



Z Energy

(NZX: ZEL)

Governance Roadshow
June 2019



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
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Z strategic priorities

Balance between short-term productivity and long-term optionality



More Productive Core

Business Unit focus through to end FY21

- ▶ Supply – drive change to existing structures to ensure we are rewarded for scale
- ▶ Commercial – combine the best of Caltex and Z to significantly simplify offers
- ▶ Retail – differentiate brand positions and segment customers for “true” loyalty

Boundary Conditions

- ▶ Marketing margins and market structure remaining broadly consistent
- ▶ No demand destruction

Capability Led Strategy

Organisationally, these matter

- ▶ Customer experience
- ▶ Productivity
- ▶ Digitisation
- ▶ Innovation
- ▶ Brand

What is Next (WIN)

Choosing to prepare for post FY21

- ▶ Investigate inorganic options for adjacent cash flows
- ▶ Explore three market spaces, through organic experiments, in Future Fuels, Mobility as a Service, and the Last Mile

Boundary Conditions

- ▶ Retaining the ability to pay dividends that support our Yield focused investors

Our stands



Our **purpose** is to solve what matters for a moving world; Our **ambition** is to be a world class Kiwi company



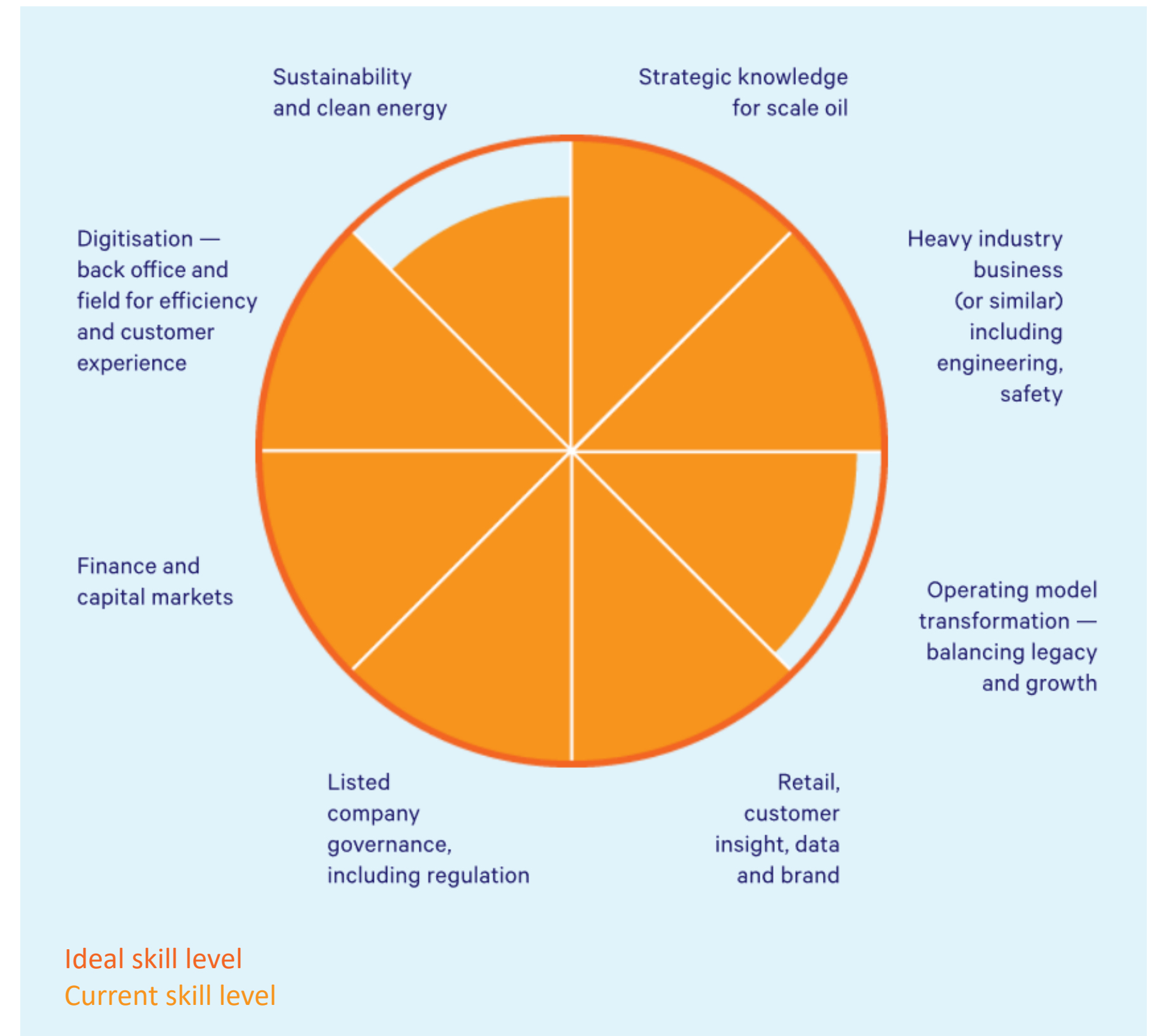


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**Board and
Executive team**

Board of Directors

A diversified board with complimentary skill-set and diversity of thought



Executive Team



The balance of the executive team reflects our shift towards capability-led strategy





