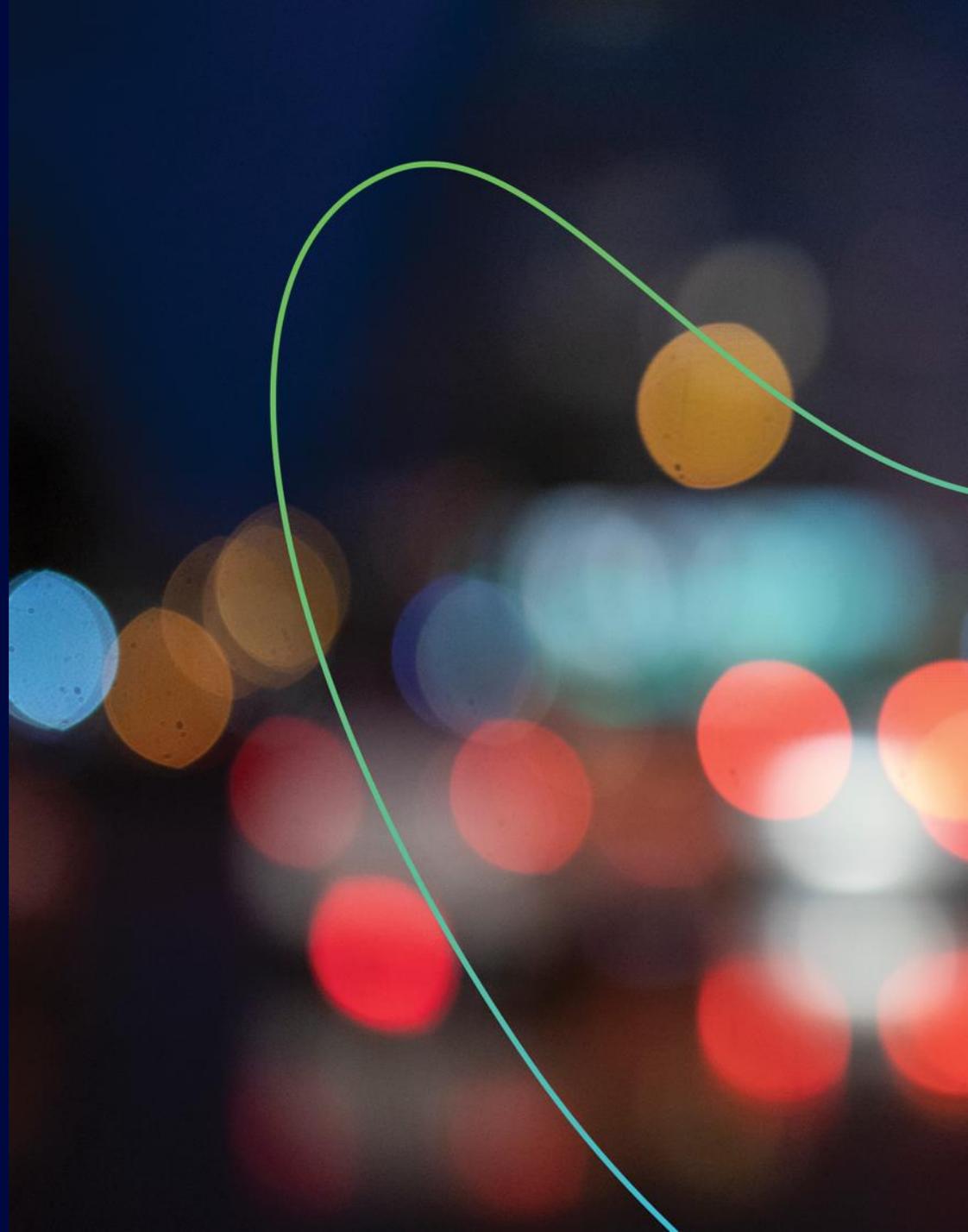




# Financial and Operational Results

HALF YEAR ENDING 31 DECEMBER 2023

27 FEBRUARY 2024



# 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.

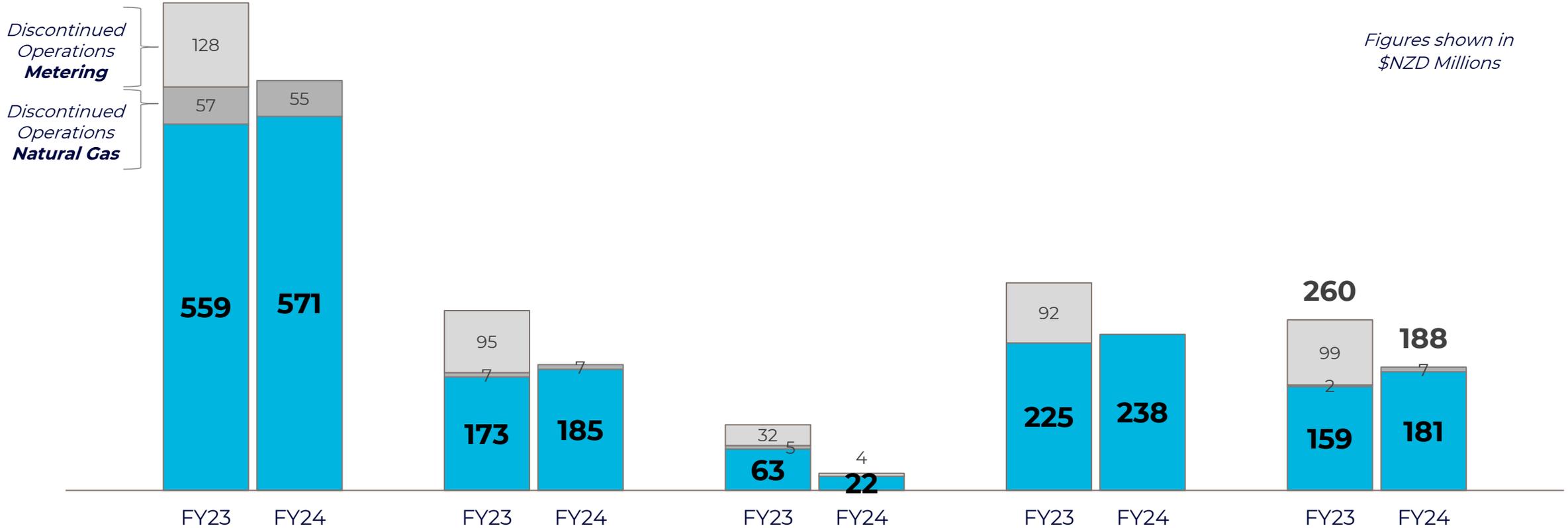
# Agenda

- Overview of Financial Performance
- Financial Performance
- Segment Performance
- Outlook & Market Commentary
- Q&A

