



**Z Energy**

**Investor Presentation on Z and the NZ downstream fuel market**

September 2020

# Content

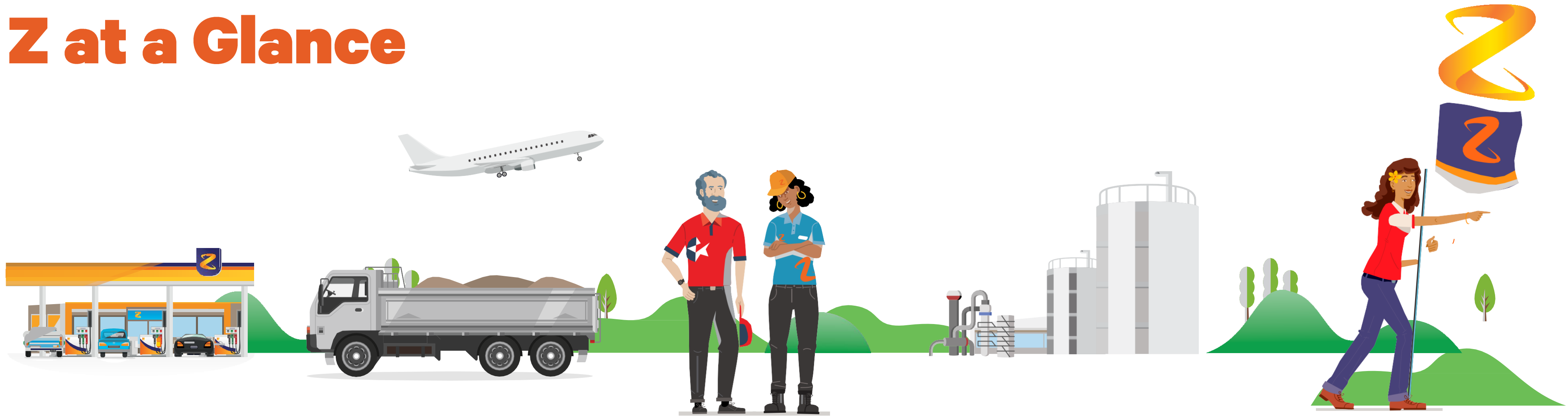


Title	Description
Z at a Glance	Overview of the history of Z
Business Description	Overview of Z's Business Units
Industry Overview	Overview of the supply chain, competitors and market
Financial Information	Key financial figures
Environmental, Social & Governance (ESG)	Overview of initiatives by Z for ESG

**Z at a  
Glance**



# Z at a Glance



Z was formed when Shell sold its NZ downstream business in 2010 and was floated in 2013 on NZX and ASX. We are a NZX50 company – subject to continuous disclosure rules of both exchanges

Operations span crude oil and refined product procurement, contracted refining, national distribution and commercial and retail marketing.

Acquired the Caltex NZ business from Chevron in June 2016 which gave us exclusive wholesale supply to 146\* independently owned and operated retail sites and 69\* truck stops around NZ

Z owns ~15% of New Zealand Refining as well as terminals in nine port locations and 198 Z branded retail service stations

Z is a focused, locally managed and operated downstream New Zealand fuels business. All decision-making and governance functions are in-country and seeks to behave as a distinctively transparent, values-based Kiwi company

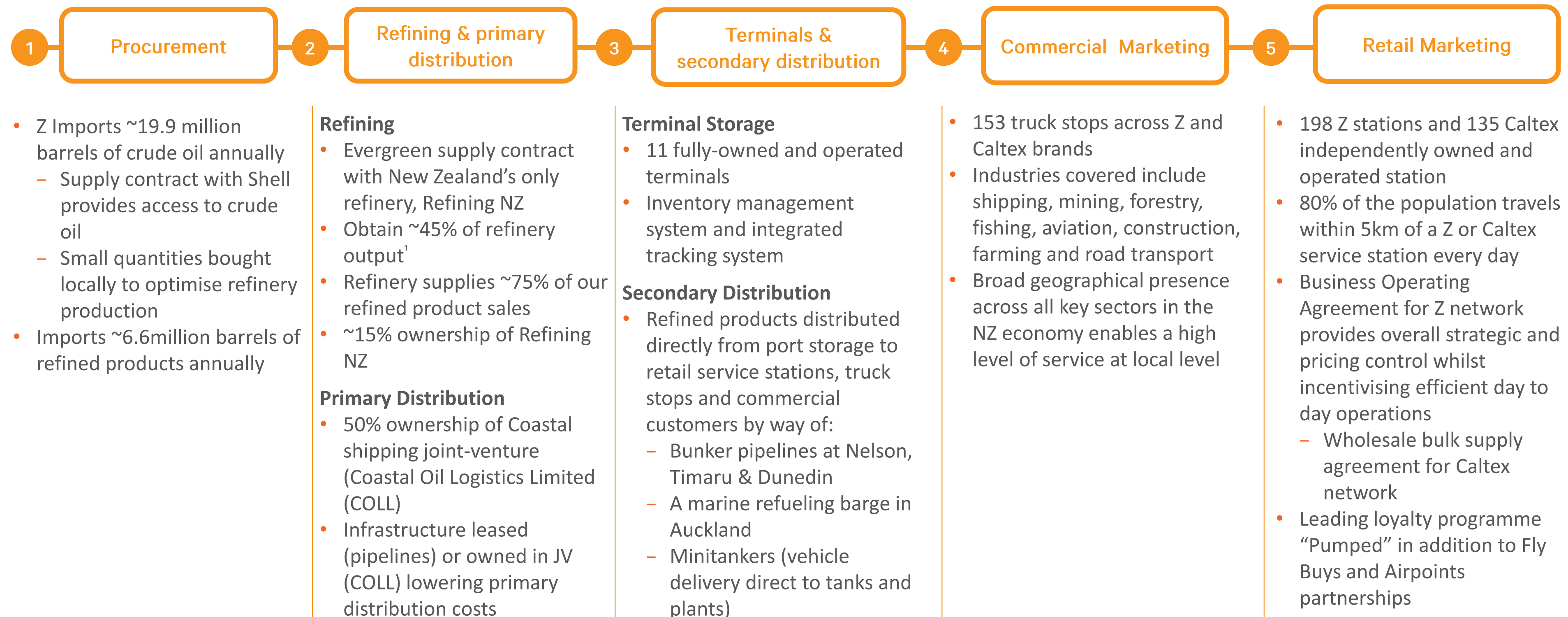
\* Numbers at time of acquisition before Commerce Commission required divestments



