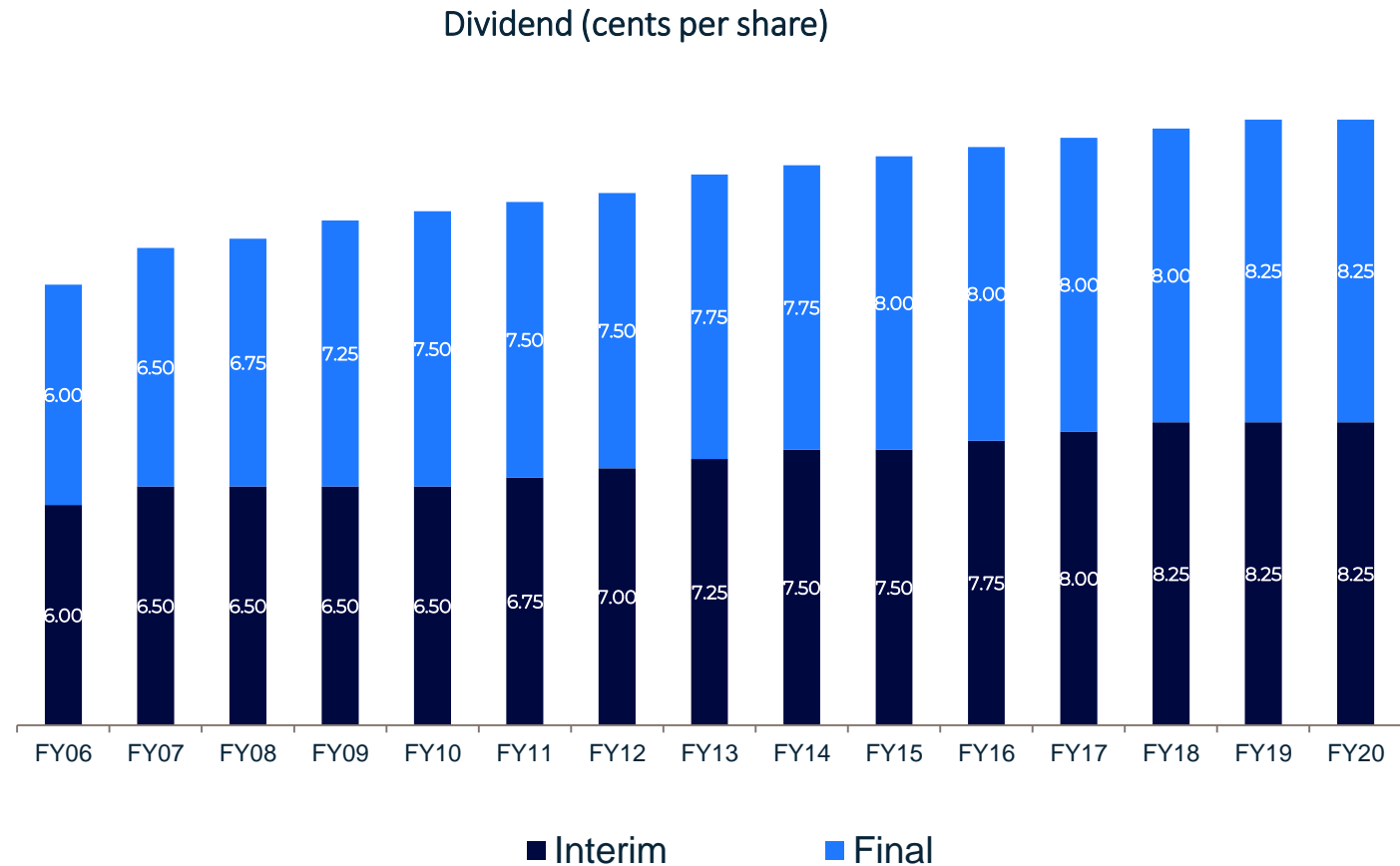
# Agenda

- Dividend
- FY2020 Business Insights and Highlights
- Financial Performance
- Segment Performance
- Outlook
- Q&A

# DIVIDEND

# Dividend

- Final dividend of 8.25 cents per share
- Taking the full year dividend to 16.50 cents per share
  - Flat on prior year
  - Imputation at rate of 10.5%
- Dividend record date of 14 September 2020 and payment date of 21 September 2020



# FY2020 BUSINESS INSIGHTS AND HIGHLIGHTS



# FY20 Business Insights

## Electricity and Gas Distribution



- Regulatory DPP3 reset from 1 April 2020
- 15,432 new electricity and gas connections added in FY20 compared with 14,322 in the prior period
- Level of investment at all time high of \$317m, 21.5% higher than prior year
- Volumes overall 1.1% lower at 8,315 GWh with lower business volume offset by higher residential volume



## Metering



- In FY20, deployed 119k advanced meters in Australia and 36k in NZ
- Advanced meter fleet totals 1.71m across NZ and Australia
- Almost 280k meters now installed in Australia
- Invested capex of \$133m or 10% more than equivalent prior period

## Gas Trading



- Sale of Kapuni assets completed 31 March 2020
- 6.6% increase in 9kg LPG bottle swaps to 701,923
- 5.0% Increase in Liquigas tolling to 116,024 tonnes
- Gas liquid sales down 2.2% to 43,338 tonnes

# FY20 Highlights

## STRATEGIC ALLIANCE



WITH AMAZON WEB SERVICES TO CREATE THE NEW ENERGY PLATFORM

## ESSENTIAL SERVICE

STATUS DURING COVID-19 ALERT LEVELS 4 AND 3 – THANK YOU TO OUR PEOPLE AND PARTNERS FOR ENABLING VECTOR TO KEEP THE LIGHTS ON AND ENERGY FLOWING FOR OUR CUSTOMERS DURING THE PANDEMIC



17%



REDUCTION IN OUR TRIFR COMPARED WITH FY19

110,000

GENESIS CUSTOMERS SET TO BENEFIT FROM ADVANCED GAS METER PROGRAMME

12.6%



REDUCTION IN CORPORATE CARBON INTENSITY

## SUPREME AWARD



AT DIVERSITY WORKS AWARDS FOR OUR COMMITMENT TO BUILDING AN INCLUSIVE AND SUPPORTIVE WORKPLACE CULTURE

## VECTOR POWERSMART

1MW FLOATING SOLAR PROJECT WITH WATERCARE

SALE



OF KAPUNI GAS TREATMENT PLANT AND ASSOCIATED ASSETS TO TODD ENERGY

## MORE THAN \$1B

SUCCESSFUL DEBT RAISING AND REFINANCING ACROSS NZ AND US FINANCIAL MARKETS

## GENDER DIVERSITY 35%

FEMALE EMPLOYEES (UP FROM 34% IN FY19)