# OVERVIEW OF FINANCIAL PERFORMANCE

# Overview of financial performance

H1 FY24 vs H1 FY23



Variance excludes Discontinued Operations

**Revenue**  
**+2%**

**Adjusted EBITDA**  
**+7%**

**NPAT**  
**-66%**  
+29% excluding Impairment

**Capital Expenditure**  
**+6%**

**Operating Cashflow**  
**+14%**



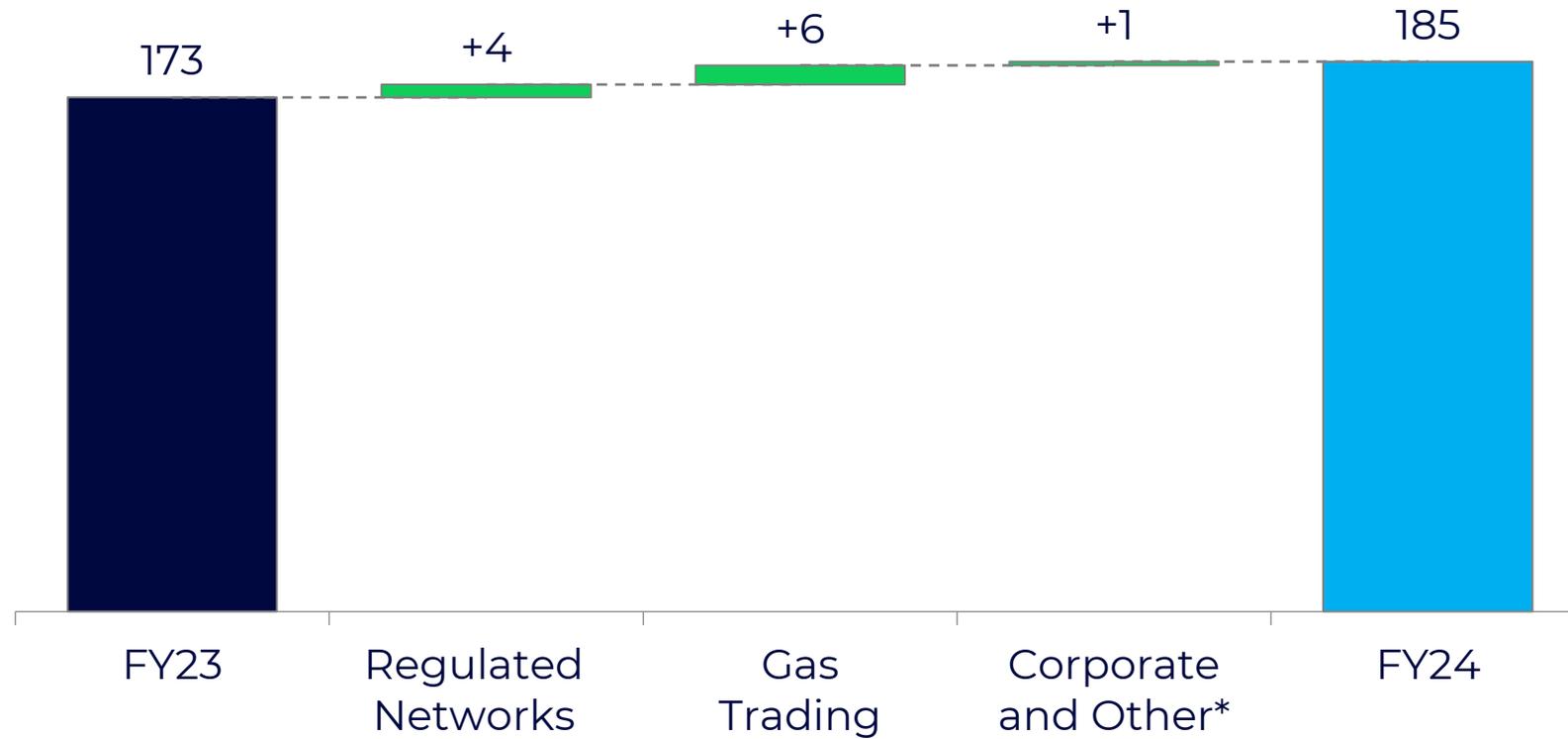
Adjusted EBITDA is not a GAAP measure of profit. For a reconciliation of adjusted EBITDA to EBITDA and net profit refer to the appendix of this presentation. H1 refers to the period ending 31 December. FY24 refers to Financial Year 24 with Period ending 30 June 2024.

# FINANCIAL PERFORMANCE



# Earnings from continuing operations are up \$12m or 7%

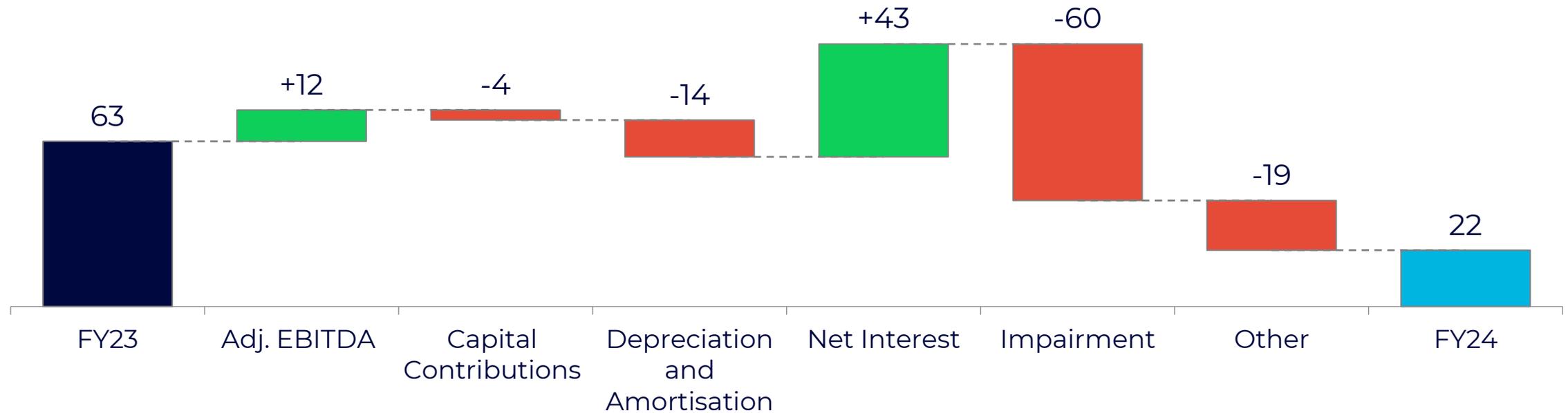
H1 Year on Year Adjusted EBITDA Movement (\$M)



