9 December 2019

The Manager
Market Announcements Office
Australian Securities Exchange

Electronic lodgment

Viva Energy FY2019 unaudited financial guidance

The attached announcement is for release to the market.

Julia Kagan
Company Secretary

Viva Energy Group Limited
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ABN 74 626 661 032

VIVA Energy Australia

ASX Release

9 December 2019

Viva Energy FY2019 unaudited financial guidance

Viva Energy (the **Company**) today announced the Group's unaudited financial guidance for the financial year ending 31 December 2019 (**FY2019**)[1].

Key highlights:

- Delivered strong top line sales growth, with sales volumes for FY2019 expected to be 14,600 to 14,700 million litres, up approximately 4.3% on financial year ended 31 December 2018 (**FY2018**).
- Weekly sales in the retail Alliance channel are expected to average approximately 65 million litres per week in the six months ending 31 December 2019 (**2H2019**), up 9.2% on the half year ended 30 June 2019 (**1H2019**).
- Retail fuel margins in FY2019 were lower than FY2018 as a result of oil price volatility and periods of heightened competition in the market.
- Strong sales in Commercial segment despite softer economic conditions and lower market growth. Commercial earnings have been impacted by continued competition, elevated shipping costs and lower exchange rates.
- Operational performance at Geelong Refinery was strong during FY2019 as a result of optimising crude selection and the production slate. Following a sustained period of low refining margins in 1H2019, Geelong Refining Margin improved significantly in 2H2019.
- Supply, Corporate & Overheads are expected to increase relative to FY2018, predominantly due to increased property and supply chain management costs, coupled with some non-recurring benefits achieved in FY2018.
- FY2019 Group Underlying EBITDA (RC)[2] expected to be approximately $625 - $655 million.
- FY2019 Underlying NPAT (RC) expected to be approximately $135 - $165 million.

FY2019 unaudited financial guidance

	AASB 16 (new standard)		AASB 117 (old standard)	
	FY2019 $m	**FY2018[3,4] $m**	**FY2019 $m**	**FY2018[3,4] $m**
Underlying EBITDA (RC)				
Retail, Fuels & Marketing	840 – 855	938	835 – 850	933
Retail	*548 – 558*	*609*	*548 – 558*	*609*
Commercial	*292 – 297*	*329*	*287 – 292*	*324*
Refining	120 – 130	125	120 – 130	125
Supply, Corporate & Overheads	(335) – (330)	(293)	(584) – (579)	(528)
Underlying Group EBITDA (RC)	**625 – 655**	**770**	**371 – 401**	**529**
Underlying NPAT (RC)	**135 – 165**	**229**	**185 – 215**	**293**

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Group

The Company has delivered strong top line sales growth with sales volumes up approximately 4.3% on FY2018, driven largely by restoration of growth in the retail Alliance channel, continued growth in the Liberty and wholesale businesses, and strong sales performance in commercial segments. Refining operating performance was also strong, with periods of record production.

Earnings have been impacted by lower refining margins during 1H2019, lower retail market margins as a result of oil price volatility and heightened competition, as well as increased ocean freight and effects of lower exchange rates compressing commercial margins.

Total Underlying Group EBITDA (RC) for FY2019 is expected to be approximately $625 – $655 million. Underlying NPAT (RC) is expected to be approximately $135 – $165 million. Each business segment is discussed in more detail below.

Retail

The Underlying EBITDA (RC) for FY2019 for the Retail business is expected to be approximately $548 – $558 million.

Following the renegotiation of the partnership with Coles Express, the Company successfully stabilised fuel sales within the retail Alliance network at approximately 60 million litres per week during 1H2019, and then subsequently lifted sales to an average of approximately 65 million litres per week during 2H2019, representing an increase of 9.2% over 1H2019 and 4.8% over 2H2018. The Company intends to maintain competitive retail fuel pricing and a range of value led offers, to continue to lift brand preference and deliver sustainable and profitable growth.

The Company added 16 stores to the Shell and Liberty branded network during FY2019. Network development is focused on filling gaps to improve coverage and lifting fuel and convenience offers through new site formats.

