TRANSCRIPTION

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Operator: Thank you for standing by. Welcome to the Viva Energy Australia First Half 2023 Results Call. All participants are in a listen only mode. There'll be a presentation, followed by a question and answer session. If you wish to ask a question, you'll need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr. Scott Wyatt, CEO. Please go ahead.

Scott Wyatt: Hi, good morning and thank you all for joining us today to discuss Viva Energy's half year 2023 results. My name is Scott Wyatt, I'm the Chief Executive Officer of Viva Energy, and on the call with me today is Carolyn Pedic, Our Chief financial Officer, and Jevan Bouzo, our CEO of Convenience and Mobility. I'll 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.

As always, I'd like to begin with some comments on our safety and environmental performance as set out on slide five. Personal safety performance has continued to improve this year, with a steady reduction in the injury frequency rate, fewer loss of primary containment events, and zero process safety events. I think these are particularly good results given that we had more than 700 additional workers join the team at Geelong Refinery, to carry out major maintenance works during the second quarter, which was subsequently extended as a result of the contractor crane failure we announced in June. This was a significant incident, but I'm really pleased that our procedures were followed and no one was in harm's way when this occurred.

Now turning to slide six, let me first touch on changes that we've made to the way we report our results. From this period, we will segment and report our financial results across three distinct business units, convenience and mobility, commercial and industrial, and energy and infrastructure. Each of these businesses operates in very different markets, with different customers, competitors, economic drivers, and strategies to reflect the opportunities that we see. The acquisition of Coles Express and OTR Group are good examples of how we are uniquely developing our convenience and mobility business. Carolyn will discuss the implications for our financial statements a little bit later in the presentation.

Now turning to the first half highlights, group EBITDA for the period was $362 million, in line with our previously announced unaudited results. At a segment level, our convenience and mobility and commercial and industrial businesses continue to perform very well, with strong sales performances and earnings lifting approximately 40% over the same period last year. Our energy and infrastructure business was of course impacted by both planned and unplanned major maintenance in the second quarter, as well as lower regional refining margins compared with the exceptional margin environment we saw last year during the commencement of the conflict in Ukraine.

From a strategic perspective, we completed the acquisition and transition of Coles Express in May, and announced the acquisition of the OTR Group, which is currently progressing through the regulatory approval process. Together these acquisitions will see us become one of the leading convenience retailers in the country. On the back of these strong performances, we are determined to pay dividends at the top end of the range in respect of the non-refining earnings, representing 8.50 per share. Our balance sheet remains strong, ending the period with net debt of just $274 million.

Now let me turn to slide seven and eight to discuss our sales performance in a bit more detail. Fuel sales are up 11% to 7.6 billion litres for the half, a record for the company as a listed entity, and lifting our market share to around 26%. Convenience and mobility sales volumes increased by 4%, led by growth in our company controlled network, previously Coles Express, and by the continued growth of the Liberty Convenience Network, which now stands at 95 stores. The commercial business achieved sales growth of 15%, led by the continued recovery in international aviation and robust demand from wholesale and other segments.

This particularly strong sales growth should be considered in light of the general market conditions which do remain relatively subdued. As you can see on slide eight, petrol demand remains around 7% below pre-COVID levels due to sustained changes in mobility patterns, and more recently, cost of living pressures. While diesel demand has been more resilient, reflective of the broader economic conditions which remain favourable and supportive of our commercial and industrial performance. Jet demand continues to recover, with more recent growth stemming from the recovery we're seeing in international travel.

Turning now to refining, our regional margins, as set out in slide nine, remain strong relative to historical levels, notwithstanding the elevated margins we experienced during the weeks following the invasion of Ukraine last year. Reductions in refining capacity, outages associated with ageing plant, and generally tight oil supply continued to be supportive of stronger margins, with Chinese demand and export quotas continuing to influence our regional environment. Geelong was naturally impacted by the planned major maintenance in the second quarter, which was subsequently extended to allow for repairs to the hydrogen compressor. Crude intake was 16.2 million barrels, with a GRM of $10.80 US per barrel for the period, which reflects both a reduced crude intake, as well as lower production of diesel. On a unit rate basis, fixed operating costs were also elevated through the period as a result of this lower intake and production.

We remain on track to return to full production in September, and we are well-placed to take advantage of the currently healthy and refining margin environment that we see. Let me now hand over to Carolyn Pedic who will talk in more detail about our financial performance.

Carolyn Pedic: Thanks, Scott, and good morning everyone. So let's start on slide 11. So as Scott has touched on, we have formally changed the way in which our business results are reported, so our financial statements no longer report the business as the two

segments of retail, fuels and marketing, and refining. So convenience and mobility, and commercial and industrial are now reported under their own segments, while refining will report under the new heading of energy and infrastructure, and this also captures the evolving Geelong energy hub investments.

Now the first half results demonstrate the valuable diversity of the group. So EBITDA for each of the convenience and mobility, and commercial and industrial businesses grew by approximately 40%, and that supports a group EBITDA of $362 million. As we see refining was down significantly on the same period last year as we cycled through the exceptional margins that existed at that time, and also reflecting the major maintenance activity at Geelong during the second quarter that Scott talked to.

Now the convenience and mobility business delivered its best first half performance in recent years, as shown on slide 12. So EBITDA increased by 40% to $123.7 million, and this result was driven by ongoing sales growth and improved conditions compared with the first half of 2022, which was impacted by rising oil prices and changes in excise. Now these improved margins more than compensate for the increases in lease costs and operating expenses.

