

# Vivo Energy plc

2018 FULL YEAR RESULTS

6<sup>th</sup> March 2019



# Legal disclaimer

IMPORTANT: Please read the following before continuing.

## **No offer or solicitation**

This presentation is provided for informational purposes only and is not intended to and shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities of Vivo Energy plc (the “Company”) or a solicitation of any vote of approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. Neither the contents of the Company’s website, nor the contents of any other website accessible from hyperlinks on such websites, is incorporated herein or forms part of this presentation.

## **Forward-looking statements**

This presentation includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Company’s control and all of which are based on the Directors’ current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as: “believe”, “expects”, “may”, “will”, “could”, “should”, “shall”, “risk”, “intends”, “estimates”, “aims”, “plans”, “predicts”, “continues”, “assumes”, “positioned”, “anticipates” or “targets” or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this report and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies of the Group and the industry in which it operates.

No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this report speak only as of the date of this presentation. The Company and the Directors expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based, unless required to do so by applicable law.

# Agenda

Topic

Presenter

---

**1** **Introduction and Business Update** *Christian Chammas, Chief Executive Officer*

---

**2** **Financial Performance Review** *Johan Depraetere, Chief Financial Officer*

---

**3** **Summary** *Christian Chammas, Chief Executive Officer*

---

**4** **Q&A**

## A leading pan-African business

23 countries

Access to over 450 million consumers

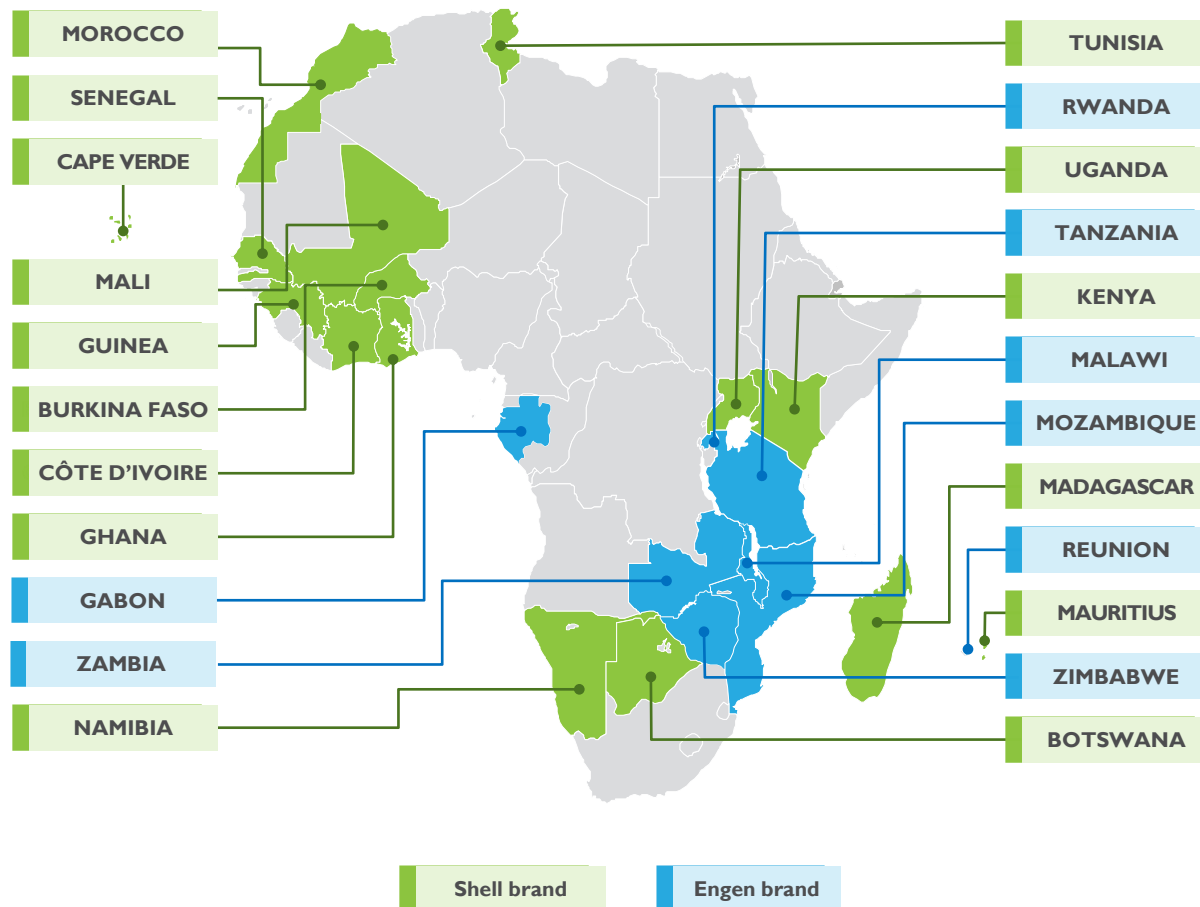


2,130<sup>1</sup> retail sites



+10 billion litres of fuel volumes in 2018<sup>2</sup>

+1 billion litres of storage<sup>3</sup>



# Full year 2018 performance highlights

- ▶ A successful first year as a listed company as we demonstrated value of our diversified business
- ▶ Full year volume growth of 4% at a gross cash unit margin of \$73 per thousand litres
- ▶ Adjusted EBITDA of \$400 million, 6% higher than 2017
- ▶ Delivered \$149 million of Adjusted free cash flow<sup>(1)</sup> during the year with ROACE of 23%
- ▶ Recommended final dividend of 1.3 cents per share (FY dividend of 1.9 cents), in line with policy

# Delivering against our commitments

## OPERATIONAL



- Delivered a net total of 88 new service stations in the year<sup>(1)</sup>
- Added 119 non-fuel retail outlets, driving non-fuel retail gross cash profit up 15% year-on-year
- Completed JVs with KFC franchisees in Botswana and Côte d'Ivoire to accelerate roll-out of QSRs
- Delivered first phase of new ERP system, the first step on our data journey

## SUSTAINABILITY



- Total Recordable Case Frequency of 0.192, below industry peers
- Tragically lost a colleague in Morocco in a third party LPG incident in November. Learnings being integrated across the group
- All new sites include energy efficiency features with solar power being fitted where economically feasible
- Outstanding employee survey results: 90% are proud to work for Vivo Energy



# Financial Performance Review

*Johan Depraetere*

---

# 2018 Divisional performance

TOTAL VOLUMES: **9.4bn litres**  
+4% y-o-y

GROSS CASH PROFIT: **\$680m**  
+2% y-o-y

ADJ. EBITDA<sup>(1)</sup>: **\$400m**  
+6% y-o-y

57%

## Retail



► VOLUMES: **5.4bn litres**  
+3% y-o-y

Gross cash profit: **\$428m**  
of which non-fuel retail: **\$25m**

Adj. EBITDA: **\$227m**  
+0% y-o-y

13%

## Lubricants



► VOLUMES: **134m litres**  
+4% y-o-y

Gross cash profit: **\$70m**

Adj. EBITDA: **\$51m**  
+21% y-o-y

30%

## Commercial



► VOLUMES: **3.9bn litres**  
+4% y-o-y

Gross cash profit: **\$181m**

Adj. EBITDA: **\$122m**  
+14% y-o-y

 2018 Adj. EBITDA split

# Continued earnings growth whilst deleveraging balance sheet

<b>Financial Measures</b> (\$ in millions, unless stated otherwise)	<b>2017</b>	<b>2018</b>	<b>Change</b>
Volumes (million litres)	9,026	9,351	+4%
Gross Profit	614	624	+2%
Gross Cash Profit	666	680	+2%
EBITDA	326	366	+12%
Adjusted EBITDA	376	400	+6%
Effective Tax Rate	38%	36%	N.A.
Adjusted Net Income	171	177	+4%
Adjusted Diluted EPS (US cents)	N.A. <sup>(1)</sup>	13.9	N.A.
Dividend per Share (US cents)	N.A.	1.9	N.A.

