



# **Rubis Q1 2023 Trading Update**

Thursday, 4<sup>th</sup> May 2023

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Thank you, Nadia, and good afternoon, ladies and gentlemen. I am Bruno Krief from Rubis, and I am talking to you with Clémence Mignot, already introduced, our Head of Investor Relations. So we will together present to you this quarter and then the Q&A session.

So, you received a few minutes ago, I believe, a very detailed PR providing you with a full set of data and very in-depth information on the quarter. I won't go over it, but I will just give you a short summary and try to provide you with some colour on the past three months.

So first, you have noticed stable volumes in the Retail & Marketing, and while almost 50% increase in volumes for the Support & Services operations, it is fair to say that the Retail & Marketing has been challenged by a strong 2022 basis.

We also note a large increase in gross margin during this quarter, by and large, you will note, and this is developed in the PR, an adjusted increase of 10% in gross margin, in gross amount in million euros, and a 2% increase when including some potential forex exposure in Africa during this quarter. And this clearly in the Retail & Marketing operations, while in Support & Services, gross margin has recorded an advance of 64%.

For sure this achievement has been facilitated by lower fuel prices index both year-on-year, 3-5% decrease, but accelerating in Q1 versus Q4 with statistics showing an 18% reduction in price quotation.

I would underline that the Caribbean region has managed to improve further its gross margin by 18%, thanks to optimisation of its logistics and managed to access to competitive supply.

When taking the additional margin, which has been generated, both at Retail & Marketing and Support & Services, so on the cumulative level, we found Rubis with an additional gross margin production of a bit more than €30 million, €31 million precisely, which compared to Q1 2022 gives or shows a 15% increase.

This performance is helping us to more than cover inflation costs that we are facing as you know here and there. These are fundamentally the reason why we can state that the company model is particularly solid.

It is also interesting to note how the model has behaved over the past three years. I would qualify of years of risks, uncertainties, and big challenges in the emerging countries in Africa or the Caribbean in terms of GDP developments or threats in purchasing power caused by inflation.

But taking together the core part of the business supposed to be, I would say, the most resilient, *i.e.*, the sum of LPG plus petrol station volumes, which together do represent some 60% of total volumes of Retail & Marketing, we have shown again and again a formidable resiliency, if we compare these volumes together, again, LPG plus petrol station in '23 versus 2020, we are +4%; if we compare '23 versus '22, +2%. And you are well aware, relative to the risks and relatively all those economies have experienced over this period.

In one word, Rubis matrix of niche markets, diversified by geographies, and its mix of B2C and B2B customers make it extremely solid.

This was general comment on Rubis Énergie. Regarding our JV Rubis Terminal, nothing to say but a buoyant activity during this quarter, and the simple increase in rental revenues of 16% speaks for itself. So very good positioning. And you will see the comments on the PR.

On the new energies and more specifically the photovoltaic business, we are in line with expectations with an 8% increase in the secured portfolio, while the development of the pipeline was up 6%. I must underline that the development theme has been boosted since last year. Very busy, and it also includes a dedicated team to work on the development of growth.

I would simply deliver to you again that, given those numbers and in terms of volumes and profitability, we are in the position today to reiterate our trust in generating an increased net profit for the full year, of course, adjusted for goodwill impairment, which was recovered last year.

So, these are the main developments I would like to talk to you about. And I suggest we start the Q&A session, given that you have had some time before to review. I know it's quite long and in depth in terms of information that Clémence and myself are pleased to review it or to bring any clarification. Thank you.

## Q&A

**Operator:** Thank you, sir. As a reminder to ask a question, you need to press star one and one on your telephone and wait for your name to be announced. To withdraw your question, you can please press star one and one again. Once again, please press star one and one if you have any questions or comment. Please stand by while we compile the Q&A roster. This will take a few moments. Thank you. Once again, please press star one and one if you have any questions or comments. Thank you. We are now going to proceed with our first question. The questions come from the line of Emmanuel Matot from ODDO BHF. Please ask your questions. Emmanuel, your line is open.

