

# Investor Roadshow

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November 2017

GENESIS ENERGY LIMITED



# Genesis Energy at a glance

— \$2.5 billion energy company dual listed on the NZX and ASX

## KEY INFORMATION

**Revenue:** NZ\$2.0 billion

**EBITDAF:** NZ\$333 million

**Dividend Yield:** 6.7%

**Share Price:** NZ\$2.48

**Market Capitalisation:** NZ\$2.48 billion

**Average Daily Turnover:** 750,000 shares

**Credit Rating:** BBB+ (Standard & Poors)

Genesis Energy is a large, fully integrated energy management company. It is New Zealand's largest energy retailer, generates electricity from a diverse portfolio of thermal and renewable assets located throughout the country, and has an interest in the Kupe oil and gas field offshore of Taranaki.

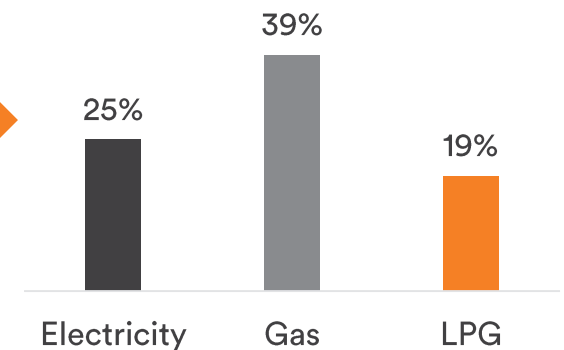


**Production**  
46% ownership in  
Oil & Gas Field  
producing 24PJ per  
annum



**Generation**  
6,422GWh total  
generation, 51%  
thermal, 49%  
renewable

## MARKET SHARE



**Retail**  
The largest  
customer base in  
New Zealand with  
510,000 customers

# Agenda

Market  
Overview

1

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Overview

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RACHEL FOSTER  
RESIDENTIAL CUSTOMER



## Market Overview

1

LYDIA GENET  
GENESIS

SIV FJAERESTAD  
FEATHERSTON COMMUNITY CENTRE



# About New Zealand

— good growth in a stable economic environment

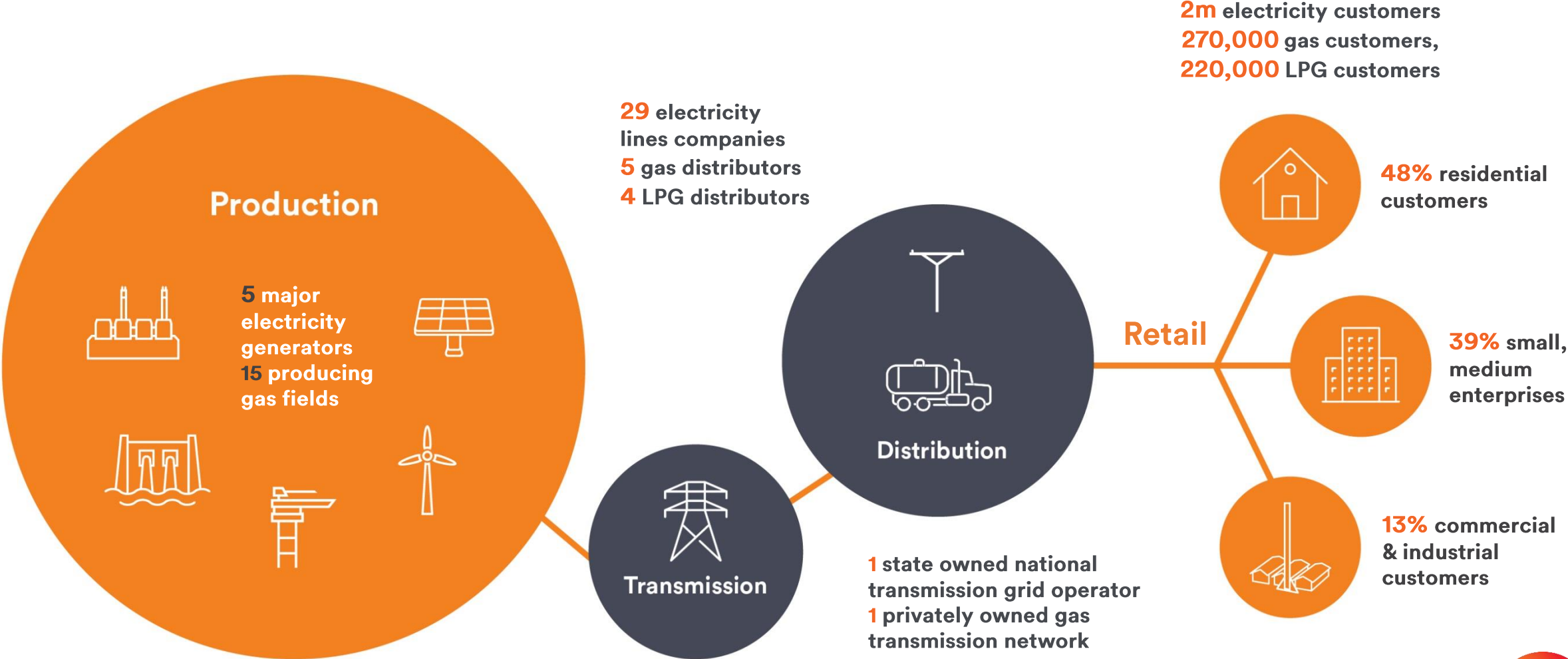


Source: *Economy Rankings 2017 (The World Bank), The Heritage Foundation 2017, Forbes Lists 2016, Legatum Prosperity Index 2016, Energy Architecture Performance Index 2017 (World Economic Forum)*



# Overview of the New Zealand energy market

— deregulated market with an established operating system



# New Zealand electricity market

— >80% renewable, with low demand growth and high competition

**SUPPLY**

**9963MW** installed capacity      **44%** South Island based

GENERATION VOLUME MIX (%)