# Z at a Glance



Z's operations span all aspects of the downstream fuels industry in New Zealand





# Industry Overview





# Strong Competitive Advantage

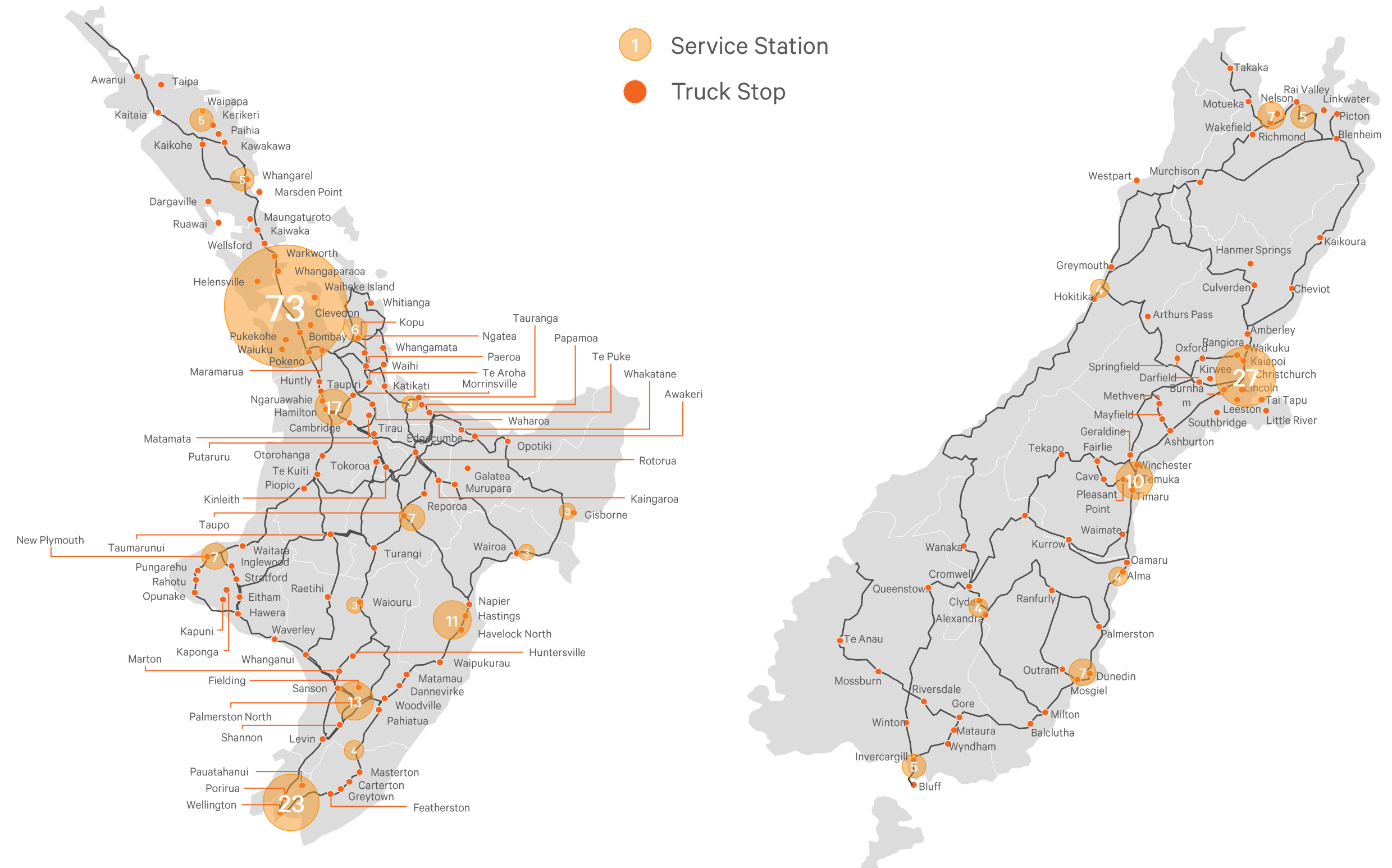


## An expansive and non-replicable national network of stores

### Overview

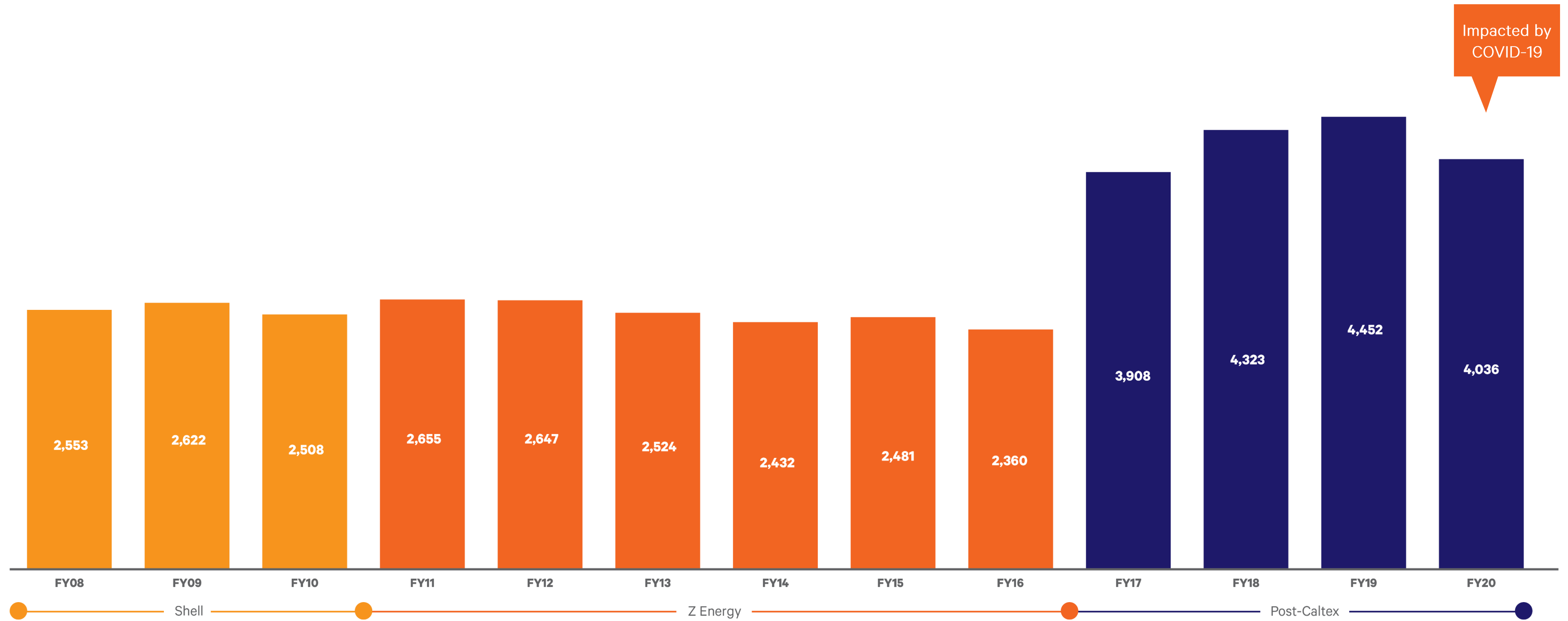
- Z has an extensive store portfolio, with 198 Z stations and 135 Caltex independently owned and operated stations nationally
- High quality retail locations with control of sites through freehold ownership or leasehold contracts of key sites across New Zealand
- Significant scale and a leading market position in all regions
- ~80% of the New Zealand population within 5km of a Z or Caltex service station
- Leading loyalty offering in the country through our loyalty programme Pumped
- Long-term approach to new store rollouts – key freehold properties in strategic growth corridors identified and secured in advance

### Retail Site Locations



# Operates in a Resilient and Strong Market

Fuel volumes stable throughout company history, with integration of Caltex brand accelerating volume growth





