

## Transcript – Third Quarter 2020 Trading Update

Giles Blackham:

Good morning everyone and thank you for joining us for our Q3 trading update call. I'm Giles Blackham, Head of Investor Relations at Vivo. And with me today on the call are Christian Chammas, our CEO and Johan Depraetere, our CFO. As per normal, we will run through a few slides to give colour to the updates. Those on the webcast will obviously see them in front of you. Those dialling in, they are on the website, and then we will move to questions. We are only able to take questions from the conference call line today, so if you do expect to ask a question, please do make sure you're held in, rather than just listening on the website. With that, I will hand over to Christian to run through the presentation.

Christian Chammas:

Thank you, Giles. Good morning, everybody. As usual, I won't dwell too long on the disclaimer on slide one and I will start immediately on slide two. COVID has not gone away completely. It is important that we keep safe and that is what we do every day for our people, for our customers and for our communities. We keep focusing on our business and we're very pleased by the recovery we've seen in quarter three. Our business is highly resilient and the speed of recovery from April demonstrates how integral we are now a part of the African continent. The resilience and the long-term attractiveness of the business was also demonstrated by the successful bond offering we undertook in September, which was oversubscribed and attractively priced, so good to have. Good to have.

Christian Chammas:

If you move now to slide number two, you can see that the volumes recovered well, up 24% on quarter two. We still have some mobility restrictions in place across our markets, which meant the volumes have remained 7% below what we saw in the previous year. Not yet completely to normal. Commercial business was the most impacted, primarily due to the severe impact on aviation and marine business due to COVID-19 and that still remains the case. Lower volumes have been offset by higher unit margins of \$75 per cube, where the business has benefited through a different range of elements. While these supportive elements are not structural, they do demonstrate the resilience of our margins.

Christian Chammas:

We move to the next slide. You can see a quick recovery from this chart. It speaks for itself in terms of recovery. The impact of COVID-19 on half one, 2020 performance is stark, but Q2 bore the brunt of the restrictions and Q1 saw the impact of restrictions and the recovery in Q3 due to volume and margins makes up our current gross cash profit is clearly demonstrated by this slide and we're very pleased to show it.

Christian Chammas:

We'll move on to the following slide. There are a number of markets returning to year on year growth in Q3, 10 of them showing that trend and it is pleasing. The approaches to COVID-19 across our continent and our 23 countries is varied, with some countries now fully open and others keeping restrictions in place. Where markets are generally open, we are seeing volume growth with particularly good performance in East Africa. Where there is still a significant local mobility restriction such as Morocco or borders have been closed over the major tourist summer season, such as Mauritius and Cape Verde, there has been an ultimate impact on volume. In general, we have seen a progressive recovery in the retail business and is now slightly below the previous year. Aviation of course remains subdued, which together

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with the end of the large one-off contracts which we had up to Q3, is likely to impact the commercial volume recovery in near term.

Christian Chammas:

Following slide. The performance highlights that margins remain uncorrelated to oil prices. If you look at the slide, there is a misconception in the market that our margins are linked to the oil market. The chart conclusively shows that this isn't the case, and there is absolutely no correlation between our cost or to the unit margins and the oil price in the last 15 quarters. During the same period, we see that the oil price had moved between \$35 and \$85. And you can see that the margins remain uncorrelated to that. Due to the regulated nature of the majority of our countries, the margins remain stable and protected from these fluctuations and we are very pleased to say and reconfirm that we are a cost plus distributor, and that has to be passed out as a message.

