ASX Release

21 February 2024

Results: Full Year ended 31 December 2023

Viva Energy Group Limited (the **Company**) today announced the Group's financial results for the full year ended 31 December 2023 (**FY2023**).

Group Highlights

- Fuel sales +9% to 15,521ML, 5% above pre-pandemic (2019) levels.
- Record Commercial & Industrial[1] EBITDA (RC)[2] of $447.5M (+33%).
- Strong Convenience & Mobility EBITDA (RC) of $232.2M, despite cost-of-living headwinds.
- Completed Coles Express acquisition and commenced integration, creating a platform for growth.
- Announced OTR Group acquisition, advancing strategy to become a leading convenience retailer. Target completion in 1H2024[3].

FY2023 Group Results

All financials in $M unless noted otherwise	FY2023	FY2022*	Change (%)	Change (#)
Sales volumes	15,521 ML	14,252 ML	8.9%	1,269
EBITDA (RC)	**712.8**	**1,075.8**	**(33.7%)**	**(363.0)**
NPAT (RC)	**318.2**	**596.6**	**(46.7%)**	**(278.4)**
Dividend (cps)	15.6	27.0	(42.2%)	(11.4)
Convenience & Mobility				
Fuel sales volumes	4,556 ML	4,515 ML	0.9%	41
Convenience sales	1,143	1,161	(1.6%)	(18)
EBITDA (RC)^	232.2	249.6	(7.0%)	(17.4)
NPAT (RC)	112.8	133.0	(15.2%)	(20.2)
Commercial & Industrial				
Fuel sales volumes	10,965 ML	9,737 ML	12.6%	1,228
EBITDA (RC)^	447.5	335.3	33.4%	112.2
NPAT (RC)	231.3	157.6	46.8%	73.7
Energy & Infrastructure				
Geelong Refining Margin (US$/BBL)	9.8	17.1	(42.7%)	(7.3)
Refining intake (MBBL)	31.6	41.9	(24.6%)	(10.3)
EBITDA (RC)^	65.4	517.9	(87.4%)	(452.5)
NPAT (RC)	(25.9)	306.0	--	(331.9)

^Segment EBITDA does not include corporate costs of $32M in FY2023 and $27M in FY2022.

** Comparative period updated to reflect the change in reportable segments.*

Note: convenience sales prior to 1 May 2023 were under Coles Group (COL) ownership.

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CEO Commentary

Viva Energy CEO and Managing Director, Scott Wyatt, said: "Viva Energy delivered a strong performance in 2023, with exceptional results across the Commercial and Industrial business and significant progress on the development of our Convenience and Mobility business. While our Energy and Infrastructure business was impacted by extended maintenance, the underlying refining fundamentals were supportive and this continues into 2024."

"In terms of our strategic agenda, 2023 was a transformational year for our Company. The acquisition of Coles Express and OTR Group provide the platforms to establish Viva Energy as the leading convenience retailer in Australia. Together with the continued diversification of our Commercial and Industrial business and development of new energy opportunities in hydrogen, lower carbon fuels and recycled waste, we are establishing foundations to maintain growth and successfully manage the energy transition."

"I am pleased with the progress we are making on our strategic priorities, and in pursuing our objectives as we set out at the Investor Day in November 2023. As always, we remain focused on balancing our growth aspirations with capital discipline and delivering returns to our shareholders. The continued strength of our marketing businesses has supported a final dividend at the top end of our policy range."

Convenience & Mobility (C&M)

C&M EBITDA (RC) was $232.2 million in FY2023. Resilient fuel and convenience sales together with a strong margin environment supported underlying growth of $35 million, offsetting the unwinding of advantaged purchasing benefits achieved in FY2022 and short-term higher supply costs resulting from the Geelong Refinery disruptions during FY2023.

Convenience sales excluding tobacco increased by 8% over the year, with margins expanding to 35.7% by 4Q2023, driven by changes in margin mix, price management, and expansion of the food-to-go category. Fuel sales volumes grew 0.9% to 4,556 million litres (ML), with the company-operated network achieving weekly fuel volumes of 58ML, in line with the prior year. Net growth was driven by the Liberty Convenience network, which ended the period at 101 stores nationwide. Premium petrol penetration improved from 30% to 31%[4].

The Coles Express business was successfully transitioned to Viva Energy in May, and work is underway to progressively exit the Coles Group transitional services arrangements and reduce higher overhead costs associated with these arrangements. The short-term contribution from this acquisition was also impacted by lower than expected top-line growth driven by cost-of-living pressures and impacts from the illicit tobacco trade, coupled with annual rent and award wage increases. Price optimisation and operational improvements are expected to drive earnings growth in 2024.

The acquisition the OTR Group, which was announced in April, provides sophisticated systems and digital capabilities and a leading convenience and quick-service restaurant offer, generating $3.9 million of sales per store on average versus the Coles Express network at $1.6 million. The Australian Competition and Consumer Commission (ACCC) approved the acquisition in December, subject to divesting 25 sites in South Australia. We expect to complete in the first half of 2024, subject to Foreign Investment Review Board (FIRB) approval.

