

## **MARKET AND NEWS RELEASE**

**Date: Monday, 1 May 2017**

# **Genesis Energy drives customer-centric growth strategy with purchase of Nova Energy retail LPG business**

- **Genesis to acquire Nova Energy retail LPG business for \$192 million**
- **Increase in market share, from 3% to 19%**
- **Significant value created through vertical integration, scale and margin benefits**
- **Strong foundation for delivering integrated customer offering and innovations**

### **Acquisition of Nova Energy Retail LPG Business**

Genesis Energy Limited (GNE) today said it was delighted to announce an agreement to acquire the LPG distribution assets and LPG customer base of Nova Energy, a subsidiary of the Todd Corporation, for total consideration of \$192 million.

"This is an important day for Genesis Energy. The transaction builds on our recent highly successful organic growth in LPG over the last 12 months. It will significantly accelerate our growth aspirations in the key LPG market consistent with our announced strategy which the company outlined last year," said Genesis Energy chair Dame Jenny Shipley.

"The Nova acquisition is the second significant transaction we've made in the past year, and is great news for our customers," said Genesis CEO Marc England.

"Genesis Energy will now become New Zealand's second-largest LPG retailer by number of customers, with our market share leaping from 3% to 19%."

Mr England said that by growing its LPG business in this way the company could keep innovating in ways that benefitted its customers throughout New Zealand.

Genesis Energy has a unique position in the industry, combining three fuels on one billing and customer management platform, allowing complete integration of the customer experience.

"In every respect today's announcement represents a big addition to the Genesis Energy family. It means 23 depots up and down New Zealand, two reticulated networks in Dunedin and Christchurch, and 68 vehicles servicing 35,000 LPG customers, with the support of over 70 Nova employees who we're really looking forward to working with," said Mr England.

### **About Nova Energy LPG**

The Nova Energy retail LPG business is a leading supplier of LPG in New Zealand with a distribution network servicing customers in key demand centres across the North and South Islands. It has developed a platform that is ideally positioned to capture the strong ongoing growth in the New Zealand LPG market, and has a complementary overlap with Genesis Energy's national customer base.

The distribution network includes a nationwide retail and bulk distribution system covering a well-established customer base of 35,000 bottled gas customers across residential, commercial and industrial segments. The business is supported by an experienced operating team of over 70 employees. In addition, the purchase includes around 6,400 dual fuel electricity and LPG customers and an option to acquire Nova's 12.5% interest in Liquigas for additional consideration.

## Acquisition of Nova: Transaction detail, rationale and funding

The transaction is expected to deliver approximately \$17 million of EBITDAF in 2018 before integration costs, and generate synergies of \$4-6million per annum from FY19 onwards mainly from vertical integration benefits. The purchase price represents an EBITDAF multiple of 8.5 times after synergies and will deliver 5% EPS accretion<sup>1</sup>.

The transaction is conditional on limited confirmatory due diligence and other limited conditions. It is expected that completion will occur on 31 May 2017. A transition service period will then operate to enable effective service handover and rebranding which is expected to be completed on 31 July 2017.

The transaction will complement Genesis Energy's leading market shares in electricity and gas, thereby providing a platform for an improved holistic customer offering as part of its customer centric focus. It will also improve Genesis Energy's exposure to the attractive demand dynamics of LPG, particularly in the 45kg and bulk segments which currently make up 75% of the market and have been growing strongly.

Genesis Energy currently produces around one quarter of total LPG in New Zealand. This acquisition will allow it to distribute directly to its customers, leveraging on its strong retailing capabilities, in turn reducing revenue volatility and capturing additional related margin.

Nova Energy's LPG distribution network complements Genesis Energy's existing customer base as well as removing barriers to growth in new market segments such as bulk and SME. It also gives Genesis Energy the ability to integrate its customer offering across its portfolio, providing opportunities to improve customer service, drive its multi-fuel strategy and maximise the benefits of innovation initiatives.

The transaction will be funded from existing debt facilities. Genesis Energy is also considering the launch of a capital bond offer, with 50% equity credit.

## Market Briefing

A conference call for investors and analysts will be hosted by Marc England (Chief Executive) and Chris Jewell (Chief Financial Officer) at **11:00am NZST** this morning (Monday, 1 May) to discuss the transaction. This can be accessed via the following ways:

- Live via webcast: [click here](#) for the link to the analyst webcast
- Live via telephone (for "listen-only" participants and those who would like to ask a question):

Conference ID	5506518
New Zealand - Toll Free	0800 423 970
New Zealand – Local	+64 (0) 9 9133 622
Australia - Toll Free	1 800 591 251
Australia – Local	+61 (0)2 9193 3709
United Kingdom	0800 279 6839
United States	888 394 8218
Hong Kong	800 961 110
Singapore	800 186 5107

- A replay of the webcast will be able to be accessed after through the Genesis Energy Investor Centre which you can find [here](#)

<sup>1</sup> On a pro forma basis including fully realised synergies (excluding one-off integration costs and transaction costs)

