

Vivo Energy Full Year Results 2023

Audio Webcast

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Transcript



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Jay Gleacher:

Good afternoon. Thanks everyone for joining our webcast, and we look forward to taking you through an overview of our 2023 financial results. So, if you go to the next slide, please.

Okay. So some key highlights that we'll start with, and we'll talk a bit about our strategy. And then we'll give you an update on numbers and key events. So I think no surprise, for those of you who've been following the business during the course of the year. I think what you'll see through this presentation really has been a tale of two halves. First half in particular, very challenging, and I think some more momentum and positive outlook in the second half of the year.

The major headline for us has been navigating the external headwinds. And I think really if 2022 was a year of extreme volatility seen across the world, 2023 really was the after effects of the Russia/Ukraine conflict, and the Fed raising interest rates, and what that did on a macro basis across the continent in Africa.

In addition to that, we had a number of political and social issues in some of our key markets, as well as unfortunately natural disasters, for example, the major earthquake in Morocco. But I think what you'll see again, from our results, is really the resilience of our business, and even despite this challenging backdrop, results that we are pleased with and proud of, and I think the platform is in a good place to be moving forward. As I said, a tale of two halves, and it'll be easier to visualise that when we take you through the numbers and you see the pickup in the second half of the year.

Despite the headwinds and everything that I've just said, I think as we've talked about in the previous interactions we've had since we now completed the transaction to acquire the rest of Vivo Energy, and de-listed, very much focused on investing for the long term, and committed to growing the platform. So what you see in our results is really the combination of a lot of hard work that went into the course of the year. We opened a record number of new service stations. We continue to invest into our LPG business, including acquisitions in existing countries for us, for Reunion and Namibia. As well as entering into a new country, or a new territory I should say, Mayotte, which is a French overseas territory with the acquisition of Somagaz.

So again, we're very excited about building on that platform. That obviously leads us to Engen, which will really kind of be a game changer for our platform. And again, I think we've talked about the combination of Vivo Energy and Engen, and how we see this as a catalyst to help us create Vivo Energy 2.0. We are making very good progress on getting all the necessary approvals to acquire Engen. As Murphy's laws would have it, in fact, I think a press release has gone out just moments ago from the competition tribunal in South Africa giving their approval. So that's a major milestone that it has now finally been achieved. We

did delay this call today hoping that that would be a little bit beforehand, but at least we got it just before this call was scheduled for.

So again, in the coming months, and particularly when we take you through the first half of 2024 results, you'll start to see a lot more about Engen. And really, that will be a game changer for Vivo Energy, and we're very excited about that. I think the other key highlight, just to kind of flag up front, because it has been something that has been talked about over the years, and I think honestly it was an overhang for the company, is the competition investigation in Morocco. Again, we were pleased that we have entered into a settlement agreement with the relevant authorities to close out that whole chapter. And I think, again, the view from the executive committee and the board is that it's important for us to draw a line underneath this issue that's been out there for a number of years and just move forward.

So that's what we've done, and the business in Morocco is performing extremely well. And we'll mention that a little bit when we take you through the second half of 2023 and the first quarter of 2024. Okay. If you go to the next page.

Great. So, again, I think it's always visually helpful to see the breadth of our portfolio, and the scale of our operations. I'm not going to go through each one of these issues, and I believe these slides will be published on our website afterwards so everyone can take a look at it, and for those who follow our markets will understand it. But as I said, the choppiness in the market and the turbulence was more significant in 2023 than in other years. And again, I think that's not something that scares us, I think we understand that.

As you know, active investors in Africa, and with a long track record in Africa, I think they're very much focused on navigating these choppy times. And again, I said the two words that we really anchor around is portfolio. Making sure that we have a diverse enough and big enough portfolio that so, when you have some volatility or an unforeseen situation in one market, it obviously has an impact, but the overall portfolio remains solid. And then I think the second word is, I've already said earlier, is resilience. And again, I think this is a very resilient business. And again, if I take the tragic situation in Morocco, with the earthquake, our company obviously was a key stakeholder in helping the rescue and recovery effort.

