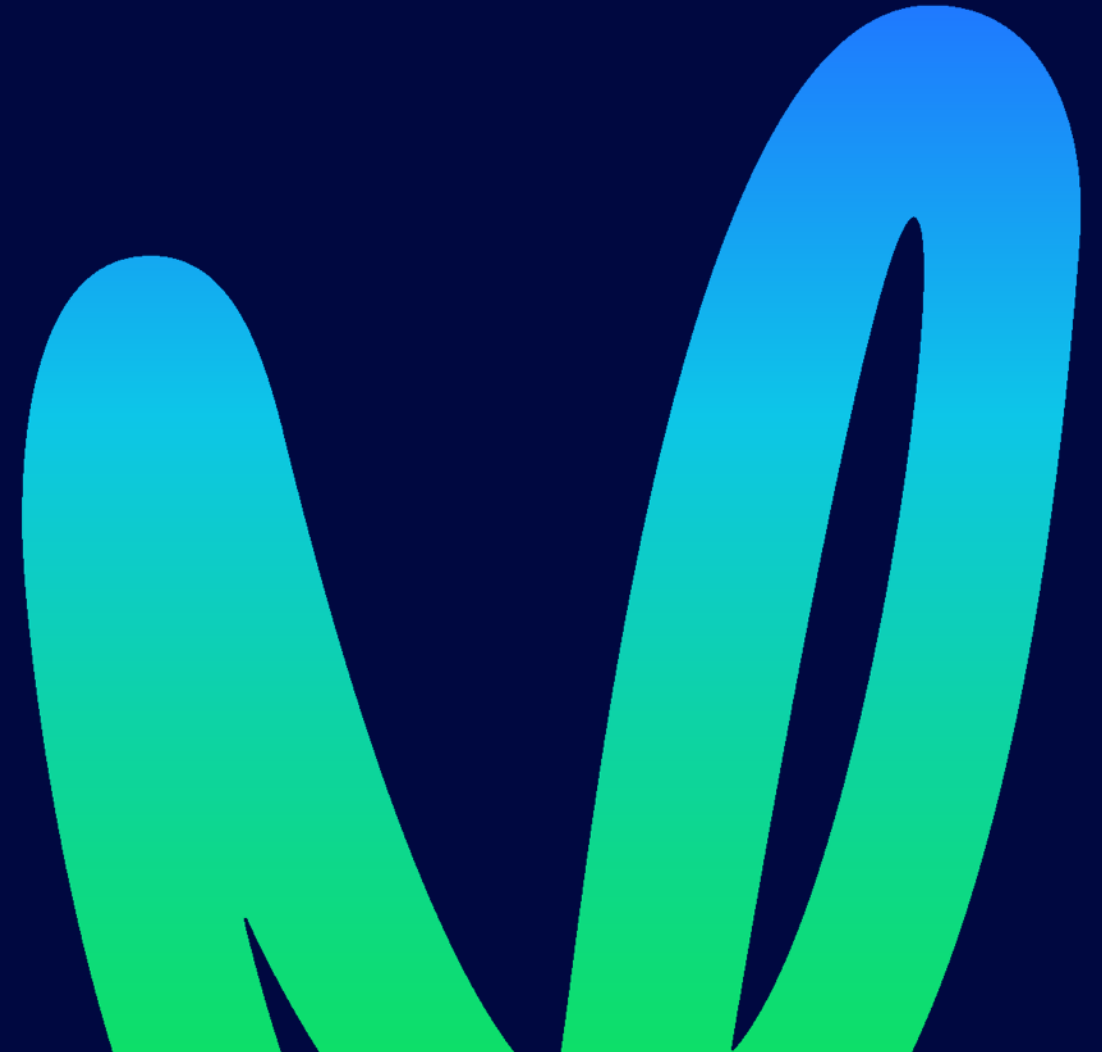


Vector Limited

Capital Bonds Election Process  
Investor Presentation

**May 2022**



# Disclaimer and important information

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# Presenting Today



**Simon Mackenzie**

*Group Chief Executive*

Simon was appointed Group Chief Executive in February 2008 and has been with Vector for 20 years. He has extensive experience in the infrastructure sector, including strategy, regulation, network management, information technology and telecommunications.



**Jason Hollingworth**

*Chief Financial Officer*

Jason leads Vector's finance team and is responsible for financial and management reporting, corporate finance, procurement, transaction processing, investor relations, treasury and tax. Jason has been in the role since early 2019. Prior to Vector, Jason was CFO at Sky TV for 16 years.



**Binaifer Behdin**

*Group Treasurer*

Binaifer leads Vector's Treasury and Corporate Development teams and is responsible for the group's funding and interest rate risk management strategy, the design, placement and management of the Group's insurance portfolio, and providing analytical and transaction support across Vector's many business units. She has been with Vector for 20 years.

