


# Financial results

## Half year ended

30 June 2022

VIVA Energy Australia

**Helping people reach their destination**

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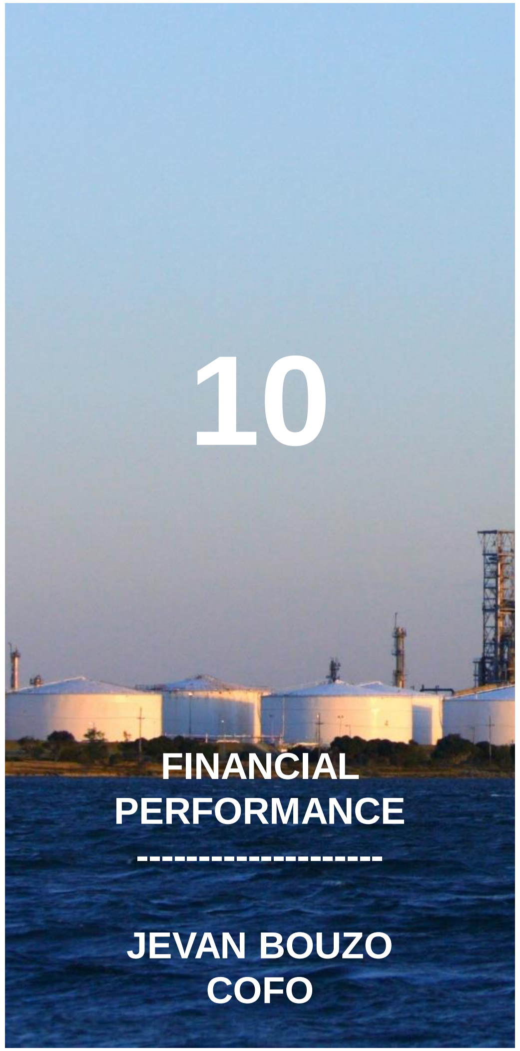


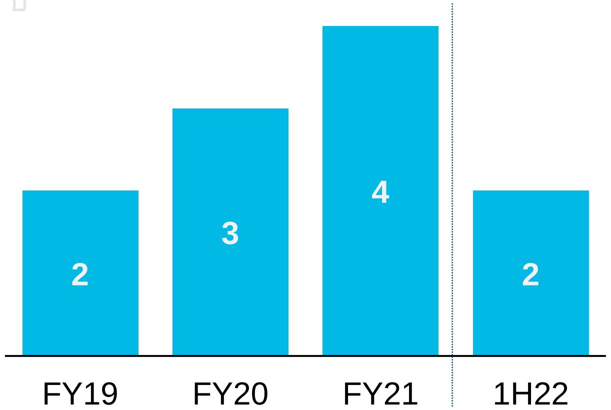


# Group highlights

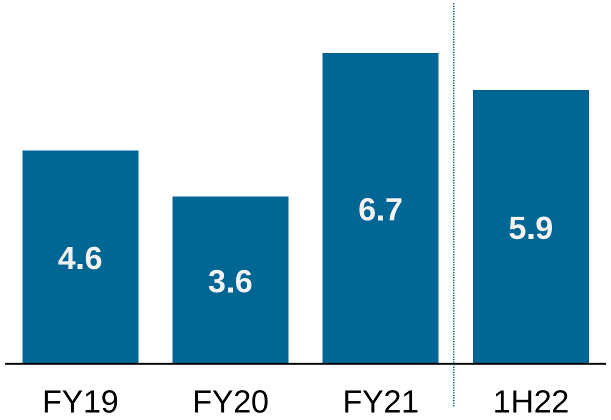
Scott Wyatt

# Safety and environmental performance

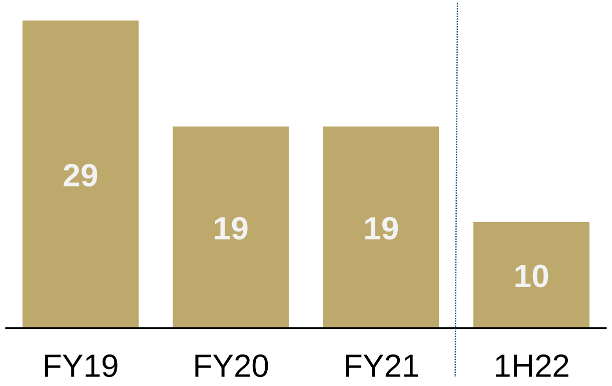
### Process safety events[1]




### Total Recordable Injury Frequency Rate[2]




### Loss of primary containment (>100KG)




- Continued focus on management of COVID and general sickness to minimise impact on people and operations
- Group wide Safety Day held in May where employees and contractors made commitments to safety
- Improving personal safety performance across all parts of the business
- Over 60% of all leaders have completed Mental Health management training

1. Process safety events measured as Tier 1 or 2 incidents as defined by the American Petroleum Institute. Excludes Liberty Oil Holdings.
2. Number of injuries requiring medical treatment beyond first aid or work restrictions per million hours worked (employees and contractors). Excludes Liberty Oil Holdings.

# 1H2022 Highlights

## Exceptional refining performance, Commercial recovery

| Sales volumes | EBITDA (RC) | Net cash | 1H2022 dividend |
| --- | --- | --- | --- |
| **+5%** | **+139%** | **$324M** | **13.7CPS[2]** |
| To 6,822ML[1] | To $612M[1] | +$419M on FY21 | +234%[1] |

### Retail, Fuels & Marketing

- EBITDA (RC) +14%[1] to $253M
- Commercial EBITDA +55%[1]
- Retail sales volume growth +1% despite soft market demand

### Refining

- EBITDA (RC) +747%[1] to $371M
- GRM of US$19.9/bbl, up from $US6.1/BBL[1]
- Plant operating at near full capacity, availability at 97%

### Dividends

- 4.9 cps Retail, Fuel & Marketing dividend
- Brought forward Refining dividend at 8.8 cps to reflect the division's exceptional earnings in 1H2022[2]

