

Vivo Energy plc

Interim Results 2020

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Transcript



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Giles Blackham:

Good morning, everyone. And welcome to Vivo Energy's 2020 interim results conference call. Sadly, we aren't able to do this presentation in person, but for those dialling in, the slides are available on our website. With me are Christian Chammas, our CEO. And Johan Depraetere, our CFO. And we are socially distanced in one room, so hopefully can avoid any technology issues this morning. I won't talk through the disclaimer on slide one, but I will go through the format of the morning on the next slide. So, on slide two, Christian will give a short introduction, covering our performance in the last six months, and some of the impacts of COVID-19 before Johan goes through the operations and the financials. Christian will then cover our progress against strategy, before we head into Q&A from the lines. With that, I will hand over to Christian, to take us through slide three.

Christian Chammas:

Thanks, Giles. And good morning everyone. We're living in unprecedented times, and I hope that everyone on the line is safe and well. When I last presented our results to you in March, we were optimistic about the future. We had delivered a solid 2019, and had started the year very well, with two months of 20% increases in gross cash profit under our belts. At the time COVID had barely appeared in Africa, but we had already taken steps to protect our people by banning travel and following WHO guidelines. We will talk through the impacts of COVID in the coming slides. But I'm particularly proud of how our team has reacted at all levels of the organisation. We have kept our people and our customers safe, while continuing to provide our essential products. I can't stand here and say that the worst is over, as we don't know what lies ahead, but we are cautiously optimistic.

Christian Chammas:

We have seen a strong recovery in June, which is continuing in July, from the lows in April. And most of our business is moving back towards normal operations, although remain behind pre-COVID expectations. We have weathered at least the initial storm, helped by our strong balance sheet and continuing resilience of our business. Before we talk about our business, I want to touch on the Moroccan Competition Council, as this is a topic that is a major focus to all. Last week, there was a hearing as part of the process, despite some media coverage in Morocco, no decisions have been made. The competition council will come to their conclusions in due course, and we do not have a time table for that. We maintain that we've always conducted our operations in accordance with the applicable laws and regulations.

Christian Chammas:

Moving back to what we control, our response against COVID-19. We have always placed great focus on health and safety, and we reacted very quickly to the threat from the pandemic. Whether our staff are in their offices, their posts or on site, we have put in place actions to protect them, and make sure that the business continues to function in order to serve our customers in a safe and responsible manner. We have also adapted our size to make them safer for our operations and our customers, with increased cleaning standards and distancing to make sure they feel safe when they come to us. We have also invested in our communities across a wide range of projects, with donations to relief funds, provision of fuel, food and medical supplies, as well as utilisation of our blending facilities to produce

hand sanitizer. Our response has varied by country, reflecting the different needs in each market, but we have consistently made sure that we have proactively provided support where it is needed, reflecting our position at the centre of these communities.

Christian Chammas:

If we move on. Whilst we haven't yet seen the levels of infections in our countries that we have seen in UK and Europe, we have seen an impact on our business, as governments impose strict mobility restrictions in late March and early April, to stop the spread of the pandemic. As you see from the left hand map, nine of our countries had a full lockdown in place in April, with other measures imposed across the rest of the portfolio. As we moved through quarter two, there were progressive easing of measures, as governments took the balance of health with economics. At the end of June, there was no nationwide lockdowns in place, and a number of curfews had been lifted, easing mobility, which in turn has driven a recovery in our volumes. We're not back to full normal yet. Many borders are still closed and there are targeted lockdowns and restrictions in place in several countries, where there have been spikes in cases. But generally the trend has been positive over the past few months, and you can see on the next slide, our month on month performance.

Christian Chammas:

We have talked to the strong start of the year, helped by Engen, and then the impact of COVID-19, which you can see on the chart. What is very pleasing is the pace of the recovery, as restrictions are lifted, the amount has returned very quickly, other than in the aviation sector. As you can see, volumes fell by around 40% in April against the previous year. And unfortunately, so did our unit margins, which means the gross cash profit impact was much more significant. As we highlighted in the release, the margin impact was due to the inventory effects linked to COVID impact on the demand and the oil price, which are now through, with margins returning to normal levels in June.

