DCC Energy

Leading, with Energy

Tuesday, 17th May 2022

Our energy business and strategy

Donal Murphy

Chief Executive

Good afternoon and welcome and welcome back to everyone that joined our results call this morning.

I'm Donal Murphy CEO of DCC plc and I'm delighted that you can join us today for our energy event. I'm joined this afternoon by Kevin Lucey, our CFO and by Eddie O'Brien, Interim CEO of DCC Energy but more about that later.

Today we will outline a new strategy for our energy business and demonstrate to you the growth opportunity ahead of us by leading our customers through their energy transition to Net Zero. DCC is focussed on energy transition from the point of view of the customer.

As a multi energy distributor, our role is to understand our customer's transition pathways and support their transition to cleaner energy products and services. We leverage our long term deeply embedded relationships with our customers to target our cleaner energy offerings.

The evolution of the energy mix plays to DCC's strengths as an agile, experienced, multi-energy business with leadership positions in the markets we operate in backed by our scale and industry partnerships. Throughout the session today we will demonstrate that DCC is Leading, with Energy.

We have 6 key takeaways for you from this session today:

1. Our new strategy and structure for DCC Energy which I will outline shortly.
2. Our point of view on the energy transition pathways for our customer segments. We have carried out extensive research into the transition pathways for each of our customer segments and have a clear vision of how our customers will transition to Net Zero. We will bring these pathways to life by hearing directly from a number of our business leaders, our customers and our partners.

3. How we are expanding our customer offerings and solutions building multi-energy solutions for our commercial and industrial, domestic and mobility customers.
4. What the financial characteristics of the transition looks like and demonstrate to you how we will grow our profitability through the transition to Net Zero.
5. While we are growing our business, we believe this strategy will support our customer's decarbonisation agenda and the path to Net Zero, this is why we are adding to our Scope 1 and 2 Net Zero target with a Scope 3 Net Zero target by 2050 or sooner.
6. In December we updated the market on our group strategy and our capital allocation priorities. By pursuing our group strategy and deploying capital in line with our priorities, the size and shape of DCC will be very different by 2030. By 2030 we will have more than doubled the size of the group and approximately 70-75% of our profitability will come from our healthcare, technology and clean energy & renewable activities.

So now let's take a quick look at how we have grown our energy business.

DCC has operated in the energy sector since investing in the startup of Flogas, our LPG business here in Ireland, back in 1977. Since that initial investment we have grown our energy business into a multi-energy business operating in 13 countries on 3 continents.

- We've had a clear strategy to consolidate the fragmented off-gas grid energy markets.
- We scaled our business in the UK and Ireland over the following decades.
- Expanded into continental Europe when we acquired Shell's business in Denmark in 2009 and scaled this business into one of the largest multi-energy groups in Denmark.
- We continue to scale in Europe.
- We expanded into the US and Asia in 2018.
- In the space of just 4 years we've grown our US business substantially and today we have operations in 22 states, employ 800 people and serve 310,000 customers.

We have been investing in new energy products and services to accelerate the transition of our customers since 2012.

- We initially acquired a biomass and a renewable energy products distribution business.
- We expanded our gas and power activities in France and Ireland.
- We've scaled our bio fuels business bringing 100% HVO solutions in Sweden and in the UK.
- We were the first company to supply sustainable aviation fuel in Denmark.
- More recently we have been expanding in renewable electricity and biomethane in Ireland through the acquisitions of Budget Energy and Naturgy Ireland.
- And we have been investing in the Solar PV installation and maintenance market in France.

DCC is innovating, with energy.

One of our core values is Partnership. Across all our Divisions, partnership is a value we take pride in and has been key in how we have grown with energy.

DCC is not a producer of energy. We build long term partnerships with the producers of energy; be they global organisations or local producers. We provide over 9m customers with the essential energy they require to heat their homes, run their businesses and to move about.

Partnerships have been key to the growth of our business and as the energy eco-system continues to decentralise we will build lots of new partnerships to provide innovative low carbon or renewable energy solutions to our customers. You will hear from a number of our partners later in the event.

Building on our strong track record of growth, today we look to our next chapter of growth by leading, with energy. Leading, with Energy means accelerating the net zero journey of our customers by leading the sales, marketing and distribution of low carbon energy solutions.

Aligned with our purpose, DCC has a critical role to play in leading our customers through their complex decarbonisation challenges. We continue to make great progress in energy transition introducing many innovative energy solutions for our commercial and industrial, domestic, and mobility customers.

