

Vivo Energy plc
2020 Full Year Results
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Transcript

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Giles Blackham:

Good morning everyone. And thank you for joining us for our 2020 full year results presentation. With me today is Christian Chammas, our CEO, Johan Depraetere, our CFO, and Doug Lafferty, our CFO designate. Due to COVID, we're all in different locations, so please bear with us in case there are any technical difficulties. We will be running through this presentation, which appears on the webcast. So please log on if you haven't already. For those wishing to ask a question, please dial into the conference line, as we are only able to take questions from there. I will now hand over to Christian to take you through the start of the presentation.

Christian Chammas:

Thank you, Giles, and good morning, everyone. I won't dwell on this slide, as you have all seen it before, but we'll move straight to the agenda. I will give an overview of 2020 and how we responded to the pandemic and the state of our markets before handing over to Johan to talk through the numbers. I'll then give an update on our sustainability progress and future plans for our business. Before we get into that, you will be aware that Johan will be retiring from Vivo Energy in the coming days. Today is his last results presentation, and we are obviously very sad to see him go. He has been instrumental in the development of this business over the last nine years, and I wanted to express my thanks to him and wish him all the best for the future.

Christian Chammas:

Replacing Johan is not easy, and we went through a long and intensive process to find someone that we felt could fill his shoes. We were delighted that Doug came on board a month ago. He has all the attributes we are looking for and I believe will be a great fit for our business. I want to hand over to him for now to say a few words, and then we will move on with my presentation.

Doug Lafferty:

Thanks, Christian. It's great to be here and to get started. Good morning, everyone. Just a quick introduction from me today. As you can see here, I've spent considerable time in consumer facing businesses in different parts of the world and I've worked in both emerging and developed markets across different sectors. I hope that combined experience will allow me to add significant value to the group over the coming years. As I went through the process of joining Vivo, I became increasingly excited about the prospects of working here. The passion in the people I met, the diversity of our markets, and the range of business activities were all significant draws for me. The business has proven, not least in 2020, that it is both resilient to the toughest tests, but is also capable of consistently delivering against its growth objectives.

Doug Lafferty:

I know Christian and the rest of the board are eager to deliver the next phase of that growth and I look forward to being part of that journey and evolving the strategy as we move forward. I've been working closely with Johan over the last month to ensure a smooth handover and would like to extend my personal thanks to him for his professionalism and commended him on the job he's done at Vivo during his tenure. I'll now hand back to Christian, but look forward to meeting many of you on the road show.

Christian Chammas:

Thanks, Doug. I've worked in this industry for over 40 years and across four continents and had my share of ups and downs, but I've never experienced what we went through last year. Our position at the heart of our host economies means that we played a critical role in fueling the continent's response to COVID-19, not only by keeping our sites open and customers fueled, but also by supporting our many stakeholders through a difficult time. As the continent emerged from the worst of the pandemic in Q2, our business came back stronger, and you can see the strength of the recovery in our quarterly gross cash profit on this slide. Half two was in line with half two of 2019, driven by quarter four being a record quarter for this business. This performance, together with the improved capital structure we now have, running our first bond offering in September, has given us flexibility and confidence to set out a new and improved dividend policy, to ensure higher returns to our shareholders while continuing to invest in driving long-term growth for our business.

Christian Chammas:

Not everyone is familiar with the impact of COVID on our markets, with the headlines dominated by South Africa, where we do not operate. In fact, in our 23 countries, the health impact to date has been very limited compared to the UK and Europe. Why? Well, I'm not a scientist or an expert, but the incredibly youthful population provides some of the natural hedge, I think. What is really important is that there has been no repeat of the lockdowns of Q2 in our markets. Governments are primarily using curfew, localised measures, and border closures to control the spread. These measures do suppress demand, especially in aviation and marine, but nothing like the levels seen in Europe. Looking at some of the available Google mobility data, which is backed up by our own data, we are seeing that a number of countries have fully recovered in terms of mobility to pre-pandemic levels, with the remainder nearly at full recovery and held back by country specific issues.

