24 April 2025

Viva Energy Group / VEA.AX
Energy / Fuel Distribution & Retail
Australia's Leading Integrated Fuel & Convenience Retailer
Current Price: $2.63 | Target: $2.97

VEA: Convenience Retail Transformation Offers Upside Amid Integration Challenges

FY2024 Results Analysis

Executive Summary

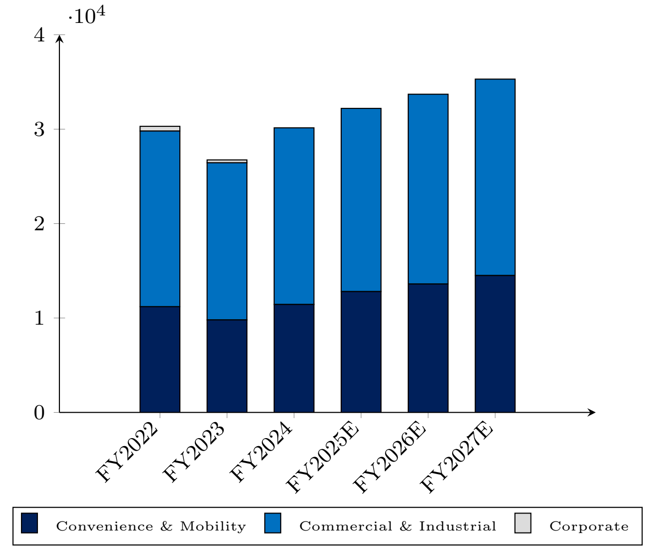
Viva Energy Group (VEA) is undergoing a strategic transformation from a traditional fuel retailer to an integrated convenience retail business through its significant acquisitions of OTR Group (completed March 2024) and Liberty Convenience (completed March 2025). Despite a challenging operating environment characterized by cost-of-living pressures and illicit tobacco trade impacts, the company delivered modest growth in FY2024 with EBITDA (RC) increasing 5.0% to $748.6 million, though NPAT (RC) declined 20.1% to $254.2 million, reflecting higher finance costs from increased debt levels following acquisitions.

The 1Q2025 operating update confirms the company is on track to meet its 1H2025 guidance, with the combined Convenience & Mobility (C&M) and Commercial & Industrial (C&I) segments expected to deliver EBITDA (RC) between $270-330 million. Management has provided greater visibility on synergy realization, with tangible progress on key initiatives including the successful rebranding of the OTR network from BP to Shell (reducing supply costs by $20 million annually), establishing systems to exit the Coles Transitional Services Agreement by end-April 2025 ($20 million annual benefit), and accelerating the consolidation of OTR and Express operations ($20 million annual reduction in above-store costs).

The company's performance shows significant divergence across business segments, with C&M showing signs of recovery as retail fuel margins strengthened in March and non-tobacco convenience sales grew 0.5% with stable gross margins of 38.2%. C&I sales declined 6.0% due to adverse weather events affecting mining markets and reduced sales into lower-margin wholesale markets, though this was largely offset by margin growth. Energy & Infrastructure faced continued challenges with the Geelong Refining Margin at US$7.9/BBL (34.2% below 1Q2024), impacted by the site-wide shutdown in January and higher energy costs.

Looking ahead, the company has confirmed its store conversion program is on track, with approximately 10 conversions commencing in 2Q2025 and an agreement reached with Dexus Convenience Retail REIT for a flagship conversion on one of Australia's busiest highways. The Liberty Convenience acquisition was completed on March 31, 2025, and is expected to contribute $20-25 million to C&M EBITDA in FY2025. Management maintains that previously announced synergies and cost reduction initiatives will deliver approximately $80 million of benefits in 2H2025, supporting earnings improvement as the year progresses. Our base case DCF valuation of $2.97 per share suggests 13% upside to the current price of $2.63, with a wide scenario range ($1.94-$3.99) highlighting the execution dependency of the investment thesis.

Revenue by Segment ($M)



Outlook

Viva Energy's outlook for FY2025 has been reinforced by its 1Q2025 operating update, which confirms the company is on track to meet its 1H2025 guidance for the Convenience & Mobility (C&M) and Commercial & Industrial (C&I) segments combined to deliver EBITDA (RC) between $270-330 million. The update provides greater confidence in the company's ability to achieve its H2 earnings improvement targets, with tangible progress on key synergy initiatives and the successful completion of the Liberty Convenience acquisition on March 31, 2025, which is expected to contribute $20-25 million to C&M EBITDA in FY2025.

Management has outlined specific progress on synergy realization, including the successful rebranding of the OTR network from BP to Shell (reducing supply costs by $20 million annually), establishing systems to exit the Coles Transitional Services Agreement by end-April 2025 ($20 million annual benefit), and accelerating the consolidation of OTR and Express operations ($20 million annual reduction in above-store costs). These achievements support the targeted $30 million of C&M synergies in 2H2025, representing a $60 million annualized run-rate by year-end, and provide confidence in the company's ability to deliver the full $90 million-plus of annualized synergies by end-FY2026.

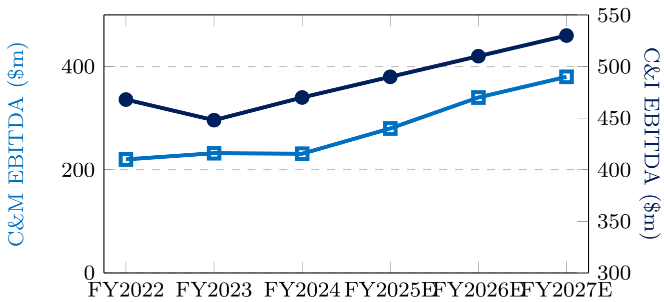
The Energy & Infrastructure segment continues to face challenges, with the Geelong Refining Margin at US$7.9/BBL in 1Q2025 (34.2% below 1Q2024), impacted by the site-wide shutdown in January due to a power outage and higher energy costs through the period. However, the update confirms the Ultra Low Sulphur Gasoline (ULSG) upgrade at Geelong Refinery is proceeding on schedule, with the company transitioning to ULSG supply from August 2025 to ensure compliance at retail sites by the December 15, 2025 deadline. The Fuel Security Services Payment (FSSP) mechanism provides important downside protection, with support available when margins fall below A$10.20/bbl over a calendar quarter.

