

Marc England, Chief Executive address to the Genesis 2017 ASM

Slide 12: Marc England - Portrait of Marc

Thank you, Dame Jenny.

Ladies and gentlemen, kia ora tatou.

Indeed, as Dame Jenny has just made clear, it's been a busy, important and successful year in the life of Genesis Energy.

Genesis Energy Directors have worked hard. While transactions, like the ones we've done over the last 12 months, absorb management time at the expense of other activities, the many due diligence committees required to ensure decisions are taken with the best information are incremental to directors' business-as-usual time commitment. Their challenges, probing, guidance and support has been a critical element to this year's success in setting us up for the next few years. For that, I would like to thank the Genesis Energy Board.

We have a clear purpose at Genesis Energy; reimagine energy to put control in customers' hands. And what you have seen reflected over the last year is a company redefining and creating action around that purpose.

We've heard from Dame Jenny about the financial highlights and other vital information about what makes Genesis tick, and what really matters to us.

Many of you will also have read our detailed Financial Year 17 results presentation released last month. The year just gone was a transition year and in many ways a tough year operationally.

For ten months' rainfall was well above seasonal averages and wholesale prices were well below average. Between August and May, we hardly ran our Rankine units at Huntly as market prices didn't justify their marginal cost. Then, as the South Island dried out, they were run 24:7 in order to keep the lights on across New Zealand as Contact and Meridian Energy called their swaption contracts with us. The Genesis team stepped up to play their role well as the rest of the market were reminded why we need thermal back-up in New Zealand.

In our Customer segment, we lost some of our customers, something we will and must correct going forward. However, the losses were in the context of some price rises that were overdue in some segments of the customer base.

While price rises are considered very carefully before being put through, it is important that we focus on customer value in Genesis Energy, not just growth in Installation Control Points or ICPs, the industry acronym for meter points.

Financial Year 17 is also the last year where we should see a significant variance in the impact of the 2014 oil price drop. The hedged position Genesis held has somewhat protected the returns in the years since, but has now flown through.

Returning a collective \$333m EBITDAF in a year when we started with a forecast in the low 300s is something everyone at Genesis is proud of.

So this morning, I want to focus on why Genesis Energy is an exciting investment prospect by laying out four competitive advantages we believe we have.

In my comments, I want to answer a question.

Slide 13: Marc England - Why Genesis?

Why Genesis?

It's a short question, and its answer tells a compelling story about why you should support us, invest in us, be a customer of ours - and hopefully recommend us to others too.

It's a question that's always uppermost in the mind of the institutional investors and analysts we talk to regularly.

In a relatively small market with five listed energy retailers differentiating our investment proposition is as important as differentiating our customer proposition.

The answer to Why Genesis? for investors centres around the following four competitive advantages.

Slide 14: Marc England - Why Genesis? Three Products

The first of which, is Genesis is the only company offering New Zealand energy customers three fuels on one billing and technology platform.

Electricity, natural gas and LPG or bottled gas.

If Genesis were a movie with a New Zealand setting, then the tagline might well be: One platform to rule them all...

It all adds up to a cohesive, integrated customer experience that we are confident will increasingly enable us to stand out in a busy marketplace. We are only just beginning to leverage it.

It's a platform that we know is easy for our customers to use and understand, modular in nature, cloud-based where it can be and flexible and relatively low cost to evolve as the pace of innovation in the industry accelerates.

The strategic advantages of a single, two brand, multi-fuel platform are clear:

Firstly, a superior and simplified customer experience. We are working hard to improve the experience and you will see some of this in the next few months.

Secondly, the ability to scale innovations to a wider number of customers at lower cost.

Innovations so far in 2017 have included adding Fly Buys, giving our customers the ability to earn and choose rewards that matter to them. 130 thousand have already signed up.

Our My Account app has also been updated to show not just energy usage, but other features too - including your Fly Buys balance, and will soon include natural gas to complement the bottled gas ordering functionality.

We have done all this with an eye to ensure it's simple, intuitive and wrapped up in a compelling brand proposition.

Our work to refine this single, two-brand, multi-fuel platform is ongoing and we are just starting to leverage it now. You will see more from Genesis as we differentiate our products and services considerably.

Slide 15: Marc England - Why Genesis? Ensuring security of supply

The second competitive advantage is security of energy supply.

Genesis maintains a mix of generation assets.

They include renewable hydro generation at Waikaremoana and Tokaanu in the North Island and Tekapo in the South Island.

We are the only major energy business to have hydro schemes in both Islands, meaning we are protected from droughts in one Island over the other.

As we know, rain doesn't always fall reliably in the places where it is most needed, which is where Genesis' ability to efficiently operate the country's largest and most flexible thermal power station, at Huntly, comes into its own.