ENDS

*For media enquiries, please contact:*

*Mark Watts*

*Acting Public Affairs Manager*

*Genesis Energy*

*M: 027 250 4018*

*For investor relations enquiries, please contact:*

*Wendy Jenkins*

*Group Manager Corporate Finance and Investor Relations*

*Genesis Energy*

*P: 09 951 9355*

*M: 027 471 2377*

### **About Genesis Energy**

Genesis Energy (NZX: GNE) is a diversified New Zealand energy company. It sells electricity, reticulated natural gas and LPG through its retail brands of Genesis Energy and Energy Online. It is New Zealand's largest energy retailer with around 637,000 customer accounts. The Company generates electricity from a diverse portfolio of thermal and renewable generation assets located in different parts of the country. Genesis Energy also has a 46% interest in the Kupe Joint Venture, which owns the Kupe Oil and Gas Field offshore of Taranaki, New Zealand. Genesis Energy had revenue of \$NZ2 billion during the 12 months ended 30 June 2016. More information can be found at [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)



**GENESIS ENERGY**

# Acquisition of Nova Energy Retail LPG Business

1 May 2017

Marc England, CEO  
Chris Jewell, CFO





## Transaction Highlights



# Genesis Energy's Strategy in Action



Genesis Energy has entered into a binding agreement<sup>1</sup> to acquire Nova Energy's retail LPG business, a leading supplier of LPG in New Zealand, for NZ\$192 million

► Positions Genesis Energy as a leading player in a key growth market

► Delivers strategic synergies in distribution and accelerated organic growth

► Enables capture of full value chain with Kupe upstream integration

► Creates unique opportunity to integrate the customer experience across three energy product categories off a single technology platform at scale

1. Certain commercially sensitive information has not been provided to Genesis prior to signing the sale and purchase agreement. The information has been made available to Genesis' advisors and no adverse findings are anticipated. Genesis have limited walk away rights during the second stage due diligence

# Nova Energy Retail LPG Highlights



## Pivotal moment in customer centric-growth strategy

- ✓ **Significant LPG distribution network** covering key demand centres in New Zealand and complementary to Genesis Energy's existing footprint
- ✓ **Well established customer base** across residential, commercial and industrial customers
- ✓ **Distribution chain ideally positioned** to capture ongoing growth in New Zealand's LPG market
- ✓ **Experienced operating team** adding to Genesis Energy's existing capabilities
- ✓ **~\$17 million in additional EBITDAF** before integration costs and synergies
- ✓ **Option to acquire Nova's interest in Liquigas**



# Strategic Benefits for Genesis Energy



Creating value in our LPG business in an attractive market whilst supporting the strategy of delivering a superior offering of integrated energy management solutions



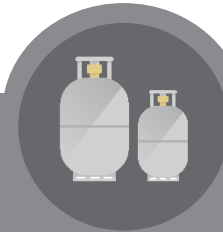
**Becoming a LPG  
retailer of scale  
in a growth  
market with  
higher margins**

Total LPG market share  
increases from 3% to 19%  
in a market with  
attractive dynamics



**Improved  
customer  
loyalty through  
integrating the  
customer  
experience**

Scale allows an improved  
holistic customer offering  
and acceleration of  
innovation activities



**Unlocking new  
customer  
segments**

Superior distribution  
network will allow  
Genesis Energy to unlock  
further growth



**Capturing  
additional  
margin from  
upstream  
position**

Rebalancing upstream  
and downstream LPG  
positions



**Scale capability  
in distribution  
with associated  
margin benefits**

Leveraging distribution  
network capabilities to  
reduce costs



# Transaction Summary



## Accelerated platform for LPG segment growth

Transaction	▶ Acquisition of Nova Energy's LPG distribution assets and customer base for \$192 million with an option to acquire Nova's 12.5% interest in Liquigas for up to \$15 million
Strategic	▶ Positions Genesis as the second largest LPG retailer (by customer numbers) in New Zealand with a high quality network that will deliver further growth in a growing market
Synergies	▶ Expected to deliver annual synergies of \$4-6 million by FY19 predominantly due to vertical integration benefits
Deal Structure	▶ Acquisition of LPG distribution assets and customers and approximately 6,400 multi-fuel customers
Scale	▶ 23 depots, 2 reticulated networks and 68 vehicles servicing approximately 35,000 LPG customers with the support of over 70 employees
Earnings	▶ Incremental annual EBITDAF of ~\$17 million in FY18 before integration costs and synergies, with 5% EPS accretion on a pro forma basis after synergies are included Implied multiple of 8.5x after adjustment for synergies
Funding	▶ Combination of existing facilities and potential market offer of capital bonds with 50% equity credit
Timing	▶ Transaction effective 15 May subject to completion of limited confirmatory due diligence and customary approvals





