

HALF YEAR ENDED 31 DECEMBER 2019

FINANCIAL & OPERATIONAL RESULTS

25 February 2020

Disclaimer

This presentation contains forward-looking statements.

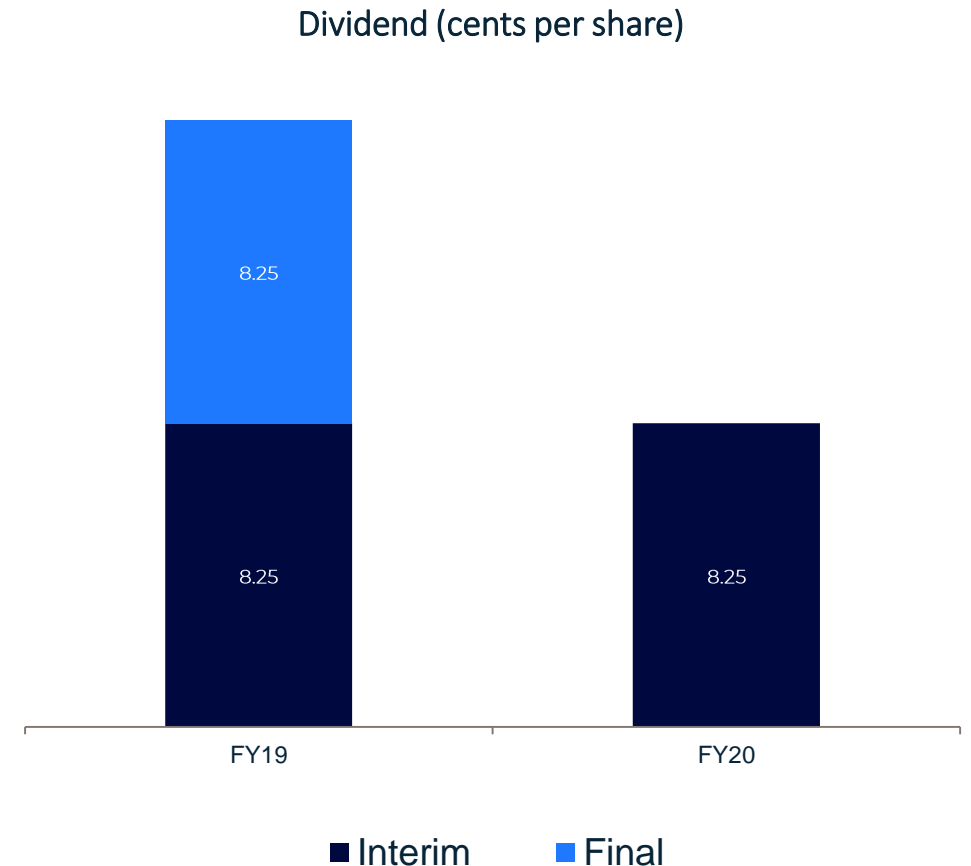
Forward-looking statements often include words such as “anticipates”, “estimates”, “expects”, “intends”, “plans”, “believes” and similar words in connection with discussions of future operating or financial performance.

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

- The current annual dividend of 16.50 cents per share will be maintained
- Imputation credits to dividends at a rate of 10.5%
- Expectation of continued increase to dividends in the future based on projected growth in Vector's businesses
- FY20 interim dividend of 8.25 cents per share
- Dividend record date of 30 March 2020 and payment date of 8 April 2020



H1 2020 Business insights

Network growth



- 8,488 new electricity and gas connections, up 24.3% on prior comparative period
- Level of investment for H1 at \$156 million or 25% higher
- 13.7% improvement in system average interruption index (SAIDI) minutes
- Volumes overall flat at 4,396 GWh with higher residential offset by lower business volumes



Metering growth



- In H1 deployed 61k advanced meters in Australia and 23k in NZ
- Advanced meter fleet totals 1.64m across NZ and Australia
- 222k meters now installed in Australia
- Invested capex of \$65m in H1 or 8.9% more than equivalent prior period

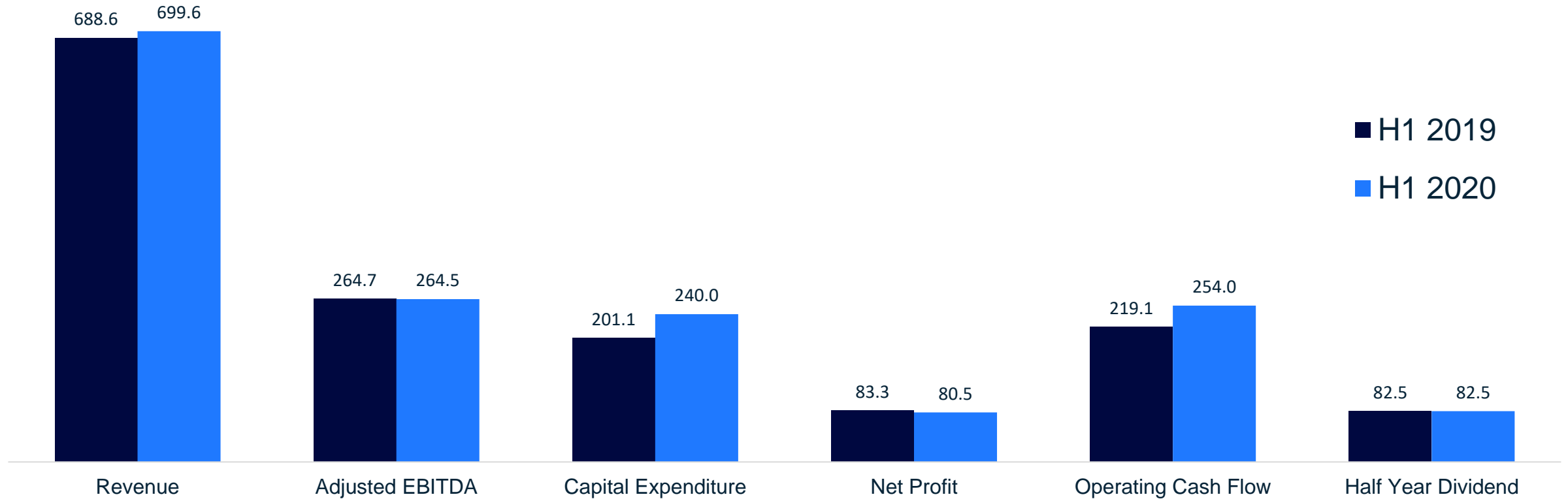
Sale of Kapuni assets



- Announced sale of Kapuni assets to Todd Energy with sale effective in H2
- 1.7% lift in 9kg LPG bottle swaps

