ASX Release

27 February 2019

Viva Energy Results: Full Year ended 31 December 2018

Viva Energy (the **Company**) today announced the Group's financial results for the 12 months ended 31 December 2018 (**FY2018**). The results are broadly in line with prior guidance provided to the market.

Key Highlights:

- Total sales volume of 14,045 million litres broadly in line with Prospectus[1] forecast of 14,086 million litres, despite weaker than expected volumes in the Alliance
- Retail Underlying EBITDA (RC[2]) of $608.8 million, in line with prior guidance and marginally down $8.8 million or 1.4% on Prospectus forecast of $617.6 million, due to weaker than expected volumes in the Alliance
- Commercial Underlying EBITDA (RC) of $323.8 million, up $5.5 million or 1.7% on Prospectus forecast of $318.3 million
- Refining EBITDA (RC) of $124.5 million, in line with prior guidance and down $92.2 million or 42.5% on Prospectus forecast of $216.7 million, largely due to significant weakness in regional refining margins in the later part of the year and a number of external events that impacted operational availability
- Supply, Corporate and Overheads Underlying EBITDA (RC) of ($528.2) million, an improvement of $19.3 million or 3.5% on Prospectus forecast of ($547.5) million
- Group Underlying EBITDA (RC) of $528.9 million, slightly ahead of prior guidance and down $76.2 million on Prospectus forecast of $605.1 million, predominantly impacted by weakness in refining margins
- Net debt of $0.3 million
- Underlying Net Profit After Tax (RC) of $293.0 million, ahead of prior guidance and down 9.6% on Prospectus forecast
- Inaugural dividend of 4.8 cents (fully franked) determined for the 6 months ending 31 December 2018, representing a payout ratio of 60% of Distributable NPAT (RC)

CEO commentary

FY2018 was a landmark year for Viva Energy with the Initial Public Offer on the Australian Securities Exchange (**ASX**) representing a significant milestone in the Company's more than 110-year history in Australia. The Company delivered on a number of key growth initiatives with the acquisition of Westside Petroleum, extending the retail network by 90 stores since listing, important storage upgrades at a number of key facilities, and a major maintenance turnaround and upgrade of the secondary distillation unit at the Geelong refinery.

From a financial perspective, FY2018 was a challenging year with the Group's expected financial performance negatively impacted by significantly weaker than expected regional refining margins and a number of external events affecting Geelong refinery production. Despite this difficult market backdrop Viva Energy has delivered encouraging performance in its other business segments (excluding Refining) which in aggregate were ahead of Prospectus forecast Underlying EBITDA (RC) by $16 million.

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1 Prospectus dated 20 June 2018, issued in connection with the Company's initial public offering.
2 Viva Energy reports segment information on a "replacement cost" (RC) basis. See section 4.3.1 of the Prospectus for a description of the difference between "historical cost" (HC) and "replacement cost" accounting. See further the description of the accounting policy for "Inventories" in Appendix C of the Prospectus.

Total fuel volumes finished broadly in line with Prospectus forecast at 14,045 million with slight weakness attributable to lower than expected sales through the Alliance network. Strong volume performance in other retail channels and the commercial businesses largely offset this weakness.

Viva Energy CEO, Scott Wyatt, said “2018 was an exciting year for Viva Energy with the Company listing on the ASX. Viva Energy’s results for FY2018 reflect encouraging performance of our diverse business segments despite an extremely challenging regional refining margin environment in the later part of the year.”

	2018 $m	2017 $m	Prospectus 2018 $m	Difference to 2017 %	Difference to Prospectus %
Volume (ML)	**14,045.5**	**14,151.4**	**14,086.3**	**(0.7)**	**(0.3)**
Underlying EBITDA (RC)					
Retail, Fuels & Marketing	932.6	918.8	935.9	1.5	(0.4)
Retail	*608.8*	*607.3*	*617.6*	*0.2*	*(1.4)*
Commercial	*323.8*	*311.5*	*318.3*	*3.9*	*1.7*
Refining	124.5	276.1	216.7	(54.9)	(42.5)
Supply, Corporate & Overheads	(528.2)	(560.6)	(547.5)	5.8	3.5
Total Underlying EBITDA (RC)	**528.9**	**634.3**	**605.1**	**(16.6)**	**(12.6)**
Distributable NPAT (RC)	**293.0**	**NA**	**NA**	**NA**	**NA**
Basic Underlying EPS (¢ps)	**15.1**	**NA**	**NA**	**NA**	**NA**
Dividend (¢ps)	**4.8**	**NA**	**NA**	**NA**	**NA**

