

Thursday 1<sup>st</sup> August 2019

# Vivo Energy plc *Company Presentation*

March 2020



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# Vivo Energy - Snapshot

- 1** Market leading positions across Africa, with premium brands
- 2** Growth underpinned by favourable African macro and fuel market fundamentals
- 3** Highly cash generative business model, with +20% ROACE
- 4** Diversified operations with resilient margins uncorrelated to oil prices

# The leading independent fuel supplier to retail and commercial customers in Africa

Footprint in 23 countries

#1 and #2 positions in countries representing ~90% of volumes<sup>2</sup>

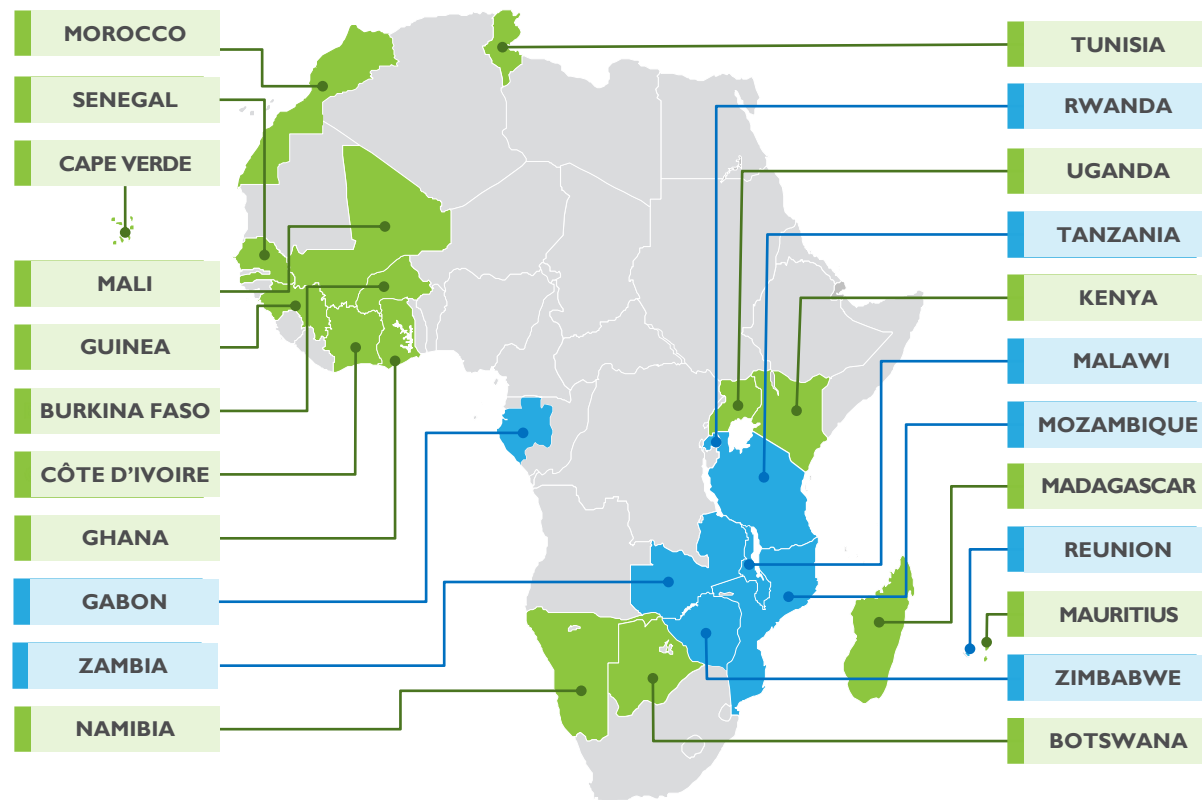


2,226<sup>1</sup> retail sites



+10 billion litres of fuel sold in 2019

+800,000 customers per day visit our sites



Shell brand

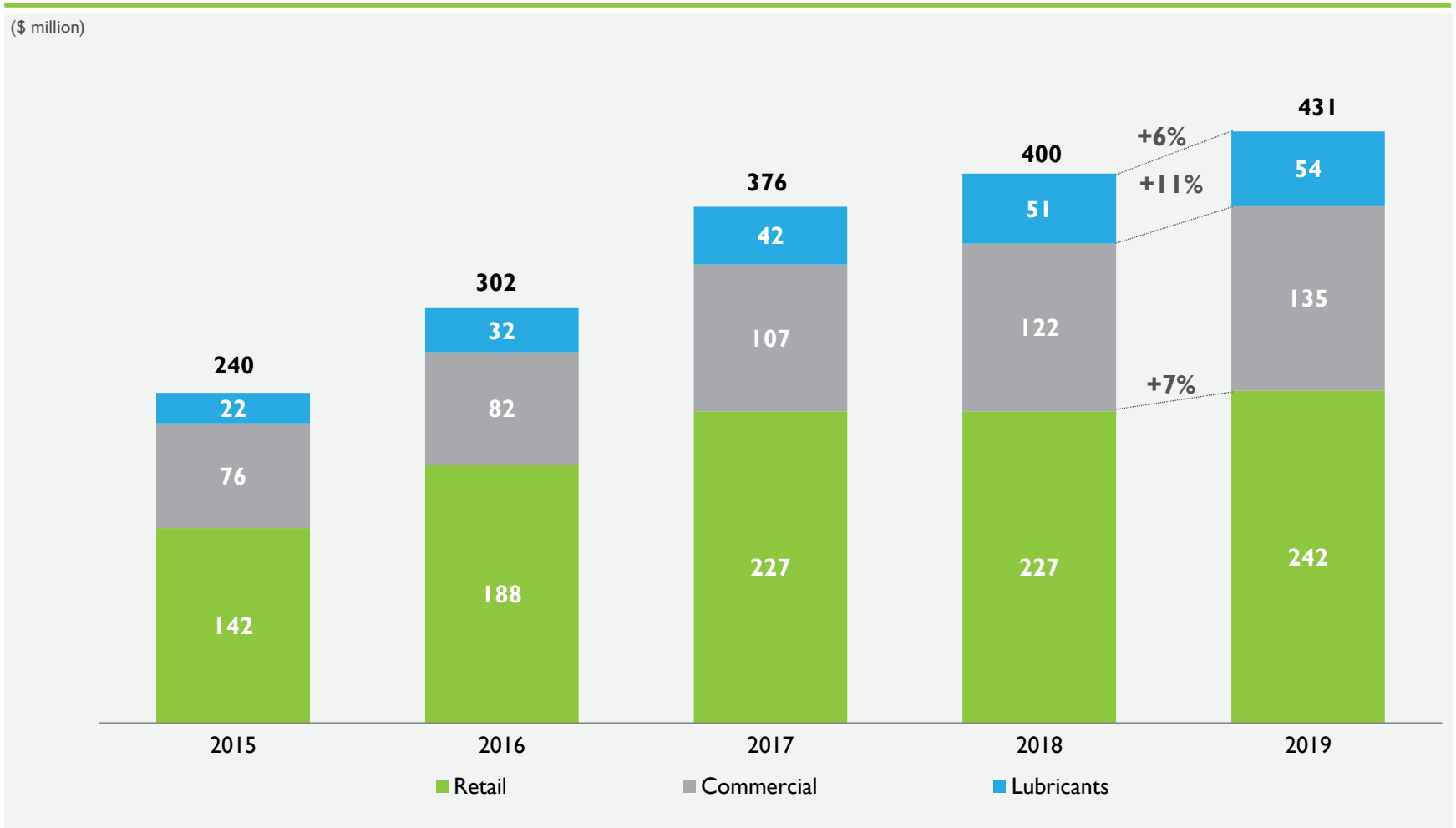
Engen brand



(1) Overall market position across all business segments in 2019, source CITAC, Information as of December 2019

