



# **Vivo Energy Q1 Trading Update**

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## **Introduction**

Giles Blackham

*Head of Investor Relations, Vivo Energy*

Good morning, everybody. Thank you for dialing in to our trading update call. With me is our CEO, Christian Chammas, and our CFO, Johan Depraetere. The plan is just to run through some key points from the release that went out this morning, obviously, a short release and then we will open up the lines for Q&A to all of you. With that, I shall hand over to Christian.

## **Q1 Trading Update**

Christian Chammas

*CEO, Vivo Energy*

Good morning, everybody. As you can see from the release, we have made a good start to the year and we are on track to deliver against our guidance for the full year, so that's quite pleasing. Traditionally, the first quarter is a weak month in the year because of seasonality and shorter days, and less number of days in the first quarter than the rest of the year. We were quite pleased with this performance. The Q1 results include only one month's contribution from Engen and therefore it has a limited impact on margin, but a big impact on volume, so that has to be taken into account.

We have seen a seven percent volume growth in the quarter, which means that the underlying business is on track, but then, when we look more closely at the first month with Engen, see 13-month growth, so that's more representative of what we expect to see through the remaining parts of the year. That is also pleasing just to have. Margins are in the region of the high sixties, \$69 per thousand liters, which is in line with our guidance, which we shared a couple of months ago. That is mainly due to the stabilization of the retail margins due to more stability in some of our deregulated markets.

Finally, last but not least, Morocco, no other news. Business is as usual for now and the market is functioning normally. To highlight the importance of Engen, well, this has been integrated since the 1st of March. We have had no bachelor prices, but we have seen a lot of opportunities coming down our way in some of the big markets like Zambia, Mozambique, Tanzania, and we're working very hard in order to bring that to the table as quickly as possible. Optima, which we talked about, which is therefore our new ERP, which has been rolled out yesterday.

We rolled out another seven countries, which brings it to 13 out of 15, which are now under the new ERP. Pleased to say that the seven that rolled out yesterday are all functioning on the new ERP from day one and the older one has now been closed. We're very excited and very pleased by our performance from seven west African countries, and that brings us now to nearly the close of that rollout, which should happen in the early summer or the 1st of August for Morocco and Tunisia, and that we bring it to the end of that rollout.

Now if you want, we can open the floor to questions. Johan, do you have any comments on top of what I said?

**Johan Depraetere:** Nope.

**Christian Chammas:** Okay. Please feel free to fire at us questions and we will endeavor to answer. Thank you.

## Q&A

**Alexander Mees (JP Morgan Cazenove):** Morning, gentlemen. Two questions please. Just firstly, on commercial for last year, lots of good wins in terms of contract wins for commercial, I just wonder what your experience has been in Q1. Secondly, with Engen, first impression seems to be favorable. I'm just wondering what the response has been from the staff of Engen to you taking over control. Thank you.

**Christian Chammas:** Okay. Commercial, you know that we are very, very prudent on commercial. Last year we had a bumper year, so this year we are aligned with the guidance that we communicated earlier on and we believe that should be the trend. We do not believe that this business has to be over hosted, if you see what I mean. It would come as a good surprise at the end of the year if we have higher than guidance. When it comes to Engen, I think the integration went very well.

People welcomed our rival because they had been standing by and standing by for too many years, and now that there has been a change of ownership and they knew what they expected from Vivo in the sense that they knew that we were a growth company. That we're a company that pushed a business to its extreme, was after delivery. Then rewards, rewarded performance from the different teams, so people were excited to see us come onboard. Johan and myself are going to Zambia and Zimbabwe next week as our first visit to these countries, and we will meet the teams, the dealers, some of our key clients and officials, and interact in both countries, and that will be our first contact with the teams post acquisition. They have already had visits from a lot of our teams, so this was not the first visit by Vivo Energy officials, but it is my first visit to these two countries as Engen. Any other questions?

**Martin Boeris (Exane BNP Paribas):** Yes, sir. Good morning. I have three questions, two on Engen and one on deliverance. What was the impact of Engen on Q1 group within growth?

**Johan Depraetere:** As we said at the full year result announcement, we don't intend to break down the Engen results unfortunately, so I think we can say that Vivo Energy is in line with the overall guidance given that IPO of a volume growth of four to five percent. I think that is probably where I would stop and then you probably can kind of back calculate the volume from Engen.

**Martin Boeris:** You are welcome to audition to volumes. Should we be aware of any further aspects from one process to another for the rest of the year?

