



Half Year Ended 31 December 2021

Financial and Operational **Results**

25 FEBRUARY 2022

Disclaimer

This presentation contains forward-looking statements.

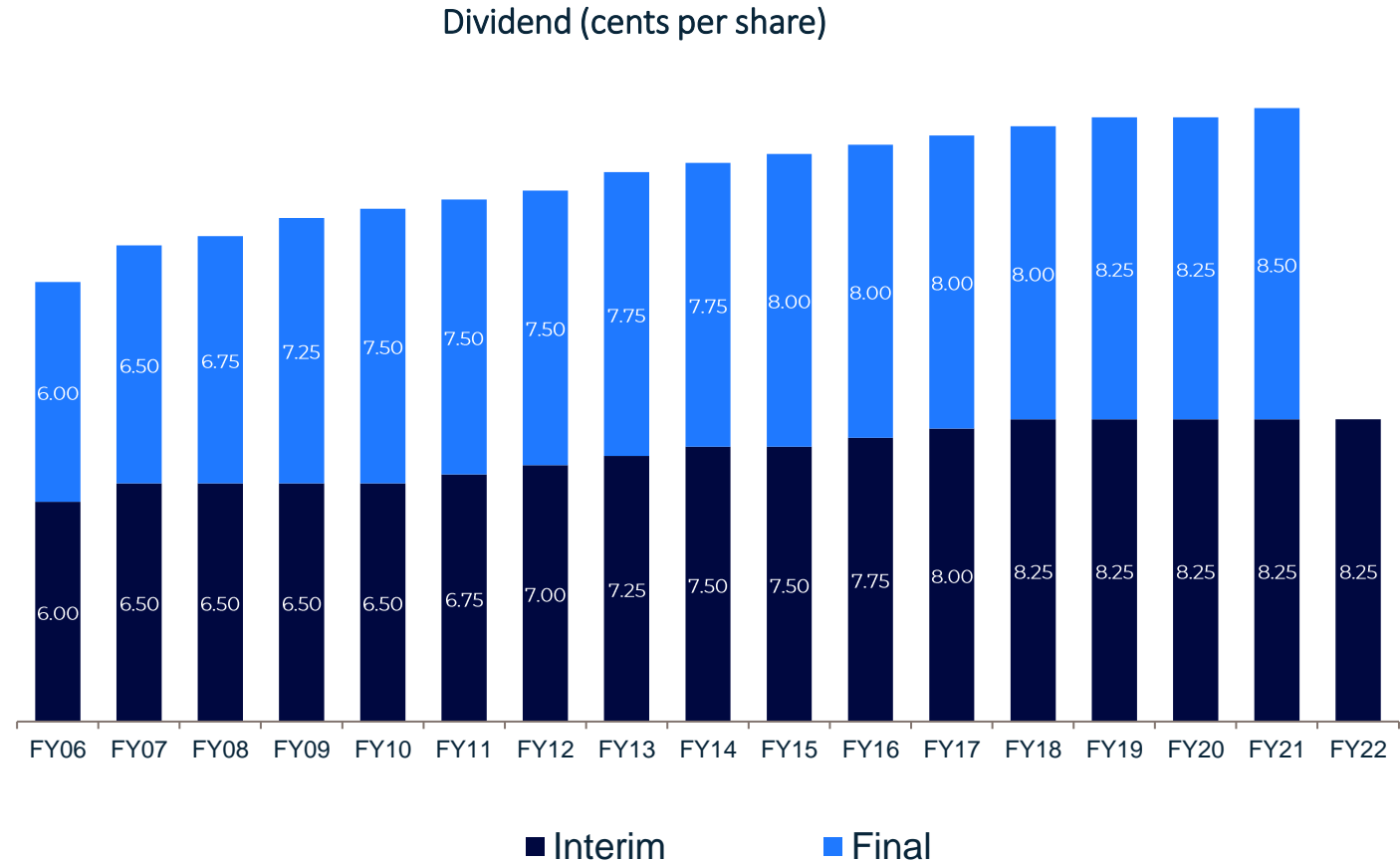
Forward-looking statements often include words such as “anticipates”, “estimates”, “expects”, “intends”, “plans”, “believes” and similar words in connection with discussions of future operating or financial performance.

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 2022 and payment date of 8 April 2022



H1 2022 Business Overview

Electricity and Gas Distribution



- 8,334 new electricity and gas connections added, down 15.0% on prior six month comparative period
- Level of investment continues to be at historically higher levels with gross capital expenditure for H1 at \$163.1m
- SAIDI, our measure of reliability of the network continues to improve (down 1.8%) despite an increase in storm events during the period
- Electricity volumes overall down 0.3% at 4,313 GWh with lower business volume offset by higher residential volume

Metering



- In H1, deployed 50k advanced meters in Australia and 10k in NZ
- Advanced meter fleet totals 1.93 million across NZ and Australia
- More than 447k meters now installed in Australia
- Invested capex of \$84.5m or 3.3% more than equivalent prior period
- Commenced rollout of 4G modem replacement in NZ with 78k completed to date

Gas Trading



- Increase to input costs for LPG, impacting margins
- 5.1% decrease in 9kg LPG bottle swaps to 356,098
- LPG volumes up 6.2% to 25,240 tonnes with bulk volumes higher and cylinder volumes lower
- 1.4% decrease in Liquigas tolling to 54,489 tonnes

Symphony Highlights

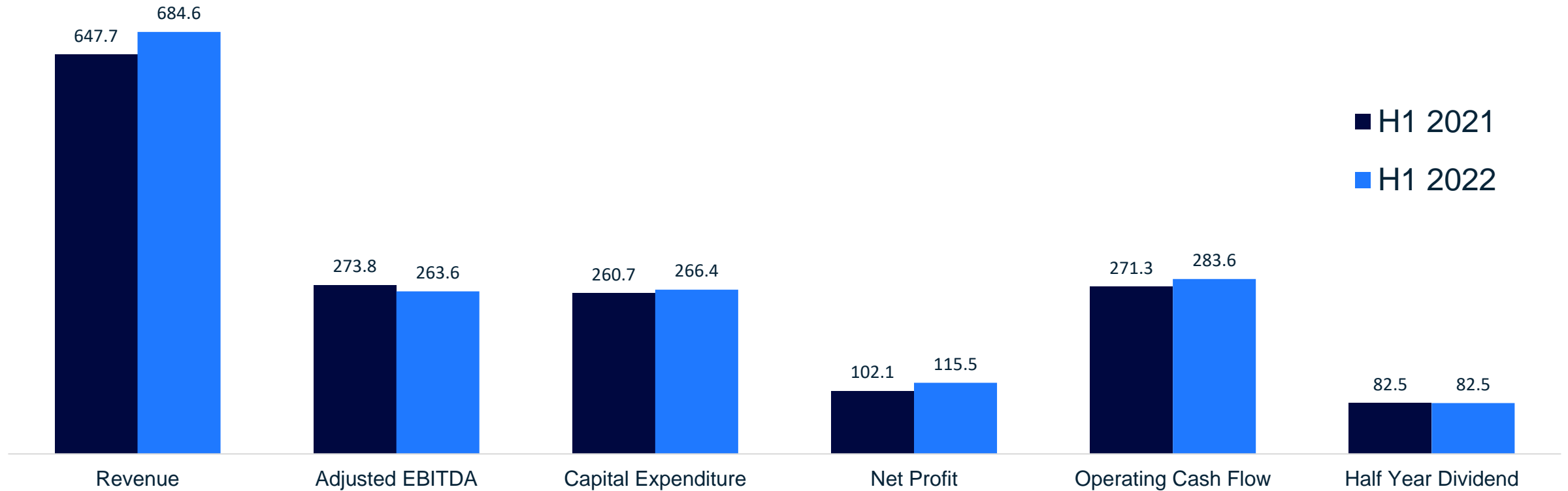


- Completed our largest ever study on smart electric vehicle charging behaviours that will help us plan for the electrification of transport
- Announced strategic collaboration with X on network virtualisation and simulation technology
- Continued progress in our strategic alliance with Amazon Web Services to build the New Energy Platform



