



# VIVA ENERGY REIT RESULTS PERIOD ENDED 31 DECEMBER 2016

**VIVA**  
Energy | REIT

23 February 2017

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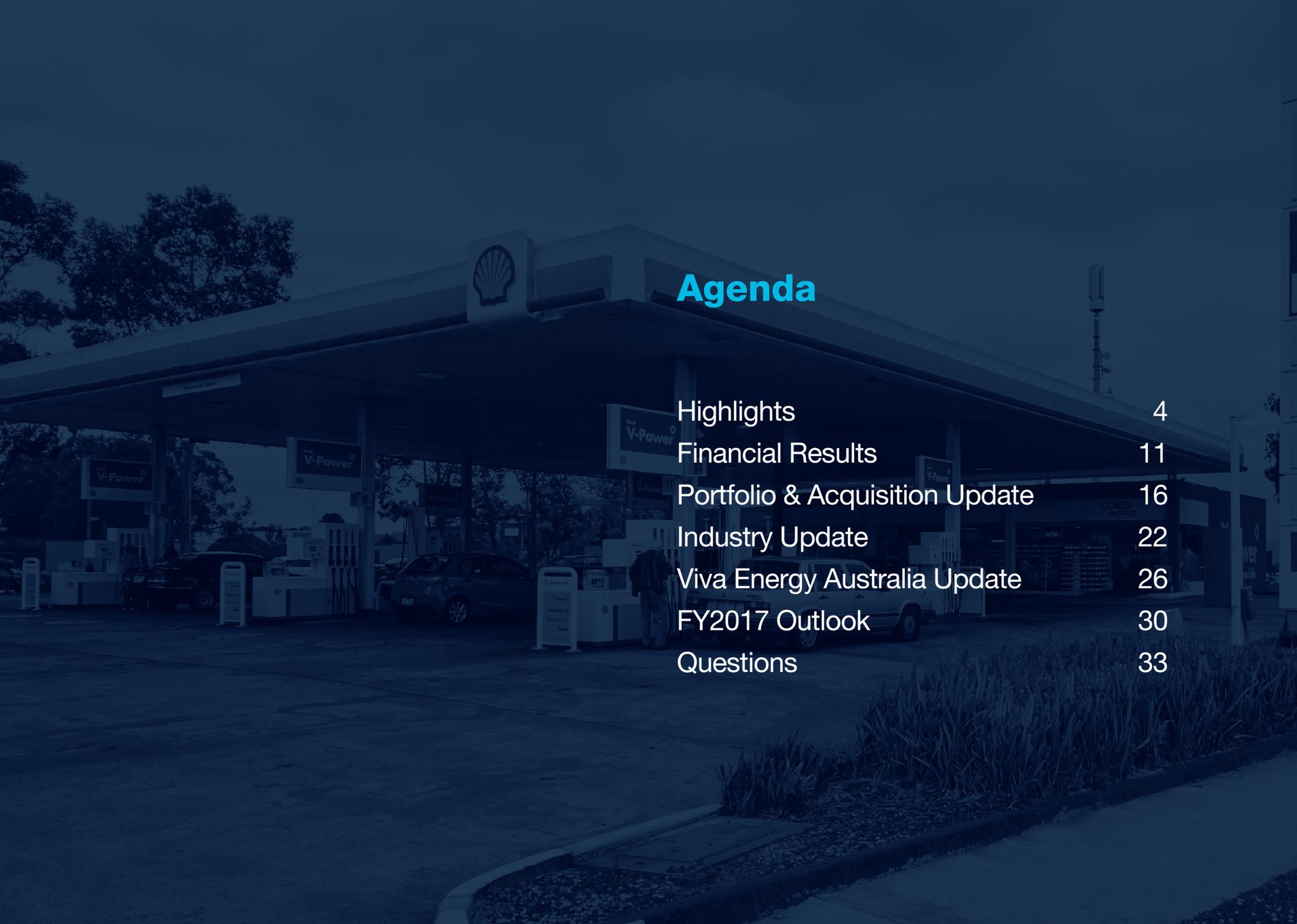
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## Highlights