Christian Chammas:

Here you see our monthly volumes, and the swift recovery from the lockdowns in Q2 is very obvious. In the second half of the year, the recovery in retail took hold, and for half two, it was just 3% below the previous year. The dip you can see in August was the result of a lack of a tourist season in some of our major markets, like Morocco and Mauritius due to the closed borders. You can see that as we move through half two, retail outperformed the group, as our commercial volumes fell compared to the previous year. This is a function of both the continuing weakness in aviation and marine, but it's primarily due to the combination of a major supply contract in September, which pressured volumes, but had a limited impact on gross cash profits. Whilst the chart doesn't show it, the recovery in volumes has continued in 2021. This recovery was supported by the efforts that we made across our network. Even with the difficulties created by COVID, we managed to open a net total of over a hundred sites, ahead of our guidance for the year.

Christian Chammas:

This included the expansion of the Engen network by 14%, as we pushed ahead with our strategy to improve market share in these markets. We didn't just expand the network, we enhanced our existing offering, whether by rebuilding sites with new offerings or rolling out the engine shining to over 300 Shell sites, to make sure they look and feel like they should, which will help drive like for like in the

coming year. These measures, together with ever increasing knowledge of our customer through our growing digital and loyalty program, coupled with an expanding non-food and premium fuel offering has meant that we were able to continue to grow our market share in our key markets and are confident that we are well positioned to continue to do this.

Christian Chammas:

You'll be familiar with this slide from previous presentations, and I would prefer it all green, but it is encouraging that almost half of our markets returned to growth in the second half in retail volumes. In the countries that are still behind, it is a function of stricter restrictions, suppressing demand, and then issues such a lack of tourism, meaning there is just less people traveling around. What is really encouraging is that in a number of our Engen markets, we weren't just growing, but we saw strong growth. I wanted also to focus on some of the accelerated growth initiatives that we completed during the year. We signed four deals to bring dealer networks into the portfolio, two smaller transactions in share markets, and two larger transactions in the engine markets. The Engen transactions are clear delivery against the strategy we set out when we bought the business, and we have now added nearly 50 sites under the engine brand in the network since March, 2019. In Rwanda, we have rebranded the first of the sites, with more to follow in 2021 as part of a transaction to grow our network by nearly 40%. And in Zambia, we have increased our network by over 20% to over 40 sites.

Christian Chammas:

We have talked a lot about our response to the pandemic, and I'm really proud at how our people responded, which really demonstrates the strength of our culture and our organisation. Due to where we operate, we don't have the same level of government support for our employees and partners. And so we needed to step up and we did. We haven't made a single employee redundant as a result of COVID-19, and we also extended support to our partners to protect jobs there. This, in addition to the community projects we invested in, meant we spent around \$4 million to support our partners and communities, the majority of which was at the height of the crisis. We don't just talk. Our actions back up our commitment through how we operate. I'll now hand over to Johan to take you through the numbers. Thank you.

Johan Depraetere:

Thanks Christian, and good morning, everyone. I want to start with a simple snapshot of key figures. And as you can see, several are very different from the ones I presented at our half year results. Volumes are the ones that have remained consistent, at 7% below the previous year, but with very different trends in the second half compared to the first. We saw a strong rebound in unit margin in H2, which more than offset the negative impact we saw in H1. This strong margin was across both retail and lubricants and had a number of supportive elements, which continue today. Combined with the volume, this led to just under \$700 million of gross cash profit, which is effectively our revenue line, and \$360 million of adjusted EBITDA.

Johan Depraetere:

As I mentioned, the full year numbers were driven by a strong H2, with H2 gross cash profit and EBITDA being in line with the previous year. This clearly demonstrates the strength and resilience of our business model. Depreciation and amortisation is above the previous year due to our commitment to growth cap CapEx and the impact of jet engine. But you can see the big improvement in both interest and taxes as operation normalized, which flowed straight through to net income. Looking across segments on the next page, you can see that it was really a retail led rebound with gross cash profit up 49% compared to the first half. Volumes were down 13% in H1 and just 3% over in H2, plus we saw a better unit margin in the second half driven by both premium fuels and a favourable pricing environment across a number of markets. We also saw a strong improvement in our NFR business, as shops and restaurants opened across the network and adapted their offerings through use of delivery and drive through.

