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VCT.NZ - Interim 2015 Vector Ltd Earnings Presentation

EVENT DATE/TIME: FEBRUARY 19, 2015 / 10:00PM GMT

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PRESENTATION

Operator

Good morning everybody, welcome to Vector Limited's webcast to discuss its financial results for the six months to December 31, 2014. (Operator Instructions). I must advise you that this conference is being recorded today, February 20, 2015. I will now hand over to Group Chief Executive, Simon Mackenzie who will take you through the call. Please go ahead, Mr Mackenzie.

Simon Mackenzie ***- Vector Limited - CEO***

Thank you and good morning everyone, and welcome to our half year results for the six months ended December 31. My name is Simon Mackenzie, I'm the Group Chief Executive. Joining me on this webcast and teleconference are our Chairman, Michael Stiassny, and Chief Financial Officer, Dan Molloy.

I'll begin today's presentation with a review of the dividend and the highlights of the past six months. Dan will then briefly review the financial results before I conclude the briefing with an operational overview before we move to your questions.

Vector's strategy for some time has been to build up a portfolio of non-regulated businesses to reduce the impact on earnings of regulatory intervention and mitigate the risks associated with this action. Since our last briefing, Vector has continued to effectively execute its strategy. Our unregulated gas wholesale and technology operations, including the recently acquired Arc Innovations smart metering business have reduced the impact of regulator-imposed price cuts to our regulated businesses.

Given the tariff cuts and the recently announced change to the Commerce Commission's method to determine the industry's cost of capital, directors believe the most prudent course of action, at this stage, is to leave the dividend unchanged on last year's interim at NZD0.075 per share fully imputed. We are proud to be one of the few companies in the NZX 50 Index to have steadily increased dividends over the past decade, a period that included the worst financial crisis in nearly a century. Our goal remains to deliver sustainable increases in dividends to our shareholders.

Turning to slide 6. As you can see from this slide, Vector has made good progress on most of its strategic priorities. Our unregulated operations continue to grow organically and through acquisition of the NZD20 million Arc metering business.

Growth in our unregulated operations continues to reduce the impact of price cuts in the regulated businesses, which impacted the half year result by around NZD24 million.

Our focus on health and safety is delivering results with our total recordable injury frequency rate falling by 28% over the prior comparative period. But note that this includes all our outsourced contractor statistics as well.

Our focus on customers is creating new opportunities for growth with the extension of, for example, our solar solutions. We are completing a survey of vegetation across our electricity lines allowing us to prioritise work that will deliver the best customer outcomes. Our operations teams were put to the test over the period but they and the rest of the Vector team performed admirably.

The winter of 2014 was one of the stormiest on record, this combined with the fire at Transpower's Penrose sub-station makes it likely we will breach the Commerce Commission's service quality requirements. Regulatory actions continue to weigh on the financial performance of the business and this has been exacerbated by the Commerce Commission moving to a new method to determine our cost of capital. I will talk later on this, but the decisions have significant implications, going forward, for network investment.

I will now hand over to Dan to take you through the main features of the results.

Dan Molloy *- Vector Limited - CFO*

Thanks, Simon. Good morning everyone. You will have seen the half year results release we sent through to the NZX this morning, so I am not going to spend too much time on the detail. But as the graph shows revenue was up 4.4% with growth in the technology business, higher electricity volumes, higher pass through costs partially offsetting the regulatory tariff reductions on our energy networks.

Net profit fell 16.5% and operating cash flow was down 10% reflecting the trends and adjusted EBITDA and also the timing of cash flows following the alignment on our northern and southern electricity network agreements. As Simon noted, the dividend is unchanged from the prior year.

Slide 9 sets out the key factors driving Group adjusted EBITDA movement. Adjusted EBITDA was effectively flat over the period with volume growth in electricity and gas distribution and the strong performance in our non-regulated business units reducing the impact of regulatory tariff cuts.

