

Caltex Investor Day

31 October 2018



CALTEX

Retail hype video



Welcome and Introduction



Richard Pearson

Executive General Manager Retail



Introducing The Team



Richard Pearson
EGM Convenience Retail



Prasad Kholkute
GM Retail Fuels



Helen Moore
GM Convenience
Development



Karen Bozic
GM Retail Operations



Miles Drury
CFO Retail



Viv Da Ros
CIO



Has Fakira
Head of Digital



Caltex Retail is primed for growth

Strong Base

Caltex Convenience Retail is underpinned by a stable and profitable fuels business with exceptional network strength

Growth Opportunity

Changing customer expectations offer a significant opportunity for Caltex to grow

Well Progressed

We are making good progress to realise this opportunity having trialled unique innovative formats, we are taking back operational control and we have built capability

\$120-\$150m Uplift

We have a clear plan to deliver a \$120-\$150m earnings uplift within a disciplined capital investment program

Woolworths Partnership

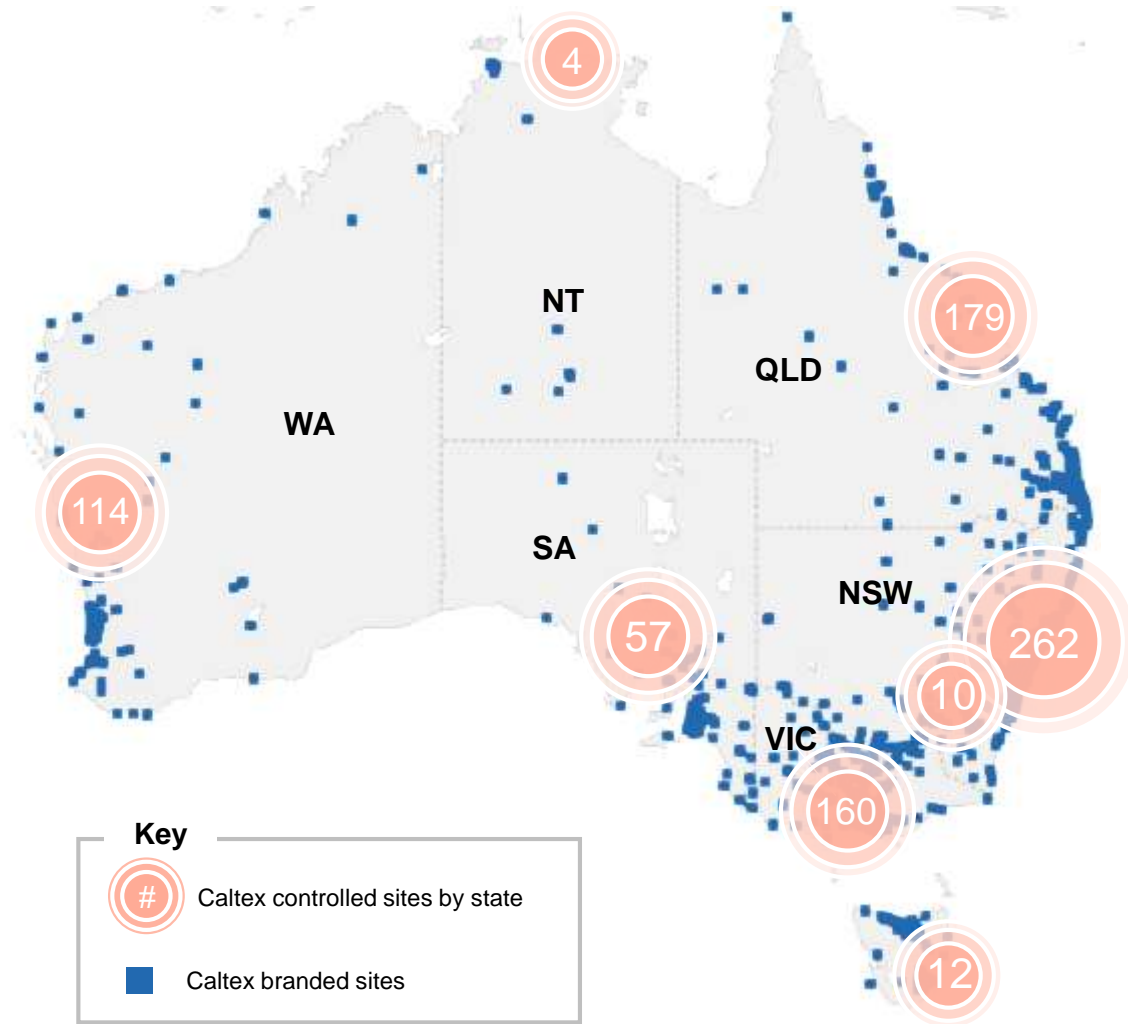
Our new partnership with Woolworths will accelerate capability and de-risk execution



Strong Base: a stable and profitable fuels business with exceptional network strength

| | |
|-------------------|---|
| \$823m | 2017 Fuels and shop margin |
| ~1,770 | Branded sites |
| 483 | Company operated sites today (798 controlled sites) |
| ~70,000 | StarCard customers with ~900K StarCard users |
| ~3 million | Transactions each week |

- ✓ Network of prime sites
- ✓ Margins backed by Caltex supply chain scale
- ✓ Highly cash generative segment

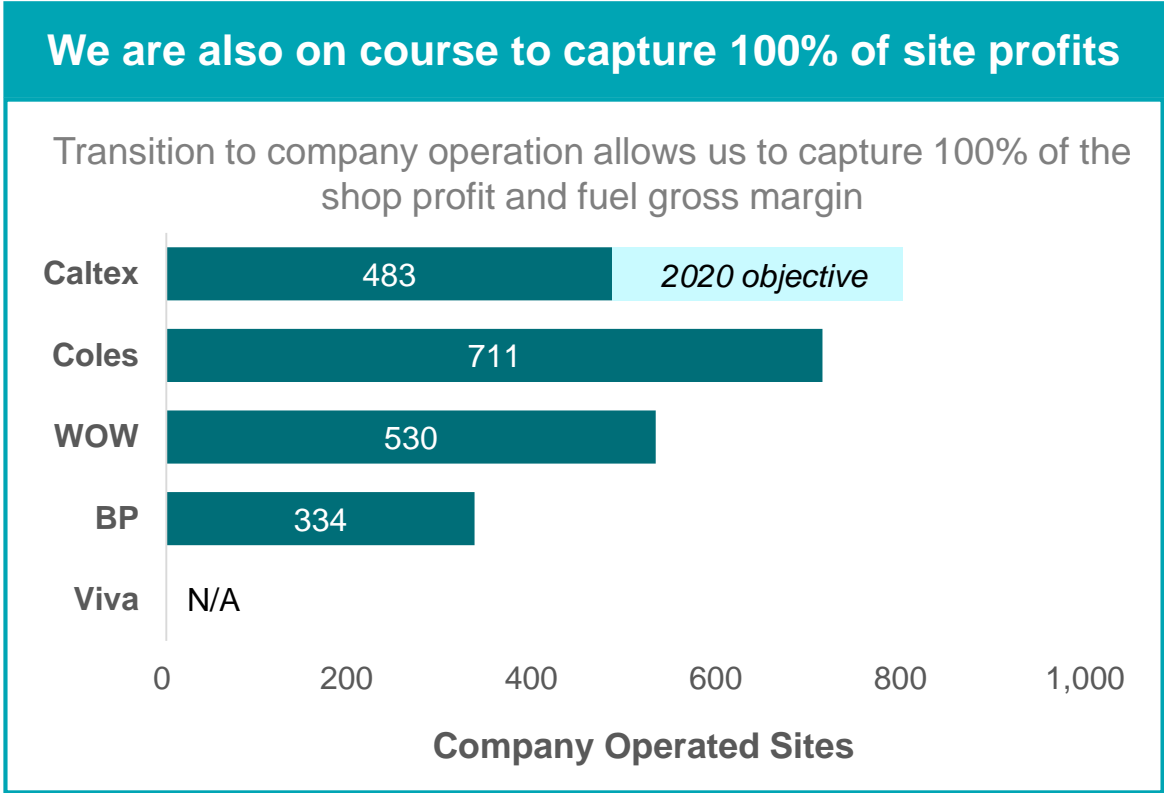
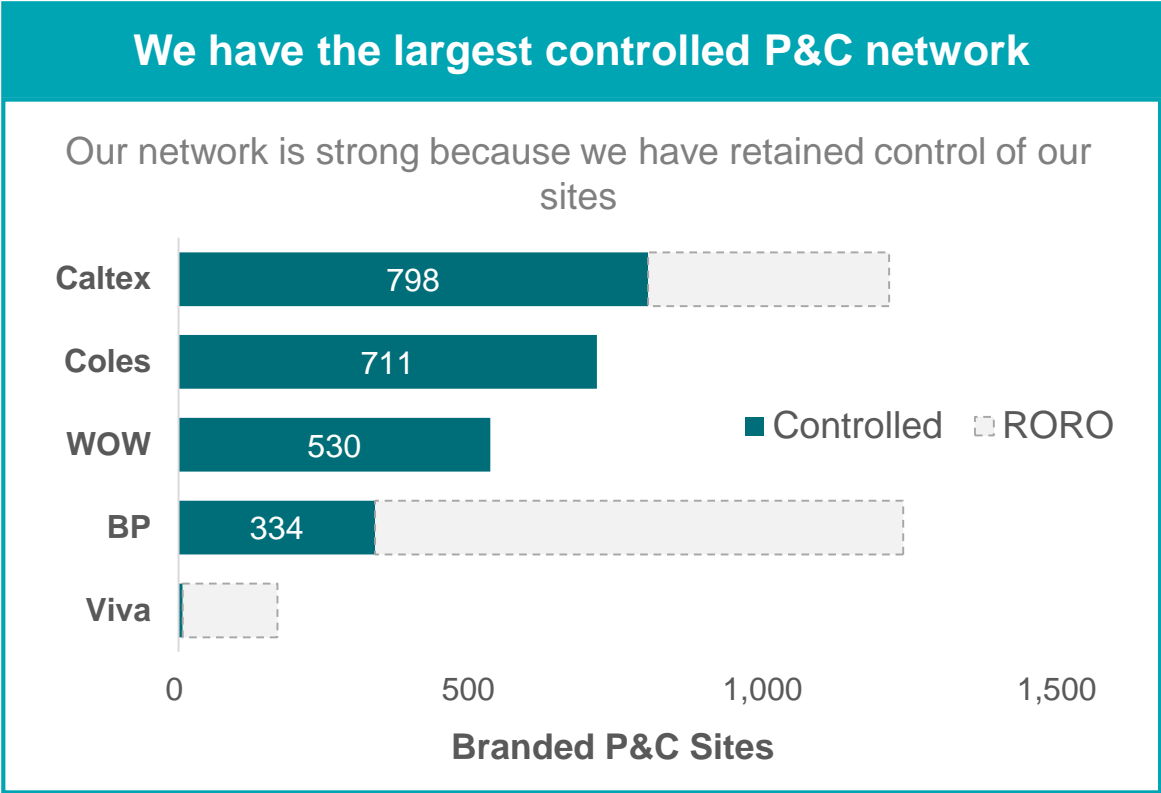


