



# Material for Discussion

4 December 2019

## DISCLAIMER

These "Materials for Discussion" ("**Materials**") have been prepared by Merlon Capital Partners ("**Merlon**") for the purposes of discussion with directors and officers of Caltex Australia Limited ("**CTX**"). No liability is accepted by Merlon, its shareholders, officers, employees or advisers ("**Parties**") for any loss, cost or damage suffered or incurred as a result of the reliance on these Materials. **These Materials must not be used for any other purpose or disclosed to any third party without Merlon's prior consent.**

# Key Messages



- ❑ Merlon values all companies based on the present value of future cash flows and franking credits
  - ❑ On this basis, we assign a value of between \$20 and \$40 per share to Caltex Australia Limited
  
- ❑ Merlon understands the directors have also considered comparable trading multiples
  - ❑ On this basis, we assign a value of between \$23 and \$38 per share to Caltex Australia Limited
  
- ❑ Merlon is therefore unclear why directors have concluded the Proposal undervalues Caltex
  - ❑ We expect Caltex to provide the market further clarity in relation to assumptions supporting its valuation

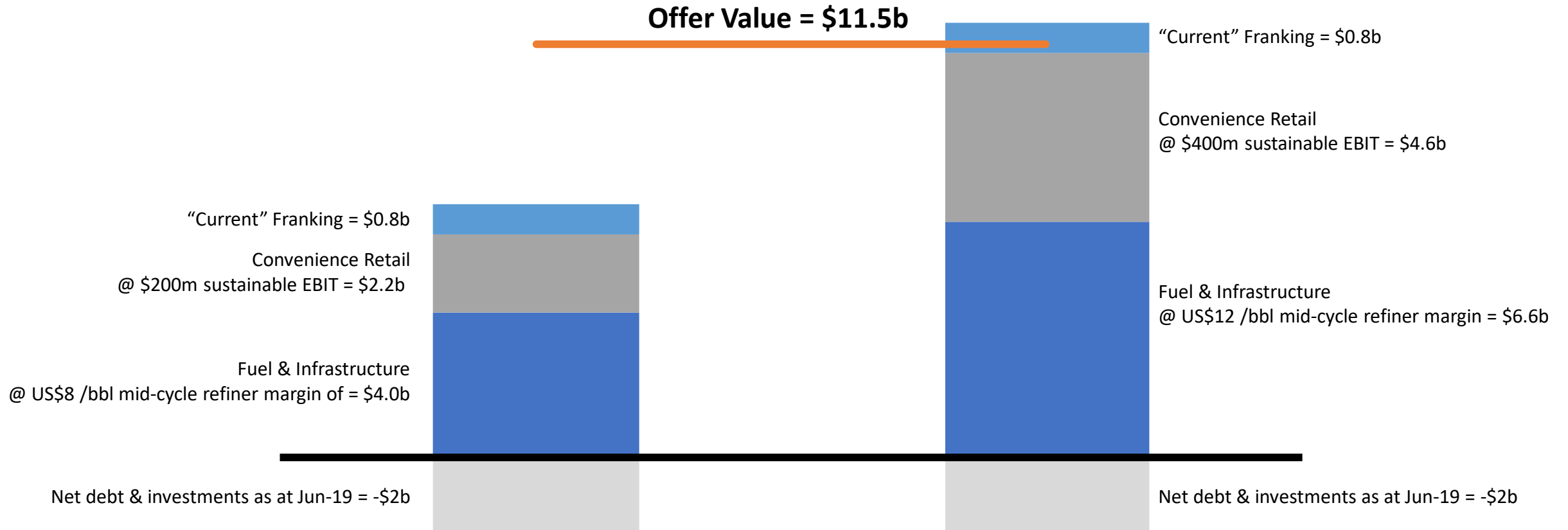
# Merlon Valuation Based Discounted Sustainable Free Cash Flow