Slide 10 shows you the impact of -- on profit, and as the graph on the left shows more than a third of the fall in net profit was due to non-cash mark to market losses on derivatives, which principally reflect a weakening of the New Zealand dollar against the US dollar. Higher borrowing costs and higher depreciation charges contributed much of the remainder.

Our net debt and gearing positions have risen marginally, but our balance sheet is strong with both Moody's and Standard and Poor's recently re-affirming our investment grade credit rating and stable outlook.

Slide 11 shows the trends in capital expenditure. Total CapEx was up 3.6% on the prior period. Gas transportation expenditure accounts for much of the increase reflecting Auckland connection growth and transmission relocations.

Net CapEx, which is after customer contributions, was effectively flat on the prior period.

I'll now hand you back to Simon.

Simon Mackenzie *- Vector Limited - CEO*

Thanks, Dan. Turning to slide 13, the technology business again delivered another strong result for our Group. Growth in EBITDA was reduced by costs associated with the Arc transaction and those associated with our early steps into Australia.

The Arc transaction has added 139,000 smart meters and 17,000 legacy meters and a contract to roll out smart meters for the vendor Meridian Energy. The business offers strong revenue visibility with 85% of the meters under contract until at least 2020. We expect to have an installed base of more than 1 million smart meters by June 2017.

The metering business demonstrates the success of our strategy to diversify our earnings away from solely regulated energy networks. We have similar aspirations for a number of emerging businesses within the Group.

Before Christmas we extended our solar program with the launch of a mass market solution. The program is a direct response to the change sweeping the industry globally. Customers are demanding greater choice over how they meet their energy needs and better value for money so we have simplified the technology and controlled the costs.

We also continue to work on numerous initiatives around distributed generation, battery storage, electricity and now gas smart metering, energy management and electric vehicles. But one instance of this is our partnering with BMW to install charging stations, in homes, for its BMW electric vehicles.

Moving to gas wholesale. The business performed well over the first six months of the current financial year. We renewed contracts with a number of large long term customers despite significant competition.

Increases in production at Kapuni, higher liquid gas tolling volumes and margin improvements more than offset the effect of higher maintenance charges on EBITDA. With our rights to legacy gas now exhausted, Vector and the Kapuni mining companies are in the process of resolving a dispute over the terms and price for the next tranche of gas.

The KMCs have, meanwhile, issued a re-determination notice for Kapuni, proposing a reserve figure well below recent estimates. Vector has engaged an international expert to advise and assist us with this redetermination.

Looking beyond the legal proceedings, the Kapuni field may yet have other significant opportunities. The Ministry of Business, Innovation and Employment has, for instance, estimated Kapuni's contingent reserves at over 850 petajoules. Of course the amount to be extracted from the field depends on a number of technical, economic and commercial factors.

Moving to the regulated businesses. As I mentioned earlier, our electricity business faced a challenging year. First we had the storms in winter when Auckland was buffeted by the highest sustained wind speeds ever recorded in the region. Then in October power supply to customers was disrupted by the fire at Transpower's Penrose substation.

As you can see from the slide, the pattern in wind speeds has significant impact on SAIDI on our measure of network reliability. The upshot of these factors is we are likely to breach the service quality requirement that we do not exceed SAIDI thresholds two out of every three years. We have had early discussions with the regulator over this likely breach.

Our joint investigation into the disruption to customers at the Penrose outage is continuing well with Transpower and we hope to conclude that in the coming months. We are also providing the Electricity Authority with the necessary information so it can carry out its investigation into the incident.

Slide 17 sets out the main features of the electricity division's result. Gains following an increase in electricity volumes were eroded by tariff cuts. We also faced higher maintenance charges and a NZD3.3 million non-recoverable transmission charge that followed a court's decision over the use of new sections of Transpower's transmission network whilst they were under construction.

The 1.5% increase in volume reflected cooler temperatures and growth in connections. We have also seen some volume growth. However, the reasons for this growth and whether it is sustained will become clearer over subsequent periods.

Slide 18 sets out the key differences between the draft default price path and the final decision which was delivered in November. In summary we had some small wins but they were offset by the Commission's change to its long favoured method of determining the industry's weighted average cost of capital. This decision will further cut electricity business revenue by around NZD9 million a year.