\*Corporate and Other includes Corporate, VTS, HRV, PowerSmart and Vector Fibre. Corporate and Other is not a reportable segment

# NPAT from continuing operations is \$22m

H1 Year on Year NPAT from Continuing Operations Movement (\$M)



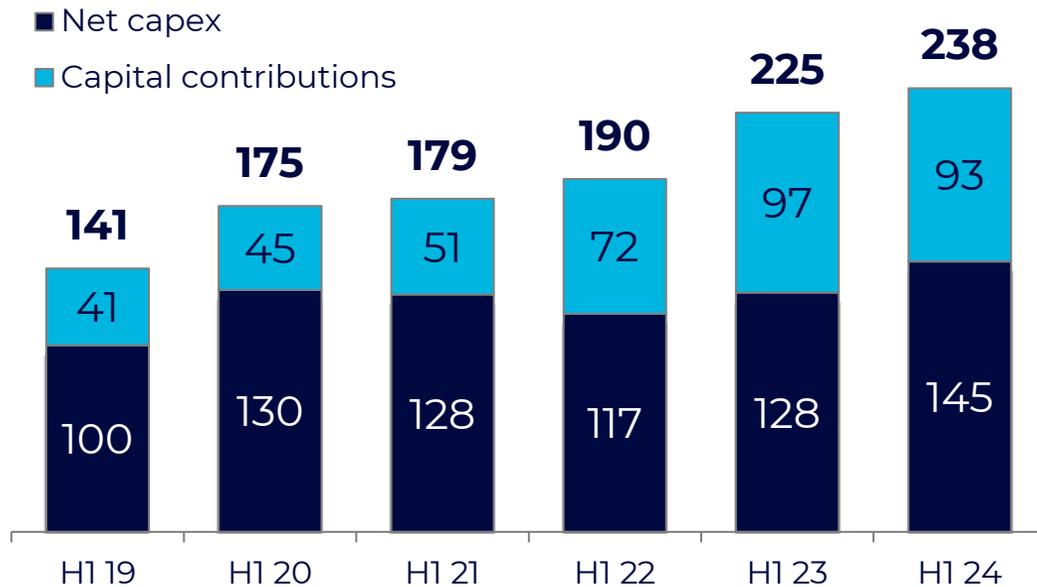
"Other" includes fair value change on financial instruments, share of associates and tax changes  
Note that Impairment is non-taxable and year on year we have a higher tax charge

# Metering Transaction – Recap

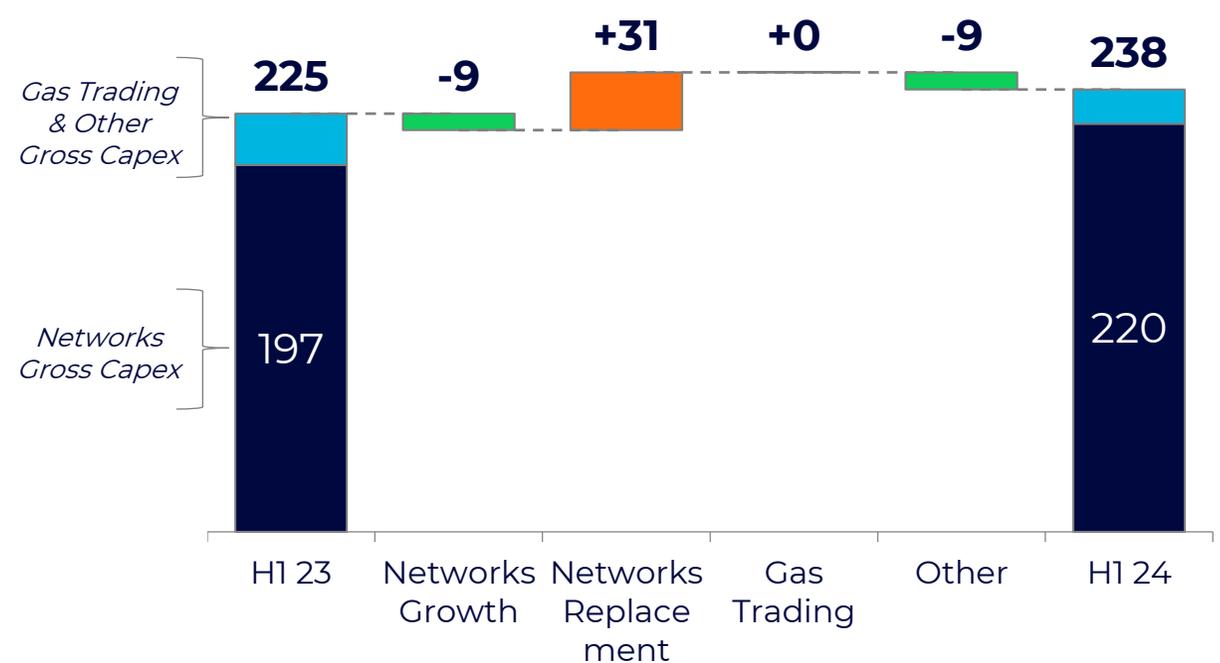
- On 30 June 2023, we completed the sale of 50% interest in Vector Metering to QIC. Now known as Bluecurrent.
- The sale resulted in proceeds of \$1.75b to Vector and this was used to reduce debt with gearing decreasing from 58% June 22 to 33% June 23.
- Vector's interest in Bluecurrent is accounted for as an investment in an associate with our 50% share of their NPAT reported as a single line on our P&L. Bluecurrent's earnings are excluded from Vector's Adjusted EBITDA.
- Bluecurrent has arranged a debt facility to fund future meter deployments. We expect Bluecurrent to distribute a minimum of 85% of free operating cash flow to shareholders. These cashflows will be recognised through Vector's cashflow statement but will not show through the P&L. The Bluecurrent board has indicated that shareholders could expect to receive between \$80m - \$100m of distributions for the FY24 year, with Vector receiving 50% of these distributions being \$40m - \$50m.
- The business's operating performance is currently ahead of expectations. Total meters deployed is 2.48m (owned and managed) at 31 December (Australia 639k and NZ 1,838k)

