2 June 2015

Z Energy to acquire Chevron transport fuel business

Z Energy has signed an agreement with a subsidiary of Chevron Corporation to acquire 100 per cent of Chevron New Zealand.

The acquisition is subject to clearance under the Commerce Act 1986 and consent of the Overseas Investment Office (OIO).

Z is paying NZ$785 million for all of the shares of Chevron New Zealand, the owner of Chevron’s downstream operations in New Zealand, including Chevron-owned service stations and lubricant interests. The proposed acquisition excludes Chevron’s upstream interests and Chevron New Zealand recently sold its shareholding interest in Refining NZ.

Z Energy Chief Executive, Mike Bennetts, said the acquisition was a major opportunity in the company’s development, with substantial advantages for the New Zealand market.

“Z is a Kiwi company, all of our people live here and we’re all completely focused only on serving the New Zealand market and Kiwi customers. Over the past five years we have proven our commitment to New Zealand as demonstrated through our investment in local communities, new customer offers like pay at pump, and developing alternative renewable fuels through a $25 million investment in the country’s first commercial scale biodiesel plant.

“Customers can expect us to continue to provide service and choice by investing in new offers, there will be new jobs created as we bring back roles from offshore, and our many shareholders can expect to benefit from a more efficient company.”

Mike Bennetts said Z is the best positioned and most logical buyer of the Caltex business both for the future of the industry and for New Zealand.

“Like the creation of Z five years ago, this acquisition bucks the trend of Kiwi companies being sold offshore. Instead, this transaction represents another example of bringing the New Zealand operations of a multinational company directly into the ownership and exclusive operation of a company that has recently been recognised as having one of the strongest and most trusted corporate reputations in New Zealand,” he said.
“The New Zealand transport fuels market is and will remain highly competitive,” he said. “As New Zealanders know, Z and Caltex are only two players in a very dynamic marketplace in which there are currently five importers of refined fuel and crude oil and where motorists have the choice of at least a dozen fuel retailers.”

There will be benefits for the expanded company from procurement, operating cost and supply chain efficiencies achievable under common ownership and systems.

Mike Bennetts said Z will operate two brands throughout the combined service station network. Z will continue with its new build programme on prime sites around New Zealand, and on delivering choice and the best possible service to New Zealand motorists and transport operators.

“The acquisition is also a great fit with our longer term market growth strategy. Caltex is a successful and highly attractive business in New Zealand and the acquisition means we can use the scale of the combined operation for the expanded supply of biodiesel to a broader market.”

Mike Bennetts said the Commerce Commission and Overseas Investment Office processes were expected to take some months. “It is very much business as usual for Z, with a continued focus on safety, people and operational excellence.”

The transaction will be financed through a combination of existing cash, committed term debt and standby facilities together with an expected underwritten pro rata equity raising which will occur closer to settlement.

Z is advised by Goldman Sachs New Zealand Limited, together with Minter Ellison Rudd Watts, Chapman Tripp and PwC.

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