Turning to slide 13, the commercial and industrial business delivered a record $231.2 million of EBITDA in the first six months of the year, and this performance was supported by sales growth, which was led by the recovery in international aviation and continued robust demand from existing customers in other segments. Our margins have improved as higher supply costs have passed through customer contracts and we continue to focus on growing higher value segments, such as our specialties business.

Now on refining, as I mentioned previously, refining was significantly impacted by the major maintenance turnaround, which is extended due to the compressor incident in the second quarter. EBITDA was $22.9 million, a significantly lower result compared to the record period last year. The compressor incident delayed the restart of processing units and extended the outage of the platformer and associated units, and this impacted production of higher margin fuels including premium gasoline and diesel. We also had to replace crude oil with additional imports of refined products, which significantly affected shipping costs and also impacted the GRM. So outside of direct impacts from the turnaround and incident, operating costs declined period on period. We had lower energy costs, which more than offset the increase in manufacturing costs from general labour and primary materials. And we expect to see improvements as the refinery returns to full production and maintenance activity reduces for the remainder of the year.

Now as set up on slide 15, net cashflow was negative $88 million during what was an unusual period. So we continue to manage the cash position exceptionally well with the release of our working capital more than offsetting the net inventory loss. And this was important as we managed the disruption from the extended turnaround, higher capital expenditure and the $300 million cash payment for the Coles Express business. So despite lower refining margins and the extended turnaround, underlying

free cashflow was strong at nearly $120 million. This is before borrowings dividends and investments, and it also excludes the CapEx for multi-year projects as part of the fuel security package.

And now turning to CapEx on slide 16, we remain on track to meet the full year guidance we provided at our FY2022 results. We invested 207 million in the business in the first half, net of government contributions and expect to invest approximately a similar amount in the second half. Although we confirm full year 2023 guidance, you'll see that the mix has changed somewhat, so another $25 million is required for the major maintenance turnaround due to lost productivity that's associated with the compressor incident and a larger scope of work. This is offset by slightly lower anticipated spend in the base business. Management and the board remain highly focused on return on capital in the current environment and we'll have more say on this in our Investor Day near the end of the year.

Moving to slide 17, which shows our balance sheet position. After starting 2023 at net cash of $290 million, we moved to net debt of $274 million at the end of June. So during the period we paid shareholders a record dividend following an outstanding result in 2022, and completed the remainder of our previously announced buyback. The cash consideration for the Coles Express business was $300 million, but the net impact was only $140 million. And as a reminder, the difference reflects working capital benefits of approximately 60 million post completion and also the settlement of a payable of $100 million that was previously recorded on Viva Energy's balance sheet. So the discipline management of our balance sheet has put us in a good position to fund the acquisition of the OTR Group and maintain flexibility for further opportunities. And we confirm that we continue to target long-term gearing between one to one and a half times based on term debt to underlying EBITDA.

Now slide 18 provides the breakdown of the dividend announced today. At eight and a half cents per share, the interim dividend represents a 70% payout ratio of net profit from the convenience and mobility and commercial and industrial segments, and that's at the top end of our dividend policy range. At a group level, this equates to a 75% payout ratio. Now the decision to pay out at the top end of the range reflects the continued strong and relatively stable performance of our convenience and mobility and commercial and industrial businesses with excellent cash conversion. This dividend will be payable to registered shareholders on a record date of the 6th of September, 2023, with a payment date of the 20th of September, 2023. So I'd like now to hand back to Scott to cover our strategic update and outlook.

Scott Wyatt: Thanks, Carolyn. On that, before I do turn to the outlook for the remainder of '23, I would like to revisit the long-term strategy for each of our three businesses. While we'll delve into these in much more detail at our Investor Day later this year, we have summarised the pathways to growth on slide 20.

Within convenience and mobility, clearly the acquisitions of Coles Express and OTR are transformational steps towards our vision to become a convenience retailer that sells energy rather than a fuel retailer that happens to sell convenience. To achieve

this, we're bringing together the best of the Coles Express and OTR businesses to establish a leading convenience retailer in Australia, and accelerate our plans to grow in what we see as a very attractive market. Within commercial and industrial, we expect our specialty businesses to continue to grow as a proportion of the overall earning space and we continue to look for opportunities to scale the specialty offering through acquisitions of adjacent businesses.

Lastly, we seek to optimise our energy and infrastructure assets. We see significant opportunities for our refinery and broader infrastructure assets as the energy transition takes place. We're well underway with building 90 million litres of new strategic diesel storage and upgrading the refinery to produce ultra low sulphur gasoline and expect to begin construction of our green hydrogen station late this year. We've also more recently announced plans to begin post-processing bio waste and waste plastic feed stocks, which we expect to commence in the second half of 2024. As I mentioned earlier, the transformation of our convenience and mobility business is progressing well and we set the key milestones on slide 21. We've now completed the acquisition and transition of the Coles Express business with around 6,000 Coles Express team members joining the company and transition the services arrangements successfully implemented with Coles.

Coles Express convenience store sales were $549 million in the first half, a small decline of 0.9% on the same time last year. Excluding the lower margin tobacco sales, convenient sales actually grew almost 9% as the business saw continued growth from categories including food to go, snacks and beverages. We also announced the acquisition of the OTR Group during the period and are currently progress in the regulatory approval process with the ACCC. We have proposed to sell 23 Coles Express sites in Adelaide to expedite the approval process and remain hopeful of completing the acquisition by the end of this year.

