



# Q1 2021 TRADING UPDATE

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Bruno Krief (BK)

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**Coordinator:** Ladies and gentlemen, thank you for standing by and welcome to the Rubis Q1 Trading Update. At this time all participants are in a listen-only mode. After the speaker's presentation there will be Q&A session. To ask a question during the session you will need to press "star," "1" on your telephone. I must advise you that this conference is being recorded today and I would now like to hand the conference over to your speaker, Bruno Krief, CFO. Please go ahead, sir.

## **PRESENTATION**

### **BK**

Good afternoon and thank you for your time and interest in Rubis.

As always, I will first present to you Q1 trading, focusing on main points of current business development and thereafter you will have plenty of time to ask me questions.

As a reminder I am now joined by Anna Patrice and she is available as well post the call to answer your questions.

So back to Q1 trading update now: As you know and can read and see from all the news, COVID is still there. And we are comparing Q1 2021 with the same period last year when COVID and all the lockdown measures were only starting to take place. It is fair to say that COVID impact last year on Q1 was minimal as it started as you remember towards the end of March.

But as I often told you "we are not worried" as Rubis shows impressive resilience thanks to its business model: [*Multi segments/multi geographies/ highly fragmented end user base*] Q1 2021 I would say is not an exception and things are improving.

As usually I would not comment much on sales development as volumes and gross cash profit are most important.

If we take a global view – Rubis Énergie business – that is combined Distribution and Support & Services – is stable in terms of gross profit. While Storage, which is now accounted as a JV has an excellent start with 6% organic growth and coupled with Tepsa acquisition that brings us to 44% sales growth.

Let's look more precisely at Rubis Énergie:

Obviously aviation is still impacted by COVID and restrictions put in place. But adjusted for aviation, volumes are more or less flat, just 0.8% decline. This is a sequential improvement as you remember that in Q3 and Q4 2020 adjusted for aviation segment volumes were down 4%.

Of course there are differences in the regional development:

- Europe – stable volumes and improving margins. As you know this region is dominated by LPG and cold weather is always positive for the heating season.
- Caribbean – this is the region that is most affected by COVID as you know because of exposure to aviation and tourism. So volumes are down 14% but adjusted for aviation

decline is only 6%. And as a reminder last year started very strongly in Caribbean with +6% volume growth in Q1 2020. Now with the roll out of vaccination in the US we expect and witness the situation with tourism to gradually improve and support the region going forward. Haiti, still remains challenging accounting for most of the remaining decline in the region.

- Africa – shows very good momentum with flat volumes YoY and +4% increase if we adjust for aviation. Bitumen business remains very strong. And now we also see improving situation in Kenya and Eastern Africa with return to volume growth of the petrol stations. Similarly, margins continue to improve nicely.

Support & Services segment. Here the nature of the business makes that we do experience some volatility in volumes as you should get used to already, meaning that volumes are down 30%. But cash is king. And here product mix has led to excellent gross cash profit development with double digit growth.

And last but not least Rubis Terminal JV:

All countries and product segment have performed very well, supporting +6% organic growth. And we are very very satisfied with acquisition of Tepsa (storage facilities in Spain). As a reminder they have very interesting product mix with significant part dedicated to the chemicals and they also have exposure to biofuel. So we have very good underlying development at Tepsa and it supported overall Storage revenue growth of 44%. ARA zone was strong also (+16%). All in all, we enjoyed an occupancy rate of 96%

ESG becomes an important part of our business and communication. So I would like to highlight and remind three main points:

1. First of all, to remind you that we have communicated our objective of 20% reduction of CO2 emissions by 2030 and very important to note that the reference base year is 2019 so we don't take into consideration all the previous efforts done to decrease emissions.
2. Another important step as quite a few investors are asking about it – CDP questionnaire (carb discl. project). This is a significant amount of work. We have started this project last year and we should complete it in the coming months. So by the end of the year, you should have a completed CDP report.
3. And to be sure that all parties interests are aligned across all dimensions – including ESG or RSE – we are working on Rubis roadmap to implement RSE across all subsidiaries and countries. This roadmap covers 2022-25 and will become public later this year. And what is very important – implementation of this roadmap will be one of the criteria for the variable compensation for both Managing Partners and Top Management. So as you can see we are taking this issue very seriously.