Johan Depraetere:

On the commercial side, our core commercial business remained resilient across both halves, underpinned by positive LPG and mining sales. We also benefited from a tactical approach to the reseller segment, where the disruption caused by the pandemic created opportunity for us to take market share profitability. Core commercial gross cash profit increased in H2 at over 10%, as lower volumes due to the ending of a large supply contract were compensated by higher unit margins. You might remember that each H1 margins were impacted by the negative inventory adjustment. It is worth highlighting that whilst the supply contract is meaningful in terms of volume, it is not material in terms of gross cash profit, as supply contracts tend to be very low margin. However, it will impact the '21 commercial volumes by around 200 million litres compared to 2020.

Johan Depraetere:

You can clearly see the impact the pandemic has had on our aviation and marine business. This has accounted for around 4% of growth gross cash profit over the past few years, but has been heavily impacted from March onwards by the restrictions, and we expect this to be subdued for some time. Lubricants were very resilient during the period and improved in H2 by 23% due to the increasing mobility and the work that our teams put in with distributors, active selling and marketing. Sales to mining customers also continued through the pandemic, and due to favourable base oil prices, we saw good unit margins in the second half.

Johan Depraetere:

Moving to the full year, you can see that the business was remarkably resilient over the 12-month period. It was only the aviation and marine business, with gross cash profit being down nearly 70%, that was heavily impacted. It is worth pointing out that aviation and marine accounted for less than 2% of gross cash profit last year. The performance of the rest of the business really demonstrates the strength provided both by our geographic diversification, as each country responded differently, but also our diversification by segment and end customer.

Johan Depraetere:

Moving on to the balance sheet, as you might remember, we started the year with a very strong balance sheet, which meant that we were able to weather the storm during the pandemic. We took the precaution of drawing down our RCF and pausing dividends to protect ourselves. Due to the strength of the recovery in H2, we were delighted to refinance our amortizing bank debt to our inaugural bond at an attractive rate and extended our debt maturities to seven years. This provided the flexibility to repay the RCF and has given us significantly more flexibility for capital allocation by removing \$80 million of debt repayments each year. This has enabled a change to the dividend policy, which I will talk later about. As you can see, even with the lower EBITDA during the year, our leverage remained below one time.

Johan Depraetere:

The next page shows the cash flow. There are a couple of points I'd like to highlight. First, I want to remind you that the 2019 cashflow number was flattered by the timing of working capital to the tune of \$111 million, which reversed in H1 2020, and clearly impacts both years. Aside from that, the impact of COVID is obvious in our lower earnings, but that did not stop us investing for the future with CapEx up year on year, primarily due to investments in growing the network and our Shining Shell program, which led to an increased maintenance CapEx. When I presented at the half year results, we showed a cash outflow of 146 million, primarily due to the working capital outflow from 2019. So to be able to show a positive cashflow of \$112 million for the full year really demonstrates the strength of H2, as we generated over \$250 million in the second half.

Johan Depraetere:

Looking to 2021 on the next slide, we want to provide some guidance to help you with modelling. We expect to see CapEx in line with last year, weighted slightly more towards growth as the Shining program is completed. Due to the opportunities ahead, we are aiming for 90-110 sites this year and expect to do more than 20 knock-down and rebuilds across the network. In terms of net finance expense, which includes more than just debt servicing costs, we would expect this to be broadly flat on 2020. As you saw, the tax rate fell significantly in H2, and we would expect it to trend lower in 2021 and move back towards '19 levels, which stood at 39%. We still target the mid-30s over the medium term.

Johan Depraetere:

Finally, on working capital, we are structuring negative, as you all know, and don't expect any significant movements, as we now have bilateral agreements in place in Kenya, which will limit the swings we used to have. We were very pleased that the strong performance in the third quarter enabled us to restart the dividend payment last year. We felt it was important to catch up the missed payment, as we want to build a track record of shareholder returns.

Johan Depraetere:

We're also pleased to confirm our progressive policy and a dividend for 2020 of just under \$50 million. As a management team, including Doug and the board, we have decided to upgrade our dividend policy for future years. This doesn't mean we are changing our focus. We are still very much a growth

company, and we'll continue to invest in capturing the growth opportunities that exist within our markets. But we believe that at the same time, the level of cashflow generated within the group and the balance sheet flexibility means that we're able to support a high level of shareholder returns. As such, we believe it is the right time to increase the minimum payout from 30% to 50% of attributable net income, and intend for future dividends to grow in line with earnings. This implies a significant step up in dividends going forward, without impacting our future growth ambitions.

