Z Energy

(NZX: ZEL ASX:ZEL)

Equity Raising Presentation

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Executive Summary

Z Energy is undertaking an equity raising to raise up to NZ$350[1] million

1

Z Energy announces equity raise up to NZ$350[1] million ("Equity Raising"):

- NZ$290 million fully underwritten placement ("Placement")
- Non-underwritten Share Purchase Plan ("SPP") to raise up to NZ$60 million

2

Z Energy is implementing several strategic initiatives to navigate the current operating environment and ensure it remains well positioned for the future

- Equity raise to strengthen Z Energy's balance sheet and enhance its liquidity position
- Covenant relief from banking syndicate and USPP noteholders for the 30 September 2020 and 31 March 2021 test periods
- Enhanced working capital facilities providing additional flexibility to accommodate volatile oil price movements
- Cash flow initiatives including the already announced cancellation of the FY20 final dividend, eliminating non-integrity capital expenditure, and cost reductions of between $74 million and $96 million targeted for FY21

3

Business fundamentals remain strong; essential service provider during Covid-19 lockdown

- Z retains market leading position across all business units, with a differentiated strategy, ownership of the industry's leading terminal network, strong commercial relationships and a sector leading retail brand that generates long-term customer loyalty
- Z continues to drive change to existing supply chain structures to ensure it is rewarded for scale and infrastructure investment

4

Equity raising positions Z to pursue its strategic objectives following Covid-19

- Continue to optimise Z's market-leading position across all business units and deliver quality returns in a changing industry
- Provides flexibility to Z to capture market opportunities that may arise in the industry in a post Covid-19 environment

[1] Including maximum funding receipt through the non-underwritten SPP.

Impact of Covid-19 on Z

Covid-19 has created unprecedented conditions and uncertainty

1. Supply Chain and Refining
   - Refinery de-optimized as excess product, particularly Jet, forced partial shut of refinery, reduced refining margin and global commodity over-supply
   - Z is taking prudent view of refinery performance for FY21 due to the unpredictable consequences of Covid-19 and the related impact on demand
2. Retail and Commercial business demand significantly reduced; Retail operating under a ‘locked door’ policy
   - Lockdown and progression through alert levels has had significant implications for customer demand and the mix of fuel demand
   - During ‘Level 4’ lockdown, volume reductions of ~80% in retail fuel, ~85% in in Jet and ~50% in Truckstop versus PCP
   - ‘Level 3’ lockdown volume reductions of ~45% in retail fuel volumes, ~80% in Jet volume
   - Commercial sector has shown signs of recovery and is ~30% below PCP volumes under Level 3
   - Aviation demand, especially Jet, is expected to be lower in FY21 versus PCP with shape and timing of any recovery for international jet travel uncertain
3. Corporate response including increased focus on Safety & Wellbeing
   - Economic effects of pandemic response on the economy are as yet not fully known but expected to be long lasting; economic recession expected to increase unemployment and business failure, especially in tourism and adjacent service industries
   - Z has responded to this uncertainty by reducing operating expenses, retaining cash and raising equity capital to support a robust capital structure for the business
   - These actions will provide a solid platform beyond the near-term impact of Covid-19 for a return to more normal trading conditions

Cash Flow Initiatives

Z implementing material initiatives to improve cash flow while retaining core strategic capabilities to position for a post-Covid recovery

1

Cost reductions[1] between $74 million and $96 million identified for FY21 with choices depending on severity of Covid-19 impact

- The $74 million is made up of $48 million from structural, recurring cost reductions and $26 million arising from one off savings in FY21. Included in the $26 million one-off costs are $18 million from decreased volume related costs. $22 million of additional one-off savings have been identified in our stress case scenario.
- Structural cost reductions are available from having completed the building and launch of significant platforms for growth (Pumped and Z for Business), procurement initiatives and reduced spend with third parties. The majority of these structural cost reductions were identified in pre-Covid planning and reflect Z's ongoing commitment to improved productivity. These savings are net of $9 million of inflationary expenses.
- The additional one-off savings of $22 million identified in our stress case scenario include reduced people costs of $12m reflecting a variety of initiatives while maintaining key capabilities and operational capacity to respond to the effects of the Covid-19 pandemic.
- The annualised FY22 impact of the structural cost reductions is anticipated to be $55 million. In addition the cost diagnostic work completed in response to Covid-19 has identified further options to improve productivity that will be developed for implementation in FY22.

