

6 April 2020

## **LYTTON REFINERY T&I DECISION, TRADING UPDATE AND DETAILS OF BUSINESS AND CAPITAL INITIATIVES**

Caltex Australia Limited (ASX: CTX) (**Caltex**) refers to its trading update of 23 March 2020 regarding demand and other business impacts from responses to COVID-19.

In the current challenging environment, Caltex remains committed to taking necessary action to safeguard the health of our people, protect our assets and market-leading position, optimise cashflows and ensure we are best placed to succeed and capture opportunities when market conditions improve. Importantly, Caltex has a strong funding position and balance sheet.

In response to the unfolding COVID-19 crisis and the broader dynamics in the global fuel marketplace, Caltex today announces a number of operational and capital initiatives. Together these will protect the business and assist in navigating this challenging period, while ensuring both the wellbeing of our people and the safe and reliable supply of high-quality transport fuels to our customers.

### **Bringing forward and extending Lytton refinery Turnaround & Inspection (T&I) for 2020**

Global fuel demand erosion caused by COVID-19 is expected to impact refining conditions for a number of months. Consequently, Caltex will bring forward and extend the duration of the planned shutdown for the upcoming Lytton refinery T&I which will now commence in May 2020. Refinery operations will recommence when margin conditions have sufficiently recovered.

The decision has been made for a combination of reasons. The current weak refiner margins are creating operating cash flow challenges at Lytton. Having the refinery offline for this period will reduce the costs related to the normal operations of the refinery. This approach will deliver a more capital efficient T&I and enable a reduction in the cost of the shutdown, as well as further optimisation of the supply chain, including a reduction in working capital. This approach will also allow us to comply with COVID-19 requirements during the T&I to ensure the health and safety of all who work on our site.

Matthew Halliday, Interim Chief Executive Officer, said, "This decision will result in an improved economic outcome and protect cash flows, while demonstrating our ongoing commitment to the Lytton refinery. At the same time, by taking this action now, we will continue to ensure the safe and reliable supply of high-quality transport fuels. Caltex supplied over 20 billion litres in 2019 and we will continue to work closely with our customers and government agencies to ensure our supply chain remains resilient."

Given the range of uncertainties related to COVID-19, Caltex is unable to provide updated Lytton production guidance for 2020.

### **Update on current trading conditions**

- Fuels & Infrastructure (F&I) Australia (excluding Refining): diesel demand has so far been relatively stable compared to 2019 levels, given resilience demonstrated from segments such as mining, agriculture and transportation. Diesel represented over 50% of Caltex's total Australian fuel volumes in 2019. Demand from bulk fuel customers and regional resellers continues to be strong due to

ongoing requirements for road transport to supply essential services and broader industry. Jet fuel volumes continue to see the most material demand impact, with demand expected to decline 80-90% as previously advised. Jet represented 17% of total Australian fuel volumes in 2019.

- Convenience Retail (CR): during the first quarter, favourable industry retail fuel margins offset any volume weakness. Following the implementation of Stage 2 and 3 restrictions in late March, Caltex has started to observe nationwide retail gasoline and diesel demand reductions in the ranges of 30-50% and 10-30%, respectively, relative to 2019 volumes. CR shop sale levels have remained flat with 2019 levels, with increased average basket value offsetting lower transactions.
- F&I International: fuel demand reductions in Gull New Zealand and Seaoil Philippines businesses have been greater than that seen in the Australian business given higher levels of government restrictions.

### **Business initiatives**

Caltex has reviewed its aviation business and taken early action in relation to stranded costs, including changes to our on-airport operations and deferral of capital investments. Furthermore, target 2020 group capex will be reduced to below \$250m from the previously stated target of approximately \$300m by focussing only on critical business items, and this remains under review.

The capacity exists in our operations to reduce costs that are variable or staged during this period of demand weakness. Beyond this, a review of fixed costs is underway across all areas including corporate overheads, to deliver a lower cost base. Actions from these reviews will be in addition to delivery of the previously announced \$40m cost-out program for 2020.

### **Funding position and capital initiatives**

Caltex holds a strong investment grade credit rating with Moody's and S&P. The group has approximately \$2.7bn of committed available debt facilities from a range of high-quality financiers, and currently has approximately \$1.5bn of undrawn committed facilities and cash. Caltex has no debt facilities which mature in 2020 and has significant headroom to its debt covenant. The decline in the crude oil price is also expected to meaningfully further reduce the group's working capital requirements.

Significant progress has been made on the capital initiatives outlined at the 2019 Investor Day, to further optimise the company's capital position.

Subject to market conditions, and any outcome from change of control discussions, Caltex is well-placed to implement in the second half of 2020: sale of a 49% minority interest in Caltex's core freehold retail sites, divestment of the second tranche of Higher and Better Use (HBU) sites, and the issuance of hybrid capital securities. Specifically, in relation to the planned real estate transaction, key IPO transaction documents have been prepared, but to provide additional execution flexibility Caltex will also evaluate trade sale alternatives.

**Authorised for release by:** the Board of Caltex Australia Limited.

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