"798 controlled sites includes diesel stops

"Controlled" sites are locations where Caltex can determine how the site is operated by virtue of control of the lease or ownership of the freehold, or sites that are neither owned or leased but are operated under a franchise arrangement of which there are 9.

Our network strength is a significant advantage in realising the convenience opportunity

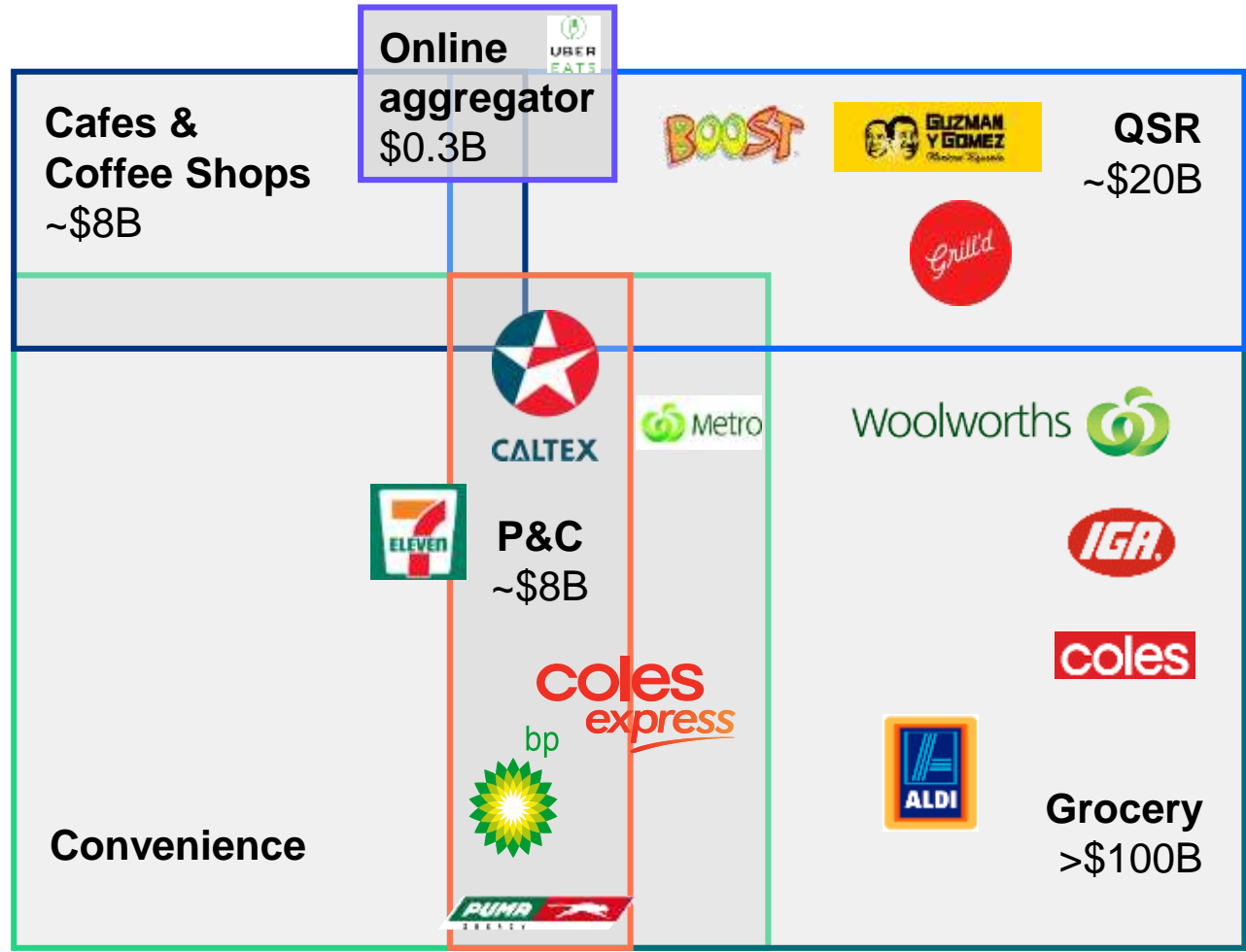
Transitioning to company operation enables consistent execution of our offer and accelerated roll out of our strategy



“Controlled” sites are locations where Caltex can determine how the site is operated by virtue of control of the lease or ownership of the freehold, including 9 sites that are neither owned or leased. RORO = Retailer owned, retailer operated. These sites carry a brand but are wholly controlled by a third party retail operator.

SOURCES: ACCC Merger Register (Aug 2017), Wesfarmers Quarterly Results (1Q19), Woolworths Annual Report (FY18)

Growth Opportunity: High potential opportunity for Caltex to grow our convenience business



Australian P&C market today:

- Broader opportunity extends beyond just P&C convenience segment
- Convenience is competitive, but is also growing
- Australian market is underdeveloped versus international benchmarks
- Caltex's network, customer base, and evolving offer sees it uniquely placed to win



SOURCES: IBISWorld, AACs

Well Progressed: many of the building blocks are in place, execution is key



**Format
Development**



**Capability
Build**



**Site
Control**



**Commercial
Separation**



**Woolworths
Partnership**

\$120m-\$150m Financial Uplift: clear plan to deliver with disciplined capital approach

To be delivered from

- New sites and formats increase sales, margin and fuel volume
- QSR increases customer traffic, sales and margin
- Woolworths partnership increases sales, fuel volume, margin, reduces supply chain cost and increases loyalty
- Labour productivity to offset cost increases
- Network optimisation will increase returns from all sites including those in the lowest profit quartile
- Conservative fuel profit growth assumed
- Prudent capital discipline to ensure a >15% EBIT ROCE from required capex for delivery

Execution via clear accountability framework, governed by definitive process and KPIs



Woolworths Partnership: Prioritising to strengthen and accelerate retail strategy



| | Overview | 2019 Milestone |
|-------------|---|--|
| Convenience | <ul style="list-style-type: none">▪ Offer to leverage the knowledge and expertise of both Woolworths and Caltex▪ Target of 250 sites over 5 years, with gates to ensure appropriate returns▪ Opportunity to improve other formats through the collaboration | <ul style="list-style-type: none">▪ Co-creation process underway▪ Initial sites targeted to open in 1H 2019 |
| Wholesale | <ul style="list-style-type: none">▪ Access to Woolworths' buying power and broader range of products | <ul style="list-style-type: none">▪ Woolworths deliver some grocery categories via Caltex supply chain |
| Loyalty | <ul style="list-style-type: none">▪ Core partner with opportunity to target 11 million plus Woolworths Rewards members | <ul style="list-style-type: none">▪ Loyalty Earn and Burn active by mid year. |
| Redemption | <ul style="list-style-type: none">▪ Increasing Caltex sites offering Redemption from 104 to 229 to attracted price conscious segment of market | <ul style="list-style-type: none">▪ Redemption (4cpl fuel discount) @ 125 additional sites in 2019 |
| Fuels | <ul style="list-style-type: none">▪ Strategic benefits of retaining the volumes while maintaining Caltex's position as the largest importer of fuel into Australia. | |