## WAIHEKE ISLAND

SUPPORTING THE GOAL TO BECOME WORLD'S FIRST ELECTRIFIED ISLAND THANKS TO AN EECA FUNDING GRANT TO VECTOR TO INSTALL SMART EV CHARGING INFRASTRUCTURE

## BATTERY INDUSTRY GROUP (B.I.G.)

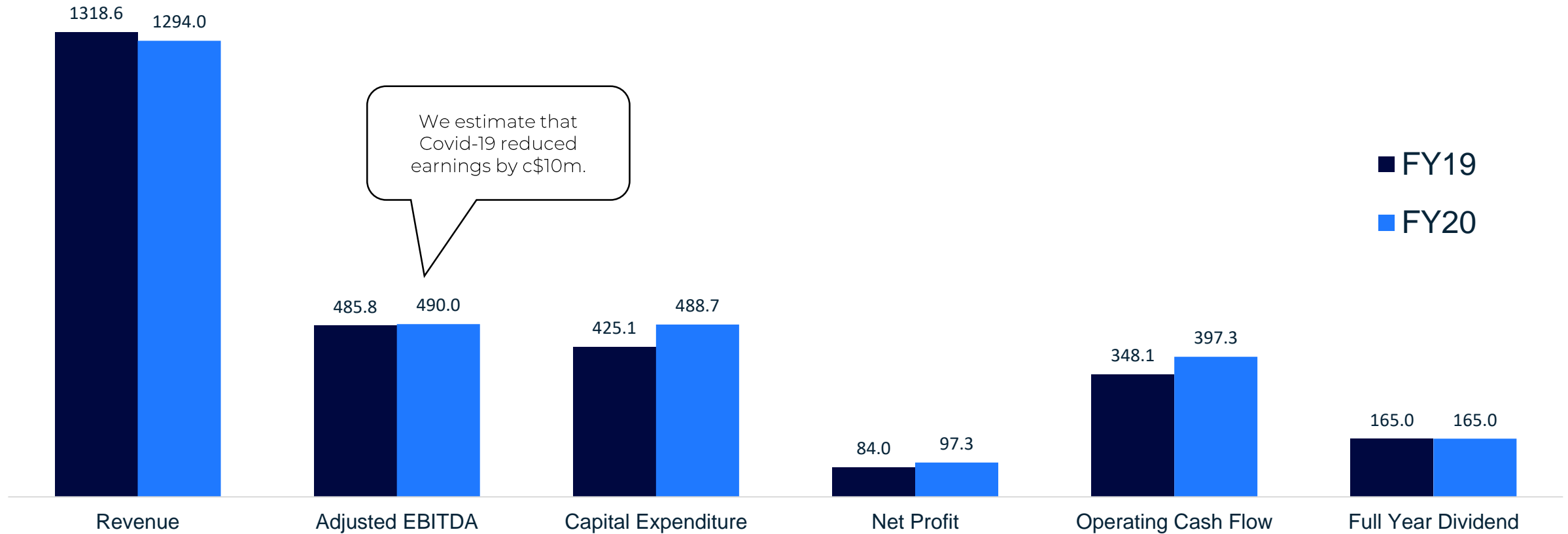
SPEARHEADED AN INDUSTRY-WIDE EFFORT TO DEVELOP A CIRCULAR ECONOMY PRODUCT STEWARDSHIP SCHEME FOR END OF LIFE BATTERIES



# FINANCIAL PERFORMANCE

# Overview of financial performance

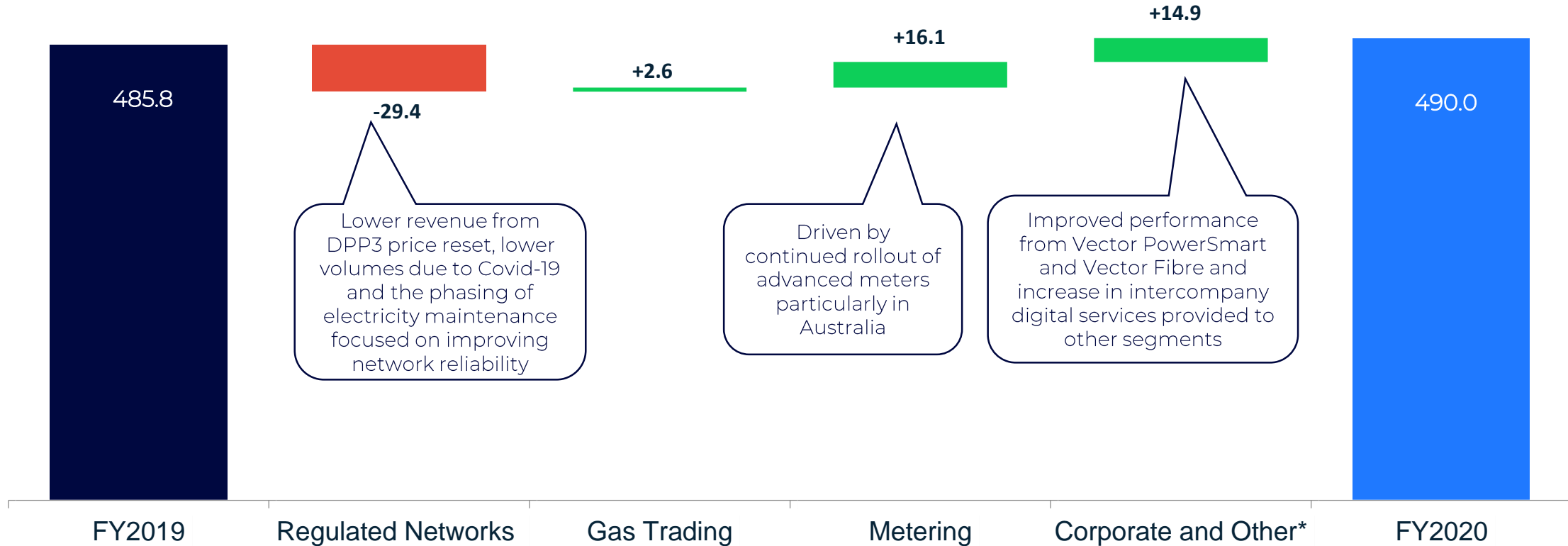
## FY20 FINANCIAL PERFORMANCE (\$M)



Adjusted EBITDA is not a GAAP measure of profit. For a reconciliation of adjusted EBITDA to EBITDA and net profit refer to page 29 of this presentation.

