

22 August 2023

Results: Half Year ended 30 June 2023

Viva Energy Group Limited (the **Company**) today announced the Group's financial results for the half year ended 30 June 2023 (**1H2023**).

Group Highlights

- Strong fuel sales growth (+11% to 7,604ML y/y).
- Convenience & Mobility (C&M)¹ EBITDA (RC)² +40% to \$123.7M.
- Commercial & Industrial (C&I)¹ EBITDA (RC) +41% to \$231.2M.
- Interim dividend of 8.5 CPS at 70% of C&M and C&I NPAT (top end of dividend policy).
- Announced acquisition of OTR Group (subject to regulatory approval), expected to add \$165M to EBITDA (post synergies) on a pro-forma basis³.

1H2023 Group Results

All financials in \$M unless noted otherwise	1H2023	1H2022	Change	
			(%)	(#)
Sales volumes	7,604 ML	6,822 ML	11%	782
EBITDA (RC)	361.9	611.7	-41%	(249.8)
NPAT (RC)	174.1	355.4	-51%	(181.3)
Capex*	206.7	65.6	215%	141.1
Underlying FCF (RC)	118.8	394.1	-70%	(275.3)
Dividend (cps)	8.5	13.7	-38%	(5.2)
Convenience & Mobility (C&M)				
Sales volumes	2,268 ML	2,188 ML	4%	80
EBITDA (RC) [^]	123.7	88.6	40%	35.1
NPAT (RC)	68.2	41.4	65%	26.8
Capex	14.3	16.5	-13%	(2.2)
Underlying FCF (RC)	78.0	50.1	56%	27.9
Commercial & Industrial (C&I)				
Sales volumes	5,336 ML	4,634 ML	15%	702
EBITDA (RC) [^]	231.2	164.3	41%	66.9
NPAT (RC)	119.4	85.6	39%	33.8
Capex	25.8	19.1	35%	6.7
Underlying FCF (RC)	127.7	96.8	32%	30.9
Energy & Infrastructure (E&I)				
Geelong Refining Margin (US\$/BBL)	10.8	19.9	-46%	(9.1)
Refining intake (MBBL)	16.2	21.5	-25%	(5.3)
EBITDA (RC) [^]	22.9	370.8	-94%	(347.9)
NPAT (RC)	(13.5)	228.4	--	(241.9)
Capex*	166.6	30.0	455%	136.6
Underlying FCF (RC)	(86.9)	247.2	--	(334.1)

*Capex after receipt of government contributions.

[^]Segment EBITDA does not include corporate costs of \$15.9M in 1H2023 and \$12.0M in 1H2022.

CEO Commentary

Viva Energy CEO and Managing Director, Scott Wyatt, said: “Viva Energy delivered a strong result in the first half, with sales from our Convenience & Mobility and Commercial & Industrial segments growing by 11% and earnings from these segments increasing by approximately 40% compared to the same period last year.”

“We have now completed the transition of Coles Express and are working towards completing the acquisition of OTR Group by the end of this year. Together these acquisitions will see us become one of the leading convenience retailers in the country.”

“Our Commercial & Industrial businesses continue to deliver strong growth across all segments, with our specialty markets continuing to support sustained and attractive long-term growth. The contract with the Australian Defence Force was a particularly significant achievement and we look forward to supporting them to achieve their goals in the years ahead.”

Although the Energy and Infrastructure business was unfavourably impacted by extended major maintenance in the second quarter, refining margins have lifted considerably over recent months as a result of tightness in international markets, and we look forward to our refinery returning to full production at Geelong in September.”

“I am pleased with our performance and the progress we are making on strategic priorities. Our continued capital discipline and strong balance sheet supports investments and acquisitions to deliver long-term growth. The continued strength and relative stability of C&M and C&I supports an interim dividend at the top end of our policy range.”

Convenience & Mobility (C&M)

C&M EBITDA (RC) was \$123.7 million in 1H2023, a 40% increase on the same period last year supported by continued growth in fuel sales across all channels (up 4% to 2,268 million litres).

The company-operated network (previously operated by Coles Express) achieved weekly fuel volumes of 58 million litres, up 3% on the prior year, with further growth coming from the extension of the Liberty Convenience network (now at 95 stores nationwide). Premium petrol penetration increased slightly from 30% to 31%⁴.

