

ASX/NZX Release



21 August 2023

CONTINUED STRONG EARNINGS DELIVERY

Key points

- First half 2023 Group Replacement Cost Operating Profit (RCOP) Earnings Before Interest and Tax (EBIT) of \$576.3 million
- Result includes growth in non-refining RCOP EBIT, inclusive of a net uplift in New Zealand earnings from the acquisition of Z Energy (May 2022) and divestment of Gull (July 2022)
- Includes impact of Lytton refinery unplanned outage, compared to a record refining result last year
- Delivered Z Energy benefits and synergies on an exit run rate basis
- Statutory Net Profit After Tax (NPAT) (Attributable to Parent) of \$79.1 million
- Total sales volumes increased by 25 per cent from first half in 2022 to 14.4 billion litres
- Strong balance sheet with leverage at 1.8 times
- Declared an Interim dividend of 95 cents per share, representing a 69 per cent payout ratio of RCOP NPAT (Attributable to Parent) excluding significant items

Financial Results	Half year ending 30 June [^]		
	2023 (\$M) Group/Cont	2022 (\$M) Continuing ¹	Variance
Group RCOP EBITDA (excluding significant items)	798.0	876.8	(9%)
Depreciation and Amortisation	(221.7)	(183.7)	21%
<i>Lytton EBIT</i>	<i>100.3</i>	<i>443.9</i>	<i>(77%)</i>
<i>Fuels and Infrastructure (excluding Lytton and Future Energy) EBIT</i>	<i>223.1</i>	<i>145.0</i>	<i>54%</i>
<i>Future Energy EBIT</i>	<i>(19.5)</i>	<i>(13.2)</i>	<i>48%</i>
Fuels and Infrastructure EBIT	303.9	575.8	(47%)
Convenience Retail EBIT	167.1	127.3	31%
Z Energy EBIT	122.8	13.7	>100%
Corporate EBIT	(17.5)	(23.7)	(26%)
Group RCOP EBIT (excluding significant items)	576.3	693.1	(17%)
Interest	(136.4)	(57.8)	>100%
Non-controlling interest	(25.1)	(23.4)	7.1%
Tax	(85.2)	(167.2)	(49%)
RCOP NPAT (Attributable to Parent) – Excluding significant items	329.6	444.7	(26%)
Inventory Gain/(Loss) after tax (incl. externalities realised FX)	(220.1)	287.2	(>100%)
Significant Items Gain/(Loss) after tax	(30.4)	(55.7)	(45%)
Statutory NPAT (Attributable to Parent)	79.1	676.2	(88%)

Notes: [^] Adjusted for rounding. The applicable AUD/USD exchange rate for 1H 2022 was 0.7199 and for 1H 2023 was 0.6765.

Ampol Limited (ASX/NZX:ALD) today announces its financial results for the six months ending 30 June 2023.

CEO Comments

Matt Halliday, Managing Director and CEO, said: “Ampol has delivered another strong result through our strategy to build a more resilient business via growth in non-fuel and international earnings. I am pleased with the progress we have made integrating Z Energy, with the management team having already delivered the expected benefits and synergies.

“The value of our integrated supply chain was on full display this period. The team adapted to the changing market conditions and a refinery outage to deliver a pleasing performance, while the ongoing improvement in Convenience Retail was another standout.

“Our commitment to delivering for our customers remains at the centre of everything we do. This includes the Z Energy team’s response to support their customers in the aftermath of the extreme weather events including Auckland flooding and Cyclone Gabrielle. I am also proud of the refinery, sourcing and commercial teams for their collective response to the unplanned outage, maintaining uninterrupted supply to customers and the safe and on time execution of the repair.”

Fuels and Infrastructure (F&I)

Fuels and Infrastructure RCOP EBIT for the first half of the 2023 financial year was \$303.9 million. This was 47 per cent lower (on a continuing basis)¹ than the same time last year as lower Lytton refinery earnings, compared to a record performance last year, were partially offset by the stronger performance from F&I (Ex-Lytton).

