



# Vivo Energy plc

## 2020 Full Year Results Presentation

March 2021

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# Agenda

## **1** Introduction

*Christian Chammas, Chief Executive Officer*

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## **2** Financial Performance Review

*Johan Depraetere, Chief Financial Officer*

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## **3** Sustainability

*Christian Chammas, Chief Executive Officer*

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## **4** CEO Update

*Christian Chammas, Chief Executive Officer*

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## **5** Q&A

# Welcome to Doug Lafferty



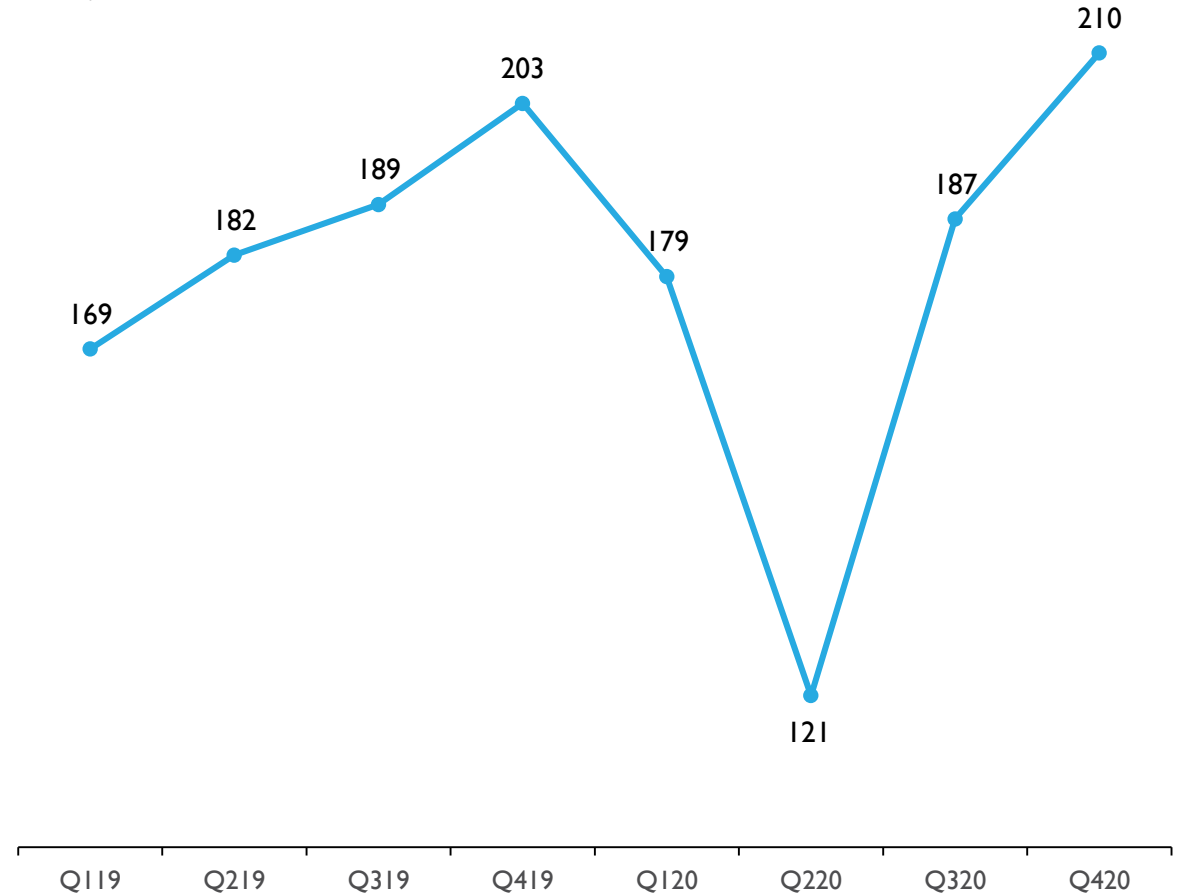
- ▶ Doug Lafferty appointed Chief Financial Officer Designate from 1 February 2021
- ▶ Will become Chief Financial Officer on 5 March 2021
- ▶ Doug spent three years as CFO and Executive Director for Williams Grand Prix Holdings plc
- ▶ Has held a range of senior positions during a 16-year international career with British American Tobacco, including Group Head of Commercial Finance and Regional Head of Finance for the Americas

# 2020 was a year like no other, but we emerged stronger

- ▶ Unparalleled volatility in demand
- ▶ Business model demonstrated its strength through pandemic
- ▶ H2 20 performance was in line with H2 19
- ▶ Encouraging start to 2021
- ▶ Focused on growth, whilst increasing shareholder returns

### QUARTERLY GROSS CASH PROFIT

(\$ million)