We made significant progress in pursuing our strategy to grow high-quality convenience earnings, completing the Coles Express acquisition to secure full control over more than 700 stores, and announcing the acquisition of OTR Group (subject to regulatory approval) which secures leading convenience and quick service restaurant capabilities (>70% of earnings from non-fuel retail)⁵. Together these acquisitions provide a pathway to becoming the leading convenience retailer in Australia.

The integration of Coles Express is progressing well, with approximately 6,000 Coles Express team members joining the company and transitional services arrangements successfully implemented with Coles Group, ensuring the in-store experience and customer offer remains unchanged. Convenience sales were \$549 million in 1H2023, a 0.9% decline versus the prior year⁶. Excluding tobacco, sales grew 8.7% with strong growth from food-to-go, snacks and beverage categories.

We expect to complete the OTR acquisition in 2H2023, subject to regulatory approval, contributing to an earnings uplift from 2024.

Commercial & Industrial (C&I)

C&I EBITDA (RC) increased by 41% to \$231.2 million in 1H2023, with sales volumes up 15% (to 5,336 million litres) led by continued recovery in International Aviation and strong demand from Wholesale and other C&I segments.

During the period we completed the small acquisition of Skyfuel Australia, growing our regional airport presence and customer solutions offering, and signed two long-term, strategically important contracts with the Australian Defence Force (ADF) and Royal Flying Doctors Service (RFDS). We continue to focus on the development of high-quality, diversified specialty businesses.

Although we expect continued strong demand across all our C&I businesses through the remainder of this year, C&I earnings are expected to moderate as elevated, uncontracted wholesale sales and certain procurement arrangements unwind.

Energy & Infrastructure (E&I)

As previously announced, E&I delivered EBITDA (RC) of \$22.9 million in 1H2023, compared to \$370.8 million the same time last year. Earnings were impacted by lower regional refining margins than last year and the planned major maintenance turnaround during the second quarter, which was extended as a result of the compressor incident announced on 7 June 2023.

Crude intake reduced to 16.2MBBLs and the Geelong Refining Margin (GRM)⁷ declined to US\$10.8/BBL, with higher operating costs due to increased shipping activity to support the major maintenance turnaround and unplanned extended outage of the Platformer and associated units. Replacement of crude oil with additional imports of refined products also impacted the GRM in 2Q2023.

Due to lost productivity associated with the compressor incident and a larger than anticipated scope of work, the total expected capital cost of the major maintenance turnaround has increased by approximately \$25 million. We expect to restart Platformer #3 along with associated downstream units and return to full production by early September. We continue to expect an EBITDA loss for this segment of between \$30 million and \$40 million net of insurance recoveries for the combined period July/August.

E&I is well positioned to take advantage of recent improvement in regional margins when full refining production resumes in early September. We expect the environment to remain elevated versus historical averages, with margins influenced by tight refining capacity, Chinese demand and export strategies and strength in global demand for fuels. In July, Viva Energy and Vitol Asia agreed to waive the procurement fee under the Fuel Supply Agreement (FSA) for a further two years.

Ultra Low Sulphur Gasoline (ULSG) project update

Planning and investment in the ULSG project is well underway, however completion of this project is now not expected until the second half of 2025 due to delays of critical components from suppliers recovering from the impacts of the pandemic and high levels of competing international demand for their services. We are lodging a waiver request with the federal government to cover the intervening period.

We expect a combined investment of approximately \$350 million for both the ULSG project and anticipated further changes to fuel specifications, particularly in respect of aromatics. As previously announced in May 2021, up to \$26 million of Federal Government funding is expected to be available to offset additional identified capital spend associated with any further changes to fuel specifications, in addition to the \$125 million of funding already approved for the ULSG project. To date, \$84 million has been invested in the ULSG project (\$67 million net of government contributions).

Dividends and Capital Management

NPAT (RC) decreased by 51% to \$174.1 million in 1H2023 compared to the previous corresponding period. At a business level, C&M and C&I NPAT totalled \$187.6 million, and E&I NPAT was -\$13.5 million.

Our dividend policy targets a payout ratio of between 50% and 70% of C&M and C&I NPAT (previously Retail, Fuels & Marketing) on an interim and full-year basis, and 50% to 70% of the E&I NPAT

(previously Refining) at the end of each financial year. On this basis, an interim fully franked dividend of 8.5 cents per share (\$131.3 million) has been determined, representing a 70% payout ratio of C&M and C&I NPAT. The payout at the top of the range reflects the continued strong and stable performance of the C&M and C&I businesses. The dividend is payable to registered shareholders on the record date of 6 September 2023, with a payment date of 20 September 2023.

