FORSYTH BARR

NEW ZEALAND EQUITY RESEARCH | OIL & GAS | OIL REFINERY
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Refining NZ
Jettisoned into the Unknown

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UNDERPERFORM

Refining NZ (NZR) has announced it is undertaking a wide-ranging Strategic Review and is not ruling out any options. The material drop in fuel volumes and in particular jet fuel is causing operational and financial headaches for NZR's customers. Whilst NZR will consider all options, the backstop option is converting into an import terminal. We believe there is good value in NZR's infrastructure, but closing the refinery will not be cheap. Given NZR's highly uncertain outlook, and the risk of a negative value outcome for shareholders, our rating is lowered to UNDERPERFORM and our target price cut -45cps to $0.95.

NZX Code	NZR
Share price	NZ$0.99
Target price	NZ$0.95
Risk rating	High
Issued shares	312.6m
Market cap	NZ$309m
Avg daily turnover	205.7k (NZ$362k)

Financials: Dec/	19A	20E	21E	22E
NPAT* (NZ$m)	4.2	-42.3	-37.9	1.6
EPS* (NZc)	1.3	-13.5	-12.1	0.5
EPS growth* (%)	-85.9	n/a	10.5	n/a
DPS (NZc)	2.0	0.0	0.0	0.0
Imputation (%)	100	100	100	100

*Based on normalised profits

Valuation (x)	19A	20E	21E	22E
EV/EBITDA	4.8	9.0	8.5	4.5
EV/EBIT	30.7	n/a	n/a	35.3
PE	n/a	n/a	n/a	n/a
Price / NTA	0.4	0.4	0.5	0.5
Cash div yld (%)	2.0	0.0	0.0	0.0
Gross div yld (%)	2.8	0.0	0.0	0.0

Strategic Review highlights NZR faces some huge challenges

COVID-19 has brought to a head some of the strategic issues facing NZR. The refining portion of the business has struggled in recent times, with the collapse in jet fuel demand the latest challenge. The short time frame (~two months) to arrive at initial findings is very quick given NZR's complex customer relationships, position in fuel supply chain and general uncertainty in the fuel market. The short timetable points to a strong sense of urgency, which we expect is coming from NZR's customers given they are currently financing through the fee floor an operation that would otherwise be losing significant cashflows.

All options open, but the backstop is converting to an import terminal

NZR is open to all options, including the status quo (with significant operational improvements, over and above the material capex reductions identified in its 2018/19 capex review). Other options to be canvassed include structural separation of the refining and infrastructure assets, and relooking at the processing fee arrangements (or all of the above). The backstop option for NZR is converting to an import terminal serving the Auckland market. Closing the Marsden operations completely is not feasible.

Government and customer stakeholders will be critical to the outcome

The current processing fee arrangements are not working for NZR's customers. They are currently at a significant competitive disadvantage to Gull and we suspect are pushing for change. We estimate the fee floor is effectively US$5.8/barrel, vs. the US$1.0/barrel GRM reported for the January/February 2020 period. The Government will also be a critical player given NZR's role in New Zealand's fuel supply chain and it will be wanting to ensure any final option ensures a secure fuel supply.

Value unknown, but it could be low and we prefer more certain investments — downgrading to UNDERPERFORM

At worst, we believe there is significant value in NZR's infrastructure assets. However, the question is how much will it cost to unlock that value? The backstop option of converting to an import terminal will be costly. NZR's future and therefore its future value is very uncertain at this stage. We prefer investments with greater certainty in the current environment.

Refining NZ (NZR)

Priced as at 15 Apr 2020 (NZ$)	0.99

12-month target price (NZ$)*	**0.95**
Expected share price return	-4.0%
Net dividend yield	0.0%
Estimated 12-month return	-4.0%

Spot valuations (NZ$)	
1. DCF	0.92
2. n/a	n/a
3. n/a	n/a

Key WACC assumptions	
Risk free rate	2.00%
Equity beta	1.00
WACC	8.5%
Terminal growth	0.0%

DCF valuation summary (NZ$m)	
Total firm value	538
(Net debt)/cash	(262)
Less: Capitalised operating leases	
Value of equity	277