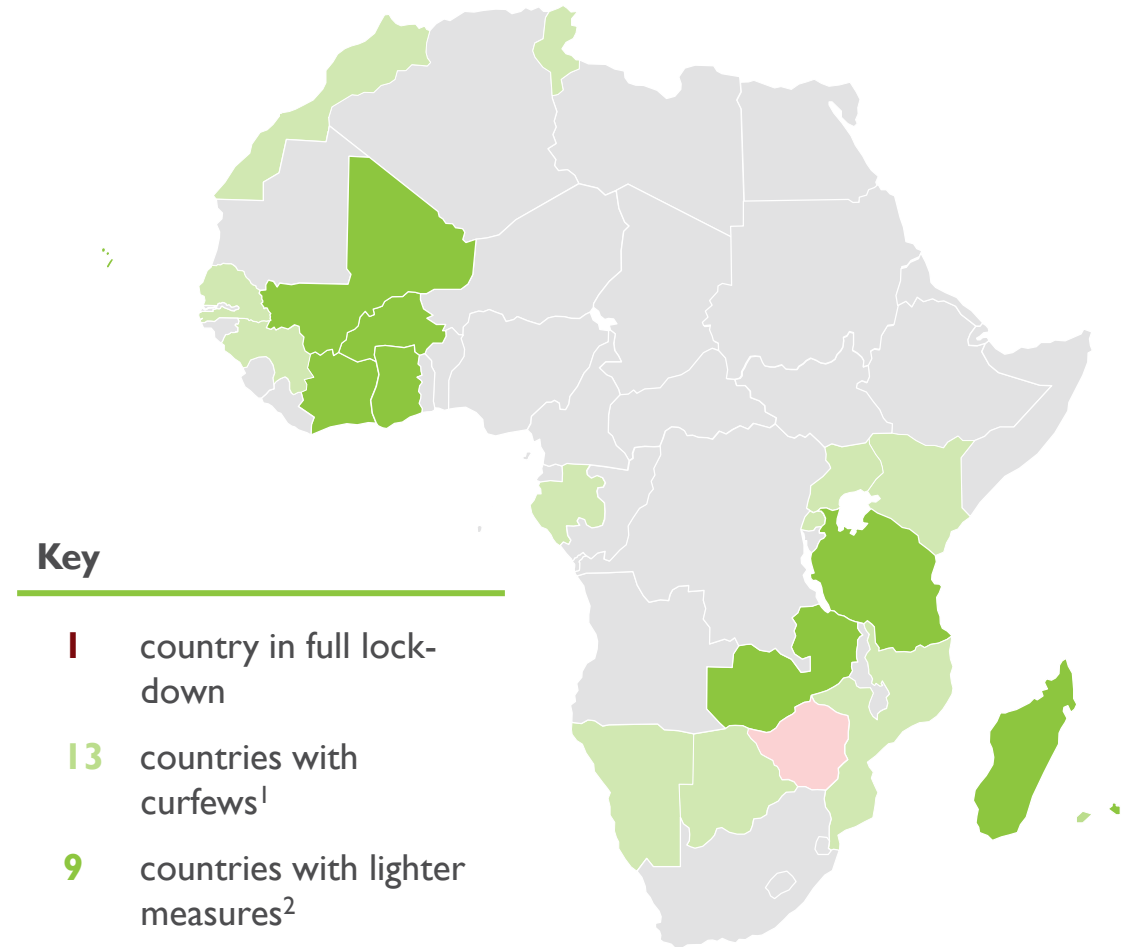


# Our markets are open for business

## AFRICA – COVID-19 UPDATE

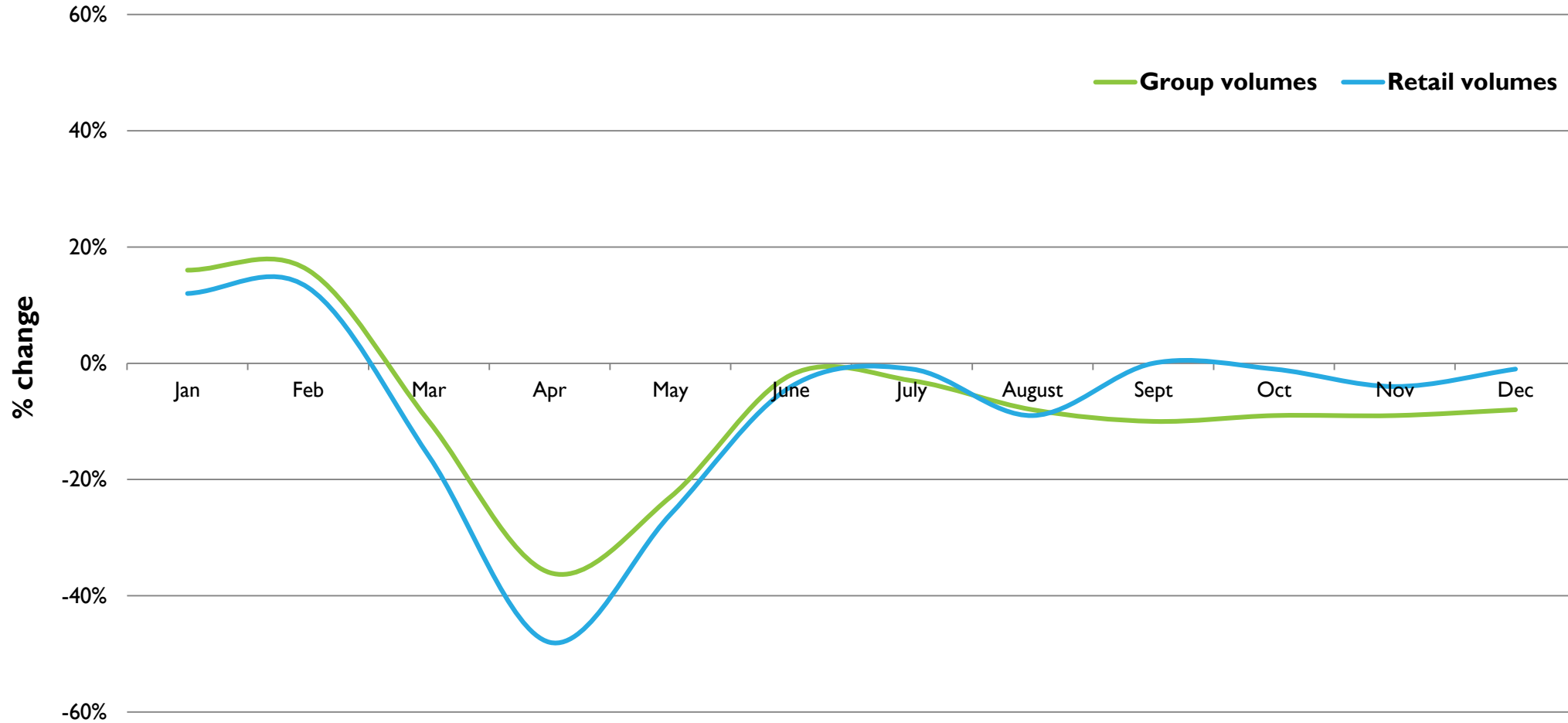
- ▶ Health impact to date limited compared to UK/Europe
- ▶ Supported by youthful population, percentage of population over 65 just 4% vs 19% in Europe
- ▶ Restrictions have been in place throughout H2, but no return to widespread lock-downs
- ▶ Governments' primarily using curfews, localised measures and border closures to control spread
- ▶ Vaccine programmes have started in a number of countries and in place across all countries through COVAX / African Union initiatives

## STATUS OF RESTRICTIONS AS AT FEBRUARY\*



# This has been evident in improving retail volumes through H2

## YoY CHANGE IN MONTHLY VOLUMES SOLD<sup>(1)</sup>



(1) January and February benefited from additional Engen volumes compared to 2019, due to the acquisition of the business being completed in March 2019

# Focus on Retail - continuing to develop our network and grow market share in key markets

Continuing to grow and develop the network:

- Net total of 104 service stations added in 2020
- 320 sites “shined” during the year & 17 KDRs<sup>(1)</sup>
- Over 300 sites now automated across network
- Market share grew from 28.7% to 29.2% in our key markets<sup>(2)</sup>



Building a substantial food business on and off site  
QSR JVs operating in 7 countries  
Delivery / drive through enabling performance