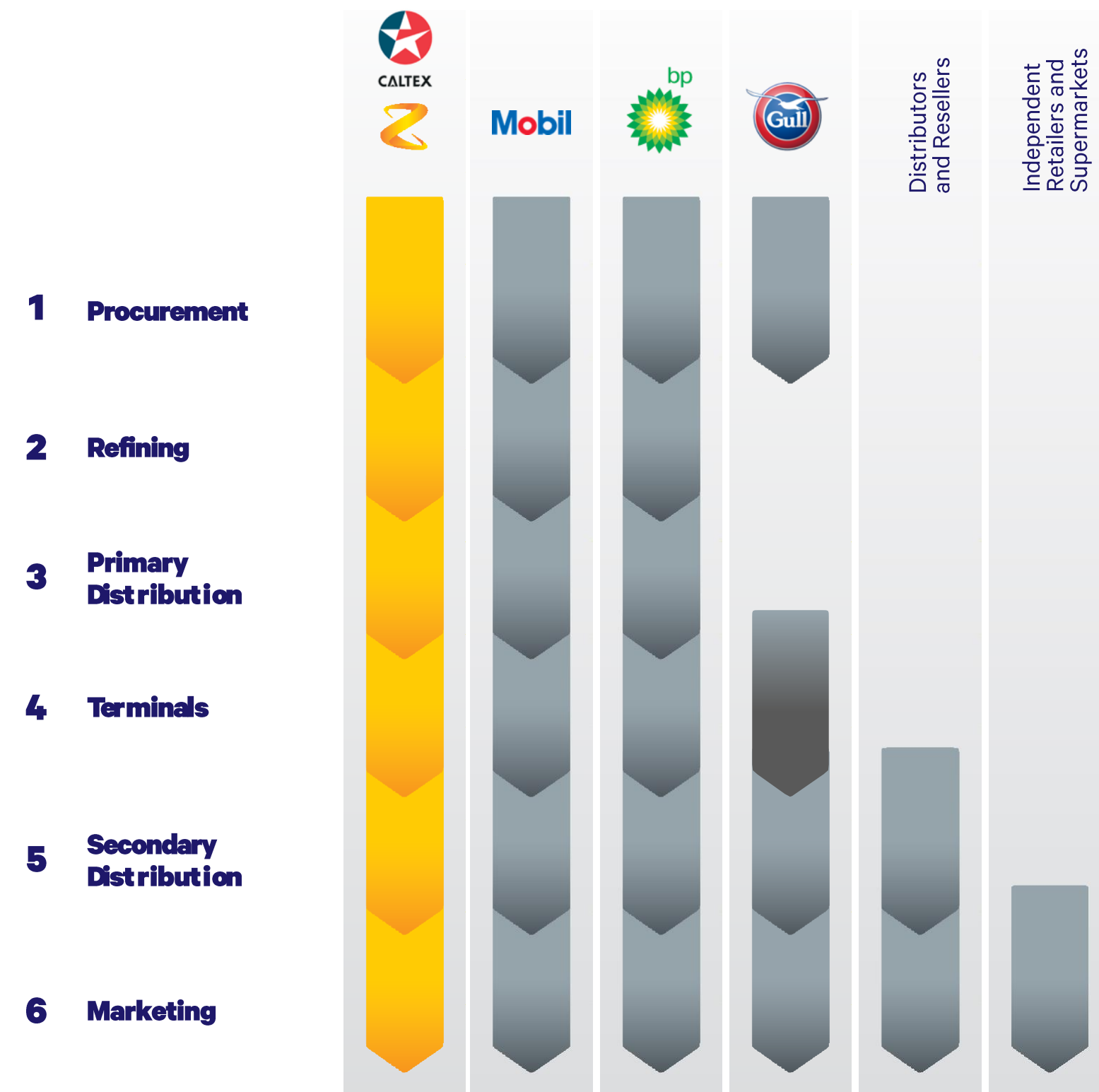
# Industry Participants

Z is one of three vertically integrated participants in New Zealand. Other participants are mainly retailers of refined product



## Overview

- Z, Mobil and BP are the only integrated operators in the New Zealand downstream oil industry
- Z's principal competitors are subsidiaries of large multinational organisations who run a portfolio of businesses and product lines internationally
- Z is focused solely on the New Zealand downstream oil market
- Gull is an independent terminal and marketing company owned by Ampol Ltd<sup>1</sup>
- Distributors, resellers and supermarkets source refined products from the integrated operators through long term contracts



Mount Maunganui terminal only.

<sup>1</sup> Formerly known as Caltex Australia.



