FORSYTH BARR

NEW ZEALAND EQUITY RESEARCH | OIL & GAS | DOWNSTREAM FUEL RETAILER
11 MARCH 2020

Z Energy
Swings and Roundabouts

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OUTPERFORM

Z Energy (ZEL) is currently enjoying a strong tailwind from collapsing oil prices, such that we are lifting our FY20 EBITDAF forecast +$18m to $376m. However, COVID-19 isn't a one-way story, with jet fuel demand down and additional refining margin pressure likely to impact FY21 and beyond earnings. Downgrades to our outer year earnings forecasts have been the main driver of our -22cps (-4.7%) target price cut to $4.46. We retain our OUTPERFORM rating.

Summary changes:
- **FY20/FY21/FY22 EBITDA:** Changed +$18m/-$30m/-$13m to $376m/$350m/$362m respectively
- **FY20/FY21/FY22 dividend:** FY20 unchanged, FY21 & FY22 -2cps to 38cps
- **Target price:** reduced -22cps (-4.7%) to $4.45

NZX Code	ZEL
Share price	NZ$3.96
Target price	NZ$4.46
Risk rating	Medium
Issued shares	400.0m
Market cap	NZ$1,584m
Avg daily turnover	864.3k (NZ$4,870k)

Financials: Mar/	19A	20E	21E	22E
NPAT* (NZ$m)	195.8	139.6	115.9	129.4
EPS* (NZc)	49.0	34.9	29.0	32.4
EPS growth* (%)	-7.4	-28.7	-17.0	11.7
DPS (NZc)	43.0	40.0	38.0	38.0
Imputation (%)	100	100	100	100
*Based on normalised profits				

Valuation (x)	19A	20E	21E	22E
EV/EBITDA	5.3	6.4	7.2	7.0
EV/EBIT	7.4	10.6	12.1	11.2
PE	8.1	11.3	13.7	12.2
Price / NTA	6.3	35.4	34.7	25.1
Cash div yld (%)	10.9	10.1	9.6	9.6
Gross div yld (%)	15.1	14.0	13.3	13.3

Oil price fall provides short-term tailwind, but we expect it will reverse

Oil prices had been declining steadily in 4Q20 due to COVID-19 before the price war between Saudi Arabia and Russia broke out, causing crude oil prices to plunge. The current Brent price is ~-50% lower than the start of 4Q20. Declining crude oil prices are a positive for ZEL, and that has been the main driver of our +$18m increase in our FY20 EBITDA forecast to $376m, above the mid-point of ZEL's FY20 EBITDA guidance range of $350m to $385m. However, whilst we do not know when it will occur, we assume oil prices will correct during FY21, causing a headwind to FY21 earnings.

Lower assumed refining margins a longer-term headwind, falling jet demand a minor short-term headwind

Refining is going through a tough time, with IMO2020 shipping fuel regulations proving to be a negative in addition to COVID-19 hitting global product demand. Furthermore, hydro-cracker outages in FY21 and FY22 will impact on Refining NZ (NZR) margins and we have cut our long-term NZR gross refining margin assumption -US$0.75/barrel to US$6.25/barrel. Whilst the FY20 headwinds had been factored into our ZEL forecast, the combined effects of lower refining margins and lower NZR dividends cuts our FY21 EBITDA -$12m, reducing to -$4m in the long-term. COVID-19 is having a big impact on jet fuel demand. There is going to be a modest negative earnings impact in FY20 (-$2m), increasing in FY21 (-$8m). However, petrol and diesel volumes should hold up.

Forecast changes positive in FY20, negative longer-term leading to -22cps to our target price

Our forecast changes are positive in FY20, but negative thereafter, with lower jet fuel volumes and lower refining margins hitting earnings. We have cut our FY21 and FY22 dividend -2cps to 38cps. The target price impact of our changes is -22cps (-4.7%) to $4.46. Whilst we have trimmed our valuation, there is potential upside we have not factored in from a cost-out initiative as ZEL cuts its cloth to enable it to compete with the low cost fuel retailers. In addition, we view ZEL as a potential takeover target as it is in a sector where M&A activity is taking place in Australia. We retain our OUTPERFORM rating.