# Segment earnings steady

FY20 ADJUSTED EBITDA MOVEMENT (\$M)

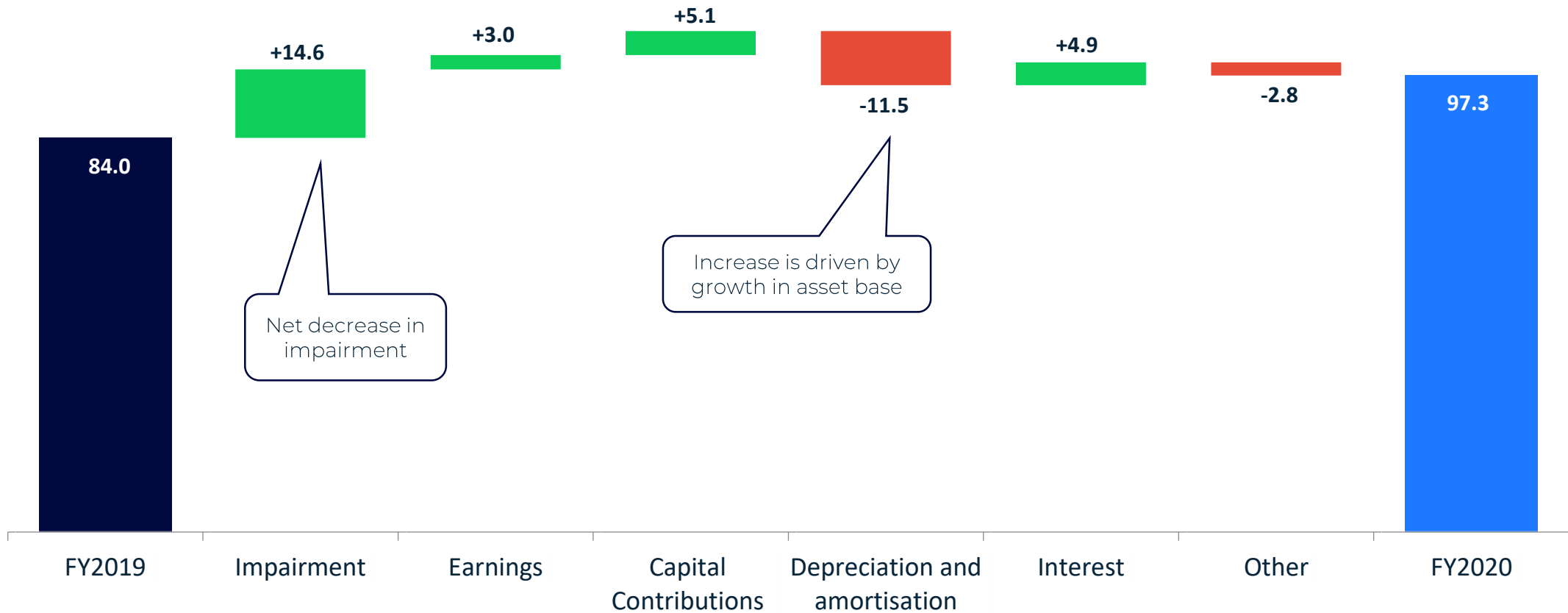


Other includes Vector PowerSmart, Vector Fibre and Vector Technology Services

\* Corporate and Other is not a reportable segment

# NPAT up \$13.3m or 15.8%

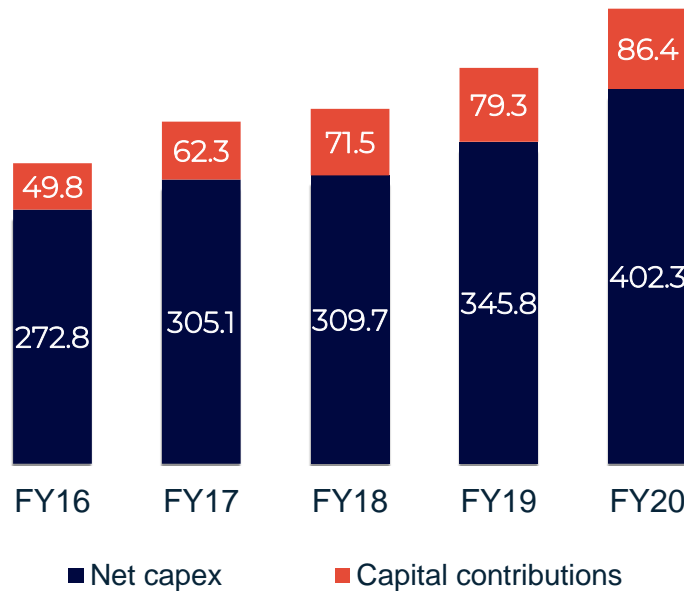
## MOVEMENT IN NET PROFIT AFTER TAX (\$M)



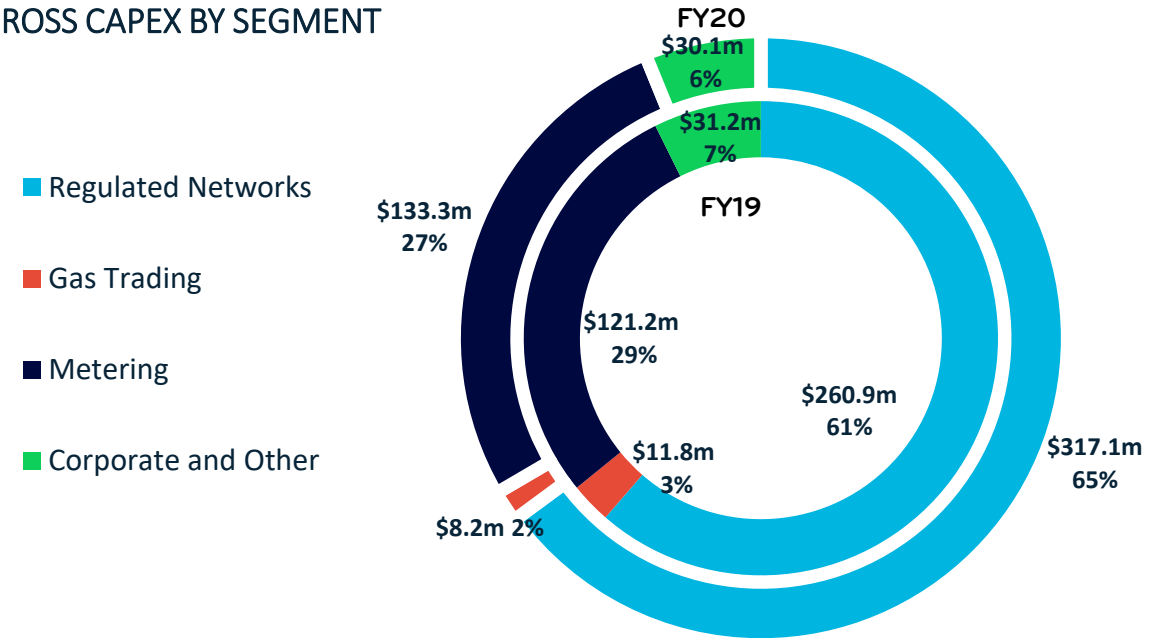
All items above are net of tax except impairment  
"Other" includes associates, gain on sale of Kapuni gas interests, fair value change on financial instruments and tax changes

