



# Z Energy

NZX:ZEL

Investor Day 2019

Thursday, 1 August 2019

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



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# Agenda

Time	Subject	Who
0900	Welcome	Mike Bennetts, Chief Executive
0910	Current Context	Julian Hughes, General Manager Strategy and Risk
0935	Productivity	Lindis Jones, Chief Financial Officer
1005	Customer Experience	Jane Anthony, General Manager Marketing
<b>1045</b>	<b>Morning break</b>	
1105	Digitisation	Mandy Simpson, Chief Digital Officer
1120	Brand and Innovation	Andy Baird, General Manager Retail
1155	Capital Management	Lindis Jones, Chief Financial Officer
1220	Longer Term View	Julian Hughes, General Manager Strategy and Risk
1235	ESG	Matt Hardwick, Investor Relations Manager
1245	Q&A with Presenters	Executive Team
<b>1300</b>	<b>Lunch Break</b>	
1400	Demonstrations	Share Tank product demonstration VR Store of the future (bus trip to Z Royal Oak at 14.30) Power BI Tools (Z Business and HSSE) Innovation Refinery tour
1530	Day ends	Shuttle to AIA International Terminal

# Presenters



**Julian Hughes**  
GM Strategy and Risk



**Lindis Jones**  
CFO



**Jane Anthony**  
GM Marketing



**Mandy Simpson**  
Chief Digital Officer



**Andy Baird**  
GM Retail



**Matt Hardwick**  
Investor Relations



**Mike Bennetts**  
CEO

# Z's Investment Thesis and Strategy

These are the focus for Board and Management discussions



## INVESTMENT THESIS

*Z Energy is committed to creating value for investors by focusing on a safe and profitable core fuels business. We aim to extract value from our current asset base by delivering outstanding customer experiences, while positioning ourselves for future industry disruption. Z aims to be an attractive long-term investment by providing high quality, reliable returns to our investors by:*

- ▶ Optimise our market-leading position
- ▶ Pursuing a differentiated strategy that generates long-term customer loyalty
- ▶ Delivering earnings growth in a changing industry
- ▶ Allocating capital with discipline to maximise shareholder value
- ▶ Remaining a people and values-based company
- ▶ Doing good in Aotearoa New Zealand by recognising our heritage and being committed to future generations

### Optimised Performer

#### ***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 longer term strategic options including inorganic options for adjacent cash flows, and option for “last company standing” cash return to shareholders
- ▶ 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



# Current Context

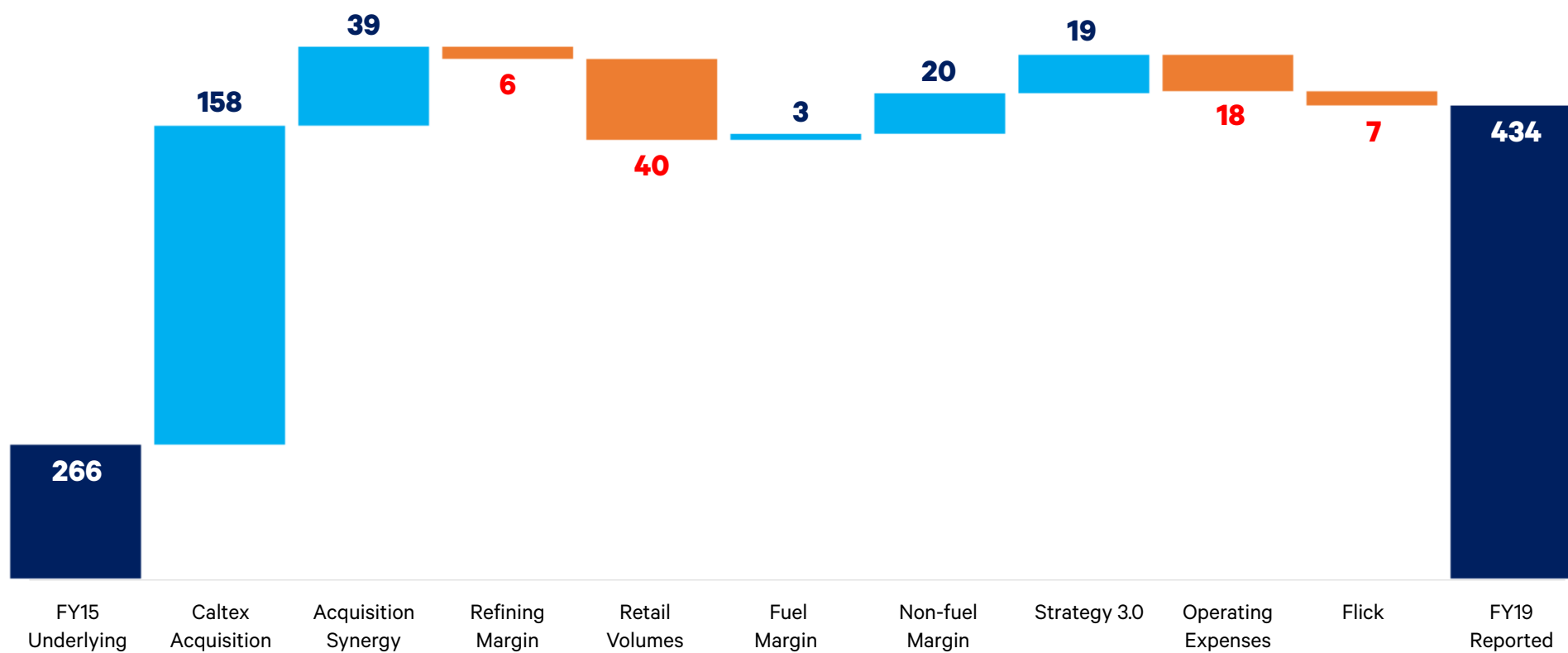
Julian Hughes  
General Manager Strategy and Risk

# Financial evidence of the change in scale

The major variances for RC EBITDAF between four financial years



\$m



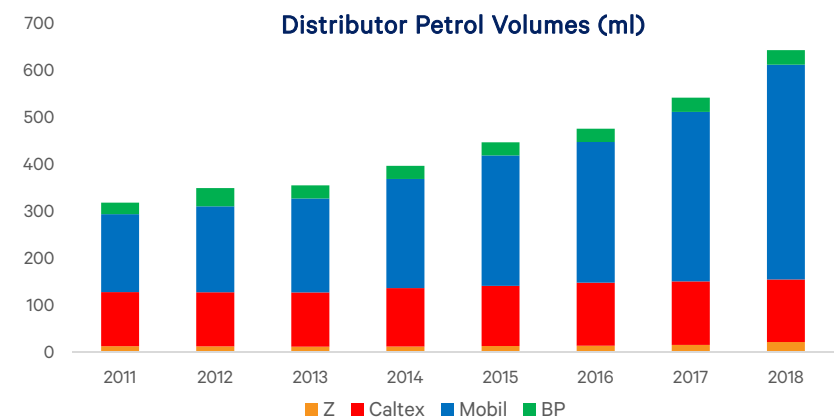
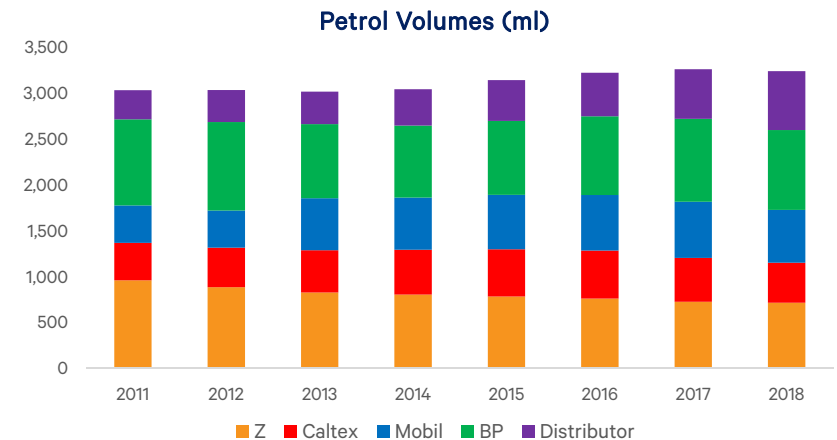
# Growth in site capacity in a flat market

Continued investment in new service stations across all regional markets



## Rapid growth in Distributor sites

- Between 2014-2018, industry site numbers have grown by 119 sites (+5%) across most of the 21 brands in the market
- Allied, Gull, NPD and Waitomo (all were Mobil supplied) account for 70% of this growth in site numbers, with BP at 10% of the growth
- Distributor growth is predominantly on secondary locations reflecting the low cost/capex models being pursued
- Site numbers for brands outside of the four major wholesalers are 760 (60% of the total industry) and now account for 20% of petrol demand, up from 11% in 2011
- Of these 760 sites, less than 20% are unmanned and/or solely priced focused offers
- Review of resource and building consents indicates up to 60 NTI retail sites (4% more capacity) to be built over the next three years across all brands – as concluded from Informed Sources and Z's internal estimates



Graph data sourced from Z's internal databases and analysis

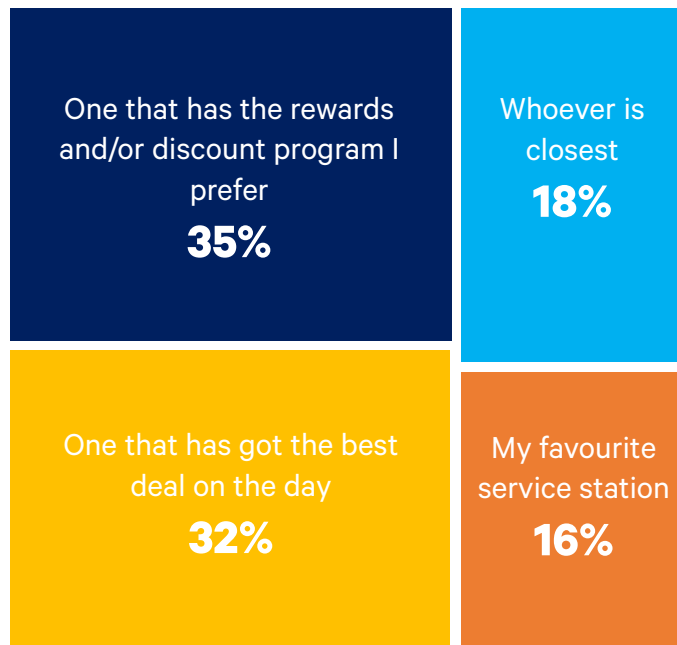
# Consumer choices in Retail

Both rational and emotional drivers determine the eventual consumer choice



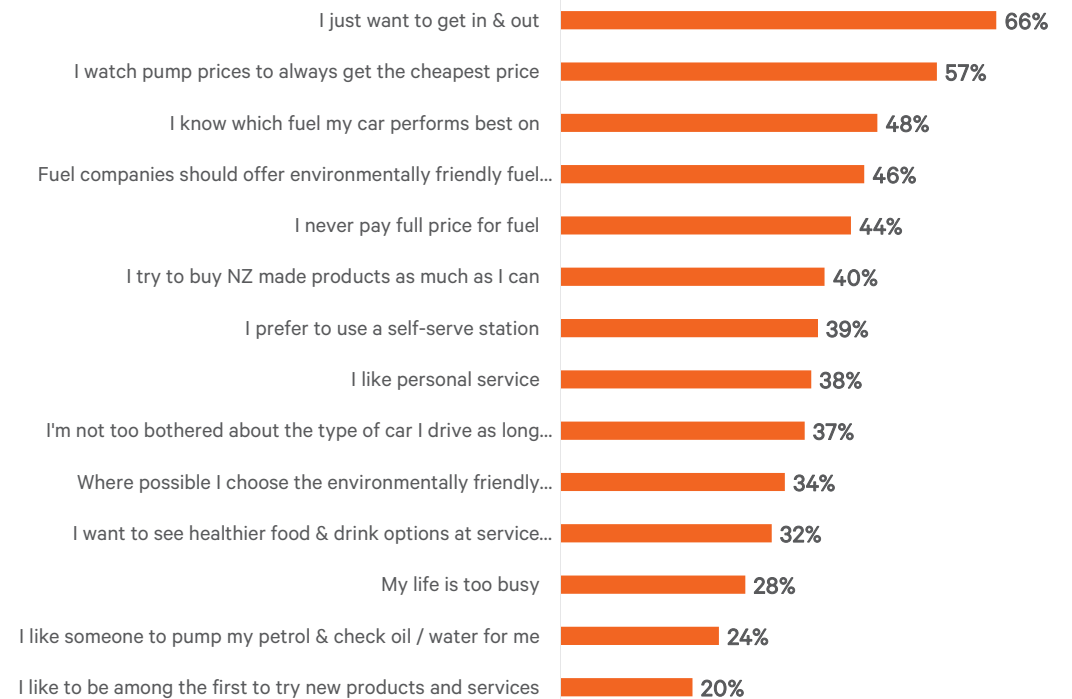
## Rational Drivers

- Rewards and price are the highest drivers of consumer choice



## Emotional Drivers

- Consumers want differentiation and choice





# Differences across channels

Primary drivers of choice differ across Retail and Commercial customers



## Retail



Loyalty driven by:

