market release

24 August 2021

VECTOR DELIVERS STRONG FULL YEAR RESULTS

- ***Adjusted EBITDA of $513.5 million, up $23.5 million or 4.8% on last year.***
- ***Group net profit after tax of $194.6 million, up $97.3 million from the prior year.***
- ***Final dividend 8.50c, taking full year dividend to 16.75 cents per share; imputation at 10.5%***
- ***Electricity network quality performance within regulatory SAIDI limits for regulatory year to 31 March 2021***
- ***$529.5 million in gross capital expenditure, an increase of $40.8 million or 8.3%***
- ***First product from AWS strategic alliance delivered, progress advances towards second***

Vector Group (NZX: VCT) today announces a strong result for the full 2021 financial year, with adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)[1] of $513.5 million, up $23.5 million or 4.8% on the prior year.

Vector Chair Jonathan Mason said: "Our clear strategy has enabled us to deliver a strong financial result in the face of a challenging environment that has included continued disruption from Covid-19. Group net profit after tax was $194.6 million, up $97.3 million from the prior year. The result was largely due to increased earnings, higher capital contributions and lower interest cost more than offsetting higher depreciation and amortisation. The prior year also included a non-cash impairment of $32.0 million.

"We commend our teams who have continued to respond to customer needs with urgency, commitment and adaptiveness, as we continue to find ways to contribute positively to the

[1] EBITDA and Adjusted EBITDA are non-GAAP measures which the directors and management believe provide useful information as they are used internally to evaluate performance of business units, to establish operational goals and to allocate resources. See page 44 of the annual report for further details or click on this link to see Vector's policy.

global challenge of decarbonisation. Through our strategy we are achieving those outcomes and continuing to deliver strong results for our shareholders.

“The Board has determined that shareholders will receive a final dividend of 8.50 cents per share imputed at 10.5%[2], taking the full year partially imputed dividend to 16.75 cents per share.

“The Board has announced the appointment of Anne Urlwin as Director of Vector Limited, with effect from 1 September 2021. We are delighted with Anne’s appointment as she brings a broad range of complementary experience and insights to the existing Board, including governance roles in renewable energy, infrastructure, telecommunications, and other sectors. We look forward to welcoming her to the Vector Board when she starts with us in September.”

Group Chief Executive Simon Mackenzie said: “We’re pleased to report strong financial results, especially as we continue to see returns from our significant investments in our regulated businesses falling notably short of the allowable regulated return due to interest rates dropping at the same time as regulatory price-quality paths are reset, as well as inflation forecast assumptions in the regulatory reset.

“Vector’s results reflect the progress we’ve seen across our portfolio of businesses as we put the customer at the centre of the energy system. This is becoming increasingly important as, over the past twelve months, we have seen a dramatic sharpening of focus around the world and in New Zealand on climate change, and the efforts required across the world to transition to a low emissions future. Not only is our energy infrastructure critical to our daily lives, but also to our collective future through its role in enabling the decarbonisation of the economy, including transport and industry. Legacy energy systems across the whole sector are increasingly unable to meet these new challenges, and must become vastly more sophisticated and adaptable. Vector is well advanced globally in developing and operating digital platforms to manage these changing requirements.

“By using data, analytics and technology to create new solutions and options, we can help customers manage the transition to a low carbon system. Fundamentally, it is about creating

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[2] Further information on imputation credits is available on our website under Industry Updates.

customer choice, and delivering decarbonisation while ensuring energy solutions are reliable and affordable for customers.

“We’re continuing to look beyond the energy sector and internationally to find other world-leading companies to partner with and help us achieve our goals.

“Total capital expenditure in the year was $529.5 million, an increase of $40.8 million or 8.3% from the prior year. The increase reflected continued investment in network infrastructure to support Auckland’s growth, growth in our Australian metering business, increasing deployments of advanced meters, and increasing stock levels to counteract risks associated with global production shortages linked to Covid-19.

