

# VECTOR ANNUAL MEETING

ELLERSLIE EVENT  
CENTRE AUCKLAND

29 SEPTEMBER 2016



# 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.

# MICHAEL STIASSNY

CHAIRMAN

# DIRECTORS

- Peter Bird
- James Carmichael
- Hugh Fletcher
- Jonathan Mason
- Dame Alison Paterson
- Karen Sherry
- Bob Thomson
- Nick Astwick (Future Director)

# AGENDA

- Ordinary business
  - Chairman's address
  - Group chief executive's address
  - Resolutions and voting
- General business
- Meeting close

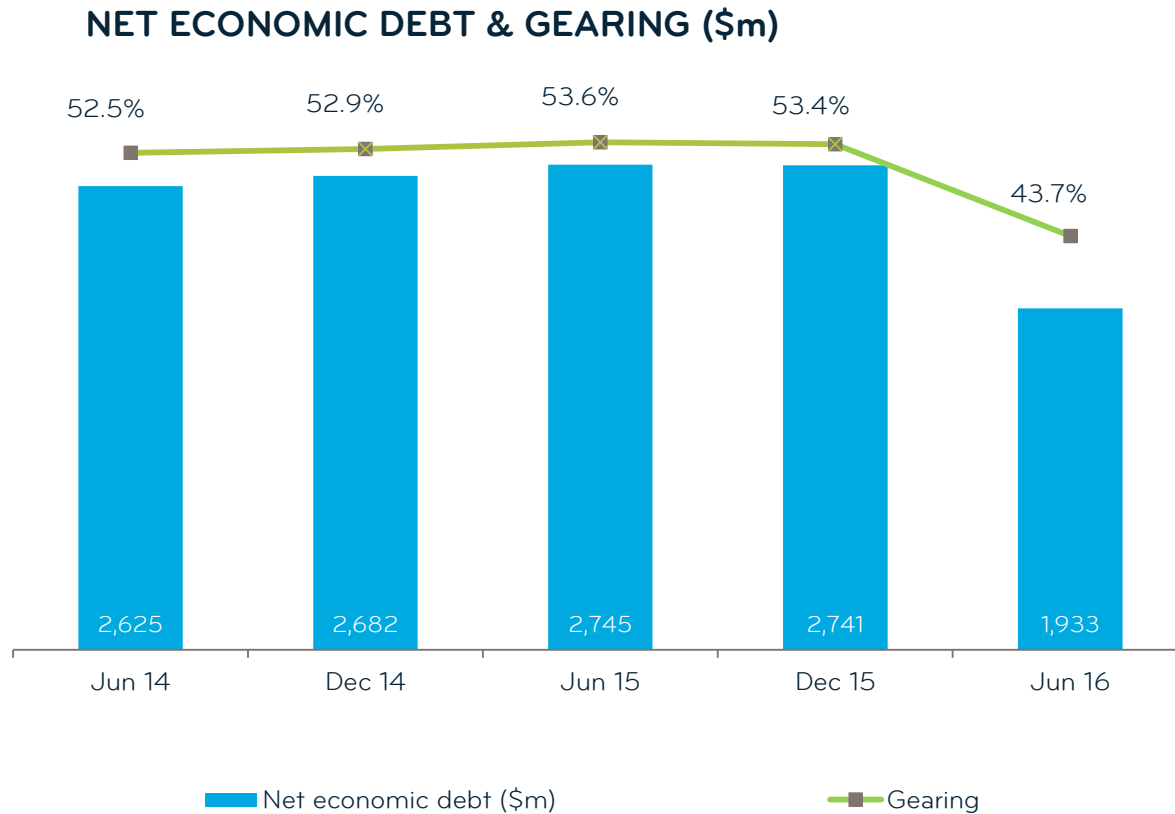