- Trusted brand – fair pricing, environmental and community position, listening and acting on feedback
- Providing great experiences – service, staff, innovation, speed
- Giving functional reasons to visit – convenience, rewards and recognition, coffee, promotions and specials

## Commercial



Remains largely unchanged, loyalty driven by:

- Value me and my business
- Provide service and be responsive
- Confidence in security of supply and trusted brand
- Perception of fairer pricing drives trust

# Government and Regulatory affairs

## Involvement with Government across a broad range of issues



### RAP Inquiry

- Draft report complete, expecting public release 19 August

### Market Study

- Draft report due mid August – we will hold briefing within 48 hours
- Submissions, cross-submissions and hearings before final report which is due on 5 December

### Zero Carbon Bill

- Supportive and will confirm this by appearing at Select Committee

### Clean Car Policy Working Paper

- Important steps towards reducing NZ transport emissions
- Potential impact consistent with both of Z's long term demand scenarios



# Strategy 3.0 update

On target for \$30-35m of incremental EBITDAF by end FY20, one year earlier than planned



Business Unit	Strategy	Major initiatives	Timing
Supply	Driving change to existing structures to ensure we are rewarded for scale	<ul style="list-style-type: none"> <li>• Consolidate terminal network in-house</li> <li>• Single hired carrier outsourced</li> <li>• Change partner for refinery optimisation</li> <li>• Renegotiate Industry structures</li> </ul>	FY19 FY19 FY19 FY20
Commercial	Combining the best of Caltex and Z to significantly simplify offers	<ul style="list-style-type: none"> <li>• Jet to import parity</li> <li>• SME technology and offer development</li> <li>• Consolidate Truckstop network and card platforms</li> <li>• CX journey maps</li> </ul>	FY19 FY20 FY20 FY20
Retail	Differentiating brand positions and segmenting customers for “true” loyalty	<ul style="list-style-type: none"> <li>• Capital release from next best alternative</li> <li>• CX journey maps</li> <li>• Data and Loyalty solution</li> </ul>	FY18 – FY21 FY19 FY20



# Productivity

Lindis Jones  
Chief Financial Officer

# Why a capability-led strategy?

Leveraging existing assets is the value optimising strategy



## Significant investment since FY11



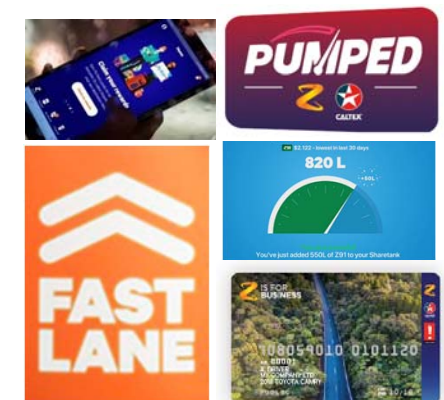
- Growth and Integrity capex of \$625m since FY11
- Acquisition of Chevron NZ in 2016 for \$785m

## Generated industry leading scale



- 53% of regional terminal storage capacity
- Truckstop network 2x that of nearest competitor
- 80% of population within 5kms of a Caltex or Z service station
- 90 million annual retail transactions across two Retail networks

## Providing significant opportunities



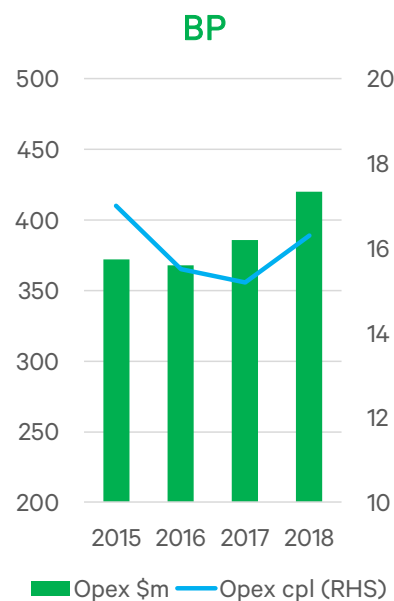
- > 1 million customer deliveries
- \$426m working capital
- ~\$160m of “discounts” and rewards to consumers

# Z has been comparatively productive

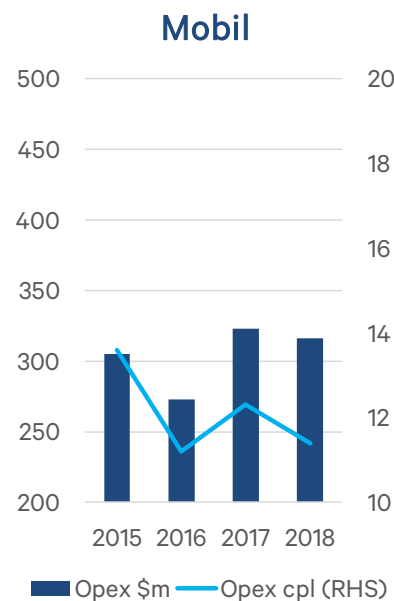
Analysis based on BP and Mobil's statutory accounts as lodged with the Companies Office



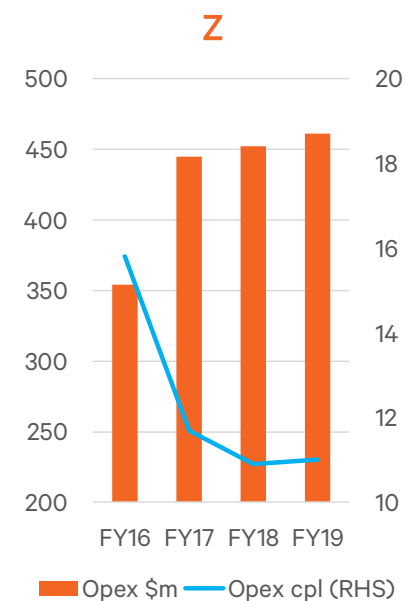
- Opex, financing costs and COSA adjusted to enable a consistent replacement cost (RC) comparison across similar financial years



EBITDA	\$m	cpl
2016	307	12.9
2018	259	10.1



EBITDA	\$m	cpl
2016	151	6.2
2018	82	3.0



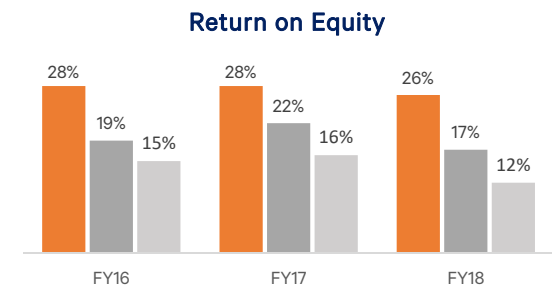
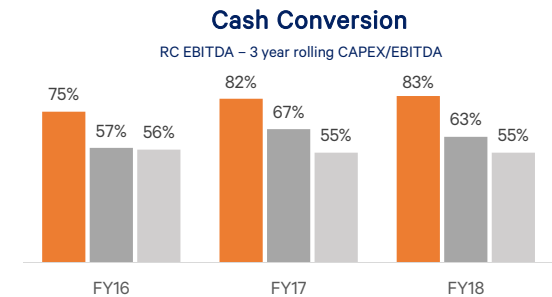
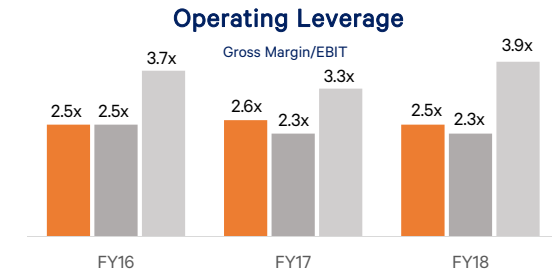
EBITDA	\$m	cpl
FY17	423	11.1
FY19	434	10.4

# Capital Efficiency

Relatively strong returns to equity supported by underlying efficiency



- Absolute performance matters most, however relative performance important for shareholders
- Z's Return on Equity<sup>1</sup> consistently above Australasian peers
- Operating Leverage improvements available from future productivity initiatives
- No exposure to refining capex, consistent and known integrity spend
- Recycling capital increases Z's efficiency of cash utilisation in generating earnings



Source: Z Energy Management

#### Notes

1. Return on Equity defined as Replacement cost NPAT/Shareholders equity
2. Capex excludes acquisitions and divestments
3. Source: Z Energy Management assessment on basis of publicly available information

# Productivity options

Different options available to manage and/or reduce the existing ~\$400m operating cost base



75%

of total costs  
are *core costs*

**Core costs** – incurred in core processes for operating the business

Legacy technologies now replaced, enabling process improvement and further automation

## Opportunities

- Continue to leverage ERP investments
- Application of new technologies
- How we participate in industry structures

10%

of total costs are  
*compressible*

**Compressible Costs** – discretionary over short to medium term

Peaking in FY19/20 as large programs of work are concluded

## Opportunities

- Grow capability inside of Z, reducing the need for external resource
- Traditional cost disciplines

15%

of total costs  
are *strategic*

**Strategic Costs** – associated with key choices unique to Z

\$13m directly associated with EBITDA from participating in “value businesses” (non core businesses like Lubricants)

## Opportunities

- Funding digital based offers allows for more dynamic investment decisions
- Retain “low cost option”



