ASX Release

25 August 2020

FINANCIAL RESULTS FOR HALF YEAR ENDED 30 JUNE 2020

Ampol Limited (ASX:ALD) today announces its financial results for the six months ending 30 June 2020.

1H 2020 Result	Half year ending 30 June	
	2020 ($M)	**2019 ($M)**
Fuels & Infrastructure (excluding Lytton) EBIT	171	192
Lytton EBIT	(59)	1
Fuels & Infrastructure (F&I) EBIT	**112**	**193**
Convenience Retail (CR) EBIT	**125**	**85**
Corporate	**(16)**	**(23)**
Group RCOP EBIT	**221**	**255**
RCOP NPAT	**120**	**135**
Inventory Gain/(Loss) post tax	(434)	20
Significant Items post tax	(312)	0
HCOP NPAT	**(626)**	**155**

Key points

- Resilient RCOP result despite broad-based economic weakness and significant disruptions to global hydrocarbon markets. Convenience Retail RCOP EBIT up 47% and F&I ex-Lytton RCOP down 11% on the pcp.
- HCOP NPAT loss of $626 million is impacted by $434 million inventory loss and $312 million Significant Items.
- Ampol has continued to deliver its strategy in a disciplined manner during the period and has executed the Convenience Retail property transaction in August, which will release $612 million of capital. Proceeds will be used initially to manage leverage in line with Ampol’s Capital Allocation Framework, pursuant to which Ampol will continue to explore potential capital returns and growth opportunities as and when market conditions improve.
- Net debt of $1,233 million ($621 million pro-forma post property transaction) at end of period driven by COVID-19 demand impacts including lower operating cashflows and inventory loss from the crude oil price decline.
- Interim dividend of 25 cps declared, representing a 52% payout ratio.

Matt Halliday, Managing Director and CEO, said: “Ampol has performed well in extremely challenging market conditions, with sustained weakness in refining margins, retail fuel volumes and severe demand destruction caused by a range of factors, including restrictions imposed by governments in response to COVID-19 impacting many parts of our business.”

“We have taken early and decisive action to mitigate these impacts, including bringing forward and extending the Lytton refinery T&I, optimising retail labour spend, reducing corporate overheads and deferring non-critical capex. This action will maintain the strength of our balance sheet.

“Despite these disruptions, we have continued to deliver our strategy in a disciplined manner and we continue to focus on improving cost and capital efficiency so that we can continue to create value for shareholders.”

Market conditions

1H 2020 has seen unprecedented challenges for the global hydrocarbon industry, as various government restrictions significantly impacted product demand, and in turn external refiner margins.

Diesel demand continues to demonstrate resilience, which is underpinned by key customer segments including mining. Consistent with prior disclosure, jet fuel, which made up 19% of Australian wholesale volumes in 2019, continues to be the most impacted product. Convenience Retail demand had recovered prior to the reinstatement of government restrictions in Victoria, with July 2020 retail fuel volumes down 11% compared to July 2019 volumes. Gull volumes in July 2020 had returned to pre-COVID levels, prior to the re-instatement of government restrictions in New Zealand.

Our focus remains on continuing to address our cost base and optimising value across the integrated supply chain, to deliver strong financial returns across both our F&I and CR businesses.

Fuels & Infrastructure (F&I)

F&I delivered RCOP EBIT of $112 million in 1H 2020, which was below the $193 million RCOP EBIT in 1H 2019, largely given lower earnings from Lytton, and given 1H 2019 result benefited from $23 million of one-off Trading and Shipping earnings which did not repeat.

The result from F&I ex-Lytton demonstrates the resilience of the business, with the result delivered against a backdrop of significant decline in Australian fuel volumes, and the associated earnings impacts from the loss of volumes, reduced scale efficiencies, and managing rapidly changing supply chains. Earnings in the period were supported by continued growth in International RCOP EBIT, including the planned implementation of new storage opportunities, along with strong cost discipline and $29 million of foreign exchange gains.