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Z Energy (ZEL)

Priced as at 10 Mar 2020 (NZ$)	**3.96**

12-month target price (NZ$)*	**4.46**
Expected share price return	12.6%
Net dividend yield	9.6%
Estimated 12-month return	22.2%

Spot valuations (NZ$)	
1. DCF	4.34
2. Dividend Yield	4.63
3. Market Multiple	4.50

Key WACC assumptions	
Risk free rate	2.00%
Equity beta	0.84
WACC	7.2%
Terminal growth	-2.0%

DCF valuation summary (NZ$m)	
Total firm value	3,034
(Net debt)/cash	(972)
Less: Capitalised operating leases	(299)
Value of equity	1,763

Profit and Loss Account (NZ$m)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Sales revenue	4,570.0	5,450.0	4,977.8	3,915.4	4,500.2
Normalised EBITDA	**448.0**	**435.0**	**376.2**	**349.6**	**362.2**
Depreciation and amortisation	(102.0)	(122.0)	(146.6)	(141.3)	(137.0)
Normalised EBIT	**347.0**	**312.0**	**228.6**	**208.3**	**225.2**
Net interest	(52.0)	(51.0)	(63.7)	(60.1)	(57.0)
Associate income	1.0	(1.0)	(1.0)	0	0
Tax	(82.0)	(61.0)	(43.9)	(41.5)	(47.1)
Minority interests	0	(2.0)	(18.6)	(9.2)	(8.3)
Normalised NPAT	**211.5**	**195.8**	**139.6**	**115.9**	**129.4**
Abnormals/other	(6.5)	(15.8)	(35.0)	0	0
Reported NPAT	**205.0**	**180.0**	**104.6**	**115.9**	**129.4**
Normalised EPS (cps)	52.9	49.0	34.9	29.0	32.4
DPS (cps)	32.3	43.0	40.0	38.0	38.0

Valuation Ratios	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
EV/EBITDA (x)	5.4	5.3	6.4	7.2	7.0
EV/EBIT (x)	6.9	7.4	10.6	12.1	11.2
PE (x)	7.5	8.1	11.3	13.7	12.2
Price/NTA (x)	14.8	6.3	35.4	34.7	25.1
Free cash flow yield (%)	19.2	17.9	0.3	15.7	10.2
Net dividend yield (%)	8.2	10.9	10.1	9.6	9.6
Gross dividend yield (%)	11.3	15.1	14.0	13.3	13.3

Capital Structure	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Interest cover EBIT (x)	6.7	6.1	3.6	3.5	4.0
Interest cover EBITDA (x)	8.6	8.5	5.9	5.8	6.4
Net debt/ND+E (%)	57.2	55.4	63.8	63.8	64.8
Net debt/EBITDA (x)	1.8	1.9	2.8	2.8	2.7

Growth Rates	**2018A**	**2019A**	**2020A**	**2021A**	**2022A**
Revenue (%)	18.3	19.3	-8.7	-21.3	14.9
EBITDA (%)	6.9	-2.9	-13.5	-7.1	3.6
EBIT (%)	3.3	-10.1	-26.7	-8.9	8.1
Normalised NPAT (%)	8.2	-7.4	-28.7	-17.0	11.7
Normalised EPS (%)	8.2	-7.4	-28.7	-17.0	11.7
Ordinary DPS (%)	10.2	33.1	-7.0	-5.0	0.0

Key Ratios	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Return on assets (%)	12.4	11.0	7.6	7.2	7.8
Return on equity (%)	24.7	21.3	16.8	14.9	17.3
Return on funds employed (%)	17.4	15.8	10.1	9.8	10.8
EBITDA margin (%)	9.8	8.0	7.6	8.9	8.0
EBIT margin (%)	7.6	5.7	4.6	5.3	5.0
Capex to sales (%)	1.9	1.0	1.8	1.2	1.0
Capex to depreciation (%)	140	85	107	56	57
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	61	88	115	131	117

Cash Flow (NZ$m)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
EBITDA	**448.0**	**435.0**	**376.2**	**349.6**	**362.2**
Working capital change	61.0	(159.0)	46.1	55.8	(38.8)
Interest & tax paid	(103.0)	(161.0)	(137.1)	(107.7)	(112.0)
Other	(15.0)	223.0	(192.0)	(4.0)	(4.0)
Operating cash flow	**391.0**	**338.0**	**93.2**	**293.7**	**207.4**
Capital expenditure	(87.0)	(55.0)	(87.7)	(45.1)	(45.7)
(Acquisitions)/divestments	18.0	(28.0)	36.0	0	0
Other	12.0	4.0	(27.0)	(28.0)	(26.1)
Funding available/(required)	**334.0**	**259.0**	**14.5**	**220.6**	**135.7**
Dividends paid	(134.0)	(152.0)	(198.0)	(158.0)	(152.0)
Equity raised/(returned)	(2.0)	(1.0)	0	0	0
(Increase)/decrease in net debt	**198.0**	**106.0**	**(183.5)**	**62.6**	**(16.3)**

