20 February 2023

AMPOL'S STRONG INTEGRATED SUPPLY CHAIN DELIVERS RECORD EARNINGS AND DIVIDENDS

Key points

- Record Full Year RCOP EBIT[1] of $1,316.5 million, up 124 per cent, including $1,269.0 million from Continuing Operations[2] (which excludes Gull contribution)
- Statutory NPAT[3] of $795.9 million, an increase of 42 per cent compared to 2021
- Historically high refining margins converted to earnings through reliable operating performance
- Best Convenience Retail earnings in five years, up 37 per cent compared to 2021
- 28 per cent growth in RCOP EBIT for Fuels and Infrastructure (Ex Lytton and Future Energy) on a continuing basis
- Z Energy performing in line with investment case, synergies progressing to plan
- Delivered non-fuel RCOP EBIT uplift target two years ahead of schedule
- Final ordinary dividend of 105 cents per share declared. Full year ordinary dividends of 225 cents per share, fully franked, representing a 70 per cent payout ratio for the full year
- Additional special dividend of 50 cents per share declared, taking total dividends to 275 cents per share, fully franked, and a total of $655 million declared for 2022, or 86 per cent of RCOP NPAT

	Year ending 31 December^			
Financial Results	**2022 Group ($M)**	**2022 Continuing[4] ($M)**	**Restated Group 2021 ($M)**	**Restated Continuing 2021 ($M)**
Group RCOP EBITDA[5]	**1,764.0**	**1,705.5**	**958.6**	**873.1**
Depreciation and Amortisation	(447.5)	(436.5)	(372.1)	(353.5)
Lytton EBIT	*686.7*	*686.7*	*158.7*	*158.7*
Fuels and Infrastructure (Ex Lytton and Future Energy) EBIT	*244.9*	*197.4*	*221.2*	*154.3*
Future Energy EBIT	*(31.1)*	*(31.1)*	*(6.9)*	*(6.9)*
Fuels and Infrastructure EBIT	900.5	853.0	372.9	306.0
Convenience Retail EBIT	347.2	347.2	253.7	253.7
Z Energy Underlying RCOP EBIT	*197.4*	*197.4*	-	-
Purchase Price Accounting adjustments	*(72.8)*	*(72.8)*	-	-
Z Energy EBIT[6]	124.6	124.6	-	-
Corporate EBIT	(55.8)	(55.8)	(40.1)	(40.1)
Group RCOP EBIT (Excl significant items)	**1,316.5**	**1,269.0**	**586.5**	**519.6**
Interest	(182.7)	(177.7)	(112.7)	(104.7)
Non-controlling interest	(51.1)	(51.1)	(37.5)	(37.5)
Tax	(319.9)	(308.0)	(102.6)	(79.6)
RCOP NPAT (Attributable to Parent) – Excl significant items	**762.9**	**732.3**	**333.7**	**297.8**
Inventory Gain/(Loss) after tax (incl. externalities realised FX)	(90.1)	(89.3)	250.7	248.7
Significant Items Gain/(Loss) after tax	123.1	84.5	(24.4)	(25.4)
Statutory NPAT (Attributable to Parent)	**795.9**	**727.5**	**560.0**	**521.1**

Notes: ^ Adjusted for rounding. The 2021 RCOP results under the new methodology exclude externalities foreign exchange gain of $44.7 million (before tax) and $31.3 million (after tax). The applicable AUD/USD exchange rate for 2022 was 0.6942 and for 2021 was 0.7509.

Ampol Limited (ASX/NZX:ALD) today announces its financial results for the twelve months to 31 December 2022.

CEO Comments

Matt Halliday, Managing Director and CEO, said: “2022 has been another very successful year for Ampol as the integrated supply chain combined to deliver a record financial result and supported the declaration of record shareholder dividends.

“At the same time, we are continuing to deliver on our strategic priorities. The rebrand to Ampol is now complete, we have achieved the Convenience Retail non-fuel RCOP EBIT uplift target ahead of schedule and the acquisition of Z Energy has delivered on our international growth ambitions. We remain disciplined with our allocation of capital, prioritising shareholder returns as we strive to get the balance right between core business optimisation and targeted investment in the energy transition to meet the evolving needs of our customers.

“These outcomes were supported by strong operational performances and the dedication of the entire Ampol team who have continued to deliver for our customers while responding to the challenges caused by the rebalancing of global energy markets, extreme weather events and COVID outbreaks.”

Fuels and Infrastructure (F&I)

Fuels and Infrastructure RCOP EBIT for the Continuing Operations grew to $853.0 million up 179 per cent year on year. Lytton played an important role, delivering an RCOP EBIT of $686.7 million compared to $158.7 million in 2021. Strong operational performance and the ability to secure sufficient crude supply through our international sourcing team, meant Lytton captured the elevated refiner margins available in 2022. As a result, the full year average Lytton Refiner Margin was US$17.86/bbl and total production volume for the year was 6,103 ML.