Developing new revenue opportunities

Mr Mackenzie said: “We have further developed our strategy to leverage the infrastructure and technology we use in our existing businesses in order to create commercial opportunities such as providing solutions to third parties.

“Vector Technology Services (VTS) has been established to take to market solutions we have developed as part of our own digital transformation journey. We are exploring global opportunities for key priority solutions including the New Energy Platform created through our strategic alliance with Amazon Web Services (AWS), Distributed Energy Resource Management Systems (DERMS), cyber security, and others. As an example, VTS is now providing cyber security services to another New Zealand electricity distribution business, leveraging Vector’s 24/7 security operations centre.

“Vector Property Services has been established to explore the commercial potential of our property and facilities assets, in the context of the opportunities to partner with third parties to better utilise some of our passive land, building and tunnel assets, such as co-location of other infrastructure, and broader development in line with our Symphony strategy.”

Regulated networks

Mr Mackenzie said: ““Despite the adverse impact of the DPP3 reset, the regulated networks delivered a solid result in the period.

“Adjusted EBITDA for the regulated networks was $350.7 million, up $13.1 million or 3.9% against the prior year. This includes a full year impact of the Commerce Commission’s DPP3 price reset, which came into effect on 1 April 2020 and saw prices reduce by 6.9%, and the retention of loss rental rebates (LRRs) in order to partially mitigate future electricity distribution price increases, and to offset the impact of electricity volume reductions on revenue under the new revenue cap regulatory regime.”

“We are also pleased to report that in the last regulatory year to 31 March 2021, we have achieved compliance with our regulatory System Average Interruption Duration Index (SAIDI) limit. This follows a sustained focus on improving network performance for our customers over previous years. We acknowledge the efforts of our own people and our Field Service Providers in this outcome and we remain committed to this focus.

“While we continue to invest in improving network performance, we are also transforming our electricity network through a combination of new engineering solutions and digitalisation to meet the needs of the future. Our ongoing EV Smart Charging trial has demonstrated how optimising existing network infrastructure using new technology can reduce the cost of EV uptake while delivering reliable charging and a great user experience.”

Gas Trading

Gas Trading adjusted EBITDA was $27.4 million, down $6.5 million against the prior year total of $33.9 million. The reduction in earnings was mainly due to the sale of the Kapuni gas processing plant and associated assets, which took place in March 2020. This has been replaced by the interest income earned on deferred consideration on the sale of the plant.

Metering

Mr Mackenzie said: “Our Metering business has had a strong year, with adjusted EBITDA growing by $16.8 million, or 10.9%, to $171.6 million. This was a result of continued growth in advanced meter deployments in New Zealand and Australia, and is a great result given the challenges of Covid-19.

“We acknowledge and would like to recognise the resilience of our Australian teams in particular, in the face of continued disruption within and across state boundaries from Covid-19 resurgences.”

E-Co Products Group, Vector Powersmart, Vector Fibre

Mr Mackenzie said: "HRV has delivered a solid result despite the challenges of Covid and continues to show improvement in what is a highly competitive environment, making a positive financial contribution.

"Vector Powersmart had a challenging year that has seen a number of its projects in the Pacific Islands impacted by Covid-19 issues. However there are ever increasing opportunities arising in New Zealand as solar farms and developments expand. As such Vector Powersmart is well positioned to advise and construct these solutions in New Zealand whilst also continuing with projects in the Pacific when travel permits.

"Vector Fibre has delivered a steady performance over the year. High speed telecommunications services are critical to customers, and we see Vector Fibre as key to this opportunity as it leverages its fibre assets in the wholesale market."

ENDS

Annual report download link: vector.co.nz/investors/reports

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About Vector

Vector is an innovative New Zealand energy company which runs a portfolio of businesses delivering energy and communication services to more than one million homes and commercial customers across Australasia and the Pacific. Vector is leading the country in creating a new energy future through its Symphony strategy, which puts customers at the heart of the energy system. 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