Acquisition of Chevron New Zealand

2 June 2015
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Chris Day, Chief Financial Officer
Disclaimer

Please read this page before the rest of the presentation

Please do not read this presentation in isolation
This presentation should be read in conjunction with other information released by us to NZX and ASX, including (in particular) our results announcement dated 7 May 2015, our most recent annual report and our combined Investment Statement and Prospectus dated 25 July 2013. That material is available on our website, www.z.co.nz. All references in $ are to New Zealand dollars unless otherwise stated.

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Please also note that the “replacement cost” information for Chevron New Zealand (CNZ) in this presentation is only an estimate, reflecting our assessment of what that information would have been had CNZ prepared and reported it at the relevant time. It has not been audited or reviewed.

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**Transaction overview**

Z Energy Limited (Z) has agreed to acquire Chevron New Zealand’s (CNZ) downstream fuels business

**Z has agreed to acquire 100% of CNZ, a wholly-owned subsidiary of Chevron Corporation**

- Subject to New Zealand Overseas Investment Office approval and New Zealand Commerce Commission clearance
- Settlement expected late 2015 following regulatory approvals and Z’s confirmation of business readiness for cutover

**Purchase price is $785m**

- Represents acquisition multiple of 5.9x FY14 Estimated RC EBITDAF\(^1\) and 6.9x five year average HC EBITDAF
- Purchase price includes:
  - Inventory of 2.0 million barrels, with variations subject to working capital adjustment at settlement
  - Supply to network of 146 Caltex branded sites and 73 truck stops
  - 10 terminal assets - seven owned and three accessed through joint ventures
  - Lubricants sales and distribution business
  - Challenge brand, transitional use of Caltex brand, and participation in AA Smartfuel loyalty program
- Transaction is expected to be earnings accretive from day one, pro forma EPS +34% before synergies
- Synergies of $15-25m EBITDAF per annum forecasted for FY17 and beyond

**Financing**

- Transaction is expected to be financed through a combination of existing cash, committed credit facilities and equity
  - Targeting post settlement credit metrics of 2.6x net debt/FY15 Operating EBITDAF
  - Pro rata equity raise of ~$185m targeted following regulatory approvals

\(^1\) Z’s estimate of CNZ RC EBITDAF. Replacement Cost (RC) earnings adjust the cost of sales as if inputs had been procured at the time of sale. This is not reflected in Historical Cost (HC) earnings which are reported for statutory purposes. Z’s management focuses on the RC earnings, which Z considers better reflect the underlying trading performance for downstream petroleum businesses in New Zealand, such as Z and CNZ.
Acquisition themes

Transaction achieves Z’s strategic objectives of scale, network optimisation and offer differentiation

1. Reinforce an industry leadership position

2. Complementary infrastructure assets, operating model and market positioning

3. Attractive acquisition parameters and anticipated earnings accretion

4. Synergies expected from supply chain efficiencies and reduced corporate overhead

5. Continued benefits to local stakeholders through capital investment and business growth
Chevron New Zealand at a glance
Complementary operating model across the value chain

Current Operations

• Focused, low cost downstream business with limited fixed assets
• Operations span crude oil and refined product procurement, toll refining, national distribution and marketing
• Infrastructure assets owned directly or accessed through JVs
• Wholesale supply agreements with independently owned and operated retail sites
• Limited non fuel income as no convenience store or car wash participation
• High quality truckstop network
• Lubricants business

Key Metrics

Operating EBITDAF ($m)

<table>
<thead>
<tr>
<th>Historical Cost (NZIFRS)</th>
<th>Estimated Replacement Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12 110</td>
<td>FY14E 132</td>
</tr>
<tr>
<td>FY13 129</td>
<td></td>
</tr>
<tr>
<td>FY14 68</td>
<td></td>
</tr>
</tbody>
</table>

FY14 Metrics

Volume 1,765ml
Revenue $2,235m
Estimated RC Gross Margin $190m
Estimated RC Operating EBITDAF $132m

FY14 Transport Fuel Market Share1

FY14 Sales by Channel

1 Source: BDO Wellington Limited (BDO), using sales volume data collated by BDO on behalf of Refining NZ’s customers for the calculation of refining allocation. Please note that BDO does not audit these figures or provide any verification as to their accuracy. BDO relies solely on the data provided by the participants. BDO data does not include volumes of refined oil products sourced by parties who are not customers of Refining NZ.
Consistent performance track record
CNZ has increased its market share through focus and strategic partnerships

Relevant charts and graphs are shown, including:

- **Revenue ($m)**: Bar charts showing revenue for the years 2012, 2013, and 2014.
- **2014 volume by channel**: Pie chart showing percentages of sales by channel.
- **Sales volumes by channel**: Bar graphs showing sales volume by channel for the years 2011 to 2014.
- **EBITDAF ($m)**: Bar charts showing estimated financial performance by year.
- **Sales volumes by product**: Bar graphs showing sales volume by product for the years 2011 to 2014.
- **2014 Sales volumes by product**: Pie chart showing percentages of sales by product.

