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Operator: Good morning, everybody, and welcome to the Vector Limited's conference call and webcast to discuss the Company's financial and operational results for the full year to June 30, 2017. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question you will need to press the star key followed by the number 1 on your telephone keypad. I must advise that this conference call is being recorded today.

I would now like to hand you over to Vector's Chairman, Michael Stiassny, who will take you through the call. Please go ahead, Mr. Stiassny.

Michael Stiassny: Thank you. Good morning, everyone, and welcome to Vector's results briefing for the year ended June 30, 2017. My name's Michael Stiassny. I'm Vector's Chairman. And joining me on the call today is Group Chief Executive, Simon Mackenzie, and Chief Financial Officer, Dan Molloy.

I will begin today's presentation with a review of the dividends for the 2017 financial year and then hand over to Simon to review the highlights for the period. Dan will then review the financial results before Simon concludes the briefing with a review of the business unit results and the outlook for the year ahead. As always, we will then be happy to take your questions.

In 2017, Vector has maintained the strong performance necessary to support growing dividends for our shareholders. With adjusted EBITDA of $474.4 million we have delivered at the top end of our market guidance. And directors have declared a fully imputed final dividend of $0.08 per share, taking the final dividend to $0.16 per share, up $0.25 on the prior year.

The Vector Board and management team are exceedingly proud to have delivered 11 consecutive years of dividend growth. However, it's worth noting as we continue this presentation that there is no room for complacency in this result. Vector is a business under pressure through a combination of consumer trends, a low-interest-rate environment and regulatory settings. We have robust strategies in place to address these headwinds, but it is important that all shareholders realize that long-term dividend growth is untenable without the radically different business paradigm we have embarked upon.

We are committed to unlocking greater value through the deployment of new technology targeted at energy production, storage, delivery, management and optimization. This focus on creating a new energy future based on disruption and a commitment to the United Nations Sustainable Development Goals cannot be dismissed as greenwashing. It is essential to our survival. Customer focused, innovative and sustainable initiatives are at the heart of our strategy for one reason only; it's good business sense.

I will now hand over to Simon to take you through the highlights of the year.

Simon Mackenzie: Thank you, Michael, and good morning, everyone. So as Michael said, Vector's not standing still. We continue to focus on creating a new energy future based on responding to customers' desire for choice and control. We will deliver what they want when they want and how they want it.

We have acquired new businesses, expanded into new markets and proven we are unafraid to challenge traditional models to make that happen. We're embracing totally new solutions that redefine how customers access energy. The successful installation of New Zealand's first utility-scale Tesla battery in Glen Innes has reduced peak demand by up to 13%, enabling Vector to continue to provide a secure power supply and defer the significant investment required for a new substation.

It's also giving us confidence that our strategy investing in assets that can be moved around as required rather than being sunk for generations or tethered to one location is the right one. We simply can't meet the future needs of a growing Auckland by continuing to invest in bigger traditional assets that are increasingly uneconomical. And we cannot burden Auckland consumers now or into the future with traditional network investment solution when cheaper, smarter options are available that open up wider possibilities to customers than pure network solutions.

We have changed the whole energy profile, for example, for Ngati Whatua Orakei's 30-home residential development for iwi first home owners by installing solar and [Vector e-storage] in each home. This project is demonstrating how a future community energy solution might operate and is already changing how these residents consume power. It also helps us understand how energy might be shared amongst the community members or beyond, and community distribution models are also likely to enable networks to lower peaks and reduce costs while customers enjoy the benefits of their own production.

On a larger scale, Vector won the Territory Generation contract to supply battery technology for its Alice Springs' 5 megawatt battery project in Australia. This deal is a beachhead for Vector and to the rapidly expanding utility and commercial battery market in Australia.

In each case, these initiatives example of how Vector is reinventing itself, leading the change in facilitators of integration. Redesigning traditional solutions, customer-owned distributed energy resources, smarter distribution technology and advanced analytics give us, and therefore our customers, access to new options and choices. And we've only just begun.