Profit and Loss Account (NZ$m)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Sales revenue	362	348	218	227	348
Normalised EBITDA	**153**	**118**	**62**	**67**	**127**
Depreciation and amortisation	(97)	(100)	(108)	(106)	(110)
Normalised EBIT	**56**	**18**	**(46)**	**(39)**	**16**
Net interest	(14)	(13)	(13)	(14)	(14)
Associate income	0	0	0	0	0
Tax	(12)	(1)	16	15	(1)
Minority interests	0	0	0	0	0
Normalised NPAT	**30**	**4**	**(42)**	**(38)**	**2**
Abnormals/other	0	0	0	0	0
Reported NPAT	**30**	**4**	**(42)**	**(38)**	**2**
Normalised EPS (cps)	9.5	1.3	(13.5)	(12.1)	0.5
DPS (cps)	7.5	2.0	0	0	0

Valuation Ratios	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
EV/EBITDA (x)	3.4	4.8	9.0	8.5	4.5
EV/EBIT (x)	9.3	30.7	n/a	n/a	35.3
PE (x)	10.4	74.3	n/a	n/a	>100x
Price/NTA (x)	0.4	0.4	0.4	0.5	0.5
Free cash flow yield (%)	-18.6	12.7	-4.7	-15.3	9.9
Net dividend yield (%)	7.6	2.0	0.0	0.0	0.0
Gross dividend yield (%)	10.5	2.8	0.0	0.0	0.0

Capital Structure	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Interest cover EBIT (x)	4.0	1.4	n/a	n/a	1.2
Interest cover EBITDA (x)	11.1	8.8	4.8	4.8	9.1
Net debt/ND+E (%)	25.3	24.5	26.7	31.2	29.0
Net debt/EBITDA (x)	1.7	2.1	4.2	4.6	2.2

Growth Rates	**2018A**	**2019A**	**2020A**	**2021A**	**2022A**
Revenue (%)	-12.6	-3.9	-37.3	4.0	53.4
EBITDA (%)	-30.7	-22.5	-47.3	7.1	89.5
EBIT (%)	-55.3	-67.1	n/a	n/a	n/a
Normalised NPAT (%)	-62.3	-85.9	n/a	n/a	n/a
Normalised EPS (%)	-62.3	-85.9	n/a	n/a	n/a
Ordinary DPS (%)	-58.3	-73.3	-100.0	n/a	n/a

Key Ratios	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Return on assets (%)	4.0	1.3	-3.4	-2.9	1.2
Return on equity (%)	3.9	0.6	-5.9	-5.6	0.2
Return on funds employed (%)	4.6	2.1	-2.7	-2.0	2.0
EBITDA margin (%)	42.1	33.9	28.5	29.4	36.3
EBIT margin (%)	15.3	5.3	-21.0	-17.1	4.6
Capex to sales (%)	44.8	22.3	26.7	53.7	21.6
Capex to depreciation (%)	167	78	54	115	68
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	79	150	0	0	0

Cash Flow (NZ$m)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
EBITDA	**153**	**118**	**62**	**67**	**127**
Working capital change	(39)	23	(22)	7	(6)
Interest & tax paid	(25)	(19)	4	1	(15)
Other	16	(6)	0	0	0
Operating cash flow	**105**	**117**	**44**	**74**	**106**
Capital expenditure	(162)	(78)	(58)	(122)	(75)
(Acquisitions)/divestments	0	0	0	0	0
Other	0	0	0	0	0
Funding available/(required)	**(58)**	**39**	**(15)**	**(47)**	**31**
Dividends paid	(47)	(20)	0	0	0
Equity raised/(returned)	(0)	(0)	0	0	0
(Increase)/decrease in net debt	**(105)**	**19**	**(15)**	**(47)**	**31**

Operating Performance	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Revenue Breakdown (NZ$m)					
Processing fee revenue	259	242	140	145	241
Natural gas recovery	32	40	21	22	37
Other refining revenue	14	16	17	17	17
Pipeline revenue	44	36	27	30	40
Other revenue	14	14	13	13	14
Total revenue	**362**	**348**	**218**	**227**	**348**
Processing fee drivers					
Refining margin (USD/barrel)	6.2	5.3	3.0	3.8	5.8
NZDUSD	0.69	0.66	0.34	0.44	0.68
Throughput (mbls)	40.4	42.7	23.0	24.0	40.0
Refining margin (NZD/barrel)	6.2	5.7	3.3	3.8	6.0
Fee floor (estimated) (USD/barrel)	3.3	3.0	3.0	3.7	3.5
Operating cost breakdown (NZ$m)					
Process materials and utilities	49	59	34	35	53
Natural gas costs	32	40	21	22	37
Materials & contractor payments	29	31	17	18	29
Wages & salaries	61	61	62	64	65
Admin & other expenses	38	39	22	22	37
Total expenses	**210**	**230**	**156**	**160**	**222**