2

Integrity capex of $45 million to maintain safe and reliable operations planned for FY21

- Growth capex dependent on underlying performance of the business

3

Dividend policy

- The Board has cancelled the final FY20 dividend for the full year ending 31 March 2020 as notified to NZX and ASX on 3 April 2020
- No dividends to be paid for FY21; Z expects to resume distributions in FY22, after 30 September 2021

[1] These cost savings are relative to underlying FY20 costs and include primary distribution costs that are included in cost of good sold . These savings in primary distribution are estimated at between $11m and $12m for FY21.

Debt Covenant Relief Obtained

Debt covenant Relief	**Banking facilities / USPP noteholders** • Z Energy has reached an agreement with its existing banking syndicate and USPP noteholders to obtain covenant relief for the next two test dates being 30 September 2020 and 31 March 2021 • 30 September 2021 test date debt coverage ratio will return to previous levels of 3.0x Debt / EBITDAF [1] **Retail bonds** • For the purpose of the NZ retail bonds a Debt Coverage Ratio of 4.0x Debt / EBITDAF applies for 30 September 2020 and 31 March 2021 test dates **All lenders** • Lenders have allowed that surplus equity proceeds can be netted from Total Debt to the extent Z elects for 30 September 2020, 31 March 2021 and 30 September 2021 test dates. Amounts netted off must then be used to repay core debt
Conditions for Covenant relief	**Banking facilities / USPP noteholders** • Minimum equity capital raise of $200 million • Equity proceeds to fully repay Facility A (NZ$180m) • No dividends permitted in respect of FY21 and no dividends can be paid until after 30 September 2021 • Covenants tested quarterly from September 2021 (previously tested semi-annually) • Other customary terms and conditions, including some conditions precedent to be satisfied

[1] Leverage for covenant testing refers to gross debt / EBITDAF, on a pre-IFRS 16 basis.

Pro Forma Capitalisation

Pro Forma Liquidity and target leverage range [4]

- Assuming successful completion of the Placement, (but excluding the proceeds of the SPP) pro forma liquidity (cash on hand plus committed undrawn bank facilities) of NZ$739 million as at 31 March 2020 made up of $180 million of revolving term debt facilities, $129 million of cash, $430 million of undrawn working capital facility which has been upsized to NZ$500m (from NZ$350m previously)
- Surplus equity proceeds, after Facility A has been repaid, can (to the extent that Z elects) be used for liquidity or netted off gross debt for covenant calculations. Amounts netted off must then be used to repay pre-existing core debt
- Target long-term balance sheet leverage range of 2.0x to 2.5x (post-IFRS 16) agreed as prudent by the Board
- Z expects to resume shareholder distributions consistent with its current dividend policy in FY22 post 30 September 2021
- No core debt maturities until November 2021 (ZEL040 $150 million)