We were very pleased that we didn't suffer any fatalities or major injuries in the earthquake itself. And we obviously donated capacity, and resource to the local government to help with the whole effort there. So again, terrible situation, but that's what we're here to be part of, as a key stakeholder.

I draw out probably three other markets on this list of things that definitely we keep an eye on, and situations that keep us up at night. So in Senegal, there was a delay in the election, and then ultimately a new president who has been elected. And I think in the lead up to the elections and the uncertainty about

what was going to happen, there was a fair amount of social unrest which impacted our business. It also impacted our competition's business. And again, I think health and safety is paramount to us, and we're hopeful to move forward and continue working with local governments in a very collaborative way.

Kenya has been a big focal point for us. Obviously the macro situation has been quite acute there. Where again, the tightness and the scarcity of the hard currency has been a big issue for that whole economy, and Vivo Energy is the largest player in the sector, that is the largest consumer of hard currency. So we were interacting at the highest levels with the country as we work through that challenge. And again, I think the Kenyan government has been able to mitigate that now, and issue new Eurobond facilities and ease some of that pressure, which is a good signal that we look at.

And similarly, Zambia has been in the news around restructuring their debts, and improving their access to currency. And again, I think we are following that keenly, and wanting to make sure that we come out stronger than where we find ourselves in at the moment. Okay, if you go to the next page, please?

So again, a reminder on our long-term strategy. Africa is in deficit of energy. And so, we want to make sure that we invest into, and develop the infrastructure to beat that growing demand and latency demand, and we see tremendous opportunity to do that. As we've talked about before, we really kind of put things into three buckets.

The first is our retail business, which is the biggest segment in our company. And we are keenly focused on protecting our leadership in retail fuel, and continuing to invest for growth. You'll see in our Capex numbers, and in our number of sites delivered, a significant amount of progress around that this year, which we're very excited about. A lot of focus in 2024 around making sure we deliver good profitability per site, and deliver those kind of attractive unit economics that gives us the confidence to keep investing. I think as we go forward from here, we'll continue to focus on the integrated value chain, and making sure that that is really aligned with our network planning, and how we can really build a stronger moat around what is already a solid business.

I think the second pillar is what we call growth, which is how we develop our commercial business. And again, retail non-fuel, commercial fuels, lubricants and LPG each have their own drivers and their own inputs that we're focused on. I think at a high level, we feel like we are underweight in these sectors. Again, if you look at our market share in our leading markets, we have a much higher market share in retail than we do in some of these other products. And we don't like that, we want to enhance our market share, particularly commercial fuels and lubricants, and then in LPG where we want to invest in more infrastructure.

Again, I think there's been a lot of focus internally around, really understanding the integrated value chain and the supply chain, and how we can really

maximise that value along the supply chain. And then working with our parent company Vitol, to give us that competitive advantage to really win market share from others and utilise our scope and scale to the maximum.

And then lastly around transforming the business. As I said, Africa is more of a demand than supply of energy, and we see ways to transform our business to meet new customer needs, and we've talked about both the supply and demand of new forms of energy. So, on the supply side, we continue to believe that the solar energy as a source of energy, and solar as an offering to our customers is a compelling opportunity. And I think the thing that I'm excited about, not only for solar but also new mobility, which we'll talk about in a bit more detail is, things are now moving from proof of concept into real tangible projects, and that's quite pleasing to see. Okay, if you go to the next page, please?

So again, I think everyone's sort of seen this chart, and we follow along that we continue to grow the network out, net total of 149 service stations added to our network, which is quite a significant achievement and one that we're very proud of. I think what this chart shows, that I want to leave with you is, we really see two avenues here. I think the first is that there continues to be healthy pipeline of organic opportunities to continue to build stations, and as we say, sort of develop the white space, and we'll continue to do that. And then I think the second element is, and that's one of the reasons why we were able to add as many sites as we did is, we're seeing more opportunities for network acquisitions and consolidation. And for as much as we bemoan the challenging macro headwinds, we believe that our scope and scale, and our resource means that with our stronger balance sheet and our stronger capacity, there's a lot of opportunity to consolidate smaller networks or independent networks in a very accretive way.