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# Vector Group

# Vector Board



**Jonathan Mason**  
Independent non-executive  
director and chair



**Alastair Bell**  
Non-independent non-executive  
director



**Tony Carter**  
Independent non-executive  
director



**Dr Paul Hutchison**  
Non-independent non-executive  
director



**Dame Paula Rebstock**  
Independent non-executive  
director



**Bruce Turner**  
Independent non-executive  
director



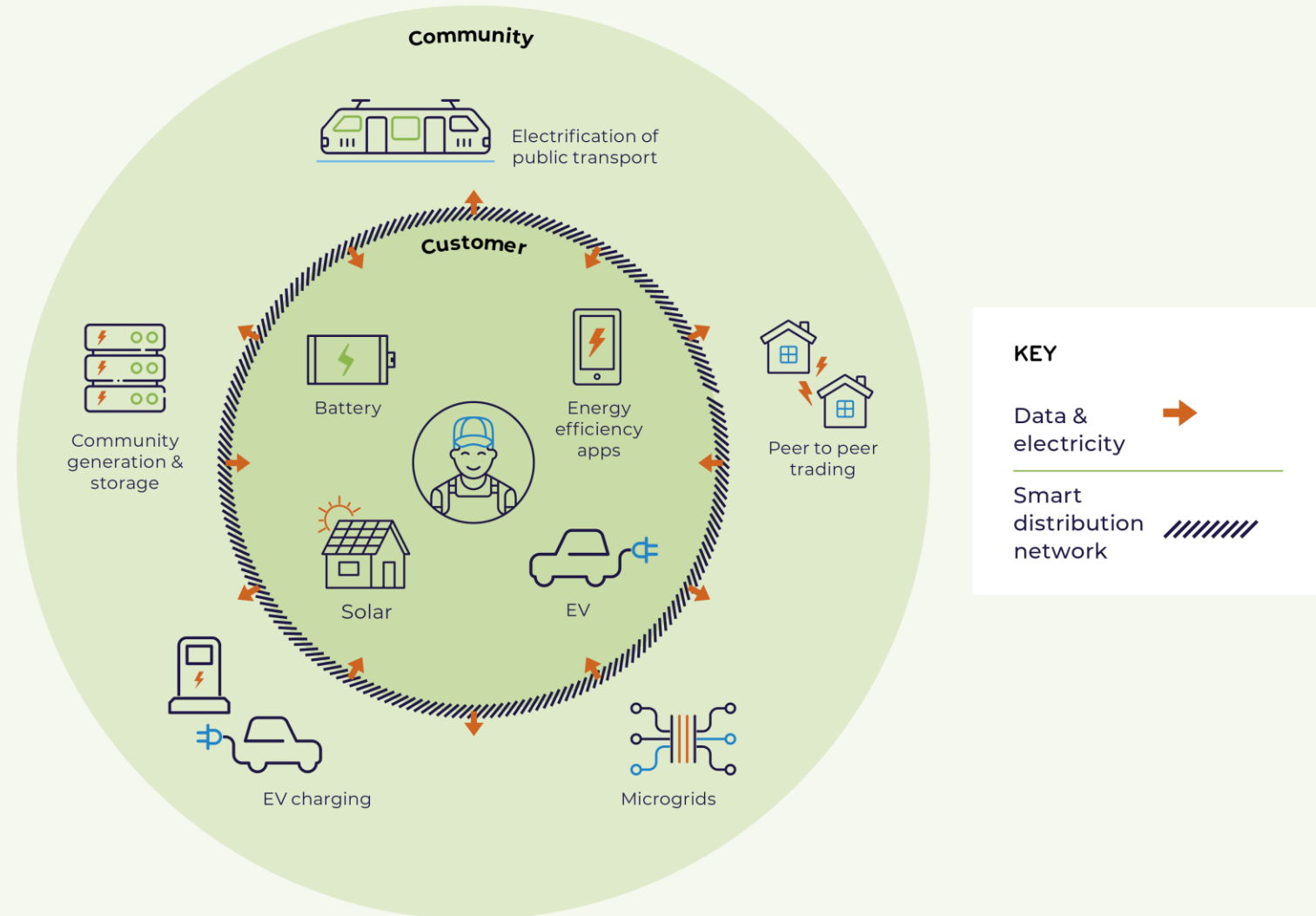
**Anne Urlwin**  
Independent non-executive  
director

# Vector's Symphony Strategy

## The interplay of today and tomorrow

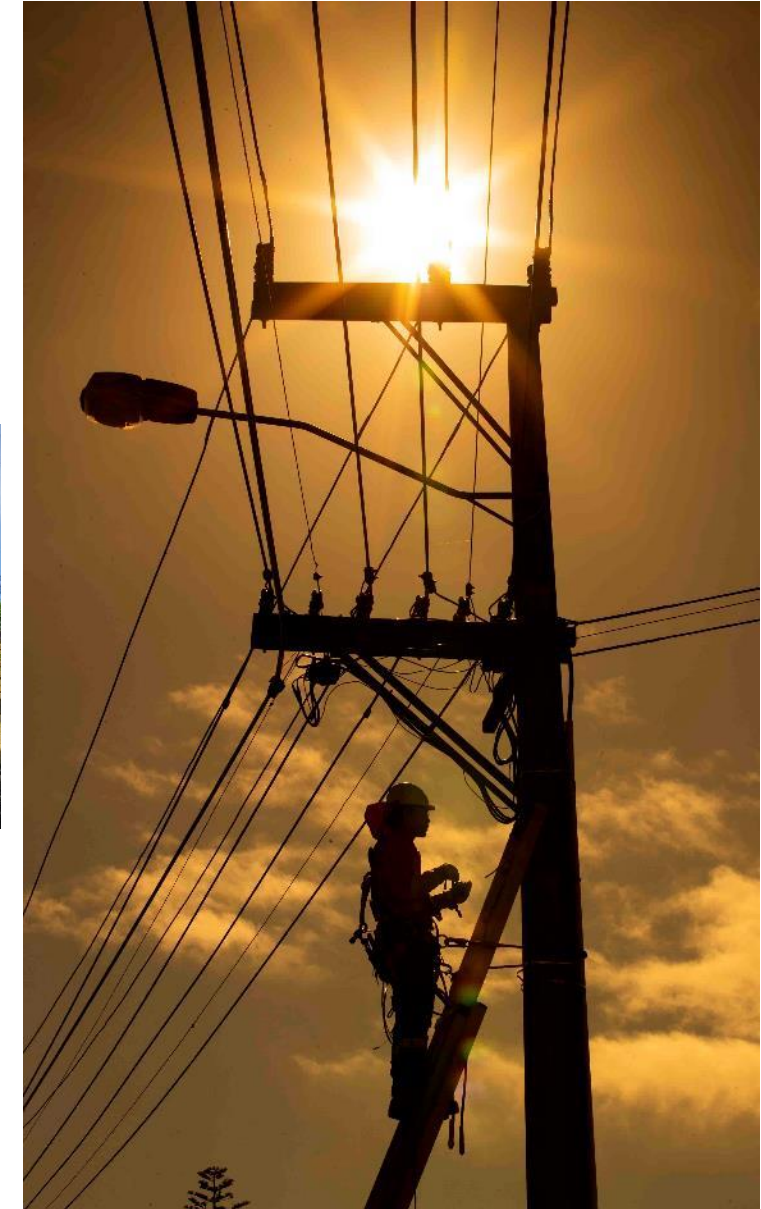
### How we're creating a new energy future:

- Intelligent Distribution Network
- Harnessing the power of data analytics and new technology
- Working with aligned partners and sector specialists to accelerate our progress and ensure best practice
- Working collaboratively across the Vector Group to unlock potential
- Keeping the customer at the heart of every decision
- Connecting network assets and distributed energy resources with a focus on cyber security
- Enabling customers to have cleaner, more reliable and affordable energy
- Advanced meters allowing customers to develop new products and services for changing consumer needs