Overview of financial performance

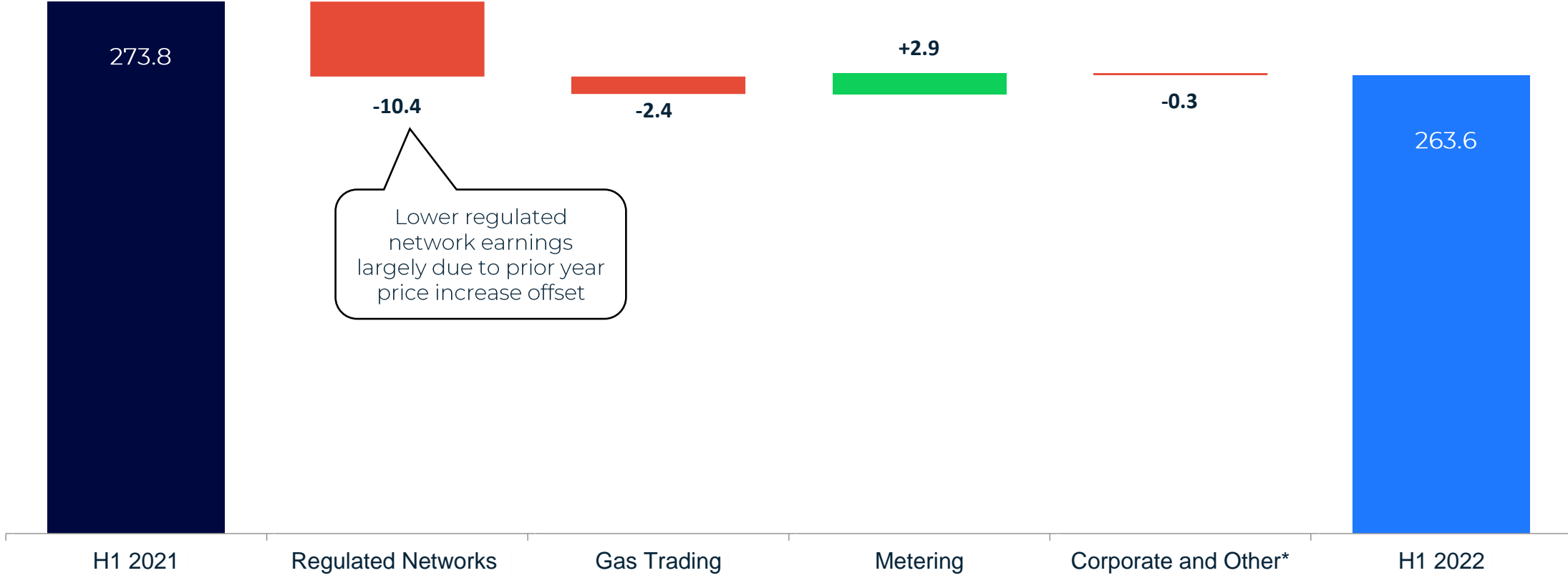
H1 2022 FINANCIAL PERFORMANCE (\$M)



Adjusted EBITDA is not a GAAP measure of profit. For a reconciliation of adjusted EBITDA to EBITDA and net profit refer to page 22 of this presentation.

Segment earnings down (\$10.2m) or 3.7%

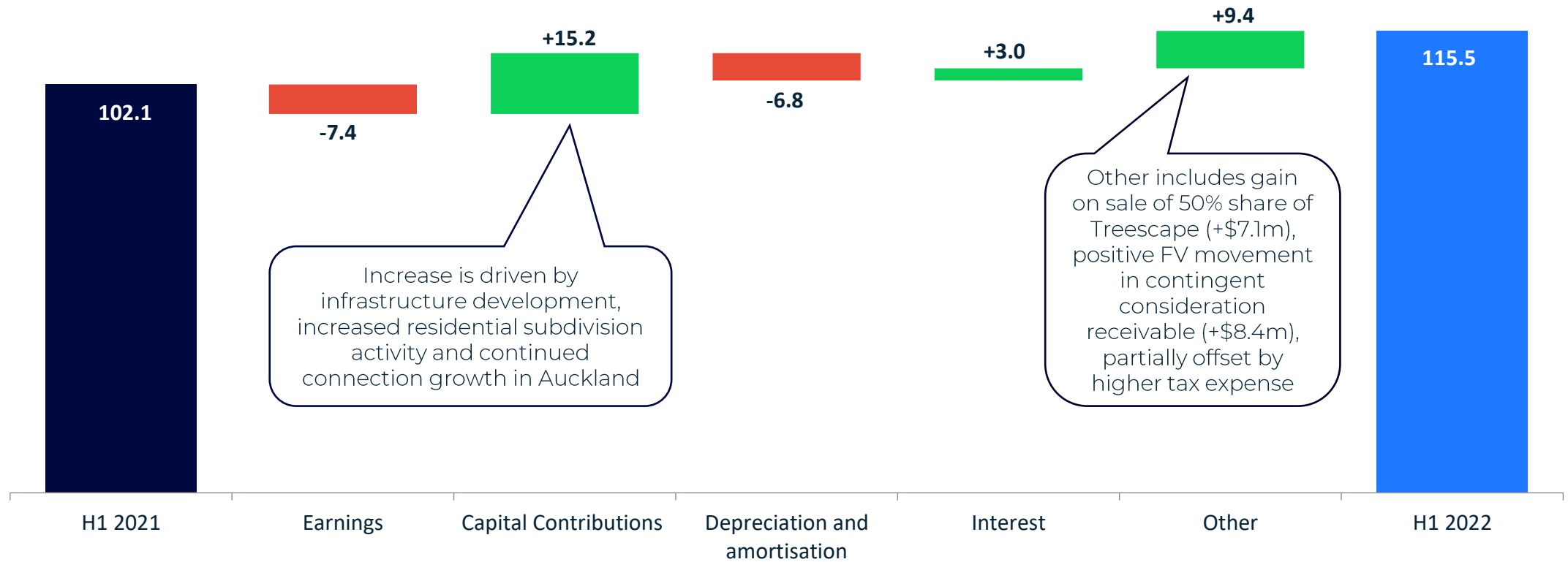
H1 2022 ADJUSTED EBITDA MOVEMENT (\$M)