And so again, we did a few acquisitions in certain markets, for example, in Kenya, where a nice independent network, they just didn't have the same access and capabilities that we had to both supply and capital and commodity. And therefore they agreed that we were the more natural and rightful owner of those stations we've added them to our network, and that really helps accelerate that position. So again, I think what you'll continue to see from Vivo is, the ambition to invest at a similar sort of pace. Obviously, we will talk more later on about our financial framework and how we think about our capital allocation. But we do see more runway in front of us in this space. Okay. If you go to the next page, please?

Again, so the next one we talked about is accelerating growth in our other lines of business. So maybe I'll just highlight two things. One is in Morocco we have piloted what we call in-house food, which is essentially coming up with our own brand and our own offering of local cuisine at some of our key highway sites, and we are very excited about that opportunity. We've learned from working with some of the international brands in certain markets and we've got a picture on the screen of KFC. KFC works great in Kenya and we're very pleased with the

business that we have in some markets. In other markets, I think, a more local offering and something more tailored to the customer we think will ultimately create more long-term value and also be more accretive to our business because we're not the franchisee in that stage. So early days in this space, but something that we'll continue to spend more time on.

And again, one where our soon to be major company Engen in South Africa is well advanced at and we're excited to learn from them. Next thing I'll highlight around driving B2B fuel volumes and growing lubricants margin is that we continue to invest in resource to enable these efforts. So we've hired some staff to really focus these efforts, particularly for lubricant exports and for winning big mining tenders and bringing in best in class leaders around sort of CRM for some of our big B2B clients. So again, I think we're very excited about scaling up in that space and between the infrastructure that we believe we can utilise more optimally and the right leadership, we see again, a good opportunity for us to grow our business ahead of the market.

And then, LPG is again something that we've spoken about, something that we're very focused on. If you follow some of the broader macro research around Africa and LPG as a use case, we think there's a lot of compelling reasons for it.

And so we have continued to invest pretty aggressively into LPG, both in our current markets in terms of bottling, new cylinders, and new filling plants and as I said, as well as buying businesses in some existing markets like Namibia and Reunion and new markets like Mayotte. And again, I think we would expect to continue to make investments like this and do more bolt-ons in this space in the course of this year and next year, and so very excited about the platform that we're putting together. Okay, if you go to the next page please.

So in terms of evolving our business model, as I said, I think demand is greater than supply and in both Africa and the rest of the world, everyone wants more energy and less carbon. So we are focused on both the demand side and the supply side. On the demand side, on mobility where we're probably still more in the piloting stage, there had been some announcements about a potential project in Rwanda. Unfortunately, that project is not moving forward. Some changes were made with the scope of the way in which the host city in Kigali wanted to structure it, and obviously that made the project untenable. And I think the point that we highlight here is that we continue to look at these sort of projects to decarbonise transport, but it will be very disciplined.

It's about doing things where ultimately the total cost of ownership is lower than the existing or legacy technology and it is an enhancement in the offering to the customer. We believe that is possible. Our parent company has activities like that in other parts of the world, but ultimately the Rwanda one didn't work out, which again, was a very useful learning experience. At the moment, we're focused on piloting a battery swapping and e-mobility solution in a couple markets for two and three wheelers, which is the other end of the spectrum. So

the two form factors that we think will electrify first in terms of transport our big city buses, so that was the project in Kigali, and then two, three wheelers. And again, we're working with our parent company, Vitol that's active in this space on a global basis. Probably more exciting and more tangible as we speak today is where we're getting to in terms of developing our solar projects.

