

15 June 2017

Chair's address  
Z Energy ASM  
3 Queen's Wharf  
Wellington

### **Introduction and welcome**

Good afternoon and welcome to this Z Energy annual shareholders meeting. My name is Peter Griffiths and I am the Chair of the Z Board. Welcome to people on the phone, joining us online and to the 30 shareholders we have here in person today. [This is a much stronger turnout than we received last year so I thank you all for your interest and support].

We're holding this ASM in what we call 'the Z Shed' – Z's head office at Queens Wharf in Wellington.

It's a pleasure to welcome you to our place. For our guests in person, our toilets are behind you, past the café counter and to your left. We have no fire drills planned for today so if an alarm does sound please immediately evacuate the building down the stairs at the front of the building. In the event of an earthquake, please take cover and await further instructions. We also have first aid support provided by a trained Z employee at the rear.

I would now like to introduce my fellow Board members:

- Abby Foote
- Paul Fowler
- Mark Cross
- Julia Raue
- Justine Munro
- Al Dunn
- Stephen Reindler

May I also introduce:

- Mike Bennetts, Z's Chief Executive Officer
- Chris Day, Z's Chief Financial Officer
- the rest of the Z executive team who are seated in the front row here
- Z's auditors, KPMG
- our legal representatives from Minter Ellison Rudd Watts and Chapman Tripp.

I'd like to outline the content of today's meeting. We have six resolutions to vote on today but before we get to these I will make some comments about 2017 financial year.

We will then hear the Chief Executive's overview and we will take questions at that point.

If you are on the phone or on-line, please refer to the notice of meeting for instruction on how to pose your question. 'Sally' is our co-ordinator for virtual and phone participants and she will order the questions for us. We will take questions from the phone or on-line first before taking questions from shareholders in the room. We will do our very best to get to everybody.

We will then move to the formal resolutions one to five. We will be taking a poll on each resolution.

If you have not already voted and are participating online, your notice of meeting contains instructions on how to cast your vote. If you are in the room you will need to mark up and hand in your voting paper before leaving. Shareholders participating by telephone only will have an opportunity to vote at the conclusion of the meeting.

We have received a large number of postal votes and the results of these will be displayed behind me at the appropriate time. The Chair, and the other Z directors, hold proxies which we will cast during the meeting.

The final results of the voting will be announced to the market later today.

Resolutions two through five concern the four Directors seeking election. Each will briefly address the meeting. Given that I am one of those up for re-election I will ask Abby to Chair this section.

A number of slides will be used during the meeting. Those of you online should be able to see these as they come up. For those of you joining by phone, the slides are available on Z's website at the investor centre at [www.z.co.nz](http://www.z.co.nz)

Once the meeting is closed I invite you to join me and my fellow directors for a cup of tea in our staff cafe.

Hopefully that's clear.

### **Chair's review**

#### **Thanks and acknowledgement**

I want to start by acknowledging the people who have made the last year such a successful one for your company.

Successfully executing a significant commercial transaction doesn't happen by chance and it has taken considerable effort and commitment. Every person in Z from right across our new company has played a role in the success of the Caltex transaction and on behalf of the Board I want to thank the expanded Z team for a job very well done.

Post Commerce Commission clearance, the last 12 months have been an intensive period for two operations and two cultures to merge to create a single integrated business with a common commitment to our customers and to New Zealand.

Z now has increased scale and greater capability to deliver value for its customers and shareholders. We are already seeing this – our turnover increased by 75 per cent and we have delivered a record annual result of \$419 million of replacement cost EBITDAF.

As part of the deal we committed to creating \$40 - \$45 million of annual synergies. In the FY17 financial year the Z team delivered \$17 million of those and is confident of delivering the rest before the end of this current financial year.

In short, the transaction has delivered the value and the performance that we expected.

The transaction is now behind us. Its associated costs have been fully incurred in the last financial year and there are no more to come.

From here our immediate focus is on operating our new business safely and well. Our guidance for this financial year is for a further increase in profit to between \$445 - \$475 million and we will generate more cash. We will use this cash prudently firstly to pay down debt. We are well ahead of our repayment schedule and expect to achieve a debt to earnings ratio of below 2.0x RC EBITDAF in about 12 months.