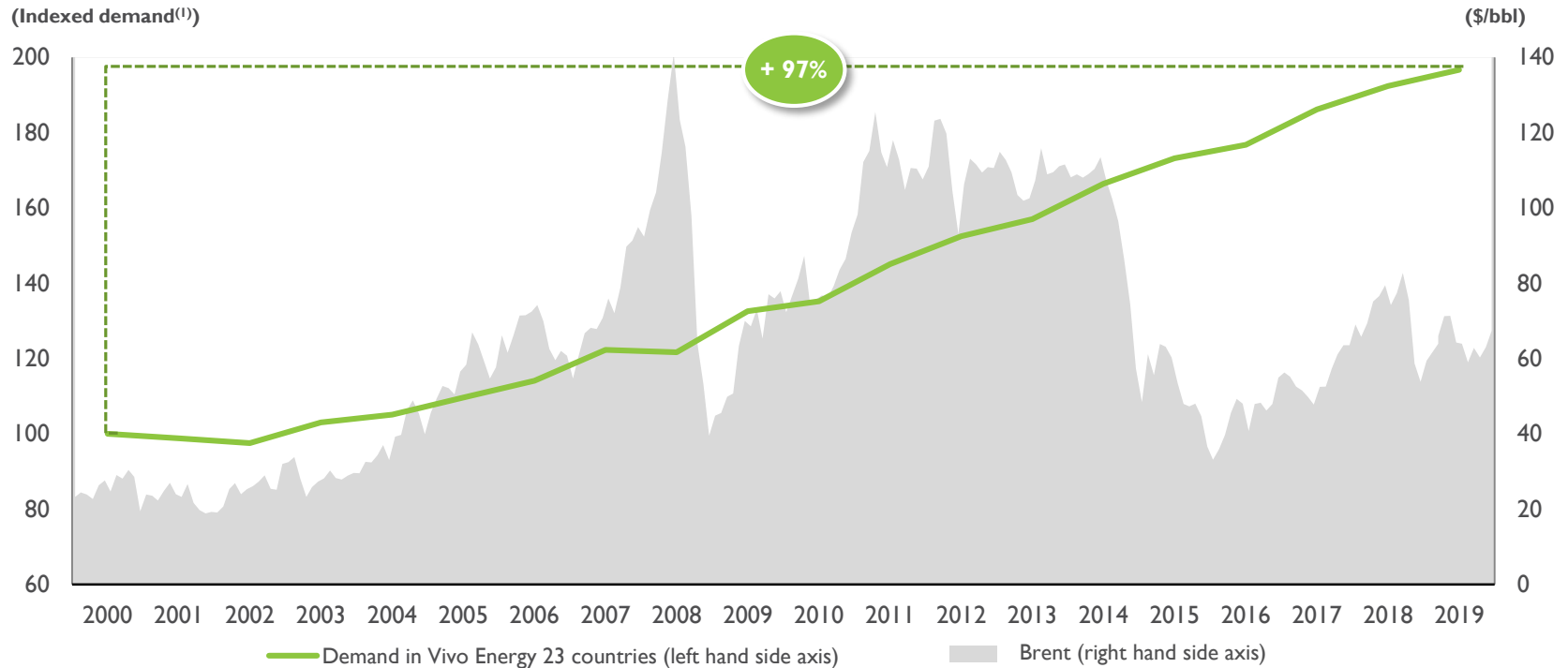
# Consistent delivery of adjusted EBITDA growth