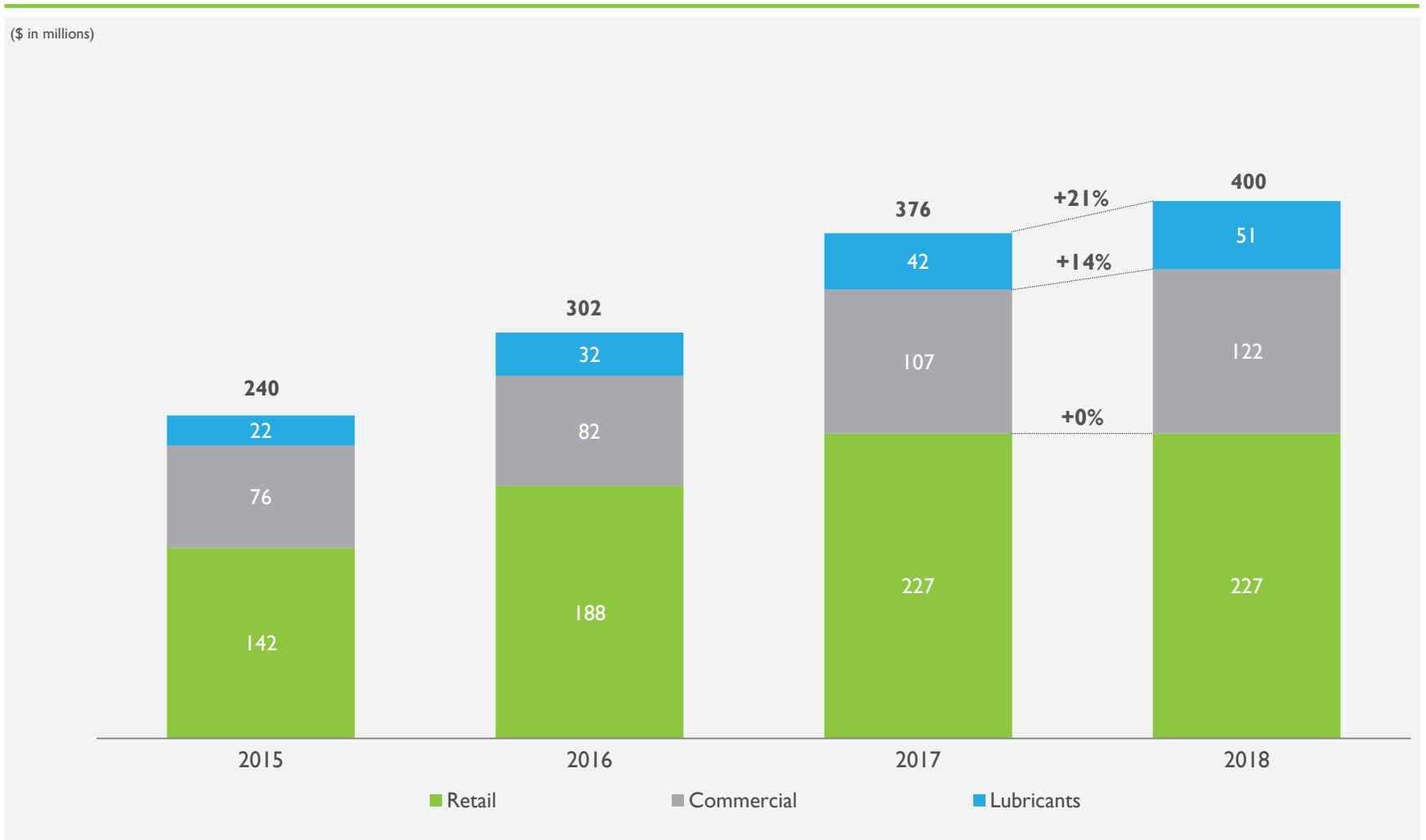
<b>Balance Sheet</b> (\$ in millions, unless stated otherwise)	<b>2017</b>	<b>2018</b>	<b>Change</b>
Net Debt	366	318	(13)%

## Technical Points

- ▶ ETR primarily reflects lower withholding taxes and higher non-taxable income compared to prior year
- ▶ Final dividend of 1.3 cents per share recommended, amounting to approximately \$16m

# Delivered another year of Adjusted EBITDA growth

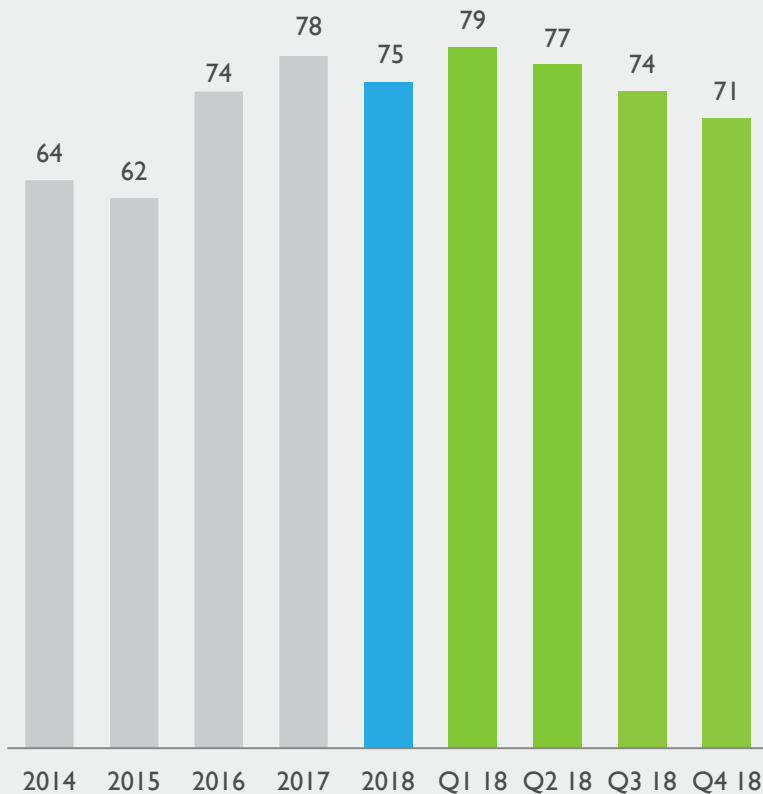
## ADJUSTED EBITDA



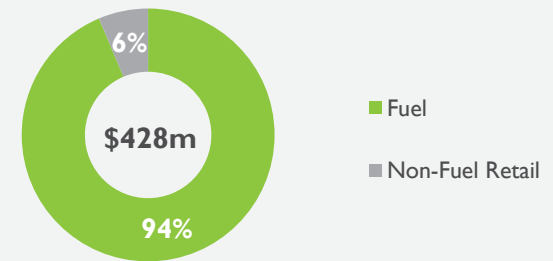
# Retail remained resilient despite margin pressures in Morocco

## RETAIL FUEL GROSS CASH UNIT MARGIN

(\$ per thousand litres)

