Refining NZ announces Strategic Review

Refining NZ today announced the commencement of a Strategic Review to determine the optimal business model and capital structure for its assets that will maximise “through the cycle” returns to shareholders, and deliver secure, competitive fuel supply to New Zealand.

Announcing the review, Chairman, Simon Allen said: “Refining NZ has quickly responded to the current COVID-19 situation but is challenged by structural conditions resulting in low refining margins globally and oversupply in the Asia region. It is appropriate for us to review the fundamentals of the business and the Company’s future within the New Zealand fuel supply chain.

“The Company has a significant investment in infrastructure critical to the New Zealand fuel supply chain, alongside a refinery that can provide critical skills and capabilities to the economy as it transitions to a lower carbon future. The Strategic Review will allow us to determine the best future use of these assets to support secure, competitive fuel supply to New Zealand, now and into a lower carbon future.”

The Strategic Review will look at opportunities to improve the competitiveness of refining operations and options to separate the refining and infrastructure assets or convert to a fuel import business model. The review will also look at the capital structure required for the preferred option to maximise value for shareholders.

The Chief Executive Officer, Naomi James, said: “Refining NZ’s assets play a critical role in the supply of transport fuel in New Zealand and the Company’s infrastructure position provides a strong competitive advantage, particularly in the supply of fuels to Auckland and surrounding areas. As well as the Company’s role in the fuel supply chain, Refining NZ is a major employer and makes an important contribution to the Northland economy. We know that the future for this business will need to look different and are open to all options to operate a high-performing, competitive refining and infrastructure business, and to alternative future import business models.

“Taking the step to commence this Strategic Review now ensures we can put in place the right plans for the Company’s future as we come through COVID-19 and play our role in supporting the recovery of the New Zealand economy. We will be working closely with our customers, government and other stakeholders through this process to make sure we consider all the options to provide a secure, competitive fuel supply to New Zealand now and into the future as requirements change.”

The Strategic Review is being led by the Chief Executive Officer, with support from external advisors. Refining NZ expects to provide an update on the Strategic Review process in June 2020.

More detail on the Strategic Review and opportunities available for the refinery and the infrastructure assets is available in the attached presentation.

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