Business Performance by Segment

Retail

Retail generated Underlying EBITDA (RC) of $608.8 million, in line with guidance of $607.6 million provided in November 2018. The result was slightly lower than Prospectus forecast (by 1.4%) primarily due to weaker than expected sales volumes through the Alliance network during 2H2018.

In February 2019, Viva Energy and Coles Express announced an extension of the Alliance through to 2029 under new arrangements which support future growth and cement the network as Australia’s leading fuel and convenience business. From early March 2019, Viva Energy will take responsibility for retail fuel pricing and marketing while Coles Express will remain responsible for operating the stores and providing a leading convenience offer. Viva Energy will now collect the full retail fuel margin while Coles Express will receive a commission on fuel sales achieved and will continue to receive the margin on convenience store sales. These changes provide greater alignment, and will allow Viva Energy to provide a more consistent fuel offer across the Shell branded network, improve competitiveness, and better optimise its extensive nationwide supply chain and refining businesses.

Viva Energy also successfully completed the acquisition of a 50% interest in Westside Petroleum, which added more than 50 retail sites to the network in regional locations in NSW. This acquisition, as well as growth in Liberty and other channels, has added 90 sites to Viva Energy's network since Prospectus, taking the total number of Shell and Liberty branded sites to 1,255.

In addition, Viva Energy has announced today it will acquire the remaining 50% interest in Liberty Oil's wholesale business and establish a new 50% retail Joint Venture to continue to grow the Liberty retail network. Today's announcement supports Viva Energy's continued growth in regional markets in both wholesale and retail channels. The consideration payable for the proposed transaction is $42 million. Completion is expected on 31st March 2019 subject to ACCC and FIRB approval.

Commercial

The commercial segment outperformed Prospectus forecast generating Underlying EBITDA (RC) of $323.8 million compared to the Prospectus forecast of $318.3 million. During the year a significant number of commercial sales contracts were successfully re-negotiated and extended, and a number of new contracts also secured. Margin pressures were offset by volume growth and stronger performance in some sectors reflecting the diversity of this business.

Refining

The Refining segment delivered Underlying EBITDA (RC) of $124.5 million, in line with the revised guidance provided in January 2019. The result is $92.2 million lower than the Prospectus forecast of $216.7 million, largely due to significant weakness in regional refining margins in the later part of the year and a number of external events which impacted operational availability, including a major weather event in 1Q18, loss of power to the site in August, and various disruptions to demand for feedstock offtake from a third-party polypropylene plant co-located at the Refinery site.

Geelong Refining margins declined to an average of US$7.4/bbl in 2018 against an average of US$10.2/bbl in 2017 and intake reduced to 40.1 mbbls in 2018 compared to 41.0 mbbls in 2017. Weakness in regional gasoline cracks in the later part of 2018 was the primary driver of lower margins.

Supply, Corporate & Overheads

The Supply, Corporate & Overheads division delivered Underlying EBITDA (RC) of ($528.2) million outperforming the Prospectus forecast of ($547.5) million by $19.3 million, and compared to ($560.6) million in FY2017. Various significant one-off savings were achieved including lower than expected corporate, property, and maintenance costs. Costs associated with the implementation of the corporate Enterprise Resource Planning (**ERP**) platform were capitalised.

The Company completed a number of key supply projects in 2018 with the commissioning of the new Jet storage tank in Cairns, new import capability in Townsville and completion of the Clyde refinery conversion greatly improving supply capability in these regions. The Company also successfully completed the transition to a new ERP platform.

Inaugural dividend

The Board has determined a final dividend of 4.8 cents per share, fully franked, for Viva Energy's inaugural dividend for the 6 months ended 31 December 2018. This represents a 60% payout ratio of Distributable NPAT (RC) in line with the policy to target a payout ratio of between 50 – 70% of Distributable NPAT (RC).