Overview of financial performance

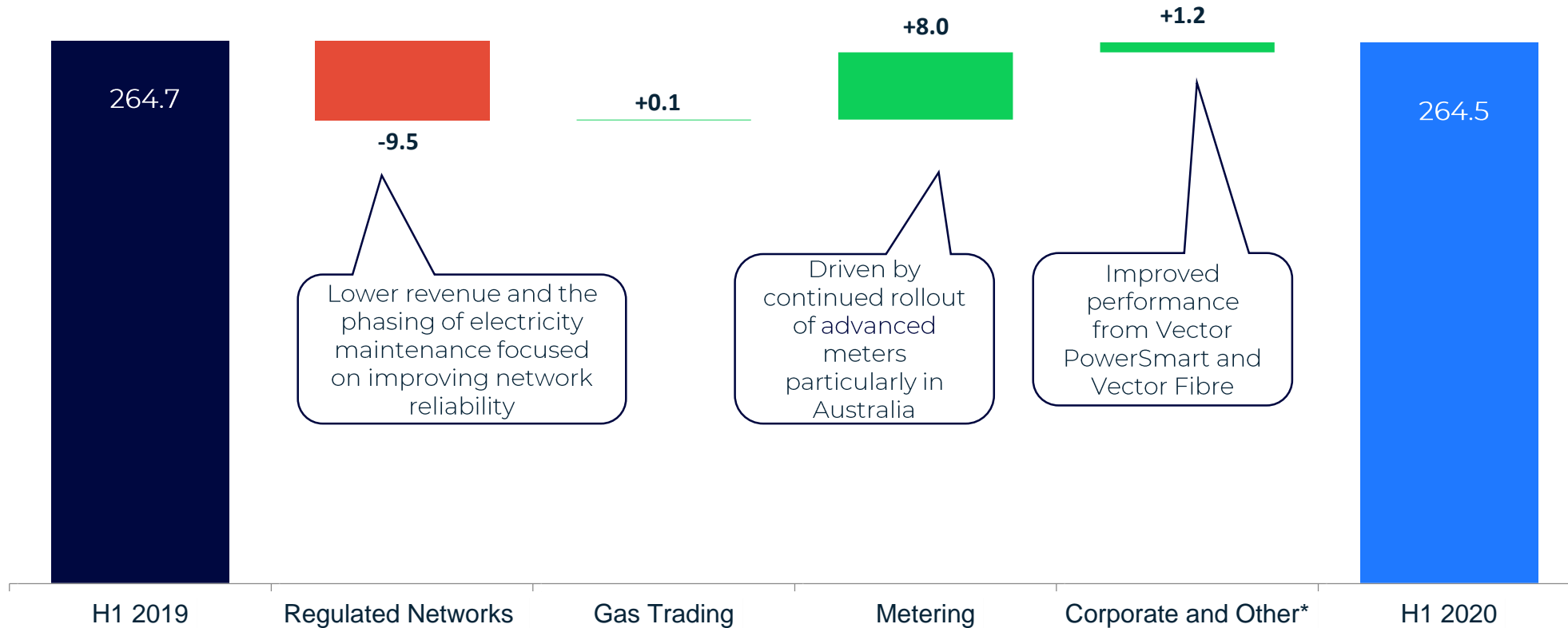
H1 2020 FINANCIAL PERFORMANCE (\$M)



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 flat

H1 2020 ADJUSTED EBITDA MOVEMENT (\$M)



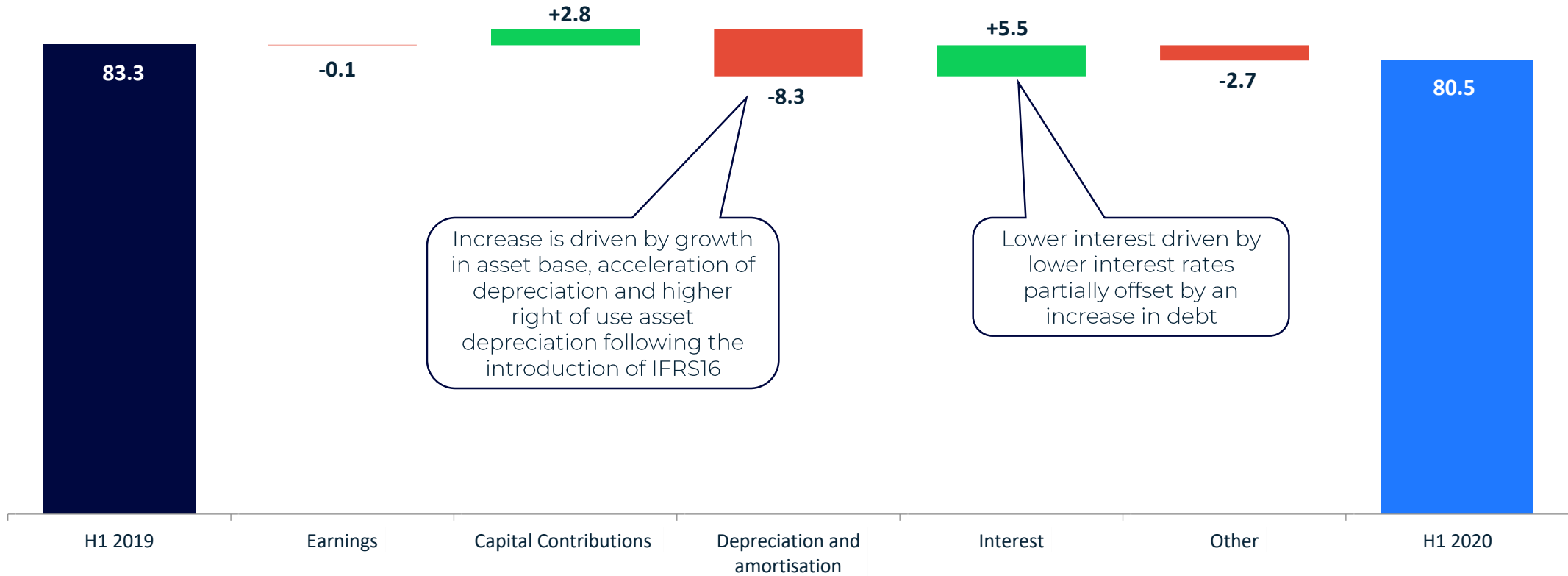
- Changes to segment structure
- Metering now separated into its own segment
- Remainder of what used to be the Technology segment now included as “other”