### Geelong Energy Hub

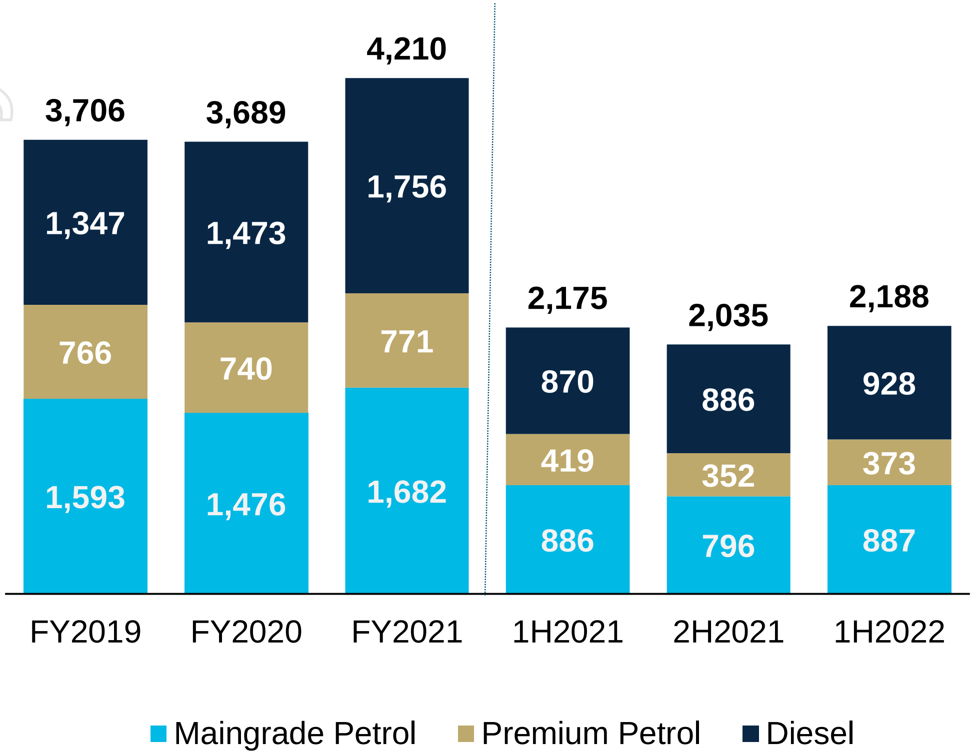
- Secured govt. funding for upgrades (ULSG[3], diesel storage)
- Commenced development of green H2 service station
- Completed the independent panel hearings into EES[4] for the Gas Terminal Project

1. Comparison period 1H2021.
2. 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 Refining dividend assessed on an annual basis (to form part of the final dividend). However, the Company has decided to bring forward the assessment of Refining NPAT on an interim basis to reflect Refining's exceptional earnings in the period. The final FY2022 Refining dividend will be assessed on earnings generated in 2H2022.
3. Ultra-Low Sulphur Gasoline (ULSG).
4. Environmental Effects Statement (EES).

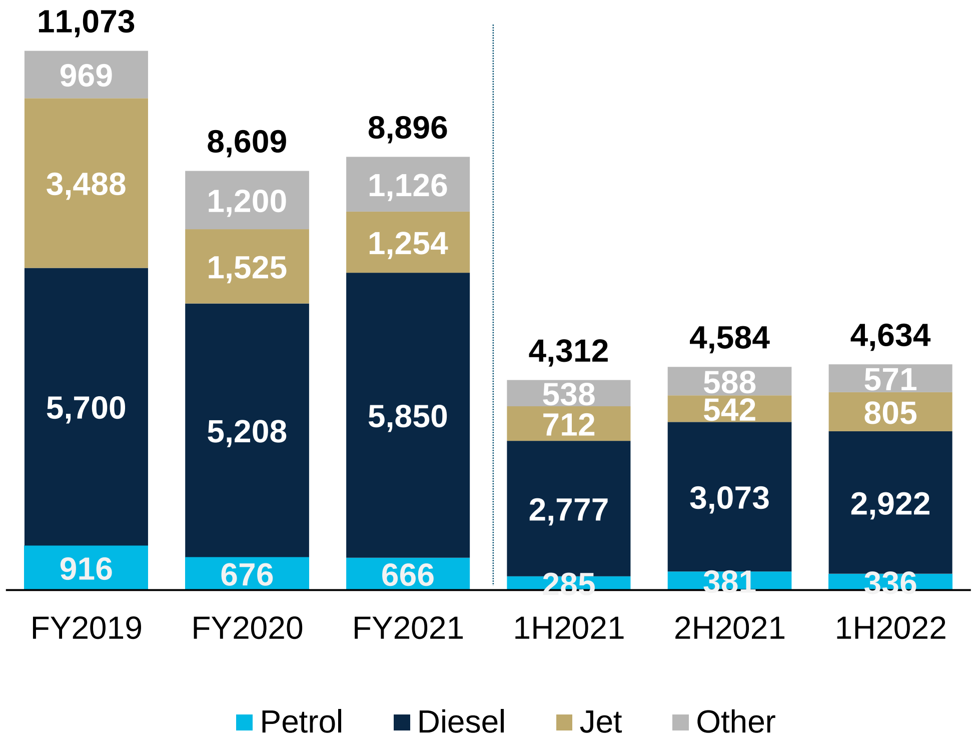
# Retail, Fuels & Marketing (RFM) – 1H2022 Highlights

## Fuel volumes continuing to recover, led by Aviation

### Retail fuel volumes *(ML)*




### Commercial fuel volumes *(ML)*




- Retail sales volumes +1% y/y despite market impacts from the pandemic, floods, and high fuel prices

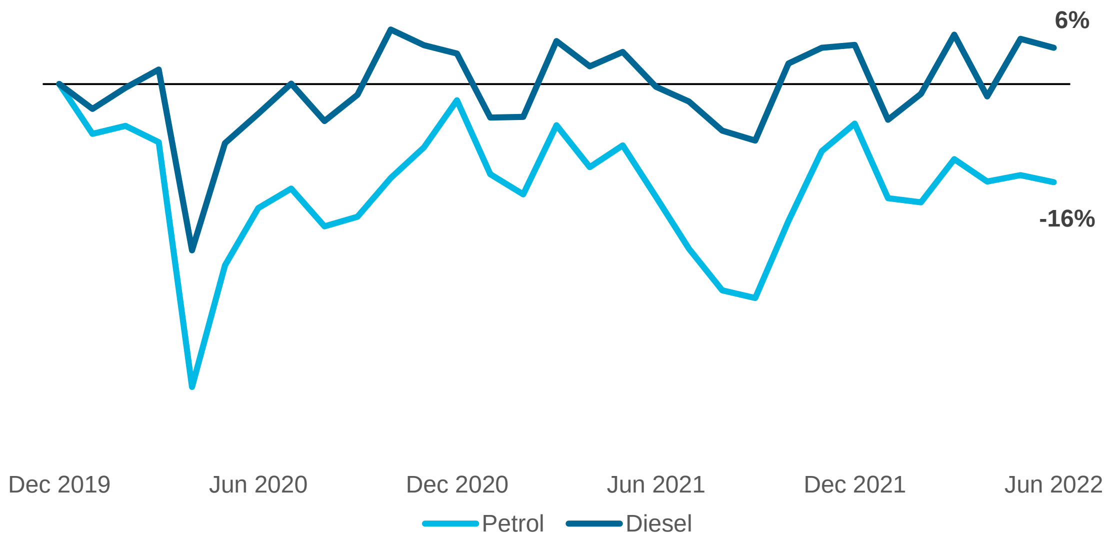
- Commercial sales volumes +7% y/y, led by Jet (+13%) and Diesel (+5%)

# Retail, Fuels & Marketing (RFM) – 1H2022 Highlights
## Viva Energy maintaining/taking market share, withstanding a softer period for Retail

### National market share by fuel type

| | VEA mkt share, growth [1,2,3] | | VEA volume growth [2] | Market volume growth[2] |
|---|---|---|---|---|
| Premium Petrol: | 18%, *0%* | ~ | 6.3% | 4.6% |
| Petrol: | 20%, *0%* | ~ | 6.4% | 6.3% |
| Diesel: | 25%, *+1%* | ↑ | 1.4% | (2.2%) |
| Jet: | 29%, *(1%)* | ↓ | 48.7% | 54.3% |
| **Total:** | **25%, *+1%*** | ↑ | **6.6%** | **4.1%** |

