



22 January 2020

Z Energy quarterly operating update

Industry volumes down; Z market share stable

Total industry volume for all fuels as reported through Industry Exchange was 2,390 million litres (ml), a decline of -4.8% year over year. As per previous quarters, Gull is supplied by its Australian parent company and their volumes are no longer reported in Industry Exchange data. Normalizing for the exclusion of Gull to Industry Exchange data, Z estimates that total industry volumes declined by -1.8% year over year.

Z Energy total fuel volumes were 1,092ml for the quarter. Total marketing volume, calculated as total fuel volume less supply / export sales was 1,053ml.

Retail petrol declined by 24ml year over year to 282ml due to market share losses in the Caltex network. Z's retail petrol volume remained flat year over year.

Total Diesel volume was down -4.6% year over year, primarily due to a volume decline in Commercial Diesel. Truck stop volume was down across both networks from already disclosed customer losses and slower economic activity. Retail Diesel volume was flat year over year.

Other fuels declined -3.4% year over year due to a decline in Fuel Oil volumes and a small decline in Jet compared to the prior period.

Retail capacity

Z Energy tracks retail capacity in the New Zealand industry¹ by calculating the ratio of new to industry (NTI) sites compared to site closures. We call this the turnover ratio.

For the two years from the beginning of 2HFY17 (October 2016) to end of 1HFY19 (September 2018) the industry turnover ratio was 3.17:1. Meaning that for every closure (18 in the two-year period) an average of 3.17 stations would open. Over this same period, the split of NTI sites was equal across unmanned (49%) and manned (51%) sites.

For the last 12 months² we have seen a significant deceleration in the ratio of NTI sites opening with the turnover ratio falling to 2.0:1 with 32 sites opening and 16 closures. Over half (56%) of NTI sites being unmanned. Of the site closures, 25% (4) were unmanned stations.

By region, the ratio has declined in Auckland as competitors' investment in the region has slowed and increased in other regions; notably Bay of Plenty, Waikato and Christchurch metro. During the two-year period of October 2016 to September 2018 Christchurch had a turnover ratio of 1:1. In the past 15 months³ Christchurch metro has seen a higher than national average 3:1 turnover ratio with nine NTI sites being built and three closures.

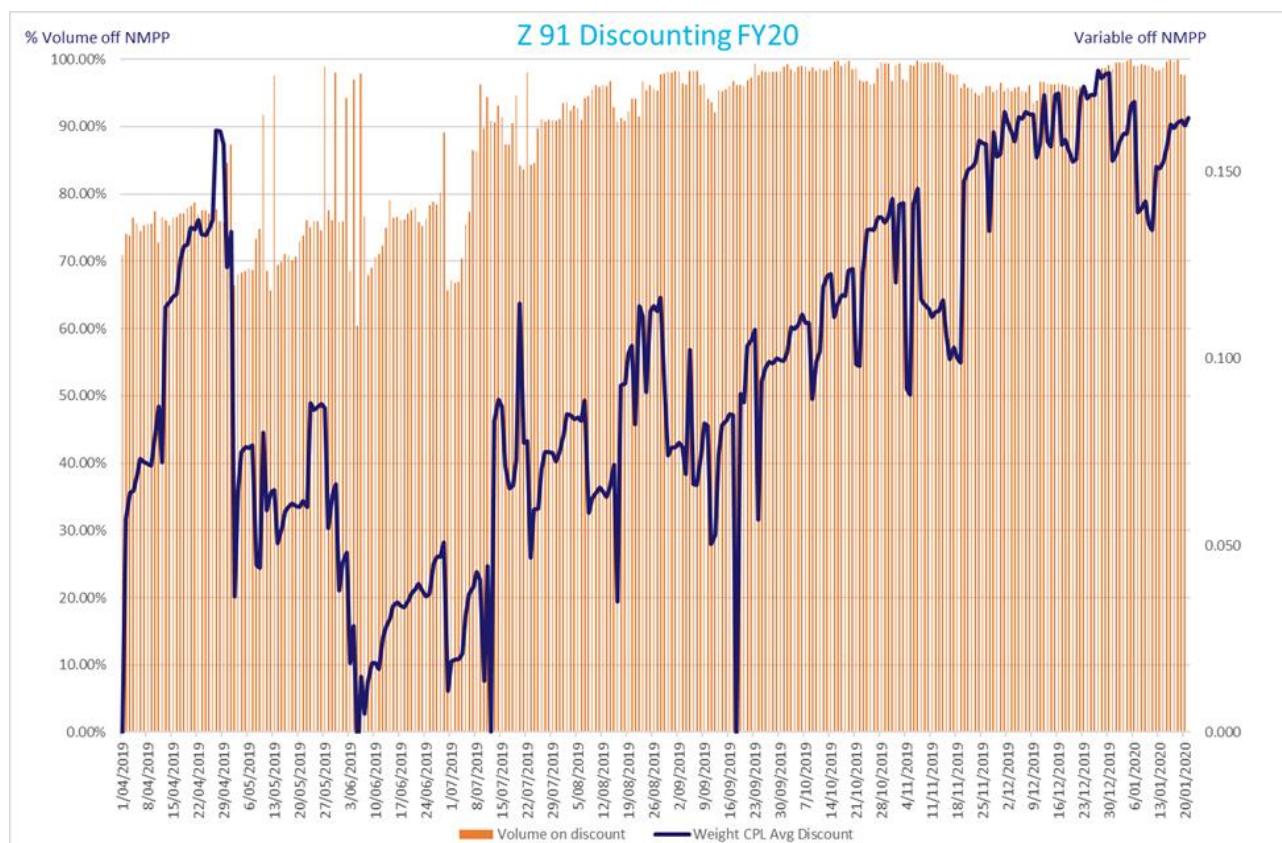
¹ Source: Informed Sources www.informedsources.com