Outlook: as you know we don't give detailed quantitative guidance. At the same time, it is important that you understand what should support our future growth. Of course, you do have M&A potential and we do have EUR1bn financial firepower. We do look at our core business but also at various options to enter the renewable energy sector in the geographies we are already

operating in. We remain quite strict regarding strategic and financial criteria but we don't exclude inroad/ new venture/ early stage projects representing promising concepts in the RE sector and having the attribute of niches.

And of course we are always looking for organic growth opportunities. Bitumen is one of the areas that provide huge potential in the long term given all required infrastructure works to be done in Africa. We need to do our homework already now to be prepared. You can see from the sales update and results that we are very well placed to further expand this business in and outside Nigeria and when conditions are met to duplicate this successful model in Eastern Africa.

Just a quick update on our development in Eastern Africa.

As you remember we took over the business that was underinvested over the past years. COVID has led to certain delays in the refurbishment programme. But we are back on track with 50 stations already done comprising Re-branding/Retail development improvement and focus on convenience retail and the rest to be refurbished in 2021 and 2022. First signs are very encouraging with material increase in throughput and we are also putting a special focus on non-fuel revenues potential in the years to come.

Voila, I think I covered all the main topics and to sum it up:

- We do see sequential improvement in volume development
- Margins remain strong and continue to improve
- As you know Rubis does have not only a rebound capacity but also several growth drivers – both organic and M&A and we have strong balance sheet to see this happen
- ESG is an important part of our thinking and everyday life
- Finally, April volumes won't surprise you if compared to 2020 but comparison with 2019 are very promising: +9% (excluding Aviation)

Now floor is yours for the questions you might have.

Thank you.

## **Q&A session**

### **1. ODDO**

Good evening Bruno and Anna also, few questions, let's go one by one if you want. Could you repeat your last point about volumes in April. Is it correct that they were up 9% in April 2021 vs April 2019 without aviation?

Bruno Krief (BK): Yes of course, because comparison between 2021 and 2020 does not mean anything. So that's why it is important to compare 2021 to a normal year and from that point of view we believe that 2019 is a normal year, without aviation of course. Aviation is a special case, it is improving, we are seeing in Bahamas, Cayman, in other regions, more and more American tourists, after vaccinations, are very in a hurry to leave the continent to take some holidays and to go the islands. So we are witnessing good momentum in aviation currently.

ODDO: And when you are talking about 2% unit margin improvement in retail, does it include the revaluation of inventories?

BK: Last year we also had losses of inventories, this year we have experienced over the past 4-5 months catch up in prices. So this is evaluation we made in constant structure. It does include revaluation impact in the last quarter, mechanically. But the difference is that last year the drop, was extremely violent in a short period of time while subsequently no turnover of inventories because of lockdown. Here (2021) prices have been increasing since I would say September, so it is more gradual with continuing inventory turnover reducing though the inventory effect.

ODDO: Could you please explain the positive mix you had in Q1 in Support & Services, how could it drive so much improved profitability?

BK: We are trading various segments of products: fuels, LPG, bitumen, among fuels – various sub-segments. And I would say that bitumen was very strong, LPG which is good margin product was also increased during the quarter. So these are among the categories that I presented to you, making the product mix profitable and that they more than compensated reduction in volumes. And at the end of the day you have a strong increase in margin, gross margin in Support & Services. You must be educated on Support & Services division. These operations are not as solidly established as in the Retail operations. Here it is trading, wholesale, there is no contracts, but you can take advantages of the opportunities in the market between [regions and products] the Caribbean, Africa, bitumen, and you can get some big volatility between volumes and margins from one quarter to another. Trading operators, like largest Vitol or Trafigura (we are not comparing to them, we are micro Vitol in this business), they had experienced very strong year and quarterly development...

ODDO: When do you plan to resume your share buyback programme? What do you need to do so?

BK: To make the story short – we launched the programme in January, you know that the AGM in December has voted for an 18-month period to consume this resolution. So the idea was to manage the momentum, to manage the operation of share buyback over that period. As we have explained we have done some 40% or 45% just in the first three months. So we will monitor the amount over an 18-month period. So I cannot tell you exactly when but you can make your own calculations we have more than 13 months to proceed with share buyback.

ODDO: Ok, thank you very much.

## **2. CIC Market Solutions (CIC)**

CIC: Good evening, Anna and Bruno. Thank you for taking my questions, there are couple questions I would like to come back. You mentioned strong margins in LPG, does this have an impact on your profits. There was a strong winter market in the US and this has impacted gas market very strongly in the US and I would like to know if it could have positive impact on your margins.

