VIVA Energy Australia

ASX Release

25 February 2025

Results: Full Year ended 31 December 2024

Viva Energy Group Limited today announced the Group's financial results for the full year ended 31 December 2024 (**FY2024**).

Group Highlights

- Group fuel sales +4% on a pro forma basis to 16.8 billion litres[1]
- Group EBITDA (RC)[2] +5% to $748.6 million
- Record Commercial & Industrial (C&I) EBITDA, +5% to $469.9 million
- Completed OTR Group acquisition, received regulatory approvals for Liberty Convenience acquisition
- Targeting $90M p.a. of synergies over next 2 years, accelerating program to deliver ~$30M in FY2025 (weighted towards second half)
- Group wide cost reduction program targeting $50M to be delivered in 2H2025
- Converted first 4 Express stores to OTR offer, with strong early sales uplifts

		FY2024	**FY2023[1]**	**Change (%)**	**Change (#)**
Sales volumes	*ML*	16,797	16,193	3.7%	604
EBITDA (RC)	*$M*	**748.6**	**712.8**	**5.0%**	**35.8**
EBIT (RC)	*$M*	508.3	517.6	(1.8%)	(9.3)
NPAT (RC)	***$M***	**254.2**	**318.2**	**(20.1%)**	**(64.0)**
Dividend	*CPS*	10.6	15.6	(32.1%)	(5.0)
Convenience & Mobility					
Fuel sales volumes	*ML*	5,062	5,038	0.5%	24
Convenience sales	*$M*	1,664	1,735	(4.1%)	(71)
EBITDA (RC)	*$M*	231.2	232.2	(0.4%)	(1.0)
Commercial & Industrial					
Fuel sales volumes	*ML*	11,735	11,155	5.2%	580
EBITDA (RC)	*$M*	469.9	447.5	5.0%	22.4
Energy & Infrastructure					
Geelong Refining Margin (GRM)	*US$/BBL*	8.7	9.8	(11.2%)	(1.1)
Refining intake (MBBL)	*MBBL*	40.1	31.6	26.9%	8.5
EBITDA (RC)	*$M*	94.3	65.4	44.2%	28.9
Corporate					
EBITDA (RC)	*$M*	(46.8)	(32.3)	44.9%	(14.5)

CEO Commentary

Viva Energy CEO and Managing Director, Scott Wyatt, said: "Viva Energy delivered approximately $750 million of EBITDA during FY2024. This was up 5% on FY2023, supported by strong sales growth in our Commercial business and higher crude intake due to lower levels of maintenance and improved operating performance in our Refinery.

Group performance was negatively impacted by lower demand within our convenience business due to cost-of-living pressures and illicit tobacco trade, coupled with high inflation lifting the cost of doing business. Regional refining margins also declined in the second half of the year, triggering federal government support in the third quarter.

Notwithstanding these challenges, I am pleased with progress we have made on transforming our business over the last year. Since completing the acquisition of OTR Group, we have begun consolidating our retail operations and are standing up retail systems which in turn will allow us to improve efficiencies and begin to drive down operating and overhead costs over the next two years.

When completed, we expect to capture approximately $90 million of synergies, with substantial buying power supporting a more compelling convenience offer under the OTR brand. Early results from conversion of Express to OTR are delivering strong sales and earnings uplift, with 40 to 60 stores expected to be converted or opened in the year ahead.

Given the macro-economic headwinds facing parts of our business, we are accelerating programs to capture synergies of $30 million within our C&M business and deliver cost reductions of $50 million across the Group in 2025, weighted towards the second half of the year.

Although trading conditions remain challenging for the C&M business, we expect synergies, overhead cost reductions, and a lower inflation environment to drive earnings growth in the second half of the year with store conversions increasingly driving growth into 2026. Our Commercial and Industrial business continues to perform well, and regional refining margins are beginning to find some strength amidst a volatile geopolitical backdrop."

Convenience & Mobility (C&M)

C&M EBITDA (RC) was $231.2 million in FY2024, broadly in line with FY2023.

Fuel sales volumes in the company operated network were 5,062ML, +0.5% on a pro forma basis (including OTR Group in the prior corresponding period from 2Q2023)[1]. Liberty Convenience (LOC) grew sales by 9%, driven by network growth, a skew towards regional locations and its discount proposition. Premium petrol penetration in the company-operated network was relatively steady at 36%[3].

Excluding tobacco, convenience & QSR sales increased 2% in the year, comprising growth from OTR and flat sales in the Express business. Including tobacco, convenience sales declined 4%. The mix shift from lower tobacco sales and OTR's higher margin contribution lifted convenience gross margin to 38.8% in 2024.

