

# Z Energy operational data for quarter ended June 2018

## Health, safety, security and environment (HSSE)

	June 2018	June 2017	March 2018
Lost time injuries	9	4	3
Spills to ground	0	0	0
Robberies <sup>1</sup>	5	7	0
Fuel quality incidents	0	0	1
Process safety incidents	0	0	0
Food safety incidents	0	0	0
Total recordable case frequency	1.99	0.8	0.6
Motor vehicle incident frequency	0	0	0

## Fuels

All fuels in millions of litres	June 2018	June 2017	March 2018
Total industry volumes (all fuels) <sup>2</sup>	2,249	2,217	2,465 <sup>3</sup>
Z Group total fuel volumes	1,052	1,016	1,103
Petrol - Z Retail	173	181	184
- Caltex Retail	110	120	116
Diesel - Z Retail	73	71	75
- Caltex Retail	40	42	42
- Commercial	200	195	203
Other fuels	259	272	324
Supply - Domestic	125	119	136
- Industry & Export	72	16	23

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

2 Excludes 'Supply - Industry & Export' sales.

3 Total industry volumes restated due to Mobil restating volumes for the July 2017 to Feb 2018 period



## Refining

	June 2018	June 2017	March 2018
<b>Refining NZ gross refining margin (GRM):</b>			
USD GRM per barrel	6.82 <sup>4</sup>	9.35	7.54
NZD GRM per barrel <sup>5</sup>	9.41	13.36	10.36

## Customer experience

	June 2018	June 2017	March 2018
Z Retail customer satisfaction <sup>6</sup>	90%	88%	89%
Total Z Retail transaction count	14.0 million	14.0 million	14.8 million
Z Retail: fuel-only transactions	7.4 million	7.3 million	7.7 million
Z Retail: fuel and store transactions	1.6 million	1.7 million	1.8 million
Z Retail: store only transactions	5.0 million	5.0 million	5.3 million
Z Average weekly store sales	\$33,506	\$34,052	\$35,681
Z Average weekly store sales like-for-like	\$33,753	\$34,430	\$35,740
Number of Z branded service stations	202	204	204
Number of EV charging stations	8	8	8
Caltex Retail customer satisfaction <sup>6</sup>	81%	89%	81%
Number of Caltex branded service stations	139	140	139
Number of truck stops <sup>7</sup>	156	156	156

4 This number is from Refining NZ published data for the Mar/Apr period.

5 The NZD conversion is calculated by Z.

6 Customer satisfaction determined using ongoing internal customer measurement.

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

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# Z Energy quarterly update

## Revision to FY19 earnings guidance

Z's operational performance for the first quarter of FY2019 has been negatively impacted by unexpected levels of disruption in our supply chain as well as being negatively impacted by the record high pump prices during the first quarter.

Further details of these events and their magnitude are provided below.

Because of weaker than expected performance in the June quarter, Z has revised its EBITDAF earnings guidance for full year FY19 to \$420 million - \$455 million from the previous range of \$450 million - \$485 million.

Z reaffirms the prior dividend guidance of between \$0.50 and \$0.55 per share for the fiscal year 2019.

## Refining NZ shutdown and refining margin

Refining NZ (NZX: NZR) undertook a complete shutdown during the first quarter of fiscal year 2019. The rolling shutdown was scheduled from 20 April 2018 to end of June 2018 with a complete shutdown scheduled for the two weeks of 12 May to 26 May. As highlighted in our FY18 results Z estimated the shutdown would reduce year on year refining margins.

Z Energy was notified of an issue restarting the hydrocracker on 28 May which added nine additional days to the works process. The start-up date moved from 11 June to 20 June. We were notified of additional delays to restarting the Hydrocracker on 22 June and 26 June. New Zealand Refining was back in full operations by 6 July.

The delay to restarting the refinery has meant a reduction in refining margin for the quarter, losses from unplanned fuel oil exports and necessitated increased volumes of imported product purchased on the spot market rather than Z's advantaged term contract pricing. Z Energy estimates that the combined impact of these three factors and the loss of other Refining NZ related earnings will negatively impact FY19 EBITDAF earnings by \$20 million.

## Rising crude price effects

In a rising crude environment Z's earnings from commercial sales of diesel, jet fuel and bitumen are negatively impacted by a price lag. Price lags occur because these products are contracted on an "m-1" basis for some customers, i.e. product sold in July is priced on June's input cost. This causes timing related volatility to headline earnings with a rule of thumb being a US\$1/bbl crude price change results in \$1 million impact on earnings.

During the first quarter of FY19 oil prices have been rising consistently due to geopolitical issues, compounded by a weaker New Zealand dollar. Crude prices have risen 14% from US\$67/bbl at the start of April to finish the quarter at US\$78/bbl as at the end of June\*. At the same time the NZ\$/US\$ exchange rate has weakened from NZ\$1 being worth US\$0.7233 to US\$0.6751 at the end of the June quarter.

As a result of higher crude prices and the lower FX rate, the main port price for 91 octane hit \$2.29 per litre in mid May. This record high for New Zealand affected our retail market through compressed margins as well as reduced volumes. Industry volumes decreased during the quarter by 8.1% sequentially over the previous March quarter as consumers and businesses adjusted to the new price point. At the end of the first quarter of FY19 Z estimates that record high pump prices have adversely impacted EBITDAF earnings by \$10 million.

\* Brent Crude barrel price as at 3 April was US\$67.04 and closed at US\$77.90 on 29 June



## Forward outlook

Z believes that the drivers of the current market are one-off or temporary in nature; rapidly rising pump prices affecting consumer and competitive behaviour, the oil price lag in the commercial market and the extended refinery shutdown. We do not expect them to reoccur and that Z is able to moderate the impact of some volume loss during the remainder of the year as it has in the past.

While the market for the underlying barrel of oil is volatile, the market is forecasting a lower barrel price for the remainder of the year which gives Z confidence in its revised guidance to partially recover the adverse effects of the first quarter performance. The Brent crude forward curve is currently showing prices reducing from the June quarter end of US\$78/bbl to US\$72/bbl by end September and US\$72/bbl by March 2019.

## Media releases (For the quarter ended 30 June 2018)

### Communities decide how to split \$1m in funding

27 April 2018

<https://z.co.nz/about-z/news/general-news/good-in-the-hood-voting-begins-1-may/>

Good in the Hood gives over a million dollars every year to around 800 Kiwi groups doing good for people or the environment in the areas around the country's 200-plus Z service stations.

Every Z service station has chosen four groups in their own neighbourhoods to support in 2018 and will share \$4000 between them. Locals will determine what percentage of the funding goes to each group by voting with an orange token each time they shop at Z in May.

### Z Energy to end the supply of single-use plastic bags in retail.

01 June 2018

[www.z.co.nz/about-z/news/general-news/no-more-plastic-bags-at-z/](http://www.z.co.nz/about-z/news/general-news/no-more-plastic-bags-at-z/)

Z Energy service stations have stopped providing single-use plastic bags to customers from the start of June.

Z has taken this action in response to a groundswell of support from Kiwis for ending New Zealand's dependency on plastic bags. The move is part of Z's commitment to environmental sustainability and will take the 2.5 million plastic bags that Z previously provided each year out of circulation.

\* Brent Crude barrel price as at 3 April was US\$67.04 and closed at US\$77.90 on 29 June