TRANSCRIPTION

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[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Viva Energy Australia Full Year 2020 Results. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question via the phone, you'll need to press the star key followed by the number one on your telephone keypad. If you wish to ask a question via the webcast, please type your question into the ask a question box. I would now like to hand the conference over to Mr. Scott Wyatt, Chief Executive Officer, please go ahead.

Scott Wyatt: Yeah. Good afternoon and thank you all for joining us today as we discuss Viva Energy's financial year, 2020, full year results. My name's Scott Wyatt, the Chief Executive Officer of Viva Energy and on the call with me today is Jevan Bouzo our Chief Financial Officer. We're heading into 2021 having successfully navigated one of the most challenging years in Viva Energy's history. The results that I'll be presenting today reflect how well our organisation worked together in 2020 to respond to the challenges presented by COVID-19 and an extremely difficult refining environment. In the early stages of 2020, we were quick to implement effective COVID safe operating procedures and adapt the supply chain to respond to rapidly changing demand.

Scott Wyatt: Throughout the year, we have demonstrated a strong financial discipline entering the crisis in a strong net cash position, following the divestment of our stake in Viva Energy REIT and maintaining good control of both costs and capital expenditure. As we enter 2021, I believe we are extremely well positioned for recovery and growth with high-performing retail businesses, our robust commercial base line business and good progress with the federal government on the long-term fuel security package. The initiatives we are progressing at the Geelong Energy hub also provide more long term opportunities and we are very excited about the future for that particular part of our business.

Scott Wyatt: I'm very proud to say that during 2020, the company maintained a strong focus on safety despite the challenges of the COVID environment and a significant work involved in completing major maintenance work on the Residual Catalytic Cracking Unit. During 2020, we achieved the 20% reduction in the number of recordable

injuries compared to 2019. At the same time, we undertook proactive and effective safety measures to protect employees and their families from exposure to COVID-19. In terms of sales and production performance, I'm also pleased to report that we were able to successfully adapt to the changing and challenging market conditions. While total demand for transport fell 16% over 2019, we achieved growth in diesel sales, improved our premium fuels penetration and maintained total market share. Our refinery production rates were naturally reduced as a result of a decision to bring forward and extend our major maintenance programme.

Scott Wyatt: And our team at the refinery successfully adjusted the production mix to adapt to significant changes in market demand and the refining margin environment. The highlight result for me in 2020 is the strong headline performance in the non-refining business, our retail and commercial businesses which increased by more than 16% to $614.5 million EBITDA. This was driven by strong diesel sales, improved retail fuel margins compared to 2019 and a robust performance in our broader commercial specialty businesses. Group results were of course heavily impacted by COVID-19 and global weakness in the refining sector, which saw our refining business report at $95 million loss and taking the company to a net profit after tax loss of nearly $36 million for the year. I am however particularly pleased given that environment that we were able to return nearly $650 million to shareholders through a mix of dividends, capital management and still finish the year with a low debt of just over $100 million.

Scott Wyatt: I think we are extremely well positioned to recover and pursue growth as life returns to this market. In terms of our progress on our strategic priorities, Viva Energy is a company fairly focused on the future and that despite the challenges last year, we have made significant progress on a number of strategic priorities that have been able to scale this up for growth in 2021 and beyond. Active management of rates and our pricing and customer campaigns delivered an exceptional result in our retail business while continuing our strategy to recover share in our core retail channels. We also continue to close gaps in our retail network, which now exceeds over 1300 service stations right across the country. While it was an extremely challenging year for refining, we have taken significant steps to improving the long-term sustainability of this part of our business by working closely with the federal government to develop a framework which I believe supports the long-term viability of the refining sector.

Scott Wyatt: The interim production plan in place provides welcome support during 2021. And we remain optimistic about finding a long term solution in respect of the field security package. We maintained a strong capital management discipline throughout 2020 divesting non-core share holding in WayPoint REIT and returning the bulk of these proceeds to shareholders via capital return. And special dividends, we aim to return the remaining $100 million once the long-term output outlook for the refinery is clearer. Well, of course we also announced that vision to establish an energy hub at Geelong and we have made serious progress with that consortium partners of the development of the proposed gas terminal project. This project and others aims to leverage our position at Geelong and our capability and will generally support our development of new energy opportunities. Let me now hand over to Jevan who will discuss our key financials in some of detail.

Jevan Bouzo: Thanks, Scott. I'll kick off from slide 11. There are really two parts to our results for 2020. Despite a really challenging year for Australia, our retail fuels and marketing non-refining business performed extremely well. And as Scott said, at 16.5% on 2019 to an underlying EBITDA RC $614.5 million. The standouts here are really retail and supply corporate and overheads with commercial impacted by aviation demand through the majority of the year. I'll cover each of these in a bit more detail as I go through the pack.

Jevan Bouzo: As you know, refining was the part of our business that was really challenged by the pandemic and the impact on regional refining margins. EBITDA moved into a loss position for the year of $95.1 million. Overall, underlying impact recorded a loss of $35.5 million for the year, down from a profit of $175.8 million in 2019. While distributable impact for the second half recorded a $1.5 million loss, the first half recorded an impact profit of $24.3 million. Turning to slide 12. The bridge on this slide sets out the material impacts for the year at a group level. The integration of Liberty and Westside delivered $22 million of benefit. An overall margin improvement of $129 million was driven by retail more than offsetting the volume loss in this part of the business.

Jevan Bouzo: You can say that the single biggest impacts by far has been regional refining margins impacting the result by $178 million. COVID related disruption on a net basis impacted the business by nearly $100 million with overall volume and production losses collectively resulting in another $178 million impact. This was partially offset by an early focus on cost control and lower supply chain costs to manage the impact of the disruption combined with the receipt of some Job Keeper support.