In 2H2024 we converted the first four Express stores to the OTR offer at an average investment of approximately $1.6 million per store, including upgrades to fuel equipment and forecourts. Initial results have been positive. Across three stores gross margin earned on ex-tobacco sales increased by ~30% to ~60% (~$170k to $220k annualised improvement), with one store behind on same period last year (taking longer to mature)

We expect to add between 40 and 60 OTR stores to the network through conversions and pipeline sites in FY2025, building capability to support conversions of approximately 100 stores per annum. While the store conversion program has been slower than expected due to lengthy town planning processes, we have a large number of applications underway which will drive our efforts in the year ahead. Conversion capex is expected to be similar on average to the first four stores, supported by landlord funding.

We expect cost-out and earnings improvements from the integration of OTR Group to be more than $90 million per annum by end-2026 post completion, comprising:

- The transition of fuel supply to Viva Energy (to be completed by end April);
- Exiting the transitional services from Coles Group (from May 2025);
- Convenience purchasing benefits from rationalising supplier terms from 2025 and exiting the Coles Product Supply Agreement (PSA) in 2026, and;
- Broader integration of Express and OTR, rationalising combined overheads (restructuring, marketing, above-store procurement).

OTR Group Update

OTR Group contributed EBITDA (RC) of $33 million to the C&M and C&I segments in FY2024, representing 9 months of earnings from the business. OTR has been more negatively affected year-on-year than the Express network due to:

- Illicit tobacco, which has impacted SMGB and disproportionately affected the OTR branded network as it has increasingly entered the South Australian market during the year;
- Operating investment in new stores ahead of conversion/maturity, and;
- Higher overheads from progressive integration of Express into OTR.

Excluding tobacco, the OTR fuel & convenience network continues to demonstrate superior operating metrics versus the Express network. Its stores deliver a convenience contribution (net of wages) of $0.5 million per store, well in excess of Express stores at $0.1 million per store.

Liberty Convenience Update

We expect to complete the Liberty Convenience acquisition on 31 March 2025, after receiving ACCC approval (subject to a court enforceable divestiture undertaking) in December 2024 and FIRB approval in January 2025. We will acquire 92 operating Liberty Convenience sites and 5 planned sites (under review), after divesting 14 Liberty Convenience sites as part of the undertaking.

The net cash consideration (after divestments) is expected to be approximately $115 million including working capital adjustments, along with existing debt facilities. Liberty Convenience generated EBITDA of $36 million and NPAT of $5 million in FY2024.

Commercial & Industrial (C&I)

C&I EBITDA (RC) increased by 5% to $469.9 million in FY2024, its fourth consecutive year of earnings growth. On a pro forma basis[1] sales volumes were up 5% to 11,735ML, driven by strong demand from the Aviation, Resources, Agriculture and Defence sectors.

Higher operating costs were more than offset by new business wins including the Defence contract (secured in the second half of 2023), existing volume growth and the OTR wholesale fuels business (integrated into Liberty Rural) from 2Q2024.

Energy & Infrastructure (E&I)

E&I contributed EBITDA (RC) of $94.3 million in FY2024, increasing by 44% due to lower levels of maintenance (following the major turnaround in 2023) and improved operating performance. After generating $112.4 million of EBITDA (RC) in 1H2024, weak regional refining margins in the second half negatively impacted earnings.

Production intake was 40.1MBBLs, with unit availability at 95% and the Geelong Refining Margin (GRM)[4] averaging US$8.7/BBL. Viva Energy received $25 million of support from the Federal Government's Fuel Security Services Payment (FSSP) in 3Q2024.

The Geelong Strategic Storage Facility was commissioned during 3Q2024, lifting total storage capacity by 90 million litres (ML) to support the company's compliance with Minimum Stockholding Obligations and improve import capability. The bitumen export line was also commissioned, with first delivery of locally produced bitumen from Geelong to Sydney completed in 2H2024.

Outlook and 1H2025 Guidance (C&M and C&I)

On a combined basis, C&M and C&I is expected to deliver EBITDA (RC) of between $270 million and $330 million in 1H2025. Challenging retail trading conditions and weak retail fuel margins during the first two months of the year are driving lower earnings expectations for the C&M business for 1H2025. Delivering at the top end of the range would be driven by improvements in retail fuel margins, strengthening retail sales performance, and earlier delivery of synergies and cost reductions.

We expect C&M earnings to improve in 2H2025 as initiatives are accelerated to capture approximately $30 million of synergies (out of the $90 million p.a. target by end-2026). It will also benefit from a group-wide cost reduction program targeting $50 million of savings in the second half.

