Puma Energy: Second quarter 2019 results

Wednesday, 28th August 2019

Q2 in context

- **Continued focus on key priorities: safely delivering business plan, reviewing and implementing strategy & optimising portfolio**
- **Fourth successive quarter of stable and now improving performance**
- **Progress in operational improvements reflected in +5% EBITDA vs Q1**
- **3% increase in sales volumes and 10% increase in EBITDA vs Q2 2018**
- **Continued disciplined management of costs and working capital**
- **Continued to review optimisation of global portfolio: one non-core asset disposal complete; additional potential transactions in progress**

Strategy

- **Leadership team now in place to support implementation of Puma Energy's long-term sustainable strategy**
- **Proactively working towards achieving the optimal portfolio balance at same time as making material steps to deleverage balance sheet**
- **New strategy is customer-led and focused on growth segments: retail, lubricants, B2B & aviation.**
- **Ambition is to improve operational performance by putting customers first and taking margin driven and capital light approach**

Q2 Performance

- **Sales volumes: 6.2 million m^3**
- **Turnover: US$ 4.2 billion**
- **Gross profit: US$ 356 million**
- **EBITDA: US$ 136 million**
- **Operating cash flow: US$ 177 million**
- **Investment in infrastructure: US$ 24 million**

Key Highlights

US$ million	Q2			Jun YTD		
	2019	2018	Δ %	2019	2018	Δ %
Sales volume (k m³)	6,239	6,032	+3%	12,291	12,091	+2%
Throughput volume (k m³)	3,484	3,830	-9%	7,600	7,308	+4%
Gross profit	356	359	-1%	703	756	-7%
Fixed costs	(211)	(230)	-8%	(425)	(461)	-8%
EBITDA	136	124	+10%	266	288	-7%
Capex	(24)	(55)	-58%	(49)	(102)	-52%
Disposals	20	26	-24%	23	26	-14%
Cash flow from operations	177	181	-2%	308	261	+18%

Note: All financial figures are presented excluding the impact of IFRS16

- **Performance improved vs Q2'18 with modest growth in sales volume**
- **Effective cost control translates into higher EBITDA despite gross profit impacted by lower unit margins**
- **Disciplined approach to capital expenditure**
- **Continued focus on working capital management to maintain gains achieved last year**

Business Segmentation

US$ million	Downstream			Midstream			Downstream			Midstream		
	Q2 '19	Q2 '18	Δ %	Q2 '19	Q2 '18	Δ %	YTD 19	YTD 18	Δ %	YTD 19	YTD 18	Δ %
Volume (k m³)	6,202	5,867	*+6%*	3,521	3,995	*-12%*	12,226	11,726	*+4%*	7,665	7,673	*-0%*
Gross profit	305	318	*-4%*	50	41	*+22%*	607	663	*-8%*	95	93	*+2%*
Unit margin (US$/m³)	49	54	*-9%*	14	10	*+38%*	50	57	*-12%*	12	12	*+3%*
	53 *	59 *	*-11%*	n/a	n/a	*n/a*	54*	62*	*-13%*	n/a	n/a	*n/a*
EBITDA	107	106	*+1%*	29	18	*+68%*	216	239	*-10%*	51	49	*+4%*

