Genesis Energy Limited (GNE) – Acquisition of New Zealand Oil & Gas’ 15% Share of the Kupe Joint Venture

Genesis Energy is pleased to announce the acquisition of New Zealand Oil & Gas’ (“NZOG”) 15% share of the Kupe Joint Venture (“Kupe”) for cash consideration of $168 million. The acquisition strengthens Genesis Energy’s integrated fuels strategy, creating greater flexibility of fuel supply, increased influence in the Joint Venture, and complements Genesis Energy’s existing 31% stake.

Genesis Energy Chief Executive Marc England said, “This acquisition builds on Genesis Energy’s strategy to create value by linking upstream fuel supply with electricity generation and consumer energy needs. The Kupe field is a world class asset producing oil, piped gas and bottled gas. The increased stake enables Genesis Energy to access and manage more flexible fuel supply well into the next decade. The strong cash flows will also provide headroom to invest in organic growth areas aligned to Genesis Energy’s strategy, such as technology enabled home energy management.”

Chairman Dame Jenny Shipley said, “In addition to the strategic merits of the transaction, shareholders will benefit from the additional cash flows that will support our progressive dividend policy. This transaction also supports a continuation of imputing dividends at the current 80% level with the potential to increase imputation levels in the medium term.”

The acquisition will involve the purchase of 100% of the shares in three subsidiaries of NZOG that are the holding companies for its 15% stake, plus 100% of a subsidiary that has rights to royalty payments associated with the Kupe field.

The transaction is subject to approval by special resolution of NZOG’s shareholders. NZOG is planning to convene a special meeting of its shareholders on 16 December 2016 for the purposes of seeking that approval. The Board of Directors of NZOG recommends shareholders approve the transaction at that meeting and directors intend to vote shares they control in favour of the transaction.

The increase in ownership will give Genesis Energy access to approximately 160,000 extra barrels of oil and 13,000 additional tonnes of LPG per annum. Genesis Energy currently purchases 100% of the gas offtake from Kupe. The increased equity stake will also give Genesis Energy ownership of an additional 26PJ (+48%) of uncontracted gas beyond 2020.

As a result of the acquisition, FY2016 annual EBITDAF would have been approximately $39 million higher on a full year equivalent earnings basis. Genesis Energy’s FY2017 EBITDAF is estimated to increase by approximately $15 million. FY2017 NPAT is estimated to increase by approximately $2 million after taking into account the transaction and funding costs, hence the transaction is immediately earnings accretive.

The acquisition will be funded by existing debt facilities and is effective on 1 January 2017.
Analysts and Investors Call

There will be a teleconference call this morning (Wednesday 16 November) to discuss the Kupe acquisition at 11.30am (NZT) hosted by Chief Executive Marc England and CFO Chris Jewell. Following an overview of the transaction there will be a brief opportunity for Q&A.

Details of the call are as follows:

NZ – 09 913 3622  
Australia - +61 (0)2 9193 3706  
Hong Kong +852 6963 0854  
UK – 0808 234 8407  
USA – 1866 839 8029

Confirmation Code: 2974376

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About Genesis Energy

Genesis Energy (NZX: GNE) is a diversified New Zealand energy company. It sells electricity, reticulated natural gas and LPG through its retail brands of Genesis Energy and Energy Online. It is New Zealand’s largest energy retailer with around 645,000 customer accounts. The Company generates electricity from a diverse portfolio of thermal and renewable generation assets located in different parts of the country. Genesis Energy also has a 31% interest in the Kupe Joint Venture, which owns the Kupe Oil and Gas Field offshore of Taranaki, New Zealand. Genesis Energy had revenue of $NZ2bn during the 12 months ended 30 June 2016. More information can be found at www.genesisenergy.co.nz