# Capex driven by Auckland growth & meter deployment in Australia

GROSS CAPITAL EXPENDITURE (\$m)



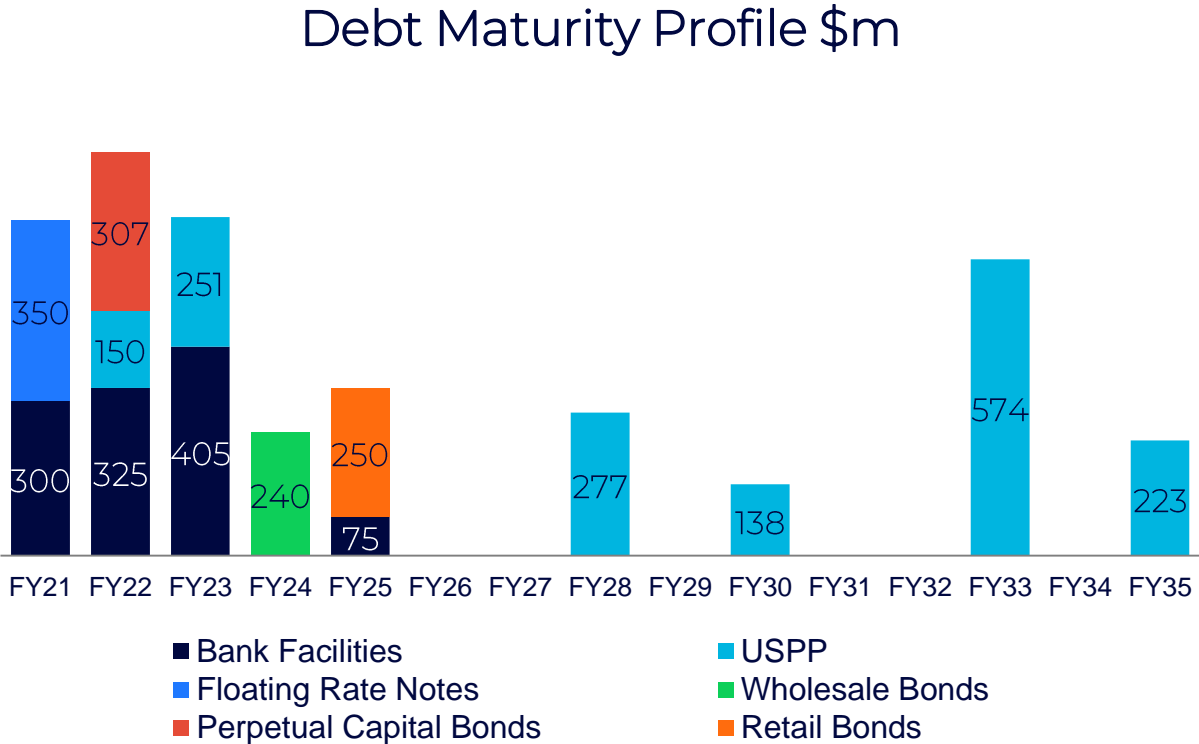
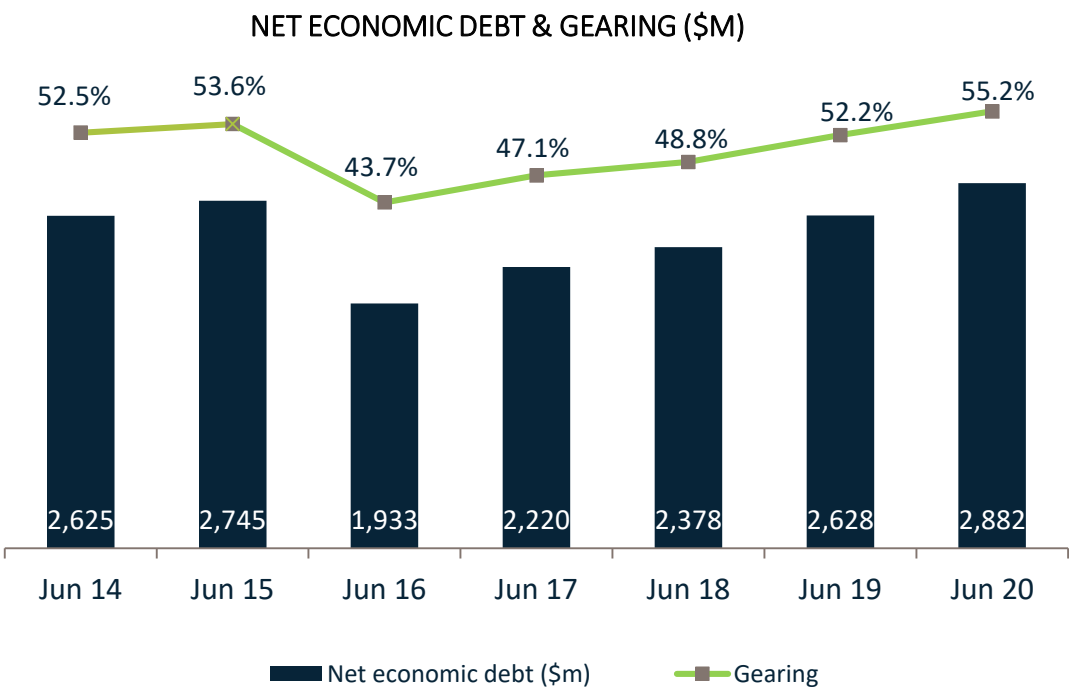
GROSS CAPEX BY SEGMENT



- Gross capex up 15.0% to \$488.7m. Net capex (after deducting contributions) up 16.3% to \$402.3m
- Growth capex up 16.2% to \$291.3m. Replacement capex up 13.1% to \$197.4m
- Regulated Network capex up 21.5% driven by Auckland growth and to improve safety, reliability and resilience of our networks



# Strong balance sheet



- Economic gearing as at 30 June 2020 at 55.2%
- We successfully refinanced \$1.15 billion of debt over the year
- Increased the weighted average maturity of our drawn debt portfolio beyond 7 years.