Vector had chosen to further expedite its technology-savvy positioning by acquiring two companies, PowerSmart and E-Co Products Group in the past financial year. These acquisitions further illustrate our commitment to quickly moving to meet market changes in expanding the solutions we can offer customers, not only in Auckland, but further afield.

PowerSmart is a leading New Zealand solar energy company that specializes in developing innovative energy systems, micro goods, using a combination of solar voltaic cells and battery storage for commercial operations. They can operate without connection to the outside world and have a proven, compelling proposition in remote communities in the Pacific and also in New Zealand. And in fact today we're announcing the first Tesla Powerwall 2 that's been installed for a customer in Queenstown.

Leveraging Vector's energy network technology, existing solar and battery expertize, resources and strong balance sheet, PowerSmart will help us create the step-change we're looking for, a new paradigm for how energy is supplied, where it's made and who has access to it, not only in Auckland, but again, across the country and further afield.

Our decision to purchase E-Co Products Group, which trades as HRV, will, over time, enhance Vector's capacity to deliver solar solutions in the residential market, again across the country. The current HRV offering has a healthy home focus and includes ventilation, heat pumps, retro double glazing and water filtration, to name a few. Leveraging Vector's expertise, this offering can be expanded to target energy-efficient home solutions, including solar, ducted and hot water heat pumps, residential batteries, giving us a distribution channel with existing exceedingly strong customer brand recognition. Acquiring specialist complementary expertise in this way helps Vector quickly build a broader customer base and accelerate our new future energy objectives.

Our continued transformation into a customer-focused technology company has seen us partner with world-class tech companies to introduce new choices to New Zealand. And we have found that by embracing disruption, engaging and investing in new technology is not only fueling Vector's own growth, but is also establishing new products and services for New Zealand to export.

Our collaboration with innovators like Elemental Excelerator, Tesla, LG Chem and mPrest enable us to take the most exciting global thinking and apply it in new lateral ways to propel us forward. For example, our relationship with mPrest allows us to manage complex systems in much more sophisticated ways, harnessing the power of artificial intelligence in rapid and cumulative decision making. This will provide unprecedented network visibility and control, but, more importantly, it will also enable, easily, customers to access low-cost energy and automate their assets to optimize their energy use and cost. It's truly world leading, providing Vector with solid external growth opportunities.

Our commitment to providing the infrastructure necessary to support large-scale uptake of electric vehicles continues unabated. We have deployed a total of 16 rapid EV chargers across our network and we're on a journey of continuous learning. As we deployed these chargers we recognized that when EV use increases it will potentially put pressure on the current gird, especially as they are all charged at peak time. So our next generation of EV chargers will help resolve this by time shifting when people will charge their vehicles.

In addition to this, our new vehicle-to-grid chargers are a New Zealand first that will transform EVs into a mobile power source for businesses and homes. So not only can they take power from the grid, they can also reverse that process by putting power back into the grid from the vehicle. We already have a lot of interest in this technology from a number of customers.

And for Vector, it's not just about the technology itself. It's about embracing new thinking. Alongside these technology partnerships, Vector works with innovative organizations, including the Elemental Excelerator based in Hawaii and a number of Israeli tech companies that help us access new and exciting ideas that can change how we work. These are truly exciting developments and the opportunities just keep coming.

However, one of the challenges we face is the need to shift not just our own mindset, but also that of some of the regulators. We are determined to enable customers to have smart energy choices. This means Vector will continue advocating for regulation and energy policy change that keeps pace with technology advancement and delivers customers choice. There is a pressing need to move away from the traditional theoretic economics that are the mainstay of the regulatory environment that now needs to be supplemented and enhanced with behavioral economics to ensure that customers are truly getting top-quality services and choices in the New Zealand environment.

We have talked at length about becoming a customer-focused and customer-facing business. Some, however, find that hard to reconcile, with retailers maintaining, in a number of cases, that they own the customer relationship. It's simply not the case.

In terms of customer trends, there are three that really drive the position. The first is that per-household energy consumption continues to decline, down 11.5% over the last 12 years and it's likely to continue and/or accelerate. The second is that many of our customers are also our major owner, Entrust, beneficiaries. And third, that customers already engage with us over issues, including choice, new technology, business sustainability objectives, connections and outages via our digital technology. So Vector is a customer-facing business and we'll continue to foster our relationship with our customers and build our connection to new customers, not only in Auckland, but further afield.