Source: CNZ
CNZ supply and distribution
Strong infrastructure footprint with ownership interests in key terminal locations

Interests in national infrastructure system

- Processing agreement at NZR
- Access to refinery to Auckland pipeline

Supply
- Supply from Refining NZ (~67% of total supply)
- 21% Refining NZ allocation and no shareholding in NZR
- Imported supply (~33% of total supply)

Distribution

<table>
<thead>
<tr>
<th>Terminal location</th>
<th>CNZ ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marsden Point</td>
<td>JV</td>
</tr>
<tr>
<td>Auckland (Wiri)</td>
<td>JV</td>
</tr>
<tr>
<td>Auckland Airport</td>
<td>JV</td>
</tr>
<tr>
<td>Mt Maunganui</td>
<td>100% owned</td>
</tr>
<tr>
<td>Napier</td>
<td>100% owned</td>
</tr>
<tr>
<td>Wellington</td>
<td>100% owned</td>
</tr>
<tr>
<td>Nelson</td>
<td>100% owned</td>
</tr>
<tr>
<td>Timaru</td>
<td>100% owned</td>
</tr>
<tr>
<td>Dunedin</td>
<td>100% owned</td>
</tr>
<tr>
<td>New Plymouth</td>
<td>100% owned</td>
</tr>
</tbody>
</table>

25% shareholding in coastal shipping JV
CNZ retail marketing
Secure long-term supply contracts with predominantly Retailer owned network

Key facts
- 136 of the 146 sites throughout New Zealand are Retailer-Owned, Retailer-Operated (RORO)
- 10 sites are Company-Owned, Retailer-Operated (CORO)
- Contributed 55% of CNZ Gross Margin
- Supply to 90 Challenge-branded stations through a Distributor relationship
- CNZ has no involvement or participation in the convenience stores within the Caltex or Challenge networks

Retail operating model
- RORO – independent Retailer owns or leases the land and buildings, owns inventory and, in most cases, owns underground storage tanks
- This operating model has a number of strengths:
  - Reduced cost, complexity and capital investment
  - Reduced exposure to environmental risk
  - Retailers have increased financial incentives to maximise sales volume and efficiency

Loyalty programmes and discounts
- AA Smartfuel – over 1.8 million loyalty cards on issue
- StarCard aimed at commercial users with 11,000 customer accounts

Strong brands

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>CORO</td>
<td>145</td>
<td>125</td>
<td>81</td>
<td>72</td>
</tr>
<tr>
<td>RORO</td>
<td>413</td>
<td>465</td>
<td>558</td>
<td>604</td>
</tr>
<tr>
<td>Other</td>
<td>26</td>
<td>17</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>584</td>
<td>607</td>
<td>644</td>
<td>676</td>
</tr>
</tbody>
</table>
## CNZ commercial marketing

Nationwide truckstop network and valued distributor and customer relationships

### C&I
- Distributors
  - Primarily supply to Farmlands and McKeown
  - Farmlands distributes to 90 Challenge-branded stations (CNZ receives a supply margin)
- Direct customers
  - Across transportation, construction, infrastructure and agriculture sectors
- Truckstops
  - 73 truckstops, servicing 11,000 customers

<table>
<thead>
<tr>
<th>C&amp;I (ml)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume (C&amp;I)</td>
<td>589</td>
<td>591</td>
<td>606</td>
<td>632</td>
</tr>
<tr>
<td>Number of truckstops</td>
<td>82</td>
<td>77</td>
<td>74</td>
<td>73</td>
</tr>
<tr>
<td>Throughput per truckstop</td>
<td>2.9</td>
<td>3.2</td>
<td>3.3</td>
<td>3.5</td>
</tr>
</tbody>
</table>

### Bulk
- Sells product that is produced at RNZ and not distributed through any other channels
- Bulk supply primarily comprises bitumen, fuel oil and diesel

<table>
<thead>
<tr>
<th>Bulk (ml)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume</td>
<td>209</td>
<td>119</td>
<td>145</td>
<td>166</td>
</tr>
</tbody>
</table>

