TRANSCRIPTION

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Operator: Thank you for standing-by, and welcome to the Viva Energy Australia full year 2021 results call. 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, you will need to press the star key followed by the number one on your telephone key pad. I would now like to hand the conference over to Scott Wyatt, Chief Executive Officer. Please go ahead.

Scott Wyatt: Good morning, and thank you all for joining us today to discuss Viva Energy's full year results for 2021, which of course follows the guidance that we provided in December. My name is Scott Wyatt, Chief Executive Officer of Viva Energy, and on the call with me today is Jevan Bouzo, our Chief Operating and Financial Officer, and Lachlan Pfeiffer, our Chief Business Development and Sustainability Officer. I would like to begin this morning by acknowledging the traditional owners of the lands on which we are collectively gathered for this call and pay my respects to their elders, past, present, and emerging.

Scott Wyatt: I'd like to now turn to slide five of the presentation. Given the challenges arising from the pandemic, I'm delighted with the performance of the company during 2021 and with the results that we are reporting today. We've experienced strong growth across all parts of our business, including an 8% increase in retail fuel sales volumes, a 39% improvement in commercial earnings, and a strong return to profitability at Geelong Refinery during the fourth quarter. The Federal Government fuel security package has of course transformed the outlook for our refining business and provides a foundation to progress our broader vision for the energy hub. In this regard, we have made excellent progress on our proposed LNG terminal and received funding from the Federal Government to construct 19 million litres of diesel storage, which will commence this year. We have more plans for this part of our business and have also announced an emissions reduction commitments as part of our broader energy transition strategy, which we shared with you in November last year.

Scott Wyatt: Overall, we have delivered a strong financial performance in 2021, made excellent progress in our strategic priorities, and we're well placed to benefit from the broader market recovery in the year ahead. Our strong financial position has enabled us to complete the further $100 million capital return and an $18 million on-market buyback during 2021. And with the combined interim and final dividends deliver a full year fully franked dividends of $115.5 million, or 7.3 cents per share.

Scott Wyatt: Turning to slide six. Let me take a moment just to reflect on our safety performance. Last year, we recorded four high-potential process safety incidents, including three at Geelong Refinery and one at our fuel terminal in Sydney, as a result of failure in customer equipment. There are minimal consequences from these incidents and we've captured learnings which have formed our broader safety programmes. Not withstanding these incidents, I'm really pleased with the continued reduction, underlying loss of product containment's, which of course are a key indicator of process safety risk. We invest heavily in our reliability programmes to minimise the risk of these sorts of incidents, and this is a key driver of continuous long term improvement in this area. Our total recordable injury frequency rate, which measures the number of injuries per million hours worked, was elevated compared to prior years. Higher levels of construction, maintenance, and operational activity across the business has contributed to an increase in musculoskeletal injuries, which forms the majority of these personal injuries.

Scott Wyatt: Our renewed focus on improving manual handling techniques and risk management and routine operational tasks has helped to reduce injury frequency in recent months, and this will remain a priority for the year ahead. Of course, I'm particularly proud of the way we continue to care for our employees and contractors to minimise the impact of COVID on people and our operations. We have a very high level of voluntary vaccination across our work groups and minimal infection within the workplace. I'm very proud of the way we've maintained safe and reliable supply for our customers throughout the pandemic.

Scott Wyatt: Turning to sales performance on slide seven. I'm also very pleased with the recovery and share growth that we have seen in both retail and commercial during 2021. Throughout the pandemic, we have maintained a strong focus on core marketing businesses with total petrol and diesel sales lifting by 8% and 14% respectively. While jet share has declined slightly, this market continues to be heavily impacted by border closures and recovery has of course been slower than expected.

Scott Wyatt: Turning to slide eight. We have seen a strong recovery in regional refining margins driven by both actual and expected recovery in global oil demand. Together with reductions in refining capacity from permanent closures and maintenance activity across the region. This continues into 2022, however increases in crude premiers for the crude's process that Geelong is having a dampening effect. Geelong production in 2021 was strong with major maintenance deferred from 2020 now complete, and a relatively quiet year ahead. Improvements in domestic demand have allowed Geelong to return to a more normal production mode and better optimise the production slate. Availability has been excellent at more than 94%.

Scott Wyatt: Turning to slide nine, I'd like to discuss now the progress we've made on our strategic priorities. As I mentioned before, the Federal Government's fuel security package materially transforms the outlook for our refining business. The fuel services security payment in particular underpins future earnings until 2028 to 2030, by providing direct financial support when margins fall below an agreed level. This reduces downside earning risk while maintaining the opportunity benefit from upside when refining margins are stronger, as we saw in quarter four. It provides confidence to invest in major upgrades to the refinery, which will improve the quality of our product and the reliability of the facility, and to progress our broader vision, to transform the site into a modern energy hub. We have now completed front end engineering design for the LNG project and have progressed to the regulatory approval phase. I'm very pleased to have Woodside join with Engie, Mitsui, Vitol, and VTTI as one of our partners, and that we've entered into a heads of agreement with Hoegh, to provide the necessary floating storage regasification unit.

Scott Wyatt: We continue to explore the feasibility of establishing a hydrogen production and refilling site supported by behind-the-metre solar and have received a grant from the Federal Government to establish 90 million litres of diesel storage, as I mentioned earlier. We are also expecting to receive up to $125 million of funding to upgrade the refinery, to produce petrol, to support lower emission fuels from 2025. We have also made commitments to reduce our own emissions and achieve net zero across our non-refining business by 2030 and across the whole group by 2050. In summary, we are very excited about the foundations we've laid in 2021 and the opportunities that lie ahead. Let me now hand over to Jevan to talk in a little bit more detail about our financial performance.