**Margaret Kennedy**  
Managing Director  
VER Manager

*Coles Express West Ryde, NSW*

## Viva Energy REIT Overview

As at 31 December 2016

Portfolio of 425 high quality service station properties

Geographically diverse across all Australian states and territories

Security of income through long term triple-net leases to Viva Energy Australia, a high quality tenant

100% occupancy, 3% p.a. fixed rent increases

WALE of 14.9 years, with no lease expiry before 2026

## Highlights

**Business  
Platform  
Established**

**Deal Pipeline  
Established**

**Exceeded IPO  
Forecast**

**Gearing Below  
Target Range**

## Financial Highlights

Period ended 31 December 2016

<b>Statutory Net Profit</b>	\$1.0m			
<b>Distributable Earnings</b>	\$36.5m	5.28 CPS	+3.7% forecast	Paid 6 Feb 2017
<b>Payout Ratio</b>	100%			
<b>Net Tangible Assets (NTA)</b>	\$2.07 per stapled security			

## Portfolio/Acquisition Highlights

### Portfolio<sup>1</sup> at 31 December 2016

<b>Valuation</b> \$2.1 billion	<b>WACR</b> 5.9%	<b>WALE</b> 14.9 years
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### Acquisitions<sup>2</sup> contracted for total \$26.2 million<sup>3</sup>

<b>Location</b>	Annerley, QLD	Half Way Creek, NSW	Blaxland, NSW	Alice Springs, NT
<b>Price<sup>3</sup></b>	\$10.8 million	\$7.0 million	\$5.5 million	\$2.9 million
<b>Yield<sup>3</sup></b>	5.3%	7.5%	7.0%	6.6%
<b>Lease Term<sup>4</sup></b>	14.9 years	4.7 years	4.4 years	10.3 years

1. Initial Portfolio outlined in PDS
2. Acquisitions as outlined in slide 19 as at 31 December 2016
3. Excluding transaction costs
4. Unexpired Viva Energy Australia lease term only

# Strategy

Service station investments – strong defensive characteristics					
Consumer staple - fuel and convenience	Demand for fuel relatively inelastic	Investment grade rated tenant	Contracted rental growth profile underpins earnings growth	Triple net leases	Highly liquid property market

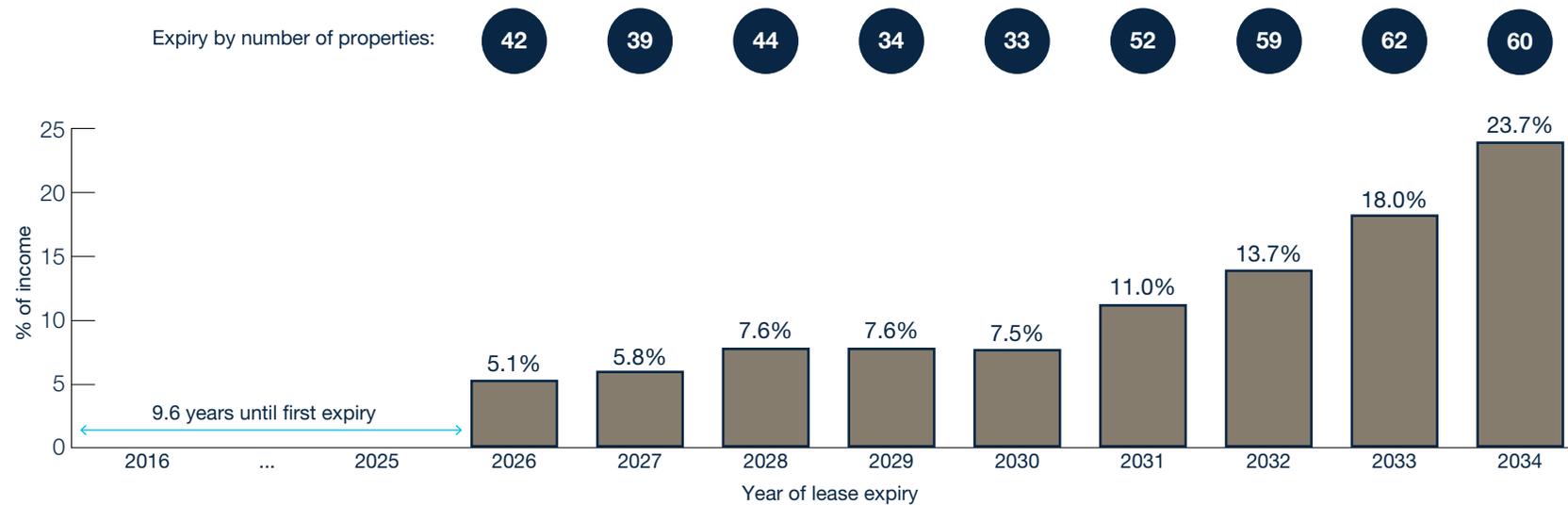
Acquisition pipeline established			
Numerous opportunities under consideration	Focus on strategic sites that complement VVR's existing portfolio	Australia-wide, geographically diverse consistent with VVR's existing portfolio	VVR is not restricted to properties leased to Viva Energy Australia