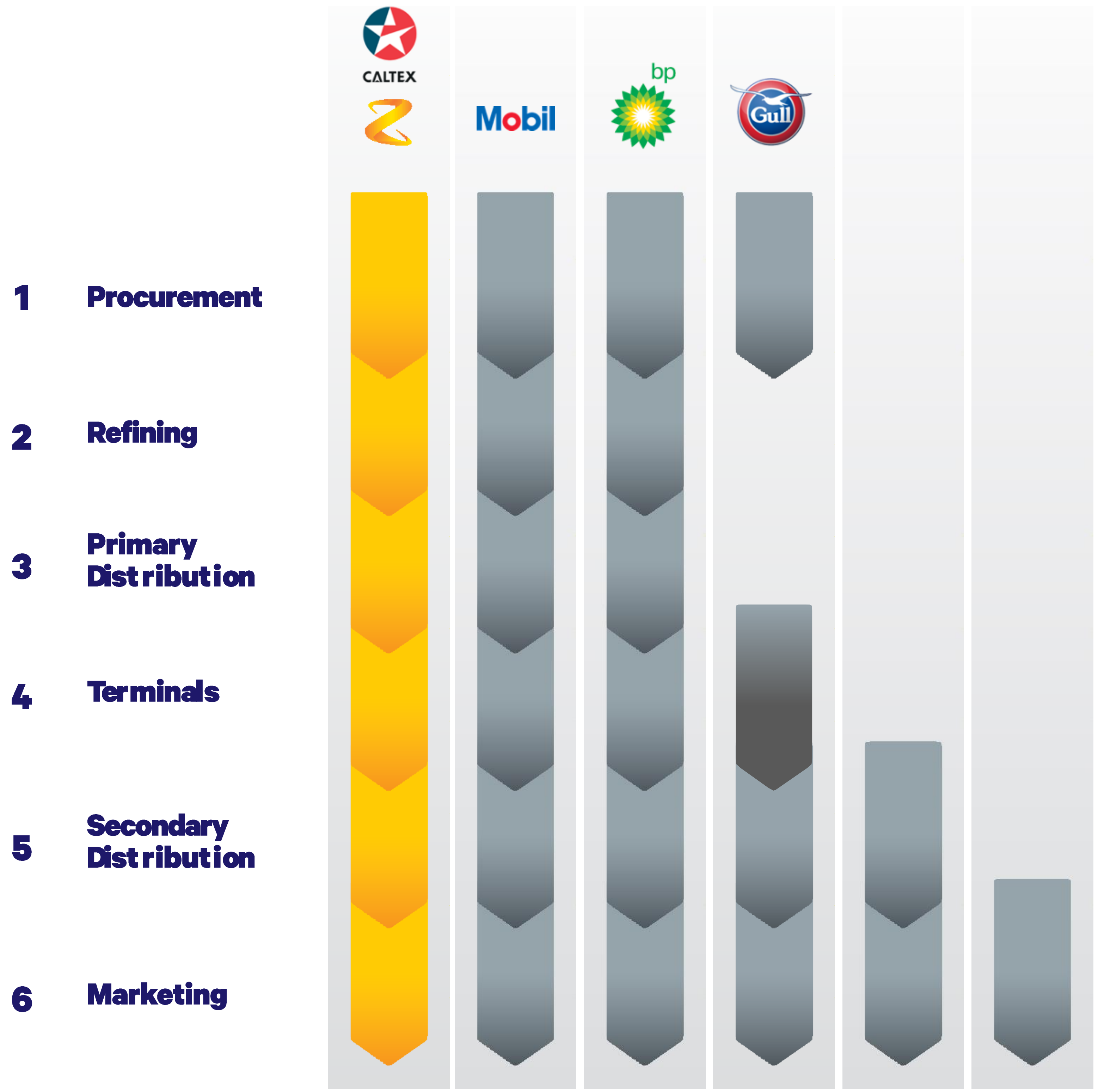
Pro Forma Capitalisation (Post-IFRS 16)

	Current (as at 31 Mar 2020)		Pro forma (as at 31 Mar 2020)[1]	
Pro forma capitalisation	**NZ$m**	**x FY20 RC EBITDAF**	**NZ$m**	**x FY20 RC EBITDAF**
Revolving debt facility	180	0.5 x	0	0.0 x
Retail bonds[2]	345	1.0 x	345	1.0 x
USPP notes[3]	378	1.1 x	378	1.1 x
Gross debt pre-IFRS 16 (excludes WC facility)	903	2.7 x	723	2.1 x
Cash on balance sheet	19		129	
Net debt pre-IFRS 16 (excludes WC facility)	884	2.6 x	594	1.8 x
Net debt including SPP proceeds (Pre-IFRS)			*534*	*1.6 x*
Leases	299	0.8 x	299	0.8 x
Gross debt post-IFRS 16 (excluding WC facility)	1,202	3.3 x	1,022	2.8 x
Net debt post-IFRS 16 (excluding WC facility)	1,183	3.2 x	893	2.4 x

Note: Gross debt and EBITDAF calculated on a post-IFRS16 basis, reflecting FY20 RC EBITDAF of NZ$366m and inclusive of short and long term leases.
1 Gross equity proceeds excludes fees paid and any amounts that may be raised under the SPP.
2 Refers to gross principal value of retail bonds, prior to subtracting issuance costs of NZ$2.1m that has already been capitalised.
3 Refers to gross principal value of USPP notes, prior to subtracting issuance costs of NZ$1.4m that has already been capitalised and excluding movement in fair value hedge and movement in foreign exchange
4 Pro forma illustration not a representation as to how Z's covenants would have been calculated as at 31 March 2020

Business Fundamentals Remain Strong

Z is one of three integrated marketers in New Zealand and has a leading market share



Mount Maunganui terminal only.