Jevan Bouzo: Thanks, Scott. I'll kick off on slide 11. 2021 has been a good year, our EBITDA RC doubled to $484.2 million. After a challenging 2020, we set out a number of priorities as part of our pathway to recovery. Scott has already covered these in the earlier slides, and it's great to see a lot of these bearing out in our financial results for the year. We grew our retail fuels and marketing business by about 3% to EBITDA of $404.8 million despite temporary impacts in retail. Refining EBITDA was positive $103.4 million after a large loss in 2020, reflecting both the introduction of the fuel security payments and a return to standalone profitability in the fourth quarter. Corporate costs were up marginally and our underlying free cashflow was up $174 million to $261.1 million, supported by strong cash generation across all segments. Importantly, we resume paying dividends during 2021 with a full year dividend of $115.5 million, up $100 million from the prior year.

Jevan Bouzo: On slide 12, we've set out the updated segmentation changes for the full year. Many of you will remember. We made these changes at the half year to more clearly show the true underlying cash generation of the business. A short summary for the full year is set out on this slide. We allocated actual lease costs to each relevant segment rather than in depreciation and finance costs under the new accounting standards. As a result, our underlying EBITDA is referable to net debt, excluding lease liabilities. We've allocated supply corporate and overhead costs to provide better transparency of retail fuels and marketing profitability, with refinery related costs allocated directly to the refining segment. The wholesale business with sales to independently branded operators and regional businesses was moved from retail to commercial within the

RFM segment. Finally, we've aligned the underlying NPAT with the previous definition of distributable NPAT. This removes the need for a separate distributable NPAT calculation, and dividends are now determined with respect to underlying NPAT RC, which relates more directly to the free cashflow of the business. A complete reconciliation between previous and current reporting is included in the appendix.

Jevan Bouzo: Turning to slide 13, we've set out the group EBITDA waterfall. On this slide, I'll take a moment to talk to the performance of each of the segments starting with retail. Sales volumes began to recover from the lows of 2020. However, due to lockdowns in our two biggest markets in the second half of 2021, we're still yet to see a full year of post COVID impacts. The rising oil price tends to compress retail margins, and this had the greatest impact to retail earnings in the second half as well. Despite these temporary impacts, we continue to deliver our marketing plans, which have no doubt contributed to the improvements in market share that Scott covered earlier. And will set us up well for a further recovery going forward. In commercial, I'm really proud of the significant improvement in underlying EBITDA.

Jevan Bouzo: This came from a combination of sales growth, the disciplined approach to new business and contract rollovers, as well as strong management of our supply chain through a particularly uncertain period. We're yet to see a sustained recovery in aviation, and I look forward to this when border restrictions relax further. The refinery result was driven by a strong rebound of refining margins. However, this is a large figure due to the low lows of 2020. We received temporary production payments during periods of low refining margins throughout the year with a return to profitability in the fourth quarter. Production levels are up offsetting increases in freight and energy costs. Across each of the segments, including corporate we allowed a bit of cost back into the business as we started to return to more normal levels of activity, at least for part of the year. Foreign exchange was a bit of a headwind and mostly effects refining margins, which are US dollar denominators. And the majority of the job keeper programme did not carry into 2021. Overall a great recovery in underlying EBITDA to $484.2 million with further opportunity in a post COVID environment in each of the segments.

Jevan Bouzo: On slide 14, we've set out a breakdown of net cash flow for the year, which totalled $47.7 million. We manage the cash position well over the year, with working capital outflows, mostly offset by inventory gains following increased oil prices. When adding back to one off items and returns to shareholders, our underlying free cashflow was $261.1 million. A great result that highlights the strong cash generation of the business.

Jevan Bouzo: Going to slide 15, we've set out a capital expenditure profile. The underlying business capital expenditure for the year, was $171 million and represents a return to an almost normal level of activity. You'll see from the bar chart on the left for a significant level of underlying business capital expenditure was deferred in 2020, and we expect to catch some of this up in 2022, along with an allowance for investment in a number of growth opportunities. We spent $14 million on energy hub projects and expect this to increase substantially in 2022.

Jevan Bouzo: As we approach FID for a number of major projects, such as the strategic storage, ultra low sulphur gasoline upgrade and the LNG terminal. Overall, we provide guidance of $230 million to $240 million of underlying business capital expenditure. Along with energy hub projects expected to cost 100 to $110 million. I'm pleased that we have a strong balance sheet to manage this, which I'll cover in a couple of slides. On slide 16, we've set out the final dividend position for 2021. Splitting out our dividends as we do now, the board has determined a payout ratio of 60% for retail fuels and marketing NPAT of $65.2 million in the second half, delivering a fully Franked dividend of 2.50 cents per share for the six months ending 31 December 2021.

Jevan Bouzo: We assessed the full year performance of the refinery, particularly the return to profitability without temporary production payments or fuel security payments in the fourth quarter. And the board determined a dividend of 60% of NPAT was appropriate. The refining dividend is assessed annually and equates to a fully franked dividend of 0.70 cents per share for the year. The combined total second half dividend is 3.20 cents per share, which will be payable to registered shareholders on the record date of 8 March 2022.