The convenience store transformation program is advancing with greater clarity on implementation details. Approximately 10 conversions will commence during 2Q2025, with

FY2025 conversions primarily focused on remodels within existing rooflines, concentrated in New South Wales to drive efficiencies in supply chain and marketing campaigns. Average capex is confirmed at $1.5 million per store, slightly below previous estimates of $1.6 million, funded by Viva Energy within existing capex guidance. Notably, the company has reached an agreement with Dexus Convenience Retail REIT for a landlord-funded knockdown-rebuild conversion of the Express northbound store at Glasshouse Mountains, Queensland, on one of Australia's busiest highways, demonstrating progress in establishing the funding arrangements needed to support the targeted pace of approximately 100 conversions per annum from FY2026.

Beyond these specific operational initiatives, management has provided context on the potential impact of US tariffs, noting that a weaker AUD/USD exchange rate is generally supportive for earnings given exposure to US-based refining margins, while falling oil prices typically support retail margins in the short term. This assessment suggests the company's diversified business model provides some natural hedging against macroeconomic volatility, though execution of the transformation strategy remains the primary driver of medium-term performance expectations.

EBITDA by Segment ($M)



Valuations

Our primary valuation approach for Viva Energy utilizes a Discounted Cash Flow (DCF) methodology, which best captures the company's ongoing transformation and allows us to model the phased realization of integration benefits. This is complemented by multiple-based valuations and precedent transaction analysis to provide a comprehensive perspective.

Methodology	Implied Price
DCF - Base Case	$2.97
DCF - Bull Case	$3.99
DCF - Bear Case	$1.94
EV/EBITDA Multiple - NTM (7.0x)	$2.26
P/E Multiple - NTM (15.0x)	$1.65
PEG Ratio (P/E to Growth)	$1.65
Precedent Transactions (8.0x EBITDA)	$2.74
Implied Valuation Range	**$2.20 - $3.40**
Current Share Price	**$2.63**
Up/Downside to Base Case	**+13%**

Our base case DCF valuation of $2.97 per share reflects a multi-stage forecast of Viva Energy's transformation. We project revenue growth of 3.8% in FY2025, moderating to 2.5% by FY2029, driven initially by the Liberty Convenience acquisition and integration of OTR Group, with a gradual slowdown as the convenience store conversion program matures. EBITDA margins are forecast to expand from 2.5% in FY2024 to 3.0% by FY2029, capturing $90 million in annual synergies from the OTR integration, phased in with $30 million in 2H2025 and the remainder across FY2026. Capital expenditure is projected at $500 million in FY2025, declining gradually to $450 million annually, reflecting the store conversion program ($1.6 million per store) and maintenance requirements across refining and commercial operations.

The DCF employs a weighted average cost of capital (WACC) of 8.5% based on a risk-free rate of 4.2%, equity risk premium of 5.5%, levered beta of 1.1 reflecting business mix across retail, commercial, and refining segments, and a company-specific risk premium of 1.5% to account for integration execution risk and transformation challenges. For terminal value, we apply a perpetual growth rate of 2.5%, representing long-term Australian inflation plus minimal real growth, to a normalized terminal year free cash flow of $450 million. This approach yields a terminal value of $7.5 billion, implying a terminal EBITDA multiple of 6.8x, which aligns with the mature nature of the traditional fuel business balanced against the growth potential of the expanding convenience retail segment.

Sensitivity Factor	Change	Impact
WACC	±0.5%	±$0.38
Terminal Growth Rate	±0.5%	±$0.34
Synergy Realization	±$15M	±$0.24
Store Conversion Rate	±20 stores/year	±$0.31
Refining Margin	±US$1/bbl	±$0.18

Our bull case DCF of $3.99 represents 52% upside to the current price and captures a scenario where management exceeds its integration targets. This scenario assumes revenue growth of 4.5% annually, EBITDA margin expansion to 3.5% by FY2029, successful capture of $110 million in annual synergies (exceeding the $90 million target), and accelerated store conversions at 80-100 annually with margin improvements averaging 50%. Conversely, the bear case of $1.94 (26% downside) models a scenario where integration challenges persist and external headwinds intensify. This scenario assumes revenue growth limited to 1.5% annually, EBITDA margins contracting to 2.3% by FY2027 before modest recovery, achievement of only $60 million in annual synergies (two-thirds of target), and slower store conversions at 30-40 annually with margin improvements of just 20%.

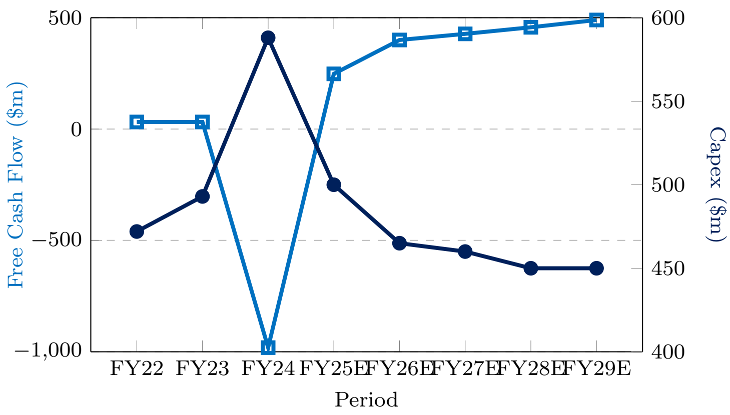
The wide dispersion between scenarios ($1.94-$3.99) highlights the significant execution risk and potential reward inherent in Viva Energy's transformation strategy, with particular sensitivity to the pace and impact of store conversions and synergy realization. Our base case probability-weighted valuation of $2.99 per share suggests moderate upside from current levels with an asymmetric risk profile, as the company's diversified business model provides some downside protection while successful execution of the transformation strategy offers significant upside potential.