**Emmanuel Matot (ODDO-BHF):** Good evening.

**Bruno Krief:** Good evening, Emmanuel. Yes, I'm there.

**Emmanuel Matot:** Yes. Do you hear me?

**Bruno Krief:** Perfectly.

**Emmanuel Matot:** Yes, you can hear me.

**Bruno Krief:** Yes.

**Emmanuel Matot:** Three questions for me. Maybe can we have an update on the situation in Haiti first? Have you seen some improvement or not at all? And are there some further risks of goodwill depreciation in that country for Rubis?

Second, you are mentioning first development of Photosol outside of France in Q2. Does that mean that you have been successful in finding partners to promote that business? Or are you going to do everything, I mean, organically without any partners?

And third, maybe about M&A. How is the pipe for acquisitions regarding Rubis Énergie? Do you have some opportunities or not at all? Thank you.

**Bruno Krief:** Okay, these are good questions, which are encompassing the objectivity of the Group. Haiti, I will be short. It's stability in the cost, and no specific news compared to what the recent comments last March when we disclosed the full set of results. So, this is where we are. And it's true to say that volumes were down during the first quarter by some 40%.

The good news is that the unit margin was increasing. So that's out of lower volumes. So, this is where we are today. We don't have more visibility on 4<sup>th</sup> May compared to when we talked to you last 16<sup>th</sup> March. This is where we are.

Regarding Photosol, this is true that we have started looking at developments abroad, and as I presented to you, we have a dedicated team to look at that. We are looking at Spain and Italy currently, and in Spain, we have put in place an agreement with a developing team. And we have set up a sort of partnership with local players to work on the Spanish operation.

So, the routes that we have chosen is not to purchase tickets, new tickets, purchase a company with the associated goodwill and cost, but it's more partnering with local specialist entrepreneur involved and with a good experience in the development of pipeline and we have an agreement to remunerate them with various milestones.

So, this is when we have effective results, effective, which are the milestones showing that they have delivered and that we can pay for the work we have achieved. So this is the route we have chosen.

We are also looking at developments on the Italian peninsula. And for that, I've been invited to a data room to look at portfolio of operations in an early stage. So, we are in the course of valuing these operations and see how we can operate and go along with the construction of this pipeline.

So, this is where we are. So no purchase of company but partnering with existing player on the development side.

Last question was M&A in general. I must say, and you are witnessing this like us the market is for M&A, I put aside the photovoltaic business. But I think you were referring to the historical business, the fuel distribution. It's dry. It's quite dry currently. There must be a sort of simplicity, but we are in the low activity cycle probably in terms of M&A in this sector.

Nevertheless, you know that we have reached a certain critical size in all the countries we are present in. So it doesn't jeopardise whatever ideas of existing position. But of course, if there are some opportunities to complement or to enter new geographies in our neighbourhoods, we will seize those opportunities. But these days it's very dry.

So, this is, Emmanuel, how I can answer your question.

**Emmanuel Matot:** Thank you very much, Bruno.

**Operator:** Once again, ladies and gentlemen, if you do have any questions or comments, please press star one and one on your telephone and wait for your name to be announced. Thank you. We are now going to proceed with our next question. And the questions come from the line of Alexandre Letz from Gilbert Dupont. Please ask your question.

**Alexandre Letz (Gilbert Dupont):** Yes. Hello. Can you hear me?

**Bruno Krief:** Yes, perfectly.

**Alexandre Letz:** Okay. Hi, everyone.

**Bruno Krief:** Hello.

**Alexandre Letz:** I had two questions. The first one would be about Photosol. I was wondering if you could give us the sales growth on a year-over-year basis just to compare the fresh evolution.

And the second question would be on the outlook, just to understand the hypothesis on which it is based. And basically, I was wondering if you were expecting the same growth in adjusted gross margin and a kind of 10% gross and adjusted gross margin in the coming quarters, or if you expect to slowdown in this pace?

