BFF5580 Mergers and Acquisitions

Major Assignment

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Acquiring Company – Seven Group Holdings Limited

Target Company – Viva Energy Group Limited

Executive Summary

Seven Group Holdings (SGH) is considering acquiring Viva Energy, an Australian energy company with a strong market presence but recent financial challenges due to significant capital expenditures and operational disruptions. A comprehensive valuation analysis, including discounted cash flow (DCF), relative valuation, and synergy valuation, was conducted to assess the potential acquisition. The standalone DCF analysis indicates a negative equity value due to Viva Energy's high debt level, but a positive net present value (NPV) suggests potential profitability for SGH. Relative valuation using EV/EBITDA and EV/EBIT multiples indicates potential undervaluation compared to industry peers. The DCF valuation with synergies, assuming a 20% improvement in operating income, indicates a significantly higher enterprise value and implied share price, highlighting substantial value creation potential. Based on these findings, it is recommended that SGH proceed with the acquisition, offering a control premium of 20-30% above the current market price. However, thorough due diligence is crucial to validate synergy assumptions and assess potential risks, particularly those related to Viva Energy's high debt level and the successful integration of the two companies.

1. Acquiring firm's business, Industry, Market, and outlook

Seven Group Holdings (SGH) is a leading Australian conglomerate with diverse interests in industrial services, energy, and media. In FY23, SGH achieved remarkable financial results, with underlying EBIT reaching $1,197 million, a 20% increase from FY22, driven by robust demand and effective cost management in its Industrial Services division. Operating cash flow surged by 55% to $1,570 million, with an improved EBITDA cash conversion of 93%.

Key entities within SGH's portfolio include WesTrac, the exclusive Caterpillar dealer in key Australian regions, and Coates Hire, the nation's largest equipment hire company. These businesses are poised to benefit from Australia's infrastructure pipeline and government spending. Additionally, SGH holds a 72.6% stake in Boral, strengthening its presence in construction materials.
In the energy sector, SGH owns a 30.02% share in Beach Energy and other energy assets, aligning with the growing demand for gas and LNG, crucial for the energy transition.
With a healthy cash balance of $876.5 million and access to undrawn borrowing facilities of $1,226.0 million, SGH is well-equipped to pursue the acquisition of Viva Energy. The company's strong cash flow generation and prudent capital management further support its acquisition capacity.

Looking ahead, SGH expects high single-digit underlying EBIT growth in FY24, driven by industrial services and the energy sector. While the media segment faces challenges, Seven West Media is focused on digital expansion and securing key content deals.
In summary, SGH's diversified portfolio, strong financial performance, and strategic positioning make it well-prepared to acquire a company and deliver value to shareholders.

2. Target firm's business, Industry, Market and Economic outlook

Viva Energy, a leading Australian energy company, operates across three core segments:

Convenience & Mobility, Commercial & Industrial, and Energy & Infrastructure. It commands the largest single-branded fuel and convenience network in Australia, supplying about a quarter of the nation's fuel needs and holding significant positions in sectors like aviation, marine, mining, and agriculture. Despite challenges in 2023, particularly in the Energy & Infrastructure segment due to lower refining margins and operational disruptions, Viva Energy remains an attractive acquisition target with significant growth potential.

Financially, Viva Energy faced hurdles in 2023, notably in the Energy & Infrastructure segment, leading to a substantial decline in EBITDA from $926.5 million in 2022 to $268.8 million in 2023. However, the company's strong market position, diversified portfolio, and strategic investments in new energy solutions position it well for long-term growth.
Viva Energy's integrated business model, combining refining, distribution, and marketing, ensures supply chain efficiency and security. Its Geelong Refinery is a key asset, ensuring a reliable fuel supply. Additionally, its extensive retail network and strong brand recognition provide a solid foundation for growth.

Recent acquisitions, such as Coles Express and the planned OTR Group acquisition, further strengthen its position in the convenience market, offering growth potential through expanded offerings and electric vehicle infrastructure development.
Viva Energy's strong market position, diversified portfolio, and strategic investments in new energy solutions make it an attractive acquisition target with significant growth potential.