# SEGMENT PERFORMANCE

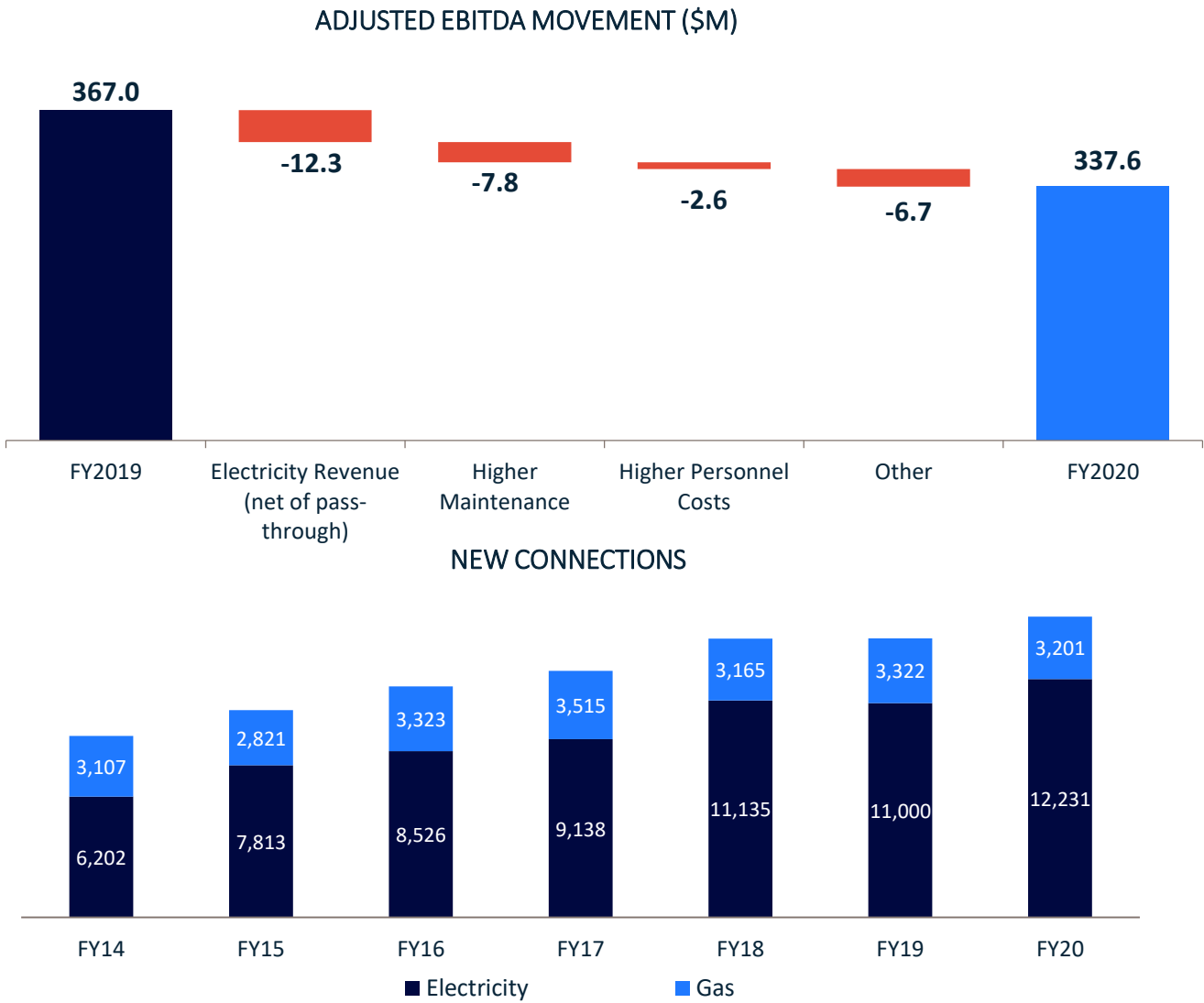


# Network earnings impacted by DPP3 price reset, lower volumes due to Covid-19 and higher maintenance

- Revenue is lower due to:
  - With restrictions in place under Covid-19 alert levels 3 and 4, electricity volumes were down approx. 10%
  - DPP3 price reset resulted in a price reduction of 6.9% from 1 April 2020
  - Electricity revenue cap applies from start of DPP3 on 1 April 2020
- Higher maintenance due to improvement in reliability and resilience of the network and reducing SAIDI
- Increase in personnel cost linked to increase in activity
- Other includes additional cost in relation to services provided by Vector Technology Services
- 12,231 new electricity and 3,201 new gas connections in FY20

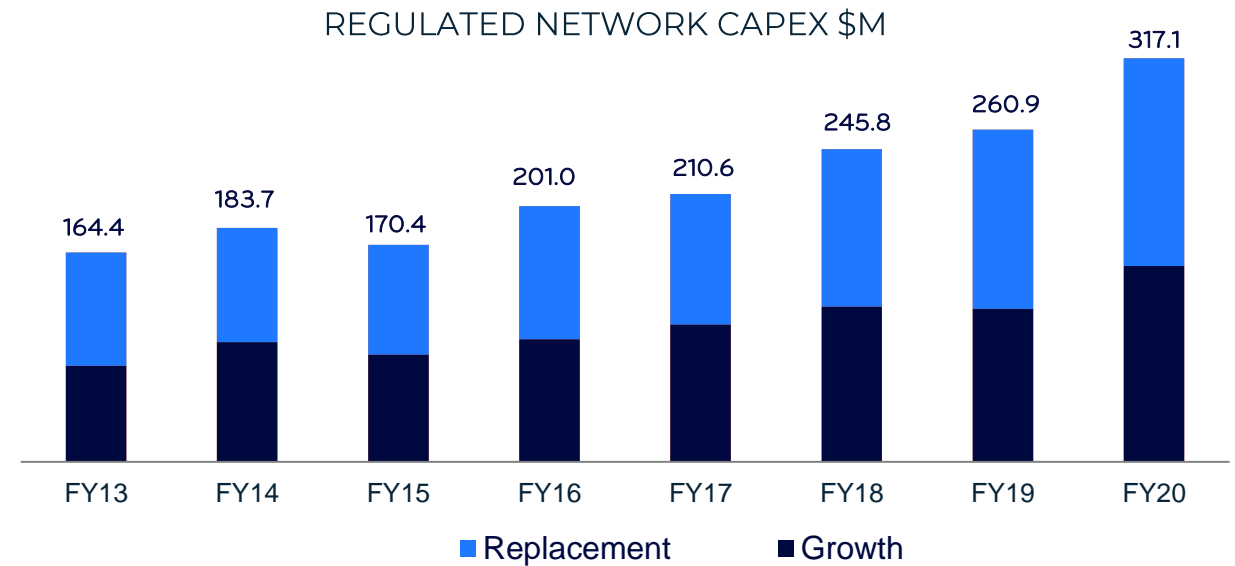


- 580,060 total electricity connections (up 1.6%)
- 113,960 total gas connections (up 2.1%)



