VIVA Energy Australia

ASX Release

18 December 2020

FY2020 unaudited financial guidance

Viva Energy (the **Company**) today announces the Group's unaudited financial guidance for the full year ending 31 December 2020 (**FY2020**).

FY2020 unaudited financial guidance

	FY2020[2]	FY2019[2]	Variance[3]
Sales Volumes	12,250 – 12,350 ML	14,695 ML	(16.3%)
Underlying Group EBITDA (RC)[1]	**$m**	**$m**	
Retail	660.0 – 670.0	*564.3*	*17.8%*
Commercial	235.5 – 240.5	*296.5*	*(19.7%)*
Supply, Corporate and Overheads	(302.5) – (297.5)	*(333.3)*	*10.0%*
Non-Refining Underlying EBITDA (RC)	**593.0 – 613.0**	**527.5**	**14.3%**
Refining	(99.0) – (89.0)	117.0	($211.0m)
Underlying Group EBITDA (RC)	**494.0 – 524.0**	**644.5**	**(21.0%)**
Underlying NPAT (RC)	**(47.0) – (17.0)**	**135.8**	**($167.8)**
Capital Expenditure[4]	**160.0 – 165.0**	**161.0**	**0.9%**

Key Highlights:

- Notwithstanding lower sales volumes due to the impacts of COVID-19, Non-Refining EBITDA (RC) is expected to be up approximately 14% over 2019 as a result of continued improvement in Retail earnings, relatively strong performance of the non-aviation commercial businesses, and lower supply chain, corporate and overhead costs.
- Refining EBITDA (RC) has been heavily impacted by weak regional refining margins, reduced production in response to lower Victorian market demand, and periods of higher crude premiums earlier in the year. The return to full production during the quarter ending 31 December 2020 and the commencement of the Federal Government interim production payment from 1 January 2021 is expected to improve the outlook for refining in the year ahead.
- Capital management has been a key focus, with $591.6 million returned to shareholders through a mix of capital return, dividends, and on market buybacks in FY2020. Capital expenditure has also been closely managed and is expected to be approximately $70 million lower than the original guidance given at the beginning of the year.
- The Company is committed to returning the remaining $100 million from the divestment of the stake in Viva Energy REIT during 2021.
- The Company continues to progress the development of an Energy Hub at Geelong. The Gas Terminal Project has moved to Front End Engineering Design phase with our two consortium partners: Engie Australia and New Zealand and Mitsui Australia; and Vitol and VTTI. A Final Investment Decision could potentially be taken by mid-2022 with gas delivered in 2024.

CEO Commentary

Viva Energy CEO Scott Wyatt said: "The response to the COVID-19 pandemic has naturally had a significant impact on our business and our customers. As always, our priority has been the health and safety of our people and ensuring that we continue to operate safely and reliably to serve our customers and the broader community. I am proud of the way our employees have responded to the situation we faced and of the relatively strong results that we have delivered under the circumstances.

"While fuel sales were heavily impacted by the 'stay at home' and border restrictions that were in place around the country, our Non-Refining Underlying EBITDA (RC) increased by approximately 14% over the prior year. This result was particularly supported by resilience in diesel sales through both retail and commercial channels (up 2%), improved retail fuel margins, and strong Specialty business performance.

"Retail sales volumes are progressively recovering towards pre COVID-19 levels with our key Alliance retail channel achieving 61.7 litres per week in November 2020. Our Commercial businesses, excluding Aviation, have also performed well through the course of the year, and while Aviation sales volumes remain heavily impacted there are some early signs of recovery following an increase in domestic air travel. Our regional aviation business has continued to perform well throughout the year.

"The Refining business has been impacted by the substantial decline in both domestic and global oil demand. The Company made the decision to bring down some processing units in June to reduce production and bring forward the planned major maintenance work which was completed in October 2020. All processing units have been restarted, and with the recovery in Victorian fuel demand following the relaxation of 'stay at home' restrictions the refinery is progressively returning to full production.