Keeping connected to our community is essential to our successful schools program. This year we visited 36 schools and spoke to more than 7,600 students about electrical safety and the importance of sustainability.

Vector has entered into a long-term smart energy partnership with Auckland Council. The inaugural project launched in association with Entrust as promoting the use of energy-efficient technology in homes and schools via a community program in Auckland's southern suburbs. And soon the iconic Auckland Harbor Bridge will be sustainably powered by Vector's solar and energy battery solution and capable of being colorfully transformed for special event lighting displays.

As Michael said earlier, Vector is not merely paying lip service to the concept of sustainability. It is at the heart of our new energy future.

We are joining with other legal global businesses in making a clear commitment to the United Nations Sustainable Development Goals. Our initial focus will be on the seven key areas we have already identified that will drive our sustainability agenda based on outcomes for our business and stakeholders in the short to medium term. These are good health and wellbeing, affordable and clean energy, industry innovation in infrastructure, reduced inequalities, sustainable cities and communities, and climate action. The seventh goal is about partnership, which recognizes that achieving these goals requires partnership and collaboration, but with likeminded people.

We are also meeting the increasing expectation from global financial markets on environment, social and governance disclosures by enclosing carbon reporting in this year's Annual Report for the first time. Our strength in this area was underscored by receiving an EEI, Edison Electric Institute Asia-Oceania Index Award for superior and sustained financial performance. Vector is very proud that its practices continue to be publically recognized by a range or organizations in New Zealand and internationally.

Our focus on creating a safe, inspiring and diverse workplace has been acknowledged through our Rainbow Tick certification. And we welcome this endorsement because it supports our desire to create an environment that will attract diverse talent and boost productivity and engagement.

And vector was also proud to be shortlisted for the international Responsible Investor Award for innovation and industry leadership, alongside companies including Deutsche Boerse, London Stock Exchange Group, Tesla and Unilever. If you're judged by the company you'll keep, then we feel we're in very good company.

The health and safety of our people is also paramount. This year we demonstrated that we are not afraid to put people first, even if the decision has unpopular consequences. In a New Zealand first, we have stopped our people working on live lines wherever possible. This means, in most circumstances, electricity lines now de-energize before work starts. While other utilities and commentators were quick to criticize, we welcomed the support that WorkSafe provided in this area.

As a result, our customers are experiencing more planned outages, which has implications for our performance targets, but we maintain it was the right thing to do. Our people are now working in safer conditions. We're working hard to find ways to reduce the impact on customers and reduce the cost that we're bearing for this choice.

Vector's health and safety and environment performance measures include not only our direct staff, but also contractors who provide services to us, unlike a number of others. These indicators show that the lost time injury frequency rate has reduced by 15% over the last year, while our total recordable injury frequency rate has increased marginally to 8.18. We remain optimistic of achieving a longer-term total recordable injury frequency rate less than 6 and continue to focus on proactive engagements and training initiatives designed to prevent accidents and incidents occurring.

This sort of critical thinking and embedded safety culture is extremely important to us. And, for example, we have achieved certification for Australia/New Zealand standard 4801 and ISO 14001 standard for our health and safety and environment management system.

And on an individual level, it was great to see Nakia Holland, one of our OnGas team, recognized with a national award for developing a clever new way of applying a soap solution test for leaks in LPG cylinder bottles.

These achievements are critical if we are to ensure health and safety culture continues to flourish.

I'll now hand you over to Dan.

Dan Molloy: Thanks, Simon. Morning, everyone. [High-level] financial results for the year are summarized on slide 13. Adjusted EBITDA was up 0.3% to $474.4 million. And that was at the top end of our market guidance range.

Group net profit for the year was $168.9 million. This is down on last year's result, which was impacted by a couple of significant items. And those were the $164 million gain on sale of Vector Gas and also the $64 million impairment that we took to the gas trading division.

On a continuing operations basis, that is including the impact of Vector Gas, our net profit was up 186% on the prior year. And I'll explain the reasons underlying that movement shortly.