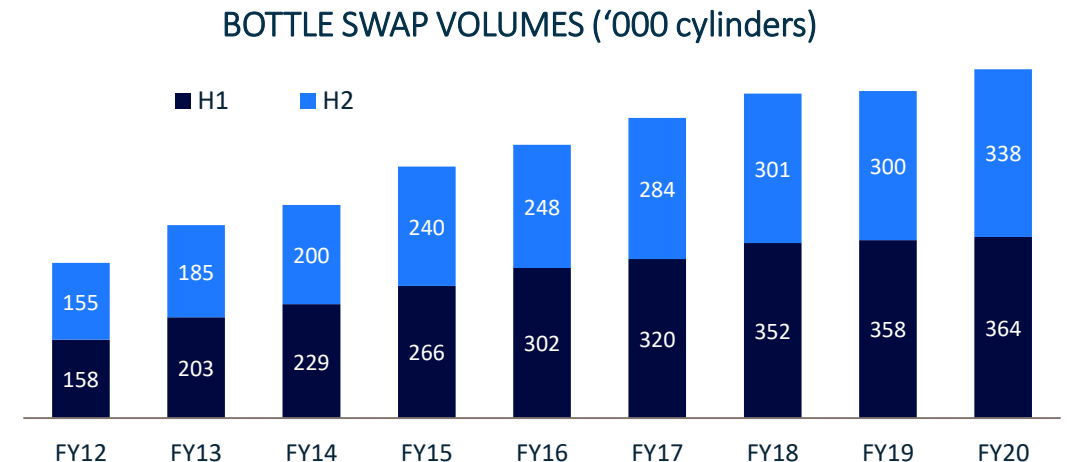
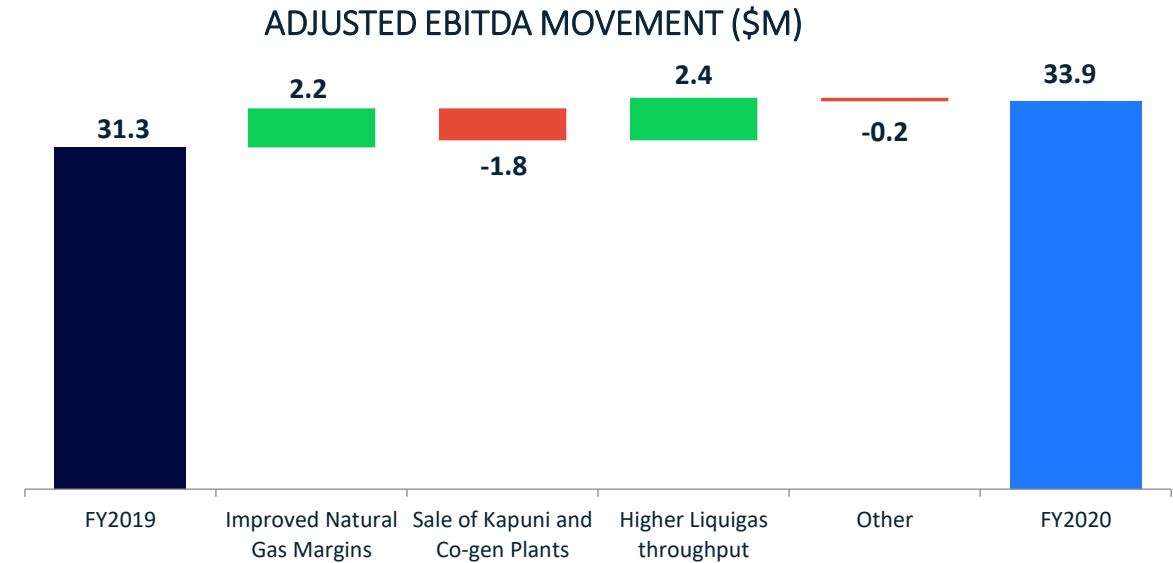
# Regulated capex higher due to continued Auckland growth and higher replacement capex

- DPP3 now set for the next 5 years commencing 1 April 2020
- Inflation forecast errors expected to reduce the revenue we are able to recover
- Regulated capex up 21.5% to \$317.1m or \$6.1m per week
- Higher capex driven by investment to improve safety, reliability and resilience of our network and to support Auckland growth
- There was a 15% reduction to SAIDI (normal operations), our measure of reliability of the network and we are confident that we will deliver improved outcomes in FY21
- Capital contributions up 8.5% to \$85.7m driven by Auckland infrastructure development and increase in subdivision activity



# Gas Trading: Sale of Kapuni completed

- Sale of Kapuni assets to Todd Energy completed 31 March 2020
  - Sale results in lower adjusted EBITDA offset by interest income on the sale consideration, reported as part of Interest Cost
  - Overall immaterial impact for FY20 adjusted EBITDA result
  - Proceeds received over time based on field output and other factors
- Challenging market conditions for Natural Gas business
  - Natural gas volumes fell 23% to 12.4 PJ
  - However management of gas portfolio led to improved margins
- Liquigas tolling volumes up 5.0% 116,024 tonnes due to new customer
- LPG bottle swap volumes up 6.6% to 701,923
- Gas liquid volumes down 2.2% to 43,338 tonnes with residential volumes higher and commercial and bulk volumes lower due to impact of Covid-19