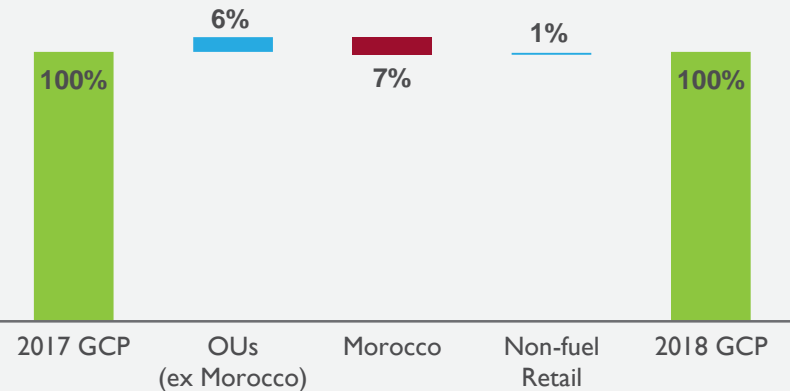


## GROSS CASH PROFIT CONTRIBUTION



## CHANGE IN CONTRIBUTION TO GROSS CASH PROFIT<sup>1</sup>

(% change in contribution to GCP)



# Driving opportunities to enhance margins

## NON-FUEL RETAIL

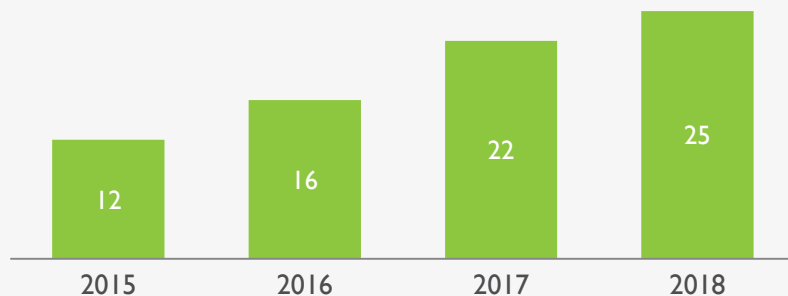
- ▶ NFR continues to grow significantly y-o-y as more of our retail sites become convenience experiences
- ▶ New opportunity to drive NFR growth through Engen
- ▶ Joint ventures in Botswana & Côte D'Ivoire have driven QSR growth
- ▶ Expanding number of partnerships and launching new concepts through 2019

## PREMIUM FUELS

- ▶ Premium fuels provides opportunity to mitigate margin pressures in certain markets
- ▶ Expanded number of retail sites offering V-Power in Morocco by over 50% during the year
- ▶ Launched V-Power in Tunisia under differentiated price structures to standard fuels

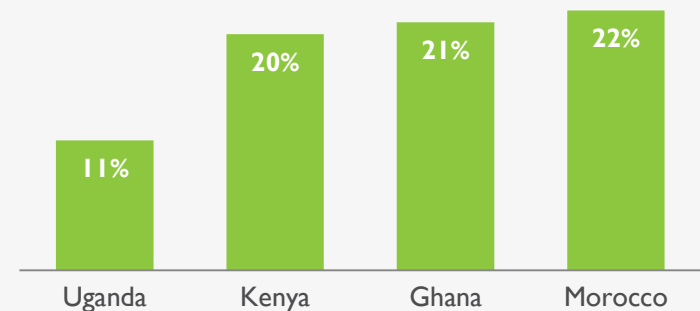
## NON-FUEL RETAIL GROSS CASH PROFIT CONTRIBUTION

(\$ in millions)



## PREMIUM FUEL VOLUME GROWTH

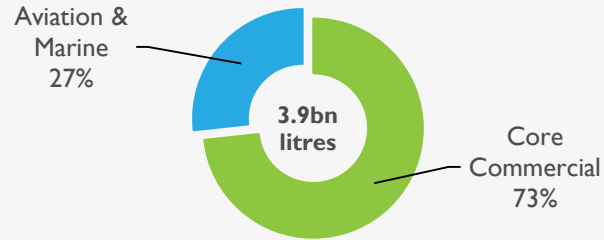
(YoY % increase in V-Power volumes)



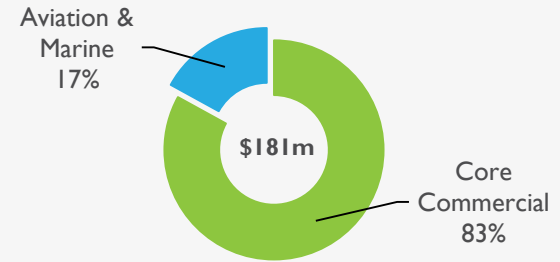
# Strong Commercial segment performance

## VOLUME GROWTH DRIVEN BY AVIATION AND MARINE

### VOLUME CONTRIBUTION

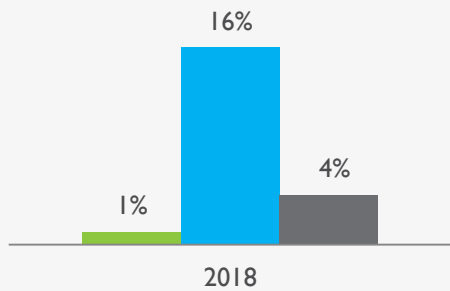


### GROSS CASH PROFIT CONTRIBUTION



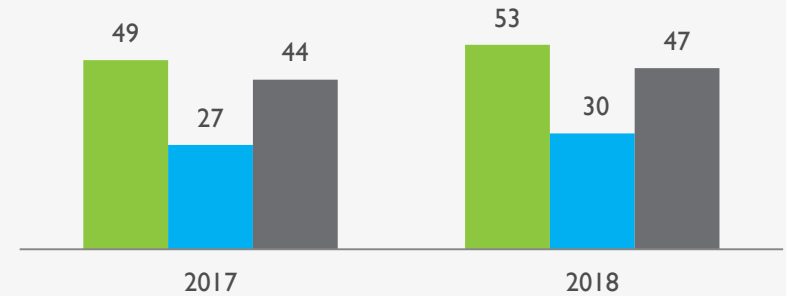
■ Core Commercial   ■ Aviation & Marine   ■ Total Commercial

### YoY VOLUME GROWTH



### UNIT MARGIN

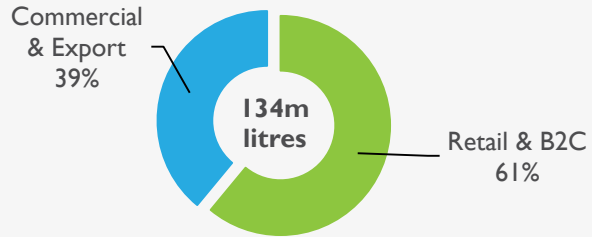
(\$/'000 litres)



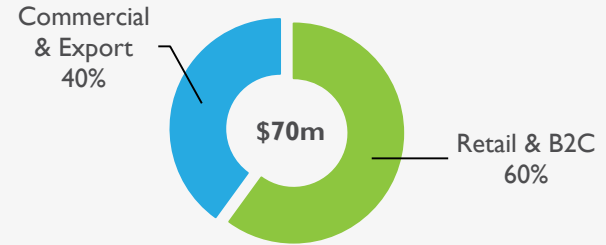
# Lubricants segment impacted by rising input costs