### Aus petrol and diesel sales (vs 2019 baseline)[2]




- Viva Energy volume growth outperformed overall market by 2.5%
- Increased overall market share by +1% to 25%. Diesel increasing, and Premium, Petrol and Jet largely holding steady
- Australian fuel demand increasing +4.1% as nation continues to find "COVID normal"

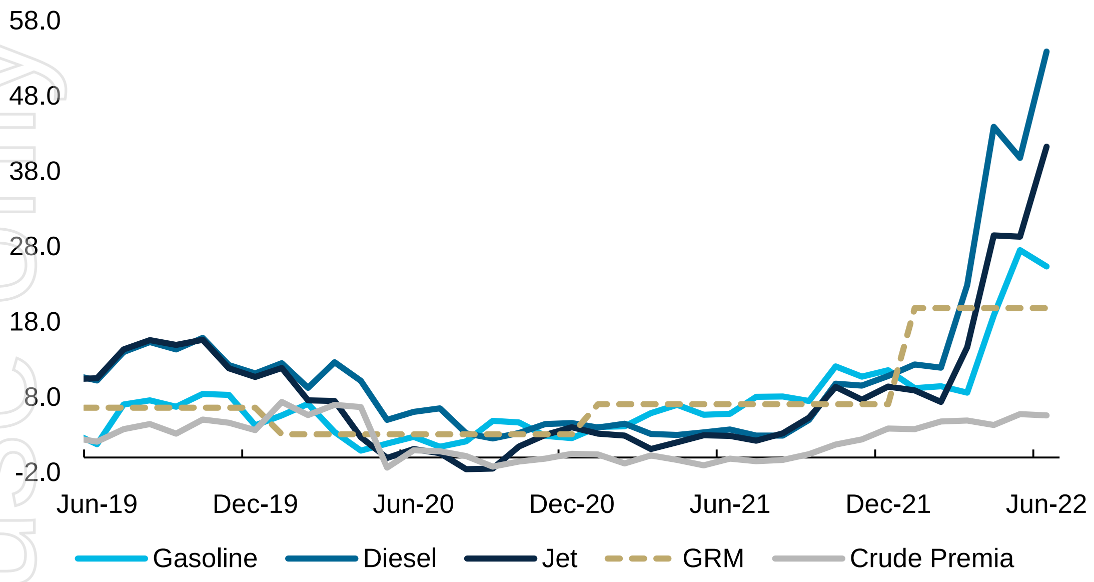
- Broader market petrol sales -3% y/y in 1H2022 and -16% vs. pre-COVID at June-end
- Within Retail, Viva Energy maintained market share at 19% as strong growth from Diesel (commercial vehicles, regional skew) offset lower Alliance volumes (metro, petrol skew)
- Shell maintains a leading position in the market as the preferred fuel for one in every 5 petrol users

1. Market share based on total Company fuel volume sales over total industry fuel volume sales.
2. Source Australian Petroleum Statistics.
3. VEA market share growth, VEA growth and market growth based on 1H2022 vs 2H2021 comparison.

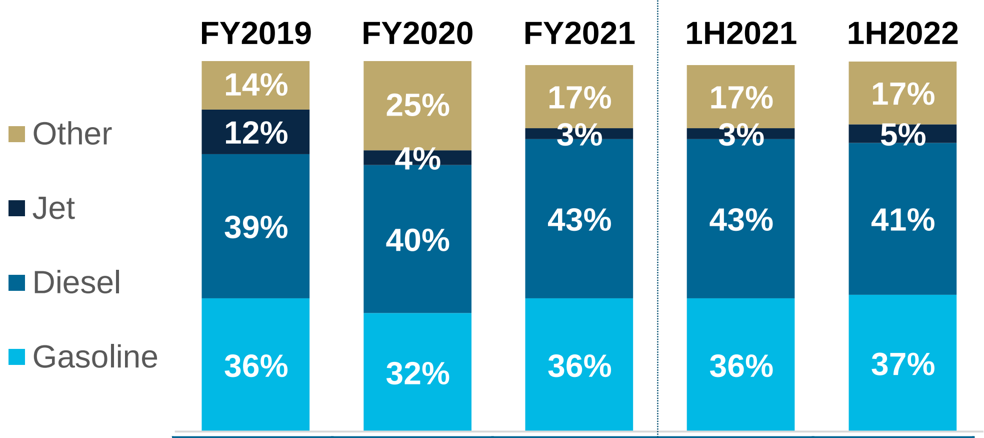
# Refining – 1H2022 Highlights

## Maximising production in a high margin environment

### Refining margin cracks[1], GRM[2], Crude Premia[3] *(US$/bbl)*




### Refining production *(%)*




| | FY2019 | FY2020 | FY2021 | 1H2021 | 1H2022 |
|---|---|---|---|---|---|
| **Intake (MBBLs)** | 42.0 | 34.8 | 41.2 | 21.4 | 21.5 |
| **GRM (US$/BBL)** | 6.6 | 3.1 | 7.1 | 6.1 | 19.9 |
| **Availability** | 92% | 92% | 94% | 98% | 97% |

- Globally, refining margins increased sharply due to strong demand, tightened supply, reduced exports from China and sanctions on Russian oil purchases
- Improved margin environment partly offset by higher crude premia

- Geelong Refinery maintained operations at near-capacity: crude intake of 21.5MBBLs, availability of 97%
- GRM averaged $US19.9/BBL in 1H2022 vs. $US6.1/BBL in 1H2021

1. Cracks are calculated by Viva Energy by taking the finished product prices and deducting the quoted crude price (100% dated Brent). Original data source: Bloomberg, Platts – source changed end-2019.
2. GRM calculated as average for each respective financial year period.
3. Crude premia are calculated by Viva Energy by taking the quoted tapis crude prices less the 100% dated Brent crude price. Original data source: Bloomberg, Platts – source changed end-2019.

