


16 February 2023

bp acquisition of TA

Leaning into the US convenience and mobility sector



Craig Marshall

SVP investor relations

Good morning and afternoon everyone and thank you for joining this call at short notice.

I'm joined by Bernard Looney, chief executive officer.

As well as Murray Auchincloss, chief financial officer and Emma Delaney, EVP customers and products.

It has been a busy reporting season and here in the UK it's also school's half-term, so we'll see what questions we have at the end which Bernard, Murray and Emma are here to take. Otherwise the investor relations team are available to take any other questions after the call.

Before we begin today, let me draw your attention to our cautionary statement.

Cautionary statement

In order to utilize the 'safe harbor' provisions of the United States Private Securities Litigation Reform Act of 1995 (the 'PSLRA') and the general doctrine of cautionary statements, bp is providing the following cautionary statement.

This presentation contains certain forecasts, projections and forward-looking statements – that is, statements related to future, not past events and circumstances – with respect to the financial condition, results of operations and businesses of bp and certain of the plans and objectives of bp with respect to these items. These statements are generally, but not always, identified by the use of words such as 'will', 'expects', 'is expected to', 'targets', 'aims', 'should', 'may', 'objective', 'is likely to', 'intends', 'believes', 'anticipates', 'plans', 'we see' or similar expressions. In particular, the following, among other statements, are all forward-looking in nature: expectations in relation to the completion of the transaction described including the outcome of regulatory and shareholder approvals, timing of completion and the amount and form of the consideration; plans and expectations in relation to bp's strategy including that the announced acquisition will strengthen bp's position in the United States, advance bp's transformation to an integrated energy company and have no impact on bp's net zero ambition; expectations for the TA business including integration with bp's existing businesses and any future opportunities and offers at TA sites including electric vehicle charging, biofuels, renewable natural gas and hydrogen; expectations regarding EBITDA from TA's business, including expectations to grow that EBITDA through 2025; plans and expectations in relation to bp's five transition growth engines (TGE) including the impact of the agreed acquisition on those TGEs; plans and expectations regarding the impact of the acquisition on bp's financial frame including capital expenditure; expectations that, through integration value and synergies, the transaction can deliver at least a 15% rate of return; expectations in relation to bp's target for its convenience and EV charging TGEs to deliver a combined EBITDA of more than $1.5 billion in 2025; expectations that the acquisition will be accretive to free cash flow on a per share basis from 2024; expectations in relation to the impact of the acquisition on bp's global convenience gross margin; expectations regarding the macro environment including expectations in relation to the energy mix through the decade and growth in demand for lower carbon mobility solutions; expectations in relation to bp's ability to scale its lower carbon mobility solutions offers; plans and expectations in relation to Archaea Energy, bp's biofuels projects, bp Pulse and potential hydrogen offers for heavy trucking.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of bp. Actual results or outcomes, may differ materially from those expressed in such statements, depending on a variety of factors, including: the extent and duration of the impact of current market conditions including the volatility of oil prices, the effects of bp's decision to exit its shareholding in Rosneft and other investments in Russia, the impact of COVID-19, overall global economic and business conditions impacting bp's business and demand for bp's products as well as the specific factors identified in the discussions accompanying such forward-looking statements; changes in consumer preferences and societal expectations; the pace of development and adoption of alternative energy solutions; developments in policy, law, regulation, technology and markets, including societal and investor sentiment related to the issue of climate change; the receipt of relevant third party and/or regulatory approvals; the timing and level of maintenance and/or turnaround activity; the timing and volume of refinery additions and outages; the timing of bringing new fields onstream; the timing, quantum and nature of certain acquisitions and divestments; future levels of industry product supply, demand and pricing, including supply growth in North America and continued base oil and additive supply shortages; OPEC+ quota restrictions; PSA and TSC effects; operational and safety problems; potential lapses in product quality; economic and financial market conditions generally or in various countries and regions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations and policies, including related to climate change; changes in social attitudes and customer preferences; regulatory or legal actions including the types of enforcement action pursued and the nature of remedies sought or imposed; the actions of prosecutors, regulatory authorities and courts; delays in the processes for resolving claims; amounts ultimately payable and timing of payments relating to the Gulf of Mexico oil spill; exchange rate fluctuations; development and use of new technology; recruitment and retention of a skilled workforce; the success or otherwise of partnering; the actions of competitors, trading partners, contractors, subcontractors, creditors, rating agencies and others; bp's access to future credit resources; business disruption and crisis management; the impact on bp's reputation of ethical misconduct and non-compliance with regulatory obligations; trading losses; major uninsured losses; the possibility that international sanctions or other steps or actions taken by any competent authority or any other relevant persons may impact Rosneft's business or outlook, bp's ability to sell its interests in Rosneft, or the price for which bp could sell such interests; the actions of contractors; natural disasters and adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism; cyber-attacks or sabotage; and other factors discussed elsewhere in this presentation, as well as those factors discussed under "Risk factors" in bp's Annual Report and Form 20-F 2021 as filed with the US Securities and Exchange Commission.

