Convenience retail sector

A research platform of MST Financial

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Driving higher shop margins

The case for QSR in convenience

Australian convenience retailers Ampol and Viva have an opportunity to roll out quick-service restaurant (QSR) counters across their high traffic sites and lift non-fuel margins to be in-line with US peers. Foodservice penetration in the US is an aspirational target for the domestic market, but Australian fuel retailers can grow gross profit per store by tapping into the circa 70% gross margins in QSR. QSR store rollout supports Ampol and Viva's five-year outlook for growing non-fuel earnings, whilst elevated refiner margins are also supportive in the near-term.

Circle K is the convenience benchmark for Australia

In our view, Couche-Tard's Circle K business is the most relevant benchmark for Australian convenience stores. It has a 6% EBIT margin, versus big Australian retail banners at 3%-4%. Australian convenience has higher gross margins, but also higher operating costs. Australia has higher fuel volumes per store, which drives shop sales but convenience retailers tend to under-index in high-margin foodservice categories. Casey's has a greater penetration of stores which support its higher concentration of foodservice sales and shop margins of 40%+. Given Couche-Tard has a similar exposure to foodservice as Australian retailers, this is the most relevant benchmark for Australian convenience retail.

Foodservice under-indexes in Australia

Australian convenience retailers have expanded shop gross margins over the last five years, largely as a function of the declining tobacco sales and improving store mix. Australian convenience under-indexes on foodservice as a mix of sales at 14% versus 29% in the United States. With Ampol approaching 40% gross margins, the opportunity to expand from here may be limited unless QSR counters are rolled out across its high traffic sites.

Valuing a QSR rollout in high traffic sites

Ampol and Viva have opportunities to rollout QSR counters. We see upside of 130 stores for Ampol and 90 stores for Viva. We value the opportunity of a QSR rollout over the next five years at $1.16 per share for Ampol and $0.15 for Viva. The QSR counters could deliver an additional $36 million EBITDA for both companies. Viva's master franchise agreement with GYG in South Australia could be worth at least one-third of the QSR valuation upside.

Earnings outlook for Ampol and Viva

We have lifted our earnings forecasts for Ampol and Viva to reflect higher refining margins for both companies. For Ampol, we have lifted EPS forecasts by 14% for FY25e, 16% in FY26e and 6% in FY27e. We forecast the LRM to settle at US$11.30/bbl in FY27e. For Viva, we lift our EPS forecast by 28% in FY25e, 32% in FY26e and 9% in FY27e. Viva has more debt and hence financial leverage to higher refining margins. We forecast the GRM at US$11.44/bbl in FY27e.

Our view

We lift our target price on Ampol from $33.30 to $36.30. The combination of better refining margins, upside in foodservice and the potential earnings accretion from the EG acquisition make us positive. We lift our rating from Overweight to Buy. We increase our target price on Viva from $2.25 to $2.50. Viva needs to prove its OTR conversions are effective. Even so, the size of its convenience network provides scope to add QSR and lift shop profitability. We retain a Buy rating on Viva.

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Retail sector

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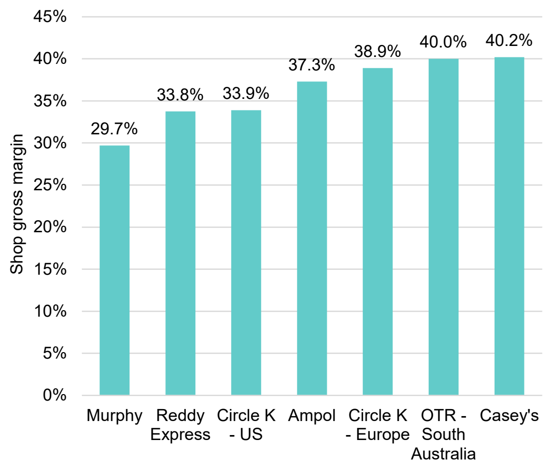
Company	**Ampol Ltd (ALD)**
Rating	**BUY** *(prev Overweight)*
Target price (12 months)	**A$36.30** *(prev $33.30)*
Current price	**A$32.12**

Company	**Viva Energy Ltd (VEA)**
Rating	**BUY**
Target price (12 months)	**A$2.50** *(prev $2.25)*
Current price	**A$2.07**

Figure 1: Gross margin by convenience banner



Source: Company reports, MST Marquee

How big is the opportunity in QSR for Australian convenience?

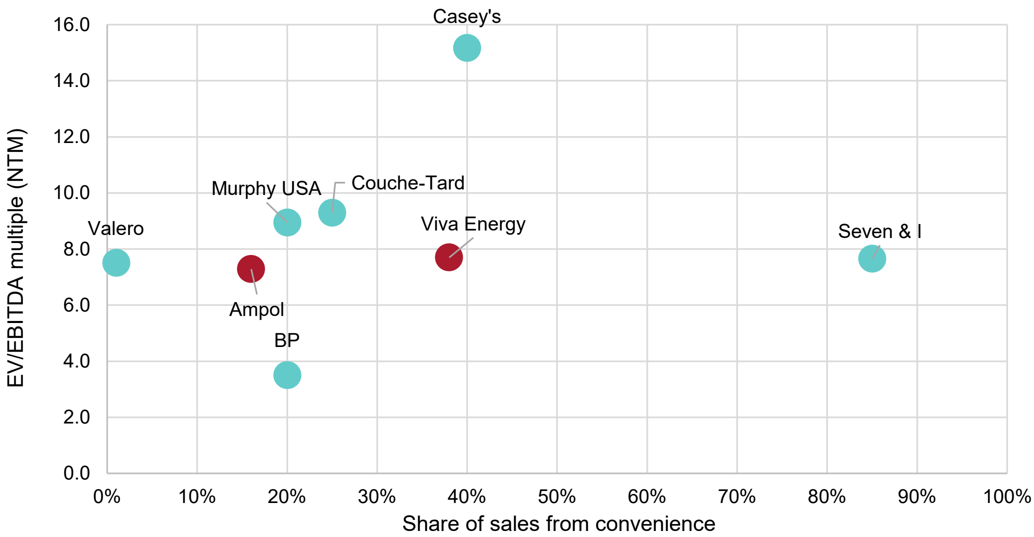
Australian convenience retailers Ampol and Viva have an opportunity to roll out quick-service restaurant (QSR) counters across their high traffic sites and lift non-fuel margins to be in-line with US peers. Foodservice penetration in the US is an aspirational target for the domestic market, but Australian fuel retailers can grow gross profit per store by harnessing 70% QSR gross margins. The QSR rollout underpins the five-year outlook for growing stable, non-fuel earnings, whilst elevated refiner margins are supportive in the near-term.

In this report, we explore the following:

1. Who is the most relevant overseas benchmark for the convenience industry?
2. What is the opportunity in foodservice and QSR?
3. What is the sales and earnings upside from adding more QSR counters?

The chart below shows the relative valuations of the global convenience retailers. While some optimistic commentators look at Casey's as the peer, this is a stretch for Australian retailers given the much smaller QSR offer. We do see more upside for Ampol and Viva from opening QSR counters and as a result, a premium to Couche-Tard is warranted. Currently, on FactSet consensus numbers, Couche-Tard trades on a forward EV/EBITDA of 9.4x. Ampol is at 7.2x and Viva at 7.8x.

Figure 2: Benchmarking Australian convenience valuations with overseas peers



Source: FactSet, MST Marquee

Earnings outlook for Ampol and Viva

We summarise our earnings forecasts for Ampol and Viva in the table below. Both companies should have a strong second-half 2025 and also FY26e earnings year. We have revised up our earnings forecasts to reflect higher refining margins, particularly for diesel. While most of the increase in refining margins looks transitory, some is likely more permanent as capacity reduces in Europe. We discuss our earnings revisions on pages nine and ten of the report.

Figure 3: EBIT and EPS FY23-FY28 - Ampol and Viva

	2023a	2024a	2025e	2026e	2027e	2028e
ALD - EBIT (RCOP)	1,296.6	715.2	964.6	1,096.7	1,124.7	1,138.1
ALD - EBIT growth	2.2%	-44.8%	34.9%	13.7%	2.6%	1.2%
ALD - EPS	309.9	98.0	182.6	216.3	221.0	219.5
ALD - EPS growth	-2.7%	-68.4%	86.4%	18.5%	2.2%	-0.7%
VEA - EBIT (RC)	517.6	508.3	462.5	627.1	597.7	571.0
VEA - EBIT growth	-42.0%	-1.8%	-9.0%	35.6%	-4.7%	-4.5%
VEA - EPS	20.7	16.1	12.6	19.6	18.3	18.3
VEA - EPS growth	-46.4%	-22.2%	-21.9%	55.7%	-6.5%	0.1%

Source: Company reports, MST Marquee

1. The most relevant overseas benchmark for the convenience industry

The Australian petrol-station based convenience store market is mature in terms of store count. However, major operators are looking at new ways to grow shop sales and gross margin. Globally, convenience offers vary widely and may offer inspiration to Australian operators like Ampol and Viva. The reality is that Ampol and Viva's businesses are most comparable to the Circle K offering from Couche-Tard. The aspirational target may be Casey's. However, this convenience retailer has a very elaborate foodservice offering that is difficult for Australian companies to replicate.

Figure 4: Summary of convenience store banner metrics

	OTR South Australia	Reddy Express	Ampol	Casey's	Circle K US
Pop per store	11,688	38,793	43,200	16,000	49,772
Sales per store (A$m)	10.6	8.9	11.4	8.4	9.0
Non-fuel sales per store (A$m)	3.2	1.4	1.7	3.2	2.8
Shop gross margin	40.0%	33.8%	37.3%	40.2%	33.9%
EBIT margin per store	6.1%	2.9%	4.5%	4.9%	6.1%

Source: Company reports, MST Marquee

What is the relevant metric for store performance?

In our view, the key metric for in-store performance is **shop gross profit dollars per store (non-fuel).** Casey's is the standout on this metric with up to a 42% gross margin on in-store sales recorded in the most recent quarter and delivering A$1.3m in non-fuel gross profit per store. Couche-Tard delivers 50% higher gross profit dollars than Ampol on a lower percentage gross margin, a function of sales productivity and average basket size. OTR's South Australia network delivers A$1.3m gross profit per store, on average. The margin expansion driven by Casey's product mix may not be replicable for the Australian retailers given restraints on foodservice kitchens and competitive supermarket pricing.