2 Financial Information

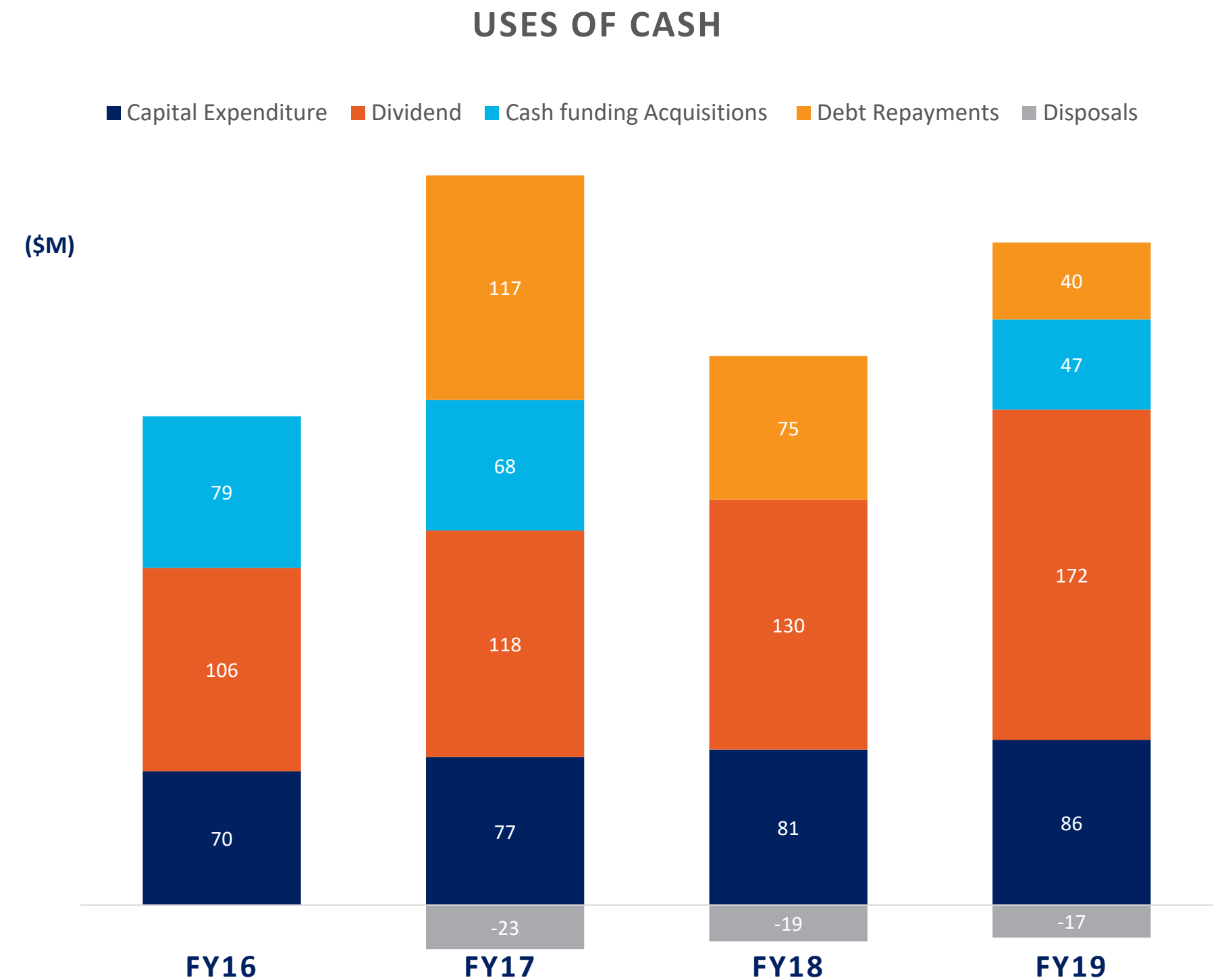


Capital Management

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

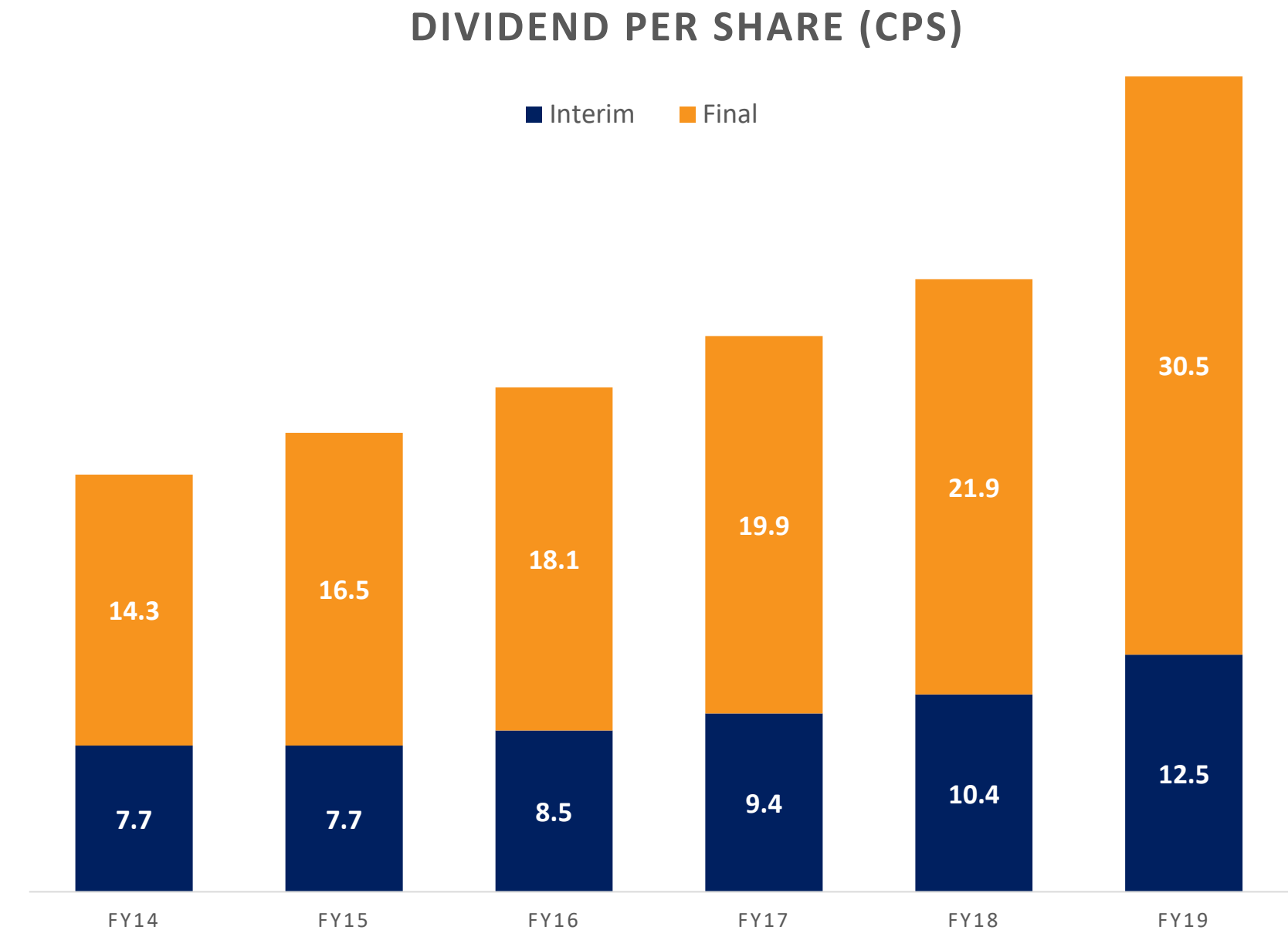


Dividend policy



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 share¹ 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



Thanks

<https://investors.z.co.nz>