# Financial highlights

Jevan Bouzo

# Financial Performance

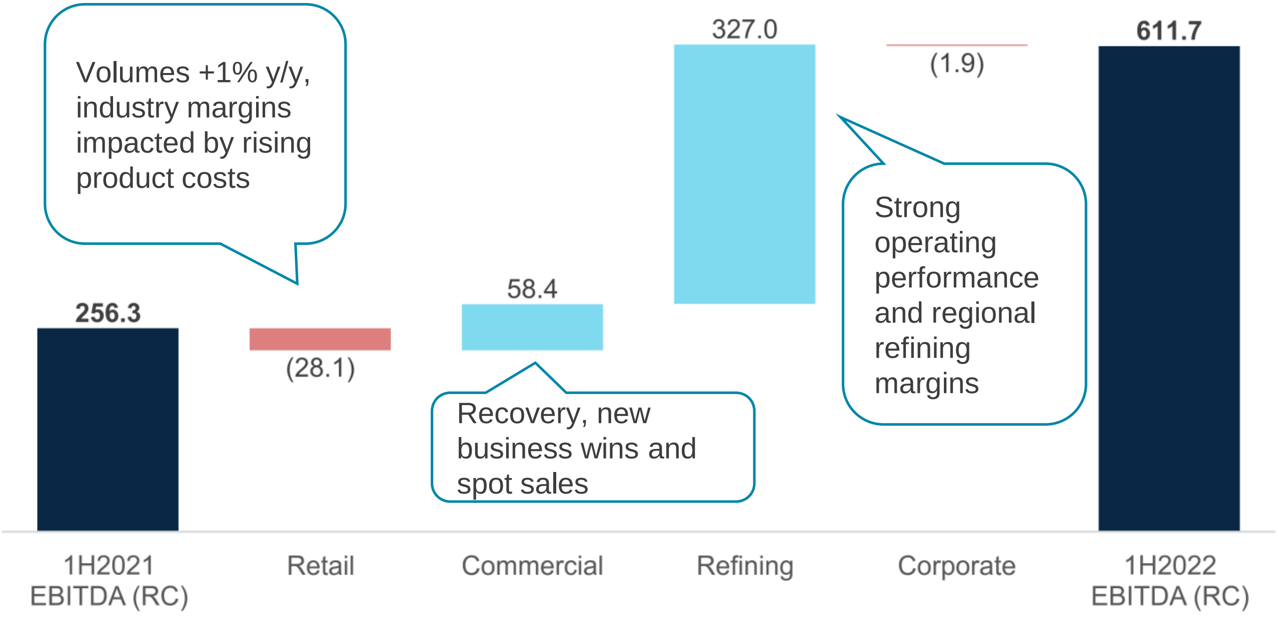
## Refining and Commercial underpin $355M uplift to EBITDA (RC)

| 1H2022 Group Results | | | | |
|---|---|---|---|---|
| All financials in $M unless noted otherwise | 1H2022 | 1H2021 | Change (%) | Change (#) |
| **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 |
| Net debt/cash | 324.1 | (95.2) | -- | 419.3 |

| Retail, Fuels & Marketing | | | | |
|---|---|---|---|---|
| | 1H2022 | 1H2021 | Change (%) | Change (#) |
| **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 |
| Dividend $M[2] | 76.0 | 65.9 | 15% | 10.1 |
| Dividend cps | 4.9 | 4.1 | 20% | 0.8 |

| Refining | | | | |
|---|---|---|---|---|
| | 1H2022 | 1H2021 | Change (%) | Change (#) |
| **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 |
| Dividend $M[2] | 136.6 | -- | -- | 136.6 |
| Dividend cps | 8.8 | -- | -- | 8.8 |

### 1H2022 Group EBITDA (RC) bridge *(A$M)*

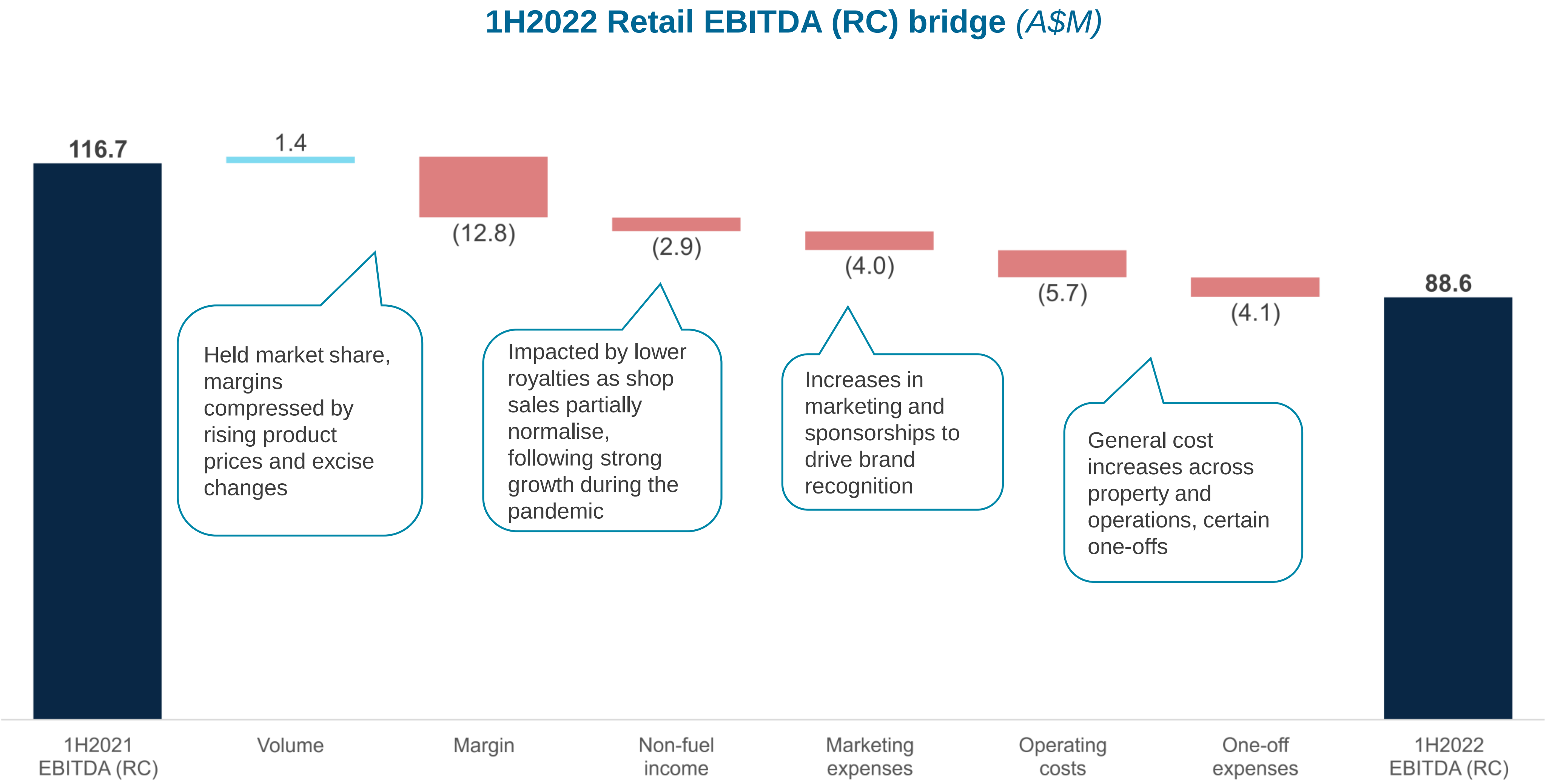



- **1H2022 Underlying FCF (RC)** up $350M supported by strong cash generation across the segments
- **Total interim dividend** of 13.7 cps represents 60% payout ratio of RFM and Refining[2]

1. Refining capex includes $35M of Energy Hub expenditure. Refer to slide 16 for more details.
2. Represents Refining and Retail, Fuels and Marketing dividend. 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 Refining dividend assessed on an annual basis (to form part of the final dividend). However, the Company has decided to bring forward the assessment of Refining NPAT on an interim basis to reflect Refining's exceptional earnings in the period. The final FY2022 Refining dividend will be assessed on earnings generated in 2H2022.