Jevan Bouzo: On slide 13. Retail underlying EBITDA of $670 million show just have resilient this part of the business can be despite the demand disruption that we saw. Retail margins recovered by $124 million from a low base in 2019 more than offsetting the volume impacts during the year. And it's been pleasing to see Alliance volume’s recovering after the worst of the COVID-19 impacts in the first half of 2020. A decision to acquire the remaining 50% of the Liberty regional and Westside businesses delivered a benefit of $22 million for the year.

Jevan Bouzo: We also added 38 new stores to the Shell and Liberty branded network during 2020, taking our total network to more than 1300 stores. Slide 14. In commercial, underlying EBITDA of $238 million was down primarily as a result of the aviation impacts. Border closures and lockdowns pushed down aviation sales volumes by $67 million, which is marginally offset by the receipt of some job keeper support in this part of our business. Our focus on cost and the diversified nature of our broader commercial business meant that outside aviation results held up fairly well. Early in active management of customer credit meant we were able to successfully manage bad debts, such that we did not experience any material impacts.

Jevan Bouzo: Slide 15 sets out the magnitude of the impact to our refining business. Refining was heavily impacted by the decline in both domestic and global oil demand. Underlying EBITDA was a $95 million loss driven directly by regional refining margins at 178

million and lower refining production of $69 million to manage the impact of COVID-19 restrictions. Again, the strong focus on costs and the receipt of some job keeper support marginally offset those impacts. The actions taken to maintain production and bring forward major maintenance helps to mitigate losses and we've seen some small improvements in Geelong refining margins since returning to full production in November 2020. On slide 16, supply corporate and overheads consists of our integrated supply chain of terminals, facilities, depot's, pipelines and distribution assets located right across Australia, as well as site maintenance costs and all our head office and corporate costs. As I mentioned earlier, we acted quickly on costs early in the year and combined with lower supply chain costs delivered a significant reduction in operating expenses, reducing the cost of the segment from $333 million in 2019 to $295 million for 2020.

Jevan Bouzo: Slide 17, sets out our cashflow bridge. Working capital reduced by $97 million partially offsetting the net inventory loss of 257 a year. And when adding back the impacts of the sale of the WayPoint REIT stake and associated capital management, the underlying free cashflow of the business was $87 million. Positive underlying free cashflow was driven by our focus on cost like operating and more importantly via capital expenditure, despite the lower underlying impact.

Jevan Bouzo: Slide 18, sets out the movement in the balance sheet net debt, impact of net inventory loss during the year was partially offset by a release of working capital that I mentioned earlier. And after accounting for the $100 million that remained in proceeds from the WayPoint REIT sell down. Our balance sheet remains strong with relatively low net debt and plenty of headroom in our US $700 million debt facility. Slide 19 sets out our capital expenditure for 2020 and the guidance for 2021. Strong focus on managing capital expenditure during 2020 helped manage cashflow and maintain a strong balance sheet position. The capital expenditure of $159 million for the year relative to our original guidance of 250 to $300 million. Group capital expenditure for 2021 is forecast to be in the range of 185 to $210 million returning to a level that's more consistent with historical levels in the business. The refining major maintenance scheduled for 2021 is the HFA unit, which was originally part of the planned 2020 turn around and deferred to 2021.

Jevan Bouzo: Finally, on slide 20, significant one-off impacts included the $179 million gain relating to the sale of the WayPoint REIT stake. The underlying NPAT RC loss of $35.9 million is in line with the guidance update provided to the market in December and translates to a distributable NPAT of $22.98 million for the year. In line with past practise, we've referred to distributable NPAT when considering the payment of a dividend for the period and with the distributable NPAT loss of $1.5 million in the second half of 2020, there'll be no final dividend for the six month ended 31, December 2020.

Jevan Bouzo: I am pleased to report that despite the challenging 2020, the company returned $595 million to shareholders throughout the year consisting of a $15.5 million first half dividend, $150 million special dividend, $415 million capital return and $50 million on market buybacks. It's a key priority for the company to return to a positive

distributable NPAT for the first half of 2021. I'll now hand back to Scott to take you through our focus on the recovery and outlook.

Scott Wyatt: Thanks Jevan. I'd just like to turn to slide 22 and just touch for a minute on our historical performance. This slide sets out the cash contribution, which is EBITDA less capital expenditure of our refining and non-refining businesses over time. As you can see from there, despite the impact of COVID-19, the non-refining businesses which of course is our retail and commercial segments have delivered strong cash contributions growth over a relatively long period of time. With gradual recovery and commercial segments and continued improvement in our core retail businesses we see opportunities for continued growth into the future. Whilst refining has had periods of strong contributions in 2015 and 2017 as you can see from the chart. It has of course been impacted by weak refining margins since 2018. And of course more dramatically by COVID-19 in 2020.

Scott Wyatt: With the support of an appropriate fuel security package and some self-help initiatives such as the development of the energy hub projects, it is possible to see refining return to delivering reliable and acceptable returns into the future and begin to make important positive contributions to our business. Turning to slide 23, over the last three years, Viva Energy has been working to build a solid foundation for growth. And this is what has put us in such a strong position to deal with the impacts of COVID-19 last year. The renegotiation of the Alliance Agreement in 2019, the acquisition and growth of the Liberty businesses and the diversity of our commercial businesses have all been key to our strong performance in the non-refining businesses last year. Maintaining discipline capital and cost management together with our sensible response to COVID-19 has preserved cash and helped us in to 2021 with a very strong balance sheet and a premium capacity for recovery and growth. Turning to slide 24, which sets out a plan that we have in place to deliver sustained recovery.

Scott Wyatt: We do have a robust recovery in place and we do expect to return to growth over the next three years and already well-advanced on the implementation and delivery of these initiatives. These will be a key focus for us over the next three years. Turning to slide 25, our priorities for this year particularly are very clear, resolve the future of our refining business, restore this to positive returns, pick up the pre-COVID growth momentum in our retail businesses and be ready to capture growth in the commercial sector still heavily impacted by COVID-19. We expect to further develop the Geelong Energy Hub projects and maintain a strong capital discipline that has served us well over the last year.