As I mentioned earlier, we're well on the way to upgrading the refinery to produce ultra low sulphur gasoline. We now expect to complete the project in the second half of 2025, due to delays in sourcing critical components from suppliers with high levels of demand for their services. We are planning to submit a waiver request with the federal government for the intervening period. Overall, we expect a total combined investment of approximately $350 million for this project and further anticipate changes to fuel specifications, particularly aromatics. In addition to the $125 million of government funding for the ultra low sulphur gasoline project, $26 million of government funding is expected to be available to offset additional capital spend associated with further fuel specification changes.

In May, we announced plans to build infrastructure which will enable our refinery at Geelong to receive and process feed stocks, such as used cooking oil, animal fats, and some synthetic crude made from waste plastics. These feed stocks will be blended with crude oil to reduce the energy intensity of the fuels that are produced at Geelong Refinery and recycle waste plastics through the polypropylene plant which was acquired by the company last year. This will lead to the first commercial production in Australia of recycled plastic from waste soft plastics, which will be a key

step towards solving one of the most difficult recycling challenges. It's estimated in Australia, more than two million tonnes of plastic go into landfill every year. This is a really exciting initiative for us, it will reduce the carbon intensity of the fuels and refined products that are produced to Geelong, support customers with their own emissions reduction strategies and develop experience and capability to support larger scale investments in the future.

Turning now to the outlook for the second half of this year, on slide 23, despite cost of living pressures, we do expect the robust economic conditions to continue driving demand for diesel and the broader commercial industrial businesses, but with some moderation compared with the first half. Fuel demand in the mobility and convenience business is likely to seasonally lift in the fourth quarter, but remains subdued due to the changes in mobility and higher fuel prices that are persisting at the current time. Our refining business is expected to return to full production in early September and we are well-positioned to take advantage of currently strong regional margins. There is no change to our estimate on the earnings impact from the incident in July and August. On that, let me now open it up for questions.

Operator: Thank you. If you wish to ask a question, you need to press the star key followed by number one on your telephone keypad. If you wish to cancel your request, please press star then two. If you're on a speakerphone, please pick up the handset to ask your question. Your first question comes from Dale Koenders with Barrenjoey, please go ahead.

Dale Koenders: Morning, Scott and team. I was just wondering if you could provide a little bit more colour on how the Coles acquisition has gone so far. Two months of contributions in earnings. Was there anything kind of dollar million basis that's come in? And also where are the Alliance volumes tracking at the moment in August?

Scott Wyatt: Yeah, look, thanks for the question. I think it's a good opportunity for Jevan to say a few words about how things are travelling in convenience and mobility.

Jevan Bouzo: Yeah, thanks, Scott, and thanks for the question, Dale. It's gone really well. It's been a really smooth transition, I think, thanks to our friends at Coles and the team that's come across for a lot of hard work over the last few months to deliver a smooth transition. It's really only a couple of months contribution into the half year, so not a lot to talk about in terms of financial performance or contribution. And as we start to deliver some of the transition initiatives over the coming 12 months or so, we'll no doubt start to see a little bit more earnings contribution, which will be positive.

Market's performing pretty well, it is a little soft out there as we commented in the outlook statement, in the context of cost of living pressures and a little lower mobility activity, which is driving a bit of a subdued market. But transition's gone really well and we've had no impact to store operations of customers. Stores are trading in a really positive way. And you see from the sales growth in the stores, ex tobacco, continuing to outperform a lot of our peers and should see us go pretty well over the next sort of 12 to 18 months as we embark on the OTR acquisition too.

Dale Koenders: At the time of the Coles acquisition, I think the statement was set sort of at 56 mega litres per week, the acquisition was pretty much earnings neutral. Is that really what we should be assuming at the moment, that we're not going to see material earnings contribution in the second half from the asset?

Jevan Bouzo: Oh look, there's a range of opportunities to add value through the acquisition and as we progress through some of the transition initiatives, we should see a few different areas where we can start to add value. If you recall the original announcement where we talked about the earnings contribution, didn't contemplate any real synergy or opportunity from bringing the two businesses together, other than just consistent trading performance and some flex in volumes to try and give some context as to the sort of contribution we thought it could deliver over time. So it will obviously depend on market conditions in the second half and how we track on some of the transition initiatives, but we're pretty positive on a post-integration basis that we'll be able to deliver what we set out to.

Dale Koenders: Okay. It's just very peculiar to spend $300 million on an asset and not give an update. Do just think it's too soon and you'll give that maybe at your Investor Day?

Jevan Bouzo: Yeah, I think that's right. I mean, it's really only a couple of months. We've just got the keys, there's transitional services underway, we've transitioned 6,000 people, moving the team is really positive. Stores are trading really well, continuing to see good sales growth in all the key lines that are driving overall margin improvement. So I feel really good about where it's at, but yeah, good to have a little bit more water under the bridge before we start to talk about how it's tracking and how the future's going.

Dale Koenders: Okay, sounds good. Thank you.

Operator: Next question comes from Tom Allen with UBS. Please go ahead.

Tom Allen: Hi, good morning, Scott, Carolyn and the broader team. You've announced a material delay to the low sulphur upgrade projects and now expected second half '25. Just recognising that current government compliance obligations require that new standard to be met by, I think it's mid-December '24. Can you share some colour on what the potential implications are for missing that compliance timeline if the government doesn't fully accept the waiver request that Viva's lodging?

