



## Acquisition of OTR Group

*Advancing our Convenience & Mobility Strategy*

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# OTR Group Acquisition

Transformational acquisition which accelerates our convenience strategy



- ✓ Leading convenience & QSR retailer
- ✓ Proven operating model and brands
- ✓ Sophisticated digital and loyalty platforms
- ✓ Scalable across Australia with plans in place
- ✓ EPS accretion of 6% to 26%
- ✓ Established and scalable back office and operating model
- ✓ Significant operational and marketing synergies
- ✓ Convenience sales uplift from extending OTR offer

# The OTR offer

OTR is disrupting the fuels business by creating a one-stop true convenience destination, reducing the reliance on fuel and increasing exposure to the fast-growing convenience sector



## Home brands



OTR Supermarket

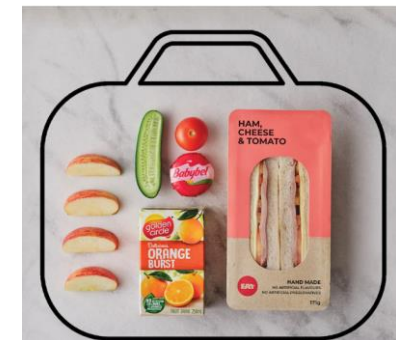


## Licensed brands



## A sophisticated convenience offer, outstanding customer service and renowned brands, which drives outperformance in convenience

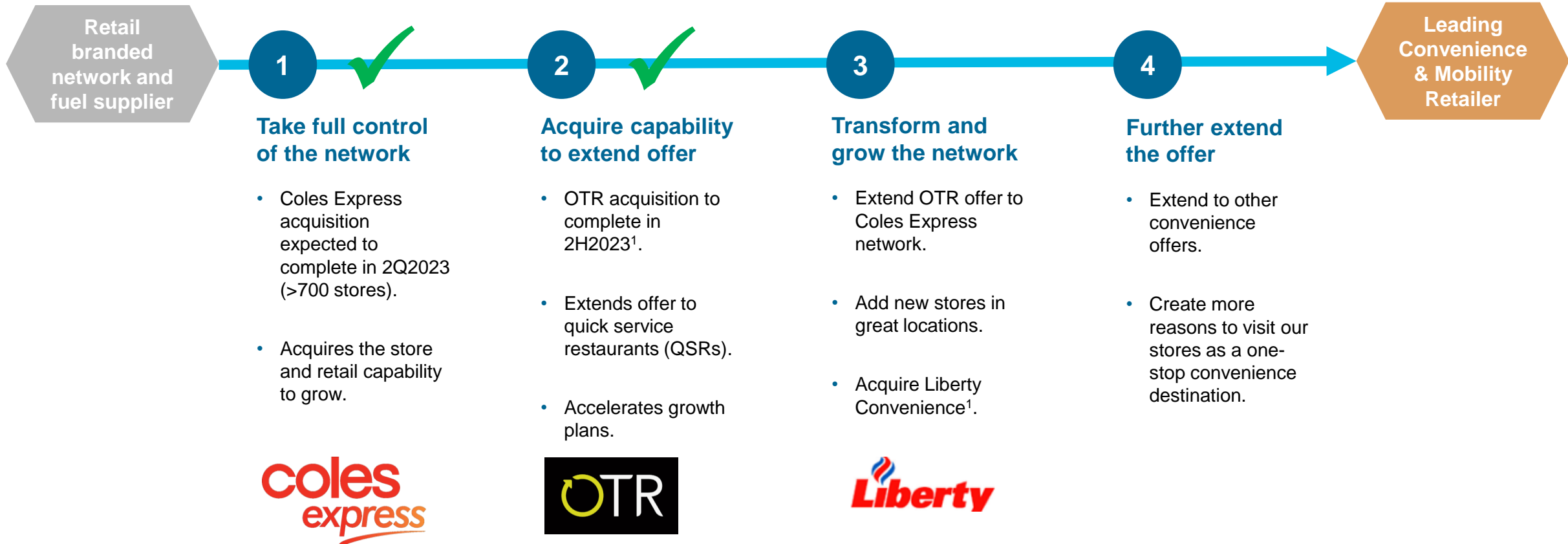
- OTR leads innovation in Australian convenience retail, generating more than 70% of earnings from non-fuel sources<sup>1</sup>.
- OTR convenience sales per store average \$3.9M compared with Coles Express at \$1.6M<sup>2</sup>.
- OTR is a leader in food (#1 growth category in convenience) with a wide range of fresh products, supported by rigorous testing and innovation at its on-site test facilities at Adelaide headquarters.
- Substantial sales and efficiency benefits from having 73 quick-service restaurants (QSRs) integrated within the store (with an additional 19 standalone QSRs).
- Strategic partnerships, wholesale arrangements and franchisee agreements will be transferred to Viva Energy on completion.
- OTR's offer is centred on "Making Life Easy" with a sophisticated range of products and services, and a 24/7 network of stores that set the benchmark for quality and aesthetics.