## LUBRICANTS UNIT MARGINS AFFECTED BY LAG IN PASSING ON BASE OIL PRICE INCREASES

### VOLUME CONTRIBUTION

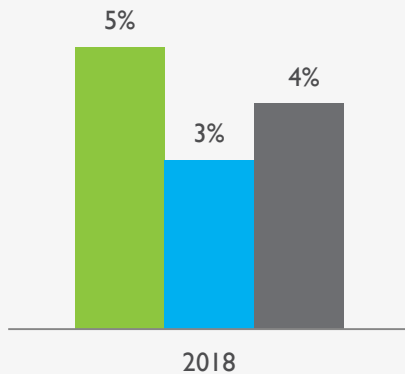


### GROSS CASH PROFIT CONTRIBUTION

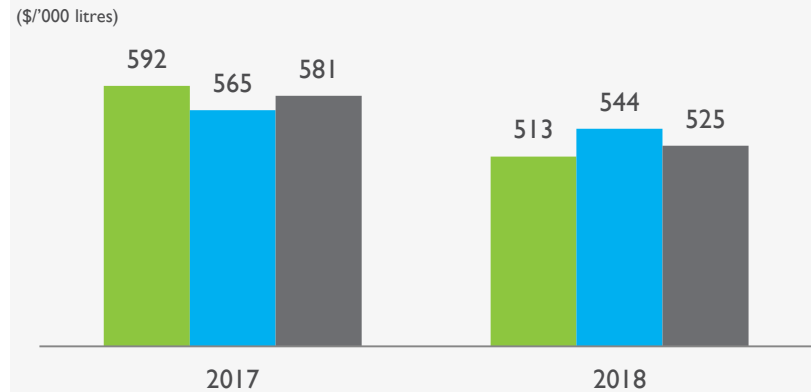


■ Retail & B2C    ■ Commercial & Export    ■ Total Lubricants

### YoY VOLUME GROWTH

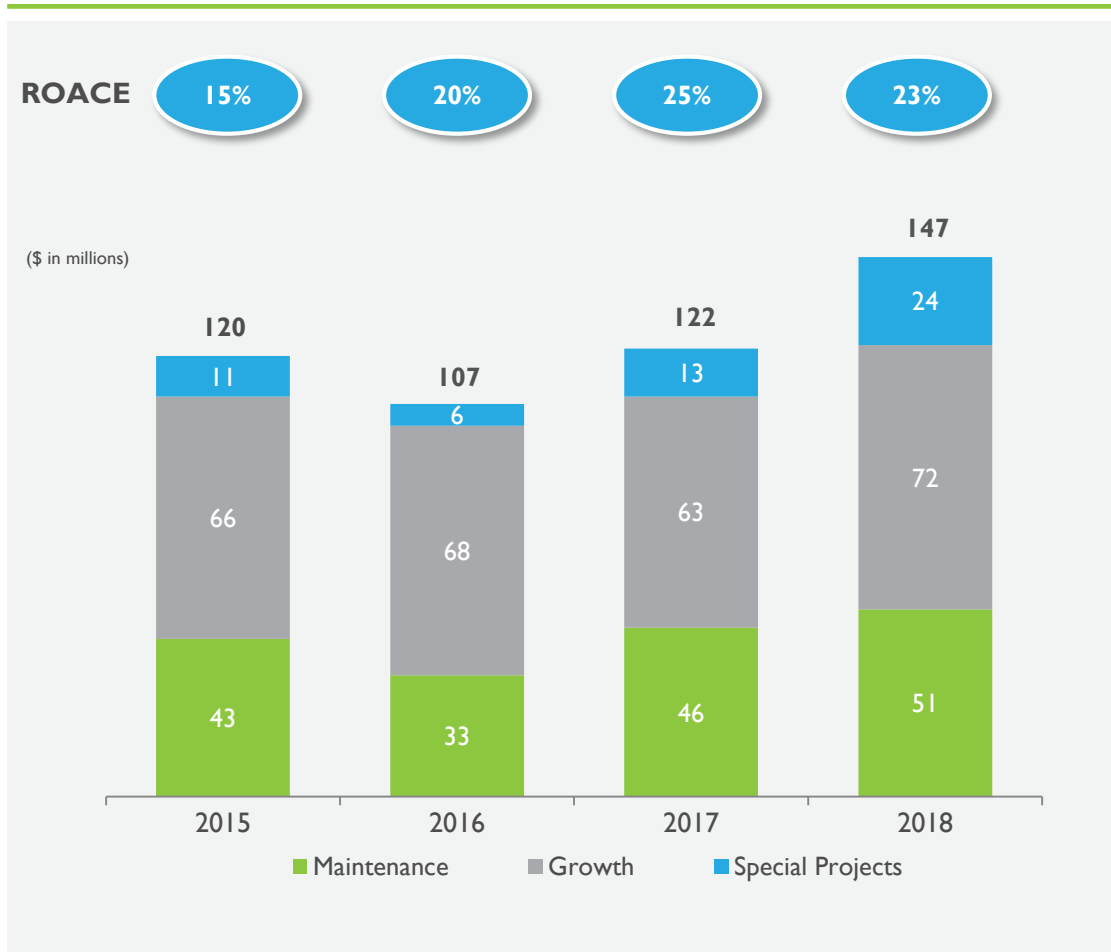


### UNIT MARGIN



# Continuing to invest in growth

## BREAKDOWN OF CAPITAL EXPENDITURE



## KEY HIGHLIGHTS

- ▶ Continued investment into growing our business fully funded out of internal cash flow
- ▶ Major investment into the roll-out of our ERP system is primary driver for overall increase in capex
- ▶ Investment into our retail network represented 45% of total capex and was primarily for expansion and development of the network

# Strong adjusted free cash generation

(\$ in millions)	2017	2018
<b>Net income</b>	<b>130</b>	<b>146</b>
Adjustment for non-cash items / other	157	167
Change in working capital	75	36
Income tax paid	(114)	(103)
<b>Cash flow from operating activities</b>	<b>248</b>	<b>246</b>
Net additions to PP&E and intangible assets	(119)	(144)
<b>Free cash flow</b>	<b>129</b>	<b>102</b>
Special items related to non-GAAP measures (cash impact)	9	47
<b>Adjusted free cash flow</b>	<b>138</b>	<b>149</b>

## KEY HIGHLIGHTS

- ▶ Structural negative working capital position due to the nature of the business, with stable DSO and DPO during the year
- ▶ Increase in net additions primarily due to roll-out of new ERP system and continued retail investments
- ▶ Significant IPO & Engen related expenses together with costs related to streamlining the central organisation

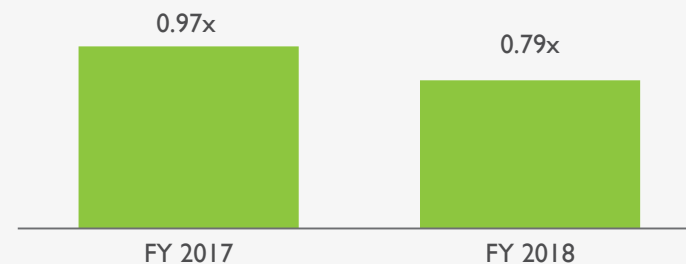
# Strong balance sheet with low leverage

## CAPITAL STRUCTURE OVERVIEW

(\$ in millions)	2018
Long-term debt	392
Lease liabilities	111
<b>Total debt excluding short-term bank borrowings</b>	<b>503</b>
Short-term bank borrowings	208
Less cash and cash equivalents	(393)
<b>Net debt</b>	<b>318</b>
<b>Net debt / Adj. EBITDA<sup>(1)</sup></b>	<b>0.79x</b>

