



Q1 2022 Trading Update

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Q1 2022 Trading Update

Operator: Ladies and gentlemen, thank you for standing by. And welcome to today's Rubis Q1 2022 Trading Update. At this time, all participants are in listen-only mode. There will be a presentation followed by a question-and-answer session, at which time, if you wish to ask a question, you will need to press star one on your telephone and wait for an automated message stating your line is open.

I must advise you that this conference is being recorded today. And I would now like to hand the conference over to your host, Bruno Krief. Please go ahead, sir.

Bruno Krief: Thank you very much. Good afternoon, everybody. So, I suppose you have received the press release just 10 minutes ago and took the time to look at it. You had, probably, the surprise to see that we enjoyed a good set of numbers with the volumes up 10% during this quarter compared to last year.

This 10% has been in force across all the regions, and more particularly in the Caribbean region. We have also enjoyed healthy unit margin, I would say, as it comes reported -3%. And this, despite the environment in oil prices as you know which increased by 86%.

And if we take into account the specific situation in Madagascar for the petrol station subsegment, the unit margin is stable or slightly up at 1%. So, this thus witnesses, again, the solidity of Rubis' business model.

Then, region by region, in short, because you've already had most of the comments, I would insist on **Europe** which has experienced good volume growth of 9%. And as you know, Europe is focused on LPG. Two countries were driving force during this period, Portugal and Spain, with some specificity in the autogas which was buoyant in these two countries, in Spain particularly.

Caribbean operation is 17% ahead of last year. Let's remember that last year also was quite weak because of weak, or depressed, aviation business. This year, as expected and as already described to you, we are undergoing much better situation over the past three quarters.

And this increase of 17% as a whole is coming 50% from aviation and with also 50% coming from the other segments – retails or service stations, commercial and industrial, LPG, lubricants. So, it shows that the progress is across the segments.

Fair to say also that, if we take the situation in 2022 this quarter compared to 2019, so the pre-COVID situation, excluding aviation, total – all - volumes, excluding aviation, are up 7%, showing again that there has been some underlying growth during this period.

In **Africa**, we enjoyed a 5% increase in total volume with petrol station up 19%; of which, we have the Eastern African region which is quite strong, more than 30% increase. This region is a big challenge for us. We are upgrading, rebranding, continuing making marketing efforts all across the subregion to bring back the customers in the retail stations. And it works. The rate of frequentation is up. It's good news.

Bitumen segment, which is an important contributor to Rubis in Africa, bitumen sales are stable or slightly down 2%; but, important to remind that 50% ahead if compared to volumes experienced in 2020 or in 2019.

So, there has been a big increase, big developments with new countries over the past two/three years, including the expansion in Western-African countries and also in South Africa. So, we are maintaining volumes at high level. And we are still optimistic about our capacity to gain positioning in new markets.

Support & Services is involved in trading, supply, refining and logistics. If I take just shipping and trading segments, the results were boosted by both volumes and margins, unit margin, making a total additional contribution of these two subsegments of 19%. And of course, the SARA refinery or the Indian Ocean logistic operations, they do remain stable since they are regulated.

Lastly, the **JV Rubis Terminal** has also experienced a good start into the year, driven by chemical segment at +8%, driven also by the biofuel segments, almost 33% increase. The other fuels were 13% below last year. But we have to adjust that for the special situation in Rotterdam that we'll explain. So, the 13% reported should be read -9%.

Actually, the increase in the ARA zone, so in Rotterdam and Antwerp together, 50 percent Antwerp operation, we have experienced stable revenues; but at the same time facing a strong demand, simply because we can see that with the utilisation rates which has reached almost 100%. So, we are full. So, no capacity to fill more the tanks. But we are at the same moment building additional capacity in Antwerp and also in Rotterdam. We have gained a very sensitive and very interesting contract in biofuels. And, actually, we are substituting 75,000 m³ of heavy fuel or bunkering storage into biofuels. So, in the meantime, we have to clean and to make some investments and adaptation to these facilities. This is the reason why we have not taken advantage of all rental revenues for the period in the first quarter. But this contract is a very good point, it is signed with Shell which is also transforming its refinery of Pernis into a biorefinery. And this means that we are in an excellent position to get additional business in this region.

So, this is for Rubis Terminal which is enjoying, by and large, a good momentum and signing new contracts into ethanol, for instance, for which the demand is very strong.