# CREATING A NEW ENERGY FUTURE

# THE FUTURE OF ENERGY



# THE SALE OF VECTOR GAS STRENGTHENS OUR BALANCE SHEET

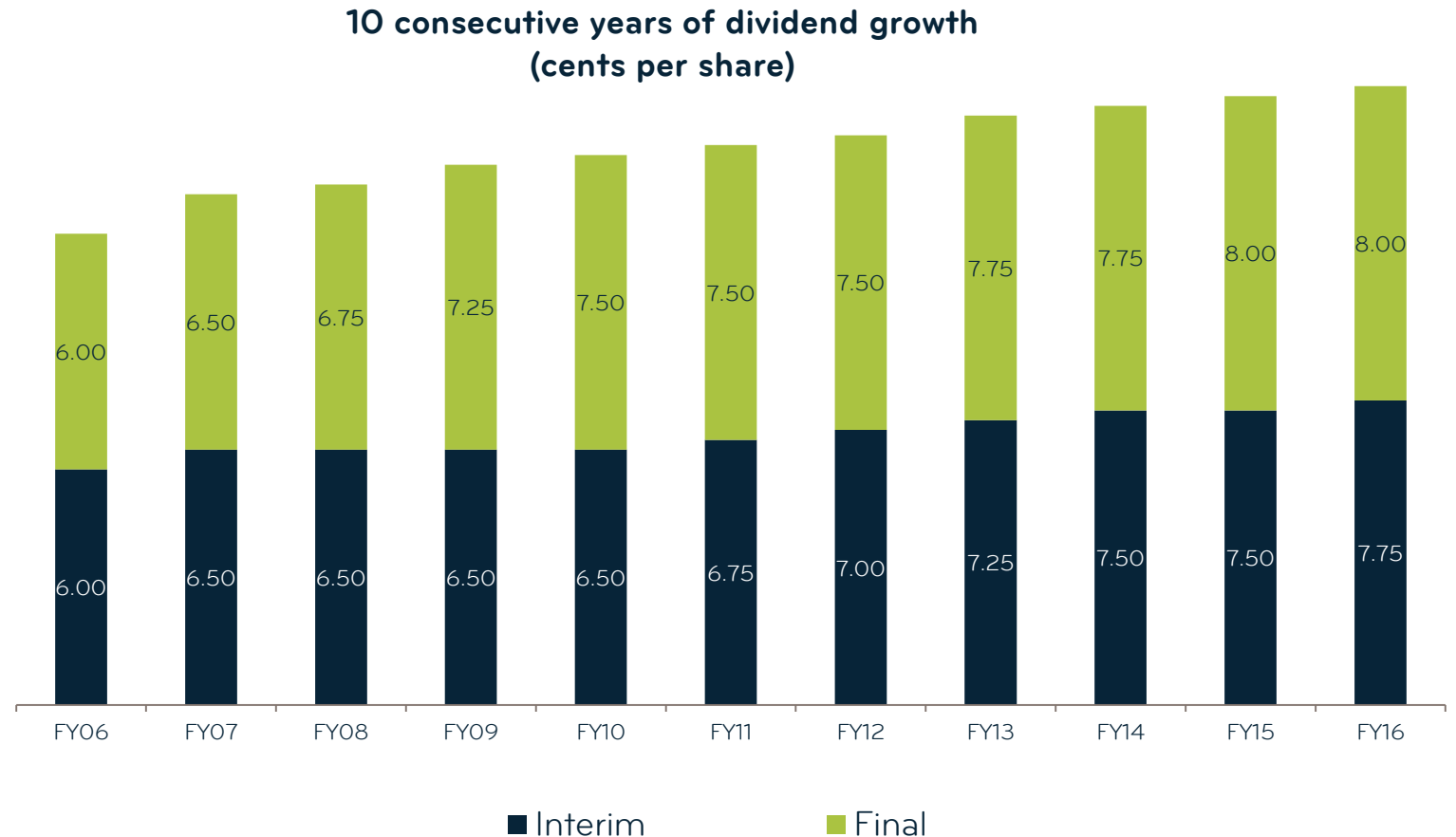


- Post the sale of Vector Gas, gearing has been reduced to 43.7%
- Vector retains a BBB/stable investment grade rating



# A RECORD OF STRONG SHAREHOLDER RETURNS

- Full year dividend 15.75 cents
  - Up 0.25 cents per share on prior year
  - Final dividend flat at 8.00 cents
  - Fully imputed



# SIMON MACKENZIE

GROUP CHIEF EXECUTIVE

# CREATING A NEW ENERGY FUTURE: 2016 HIGHLIGHTS



**\$952.5<sup>m</sup>**

Sale price of Vector Gas providing capital to be recycled into growth opportunities