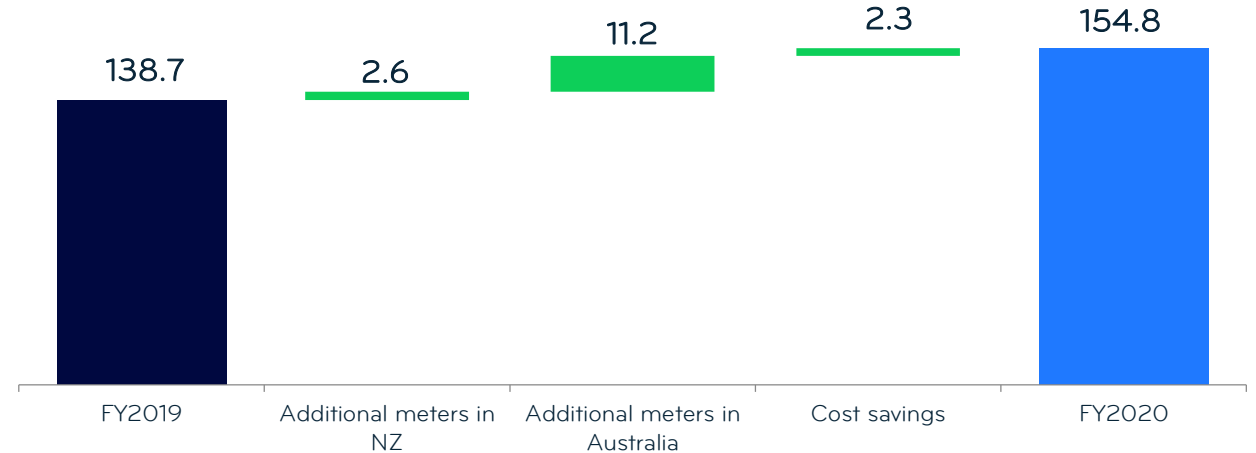




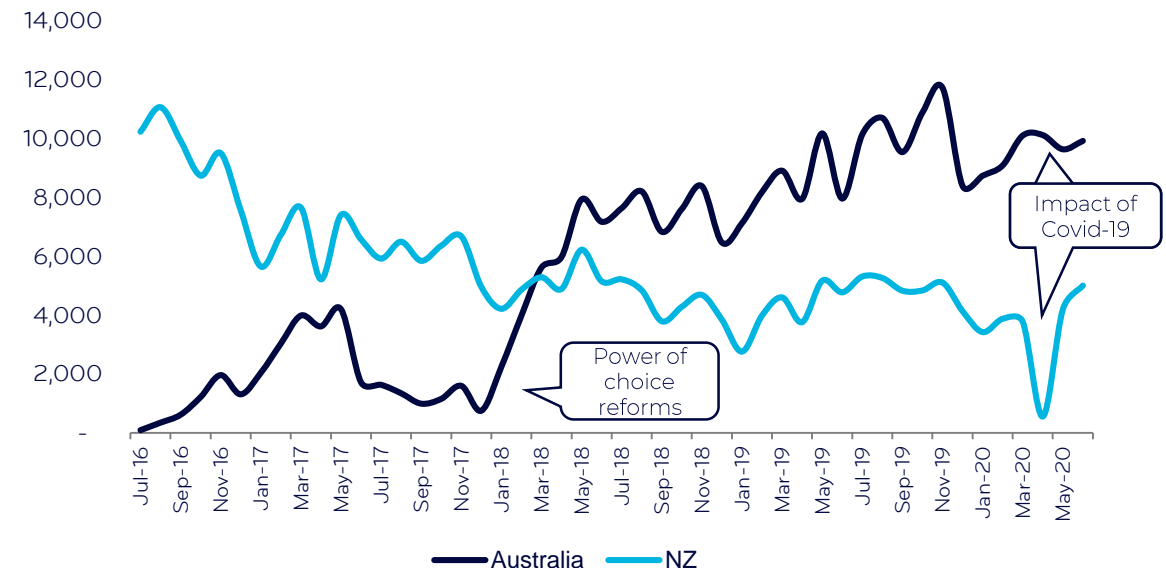
# Metering result driven by advanced meter rollout in Australia

- Advanced meter fleet now 1.71 million (owned & managed)
  - In FY20 we deployed 119,033 advanced meters in Australia
  - Deployment in Australia averaging approx. 10,000 meters per month
  - We have now deployed almost 280,000 meters in Australia
  - NZ advanced meter base increased by more than 36,000
- \$133.3m of capex invested in FY20, up 10%
- FY21 will see commencement of two key programmes of work
  - Rollout of advanced gas meters in NZ
  - Programme to replace all existing 2G modems with 4G

ADJUSTED EBITDA MOVEMENT (\$M)



MONTHLY ADVANCED METER DEPLOYMENT



# OUTLOOK

# Outlook

- Adjusted EBITDA guidance of \$480m to \$500m
- Auckland growth expected to continue
- Advanced meter deployments expected to continue at current levels
  - Commencement of advanced gas meter deployment
  - Rollout of modem replacement in NZ

# Q&A

## ANY QUESTIONS?



# APPENDICES

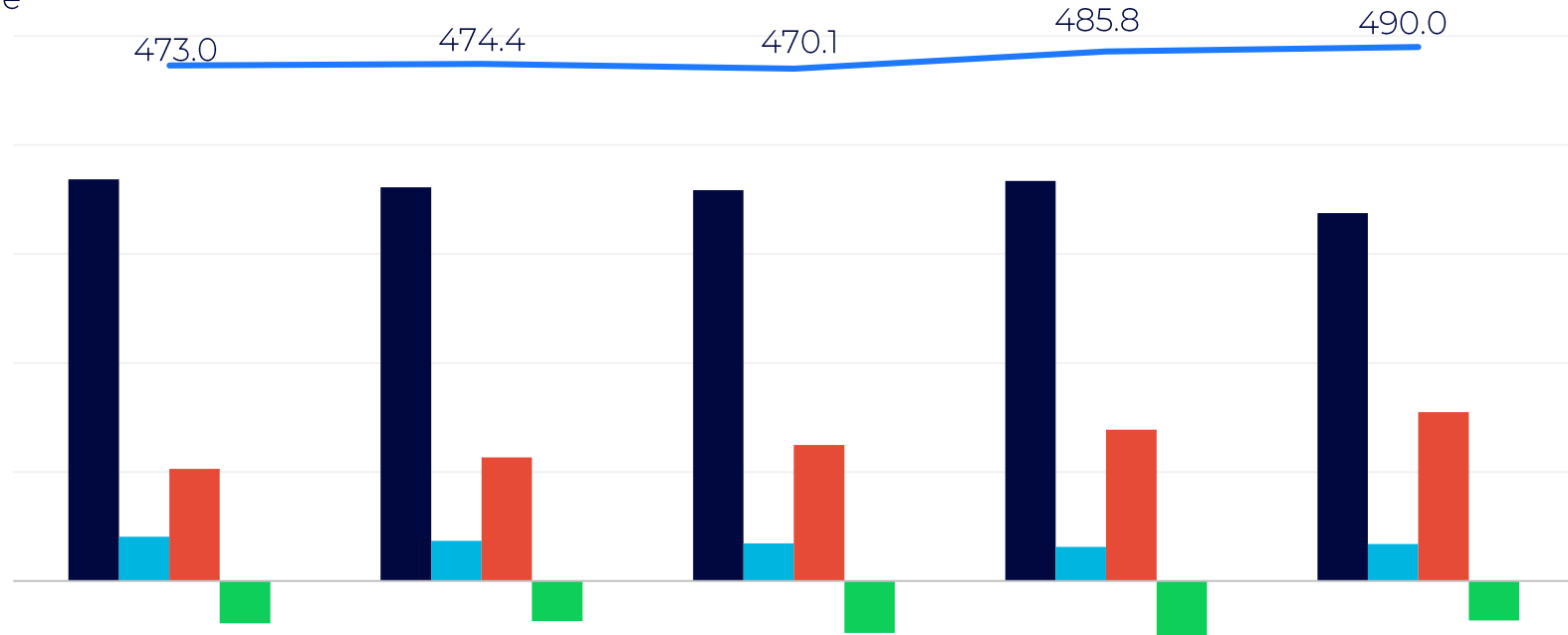


# 5 Year Adjusted EBITDA Performance by Segment

## Adjusted EBITDA (Continuing Operations Only)

\$million

For the year ended 30 June



	FY2016	FY2017	FY2018	FY2019	FY2020
Regulated Networks	368.5	361.2	358.6	367.0	337.6
Gas Trading	40.6	36.9	34.4	31.3	33.9
Metering	102.8	113.3	124.7	138.7	154.8
Corporate and Other	(38.9)	(37.0)	(47.6)	(51.2)	(36.3)
Total Group	473.0	474.4	470.1	485.8	490.0



