

HALF YEAR ENDED 31 DECEMBER 2020

# Financial and Operational Results

23 February 2021

# Disclaimer

This presentation contains forward-looking statements.

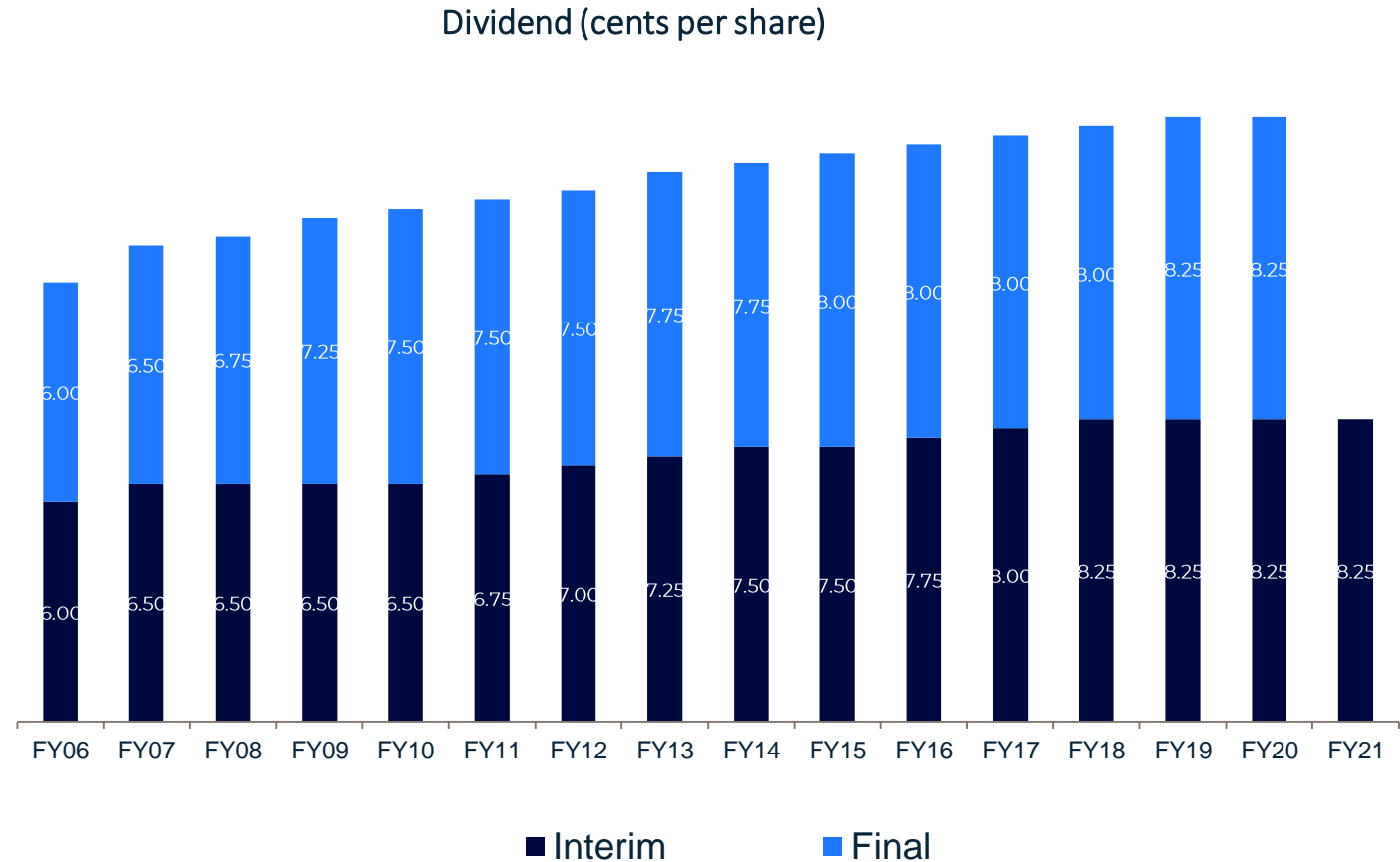
Forward-looking statements often include words such as “anticipates”, “estimates”, “expects”, “intends”, “plans”, “believes” and similar words in connection with discussions of future operating or financial performance.

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.

# Dividend

- Interim dividend of 8.25 cents per share
  - Flat on prior year
  - Imputation at rate of 10.5%
- Dividend record date of 30 March 2021 and payment date of 8 April 2021





# H1 2021 Business Overview

## Electricity and Gas Distribution



- 9,804 new electricity and gas connections added, up 15.5% on prior six month comparative period
- Level of investment continues to be at historically higher levels with capital expenditure for H1 at \$157.1m
- There was a 21% improvement to SAIDI our measure of reliability of the network
- Electricity volumes overall down 1.6% at 4,324 GWh with lower business volume offset by higher residential volume



## Metering



- In H1, deployed 52k advanced meters in Australia and 18k in NZ
- Advanced meter fleet totals 1.78 million across NZ and Australia
- More than 330k meters now installed in Australia
- Invested capex of \$81.8m or 26% more than equivalent prior period
- AWS strategic alliance delivers first output – advanced metering platform for gas
- Commenced deployment of advanced gas meters and rollout of 4G modem replacement

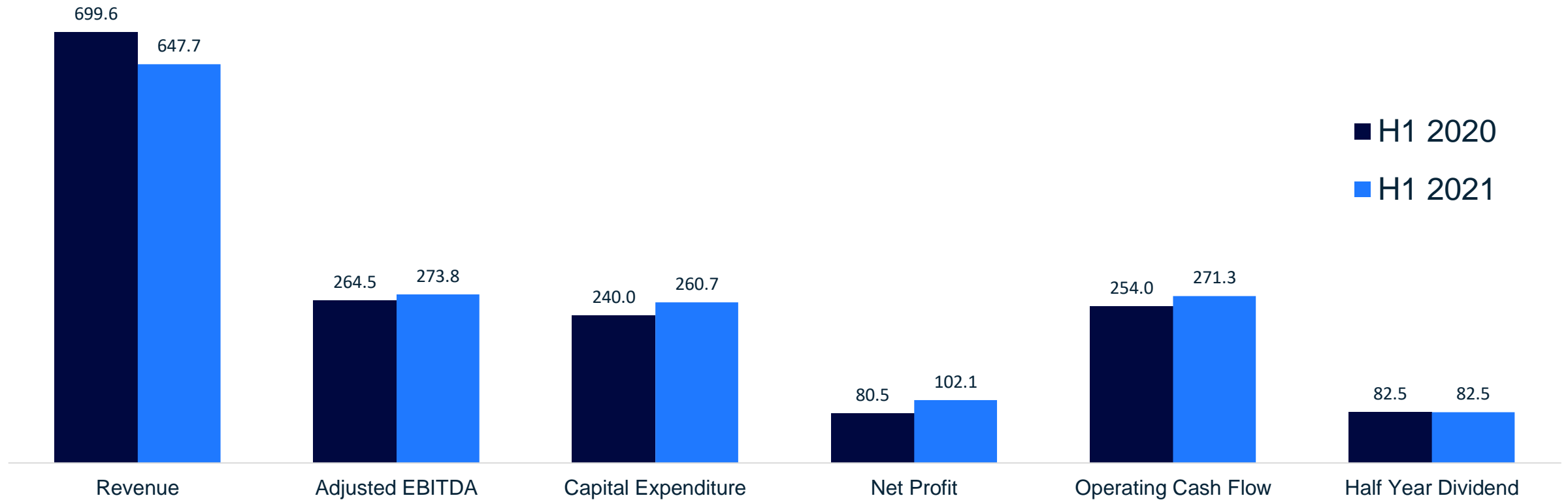
## Gas Trading



- Sale of Kapuni assets completed 31 March 2020
- 3.0% increase in 9kg LPG bottle swaps to 375,271
- LPG volumes down 1.5% to 23,764 tonnes with bulk volumes lower but cylinder volumes higher
- 2.7% decrease in Liquigas tolling to 55,239 tonnes