Premium fuels GCP contribution up 21% despite lower volumes

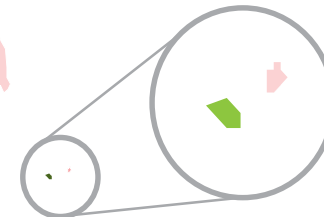
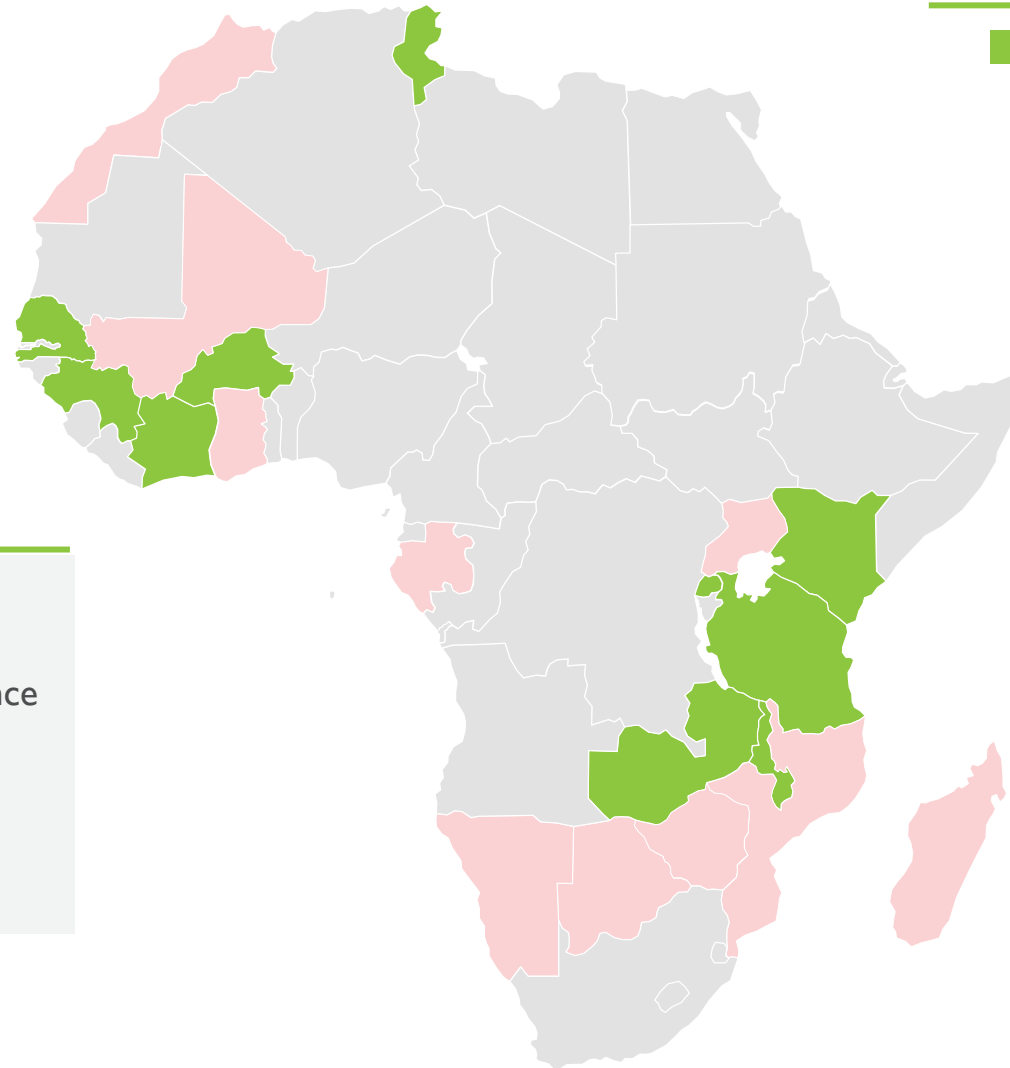


Loyalty driving spend - 1.4+ million customers now on platform

# ...with 11 of our markets returning to Y-o-Y retail growth in H2



## Key: % Retail Volume Growth



## Major Points

- ▶ H2 20 Retail volumes down 3% vs H2 19
- ▶ Supported by strong East African performance
- ▶ Network growth in Engen markets driving increasing volumes

# Taking action to support our stakeholders

We continue to play our part with all of our stakeholders to support the recovery from COVID-19

## Our People

- ▶ Zero redundancies due to COVID-19
- ▶ Strict Health & Safety measures
- ▶ Home working support
- ▶ Broad employee engagement, 92% felt informed during pandemic

## Our Supply Chain

- ▶ Supported dealer and transporter network to protect jobs
- ▶ Extended credit terms / payment plans where required

## Our Communities & Governments

- ▶ Committed 2020 community budget to supporting the fight against COVID-19
- ▶ Supported over 130 projects across our operating countries



# Financial Performance Review

*Johan Depraetere*

## Resilient FY performance driven by a strong rebound in H2

**VOLUMES**  
Million litres

**9,637**

**(7)%**

**GROSS CASH  
UNIT MARGIN**  
US\$/000 litres

**72**

**+1%**

**GROSS CASH  
PROFIT**  
\$ million

**697**

**(6)%**

**ADJUSTED  
EBITDA**  
\$ million

**360**

**(16)%**

## Driven by a strong recovery in H2 2020

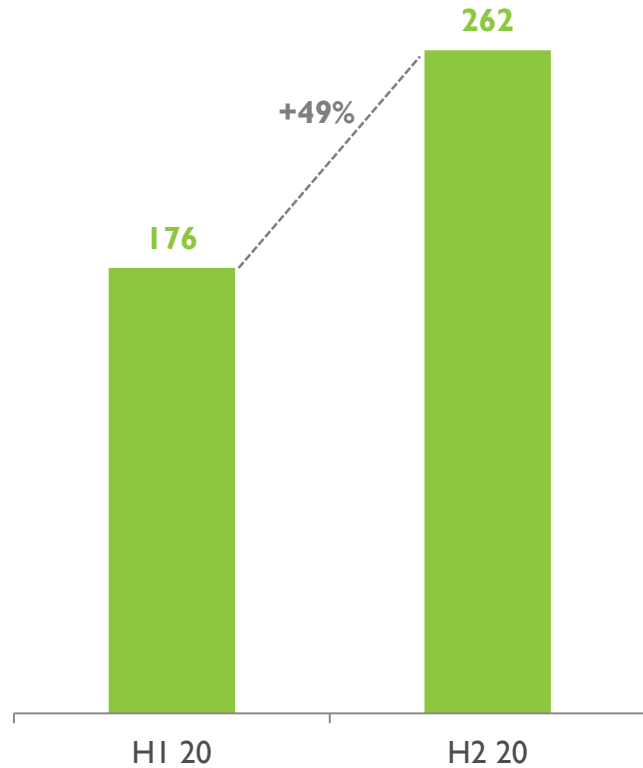
\$ million	HI 2020	YoY Change	H2 2020	YoY Change
<b>Gross cash profit</b>	<b>300</b>	(15)%	<b>397</b>	+1%
<b>Adjusted EBITDA</b>	<b>140</b>	(34)%	<b>220</b>	-%
Depreciation and amortisation	(59)	+18%	(66)	+18%
Net finance expenses	(35)	+9%	(25)	(22)%
ETR (%)	69%	n/a	42%	n/a
<b>Adjusted net income</b>	<b>16</b>	(80)%	<b>74</b>	(7)%