## Valuation of Caltex Limited

**Low Case = \$7.0b (\$20 per share)**

**High Case = \$12.0b (\$40 per share)**

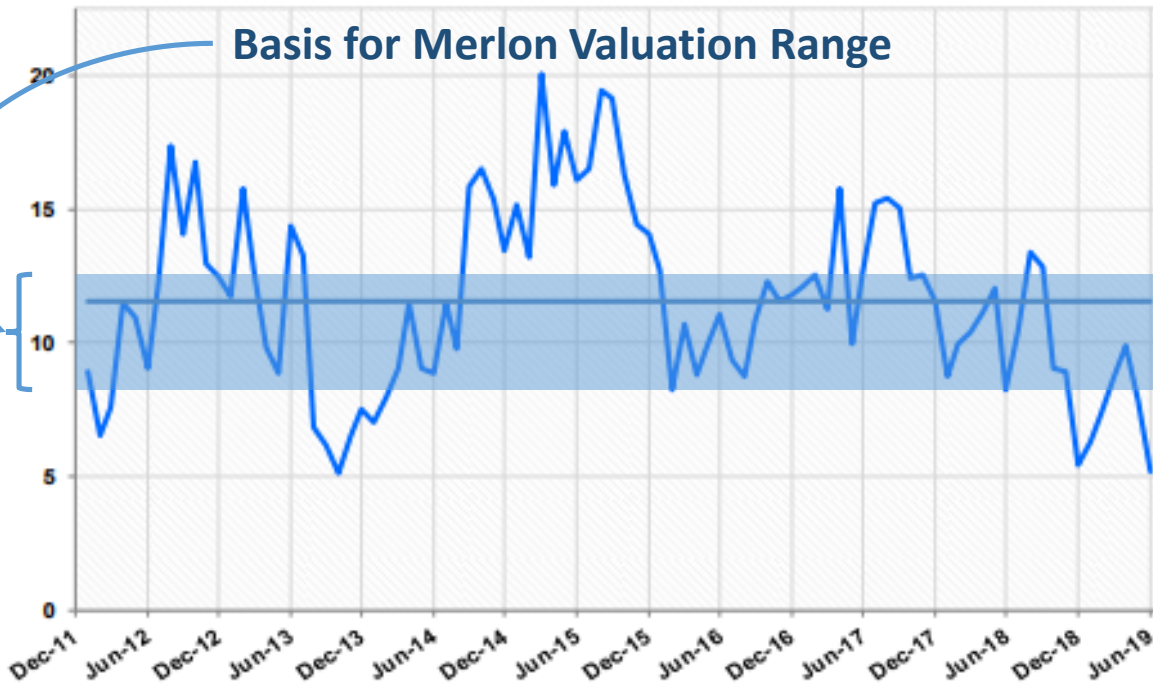


Source: Merlon Capital Partners, Company accounts, Company announcements

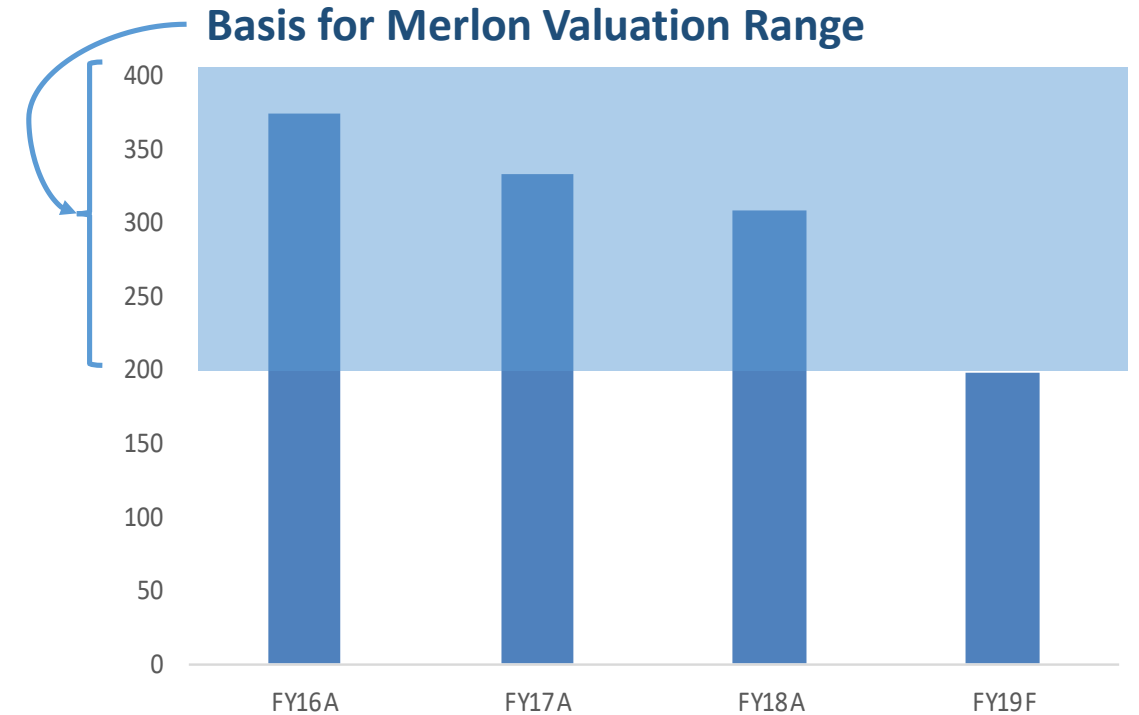
# Merlon Valuation Assumptions

## Valuation of Caltex Limited

### 2012-2019 Caltex Refiner Margin (US\$/bbl)



### Convenience Retail EBIT



Source: Merlon Capital Partners, Company presentations