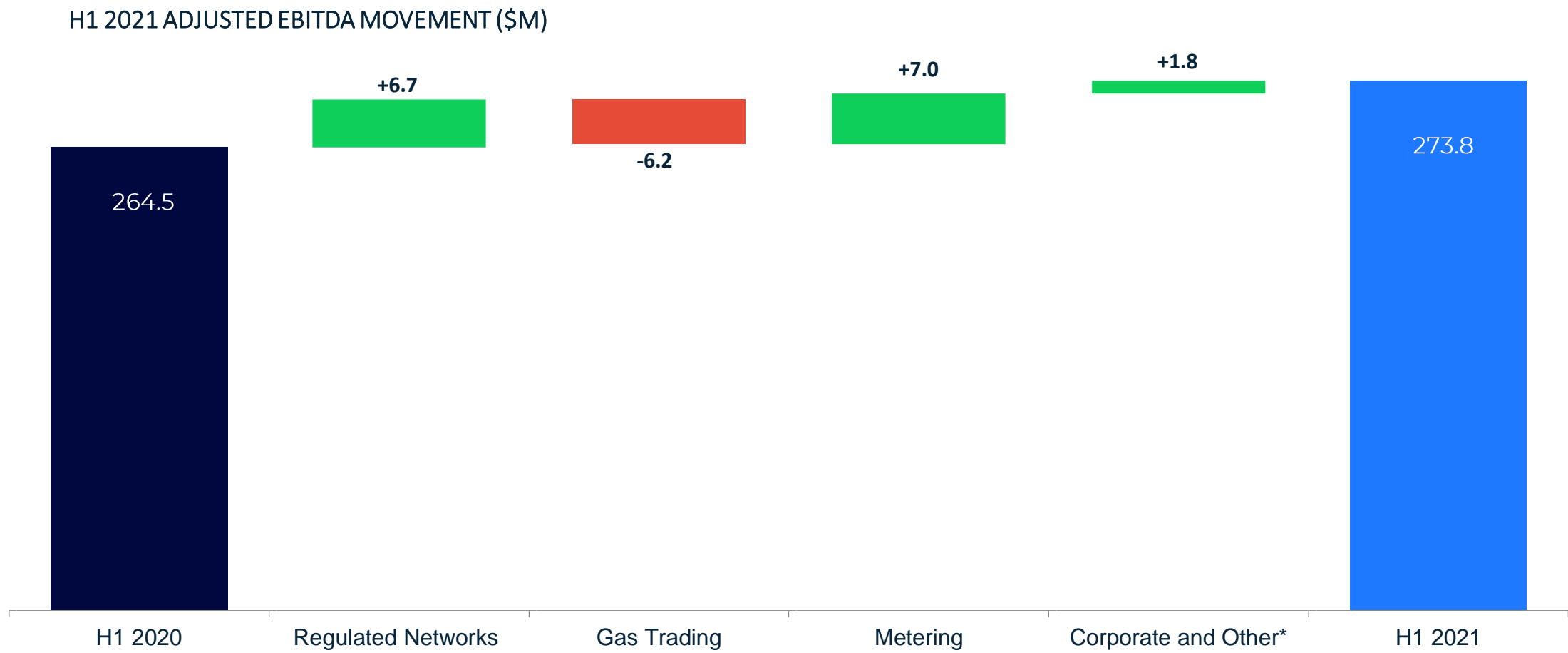
# Overview of financial performance

## H1 2021 FINANCIAL PERFORMANCE (\$M)



Adjusted EBITDA is not a GAAP measure of profit. For a reconciliation of adjusted EBITDA to EBITDA and net profit refer to page 21 of this presentation.

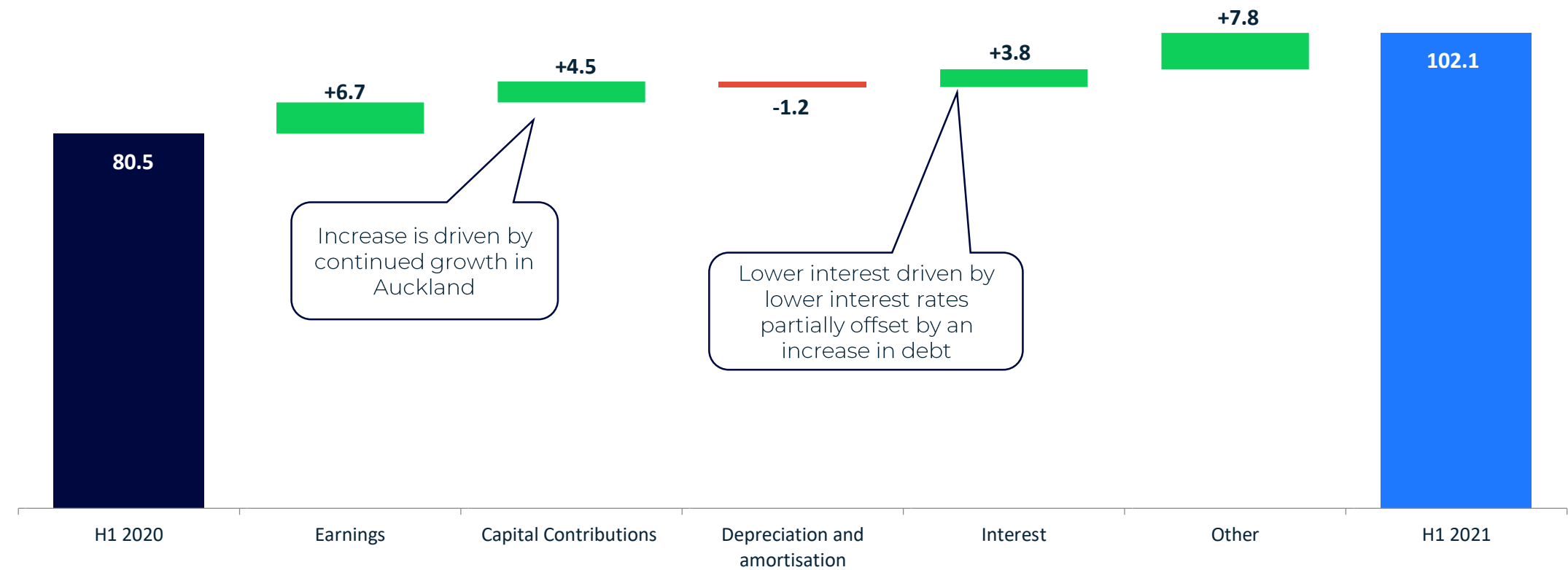
# Segment earnings up as a result of improved regulatory and metering performance



Other includes Vector PowerSmart and Vector Fibre  
\* Corporate and Other is not a reportable segment