Retail Fuel Leadership

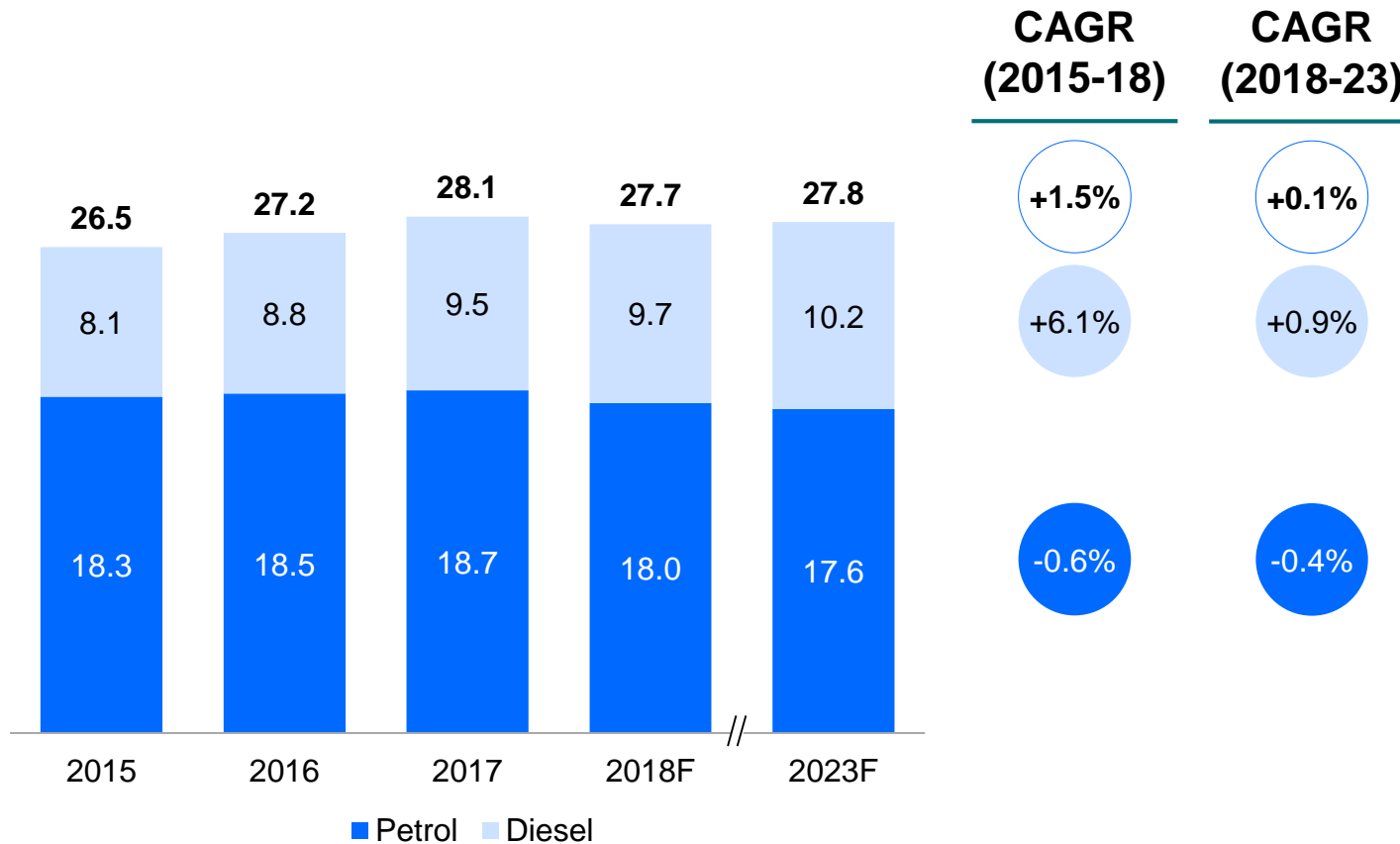
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Prasad Kholkute
GM Retail Fuels



Australian retail fuel market is large, profitable and stable through the cycle

Australian Retail market volumes expected to remain relatively flat in near term



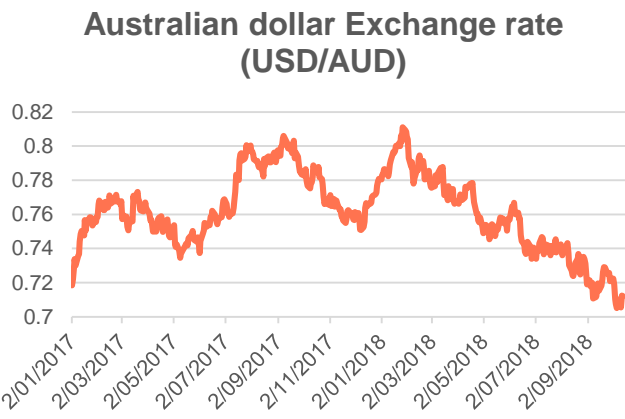
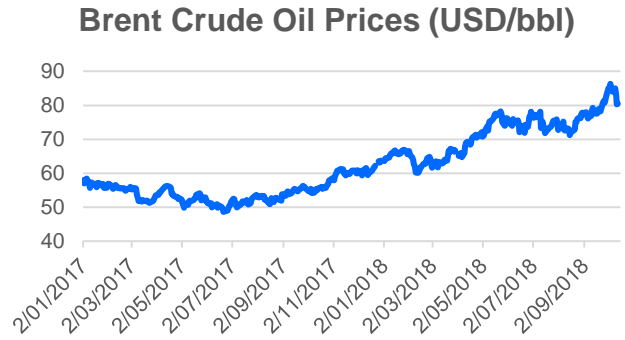
Caltex's strengths

- The fuels business provides the majority of earnings today, with earnings mix to become more balanced over time
- It has historically been very stable in terms of margins and volumes
- The value proposition is based on network coverage, location strength and fuel quality
- Margins well supported by Caltex's supply chain scale and capability

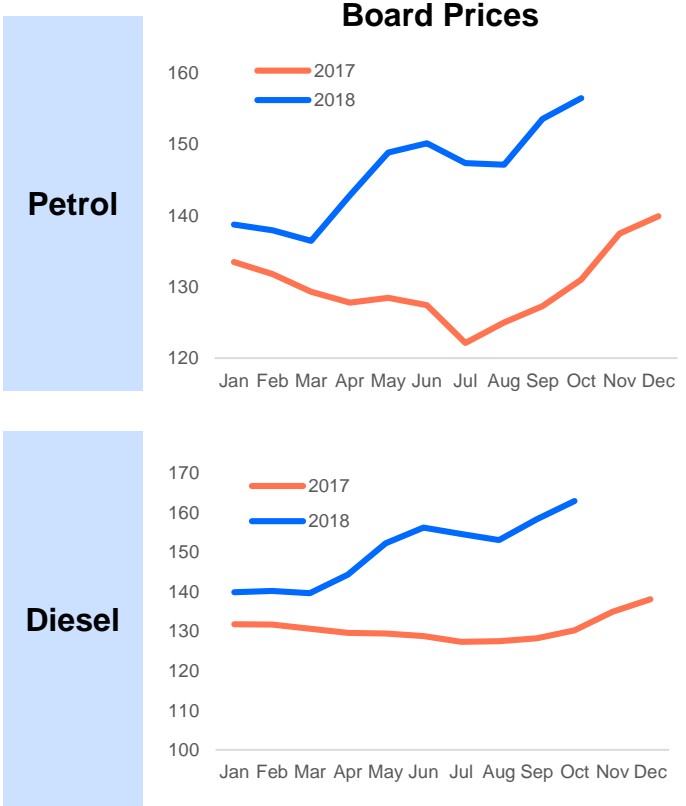


Currently a challenging point in the cycle owing to combination of factors

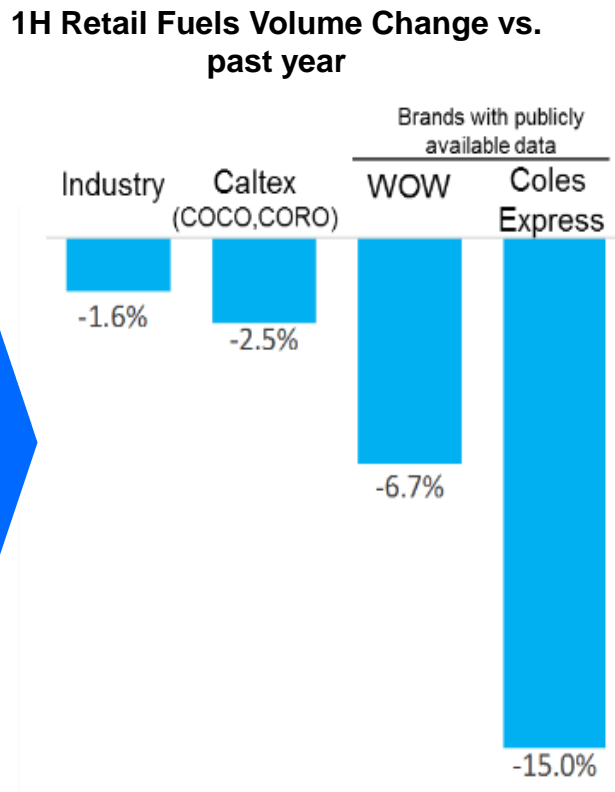
Adverse Macro conditions...



...lead to record board prices...



...which has impacted demand



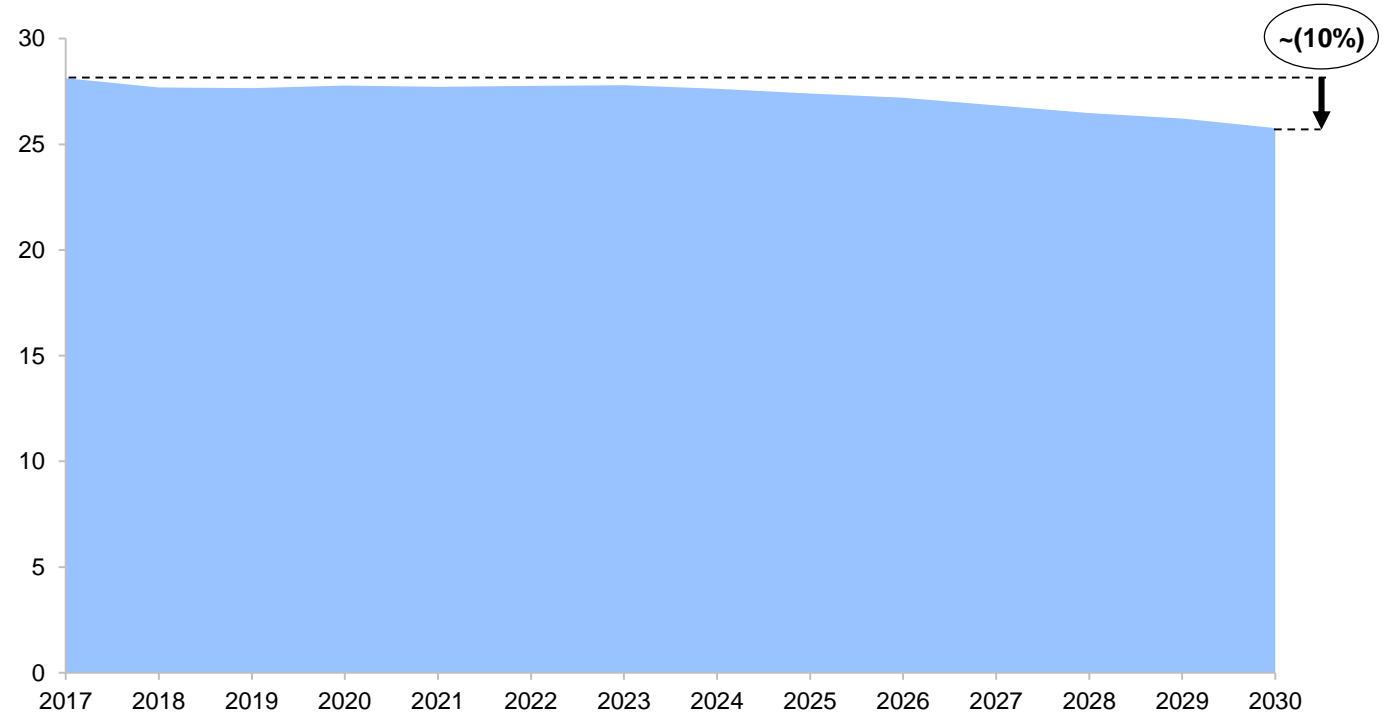
Source: Bloomberg

Board prices national level, all brands
Source: Informed Sources

Source: Department of Energy, Woolworths and Wesfarmers
Quarterly results reports

