23 August 2021

FINANCIAL RESULTS FOR HALF YEAR ENDED 30 JUNE 2021

Ampol Limited (ASX:ALD) today announces its financial results for the six months ending 30 June 2021.

1H 2021 Result	Half year ending 30 June	
	2021 ($M)	**2020 ($M)**
Fuels & Infrastructure (excluding Lytton) EBIT*	159	171
Lytton EBIT	49	(59)
Fuels & Infrastructure (F&I) EBIT	**208**	**112**
Convenience Retail (CR) EBIT	**149**	**125**
Corporate	**(18)**	**(16)**
Group RCOP EBIT**	**340**	**221**
RCOP NPAT (Parent)***	**205**	**120**
Inventory Gain/(Loss) post tax	139	(434)
Significant Items Gain/(Loss) post tax	(18)	(312)
HCOP NPAT (Parent)***	**326**	**(626)**

** 1H 2021 includes FX gain of $25 million, 1H 2020 includes FX gain of $29 million*

*** Adjusted for rounding*

**** Attributable to the members of the parent entity*

Key points

- Strong recovery in Group RCOP EBIT to $340 million from improved Lytton earnings, including the Temporary Refining Production Payment (TRPP) of $40 million and further growth in International and Convenience Retail EBIT
- HCOP NPAT of $326 million supported by improved RCOP NPAT and inventory gains. Material reduction in Significant items further aided comparisons with the prior corresponding period
- Lytton refinery review concluded, with government package to support Australia's fuel security and energy transition and help generate an appropriate return on capital from continued operations
- Total fuel volumes sold up 11% to 11.05BL
- Future Energy and Decarbonisation Strategy launched to underpin the development of new energy solutions for customers
- Completed $300 million Off Market Buy-back, releasing $119 million in franking credits
- Interim dividend of 52 cps (fully franked) declared, representing a 61% payout ratio of 1H 2021 RCOP NPAT (excluding significant items).

Matt Halliday, Managing Director and CEO, said: "The first half of 2021 has been pivotal for Ampol. We finalised our Lytton review, with a commitment to continue operating to support the dual objectives of fuel security and energy transition in partnership with government. In addition, the launch of our Future Energy and Decarbonisation strategy provides a pathway to build new lower emissions energy solutions for our customers into the future.

"The business also continues to perform strongly as we execute the delivery of our growth strategies in challenging conditions. In addition to improved performance in our core Australian fuels business, we continue to grow earnings in our International and Convenience Retail businesses in line with our earnings growth targets.

“The rebrand is also progressing well and our retail and wholesale customers are responding positively to the re-establishment of the iconic Ampol brand.

“As we work through the impact of current lockdowns, the first half has shown demand and sales recover quickly when restrictions lift and has demonstrated the high operating leverage of the business. This underscores the importance of an ongoing successful rollout of the vaccine program so the nation can focus on economic recovery.”

Fuels & Infrastructure (F&I)

F&I delivered RCOP EBIT of $208 million in 1H 2021, an increase of $96 million or 85% compared to 1H 2020, largely due to the improvement in profitability of the Lytton refinery and receipt of the Federal Government’s Temporary Refining Production Payment of $40 million.

As expected, the F&I ex-Lytton RCOP EBIT result declined primarily due to a reduction in earnings from Trading and Shipping as the elevated imported volumes in 2020 were replaced by Lytton refinery production this half. Successful execution of the International growth strategy saw F&I International RCOP EBIT grow to $60 million, up 15%. The 1H 2021 result also includes $25 million of foreign exchange gains compared with $29 million for the same time last year.

Lytton RCOP EBIT increased by $108 million to $49 million, including $40 million from the Federal Government’s TRPP. Refinery production increased to 3.0BL for the half, up from 2.0BL in 1H 2020 that included the T&I. Lytton refiner margin improved to US$5.90/bbl but remained below historical averages.

Total Australian fuel sales volumes were 6.5BL in 1H 2021, 6% lower than the 7.0BL in 1H 2020, as net wholesale supply sales in Brisbane declined due to competitor supply chain decisions and jet fuel sales fell due to the full half impact of COVID-19 border restrictions. International sales volumes increased by more than 50% versus the same time last year due to Gull expanding its retail network, strong growth in Trading and Shipping third party sales including a new end customer in the Pacific region and the benefit of the Houston Trading and Shipping office operations.

