



Coles Express Acquisition

*Creating Australia's largest
Fuel and Convenience network
under a single operator*

21 September 2022



Helping people reach their destination

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Coles Express Acquisition – Highlights

Creating the largest fuel and convenience network under a single operator, with an established and sophisticated convenience offering

- ✓ Creates the largest fuel and convenience network under a single operator (710 sites), with pathway for further growth (Liberty Convenience)
- ✓ Acquiring a sophisticated, industry-leading and team-driven retail platform (~6,000 team members)
- ✓ Provides access to the one of the largest and most successful loyalty programs (Flybuys)
- ✓ Maintains an ongoing relationship with customers of one of the largest supermarkets chains in Australia (Coles Group)
- ✓ Leverages the world's most recognisable and respected fuel brand, with a leading position in premium fuels (Shell)
- ✓ Combining businesses with attractive market share positions – currently #2 in both the fuel and convenience markets¹
- ✓ Supported by nationwide supply chain and locally-refined fuels through Viva Energy's refinery at Geelong



1. Convenience market ranking based on sales turnover, source: IRI Shopper Panel & IRI Market Read. Fuel market ranking based on retail fuel volumes in FY2021 on a company-controlled network basis.

Coles Express Acquisition – Summary

Strategic rationale, transaction overview and financial impact



| | |
|------------------------------------|---|
| <p>Strategic rationale</p> | <ul style="list-style-type: none"> • Accelerates strategy to transition to a fully-integrated fuel and convenience retailer, creating the largest network in Australia under a single operator • Directly captures convenience earnings, increasing exposure to a fast-growing market • Establishes platform to pursue emerging revenue streams across entire retail ecosystem • Unlocks synergies from the integration of network and store development, improved effectiveness of marketing and capital spend |
| <p>Transaction overview</p> | <ul style="list-style-type: none"> • Industry-leading retailing capability and associated infrastructure to be transferred to Viva Energy and operated as independent business unit • Viva Energy and Coles Group commit to ongoing relationship through transitional support, continuation of existing loyalty programs and continued supply of Coles products • Headline consideration of \$300M represents the approximate value of the assets being acquired, funded from cash and available debt facilities. Net impact is expected to be \$143M after settlement of existing arrangements and expected working capital benefits • Completion expected in 1H2023 (subject to regulatory approvals, customary closing conditions) |
| <p>Financial impact</p> | <ul style="list-style-type: none"> • EPS accretion of 11% to 18% (approx. \$45M to \$70M EBITDA (RC)) on a pro-forma, post-integration FY2021 basis, before synergies and assuming the network’s weekly fuel volumes increase to between 65ML (2H2019 level) and 70ML • Further upside from fuel and convenience sales growth and synergies once business has been transitioned • Transaction and integration costs, as well as other associated investments in digital and technology to evolve the convenience offer, expected to be approximately \$120 – 140M over the next 3 years |



Transition and Growth Strategy

Accelerating our vision to become a leading fuel and convenience retailer



Transaction Overview

Acquiring industry-leading capability and infrastructure, supported by transition agreements



Existing Alliance partnership



| | Now |
|--------------------------------------|---|
| Brand | <ul style="list-style-type: none"> • Coles Express |
| IT / HR / Payroll/ Accounting | <ul style="list-style-type: none"> • Coles Group |
| Assets | <ul style="list-style-type: none"> • Coles Group |
| Convenience supply | <ul style="list-style-type: none"> • Coles Group distribution network |
| Payment services | <ul style="list-style-type: none"> • Coles Group |
| Team | <ul style="list-style-type: none"> • ~6,000 Coles Express team members |
| Convenience sales | <ul style="list-style-type: none"> • Coles Group collects convenience store margin • Viva Energy earns royalty |
| Fuel sales | <ul style="list-style-type: none"> • Viva Energy supplies Shell-branded fuel, sets price, captures full retail margin • Coles Express earns commission on sales |
| Site leases | <ul style="list-style-type: none"> • 664 sites Coles subtenant to Viva Energy • 46 sites Coles tenant/owner (PAD sites)¹ |

Viva Energy owns Convenience offering



| Transition period (2 to 3.5 yrs) | Long-term transformation |
|--|--|
| <ul style="list-style-type: none"> • Coles Express under Licence agreement (up to 3.5 yrs) • Transitional Services Agreement (2 yrs) | <ul style="list-style-type: none"> • New brand to support vision • Viva Energy |
| <ul style="list-style-type: none"> • Viva Energy acquires all assets, comprising equipment, stock and POS systems | |
| <ul style="list-style-type: none"> • Product Supply Agreement to continue supplying Coles branded and other products • Option for extension by mutual agreement | |
| <ul style="list-style-type: none"> • Merchant Payment Services Agreement, maintains existing payment infrastructure at sites | |
| <ul style="list-style-type: none"> • All Coles Express team members offered roles on equivalent terms • Independent business unit within Viva Energy to support capability & culture | |
| <ul style="list-style-type: none"> • Viva Energy collects convenience store margin | |
| <ul style="list-style-type: none"> • Viva Energy supplies Shell-branded fuel (licensed to 31 Dec 2029), sets pump price, captures full retail margin | |
| <ul style="list-style-type: none"> • 664 site leases revert to Viva Energy • Viva Energy acquires tenure of remaining 46 Alliance site leases | |

1. PAD sites are sites that reside in Coles supermarket carpark. Historically they have been part of the Alliance agreement where Coles has held the third-party leases (45 sites) or is the owner (1 site).