Scott Wyatt: Yeah, look, thanks for the question. It's obviously a very big project. It's actually the largest upgrade to processing capacity at Geelong for over 20 years, so it's not insignificant. We're probably doing it at one of the more challenging periods with coming out of a pandemic and various suppliers that we would rely on for this being somewhat impacted by that and obviously recovering. So it's taking longer than we obviously hoped for. We've been obviously working in keeping government well-informed of that through the department, and part of that obviously is anticipating how we would manage the fact that we're just not going to be ready at the currently regulated date. So the waiver request is the process that's available to us.

We've obviously got good reasons for why we are facing a delay and still remain committed to delivering the project and getting new fuels to the market as soon as we possibly can. And obviously there's still a way to go between now and then so things can change and maybe we'll find opportunities to improve on that. But right now that's sort of being realistic and facing into a longer project than we were hoping for. So I'm fairly confident that we'll receive the waiver. There's really no choice in respect of our capability in any case, and we play a critical role and obviously supply the fuel to the market and doing everything we can to move it as quickly as possible.

Tom Allen: Thanks, Scott. Are you aware of there being a possible fine or some other financial penalties for missing the deadline?

Scott Wyatt: No, I think there is some disappointment obviously in not being able to fully comply in that time, as there is in our organisation, but as I said, we've been working closely with the department on this and so it's well understood.

Tom Allen : Okay, thanks. And then just on commercial, you reported another strong half. Any additional colour you can share on the outlook for commercial in terms of volume of margin? Does Viva continue to pursue additional share in that segment so you can protect that margin above that eight cents a litre going forward?

Scott Wyatt: Yeah, look, I mean, the broader economy in Australia is still doing well and a lot of the markets that we service into are still performing well and that puts good demand profile on our organisation. So you can see that in the sales uplift that we've seen in commercial, 15% year-on-year and obviously last year was a good year as well. So it's a bit partly due to the just general economic conditions that are out there, but also partly to obviously the work that we've done to build our commercial business across all the different segments, continue to diversify. And that diversification is massively important in helping us to sustain earnings through different sector cycles that we face into. So it's proven beneficial in the past and obviously we're at a point where most of the sectors are in an upswing, which you can see that in the results.

What we're sort of saying is that it's unusual for all sectors to be in an upswing in the way that we're seeing it, there's probably going to be some moderation. And certainly we called out a couple areas where we see that occurring. But I think looking through that, we're at a different place now with commercial, it really is one of our high performing businesses. A lot of the earnings that exist in that business are quite sustainable. Over the long run, I think our strategy is working both in terms of our target segments, but also our approach to market and the relationships that we have with our customers leveraging the strengths of our supply chains. And all of that comes together, I guess, in the results that you see, but just with a bit of tempering around the expectations in the short term as you go into the second half.

Tom Allen : That's helpful, Scott. Thanks a lot.

Operator: The next question comes from Mark Wiseman with Macquarie. Please go ahead.

Mark Wiseman: Oh, thanks, Scott and team, for the update today. I just had a couple of questions. Firstly, on the gearing target, could you maybe just discuss where you anticipate being post the OTR acquisition? Will that take you to the upper end of that one to 1.5 times range or can you tolerate being above that range for a period of time?

Scott Wyatt: Carolyn, would you like to address that?

Carolyn Pedic: Yeah, thanks, Scott and thanks for the question as well. So when we talked about the acquisition earlier this year, we talked a little bit about where we'd be in the range and we anticipate that we'd probably be more like the bottom of the range, particularly because, as we've shared, the definition is related to term debt EBITDA, and see our EBITDA is going quite well, which pushes us more to the bottom end of that range. So I expect that's where we'll be.

Mark Wiseman: Okay. That's fantastic.

Carolyn Pedic: Yeah. Yep.

Mark Wiseman: Great. Thank you. And just on the C&I EBITDA bridge as well, I mean, another really strong performance from C&I. I'm just wondering for the 23.6, that first bar of growth, are you able to maybe reference how much of that is new contract wins and are there any contracts that you may potentially lose in the foreseeable future that may offset that?

Scott Wyatt: Yeah, look, I mean, it's a mix of wins and just strong demand, stronger demand from our existing portfolio of customers. The resources sector is performing very strongly at the moment, strong demand for the products that we sell as a country. Obviously the recovery and aviation construction activity around the country is strong, particularly recovering from weather events and so on. So it's across the board. I think the majority of it really probably does come from existing accounts and existing relationships that we have. And I guess that's one of the strengths in the commercial portfolio is the quality of the customer base that we have. If you're supplying winners in their segment, then obviously you enjoy the growth that they enjoy.

And new accounts will take time to deliver earnings growth and that was probably more for the future. Obviously we don't typically call out our wins and losses as a general rule, but we did call out the Australian Defence Force win this year simply from a point of view of being an example of a really strategic account that we've worked a long time to build towards that win. And it obviously has very complex needs, but it suits the sorts of business and strengths that we have within commercial and it's a great opportunity for us to support them in their endeavours and grow with them as well. And obviously that'll be for the future, but that's just sort of an example of the types of quality accounts that we focus on.

Mark Wiseman: Great, thank you and congrats on the result.

Scott Wyatt: Yeah, pleasure. Thanks.