Free Cash Flow Transformation

Viva Energy's cash flow profile shows a company in transition, with recent acquisitions creating near-term pressure but establishing a platform for improved future cash generation. Free cash flow before financing, tax, and dividends turned sharply negative in FY2024 at -$981.4 million compared to $31.8 million in FY2023, primarily reflecting the acquisition of OTR Group. Underlying free cash flow (excluding acquisitions) declined 32.1% to $135.1 million, driven by working capital deterioration and increased capital expenditure.

Looking forward, we expect free cash flow to demonstrate a distinct recovery pattern, starting with $248 million in FY2025 (excluding further acquisitions) and accelerating to $400 million in FY2026 as synergy realization and cost reduction initiatives take effect. This trajectory is supported by phased integration benefits, with $30 million in synergies targeted for 2H2025 expanding to the full $90 million annual run-rate by end-2026.

Capital expenditure will remain elevated in the near term at approximately $500 million in FY2025, primarily for store conversions ($1.6 million per store × 40-60 conversions) and the completion of the Ultra-Low Sulfur Gasoline (ULSG) project at Geelong refinery, before moderating to $450-475 million in subsequent years.



Working capital management presents both a challenge and opportunity, with the negative $223.3 million position at end-FY2024 (deteriorated from positive $67.8 million the previous year) expected to gradually normalize as integration stabilizes. Cash conversion rates are projected to improve from the current 18.9% (FCF/EBITDA) to approximately 45-50% by FY2027 as synergies are realized and capital intensity moderates following the completion of major conversion programs.

The company's balance sheet carries elevated leverage following recent acquisitions, with net debt increasing to $1.79 billion in FY2024 from $380 million in FY2023. However, management maintains this is within their target range of 1.0-1.5× term debt to EBITDA, with deleveraging expected as earnings improve through FY2025-26. Dividend payments are projected to remain within the company's established policy range of 55-75% of NPAT, though the absolute levels will be influenced by the pace of earnings recovery and ongoing capital requirements for the transformation program. The free cash flow inflection expected in FY2026 creates potential for increased shareholder returns in the medium term, with a possible acceleration of dividend growth or share repurchases as the balance sheet strengthens and transformation investments mature.

About the Company

Viva Energy Group Limited is a leading Australian energy and retail company with a 120+ year history in Australia. The company operates the largest convenience and fuel network in Australia, owns and operates the strategically located Geelong Refinery in Victoria, and maintains an extensive national infrastructure network including over 20 terminals and 60+ airports and airfields across the country. Viva Energy supplies approximately 25% of Australia's fuel needs, making it a critical component of the nation's energy security infrastructure. The company has evolved from its origins in petroleum refining and distribution to become an integrated energy, retail and commercial services business with a growing focus on convenience retail following strategic acquisitions.

Viva Energy operates through three distinct business segments that generate revenue through different channels. The Convenience & Mobility (C&M) segment operates a network of approximately 1,000 retail sites under brands including Shell, Coles Express, Reddy Express, Liberty, Westside, OTR, and Smokemart Gift Box, generating revenue through fuel sales and increasingly from higher-margin convenience store offerings. The Commercial & Industrial (C&I) segment supplies fuels, lubricants, polypropylene, and specialty hydrocarbon products to commercial customers across aviation, marine, transport, resources, construction, agriculture, and manufacturing industries. The Energy & Infrastructure (E&I) segment centers around the Geelong Refinery operations and nationwide distribution infrastructure.

The company serves a diverse customer base ranging from retail consumers to major commercial enterprises. Key commercial customers include the aviation sector, shipping companies, mining operations, the Australian Defence Force, and transportation companies. Viva Energy's strategic position is underpinned by its extensive infrastructure network, including import terminals, refineries, and distribution centers. The company operates in the energy, retail, and logistics sectors, with increasing diversification into convenience retail to build resilience against potential long-term decline in traditional fuel demand.

Viva Energy is led by Chief Executive Officer and Managing Director Scott Wyatt, who has over 30 years of experience in the oil and gas sector, having held various leadership roles within Viva Energy's downstream operations. The company's Board is chaired by Robert Hill and includes a mix of independent and non-executive directors with diverse backgrounds in energy, finance, and international business. The executive leadership team includes Jevan Bouzo (Chief Executive, Convenience and Mobility) who leads the OTR Group, and Carolyn Pedic (Chief Financial Officer), who brings extensive experience in finance and risk management across energy and mining sectors. This blend of industry veterans and diverse expertise appears designed to guide the company through its strategic transformation from traditional fuel retailer to integrated energy and convenience business.

Tailwinds

Convenience Retail Transformation: The conversion of Express stores to the higher-margin OTR format represents a significant growth opportunity, with early results showing gross margin improvements of 30-60% on non-tobacco sales. This transformation aligns with global trends toward fuel retailers expanding their convenience offerings to offset the long-term structural decline in traditional fuel demand. Management expects to add between 40 and 60 OTR stores to the network in FY2025, building toward a capability to support approximately 100 conversions per annum. The OTR format's proven higher-margin profile (convenience contribution per site of approximately $0.5M vs. $0.1M for Express) creates substantial upside potential as the conversion program scales. Additionally, the pending acquisition of Liberty Convenience (92 sites expected to complete in March 2025) provides further opportunities for format optimization and network expansion, particularly in regional markets where Liberty has demonstrated 9% sales growth driven by its discount proposition.

Synergy Realization: Management has targeted over $90 million in annual synergies from the OTR Group integration by end-2026, with specific levers identified including: transitioning fuel supply to Viva Energy; exiting transitional services from Coles Group; rationalizing supplier terms for convenience purchasing; and integrating Express and OTR operations to reduce combined overheads. The acceleration of approximately $30 million of these synergies into 2H2025 demonstrates confidence in early integration progress and provides a near-term earnings catalyst. These synergy targets are supported by management's track record in successfully integrating the Coles Express acquisition, and the company's control of the entire supply chain provides additional optimization opportunities that competitors without refining or wholesale capabilities may lack. The complementary $50 million cost reduction program across the Group in 2H2025 further enhances the potential margin improvement trajectory.