# Retail Result 1H2022

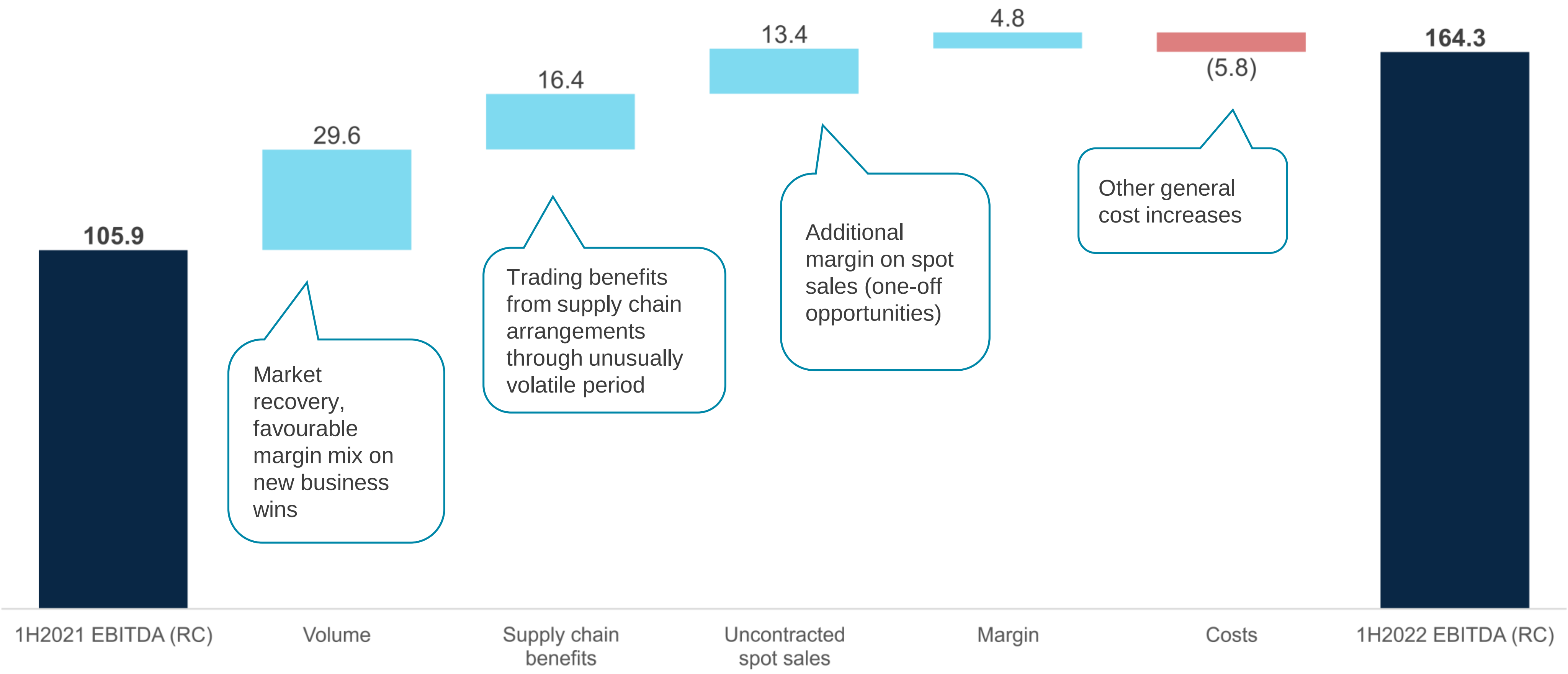
## Maintaining share and preference in soft retail conditions



# Commercial Result 1H2022

## Extends earnings recovery, growing sales volumes ahead of market

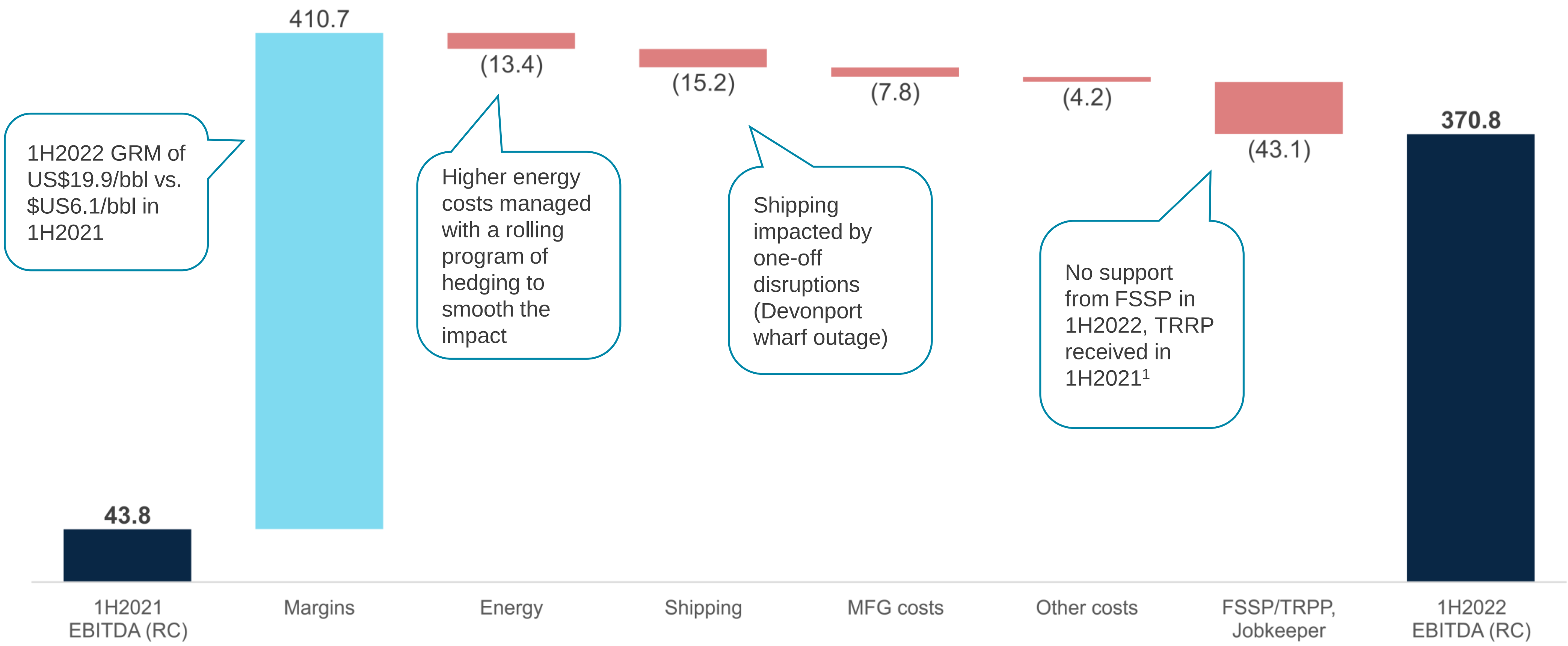
### 1H2022 Commercial EBITDA (RC) bridge *(A$M)*