Lytton RCOP EBIT was \$100.3 million reflecting the lower second quarter Lytton Refiner Margin (LRM) of US\$5.66 per barrel due to weak Singapore product cracks in April and May 2023 and the one-off impact of the Fluidised Catalytic Cracking Unit (FCCU) outage. LRM for the first half was US\$10.29 per barrel, including the benefit of the stronger first quarter. Total production for the half was similar to the same time last year, however it included a higher proportion of lower value finished products and intermediates produced during the FCCU outage. The refinery returned to normal operations by the end of May as planned and together with improved Singapore product cracks, the refinery delivered a LRM of US\$12.69 per barrel for the month of June.

F&I (Ex-Lytton and Future Energy) earnings grew by 54 per cent on a continuing basis, including an 84 per cent increase in earnings from F&I Australia (Ex-Lytton and Future Energy). Total Australian sales volumes rose 13 per cent compared with the same time last year, through growth in sales to commercial customers, particularly in aviation, and modest growth in retail volumes. Margins improved as the finished product markets stabilised in the period following the Russian invasion of the Ukraine, resulting in reduced volatility of the Quality Premiums and product freight rates relative to what was experienced during 2022. Commercial supply contracts also continue to be secured with current market related terms. In addition, the one-off incremental volume imported to address the refined high value product shortfall helped to partially offset the downside in refining.

F&I International earnings (adjusted to exclude Gull as a discontinued operation) were also higher, rising 19 per cent, and included one-off sales of FCCU feed in response to the outage and the contribution from improved sales from the US Trading and Shipping operations. International volumes (excluding Z Energy) rose 10 per cent.

Future Energy operating expense was \$19.5 million, in line with the run rate for the second half of 2022. Ampol is progressing the rollout of the AmpCharge on-the-go electric vehicle (EV) charging network in Australia. As at the end of June 2023, 34 charging bays at 14 sites have been delivered in Australia as part of the ARENA and NSW Drive Electric programs.

Gull New Zealand was held for sale at 30 June 2022 and is shown as a Discontinued Operation for the prior half.

Convenience Retail (CR)

Convenience Retail has delivered further growth in RCOP EBIT for the first half 2023, with earnings up 31 per cent as fuel sales improved in addition to continued strong shop performance.

Fuel volumes were up 1.1 per cent, 2.7 per cent on a like for like basis. Overall retail fuel margins were higher than in the first half of 2022, particularly in diesel, as wholesale product input costs stabilised.

Excluding tobacco, network shop sales grew 5.6 per cent on a like for like basis as key categories of coffee, snacks, beverages and confectionery achieved strong growth. Average Basket Value continued to grow, more than offsetting the impact of reduced tobacco sales. Shop gross margin also continued to improve, reaching 34.9 per cent post waste and shrink through a combination of improved pricing, promotions and product mix. As a result, excluding higher electricity charges, total shop income increased compared to the same time last year.

The rationalisation of the company operated network was essentially complete by the end of 2022. Total Ampol branded sites as at 30 June 2023 was 1,816 including 643 company operated sites.

The pilot of 50 MetroGo stores was also completed late last year and has been the subject of a joint review in the half. The outcome of this review is that Woolworths and Ampol have agreed to not progress with a broader rollout and existing stores will be rebranded to Foodary over the coming months. The two companies remain committed to their partnership on Everyday Rewards loyalty and redemption.

The outcome of the review provides Ampol with greater flexibility to leverage the entire network to execute the next phase of Ampol’s retail strategy. Our immediate focus is on investment in new major highway sites including Pheasants Nest, M4s and M1s. The two new marquee sites at Pheasants Nest are now open and construction is well progressed on the refresh of the M1 flagship sites which will include Ampol-operated Hungry Jack’s Quick Service Restaurants (QSRs). Over time, we also intend to take a more tiered approach to our Foodary offer to better meet the needs of our local customers as well as unlock the potential of QSRs across more of our premium network.

New Zealand (incl Z Energy)

The fully debt funded acquisition of Z Energy was completed on 10 May 2022, with the New Zealand segment's RCOP EBIT for this half at \$122.8 million, benefitting from a full six months contribution of Z Energy and the contribution from the supply by Ampol's Trading and Shipping business.