As already touched on, Huntly played an indispensable role through the relatively dry winter we've just come through. This mattered not just to our customers, but to our competitors too – and their own domestic and business customers.

The bilateral arrangements we had with the other energy companies ensured they could go on offering energy to their own customers.

Meanwhile Genesis shareholders benefit from increased generation volumes and the New Zealand economy benefits from consistent, reliable and relatively low cost electricity all year round.

This mix of high levels of renewable generation backed up by reliable and dispatchable thermal generation is an envious position for New Zealand to be in when compared to other markets around the world.

At Genesis we do remain conscious of our carbon footprint and keen where possible to offset it and minimise it.

By running more gas and less coal over the last year in Huntly and by contracting for renewable generation from competitors when viable, our carbon emissions have fallen by 33% in the last year and by 75% over the last 11 years.

The role played by Huntly is likely to stay important for many years to come and we have 20-year resource consents in place to replace the power station's coal-fired units with gas peakers should it make economic sense to do so.

In a country as reliant as New Zealand is on the vagaries of rainfall and wind, we have to be responsible about maintaining the back-up options that the big thermal plant at Huntly give us. This matters to New Zealand.

Slide 16: Marc England – Why Genesis? Integrated fuel position

Onto our third competitive advantage.

Genesis has an integrated fuel position, enhanced by the strategy we set out last year and the two major acquisitions we've made in support of this strategy.

Genesis' approach has been a bold one.

As you've heard from Dame Jenny, we took our ownership stake in Kupe from 31 to 46%, followed a few months later by the acquisition of the retail bottled gas business of Nova.

Combined, these acquisitions had a value of \$360 million.

Why did these deals matter to us, what's the link between the two, and how do they position us for the future?

They give us scale, they give us influence and they give us product integration opportunities – all of which are relevant to our purpose to reimagine energy to put control in customers' hands.

The additional 15% of Kupe matters for a number of reasons. In addition to being able to more closely manage the decisions that go on in that joint venture the additional share in Kupe provides a long-term cash flow that makes our dividends sustainable, and allows us to invest in more customer-focused innovations.

We decided to buy Nova Energy's LPG business so that we had our own ability to distribute bottled gas to consumers in their homes and their businesses, all

around New Zealand.

That made a lot of sense.

Previously, we'd been relying on a third party to do this distribution for us. So, having our own distribution capabilities is very important as we seek to grow further in a relatively high-margin market, and create an exceptional customer experience at the same time.

This acquisition didn't come soon enough for the winter peak over the last few months' however.

Many of Genesis' existing bottled gas customer have suffered delivery delays that are just not good enough and not what we aspire to. As we migrate customers away from the third-party bottle delivery to our new in-house team we expect customers to see a significant improvement in service levels.

As well as a bottle delivery capability the acquisition has brought Genesis an additional 35,000 customers – enough to fill nearly three-quarters of Eden Park the next time the All Blacks play here.

Bottled gas is the fastest-growing residential and commercial fuel type in New Zealand – growing at roughly 6% per year. This is, in part, due to the lack of reticulated gas networks in the South Island and parts of the North island with volcanic rock.

It is also because some New Zealanders are converting their homes to include space heating, and because new homes are being built as the population expands and two 45kg bottles out the back is cheaper than connecting to a reticulated network, if it even exists in the area.

There are now only four providers of bottled gas in New Zealand compared to 30 retailers for electricity. Churn for bottled gas is lower than electricity. Only two of the four providers of bottled gas also offer electricity and only one – Genesis Energy, through both the Genesis and Energy Online brands – offers bottled gas and electricity on the same technology platform through one bill and one app.

So you can hopefully see why we invested in LPG from the well-head to the living room as we seek to expand our customer-centric integrated fuel offering.

All that, combined with increasing consensus that New Zealand's production of gas will become more constrained in the next five years, gives Genesis a competitive advantage.

Slide 17: Marc England - Why Genesis? Agile culture

The fourth component of the answer to my question, Why Genesis?, is about the 900 people who choose to come and work with us every day around New Zealand.

None of the first three advantages I've just outlined means much if we can't convert them into innovative customer-centric products, outstanding service and a well-run and efficient business that delivers top quartile returns to investors.

The key to unlocking all that is our culture – the way we do things around here, the values we hold and the way decisions are made.

As I speak, our people are delivering innovation for our customers through an agile culture and leading change, all in support of our mission to reimagine energy.

They are doing this in a range of ways.

I had a visit to our Local Energy Project in and around Martinborough a couple of weeks ago. We took along with us some journalists and Wellington-based officials and regulators. We wanted to show these important audiences what reimagining energy looks like up close, in the homes and businesses of our customers.

Customers like Eli Thomas and Don Banham.

Eli is a young app developer, and he lives right in the heart of Martinborough. Don, a musician and teacher, lives in the countryside near the town.