Downstream

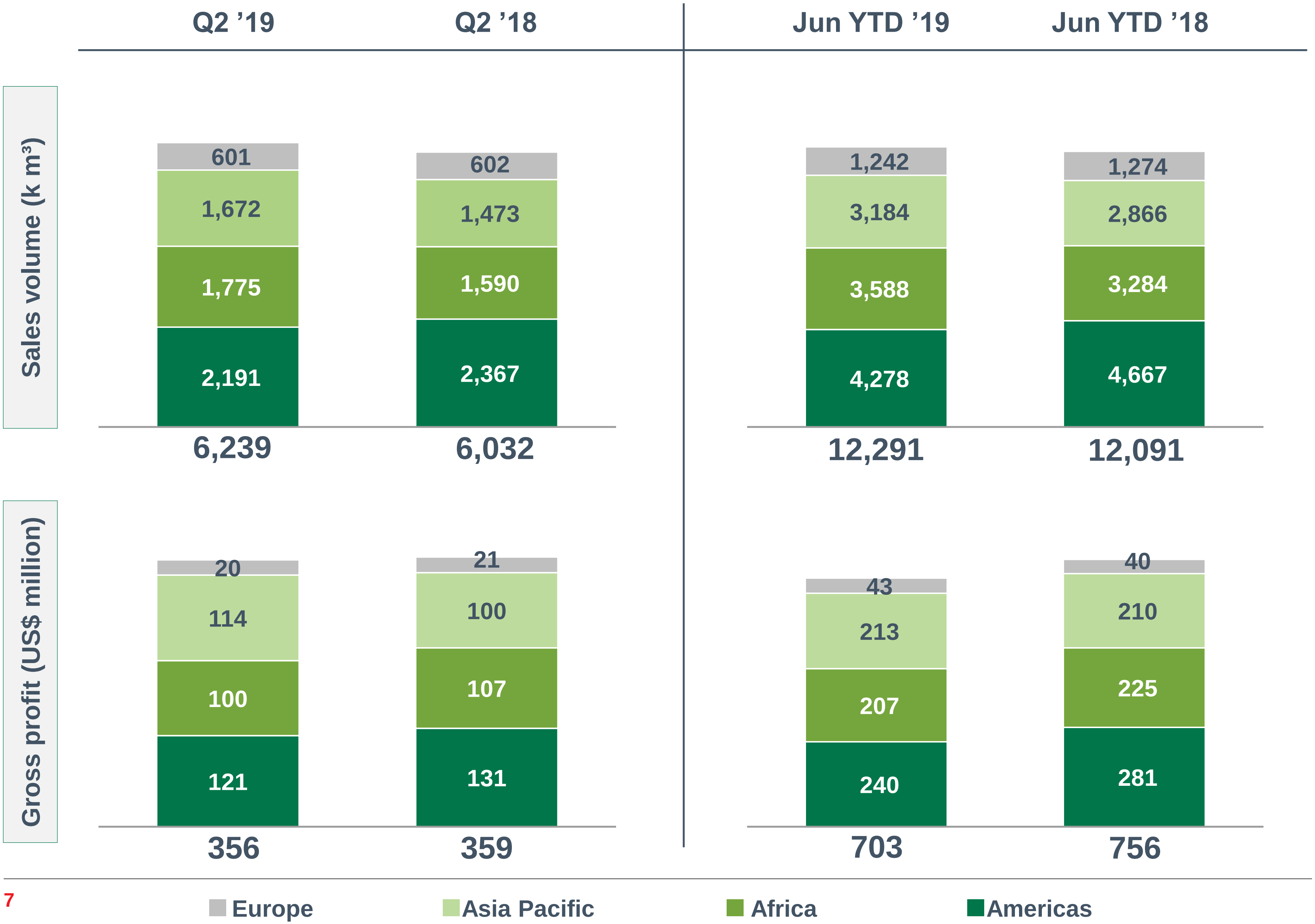
- **Higher sales volumes especially in Asia-Pacific and Africa**
- **Continued pressure on unit margins but rate of decline slowing since Q3'18**
- **Despite lower unit margins, EBITDA remains stable supported by cost savings**