Operating Performance	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Product volumes (m litres)					
Petrol	1,204	1,165	1,119	1,124	1,097
Diesel - retail	461	454	446	444	428
Diesel - commercial	807	812	790	816	839
Other fuels	1,153	1,193	1,136	1,042	1,120
Supply - domestic	520	544	545	555	563
Sub-total	**4,145**	**4,168**	**4,036**	**3,980**	**4,047**
Supply - industry & export	178	280	84	97	96
Total Fuels	**4,323**	**4,448**	**4,120**	**4,077**	**4,143**
Retail service stations	343	343	338	332	332
Petrol/service station (m litres)	3.71	3.60	3.47	3.50	3.42
Diesel/service station (m litres)	1.34	1.32	1.31	1.32	1.29
Gross profit (NZDm)					
Fuels	685	700	656	605	612
Refining	77	54	48	55	58
Non-fuels	76	81	77	80	83
Flick Electric	0	1	4	6	8
Gross profit	**838**	**836**	**784**	**746**	**761**
Fuels gross margin (cpl)	16.5	16.8	16.3	15.2	15.1
Fuels margin incl refining (cpl)	17.6	17.0	17.1	16.2	16.2
Fuels margin excl supply (cpl)	18.3	18.0	17.5	16.6	16.5
Non-fuels revenue/station (NZD 000)	373	398	379	398	411

Balance Sheet (NZ$m)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Working capital	196.0	358.0	332.9	277.1	315.8
Fixed assets	870.0	830.0	805.8	779.8	754.9
Intangibles	750.0	668.0	785.3	733.0	684.6
Right of use asset	0	0	286.0	286.0	286.0
Other assets	134.0	161.0	219.0	219.0	219.0
Total funds employed	**1,950.0**	**2,017.0**	**2,429.0**	**2,294.9**	**2,260.4**
Net debt/(cash)	824.0	827.0	1,049.5	972.9	977.1
Lease liability	0	0	299.0	299.0	299.0
Other liabilities	269.0	270.0	250.5	244.3	236.4
Shareholder's funds	857.0	902.0	830.6	788.5	765.9
Minority interests	0	18.0	(0.6)	(9.8)	(18.1)
Total funding sources	**1,950.0**	**2,017.0**	**2,429.0**	**2,294.9**	**2,260.4**

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

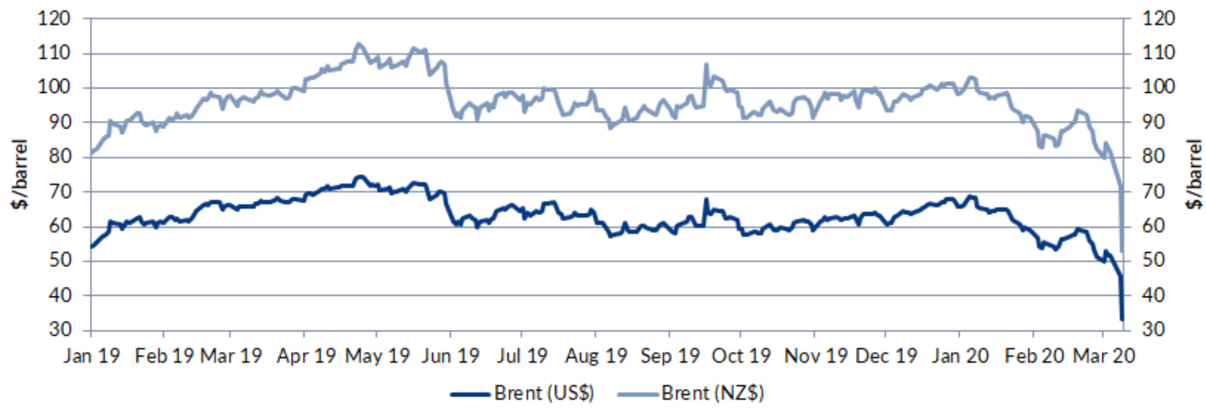
COVID-19, breakdown of OPEC+ and challenging refining conditions create a volatile operating environment

It's anything but dull for ZEL at present as it deals with a host of unexpected events — some positive, others negative.

