

27 February 2024

VECTOR REPORTS SOLID HALF YEAR RESULTS

Vector continues to invest in a smart and efficient network for the benefit of customers

- ***Adjusted EBITDA¹ of \$185 million, up 7%²***
- ***Total capital expenditure \$238 million, up 6%²***
- ***Interim dividend 9.25 cents per share³***
- ***Underlying net profit after tax up 29%²***
- ***Reported group net profit after tax was \$22 million², including a \$60 million impairment of the gas distribution business, driven by a regulatory decision to lower returns on these assets and higher interest rates impacting the valuation***
- ***Future cashflows to be set by the Commerce Commission in 2024, critical to enabling investment in Auckland's electricity network for growth, reliability, decarbonisation and climate resilience until 2030***

Vector Group (NZX: VCT) today announces its result for the first half of the 2024 financial year.

Vector Group chief executive Simon Mackenzie said: "Vector's financial performance for the six months to December reflects a solid result across our regulated networks and gas trading business segments, driven by higher revenues. Adjusted EBITDA for the group, which excludes the capital contributions customers pay for new connections on the network, was up 7% to \$185 million.

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. Adjusted EBITDA excludes capital contributions. See the interim financial statements for further details or click on this [link](#) to see Vector's policy.

² Numbers are reported against continuing operations with the current and prior year comparatives being adjusted to exclude the operations of Bluecurrent (previously Vector Metering) which was sold on 30 June 2023 and also Natural Gas which is currently classified as held for sale with a conditional sale date of 1 July 2024.

³ [The dividend will be paid to shareholders who are on the register at 28 March 2024, with payment made on 9 April 2024.](#)

“Underlying net profit after tax was up 29% on the prior period, however the reported group net profit after tax was \$22 million as it includes a \$60m impairment of our gas distribution business. This impairment was driven by the Commerce Commission’s regulatory decision to lower future returns to owners of gas distribution networks, and interest rate changes.

“Our interest in Bluecurrent is accounted for as an investment in an associate. The business is currently ahead of our performance expectations. Our 50% share of their net loss is \$9 million, reflecting the gearing, depreciation and intangible asset amortisation policies of the new entity. Vector is expecting to receive distributions each year from the joint venture with these cash flows being recognised through our cashflow statement, not in our profit and loss.”

“We’ve entered into a conditional agreement to sell the remaining assets of the natural gas trading business. As we have regularly communicated, the volume of gas traded has been reducing over recent years as legacy contracts have come to an end. We expect the sale to complete on 1 July 2024, for a sale price of \$9.7 million.

The company will pay an unimputed interim dividend to shareholders of 9.25 per share. With key regulatory decisions impacting future cash flow yet to be determined, the board has been unable to consider revisions to the dividend policy at this time.

Later this year, the Commerce Commission will decide on the allowable revenue for our regulated electricity business from 1 April 2025, which will then be set for the next five years.

“Vector’s focus is on the interests of our customers, and we aim to continue to invest in the smartest and most efficient way possible, to enable the energy transition in a way that’s more affordable for customers, as well as being commercially sustainable,” Mr Mackenzie said.

“While significant investment is needed now, our strategy uses digital technology, international partnerships, such as with Amazon Web Services, and innovation, to get more out of our electricity network, rather than only building traditional infrastructure. We will keep

creating a new energy future

advocating for regulatory and policy changes which, alongside our strategy, have the potential to avoid around \$3 billion of extra cost to Auckland customers by 2050⁴.

“Our future revenue, and the debt we can raise, determines how much we can invest in the network. The Commission’s decision later this year is therefore critical for our customers, shareholders, and for the future of the electricity network. Globally there's recognition of the need to make these decisions with pace and urgency. The opportunity for the Commission is to create the right environment for Vector, and other lines companies, to invest enough in energy infrastructure that we are not left playing catch up years down the track, when resilience, electrification and decarbonisation are even more critical and the cost burden on customers could be prohibitive.”

Key financial information

Business segment	H1 FY23	H1 FY24	% change
Regulated networks			
- Adjusted EBITDA	\$197m	\$201m	+2%
- New electricity and gas connections	9,203	10,061	+9%
- Gross capex	\$197m	\$220m	+11%
Gas trading ⁵			
- Adjusted EBITDA	\$6m	\$13m	+119%
- LPG sales (tonnes)	22,535	24,415	+8%

FY24 guidance

Auckland growth is expected to continue, and we are now tracking towards 16,000 new electricity connections in FY24. Connections and infrastructure activity remain elevated, necessitating significant capital expenditure. We are currently tracking towards the high end of the range for adjusted EBITDA, communicated in August last year, of \$350m-\$365m.

⁴ Analysis in Vector’s 2023 TCFD report quantifies the financial impact of a failure to efficiently manage peak load, based on network build costs that could otherwise be deferred.

⁵ As the natural gas trading business has been classified as discontinuing operations, it is no longer reported in the Gas Trading segment

ENDS

Vector's interim financial statements are available here: vector.co.nz/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 600,000 residential and commercial customers across New Zealand. Vector has a leading role 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