# NPAT up \$21.6m or 26.8%

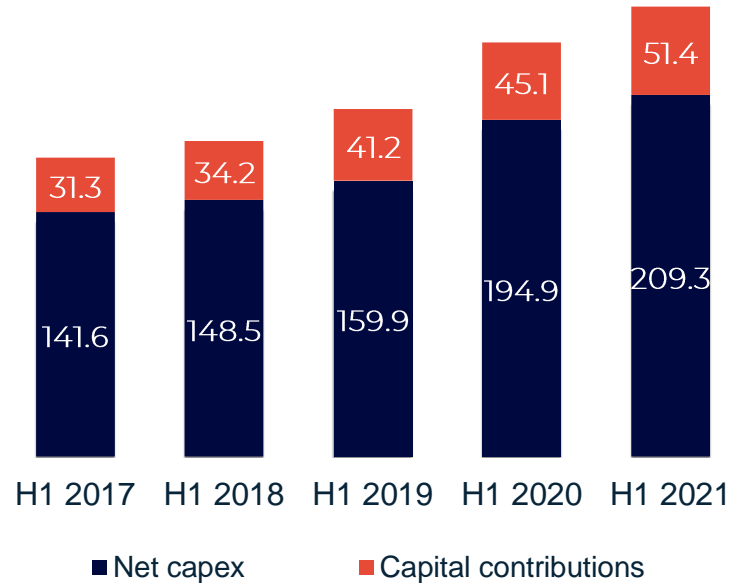
MOVEMENT IN NET PROFIT AFTER TAX (\$M)



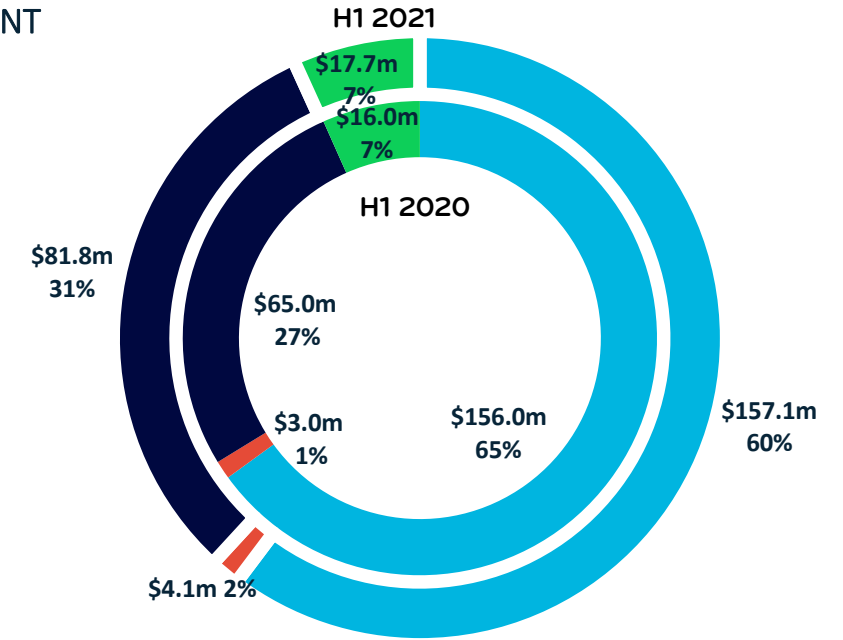
All items above are net of tax  
“Other” includes associates and fair value change on financial instruments and tax changes. This includes \$7.5m deferred tax credit adjustment in respect of intangibles impaired as at 30 June 2020

# Capex driven by investment in Networks & meter deployment in Australia

GROSS CAPITAL EXPENDITURE (\$m)



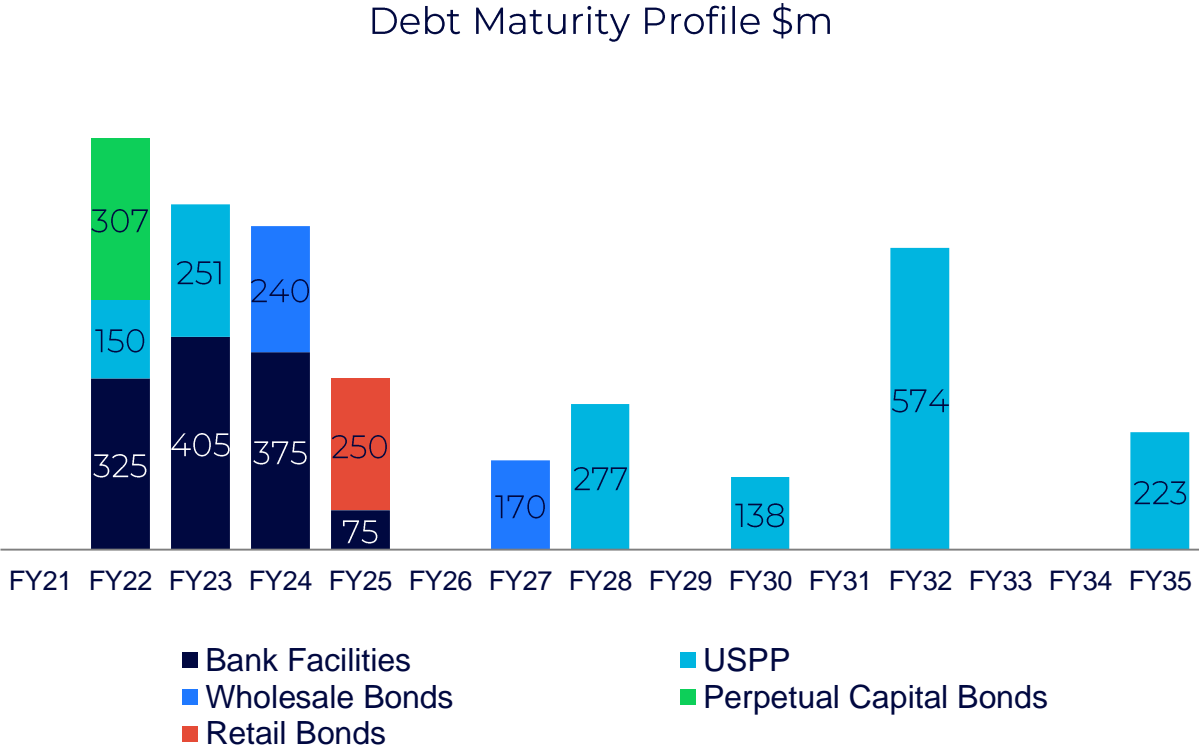
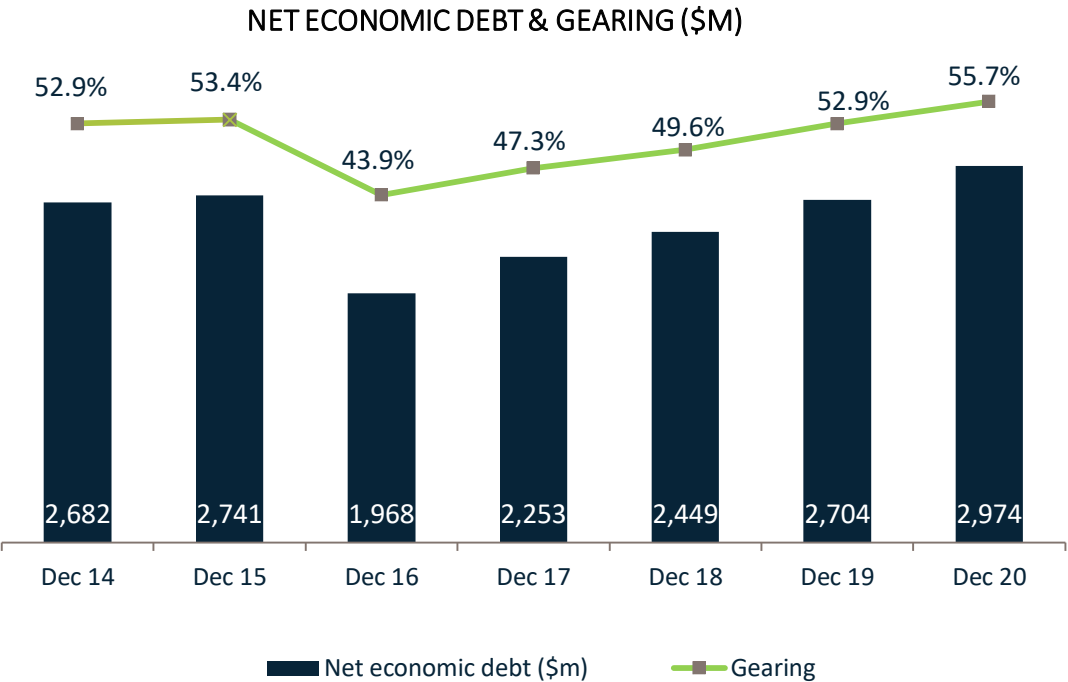
GROSS CAPEX BY SEGMENT



