

6 February 2019

## **Viva Energy and Coles Express extend and strengthen the retail Alliance**

### **Highlights**

- Viva Energy and Coles Express extend the Alliance to 2029 under new arrangements which support future growth and cement the network as Australia's leading fuel and convenience business
- Viva Energy to take responsibility for retail fuel pricing and marketing while Coles Express remain responsible for operating the stores and providing a leading convenience offer
- Viva Energy to collect the full retail fuel margin and receive an enhanced royalty on convenience sales. Coles Express to collect the convenience store margin and receive a commission per litre on fuel sales achieved
- Viva Energy and Coles Express to jointly participate in marketing and loyalty programs to build sales growth, and continue to work together to expand the fuel and convenience network operated under the Alliance
- The new arrangements ensure Viva Energy is able to develop, introduce and benefit from renewable fuel options in the future
- In consideration of the changed commercial terms and margin foregone, Viva Energy to make a one off payment of \$137 million to Coles Express to be funded by existing debt facilities
- The renegotiated terms are not subject to any conditions precedent and are expected to come into effect in early March 2019

### **Leading Fuel and Convenience Network**

Viva Energy announced today that it has extended the Alliance with Coles Express through to 2029 under new terms which will create greater alignment between the parties and will position the Alliance for future growth.

Under this revised agreement Viva Energy will assume full responsibility for the provision of the fuel offering, including retail fuel pricing and marketing across the Alliance network from early March 2019. This will allow Viva Energy to provide a more consistent fuel offer across the Shell branded network, improve competitiveness, and better optimise its extensive nationwide supply chain and refining businesses.

Coles Express will continue to operate the stores and provide a leading convenience offer under the Coles Express brand. The convenience market continues to grow and offers revenue and income growth opportunities through a combination of traditional convenience offerings and new opportunities. These include 'food to go' and 'click and collect' which leverage Viva Energy's high quality retail service station network.

Together, the Alliance is Australia's largest single branded and operated fuel and convenience network and we see considerable opportunities to further grow and expand this business together under a renewed Alliance agreement.

### **Viva Energy and Coles confirm their commitment to the Alliance**

Scott Wyatt, Viva Energy CEO, said "Today's announcement signals a significant step forward in our long standing Alliance with Coles Express. Together, we represent Australia's leading fuel and convenience offer and we look forward to growing the Alliance with Coles Express in the years to come. I am excited by the benefits these new arrangements will enable us to deliver for both our customers and our shareholders."

Steven Cain, Coles Group CEO, said "We believe the benefits of the new agreement are compelling for all customers, team members and shareholders. We look forward to jointly working with Viva Energy to re-establishing the Alliance as Australia's leading petrol and convenience retailer."

### **Greater Alignment will lead to Growth**

Under the new agreement, Viva Energy and Coles Express have amended various commercial arrangements in order to leverage each party's core competencies, improve customer value, and position the business to capture future growth opportunities. As part of these changes:

- Viva Energy to be responsible for the development and marketing of the fuel offer, including the development and introduction of potential renewable fuel options in the future. Viva Energy to receive both the wholesale and retail margin on all fuel/energy sales across the Alliance network and Coles Express to receive a commission per litre on fuel sales to support the fuel offer.
- Coles Express to be responsible for operating the stores, developing and providing the convenience offer, and managing the customer experience. Viva Energy to receive an enhanced royalty on convenience sales and will continue to receive lease and licence fees associated with Coles Express' right to occupy the sites.
- Viva Energy and Coles Express to jointly participate in marketing and loyalty programs to leverage the full capability of both organisations and ensure that customers experience a consistent and compelling offer when visiting the Alliance network. Coles Express to continue operating and funding the successful shopper docket program, and flybuys will continue to be accepted at the Alliance network.

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Together, Viva Energy and Coles Express aim to grow Australia's leading fuel and convenience network and these changes will be fundamental to delivering on this vision.

### **New Arrangements support significant reinvestment**

Following a transition of these new arrangements, Viva Energy expects to reinvest acquired margin over the remainder of FY2019 to improve the competitiveness of our fuel offers, progress a range of new marketing initiatives, and restore sales growth through the Alliance platform. Coles will continue to invest in growth of the convenience offer including 'food to go' and 'click and collect'.

Viva Energy reaffirms 1H2019 Prospectus forecast Underlying EBITDA (RC) for Retail of \$321.9 million, and expects the 2H2019 Retail Underlying EBITDA (RC) result to be in line with 1H2019 resulting in a full year earnings uplift of 5.7% above the expected FY2018 Retail Underlying EBITDA (RC) result of \$608.8 million (unaudited). For reference, Viva Energy's total fuel volumes achieved in FY2018 were 14,046 million litres, ahead of the guidance provided in November 2018 of between 13,875 million litres to 13,945 million litres.

Over the medium term, Viva Energy aims to restore Alliance volumes to 70 million litres per week and then grow to over 75 million litres per week as programs mature. Given Viva Energy's improved share of fuel margin under the revised terms of the Alliance outlined in this announcement, both volume and improved margin are expected to underpin future growth in Retail earnings.

To provide greater certainty and support long term investment in the business, the new terms provide for an orderly transition and transfer of the business upon expiry or termination of the Alliance, including payments for the transfer of certain elements of working capital and fixed assets on an agreed basis (in replacement for existing provisions contemplating payment for a business transfer, or transfer of the properties at end of the alliance).

As part of this revision, certain provisions relating to termination of the Alliance have been amended to re-set volume thresholds and to remove termination rights relating to retail and wholesale prices that are no longer relevant to the new agency arrangements. New termination provisions have been agreed in the event a substantial re-branding of the fuel network occurs, or with reference to the sustainability of the convenience and fuel agency business over an extended period.

As a result of the amendments to Alliance terms and fuel margin foregone by Coles Express, Viva Energy will make a one off payment of \$137 million to Coles Express in March 2019 to be funded by existing debt facilities. As at 31 December 2018, Viva Energy had no net debt (excluding finance leases).

The renegotiated terms are not subject to any conditions precedent and are expected to come into effect in early March 2019.

Viva Energy's FY2018 Full Year result is expected to be announced on 27 February 2019.

## Conference Call

Viva Energy management will today be hosting a conference call to discuss this update:

Date: Wednesday, 6 February 2019

Time: 10:30 am (AEDT)

Dial-in Details			
Conference ID:	5478179		
Participant Numbers			
Participants can dial either of the numbers below to join the call. You will need to quote the conference ID provided above. To ask questions, you will need to dial *1 on the telephone keypad.			
Participant toll:	+612 8038 5221		
Participant toll free:	1800 123 296		
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	800 908 865	Singapore	800 616 2288
Japan	0120 994 669	United Kingdom	0808 234 0757
New Zealand	0800 452 782	United States	1855 293 1544

## Notes

- References to the Prospectus are to the to the Prospectus dated 20 June 2018 and released to the ASX on 13 July 2018.
- Viva Energy reports segment information on a “replacement cost” (RC) basis. See section 4.3.1 of the Prospectus for a description of the difference between “historical cost” (HC) and “replacement cost” accounting. See further the description of the accounting policy for “Inventories” in Appendix C of the Prospectus.

## Further enquiries:

### Media Enquiries

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### Investor Relations

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### **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 more than 1,200 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](http://www.vivaenergy.com.au)