Balance Sheet (NZ$m)	**2018A**	**2019A**	**2020E**	**2021E**	**2022E**
Working capital	19	(5)	18	11	17
Fixed assets	1,192	1,171	1,121	1,138	1,102
Intangibles	14	22	22	22	22
Right of use asset	0	0	0	0	0
Other assets	0	4	4	4	4
Total funds employed	**1,226**	**1,193**	**1,165**	**1,175**	**1,146**
Net debt/(cash)	260	245	259	307	276
Lease liability	0	0	0	0	0
Other liabilities	196	191	191	191	191
Shareholder's funds	769	756	714	675	677
Minority interests	0	0	0	1	1
Total funding sources	**1,226**	**1,193**	**1,165**	**1,175**	**1,146**

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

The problem(s) facing NZR

NZR faces several challenges in the current environment. One of its strengths was the tolling arrangement that effectively ensured NZR was operating at full capacity all of the time. Refineries need to operate at or close to full capacity to be economic given the high operating leverage inherent in the business. NZR's tolling arrangement is now a weakness, with fuel demand having fallen to a point where operating the refinery at full capacity is impractical. The contractual arrangements between NZR and its customers, that have generally worked well to date, lack flexibility and are poorly suited to the current predicament.

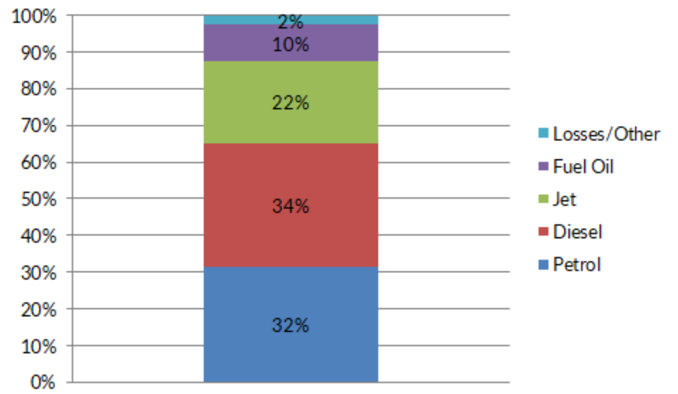
1. NZR makes too much jet for the current environment

The lack of jet fuel demand is NZR's main problem. Prior to the COVID-19 demand collapse, NZR made ~85% of New Zealand's jet fuel requirements. With jet fuel demand currently down between -80% and -90% it now makes too much jet. Its customers cannot sell the surplus jet fuel as there is a worldwide surplus of jet and New Zealand is not well located to sell surplus fuel. Adding to the jet fuel problem, ~80% of jet fuel is used for international travel, meaning jet fuel demand is unlikely to return anytime soon.

Approximately 22% of a barrel of crude goes into making jet fuel. NZR can reduce jet production a small amount by changing its configuration to make more diesel (and to a small extent petrol) and by importing different crude oils. However, the ability to change its product mix is limited. If jet demand stays down -80%, we estimate NZR would have to drop production -70% to avoid making too much jet. Put another way, we estimate that NZR could withstand a ~-30% fall in jet demand and still operate at full capacity and avoid customers exporting jet.

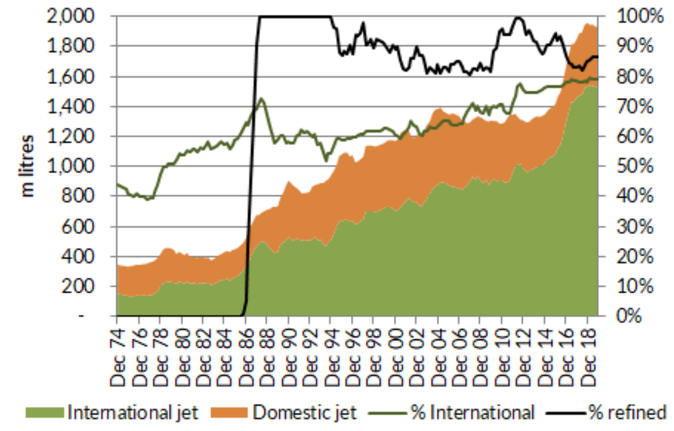
Unfortunately, with international travel driving most of the jet fuel demand, it is unlikely to rebound to commercial volumes any time soon.