## ADJUSTED EBITDA HAS GROWN BY 80% SINCE 2015



# Supported by growing fuel demand on the African continent

## 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

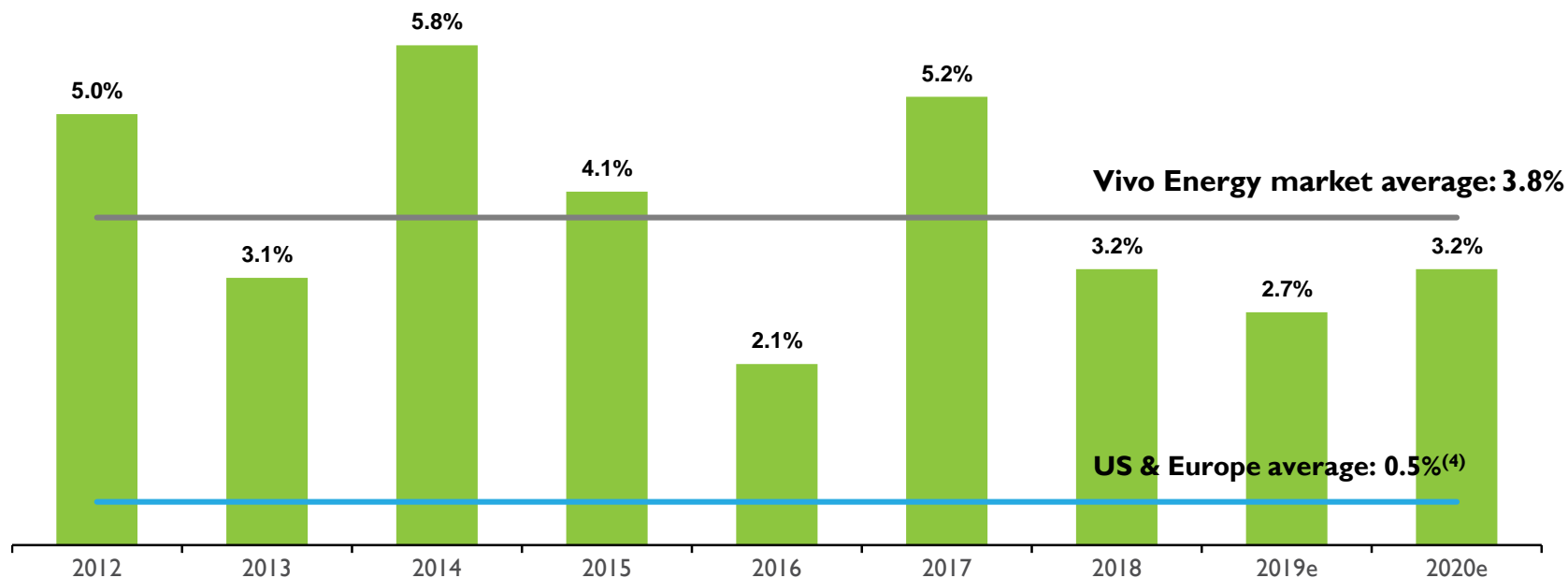
# Structural tailwinds remain strong

## MACRO TAILWINDS DRIVE CONSISTENT FUEL DEMAND GROWTH<sup>(3)</sup>

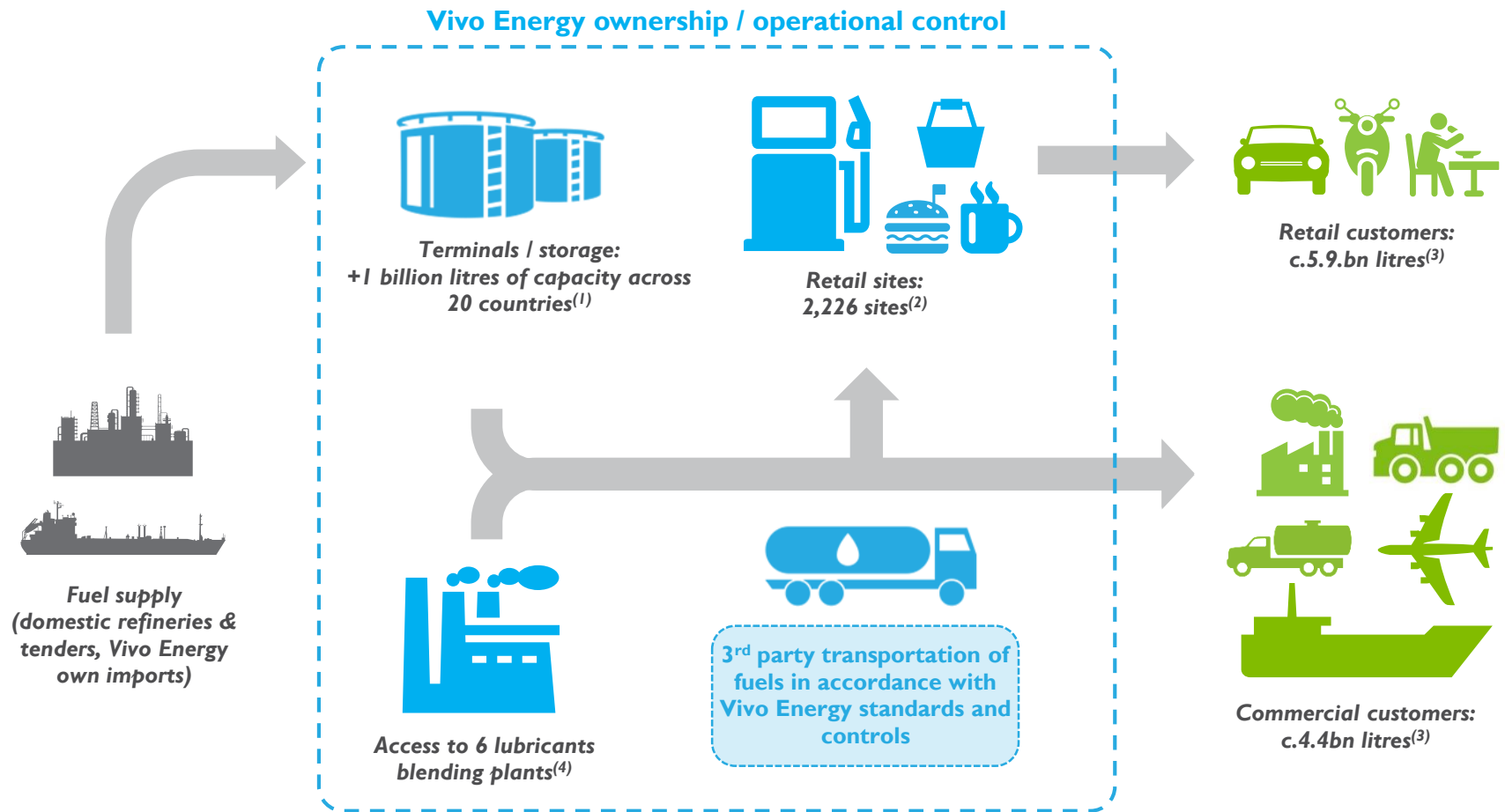
2020 GDP growth<sup>(1)</sup> **+4.9%**

2020 Population growth<sup>(2)</sup> **+2.5%**

% annual fuel demand growth



# Our integrated model provides a sustained competitive advantage



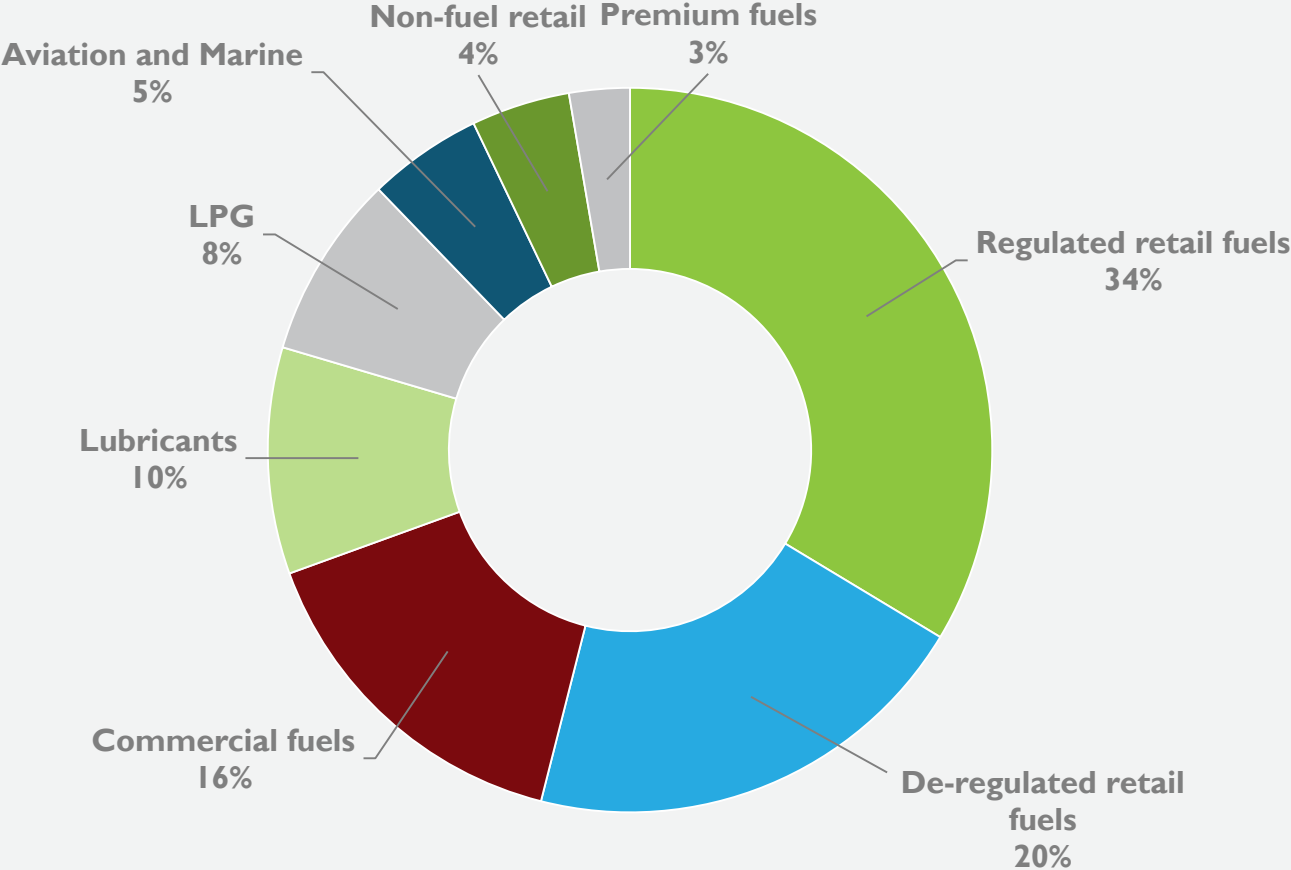
Owning storage assets in Africa is essential to control costs, guarantee supply and manage HSSE and product quality



- (1) Represents fuel storage capacity only and includes equity share of storage capacity in joint ventures, excluding bitumen and LPG. JV storage is included on a pro rata basis based on ownership %, pro-forma for Engen markets
- (2) As at December 2019
- (3) Fuel and lubricants sales in 2019
- (4) Via a combination of direct ownership and the 50% SVL joint venture

# Diversified model provides multiple growth drivers and resilience...

PERCENTAGE GROSS CASH PROFIT CONTRIBUTION BY BUSINESS



# De-risking Retail performance through use of Dealer model

Company Owned  
(~65% of portfolio)

Dealer Owned  
(~35% of portfolio)

Company Operated

Dealer Operated

Dealer Operated

~5% of portfolio

- Generally flagship or highway sites
- Sometimes mandatory initial platform due to regulations
- Vivo Energy is responsible for all operating costs and interaction with the consumer
- Higher margin capture
- High level of operational complexity

~95% of portfolio is Dealer Operated

- Forecourt operating risk transferred to the Dealer, whilst we focus on supply and standards
- Dealer manages employees, opex, working capital and interaction with the consumer
  - In return, receive the fixed “retailer” margin
- Vivo Energy retains responsibility for supply, branding, marketing, operating standards and HSSE
  - In return, receive fixed “marketer/distributor” margin
- Captive channel and low operating complexity as our “consumer” is the dealer

# Majority presence in regulated markets provides margin stability

## OVERVIEW OF RETAIL PRICE REGULATION IN OUR COUNTRIES

**Regulated**  
(no subsidies)

**18 countries**  
(52% of volumes<sup>(1)</sup>)

**Regulated**  
(with subsidies<sup>(2)</sup>)

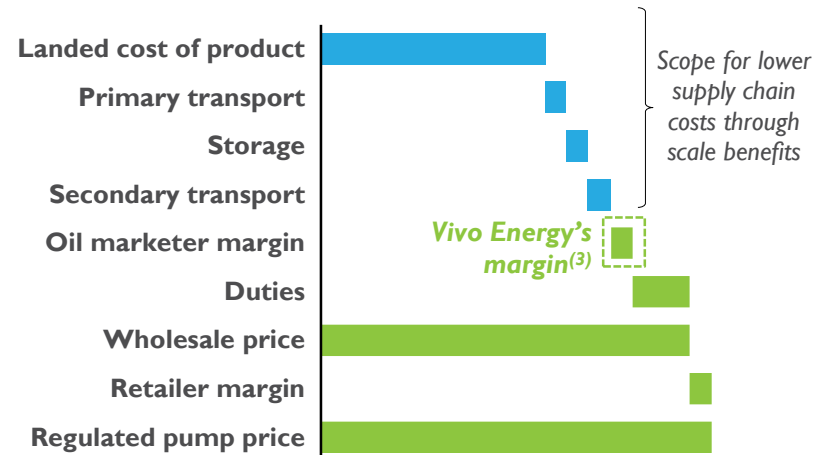
**2 countries**  
(15% of volumes<sup>(1)</sup>)