Johan Depraetere:

Before I hand it back to Christian, just want to share a few personal words. As Christian mentioned, this is my last results presentation, as Doug will officially take over this week. I can happily say that he hit the ground running, and I'm very confident that the finance function is in very good hands. The last nine years have been an amazing journey and I'm convinced that Vivo Energy will continue to create value for all its stakeholders. I really enjoyed meeting all of you in the last three years as part of us going public and being public. Finally, I'd like to thank the board for their support, Christian for being a true partner, my team for their commitment and excellence, and all my colleagues for building a very special company. Thank you, and I'll hand it back to Christian now.

Christian Chammas:

Thank you very much, Johan. It has been a pleasure working with you. I think I can only wish you the best for the future and cycle all the way to Everest.

Moving back to the presentation, we have long had the vision of becoming the most respected energy business in Africa, and this guides our actions. Doing the right thing, having high standards for our people and contributing to our communities is a critical part of who we are, and we demonstrated this through the pandemic. We need to ensure financial strength to continue to deliver the essential products that our customers rely on and to invest to make sure we drive our core business forward and can respond to future changes from our customers and stakeholders.

And I think all of this comes together in our purpose, which will enable us to become the partner of choice, supporting our customers for the long energy transition across Africa. We are on an ESG journey. It is a priority for the business and the board. We have also enlisted the support of a trusted third party to help us on our journey, and we'll continue to talk and report more in the coming months and years.

Christian Chammas:

I think it is important to have perspective here. Fuels are an essential part of life on the continent. Electrification is decades behind Europe, and there are still hundreds of millions of people without access to electricity on the continent. Incomes are low and infrastructure is insufficient, and we provide an essential service to make sure people can earn a living every day, cook or just power their home. We are supporting the transition, but it is going to be slow and over many decades. Fuels will remain a vital part of our host economies and have an important role to play in helping the continent to develop.

Christian Chammas:

We are very aware of the impact we and our projects have on the environment, and are working hard on how to address our value-chain emissions. We currently have a five-layered approach, which incorporates our existing initiatives. We're already working to enhance our measuring and reporting, as well as looking at opportunities for us and our customers to reduce impacts through the new business model opportunities. In the short term, however, there are a range of initiatives underway to reduce our scope one and two emissions, as well as to start to manage our broader emissions. We are doing a lot of work around our scope three emissions, and expect to report on them next year.

Christian Chammas:

We are also making sure that we target some of our community investment toward projects that help our communities become more resilient against climate change. To demonstrate some of the work that is already underway, I want to spend a moment on Réunion. Réunion is a unique part of the portfolio as it is a French territory, and as such, is wealthier and more developed than our other markets. We have installed rapid EV charges at a number of sites, and our next step is to launch a further seven solar powered EV chargers that provide completely renewable electricity to EVs. These steps are helping to enhance the reputation of our business locally and are also reducing emissions. We are learning from these initiatives, and are using the island as a test bed for the transition to see what business opportunities we can use elsewhere in the network.

Christian Chammas:

As I have said, we have long integrated sustainability into our business in order to mitigate the inherent risks of our products and where we operate. This includes keeping our people safe, and we have demonstrated world-class safety performance against last year, but are also developing these peoples and giving them opportunity. Looking at the environmental side, I want to highlight how closely we manage the product we move. For every 10 million litres we sold, we spilled less than two litres. Just two. It is still too many, but gives you an indicator of how focused we are on the matter. Finally, strong governance really underpins our approach, whether that is on the compliance side or in guiding our longer term thinking. Earlier this year, the board formalised its oversight of our ESG and climate change strategies, and we're adopting TCFD with our reporting in as early a timeframe as we can.

