



# Annual Shareholder Meeting

Z Energy (NZX / ASX : ZEL)

**Abby Foote, Board Chair**

**Mike Bennetts, Chief Executive**

June 2021



# 2021 ASM agenda

## Hybrid meeting allowing for maximum participation

- Introducing the Z Board
- Presentations from Board Chair and Chief Executive
- Q&A session
- Voting instructions online and in your notice of meeting
- Three resolutions to consider and vote on today

# Chair's Address

Abby Foote







# Thank you

## To our employees, our partners and our shareholders

- To our shareholders for their support during Covid-19
- Z's operations team and retail site staff team members who were delivering an essential service safely and reliably every day, despite nationwide lockdown conditions
- Mike and his leadership team for safe and reliable operations through the complexities of Z's Covid-19 response



# Financial & Operating highlights

## Delivering on our promises

- Replacement Cost (RC) EBITDAF of \$238m, within the earnings guidance given at the half year against the backdrop of Covid-19 and rising crude prices in 2H FY21
- On-plan operating expense reduction delivered \$48m of cost reductions
- Institutional Placement and Share Purchase Plan raised \$347m
- Return to paying dividends six months ahead of schedule
- No change to FY22 guidance, with RC EBITDAF expected to be in a range of \$270m to \$310m and dividends to be in a range of 19 cents to 23 cents per share



# Industry change driving value

## Achieving Z's desired industry structure

- Fuel Industry Act (FIA) has created Terminal Gate Pricing (TGP) regime which creates more competition in the wholesale market for supply
- Z proactively managing its own assets, exiting parts of the long-standing industry Borrow and Loan scheme that has disadvantaged Z in recent years
- Exiting the crude oil supply chain will mean a more flexible, cost-effective import model
- Transition to an import-only model will reduce earnings volatility with no exposure to refining margins and remove costs. Along with less volatile earnings the resulting working capital release will enable our capital strategy

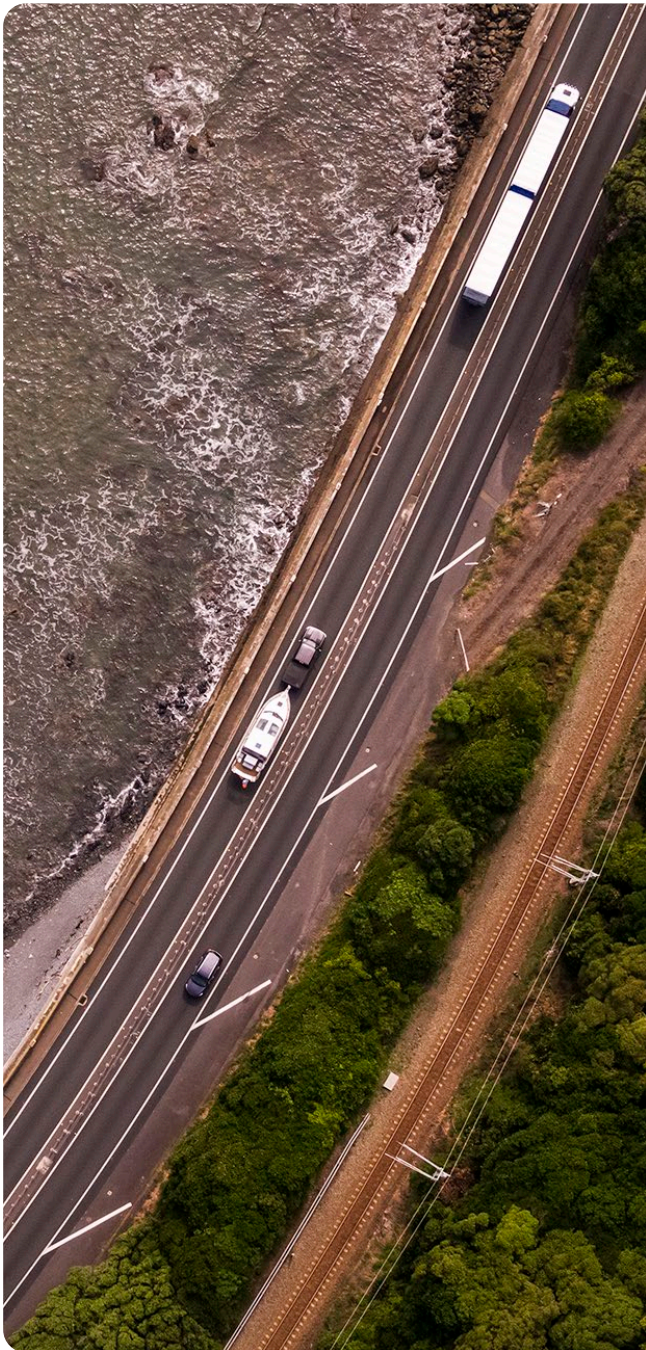




# Market value of Z Energy

## Achieving fair value for Z shares

- We acknowledge the frustration of shareholders at the current low price
- Strategy and execution over FY21 has been excellent and we have been successful in establishing the structures and conditions that will drive future success
- Market consensus forecasting double-digit RC EBITDAF growth along with dividends increasing in FY22 as Z recovers from the worst of the effects of Covid-19