While the fuel outlook for light vehicles remains relatively flat in the near term, longer term outlook may face declining demand

Medium Term Fuels Outlook Australia – Light Vehicle Fuels (BL)



Key Drivers

- ↑ **Growing fleet** of light vehicles in Australia
- ↓ **Ongoing improvements in fuel efficiency** of internal combustion engines (ICE)
- ↓ **EV uptake** is expected to gradually accelerate in the medium to long term but is not expected to have a material impact in short term

Key risks that may materially impact the outlook include:

- Changes in government policies
- Technology breakthroughs (i.e. EV)
- Changes in social preferences



Sources: APS, ABS, Internal Caltex analysis
Note: 1. 2017 based on total automotive gasoline and diesel sales to retailers per APS

Network strength will allow Caltex to benefit from longer term mobility trends

Caltex has always adopted a proactive approach to alternate fuels, as it aims to remain the leader in Australian transport fuels, whatever they happen to be.

- 2015 - Installed Australia's first CNG refuelling site at Tullamarine in Victoria
- 2016 - became a founding member of Hydrogen Mobility Australia, an industry group focused on commercialisation of hydrogen technologies
- Plans in place to trial hydrogen refuelling
- Commercial market expected to emerge for EV recharging stations in Australia, although this remains some way off for now

With our large network of sites we are ideally placed to capture this opportunity as and when it emerges



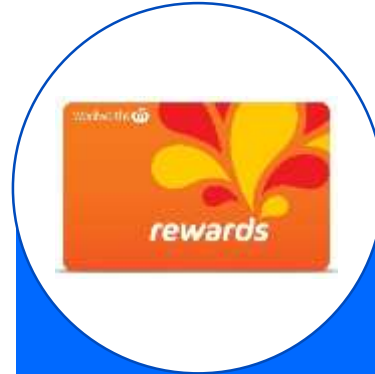
Caltex has unique levers to maintain market leading position



**Integrated
Supply chain**



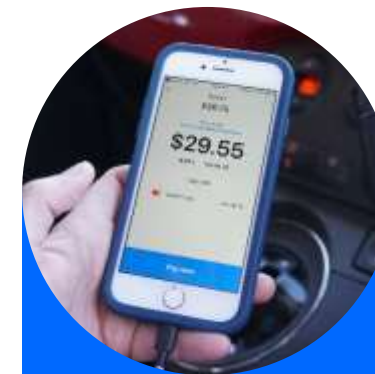
StarCard



**Loyalty,
Redemption
and
Partnerships**



**Pricing
Capability**



FuelPay



**Format
Innovation**



Developing market leading Convenience Retail formats



Helen Moore
GM Convenience
Development



Convenience sector opportunity driven by favourable consumer trends

CONSUMER TRENDS - FAVOURABLE

- **Craving convenience:** consumers shop more frequently, with smaller baskets
- **'On the Go' fresh and ready to eat:** rise in fresh products, take-away food and ready to eat meals
- **Clicks and bricks:** increase in smartphone/internet use and online shopping

AUSTRALIAN MARKET - UNDERSERVED

- **Per capita convenience spend** in the UK, Japan and the USA is **2 – 3x greater** than in **Australia**, though supermarket density in Australia is higher
- Gap driven by difference in the **offerings, geography, demographics, cultural factors** and **supermarket density**
- **Only \$1 in every \$5** spent on Convenience is spent in P&C channel

Largest Category Shifts for P&C 12 months to Aug-18



Take Home Food
+27%



On-the-Go Food
+13%



Tobacco
+7%



Ready to Drink
+3%



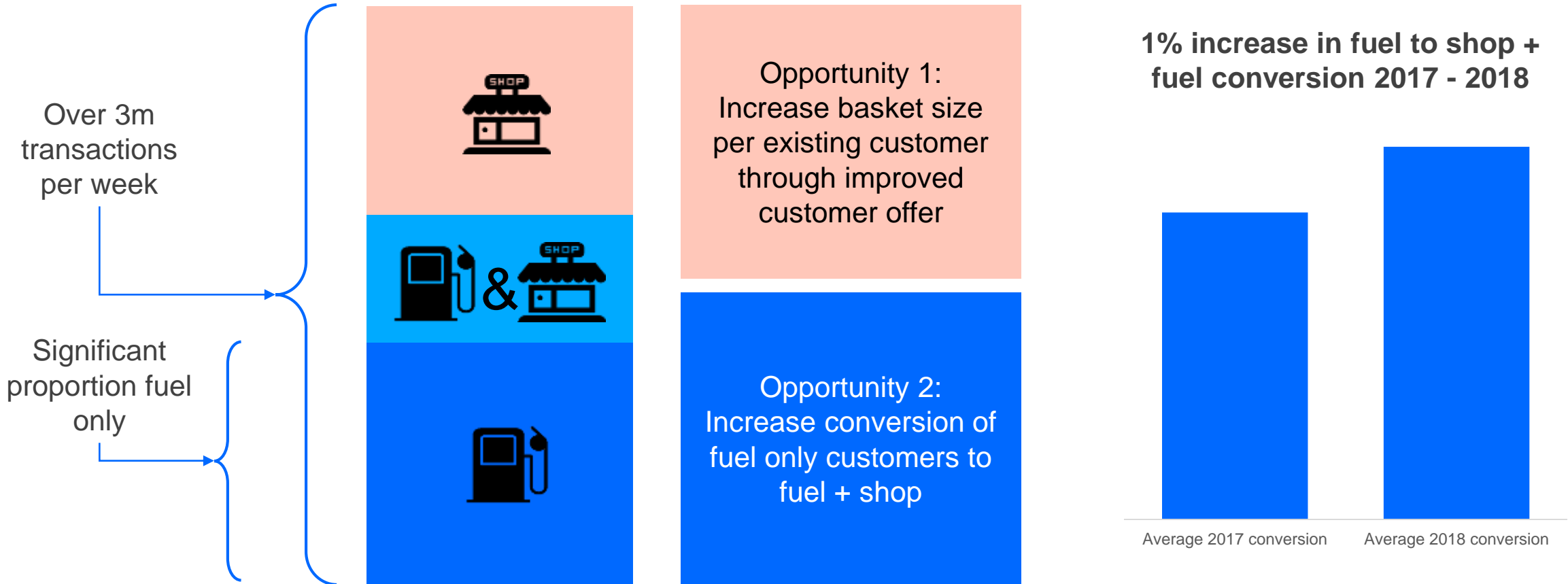
Telecomms
-15%



Opportunity: leverage existing transactions to drive incremental earnings

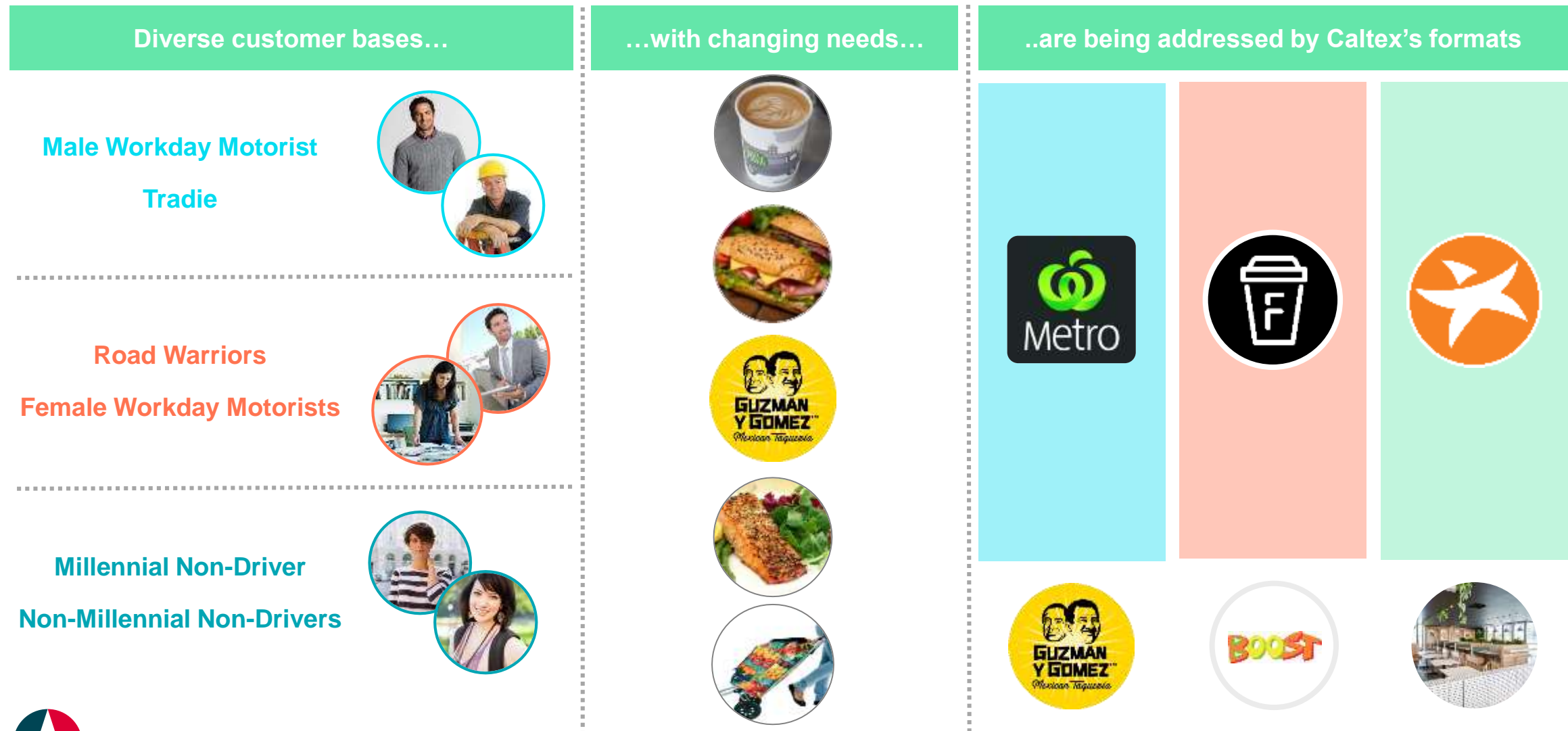
Our significant existing customer base provides a direct opportunity for material earnings growth