# HI 2020 v H2 2020 segmental performance

## Retail

### Gross Cash Profit

(\$ million)

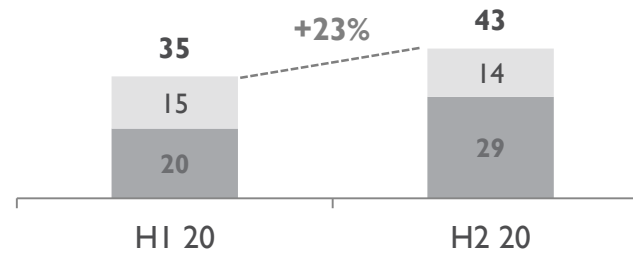


## Lubricants

### Gross Cash Profit

(\$ million)

- Retail lubricants
- Commercial lubricants

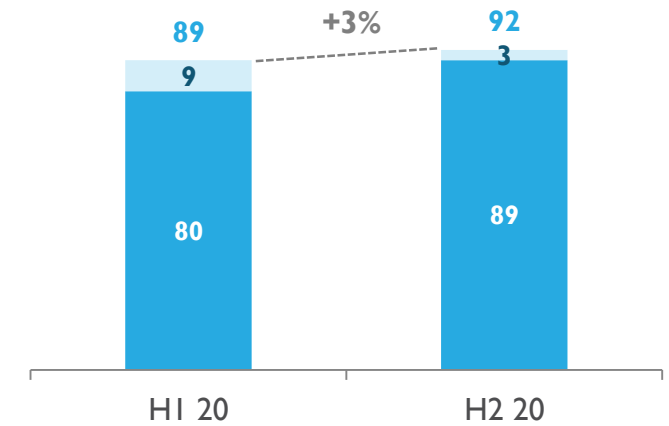


## Commercial

### Gross Cash Profit

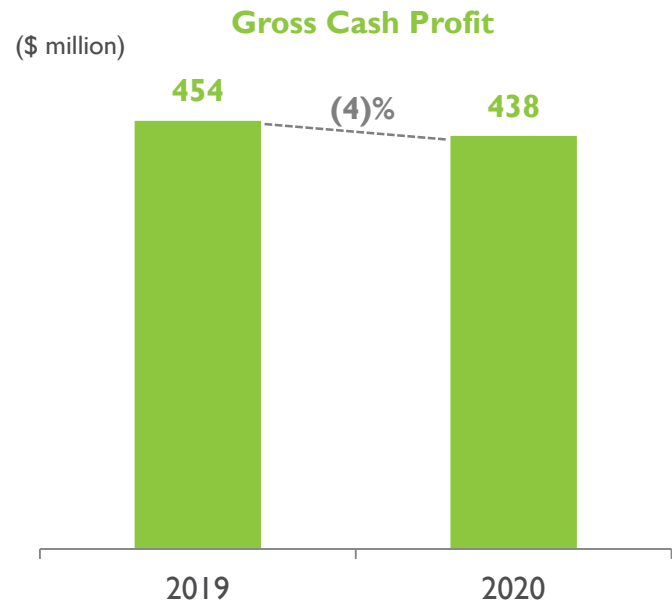
(\$ million)

- Aviation & Marine
- Core Commercial



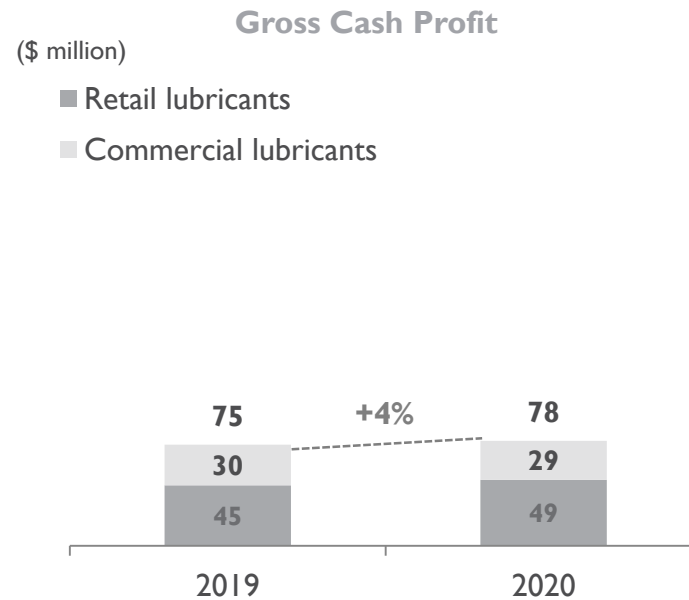
# FY 2020 segmental performance

## Retail



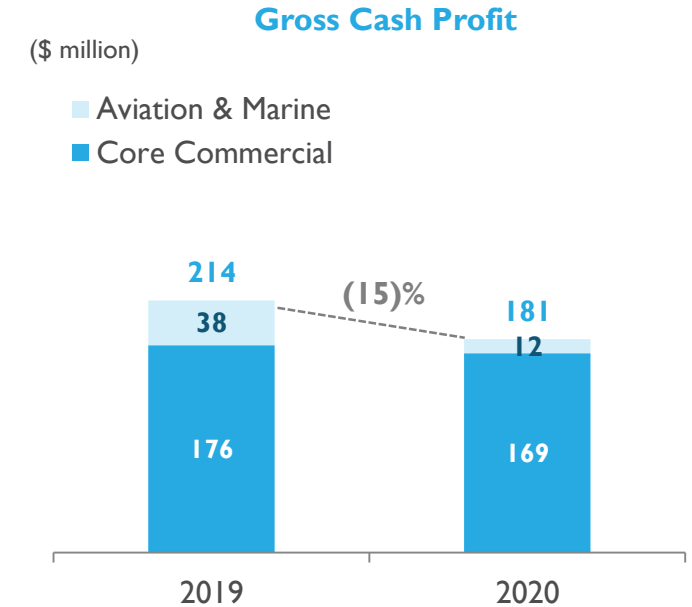
**VOLUME:** 5.5bn litres (-8%)  
**UNIT MARGIN:** \$76/'000<sup>(1)</sup> (+7%)  
**NFR:** \$26m (-21%)