### Aviation
- Sells jet fuels at Auckland Airport only through Joint User Hydrant Installation (JUHI) and a joint on-tarmac operation with ExxonMobil

<table>
<thead>
<tr>
<th>Aviation (ml)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume</td>
<td>299</td>
<td>294</td>
<td>297</td>
<td>286</td>
</tr>
</tbody>
</table>

### Lubricants
- Sales are principally through independent distributors who resell the product either through retail sites or directly to commercial customers
- Distribution centre managed by outsourced provider

<table>
<thead>
<tr>
<th>Lubricants (ml)</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales volume</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>
## Complementary asset portfolio

Opportunity for dual brand strategy, network optimisation and differentiated offers

<table>
<thead>
<tr>
<th>#1 Imports</th>
<th>#2 Refining &amp; primary distribution</th>
<th>#3 Terminals &amp; secondary distribution</th>
<th>#4 Commercial marketing</th>
<th>#5 Retail marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>12m bbl of Crude</td>
<td>31% of NZR refining capacity</td>
<td>Seven terminals owned</td>
<td>92 truck stops</td>
<td>210 sites (204 agents, six independent)</td>
</tr>
<tr>
<td>3m bbl of refined product</td>
<td>25% COLL ownership</td>
<td>Four JV terminals</td>
<td>1,209 ml</td>
<td>Convenience Store and car washes</td>
</tr>
<tr>
<td>7m bbl of Crude</td>
<td>21% of NZR refining capacity</td>
<td>Seven terminals owned</td>
<td>73 truck stops</td>
<td>146 sites (136 RORO, 10 CORO)</td>
</tr>
<tr>
<td>4m bbl of refined product</td>
<td>25% COLL ownership</td>
<td>Three JV terminals</td>
<td>1,089 ml</td>
<td>Caltex and Challenge brands</td>
</tr>
<tr>
<td></td>
<td></td>
<td>146ml terminal capacity</td>
<td>11,000 StarCard customer accounts</td>
<td>AA Smartfuel</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lubricants</td>
<td>No store participation</td>
</tr>
</tbody>
</table>
# Financial metrics and financing approach

Increased short-term leverage expected to decline over two to three years

<table>
<thead>
<tr>
<th>Acquisition metrics</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price / Enterprise Value (EV)</td>
<td>785</td>
</tr>
<tr>
<td>Five year average HC EBITDAF&lt;sup&gt;1&lt;/sup&gt;</td>
<td>114</td>
</tr>
<tr>
<td>FY14 Estimated RC Operating EBITDAF&lt;sup&gt;2&lt;/sup&gt;</td>
<td>132</td>
</tr>
<tr>
<td><strong>EV / FY14 RC Operating EBITDAF&lt;sup&gt;3&lt;/sup&gt;</strong></td>
<td>5.9x</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand / existing liquidity</td>
<td>80</td>
</tr>
<tr>
<td>Additional debt</td>
<td>540</td>
</tr>
<tr>
<td>Pro rata equity raising</td>
<td>~185</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>803</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Uses</th>
<th>$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of CNZ</td>
<td>785</td>
</tr>
<tr>
<td>Transaction costs</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>803</td>
</tr>
</tbody>
</table>

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**Intended financing approach**

- Total consideration to be funded through a combination of existing cash, new committed debt and standby facilities, and future equity raising
  - Utilising $80m of existing available cash from Z’s balance sheet
  - Additional bank facilities of $540m to be provided by existing banking syndicate (2.6x net debt / FY15 RC Operating EBITDAF post acquisition leverage)
  - Z will evaluate the optimal time to undertake the equity capital raising and currently intends to execute closer to the settlement date
  - Targeting ~$185m pro rata equity raising to meet the balance of Z’s funding requirements to achieve its capital structure objective
  - Leverage expected to reduce to ~2.0x RC Operating EBITDAF over two to three years post settlement

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1. CNZ Statutory Accounts
2. Z Estimate of CNZ RC earnings
3. Transaction multiples exclude transaction and transition costs
## Indicative pro-forma accretion

<table>
<thead>
<tr>
<th></th>
<th>Z (Mar 16)</th>
<th>CNZ (Dec 14)</th>
<th>Pro forma Z + CNZ</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume (ml)</td>
<td>2,408</td>
<td>1,765</td>
<td>4,173</td>
<td>73%</td>
</tr>
<tr>
<td>RC Operating EBITDAF</td>
<td>255</td>
<td>132</td>
<td>387</td>
<td>52%</td>
</tr>
<tr>
<td>RC Net Profit After Tax</td>
<td>137</td>
<td>201</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RC EPS (pre synergies)</td>
<td>34</td>
<td>46</td>
<td></td>
<td>34%</td>
</tr>
</tbody>
</table>