**De-regulated**

**3 countries**  
(33% 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

# Margins uncorrelated to oil price

## MARGINS HAVE LIMITED CORRELATION TO OIL PRICE

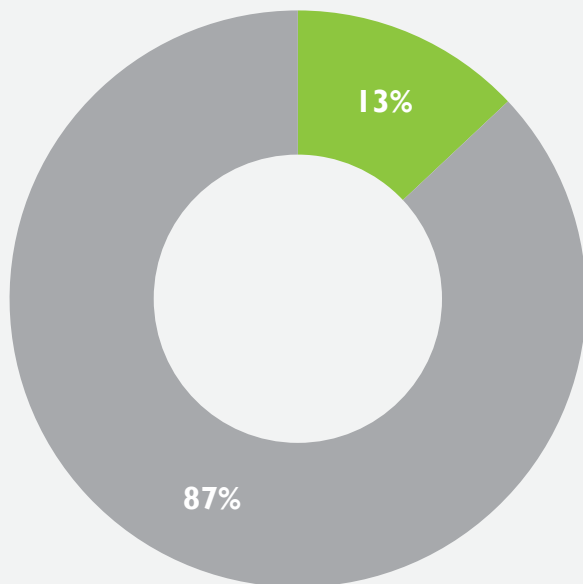
(Gross cash unit margin vs Brent Crude price)



# Our geographic spread and currency pegs provide further protection

## HIGHLY GEOGRAPHICALLY DIVERSE

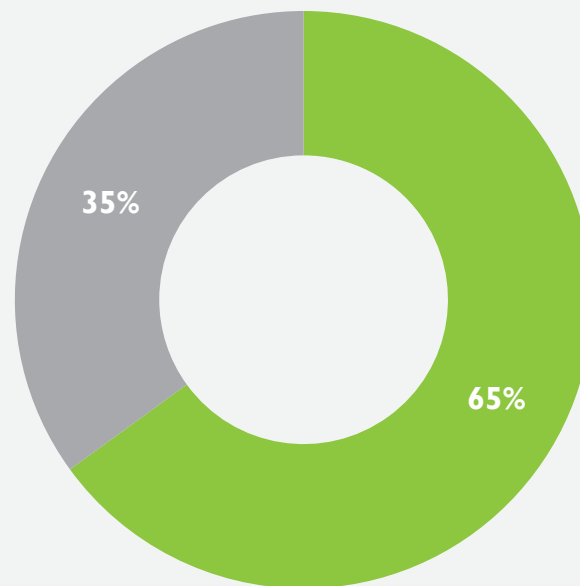
(Morocco Retail business as % of Group adjusted EBITDA)



■ Morocco Retail    ■ Other businesses

## FX RISK MINIMISED DUE TO CURRENCY PEGS

(% of adjusted EBITDA pegged to USD/EUR)



■ Pegged currencies (USD/EUR)    ■ Floating currencies

# Summary

- ▶ **Another year of strong performance**
- ▶ **Expecting mid-single digit Gross Cash Profit growth in 2020, driven by**
  - ▶ **Growth from strategic focus areas**
  - ▶ **Full year of Engen (two extra months)**
  - ▶ **Broadly stable gross cash unit margins**
- ▶ **Harnessing our strong platform for growth and excited about prospects in the year ahead**



