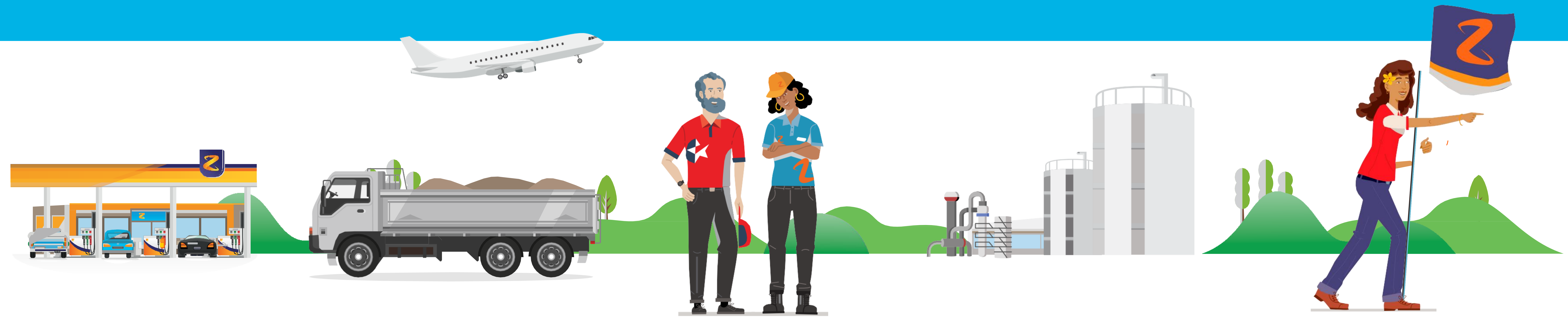
Z Energy
(NZX: ZEL)

Investor Presentation on Z Energy and NZ downstream fuel market

May 2019

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 NZX10 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. We supply ~45% of all transport fuels in NZL including petrol, diesel, jet fuel, bitumen and marine fuel oil.

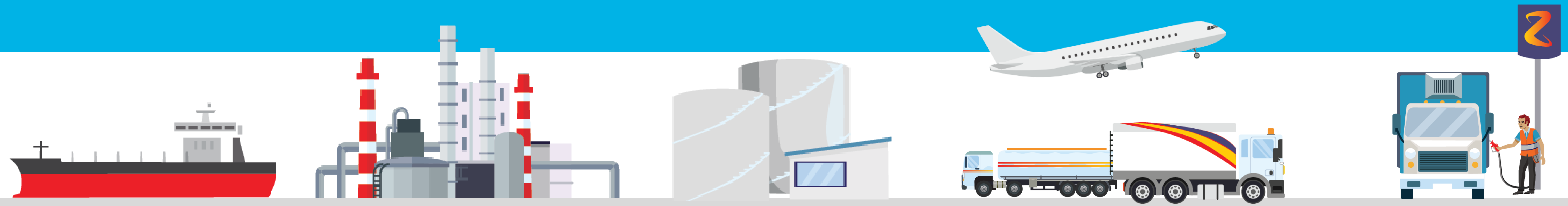
Acquired the Caltex NZ business from Chevron in June 2016 which, at time of the acquisition, gave us exclusive wholesale supply to 147 independently owned and operated retail sites and 72 truck stops around NZ

Z owns 15.1 per cent of New Zealand Refining (NZX: NZR) as well as terminals in nine port locations and ~204 Z branded retail service stations.

Z is a focused, locally managed and operated downstream New Zealand fuels business not integrated with any upstream oil / gas producer. All decision-making and governance functions are in-country and seeks to behave as a distinctively transparent, values-based Kiwi company.

Z at a Glance

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



1 Imports

2 Refining & primary distribution

3 Terminals & secondary distribution

4 Commercial Marketing

5 Retail Marketing

CALTEX

Imports

- ~20m bbl of crude product through RNZ
- ~7m bbl of refined product imported

Refining & primary distribution

- ~45% of RNZ refining capacity
- 50% ownership of Costal Shipping JV (COLL)
- 15.1% ownership of Refining New Zealand

Terminals & secondary distribution

- Eleven fully-owned and operated terminals
- 276ml terminal capacity

Commercial Marketing

- 159 truck stops across Z and Caltex brands*
- 2,568ml total commercial sales volume*
- 1,217ml commercial diesel
- 882ml Jet & Avgas
- 163ml Marine fuel and 140ml Bitumen
- ~45,000 Z card and StarCard customer accounts

Retail Marketing

- 204 Z sites
- 139 Caltex independently owned and operated sites*
- 1,604ml total retail fuels*
- Convenience store non-fuel sales ~$346m
- Lubricants
- Flybuys & AA Smartfuel loyalty programmes
- FoodStuffs Docket Redemption program

* Numbers as at 31 March 2019. Cumulative volumes for FY19.

Investment Thesis

An attractive long-term investment by providing high quality, reliable returns to our investors

Optimising our market-leading position	• Z's unrivalled supply chain infrastructure provides competitive advantage through scale and reach • Z is one of New Zealand's most recognised and trusted brands capable of extending to adjacent markets • Z's scale provides options that allow us to adapt and innovate in a market that will be slowly disrupted by long-term trends
Pursuing a differentiated strategy that generates long term customer loyalty	• Focus on Z's capabilities in customer experience, productivity, innovation, digitisation and brand • Deliver distinctive customer experiences that drive loyalty • Reduce time to market and lower investment risk through human centred design, innovation and experimentation
Delivering earnings growth in a changing industry	• Continue to deliver moderate earnings growth by operating a more efficient and productive core business • Invest in the core business with rigour; only invest when discounted paybacks are less than five years • Experiment in three adjacencies for alternative or replacement revenue streams – future fuels, mobility and the 'last mile'
Allocating capital with discipline to maximise shareholder value	• Manage cashflows and capital to deliver a sustainable dividend in line with earnings growth • Limit capital employed in our core business to $2 billion by selling the least productive assets to fund growth • Maintain a strong balance sheet with the capacity to leverage debt to fund non-organic investments
Remaining a people and values-based company	• Committed to our purpose 'to solve what matters for a moving world' and our ambition to be 'a world class Kiwi company' • Maintain high levels of employee engagement and customer satisfaction • Develop organisational capabilities and individual talent for an uncertain future
Doing good in Aotearoa New Zealand by recognising our heritage and being committed to future generations	• Contribute to a sustainable future at a scale that few other companies can by supporting the transition to a lower carbon future • Provide thought leadership where we have a track record, especially in areas like HSSE, Diversity and Inclusion, and CX • Actively support the communities in which we operate on what really matters to them