Strategic  
Benefits for  
Genesis



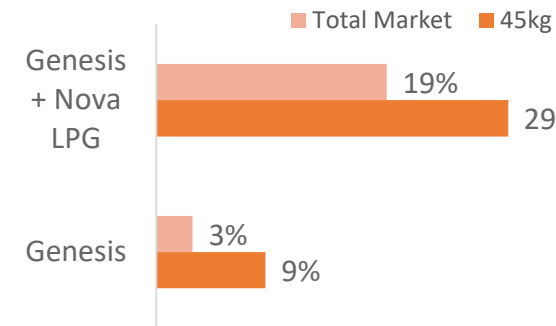
# Becoming an LPG retailer of scale



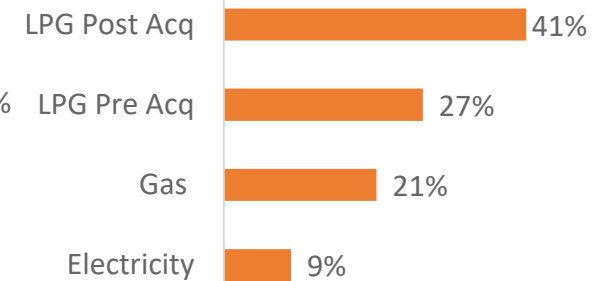
## Step change in LPG market share from 3% to 19% in a growth market with higher margins

- Genesis Energy is the largest electricity and gas retailer with a 25% and 38% market share respectively, but only has 3% of the LPG market
  - Despite strong organic growth, without internal distribution capability it would take time to reach scale
  - The addition of 35,000 Nova customers immediately increases Genesis Energy's total LPG market share to 19%, 29% in the 45kg segment (by volume)
- The LPG market has attractive demand dynamics relative to other fuels
  - The 45kg cylinder market and bulk markets segments have been growing strongly, delivering a 6.3% and 6.6% CAGR respectively in the past 5 years
  - These two segments are also higher margin and make up over 75% of the market
  - Overall margins are also higher

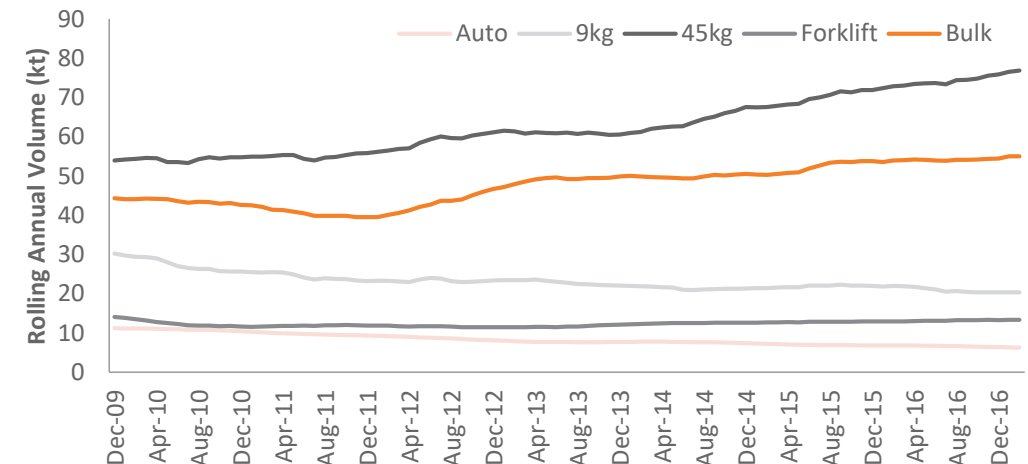
LPG Market Share<sup>1</sup>



Residential Margins<sup>2</sup>



LPG Consumption by Product (kt)<sup>1</sup>



1. Based on LPGA volume data and Genesis Energy analysis

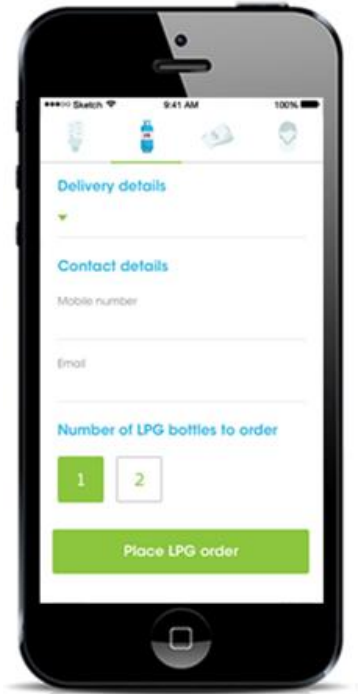
2. Genesis Energy analysis, excludes EOL

# Improved customer experience



## Scale allows an improved holistic customer offering and acceleration of innovation activities

- Genesis Energy now has a unique industry position of combining three fuels on one billing and CRM platform, allowing complete integration of the customer experience
- A range of innovative new pricing plans and products, examples of which have recently been launched:
  - New pricing plan implemented including one nationwide price, a PPD with additional discount for dual fuel customers
  - Implemented C&I bottle management solution to automate scheduling and ordering
  - Simple two step bottle reordering process for residential customers via an app



**Switch. Save. Easy.**

**We'll make it easy with our Bottled Gas Smart Plan.**

**Sign-up now** 

Offer ends 31 July 2017. Available to new residential customers only. T&Cs apply.

