VIVA Energy Australia

ASX Release

25 August 2022

Results: Half Year ended 30 June 2022

Viva Energy Group Limited (the **Company**) today announced the Group's financial results for the half year ended 30 June 2022 (**1H2022**), which are in line with guidance provided to ASX on 12 July 2022.

Group highlights

- Sales volume +5% year-on-year (y/y) in 1H2022.
- EBITDA (RC)[1] +139% y/y to $611.7M, driven by Commercial and Refining.
- Generated strong free cash flow (FCF) of $494.0M, +243% y/y.
- Brought forward the Refining dividend and determined to pay a fully franked interim dividend of 13.7cps, representing a 60% payout ratio across Refining and Retail, Fuels and Marketing.

Retail, Fuels & Marketing

- EBITDA (RC) +14% y/y to $252.9M and underlying FCF +41% to $184.5M.
- Retail sales volumes +1% despite market impacts from the pandemic, floods, and rising fuel prices.
- Commercial sales volumes +7%, led by a recovery in Aviation.
- Completed acquisition of LyondellBasell Australia, rebranded as Viva Energy Polymers.

Refining

- EBITDA (RC) +747% y/y to $370.8M.
- Outstanding operational performance with crude intake of 21.5MBBLS.
- Geelong Refining Margin (GRM)[2] of US$19.9/BBL, from US$6.1/BBL in 1H2021.

Geelong Energy Hub

- Secured Government funding for Low Sulphur Gasoline upgrade and construction of 90ML strategic Diesel storage.
- Commenced development of a green hydrogen service station, the first step in developing a network to reduce heavy transport emissions[3].
- Reached an agreement with GeelongPort to build pier and berthing infrastructure for the Gas Terminal Project.

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1H2022 Group Results				
All financials in $M unless noted otherwise	**1H2022**	**1H2021**	**Change** (%)	(#)
Sales volumes	6,822 ML	6,487 ML	5%	335 ML
EBITDA (RC)	**611.7**	**256.3**	**139%**	**355.4**
NPAT (RC)	**355.4**	**111.9**	**218%**	**243.5**
Capex	90.9	47.3	92%	43.6
Underlying FCF (RC)	494.0	144.0	243%	350.0
Interim dividend	212.6	65.9	223%	146.7
Interim dividend (cps)	13.7	4.1	234%	9.6

Retail, Fuels & Marketing				
	1H2022	**1H2021**	**Change** (%)	(#)
Sales volumes	**6,822 ML**	**6,487 ML**	**5%**	**335 ML**
Retail	2,188 ML	2,175 ML	1%	13 ML
Commercial	4,634 ML	4,312 ML	7%	322 ML
EBITDA (RC)	**252.9**	**222.6**	**14%**	**30.3**
Retail	88.6	116.7	(24%)	(28.1)
Commercial	164.3	105.9	55%	58.4
Corporate costs	(6.0)	(5.0)	20%	(1.0)
NPAT (RC)	**127.0**	**108.6**	**17%**	**18.4**
Capex	35.6	20.8	71%	14.8
Underlying FCF (RC)	184.5	131.3	41%	53.2

Refining				
	1H2022	**1H2021**	**Change** (%)	(#)
Geelong Refining Margin (BBL)	$US19.9	$US6.1	226%	$US13.8
EBITDA (RC)	**370.8**	**43.8**	**747%**	**327.0**
Corporate costs	(6.0)	(5.1)	18%	(0.9)
NPAT (RC)	**228.4**	**3.3**	**6,821%**	**225.1**
Capex[1]	55.3	26.5	109%	28.8
Underlying FCF (RC)	309.5	12.7	2,337%	296.8

CEO commentary

Viva Energy CEO and Managing Director, Scott Wyatt, said: “Viva Energy delivered an exceptional performance in the first six months of 2022 with Group EBITDA (RC) increasing by 139% year-on-year to $611.7M.”