Scott Wyatt: Finally, on slide 26, our outlook for 2021 is expected to remain challenging, uncertain for refining, but we retain a largely positive outlook across most parts of our business and we're really excited about the year ahead. Before I hand over to questions, I would like to take this opportunity to acknowledge the contributions that our Chief Operating

Scott Wyatt: Officer Thys Heyns has made to our business over the last six years. Thys has successfully led the refining business for most of this time and will retire from Viva Energy at the end of March. I want to thank him personally for his support and leadership and wish him all the very best for the future, and congratulate Jevan Bouzo in his expanded role as chief operating and financial officer of the company going forward. On that note, Jevan and I are now happy to take your questions.

Operator: Thank you. If you wish to ask a question via the phones, you will need to press the star key followed by the number one on your telephone keypad. If you wish to ask a question via the webcast, please type your question into the Ask a Question box. Your first question comes from Mark Samter with MST Marquee, please go ahead.

Mark Samter: Yeah morning, guys. A couple of questions, if I can. First, are you able to give us a bit more, I guess it's hard with everything moving around so much on the volume side and retail, but for how you feel the Alliance sites in particular are tracking in terms of market share? And where you hope they might drop out when... with fully recovered retail volumes are back?

Scott Wyatt: I think really... Thanks, Mark. Thanks for the question. I'm really positive about the retail... naturally about the retail business, given the results that we achieved last year. We came, you should see on the pack, we delivered an average of sort of 59, well nearly 60 million litres a week in quarter four. Which of course includes a fair amount of time with Victoria still under restrictions. So I think in that context, given that environment, I'm pretty happy with the performance of where we sort of exit last year, and entering 2021 with most States now out of restrictions, there's clearly upside from the result that we turned in quarter four last year.

Scott Wyatt: So, based on... from a share perspective, I think we've held share through some particularly volatile times last year. We did maintain a reasonable level of investment in our customer campaigns last year, and that supported a pretty strong performance across... fuel given in the context of the challenging environment, but also it's shop. And I think you can see that in the results that were announced by Coles recently with convenience sales up 10%. I think that really demonstrated the role that convenience stores played with people shopping closer to home, and obviously our brands being a brand of choice through that time. So I think whilst it was a disruptive year when we obviously lost the momentum that we had coming out of last year in terms of restoring growth through the Alliance network, I think we're well-placed to pick up on that and move forward this year, and not withstanding that of course our other retail channels have done well. I'm really pleased with how Liberty convenience has progressed last year with a number of store openings and our own a dealer network, which are more regionally located and we're probably have performed pretty well given that regional areas were largely less affected than the Metro areas. So...

Mark Samter: Guys can you just give us a bit of a refresher within that retail business on the share that is diesel, I mean obviously diesel just about seems to... price is almost a fixed price product at the pump at the moment. And so the diesel Martins have been under pretty material pressure, but I guess maybe explains some of the difference in your

outlook statement to some of your or one of your listed peers perhaps. But you're less exposed to that diesel. Can you give us just a bit more insight particularly diesel, how a lot better in terms of volume and retail last year? How you're tracking at the moment in the retail business from diesels' share of the market?

Scott Wyatt: Yeah, I think while it's... diesel is of course is a retail and commercial story of course. And so you probably got to look at it in that context, Mark. I'm really pleased to see that diesel actually grew last year for our business, despite reductions we saw at many segments and that's a reflection I think of the fact that commercial outside of aviation sectors continued fairly uninterrupted throughout the year. And so we enjoyed good performance outside of aviation. Right across commercial, very strong agricultural season, which benefited both retail and commercial in terms of delivery into those segments. And of course that's an area that we've invested heavily in, in the last few years through the acquisition of Liberty wholesale, and we now have quite a strong presence in rural Australia and we've benefited from that. And we have... I think one of the things we aim to improve after taking over responsibility for the whole complete fuel offer with the renegotiation of the arrangements with the Alliance was to restore growth in our diesel business and retail, particularly through further development of our business offer through Shell Card to customers. And I think you can see some early signs of success in that area now, diesel performance last year in retail. So I think those are sort of key trends, Mark.

Mark Samter: Okay. And then I guess I might as well be the idiot that asked the question that you can't answer on the government support packages. Is there anything you can say about where the point we're sitting out in the terms of negotiation? Is there a reasonably clear feel for how it looks and we're finessing the details? Or are we a bit further away from conclusion than that?

Scott Wyatt: No, I think it's progressing well. It's developing a long-term framework, which is what we are working on and what is ultimately important for our sector is going to take some time. So I think we need to appreciate that. It's not as simple as just what is the refining production payment level that needs to be shared. It's also important to understand the government's plans for minimum stock holding obligations and now how that affects importers and also how the funding is going to be managed for the production payment as well. It's the workings of those three components that ultimately determine how refineries will be positively impacted through the fuel security package. And so working through the workings of those and how that will get implemented is obviously going to take some time. But it's important to understand because that will obviously drive the long-term outlook. So it's going well. Minister Taylor is obviously very supportive of the sector, working hard to find a solution that sees the remaining refineries continue to operate. The department is working through this at quite some pace and we're heavily engaged. And I remain hopeful that we will understand more definitively what that framework looks like before the end of the half.

Mark Samter: Perfect. Thanks Scott.

Operator: Your next question comes from Adam Martin with Morgan Stanley. Please go ahead.

Adam Martin: Hey good afternoon, just on the Exxon and BP refinery closures, can you just talk through any arrangements you have with those companies and the implications of those two closures on your business please?

Scott Wyatt: Yeah, sure. So the Kwinana closure for us is more of a... the implications there are how do we... what's the right way and optimal way for us to continue to supply our market in Perth. Do we... and there's obviously options to continue to purchase from BP in the way that we have done for quite some time as they operate as a refinery or move more to a self supply model and import directly. So those are the options. Broadly the options that we have there in Perth. I think the more material implications for Geelong is obviously the closure of Altona, because that operates in the same State as Geelong does and the same... essentially the same market. I think putting aside that the disappointment to see a refinery close, because obviously there are impacts on people and other businesses.