# Portfolio Overview

As at 31 December 2016

- 3% fixed rental growth commencing August 2017<sup>1</sup>
- Properties will be independently valued at least every three years on a rolling annual basis commencing as at 31 Dec 2017
- WALE 14.9 years

## Portfolio WALE – by income



1. Based on Initial Portfolio outlined in the PDS



## Financial Results

**Guy Farrands**  
Chief Financial Officer  
VER Manager

*Coles Express Coorparoo, QLD*

## Statutory Financial Performance

Statutory Profit and Loss \$M	Period to 31 Dec 2016	PDS Forecast	
<b>REVENUE</b>			
Gross property income	49.2	49.2	
Straight lining of rental income	12.1	12.1	
Interest income	0.4	0.2	< One off interest income
<b>Total revenue</b>	<b>61.7</b>	<b>61.5</b>	
<b>EXPENSES</b>			
Interest expense	(11.6)	(12.2)	< Swapped at lower than forecast rate
Board and Management expenses	(2.1)	(2.6)	< Costs not incurred lineally
<b>Total operating expenses</b>	<b>(13.7)</b>	<b>(14.8)</b>	< 7.4% below forecast
<b>Net operating profit</b>	<b>48.0</b>	<b>46.7</b>	
Initial formation/transaction costs	(34.9)	(35.1)	
	<b>13.1</b>	<b>11.6</b>	
Straight lining adjustment on fair value of investment properties	(12.1)	(12.1)	
<b>Net profit</b>	<b>1.0</b>	<b>(0.6)</b>	

Note – straight lining of rental income adjustment on fair value of investment properties is included in PDS forecast to enable like-for-like comparison  
– rounding of figures may result in some discrepancies between the sum components and the totals outlined in this table

## Distributable Earnings

<b>Distributable Earnings \$M</b>	<b>Period to 31 Dec 2016</b>	<b>PDS Forecast</b>
Gross property income	49.2	49.2
Straight lining of rental income	12.1	12.1
Interest income	0.4	0.2
<b>Total revenue</b>	<b>61.7</b>	<b>61.5</b>
Interest expense	(11.6)	(12.2)
Board and Management expenses	(2.1)	(2.6)
<b>Total operating expenses</b>	<b>(13.7)</b>	<b>(14.8)</b>
<b>Net operating profit – statutory</b>	<b>48.0</b>	<b>46.7</b>
Add back:		
Amortisation of debt establishment costs	0.6	0.6
Deduct:		
Straight lining of rental income	(12.1)	(12.1)
<b>Distributable Earnings</b>	<b>36.5</b>	<b>35.1</b>
Distributable Earnings - cents per security	5.28	5.09
<b>Distribution - cents per security paid 6 February 2017</b>	<b>5.28</b>	<b>+3.70%</b>