# Business Description





# Fuel Segment Overview

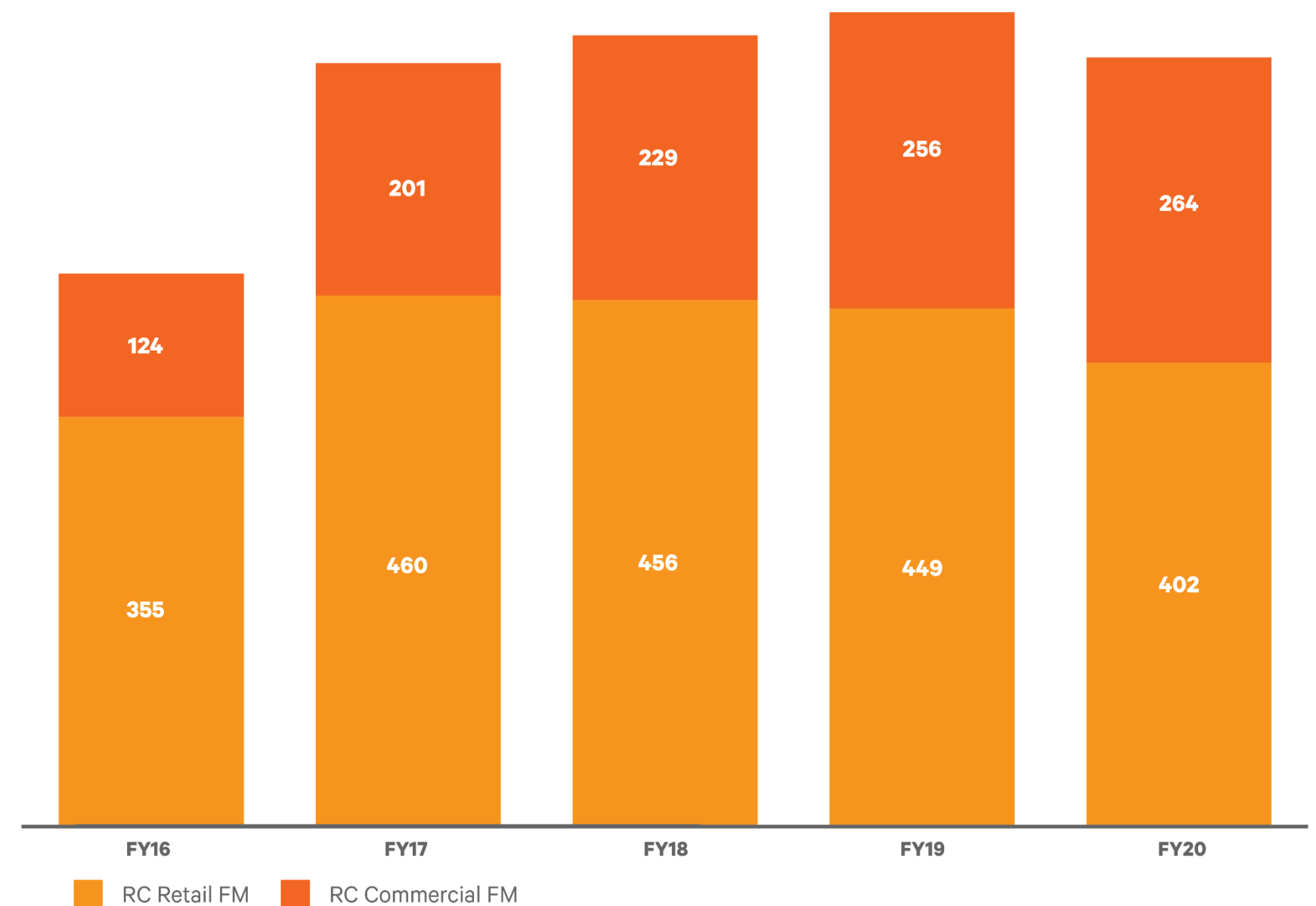
## Segment Overview



### Overview

- Z's Fuel segment is predominantly engaged in sale of fuel products to retail and commercial customers through retail fuel sites and contractual arrangements with commercial customers
- Z has positioned itself as a “premium service” fuel retailer in New Zealand, enabling it to capture incremental margin relative to other competitors
- Commercial margins are lower than retail, reflecting the lower cost to serve (capital investment and operating costs) however they are generally more stable than retail margins
- Segment also includes supply sales to other majors and minor brands, and export sales (primarily excess fuel oil) from Refining NZ

### Fuel Gross Margin<sup>1</sup> (NZ\$m)



<sup>1</sup>Replacement costs fuels margin. FY16 on a pre-Caltex basis; FY17 partially includes Caltex; FY18 is first full year inclusive of Caltex earnings.



# Non-Fuel Segment Overview

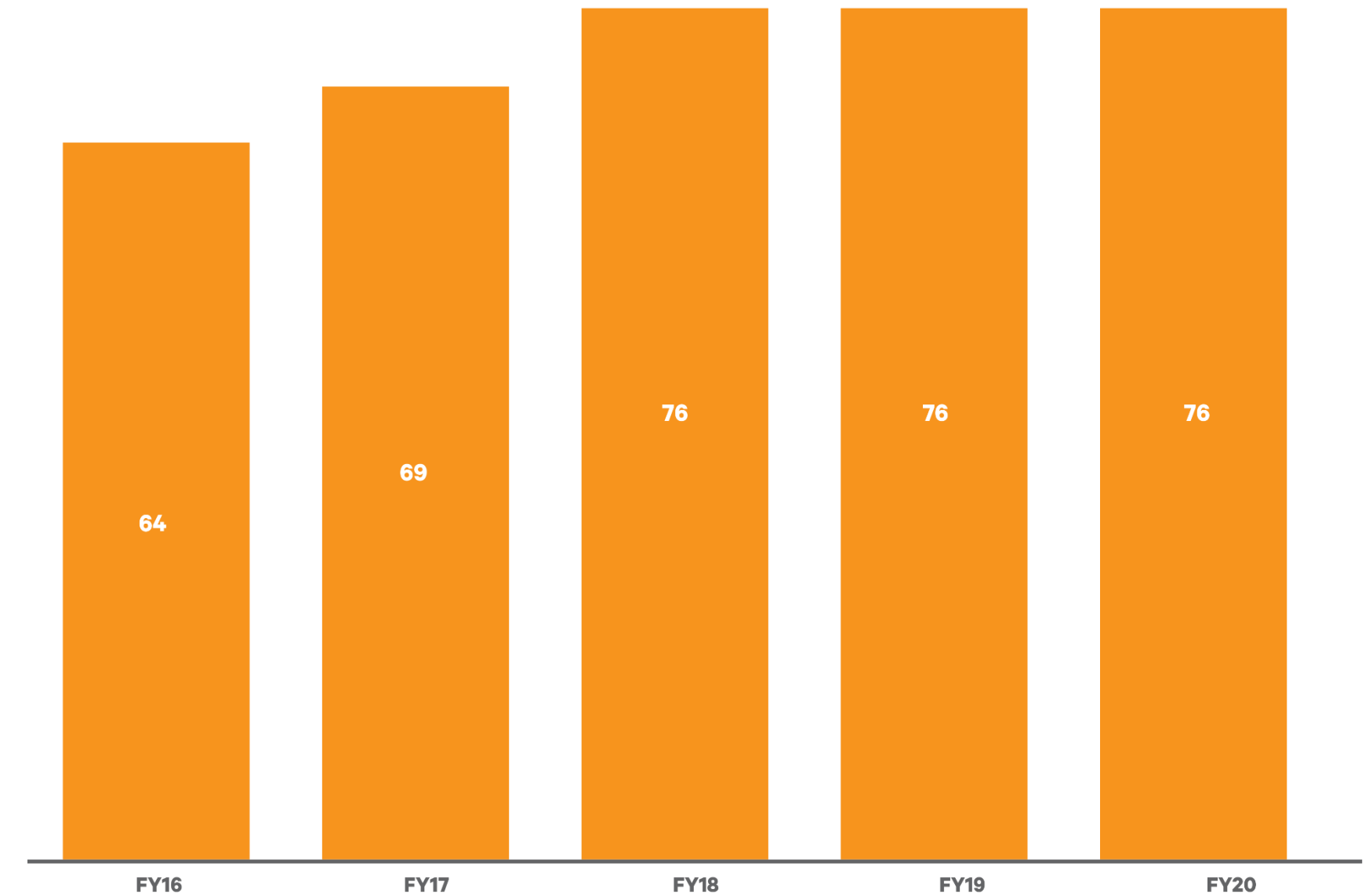


## Segment Overview

### Overview

- Z have invested in establishing a leadership position in convenience food and coffee across our retail operations, built our own loyalty programme, and partnered with our preferred supermarket chain
- Sales mix forecast to continue to change towards higher margin food categories and continued emphasis on Tier 1 convenience stores
- Average weekly store sales have increased in the areas (Tier 1 & 2) Z has made significant investments
- Increased Z App adoption due to Covid-19 lockdown driving daily average pre-order volumes (pre-order makes up ~25% of all coffee orders)