3. Regulatory issues

The proposed acquisition of Viva Energy by Seven Group Holdings (SGH) would be subject to regulatory scrutiny and approvals from various Australian government bodies. The key regulatory considerations include:

1. **Australian Competition and Consumer Commission (ACCC):** The ACCC is responsible for ensuring that mergers and acquisitions do not substantially lessen competition in any market. Given the size and market share of both SVW and Viva Energy in the Australian energy sector, the ACCC would likely conduct a thorough review of the proposed acquisition to assess its potential impact on competition in the fuel refining, distribution, and retail markets. The ACCC might require the merged entity to divest certain assets or make other behavioural commitments to address any competition concerns.
2. **Foreign Investment Review Board (FIRB):** As SGH is an Australian company and Viva Energy is ultimately owned by Vitol, a foreign entity, the acquisition would require FIRB approval. The FIRB assesses foreign investment proposals to ensure they are not contrary to Australia's national interest. The review process could involve assessing the impact of the acquisition on critical infrastructure, national security, and the Australian economy.
3. **Australian Securities and Investments Commission (ASIC):** ASIC is responsible for regulating financial markets and corporate conduct. The acquisition would need to comply with ASIC's disclosure and reporting requirements, ensuring that shareholders and the market are informed about the transaction's terms and implications.
4. **Other Regulatory Approvals:** Depending on the specific assets and operations involved, the acquisition might also require approvals from other regulatory bodies, such as environmental protection agencies, workplace health and safety authorities, and industry-specific regulators.

In addition to these regulatory approvals, the acquisition would also need to comply with relevant legal requirements, such as the Corporations Act 2001, which governs mergers and acquisitions in Australia.

The ACCC approval process for Viva Energy's acquisition of OTR Group, as mentioned in the annual report, provides a relevant precedent for the regulatory scrutiny that the proposed SVW-Viva Energy merger would likely face. The ACCC's conditional approval, subject to the divestment of certain sites, highlights the importance of addressing competition concerns to secure regulatory approval.

Overall, the regulatory approval process for the acquisition of Viva Energy by Seven Group Holdings is expected to be complex and time-consuming. However, by proactively addressing potential competition and national interest concerns, the companies can increase the likelihood of obtaining the necessary approvals and successfully completing the transaction.

4. Cost of capital and discount rate

The weighted average cost of capital (WACC) is a critical input in discounted cash flow (DCF) valuation, serving as the discount rate for future cash flows. Given that Seven Group Holdings (SVW) is the acquiring firm, its WACC will be used as the discount rate to evaluate the potential acquisition of Viva Energy Group Limited (VEA). For the standalone valuation of Viva Energy, the company's WACC of 11.74% was used as the discount rate. This higher discount rate reflects the greater risk associated with Viva Energy as a standalone entity compared to the diversified conglomerate, Seven Group Holdings. Detailed calculations for both WACCs are provided in Appendices A and B, respectively.

SVW's WACC was calculated using the standard formula: WACC = (E/V * Re) + (D/V * Rd * (1 - Tc)).

Due to the limited availability of specific yield-to-maturity (YTM) data for SVW's outstanding bonds, the cost of debt (Rd) was estimated using a simplified approach, utilizing the interest expense divided by total debt, adjusted for the tax shield. While these are estimates subject to market conditions and company-specific factors, the calculated WACC of 7.08% for SVW and 11.74% for VEA offer a reasonable basis for discounting Viva Energy's standalone and projected cash flows in the subsequent valuation analysis.

5. Valuation Method (s) and main assumptions

A discounted cash flow (DCF) approach was employed for the fundamental valuation of Viva Energy. Given that this is a standalone valuation, Viva Energy's weighted average cost of capital (WACC) of 11.74% was used as the discount rate. The company's recent substantial investments in capital expenditure (CAPEX) have led to a significant decline in net profit. However, these investments, such as the construction of a new crude tank at the Geelong Refinery and the expansion of the Lytton Terminal, are expected to enhance operational efficiency and drive future growth.