Christian Chammas:

The following slide is, again, a pleasing slide. We are pleased to announce that the board has decided to reinstate dividend payments. They were paused in April as one of the number of actions taken to protect our business at the height of the COVID crisis. Our balance sheet has remained and remains solid through the crisis and today, and we believe now it is the right time to resume paying the dividend or to start paying the dividend again. Making a payment of 2.70 cents reflects \$34 million that was withdrawn as a final dividend for 2019. In March of 2021, we will consider a dividend in respect to the whole 2020 year performance. When we have a fuller picture of the impact of 2012 of COVID on the business, then we will have a chance to reflect on the capital allocation priorities

Christian Chammas:

In summary and on slide seven, we remain cautiously optimistic for the rest of the year and into 2021. We're a highly resilient business, integral to the lives of millions of customers who rely on our products to move around the continent. And we operate in a continent with an exceptionally young and growing population and a long-term trend of increasing fuel demand. We're excited about the future opportunities ahead of us, and will continue to adapt in order to capitalise on them and drive long-term growth. Thank you for listening. I will hand back to Giles to manage the Q and A. Thank you

Giles Blackham:

Many thanks Christian. Operator please could we go to any questions on the line.

Operator:

Certainly, sir. Thank you. Ladies and gentlemen, if you would like to ask a question at this time, please signal by pressing star one on your telephone keypad. If you are using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. So once again, ladies and gentlemen, that is star one on your telephone keypad to ask a question. We'll pause for just a brief moment to allow everyone an opportunity to signal for questions.

Operator:

We'll now move to our first question over the phone, which comes from a Nick Coulter from Citi. Please go ahead. Your line is open.

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Nick Coulter:

Morning. Thanks for taking my questions. Can I just ask about number of sites openings in the quarter and whether you're seeing more opportunities or whether they were opening schedule is seeing any disruption? And then also could you talk about your retail market share evolution in your key markets and whether you're taking a share against this backdrop? Thank you.

Christian Chammas:

Okay. I think at the beginning of the year, when we were still issuing guidance, we had promised a certain number of sites for the year. We should be able to deliver that. Be that whether it comes to retail sites, the sum of all the different sites and also on the food offering. That will be delivered by the end of the year, which it shows that we continue doing business as we should and that is going down the right way.

Christian Chammas:

The other point, which is linked to... What was the second one?

Giles Blackham:

The market share.

Christian Chammas:

The market share, it's very difficult to talk about it and we refrain from doing that but what we can see is that there is a very strong momentum in the different countries and a growth which shows that we are probably growing a bit faster than the market. And therefore that should have an impact on our market share. I can't say anymore. I'm talking over the large markets, I'm not talking of the small markets.

Nick Coulter:

Thank you.

Operator:

So just as a reminder, ladies and gentlemen, it is star one on your telephone keypad to ask a question. We'll now move to our next question over the phone which comes from Sam Bland from JP Morgan. Please go ahead.

Sam Bland:

Morning. I've got two questions if I can, please. The first one is on the unit margin progression. The statement notes the current pricing and supply environment. I just wonder if you could elaborate on what's meant by that and how material that is for the unit margin progression and how long that environment might go on for?

Sam Bland:

The second question was on the commercial business. Just want to get a sense of the commercial business, excluding aviation and marine, how close to that was to flat volumes year on year, if you exclude those more volatile costs. Thank you.

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Christian Chammas:

Johan.

Johan Depraetere:

So, yes. Hi Sam. Good morning. This is Johan. So on the unit margin, I think what we've seen in Q2 and then in Q3 is really some shocks to the supply chain and where we were hit negatively in the second quarter because of the noise in the system and the time it took to normalize. We did see some windows to actually capture a bit of extra margin. But I think as we say, it's one of the factors driving that margin because the only one we are explicit about is the \$1 of hyperinflation adjustments that works in our favour compared to against us in the first half. But then we had the Euro was particularly strong in Q3 that helps us in countries like Morocco, but also in West Africa where you have the CFA and then the mix effect, which is really two elements, which is aviation and marine, which clearly is still underperforming, as well as the supply contract we mentioned in one of the markets that did fall away in September. So we are happy to have that margin in Q3 as a compensation for the volume.

Johan Depraetere:

On the commercial business, I think without giving you details, both commercial business and LPG continue to perform well in Q3. So I think we're very happy with that and I would say they're actually close. So, yeah. So I think that's probably the best way to look at it. So without going into the details, but so, yeah. Yes. So I think that's it. I'll pause here.