# Valuation Based on Comparable Trading Multiples

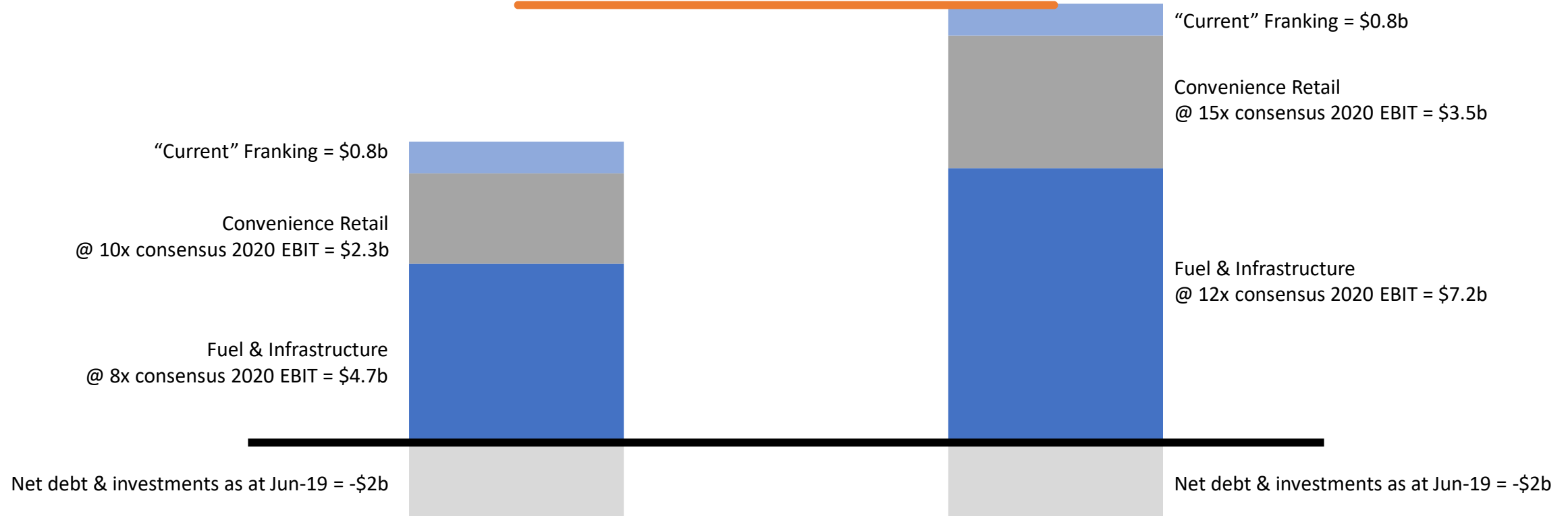


## Valuation of Caltex Limited

**Low Case = \$7.9b (\$23 per share)**

**High Case = \$11.5b (\$38 per share)**

**Offer Value = \$11.5b**



Source: Merlon Capital Partners, Most recent broker reports, Company accounts, Company announcements, Multiples based middle 50% of Bloomberg "Refining & Marketing" peers for Fuel & Infrastructure segment and middle 50% of Bloomberg "Food & Drug Store" peers for Convenience retail. Refer page 6.