Crude oil declines provide strong short-term earnings tailwind

During 4Q20, Brent crude oil prices steadily declined from ~US$66/barrel (~NZ$100/barrel) to ~US$50/barrel (~NZ$80/barrel), as COVID-19 related fears weighed on expected global oil demand. However, the COVID-19 challenges have been overshadowed by the breakdown in the OPEC/Russia production co-operation that has started a price war, with oil prices plunging sharply to US$33/barrel (NZ$53/barrel).

Figure 1. Brent oil prices

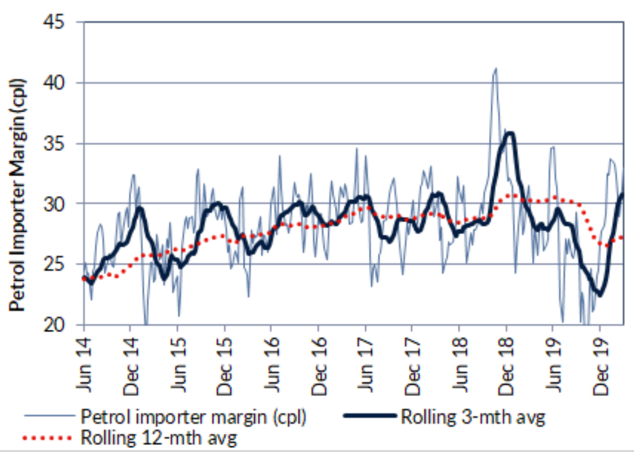


Source: IRESS, Forsyth Barr analysis

Oil prices in themselves do not impact on ZEL margins and profitability — it is a pass through cost. However, the rate of change does impact on short-term margins. Falling crude oil prices (in NZD terms) provide a tailwind for ZEL's replacement cost earnings. Sections of the fuel supply market are unable to easily respond quickly to falling prices due to the nature of their supply contracts, resulting in a temporary increase in margins for the likes of ZEL. In the past ZEL has indicated a +/-US$1/barrel price movement impacts EBITDAF +/-NZ$1m.

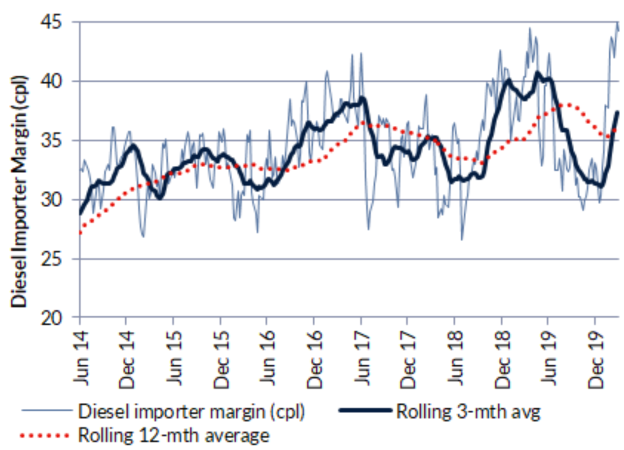
The MBIE importer margin clearly shows rising importer margins over the last quarter with the rolling 3-month margin tracking 31.3cpl for petrol and 38.2cpl for diesel. The spot importer margins are at 33.0cpl and 44.2cpl respectively and do not yet show the impact of the -US$17/barrel fall in the oil price over the past three days.

Figure 2. MBIE petrol importer margin



Source: MBIE, Forsyth Barr analysis

Figure 3. MBIE diesel importer margin



Source: MBIE, Forsyth Barr analysis

We have lifted our average 2H20 retail margin assumption +2.6cpl to 25.2cpl, which is still -0.4cpl lower than the 1H20. However, we do not expect the favourable tailwind to last, and assume oil prices will track towards US$50/barrel in FY21. Whilst we do not know how long the price war between OPEC and Russia will last, we do not believe it is reasonable to assume retail margins stay at current levels given the events of 2Q and 3Q20.