**Bruno Krief:** You mean Photosol again?

**Alexandre Letz:** No for the global company.

**Bruno Krief:** For the company in general, okay.

**Alexandre Letz:** Yeah.

**Bruno Krief:** Clémence, you want to answer on the Q1?

**Clémence Mignot-Dupeyrot:** Sure. I understood perfectly your question about Photosol.

**Bruno Krief:** Q1 last year.

**Clemence Mignot-Dupeyrot:** You wanted year-on-year, Q1 last year?

**Alexandre Letz:** Yeah.

**Clémence Mignot-Dupeyrot:** So Q1 2022. –

**Bruno Krief:** Since it was not consolidated –

**Clemence Mignot-Dupeyrot:** It was not consolidated but the revenue I have here in my figures are about €6 million revenue.

**Alexandre Letz:** €6 million?

**Clemence Mignot-Dupeyrot:** Yeah. Does that answer your question?

**Alexandre Letz:** Yes. And how many megawatts installed?

**Clemence Mignot-Dupeyrot:** Let me check and come back to you.

**Alexandre Letz:** Okay.

**Bruno Krief:** I'm not sure I catch perfectly the second question. Can you repeat that?

**Alexandre Letz:** Basically, my second question was, do you expect the adjusted gross margin to keep growing at 10% in the coming quarter, like it did in the third quarter of 2023? Or do you expect that slow down?

**Bruno Krief:** 10%, it's an adjusted number as the number, which is more colour, is the 2%. The 2% is taking the adjusted number of 10% and incorporating the potential forex losses notably in Kenya, as you know, Kenya is in a sort of currency crisis currently. So we have

some potential losses, which are in the P&L, but, of course, below the margin and EBITDA at the financial results.

And as a specialist, you had the opportunity to look at the 2022 accounts. There is a sort of discrepancy today between the margin or the numbers at the EBITDA level, and the forex elements. So that's why I prefer to giving you the full picture and incorporating, to some extent, the potential forex impact within the gross margin.

So, you have here 2%, which takes into consideration the forex risk fully and it shows, again, as this kind of resiliency of the gross margin. We can come back to the fundamental of Rubis. It's a way to show again, the stability of the gross margin. So that's why don't expect the 10% to be renewed. We have never experienced such volatility in the gross margin.

**Alexandre Letz:** Okay.

**Clemence Mignot-Dupeyrot:** I have found the production at the end of March 2022. For Photosol, they were 313 megawatts.

**Alexandre Letz:** Okay, thank you very much.

**Operator:** Once again, ladies and gentlemen, if you do have any questions or comment, please press star one and one on your telephone. We are now going to proceed with our next question. And the questions come from the line of from Ryan Dean from Elite Projects. Please ask your question.

**Ryan Dean :** Hi. Good evening. I just wanted to ask about the economic situation in Kenya and the effects that were possibly having on your business and are you having any issue with payments from the government, in your receipt of money in the current quarter and how you see that progressing?

**Bruno Krief:** No, in Kenya, we are in the situation where, as stated, volumes are growing steady as a result of the programme of renovation and restructuring of the network. So fundamentally the business is there, the customers are there. Then you had last year long periods of price, capped price by governments. And in front of that government has put in place a mechanism of subsidy to compensate for the loss for the petrol per litre.

This subsidy has been paid gradually and still being paid, and at the same time and along with the retreats in oil prices, the cap in price now has been cancelled. So we are quite close to the market price in terms of regulated prices. So, we are not facing further the problem we had last year. And as you know, we have been facing some currency losses last year, given the application or the non-application of the regulated formula, but the industry and the petrol distributor as a whole are on the verge of finding an agreement with the Kenyan government to retrieve this loss, which is specifically linked to the forex to the precision of the shilling versus the US dollar.

So, we are confident. We are really confident that we will get to an agreement with the authority quite soon, the same way we were confident last year to find an agreement in Madagascar with the government and we signed a protocol, as you know. So, this is where we are.