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

NPAT down (\$2.8m) or (3.4%)

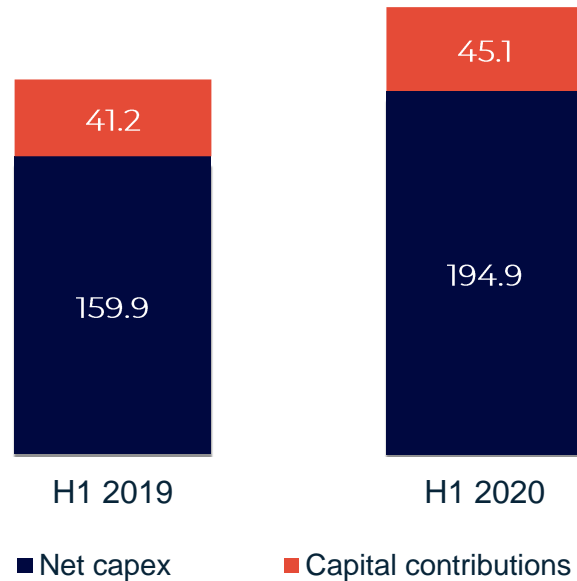
MOVEMENT IN NET PROFIT AFTER TAX (\$M)



All items above are net of tax
"Other" includes associates and fair value change on financial instruments and tax changes

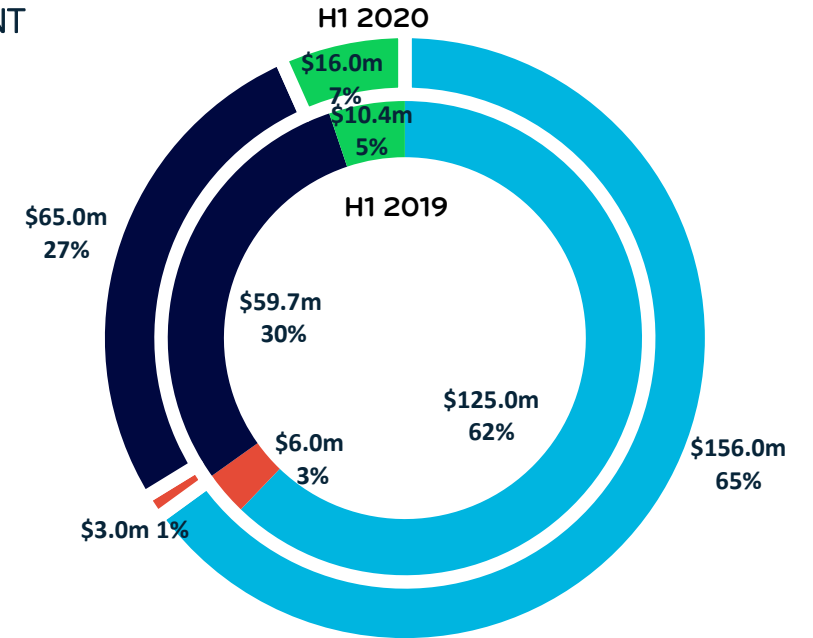
Capex driven by investment in Networks & meter deployment in Australia

GROSS CAPITAL EXPENDITURE (\$m)