# Network 2030

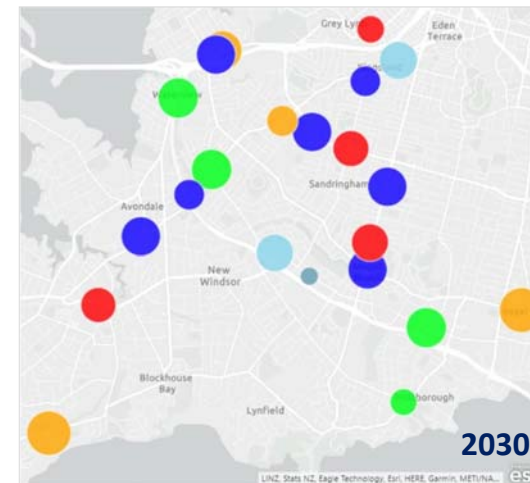
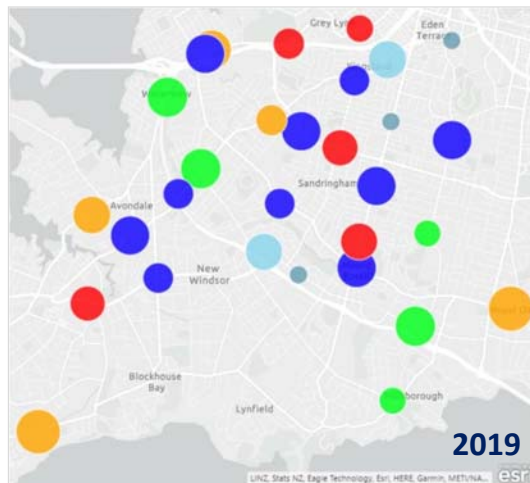
Network flexibility and efficiency important over the years to come



- Z has developed a tool to dynamically plan the optimal retail and truck stop network, using Waka and Kayak scenarios (BEC2050)
- Z and competitor sites are modelled now and for future scenarios by trade area
- On average approximately 40 network related decisions per year between now and 2030
- The profile of upcoming network decisions allows Z the ability to regularly adapt and respond to the potential changes in demand profile

## Auckland Central Service Stations

2019 (Current) versus 2030 (Estimated)



# Strategy 3.0+

Beyond the original 3.0 guidance, we have further organic growth options for the near term that contribute to a more Productive core business



Business Unit	Strategy	Options	Timing
Supply	Driving change to existing structures to obtain reasonable returns on cost plus margin	<ul style="list-style-type: none"> <li>• Biodiesel production</li> <li>• Terminal gate pricing</li> <li>• Asphalt production</li> </ul>	FY20 FY20 FY21
Commercial	Combining the best of Caltex and Z to significantly simplify offers	<ul style="list-style-type: none"> <li>• Leverage Consumer offers to B2B customers</li> <li>• Jet infrastructure – alternative supply chain and/or improved resilience for existing chain</li> </ul>	FY21 FY21
Retail	Differentiating brand positions and segmenting customers for “true” loyalty	<ul style="list-style-type: none"> <li>• Furthering the Foodstuff’s offer and relationship</li> <li>• Network and format optimisation</li> <li>• Next generation Store focused on fresher food</li> </ul>	FY21 FY21 FY21

- The forecasted financial impacts of these initiatives will be included into each year’s guidance for RC EBITDAF and net capex



# Customer Experience

Jane Anthony  
General Manager Marketing

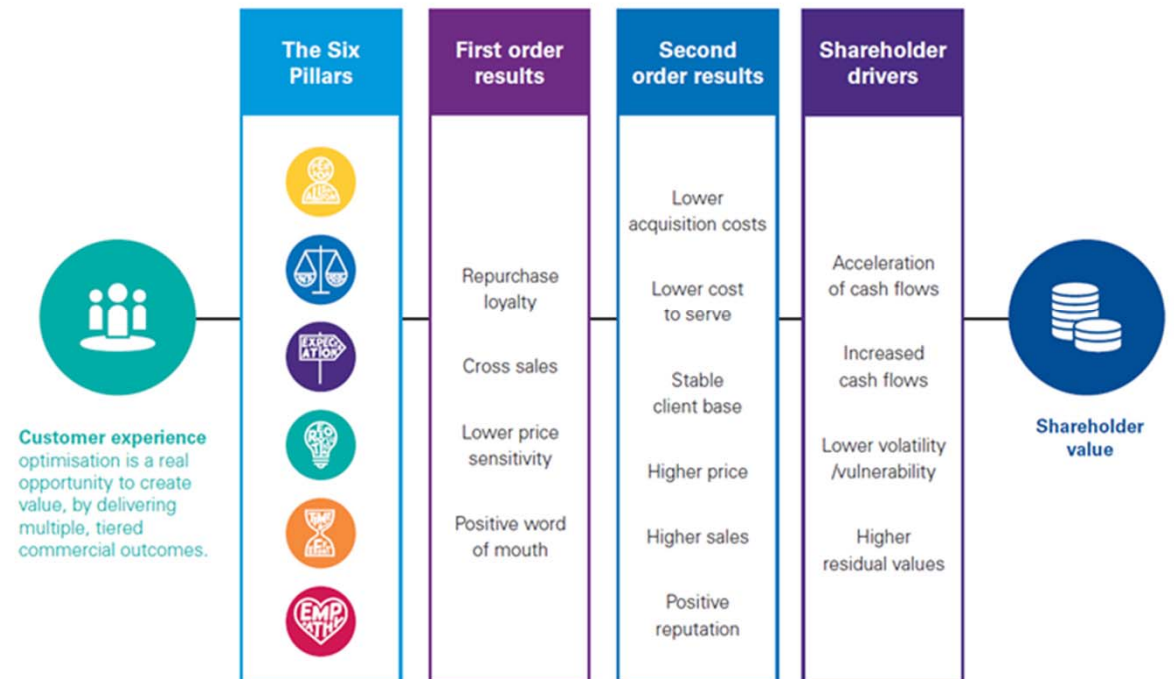
# Customer Experience (CX)

## What is it and why all the fuss for Z?



- Customer Experience is the end to end experience a customer has with us – it's the sum of all the customer's interactions with our brands
- CX is a discipline, not a business function, so that means everyone at Z is able to make a difference to the experiences customers have with the Z
- Fundamental to CX is the CX Vision and the journey map
- We have adopted Forrester's Six Disciplines of CX as the framework for building the CX capability we need in Z to achieve our aspirations
- Design capability is critical to enabling our ability to scale, operationalise and integrate into our digital architecture

Source: KPMG NZ CX Excellence report 2018



# Building CX capability

We will use six CX disciplines as we build CX capability across all of Z



- 1 Customer Understanding**  
The set of practices that create a consistent shared understanding of who our customers are, what they want and need, and how they perceive the interactions they're having with Z today
- 2 Strategy and Vision**  
The set of practices that help us craft our customer experience strategy

- 3 Design and Delivery**  
The set of practices that help Z envision and then implement customer interactions that meet or exceed customer needs, e.g. Human Centred Design, Service and Experience Design capability and practice
- 4 Measurement**  
The set of practices that let us quantify customer experience quality in a consistent manner across Z

- 5 Prioritisation and Governance**  
The set of practices that help us manage customer experience in a proactive and systematic way
- 6 Culture**  
The set of practices that create a system of shared values and behaviours, which focus our employees on delivering a great customer experience



## Fundamental to CX is the CX Vision and journey map

By understanding our customers we can better identify the pain points and the opportunities

And prioritise by starting with the largest experience delta



# Why CX is a winning proposition

## There are lessons to be learnt from other industries



*“Many organisations believe that treating the customer well must have a positive impact on commercial outcomes. This year we tested this belief using actual data. Our analysis provides reinforcement that incremental commercial benefits accrue from steering the organisation to invest in a competitively superior customer experience.”* Tomorrow’s experience, today 2018 KPMG New Zealand Customer Experience Excellence (CEE) Report July 2018

*“Industries and organisations with low consumer barriers to switching providers and where there is a perceived difference between providers can see greater positive impact from customer experience impacts.”* How much is Customer Experience worth Sept 2016 KPMG

“Top 10 brands by perceived consumer value are 3x more likely to be a Customer Experience leader.”

Source: KPMG New Zealand 2018 CEE report

“Customer centric organisations are 38% more likely to report greater profitability than their competitors” Source: Harvey Nash, KPMG CIO Survey 2018.

### Four key trends for CX in New Zealand

- Customers embrace brands that show a distinctive Kiwi personality
- New Zealand companies need to master digital experiences
- Customer needs in New Zealand are changing rapidly
- Customers are voting with their wallets for the companies that deliver exceptional customer experiences

Creating the customer-centric organisation of the future



A commitment to excellence and competitive superiority



High levels of staff engagement and employee experiences that connect with the customer experience



An obsession with high-quality execution



Clarity on the economics of experience

Source: KPMG New Zealand 2018 CEE report

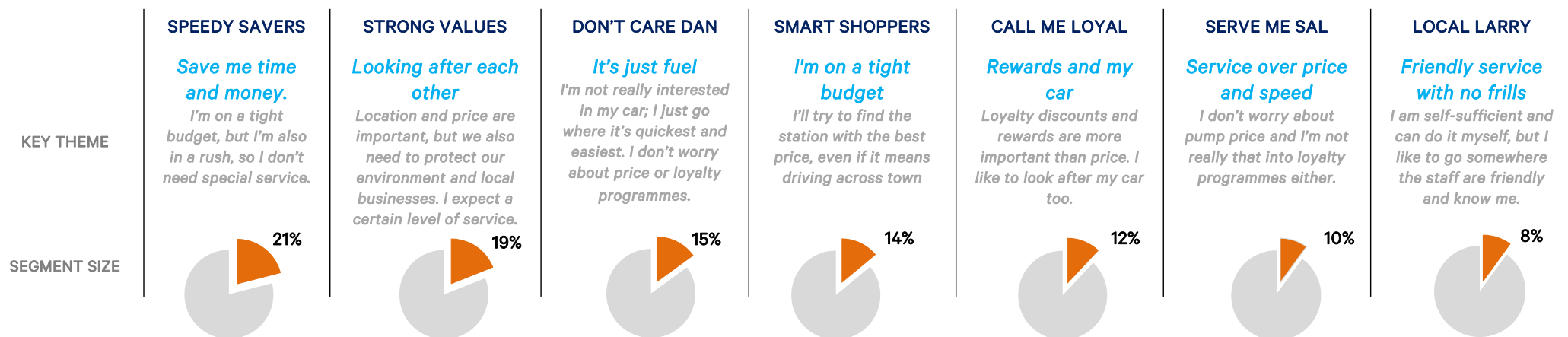
# Z and Caltex focus on “need state” segments

Using the two-brand strategy to cover distinct and separate customer segments



## Segmenting to drive focus and differentiation

- Our customer segments recognise the "need state" that a customer is in, when they pull in to a Z or a Caltex, go to a Truckstop, or engage with one of our Commercial teams
- Recognising a customer's need state helps us as a business make decisions about the services and offers we build – so that we can be confident we are developing experiences that our customers will appreciate and use
- It's important to remember that our segments aren't based on individual customers – a single customer can move from one segment to another in a different visit, depending on their need state when they visit Z or Caltex
- Our two brand positions and customer value propositions (CVPs) have also been developed in direct response to these customer needs and segments

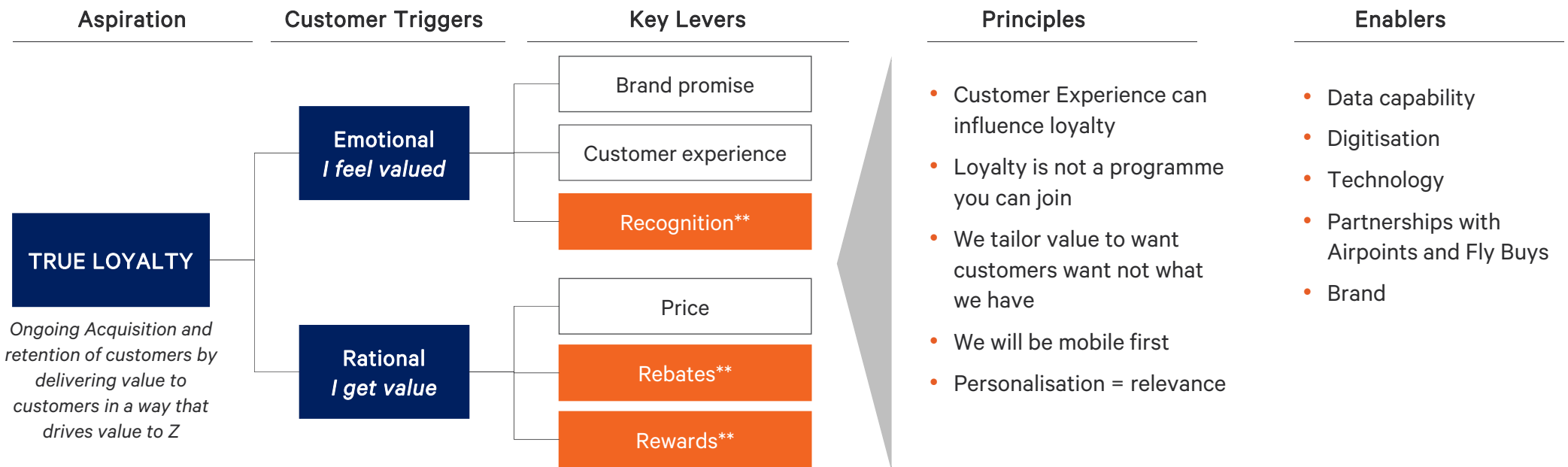


# What we mean by loyalty

There are distinct differences between Rational and Emotional loyalty



**True loyalty is driven through a combination of emotional and rational customer triggers and not just loyalty programmes**



\*\*Executed through Pumped and Z Business and key loyalty partnerships.