- Our business remains strong and resilient, providing the essential fuel to keep NZ moving with strong commercial relationships, ownership of the industry's leading terminal network and a sector leading NZ retail brand
- Operations span crude oil and refined product procurement, contracted refining, national distribution and commercial and retail marketing
  - We supply the full range of transport fuels (petrol, diesel, jet fuel, bitumen and fuel oil) in NZ
- Unrivalled infrastructure and distribution network in NZ
  - Z owns 15.1 per cent of New Zealand Refining (NZX: NZR)
  - Terminals in eleven port locations
  - 199 Z branded retail service stations and 135 Caltex stations (as at 31 March 2020)
- Z deemed an essential service provider during Covid-19 lockdown operating under NZ government agreed protocols for retail stores
- Z has seen retail and commercial volumes begin to recover as Covid-related lockdown provisions have begun to relax

Equity Raise Details

Offer Size and Structure [2]	• Up to NZ$350 million Equity Raising, comprising: – NZ$290 million underwritten Placement; and – Up to NZ$60 million non-underwritten Share Purchase Plan (SPP) • Together, the Equity Raising represents approximately 27.9% of Z Energy's market capitalisation as of market close on 8 May 2020 • Up to 105.5/400 million new shares to be issued under the Placement, equivalent to 26.4% of Z Energy's current shares on issue
Offer Price for the Placement	• The Placement will be conducted at a price to be determined via a book build process today (subject to an underwritten floor price of NZ$2.75 per share) (**Placement Price**) • The underwritten floor price represents a discount of: – 12.4% to the last closing price of NZ$3.14 on 8 May 2020; and – 12.1% to the 5-day VWAP of NZ$3.13 prior to announcement
Ranking and Quotation	• New shares issued under the Placement and the SPP will rank equally with existing Z Energy ordinary shares from date of allotment • New shares to be quoted on NZX and ASX following settlement
Underwriting	• The Placement is fully underwritten on customary terms for an offer of this nature, including relevant termination events • The SPP is not underwritten
Share Purchase Plan (SPP)	• SPP to raise up to NZ$60m[1] with the ability to accept oversubscriptions • Eligible shareholders in New Zealand and Australia will be invited to apply for up to NZ$50,000 / ~A$47,000 of new shares free of any brokerage, commission and transaction costs • New shares under the SPP will be issued at the lower of the Placement Price and a 2.5% discount to the 5-day volume-weighted average price of Z Energy shares on the NZX up to, and including, the closing date of the SPP • SPP subject to scaling having regard to existing holdings on record date of 8 May 2020

[1] Full details of the SPP will be contained in the SPP offer booklet, which will be sent to eligible shareholders in due course. Z Energy may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this amount in its absolute discretion.
[2] NZX has granted Z a waiver from Listing Rule 4.5.1 allowing Z to undertake a placement of up to 30% of Z's ordinary shares without shareholder approval, subject to certain conditions. Details of the waiver can be found under ZEL's ticker code on nzx.com.

Equity Raising Timetable

Event	Date
Trading halt and announcement of the Placement and SPP (8.45am NZST / 6.45am AEST)	Monday, 11 May 2020
Institutional Placement	
Placement Bookbuild	Monday, 11 May 2020
Announcement of results of Placement and trading halt lifted (expected to be 11am NZST / 9am AEST)	Tuesday, 12 May 2020
ASX settlement	Thursday, 14 May 2020
NZX settlement	Friday, 15 May 2020
Allotment and commencement of trading of new shares on NZX and ASX	Friday, 15 May 2020
Share Purchase Plan	
Record date for SPP (7pm NZST / 5pm AEST)	Friday, 8 May 2020
Expected despatch of SPP offer document and application forms	Friday, 15 May 2020
SPP opens (9am NZST / 7am AEST)	Friday, 15 May 2020
SPP offer closes (7pm NZST / 5pm AEST)	Friday, 29 May 2020
Announcement of results of SPP [1]	Monday, 1 June 2020
ASX settlement	Thursday, 4 June 2020
NZX and ASX allotment and despatch of statements	Friday, 5 June 2020
NZX settlement and commencement of trading of new shares on NZX	Friday, 5 June 2020
Commencement of trading of new shares on ASX	Monday, 8 June 2020