# Gross capex increase of 6% driven by replacement work on the Network post last year's extreme weather

Gross Capital Expenditure (\$M)



H1 Year on Year Capex Movement (\$M)



- Gross capex up 6% to \$238m. Net capex (after deducting contributions) up 13% to \$145m
- Contributions down 4% to \$93m, largely attributable to lower residential subdivisions and relocation work
- Year on year increase is driven by an additional \$31m of replacement capex on the network. This is primarily driven by work to improve resilience and restore the network post the extreme weather events last year (severe flooding in January 2023 and cyclone Gabrielle in February 2023)



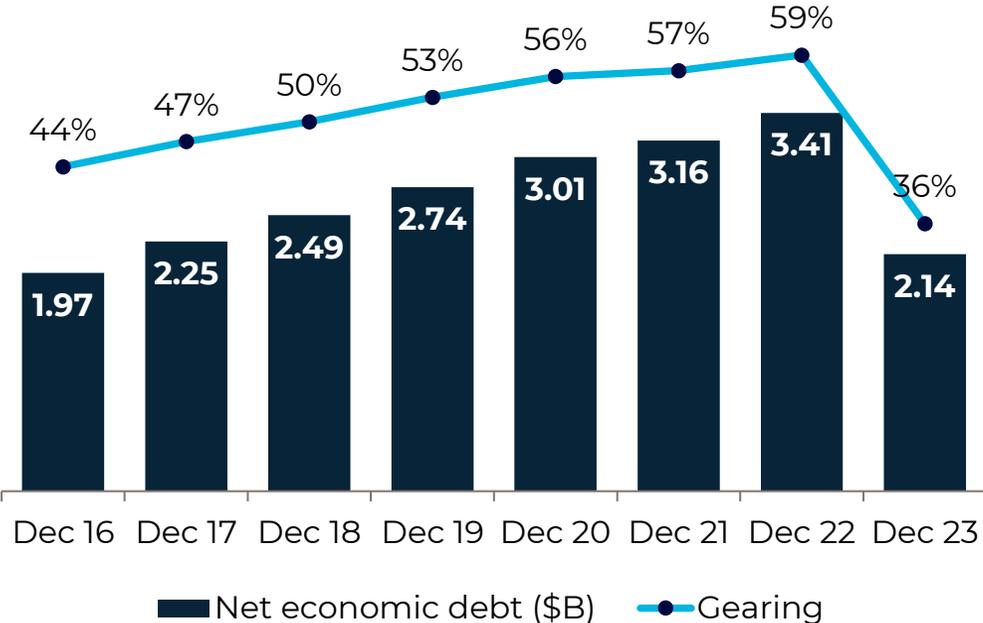
Note 1. All years adjusted to exclude discontinued operations; 2. Capex figures prior to December 2021 do not include ROU additions.

# Group debt

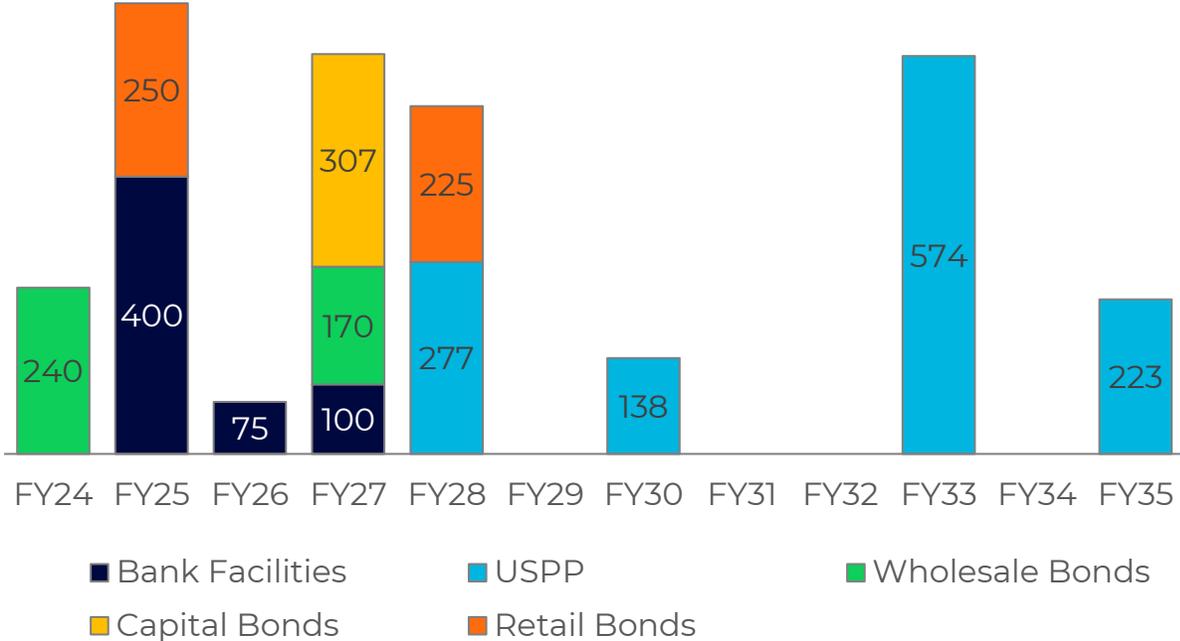
Vector’s Standard and Poor’s credit rating remains at BBB+ with a positive outlook

Moody’s credit rating is Baa1 with a positive outlook

### Net Economic Debt and Gearing (\$B)



### Debt Maturity Profile (\$M)



- Debt and gearing has fallen post the sale of 50% interest in Vector Metering with proceeds used to repay Debt.
- Funds currently on Term Deposit post sale will be used to repay the Wholesale Bonds due in FY24.