## Lubricants



**VOLUME:** 136m litres (-1%)  
**UNIT MARGIN:** \$570/'000 (+4%)

## Commercial



**VOLUME:** 4.0bn litres (-8%)  
**UNIT MARGIN:** \$45/'000 (-8%)

# Balance sheet remains strong

## CAPITAL STRUCTURE OVERVIEW

- ▶ Maintained a strong balance sheet through the challenging environment
- ▶ Issued first corporate bond of \$350m in Q3 to refinance amortising loan facility and extend maturities
- ▶ During H2, repaid additional \$110 million previously drawn on the RCF
- ▶ Leverage ratio remains low

(\$ million)	FY 2020	FY 2019
Long-term debt	408	371
Lease liabilities	143	125
<b>Total debt exc. short -term bank borrowings</b>	<b>551</b>	<b>496</b>
Short-term bank borrowings	274	229
Less cash and cash equivalents	(515)	(517)
<b>Net debt</b>	<b>310</b>	<b>208</b>
<b>Net debt to Adj EBITDA<sup>1</sup></b>	<b>0.9x</b>	<b>0.5x</b>

# Cash generation impacted by COVID-19 and timing of working capital in H1

(\$ million)	2020	2019	Change
Net income	90	150	(40)%
Adjustment for non-cash items / other	214	202	6%
Net change in operating assets and liabilities and other adjustments	48	176	(73)%
Income tax paid	(89)	(83)	7%
Cash flow from operating activities	263	445	(41)%
Net additions to PP&E and intangible assets	(163)	(147)	11%
Free cash flow	100	298	(66)%
Special items related to non-GAAP measures (cash impact)	12	27	(56)%
Adjusted free cash flow	112	325	(66)%

## KEY HIGHLIGHTS

- ▶ Two key drivers impacted operating cash flows over FY:
  - ▶ Net Income \$60m lower than 2019 due to COVID-19 impacts in H1 20
  - ▶ Reversal of \$111m of working capital that benefited 2019
- ▶ Further impact from Shining Sites capex programme and higher taxes paid

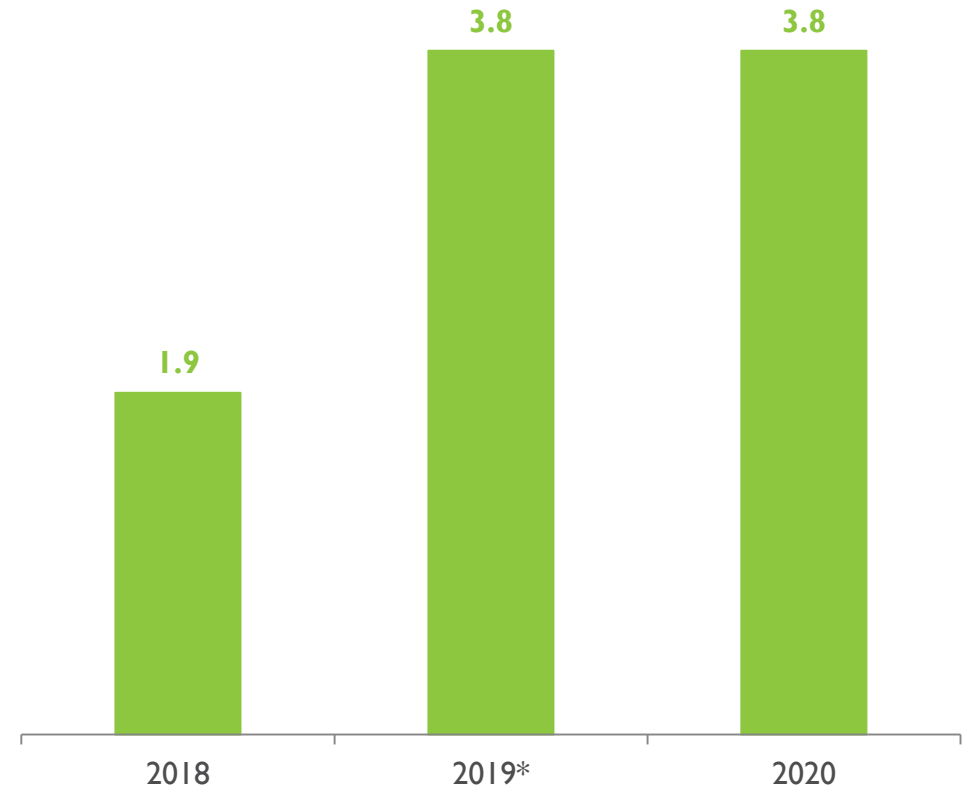
## METRIC

- ▶ Capital expenditure expected to be around \$160 million
  - ▶ ~60% due to be on growth projects
- ▶ Targeting 90-110 net new service stations across combination of Shell and Engen brands
- ▶ Net Finance charges to remain in line with 2020
- ▶ Effective tax rate to improve from H2 2020 levels
- ▶ Net working capital position remains structurally negative

## MAINTAINING FOCUS ON GROWTH AND ENHANCING SHAREHOLDER RETURNS

- ▶ We remain focused on investing to capture the growth opportunity in our markets
- ▶ Believe strong cash generation also supports a higher level of future shareholder returns
- ▶ Recommended 2020 Final Dividend of 3.8 cents (\$48 million) in line with existing dividend policy
- ▶ Moving forward, minimum payout ratio increased from 30% to 50% of attributable net income
- ▶ Dividend remains progressive, with future dividends expected to grow in line with earnings

(cents per share)





**Sustainability**  
*Christian Chammas*

# Our Vision: To become the most respected energy business in Africa

**We aim to achieve our vision through....**

**Ensuring financial strength**

**Working with our stakeholders**

**Investing for future growth**

**....and deliver on our Purpose:**

To safely provide **innovative and responsible energy solutions to Africa**, which enable growth and development of the continent and its people

**....And become the partner of choice supporting our customers through the energy transition across Africa**

## Our Approach

We are **responding to climate change impacts** and are playing our part

We are increasingly **monitoring and disclosing** the impacts of our business

We are committed to **managing and reducing** our impacts

We will **evolve our customer offerings** to meet changes in demand driven by the energy transition