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

NPAT up \$13.4m or 13.1%

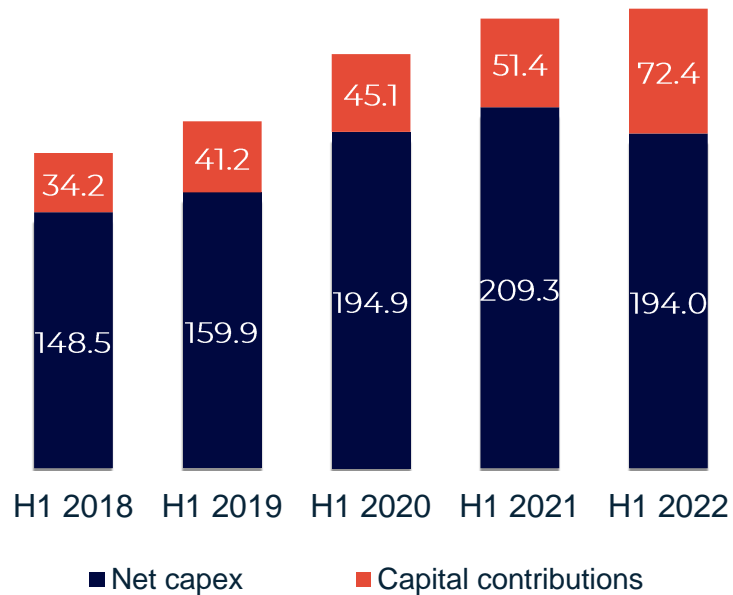
MOVEMENT IN NET PROFIT AFTER TAX (\$M)



All items above are net of tax
"Other" includes gain on sale of investment in associates, fair value change on financial instruments and tax changes.

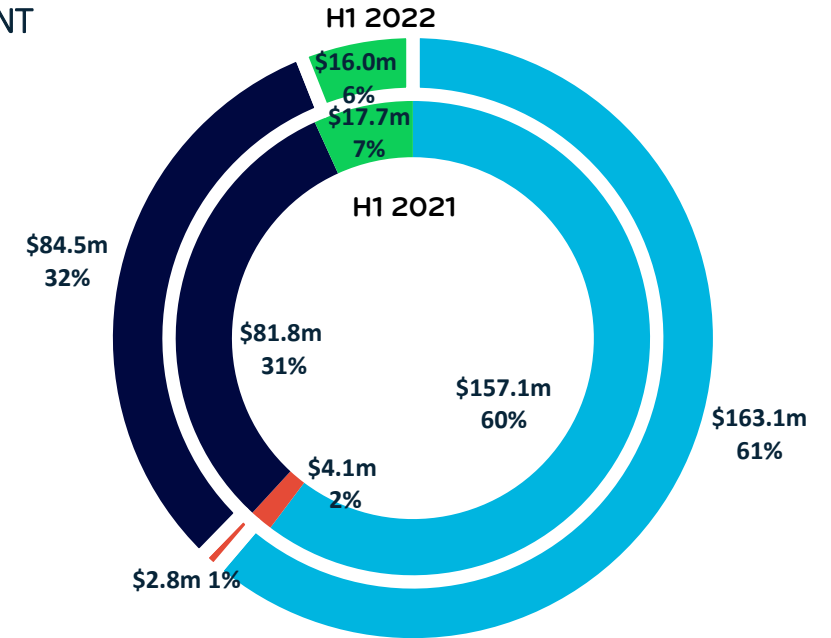
Capex driven by investment in Networks & meter deployment in Australia

GROSS CAPITAL EXPENDITURE (\$m)



GROSS CAPEX BY SEGMENT

- Regulated Networks
- Gas Trading
- Metering
- Corporate and Other

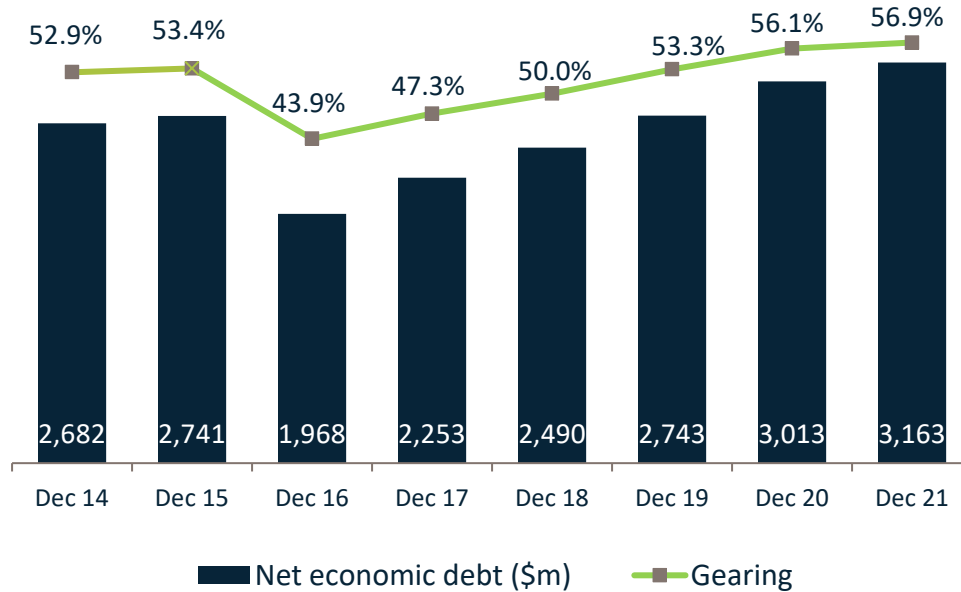


- Gross capex up 2.2% to \$266.4m. Net capex (after deducting contributions) down 7.3% to \$194.0m
- Growth capex up 2.9% to \$159.8m. Replacement capex up 1.1% to \$106.6m
- Higher stock levels (up c\$16m) in order to counteract risks associated with global production shortages has also contributed to the year-on-year increase

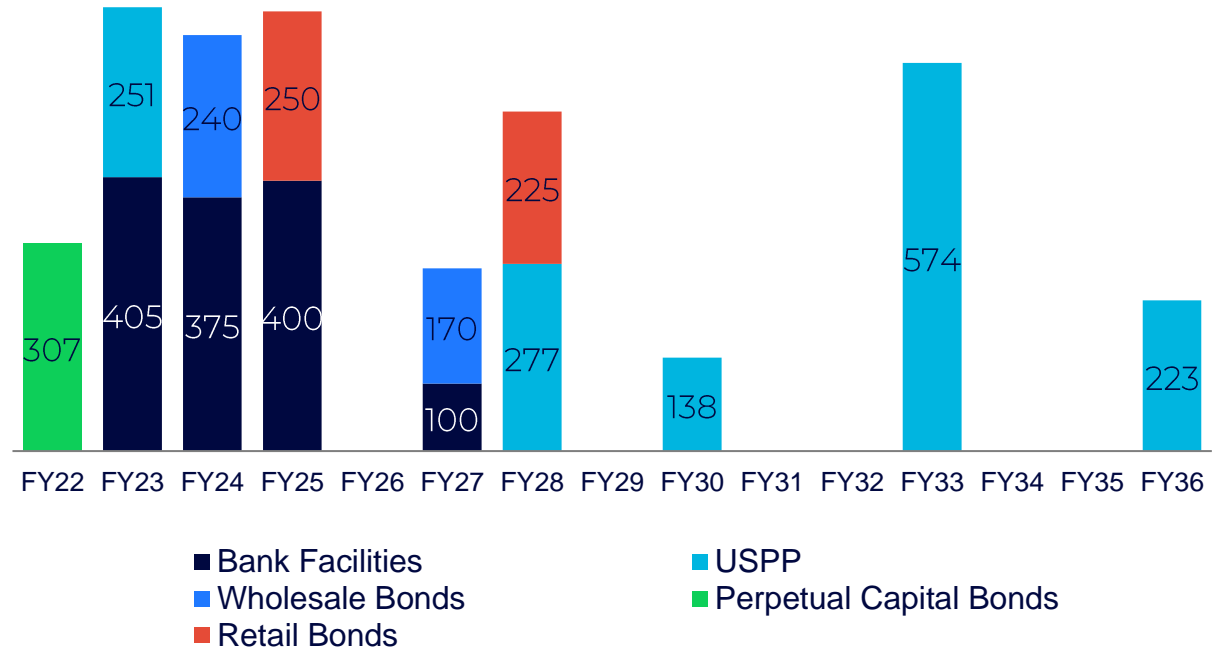


Group debt

NET ECONOMIC DEBT & GEARING (\$M)