Jevan Bouzo: Turning to slide 17, we've set out our strong balance sheet position. In line with our capital management framework, we returned $183 million to shareholders during the year, including $66 million in the first half dividend, a capital return of $100 million and $18 million of the $40 million on market buyback. After returning $118 million to shareholders, we ended the year with net debt with $95.2 million. A little better than where we started at the beginning of the year. We have an ambitious capital programme ahead of us and have set a target to add more than $50 million of new earnings. Our balance sheet remains strong

Jevan Bouzo: And has plenty of capacity to support this. I'd now like to hand back to Scott, to cover the outlook and priorities for 2022.

Scott Wyatt: Thanks Jevan. Look, these are really pleasing results and we're very excited about the opportunities in the year ahead. If you recall, last year, we set out our longer term strategy for each of the key businesses and our approach to the energy transition, which is summarised on slide 19. In summary, our strategy, is to continue to outperform in our core business, leverage diversity to develop growth pathways and acquire the capability to accelerate proven business opportunities. As Jevan just mentioned, we expected to achieve more than $50 million from new earning streams over the next three years and have already made serious progress in many of these areas, as I've touched on earlier in the presentation. Our approach to the energy transition, which we've set out in slide 20, is to leverage our position as a significant and established energy supplier, to play a key role in serving the nation's energy security agenda, while concurrently developing and integrating new energies as they are commercialised and demand is proven. Australia, of course, is a large and diverse country with traditional energy resource, typically located far from the demand centres.

Scott Wyatt: The majority of the country's oil, both crude and refined, is sourced from overseas. And increasingly, gas has to be transported from gas fields in the North of the country, to demand centres in the South. Our refinery in Victoria services the country's largest contiguous market. With Victoria, South Australia and New South Wales, all receiving production from Geelong. The refinery takes crude oil from local gas and condensate fields and has dedicated port capability to receive oil and refined products for processing and storage through our refining infrastructure. Supplying 10% of the country's liquid fuel requirements and 50% of Victoria's, the Geelong refinery is well placed to service the nation's fuel demand well beyond the end of this decade. Displacing imports should demand decline from long term impacts of energy substitutions. Fundamentally, we provide an important base level of energy security, while the country undertakes a broader energy transition.

Scott Wyatt: We believe the same can be said for natural gas. Victoria and other Southern states are facing a significant decline in natural gas supply, as traditional gas fields reach the end of life. Gas substitution policies are important and under development, but the executions and success of these will take many, many years to deliver. And certainly, well beyond the end of this decade. In the meantime, people will continue to need gas to heat homes, cook and underpin many industrial businesses and jobs. Our energy terminal can be quickly connected to the largest gas market in Australia. Bring gas from other parts of the country and overseas to fill the looming shortfall and eventually be taken away, once the facility is no longer required, sometime in the future. The state's energy security position, is secured without any additional local gas fields developed, or pipelines required to be built.

Scott Wyatt: We support both energy security and the energy transition in the sensible and most economic way. Of course, we also have an important role to play in developing and commercialising new and emerging energies. We are particularly focused on helping our customers reduce their own emissions and introducing hydrogen for commercial road transport, such as buses and trucks. Pure battery vehicles are not suitable for these applications, due to the weight of the battery and the charging times required. Hydrogen replaces the battery, which reduces the payload impact and greatly improves refuelling times, with an experience that is similar to traditional fuels. It is a product that we are already familiar with and will integrate well with our traditional service stations and refuelling facilities. With Australia's broader investment in hydrogen production, our role is to integrate this with traditional fuels to provide a complete energy solution and provide home-based and on-road in refuelling infrastructure.

Scott Wyatt: Although, this remains an emerging energy, we are very excited about the opportunity that this presents and we are assessing the feasibility to develop our first commercial venture at our energy hub in Geelong. We are committed to being an active participant in the energy transition, by extending our role in energy security and leveraging our capability and customers to build new energies.

Scott Wyatt: Turning to slide 21, let me just provide a brief update on our LNG terminal. Australian Southern states are forecast to experience shortfalls of gas, as early as next year. In Victoria, more than two million households and 65,000 businesses rely on gas. Our proposed gas terminal in Geelong provides the most efficient gateway to supply gas into the Victorian transmission system, as I mentioned earlier. It is now the most advanced gas terminal project in Victoria, with a final investment decision expected in the third quarter of this year. Our project partners, including Woodside, ENGIE, Mitsui, Vitol, and VTTI brings substantial international experience with LNG re-gasification terminals. And the commercial model we are pursuing, is a combination of typical midstream infrastructure style return, with the opportunity for significant upside via direct participation in the gas market. Viva Energy's environmental effects statement submission is now with the Victorian government and we expect it to be open for public submission in the first quarter.

Scott Wyatt: Slide 22, provides a brief update on the minimum stock holding obligations, which are being introduced by the federal government. These MSO settings are currently the subject of discussion with government and it is not yet clear what the overall impacts on industry will be. However, we expect them to support our commitment, to continue operating Geelong refinery and believe we will be compliant from the commencement. We do expect a secondary trading market for storage is likely to develop, to cover market participant shortfalls. And we will be watching this with interest. We will keep you informed of this policy as it is developed.

Scott Wyatt: Looking to the year ahead, there are a number of key priorities and milestones, we aim to achieve in 2022, set out on slide 23. This includes reaching FID on the gas terminal and on the first hydrogen refuelling station. We also aim to materially progress, our emerging carbon solutions business, and continue to extend our Liberty convenience expansion. Of course, there are other areas we are exploring. And as mentioned earlier, we expect to deliver more than $50 million a year, from new earning streams over the next three to five years. Looking ahead to 2022 on slide 24, we are expecting to benefit from continued recovery in retail and aviation fuel sales, as markets settle and travel resumes.