# Appendix

## Full Year 2019 Results

# A year of strong financial performance across the board

**GROSS CASH  
PROFIT**  
\$ million



**743**

**+9%<sup>(2)</sup>**

**ADJUSTED  
EBITDA**  
\$ million



**431**

**+8%<sup>(2)</sup>**

**ADJUSTED  
FCF**  
\$ million



**325<sup>(1)</sup>**

**+111%<sup>(2)</sup>**

**DIVIDEND PER  
SHARE**  
US cents

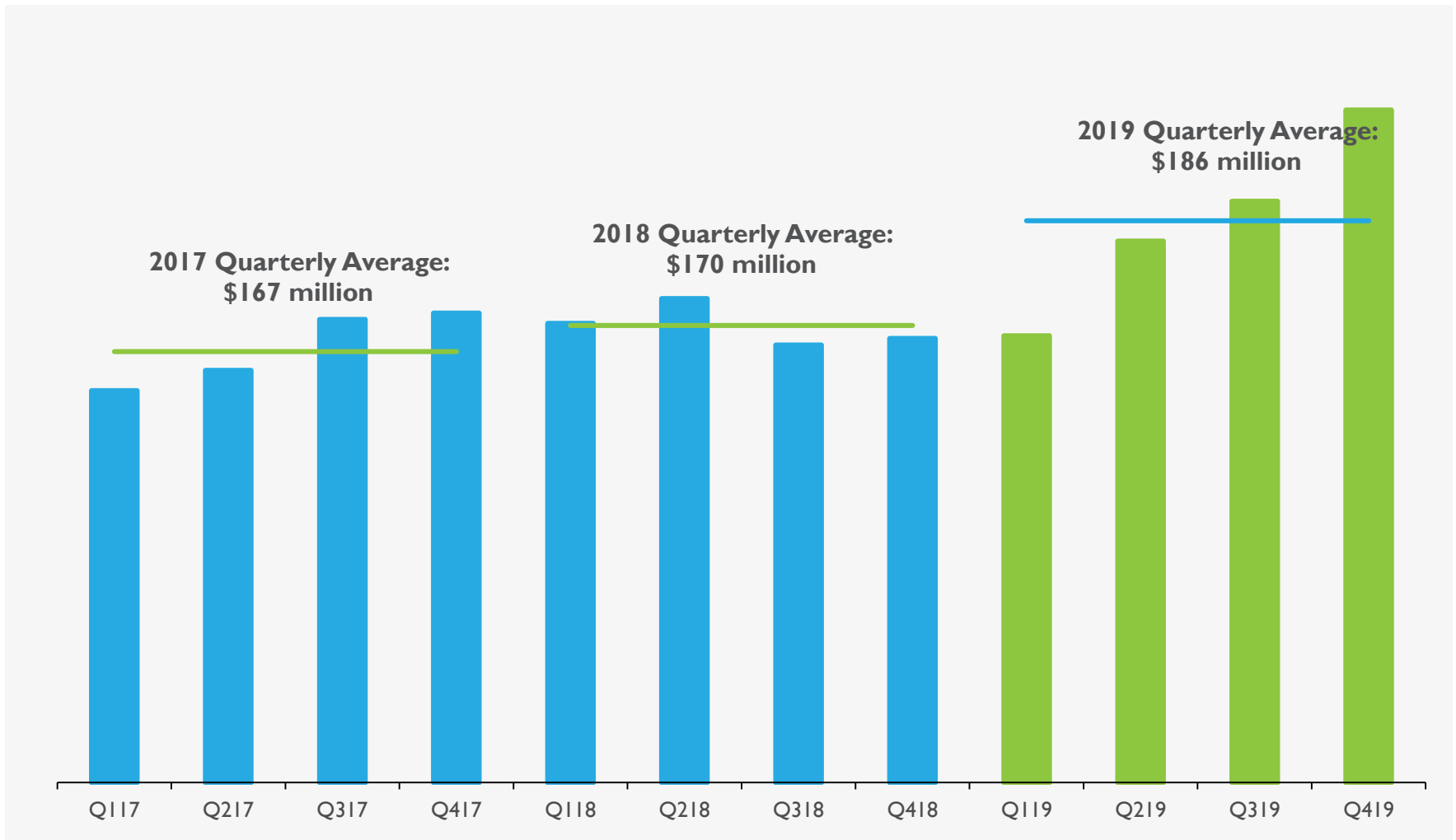


**3.8**

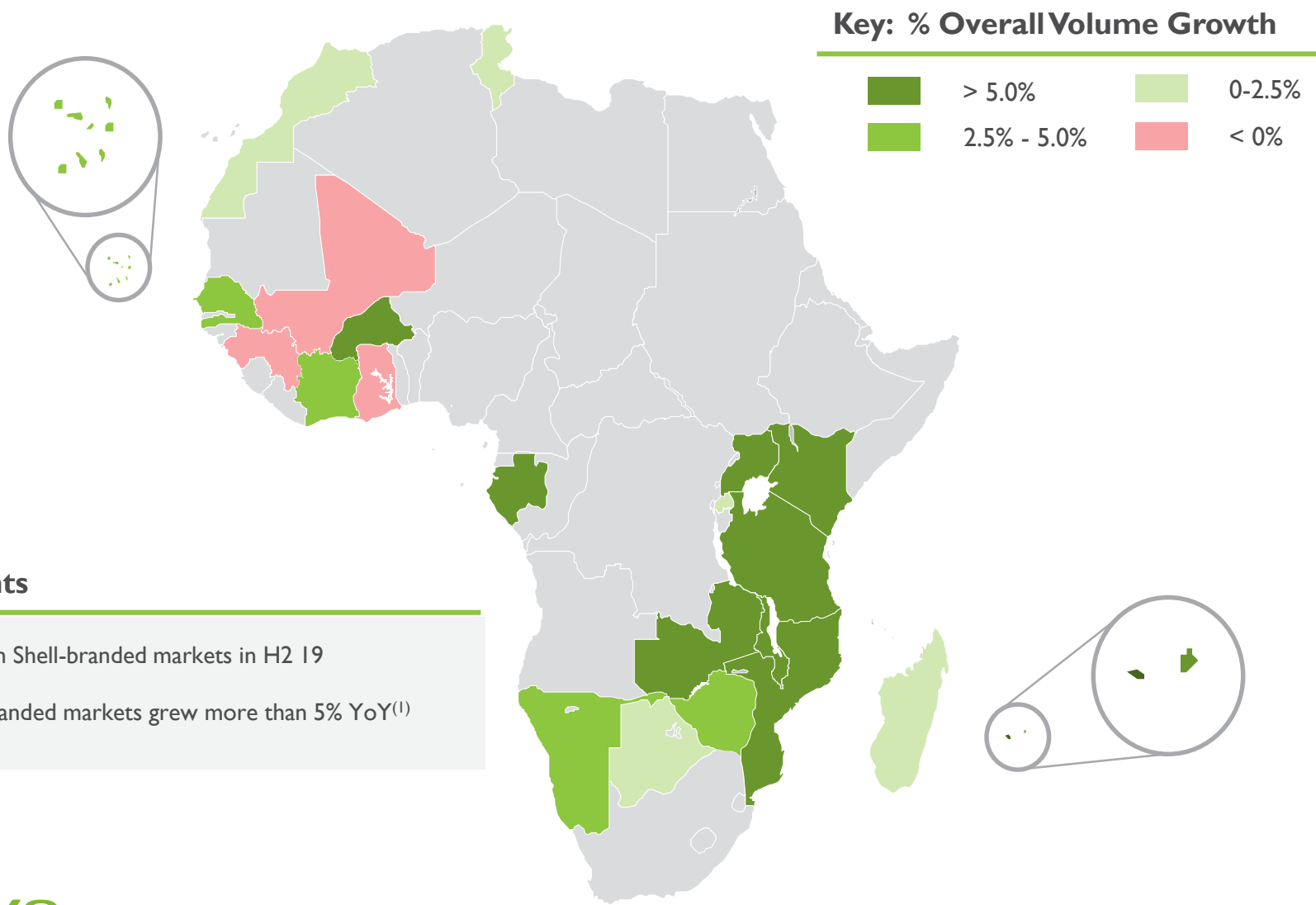
**+15%<sup>(2,3)</sup>**

# ...and the business gathered momentum in 2019

## CONSISTENT GROSS CASH PROFIT IMPROVEMENT



# H2 2019 Retail volume heat map



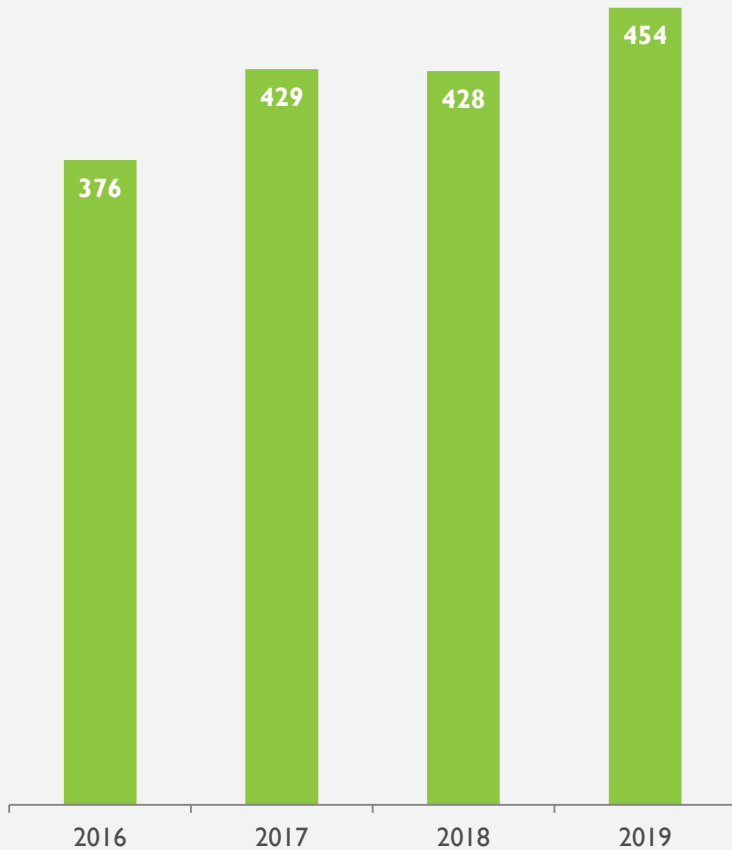
## Major Points

- ▶ 3% growth in Shell-branded markets in H2 19
- ▶ All Engen-branded markets grew more than 5% YoY<sup>(1)</sup>

# Retail Gross Cash Profit grew robustly

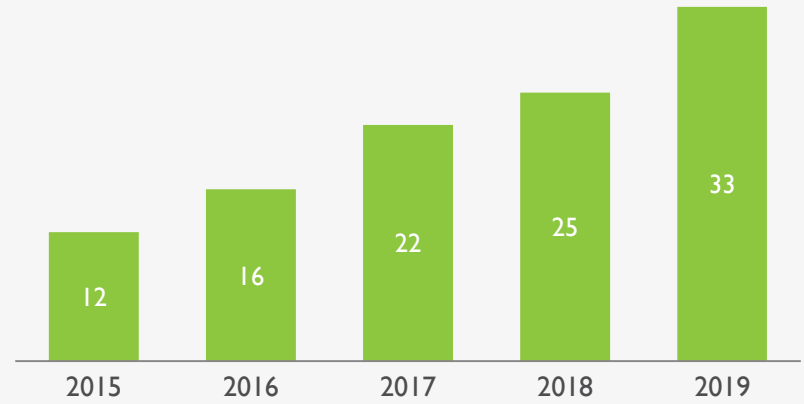
## SEGMENTAL GROSS CASH PROFIT

(\$ million)



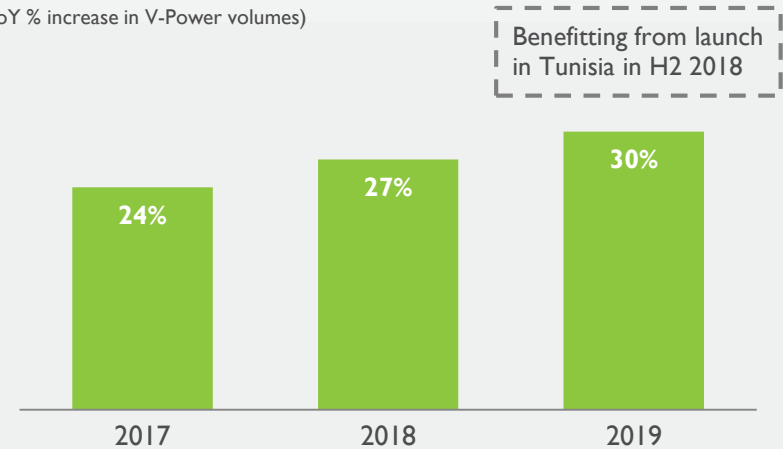
## NON-FUEL RETAIL GROSS CASH PROFIT CONTRIBUTION

(\$ million)



## PREMIUM FUELS GROWING STRONGLY

(YoY % increase in V-Power volumes)

