AMPOL
FACT SHEET
MAY 2024

INCOME ASSET MANAGEMENT

AMPOL

Issuer Outline

Ampol Limited provides petroleum products. The Company offers petrol and convenience network as well as refining, importing, and marketing fuels and lubricants. Ampol serves defence, mining, transport, marine, agriculture, aviation, and other commercial sectors in Australia.

Sector:	Energy
Sub-Sector:	Oil&Gas
Country:	AU
Ownership:	Public

IAM Credit View

Ampol is a much-changed business to what it was a few years ago post its transformation. It is now a more diverse and resilient business. The balance sheet remains strong, there is very little debt maturing soon, and the company has access to A$3bn in liquidity. Leverage remains low at 2.24x net debt to EBITDA and the operating outlook is positive.

The business has more resilient earnings year on year given the reduced lumpy impacts that flow on from the change in oil prices to Lytton. In terms of diversification around 30% of earnings are now from its international business and this will grow post Z Energy acquisition. Ampol is a leader in fast charging infrastructure (for EVs) and the implementation of sites will prove positive for Convenience Retail as customers spend more time/money in stores.

We recognise that three of these securities are subordinated and rated Baa3, two-notches below the issuer rating of Baa1. Currently, the trading margin on the subordinated 2080s, 2081s, and 2082s still look very attractive versus the BBB equivalent corporate curve when viewed on a spread to call basis.

Issuer Credit Rating & Outlook

Agency	Rating	Outlook
S&P	-	-
Moody's	Baa1	STABLE
Fitch	-	-

Key Financials (AUD m)

LTM (31Dec)	12/2023	12/2022
Revenue	37,749	38,492
EBITDA	1,472	1,516
NPAT	549	796
EBITDA Margin (%)	3.90	3.94
Total Assets	12,814	13,338
Total Debt	3,695	3,614
Net Debt	3,394	3,488
Net Debt/EBITDA (x)	2.24	2.30
Total Debt/Total Assets (%)	28.84	27.10

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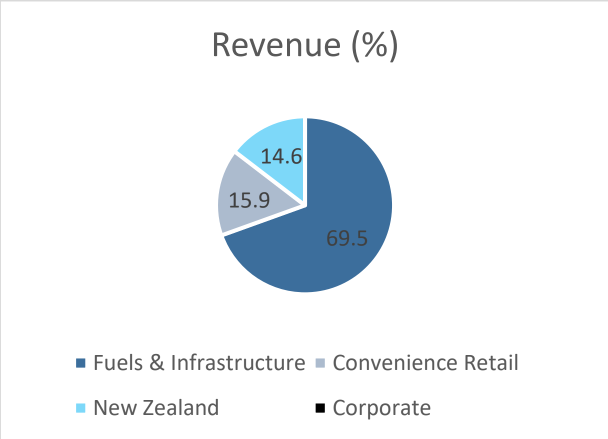
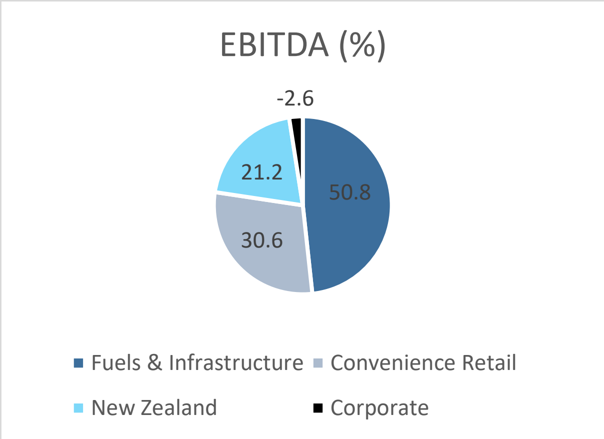
Revenue and EBITDA Composition





(LTM 31 December 2023)

Strengths of AMPOL

- Solid Non-Fuel Earnings. Ampol has restructured its operational framework to reduce dependency on the variable earnings associated with fuel-related revenues. This has enhanced cash flow stability across the group.
- Strong Balance Sheet. Ampol has consistently achieved a leverage below its 2-2.5x target, even though this target is what Moody's require for a Baa1 credit rating. This could result in Ampol moving to an A-band credit rating which would lower its overall interest costs.
- Air Travel Demand. With COVID largely over, there is a level of normalcy to car travel and subsequent fuel consumption. However, many are returning to airplane travel. Consistent elevated demand for travel via plane would drive higher jet fuel sales and allow the group to capture wider margins.

Weaknesses of AMPOL

- Excessive Capital Returns. Ampol has historically returned a large amount of cash to shareholders (a total of A$822m in buybacks and special dividends in excess of the A$1,594m of ordinary dividends over the last five years). This is generally seen as a negative for credit investors as it reduces cash available to service debt.
- Acquisition Strategy. Management are looking at acquisitions which may increase leverage outside the target 2-2.5x band. With operational stability rising, management may succumb to shareholder pressure.
- New EV Technology. Ampol have been trying to rollout EV charging bays with AmpCharge. A new technology that supersedes this investment and makes AmpCharge redundant would place the group behind the 8 ball as a result of the large sunk cost.

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Summary Bond Details

ISIN	Issue Amount	Ranking	Coupon	Coupon Frequency	First Call[1]	Maturity Date	Issue Rating (S&P/Moody's/Fitch)
AU3FN0057683	AUD500m	Subordinated	3mBBSW + 3.60%[2]	Quarterly	9 March 2026	9 February 2080	- / Baa3 / -
AU3FN0064739	AUD500m	Subordinated	3mBBSW + 3.40%[3]	Quarterly	19 March 2027	2 February 2081	- / Baa3 / -
AU3CB0252369	AUD300m	Sr Unsecured	4.000%	Semi-annual	17 April 2025	17 April 2025	- / Baa1 / -
AU3FN0069704	AUD150m	Subordinated	3mBBSW + 3.80%[4]	Quarterly	21 June 2028	21 June 2082	- / Baa3 / -

[1]Noteholder may convert into shares if issuer does not redeem at first call date for subordinated instruments.
[2]Resets on 9 December 2030 at a rate equal to the 3 month BBSW + 4.60%.
[3]Resets on 19 March 2032 at a rate equal to the 3 month BBSW + 4.40%.
[4]Resets on 21 June 2033 at a rate equal to the 3 month BBSW + 4.80%.

Subordinated Structure	
Interest Deferral/Cancellation	Interest is deferrable and cumulative if, before the payment of interest, the issuer is not solvent or would not be solvent after payment.
Equity Dividend Stopper	Interest payments are protected by an equity dividend stopper.
Final Maturity Date	The notes have a final maturity date.
Optional Redemption Date	The notes may be redeemed at the first call date and then any subsequent interest payment date. Should the notes not be redeemed at the first call date, noteholders have the option to request conversion into shares.

Disclosure

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