1. Based on non-fuel gross margin contribution in FY2021-2022 (June-end).  
 2. Average sales per store calculated in FY2021-2022 (June-end).

# Transition and Growth Strategy

Four steps to becoming a leading Convenience & Mobility retailer, and a one-stop destination for our customers



# Transaction Summary

## Transaction details, strategic rationale and financial impact

<b>Transaction Details</b>	<ul style="list-style-type: none"> <li>• Viva Energy to acquire OTR Group for total consideration of \$1.15BN from Peregrine Corporation.</li> <li>• Implies pro forma FY2023 (June-end) EBITDA (RC) of 7.0x post synergies<sup>1</sup>.</li> <li>• Completion expected in 2H2023 subject to FIRB and ACCC approval.</li> </ul>
<b>Strategic Rationale</b>	<ul style="list-style-type: none"> <li>• Supports vision to be Australia's leading convenience retailer, with pathway to more than 1,000 stores.</li> <li>• Secures cutting-edge convenience capabilities (OTR Group generates &gt;70% of earnings from non-fuel retail) which would otherwise have taken years to develop.</li> <li>• Diversifies earnings exposure, lifting non-fuel share from ~30% (post Coles Express) to ~50% of Convenience &amp; Mobility<sup>2</sup>.</li> <li>• Accelerates earnings growth of convenience business and integration of Coles Express acquisition through OTR proven product offering, synergies, associated brands, quick-service restaurant operations, advanced technology and supply chain capability.</li> </ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"> <li>• EPS accretion 6% to 26% (6% on pro forma FY2022, 11% on normalised pro forma FY2022 based on historical avg. Refining earnings, 26% on pro forma FY2021)<sup>3</sup>.</li> <li>• Further earnings potential from OTR pipeline, upgrading network to OTR offer and full integration of OTR and Coles Express.</li> <li>• Self-funded acquisition via debt and working capital of \$1BN, and \$150M equity issuance to sellers (subject to 12-24mth escrow, ensuring alignment).</li> <li>• Maintains Viva Energy's prudent capital structure with additional capacity for further capital management and acquisition opportunities.</li> </ul>



1. Earnings contribution is calculated using OTR Group's pro forma FY2023 (June-end) forecast period including synergies. Estimated run-rate synergies of approximately \$60 million per annum are anticipated in three years following completion.
2. Increase in gross margin from non-fuel sales based on OTR FY2023 (June-end) period relative to the Convenience & Mobility's pro forma FY2022 (Dec-end) period, including Coles Express.
3. EPS accretion range is calculated using OTR Group's pro forma FY2023 (June-end) forecast period including synergies, relative to Viva Energy's pro forma FY2022 and FY2021 results (including Coles Express). The historical average Refining contribution assumes \$200M EBITDA based on 5-year average between FY2018 and FY2022, excluding FY2020. Convenience & Mobility and Commercial & Industrial align to Retail, Fuels & Marketing: Retail, and Retail, Fuels & Marketing: Commercial.

# Transaction Overview

Viva Energy to acquire OTR fuel & convenience and wholesale fuel businesses by share sale, Smokemart & Giftbox (SMGB) by asset sale

## Viva Energy to acquire OTR Group



### OTR retail network (205 stores)

- 174 fuel & convenience, 31 non-fuel.
- 73 integrated and 19 standalone QSRs (Subway, Wokinabox, Guzman Y Gomez, KrispyKreme, Hungry Jacks, Oporto).
- Product brands include EAT, C-Coffee, Chill, ohJI!, Moe's Dog & Shake and HappyWash/DogWash.
- Retail fuel volumes ~3.8ML per fuel & convenience store p.a. on average.



