



TRANSCRIPTION

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Operator: Thank you for standing by and welcome to the Z Energy Agrees SIA with Ampol Australia conference call. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone key pad. I would now like to hand the conference over to Mr. Matt Hardwick, corporate affairs manager. Please go ahead.

Matt Hardwick: Great. Thank you, Melanie, and good morning, everyone. And welcome to the Z Energy investor briefing.

Matt Hardwick: If we can just go to the next slide there with our Safe Harbour statement, today, we will be discussing Z Energy's entry into a scheme implementation agreement with Ampol, under which it is proposed that Ampol will acquire all the shares in Z, by means of a scheme of arrangement.

Matt Hardwick: I would note the operator's comment that this call is being recorded and will be available for replay on Z's investor website as soon as practical this afternoon. This investor briefing contains some forward looking statements and projections. These reflect the current expectations based on what we think are reasonable assumptions. For any number of reasons, the future could be different from what we discuss today. This presentation is made in advance of our first half FY22 results that are due to be released to the NZX and ASX in early November, as in no way, a form of guidance for those results. Nothing communicated in this briefing should be misconstrued as an update to guidance. Consistent with the NZX and ASX listing rules and our disclosure obligations, we will communicate with the market if there is a material change to our outlook. I guess that does now for the legal bits.



Matt Hardwick: I'd like to now hand over to Mike Bennetts, chief executive of Z Energy, and ask him to make some opening remarks. At the end of his comments, we'll open up the call to questions. Thank you everyone. And now over to you, Mike.

Mike Bennetts: Thanks, Matt, and kia ora koutou to everybody on the call. If Tom could move us through to slide four, much of this, you might already have read in the disclosure that we put out this morning. But the points I would bring to your attention is we haven't been able to move the total consideration forward from what originally got Ampol into the data room. So now we have a consideration of \$3.78 per share, and the first five cents per share of any interim FY22 dividend that Z elects to pay would be in addition to that 3.78 consideration. If Z should pay a higher interim dividend than what's indicated by way of the 5 cent per share that Ampol have allowed for, then that would be deducted off the final price. If the scheme is not implemented by the 31st of March next year, then there's a dividend accumulator that reflects the FY23 performance up to a limit of 10 cent per year, if indeed the transaction did not settle until the 30th of September of next year.

Mike Bennetts: From the board perspective, we unanimously recommend that our shareholders vote in favour of the scheme. We've already appointed Calibre Partners who some of you may know as KordaMentha, which was their previous name, has been appointed as the independent valuer, and they will provide a valuation report to shareholders. The Z board is bound by the customer exclusionary exclusivity provisions, and there are matching rights in favour of Ampol, and that does provide us with the necessary fiduciary carve out, should indeed a competing offer come through at some stage during the regulatory approval process. And there are break fees that are applicable here for both parties. And there's nothing in that that is actually inconsistent with usual market practise.

Mike Bennetts: The scheme is conditional. The conditions are clearly the New Zealand Commerce Commission clearance and the Overseas Investment Office approval. The applications for those are already drafted. Indeed, that was an important part of the Z board's considerations to make sure we understood Ampol's approach to those two regulatory approval processes so that we could properly assess the risk of being able to secure approval. And we're obviously very happy with the level of risk that exists there. And indeed we are providing all the necessary support and input into that documentation process, and eventually the approval processes once they kickoff.

Mike Bennetts: Clearly shareholder approval is required to for this, and we are looking to target a shareholder meeting, probably around February or March of next year, at which we need to secure the necessary 75% shareholders voting in favour of the scheme for those that actually attend the meeting, which I recall correctly, requires it to be over 50% of the total issued capital. So February, March will be the next time that we actually put this one into the hands of our shareholders to decide upon.



Mike Bennetts: Ampol have committed to the full divestment of their Gull business in New Zealand. They previously in the announcements announced around the due diligence period, they said that they would divest as required. As we've been through the process, they have now agreed to the full divestment of Gull in New Zealand. And you may see from their disclosures that are now out in the market, that that could be way of a trade sale or the [inaudible 00:05:17] running the alternative of an IPO at this very early stage of that particular process.