# Refining Result 1H2022

## Higher costs incurred to produce marginal barrels in a high margin environment

### 1H2022 Refining EBITDA (RC) bridge *(A$M)*

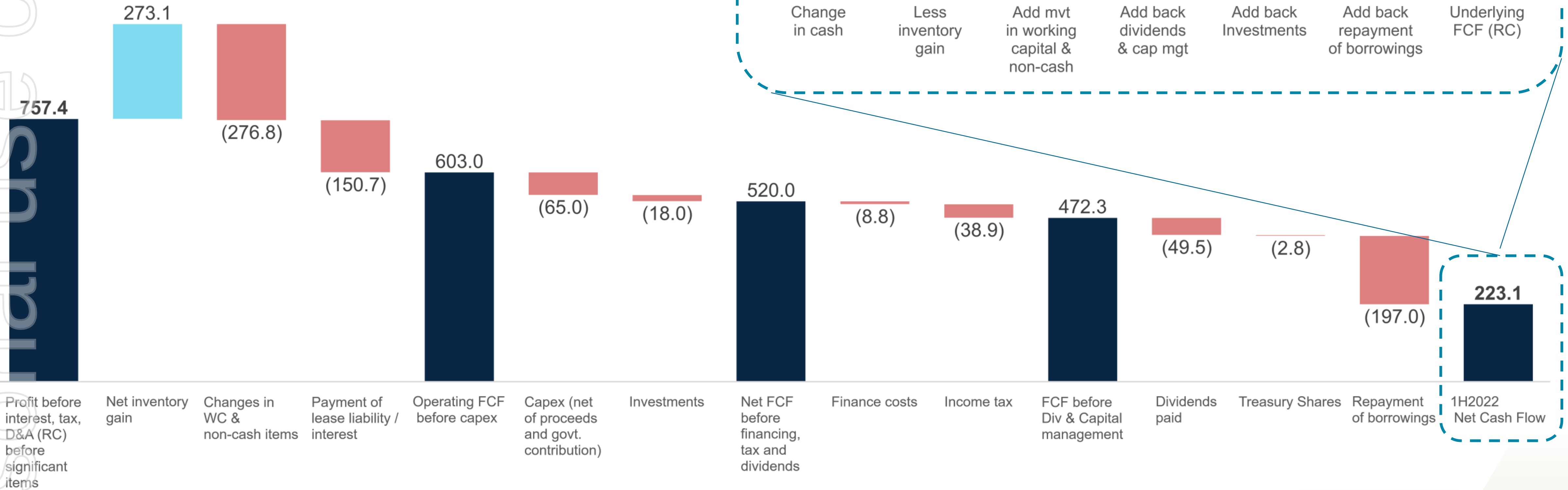



1. No support received from the Fuel Security Services Payment (FSSP) scheme in 1H2022 due to margins exceeding the marker margin, versus support from the Temporary Refinery Production Payment (TRPP) in 1H2021.