Source: MBIE

**>80%** renewable      **6 - 8 weeks** hydro storage      **NZ\$75/MWh** LRM for new generation



**DEMAND**

**0.1%** 10 year demand growth      **63%** North Island based      **12%** Tiwai but risks reduced

ELECTRICITY DEMAND

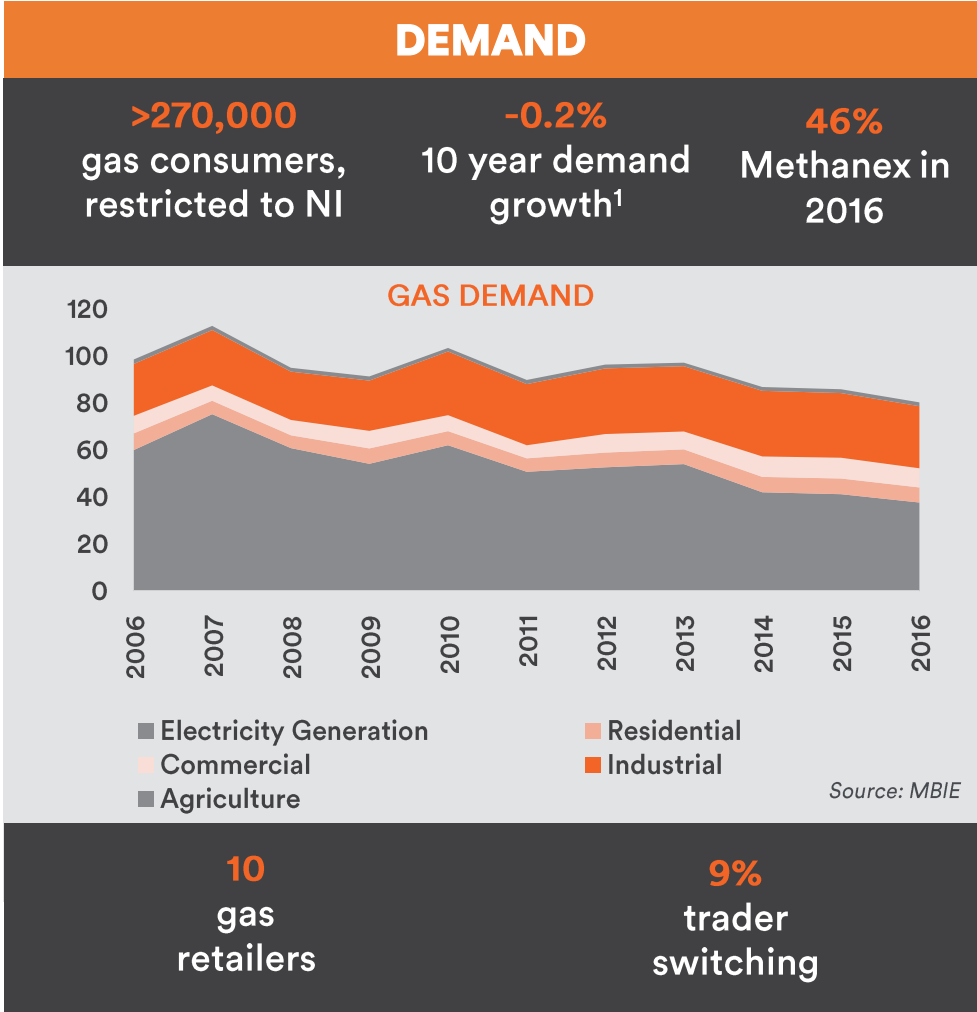
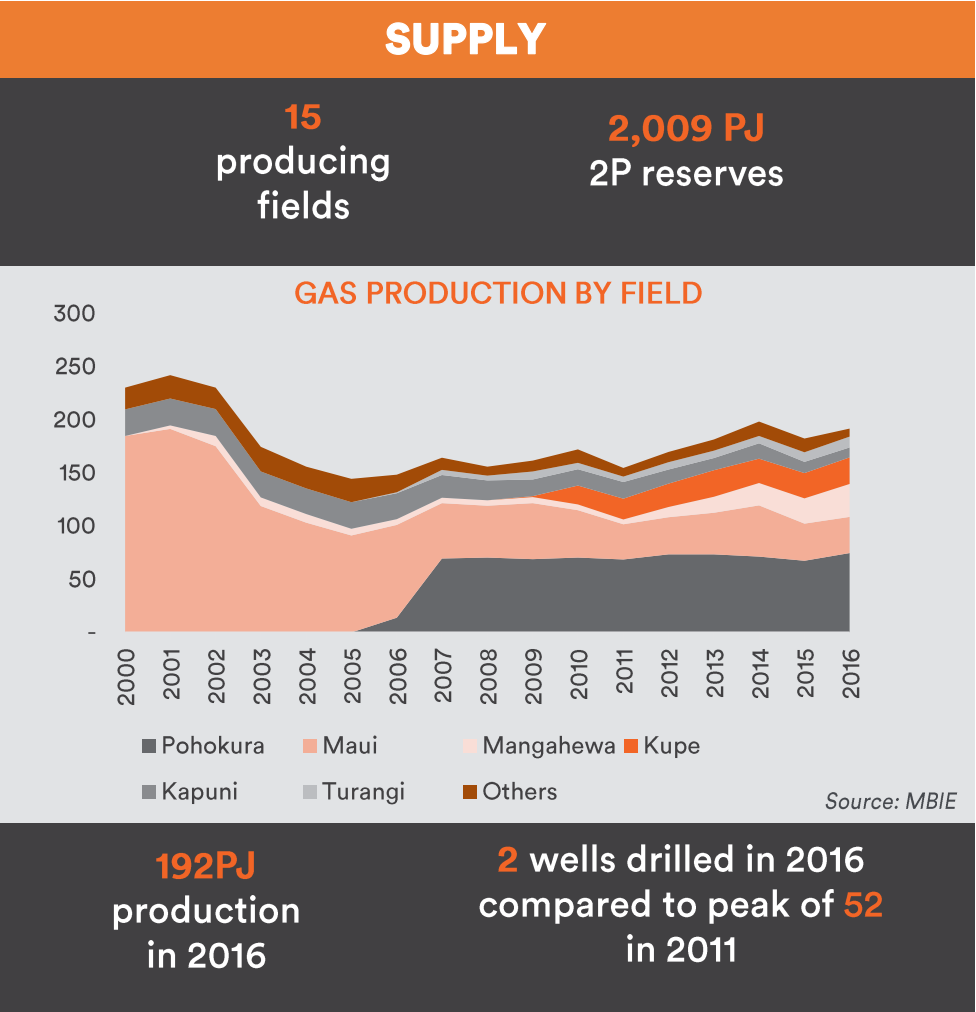
Source: MBIE