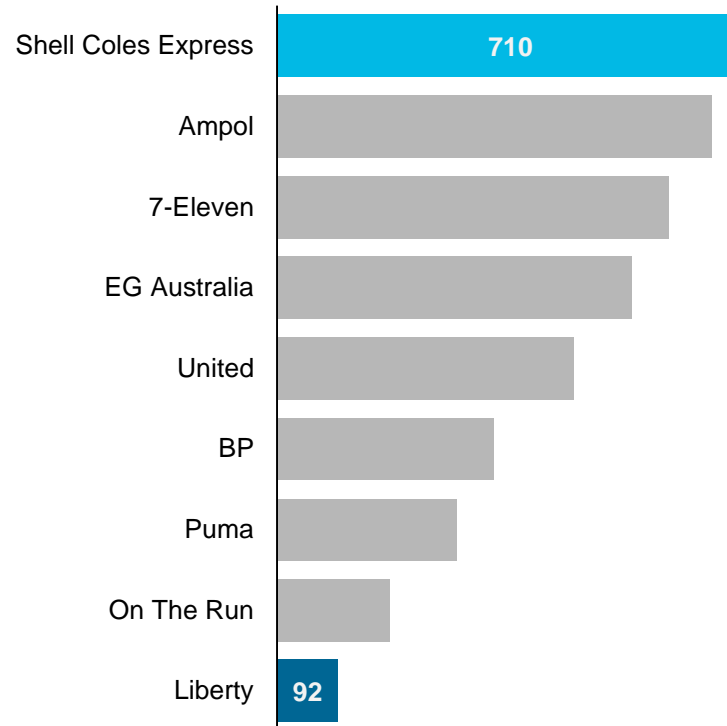
Strategic Rationale

Creating the largest single-branded network in Australia under one operator



Fuel and Convenience Network

Company controlled sites¹



The opportunity

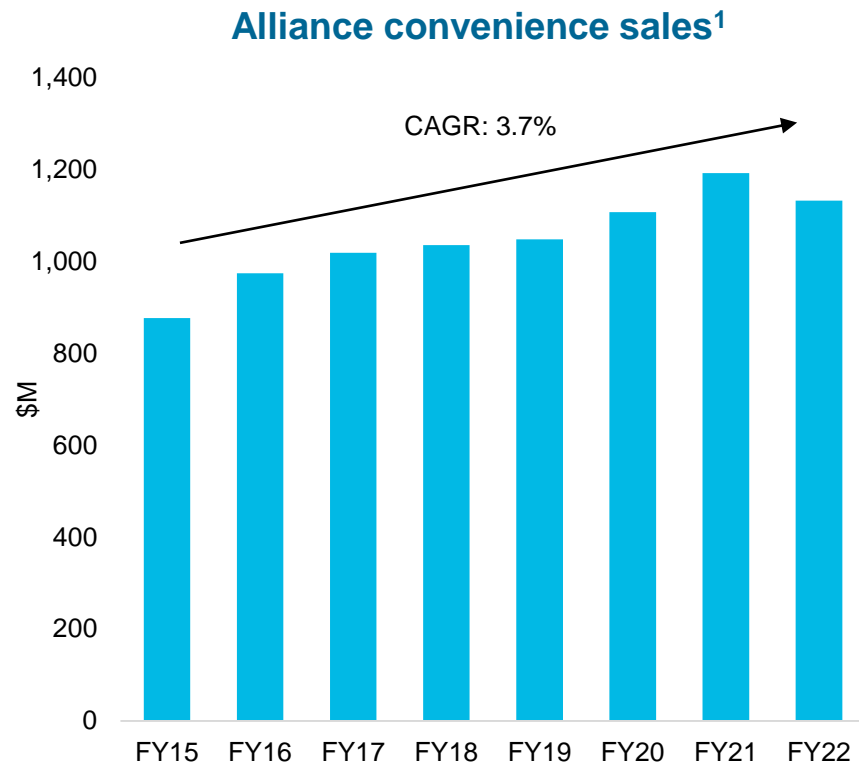
- Combine the fuel and convenience offering of 710 sites, creating Australia's largest network under a single operator
- Viva Energy Coles Express stores are in advantaged locations: close to suburban population centres and on main transport routes
- The acquisition of Liberty Convenience (in 2025)² further solidifies the leadership position, extending the network into regional locations

1. Source: Informed Sources, 2021 AACS State of Industry Report and Ampol 2022 Half Year Results Presentation. "Company Controlled Sites" refer to sites where Company has control of retail fuel board price.