Existing network transaction composition







Note: Indicative analysis - assumes 100% company operated network and leverage of existing cost structure

Our format strategy is customer needs led



Formats have been designed to extend across our varied network

| |  |  |  |  |
|--|---|---|---|---|
| Brand | Metro | The Foodary | Starmart | Other |
| Customer Proposition | Top Up Shop Food for Now Food for Later Barista Coffee QSR | Barista Coffee Food for Now Convenience QSR | Self-Serve Coffee Food for Now Convenience | |
| Indicative shop sales uplift | Target > Foodary | 38%+ | | |
| Existing Site Characteristics (Typical) | | | | |
| Typical sales floor area | 100-150m ² | 80-100m ² | | |
| Average sales pre-conversion | \$50k | \$30k | | |

PRIORITY FORMAT



Format roll-out subject to Return on Capital hurdles

Metro is our priority market-leading retail concept



A little bit of good everyday, just got easier



- ✓ Top-up shop
- ✓ Food for now
- ✓ Food for later
- ✓ Brand recognition
- ✓ Value promise



INDICATIVE



- ✓ Strong network
- ✓ Fuel offer
- ✓ Convenience offer
- ✓ The Foodary learnings
- ✓ QSR



Stores will look very different to achieve the Metro offer and desired uplifts



What you can expect to see:

- ✓ Range density
- ✓ More chilled space
- ✓ Less storage / office space
- ✓ Easy payment solutions
- ✓ Forecourt congestion solutions
- ✓ Range tailored to shopper missions

A typical Metro Caltex site:

- ✓ Population density
- ✓ Strong traffic flows
- ✓ Larger trading floor area
- ✓ Strong historic performance (fuel & shop)
- ✓ Neighbourhood shopping need
- ✓ Suitable highway / transit locations



Partnership involves a period of co-creation, Caltex to retain operational control

Key Elements of Partnership

Co-Creation

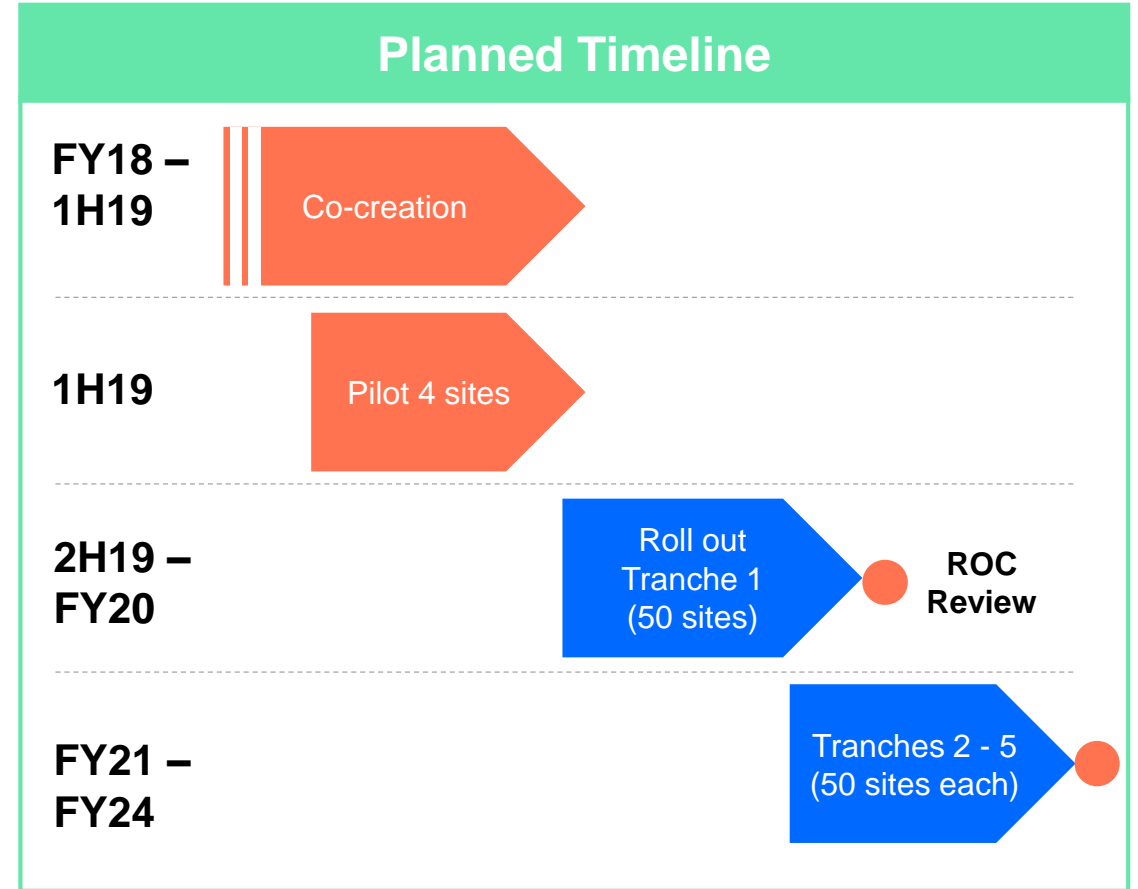
- Range development
- Format development
- Brand execution
- Site selection
- Logistics solution

Caltex retains operational control

- Development of sites
- Range / price / promotion decisions
- Operation of sites (P&L)

Economics

- Royalty paid after sales and margin are higher than Foodary threshold
- Improved buying power



Underpinned by:

LOYALTY

REDEMPTION

WHOLESALE

The Foodary will remain integral to our format strategy

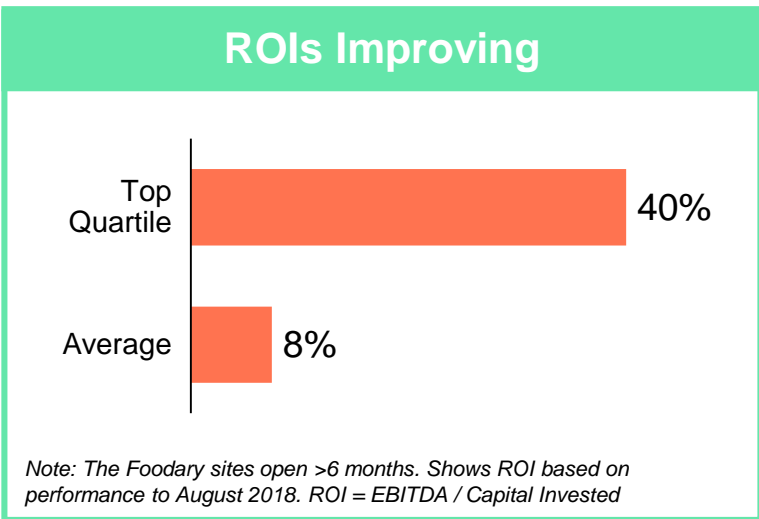
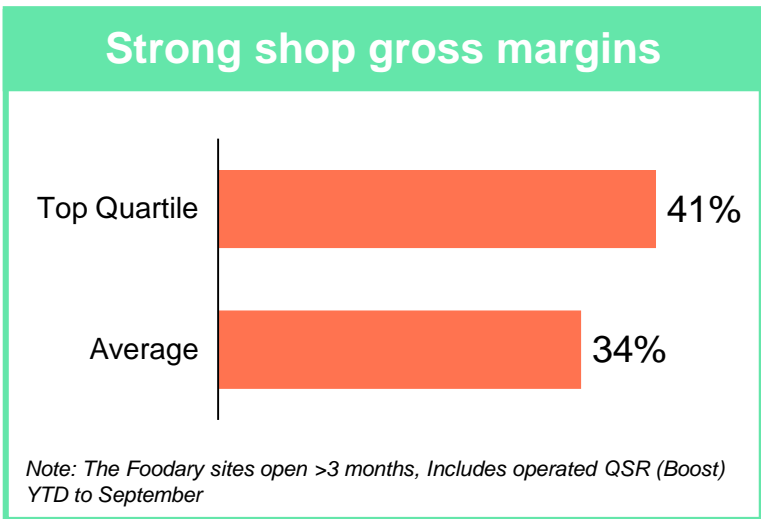
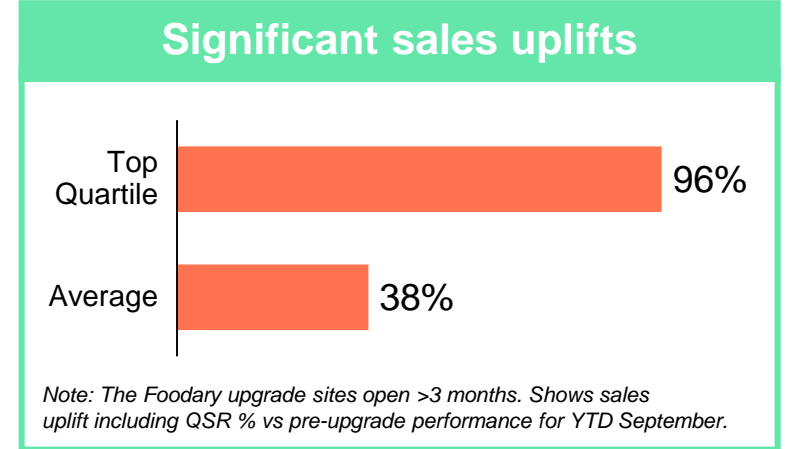
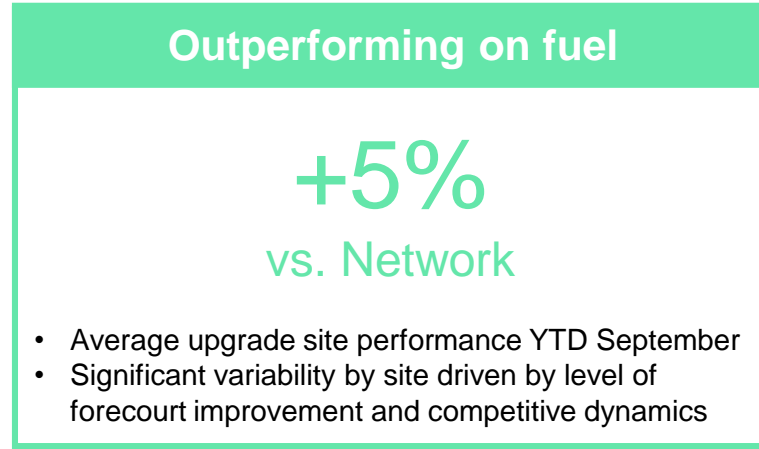
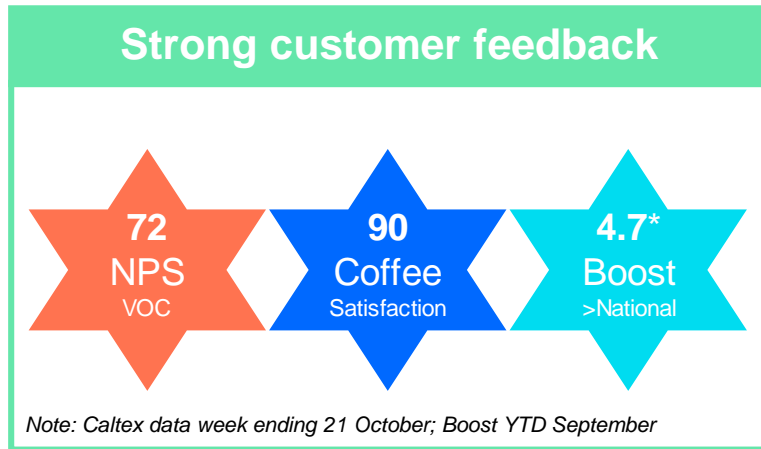


The Foodary is a significant step forward in transforming our retail business

51 sites




Results to date confirm the opportunity, greater consistency will be achieved in the future



- ROI is calculated based on performance to date for sites operating >6 months (35 sites). On average sites have been open for only 9 months
- Given ramp up experienced during Year 1, we expect ROIs to continue to improve as performance stabilises into Year 2
- Of the 35 sites, 11 are currently outperforming ROI expectations and the majority of the remainder we expect to deliver returns over time
- We have clear performance plans in place by site to improve profit over time




Making The Foodary ready for further roll-out



Getting the format right for each site

- ✓ QSR
- ✓ Coffee / fresh first
- ✓ New fresh equipment
- ✓ “Cafe” look & feel
- ✓ Forecourt refresh



Selecting best suited sites


Following selection of Metro sites, we will prioritise

- ✓ Bigger sales / fuel base
- ✓ High traffic
- ✓ Less competition / amenity
- ✓ Close to schools (Boost)



Execution

- ✓ Right range
- ✓ Right team
- ✓ Store standards
- ✓ Local marketing



Addressing cost structure

QSR is integral to successful retail formats

Drives Traffic

Strong Profit Margin

Incremental Sales

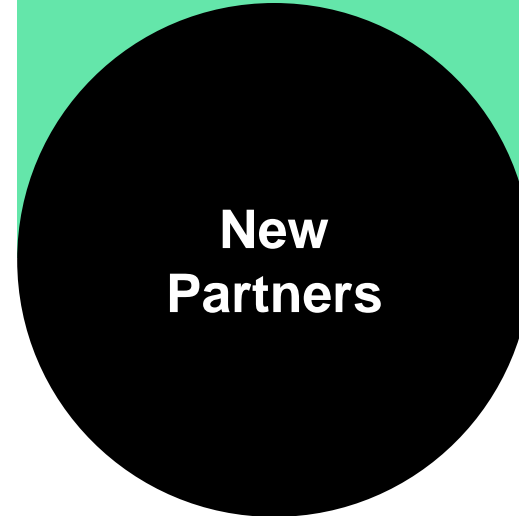
Strong ROCs

CALTEX
OPERATED

GYG
OPERATED

IN-HOUSE
HOT KITCHENS

ADRESSING DIFFERENT
DEMANDS



Future format plans shifting to execution



Convenience Retail operational capabilities



Karen Bozic
GM Retail Operations



Caltex is progressing in reshaping & enabling our Convenience Retail offer



*2020 objective

Redefine our offer with clear points of difference - drive customer perception, sales and profitability

Reset the Core Offer



4% growth YoY in transactions

Clear Points of Difference



Meal Deal sales more than double YoY

Leading Fresh Food Offer



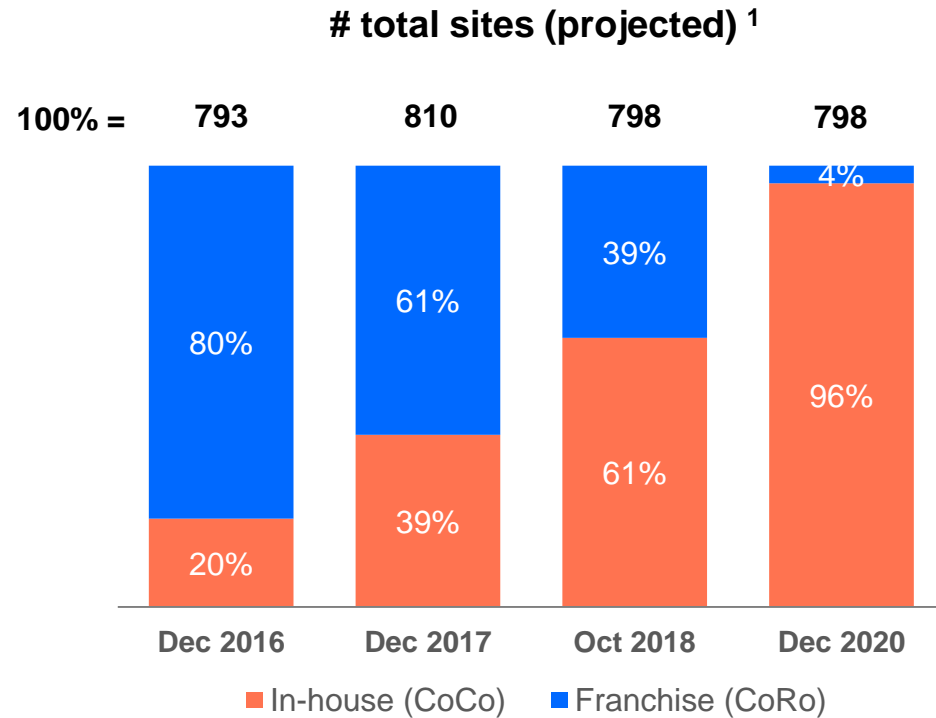
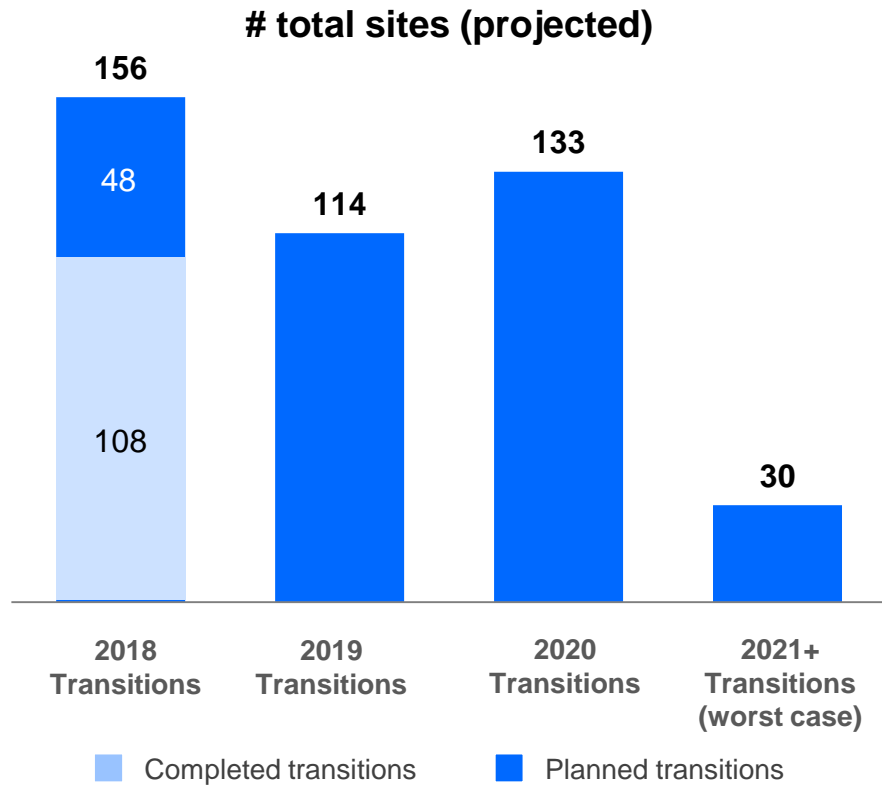
Caltex Fresh sales growth YoY 34%