**35** electricity retailers      **8%** trader switching      **149%** increase in EV's last year



# New Zealand gas market

— over-supply in short term, Methanex is the market-maker



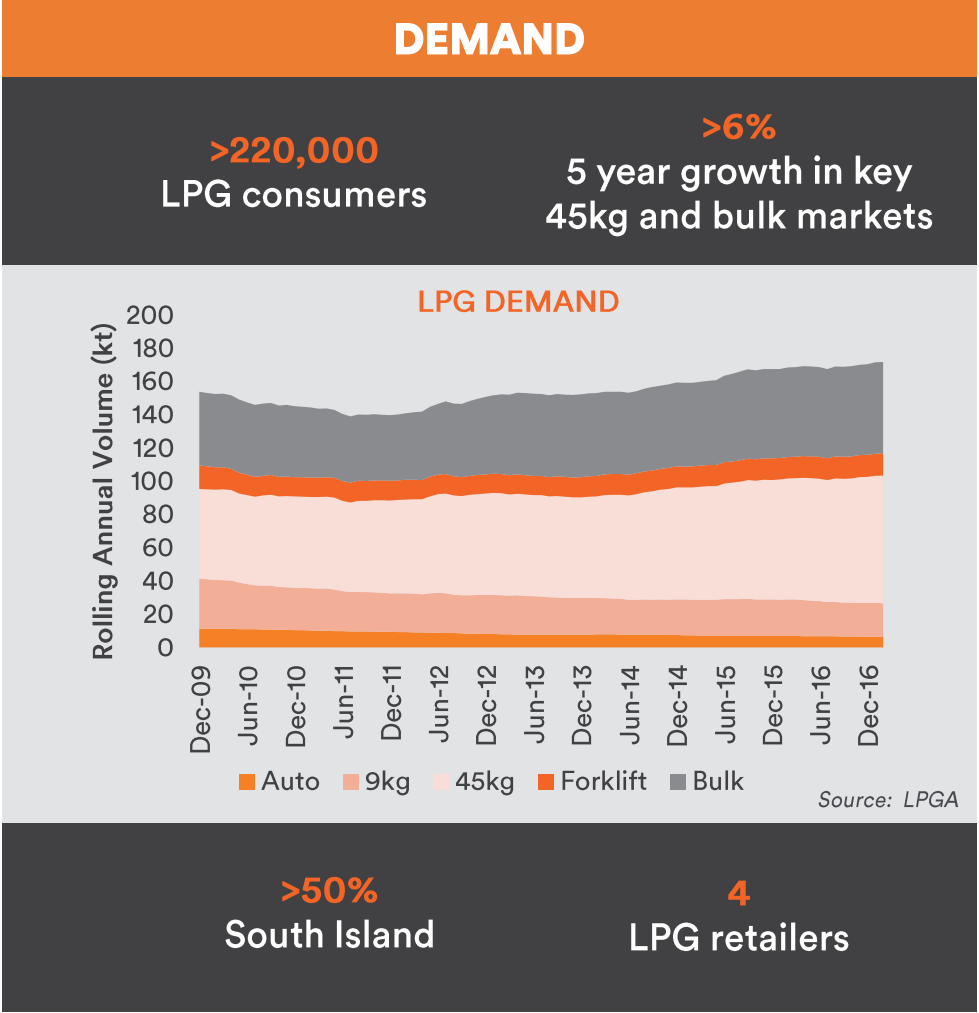
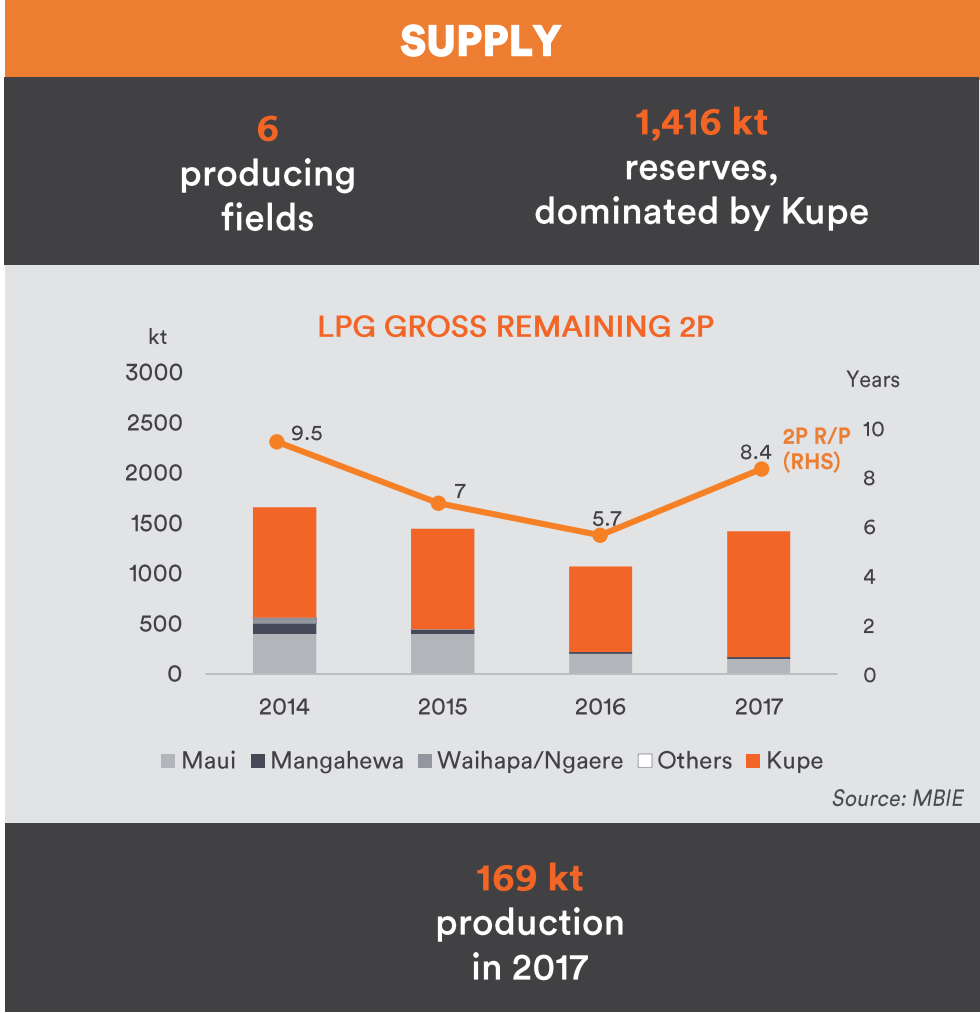
<sup>1</sup> Excluding petrochemicals





# New Zealand LPG market

— likely to move to net import in early 2020's, only fuel type showing good growth



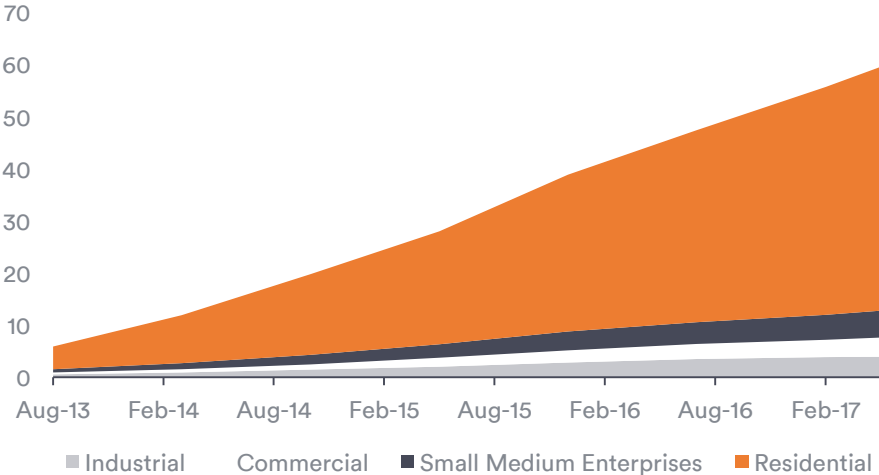
# New Zealand distributed energy market

— early days yet but the direction is clear

- Whilst grid parity has been achieved, solar penetration remains low as economics remain poor relative to buying off grid from an already highly renewable market
- EV take up accelerating, likely to be a key driver of energy demand growth longer term

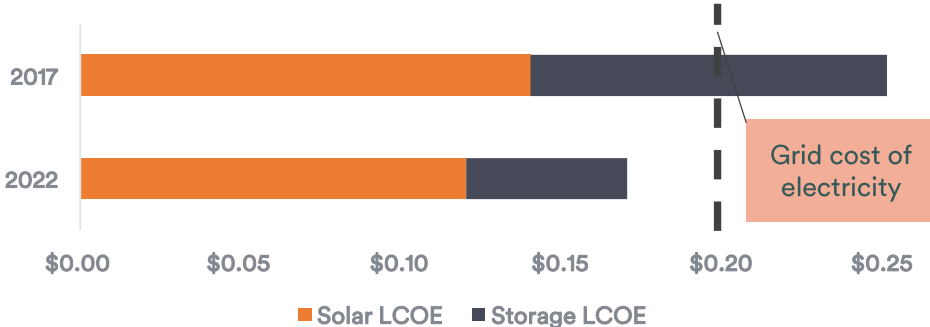


SOLAR – INSTALLED CAPACITY (MW)



Source: Electricity Authority

UNSUBSIDISED SOLAR STORAGE LCOE<sup>1</sup> - (US\$/kWh)



