



21 September 2022

The Manager
Market Announcements Office
Australian Securities Exchange

Electronic lodgment

Viva Energy to acquire Coles Express and create largest fuel and convenience network under single operator

Please see attached announcement and presentation for immediate release to the market.

Conference Call details

Scott Wyatt, Chief Executive Officer, and Jevan Bouzo, Chief Operating and Financial Officer, will host a conference call to present this update (also available via webcast).

Date: 21 September 2022

Time: 11:00 am (AEST)

To join the briefing, participants must pre-register by navigating to <https://s1.c-conf.com/diamondpass/10025493-b4b309.html>

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

A handwritten signature in black ink, appearing to read "Julia Kagan".

Julia Kagan
Company Secretary

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21 September 2022

Viva Energy to acquire Coles Express and create largest fuel and convenience network under single operator

Highlights

Strategic rationale

- Creates Australia's largest fuel and convenience network under a single operator through acquisition of Coles Group's convenience retailing business ("Coles Express");
- Accelerates Viva Energy's strategy to transition to a fully integrated fuel and convenience retailer in order to directly capture earnings and increase exposure to the attractive, and fast growing convenience segment;
- Establishes a platform to pursue emerging revenue streams across the entire retail ecosystem including in food and beverage, new energies, digital, logistics and last mile delivery;
- Unlocks synergies from the integration of network and store development, and improved effectiveness of marketing and capital spend.

Transaction overview

- Industry-leading retailing capability and associated infrastructure of Coles Express will be transferred to Viva Energy and operated as an independent business unit;
- Viva Energy and Coles Group commit to a continuing relationship through transitional support, continuation of existing loyalty programs and supply of Coles products;
- Headline consideration of \$300M represents the approximate value of the assets being acquired, funded from cash and available debt facilities. The net impact is expected to be \$143M¹ after settlement of existing arrangements and expected working capital benefits.

Financial impact

- \$1.14BN of convenience store sales revenue on a FY2021 pro-forma basis, partially offset by the elimination of \$160M of non-fuel income previously received from Coles Group;
- EPS accretion of 11% to 18% (approximately \$45M to \$70M EBITDA (RC²)) on a pro-forma, post-integration FY2021 basis and assuming the network's weekly fuel volumes increase to between 65ML (2H2019 level) and 70ML;
- Further earnings potential from convenience sales growth and synergies once business has been transitioned;
- Transaction and integration costs, as well as other associated investments in digital and technology to evolve the convenience offer, expected to be approximately \$120M – \$140M incurred over the next 3 years.

Accelerating plans to create a leading integrated fuel and convenience business

Viva Energy Group Limited (the **Company** or **Viva Energy**) today announced plans to create a leading integrated fuel and convenience business through agreement to acquire Coles Express's retailing capability and infrastructure, which will result in an early conclusion of fuel and convenience Alliance Agreement with Coles Group (**transaction**).

This transaction will create the largest single branded Australian fuel and convenience network under a single retail operator, with 710 sites nationally, providing the platform for Viva Energy to accelerate plans to further grow its retail network and the fuel and convenience business. By bringing together the two businesses now, rather than at the natural end of the Alliance in 2029, Viva Energy can more efficiently optimise the network and is in a better position to make the investments necessary to keep evolving the convenience offer at a point where sales are recovering and consumers are increasingly seeking greater convenience offers.

Together with its investment in the regionally focused Liberty Convenience network of 92 sites³, the Company has a high quality national network of fuel and convenience stores located in metro, regional and on main transport routes, providing an advantaged position to serve the on-road and local suburban convenience markets.

The convenience market in Australia has achieved average annual growth of 3.1% in the last seven calendar years, while Coles Express convenience sales have risen 3.7% on average in the seven years to 30 June 2022⁴. The Company expects the convenience segment to continue to deliver strong growth potential over the long term driven by population growth, changes in mobility, and increased consumer demand for convenience led offers.

Demand for traditional fuels is also expected to remain strong well into the next decade, and the adoption of new energies such as battery and hydrogen electric vehicles will lead to growing demand for convenient on-road recharging and refuelling options, and therefore new convenience growth opportunities.

Coles Express will be transitioned and operated as an independent business unit within the Viva Energy Group. The new business unit will bring together existing retail capability from both Coles Express and Viva Energy to establish a highly focussed and capable retailing organisation that will lead the Company's broader fuel and convenience strategies.