Fuel remains the primary traffic driver for Australian convenience stores. Ampol's premium fuel strategy reduces the volatility on fuel margins and generates 55% higher average fuel volumes per site than the industry average. There is a heavy emphasis across the industry on growing stable convenience earnings, but likely won't bridge the gap to the US perception of convenience as a neighbourhood supermarket given the geographic spread of people and price differential with supermarkets. Casey's and Couche-Tard do almost double the sales per store as the Australian national banners, adjusted for currency. This differential is in part the ability to drive inside sales through private label SKUs and foodservice promotions across the day-parts (e.g. Casey's breakfast pizza).

Figure 5: Australian convenience banner sales per store

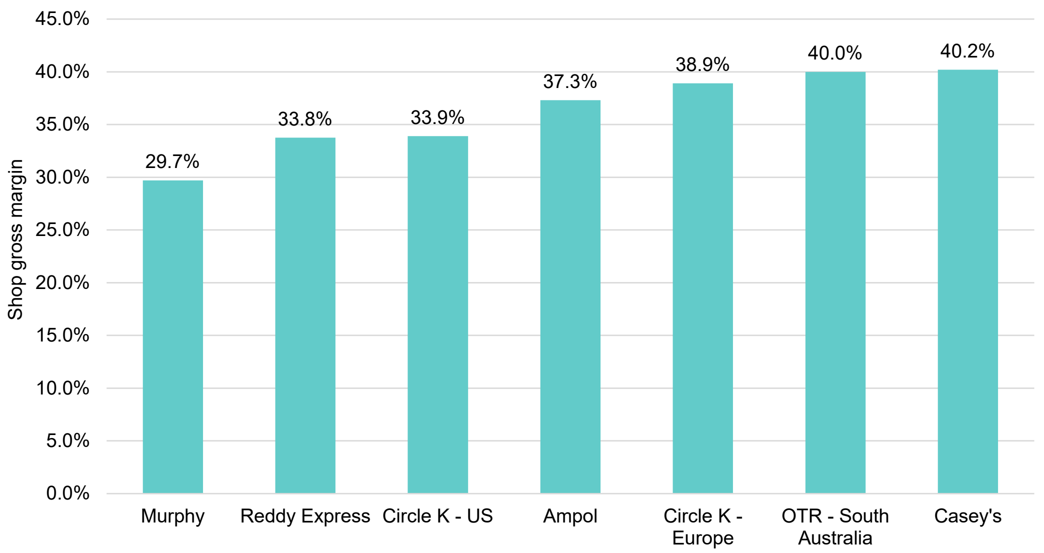
	OTR South Australia	Reddy Express banner	Ampol Foodary	Casey's	Couche-Tard US
Stores (#)	154	709	631	2,904	7,100
Fuel sales per store (A$m)	7.4	7.5	9.7	5.2	6.2
Fuel volumes per store (litres)	3.8	4.0	5.1	4.3	4.9
Non-fuel sales per store (A$m)	3.2	1.4	1.7	3.16	2.81
Non-fuel gross margin (%)	40.0%	33.8%	37.3%	40.2%	33.9%
Non-fuel gross profit (A$m)	**1.3**	**0.5**	**0.6**	**1.3**	**1.0**
EBIT per store (A$m)	0.6	0.3	0.5	0.4	0.5
EBIT margin per store	6.1%	2.9%	4.5%	4.9%	6.1%

Pre AASB-16 figures. Calendar year 2024 metrics. All metrics quoted in AUD at US exchange rate of 1.51.
Source: Company reports, MST Marquee estimates

Shop gross margin may peak at 40%

Best in class gross margin in convenience seems to be close to 40%. Casey's mix of sales drives higher gross margin through a 13% share of private label sales that are more profitable than the branded alternatives, 30% penetration of foodservice products sold at a 58% margin, and a supplier philosophy of "first, best or only" across all categories. There is opportunity for Ampol and Viva banners to better manage category exposure and work with suppliers on innovation, but it is unlikely that a unique foodservice offer can be replicated with in-store kitchens. The Circle K network in Europe is more profitable than the US with lower share of tobacco and success of meal-deals. OTR is the most competitive banner with US peers on a sales velocity measure, with a proprietary offer in coffee and hot food and a competitive offer to local supermarkets.

Figure 6: Average store gross margins by banner – calendar year 2024



Murphy represents merchandise margins (excluding nicotine). All margins are on a non-fuel basis, inclusive of QSR.
Source: Company reports, MST Marquee

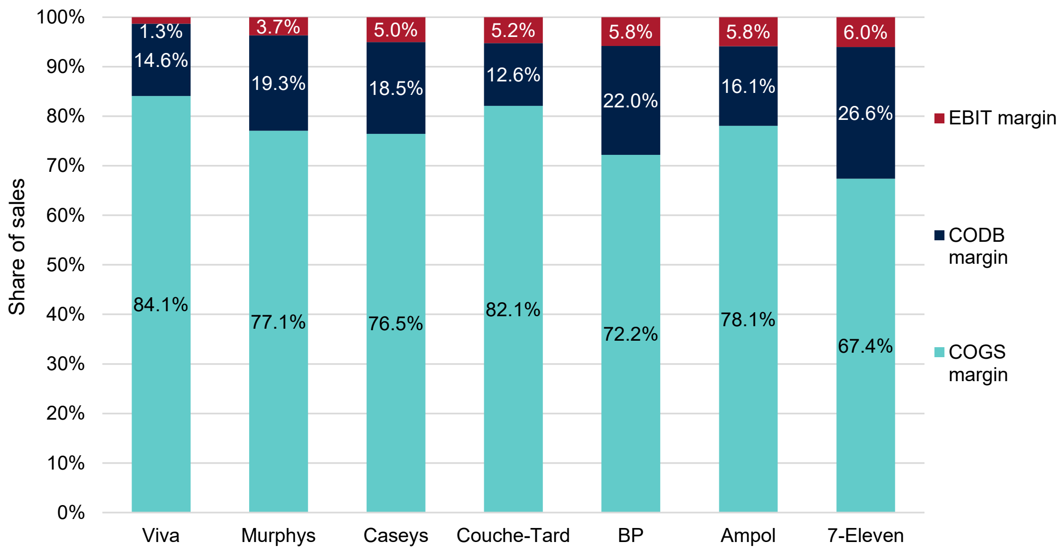
Who is the most profitable convenience retailer?

At a group level, 7-Eleven has the highest EBIT margins. As shown in Figure 7, 7-Eleven has an EBIT margin of 6.0%, slightly ahead of Ampol at 5.8%. 7-Eleven has higher, more stable gross margins with no refining exposure, and low site costs across a network of predominantly non-fuel sites. BP and Casey's also have high gross margins at a group level of 27.8% and 23.5% respectively, driven by scale and growing share of inside sales. Couche-Tard has the best cost management with a 13% CODB margin, 200 basis points lower than Viva. US peers push harder at gross margin by converting foot traffic to inside sales, while Australian retailers are reliant on the fuel offer to drive shop volumes and have a higher labour and rent cost per site.

The components of profitability to consider for comparison are:

- **Gross margin:** Casey's achieves higher blended gross margins by leaning into prepared food, coffee and private label, whereas Viva and Ampol remain more fuel-heavy and therefore sit lower on the gross-margin spectrum. 7-Eleven is a predominantly non-fuel store network which creates the highest group gross margin.
- **Fuel margins:** Couche-Tard are best-in-class on fuel yield, using proprietary supply and pricing to sustain margins across three regions, and loyalty to drive volume. Murphy deliberately runs a low-price, high-volume model like the Reddy Express banners, which is a strategy that works best with a strong convenience format to offset site costs. Australian retailers are subject to a more transparent and competitive environment, with 7-Eleven and Ampol supplying a premium fuel mix and loyalty-linked discounts to protect margin per litre.
- **Site costs per store:** Australian retailers are subject to rising energy costs and high labour costs. This can create significant operating deleverage in a small-format store with 1-2 employees. Ampol has closed 155 loss-making stores in the last five years due to operating deleverage and poor cost management. Couche-Tard has the smallest CODB margin at 13% driven by a low-cost operating model.
- **Shrink/wastage:** The downside to increasing high-margin foodservice and fresh products is limited shelf life. US convenience retailers have utilised repackaging and bundling across the day-parts to curb wastage as a percentage of sales. Ampol's shop gross margins excluding shrink and wastage were 240 basis points higher in 2024. US leading convenience retailer Kwik Trip has limited wastage to as little as 80 basis points across the network.

Figure 7: Group profit margin structure by retailer – international comparison



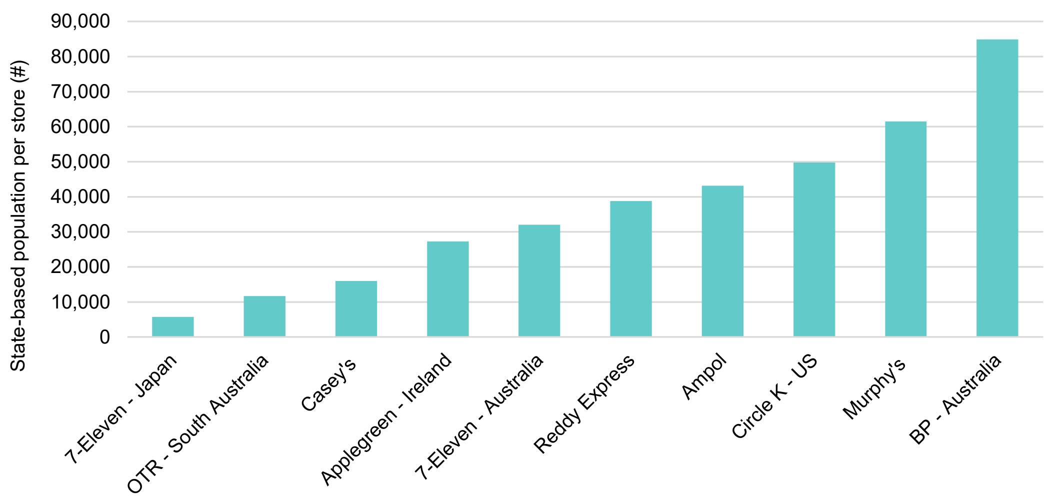
Margin structure for group entity and taken from most recent annual report.
Source: Company reports, MST Marquee

How does store density help define benchmarks?

The penetration of convenience retailers helps to inform the success of driving inside sales and maximising gross profit per store. 7-Eleven operates almost a pure convenience format in Japan and has approximately 6,000 people per store with a market share of 46%. This highly penetrated market contrasts to the Ampol Foodary network in Australia which maximises traffic flow on highway sites as part of its premium fuel strategy. In the US, Casey's has 70% of their corporate-owned network in towns of less than 20,000 people, competing as a local food outlet. This model allows for a more competitive convenience offer by capturing loyalty and bigger basket size. As a result Ampol has 47% lower inside sales per store than Casey's, but 36% higher fuel volumes. The Circle K banner in the US is a more appropriate benchmark for Australian retailers given its a national footprint with a similar level of store density, that successfully drives higher inside sales with a fuel-oriented offer.