Moving onto the next slide, which shows our adjusted EBITDA bridge. As I mentioned, adjusted EBITDA up 0.3% to $474.4 million. And this was due to growth in the technology and corporate segments, largely offset by a decrease in earnings and the regulated network segment and the gas trading segment.

Adjusted EBITDA from technology grew 7.5% to $122.5 million. This was due primarily to smart meter rollout, but it was also due to the contribution from E-Co Products and PowerSmart from April 1.

And the corporate segment benefited from a one-off transition revenue as we transitioned Vector Gas to its new owners, and also from cost control.

The regulated networks' result fell 2% to $361.2 million, and this was on the back of flat revenue and higher maintenance costs.

Gas trading adjusted EBITDA fell 9% to $36.9 million. And as we've previously discussed on these calls, our natural gas operations are being impacted by lower margins as a result of strong competition. They're also being impacted by lower production at the Kapuni field and lower processing fees at Kapuni Gas Treatment Plant.

LPG operations, however, continue to occupy a really strong market position. And the new bottling facility in South Auckland will help drive efficiencies and enable further growth in our bottle-swap business.

Slide 15 explains the movement in our net profit. Excluding the $164 million gain on sale of Vector Gas and the write-down of the gas trading business, both of which impacted the prior-year result, underlying net profit is up due to higher capital contributions, lower interest costs and also a $15 million tax gain following our win in the Court of Appeal.

We give you a snapshot of capital expenditure on slide 16. Overall CapEx was up almost 14% in the last year to $367 million. And this was driven by strong connection growth in Auckland, growth in our metering business and also the construction of the bottle-swap plant in South Auckland. Our net capital expenditure after capital contributions was up 12% to just over $300 million.

Slide 17 gives a snapshot of our balance sheet and our debt portfolio. During the 2017 financial year we refinanced over $760 million of facilities. And that includes $100 million seven-year wholesale bond, $307 million of capital bonds and $355 million of bank facilities. Our gearing has risen to 47.1%, from 43.7% a year earlier, as we start to reinvest the proceeds of the Vector Gas sale.

And the chart on slide 17 shows the maturities in our debt portfolio. As you can see, we have a further $670 million to be refinanced in the 2018 financial year. And it's also worth noting that the last of our legacy pre-GFC debt matures shortly after the next electricity reset.

I'll now hand you back to Simon.

Simon Mackenzie: Thanks, Dan. Turning to technology, by sourcing new customer-focused technologies from global innovators, Vector has successfully introduced new energy choices to New Zealanders and Australians. Technology division revenue rose 18.8% to $214 million, from $180.1 million last year, largely driven by increased deployment of smart meters and the acquisition for a short period of E-Co Products Group and PowerSmart on April 1, 2017.

Technology-adjusted EBITDA rose 7.9% to $122.5 million, with gains from the smart meter rollout and acquisitions diluted by continued business development expenditure associated with new energy solutions in Australian metering operations.

This year, we have deployed close 145,000 smart meters in New Zealand and over 24,200 in Australia. Our smart meter fleet has hit 1.28 million, both owned and managed. In the next financial year, we expect to install between 80,000 and 100,000 meters in New Zealand, which will almost complete the rollout, after which we revert to new and replacement meter practices.

In Australia, deployment volumes will depend on the retailer procurement processes that will be influenced by the Power of Choice reforms, which are due to take effect from December 1.

As noted in my earlier address, Vector acquired E-Co Products Group, trading as HRV and EES, and PowerSmart on March 31, 2017 for $106 million. These businesses provide Vector with proven channels for residential and commercial technologies. E-Co Products will expand its offering into energy-efficient home solutions, while PowerSmart will be Vector's channel for commercial solar battery solutions in Australasia, including delivering the 5-megawatt battery to the Territory Generation company in Alice Springs.

These businesses generated combined revenue of $84 million and EBITDA of $13 million in the 12 months to March 31, 2017.

Turning to Australia, Australia leads the world in installation of household solar PV and this is forecast to double over the next two years. Australia is also expected to be one of the world's leading markets for batteries, both at utility and residential level.