*Increasingly the way to win the customer in the new world will be to understand true loyalty and what drives it - Nielsen*



# Data ecosystem

## Why data matters, what it lets us do and how we'll differentiate



Having strong data capability ensures we deliver on our customer strategy of building a 1:1 relationship with customers, increasing our ability to:

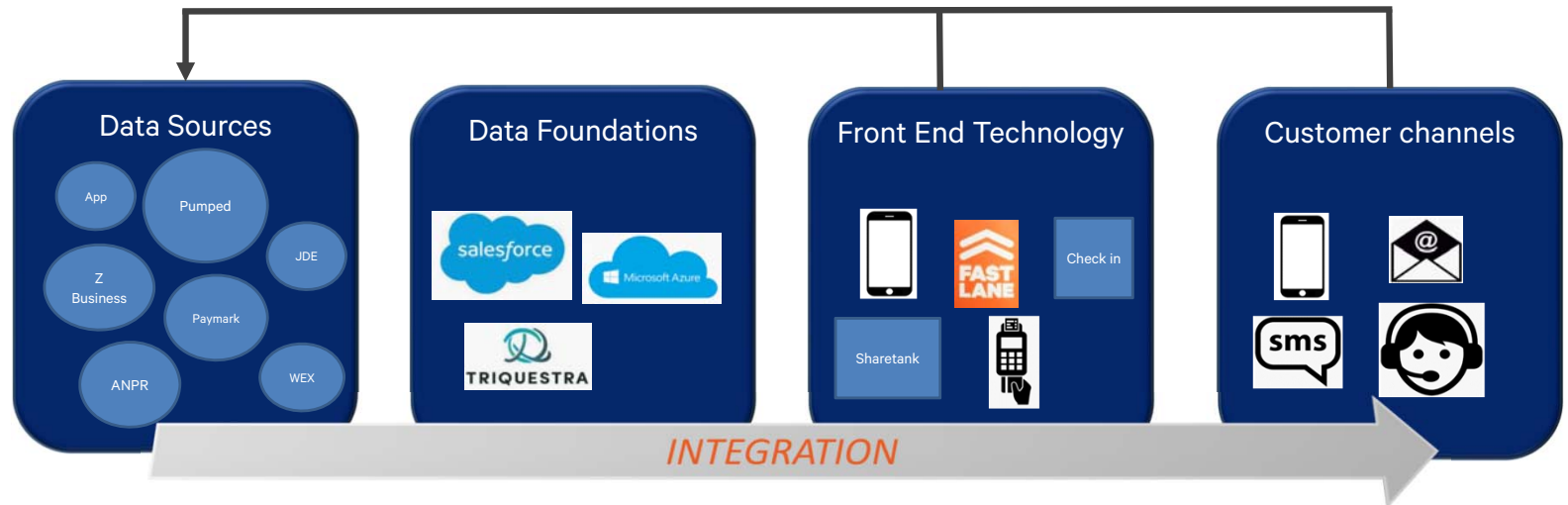
- Maintain margins and minimise the cost of acquisition and retention
- Increase customer value (frequency and transaction size)

### Through

- Knowledge and Capability – we know who our customers are, what motivates them and what impacts their behaviour. We have the people, technology and information capability to use this knowledge to inform how we interact, reward them and enrich the experience of our customers.
- Partners and Participation – we choose a participation model and partners that optimise our reach, our effectiveness through scale, relevancy and attractiveness, and enriches the data access and capability

### Multi year program of work:

- FY19 – Build
- FY20 – Quick wins
- FY21 – Scale up



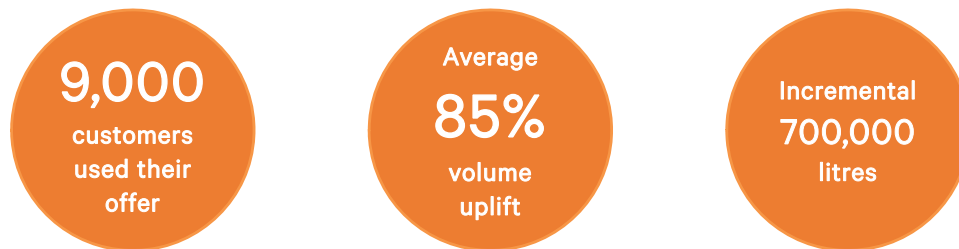
# Case Study – leveraging data

## Where Data and CX come together – Caltex promotion



- Z can now use data to take the guesswork out of choosing what offers and experiences we serve up to customers, and the early results are positive
- The Caltex Marketing Team and the Customer Data and Analytics team worked together on a targeted email campaign using data from the AA Smartfuel base
- Customers were segmented on how recently they fuelled, how often they fuelled or how much volume they used, and sent them timely and relevant email messages

*"Thanks to data we could target potential lapsers with compelling personalised offers directly from their preferred local Caltex station to reduce the chances of sustained decline." Kieran Turner (Head of Customer)*



- As Z starts to own more of its customer data we'll scale targeted campaigns like this, putting customers into accurate segments and responding to changes in behaviour
- To make campaigns more productive and scalable, Z will start automating the data and communications, so that messages can be trigger based to automatically send when a customer behaves a certain way



### Hey Sample!

Where'd you go? Haven't seen you in aaages! We thought catching up at the pumps over **12 cents per litre off fuel for the next 7 days** (on up to 50 litres) could be a bit of fun. Let's call it your own Personal Discount Week.

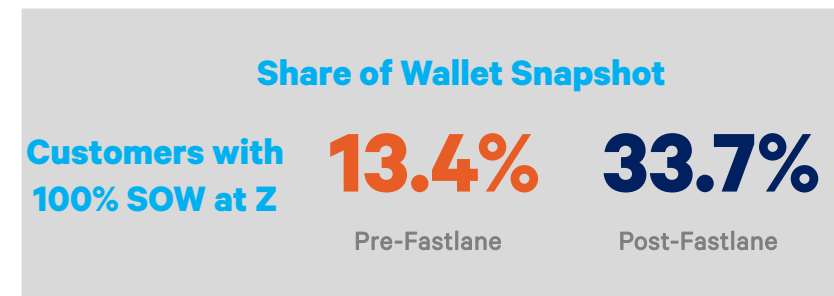
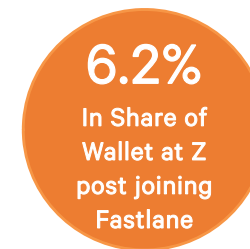
Just swing in from **today, Friday 15 March until Thursday 21 March** and swipe your card (number **6362 1210 5859 7777**) when you spend \$40 or more on petrol or diesel, and Bob's your budget-conscious uncle. Make sure that the card isn't Bob's though – it's called Personal Discount Week for a reason!

# Case study – differentiating with CX

## Shifting Share of Wallet with Fastlane



- Z's Share of Wallet increased after customers joined Fastlane
- Retention rates in subsequent months from the first Fastlane transaction are increasing as the product matures
- Most Fastlane customers shop at only one Fastlane store, but customers who visit more than one Fastlane store contribute a relatively larger amount of spend
- Fastlane customers are more likely to skew towards being Middle-aged and Male
- Fastlane is growing in relevance and appeal to SME fuel card customers
- Before their first Fastlane transaction, approximately 1 out of 10 customers were visiting Z for all their fuelling, and less than 50% of customers were spending a majority of their fuel Share of Wallet at Z
- After their first Fastlane transaction, 3 of 10 customers were spending their entire fuel Share of Wallet at Z, while 6 out of 10 customers were spending a majority of their fuel Share of Wallet at Z
- The greater number of Fastlane transactions the customer completed, the greater their shift of Share of Wallet to Z
- For our most frequent Fastlane visitors, \$4 out of every \$10 spent on fuel was being done so through a Fastlane

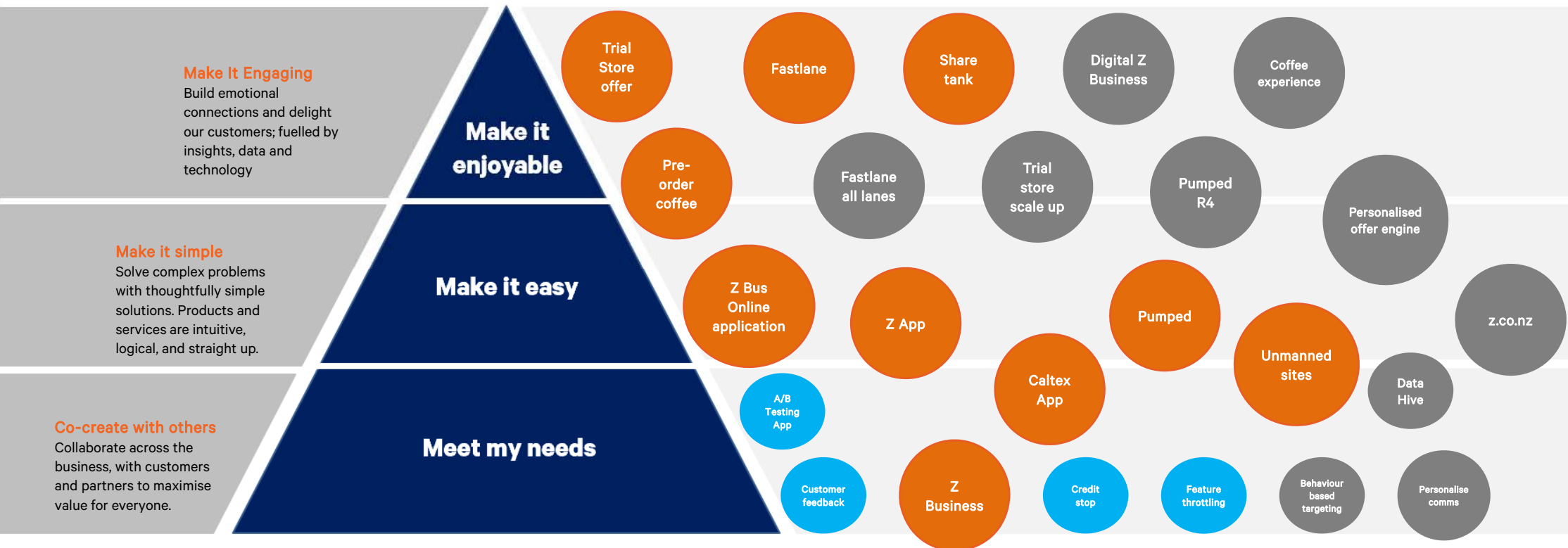


# CX roadmap to end FY20



We will build a balanced portfolio that leverages our digital platforms and data capability