Coles will support the transition of retail capability and infrastructure, and remain an important support partner through transitional arrangements, ongoing convenience supply chain services, and continuity of existing loyalty programs, including 4cpl discount docket and Flybuys. A Product Supply Agreement will ensure that the retail business continues to have access to competitive and leading convenience offers from the Coles Group.

A team led by Megan Foster, Executive General Manager of the Viva Energy Retail business, has been established to work with Coles to manage the transition over the coming months. The transaction is expected to be completed in the first half of 2023.

CEO Commentary

Viva Energy CEO and Managing Director, Scott Wyatt, said “We have enjoyed a strong partnership with Coles over the last 20 years and this is an exciting next step for our business and our relationship. The acquisition means we will be able to accelerate our plans to grow the integrated fuel and convenience business while our customers continue to enjoy the excellent customer service provided by the dedicated Express team, the extensive product range in-store and the loyalty programs we know they love.”

“Coles Express is a leading convenience retailer with considerable retail capability and experience. The acquisition of this business, and the establishment of an integrated fuel and convenience business unit, will put the Company in a strong competitive position to leverage our high quality networks and pursue long term growth opportunities in the fuel and convenience sector.”

“We welcome around 6,000 Coles Express team members to the Viva Energy group and look forward to working with them to build exciting new fuel and convenience offers and consolidate our position as a leading retailer in Australia. We will continue to work closely with Coles through the transition and beyond through an ongoing relationship.”

“We are thrilled to progress our strategic agenda and begin a rewarding journey with our partners, customers and team members.”

Coles CEO Steven Cain said “This agreement is positive not only for Coles and Viva Energy, but also for our customers, team members and respective shareholders. Viva Energy is well placed to make the most of opportunities to grow the Express business into the future, while we will strengthen our focus on our omnichannel supermarket and liquor businesses and our ambition of becoming Australia’s most sustainable supermarket group.”

Transaction overview

- The terms of the Alliance Agreement provide for a transfer of the Coles Express business to Viva Energy upon expiry in 2029 or on earlier termination by agreement, for a payment reflecting the transfer of certain elements of working capital, fixed assets, and retailing capability;
- In agreement with Coles Group, the Alliance Agreement will be terminated and Viva Energy will acquire the retail convenience business operated by Coles Express for a headline consideration of \$300M million, subject to customary adjustments at completion. After taking into account working capital benefits and the existing fuel stock payable from 2019, the net impact is \$143M¹;
- The consideration will be entirely funded out of existing cash reserves and available debt facilities. Viva Energy will maintain a strong balance sheet and prudent capital structure following completion;
- Approximately 6,000 Coles Express team members and support centre staff associated with the Coles Express business will be offered roles with the Viva Energy Retail business on terms and conditions no less favourable (on an overall basis);
- The land occupied by Coles Express at the sites where Coles Express is the subtenant of Viva Energy (approximately 664 sites) will revert to Viva Energy, and Viva Energy will acquire tenure of the remaining Alliance sites where Viva Energy does not currently hold an interest (approximately 46 sites);
- The convenience stores will continue to trade under the Coles Express brand on a transitional basis, but over time will carry a new store brand to reflect Viva Energy’s long-term positioning of the convenience offer. Under the arrangements agreed with Coles Group, reference to ‘Coles’ will be

removed from the sites over the course of 3.5 years from completion, with most rebranded over two years. The network will continue to carry the Shell brand under a long-term brand licence agreement through to 2029;

- Existing loyalty programs, including participation in FlyBuys and the 4cpl discount dockets with Coles supermarkets, will continue;
- Viva Energy and Coles Group will enter into Product Supply and Merchant Payment Services Agreements to continue to supply existing and Coles branded products and maintain existing payments infrastructure at sites;
- To support the successful transition of the Coles Express business, Viva Energy and Coles Group will enter into a Transitional Services Agreement, under which Coles Group will provide transitional support to Viva Energy in areas such as IT, accounting and HR/payroll;
- One-off integration costs are expected to be approximately \$120M – \$140M over the next three years. This includes transaction costs to be incurred through to completion of the transaction as well as longer lead integration costs and investments over the next two to three years. The longer lead costs include re-branding and development costs to evolve the convenience offer, as well as digital and technology costs to transition the business and invest in new platforms to grow our digital offer into the future.

Completion of the transaction is subject to customary closing conditions and the receipt of FIRB and ACCC approvals. Completion is expected to occur in the first half of 2023.

