19 July 2021

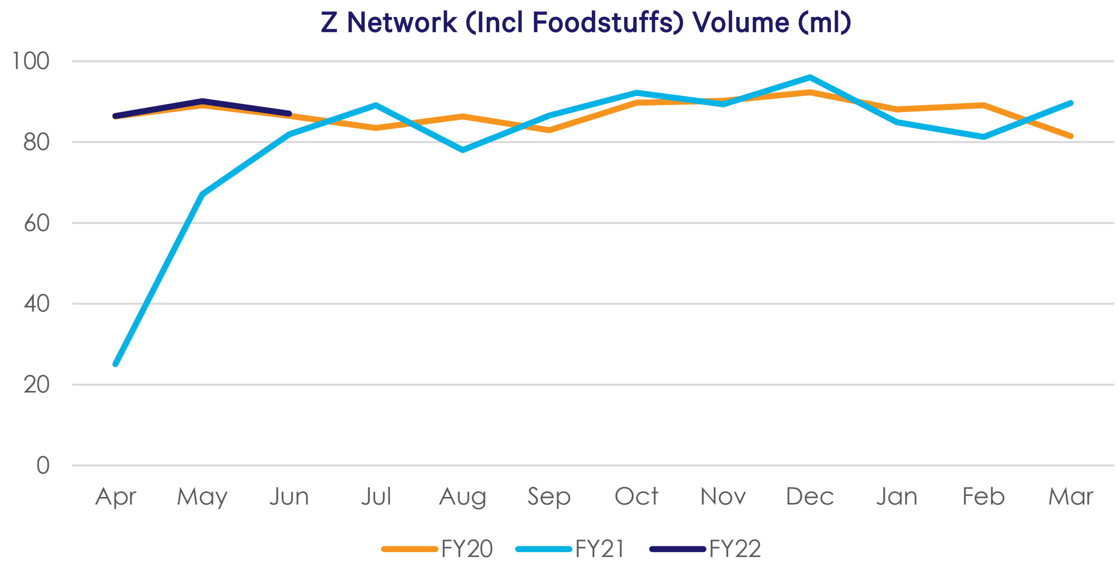
Z Energy quarterly operating data

Overview

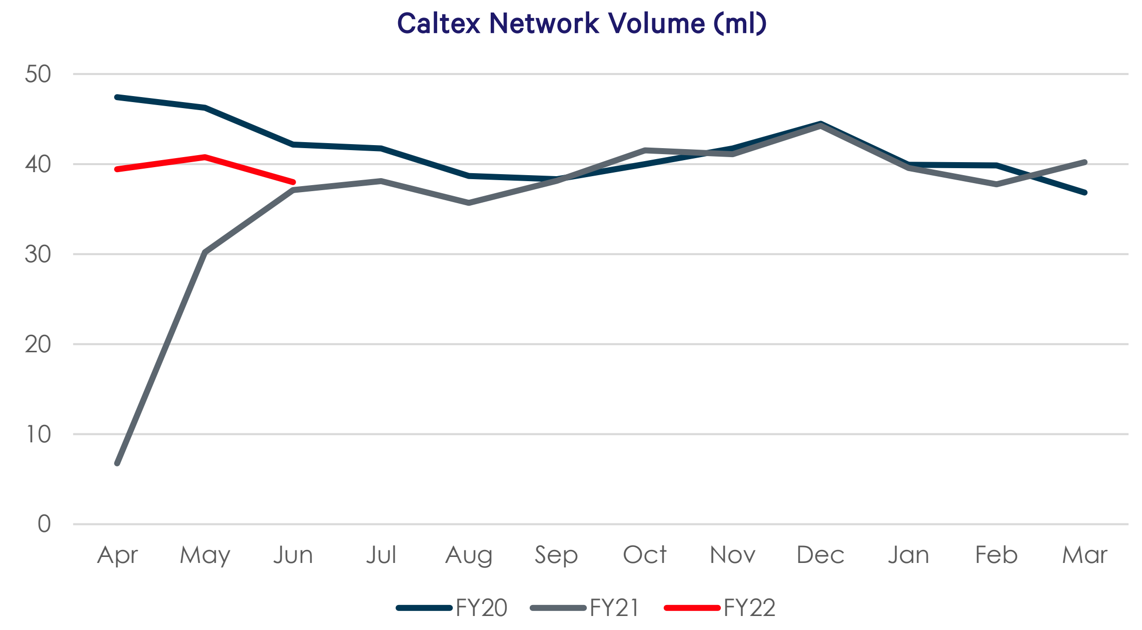
Z Energy (NZX/ASX: ZEL) ("Z") delivered good volume for 1QFY22 and convenience retail continued its strong performance. Margins for Z were down slightly due to continued rising crude oil prices and mix, with strong volumes in lower margin businesses. Z continues to deliver on its four point plan and reaffirms FY22 RC EBITDAF guidance to be in the range of $270m to $310m with dividends of 19cps to 23cps.