Scott Wyatt: I think broadly it's a positive development for the long term outlook for Geelong because the market for local production, if you like is now increased because prior to lost... Altona and Geelong operators largely... Enough refinery production to service the whole of the Victoria market with Altona closed obviously. The market for Geelong production is greater and we should have more opportunity to sell our surplus production locally rather than having to send it out to other States. So that's... I think that's a potential opportunity, but also a more structural change that will occur of course, is that Victoria will move to a net import market. And so the demand for imports will grow.

Scott Wyatt: That also presents an opportunity for Geelong, because Geelong has capability not only to act as a refinery, but also to act as an import location and we already do import on the margins where demand in Victoria exceeds our production. And so we have opportunities to really participate in supporting that import demand going forward. And that's entirely consistent as I see it with our vision for that. Just building Geelong into an energy hub, having our import capability alongside refining capacity is very... has a lot of synergies with it and utilises obviously the infrastructure that we already have there and can be developed further so. I'm sort of looking at that as a long-term real opportunity for our business and very supportive of our sort of broader strategy around developing a first class energy hub that will support Victoria in a more material way in the future.

Adam Martin: Okay. Thank you. And just the second question there. Just the other volumes that you report there they've almost fallen to zero in the second half '20. There's a small figure there, but it's pretty low. Is that primarily the Marine business? Can you just provide some context on those other volumes that you report please?

Scott Wyatt: Which slide you're looking at?

Adam Martin: I haven't got the slide in front of me. But it's the other volume where you put out diesel, petrol. And you can only work it out by looking at first half versus second half.

Scott Wyatt: Okay. I'm looking at slides here-

Adam Martin: I can come back to you if you like.

Scott Wyatt: Maybe. I'm looking at other volumes here. 788 million litres.

Adam Martin: And I think you reported like 750 or something in the first half, so.

Jevan Bouzo: 725.

Adam Martin: It basically implies it's a very-

Jevan Bouzo: Yeah, I think it's largely the fall off in fuel oil. Cause we obviously had a pre season at the beginning of the year and not so towards the end of the year. But there was a number of mitigation's that we took around barges and costs to manage the impact of that down to a fairly small impact to the overall commercial business and then most of the specialties products that we sell are pretty low volumes as you can imagine. Things like lubricants and bitumen and those sorts of products.

Adam Martin: Okay. Makes sense. I'll let someone else go. Thank you.

Jevan Bouzo: Thanks Adam.

Operator: We do ask that you limit your questions to two per queue today. Your next question comes from Baden Moore with Goldman Sachs. Please go ahead.

Baden Moore: Thanks guys. Just to follow on from the Altona query, are you already in negotiations with Exxon for an increased domestic crude supply, potentially? And are there any other synergies you think you might be able to yield out of the change in the market structure? And just one on the buyback. I know you mentioned that you came to see a clearer look at the long-term outlook, but does that for you come when you have certainty on the market structure for the subsidy or do you think you'd actually need to see it implemented before you have a more certain outlook for your refining business?

Scott Wyatt: No sure. So I can't talk to you about specific commercial negotiations that we have with counterparties, but I think broadly we are a major consumer of domestic crude. Typically Geelong will process about a third of its diet from local sources and that includes Bass Strait, Cooper Basin and other more local fields. So obviously if there's less... fewer refineries in Australia, then there's potentially the opportunity for us to process more crude and adjust our diet going forward based on what crudes are available in the market. So that will obviously develop more fully once refineries have closed and those crude supplies are available. So we certainly see that as an interesting area. And we'll obviously continue to monitor that. And then I might get Jevan to talk to the capital return question.

Jevan Bouzo: Thanks, Scott. Hi Baden. I think there's probably a couple of points on the capital management. We're certainly committed to returning the $100 million in due course in line with the commitment we made last year. I think you're right. Some clarity on the refining outlook in the context of the sustainability of that part of the business is really what we're looking for. And I won't go into detail on the discussions with government and the potential to get a solution that will give us confidence to run that business into the future. But certainly that's the sort of thing that we'll be looking to understand before we make any decisions on returning further funds.

Scott Wyatt: We've taken the government on their public commitments to date. And obviously there was an announcement last year by Minister Taylor and Prime Minister Morrison about the long term security package. And that delivered on that in the context of the first half in term of production payment that that put in place. So I think getting... As we conclude the discussions, we're having them over the long-term fuel security package. I think we can get confidence on the outcome of that potentially to move forward with the capital return even before it's implemented. But obviously we'd need to see the details.

Baden Moore: Thank you.

Operator: Your next question comes from David Errington with Bank of America. Please go ahead.

David Arrington: Afternoon Scott. Hi Jevan.

Scott Wyatt: David

David Arrington: Scott, the presentation if you go to slide 13, the same question's been asked too... of Ampol and everyone basically in the industry. But clearly there's a couple of really positives there with that waterfall, the 22 million Liberty oil benefit, that was a really pleasing. And then you've got the recovered retail margins of 124 that more than offsets significantly the Alliance volumes of 42. Now my question on this is, how much is that a structural recovery? Because when you look at that benefit, the 124 over 42, it's an 80 million net benefit. How much is that a benefit relative to previous market inefficiencies? In other words, the market was too low in terms of margin compared to how much do you think you're borrowing and might need to give back in '21. Now I know you don't want to give forward looking statements. But the number one question we're all asking in retail in '21 is when volumes pick up, will you be able to keep that retail margin or will you have to give some back?