# Climate change

## Energy markets are in transition

- Climate change is one of the most material risks of our time; given Z's industry and scale, few companies can make more of a contribution to a lower carbon future for New Zealand
- Energy demand will increase in the future; New Zealand's energy transformation will be one of energy substitution and growth, not market disruption
- Hydrocarbons expected to be largely replaced by biofuels and eventually hydrogen; these forms of volatile, liquid energy are core to Z's operating strengths and Z sees significant opportunity as it transitions along with energy markets
- Z's long term forecast model is consistent with the Climate Change Commission's recently announced forecast





# Conclusion and re-election

## My re-election to the Board of Z

- Eight years at Z, the last two as Chair of the Board
- This will be the last time that I seek re-election
- Currently hold directorships at Sanford and Freightways having previously served on the Boards of TVNZ, Te Papa, Transpower and LIC
- Thank you for supporting my re-election to the Board of Z

# CEO Presentation

Mike Bennetts







## A lot has happened in one year

- Regulatory concerns addressed and clarity provided after fuel industry review
- On the cusp of a wholesale market transition to terminal gate pricing that will benefit Z through differentiated offers to customers and wholesale market growth
- In-principle heads of agreement with Refining NZ for an import terminal will see Z exit the crude oil supply chain and result in significant simplification
- Climate Change Commission's advice finalised with renewed focus on Biofuels mandate
- Challenges from Covid-19 persist for retail site staff and product demand

**+\$10-15m**

RC EBITDAF growth  
from wholesale market

**6%**

Biofuels penetration  
in 2035

**\$48m**

Operating expense  
reduction

**+75%**

YoY increase in site  
staff abuse

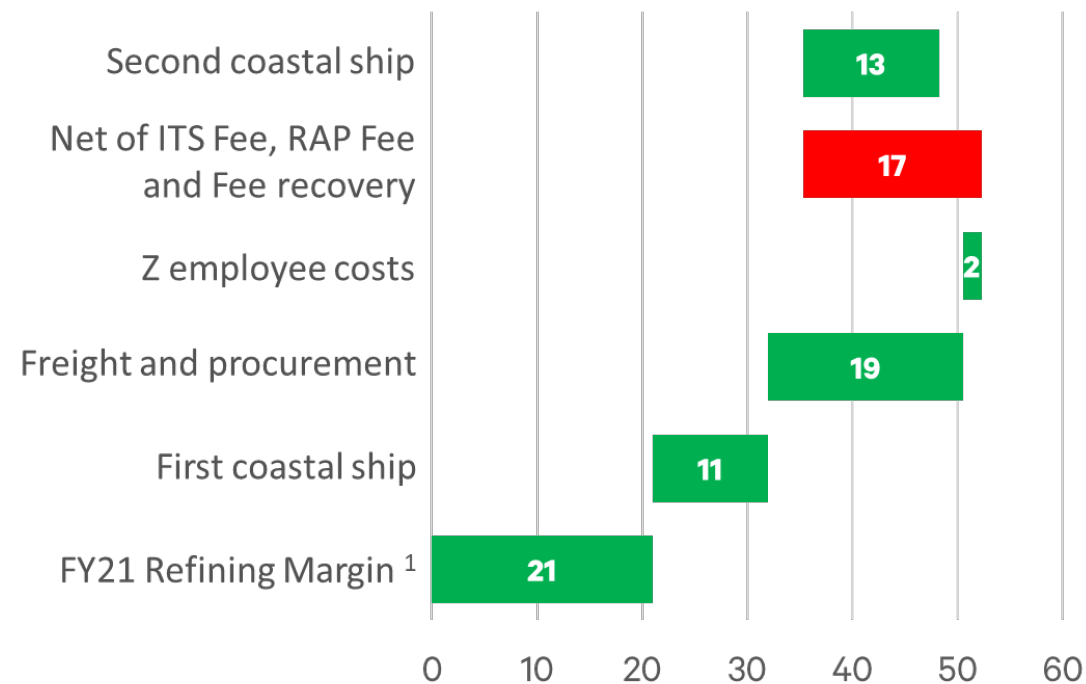




# Transition to an import terminal

- Refining NZ requires approval from shareholders (July) and Refining Board (August)
- Exposure to refining in FY21 impacted Z by a minimum -\$45m of RC EBITDAF
- Potential for more procurement benefits resulting from tripling product import volumes from current level
- Cash release of ~\$150m enables debt repayment and supports sustainable future dividends

RC EBITDAF impacts versus FY21A(\$m)



<sup>1</sup> Refining margin of -\$21m is for FY21 only. Long run refining margin for ZEL was \$60m per annum over the past 10 years.