We also note that any new mass market meter installed from December 1 will need to be smart. As a market, Australia therefore offers significant opportunity for Vector.

Over the course of the financial year we've continued to build our Australian metering capability and service offering and have deployed 24,200 smart meters. Excluding deployment -- excluding deployed meters, our investment as at June 30 was almost $29 million.

The metering market in Australia will become far more competitive when responsibility for metering shifts from networks to retailers on December 1. And whilst we have yet to secure significant deployment volumes from the state, Vector has already engaged with major and small retailers to be well positioned in advance of these Power of Choice reforms. And our long-term commitment in Australia is starting to pay off in this market.

Gas trading adjusted EBITDA fell 9.1% to $36.8 million, from $40.6 million a year earlier. And natural gas operations were impacted by lower margins as a result of strong competition, decline in Kapuni production and lowering gas processing fees at the Kapuni Gas Treatment Plant.

Vector's LPG operations, however, are very strong, showing a 9.9% increase in bottle swaps, up to 604,391 bottles. As well as increases in bulk and cylinder volumes, we have a new bottle plant in South Auckland that is expected to be operational in time for the summer peak.

And OnGas is enjoying very high levels of customer satisfaction.

With the new bottle plant, we expect this will set the standard for bottle refilling across the country.

Auckland's steady growth continues to impact Vector's regulated networks. New gas and electricity connections rose 7% to 12,653, with total electricity connections now at 555,100, and total gas connections sitting at 106,670. To put this in context, we built a new network approximately the same distance as from Auckland to Tauranga over the last year. Gas volumes have also increased by 2.9% to 14.3 petajoules.

Capital contributions are up 25.2% to $61.2 million, reflecting the continued connection growth and significant infrastructure development taking place across Auckland.

Our regulated -- our electricity asset base as at March 31 now stands at $2.9 billion, while the gas regulated asset base is around $390 million.

However, connection growth is not translating to higher network earnings, largely due to the pressure from consumer trends and regulatory settings that do not necessarily support or reflect the current investment environment. Change in consumer consumption patterns have seen electricity volumes fall 0.5%, and over the last 12 years, 11.5%.

A final decision on the default price path for gas will see price reduces by around 14% from October 1, 2017.

Due to making changes to our live lines policy to improve safety, we anticipate our safety metrics will reduce revenue by about $4 million per annum from April 1, 2009 (Sic - see slide 24 "2018"). This is a topic we are discussing with the Commerce Commission as we simply don't believe we should be penalized for doing the right thing.

Our recent settlement with the Commerce Commission regarding an unintentional breach for electricity price path will see $13.9 million returned to Auckland consumers from April 1, 2018. This occurred as a result of Vector moving to a fairer two-tiered standard and low user pricing structure in 2013.

Under low fixed user rules, electricity retailers are obliged to advise customers of their optimal plans and lines companies are legally prevented from unilaterally transferring customers between standard and low-use tariffs. We assumed that competition in the electricity retail market would ensure retailers acted in accordance with these rules, that they would select the most beneficial tariff for their consumers and then proactively request Vector to make the switch. Frankly, this did not occur. Even today, we understand around 20% of residential customers remain on a suboptimal plan.

With respect to the outlook, as a result of the factors, networks' EBITDA is expected to remain flat until the next price reset, due on April 1, 2020. Therefore, continuing to successfully implement our unregulated diversification strategy is essential.

Our focus in financial year 2018 will be on completing our smart meter rollout in New Zealand, leveraging our position in Australia to win competitive contracts under the new regulatory regime, continuing to expand our new energy technologies via PowerSmart and E-Co Products Group and significantly increase new solutions for customers.

We expect that EBITDA for FY2018 at or around the financial year 2017 result and net CapEx to be in line with the financial 2017 spend of $305 million, excluding capital expenditure on meters in Australia, which remains uncertain at this stage.

I'd like to now hand over to the moderator for questions.

Operator: Thank you. If you wish to ask a question please press star 1 on your telephone and wait for your name to be announced. Your first question comes from Greg Main from First NZ Capital. Please go ahead.

