CALTEX
Caltex Australia

# ASX RELEASE

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# UNAUDITED 2017 HALF YEAR PROFIT GUIDANCE

## Key Points

- Half year historic cost profit after tax (HCOP) outlook range $250 million to $270 million, including significant items
- Half year replacement cost operating profit (RCOP)[1] NPAT outlook of $290 million to $310 million, excluding significant items
- Supply and Marketing EBIT outlook (including net externalities of around $5 million) of between $360 million and $375 million, an increase of around 4%
- Lytton refinery EBIT outlook approximately $150 million, reflecting higher first half refiner margins
- Strong balance sheet, net debt forecast to be approximately $700 million, including $95 million Milemaker acquisition (Gull NZ regulatory approval still pending)

| **Results summary (unaudited)** | **Half year ending 30 June** | |
|---|---|---|
| | **2017 $M** | **2016 $M** |
| HCOP after tax (including significant items) | 250 - 270 | 318 |
| RCOP (excluding significant items): | | |
| After tax | 290 - 310 | 254 |
| Before interest and tax | 450 - 480 | 383 |

## Historic Cost Profit

On an HCOP basis, the after tax profit is expected to be within a range of $250 million and $270 million for the 2017 half year including significant items. Significant items are forecast to be a loss of approximately $5 million before tax (representing the previously disclosed $20 million franchise employee assistance fund less the profit on the sale of the company's fuel oil business). This compares with the 2016 half year profit of $318 million that included no significant items.

The forecast 2017 half year result includes a product and crude oil inventory loss of approximately $40 million after tax. This compares with a product and crude oil inventory gain of $64 million after tax in the first half of 2016.

[1] excludes the impact of the fall or rise in oil and product prices (a key external factor) and presents a clearer picture of the company's underlying business performance. It is calculated by restating the cost of sales using the replacement cost of goods sold rather than the historic cost, including the effect of contract based revenue lags

## Replacement Cost Operating Profit

On a RCOP basis, the after tax profit for the 2017 half year is anticipated to be in the range of $290 million and $310 million, excluding significant items. This compares with an after tax profit of $254 million for the 2016 half year, excluding significant items.

**Supply & Marketing** is expected to deliver an EBIT result of between $360 million and $375 million for the 2017 half year. This result includes net unfavourable externalities of approximately $5 million (foreign exchange impact and price timing lags).

Excluding these externalities, the underlying Supply & Marketing EBIT of between $365 million and $380 million is up around 4% on the comparable 2016 result of $359 million (based on the mid-point).

Total transport fuels sales volumes of 7.7 billion litres are expected to be marginally higher than for the same period in 2016. Growth continues across the basket of premium fuels with premium diesel growth more than offsetting a forecast modest decline in premium petrol volumes.

Total retail volumes are forecast to be around 4.3 billion litres, broadly in line with the first half of 2016.

**The Lytton Refiner**y is expected to contribute an EBIT of approximately $150 million for the 2017 half year. This compares favourably to the EBIT of $92 million for the first half of 2016.

For the first five months of 2017, the average realised Caltex Refiner Margin was US$12.39 per barrel. This compared with the 2016 first half average of US$10.10 per barrel.

Sales from production at the Lytton refinery in the first half is expected to total approximately 3.0 billion litres, broadly in line with the same period last year (2.9 billion litres). This reflects a continued strong operational performance. A turnaround of the benzene hydrogenation unit (BHU) impacted the realised margin in May.

**Corporate costs** are forecast to be approximately $55 million for the half year, including costs relating to technology and major project costs (including M&A).

## Debt position

Net debt at 30 June 2017 is forecast to be $700 million, compared with $454 million at 31 December 2016 and $693 million at 30 June 2016. This includes the impact of the recently completed $95 million Milemaker acquisition (9 May 2017), but does not include the proposed $325 million acquisition of Gull New Zealand, which remains subject to regulatory approval. Average debt during the six months to 30 June 2017 is expected to be around $540 million.

## Dividend policy

Caltex intends to pay total dividends for each financial year in the range of 40% to 60% of the full year RCOP after tax (excluding significant items), subject to taking into account Caltex's earnings for the period, future capital requirements and other relevant factors, such as the outlook for the business.

## Notes

The forecast results for the 2017 half year will be subject to normal external half year review procedures.

The forecast results assume a June period end AUD/USD exchange rate of 76 cents, a June average realised CRM of US$12.50/bbl and an average Dated Brent crude oil benchmark price of US$47/bbl for June.

Volatility in crude oil prices and the AUD/USD exchange rate can materially impact the forecast result and cash flow, and the company advises that even small changes in these key externalities during the balance of the month of June 2017 can materially affect both the RCOP and historic results for the full year.



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