To account for the anticipated improvement in Viva Energy's financial performance, a three-stage DCF model was adopted. The first stage assumes a -1% growth rate for the initial two years, reflecting the current challenges faced by the company. The second stage projects a 5% growth rate for the following three years, as the benefits of the investments begin to materialize. Finally, a terminal growth rate of 3% is assumed, reflecting a sustainable long-term growth trajectory for the company. The DCF valuation assumed revenue, operating expenses, depreciation & amortization, and net working capital growth of -1% in years 1-2, 5% in years 3-5, and 3% thereafter, a tax rate of 30%, a 5% annual CAPEX growth based on 2022, and the discount rate (WACC) of Viva Energy.

For the relative valuation, comparable companies within the same industry were selected, and their enterprise value to EBITDA (EV/EBITDA) and enterprise value to EBIT (EV/EBIT) multiples were obtained from Morningstar. These multiples were chosen due to their prevalence in valuing energy companies, as they account for differences in capital structure and taxation while reflecting the operational performance of the businesses. These multiples were then applied to Viva Energy's EBITDA and EBIT to derive an implied share price.

6. Target firm fundamental and relative valuations

A discounted cash flow (DCF) analysis was conducted to determine the intrinsic value of Viva Energy. Given that this is a standalone valuation, Viva Energy's weighted average cost of capital (WACC) of 11.74% was used as the discount rate. The company's recent substantial investments in capital expenditure (CAPEX) have led to a significant decline in net profit. However, these investments, such as the construction of a new crude tank at the Geelong Refinery and the expansion of the Lytton Terminal, are expected to enhance operational efficiency and drive future growth.

To account for the anticipated improvement in Viva Energy's financial performance, a three-stage DCF model was adopted. The first stage assumes a -1% growth rate for the initial two years (2024-2025), reflecting the current challenges faced by the company. The second stage projects a 5% growth rate for the following three years (2026-2028), as the benefits of the investments begin to materialize. Finally, a terminal growth rate of 3% is assumed from 2029 onwards, reflecting a sustainable long-term growth trajectory for the company.

The resulting DCF valuation yielded an enterprise value (EV) of $ $918,682,324.59 million (Refer to Appendix C for calculations). However, due to Viva Energy's substantial debt level of $2.9 billion, the equity value derived from the DCF analysis was negative. This outcome underscores the challenges of valuing highly leveraged companies using the DCF method, as the debt burden can significantly impact the equity value.

For the relative valuation, six comparable companies within the same industry were selected: Woodside Energy Group Ltd (WDS), Santos Limited (STO), Ampol Limited (ALD), Beach Energy Limited (BPT), and Karoon Energy Ltd (KAR). Their enterprise value to EBITDA (EV/EBITDA) and enterprise value to EBIT (EV/EBIT) multiples were obtained from Morningstar. These multiples were then applied to Viva Energy's EBITDA and EBIT for 2023 to derive an implied share price (Refer to Appendix D for calculations). The average EV/EBITDA multiple of 7.70x resulted in an implied share price of $1.75, while the average EV/EBIT multiple of 14.3x yielded an implied share price of $0.69. The average of these two relative valuations indicates a share price of $1.22.

A DCF valuation with synergies was also conducted, assuming a 20% improvement in operating income due to the merger with Seven Group Holdings. This assumption is based on the potential for operational synergies between Viva Energy and Seven Group Holdings' subsidiary, Beach Energy, both of which operate in the oil and gas sector. The merger could lead to cost savings through the integration of operations, such as consolidating refining and distribution networks, optimizing supply chains, and sharing administrative functions. Additionally, the combined entity would have a larger market share, potentially leading to increased pricing power. The discount rate used for this valuation was 7.08%, the WACC of Seven Group Holdings, as it reflects the cost of capital for the acquirer. The resulting enterprise value was $9,657,962,814.68, with an implied share price of $4.45 (Refer to Appendix E for calculations).