Source: Deutsche Bank Estimates

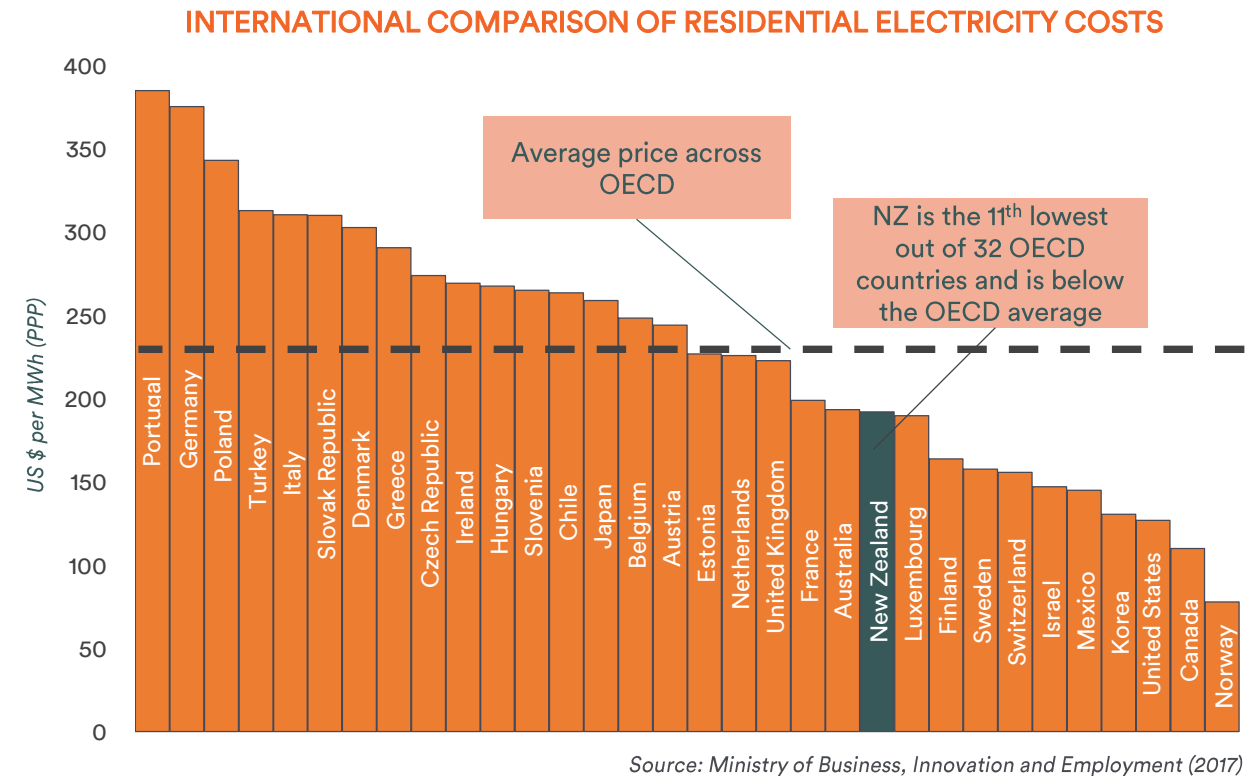
1. Levelised cost of solar energy



# Regulatory environment

— fully deregulated market has promoted efficiency and competition

- Energy policy set by Government
  - New government focused on climate change with a Zero Carbon Act to be introduced and an independent Climate Commission established to look at transitioning to zero emissions by 2050 including review of Emissions Trading Scheme
  - Retail electricity price review underway
- Electricity and gas authorities provide regulatory oversight in conjunction with the Commerce Commission
- Local Governments also play a role in issues such as water quality and resource rights



**“A world leading example of a well-functioning electricity market, which continues to work effectively”**

International Energy Agency

Genesis  
Overview

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ANDY BAKER  
BUSINESS CUSTOMER