DCC is focussed on energy transition from the point of view of our customer. As a multi energy distributor, our role is to understand our customer's transition journey and support their transition to cleaner energy products and services. We leverage our long term deeply embedded relationships with our customers to target our cleaner energy offerings. The evolution of the energy mix plays to DCC's strengths as an agile, experienced, multi-energy business with leadership positions in the markets we operate in backed by our scale and industry partnerships.

We deliver real practicable decarbonisation solutions and help educate our customers on their transition pathways. Energy transition is complex and will require many excellent organisations working in partnership, something DCC has excelled at over many years and is one of our core values. We are extending existing partnerships and creating new ones to make multi-energy products and solutions available to our customers.

As I outlined earlier, we have been, and continue to invest in building capabilities in renewable and low carbon products and services. Our strategy is to accelerate the net zero journey of our customers by leading the sales, marketing and distribution of low carbon energy solutions.

We believe that through the changes we are making, and the strategy we are adopting, DCC Energy will continue to grow through energy transition. Here's a graphical representation showing the growth in our profits while showing the reduction in carbon emissions. As we will demonstrate later, we believe that through the shift to new types of energy, we will grow the overall lifetime value of a customer. This is based on the organic development of our business.

I've no doubt that the transition will happen faster than we can see today as government policy continues to evolve and innovation and increased levels of capital investment accelerate the shift to a net zero world. I've also no doubt that DCC's new Energy Strategy is a winning strategy and we will continue to grow and develop our business regardless of the pace of the change.

Our strategy requires a customer first approach with the breadth of DCC's energy capability available to all our customers. This is why we are changing our divisional structure to a new single Energy Division - DCC Energy. DCC Energy will have two business segments Energy Solutions and Mobility and I will take you through the shape of the new division shortly.

From a leadership perspective, we are bringing in a new CEO to lead DCC Energy and implement our strategy. The new CEO has a depth of experience leading in the energy sector, in driving change and energy transition. Until our new CEO is in situ Eddie O'Brien will act as the Interim CEO of DCC Energy and will then take on a new Group Management role as Chief Strategy and Sustainability Officer.

Henry Cubbon, Managing Director of DCC LPG will retire at the end of the current financial year. I'd like to thank Henry for his significant contribution to the growth and development of the group over the last 14 years.

So let's take a look at DCC Energy under our new structure. DCC Energy is a multi-energy sales, marketing and distribution business with operations across 13 countries on 3 continents. The business serves 9m customers and employees 7,600 people. Energy Solutions is by far the largest part of the business representing 75% of the divisions' profits with the balance in mobility. The operating profit mix for the division is 29% in Traditional energy; 49% in Lower Carbon energy and 22% in services, renewables and other income.

I'll hand over to Eddie now who will take you through the transition pathways for our customers.

Our energy transition pathways

Eddie O’Brien

Interim CEO of DCC Energy

Thanks Donal. Like you said our Leading, with energy strategy is customer focused, enables greater profitability and reduces the emissions of our businesses in line with our Net Zero ambition. We'll lower our customers emissions, by providing both lower carbon products today, and developing the solutions needed to deliver zero emissions, as energy transition accelerates in the 2030's.

Through 2050 there will be four main drivers of our success:

1. The trust our customers have in our businesses.
2. The passion, competence and agility of our people, to deploy the solutions needed.
3. Understanding the transition choices our customers are making.
4. And our ability to attract new technology partners.

Let's look at how this strategy will deliver in our solutions business. As Donal mentioned, we have two sets of customers within our solutions business, with different transition pathways. Our commercial customers, account for 40% of our gross profit in DCC Energy.

In the current decade to 2030, we see a growing use of biofuels in all sectors. In fast moving, consumer-driven sectors such as light manufacturing, hospitality and leisure we also see early adoption of solar and heat pump solutions. In the 2030s, we believe there will be much greater cross-industry adoption of biofuels, solar, heat pump, and EV charging.

The last stage of the move to Net Zero for Commercial customers will be driven by technologies such as green hydrogen, Ammonia and advanced fuels. This will fully support lowering the emissions of more challenging sectors such as Agriculture and Construction. We will hear later how DCC Energy is already Leading, with Energy.

We have conducted significant research into the transition pathways of our customer segments and the energy policies in our markets. We expect emissions to decline at a slow pace over the next eight years, with acceleration towards net zero after 2030. After 2030, we expect policy shifts to make new technologies like green Hydrogen more viable. This will support more rapid decarbonisation of the commercial sector.

Our businesses are viewed by our customers as a trusted partner. They have the capability to reduce emissions immediately, while also building the solutions needed for the future.