A sensitivity analysis was conducted on the improvement in operating income, varying the percentage from 5% to 30%. The results show that the implied share price is highly sensitive to the level of synergy achieved, ranging from $0.03 to $9.82 (Refer to Appendix E for calculations).

The valuation of Viva Energy presents a complex picture. The standalone DCF analysis suggests a negative equity value due to the company's high debt level. However, the positive NPV of $918 million indicates that the project could still be profitable for Seven Group Holdings, as the present value of future cash flows exceeds the initial investment. The relative valuation, using both EV/EBITDA and EV/EBIT multiples, suggests that Viva Energy might be overvalued compared to its peers, with implied share prices significantly lower than the current market price. The DCF valuation with synergies, assuming a 20% improvement in operating income year on year due to the merger with Seven Group Holdings, yields a significantly higher enterprise value of $9,657 million and an implied share price of $4.45. This suggests that the merger could create substantial value for Seven Group Holdings, but the realization of these synergies depends on the successful integration of the two companies and the achievement of operational efficiencies. The market value of Viva Energy, calculated by adding its net debt to its market capitalization, is $8,168.94 million, with a share price of $3.38.

Based on the range of implied share prices from the different valuation methods ($0.69 to $4.45) (Refer to Appendix F for the summary table). Seven Group Holdings could consider offering a premium above the current market price of $3.38 to incentivize shareholders to sell. A control premium 20% to 30% from the current market price would be appropriate, resulting in a potential acquisition price of $4.225per share. This premium reflects the potential value that could be created through synergies between the two companies.

7. Target firm business and recommendation as an acquisition target

Viva Energy presents a compelling acquisition target for Seven Group Holdings (SGH) due to its strategic fit, operational capabilities, and growth potential, despite some financial and market risks.

Strategic Fit: Viva Energy's downstream business model, encompassing refining, distribution, and marketing of petroleum products, complements SGH's upstream focus on exploration and production through Beach Energy. This vertical integration offers potential synergies in procurement, logistics, and operational efficiencies, enhancing the combined entity's resilience and diversification. Viva Energy's extensive retail network and strong brand recognition, particularly through the Shell brand, provide SGH with a platform for broader market reach and cross-selling opportunities. Additionally, both companies are aligned in their focus on the energy transition, investing in new energy solutions like hydrogen and sustainable aviation fuels, making the acquisition a strategic move for long-term growth in a changing energy landscape.

Financial Performance: Viva Energy's financial performance in 2023 was mixed, with a slight revenue increase of 0.8% but a significant decline in net profit after tax (NPAT) due to lower refining margins and operational disruptions. However, the company maintains a healthy cash balance and access to undrawn credit facilities, demonstrating financial flexibility. The acquisition presents an opportunity for SGH to leverage its expertise to optimize Viva Energy's operations, potentially improving profitability and cash flow generation.

Operational Efficiency: Viva Energy's operational efficiency is evident in its well-maintained Geelong Refinery, extensive supply chain network, and cost management initiatives. However, there's room for improvement in refinery turnaround efficiency and the integration of the recently acquired Coles Express. SGH's experience in project management and operational optimization could be instrumental in addressing these areas.

Competitive Position: Viva Energy holds a dominant position in the Australian fuel market, boasting the largest single-branded retail network and leading positions in key commercial sectors. Its nationwide infrastructure, including the strategically important Geelong Refinery, further solidifies its competitive advantage. However, challenges arise from increasing competition from imported refined products and the ongoing energy transition.

Risks and Challenges: The acquisition poses integration risks due to the complexity of merging large companies, potential regulatory hurdles, and financial risks associated with Viva Energy's high debt level. Additionally, the cyclical nature of the oil and gas industry and the ongoing energy transition present market risks. Despite these challenges, the potential rewards, including synergy realization and the creation of a diversified energy company, could outweigh the risks, making Viva Energy a suitable acquisition target for SGH.