Christian Chammas:

I want to take a step back and focus a little on our track record of delivering growth with this business. When we started in 2011, we had 15 markets and just over 1,250 sites. We have now grown this by 85% and expanded the network to over 2,300 sites in 23 countries. It is really important to understand that our returns still remain very strong, and the opportunity ahead of us is fantastic. When we review our investments in the last three years, which we do as part of our planning process to make sure we allocate capital effectively, you can see we are still making over 30% IRRs on new sites. This is significantly ahead of our cost of capital, and this is why we're so confident in the long-term potential of the business, as it drives volume and a better performance.

Christian Chammas:

I wanted to focus a little on Kenya this time, as it helps to demonstrate how we approach our business. Kenya is our second-largest market, and is very dynamic, with rapidly growing fuel demand. As you know, we have invested in a new ERP system, which, together with our automation project, means that we can see every transaction that takes place and then analyse this data to make decisions. During the pandemic, this information was invaluable, as it meant we could keep ahead of local restrictions and prioritise the sites that we're still seeing demand. We also made sure that all our sites were clean and safe for customers to come to and use our increasing loyalty program reach to keep close to customers, leveraging our ever increasing offerings to keep customers coming back. We also opened 20 new sites in the year, which is a major feat given the impact of COVID on face-to-face interactions and travel outside of Nairobi. Together, this led to increased volumes and higher market share as we extended our leading position in the retail market in Kenya.

Christian Chammas:

My final point is that whereas our market share by volume is over 30%, our market share by sites is just 7%. This demonstrates both the power of our organisation, our teams, and our brand to drive volumes. But also the fragmented nature of the market, which means there's a lot of opportunity ahead. Markets like Kenya underpin this chart, which highlights the stark difference between our markets and Europe and the pace change that will occur. We expect fuel demand to continue to steadily grow, driven by an increasing population, emerging middle class, and more consumer spending which should provide real tailwinds for our business for the decades to come.

Christian Chammas:

We aren't however, content to just ride demand wave. We want to continue to increase our market share and grow faster than the market. We will continue to grow on network both organically and through further acquisitions of dealer networks similar to the ones in Zambia and Rwanda. We also invested through the pandemic in upgrading our sites and enhanced over 300 shell sites, which will drive like-for-like growth across the network as restrictions continue to ease. We are looking to grow our convenience and food faster supported by the range of joint ventures, which are now have grown across our market, improving the offerings at our forecast, which will support the like-for-like growth and margins.

Christian Chammas:

Finally, we are making a push into cleaner products, whether that is LPG, or solar power solutions, that we can make sure that our customers get the products they need and are supported through the transition. This is all underpinned by the investments we continue to make into our IT infrastructure, which gives us real-time information and customer behaviours and financial performance, which allows us to stay ahead of the competition.

Christian Chammas:

All these actions together will enable the business to rebound strongly from 2020, and deliver what you can see on the slide. We are as excited about the future of Vivo Energy as we have ever been, and are looking forward to capturing more of the growth opportunity ahead of us. Thank you, and I would hand over now to Giles to manage the Q&A.

Giles Blackham:

Thanks, Christian. Operator, please can we move to questions from the line?

Operator:

Thank you. If you wish to ask a telephone question, please signal by pressing star one on your telephone keypad. Please ensure your mute function is turned off to allow your signal to reach our equipment. Again, press the star key, followed by the number one to pose a question. We will take our first question from Nick Stefano of our nation's capital. Please go ahead.

Nick Stefano:

Morning, guys, it's Nick from Renaissance Capital. Johan, I'd like to wish you farewell to your future endeavours. Thank you for the support. You proudly assessed our community over the years, and also pull that nice little farewell gift in the form of the dividend. That's really appreciated by investors. Doug, welcome to Vivo. Just, I put two questions to ask here. The first one is for Christian. It's a really complex philosophical question. Christian, it looks like you try to accelerate your growth plans in Africa versus before the pandemic. Now, we're talking about potentially, up to 110 sites in a year. I recall maybe a year ago, you are thinking more in the region of 80 to 100 sites.

Nick Stefano:

If I look at your main competitor, Total, if I'm not mistaken, you used to work with as well, they are doing the same. But I'm not sure about the rest of them, though. Can you maybe talk a bit about the competitive environment in Africa and how you see some of your competitors responding? That's the first question. The second one is, this one is for Johan. Johan, can you talk a bit about the Kenya agreement and the big swings that are now not going to be happening? What is the reason for that? Also, if you could make a comment on what Christian said about you going to Everest? Thank you.