Figure 1. NZR standard product mix



Source: NZR,Forsyth Barr analysis

Figure 2. Historic jet fuel demand and % made at NZR



Source: Forsyth Barr analysis

2. The fee floor is causing customers significant pain — now at a competitive disadvantage vs. Gull

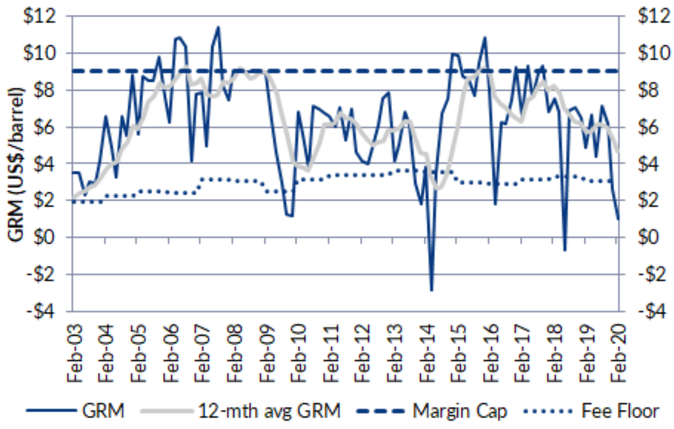
The fee floor is causing NZR's customers significant pain at present. The fee floor was originally designed to cover NZR's cash costs. It is a fixed amount in NZD terms (currently NZ$140m per annum), escalated at PPI. However, a combination of configuration changes at the refinery and an increase in operating costs means the fee floor no longer covers NZR's cash costs. Converted to a US$/barrel figure, the fee floor has historically been ~US$3.0/barrel.

With refinery volumes down ~-50%, the fee floor has doubled to ~US$5.7/barrel (at a NZDUSD fx rate of 0.60) and if the refinery were to produce at ~30% capacity (the level we estimate avoids the need to export jet), that increases to ~US$9.5/barrel — above the processing fee cap of US$9.0/barrel. Historically, using the refinery has been an advantage, but currently is a significant competitive disadvantage for the big retailers (Z, BP, Mobil) vs. Gull which imports all of its fuel directly.

The fee floor arrangement is not really working for either party particularly well (albeit it is better for NZR than its customers). The fee floor is too low to cover NZR's cash costs and is too high for its customers to take the downside refining margin risk.

The only thing that is stopping NZR's customers from not using the refinery is the refinery to Auckland pipeline (RAP). It is impractical to transport fuel to the Auckland region (and the airport in particular) any other way. The use of the RAP is tied to the use of the refinery.

Figure 3. Historic gross refining margin (incl fee floor)



Source: NZR, Forsyth Barr analysis

Figure 4. Fee floor in US$/barrel

	Capacity								
NZDUSD	100%	90%	80%	70%	60%	50%	40%	30%	20%
0.50	$2.4	$2.6	$3.0	$3.4	$4.0	$4.8	$6.0	$7.9	$11.9
0.55	$2.6	$2.9	$3.3	$3.7	$4.4	$5.2	$6.5	$8.7	$13.1
0.60	$2.9	$3.2	$3.6	$4.1	$4.8	$5.7	$7.1	$9.5	$14.3
0.65	$3.1	$3.4	$3.9	$4.4	$5.2	$6.2	$7.7	$10.3	$15.5
0.70	$3.3	$3.7	$4.2	$4.8	$5.6	$6.7	$8.3	$11.1	$16.7
0.75	$3.6	$4.0	$4.5	$5.1	$6.0	$7.1	$8.9	$11.9	$17.9

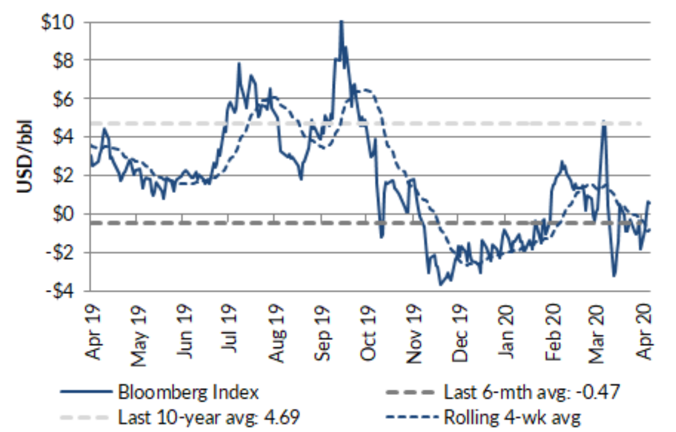
Source: Forsyth Barr analysis

The fee floor has historically been ~US$3/barrel. The cap is US$9.0/barrel.