Commercial & Industrial Resilience: The C&I segment has demonstrated exceptional resilience, delivering record EBITDA of $469.9 million (+5.0%) in FY2024, marking its fourth consecutive year of earnings growth. This performance was driven by 5.2% volume growth to 11,735ML, with particularly strong demand across Aviation, Resources, Agriculture, and Defence sectors. The segment benefited from new contract wins, including the Defence contract secured in 2H2023, and the integration of OTR's wholesale fuels business into Liberty Rural from 2Q2024. This consistent performance provides earnings stability and cash flow to support the company's transformation investments. The C&I segment's long-term supply agreements with major commercial customers create visibility on future revenue streams, while its sector diversification provides natural hedging against industry-specific downturns. With 62.8% of Group EBITDA, this segment forms a solid foundation supporting the company's strategic initiatives.

Strategic Refining Position: The Geelong Refinery provides Viva Energy with a strategic advantage as one of only two remaining refineries in Australia, contributing to national fuel security and earning government support through the Fuel Security Services Payment ($25.1 million received in 3Q2024). The refinery's operational performance improved significantly in FY2024, with EBITDA increasing 44.2% to $94.3 million driven by higher throughput (refining intake increased 26.9% to 40.1MBBLs) and improved operational performance following major maintenance work in 2023. The refinery provides strategic optionality in product sourcing and pricing, supporting both retail and commercial segments with supply chain integration that independent retailers cannot match. The company's investments in the Ultra-Low Sulfur Gasoline (ULSG) project and the 90ML Strategic Storage Facility further enhance this strategic position while ensuring regulatory compliance.

Industry Consolidation Benefits: Viva Energy has emerged as a leading consolidator in the Australian fuel and convenience retail market, establishing the largest network following its strategic acquisitions. This scale provides procurement advantages, shared infrastructure benefits, and increased bargaining power with suppliers. The company's comprehensive geographic coverage creates network effects for loyalty programs and fleet customers, while its diverse retail formats (from premium OTR to discount Liberty) allow targeted positioning across different market segments and geographies. The consolidation strategy positions Viva Energy to effectively compete against both integrated players like Ampol and convenience specialists like 7-Eleven, with potential for further selective acquisitions as the market continues to evolve. As smaller operators face increasing cost pressures and energy transition challenges, additional consolidation opportunities may emerge at attractive valuations.

Headwinds

Integration Execution Risk: Viva Energy faces significant execution challenges in simultaneously integrating multiple retail acquisitions while maintaining operational performance. The company has targeted over $90 million in annual synergies from the OTR integration by end-2026, requiring successful coordination across multiple workstreams: fuel supply transition, exiting transitional service agreements, purchasing benefits, and overhead rationalization. Initial progress has been slower than expected, with only four Express stores converted to the OTR format despite ambitious targets, and management acknowledging delays due to "lengthy town planning processes." While early conversion results show promise with 30-60% gross margin improvement in three stores, one site is underperforming, suggesting potential variability in outcomes. The integration timeline is further complicated by the pending Liberty Convenience acquisition (expected March 2025), which will add 92 sites requiring management attention and potentially diverting resources from the OTR integration. The complexity and scale of these simultaneous integration efforts create material risk to both the magnitude and timing of synergy realization.

Elevated Debt Levels: The company's acquisition strategy has significantly transformed the balance sheet, with net debt rising to $1.79 billion from $380 million in the previous year. While management maintains this is within their target range of 1.0-1.5× term debt to EBITDA, the increased leverage reduces financial flexibility and heightens vulnerability to operating performance volatility. Interest expenses have increased substantially, contributing to the 20.1% decline in RCOP NPAT despite EBITDA growth. The ongoing store conversion program ($1.6 million per store) and maintenance capital requirements will maintain pressure on free cash flow generation in the near term, potentially delaying deleveraging progress. While the company has no immediate refinancing needs, the elevated debt position could constrain future strategic opportunities or necessitate equity raising should integration benefits materialize more slowly than anticipated. Additionally, the high leverage increases sensitivity to interest rate movements, though the current outlook for rate stability or modest reductions provides some relief on this front.

Retail Market Challenges: The Convenience & Mobility segment faces significant external pressures, with management highlighting cost-of-living impacts on consumer spending and the illicit tobacco trade causing material disruption. Tobacco sales declined 17% on a same-store basis, disproportionately affecting OTR stores in South Australia. These external factors directly impact the segment most central to Viva Energy's strategic transformation. Same-store fuel volumes declined 5%, reflecting both economic pressures and the gradual structural shift toward greater fuel efficiency and electric vehicles. The retail fuel margin environment has remained challenging into early 2025, further pressuring segment profitability. Management has limited mitigation options beyond product mix adjustment and value positioning, creating dependency on macroeconomic improvement to drive consumer recovery. The illicit tobacco challenge appears particularly entrenched, with limited regulatory enforcement creating an uneven competitive landscape that disadvantages legitimate retailers complying with excise requirements.

Refining Volatility: Despite improved performance in FY2024, the Energy & Infrastructure segment faces inherent volatility from global refining margin fluctuations and operational reliability challenges. The Geelong Refining Margin declined 11.2% to US$8.7/BBL in FY2024, and management has disclosed specific operational headwinds for 2025, including a $20 million impact from the January refinery shutdown following a power interruption and an estimated $40 million impact from planned maintenance in 3Q2025. This volatility introduces earnings uncertainty in an otherwise stable business model, with refining margins influenced by global oil prices, product demand patterns, and geopolitical factors beyond management control. While the government's Fuel Security Services Payment mechanism provides some downside protection, the program's long-term certainty remains subject to political considerations. Additionally, the energy transition creates longer-term questions about traditional refining viability, though Viva Energy's diversification strategy appropriately addresses this through increased focus on retail and commercial operations.