Financial impact

The transaction delivers:

- \$1.14BN of convenience store sales revenue on a FY2021 pro-forma basis, partially offset by the elimination of \$160M of non-fuel income previously received from Coles Group;
- Approximately \$45M to \$70M to FY2021 Retail EBITDA (RC) on a pro-forma post integration basis and assuming the network's fuel volumes increase to between 65ML per week (2H2019 level) and 70ML per week, before convenience sales growth and synergies;
- Corresponding EPS accretion of 11% to 18% relative to FY2021 based on a pro-forma, post-integration basis, before synergies.

Under the Alliance Agreement, Coles Express collects the convenience store margin and receives a commission per litre on fuel sales. As a result of Alliance fuel volumes averaging 55.6ML per week during FY2021, the transaction would have made a minimal contribution to Retail EBITDA (RC) on a pro-forma basis, however, it is expected to deliver significant benefits post recovery and integration.

Alliance sales volumes, as well as the broader retail fuel market, have been negatively impacted during the pandemic by lockdowns and more recently reduced levels of mobility through the Omicron wave, high product prices and adverse weather events earlier this year in Queensland and New South Wales. Pre-pandemic Alliance fuel volumes averaged 65 ML per week in the second half of 2019.

As a result of the transaction, Viva Energy will be better positioned to optimise and improve the business, and pursue both fuel and convenience growth which will drive future retail earnings. Over time, synergies

are expected from the integration of network and store development and improved effectiveness of marketing and investment spend.

Headline consideration of \$300M is expected to be funded through a combination of working capital benefits and cash reserves, and available debt facilities. The net impact is \$143M¹.

One-off integration costs of \$120M to \$140M are expected to be funded through ongoing cash flow over the next three years and will be recorded as one-off significant items.

Post completion, the transaction is expected to result in the recognition of right-of-use assets and lease liabilities relating to the 46 PAD⁵ sites acquired. Leases relating to the 664 sites where Coles is a subtenant to Viva Energy are already recorded on Viva Energy's balance sheet.

The transaction is also expected to result in the write off of the right to future income asset of \$89M which relates to the \$137M paid in 2019 and is amortising over the period to 2029. This will be treated as a significant item in the period during which completion occurs.

Notes:

1. Net impact represents \$300M less expected working capital benefits of \$59M and settlement of payable of \$98M currently recorded in Viva Energy's balance sheet relating to the acquisition of fuel stock in March 2019.
2. 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 the historical cost (HC) of inventory. As a result, it removes the effect of timing differences and management believes it enables users of the financial information to more clearly observe the operating performance of the business independently of the impact of movements in the oil price. Replacement cost basis reporting captures this cost of goods sold restatement and the inclusion of lease expense, with the impact of applying AASB16 recognised between NPAT (RC) and NPAT (HC). Significant items, and revaluation gain on FX and oil derivatives will also be recognised between NPAT (RC) and NPAT (HC).
3. Viva Energy has a 50% non-controlling interest in Liberty Oil Convenience with rights to fully acquire the business in 2025.
4. Source: Australasian Association of Convenience State of the Industry Reports 2014-2021, Coles Group FY2022, FY2021, FY2020 and FY2019 investor presentations, Wesfarmers FY2018 Annual Report. Note that Coles Group and Wesfarmers reports on a June year-end financial calendar.
5. PAD sites are sites that reside in Coles supermarket carparks. Historically they have been part of the Alliance agreement where Coles has held the third-party leases (45 sites) or is the owner (1 site).

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

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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 over 1,330 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 over 50 airports and airfields across the country.

www.vivaenergy.com.au



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Coles Express Acquisition

*Creating Australia's largest
Fuel and Convenience network
under a single operator*

21 September 2022

VIVA
EnergyAustralia

Helping people reach their destination

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Coles Express Acquisition – Highlights

Creating the largest fuel and convenience network under a single operator, with an established and sophisticated convenience offering

- ✓ Creates the largest fuel and convenience network under a single operator (710 sites), with pathway for further growth (Liberty Convenience)
- ✓ Acquiring a sophisticated, industry-leading and team-driven retail platform (~6,000 team members)
- ✓ Provides access to the one of the largest and most successful loyalty programs (Flybuys)
- ✓ Maintains an ongoing relationship with customers of one of the largest supermarkets chains in Australia (Coles Group)
- ✓ Leverages the world's most recognisable and respected fuel brand, with a leading position in premium fuels (Shell)
- ✓ Combining businesses with attractive market share positions – currently #2 in both the fuel and convenience markets¹
- ✓ Supported by nationwide supply chain and locally-refined fuels through Viva Energy's refinery at Geelong



1. Convenience market ranking based on sales turnover, source: IRI Shopper Panel & IRI Market Read. Fuel market ranking based on retail fuel volumes in FY2021 on a company-controlled network basis.