Mike Bennetts: Then to move to the next slide. Thanks Tom. Just a reminder about what are the benefits of this transaction? We clearly recognise that there is scale here. So Tom, if we could go to slide five, please. There is clearly scale benefits here, and they're obvious that Ampol have a significant trading operation in Singapore. And they've recently established an office in Houston as well. And that really does provide Z with... as a company in New Zealand with fuel supply security at a time where there's clearly changes taking place in our industry as we look towards an import terminal being established through next year. And I'm sure that would be of importance to the government. That's a benefit of the scale. But also, just in an outright downstream play beyond the supply and trading aspect of it, Ampol is a very, very large company in Australia. It's got 80,000 commercial customers, 8,000 employees. So clearly Z will be part of that business and that will confer benefits in a way that you'd expect from any scale play.

Mike Bennetts: What we also notice, that Ampol have a similar commitment to the transition or the need to transition to a low carbon future in the way that Z has done in the past, that plays out in slightly different ways. Ampol has far greater or significant experience in hydrogen for example, as an alternative for fossil fuel, whereas Z tended to major more and develop IP around biofuel. Putting the two companies together actually provides really, really good transfer of IP and best practise. And Ampol have been very public in their commitment around the low carbon future through some disclosures when they release their strategy for low carbon and the alternatives to fossil fuel. So, philosophically the two companies are committed to a similar outcome, are getting there in two different ways, that I think again is another example of the synergy we should be able to expect from this when the two companies come together. So with that said, I'll pause now and open up the call for any questions that you may have.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question.

Operator: Your first question comes from Grant practise with Jarden. Please go ahead.



Grant Swanepoel: Morning Z team. Almost over the finishing line, it would appear. So the earnings risk of 40 million, is there any COVID provisions built into that? In terms of the NTA change, who decides on the revaluation of your NTA? And then your independent valuation report, when can we expect that to be out? Thanks.

Mike Bennetts: Yeah. So any impacts from COVID have been carved out of that amount Grant. So COVID is an exception to the typical mat clause. Indeed, there are a number of other exceptions that we have carved out as well.

Mike Bennetts: Net tangible assets, I actually don't know the answer to that question. I assume it would be as a result of the accounts that we publish. So not sure whether any revaluation would be required. It would simply be an outcome of the accounting process. And so whatever happens would lead to anyone being able to calculate that number.

Mike Bennetts: The independent valuation report, we briefed Calibre a number of weeks ago, so their work has already started. That would be coincided with the shareholder vote. So it would be made public as part of that process rather than made public separate to that. My understanding is that it's a necessary part of the documentation for seeking the shareholder approval. So that would be sometime next year.

Grant Swanepoel: Thanks, Mike. Just to be clear on the independent report, if it does come out to say that they're underpaying, is there no break fee on that outcome?

Mike Bennetts: Oh, actually I can't recall Grant, on that particular one. Matt will check on that and we'll get back to you on that one. But it certainly provides Z with the opportunity to cancel the transaction.

Grant Swanepoel: Thanks. And the final question, just on the margin point. Is that new to the terms that you would've been aware of before they went through the due diligence? And what's the risk of that actually being pushed out til '23?

Mike Bennetts: Yeah, so it is new, and the reason for that is obviously NZR have not made their final investment decision, that was anticipated to have been done by the end of September, so within the window that we've been negotiating for. Given that, that has not been done, it makes sense for that to be a condition for Ampol. And clearly you can see from the June '23 date, that we've given ourselves plenty of time for that to take place, given that most indications from NZR have been some time in the middle of 2022, as opposed to 2023. So given that FID has not been made, it was sensible to have that as a condition.

Grant Swanepoel: Fantastic. Thanks Mike.



Operator: Thank you. Your next question comes from Jeremy Kincaid with UBS. Please go ahead.

Jeremy Kincaid: Good morning, Mike and Matt. Just one question from me, obviously as part of the IO process involved looking at sensitive land. So I was just wondering if you could talk to your land holdings, approximate size and value and whether or not any of your parcels of land would be considered sensitive or that you think would be sensitive.

