



Rubis Q3 & 9M 2023

Trading Update

Tuesday 7 November 2023

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Q3 & 9M 2023 OVERVIEW

Bruno KRIEF

Thank you, Sharon. Thank you. Good evening, everybody. I am here with Clémence Mignot, Rubis' IR, and we are very pleased to be together and bring you some news about Q3, as promised. You have probably had the chance to already read the documentation and press release, and have noticed that we experienced excellent operational performance, across the board: from Retail Marketing to Support & Services, the Renewables business, and Rubis Terminals.

We are very pleased with this good trading update. I will not dwell too much on the figures.

- In Retail & Marketing, we experienced a 2% increase in gross margin and a 7% increase in volumes.
- Support & Services made a very strong contribution, up 14% compared to Q3 last year;
- In Renewables, we saw good progress as regards the construction of our assets, as attested to by: the very strong score received during the CRE call for tender, which resulted in Rubis Photosol being awarded 257 Mw; and the start of work on one of France's largest photovoltaic projects, at the former military airport of Creil, where the project is to be completed within the next 18 months.
- At the same time, Rubis Terminals has experienced a very strong increase (41%) in rental revenues, such that cash-flow and all the figures down to the bottom line are positive.

All of these trends make us comfortable in the guidance we issued recently, in September. I believe that you will hear many figures and details from Clémence, who has put together a complex matrix, including the geographies, segments by products and margins by products. I will leave you with her to shed light on that, and will return for the Q&A.

Clémence MIGNOT-DUPEYROT

Thank you, Bruno. Hello, everyone. I am very pleased to be with you today.

Let us enter the details of our operating performance in Q3.

Let us start with the Retail & Marketing activity, where we like to split the business into products and look at its different "legs".

- LPG performed well, with an increase in volumes, and stable margins. Most of the growth came from the Bulk business in Morocco, and in Portugal.
- In the Fuel business, we have discussed previously the service stations in Kenya, which are now being deployed again. The programme has almost been completed. It is delivering as expected, with an increase in volumes. Unfortunately, as you are aware, the prices of crude oil have risen over the recent months. We are thus suffering a bit on our margins, due to the parachute effect, with which you are probably familiar.
- In the Aviation business, we are catching up quite well in Kenya, also, after a difficult Year 2022. We have returned to 2021 levels, in terms of both volumes and margin.
- Bitumen is also catching up, after a difficult start to the year. Nigeria is resuming and, although the rainy season has begun, the catch-up is quite good. Foreign exchange continues to be of importance in Nigeria, a subject to which we can return should you wish. The operating performance is in line with our expectations.
- The Support & Services business was boosted by two new LPG vessels purchased at the start of the year, and is delivering better than expected.

If we move to the Renewables business:

- Q2 and Q3, as you probably know, are traditionally the quarters in which we post the highest sales, due to the greater sunshine during this period.
- Assets in operation were up by 7% year-on-year (i.e., compared to Q3 last year).
- Looking at the total Secure portfolio, it now includes the project in Creil, for 200 MW, and has increased by 34%, an achievement of which we are quite proud. It gives us great confidence in our ability to reach the 2030 targets disclosed last quarter.

Overall, this quarter was a very nice one in terms of operating performance, and we are fully confident about meeting the full-year 2023 targets we have set out.

I hope to have gone through most of the topics. I am now ready to take your questions, with Bruno.

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QUESTION AND ANSWER SESSION

Emmanuel MATOT, ODDO BHF

Hello, Clémence, hello Bruno.

First question, do we have to expect further Forex losses in H2, or not? I remember that the situation had returned to normal in July, but you referred to volatility in Nigeria. I would like to understand.

Bruno KRIEF

Yes. It is a good question. You deserve an update on Forex, which was very costly in the First Half, resulting in 65 or 70 million in gross losses. The net figure was lower, perhaps around 45 million. At that time, we stated that, following the devaluation in Nigeria and the various decisions we made in Kenya, we would be less exposed in the Second Half of the year. I am now in a position to say that this was and was not the case – more the former than the latter.