Midstream

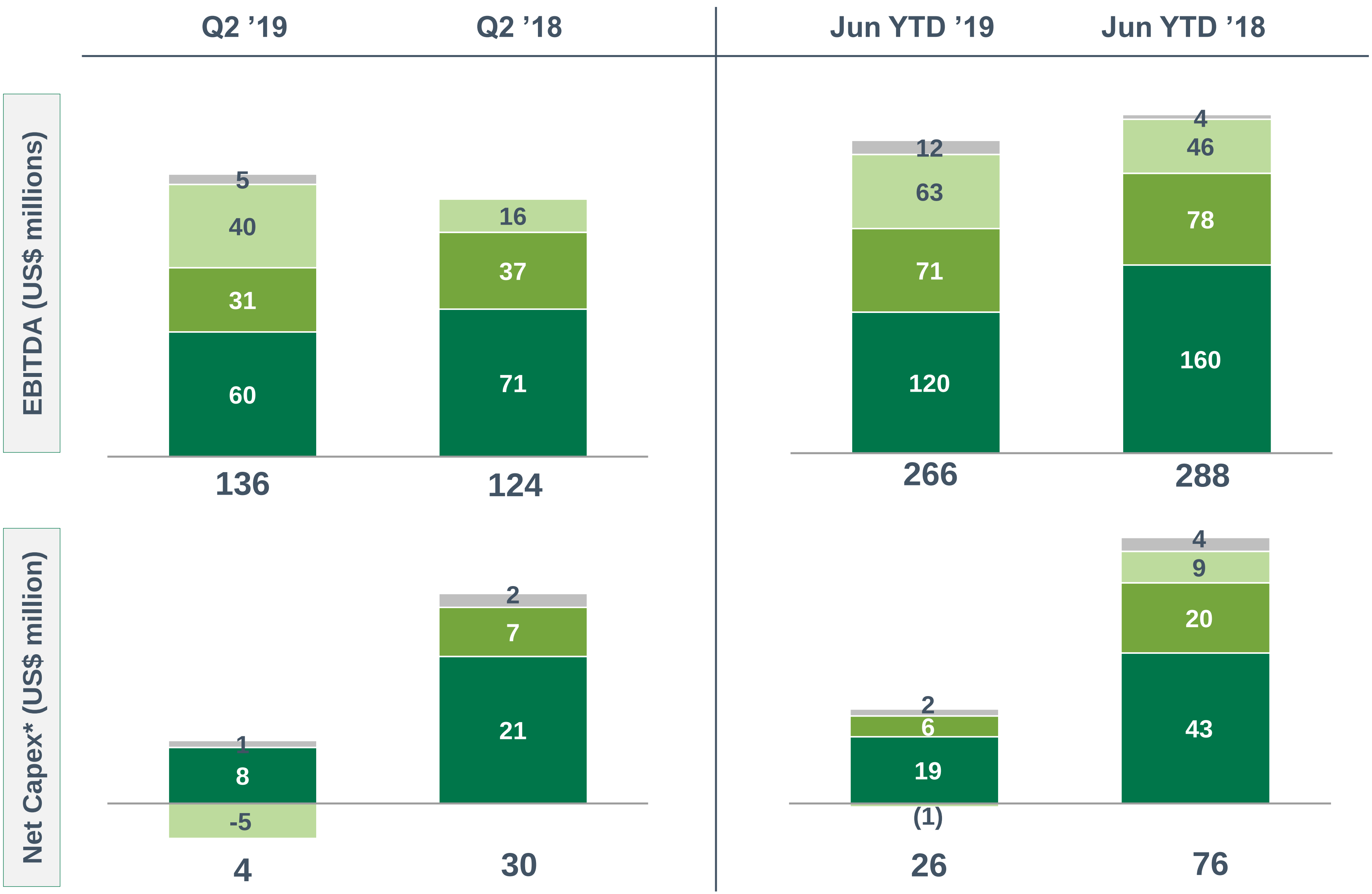
- **Lower throughput volumes in Africa and Asia-Pacific**
- **Gross profit and EBITDA reflects higher refining margins in Papua New Guinea**

(*) Not including UK volumes and gross profit

Geographic Segmentation (1/2)