The reduction in Lytton RCOP EBIT, by $60 million compared to 1H 2019, was reflective of the extremely weak external refiner margin environment impacted, first by IMO2020 and then by COVID-19. Decisive action has been taken to mitigate these impacts by the combination of bringing forward and extending the refinery Turnaround & Inspection (T&I), and a renewed focus on costs and efficiency. Related to this decision, higher costs were incurred associated with managing the crude supply chain, and these anticipated impacts were considered in advance when making the decision to bring forward and extend the T&I.

Total Australian fuels sales volumes were 7.0BL in 1H 2020, 14% lower than the 8.1BL in 1H 2019, reflecting adverse weather impacts at the start of the year and the significant impact of government restrictions implemented in response to the COVID-19 pandemic. International volumes of 2.9BL in 1H 2020, were 93% higher than 1.5BL in 1H 2019, driven by an increase in third party sales including the start-up of the international storage initiatives. Total fuels sales volumes were 9.9BL in 1H 2020, 4% higher than the 9.6BL in 1H 2019.

Convenience Retail (CR)

CR delivered RCOP EBIT of $125 million in 1H 2020, compared to $85 million RCOP EBIT in 1H 2019, with stronger industry retail fuel margins and improved shop performance more than offsetting volume weakness.

Total CR fuels sales volumes were 2.0BL in 1H 2020, 18% lower than the 2.4BL fuels sales volumes in 1H 2019, due to the impacts on industry demand from bushfires, floods and COVID-19 restrictions since late March.

Our disciplined approach to optimising site returns continued in 1H 2020, with the closure of 16 marginal sites, in addition to the closure of 25 Higher and Better Use (HBU) sites which Ampol will remediate as part of sale conditions. Combined, these closures drove a ~5% reduction in the size of the controlled network during the period. Shop performance improved during the period, driven by a 2.9% increase in like-for-like shop sales and a clear focus on cost management.

Corporate costs of $16 million for 1H 2020, was below the $23 million of corporate costs in 1H 2019.

Balance sheet

Interest bearing liabilities net of cash at 30 June 2020 were $2,111 million, including $1,233 million of net borrowings and $878 million of lease liabilities. Closing net borrowings of $1,233 million compares with $868 million net borrowings at 31 December 2019.

The increase in net debt is primarily driven by COVID-19 demand impacts including lower operating cashflows and inventory loss from the crude oil price decline on a historical cost basis, which offset associated working capital benefits. Our liquidity position remains strong, with undrawn facilities of $1.8 billion and no facilities to refinance in 2020.

Subsequent to the end of the period, Ampol announced the agreement for Charter Hall and GIC to acquire a 49% interest in a newly established property trust, which when completed in 2H 2020 is anticipated to provide Ampol $612 million of proceeds after taxes, stamp duty and other costs. Given current uncertainty around COVID-19, the proceeds will be used initially to manage leverage in line with Ampol's Capital Allocation Framework, pursuant to which Ampol will continue to explore potential capital returns and growth opportunities as and when market conditions improve.

On a pro-forma basis, post completion of the Convenience Retail property transaction, leverage settings at the end of period were at the lower end of the target range of 1.5 – 2.0x adjusted net debt to EBITDA.

Interim dividend

The Board has declared a fully franked interim dividend of 25 cents per share, which represents a payout of 52% of 1H 2020 RCOP NPAT.

The record and payment dates for the interim dividend are 8 September 2020 and 2 October 2020.

Impairment of non-current assets

Given the impacts of COVID-19 and in accordance with accounting standards, Ampol has undertaken a review of the carrying values of its assets. Accordingly, the 1H 2020 result has recognised a non-cash pre-tax loss of $355 million, comprising: (1) impairment of Lytton refinery cash-generating unit ($80 million); (2) impairment of Convenience Retail site cash-generating units ($233 million); and (3) impairment of other specific assets ($42 million) including the approved closure of 20 depots in regional areas and 34 marginal retail sites. The impairment to Convenience Retail assets was premised on a sustained decline in demand at historic margins, and was skewed towards both leased and non-core sites

Webcast and conference call

Ampol is hosting an investor call to discuss its 2020 Half Year results at 10.00am (AEST) on 25 August 2020.

To participate in the call, pre-registration is available via https://s1.c-conf.com/diamondpass/10007955-invite.html, or investors are able to 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.

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