Competitive Intensity: The Australian fuel and convenience retail market is highly competitive, with major players including Ampol, BP, EG Group, and 7-Eleven pursuing similar convenience-led strategies. This competitive landscape creates pressure on both fuel margins and convenience offerings, requiring ongoing investment in store experiences, product ranges, and loyalty programs to maintain differentiation. The convenience segment faces competition not only from other fuel retailers but also from quick-service restaurants, supermarket convenience formats, and dedicated convenience chains. Viva Energy must balance premium positioning in OTR locations with value offerings elsewhere in the network to address diverse consumer preferences across different geographies and demographics. The company's recent expansion has also increased exposure to regional markets with different competitive dynamics from metropolitan areas. While the substantial scale achieved through acquisitions provides competitive advantages, the accompanying integration complexity and high debt levels could potentially constrain flexibility in responding to competitive actions in the near term.

Competitors

Competitor	Competitive Positioning
Ampol Limited	Integrated fuel supply chain; Strong brand recognition; Foodary convenience format; Owns Lytton refinery; International operations in NZ and US; Refining margin volatility; Integration challenges with EG acquisition; 20-25% of fuel market; 1,900 sites (including dealer sites); Main direct competitor with similar integrated model and international expansion
BP Australia	Global supply chain advantages; BP Ultimate premium fuels; Strong loyalty program; BP Pulse EV charging network; Limited local refining capacity after Kwinana closure; Smaller convenience footprint; 15-20% of fuel market; Stable; Global player with premium positioning and advanced energy transition initiatives
EG Group	Strong grocery tie-ins and loyalty benefits; Modern store formats; International expertise; Recent entrant still building scale; No local refining capacity; Higher debt levels; 5-10% of fuel market; Growing; European operator focused on convenience-led strategy
7-Eleven	Leading convenience expertise; Strong private label offering; Digital innovation; Established loyalty program; Limited geographic coverage for fuel; No refining capacity; Primarily east coast presence; Market leader in convenience-only sites; Growing in convenience; Convenience specialist with fuel as secondary offering

The Australian fuel and convenience retail market is highly competitive and concentrated among a small number of major players. Viva Energy has established itself as the market leader in convenience retail following its strategic acquisitions, though it faces strong competition from both integrated players like Ampol and convenience specialists like 7-Eleven. The competitive landscape is characterized by convergence toward similar strategic models combining fuel and convenience retail, with differentiation increasingly focused on store experience, food offerings, and loyalty programs.

Compared to its primary competitor Ampol, Viva Energy has pursued a more aggressive acquisition strategy to build scale in convenience retail, while Ampol has focused on international expansion with operations in New Zealand (Z Energy) and the United States. Both companies operate Australian refineries (Geelong and Lytton respectively), providing supply chain integration advantages over retailers without refining assets. Viva Energy's recent acquisitions have significantly expanded its network scale, though integration execution remains a key differentiating factor in determining relative competitive success. Ampol's Foodary format competes directly with Viva Energy's OTR offering, with both companies pursuing premium food service and convenience experiences to drive higher margins and reduced reliance on fuel sales.

BP Australia maintains a premium positioning with its BP Ultimate fuels and BP Pulse EV charging network, representing an advanced approach to energy transition that exceeds Viva Energy's current initiatives in this area. However, BP's smaller convenience footprint and closure of the Kwinana refinery limits its competitive threat in Viva Energy's core businesses. EG Group, a recent entrant to the Australian market, brings European expertise in modern convenience formats and strong grocery tie-ins but lacks the scale and integrated supply chain of Viva Energy. 7-Eleven dominates the convenience-only market with strong private label offerings and digital innovation, presenting both a competitive threat in urban areas and a potential benchmark for Viva Energy's convenience transformation.

Viva Energy's key competitive advantages stem from its vertically integrated model (including the strategic Geelong Refinery), extensive distribution infrastructure creating barriers to entry, network scale with approximately 1,000 sites, and multi-format strategy spanning premium OTR locations to value-oriented Liberty sites. The company's diverse segment mix provides resilience against market volatility, while its substantial commercial relationships in aviation, defense, and resources sectors create stable earnings streams that complement the retail transformation. As the energy landscape evolves, Viva Energy's balanced approach across business segments positions it to navigate competitive dynamics through industry transition while capitalizing on its scale advantages and strategic infrastructure assets.

Results Summary

Viva Energy Group delivered mixed financial results for FY2024, with revenue growing by 12.7% to $30,142.0 million, primarily driven by the acquisition of OTR Group and growth in the Commercial & Industrial segment. While EBITDA (RC) increased modestly by 5.0% to $748.6 million, NPAT (RC) declined 20.1% to $254.2 million, reflecting higher finance costs from increased debt levels and higher depreciation and amortization expenses following recent acquisitions. The company reported a statutory net loss after tax (HC) of $76.3 million, mainly due to net inventory losses and acquisition-related costs.

Key Metrics	FY2024	FY2023	YoY Change
Revenue	$30,142.0M	$26,741.1M	+12.7%
Gross profit (RC)	$3,449.4M	$2,606.8M	+32.3%
EBITDA (RC)	$748.6M	$712.8M	+5.0%
NPAT (RC)	$254.2M	$318.2M	-20.1%
NPAT (HC)	($76.3M)	$3.8M	-2,107.9%
EPS (RC)	16.1 cents	20.7 cents	-22.2%
EPS (HC)	(4.8) cents	0.2 cents	-2,500.0%
C&M EBITDA (RC)	$231.2M	$232.2M	-0.4%
C&I EBITDA (RC)	$469.9M	$447.5M	+5.0%
E&I EBITDA (RC)	$94.3M	$65.4M	+44.2%
Corporate EBITDA (RC)	($46.8M)	($32.3M)	+44.9%

The balance sheet shows significant transformation from the OTR Group acquisition, with total assets increasing by 33.5% to $12,125.3 million and net debt rising substantially to $1,793.5 million from $380.0 million in the previous year. Working capital shifted from a positive $67.8 million to a negative $223.3 million, reflecting higher payables and inventory management challenges. Cash flow metrics deteriorated, with operating cash flow before capital expenditure declining by 25.2% to $556.1 million and underlying free cash flow decreasing by 32.1% to $135.1 million, impacted by higher capital expenditure and acquisition costs.