# About Genesis Energy

— only integrated energy management company in New Zealand



HUNTLY  
**948**

Peak Capacity/MW



WAIKAREMOANA  
**138**

Peak Capacity/MW



TONGARIRO  
**362**

Peak Capacity/MW



HAU NUI  
**8**

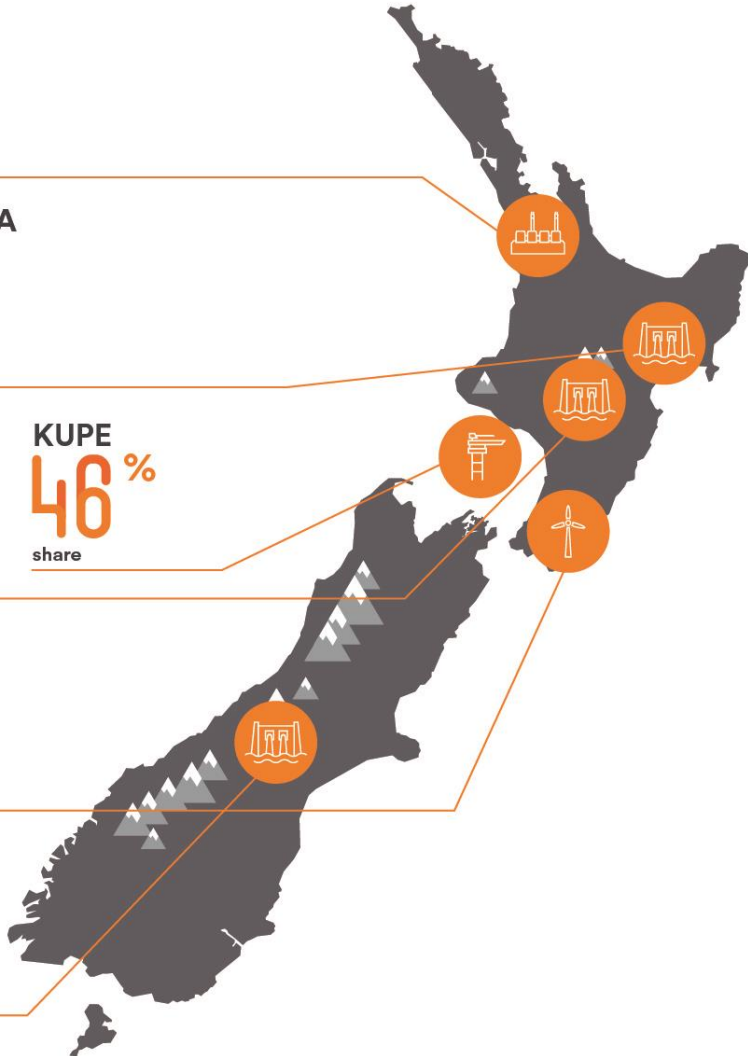
Peak Capacity/MW



TEKAPO A&B  
**185**

Peak Capacity/MW

KUPE  
**46%**  
share



**510,630**

customers

⚡ **25%** electricity market share

🔥 **38%** gas market share

💧 **19%** LPG market share

**1.3**  
products per customer

**PURPOSE:**

reimagine energy to put control in our customers' hands



# Why Genesis?



**1. Delivering a cohesive customer experience with 3 products on one technology platform**



**2. Ensuring security of supply in a volatile renewable market**



**3. Creating value through an integrated fuel position**



**4. Agile culture embracing and leading change**



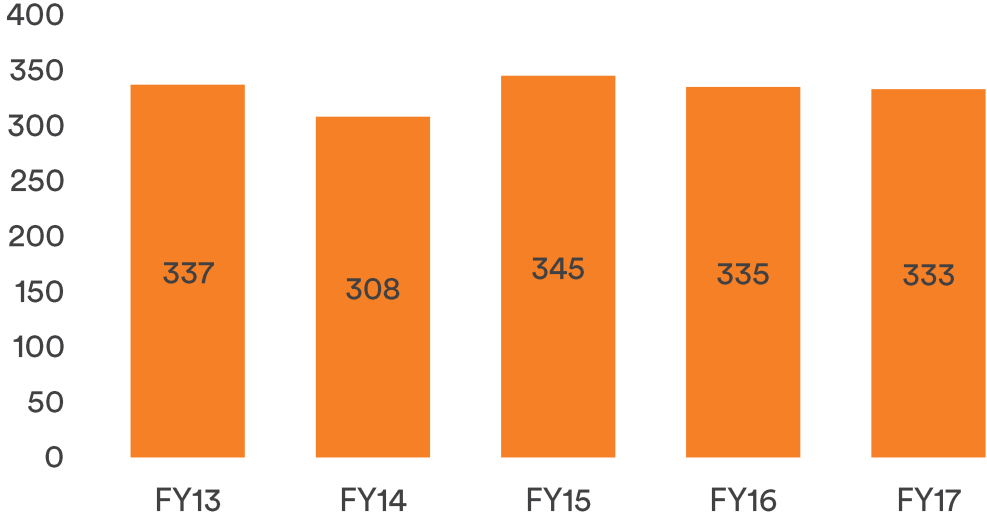
# Financial overview

— a growing dividend stream over time

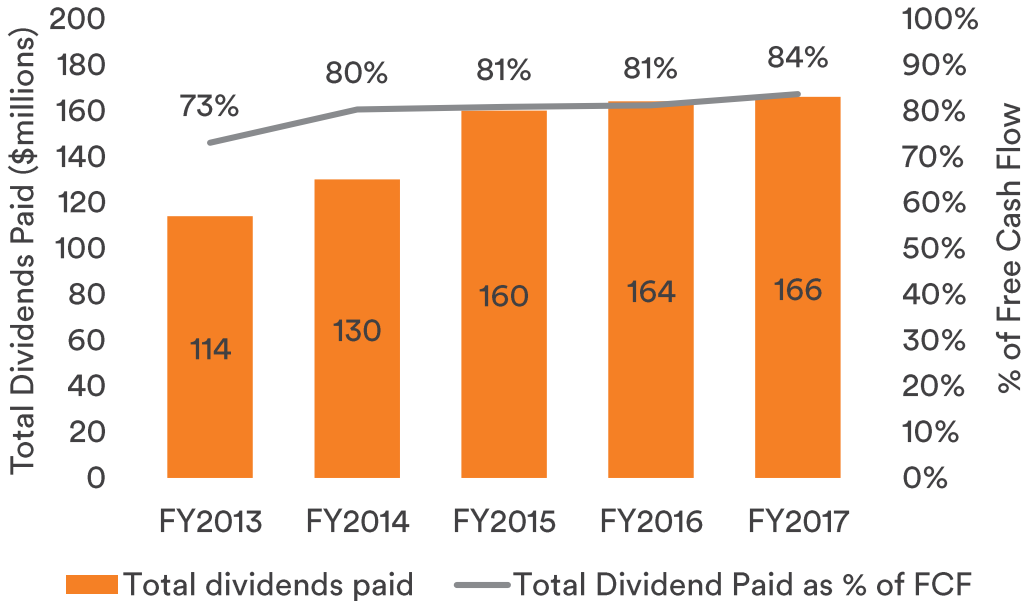
- \$333 million of EBITDAF delivered in FY17 ahead of guidance
- 16.6c of dividends declared up 1.2% representing a cash yield of 6.7%. Dividend policy to grow in real terms over time with 3.8% growth delivered in past three years against inflation of 2.5%

### EBITDAF

\$ MILLIONS



### DIVIDEND & PAYOUT HISTORY

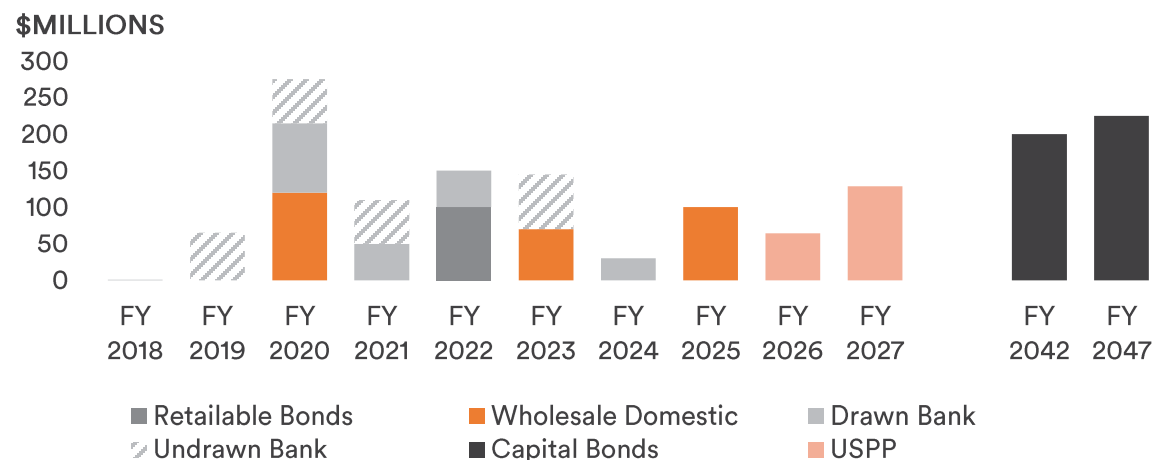


# Capital structure overview

— long tenure debt in place at lower cost, with BBB+ rating from S&P

- Average cost of debt 5.7%, down 80 basis points
- Average tenure 11.4 years, up 3.9 years
- S&P reaffirmed BBB+ rating post acquisitions in May 2017 with Net Debt/EBITDAF expected to return to upper end of target range by end of FY18

## GENESIS ENERGY DEBT PROFILE



## Key Debt Metrics

30 June 2017

Total Debt	\$	1,260
Cash and Cash Equivalents	\$	28
Headline Net Debt	\$	1,232
USPP FX and FV Adjustments	\$	22
Adjusted Net Debt <sup>1</sup>	\$	1,210
Headline Gearing		38.9%
Adjusted Gearing		38.4%
Net Debt/EBITDAF <sup>2</sup>		3.6x
Interest Cover		6.6x

1. Net debt has been adjusted for foreign currency translation and fair value movements related to USD denominated borrowings which have been fully hedged with cross currency swaps
2. EBITDAF only includes 6 months of earnings from the Kupe acquisition and 1 month of earnings from the Nova Energy retail LPG business acquisition