Coles Express Acquisition – Summary

Strategic rationale, transaction overview and financial impact

Strategic rationale

- Accelerates strategy to transition to a fully-integrated fuel and convenience retailer, creating the largest network in Australia under a single operator
- Directly captures convenience earnings, increasing exposure to a fast-growing market
- Establishes platform to pursue emerging revenue streams across entire retail ecosystem
- Unlocks synergies from the integration of network and store development, improved effectiveness of marketing and capital spend

Transaction overview

- Industry-leading retailing capability and associated infrastructure to be transferred to Viva Energy and operated as independent business unit
- Viva Energy and Coles Group commit to ongoing relationship through transitional support, continuation of existing loyalty programs and continued supply of Coles products
- Headline consideration of \$300M represents the approximate value of the assets being acquired, funded from cash and available debt facilities. Net impact is expected to be \$143M after settlement of existing arrangements and expected working capital benefits
- Completion expected in 1H2023 (subject to regulatory approvals, customary closing conditions)

Financial impact

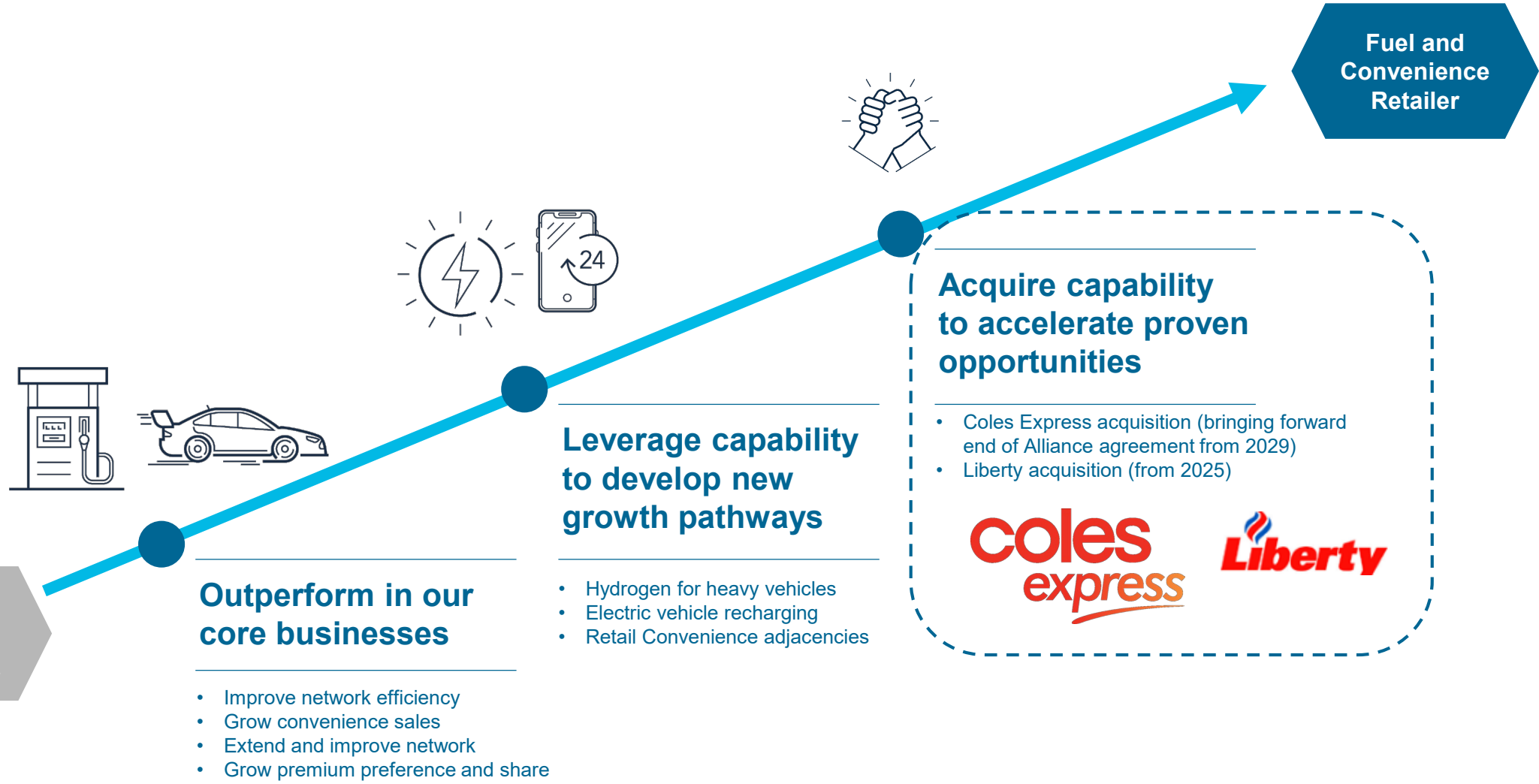
- EPS accretion of 11% to 18% (approx. \$45M to \$70M EBITDA (RC)) on a pro-forma, post-integration FY2021 basis, before synergies and assuming the network's weekly fuel volumes increase to between 65ML (2H2019 level) and 70ML
- Further upside from fuel and convenience sales growth and synergies once business has been transitioned
- Transaction and integration costs, as well as other associated investments in digital and technology to evolve the convenience offer, expected to be approximately \$120 – 140M over the next 3 years