Sam Bland:

You say close, is that to close to flat volumes? Is that what you were referring to?

Johan Depraetere:

Yes.

Sam Bland:

Okay.

Operator:

We'll now move to our next question over the phone which comes from a George Pilakoutas. Please go ahead. Your line is open.

George:

Thanks very much. Just two from me as well. The first one is just given the margin mix benefit are we correct to assume that retail and lubricant volumes performed better than the group average down 7%? And then the second one is there were some COVID costs in the second quarter. Should we be assuming any ongoing COVID costs in the second half? And is there any other one-off cost either way that we should be thinking about?

Christian Chammas:

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So the answer to your second question is no. And the answer to your first question is yes. So we've seen both retail and lubricants performing better than the group numbers.

George:

Great. Thank you.

Operator:

So just once again, ladies and gentlemen, it is star one on your telephone keypad if you would like to ask a question on today's call.

Operator:

Well, I'll move to our next question over the phone, which comes to me a Kevin Salsburg from 91 Asset Management. Please go ahead.

Kevin Salsburg:

Thank you very much for the call, very good all around. I just have two questions. Firstly, I saw the news article about the rollout of the solar project that you did with that mine in Mali, and I was just curious how that was financed and whether or not that's going to be a staple going forward when this is a regular part of your business?

Kevin Salsburg:

And the second question is if there are any... Obviously you're significantly exposed to regulated markets in a lot of your different countries exposure, but have there been any changes or updates on the contracts that you have due to COVID or changing regulation or anything else of that nature that might be affecting your ongoing relationships? Thank you. That's it.

Christian Chammas:

Okay. We'll share this between myself, Christian and Johan. First of all, on the mine, we've been working very hard on this project for the past year, actually more than a year, but anyway, fully concentrated only for the past year. And we're very happy by what we have signed in the announcement. It is a new avenue for Vivo Energy in the sense that we will be selling kilowatts. So the client is buying kilowatts from us. He's buying energy and behind it, we have solar, we have hybrid, we have fuel, we might even have a natural gas. So that is the solution we bring to our clients and we're very excited about that. The cost per kilowatt is very competitive and we have benchmarked sufficiently to know that we are in the market. Johan will give you a few comments on the financing.

Christian Chammas:

That's number one. Number two, we have a lot of commercial businesses across the continent. None of them have gone belly up, as we say, in a vulgar way. And of course there has been a slow down here and there in April or May, but business is back in the majority of the cases. When you look at the mining activities or the big cement or otherwise activities, they're back. They're back in activity. So we're quite pleased by what we see.

Christian Chammas:

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The only ones that are really down in a sustained way is of course aviation and to a lesser extent, marine. Aviation has been seriously hit across all Africa, like the rest of the world, by the way. Johan you want to comment on the finance side?

Johan Depraetere:

Oh yeah. So for this project, we're internally funding it. So it's self-funded and we're looking at different options going forward as we look to expand this business.

Kevin Salsburg:

Any broad numbers you can give around CapEx?.

Johan Depraetere:

No we don't, but it's not a material number compared to the CapEx we spent. So again, given our cash and carry business, we do have enough cash too and all our actually CapEx in the history of Vivo Energy has been self-funded. And this is the case for this project as well. And then on your question in terms of we've not seen any change in regulation or any red flags that because of COVID are worth mentioning at this point in time.

Kevin Salsburg:

Yep.

Christian Chammas:

I mean, going forward the vehicle to carry all our projects is yet to be formalized or structured. We might have partners or no partners. Early days. But I think in the next six months to nine months, we will have a clearer vision of where we're going and how we are going to structure all that?

Kevin Salsburg:

Thank you.

Operator:

It appears there are no further questions queued at this time. Mr. Blackham, I would like to turn the conference back over to yourself for any additional closing remarks, sir.

Giles Blackham:

Thanks very much operator. And thank you everyone for dialling in and participating in the call. We're obviously available to speak later on today, if required. So thanks again and stay safe.

Operator:

Bye-bye.