3. Refining margins are likely to be low for the foreseeable future as jet fuel demand collapses globally

NZR reported a January/February 2020 gross refining margin of US$1.04/barrel (before the fee floor adjustment), which, excluding outage periods, is the lowest on record. The NZR reported Singapore benchmark margin was -US$1.6/barrel for the same period. Since the end of February, refining margins have not really improved, with the Bloomberg Singapore benchmark margin again falling negative in recent weeks. It is hard to see a material improvement in the near future with jet fuel crack spreads in particular likely to be under pressure for some time.

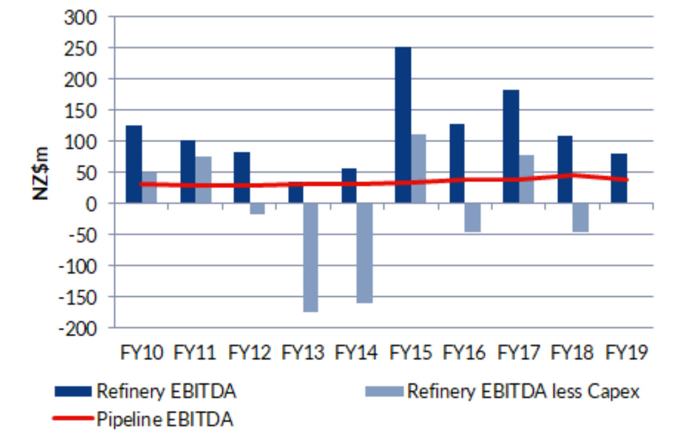
Figure 5. Bloomberg Singapore benchmark complex margin



Source: Bloomberg, Forsyth Barr analysis

Note: This is not the same as the NZR reported benchmark margin

Figure 6. Historic segmental EBITDA



Source: Forsyth Barr analysis

4. The refinery operation has been borderline economic for sometime (from a shareholder perspective)

We have reported for some time that the refinery operation is under pressure. Whilst 2015 was a strong year, 2016 & 2017 were only average and 2018 & 2019 were weak. The 2018/19 Capex Review led to a significant fall in planned capex. Nevertheless, NZR has indicated that this is not enough and more operational improvements are required (which would facilitate a lower fee floor).

Whilst the segmental analysis presented in Figure 6 is simplistic, it provides an indication that earnings for the refinery are volatile and that the capex is lumpy. In contrast, Pipeline earnings are consistent. However, we note that NZR's reported Refinery segment includes assets that would be used in any separated infrastructure business, in particular tank storage and the jetty.

5. NZR has elevated debt levels

Making NZR's position that little more challenging is its elevated debt position. At 31 December 2019, debt was $245m, almost $50m above the top of the target gearing range. High debt means it has less balance sheet capacity to handle volatile operating conditions.

Value as a distribution business is likely to be the counterfactual

NZR has noted four possible outcomes from the Strategic Review — that said, all possible options are being considered:

1. Continuing under the status quo, with additional operational improvements lifting financial performance
2. Alter the processing fee and distribution agreements
3. Structurally separate the refinery (volatile earnings) from the infrastructure (steady earnings) business
4. Convert to an import terminal

It is important to note that exiting the site completely is not a viable option. The pipeline is vitally important for supply into Auckland (as the country discovered during the pipeline outage). Trucking Auckland's (and more importantly the airport's) fuel requirements from Tauranga or Whangarei is not a feasible option and neither is building a new import terminal close to Auckland.

The backstop option is, therefore, conversion of the refinery to an import terminal to supply Auckland (and north). NZR noted that this is the counterfactual all other options will be tested against. Earnings from a terminal and pipeline facility should be steady. Without the earnings volatility of a refinery we expect the market would value an infrastructure business quite differently to NZR, as it currently operates.

We believe it is possible to get a value above $2/share for an infrastructure only business. (However, there is a huge amount of uncertainty around how such a business would operate e.g. would it be regulated? if so, how? if not, how will revenue be calculated?). The big question from our perspective is, how much will it cost to convert NZR to an infrastructure only business? The Australian Kurnell refinery converted to an import terminal at a cost of ~A$700m in 2015. However, we understand the site clean-up costs were extensive and that NZR should not face a similar bill. We expect answering these questions will be part of the Strategic Review.