These acquisitions provide platforms to grow EBITDA (RC) to more than $500 million over the next five years and become Australia's leading convenience retailer. Plans to extend the OTR offer to the Coles Express network are advancing and ready for execution following completion of the transaction.

Commercial & Industrial (C&I)

C&I EBITDA (RC) increased by 33% to $447.5 million in FY2023, its third consecutive year of earnings growth. Sales volumes were up 12.6% (to 10,965ML) led by a continued recovery in International Aviation and strong demand from most other C&I segments due to new business wins and a generally favourable economic environment.

During the period we completed the small acquisition of Skyfuel Australia, growing our regional airport presence and customer solutions offering, and Lyondellbasell Advanced Polyolefins Australia (LAPA) to increase our specialties footprint and access new markets in Australia and New Zealand. We also entered into two long-term, strategically important contracts with the Australian Defence Force (ADF) and Royal Flying Doctors Service (RFDS) consistent with our focus on the development of high-quality, diversified specialty businesses.

At the Viva Energy Investor Day in November, C&I announced a five-year aspiration to grow EBITDA (RC) to a sustained ~$500 million. We expect this to be achieved through continued organic growth through main fuels and specialties businesses, further bolt-on acquisitions and the contribution from the acquisition of the OTR Group wholesale division.

Energy & Infrastructure (E&I)

E&I delivered EBITDA (RC) of $65.4 million in FY2023. Earnings were impacted by lower regional refining margins and extended major maintenance activity, partially offset by a recognised insurance recovery of $80 million.

Crude intake reduced to 31.6MBBLs and the Geelong Refining Margin (GRM)[5] declined to US$9.8/BBL, with higher operating costs due to increased shipping activity to support the major maintenance activity and unplanned extended outage of the Platformer and associated units. Additional imports of refined products to replace crude and outsales of intermediate products also affected the GRM.

Following the return to full production over the course of 4Q2023, the Geelong Refinery is well positioned to capture current higher regional refining margins. At the Viva Energy Investor Day in November, E&I set out a mid-cycle earnings potential of $250 million, based on a GRM of US$11/BBL, full production and operating costs declining to A$8.50/BBL as conditions normalise.

<u>Ultra Low Sulphur Gasoline (ULSG) project update</u>

In December 2023, the federal government announced revisions to Australia's fuel quality and noxious vehicle emissions standards, deferring the implementation of Ultra Low Sulphur Gasoline (ULSG) from its original deadline of December 2024. Following this update, all petrol will be required to meet ultra-low sulphur standards (10ppm) and comply with the new RON 95 grade tighter aromatics limits from December 2025.

We expect to complete the ULSG and aromatics upgrades in the second half of 2025. As a result, we are no longer seeking a section 13 variation with the federal government, which would have been required without the extension of the deadline. The combined investment for both projects, including the ULSG and additional aromatics requirements, is estimated at approximately $350 million. Of this total, around $150 million is expected to be funded by the federal government. To date, capital expenditure before government funding of $151 million has been invested in the project.

Dividends and Capital Management

NPAT (RC) decreased by 47% to $318.2 million in FY2023 compared to the previous corresponding period. At a business level, C&M and C&I NPAT totalled $344.1 million, and E&I NPAT was -$25.9 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, a final fully franked dividend of 7.1 cents per share ($109.6 million) has been determined, taking the full-year dividend to $240.9 million. The payout represents a 70% payout ratio of C&M and C&I NPAT (76% of the Group), at the top of the range due to continued strong and stable performances of the C&M and C&I businesses. The dividend is payable to registered shareholders on the record date of 8 March 2024, with a payment date of 22 March 2024.

Closing net debt as at 31 December 2023 was $380.0 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 $343 million (of which Coles Express comprised ~$300 million);
- Income tax payments of $208 million with additional instalments based on the FY2022 period;
- Dividends paid of $337 million, and;
- Capital expenditure of $452 million (net of government contributions).

FY2024 guidance for capital expenditure remains unchanged at between $440 million and $475 million (net of government contributions), excluding expected OTR capital expenditure which remains subject to FIRB approval. The guidance comprises:

- Base capital expenditure of between $300 million and $315 million, and;
- Energy Hub capital expenditure of between $140 million to $160 million (net of government contributions).[6]

We continue to target long-term gearing of 1.0 to 1.5 times, based on Term Debt / underlying EBITDA (RC). The target gearing range relates to term debt which can better align with duration of new growth opportunities.

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

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Event details

Date: 21 February 2024

Time: 9:30 am (AEDT)

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/10035879-hf76t5.html

Notes:

1. From FY2023, 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.
2. 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.
3. Completion expected in the first half of 2024, subject to Foreign Investment Review Board (FIRB) approval.
4. Calculated as premium gasoline over total gasoline for retail fuel volumes only.
5. 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 referrable 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.
6. 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 deprecation once the project is complete.

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About Viva Energy

Viva Energy (ASX: VEA) is a leading convenience retailer, commercial services and energy infrastructure business, with a history spanning more than 120 years in Australia. The Group operates a convenience and fuel network of more than 700 stores across Australia, and exclusively supplies Shell fuels and lubricants to a total network of more than 1,300 service stations.

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.

www.vivaenergy.com.au