### Non-Fuel Gross Margin<sup>1</sup> (NZ\$m)



# Refining Segment Overview



## Segment Overview

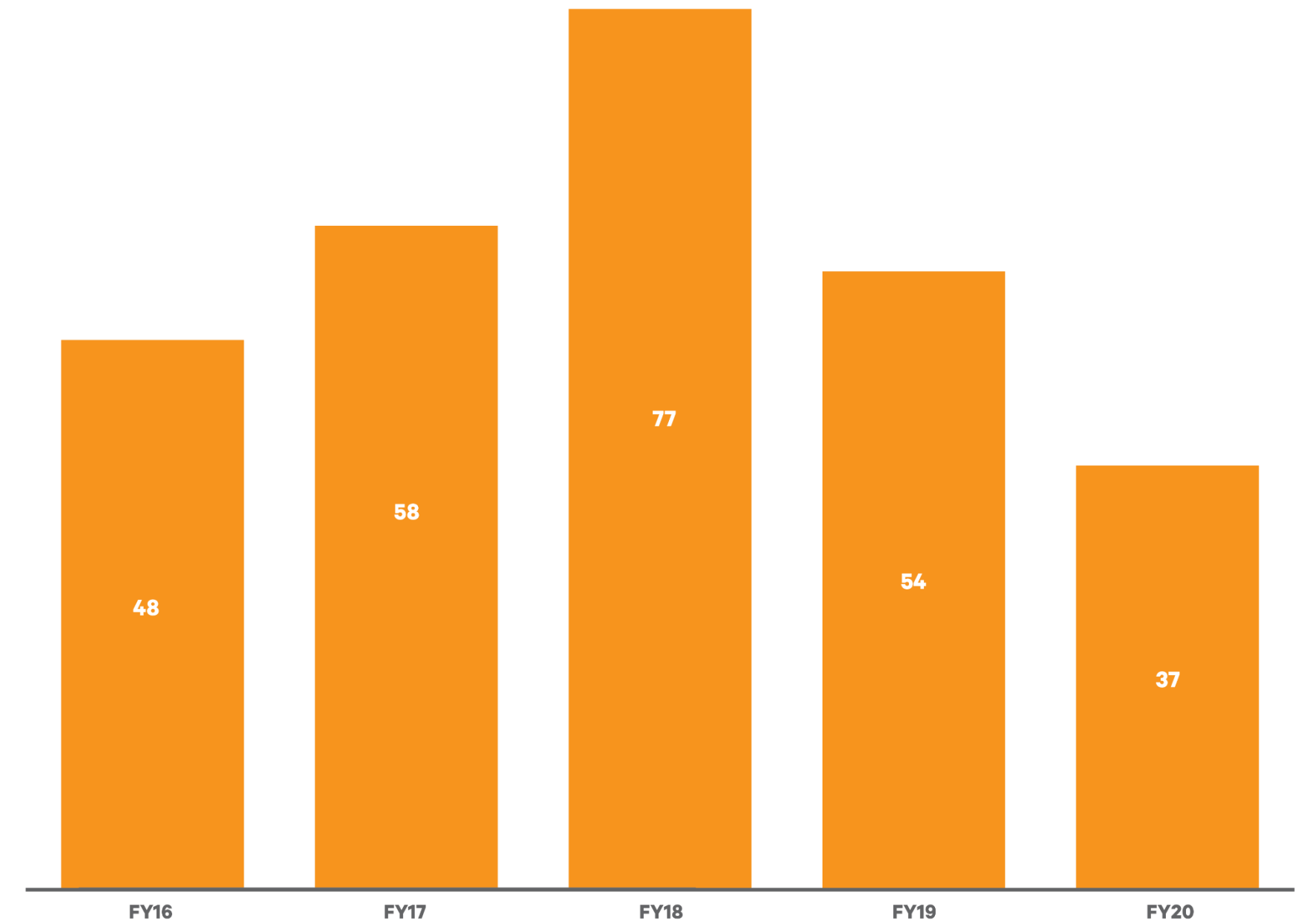
### Overview

- Z has an evergreen supply contract with New Zealand’s only refinery, Refining NZ (“RNZ”), which supplies ~75% of Z’s refined product sales
- Refining Margin is the difference between the cost to Z of obtaining refined product via the NZ refinery rather than by directly importing it

### Key Drivers

- Asian and global supply and demand balances
- International shipping costs and other transportation costs
- Refining NZ’s refinery yields and production

### Refining Gross Margin<sup>1</sup> (NZ\$m)



<sup>1</sup> Replacement costs fuels margin. FY16 on a pre-Caltex basis; FY17 partially includes Caltex; FY18 is first full year inclusive of Caltex earnings.



# Financial Information





# Key Drivers of Z's Margins



Optimizing margin and volume throughout the business is a key focus of management

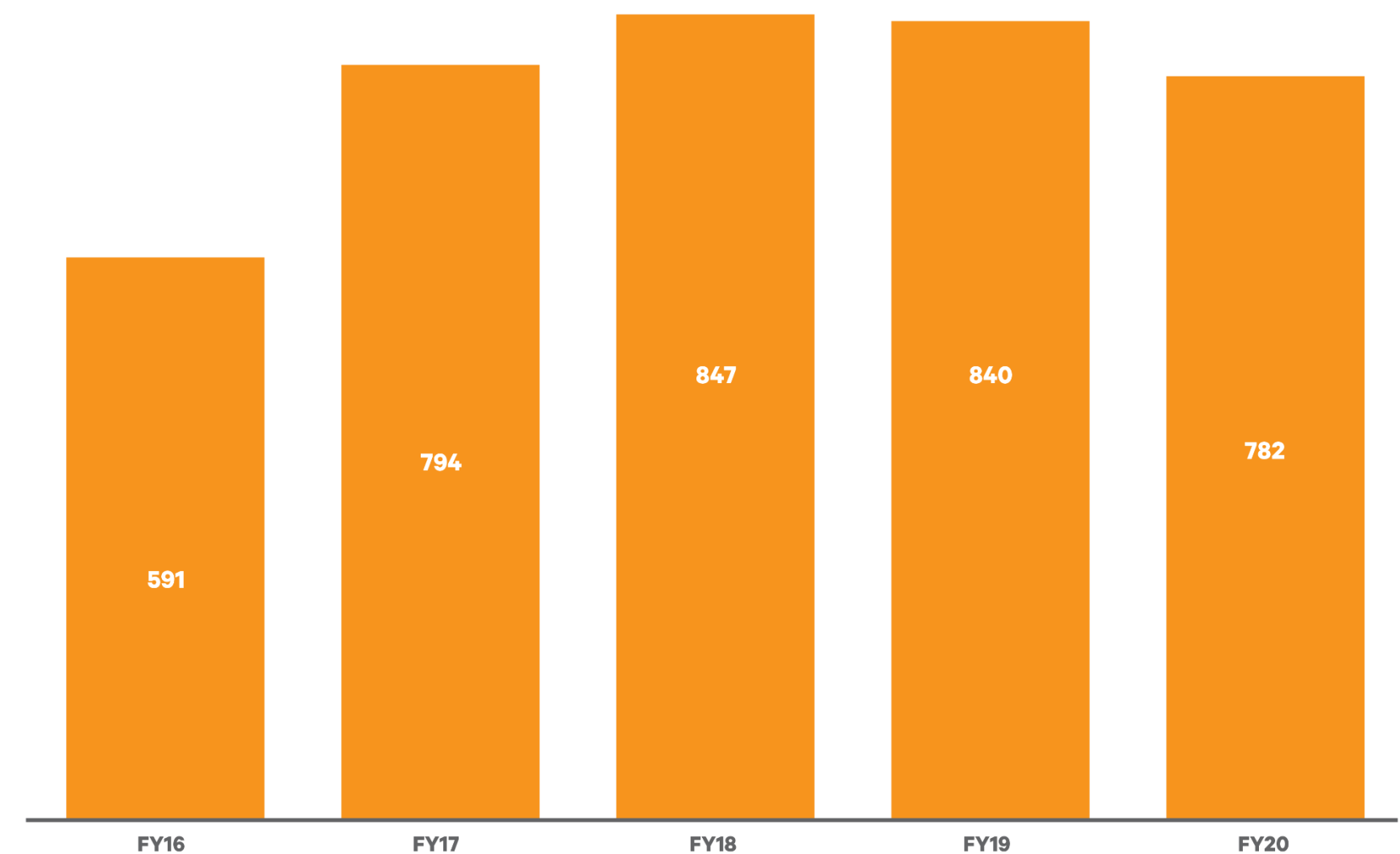
Total RC Gross Margin

## Margin Trends

- Industry and political factors have contributed to recent margin trends:
  - Commerce commission study
  - Competition increase with more players and building more sites
  - Non-fuel margin steady through coffee / food focus