Scott Wyatt: There may be some ongoing disruption as the country continues to deal with the pandemic, but it is our belief that there is sufficient commitment to living with COVID amongst government and the community, and that the days of extended periods of lockdowns are now behind us. Inflation and the high oil prices are likely to provide some headwinds through the year and will require careful management to control costs and manage exposures. Fortunately, the majority of our contracts provide for regular costs pass through in line with inflation.

Scott Wyatt: High demand for oil is lifting crude premias in the early part of this year, as I mentioned earlier. And geopolitical factors are likely to continue to drive some uncertainty in volatility. The fuel security package provides considerable protection from these forces within our refining business and there remains considerable upside driven by recovery and global oil demands and refinery capacity reductions. Overall, I'm very optimistic about the year ahead and have confidence that we are well placed to both benefit from any recovery and navigate challenges in the same way we did in 2021. On that note. Let me now open for questions.

Operator: Thank you. If you wish to ask a question, please press star, one on your telephone and wait for your name to be announced. If you wish to withdraw your question, please press star, then two. If you are using a speakerphone, please pick up the handset to ask your question. The first question comes from Adam Martin from Morgan Stanley. Please go ahead.

Adam Martin: Good morning, Scott, Jevan. Just, perhaps you could touch on cost inflation, labour availability in particularly, obviously around Geelong gas and LNG imports as well. How you're thinking about that? But, maybe you could touch just the broad business, and then also that project plays.

Scott Wyatt: Jevan, can I get you to pick that up? I really struggled to hear that, I've got quite a scratchy line at my end, so I might try and just... Did you hear the question?

Jevan Bouzo: Yeah, Scott. Let me have a crack at the cost inflation point first, across the business, and then maybe, Lachlan can talk to some of the costs around the LNG import terminal and how we're thinking about that over the forward period. Thanks for your question Adam. I think, we are seeing challenges with labour availability and cost inflation in the market, no different to any other business. Scott touched on it in his closing comments on the final slide. We are fortunate that in our sector, a lot of our commercial contracts and large customer arrangements, are based on formula prices associated with underlying commodity price and provide for costs passed through in line with inflation. And so, I think that's a real positive. Truck driver availability in the sector and general availability of staff across all segments remains a challenge, and it's something that we are working pretty hard to manage, but I think the team are doing a pretty good job of managing that.

Jevan Bouzo: Across the business, we probably will see a little bit of cost creep back, and as I touched on some of the segment performance, I mentioned that we've seen a little bit of that in 2021 already, as we return to a more normal level of activity. And particularly, from years like 2020, when we cut a lot back to manage a pretty uncertain environment. I might pass over to Lachlan to just talk to some of the LNG import terminal cost profile and the outlook for that project.

Lachlan Pfeiffer: Yup. Thanks Jevan, and thanks for the question. So, cost space for the LNG project, very much a staged story, in the sense that we're currently in the period, obviously before FID and moving through the regulatory approvals this year. You would've seen, there's an overall capex number in the presentation for energy hub projects, which currently, most of the cost are capitalised and relatively modest and what we would consider appropriate, in terms of a run rate spend to be incurred before we get to FID. And then, once we get past that stage gate, we'll also be talking much more clearly around fully expected costs to get to the commissioning stage, and then run rate going forward from there. So, it's a bit of a stage story and managing cost as appropriate, before we hit that commercial approval stage.

Adam Martin: Okay, thank you. And just a second question, just on the Alliance volume, how are they tracking? How's that recovering? And are you still on that 70 million medium term guidance? Or yeah, perhaps you can just touch on that please?

Scott Wyatt: And that was in relation to retail volumes?

Adam Martin: Yeah, yeah. Particularly, around the Alliance, just given the different margins in the business, just around the Alliance.

Scott Wyatt: Yeah. Yeah. So, I mean, in terms of Alliance volumes, obviously, as we indicated, saw some good recovery as the board, as restrictions relaxed in the back end of last year. January is traditionally, relatively quiet. I think, we are still seeing at the market level, subdued volumes on the back of people continuing to work from homes, particularly in major centres and probably an element of self-imposed isolation, I guess, is we moved through this Omicron peak, which is subduing volumes to some extent. But, obviously as we seem to be moving now into a phase where there's more encouragement to get back to work, obviously removing masks in office will make a bit of a difference too.

Scott Wyatt: So, as we head into March, quite optimistic about retail volumes moving further ahead, recovering further. As we had indicated in our pack, despite that, we've performed very well, I think, throughout the course of last year and certainly happy with, how we're performing as we enter a recovery phase across all the channels, and we've seen good growth year-on-year and also some good market share gains as well, both in retail and commercial overall. So, very happy with the underlying performance of the business and how that's translating into sales performance.

Adam Martin: Okay, thank you. That's all from me.

Operator: Thank you. The next question comes from Mark Samter from MST Marquee. Please go ahead.

Mark Samter: Yeah, morning guys. A couple of questions, if I can. Just, first one on the crude premium chart. Can you just give us a feel? I know, or at least I think I know with the Cooper basin contract and obviously, that's dwindling in terms of volume, but the premiums are set on an annual basis. Obviously, I would have assumed you were buying a bit more Gibson basin crude now where Altona's not running. Can you tell us how much of that premium, is effectively locked and known for the rest of the year? And how much of its volatile? Obviously, it's stepped up a lot, in the back end of last year, which suggests some volatility, that's not the same there. Can you just talk through how we should expect that to unravel through the course of the year?