F&I (Ex Lytton and Future Energy) grew earnings by 28 per cent year on year to $197.4 million, on a continuing basis, capturing the opportunities presented by the prevailing market conditions to the benefit of the Group as a whole. The increase in earnings within F&I reflects the value of Ampol’s integrated operations and the management of risk across the supply chain. Trading and Shipping performed well, undertaking opportunistic sourcing, blending and effective price risk management, as the supply constrained market, particularly for diesel, provided higher margin opportunities. F&I Australia saw growth in aviation volumes as international travel resumed. Margins, however, were impacted by elevated input costs from middle distillate quality premiums and high product freight costs in the aviation business compared to legacy contract pricing. This was counterbalanced by earnings that are reported in the F&I International continuing operations, which more than doubled as it captured attractive opportunities to manage risk and generate earnings. Ampol continues to progressively renew customer contracts on revised terms to reduce exposure to high quality premiums and product freight. The Gull New Zealand divestment completed on 27 July 2022 and is shown as a Discontinued Operation in the Group’s financial statements.

Ampol continued to invest in the energy transition consistent with plans communicated at the start of the year. The Future Energy team achieved several significant milestones including launching AmpCharge and the installation of the first five pilot sites of the ARENA co-funded network. Learnings across other focus areas including electricity, renewable fuels and hydrogen will contribute to Ampol’s ability to transition with our customers over time.

Convenience Retail (CR)

The Convenience Retail business saw consistently improved shop performance throughout the year and benefited from more favourable retail fuel trading conditions in the second half. As a result, it delivered the best result for five years with RCOP EBIT of $347.2 million for the full year, an increase of 37 per cent compared to 2021. 2022 retail network fuel volumes were up 0.5 per cent (on a like for like basis) and average retail fuel margins improved in the second half.

Shop gross margin improved due to enhanced product mix, promotional pricing strategies and reduced waste and shrink. Ampol has now delivered the non-fuel RCOP EBIT uplift target from the 2019 baseline, two years ahead of schedule.

While Convenience Retail benefited from more favourable trading conditions in the second half, this performance demonstrates the value of focusing on network quality and investment returns. The network rationalisation is almost complete with the company controlled retail network reduced to 645 sites by year end. The network rebrand is complete, including the EG sites, with over 1,800 stores now featuring the iconic Ampol brand. The introduction of MetroGo sites has reached the target of 50 stores and work continues with Woolworths to refine this offering based on learnings from the initial rollout.

Z Energy

Eight months of trading from Z Energy post acquisition contributed $124.6 million RCOP EBIT to the Ampol Group result, after Purchase Price Accounting adjustments, and 2.76 billion litres of total fuel sales volume.

Since the closure of New Zealand’s only refinery, Z Energy has made good progress in managing the transition to a full import model with minimal disruption to customers. The exit from the National Inventory Agreement saw Z Energy gain share in the New Zealand market as it benefited from its superior infrastructure position.

The management team continued to progress the synergies and performance improvements outlined at the time of acquisition. To date NZ$22 million of synergies have been delivered in 2022 for an annualised run rate of NZ$55 million.

Balance sheet

Net borrowings at 31 December 2022 were $2,359 million, reflecting the acquisition of Z Energy in May 2022. The strong operating cash flow from Group earnings were partly offset by increased debtors reflecting the year on year increase in sales volume and Australian dollar pricing on a similar days sales outstanding.

The balance sheet is strong with leverage at 31 December 2022 of 1.7 times Adj. Net debt / EBITDA[7].

Capital expenditure for the full year was $406.9 million, in line with guidance provided at the half year results and includes the incremental expenditure by Z Energy net of Gull leaving the Group.

Australian Taxation Office (ATO) Dispute Settled

Ampol has reached a final settlement with the ATO in relation to the Australian corporate tax treatment of earnings by Ampol's Singaporean entities (Ampol Singapore) from transactions with Ampol's Australian entities (Ampol Australia).

The settlement relates to the financial years ended 31 December 2014-22 after Ampol first approached the ATO in 2014 in relation to its operations in Singapore. As a result of the settlement, Ampol will pay a further $5.6 million in tax on earnings between 2014 and 2021, in addition to the $104.1m already paid in relation to these matters. In June 2023, Ampol will pay $48.2 million in tax on earnings in the 2022 financial year in relation to these matters, in line with normal tax payment dates. No penalties have been imposed on Ampol.