“What is Next” (WiN) Strategy

Strategy focussed on generating options beyond the core

Three option rich areas have been identified for further exploration

1. Future Fuels

Focus on adoption of low to zero carbon products

Context: climate change drive to a lower carbon economy

Options to assist provision of low carbon energy dense fuel – primarily for long range transport (ground, seas and air)

Example: BioJet

2. Mobility

Future movement of people

Context: enabled by technology development

Options to extend participation in the mobility value chain

Example: Autonomous Vehicle sharing

3. Last mile

Leverage retail network for delivery of goods and services

Context: 80% of NZ’s population lives with 5kms of Z Group sites

Options to extend participation in the logistics and consumer services value chain

Example: Dropbox centre, Drone Delivery

1 Industry Overview

NZ Fuel Distribution Supply Chain

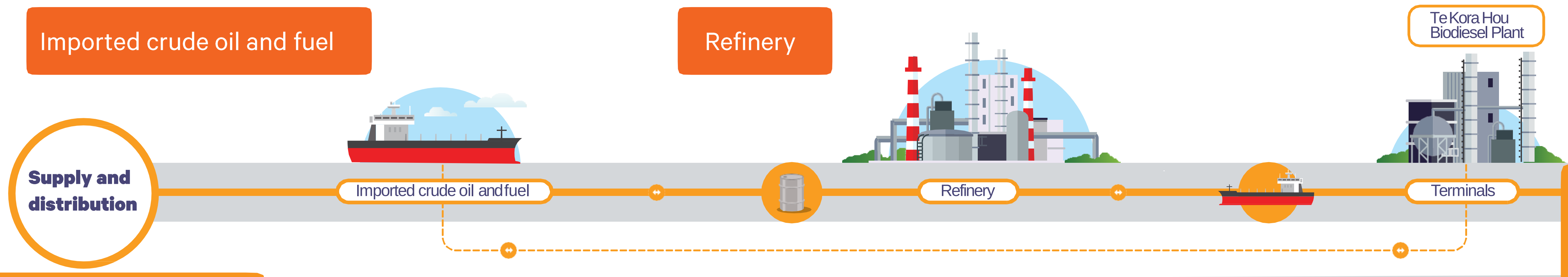
Z does not explore or drill for oil, so we need to purchase it on the international market. Z imports 14.7 million barrels of crude oil and 4.5 million barrels of refined fuel per year – nearly half of New Zealand's total transport fuel.

Imported crude oil and fuel

All crude oil imported into New Zealand is refined by Refining NZ – New Zealand's only oil refinery. Z uses nearly half of the capacity of the Marsden Point refinery where crude is refined into petrol, diesel, jet fuel, fuel oil, and bitumen. Z has a 15 percent shareholding in the refinery.

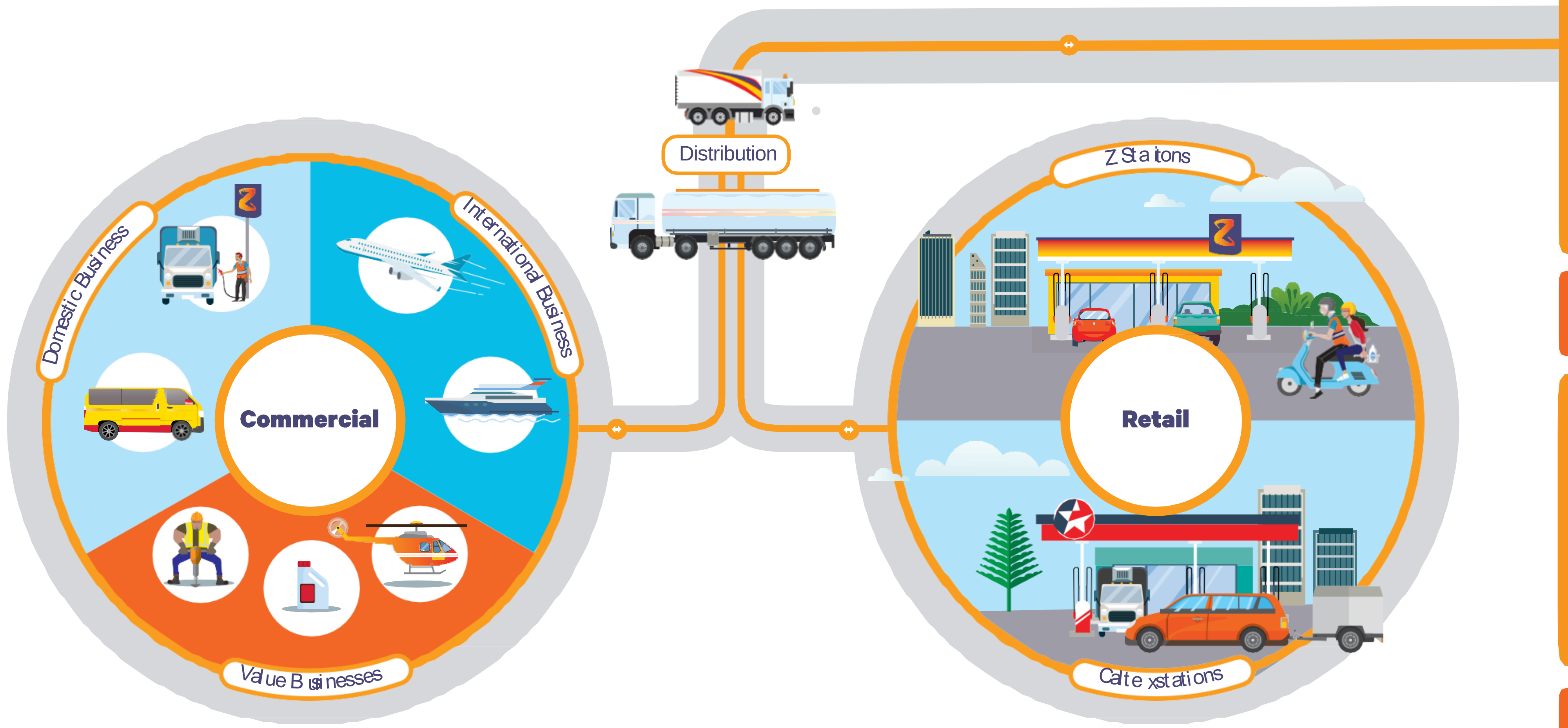
Refinery

Te Kora Hou Biodiesel Plant; New Zealand's only doemstic Bio Diesel manufacturer from (inedible) Beef Tallow producing 100,000L+ of product



Z provides the fuel for industry, with 2.2 billion litres of sales going through a range of fuels: jet fuel to airlines; marine fuel oil to the shipping, fishing, and cruise-ship industries; all of New Zealand's bitumen to the road-building industry; and diesel for trucks and tractors. Z has the strongest truck-stop network in the country with 156 sites.