The next two clips with David and John, illustrate the trust of our customers and how our businesses are supporting their Net Zero journeys. You'll also hear about our partnerships are important with new energy providers.

We know from our recent market research that our commercial customers are highly aware of our brands. And view them as key partners to help achieve their sustainability goals. Taking the UK as an example, our businesses rank more favourably than their competitors. Our customers will seek our businesses out for advice, and they would be willing to consider more bundled offerings from us.

Now, let's hear from Kat and Megha about our approach to consultative selling 10.

By leading with energy, we believe our earnings per customer will grow compared to only selling traditional fuels. We believe that as we expand our bundle of solutions to commercial customers, we will significantly increase the total lifetime value of our existing customers.

Our commercial and industrial customer relationships average 10 years, but for the purposes of illustration we have used a seven-year period. Taking for example a distillery in the UK. The lifetime value to us currently selling traditional or lower carbon fuels is £30,000 to 40,000 of gross profit.

Selling a hybrid solution of around 20% lower carbon LPG and a heat pump or solar installation, we expect to make 1.5 times to double that margin, over the same seven-year period. Further expanding the solutions we provide, to include energy advisory services and power, we believe we could deliver 4-5x the lifetime value compared with today.

The other part of our solutions focus, is our domestic customers. Our domestic customers are mainly living in homes off the gas grid. They use our energy for home heating, and in some markets for power and account for 35% of our gross profit in DCC Energy.

Today, reducing carbon at scale in off-grid homes is challenging. The current housing stock has poor insulation. While policy announcements are occurring, government support remains limited for heating system replacement. Without that support, the capital cost of replacement makes it challenging for customers to switch to low carbon alternatives.

We will pioneer with energy over the next decade. As we believe building capability which will scale later is crucial for long-term success. However, our research shows that most of our customers will continue to use traditional heating fuels up until 2030. We believe policy support from government is critical to accelerating the adoption of new solutions, in the 2030's.

Today, we are innovating with industry partners on drop-in biofuels for home heating in the UK, reducing our customers emissions without the cost of changing heating systems. We are also announcing the launch of a heat pump offer in Britain; followed by a pilot in Denmark later this year. We will help our existing domestic customers lower their carbon emissions. We will provide multiple solutions including solar, EV charging, heat pumps and biofuels. This gives us the opportunity to also grow in the on-grid market providing a significant potential growth opportunity in the future. We are introducing these solutions today to be in pole position when opportunity arrives to scale. Now, Lena will take you through our new domestic solutions approach in Denmark.

From our analysis, we think emissions from the off-grid housing in our markets, may remain relatively high for the 2020s, declining by around 5%. We want to help our domestic customers do more than that. Policy is key to driving change in the domestic sector. Policy is becoming more supportive of transition in countries like France, Denmark and more recently the UK.

We would like to see more support to drive the biofuel alternative for domestic heating through subsidies and taxation. This would allow significant reduction in emissions in advance of a change in heating systems and improved insulation. It is likely to be the back end of this decade before we see transition at pace. After 2030, we expect the pace of decarbonisation to accelerate.

Now, let's look at what we're going to do on the ground. Our brands attract rural, off grid domestic customers today. We are not positioned as a utility - instead we are ranked highly by customers as trusted sources of energy advice and information. We outperform our competitors as brands associated with renewables. Our customers would look to us more for advice, about renewable energy and efficiency, relative to other providers in the market. As a result of this positive brand position, we have recently looked more closely at our domestic segments, in our markets over the last 12 months.

The off-grid market in the UK is 4.3m homes, of which about 1.3m are using our products. Research we carried out in the UK identified three key customer personas, based on propensity to switch and affluence. We believe two of these who are more affluent and willing to switch represent 320,000 first movers, who can be targeted today with heat as a service.

Oliver and Freya, and Jan and Julia, are our potential early adopters. For Oliver and Freya, tackling climate change is a priority and they are willing to consider upgrading their home. They are younger, aged between 30 and 60, are limited by disposable income. They are time poor and use digital channels for research and shopping.

Jan and Julia are likely retired and have fewer financial obligations. They are somewhat environmentally engaged, and they do their research digitally. Ultimately, they choose vendors they trust, and like face-to-face meetings when deciding on expensive home improvements.

Jamie and Tom the largest group and are somewhat engaged with environmental matters. In contrast to the other two groups, they are not as well off and a retrofit is not a priority. They are likely to remain on traditional fuels for some time to come. We believe Jamie and Tom are good candidates for our biofuel solutions if UK policy makes the price more affordable.