Scott Wyatt: So probably... and there's two parts to the question I think. Obviously we're coming off a low base in 2019. And you can see that quite markedly when you look at slide 22, which shows... which set out the performance of the non-refining business since 2015. You've got a big step up in 2016 as we started to adapt our strategy with the Alliance and then from there you've seen steady year on year growth with a decline in 2019, where we recently... we obviously took control of the fuel pricing and had a very difficult time in the market as pricing strategies were adapted. And 2020 has

seen a return to the trajectory that we saw from the years prior. So there's a bit of a reset

Scott Wyatt: There from the year before, which I feel is bankable, but if you think about 2020, there was also a period where we had rapidly falling oil prices and quite a benefit to the sector from that as well, which may not be repeatable in 2021, but off setting at the same time, we've also, I think, got some reason to be optimistic about retail volumes continuing to increase through the course of the year too. I think you've got to think about that factor playing into it as well, but the best thing, I mean, the great news for us as a company, David now, is that we have all the leavers, right? We have the ability to set pricing and manage sales outcomes and drive our business much more directly than we were able to before we renegotiated the arrangements with Coles, and that has served us incredibly well through 2020. I have no doubt it will service very well in this year coming, and in the years ahead as well.

David Arrington: Hmm. I'm glad you mentioned Squad 22 Scott, because that's the next question where I was going. When I looked at that display, you probably guessed that, and you probably know where I'm going with the question. I probably don't even need to ask it, just by highlighting it. Your underlying performance in terms of what is your controllable is pretty strong, this result. I mean, really, you've done extremely well. You've got to be pretty pleased with your management team's performance. That slide, given that we're playing in a very COVID impacted year, in '20; I'm talking the light blue line is incredibly encouraging when you look at you potentially got the recovery and in commercial overdue course with Jet, et cetera. You got retail that you're in control of. Yeah, there might be some retail margins there, but you've got volumes coming through. You got Liberty oil that came through.

David Errington: There's a lot of good things going on in that light blue line, but I've got to tell you, Scott, that dark blue line doesn't encourage me. I know that you're talking actively with the good minister and all the rest of it, but as a shareholder, he's going to have to come up with something pretty sweet, a lot of sugar to get me across the line, that refining there. I look at your light blue line, it's a good line, but the dark blue line, well, black hole is probably... it's black and it should be black, not dark blue because it does look to be a black hole to me.

Scott Wyatt: Well, I could have done it in red. That might've been helpful, so you say you see it as a problem. I see it as an opportunity, David.

David Arrington: Oh yeah. God. Please explain. Please explain.

Scott Wyatt: Oh, no. I'm serious. I think the purpose of this slide was to show, look, the non-refining business, as you say, has, I think, performed really well over a long period of time, and yes, some challenges in 2019, but recovered well from that last year, despite last year being a pretty unique year, and still, I think, some recovery in commercials down the track as well. I think there's a lot to be positive about in terms of the underlying non-refining part of our business. If you turn that refining number from the negative 212 cash to a positive number again, which can come from

returning to full production, getting the right package in place with the federal government to give it long term sustainability and maybe some improvement in refining margins over time as the global economy recovers, then suddenly you've got a really good... You've suddenly got a very different business than what we saw in 2020 going forward. It doesn't take much to turn that around.

David Arrington: Mm-hmm (affirmative). Yeah. I mean, I must admit though. It is a cash thirsty business though, isn't it?

Scott Wyatt: If it doesn't turn around, then you change your business model, and that refining segment disappears.

David Arrington: Mm-hmm (affirmative). Mm-hmm (affirmative). It is cash thirsty though, isn't it Scott? I mean, that's the problem. I mean, you've got more CapEx this year. You've probably got 50 million to 60 million every year of cash flow going out in CapEx-

Scott Wyatt: Yeah, which is why...

David Arrington: ... on an average basis.

Scott Wyatt: No, dead right? That's why the fuel security package is really a critical piece of the jigsaw for refining. If we didn't have the announcement last year from Minister Taylor and Prime Minister Morrison, and the interim support package in place to the first part, half of this year, we probably wouldn't have a refining business.

David Arrington: Mm-hmm (affirmative). Yeah.

Scott Wyatt: I think, we obviously take a lot of confidence from that. We've still got to deliver on it. I get that, but like I said before, I think the discussions are progressing in the way they, I was hopeful they would. We should have, I think, a clearer direction within the next few months. I think it's been worth continuing. I think it has the potential to return to a positive contributor, which I think will really turn around the performance that we saw of our group business last year.

David Arrington: Mm-hmm (affirmative). The swing factor. Well, well done on the light blue factor, Scott and Jevan. Let's hope that black number, I know it's not black, but let's hope that's the big swing factor and can at least get back to neutral.

Scott Wyatt: Yep. Agreed.

Speaker 2: Your next question comes from Shaun Cousins with J.P. Morgan. Please go ahead.

Shaun Cousins: Thanks. Good afternoon, just a couple of questions on the Geelong Energy Hub. You've quantified sort of CapEx of 250 to 300 million and FID in say mid 2022. Can you sort of talk about, will Viva incur all, or part, or none of that sort of CapEx, and over what time horizon? Maybe how do you see the Geelong Energy Hub positioned relative to what AGL are proposing, but then also relative to what's going on in Port Kembla and if they cross over in the same market, et cetera, please?

Jevan Bouzo: Yeah, sure. I can maybe keep off, Shaun, on the capital components and Scott will no doubt make some comments around the competitive position of the facility as well. I think from our perspective, we've put the 250, the 300 out there in the context that's the approximate range that we expect will be required to construct a facility of that nature. I think you're right on the fact that we've got a couple of pretty credible partners signed up. We're progressing the opportunity, both on our own and together with those partners, and there's the opportunity for us to work with them in a way that gets an appropriate return for a project of that nature. That might mean sharing the capital investment. It might mean looking at different models. As we get closer to a final investment decision, we'll start to flesh those things out in a little bit more detail.

Jevan Bouzo: I think for now, as you say, you shouldn't necessarily assume that we're going to need to spend all that money ourselves, and in the event that we do, there's obviously return hurdles that we'd be looking to get us comfortable with taking an FID position when the time comes. Again, it takes time to construct a facility like that, so it's not something that we'd outlay, all in one go, and it would happen over a couple of years, obviously.