## Consumption Trends

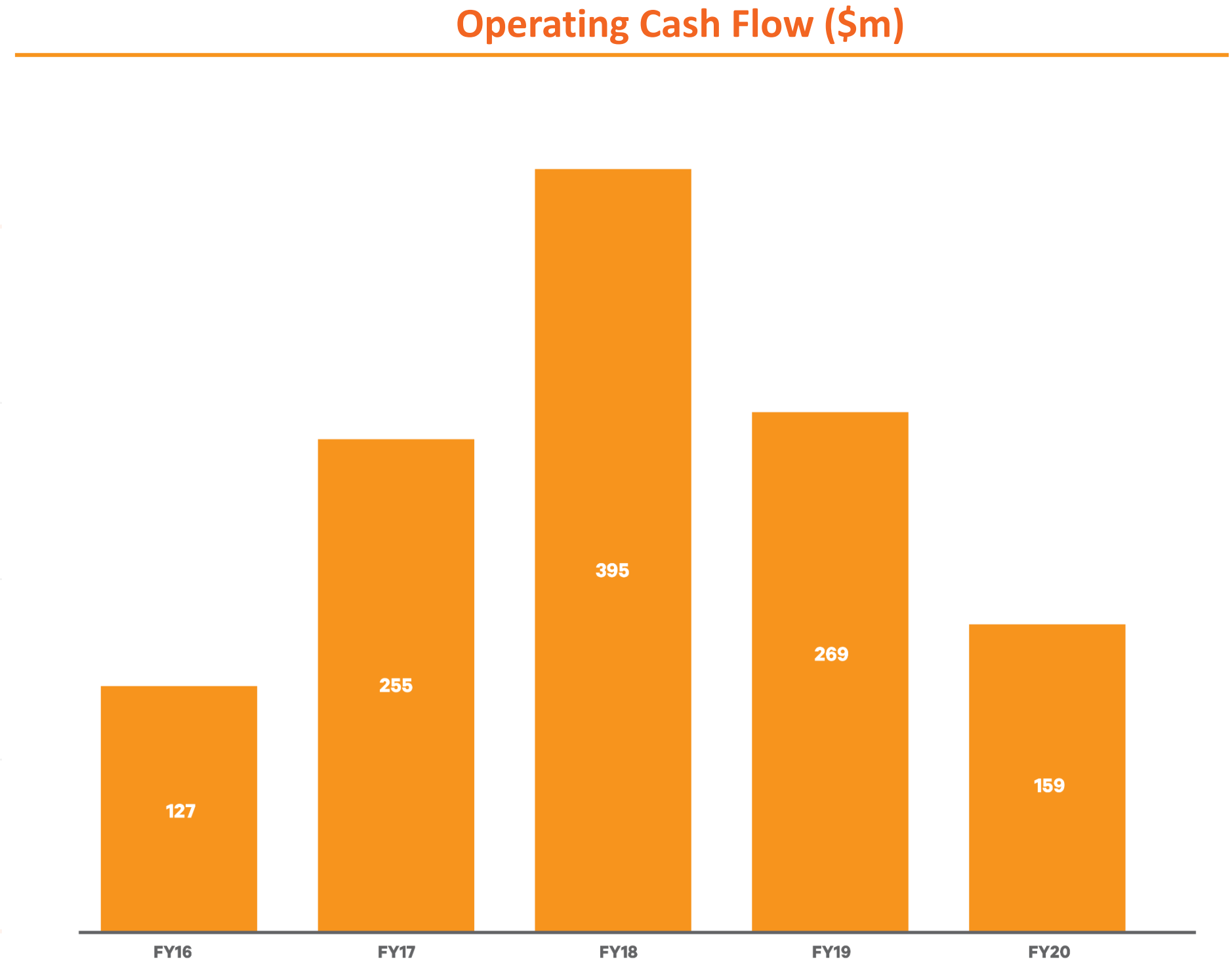
- Transport fuel demand is largely driven by population and economic growth, partially offset by technological advances in fuel efficiency
- Consumption shift from petrol to diesel, due to the technological advancement of diesel engines and a shift in consumer preferences



# Financial Performance



Key financials	FY20	FY19
Historical cost net profit after tax (HC NPAT)	(\$88m)	\$186m
Replacement cost EBITDAF (RC EBITDAF)	\$366m	\$434m
Replacement cost Net Profit After Tax (RC NPAT)	\$44m	\$178m
Net operating cashflow	\$159m	\$269m
<b>Dividend for full year</b>	<b>16.5 cents</b>	<b>43.0 cents</b>