Reconciliations to GAAP - This document also contains financial information which is not presented in accordance with generally accepted accounting principles (GAAP). A quantitative reconciliation of this information to the most directly comparable financial measure calculated and presented in accordance with GAAP can be found on our website at www.bp.com.

Tables and projections in this presentation are bp projections unless otherwise stated.

February 2023

*** For items marked with an asterisk throughout this document, definitions are provided in the glossary**

3

During today's presentation, we will make forward-looking statements including those that refer to our estimates, plans and expectations.

Actual results and outcomes could differ materially due to factors we note on this slide and in our UK and SEC filings.

Please refer to our Annual Report, Stock Exchange announcement and SEC filings for more details.

These documents are available on our website.

Let me now handover to Bernard.

Bernard Looney

Chief executive officer

Thanks Craig.

Good morning and afternoon everyone and thank you for joining us on what is another exciting day for bp.

Today we have announced an agreement to acquire TravelCenters of America – or TA – a leading US travel centre operator with an extensive network of sites strategically located across US highway corridors.

Emma and I had the privilege of meeting Jon Pertchik, the CEO and president of TA, and Adam Portnoy, the Chairman of TA and SVC. Two fantastic leaders. Amongst many things, we talked about the importance of people to TA's success and the value of partnerships – both of which are core to bp's purpose and core to our values. We look forward to welcoming the team at TA to bp and to partnering with SVC.

This is we believe, a compelling combination that is expected to strengthen our position in the US, the world's number one road energy and convenience market, as well as advance our transformation to an integrated energy company.

Today you will hear three key messages.

First, we are leaning into today's US convenience and mobility sector, delivering value through disciplined investment and integration.

– bp has had a presence in US convenience and mobility for decades, and it's a sector we know well – it is primarily focused on forecourts on the East and West coast of the US;

– TA's coast-to-coast highway network is complementary to this, and increases our exposure to the resilient and growing US market;

– And the combination offers strong near-term EBITDA growth, underpinned by integration, with bp’s existing refining system and convenience business.

Second, we are leaning into the US convenience and mobility network of tomorrow. The combination of TA’s network and customer base, with bp’s global scale and capabilities, establishes a platform for us to:

– Advance four of our five transition growth engines – convenience, bioenergy, EV charging and hydrogen, and;

– Support our customers – especially fleets – in their decarbonisation journeys.