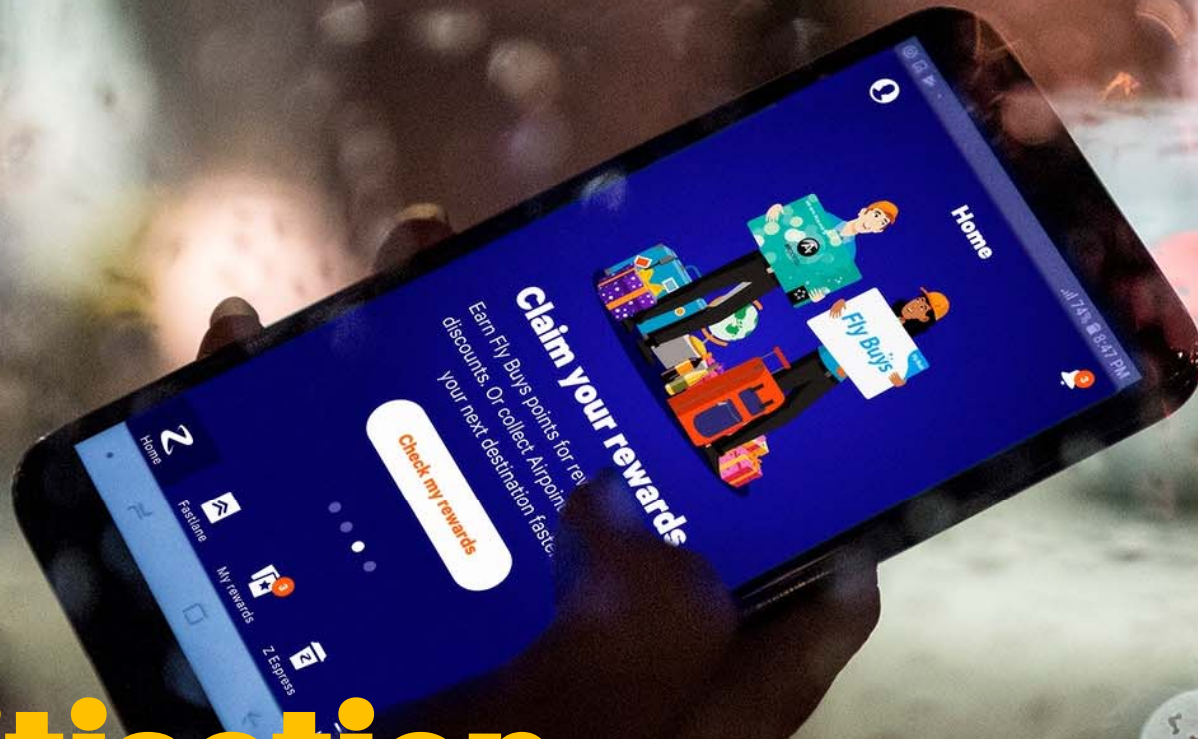
- We have built a number of digital platforms in FY19 and during FY20 that enable Z to scale up and deliver new experiences simply
- These data technology and capability foundations enable Z to layer and prioritise use cases to deliver the best experience to customers and value to Z





# Break

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



# Digitisation

Mandy Simpson  
Chief Digital Officer

# What does Digitisation mean for Z?

Digitisation is how we successfully compete in the future



**Integration of technologies into all areas of our business**



**Culture change that enables our business to be future ready**

# Integration of technologies in all areas

Where will we see the impact?



## Increased Revenue



- New customer facing products
- Customer segmentation, personalised offers and data driven marketing
- Data driven network decisions

## Increased Productivity and/or Reduced Cost



- Robotic Process Automation – saving time and cost without complex integration
- Forecasting fuel demand – early steps in digitising the supply chain
- Simplifying back office processes

## Reduced Risk



- In vehicle telematics
- Digitised HSSE reporting – better access to analytics
- Automating difficult or hazardous tasks



# Culture change to be future ready

New technologies need new ways of thinking



# Where do we put our efforts?

By focusing on those things that make the biggest difference



## Smoothing the way



- Architecture
- Integration
- Security
- Data governance
- Infrastructure

## Developing our digital superpowers



- Technical skills
- Adaptability
- Communication skills
- Empathy
- Partnership building

## Creating experiences that delight



- User centric products – for customers, employees, partners
- Continuous delivery of value
- Seamless experiences
- Predictive tools



# Innovation and Brand

Andy Baird  
General Manager Retail

# Innovation at Z

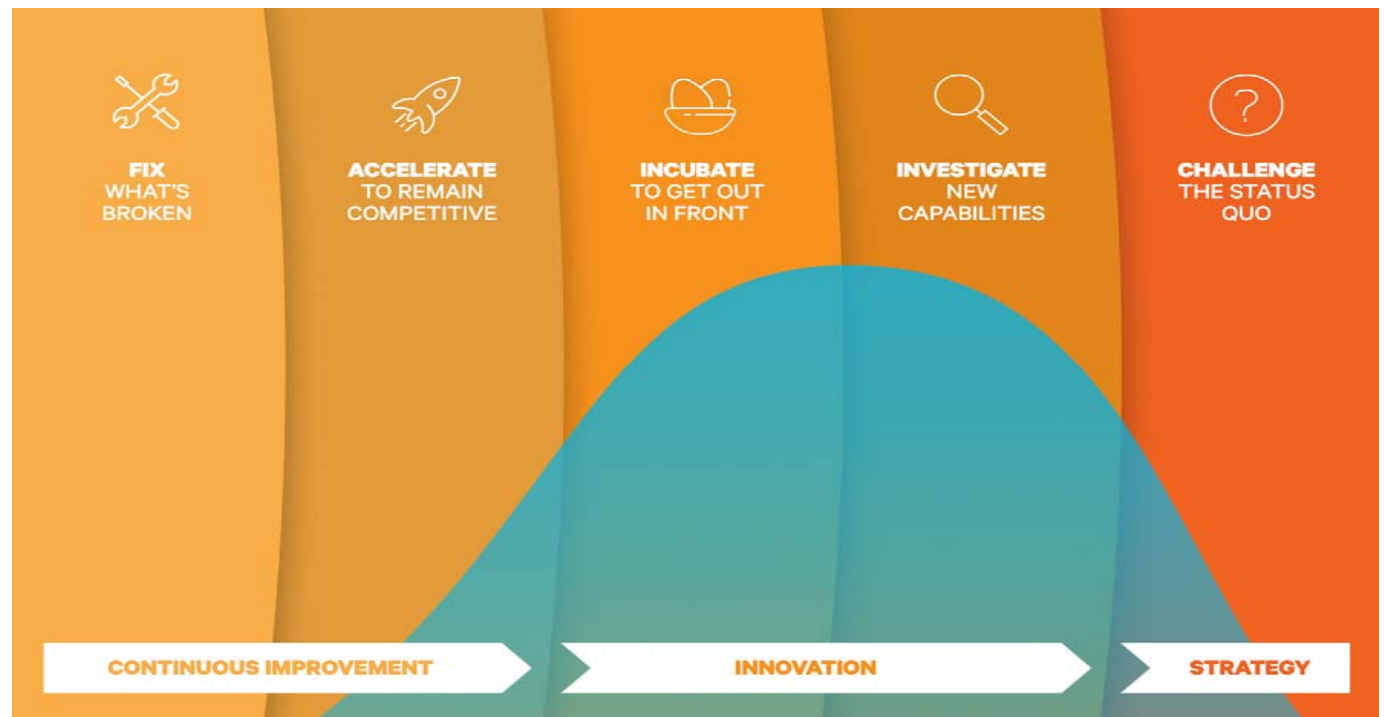
How we manage the innovation process and manage the portfolio



## We take an MVP approach (minimum viable proposition)

At each decision point we ask:

- What is the next most important thing to learn?
- What is the least amount of work we need to do, to learn the next most important thing?





# Raising Innovation Capability

Building Innovation capability at Z is about creating a change in mind-set and an adoption of Human Centred Design (HCD) techniques that, if we embed into Z, will help create a courageous and experimental culture to challenge the status quo and embrace new futures.

## Innovation @ Z

A 5 minute introductory video to the Innovation language and process that is included in our RedCarpet new employee training.

## Innovation 101

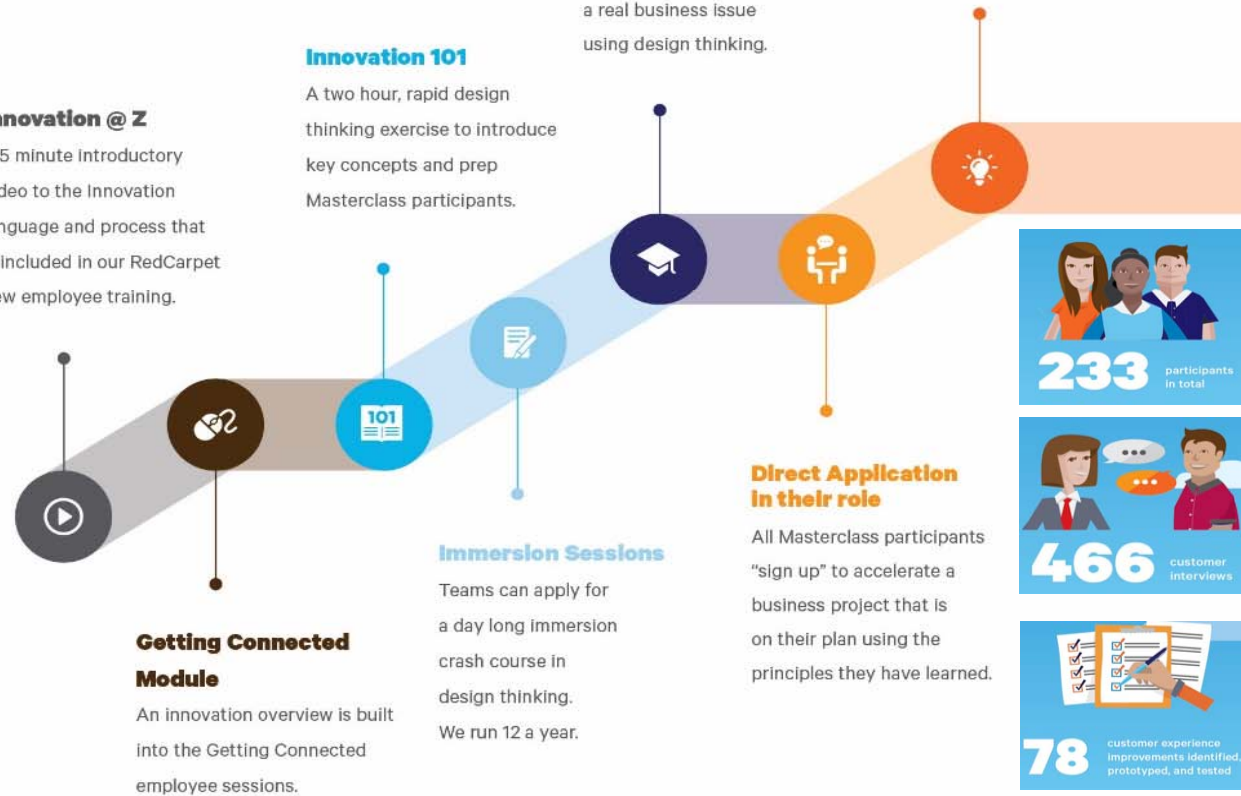
A two hour, rapid design thinking exercise to introduce key concepts and prep Masterclass participants.