The remainder of the 1.3m off-grid customers for our traditional products today are not as engaged with environmental matters or it is too expensive for them to switch systems. We believe that a successful bundle offer for our early adopters has another potential for growth: the 20 million consumers on the gas grid, as a large subset of this market is also suitable for a heat-pump solution.

Because of our long-term relationships and how our advice is valued, we expect to be the first call for customers as they look to newer energies. We believe we will grow our share of wallet and lifetime value from these customers as we implement our new strategy, by offering bundled solutions.

For the purposes of customer lifetime value, again we look at a shorter seven-year period. Over that time, we'd expect to generate gross profit of £1.8 to £2.5k from providing traditional energy to a domestic customer in the UK. If we switch that customer to an air source heat pump, the lifetime value to us from an installation alone is 1-1.4 times the original value. Installation of solar, adding service contracts and potentially battery solutions in time all contribute to a higher lifetime value. We could potentially double our original gross profit. We have just launched a heat pump offer in the UK, Angus will talk through the offer and our first customers will explain their rationale for choosing DCC.

As I mentioned earlier, digital sales channels play a key role for customers looking to retro-fit their homes. To be successful we need to be focused on a digital-first customer experience. As part of our new strategy, we will be investing more in new digital capability to ensure we provide the digital customer journey required to succeed.

As you can see, we are delivering solutions already today which will allow us not only increase the life-time value of our existing customers through bundling, but give us solutions which are also relevant for the much larger on-grid market.

Mobility is a distinct focus area for us. Our strategy is to develop multi-energy locations and service platforms. Allowing our customers to access the energies they need while on the move and at the same time using digital business models to access services for their fleets. Mobility accounts for 25% of our gross profit with about three-quarters being generated through our Retail business and one-quarter from our fleet services and HGV network.

Policy moves in our markets have been greatest in the passenger car and light commercial segments, with some markets preparing or announcing the phase-out of internal combustion engines by 2030. We therefore anticipate a more dramatic overall decline in emissions from mobility in the next decade. Due to the increased energy requirement for HGVs, we expect very little transition in this segment through 2030.

Overall we expect emissions to decline in our mobility markets by 29%.

We believe our HGV and Fleet services business provides us with a significant growth opportunity through the next 10 to 15 years. Our research indicates that new technologies such as Hydrogen, Super-fast charging and new battery technology will require further development, before supporting HGVs to transition to Net Zero.

We will continue to invest in our HGV networks, focusing on locations of scale that provide low carbon energies to trucks and parking facilities, as we see a growing need for regulated truck parking across Europe. Some of our recent investments in the UK and France have the potential to generate between 500k - 1 million pounds per location at reasonable returns.

For fleet managers, complexity is growing through energy transition. Multiple vehicle types requiring a combination of low carbon fuels and power. Distributed charging at home, in the depot and on the road, requires more information, advice and expense management.

Our strategy will continue to provide fleet management solutions which simplify the management and payments process for our customers. Partnering with organisations like Shell to build charging solutions at home, work and on the go - such as those referred to by Lena - will allow us grow our fleet business into the future. These are just the new energy opportunities in fleets. Choosing vehicle types, new insurance requirements, adapting to new leasing models, all increase complexity for our fleet customers and create opportunities for our fleet businesses. Giorgio will talk now about why Shell see DCC as a key partner

As the electrification of passenger cars and light fleets grows, through this decade we will continue to transform our retail networks. We believe that by focusing our investment on Urban and transient locations we can not only maintain our current profitability but grow our business through transition. We see an opportunity to transition our Urban locations from unmanned gas stations to multi-energy convenience locations. We are also building greater operational capability to capture more of the profit in these locations. On our Motorway locations we are confident the transition to multi-energy mobility hubs will remain profitable in the long-term. Maintaining a strategic network of urban and transient locations, also reinforces our fleet offering, ensuring our customers have a full on-road, fast charging solution.

Our more rural locations will continue to focus on low-cost operations and access to more traditional fuels with a growing penetration of bio. This low cost focus coupled with our pricing excellence will continue to be an important contributor to our profits and cashflows in the medium term.

Through the transition we will be optimising our network by ensuring the right format is on each location. If you take an average company owned and operated site across our network today, we generate about £60k, with a split of about 70% fuel and 30% other income. As we move through transition we expect this average site profitability to grow. We will manage the cash generated from fuel, but expect it to be a smaller portion of the mix. We know from our Norwegian experience that shop utilisation and margin from EV charging is positive compared to fuels. Finally, we have a lot of opportunity to grow convenience across our network.