Performance across business segments was varied, with Commercial & Industrial delivering strong growth (+5.0% EBITDA), Energy & Infrastructure showing significant improvement (+44.2% EBITDA) due to increased refinery throughput, while Convenience & Mobility remained flat (-0.4% EBITDA) amid challenging retail conditions. The company reduced its dividend to 10.6 cents per share, down 32.1% from the previous year, reflecting the financial impact of strategic acquisitions and challenging market conditions in the retail segment.

Key operational metrics showed mixed performance. Total fuel sales volumes increased 3.7% to 16,797 ML, with the Commercial & Industrial segment driving growth (+5.2

Performance by Segment

Segment	EBITDA ($M)	YoY	Key Performance Drivers
Convenience & Mobility (C&M)	231.2	-0.4%	Flat performance despite challenging retail conditions; tobacco sales impacted by illicit trade (-17% same-store); OTR acquisition showing early promise; fuel margins strengthening in March 2025; 1Q25 fuel sales +1.1%, non-tobacco sales +0.5%; Liberty completed March 31
Commercial & Industrial (C&I)	469.9	+5.0%	Record EBITDA with strong growth across Aviation, Resources, Agriculture and Defence segments; new contract wins delivering value; integration of OTR's wholesale fuels business; 1Q25 showed sales decline of 6.0% due to adverse weather in mining regions, offset by margin growth
Energy & Infrastructure (E&I)	94.3	+44.2%	Improved performance with higher throughput (40.1MBBLs, +26.9%) despite lower GRM (US8.7$/BBL, -11.2\%); received$25.1M government support via FSSP; 1Q25 impacted by January shutdown with GRM at US7.9$/BBL (-34.2\%); ULSG project confirmed on schedule$
Corporate	(46.8)	+44.9%	Increased costs from acquisitions and integration activities
Total Group	**748.6**	**+5.0%**	**Modest growth amid transformation; 1Q25 total fuel sales -4.2% to 4,114ML; on track for 1H25 EBITDA guidance of $270-330M for C&M and C&I combined**

The Convenience & Mobility segment delivered flat EBITDA performance (-0.4%) despite challenging retail conditions, with convenience sales declining 4.1% primarily due to tobacco sales deterioration (-17% same-store) amid illicit trade impacts. While total fuel volumes increased marginally (+0.5%), same-store volumes declined 5%, reflecting cost-of-living pressures on consumers. The segment is undergoing significant transformation following the OTR acquisition in March 2024, with initial store conversions showing promising results - three of four converted stores demonstrating 30-60% gross margin improvement on non-tobacco sales. Management expects to add 40-60 OTR stores in FY2025 through conversions and new sites, targeting synergies exceeding $90 million annually by end-2026, though store conversion timelines have been slower than anticipated due to planning approval delays. The pending acquisition of Liberty Convenience (92 sites) is expected to complete in March 2025, further expanding the network.

The Commercial & Industrial segment stands as the company's strongest performer, delivering record EBITDA of $469.9 million (+5.0%) in FY2024, marking its fourth consecutive year of earnings growth. This performance was driven by 5.2% volume growth to 11,735ML, with particularly strong demand across Aviation, Resources, Agriculture, and Defence sectors. The segment benefited from new contract wins, including the Defence contract secured in 2H2023, and the integration of OTR's wholesale fuels business into Liberty Rural from 2Q2024. C&I has demonstrated resilience to economic pressures, maintaining its position as the dominant earnings contributor at 62.8% of Group EBITDA. Management expects continued strong performance in 2025, focusing on consolidating recent growth, driving supply chain efficiencies, and reducing overhead costs to further enhance margins in what remains the company's most reliable business unit.

The Energy & Infrastructure segment showed substantial improvement with EBITDA increasing 44.2% to $94.3 million, driven by higher throughput and improved operational performance following major maintenance work in 2023. Refinery intake increased 26.9% to 40.1MBBLs with strong unit availability of 95%, though performance was tempered by weaker refining margins in 2H2024 (GRM averaging US$8.7/BBL, down 11.2%). The segment benefited from $25.1 million in government support through the Fuel Security Services Payment in 3Q2024. Strategic achievements included commissioning a 90ML Strategic Storage Facility and the bitumen export line. The outlook for 1H2025 is challenged by a site-wide shutdown in January following an external power interruption (estimated A$20 million impact) and planned major maintenance on the residual catalytic cracking unit in 3Q2025 (expected US$40 million impact). Despite these operational headwinds, the refinery continues to provide strategic energy security and manufacturing capabilities as Australia's only manufacturer of several specialized products.

Balance Sheet & Financial Position

Balance Sheet ($M)	FY2024	YoY
Total assets	$12,125.3	+33.5%
Total liabilities	$10,229.9	+44.7%
Net assets/Total equity	$1,895.4	-5.7%
Net debt	$1,793.5	+372.0%
Working capital	($223.3M)	-429.4%
Property, plant and equipment	$2,646.1	+27.4%
Right-of-use assets	$3,069.0	+51.8%
Intangible assets	$1,604.2	+201.7%
Investment in associates	$23.8	+35.2%
Lease liability	$3,585.4	+46.7%
Net tangible asset per share	$0.18	-81.3%
Cash Flow ($M)		
Operating cash flow before capital expenditure	$556.1	-25.2%
Net cash flows from operating activities	$605.6	-10.8%
Capital expenditure	$588.1	+19.4%
Free cash flow before financing, tax and dividends	($981.4)	-3,185.5%
Dividends paid	$216.1	-35.8%
Net cash flow	($22.8)	+69.6%
Underlying Free Cash Flow	$135.1	-32.1%

Viva Energy's balance sheet underwent significant transformation in FY2024, primarily reflecting the acquisition of OTR Group in March 2024. Total assets increased 33.5% to $12,125.3 million, with substantial growth in right-of-use assets (+51.8% to $3,069.0 million) and intangible assets (+201.7% to $1,604.2 million) from the retail acquisitions. The recent completion of the Liberty Convenience acquisition on March 31, 2025, will further impact the balance sheet in 1Q2025, though with a more modest effect given its smaller scale (92 sites) and the company's existing 50% ownership interest.