Greg Main: (First NZ Capital, Analyst) (First NZ Capital, Analyst) Good morning, guys. Just a couple of questions from me. Just on the gas wholesale business, just wondering what your view is on that outlook for continued production volumes through Kapuni and the dynamics behind the lower liquid gas throughput. And then also, I notice that you've obviously got an earthquake settlement in there, so expectations for that business going forward?

Dan Molloy: Thanks for those questions, Greg. I'll take those. In terms of view and outlook for the Kapuni field, probably the key thing I'd note there is the KMCs, Shell and Todd, have recently concluded a transaction that will see Todd assume 100% ownership of that field and also the operatorship of Kapuni. So we would anticipate that that would mean Todd sees value in that field and we focused on increasing the production. We're aware of a compression project in the near term that will -- that should help production.

In terms of the lower liquid gas throughput, that's I guess a function of international hydrocarbon prices and also supply/demand position in New Zealand. Effectively, liquid gas makes its money when there is a supply/demand imbalance. And in the New Zealand market, the supply and demand of LPG have been relatively well balanced lately, so there hasn't been a lot of imports and there hasn't been a lot of financial incentive on producers to export. We see that changing, but not in the next 12 months.

And in terms of the earthquake settlement, that was -- it took a long time to flow through. So that propped up the result this year. Next year we're expecting that business to be circa $30 million, and we think that it will have largely bottomed out by that point. Look, the Kapuni Treatment Plant will continue to be a struggle for the next couple of years while the volumes remain low, but after that we would expect that business to return to some sort of small growth.

Greg Main: (First NZ Capital, Analyst) (First NZ Capital, Analyst) Okay. Thank you. And then just on your tax rate. So I haven't had time to go through the numbers, but you had that $15 million benefit come through. What was your underlying tax rate?

Dan Molloy: In terms of the effective tax rate, I've got it -- can I come back that, Greg? I've got it in front of me, but yes, the tunnel transaction of $15 million impacted the tax and also the cash tax. But look, I'll come back to that later in the call.

Greg Main: (First NZ Capital, Analyst) (First NZ Capital, Analyst) But that was the only place that went through, wasn't it, that tunnel settlement, that just went through in the tax slide?

Dan Molloy: Yes.

Greg Main: (First NZ Capital, Analyst) And then on the Alice Springs' generation, what sort of CapEx are you looking at on something like that? And I assume that that's just going to sit in technology in the year ahead.

Dan Molloy: Greg, I think it's a matter of public record that Territory Generation has said the cost of that solution or the investment that they're -- is around $8 million or $9 million. So we're not going to own that. We're going to deliver that solution and -- [to] Territory and will maintain it.

Greg Main: (First NZ Capital, Analyst) Right. Okay, so there's no CapEx cost going through your books with regard to it?

Dan Molloy: No. We'll effectively earn a margin off delivering the project.

Greg Main: (First NZ Capital, Analyst) Yes. Okay. And then just -- sorry, just one more question, just on the Australian metering outlook. Obviously there's been a number of businesses that have been going up for the sales process, some of which you've obviously missed out on. Can you just give us a little bit of color? Was that just price? Was it technology? Was there other reasons behind that?

Dan Molloy: Look, Greg, our -- we're obviously really focused on Australia and we think we've got a really good offering for retailers over there. Our strategy in Australia is premised on organic growth and winning contracts to deploy, and we've been building up to doing that for three years. We're obviously interested if metering businesses come onto the market. We'll definitely take a look, but as a rule we wouldn't comment on M&A prices, so either speculated or underway.

Greg Main: (First NZ Capital, Analyst) Okay. [That's all right]. Thank you.

Operator: Thank you. Your next question comes from Andrew Harvey-Green from Forsyth Barr. Please go ahead.

Andrew Harvey-Green: (Forsyth Barr, Analyst) Hi. Yes, hi guys. Just one quick question from me actually, just around the purchase of the E-Co and PowerSmart business and the contribution that you saw this year. I'm assuming that figure that you had on the slide -- yes, I can't actually remember the slide. That's slide 19. I assume that's net of the one-off transaction cost. Are you just able to let us know what those transaction costs were?

