

27 August 2020

VECTOR DELIVERS STEADY FY20 RESULT

27 August 2020 - Vector Group (NZX: VCT) is pleased to announce a steady earnings performance for the 12 months to 30 June 2020, with adjusted earnings before interest, tax, depreciation and amortisation (Adjusted EBITDA)^[1] of \$490.0 million, \$4.2 million ahead of FY19.

The Board has determined that shareholders will receive a final dividend of 8.25 cents per share imputed at 10.5%, taking the full year partially imputed dividend to 16.5 cents per share.

Group net profit after tax was \$97.3 million and includes a non-cash impairment of \$32.0 million in respect of E-Co Products Group.

Vector Chair Dame Alison Paterson said, “We are pleased with our performance this financial year, despite some challenging and uncertain conditions. The Board remains confident in the company’s strategy, which is continuing to drive progress towards defining Vector as an innovative energy group providing sustainable shareholder returns through a diverse portfolio of businesses. I would like to thank our people and key partners for the way they have adapted to continue to deliver essential services to our customers throughout the COVID-19 lockdowns.”

Vector Group Chief Executive Simon Mackenzie said, “There were several highlights to the 2020 financial year including the recent announcement of our strategic alliance with Amazon Web Services.

“Significantly, the sale of the Kapuni Gas Treatment Plant in March to Todd Energy marked a key milestone for our Gas Trading business. Bringing the ownership of the plant and field together clears the way for Todd to invest in developing the field. The deal includes long-term supply agreements which means we can support supply to our natural gas and LPG customers.

“Our metering business grew strongly with 119,003 advanced meters installed in Australia and 36,350 in New Zealand during the year. In Australia, we are now averaging

approximately 10,000 installations per month, which is encouraging growth in this competitive market.

“New electricity connections increased to 12,231, up from 11,000 in the prior year, while new gas connections were down 3.6% to 3,201. This year we have invested \$317.1m in the Auckland electricity and gas networks to improve safety, reliability and resilience of our networks and facilitate Auckland’s growth. This is a 21.5% increase on the previous year.”

Vector Powersmart has completed the building of New Zealand’s largest solar installation over Watercare’s waste-water treatment plant. The 1MW floating solar array is the country’s first floating solar array and first megawatt-scale solar system.

Under the new regulatory settings which came into effect on 1 April 2020, Vector is subject to a revenue cap over a five-year period, compared to a price cap in the previous period. A feature of the current regime is that any revenue under recovery can be recovered in subsequent years. Given the impact of Covid-19 on revenues, we are changing our previous policy and will use loss rental rebates, allocated by Transpower, to offset future customer prices increases. It is important to note that consumers will not be disadvantaged by this as it will limit future price shocks and any excess will be returned to consumers later.

Vector’s response to COVID-19: Key actions and initiatives

Vector continued to provide essential services throughout the COVID-19 lockdown periods in the reporting period. Acknowledging the necessity of its services, Vector temporarily halted planned outages across the electricity and gas networks to minimise disruption to customers during the first lockdown, with works only going ahead if they were critical for safety, maintenance, or to support other essential services to operate.

The company also initiated a programme of work alongside other gas and electricity network providers to offer business customers three-month payment deferral plans.

The E-Co Products Group was adversely impacted by the COVID-19 lockdown. Vector has taken a conservative position and impaired the carrying value of this business to reflect the uncertain economic environment Vector is operating in.

Looking ahead

creating a new energy future

For the coming financial year Vector is targeting adjusted EBITDA in the range of \$480m to \$500m.

In July 2020, Vector announced a strategic alliance with Amazon Web Services (AWS) to jointly develop the New Energy Platform, aimed at changing how energy is managed, delivered and consumed. Partnering with like-minded global companies such as AWS is evidence of Vector's Symphony strategy in action – of leveraging data and innovation in order to deliver cleaner, more affordable and resilient energy options for consumers.

"We believe partnerships such as this are critical to the new energy future, and our focus in FY21 remains on developing solutions that deliver more choice to consumers," said Mr Mackenzie. "We will continue to explore strategic partnerships that enable us to drive our Symphony strategy forward, support decarbonisation and the electrification of vehicles, and bring innovation and customer-centric solutions to the market."

In April, we saw a significant negative price reset in our electricity business, with the new Default Price-Path 3 (DPP3) regulatory settings coming into effect. Mr Mackenzie said that Vector remains concerned by regulatory settings and their impact on the company's ability to invest.

He said the economic uncertainties as a result of COVID-19 will be with us for some time but Vector remains confident in its strategy; and the current environment further highlights the need for smart investment and an unfaltering focus on customers.

Vector's Board of Directors

Mr Mackenzie said, "I would like to acknowledge Dame Alison Paterson, who will be stepping down as Vector's Chair next month. Dame Alison's governance experience is unparalleled in New Zealand, and we have benefited from her guidance over the past few years. On behalf of Vector, we thank her for her contribution and wish her well in retirement."

As announced in June 2020, current non-executive director, Jonathan Mason will take on the role of Chair after Dame Alison's retirement at the Annual Shareholder Meeting on 25 September 2020.

^[1] Excludes capital contributions

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creating a new energy future

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About Vector

Vector is New Zealand's leading network infrastructure company which runs a portfolio of businesses delivering energy and communication services to more than one million homes and commercial customers across the country. Vector is leading the country in creating a new energy future for customers and continues to grow and invest in the growth of Auckland, and in a wide range of activities and locations. Vector is listed on the New Zealand Stock Exchange with ticker symbol VCT. Our majority shareholder, with voting rights of 75.1%, is Entrust. For further information, visit www.vector.co.nz