# Foundations in place for the next phase

Infratil Investor Day

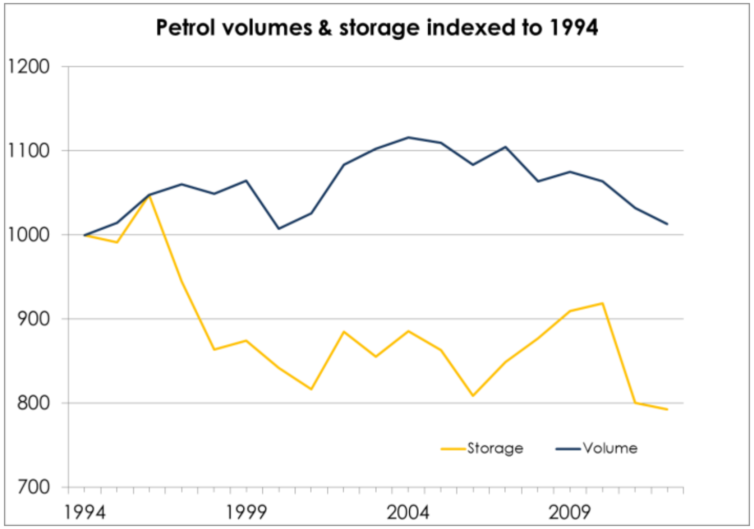
8 March 2013

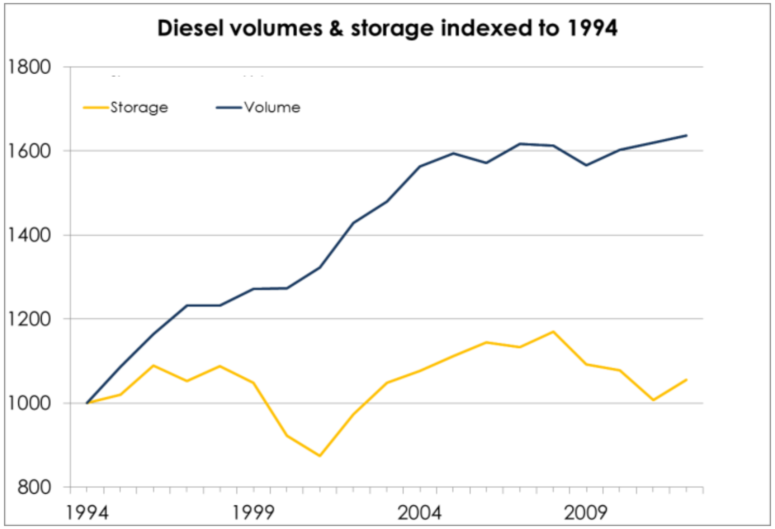
# Accomplishments in the past three years

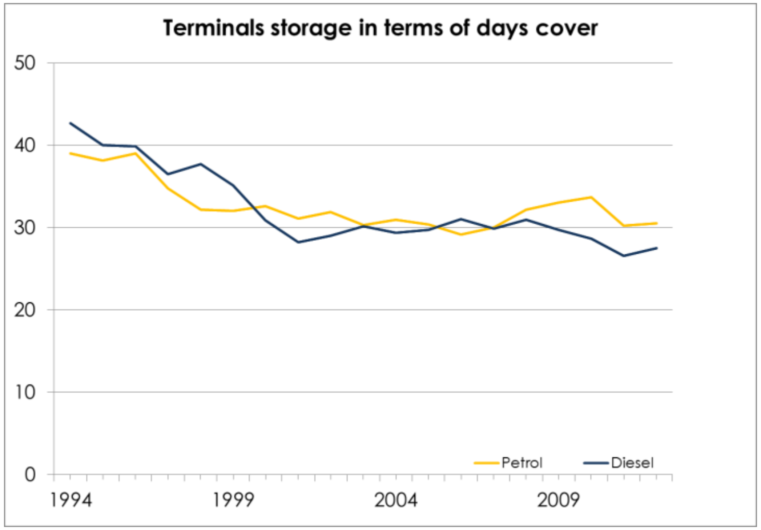
- Transition to stand alone company
- Supply capability yielding benefits
- ERP and customer facing technology upgraded
- Retirement of Shell and the establishment of Z as the most preferred brand
- Capital efficiency through value engineering
- Rollout of new offers and social media
- Staff engagement in ‘best employer’ range