Commercial markets



From the terminal storage facilities, refined product is distributed in smaller amounts across New Zealand by road tankers, pipelines, and marine barges to retail service stations, truck stops, and commercial customers.

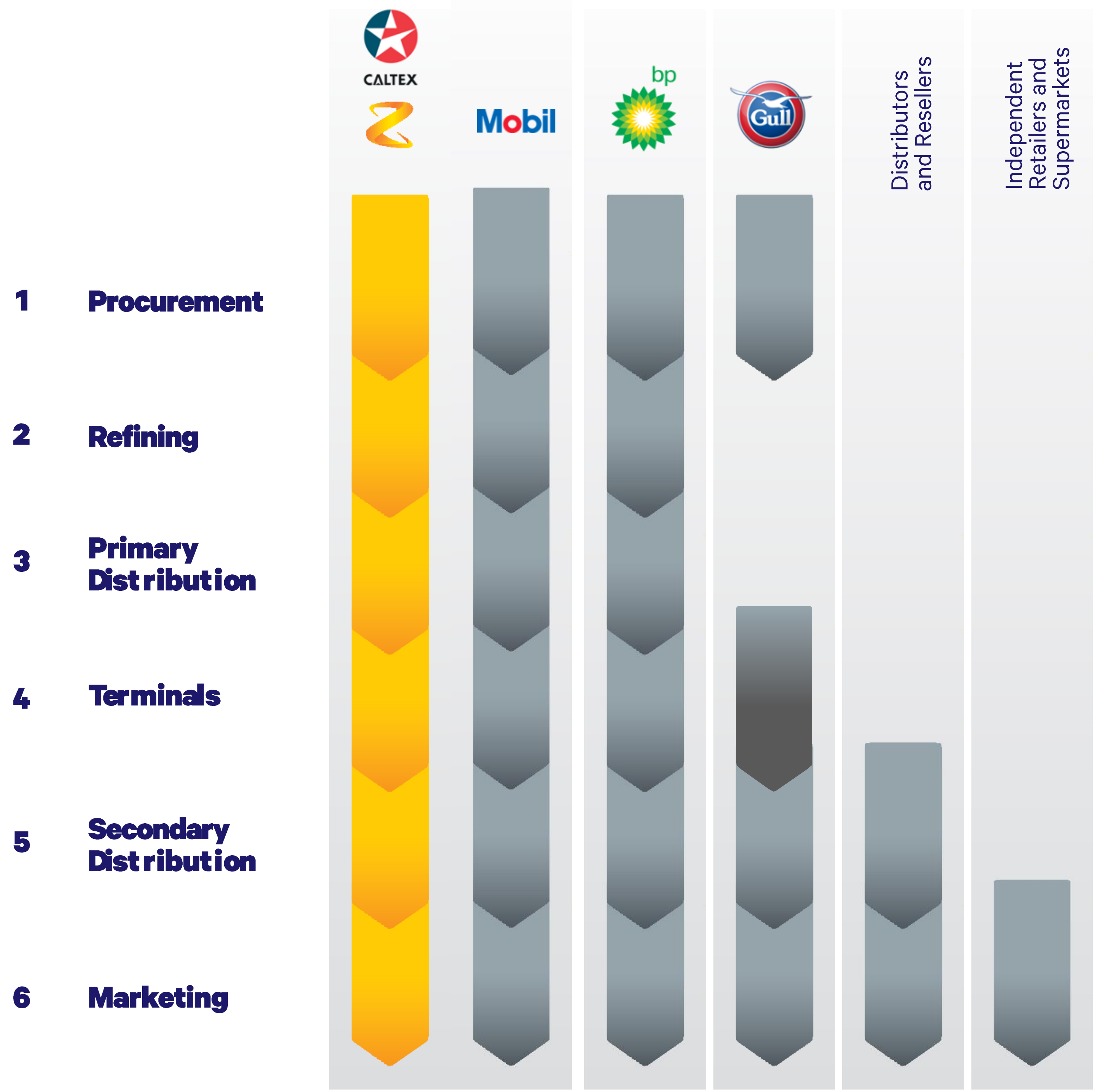
Supplying our customers

Z has 343 retail service stations in its network: 204 Z-branded sites run through an agency model and a bulk supply agreement to 139 independently owned Caltex-branded sites