So, to conclude, in terms of **outlook**, a good start into the year, both in volumes and margin, which gives us good expectation in terms of results of this quarter. The Photosol acquisition was completed earlier last month. So, the integration is on track. And now, we are very happy with including this new subsidiary within Rubis Renewable. Just to remind also that given the situation in terms of geopolitics and relative to sanctions against Russia, I would like to remind you that Rubis Énergie has absolutely no business, no assets, no supply from this country. We just have within the JV Rubis Terminal we used to and have still contract for some storage capacity for traders who are importing Russian gasoil and this doesn't represent more than 1.5% of total Rubis Terminal revenues. And as you know, Europe today, in terms of gasoil, is dependent with 26% of imports from Russia. So, sanctions are coming. As the market, of course, we have to adjust, to find new areas of imports and of storage. And logistics will be used by other parties.

So, it is in brief how we can describe the first quarter. And now, along with Anna if you want to address some questions we are prepared to review that. Thank you very much.

Questions & answers

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you wish to ask a question, please press star one on your telephone keypad and wait for the automated message advising your line is open. Please state your name and company name before you ask your question. You can also cancel your request at any time by pressing star.

And once again, it's star and one if you wish to ask a question. And we will now take our first question. Please go ahead.

Jean-Luc Romain, CIC Market Solutions: I have two questions if possible. The first is have you experienced any change in the situation in Haiti? And the second question is about Photosol. How should we approach the contribution to 2022 in terms of maybe sales and the EBITDA?

Bruno Krief: OK. Haiti, I would say no change compared to what we have described and how was the country at the end of last year. No change. It is stable in the chaos I would say. Nevertheless, we are there. We are supplying the market. We are not losing money. We are active in all segments, retail stations, commercial, for power generation mainly, and aviation. Of course, margins are probably a bit higher, but at a low level compared to what we have experienced two or three years ago. So, no change. It feels in complete disorder, chaos, that's all we can say. The only good news is that it doesn't represent anything material today in terms of contribution within the total Group.

Second is Photosol, which was completed last month. So, we will start the consolidation on the 1st April. And we will have, during the year 2022, a full nine months of consolidation and profits in Rubis.

But this is all the details I can provide you with today. Of course, we will have for the first quarter of consolidation, so April to June, the traditional sets of parameters - as you mentioned, sales, volumes, power generation, advancing the pipe. So, we will provide you with all these sets of information. But, as of today, for first quarter, it was not consolidated, as you know.

Jean-Luc Romain (CIC Market Solutions): Yes. Thank you very much.

Anna Patrice: Sorry to interrupt. This is Anna Patrice. As a reminder, we indicated that for the full year EBITDA, for Photosol should be in range of 25 million. So, we will consolidate nine months of this annual amount. But please keep in mind that this is not with IFRS 16 data, right. So, it does not include IFRS 16 adjustments.

Jean-Luc Romain (CIC Market Solutions): OK. So, thank you, Anna.

Operator: Thank you. And once again, if you wish to ask a question please press star and one on your telephone keypad. There are no further questions coming through at this time. We do have one additional question. Please go ahead. Your line is open.

Guillaume Muros (Société Générale): Yes. Hello, everyone, Guillaume Muros from Société Générale. Thanks for the small brief overview of the first quarter 2022 results. I don't know if you come back, perhaps, to this unit margin evolution on the Retail & Marketing division in the first quarter of 2022. I mean if you can give us a bit more color on the, let's say, regions and/or geographies, and/or products where you're struggling a bit more to pass on and the cost increases. That's the first question.

And the second one will be maybe more related to Photosol. If you can give us an update on the pipeline and on the new tenders, if you're seeing any evolution in the French market on the new tenders, say, well, basically during the first quarter 2022 or if there are some tenders that are being delayed because of the current situation. Thanks.

Bruno Krief: OK. So, for the unit margin, I guess we offered you some insights relative to the regional unit margin when we say that the report of the margin for the whole operations were -3%. And if taken out Madagascar for the petrol-station subsegments, we were +1% for the whole Group, excluding only petrol stations in Madagascar. And why? Because, as you know, petrol stations in Madagascar, this sector is regulated by the government. And for the past six or nine months, the government has capped the price for the customer. So, the price at the pump is capped. So, we have no possibility to increase the selling price. Although, we do retain the tax, the excise tax, that we are raising when we are selling the product to the dealers. This does mitigate the cash situation in the sense that it reduces the impact on working capital. So, it's an impact on the accounting margin, clearly. That's why we gave the difference between -3% and +1%, that in terms of cash we can live with that.

So, this means that we won't give, as you know, each quarter the details of the unit margin per region. But you can see from this description, that just the unit margin in Africa, the region has been affected by the situation in Madagascar. And the rest was quite healthy in terms of progression.