Ultimately, we expect the network to have very strong EV Charging and Non-Fuel Income contribution, with the overall average site profitability growing over time. A lot of our network thinking has been informed by our experience from Norway. To bring this to life in more detail, Lars will talk you through our plans there.

I believe by Leading with Energy we will significantly grow our business into the future, and with the solutions we are developing also meet our ambition of NET ZERO.

Now I will handover to Kevin

Financial profile of the strategy

Kevin Lucey

Chief Financial Officer

Thanks Eddie

In this section we will look at DCC Energy in terms of its financial metrics, growth profile, carbon intensity and capital allocation. We will hear from Natacha on many of the renewable and bio supply initiatives we have underway around the division. We will put DCC Energy into context within our overall Group Ambition. In addition, I will share an update on our Sustainability progress and the further commitments we are making in that regard today.

So - to get going - There are four drivers to our Energy growth strategy

Firstly, we will continue to support and assist today's customers who require traditional and lower carbon energies into the future. This is particularly relevant to the resilience of our profits and cashflows.

Secondly, we are organically expanding our approach to the energy market. Developing more sales advisory and transition solution capability which provides more value for customers. In other words, we are investing behind growth areas of the energy market.

Thirdly, we have a very clear focus on driving strong cash flows and returns from the business - as we do across all of DCC

And finally, success across these three ensures we have capital to deploy in accelerating our transition capability through acquisition.

A quick look at the shape of DCC Energy today.

A lot of what you will hear about today is new, however we have been making good progress across our Energy business in recent years. Those of you listening to our Results call this morning will know that DCC Energy delivered £407 million operating profit in financial year 2022.

As Donal called out earlier, all our energy activities will be reported in DCC Energy on a go-forward basis. Within DCC Energy we will have two business units - we will report on our progress in Energy Solutions, which accounts for 75% of DCC Energy profits today and Mobility which includes HGV and fleet services as well as retail, and accounts for 25%.

DCC Energy is a business of real scale with a presence across 13 countries. Our growth in Europe through the last decade and more recently into Asia and the US, means that Continental Europe now accounts for 39% of profits, Britain and Ireland for 35% of profits, Scandinavia 15%, and the Rest of the World 11%.

Finally, on the right hand side the overall divisional make up by product or service, lower carbon products such as propane, natural gas, electricity account for just under 50% of profits. You will see that traditional fuels, such as gasoline or diesel now account for 29% of our profits. The final category, energy services, renewables and other services which includes our solar profits, our fleet payment services, our lubricants or refrigerants accounts for 22%.

Just a point to note on this split which is relevant for our Scope 3 carbon emissions discussion later. That final category or the 22% of Energy profits, isn't as relevant for our Scope 3 carbon emissions and trajectories, as it contains no, or very very modest, Scope 3 carbon.

So this is DCC Energy's very impressive track record of profit growth, really strong and resilient returns and cash generation.

Across this period, profits have grown at a CAGR of 10%. This has been achieved in what are mature energy markets, with our focus on operational excellence, innovation in new products, providing more value to customers - giving us our growth opportunity.

The growth of DCC Energy in recent years has been predominantly driven by profit growth in lower carbon products, in services, in energy adjacent areas such as lubricants, refrigerants, and solar. The breadth of the customer base today is significantly increased. What has not changed through all this growth and development into new energy areas is the very strong returns profile and cash flow generation.

As you can see on the slide, the free cash flow conversion has averaged 99% across the last five years. Despite significant acquisition spend, the ROCE has also been very consistent and actually improved modestly - averaging north of 18% over the last five years. In terms of returns - important to note that the growth of the division into new energy products, such as renewable power or services such as solar, has not diluted returns.

We believe the ROCE and Cash flow characteristics of the business will continue to be an important enabler of our overall Group strategy. The very strong cash flow profile funds the growth of DCC Energy but importantly also enables the growth of DCC Healthcare and DCC Technology as we recycle and deploy capital in line with our priorities.

Finally and this will be relevant for our discussion to come - the growth in lower carbon products and services across the last five years has meant that the carbon intensity of our profits in DCC Energy has fallen significantly.

Our Scope 3 carbon to profit ratio has reduced by over 25% over this five year period as our absolute Scope 3 emissions have fallen and our profits have grown. This is a key metric for us and we expect as we execute our strategy it will continue to improve.

Now we will talk about the future to 2030 and beyond. Earlier, you heard about the transition pathways that we think are relevant for our sectors of the market. In general, we operate in a slow to transition area of the market in the off-grid sector, where customers really are going to need help on their transition journey. I think that really came across from interviews with both our people and customers you saw earlier.