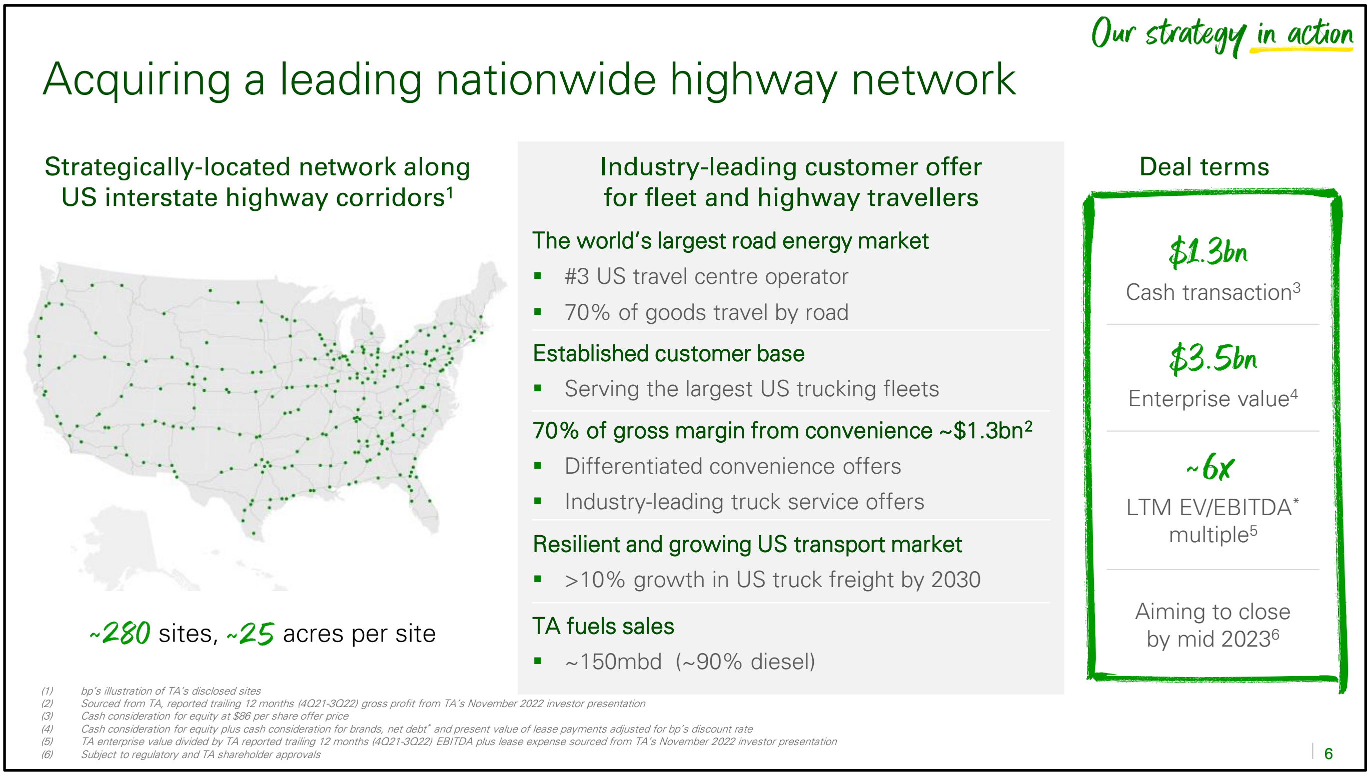
And third, the transaction is accommodated within our disciplined financial frame.

– It is included within our unchanged group capital expenditure guidance;

– Through integration value and synergies we expect to deliver greater than a 15% return – and this excludes the longer-term value this combination can add through the energy transition;

– It supports our target to deliver more than $1.5 billion EBITDA in 2025 from our convenience and EV charging growth engines;

– And the transaction is expected to be accretive to free cash flow per share from 2024.



Turning then to the proposed acquisition in more detail.

Today, TA is the third largest travel centre operator in the US – the world's largest road energy market.

So, what is a travel centre?

Situated along busy interstate highways, travel centres are focused on serving both truck and passenger customers – so that means refuelling and truck servicing, warm meals and convenience offers – a 'home away from home' for drivers.

We see huge value in TA's network of around 280 sites:

– The network is strategically located across America's busiest highways across 44 states, and complements bp's existing off-highway network;

– It covers over 7,000 acres of land under long duration leases with options to extend. And sites are on average 25 acres, which is the equivalent I am reliably informed of 19 American football fields;

– It has an established customer base – serving the largest US trucking fleets every day;

– Its material convenience and services business generates around 70% of TA's total gross margin. For context, at around $1.3 billion per annum this will almost double bp's global convenience gross margin;

– And its fuels retail business sells around 150 thousand barrels per day – around 90% of which is diesel. Looking ahead, we expect US diesel demand to remain resilient and truck freight to grow by over 10% by 2030. Interestingly, 70% of goods in the US travelled by road.