**\$473.0<sup>m</sup>** 4.7% ▲

Adjusted EBITDA from continuing operations



**\$274.4<sup>m</sup>** 83.7% ▲

Group net profit after tax



*\* Please refer to page 32 of this presentation for definitions and qualifications to these numbers*

# VECTOR'S FIVE STRATEGIC PILLARS



**SAFETY,  
PEOPLE &  
CULTURE**



**SUSTAINABLE  
GROWTH**



**CUSTOMER  
FOCUS**



**PARTNERSHIPS**



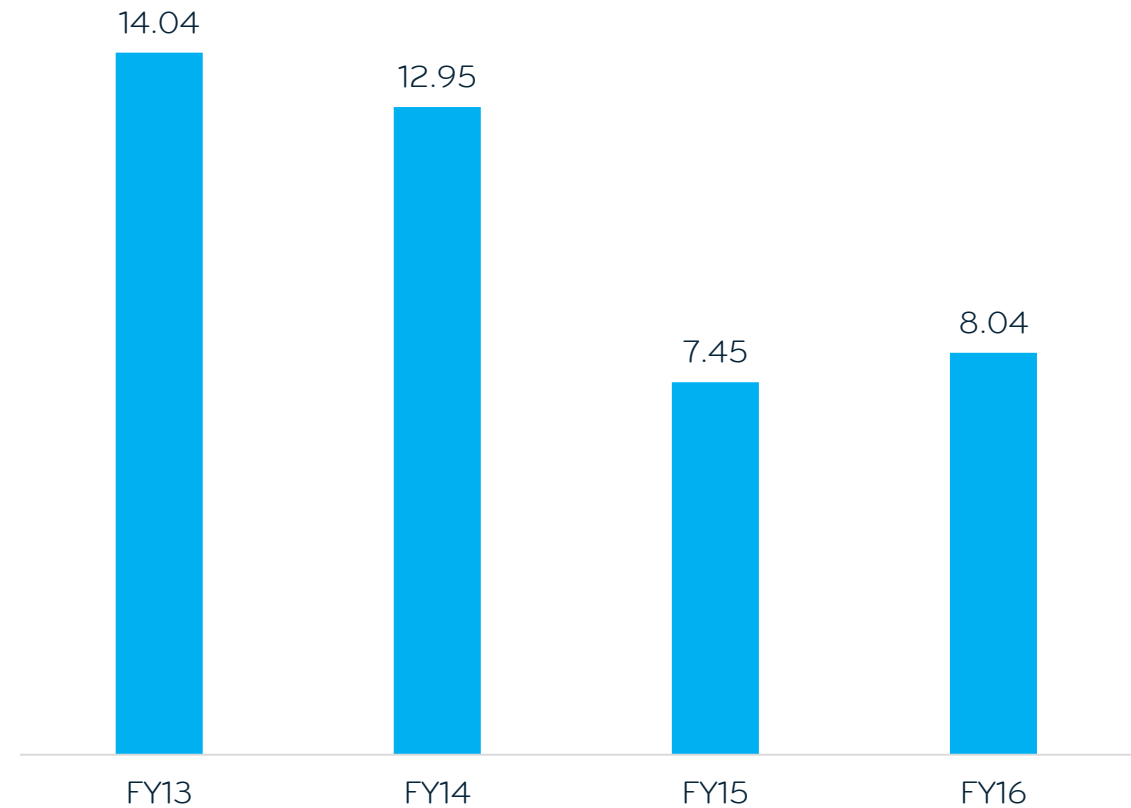
**OPERATIONAL  
EXCELLENCE**

# PRIORITISING SAFETY, INNOVATION & DIVERSITY



- Vector welcomes Health & Safety at Work Act 2015
- Focus on workplace safety rewarded with 43% reduction in TRIFR since FY13
- Ceased most live-line work as part of taking all practicable steps to protect health & safety of our people
- Rainbow Tick certification builds on success as winners of 2015 Diversity Awards

**Total Recordable Injury Frequency Rate (TRIFR)**  
Number of recordable injuries per million hours worked, including contractors