Retail service stations

Industry Participants

Z is one of three vertically integrated participants with ~45% market share

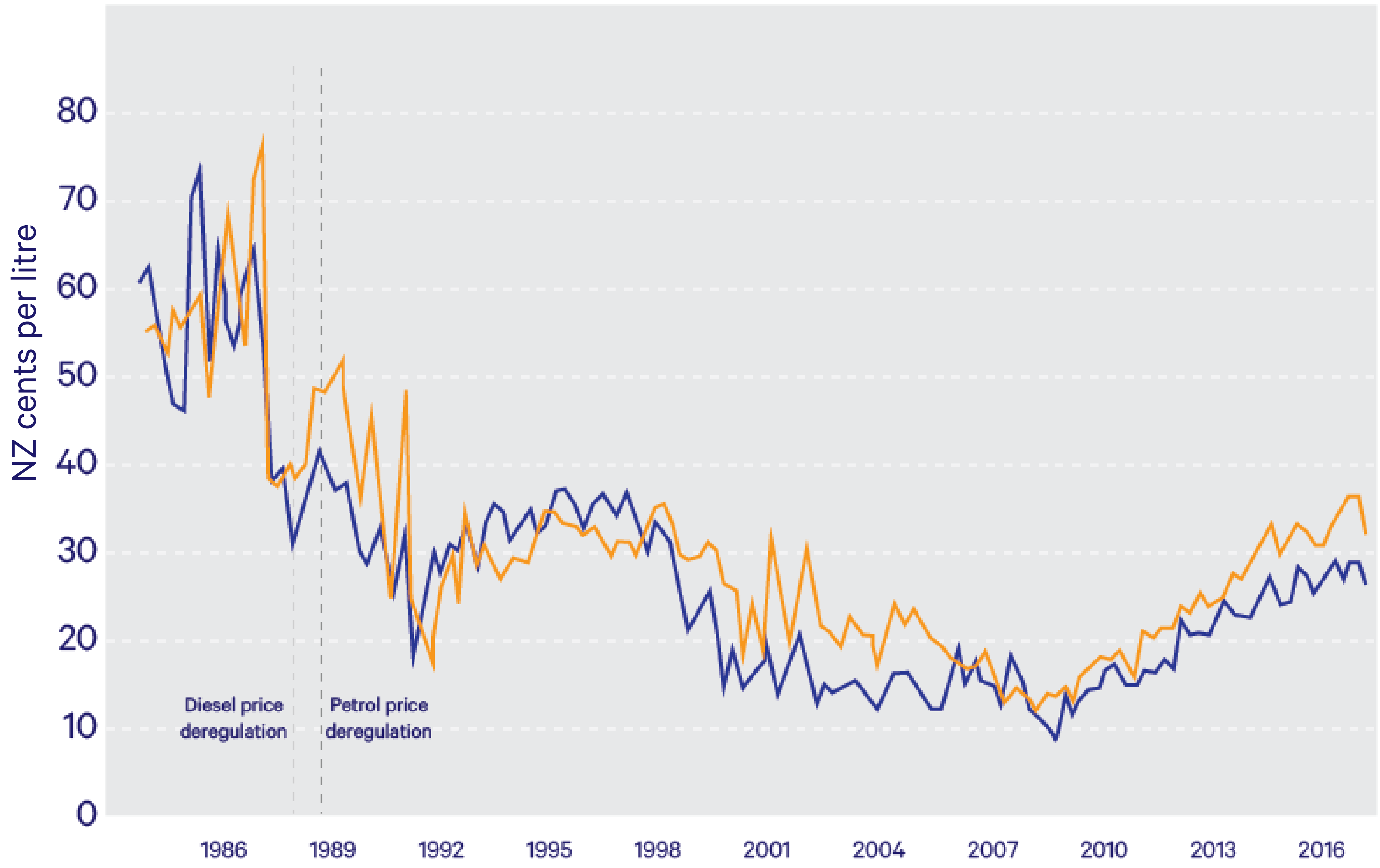


- Z, BP and Mobil are the only integrated operators in the New Zealand downstream oil industry
- Z's principal competitors are subsidiaries of large multinational organisations who run a portfolio of businesses and product lines internationally
- Z is focused solely on the New Zealand downstream oil market
- Gull is an independent terminal and marketing company owned by Caltex Australia Ltd supplied directly from parent company into its Mount Maunganui terminal
- Distributors, resellers and supermarkets source refined products from the integrated operators through long term contracts

Industry Dynamics 1990 to 2010

A rapidly changing industry, only recently for the better

Quarterly Regular Petrol and Diesel Importer Margin
(Real September 2017 prices)