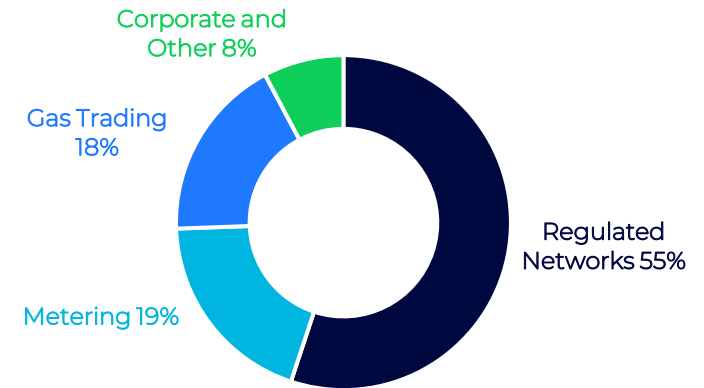
# Vector Portfolio



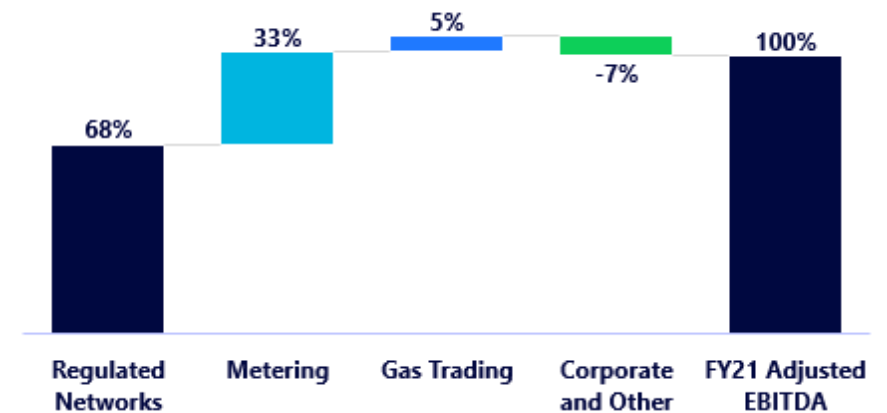
# Vector is NZ's Largest Provider of Energy Infrastructure Networks

- NZ's largest owner and manager of energy infrastructure networks
  - #1 electricity distribution business
  - #1 provider of electricity and gas metering
  - #2 LPG business
- ~55% of revenue and ~70% of adjusted EBITDA<sup>1</sup> sourced from regulated assets, with balance sourced from competitive activities
- Vector reports its financial results in three<sup>2</sup> key segments
  - Regulated Networks
  - Metering
  - Gas Trading

FY21 Segment Revenue<sup>3</sup>



FY21 Segment Adjusted EBITDA

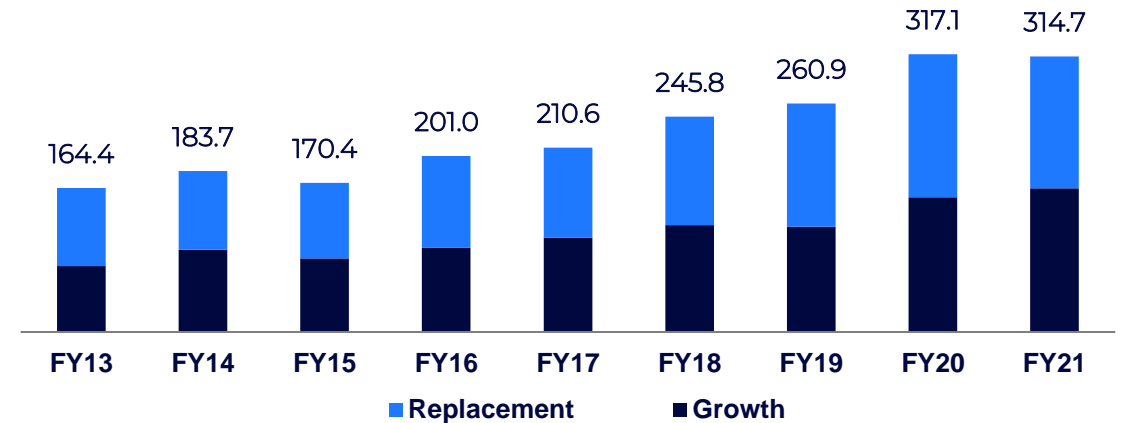


1. Refer to page 44 of the FY21 Annual Report for adjusted EBITDA definition  
 2. Corporate and Other is not a reportable segment  
 3. Excluding capital contributions

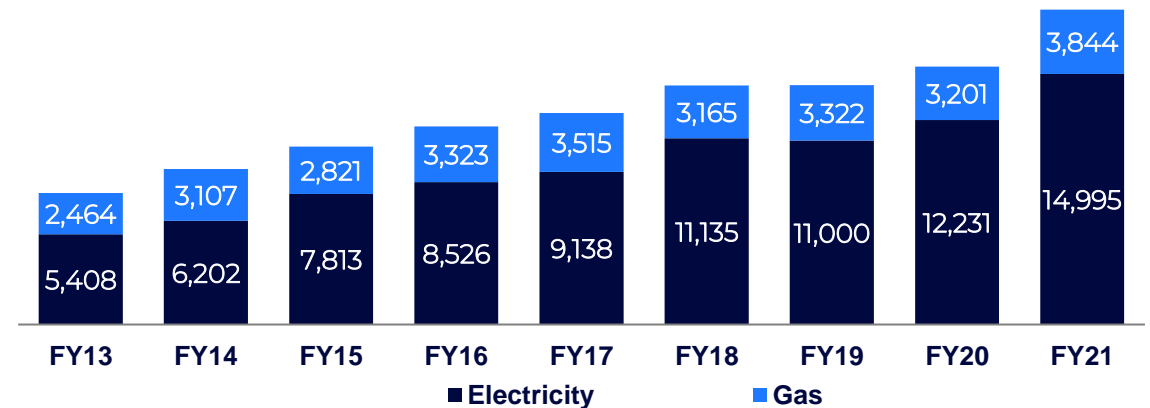
# Vector's Regulated Networks Deliver Energy to Auckland Homes and Businesses

- Vector delivers electricity to 596,396<sup>1</sup> and gas to 117,628<sup>1</sup> Auckland homes and businesses
- Significant investment required to support Auckland's rapid growth
- Regulated asset base now at \$4.1bn
  - Electricity ~\$3.7bn<sup>2</sup>
  - Gas ~\$451m<sup>3</sup>
- Returns regulated by Commerce Commission
  - Input methodologies provide relative certainty of regulation through 2025
  - Next "reset" for gas in October 2022 and for electricity in April 2025
- Vector is at the forefront of using new technology to ensure network investment is customer focussed, efficient, flexible and future-proofed

Gross Regulated Network Capex (\$m)



New Connections



1. As at 31 December 2021  
 2. As at 31 March 2021  
 3. As at 30 June 2021

# Electricity Distribution



Electricity network customers<sup>1</sup>

596,396 (27% of NZ)