Transition and Growth Strategy

Accelerating our vision to become a leading fuel and convenience retailer

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Transaction Overview

Acquiring industry-leading capability and infrastructure, supported by transition agreements



Existing Alliance partnership



	Now
Brand	<ul style="list-style-type: none"> • Coles Express
IT / HR / Payroll/ Accounting	<ul style="list-style-type: none"> • Coles Group
Assets	<ul style="list-style-type: none"> • Coles Group
Convenience supply	<ul style="list-style-type: none"> • Coles Group distribution network
Payment services	<ul style="list-style-type: none"> • Coles Group
Team	<ul style="list-style-type: none"> • ~6,000 Coles Express team members
Convenience sales	<ul style="list-style-type: none"> • Coles Group collects convenience store margin • Viva Energy earns royalty
Fuel sales	<ul style="list-style-type: none"> • Viva Energy supplies Shell-branded fuel, sets price, captures full retail margin • Coles Express earns commission on sales
Site leases	<ul style="list-style-type: none"> • 664 sites Coles subtenant to Viva Energy • 46 sites Coles tenant/owner (PAD sites)¹

Viva Energy owns Convenience offering



Transition period (2 to 3.5 yrs)	Long-term transformation
<ul style="list-style-type: none"> • Coles Express under Licence agreement (up to 3.5 yrs) • Transitional Services Agreement (2 yrs) 	<ul style="list-style-type: none"> • New brand to support vision • Viva Energy
<ul style="list-style-type: none"> • Viva Energy acquires all assets, comprising equipment, stock and POS systems • Product Supply Agreement to continue supplying Coles branded and other products • Option for extension by mutual agreement 	
<ul style="list-style-type: none"> • Merchant Payment Services Agreement, maintains existing payment infrastructure at sites • All Coles Express team members offered roles on equivalent terms • Independent business unit within Viva Energy to support capability & culture 	
<ul style="list-style-type: none"> • Viva Energy collects convenience store margin 	
<ul style="list-style-type: none"> • Viva Energy supplies Shell-branded fuel (licensed to 31 Dec 2029), sets pump price, captures full retail margin 	
<ul style="list-style-type: none"> • 664 site leases revert to Viva Energy • Viva Energy acquires tenure of remaining 46 Alliance site leases 	

¹. PAD sites are sites that reside in Coles supermarket carpark. Historically they have been part of the Alliance agreement where Coles has held the third-party leases (45 sites) or is the owner (1 site).