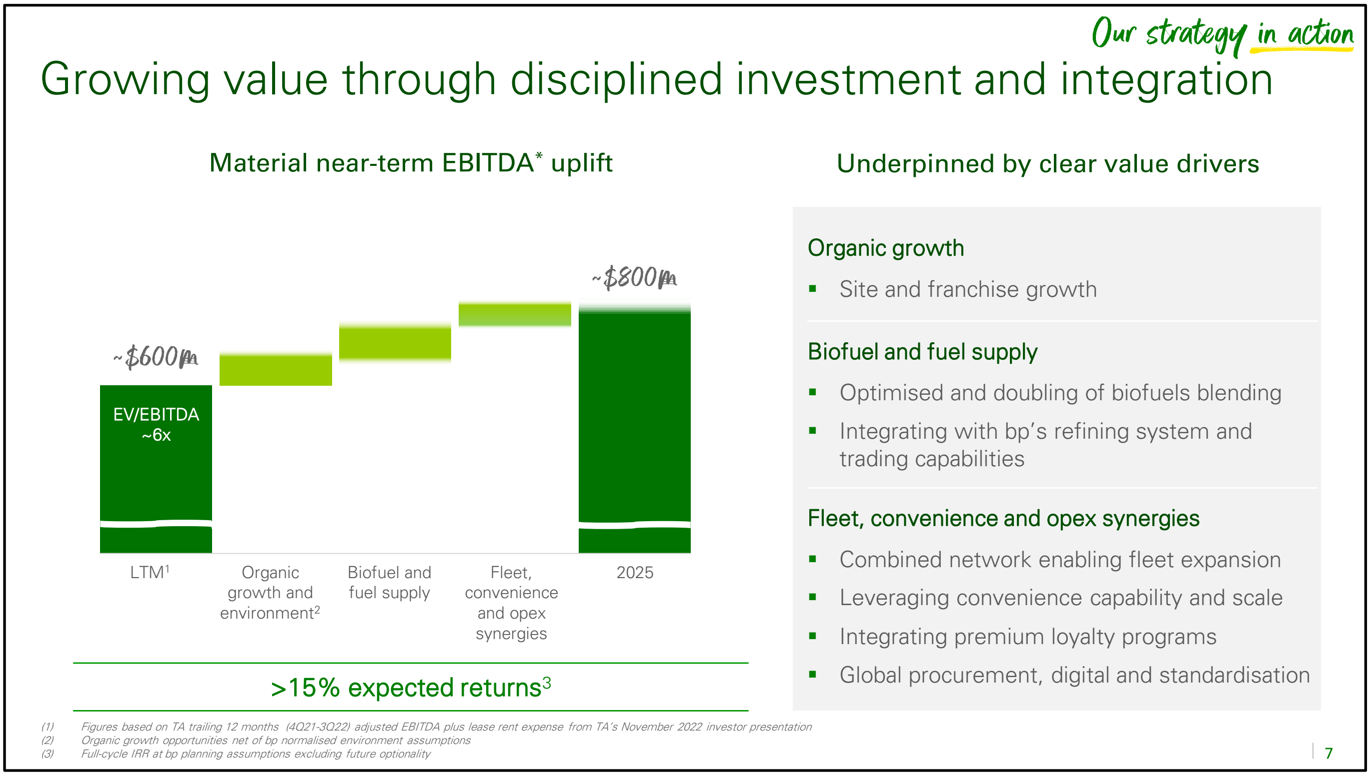
Turning to the transaction itself:

– This is a $1.3 billion cash transaction;

– The enterprise value of $3.5 billion includes around $2.1 billion of capitalised lease commitments, around $90 million to purchase brands and around $70 million of net debt;

– The purchase price represents an EV to EBITDA multiple of around six times based on the last 12 months from 3Q 2022;

– And we aim to close the transaction by mid-2023, subject to regulatory and TA shareholder approvals.



The proposed acquisition is expected to deliver significant value for bp's shareholders.

The acquisition adds EBITDA immediately. Over the past 12 months, from 3Q 2022, TA generated around $600 million of EBITDA.