Our profit and cash position will also provide us the capacity to increase dividends beyond the currently announced growth rate of 10 per cent per annum. The Board expects to make more definitive announcements about the dividend policy later this year.

Shareholders should expect us to be judicious and cautious with our future capital spend. Within our current business, we will prefer to recycle capital rather than add new capital, we will set increasingly challenging hurdle rates to ensure we will receive returns in shorter time frames.

If you look across the globe, the threat of disruption is now everywhere and it is far from limited to our business or industry. Z is acutely aware of the longer-term challenges that will face our business through our customers' changing approach to mobility. While we are confident of the immediate future and see increasingly strong performance in that period we are facing greater uncertainty in the longer term.

The transition to alternative forms of transport energy will of course take some time. However we are well into action on our longer-term 'What is Next' strategy which will develop growth options for Z. We will be transparent with you, our shareholders, as we develop these options.

We are committed to being a part of the future and continuing to deliver for our customers and shareholders alike.

We will seek to remain a proud Kiwi company participating in the important conversations in New Zealand communities. One way we do that is by declaring stands on areas of interest to us.

### **Z's four stands**

Z has four fundamental areas in which the company takes a stand. These stands support the decisions the business takes and guide the way we go about operating.

Z's four stands are:

- Health, Safety, Security and the Environment
- Community
- Diversity and Inclusion.
- Environmental sustainability

Our world is becoming more concerned about climate change. As a company whose core products contributes to human-generated climate change, this is a material concern for Z.

Just today the Board reviewed our Environmental Sustainability stand.

We have committed Z to move from being part of the problem to the heart of the solution – something of a challenge for us and we don't yet know how to completely deliver this goal at this moment. But by making this our stand we will move our company in a particular direction.

We will take decisions that support this stand in multiple ways – examples underway right now are our biodiesel plant which will soon be in operation; our continued rollout of electric vehicle charging stations; our partnership with government around new recycling facilities across our retail sites; the way we choose to partner with suppliers and the expectations we have of them.

We are committed to reducing our own operational carbon emissions within our direct control and to offsetting the remainder.

While customers will continue to use our products for the foreseeable future, Z is committed to providing leadership in service of a lower carbon future and the honouring of New Zealand's commitments to the Paris Climate Change Accord.

### **MBIE Study**

I'd also like to make a brief comment on the MBIE Study into the fuel market, which we understand is likely to be made public in the near future.

Z has fully participated and provided extensive information for this Study and we look forward to it being completed. Currently we have no particular insight into what it will conclude, but we cannot recall when the industry has been so competitive, with such a diverse range of participants or offering so much choice to customers.

By way of example, these four facts might surprise you:

- There are 21 brands operating in the retail fuel market right now
- Under those brands 70 per cent of New Zealand service stations are owned and operated by independent businesses who set their own prices
- After a long period of contraction, service station numbers are now growing for the first time in decades
- Up to 70 per cent of Z's retail fuel volume is discounted off a national price as a result of new entrants and strong price competition.

### **Conclusion**

In conclusion, we have had a great year, our best year so far in terms of financial performance and commercial success. This success has been recognised in so many ways, including awards for Company of the Year, CEO of the Year, Corporate Communicator of the Year and M&A Transaction of the Year.

I can assure that we won't let any of this go to our heads. The company remains focused on the things that matter to our customers, our employees and the people of New Zealand and we will seek to continue leading the conversations that matter for our moving world.

Thank you for your attendance here today and your support of Z Energy over the past year.

I will now hand over to Mike Bennetts to share his perspective on the year and how we are setting ourselves up for the future.

### **Chief Executive's Review**

Thank you very much Mike.

Does anybody have any questions they would like to ask of either Mike or me? There will be an opportunity for questions at the end of proceedings, but we are prepared to also take a few now.

Thanks.

I will now move to the formal part of the meeting, being the vote on the five resolutions contained in the notice of meeting.

As I mentioned earlier, the vote on all of these resolutions will be by poll. For those of you in the room, you will need to mark your voting paper for each resolution and these will be collected at the end of the meeting. For those of you online you will need to follow the instruction on the screens. Your votes will be recorded and the results will be released to the markets and posted on our website as soon as they are available later today.

