ASX Release

24 October 2019

NEW MOODY'S CREDIT RATING FOR CALTEX

Caltex Australia (ASX: CTX) is pleased to announce that Moody's Investors Service ("Moody's") has today assigned a Baa1 long-term corporate credit rating with a stable outlook.

Caltex's Chief Financial Officer, Matthew Halliday, commented, "The assignment of the Moody's rating reflects the strength of our balance sheet, acknowledgement of the financial discipline embedded within our Financial Framework and our position as one of the leading transport fuels marketers and convenience store operators in Australia. The Moody's rating provides financial flexibility for Caltex at this rating level."

A copy of the release from Moody's is attached.

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Caltex Australia
A proud and iconic Australian company, Caltex [ASX:CTX] has grown to become the nation's leading transport fuel supplier, with a network of approximately 2,000 company-owned or affiliated sites. Caltex aims to be the market leader in complex supply chains and the evolving convenience marketplace by delivering the fuel and other everyday needs of its diverse customers through its networks. Caltex has safely and reliably fuelled the needs of Australian motorists and businesses since 1900. It operates as a refiner, importer and marketer of fuels and lubricants. Follow us on LinkedIn, Twitter and Facebook, and for more information visit www.caltex.com.au

Rating Action: Moody's assigns first-time Baa1 rating to Caltex Australia Limited; outlook stable

24 Oct 2019

Sydney, October 24, 2019 -- Moody's Investors Service has today assigned a first-time issuer rating of Baa1 to Caltex Australia Limited. The outlook on the rating is stable.

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RATINGS RATIONALE

"The Baa1 rating is primarily driven by Caltex's position as a leading transport fuels marketer and convenience store operator in Australia, together with its strong financial profile and history of conservative credit metrics," says Ian Chitterer, a Moody's Vice President and Senior Credit Officer.

"The rating is constrained by the volatility inherent in the earnings from its refinery, the intensifying competition in fuel and convenience retailing, economic uncertainty, and the need to prove its convenience strategy can deliver results," adds Chitterer.

Moody's expects Caltex to report debt/EBITDA of around 1.9-2.0x for the fiscal year ending 31 December 2019, which leaves it with considerable headroom at its Baa1 rating.

Caltex's financial policy states that it will keep its leverage -- as measured by adjusted net debt/EBITDA -- within 1.5x-2.0x. Moody's regards management's track record of sticking to this target as indicative of its broader commitment to the parameters agreed by the board.

In terms of environmental, social and governance factors, the rating reflects Moody's expectations that the trend toward stricter requirements for carbon emissions and lower sulfur content for fuels will continue, but that the Australian government will set a timeline that enables the major fuel suppliers to adapt their refineries accordingly.

Moody's has also considered the growth of the electric vehicle market and corresponding reduction in fuel consumption. However, adoption rates in Australia have lagged due to limited electric vehicle model availability, higher purchase costs, and Australia's less stringent vehicle emission standards when compared to Europe. As a result, electric vehicles make up a very small segment of the Australian new car market, and while penetration rates will increase over time, Moody's does not expect a material impact on fuel sales before 2030, as population and economic growth are continuing to support growth in overall demand for fossil fuels.

Furthermore, as electric vehicles become more widespread, Moody's expects that service stations will add charging facilities. Electric vehicle charging times will increase average customer visiting times, which should be supportive of convenience store sales.

Caltex also has a portfolio of well-located sites, many of which are in metropolitan areas and can be sold to developers for alternative use, should the need arise.

WHAT COULD CHANGE THE RATING

The stable outlook on the rating reflects Moody's expectation that Caltex will adhere to its financial policy and keep leverage below 2.0x, leaving it with significant leeway within the rating parameters.

An upgrade is unlikely, as Caltex's target adjusted net debt to EBITDA range of 1.5x-2.0x it in line with its current Baa1 rating. The difference between net and gross leverage has been around 0.1x over the past 6 years.

Moody's could downgrade the rating if debt/EBITDA increases to over 2.5x or EBIT/interest expense falls below 4.8x on a sustained basis. This would also imply a change to Caltex's financial policy.

The principal methodology used in this rating was Retail Industry published in May 2018. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

Caltex Australia Limited is an integrated transport fuels company, engaged in the purchasing, refining, distributing and marketing of transport fuels in Australia.

For the year ended 31 December 2018, Caltex reported revenue of AUD21.7 billion.

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Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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