Christian Chammas:

Okay, very good. All right, I'll answer the first question on our ambition to grow our focal business. We seize opportunities which bring what I would call contribution to Vivo Energy. It has to be new to Vivo because if it's new to industry dilutes our market share; therefore, we move our growth down that direction. In most countries, you have opportunities. Especially in the engine countries, we've done a lot of hard work in the shell countries since 2012. Things are becoming, I guess, more tight, but there are still opportunities. But the big, big opportunity is, of course, in the engine countries and we'll continue doing it and going for it as long as it makes sense and it has a good internal rate of return.

Christian Chammas:

Now, when it comes to competition, well, since we started being public three years ago and coming out with information like the one you know, I guess our competitors have opened the ears wide, wide open and they are closer to what we are doing. Some of them have copied. I'm not saying the big one where I used to work, but others have copied and are following the same path. But believe me, we're giving them a ride for their money and making sure that when we want something and it makes sense, we go

for it. I can say, last year, pandemic or no pandemic, we never, never slowed down and we continued our growth. Throughout the year that was there. Excuse me, another phone ringing. Therefore, we never slowed down. We told our teams, go, go, go, go when you can deliver. That's why we managed to deliver over 104 sites in 2020 with a pandemic that really slowed us down for at least two months. The potential is there. We will grab it a competition or no competition. I have no issue with that. Johan?

Johan Depraetere:

Thank you, Christian. Good morning, Nick. Under Kenya supply and tender system, as you know the swings were coming mostly from either winning or losing these standards. If you win a tender, you supply to all industry and then the other industry players would actually prepaid or bought cash on delivery for their products. Well, as a supplier, you get supplier terms, so what we've done is we signed agreements with quite a few of the players who tend to win a lot of tenders and put in place supplier financing with them so that we actually now are buying product on credit rather than prepaid them. That's really what minimised those swings in working capital. Then, just on Everest, no, I will not climb Everest, but I do cycle and I probably will, hopefully in the coming year, will climb a few Everest in terms of altitude. That's what I'm looking forward to really.

Nick Stefano:

Well, good luck with that and I wish you all the best.

Johan Depraetere:

Thank you.

Nick Stefano:

Christian, let me have a quick follow-up on that. It's not like you're accelerating or slowing down in any way your expansion in Africa. It is just the same approach before?

Christian Chammas:

Yes.

Nick Stefano:

It's just, I mean, just the same approach as before?.

Christian Chammas:

Obviously, no year is similar. In some years, we talked about Rwanda and Zambia. There were new opportunities that came. You don't necessarily have that every year. We don't plan for them. When they come with, so be it. It's good to have. But the run rate which we communicate, which is what we said, between 90 and 100 if I'm not mistaken, 110 I think, that is the run rate which we know we have in

hand and we will deliver in 2010. Now, if we do special deals like we did last year, that will come on top, of course.

Nick Stefano:

Okay, very clear. Thank you, guys.

Christian Chammas:

Thank you.

Operator:

Thank you. We will take our next question from Sam Bland of JP Morgan. Please go ahead.

Sam Bland:

Good morning. It's Sam, here. I've got two questions, if I can, please. The first is on the unit margin being quite strong in Q4. Could you explain how much of that was related to premium fuels? What's driving that sort of higher growth in premium fuels? How much more is that to go? Those kinds of things. The second question is, you talked about retail volume down 3% in the second half of the year. I guess on the other hand, the number of sites is up, sort of 4%. Do you sort of view the market as being down 3% or the market is being down sort of more like seven, roughly? Thank you.

Christian Chammas:

Johan, you want to answer?

Johan Depraetere:

Yes. Giles, I might ask you to step in because I don't know what we actually disclose on premium fuels. But I think two points on premium fuels. I think, performance actually, as you can see, was very strong throughout the year. Actually, you can see the elasticity and the impact from COVID was not there as we continue to push for that. As you know, the margin is significantly higher, even in places like Kenya, which is a regulated market, but where V Power is deregulated. I can say that basically in terms of, if you were to take that volume share, the share of gross cash profit is double that. That's a way to think about it. Now, clearly it's still a relatively small basis, but we do see growth and we expect this growth to continue and it's focus from each of the countries where we actually sell the fuel. Also, expand the network, because not all sites provide that product so we need to spend a bit of cap ex to make sure they have the right tanks to provide that. That is on premium fuel.