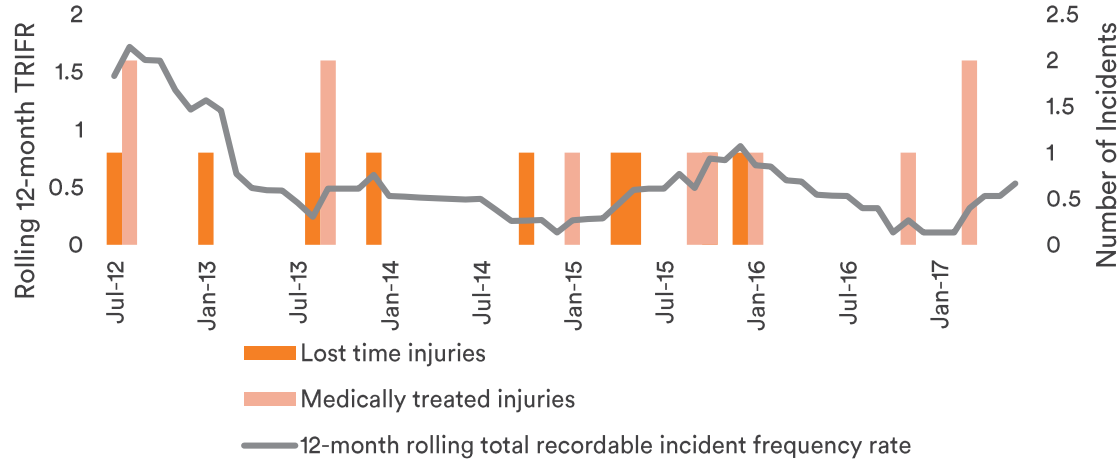


# Health & safety

— zero harm is our commitment

- Our rigorous focus on health and safety has translated into tangible outcomes with our TRIFR remaining at sector-leading levels
- No serious or lost time incidents in past 12 months
- Staylive, an important forum for industry collaboration and learnings, was recently recognised with the EEA 2017 Workplace Safety Award

### TRIFR<sup>1</sup> SAFETY STATISTICS



1. Total Recordable Injury Frequency Rate = Lost time injuries + Restricted Work Injuries + Medically Treated Injuries) per 200,000 hours worked





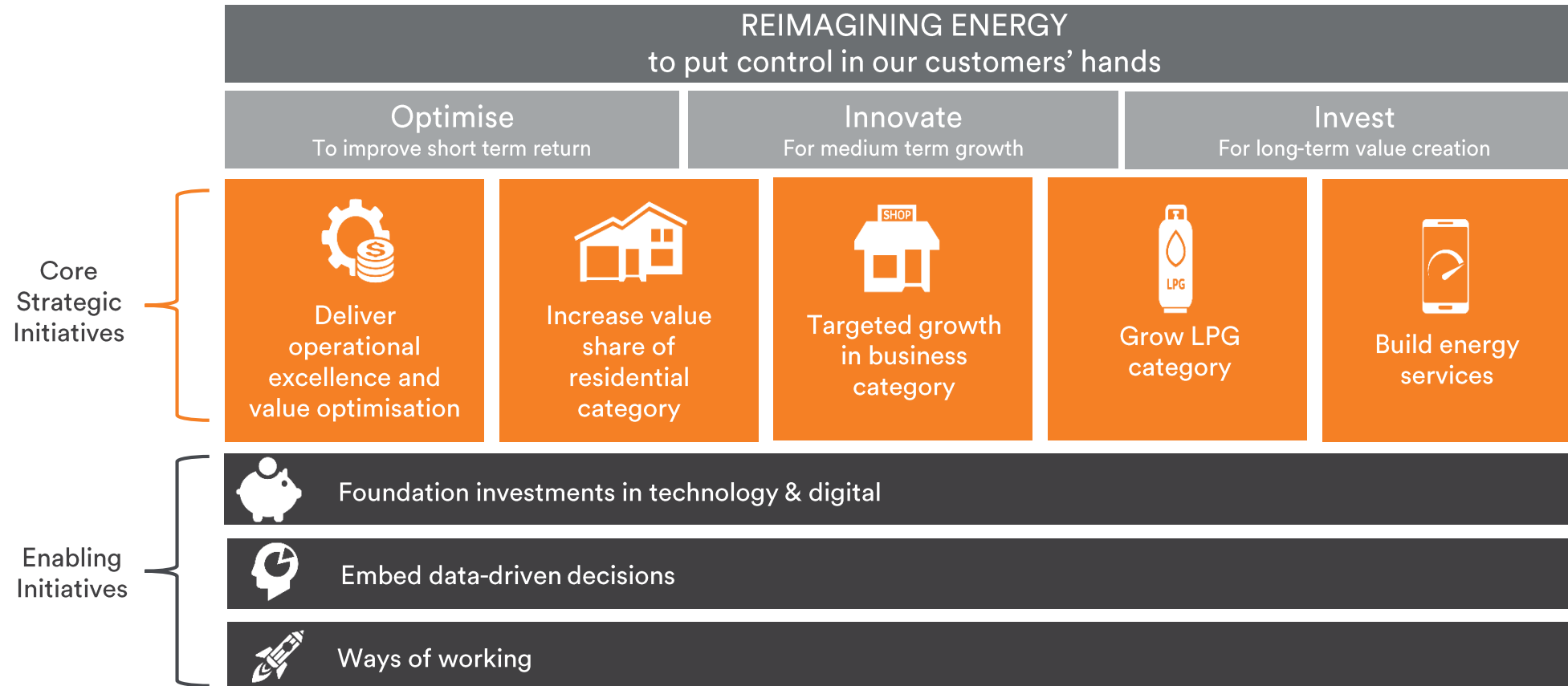
Strategy and  
Outlook

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LYDIA GENET  
LOCAL ENERGY PROJECT COMMUNITY LIAISON

# Strategy overview

— five key strategic initiatives underpin our transformation



# FY17 strategy highlights

— transformation journey underway

**Reset**  
Strategy and vision



Acquired additional  
**15%** of Kupe for **\$168 million**



**Launched** NZ's first real world research and development energy community



Acquired retail LPG distribution business of Nova Energy for **\$192 million**

Delivered **\$333 million** EBITDAF ahead of guidance



Supported NZ **security of supply** during a dry winter

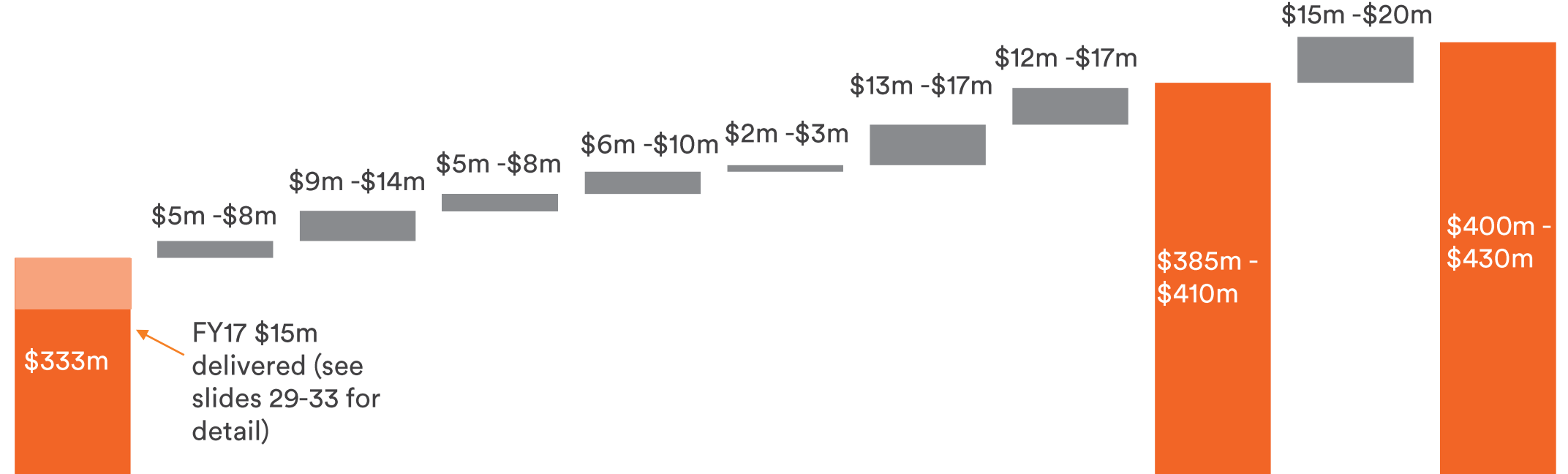


Launched loyalty program with **>120,000** customers linked



# FY21 target EBITDAF

— target to deliver \$400 - \$430 million by FY21 and top quartile TSR



FY17 \$15m delivered (see slides 29-33 for detail)