\* Corporate and Other is not a reportable segment

# Segment Results

Year ended 30 June (\$m)

	REGULATED NETWORKS			METERING			GAS TRADING			CORPORATE AND OTHER <sup>1</sup>		
	2020	2019	Change %	2020	2019	Change %	2020	2019	Change %	2020	2019	Change %
Revenue excluding Third-party Contributions	675.2	688.6	-1.9	205.2	188.4	+8.9	256.4	284.1	-9.8	84.8*	86.5*	-2.0
Operating expenditure	(337.6)	(321.6)	-5.0	(50.4)	(49.7)	-1.4	(222.5)	(252.8)	+12.0	(121.1)	(137.7)	+12.1
Adjusted EBITDA	337.6	367.0	-8.0	154.8	138.7	+11.6	33.9	31.3	+8.3	(36.3)	(51.2)	+29.1
CAPEX												
Replacement	163.2	140.6	+16.1	16.7	13.1	+27.5	4.4	5.9	-25.4	13.1	14.8	-11.5
Growth	153.9	120.3	+27.9	116.6	108.1	+7.9	3.8	5.9	-35.6	17.0	16.4	+3.7
<b>Total capex</b>	<b>317.1</b>	<b>260.9</b>	<b>+21.5</b>	<b>133.3</b>	<b>121.2</b>	<b>+10.0</b>	<b>8.2</b>	<b>11.8</b>	<b>-30.5</b>	<b>30.1</b>	<b>31.2</b>	<b>-3.5</b>



<sup>1</sup> Corporate and Other is not a reportable segment

\* Corporate and Other includes an elimination of \$10.0m in FY20 and \$3.8m in FY19 in relation to services delivered by Vector Technology Services and Vector Fibre to the Vector Group.

# Group Profit Statement

Year ended 30 June (\$m)

INCOME STATEMENT	2020 \$m	2019 \$m	Change %
Revenue (excluding third-party contributions)	1,207.6	1,239.3	-2.6
Operating expenditure	(717.6)	(753.5)	+4.8
<b>Adjusted EBITDA</b>	<b>490.0</b>	<b>485.8</b>	<b>+0.9</b>
Third-party Contributions	86.4	79.3	+9.0
Depreciation and amortisation	(262.8)	(246.8)	-6.5
Net interest costs	(126.5)	(133.3)	+5.1
Fair value change on financial instruments	(3.4)	(2.5)	-36.0
Associates (share of net profit/(loss))	0.3	0.6	-50.0
Gain on sale of Kapuni gas interests	0.5	-	n/a
Impairment	(32.0)	(46.6)	+31.3
Tax	(55.2)	(52.5)	-5.1
<b>Net profit for the period</b>	<b>97.3</b>	<b>84.0</b>	<b>+15.8</b>

# Group Cash Flow

Year ended 30 June (\$m)

CASH FLOW	2020 \$m	2019 \$m
Operating cash flow	397.3	348.1
Replacement capex	(194.5)	(170.1)
Dividends paid	(167.0)	(164.1)
Cash available for growth and debt repayment	35.8	13.9
Growth capex	(281.9)	(248.3)
Acquisitions	-	(8.0)
Other investment activities	0.2	(1.0)
Pre debt financing cash (outflow)/inflow	(245.9)	(243.4)
Increase/(decrease) in borrowings	255.5	249.4
Other financing activities	(8.9)	(6.3)
Increase/(decrease) in cash	0.7	(0.3)

# Segment Adjusted EBITDA

SEGMENT ADJUSTED EBITDA (\$m)	2020			2019		
	Reported segment EBITDA	less third-party contributions and other movements	Segment adjusted EBITDA	Reported segment EBITDA	less third-party contributions and other movements	Segment adjusted EBITDA
Year ended 30 June						
Metering	154.8	-	154.8	138.7	-	138.7
Gas Trading	34.4	(0.5)	33.9	31.3	-	31.3
Unregulated Segments	189.2	(0.5)	188.7	170.0	-	170.0
Regulated Networks	423.3	(85.7)	337.6	446.0	(79.0)	367.0
TOTAL REPORTED SEGMENTS	612.0	(85.7)	526.3	616.0	(79.0)	537.0
Corporate and Other *	(38.2)	1.9	(36.3)	(52.8)	1.6	(51.2)
TOTAL	573.8	(83.8)	490.0	563.2	(77.4)	485.8



\* Corporate and Other is not a reportable segment

# GAAP to Non-GAAP Reconciliation

Vector's standard profit measure prepared under New Zealand GAAP is net profit. Vector has used non-GAAP profit measures when discussing financial performance in this document. The directors and management believe that these measures provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. For a more comprehensive discussion on the use of non-GAAP profit measures, please refer to the policy 'Reporting non-GAAP profit measures' available on our website (vector.co.nz).

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures reported in this document may not be comparable with those that other companies report and should not be viewed in isolation or considered as a substitute for measures reported by Vector in accordance with NZ IFRS.

## Definitions

### EBITDA

Earnings before interest, taxation, depreciation, amortisation and impairment from continuing operations.

### Adjusted EBITDA

EBITDA from continuing operations adjusted for fair value changes, third-party contributions, associates and significant one-off gains, losses, revenues and/or expenses.

## GAAP to Non-GAAP reconciliation EBITDA and Adjusted EBITDA

Year ended 30 June	2020 \$M	2019 \$M
Reported net profit for the period (GAAP)	97.3	84.0
Add back: net interest costs <sup>1</sup>	126.5	133.3
Add back: tax (benefit)/expense <sup>1</sup>	55.2	52.5
Add back: depreciation and amortisation <sup>1</sup>	262.8	246.8
Add back: impairment <sup>1</sup>	32.0	46.6
<b>EBITDA</b>	<b>573.8</b>	<b>563.2</b>
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss) <sup>1</sup>	(0.3)	(0.6)
Third-party Contributions <sup>1</sup>	(86.4)	(79.3)
Fair value change on financial instruments <sup>1</sup>	3.4	2.5
Gain on sale of Kapuni gas interests <sup>1</sup>	(0.5)	-
<b>Adjusted EBITDA</b>	<b>490.0</b>	<b>485.8</b>

END