You know also that the Kenyan government very recently has put in place a new regulation making that the petrol distributors will pay for their supply in shilling rather than in US dollar.

So this will put less pressure on the US dollar demand and should be easier a bit the situation. So at least over the next six months. But then for the future, fundamentally the forex risk has to be paid by the customer to some extent, and never by the petrol distributor.

So, the government is conscious of that. That's why, of course, we are close to find an agreement on the past losses, which we should find an agreement by the end of this quarter. So, we are confident that the government is working seriously on the interests of both the customer and the petrol distributor.

**Ryan Dean:** Thank you.

**Operator:** We are now going to proceed with our next question. And the questions come from the line of Jean-Luc Romain from CIC Market Solutions. Please ask your question. Hello, Mr Romain, your line is open.

**Jean-Luc Romain (CIC Market Solutions):** Good afternoon. My question relates to Guyana where you have started to develop organically. Do you hear me?

**Bruno Krief:** Very well.

**Jean-Luc Romain:** Do you hear me?

**Bruno Krief:** Yes. We are there.

**Jean-Luc Romain:** Hello. Okay. My question relates to Guyana.

**Bruno Krief:** Yes.

**Jean-Luc Romain:** And I was wondering if what the growth is, and have you started to develop organically there? You are seeing some opportunity for complementary acquisitions there. That's my first question. And my second question is on bitumen. Is there a seasonality element in the 11% decline?

**Bruno Krief:** Okay. Relative to Guyana, Rubis has been present in these countries for years. I mean, since we acquired this business in 2011. So, it's a place where we have a stake, solid business. We are present in LPG distribution, so we do supply the market. We are present in supply in petrol station.

So, it's – the country as a whole is a significant contributor to the profitability of our operation in the Caribbean. That's what I can say.

Over the past five to ten years, we have been active in this country. We see also how the country has been changing, the oil exploration and production and the new production of oil has made the country very active now in petrol production and it has helped also the payment balance of the country.

So we are in a situation, where there is money, there is products because of this new production of oil will translate into, of course, some refined production. So we may also see how to develop further in Guyana.

If you want to talk on bitumen?

**Clémence Mignot-Dupeyrot:** Bitumen is, yes, of course, impacted by the seasonality and the rainy season. What happened especially this quarter was not necessarily related to rain but more related to elections in Nigeria, where the elections took place, if I remember

correctly in February and the take-up of the activity after the elections was quite slow as the new elected government has taken some time to take decisions. But now it looks like it's starting to come back.

**Jean-Luc Romain:** Thank you very much.

**Operator:** We are now going to proceed with our next question. The next question comes from the line of Guillaume Muros from SG CIB. Please ask your question.

**Guillaume Muros (SG CIB):** Yes, hello. Can you hear me?

**Bruno Krief:** Good evening.

**Guillaume Muros:** Yes, gGood evening, Bruno and Clémence. I have two questions. The first one was – sorry, because I got disconnected during the call. So perhaps this question has been already asked. But the first one is on unit margins. And first off, can we expect you to keep on communicating unit margins on a quarterly basis?

And second question on unit margins as well. How should we think of unit margins going through the year, looking at the, let's say, deflationary environment for oil prices? How are governments in regulated markets acting with regards to readjusting their prices? Should we think of a positive comparison basis for unit margins over the course of the year? That's my second question.

And my third question will be on Photosol. Could we have the, let's say, broad financial terms and conditions for the new syndicated loan that you have issued a couple of weeks ago? And what is today Photosol leverage? Basically how should we think of Photosol leverage today? Thank you.

**Guillaume Muros:** Okay. Maybe you want to say a word, Clemence, for the unit margin? Because you provide –

**Clémence Mignot-Dupeyrot:** I'm sorry, not perfectly understood your question. You're asking whether we will communicate on unit margin.

**Guillaume Muros:** The first question is that, yes, I mean, you started communicating on gross margins this quarter. Is this something that we should expect going forward or not?