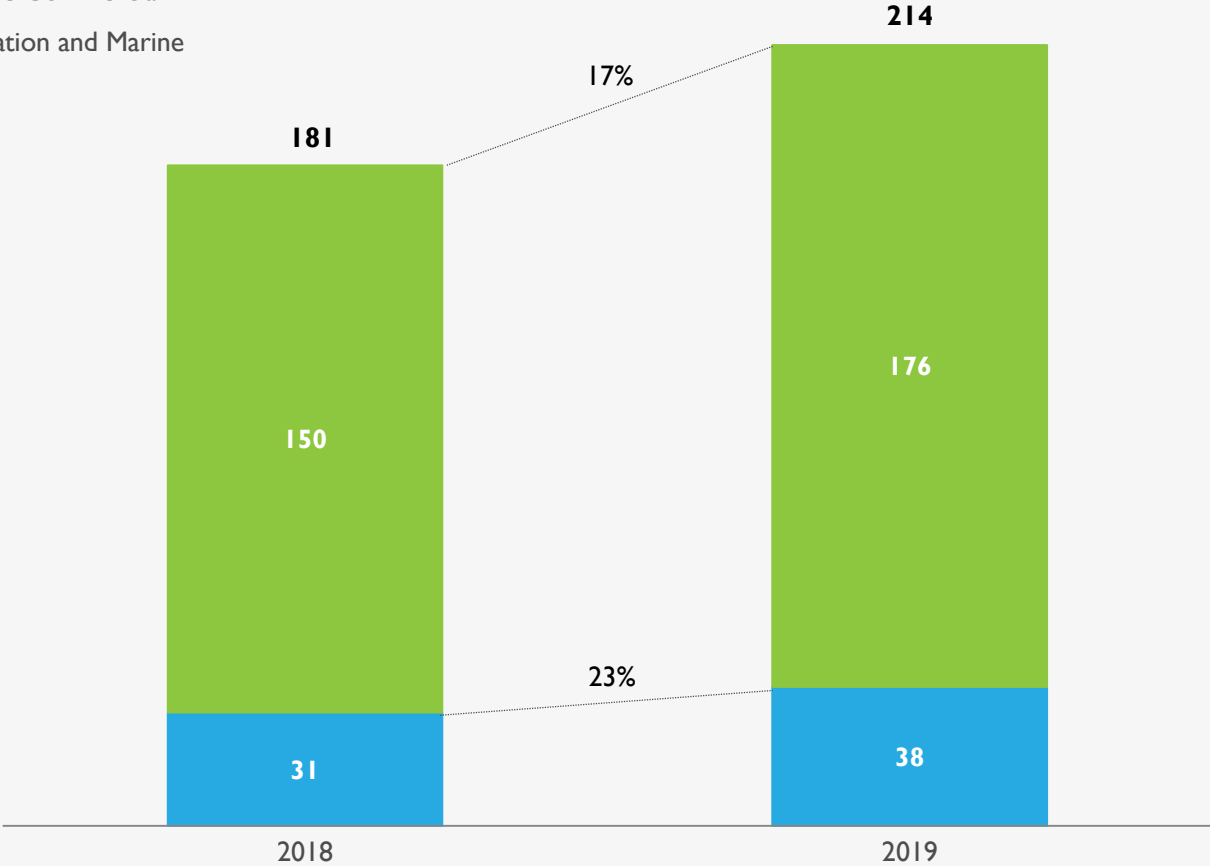


# Another strong Commercial segment performance

## STRONG GROSS CASH PROFIT GROWTH ACROSS BOTH SEGMENTS

(\$ million)

- Core Commercial
- Aviation and Marine

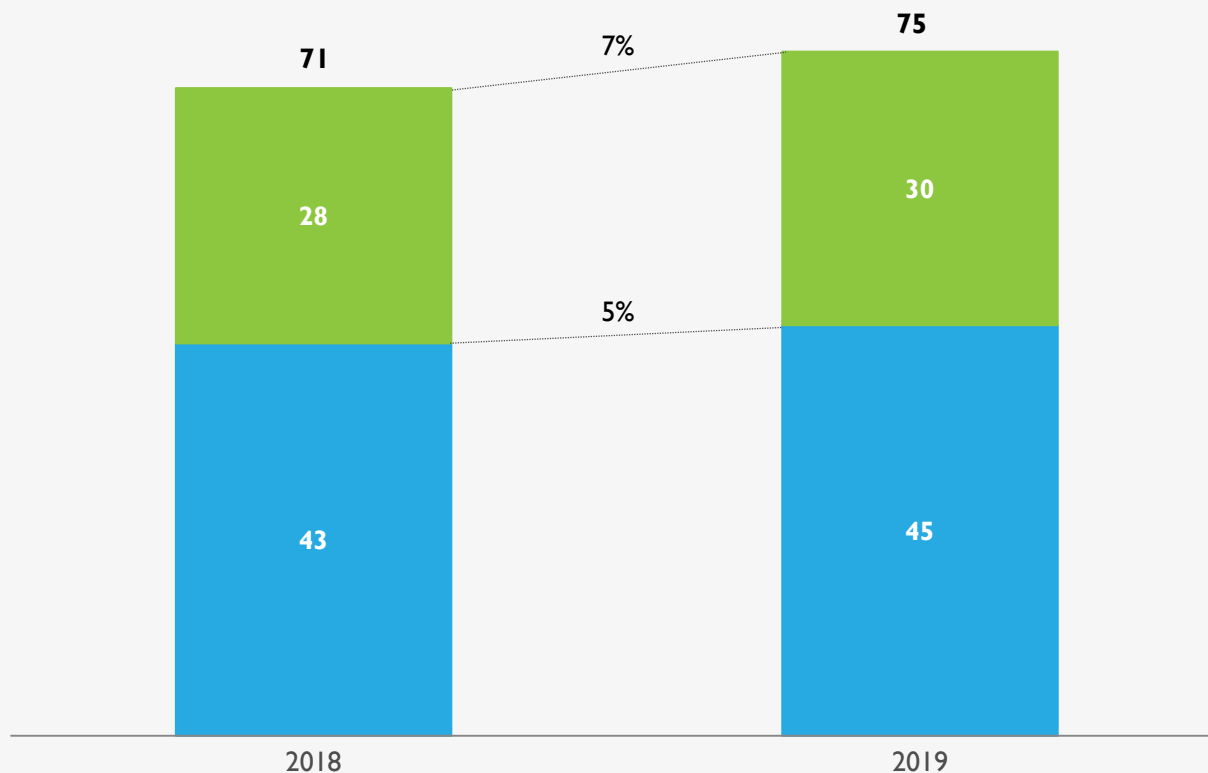


# Lubricants recovered well from a slow start to 2019

## ROBUST GROWTH IN GROSS CASH PROFIT

(\$ million)

Commercial Retail



# Keeping tight control on G&A costs

## G&A ANALYSIS

(\$ million)	2017	2018	2019
<b>Reported G&amp;A</b>	197	183	165
<b>Special items</b>	(50)	(34)	(12)
<b>Depreciation</b>	(10)	(11)	(12)
<b>“Clean” G&amp;A</b>	137	138	141