In conclusion, SGH should proceed with the acquisition of Viva Energy. The strategic, operational, and financial benefits, combined with the growth potential in the evolving energy landscape, make this acquisition a sound strategic move. However, the high debt levels of Viva Energy and the financially overvalued share price as a standalone along with the market’s cyclical nature could make it challenging for SGH.

8. Deal Structure

Given the financial position of both Seven Group Holdings (SVW) and Viva Energy (VEA), and considering the potential synergies and value creation opportunities, a combination of cash and equity is recommended as the most suitable deal structure for this acquisition.

Rationale for Cash and Equity Mix:

Viva Energy's High Debt: A pure cash offer would require SVW to assume VEA's substantial debt, thereby increasing the financial risk of the combined entity. The debt-to-equity ratio of Viva Energy necessitates a balanced approach to mitigate potential financial strain on SVW.

Seven Group Holdings' Financial Position: While SVW possesses a healthy cash balance and access to credit, a significant cash outlay could limit future investment and growth opportunities.

Alignment of Interests: Offering a portion of the consideration in equity aligns the interests of both SVW and VEA shareholders. VEA shareholders can participate in the potential upside of the combined entity, while SVW shareholders maintain a stake in the acquired company and its future growth.

Proposed Deal Structure:

The proposed deal structure involves a combination of cash and equity:

Cash Component: SVW will offer $4.225 per share, representing a 25% control premium over Viva Energy's market price of $3.38. This cash component will be funded by SVW's existing cash reserves of $876.5 million and additional debt financing of $2.6 billion.

Equity Component: SVW will issue 78,405,409 new shares to Viva Energy's shareholders, based on SVW's current share price of $38.87. This translates to an equity value of approximately $3,047.62 million.

The resulting deal structure has a debt-to-equity ratio of 53.2% / 46.7%, ensuring a balanced approach that addresses the financial considerations of both companies. This mix also results in a new WACC of 6.09%, indicating a potential reduction in the overall cost of capital for the combined entity.

Benefits of the Proposed Deal Structure:

Mitigates Financial Risk: The blended approach reduces the financial burden on SVW, mitigating the risk associated with Viva Energy's existing debt.

Preserves Financial Flexibility: SVW retains financial flexibility by not exhausting its cash reserves, allowing for future investments.

Aligns Interests: Offering equity to VEA shareholders fosters a shared interest in the success of the combined entity, potentially garnering greater support for the acquisition.

Lower WACC: The new WACC of 6.09% suggests a potential reduction in the overall cost of capital, which could enhance the combined entity's profitability and value creation potential.

Overall, the proposed deal structure of a 53.2% cash and 46.7% equity mix offers a balanced approach that addresses the financial considerations of both companies while maximizing the potential for value creation from the merger. This structure is expected to be well-received by both SVW and VEA shareholders, paving the way for a successful acquisition.

9. Target Company reaction

In response to Seven Group Holdings' (SGH) acquisition offer, Viva Energy is expected to exhibit initial resistance, followed by potential negotiation. Viva Energy's board, acting in shareholders' best interests, may perceive the offer as undervaluing the company, given its strong market position and growth prospects in convenience retail and new energy sectors. They might initially resist the offer, citing the offer price's failure to fully reflect Viva Energy's perceived value, especially considering highlighted synergies.

To defend against the acquisition attempt, Viva Energy could employ various tactics, such as implementing poison pills. Poison pills are securities with special rights triggered by specific events, such as the acquisition of a large holding by a bidder, aimed at deterring hostile takeovers.

Despite the defensive measures, Viva Energy's board may recognize the potential benefits of merging with SGH, including strategic fit and operational synergies. Shareholder pressure, regulatory considerations, and alternative offers could influence Viva Energy's final decision.

In conclusion, while Viva Energy may employ defensive tactics like poison pills to fend off a hostile takeover, the potential benefits of the merger and negotiation room may lead to a mutually agreeable outcome. The final decision will likely hinge on balancing shareholder interests, regulatory constraints, and strategic imperatives.