The capital structure shows materially higher leverage, with total liabilities increasing 44.7% to $10,229.9 million and net debt rising 372.0% to $1,793.5 million. Lease liabilities expanded 46.7% to $3,585.4 million, reflecting the addition of OTR's leased store network. Net assets decreased 5.7% to $1,895.4 million, while net tangible asset per share declined 81.3% to $0.18, highlighting the significant goodwill and intangible asset components of recent acquisitions. Working capital deteriorated from a positive $67.8 million to a negative $223.3 million, reflecting inventory management challenges and increased payables in the transition period.

Cash flow metrics showed pressure from both operational challenges and strategic investments. Operating cash flow before capital expenditure declined 25.2% to $556.1 million, impacted by working capital deterioration. Capital expenditure increased 19.4% to $588.1 million, reflecting investment in the store network, maintenance at Geelong refinery, and strategic projects including the Ultra-Low Sulfur Gasoline (ULSG) initiative. The 1Q2025 update confirms the ULSG project is proceeding on schedule, with the company transitioning to ULSG supply from August 2025 to ensure compliance at retail sites by the December 15, 2025 deadline.

The 1Q2025 operating update provides greater clarity on capital expenditure for the store conversion program, with average capex confirmed at $1.5 million per store, slightly below previous estimates of $1.6 million, and within existing capex guidance for FY2025. Importantly, the company has secured a landlord-funded arrangement with Dexus Convenience Retail REIT for a knockdown-rebuild conversion in Queensland, demonstrating progress in establishing the funding arrangements needed to support the planned acceleration of the conversion program to approximately 100 sites annually from FY2026.

Despite these pressures, the company maintained disciplined capital management, reducing dividends by 35.8% to $216.1 million (10.6 cents per share) in line with lower earnings and increased investment requirements. Net cash flow improved to a smaller outflow of $22.8 million compared to $75.0 million in the previous year, demonstrating balanced cash management during a significant transition period. Management has indicated that leverage remains within their target range of 1.0-1.5× term debt to EBITDA, with deleveraging expected as synergies and cost reduction initiatives deliver improved earnings and cash flow through FY2025-26.

Strategic Initiatives Status

Initiative	Status	Strategic Importance
OTR Integration	On Track	Successfully rebranded network from BP to Shell (saving $20M p.a.); established systems to exit Coles TSA by end-April ($20M p.a. benefit); accelerated OTR/Express operations consolidation ($20M p.a. savings); $30M synergies in 2H2025 ($60M run-rate by year-end)
Store Conversion Program	Progressing	Approximately 10 conversions commencing in 2Q2025; focused on NSW remodels (within existing rooflines); $1.5M average capex per store; agreement with Dexus for flagship landlord-funded conversion; targeting 40-60 stores in FY2025
Liberty Convenience Acquisition	Completed	Acquisition of remaining 50% interest completed March 31, 2025; expected to contribute $20-25M to C&M EBITDA in FY2025; expands network to 982 sites (676 Express, 214 OTR, 92 Liberty)
Cost Reduction Program	On Track	$50M savings target for FY2025 (primarily 2H); focused on discretionary spend reduction, store operating cost optimization, support function rationalization; approximately half ($25M) expected to be sustainable long-term
Ultra-Low Sulfur Gasoline (ULSG)	On Schedule	Confirmed to be proceeding on schedule; transitioning to ULSG supply from August 2025; retail site compliance by December 15, 2025 deadline

Viva Energy is making demonstrable progress on its strategic initiatives, with the 1Q2025 operating update providing greater visibility on implementation timelines and financial impacts. The OTR Group integration shows tangible achievements, with management successfully completing three key milestones: rebranding the OTR network from BP to Shell (reducing supply costs by $20 million annually), establishing systems to exit the Coles Transitional Services Agreement by end-April 2025 ($20 million annual benefit), and accelerating the consolidation of OTR and Express operations ($20 million annual reduction in above-store costs). These specific actions support the targeted $30 million of C&M synergies in 2H2025 ($60 million annualized run-rate by year-end), providing confidence in the company's ability to deliver the full $90 million-plus of annualized earnings uplift by end-FY2026.

The store conversion program is advancing with greater clarity on implementation details. Approximately 10 conversions will commence during 2Q2025, with FY2025 conversions primarily focused on remodels within existing rooflines, concentrated in New South Wales to drive efficiencies in supply chain and marketing campaigns. Average capex is confirmed at $1.5 million per store, slightly below previous estimates of $1.6 million, funded by Viva Energy within existing capex guidance. A notable milestone is the agreement with Dexus Convenience Retail REIT for a landlord-funded knockdown-rebuild conversion of the Express northbound store at Glasshouse Mountains, Queensland, on one of Australia's busiest highways. This agreement demonstrates progress in establishing the funding arrangements needed to support the targeted pace of approximately 100 conversions per annum from FY2026, with management noting ongoing negotiations with other landlords focused on opportunities from FY2026 onwards.

The Liberty Convenience acquisition represents a completed strategic milestone, with the acquisition of the remaining 50% interest finalized on March 31, 2025. Management expects Liberty to contribute between $20-25 million to C&M EBITDA in FY2025, providing an immediate earnings benefit. The acquisition expands Viva Energy's core fuel and convenience network to 982 sites (comprising 676 Express, 214 OTR Group, and 92 Liberty Convenience stores), further cementing its position as Australia's largest convenience and fuel network.