Debt Maturity Profile \$m



- Economic gearing as at 31 December 2021 at 56.9%
- Vector rated BBB (stable outlook) by S&P Global Ratings and Baa1 (stable outlook) by Moody's
- During the period we issued NZ\$225m 6 year retail bonds and repaid NZ\$150m maturing USPP
- \$307m perpetual capital bonds are due for roll over in June 2022



Network earnings impacted by prior year one off

- Excluding the one-off price increase offset¹ from the prior period, revenue is higher due to:

- An increase in net connections
- Increase in recovery of pass-through costs
- Other prior period adjustments

- Gas revenue down due to lower volumes

- Volume down 7.9% to 7.0PJ from 7.6PJ in the prior period

- Regulated capex up 3.8% to \$163.1 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

- Capital contributions up 42.1% to \$71.9m driven by Auckland infrastructure development, increased residential subdivision activity and continued connection growth

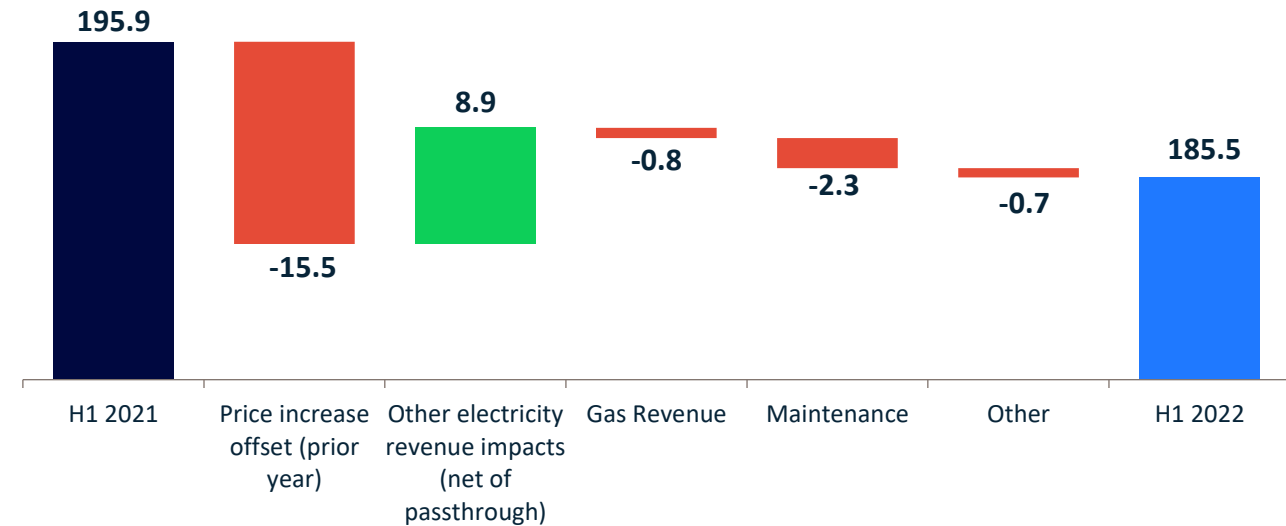
- SAIDI, our measure of reliability of the network continues to improve (down 1.8%) despite an increase in storm events during the period

- SAIDI is within regulatory limits

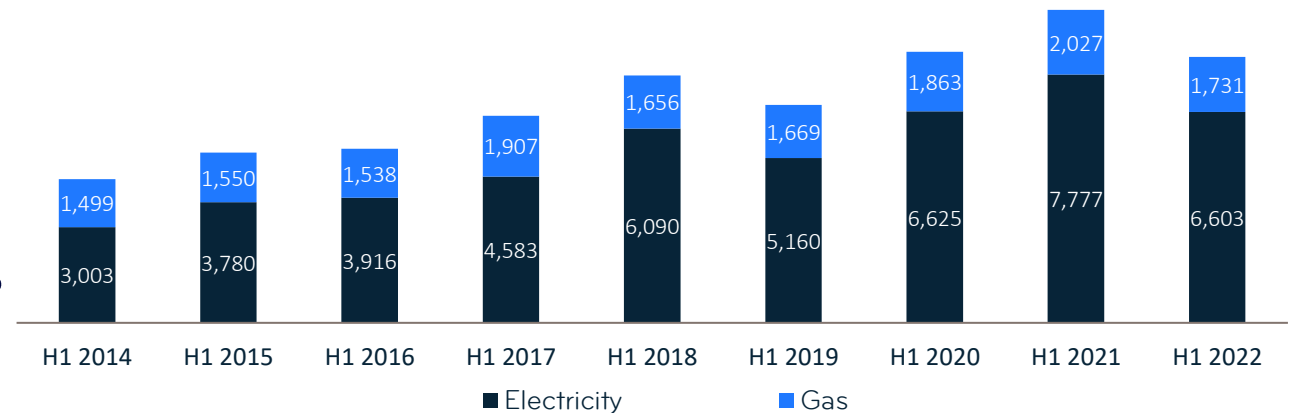
- Total net connections continue to grow with electricity connections up 1.7% to 596,396 and gas connections up 1.9% to 117,628



ADJUSTED EBITDA MOVEMENT (\$M)



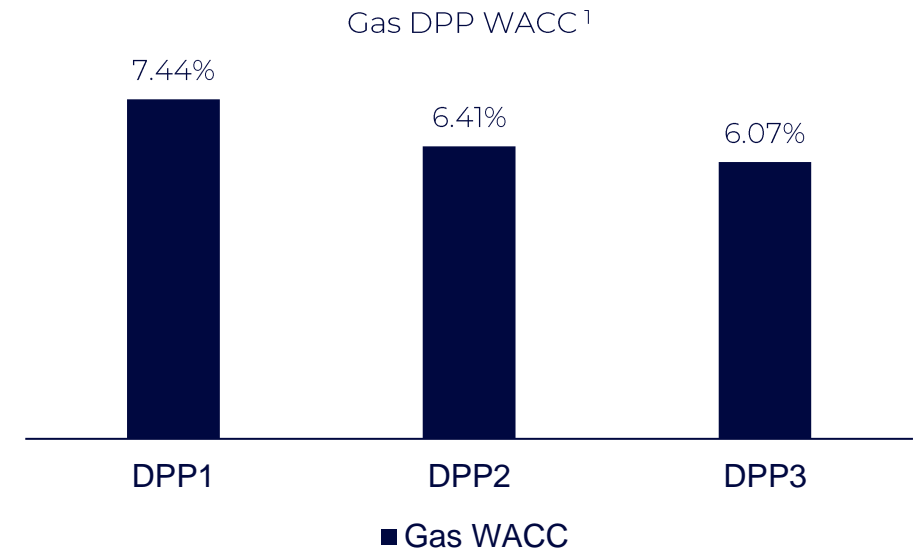
GROSS NEW CONNECTIONS



¹ Loss rental rebates were utilised in order 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