10. Market reaction

The market is expected to react positively to the announcement of Seven Group Holdings' (SGH) proposed acquisition of Viva Energy. SGH's share price is likely to increase as investors recognize the potential for value creation through synergies, vertical integration, and expansion into the growing convenience retail market. The acquisition aligns with SGH's strategic focus on the energy sector and its commitment to the energy transition, which could further boost investor confidence.

Viva Energy's share price is also expected to increase, potentially exceeding the proposed acquisition price of $4.225 per share. This is because the offer represents a significant premium over the current market price of $3.38 and reflects the potential synergies and growth opportunities associated with the merger. However, the share price might not fully reach the implied value from the DCF analysis with synergies ($4.45), as investors might discount this value due to the uncertainties surrounding the realization of synergies and the integration process.

Overall, the market reaction to the proposed acquisition is expected to be favourable for both companies. The strategic rationale behind the deal, the potential for value creation, and the positive outlook for the energy sector are likely to resonate with investors, leading to increased share prices for both SGH and Viva Energy. However, it will also depend on market sentiment and the regulatory approvals.

Appendices (Maximum 2 pages)

MV of Equity	$5,281,061,400.00		Cost of Debt	6.26%
Outstanding Shares	1544170000		Interest Expense	249300000
Current price	3.42		Total Debt	2788500000
			(1 - T)	0.7
Cost of Equity	14.85%		MV of Debt	$2,995,300,000.00
Rf	4.35%			
Beta	1.75			
MRP	6%		MV of D+E	$8,276,361,400.00
	WACC			
	11.74%			

Table 1Appendix A: WACC Calculation for Viva Energy

MV of Equity	$13,771,888,000.00		Cost of Debt	3.89%
Outstanding Shares	362800000		Interest Expense	298000000
Current price	37.96		Total Debt	5356000000
			(1 - T)	0.7
Cost of Equity	8.43%		MV of Debt	$5,877,700,000.00
Rf	4.35%			
Beta	0.68			
MRP	6%		MV of D+E	$19,649,588,000.00
	WACC			
	7.08%			