Figure 4. Quarterly MBIE margins

	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Diesel (cpl)	31.9	32.3	39.9	39.0	39.3	32.7	31.0	40.3
Petrol (cpl)	28.1	28.7	35.7	28.1	29.5	24.8	23.8	32.1
cpl change vs. prior quarter								
Diesel		0.4	7.7	-0.9	0.3	-6.6	-1.6	9.3
Petrol		0.6	7.1	-7.7	1.5	-4.7	-1.0	8.4
% change vs. prior quarter								
Diesel		1.3%	23.8%	-2.4%	0.7%	-16.8%	-4.9%	30.0%
Petrol		2.0%	24.6%	-21.5%	5.2%	-16.0%	-4.2%	35.2%

Source: MBIE, Forsyth Barr analysis

Jet fuel demand down, but minor earnings impact at this stage

The biggest volume impact from COVID-19 is expected to be on jet fuel demand. February and March demand is already down, with airlines cutting back on services and ordering less fuel as they work through inventory volumes that were based on higher flight numbers. Lower jet volumes will likely impact FY21, with risks to the downside in the short-term. However, jet fuel is the lowest margin product ZEL sells, so the impact on profitability will be relatively minor, particularly in FY20. We have trimmed our FY20 jet fuel sales -3%, increasing to -13% in FY21. The estimated EBITDAF impact is less than -$2m in FY20, but increases to -$8m in FY21 before reducing again in later years.

We expect petrol and diesel volumes to hold up well and there is an argument that low fuel prices should provide a small stimulus to retail volumes. Low fuel prices mean consumers focus less on price and historically ZEL has performed well in this environment. Commercial diesel volumes may be impacted negatively as the economic impact of COVID-19 affects businesses. At this stage we have not adjusted our non-jet fuel volume assumptions.

Refining NZ (NZR) long-term margin assumption a headwind to deal with

Following NZR's FY19 result, we pulled back our long-term gross refining margin (GRM) assumption and assume NZR will pay no dividend in the near-term. Our revised GRM assumption is US$6.25/barrel (down from US$7.00/barrel). Typically, with most of the fuel suppliers using NZR, any downside from using the refinery is recovered elsewhere in the market. That said, increased retail competition means getting full recovery is harder now than it used to be and so we assume a modest long-term negative impact to ZEL from our lower NZR assumption. Prima facie a -US$0.75/barrel has an ~-NZ$6m impact on EBITDAF. We assume ZEL can recover ~50% of that, hence, the long-term EBITDAF impact is ~-NZ$3m per annum. The short-term impact from lower NZR dividends is -$4m in FY21 and -$3m in FY22 (we had already assumed there would be no final NZR dividend in ZEL's FY20 result).

In addition to our long-term GRM assumption change, NZR has indicated that gross refining margins are currently below the ~US $3.1/barrel fee floor. That means the fuel companies are having to provide top up payments to NZR to the equivalent of US$3.1/ barrel. We understand that whilst this is a negative for ZEL, refining conditions are not materially worse than expected when ZEL downgraded FY20 EBITDAF guidance in December 2019. That said, FY21 starts in three weeks, hence, we are taking a more conservative approach to our FY21 refining contribution. In addition, FY22 will see a significant refinery outage impacting the refining margin again.

Forecast changes

There are several changes we have made to our forecasts, some positive, most negative. The net effect has seen our EBITDAF forecasts change +$18m/-$30m/-$13m in FY20/FY21/FY22 respectively to $376m/$350m/$362m. Our revised FY20 EBITDAF forecast is now above the midpoint of ZEL's FY20 EBITDAF $350m to $385m guidance range. Key changes are:

- Tailwind to FY20 EBITDAF from lower crude prices (+$20m)
- Headwind to FY21 EBITDAF from an assumed recovery in crude prices during the year (-$10m)
- Small headwind from lower jet volumes (-3%/-13%/-6% lower in FY20/FY21/FY22) (EBITDAF impact -$2m/-$8m/-$4m)
- Short-term headwinds from low refining margins (net of an offsetting increase in fuel gross margin) continuing into FY21, reducing in later years (-$8m/-$5m in FY21/FY22 respectively)
- Cutting the NZR dividend impacts FY21/FY22 EBITDAF -$4m/-$3m respectively.

We have not changed the FY20 dividend of 40cps, but have trimmed our FY21 and FY22 dividend -2cps to 38cps due to the lower earnings outlook and the need for ZEL to continue repaying debt.

