ASX Release

21 February 2023

Results: Full Year ended 31 December 2022

Viva Energy Group Limited (the **Company**) today announced the Group's financial results for the full year ended 31 December 2022 (**FY2022**).

Group highlights

- EBITDA (RC)[1] +122% to a record $1.1BN.
- Volume growth +9% to 14.3BL (~96% of pre-pandemic levels).
- Underlying free cash flow (FCF) +194% to $766.9M, net cash $290.5M.
- Final dividend of 13.3 cps, taking full-year dividend to 27.0 cps (70% payout ratio for FY2022).

Retail, Fuels & Marketing

Retail

- EBITDA (RC) +33% to $249.6M.
- Fuel sales +7% as retail market conditions improved.
- Announced acquisition of Coles Express Convenience Retailing business.

Commercial

- EBITDA (RC) +54% to $335.3M.
- Sales +9%, supported by further recovery in Aviation and Marine and wholesale and agricultural demand.
- Improved earnings across most lines of business, supported by high demand, procurement arrangements, and focus on value-led opportunities.

Refining

- EBITDA (RC) $517.9M, a more than five-fold increase.
- Geelong Refining Margin (GRM)[2] of US$17.1/BBL, from US$7.1/BBL in FY2021.
- Strong production in an elevated margin environment with crude intake of 41.9MBBLs.

Geelong Energy Hub

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

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VIVA Energy Australia

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FY2022 Group Results

All financials in $M unless noted otherwise	FY2022	FY2021	Change (%)	Change (#)
Sales volumes	14,252 ML	13,106 ML	9%	1,146 ML
EBITDA (RC)	**1,075.8**	**484.2**	**122%**	**591.6**
NPAT (RC)	**596.6**	**191.6**	**211%**	**405.0**
Capex*	303.7	185.1	64%	118.6
Underlying FCF (RC)	766.9	261.1	194%	505.8
Full-year dividend	418.7	115.5	263%	303.2
Full-year dividend (cps)	27.0	7.3	270%	19.7

Retail, Fuels & Marketing (RFM)

	FY2022	FY2021	Change (%)	Change (#)
Sales volumes	**14,252 ML**	**13,106 ML**	**9%**	**1,146 ML**
Retail	4,515 ML	4,210 ML	7%	305 ML
Commercial	9,737 ML	8,896 ML	9%	841 ML
EBITDA (RC)^	**584.9**	**404.8**	**44%**	**180.1**
Retail	249.6	187.5	33%	62.1
Commercial	335.3	217.3	54%	118.0
Corporate costs	(13.5)	(12.0)	13%	(1.5)
NPAT (RC)	**298.0**	**173.8**	**71%**	**124.2**
Capex	121.3	81.6	49%	39.7
Underlying FCF (RC)	444.9	273.2	63%	171.7

Refining

	FY2022	FY2021	Change (%)	Change (#)
Geelong Refining Margin (US$/BBL)	17.1	7.1	141%	10.0
EBITDA (RC)^	**517.9**	**103.4**	**401%**	**414.5**
Corporate costs	(13.5)	(12.0)	13%	(1.5)
NPAT (RC)	**298.6**	**17.8**	**1,578%**	**280.8**
Capex*	182.4	103.5	76%	78.9
Underlying FCF (RC)	322.0	(12.1)	--	334.1

**Capex before receipt of government contributions. Refining capex includes $92M of Energy Hub expenditure.*
^Segment EBITDA (RC) for RFM and Refining shown in the table above does not include corporate costs.

CEO commentary

Viva Energy CEO and Managing Director, Scott Wyatt, said: "This year's outstanding results demonstrate Viva Energy's ability to outperform through periods of market volatility and disruption, while maintaining safe and secure supply to our customers. The inherent diversity within our businesses, with exposure to a broad range of sectors and products, is a core strength and competitive differentiation which has again served us extremely well this year."