Christian Chammas:

Before you all get too excited for half two, I will caution you that we remain over 10% below our expected volumes in June and July. Case numbers in many of our markets are rising, and we do not know how governments will react and what impact this will have on our business in stage two. However, this chart shows how resilient our businesses is. I will now hand over to Johan to go through the operations and financials. Thank you.

Johan Depraetere:

Thanks, Christian. And good morning everyone. I hope you're all safe and well. Given the challenges we faced during the period, we delivered a solid result. The strong start to the year supported our performance, with 60% of H1 gross cash profit generated in Q1. As you can see on slide nine, the year on year volume and unit margins drop are actually identical, at minus 7%. Even in April, when both unit margins and volumes were most impacted, we still broke even at the EBITDA level, which shows how resilient our business is. We talk about our diversification a lot, and it really comes through on the next few slides. Looking at the segments, you can see that retail was our most effected segment, with volumes down 13%, margins down 7%, which meant that gross cash profit fell by \$30 million or just under 20%.

Johan Depraetere:

The falling volumes was due to restrictions, which disproportionately impacted large retail markets, such as Morocco and Tunisia, with the margins primarily reduced by inventory impacts. Part of our NFR business remained resilient as we receive rents on our forecourts. But the revenue shares on the large outlets fell, due to the need to close many of the restaurants during lockdown, or indeed shorter opening hours due to curfews, as they weren't considered essential shops. The overall impact was a 20% drop. Moving to the commercial side, we managed to achieve flat year on year volumes, which, given the circumstances, is an excellent result. The LPG and mining business offset the impact on the aviation and marine businesses. This was helped by an additional two months from Engen. On the margin side, the primary impact was, again, the inventory revaluation, as it was spread across both retail and commercial.

Johan Depraetere:

Finally, the lubricants segment held up better than the commercial side, with volumes and margins flat on the previous year. Retail lubricants were hard hit, as sales on forecourts fell due to less people coming to sites. But our diversification came to the fore again, both in sales to distributors and also to commercial customers, such as miners, as well as exports. Page 11 builds further on what I've just said. Our diversification provides real resilience to our performance. You can see that the impact of the restrictions varied by business line, and this chart shows year on year gross cash profit changes. The most resilient businesses were less than 5% down year on year, with both commercial fuels and lubricants supported by the strength of sales through mining customers.

Johan Depraetere:

LPG is sold both in bottles to households for cooking, which is around 80% of the business, with the balance being bulk sales to industry and hospitality. The bulk sales were impacted by lockdowns, but we saw a surge in households consuming bottled gas as more people stayed home, which almost offset the weakened bulk sales and drove the resilience of this business. On the retail side, volumes were impacted heavily in both the deregulated markets and the regulated markets, with unit margins also impacted by the inventory effect. Premium fuels contribution remained relatively stable despite three of the five countries in which we sell the products, having full lockdowns in Q2. As improved margins tempered, the volume fall.

Johan Depraetere:

The worst hit business was aviation, with volumes down over 50% in the half, and over 80% in Q2 as borders were closed across the continent. This business is slowly recovering as borders open and local flights restart, but will take time before it returns to its previous levels. This is only small part of our business and was originally expected to be less than 5% of our gross cash profit in 2020. Looking in more detail at the unit margin on page 12, we have again demonstrated the resilience of this. Even with the unprecedented drop in both demand and the oil price, resulting from COVID, our inventory write downs were limited to around \$15 million, or less than 5% of our average inventory holding during H1. Given volumes were lower than normal, this represented around \$3 per cube during the period. As Christian showed earlier in the presentation, this was very much a one off impact, and margins have returned to normal levels impact, and margins have returned to normal levels in June and current July trading. If just the oil price or demand had fallen, then we wouldn't have had this issue and it is not something we would expect to repeat. We also took additional impact on unit margins due to the

accounting for the continued hyperinflationary environment in Zimbabwe, which is being treated as a special item. If we were to exclude these two events, margins would have been almost in line with the previous year even with the lower volumes.

Johan Depraetere:

Our operating leverage normally works in our favour as we grow our volumes, with limited incremental extra cost required for every new litre sold. We also run a very lean business with our adjusted EBITDA to gross cash profit margin, our equivalent of adjusted EBITDA margins running at almost 60% plus the costs below gross cash profit being largely fixed. Unfortunately, with the lower volumes this works against us and so the lower gross cash profit flow straight to the adjusted EBITDA. And in H1, we had the added impact of two months of additional Engen G&A plus increased COVID-related community spending which compounded the drop.