So as I said, we've moved from proof of concepts into actual real projects and we think we have quite a robust pipeline here and it's quite a compelling proposition to the mining customers. And as I said, from a mine standpoint, it significantly reduces their total cost of ownership. It's cheaper to generate electricity from the sun and use that to power your generator than it is to always truck in diesel into these remote locations once the infrastructure is there in place. And so we're very pleased on how that pipeline is looking up and we'll expect to see more announcements in this space in the course of 2024. Okay, that's kind of the run through of the strategy. If you go to the next page, I'm going to turn over to my colleague, Issam.

Issam Sadiq:

Thanks, Jay and hello everyone. So if you go to the next page. Regarding the financial performance of the year, this is a summary of the main P&L indicators and despite a challenge in first half where our volumes were behind by 3% compared to the first half of 2022, we managed to close the year with a positive progression, plus 2%. We also closed the gap during H2 on the gross cash profit, bringing the gap down from minus 18% to minus 8%, and also on the Adjusted EBITDA, reduced the same gap we had in the first half from minus 33% to minus 21% for the Full Year, and we're going to see more details in the coming slides. Next slide, please.

So full year Adjusted EBITDA was at \$371 million over 21% less than previous year, negatively impacted by external headwinds, particularly during the first half, but also impacted by some non-recurring items, which are provisions for bad debt amounting to \$23 million. And other provisions related to some government benefit receivables amounting to \$24 million. Volumes held up relatively well with plus 2% year-on-year helped by the Commercial segment. Gross cash unit margin was at \$69 per cubic metre for the full year, largely due to declining oil price and weaker local currencies, which resulted in a total gross cash profit for the year of \$752 million, representing a decline of 8% versus the previous year. And finally, selling and general administrative costs, excluding special items, increased by 14% year-on-year due to credit related provisions. If we can move to the next slide, please.

So in terms of segmental performance, retail continues to be the largest contributor in terms of volume, around 57% volume contribution. And also in terms of gross cash profit, with about 60% contribution. Retail gross cash profit was \$448 million, or minus 8% year-on-year. But if we compare the second half year gross cash profit with the same period in 2022, it was higher by 2%. Lubricants gross cash profit contribution was at \$87 million or minus 4% year-on-year, but again, H2 was higher compared to the same period in 2022 by 11%. For the Commercial segment, the Full Year gross cash profit was \$217 million,

representing a decrease of 8% year-on-year, but also much stronger in H2 relative to H1. Next slide, please.

This graph shows the evolution of our gross cash unit margin, and as you can see in the second half of the year, the unit margin normalised at \$70 per Q after the dip we experienced in the first half, which as we explained during our Half Year results presentation, was largely due to the impact of decline in oil price on our compulsory strategic stock values. Next slide, please.

Free cash flow. So free cash flow, adjusted for special items, was positive \$224 million this year, versus negative \$126 million in 2022. This is mainly attributable to working capital movements and some recoveries in government receivables as we indicated previously when we did our first half result presentation. Next slide, please.

Our balance sheet remains robust and our debt cover ratio remains below two and a half times. Our three credit ratings remained unchanged over the second half, but with a positive outlook change for S&P Ratings. Our HoldCo debt remains at \$560 million, of which \$400 million is a five-year term loan and the remaining \$160 million is a subordinated shareholder loan. The \$300 million RCF that we refinanced in June last year is undrawn. On the table you see a short term borrowing of \$569 [million], and that consists mainly of utilisation of our self-liquidating working capital facilities that we have in local currency and that are predominantly denominated in local currencies. Next slide, please.

We are committed to our prudent financial policy and our strategy is underpinned by a robust capital allocation framework with the following priorities. One, low leverage and strong credit metrics. We're targeting 1.5 times net leverage and a minimum of four times interest cover. Two, discipline capital allocation focused on profitable growth as we're solving for a minimum return threshold of between 15% and 20% and also strong cash flow generation. And three, we are investing in transformational projects with a compelling strategic rationale. Next slide, please.