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

Michael Simotas: Good morning guys. First one for me is on the C&I business. So I just want to clarify your comment where you talk about earnings moderating in the second half. I presume that refers to a comparison to the first half sequentially, not year-on-year, is that correct?

Scott Wyatt: First half sequentially, yeah, that's right, Michael.

Michael Simotas: Yep. Great. And just following on from that, if we sort of think about how the various moving parts flow through into the second half, there is a bit of seasonality in the business. You've called out the eight million from purchasing and supply, the six million on uncontracted spot sales, so we'll make some assumptions around that. Is there anything else we need to think about on an underlying basis that business transitioning from the first half to the second half and in particular, I think some of the specialty earning streams are pretty strong in the first half?

Scott Wyatt: Yeah, it's just more, I think the other piece, Michael, is just what I was referring to before about just the general economic outlook. I mean, I think it's been a real strength of the Australian economy that we continue to perform very well in what is otherwise a difficult global economy. And there are headwinds there and that may well start to affect some of the customers and sectors that we're selling into and obviously that will then get reflected into demand at some point. So that's just a general comment, but I think we've been in another very unique period where all the sectors that we're selling into, almost without exception, are doing extremely well right now and that's an unusual place to be. I don't think you can bank on that continuing at all times. Does that make sense?

Michael Simotas: Yeah, it does, it does. And just the last one from me, the Vitol procurement fee being weighed for two years, can you just sort of talk about, give us any more colour on that, what quantity of that or what the quantum of that is and what the motivation for Vitol waiving the fee is?

Scott Wyatt: Yeah, look, it was obviously waived for the first five years. It's a sort of standard industry fee to cover the procurement tasks that they perform for us. Typically, it's not a material impact regardless, but because we had called out previously that have been waived for five years and we've had an extension for another two years, it's important for us to update the market in that regard. And so I mean, the reason for it's obviously, look, the relationship that we have with Vitol as our key supplier for crudes and feed stocks into market is a strong one. We work very closely with them and that just reflects the commitments they have to seeing us be successful, I think that's probably how I would read into it. But if at some point the fee does apply, we'll obviously update the market, but it's a relatively immaterial number in this respect of our overall supply requirements.

Michael Simotas: All right, thank you.

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

David Errington: Morning, Scott, Carolyn, this is probably question to Jevan, Scott. In fact it's a question to Jevan.

Jevan Bouzo: Go for it.

David Errington: I noticed, Jevan, look, the future of the company or not the future, but a big chunk of the future is obviously you're moving into convenience retail, particularly that convenience side of things. I noticed though your petrol isn't going that well at the moment. I mean, you lost market share, which I raised my eyebrows at, and this is just petrol and probably premium petrol. Your market share share's only 20% and you're losing share, and I think your Coles, your Alliance sales, you're still only around 58 million litres a week or whatever it is.

Do you need a stronger petrol offer, or I suppose the first question is why is the petrol offer still languishing given the brand strength of the Shell brand, and do you need a stronger petrol offer to leverage into a stronger convenience offer? And although on the flip side to that, I noticed that your ex tobacco sales rate 8.7% and Ampol's are only 5.6%. So you're winning share in the shop, but you're losing share at petrol. So I'm trying to work out what's going on there and do you need a stronger petrol offer to leverage your way into a stronger convenience retail offer?

Jevan Bouzo: Hey, David, thanks for your question. It's a good one. I mean, I think I agree, we're continuing to outperform in the store, which is fantastic and that's with the existing Coles Express offer before we've got the opportunity to roll out things like on the run and a more sophisticated convenience offer. So certainly heading in the right direction. On the petrol side, the fuel market performance that we set out on slide eight refers to total volume across the business by grade. So when you look at our total petrol share for example, that includes a little bit of wholesale and other volume that occurs across the business.

What I would say is that from a standalone retail perspective, we're holding share, which is good. And within that, the slide eight probably sets out the impact of a little bit of movement in wholesale and the dealer channel. I'm pretty comfortable with where the core retail network is at and while we're seeing a little bit of softer mobility activity, we've continued to hold share through first half this year relative to first half last year, and growing volumes by a few percentage points in that retail network as well. So still early days on that journey, I think we're in a pretty good position. Focus now is really on trying to run the stores as a more integrated offer. In the past it's been challenging where the company really operated fuel independent of shop and obviously Coles operated the shop in many ways independent of fuel. And so I think we've got a real opportunity to continue to make decisions to market and drive promotional activity across the forecourt and the store going forward. And I'm hopeful that we'll start to see a little bit of benefit from that flow through over time.

David Errington: But I'll ask the same question but a different way, Jevan, you only, whatever the market share is was whatever, but you're still only around 58 million litres per week. Now the question is do you need that to go higher to really leverage into and launch

into what is going to be more than a coffee, more than a toilet paper and water offer, you're going to launch into a full convenience offer? Do you need that leverage to go up, the 58 million litres, do you need that to get back to where it should be, which is around 65 million litres to launch into that, or do you still think that the convenience offer will stand on its own irrespective of the petrol offer?

Jevan Bouzo: I think it'll stand on its own. So in short, I don't think we need it. I mean, I'd certainly like to see it and we're focused on driving some of the promotional activity to get back to the fuel volumes that we think the network is certainly capable of, that we know the network is capable of from past performance. But I don't think it's a necessary precursor to delivering the value in convenience. And it is interesting, having the full data set that the correlation between fuel volumes and shop is not quite as strong as one might think. Typically, emissions are fairly separate and I think we're seeing continued growth and strong performance in the stores and I think we're in a reasonable place on fuel and we'll keep driving that in the right way.