Even in this decade, be it for technology reasons, for affordability reasons, or other, many customers will not be able to transition to net zero. So that does underpin the resilience of the profits and cash flows coming from the traditional areas of our business. But DCC is committed to helping all customers to decarbonize when feasible for them to do so. And to accelerate it where we can and provide practicable solutions.

The work we have put into understanding, our customers of the future and the nature of the pathways for our existing customers informs us in terms of what we expect into the future from a financial perspective.

In volume terms, to 2030 we see:

- Modest declines overall in traditional fuels - primarily towards the end of the decade.
- Very resilient demand for lower carbon solutions - as commercial and industrial customers in particular look for practical ways to lower their carbon footprint.
- Very good growth in demand for renewable or bio products- for example our growth in HVO or renewable power in recent years.

In terms of what that means for our overall volumes we would expect that by 2030, organically we will be selling approximately 6% less volumes driven by the traditional product volumes, mainly in Mobility, declining modestly. As you can see on the slide, we believe profits will grow in this area at approximately 2% on average. In terms of the mix, we will be selling a lot more lower carbon and renewable products, providing more services, in 2030 than we are today. Of course a lot of the newer service areas we have, such as solar has no bearing on volumes and we will come onto that later. As you can see on the slide, we believe profits will grow in this area at approximately 2% on average.

Finally for this slide, the emissions profile of DCC Energy will continue to improve, as traditional fuels decline towards the end of the decade and greater penetration of renewable and lower carbon products come into the mix. By 2030 we believe our emissions can be approximately 15% lower than they are today. We are working hard on ensuring we have access to more renewable and bio products and this will mean we can reduce carbon emissions faster than volumes. This is core to our strategy. We will be actively trying to sell lower carbon alternatives to customers. For example, this drove our recent investment in our French retail network to accommodate E85 product, offering the potential to reduce the emissions of a gasoline customer by 60%. It also drove the rollout of HVO for commercial transport customers in the UK as you heard from Kat earlier. We are investing to lower the Scope 3 emissions of our customers.

As we think about our overall profits in DCC Energy, we believe that

- DCC Energy will continue to grow its profits organically, with differing profiles across the traditional, lower carbon and services/renewables businesses.
- As we covered on the last slide, we believe that organic profit growth in traditional and lower carbon products is approximately 2%.
- Our strategy should drive greater proportions of profits over time coming from newer energy products and services.

This represents approximately 22% of our profits today in DCC Energy and where the business has low or no Scope 3 emissions. This is a higher growth part of the business, where we are providing renewable products, solar installation and maintenance, roadside services and convenience amongst other services.

As Eddie mentioned, what we are seeing as we enter the solar and heat pump markets and research the energy needs of our customer in the future is that although a different service proposition, the lifetime value of a new energy service customer can be higher than a traditional DCC Energy customer. Albeit smaller today, we believe this part of the business can grow at around 5% on average to 2030. Overall this would give DCC Energy an organic growth profile to 2030 of over 2.5%.

Final point on the organic look forward, I just mentioned that we see our Scope 3 emissions reducing by about approximately 15% by 2030. And that the overall growth in profits of DCC Energy will be driven by new energy products and services revenues and very resilient profits in traditional and lower carbon products.

If we look at the Scope3 carbon to Operating Profit ratio our strategy will deliver continued meaningful declines in the carbon intensity of the profits we generate.

While we have made very good progress on this over the last five years, we need to continue to innovate to ensure we have access to the right solutions for customers, as renewable technologies and products change or emerge.

Ensuring we have developed the solutions such as solar or heat pump and access to renewable products is fundamental to our strategy. We will hear from Natacha now and she will explain our approach to some of the renewable supply partnerships and innovations that are happening in our markets.

Hopefully that provided insight into the importance we place on renewable and bio products as we look forward.

So to summarise in terms of financial profile for DCC Energy and of what we expect to 2030 and beyond based on the organic profile of the business and what we can see today. We think that, combined, the traditional / lower carbon areas of DCC Energy are extremely resilient and have profit growth potential of c.2% There will be higher growth in the services and renewable offerings of approximately 5%.

With such a resilient profile we expect DCC Energy to continue to deliver high teen ROCE and have excellent cash generation, which will enable both the growth of DCC Energy but also provide cashflow and capital to enable the Group's capital allocation priorities. And DCC Energy will be less carbon intensive.

We will switch gears now to talk about capital allocation and how it fits into DCC's overall growth aspiration. Those of you who follow us will remember this slide from December when we announced the acquisition of Almo by DCC Technology. I won't go over the slide in detail, the key point here is that we have clear priorities for capital allocation in DCC and our prioritization is informed by the growth opportunity we believe exists and the sustainability of the opportunity.