### SMGB (257 stores)

- Retail network in most Australian states, also wholesale supplier.
- Gifts, homewares, smoking related products and vapes.
- Modern online platforms.
- Ability to extend offering to wider range of products.



### Wholesale fuels businesses

- Supply a variety of commercial customers.
- Includes ~16 depots.
- To be integrated into Liberty Wholesale (within Commercial & Industrial).



- CEO, Mr Yasser Shahin, retained post completion to support the existing OTR group and the transition to Jevan Bouzo, Viva Energy's CEO of Convenience & Mobility.
- Combined priorities will be to integrate the businesses, build the operating structure, develop the OTR network, test formats for deployment into the Coles Express network and realise synergies.
- Peregrine Corporation to retain freehold on majority of OTR stores.

# Strategic Rationale – Summary

Secures a leading convenience and quick service restaurant capability to deploy new formats across the network and further transform our convenience and mobility business



1. Establish a pathway to build a nationwide convenience network of more than 1,000 stores with a market leading convenience and mobility offering.



2. Greater earnings diversification to convenience and the broader retail sector, which we expect to continue to deliver solid, defensive growth into the long term.



3. Extend OTR offer and technology platforms to Coles Express stores that support the format, taking the OTR brand nationally and growing per store convenience sales.



4. Achieve synergies in procurement, marketing and functional support by bringing the three businesses together under a single operation.



5. Consolidate digital and loyalty offers across the network.





# Strategic Rationale – #1

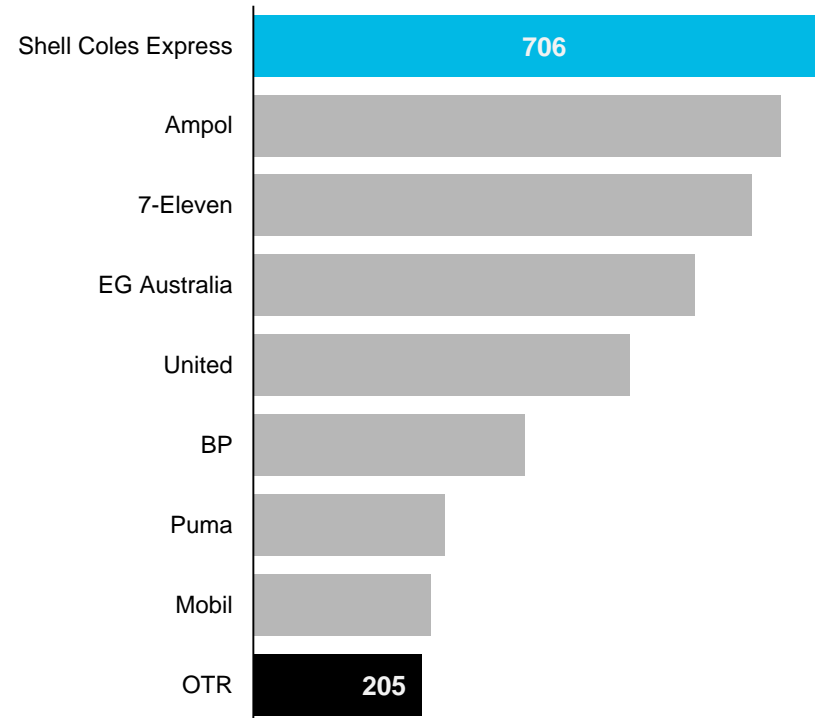
Establish a pathway to build a nationwide network of more than 1,000 stores with a market leading convenience and mobility offering in Australia



Source: Company reports, public data.