"All parts of the company performed extremely well in FY2022. Both Retail and Commercial delivered exceptional sales and earnings growth, and our refining business benefited from a very strong refining margin environment driven by recovering global demand, reduced refining capacity from closures and outages, and supply chain disruptions caused by the devastating war in Ukraine.

"This year we take a major step forward in our strategy to build a leading convenience business through the acquisition of the Coles Express convenience retailing business. The convenience market presents considerable non-fuels growth opportunities which we intend to pursue through this acquisition, as well as improving the general operating efficiency by bringing our fuel and convenience businesses together under one operation.

"The acquisition of the LyondellBasell Australia business (rebranded Viva Energy Polymers) also provides further diversification of both our refining and commercial businesses, as well as opportunities for co-processing and production of recycled plastics. The development of the Energy Hub at Geelong continues to progress, with construction of strategic storage facilities underway and plans for production of ultra-low sulphur petrol well advanced. We are awaiting regulatory approval for the proposed Gas Terminal."

"I am extremely pleased with the performance of our business and the progress we are making on our strategic priorities. We have retained a robust balance sheet for further growth, and are pleased to be able to return a dividend at the top end of our dividend policy."

Business Unit Commentary

Retail

Retail delivered EBITDA of $249.6 million in FY2022, a 33% increase on the prior corresponding period. Sales volumes increased by 7% to 4,515 million litres, led by the more regionally located Dealer Owned and Liberty Convenience networks which continue to benefit from the addition of new stores since FY2021. The Liberty Convenience network now stands at 94 stores.

The Alliance (Coles Express) network achieved weekly fuel volumes of 57.3 million litres in FY2022, 3% above the prior year. Notwithstanding the ongoing impact from hybrid working, which disproportionally affects metropolitan networks, fuel volumes continue to improve through the year, with 58.7 million litres per week achieved in the fourth quarter.

In September 2022 Viva Energy announced the acquisition of the Coles Express convenience retailing business for a headline consideration of $300 million. The acquisition accelerates Viva Energy's strategy to transition to a fully integrated fuel and convenience retailer. By doing so, the Company will directly capture convenience earnings and increase exposure to an attractive industry with solid, defensive growth characteristics. Completion is on track for the second quarter of FY2023.

Across all of our retail platforms, we continue to focus on improving the digital and customer store experience. Shell card and Coles Express consumer apps with pay at pump functionality were launched during the year and the Coles shopper dockets were digitalised nationally. Shell V-Power continues to be extended across the Dealer Owned networks, which has improved availability of this premium brand and helped maintain high penetration. Premium fuel penetration declined modestly, from 31% to 30%[4] of overall petrol sales in FY2022 compared to the previous year.

Commercial

EBITDA (RC) increased by 54% to $335.3 million in FY2022 compared to the previous year. Sales volumes growth increased by 9% to 9,737 million litres, led by the recovery in Aviation and Marine and strong wholesale and agricultural demand. New customer wins, high demand, and steady sales growth in our other commercial businesses also contributed to an exceptional commercial performance.

Commercial achieved earnings growth across most businesses, despite the impacts from higher quality premia, freight costs and the strengthening US dollar. Sales growth, procurement arrangements through Vitol, and continued focus on specialities and value led opportunities have contributed to these results, and successfully differentiated from competitors.

During the period we engaged with customers extensively on decarbonisation efforts, including the potential use of biofuels and hydrogen for when they become commercially viable. We expanded our carbon solutions business by achieving carbon neutral certification by Climate Active for most of our products. In addition to jet fuel, we now offer commercial customers the option to offset emissions from diesel, marine fuel, unleaded petrol, solvents and bitumen.

The acquisition of LyondellBasell Australia (rebranded Viva Energy Polymers) was completed and integrated into our Commercial business. The Polymers business diversifies Commercial's customers and broadens our specialty product offerings beyond bitumen, lubricants, chemicals and avgas.

Refining

The Geelong Refinery delivered EBITDA (RC) of $517.9 million in FY2022, a more than five-fold increase on the prior year. Production was strong during a period of extraordinarily high refining margins, with crude intake of 41.9MBBLs and operational availability of 92%.