The regulatory parameters for electricity are now set until 2020 and the Commission has set the maximum revenue that can be generated by our electricity network at just over NZD395 million for the year ending March 31, 2016. For the following five years revenue growth is limited to the rate of volume growth plus inflation. On this basis we expect weighted average distribution prices for the period ending March 31, 2016 to be 0.4% higher than those for the previous period.

In setting these parameters, the Commission has assumed a lower level of operating and capital expenditure than we were expecting and we are reviewing the implication of these decisions.

Slide 19 sets out the main drivers of the gas transportation result. The tariff cuts were marginally offset by higher distribution volumes reflecting the cooler winter. Prices increased in October but on aggregate they are still lower than they were at the end of the second quarter FY14.

Gas transmission volumes fell primarily due to the reduction in gas fired generation load in the Upper North Island. However, these revenues are largely independent of volume.

So moving to the outlook for the year ahead. Given the concentration of our assets in Auckland we are benefiting from growth in the region. We are seeing some growth in electricity and gas distribution volumes after several periods of declines but whether it is sustained only time will tell.

Our metering business is positioned to grow strongly with contracts to expand our metering fleet to more than 1 million and we see more opportunities both here and in Australia to deploy our metering expertise.

We remain strongly committed to the development of new energy solutions demanded by customers such as solar, battery storage and electric vehicles as this is our view undoubtedly that the direction the energy sector is heading in the future. Given the current regulatory regime, we are increasingly seeking to allocate capital and to our unregulated adjacent activities and we are continuing to review how we fund network growth.

So as you've heard, we are today confirming our adjusted EBITDA guidance for the year to June 30, 2015 of approximately NZD588 million in line with guidance given following our results announcement last August.

We'll be now happy to take your questions.

QUESTION AND ANSWER

Operator

(Operator Instructions). Greg Main, First NZ Capital.

Greg Main *- First NZ Capital - Analyst*

Hi, good morning guys.

Simon Mackenzie *- Vector Limited - CEO*

Hi.

Dan Molloy *- Vector Limited - CFO*

Hi Greg.

Greg Main *- First NZ Capital - Analyst*

Can you hear me?

Dan Molloy *- Vector Limited - CFO*

Yes.

Simon Mackenzie *- Vector Limited - CEO*

Yes.

Greg Main *- First NZ Capital - Analyst*

A couple of questions from me. I just wanted to clarify, in that guidance where you say adjusted EBITDA, what are you adjusting for exactly? Like the extra transmission cost, the NZD3 million in the period. Is that -- do you adjust for that or do you leave it in there?

Dan Molloy *- Vector Limited - CFO*

Greg, it's Dan. At the back of the market release on page 14 there's a note that explains and defines adjusted EBITDA. And that is consistent with the approach we've -- we used at the full year. And effectively the main adjustments to get to -- from EBITDA to adjusted EBITDA are our associates' earnings and also the fair value change on financial instruments. So no, we're not stripping out anything like the transmission costs.

Greg Main *- First NZ Capital - Analyst*

Okay, that's alright. Secondly on the Com Com service quality requirements and obviously the SAIDI levels, I mean what is the process going through from here with regard to the Com Com? Like how long does it take until you get a definitive answer out of them?

Simon Mackenzie *- Vector Limited - CEO*

The process is typically that we obviously have to file our compliance statements. They then review those, they can then choose to investigate it. They can choose to wait and see what happens in the next year. So from a timeframe perspective we don't have any clarity around what they would do.

I guess it's also what is occurring across the rest of the country. They can come in and ask for information about what has led to those SAIDI breaches, for want of a better word. And explanations about what we've been -- how we've mitigated those going forward or if they're, for example, largely from vegetation then are they outliers with regards to the normal kind of underlying actions that we can take such as investment in the network.

Greg Main *- First NZ Capital - Analyst*

Okay and I mean you kind of alluded to, you know, possible financial, I guess you could say, impact if you are found in breach, what sort of magnitude are you talking about?