- Gross capex up 8.6% to \$260.7m. Net capex (after deducting contributions) up 7.4% to \$209.3m
- Growth capex up 8.4% to \$155.3m. Replacement capex up 8.9% to \$105.4m
- c\$12m of the increase in metering capex is due to increasing stock levels to mitigate risk of supply shortages



# Group debt



vector

- Economic gearing as at 31 December 2020 at 55.7%
- Vector holds a BBB credit rating by Standard and Poor’s and a Baa1 rating by Moody’s
- \$300m of bank facilities maturing in Feb 2021 were refinanced to FY24

# Network earnings higher

- Revenue is lower due to DPP3 price reset which resulted in a price reduction of 6.9% from 1 April 2020
- In order to reduce pricing impacts on customers we have utilised loss rental rebates in two ways:
  - To mitigate the impact of lower volume on distribution revenue as a result of covid-19; and
  - To offset what would otherwise be a larger price increase from 1 April 2021
- Regulated capex up 0.7% to \$157.1 million
- Continued high level of capex expenditure is driven by investment to improve safety, reliability and resilience of our network and to support Auckland growth
- There was a 21% improvement to SAIDI our measure of reliability of the network
- Capital contributions up 12.4% to \$50.6m driven by Auckland infrastructure development and continued connection growth
- New connections for H1 2021 up 15.5% to 9,804



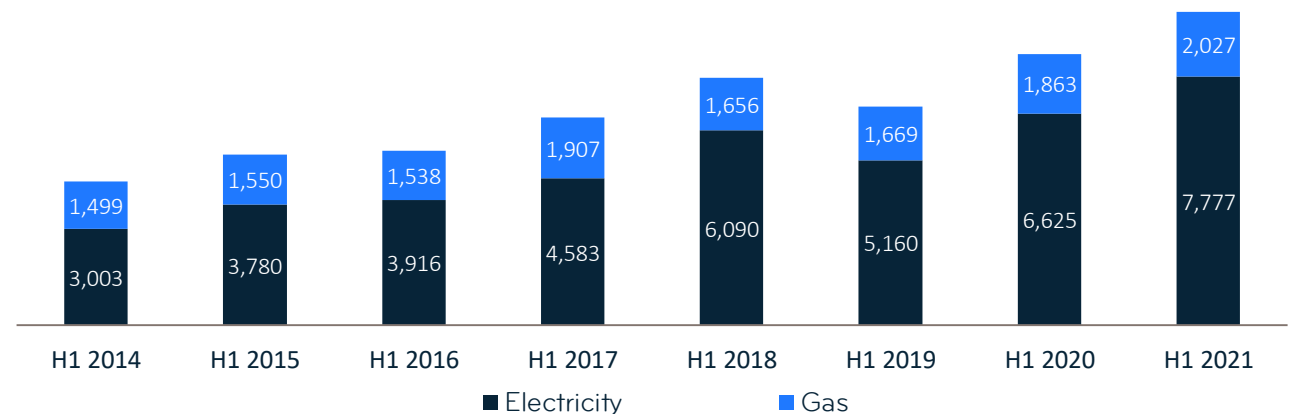
– 586,480 total electricity connections (up 1.8%)

– 115,432 total gas connections (up 2.1%)

ADJUSTED EBITDA MOVEMENT (\$M)

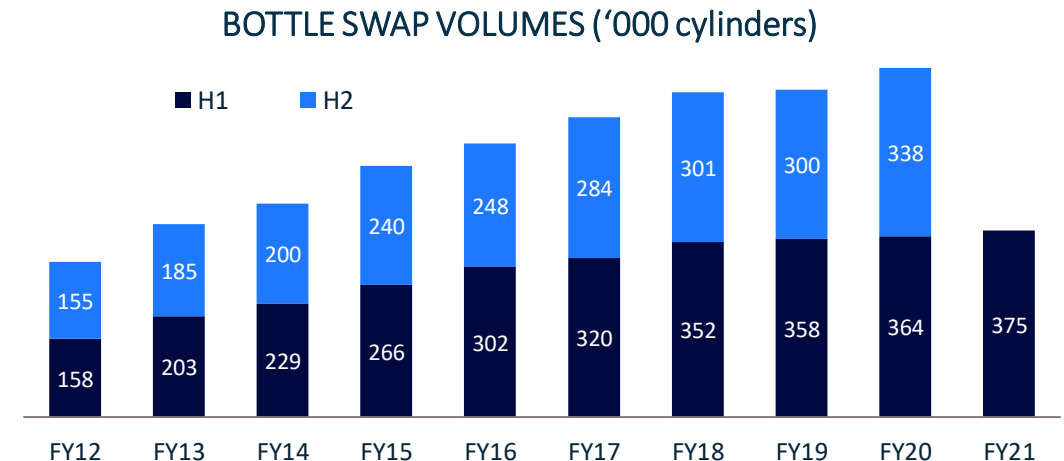
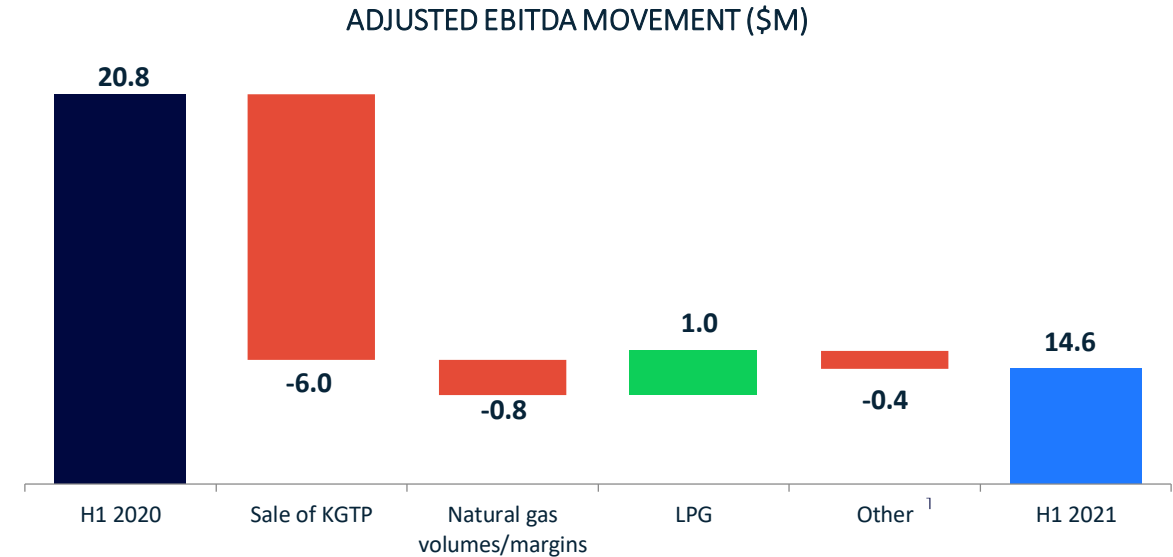