Dan Molloy: Transaction costs were -- look, they were less than $2 million, Andrew.

Andrew Harvey-Green: (Forsyth Barr, Analyst) Okay.

Dan Molloy: We're expecting -- I think you'll see there -- a 12-month contribution from those businesses of about $13 million EBITDA. We're expecting that to be there or a bit higher in the current year. The PowerSmart earnings are linked -- are quite lumpy and linked to delivering big projects and winning big projects. And on the E-Co side of things, we're obviously working with them to slightly change the strategy and the mix and it'll have an impact. But we see lots of opportunities for both of those businesses.

Andrew Harvey-Green: (Forsyth Barr, Analyst) Great. Okay, thanks.

Operator: Thank you. Once again if you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. Your next question comes from Grant Swanepoel from Craigs Investment Partners. Please go ahead.

Grant Swanepoel: (Craigs Investment Partners, Analyst) (Craigs Investment Partners, Analyst) Good morning, Vector team. Just around technology. The fall in the development initiative costs of $2.5 million, can you give some idea of what the quantum of the development initiatives are now? Is it quite a bit more than just the $2.5 million drop? Well, I'm asking, what is the base impact?

And then the other segment in technology is down just under -- over $1 million. Is that the transaction costs of $2 million that you were talking about earlier on? And what is the total quantum of that?

And then in terms of your guidance indicating a more or less flat EBITDA, on an organic base, should we assume $5 million down for the insurance gain, then the $2.3 million once-off hit on electricity lines and add back the $12 million to $15 million on the new acquisitions? Is that how I should think about your guidance?

Dan Molloy: Look, thanks, Grant. Yes, in terms of guidance, you're right, the $5 million won't be repeated. So I think if you're looking at $30 million, there or thereabouts, for gas trading you should be fine. And yes, I think we're expecting the regulated business to be off a couple of percent again in the current year. And that's on the basis of some of the challenges that we've set out on that slide. And then, as you say, add back $12 million or $13 million and you should be getting to how we're thinking of the business.

In terms of the technology development costs, I -- the $2.5 million that we've highlighted on slide 19, we wouldn't expect those to increase or to change significantly year on year. But you're looking at I think about -- we're probably spending $5 million to $6 million between metering and new technology developments.

You also had a second question, Grant, but I've forgotten it.

Grant Swanepoel: (Craigs Investment Partners, Analyst) Sorry, Dan. It was around the other segment in technology. Is that where the acquisition costs have gone in? And what is the total quantum of that?

And then just to follow on the $5 million to $6 million of development, after how many years should we expect that to trail off?

Dan Molloy: Look, I think we are forecasting our Australian metering business to be slightly EBITDA positive this year. And the expectation is, around some of those technology development costs, that PowerSmart will take over a lot of those activities for us, and E-Co. So yes, we think that those will wind back over the next two years.

Grant Swanepoel: (Craigs Investment Partners, Analyst) Sorry, Dan, and then just in terms of the acquisition cost, is that in the other segment of the technology change?

Dan Molloy: No. That's sitting in corporate, Grant.

Grant Swanepoel: (Craigs Investment Partners, Analyst) Thanks. So what is the other?

Dan Molloy: The other, are you talking about the $1.6 million movement --

Grant Swanepoel: (Craigs Investment Partners, Analyst) That's correct.

Dan Molloy: -- on slide 19?

Grant Swanepoel: (Craigs Investment Partners, Analyst) Yes.

Dan Molloy: Look, give me a couple of minutes and I'll come back to you on that.

Grant Swanepoel: (Craigs Investment Partners, Analyst) Thanks, Dan.

Operator: Thank you. Your next question comes from Greg Main, a follow-up question from First NZ Capital. Please go ahead.

Greg Main: (First NZ Capital, Analyst) Yes, hi. Sorry, just one other question. I just noticed in your gas ICPs, the fourth quarter seemed to have a big drop-off in customer numbers, so your net growth was relatively low. Was there some sort of catch-up or some sort of adjustment in that period?

Dan Molloy: Greg, not on our behalf, but what we are noticing is the retailers seem to be more focused on regular data cleansing, a couple of times a year. So every few quarters we seem to get a change in the registry that impacts the number of net connections.