David Errington: Yeah, yeah.

Scott Wyatt: David, the way I think about it is that if you look at the on the run business, the average fuel sales per site, it's not that different than our Coles Express or what was the Coles Express network, but their store sales are more than double. So that just shows that it's a driver of customers visiting, it's not the only reason customers visit. There's many customers that come clearly not to buy fuel, to buy other things and that'll be the case as EVs roll out as well. It'll be another reason for customers to come to our sites, but you don't want it to be the only reason. You've got to have a much richer offer to encourage customers to join, come and visit and buy.

Actually I think the market share has actually been maybe a really call out for the retail business because the retail market grew for fuel by 2.8% year-on-year, which given the mobility challenges and the cost of living challenges probably actually a pretty reasonable result. The Alliance was up three, which is, to Jevan's point, that we've held share within the Alliance, but our total retailer is up four, which reflects all the growth that we're achieving through the Liberty Convenience channel. So which obviously at some point we will take 100% of. So I think overall our strategies and channel mix has been working quite well for us in what's been a really reasonably difficult market since the pandemic.

David Errington: Yeah, no, it's going to be an interesting time going forward, really exciting time for the company and retail. The second quick question, it's very just an elaboration, I suppose, to previous questions. I'm not that bright, as you know and just stating the obvious, but the performance in commercial industrial is a terrific performance. That chart on slide 13 is just wonderful. But I'm trying to work out what you're trying to say, so us simpletons can understand. How much of that uplift is actually from one-off factors that potentially is at risk going forward, or how much is it that you just have to work a little bit harder to keep? I'm trying to work out what your message is in that business because on the one hand you're saying it's great performance, but there's other things that you're saying are probably one-off, such as these purchasing

arrangements and all that. So can you just say how much would be at risk, if you could go down to that detail or is that too commercially sensitive to divulge?

Scott Wyatt: I mean, we have a view but it's also a little bit obviously for the future. I mean, we flagged this challenge at the end of last year as well and then we've backed up with another really strong result.

David Errington: Yeah, exactly. That's where I was going with it. You talked me down and you beat me again in the first half. That's exactly where I was going.

Scott Wyatt: So got that one wrong in the right direction.

David Errington: Under promise over deliver, Scott, you've learned beautifully.

Scott Wyatt: [Inaudible] maybe that's the case. But look, I do think it's the point I was making with Michael, is that it's great, it's been fabulous for Australia and fabulous for our business, that the economic environment is doing so well across such a wide range of sectors. But I think given where we're at, the cost of the pressures, some of the headwinds that our customers are genuinely facing, that things will slow and it's a bit hard to pick exactly which sectors are most at risk, there's some point that we will soften some of the high earnings that we're seeing and high demand that we're seeing, which translates to earnings obviously that we're seeing in our commercial business.

But that said, fundamentally the strength is there in the different segments and diversity that we have with the customers that we have. So I think we're at a new level for commercial that is a result of a hell of a lot of hard work, but we're in a good place and I think it provides enormous opportunities for us to now take it to the next level, which is going to be some sort of acquisition or extension of that business and some new segments. But we can do that now from a very strong platform.

David Errington: It's just the one-offs that you flagged that would unwind and they don't seem to have be unwinding. That's the key thing, they seem to be sticky.

Scott Wyatt: I agree. But if you take the bars from the supply chain benefits across, maybe that's where you want to focus on because those are the one-offs that we have been calling out that we do particularly expect to unwind at some point.

David Errington: Under promise over deliver. Scott, you're doing beautifully.

Scott Wyatt: Thanks.

David Errington: Thank you.

Operator: Next question comes from Gordon Ramsay with RBC Capital Markets. Please go ahead.

Gordon Ramsay: Thank you very much and good result gentlemen. Just your comments about the application for a waiver with respect to the ultra low sulphur project, I just want to confirm a couple of things. This has not affected at all, your timing with this project has not been affected at all by the Geelong Refinery hydrogen compressor incident? And secondly, why would you get a waiver if you can possibly import product that meets the standard through Vitol or other suppliers, and if you were to do that, what would be the added cost?

Scott Wyatt: Yeah, good questions. I guess on the first point, no, the major maintenance events and the issues we've had haven't impacted this project at all, it's a completely different team that is working on that and different obviously suppliers that are involved. Both international and domestic suppliers, I might add, given obviously the size of the project, so it's complex. And the waiver that we will put through is a waiver simply for what we make at Geelong. Elsewhere, where we import or buy from others, as you point out, we won't need a waiver because we'll be able to procure that internationally. So it's a very specific waiver for the refinery that we'll be seeking. There is a process to go through, so I think there's a process where the waiver gets considered, so that's a bit ahead of us, but it's a process that we have accessed previously when we've had other fuel spec changes. So we do understand it and as I mentioned before, it's something we've been keeping the government and the department well abreast of as well. So that process will kick off pretty quickly.

Gordon Ramsay: Okay, thanks, Scott. And just a second question, just on OTR. Completion's expected second half this year. What are the critical path items and can you kind of give us an update on where you are with the ACCC and the whole process?