NEW CONNECTIONS



# Gas Trading earnings impacted by Sale of Kapuni assets

- Earnings lower as a result of sale of Kapuni assets to Todd Energy
  - Going forward this transaction now appears within the interest line as interest income on the sale consideration
- After normalising for this sale, earnings are down 1.4% mainly due to lower natural gas margins offset by improved LPG margins
- Challenging market conditions for Natural Gas business
  - Natural gas volumes fell 36.7% to 5.0 PJ
  - Loss of major customer from Jan 2020
- The improved LPG margins were due to favourable price and cylinder volumes. Overall LPG volumes were down 1.5% to 23,764 tonnes largely due to lower LPG bulk volumes which were impacted by Covid-19
- Bottle Swap volumes up 3.0% to 375,271 bottles swapped/sold



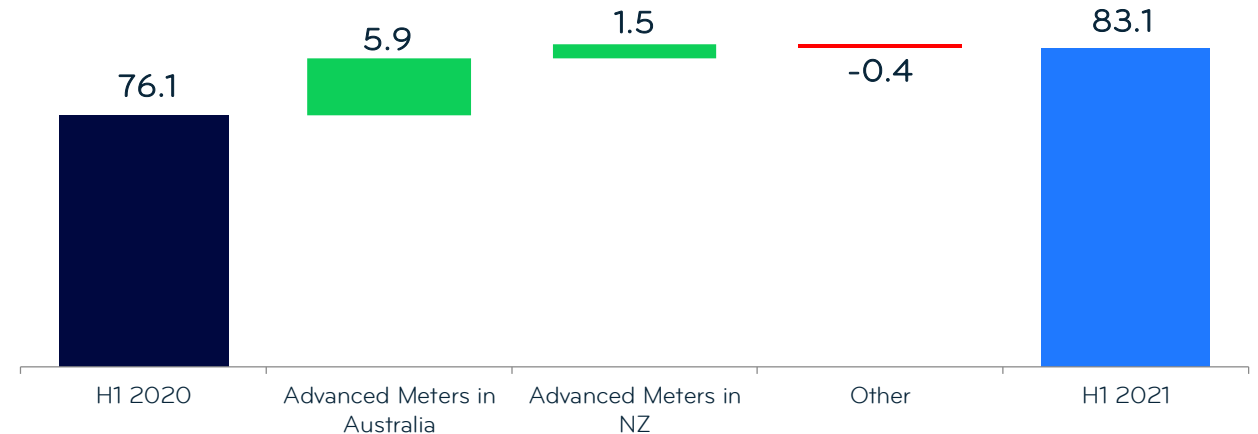
<sup>1</sup>This includes the impact of legacy processing fee arrangements that will expire 31 July 2021

# Metering result driven by advanced meter rollout in Australia

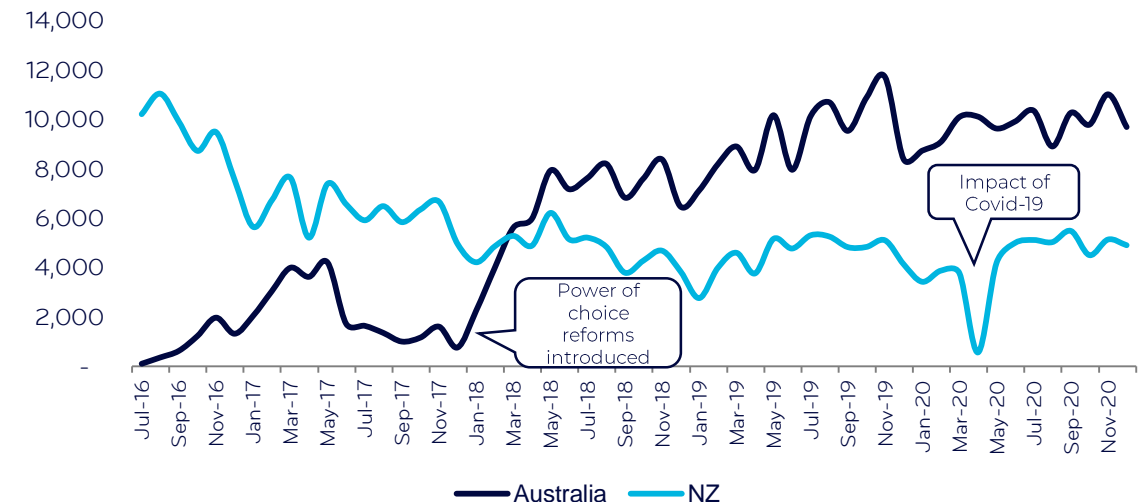
- H1 earnings up 9.2% to \$83.1 million
- Advanced meter fleet now 1.78 million (owned & managed)
  - In H1, deployed and billed 52,459 advanced meters in Australia, in line with expectations. On track to deploy 120,000 to 130,000 meters for the full year
  - Deployment in Australia averaging more than 10,000 meters per month
  - We have now deployed more than 330,000 meters in Australia
  - In H1, NZ advanced meter base increased by almost 18,000
- \$81.8m of capex invested in H1 2021, up 25.8%
  - Increase is driven by higher stock levels in order to counteract supply risks associated with Covid-19
  - Commenced rollout of modem replacement in NZ and advanced gas meter deployment on behalf of Genesis



ADJUSTED EBITDA MOVEMENT (\$M)



MONTHLY ADVANCED METER DEPLOYMENT



# Outlook

- Auckland growth continues
  - Targeting c15,000 new electricity connections in FY21
  - Connections & infrastructure activity remain elevated, necessitating significant capital expenditure
- Advanced meter deployment on track
  - Targeting 30-40k advanced meters in NZ and 120-130k advanced meters in Australia
- Adjusted EBITDA guidance of \$500m-\$520m for FY21, up from previous guidance of \$480m-\$500m
  - Full year guidance does not factor in any worsening impact of Covid-19 such as extended or frequent lockdowns
- Preparing submission to Climate Change Commission's draft report, too early in process to make any decisions