That same sustainable growth mindset and priorities informs how we think about capital allocation in DCC Energy. Looking at the left hand side here we will be deploying capital in DCC Energy to accelerate the transition capability of the business and accelerate transition for our customers. We will come on to talk briefly about some examples of recent acquisitions and development capex we have made under this priority. We would also deploy capital where we see a clear transition pathway for the customer base.

Finally, in terms of things that are not a priority for DCC Energy today we will not acquire large retail estates, particularly where the transition pathway is not clear for DCC such as those estates with more rural footprints.

We also have a clear preference for partnership and offtake arrangements for supply rather than making substantial upstream investments. We will consider modest investments, but our clear priority would be offtake or partnership where we can bring value to the producer with a market for their product.

Partnerships are fundamental to a business like ours, where building distribution and supply relationships and developing customer partnerships are the essence of what we do. You heard from both global and local partners earlier –

Shell for example where we are working with them across both Mobility and Energy Solutions and across multiple markets. To local solutions like the biogas offtake example in Ireland with Green Generation and last year when we publicized our partnership with ENGIE in France.

A lot of the growth in our services or renewable profits in recent years has come about through acquisition or development cap ex. Some examples of investments we've made in the very recent past include:

- Building out our Solar capability in France.
- We have added renewable power and biogas capability.
- Developing our own capability in heat pumps in the UK.
- Adding EV charging to our stations in France, Norway and Denmark and multi-location charging in Denmark in partnership with Shell.

These acquisitions on the Left hand side and developments are delivering good returns for DCC today. The acquisitions I mentioned are delivering 15% plus ROCE and the organic developments are higher again.

We are not rigid when it comes to transition and returns. We expect some of the acquisitions we make in this area to be more expensive initially, in the low-double digit range. But we expect that the growth will be stellar and our ability to deliver synergies and cross-sell products to our existing customers will also add value. And so our ROCE aspiration from these investments will remain consistent over time.

We are going to zoom right out now and just talk about DCC Energy in the context of the Group overall. And how it contributes to our Compounding Growth model.

From a financial perspective we have a clear vision of what we believe the DCC Group strategy will achieve to 2030 and beyond. And it informs our aim to continue to compound earnings growth for shareholders by at least 10% on average.

We are aiming to deliver between 3 and 4% organic profit growth on average. As I mentioned earlier, DCC Energy is likely to be a little lower, with DCC Healthcare and DCC Technology, which together are now a more material part of the Group, delivering higher growth.

We believe we will continue to consolidate in our markets. We believe, that, on average, this can deliver between 6% and 8% additional growth per annum. In our Results call this morning we reported that in 2022 our organic growth at a Group level was higher than this at

6% and so was M&A at 9% growth. We know it was an excellent year from an organic performance perspective and as I mentioned this morning above our 5 year historic average. And M&A by its nature will be lumpy. But, on average, we believe we can deliver over 10% profit growth.

In terms of free cash flow, at a Group level, we expect approximately 85% to 90% free cash flow conversion. And for mid-teen returns. DCC Energy has higher metrics -the lower free cash flow conversion here is because we believe we will be investing in development capex and working capital to deliver higher organic growth in DCC Healthcare and DCC Technology.

We also believe the growth can be self funded. Given the very strong free cash flow generation and - again referring back to our results call this morning - given our starting position of approximately 0.5x net debt: EBITDA.

This financial view of DCC is just a reflection of our compounding business model and enabled by the strength of the platforms we have. Our organic growth is enabled by our presence in large markets, with growth opportunities. We have leadership positions in our sectors of the market. We have great teams around the Group who drive operational excellence every day in DCC.

Our capital allocation priorities are clear. And we have great teams of people who can identify the right opportunities in our fragmented markets. We have a very strong heritage in M&A having completed over 350 transactions since we went public. And with ROCE being our key metric, it really does drive huge focus around the Group on cash flow.

So if we look forward, the organic growth profile of our different business areas and, most materially, our capital allocation priorities will change the shape of the Group over time. We know that on a pro-forma basis, DCC Energy accounts for c.64% of the profits of the Group. And within that, the fossil energy products we sell, traditional or low carbon, represent the majority of DCC Energy profits today. If we look at the energy products that have a material Scope 3 carbon impact being just under half of Group profits we expect the reliance on these profits will reduce over time.