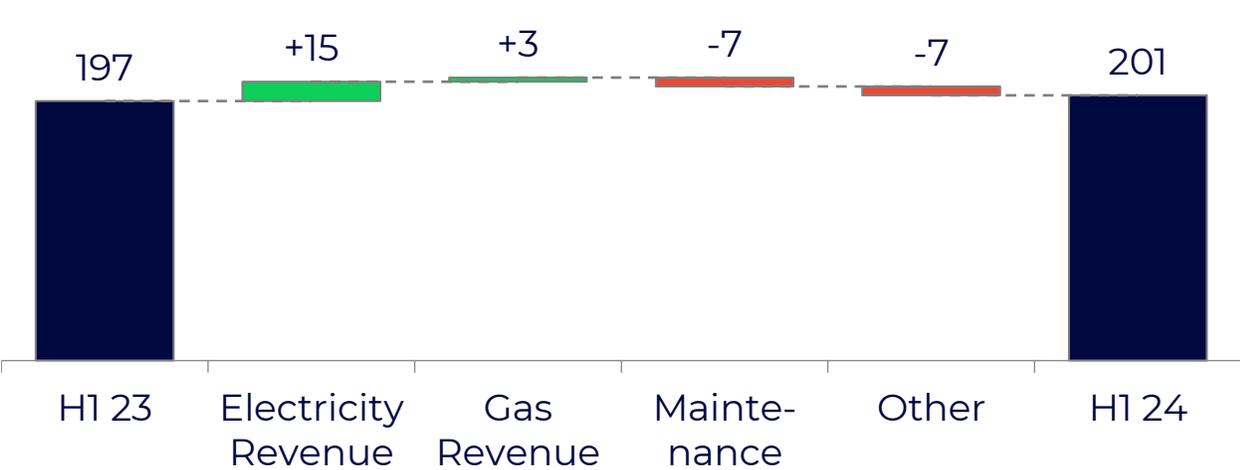
# SEGMENT PERFORMANCE



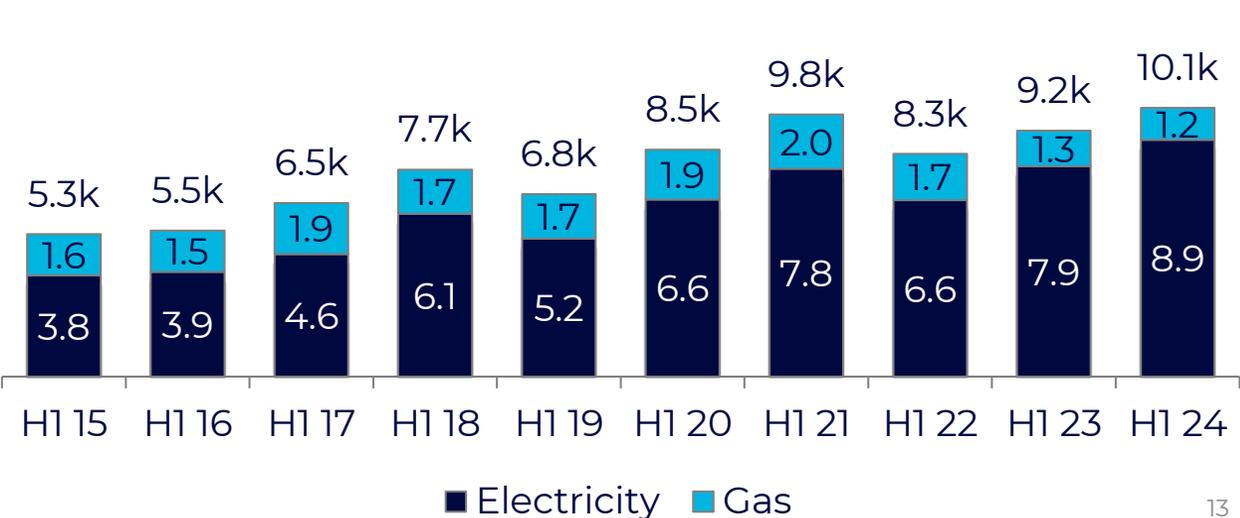
# Network earnings higher

- Electricity revenue is higher due to:
  - An increase in net connections;
  - 3.9% increase in volume; and
  - Price adjustments reflecting the impact of higher historical inflation. We are now recovering this through higher prices as per the regulatory model
- Gas revenue up due to increase in prices following gas reset
- Maintenance is higher due to increase in vegetation costs to manage wild fire risks, increase in maintenance of transformers and higher usage of generators to manage supply risks
- Total net connections continue to grow with electricity connections up 2.2% to 619,996 and gas connections up 1.3% to 120,302
- New electricity connections grew by 12.5% to 8,857 and new gas connections declined by 9.5% to 1,204

Adjusted EBITDA Movement (\$M)