# Q&A

## ANY QUESTIONS?





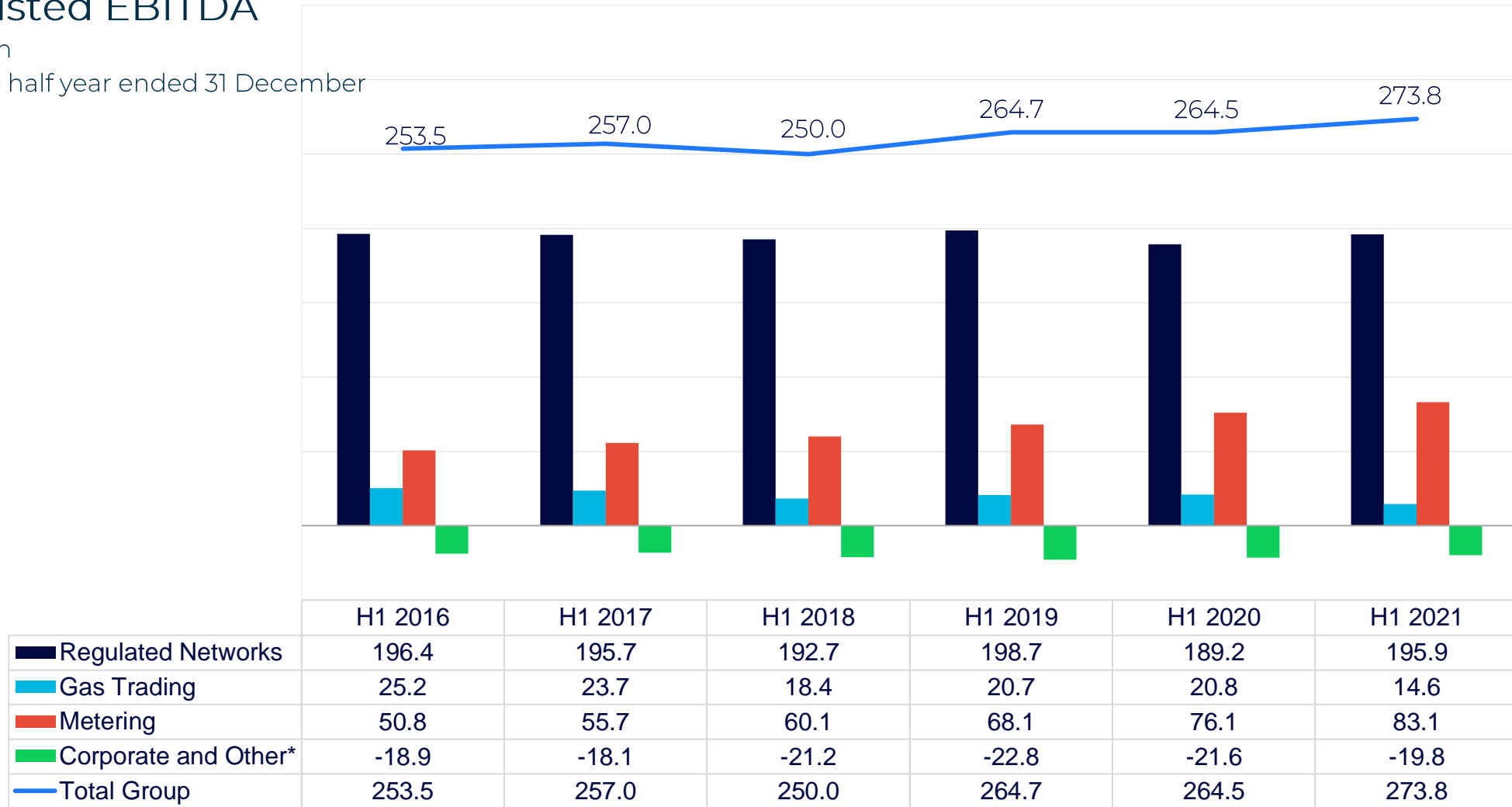
# APPENDICES

# 5 Year Adjusted EBITDA Performance by Segment

## Adjusted EBITDA

\$million

For the half year ended 31 December



\* Corporate and Other is not a reportable segment

# Segment Results

Half Year ended 31 December (\$m)

	REGULATED NETWORKS			METERING			GAS TRADING			CORPORATE AND OTHER <sup>1</sup>		
	H1 2021	H1 2020	Change %	H1 2021	H1 2020	Change %	H1 2021	H1 2020	Change %	H1 2021	H1 2020	Change %
Revenue excluding Capital Contributions	333.8	361.8	-7.7	109.8	102.4	+7.2	113.7	151.2	-24.8	46.3*	43.2*	+7.2
Operating expenditure	(137.9)	(172.6)	+20.1	(26.7)	(26.3)	-1.5	(99.1)	(130.4)	+24.0	(66.1)	(64.8)	-2.0
Segment Adjusted EBITDA	<b>195.9</b>	<b>189.2</b>	<b>+3.5</b>	<b>83.1</b>	<b>76.1</b>	<b>+9.2</b>	<b>14.6</b>	<b>20.8</b>	<b>-29.8</b>	<b>(19.8)</b>	<b>(21.6)</b>	<b>+8.3</b>
CAPEX												
Replacement	83.5	82.0	+1.8	14.4	6.2	+132.3	1.7	1.4	+21.4	5.8	7.2	-19.4
Growth	73.6	74.0	-0.5	67.4	58.8	+14.6	2.4	1.6	+50.0	11.9	8.8	+35.2
<b>Total capex</b>	<b>157.1</b>	<b>156.0</b>	<b>+0.7</b>	<b>81.8</b>	<b>65.0</b>	<b>+25.8</b>	<b>4.1</b>	<b>3.0</b>	<b>+36.7</b>	<b>17.7</b>	<b>16.0</b>	<b>+10.6</b>



<sup>1</sup> Corporate and Other is not a reportable segment

\* Corporate and Other revenue includes an elimination of \$5.3m in H1 2021 and \$1.9m in H1 2020 in relation to services delivered by Vector Technology Services and Vector Fibre to the Vector Group.

# Group Profit Statement

Half Year ended 31 December (\$m)

INCOME STATEMENT	H1 2021 \$m	H1 2020 \$m	Change %
Revenue (excluding capital contributions)	596.3	654.5	-8.9
Operating expenditure	(322.5)	(390.0)	+17.3
Adjusted EBITDA	273.8	264.5	+3.5
Capital Contributions	51.4	45.1	+14.0
Depreciation and amortisation	(133.1)	(131.4)	-1.3
Net interest costs	(58.7)	(64.0)	+8.3
Fair value change on financial instruments	(2.2)	(0.5)	-340.0
Associates (share of net profit/(loss))	1.6	0.1	+>100.0
Tax	(30.7)	(33.3)	+7.8
Net profit for the period	102.1	80.5	+26.8

# Group Cash Flow

Half Year ended 31 December (\$m)

CASH FLOW	H1 2021 \$m	H1 2020 \$m
Operating cash flow	271.3	254.0
Replacement capex	(111.3)	(97.2)
Dividends paid	(82.5)	(83.3)
Cash available for growth and debt repayment	77.5	73.5
Growth capex	(166.6)	(145.7)
Other investment activities	2.6	(0.4)
Pre debt financing cash (outflow)/inflow	(86.5)	(72.6)
Increase/(decrease) in borrowings	95.0	78.4
Other financing activities	(5.0)	(4.2)
Increase/(decrease) in cash	3.5	1.6