We will continue to **invest in our local communities** and supporting local climate change responses where appropriate

## Our Actions

- ▶ Using TCFD as a climate change response roadmap
- ▶ Adopting climate change as a principle risk
  
- ▶ Implemented ISOMETRIX across operations
- ▶ Preparing to disclose Scope 3 value chain emissions in 2022
  
- ▶ Expanding site energy efficiency initiatives and PV roll-out
- ▶ Growing LPG offer to reduce carbon intensity of product mix
  
- ▶ Developing solar hybrid power product offering
- ▶ Piloting solar powered EV charging sites in Reunion
  
- ▶ Support local cook stove biofuels projects in East Africa
- ▶ Investing in local tree planting projects

## Environment – Minimising our impact

### Optimising transport routes -

Increased truck sizes with efficient routing to drive fuel savings

**Energy Efficiency** - 118 sites now powered by solar

**Hybrid power solutions** - Addressing Scope 3 impact through power solutions to industrial customers



## Social – Empowering people & communities

**Employee satisfaction** - 92% of employees proud to work for Vivo Energy

**World class safety** - 0.10 TCRF with zero fatalities

**Learning and development** - 352 employees in leadership programmes and c.65% had technical training



## Governance – Leading by example

- Fully compliant to 2018 UK Governance Code
- Incorporating TCFD as framework to address climate risks and opportunities
- Multi-site ISO 37001 Anti-bribery management system refreshed
- Respect for Human Rights embedded into Code of Conduct

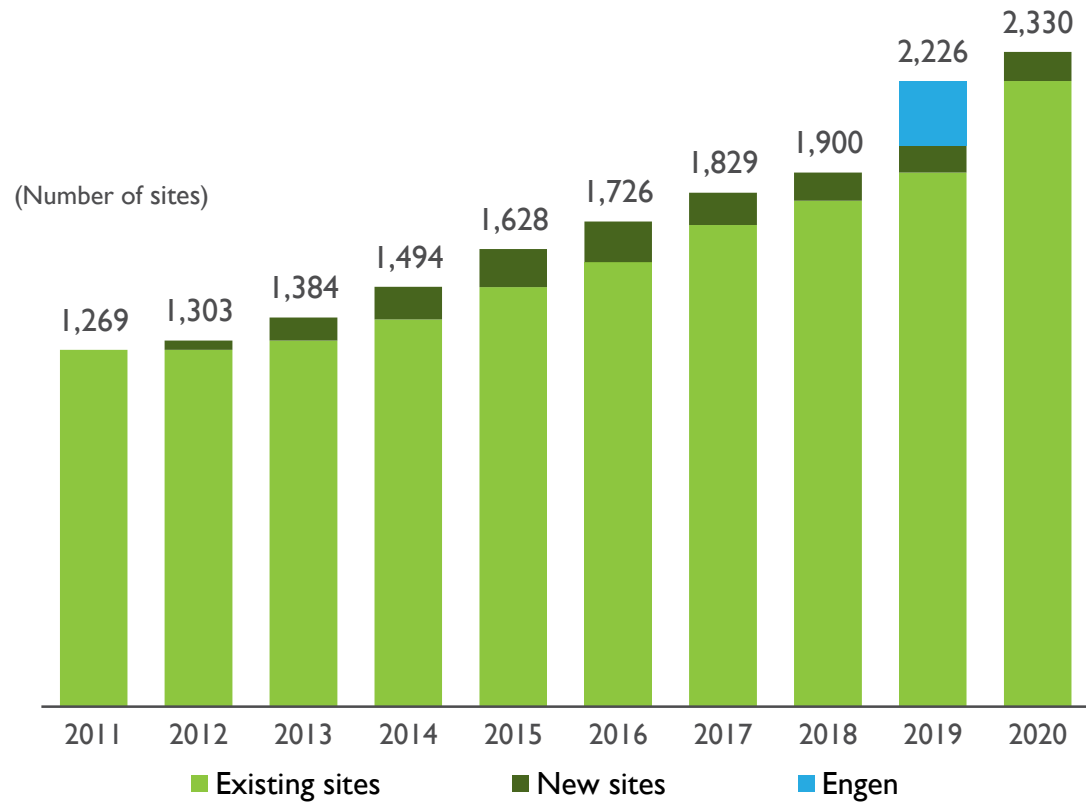


**CEO Update**  
*Christian Chammas*

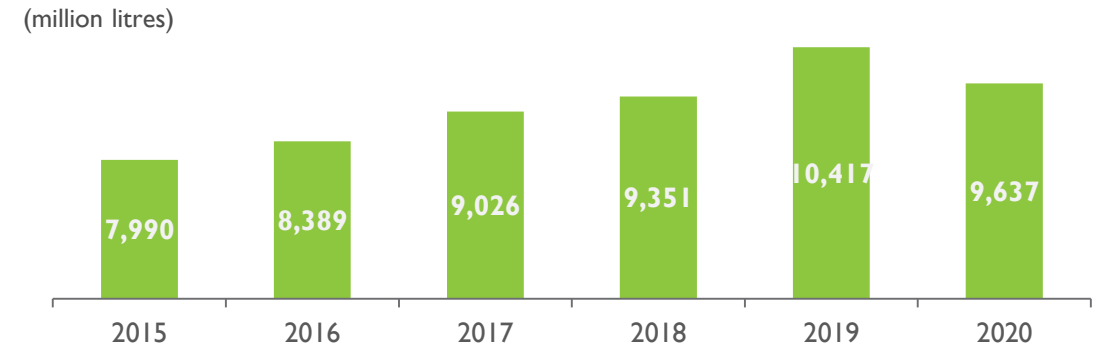
# Track record of delivering growth at highly attractive returns

## OVER 80% GROWTH IN NETWORK SINCE INCEPTION...

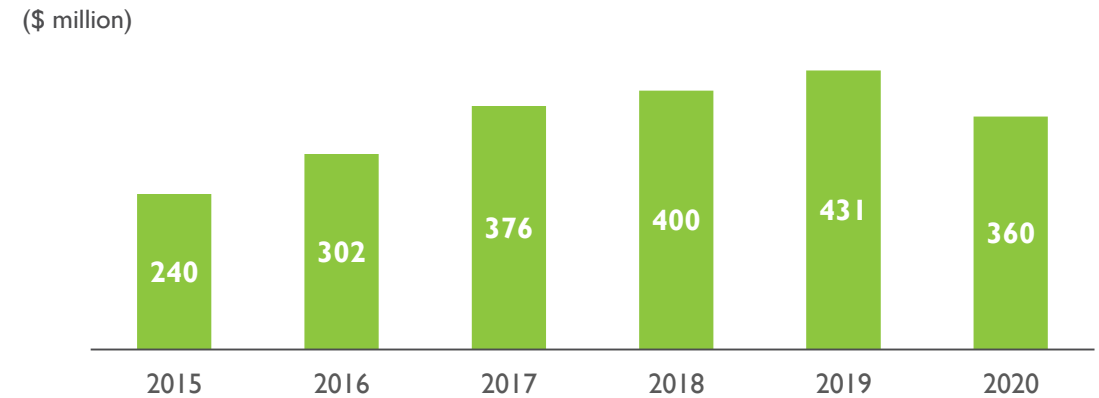
Post investment review of ~300 sites built 2016-2019 show average IRR of +30%