GROSS CAPEX BY SEGMENT

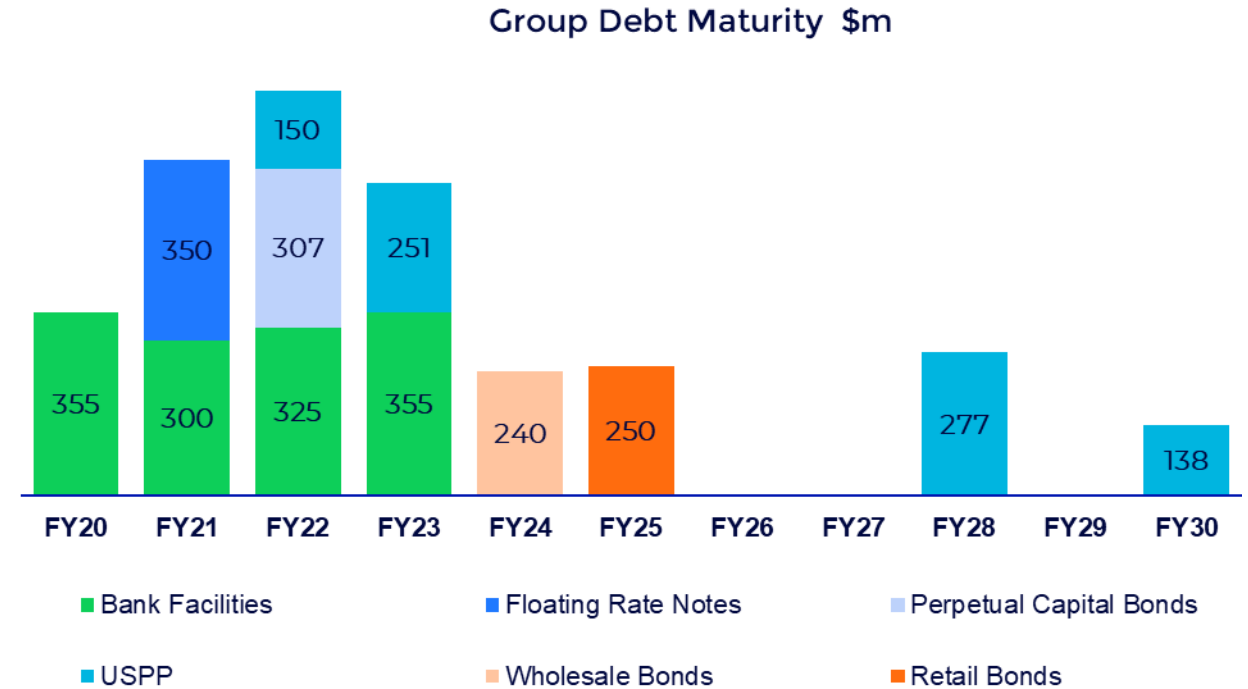
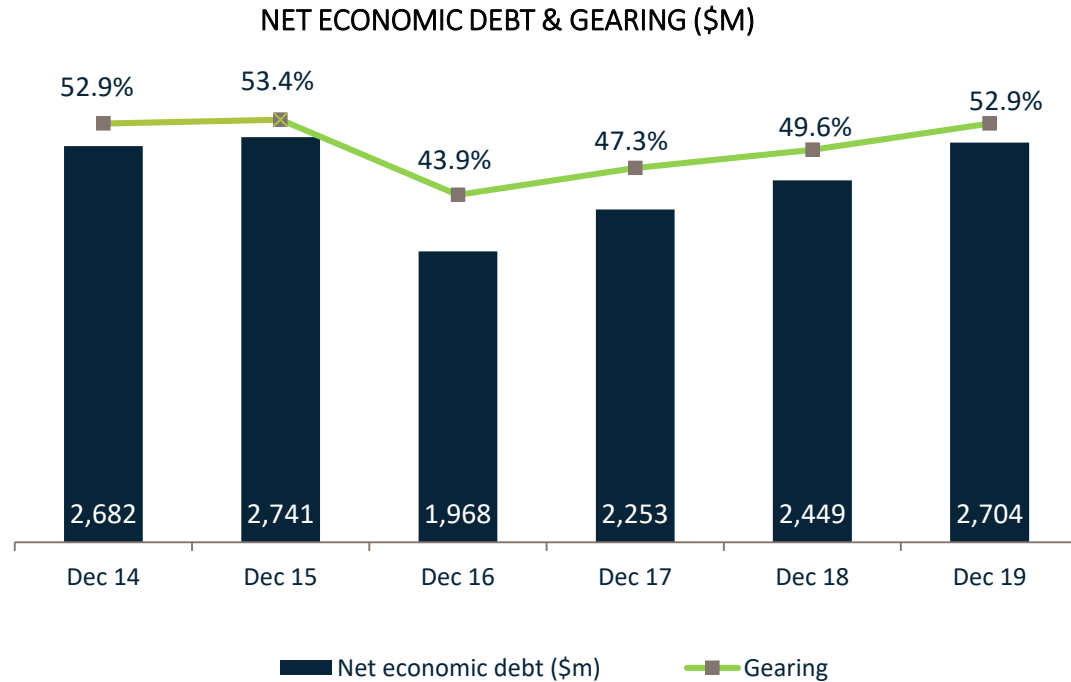
- Regulated Networks
- Gas Trading
- Metering
- Corporate and Other



- Gross capex up 19.3% to \$240.0m. Net capex (after deducting contributions) up 21.9% to \$194.9m
- Growth capex up 16.8% to \$143.2m. Replacement capex up 23.3% to \$96.8m
- Replacement capex includes additional network expenditure for reliability and resilience of the network