Specifically, the currency continues to slide, depreciating by 6 or 7%. That being, the French management adopted a position that enabled the impact of this decrease to be much smaller than in the First Half, considerably reducing the exposure to the US dollar at the local level. These measures were applied between 1st January and end-June. Thanks to this, our exposure has been much lower, in Kenya.

In Nigeria, the devaluation or new exchange rate valuation system has not brought about any improvements in the situation: the naira has continued its desperate slide versus the dollar (1300:1), when at end-June or end-July, one dollar was worth 800 or 900 naira. Nonetheless, we have been able to reduce this exposure, primarily by passing the Forex difference on to the customer. This has been more automatic. The customer, of course, has no choice; it knows, as we do, that the currency is sliding. We automatically pass this effect on in the price of bitumen, but converted into dollars.

Thus, taking into account all these factors, while fundamentally the situation has not improved (volatility, sliding currency), our exposure to the risk has very likely been reduced. That is why we are in a better situation than in the First Half.

Emmanuel MATOT, ODDO BHF

OK. Thank you. Secondly, coming back to Nigeria and the bitumen business: I have read one or two press articles mentioning that the federal government of Nigeria is pushing for road construction no longer in bitumen, but in concrete pavements. Do you confirm this?

Bruno KRIEF

I confirm. I confirm that some ministers in the country, who have good friends in the construction and cement production sectors, have recommended no longer building roads in bitumen, and instead, in concrete and cement. We can understand their position. The “small” problem which they have not taken into consideration is that concrete construction costs twice as much as bitumen.

Regardless of the country, whether Nigeria, France or any other, it can create problems when, for the same number of kilometres of road, the budget has to be doubled. Insofar as we have a very constructive government, it has ordered the creation of a special committee to study the point. It will come back to industry with the conclusions.

This is where we stand presently. Most definitely, it would be impossible to change the entire road construction plan overnight, to shift to concrete: the input, materials, machines and expertise required are all lacking. Such a shift could be implemented over the next two to three years, and even then, incrementally, starting at 5% and moving to 10%, 15%, 20%, etc. If that were to be the case, we could live with it.

However, as you are aware, the implementation of concrete would result in much higher total building costs. In my view, the Government will come back to us very quickly, and back to bitumen roads – nice bitumen roads. This is our conviction. The debate remains open, however.

Emmanuel MATOT, ODDO BHF

Great. OK. I have one last question, as a matter of curiosity. I see in your list of “Next Events”: “Annual Results 7th of March”, and also “Capital Markets Day 2024”. Does this mean that you plan to release a roadmap next year, with long-term financial targets? Is this something on which you are working currently?

Bruno KRIEF

That is a good question, but it is one better directed towards our Head of IR. She is in front of me. I will let her explain our plans to you.

Clémence MIGNOT-DUPEYROT

Yes, although it is still early, we are working on medium- and long-term targets with which we would like to provide the market. We are working on defining the KPIs taking into account market expectations. We are striving to make them as precise and in line with your expectations as possible.

Emmanuel MATOT, ODDO BHF

OK. Is there a specific date already available for this Capital Markets Day?

Clémence MIGNOT-DUPEYROT

It will be around the summer: the decision has not yet been made as to whether it will take place before or after.

Emmanuel MATOT, ODDO BHF

OK. Thank you very much.

Jean-Luc ROMAIN, CIC Market Solutions

Good afternoon. My question relates to the unit margins in Africa and the Caribbean which were lower than previous quarters. Is that only a price impact, or the famous parachute effect to which you referred? Is there perhaps also a less variable mix in terms of the types of products delivered?

Clémence MIGNOT-DUPEYROT

Both of those factors played a part. There is of course a parachute effect, i.e., a bit of a lag on the margins in all the areas where we introduced fuel products. In the Caribbean in particular, we explained that Guyana was very strong. The biggest part of the business in Guyana is B2B, where margins are lower than in the Retail business.

Jean-Luc Romain, CIC Market Solutions

I am afraid I did not understand. Could you repeat the product type in Guyana?

Clémence MIGNOT-DUPEYROT

Most of our production in Guyana centres around our C&I factories and Aviation.

Jean-Luc Romain, CIC Market Solutions

OK. Thank you.