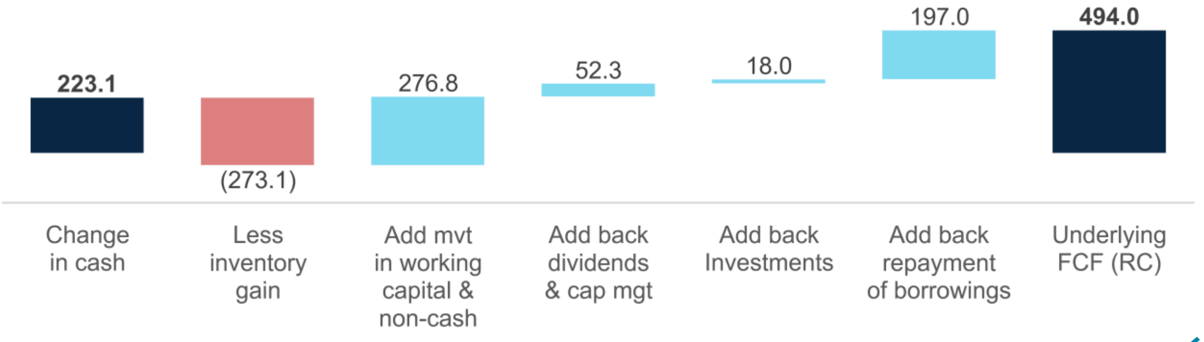
# Cash Flow

## Strong cash flow generation supporting future investments and dividend payments

### Group net cash flow bridge *(A$M)*



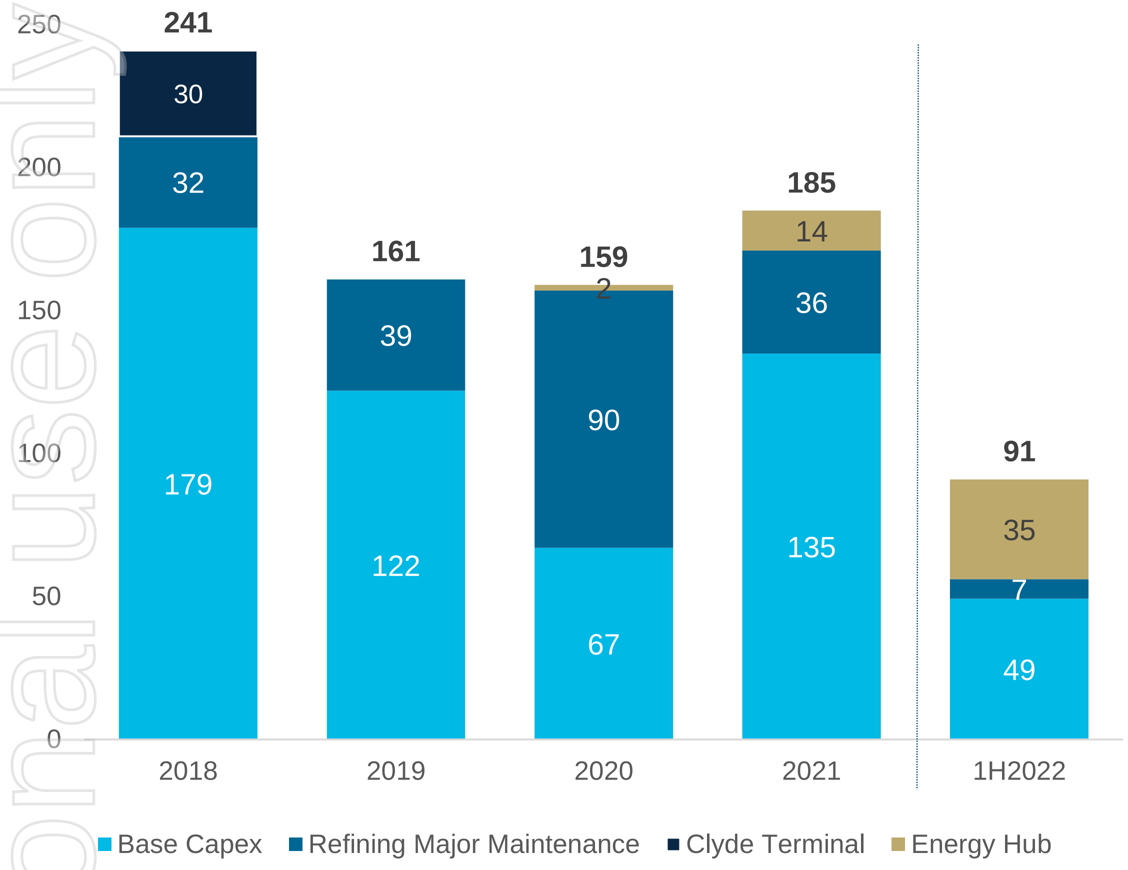

### Underlying free cash flow *(A$M)*



# Capital Expenditure

## Lower guidance in FY2022 due to project timing

### Capital Expenditure (A$M)



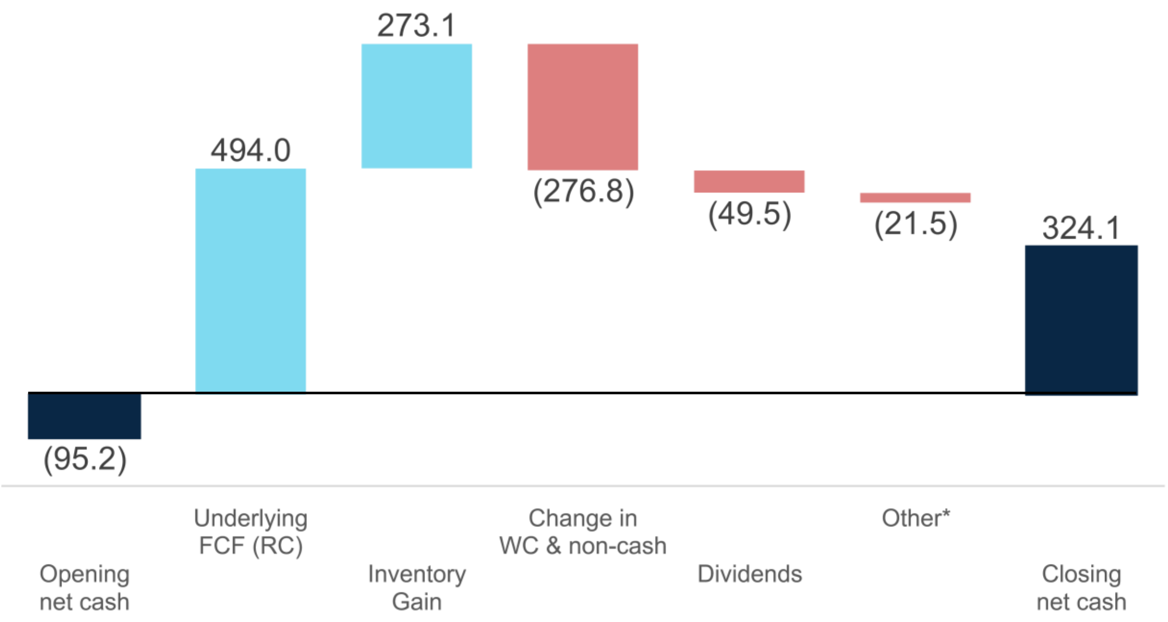

| $M | 1H2022 | FY2022 guidance (old) | FY2022 guidance (new) |
|---|---|---|---|
| **Retail, Fuels & Marketing** | **36** | | |
| *Retail* | *16* | | |
| *Supply and Corporate* | *20* | | |
| **Refining [1]** | **20** | | |
| **Base Capital Expenditure** | **56** | **230 - 240** | **190 – 210** |
| Energy Hub Projects [2] | 35 | 145 - 155 | 90 – 110 |
| **Total Capital Expenditure** | **91** | **375 – 395** | **280 – 320** |
| Federal Government Contribution [3] | (25) | (45) | (45) |
| **Capital Exp. net of Govt Contribution** | **66** | **330 – 350** | **235 – 275** |

1. 1H 2022 includes $7M of capex in preparation for major maintenance including CDU4 and HDS1 in 2023.
2. Capital Expenditure excluding Federal Government funding contributions for Strategic Storage and Ultra Low Sulphur Gasoline upgrades. Maximum Government contribution for Strategic Storage and Ultra Low Sulphur Gasoline projects are $33.3M and $125M respectively. Contributions will be treated as deferred revenue when received and recognised in line with deprecation once the project is complete.
3. Federal Government funding in line with contractual milestones.

# Balance Sheet

## Remain disciplined as we pursue opportunities to deploy capital

### Change in net cash (A$M)




- Returned $49.5M to shareholders through dividends in 1H2022 (announced in 2H2021)
- Expect to distribute $213M to shareholders through dividend in September
- Continue to target long-term gearing based on Net Debt / Underlying EBITDA (RC) of 1.0x – 1.5x
- Remain focused on new opportunities to deploy capital in line with our objective to add $50M EBITDA over 3 to 5 years, and $22M of previously announced buy-back remains open

* Investment, borrowing cost amortisation and treasury share purchases.

# Dividends

## Determined an interim dividend of $213M,13.7cps

| All financials in $m unless noted | 1H2022 Retail, Fuels & Marketing (RFM) | 1H2022 Refining | 1H2022 Group |
|---|---|---|---|
| **EBITDA (RC)** [1] | **246.9** | **364.8** | **611.7** |
| **NPAT (RC)** | **127.0** | **228.4** | **355.4** |
| **Payout ratio** | **60%** | **60%** | **60%** |
| **Capex** [2] | 35.6 | 55.3 | 90.9 |
| **Underlying FCF (RC)** | 184.5 | 309.5 | 494.0 |
| **Dividend $M** [3] | 76.0 | 136.6 | 212.6 |
| **Dividend cps** | 4.9 | 8.8 | 13.7 |

- A dividend of 13.7cps was determined for the six months to 30 June 2022 (fully franked)
- The dividend comprises 4.9cps from Retail, Fuels & Marketing and 8.8cps from Refining
- Brought forward the annual component of the dividend, Refining, due to its exceptional earnings performance
- Final (2H2022) Refining dividend will be assessed on the second-half performance results
- Total interim dividend payable to registered shareholders on record date of 8 September 2022, with a payment date of 22 September 2022.

1. EBITDA (RC) for RFM and Refining includes corporate costs.
2. Refining capex includes $35M of Energy Hub expenditure. Refer to slide 16 for more details.
3. Represents Refining and Retail, Fuels and Marketing dividend. 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 Refining dividend assessed on an annual basis (to form part of the final dividend). However, the Company has decided to bring forward the assessment of Refining NPAT on an interim basis to reflect Refining's exceptional earnings in the period. The final FY2022 Refining dividend will be assessed on earnings generated in 2H2022.