## Financial Position

<b>Balance Sheet \$M</b>	<b>31 Dec 2016</b>	
Cash	54	< \$36m distributed 6 Feb 2017
Investment properties	2,105	< Unchanged from PDS
Fair value of interest rate swaps	12	
Prepayments and deposits	2	
<b>Total Assets</b>	<b>2,173</b>	
Accounts payable and accruals	12	
Borrowings	731	
<b>Total Liabilities</b>	<b>743</b>	
<b>Net Assets</b>	<b>1,430</b>	
<b>Net Tangible Assets Per Security</b>	<b>\$2.07<sup>1</sup></b>	

- Directors valuations undertaken as at 31 December 2016
- Properties must be independently valued at least every three years on a rolling annual basis commencing as at 31 December 2017

1. Including distribution paid in February 2017

## Capital Management

As at 31 December 2016

Gearing at 34.4% and forecast FY17 ICR of 4.1X

Target gearing between 35% to 45%

Drawn debt has been 100% hedged for a weighted average 3.6 years at an average interest rate of 3.72%

Unsecured borrowings with no priority security

Additional \$100 million 3 years revolving credit facility. This is expected to be used primarily to fund growth opportunities

- \$10 million allocated to settle property acquisitions
- VVR may, at any time after the first anniversary of listing, request an increase to the size of the revolving credit facility on a pre-approved, but non-committed basis, by an additional \$200 million subject to certain conditions<sup>1</sup>

Successful secondary sell down of IPO debt undertaken by debt underwriters in November 2016

- 16 domestic and foreign banks now participating

1. Including, but not limited to, the total amount drawn under each Facility (including proposed drawdown increase) will not cause gearing to exceed 45% and drawdown is for an approved purpose

A photograph of a Shell gas station. The station features a prominent yellow and red canopy with the Shell logo. Several fuel pumps are visible, each with a sign that says "DEFEND AGAINST GUNK". A blue car is parked at one of the pumps. In the background, there is a brick building and a cloudy sky. A large blue circle is overlaid on the left side of the image, containing the text "Portfolio & Acquisition Update" in white.

# Portfolio & Acquisition Update

**Margaret Kennedy**

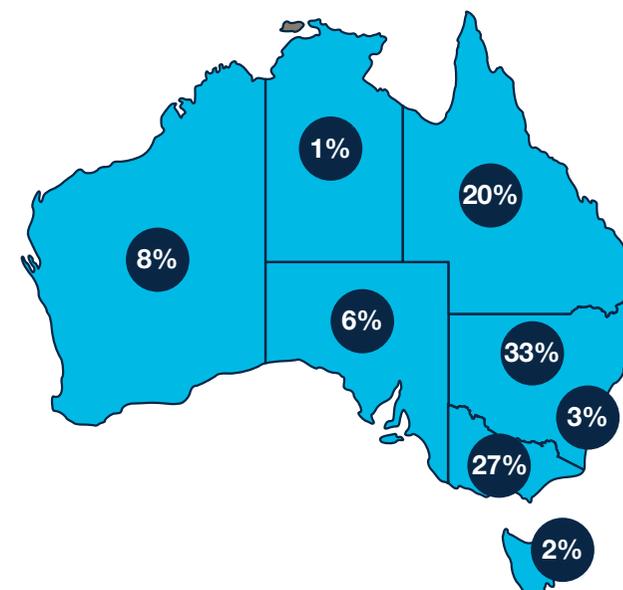
*Coles Express Ultimo, NSW*

## Portfolio Overview

As at 31 December 2016

### Portfolio<sup>1</sup> characteristics

- Portfolio weighted towards Australia's more populous Eastern seaboard
- High proportion of metropolitan sites
  - Typically higher value and higher volume sites that attract tighter capitalisation rates
- Regional sites include highway sites and are an important part of national network offering



	# of sites <sup>1</sup>	Indicative Independent valuation <sup>2</sup> (\$m)	Average property value <sup>2</sup> (\$m)	WACR <sup>1</sup>	WALE (years)
Metropolitan	304	1,608	5.3	5.6%	15.1
Regional	121	497	4.1	6.8%	14.2
<b>Total</b>	<b>425</b>	<b>2,105</b>	<b>5.0</b>	<b>5.9%</b>	<b>14.9</b>