Scott Wyatt: Yeah, I mean, Mark, we obviously don't give details on the specific commercial contracts that we have with producers. But, as you can see in the chart, the crude premiums have started to lift certainly, towards historical levels, maybe a bit further, really just driven by tightness in oil supply, globally. We obviously benefit that. Look, there are some benefits, in terms of lowered premiums for local indigenous crudes, but we also obviously heavily import crudes as well. So, the overall mix, we are seeing some of the effects of crude premia, increases that are coming across the region at the moment. I think, how long those were sustained? And at what level? Will really depend on how crude markets evolve over the next period of time.

Scott Wyatt: Obviously, there's a couple of big factors that play there, or actually a few big factors at play. One being, just the continued recovery in oil demand, as markets reopen, both within the region and globally, coupled with availability of supply, that's obviously a little bit driven by OPEC and certainly may potentially, some upside in terms of supply availability, depending on how the negotiations for Iran go on the nuclear agreement and obviously, overshadowing all of that is just the uncertainty around Ukraine. So, I think that

Scott Wyatt: The only thing you can take from it is it remains a bit uncertain, a bit volatile, at the moment, Mark, as we move through the early part of this year and we'll have to see how that settles. The main focus for now is obviously just being as smart as we can be around crude procurement as we go forward and manage our exposures as well as we can as well, and that's a key focus across the business at the moment.

Mark Samter: Thanks Scott. This next one's on that lazy and ever more lazy balance sheet of yours. Can we have an update on the timelines and I know, even with the increased CapEx this year, assuming the import terminal takes FRD on timelines, we're still almost equal. I'm going to be sitting organically at a much higher net debt position. How long do we give ourselves to find somewhere to supply? And can we disqualify... Well, the residual $18 million of buyback, are you still expected to complete that residual on-market buyback?

Scott Wyatt: Thanks Mark. Jevan, can I hand that over to you?

Jevan Bouzo: Yeah, thanks Scott. And thanks for your question Mark. We'd like to refer to it as a strong balance sheet, but I take your point. We have set out some targets around adding earnings growth as you know, so looking to deploy some of that balance sheet capacity to deliver the $50 million plus uplift in EBITDA. And you can assume that we're working pretty actively on that, on a range of opportunities to support that. There is a little bit of step up in CapEx, as you mentioned, and I agree we've got a very strong balance sheet and capacity to absorb that and do a fair bit more. Capital management has always remained an option and it is part of our Capital Management Framework and we'll be working pretty actively through the course of this year to try and find opportunities to start to deliver on our target that we've set around earnings uplift.

Jevan Bouzo: The on-market buyback that you referred to, we announced a tranche of $40 million. Like you say, we've completed about 18 of that so far, so there's a little bit more left in the tank and we'll continue to look for opportunities to buyback in the market and just generally be opportunistic about that. So, we'll be on and off. But something we're very focused on managing over the course of this year in terms of the balance sheet capacity and our stated target key [inaudible 00:34:27] range.

Mark Samter: Perfect. Thanks, Jevan.

Speaker 1: Thank you. The next question comes from Dale Koenders from Barrenjoey. Please go ahead.

Dale Koenders: Hi guys. Just might probe a little bit further on some of Mark's questions, just in terms of refining margin when we think about how the year started relative to the exit rate. Your comment about crude premium gambling effect, is the net margin you're realising, up, down, or flat this year to date?

Dale Koenders: And also in terms of production levels, I might have missed it, thoughts towards intake volume guidance for the year.

Scott Wyatt: Thanks for the question. We obviously haven't given an update yet on refining margins. We'll typically do that as part of our trading update at the end of quarter one, but you can see from... Whilst there's an increase in crude premiums, we continue to see strong refining margins, and you can see that from the raw cracks that you can track fairly readily. The refining margin environment, whilst it's always a little bit volatile and particularly during these times, remains quite healthy following on from a good recovery that we saw at the back end of quarter four.

Scott Wyatt: So, I think both actual and anticipated recovery and global demand is certainly driving demand for oil and obviously being quite supportive of refining cracks, but at the same time it does encourage refineries to chase production and chase crudes. And that's really what's driving a bit the crude premiums that we see as well. It's still a good refining environment, particularly compared to where we've been obviously.

Dale Koenders: Okay. And then intake volumes for the year?

Scott Wyatt: I'm sorry?

Dale Koenders: Guidance on production from the refinery this year with... You made the comment that it's more of a normal year post maintenance, so outlook for volumes?

Scott Wyatt: Yeah. We haven't given guidance on that, but we have a pretty light maintenance year this year compared to a turnaround year. For that point of view, we have a good opportunity to run the refinery pretty hard. You should expect to see us producing as close to our nameplate capacity as we can. Next year is a more major turnaround year and when we complete the turnaround of the primary distillation units. So, that's the focus next year, but this year's a relatively quiet one.

Dale Koenders: Okay. And finally, building on the question from Mark on the balance sheet. If you've previously spoken about $500 to $700 million of balance sheet capacity, which relative to the earnings target update that you're targeting using balance sheet capacity, it looks like a high multiple acquisitions or investments versus where you're trading currently. Just wondering if you can talk about what multiples you're targeting with these investments on a go forward relative to current business?