So this year we've invested a total of \$231 million of Capex, which is a significant uptick from previous years, mainly driven by the acquisition of the LPG business in Mayotte, this is the French territory in the Indian Ocean that Jay mentioned, and also some investment in strategic and business transformational projects.

So that was Full Year 2023 financial performance, which we can summarise as a challenging first half, but a nice recovery in the second half. Next slide, please.

Looking at the performance of the first quarter of this year, you can see that we had a strong and healthy quarter with volume increase of 14% year-on-year, mainly driven by commercial, but retail volume came also stronger than last year. Gross cash profit was up by 35%, held by the retail unit margin stabilisation that started in the second half of last year and continued over the

first quarter of this year. So that gives us a lot of confidence in terms of that normalisation that we indicated earlier. EBITDA was also significantly higher year-on-year, up by 75% with the total Adjusted EBITDA for the quarter of \$121 million. Now, I will hand over to Jay to talk about sustainability and some additional updates. Jay, over to you.

Jay Gleacher:

Thanks, Issam. Just to reiterate, I do think the first quarter of this year is more like a normal quarter and the first quarter of last year, was the most challenging of the quarters and then obviously you see that lag effect in our results. But as we chew through these quarters, you'll start to see a much more solid trajectory, which we're pleased about.

Okay, so can we go to the next page, please?

We talk internally a lot about the three Ps: People, Planet and Partnership. Again, I think a lot of ongoing activity here with a significant focus on sustainability and doing it again in a way that is practical and actually matters to our stakeholders. Health and safety is essential to everything that we do. In terms of the total recordable case frequency, we're very pleased with our number. We want to make sure everybody is really reporting everything that needs to be reported, but a huge focus on safety.

If you just look at the number of kilometres driven around our network, it is really quite an astounding set of activities. We have to really keep that focus on our people and safety. Gender diversity is a huge push for us. Again, I think beyond increasing the female representation that we have, we really see this as core to our business and I think gives us a competitive advantage in these markets where having the right leadership teams is really critical and we're seeing a lot of talent coming to our business and we're very excited about that.

Planet. Again, we've talked about solar and the efficient ways of meeting the growing and latent energy demands in Africa. Again, we're very pleased that we've been able to add solar to another 95 of our sites and two of our depots. So we continue to invest in that infrastructure. And then again, there's too many individual partnerships to go through, but again, I think we're very focused on really being both the leading and largest energy company in Africa. And then to be leading, you really need to be on the front with these partnerships and a lot of great work goes into it by all the teams on the ground.

Okay, if you go to the next page, please.

Yeah, so Engen transaction update. So, 7 February, 2023 is when we signed the deal. So it's been quite a journey to get to this place. We are working through all the necessary conditions, precedents, and regulatory approvals to get this transaction over the line. Again, for those who followed, it was in November that the South African Competition Commission recommended the transaction. The way it works in South Africa is the Competition Commission has to give the

recommendation and then finally the Competition Tribunal has to give their approval and it's the final arbiter where people can raise any concerns or objections.

We did go through that process. There were some concerns raised by interveners, and we have now worked through that. And as I said, I think just minutes before this webcast, the Tribunal has put out a press release confirming their approval of the transaction. So myself and my colleagues are very pleased about that outcome.

As we wrote here on the slide, we are aiming to complete the transaction during the first half of 2024. And with today's news, that's definitely well in hand. There's a few more things to work through, but as I said, very focused on this transaction and the transformative nature to Vivo Energy, and you'll hear more from us about this in the future, but what we think it means to create Vivo Energy 2.0.

Okay. Another slide, please.

Yeah, so some important changes and new appointments to our executive committee. First of all, I think since we last spoke with the third quarter results, want to welcome Arnaud Guichard. Arnaud joined us in late November last year. He is the EVP for Retail and Commercial. A significant amount of experience both from a functional standpoint and from working across Africa standpoint and living in Africa in numerous markets over the course of his 30-plus years. So highly experienced person and we're very excited to have on board.

