ASX Release

24 February 2021

Viva Energy Results: Financial Year ended 31 December 2020

Viva Energy (the **Company**) today announces the Group's financial results for the full year ended 31 December 2020 (**FY2020**), which are in line with prior guidance provided to the market in December 2020.

	FY2020	FY2019	Variance
Sales Volumes (ML)	12,339	14,695	*-16.0%*
Underlying EBITDA (RC) [1, 2]	**$M**	**$M**	
Retail	670.8	*564.3*	*18.9%*
Commercial	238.3	*296.5*	*-19.6%*
Supply, Corporate and Overheads	(294.6)	*(333.3)*	*11.6%*
Non-Refining EBITDA (RC)	**614.5**	**527.5**	**16.5%**
Refining	*(95.1)*	*117*	*n/a*
Group EBITDA (RC)	**519.4**	**644.5**	**-19.4%**
Group NPAT (RC)	**(35.9)**	**135.8**	n/a
Capital Expenditure[3]	**158.5**	**161.7**	**-2.0%**

Key Highlights

- Successfully managed sales volume and margin mix with Non-Refining EBITDA increasing by 16.5% on the prior year.
- Reduced Supply, Corporate and Overheads by $38.7M compared with prior year as a result of lower supply costs and discretionary spend.
- Worked with the Federal Government to see the announcement of a Fuel Security Package and interim Refinery Production Payment to improve short and long-term outlook of the refining sector.
- Divested the 35.5% security holding in Viva Energy REIT (now called Waypoint REIT) for a significant one-off gain of $179.3M.
- Returned a total of $595M to shareholders, constituting a dividend of $15M for the first half of 2020, a special dividend of $115M coupled with a capital return of $415M, and an additional on-market share buy-back of $50M.
- Recovery plan in place to drive continued improvement in non-refining earnings and to deliver sustainable financial returns from the refining business.
- Distributable Loss after tax (RC) was ($1.5M). Consistent with the group's distribution policy, it was determined there would be no dividend for the six months ended 31 December 2020.

CEO commentary

Viva Energy CEO Scott Wyatt said: "During 2020 the response to the COVID-19 pandemic had a significant impact on our business and our customers. As always, our priority has been the health and safety of our people and ensuring that we continue to operate safely and reliably to serve our customers and the broader community.

"As we responded to the onset of the pandemic, we actively managed our supply chain to adapt to changing demand, and implemented a significant cost and capital reduction program, reducing operating costs by more than $50M, and capital expenditure to $159M (from the original guidance of $250M to $300M). We maintained refining operations throughout the period while also effectively delivering our major turnaround maintenance event on a revised schedule and at lower cost.

"We entered the COVID-19 crisis in a strong net cash position following the divestment of our non-core equity position in Viva Energy REIT (now Waypoint REIT). While fuel sales were impacted by the 'stay at home' and border restrictions that were in place around the country at various times in 2020, our Non-Refining Underlying EBITDA (RC) increased by 16.5% over the prior year. This was driven by strong diesel sales through both retail and commercial channels, improved retail fuel margins, and a robust commercial specialty business performance.

"While the Refining business was impacted by the substantial decline in both domestic and global oil demand, the actions taken to maintain production and bring forward major maintenance helped to mitigate losses. Geelong Refining Margin has improved since returning to full production in November 2020, however the refining outlook remains challenging given the longer-term impact to global oil demand from the pandemic. The Fuel Security Package announced by the Federal Government in September 2020, and the commencement of the six-month interim Refinery Production Payment from 1st January 2021, provides important support to the refining business. The Company continues to work closely with the Federal Government on the design and implementation of the longer-term Fuel Security Package beyond the conclusion of the interim Refinery Production Payment."

"Since launching our vision to establish an Energy Hub at Geelong, we have materially progressed the development of our Gas Terminal Project, commencing Front-End Engineering Design stage and forming an alliance with key partners to deliver the project. We continue to develop other options for the site, including recently launching a hydrogen initiative through our alliance with HYZON Motors."

