market release

27 August 2024

Vector announces strong full year result

- ***Adjusted EBITDA[1] for continuing operations $365.2 million***
- ***Total capital expenditure $510.1 million, including $195.2 million funded by the capital contributions customers pay for new connections on the network***
- ***Group net profit after tax for continuing operations $79.9 million, inclusive of a $60 million impairment of the gas distribution business which was announced at the half year***
- ***Final dividend 13 cents per share, plus a special dividend of 1.75 cents.[2]***
- ***Investment in Bluecurrent (formerly Vector Metering) has performed in line with expectations***
- ***Progress on carbon emissions reduction plan, climate change resilience, smart meter data programme, renewed partnerships with Amazon Web Services (AWS) and X (Google X), as part of our Symphony strategy***

Vector Group (NZX: VCT) today announces a strong full year result underlined by solid business performance, and progress against a number of strategic initiatives.

Vector Group Chief Executive Simon Mackenzie said, “The year’s financial result sees adjusted earnings for the group before interest, tax depreciation and amortisation (adjusted EBITDA[1]), for continuing operations, up 14% to $365.2 million, with the group net profit after tax at $79.9 million. This recognises the $60.0 million impairment on our gas network announced at half year. Underlying profit (excluding impairment) was $139.9 million.

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[1] EBITDA and Adjusted EBITDA are non-GAAP measures which the directors and management believe provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. Adjusted EBITDA excludes the capital contributions customers pay for new connections on the network. See the financial statements for further details or click on this link to see Vector’s policy.

[2] The dividend is unimputed and will be paid to shareholders who are on the register at 6 September 2024, with payment made on 16 September 2024.

“Total capital expenditure for continuing operations was $510.1 million. Of this, $195.2 million was funded by the capital contributions customers pay for new connections on the network.

The board has announced an unimputed final dividend of 13 cents per share, plus a special dividend of 1.75 cents per share. This takes the full year dividend to 24 cents per share. As previously advised, we will finalise our dividend policy once the Commerce Commission’s final determination on the next regulatory period is released later this year.

“We’ve now announced the sale of the remaining businesses which comprise our gas trading segment. The sale of the remaining contracts of our natural gas business is now complete, and the conditional sale of Vector Ongas and our 60.25% shareholding in Liquigas is expected to complete in four to six months, assuming the conditions for sale are met. This will enable us to concentrate on playing a leading role in the energy transition, through our networks and technology solutions.

“We’ve made good progress against our Symphony strategy this year.

“Our investment in Bluecurrent has performed in line with expectations, and we’re benefiting from the complimentary skills, common objectives and strong alignment of purpose we identified when selecting QIC as a joint venture partner.

“Vector Technology Solutions (VTS) has a long-term contract with Bluecurrent to provide data services and is actively pursuing offshore opportunities for the data-processing Diverge platform.

“Vector Fibre has performed to expectations while market conditions have impacted HRV’s financial performance.

“We’ve extended our strategic alliance with Amazon Web Services, and contribution to X’s, formerly Google X’s, Tapestry project, as one of a select group of global partners collaborating on next generation platforms for network management.

“We value the engagement we’ve had with the Commerce Commission as it works through its decision, due later this year, on the 2025 reset of the electricity five-year default price-quality path. Our approach has been to avoid committing to high levels of capital investment around areas where there is significant uncertainty, because our capital investment ultimately flows through to customer pricing, and we consider it’s not in their best interest to lock in high levels of investment where the scale and timing of need is not yet certain. We acknowledge that price increases on lines charges will occur in the new regulatory period, and that the Commission has proposed that these increases will be ‘smoothed’ over the five-year period, avoiding the potential of one-off price shocks.

“There has been a lot of commentary over recent weeks on high energy prices and lack of generation to supply the energy market. Our long-held view is that the energy system is going through a significant transition with the need for more capacity, changing customer needs, and climate change. We’ve long called for an energy strategy taking a whole of system approach, rather than piecemeal approach. This is because no part of the system can operate in isolation anymore, to deliver secure, reliable, affordable energy to meet consumer needs now and into the future. The industry changes made in the late 1990s, known as the 'Bradford reforms', might have been right for their time, but we believe this is no longer the case in a rapidly changing world. New Zealand urgently needs an energy strategy to inform policy and regulatory settings and enable the industry to effectively manage the energy transition.”

Key financial and operational information

Business segment	**FY23**	**FY24**	**% change**
Regulated Networks			
- Adjusted EBITDA	$372m	$407m	+10%
- New electricity connections	15865	15959	+1%
- New gas connections	2691	1934	-28%
- Gross Capex	$423m	$446m	+6%

Gas Trading[3]			
- Adjusted EBITDA	$12m	$23m	+88%
- LPG sales (tonnes)	22535	24415	+8%

ENDS

Further details of initiatives can be read in Vector's annual report. This along with our climate-related disclosures report, and greenhouse gas emissions inventory report are available here: vector.co.nz/reports.

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About Vector

Vector is an innovative New Zealand energy and digital solutions company, which runs a portfolio of businesses delivering energy, technology and communication services to more than 620,000 residential and commercial customers across New Zealand. Vector has a leading role in creating a new energy future through its Symphony strategy which puts customers at the heart of the energy system. Vector is listed on the New Zealand Stock Exchange with ticker symbol VCT. Our majority shareholder, with voting rights of 75.1%, is Entrust. For further information, visit www.vector.co.nz

[3] The sale of the remaining contracts of the natural gas trading business is now complete as at 1 July 2024. On 26 July 2024, we announced the conditional sale of the two remaining businesses that comprise our Gas Trading segment, being Vector Ongas and our 60.25% shareholding in Liquigas.