We continue to see strength in the C&I business in 2025. The focus will be on consolidating growth, driving efficiencies, and reducing overhead costs. Further sales growth is expected to come from a full year of the OTR Wholesale Fuels business and International Aviation.

E&I EBITDA (RC) in 1H2025 has been negatively impacted by approximately A$20 million due to a site wide shutdown of Geelong Refinery following an external interruption in the power supply in January, with a delivered GRM of US$7.3/BBL in the month. We have seen an improvement in February, with regional refining margins beginning to find some strength amid a volatile geopolitical backdrop.

Major maintenance is planned for the residual catalytic cracking unit (RCCU) and associated units in 3Q2025, which is expected to reduce the GRM by approximately US$40 million subject to the prevailing margin environment at the time.

Dividends and Capital Management

NPAT (RC) declined by 20% to $254.2 million in FY2024 compared to the previous corresponding period. At a business level, C&M and C&I NPAT (RC) totalled $275.9 million, and E&I NPAT (RC) was -$21.7 million.

A fully-franked final dividend of 3.87 cents per share ($61.7 million) has been determined. This represents a 50% payout ratio of C&M and C&I 2H2024 NPAT and 66% of Group NPAT for FY2024, in line with our dividend policy[5]. The dividend is payable to registered shareholders on the record date of 10 March 2025, with a payment date of 31 March 2025. To support our growth strategy and attract retail investors, we have activated a Dividend Reinvestment Plan (DRP) for the final FY2024 dividend. Our eligible shareholders can reinvest their dividends directly into shares at a 1.5% discount.

Closing net debt as at 31 December 2024 was $1,793.5 million, compared to a net debt position of $380.0 million at 31 December 2023. The increase was driven by several factors:

- The net cash consideration for the purchase of OTR Group of $1,057.6 million. Viva Energy financed the acquisition through a new A$1 billion term loan facility, with the balance funded through existing facilities;
- Capital expenditure of $490.9 million (net of proceeds and government receipts), including $45.7 million of C&M integration costs, and;
- Dividends paid of $216.1 million.

Capital spend in FY2025 is expected to be approximately $500 million (including transaction costs and net of government contributions[6]).

Gearing remains within our target range of between 1.0- and 1.5-times term debt to 12-month trailing EBITDA (RC).

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

Event details

Date: 25 February 2025

Time: 11:00 am (AEDT)

To join the briefing, participants must pre-register via the below link. You will then receive the webcast link and dial in number via a calendar invite.

https://s1.c-conf.com/diamondpass/10043775-jk7y6t.html

Notes:

1. Viva Energy acquired Coles Express Convenience Retailing on 1 May 2023 and OTR Group on 28 Mar 2024. To allow a like-for-like comparison, the prior corresponding period has been restated such that fuel volumes and convenience metrics include pro forma Coles Express and OTR Group contributions from 1 Jan 2023 and 1 Apr 2023 respectively and exclude the sites divested as part of the OTR acquisition from Mar 2023.
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. Calculated as premium gasoline over total gasoline for retail fuel volumes only.
4. 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.
5. Viva Energy's dividend policy targets a payout ratio of between 50% and 70% of C&M and C&I NPAT on an interim and full-year basis, and 50% to 70% of the E&I NPAT at the end of each financial year.
6. Net capital expenditure includes Federal Government funding contributions for Ultra-Low Sulphur Gasoline (ULSG) & Aromatics upgrades. Contributions are treated as deferred revenue when received and recognised in line with deprecation once the project is complete.

Viva Energy Group Limited
Level 16, 720 Bourke Street, Docklands, Victoria, 3008
ABN 74 626 661 032

ASX Release

Further enquiries:

Media Enquiries
Michael Cave
T: +61 409 647 910
E: michael.cave@vivaenergy.com.au

Investor Relations
David Gilmour
T: +61 3 8823 3110
E: investors@vivaenergy.com.au

About Viva Energy

Viva Energy (ASX: VEA) is a leading convenience retailer, commercial services and energy infrastructure business, with a history spanning more than 120 years in Australia. The Group operates a retail convenience and fuel network of almost 900 stores across Australia and supplies fuels and lubricants to a total network of nearly 1,500 service stations.

Viva Energy owns and operates the Geelong Refinery in Victoria, and operates bulk fuels, aviation, bitumen, marine, chemicals, polymers and lubricants businesses supported by more than 20 terminals and 79 airports and airfields across the country.

www.vivaenergy.com.au