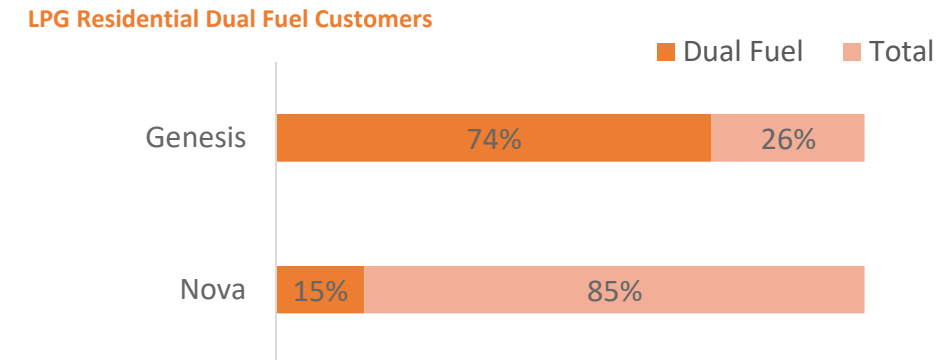
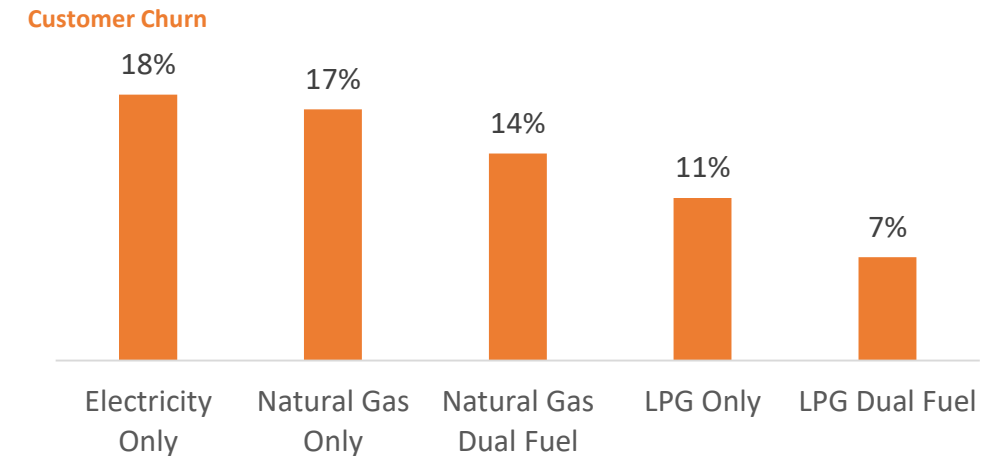
*“with Genesis Energy remote monitoring of our LPG levels, it makes my life a lot easier. I don’t have to worry about the gas now.”*  
C&I Customer

# Unlocking new customer segments



## Superior distribution network will allow Genesis Energy to target new customers

- Previous restriction to distribute to SME customer segment removed supporting strategic SME growth priority
- Ability to leverage Genesis Energy's successful experience of marketing in the 45kg segment to grow into other market segments
- Build on multi-fuel strategy which is an important driver of reduced customer churn
- Supports overall strategy of integrated energy management solutions improving customer experience and capturing additional cost efficiencies
- Opportunity for investment in further reticulated networks and to expand LPG distribution coverage given the strengths of the Nova operations team and the Genesis Energy customer reach



Source: Genesis Energy and Nova Customer Data



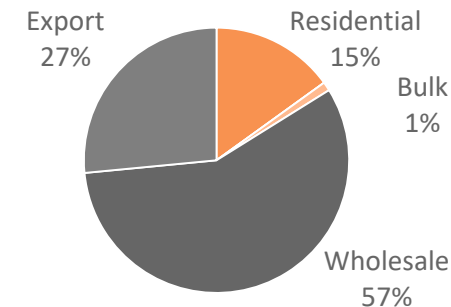
# Capture upstream benefits



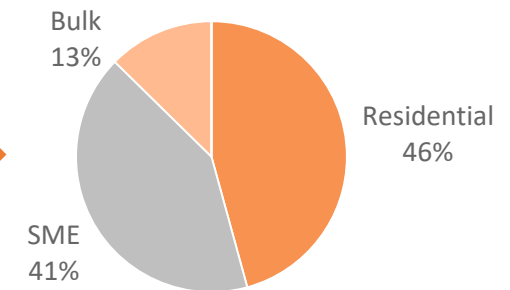
## Rebalancing upstream and downstream LPG positions

