

## Ampol Limited (ALD)

### Energy

#### UNDERPERFORM

#### ALD A\$25.10

#### TARGET PRICE A\$21.92

Ampol Limited, formerly Caltex Australia Limited is a transport fuel supplier and convenience retailers with involvement in purchase, 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.

#### Company Data

Number of shares	249.7M
Market Capitalisation	\$6267.6
Free float (%)	99.8
12-month high/low	\$36.0/\$18.3
Average Daily Turnover (\$m)	33.7
% S&P/ASX200	0.4%
DDM Ranking	N/A
% All Ordinaries	0.3%
GICS Industry Group	Energy

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

Year end December	2019A	2020F	2021F	2022F
Revenue (\$M)	22,307.1	18,594.0	20,935.6	21,689.8
Reported NPAT (\$M)	383.0	131.1	331.9	431.5
Adjusted NPAT (\$M)	344.0	193.3	361.4	447.4
Reported EPS (c)	144.6	-89.0	135.6	171.4
Adjusted EPS (c - FD)	151.1	78.4	147.6	184.4
Adjusted EPS growth (%)	-26.7	-48.1	88.3	25.0
Adjusted P/E (x)	16.6	32.0	17.0	13.6
Dividend (c/sh)	83.0	43.2	85.9	108.6
Gross yield (%)	3.3	1.7	3.4	4.3
Net yield (%)	3.3	1.7	3.4	4.3
ROIC (%)	7.5	4.7	9.3	11.7

Source: Barclay Pearce Capital

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

#### Share price performance



Source: FactSet, Barclay Pearce Capital

## Q3 FY 2020 Financial Results

On 19 October 2020, Ampol Limited (ALD) provides unaudited financial results for 3Q FY20.:

- Fuels & Infrastructure (F&I) – Lytton result was lower than 2Q 2020 result, due to weaker volume and market conditions caused by lower hydrocarbon demand.
- Australian diesel volumes fell 10% during the quarter.
- Australian gasoline volumes fell 14% due to the implementation of stage 4 travel restrictions.
- Convenience Retail (CR) volumes were down 13% during the quarter vs pcg. on a reduced network size, an increase of 15% on 2Q FY20; and
- An 11% increase in like for like shop sales vs pcg.
- NPAT excluding significant items was equal to \$24M, a result lower than the Q3 FY19 result of \$94M

#### Outlook

- ALD MD and CEO, Matt Halliday stated *“The resilient performance of our integrated business in the third quarter, particularly in Convenience Retail, was pleasing considering weak economic conditions and the continued impacts of COVID-19 on hydrocarbon demand. Our focus remains on optimising value across our integrated supply chain against prevailing market conditions to maximise value for shareholders.”*

On 25 August 2020, ALD provided its FY20 Half Year Report with the following highlight:

- ALD recorded an after-tax profit excluding significant items of \$120M for the first half of 2020, compared to the \$135M for the first half of 2019.

## Earnings changes

Prior to this result, market expectations of NPAT for FY20 were \$188.5M. Given the 1HFY20 NPAT of \$120M mentioned above, this equates to market expectations of \$68.5M for 2HFY20 NPAT.

Given that ALD already reported FY19 NPAT of \$344M and 1HFY19 NPAT of \$135M, this implies 2HFY19 NPAT of \$209M. Using the actual 2HFY19 result and the 2HFY20 forecast results, the market expected negative NPAT growth of 67%.

From the 3QFY20 result, the NPAT decreased by 75%. Hence, we expect negative earnings revisions for FY20 of 4.0-5.0%. However, we expect no significant earnings revisions for future periods.

We are initiating on ALD with a 12-month price target to \$21.92 and an UNDERPERFORM recommendation. The price target is underpinned by our DDM Valuation.

20 October 2020

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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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