# Segment Adjusted EBITDA

SEGMENT ADJUSTED EBITDA (\$m)	H1 2021			H1 2020		
	Reported segment EBITDA	less third-party contributions and other movements	Segment adjusted EBITDA	Reported segment EBITDA	less third-party contributions and other movements	Segment adjusted EBITDA
Half Year ended 31 December						
Metering	83.1	-	83.1	76.1	-	76.1
Gas Trading	14.6	-	14.6	20.8	-	20.8
Unregulated Segments	97.7	-	97.7	96.9	-	96.9
Regulated Networks	246.5	(50.6)	195.9	234.2	(45.0)	189.2
Total Reportable Segments	344.2	(50.6)	293.6	331.1	(45.0)	286.1
Corporate and Other*	(19.6)	(0.2)	(19.8)	(21.9)	0.3	(21.6)
TOTAL	324.6	(50.8)	273.8	309.2	(44.7)	264.5



\* Corporate and Other is not a reportable segment



# 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.

## Definitions

### EBITDA

Earnings before interest, taxation, depreciation and amortisation 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 EBITDA and Adjusted EBITDA

Half Year ended 31 December	H1 2021 \$M	H1 2020 \$M
Reported net profit for the period (GAAP)	102.1	80.5
Add back: net interest costs <sup>1</sup>	58.7	64.0
Add back: tax (benefit)/expense <sup>1</sup>	30.7	33.3
Add back: depreciation and amortisation <sup>1</sup>	133.1	131.4
<b>EBITDA</b>	<b>324.6</b>	<b>309.2</b>
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss) <sup>1</sup>	(1.6)	(0.1)
Capital Contributions <sup>1</sup>	(51.4)	(45.1)
Fair value change on financial instruments <sup>1</sup>	2.2	0.5
<b>Adjusted EBITDA</b>	<b>273.8</b>	<b>264.5</b>

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

END

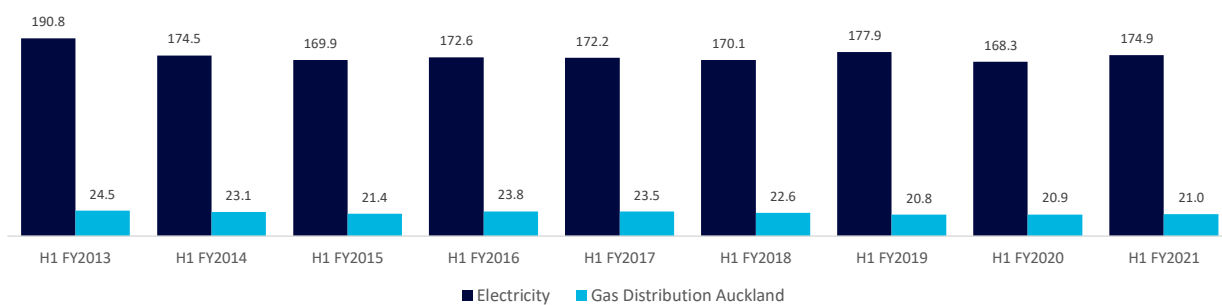
## Supplementary Interim Information



### Regulated Networks Adjusted EBITDA

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021
Electricity	190.8	174.5	169.9	172.6	172.2	170.1	177.9	168.3	174.9
Gas Distribution Auckland	24.5	23.1	21.4	23.8	23.5	22.6	20.8	20.9	21.0
Total	215.4	197.7	191.3	196.4	195.7	192.7	198.7	189.2	195.9

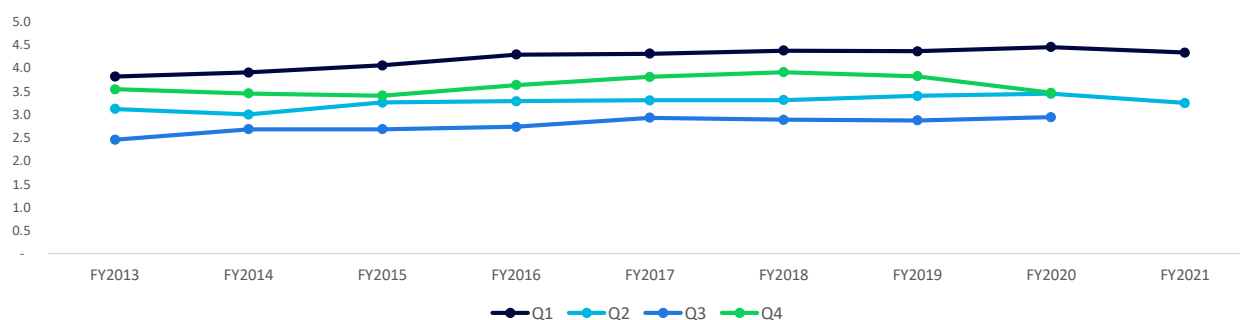
Adjusted EBITDA



### Gas Distribution Auckland Volumes (PJ)

PJs	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Q1	3.8	3.9	4.0	4.3	4.3	4.4	4.4	4.4	4.3
Q2	3.1	3.0	3.3	3.3	3.3	3.3	3.4	3.4	3.2
Q3	2.4	2.7	2.7	2.7	2.9	2.9	2.9	2.9	
Q4	3.5	3.4	3.4	3.6	3.8	3.9	3.8	3.5	
Total	12.9	13.0	13.4	13.9	14.3	14.5	14.4	14.3	7.6

Gas Distribution Volumes (PJ)



### Gross New ICPs

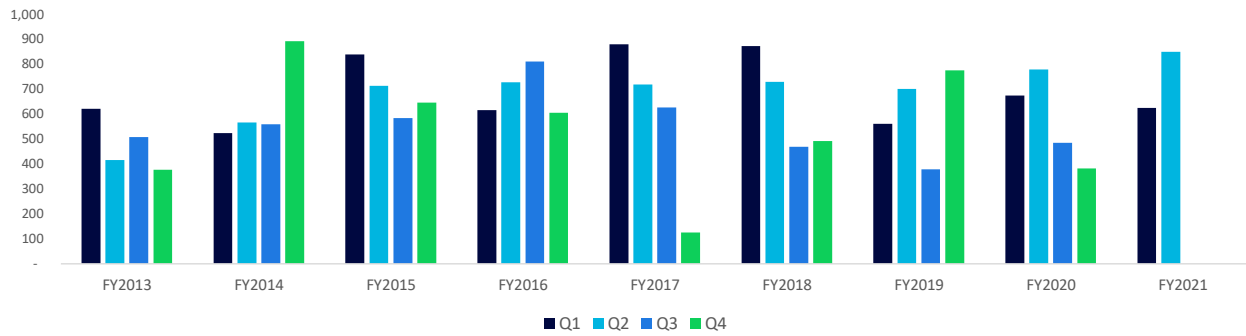
# of ICPs (gross)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Q1	-	-	807	831	982	875	800	832	959
Q2	-	-	743	707	925	781	869	1,031	1,068
Q3	-	-	605	948	842	481	705	784	
Q4	-	-	666	837	766	1,028	948	554	
Total	2,464	3,107	2,821	3,323	3,515	3,165	3,322	3,201	2,027

