30th April 2025

Viva Energy Group Limited (ASX)

'Emerging stronger amid energy sector volatility'

GICS Sector: Energy
Australian Securities Exchange (ASX)

RECOMMENDATION: **HOLD**

	FY21	FY22	FY23	FY24
Revenue	15900.0	26196.5	25615.4	29992.2
EBITDA	755.9	1172.8	562.4	625.3
EBIT	344.7	802.3	186.3	17.5
Net Profit	232.9	514.3	3.8	-76.3
Profit Margin	0.01	0.02	0.0	-0.0
EPS	-0.05	-0.05	-0.05	-0.05
DPS	0.04	0.04	0.04	0.04
DPR	0.27	0.12	16.45	-0.82
ROE	0.11	0.22	0.0	-0.04
ROA	0.03	0.06	0.0	-0.01
ROIC	0.1	0.22	0.0	-0.02

All figures in A$ millions unless stated otherwise.

	FY21	FY22	FY23	FY24
Interest Burden	0.95	0.95	0.31	-1.98
Interest Coverage	20.29	20.89	1.45	0.34
Leverage	3.46	3.65	4.52	6.4
Total Asset Turnover	2.18	3.04	2.82	2.47
Fixed Asset Turnover	4.29	7.02	6.32	5.28
Inventory Turnover	11.99	15.38	13.57	13.0
Receivables Turnover	13.74	15.28	15.95	18.56
Payables Turnover	17.54	21.62	19.78	16.63
Current Ratio	1.05	1.04	1.0	0.95
Quick Ratio	0.57	0.62	0.56	0.51
Cash Ratio	0.04	0.08	0.05	0.04
Return on Assets (ROA)	0.03	0.06	0.0	-0.01
Return on Equity (ROE)	0.11	0.22	0.0	-0.04
Return on Invested Capital (ROIC)	0.1	0.22	0.0	-0.02
Gross Profit Margin	0.11	0.08	0.05	0.1
EBITDA Margin	0.05	0.04	0.02	0.02
EBIT Margin	0.02	0.03	0.0	0.0
Net Profit Margin	0.01	0.02	0.0	-0.0

Source: Yahoo Finance

Line Item	Value
Enterprise Value	$
Unlevered FCF in last forecast period	383.51
Unlevered FCF in next forecast period	388.12
Terminal value	6,122
Present value of terminal value	4,518
Present value of stage 1	1,550
Enterprise Value	6,069
Cash and cash equivalents	193
Borrowings	1990
Net debt	1797
Equity value	4,272
Shares outstanding	1610000000
Share price	2.65
Upside:	0.12%

Source: Internal Valuation Model (VEA_DCF.xlsx)

EXECUTIVE SUMMARY

Viva Energy Group (VEA) is a leading energy company that operates across Australia, Singapore, and Papua New Guinea. Despite facing significant headwinds over the past year, including weak oil-refining margins, high inflationary pressures, and impacts from illicit tobacco trade, VEA has maintained a major market share and strong brand partnerships, notably Shell. While a slow down in domestic inflation may provide some relief to margins and consumer demand, the outlook for refining margins in the global market remains challenging. Our discounted cash flow (DCF) valuation indicates the stock is trading close to fair value, resulting in our recommendation of a HOLD on Viva Energy.

COMPANY OVERVIEW

Viva Energy Group operates in three key segments. The Convenience & Mobility division includes over 1,300 service stations and more than 700 convenience stores that operate under the Shell and Coles Express brands. The Commercial & Industrial segment supplies fuels, lubricants, polypropylene, and specialty hydrocarbon products. The Energy & Infrastructure operations are centred around the Geelong Refinery in Victoria, which refines crude oil into petrol, diesel, jet fuel, bitumen, LPG, and specialty chemical products. Industry growth projections across these segments are mixed, with petroleum refining expected have a declining CAGR of 5.1% over the next five years, while bulk fuel storage has a modest growth forecast of 1.6%. Convenience store growth is forecast to be 0.2% annually, typical for the low and steady growth in the energy and utilities industry.

VALUATION

Our DCF model estimates an enterprise value of A$6,069 million and an equity value of A$4,272 million, resulting in a fair value share price of just above A$2.65. This valuation is closely aligned with VEA's current price of A$2.65, highlighting the minimal upside potential of 0.12%. Key assumptions in the model include a WACC of 7.54%, a terminal growth rate of 1.20% and 5-year FCFF projections that have an average annual growth of 10%, with the largest increase being seen in FY25. While VEA demonstrates solid FCFF generation and maintains a strong infrastructure asset holding, valuation metrics suggest limited immediate upside for investors.

INVESTMENT VIEW

While Viva Energy is expected to benefit from easing inflation pressures domestically and has made structural improvements across its divisions, the ongoing risks of weaker profit margins in the oil refining industry as well as political uncertainties weigh heavily on the near-term outlook. The industry's broadly stagnant growth forecasts further reinforce a cautious stance. With the shares trading near intrinsic value and the balance of risks and opportunities evenly poised, we maintain a HOLD recommendation on VEA.