Dan Molloy *- Vector Limited - CFO*

Oh look Greg, I think the Commission definitely have the ability to impose fines but we haven't seen them do that in a number of SAIDI breaches that have occurred over the last few years. I think if you look at the graph on -- in the slide pack, I guess what we're saying is there's no trend here of worsening performance, it's linked to wind or weather.

Greg Main *- First NZ Capital - Analyst*

Yes. I guess it's still got that -- and I know that you're kind of reviewing your asset management plan but when you're also indicating that obviously given the cost of capital and you will review your electricity maintenance and CapEx plan, and if you get a few more extreme storms then it's going to -- eventually there's going to be some pushback from the regulator, it's the risk, isn't it? I mean how do you kind of think about that when you are going through your asset management plans and how fine you can sort of slice and dice things?

Simon Mackenzie *- Vector Limited - CEO*

Well I mean I think the reality is, is we identified there we're having further reviews of vegetation. The biggest issue we have with vegetation is typically that they are on customer's own premises. So we're doing a lot of work about notifying customers about their obligations, whether it's individual customers or councils.

We obviously are looking at -- when you say about capital -- that's about new invested capital. We don't like the cash flow profile on new invested capital into the networks. And then to ensure that we're striking the right balance we also use global consultants to basically look at our asset management practices to check that they're in line. And all those results have basically shown that we are, you know, leading in the performance of -- from a cost end reliability perspective.

So it's -- there's never any one simple answer but I think if you break it down into actions that are third party or external driven, what else can we do to ready ourselves for those situations, whether it's storm events.

Then we go into our normal maintenance practices continually looking at ways that we can refine those from a cost perspective.

Some of those costs where we've seen significant increases have actually come through things like council imposed requirements around traffic management. We're working with the council about how we can streamline some of those costs, access corridors. Recently we were granted permission to be able to drive down the motorway lanes, the bus lanes to be able to get to things quicker is another case in point.

Then from new capital saying what are the alternate technology solutions to change the model from just putting the same assets in the ground, particularly when we look into the future.

Greg Main *- First NZ Capital - Analyst*

Okay and then just one last question. Just on the rolling incentive scheme that obviously Com Com are also looking at. I mean how do you think about that in the context of your business? Do you envisage it having much impact?

Simon Mackenzie *- Vector Limited - CEO*

Well it kind of works in two parts. I mean firstly obviously if you spend above the amount there's no incentive. But if you spend below the allocations then you can derive a benefit. But also because of the way in which the Commission in its forecast models has anticipated a certain level of capital expenditure, if you spend less than that then there is also a layer of claw back that comes at the end of the six year rolling period.

So yes, we take it into account but obviously from our perspective our focus is much more around is there a trade-off here which -- our objective is to deliver an increase in dividend sustainable to our shareholders and is the incentive enough to basically overwrite that against other capital options.

I think it would be also fair to say that it's quite hard, that incentive scheme, when, for example, the starting point is the Commission has already reduced the capital requirements that we've identified in operating the requirements by quite an amount.

Greg Main *- First NZ Capital - Analyst*

Yes, okay. Cool, thank you.

Operator

Wade Gardiner, UBS.

Wade Gardiner *- UBS - Analyst*

Hi, could you just elaborate on the solar plan, particularly how it compared to the plan that you had out before? You know sort of price that the customer pays, what CapEx is involved, you know. Is it battery technology like you had before?

Simon Mackenzie *- Vector Limited - CEO*

So -- yes, hi Wade. The solution we have doesn't have a battery solution. That battery solution was very much part of our research of looking at the impact of batteries. The solution is a customer driven proposition which essentially says they can pay up front for the full installation or they can pay an upfront contribution then an annual amount.

I guess the issue is that it's also designed and architected such that it's modular. I think the difference with our solution is it's very transparent about the sizing of it. So we very much look at what is the size the customer optimally needs as opposed to over sizing for the installation for customers. But having said that, it's also modular in the sense that we can add more panels. The technology can also facilitate the connection into it of batteries as they will inevitably become extremely viable into the network.