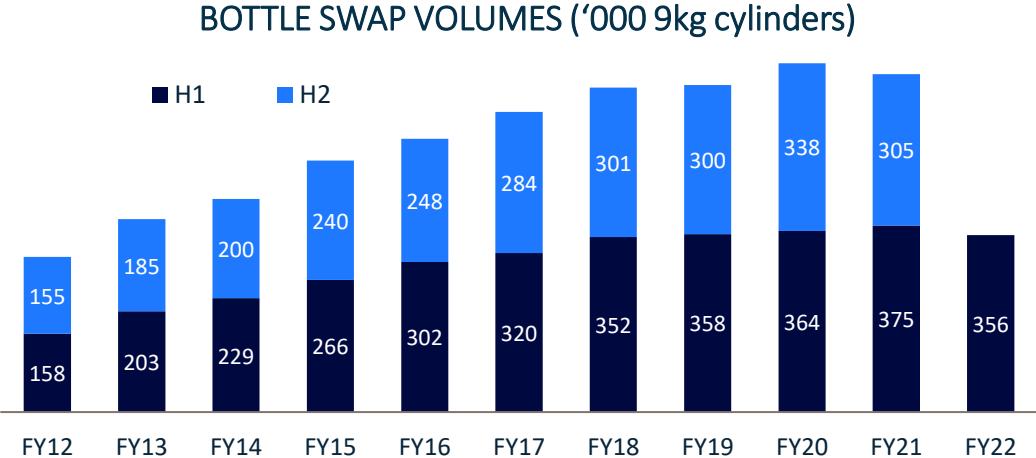
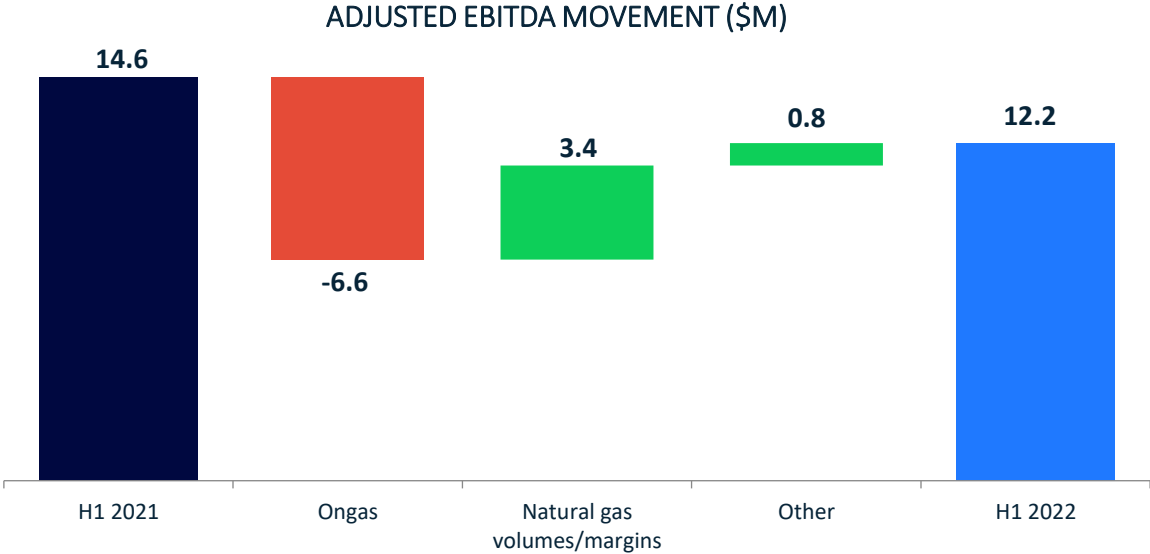
Draft Gas DPP3 decision

- Final decision is due 31 May 2022
- Next Gas reset is due 1 October 2022 – this is proposed to run for 4 years (not the 5 year cycle of current DPP)
- Regulated Asset Base (RAB) is \$451m as at 30 June 2021
- Gas revenue subject to reset is forecast at c\$49m
- Draft Commerce Commission decision allows for:
 - A starting price adjustment that will see a c12% increase in maximum allowable revenue (MAR) – this impact to be spread over the DPP period. Impact on FY23 is c\$8m uplift in revenue, and c\$58m over the DPP3 period;
 - A key driver of the increase in MAR is an adjustment factor (60% of current asset life) which will see an acceleration of depreciation which has the effect of speeding up capital recovery;
 - Parameters used for estimated WACC have been changed. WACC for the draft decision is 6.07% compared to the WACC of 6.41% for DPP2. Key changes are lower risk free rate (2.75% to 2.22%) offset by higher market risk premium (7% to 7.5%);
 - 100% of Vector’s draft opex forecast has been accepted. Draft capex allowance is lower than forecast. This will be updated to the 2021 AMP for the final decision;
 - No change to RAB indexation, pricing cap methodology or quality standards; and
 - We will be making submissions on these and other matters



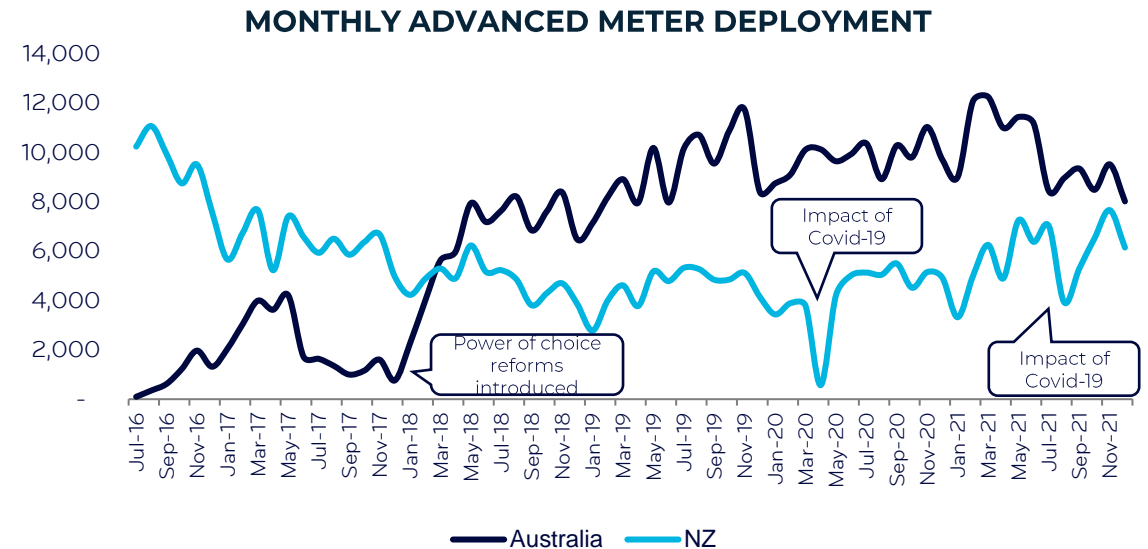
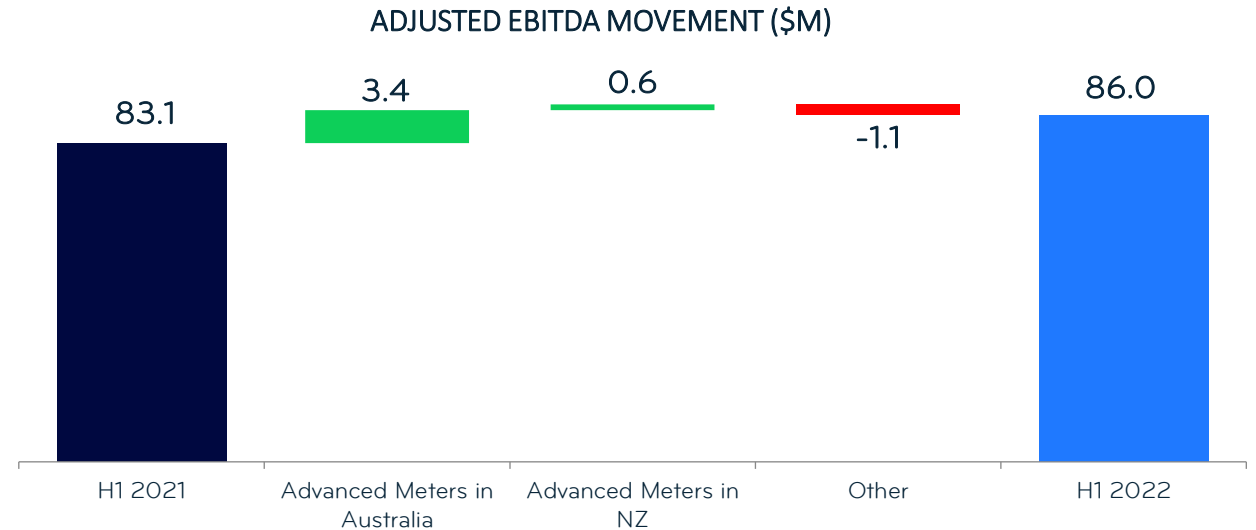
Gas Trading earnings impacted by higher cost of LPG