1. Initial portfolio outlined in PDS

2. Independent valuation as at 1 July 2016

## Acquisition Summary

VVR has entered into contracts to acquire four Shell/Coles Express sites

- One new to industry site
- One established truck stop site
- Two established retail sites

Total acquisition price \$26.2m<sup>1</sup>

WACR 6.4%<sup>1</sup>

WALE of Viva Energy Australia tenancy is 8 years

1. Excluding transaction costs

## Acquisition – QLD

### 388 Ipswich Road, Annerley, QLD

New to industry Shell/Coles Express site in prime inner Brisbane location on a major arterial

100% of rental income attributable to Viva Energy Australia

Triple net lease, annual rent review 3%

<b>Price</b>	\$10,800,000 <sup>1</sup>
<b>Cap rate</b>	5.3% <sup>1</sup>
<b>Site Area</b>	2,463 sqm approx
<b>Unexpired Viva Lease term</b>	14.9 years plus 4x5 year options
<b>Settlement date</b>	31 March 2017



*Coles Express Annerley, QLD*

1. Excluding transaction costs

## Acquisitions – NSW

### 4974 Pacific Highway, Half Way Creek, NSW

Existing Shell/Coles Express site with Dominos Pizza<sup>1</sup> as co tenant

87% of rental income attributable to Viva Energy Australia

Double net lease, rent review higher of 3.5% or CPI paid quarterly in advance

<b>Price</b>	\$7,000,000 <sup>2</sup>
<b>Cap rate</b>	7.5% <sup>2</sup>
<b>Site Area</b>	65,660 sqm approx
<b>Unexpired Viva Lease term</b>	4.7 years plus 2x5 year options
<b>Settlement date</b>	31 March 2017

### 126 Great Western Highway, Blaxland, NSW

Existing Shell/Coles Express site with a fitness centre as co tenant in strategic highway location on primary Blue Mountains arterial road

82% of rental income attributable to Viva Energy Australia

Double net lease, rent review CPI paid quarterly in advance

<b>Price</b>	\$5,500,000 <sup>2</sup>
<b>Cap rate</b>	7.0% <sup>2</sup>
<b>Site Area</b>	1,506 sqm approx
<b>Unexpired Viva Lease term</b>	4.4 years plus 2x5 year options
<b>Settlement date</b>	31 March 2017

1. Tenant is Domino's Pizza Enterprises Pty Ltd

2. Excluding transaction costs

3. Tenant is Cainlee Investments Pty Ltd

## Acquisition – NT

### 11 Lilbili Street Braitling, Alice Springs, NT

Existing Shell/Coles Express truck stop site on major interstate highway location

100% of rental income attributable to Viva Energy Australia

Double net lease, rent review higher of 3.5% or CPI paid annually in advance

<b>Price</b>	\$2,900,000 <sup>1</sup>
<b>Cap rate</b>	6.6% <sup>1</sup>
<b>Site Area</b>	48,700 sqm approx
<b>Unexpired Viva Lease term</b>	10.3 years
<b>Settlement date</b>	31 March 2017

1. Excluding transaction costs



**Industry  
Update**

**Power**  
what you love

**Margaret Kennedy**

*Coles Express St Kilda, VIC*

## Fuel Retailing in Australia 2016

Source: Magner, L. (October 2016). Fuelled up: Revenue is set to recover over the next five years as oil prices increase. IBISWorld Industry Report G4000 Fuel Retailing in Australia. Retrieved from IBISWorld database

Moderate level of market share concentration

### Key success factors

- Proximity to key markets
- Loyal customer base
- Support from downstream activity
- Close monitoring of competition

Barriers to entry are high and increasing

Profit margins on fuel sales remained fairly steady over past five years

Estimated forecast 2016/17 revenue	\$31.6b -2.1% PCP
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Estimated forecast 2017/18 revenue	\$32.6b +3.0% PCP
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## Industry Participant Update