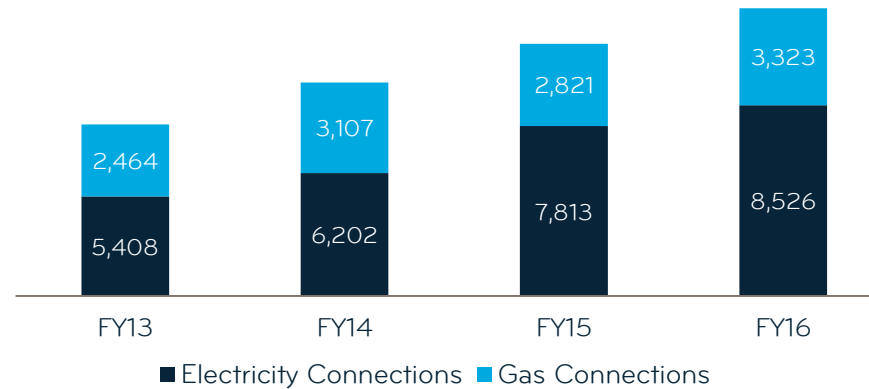


# RECYCLING CAPITAL INTO GROWTH OPPORTUNITIES



- Vector Gas sold for \$952.5m
- Proceeds applied to debt before recycling for growth
  - Auckland networks
  - Smart metering
  - New energy technologies
- Auckland adding equivalent population of Hamilton every 5 years
- Vector's NZ smart meter rollout largely complete in FY17
- Targeting Australia for future growth

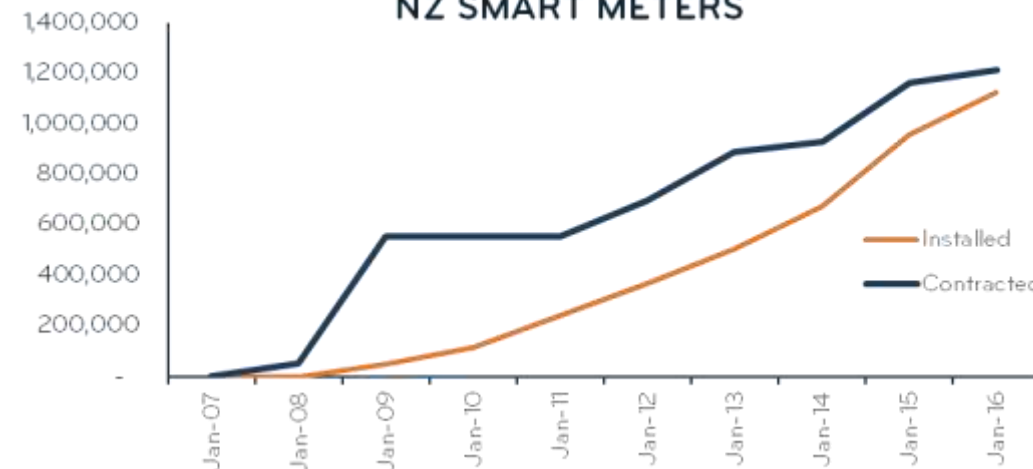
NEW CONNECTIONS



**11.4%**

Increase in new network connections

NZ SMART METERS



**17.5%**

Increase in smart meters

# DELIVERING CUSTOMERS CHOICE AND CONTROL



CUSTOMER  
FOCUS



# 21

Vector EV chargers  
across Auckland

# 6,207

Rapid charging sessions

# 400

Solar battery systems  
installed

- Facilitating the uptake of electric vehicles and new energy technologies
- Customers given voice with the Vector Customer Advisory Board
- Advocating for fair electricity transmission pricing for the benefit of Auckland customers

# BUILDING RELATIONSHIPS WITH LEADING INNOVATORS



- Membership of Hawaiian Energy Exclerator gives access to latest energy innovation
- Installed 1 MW / 2 MWh Tesla Powerpack in Glen Innes
- Tesla Powerwall battery/solar installations underway
- Working with Auckland Council on the challenges facing the region
- Working with Power Ledger out of Australia to trial peer-to-peer energy exchange in New Zealand