Volume

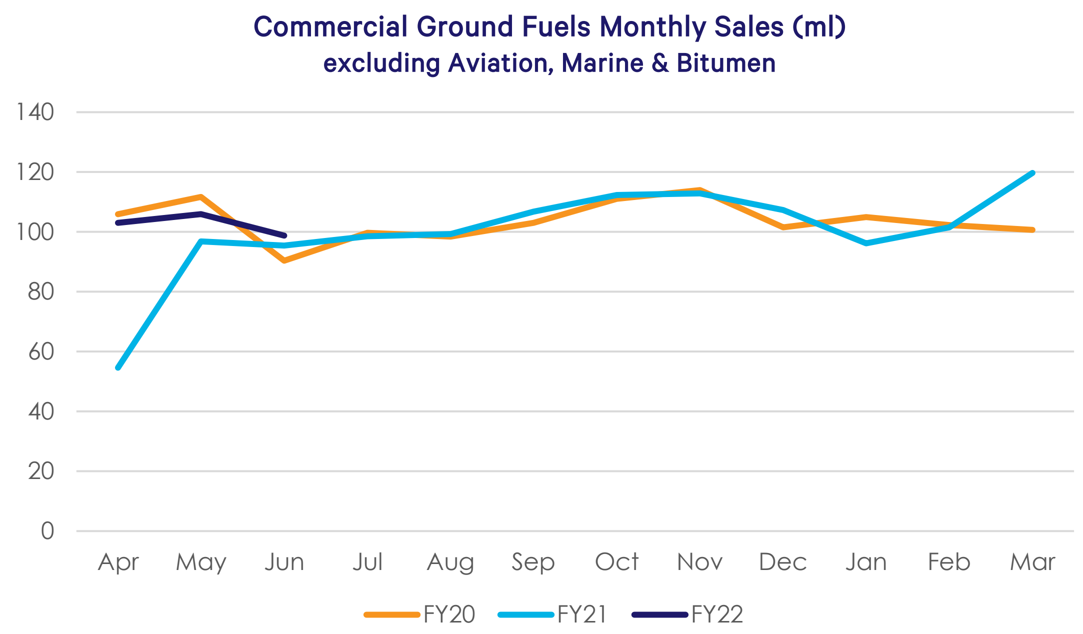
Z Retail volumes were up 51.5% for 1QFY22 versus the prior corresponding period (PCP) in FY21, rebounding from last year's AL3 and AL4 Covid-related lockdowns. Z volumes are in-line with usual seasonality; tracking 0.8% above FY20 volume as Z continues to focus on volume and holding market share.



Caltex retail volumes for petrol and diesel were up 59.5% for 1QFY22 versus FY21 PCP, rebounding from last year's Covid-related lockdowns. One Caltex site was converted to Z over FY21, adding to the 3 conversions in FY20. The Pumped loyalty program has continued to gain market share with Caltex customers and has been a key driver in arresting the decline in Caltex volumes in 1Q.



Commercial ground fuel volumes for 1QFY22 were up 24.7% versus Covid-impacted FY21 PCP and flat against FY20 PCP. From the Covid-19 lows of FY21, 1QFY22 reflects the stronger than expected economic recovery with growth in road freight and civil construction sectors, partially offset by a decline in agricultural volumes as a result of adverse weather events over the quarter.



Convenience Retail (C-Store)

Average weekly c-store sales, on a like for like basis, were up 14.3% for 1QFY22 versus FY21 PCP, reflecting the rebound from FY21 lockdowns. Z continues to focus on broadening the Z Espress offer with a wider fresh food on the go offer.