Network length (19,144km)<sup>2</sup>

Overhead 8,284km

Underground 10,860km

Network assets<sup>2</sup>

Zone Substations 111

Distribution Substations 13,218

Poles: 124,750

1. As at 31 December 2021

2. As at 31 March 2021

# Vector's Metering Business – NZ

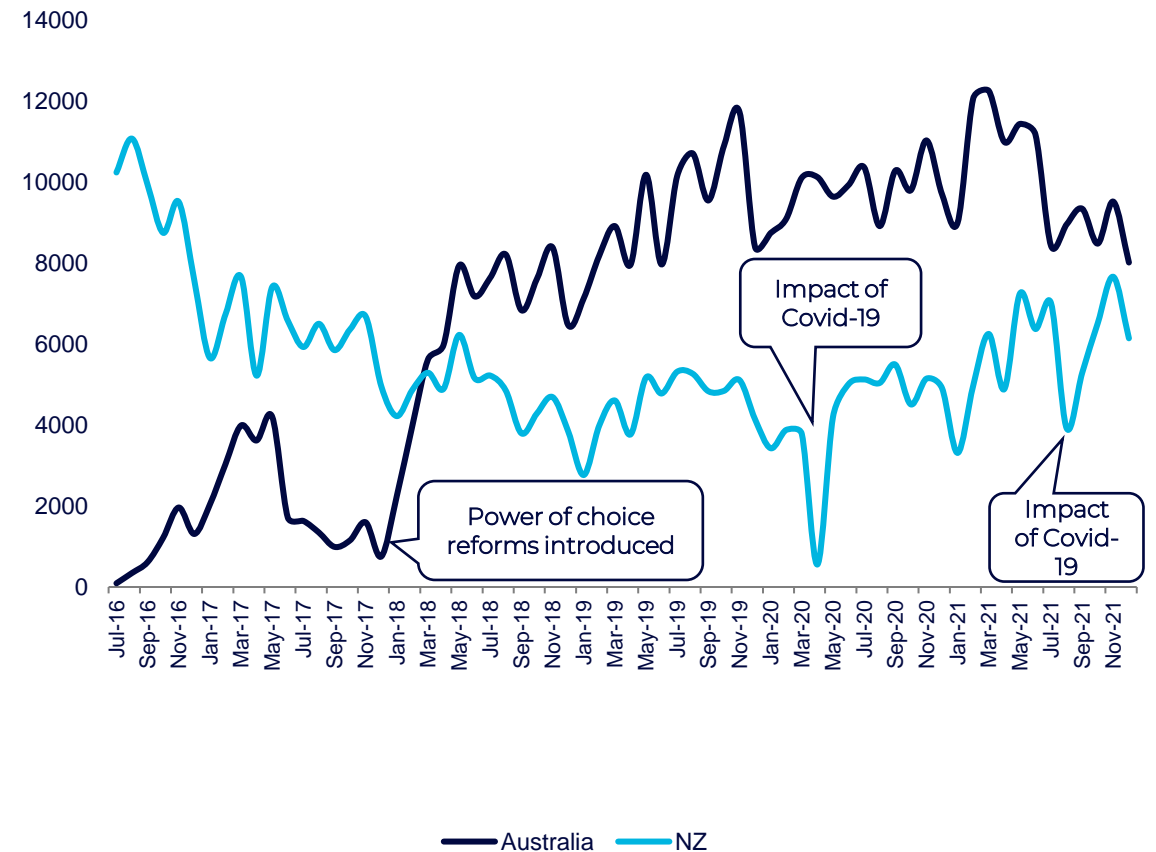
- Vector Metering has been installing advanced meters since 2008 and is the largest supplier of competitive metering services in NZ
- 1.5m mass market advanced meters under management<sup>1</sup>
- Recently commenced a modem replacement programme
  - This will upgrade approximately 1.1m meters with 4G modems in advance of the expected shutdown of the 2G mobile network in NZ
  - Will enable us to provide services to our customers for a longer period of time
  - 78k modems completed to date
- Vector Metering also owns commercial advanced meters, legacy meters and legacy gas meters. We have also started the rollout of advanced gas meters



# Vector's Metering Business – Australia

- Vector Metering entered the Australian market in 2016. We have now deployed almost 447,000<sup>1</sup> advanced meters in Australia
- The business has grown by partnering with our retailer customers and continuing to earn the right to deploy our meters and provide data services
- Recent major investment in our digital platforms and an increase in stock levels to help mitigate COVID-19 related supply concerns
- Improved service offering in Australia with the recent introduction of remote re-energisation and de-energisation services. These services have already enabled innovative consumer products in NZ

**MONTHLY ADVANCED METER DEPLOYMENT  
(NZ AND AUSTRALIA)**

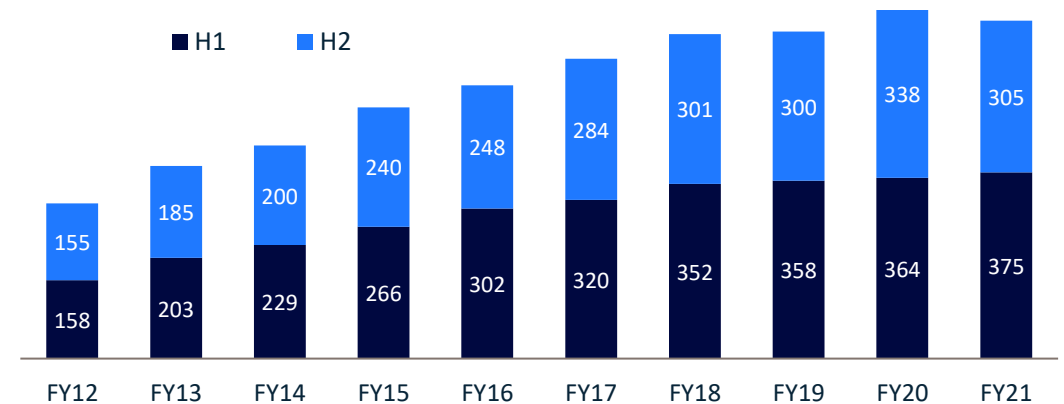


# Vector's Gas Trading Business

- Gas Trading business consists of:
  - Natural Gas - wholesale, trading and industrial sales
  - LPG - OnGas sales, distribution and reticulated networks; 60% stake in Liquigas
- Vector's LPG operations occupy a strong market position
- LPG operations across the entire NZ, with 17 depots, ~41,000 customers and a large 9kg bottle swap facility in South Auckland



Bottle Swap Volumes ('000 9kg cylinders)



# COVID-19 Impact

- As an essential services provider, in the past twelve months we have maintained our focus on ensuring the safety of our people and communities in the face of Covid-19, and ensuring our ability to continue providing our essential products and services
- Vector's largest business, the electricity distribution business, bears no volume risk under the regulated revenue cap methodology
- However in Vector's businesses other than Electricity distribution the impact of Covid-19 may vary due to length of lockdowns



# Climate & Sustainability

- Vector is well-positioned to enable decarbonisation within New Zealand, the Asia-Pacific region, and globally, guided by our vision, to create a new energy future
- Detailed information can be found in our 2021 TCFD [www.vector.co.nz/investors/reports](http://www.vector.co.nz/investors/reports)
- Vector’s work is inherently aligned with five priority Sustainable Development Goals, with an ambition to keep global warming under 1.5°C
- Vector has pledged a 53.5% reduction target of Scope 1 and 2 emissions, excluding electricity line losses, by 2030 based on a FY20 baseline. We have already made a reduction of 18% towards this goal