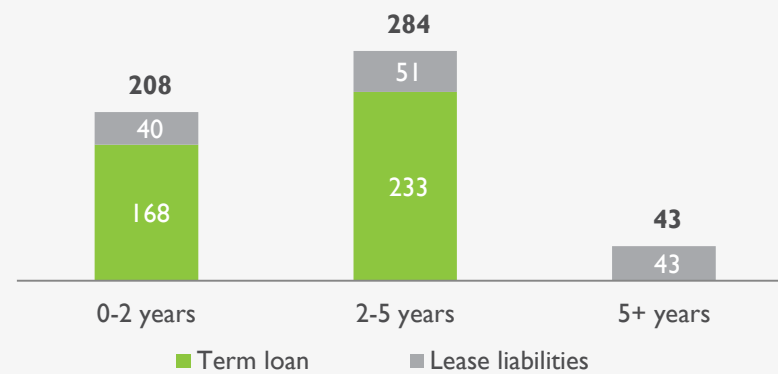
## LEVERAGE

### Net debt / Adjusted EBITDA<sup>(1)</sup>



### OUTSTANDING LONG TERM DEBT MATURITY PROFILE<sup>2</sup>

(\$ in millions)



# 2019 Outlook

METRIC	2019 GUIDANCE
Total Volumes (%)	Low to mid double-digit volume growth
Group Gross Cash Unit Margin (\$)	High sixties per thousand litres
Capital Expenditure (\$)	Around \$150 million (including Engen capex)
New Retail Sites	80-100 new service stations



**Summary**  
*Christian Chammas*

---

# 2018 - A successful first year as a listed company

## KEY THEMES

### Macro

- Volume growth in all segments despite slower market demand growth
- Higher oil prices and a strong USD during the year

### Business and Operations

- Strong overall HSSE performance with Total Recordable Case Frequency of 0.192
- Portfolio demonstrated value in delivering against guidance

### Financial Performance

- Adjusted EBITDA up 6% y-o-y, continued y-o-y growth
- Leverage reduced significantly due to strong cash flows

# Diversification helps to mitigate country specific impacts

## Morocco

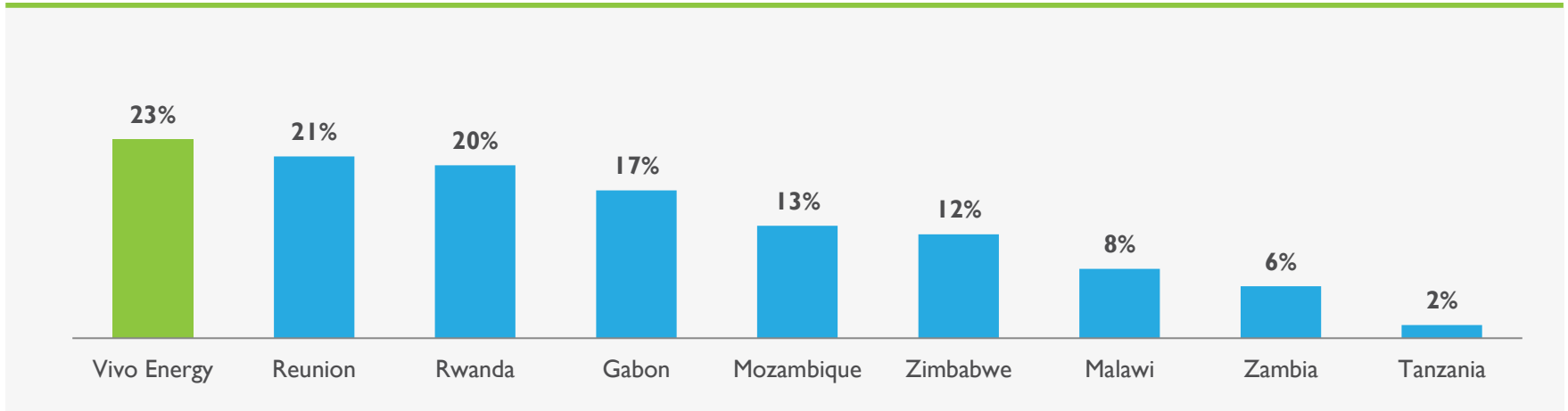
- ▶ Operational performance in the year was very strong across all segments
- ▶ Retail fuel segment in Morocco contributed 18% to Group Adjusted EBITDA in 2018 (2017: 29%)
- ▶ No changes to regulatory environment to date

## Zimbabwe

- ▶ On a pro-forma basis would have represented ~1.5% of group volumes<sup>1</sup>
- ▶ Uncertainty on the impact over future exchange rates

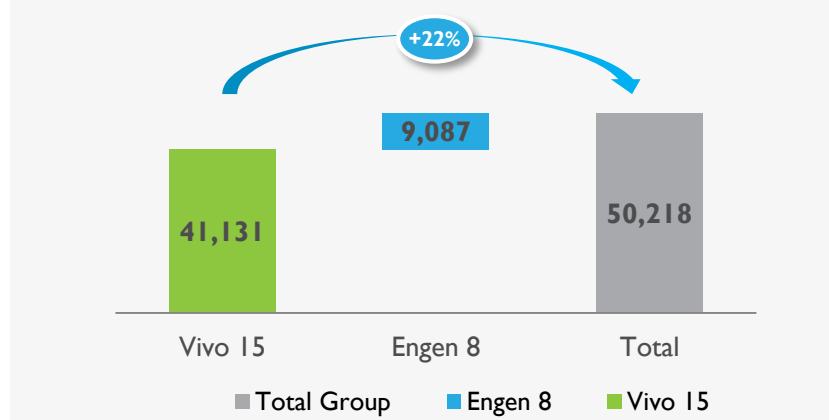
# 2019 brings an expanded opportunity through 8 new markets

## OPPORTUNITY TO GAIN MARKET SHARE<sup>1</sup>...



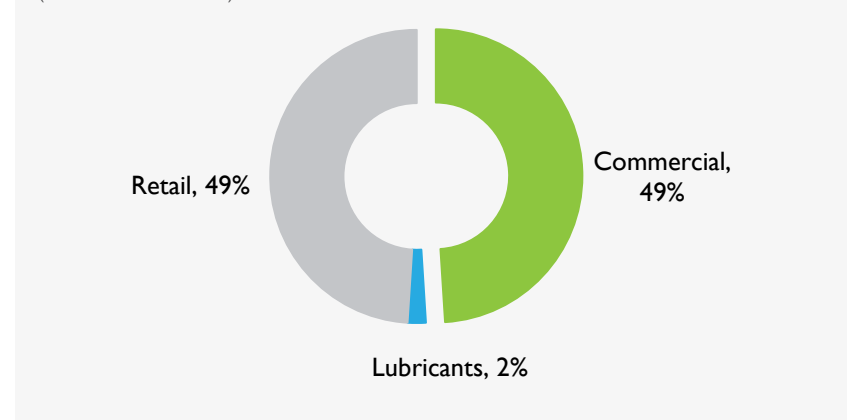
## ...EXPANDS MARKET OPPORTUNITY SIGNIFICANTLY<sup>1</sup>

(Total Market Size - million litres)



## ...WHERE RETAIL OPPORTUNITY YET TO BE TAPPED<sup>2</sup>

(% of 2018 EVO volumes)