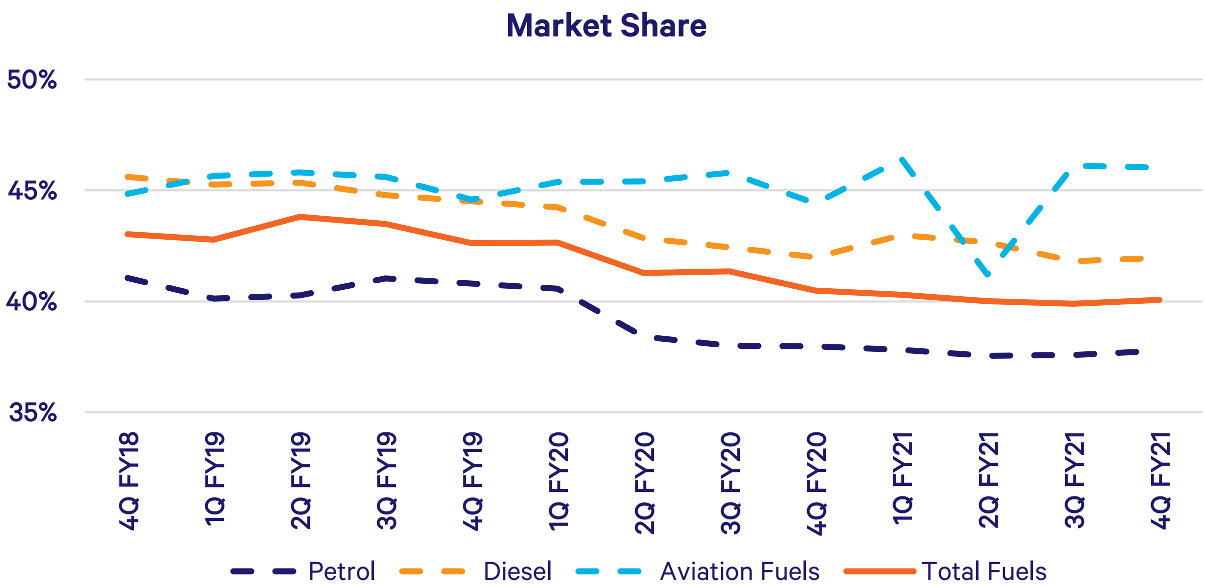
Four Point Plan Progress

Z is delivering on its four point plan, objectives are on track.

Hold Market Share

Z now calculates market share based on oil products consumption data published by MBIE approx. 90 days after the end of each quarter. Based on this data, Z has maintained market share vs PCP in both petrol and diesel. Z's market share for 4QFY21 was +0.2% to the previous quarter.

Z uses available information to track the openings, closures and rebrands of retail fuel sites across the industry in New Zealand. From January to June in 2021, 12 new to industry (NTI) sites opened, 11 sites were closed and 3 sites were rebranded. This data is consistent in showing the net growth NTI sites is decreasing.



Monetise Scale

In 1QFY22, Z removed the Mt Maunganui terminal from the Borrow & Loan (B&L) industry arrangement and is operating this terminal independently on a commercial basis. In line with the Fuel Industry Act 2020 (FIA) regulations, Z now displays Terminal Gate Pricing (TGP) at both Mt Maunganui and Nelson terminals. The FIA regulations will come into effect in August 2021, requiring all terminals to display a TGP.

Refining NZ (NZX:NZR) confirmed that it would hold a Special Meeting on 6th August 2021 where shareholders can vote on NZR's proposal to cease refining and move to the provision of import terminal services. Z supports NZR's transition to an import terminal. The conversion of Refining NZ to an import terminal, with Z exiting the crude oil supply chain, will free up approx. $150m of working capital which will be used to fund deleverage and transition to a low carbon future.

Reduce Costs

In FY21, Z reduced operating costs by $48m which will run rate to $60m in FY22. Z remains on track to achieve its target of $70m of operating expense reduction in FY22 (versus FY20 base).

Manage Capital

Z currently has $150m of net equity raise proceeds set aside to pay down the retail bond maturing in November 2021. Having reduced debt, Z is committed to returning cash to shareholders through reliable and sustainable dividends, and potentially buybacks.