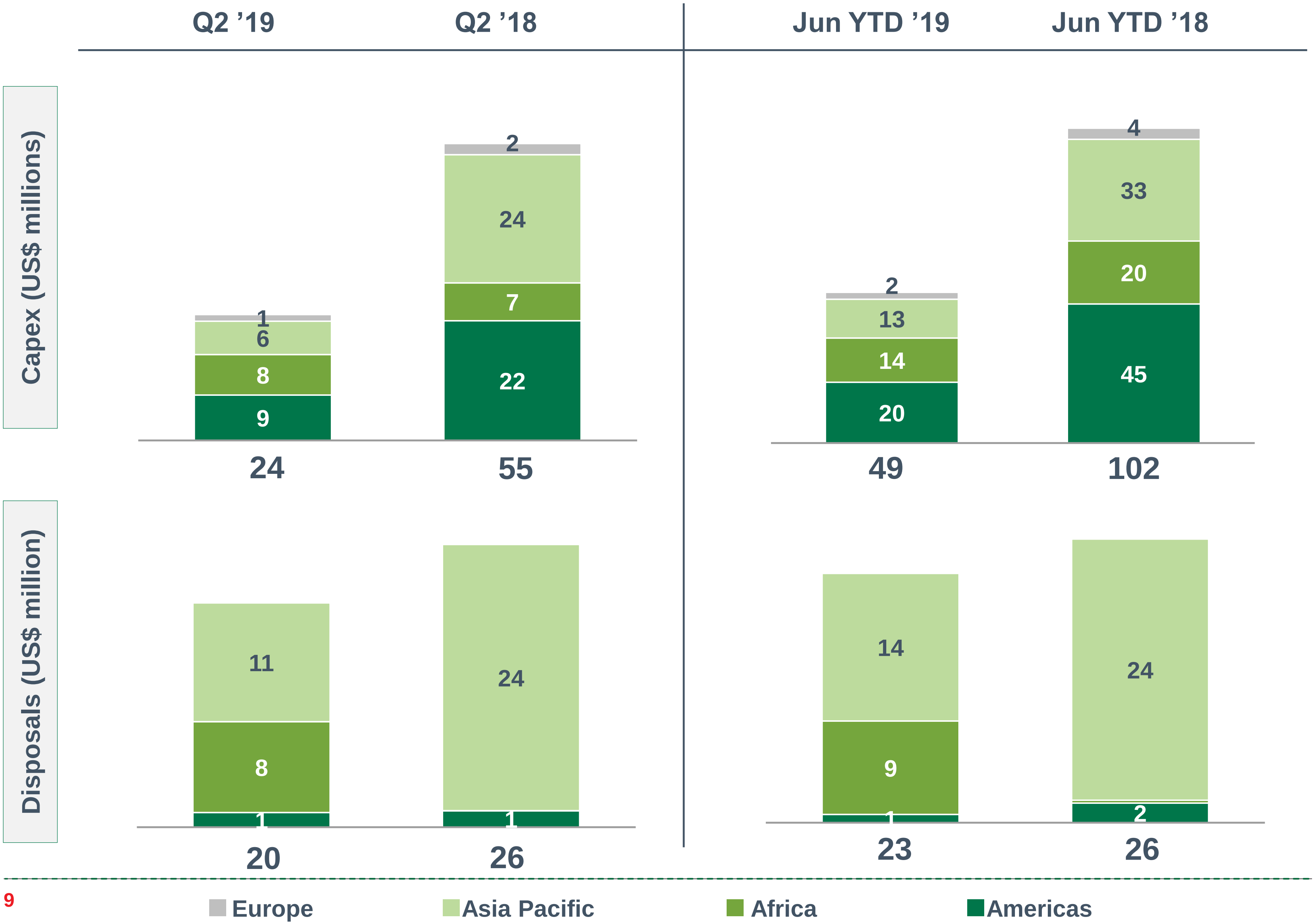


Geographic Segmentation (2/2)