Johan Depraetere:

The lower adjusted EBITDA then flows to lower earnings with slightly higher expenses due to the increased use of working capital facilities and a higher effective tax rate due to the function of lower profits and some tax items not linked to PNL, such as withholding taxes contributing to the net result. As we sell a high value product, movements in working capital have a major impact on our reported cash flow. As reported in March, at the end of '19, there was \$111 million of payments that fell into 2020, benefiting the year-end but you can now see the opposite effect on H1 cash flow. If you were to strip this out, we were cash flow neutral at the operating level even with the lower earnings contribution.

Johan Depraetere:

We don't normally show the month-on-month movements in working capital, but given the events during the period we felt it is important to help explain what happened on a monthly basis. You can see this on page 15. As you know, we have a structural negative working capital position driven by a retail business of around 15 day sales. You can see this in January and February, but when demand started falling you can see the shift and the business moved to a positive working capital position, peaking in April. To address this, we reduced supply and managed their credit exposures carefully. And as volumes recovered, we've seen an improvement in our networking capital, which by the end of the period returned to a negative position.

Johan Depraetere:

Due to the working capital movements I've just talked through, it was a challenging period for us and this highlights why we run a conservative balance sheet, which provides the flexibility to get through unforeseen events. We have seen an increase in the net debt to adjusted EBITDA since period end, but the primary impacts on that have been the \$111 million of payables that flattered the year end and the \$72 million lower adjusted EBITDA in the first half. As you can see, our leverage remains very conservative. We have continued to pay back our amortizing loan, but drew down a portion of our RCF to provide flexibility if it was required given the high level of COVID uncertainty.

Johan Depraetere:

Moving on to CapEx on page 17. With the market environment, we took the decision not to commit new capital but to continue with projects that were already committed. This meant that CapEx had fallen by around 10% against the previous year. Although as part of our recovery plans we have continued to make sure we have purchased long lead items for H2 projects. The focus was on growing a network and our offerings whilst making sure we had the most attractive sites in the market. Following the success of Shining Engen, we have also rolled out this program across our Shell markets and completed the shining of over 100 sites, which should provide benefit as we move through the next few months.

Johan Depraetere:

Finally, we are greatly encouraged at the shape of the recovery we have seen in the business since the April lows. To date, this has continued into July although volumes remain below original expectations for the period. We are however, still only weeks into the recovery, and with the rising COVID caseload it is unclear whether there will be a new measure imposed or delay to the relaxation of measures. Whatever happens we will be prepared, but it is too soon to reintroduce guidance to the market at this stage. In a similar way, it is regrettable too soon to restart our dividends. However, our business is strong and we recognize the importance of dividends for our investors. If the recovery is maintained, the board intends to restart dividends in Q3. I would now like to hand back to Christian to complete the presentation.

Christian Chammas:

Thank you, Johan. Our vision is to be the most respected energy company in Africa and our actions through the pandemic have supported that. We've always run our business to the highest standards, and even with the pressures of the pandemic, we have a reportable injury rate of zero during half one. We're also very clear that we do business the right way, whether relating to our people, our stakeholders and to the environment. And we always look to the future, and through the second half of the year we'll do some more work into guiding our ESG strategy and making sure that our reporting reflects what our shareholders need.

Christian Chammas:

Our core business is essential to the development of the continent. Without the products we sell progress would grind to a halt. But we're also expanding what we are doing to play our part and reduce our impact. We have a range of solar initiatives on the way on both the retail and commercial side of the business and we continue to innovate to drive our business forward.

Christian Chammas:

I would like to step back and look at the bigger picture before talking about our business. There's a narrative that Africa is going to be consumed by COVID and all of this doom and gloom on the continent. This is a simplified narrative. Our governments responded sooner than others and are doing what they can do to manage through the pandemic. Whatever the near-term impacts, we cannot lose sight of the fact that we operate in a series of markets where the macro-economic drivers remain unchanged by COVID.

Christian Chammas:

It has a young and growing population with an increasing middle class carpark and continuing investment into infrastructure. Our markets are not immune to the current issues and the IMF is expecting a contraction this year for around 2%. While it is still early to make predictions around 2021, the IMF is expecting a significant recovery next year, and that our markets are some of the few around the world that may end 2021 bigger than they started in 2020.