Greg Main: (First NZ Capital, Analyst) Right. Okay.

Dan Molloy: And just going back to Grant's question on the $1.6 million increase, that's largely an increase in maintenance costs and that tracks up as the number of deployed smart meters increases.

Operator: Thank you. Your next question comes from Stephen Hudson from Macquarie Group. Please go ahead.

Stephen Hudson: (Macquarie Group, Analyst) Morning, guys. Just a couple of quick questions. Just on the 2020 price reset guidance that you've given there, I just wondered if you could outline the variables, the key variables as you see them, other than obviously the bond rate, which you provided. And in particular I'm interested there in what, if any, allowance you've given for accelerated appreciation.

And then just secondly, on your RAB, that looked a little bit higher than what I was picking, at $2.9 billion. I just wondered if you could break down if there was anything unusual in terms of commissioned asset versus depreciation split there. Thanks.

Dan Molloy: Thanks, Steve. So it was RAB and it was the reset. So looking forward to 2020 is slightly challenging, and I guess we've called out that the key sensitivity is the risk-free rate. At the moment we've got a regulated WACC for the electricity business that's 7.19%. Our best guess at this stage of the rate that'll apply at the next reset is about 70 basis points lower than that.

Where we're seeing the uplift in earnings coming from is a -- is basically the weight of the investment that we've put into this business over the last five years, so that really significant CapEx increases your depreciation allowance and increases your revenues. In terms of the Excelerator depreciation, what the commission has said is that they will entertain an increase in -- or a decrease in asset lives of up to 15% for a portion of the asset base. It's up to suppliers to make a case for that. Look, I think our modelling assumes we might get an extra $1.5 million a year out of that from the 2020 reset, but again, that's pretty speculative at this stage.

Stephen Hudson: (Macquarie Group, Analyst) And then just on the RAB, was there anything unusual there going on in terms of appreciation allowance that you're allowed?

Dan Molloy: In terms of the RAB, I guess -- and in terms of the way we manage, financially, the regulated network business, we like to track as close as we can to the OpEx and CapEx allowances that we get from the commission. And for the first two years of the current reset, we're tracking very close on OpEx and I think we're slightly above on CapEx, The growth this year is really a bit of a catch-up on an underspend last year. And we've also done a transaction around -- you'll see it when we release our electricity information disclosure around purchasing an [IAU] to secure long-term access to fiber communications for the -- for SCADA for the network.

Stephen Hudson: (Macquarie Group, Analyst) Thanks, Dan.

Simon Mackenzie: I guess just to reiterate with respect to the RAB, the other point from 2020 is obviously we moved to a revenue cap basis, which obviously is an important feature from our perspective. And the other thing that obviously will be top of our conversation with the commission leading up to that will be some of the other impacts of cost changes. We see those cost changes coming through issues such as the need to significantly increase cyber security, which we are obviously working on with international companies that are experienced in this space. And in addition to that, we see this ongoing challenge with regards to capital versus OpEx costs, particularly in things such as storage, whether you basically use cloud storage or you have your own server farms and the like.

So these are topics of conversation, as well as obviously impacts of changes to our policy, such as live lines.

Stephen Hudson: (Macquarie Group, Analyst) Thanks again, Simon.

Operator: Thank you. There are no further questions at this time. I will now hand back for closing remarks.

Simon Mackenzie: -- and thanks very much for everyone joining this morning. I guess any further questions from the analyst community, I'm sure Dan will be more than happy to converse with you. And anyone from media, then obviously Mel Tuala would -- is the point of contact.

So once again, we thank you for joining us this morning. As I'm sure you see, that we're actually significantly changing the way in which we think about our business, being driven by consumer choice and change. We've got a lot of exciting growth opportunities. We're really now starting to accelerate those choices for customers. It's great to have the new brands in our portfolio of PowerSmart and E-Co.

And I'd, lastly, just like to thank all the great work from the team here at Vector at embracing the change and really looking at the world through a new mindset. So great job for the team here. And thank you for joining us again.

End of Transcript