The level of capital expenditure is reasonably low but it's fundamentally dependent on customer uptake and it would be fair to say that we continue to see strong demand for solar, where the predominant feedback is it's not about the price, there's a lot of other attributes that customers are looking for with respect to solar.

Wade Gardiner *- UBS - Analyst*

Can you give us an idea of what the price to the customer tends to be? I mean I know it's modular but you know on a -- just a standard size, you know. What that size would be in terms of output and what the customer's paying?

Dan Molloy *- Vector Limited - CFO*

Wade, it's Dan. That's all on our website, I think, with the pricing --

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Simon Mackenzie *- Vector Limited - CEO*

Yes.

Dan Molloy *- Vector Limited - CFO*

-- and the system sizes.

Simon Mackenzie *- Vector Limited - CEO*

All the pricing, the sizes, the sizing of the different pricing plans are all on our website.

Wade Gardiner *- UBS - Analyst*

Okay.

Operator

Andrew Harvey-Green, Forsyth Barr.

Andrew Harvey-Green *- Forsyth Barr - Analyst*

Morning guys, it is still morning, that's alright. A couple of questions from me. Just first of all can you just give us a bit of an expanded update on the metering opportunity in Australia and where that's currently sitting and then where you see that going?

Dan Molloy *- Vector Limited - CFO*

Yes, thanks Andrew. Look, I guess what we're seeing with metering in Australia is the regulatory environment seems to be evolving in such a way that -- excluding Victoria -- we are going to end up with a sort of situation similar to what's happened in New Zealand. So we've been doing a lot of --

Simon Mackenzie *- Vector Limited - CEO*

Sorry, just retail led as opposed to regulator.

Dan Molloy *- Vector Limited - CFO*

Yes, sorry. We've been doing a lot of submissions and the couple of blocking items seem to have been removed. So we've seen unbundling -- or we're about to see unbundling of the meter prices. The other issue of displacement or exit fees that the network owners of the legacy meters had been lobbying for seems to have been resolved. So I guess now the key issue for us is to pursue certification which effectively involves standing up a metering business before we've even got any customers. We're well down the track on that and we're in discussions with the big retailers.

Simon Mackenzie *- Vector Limited - CEO*

And we maintain strong relationships with equipment suppliers and telecommunications operators.

Andrew Harvey-Green *- Forsyth Barr - Analyst*

And just a sort of rough idea on timing of when we might see the first sort of deals announced from the Australian retailers in this space?

Dan Molloy *- Vector Limited - CFO*

Well I guess -- you know, if you look at AGL they seem to be going down a sort of -- a DIY type of solution. I think the rest of the market is yet to make a call on this strategy. Look, it's hard to know how quickly it's going to evolve but you'd think that definitely in the next 12 months there'd be some clarity on what the intentions are.

Andrew Harvey-Green *- Forsyth Barr - Analyst*

Okay. And the next question I just had was around -- and again it's more of an update than anything else. But the scenario of Southdown (inaudible) closing and the impact that will have on your, I guess, transport revenues and your intention there. Would it be to actually spread those costs, spread that revenue [back over] or if you have other plans in place to recoup those revenue losses (inaudible)?

Dan Molloy *- Vector Limited - CFO*

Andrew, in terms of the -- yes, we are -- you can see in our op stats we're seeing declining volumes on the transmission pipe. You know we're regulated with a revenue cap so -- and -- so effectively they don't have a financial impact.

Look, I think if all the thermal generation was turned off you'd see prices increase by circa I think 15%. But we're definitely not seeing that happening. And I guess the other thing we're seeing is increased demand from the industrial and commercial market and you know some new business and new connections that are wanting to connect into that pipeline. So we think that it's got a -- quite a strong future as an essential bit of infrastructure.

Andrew Harvey-Green *- Forsyth Barr - Analyst*

Okay and the final question and an apology that there's a summary in the pack, I haven't had a chance to sort of go through it in detail yet. But the customer contribution numbers for electricity and gas?