Group debt

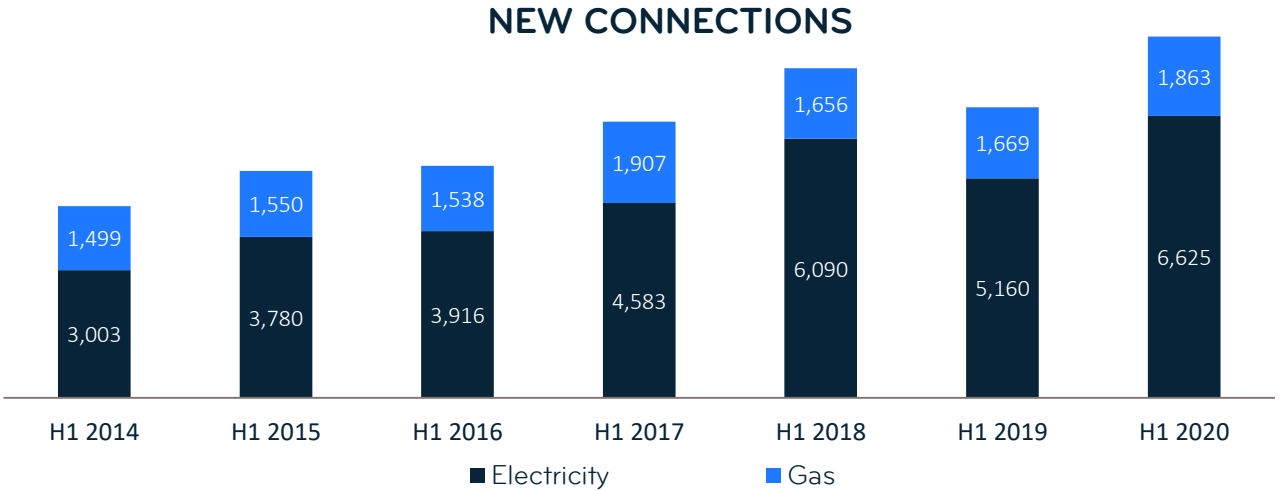
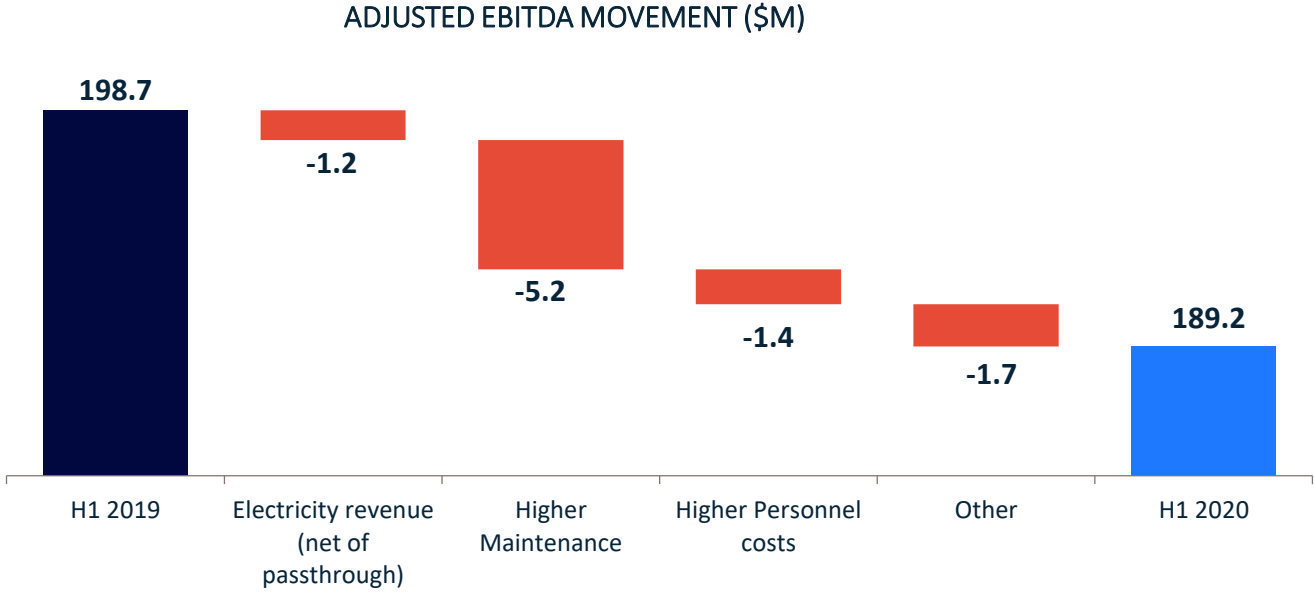


- Economic gearing as at 31 December 2019 at 52.9%
- Vector holds a BBB credit rating by Standard and Poor's and a Baa1 rating by Moody's



Network earnings impacted by higher maintenance

- Revenue is lower due to:
 - Impact of settlement with Commission for LUFC adjustment
 - Lower pass-through revenue driven by higher recoveries in the prior year including wash-ups
 - Lower usage per connection
- Maintenance higher due to phasing. Focused on improving network reliability and reducing SAIDI
- Increase in personnel cost linked to increase in activity
- Regulated capex up 24.8% to \$156.0 million
- Higher capex driven by investment to improve safety, reliability and resilience of our network and to support Auckland growth
- Capital contributions up 9.2% to \$45.0m driven by Auckland infrastructure development and increase in subdivision activity
- New connections for H1 2020 up 24.3% to 8,488
 - 576,352 total electricity connections (up 1.6%)
 - 113,094 total gas connections (up 2.4%)



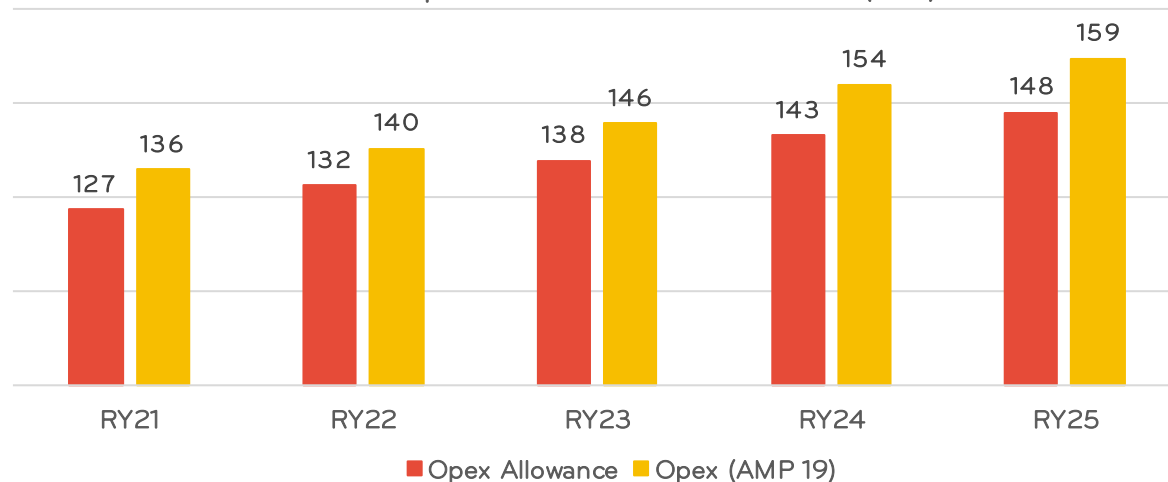
Electricity default price path reset (DPP3)

- Final decision on DPP (DPP3) now in place. Covers the period from 1 April 2020 to 31 March 2025
- WACC set at 4.57% (down from 7.19%). This will see a revenue reduction of c\$25m relative to the year to 31 March 2020. Expected impact for Q4, FY20 to be c\$7m
- The impact on revenue would have been greater had Vector been earning its full allowable revenue in RY20. Commerce Commission forecasting inaccuracies have resulted in Vector earning an actual return of 6.0%¹
- Lower capex and opex allowances compared to 2019 Asset Management Plan means we will adjust some of our policies specifically related to funding growth
- We remain committed to maintaining Auckland's electricity network to the best of our ability