- With the acquisition of the additional 15% of Kupe, Genesis Energy will produce 24% of LPG in New Zealand
- Approximately 84% of this is currently sold into the lower margin wholesale and export markets
- Genesis Energy's much larger retail market position will enable it to leverage its Kupe ownership into higher margin segments and reduce its exposure to the more volatile wholesale market

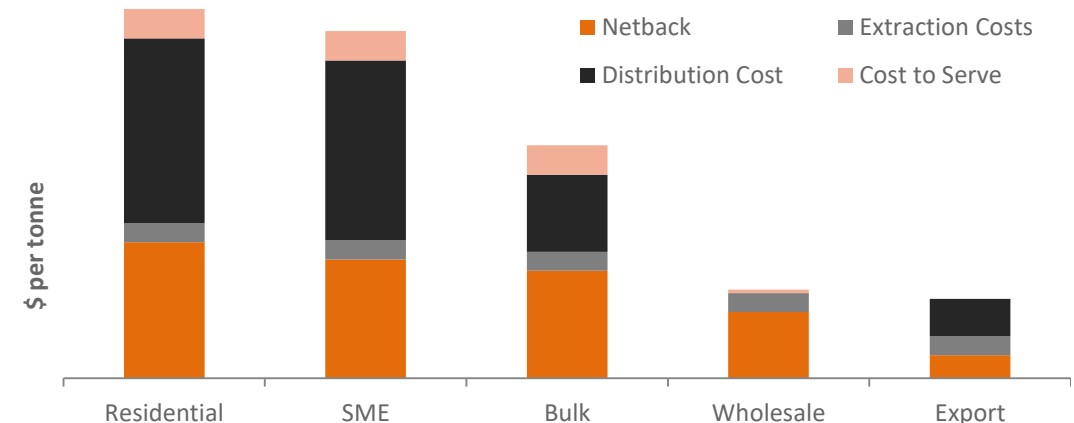
Existing Composition of Genesis Energy's LPG Sales



Pro Forma Composition of Genesis Energy's LPG Sales (Post Existing Wholesale Contracts)<sup>(1)</sup>



Cost/Value Allocation per Tonne of LPG by Market Segment



1. Minor volumes may be exported as a result of demand seasonality

# Scale capability in distribution



## Leveraging distribution network capabilities to reduce costs

- Genesis Energy currently uses an external third party contractor to serve its LPG customer base
  - LPG distribution costs represent 45% of the total delivered cost in the 45kg market
  - This results in significant margin leakage in the value chain
  - Ability to optimise Genesis Energy network with existing third party provider
- The Nova Energy LPG distribution network covers key demand centres in New Zealand and is complementary to Genesis Energy's existing customer footprint
- There are also margin benefits from Genesis no longer having to hire LPG bottles

