

23 February 2021

Russell Wright | T+02 8288 6900 | E:russell@barclaypearce.com.au

Ampol Limited

Energy
HOLD

ALD A\$26.49 TARGET PRICE A\$24.91

ALD's Principal Activity is the purchase, supply, refining, distribution and sale of petroleum products and the operation of convenience stores throughout Australia and the north island of New Zealand under Gull NZ brand.

Company Data

Number of shares	238.3 M
Market Capitalisation	\$6,312.6 M
Free float (%)	99.8
12-month high/low	\$34.7/\$19
Average Daily Turnover (\$m)	56.99
% S&P/ASX200	0.33%
DDM Ranking	N/A
% All Ordinaries	0.38%
GICS Industry Group	Energy

Source: FactSet, Barclay Pearce Capital

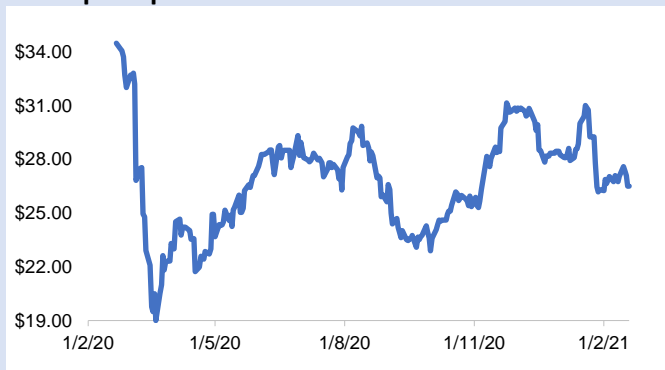
Earnings Summary (AUD)

Year end December	2020A	2021F	2022F	2023F
Revenue (\$M)	15,406.3	20,781.8	21,507.8	18,574.1
EBITDA (\$M)	744.4	1,050.6	1,187.1	1,104.0
Reported NPAT (\$M)	-479.8	373.3	487.8	403.4
Adjusted NPAT (\$M)	212.0	365.7	457.3	375.0
Reported EPS (c)	-181.2	144.4	189.0	170.0
Adjusted EPS (c - FD)	93.1	152.6	195.6	158.1
Adjusted EPS growth (%)	-38.4	82.2	28.2	-19.2
Adjusted P/E (x)	28.4	17.4	13.5	16.8
Dividend (c/sh)	25.0	88.8	114.4	94.9
Gross yield (%)	0.9	3.4	4.3	3.6
Net yield (%)	0.9	3.4	4.3	3.6
ROIC (%)	4.3	8.8	11.2	7.6

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

Full Year Ended 31 December 2020 Results

On 22nd February, Ampol Limited (ALD) released their full year results for the year ended 31 December 2020 with the following highlights:

2020 Result	Full Year ended 31 Dec	
	2020 (\$M)	2019 (\$M)
Fuels & Infrastructure EBIT (excl Lytton)	299	380
Lytton EBIT	(145)	70
Fuels & Infrastructure (F&I) EBIT	154	450
Convenience Retail (CR) EBIT	287	201
Corporate	(41)	(44)
Group RCOP EBIT	401	607
RCOP NPAT	212	344
Inventory Gain/(Loss) post tax	(360)	(14)
Significant Items Gain/(Loss) post tax	(337)	53
HCOP NPAT	(485)	383

Key points

- Group RCOP EBIT result of \$401 million impacted by economic weakness and significant disruptions to global hydrocarbon markets;
- CR RCOP EBIT up 43% and F&I ex-Lytton RCOP EBIT down 21% on pcp;
- Group HCOP NPAT of \$485 million loss impacted by \$360 million inventory loss and \$337 million Significant Items loss;
- Continued disciplined execution of strategy despite disruptions during the period;
- Ampol executed the Convenience Retail property trust transaction in August, announced a \$300 million Off-market Buy-back in November (completed January 2021) and completed a \$500 million subordinated notes (hybrid) issuance in December;
- Net borrowings of \$434 million at end of period, supported by positive operating cashflows and property trust transaction proceeds, partially offset by inventory loss relating to COVID-19 impacts; and
- Final dividend of 23 cps (fully franked) declared, representing a 60% payout ratio of 2H 2020 RCOP NPAT (excluding significant items).

Matt Halliday, Managing Director and CEO, said: "Ampol has navigated a tough operating environment, with sustained weakness in refining margins, ongoing government restrictions impacting travel and aviation in particular, and broad economic weakness impacting demand throughout the year."

"Despite the many challenges and disruptions faced, I am pleased with our progress in executing our strategy and delivering on our promises to shareholders. In 2020 we released significant capital through our Convenience Retail property transaction, announced the return of capital to shareholders through our recently completed Off-market Buyback, and delivered a subordinated notes issuance. We also commenced our rebrand to Ampol and we are well positioned to deliver on our targeted \$195 million EBIT uplift by 2024."

Earnings changes

For the full year ended 31 December 2020, ALD reported NPAT of \$212 million, which is in line with market expectations of \$214 million. Hence, we don't expect any significant earnings revisions.

Valuation

We are updating our price target on ALD to \$24.91 and revising our recommendation from UNDERPERFORM to HOLD. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

Underperform – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Free Float (float / current shares outstanding) *100 – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's,

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employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)