(*) Capex are shown net of proceeds from the disposal of assets and investments

Capex and Disposals



Cash Flows

US$ million	Q2		Q1	YTD (Jan-Jun)	
	2019	2018	2019	2019	2018
Net cash flow from operations	177	181	131	308	261
Net cash flow used in investing	(3)	(33)	(23)	(25)	(87)
Net cash flow from financing	(153)	(117)	(171)	(324)	(68)
Days of sales out-standing (3rd party)	*15*	*12*	*14*	*16*	*12*
Days of inventory	*23*	*26*	*30*	*24*	*27*

- **Operating cash flow remains solid and in-line with Q2 ‘18**
- **Investing cash flows reflect prioritized capital expenditures**
- **Solid operating cash flows continue to enable debt repayments**
- **DSO remains an area of management focus while the DIO reduction reflects timing effect in inventories at the end of Q1 ‘19**

Capital Structure

US$ million	Q2 2019	Q1 2019	Q2 2018
Cash	(606)	(578)	(579)
Inventories	(978)	(1,207)	(1,159)
OpCo Debt	211	298	585
Senior Facilities	1,273	1,285	1,402
Senior Notes	1,658	1,656	1,682
Total net debt	**1,558**	**1,454**	**1,931**
x LTM EBITDA	*2.9*	*2.8*	*3.0*

Q2‘19 Capital Structure

- **Net Debt / EBITDA multiple at 2.9x, remains in line with capital structure policy**
- **Reduced gross debt by $97m while net debt $104m higher than Q1 ’19 as inventories get back to expected level at the end of the second quarter**

Key Performance Indicators

	Q2 2019	Q1 2019	Q2 2018
Number of countries	48	48	49
Number of service stations	3,076	3,068	3,105
Number of terminals	106	106	104
Storage capacity (mil. m^3)	*7.7*	*7.7*	*7.6*
Number of airports	85	85	79
Headcount *	8,874	8,660	8,778

Overall Takeaways

- **Improved operational performance**
- **Active management across the business**
- **Revised business segmentation reporting to capture growth**
- **Clear focus on increasing margins**

(*) Headcount for Q2 '18 has been restated to reflect previously not captured contingency workers in Papua New Guinea

IFRS 16 Adoption

IFRS16 Impact

US$ million	Jun 2019 Pro forma	Jun 2019 IFRS16 impact	Jun 2019 IFRS Balance Sheet
Non-current assets	4,575	994	5,569
Current assets	2,909	(13)	2,896
Total assets	**7,484**	**981**	**8,465**
Equity	1,444	(11)	1,433
Non-current liabilities	2,888	886	3,774
Current liabilities	3,152	106	3,258
Total liabilities	6,041	992	7,032
Total equity and liabilities	**7,484**	**981**	**8,465**

	Jun YTD 2019 Pro forma	Jun YTD 2019 IFRS16 impact	Jun YTD 2019 IFRS Profit & Loss
Gross profit	703	22	724
EBITDA	**266**	**87**	**353**
Right-of-use amortization	-	(70)	(70)
EBIT	**100**	**17**	**116**
Finance income/(costs)	(125)	(35)	(160)
Profit for the period	**(62)**	**(18)**	**(79)**