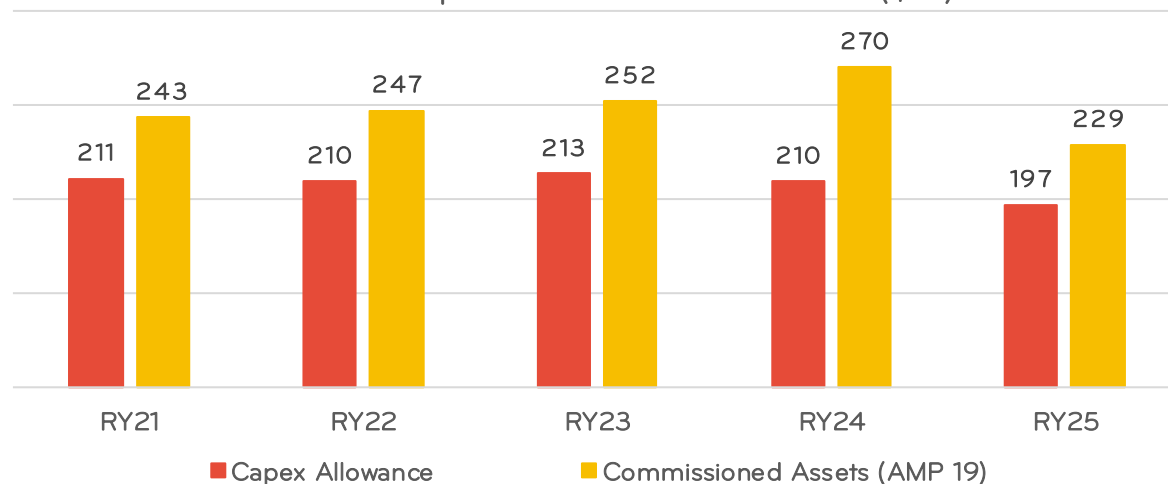
¹ Return for RY19 was 5.7%. Return for RY16-RY19 was 6.0%

DPP 3 Opex Allowances vs. AMP 2019 (\$'m)



Opex shortfall compared to AMP is \$46m

DPP 3 Capex Allowances vs. AMP 2019 (\$'m)



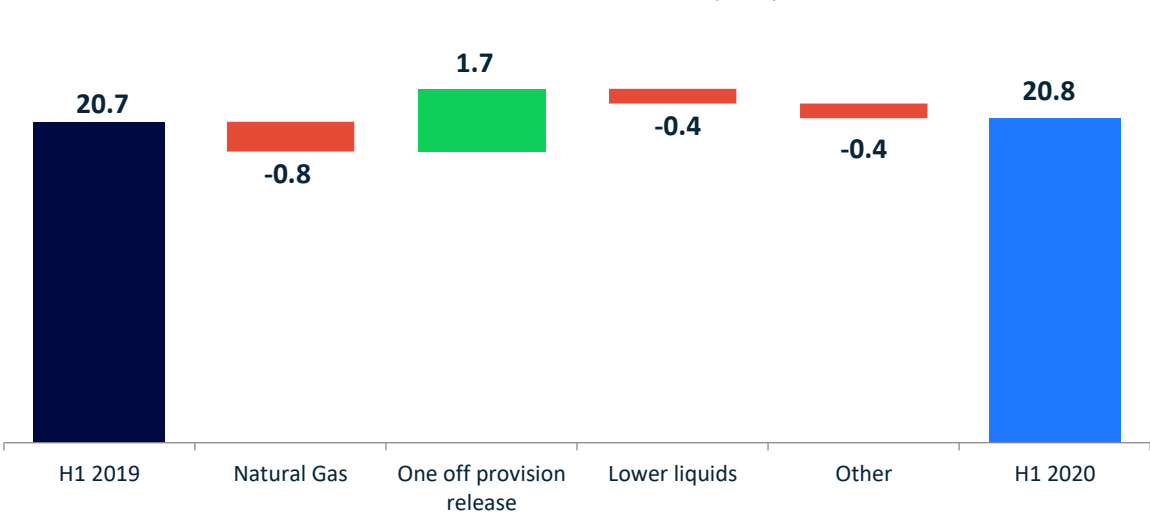
Capex shortfall compared to AMP is \$189m

Gas Trading: Sale of Kapuni assets announced

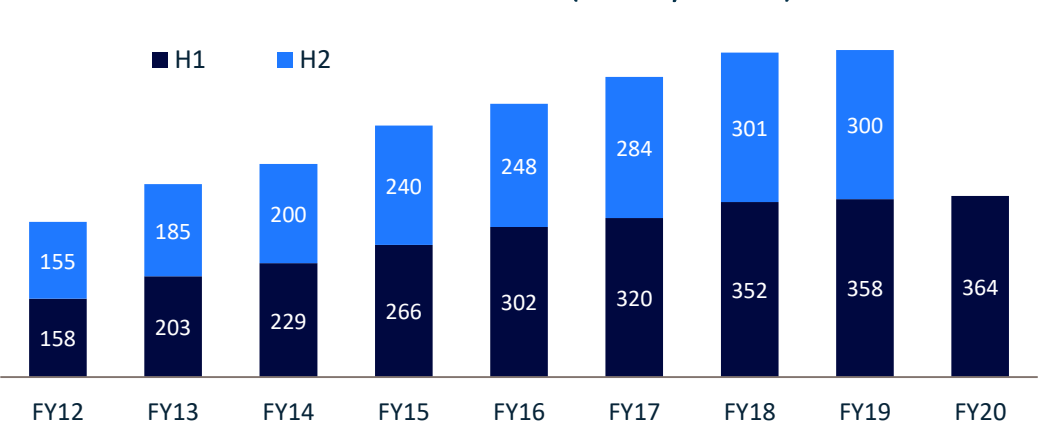
- Announced sale of Kapuni assets to Todd Energy
 - Sale expected in H2 and will not have a material impact on FY20
 - Proceeds received over time based on field output and other factors
 - Entry into long term natural gas and LPG supply arrangement
- Challenging market conditions for Natural Gas business
 - Natural gas volumes fell 9.2% to 7.9 PJ
 - Loss of major customer from Jan 2019
- Liquids volumes impacted by move to tolling agreement with Todd in May 2019
 - This increased the price of processing but reduced the volume of liquids available for sale
 - Gas liquid sales down 10.5% to 39,401 tonnes
- Bottle Swap volumes up 1.7% to 364,304 bottles swapped/sold