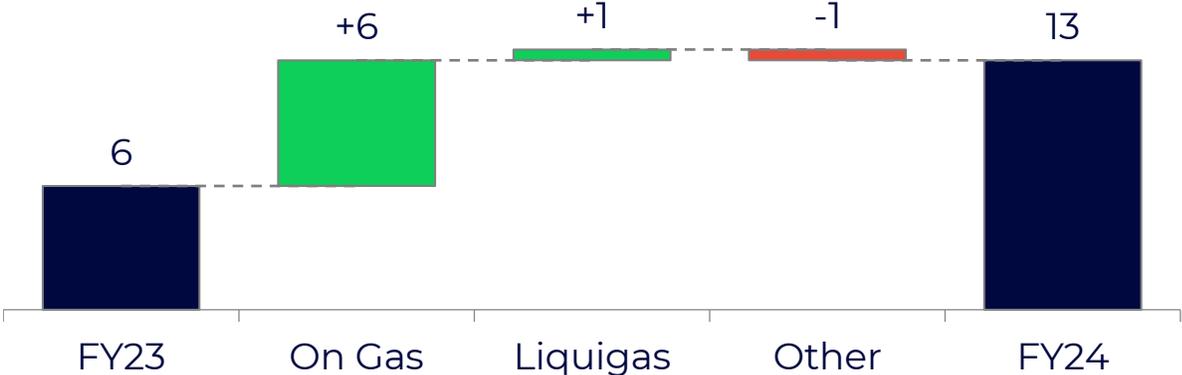
New Connections



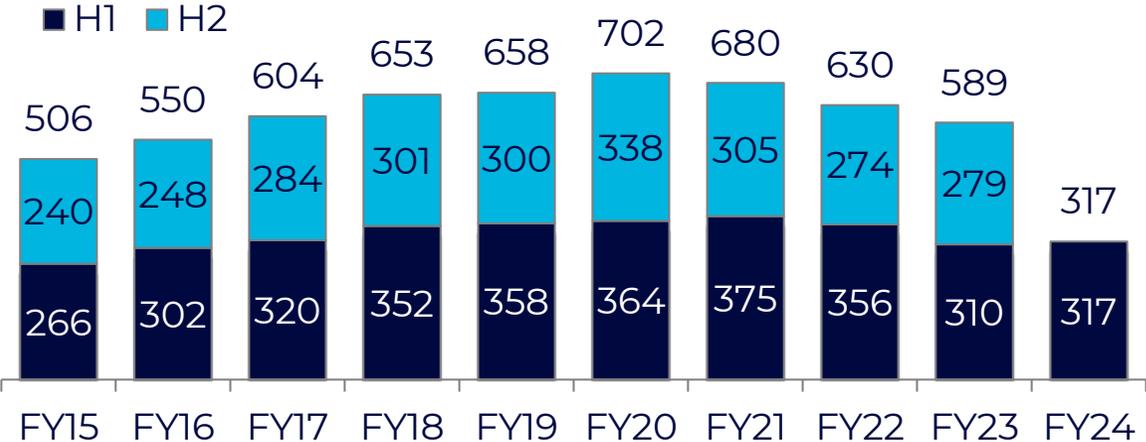
# Gas Trading earnings benefitted from higher Ongas LPG margins

- Improved performance from the LPG business. Higher LPG revenue due to higher prices and lower cost of LPG input prices including CP (Saudi Aramco price) is partially offset by higher cost of transportation. The international CP price of LPG has been lower compared to prior period which has improved profitability
- Overall LPG volumes were up 8.3% to 24,415 tonnes with bulk and cylinder volumes both higher
- Bottle Swap volumes up 2.3% to 316,884 bottles swapped/sold
- Liquigas tolling volumes down 3.1% to 55,126 tonnes
- Natural gas business has been removed from the gas trading segment and classified as 'Discontinued Operations' as the natural gas trading book has been conditionally sold effective July 1, 2024 for a value of \$9.7m.

Adjusted EBITDA Movement (\$M)



Bottle Swap Volumes ('000 9kg cylinders)



# OUTLOOK & MARKET COMMENTARY

# Outlook

- Auckland growth expected to continue.
  - On track to exceed c16,000 new electricity connections in FY24, up 2,000 from the indication provided in August 23
  - Connections & infrastructure activity remain elevated, necessitating significant capital expenditure
- We are currently tracking towards the high end of the Adjusted EBITDA guidance range provided in August 23 of \$350m-\$365m<sup>1</sup>.
- The Commerce Commission finalised their Input Methodologies Review in December 23. It is currently consulting on the next default price path (DPP4) and how this transition will occur. DPP4 covers the period 1 April 2025 until 31 March 2030.
- A key impact will be the increase in WACC as a result of the increase in interest rates going from 1.12% in the last reset when rates were at historical lows, to 4.60% now.
- This determination will have significant impacts on the timing of Vector's revenue, subsequent investment levels and investor returns.