The benchmark in Australian convenience retail is OTR's network in South Australia with 154 stores, servicing 12,000 people per store. With competitive opening hours and a market hall format, OTR has 5% of the grocery category in South Australia. We see scope for 7-Eleven to double its penetration in Australia under global leadership since March 2024. This will require a rollout of non-fuel sites to improve profitability in regional areas. The Ampol and Reddy Express networks are fuel-oriented and target larger catchments by positioning on highways.

Figure 8: Global convenience retailer store density by region (people per store)



Population exposure is estimated by state or region that the network is located, unless otherwise disclosed.
Source: Company reports, MST Marquee estimates

Couche-Tard is the most relevant benchmark

Given the population density, margin profile and in-store performance, we determine Couche-Tard (parent of the Circle K banner) to be the most applicable overseas comparison for Australian convenience retail. The fuel-centric offer and operating cost management across a national network better represent the challenges in the Australian market. Couche-Tard also under-indexes in foodservice at 12% of in-store sales which contributes to a gross margin 630 basis points below Casey's. Ampol and Viva have a better store sales mix (excluding QSR) as evidenced in their gross margins closer to 40% across the Foodary and OTR banners. Given the gross margin differential with the Circle K stores across both fuel and shop, and the further opportunity in QSR for Ampol and Viva, we see both Australian convenience retailers trading at a premium to Couche-Tard's EV/EBITDA multiple at 9x. Casey's trades at a 15x EV/EBITDA multiple given its higher store mix of foodservice at 30%, half of which is store-made pizza sales, and warrants a higher growth multiple for the business.

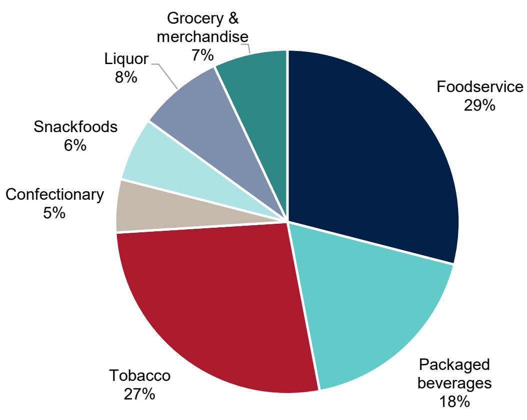
2. What is the opportunity in foodservice and QSR?

Convenience peers overseas are growing foodservice as a share of sales to expand gross margins and day-parts for the shop. In Australia this is a mechanism to offset tobacco declines and volatility of fuel margins. Overseas it is a driver of comp sales growth and operating leverage for stores. Once the tobacco declines have eased (contact us for report on tobacco industry outlook, *Headwind running out of puff*), Australian convenience retailers can focus on growing gross profit dollars in store with high-margin foodservice, or more likely, rolling out QSR counters at high traffic sites.

Foodservice opportunity in Australia vs overseas

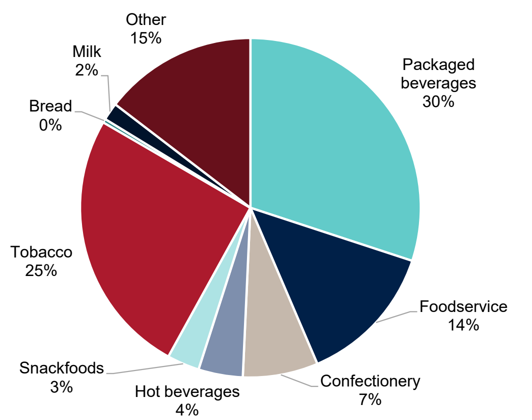
Foodservice makes up 14% of convenience industry sales in Australia and 29% in US convenience. Casey's is in-line with US industry average, with pizza ovens manned by chefs on site, and in doing so is also the fifth biggest pizza retailer in the country. Australian convenience has a bigger focus on double-digit growth categories like nutritional bars and energy drink categories, as well as sugar confectionary and a barista coffee offer. Prepared food has grown 9% in the last six months, but to achieve penetration on a similar level seen in the US would require a significant change to store layout.

Figure 9: US industry sales mix (ex-fuel)



Source: NACS, MST Marquee

Figure 10: Australia industry sales mix (ex-fuel)



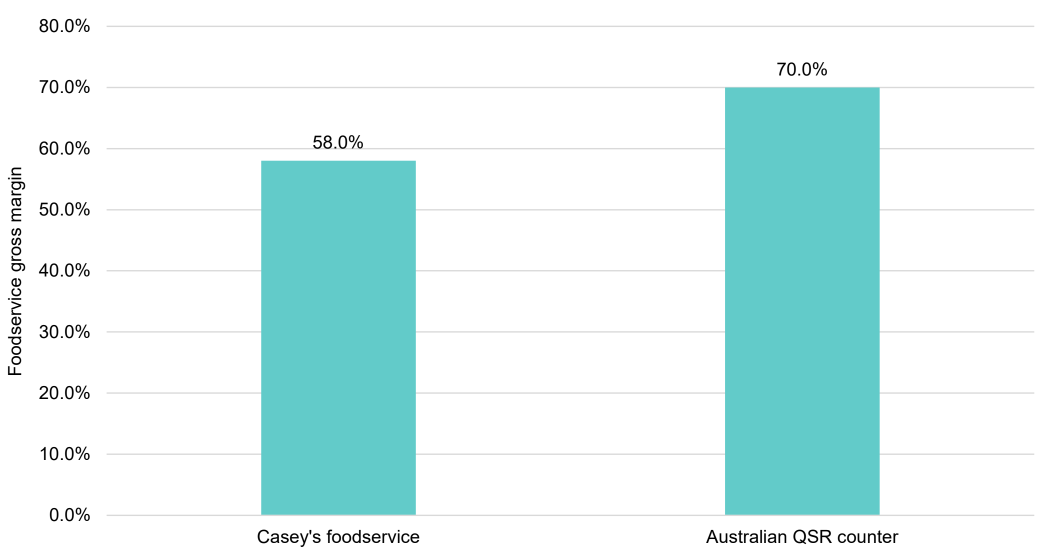
Source: AACS State of Industry report, MST Marquee

Is foodservice the biggest driver of gross margins in Australia?

The opportunity for Ampol and Viva banners in foodservice has been a gradual shift, the industry has grown the category from 9% share of sales in 2019 to 14% in 2024. Despite this, the foodservice mix has not been the primary driver of shop margin expansion in Australian convenience retailers. For Ampol, we estimate almost half of the gross margin expansion since 2019 is from the declining tobacco category.

Couche-Tard under-indexes in foodservice at 12% of merchandise sales, but has a planned rollout of their Fresh Food, Fast offer. This is the primary driver of the 600 basis point differential in gross margin with Casey's. The regional network of Casey's stores acting as a neighbourhood supermarket and the kitchen fit-out in store supports an established foodservice mix of 30%, making it less comparable to the existing Australian model. Figure 11 below shows Casey's industry leading foodservice margin of 58%, which is still below the gross margin we estimate for a QSR counter inside an Ampol or OTR location. There is upside risk in expanding foodservice penetration in Australia by rolling out QSR counters on high traffic sites as an alternative to a more elaborate in-store foodservice offer. This strategy is being implemented in other competitive regions like Ireland where Applegreen's recently invested in a rollout for 60 Taco Bell outlets.

Figure 11: Foodservice gross margins vs QSR counters



Estimated Australian QSR gross margin average.
Source: Company reports, MST Marquee estimates

3. The upside from adding QSR counters

The rollout of QSR counters across Reddy Express and Ampol sites in Australia could reach 180-200 stores each by 2030. This would add an incremental 5-6% to EBITDA and significantly lift total gross margins. Australian convenience retailers under-index in the high-margin foodservice category, instead relying on a growing mix of packaged drinks, baked goods and confectionary to drive margins. The opportunity in QSR would increase profitability per store, offset volatile fuel margins and declining tobacco sales.

Figure 12: Scenario of potential QSR store growth for Viva and Ampol

	Viva QSR		Ampol QSR	
Per store metrics	**2024**	**2030**	**2024**	**2030**
Stores	107	200	48	180
QSR sales per store	1.7	1.9	0.5	1.0
Average shop sales per store	1.7	1.9	1.7	1.8
QSR gross margin (%)	70%	70%	65%	70%
QSR gross profit per store	1.18	1.4	0.3	0.7
Group contribution				
Gross profit contribution (A$m)	126.4	271.6	14.7	125.6
% contribution to gross profit	7.0%	12.1%	1.2%	8.9%
EBITDA contribution (A$m)	31.6	68.0	5.2	41.0
EBITDA margin	17.5%	17.5%	22.8%	22.8%
% contribution to EBITDA	*13.7%*	*20.7%*	*0.9%*	*6.2%*

Source: MST Marquee estimates

Scenario of QSR outlets for Ampol and Viva

Ampol operates 46 Boost Juice stores (as the largest Australian franchisee) and 2 flagship Hungry Jack's sites, with trials underway for Oporto, Krispy Kreme, and Durk's Café. The uplift from a QSR store for Ampol is currently $0.5m in sales per store. This could double with the addition of 30 Hungry Jacks stores over five years, and another 100 Boost Juice sites. We establish the criteria for a suitable QSR opening to be on a high traffic pad (defined as less than 30 metres from a major route network). There are 48 QSR sites currently, and a further 150 stores within the Foodary network that satisfy the high traffic criteria. Existing QSR sites record 20–30% longer dwell times and 15–25% higher basket values versus non-QSR sites.

The Reddy Express network operated by Viva has a larger existing base of QSR sites, with 107 sites, of which 75 are fully integrated under the same roof as the convenience offering, often sharing the same counter. On the same criteria, the Reddy Express network has 270 viable sites for a QSR fit-out. We see another 90 stores as possible across the six QSR banners. This is a slower pace to the Ampol rollout given the capital intensive OTR conversions. Viva has exclusive licensing agreements with Guzman y Gomez in SA, Oporto in SA and Krispy Kreme in SA & NT.

Our scenario implies a QSR penetration across the network of 29% for Ampol and 15% for Viva. This compares to Applegreen at 30% stores.