FY17 EBITDAF Operational excellence Residential value share Business category growth Grow LPG category Energy services Kupe Core growth<sup>4</sup> Original FY21 EBITDAF target Nova Energy retail LPG business<sup>3</sup> Revised FY21 EBITDAF target

NOTES

- 1. Several initiatives are interdependent. As an example, energy services capability will contribute towards residential value share
- 2. All ranges are net of operational investment required to achieve target outcomes
- 3. Represents acquired EBITDAF in the acquisition of the Nova Energy retail LPG business not in original FY21 target. \$4-6 million of synergies from the acquisition will be reflected in the “grow LPG category”
- 4. Core growth represents partial benefit from the rolling off of the take or pay gas contracts and natural growth in wholesale prices over time



# FY18 strategy delivery actions

— the journey continues



# Innovating to lead

— working with customers collaboratively to build our energy management capabilities



*“Making Energy management real for our customers by initiating trials for our new services which include energy forecasting which went live this month.”*



*“Partnering with customers to test and develop the latest energy innovations and deliver products and services that give them control about their energy use.”*

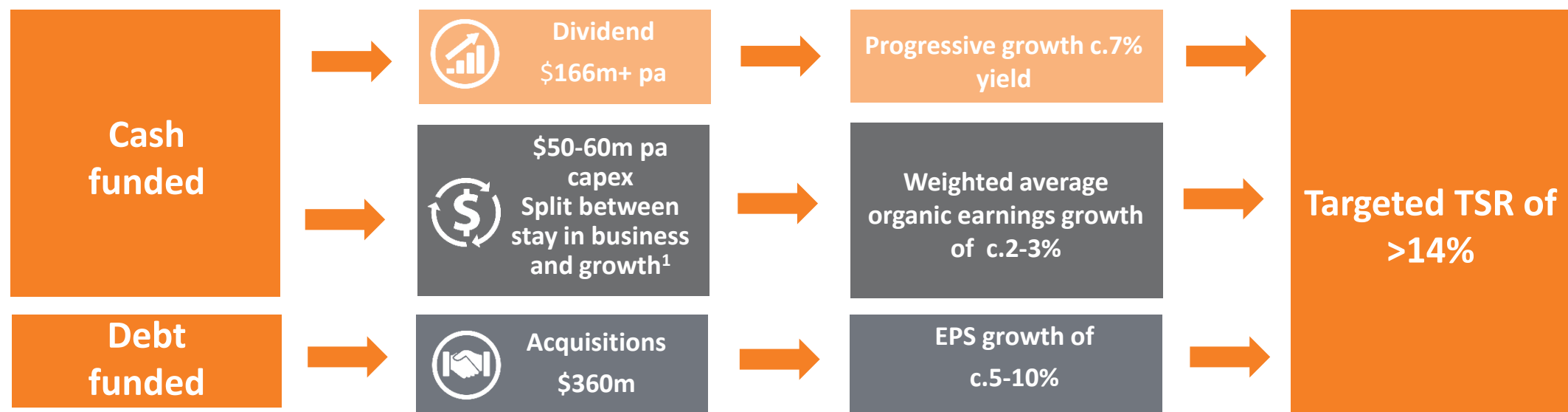


# Outlook

— growth in FY18 earnings as Genesis moves towards becoming a \$400m+ EBITDAF company

- FY18 EBITDAF guidance range of \$345 to \$365 million including increased share of Kupe and transaction costs associated with acquisition of Nova Energy Retail LPG business
- Target earnings profile remains to deliver \$400+ million of EBITDAF in FY21 and a top quartile total shareholder return

## HOW WE THINK ABOUT CREATING SHAREHOLDER VALUE



1. Excludes capex required for Kupe Phase 2 development





**Supplementary  
Information**

4

**Richard and Angela Espley**  
Genesis dual fuel customers

# Financial statements

Income Statement	FY17 (\$m)	FY16 (\$m)	Variance	Balance Sheet	FY17 (\$m)	FY16 (\$m)	Variance
Revenue	1,951.1	2,011.3	(3.0%)	Cash and Cash Equivalents	27.8	34.9	
Total Operating Expenses	(1,618.6)	(1,676.0)	3.4%	Other Current Assets	344.2	296.9	
<b>EBITDAF</b>	<b>332.5</b>	<b>335.3</b>	<b>(0.8%)</b>	Non-Current Assets	3,846.8	3,446.4	
Depreciation, Depletion & Amortisation	(174.6)	(127.5)		<b>Total Assets</b>	<b>4,218.8</b>	<b>3,778.2</b>	<b>11.7%</b>
Revaluation of Generation Assets	51.5	138.0		Total Borrowings	1,259.8	912.2	
Fair Value Change	22.6	(26.6)		Other Liabilities	977.1	874.8	
Other Gains (Losses)	(4.0)	(3.0)		<b>Total Equity</b>	<b>1,981.9</b>	<b>1,991.2</b>	<b>(0.5%)</b>
<b>Earnings Before Interest &amp; Tax</b>	<b>228.0</b>	<b>316.2</b>	<b>(27.9%)</b>	Adjusted Net Debt	1,210.0	830.9	
Interest	(60.5)	(63.2)		Gearing	38.4%	30.3%	
Tax	(48.8)	(68.8)		EBITDAF Interest Cover	6.6x	6.3x	
<b>Net Profit After Tax</b>	<b>118.7</b>	<b>184.2</b>	<b>(35.6%)</b>	Net Debt/EBITDAF	3.6x	2.5x	
Earnings Per Share (cps)	11.88	18.43	(35.5%)				
Stay in Business Capital Expenditure	32.4	39.7	(1.8%)	<b>Cash Flow Summary</b>	<b>FY17 (\$m)</b>	<b>FY16 (\$m)</b>	<b>Variance (\$m)</b>
Free Cash Flow	198.6	202.2	(1.8%)	Net Operating Cash Flow	248.5	324.8	
Dividends Per Share (cps)	16.6	16.4	1.2%	Net Investing Cash Flow	(409.6)	(32.1)	
Dividends Declared as a % of FCF	84%	81%	3%	Net Financing Cash Flow	154.0	(278.8)	
				<b>Net Increase (Decrease) in Cash</b>	<b>(7.1)</b>	<b>13.9</b>	<b>(21.0)</b>

# Operational highlights

Customer Key Information	FY17	FY16	Variance
EBITDAF (\$ millions)	109.6	102.7	6.7%
Electricity Only Customers	350,869	371,758	
Gas Only Customers	18,439	19,782	
LPG Only Customers	28,018	4,376	
Customers with > 1 Product	113,304	99,958	
<b>Total Customers<sup>1</sup></b>	<b>510,630</b>	<b>495,874</b>	<b>3.0%</b>
Volume Weighted Average Electricity Selling Price – Mass Market (\$/MWh)	\$242.30	\$238.27	1.7%
Volume Weighted Average Electricity Selling Price – TOU (\$/MWh)	\$120.04	\$116.41	3.1%
Volume Weighted Average Gas Selling Price (\$/GJ)	\$27.14	\$26.99	0.5%
Customer Electricity Sales (GWh)	5,653	5,669	(0.3%)
Customer Gas Sales (PJ)	7.4	7.3	1.0%
Customer LPG Sales (tonnes)	5,979	3,949	51.3%