# Strategic update and Outlook for 2022

Scott Wyatt

# Geelong Energy Hub Strategic Update

## Maintaining energy security while building a lower carbon future

## Energy Transition

### Energy Efficiency

- Control system and technology modernisation completed
- Assessing solar power generation in refinery surplus land
- Energy loss reduction and efficiency projects
- Natural gas and own gas optimisation

### Green H2 service station

- Commenced development green H2 service station in Geelong (completion expected late 2023)
- In July, ordered a 2.5MW electrolyser – the largest in Australia to date
- First step in establishing a network along east coast

### Ultra-Low Sulphur Petrol

- Aim to produce petrol to support introduction of Euro 6, low emission vehicle standards
- Secured Government funding to upgrade processing capability at Geelong Refinery
- Moving through project milestones to achieve required upgrades by end 2024

### Co-Processing

- Exploring co-processing bio-mass and waste streams to produce lower carbon fuels (Bio-Diesel, SAF)
- Acquired LyondellBasell Polypropylene plant to process waste plastic recycling
- Opportunities for co-processing hydrotreated vegetable oil (HVO) and recycled waste

## Energy Security

### Improve Reliability

- Completed $30M upgrade of digital control systems to improve monitoring and control
- Ongoing program to replace all legacy high-voltage switchboards and threats
- Enhancing programs to monitor and identify processing threats and bad actors

### Maximise Production

- Maximise production of specialty products (Avgas, Bitumen, Chemicals, Polypropylene)
- Bitumen export line under construction to service other Australian markets
- Acquired LyondellBasell Polypropylene plant co-located at Geelong

### Strategic Storage

- Commenced construction for 90 million litres Diesel storage
- Provides additional weeks of Diesel for Victorian market
- Improves processing flexibility and export capability
- Completion expected mid-2024

### Gas Terminal

- Aim to provide additional natural gas to meet predicted shortfall in VIC
- Agreement with GeelongPort in July 2022 to construct the required pier berthing infrastructure
- Determine Project FID timing following Victorian Government approval which is expected 4Q2022

# Outlook

## Business diversification, internal initiatives to support earnings growth

### Retail

- Volume growth as winter season passes, Omicron wave recedes (July +5.6% higher than June and has continued to increase in Aug)
- Margins recovering as fuel prices fall
- Continued network optimisation, focus on Diesel growth, Liberty convenience JV expansion
- Focus on Coles Express Alliance partnership (further refreshment planned for 2023)

### Commercial

- Continued demand strength in July and August across all segments
- Higher quality premia impacting margins, partly offset by ocean freight retreating from its peak
- Maintain and grow baseline across key segments (Aviation, Marine, Resources)
- Maximise the integrated value of Specialties (Lubricants, Bitumen, Chemicals, Polymers)

### Refining

- Elevated crude premia and softer regional refinery margins, with July GRM $US15.2/BBL
- Middle distillates cracks improving through August, offset by unplanned outage of catalytic cracking unit (estimated impact of $US5/BBL and expected to return to service by month-end)
- Potential tightness in Q42022 from next wave of EU sanctions, diesel substitution for power generation

# Appendix

# Additional information

# Refinery – margin analysis and key drivers

| | Metric | FY18 | FY19 | FY20 | FY21 | 1H2021 | 1H2022 |
|---|---|---|---|---|---|---|---|
| A: A$/US$ | FX | 0.75 | 0.69 | 0.69 | 0.75 | 0.77 | 0.72 |
| B: Crude and feedstock intake | mbbls | 40.1 | 42.0 | 34.8 | 41.2 | 21.4 | 21.5 |
| C: Geelong Refining Margin | US$/bbl | 7.4 | 6.6 | 3.1 | 7.1 | 6.1 | 19.9 |
| D: Geelong Refining Margin = C / A | A$/bbl | 9.9 | 9.5 | 4.4 | 9.4 | 7.9 | 27.7 |
| **E: Geelong Refining Margin = B x D** | **A$M** | **396.9** | **400.6** | **154.7** | **389.4** | **169.8** | **596.7** |
| F: Less: Energy costs | A$/bbl | (1.7) | (1.6) | (1.9) | (1.7) | (1.9) | (2.5) |
| **G: Less: Energy costs = B x F** | **A$M** | **(68.1)** | **(65.4)** | **(65.4)** | **(71.6)** | **(39.7)** | **(53.2)** |
| H: Less: Operating costs (excl. energy costs) | A$/bbl | (5.1) | (5.2) | (5.3) | (5.5) | (5.1) | (7.0) |
| **I: Less: Operating costs (excl. energy costs) = B x H** | **A$M** | **(204.5)** | **(218.2)** | **(184.4)** | **(227.3)** | **(108.3)** | **(150.0)** |
| J: Less: Supply and corporate allocation | A$/bbl | (0.6) | **(0.9)** | (0.9) | (1.0) | (0.9) | (1.0) |
| **K: Less: Supply and corporate allocation = B x J** | **A$M** | **(25.5)** | **(38.0)** | **(32.8)** | **(40.1)** | **(18.6)** | **(22.8)** |
| L: Less: Production Grant / FSSP | A$/bbl | - | - | - | 1.5 | 1.9[1] | - |
| **M: Less: Production Grant = B x L** | **A$M** | **-** | **-** | **-** | **53.0** | **40.6** | **-** |
| EBITDA (RC) | A$/bbl | 2.5 | 1.9 | (3.7) | 2.5 | 2.0 | 17.2 |
| **N:Refining EBITDA (RC) = B x (D – F – H – J – L)** | **A$M** | **98.5** | **79.0** | **(127.9)** | **103.4** | **43.8** | **370.8** |
| **P: Less:** | | | | | | | |
| Corporate Cost allocation | A$M | (4.8) | (10.8) | (9.7) | (12.0) | (5.1) | (6.0) |
| Depreciation | A$M | (59.7) | (73.3) | (74.7 | (63.3) | (32.6) | (36.0) |
| Finance costs | A$M | (8.2) | (7.0) | (1.4) | (2.7) | (1.4) | (2.5) |
| Income tax expense | A$M | (7.8) | 3.6 | 64.1 | (7.6) | (1.4) | (97.9) |
| **NPAT (RC): Refinery** | A$/bbl | 0.5 | (0.2) | (4.3) | 0.4 | 0.2 | 10.6 |
| **NPAT (RC): Refinery = N – P** | **A$M** | **18.1** | **(8.5)** | **(149.6)** | **17.8** | **3.3** | **228.4** |

Note: All historical information presented on a pro forma basis. Refer to the financial section of the prospectus dated 20 June 2018 (lodged with ASX on 13 July 2018) for details of the pro forma adjustments, a reconciliation to statutory financial information and an explanation of the non-IFRS measures used in this presentation

1. 1H2021 estimate based on interim production payment grant

# Glossary

## Replacement Cost (“RC”)

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

## NPAT (RC)

NPAT (RC) adjusted to remove the impact of significant one-off items net of tax

## Earnings Per Share (RC)

Underlying NPAT (RC) divided by total shares on issue

## EBITDA (RC)

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

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

## Distributable NPAT (RC)

Prior to 1 January 2021, Distributable NPAT (RC) represented Underlying NPAT (RC) adjusted to remove the impact of for short term outcomes that are expected to normalize over the medium term, most notably non-cash one off items. With the changes made to the calculation of NPAT (RC) from 1 January 2021, Distributable NPAT (RC) and NPAT (RC) are the same measure

## Historical Cost (“HC”)

Calculated in accordance with IFRS

Cost of goods sold at the actual prices paid by the business using a first in, first out accounting methodology

Includes gains and losses resulting from timing differences between purchases and sales and the oil and product prices

## Net inventory gain/(loss)

Represents the difference between the historical cost basis and the replacement cost basis

## Geelong Refining Margin

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 product

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