Johan Depraetere:

I think it's a good point on volume. It's a bit tricky because each market is different and we don't have yet the market numbers of how markets evolve throughout the year. But clearly what we're seeing is we're basically saying we're still quite negative on like-for-like, but we're actually compensating some of that loss through the new sites that we have added last year, but also besides we opened in '19.

That's the way we think about like-for-like, and hopefully we continue to get into the positive territory of like-for-like this year as the recovery continues. Giles, if there's anything to add on that?

Giles Blackham:

No, sorry, no. I don't think there's anything to add.

Sam Bland:

All right, thank you.

Operator:

Thank you. Our next question will come from George Pilakoutas of Numis. Please go ahead.

George Pilakoutas:

Good morning. Thank you very much. Just wanted to share a bit more on the acquisitions, and how many sites were acquired? Should we expect you to be focused on engine market going forward? And just generally, kind of how is that pipeline looking? Is there anything to see in the guidance for net sites opening for next year?

George Pilakoutas:

And then the second topic was on non-fuel retail. It sounded like there's been interesting strategic relationships going through the year. So I was just wondering if you could touch a bit on some of those. And then just a basis on how that network has gone through the year. Kind of mentioned there's been a bit of a shift to digital, and then also kind of how that pipeline is looking for the next year or two.

Christian Chammas:

Thank you. Giles, do you want to give the statistics, or the figures? Hello?

Johan Depraetere:

Giles, you're on mute.

Giles Blackham:

Sorry. The cardinal sin. So there were nine sites in Zambia. Eight of them are already rebranded, and there's one to come in 2021. And then Rwanda, it was around 13 sites. Again, not all of them are yet rebranded. So some will fall into 2020, and some will fall in '21. The other two small shell market acquisitions were a few sites here or there. So they were low single digits.

Christian Chammas:

So obviously, just to rebound on what Giles is saying, the market shares of our company, of our Engen markets, which we acquired two years ago now, were low. And we had clearly communicated from day one, that our strategy was to increase our market share, especially in retail, and bring it to the level that we used to have.

Christian Chammas:

And that is what we have embarked on. And we started with Zambia because there was an opportunity. In Rwanda, because also there was an opportunity, and we are carrying on in other countries. And we will bring that on board.

Christian Chammas:

In parallel, of course, there is going to be grassroots development, i.e. sites that we will develop by renting land or buying land and building on it. But that, as you know, takes a bit longer. So the dealer long-term lease or acquisition is a fast route and fast track, which enables us to develop, to acquire market share, to have market share, and to generate cash. And which enables you to fund your further development. And that is what we did earlier on, nine years ago, in the shell portfolio. And now we're reproducing that in the engine portfolio with success.

Johan Depraetere:

Maybe the second question, I can start, and Christian, jump in on the NFR. So yes, we continue to pursue these joint venture structures because, one, I think especially with Kentucky Fried Chicken, but also with some other partners. Because we realized a few years ago that they don't really ... If we don't strike these partners, our pace of expansion is too slow.

Johan Depraetere:

So by striking these deals, we take 50% ownership of that franchise in a country and help expand the expansion basically, or accelerate the expansion of the rollout. Mostly onsite, but also I think we have quite a few restaurants now, which are offsite because some of the acquisitions, for example, in East Africa I think half of the sites are of our four courts. And I think, Christian, do you want to add in the expansion going forward and the plans for this year?

Christian Chammas:

Yeah. Thank you, Johan. The ambition is the same this year. It's to use these joint ventures to expand the footprint. So every time we have, we mentioned 90 to 110 new sites, of course, every site will be looked at on all the offering that we can bring to the table in order to meet the demand on the request of our clients.

Christian Chammas:

So that is the first approach. The second one, we will continue looking for joint ventures in some countries in the east and in the west, or even in the south. We already have quite a few of them in place

and they are successful. And we found it a good accelerator compared to the previous model where we used to depend solely on third parties to decide to invest here and there.