## Fuel and convenience network

Company controlled stores



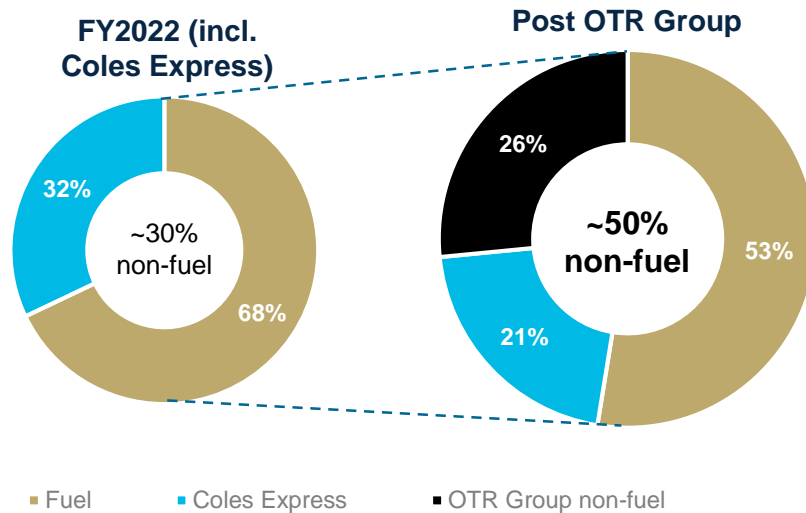
## A company controlled network with a pathway to 1,000+ stores

- More than 700 Coles Express stores are targeted to transition to Viva Energy in 2Q2023
- On completion, OTR brings an additional 205 stores with 92 including quick service restaurants.
- OTR Group has a growth pipeline of ~90 stores which will be developed for Viva Energy.
- Store footprint (and pipeline) provides opportunities to optimise the network.

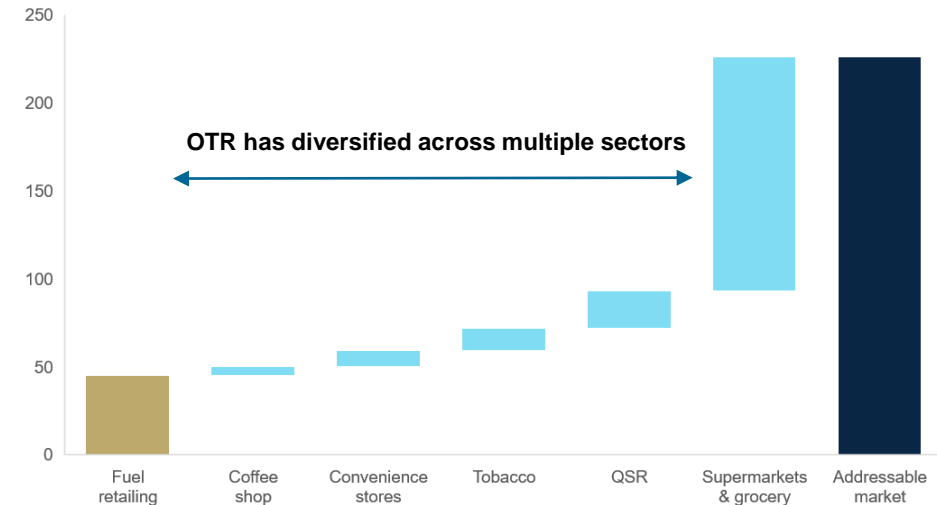
# Strategic Rationale – #2

Greater earnings diversification to convenience and the broader retail sector, which we expect to continue to deliver solid, defensive growth into the long term

## Convenience & Mobility (C&M) gross profit (\$M)<sup>1</sup>



## Addressable market by category (\$BN)<sup>2</sup>



- Non-fuel gross profit contribution lifts from ~30% to ~50% of C&M.
- Non-fuel sales generate the majority of OTR Group’s earnings (>70% of gross profit).
- OTR network achieves non-fuel gross margin at ~40% (vs Coles Express at ~32%).

- Expands addressable market by ~5x to more than \$200BN.
- Creates opportunity to grow on a combined basis from ~\$12.8BN of retail sales (at ~6% of market)<sup>3</sup> through network and existing retailing capability.
- OTR has generated strong sales growth from non-fuel sources (14% p.a. past 2 years)<sup>4</sup>.

1. Increase in gross margin from non-fuel sales based on OTR FY2023 June-end relative to Viva Energy’s pro forma FY2022 (Dec-end) period, including Coles Express.  
 2. Sources: Australian Bureau of Statistics (2022), IBISWorld Reports, Australia, 2022-2023, Australasian Association of Convenience 2021 State of the Industry Report.  
 3. Combined sales based on Convenience & Mobility pro forma FY2022 result (including Coles Express) and OTR Group FY2023 (June-end) forecast.  
 4. Based on OTR Group sales between FY2020 and FY2022.