"While Geelong Refining Margins have improved with the increase in production, the refining outlook remains challenging given the longer-term impact to global oil demand from the pandemic. The Fuel Security Package announced by the Federal Government in September 2020, and the commencement of the interim Refinery Production Payment from 1 January 2021 provides important support to the refining business. The Company will continue to work closely with the Federal Government on the design and implementation of the longer-term package and expect that this support will see the Company maintain refinery operations beyond the conclusion of the interim Refinery Production Payment.

"Overall, the Company has performed well during 2020 given the difficult trading conditions. The Non-Refining businesses have delivered significant growth over the prior year, and while Group results have been impacted heavily by the global weakness in the refining sector, the Company has taken steps to minimise the cash impacts and worked closely with Government to improve the longer-term outlook for this part of the business. The Company has returned the bulk of proceeds from the divestment in Viva Energy REIT to our shareholders and retains a strong balance sheet to pursue market growth as this potentially returns in 2021.

Retail

FY2020 Retail Underlying EBITDA (RC) is expected to be approximately $660.0 – $670.0 million.

Petrol sales volumes were heavily impacted during 2020 following the 'stay at home' restrictions, with sales volumes down approximately 12% on last year. Retail fuel sales have recovered quickly as restrictions have been relaxed across Australia, with weekly fuel sales in the retail Alliance channel reaching 54.9 million litres per week in October and 61.7 million litres per week in November 2020, up 18% on the quarter ended 30 September 2020.

Improved Retail fuel margins have more than offset the decline in retail sales volumes caused by the COVID-19 pandemic, with Retail Underlying EBITDA (RC) up 17.8% on 2019. The Company continues to grow and enhance its retail network reaching 1,289 Shell and Liberty branded stores at the end of 2020, compared with 1,263 stores at the end of 2019.

Commercial

FY2020 Commercial Underlying EBITDA (RC) is expected to be approximately $235.5 – $240.5 million.

Commercial sales volumes year to date November 2020, excluding Aviation, remain resilient with total volumes down approximately 3% on the same period last year. Aviation sales volumes year to date November 2020 are down approximately 56% compared to the same period last year as a result of travel restrictions currently in place. The easing of some border restrictions across Australia is leading to an increase in domestic travel which is expected to lift sales volumes if this is maintained.

Marine business profitability remains strong and in line with 2019 despite the temporary cessation of cruises to Australia. The Company has taken steps to retire two of the barges that were dedicated to this work and is preparing to bring back capacity for the 2021/22 cruise season. Despite some weaker demand from the Coal sector, sales of fuel and lubricants to the broader Resources sector continues to hold up well. The Company has experienced minimal bad debts throughout the year and continues to monitor this closely.

Refining

FY2020 Refining Underlying EBITDA (RC) is expected to be approximately $(99.0) – $(89.0) million[5].

The Geelong Refining Margin (**GRM**)[6] for the period 1 January 2020 to 30 November 2020 was US$2.9/Barrel (**BBL**) with refining intake of 31.6MBBLs for the same period. The GRM has improved since the Company restarted all processing units and returned to normal production in November 2020 with the GRM for November 2020 achieving US$5.1/BBL on refining intake of 2.8MBBLs.

The Company will participate in the interim Refinery Production Payment announced in December 2020 and will continue to work with the Federal Government on the design and implementation of the long-term Fuel Security Package. The Company expects to be able to maintain refining operations once the interim Refinery Production Payment concludes at the end of June 2021.

Supply, Corporate & Overheads

FY2020 Supply, Corporate & Overheads Underlying EBITDA (RC) is expected to be approximately $(302.5) – $(297.5) million.

Supply chain costs reduced relative to 2019, reflective of lower Company sales volumes and improvements in demurrage and ocean freight costs. Corporate cost reductions and overall savings were achieved from lower site maintenance and an internal focus on cost management across all parts of the business. Lower discretionary and corporate costs continue to be managed well by the business.