Closing net debt as at 30 June 2023 was \$274.2 million, compared to a net cash position of \$290.5 million at 31 December 2022. The move to net debt was driven by several factors:

- Acquisitions totalling \$333 million (of which Coles Express comprised ~\$300 million);
- Income tax payments of \$201 million with additional instalments based on the FY2022 period;
- Dividends paid of \$206 million, and;
- Capital expenditure of \$207 million (net of government contributions).

Full-year guidance for capital expenditure remains unchanged at \$405 million and \$455 million (net of government contributions), comprising:

- Base capital expenditure of between \$165 million and \$190 million;
- Major maintenance of between \$105 million and \$110 million, and;
- Energy Hub capital expenditure of between \$135 million to \$155 million (net of government contributions).⁸

The Board is highly focused on capital discipline and prioritising the most compelling opportunities in the current environment. We will provide a comprehensive update on the long-term capital management plans at our Investor Day in November this year. We continue to target long-term gearing of 1.0 to 1.5 times, based on net debt / underlying EBITDA (RC)⁹.

Authorised for release by: the Board of Viva Energy Group Limited.

Event details

Date: 22 August 2023

Time: 11:00 am (AEST)

To join the briefing, participants must pre-register via the below link. You will then receive the webcast link and dial in number via a calendar invite.

<https://s1.c-conf.com/diamondpass/10031423-nghy7s.html>

Notes:

- From 1H2023, reporting has been re-segmented as follows:
 - From Retail, Fuels & Marketing: Retail to Convenience & Mobility;
 - From Retail, Fuels & Marketing: Commercial to Commercial & Industrial;
 - From Refining to Energy & Infrastructure.
- Viva Energy reports its 'Underlying' 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.
- Completion expected in 2H2023 subject to regulatory approvals. Earnings contribution is calculated using OTR Group's pro forma FY2023 (June-end) forecast period including synergies. Estimated run-rate synergies of approx. \$60 million per annum are anticipated in three years following completion.
- Calculated as premium gasoline over total gasoline for retail fuel volumes only.
- Increase in gross margin from non-fuel sales is based on OTR's FY2023 forecast (June-end) period compared to Convenience & Mobility business's pro forma FY2022 (Dec-end) period.
- C-store sales aligned with Coles Group (COL) reporting, which is based on number of trading weeks in the period. Financial statement sales of \$591 million is grossed up for 5 days of trading through to 30 June 2023 and includes other non-fuel income.
- The Geelong Refining Margin is a non-IFRS measure calculated in the following way: IPP less the COGS, and is expressed in US dollars per barrel (US\$/BBL), where:

IPP: a notional internal sales price which is referable to an import parity price for the relevant refined products, being the relevant Singapore pricing market and relevant quality or market premiums or discounts plus freight and other costs that would be incurred to import the product into Australia.

COGS: the actual purchase price of crude oil and other feedstock used to produce finished products.

Geelong Refining Margin is a financial measure Viva Energy uses to illustrate and aid in the understanding of the performance of the Geelong Refinery. It involves elements of estimation and is not alone a measure of historical financial performance. In addition, it is only one contributor to the replacement cost Underlying EBITDA of Viva Energy. In its financial reporting, Viva Energy converts GRM into Australian dollars using the prevailing month average exchange rate.
- Capital Expenditure including Federal Government funding contributions for Strategic Storage and ultra low sulphur gasoline (ULSG) upgrades. Maximum Government contribution for Strategic Storage and ULSG projects are \$33.3 million and \$125 million respectively. Contributions treated as deferred revenue when received and recognised in line with depreciation once the project is complete.
- Target gearing range relates to term debt which can better align with duration of new growth opportunities.

Further enquiries:

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About Viva Energy

Viva Energy (ASX: VEA) is one of Australia's leading energy companies and supplies approximately a quarter of the country's liquid fuel requirements. It is the exclusive supplier of high-quality Shell fuels and lubricants in Australia through an extensive network of more than 1,300 service stations across the country.

Viva Energy owns and operates the strategically located Geelong Refinery in Victoria, and operates bulk fuels, aviation, bitumen, marine, chemicals, polymers and lubricants businesses supported by more than 20 terminals and 60 airports and airfields across the country.

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