George Pilakoutas:

Brilliant. Thank you very much.

Christian Chammas:

Thank you.

Operator:

Thank you. As a reminder, if you wish to ask a question, please signal by pressing star one on your keypad. Our next question will come from Jake Ward from Ashmore. Please go ahead.

Jake Ward:

Good morning, guys. Thanks, Nicole, and congrats on the results. I just kind of wanted to go back perhaps and follow on to a question asked earlier on, in the level of the gross cash unit margin in the second half. It's particularly strong. And if we're trying to focus in on the retail side, but that's the kind of finished in the mid seventies. Is it fair, given what happened in the first half suggests pretty strong performance in the second half.

Jake Ward:

Johan, I was just hoping you might be able to unpack that a little bit more. Issue in the premium fuels, was that all that was going on? Because presumably there may have been some short-term benefits from the recovery in the barrel price. Just be good to get a sense of how much of that you expect to be able to hold, i.e. the sustainable level going forwards.

Johan Depraetere:

Yes. Hi Jake. Good morning. So on retail, I think I'll get into your specific question. But as Christian said, 2020 was a year like no other, and, yes, Q4 was, as you said, kind of strong ending. But don't forget, in the first half, and especially in Q2, we were in the very low sixties.

Johan Depraetere:

So the average number is still a good number, slightly up from last year. So keep that in mind. And so it's been a real volatile year. I think in addition to the premium fuels, we're also, I think, seeing three other effects. One is, as we always say, in some of our markets which are regulated, the supply is actually deregulated and we're able to capture some of the extra supply margin. And unfortunately, we don't disclose where that happens, but it's wherever we can, we will push for that.

Johan Depraetere:

Secondly, in nine of our regulated markets of the 20, we were able to get margin increases. So we always say our unit margin is something we protect very carefully and it's resilient in terms of dollar against the depreciation. So that also helped to protect and make sure we don't have any erosion, and even potentially growth in that unit margin.

Johan Depraetere:

And then last but not least is, as you said, with the barrel, especially last year where it was, in our deregulated markets, we were actually, especially, not in the first half, but especially in the second half, because there was some supply disruption to capture a bit of extra margin. And this is across the three markets, so Morocco, Uganda, and Ghana. And this is clearly not something that is a structural change. It's just the opportunity of the disruption that happened last year.

Jake Ward:

Yeah, thank you very much.

Operator:

Thank you. As our final reminder, if you wish to ask a telephone question, please signal by pressing star one on your keypad.

Operator:

We will take our final question from Yaeesh Patel of SPG Securities. Please go ahead. Your line is open.

Yaeesh Patel:

Hi, thank you for calling the presentation guys. So leaning largely onto the first question that I had regarding the margin, but just some sort of an update on the regulatory environment in Morocco, understandably. And we acknowledge that obviously the contribution has decreased with regard to your EBITDA contribution. But just more specifically, if you can just touch on any updates regarding the potential fine please.

Christian Chammas:

Okay. I'll take this one, if you don't mind. Okay. Thank you for your question. Well, I think we updated the market about last time we had news on what was going on there. As of today, and since that date, there has been no new developments. So everything is quiet on the southern front. And we wait, therefore to hear more, and we have no indication of the when. So that's all I can really say today, and that is the case.

Yaeesh Patel:

Thank you so much. Are you expecting it to be resolved anytime soon? Or is there just no timeline to this?

Christian Chammas:

No, there is a commission that was appointed by his Majesty, the king. They are doing what they have to do and they will come back when they are ready, and we have no other information.

Yaesh Patel:

Thank you so much.

Christian Chammas:

Thank you.

Operator:

Thank you. As we have no further questions in the queue, I will hand the conference back to Christian for any additional or closing remarks.

Christian Chammas:

Okay. Ladies and gentlemen, thank you very much for attending our presentation and your questions. No doubt, Giles will continue answering more and more of your questions as we go along the week. We have meetings with quite a few investors this week and next week, and I'm looking forward to further exchanging positions or comments or giving more clarity to what you heard this morning. Thank you very much everybody, and see you soon. Bye, bye.