**Woolworths**  
announced plans to  
sell fuel business  
and enter strategic  
partnership with BP

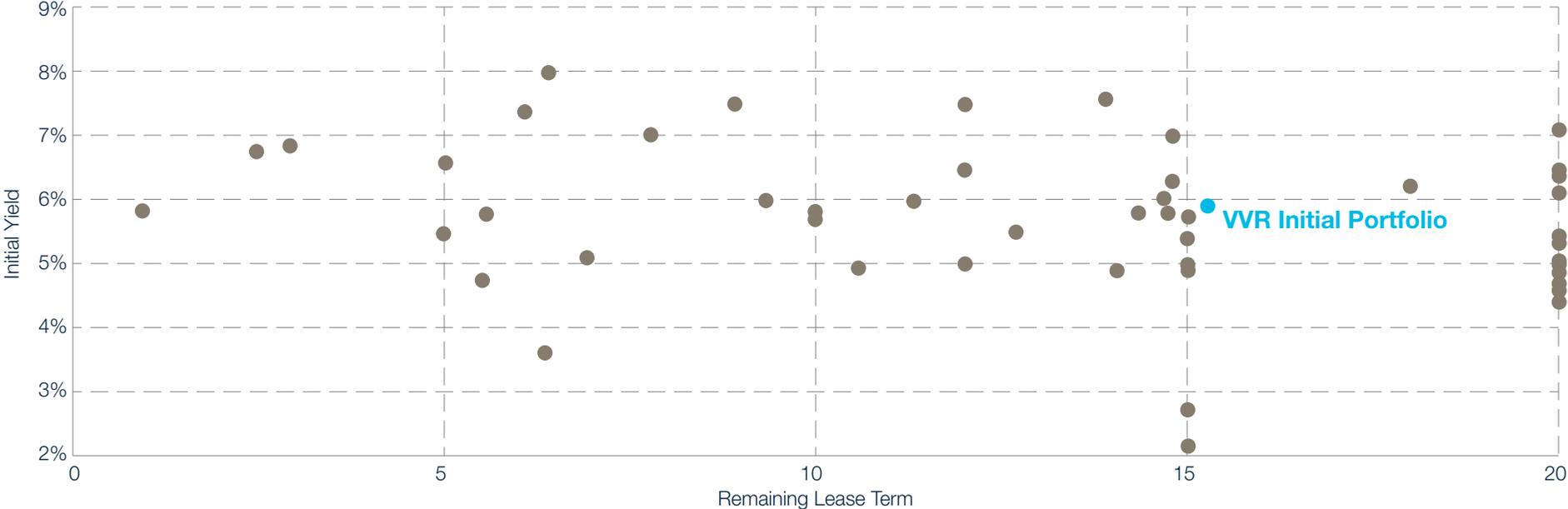
**Caltex Australia**  
purchase Milemaker  
(Vic) & Gull  
New Zealand

**APN Property**  
Group launched an  
unlisted fund with  
an initial portfolio  
of 23 Puma sites



*Coles Express Balmoral, QLD*

# Service Station Sales during year ended 31 December 2016



**Strong sales activity during 2016**

**Market remains highly liquid**

**Evidence of sales supporting long lease terms**

Source: JLL Market Report 31 December 2016 for VER Manager Pty Ltd as Manager of Viva Energy REIT. Yields are net initial yields based upon net passing income at the time of sale and are based on a sample of service station sales through regional and metropolitan Australia during 2016. This sales data is intended to provide an indication only, JLL are not representing that every sale within the Sector has been captured within the sample. Jones Lang LaSalle accepts no liability for any inaccuracies contained in the information that has been sourced from a variety of industry sources, or for conclusions which are drawn either wholly or partially from that information. No responsibility is accepted to any third parties.