## 3 Day Masterclass

A 3-day course where participants from across the business work on a real business issue using design thinking.

## Performing Organisation

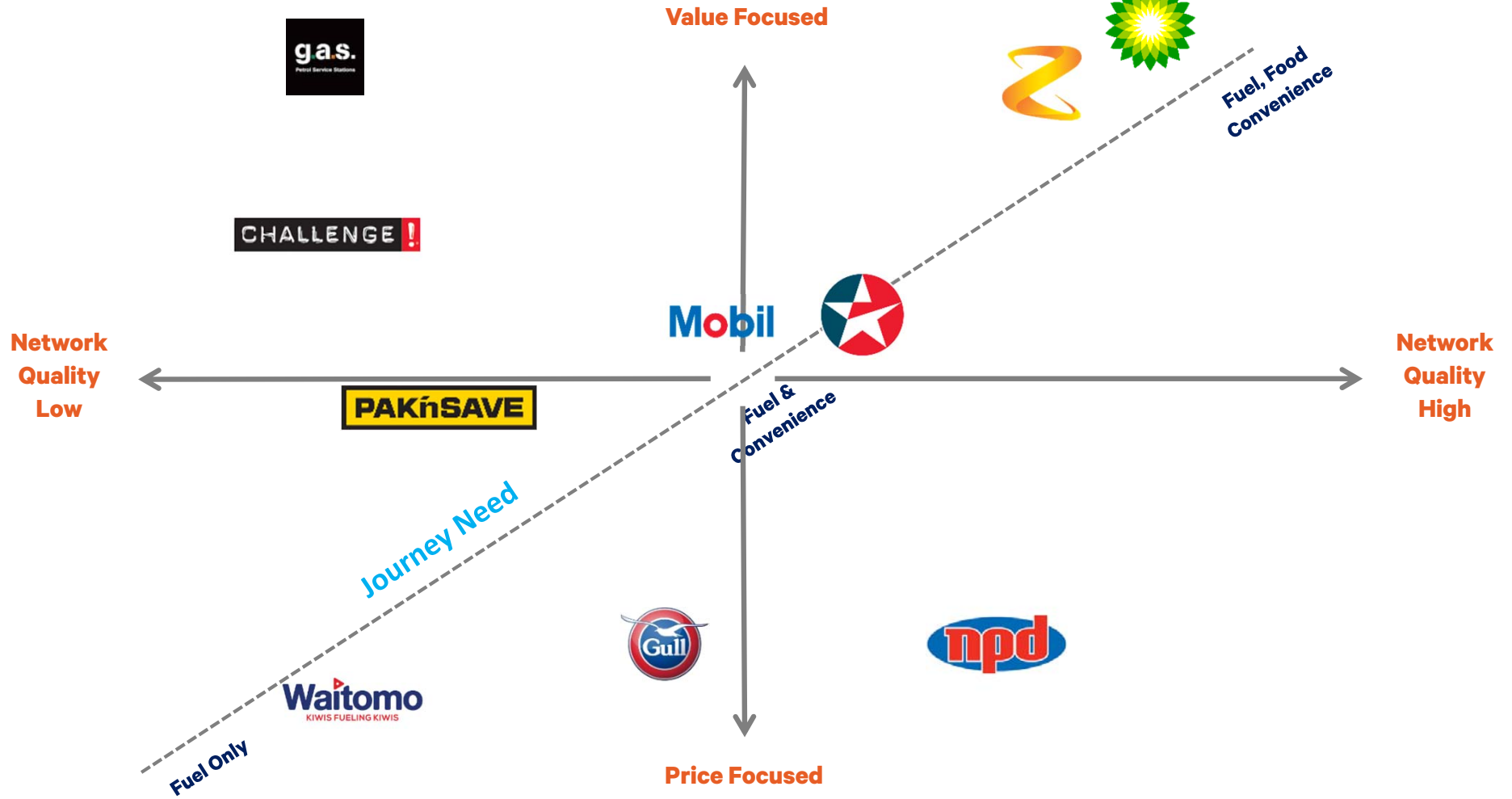
As org wide capability grows, the Innovation team is focused less and less on capability and more and more on new experiences to drive long term value.



# 40%

**Z Energy employees are now Masterclass Alumni, including over 77% of the Exec Team.** The combination of learning plus new tools have equipped alumni to begin experimenting and creating a more innovative culture. "Green shoots" are emerging across the business with employees applying their new skills in-role. Our innovation investment will secure Z's future as a long-term, sustainable Kiwi business—solving what matters for a moving world.

# Differentiating brand positions



# Case Study: Innovation in the Store

Multiple experiments in action at any point in time



## Why change the current format?

- Disrupt current path to purchase
- Further grow overall store sales, with a focus on coffee and food service

## Benefits

- Pace – reduced speed to delivery by 6 to 9 months
- Test/pivot/iterate quickly and cheaply with components and categories through an MVP approach
- Engage design and build teams, Z, Retailers and suppliers before we have built
- Real customer and site team feedback and behaviours to learn from in situ experiences

**Scaling up in FY20 with an initial 2 stores in 1H, and potential for up to 10 by year end, solely depending on revenue growth**



“

*“The new layout is amazing. I never purchase food from a service station but I was drawn in by Z Royal Oak and got a wrap, the friendly hello and what can I help you with confirmed my purchase”*

”

# Z Manurewa fly through





# Pumped!

Coming to you, 1 August 2019



- We own and control the programme
- Leverages our network scale and brands
- Leverages the biggest and most powerful loyalty databases in NZ
- Common systems, POS and infrastructure across both Z and Caltex networks
- It builds on a successful formula that Caltex customers like and understand with additional enhancements – like no minimum spend and the choice of Fly Buys or Airpoints
- Provides customers with multiple paths to participate
- It allow us to transition over time (at customers pace) to a fully digital platform

## Highly compelling and competitive customer proposition

	EVERYDAY FUEL DISCOUNT	MINIMUM SPEND TO GET ANY DISCOUNT	MAX FILL FOR DISCOUNT	FLY BUYS OR AIRPOINTS	STACKING	FUEL DISCOUNT EARNING PARTNERS
		<b>\$0</b>	<b>50L</b>	✓	✓	—
		<b>\$40</b>	<b>50L</b>	—	✓	✓
		<b>\$40</b>	<b>100L</b>	—	—	—

# Responding to increases in site capacity

How Z and Caltex brands will compete with the NTI build out



## Using Brand, CX, Data and innovation to counter the threat of NTIs

- Site specific pricing tactics, including BTL (below the line) promotions post Pumped launch on 1 August
- Pumped will allow us to increase customer stickiness and reduce cost to serve
- Pumped pricing on to all roadside signs
- Pilot of Sharetank in September
- Network scale effects for Z Business given fleets are a reasonable proportion of the Retail market
- Multiple payment options – Pay at Pump, Fast Pay and in App payments
- Experiment with two unmanned sites with potential to roll Z's Tier 3 into this format or divest to Caltex or Challenge

## Data from recent research

- Customers are not exclusive to unmanned brands or unmanned sites
- Customer move between brands based on the best deal, i.e. their need state
- So Z and Caltex work independently to have the best deal for whatever segment the customer's need is from

# The Supply side response to new capacity

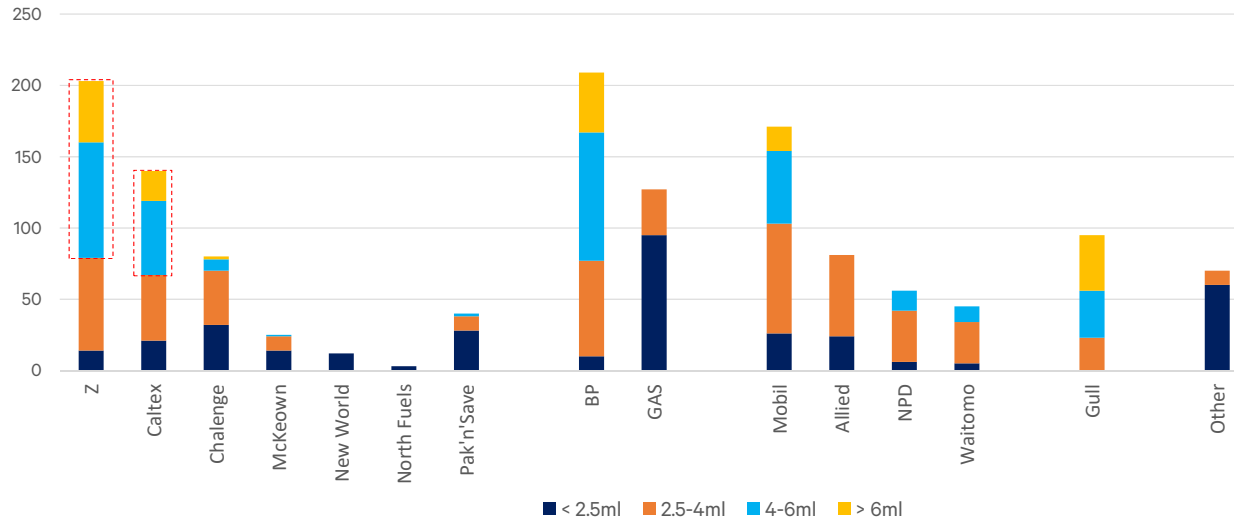
We have yet to see potentially sub-economic sites close, freeing up demand for other sites



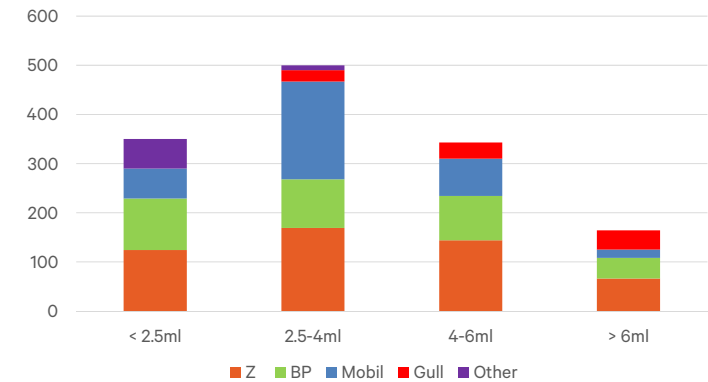
## Declining unit gross margin and demand, along with rising costs will have an impact

- There are ~370 sites that are estimated to pump less than 2.5mlpa, 25% of the nationwide network across all brands in Z's trading areas
- This tail is ~750ml of Retail petrol and diesel that would redistribute to stronger locations
- Many recent NTI's under Distributor brands are on secondary locations
- For branded sites, 61% of Z's network are greater than 4mlpa, with Caltex at 53%, BP at 63% and Mobil at 40%