# Strategic Rationale – #3

Extend OTR offer and technology platforms to Coles Express stores that support the format, taking the OTR brand nationally and growing per store convenience sales

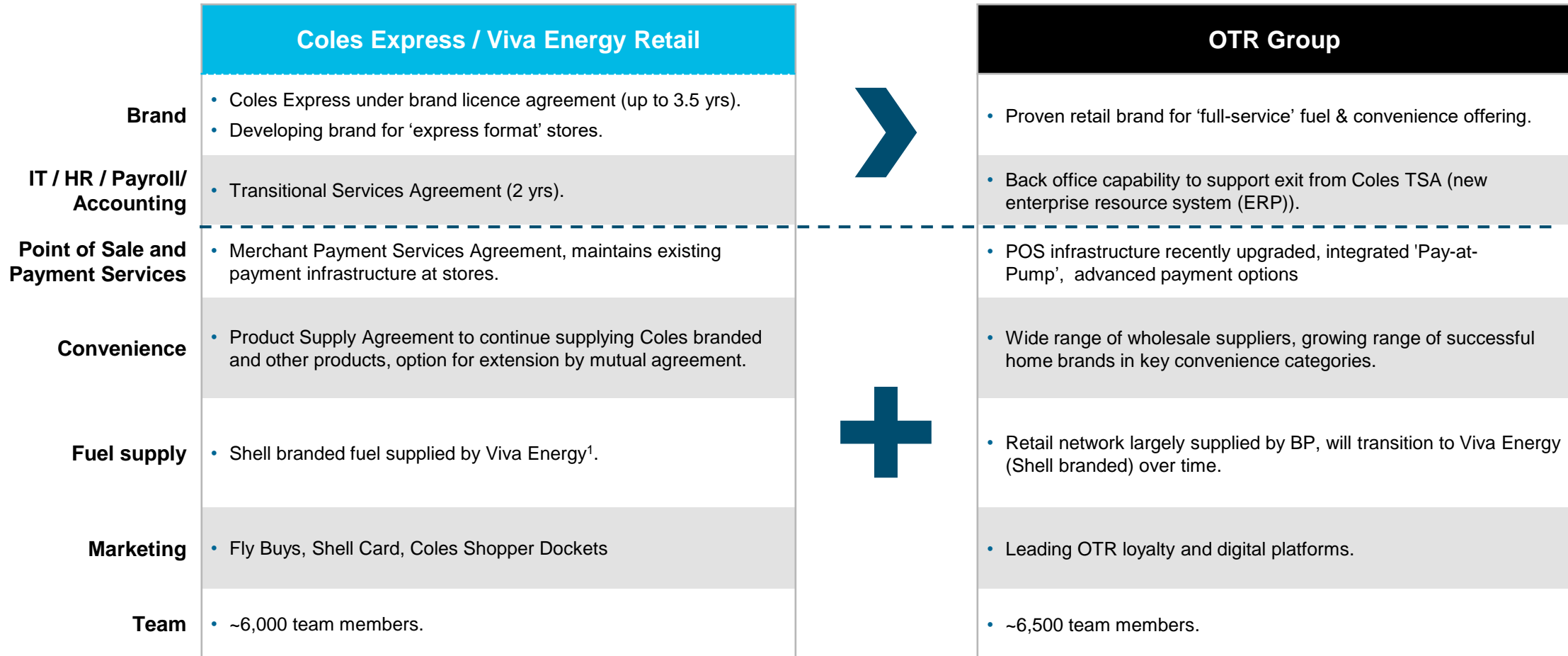


## Opportunity to extend OTR to suitable locations

- Trusted offer and brands renowned for high-quality and diverse range of products and services, a modern and comfortable store layout and reliability as a 24/7 service.
- Accelerates plans to shift focus from fuel to convenience to drive customer visits and convenience earnings.
- Builds defensible scale in convenience as demand for traditional fuels declines over time.
- Attractive offer and welcoming store environment support increased customer dwell time and the introduction of electric vehicle recharging facilities.
- Differentiated from ‘express format’ convenience, more suitable in smaller, metro-focussed locations (where a different brand will be used).

