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Contact Energy to sell Rockgas

Contact Energy Limited (Contact) today announced it is selling its LPG business, Rockgas, to Gas Services NZ Midco Limited (GSNZ) for \$260 million.

Rockgas is the largest LPG retailer in New Zealand, with a market share of approximately 41%. It serves 88,000 customers from six branches, three satellite branches as well as a network of 27 franchises.

Under the terms of the deal Contact will continue to sell LPG to its mass market customers, while also providing back office services to GSNZ after the sale.

GSNZ, a dedicated gas infrastructure company, will operate the fulfilment side of the business by sourcing LPG, and picking up, refilling, and delivering it to the mass market. In addition, GSNZ will directly manage bulk LPG customers, and supply branches and franchises.

“Our strategy is to establish Contact’s Customer business as a leading mass market digital retailer, and separating the infrastructure and customer-facing aspects of Rockgas is a significant step in that direction,” said Dennis Barnes, CEO of Contact Energy.

“This will enable us to focus on our core business, knowing that from our customers’ perspective only the ownership of Rockgas changes – it’s still the same people, using the same assets, providing the same great service.”

“Rockgas is a great fit with our existing operations,” said Paul Goodeve, CEO of GSNZ. “The customer-facing business complements our other gas infrastructure assets, and also allows us to diversify our domestic gas offering.”

Rockgas currently operates as part of Contact’s wider Customer business. To assist the transfer to GSNZ, Contact will set Rockgas up as a separate LPG business, but Contact will also continue to provide some business support services so that the customer experience is not affected.

The deal, which is expected to take four to six months to complete, will see around 120 people currently employed by Contact transfer to Rockgas on the same employment terms and conditions.

Contact will use the proceeds of this sale to pay down debt and facilitate improved distributions to shareholders. Completion of the sale is subject to certain consents and approvals as described in the investor briefing materials.

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About Contact

Contact is one of New Zealand's largest listed companies. We keep the lights burning, the hot water flowing, and the BBQ fired up for over half a million homes and businesses across New Zealand.

We're committed to a sustainable, low carbon energy future for New Zealand. To us, this means balancing our commitment to lower carbon, renewable energy, while maintaining reliable economic access to energy for our customers. We generate electricity from hydro, geothermal and gas and have one of the most flexible generation portfolios in the country.

About Gas Services New Zealand

GSNZ is part of the First Gas Group and provides unregulated services to both the Group and third parties. GSNZ's sister company First Gas operates the 2,200km transmission pipeline and the 300km Maui pipeline. First Gas also operates more than 4,800kms of gas distribution networks across the North Island. Through these distribution networks, First Gas provides gas distribution services to gas retailers who sell gas to more than 60,000 customers.

In December GSNZ entered into an agreement to buy Contact's Ahuroa Gas Storage facility.

First State Investments manages 100% of the equity invested in both GSNZ and First Gas on behalf of its institutional clients.

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