# Comparable Trading Multiples



## Refining & Marketing

Name	Ticker	EV Ex Op Lease		Median EBIT	EV / EBIT
		Mkt Cap (\$m)	Liabilities (\$m)	Y+1 (\$m)	
RELIANCE INDUSTRIES LTD	RIL IN	203,749	240,236	18,487	13.0
JXTG HOLDINGS INC	5020 JP	20,880	52,792	6,101	8.7
INDIAN OIL CORP LTD	IOCL IN	24,626	40,729	6,003	6.8
FORMOSA PETROCHEMICAL CORP	6505 TT	43,390	40,444	3,070	13.2
BHARAT PETROLEUM CORP LTD	BPCL IN	21,836	30,230	2,598	11.6
IDEMITSU KOSAN CO LTD	5019 JP	11,884	27,038	2,648	10.2
SK INNOVATION CO LTD	096770 KS	16,223	24,583	2,778	8.8
S-OIL CORP	010950 KS	12,113	19,928	2,072	9.6
HINDUSTAN PETROLEUM CORP	HPCL IN	8,512	13,054	1,710	7.6
CALTEX AUSTRALIA LTD	CTX AU	8,555	10,713	814	13.2
THAI OIL PCL	TOP TB	6,741	7,862	999	7.9
IRPC PCL	IRPC TB	3,292	6,140	438	14.0
PETRON CORP	PCOR PM	1,177	5,989	730	8.2
MANGALORE REFINERY & PETRO	MRPL IN	1,659	5,132	580	8.9
ESSO THAILAND PCL	ESSO TB	1,185	2,060	276	7.5

## Food & Drug Store

Name	Ticker	EV Ex Op Lease		Median EBIT	EV / EBIT
		Mkt Cap (\$m)	Liabilities (\$m)	Y+1 (\$m)	
ALIMENTATION COUCHE-TARD INC	ATD/A CN	48,910	56,129	3,282	17.1
KROGER CO	KR US	29,171	46,172	3,923	11.8
WOOLWORTHS GROUP LTD	WOW AU	43,089	45,309	2,701	16.8
TESCO PLC	TSCO LN	38,282	44,925	5,364	8.4
KONINKLIJKE AHOLD DELHAIZE N	AD NA	37,468	43,192	4,157	10.4
SEVEN & I HOLDINGS CO LTD	3382 JP	44,247	41,959	5,447	7.7
CARREFOUR SA	CA FP	17,551	38,174	3,318	11.5
LOBLAW COMPANIES LTD	L CN	26,226	33,309	3,057	10.9
CASINO GUICHARD PERRACHON	CO FP	6,338	23,861	2,010	11.9
AVENUE SUPERMARTS LTD	DMART IN	21,331	21,467	448	47.9
COLES GROUP LTD	COL AU	18,423	18,895	1,262	15.0
X 5 RETAIL GROUP NV-REGS GDR	FIVE LI	11,510	15,980	1,601	10.0
JERONIMO MARTINS	JMT PL	13,274	13,546	1,030	13.1
YONGHUI SUPERSTORES CO LTD-A	601933 CH	13,292	13,303	630	21.1
ATACADA0 SA	CRFB3 BZ	11,904	12,986	1,276	10.2
SUN ART RETAIL GROUP LTD	6808 HK	14,263	12,135	922	13.2
ICA GRUPPEN AB	ICA SS	11,635	12,112	744	16.3
DAIRY FARM INTL HLDGS LTD	DFI SP	10,352	11,491	601	19.1
CENCOSUD SA	CENCOSUD C	4,851	10,851	712	15.2
MAGNIT PJSC	MGNT RM	6,715	10,464	1,193	8.8
WM MORRISON SUPERMARKETS	MRW LN	8,122	9,884	901	11.0
COLRUYT SA	COLR BB	9,681	9,470	719	13.2
SAINSBURY (J) PLC	SBRY LN	8,103	8,731	1,232	7.1
CIA BRASILEIRA DE DIS-PREF	PCAR4 BZ	7,061	7,887	879	9.0
SHOPRITE HOLDINGS LTD	SHP SJ	6,834	7,581	649	11.7
BIM BIRLESIK MAGAZALAR AS	BIMAS TI	6,377	5,919	584	10.1



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