Dan Molloy - ***Vector Limited - CFO***

It's a -- in response to previous questions, it's in the pack. It's at the back of the market release in a table. So -- on page 12.

Andrew Harvey-Green - ***Forsyth Barr - Analyst***

Okay, thanks.

Operator

[Fiona Rotherham], (inaudible).

Fiona Rotherham - ***Business Desk – Media***

Oh hi, I actually want to ask about the roll out in Australia too, so that's already been talked about. But I just -- I'm just asking about that. Do you have any idea of the size of the prize in Australia? I mean what potential you could get out of that market?

Simon Mackenzie - ***Vector Limited - CEO***

Well obviously from our perspective is the eastern seaboard, for want of a better word. So all the market there, so obviously significantly larger than New Zealand. So we're obviously looking at well north of 1.5 million meters, is just the kind of reality that we'd be focusing on.

Fiona Rotherham - ***Business Desk – Media***

And you're talking smart meters, I guess, as well, or just electric ones?

Simon Mackenzie - ***Vector Limited - CEO***

Principally at the moment we're just talking about electricity. But that doesn't mean that there couldn't also be opportunities in gas. But principally the discussions and all the debate over in Australia's been about electricity meters with kind of different environments between Queensland and New South Wales.

Fiona Rotherham - ***Business Desk – Media***

Okay, thank you.

Operator

Felicity Wolfe, Energy News.

Felicity Wolfe - ***Energy News - Media***

Oh hi there. My first question is just coming back to the solar thing. Just wondering how much [more] investment [in putting] out the solar [package] will help you also delay future (inaudible) upgrades (inaudible) the growth of Auckland and also [increased] infill housing in the region?

Simon Mackenzie ***- Vector Limited - CEO***

Yes, look I think the reality with it is, is because it's still very much customer driven we're not seeing -- we're seeing certainly some clusters and some demographics across Auckland of people putting in solar. The purpose of us looking at solar plus battery was very much more aligned, Felicity, to that point around how can battery storage significantly benefit us from a network investment perspective.

We're currently working on a large scale package with regards to batteries and analysis around that for a key part of Auckland and we'll continue to work on that. It's early stages but the fact is from a network perspective it makes a lot of sense to have battery storage, particularly to mitigate the risk of investment and kind of sunk assets like cables that are only required for very short durations of the day.

We see solar as much more of a customer driven solution but to make it much more economical for customers, adding batteries means that they can utilise the energy when it suits them rather than being subject to buyback rates in the market when they're not at home, for example.

Felicity Wolfe ***- Energy News - Media***

Yes. Just on those buyback dates as well. What's the response then to your top up offer up to NZD0.16?

Simon Mackenzie ***- Vector Limited - CEO***

Oh I mean it's been positive; I think it really just reflects that there's a lot of demand out there for customers for solar. They've been positive. It's just a one year offer to top up. It was really just in response to feedback from customers about feeling that they wanted to be recognised for the amount that they see the value as when compared to the retail price.

Felicity Wolfe ***- Energy News - Media***

Yes, yes, okay. And also just on the investigation into the Penrose [asset]. Do you have any kind of timeframe on when that might be completed and when there might be some kind of report out?

Simon Mackenzie ***- Vector Limited - CEO***

Yes, second quarter and that obviously has -- we have to work in conjunction with the Electricity Authority to provide all that information as the Minister's requested the Electricity Authority to complete the report for him. There's a lot of -- for want of a better word -- forensic analysis into what may have caused the fire and that's still being worked through and we have engaged experts out of the UK to undertake all that analysis. They're still working through the analysis of the assets that were impacted. But other than that, the timeframe would be second quarter is what we're working towards.

Felicity Wolfe ***- Energy News - Media***

Yes. Just briefly on the smart meter business development team that's over in Australia. I was just wondering given that there has been some movement around the regulatory environment this year, if there is a new team or just -- yes, just what it -- how long it's been there and what it's sort of size is?