The target payout ratio range of between 50 – 70% of Distributable NPAT (RC) has been reaffirmed.

Dividend	2018
2018 Final dividend – amount per security (fully franked)[2]	4.8 cps
Trading on ex dividend basis	27 March 2019
Record date for determining entitlement to final dividend	28 March 2019
Date dividend expected to be paid	15 April 2019

Strong balance sheet

Net debt of $0.2 million at 31 December 2018 compared to $74.6 million at 31 December 2017. The lower debt position is due to a combination of strong free cash flow performance, and a reduction in working capital. Viva Energy remains focused on prudent capital management.

FY2019 Guidance

Retail

- Reaffirm 1H2019 Prospectus forecast Underlying EBITDA (RC) for Retail of $321.9 million and expect 2H2019 to be in line with 1H2019

Commercial

- Commercial expected to be in line with 1H2019 Prospectus forecast Underlying EBITDA (RC) of $164.5m. Commercial markets remain competitive.

Refining

- As disclosed in the Geelong Refining Margin (GRM) update released to the ASX today, 27 February 2019, the actual GRM for January 2019 was US$4.0/bbl. Refining margins in February 2019 to date have continued to perform below the Prospectus GRM assumption for 1H2019 of US$9.7/bbl.
- In the absence of a significant and sustained uplift in regional refining margins over the balance of 1H2019 the Company expects that the 1H2019 GRM Prospectus forecast of US$9.7/bbl will not be achieved. This would have flow on impact on the 1H2019 Prospectus forecast for Refining of $127.5 million Underlying EBITDA (RC) which was based on the assumed GRM of US$9.7/BBL. There would also be a commensurate impact on the Group 1H2019 financial guidance included in the Prospectus.

- Viva Energy does not intend to provide an updated GRM forecast for 1H2019. The Company will continue to update the market on refining performance through the monthly release of GRM information. For the purposes of tracking the financial performance of the Geelong Refinery, a sensitivity table is provided below to illustrate the impact on 1H2019 Underlying EBITDA (RC) and NPAT (RC) of each US$1.0 per barrel move in GRM along with movements in foreign exchange. The table utilises the 2H2018 Refining Underlying EBITDA (RC) of $76.4 million as a reference point for illustrative purposes only[3].

Variable	Increase/Decrease	6 month Pro forma EBITDA (RC) impact A$m	6 month Pro forma NPAT (RC) impact A$m
GRM	+/- US$1.0 per barrel	+29.0 / (29.0)	+20.3 / (20.3)
US$/A$ Exchange rate	Appreciation of A$ against US$ by 3 cents	(8.7)	(6.1)
US$/A$ Exchange rate	Depreciation of A$ against US$ by 3 cents	+9.5	+6.6

- Given current volatility in Refining margins, Viva Energy intends to optimise Refinery production to maximise profitability which may result in lower intake than the 21.5mbbls forecast in the Prospectus for 1H2019. Planned maintenance may be brought forward which would also impact expected intake.

Supply, Corporate & Overheads

- Reaffirm 1H2019 Prospectus forecast Underlying EBITDA (RC)

[3] The 2H2018 Refining result is used as a reference point for the purpose of presenting the sensitivity analysis and should not be taken as a forecast of the 1H2019 Refining performance

Conference Call

Viva Energy management will today be hosting a conference call to discuss this update:

Date: Wednesday, 27 February 2019

Time: 10:30 am (AEDT)

Webcast: Webcast available here

Dial-in Details			
Conference ID:		2178867	
Participant Numbers			
Participants can dial either of the numbers below to join the call. You will need to quote the conference ID provided above. To ask questions, you will need to dial *1 on the telephone keypad.			
Participant toll:		+612 8038 5221	
Participant toll free:		1800 123 296	
International Dial-in Details			
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.			
Hong Kong	800 908 865	Singapore	800 616 2288
Japan	0120 994 669	United Kingdom	0808 234 0757
New Zealand	0800 452 782	United States	1855 293 1544

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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 1,200 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.

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