Christian Chammas:

And what does this mean for our business? Well, we sell an essential product for which there is no alternative. If you want to get from A to B in Africa you need fuel, this remains unchanged and we will do that for many years. As a result of macro tailwinds, we have seen our fuel demand almost double in the last 20 years and we expect this growth to continue once we are out of the immediate impacts of the pandemic.

Christian Chammas:

We have talked about how we manage through the crisis but I wanted to highlight here that we didn't lose track of our strategy. At the beginning of the year we set out four key focus areas, growth in the Shell markets, expanding the Engen markets, growing NFR and utilising technology. We were making very good progress in the Shell markets at the beginning of the year and we will look to resume our journey once the impact of COVID falls away. We have however continued to grow the network organically with 30 new sites added across the business despite restrictions.

Christian Chammas:

We have also increased our market share in the Engen countries through acquiring dealer networks in two markets, which will dramatically change our scale in these markets. Those deals are yet to compete but should add volumes later in the year. On the NFR side, we've also continued to pursue growth, signing another joint venture with KFC, which means, well, we have now six partnerships with KFC. And importantly, we signed our first JV in Tunisia with a leading French brand with ambitious growth plans.

Christian Chammas:

Our final focus area was digital innovation, and we have responded to customer needs but trialling ideas such as LPG delivery and cashless payments in a number of markets, as well as a major push in our loyalty programs. Bringing all this together I wanted to end the day with a couple of slides looking at both the near-term and the long-term of our opportunities. I want to repeat that our people are the core of our success and I'm immensely proud of how our teams have reacted. They have been able to flourish due to our operating model, which gives them responsibility, whilst holding them accountable and enables the business to react rapidly.

Christian Chammas:

We sell products that are critical to our end consumers and our host countries' economies. And our end markets and consumers are highly diverse which produces added resilience. Not only are we innovating for our customers, but we are utilising technology increasingly within our business, supported by recent investment in our ERP system and automated sites, which have provided real time information to enable us to make the right and fast decisions throughout the pandemic.

Christian Chammas:

And finally, the prudent way we have run our balance sheet has enabled us to manage through the stresses that we've been placed under and come out the other side strongly. Finally, I wanted to leave with the strength of our business. Our business model remains unchanged and positions us well for future sustainable growth. We have leading market positions with premium brands in markets that have strong underlying growth fundamentals. We are both integrated and diversified, which provides a competitive advantage and resilience to the business. We are focused on growth and have continued to invest during the pandemic to grow our business in order to deliver strong, free cash generation in the future. I leave the slide here and hand back to Giles to run the Q and A.

Christian Chammas:

I leave the slide here, and hand back to Giles to run the Q&A.

Giles Blackham:

Thanks, Christian, thanks Johan. Operator, please could you open the lines for questions?

Operator:

We have a question from Alexander Mees From JP Morgan. Your line is open. Please go ahead.

Alexander Mees:

Thank you very much and good morning. Can I ask three questions, please? My first one just regards the experience that you have with Premium Fuels, where your chart indicates that perhaps they've outperformed the broader retail fuel segment, despite what you would expect to be perhaps some distress from your customers. So I wonder if you can just comment on that.

Alexander Mees:

Secondly, and maybe more for Johan, I wonder if you can comment on the outlook for working capital and the effective tax rate in the second half? And finally, with regards to the inventory re-evaluation, I had expected that to go below the line, but you've taken it above, and I just wonder if you could explain the rationale there. Thank you.

Christian Chammas:

Okay. Good morning, Alex. The first one on the Premium Fuels, we ramped up this business for the past three years to bring it to where it is, with a strong growth and a strong market share in different countries. I think it's five or six countries. What has happened? Okay, we suffered a slump in sales, which is understandable. The margins offered more resilience than the normal retail margins, so that was a good hedge to have. And now with the return of sales in June and July, obviously that brought more value to our bottom line. The margins, so ... Sorry? We're pretty good. Johan?

Johan Depraetere:

Yes. Good morning, Alex. On working capital, that we expect to normalise subject to the normal swings that we have in places like Kenya and the OTS, the open tender system, for supply. So we don't expect to see the same recurrence as we had in the first half. On the tax rate, the reason the tax rate is so high is because there's quite a few elements which are fixed. As you know, when we pay dividends, we pay withholding tax, and these items are not linked to the income. And actually most of the dividends we helped stream happens in the first half, so we expect that fixed part to go down as a percentage, so we expect the ETR to clearly drop for the year, but it really will depend how the business performs, so we can't really give specific guidance there.