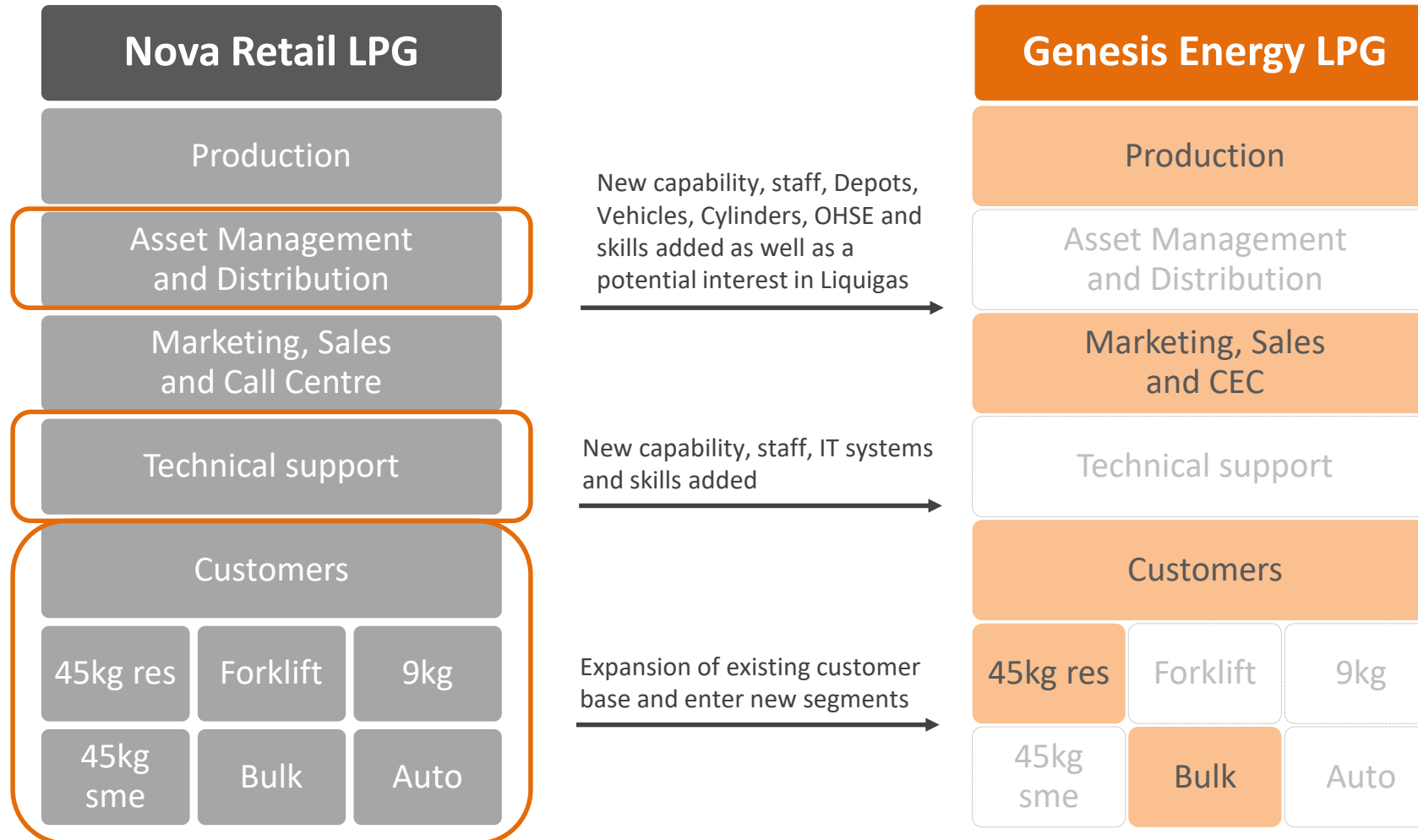




The image shows two large, white, horizontal propane storage tanks situated behind a chain-link fence. Each tank has a circular access door on its side and is surrounded by a metal safety cage. Several warning signs are posted on the tanks and the fence, including 'No Smoking' and 'LPG' labels. In the foreground, there are two metal posts with electrical boxes labeled 'VOLUME' and 'PRESSURE'. The background features a grassy field and a cloudy sky.

## Business Overview

# Summary of Acquisition

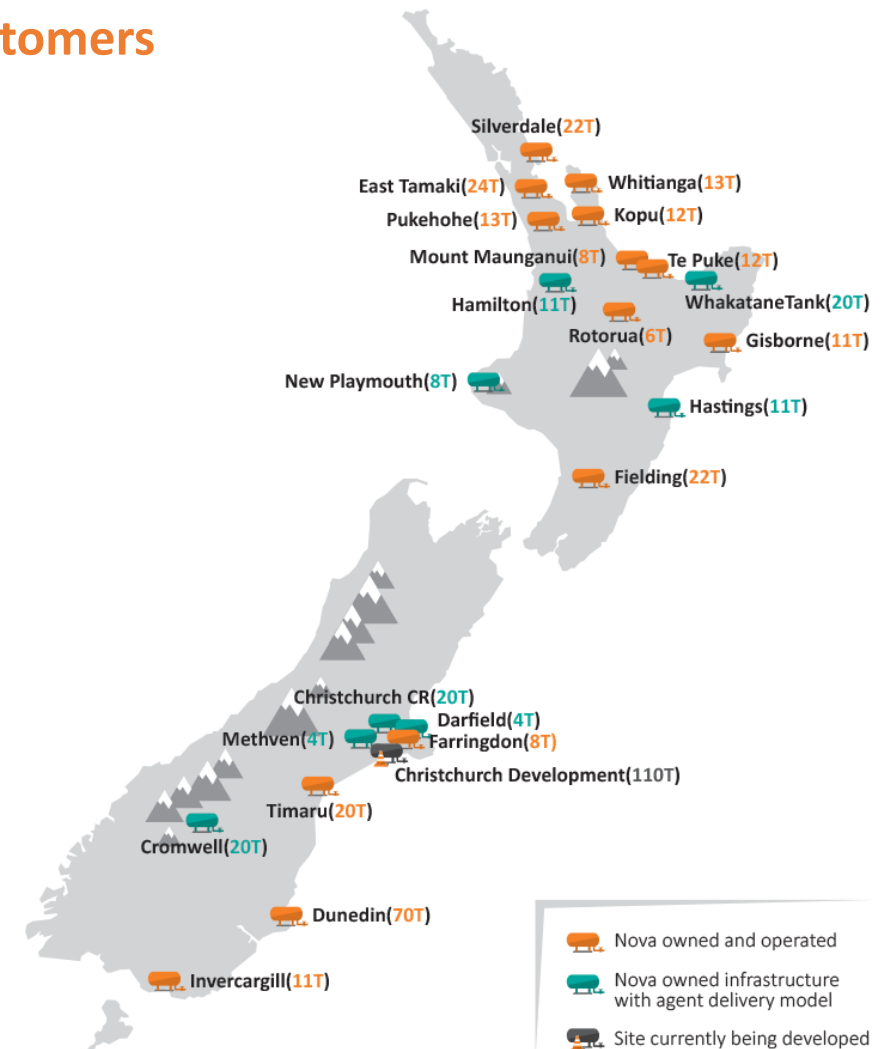


# Summary of Asset Base



## 23 depots across the country servicing ~35,000 customers

- Significant distribution network covering most of New Zealand with opportunities to expand coverage into Wellington, Upper South Island and West Coast
- Assets include:
  - 23 depots of which 15 are Nova owned and operated and 8 are Nova owned infrastructure with agent delivery model
  - 2 reticulated networks in Dunedin and Farringdon, Christchurch
  - 68 vehicles
  - LPG bottles
  - IT systems
  - Experienced operations team of over 70 employees