# Continued innovation to enhance our business

## Expanding our customer value proposition

Premium fuel roll-out



Non-fuel partnerships



Energy Efficiency



## Embracing data analytics

ERP - Optima



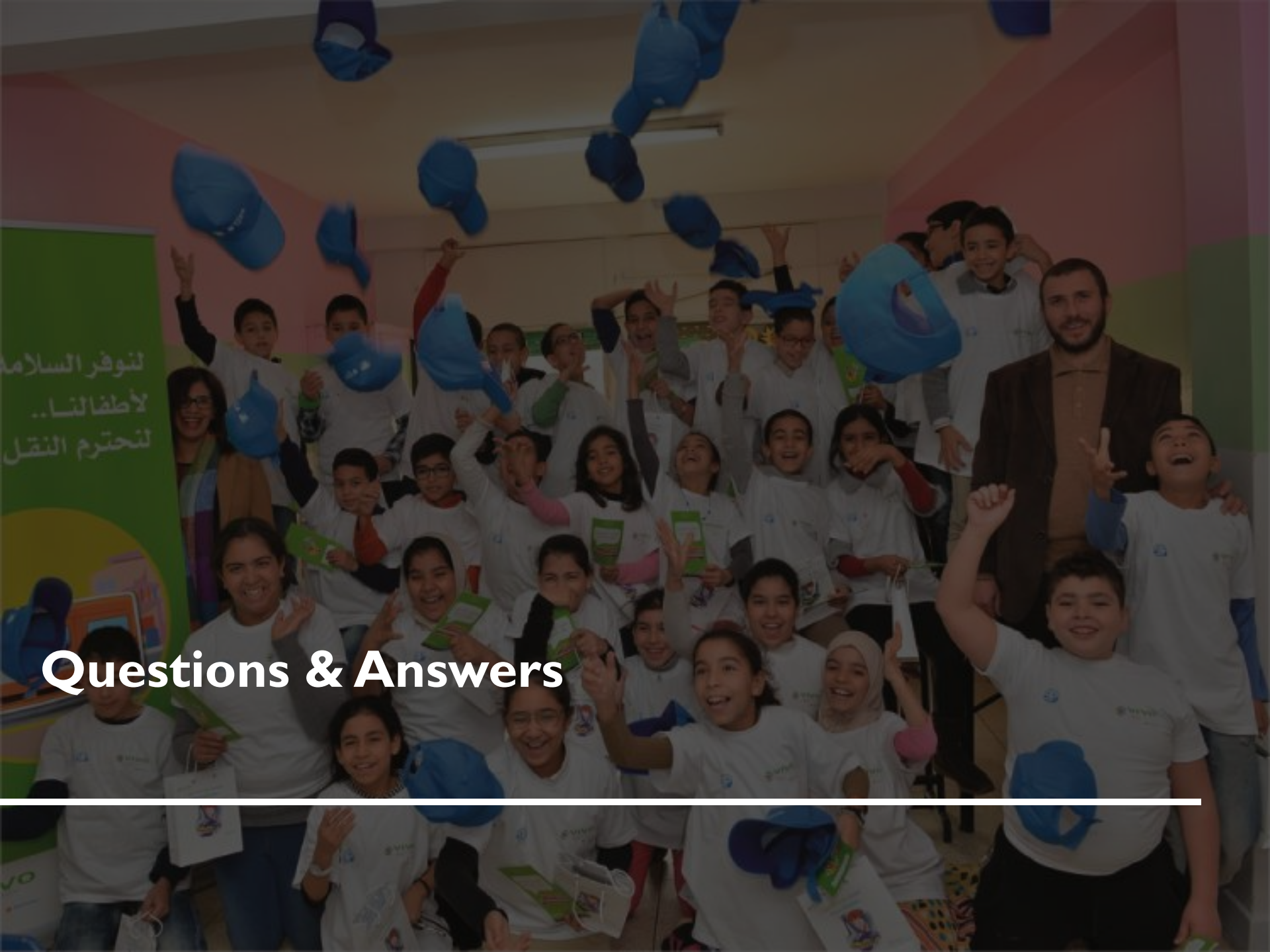
Loyalty



Site Automation



- ▶ Delivered strong 2018 performance and demonstrated resilience of business model
- ▶ In 2019, we are focused on:
  - ▶ Driving growth
  - ▶ Integrating the Engen markets
  - ▶ Diversifying our customer offerings



## Questions & Answers

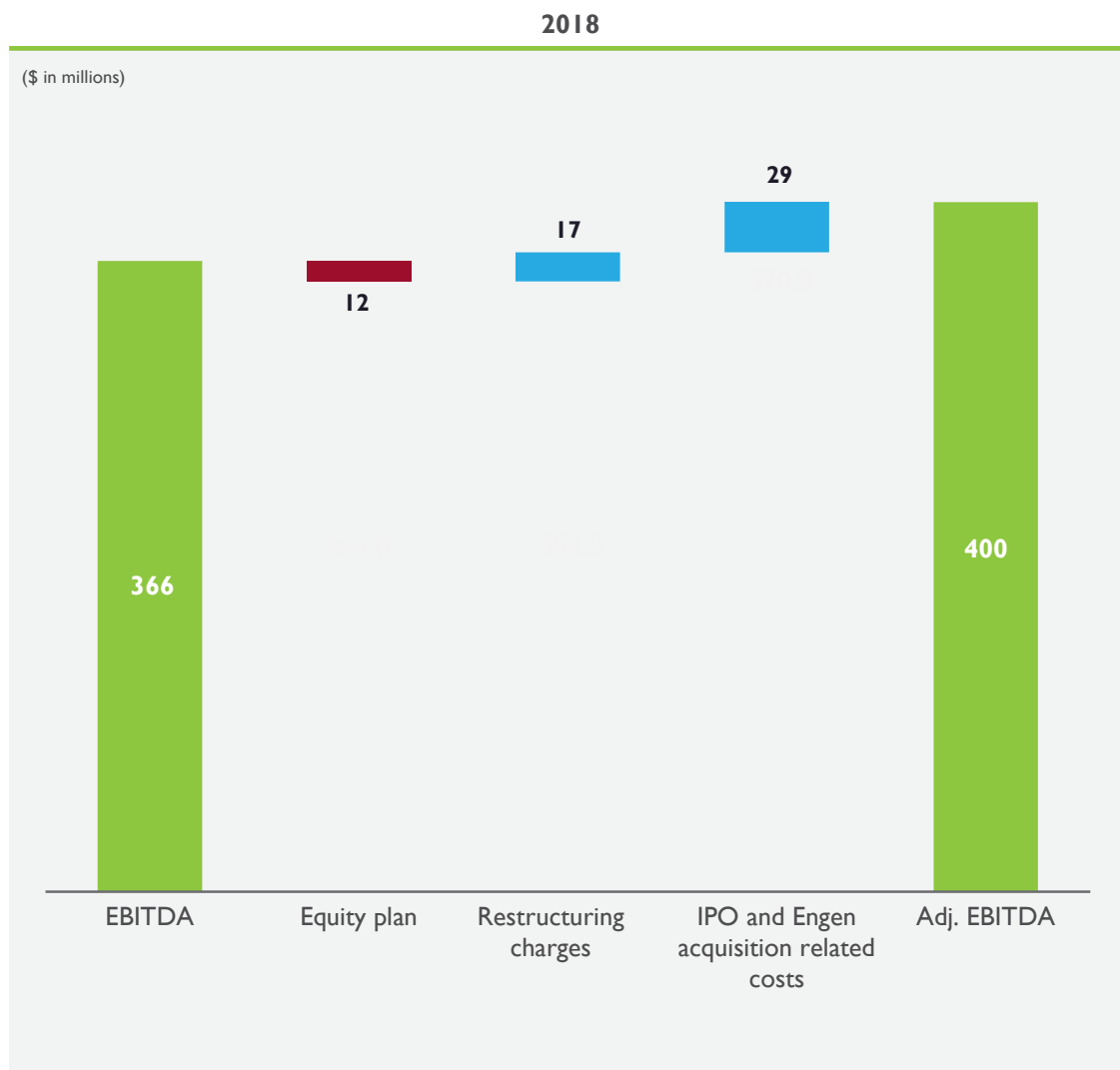


# Appendix

# Summary Profit & Loss Statement

(\$ in millions, unless stated otherwise)	2017	2018	Change
Revenues	6,694	7,549	+13%
Cost of sales	(6,080)	(6,925)	+14%
<b>Gross profit</b>	<b>614</b>	<b>624</b>	<b>+2%</b>
Selling and marketing cost	(194)	(197)	+2%
General and administrative cost	(197)	(183)	(7)%
Share of profit of joint ventures and associates	16	28	+73%
Other income/(expense)	3	3	+3%
<b>EBIT</b>	<b>242</b>	<b>275</b>	<b>+14%</b>
Finance expense - net	(31)	(46)	+48%
<b>EBT</b>	<b>211</b>	<b>229</b>	<b>+9%</b>
Income taxes	(81)	(83)	+3%
<b>Net income</b>	<b>130</b>	<b>146</b>	<b>+13%</b>