# Strategic Rationale – #4

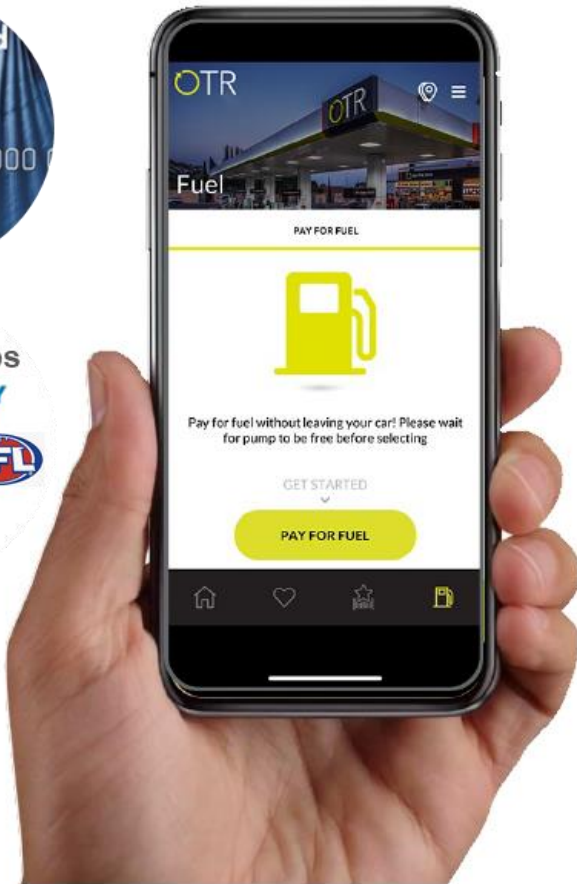
Achieve significant synergies in procurement, marketing and functional support by bringing the three businesses (OTR, Coles Express and Viva Energy) together under a single operation



1. Shell licence brand agreement in place through to 31 December 2029.

# Strategic Rationale – #5

Consolidates digital and loyalty offers across the network



## Leading technology ready to be deployed

- Accelerates ability to deliver advanced digital experiences.
- OTR employs leading technology through digital stores, payments platform and customer feedback.
- Its mobile app is user-friendly with strong engagement, providing customers with fuel, QSR and convenience rewards and discounts (e.g. Scan, Pump Save!).
- Brings together and enhances the parties' digital and loyalty offerings, including the proprietary OTR App and Shell fuel cards.
- Supports higher sales through cross-selling convenience and fuel products.



### Pre-Order

Pre-Order your next drink or meal from any of our great OTR brands, and have it ready for you when you arrive



### Earn rewards

5th purchase free for C Coffee, HappyWash, and more.



### Support Charities

Contribute to your favourite cause every time you shop with our OTR Give program – at no cost to you.



### Pay for fuel

Pay for fuel without going into the store, for the quickest pit stop.



### QR Offers

Receive special offers and discounts by scanning our QR codes in specific OTR stores.

# Financial Impact

## Summary

<b>Sales &amp; earnings contribution</b>	<ul style="list-style-type: none"><li>• Adds \$4.2BN of sales revenue on a FY2023 pro forma basis, comprising \$2.4BN of non-fuel sales<sup>1</sup>.</li><li>• Adds \$165M to EBITDA (RC) once run-rate synergies are realised, of which \$15-20M will go to Commercial &amp; Industrial<sup>1</sup>.</li><li>• Corresponding EPS accretion of 6% to 26% (6% on pro forma FY2022 basis, 11% on normalised FY2022 based on historical average Refining earnings and 26% relative to pro forma FY2021)<sup>2</sup>.</li></ul>
<b>Balance sheet impact</b>	<ul style="list-style-type: none"><li>• Recognition of ROU assets and lease liabilities of approx. \$950M.</li><li>• Following completion, below targeted range at 0.6-0.8x net debt<sup>3</sup> / underlying EBITDA (RC).</li><li>• Funded by new standalone term debt facility of A\$600M and capacity in existing facilities of US\$700M (largely undrawn). Longer-term debt facilities to be put in place over time.</li><li>• Focused on conservative leverage profile, maintaining capacity for further capital management and acquisition opportunities.</li></ul>
<b>Transaction &amp; Integration costs</b>	<ul style="list-style-type: none"><li>• Stamp duty and advisor costs will be \$15-20M, with no additional transaction and integration costs as result of capex and cost synergies with the Coles Express acquisition.</li><li>• Anticipate significant synergies by scaling existing OTR ERP system and mobile app across Viva Energy Retail network.</li></ul>