And then on a personal note, my tenure as interim CFO is coming to a conclusion soon. I'm very pleased that Nimit Shah will be joining Vivo Energy as our CFO, he'll start in May. Nimit is someone that I personally have known for more than 15 years. Nimit is going to join us from Helios Investment Partners, and for those of you who have followed the Vivo Energy story, will know that Helios Investment Partners was one of the founding shareholders of Vivo Energy and Nimit who was a partner to Helios was a member of the deal team from the Helios side and closely involved in the business and knows the company well. And so Nimit brings not only his knowledge of Vivo Energy, but also his experience investing and operating across Africa. I'm sure he's excited to join the rest of the team and really work with Stan and everybody else around the value creation plan and maximising the platform that we talked about.

I'll stay involved as a member of the board of Vivo Energy and I'll actually chair the lubricants joint venture we have with SVL and working closely with the team, but very excited to have some more colleagues on the pitch with us, so welcome to them.

Okay, last slide, please.

Yeah, so we'll wrap it up here and again, hopefully there'll be some questions that we can get into. Key messages we want to leave you with is that we had a solid start to the year, improved Q1 results. 2023 probably weren't the reported financial IFRS numbers that we'd like to see, but we think the underlying business is in a good place and with good momentum, and very excited about the Engen opportunity that is in front of us.

And as I said, I think when we think about our vision, it's always meant to be the most respected energy business in Africa, and now it's to be the leading and most respected energy business in Africa, and we think that with the combination with Engen, we were well on our way to achieving that vision.

And then lastly, we talked about it in our previous update around replacement cost, and we talked about it a little bit around how we project the value of our retail network in terms of network planning and the integrated value chain. But I think we believe there is a lot of value to be unlocked inside Vivo Energy by embedding more of a data-driven mindset.

Again, I think we think our shareholder Vitol has a lot of experience in this and a lot of commitment towards investing in this. So you'll continue to see more investments from us in this space, and as we work through the integration with Engen and we look at our operating model and our governing structure, data is really going to be at the heart of everything we do going forward. So not enough yet to really kind of tangibly show to this audience, but significant amount of investment and focus here and the returns will be quite tangible when it comes.

Okay. So thanks again everyone for joining, and I'll turn it back to the moderator at this point.

Moderator:

Thank you, Jay. If I could remind everyone how to ask a question, if you would like to submit a question, please click on the question icon in the bottom toolbar. There will be a brief pause now for us to allow people to submit a question.

The first question we have is from Alex from GSAM. Government receivables were materially reduced year-on-year, but still remained a lot higher compared to prior periods. How should we think about this line going forward and where do you expect Kenya and Senegal, two largest contributors, to eventually settle down?

Jay Gleacher:

Yep, clear. So I'll start and then Issam, please chime in. So again, to use round numbers, we peaked at 400 million of government receivables, and I think we think about this in terms of what's a normalised level. So if you go back before 2022, it was more like a hundred million, and I think we would expect to eventually return back more to that a hundred million number compared to the 400 million number.

So it's taking us longer to do that in light of some of the political situations that we've experienced and some of the macro factors, particularly with the situation with local government balance sheets. But we do expect these to settle down. We have received some funds from Senegal in particular during the course of 2024. So you'll see that in our first half numbers. And yeah, again, I think this is part of what we manage.

And then the last comment I'll make is there was a comment that Issam made around sort of visions for government benefits receivables. Again, it is more around the time value money of it and by when that will be recovered and how the IFRS rules require you to look at that as opposed to any sort of actual risks with those issues. So I think fundamentally we still feel like this is part of the working capital cycle of our business, part of the risk profile, but something obviously that we actively manage.

Anything Issam that you want to add?