## Viva Energy Australia Update

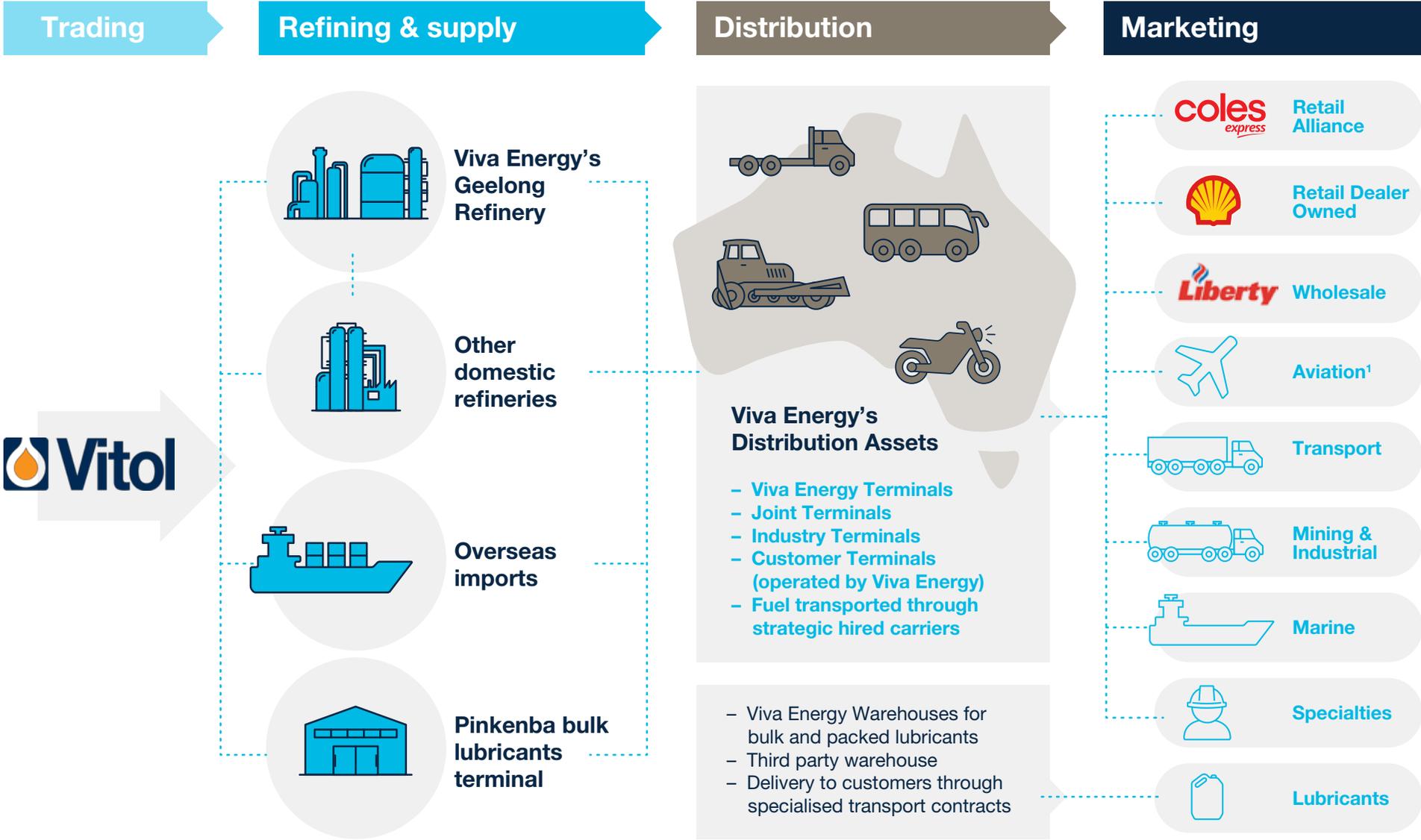
### **Margaret Kennedy**

*Coles Express Greenacre, NSW*

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# Snapshot of Viva Energy Australia

Fully integrated player with key positions in all major market segments



1. Viva Energy Australia agreed to acquire Shell Aviation business for approximately USD\$250 million in December 2016, settlement due mid 2017 – the transaction remains subject to regulatory and other approvals

## Viva Energy Australia Retail Network

A leading fuel and convenience retailing platform

### Viva Energy overview

Viva Energy manufactures, supplies and markets fuel in Australia through a network of 952 Shell branded service stations<sup>1</sup>