"Overall, the Group has performed well during 2020 given the difficult trading conditions. The Non-Refining businesses have delivered significant growth over the prior year, and while the Group results have been impacted heavily by the global weakness in the refining sector, we took steps to minimise the cash impacts from this event and worked closely with Government to improve the longer-term outlook. The Group has returned the bulk of proceeds from the divestment in Viva Energy REIT to shareholders and retains a strong balance sheet and underlying fundamentals to recover from the direct impacts of COVID-19 and pursue growth as it begins to return in 2021."

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Retail

Petrol sales volumes were heavily impacted during 2020 following the 'stay at home' restrictions, with total Retail sales volumes down approximately 12% on last year. Retail fuel sales have progressively recovered as restrictions were relaxed across Australia, with weekly fuel sales in the retail Alliance channel reaching an average of 59 million litres per week in the last quarter of 2020, up 13% on the quarter ended 30 September 2020.

Improvement in retail fuel margins over 2020 more than offset the decline in retail sales volumes, with Retail Underlying EBITDA (RC) of $670.8M up $106.5M when compared with $564.3M in 2019. The Company continues to grow and enhance its retail network, reaching 1,318 Shell and Liberty branded stores at the end of 2020, compared with 1,263 stores at the end of 2019.

During the year, the Group acquired the remaining 50% interest in Westside Petroleum Pty Ltd (Westside) and continues to hold a 50% interest in Liberty Oil's retail business (Liberty Convenience).

Commercial

Commercial sales volumes for 2020, excluding Aviation, were resilient to the impacts of COVID-19 and down approximately 4.0% on the previous year. Aviation sales volumes were approximately 57.3% lower than 2019 and are expected to continue to be impacted until domestic and international travel restrictions are relaxed. Lower supply chain costs reflective of the lower sales volumes and actions to reduce fixed costs have helped to mitigate the impact of COVID-19 on Commercial's EBITDA (RC) performance.

Marine business profitability remained strong and in line with 2019 despite the temporary cessation of the cruise industry in Australia. The Group has taken steps to retire two of the barges that were dedicated to this work and is preparing to reinstate capacity when activity recovers. Sales of fuel and lubricants to the broader commercial sectors held up well during the year. The Group worked closely with its customers to successfully manage credit exposure and has not experienced any material losses.

Overall, Commercial achieved an Underlying EBITDA (RC) of $238.3M, down $58.2M when compared with $296.5M achieved in 2019, which reflects the robust and diverse portfolio of our business-to-business activities despite the impacts from aviation.

Refining

Refinery operations during the year were heavily impacted by the unprecedented impact of COVID-19 on both global and local fuel demand.

The outbreak of COVID-19 had immediate impacts on the refinery, with local demand for gasoline and jet fuel products significantly reduced and weaker regional refining margins due to lower global demand resulting in excess supply. In response to this environment, Geelong refinery production was reduced and the refinery operated in a hydro-skimming mode with its Residual Catalytic Cracking Unit (RCCU) shut down between May 2020 and November 2020. This enabled the refinery to feasibly manage gasoline and jet production, bring forward major maintenance and reduce exposure to weak jet and gasoline margins. As a result of the change in operating mode, intake was reduced to 34.8.MBBLS for the year compared to 42.0MBBLS in 2019.

Since the processing units were restarted in November 2020, Geelong Refining Margin[4] (GRM) has improved, with November 2020 achieving US$5.0/Barrel (BBL) on refining intake of 2.8MBBLs and December 2020 US$4.9/BBL on refining intake of 3.2.MBBLs. Overall for the 12-month period, GRM was US$3.1/BBL on intake of 34.8MBBLs. The Refinery delivered an Underlying EBITDA (RC) loss of ($95.1M) in 2020.