# New Developments

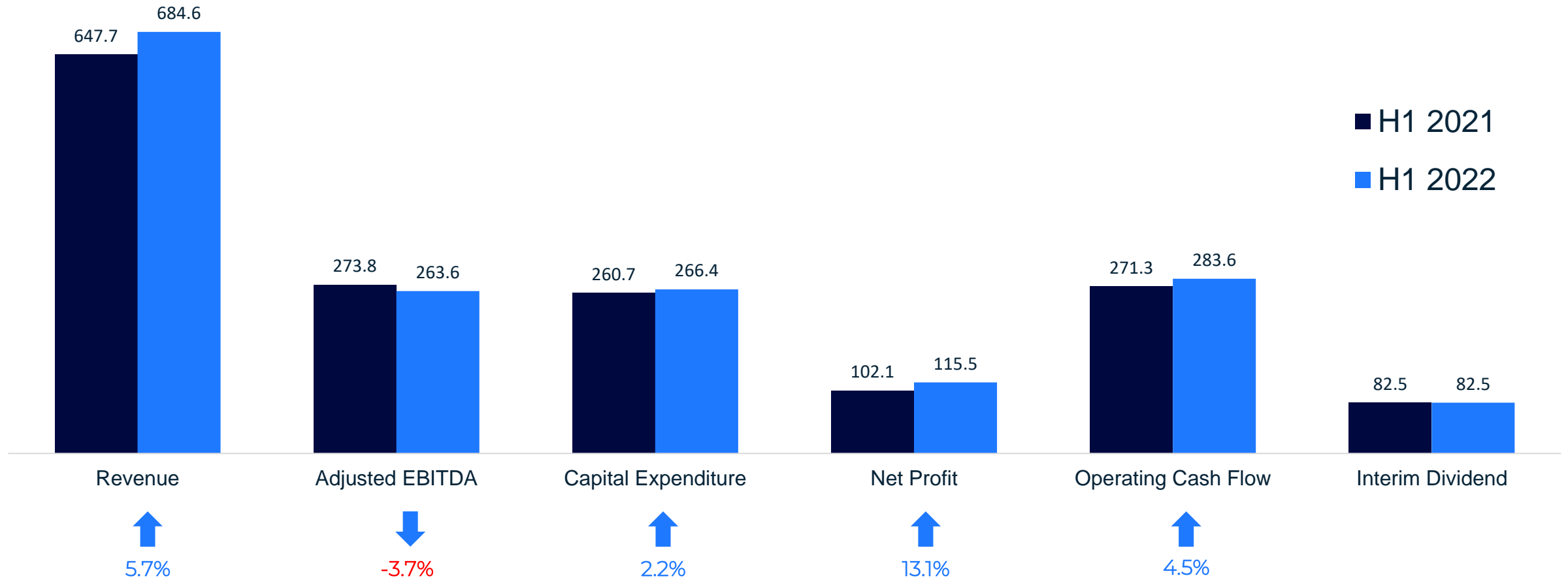
- Developed our strategy to **leverage the infrastructure and technology of our existing businesses** in order to create commercial opportunities
- **Vector Technology Solutions (VTS)** has been established to take to market solutions developed as part of our digital transformation journey. We are exploring global opportunities for key priority solutions such as the New Energy Platform created through a strategic alliance with **Amazon Web Services (AWS)**, Distributed Energy Resource Management Systems (**DERMS**), cyber security, and others
- Vector Property Services has been established to explore the commercial potential of our property and facilities assets
- Vector is **collaborating with X**, a division of Alphabet (formerly known as Google), to virtualise Auckland's electricity network and support energy decarbonisation