- Lower Ogas LPG earnings as a result of higher cost of LPG input prices including ETS, CP (Saudi Aramco price) and stronger US dollar
 - This has been partially offset by price increases
- Overall LPG volumes were up 6.2% to 25,240 tonnes largely due to higher LPG bulk volumes offset by lower cylinder volumes
- Bottle Swap volumes down 5.1% to 356,098 bottles swapped/sold with result impacted by Covid-19 restrictions, but market share retained
- Strong performance from the Natural Gas business
 - Higher market prices have improved margins
 - Natural gas volumes fell 42.0% to 2.9 PJ
 - Loss of major customer from June 2021



Metering result driven by advanced meter rollout in Australia

- H1 earnings up 3.5% to \$86.0 million
- Advanced meter fleet now 1.93 million (owned & managed)
 - In H1, deployed and billed 50,481 advanced meters in Australia
 - We have now deployed more than 447,000 meters in Australia
 - In H1, NZ advanced meter base increased by 10,273
- \$84.5m of capex invested in H1 2022, up 3.3%
 - Continued rollout of advanced meters in Australia
 - Higher stock levels in order to counteract supply risks associated with Covid-19
 - Commenced rollout of modem replacement in NZ with approximately 78,000 replacements completed to date
- Covid-19 restrictions in Australia and NZ have impacted level of deployments



Outlook

- Auckland growth expected to continue
 - Targeting c13,000 new electricity connections in FY22
 - Connections & infrastructure activity remain elevated, necessitating significant capital expenditure
- Advanced meter deployment on track to achieve 105-115k meters in Australia and 20-30k meters in New Zealand. This is net of replacement meters
- FY22 adjusted EBITDA guidance of \$505m-\$515m
 - Full year guidance does not factor in any worsening impact of Covid-19 such as extended or frequent lockdowns, supply chain disruptions or impacts on our workforce from isolation requirements

Q&A

ANY QUESTIONS?