Shaun Cousins: And how to position, please Scott? This piece.

Scott Wyatt: Sorry?

Shaun Cousins: Sorry, how do you think Geelong stacks up relative to sort of Port Kembla, which seems a little bit more progressed than IGL, which is not as progressed?

Scott Wyatt: Oh, look I think, I think you would expect me to say this, but I think our project is advantaged and relevant because of the fact that it is an existing facility. Our, I think the development of construction of our project, I think should be more straightforward. I think the activities that we're bringing in as part of the LNG and pool facility, a pretty sympathetic to what we already do there, and that should ultimately translate into more a more simplified approvals process as well. And we have a track record of been operating for 60 years. You know, we know what we're doing and, and I, I genuinely believe it's the right place to locate a facility like that. And, obviously if you stand back from, from an all from the commercial aspects and thinking about what's right for the state, anything we can do to support the longer term sustainability of the refinery, which having other projects like the LNG import facility, or that all helps, it actually provides the critical message sustainability that we need and diversified earnings for the site. So there's lots of reasons why our project is the right project to back, but you know, we acknowledge we're competing with another two projects and there remains to be seen which ones are those actually progress through to being constructed? We're focusing on ours, we're working forward as quickly as we can. I think we've made remarkable progress given that we only announced this project less than a year ago, and we're already into front end engineering design. We've already brought on some really high quality consortium partners that now also see the same opportunity. And I think that's a real vote of confidence for the project as well, and for the other projects and what to do at the

sites. So, I think we'll, we'll continue run our own race and, and I've remained pretty positive about it.

David Errington: Great. And my second question is just around, Kwinana understandably Ampol have had to come out and say that they are talking with Trafion on the Kwinana sort of terminal, but also we understand that it's not exclusive, is that a pro, is that a terminal that would be of interest to Viva now that you are engaged with them

Scott Wyatt: As I said before Sean I think we've got a couple of options now in simple terms, and there's always more than two, but we continue to work with our traditional supplier into Perth, which is BP, or we can run our own race and import into the state where we sit already in a terminal in Perth with, which is industry terminal with others. So sometimes running your own race means that you do end up working with others to import into there because you happen to be using the same facility and obviously their synergies and importing with others so there are lots of different options that we have there for Perth and obviously with the landscape now changing, you know, we'll work through that. And settle on what's the best commercial outcome for us going forward, so it's good to have more than one option, Sean. So I think that there's always helpful in terms of getting the right competitive outcome.

David Errington: Any comment on Trafo. Are you actually talking with them on, on that facility?

Scott Wyatt: I think as I said, during the group discussion, we don't, we cant make comments about commercial projects. He's expecting to say that

David Errington: Fair point. Thanks so much. Your Next question comes from Joseph Wong with UBS. Please go ahead.

Joseph Long: Hey guys, just two questions from me. If I kind of look at the energy hub over the next 18 months, can you provide a bit more detail on key milestones you want to achieve before entering FID?

Scott Wyatt: Yeah so a front end engineering design work this year, we're hoping that will progress to a point where we can take FID in the first half of next year. And then obviously you move into construction and have gas flowing from early 2024. That's the sort of broad milestones that we're hoping to achieve for that particular project. Now obviously other projects are less developed. We announced recently the alliance of Hyzon Motors, which is really a platform for us to potentially move into green hydrogen manufacturing and most interestingly beyond that, is you know, refuelling, creating a market for heavy vehicle hydrogen use and in participating in the refuelling of that market as well. So yeah, those are that's called more sort of market maker type projects, but it gets us into, into what will be an emerging energy space over the next decade and early days. So not necessarily something that's going to generate significant returns, but I think as in terms of investing for the future and building experience and credibility, that it is good projects to be involved with, probably projects to be involved with, with others to share the risk and experience.

Scott Wyatt: Yeah.

Joseph Long: Yeah. And then just my next question is you talking about the refinery, you're looking to have it returned back to sustainable profits. Just wanted to understand if you have a, does it break even margin target that you kind of looking at going forward. So what you can control, I saw you done $15 million of cost improvements in 2020. Should we expect more in the following years?

Jevan Bouzo: Yeah, I think I can cover that, Joe. I think there's, there's been a pretty strong focus on cost right across the business through 2020. And obviously that will continue into 2021, particularly in the areas of the business that are yet to experience a full recovery. I think in the refining space a return to full production in November means a little bit of cost comes back. And some of the costs that we're able to achieve was because we were running in an impaired mode throughout the year. At the same time I returned to full production brings just that some additional production and therefore the ability to earn some additional margin and with a small improvement in margins that we saw through November and December, that all goes to helping get back towards a breakeven level at the refinery, not to mention the interim support package that we've been able to achieve.

Scott Wyatt: So I think it'll, it'll, it won't necessarily be one item that supports the refinery getting back to a positive earnings, contribution or a sustainable return for the business, it'll be a combination of all those factors together. So you know, a bit of self-help on our part plus the outcome from the discussions with the government. But certainly as we go through that process, what we're focused on doing is getting that refining business to a point where it delivers a sustainable return. And because obviously it, and I think David mentioned it earlier it draws a level of capital and therefore you need to get a return on that capital, not just continue to break even. So that was part of our focus.

Operator: Your next question comes from Grant Saligari, Credit Suisse. Please go ahead. Mr. Saligari, your line is open.

Grant Saligari: Sorry. Y'all my apologies. Just a couple of questions on the volumes if I could. On slide 13, you detailed the impact of the Alliance volume decline presumably there's a volume impact from other retail retailers that you supply. So I'm just interested where that is sort of captured in the waterfall and any comments you could make in terms of whether it's a sort of a similar magnitude impact across the rest of retail, which probably would be.