# Financial Performance and Capital Management

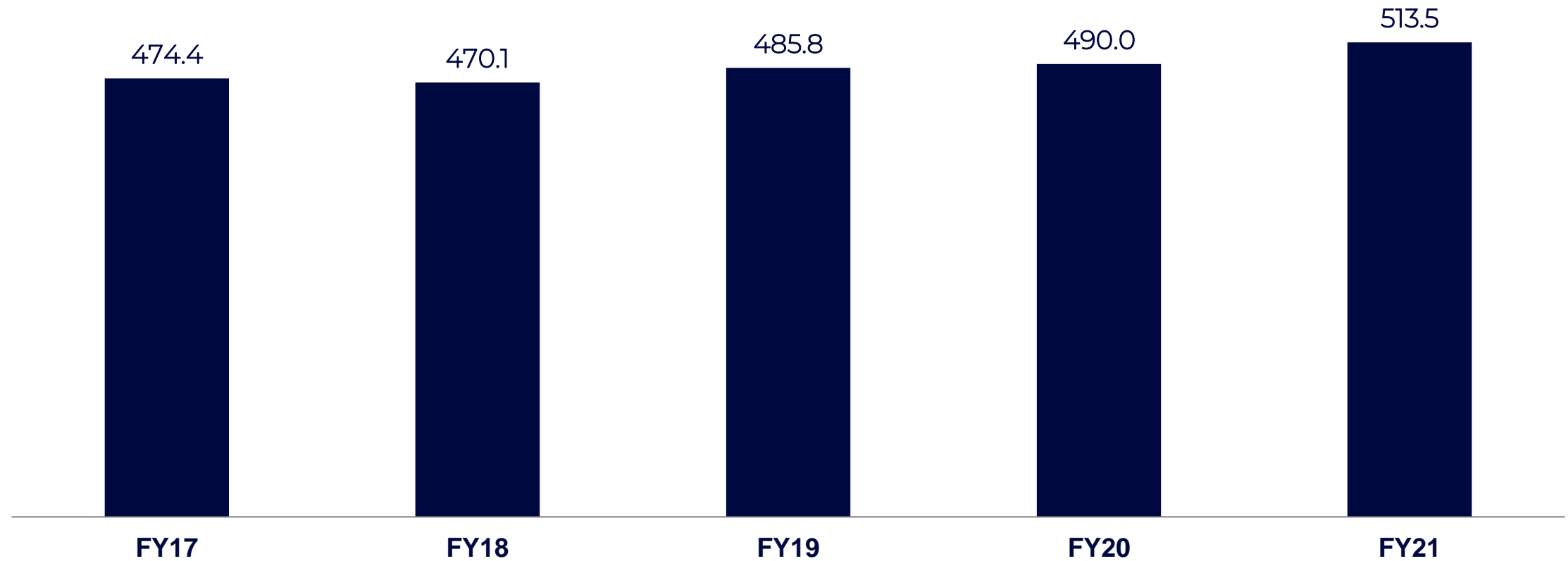
# Financial Performance

## H1 2022 Financial Performance (\$m)



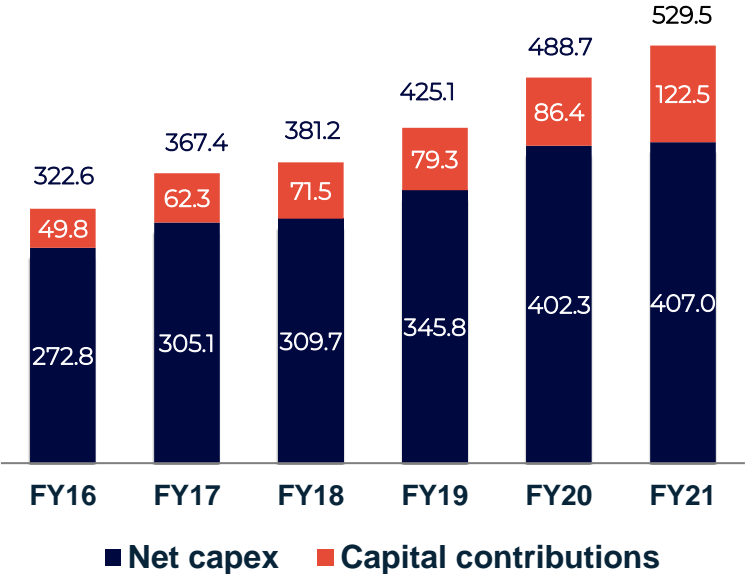
# 5 Year Group Adjusted EBITDA Performance

Group Adjusted EBITDA (\$m, year ended 30 June)



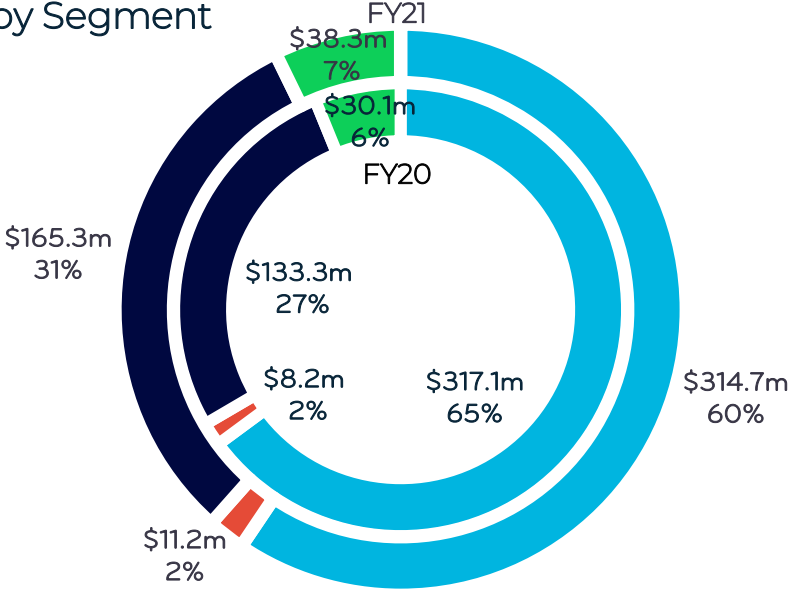
# Capex Driven by Investment in Networks & Meter Deployment in Australia

Gross Capital Expenditure (\$m)



Gross Capital Expenditure by Segment

- Regulated Networks
- Gas Trading
- Metering
- Corporate and Other

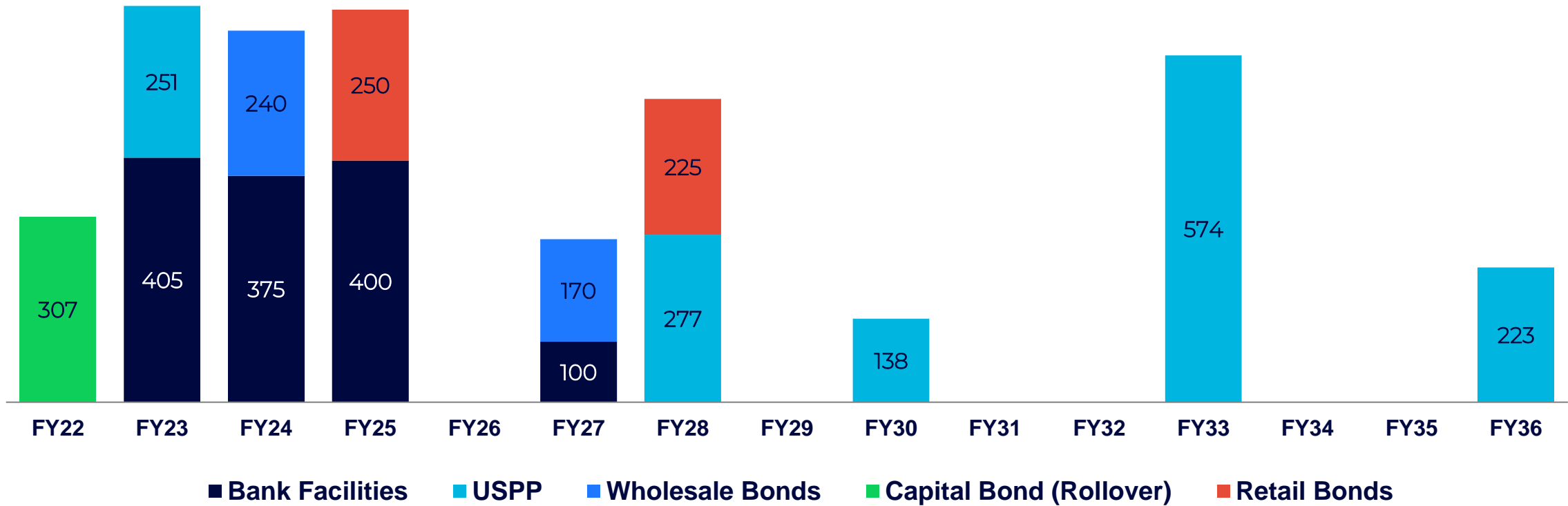


- Gross capex up 8.3% to \$529.5m. Net capex (after deducting contributions) up 1.2% to \$407.0m
- Growth capex up 14.3% to \$333.0m. Replacement capex down 0.5% to \$196.5m
- Metering capex up 24.0% driven by new advanced meters in Australia, 4G modem replacement programme, investment in our digital platforms and an increase in stock levels to help mitigate COVID-19-related supply concerns