Underlying NPAT

FY2020 Underlying NPAT (RC) is expected to be approximately $(47.0) – $(17.0) million.

Second half underlying NPAT (RC) is expected to be impacted by revaluation losses on FX and oil derivatives. These revaluation losses are subject to underlying movements in exchange rates and oil prices for the remainder of 2020.

The Company expects to report an income tax benefit in the second half of 2020 due to the loss incurred during the period.

Authorised for release by: the Board of Viva Energy Group Limited

Notes

1. Viva Energy reports its 'Underlying' performance on a "replacement cost" (RC) basis. RC is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of historical cost of inventory. This removes the effect of timing differences and the impact of movements in the oil price.
2. Numbers may not add due to rounding.
3. Variance calculated using mid-point of FY2020 ranges.
4. Includes major maintenance capital expenditure.
5. The expected FY2020 Underlying EBITDA (RC) for Refining assumes December 2020 intake of 3.4MBBLs and actual GRM of US$4.8/BBL.
6. The Geelong Refining Margin is a non-IFRS measure calculated in the following way: IPP less the COGS, and is expressed in US dollars per barrel (US$/BBL), where:

   IPP: a notional internal sales price which is referrable to an import parity price for the relevant refined products, being the relevant Singapore pricing market and relevant quality or market premiums or discounts plus freight and other costs that would be incurred to import the product into Australia

   COGS: the actual purchase price of crude oil and other feedstock used to produce finished products

   Geelong Refining Margin is a financial measure Viva Energy uses to illustrate and aid in the understanding of the performance of the Geelong Refinery. It involves elements of estimation and is not alone a measure of historical financial performance. In addition, it is only one contributor to the replacement cost Underlying EBITDA of Viva Energy. In its financial reporting, Viva Energy converts GRM into Australian dollars using the prevailing month average exchange rate.

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Conference Call details

Date: 18 December 2020

Time: 10:30 am (AEDT)

<table>
<tr><th colspan="4">Dial-in Details</th></tr>
<tr><td colspan="2">Conference ID:</td><td colspan="2">1001 1113</td></tr>
<tr><th colspan="4">Participant Numbers</th></tr>
<tr><td colspan="4">Participants can pre-register by navigating to https://s1.c-conf.com/diamondpass/10011113-o7AprU.html

Please note that registered participants will receive their dial in number upon registration to enter the call automatically on the day.</td></tr>
<tr><td colspan="4">To enter the call via operator you will need to quote the conference ID provided above and use the dial in below.</td></tr>
<tr><td colspan="2">Participant toll:</td><td colspan="2">+612 9007 8048</td></tr>
<tr><td colspan="2">Participant toll free:</td><td colspan="2">1800 908 299 / 1800 455 963</td></tr>
<tr><th colspan="4">International Dial-in Details</th></tr>
<tr><td colspan="4">These numbers are toll-free dial-in numbers for each country listed below. For countries not listed below, the Australian Participant Toll number listed above can be dialled. To ask a question, you will need to dial *1 on the telephone keypad.</td></tr>
<tr><td>Hong Kong</td><td>800 968 273</td><td>Singapore</td><td>800 101 2702</td></tr>
<tr><td>Japan</td><td>0066 3386 8000</td><td>United Kingdom</td><td>0800 051 1453</td></tr>
<tr><td>New Zealand</td><td>0800 452 795</td><td>United States</td><td>1 855 624 0077</td></tr>
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About Viva Energy

Viva Energy (ASX: VEA) is one of Australia's leading energy companies and supplies approximately a quarter of the country's liquid fuel requirements. It is the exclusive supplier of high quality Shell fuels and lubricants in Australia through an extensive network of more than 1,290 service stations across the country.

Viva Energy owns and operates the strategically located Geelong Refinery in Victoria, and operates bulk fuels, aviation, bitumen, marine, chemicals and lubricants businesses supported by more than 20 terminals and 50 airports and airfields across the country.

www.vivaenergy.com.au