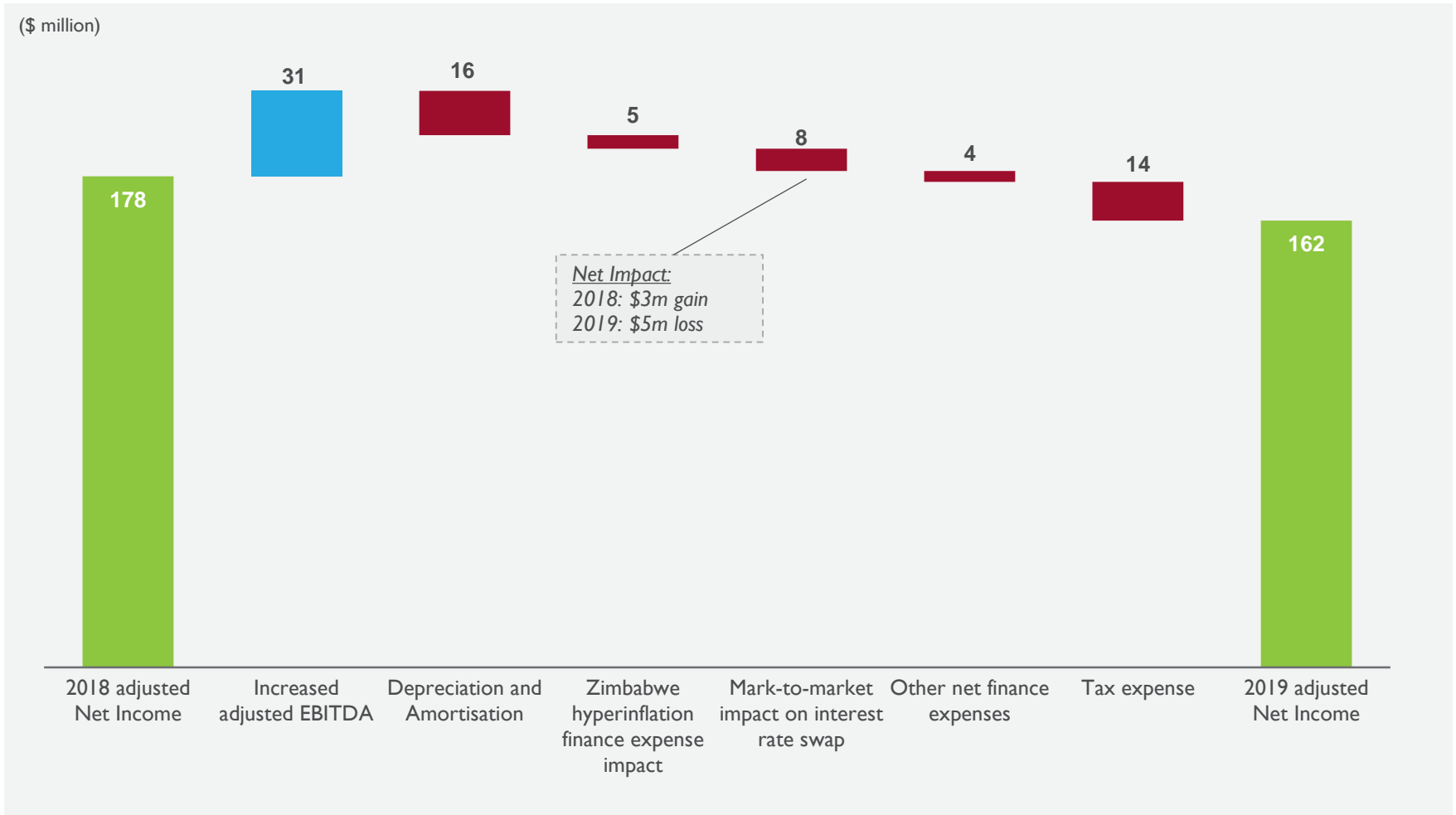
## KEY HIGHLIGHTS

- ▶ Strong focus on managing costs
- ▶ Engen added 8 new markets, but G&A spend grew by just 2% in 2019 post specials and depreciation
- ▶ Driven by initiatives to improve cost efficiencies and reduce operating expenditure

# Adjusted net income lower primarily due to non-cash items

## ADJUSTED NET INCOME BRIDGE

(\$ million)



# Strong cash generation aided by working capital management

(\$ million)	2019	2018	Change
Net income	150	146	3%
Adjustment for non-cash items / other	202	166	22%
Net change in operating assets and liabilities and other adjustments	176	42	nm
Income tax paid	(83)	(103)	(19)%
Cash flow from operating activities	445	251	77%
Net additions to PP&E and intangible assets	(147)	(144)	2%
Free cash flow	298	107	179%
Special items related to non-GAAP measures (cash impact)	27	47	(43)%
Adjusted free cash flow	325	154	111%

## KEY HIGHLIGHTS

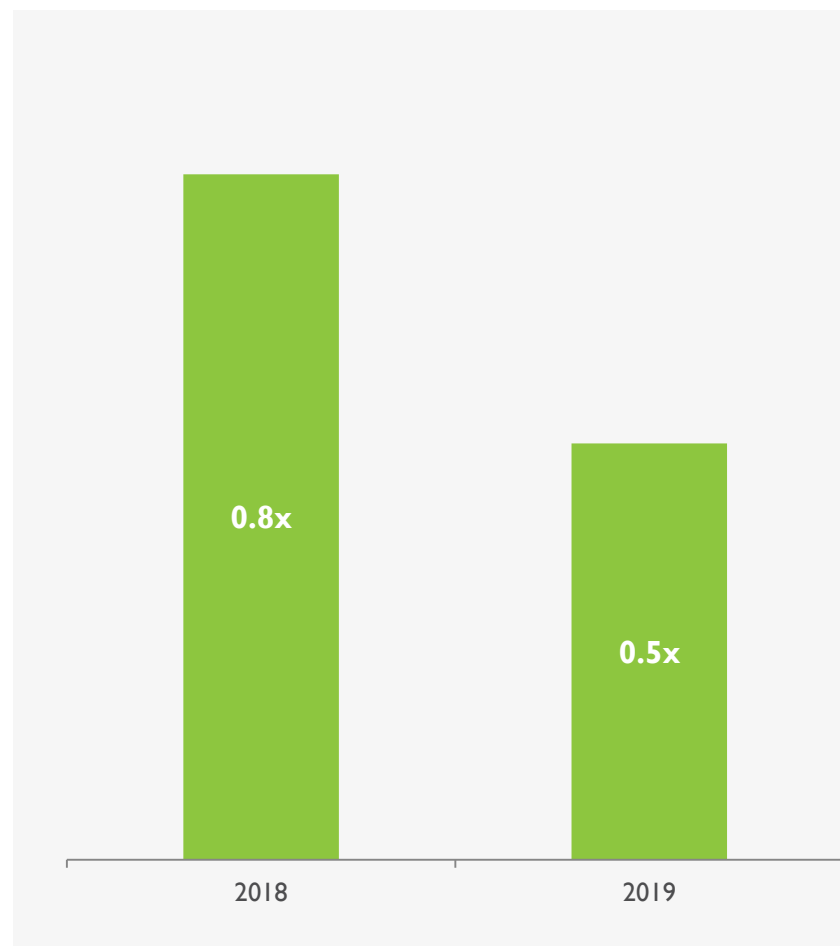
- ▶ Strong Adjusted Free Cash flow
- ▶ Driven by operating cash flows, aided by:
  - ▶ Working capital inflow, primarily due to beneficial timing of payments for the OTS import system in Kenya and payments to suppliers (~\$111 million)
  - ▶ Lower cash taxes paid during the period, despite higher effective tax rate
- ▶ Reduced special items during the year

# Balance sheet remains strong with low leverage

## CAPITAL STRUCTURE OVERVIEW

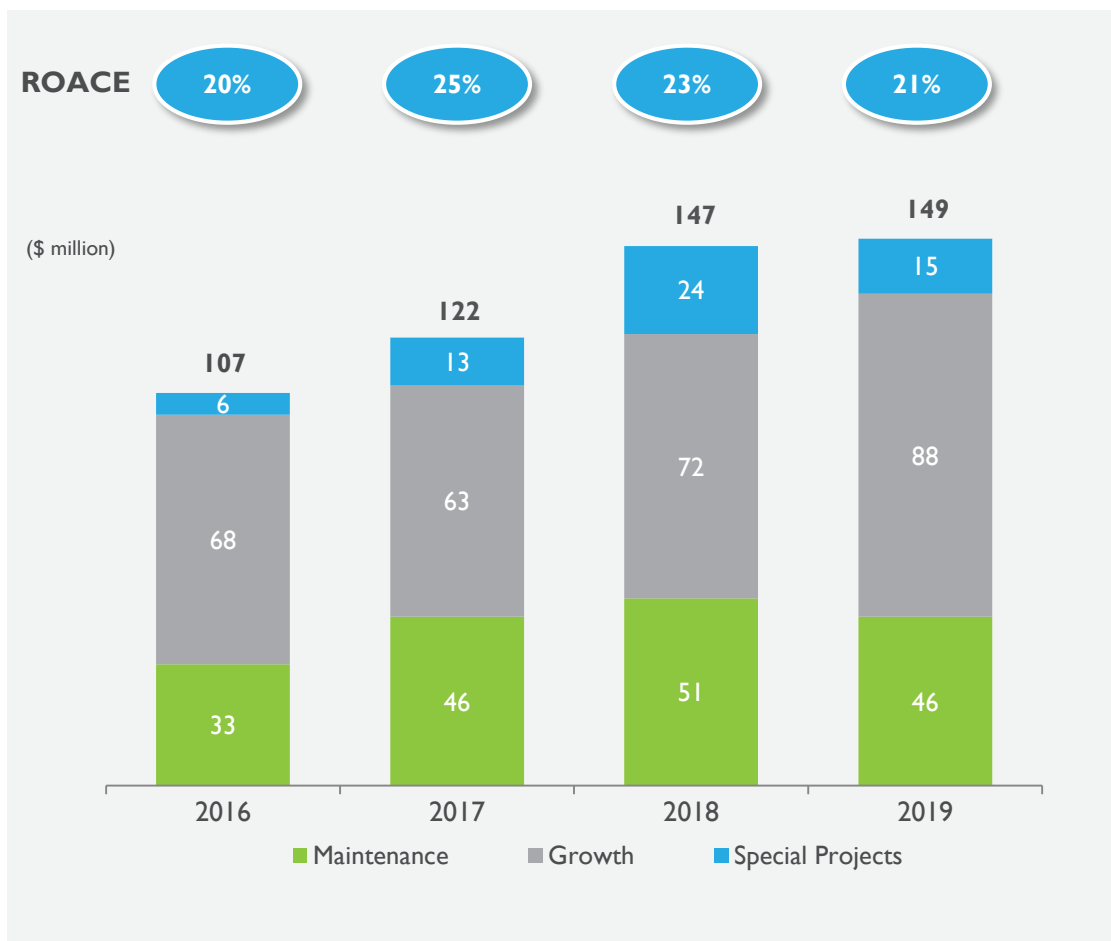
(\$ million)	2019	2018
Long-term debt	371	392
Lease liabilities	125	111
<b>Total debt exc. short -term bank borrowings</b>	<b>496</b>	<b>503</b>
Short-term bank borrowings	229	208
Less cash and cash equivalents	(517)	(393)
<b>Net debt</b>	<b>208</b>	<b>318</b>