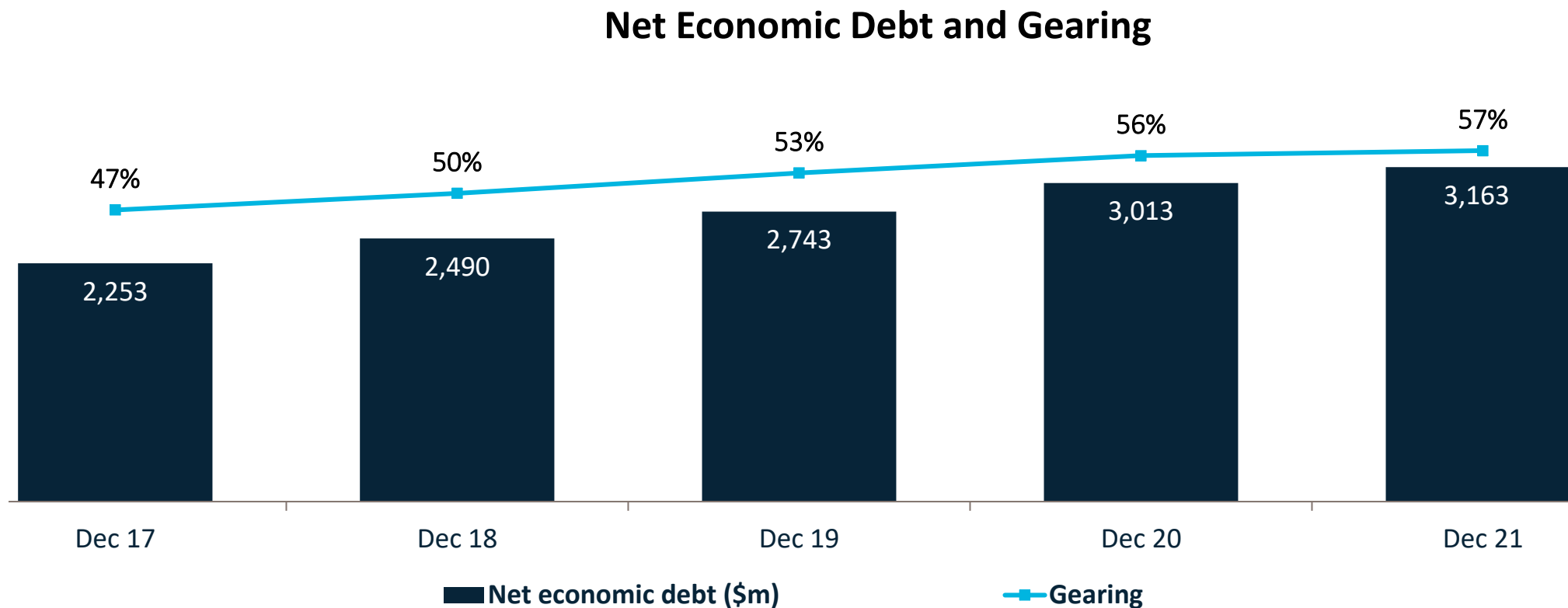
# Debt Maturity Profile

Debt Maturity Profile (\$m)



- Weighted average maturity of our drawn debt portfolio beyond 5 years
- The \$307m perpetual capital bonds are subject to the current Election Process

# Group Debt



Note:

Economic gearing ratio = economic net debt to economic net debt plus adjusted equity.

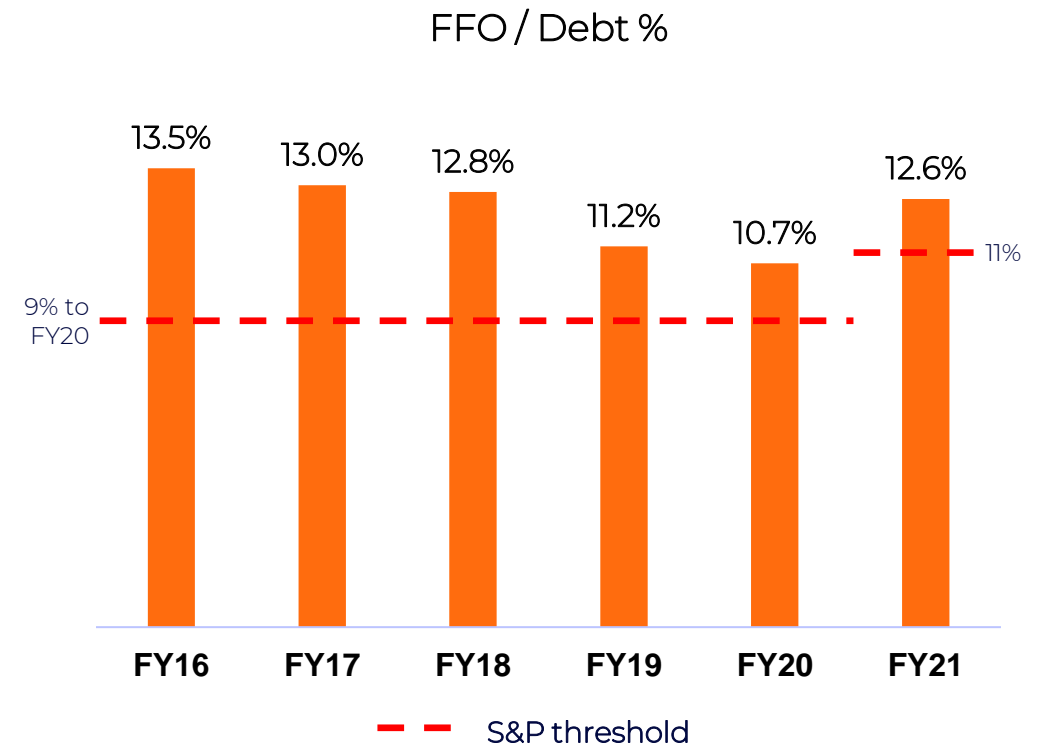
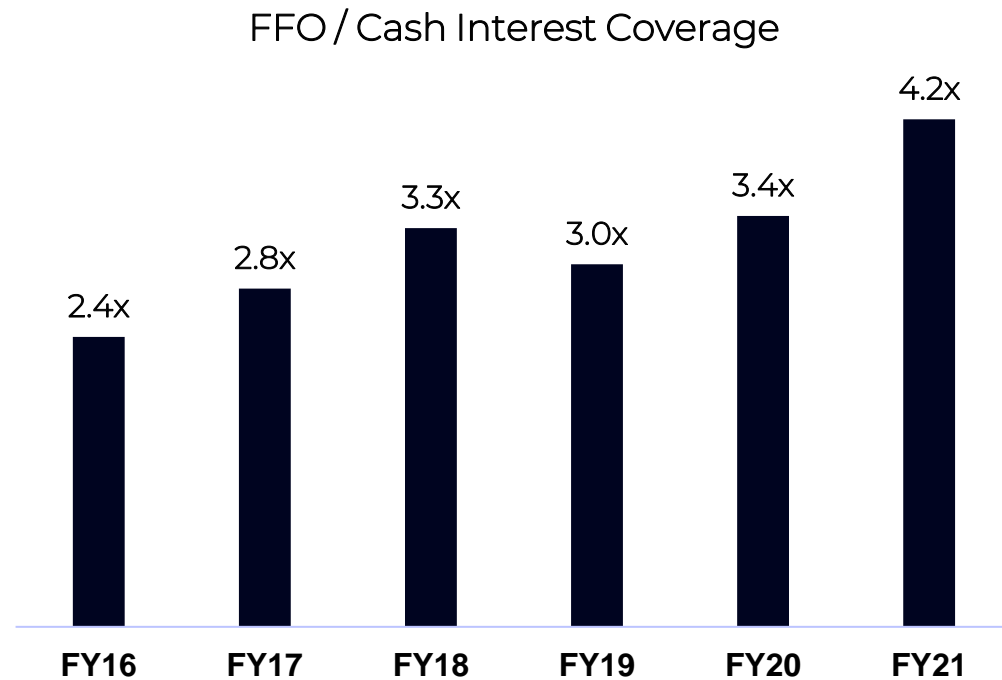
Economic net debt = borrowings and lease liabilities net of cash and short-term deposits