Data not available prior to FY15

### Net New ICPs

# of ICPs (net)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Q1	620	524	839	616	878	872	560	674	624
Q2	415	566	713	727	718	728	700	778	848
Q3	508	558	584	809	626	468	378	484	
Q4	377	892	645	605	126	491	775	382	
Total	1,920	2,540	2,781	2,757	2,348	2,559	2,413	2,318	1,472

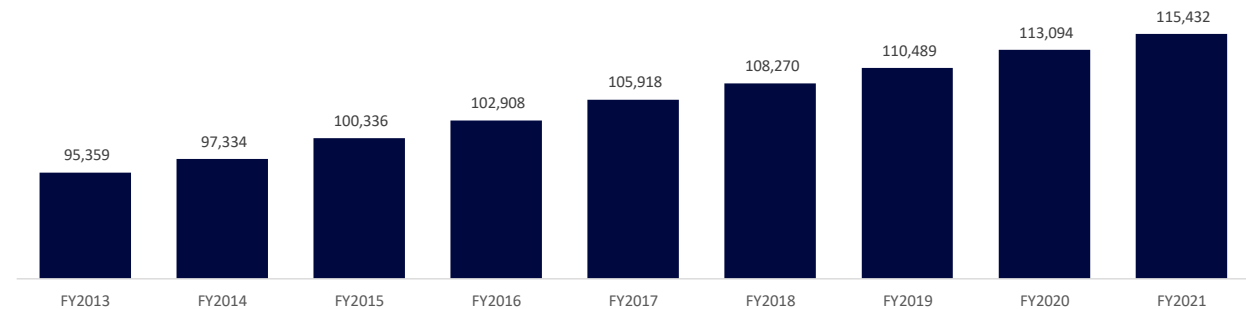
### Net Gas ICPs



### Total ICPs

# Total ICPs	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Q1	94,944	96,768	99,623	102,181	105,200	107,542	109,789	112,316	114,584
Q2	95,359	97,334	100,336	102,908	105,918	108,270	110,489	113,094	115,432
Q3	95,867	97,892	100,920	103,717	106,544	108,738	110,867	113,578	
Q4	96,244	98,784	101,565	104,322	106,670	109,229	111,642	113,960	

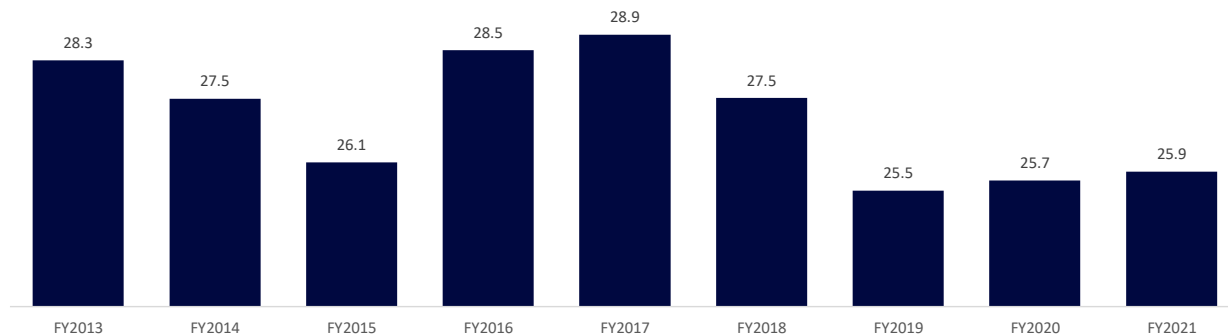
### Total Gas ICPs as at half year



**Gas Distribution Lines Revenue**

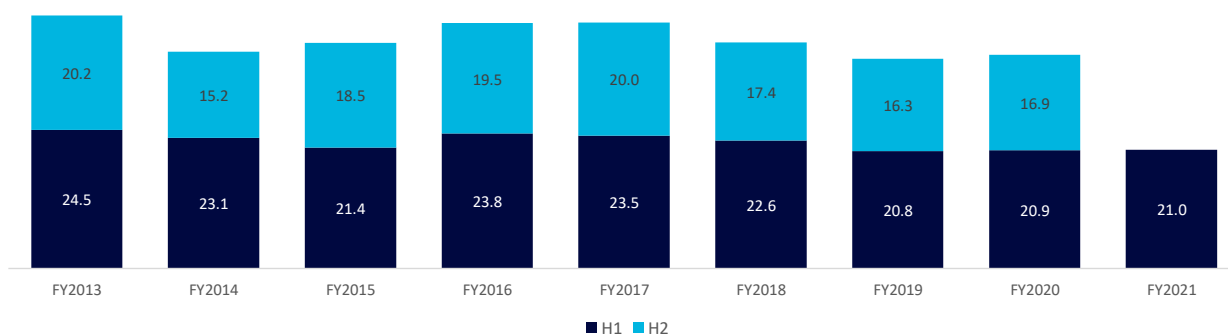
\$m	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
H1	28.3	27.5	26.1	28.5	28.9	27.5	25.5	25.7	25.9
H2	24.4	19.5	23.4	23.6	25.0	21.7	21.6	22.0	
Lines Revenue	52.7	47.0	49.5	52.2	53.9	49.2	47.1	47.7	25.9

Gas Distribution Lines Revenue \$m as at half year


**Gas Distribution Adjusted EBITDA**

\$m	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
H1	24.5	23.1	21.4	23.8	23.5	22.6	20.8	20.9	21.0
H2	20.2	15.2	18.5	19.5	20.0	17.4	16.3	16.9	
Total	44.8	38.3	39.9	43.4	43.5	40.0	37.0	37.8	21.0

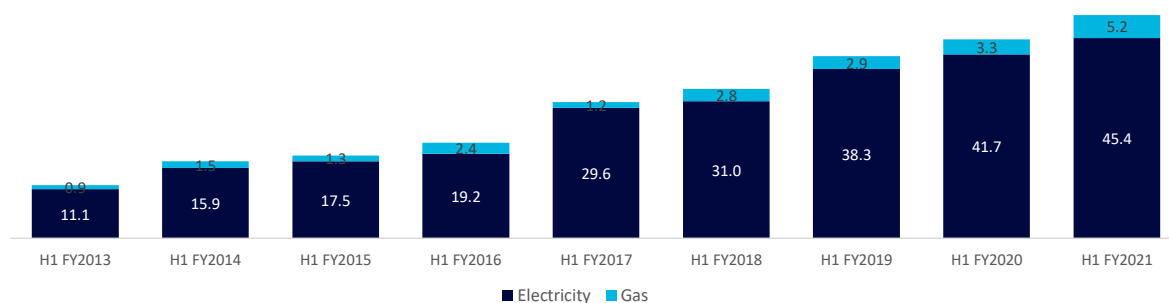
Gas Distribution Adjusted EBITDA \$m



### Capital Contributions

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021
Electricity	11.1	15.9	17.5	19.2	29.6	31.0	38.3	41.7	45.4
Gas	0.9	1.5	1.3	2.4	1.2	2.8	2.9	3.3	5.2
TOTAL	12.0	17.5	18.8	21.6	30.8	33.8	41.2	45.0	50.6

Capital Contributions \$m



### Capex

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021
Electricity	61.4	67.7	69.8	68.5	91.0	106.2	114.9	144.9	145.6
Gas	5.8	11.6	12.9	11.0	11.2	13.4	10.1	11.1	11.6
TOTAL	67.2	79.3	82.8	79.5	102.2	119.6	125.0	156.0	157.2

Regulated Capex \$m