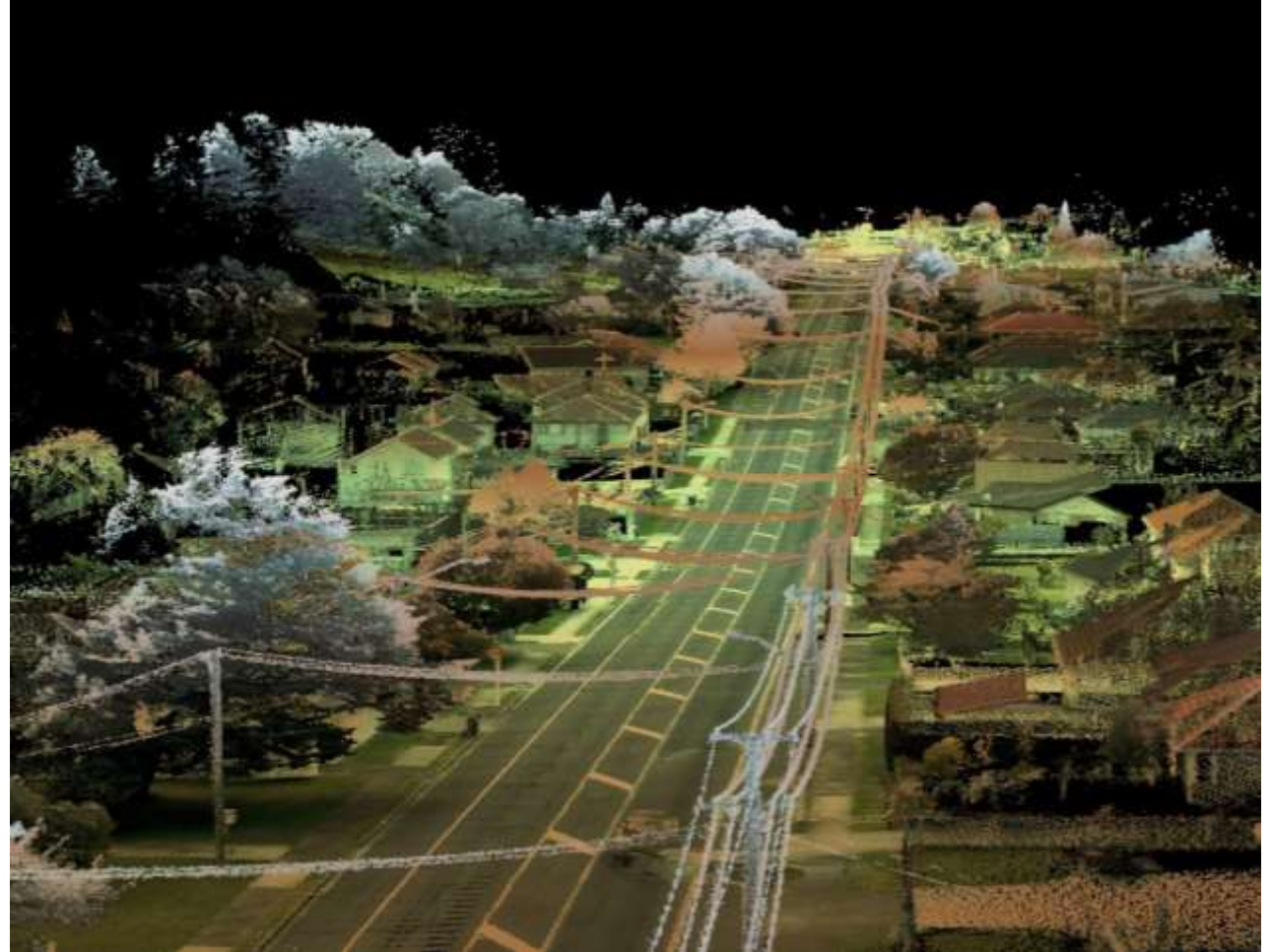




# EVOLVING OUR NETWORKS WITH NEW TECHNOLOGY



- New technologies create options
  - 3D modelling of network assets with LIDAR
  - Batteries driving network investment efficiencies
- The Commerce Commission's review of input methodologies due to be completed this year
- Regulators recognising the challenges of new technology and the role Vector can play in promoting choice
- SAIDI impacted by traffic and new health and safety practices



Dominion Road LIDAR imaging

# OUTLOOK & SUMMARY

- Vector is creating a new energy future by challenging and reinventing the way communities are powered and connected
- We see earnings stability in our networks business through to next electricity reset in 2020, while the draft review of input methodologies is pointing to regulatory stability through to 2025
- Regulatory stability and our strong balance sheet supports re-investment into Auckland and the new growth opportunities emerging from new technologies
- We are looking ahead with confidence and expect adjusted EBITDA for FY2017 in the range of \$460 – \$475 million