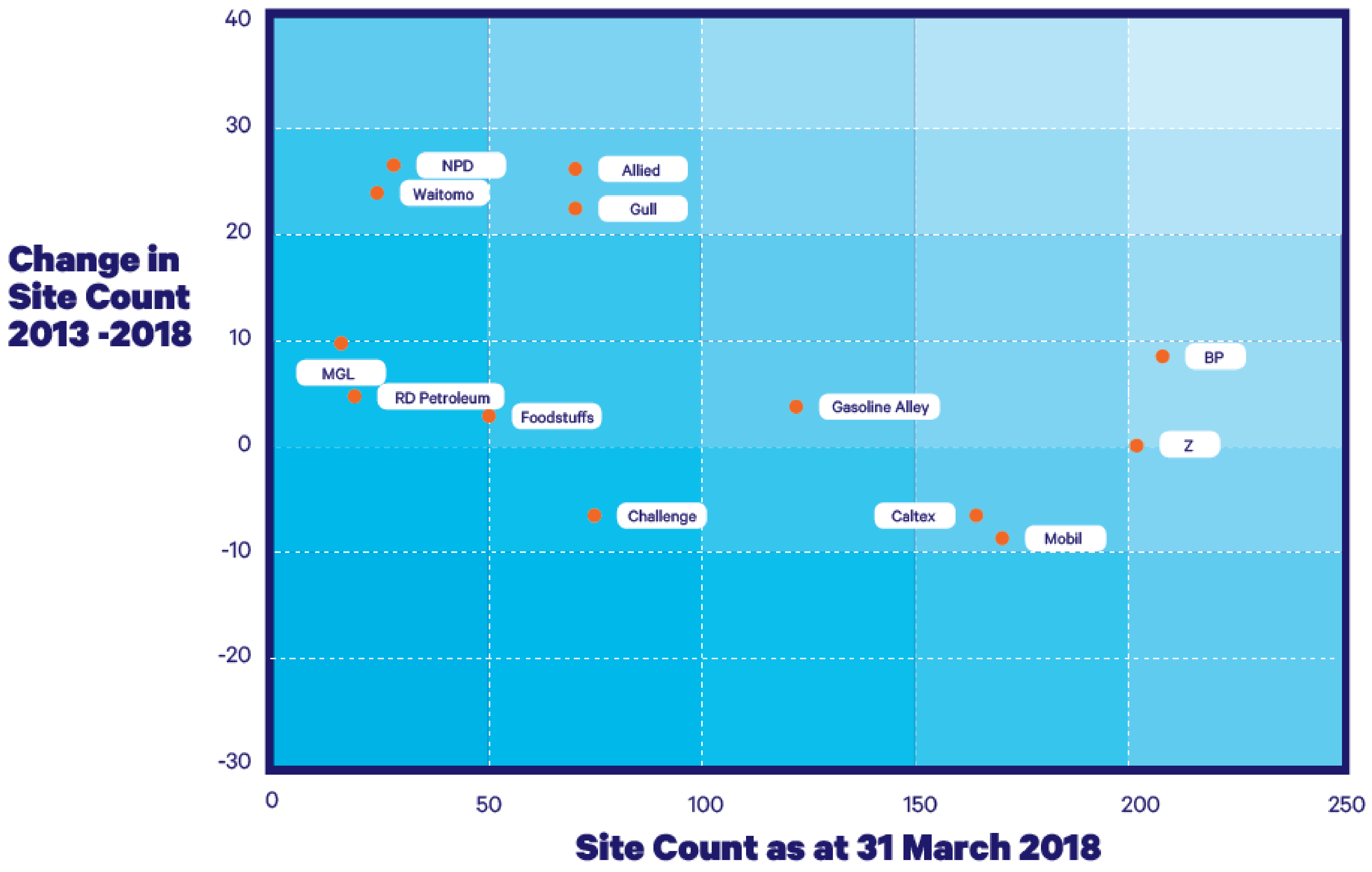


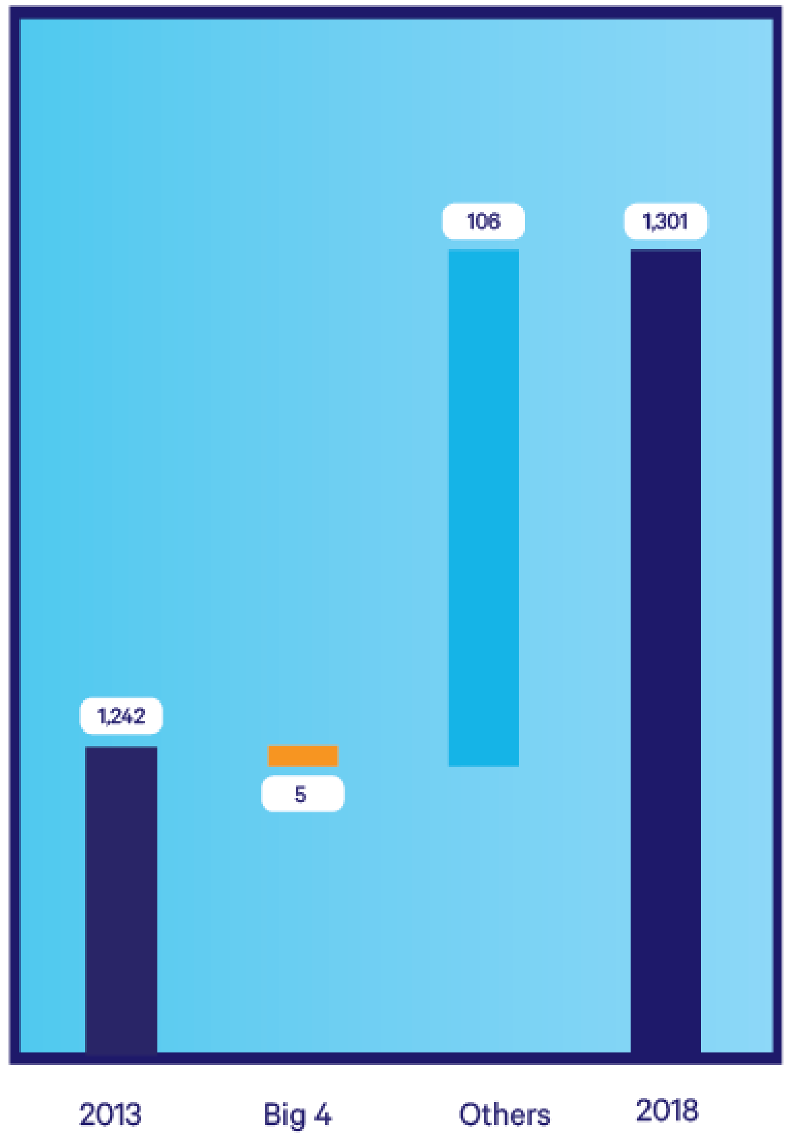
- From ~1990 to ~2010 service stations closures (~1,300 in total) at a rate of one per week
- Insufficient returns to capital, nor sufficient to attract new entrants
- Shell was the first to exit New Zealand (2010), Chevron (2015), Gull (2016) follow
- Companies have progressively decapitalised their businesses and exited retail operations – Chevron sold all retail operations; Mobil and BP have increased presence of independents

Source: MBIE 2017

NZ site ownership dynamics

A diverse market with new entrants and multiple business models





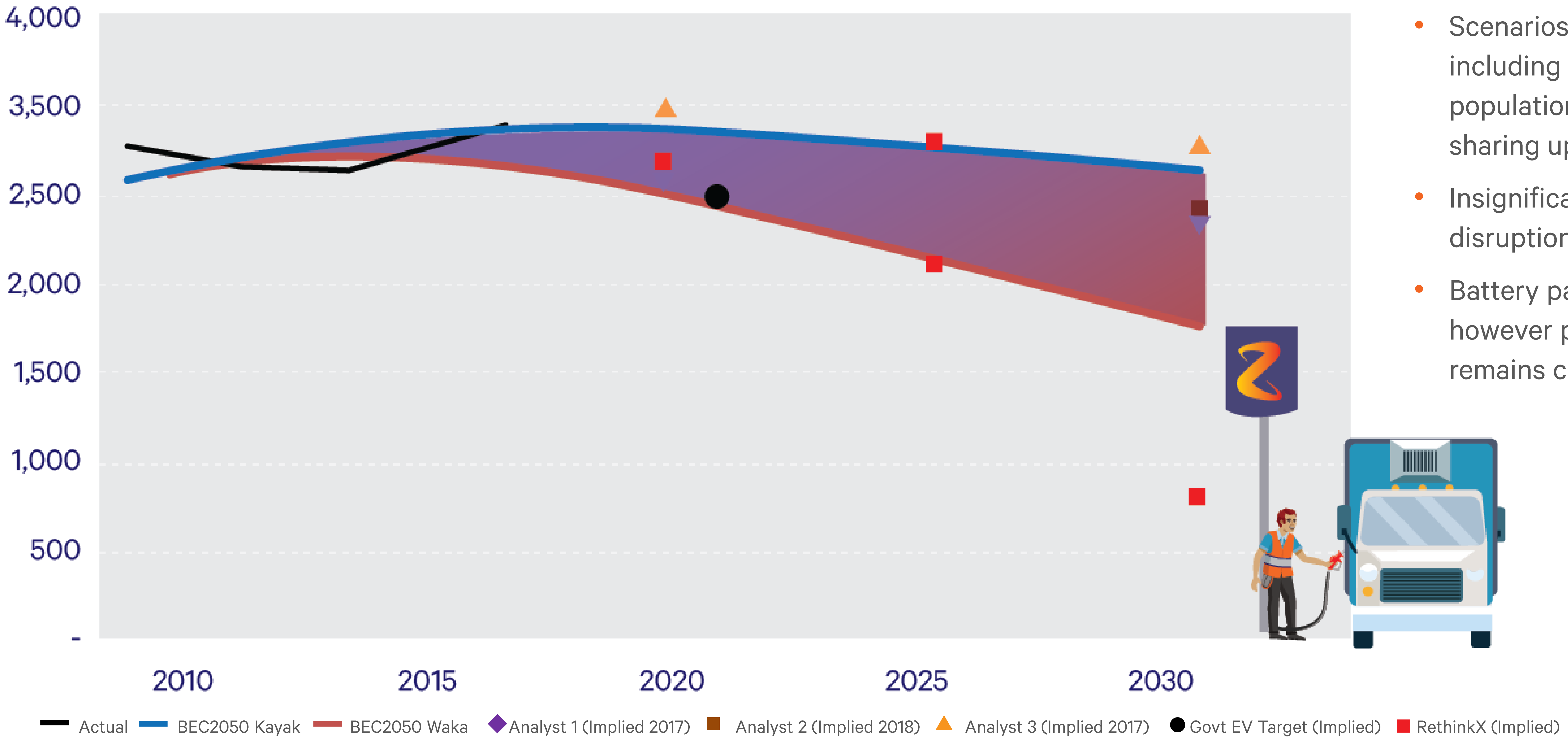
* Changes in retail only sites from 1 April 2013 to 31 March 2018. Source: Informed Sources website and Z estimates