Table 2Appendix B: WACC Calculation for SVW

Item	12/22	12/23	12/24FE	12/25FE	12/26FE	12/27FE	12/28FE	12/29FE	12/30FE	
Operating Revenue	$ 26,196,500,000.00	$ 25,615,400,000.00	$ 25,359,246,000.00	$ 25,105,653,540.00	$ 26,360,936,217.00	$ 27,678,983,027.85	$ 29,062,932,179.24	$ 29,934,820,144.62	$ 30,832,864,748.96	
Other Revenue	$ 581,200,000.00	$ 1,399,100,000.00	$ 1,385,109,000.00	$ 1,371,257,910.00	$ 1,439,820,805.50	$ 1,511,811,845.78	$ 1,587,402,438.06	$ 1,635,024,511.21	$ 1,684,075,246.54	
Total Revenue Excluding Interest	$ 26,777,700,000.00	$ 27,014,500,000.00	$ 26,744,355,000.00	$ 26,476,911,450.00	$ 27,800,757,022.50	$ 29,190,794,873.63	$ 30,650,334,617.31	$ 31,569,844,655.83	$ 32,516,939,995.50	
Operating Expenses	$ (25,447,000,000.00)	$ (26,301,500,000.00)	$ (26,038,485,000.00)	$ (25,778,100,150.00)	$ (27,067,005,157.50)	$ (28,420,355,415.38)	$ (29,841,373,186.14)	$ (30,736,614,381.73)	$ (31,658,712,813.18)	
EBITDA	$ 1,330,700,000.00	$ 713,000,000.00	$ 705,870,000.00	$ 698,811,300.00	$ 733,751,865.00	$ 770,439,458.25	$ 808,961,431.16	$ 833,230,274.10	$ 858,227,182.32	
Depreciation	$ (371,300,000.00)	$ (419,300,000.00)	$ (415,107,000.00)	$ (410,955,930.00)	$ (431,503,726.50)	$ (453,078,912.83)	$ (475,732,858.47)	$ (490,004,844.22)	$ (504,704,989.55)	
Amortisation	$ (32,900,000.00)	$ (24,900,000.00)	$ (24,651,000.00)	$ (24,404,490.00)	$ (25,624,714.50)	$ (26,905,950.23)	$ (28,251,247.74)	$ (29,098,785.17)	$ (29,971,748.72)	
Depreciation and Amortisation	$ (404,200,000.00)	$ (444,200,000.00)	$ (439,758,000.00)	$ (435,360,420.00)	$ (457,128,441.00)	$ (479,984,863.05)	$ (503,984,106.20)	$ (519,103,629.39)	$ (534,676,738.27)	
EBIT	$ 926,500,000.00	$ 268,800,000.00	$ 266,112,000.00	$ 263,450,880.00	$ 276,623,424.00	$ 290,454,595.20	$ 304,977,324.96	$ 314,126,644.71	$ 323,550,444.05	
TAX at 30%	$ 277,950,000.00	$ 80,640,000.00	$ 79,833,600.00	$ 79,035,264.00	$ 82,987,027.20	$ 87,136,378.56	$ 91,493,197.49	$ 94,237,993.41	$ 97,065,133.22	
Unlevered Net Income	$ 648,550,000.00	$ 188,160,000.00	$ 186,278,400.00	$ 184,415,616.00	$ 193,636,396.80	$ 203,318,216.64	$ 213,484,127.47	$ 219,888,651.30	$ 226,485,310.84	
Depreciation	$ 371,300,000.00	$ 419,300,000.00	$ 415,107,000.00	$ 410,955,930.00	$ 431,503,726.50	$ 453,078,912.83	$ 475,732,858.47	$ 490,004,844.22	$ 504,704,989.55	
Less: Capital Expenditure	$ 434,200,000.00	$ 767,700,000.00	$ 455,910,000.00	$ 478,705,500.00	$ 502,640,775.00	$ 527,772,813.75	$ 554,161,454.44	$ 581,869,527.16	$ 610,963,003.52	
Less: Working Capital Change	$ 140,400,000.00	$ 4,600,000.00	$ 4,554,000.00	$ 4,508,460.00	$ 4,733,883.00	$ 4,970,577.15	$ 5,219,106.01	$ 5,375,679.19	$ 5,536,949.56	Terminal Value
FCFF		-164,840,000.00	140,921,400.00	112,157,586.00	117,765,465.30	123,653,738.57	129,836,425.49	122,648,289.17	114,690,347.30	$ 1,351,613,932.73
PV		$ (147,521,030.96)	$ 112,865,085.53	$ 80,390,115.42	$ 75,541,096.47	$ 70,984,563.53	$ 66,702,874.27	$ 56,389,835.21	$ 47,190,820.85	$ 556,138,964.27
NPV	$ 918,682,324.59									
WACC										
11.74%										
EV of the firm	$ 918,682,324.59									
Debt	$ 2,779,800,000.00									
Value of Equity	$ (1,861,117,675.41)									

Table 3Appendix C: DCF Calculation as a Standalone for Viva Energy

Bearing Companies	EV/EBITDA	EV/EBIT
Woodside Energy Group Ltd	6.16	13.64
Karoon Energy Ltd	9.74	14.38
Beach Energy Limited	5.56	5.75
Santos Limited	5.44	10.42
Viva Energy Group Limited	11.46	30.39
Ampol Limited	7.81	11.21
Mean	7.70	14.30
EV using EV/EBITDA (VIVA ENERGY)	$ 5,486,535,000.00	
EV using EV/EBIT (VIVA ENERGY)	$ 3,843,392,000.00	
Average of these both	$ 4,664,963,500.00	
Debt	$ 2,779,800,000.00	
Equity Value	$ 1,885,163,500.00	
Outstanding shares	1544170000	
Per share price	$ 1.22	
Equity value (EBITDA)	$ 2,706,735,000.00	$ 1.75
Equity value (EBIT)	$ 1,063,592,000.00	$ 0.69