Figure 13: QSR footprint and EBITDA contribution for Ampol and Viva

	Ampol			Viva Energy					
	Boost Juice	Hungry Jacks	Average QSR	Subway	Hungry Jacks	Guzman y Gomez	Oporto	Other	Average QSR
Current store count	46	2	48	53	19	10	9	16	107
Potential store count	*150*	*30*	*180*	*80*	*30*	*30*	*30*	*30*	*200*
Sales per store	0.3	3.5	0.5	0.8	3.5	4.0	2.8	0.4	1.7
EBITDA per store	0.1	0.6	0.1	0.1	0.6	0.6	0.5	0.1	0.3
EBITDA margin	25%	18%	23%	16%	18%	18%	18%	18%	18%
Capital outlay per store	0.3	2.5	0.8	0.5	2.5	2.6	2.0	0.3	1.6

Assuming a 4-year payback period for capital requirements.
Source: MST Marquee estimates

Valuation impact

Ampol

Ampol's QSR exposure is much narrower, with its largest presence across 46 Boost Juice counters (as Australia's largest franchisee). We estimate Boost Juice contributes $350k in sales per store and gross margins between 65%-70%. The trial of Hungry Jacks at key highway sites could deliver up to $3.5 million in sales per store at a 70% gross margin. Should they grow from 48 QSR counters to 180 with the mix outlined in Figure 14, this could add $35 million in EBITDA by 2030. We value the fair multiple on Ampol's convenience segment at a 15% premium to Couche-Tard's prevailing EV/EBITDA multiple given the higher margin and sales velocity generated by a QSR counter. With an average cost to integrate of $0.8 million per counter, we see potential for a further 4% share price upside or $1.16 per share.

Figure 14: Ampol valuation uplift from QSR rollout

	Ampol
Current QSR counters (#)	48
EBITDA contribution ($m)	5.2
Incremental store growth (#)	132
Upside to EBITDA ($m)	35.8
Fair value EV/EBITDA multiple (x)	10.7
Incremental EV ($m)	382.9
Capital outlay ($m)	105.9
Net EV contribution ($m)	276.9
Shares on issue (# 000's)	239
Additional value per share	**$ 1.16**
Valuation upside	*3.6%*

Source: MST Marquee

Viva Energy

Viva Energy's OTR business has a broad QSR offer, with outlets for brands like Subway, Hungry Jack's, Oporto, Wok in a Box, and Krispy Kreme, most of which are fully integrated into the convenience format. Viva also holds an exclusive master franchise agreement with Guzman y Gomez in South Australia, operating 10 corporate restaurants that generate an estimated $4 million in annual sales per store. Within the Reddy express network, 271 stores are located within 30 metres of a high traffic road. Viva has a strategy of both integrated and standalone QSR sites, with a larger mix of QSR banners. We see a scenario of 200 total QSR outlets by 2030, which would be a capital-intensive rollout yielding $36 million in EBITDA. We value the fair multiple on Viva's convenience segment at a 15% premium to Couche-Tard's prevailing EV/EBITDA multiple. With an average cost to integrate of $1.6 million per counter, and greater leverage than Ampol, we see potential for a further 7% share price upside or 15c per share.

Within the context of a QSR rollout, Viva has a unique opportunity for Guzman y Gomez franchises in South Australia. Whilst this underperforms relative to the rest of the GyG network, the 40-year legacy agreement only mandates a flat 4.5% royalty rate versus the prevailing rate of 8.3% for the rest of the network, improving store profitability. Isolating a rollout of an additional 20 GyG chains in South Australia could add another 5 cents (+2%) to the share price given the higher EBITDA margin and growth potential.

Figure 15: Viva Energy valuation uplift from QSR rollout

	Viva Energy
Current QSR counters (#)	107
Earnings contribution ($m)	31.6
Incremental store growth (#)	93
Upside to EBITDA ($m)	36.4
Fair value EV/EBITDA multiple (x)	10.7
Incremental EV ($m)	387.6
Capital outlay ($m)	145.5
Net EV contribution ($M)	242.1
Shares on issue (# 000's)	1,637
Additional value per share	**$0.15**
Valuation upside	*7.1%*

Source: MST Marquee

Earnings revisions for Ampol and Viva

Ampol

We have lifted our EPS forecasts for Ampol by 14.2%, 16.5% and 6.1% from FY25e to FY27e. This reflects revised Lytton refining margins and volume as well as increased volumes within the Australian Fuels and Infrastructure (excluding Lytton) segment, reflecting industry-wide strength in diesel and jet fuel across the second half of 2025 to date.

Our earnings revisions drive our increased target price of $36.30, up from $33.30. The combination of better refining margins, stronger fuel volumes in Australian Fuels and Infrastructure, upside in food service and the potential earnings accretion from the EG acquisition make us positive and support our upgraded buy recommendation.

Figure 16: Ampol revised forecasts

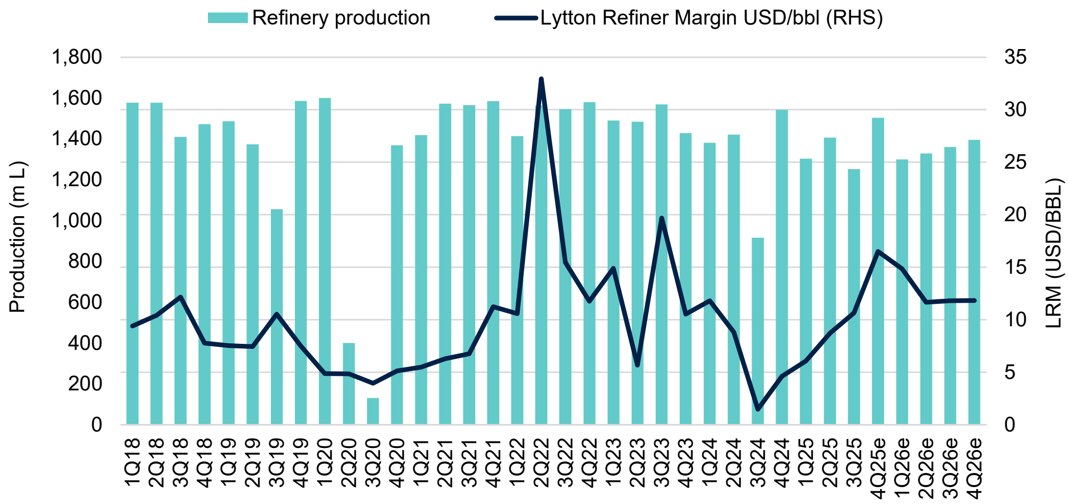
Period	FY24(a)	FY25(e)	FY25(e)	FY25(e)	FY26(e)	FY26(e)	FY26(e)	FY27(e)	FY27(e)	FY27(e)
Revision ($m)	**Actual**	**New**	**Old**	**Rev**	**New**	**Old**	**Rev**	**New**	**Old**	**Rev**
Sales	34,878	30,293	30,091	0.7%	31,915	31,862	0.2%	33,447	33,430	0.1%
EBIT	712	960	884	8.6%	1,092	992	10.1%	1,120	1,077	3.9%
Net profit (RCOP), pre sig	235	439	385	14.2%	520	447	16.5%	532	501	6.1%
Underlying EPS (¢)	98.0	182.6	159.9	14.2%	216.3	185.7	16.5%	221.0	208.3	6.1%
DPS (¢)	65.0	112.0	95.0	17.9%	137.0	115.0	19.1%	143.0	125.0	14.4%

Source: Company reports, MST Marquee

The major changes in our Lytton refining margin (LRM) are from 2H25e through to FY27e, with minor changes in the long-term. The improved LRM over the short-term reflects the global shortages of refined product due to the war in Ukraine and associated refinery outages. Whilst we anticipate that over the medium-term there will be some negative reversions toward long-term averages, strengthened European sanctions on Russian energy in the first quarter of 2026 will likely provide medium-term support for elevated refiner margins.

In FY26e, our LRM has increased from US$10.55/BBL to US$12.52/BBL. In FY27e we have increased our LRM by US$0.95 to US$11.30/BBL, while our longer term LRM is revised up by less than US$0.75/BBL. We have also increased our volume assumption for Lytton by 4.7% in 2025e to reflect the elevated production in October and November.

Figure 17: Ampol Lytton refinery production and margin



Source: Company reports, MST Marquee

Viva Energy

We have lifted our EPS forecasts for Viva Energy by 28.5% in FY25e, 31.8% in FY26e and 9.4% in FY27e. This is primarily driven by an increased Geelong Refiner Margin (GRM) over the medium-term and a 2% increase in fuel volumes in the C&I segment from FY25e-FY27e, reflecting recent industry strength across both diesel and aviation fuels.

Our earnings revisions drive our increased target price of $2.50, up from $2.25. Viva needs to prove that its OTR conversions are effective, but over the medium-term the sustainability of C&I volumes and an elevated GRM should support group earnings. We retain a Buy rating on Viva.

Figure 18: Viva Energy revised forecasts

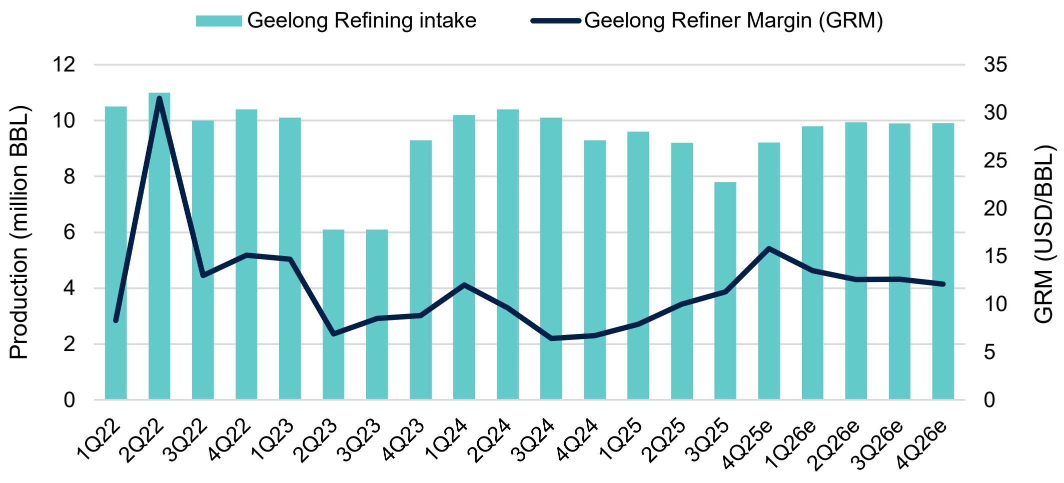
Period	FY24(a)	FY25(e)	FY25(e)	FY25(e)	FY26(e)	FY26(e)	FY26(e)	FY27(e)	FY27(e)	FY27(e)
Revision ($m)	**Actual**	**New**	**Old**	**Rev**	**New**	**Old**	**Rev**	**New**	**Old**	**Rev**
Sales	30,142	30,221	29,873	1.2%	31,475	31,202	0.9%	32,714	32,429	0.9%
EBITDA	749	740	675	9.6%	949	837	13.4%	941	902	4.4%
Net profit, pre sig	256	202	157	28.5%	318	241	31.8%	298	272	9.4%
Underlying EPS (¢)	16.1	12.6	9.8	28.5%	19.6	14.8	31.8%	18.3	16.7	9.4%
DPS (¢)	10.6	7.5	6.0	24.9%	11.5	8.7	32.2%	11.0	10.1	8.9%

Source: Company reports, MST Marquee

Similar to Ampol, positive revisions to our GRM are focused from 2H25e to FY27e. This reflects shorter-term global shortages as discussed above. Our 2H25e GRM is revised up by US$2.05 to US$13.55/BBL, and by US$1.53 to US$12.69/BBL in FY26e. As we anticipate a reversion toward longer-term averages, our FY27e GRM of US$11.44/BBL is only increased by US$0.28 per barrel. With slightly lower volume assumptions over 2H25e to reflect the ramp up of production following the start-up of the ULSG unit in 4Q25, our E&I segment EBITDA increases by 40%, 55% and 13% across FY25e-FY27e.