## Key assumptions

- Pro forma analysis assumes combination of Z based on consensus of equity analyst estimates (YE March 2016) and CNZ (YE December 2014) and Z estimate of CNZ RC Operating EBITDAF for 2014

- Z estimate of accretion analysis excludes synergies which are estimated to be $15-25m per annum from FY17, and excludes transition capex and opex

- Assumes transaction is financed with existing cash (ignoring interest foregone); $540m of new debt (2.6x net debt / FY15 RC Operating EBITDAF post-acquisition leverage) at an interest rate of 6.5%; and a ~$185m equity raising at Z’s current share price of $5.10 (actual number of shares issued will depend on share price at the time of equity raising)
Commerce Commission clearance required

Z’s competition analysis supports no lessening of competition as a result of the transaction

Z is confident there are strong grounds for clearance

• The transaction will not have a material impact on competition within the supply chain
  - Shared infrastructure access, import parity and commitment to RNZ supply remain primary drivers
• Commercial markets will remain highly competitive
  - Pricing in aviation, marine and bitumen markets determined by RNZ supply balances and import parity
  - BP and ExxonMobil, along with distributors, will continue to compete in inland diesel market characterised by sophisticated buyers and low barriers to entry
• The retail segment will remain highly competitive
  - There are numerous alternative retail fuel brands in the market, including independent retailers such as Foodstuffs, G.A.S., and Allied
  - Approximately two thirds of retail service stations are independently owned and operated
• Submission supported by specialist economic and legal analysis
Key approvals and indicative timetable
Settlement date dependent on approvals and Z’s business readiness

Regulatory approvals

• Seeking clearance from New Zealand Commerce Commission
  - Application filed 2 June, expect clearance in late 2015
• Application for New Zealand Overseas Investment Office approval
  - Significant investment and sensitive land
  - Expect approval in three to four months

<table>
<thead>
<tr>
<th>Indicative timetable</th>
<th>Estimated timing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement of Transaction</td>
<td>2 June 2015</td>
</tr>
<tr>
<td>Mobilisation of Transition Team</td>
<td>June 2015</td>
</tr>
<tr>
<td>New Zealand Overseas Investment Office approval</td>
<td>September 2015</td>
</tr>
<tr>
<td>New Zealand Commerce Commission clearance</td>
<td>Late 2015</td>
</tr>
<tr>
<td>Pro rata equity raising</td>
<td>Pre Settlement</td>
</tr>
<tr>
<td>Target cutover date and settlement</td>
<td>30 November 2015</td>
</tr>
</tbody>
</table>
$15-25m of annual synergies from supply chain efficiencies and reduced overhead costs

- Transition opex of ~$41m, including ~$9m contingency to fund any delay in cutover to 31 March 2016
- Transition capex of ~$23m for ERP set up and data migration, infrastructure, and few bespoke systems for activity outside ERP
- Focus on quality of cutover through joint planning workshops and agreed business readiness criteria
- Contingency through to 31 March 2016 if business readiness criteria not met by 30 November 2015
Pro rata equity raise
Modest equity raising to address near term capital structure

• Deal structure lends itself to an equity raising post regulatory approvals
• An implied equity raising of ~$185m given targeted credit metrics of 2.6x net debt / FY15 RC Operating EBITDAF post settlement and a 2.0x net debt / RC Operating EBITDAF within two to three years
• Timing and structure of the pro rata offer dependent on market conditions and the nature of regulatory approvals
• It is expected that the equity raising will be via an underwritten pro rata entitlement offer
• Goldman Sachs has been retained as Arranger for the equity raising
• Current RC Operating EBITDAF and dividend guidance will be updated once timing of settlement is determined
• Interim FY16 dividend expected to be consistent with Z’s existing policy for payout ratio of 80% of RC NPAT
• Anticipated DPS track will reflect growth in EPS and have regard for the objectives of the medium-term capital structure
Acquisition themes

Transaction achieves Z’s strategic objectives of scale, network optimisation and offer differentiation

1. Reinforce an industry leadership position

2. Complementary infrastructure assets, operating model and market positioning

3. Attractive acquisition parameters and anticipated earnings accretion

4. Synergies expected from supply chain efficiencies and reduced corporate overhead

5. Continued benefits to local stakeholders through capital investment and business growth