- Resolution 1 is that the Board be authorised to fix the fees and expenses of KPMG as auditor for the next year.

If you could please mark your papers and record your votes on that resolution. Thank you.

The next three resolutions concern the election of directors. Given that I am one of the three directors seeking shareholder re-election, I am handing the Chair of the meeting to Abby, to conduct the next three resolutions. Abby...

Thank you Peter.

- Resolution 2 is that Mr Peter Griffiths, who retires by rotation and is eligible for re-election, be elected as a director of Z Energy Limited.

I will now invite Peter to briefly address the meeting.

Thank you Peter.

If anybody has any questions they would like to ask Peter, please feel free to do so now.

If you could please mark your papers and record your votes on that resolution. Shareholders participating by telephone will have an opportunity to vote at the conclusion of the meeting. Thank you.

- Resolution 3 is that Mr Alan Dunn, who retires by rotation and is eligible for re-election, be elected as a director of Z Energy Limited.

I will now ask Al to briefly address the meeting.

Thank you Al.

Does anybody have any questions they would like to address to Al?

If you could please mark your papers and record your votes on that resolution. Shareholders participating by telephone will have an opportunity to vote at the conclusion of the meeting. Thank you.

- Resolution 4 is that Mr Stephen Reindler, who retires by rotation and is eligible for re-election, be elected as a director of Z Energy Limited.

I will now ask Stephen to briefly address the meeting.

Thank you Stephen.

Does anybody have any questions they would like to address to Stephen?

If you could please mark your papers and record your votes on that resolution. Shareholders participating by telephone will have an opportunity to vote at the conclusion of the meeting. Thank you.

Thank you very much. With the resolutions concerning the election of directors now complete, I hand the Chair of the meeting back to Peter.

Thanks Abby.

This brings me to the final resolution of the meeting, the increase of the Board's total remuneration pool. Before coming to the resolution, we have had one written question from shareholder Dora Roberts on this resolution who asks how many directors will share in the increased remuneration pool. Thank you for the question Dora. I will respond to it now.

The answer to the question is eight, which is the current number of Z directors. The standard number of directors on the board is seven but as we plan for succession and the continuity of the Board, numbers will from time-to-time increase from seven to eight. The increase in remuneration enables the Z Board to be in-line with peer companies and to facilitate the temporary expansion of the Board as required at times.

Given the interest in remuneration, I have provided some comparative data for additional context on this slide. Please note that this comparative data is based on our best efforts to calculate it but is based off incomplete information. It does, however, provide a good indication as to how Z compares in this area.

There is further detail on this resolution in the Notice of Meeting.

- With those comments, I now move to resolution five, which is that the total annual remuneration available to all non-executive directors taken together be increased by \$100,000 from \$1,000,000 to \$1,100,000. This sum is to be divided amongst the non-executive directors in such a manner as the Board sees fit.

If you could please mark your papers and record your votes on that resolution. Shareholders participating by telephone will have an opportunity to vote at the conclusion of the meeting.

Thank you.

That brings us to the end of the formal part of the meeting. I will now take any questions either from our online participants or from the floor. If you do have a question please raise your hand and we will bring a microphone to you so that everybody can hear it.

Can we have our first question please?

Thank you very much for those questions. In the interests of time, I will move on and encourage any further questions to be asked either over a cup of tea in just a few minutes' time or directly through Z.

The company has multiple feedback channels including the company's Facebook page, website at z.co.nz, including its investor centre, or a good old fashioned phone call. Please feel free to contact Z's management at any time with anything at all that is on your mind. In particular, I would appreciate your feedback on the format and experience of this annual shareholders' meeting.

That brings us to the end of this 2017 ASM. Thank you for your attendance and participation today both here in the room and to those on the phone and on-line.

If you could place your papers in the ballot boxes provided as you exit this room that would be much appreciated. Shareholders participating by telephone only will be able to vote following close of the meeting using their dial pad. Please follow the operator instructions to complete your vote.

Results will be posted as soon as they are available.

I declare the meeting closed.

Please join us for refreshments.

Thank you.