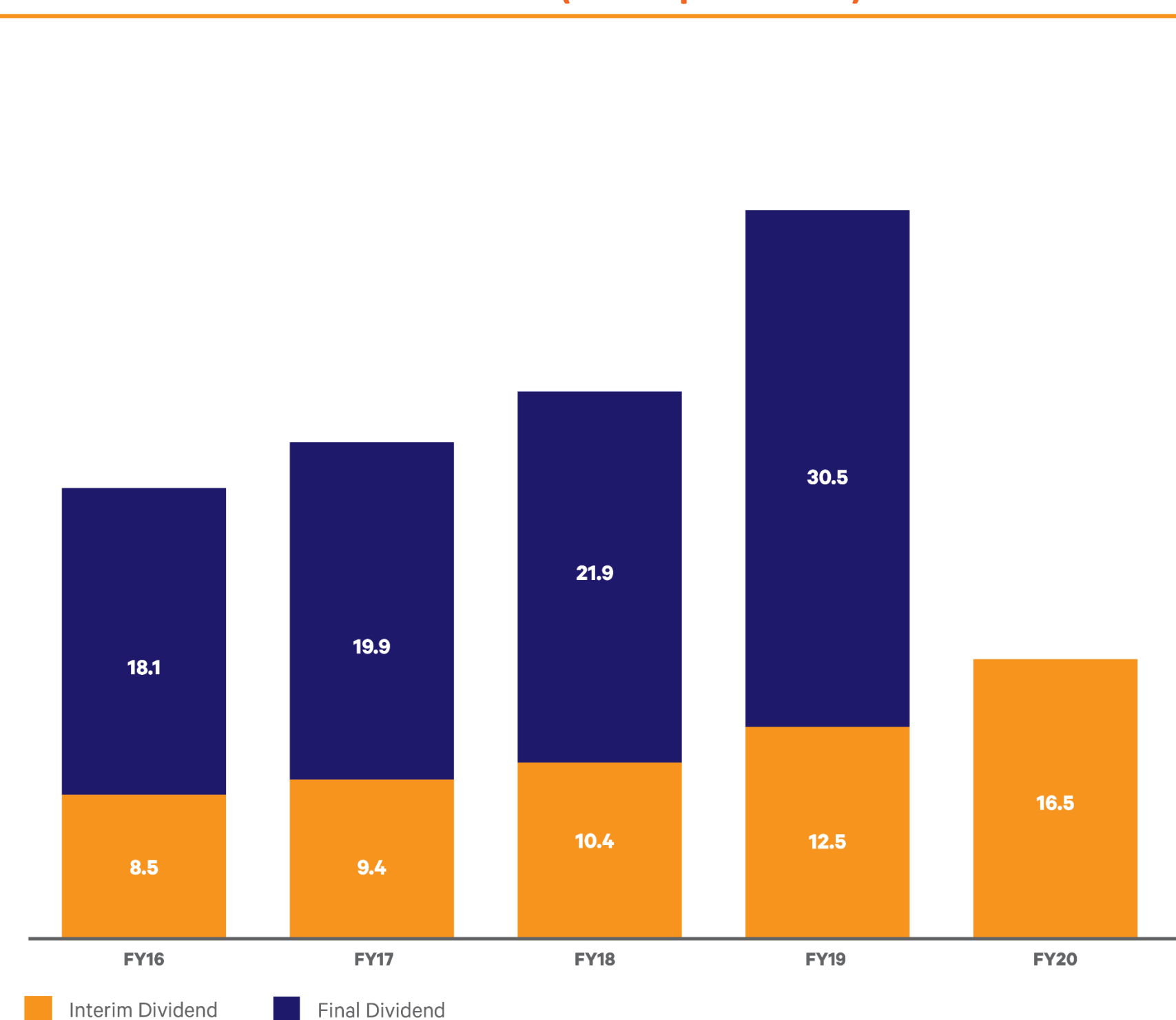


# Cash, Capital and Dividends



Metrics	Mar 20	Mar 19	Change
Gross debt <sup>1</sup>	\$1,202m	\$1,215m	(\$13m)
RC EBITDAF	\$366m	\$434m	(\$68m)
Gross Debt/EBITDAF	3.3x	2.6x	0.6x
Cost of debt	5.2%	5.4%	(0.2%)
Capex (\$m)	FY20	FY19	Change
Growth	39	34	5
Integrity (maintenance)	62	52	10
Divestment Proceeds	(31)	(17)	(14)
Net capex	71	69	2

Dividends (cents per share)



Note 1: Gross is defined as the sum of gross domestic retail bonds, gross USSP issuance, bank debt and excludes working capital funding and cash on hand



# Environmental, Social, and Governance (ESG)





# Environmental

## Creating strategic optionality while moving towards a lower carbon future

- Supported the update of BEC NZ energy Scenarios (BEC2060). The Tui and Kea scenarios reflect alternative futures, particularly resulting from the relative importance placed on climate change mitigation by society
- Achieved a 12% reduction in operational CO2 emissions against FY17 baseline
- Accounted for unavoidable emissions through offsets in permanent NZ forestry
- Z has formed a partnership with Permanent Forests New Zealand and in March 2019 was confirmed as a foundation joint venture partner in the forest offsetting company, Drylandcarbon Limited.
- \$550k investment in Mevo ride sharing company and help Mevo car sharing activity, trips taken were up more than 350% as at March vs same period last year (pre-COVID)
- Reporting in line with Task Force on Climate-Related Financial Disclosures (TCFD) requirements with full disclosure by Financial Year 23





# Social

## Community, Diversity and Inclusion; supporting local communities and being an employer of choice in New Zealand

- “Good in the Hood” programme started in 2012. Z has contributed \$7 million to community organisations that our customers and neighbourhoods tell us are doing the work that matters most
- Over the year, as part of our commitment to making sure we’re acting as a force for good, we reviewed Good In The Hood asking the Ākina Foundation to undertake a Social Community Impact Assessment of the programme
- Te Aro Maori across Z and Rainbow Tick accreditation
- Long-term partnerships with St John’s ambulance and Westpac Helicopter Trust through donations and provision of fuel
- Helped launch, in partnership with other big Kiwi retailers, the NZ retailers Against Racism Pledge. Find out more [here](#)
- Long-term partnership with Conservation Volunteers New Zealand assisting with projects via funding and staff members attending ‘Tree-Planting’ days as part of their annual volunteer leave