**Johan Depraetere:** I think what Christian said because February has three days less. It's really more around the days and then also kind of holiday season. Generally, Q1 is, I wouldn't say the weakest, but has the lowest volume, given the volume of Engen being relatively small and being slightly overweight on commercials, I don't think there's any impact there.

**Martin Boeris:** Okay. On Newbury con last year, the performance was a bit lackluster in Q1. Have you seen a better performance of lubricants more in line with your fuel targets?

**Johan Depraetere:** Yes. As we said, margins are improving and we've seen, especially in the retail segment that margins have stepped up, reflecting the lag we had compared to last year with the baseball pricing, so we see improvement there. Volume, again, we'll have to wait until the first half results to show either the actual numbers as we don't give guidance anymore per segment.

**Martin Boeris:** Okay. Thank you very much.

**James Hubbard (Numis):** Hi. Morning. I'm just wondering, given what you've seen through Q1 and also with Engen so far, should we still be looking at 80 to 100 new sites this year and also around \$150 million of CAPEX? Is that still broadly correct?

**Johan Depraetere:** Yes, that's correct.

**Christian Chammas:** That's correct, yes. When we announced it, that already included Engen.

**James Hubbard:** Right. And just one more follow on if I can, which is simply, you haven't seen any bad stuff in Engen so far, but you've seen some opportunities. Would you call these kind of unexpected pleasant surprise opportunities? And if so, could you give us a bit of color on what those might be?

**Johan Depraetere:** You always have low hanging fruits and I guess they are not planned or completely modeled at the beginning. When you go on the ground and look closely, yes, you see a few, but it's not going to be a big banger. It might help us go a bit faster in the first years because it was unplanned, but it goes back to the fact that they had not been doing much investment in growth or in maintenance for the last five, six, seven, eight years. And therefore, by doing that and by showing a willingness to do that, obviously, brings excitement and drive from the teams, and therefore they bring to the table more than you expected to see coming your way.

That's why I'm saying that there are some good surprises in countries where, even like Zimbabwe, where you'd think that things are dormant but they're not. There is a lot of opportunities. Mozambique, I know they had been hit badly by cyclones, but there is opportunities. Yes, we will go after it, and obviously, we will change our priorities depending on these opportunities that come our way. If Zimbabwe and Zambia bring more opportunities to the table than planned, then we'll focus on them. We are not rigid on how we roll out. We go where opportunities align.

**James Hubbard:** Okay. Thank you.

**Frederico Accabi (Credit Suisse):** Morning, all. Thank you for taking my question. My question is all about margins in the retail business. It was nice to see that they stabilized. I just wanted to know whether you are happy with the performance of the retail business, or whether we should expect some possible upside coming from the future. Thank you.

**Christian Chammas:** Margins are in line with our expectations in summary.

**Frederico Accabi:** Okay, so you see this as this trend is continuing going forward?

**Christian Chammas:** Correct.

**Frederico Accabi:** Perfect. Great. Thank you.

**Nick Coulter (Citi):** Hi. Good morning. If I may, just follow up on your comment on commercial gross margins. It looks, from the numbers today, that the rates are solidly low to mid-forties for commercial. Is there any reason why that should not continue for the year? I guess the kind of challenges that are perhaps looking a bit more robust from a margin perspective, notwithstanding the conservative guidance from the outset. Thank you.

**Johan Depraetere:** We said low forties to mid-forties, so that's the guidance. The time being, after four months, the first quarter and April is behind us now. We have no reason to change it. It is a guidance and we remain on it, and at the end of the first six months of the year, we will therefore report on what has happened, and then we will see how it goes from there. It is a volatile business and therefore that is why we always put a bit of prudence when we give guidance, but we are quite confident that the guidance is solid for now.

**Nick Coulter:** Thanks so much.

**Martin Boeris (Exane BNP Paribas):** Yes. Just a follow-up question on the Kenyan and Ivory Coast. In the last quarters, you reported supply disruptions. Are these issues now sorted out?

**Johan Depraetere:** Yes, completely. They were sorted out in September last year, October as well, so that is behind us. Ivory Coast, I think the refinery is not completely repaired, but the supply issue is fixed because it was a jetty problem, and so those are behind us. There is no impact anymore.

**Martin Boeris:** Okay.

**Christian Chammas:** Great. Thanks, Operator, and thank you very much, everyone, for dialing in. With that, we will draw the call to a close and look forward to catching up with you in the coming days. Many thanks.

**Johan Depraetere:** Thank you. Have a good day. Bye. Bye.

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