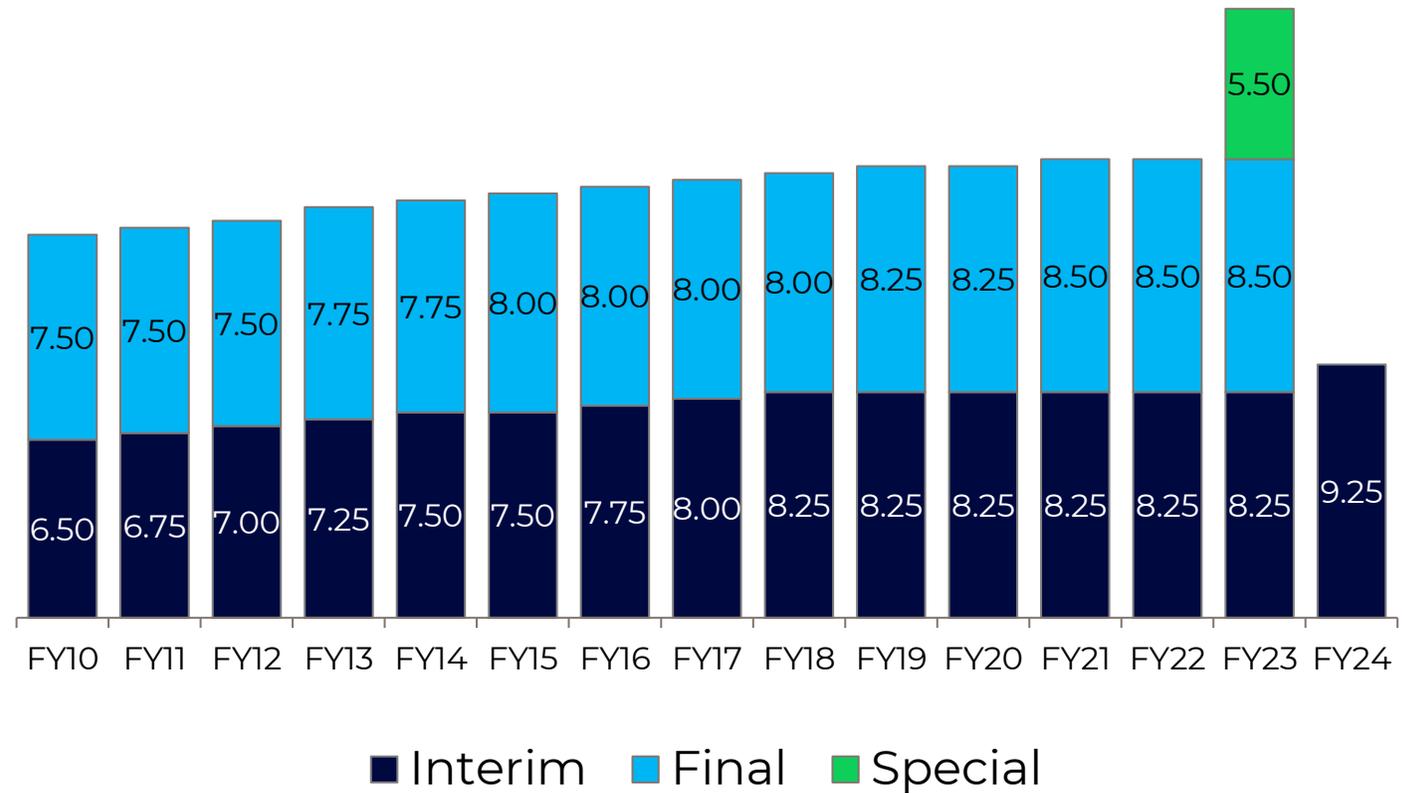


1. Guidance range includes earnings from Natural Gas.

# Interim Dividend

- Interim dividend of 9.25 cents per share with no imputation
- Dividend record date of 28 March 2024 and payment date of 9 April 2024
- We have deferred a decision on our future dividend policy pending outcome of the Commerce Commission's consultation regarding financeability

**Dividend (cents per share)**



Q&A

ANY QUESTIONS?



# APPENDICES

# Segment Results – Continuing Operations

	Networks			Gas Trading			Corporate & Other <sup>1</sup>			Inter-Segment Elimination		Total Group		
	H1 FY23	H1 FY24	Δ	H1 FY23	H1 FY24	Δ	H1 FY23	H1 FY24	Δ	H1 FY23	H1 FY24	H1 FY23	H1 FY24	Δ
EBITDA														
Revenue excl. Capital Contributions	369	376	+2%	63	68	+9%	43	45	+4%	(13)	(12)	462	478	+3%
Operating Expenses	(172)	(175)	-2%	(57)	(56)	+2%	(74)	(74)	-0%	13	12	(290)	(293)	-1%
<b>Adjusted EBITDA</b>	<b>197</b>	<b>201</b>	<b>+2%</b>	<b>6</b>	<b>13</b>	<b>+119%</b>	<b>(30)</b>	<b>(29)</b>	<b>+5%</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>185</b>	<b>+7%</b>
Capital Contributions	97	93	-4%	-	-	-	0	0	+33%	-	-	97	93	-4%
Other Movements	-	-	-	-	-	-	(6)	(15)	-136%	-	-	(6)	(15)	-136%
<b>EBITDA</b>	<b>294</b>	<b>294</b>	<b>+0%</b>	<b>6</b>	<b>13</b>	<b>+119%</b>	<b>(36)</b>	<b>(44)</b>	<b>-20%</b>	<b>-</b>	<b>-</b>	<b>263</b>	<b>263</b>	<b>-0%</b>

## Capex

Replacement	87	118	+36%	1	2	+120%	4	6	+57%	-	-	91	126	+38%
Growth	111	102	-8%	2	1	-50%	21	10	-54%	-	-	134	113	-16%
<b>Total Capex</b>	<b>197</b>	<b>220</b>	<b>+11%</b>	<b>3</b>	<b>3</b>	<b>+0%</b>	<b>24</b>	<b>15</b>	<b>-38%</b>	<b>-</b>	<b>-</b>	<b>225</b>	<b>238</b>	<b>+6%</b>

<sup>1</sup> Corporate and Other is not a reportable segment. Other Movements shown within this column relate to share of associates and fair value movements as reported in the GAAP to Non-GAAP reconciliation



# 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](http://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	H1 FY23	H1 FY24
Group EBITDA and Adjusted EBITDA	\$M	\$M
Reported net profit for the period (GAAP)- continuing operations	63.4	21.6
Add back: net interest costs	67.8	24.5
Add back: tax (benefit)/expense	30.0	40.9
Add back: depreciation and amortisation	101.6	115.7
Add back: impairment	-	60.0
<b>EBITDA</b>	<b>262.8</b>	<b>262.7</b>
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss)	-	9.0
Capital contributions	(96.7)	(92.8)
Fair value change on financial instruments	6.4	6.1
<b>Adjusted EBITDA- continuing operations</b>	<b>172.5</b>	<b>185.0</b>
<b>Adjusted EBITDA- discontinued operations</b>	<b>101.5</b>	<b>7.0</b>
<b>Total Group adjusted EBITDA</b>	<b>274.0</b>	<b>192.0</b>

Extracted from financial statements

END

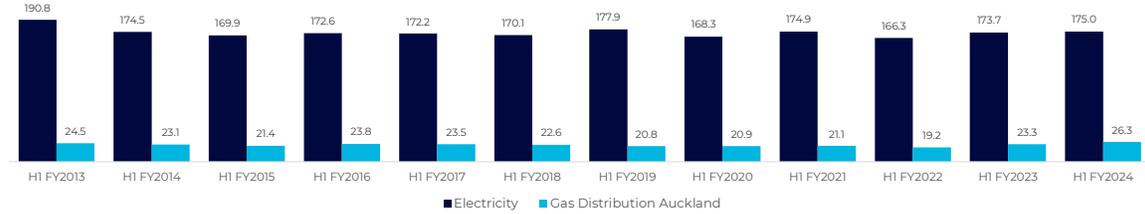
Supplementary Interim Information



Regulated Networks Adjusted EBITDA

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021	H1 FY2022	H1 FY2023	H1 FY2024
Electricity	190.8	174.5	169.9	172.6	172.2	170.1	177.9	168.3	174.9	166.3	173.7	175.0
Gas Distribution Auckland	24.5	23.1	21.4	23.8	23.5	22.6	20.8	20.9	21.1	19.2	23.3	26.3
Total	215.4	197.7	191.3	196.4	195.7	192.7	198.7	189.2	195.9	185.5	197.0	201.3