As neither Geelong or Lytton have exhibited sustainably structurally higher margins relative to one another, we have revised down our GRM assumptions from FY28e onwards to land closer to our LRM forecasts. This results in a US$0.74 lower GRM in FY30e of US$12.85/BBL.

Figure 19: Viva Energy Geelong refinery production and margin



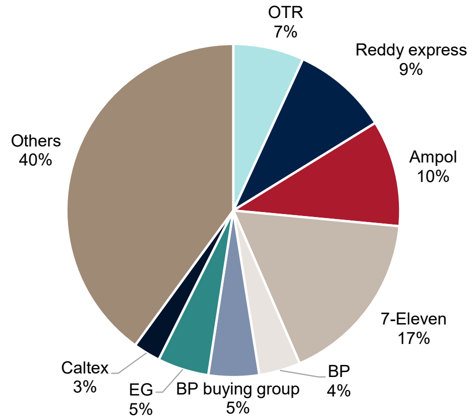
Source: Company reports, MST Marquee

Appendix

Australian convenience industry structure

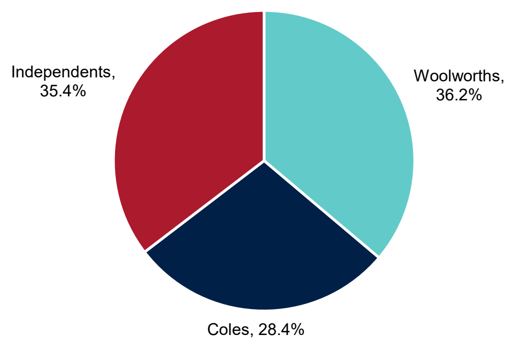
The convenience market in Australia is highly competitive, with the top 4 retail banners only holding 43% market share, compared to 80% in the supermarket industry. Australian supermarkets enjoy one of the most favourable industry structures in the world and generate healthy global profit margins. In convenience, Ampol and OTR are two banners with leading shop gross margins, and are ~200 basis points lower than Casey's in the US.

Figure 20: Convenience market share



Source: AACS, Company reports, MST Marquee

Figure 21: Supermarket market share



Source: ABS, Company reports, MST Marquee

Company segment forecasts

Figure 22: Ampol convenience segment forecasts

Convenience Retail	FY19(a)	FY20(a)	FY21(a)	FY22(a)	FY23(a)	FY24(a)	FY25(e)	FY26(e)	FY27(e)
Stores (#)	783	708	684	645	636	628	624	622	620
Fuel volumes (billion litres)	4.8	4.1	3.9	3.8	3.8	3.7	3.5	3.6	3.8
Fuel revenue	4,283	4,070	4,648	6,696	5,996	5,562	5,016	5,102	5,315
Shop revenue ($m)	918	1,125	1,136	1,140	1,093	1,061	997	980	999
Shop sales growth	55%	22.5%	1.0%	0.4%	-4.1%	-3.0%	-6.0%	-1.7%	2.0%
Fuel & shop margin ($m)	998	1,137	1,080	1,154	1,200	1,219	1,244	1,279	1,322
Fuel & shop margin (%)	19.2%	21.9%	18.7%	14.7%	16.9%	18.4%	20.7%	21.0%	20.9%
Site costs	291	321	345	349	370	375	375	380	387
CODB	313	318	304	284	292	299	306	313	320
CODB margin	11.6%	9.7%	9.4%	6.9%	8.0%	8.6%	9.5%	9.6%	9.4%
EBITDA ($m)	394	498	430	522	538	545	564	585	616
EBITDA margin	7.6%	12.2%	9.3%	7.8%	9.0%	9.8%	11.2%	11.5%	11.6%
EBIT margin, pre AASB-16 (%)	5.2%	8.8%	6.2%	5.8%	6.7%	7.2%	8.3%	8.6%	8.7%
D&A ($m)	193	210	176	175	183	188	188	190	196
EBIT ($m)	201	287	254	347	355	357	375	395	420
EBIT margin	3.9%	7.1%	5.5%	5.2%	5.9%	6.4%	7.5%	7.7%	7.9%
EBIT per litre (cents)	4.2	7.0	6.5	9.0	9.4	9.8	10.7	10.9	11.2
EBIT per store ($m)	0.26	0.41	0.37	0.54	0.56	0.57	0.60	0.64	0.68
EBIT margin, pre AASB-16 (%)	*3.3%*	*6.3%*	*4.8%*	*4.7%*	*5.4%*	*5.8%*	*6.8%*	*7.1%*	*7.2%*

Source: Company reports, MST Marquee

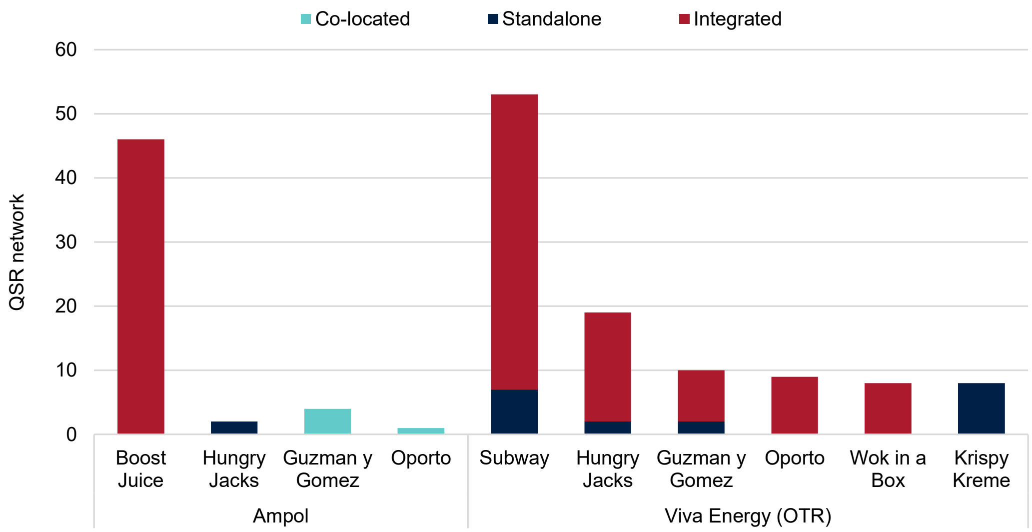
Figure 23: Viva C&M segment forecasts

Convenience Retail	FY20(a)	FY21(a)	FY22(a)	FY23(a)	FY24(a)	FY25(e)	FY26(e)	FY27(e)	FY28(e)
Company operated stores (#)	723	711	711	1,270	1,287	1,282	1,289	1,296	1,303
Company operated F&C stores (#)	723	711	711	880	889	886	889	892	895
Retail fuel volumes (mL)	3,689	4,209	4,515	4,556	5,062	5,173	5,108	5,177	5,194
C&M total revenue	3,339	5,542	7,949	10,101	11,435	12,530	12,415	12,886	13,249
Total fuel sales ($m)	3,339	5,529	7,740	8,975	8,232	9,298	9,260	9,643	9,918
Convenience sales ($m)	0	0	0	763	1,664	1,679	1,718	1,775	1,834
Smokemart & giftbox sales ($m)	0	0	0	231	1,430	1,450	1,332	1,359	1,386
Convenience gross profit ($m)	0	0	0	262	646	666	697	730	759
Convenience gross margin (%)	0	0	0	34.4%	38.8%	39.6%	40.6%	41.1%	41.4%
Fuel margin (cents/L)	15.7	12.8	14.7	17.3	18.2	20.0	20.6	21.0	21.4
Fuel margin ($m)	579	539	662	787	919	1,036	1,053	1,088	1,114
C&M gross profit ($m)	761	737	864	1,204	1,817	1,949	1,989	2,063	2,123
Operating costs ($m)	309	327	226	507	949	1,061	1,045	1,059	1,089
Lease costs ($m)	216	222	276	290	389	454	466	479	492
Overheads ($m)	0	0	113	175	248	254	237	230	235
EBITDA (RC) $m	**235**	**188**	**250**	**232**	**231**	**179**	**241**	**294**	**306**
EBITDA margin (%)	7.0%	3.4%	3.2%	2.4%	2.3%	1.6%	2.2%	2.6%	2.6%

Source: Company reports, MST Marquee

QSR networks

Figure 24: Ampol and Viva Energy QSR networks – as at December 2024



Source: Company reports, MST Marquee

Valuation comparator – EV/EBITDA multiple

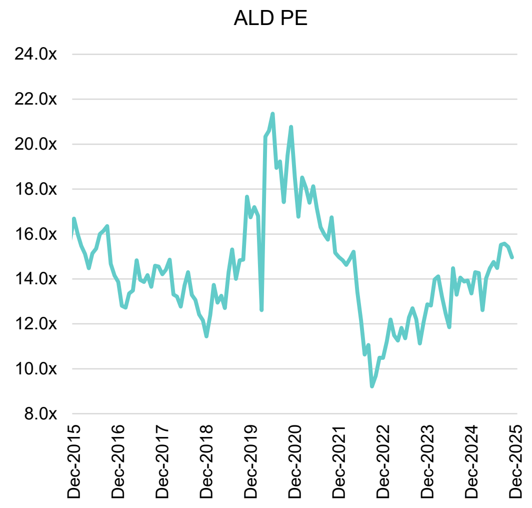
Figure 25: Convenience and QSR EV/EBITDA multiples