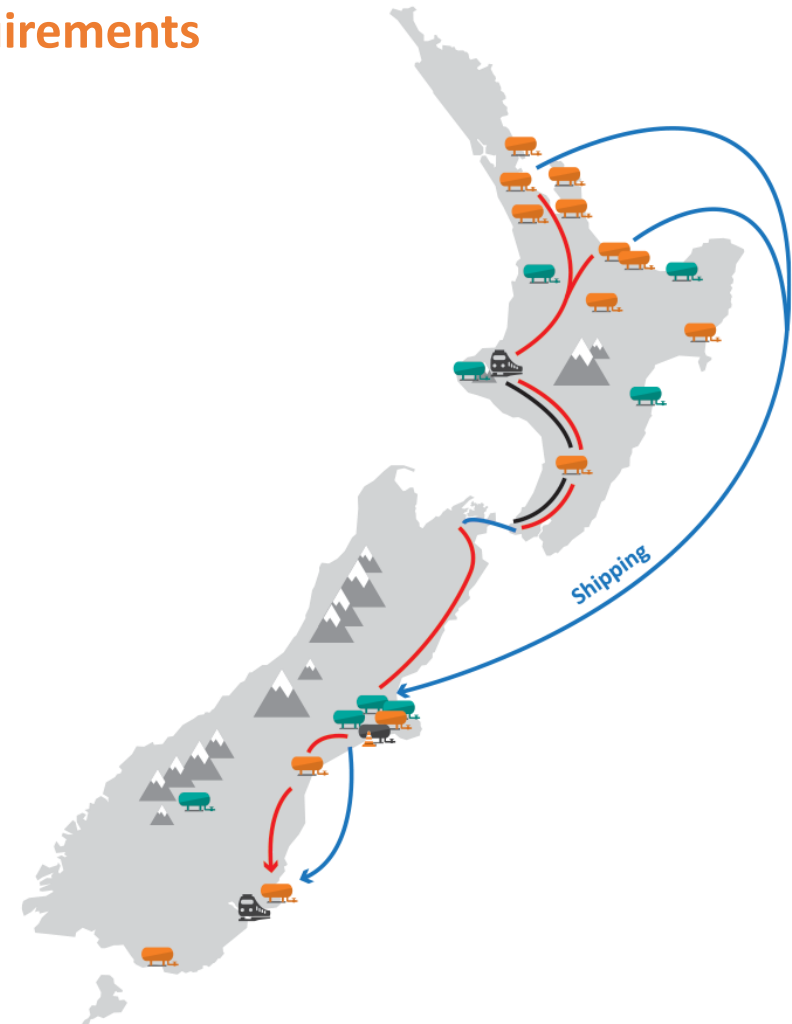


# LPG Distribution Chain



## “Just-in-time” delivery approach minimises storage requirements

- A combination of road, rail and trucks are used to move LPG stock around the country to depots and storage facilities
  - LPG will be taken from production at Kupe or Mangaheva to New Plymouth railhead by truck
  - For the North Island, LPG is transferred by rail to Tauranga and Auckland ports with trucks used for other locations
  - For the South Island, LPG is transferred by rail to Wellington, then by ferry to Picton, before being put back on a train to Christchurch and Dunedin on a roll-on/roll-off mechanism
  - Stock is then transferred onto trucks for distribution to end customers
- Post the Kaikoura earthquake, Nova has been shipping to the South Island whilst the rail line is being repaired





**Financial  
Impact and  
Timetable**

# Financial Impacts



## 5% EPS accretion after synergies are delivered<sup>1</sup>

- ~\$17 million additional EBITDAF in FY18 before integration costs and synergies
- Synergies of \$4-6 million per annum expected to be delivered within first 2 years, mainly due to savings in delivery costs
- Transaction represents an EBITDAF multiple of approximately 8.5 times as synergies are realised in FY19
- Incremental growth synergies and strategic benefits drive further potential long term upside
- The transaction will be funded from existing debt facilities
  - The Company continues to target a net debt to EBITDAF ratio of 2.5x to 2.8x over time
  - Offer of up to \$225 million of capital bonds being considered
- FY17 guidance range remains at \$320 to \$330 million, including one off costs of \$(5.5) million