Jevan Bouzo: I can cover that Grant. Yeah, I guess we've been pretty fortunate across that part of our business that while we have seen some retail impacts with some of the dealers and wholesale customers, we've also seen the regional business and some opportunity there with you know, a better regional season, really not to mention the growth in the Liberty business, which remains a joint venture that we have with the original Liberty owners. And so on broadly speaking on a net basis, volumes have held up fairly well in that part of the business with the client in some other retail segments, like you mentioned but some growth in regional and the Liberty convenience business, largely offsetting that. That's why that's a separate question,

Grant Saligari: Just a question on the Q4 volumes, I don't know whether you can make any comments around how that moves through the quarter and how close we are back to sort off full

Grant Saligari: recovery in automotive volumes.

Scott Wyatt: I think we've still got some way to get to full recovery. I think that's the case right across the retail sector, because you've still got some aspects of border closures, some aspects of people not fully returning to work. And whilst that's small, public transport still drives mobility. I think there's still some mobility does vary [inaudible] your recovery restrictions are off. I think it'll take a little bit... It's also something that we continue to progress through the course of next year as people get more confident about how the country has tracked handling of COVID-19. Obviously, vaccines are going to help as well, and just getting back to a more normal environment. So yeah, it'll take a little bit of time.

Scott Wyatt: I think, as I said at the beginning, the Alliance sales that you see there does reflect quite a number of weeks of Victoria still being in lockdown. And obviously, we start this year... Okay, a couple of five-day lockdowns, but largely into more COVID [inaudible]. So in that respect, Quarter One should start to lift on that number.

Grant Saligari: Okay. All right, that's helpful. Thank you.

Operator: Your next question comes from Michael Simotas with Jeffries. Please go ahead.

Michael Simotas: Afternoon, everyone. First question from me, I'd just like to touch on the comment in your outlook statement around retail fuel margins remaining at sustainable levels. I just want to understand the message there, are you suggesting that the levels we're seeing in the marketplace for the early part of '21 is the right sustainable level? Or do you think that there has been some temporary margin compression, given the oil price increase, and you could see things get a little bit better from here?

Scott Wyatt: I think there's been... You see things in compression in the first part of this year because, obviously, oil prices have been fairly steadily increasing, Michael. And as we all know, it takes time for that to cycle through into the retail market, it takes a few price cycles to get there. So, margins are a little bit compressed as a result, first part of this year. So no, we're not trying to say that that becomes the run rate going forward at all.

Scott Wyatt: But this is what we are saying, is that we've had a recovery at 2020 after 2019, we don't see it going back to 2019. We think the market's been pretty rational through the most difficult periods of time and we expect that to continue through the course of this year. Not withstanding, as I mentioned before, the real tailwind we had last year from falling oil prices, and that could be repeated depending on what happens internationally, but we're not assuming that will happen.

Michael Simotas: Yep. That's clear. Thank you. And then the second one from me, is on the Alliance. And I just want to understand how you're assessing the performance of the Alliance

relative to the market. It looks to me like, based on the number you've given us for the December quarter, you average somewhere around 60 million litres a week in December, and tell me if I'm wrong on that, but that's sort of what the math suggests to me. That's down about 14% relative to the 70 million litre per week pre COVID peak that you called out last year.

Michael Simotas: If I look at industry data, it looks to me like the market was pretty much back to normal pre COVID levels in the month of December. So I just want to understand whether that's a regional versus Metro mix or whether there's something in local area markets that I can't see from looking at the macro data. But it looks to me like the Alliance has underperformed the broader market through the COVID period, and then through the recovery that we've seen so far.

Jevan Bouzo: Michael, it's Jevan here. I'd probably test you a little bit on the base that you're using. I think when we talked about the 70 million litres a week pre COVID, we talked about having recovered in the second half of 2019 to 65 million litres a week as an average, over a period. And the final quarter there, was about 65 million litres a week too. As we came into the first quarter 2020 pre COVID, we talked about seeing some weeks at 70 million litres, and that was giving us confidence around the trajectory.

Jevan Bouzo: And whereas the number we're talking, being that sort of 59, 60 million litres a week average per queue for last year, is probably not necessarily comparable to those few weeks that you see. So I sort of argue that in the Alliance, you're probably more comparing the 65 million litres a week from late 2019, to the 60 or so that we saw in the final quarter of last year.

Jevan Bouzo: There's always going to be a little bit of impact or difference between the total market and the Alliance. And obviously, the Alliance has a bit more of a Metro focus and there's other parts of our business, Liberty and Liberty Convenience and others, that capture more of that regional focus. But I think, all in all, we're actually moving in a pretty good direction and we're seeing some pretty positive momentum in that part of the business.

Michael Simotas: Okay. So it sounds like we might've put a bit too much weight on that 70 million litres a week. Thank you.

Scott Wyatt: Our data doesn't suggest that we're seeing erosion in market share, Michael. [inaudible] we're holding ground where we want it to be.

Operator: Once again, if you wish to ask a question, please press Star 1 on your telephone and wait for your name to be announced. If you wish to ask a question via the webcast, please type your question into the Ask a Question box. Your next question comes from Daniel Butcher with CLSA. Please go ahead.

Daniel Butcher: Hi everyone. I was hoping you could just give a bit more colour, firstly, on aviation volumes and your splits there. Knowing you were down 50% year on year, Ampol was pretty much similar even though they've got a very high international bias. I'm just curious, if you could talk a bit more about the splits of your aviation business

between the various sub-segments of domestic, international. And, how you see them improving over time as we recover and go out of restrictions.

Scott Wyatt: Yeah, If I can cover that, Dan. Thanks for the question. I think, it's obviously hard to compare exactly to their business because I don't know their split directly, but I think, very much so, we're fortunate that in the aviation sector at least, we've had good exposure to regional markets in general aviation. And that certainly helped. We've had pretty good exposure to domestic, and we think that will support us going forward, where we're able to see progressive recovery in domestic aviation volumes.

Jevan Bouzo: But we have also had some exposure to international, and with the sort of market share that we've seen in our business, in that space over time, it's natural that we'd have exposure to all segments. And we don't publish the split between segments, but I can say that we're, I think, expecting to benefit from some recovery in aviation over time, but likely, that that will be a more gradual recovery than what we've seen, for example, in the retail space.