I would say that globally speaking, whether it is in Europe or in the Caribbean, we have been enjoying quite a nice increase in unit margins in the petrol-station segments, in commercial fuels and also in aviation. After two years without, or very low volumes, we are now taking advantage of better volumes, supported, boosted by better market. So, this is where we are in terms of unit margins.

Guillaume Muros (Société Générale): Thanks.

Operator: Thank you. We will now take our next question. Please, go ahead.

Jean-Pascal Rolandez (The L.T. Funds): Jean-Pascal Rolandez from the L.T. Funds in Geneva. Is it fair to say overall that this quarter was actually better than expected and so far, for the year barring any extraordinary circumstances, the year should be reasonably good, because you don't give guidance for 2022, which in your business is very difficult. But, nonetheless, between saying nothing and giving a little bit of indication, there is some room for guiding us a bit better?

Bruno Krief: Yes. It's true that we are not providing you with any guidance. And nevertheless, we told you when we disclosed the full-year results in March that we are confident. And this confidence is reinforced by this first quarter, which is showing an advance in terms of profitability. So, what is advanced is advanced. It's already done.

So, besides that, the momentum, that we have had during the first quarter, is still in place and, we are now in May, exists. So, from what I know, April was in the same trends of progression. So this is what I can tell you. We will have a chance to review during the first half the full set of results. And in addition to that, we talked about the integration of Photosol with much more granularity on the progression of this business. The pipe – to come back to the question which was on the table previously, there is progression in the pipe and transformation of what was the projection of development into materialised increase in the pipe.

As you know, the geopolitical crisis that we are experiencing is having an impact on the electricity costs and the megawatts or the electricity price structure in general, and driving up the cost of energy everywhere. And this is clearly an advantage for the production of renewable energy like photovoltaics. So, we are particularly in a good position.

Jean-Pascal Rolandez (The L.T. Funds): OK. Thank you. Thank you very much. And congratulations.

Bruno Krief: Thank you.

Operator: Thank you. We will now take our next question. Please, go ahead. Your line is open.

Jean-Luc Romain (CIC Market Solutions): Jean-Luc Romain again, just a follow up on Madagascar. Is there any focus by the government to compensate for the price blocked they have implemented, maybe like in Eastern Kenya or not at all?

Bruno Krief: So far, no. We just have the experience of a similar situation, again in Madagascar, I remember two or three years ago, where after a very similar situation, the government left to the petrol marketers the possibility to retrieve and to recover additional margin. And it works. As promised by the government, we were in a position to increase the price and to retrieve most of the losses (missed or lost profits). So, this is what we have

experienced. And we have the same government today than three years ago. So, let's see how things are evolving.

Jean-Luc Romain (CIC Market Solutions): Thank you.

Operator: Thank you. And we will now take our next question. Please go ahead. Your line is open.

Pierre Michaud (Monocle Asset Management): Oui, bonjour. Hi, this is Pierre Michaud from Monocle Asset Management. Thank you for taking my question which is about Kenyan situation. I just wanted to review the political risk in Kenya. Can you give us a little bit more of color about your talks with the Kenyan government? And secondly, is there an operational risk in Kenya given the deportation of Mr Bergeron? Thank you.

Bruno Krief: Well, as you may be aware, the government has launched an investigation regarding the volumes which were affected to local markets and to exports. And contrary to what was written in the press, as I remember two or three weeks ago, we were in a position to demonstrate that we were very good pupil, *très bon élève*, among the best, contrary to what was ascertained by the press. So, we have been focusing on the volumes and/or allocation, mainly to the local market. So, contrary to what was written, it's a good point. So, this is where we are. We are fully involved in Kenya. The staff is there. The stations are open every day. We are fully in operation. And our staff and CEO is fully in charge. This is what is the situation today.

Pierre Michaud (Monocle Asset Management): OK, perfect. Thank you very much.

Anna Patrice: And I guess I might maybe... This is Anna Patrice. Just maybe to highlight what had been said before. That in Africa, the service stations, retail volumes are up considerably. And mostly, it was driven by Eastern Africa or Kenya. So, as you see, we have increased our volumes there. So, that means that we didn't do anything that contradicts the local policy.

Pierre Michaud (Monocle Asset Management): Thank you, very useful. Yes. Thank you very much.

Operator: Thank you. There are no further question at this time.

Bruno Krief: All right. If I understand, we have answered most of the questions. So, Anna and myself, so we thank you very much for...

Anna Patrice: Sorry. I think there is – sorry. Bruno, I think there are some questions from Emmanuel.