- Independent own / operate retailers ~65% of sites and ~20% market share of sales by volume as at 31 March 2019
- Number of sites have grown (including truck stops) from ~1,236 at IPO in 2013 to ~1,580 in March 2019 with 35 NTI sites added in FY2019 of which 32 unmanned
- The 'Big 3' have added net +2 sites in 5yrs 2013 to 2018, preferring closure or upgrade to network rationalisation
- Retail petrol volumes flat while new to industry (NTI) sites continue to add ~+2% in additional capacity each year

Industry Scenarios

Monitoring long-term demand scenarios, currently above the more favorable 'Kayak' forecast scenario for industry demand

Industry demand for petrol fuels (mlpa) Range of scenarios to 2030



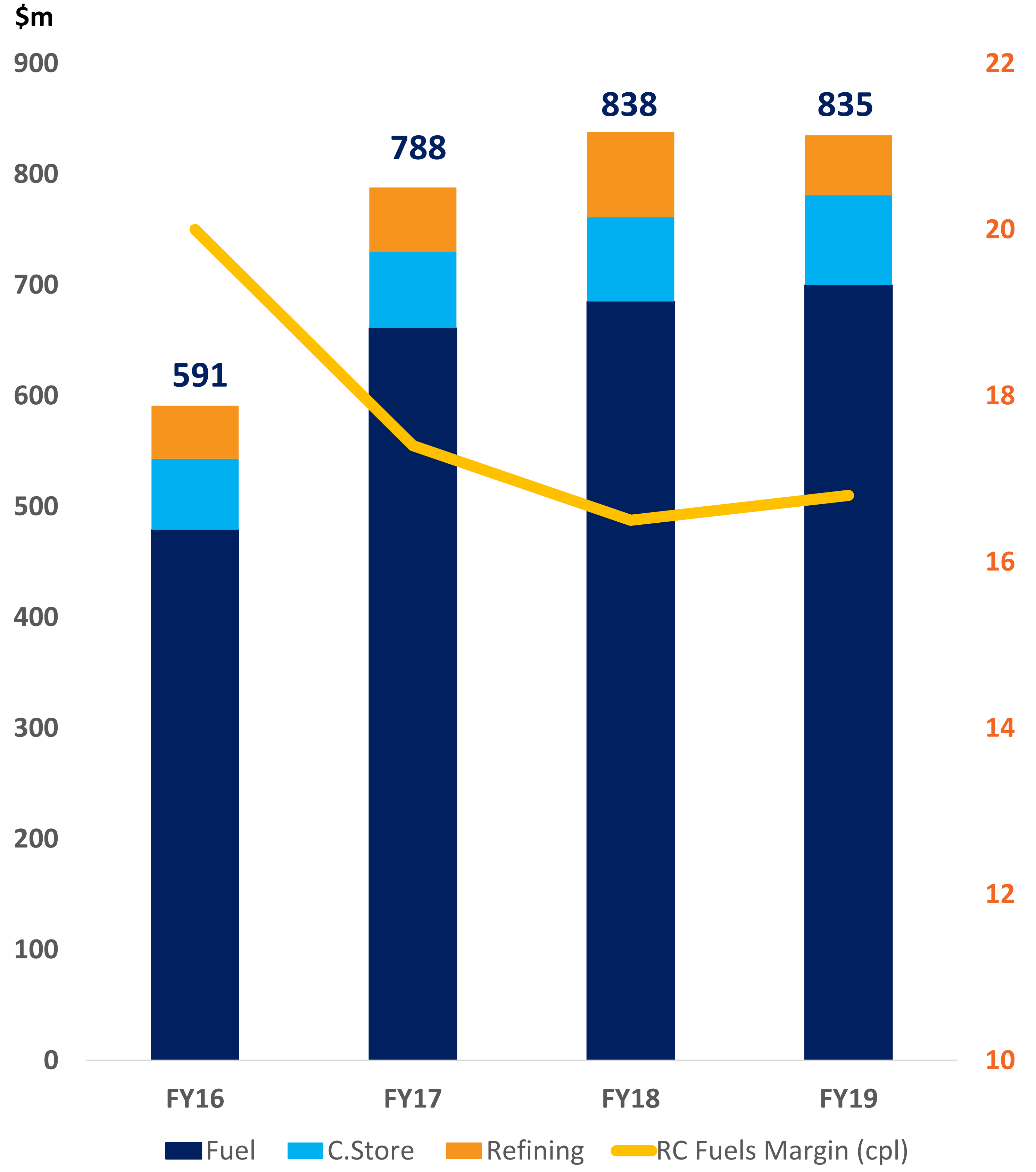
- Scenarios based on multiple variables including ICE efficiency, urban planning, population density, public transport, ride sharing uptake and future fuels
- Insignificant change in lead indicators of disruption, EV uptake continues to grow
- Battery pack costs continue to decline however pricing and availability vs ICE remains challenging

2 Financial Information

Key Drivers of Z Energy's Margins

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

Margin Trends	• Z Energy specific factors have contributed to our margin uplift relative to the increase in overall industry margins: - Rebalancing our commercial portfolio for higher returns - More competitive procurement and supply agreements - Z not matching the level of industry discounting - Non-fuel margin uplift through coffee / food focus and store refurbishments
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



Capital management

Investment in capability funded through divestment proceeds

Metrics	FY19	FY18	Change
Gross debt[1]	$926m	$920m	($6m)
Gross Debt/EBITDAF[2]	2.1x	2.1x	-
Gross Debt/EBITDAF (NZ IFRS16 adjusted)[3]	2.6x	n/a	-
Cost of debt	5.4%	5.2%	(0.2%)

Capex ($m)	FY19	FY18	Change
Growth[4]	34	14	(20)
Integrity	52	77	25
Divestment Proceeds	(17)	(19)	(2)
Net capex	69	72	3