“Our Geelong Refinery had a particularly strong first half, operating at near-full production during a period of exceptionally high regional refining margins. The refinery continues to play a key role in supporting domestic markets through a period of substantial global supply chain disruption.”

"The Retail, Fuels and Marketing business also achieved solid growth during the period, with a strong recovery and new growth in the Commercial business offsetting some headwinds in Retail from rising fuel prices and soft market demand."

"Viva Energy's diversified business model has continued to provide resilience to volatile market conditions. Exposure to global refining markets and a diverse range of commercial segments within Australia has provided significant growth and offsets softer conditions in the Retail market."

"Due to the exceptional performance in our refining business during the first half, the Board has decided to bring forward the Refining dividend and we have assessed an interim fully franked dividend for both our Refining and our Retail Fuels and Marketing segments of 13.7 cents per share."

"We remain positive about the outlook and are well positioned with a strong balance sheet and net cash position, to further progress our strategic agenda to develop and maximise new growth opportunities across our diverse businesses. This year, we have commenced work on our first hydrogen service station, completed the acquisition of the LyondellBasell Australia polymers business and, in July, we reached an agreement with GeelongPort to build the pier and berthing infrastructure for the proposed Gas Terminal Project."

Business Unit Commentary

Retail

During 1H2022, the Retail fuel market was impacted by reduced mobility amid the COVID-19 Omicron variant, higher product costs leading to higher pump prices, and adverse weather events in Queensland and New South Wales.

Despite these impacts, Viva Energy Retail sales volumes increased by 1% y/y, with slightly lower sales in the Alliance (Coles Express) network offset by continued growth in other channels. Alliance maintained market share as volumes declined from 58.4 to 56.2 million litres per week, reflecting its larger weighting to capital cities where mobility levels were more impacted.

Work continued to improve the on-site experience. Continued investment in Shell V-Power has improved availability of this fuel across the Shell branded network and minimised the impact from customers trading down during an elevated fuel price environment. Premium fuel penetration declined modestly, from 32% to 30%[4] y/y of overall petrol sales in 1H2022.

Commercial

Commercial achieved strong sales volume growth, up 7% on 1H2021, driven by new customer wins, an increased recovery in Aviation as travel restrictions were relaxed and steady sales growth in all other Commercial businesses.

EBITDA (RC) in 1H2022 grew 55% y/y to $164.3M as a result of this sales volume growth and resulting cost efficiencies, and improving returns in most segments. Tight oil markets and supply constraints also led to an increase in short term, spot supply opportunities.

The acquisition of LyondellBasell Australia (rebranded Viva Energy Polymers) was completed, which further diversifies Commercial's customers and broadens the business' specialty product offerings.

Refining

Geelong Refinery delivered an outstanding operating performance in 1H2022, with crude intake of 21.5MBBLs and operational availability of 96.6%, enabling the Company to capture the benefit of stronger refining margins.

The GRM averaged $US19.9/BBL in 1H2022 compared to $US6.1/BBL in 1H2021. Globally, refining margins increased sharply in the second quarter due to higher global demand for refined products, especially diesel, and tightened supply in response to refinery closures, reduced exports from China and the broader impact of sanctions on the purchase of Russian oil.

The Refining business delivered EBITDA (RC) of $370.8M, up from $43.8M in 1H2021. Given the strong refining margin performance, no payments were received by the Company under the Federal Fuel Security Services Payment program for 1H2022.

Business outlook

Overall the business is well positioned to manage continued volatility in energy markets through the diversified nature of its operations. During July and August, the Commercial business has seen continued demand strength across all segments. The Retail business has benefited from improved volumes and a recovery in margins in response to falling product costs.

Refining margins have softened in July and August amid slower economic growth. The GRM declined to $US15.2/BBL in July, largely as a result of rising crude premia and falling crack spreads. An unplanned outage of the catalytic cracking unit has impacted production and is estimated to reduce the August GRM by around $US5/BBL (the actual impact on the August GRM will depend on the regional refining margin environment prevailing at the time). The unit is expected to return to service by the end of August, setting the Refinery up to maximise output for the remainder of the year. Middle distillates cracks have improved through August as fundamentals remain tight due to Russian sanctions, constraints on Chinese exports, reduced capacity due to refinery closures and low inventories ahead of winter in the northern hemisphere.