Mike Bennetts: Yeah, we do have parcels of land that are sensitive. They're not necessarily sensitive in the way in which that clause is typically written, so for farmland or something like that. These would tend to be properties that would adjoin or be adjacent to waterways. At the top of my head, I think it's less than about 15 in total, Jeremy. So it would be typically a service station, or something. Most of them are actually truck stops if I recall what we went through with the Chevron transaction. So a very small number of properties, very small in size, are captured by that particular part of the legislation. But in terms of the intent of the legislation, you wouldn't necessarily expect them to be having to work to the Nth degree of sensitivity, given that they are basically industrial properties that are neighbouring on waterways.

Jeremy Kincaid: Great. That's very helpful. Thanks Mike.

Operator: Thank you. Your next question comes from Mark Samter with MST. Please go ahead.

Mark Samter: Yeah, morning guys. Mike, I appreciate some of this might be reasonably hard to answer from a commercial sensitivity perspective, but obviously Ampol this morning have put out some synergy numbers and I'm just wondering, obviously you've publicly said that you'd put out for tender for your supply agreement. Did the information you got back from that maybe give you further strength to push for the interim dividend's allowance and I guess also for your view of what you think the combined business can create, and your level of confidence personally, in those synergies?

Mike Bennetts: Yeah. So, we've run the procurement process. We obviously haven't finished it yet. We've had initial bids that have come in that were within the ballpark of what we previously disclosed. So we always felt that if the numbers had have come in at a more attractive level, that probably would've prompted a disclosure given the transaction that we've been negotiating. So given that we have not disclosed, I can confirm that the numbers we've received are pretty consistent with what we disclosed that investor day. So there is no significant upside there, nor is there a significant downside. We have noted that the market conditions are quite different this year to what they might have been the last year. We think that's a transitional thing rather than something that's structural. So if anything, that



prompts us to continue with that process, then look to sign shorter dated agreements, like maybe a one year term contract, rather than what we've done sometimes in the past, which have been anywhere between two or three years.

Mike Bennetts: In terms of the synergies that are achievable, obviously, I don't know, in detail, how Ampol have assessed that. I'm not surprised by the number that they've indicated. That would be consistent with our thinking. In terms of did that drive us to push harder on value? We felt excluding synergy that they were a little bit light on value anyway. So we felt it was appropriate to push as we did, most importantly because, and again, we had this from this feedback from our shareholders that effectively the cash has already been accumulated in the company for the first half of the year. And it made sense from a principal perspective to reward our shareholders by paying that out. In the end, we settled on five cents per share as an allowance within the package that Ampol have offered, but Z would be able to pay what it would consider to be fair and appropriate for the first half, albeit that anything above five cents gets deducted off the \$3.78 headline price.

Mike Bennetts: Have I answered everything for you there, Mark?

Mark Samter: Yeah, that's perfect. And I would definitely be the sycophant who says, congratulations, because the share price today is telling you that maybe the kiwi market, even when you enter a scheme still doesn't really want to believe someone wants to buy you. But I think it's a great outcome for both parties. So congrats.

Mike Bennetts: Yeah. Thank you.

Operator: Thank you. Once again, if you wish to ask a question, please press star one. Your next question comes from Eamon Rood with Energy News. Please go ahead.

Eamon Rood: Hi Mike, can you elaborate on some of the synergies between biofuel and hydrogen that I believe you alluded to earlier. You mentioned Ampol has greater experience in hydrogen and of course it already has its biofuels work programme underway. Can you elaborate on those two please?

Mike Bennetts: Yeah, sure. It's mostly in the realm of IP or experience. I mean, Z has frankly no experience in hydrogen. We don't have anyone in the company who's grown up from a strong hydrogen background. We have an understanding of obviously the chemistry of hydrogen, market dynamics on a global basis and how that would apply in New Zealand. So if you like, we know all the desktop stuff, whereas Ampol run a refinery, have announced a hydrogen project. They clearly have engineering capability. So, I think it's more in the realm of knowledge where I think there is synergy to be gained. So Z doesn't have to start from scratch.