Forecast changes reflect near-term reality, after that, who knows

We have adjusted our forecasts to reflect the current reality of low refining margins and NZR operating below capacity. We assume that NZR continues to operate as a refinery and that its customers are prepared to drop capacity to ~30% for a period of time. NZR is currently operating at ~50% capacity. We also assume no dividends for the foreseeable future. Key changes are:

- NZR operates at the fee floor for the whole of 2020 and 1H21
- Volumes fall to ~30% of normal for a period, with "normal throughput" not resuming until FY22
- Some FY20 capex ($15m) is moved into FY21 and the solar project has been removed from our forecasts

Whilst we are now forecasting an NPAT loss, the high depreciation charge vs. capex (and deferred capex) means the cash flow impact is only slightly negative in FY20, although FY21 has a deterioration due to the significant planned outage.

NZR value more uncertain than normal

NZR is hard to value at the best of times and it is very difficult to place a value on NZR at present. We have, therefore, relied on our DCF valuation. Whilst our long-term forecast assumptions have not changed (the key ones being US$6.25/barrel GRM and NZDUSD fx rate of 0.675), the reduction in EBITDA for FY20, FY21 and FY22 is a cumulative -$176m (~-40cps after-tax). Our revised DCF value is $0.88, down -$0.43 with the removal of the solar project also having an impact.

We are cutting our rating to UNDERPERFORM from NEUTRAL. Whilst it is too early to have any certainty over the likely Strategic Review outcome, conversion to a terminal is a distinct possibility and the costs of doing so will be significant. We prefer more certain investment options at this point in time and expect those investments to do better than NZR.

Figure 7. Forecast changes

	FY20 Old $m	FY20 New $m	% Chg	FY21 Old $m	FY21 New $m	% Chg	FY22 Old $m	FY22 New $m	% Chg
Processing fees	251	140	-44%	243	145	-40%	279	241	-14%
Natural gas recovery	44	21	-51%	44	22	-50%	45	37	-18%
Other income	68	57	-16%	69	60	-14%	71	71	0%
Total Revenue	**362**	**218**	**-40%**	**357**	**227**	**-36%**	**395**	**348**	**-12%**
Natural gas pass through costs	(44)	(21)	-51%	(44)	(22)	-50%	(45)	(37)	-18%
Operating costs	(183)	(135)	-26%	(183)	(138)	-24%	(183)	(185)	1%
EBITDA	**136**	**62**	**-54%**	**130**	**67**	**-49%**	**166**	**127**	**-24%**
Depreciation / amortisation	(107)	(108)	1%	(107)	(106)	-2%	(112)	(110)	-1%
EBIT	**28**	**(46)**	**n/m**	**23**	**(39)**	**n/m**	**54**	**16**	**-70%**
Net interest	(12)	(13)	8%	(12)	(14)	16%	(10)	(14)	36%
Pre-tax profit	**16**	**(59)**	**n/m**	**11**	**(53)**	**n/m**	**44**	**2**	**-95%**
Tax expense	(5)	16	n/m	(3)	15	n/m	(12)	(1)	-95%
Profit after tax	**12**	**(42)**	**n/m**	**8**	**(38)**	**n/m**	**32**	**2**	**-95%**
Earnings per share	3.8	(13.5)	n/m	2.5	(12.1)	n/m	10.1	0.4	-96%
Dividend per share	0.0	0.0		4.0	0.0	-100%	6.0	0.0	-100%
Barrels Processed (000)	41,500	23,000	-45%	41,500	24,000	-42%	43,000	40,000	-7%
Gross Refining Margin (US$/barrel)	$5.65	$2.95	-48%	$5.65	$3.80	-33%	$6.25	$5.80	-7%
NZDUSD	0.653	0.613	-6%	0.675	0.650	-4%	0.675	0.675	0%
Capital expenditure ($m)	(98)	(58)	-25%	(119)	(122	-10%	(75)	(75)	0%

Source: Forsyth Barr analysis

Investment Summary

Our rating is UNDERPERFORM. NZR's near-term outlook is challenging, with shipping fuel specification changes being compounded by a collapse in fuel volumes. This is having a negative effect on the GRM. NZR is undertaking a Strategic Review that could lead to NZR becoming an import terminal and hence NZR's value outcomes are more uncertain than normal.