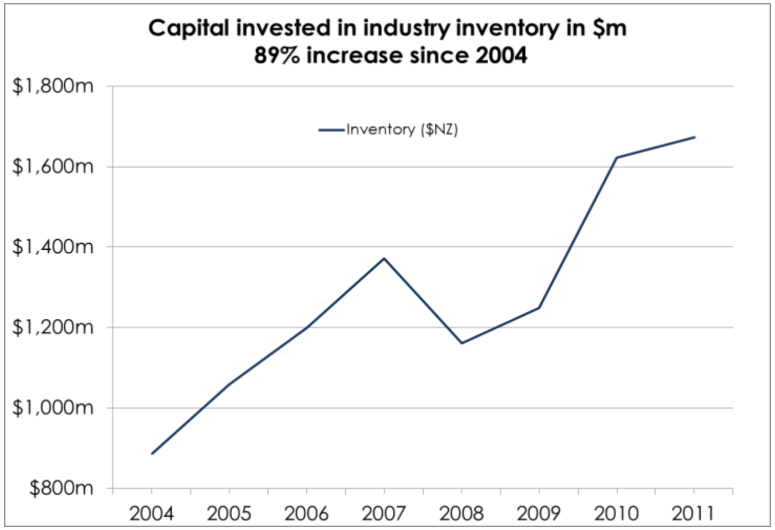
- FY13 guidance intact despite being the most competitive market for over a decade due to material changes within the industry

# The drivers for changes to industry structure and related agreements remain



# There are still opportunities from a changing industry structure and related agreements

**Signs of progress**

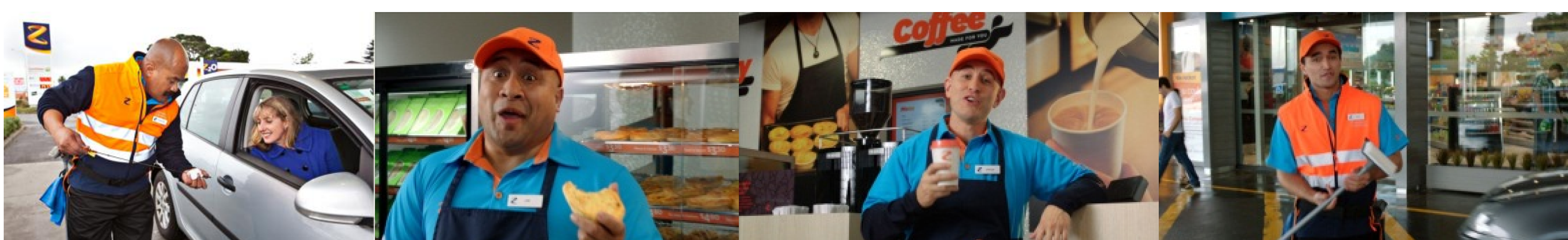
- Capital recovery charge agreed through Z's bilateral agreements, not fully between all other players nor charges always passed to customers
- More inter company 'sales' rather than strictly borrow and loan transactions
- Backloads for import ships to relieve coastal shipping constraints
- RNZ's competitiveness will be improved through Te Mahi Hou (CCR project)

**Future opportunities**

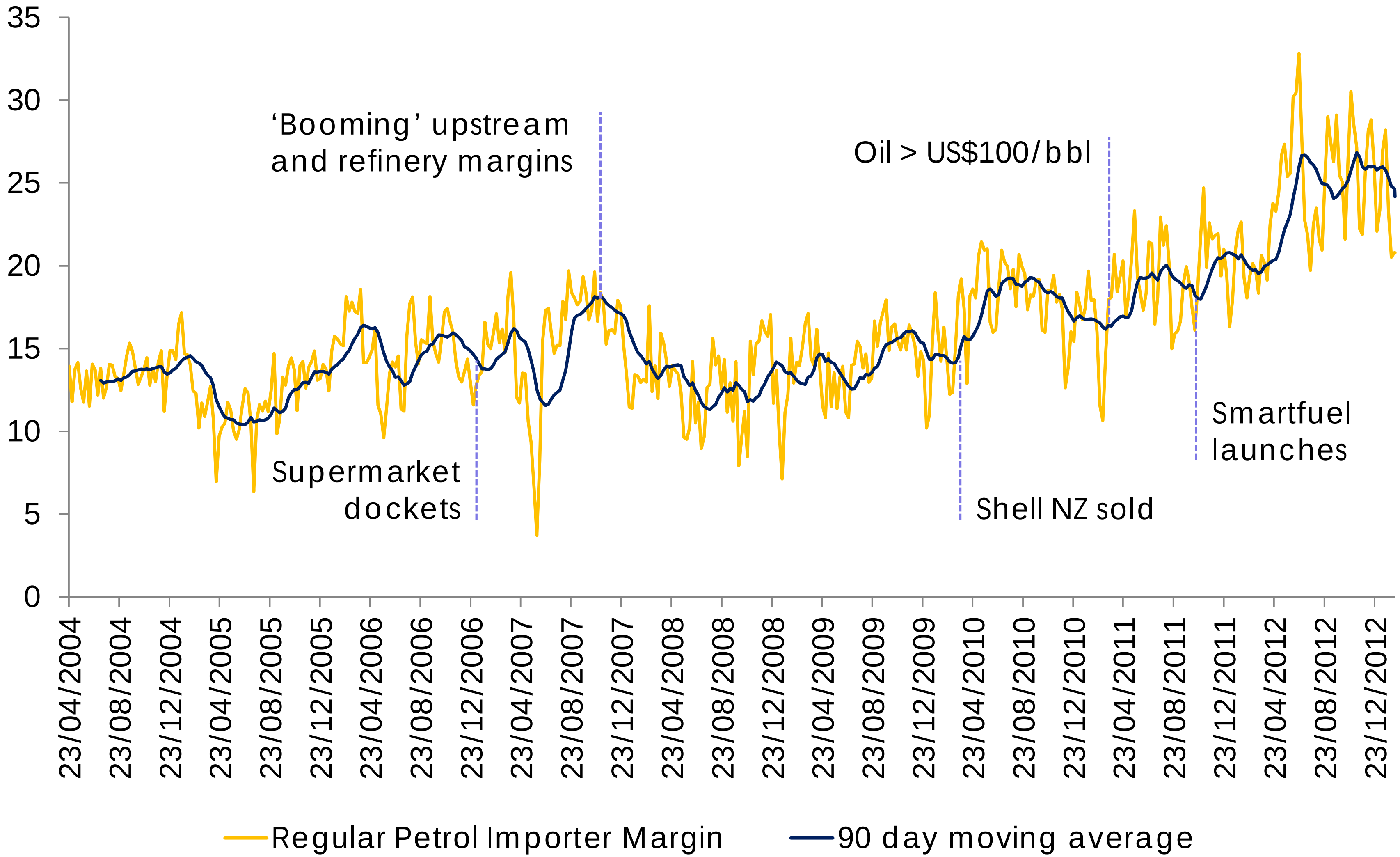
- Crude purchasing and processing with another major, or across the industry in conjunction with Refining NZ
- 40ml of new storage for Z to reduce import freight costs and increase resilience
- Kakariki (coastal vessel) replacement decision for November 2014