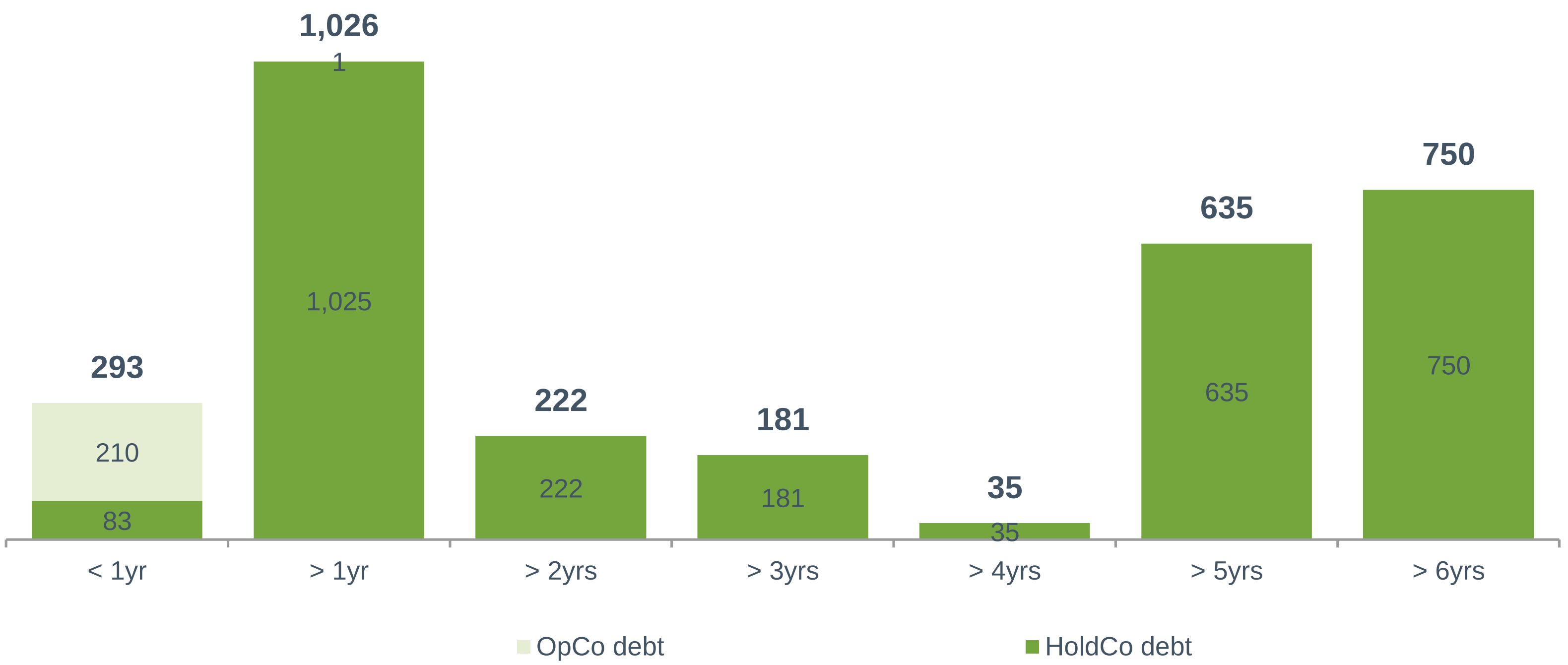
Outlook

2019 Full year Outlook

- **Q3 :**
  - Performance expected to be lower due to refinery maintenance
  - Expect progress towards asset disposals to delever the balance sheet
- **Q4:**
  - Q4 will be stronger as operational improvements take effect
  - Improved EBITDA due to ‘quick wins’ and operational improvements
  - Anticipated closure of material transactions
- **Implementation of strategy for this year:**
  - Continuing focus on strict cost and capital discipline
  - Operational improvements & focused growth opportunities
- **Customer-focused business capable of delivering sustainable profit growth**
- **Remain committed to deleveraging the balance sheet by end of 2020**

Questions & Answers

Appendix 1 – Maturity Profile



US$ million	Total	< 1yr	> 1yr	> 2yrs	> 3yrs	> 4yrs	> 5yrs	> 6yrs
HoldCo debt	2,931	83	1,025	222	181	35	635	750
OpCo debt	211	210	1					
Gross debt	**3,142**	**293**	**1,026**	**222**	**181**	**35**	**635**	**750**
% of Total		*9%*	*33%*	*7%*	*6%*	*1%*	*20%*	*24%*

Appendix 2 – Debt Covenants

	Threshold	Jun19 ratio
Tangible net worth	> $ 2.2 bn	**$ 3.0 bn**
Net debt / EBITDA	< 3.5 x	**2.92x**
Interest coverage ratio	> 2.25 x	**2.93x**

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