Control our network – at least 96% of sites company operated by 2020

Company operation is a key enabler of our Retail Strategy

87% of sites have agreed transition dates

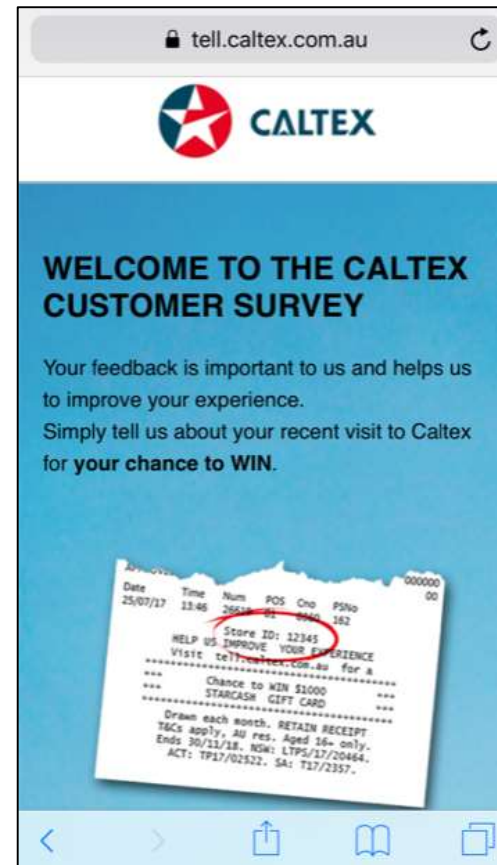
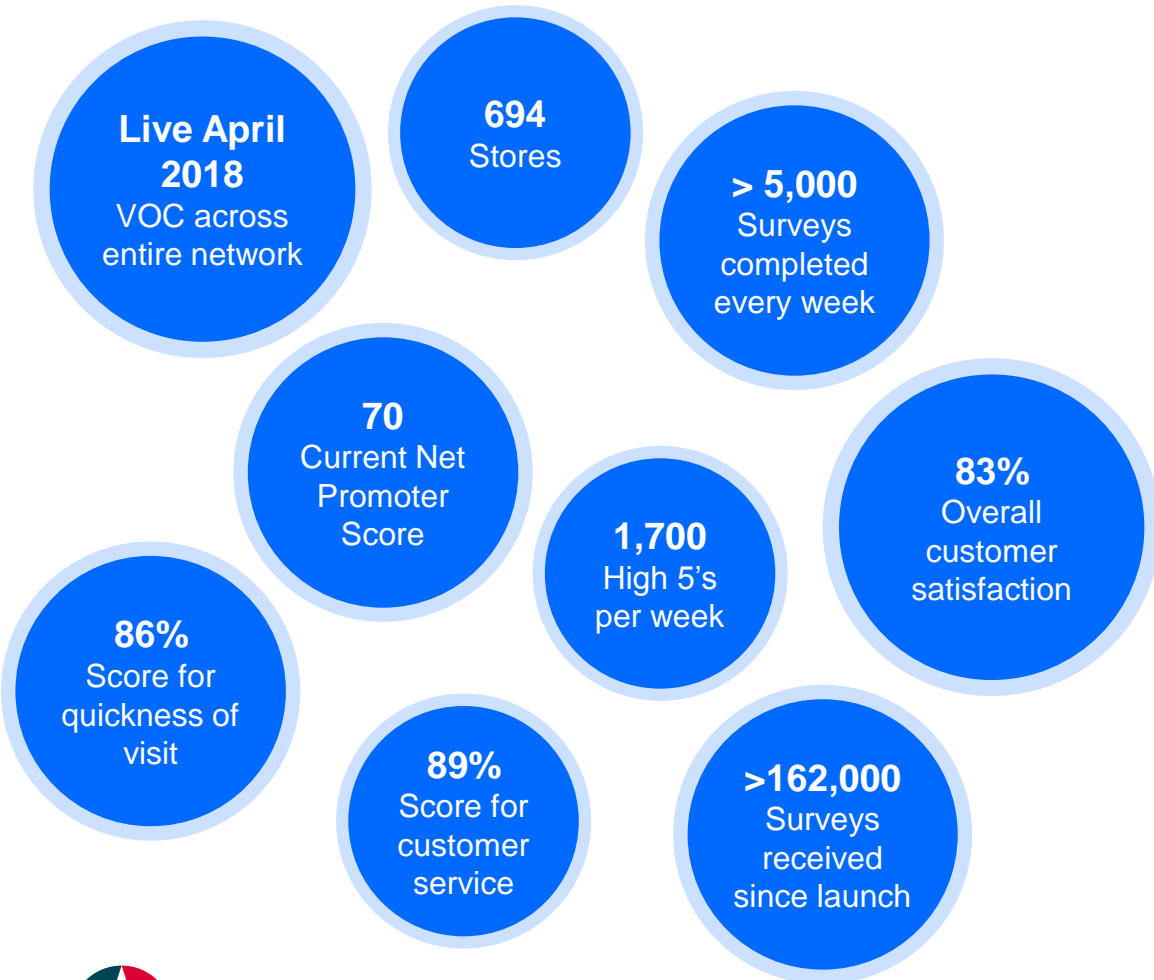
End 2020 >96% Caltex owned



¹ Excludes diesel stops, Nashi sites

Building a customer-focused retail culture

Net Promoter Score & Voice of Customer: Driving customer advocacy and satisfaction to drive sales



Engage and Develop Our Team

Building retail capability and connecting with our team to win

Listen to and Engage our team

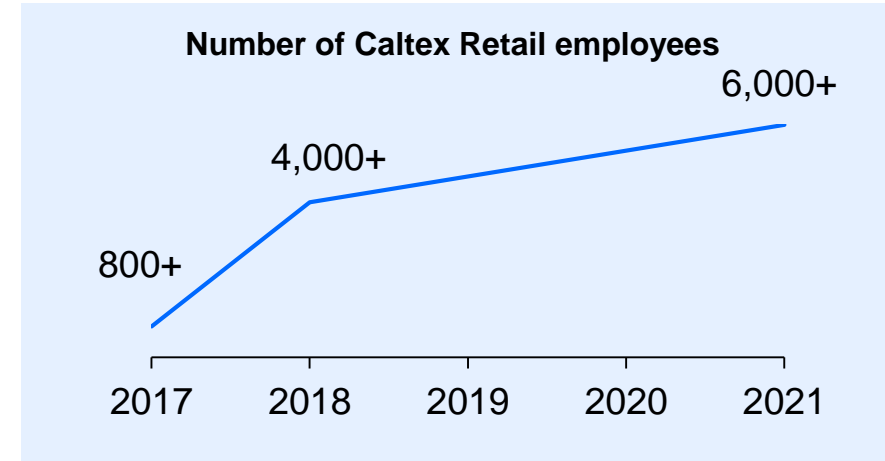
- Strengthen cross-functional planning
- Revisit store communication
- First Convenience Retail end to end conference

Recognise our team

- Reward and recognition programs
- Dash-boarding and reporting shared across teams
- Celebrate recognition on internal platforms

Develop our Team

- Focused retail training
- Development for high potential team members
- Refresh key learning modules
- Focus on safety training



Optimise labour management

Significant opportunity exists to optimise labour management

| | 2018 | 2019 - 2020 | 2021 |
|--------------------------|---|--|---|
| Initiatives | | <ul style="list-style-type: none">Develop team capabilityUpgrade workforce tool (Kronos)Develop labour standardsRe-engineer rostersLabour rate improvementSimplify how we do things | <ul style="list-style-type: none">Leverage technology investmentFurther simplify across value chainRefine store operating model |
| Phase | Labour Management Foundation Optimisation of Process and Technology | | Finesse and Leverage |
| Benefits Realised |  |  |  |



Accelerate supply chain capability

- Caltex has built a dry goods supply chain for majority of stores, and is expanding temperature controlled capability
- Multi-temperature supply now live in SA and Vic.
- Woolworths partnership is an opportunity to accelerate supply chain capability
- Win:win - Caltex to be foundation customer for WOW convenience supply chain



The building blocks of growth



Richard Pearson
Executive General Manager Retail



\$120m-\$150m Financial Uplift: clear plan to deliver with capital disciplined approach

Three core drivers of growth

| | |
|---|--|
| 1 Network development | <ul style="list-style-type: none">▪ Control our existing sites▪ New site investment |
| 2 Increase site sales density / margin | <ul style="list-style-type: none">▪ New formats (Metro/Foodary)▪ QSR▪ Woolworths partnership |
| 3 Control costs | <ul style="list-style-type: none">▪ Network optimisation▪ Labour optimisation▪ Above store costs |