- 695 Alliance properties
  - Operated by Coles Express<sup>2</sup> under lease/license from Viva Energy
  - Viva Energy is the exclusive supplier of fuel and other oil products in Australia under the Shell brand<sup>3</sup>
- 257 dealer operated and unmanned truck stops branded Shell and supplied by Viva Energy

Service station network supplied by Viva Energy is a market leader

Coles Express, part of leading Australian retailer Coles, both of which form part of the Wesfarmers Limited group, an ASX top 10 listed entity<sup>4</sup>

Viva Energy REIT owns 423 of the existing Alliance sites and 2 unmanned Shell branded truck stops

1. Network figures as at 31 December 2016. Source: Viva Energy Australia

2. References to Coles Express refer to Eureka Operations Pty Ltd trading as Coles Express Eureka Operations Pty Ltd is an indirect, wholly owned subsidiary of Wesfarmers Limited

3. Shell branding is used in the marketing of fuels in Australia by Viva Energy under a Brand Licence Agreement

4. By market capitalisation as at the date of this Presentation

## Viva Energy Australia Financial Position

For year ended 31 December 2016

Assigned S&P BBB- rating; outlook stable in August 2016

Agreed to acquire Shell Aviation business for approximately USD250 million in December 2016, settlement due mid 2017, subject to regulatory and other approvals

Productive working relationship between Viva Energy Australia & VVR management

Viva Energy Australia financial position is strong and in line with that outlined in VVR PDS



**FY2017  
Outlook**

**Margaret Kennedy**

*Coles Express Bunker Hill, VIC*

## Outlook and Forecast

### Optimise Core Business

VVR's investment objective is to own a portfolio of high quality and strategically located Australian service stations sites subject to long term leases to Viva Energy Australia and other tenants with strong credit profiles

### Growth Opportunities

VVR will consider and participate in acquisition and site development opportunities which:

- Focus on sustainable risk adjusted returns
- Add value for security holders

### Capital Management

Review debt capital structure, maintain target gearing range of 35-45%

### Forecast

Forecast year end Dec 2017 earnings guidance remains unchanged at 13.07 CPS, subject to no material changes in market conditions

# Glossary

<b>Alliance</b>	The contractual alliance between Viva Energy Australia and Coles Express (and their associated entities), including the Alliance Agreement and Site Agreements as outlined in the PDS
<b>Cap Rate</b>	Capitalisation Rate
<b>Distributable Income</b>	This is a non-IFRS measure being net statutory profit adjusted to remove transaction costs and non-cash items, including straight lining of rental income, amortization of debt and establishment fees and any fair value adjustments to investment properties or derivatives
<b>Forecast</b>	The financial forecasts contained in Viva Energy REIT's PDS
<b>FY</b>	Viva Energy REIT's financial year, being year ended 31 December
<b>Gearing</b>	Total liabilities to total tangible assets measured in accordance with Accounting Standards, but excluding any mark-to-market valuations of derivative assets/liabilities
<b>Interest Coverage Ratio or ICR</b>	Earnings Before Interest, Tax, Depreciation and Amortisation (excluding any asset revaluations, mark-to-market movements and transaction costs) divided by Net Interest Expense
<b>LVR</b>	Loan to valuation ratio
<b>PDS</b>	Viva Energy REIT's Prospectus and Product Disclosure Statement dated 22 July 2016
<b>PCP</b>	Prior corresponding period
<b>Period or The Period</b>	The period from the establishment date of Viva Energy REIT Trust (ARSN 613 146 464) and the incorporation date of the Viva Energy REIT Limited (ABN 35 612 986 517) (being 14 June 2016) to 31 December 2016
<b>WACR</b>	Weighted average capitalisation rate, weighted by contract price excluding transaction costs
<b>WALE</b>	Weighted average lease expiry, weighted by rental income
<b>VVR</b>	Viva Energy REIT is a stapled entity comprising one share in Viva Energy REIT Limited (ABN 35 612 986 517) and one unit in the Viva Energy REIT Trust (ARSN 613 146 464)
<b>Yield</b>	Net income (before acquisition costs) divided by purchase price before adjustment for maintenance capex and multiple holding land tax, expressed as a percentage

# Questions



*Coles Express Milton, QLD*