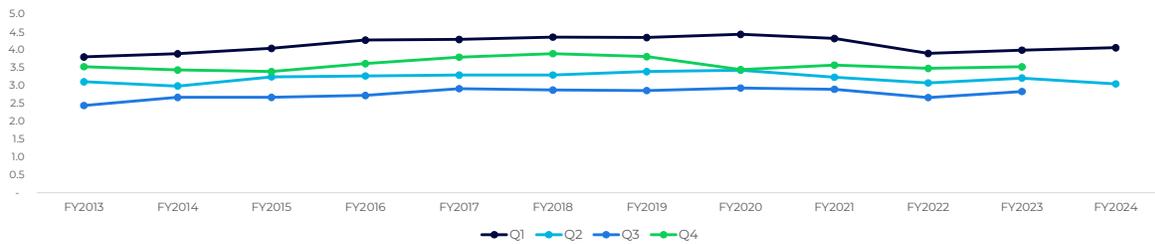
Adjusted EBITDA



Gas Distribution Auckland Volumes (PJ)

PJs	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Q1	3.8	3.9	4.0	4.3	4.3	4.4	4.4	4.4	4.3	3.9	4.0	4.1
Q2	3.1	3.0	3.3	3.3	3.3	3.3	3.4	3.4	3.2	3.1	3.2	3.1
Q3	2.4	2.7	2.7	2.7	2.9	2.9	2.9	2.9	2.9	2.7	2.8	
Q4	3.5	3.4	3.4	3.6	3.8	3.9	3.8	3.5	3.6	3.5	3.5	
Total	12.9	13.0	13.4	13.9	14.3	14.5	14.4	14.3	14.1	13.1	13.6	7.1

Gas Distribution Volumes (PJ)



Gross New ICPs

# of ICPs (gross)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Q1	-	-	807	831	982	875	800	832	959	644	707	582
Q2	-	-	743	707	925	781	869	1,031	1,068	1,087	623	622
Q3	-	-	605	948	842	481	705	784	905	763	707	
Q4	-	-	666	837	766	1,028	948	554	912	652	654	
Total	2,464	3,107	2,821	3,323	3,515	3,165	3,322	3,201	3,844	3,146	2,691	1,204

Data not available prior to FY15

**Net New ICPs**

# of ICPs (net)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Q1	620	524	839	616	878	872	560	674	624	368	397	228
Q2	415	566	713	727	718	728	700	778	848	788	382	443
Q3	508	558	584	809	626	468	378	484	582	30	617	
Q4	377	892	645	605	126	491	775	382	458	337	240	
Total	1,920	2,540	2,781	2,757	2,348	2,559	2,413	2,318	2,512	1,523	1,636	671

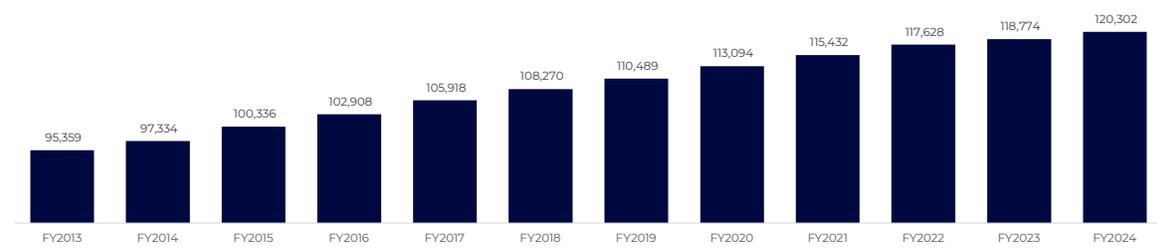
**Net Gas ICPs**



**Total ICPs**

# Total ICPs	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Q1	94,944	96,768	99,623	102,181	105,200	107,542	109,789	112,316	114,584	116,840	118,392	119,859
Q2	95,359	97,334	100,336	102,908	105,918	108,270	110,489	113,094	115,432	117,628	118,774	120,302
Q3	95,867	97,892	100,920	103,717	106,544	108,738	110,867	113,578	116,014	117,658	119,391	
Q4	96,244	98,784	101,565	104,322	106,670	109,229	111,642	113,960	116,472	117,995	119,631	

**Total Gas ICPs as at half year**



**Gas Distribution Lines Revenue**

\$m	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
H1	28.3	27.5	26.1	28.5	28.9	27.5	25.5	25.7	25.9	25.1	29.1	32.2
H2	24.4	19.5	23.4	23.6	25.0	21.7	21.6	22.0	22.8	22.9	28.7	
Lines Revenue	52.7	47.0	49.5	52.2	53.9	49.2	47.1	47.7	48.7	48.0	57.8	32.2

**Gas Distribution Lines Revenue \$m as at half year**



**Gas Distribution Adjusted EBITDA**

\$m	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
H1	24.5	23.1	21.4	23.8	23.5	22.6	20.8	20.9	21.0	19.2	23.3	26.3
H2	20.2	15.2	18.5	19.5	20.0	17.4	16.3	16.9	17.4	17.1	22.1	
Total	44.8	38.3	39.9	43.4	43.5	40.0	37.0	37.8	38.4	36.3	45.4	26.3

Gas Distribution Adjusted EBITDA \$m



**Capital Contributions**

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021	H1 FY2022	H1 FY2023	H1 FY2024
Electricity	11.1	15.9	17.5	19.2	29.6	31.0	38.3	41.7	45.4	65.6	92.4	86.1
Gas	0.9	1.5	1.3	2.4	1.2	2.8	2.9	3.3	5.2	6.3	4.1	6.4
TOTAL	12.0	17.5	18.8	21.6	30.8	33.8	41.2	45.0	50.6	71.9	96.5	92.5

Capital Contributions \$m



**Capex**

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021	H1 FY2022	H1 FY2023	H1 FY2024
Electricity	61.4	67.7	69.8	68.5	91.0	106.2	114.9	144.9	145.9	150.9	187.0	210.1
Gas	5.8	11.6	12.9	11.0	11.2	13.4	10.1	11.1	11.6	13.2	10.4	9.5
TOTAL	67.2	79.3	82.8	79.5	102.2	119.6	125.0	156.0	<sup>1</sup> 157.5	164.1	197.4	219.6

Regulated Capex \$m



<sup>1</sup> From FY2021 ROU assets have been added