# EBITDA to Adjusted EBITDA bridge



## KEY ADJUSTMENTS

### ▶ Adjustments to EBITDA include:

- Restructuring charges
- Management equity plan expenses
- IPO and Engen acquisition related costs

### Management Equity Plan

- ▶ Implemented in 2013
- ▶ Participants could either receive:
  - Restricted shares with a linked option to purchase ordinary shares or;
  - Phantom options over ordinary shares
- ▶ Equity plan costs reflect the annual costs in relation to phantom options
  - Fair value of options and shares is calculated annually

# Segmental Performance

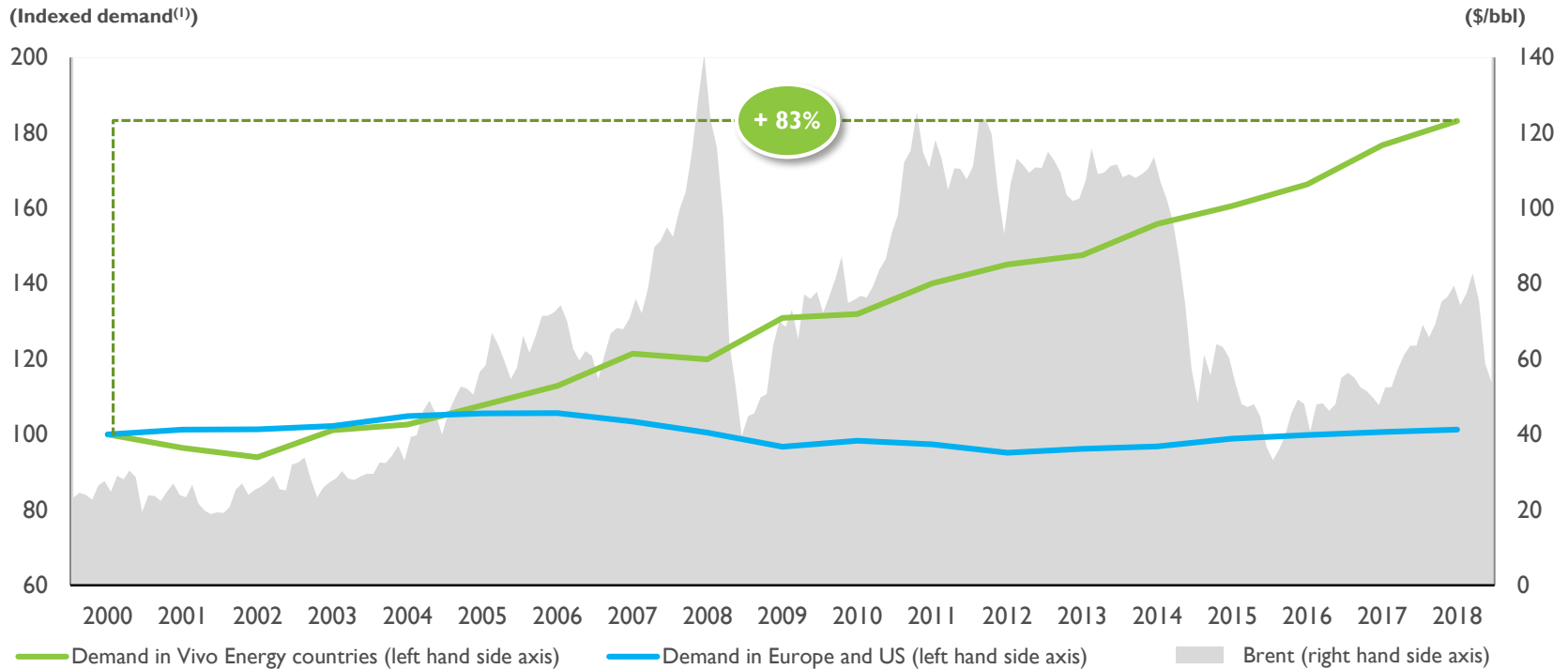
US \$'000, unless otherwise indicated	FY 2018	Q4 2018	Q3 2018	Q2 2018	Q1 2018	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017
<b>Volumes (million litres)</b>										
Retail	5,354	1,361	1,358	1,335	1,300	5,196	1,332	1,350	1,295	1,219
Commercial	3,863	1,005	932	970	956	3,701	925	893	945	938
Lubricants	134	34	33	34	33	129	32	32	33	32
<b>Total</b>	<b>9,351</b>	<b>2,400</b>	<b>2,323</b>	<b>2,339</b>	<b>2,289</b>	<b>9,026</b>	<b>2,289</b>	<b>2,275</b>	<b>2,273</b>	<b>2,189</b>
<b>Gross cash unit margin (\$ /'000 litres)</b>										
Retail fuel (excluding Non-fuel retail)	75	71	74	77	79	78	80	80	78	76
Commercial	47	47	46	49	46	44	42	45	43	44
Lubricants	525	512	513	526	546	581	596	564	543	624
<b>Total</b>	<b>73</b>	<b>71</b>	<b>72</b>	<b>74</b>	<b>74</b>	<b>74</b>	<b>75</b>	<b>75</b>	<b>72</b>	<b>73</b>
<b>Gross cash profit</b>										
Retail (including Non-fuel retail)	427,959	103,936	106,959	109,228	107,836	429,434	113,914	113,010	104,184	98,326
Commercial	181,249	46,753	43,042	47,094	44,360	161,601	38,979	39,999	41,062	41,561
Lubricants	70,420	17,365	17,138	17,812	18,105	74,991	19,037	17,979	17,890	20,085
<b>Total</b>	<b>679,628</b>	<b>168,054</b>	<b>167,139</b>	<b>174,134</b>	<b>170,301</b>	<b>666,026</b>	<b>171,930</b>	<b>170,988</b>	<b>163,136</b>	<b>159,972</b>

# Our operating environment

CHALLENGE	MITIGATION
<b>Stocks / oil price</b>	<ul style="list-style-type: none"> <li>■ Fluctuations in oil price reflected in the pump price, not borne by the Company</li> <li>■ Margins are either fixed via a regulated price structure (12 of 15 countries) or through market dynamics (3 countries)</li> <li>■ Countries manage stock levels with maximum and minimum stock levels through manual of authorities</li> </ul>
<b>Currency</b>	<ul style="list-style-type: none"> <li>■ ~70% of 2018 Adjusted EBITDA derived from currencies pegged to the EUR / USD</li> <li>■ Utilise hedging strategies to mitigate major FX risks (i.e. importing fuels into a country)</li> <li>■ Upstream dividends from operating units where possible into USD</li> </ul>
<b>Credit</b>	<ul style="list-style-type: none"> <li>■ Robust credit approvals process with central oversight, local empowerment and use of credit risk mitigation measures when required</li> <li>■ Bad debts represented less than 0.5% of gross cash profits during 2018</li> </ul>
<b>Supply</b>	<ul style="list-style-type: none"> <li>■ Access to over 1.0 billion litres of storage in Africa helps to mitigate major supply risks</li> <li>■ Utilise over 100 suppliers, with Vitol, the worlds largest oil trader, representing 30% of Group supply</li> </ul>
<b>Compliance</b>	<ul style="list-style-type: none"> <li>■ Robust and proven internal control framework with limited historical losses from fraud / bribery</li> <li>■ The first company in Africa to achieve ISO 37001 certification for our anti-bribery management system</li> </ul>