Figure 5. Summary EBITDAF changes

$m	FY20	FY21	FY22	FY23	FY24	FY25
Old EBITDAF forecast	**358**	**380**	**375**	**371**	**370**	**366**
Change in retail margins	20	(10)	(1)	1	0	0
Lower jet fuel sales volumes	(2)	(8)	(4)	(1)	0	0
Change in refining margins	0	(8)	(5)	(3)	(3)	(3)
Lower NZR dividend	0	(4)	(3)	(2)	(1)	(1)
New EBITDAF forecast	**376**	**350**	**362**	**365**	**365**	**360**
Net change to EBITDAF	**18**	**(30)**	**(13)**	**(5)**	**(6)**	**(6)**

Source: Forsyth Barr analysis

Figure 6. Detailed forecast changes

	FY20 Old	FY20 New	% Chg	FY21 Old	FY21 New	% Chg	FY22 Old	FY22 New	% Chg
Revenue	5,114	4,978	-3%	5,059	3,915	-23%	4,954	4,500	-9%
Gross profit	768	785	2%	779	746	-4%	777	762	-2%
Gross Margin	15.0%	15.8%	5%	15.4%	19.1%	24%	15.7%	16.9%	8%
Operating costs	(410)	(409)	0%	(399)	(397)	-1%	(402)	(400)	0%
EBITDAF	**358**	**376**	**5%**	**380**	**350**	**-8%**	**375**	**362**	**-3%**
Depreciation & amortisation	(147)	(147)	0%	(141)	(141)	0%	(137)	(137)	0%
EBIT	**211**	**230**	**9%**	**238**	**208**	**-13%**	**238**	**225**	**-5%**
Net Interest	(64)	(64)	0%	(64)	(60)	-6%	(60)	(57)	-4%
Other	(38)	(38)	0%	-	-		-	-	
Pre-tax profit	**109**	**128**	**17%**	**174**	**148**	**-15%**	**179**	**168**	**-6%**
Tax expense	(39)	(44)	13%	(49)	(41)	-15%	(50)	(47)	-6%
NPAT	**71**	**84**	**19%**	**126**	**107**	**-15%**	**129**	**121**	**-6%**
Minority interest	19	19	0%	9	9	0%	8	8	0%
NPAT post-minorities	**89**	**103**	**15%**	**135**	**116**	**-14%**	**137**	**129**	**-5%**
Normalised Profit	**126**	**140**	**11%**	**135**	**116**	**-14%**	**137**	**129**	**-5%**
Earnings per share (eps)	31.6	34.9	11%	33.7	29.0	-14%	34.2	32.4	-5%
Dividend (cps)	40.0	40.0	0%	40.0	38.0	-5%	40.0	38.0	-5%
Key operating assumptions									
Petrol	1,119	1,119	0%	1,124	1,124	0%	1,097	1,097	0%
Diesel - Retail	446	446	0%	444	444	0%	428	428	0%
Diesel - Commercial	790	790	0%	816	816	0%	839	839	0%
Jet	866	842	-3%	887	768	-13%	901	845	-6%
Marine	154	154	0%	132	132	0%	133	133	0%
Bitumen & Other	139	139	0%	142	142	0%	143	143	0%
Domestic supply	545	545	0%	555	555	0%	563	563	0%
ZEL specific volumes (m litres)	**4,059**	**4,036**	**-1%**	**4,100**	**3,980**	**-3%**	**4,104**	**4,047**	**-1%**
Industry and export supply	84	84	0%	97	97	0%	96	96	0%
Total fuel volumes (m litres)	**4,144**	**4,120**	**-1%**	**4,197**	**4,077**	**-3%**	**4,199**	**4,143**	**-1%**
GM excl supply (cpl)	15.7	16.3	3%	15.1	15.2	1%	15.0	15.1	1%
GM incl refining (cpl)	16.9	17.5	3%	16.8	16.6	-1%	16.6	16.5	0%

Source: Forsyth Barr analysis

Investment Summary

Our rating is OUTPERFORM. Z Energy (ZEL) is offering investors good value, with the market pricing in additional downside that we do not believe is likely to eventuate. ZEL has yet to pull the cost lever and we expect it is looking attractive as a takeover target.

Business quality

- **Industry structure:** The industry is an oligopoly dominated by ZEL, BP, and Mobil (Exxon). ZELs NZ-centric business model provides it with a market leading position. ZEL sells ~45% of NZ fuel volumes.
- **Refining performance:** ZEL refines ~75% of its product at NZR. NZR is generally a positive and provides a competitive advantage over imported product when refining margins are high.

Earnings and cashflow outlook

- **Fuel margins:** Fuel margins are the key value driver and with retail competition intensifying, are becoming increasingly volatile. Commercial margins remain stable.
- **Sales volumes:** Fuel demand is generally inelastic, so whilst it is an important value driver its variability is less than margins. However, volumes are important for maintaining supply chain economics.
- **COVID-19 uncertainty:** The outbreak of COVID-19 is causing significant uncertainty. On the positive side, falling oil prices helps ZELs short-term margins. Whilst we do not expect petrol and diesel volumes to be greatly affected, jet fuel volumes will fall.