Johan Depraetere:

On the inventory, you're right, it's a debate. The reason we decided not to take it as a special item is really a principle of we ... We're in the business of distributing fuel, and this was a very exceptional case, but at the same time, sometimes you have to take the losses of selling at lower margins and expect it, and so rather than start creating another adjustment at margin basis, because it's really a margin element, we didn't want to create ... start playing with adjusted margin, so that's really the main reason for that. And also the numbers, we believe, yes, it's \$15 million, it's meaningful, but not really material given the size of our business.

Giles Blackham:

That's very clear. Thank you.

Operator:

We are now moving to the next question: Nick Coulter from Citi. Please go ahead.

Nick Coulter:

Hi, good morning gentlemen. Three if I may, please. Firstly, could you talk about the outlook for adding more sites to your network, and whether you're seeing any competitor or independent site closures in your markets? And then secondly, just to check on the working capital and setting the 110 million aside, I guess you wouldn't expect all of that working capital to come back during the course of the year, i.e. you would still expect to see some sort of net negative impact across the year. And then lastly, is it possible to have an indication of the quantum of COVID operating costs that you've incurred so far? Thank you.

Christian Chammas:

On the retail front, we continue our growth story, by opening as many sites as economically possible. And that is what we did, even during the lockdown period for the capex that was already committed in January and February and March. That enabled us to roll out the 30 new sites and the 23 NFRs or QSRs. And that is a continuing story, and we will continue doing that in the coming month. We also have some deals in the new Engen countries that will enable us to accelerate that, in the sense that we will be taking over some sites from local players in two countries in the coming weeks, and that will ramp up that figure in an accelerated way. Therefore we remain focused on that growth and that adding on of new sites, because it creates enormous value to Vivo Energy. Yes, the competitors are moving, but as we always say, we're a lot more agile than other people and we move faster.

Nick Coulter:

Thank you.

Johan Depraetere:

Hi, Nick. On the working capital, given the timing element, it's really difficult to project what it will look like at the year end, but as I said to Alex, we believe the structural negative working capital position is there to remain, and we don't see any reason not to believe that. Now how much negative, that's really up to as I said, the unknowns in places like Kenya that will determine that number and how many tenders we win towards the end of the year.

Johan Depraetere:

Then the COVID-related costs, I think we had some costs. We had some extra support for the ... not for the deals, but for our pump attendants, also for our drivers to make sure that when the recovery came, we were ready to hit the road. We also gave some extra donations to ... either in terms of fuel or sanitizer and things like that. And Christian can comment on that, but it's not really I would say material. And even the sites that we go to clean, make sure they're clean and hygienic, again, these are important features, but in terms of costs, they're not really material. I don't know if Christian, you want to add something.

Christian Chammas:

We're talking about a couple of million dollars. It doesn't move the needle. When you see the hit on the stock impairment compared to that, it's not in the same league. But it was our duty to do it. We had to support our communities. We had to support our partners. We had to support the people who were key to the delivery from the 1st of June of our business. We had to do that, and we did it. There is no furlough measures in some of these countries, so we became the furlough measure.

Nick Coulter:

Think that that's helpful. Thanks so much.

Giles Blackham:

Thanks, Nick.

Operator:

Our next question comes from Nick Stefanou from Renaissance Capital. Please go ahead. Your line is open.

Nick S.:

Good morning, gentlemen, Nick Stefanou. Thank you for taking my questions. I've got three to ask, if I may. The first one was in regards to the introduction of the dividend. In the press release, it stated that you intend on which using it later this year, subject to continuing recovery of the macro conditions. Can

you be a bit more specific on that? What I'm trying to get here is when the actual timing of the potential announcement, and is that dividend going to include the final dividend, from last year, and to this day, or it's just going to be the interim for 2020? That's my first question.

Nick S.:

The second question is in regards to volumes. The volumes were quite resilient compared to what we were initially afraid in the beginning of COVID, and I think that this recovery then was much more closely a V-shaped recovery, as opposed to something different. And somewhere you're taking a very prudent view here, but could you maybe outline which markets are you worried about maybe a second wave of lockdowns, and what is it basically that you're mostly worried about in Africa there?