**Clémence Mignot-Dupeyrot:** Yes, we will try to keep the same type of communication going forward.

**Guillaume Muros:** Okay. And then the second question is how should we think of margins – unit margins over the course of the year, particularly considering the deflationary environment in oil prices? Basically, how governments in regulated markets and have actually non-regulated markets kept the same prices as 2022? Is there a lag between the, let's say, changes in COGS and the changes in prices for your – for the fields that you distribute or not? Should we think of a positive comparison over the year?

**Bruno Krief:** So, inflation is not automatically taken into consideration in the price regulation, but it is more a question of petrol distributors to negotiate with the various minister of energy in each country to explain and view the necessity to incorporate the increase in prices and inflation costs. So this is one thing.



Secondly, I would say that even when there is, in a country, price regulation, the price regulation focus, as you know, mainly on the petrol station or the gas cylinder, the LPG cylinder. But all the rest of the segments are free, like aviation, C&I, lubricants, of course, bitumen, whatever.

So, as we commented previously, we told you that we were in a position to supply at a more competitive costs in fuel in the Caribbean region. And this has helped to cover some inefficient costs we may have had over the same period. So this additional margin we made has covered most of the inefficient costs through the parts of the products, which are on a free setting system mechanism.

But the rest has to be periodically discussed. There are permanent discussions with the authority to explain, that we are exposed to some additional cost, it could be inflation, or it could be, for instance, the cost of funding the working capital because of a situation where the oil prices are increasing. And so, we make them understand that they have to incorporate an additional element in the formula. And I would say it works. It worked over the time, we have been in this activity for past 30 years, it does work.

**Guillaume Muros:** Thanks a lot, Bruno. It's just – because I was perhaps not very clear. Historically, you have been communicating that when oil prices go slightly down on year-over-year basis, you do benefit from this environment, because your prices have a certain lag.

**Bruno Krief:** Correct.

**Guillaume Muros:** And I was wondering as you communicated at the beginning of the press release that oil prices and hence your input costs are going down, if they should have a positive effect going down the year of 2023.

**Bruno Krief:** You are right. We are taking advantage of this situation, which is in favour of the distributor. So clearly, you have noticed in the Caribbean region, strong increase in unit profits. This is an example of how we can take advantage of that. It is true also in Continental Europe, where we took benefits of the lower LPG prices.

So, this is what we can describe as the parachute effect. But then it lasts for some time and then, of course, there is a sort of return to normal. This is how the market does look. But fundamentally, yeah, lower oil prices, if we have to choose, is the best configuration for us.

**Guillaume Muros:** Okay, thank you. And my question on Photosol please on the – basically the news was quite unexpected.

**Bruno Krief:** No, it's the market's rating. You have Euribor at the time was sort of 2.4 or 2.6. And you add to that the margin so if at the level of Rubis Énergie, we tend to pay sort of 100, 120 basis points, in the photovoltaic or new energy companies, it's a bit more than that, close to between 200, 250 basis points. So, at the end of the day, you have a total all-in-cost of sort of 4.5%.

**Guillaume Muros:** Okay. And it is comparable with the rest of the leverage from Photosol?

**Bruno Krief:** This is a new funding that we have put in place at market price, but regarding the existing debt, which is in the SPVs, so all the €360 million of debt, which are funding the CapEx on a very long-term basis, the interest rates cost was swapped already.

So, we kept the level of between 1.5% or 1.9% all-in for the existing debt. So it doesn't increase in interest rates. It doesn't affect the existing interest charge on the existing SPVs, do you understand, because it's hedged.

**Guillaume Muros:** That is very clear. Very clear. Thank you for that.

**Operator:** We have no further questions at this time. I hand back the conference to you for closing remarks.

**Bruno Krief:** Okay.

**Clémence Mignot-Dupeyrot:** Well, thanks everyone. We remain available, if you have questions. Do not hesitate to reach out to us. And we'll be happy to see you soon. Bye-bye.

**Bruno Krief:** *Merci.*

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