Mourad Lahmidi, BNP

Good evening. I have two questions. The first pertains to the Support & Services business. Could you provide the gross profit evolution including the SARA? I don't know if you touched on that; perhaps I did not catch it.

The second question has to do with your full-year outlook, especially as regards Forex. I understand from what you stated earlier that you will incur additional Forex losses in H2, but that these will not be as high as those incurred in H1. Is this correct?

Bruno KRIEF

Yeah, that is correct. The Forex exposure was what it was during the First Half, amounting to around 55 million net in losses. That is not the kind of figure which one can erase in a single day. We had expected it to be much lower.

Regarding the SARA, we never publish the interim figures between the First Half and the Full Year, simply because we do not have the full balance sheet in hand. As you are aware, SARA has a very specific positioning in terms of earnings, because it is regulated. Specifically, the net profits after tax are regulated. For this reason, we focus on all the Support & Services, excluding SARA, for which the result is simply 9% of net assets, not after tax.

Notwithstanding, you have noticed that performance was quite strong during this period. One of the reasons for that is better management of the vessels, whereby new vessels have joined the fleet over the past twelve months. This has resulted in greater productivity and greater efficiency, as well as a generally improving trend in fees charged for transportation. These are the explanations for the performance in Support & Services. This is, overall, the explanation in response to your question: good momentum, good yield in vessels, and good trading.

Mourad Lahmidi, BNP

OK. Thank you very much.

Jean-Pascal ROLANDEZ, LT Funds

Hello and congratulations for those excellent results.

Bruno KRIEF

Thank you.

Jean-Pascal ROLANDEZ, LT Funds

I meant that quite sincerely, because the year is proceeding very well. First of all, could you give us a bit of an update in Haiti? I know that it is always a trouble spot; it is not always nice to talk about Haiti business-wise, but it would be good to have an update.

And secondly, your share price is so low: you are at 0.8 times book value. Would you consider a share buy-back programme at this level? Frankly, with a 9% growth yield, it is a gift. You would immediately create value.

Bruno KRIEF

Yes, I understand your reasoning, which is sound.

Let us first discuss Haiti. Haiti also performed well. It is almost an anomaly, I would say, but it did perform well over the quarter, with additional margin generation compared to last year. This is a fact. We were telling you that the performance was positive across the board, and Haiti was part of this good performance, although “good performance” may not be the most accurate term for it. In any case, it is better than that of the previous year.

Regarding your question on the share price and the share buy-back, you may be correct arithmetically. I perfectly understand your reasoning. It is then a question of asset allocation: what should we do with the cash? Do we have a better use for the cash than purchasing the shares at what is, indeed, a low price that would generate a good return?

You will tell me that what we are investing elsewhere, if not in shares, could offer returns even greater than the shares. I would be tempted to agree. The slight difference lies in the long-term view adopted: it is a question of duration on the return. As you saw, we are allocating more money to the Renewables business, which is also consuming cash. If we do not do so, we will miss opportunities to build up our position in this sector. That which is not taken as an opportunity today will be lost tomorrow, and this at the same time as Rubis’ cash pile is decreasing, because we also have used this cash and capex for dividends and contributions, for instance, to the business’ growth in Italy or in Spain – moderately, because it is funded primarily by debt – but also requirements of new money from the shareholders.

Consequently, while I can only agree with your suggestion that a share buy-back would be a good decision in theory, in practice, we must grapple with the question of where to find the cash given current interest rates (4% to 6%), as we would have to borrow money to fund these shares. The question is not on the agenda at this point. We continue to look for the best capital allocation and the one that can offer the greatest returns for shareholders. I would be tempted to say that the share buy-back is not ruled out as an alternative.

Jean-Pascal ROLANDEZ, LT Funds

OK. In essence then, it is up to us to buy back your shares.

Bruno KRIEF

It would be a very good decision.

Jean-Pascal ROLANDEZ, LT Funds

Thank you very much, and congratulations again.

Bruno KRIEF

Thanks.

Operator

There are currently no further questions. I will hand the call back to you.

Clémence MIGNOT-DUPEYROT

Thank you all. We are happy to take further questions if you have any. Bruno and I are happy to follow up if needed. Have a good evening.

Bruno KRIEF

Goodbye, everyone.

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