Convenience Retail (CR)

CR delivered RCOP EBIT of $149 million in 1H 2021, compared to $125 million RCOP EBIT in 1H 2020. The result reflects continued improvement in shop performance and the $14 million benefit of lower depreciation due to the impairment of Convenience Retail sites recognised at 30 June 2020. These factors helped to offset compressed fuel margins during the period.

Total CR fuel sales volumes were 2.05BL in 1H 2021, 3% higher than 1.99BL in 1H 2020, up 5% on a like-for-like basis. This included double digit growth in the second quarter compared with the same period affected by the COVID-19 national lockdown in 2020, illustrative of the post lockdown recovery potential. Despite higher volumes, earnings from fuel sales declined due to diesel margins lagging movement in crude prices.

Shop performed strongly during the period, with a 6.3% increase in like-for-like shop sales and a clear focus on cost management.

Our focus on optimising the network saw the closure of 8 marginal sites during the half. Combined with divestments and transfers to alternate operators the controlled network size reduced by 6.3% compared with the same time last year.

Following the successful pilot launch of the rebrand program in 2H 2020, a total of 389 sites have been rebranded as at 30 June 2021. $18 million of rebranding expenses (after tax) have been recognised as a significant item in the HCOP NPAT result for the half. The rebranded sites have performed well, with key performance indicators for these sites in line with or slightly up compared to benchmark.

Balance sheet

Net borrowings at 30 June 2021 were $735 million, compared with $434 million at 31 December 2020, reflecting the $300 million Off-market Buy-back during the period.

Our liquidity position remains strong, with committed undrawn facilities of $2.0 billion. Leverage at 30 June 2021 was 1.6x Adj. Net debt / EBITDA below the bottom of the target range of 2.0x – 2.5x.

Interim dividend

The Board has declared a fully franked interim dividend of 52 cents per share, which represents a 61% payout ratio of 1H 2021 RCOP NPAT (excluding significant items).

The record and payment dates for the interim dividend are 6 September 2021 and 23 September 2021 respectively.

The Board and Management maintain their commitment to the Capital Allocation Framework in assessing growth opportunities and in returning surplus capital to shareholders.

Market conditions and outlook[1]

Since the end of the first half, COVID-19 lockdowns, including the ongoing prolonged lockdown of Greater Sydney, have impacted fuel demand and shop performance. CR fuel volumes were down 15% in July 2021 and down 18% in August to 15 August 2021 versus the prior corresponding period. Gasoline demand has been most impacted, with diesel remaining more resilient. Australian wholesale volumes have performed well, up 2% in July 2021 compared to the same time last year. Uncertainty on the timing of when restrictions will ease is making forecasting full year Australian volumes difficult. Current run rate suggests Australian volumes will be below the previous guidance range of 13.5 to 14.0 billion litres.

Changes in consumer behaviour are reversing the good momentum from the first half with shop sales down 16% in July 2021 and 17% in August to 15 August 2021, versus the same time last year.

Looking beyond current lockdowns, the market has shown that demand and sales recover quickly when restrictions ease and there are signs that retail margins are providing a partial offset to the volume weakness.

Vaccination rates and the resultant easing of COVID-19 restrictions and continued execution of our strategies should provide positive earnings momentum. Combined with Ampol's significant operating leverage, this means we are well placed to benefit from the recovery when it occurs, supporting a positive medium-term outlook.

Ampol remains on track to deliver $195[2] million EBIT uplift by 2024, from our Convenience Retail and F&I International EBIT growth strategies.

We will also continue to build foundations for the orderly energy transition by working with our customers, focusing on a targeted set of energy and decarbonisation themes. This includes our plan to roll out fast charging bays to ~100 sites across our national retail network by September 2023, with the support of an ARENA Future Fuels Fund grant.

Webcast and conference call

Ampol is hosting an investor call to discuss its 1H 2021 results at 10.00am (AEDT) on 23 August 2021.

To participate in the call, pre-registration is available via https://s1.c-conf.com/diamondpass/10014592-m8rn3d.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.

[1] Current market conditions remain challenging with ongoing lockdowns and community transmission of COVID-19. All forward looking statements are provided on the basis that the vaccination roll out continues and COVID-19 restrictions ease towards the end of 2021.

[2] EBIT uplift on a base of 2019, from CR shop contribution, F&I International and $40 million cost-out delivered in 2020.

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