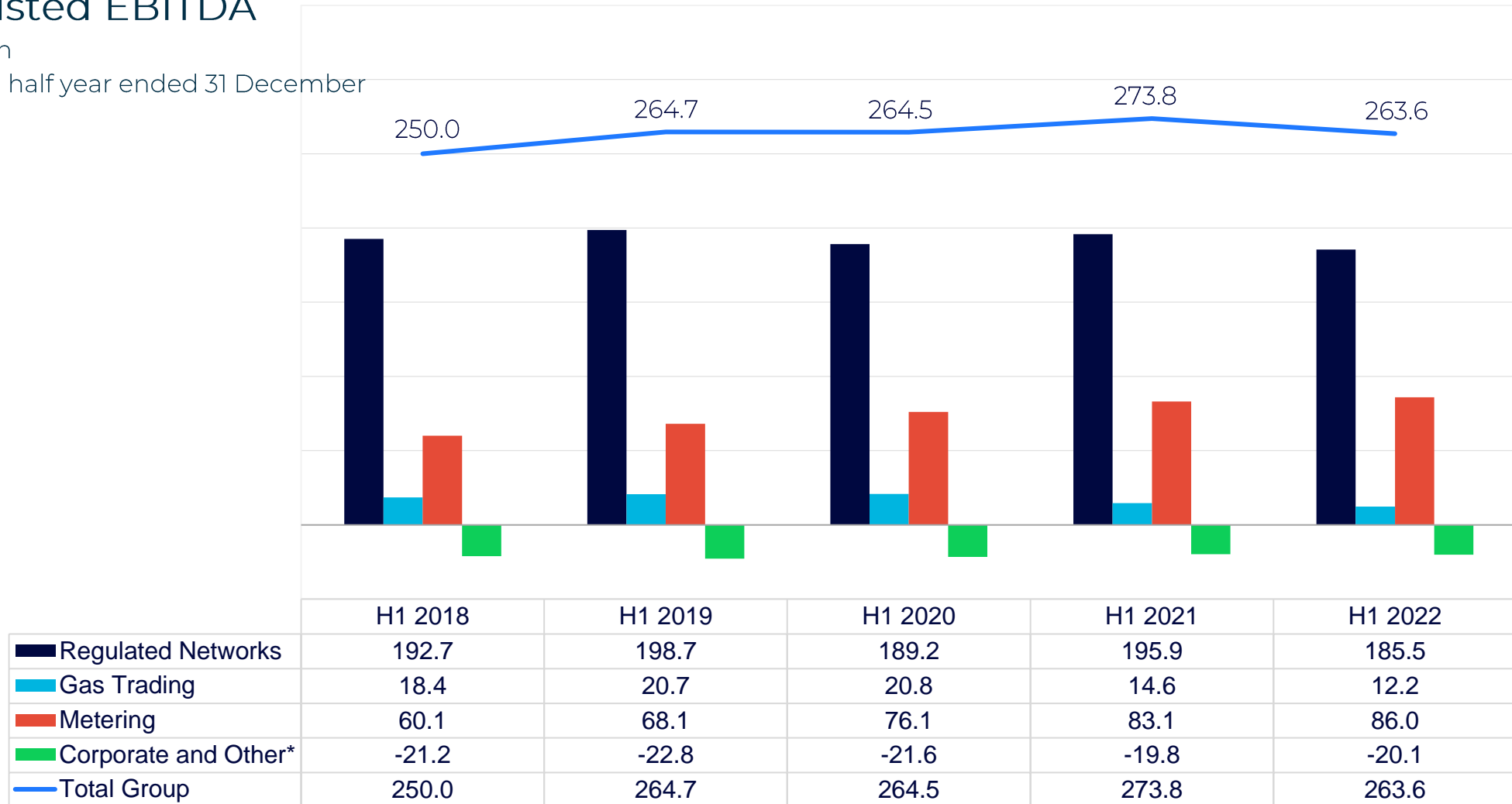
APPENDICES

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 ¹		
	H1 2022	H1 2021	Change %	H1 2022	H1 2021	Change %	H1 2022	H1 2021	Change %	H1 2022	H1 2021	Change %
Revenue excluding Capital Contributions	350.8	333.8	+5.1	116.5	109.8	+6.1	110.7	113.7	-2.6	42.9*	46.3*	-7.3
Operating expenditure	(165.3)	(137.9)	-19.9	(30.5)	(26.7)	-14.2	(98.5)	(99.1)	+0.6	(63.0)	(66.1)	+4.7
Segment Adjusted EBITDA	185.5	195.9	-5.3	86.0	83.1	+3.5	12.2	14.6	-16.4	(20.1)	(19.8)	-1.5
CAPEX												
Replacement	79.1	83.5	-5.3	23.8	14.4	+65.3	1.0	1.7	-41.2	2.7	5.8	-53.4
Growth	84.0	73.6	+14.1	60.7	67.4	-9.9	1.8	2.4	-25.0	13.3	11.9	+11.8
Total capex	163.1	157.1	+3.8	84.5	81.8	+3.3	2.8	4.1	-31.7	16.0	17.7	-9.6



vector

¹ Corporate and Other is not a reportable segment

* Corporate and Other revenue includes an elimination of \$6.9m in H1 2022 and \$5.3m in H1 2021 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 2022 \$m	H1 2021 \$m	Change %
Revenue (excluding capital contributions)	612.2	596.3	+2.7
Operating expenditure	(348.6)	(322.5)	-8.1
Adjusted EBITDA	263.6	273.8	-3.7
Capital Contributions	72.4	51.4	+40.9
Depreciation and amortisation	(142.6)	(133.1)	-7.1
Net interest costs	(54.5)	(58.7)	+7.2
Fair value change on financial instruments	7.6	(2.2)	n/a
Associates (share of net profit/(loss))	-	1.6	-100.0
Gain on sale of investment in associate	7.1	-	n/a
Tax	(38.1)	(30.7)	-24.1
Net profit for the period	115.5	102.1	+13.1

Group Cash Flow

Half Year ended 31 December (\$m)

CASH FLOW	HI 2022 \$m	HI 2021 \$m
Operating cash flow	283.6	271.3
Replacement capex	(109.3)	(111.3)
Dividends paid	(85.7)	(82.5)
Cash available for growth and debt repayment	88.6	77.5
Growth capex	(161.0)	(166.6)
Other investment activities	18.5	2.6
Pre debt financing cash (outflow)/inflow	(53.9)	(86.5)
Increase/(decrease) in borrowings	67.0	95.0
Other financing activities	(5.8)	(5.0)
Increase/(decrease) in cash	7.3	3.5

Segment Adjusted EBITDA

SEGMENT ADJUSTED EBITDA (\$m)	H1 2022			H1 2021		
	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	86.0	-	86.0	83.1	-	83.1
Gas Trading	12.2	-	12.2	14.6	-	14.6
Unregulated Segments	98.2	-	98.2	97.7	-	97.7
Regulated Networks	257.4	(71.9)	185.5	246.5	(50.6)	195.9
Total Reportable Segments	355.6	(71.9)	283.7	344.2	(50.6)	293.6
Corporate and Other*	(4.9)	(15.2)	(20.1)	(19.6)	(0.2)	(19.8)
TOTAL	350.7	(87.1)	263.6	324.6	(50.8)	273.8



* 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	HI 2022 \$M	HI 2021 \$M
Reported net profit for the period (GAAP)	115.5	102.1
Add back: net interest costs	54.5	58.7
Add back: tax (benefit)/expense	38.1	30.7
Add back: depreciation and amortisation	142.6	133.1
EBITDA	350.7	324.6
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss)	-	(1.6)
Gain on sale of investment in associate	(7.1)	-
Capital Contributions	(72.4)	(51.4)
Fair value change on financial instruments	(7.6)	2.2
Adjusted EBITDA	263.6	273.8

END

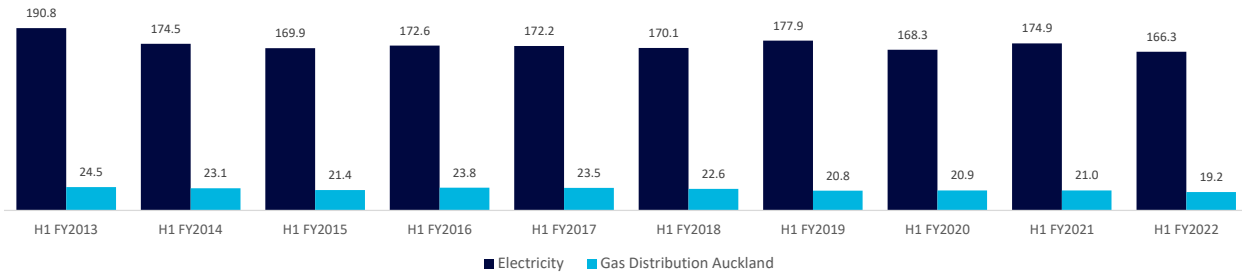
Supplementary Interim Information



Regulated Networks Adjusted EBITDA

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021	H1 FY2022
Electricity	190.8	174.5	169.9	172.6	172.2	170.1	177.9	168.3	174.9	166.3
Gas Distribution Auckland	24.5	23.1	21.4	23.8	23.5	22.6	20.8	20.9	21.0	19.2
Total	215.4	197.7	191.3	196.4	195.7	192.7	198.7	189.2	195.9	185.5

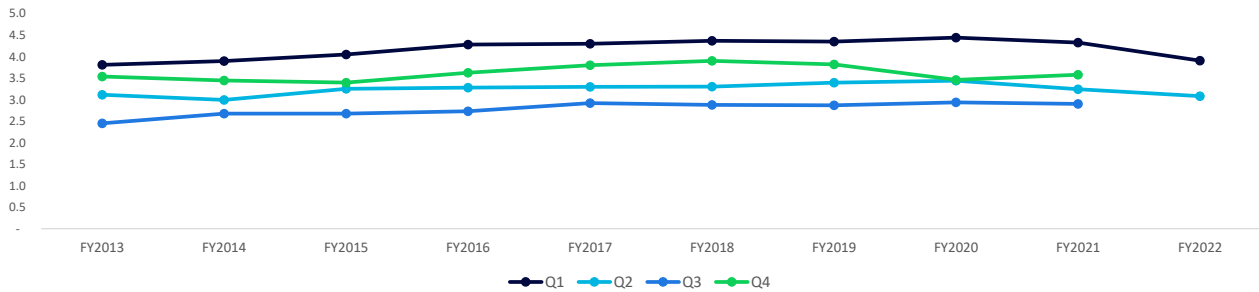
Adjusted EBITDA



Gas Distribution Auckland Volumes (PJ)