Year Ended 30 June	1 Month FY17 EBITDAF Impact \$ millions	FY18 \$millions
Revenue	5.0	53.5
Cost of Sales	(2.0)	(25.0)
Gross Margin	3.0	28.5
Opex	(1.5)	(13.0)
Electricity Customers EBITDAF	0.0	1.5
Underlying EBITDAF	1.5	17.0
Opex – One off Costs <sup>2</sup>	(5.5)	(2.5)
EBITDAF	(4.0)	14.5
Stay in Business Capex	0.0	2.5
Integration Capex <sup>3</sup>	0.5	3.5

1. Proforma before one off costs and after synergies are fully realised

2. Includes transaction costs, rebranding, Transition Services Agreement costs and shipping costs due to Kaikoura earthquake

3. Reflects replacement of legacy dispatch software and truck routing software

# Completion Timetable



## Independently run and rebranded business from 1 August 2017

	Estimated timing
Announcement of transaction	1 May 2017
Completion of confirmatory due diligence <sup>(1)</sup>	15 May 2017
Effective date of acquisition	31 May 2017
Transition service period starts <sup>(2)</sup>	1 June 2017
Transition service period ends	Approximately 31 July 2017

1. Certain commercially sensitive information `has not been provided` to Genesis prior to signing the sale and purchase agreement. The information has been made available to Genesis' advisors and no adverse findings are anticipated. Genesis have limited walk away rights during the second stage due diligence

2. During the transition service period Nova will operate the business on Genesis' behalf under the terms of a Transition Service agreement

# Transaction Summary



## Creating a platform for delivering superior integrated energy management solutions

- **Unique industry advantage** in integrating the customer experience across three fuel types
- Increased exposure to a **growing market with higher margins** relative to other fuels
- Immediate distribution capability to expedite growth and **target SME and new geographies**
- Leverages Kupe LPG production into **higher margin segments**
- **Experienced operating team** supplementing existing internal capabilities
- **5% EPS accretion** after synergies are delivered<sup>1</sup>
- **Significant synergies** from integrating distribution network and growing volumes
- Continuing the transformation journey towards a **\$400m+ EBITDAF** business by FY21

1. Proforma before one off costs and after synergies are fully realised



# Thank You



# Disclaimer



This presentation has been prepared by Genesis Energy Limited ('Genesis Energy') for information purposes only. The information in this presentation is of a general nature and does not purport to be complete nor does it contain all the information required for an investor to evaluate an investment. This presentation may contain projections or forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward looking statement based on a number of important factors and risks.

Although management may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward looking statements will be realised. EBITDAF, underlying profit and free cash flow are non-GAAP (generally accepted accounting practice) measures. Information regarding the usefulness, calculation and reconciliation of these measures is provided in the supporting material. Furthermore, while all reasonable care has been taken in compiling this presentation, to the maximum extent permitted by law Genesis Energy accepts no responsibility for any errors or omissions and no representation is made as to the accuracy, completeness or reliability of the information. This presentation does not constitute investment advice



**1 May 2017**

**NZX Announcement**

## **Genesis Energy Limited Considers Bond Offer**

Genesis Energy Limited ("Genesis Energy") is considering an offer of up to \$225 million of 30-year subordinated capital bonds to institutional investors and New Zealand retail investors.

The offer will be made pursuant to the Financial Markets Conduct Act 2013 as an offer of debt securities of the same class as existing quoted debt securities. It is expected that full details of the bond issue will be released prior to the offer opening, which is expected to be in the week beginning 8 May 2017.

Genesis Energy has appointed Deutsche Craigs Limited as Arranger and Joint Lead Manager, ANZ Bank New Zealand Limited, Bank of New Zealand Limited and Forsyth Barr Limited as Joint Lead Managers and Hobson Wealth Partners Limited as a Co-Manager in relation to the bond offer. Craigs Investment Partners Limited is the Organising Participant.

Investors can register their interest with the Joint Lead Managers or Co-Manager (details below), or a financial adviser. Indications of interest will not involve an obligation or commitment of any kind. No money is currently being sought and no bonds can be applied for or acquired until the offer opens and the investor has received a copy of the offer document in relation to the bonds.

For further information please contact:

Deutsche Craigs	ANZ	BNZ	Forsyth Barr	Hobson Wealth
0800 226 263	0800 269 476	0800 284 017	0800 367 227	0800 742 737

**Ends**

*Dan Dillane*  
*Capital Structure Manager*  
*Genesis Energy*  
*021 501 235*

### **About Genesis Energy**

Genesis Energy (NZX: GNE) is a diversified New Zealand energy company. It sells electricity, reticulated natural gas and LPG through its retail brands of Genesis Energy and Energy Online. It is New Zealand's largest energy retailer with around 637,000 customer accounts. The Company generates electricity from a diverse portfolio of thermal and renewable generation assets located in different parts of the country. Genesis Energy also has a 46% interest in the Kupe Joint Venture, which owns the Kupe Oil and Gas field offshore of Taranaki, New Zealand. Genesis Energy had revenue of NZ\$2.0bn during the 12 months ended 30 June 2016. More information can be found at [www.genesisenergy.co.nz](http://www.genesisenergy.co.nz)