Nick S.:

And then finally, I've got a question in regards to lubricants. I thought margins stayed quite flat. I guess this probably reflects their long inventory life, and also the pricing of the product that doesn't really move around with prices. Can you give us a sense of how those margins might evolve in the second half? Should I be thinking a big increase in those margins, just because you're going to keep the same retail price, but it's going to have a much lower feedstock? This are my questions. Thank you.

Johan Depraetere:

Hey, Nick. Good morning. So on the dividend, really it's still too early, and that's why we have to really look at the recovery of the business, so we don't ... We'll do our trading update in October, and then reassess where we are from a business perspective and both look at as you said, the interim dividend and the 2019 dividend. But that's all I can say at this point in time.

Christian Chammas:

Just in general on the market, when you see ... In January and February, we were doing very well, and we had a fantastic two months, right? The beginning of March was looking similar. And of course then when the lockdown started to appear for middle of March, the whole thing went towards what you know. But what is clear is that we were seriously hit in April and May, with significant drops of our business or sales in these two months. But what is also pleasing to see is that we react ... The recovery was very quick because the demand is there. And we were able to come back to the limelight, to the front of the scene, with a very good performance in June. And it's continuing in July.

Christian Chammas:

What is important that everybody takes away, is that these are early days. We cannot be too optimistic. That's why we say we're cautiously optimistic. If August confirms, September confirms, as Johan was saying, we'll come back in October and we will communicate on issues like dividends or whatever, linked to 2019 or 2020.

Christian Chammas:

All we can hope is that COVID is behind us, but there are some signs that force us to be prudent. What is good is that we were able to react rapidly in both circumstances. When things went bad, we reacted

in a good way, and when lockdowns were lifted, we reacted very quickly. And we keep that in place. Our teams are ready, and they will be-and we keep that in place. Our teams are ready and they will behave in that manner again, if necessary. Once, twice, three times. But we're not out of the woods as they say.

Johan Depraetere:

And then your third question on the margin. It really goes market by market and month to month. And especially when your question is only in deregulated retail markets, which only are three Morocco, Ghana, and Uganda. We also have an election in Ghana coming up. So that always tends to put more pressure on the pump prices as well. So it's really difficult to give clear projections.

Johan Depraetere:

So we actually overall, and we don't guide anymore for retail margins, but overall we believe that we're back into the high 60s, low 70s zone for our unit margin. And we believe nothing really is on the horizon not to stick to those numbers. And the \$15 million or the \$3 that we saw in the first half. We don't expect that to be repeated anytime soon.

Nick:

No, I was talking specifically about lubricants.

Johan Depraetere:

Ah, lubricants. Sorry, okay. Yes. So lubricants, there's quite a long lead time, especially the blending plans that we have in Morocco, Kenya.

Speaker 2:

The stocks there.

Johan Depraetere:

Yeah. The stocks. And so it takes time. And we've seen quite resilient margins, as you say, there was year on year flat, and then again, it's driven by competitive pricing as well because some of the markets might have some currency depreciation as well. So we, again, I think that there's no expectation to see that margin significantly go up or down in the next six months.

Nick:

Okay. Fair enough. And just a quick follow-up. Which markets right now, are you mostly concerned about there might be another wave of lockdowns? Specifically just to get an idea of the impact this might have.

Christian Chammas:

We follow, like you and like everybody else on a daily basis, what is happening in our different markets. And when the lockdowns are decided, they're not decided by us, decided by governments. And we

automatically and immediately take the necessary measures to protect ourselves, to protect our teams, to protect our clients through the necessary business continuity measures.

Christian Chammas:

So I can't tell you this one is red or this one is green, or this one is yellow. It comes and goes as quickly as it came and went. It's coming back in certain places, pockets here and there, as you can see in Spain or in France or in Belgium or in Germany. So we are not immune from similarity and we have to live through it and come back, come out strong. And that is what we're planning for.

Nick:

Thank you.

Operator:

As a reminder, if you wish to ask a question, please press *1 on your telephone keypad. We now have a question from George P. from Numis. Please go ahead.