Scott Wyatt: Can I pass that one to you, Jevan?

Jevan Bouzo: Yeah, sure. Thanks, Scott. Thanks Dale, for the question.

Jevan Bouzo: Look, I won't go into specific multiples and details. I think the focus for us is on a few fronts. One, to leverage existing strengths that we have, competitive advantages, areas where we know we can add value to a business. So, that's probably first and foremost. Second is to look for opportunities that are accretive, and that means both on an Earnings Per Share basis, but also on a Return on Capital Employed basis. And that probably ties a little bit into the multiples comment that you've made.

Jevan Bouzo: I don't think acquisition opportunities necessarily need to be at multiples that are a discount to our current trading multiple, if they're still accretive and they add value. But our focus will be on acquiring opportunities that are attractive relative to our current trading multiple, because the alternative is obviously to return that money to shareholders if opportunities that we identify don't add the right levels of value. And so, we're very attuned to balancing that between capital management opportunities and also acquisition opportunities that will not only add earnings, but add strategic value to the broader business over time as well.

Dale Koenders: Okay. Thanks.

Speaker 1: Thank you. The next question comes from Michael Simotas from Jeffrey's. Please go ahead.

Michael Simotas: Good morning guys. I've got a couple of questions on Coles Express to start. I mean, obviously volumes have been pretty lumpy given the COVID impact, but you've called out 65 million litres in December. Do you think that is broadly indicative of the underlying performance of the business? I would've thought even December is probably at least somewhat impacted by COVID, but is there anything you could see in terms of restocking empty tanks or anything like that coming out of lockdown? So, I'd just be interested in anything you could say on that?

Scott Wyatt: Yeah, Michael, I think...I mean December was certainly a month that was still impacted, or dampened, by COVID, for the reasons I touched on earlier. So in that context, to start to reach those levels again was actually a pretty good result.

Scott Wyatt: I'm very happy with the underlying performance. I think increasingly we also need to recognise the contributions from the other channels as well. And obviously the three collective retail channels that we've got is what's driving the overall sales performance and sheer growth that we're seeing. So, a bit like I've been saying through the course of last year, we need to get back to a period of, I guess, a more stable environment, and certainly with cities reopened again and people travelling more regularly to work to see what the go forward run rate really starts to look like. Hopefully we'll get to experience that a little bit towards the end of this half, I'm optimistic about. So as we come to talk about first quarter trading result, or certainly first half results, we'll be in a better position to talk about the longer picture of more stable run rate for the Alliance, in the context of where the market ends up for retail.

Michael Simotas: It looks like a good number in the circumstances, which is why...

Scott Wyatt: Yeah.

Michael Simotas: The second question on the Coles Alliance... Coles has made commentary around the drag on its shop sales from tobacco. I know we don't know exactly how the revenue share arrangement for that part of the business works, but did that have a material impact on your numbers in the 2021 year? Or is it pretty minor?

Scott Wyatt: Jevan, can I get you to address that one?

Jevan Bouzo: Sure. Thanks, Michael, for your question. The way the Alliance is structured, it doesn't have a material impact on the Viva Business. We're obviously still both jointly incentivized to see shop sales growth at the top line, and to see the network continue to perform really well. The structure between us and Coles that underpins the Alliance is one of a rental income licence fee type arrangement that Coles pay to us for use and access to the sites and the ability to run the shops. There is a small royalty that effectively tops that up, but in the scheme of the total number, it's relatively small. So, it will have some impact, but not overly material to our business.

Michael Simotas: And just the last one from me, a follow up to earlier discussions around crude premia. And sorry if you've addressed this, I got onto the call a bit late. To what extent can you offset that crude premia increase by procuring a larger proportion of local crudes and compensates given the refinery closures in Australia?

Scott Wyatt: Michael, perhaps the way to answer question is typically we see a source between sort of 20 to 30% of Geelong's crude requirements from local indigenous sources. That's partly availability, but it's also partly or heavily due to quality of local crudes and getting the right mix of crude selection which requires us to look further afield. The value of those crudes is obviously an important factor, but it's not the only factor because it doesn't necessarily produce the crude slate that we need, and we need to blend that with other crudes from further afield. So, it's not just a case of more crude being available, therefore we should process more. It really comes down to an economic equation, which we assess continuously based on what else is available and what the market's doing.

Michael Simotas: Are there more of the suitable crude's available? I would've thought there would be given the diet of Altona, in particular, wasn't that different?

Scott Wyatt: For sure. But there's a limit to how much of those crudes we really want to process.

Michael Simotas: Okay, thank you.

Speaker 1: Thank you. The next question comes from Joseph Wong from UBS. Please go ahead.