Operator: I was just going to interrupt with you. We have one last question.

Bruno Krief: Please.

Operator: Please go ahead. Your line is open.

Emmanuel Matot (ODDO): Yes, thank you. I just wanted to be back on Kenya. It's Emmanuel Matot from ODDO. Because if I remember well, there were some delays regarding the payment of government grants.

Bruno Krief: Correct.

Emmanuel Matot (ODDO): Is the situation back to normal, are there some risks of non-payment? What is the situation regarding this specific situation?

Bruno Krief: As expected, when we had the discussion two weeks ago, the government was expected to pay the subsidy on the 15th April, and it did so. So, we have recovered lots of the working capital which was invested due to the expected payment of subsidies. And there is no change in the law. It's just, as you know, this mechanism of subsidy linked to the rocket-high prices of fuels. And also, probably linked to political reasons because, as you know soon in August, Kenya will have a presidential election. And probably, this is this situation, this political situation has led to government to mitigate the cost of higher energy prices. That payment has been done two weeks ago.

Emmanuel Matot (ODDO): OK. And globally speaking, how do you manage the situation regarding currencies, because there are several currencies which have depreciated a lot? It makes the situation more challenging in some countries. How do you manage that? Is that an issue at all for Rubis or not?

Bruno Krief: If you look at the unit margin that we have published, -3%, and excluding Madagascar +1% for the first quarter, it shows you this is a unit margin which is denominated in euro. So it takes into consideration the eventual depreciation of local currencies. So, in euro, we were quite stable. It shows that we have this capacity to manage the foreign exchange volatility through price increases.

Emmanuel Matot (ODDO): OK, that's very reassuring. Thank you very much, Bruno and Anna.

Operator: Thank you. And we will now take our next question. Please go ahead. Your line is open.

Guillaume Muros (Société Générale): Yes. Hello. Guillaume Muros from Société Générale again. The line cut after my first questions. So, a follow up on what I asked previously. So, OK, understood, you just reiterated now that the unit margin is in euro, which is great. Are you, it might be a bit too early to tell, but are you seeing demand destruction by this high inflationary environment in some of your regions and some of your products already or not? Could you give us a hint on the volume outlook?

Bruno Krief: To come back and to be more precise on the points. I think it's important to remind you that if we take the total net profit for the year 2021, we did this exercise of showing that 70% of Rubis profits are in US dollars, euros, the British pounds and Swiss francs. So, 70% of the profits is made out of what we can call stable or strong currencies. The rest, 30%, is split between Kenyan shilling, Madagascar currency, Nigerian naira, Moroccan dirham or South African rand. So, a large basket of currencies. But they do represent only 30% out of the total profits. So, it mitigates somewhere the risks we are exposed to. You know that Support & Services business, all its profit contribution is made in US dollar also. So, the way it is managed – it's both the diversification and the deep part of strong currencies.

Then you have some questions relative to inflation. So, this is a macroeconomics issue. I read earlier today that in Turkey, inflation for the last 12 months was 70% or 80%. We are far from that in the areas we are operating, we are not experiencing such inflation rates. But, by and large, where price-setting systems are free or unregulated, we have the capacity to pass on to the customer the change in price, coming from inflation price of petrol, and also control our costs; most of the costs in our business are the supply costs.

And elsewhere, we have no choice but to see country by country how operating costs are developing and how we can control the cost inflation. So, this is an experience that you have not heard before for some decades because we have been working in an environment of very low inflation. But, of course, we have to be tight on that and be in a position to control any deviation.

Guillaume Muros (Société Générale): Thanks, Bruno, for these clarifications. And just a follow up. I was asking what's more related to volumes. If you're seeing already inflation, particularly in emerging or frontier markets, impacting volumes, albeit, for instance some of your products being substituted by other energy products or the other way around. I don't know if you're...

Anna Patrice: This is Anna Patrice. I think in the markets where we operate there is no really substitution to our products, and it is much more necessity. So, even if you look at the service stations, people can't really afford to reduce completely their travelling because this is necessity, this is not so much for leisure. So, there's only very little sensitivity of volume and the oil price.

Guillaume Muros (Société Générale): Thank you, Anna. And many thanks.

Operator: Thank you and that was your last question. Please continue.

Bruno Krief: So, I think we have had a good set of questions, very rich, very intense. Thank you very much all for your attendance. And hope to see you and talk to you for the next rendez-vous. Thank you very much. Bye-bye.

Operator: Thank you. Ladies and gentlemen, that does conclude your conference call for today. Thank you for participating and you may now disconnect. Speakers, please stay on the line.

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