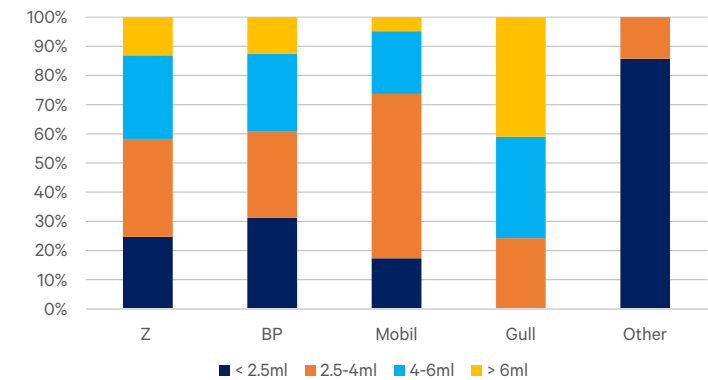
Site numbers across Retail brands



Wholesale supply by volume bands



Wholesale supply by volume bands



Management estimates - Data sourced from Z's internal systems



# Capital Management

Lindis Jones  
Chief Financial Officer

# Total Shareholder Returns

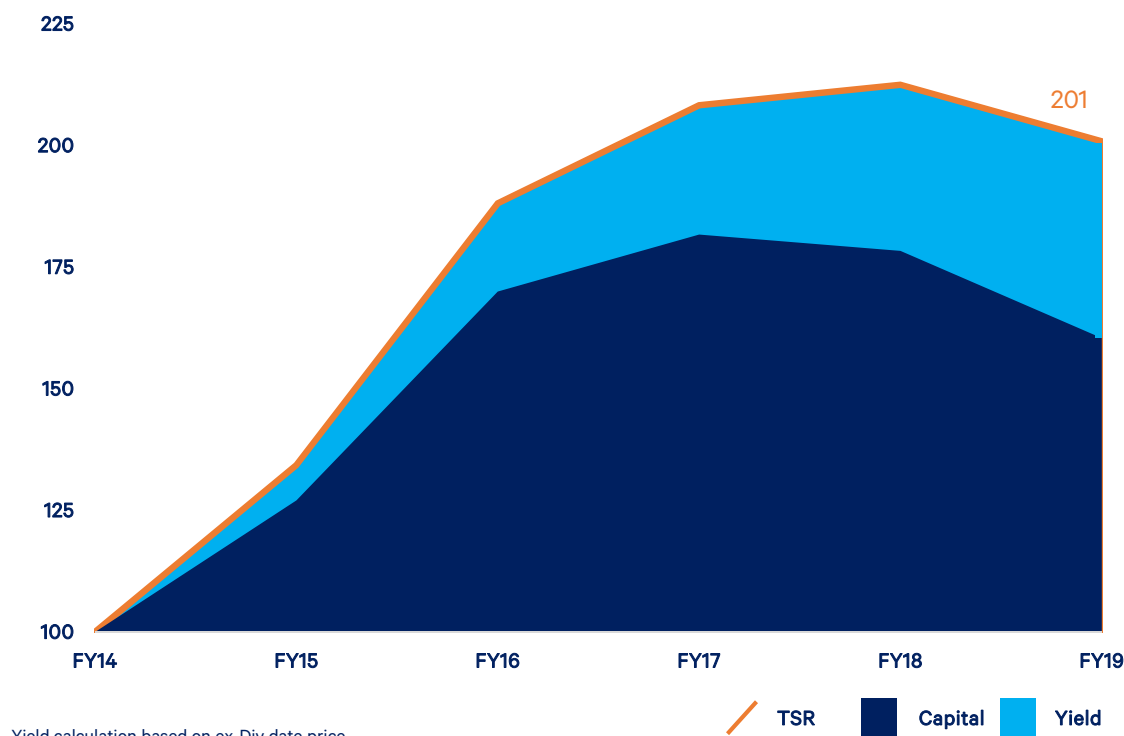
The shape of our TSR has changed to reflect move to Yield stock



- Intention is to pay a sustainable ordinary dividend each year in line with earnings growth
- Returning cash to shareholders improving yield
- A sustainable and reliable shareholder return

## ZEL - 5 Year Total Shareholder Return

FY14 Rebased = 100

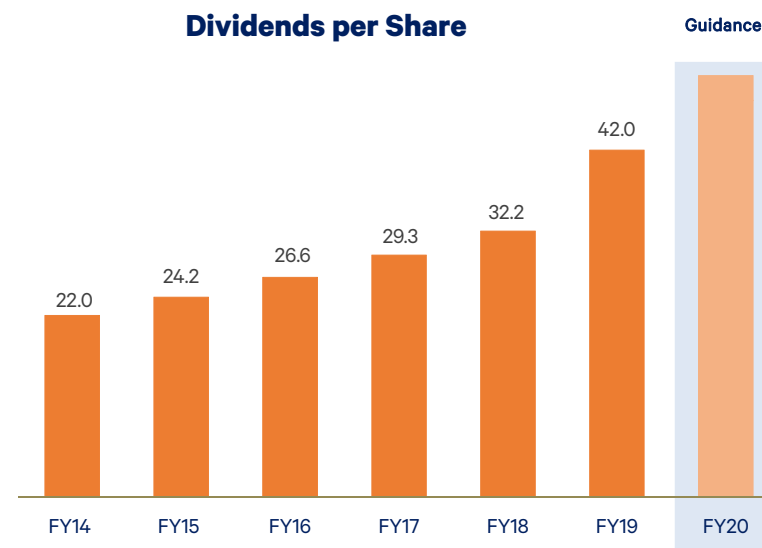


# Distribution Policy

Sustainable dividend enabled by free cash flow and natural hedges in the business



- Underlying philosophy is “better with you than with us”
- Intention is to pay a sustainable ordinary dividend each year in line with earnings growth
- A simplified cash flow dividend is intended to facilitate predictability of dividend
- On a cash basis, relatively high historical earnings coincide with periods of relatively high cash flow



1. Forecast at mid point of Dividend Per Share guidance provided for FY20

**Dividend Policy:** “70-85% of free cashflow, where free cashflow is defined as RC EBITDAF less RC tax, financing costs and long term Integrity capex.”

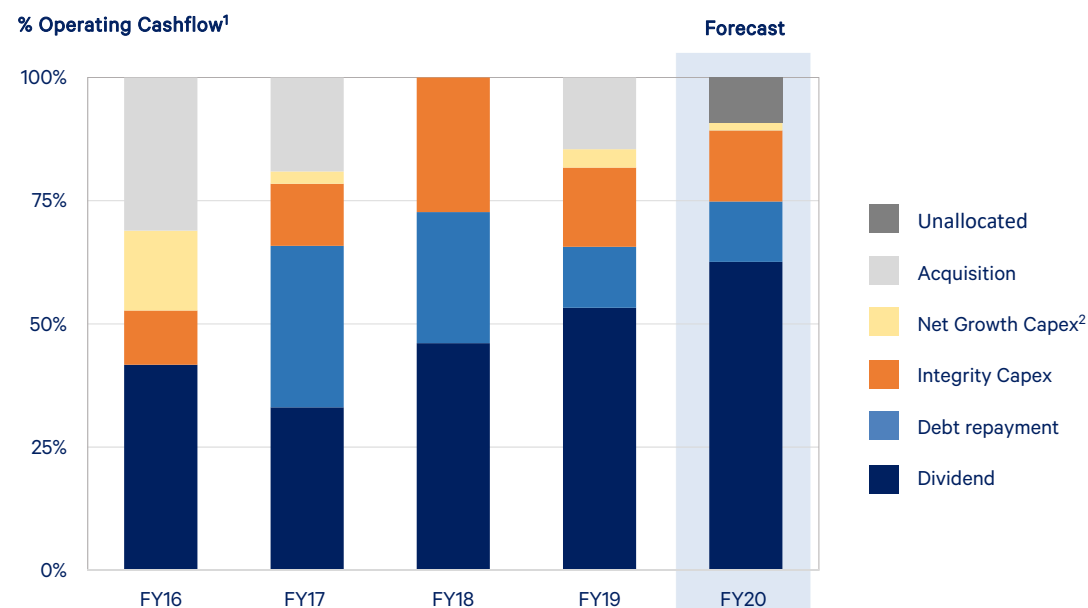
# Cash flow utilisation

Capital discipline enables both deleveraging and a sustainable dividend



- Free cash flow generation maximised by;
  - Our strategy to build capability to leverage existing assets
  - The recycling of assets to fund growth opportunities
  - An existing asset base with comparatively low and predictable stay in business capex
- \$42m of divestment proceeds redeployed during FY17-19, with a further \$26m carried forward into FY20
- Proportion of operating cashflow returned to shareholders amongst the highest of NZX and industry peers in Australia

Utilisation of Cashflow



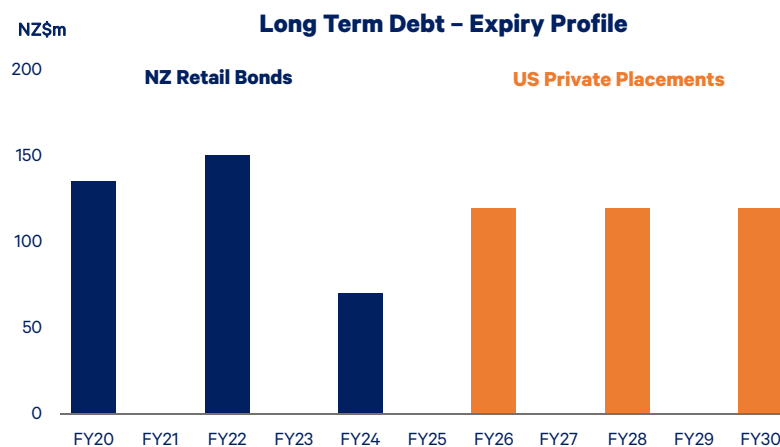
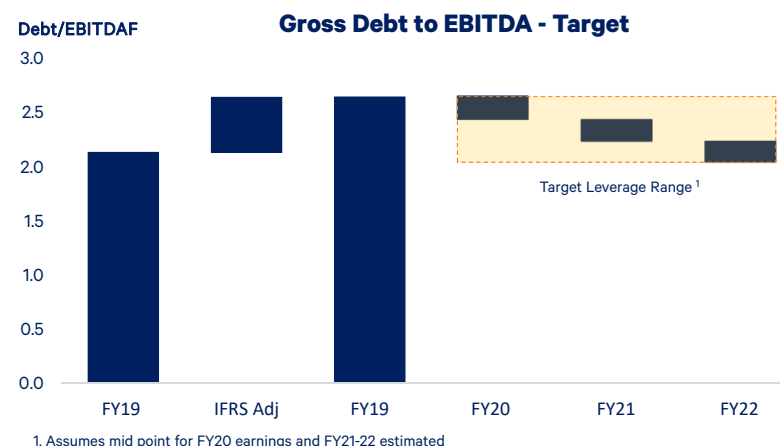
1. Operating cash flow including divestments and normalised for working capital  
 2. Growth capex less divestment proceeds

# Debt leverage targets

Deleveraging - a critical aspect of Z's Capital Management strategy and long term success



- Z is well positioned with our scale, and to be successful over the long term, deleveraging is important and prioritised on basis of:
  1. Dividend certainty, then
  2. Ensuring long term success, then
  3. Retain optionality for the longer term
- We will continue to deleverage to the lower end of our business as usual range of 2.0 to 2.5x gross debt to EBITDAF by end FY21
- Equivalent to 1.6 to 2.0x under pre IFRS16 accounting
- Debt portfolio well structured with diversity and options
- Repayment of domestic bond expiring in FY20 from existing facilities