Business quality

- **Important NZ infrastructure:** NZR produces ~70% of New Zealand's refined fuel requirements and is a core part of the fuel supply infrastructure. In addition, the refinery to Auckland pipeline is a key strategic asset. Auckland is serviced solely from the refinery, which means NZR will always have a future supplying Auckland.
- **NZR margin uplift:** NZR typically receives +US$3 to US$4/barrel more than the Singapore complex margin with freight differentials (it is cheaper to import bulk crude than refined product) and product differentials being the primary drivers.

Earnings and cashflow outlook

- **Significant operating leverage:** NZR is a high fixed cost business meaning changes in the gross refining margin (GRM) and NZDUSD have a significant impact on processing fee revenue and therefore earnings. These two factors are NZR's main value drivers and both are notoriously volatile.
- **COVID-19:** Fuel demand and in particular jet fuel volumes have collapsed. NZR's processing fee arrangements have placed significant financial stress on its customers which has led to a Strategic Review, with initial findings expected to be reported in June 2020.
- **Shipping fuel oil changes:** Ships need to switch to low sulphur products from 2020 which could be either positive or negative for NZR, but to date have been negative.

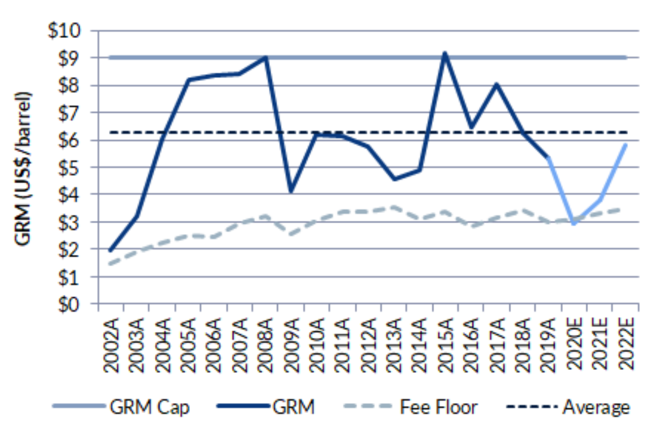
Financial structure

- **Moderate financial leverage:** NZR targets debt levels below $200m, however, periods of low earnings and/or high capex can result in higher debt levels. Whilst NZR has some downside protection from a processing fee floor, it limits losses, as opposed to preventing them.

Risk factors

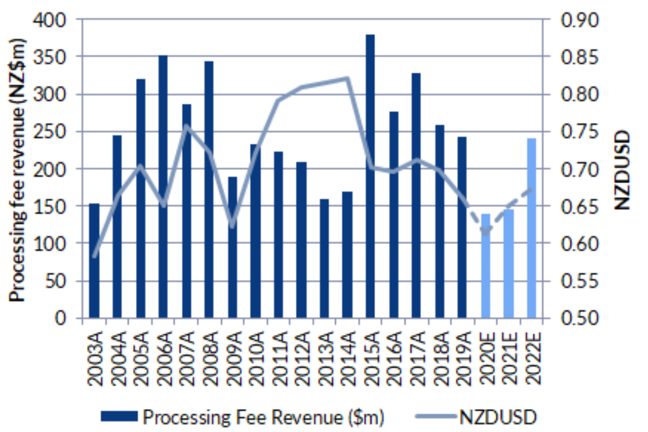
- **Capex outlook:** High operating leverage within NZR mean controlling opex and capex is very important. NZR's guided long-term capex of ~$70m is lower than historic capex levels and if underlying opex/capex were to increase, that would have a material impact on NZR's value.
- **Falling fuel volumes:** A long-term threat to NZR is a fall in fuel demand. However, in our view the material impacts of lower volumes is beyond 2040.

Figure 8. Annual gross refining margin



Source: NZR, Forsyth Barr analysis

Figure 9. Processing fee revenue and NZDUSD



Source: NZR, Forsyth Barr analysis

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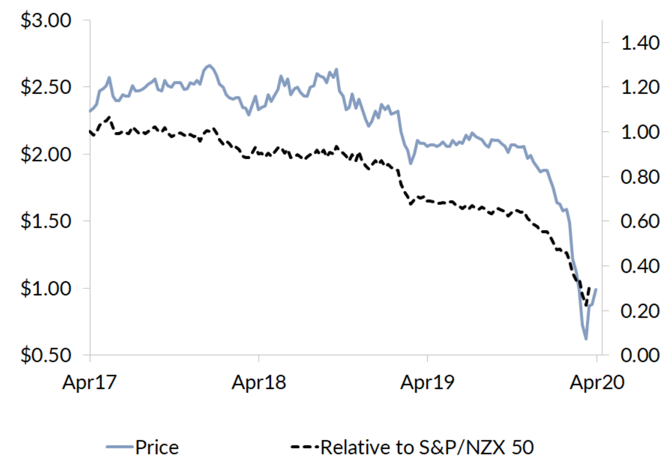
Figure 10. Price performance