The group-wide cost reduction program is progressing well, with management providing greater detail on focus areas: reduction of discretionary spend and deferment of non-essential spend across all parts of the business; reductions in convenience store operating costs (labor hours, repairs and maintenance); and rationalization of Group corporate support functions and contracts to reflect the new business operating model. The update clarifies that while the program targets $50 million in savings for FY2025 (primarily in the second half), approximately half of this amount ($25 million) is expected to reach a sustainable run-rate as some costs are re-introduced to support expected sales growth from FY2026.

The Ultra-Low Sulfur Gasoline (ULSG) project at Geelong Refinery is confirmed to be proceeding on schedule, with the company transitioning to ULSG supply from August 2025 to ensure compliance at retail sites by the December 15, 2025 deadline. This timeline provides confidence in the company's ability to meet regulatory requirements while minimizing disruption to operations and potentially benefiting from premium pricing opportunities associated with the higher-specification fuel.

Financial Forecasts

Income Statement ($M)	FY24A	FY25E	FY26E	FY27E	FY28E	FY29E
Revenue	30,142.0	31,250.0	32,500.0	33,800.0	34,800.0	35,700.0
Growth (%)	12.7%	3.7%	4.0%	4.0%	3.0%	2.6%
Gross profit (RC)	3,449.4	3,595.0	3,850.0	4,040.0	4,190.0	4,320.0
Gross Margin (%)	11.4%	11.5%	11.8%	12.0%	12.0%	12.1%
EBITDA (RC)	748.6	790.0	900.0	950.0	1,000.0	1,050.0
EBITDA Margin (%)	2.5%	2.5%	2.8%	2.8%	2.9%	2.9%
Depreciation	244.2	530.0	550.0	575.0	590.0	605.0
EBIT (RC)	504.8	260.0	350.0	375.0	410.0	445.0
EBIT Margin (%)	1.7%	0.8%	1.1%	1.1%	1.2%	1.2%
Net Finance Costs	158.1	155.0	150.0	145.0	140.0	135.0
NPAT (RC)	254.2	173.5	245.0	262.5	287.0	311.5
EPS (cents)	16.1	10.9	15.3	16.4	17.9	19.5
Dividend (cents)	10.6	7.6	10.7	11.5	12.5	13.6
Payout Ratio (%)	66.0%	69.5%	70.0%	70.0%	70.0%	70.0%
Cash Flow & Balance Sheet						
Operating Cash Flow	605.6	748.0	865.0	915.0	957.0	990.0
Capital Expenditure	588.1	500.0	465.0	460.0	450.0	450.0
Capex/Revenue (%)	2.0%	1.6%	1.4%	1.4%	1.3%	1.3%
Free Cash Flow	-981.4	248.0	400.0	455.0	507.0	540.0
Net Debt	1,793.5	1,880.0	1,650.0	1,450.0	1,220.0	990.0
Net Debt/EBITDA	2.4x	2.4x	1.8x	1.5x	1.2x	0.9x
Segment EBITDA						
Convenience & Mobility	231.2	300.0	340.0	380.0	410.0	440.0
Commercial & Industrial	469.9	490.0	510.0	530.0	545.0	560.0
Energy & Infrastructure	94.3	70.0	105.0	115.0	120.0	125.0
Corporate	-46.8	-70.0	-55.0	-75.0	-75.0	-75.0

Our financial forecasts for Viva Energy reflect a company in transition, with near-term challenges balanced against the long-term benefits of strategic acquisitions and integration initiatives. Following the 1Q2025 operating update, we have made modest adjustments to our projections, particularly for the Convenience & Mobility segment which now incorporates the confirmed $20-25 million EBITDA contribution from Liberty Convenience following the March 31, 2025 acquisition completion. We have also adjusted our synergy realization timeline based on management's more detailed disclosure, with $80 million of combined synergies and cost reductions now expected in 2H2025.

Revenue is projected to grow 3.7% in FY2025 to $31,250 million, primarily driven by the full-year contribution of OTR Group (acquired March 2024) and the addition of Liberty Convenience, offset by the 6.0% decline in Commercial & Industrial sales reported in 1Q2025 due to adverse weather events affecting mining markets. Growth is expected to continue at 4.0% in FY2026-27 as store conversions accelerate and synergies materialize, before moderating to 2.6-3.0% in FY2028-29 as the transformation program matures.

EBITDA (RC) is forecast to show 5.5% growth to $790 million in FY2025, an increase from our previous projection of $770 million, reflecting the Liberty contribution and stronger confidence in synergy delivery following the 1Q2025 update. We continue to expect a more substantial improvement in FY2026 (+13.9% to $900 million) as the full $90 million in annual synergies from the OTR integration are realized and the refinery returns to normal operations without major maintenance events. EBITDA margins are projected to expand from 2.5% in FY2024-25 to 2.9% by FY2029 as the business mix shifts toward higher-margin convenience retail operations.

Segment projections show C&M EBITDA increasing to $300 million in FY2025 (+29.8

The company's balance sheet is expected to show gradual deleveraging, with net debt peaking at $1,880 million in FY2025 (reflecting the Liberty Convenience acquisition) before steadily declining to $990 million by FY2029. This improvement is supported by growing free cash flow, which recovers from $248 million in FY2025 to $540 million by FY2029 as capital expenditure moderates (from 1.6% to 1.3% of revenue) and operating cash flow increases with improved profitability. The 1Q2025 update's confirmation of a $1.5 million average capex per store for conversions (versus our previous $1.6 million estimate) provides marginal upside to our free cash flow projections.

These forecasts incorporate several key assumptions that have been reinforced by the 1Q2025 update: successful execution of the store conversion program with 10 conversions commencing in 2Q2025 and 40-60 total for FY2025; the combined $80 million benefit from synergies and cost reductions in 2H2025, with the $30 million C&M synergies specifically supporting a $60 million annualized run-rate by year-end; the $20-25 million EBITDA contribution from Liberty Convenience; and continued progress on the ULSG project with transition to ULSG supply from August 2025.

End of Report