The RCCU maintenance event commenced in July 2020 was completed over 128 days compared to the original 55-day plan. This approach was undertaken to best manage workforce risks associated with COVID-19 and to reduce event costs. An associated maintenance event of the Hydrofluoric Acid Alkylation unit has been deferred for planned completion during the second half of 2021. Total capital expenditure for the RCCU event was $92.3M, within the forecast range of $85.0M – $100.0M.

Supply, Corporate & Overheads

Supply, Corporate and Overheads consists of Viva Energy's integrated supply chain of terminals, facilities, depots, pipelines and distribution assets located across Australia, as well as site maintenance costs and all head office costs.

Supply, Corporate and Overheads delivered an Underlying EBITDA (RC) of ($294.6M) in 2020, an improvement of $38.7M compared with ($333.3M) achieved in 2019. Supply chain costs reduced relative to 2019, reflective of lower sales volumes, reductions in non-essential maintenance costs and improvements in demurrage and ocean freight costs. Corporate cost reductions and overall savings were achieved from lower site maintenance and an internal focus on cost management across all parts of the business, offsetting increased insurance costs.

Capital, Underlying NPAT and Dividend

The Underlying NPAT (RC) loss of ($35.9M) is in line with the guidance update provided to the market on 18 December 2020. During 2020 the Company returned $595M to shareholders consisting of $15.5M interim 2020 dividend, $115M special dividend, $415M capital return and $50M on-market buyback.

In line with past practice, the Company has referred to "Distributable NPAT" when considering the payment of a dividend for the period. With a Distributable Loss after tax (RC) of ($1.5M), consistent with the Company's distribution policy, it was determined there would be no dividend for the six months ended 31 December 2020.

The Company remains committed to returning excess proceeds from the Viva Energy REIT (now Waypoint REIT) divestment to shareholders during 2021 once the outlook for refining is more certain following the finalisation of the proposed long-term Fuel Security Package.

Leadership Team

Viva Energy announces the following executive leadership changes that will take effect from the end of March 2021.

After a long and successful career, Thys Heyns has made the decision to retire from the Company. Thys joined Viva Energy shortly after the business was acquired from Shell, initially leading the refining business and more recently in the role of Chief Operating Officer. The Board extend their appreciation to Thys for his significant contribution to the business over the past six years and wish him well in his next endeavours.

Jevan Bouzo will be appointed to an expanded role of Chief Operating and Financial Officer, assuming responsibility for supply chain operations in addition to his existing accountabilities. Bringing together finance and operations will help drive a strong financial and commercial focus across our Supply, Corporate and Overheads segments.

Lachlan Pfeiffer will be appointed to an expanded role of Chief Sustainability and Business Development Officer. In this role he will continue to be responsible for assurance functions which support good governance but will also lead the broader business development opportunities, and the communication of our sustainability strategy and associated initiatives.

Business Outlook and Recovery

The Group has launched a business recovery plan to deliver sustained improvement through 2021 to 2023 and beyond. We enter this period with a strong balance sheet and positive earnings, with strategies to continue developing our core retail channels, positioning the business to capture recovery in commercial segments impacted by COVID-19, and progressing opportunities to strengthen our supply chain as the industry adjusts from refinery closures. We are working to return the Refining business to positive earnings in the short term, and aim to achieve minimum sustainable returns over the long term.

We will maintain our focus on safe and reliable operations, as well as strong management of cost and capital expenditure. We will continue our plans for the development of a Gas Terminal Project at Geelong, and progress further projects as part of our Geelong Energy Hub. Throughout this program, the Company will seek to maintain a strong balance sheet and preserve capacity for growth opportunities.

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

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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. Numbers may not add due to rounding.
3. Includes major maintenance capital expenditure.
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.

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Conference Call details

Date: 24 February 2021

Time: 12 noon (AEDT)

Dial-in Details			
Conference ID:		1001 1630	
Participant Numbers			
Participants can pre-register by navigating to: https://s1.c-conf.com/DiamondPass/10011630-jdf75d.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

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 about 1,300 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