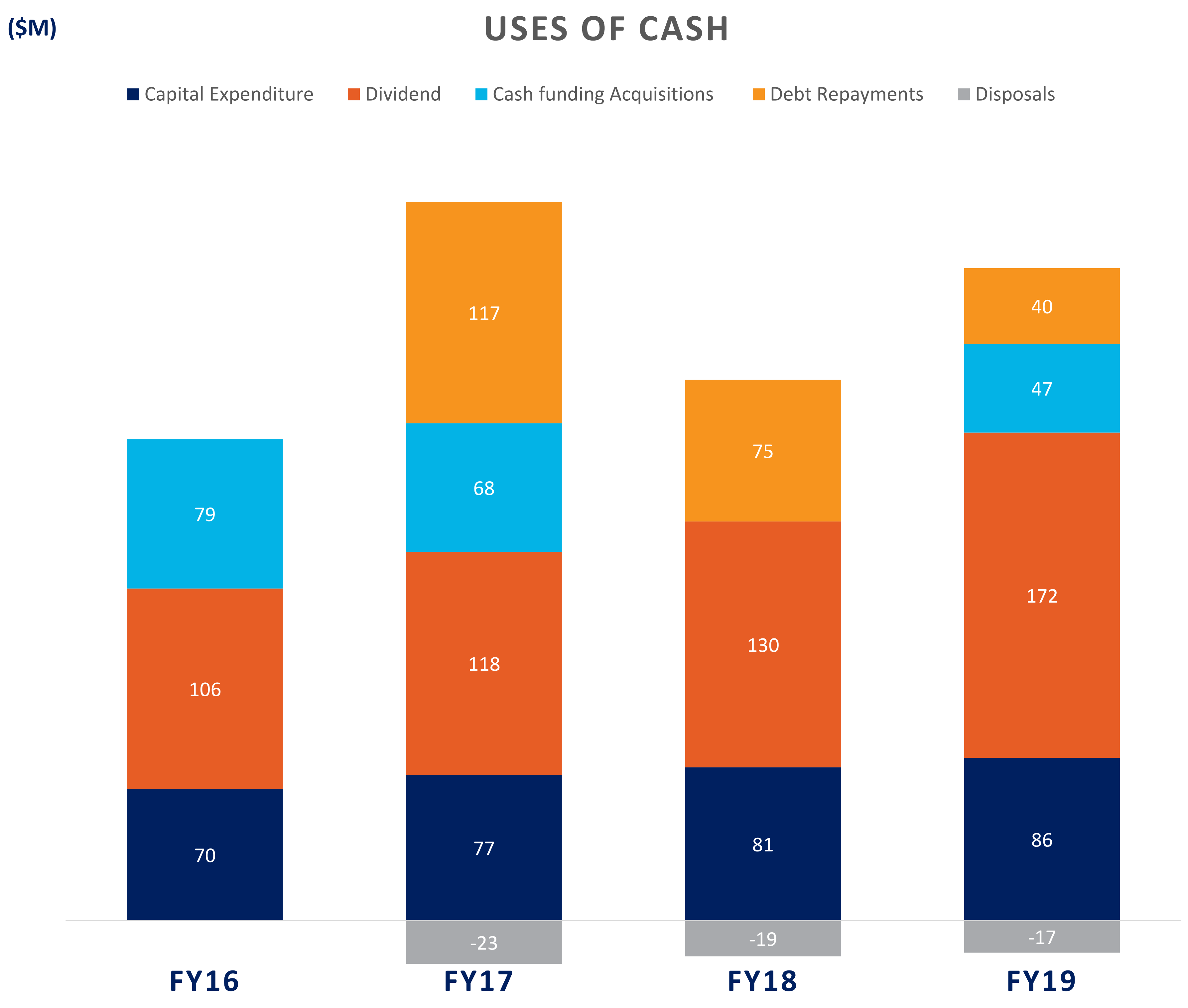
- Gross debt made up of $480m domestic retail bonds, $378m USPP and $68m bank term debt, $135m of retail bonds maturing 2019
- In addition to the $17m of divestment proceeds, $30m of sales is unconditional and to be settled in 1H FY20
- Increased growth capex spend on technology to improve customer experience. Decrease in integrity spend due to capitalisation of new ERP system

Note 1: Gross is defined as the sum of gross domestic retail bonds, gross USPP issuance, bank debt and excludes working capital funding and cash on hand
Note 2: Debt coverage is calculated as gross debt divided by 12 months RC EBITDAF. Covenants calculated under the frozen GAAP method
Note 3: Debt coverage adjusted for impact of NZ IFRS 16 –Leases accounting standard.
Note 4: Growth Capex excludes investment in Flick Energy Limited $47m

Capital management

Reflects a strategy that enables both dividend sustainability and prudent balance sheet management

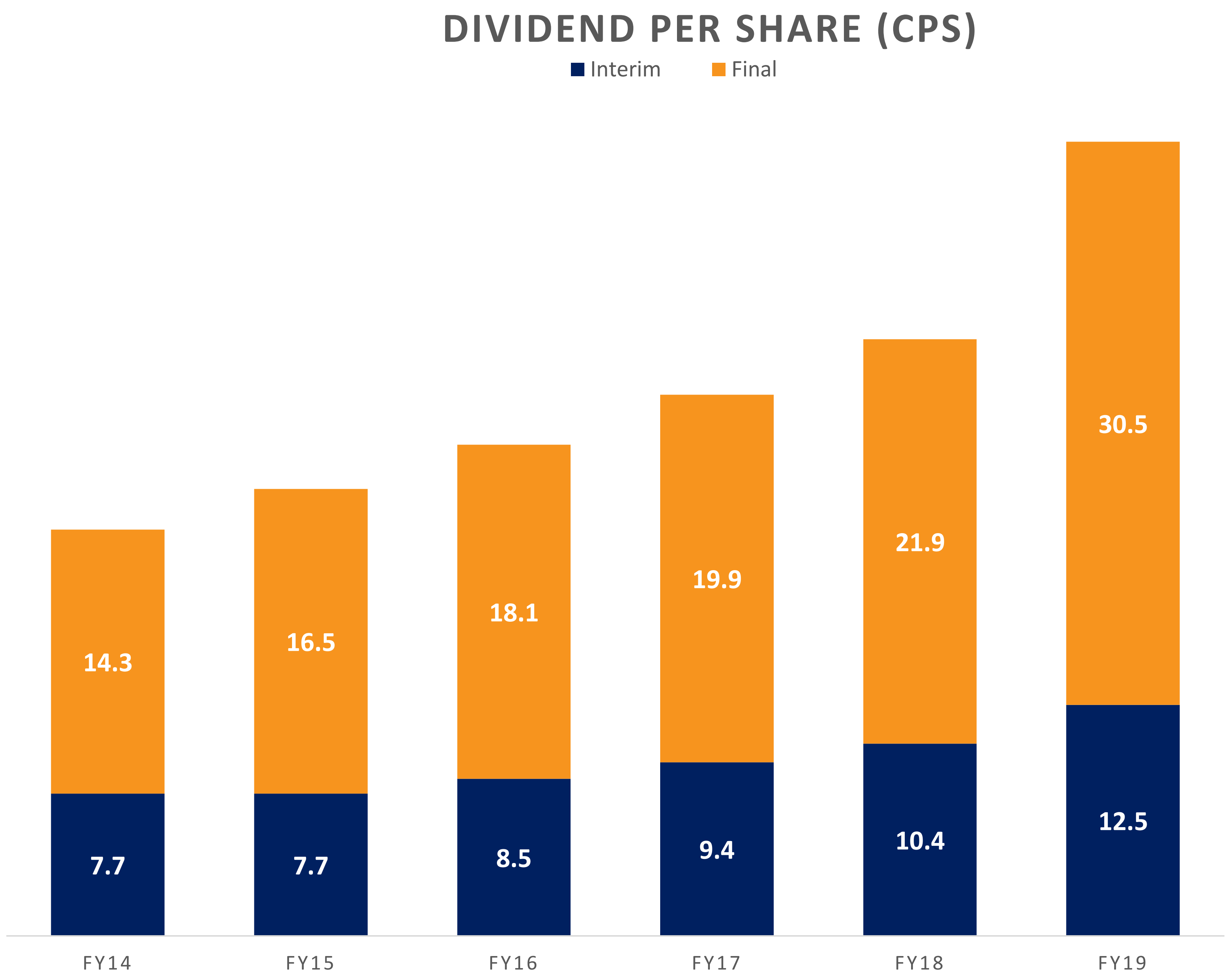
- Optimise our market leading position and pursue a differentiated, capability led strategy
- Deliver growth in earnings and free cash flow from a more productive core business
- Allocate capital with discipline to maximise shareholder value
  - Organic opportunities in the core business that require Growth capex exist and will be funded by divestments
  - $42m of divestment proceeds have been redeployed during FY17-19
- Continue to deleverage to the lower end of our preferred business as usual range of 1.5 to 2.0x gross debt to RC EBITDAF