[1] As 1 June 2020 is a public holiday in NZ this announcement will be available on NZX on 2 June 2020

Key Risks Relating to the Equity Raising

This section describes the key risks that Z Energy has identified in connection with the equity raise. Z Energy considers it important that these key risks, and their potential effect on the future operating and financial performance of Z Energy and Z Energy's share price, are specifically highlighted to investors in the context of the equity raise. Like any investment, there are risks associated with an investment in Z Energy shares. This section does not (and does not purport to) identify all of the risks related to the future operating and financial performance of Z Energy, an investment in Z Energy shares, the equity raise, or general market, industry, regulatory or legal risks. Some risks may be unknown and other risks, currently considered to be immaterial, could turn out to be material.

Investors should be aware that the spread of Covid-19, its effect on the global economy and the actions taken in response by the New Zealand and other governments, including restrictions on international and domestic movement, and their impact on the domestic and global economy, have and are likely to continue to have, a material adverse effect on Z Energy, its operating and financial performance and/or its share price. It is not currently ascertainable when and to what extent these effects might abate. It is also likely that there will be further unforeseen adverse impacts as the impacts of the spread of Covid-19 and government responses continues. Z Energy will continue to respond to these challenges based on the best information available, but there is no certainty as to the severity or likelihood of the foreseen or unforeseen impacts of Covid-19 nor whether any responses by Z Energy will be effective or can be taken.

In light of the Covid-19 pandemic, extra caution should be taken when assessing the risks associated with investment. The rapidly changing Covid-19 situation is bringing unprecedented challenges to global financial markets, and the economy as a whole. Capital markets have seen equity securities suffer from spikes in volatility and significant price decline.

Before deciding whether to invest in Z Energy shares, you must make your own assessment of the risks associated with the investment, including the inherent risks from investing in shares and the uncertainties due to the impact of Covid-19 noted above, and consider whether such an investment is suitable for you having regard to all other publicly available information, your personal circumstances and following consultation with your financial and other professional advisers.

Key Risks Relating to the Equity Raising (cont.)

Risk	Details
Failure to complete equity capital raise	• Failure to complete the equity capital raise would likely leave Z unable to comply with requirements imposed by its debt providers in the short term, and potentially require the refinancing of those debt facilities. There is no certainty that such refinancing could be achieved, or that it could be achieved on terms that are not materially less favourable to Z
Lower than expected recovery in demand for fuel	• A key assumption in Z's modelling of the impact of Covid-19 on its business in FY21 and subsequent years is the expected recovery in demand for fuel. Z has modelled different scenarios in considering its response to Covid-19, including scenarios that are more conservative than what Z considers likely • Z's modelling of fuel demand is sensitive to key assumptions, with the most immediate short-term sensitivity being to New Zealand's Covid-19 "Alert Level" settings and the response of retail customers to those settings. This is also applies, although with a lower impact, of demand from commercial customers and customers for Jet and other products • In the event that demand for fuel recovers more slowly than Z's modelling assumes, the financial impact of Covid-19 on Z will likely be worse than Z currently expects. However, Z notes that it has taken a range of conservative scenarios into account when forecasting its forward capital requirements (including as supplemented by the equity raise) and the need for waivers under its debt funding facilities
Lower than expected margin on fuel product sales	• A key assumption in Z's modelling of the impact of Covid-19 is on retail fuel margin. The retail fuel market in New Zealand is competitive, with competitors having different cost structures and strategies. Even though the industry has significant fixed costs there could be periods of more intense price-based competition. The intensity and duration of this competition is unknown and could lead to a material decrease in total returns.

Key Risks Relating to the Equity Raising (cont.)