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

Jevan Bouzo: Yeah, sure. Thanks, Scott, and thanks for the question. We're working through a process with the ACCC at the moment. We've noted in the release that they intend to release their views on the 21st of September. They typically undertake a process where they engage market participants for feedback, they engage us and obviously have collected a lot of information about the transaction. They'll still be working through that at the moment and forming their views and we're working pretty closely with them on that at the moment. So looking forward now, it's really the 21st of September when we'll get some more information from them in the public domain. That could be as wonderful as an approval or it could be a statement of issues, and obviously we'll continue working through the process with them in respect of that. Once the ACCC approval is obtained, there's a few more procedural matters and then we'll be pretty close to completion after that. So continuing to work through in a positive way and hope to get that concluded this year.

Gordon Ramsay: Okay, thank you very much.

Operator: The next question comes from Adam Martin with E&P Financial. Please go ahead.

Adam Martin: Yeah. Morning, Scott, Carolyn, Jevan. Just back on the fuel volumes, particularly around Alliance, I know you're going to rename it, but you've historically talked about 70, 75 million litre target, doesn't look like you're going to get there. I suppose I'm sort of wondering how does that then impact the synergies in that business? You've talked about 45 to 70 million there, depending on what fuel volumes come through. Now clearly probably margin's more important and obviously you could offset it with better shop performance, but perhaps, Jevan, you can make some comments there.

Jevan Bouzo: Yeah, sure, I can take that one. Thanks, Adam. When we talked about the Coles Express acquisition in the release and the earnings uplift we expected to deliver, we didn't set out any synergy or improvement as a result of transition activity and bringing the two businesses together. The way that we guided to the earnings uplift was to say, assuming the current performance of the business at a higher volume level, this is what the contribution would've driven. I still think it's a reasonable contribution to assume from an acquisition of that nature and pretty confident that we'll be able to deliver that sort of level of performance. Volumes are also obviously important, but they're only one part of the story. The other, as you say, is the shop, it's how we bring the two businesses together and in time, how we run promotions across store and forecourt to drive performance and performance will be fuel and store. So I think the fuel volumes are important, but certainly not critical to deliver the outcomes that we talk to in the release.

Adam Martin: Okay, no, good. And then second question, I presume you're in contact with the owners of OTR. I mean, any sort of observations on how that business is trading last two, three months, versus the sort of Coles, Alliance's? Obviously you've talked about cost of living pressures and that, just any sort of observations there?

Jevan Bouzo: Yeah, continuing to perform well, I think it's a good business and the really positive thing about the focus on convenience is a resilience across a range of different environments. Pure volumes and the performance in the fuel space, I know you're all relatively familiar with, but the strength of having a convenience business and the ratability of earnings that that brings over time is a really important part of the transaction and we continue to see that both in our business but in theirs as well.

Adam Martin: Okay, great guys, that's all for me. Thank you.

Operator: The next question comes from Rob Koh with Morgan Stanley. Please go ahead.

Rob Koh: Good morning. Thank you. Can I ask my first question in relation to retail. And I noticed that 7-Eleven stores is working with a company called Grab and Go. And I'm just wondering if within your retail operations you have any kind of comparable pay and go and/or click and collect type technology, and then maybe if you can comment on how you think those kind of technologies impact on shrinkage?

Jevan Bouzo: Yeah, sure. I probably won't get too much into the shrinkage piece. It's interesting new technology, I mean, we've explored, in recent times, a range of different opportunities, whether it's the sort of just walk out technology, the self-checkouts or

others, and I think they're all interesting. There's not a lot of evidence yet to show that they drive incremental sales or a real uplift relative to market. And so you have to make fairly significant investment in technology depending on the sort of option that you choose. At this stage we've got partnerships in place with the likes of DoorDash and so there is some level of home delivery service available from Coles Express stores. It's certainly something that we're doing more work on, and now that we're not necessarily limited by the partnerships at the Coles group level, we have a little bit more flexibility to drive opportunities that are more fit for purpose for the convenience store network.

In the context of OTR, while we obviously don't have that acquisition completed yet, they've got a very sophisticated digital and app offering and have a very high proportion of sales and activity in their app, whether that's pre-ordering, paying to fuel at pump or using other services around the site like carwash, et cetera. And so I think as we bring those two businesses together in the future, there's going to be a big opportunity for us in that space and hopefully to do it with proprietary technology as well.

Rob Koh: Okay, cool. Thank you. And I'll come back on shrinkage in the coming years, I guess. And just a question on the Geelong Refinery, which I'm pretty sure is a safeguard liable entity. So I guess part one of the question is you commented on how the recycled plastic intake might help with carbon intensity. Just if you could maybe tell us how that is relative to the 4.9 percentage point reduction required? And then also your Geelong refining margin, once it's back online, is probably pretty healthy in the current market, but if it were lower in the regions where the fuel security payments apply, would that cover you for cost of safeguard?

Scott Wyatt: Okay. No, thanks for that. Thanks for the question. I guess just generally in terms of safeguard mechanism, yes, the facility at Geelong is captured and there's about just over a million tonnes of CO2 per annum from Geelong. So we already a voluntary commitment to reduce the energy intensity in Geelong by 10% by 2030. So we have a number of plans in place on how we're going to achieve that. The safeguard mechanism goes further than that. So that sort of brings into play other potential projects that we've got for energy emissions reduction and obviously with the cost of the safeguard mechanism that starts to support, potentially provide economic support for those projects, which I guess is part of the design of the changes that have been announced. So we're working through that at the moment to determine how far we can get.