# Balance sheet productivity

Capital productivity initiatives available over the short and longer term



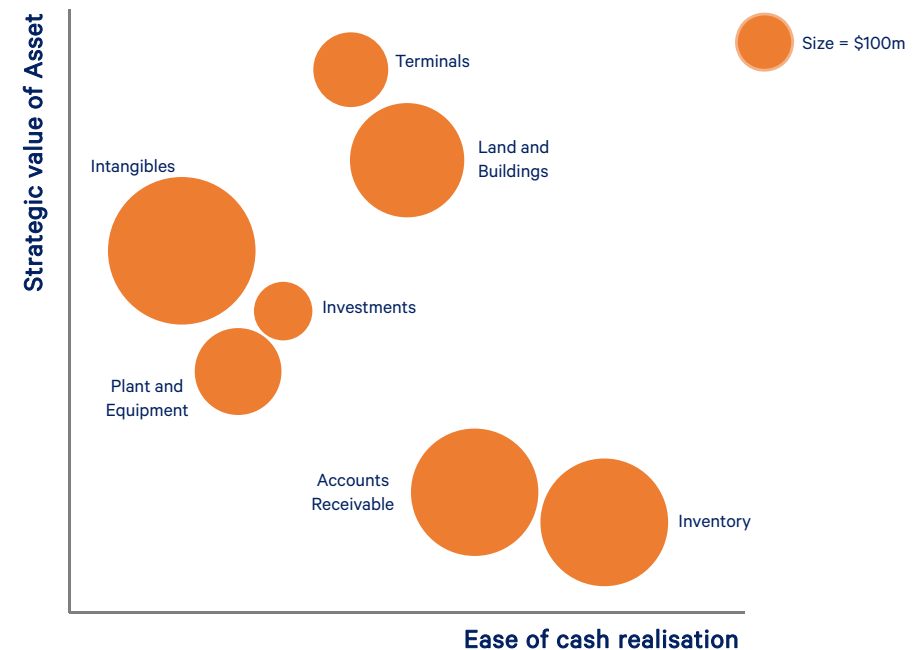
## Sweating our balance sheet

- \$68m of divestments (FY17-FY19) already funded short payback growth opportunities in the core business
- High grading balance sheet on an ongoing basis by churning lower returning assets for higher yielding opportunities
- FY20's target divestments of \$25-45m, with \$30m already contracted
- Options available to fund growth options over strategy horizon (end FY21)

## RoE can be maximised in the years and decades to come

- While land and buildings are sub scale for public type REIT, private equity opportunities exist
- >\$1bn of assets that are not distinctive or strategic to Z

## Z Balance Sheet - Component Parts





# Longer Term View

Julian Hughes  
General Manager Strategy and Risk

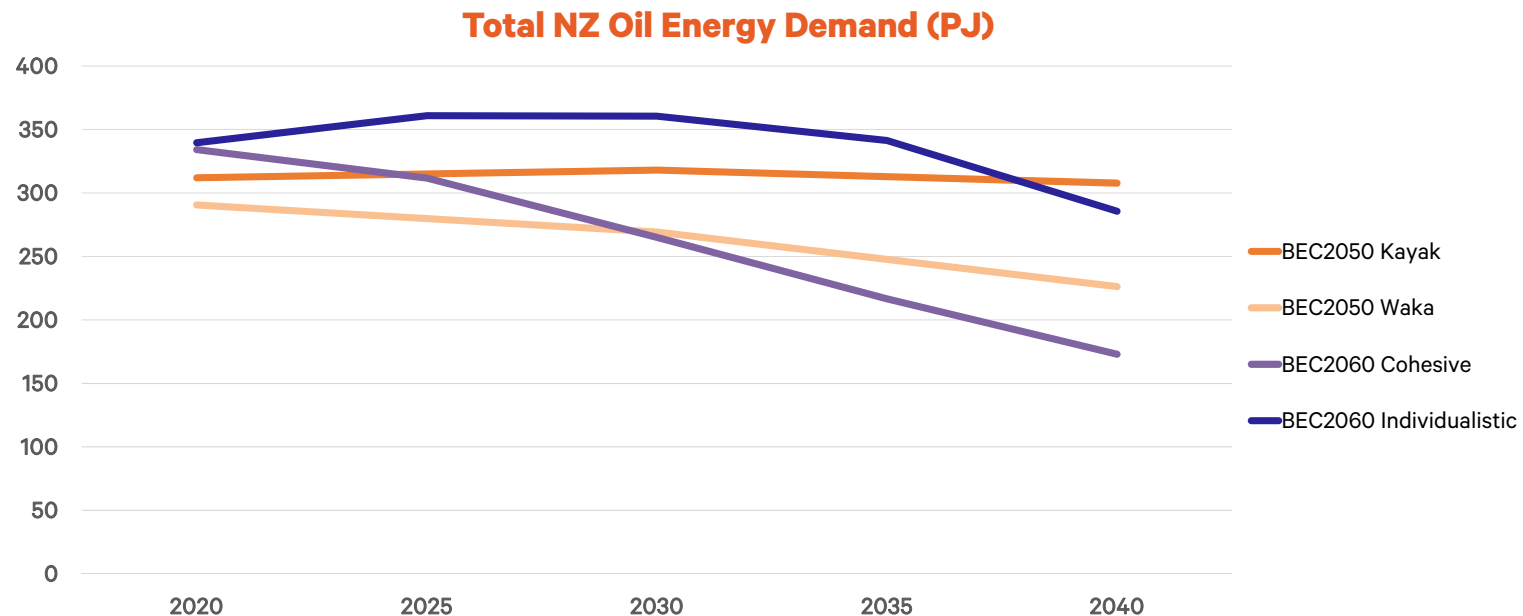
# The new BEC2060 work

Two new scenarios – “Individualistic” and “Cohesive” replace Kayak and Waka



BEC energy scenarios\* provide a useful framework for considering what Z’s business could look like over the longer-term horizon

- Recent growth in demand sees BEC2060 scenarios start higher than the prior BEC2050 scenarios, but with steeper longer term trajectories
- Z will confirm its view on these scenarios through a revised House View once the NZ Business Energy Council publish their report



\* Note BEC2060 results are preliminary and subject to finalisation and release from Business NZ Energy Council

# Strategic choices: Future Fuels

Deeper dive into BioD, BioJet, H2 and Electrons



Future Fuel	Current Focus	Activity and Options	Timing
<b>Biofuels</b>	Participating and in market	<ul style="list-style-type: none"><li>• Te Kora Hou</li><li>• BioJet consortium - Air New Zealand, RNZ and Scion</li></ul>	FY20 TBC
<b>Hydrogen</b>	Understanding context for viable transport options	<ul style="list-style-type: none"><li>• House view published today</li><li>• Membership of Hydrogen Council</li><li>• Engaging with possible market participants</li></ul>	FY20 FY20 FY20
<b>Electricity</b>	Participating and in market	<ul style="list-style-type: none"><li>• Flick – explore and develop synergistic offers</li><li>• Electric vehicle Charging Strategy</li></ul>	FY20 FY21

# Positioning for disruption

We are well positioned for whatever the timing and form of longer term disruption



- A deleveraged balance sheet, where 2.0x is modest compared to other Yield companies in the NZX50, allows for consideration of further deleveraging, which will be confirmed in FY21
- Given the appropriate risk/reward balance, we can sensibly invest into alternatives to fossil fuels like electrons, biofuels and hydrogen based on our organisational capabilities, i.e. we will not over reach into areas where we have no distinctive competence or sufficient technical skills
- The organisational capabilities of CX, Innovation and Digitisation can be readily applied to adjacent markets and de-risk entry into those adjacencies
- Z as a brand is strong in the NZ context, while Z's customer reach is viewed positively by international players who may seek market entry into NZ in any of our three (beyond the core) identified market spaces
- Stakeholder management remains an area of focus to ensure we see as much of the deal or project flow for any alternatives to fossil fuels
- The strategic option of “last company standing” while returning cash to shareholders is a real option, and does not need to be decided upon in the near term, i.e. investing our way out of disruption may not be the value maximising strategy
- Given there is no near term need to allocate material capital to non core investments, there is time to decide between last company standing and steadily diversifying revenues



**ESG**

**Matt Hardwick**  
**Investor Relations Manager**

# ESG: Proliferation of reporting standards

Recognising the increasing importance of ESG reporting for our investors



Trucost  
ESG Analysis

S&P Global

INTEGRATED REPORTING <IR>



# Our Stands

We'll disclose on what matters most to us, and what is right for us and our business



**Health, Safety, Security and Environment matters**

**Community matters**

**Environmental Sustainability matters**

**Diversity & Inclusion matters**





# Q&A

Executive team of Z Energy

# FY20 is the transition to a new way of competing

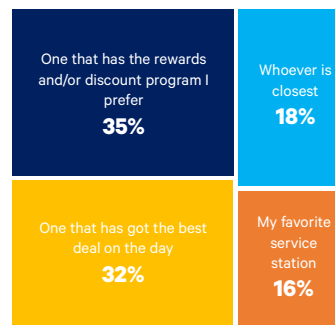
A dual path of Rational and Emotional enablers across both Retail and Commercial



Z Energy is committed to creating value for shareholders by focusing on a safe and profitable core fuels business. We aim to extract value from our current asset base by delivering outstanding customer experiences, while positioning ourselves for future industry change.

Z aims to be an attractive long term investment by providing high quality, reliable returns to our investors by purposefully doing the following:

- Taking advantage of our market-leading position
- Pursuing a differentiated strategy that generates long term customer loyalty
- Deliver earnings growth in a changing industry
- Allocating capital with discipline to maximise shareholder values
- Remaining a people and values-based company
- Doing good in Aotearoa New Zealand by being committed to future generations



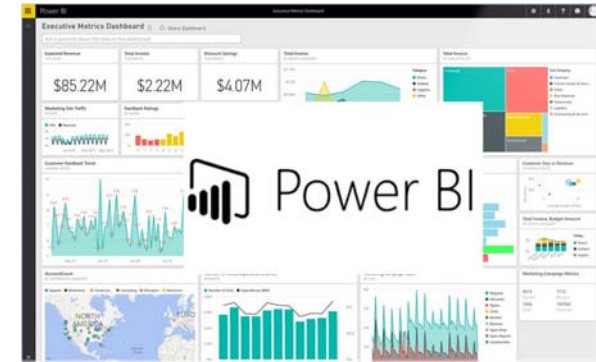
Highly compelling and competitive customer proposition

	EVERYDAY FUEL DISCOUNT	MINIMUM SPEND TO GET ANY DISCOUNT	MAX FILL FOR DISCOUNT	FLY BUYS OR AIRPOINTS	STACKING	FUEL DISCOUNT EARNING PARTNERS
		\$0	50L	✓	✓	—
		\$40	50L	—	✓	✓
		\$40	100L	—	—	—

# Product and capability demonstrations



**Share Tank: Product demo (in Library)**

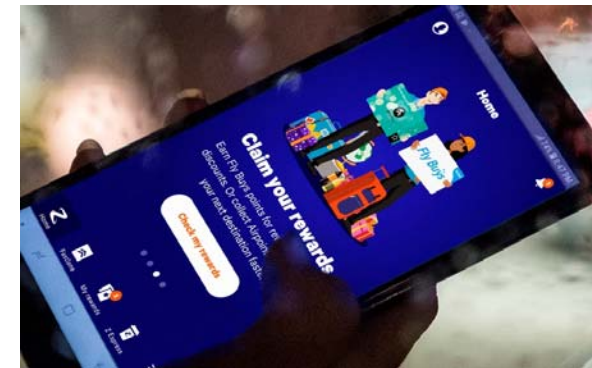


**Z Business Power BI Demo (Refinery)  
HSSE Reporting Power BI Demo (Refinery)**

## Next Generation Store: VR demo and site tour to Z Royal Oak



## Refinery & Workshop Tour (Z App, Pre-order Coffee, Fastlane)





**Thank you**

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