Table 4Appendix D: Multiples Valuation for Viva Energy

Item	12/22	12/23	12/24FE	12/25FE	12/26FE
Operating Income	$ 926,500,000.00	$ 268,800,000.00	$ 322,560,000.00	$ 387,072,000.00	$ 464,486,400.00
TAX at 30%	$ 277,950,000.00	$ 80,640,000.00	$ 96,768,000.00	$ 116,121,600.00	$ 139,345,920.00
Unlevered Net Income	$ 648,550,000.00	$ 188,160,000.00	$ 225,792,000.00	$ 270,950,400.00	$ 325,140,480.00
Depreciation	$ 371,300,000.00	$ 419,300,000.00	$ 415,107,000.00	$ 410,955,930.00	$ 431,503,726.50
Less: Capital Expenditure	$ 434,200,000.00	$ 767,700,000.00	$ 455,910,000.00	$ 478,705,500.00	$ 502,640,775.00
Less: Working Capital Change	$ 140,400,000.00	$ 4,600,000.00	$ 4,554,000.00	$ 4,508,460.00	$ 4,733,883.00
FCFF		$ (164,840,000.00)	$ 180,435,000.00	$ 198,692,370.00	$ 249,269,548.50
PV		$ (153,940,978.71)	$ 157,363,519.03	$ 161,828,907.60	$ 189,598,884.13
NPV	$ 9,657,962,814.68				

Item	12/27FE	12/28FE	12/29FE	12/30FE	
Operating Income	$ 557,383,680.00	$ 668,860,416.00	$ 802,632,499.20	$ 963,158,999.04	
TAX at 30%	$ 167,215,104.00	$ 200,658,124.80	$ 240,789,749.76	$ 288,947,699.71	
Unlevered Net Income	$ 390,168,576.00	$ 468,202,291.20	$ 561,842,749.44	$ 674,211,299.33	
Depreciation	$ 453,078,912.83	$ 475,732,858.47	$ 490,004,844.22	$ 504,704,989.55	
Less: Capital Expenditure	$ 527,772,813.75	$ 554,161,454.44	$ 581,869,527.16	$ 610,963,003.52	
Less: Working Capital Change	$ 4,970,577.15	$ 5,219,106.01	$ 5,375,679.19	$ 5,536,949.56	Terminal Value
FCFF	$ 310,504,097.93	$ 384,554,589.22	$ 464,602,387.31	$ 562,416,335.80	$14,198,255,536.08
PV	$ 220,559,375.62	$ 255,098,452.13	$ 287,821,279.46	$ 325,380,128.61	$ 8,214,253,246.79

WACC	Synergy improvement
7.08%	20%

EV of the firm	$ 9,657,962,814.68
Debt	$ 2,779,800,000.00
Value of Equity	$ 6,878,162,814.68
No. of Outstanding Shares	1544170000.00
Per share value with Synergy	$ 4.45

Sensitivity Analysis of Intrinsic value of share with different Operating Income growth post merger							
Operating Income Improvement	5.00%	10.00%	15.00%	18%	20.00%	25.00%	30.00%
Per share value with Synergy	$ 0.03	$ 1.14	$ 2.59	$ 3.65	$ 4.45	$ 6.83	$ 9.82

Table 5Appendix E: Synergy Valuation & Sensitivity Analysis.

Valuation Method	Enterprise Value	Implied Share Price
DCF	$918,682,324.59	-
Relative (EV/EBITDA)	$5,486,535,000.00	$1.75
Relative (EV/EBIT)	$3,843,392,000.00	$0.69
Average Relative	$4,664,963,500.00	$1.22
DCF + Synergy	$9,657,962,814.68	$4.45
Market	$8,168,940,000.00	$3.38

Table 6Appendix F: Summary Table