Dividend policy

Simplification of policy and using our balance sheet to focus on delivering sustainable dividends

- Our intention is to pay a sustainable ordinary dividend each year in line with earnings growth
- A simplified cashflow definition provides clarity and reflects the use of Replacement Cost (RC) in managing the business and assessing performance, and is intended to facilitate predictability of dividends
- In years of outperformance or enhanced cashflow, the Board may use special dividends and share buybacks to manage the capital structure and maximise returns to shareholders
- Since listing in 2013 Z has paid cash dividends of $1.774 per share [1] totalling $709 million; dividend per share has grown from 22 cps in FY14 to 43.0 cps at end of FY19



Pay ordinary dividends of 70-85% of Operating Cashflow less Integrity Capex.

Operating Cashflow is defined as RC EBITDAF less RC tax and net financing costs.

Note 1: $1.774 includes the 30.5cps FY19 final dividend to be paid on 29 May 2019

3 Environmental, Social and Governance (ESG)

Our stands

What we stand for matters and guides our approach to ESG

Our performance

We track our reporting and ESG performance against UN Sustainable Development Goals[1]

1 Our assets
All of our terminals are now under our operational control. We invested in innovative technology for the roll-out of Fastlane, providing customers with new ways of fuelling up without leaving their vehicles. Investments in technology are setting us up for a more digital future.

7 12 13 16

2 Our finances
We achieved our revised earnings targets, continued to reduce our debt and simplified our dividend policy to provide increased clarity and certainty to investors. We remain on track to deliver the synergy benefits expected from the Caltex acquisition.

3 5 7 8 11 12 13

3 Our capability
Our organisational capability strategy continues to develop to align with our focus on customer experience, innovation and digitisation under Strategy 3.0. It is designed to ensure our people have the skills they need to succeed for the future. As part of this we have rolled out an ambitious Innovation Capability Programme.

3 7 12 13 16

4 Our people and culture
Our staff engagement levels remain high. Z appointed its first female Board Chair and celebrated the first anniversary of attaining the Rainbow Tick diversity and inclusion certification.

3 4 5 7 8 12 13 16

5 Our environment
Z's greenhouse gas emissions decreased this year compared to FY18, driven by reductions in operational emissions from coastal shipping, ground freight of fuel and retail electricity use. Our biodiesel is now fuelling Fonterra's North Island milk tanker fleet. We have not made as much progress toward our waste reduction targets as planned.

7 12 13 15 16

6 Our place in New Zealand
We remain committed to our Community stand and to doing good in our neighbourhoods. In the 2018 Good in the Hood programme we ran a fuel discount day, raising extra funds for community groups across the country.

3 4 5 7 8 11 12 13 16

1 The United Nations Sustainable Development Goals set a global context around sustainable development. Our positive aspirations and actions align closely with 10 of the Sustainable Development Goals (3/4/5/7/8/11/12/13/15/16)

HSSE

Focus on zero harm and creating a generative safety culture

We believe Z's purpose to solve what matters for a moving world compels us to act on HSSE. Our HSSE Stand remains more relevant than ever and we continue to build the capability, leadership, and culture to operate a safe business. We also continue to make changes to our business, including progressively integrating our terminals under one management system, commissioning the biodiesel plant, and optimising our retail networks.

People safety:

- 29 LTIs were a mixture of slips, trips and falls with no systemic or concentrated area of hazard management that could be easily improved
- 14 Robberies is a 39% drop over PCP (FY18: 23)
- 38 Life Saver breaches (FY18: 15)

Total Recordable Case Frequency (TRCF)

1.84

FY2018: 0.86

Z Employees: 0.49 (FY18: 0.26)

Retailers and Mini-Tankers: 2.19 (FY18:1.00)

Process safety:

- Tier 1 or Tier 2 process safety incidents: 0 (FY18: 1)
- Spills to Ground (loss of containment): 0 (FY18: 0)
- Executive safety “walk and talks”: 58 (FY18: 56)

Tier 1 or Tier 2 process safety incidents

0

FY2018: 1

Environment

Our stand: An environmentally sustainable New Zealand that is an example to the rest of the world

Z wants to move from being a part of the climate change problem to the heart of the solution; we'll provide leadership and solutions to enable our customers, stakeholders, and communities to join us on the journey to a low-carbon future.

Collecting data on our waste: Each year we collect data on the waste streams from our retail sites

Green House Gas Emissions: We follow the principles of the GHG protocol to measure our emissions

Our operational carbon footprint: We've fully accounted for our operational carbon emissions by investing in permanent, voluntary forest offsets with 58,000 tonnes of voluntary carbon purchased

Permanent forests: Z partnership with *Trees That Count* building New Zealand's marketplace for native-tree planting. Z's funding is based on specific 'discount days' at Z service stations

Influencing others: Z is one of the founding members of the Climate Leaders Coalition (CLC)

Shipping: We're setting a minimum energy standard for shipping including backhauling

Waste: We continue to reduce waste to landfill across our retail network

CLIMATE LEADERS COALITION

TREES THAT COUNT TE RAHI O TĀNE

Drylandcarbon

Community

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

- "Good in the Hood" programme started in 2012 with over $5m funding to supporting local charities and community groups
- Te Ao Maori across Z and Rainbow Tick accreditation
- Aon Hewitt 'Top 5' employer in New Zealand and Australasian
- Z fifth most trusted brand in New Zealand (Source: Colmar Brunton)
- Z Foundation (hardship fund) launched and scholarships for Z retail network skilled volunteering programmes
- Workbridge partnership and inter-agency partnership for disability employment

Thanks

https://investos.z.co.nz