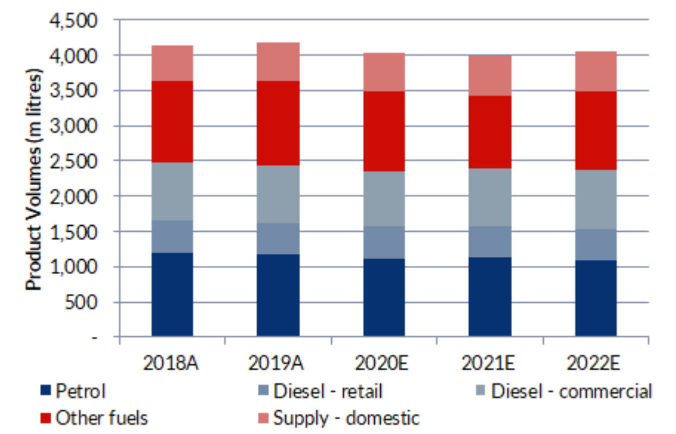
Financial structure

- **Dividend growth:** ZEL has significant free cash flow. We anticipate the FY20 dividend will be 40cps, which still allows for some debt repayment. ZEL is targeting annual debt repayment of ~-$40m.
- **Flick Electric:** ZEL has acquired a 70% stake in electricity retailer Flick Electric. We do not expect it to impact on earnings in the near-term.

Risk factors

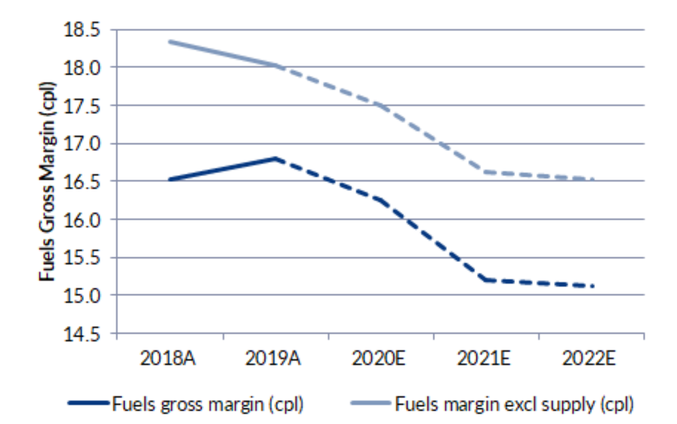
- **Long-term threat to industry volumes:** Increased vehicle efficiency and the threat from electric vehicles will pressure industry volumes. However, the near-term risks are low with industry volumes growing.
- **Retail Fuel Market Study (RFMS):** The RFMS has found that the retail fuel sector is over-earning and that the wholesale market needs opening up via terminal gate pricing. Whilst we do not believe this will have a material impact on sector earnings, it is a risk.

Figure 7. Fuel volumes



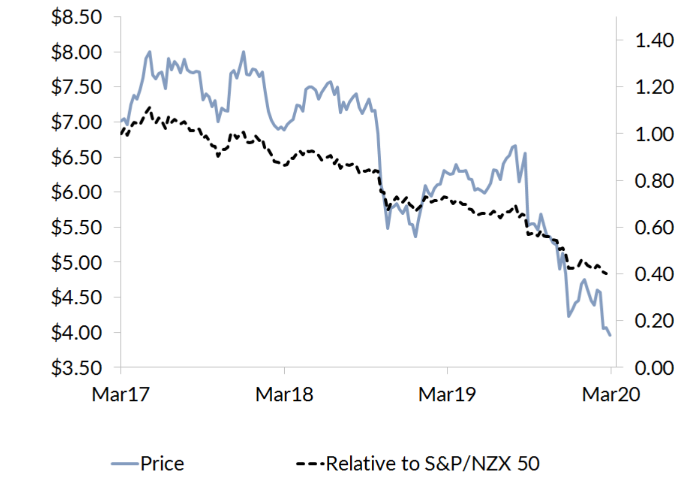
Source: ZEL, Forsyth Barr analysis

Figure 8. Fuel gross margins



Source: ZEL, Forsyth Barr analysis

Figure 9. Price performance



Source: Forsyth Barr analysis

Figure 10. Substantial shareholders

Shareholder	Latest Holding
Lazard	6.7%
ACC	6.1%
Commonwealth Bank of Australia	6.1%