1. Sales and earnings contribution based on OTR Group's FY2023 (June-end) forecast period. EBITDA (RC) includes synergies of approximately \$60M p.a., anticipated in 3 years following completion.
2. EPS accretion range is calculated using OTR Group's FY2023 (June-end) forecast period, including run-rate synergies of \$60M p.a., relative to Viva Energy's pro forma FY2022 and FY2021 periods (December year-end, includes Coles Express) respectively. The historical average Refining contribution assumes \$200M EBITDA based on 5-year average between FY2018 and FY2022, excluding FY2020.
3. Target gearing range relates to term debt which can better align with duration of new growth opportunities. Net debt range based on term debt of between \$600m and \$800m, with the remainder funded through the existing facilities. EBITDA in net debt calculation based on forecast FY2023 Convenience & Mobility pro forma EBITDA, Commercial & Industrial FY2022 EBITDA and 5-year average of Refining EBITDA between FY2018 and FY2022, excluding FY2020.

# Financial Impact

OTR Group is set to contribute \$165M+ to EBITDA once synergies are realised

## Pro forma financial profile

Retail, Fuels & Marketing (RFM) pro forma (incl. Coles Express)		OTR pro forma (June-end)			Pro forma
<i>\$M unless stated otherwise</i>	CY22	FY21	FY22	FY23F <sup>1</sup>	Post-synergies
Pro forma revenue <sup>1</sup>	27,443	3,061	3,586	4,220	31,663
Non-fuel shop sales	1,161	2,049	2,239	2,396	3,557
Fuel volumes ML	14,252	878	883	985	15,237
<b>Pro forma normalised EBITDA<sup>1</sup></b>	<b>609</b>	<b>104</b>	<b>91</b>	<b>165</b>	<b>774</b>
Viva Energy Group net debt <sup>2</sup> / (cash)	(291)	[REDACTED]			600 - 800
Viva Energy Group net debt / EBITDA <sup>3</sup>	(0.5x)				0.6x - 0.8x

FY2022 (June-end) was a period of lower earnings for the fuel & convenience industry with fuel margins compressed due to rising product prices, with Convenience & Mobility pro forma EBITDA (including Coles Express) falling from \$272M to \$170M during that period. In addition, FY2021 (June-end) benefited from heightened trade during COVID-19.

- Sales and earnings contribution based on Viva Energy's pro forma CY2022 period (including Coles Express) and OTR Group's normalised FY2021-22 periods and its forecast 2023 period (June-end). FY2023 forecast earnings include estimated run-rate synergies of approximately \$60M p.a. in 3 years following completion.
- Net debt range based on term debt of between \$600m and \$800m, with the remainder funded through existing facilities. EBITDA in net debt calculation based on Convenience & Mobility pro forma EBITDA, Commercial & Industrial FY2022 EBITDA and 5-year average of Refining EBITDA between FY2018 and FY2022, excluding FY2020.
- EPS accretion range (6% to 26%) is calculated using OTR Group's FY2023 forecast period, including run-rate synergies of approximately \$60M p.a., relative to Viva Energy's pro forma FY2022 and FY2021 periods (December year-end, includes Coles Express) respectively. The historical average Refining contribution assumes \$200M EBITDA based on 5-year average between FY2018 and FY2022, excluding FY2020.

## OTR Group to deliver substantial EPS accretion post synergies (expected over 3 years)

- Adds \$165M to EBITDA (RC) once run-rate synergies are realised, of which \$15-20M will be allocated to Commercial & Industrial.
- Corresponding EPS accretion of 6-26% (6% on pro forma FY2022 basis, 11% on normalised FY2022 based historical average Refining earnings, and 26% on a pro forma FY2021 basis)<sup>3</sup>.
- Assumes approx. \$60M p.a. of run-rate synergies (to be realised over 3 years) attributable to:
  - Marketing and operational costs.
  - Supply chain benefits.
- Significant additional earnings upside exists from:
  - Rolling the OTR model out to suitable Coles Express stores.
  - Convenience purchasing benefits through greater scale.
  - A development pipeline of approximately 90 stores.

