Reporting Season

CommSec

CALTEX AUSTRALIA (CTX)

28 AUGUST 2018

RESULTS	Half Year 2018	Half Year 2017	CHANGE
Total Revenue ($m)	10,192	7,641	+33%
Bloomberg Consensus ($m)	10,559		
Fuels & Infrastructure EBIT ($m)	314	287	+9%
Convenience Retail EBIT ($m)	161	187	-14%
Lytton Refinery ($m)	105	149	-30%
Replacement Cost Profit ($m)	296	294	+1%
Interim Dividend ($)	0.57	0.60	-5%

Caltex (CTX) half year profits largely flat and at bottom end of guidance

- Fuel supplier and retailer, **Caltex (CTX)** posted a 45% lift in its Historical Cost Net Profit to $383.0m. However the more closely watched Replacement Cost Operating Profit (RCOP) edged higher by just 1% to $296m for the six months to 30 June. The result was right at the lower end of CTX's $295-$315m guidance as the company continues navigating a period of transition.

- RCOP is often used by analysts as it presents a clearer picture of underlying performance, removing the impact of fluctuations in the US price of oil and currency moves which can skew results.

- **Fuels and Infrastructure** EBIT rose by 9% to $314m over the half which is slightly below CTX's guidance range of between $315m and $335m. The result was boosted by a 12% lift in the volume of fuel supplied and its international expansion while lower Refiner Margins (which takes into account the cost of importing the raw materials necessary to produce fuel products) held back the result. It has separated this division from its Convenience Retail operations, which it said would "support greater internal focus and efficiency for each business".

- **Convenience Retail** profits went backwards by 14% due to the impact of rising crude oil prices (impacting margins) and lower fuel volumes. Costs associated with transitioning 57 franchised fuel stations to company owned operations since February also reduced EBIT by around $16m. In early July CTX both extended and expanded its fuel supply partnership with Woolworths which it said would "…underpin future growth within [its] Fuels & Infrastructure" business. CTX said it is exploring the potential sale of 15-25% of its $2bn fuel station property portfolio in which it could retain between 25-50% equity interest.

- Its **Lytton Refinery in Brisbane** posted a 30% slump in its underlying earnings which it blamed on lower margins. **CTX's net debt** rose over the past 18 months, increasing partly due to a number of acquisitions and investments (including purchase of a fuel company in the Philippines and retailers in Australia and New Zealand). Over the half debt rose from $814m to $1,041m.

- A fully **franked interim dividend** of $0.57 per share was declared, will be paid out to eligible investors on 5 October 2018 and will trade ex-dividend on 10 September 2018. This represents a 50.3% payout ratio which is in line with the company's guidance of paying out 40-60% of earnings. **CTX shares** fell by approximately 5% following the results.