Geelong Energy Hub

We made continued progress on the development of our Energy Hub, with the following major achievements:

- Completed the acquisition of LyondellBasell Australia business (Viva Energy Polymers), a Geelong-based national polymer manufacturer and distributer. Its production facility, located inside the footprint of Geelong Refinery, is the only manufacturer of polypropylene in Australia, and further diversifies our Commercial business and can play an important role in Australia's circular economy through the recycling of plastics;
- Secured government funding to upgrade processing capability at Geelong Refinery to produce Ultra-Low Sulphur Gasoline (ULSG), and construction for 90 million litres of strategic diesel storage at the Refinery, improving processing flexibility and export capability. Completion of both projects is expected in 2024;
- Secured ARENA funding and significant customer partner involvement for the development of a green hydrogen service station in Geelong, the first step in establishing a network along the east coast of Australia. The project has passed final investment decision, and is targeted to be completed by the end of 2023;
- Completed the independent panel hearings into the Environmental Effects Statement (EES) for the Gas Terminal Project. In July 2022, GeelongPort also joined the project, agreeing to build the pier and berthing infrastructure to support the new facility. The infrastructure allows for a Floating Storage and Regasification Unit (FSRU) to receive Liquefied Natural Gas (LNG) imports from visiting vessels. The outcome of the Environmental Effects Statement (EES) approval process for the Project is anticipated in the last quarter of 2022, subject to Government timelines. Once known, the Company will provide an update on the anticipated timing of the Final Investment Decision.

Dividends and Capital Management

1H2022 NPAT (RC) increased by 218% y/y to $355.4M in 1H2022. At a segment level, $127.0M was from Retail, Fuels and Marketing (RFM) and $228.4M was from Refining.

The Company's dividend policy is to target a dividend payout ratio of between 50% and 70% of the RFM NPAT (RC) and 50% to 70% of the Refining NPAT (RC), with the intention that the Refining dividend is assessed on an annual basis (to form part of the final dividend). The Board retains the overall discretion in the application of the policy and, in light of the exceptional Refining result in 1H2022, has decided to bring forward assessment of the Refining dividend. The Board believes this is an appropriate measure under the circumstances.

Accordingly, the Board has determined to pay an interim dividend of 13.7 cents per share, representing a 60% payout ratio across Refining and RFM. The dividend is payable to registered shareholders on the record date of 8 September 2022, with a payment date of 22 September 2022. The final FY2022 Refining dividend will be assessed on earnings generated in 2H2022.

The board and management remain focused on opportunities to deploy capital, in line with Viva Energy's disciplined approach, and continues to target long-term gearing of 1.0 to 1.5 times, based on net debt / underlying EBITDA (RC). Due to timing delays with the phase-in of new projects, the Company expects full-year capital expenditure in the range of $235 million to $275 million., versus its earlier guidance of $330 million to 350 million.

During the period, the Company refinanced its US$700M syndicated revolving credit facility, extending the term out to 2025 with further one year option. Closing net cash as at 30 June 2022 was $324.1M.

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

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Event details

The results will be presented by Scott Wyatt, Chief Executive Officer, and Jevan Bouzo, Chief Operating and Financial Officer, via webcast and call.

Date: 25 August 2022

Time: 10:00 am (AEST)

To join the briefing, participants must pre-register by navigating to https://s1.c-conf.com/diamondpass/10022895-dh4msk.html

You will then receive the webcast link and dial in number via a calendar invite.

Notes:

1. 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.
2. 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.
3. Subject to regulatory approvals.
4. Calculated as premium gasoline over total gasoline for retail fuel volumes only.

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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 1,345 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 and lubricants businesses supported by more than 20 terminals and 55 airports and airfields across the country.
www.vivaenergy.com.au