George P:

Hi, morning team. This one was just, if you could provide any commentary on some of your larger geographies, if we just look at the revenue split. Kenya seems to be much more resilient, whereas Morocco was impacted a bit more. So if you could give a bit of a sense how that trended through the period and how it's looking coming into June, July. Then a comment on Engen with how this business is part of the group for now for over 12 months.

George P:

I guess if you could just comment on how you think that integration has gone. How are you progressing with Dynegy? How you feel about how that acquisition has gone over the past 12 months. And then finally you mentioned a couple of acquisitions of the other networks in the Engen market. So is there anything else you can provide there in terms of the size of the networks, perhaps?

Johan Depraetere:

Hey George, good morning. Yeah, actually, the revenues in the financial statements are not misleading, but, one, there's the impact of the oil price, which you can see. But also, in the first part of the first half, we won quite a few tenders in Kenya. And under, we, when these industry tenders, we recognise the full revenue. So that's why actually Kenya is now the largest country in terms of revenue because of those tenders. But we actually don't make any margin on that. It's just the way the industry is structured. So maybe Christian on Engen integration.

Christian Chammas:

The Engen integration is going very well. The countries that were a question mark, because of the environment, and I don't need to mention them, you know them as well as I do. These countries are turning out to be positive in the sense that we see volume growth. COVID or no COVID, we see margin growth and we see result growth. So that's very pleasing.

Christian Chammas:

And we've had no nasty surprises as such in the last year or so and we're very bullish. And as we said earlier on, there are opportunities now in two countries where we'll be able to acquire quite a few retail sites from local operators, and that will enhance our market share and our sales in these two countries where we were particularly low in market share in retail. So, no very bullish about this acquisition and we'll continue growing it like we did when we acquired the Shell portfolio.

George P:

Great, thank you very much now.

Operator:

There are no further questions at this time. Just now a question from Nick Stefanou from Renaissance Capital.

Nick S.:

Hi guys. Sorry for dialling again. I had a question in regards to those site shining's. You mentioned you're doing in the Shell markets, which I believe started off in the Engen markets. Could you give a bit more background on that? So what exactly are you improving there? And do you think that actually is something that will increase throughput in your view in those sites? Thanks.

Christian Chammas:

Okay. Good question. We started by doing Engen shining because when we took over the Engen portfolio of sites they needed tender, loving care. I'll use a diplomatic word. And that's what we embarked on from day one, and we therefore gave them what I would call a better look, so that it becomes more attractive to our customers and the people who use our forecourts. Be it on the aesthetical side, or even on the content side, the shops and all that, to make sure that the whole package looks better and more attractive.

Christian Chammas:

And we also worked on our customer champions, our pump attendants to make sure they're retrained, so they offer the rights service to people who come on board. The lubricants was also attended to, and when we did the same thing with all the different shops and food offerings. So that was done, it's successful because we don't do these operations without a return.

Christian Chammas:

Everything has a cost and it has to have a return. And the return on retail sides, of course, an increase in average throughput. And we saw it in the Engen sites and it is there. And therefore it's bringing profitability to the company.

Christian Chammas:

We decided to do the same thing on the Shell sites, because, we were private at the time, but when we took over the Shell sites in early 2012 or late 2011, there was a shining Shell operation that was done in the first year, which was 2012 in order to give them a refreshed look. That was done and that was 2012. So although we kept them tidy, quite a few of them looked a bit tired by the time we get to the end of 2019 or middle of 2019.

Christian Chammas:

So we use the opportunity of the Engen shining to do Shell shining. And that has also proved successful. I think we have already done hundreds if I'm not mistaken since the beginning of the year on the Shell front. So that's again, bringing what I would call an increased average throughput and a return to us, of course. Does that answer your question?

Nick S.:

Got it. It does yeah. I guess it's more of a case that we're not able to see the results yet because of COVID.

Christian Chammas:

Yeah, unfortunately, yeah.

Christian Chammas:

But it reduces COVID impact, because when you come back to business as usual or normal from the 1st of June, the average unit throughput will increase, it will bring you more value than if you hadn't done it.

Nick S.:

Got it. Yeah. Thank you. Thank you so much.

Operator:

There are no further questions in the queue.

Giles Blackham:

Great. Thank you very much operator and thank you everyone for dialling in and asking the questions and look forward to catching up with you soon. Hope you're all safe and well. Thanks. Thank you very much. Bye bye.

Christian Chammas:

Thank you, Bye bye.