ADJUSTED EBITDA MOVEMENT (\$M)

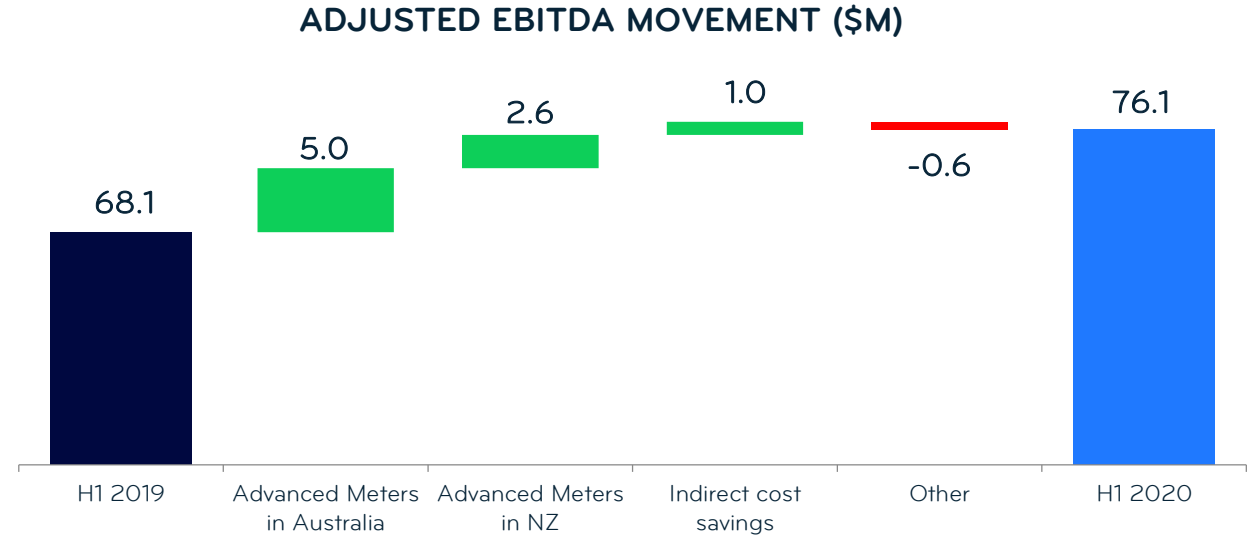


BOTTLE SWAP VOLUMES ('000 cylinders)

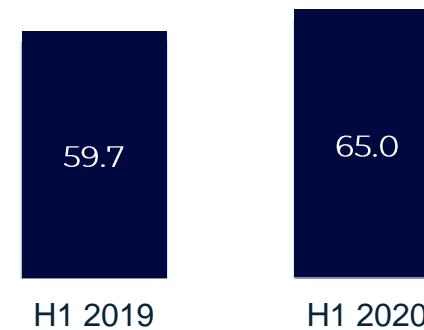


Metering result driven by advanced meter rollout in Australia

- Advanced meter fleet now 1.64 million (owned & managed)
 - In H1, deployed 61,408 advanced meters in Australia, in line with expectations
 - Deployment in Australia averaging more than 10,000 meters per month
 - NZ advanced meter base increased by almost 23,000
- \$65.0m of capex invested in H1 2020, up 8.9%



Capital Expenditure (\$M)



Outlook

- Auckland growth continues
 - Still targeting c12,000 new electricity connections in FY20
 - Connections & infrastructure activity remain elevated, necessitating significant capital expenditure
- Advanced meter deployment on track
 - Targeting 50-60k advanced meters in NZ and 130-140k advanced meters in Australia
- Adjusted EBITDA guidance of \$495-505m for FY20
- Capex guidance of c\$500m for FY20

Q&A

ANY QUESTIONS?