Different demographics and very different ways of earning a living, for sure, but each of these customers is an enthusiastic user of solar and in-home battery technology installed by Genesis.

Eli and Don are not just interested in the technology, they are just as enthusiastic about the visual tools that allow them to think about their energy usage, how this energy is being generated and can then to make informed choices based on this information.

That's what reimagining energy is all about, and it's what's creating a buzz inside Genesis right now. By seeking to put control in our Customers' hands, we are effectively engaging them in a product they have traditionally not engaged with until a large bill arrives.

It's early days for the Local Energy Project but in Martinborough we are getting more than a glimpse of New Zealand's energy future and what it could mean for us and our customers.

And the customers themselves are helping us to figure this future out.

Their insights, their habits and their preferences will guide us.

This is a quantum leap from the old, established model of the electricity industry, in which electrons have been piped to the home or business, the customer got a monthly bill which set out total usage and the cost of it - and that was basically that.

Not for much longer though. Those old-world ways of thinking are pretty much

numbered, and we know that because of what our customers have been telling us this past year.

Harnessing and responding to these new choices and insights requires a company whose people can think and act fast, and combine in new ways to tackle problems.

That's what Genesis' agile culture is all about.

We have over 150 people working in agile squads, combining people from across the company. Old hierarchies and ways of doing things are tossed out.

These teams could be drawn from technology, marketing, product, customer services or elsewhere, and their objective is to ultimately design and deliver products into market or improve the way we operate our assets.

Agile as a method is not just limited to the customer-facing teams in Genesis. Last week we had 120 power station operators, engineers, chemists and traders get together for 36 hours of intense innovation in our Generation & Wholesale hackathon.

If you had turned up to Huntly last Thursday and Friday what you would have seen is more akin to what you might find in a Google Innovation lab rather than a typical power station. Culture grows organically and there is a movement happening within Genesis right now.

We bring our customers into the room to co-create, too.

It's not about building the perfect product from the outset, but rather it's about getting a minimal viable product in market quickly, see how customers react to it and then evolve it - and do that many times over as you scale and launch the product.

One of the weaknesses in our business last year was our home move process. If you moved house with Genesis the experience was not exceptional. So a squad of developers, marketers, product managers and customer experience employees invited customers into our Auckland office one evening, fed them free pizza and asked their opinion on a range of possible innovations. The squad of employees didn't need to ask permission or seek senior management sign-off, they just did it. They deemed this to be the fastest way to seek feedback from customers to prioritise their efforts.

Slide 18: Marc England - A start up with Heritage

You could say this approach establishes Genesis' credentials as 'a start-up with heritage'.

We've been around for the best part of two decades, and we're a company with about \$2 billion of annual revenue. We're a big employer, by New Zealand

standards, and our roots in communities around New Zealand are deep. That's the 'heritage' part, and we're proud of it.

The 'start-up' part is highlighted by the agile culture I've described here. It's fast-paced, it doesn't cling to traditional lines of authority, and it harnesses the power of exciting new ideas that can transform old industries.

Our 'hackathons' show this same approach and spirit and action.

If Genesis is on a journey, then we very much want our customers to be in lock-step with us along the way. If you're one of those customers, you will, this week or next, receive a letter from me in which you will be exposed to our new branding, and be asked for your help and participation in reimagining energy.

I hope you will sign up on the portal and in My Account our online visualization tool. Over the next two months we plan to release three new digital features, one at a time and ask for your feedback. In the end, the products will be designed by you collectively.

We are calling it a 'beta' trial, as we know it's not perfect yet but we also know no-one else is offering anything like it. A great example of our new brand customer expression 'With you, For you'.

We believe if we can harness the power of our traditional business, inject it with a new way of putting the customer first, harness insights and enthusiasm of New Zealanders who want meaningful products and services, we'll be as unstoppable as a Team New Zealand yacht.

Marc England - Conclusion

Englishmen aren't always given a polite reception at Eden Park, and so I do appreciate your attendance, interest and goodwill here today.

I hope I've answered the question of Why Genesis?, and in doing so have given you more insights into what's happening at Genesis, and where it's taking us and our customers after such a massive year laying the foundation.

In this past twelve months, we've established real momentum for growth and success, based on our four key areas of deep, sustainable advantage.

We are well on our way to our goal of becoming a \$400m EBITDAF company by 2021. When we achieve that goal, it will represent an upper quartile total shareholder return between 2016 and 2021.

You won't get that sort of return if you put your money in the bank, and it stacks up very well against our major competitors too. I'm excited to think what's coming in the year ahead, as our purpose to reimagine energy to put control in our customer's hands really takes flight.

Thank you for your support. I look forward to meeting as many of you as possible

after today's formalities, and hearing about what reimagining energy means to you and what more we can do to put control in your hands, working 'With you, For you'.

We will now open up for questions on anything from our results, strategy or future plans.