Source: Eikon, Forsyth Barr analysis

Figure 11. Substantial shareholders

Shareholder	Latest Holding
Mobil Oil NZ Limited	17.2%
Z Energy Holdings Limited	15.4%
BP	10.1%
Wellington Management Company	9.3%
ACC	5.0%

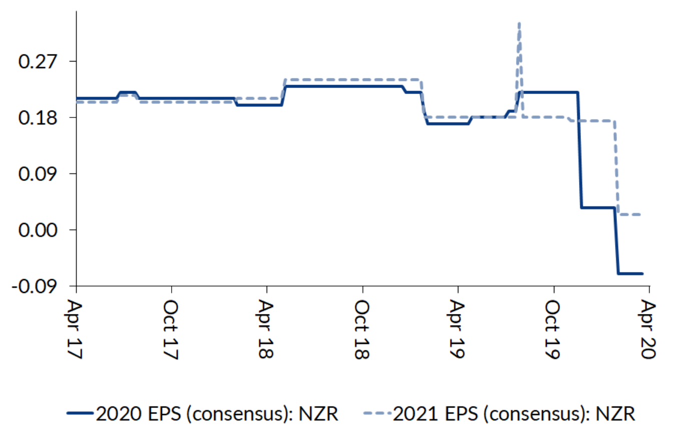
Source: NZX, Forsyth Barr analysis, NOTE: based on SSH notices only

Figure 12. International valuation comparisons

Company	Code	Price	Mkt Cap	PE		EV/EBITDA		EV/EBIT		Cash Yld
(metrics re-weighted to reflect NZR's balance date - December)			(m)	2020E	2021E	2020E	2021E	2020E	2021E	2021E
Refining NZ	**NZR NZ**	**NZ$0.99**	**NZ$309**	**<0x**	**<0x**	**8.9x**	**8.3x**	**<0x**	**<0x**	**0.0%**
FORMOSA PETROCHEMICAL CORP	6505 TT	TWD77.40	TWD737,309	19.2x	18.0x	11.8x	10.8x	16.8x	n/a	3.9%
IDEMITSU KOSAN CO	5019 JP	¥2535.00	¥765,381	6.9x	5.7x	6.4x	5.9x	11.8x	n/a	6.6%
SHOWA SHELL SEKIYU KK	5002 JP	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SK INNOVATION CO	096770 KS	KRW72000.00	KRW6,657,521	11.2x	6.3x	6.6x	4.7x	13.2x	8.0x	6.5%
S-OIL CORP	010950 KS	KRW51400.00	KRW5,786,756	14.2x	7.8x	9.2x	6.8x	14.8x	9.9x	5.5%
			Compco Average:	**12.9x**	**9.5x**	**8.5x**	**7.1x**	**14.2x**	**9.0x**	**5.6%**
EV = Current Market Cap + Actual Net Debt			**NZR Relative:**	**n/a**	**n/a**	**5%**	**17%**	**n/a**	**n/a**	**-100%**

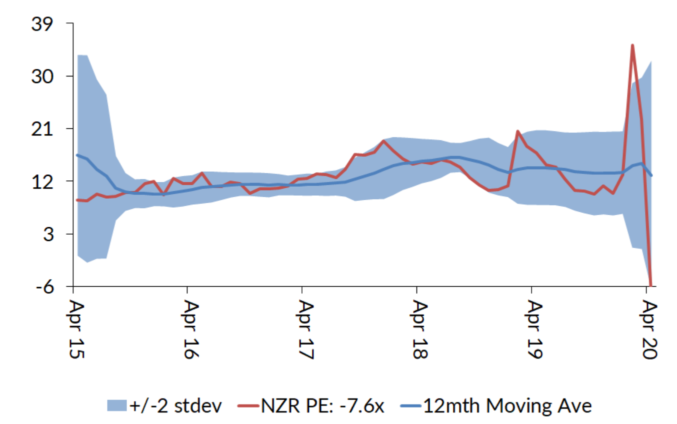
Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (NZR) companies fiscal year end

Figure 13. Consensus EPS momentum (NZ$)



Source: Eikon, Forsyth Barr analysis

Figure 14. One year forward PE (x)



Source: Eikon, Forsyth Barr analysis

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