Issam Sadiq: Thanks, Jay. Yes, and since two countries have been mentioned, yes, there was a positive progression on Senegal balance, we received some payments. But also in Kenya, I think we'll be able to reduce that balance hopefully very soon because there are things that are work in progress on the government side. So we'll be able, hopefully when closing the first half we'll be in a position to show a lower balance. I can add also that other countries, because it's not only these two, these who are the most material, but other countries like Mozambique, we've also been able to recover almost everything now.

So maybe some tiny position remaining, but we made also some very good progress. So we'll continue working on it. And our objective is to return to that \$100 - 120 million position that we used to run in normal times. Thank you.

Moderator: Thank you very much. If I could remind everyone how to ask a question again, if you would like to submit a question, please click on the question icon in the bottom toolbar. There'll be another brief pause for us to allow people to submit some questions.

The next question comes from Dmitry from Jefferies. He says thank you for the presentation. Can you please walk us through your expectations, for the full year '24, in terms of volumes and unit margins and EBITDA, given positive Q1 '24 updates?

Jay Gleacher: Issam, I don't know that we're actually going to be able to speak to that in terms of forward projections, but do you want to give some colour?

Issam Sadiq: Yeah, sure. So I think it is very encouraging to start the year with a quarter that is showing a significant amount of normalisation. First in terms of margin, but also positive progression in terms of volume.

It's hard to obviously predict what will happen in the second half, but what I can say is that on a normalised basis, in normal times, second half is always stronger than first half by the simple fact that you have first of all, more trading days than in the first half. And driving seasons, be it during the summer or during December holidays bring additional volume compared to the first half.

So hopefully that will help. But what we can say is that the normalisation and the stabilisation of margins that we indicated when we gave our earlier updates, be it on the first half results, or in Q3, all started to materialise, and that's very, very comforting from our side.

Moderator: Thank you. Assuming the Engen transaction is completed by H1 '24, how should we look at the proforma business for combined EBITDA and net leveraging levels?

Jay Gleacher: I think there's a few questions from a few different folks around what the proforma numbers look like, and the size of Engen. And I say I'll speak to it at a high level now, but obviously as I mentioned in our first half update, there'll be a lot more content and colour and so be more appropriate to really take you through the numbers at that stage. And also, price allocation and accounting in the first year and how it all gets combined is something that I would want to make sure we get the right figures for you.

At a high level, Engen's scale of the business is on par with Vivo Energy at this point, so we will be at least or around doubly EBITDA from the Group. Again, there's some specifics around exactly how that works with some of the other countries in the portfolio and divestitures that are required, et cetera. But I think broadly we can assume that we're going to approximately double the size of the EBITDA. We'll double the size of the workforce, we'll add 1,300 more stations into the network, and as I said before, it's going to be a game changer.

In terms of net leverage levels. I think the financial framework that Issam took everyone through earlier in the call remains applicable. And in terms of the statistics that we're geared towards in terms of targeting a maximum net debt of one and a half times EBITDA and an interest cover of four times, that remains the target for the large proforma group. I would say that the Engen transaction will be accretive to the current statistics of Vivo.

Moderator: Thank you very much. The next question is from Dimitry from Jefferies again, he asks, could you please share expectations on the working capital dynamic for full year '24? In full year '23, the company benefited from positive working capital release, but it was among other reasons due to an increase in payables. Do you expect more pressure from working capital changes this year?

Jay Gleacher: Issam, you want to go?

Issam Sadiq: Yes, thank you. So first of all expectation is that we continue to reduce the amount of government receivables, and we're working on that and I think we're on the right track. So that's the first expectation.

Secondly, yes, trade payables have increased year-on-year, but that increase is only one day. So DPO actually moved from 61 days to 62 days. Our stock level reduced, that could be reversed potentially. We moved from DIO of 26 days to 23 days. So we might go back to a level that is in line with probably 2022 simply because a couple of countries are having lower than normal inventories due to some challenges supply chain that we expect that to normalise over time, so that's also an expectation. But we're also working very, very diligently and with a great discipline to manage our capital allocation in terms of credit. So we are trying to see a look at all opportunities to reduce our DSO even further because we've had an increase of three days from 2022 to 2023, and I believe that we have a room to improve there and go back to '22 level, if not better.