Projected financial benefits are Z's best estimates based on internal forecasts and subject to a range of New Zealand Refining approvals (including shareholder approval, Board approval and all three major customers reaching final agreement). Forecasts should not be relied upon as guidance or an update of guidance to the market. These earnings are likely to appear over time and may not be fully realised until FY24 (and there is no guarantee that they will appear or be fully realised at all)



# Z's four point plan

1. Reduce costs
2. Hold market share
3. Monetise scale
4. Manage capital

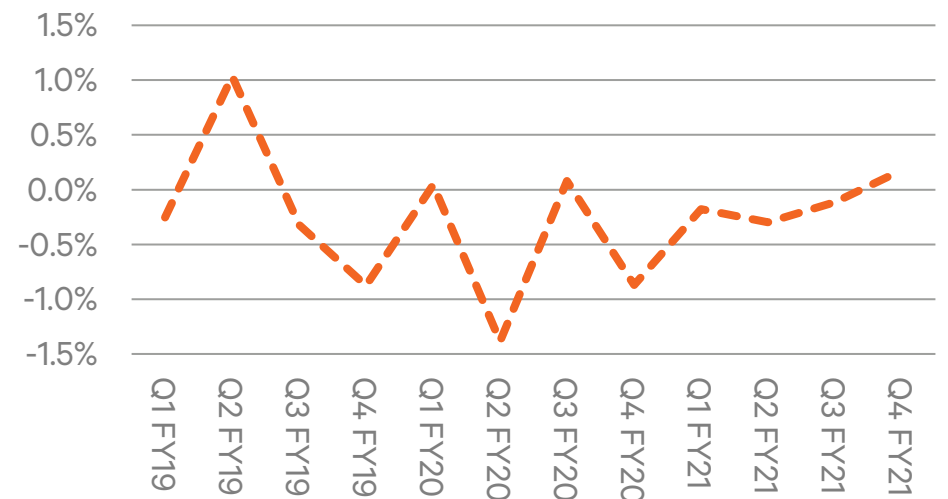
**+\$20-30m**

RC EBITDAF growth  
from Store income

**+\$10-15m**

RC EBITDAF growth  
from Wholesale market

**QoQ Total Fuels Market Share**



Source: Data from MBIE quarterly Industry Sales

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# Looking forward

- Four point plan maintains focus on execution of strategy
- Investor Day on 28 July 2021
  - Further optimising the core business
  - Long term demand forecasts
  - Plans to transition to a low carbon future
  - Capital management – what to do with operating cash



# Questions & Answers

Abby Foote

Mike Bennetts



# Questions and Answers

## Pre-submitted questions from shareholders

### Question

### Shareholder

What program is under way to address the 50% drop in share price since October 2019

Lewis John Mrkusich

the share price of Z keeps dropping. what's the plan board is preparing to improve the business and return.

Zhen Yu Wang

Have you considered having a dividend reinvestment plan?

Kevin Barry Taylor

Is Z energy included in the fossil fuel exclusion for the revised KiwiSaver default schemes? If so, how do directors consider this along with other ESG managed fund exclusions which may include Z energy, will affect the market demand for Z energy shares?

David Michael Biegel

with the challenge of electric car down the road, what is the plan to embrace this revolution?

Zhen Yu Wang

How prepared is Z in the next coming years after COVID-19 and with electric cars replacing fuel cars? Is there certainty that the company will still "exist"?

Jonathan Vee Leong The

Better service. Too many stations I visited in the north island, were too busy making coffee etc, you had to wait to pay for gas in a line

Anthony John Loftus

# Questions & Answers

Abby Foote

Mike Bennetts





# Shareholder Voting

Shareholder resolutions



# Resolution 1

That the Board be authorised to fix the fees and expenses of KPMG as auditors for the next year.



## Resolution 2

**That Abby Foote, who has held office for three years since last being elected and is eligible for re-election, be elected as a Director of Z Energy Limited.**





# Resolution 3

**That Mark Cross, who has held office for three years since last being elected and is eligible for re-election, be elected as a Director of Z Energy Limited.**





## Forward looking statements

This document contains certain forward looking statements with respect to Z. All of these forward looking statements are based on estimates, projections and assumptions made by Z about circumstances and events that have not yet taken place which, although Z believes them to be reasonable, are inherently uncertain. Therefore, reliance should not be placed upon these estimates and statements. No assurance can be given that any of these estimates or statements will be realised. It is likely that actual results will vary from those contemplated by these forward looking statements and such variations may be material. Past performance is not a reliable indicator of future performance. Z is under no obligation to update forward looking statements if circumstances or management’s estimates or opinions should change. This document also includes non-GAAP financial measures including “Replacement Cost” and “EBITDAF”. These measures do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

**Thank you**