PJs	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Q1	3.8	3.9	4.0	4.3	4.3	4.4	4.4	4.4	4.3	3.9
Q2	3.1	3.0	3.3	3.3	3.3	3.3	3.4	3.4	3.2	3.1
Q3	2.4	2.7	2.7	2.7	2.9	2.9	2.9	2.9	2.9	
Q4	3.5	3.4	3.4	3.6	3.8	3.9	3.8	3.8	3.5	3.6
Total	12.9	13.0	13.4	13.9	14.3	14.5	14.4	14.3	14.1	7.0

Gas Distribution Volumes (PJ)



Gross New ICPs

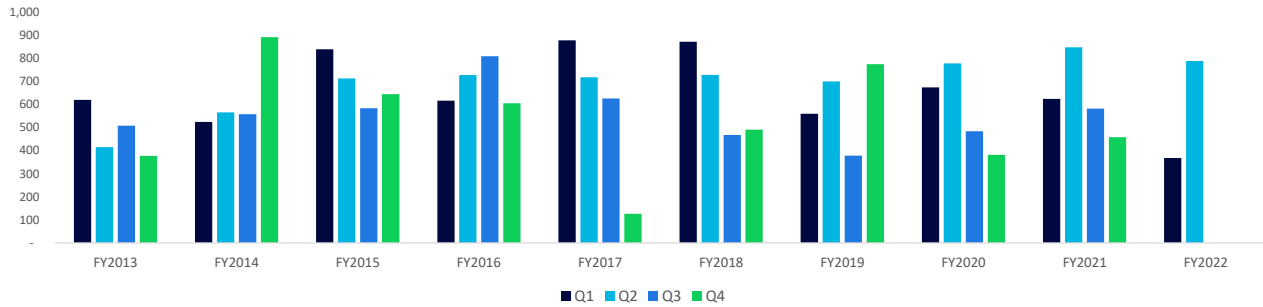
# of ICPs (gross)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Q1	-	-	807	831	982	875	800	832	959	644
Q2	-	-	743	707	925	781	869	1,031	1,068	1,087
Q3	-	-	605	948	842	481	705	784	905	
Q4	-	-	666	837	766	1,028	948	554	912	
Total	2,464	3,107	2,821	3,323	3,515	3,165	3,322	3,201	3,844	1,731

Data not available prior to FY15

Net New ICPs

# of ICPs (net)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Q1	620	524	839	616	878	872	560	674	624	368
Q2	415	566	713	727	718	728	700	778	848	788
Q3	508	558	584	809	626	468	378	484	582	
Q4	377	892	645	605	126	491	775	382	458	
Total	1,920	2,540	2,781	2,757	2,348	2,559	2,413	2,318	2,512	1,156

Net Gas ICPs



Total ICPs

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

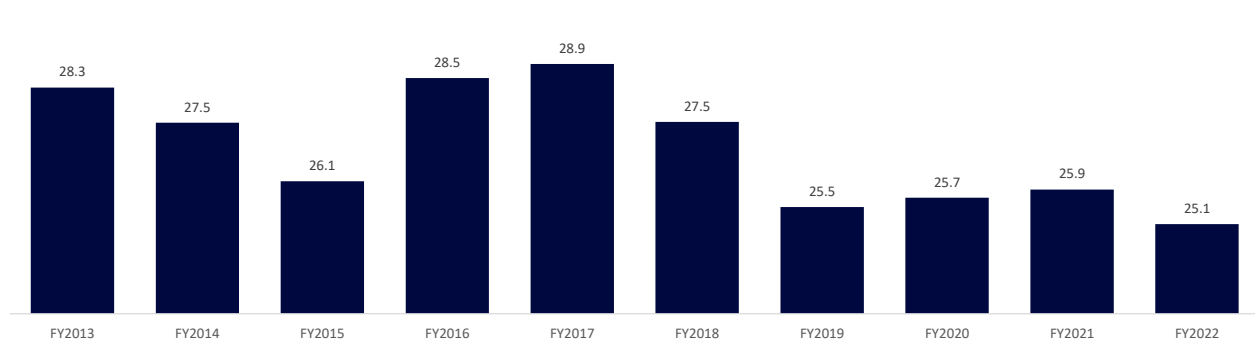
Total Gas ICPs as at half year



Gas Distribution Lines Revenue

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

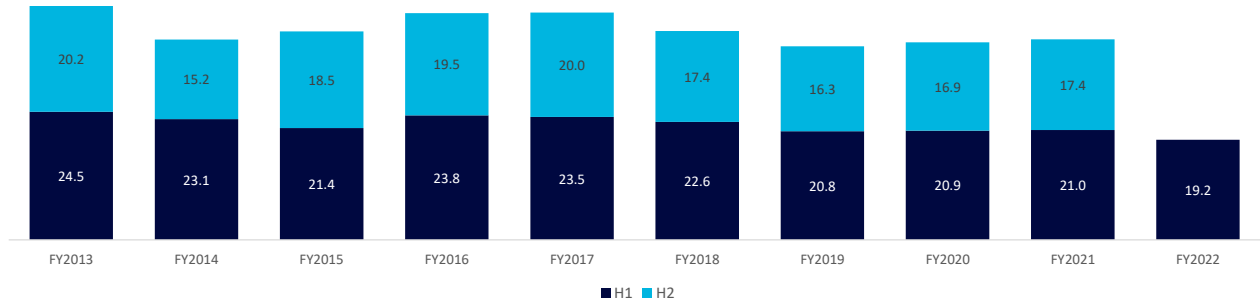
Gas Distribution Lines Revenue \$m as at half year



Gas Distribution Adjusted EBITDA

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

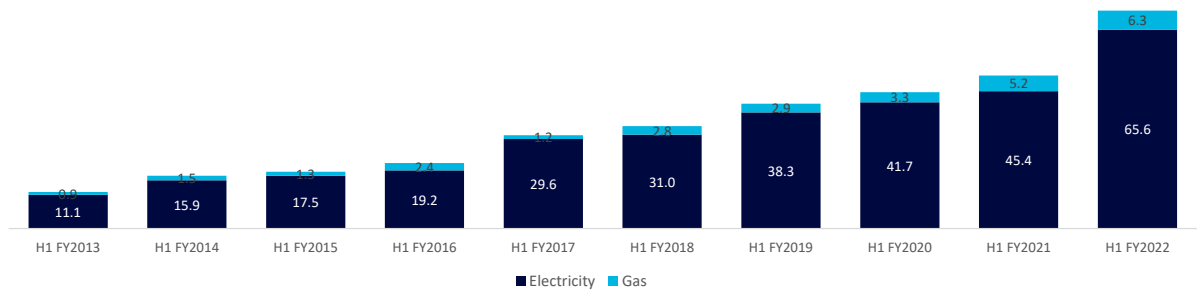
Gas Distribution Adjusted EBITDA \$m



Capital Contributions

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

Capital Contributions \$m



Capex

\$m	H1 FY2013	H1 FY2014	H1 FY2015	H1 FY2016	H1 FY2017	H1 FY2018	H1 FY2019	H1 FY2020	H1 FY2021	H1 FY2022
Electricity	61.4	67.7	69.8	68.5	91.0	106.2	114.9	144.9	145.6	150.0
Gas	5.8	11.6	12.9	11.0	11.2	13.4	10.1	11.1	11.6	13.1
TOTAL	67.2	79.3	82.8	79.5	102.2	119.6	125.0	156.0	157.2	163.1

Regulated Capex \$m