1. Includes customers acquired in Nova Energy retail LPG acquisition

Wholesale Key Information	FY17	FY16	Variance
EBITDAF (\$ millions)	176.1	194.1	(9.3%)
Renewable Generation (GWh)	3,154	2,678	17.8%
Thermal Generation (GWh)	3,268	4,043	(19.2%)
<b>Total Generation (GWh)</b>	<b>6,422</b>	<b>6,721</b>	<b>(4.5%)</b>
GWAP (\$/MWh)	60.63	64.07	(5.4%)
LWAP/GWAP Ratio	100%	100%	0.0%
Weighted Average Fuel Cost (\$/MWh)	32.54	37.15	(12.4%)
Coal/Gas Mix (Rankines only)	41%	67%	(38.9%)

Kupe Key Information	FY17	FY16	Variance
EBITDAF (\$m)	84.4	80.4	5.0%
Gas Sales (PJ)	9.3	7.4	25.7%
Oil Production (kbbbl)	475.9	427.3	11.4%
Oil Sales (kbbbl)	506.8	416.9	21.6%
LPG Sales (kt)	32.1	28.1	14.5%
Average Brent Crude Oil (USD/bbl)	49.70	42.62	16.6%
Average Hedged Price (USD/bbl)	55.79	78.11	(28.6%)



**Supplementary  
Roadshow  
Materials**

**Strategic  
Initiatives**

**Emily  
Energy detective  
Belmont Primary**

# Operational excellence & value optimisation

— delivering best in class cost to serve and optimising value

## FY17 Actions

### Customer

- ✓ Streamlining the “customer join” experience, assisted by investment in customer relationship management and phone systems
- ✓ Restructure of customer experience team to enhance performance and reduce costs

### Wholesale

- ✓ Campaign maintenance strategy delivered increased availability of plant and reduced costs
- ✓ 18.4 GWh saved from efficiencies in hydro schemes
- ✓ Revised long term maintenance agreement for Unit 5 resulting in \$10 million savings over 6-years from FY19

FY17: **\$5m** delivered<sup>1</sup>

to FY21: Remaining target **\$5 - \$8m**

## Key Metrics

	FY16	FY17
Customer cost to serve (per ICP)	\$165	\$161
Customer assisted interactions per ICP <sup>2</sup>	2.28	2.25
Generation Opex savings (year on year)	\$4.7m	\$4.3m
Equipment availability factor	89.0%	92.5%

1. Excludes costs associated with initial investment
2. interactions that require assistance from the customer experience team

# Increase value share of residential category

— through differentiated products, loyalty rewards and portfolio optimisation

## FY17 Actions

- ✗ Customer losses higher than expected following value optimisation
- ✓ Launched Fly Buys with >120,000 customers linked
- ✓ Targeted retail pricing changes based around regions and types of customers
- ✓ Doubled annualised profitability of EOL
- ✓ Dual brand strategy review completed, with EOL launched June and Genesis following in August
- ✗ Retail sales team with revised incentives still to be established

FY17: **\$8m** delivered<sup>1</sup>

to FY21: Remaining target **\$9 - \$14m**

## Key Metrics

	FY16	FY17
Electricity and Gas Customers <sup>2</sup>	460,281	451,240
Products per residential customer <sup>3</sup>	1.27	1.29
Electricity gross margin per customer (\$/customer)	\$358	\$416
Gas gross margin per customer (\$/GJ)	\$314	\$331
Net promotor score	-5%	1%

1. Excludes costs associated with initial investment
2. The entity (person, people, company) who receives products and/or services from Genesis Energy or Energy Online. Includes Nova Energy acquired dual fuel customers
3. Measured as electricity and gas ICP's per customer. Excludes EOL



# Targeted growth in business category

— growing customers and volumes in the business category

## FY17 Actions

- ✓ Set up dedicated regional field sales force with 8 FTE recruited into 2 teams – SME and agribusiness
- ✓ Optimised pricing across the customer base including new pricing plans and more immediate network pass throughs
- ✓ First agribusiness product ‘Farmhouse’ launched at Fieldays
- ✓ Exclusive relationship with Panoramic Power Ltd providing energy monitoring technology for customers
- ✗ Low volume growth in FY17 however momentum now building

FY17: **\$1m** delivered<sup>1</sup>

to FY21: Remaining target **\$5 - \$8m**

## Key Metrics

	FY16	FY17
Total B2B volume won (excluding TOU) MWh <sup>2</sup>	270	285
% of business customers with > 1 product <sup>3</sup>	22.6%	24.1%
Electricity gross margin (\$/MWh) <sup>4</sup>	23.9	27.5
Gas gross margin (\$/GJ) <sup>4</sup>	\$2.53	\$3.79

1. Excludes costs associated with initial investment
2. Estimated based on number of new ICP's and estimated volumes
3. Products are classified as electricity, gas and LPG installations
4. Excludes TOU and C&I customers

# Grow LPG category

— a higher margin fuel, with greater growth prospects and lower churn

## FY17 Actions

- ✓ Acquisition of the Nova Energy retail LPG operation accelerates capabilities with integration a key focus
- ✓ New bottled gas smart plan and Switch. Save. Easy campaign
- ✓ Entered the commercial segment through the bobtail truck which is now 59% utilised
- ✓ Smart metering in place for all bulk LPG
- ✗ Weigh Scales prototype developed and in certification testing which is delaying start of customer trials
- ✗ Proportion of dual fuel customers reduced with addition of bottled gas only customers from Nova Energy

FY17: **\$1m** delivered<sup>1</sup>

to FY21: Remaining target **\$6 - \$10m**

## Key Metrics

	FY16	FY17
LPG customers	15,890	19,439 (Genesis) 36,279 (Nova)
LPG volume in tonnes	3,949	5,979 (Genesis) 28,401 (Nova <sup>2</sup> )
% of residential LPG customers with dual fuel	75%	50%

1. Excludes costs associated with initial investment. Excludes Nova acquisition. Synergy benefits will be included in future years
2. FY17 volumes, of which 2,814 was delivered in June under Genesis ownership



# Build energy services

— delivery of comfort, convenience and control to customers

## FY17 Actions

- ✓ Launch Local Energy Project (LEP) community in South Wairarapa with 200+ customers
- ✓ Established digital development capability
- ✓ Build Energy Management test platform
- ✓ Launch Energy Insights trial
- ✓ Develop 5 new services to Minimal Viable Product (MVP) stage
- ✓ Execute solar and storage sales campaign, including 130+ on site assessments
- ✓ Build awareness of LEP through community engagement

FY17: **\$0m** delivered<sup>1</sup>  
to FY21: Remaining target **\$2 - \$3m**

## Key Metrics

	FY16	FY17
# MVP delivered <sup>2</sup>	NA	5
# services launched <sup>3</sup>	NA	1
# customers engaging with an energy services product	NA	7,700

1. Excludes costs associated with initial investment  
2. Minimum viable products tested with customers  
3. Products available to mass market



**Thank you**