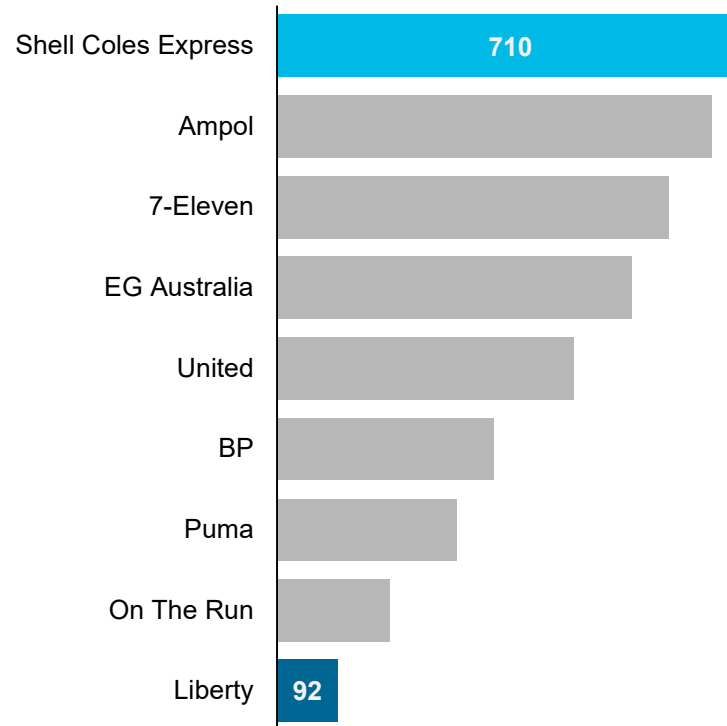
Strategic Rationale

Creating the largest single-branded network in Australia under one operator



Fuel and Convenience Network

Company controlled sites¹



The opportunity

- Combine the fuel and convenience offering of 710 sites, creating Australia's largest network under a single operator
- Viva Energy Coles Express stores are in advantaged locations: close to suburban population centres and on main transport routes
- The acquisition of Liberty Convenience (in 2025)² further solidifies the leadership position, extending the network into regional locations

1. Source: Informed Sources, 2021 AACS State of Industry Report and Ampol 2022 Half Year Results Presentation. "Company Controlled Sites" refer to sites where Company has control of retail fuel board price.

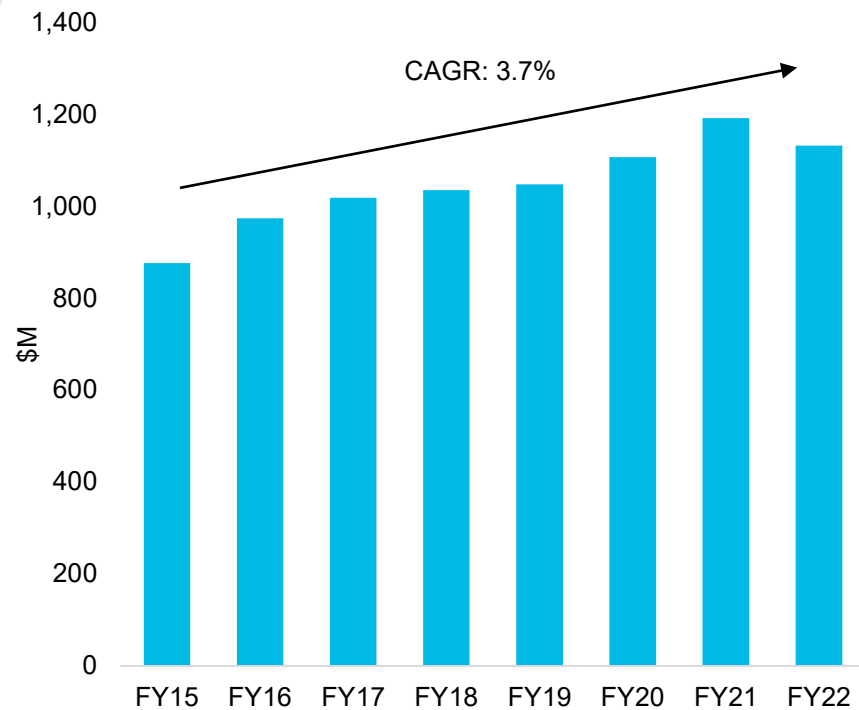
2. Viva Energy has a 50% non-controlling interest in Liberty Oil Convenience with rights to fully acquire business from 2025.