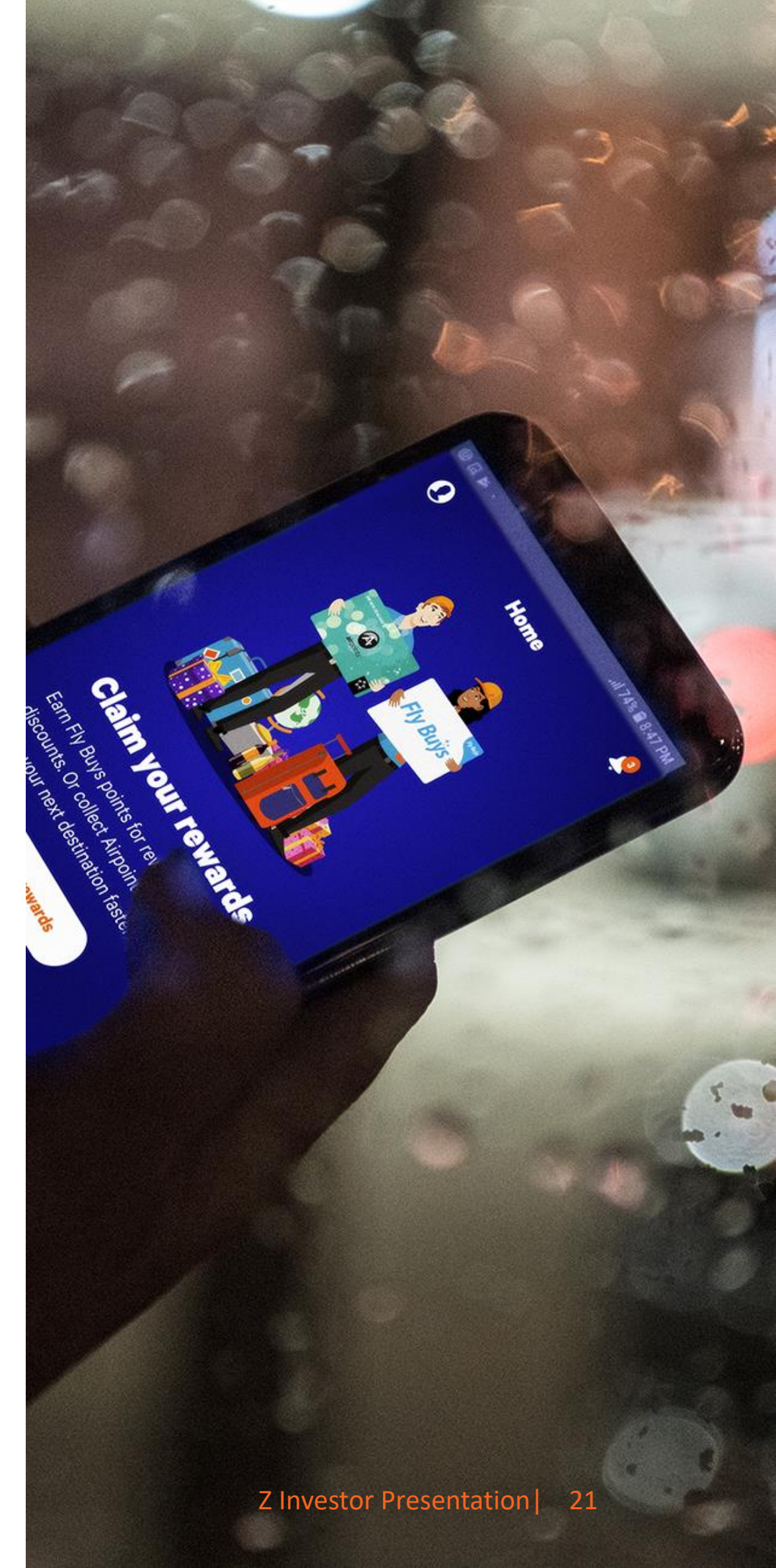




# Innovation

## Building agility and an innovation culture in an uncertain world

- Sharetank – a world first; Sharetank is a virtual fuel tank you can fill anytime, anywhere and share with up to 5 friends or whanau. Sharetank is patent-pending and has generated \$2M+ in revenue in the first 6 months.
- Fastlane, first and only ‘wallet-less’ transaction for retail petrol and diesel in New Zealand
- Introduced our Carbon Count functionality that allows customers to offset their fuel by protecting local permanent forests. Pump. Pay. Protect.
- We have progressed employee engagement on our innovation metrics:
  - Employee Confidence: 8.2 up from 7.5. NPS 32 (+28 since Mar 2019)
  - Workplace Environment/Biome: 7.9 up from 7.2. NPS 28 (+32 since Mar 2019)





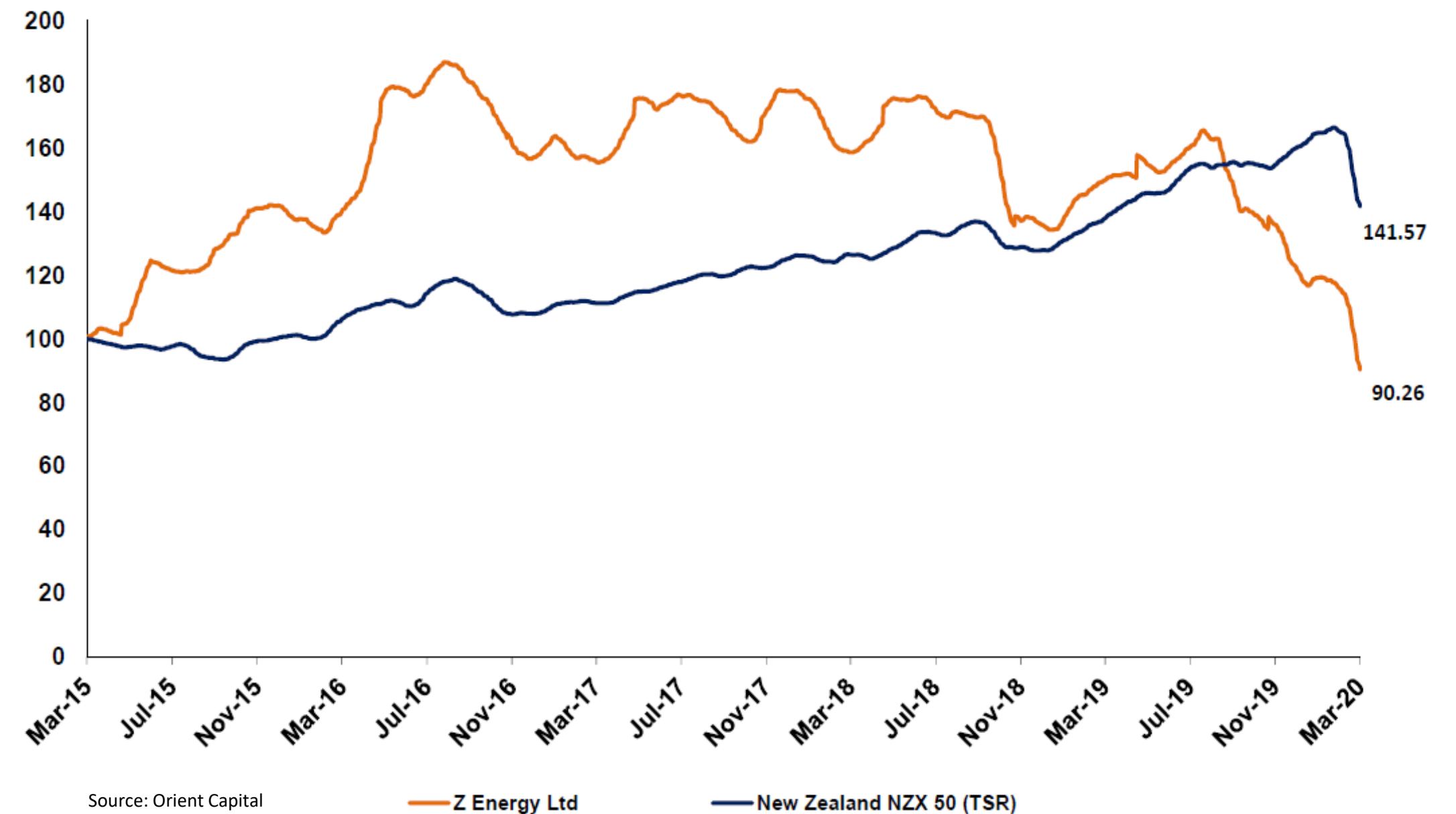
# Governance

## Leading Z on what matters most



- Z is committed to the highest standards of corporate governance and to ensuring diversity, including of skills and experience, within the Board and the leadership of Z
- Z's board believes it should relentlessly focus on four matters: **context, strategy, risk, and assurance**. With the aim to better understand and test our assumptions about Z's future strategic options
- Board is entirely comprised of non-executive directors and leads a highly credible and capable management team with significant international experience in downstream petroleum with a breadth of international and domestic experience in all segments of the supply chain

## 5-year summary – TSR performance



# Governance

## Leading Z on what matters most



Directors' skill matrix as at 31 March 2020

Strategic context aligned to Director capability

Number of Directors with high and moderate capability

Sufficient capability

Focus for future succession

Area of ongoing Board learning

Creating value for investors by focusing on a safe and profitable core fuel business	Strategic knowledge for scale oil	● ● ○	✓		
	Operating model transformation – balancing legacy and growth	● ● ○ ○ ○ ○	✓		
	Heavy industry business (or similar).	● ● ● ○	✓		
	Finance and capital markets	● ● ○ ○ ○	✓		
Delivering outstanding customer experiences while positioning ourselves for the future disruption	Retail transformation	● ● ○ ○	✓		✓
	Customer insight, data, and brand	● ○ ○		✓	✓
	Digitisation – back office and field	● ○ ○		✓	✓
Remaining a people and values-based company committed to future generations	Listed company governance	● ● ● ● ○ ○	✓		
	HSE (Health and safety)	● ● ● ○ ○	✓		
	Sustainability and clean green energy	● ○			✓

● High Capability  
○ Moderate Capability



**“Our purpose is to solve what matters for a moving world”**

**Thank you**