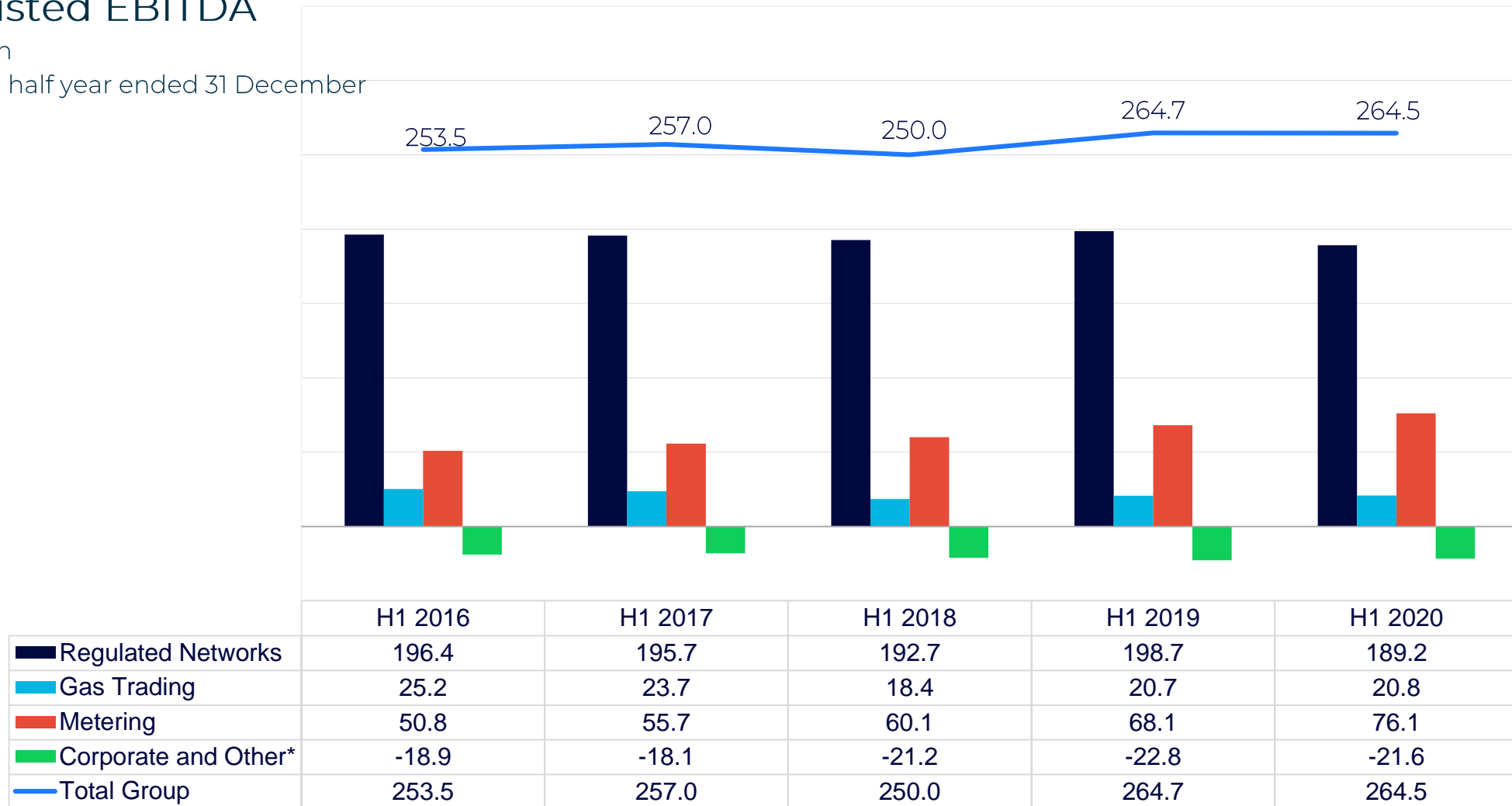
APPENDICES

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 2020	H1 2019	Change %	H1 2020	H1 2019	Change %	H1 2020	H1 2019	Change %	H1 2020	H1 2019	Change %
Revenue excluding Capital Contributions	361.8	361.4	+0.1	102.4	93.1	+10.0	151.2	152.9	-1.1	43.2*	44.2*	-2.3
Operating expenditure	(172.6)	(162.7)	-6.1	(26.3)	(25.0)	-5.2	(130.4)	(132.2)	+1.4	(64.8)	(67.0)	+3.3
Segment Adjusted EBITDA	189.2	198.7	-4.8	76.1	68.1	+11.7	20.8	20.7	+0.5	(21.6)	(22.8)	+5.3
CAPEX												
Replacement	82.0	63.4	+29.3	6.2	6.4	-0.3	1.4	3.6	-61.1	7.2	5.1	+41.1
Growth	74.0	61.6	+20.1	58.8	53.3	+10.3	1.6	2.4	-33.3	8.8	5.3	+66.0
Total capex	156.0	125.0	+24.8	65.0	59.7	+8.9	3.0	6.0	-50.0	16.0	10.4	+53.8



¹ Corporate and Other is not a reportable segment

* Corporate and Other revenue includes an elimination of \$1.9m in H1 2020 and \$1.7m in H1 2019 in relation to services delivered by Vector Fibre to the Regulated Networks.

Group Profit Statement

Half Year ended 31 December (\$m)

INCOME STATEMENT	H1 2020 \$m	H1 2019 \$m	Change %
Revenue (excluding capital contributions)	654.5	647.4	+1.1
Operating expenditure	(390.0)	(382.7)	-1.9
Adjusted EBITDA	264.5	264.7	-0.1
Capital Contributions	45.1	41.2	+9.5
Depreciation and amortisation	(131.4)	(119.9)	-9.6
Net interest costs	(64.0)	(71.7)	+10.7
Fair value change on financial instruments	(0.5)	(0.2)	-150.0
Associates (share of net profit/(loss))	0.1	0.5	-80.0
Tax	(33.3)	(31.3)	-6.4
Net profit for the period	80.5	83.3	-3.4

Group Cash Flow

Half Year ended 31 December (\$m)

CASH FLOW	HI 2020 \$m	HI 2019 \$m
Operating cash flow	254.0	219.1
Replacement capex	(97.2)	(81.5)
Dividends paid	(83.3)	(80.6)
Cash available for growth and debt repayment	73.5	57.0
Growth capex	(145.7)	(121.2)
Other investment activities	(0.4)	(3.3)
Pre debt financing cash (outflow)/inflow	(72.6)	(67.5)
Increase/(decrease) in borrowings	78.4	70.0
Other financing activities	(4.2)	(3.9)
Increase/(decrease) in cash	1.6	(1.4)

Segment Adjusted EBITDA

SEGMENT ADJUSTED EBITDA (\$m)	H1 2020			H1 2019		
	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA	Reported segment EBITDA	less capital contributions	Segment adjusted EBITDA
Half Year ended 31 December						
Metering	76.1	-	76.1	68.1	-	68.1
Gas Trading	20.8	-	20.8	20.7	-	20.7
Unregulated Segments	96.9	-	96.9	88.8	-	88.8
Regulated Networks	234.2	(45.0)	189.2	239.9	(41.2)	198.7
Corporate and Other*	(21.5)	(0.1)	(21.6)	(22.8)	(0.0)	(22.8)
TOTAL	309.6	(45.1)	264.5	305.9	(41.2)	264.7



* 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, capital contributions, associates, impairments 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 2020 \$M	HI 2019 \$M
Reported net profit for the period (GAAP)	80.5	83.3
Add back: net interest costs ¹	64.0	71.7
Add back: tax (benefit)/expense ¹	33.3	31.3
Add back: depreciation and amortisation ¹	131.4	119.9
EBITDA	309.2	306.2
<i>Adjusted for:</i>		
Associates (share of net (profit)/loss) ¹	(0.1)	(0.5)
Capital Contributions ¹	(45.1)	(41.2)
Fair value change on financial instruments ¹	0.5	0.2
Adjusted EBITDA	264.5	264.7

¹ Extracted from audited financial statements

END