Daniel Butcher: All right. Thanks. And the second question, you very helpfully gave your budget for LNG import terminal CapEx, which seems about the right sort of level. Do you care to give us, as a scenario, your early numbers you're working on for the important terminal alternative to Geelong Refinery?

Scott Wyatt: I'm not sure I completely understand the question. What do you mean?

Daniel Butcher: Obviously, in assessing the future of the refinery, you're looking at the alternative of converting it into an import terminal. Can you give us an idea of, if you did that, what would the extra cost be to enhance Geelong's import capabilities?

Scott Wyatt: If we stop refining and convert it?

Daniel Butcher: Yes. Yep.

Scott Wyatt: Yeah. Dan, we haven't shared that number, or to be honest, done enough work to determine what that number would be. Clearly, that hasn't been the focus. Our focus has been on what's needed to see Geelong continue as a refinery. So, that's not something that we've actually contemplated at all. But we know from experience in conversion of Clyde, that it's a few hundred million dollars to convert a refinery into an operating terminal.

Scott Wyatt: I think, if we had to do that though, we would do that over a number of years. We wouldn't be doing that as a concentrated period of works. I mean, that was the case with Clyde, we did that work between 2012 and 2018, when it was finally finished. If we had to take that pathway with Geelong, it would be a similar exercise, I think, because Geelong can already import alongside refining, as I mentioned before. So we could import and we've done that before when we've had shutdowns, et cetera. So, that can be done quite quickly.

Scott Wyatt: And then it's a case of doing the work over a longer period of time to convert. And the capital call on that would probably be very similar to the sort of capital call that you'd expect to see if we continued running it as a refinery. So, quite manageable within our normal cash flow.

Daniel Butcher: Okay. That's helpful. Thank you.

Operator: Your next question comes from Scott Ryall with Rimor Equity Research. Please go ahead.

Scott Ryall: Hi there. Thank you. The first one I have is a very quick one, hopefully. On slide 24, you make a statement that you continue to lead engagement with government on industry fuel security package. Are you saying that you think you have been leading the engagement on behalf of all refineries? Is that what you're trying to get across there?

Scott Wyatt: No, We're not trying to get across, that, at all. But I think, we have certainly been driving it quite hard because we see it as very important for our future, and being actively involved and providing some leadership in that area. The reality is, of course, there's now two refineries that we'll be having those conversations, right? So in that respect, you could argue, we are one of the leading companies. Right?

Scott Ryall: Yeah, okay. That's nice. Fair enough. Okay. No, no. I just wanted to check what you were trying to get across. And then the second one, maybe it'll take you a little longer to answer, you've got the obvious issues around refining fuel, security, supply chain, strategic storage issues. You've had to manage COVID over the last 12 months, particularly being quite a Victorian-focused business. You've had a lot to do there. You've got the structural changes, with respect to the other refineries shutting down, and buy, sell arrangements and those sorts of things. And you've got your COO retiring. Do you have the management depth for everything that you've got on your plate at the moment? It's a pretty abnormal time. My way of asking, are you okay, in a corporate context?

Scott Wyatt: Serious though, it's a fair question. And I think, what you don't get to see is the depth of leadership that we have at the next level down in the company. And we have some very capable and strong leaders in our, what we call, our senior leadership group that drive many parts of our business. And obviously, in the Operations area that reports to Thys, there are some very, very, very capable leaders. So that's unchanged. That will continue.

Scott Wyatt: And yes, I'm very confident with the changes that we're making. And hopefully at some point, we'll have the opportunity to run an investor strategy day as well, and give an opportunity for some exposure to some of the broader group of people as well.

Scott Ryall: Great. Thank you. That's all I had.

Operator: Your next question comes from Anthony Livanios who says, "What was the provision for bad debt for the year? And how does it compare to last year? What was the impact on the bottom line results?"

Jevan Bouzo: I can take that one. Thanks for your question, Anthony. Yeah, we did quite a lot of work quite early to manage credit exposure and potential for bad debts. And I'm quite proud of the work that the team has done both in finance and the commercial business, where we have the greatest exposures. And in the context of our bad debt provision, it was low, single-million dollars, not too different from historical levels. And we didn't experience any material bad debts throughout the period.

Jevan Bouzo: But there was a lot of work and effort behind that, and some pretty active management of credit across all areas of our business through the disruptions. And I think it was a real highlight in the way that was managed and the outcome that we achieved.

Operator: There are no further questions at this time. I'll now hand back to Mr. Wyatt for closing remarks.

Scott Wyatt: Yeah. Look, thanks again for taking the time to join us today. I think we've covered it well in terms of the business performance for last year. But in terms of just summing up, I think, if you can look through refining, which was clearly a challenging part of the business last year, I'm really proud of the way the rest of the business has performed to deliver a strong sales performance, despite reductions in demand, to see diesel sales growing. To see our premium penetration grow, to see us continue to roll out critical sites in our retail network despite the challenges of actually executing on the ground during the course of last year.

Scott Wyatt: Turning in, I think, a very strong non-refining performance, showing earnings growth in a net core part of our business. Those are all real highlights for me in terms of our performance in 2020. And I think, for refining, we have a pathway forward. And yes, there're still some important decisions that need to be taken and some support with our current assignment. I'm pleased with the progress we're making and I can see a pathway to returning refining to a positive contribution in the short term and a meaningful part of our business in the longterm, supported by other projects at Geelong as well.

Scott Wyatt: So, I think we start the year in a really strong position. We had a good trajectory in November, December. I think that we'll see that continuing over the early parts of this year with opportunity to benefit from further recovery from COVID-19 through the course of this year. And so, I think the outlook is good and I look forward to delivering on that and turning in some results in the first half, and through our quarterly updates, in April, that will help to provide some evidence of that recovery. So, thanks again for your support and thanks very much for joining today.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

[END OF TRANSCRIPT]