Joseph Wong: Morning guys. Just two questions I have. The first one's just on your Carbon Business Solutions. Can you provide any detail on the margin delta between your

	carbon-neutral fuel versus your regular fuel, given you are looking to expand in that area?
Scott Wyatt:	We probably won't be able to answer that question directly. Lachlan, perhaps you give a bit of an overview about how we're approaching it and how we think about the carbon neutral fuels.
Lachlan Pfeiffer:	Yeah. Absolutely. As Scott was saying, [inaudible 00:45:17] for that specific commercials on different pricing, but look, we're... What we can say though is we are seeing a lot of customer interest in these products and we expect to expand the suite of carbon neutral fuels beyond the Jet A1 that we launched last year. We talk pretty closely with, particularly, our commercial customers around their lower carbon options for particular existing [inaudible 00:45:46], so that will be offset fuels, but also alternative fuels such as biofuels and others, absolutely in the mix.
Lachlan Pfeiffer:	So I think the best thing to take away from this is that there's increased customer appetite for this, and obviously there's a lot of customers and corporates out there with their own ambitions who are motivated to find lower carbon solutions.
Joseph Wong:	And just on that Carbon Solutions business, can you provide a bit more detail on this carbon credit generation you're making with Australian Carbon Credit Unit prices continuing to lift? Does that provide a tailwind or headwind for that business unit?
Lachlan Pfeiffer:	We're investigating a few different projects at the moment of the type I'm sure you're familiar with for Carbon Credit generation. They will be, as you say, Australian Credits. We'd be looking to bring the cost of that generation below the current trading price. As I'm sure you will understand, that current trading prices have increased a lot in the last 12 to 18 months, that's on relatively small volumes that price and trading at the margin. What we will be focused on is solid projects with good fundamentals, which can underpin our own projects such as the Gas Terminal Project, which we said last year will be fully offset. And some of own use as well as providing credits into that Carbon Solutions business. But ultimately there'll be a suite of different offset and carbon opportunities that are available to us. And so, we'll be looking to access the whole of the market as well as what we invest in ourselves.
Joseph Wong:	Just one last question, if I can. Just on the LNG Import Terminal, what level of firm contract commitments do you still need to move to FID? And I guess following on from that, is that the last remaining CP required for Woodside's MOU to move to a binding supply agreement.
Lachlan Pfeiffer:	Yeah. So I think that's ahead of us. That's absolutely what we need to do prior to FID, which we've cited for Q3 this year is to firm up that customer interest and the good of our customers, what the binding commitments will be, as well as that sort of certifying of the customer piece. So you should also note there is, of course still the regulatory EES process to play out in the next couple of months. And as Scott touched on a bit earlier, our EES is due to go out for public airing, hopefully quite shortly, and then we'll get through that process, hopefully by middle of the year, early Q3, and then,

and then look to finalise the pieces you just highlighted then as quickly as we can thereafter.

Joseph Wong: Great. Thanks.

Operator: Thank you. The next question comes from Daniel Butcher from CLSA. Please go ahead.

Daniel Butcher: Hi guys. A couple of questions. First one was just about the loss of market share in aviation. I'm just sort of curious if you can sort of comment on what segment or region the aviation volumes were lost and is that part of the normal ebb and flow of contracts as they roll over? Or is there something else, a sort of theme, playing out there?

Scott Wyatt: Yeah, thanks to the question, Daniel. You could say it's a very small market at the moment, so I wouldn't read too much into movements and the recovery and how that translates into share really depends on the contracts that you have in the airports that you have those contracts at, obviously, and where the demand happens to sit. So, I think it is just off a very low base, very low movement. I'm not too, I wouldn't read too much into that market share outcome, but what I would say is that we've done a lot of work in the last couple of years, certainly in 2020 to reset the aviation business, to sort of set ourselves up for a lower volume environment for a few years as this recovers.

Scott Wyatt: And that's, I think pretty very successful. And it's one of the key contributors to the results that we've published today for commercial last year is just the ability to continue to still deliver material earnings from a sector that's otherwise quite impacted from a volume point of view. So we are probably very, more focused on achieving the right level of returns, given the lower volumes in that sector, than necessarily too focused on market share at this point in time. But recognising that as the market fully recovers, that will probably become more important.

Daniel Butcher: Okay, thanks. Quick one on the on LNG to follow up on prior questions, I'm just sort of curious, you'll announce the mix of infrastructure versus merchant exposure, I suppose, before you go to FID or as you go to FID, and I'm just sort of curious, the four times jump in spot on G prices recently, does that provide much food for thought for you about what sort of merchant risk you're willing to take on, given what goes up usually comes down eventually?

Scott Wyatt: Yeah, no, no, indeed. Lachlan, do you want to have a crack at that one? It's a good question.

Lachlan Pfeiffer: Yeah. I mean, it'll be, as you say, leading into or at that time of FID that we will confirm the business model. And look, to be clear that the underlying base case is the terminally model and our focus will be to get the project approved and commercially underpinned for that terminal model. And then the merchant opportunities above and beyond that are all on the upside, really. Look, obviously, with what's happening in Europe at the moment, we're seeing some pretty extraordinary international prices on the gas market. We would anticipate by the time we're talking about bringing gas to market, which is in the mid 2020s, that sort of impact will have worked its way through the market and potentially more sort of stable times. But I think it does highlight, to be frank, the issues around security of gas supply and ensuring that you've got that stable supplier to underpin pricing in the market. So that's very much the thesis for this project is to ensure that Victoria has that security of supply.

Daniel Butcher: Sure. I appreciate that. Just sort of curious, I mean, can you sort of describe us how the merchant model side of things that the bonus upside that you're sort of pitching it as would work and how your risk will be managed there?

Lachlan Pfeiffer: Yeah, so we'll look to a few different models with regards to that. Obviously there's opportunity for ourselves to play either directly or together with other participants in the terminal, both in the wholesale gas marketing side. There's opportunities around gas storage. And there's some flexibility around the structure of the business, that the structure of the terminal that we're building to provide some storage solutions to the market there. A very obvious opportunity, which is aligned with our businesses in bunkering for marine vessels. We do see gas as being a transition fuel and a very attractive fuel for the marine sector in its transition. And there's other opportunities which are sort of a bit further to be progressed and investigated around, the willingness of the market for more TPG or gas for other transport solutions. So we'll be assessing through all, working through all of those, and developing up that model and talking more about that as we come into FID.