² Rolling 12 months from beginning of 4QFY19 (1 Jan 2019) to the end of 3QFY20 (31 Dec 2019)

³ The period 1 Oct 2018 to 31 Dec 2019

Discounting

The percentage of 91 Octane sold on discount maintained its higher than normal historical average during the quarter, with over 95% of total volume sold on discount to the notional main port price (NMPP). Weighted average cents per litre discount remained at elevated levels due to increased competition from NTI sites and distributors.



Update on terminals under National Inventory Agreement (NIA)

During the quarter Z Energy informed our industry peers and the Government of our decision to maintain our own private stocks of product in Whakatū/Nelson outside of the 'Declared Shared Storage' (more commonly referred to as 'Borrow and Loan') system under the NIA. The effective date of this agreement is February 3, 2020.

As highlighted in previous investor briefings and our submissions to the Commerce Commission fuel retail market study, Z has experienced frustrations with the general lack of suitable commercial incentives and believe that the current system is sub-optimal for Z. Whakatū/Nelson has been selected first as it suffers from some of highest levels of inefficiencies in the system.

Z is currently negotiating ex-terminal bilateral agreements with industry participants and is confident that this will not impact security of supply.

Caltex Brand License

During the quarter Z successfully renegotiated the use of the Caltex brand in New Zealand with Chevron. The brand license was renewed for an additional three years and will be subject to renegotiation in 2022.

Reaffirming FY20 earnings and dividend guidance

Z reaffirms FY20 earnings guidance for RC EBITDAF to be in a range of \$350 million - \$385 million (including the adoption of IFRS16 accounting standards as previously announced) and the dividend to be \$0.40 cents per share.

Z will not be releasing quarterly data for 4QFY20 but instead will provide this data in its FY20 full year results presentation, which is scheduled for Thursday, 7 May 2020.

Operational Data

For the quarter ended 31 December 2019



Health, safety, security and environment (HSSE)	December 2019	December 2018	September 2019
Lost time injuries	7	9	3
Spills to ground	2	0	1
Robberies ¹	3	0	2
Fuel quality incidents	0	0	0
Process safety incidents	0	0	0
Food safety incidents	0	0	0
Total recordable case frequency	1.76	1.99	0.6
Motor vehicle incidents frequency	0	1.21	0

Refining	December 2019	December 2018	September 2019
USD GRM per barrel	2.62 ²	6.53	7.10
NZD GRM per barrel ³	4.04	9.62	10.82

1 Robberies reported only relates to Z Retail sites. Caltex sites are owned and operated by independent retailers

2 This number is from Refining NZ published data for the November/December period

3 The NZD conversion is calculated by Z

Operational Data

For the quarter ended 31 December 2019



Fuels - All fuels in millions of litres	December 2019	December 2018	September 2019
Total industry volumes (all fuels) ⁴	2,390	2,510	2,165
Z Group total fuel volumes	1,092	1,157	970
Petrol - Z Retail ⁵	194	197	180
- Caltex Retail	88	109	85
Diesel - Z Retail	78	76	73
- Caltex Retail	38	41	34
- Commercial	194	208	186
Other fuels	316	327	261
Supply - Domestic	145	148	127
- Industry & Export	39	51	24

⁴ Excludes "Supply - Industry & Export" sales

⁵ Z Retail volumes include volumes from 53 Foodstuffs sites

Operational Data

For the quarter ended 31 December 2019



Customer Experience

	December 2019	December 2018	September 2019
Z Retail customer satisfaction ⁶	93%	90%	93%
Total Z Retail transaction count	14.8 million	14.5 million	13.6 million
Z Retail: fuel-only transactions	7.4 million	7.4 million	6.9 million
Z Retail: fuel and store transactions	1.6 million	1.7 million	1.5 million
Z Retail: store only transactions	5.8 million	5.4 million	5.2 million
Z Average weekly store sales	\$40,906	\$37,918	\$36,286
Z Average weekly store sales like-for-like	\$41,208	\$38,515	\$36,450
Number of Z branded service stations	202	203	201
Number of EV charging stations	8	8	8
Caltex Retail customer satisfaction ⁶	84%	79%	83%
Number of Caltex branded service stations	136	139	138
Number of truck stops ⁷	154	155	154

⁶ Customer satisfaction determined using ongoing internal customer measurement

⁷ This figure represents the combined Z and Caltex branded truck stops