As a result of the settlement, a write-back of excess tax provisions totalling $110.2m has been included as a reduction in tax expense in the 2022 full year results and further recognised as a Significant Item. From 1 January 2023 the majority of Ampol Singapore earnings from transactions with Ampol Australia will be subject to corporate income tax at an overall rate of 30%. This is consistent with how the earnings have been treated historically for accounting purposes and therefore will not have a material impact on Ampol's effective tax rate.

Additional information has been provided in a separate release lodged with the Australian Securities Exchange and New Zealand's Exchange today.

Final and special dividend

The Board has declared a final ordinary dividend of 105 cents per share, fully franked. This represents a payout ratio of 86 per cent for the second half and takes full year ordinary dividends to 225 cents per share, representing a 70 per cent payout ratio of 2022 RCOP NPAT. Full year ordinary dividends are at the top of Ampol's stated range and are more than double the prior year's total dividend.

Additionally, the Board has declared a special dividend of 50 cents per share, fully franked, as the Group continues to distribute proceeds from asset sales to shareholders. This takes total dividends declared to 275 cents per share, or $655 million, for the year.

The record date for both the final and special dividends is 6 March 2023 and the payment date for both dividends will be 30 March 2023.

Further capital management initiatives will be considered by the Board during 2023, taking into account the balance sheet strength, market conditions, franking credit balances and investment in growth opportunities in accordance with our Capital Allocation Framework.

Current trading conditions and outlook

Ampol has had a strong start to the year and is well positioned to manage the ongoing volatility in global markets. January 2023 refined product markets were strong, with Lytton realising an US$18.40/bbl refiner margin as gasoline cracks recovered from the lows in 4Q 2022. Australian fuel volumes were up 19 per cent, albeit versus the COVID impacted prior period. Convenience Retail saw improved January trading from both fuel and shop with fuel volumes up 5.6 per cent and shop sales up 0.6 per cent, on a like for like basis, compared to the COVID impacted January 2022. Z Energy's retail fuel and shop sales in January 2023 were temporarily impacted by significant flooding experienced in Auckland that reduced mobility. Notwithstanding this fuel sales were up 28% compared to the prior period which included a COVID lockdown.

Geopolitical factors including Russian sanctions and China product export decisions are likely to continue to influence crude and refined product markets during 2023 and in the medium term, the fundamentals of supply and demand continue to support a tight market for refined product.

F&I (Ex Lytton and Future Energy) is expected to benefit from the COVID recovery, particularly in jet. Quality premiums and product freight remain above traditional levels, with the exposure to these elevated costs reducing as customer contracts renew.

The benefits of the Convenience Retail strategy and network rationalisation are evident in the improved performance to date with the potential for the return of net migration to Australia to be supportive of demand.

Z Energy will contribute a full year of earnings to the Group in 2023, with Ampol's Trading and Shipping operations in Singapore to commence full supply to Z Energy from April 2023 when existing third-party supply agreements expire, enabling supply related synergies to be realised.

For the year ahead, Ampol is focused on finalising its investment decision in the Ultra Low Sulphur Fuels Project at Lytton, progressing highway site upgrades in the Australian retail network and delivering synergies and improved supply chains into New Zealand. At the same time, Ampol will continue to pursue organic growth in its international business, leveraging existing capabilities into adjacent markets, customers and products.

Longer term, Ampol's operations are well positioned to capture opportunities in the liquid fuels value chain. Our balance sheet is well placed to support continued returns to shareholders and appropriate investment in both the core business and the energy transition. The learnings from our Future Energy trials reinforce that Ampol has an important role to play in the energy transition requiring a measured approach to meet the needs of our customers as they evolve.

Webcast and conference call

Ampol is hosting an investor call to discuss its 2022 results at 10.00am (AEST) on 20 February 2023.

To participate in the call, pre-registration is available via https://s1.c-conf.com/diamondpass/10028172-qy3p2u.html or investors can 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.

Notes:

1. *Replacement Cost Operating Profit Earnings Before Interest and Tax*
2. *For reconciliation of continuing and discontinuing results refer to 2022 Full Year Results Presentation dated 20 February 2023*
3. *Net Profit After Tax (Attributable to Parent)*
4. *The result for Continuing operations excludes the contribution from Gull which was divested on 27 July 2022 and is shown as a Discontinued Operation. The gain on sale has been reported in the Statutory result and has had no impact on the RCOP result as it is classified as a significant item*
5. *Replacement Cost Operating Profit Earnings Before Interest, Tax, Depreciation and Amortisation*
6. *Z Energy results were included in the consolidated Group from the acquisition date, 10 May 2022*
7. *All earnings are based on the revised RCOP methodology which removes externalities realised foreign exchange gains and losses.*

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