Retail fuel margins in FY2019 were lower than FY2018 as a result of oil price volatility and periods of heightened competition, though margins have strengthened during the final quarter compared with earlier periods of FY2019. The Company's retail fuel pricing strategy has been fully implemented across the Alliance network, and focus is now on optimising local market pricing and improving site efficiency.

Commercial

The Underlying EBITDA (RC) for FY2019 for the Commercial business is expected to be approximately $292 – $297 million.

Sales to Commercial segments during FY2019 have been strong despite softer economic conditions and lower overall market growth. The Company successfully renegotiated and extended a number of expiring contracts, and secured new contracts that support future partnerships and growth.

During the year, Viva Energy secured the contract to operate the Australian Defence Force supply base in Cairns, and has maintained its strong market position in aviation and marine fuel oil sectors. The business also introduced a Very Low Sulphur Fuel Oil offering to support the transition to International Maritime Organisation (IMO) specification changes.

Commercial earnings have been impacted by continued competition and a lag in passing through cost increases in certain commercial contracts, in particular rising shipping costs and lower exchange rates. The commercial customer portfolio remains high quality and enables the Company to grow alongside its customers.

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Refining

The Underlying EBITDA (RC) for FY2019 for the Refining business is expected to be approximately $120 – $130 million[5].

The actual GRM[6] for the months October and November 2019 was US$8.5/Barrel (BBL), with refining intake of 7.2MBBLs[7]. The GRM for the period 1 January 2019 to 30 November 2019 was US$5.8/BBL with refining intake of 38.2MBBLs for the same period.

The Company posted record production during 1H2019, optimising crude selection and the production slate despite the lower regional refining margin environment. Regional refining margins improved during 2H2019 as a result of global supply disruptions and peak activity on global turnarounds, however rising crude premiums have offset some of the benefits.

Supply, Corporate and Overheads

The Underlying EBITDA (RC) for FY2019 for the Supply, Corporate and Overheads segment is expected to be approximately $(335) – $(330) million.

Supply, Corporate and Overheads were impacted by increased property costs associated with network growth and annual escalation, supply chain management and coastal shipping, and the full year impact of public company costs. The Company also incurred some one-off costs including those associated with the Liberty Wholesale acquisition and reset of the Alliance Agreement. There were also several non-recurring benefits realised in FY2018.

Notes

1. Financial results are prepared and reported in accordance with AASB 16, the new lease accounting standard, unless otherwise stated.
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. In the previous corresponding period to 31 December 2018, the holding company of the group was Viva Energy Holding Pty Ltd (**VEH**). The Company became the holding entity of the group subsequently, in conjunction with its listing on the ASX in the second half of 2018. Accordingly, the results for the period to 31 December 2018 that are presented for comparison are the consolidated results of VEH and its controlled entities.
4. Numbers may not add due to rounding.
5. The expected FY2019 Underlying EBITDA (RC) for Refining assumes December 2019 intake of 3.5MBBLs and actual GRM of US$5.8/BBL.
6. The Geelong Refining Margin is a non-IFRS measure calculated in the following way: IPP less the COGS, and is expressed in US dollars per barrel (US$/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.
7. mbbls: million barrels of oil

ENDS

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Conference call

Viva Energy management will today be hosting a conference call to discuss this update:

Date: 9 December 2019

Time: 10:30 am (AEDT)

Dial-in Details			
Conference ID:		1000 3150	
Participant Numbers			
Participants can pre-register by navigating to https://s1.c-conf.com/DiamondPass/10003150-invite.html Please note that registered participants will receive their dial in number upon registration to enter the call automatically on the day.			
To enter the call via operator you will need to quote the conference ID provided above and use the dial in below.			
Participant toll:		+612 9007 8048	
Participant toll free:		1800 908 299 / 1800 455 963	
International Dial-in Details			
These numbers are toll-free dial-in numbers for each country listed below. For countries not listed below, the Australian Participant Toll number listed above can be dialled. To ask a question, you will need to dial *1 on the telephone keypad.			
Hong Kong	800 968 273	Singapore	800 101 2702
Japan	0066 3386 8000	United Kingdom	0800 051 1453
New Zealand	0800 452 795	United States	1 855 624 0077

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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 more than 1,260 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 50 airports and airfields across the country.

www.vivaenergy.com.au