We are ambitious to continue to grow and develop DCC. We believe DCC will be over twice as large in profit terms by 2030. If our strategy and capital allocation are successful, we expect that the reliance on fossil profits will reduce meaningfully, and account for approximately 25% to 30% of the Group, down from 48% today. And again, really important even within that 25%-30%, as I mentioned earlier, it will be less carbon intensive than today as we continue to strive to reduce customers emissions.

At our capital markets event in November 2020 we said that we wanted to be known for excellence in Sustainability. In just 18 months we have made great progress. But we want to do more. Although only one lens, the ESG rating and disclosure agencies have recognized we are making progress. Our CDP score has improved two notches in their most recent annual appraisal. Our Sustainalytics score has improved by 15 points on a 50 point scale in the last two years. We have retained our AAA MSCI Rating. We have consistently had the highest ISS score for Governance.

To ensure Sustainability is at the heart of everything we are doing, we are creating a new position at our Group Management Team (or Executive Committee) where we are combining the leadership of our Strategy and Sustainability functions and we are delighted that Eddie, once he has completed his interim CEO position, will be taking over as our new Chief Strategy & Sustainability Officer.

Our updated Energy strategy today will reduce the carbon footprint of our customers over time. We believe this is really significant and presents a meaningful and tangible opportunity for investors to partake in active transition with a team and business who are really committed to delivering a lower carbon future for people and businesses.

We recently completed an upsizing of our RCF with our banking group from £400 million to £800 million and for the first time we have included ESG metrics within this, creating a Sustainability-Linked Revolver. This was a great example of our Treasury and Sustainability teams working together to deliver a fantastic outcome for DCC.

And finally, we are setting targets and our ambition for the future that will demonstrate further commitment to excellence in Sustainability.

DCC's purpose is to enable people and businesses to grow and progress. We believe that by 2030 DCC will have made substantial progress in its own growth and development. While helping people and businesses to do likewise.

Our Energy strategy makes it clear that DCC is committed to decarbonizing the energy used by our customers. We will lead by example and put this to work within our own operations. With our new Scope 3 target, we are now committed to be Net Zero across Scope 1, 2 and 3 by 2050, or sooner.

In the shorter term, since we set our Scope 1 & 2 targets a couple of years ago we have made great progress. Indeed, we have made so much progress against our Scope 1 and Scope 2 trajectory to 2025 we are resetting our sights on 2030 and targeting to reduce our Scope 1 and Scope 2 emissions by 50%.

Our strategy and ambition is to drive sustainable growth. We believe the Group can be more than twice as profitable by 2030. And that it will be less carbon intensive. The remainder of this decade will be about building capability in energy transition to enable us to thrive beyond. We believe our Scope 3 emissions can reduce by approximately 15% to 2030, positioning the Group to drive acceleration in the next decade and creating the momentum to achieve our Net Zero 2050 target.

Our strategy and capital allocation priorities should also see the Shape of the Group change with the material Scope 3 carbon producing areas of the Group reducing to approximately 25-30% of the Group.

We are excited by the opportunities in front of us. And we believe we have the platforms and capability to deliver them.

I'll hand you back now to Donal.

Summary & conclusions

Donal Murphy

Chief Executive

Many thanks Kevin

In a few moments we will have a panel discussion where we will answer the questions we received prior to the event.

So in summary, we've outlined today:

- Our new strategy and structure for DCC Energy.
- Our point of view on the pathways for energy transition for our customer segments.
- How we are expanding our customer offerings and solutions.
- The financial characteristics of the transition.
- Our new commitments to drive our progress to Net Zero.
- And we've given you a vision of what the group might look like in 2030.

DCC has a critical role to play in leading our customers through their complex decarbonisation challenges. We continue to make great progress in energy transition introducing many innovative energy solutions for our commercial and industrial, domestic, and mobility customers.

Our strategy is to accelerate the net zero journey of our customers by leading the sales, marketing and distribution of low carbon energy solutions. We are providing our customers with a wide range of renewable and low carbon energy solutions already today to help them on their Net Zero journey. We are scaling our solutions in solar, biofuels, renewable power and e-mobility. The customer life time value is compelling.

By 2030 we will have more than doubled the size of the group and approximately 70-75% of our profitability will come from our healthcare, technology and clean energy and renewable activities.

While we are growing our business, we believe our strategy will support our customer's decarbonisation agenda and the path to Net Zero, this is why we are adding to our Scope 1 and 2 Net Zero target with a Scope 3 Net Zero target by 2050 or sooner

Our strategy is a winning strategy

DCC is Leading - with energy

[END OF TRANSCRIPT]

For Q&A please click here to view the playback of the live webcast.