## NET DEBT / ADJUSTED EBITDA<sup>(1)</sup>



# Continuing to invest in growth with strong returns

## BREAKDOWN OF CAPITAL EXPENDITURE



## KEY HIGHLIGHTS

- ▶ ROACE remains strong at 21% due to disciplined capital allocation, despite the initially dilutive impact of the Engen acquisition
- ▶ Increased spend on growth projects, primary focused on the retail network and non-fuel offerings
- ▶ Special projects, primarily related to ERP implementation

# Proud of our responsible operations

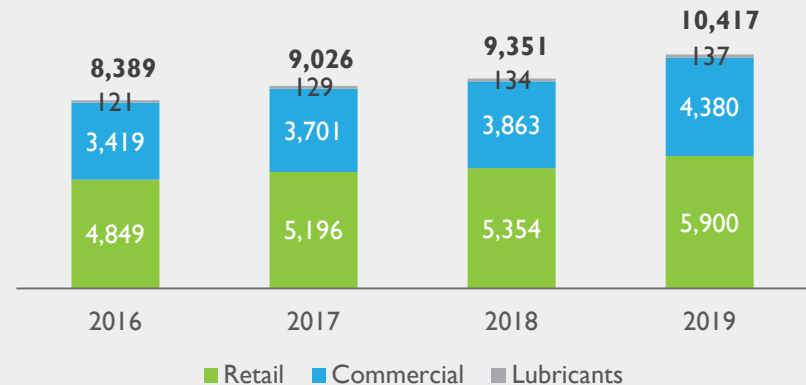
- ▶ Safety - Total Recordable Case Frequency of zero in Shell markets, and 0.04 for the Group
- ▶ Social - Delivered over 97 social projects across Education, Road Safety and Environment
- ▶ Environment – Focus on minimising our impact
  - ▶ Range of energy efficiency, solar and carbon reduction initiatives underway
- ▶ 3 minor spills during the year



# KPIs continue to exhibit positive performance

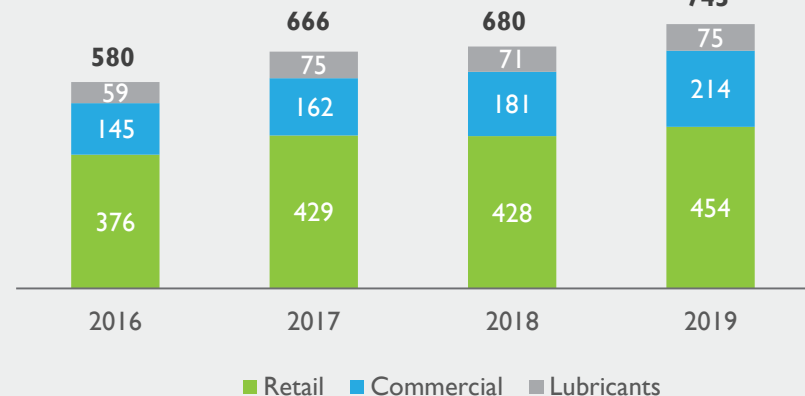
## GROUP VOLUMES

(million litres)



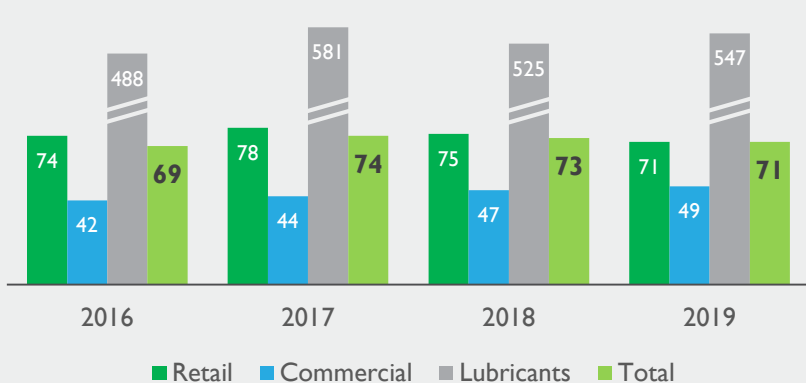
## GROSS CASH PROFIT

(\$ million)



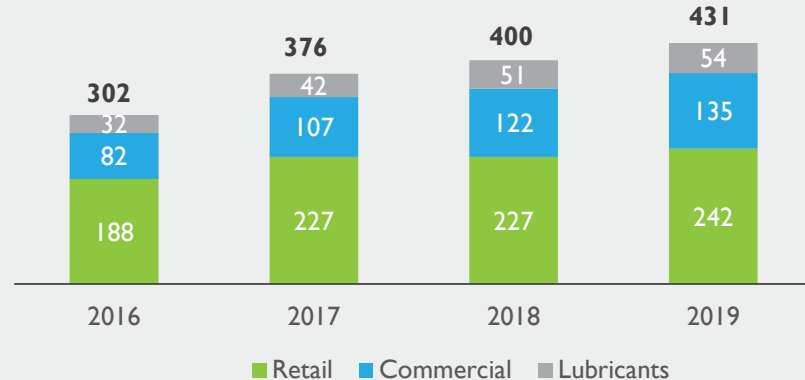
## GROSS CASH UNIT MARGIN

(\$/'000 litres)



## ADJUSTED EBITDA

(\$ million)





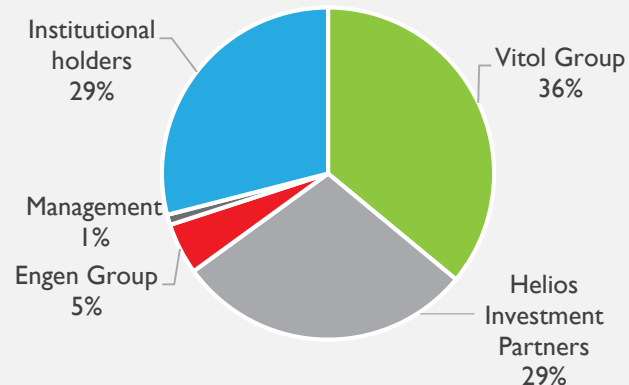
# Appendix Company Overview

# Public company with strong governance and experienced management

## OVERVIEW

- Completed Initial Public Offering on the London Stock Exchange in May 2018 with a simultaneous inward secondary listing on the Johannesburg Stock Exchange
- At the time was the largest African IPO for 10 years
- Market capitalisation: £1.2bn (\$1.5bn) as at 29 February 2020
- Member of the FTSE 250 Index and JSE All Share Index
- UK Governance code compliant Board of Directors
- Dividend policy: minimum payout ratio of 30% of net income

## SHAREHOLDER STRUCTURE<sup>1</sup>



## MANAGEMENT TEAM



**Christian Chammas**  
Chief Executive Officer



**Johan Depraetere**  
Chief Financial Officer



**Eric Gosse**  
EVP Business Development,  
Support and Indian Ocean Islands



**Franck Konan-Yahaut**  
EVP West Africa



**Hans Paulsen**  
EVP East and Southern Africa

Joined Vivo

2012

2012

2018

2012


2013

Previous experience



Source: Company information  
(1) As at 31 October 2019

# Overview of Regulation in our markets



	Supply	Regular fuel margin	Subsidies
<b>Morocco</b>	Deregulated	Deregulated	Bottled LPG only
<b>Uganda</b>	Deregulated	Deregulated	None
<b>Ghana</b>	Partially regulated	Deregulated	None
<b>Namibia</b>	Deregulated	Regulated	Rural areas only
<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>Kenya</b>	Tender	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>Tunisia</b>	State monopoly	Regulated	All fuel products <sup>(2)</sup>

# Our operating environment

CHALLENGE	MITIGATION
<p><b>Stocks / oil price</b></p>	<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>
<p><b>Currency</b></p>	<ul style="list-style-type: none"> <li>■ ~65% of 2019 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>
<p><b>Credit</b></p>	<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 2019</li> </ul>
<p><b>Supply</b></p>	<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>
<p><b>Compliance</b></p>	<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>