# MICHAEL STIASSNY

CHAIRMAN

# ORDINARY BUSINESS

Re-election of  
**BOB THOMSON**

# Re-election of BOB THOMSON

Proxy voting	Votes
For	809,179,075
Against	162,521
Discretionary	1,943,679
Abstain	134,814

Re-election of  
**KAREN SHERRY**

# Re-election of KAREN SHERRY

Proxy voting	Votes
For	807,882,990
Against	1,480,741
Discretionary	1,923,747
Abstain	132,611



# Appointment and Remuneration of Auditor

# Appointment and Remuneration of Auditor

Proxy voting	Votes
For	809,112,790
Against	151,862
Discretionary	1,989,091
Abstain	166,346

# Consequential change to the constitution

# Consequential change to the constitution

Proxy voting	Votes
For	808,820,639
Against	76,284
Discretionary	2,301,027
Abstain	222,139

# GENERAL BUSINESS

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CENTRE AUCKLAND

29 SEPTEMBER 2016

Vector 



# APPENDICES

# FOOTNOTES

- Adjusted EBITDA is a non-GAAP profit measure. For a comprehensive definition and reconciliation to the GAAP measure of net profit refer to page 33 of this presentation.
- For statutory reporting purposes, the Vector Gas businesses are presented separately in the profit or loss statement as discontinued operations. Please refer to Vector's full-year financial statements for a breakdown of continuing and discontinued operations.
- The sale of Vector Gas to First State Funds completed on 20 April 2016 for \$952.5 million. On 22 June 2016 Vector received a fee of \$7.5 million plus GST from First Gas Limited in relation to its successful acquisition of the Maui pipeline.



# 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.

In this period we have amended our definition of Adjusted EBITDA to exclude capital contributions.

## Definitions

### EBITDA

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

### Adjusted EBITDA

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

<b>GAAP to Non-GAAP reconciliation</b>		
<b>EBITDA and Adjusted EBITDA</b>		
	<b>2016</b>	<b>2015</b>
Year ended 30 June	\$M	\$M
Reported net profit for the period (GAAP)	58.9	88.3
Add back: net interest costs <sup>1</sup>	168.8	180.8
Add back: tax (benefit)/expense <sup>1</sup>	44.3	36.4
Add back: depreciation and amortisation <sup>1</sup>	194.6	179.0
<b>EBITDA</b>	<b>466.6</b>	<b>484.5</b>
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss) <sup>1</sup>	(2.8)	(0.8)
Capital contributions <sup>1</sup>	(49.8)	(42.8)
Fair value change on financial instruments <sup>1</sup>	(2.4)	11.0
Impairment	61.4	0.0
<b>Adjusted EBITDA</b>	<b>473.0</b>	<b>451.9</b>

<sup>1</sup> Extracted from audited financial statements

# SEGMENT ADJUSTED EBITDA

SEGMENT ADJUSTED EBITDA (\$m)	2016			2015		
	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA
<b>Year ended 30 June</b>						
Technology	114.4	(0.9)	113.5	108.1	(2.7)	105.5
Gas Trading	40.6	0.0	40.6	46.9	0.0	46.9
<b>Unregulated Segments</b>	<b>155.0</b>	<b>(0.9)</b>	<b>154.1</b>	<b>155.1</b>	<b>(2.7)</b>	<b>152.4</b>
Regulated Networks Continuing	417.4	(48.9)	368.5	389.8	(40.1)	349.7
Regulated Networks Discontinued	79.1	(3.8)	75.3	102.2	(13.7)	88.5
<b>Regulated Segments</b>	<b>496.5</b>	<b>(52.7)</b>	<b>443.8</b>	<b>492.0</b>	<b>(53.8)</b>	<b>438.2</b>
<b>Corporate</b>	<b>(49.6)</b>	<b>0.0</b>	<b>(49.6)</b>	<b>(50.2)</b>	<b>0.0</b>	<b>(50.2)</b>
<b>TOTAL</b>	<b>601.9</b>	<b>(53.6)</b>	<b>548.3</b>	<b>596.9</b>	<b>(56.5)</b>	<b>540.4</b>
<b>TOTAL - Continuing Operations Only</b>	<b>522.8</b>	<b>(49.8)</b>	<b>473.0</b>	<b>494.7</b>	<b>(42.8)</b>	<b>451.9</b>

THANK YOU