Adjusted equity = total equity adjusted for hedge reserves



# BBB Investment Grade Credit Rating

Vector rated BBB (stable outlook) by S&P Global Ratings and Baa1 (stable outlook) by Moody's



Source: S&P Report - December 2021

# Capital Bonds / Election Process

# Capital Bond Summary

## Key terms and conditions from 15 June 2022

Issuer	Vector Limited ("Vector")
Status	The Capital Bonds are unsecured and subordinated to all indebtedness of Vector other than indebtedness ranking equally with, or subordinate to, the Capital Bonds
Issue Size	\$307,205,000 Capital Bonds
Credit Rating	The Capital Bonds are currently rated BB+ by S&P Global Ratings Vector currently has an issuer credit rating of BBB (stable outlook) by S&P Global Ratings and Baa1 (stable outlook) by Moody's
Interest Rate	If all Capital Bonds in the Resale Facility are sold or redeemed the Interest Rate will be set on 14 June 2022 as the greater of: - 5.50% p.a. - the Swap Rate plus the Issue Margin  If any Capital Bonds offered for sale through the Resale Facility are not sold or redeemed, the interest rate payable by Vector on all Capital Bonds will be the Swap Rate plus 3.75% p.a.  This rate will apply until the next Election Date on 15 June 2027
Issue Margin	1.80% p.a.
Swap Rate	The NZ interest rate swap for a term of 5 years on 14 June 2022
Interest Payments	Interest is payable semi-annually in arrears. Vector may elect to cancel all or any part of any interest due. Interest Payments are non-cumulative
Discretion to cancel interest	The Issuer may at its discretion elect to cancel payment of all or any part of the interest due on an Interest Payment Date. The Issuer will not have any obligation to pay any cancelled interest at any time in the future If the Issuer has cancelled any interest payment, it may not pay any dividend or make any distribution on its shares unless the Issuer has paid either all interest that was cancelled since the last time two consecutive interest payments were made or the two consecutive interest payments immediately prior to the dividend/distribution
Next election date	15 June 2027



Full terms of the Capital Bonds can be obtained at [www.vector.co.nz/investors/bonds](http://www.vector.co.nz/investors/bonds). Minimum denomination of \$5,000 (Minimum Holding), with multiples of \$1,000 thereafter

# Election Process

- NZ Bondholders have the following election options
  - Keep all Capital Bonds
  - Keep all Capital Bonds and apply for additional Capital Bonds through the Resale Facility
  - Offer to sell some of their Capital Bonds through the Resale Facility and keep the balance of their Capital Bonds
  - Offer to sell all of their Capital Bonds through the Resale Facility
- Bondholders with less than the Minimum Holding of Capital Bonds or non-residents will be deemed to have elected to offer to sell all of their Capital Bonds through the Resale Facility
- Bondholders who do nothing will be deemed to have elected to keep all Capital Bonds other than those Bondholders with less than the Minimum Holding of Capital Bonds or non-residents
- Election Notices must be completed online or be at the registry by 5:00pm 31 May 2022
  - Size of Resale Facility determined at this point
  - If there are any existing Bondholders who apply for Capital Bonds in the Resale Facility, it is Vector's current intention to give them preferential access to Capital Bonds available from the Resale Facility
- Vector will pay 0.50% brokerage on 'stamped' Election Notices
  - 'Stamped' includes handwritten attributions

# Timetable

Election Record Date	28 April 2022
Election Documents Distributed to Bondholders	3 May 2022
Notification Date	31 May 2022
Resale Facility Determined and Advised to Intermediaries	1 June 2022*
Rate Set Date	14 June 2022
Election Date / Settlement	15 June 2022



\*Time / date may be changed by Vector without consultation

# Resale Facility

- Resale Facility
  - Process for the Resale Facility (if one is required) is expected to be notified to intermediaries shortly after the size of the Resale Facility is determined (after 31 May 2022)
  - Vector may purchase Capital Bonds in the Resale Facility or redeem Capital Bonds not sold through the Resale Facility. Vector has not made any decisions as to whether it will purchase or redeem any Capital Bonds which are placed by Bondholders into the Resale Facility however, any such decision will be subject to the terms of the Replacement Security Deed Poll\*
  - Buyers of Capital Bonds through the Resale Facility will be required to settle the purchases on 15 June 2022
- Fees on Firm Allocations
  - Firm brokerage of 0.50%

# Resale Facility

- Adjusted Interest Rate
  - If any Capital Bonds offered for sale through the Resale Facility are not sold or redeemed by Vector, the interest rate payable by Vector on all Capital Bonds from 15 June 2022 is the Adjusted Interest Rate. The Adjusted Interest Rate is the aggregate of the:
    - Five-year swap rate on 14 June 2022; plus
    - Issue Margin for the prior Bond Period (being an Issue Margin of 2.75% per annum); plus
    - Specified Margin (being 1.00% per annum)

# Credit Highlights



# Key Credit Highlights

## NZ's largest electricity distribution business

- Regulatory framework with no volume risk under the regulated revenue cap methodology and strong market position
- Significant investment to support Auckland's rapid growth

## #1 provider of electricity and gas metering in NZ

- 1.9m advanced meters installed in NZ and Australia<sup>1</sup>
- Over 230,000 gas meters in NZ<sup>1</sup>

## Significant portfolio of assets

- Strategic alliances and collaborations with AWS and X for key priority solutions such as the
  - New Energy Platforms and supporting energy decarbonization
  - Extensive digital and technical capabilities

## Investment grade credit rating

- Vector has a corporate credit rating from S&P Global Ratings of BBB (stable outlook)



1. As at 30 June 2021

# Questions