Risk	Details
Inability to achieve cost savings	• Z expects to achieve cost savings by: – Suspending all capital expenditure not required to maintain safe and reliable operations – Reduction in Z's operating cost base as outlined elsewhere in this presentation • If Z is unable to achieve the expected cost savings, the financial impact of Covid-19 on Z will likely be worse than Z currently expects
Refining New Zealand	• A decrease in total volumes processed by Refining New Zealand has a significant flow-on effect on Z's volume throughput commitments and requires Z to make top up or "floor" payments to Refining New Zealand. There is considerable uncertainty in the current operations of Refining New Zealand given the decrease in market demand. While Z has incorporated its expectations on its exposure to Refining New Zealand in its modelling, there is a risk of an even greater adverse impact on Z's financial performance if Refining New Zealand volumes were to decrease further than expected • Refining NZ is currently undertaking a strategic review, the outcome of this process and the preferred outcome of Refining NZ's Board is unknown. The outcome of the strategic review is likely to have implications for Z's supply chain operations and the value of Z's investment.
Working capital	• As outlined elsewhere in this presentation, Z has secured an increase in its working capital facilities • Z does not hedge inventory, and this can have a material effect on working capital in periods of sharp price movement. In a depreciating barrel price environment Z draws on its working capital facility to fund the difference between the cost of replacement product (at average last month's price) and revenue (average of current months price) and vice versa. The last twelve months average crude price has been approximately NZ$95/bbl against a current price of approximately NZ$35/bbl. • This has led to approximately an additional $150m of potential demand on working capital. Current liquidity forecasting assumes a low barrel price with no price recovery leading to an extended period of drawn debt in the working capital facility. • Although most market commentators anticipate a recovery in the price of oil (which would allow Z's working capital to return to historical levels) there is a risk that the oil price stays depressed for an extended period, or that this represents a structural shift in long term oil prices, which would imply that the working capital amounts used to fund this requirement was more in the nature of long term, structural debt. This would increase Z's overall debt profile. Z expects that it would have some time to respond if this did occur and that there are a range of operational and financial alternatives that could be considered, but this could have an adverse impact on Z's share price and its overall ability to obtain new, or refinance existing, debt

Key Risks Relating to the Equity Raising (cont.)

Risk	Details
Supply chain disruption	• Z's fuel supply chain is international and serviced through the global fuel tanker market. There has been no disruption to these to date and none is anticipated, but this risk cannot be ruled out in the context of Covid-19. Disruption to Z's fuel supply chain could have a material adverse impact on Z's ability to supply fuel to customers which would necessarily reduce volumes and therefore Z's revenue
Sufficiency of capital and compliance with requirements of debt providers	• Z has modelled its capital requirements in the context of the equity raise and believes that a successful equity raise, together with the cost savings initiatives it has forecast and the waivers and amendments received from its debt providers, will give Z sufficient capital to respond to the foreseeable impacts of Covid-19. Z's modelling is based on a set of conservative assumptions which Z considers covers realistic downside scenarios • However, if the impacts of Covid-19 (including, but not limited to, the above) result in more adverse outcomes for Z than it has modelled, there is a risk that Z may have insufficient capital to meet financial and operational requirements. In that scenario, Z would reassess its requirements and would likely look to access additional equity and/or debt funding, or take other measures, to address its expected financial requirements. Taking such steps could have a further adverse effect on Z's financial and operational performance, and the performance of Z's share price. • Z's discussions with debt providers have resulted in waivers and amendments to debt covenants that Z considers that it would otherwise be at risk of breaching (even with the additional equity capital) at the September 2020 and March 2021 test dates. Taken as a package, these waivers and amendments give Z sufficient confidence that there will be no default event in respect of its debt finance obligations through this period. However, if the impacts of Covid-19 (including, but not limited to, the above) result in more adverse outcomes for Z than it has modelled, there is a risk that a default event could occur in respect of Z's debt finance obligations through this period, or during subsequent periods. In that case, Z would need to obtain further relief from its debt providers and/or refinance existing debt facilities. There is no certainty that such refinancing could be achieved, or that it could be achieved on terms that are not materially less favourable to Z. • In addition, the agreements reached with Z's banks and USPP holders oblige Z to meet certain requirements (including completing the equity raise). Z expects to meet these requirements but if Z is unable to do so there is a risk that Z will not comply with its debt finance obligations. Z may then need to refinance its debt facilities. There is no certainty that such refinancing could be achieved, or that it could be achieved on terms that are not materially less favourable to Z.

Appendix A:

Foreign Selling Restrictions

Foreign Selling Restrictions

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