If we were to enter into some sort of hydrogen activity, we would obviously be able to ring up the parent company and say, "Look, hey, we need some help on this, or could you check this for us? Or indeed, could you lend us some people to do that?"

Mike Bennetts: And then the reverse would apply from a biofields perspective where Z has built and run a plant and learned a lot in doing that. Z has established a domestic and international supply around biofuels and knows the issues and challenges there are for managing that within the supply chain from a physical perspective. So it's more in that realm of IP knowledge and experience than anything else. And I think the typical way to expect parts of one company to help out another part of a company and in a different jurisdiction, that's where I think the synergy is gained. And that synergy shows up as being quicker to market with reduced risk or indeed lower capital costs, simply because one party is already down the experience curve compared to the party that's starting from pretty well a zero base.

Eamon Rood: Great. And is there anything about NZ's shareholding in the refinery that this transaction has to account for? Is that covered in Ampol's Commerce Commission application?

Mike Bennetts: No, NZ's shareholding in NZR is not a consideration within the Commerce Commission in terms of what they would be looking at, because that's solely a financial interest and our interest as a shareholder in the refinery does not confer any advantage for us in terms of our relationship as a customer. They are two entirely separate relationships or contracts.

Eamon Rood: Great. Thanks, Mike.

Mike Bennetts: Cheers.

Operator: Thank you. Your next question comes from Daniel Butcher with CLSA. Please go ahead.

Daniel Butcher: Hi everyone, and thanks for taking my question. Just a quick one on the timing. Just obviously looking at the extra payment that you get from Ampol of 0.55 cents every day up to 10 cents. That suggests, if I've done my maths correctly, you've allowed for 180 days of extra time to complete beyond March potentially. And I'm just wondering how you think it plays out in terms of regulatory approvals? What's the most likely date and what do you think is the worst realistic date before the completion of the deal? Thank you.

Mike Bennetts: Yeah. That's somewhat difficult to forecast. Yeah. The work that Ampol has done has given them confidence to indicate that it would be likely to achieve the two regulatory approvals by the middle of '22, so by June of '22. So this dividend accumulator, if you like, the 10 cent, half of that would be accumulated by the end of June if indeed, it took that long. It makes sense in our agreement with one another to allow for an extended period of



time just in case. So the dividend accumulator applies until the end of September. There is a 12 month long stop date in the contract. So if regulatory approvals have not been achieved by clearly the 11th of October of next year, then that gives both parties the chance to consider whether they still want to proceed or not.

Mike Bennetts: Typically you would expect the regulatory approvals to be within the six to nine month window. We're just very conscious here, that there's a bit of complexity involved in that Ampol are required to make a divestment of Gull, and they've indicated two pathways for that. And we are at this stage unsure, about the way in which the Commerce Commission would clear that particular transaction, whether they want to see something by way of a binding offer before they approved it, or whether they were happy to approve something in principle, subject to it simply being executed in time.

Mike Bennetts: And the OIO process is equally open ended. And there is a chance here that the minister will call in this particular transaction. Usually there are two tests that need to be met. One is the good buyer test or the good investor test. And Ampol have obviously clearly met that previously in their purchase of Gull. There's a test around economic benefits. So does this create economic benefits for New Zealand? Again, a relatively well-trodden path. The bit that's less well-trodden or understood is the notion of national interest, which is purely at the minister's discretion. So it's very difficult to understand what the threshold may be or indeed it's difficult to go to other precedents. My understanding is that this particular application will be the largest and most complex since the national interest test was introduced about 18 months ago. So on that basis, I think it's been sensible for both parties to target a reasonable period of time to complete, but to allow for an additional period of time just in case it gets a little bit extended.

Daniel Butcher: Fantastic. That's a great answer. Thank you very much.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr. Hardwick for closing remarks.

Matt Hardwick: Great. Well thank you everyone. And thank you for your time today. As I said before, Z Energy will be announcing our first half FY22 results in early November. The recording of this briefing will be available on the Z investor website this afternoon. Thank you for your time, and this now concludes the briefing.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

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