BK: This LPG business trading operations are focused mostly on the Caribbean region. You know that following the departure of big companies (they used to control the operations), they have left and today basically there are two operators in charge of trading and supply of the Caribbean islands – Parkland Fuel, after they took over SOL, and Rubis. We account probably together for 80% of the total supply of the whole region. So this is where we are. Of course price volatility

can impact the operations. But I would like to highlight something – we never take bets or speculative positions in the Support & Services division, and it is always back to back. When we purchase a cargo of LPG or fuel, it is already back to back with the end customer. So this is the key element for everybody and for Rubis it is crucial not to take bets or risks in this kind of operations.

CIC: You mentioned aviation business, or maybe you had already early vision when it could start already in Caribbean region, or when the US can start to reopen slowly.

BK: How do we see momentum in aviation in this region? Not easy to answer. In recent weeks we witnessed more demand and April is clearly on this direction. And we know that orders from tourism, from the US continent is stronger and stronger. So we are optimistic that tourism will catch back and along with that demand for the aviation.

### **3. Kepler Chevreux (KEPLER)**

Kepler: Yes, good evening, couple questions from my side. Sorry for making you to repeat, but what did you refer to when you mentioned 9% increase in volumes in April? Is it for Caribbean or for the group as a whole?

BK: It is for the group as a whole...

KEPLER: So this is for the whole group excluding the aviation?

BK: Yes, correct, right.

KEPLER: All right, thank you very much. On the first page of the French release you said 7% pro-forma increase in Rubis Terminal business, is it referring to gross profit or EBITDA?

BK: it is not referring to gross profit or to EBITDA, but to storage revenues. But as you know in the Terminalling business the storage revenues is equivalent to a gross margin as it is a fixed cost business.

KEPLER: Ok, thank you. And on African business of the Rubis Énergie – I am quite surprised by strong volumes on Q1, what is driving this quick rebound?

BK: We have experience some there are some restrictions here and there. But we have strong bitumen over the quarter and this is in continuity of what we have experienced in the previous quarters, we are gaining market share. Retail network is also improving, we are now in positive territory regarding African service stations. I would say that lubricants are also marginally doing better. So this is where we are doing better and have most of the benefits and have increase.

KEPLER: Thank you and last question from my side on Terminalling business. There was a very pronounced backwardation business, do you expect negative impact on your Storage business in H2?

BK: We had an advantage last year of strong contango period and we have secured long term contracts - we have secured contracts beyond 2020 and in some circumstances beyond first half 2021. I would say also that business is also fuelled by import and export to Iraq. Iraq needs gasoline and has to export/ evacuate some heavy fuels. This part of the segment is not exposed to contango. If I am clear. We are also working on developing the depot towards the local

supply for local distributor and this will translate into additional part of the business in the coming months.

KEPLER: Thank you. And one further follow up question on share buyback programme. Was it regulator constraint or was it your own decision to put share buyback programme on hold?

BK: It was our decision to monitor the momentum of the share buyback over the period which has been settled over 18 months. And if we kept the same momentum it would be over just after 6 months. We have to manage the along share buyback our acquisition strategy and so that's why it was formatted and resolution is on 18-month period. It is important for us to monitor that in view of our strategic development. And we were because of regulation we cannot advice the broker who is in charge to reduce or increase the speed of the purchase. We just had to stop it and then put again in place when we decide but within the period of 18 months.

Operator: We have follow up from **CIC Market Solutions**

CIC: Yes, actually could you please comment on the situation on Haiti, when we listen to the news it is quite chaotic. I was wondering what you were doing or hearing there?

BK: I can confirm that it is chaotic and it is chaotic for some time now. This is time we took some decision on value and accounting last year. It is important that there is agenda for new elections and current president accepted to play the constitutional game and there are plans for February next year. We believe that there will be some pressure from various parties and bodies, including USA, IMF and various international bodies, to secure and make that the new election brings new and proper government in the country. After all this is the country with 10m population, where 40% of GDP is coming from diaspora mainly located in the US and send money to their family. We are selling fuels, energy, LPG, nevertheless the demand is there. So we have to believe beginning of next year there will be a new chapter in Haiti. And as you know we are by far the leading operator in the country and we believe the things will be again gradually in order.

CIC: Ok, thank you very much.

Operator: This was your last question, Sir.