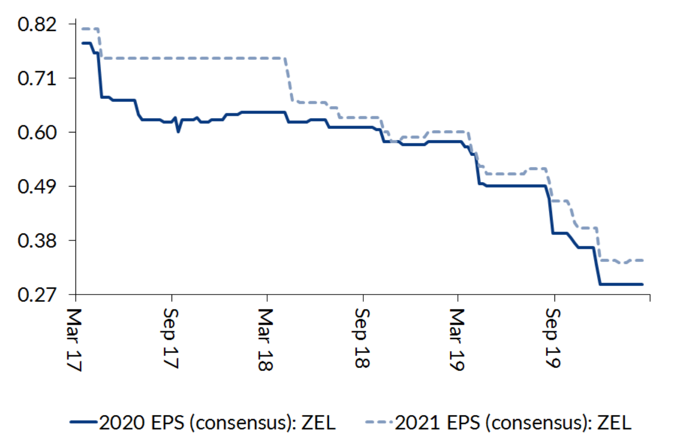
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 11. International valuation comparisons

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
(metrics re-weighted to reflect ZEL's balance date - March)			(m)	2020E	2021E	2020E	2021E	2020E	2021E	2021E
Z Energy	**ZEL NZ**	**NZ$3.96**	**NZ$1,584**	**11.3x**	**13.7x**	**6.4x**	**6.9x**	**10.5x**	**11.6x**	**9.6%**
SUBURBAN PROPANE PARTNERS LP	SPH US	US$16.83	US$1,045	14.4x	12.9x	9.0x	8.8x	15.7x	15.2x	14.3%
WORLD FUEL SERVICES CORP	INT US	US$21.35	US$1,396	7.8x	n/a	4.7x	n/a	6.6x	n/a	n/a
Contact Energy *	CEN NZ	NZ$6.22	NZ$4,466	18.4x	18.2x	11.7x	11.6x	22.2x	22.5x	6.3%
Mercury *	MCY NZ	NZ$4.62	NZ$6,294	26.6x	24.0x	14.7x	14.2x	24.8x	23.7x	3.5%
Trustpower *	TPW NZ	NZ$6.18	NZ$1,934	23.0x	19.2x	13.3x	12.0x	16.8x	14.9x	5.5%
Meridian Energy *	MEL NZ	NZ$4.31	NZ$11,047	22.3x	23.9x	14.5x	15.2x	22.6x	24.5x	5.0%
Genesis Energy *	GNE NZ	NZ$2.94	NZ$3,027	18.5x	16.3x	11.7x	10.8x	29.1x	26.5x	5.9%
CALTEX AUSTRALIA	CTX AT	A$27.50	A$6,867	17.2x	13.8x	8.1x	7.1x	12.9x	10.5x	4.3%
VIVA ENERGY GROUP	VEA AT	A$1.61	A$3,131	25.0x	15.5x	9.7x	7.9x	25.4x	16.2x	4.4%
			Compco Average:	**19.2x**	**18.0x**	**10.8x**	**11.0x**	**19.6x**	**19.2x**	**6.2%**
EV = Current Market Cap + Actual Net Debt			**ZEL Relative:**	**-41%**	**-24%**	**-41%**	**-37%**	**-46%**	**-40%**	**56%**

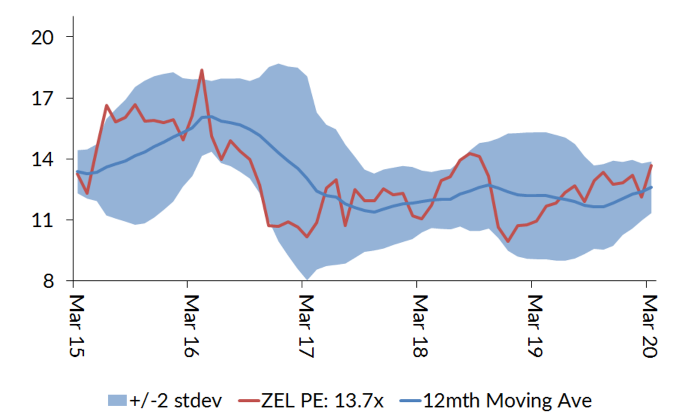
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (ZEL) companies fiscal year end

Figure 12. Consensus EPS momentum (NZ$)



Source: Forsyth Barr analysis

Figure 13. One year forward PE (x)



Source: Forsyth Barr analysis

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