## ...WHICH SUPPORTS LONG TERM VOLUME GROWTH...



## ...AND STRONG ADJUSTED EBITDA GROWTH



# Spotlight on Kenya

## AUTOMATED SITES GIVE VISIBILITY INTO DEMAND...

(Indexed weekly change in number of transactions)<sup>1</sup>

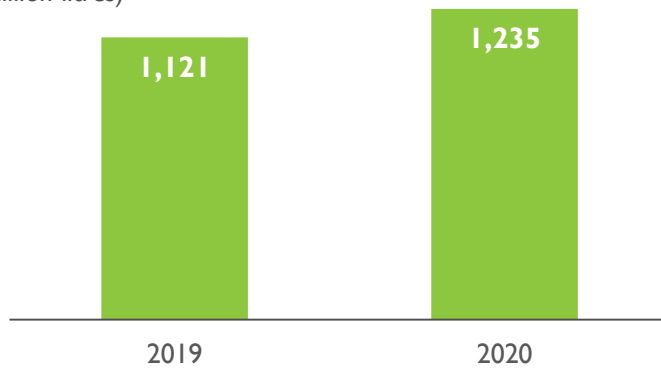


## ...AND SUPPORTS STRATEGIC DECISION MAKING

- ▶ Adapted supply and distribution patterns to suit demand
- ▶ Identified different routes to market for lubricants
- ▶ Delivered operational excellence on the sites
- ▶ Used offerings (NFR, V-Power) to amplify marketing impact
- ▶ Supply chain finance to reduce W/C volatility and finance costs

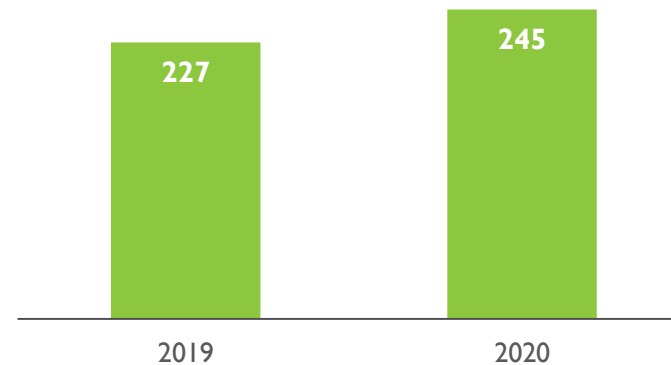
## TOTAL VOLUMES SOLD

(million litres)



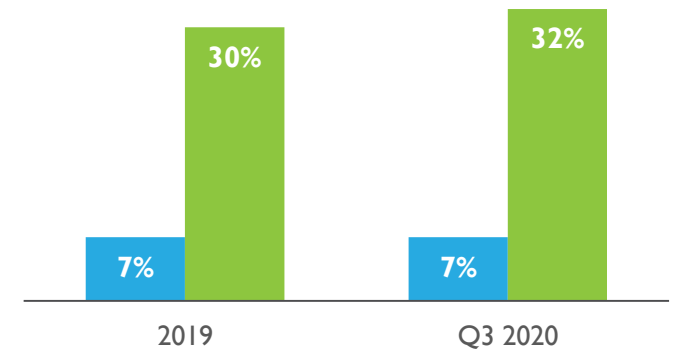
## NETWORK GROWTH

(Number of sites)



## RETAIL MARKET SHARE<sup>(2)</sup>

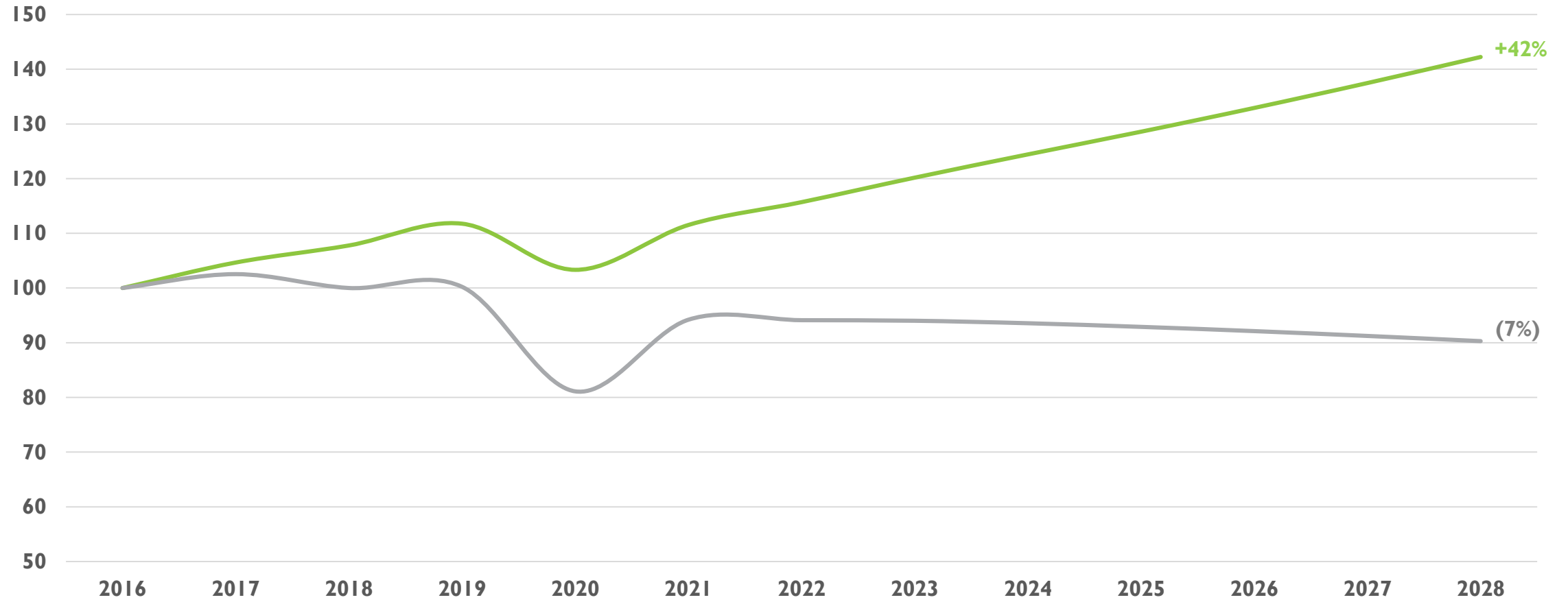
(%) ■ By site number ■ By volume



# Mobility needs continue to increase in our markets

## SIGNIFICANT DIVERGENCE IN FUTURE DEMAND IN OUR MARKETS FROM DEVELOPED MARKETS

(Indexed historic and forecast oil product demand)