The Geelong Refining Margin (GRM) averaged US$17.1/BBL over the year, compared to US$7.1/BBL in FY2021. Globally, refining margins increased sharply in the second quarter and remained elevated for the remainder of the year as a result of high global demand, reduced refining capacity, and the broader impact of sanctions on the purchase of Russian oil.

As noted in our FY2022 half-year results, the GRM was negatively impacted by approximately US$5/BBL in August from an unplanned outage of the residue catalytic cracking unit (RCCU), which also caused higher operating costs for the month. The unit returned to full operation at the beginning of September.

Given the refining margin performance, no payments were received by the Company under the Federal Fuel Security Services Payment program for FY2022.

In FY2023 major turnaround maintenance work is planned for Crude Unit #4, Platformer #3 and associated units, resulting in lower output from the Refinery (37MBBLs planned for full year) and anticipated capital expenditure of between $80 million and $90 million. We expect to undertake the turnaround towards the end of 1H2023.

Business outlook

After a strong year, Viva Energy is well placed to navigate uncertainty and volatility in global and domestic energy markets. We anticipate:

- The refining and supply environment to remain elevated relative to historical averages, with the January 2023 GRM averaging US$17.0/BBL, but volatile and uncertain. Margins will likely be driven by the impact of sanctions on Russian oil and refined products, Chinese demand and export strategies, and more broadly global demand for oil.
- Fuel demand to remain robust in Retail despite changes in mobility and working modes. Site expansion will continue through the extension of the Liberty Convenience network;
- The continued strength in economic activity and the recovery in travel to underpin demand in Commercial, offsetting potential headwinds to margin from elevated quality premia and freight, and a reduced benefit from procurement and uncontracted spot sales;

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- The business to manage higher inflation, interest rates and energy costs via a strongly disciplined focus on pricing and cost pass through.

We are excited about the progress we have made with our strategic objectives in FY2022, and look forward to further opportunities as we unlock the value of our three increasingly distinct businesses.

Dividends and Capital Management

NPAT (RC) increased by 211% to $596.6 million in FY2022 compared to the previous year. At a segment level, $298.0 million was from Retail, Fuels and Marketing (RFM) and $298.6 million 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). Due to the record earnings generated from the Company in FY2022, the Board considers it appropriate to determine a dividend at the top end of the target payout ratio range and apply the ratio (70%) to the full-year net profit. On this basis, a final, fully franked dividend of 13.3 cents per share ($206.1 million) has been determined, taking the full year amount to 27.0 cents per share ($418.7 million).

The dividend is payable to registered shareholders on the record date of 8 March 2023, with a payment date of 24 March 2023.

The Board and management remain focused on opportunities to deploy capital, in line with Viva Energy's disciplined approach. The Company continues to target long-term gearing of 1.0 to 1.5 times, based on net debt / underlying EBITDA (RC). Capital expenditure for FY2022 was $278 million (net of federal government contributions) marginally above guidance of $235 million to $275 million. The Company received $25 million in government funding during the period, below guidance of $45 million due to timing delays related to project milestones.

The Company anticipates capital expenditure (net of federal government contributions) of between $405 million and $455 million in FY2023. The guidance comprises between $290 million and $310 million of base capital expenditure, of which $80 million to $90 million is earmarked for the major Refining turnaround. Between $190 million and $210 million is allocated to Geelong Energy Hub projects, which we anticipate will receive between $65 million and $75 million in federal government funding during the year.

During the period, the Company refinanced its US$700 million syndicated revolving credit facility, extending the term out to 2025 with further one year option. Closing net cash as at 31 December 2022 was $290.5 million.

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 Carolyn Pedic, Chief Financial Officer, via webcast and call.

Date: 21 February 2023

Time: 11:00 am (AEDT)

To join the briefing, participants must pre-register by navigating to https://s1.c-conf.com/diamondpass/10027642-9jcm15.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 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 60 airports and airfields across the country.

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