Source: Company reports, MST Marquee

PE Ratios

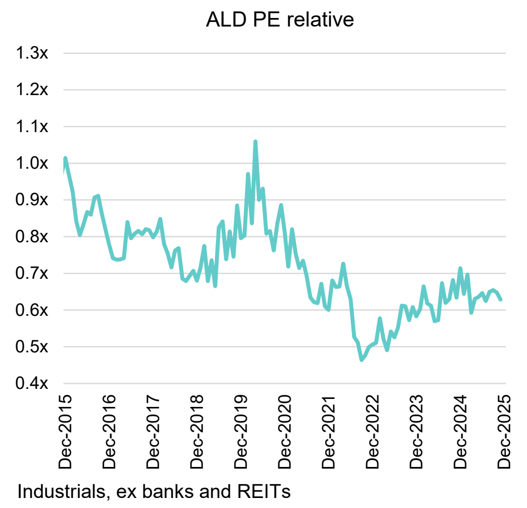
Ampol

Figure 26: Ampol PE ratio



Source: FactSet, MST Marquee

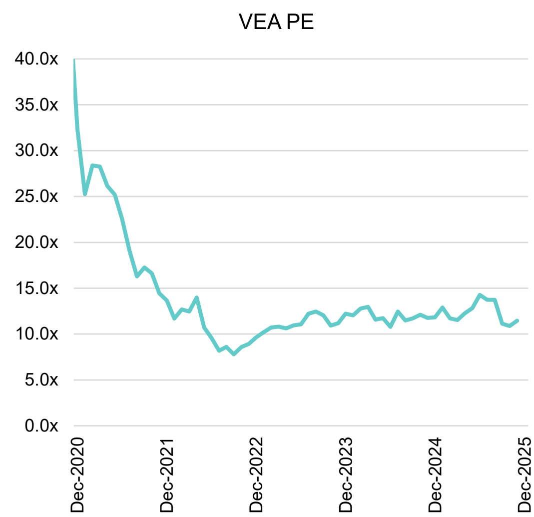
Figure 27: Ampol PE ratio rel to industrials



Source: FactSet, MST Marquee

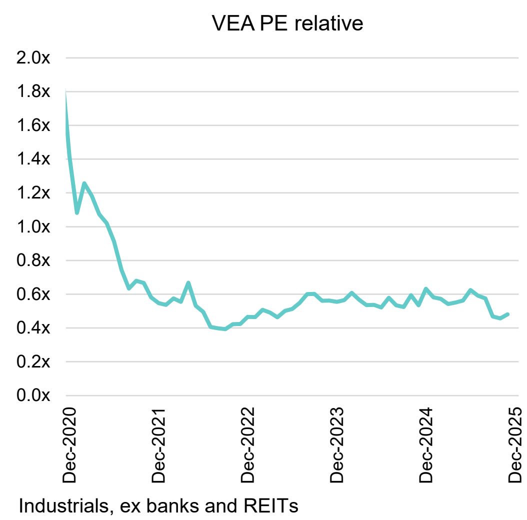
Viva Energy

Figure 28: Viva PE ratio



Source: FactSet, MST Marquee

Figure 29: Viva PE ratio rel to industrials



Source: FactSet, MST Marquee

AMPOL LTD (ALD.AX)

All figures stated in AUD

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Company Overview			
Current price ($)	32.12	Target price ($)	36.30
Market capitalisation ($m)	7,654	12 month dividend ($)	1.12
Shares outstanding (m)	238	Expected return (%)	16.5
Enterprise value	10,477	**Recommendation**	**Buy**

Year to 31 December

Profit & Loss ($m)	2023a	2024a	2025e	2026e	2027e
Sales revenue	37,749	34,878	30,293	31,915	33,447
% change	-1.9	-7.6	-13.1	5.4	4.8
Gross profit	2,927	2,455	2,133	2,247	2,355
Gross margin (%)	7.8	7.0	7.0	7.0	7.0
EBITDA	1,756	1,199	1,460	1,606	1,650
Depreciation	-268	-278	-276	-280	-288
Amortisation	-191	-206	-220	-229	-238
EBIT	1,297	715	965	1,097	1,125
EBIT margin (%)	3.43	2.05	3.18	3.44	3.36
Net interest expense	-279	-338	-313	-314	-307
Pre-tax profit	1,018	378	652	783	818
Tax expense	-227	-90	-158	-206	-228
Minorities	-51	-53	-54	-56	-59
Net profit	740	235	439	520	532
% change	(3.0)	(68.3)	87.1	18.5	2.2
RCOP and significant items	-191	-112	-221	-16	0

Balance sheet ($m)	2023a	2024a	2025e	2026e	2027e
Current assets					
Cash and near cash	301	124	85	223	194
Receivables	2,413	2,340	2,109	2,224	2,322
Inventory	2,991	2,916	2,454	2,506	2,616
Other	41	27	0	0	0
Total current	5,745	5,407	4,648	4,953	5,132
Non-current assets					
Property, plant and equipment	3,671	4,030	4,369	4,604	4,760
Investments	246	266	278	283	288
Right of use assets	1,235	1,199	1,252	1,302	1,351
Deferred tax assets	308	343	429	429	429
Other intangibles	1,425	1,379	1,174	1,151	1,123
Other non current	184	248	150	150	150
Total non-current	7,069	7,465	7,651	7,919	8,101
Total Assets	**12,814**	**12,871**	**12,299**	**12,873**	**13,233**
Current liabilities					
Accounts payable	4,094	4,193	3,485	3,674	3,836
Short-term debt	116	339	501	501	501
Lease liabilities	179	181	182	182	182
Other	376	322	573	573	573
Total current	4,765	5,036	4,741	4,930	5,092
Non-current liabilities					
Long-term debt	2,379	2,551	2,153	2,253	2,153
Provisions	565	565	575	575	575
Lease liabilities	1,020	1,006	1,057	1,107	1,156
Other	109	134	142	142	142
Total non-current	4,073	4,256	3,927	4,076	4,026
Total liabilities	8,838	9,291	8,667	9,006	9,117
Net assets	**3,976**	**3,580**	**3,632**	**3,866**	**4,116**
Shareholders' equity	3,559	3,163	3,187	3,365	3,556
Outside equity interests	417	417	444	501	559
Total equity	**3,976**	**3,580**	**3,632**	**3,866**	**4,116**

Cashflow ($m)	2023a	2024a	2025e	2026e	2027e
EBITDA	1,756	1,199	1,460	1,606	1,650
Working capital	383	378	257	22	(46)
Net interest	(279)	(338)	(313)	(314)	(307)
Tax	(227)	(90)	(158)	(206)	(228)
Other	(115)	(236)	(131)	(21)	(5)
Operating Cashflow	1,518	915	1,115	1,088	1,065
Capital expenditure	(527)	(660)	(612)	(543)	(467)
Net acquisitions/disposals	(12)	(27)	72	0	0
Other	4	(2)	(25)	0	0
Investing Cashflow	(536)	(689)	(564)	(543)	(467)
Financing Cashflow	(786)	(405)	(589)	(406)	(627)
Net change in cash	196	(179)	(38)	139	(30)
Free cash flow	**982**	**227**	**551**	**545**	**598**

Key metrics	2023a	2024a	2025e	2026e	2027e
EPS - underlying (¢)	**309.9**	**98.0**	**182.6**	**216.3**	**221.0**
% change underlying EPS	-3.2	-68.4	86.4	18.5	2.2
EPS - basic (¢)	310.6	98.5	184.3	218.4	223.1
Wtd avg ordinary shares (m)	238	238	238	238	238
Wtd avg diluted shares (m)	239	240	241	241	241
DPS (¢)	**215.0**	**65.0**	**112.0**	**137.0**	**143.0**
Dividend yield (%)	6.7	2.0	3.5	4.3	4.5
Payout ratio (%)	69.4	66.4	61.3	63.3	64.7
Franking (%)	100	100	100	100	100
PE ratio	10.4	32.8	17.6	14.8	14.5
EV/EBIT (x)	8.1	14.6	10.9	9.6	9.3
EV/EBITDA (x)	6.0	8.7	7.2	6.5	6.3
EBIT margin (%)	3.4	2.1	3.2	3.4	3.4
Tax retention rate	77.7	76.2	75.7	73.7	72.2
Asset turnover	2.9	2.7	2.4	2.5	2.6
Interest expense rate (%)	2.1	2.6	2.5	2.5	2.3
Financial leverage multiplier	3.3	3.4	3.5	3.4	3.3
Minority interest adj factor (x)	0.9	0.8	0.9	0.9	0.9
ROE (%)	18.4	6.2	12.2	13.9	13.3
ROIC (%)	**13.4**	**8.1**	**10.9**	**12.1**	**11.9**
Net debt ($m)	2,195	2,766	2,569	2,531	2,460
Debt to equity (%)	62.8	80.7	73.1	71.2	64.5
Net debt to EBITDA	1.3	2.3	1.8	1.6	1.5
EBIT interest cover (x)	4.7	2.1	3.1	3.5	3.7
Days inventory	34.5	33.3	34.8	30.5	30.1
Days receivable	24.2	24.9	26.8	24.8	24.8
Days payable	44.7	46.6	49.8	44.0	44.1

Half-year ($m)	1H24a	2H24a	1H25a	2H25e	1H26e
Sales	18,244	16,634	15,295	14,998	16,102
EBITDA	730	466	641	814	800
EBIT	496	217	396	564	548
EPS - underlying (¢)	**97.7**	**0.5**	**74.9**	**107.7**	**113.4**
DPS (¢)	60.0	5.0	40.0	72.0	65.0

DCF valuation			
PV of free cash flows	6,426	Terminal value year	FY43
PV of terminal value	3,414	Beta	1.13
Enterprise value	9,841	Cost of equity (%)	9.7
Net debt	2,822	Cost of debt-AT (%)	4.2
Equity value	7,019	Debt to EV (%)	26.9
Shares on issue	239	Equity to EV (%)	73.1
DCF valuation per share	**$29.37**	**WACC (%)**	**8.19**