# Brand and customer service metrics

| | Current Ranking | Jan 2013 | June 2012 | Nov 2011 |
|---|---|---|---|---|
| Behavioural preference | #1 | 21% | 15% | 2% |
| Unprompted awareness | #2 | 78% | 71% | 59% |
| Attitudinal first choice | #1 | 30% | 22% | 9% |
| Raving fans | #1 | 31% | 25% | 18% |
| Service | #1 | 49% | 43% | 37% |
| Food and coffee | #2 | 35% | 33% | 29% |



# Margin changes in recent years are driven by structural changes rather than reduced competition




Source : MED website and Companies Office

# Arguably Z is an effective integration of two companies

**Infrastructure**

- Four majors
- Assets: RNZ shareholding, crude working capital, coastal ships, terminals, JV agreements
- ~30% of gross margins and 35-40% of EBITDAF
- Capital employed of ~$400m
- NZX comparator returns on average capital employed 8-12%

- Notable difference to CTX.AU – RNZ top in most Solomon rankings within ANZ geography; lower refinery exposure for margin and capex

**Marketing**

- Four majors plus six other brands
- Assets: products working capital, freehold property, leases, plant and equipment
- ~70% of gross margins and 60-65% of EBITDAF
- Capital employed of ~$700m
- NZX comparator returns on average capital employed 15-25%

- Notable difference to CTX.AU – lower portfolio earnings from Marketing; lower demand growth; growing unit fuel gross margin; lower proportional earnings and growth from non fuel income

# Z is disciplined and rigorous in its management of strategy and growth options

**Board approved the current Strategy program in November 2010**

- Focus on optimising acquired assets for the first three years
- Drive towards preferred industry structure and competitor landscape
- Lay down options for future growth
- Be available for inorganic acquisitions

**Working towards approval for Strategy 2.0 in August 2013**

- Consideration for inorganic and beyond the core options, e.g. adjacent markets or leveraging an existing capability
- Leverage options created in 1.0 especially competitor positioning, e.g. infrastructure gaps, capex light, risks in dealer channel
- Continue to be available should one of the majors exit

# There are three pathways to growth

**Internal growth**

- Crude and product procurement, coupled with working capital management
- Optimise commercial portfolio
- Investment in 40ml of tankage at Mt Maunganui and Lyttelton
- Have scale rewarded through ‘commercial’ industry agreements

**Competitive growth**

- Available and capable should another major exit, in whole or in part
- Sensibly outspend on new to industry assets given competitors’ limitations

**Market growth**

- First mover in alternatives to fossil fuels for transport use
- Services and mobile apps, e.g. FuelWise
- Leverage 60 million footfalls – NZ’s third largest Retail transaction count

# Z’s intended positioning

- An essential infrastructure industry supplying a large part of New Zealand’s liquid fuel requirements
- A market leader with scale and a tightly integrated operating model, who is prepared to invest
- An experienced management team with a track record of managing change and delivering growth
- There are further growth opportunities, enhanced by Z being differentiated through its Kiwi branding