# Investment Requirements

We expect the increase in capital investment to drive attractive returns as we transform our network



## We will take a measured approach to capital investment

- Expect maintenance capital \$10-15M, lifting total capex for Convenience & Mobility to a run-rate \$80M p.a. (including Coles Express).
- Expect growth capital over time to grow to \$50M p.a. to invest in the pipeline and to uplift existing stores.
- Ongoing investment dependant on achieving return on capital well in excess of WACC, which will be regularly assessed and reported on.
- Significant synergy opportunities by scaling the existing OTR ERP system and proprietary mobile app across the broader Viva Energy Retail network.



# Conclusion

OTR will transform our Convenience & Mobility network and support long-term growth



1. OTR represents a major step forward in our vision to become a convenience retailer that sells fuel, rather than a fuel retailer with a convenience offering.
2. While Coles Express provides us with a sophisticated 'express format' offering, OTR's full-service model enables us to grow non-fuel sales across a much larger market and further diversify our earnings base.
3. Bringing three businesses together provides defensible scale and synergy benefits, saving time and cost associated with taking full control of our network.
4. We are committed to taking OTR nationally, and ultimately creating value for shareholders through long-term growth in convenience and mobility.

# Q&A



# Appendix

# Pro Forma Balance Sheet

	Viva Energy <sup>1</sup> 31-Dec-22 Actual	Coles Express <sup>2</sup> 30-Jun-22 Pro-forma	OTR Group <sup>3</sup> 30-Jun-22 Pro-forma	Group 31-Dec-22 Pro-forma
Working capital	41	59	57	157
Property, plant and equipment	1,644	108	198	1,950
Right-of-use assets	2,088	90	950	3,129
Intangible assets	600	(42)	754	1,312
Net cash / (debt)	291	(300)	(1,000)	(1,010)
Lease liability	(2,457)	(90)	(950)	(3,497)
Long-term provisions, other	(162)	91	104	33
Net deferred tax asset	316	-	37	353
<b>Net assets</b>	<b>2,361</b>	<b>(84)</b>	<b>150</b>	<b>2,427</b>
Equity	(4,247)	-	(150)	(4,397)
Reserves	4,213	-		4,213
Retained earnings	(2,327)	84		(2,243)
<b>Total equity</b>	<b>(2,361)</b>	<b>84</b>	<b>(150)</b>	<b>(2,427)</b>

1. Based on FY2022 balance sheet (December-end).

2. Based on Coles Express pro forma FY2022 (June-end).

3. Based on OTR Group pro forma forecast FY2023 (June-end), factoring in goodwill and approximate estimates of existing leases and leasehold arrangements with Peregrine Corporation as a result of the transaction.

# Progressing our Transition and Growth Strategy

Leveraging the diversity in our three increasingly distinct businesses



1. Completion is expected to occur in in the first half of 2023.  
 2. Viva Energy has a 50% non-controlling interest in Liberty Oil Convenience with rights to fully acquire business from 2025, subject to regulatory approvals.

## Replacement Cost (“RC”)

Viva Energy reports its performance on a “replacement cost” (RC) basis. RC is a non-IFRS measure under which the cost of goods sold is calculated on the basis of theoretical new purchases of inventory instead of historical cost of inventory. This removes the effect of timing differences and the impact of movements in the oil price. From 1 January 2021, RC measures also include lease expense, and exclude lease interest and right-of-use amortisation, in effect reporting RC in line with the previous leasing standard. The financial statements provide a reconciliation of NPAT (RC) to NPAT (HC)

## EBITDA (RC)

Profit before interest, tax, depreciation and amortisation adjusted to remove the impact of one-off non-cash items including:

- Net inventory gain/loss
- Share of net profit of associates;
- gains or losses on the disposal of property, plant and equipment; and
- gains or losses on derivatives and foreign exchange (both realised and unrealised)

## Earnings Per Share (RC)

Underlying NPAT (RC) divided by total shares on issue