2. Viva Energy has a 50% non-controlling interest in Liberty Oil Convenience with rights to fully acquire business from 2025.

Strategic Rationale

Convenience delivers defensive growth in line with the broader grocery market, with the Coles Express Capability outperforming



Coles Express sales growth has exceeded the wider market, driven by tailored ranging, competitive pricing, food-to-go

- Coles Express sales have grown 3.7% on average in the past 7 financial years¹, above the wider convenience channel’s 3.1% growth (on a CY basis)²
- Lower sales in FY2022 reflects the cycling of strong tobacco sales in the COVID period (ex-tobacco sales grew 0.9%)
- Following growth in prior periods, market share has remained stable in the past 12 months at 22%³
- We expect solid, defensive growth to persist, supported by population growth, mobility changes and the “shop local” trend
- With a comprehensive network, Viva Energy can optimise investment and accelerate existing store refresh programs at existing and new sites which are most exposed to these trends

1. As at 30 June 2022. Sources: Coles FY22, FY21, FY20 and FY19 investor presentations, Wesfarmers FY18 Annual Report.

2. Australasian Association of Convenience State of the Industry Reports CY2014-2021.

3. As at 30 June 2022. Source: IRI Shopper Panel & IRI Market Read. Convenience market data includes Coles Express, 7-Eleven, EG, Ampol, BP, APCO, Puma Energy and Night Owl.

Strategic Rationale

Establishes platform to pursue emerging revenue streams across entire retail ecosystem



We will leverage our comprehensive network to selectively pursue opportunities such as:

- Popular food and beverage adjacencies to support “destination visits”, with significant capacity on surplus land
- Establishing deeper relationships with customers through digital enablement and enhanced loyalty offers
- Integrating new energies as they mature, such as hydrogen and electric vehicle re-charging
- Developing ‘community hub’ opportunities, such as smart lockers for last-mile delivery

Strategic Rationale

Direct access to customers to grow our Loyalty and Digital offering



Direct access to the consumer is essential to driving future growth

- Creating a more seamless digital experience which brings together family of leading loyalty programs
- Continued relationship with Coles Group customers through common partnership in Flybuys and 4cpl discount docket
- Direct access to customer transaction data and ability to build deeper relationships over time
- The ability to more quickly improve customer digital experience through technology such as pay-at-pump
- Drive further growth through Shell Card through better integration with digital and loyalty programs

Financial Impact

11-18% EPS accretion on a pro-forma, post-integration basis and assuming fuel volumes recover



| | |
|--|---|
| Purchase price | <ul style="list-style-type: none">• Headline consideration of \$300M represents the approximate value of all Coles Express assets, including stock and PoS systems• Net impact is expected to be \$143M and represents:<ul style="list-style-type: none">• \$300M less working capital benefits of \$59M and settlement of payable of \$98M currently recorded in Viva Energy's balance sheet relating to the acquisition of fuel stock in March 2019 |
| Sales & earnings contribution | <ul style="list-style-type: none">• \$1.14BN of convenience store sales revenue on a FY2021 pro-forma basis, partially offset by elimination of \$160M of non-fuel income previously received from Coles Group• EPS accretion of 11% to 18% (approx. \$45M to \$70M EBITDA (RC)) on a pro-forma, post-integration FY2021 basis and assuming the network's weekly fuel volumes increase to between 65ML (2H2019 level) and 70ML, before convenience sales growth and synergies |
| Balance sheet impact | <ul style="list-style-type: none">• Consideration to be funded out of existing cash reserves and debt facilities; Viva Energy will maintain prudent capital structure post-transaction• Post completion, the transaction is expected to result in the recognition of right-of-use assets and lease liabilities relating to the 46 PAD sites acquired. Leases relating to the 664 sites where Coles is a subtenant to Viva Energy are already recorded on Viva Energy's balance sheet.• Expected to result in the write-off of the right to future income asset of \$89M which relates to the \$137M paid in 2019 and is amortising over the period to 2029. This will be treated as a significant item in the period during which completion occurs |
| Transaction & Integration costs | <ul style="list-style-type: none">• Expect \$120-140M of transaction and integration costs over next 3 years, which will be treated as significant items and will be funded out of cash flow over the transition period. The costs largely consist of:<ul style="list-style-type: none">• Refreshing and rebranding stores• Developing replacement IT systems and investing in technological and digital to support the customer experience, including significant lifecycle upgrades to POS systems |

Conclusion

Acquiring an industry-leading platform and capability to drive new opportunities



1. Viva Energy is acquiring an established, best in class retailing platform and capability, and creating the largest fuel and convenience network in Australia under a single operator
2. By combining the fuel and convenience businesses, Viva Energy can accelerate investment and growth plans and evolve the offering to changing consumer preferences
3. The acquisition supports meaningful earnings growth potential as fuel volumes recover, convenience sales continue to grow in line with the market and the transition and integration is completed