Simon Mackenzie ***- Vector Limited - CEO***

Well we've had dedicated resource over there for approximately 18 months now. We've grown that because of also needing to become certified to be a metering operator over there. And we have supplemented it with contract resource when required. Whether that's from a regulatory or interface with policymakers' perspective

Felicity Wolfe ***- Energy News - Media***

Cool. And -- oh just around the continued Kapuni proceedings and the revaluation. Do you have any visibility on timeframes for that?

Dan Molloy *- Vector Limited - CFO*

Felicity, around -- I guess around the arbitration that's kicking off towards the end of April, look, we don't know how long that will take but it's going to be several months and then we don't know how long it will be before a decision emerges.

Around the redetermination, we're disputing the validity of the notice at the moment. We're not happy that all the information we require to participate in that process has been provided. So until such time as that is provided, the clock's not ticking.

Felicity Wolfe *- Energy News - Media*

Yes, cool. And just one last question. The businesses round the [Transform] model that Vector commissioned last year. I was just wondering if it's being put to use? If it's being applied and decisions being made from that yet?

Simon Mackenzie *- Vector Limited - CEO*

I think, well obviously that's part of an industry forum as well. I think it would be fair to say that it's but one part of the maxim to our decision making.

Probably the key components into it are what -- one of the things I don't think the Transform model -- to be blunt -- takes into account enough is actually customers' preferences and choice. We have to be much more dynamic nowadays with the fact that technology changes so quickly. The cost structures of that technology changes so quickly. We've seen significant reductions in the cost of things such as batteries and solar panels.

So it is but one part of the model that we look at but I think it would be fair to say that we're looking at other models and other solutions that are probably a lot more holistic than that that take into account customer preference, demographics, technology change and [where we in] future are going from a demand perspective.

Felicity Wolfe *- Energy News - Media*

No, that's great, thank you.

Simon Mackenzie *- Vector Limited - CEO*

No problem.

Operator

[John Tidd, Woodford].

John Tidd *- Woodford - Analyst*

Hi guys. Just a question regarding the (inaudible) business. Pretty good results on the wholesale business in the half. You mentioned that you've rolled over or renewed a couple of large contracts with good customers. Just wondering if you can add a little bit of flavour there as to outlook for that part of the business regarding things like volumes and margin (inaudible)?

Dan Molloy *- Vector Limited - CFO*

John, it's Dan, look thanks for the question. Look it's not really one I'm well equipped to answer. There's a -- I guess there's so much going on in that business. I mean what we do know is there's good demand for the [on] gas and bottle swap new products. We're investing in a new bottling facility out in South Auckland to meet that. Liquid gas is continuing to see a lot of volume. It's driven by domestic increase and domestic consumption and obviously exports. But you know there's so many variables going on in that we don't know how long that sort of surplus is going to be sustained. So no look it's a difficult question to answer.

John Tidd ***- Woodford - Analyst***

Just in relation to the contracts you have rolled over with those large customers you were talking (inaudible) any sort of flavour you can give us to, I guess market circumstances (inaudible) with the result in the first half whether there's any margin squeeze you might be seeing there?

Dan Molloy ***- Vector Limited - CFO***

I mean I think -- what we have said is there's a fair amount of competition out there. You know and I think you probably -- we've coped okay with it and I mean we -- but other than that there's not a lot we can really say. We're going to continue to fight hard and (technical difficulty).

John Tidd ***- Woodford - Analyst***

Alright, thanks.

Operator

As there are no further questions at this time, I will now hand back to Mr Mackenzie for closing remarks.

Simon Mackenzie ***- Vector Limited - CEO***

Thank you. Thanks very much everyone for joining us today. I'd just like to reiterate our objective as a business is to deliver sustainable growth and dividends. We remain committed to that. We continue to search for opportunities in the non-regulated space to continue the diversification of our business. Obviously it's in adjacencies with regards to technology and energy and related fields.

It is a challenge to basically find these opportunities so we are also obviously focusing on Australia and continuing to identify customer demand and new technologies that will become relevant to both New Zealand and potentially further afield. So thank you very much again for joining us today.