Clear KPIs established

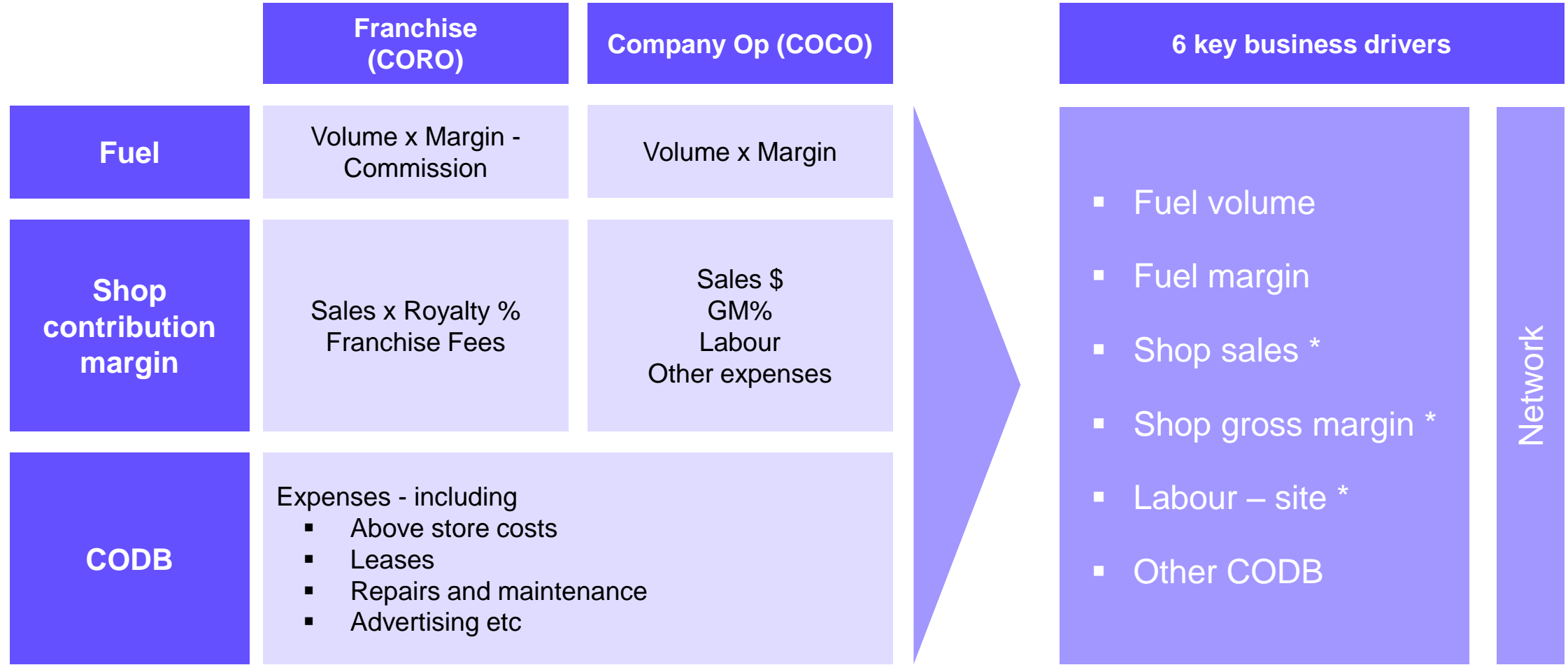
- Clear pathway and metrics for success established
- Tracking and reporting on progress

Capital Discipline Paramount

- Rollout ALWAYS subject to return thresholds
- Metro agreement also includes return hurdles



The way in which Caltex makes money from Retail is changing



Note: At present, in Caltex's financial reporting, fuel commission continues to be deducted from fuel margin and reported as income in shop contribution margin to maintain comparability as CORO sites transition to COCO sites

* Growing significance with network transition

Drivers of future financial performance

| | | | |
|----------------------|----------------------------|--|---------------------------------|
| Fuel volume | <1% CAGR | <ul style="list-style-type: none"> ▪ Network growth, format innovation and loyalty offer offset market decline | More impacted by market factors |
| Fuel margin | ~1% CAGR | <ul style="list-style-type: none"> ▪ Focus on premiumisation, but historic trend of margin expansion flattens | |
| Shop sales | 5-7% CAGR | <ul style="list-style-type: none"> ▪ Significant growth driven by network growth, format innovation, QSR, loyalty offer | Less impacted by market factors |
| Shop gross margin | +5% pre QSR | <ul style="list-style-type: none"> ▪ Consistent expansion on mix shift to higher margin categories and better COGS (inc WOW). QSR sales at materially higher margin | |
| Labour | 5% reduction as % of sales | <ul style="list-style-type: none"> ▪ Absolute \$ growth on switch to COCO, but reducing as % of sales given labour management strategies and sales growth leverage | |
| Other CODB | <3% | <ul style="list-style-type: none"> ▪ Growth given leases, sales growth, inflation but tight management of controllables | |
| Network optimisation | ~\$20m EBIT | <ul style="list-style-type: none"> ▪ Developing program focused on operations and efficiency of 4th quartile sites | |
| Capex | | <ul style="list-style-type: none"> ▪ Capital deployed to deliver 15% plus ROCE | |

Convenience Retail Wrap



Richard Pearson
Executive General Manager Retail



Convenience Retail Key Messages

Caltex Retail is primed for growth

Strong Base

**Growth
Opportunity**

**Well
Progressed**

**\$120-\$150m
Uplift**

**Woolworths
Partnership**



Convenience Retail 2019 Deliverables



Deliver sustainable profits by optimising value & volume



Foodary consolidation and revisit in 1H19 prior to recommending further roll out in 2H19



Implementation of the first phases of the Woolworths partnership



Continue to progress transition to company operation

Digital and Technology Strategy



Viv Da Ros

CIO

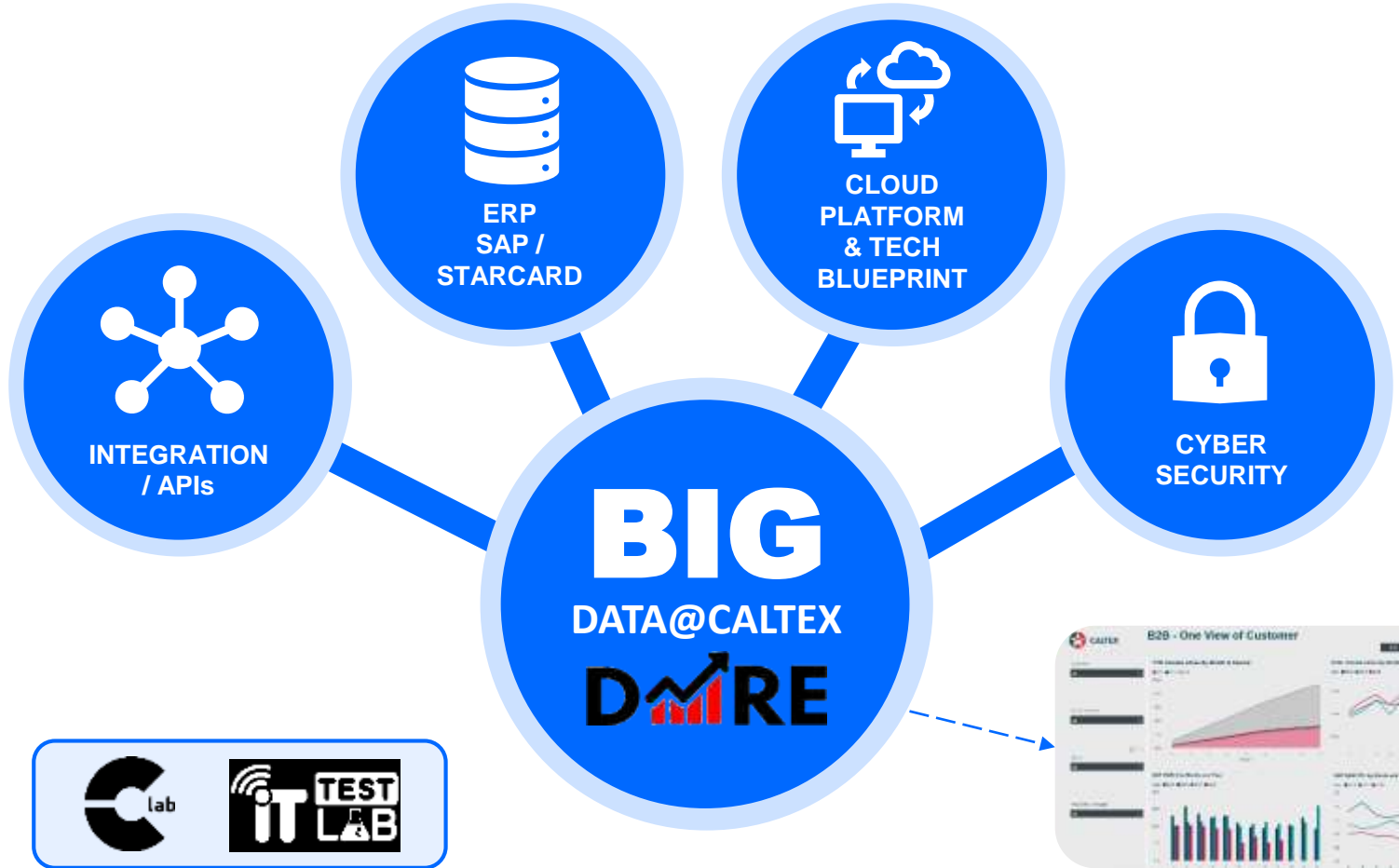


Enabling technologies at Caltex

RUN

GROW & TRANSFORM

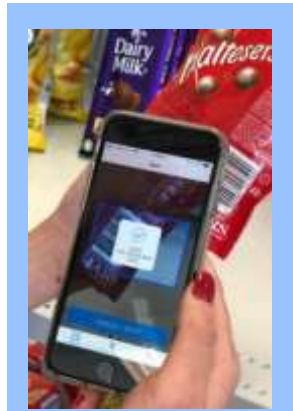
- Application Monitoring & Alerts
- Application Redundancy & Fail Over
- End User Experience
- Regulatory Compliance
- Service Excellence (Operation Efficiency)
- Application Re-platforming
- Automated End of Day Processes
- Standardised Collaboration Toolset



Innovation at Caltex – Think Customer Experience, Drive Operational Efficiency



DIGITAL TRANSFORMATION



Mobile Scan

FuelPay

FuelPay®
3 taps is all it takes.

Open App Enter Pump Pay

1 > 2 > 3



Express Lane Trial

Fuel Delivery Drivers' App

Caltex Team App

Automation

Self Checkout

Innovation & Emerging Initiatives

Refinery Tablet Apps

Fuel Pay TV adverts



Fuel Pay 1



Fuel Pay 2



Q&A



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Thank You