(1) Forecasts for Vivo Energy 23 countries by CITAC, with forecasts for Europe provided by IHS

## We intend to capture a growing share of this demand

**Driving network growth  
organically & inorganically**

**Enhancing like for like growth  
across the network**

**Building a substantial QSR  
portfolio**

**Offering transition fuels &  
solutions inc.  
LPG & Power**

**Supported by maximising return on technology investments**

# Enabling strong rebound in financial performance

Leading to:

▶ **Strong free cash generation to drive further investment**

▶ **Enhanced operating leverage**

▶ **Increasing EPS growth**

▶ **Underpinned by a strong balance sheet**

▶ **Growing shareholder returns**



# Questions & Answers



# Appendix

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# Robust financial performance

(\$ million, unless otherwise indicated)

	FY 2020	FY 2019	Change
<b>Volumes (million litres)</b>	9,637	10,417	(7)%
<b>Gross cash profit</b>	697	743	(6)%
<b>EBITDA</b>	360	416	(13)%
<b>Adjusted EBITDA</b>	360	431	(16)%
<b>ETR (%)</b>	49%	39%	n.a.
<b>Net income</b>	90	150	(40)%
<b>Diluted EPS (US cents)</b>	6	11	(45)%
<b>Adjusted net income</b>	90	162	(44)%
<b>Adjusted diluted EPS (US cents)</b>	6	12	(50)%

**Final dividend of 3.8 cents per share recommended**

# Summary Profit & Loss Statement

(\$ million, unless otherwise indicated)	FY 2020	FY 2019	Change
<b>Revenues</b>	6,918	8,302	(17)%
Cost of sales	(6,301)	(7,627)	(17)%
<b>Gross profit</b>	<b>617</b>	<b>675</b>	(9)%
Selling and marketing costs	(226)	(224)	1%
General and administrative cost	(176)	(165)	7%
Share of profit of JVs and associates	16	22	(27)%
Other income/(expense)	4	2	100%
<b>EBIT</b>	<b>235</b>	<b>310</b>	(24)%
Net finance expense	(60)	(64)	(6)%
<b>EBT</b>	<b>175</b>	<b>246</b>	(29)%
Income taxes	(85)	(96)	(11)%
<b>Net Income</b>	<b>90</b>	<b>150</b>	(40)%
Minorities	(10)	(14)	29%
<b>Attributable Net Income</b>	<b>80</b>	<b>136</b>	(41)%



# Appendix

## Operating Environment

# Our operating environment

CHALLENGE	MITIGATION
Stocks / oil price	<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 (20 of 23 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>
Currency	<ul style="list-style-type: none"><li>■ ~60% of 2020 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>
Credit	<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 around 1% of gross cash profits during 2020</li></ul>
Supply	<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 in 2019</li></ul>
Compliance	<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>

# Overview of fuel market regulation in our countries



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

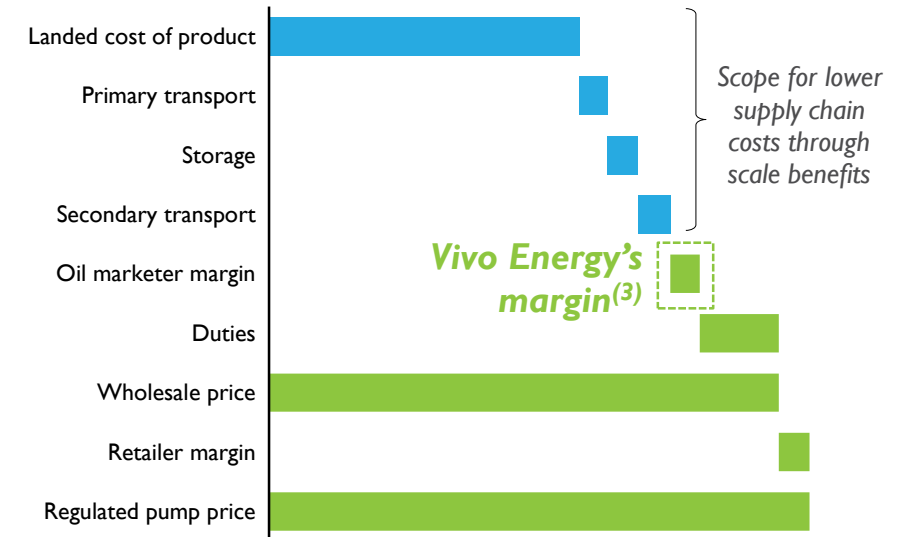
# Majority presence in regulated markets provides margin stability

## OVERVIEW OF RETAIL PRICE REGULATION IN OUR COUNTRIES

Regulated (no subsidies)	18 countries (54% of volumes <sup>(1)</sup> )
Regulated (with subsidies <sup>(2)</sup> )	2 countries (16% of volumes <sup>(1)</sup> )
De-regulated	3 countries (30% of volumes <sup>(1)</sup> )

- **Regulated** fuel markets are common in emerging markets
  - Government sets the pump price, which changes periodically to reflect the current oil price and input costs
  - Marketing **margins are fixed** per litre
- Regulated markets can be also be **Subsidised**, where the pump price is stable and doesn't reflect the oil price
  - Marketing **margins are fixed** per litre
- **Deregulated** markets are more common in developed economies
  - Pump prices fluctuate frequently due to oil price and competition
  - Marketing **margins are variable** per litre

## MARGINS IN REGULATED MARKETS ARE COST PLUS



## REGULATED MARGIN WITH EFFICIENCY UPSIDE

- Regulators set pump prices using **assumed supply chain costs**
- The regulated price contains an **allowed margin** for oil marketers, generally **5-10% of pump price**
- Oil marketing companies can make margins above this 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 player

# De-risking Retail performance through use of dealer model