Segments ($m)	2023a	2024a	2025e	2026e	2027e
Fuels & Infrastructure					
Lytton refiner margin (USD)	12.80	7.09	10.53	12.52	11.30
Lytton volumes (bn litres)	5.97	5.26	5.47	5.38	5.76
EBIT - Lytton refinery	362	-42	148	210	165
EBIT - F&I (ex-Lytton)	419	278	306	330	349
EBIT - Energy Solutions	-45	-49	-46	-30	-10
Total F&I EBIT	737	186	408	510	504
Convenience Retail					
Revenue - Fuel	4,903	4,501	4,019	4,122	4,316
Revenue - Convenience	1,093	1,061	997	980	999
Fuel margin (Cents/litre)	21.3	22.6	24.0	24.1	24.1
Shop gross profit margin	36.1%	37.3%	40.7%	41.6%	41.7%
Convenience EBIT	355	357	375	395	420
EBIT margin	5.9%	6.4%	7.5%	7.7%	7.9%
New Zealand					
Total revenue (NZD)	5,511	5,000	4,621	4,943	5,128
Fuel margin (Cents/litre)	17.0	17.2	17.5	17.8	18.0
Shop gross profit margin	32.7%	33.0%	33.5%	33.9%	34.2%
New Zealand EBIT (NZD)	285	253	275	297	311
AUD/NZD	1.08	1.09	1.12	1.15	1.15
Corporate overheads					
Corporate EBIT	-58	-60	-64	-66	-69
Group EBIT	**1,297**	**715**	**965**	**1,097**	**1,125**
Group EBIT margin	**3.4%**	**2.1%**	**3.2%**	**3.4%**	**3.4%**

Source: Company reports and MST Marquee

Note our forecasts do not include the potential EG acquisition

Viva Energy **(VEA.AX)**

All figures stated in AUD

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Company Overview			
Current price ($)	2.07	Target price ($)	2.50
Market capitalisation ($m)	3,366	12 month dividend ($)	0.11
Shares outstanding (m)	1,626	Expected return (%)	26.0
Enterprise value	5,358	**Recommendation**	**Buy**

Year to 31 December

Profit & Loss ($m)	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**
Sales revenue	26,741	30,142	30,221	31,475	32,714
% change	1.2	12.7	0.3	4.2	3.9
Gross profit	2,607	3,449	3,661	3,894	3,965
Gross margin (%)	9.7	11.4	12.1	12.4	12.1
EBITDA	713	749	740	949	941
Depreciation	-174	-217	-247	-292	-312
Amortisation	-23	-27	-28	-30	-31
EBIT	515	504	466	627	598
EBIT margin (%)	1.93	1.67	1.54	1.99	1.83
Net interest expense	-77	-151	-175	-173	-173
Pre-tax profit	438	353	290	455	425
Tax expense	-122	-103	-86	-136	-128
Minorities & associates	2	6	-2	0	0
Net profit	318	256	202	318	298
% change	(46.8)	(19.3)	(21.2)	57.7	(6.5)
Significant items	314	333	259	0	0

Balance sheet ($m)	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**
Current assets					
Cash and near cash	216	193	111	129	155
Receivables	1,980	1,927	1,840	1,904	1,979
Inventory	1,798	2,080	2,141	2,194	2,286
Other	132	258	277	277	277
Total current	4,125	4,457	4,370	4,505	4,697
Non-current assets					
Property, plant and equipment	2,071	2,646	2,970	3,127	3,252
Investments	18	24	0	0	0
Right of use assets	1,985	3,036	2,803	2,843	2,895
Goodwill	380	1,116	1,292	1,292	1,292
Other intangibles	152	488	501	498	492
Other non current	352	358	442	442	442
Total non-current	4,957	7,668	8,008	8,201	8,373
Total Assets	**9,082**	**12,125**	**12,378**	**12,706**	**13,070**
Current liabilities					
Accounts payable	3,605	4,164	4,240	4,390	4,575
Short-term debt	0	0	0	0	0
Lease liabilities	207	273	294	294	294
Other	309	258	291	291	291
Total current	4,120	4,695	4,825	4,975	5,160
Non-current liabilities					
Long-term debt	596	1,986	2,243	2,243	2,243
Provisions	93	109	111	111	111
Lease liabilities	2,193	3,273	3,263	3,310	3,371
Other	70	167	203	203	203
Total non-current	2,951	5,535	5,820	5,867	5,928
Total liabilities	7,072	10,230	10,646	10,843	11,088
Net assets	**2,011**	**1,895**	**1,732**	**1,863**	**1,982**
Shareholders' equity	2,011	1,895	1,732	1,863	1,982
Outside equity interests	0	0	0	0	0
Total equity	**2,011**	**1,895**	**1,732**	**1,863**	**1,982**

Cashflow ($m)	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**
EBITDA	713	749	740	949	941
Working capital	217	197	107	33	18
Net interest	(77)	(151)	(175)	(173)	(173)
Tax	(122)	(103)	(86)	(136)	(128)
Other	(193)	(416)	(245)	0	0
Operating Cashflow	537	276	341	673	659
Capital expenditure	(493)	(588)	(533)	(472)	(461)
Net acquisitions/disposals	(243)	(1,055)	(109)	0	0
Other	41	105	7	0	0
Investing Cashflow	(694)	(1,538)	(636)	(472)	(461)
Financing Cashflow	(60)	909	(0)	(183)	(173)
Net change in cash	(217)	(353)	(295)	18	25
Free cash flow	**(157)**	**(1,262)**	**(295)**	**201**	**199**

Key metrics	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**
EPS - underlying (¢)	**20.5**	**16.1**	**12.6**	**19.6**	**18.3**
% change underlying EPS	-47.0	-21.2	-22.1	55.7	-6.5
EPS - basic (¢)	20.6	16.2	12.6	19.6	18.3
Wtd avg ordinary shares (m)	1,541	1,577	1,605	1,626	1,626
Wtd avg diluted shares (m)	1,551	1,588	1,606	1,627	1,627
DPS (¢)	**15.6**	**10.6**	**7.5**	**11.5**	**11.0**
Dividend yield (%)	7.5	5.1	3.6	5.6	5.3
Payout ratio (%)	76.2	65.5	59.9	58.8	60.1
Franking (%)	100	100	100	100	100
PE ratio	10.1	12.8	16.5	10.6	11.3
EV/EBIT (x)	10.4	10.6	11.5	8.5	9.0
EV/EBITDA (x)	7.5	7.2	7.2	5.6	5.7
EBIT margin (%)	1.9	1.7	1.5	2.0	1.8
Tax retention rate	72.1	70.8	70.3	70.0	70.0
Asset turnover	3.0	2.8	2.5	2.5	2.5
Interest expense rate (%)	0.9	1.4	1.4	1.4	1.3
Financial leverage multiplier	4.1	5.4	6.8	7.0	6.7
Minority interest adj factor (x)	1.0	1.0	1.0	1.0	1.0
ROE (%)	14.5	13.1	11.1	17.7	15.5
ROIC (%)	**7.9**	**6.1**	**4.7**	**6.2**	**5.8**
Net debt ($m)	380	1,794	2,131	2,113	2,088
Debt to equity (%)	29.6	104.8	129.5	120.4	113.2
Net debt to EBITDA	0.5	2.4	2.9	2.2	2.2
EBIT interest cover (x)	6.7	3.3	2.7	3.6	3.5
Days inventory	25.4	26.5	29.0	28.7	28.4
Days receivable	27.2	23.7	22.8	21.7	21.7
Days payable	51.8	53.1	57.7	57.1	56.9

Half-year ($m)	**1H24a**	**2H24a**	**1H25a**	**2H25e**	**1H26e**
Sales	14,381	15,761	14,955	15,266	15,679
EBITDA	452	297	305	436	492
EBIT	338	166	179	286	333
EPS - underlying (¢)	**12.3**	**4.0**	**4.0**	**8.5**	**10.6**
DPS (¢)	6.7	3.9	2.8	4.7	6.1

DCF valuation			
PV of free cash flows	3,029	Terminal value year	FY38
PV of terminal value	2,609	Beta	1.41
Enterprise value	5,638	Cost of equity (%)	11.1
Net debt	1,993	Cost of debt-AT (%)	4.2
Equity value	3,645	Debt to EV (%)	37.19
Shares on issue	1,637	Equity to EV (%)	62.81
DCF valuation per share	**$2.23**	**WACC (%)**	**8.52**

Segments ($m)	**2023a**	**2024a**	**2025e**	**2026e**	**2027e**
Convenience & Mobility					
Stores (#)	1,270	1,288	1,282	1,289	1,296
Convenience sales ($m)	763	1,664	1,679	1,718	1,775
Fuel volumes (mL)	4,556	5,062	5,173	5,108	5,177
Gross profit ($m)	1,204	1,817	1,949	1,989	2,063
EBITDA (RC) $m	232	231	179	241	294
Commercial & Industrial					
Fuel volumes (ML)	10,965	11,735	11,656	11,773	11,890
Gross profit ($m)	1,029	1,195	1,246	1,296	1,348
Gross profit per litre (c/L)	9.4	10.2	10.7	11.0	11.3
EBITDA (RC) $m	448	470	470	497	525
Energy & Infrastructure					
Intake (mbbls)	31.6	40.1	35.8	39.6	40.2
GRM $/bbl (USD)	9.8	8.7	10.9	12.7	11.4
GRM $/bbl (AUD)	14.6	13.2	17.0	19.2	17.2
EBITDA (RC) $m	65	94	143	263	174
Corporate overheads					
Corporate EBITDA ($m)	(32)	(47)	(52)	(52)	(53)
Group EBITDA (RC) $m	**713**	**749**	**740**	**949**	**941**
Group EBITDA margin	**2.7%**	**2.5%**	**2.5%**	**3.0%**	**2.9%**
D&A ($m)	198	244	275	322	344
EBIT (RC)	**518**	**508**	**462**	**627**	**598**
Group EBIT margin	**1.9%**	**1.7%**	**1.5%**	**2.0%**	**1.8%**

Source: Company reports and MST Marquee

AASB-16 from 2019a onwards

Investment case

Ampol Ltd (ALD.AX)

Investment case

We have a Buy rating on Ampol. The company should see strong earnings growth over FY25e and FY26e as profit margins in its Fuels & Infrastructure business recover to longer-term averages. For Ampol's Convenience segment, there is upside from continuing to optimise the product range and leverage the high-quality store network locations to lift earnings. There is also upside from further consolidation should the acquisition of EG Australia be approved, providing runway for the value-oriented U-GO site rollout. We see fair value at 14.9x PE (FY26e).

Valuation

Our base case valuation is $32.15 per share. We use the blended average of a PE relative to the market, sum of the parts and DCF to arrive at our valuation.