Daniel Butcher: All right, thanks. Just one final one, if I can, you seem to be a bit of financial capacity on your balance sheet and sort of curious whether you have any views on the pros and cons of the Gull business of them wholeselling in New Zealand, what do you see the pros and cons of that business?

Scott Wyatt: Yeah, we don't typically comment on specific acquisition opportunities obviously, but I think that's the sort of Jevan's highlight and I think we've said before it's that we certainly are quite active and looking at acquisition opportunities. New Zealand is an interesting market. It's one that we know well and have obviously got some history there and would be a potential market that we may look at for the right opportunity at the right time and for the right opportunities. And obviously, we have looked at Gull before in the past. I guess one of the reasons we didn't pursue it in the past was that we felt it was constrained to a particular geographical area, was a relatively immature convenience business, and since mostly unmanned, and therefore really more attractive as a supply short and for us, I think, strategically, to enter a market like New Zealand, we'd probably want a more sophisticated and developed offer around the country, but in saying that, that doesn't mean that we wouldn't look at an opportunity, like Gull in the right circumstances as well.

Daniel Butcher: All right. Thanks very much guys.

Operator: Once again, to ask a question, please press star one on your phone. The next question comes from Scott Royal from Rimor Equity Research. Please go ahead.

Scott Royal: Hi, thanks very much. Maybe on a similar theme to a couple of questions, I'm looking at slide 20 on energy security and transition. I wonder just in terms of the commitments you've made around being net zero, have you looked at carbon capture to take out scope one and scope two emissions faster than what you've expected in terms of your refinery operations? And I guess further to that, I was wondering, you gave us a bit of an update on some of the potential early focus areas around the broader precinct in Geelong, I was wondering if you could give any updates, if any, on biofuels and how the Jet A-1 carbon neutral fuel has been taken, even though you make the very good point that the aviation market is fairly small at the moment. Sorry. That's very long winded.

Scott Wyatt: That's okay. Thanks for the various questions within that. There's a bit in that, Lachlan, so maybe I'll hand that to you.

Lachlan Pfeiffer: Yeah. So, in terms of carbon capture, it's not something we've investigated in detail yet for Geelong. I think it is something that would longer term come into the mix to be assessed. We've obviously just worked through the package with the government, with regards to maintaining refining operations at Geelong now until 2028 and potentially out to 2030. So while we haven't looked at it directly now, I think in the longer term, and thinking about that post 2030 world, it's obviously something you would look at, and you do see some examples of early stage consideration of it at other refineries around the globe. In terms of the energy hub, I think you're getting to there in terms of building out the other opportunities in that space.

Lachlan Pfeiffer: Yes. With the Jet A-1 fuel, that aviation market's pretty small. Obviously, the cost impacts have been pretty material at the moment. So I touched on it before we have had good interest in that product. We expect it to grow, but it's still going to be at the smaller end with regards to the proportion of our jet fuel sales, of course. So it's a bit of a growing market. Biofuels is effectively becoming more cost competitive over time, but it is still a higher priced product to a diesel, as a diesel alternative. We can see opportunities in the market for new products to come online and for securing up that supply chain as well for growth.

Lachlan Pfeiffer: It's obviously, as we think of transition opportunities, there's opportunities which involve changing out fleets and changing out engine types, but where customers and participants in the market aren’t doing that and they're still using traditional energies, biofuels is one of the better opportunities for reducing carbon intensity in those existing vehicles. So we see that as an opportunity in sort of in the medium term as we move through this energy transition. Now, there's a few questions and I'm not sure if I've answered them all, but let me know if I've missed anything.

Scott Royal: Yeah, I guess the only follow on, you have answered everything that I asked, so thank you, but can I follow on the biofuel stuff? You talked a little bit about that in November at your investor day and I was just wondering if you've got any further with respect to agreements on some of those things that you're talking about, that you need to put together to have a full value chain in that area?

Lachlan Pfeiffer: There's nothing further I can say today in terms of agreements. Obviously, we've been the supplier of biofuels for many years in the market, so we can provide those products to market at the moment. What I think our focus is on now is growing out the opportunity in that space and securing up the supply chain, which has been an issue for the biofuels industry outside of us in the past, to provide that regularity and security of supply. And to look, I think, more widely at different feed stock sources for that market. So, nothing's particular to update you on today, but it's something we are chasing pretty, pretty closely, and we can see the opportunities coming to the market as the technology for different feed stocks continues to develop and effectively becomes more economical in the market as we look forward.

Scott Royal: Okay, great. That's all I had. Thank you.

Operator: Thank you. At this time, we're showing no further questions. I'll hand the conference back to Mr. Wyatt for any closing remarks.

Scott Wyatt: Operator, thanks. Thank you all for joining us this morning and for your questions. As I mentioned at the beginning of the session, I'm very pleased with the way the business has performed throughout the pandemic and the results that we've delivered last year and shared with you this morning. Very excited about the opportunities that lie ahead, both in the projects that we are working on, and in the recovery and confidence that is emerging in the markets as well. So I feel like we are very well positioned to deliver another strong performance this year and position ourselves for the future too, in our role in the broader energy transition.

Scott Wyatt: So thanks again for joining this morning. I hope you all have a great day.

[END OF TRANSCRIPT]