Strategic Rationale

Convenience delivers defensive growth in line with the broader grocery market, with the Coles Express Capability outperforming



Alliance convenience sales¹



Coles Express sales growth has exceeded the wider market, driven by tailored ranging, competitive pricing, food-to-go

- Coles Express sales have grown 3.7% on average in the past 7 financial years¹, above the wider convenience channel’s 3.1% growth (on a CY basis)²
- Lower sales in FY2022 reflects the cycling of strong tobacco sales in the COVID period (ex-tobacco sales grew 0.9%)
- Following growth in prior periods, market share has remained stable in the past 12 months at 22%³
- We expect solid, defensive growth to persist, supported by population growth, mobility changes and the “shop local” trend
- With a comprehensive network, Viva Energy can optimise investment and accelerate existing store refresh programs at existing and new sites which are most exposed to these trends

1. As at 30 June 2022. Sources: Coles FY22, FY21, FY20 and FY19 investor presentations, Wesfarmers FY18 Annual Report.

2. Australasian Association of Convenience State of the Industry Reports CY2014-2021.

3. As at 30 June 2022. Source: IRI Shopper Panel & IRI Market Read. Convenience market data includes Coles Express, 7-Eleven, EG, Ampol, BP, APCO, Puma Energy and Night Owl.

Strategic Rationale

Establishes platform to pursue emerging revenue streams across entire retail ecosystem



We will leverage our comprehensive network to selectively pursue opportunities such as:

- Popular food and beverage adjacencies to support “destination visits”, with significant capacity on surplus land
- Establishing deeper relationships with customers through digital enablement and enhanced loyalty offers
- Integrating new energies as they mature, such as hydrogen and electric vehicle re-charging
- Developing ‘community hub’ opportunities, such as smart lockers for last-mile delivery

Strategic Rationale

Direct access to customers to grow our Loyalty and Digital offering



Direct access to the consumer is essential to driving future growth

- Creating a more seamless digital experience which brings together family of leading loyalty programs
- Continued relationship with Coles Group customers through common partnership in Flybuys and 4cpl discount docketts
- Direct access to customer transaction data and ability to build deeper relationships over time
- The ability to more quickly improve customer digital experience through technology such as pay-at-pump
- Drive further growth through Shell Card through better integration with digital and loyalty programs

Financial Impact

11-18% EPS accretion on a pro-forma, post-integration basis and assuming fuel volumes recover

Purchase price	<ul style="list-style-type: none">• Headline consideration of \$300M represents the approximate value of all Coles Express assets, including stock and PoS systems• Net impact is expected to be \$143M and represents:<ul style="list-style-type: none">• \$300M less working capital benefits of \$59M and settlement of payable of \$98M currently recorded in Viva Energy's balance sheet relating to the acquisition of fuel stock in March 2019
Sales & earnings contribution	<ul style="list-style-type: none">• \$1.14BN of convenience store sales revenue on a FY2021 pro-forma basis, partially offset by elimination of \$160M of non-fuel income previously received from Coles Group• EPS accretion of 11% to 18% (approx. \$45M to \$70M EBITDA (RC)) on a pro-forma, post-integration FY2021 basis and assuming the network's weekly fuel volumes increase to between 65ML (2H2019 level) and 70ML, before convenience sales growth and synergies
Balance sheet impact	<ul style="list-style-type: none">• Consideration to be funded out of existing cash reserves and debt facilities; Viva Energy will maintain prudent capital structure post-transaction• Post completion, the transaction is expected to result in the recognition of right-of-use assets and lease liabilities relating to the 46 PAD sites acquired. Leases relating to the 664 sites where Coles is a subtenant to Viva Energy are already recorded on Viva Energy's balance sheet.• Expected to result in the write-off of the right to future income asset of \$89M which relates to the \$137M paid in 2019 and is amortising over the period to 2029. This will be treated as a significant item in the period during which completion occurs
Transaction & integration costs	<ul style="list-style-type: none">• Expect \$120-140M of transaction and integration costs over next 3 years, which will be treated as significant items and will be funded out of cash flow over the transition period. The costs largely consist of:<ul style="list-style-type: none">• Refreshing and rebranding stores• Developing replacement IT systems and investing in technological and digital to support the customer experience, including significant lifecycle upgrades to POS systems

Conclusion

Acquiring an industry-leading platform and capability to drive new opportunities

1. Viva Energy is acquiring an established, best in class retailing platform and capability, and creating the largest fuel and convenience network in Australia under a single operator
2. By combining the fuel and convenience businesses, Viva Energy can accelerate investment and growth plans and evolve the offering to changing consumer preferences
3. The acquisition supports meaningful earnings growth potential as fuel volumes recover, convenience sales continue to grow in line with the market and the transition and integration is completed

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