Our target price is $36.30 per share, which is inclusive of the value on the EG acquisition of $1.96 per share at a 90% probability of ACCC approval, plus our base case valuation. Our target price is the 12-month roll forward of our valuation at a cost of equity of 9.65%, less the next 12 months of dividends.

The components of our base case valuation are:

- **PE relative to market:** We use the ASX200, ex resources and financials, which is at 22.9x (FY26e). Ampol has traded at a 36% discount historically and we apply this discount to our FY26e EPS forecast.
- **Sum of the parts:** We use a sum of the parts valuing its fuels and convenience segments relative to global and local peers. We apply a 25% discount to the Australian convenience segment and 33% to the New Zealand segment versus overseas peers in the larger US market with high profit margins. The F&I segment is valued at a 10% discount to domestic refining peer Viva Energy and at a 25% discount to larger offshore refiners. Our fair value EV/EBIT is 10.7x FY26e.
- **DCF valuation:** We use an equity beta of 1.15, a WACC of 8.2% and terminal growth rate of 3.0%.

Risks to consider

- **Environmental regulations:** As a substantial emitter of carbon dioxide, Ampol faces risks in the transition to cleaner energy. The company has committed to net zero carbon emissions by 2040, which assumes the Lytton refinery will no longer be operation. There will be remediation and conversion costs in shutting or converting the Lytton refinery.
- **Growth of electric vehicles:** Electric vehicle growth will reduce volumes in petrol stations. Even with additional EV charging stations, the frequency of visits may drop. Electric vehicles are under 2% of the Australian car fleet and, based on current sales patterns, will grow at 1 percentage point per annum. Tax incentives may influence the shift towards EVs.
- **Excess capacity in refining oil:** Ampol's Lytton refinery competes with imported refined petroleum products. Given imports represent close to three quarters of industry supply, global refinery capacity will influence Lytton refinery margins.
- **Volatility in air travel:** Jet fuel sales are lucrative earnings stream for Ampol and therefore dependent on air travel trends. Major pandemics, geo-political disruptions and oil prices can all influence the demand for air travel and therefore jet fuel volumes.
- **Tobacco regulation and sales:** We estimate tobacco represents 2% of Ampol's group gross profit and has dropped from 3% over five years. Tobacco earnings could fall further given the rise of illicit tobacco. Regulatory change or stronger enforcement against illicit tobacco represents upside for Ampol.
- **ACCC approval:** Ampol has a proposed acquisition of EG Australia that is subject to ACCC approval on a 9-12 month timeline. We put an 90% probability that the acquisition is approved by mid-2026 with up to 20 EG stores divested.
- **Takeover appeal:** Ampol was subject to a takeover offer from Alimentation Couche Tard in 2019 and 2020 and rejected the offer. While no new formal offer has been made, there has been press speculation about its interest in Ampol.

Viva Energy Ltd (VEA.ASX)

Investment case

We have a Buy rating on Viva. The company's acquisition of OTR has yet to deliver meaningful improvements in sales and profitability. The near-term upside to earnings will come higher refiner margins and cost savings. The horizon for Viva's successful conversion of Reddy Express sites to OTR is less defined, but early signs have been encouraging. Viva has a solid base of QSR sites which gives further upside to sales and profitability. We see fair value at 12.2x PE (FY26e).

Valuation

We value Viva Energy at $2.38 per share as a spot valuation using an average of the sum-of-the-parts, PE relative and DCF valuation.

Our 12-month price target is the roll-forward of our valuation at the cost of equity of 11% minus the dividends to be paid over the next 12 months. This results in a $2.50 target price.

The components of our valuation are:

- **Sum-of-the-parts:** We employ EV/EBITDA multiples using FY26e EBITDA for all segments. For the C&M segment, we apply a 10.3x EV/EBITDA multiple, which is a 30% discount to international peer Casey's, and a 10% premium to international peer Couche Tard, reflecting the potential sales and gross margin uplift associated with the OTR conversions. For C&I, we apply a 7.1x multiple, a discount to international fuel distributors such as Vopak and Keyera. We apply a 5.0x multiple for the E&I segment, which is a discount to international refining peers.
- **PE relative to the market:** We use the ASX industrials, which is at 22.9x for FY26e. Viva has traded at an average discount of 46% over the past three years. We apply a 45% discount to the ASX industrials.
- **DCF valuation:** We use an equity beta of 1.4, a cost of equity of 11%, a WACC of 8.53% and assume terminal growth to be 3.25%.

Risks

- **Execution risk associated with the OTR conversion:** Viva aims to convert 100 stores p.a. from FY26e-FY28e. The sales and gross margin uplift associated with converting stores to the OTR format is foundational to the earnings recovery of the C&M segment. The risks to this are the number of stores that VEA are able to convert, the capital expenditure associated with converting stores, which has already increased from $1 million per store to $1.5 million per store, and the amount of landlord funding that will be secured.
- **Environmental regulations:** As a substantial emitter of carbon dioxide, Viva faces risks in the transition to cleaner energy. The company has ambitions to reach net zero scope 1 and 2 carbon emissions by 2050.
- **Growth of electric vehicles:** Electric vehicle growth will reduce volumes in petrol stations. Even with additional EV charging stations, the frequency of visits may drop. Electric vehicles are under 2% of the Australian car fleet and, based on current sales patterns, will grow at 1 percentage point per annum. Tax incentives may influence the shift towards EVs.
- **Excess capacity in refining oil:** Viva's Geelong refinery competes with imported refined petroleum products. Given imports represent close to three quarters of industry supply, global refinery capacity will influence Geelong refinery margins.
- **Volatility in air travel:** Jet fuel sales are lucrative earnings stream for Viva and therefore dependent on air-travel trends. Major pandemics, geo-political disruptions and oil prices can all influence the demand for air travel and therefore jet fuel volumes.
- **Tobacco regulation and sales:** We estimate tobacco represents 1.4% of Viva's group gross profit and has dropped from 3.8% over five years. Tobacco earnings could fall further given the rise of illicit tobacco. Regulatory change, tighter border controls or stronger enforcement against illicit tobacco represents upside for Viva.

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MST Platform	Communication Services	Consumer Discretionary		Consumer Staples	Energy	Financials		Health Care		Industrials	Information Technology	Materials		Real Estate	Utilities
MST Marquee	CAR	ALL	BRG	A2M	ALD	ANZ	BEN	ANN	COH	ALQ	MP1	AMC	BSL		
	NEC	BAP	GYG	COL	BPT	BOQ	CBA	CSL	EBO	DOW	NXT	JHX	ORA		
	NWS	DMP	JBH	EDV	STO	MPL	MQG	FPH	HLS	FBU	XRO				
	OML	HVN	LNW	ING	VEA	NAB	WBC	IDX	NEU	GWA					
	REA	JIN	PBH	MTS	WDS			RHC	RMD	MND					
	SEK	SKC	SGR	TWE				SHL	SIG	REH					
	SWM	TAH	SUL	WOW						RWC					
	TLS	WES	TLC							WOR					
	TPG														
MST Emerging		AX1	PMV			AMP	HUB				360	CMM	EVN		
		LOV	TPW			CGF	NGI				HSN	GOR	IGO		
		MYR				GDG	OFX				PPS	MIN	NST		
		NCK				IFL	PTM				QOR	PLS	RRL		
						NWL									
						PPT									
						RPL									
						XYZ									
MST Access	NZM.NZE	DSK	SSG	DAI	88E	CCA	CVW	ADR	ALA	ASB	IKE.NZE	5EA	ADN	APZ	D2O
				NOU	BLU	FND	HMY	ATH	AVH	SCT.NZE	NXL	ASM	BIS		
					BRK	KSL	MAF	BDX	CYP	SGI	RAK.NZE	BSX	CAA		
					BRU	MME	OBL	ENL	EYE	VRS	RKN	CCM	CYM		
					CTP	PCG	WZR	EZZ	IIQ		WBT	FEX	GEN		
					FDR			LDX	MVP		WRK	GUE	HGO		
					HZN			NTI	ONE			IXR	JLL		
					NHE			OPT	RAC			ORN	PEK		
					OMA			RAD.NZE	RCE			QPM	RTR		
					PH2			VHL				SGQ	STM		
					PVE							SVM			
					RLT										
					VEN										

Methodology & Disclosures

Target Price Methodology: Ampol

Target Price	**$36.30**	**Methodology applied:** Blended valn: PE relative with -36% to ASX200 Industrials FY25(e); EV/EBIT of 10.7x FY26(e); DCF with beta 1.13, WACC 8.2% and terminal growth 3.0%. **Timeframe to achieve Target Price:** 12mths.
Rating	Buy	**Clarifying Terms & Comment:** see below.
Return (Target Price + Div Yield vs Benchmark)	16.5%	Benchmark is: 6.5% (Comprising 3.25% plus 12mth forward average dividend yield).
Key risks	Ampol faces strategic risks from tightening environmental regulations and transition to net zero, including remediation costs when the Lytton refinery closes. The rise of EVs and ongoing tobacco regulation threaten to erode traditional fuel and retail earnings, while competition from imports and volatility in air travel add further uncertainty to refining and jet fuel margins.	

Target Price Methodology: Viva Energy

Target Price	**$2.50**	**Methodology applied:** Blended valn: PE relative with -45% to ASX200 Industrials FY25(e); EV/EBITDA of 7.4x FY26(e); DCF with beta 1.4, WACC 8.5% and terminal growth 3.25%. **Timeframe to achieve Target Price:** 12mths.
Rating	Buy	**Clarifying Terms & Comment:** see below.
Return (Target Price + Div Yield vs Benchmark)	26.0%	Benchmark is: 6.5% (Comprising 3.25% plus 12mth forward average dividend yield).
Key risks	Execution and uplift of Reddy to OTR conversions. Volatility associated with global refinery margins. Volatility in air travel and key customer risk in the Commercial segment. Risk of decline in tobacco sales and gross profit. Viva also has high gearing.	

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Buy	Expect outperformance against both Absolute and Relative Benchmarks over the specified timeframe
Overweight	Expect outperformance against either Absolute or Relative Benchmarks over the specified timeframe
Hold	Expect performance to be in-line with both Absolute and Relative Benchmark over the specified timeframe
Underweight	Expect underperformance against either Absolute or Relative Benchmarks over the specified timeframe
Sell	Expect underperformance against both Absolute or Relative Benchmarks over the specified timeframe

Absolute Benchmark is defined as the net of 2yr forward midpoint of nominal GDP growth as forecast by the Reserve Bank of Australia plus 12mth forward average dividend yield. Relative Benchmark is defined as ASX 200 accumulation index or the analyst sector coverage performance. Unless otherwise disclosed, the specified time frame is 12 months

Risk Statement

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