The Z Energy management team have delivered the anticipated benefits of the acquisition and the objective to simplify the business to drive improved profitability. The underlying business performed strongly in the half, despite the extreme weather events of the first quarter. The exit from the National Inventory Agreement has allowed Z Energy to continue to benefit from its superior infrastructure position gaining market share during the period.

Ampol took over responsibility for full supply to Z Energy on 1 April 2023 with the earnings from supply presented in the New Zealand segment (consistent with F&I Australia). Fuel sales volumes improved by 23% on a proforma basis compared with the January to June period in 2022, as the COVID recovery improved demand particularly for jet.

Z Energy also has continued to execute on its energy transition strategy having installed 37 EV charge bays at 14 sites as at the end of June 2023.

Balance sheet

Net borrowings at 30 June 2023 were \$2,380 million, compared with \$2,359 million at 31 December 2022, with the increase primarily related to the increased shareholder distributions in the half. Our liquidity position remains strong, with committed facilities of \$5.0 billion. Leverage at 30 June 2023 was 1.8 times Adj. Net debt / RCOP EBITDA (last 12 months).

During the period we also secured a A\$600 million US Private Placement with a number of Tier one counterparties. This transaction will complete in the third quarter and will include tenor of between 8 to 15 years.

Interim dividend

The Board has declared a fully franked interim dividend of 95 cents per share, which represents a 69 per cent payout ratio of 1H 2023 RCOP NPAT (excluding significant items). The record and payment dates for the interim dividend are 4 September 2023 and 27 September 2023 respectively.

Current trading conditions and outlook

The Lytton Refiner Margin improved to US\$15.31 per barrel for July, above historical averages due to strong middle distillate cracks and we have seen a promising start to August. F&I (Ex-Lytton) is expected to continue to benefit from the ongoing growth in demand for jet, driven by the recovery in air travel.

During July, fuel margins for Convenience Retail softened due to rising wholesale product prices and the lag in flowing these through to board pricing. This is expected to normalise as product prices stabilise. We expect continued strong shop performance in the context of the current economic environment.

Z Energy should benefit from increasing immigration post COVID which is supportive of demand, helping to counter any short term impacts of weaker economic conditions.

Capex spend is expected to skew to the second half, trending to \$450 million including investments in highway sites, the Lytton Ultra Low Sulphur Fuels Project and the EV public charging networks.

Webcast and conference call

Ampol is hosting an investor call to discuss its 1H 2023 results at 10.00am (AEST) on 21 August 2023.

To participate in the call, pre-registration is available via <https://s1.c-conf.com/diamondpass/10031287-at6dfd.html> or investors can listen in via the webcast on our website: <https://www.ampol.com.au/about-ampol/investor-centre>.

Authorised for release by: the Board of Ampol Limited.

Notes:

- 1. For reconciliation of continuing and discontinuing results refer to Appendix.*

Appendix

Reconciliation of continuing operations

	Half year ending 30 June 2022 [^]		
	2022 (\$M) Group	2022 (\$M) Cont	2022 (\$M) Gull (Discont.)
Financial Results			
Group RCOP EBITDA	927.3	876.8	50.5
Depreciation and Amortisation	(193.2)	(183.7)	(9.5)
<i>Lytton EBIT</i>	443.9	443.9	-
<i>Fuels and Infrastructure (excluding Lytton) EBIT</i>	172.9	131.8	41.0
Fuels and Infrastructure EBIT	616.8	575.8	41.0
Convenience Retail EBIT	127.3	127.3	-
Z Energy EBIT	13.7	13.7	-
Corporate EBIT	(23.7)	(23.7)	-
Group RCOP EBIT (excluding significant items)	734.1	693.1	41.0
Interest	(62.0)	(57.8)	(4.2)
Non-controlling interest	(23.4)	(23.4)	-
Tax	(177.7)	(167.2)	(10.5)
RCOP NPAT (Attributable to Parent) – Excluding significant items	471.0	444.7	26.3
Inventory Gain/(Loss) after tax (incl. externalities FX)	289.6	287.2	2.4
Significant Items Gain/(Loss) after tax	(64.7)	(55.7)	(9.0)
Statutory NPAT (Attributable to Parent)	695.9	676.2	19.7

Notes: [^] Adjusted for rounding. The applicable AUD/USD exchange rate for 1H 2022 was 0.7199

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