# In markets with resilient and growing fuel demand

## FUEL DEMAND HAS KEPT GROWING DESPITE A FLUCTUATING OIL PRICE



## AFRICAN FUEL DEMAND CHARACTERISTICS

- Few public transport alternatives
- Roads are the primary transport route
- Staple product
- Car parc growth, lower vehicle efficiency and expanding road network

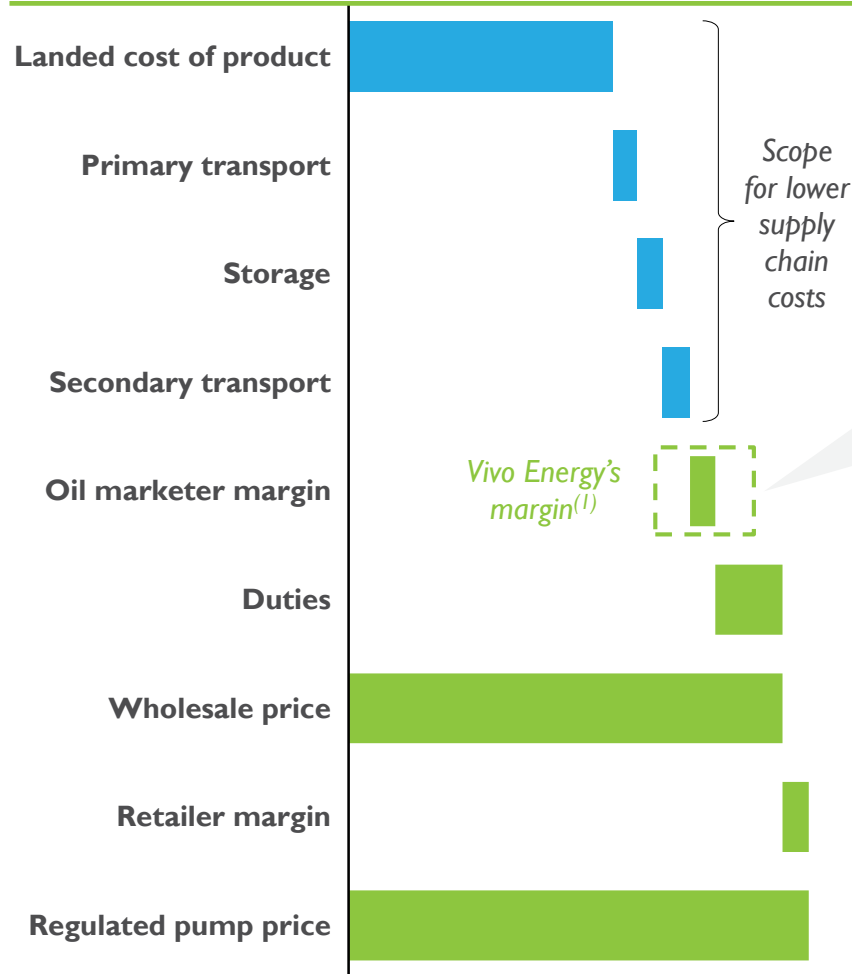
# Overview of fuel market regulation in our countries



	Supply	Regular fuel margin	Subsidies
<b>Morocco</b>	Deregulated	Deregulated	LPG only
<b>Uganda</b>	Deregulated	Deregulated	None
<b>Ghana</b>	Partially regulated	Deregulated	None
<b>Namibia</b>	Deregulated	Regulated	Rural areas only
<b>Kenya</b>	Tender	Regulated	None
<b>Botswana</b>	Deregulated	Regulated	Kerosene only
<b>Madagascar</b>	Deregulated	Regulated	None
<b>Mali</b>	Deregulated	Regulated	LPG only
<b>Zimbabwe</b>	Deregulated	Regulated	None
<b>Rwanda</b>	Deregulated	Regulated	None
<b>Malawi</b>	Deregulated	Regulated	None
<b>Mozambique</b>	Tender	Regulated	None
<b>Reunion</b>	Tender	Regulated	None
<b>Zambia</b>	Tender	Regulated	None
<b>Cape Verde</b>	Tender	Regulated	None
<b>Guinea</b>	Tender	Regulated	All fuel products
<b>Tanzania</b>	Partially regulated	Regulated	None
<b>Senegal</b>	Partially regulated	Regulated	None
<b>Mauritius</b>	Partially regulated	Regulated	LPG only
<b>Gabon</b>	State monopoly	Regulated	None
<b>Burkina Faso</b>	State monopoly	Regulated	LPG only <sup>(1)</sup>
<b>Côte D'Ivoire</b>	State monopoly	Regulated	LPG only
<b>Gabon</b>	State monopoly	Regulated	None
<b>Tunisia</b>	State monopoly	Regulated	All fuel products <sup>(2)</sup>

# Regulated price build up provides an allowed margin with some upside from more efficient supply chain

## ILLUSTRATIVE RETAIL PUMP PRICE BUILD-UP



■ Scope for lower supply chain costs vs. regulatory allowance

## REGULATED MARGIN WITH EFFICIENCY UPSIDE

- Regulators set pump prices using **assumed supply chain costs**
- The regulated price contains an **allowed margin** for oil marketers
- Oil marketer margin generally **5 – 10% of pump price**
- Oil marketing companies can make margins above the regulated marketing margin by **achieving lower supply chain costs** than those in the pump price formula
- Savings are driven by the **reach, scale and efficiency** which can be achieved by large, vertically-integrated players
  - Vivo Energy has a **structural advantage** vs. small independents

# Terms and Abbreviations

<b>B2B</b>	Business-to-Business	<b>KPI</b>	Key Performance Indicator
<b>B2C</b>	Business-to-Consumer	<b>LPG</b>	Liquid Petroleum Gas
<b>CR</b>	Convenience Retail	<b>LSE</b>	London Stock Exchange
<b>DoDo</b>	Dealer owned dealer operated	<b>LTM</b>	Last twelve months
<b>DPO</b>	Days payables outstanding	<b>NCI</b>	Non-controlling interest
<b>DSO</b>	Days sales outstanding	<b>NFR</b>	Non-Fuel Retail
<b>EIHL</b>	Engen International Holdings Limited	<b>NWC</b>	Net Working Capital
<b>EPS</b>	Earnings per share	<b>OCI</b>	Other comprehensive income
<b>ETR</b>	Effective tax rate	<b>P&amp;L</b>	Profit and loss
<b>FCF</b>	Free cash flow	<b>PP&amp;E</b>	Property, plant and equipment
<b>GAAP</b>	Generally accepted accounting principles	<b>QSR</b>	Quick Service Restaurant
<b>GCP</b>	Gross cash profit	<b>RCF</b>	Revolving credit facility
<b>GDP</b>	Gross domestic product	<b>ROACE</b>	Return on Average Capital Employed
<b>HSSE</b>	Health, Safety, Security and Environment	<b>SVL</b>	Shell & Vivo Lubricants B.V.
<b>IPO</b>	Initial Public Offering	<b>TRCF</b>	Total Recordable Case Frequency
<b>LFL</b>	Like for like fuel sales	<b>USD</b>	United States Dollar
<b>LSE</b>	London Stock Exchange	<b>VAT</b>	Value Added Tax
<b>JSE</b>	Johannesburg Stock Exchange	<b>Y-o-Y</b>	Year-on-year growth