The policy settings for processing waste or bio or recycling are not a strong linkage for improvements to the safeguard mechanism. So there's some work we need to do and would want to do with government to have that more recognised as a positive contributions to emissions reduction, but that's a bit for the future. But I think that is absolutely one of the benefits that Geelong can play in its current configuration, so we're certainly looking at that. So there's a third part to your question, what was the third piece?

Rob Koh: Oh yeah, look, in the event that the refining margin was down in the [crosstalk] levels where the fuel security payment ... Yeah.

Scott Wyatt: Yeah, no, so currently, no. So the cost of safeguard mechanisms was not contemplated when the FSSP was set up. Obviously it was a previous government and it wasn't in play. So there is a review mechanism which is due now with government to review the workings of the FSSP, both from a mechanical point of view and obviously delivering the financial benefits both to the country and to Viva, that needs to be reviewed. So that'll be picked up from, we would like to see that picked up at least anyway as we go into that review process. So that's again a bit for the future as well. But in terms of the current structure of the FSSP, no, it's not captured as part of the cost build.

Rob Koh: Okay. All right, thank you. And I guess fair to say, you'd support the view that security trumps decarbonization in the near term at least?

Scott Wyatt: Well obviously it's got to go hand in hand. I think like any transition, you need to maintain supply of what you need today whilst you build supply of what you want tomorrow, and if you turn one off without the other, then you're obviously in big trouble. And I guess that's what we see happening in a few of the energy markets around the place at the moment. So that's certainly a key role that obviously the two refineries in Australia still play and absolutely the fundamental reason why the FSSP was put in place in the first place.

Rob Koh: Okay. Thank you very much and congrats on the result. Appreciate it.

Scott Wyatt: Thank you.

Operator: Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. The next question comes from Scott Ryall with Rimor Equity Research. Please go ahead.

Scott Ryall: Hi there. Thank you very much. I came on late, like half the call, I'm sure. So apologies if you went over this in more detail. I'm thinking not by the questions I've heard so far. So my question solely relates to slide 23 and I was wondering if you could be a bit more specific about the technology you're looking at for processing waste plastics please. Also, if you've got a rough scale for the renewable fuels side of it that you're thinking about relative to your current production at Geelong. And then this one you haven't mentioned on here that it's related because it's Geelong. I was wondering if you could just tell us the progress around the hydrogen trial that you've been running in Geelong as well please.

Scott Wyatt: Okay, yeah, so slide 23 is genuinely co-processing. So it's not setting up dedicated processing, it's just naturally leveraging the existing processing capability that we have in Geelong. And it's essentially introducing other streams of feed stocks with crude oil to process at the same time. So you don't end up with a dedicated renewable fuels or dedicated recycle plastic stream if you like. It's an outcome of the feed stocks that we're processing. So it just leveraging the existing technology that

exists there, and we have the capacity to process up to about 50,000 tonnes of those feed stocks and they call it like 50 million litres of renewable, sorry, lower energy intensity intensive fuels as a result, is probably the way to think about it.

On the plastics piece, we have trialled this before, it takes a synthetic crude from processing waste plastics. So there's some pre-processing that needs to happen somewhere to produce the synthetic crude that is of the characteristics that Geelong's able to process. We have done a small trial of about a few years back with Nestle producing recycled Kit Kat wrappers. So it's a proven sort of process on a small scale, this is about scaling it up now, but it also does produce a feed stock that is valued by the customers and we're pretty confident we'll get good support for what we're doing here as we start to process it next year. Finding the feed stocks that can fit in with Geelong's processing capability is probably the key challenge that we have to work through. But we've obviously got a few options that we can look at.

Scott Ryall: So you got your feedstock on that trial from Licella, and they have just made some announcements in the last couple of weeks around increasing funding and starting towards rolling out a larger facility. Presumably that's what you're talking about there, is that they might-

Scott Wyatt: That would absolutely [crosstalk].

Scott Ryall: ... well with you.

Scott Wyatt: A very good example of one of the options we've got for feed stock supply, yes.

Scott Ryall: Yeah, okay. So you're not going to replicate what they're doing on your site?

Scott Wyatt: No, this isn't about setting up that dedicated processing to produce that synthetic crude, if you like, this relies on others doing that for this particular phase of the project.

Scott Ryall: Okay. Yep. Understood. Thank you. And then hydrogen side, sorry?

Scott Wyatt: And the hydrogen, we're aiming to, that project has been delayed for a few reasons, but we're looking to commence with that project within the next six months. So it's still well entrained and certainly some of the equipment has already been ordered and on its way. So it's a new project, there's been a few challenges along the way in terms of getting it ready to start breaking ground, but we're getting close to that.

Scott Ryall: Oh, always are. At least you're trying. Okay. [crosstalk]. Thank very much.

Scott Wyatt: Thank you.

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

Scott Wyatt: Thanks very much. Look, again, thank you everyone for joining this morning and for your questions. As we've discussed, just to recap, our sales and marketing businesses have performed extremely well during the first half of this year, certainly showing extremely good year-on-year growth, in respect of both our commercial industrial business and our convenience mobility business. We've made some very good progress on our strategic agenda. While the refining business was of course impacted by the extended maintenance in the second quarter, as has being commented on during the call, the regional refining and margin environment remains very supportive for refining, which supports the long-term outlook that we saw when we committed to retaining refining capacity within our business. And we're certainly looking very forward to returning to full production in a few weeks and across all our businesses, delivering a really strong finish to 2023. So look, thanks again for all your support and I wish you all a good day.

[END OF TRANSCRIPT]