So these are the things that we'll be working on and these are the expectations. So I think we'll be working on these three elements.

Jay Gleacher: Maybe just to add to Issam's answer, I think the key message to leave everybody with is that liquidity is not a constraint for our company. The constraint that we have and the thing around capital changes, probably the most acute thing is FX availability in the markets and then how we can manage the macro situation. I think if you have a liquid FX market where you can manage your exposure of buying the commodity and hard currency and selling to local currency, we find ourselves in a relatively comfortable situation. Where you can't, because whether it's the known shortages in Kenya or Zambia or Tanzania, it's more challenging. We can't solve the macro problem on behalf of the economy. So that's where one bit of pressure from working capital comes in.

And then the other one, which isn't really so much pressure, but as I think Issam has already described, is making sure that we really manage our investment into our clients and what we are offering in terms of credit terms and tightening those days that we're getting compensated for that is a big focus for us, and that will be a source of cash more than a use of cash, I think when we look at 2024.

Moderator: Thank you. Another question from Dimitry and a few other people on the webcast have asked: could you please provide details about the settlement with the Morocco authorities? I understand that liabilities went up due to settlement. What did this settlement assume, any cash payments in the future?

Jay Gleacher: Yeah, I'll start and then Issam... Actually Issam, do you want to just be precise with the answer around how the settlement was booked, both from an accounting standpoint and then from a cash flow effect? And then maybe we can go to the subsequent questions from Alex, because I think that will help complete the picture around the context.

Issam, right? We booked the provision for the settlement because the settlement was reached just towards the end of the year. So what you see in our balance sheet is the cost of the settlement and it's an accrued liability. And then actual cash payment was ended up occurring in January of '24 just in light of the way the timeline played out.

Issam Sadiq: Correct. Correct. Sorry, the line was breaking. Absolutely. That's exactly what happened. Indeed. Yes.

Jay Gleacher: Yeah. So the moderator, if you want to just go to Alex's questions because then I think we can cover Dimitry and Alex's questions all as one topic, please.

Moderator: Yes, no worries at all. So Alex's questions are, can you please elaborate on Morocco settlement, if it puts any additional conditions/limitations on operations in the country, aside from the payments itself?

Jay Gleacher: Good question. I think the short answer is no limitations are put on our operations in the country. There are conditions that the Competition Authority will continue to monitor the industry. So this is not specific to be Vivo Energy, there's no specific Vivo conditions. But they will monitor the industry and I believe they will produce a report every quarter with kind of their observations around how the market dynamics of the industry are evolving. So we report into that space. It's actually not information that wasn't already reported. So broadly, pretty straightforward from my standpoint, and as I said at kind of the start, this has been a long-running issue and I think we felt like it was just better for everybody to draw a line under this. The whole industry did that, everybody settled basically, and we've all moved on.

Moderator: Great. Thank you so much. If I could just remind people at this time of how to ask a question, if you would like to submit a question, please click on the question icon at the bottom of the toolbar. I will now pause for a moment to allow people to submit a question.

We have no further questions on the webcast, so at this time, I would like to hand back over to Jay for any closing remarks. Thank you.

Jay Gleacher: Thank you very much. Thanks everyone for joining, and thanks to the questions that were posed. Again, I think these are really important topics, so we're happy to discuss them with everyone. Thanks everyone for the patience. We did delay this call from our normal reporting time till April in light of the Engen timing, which worked perfectly because it came out just minutes before the call. But as I said, we will come back to you with our first half numbers and would expect that those first half numbers include the first consolidation of Engen in there, and so we'll have a slightly longer than normal presentation to give everybody a better understanding of what's been added to the portfolio. Yeah, we are pleased with the momentum the business has and look forward to reconvening again.

Okay, let's close the call. Thanks.

Issam Sadiq:

Thank you everyone.