Through 2025, at bp planning assumptions, the combination of TA's business with our own capabilities is expected to grow EBITDA to around $800 million:

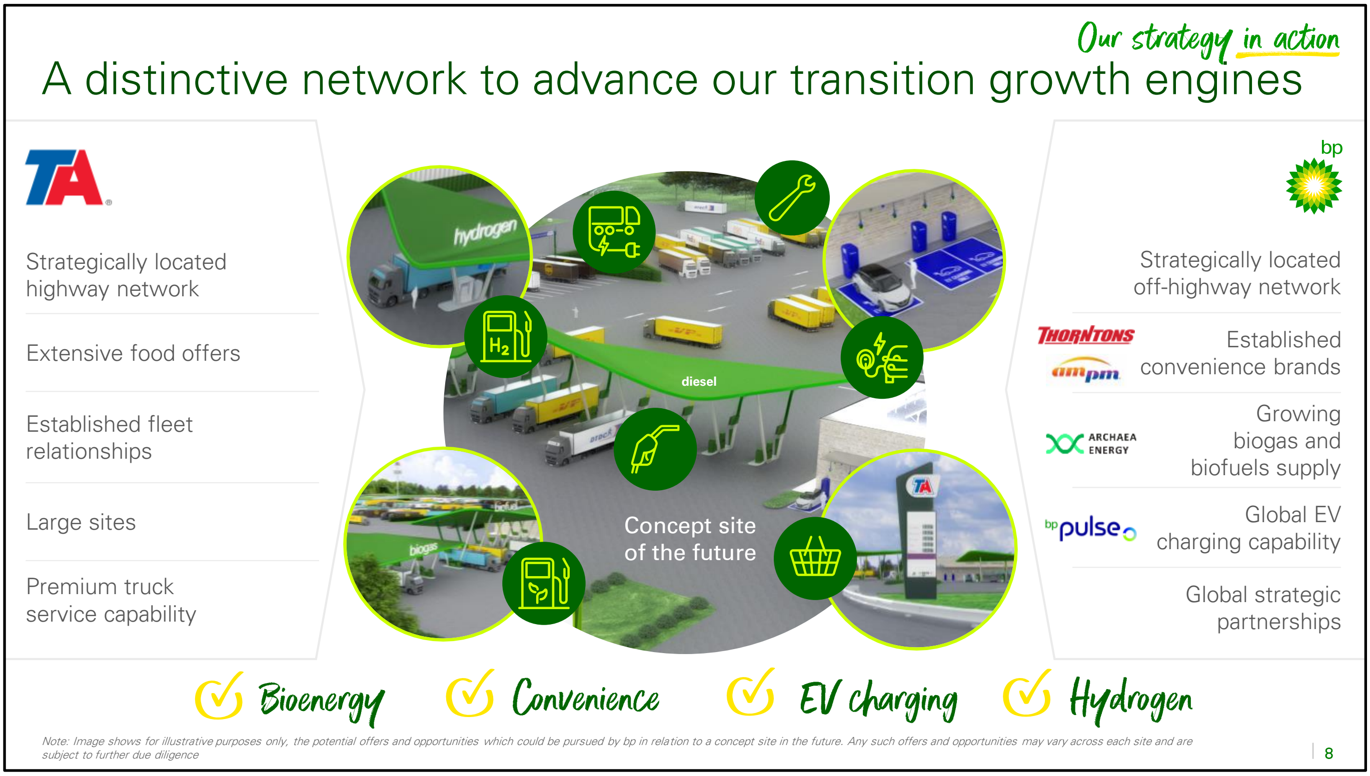
Capturing market expansion and selectively investing in new sites and franchises;

Integrating TA's fuels business with bp's fuels supply and trading capabilities. This includes more than doubling biofuels blending within our fuels and optimising supply;

Generating synergies from fleets as we combine bp's off-highway network with TA's on-highway network; and

Leveraging convenience capability, scale and customer loyalty programs

Through delivery of this visible growth, integration value and synergies, we expect the transaction to achieve a return of above 15%.



We also aim to create further value as we invest in the distinctive combination of bp and TA's sites, brands, relationships and capabilities to advance our transition growth engines.

And that is what this image aims to portray – a concept of a potential 'mobility site of the future'.

While we expect that traditional fuels demand will remain a material part of the energy mix through the decade, demand for lower carbon mobility solutions is growing rapidly – in particular, from fleet customers.

To support this growing demand, bp is scaling its ability to offer lower carbon mobility solutions:

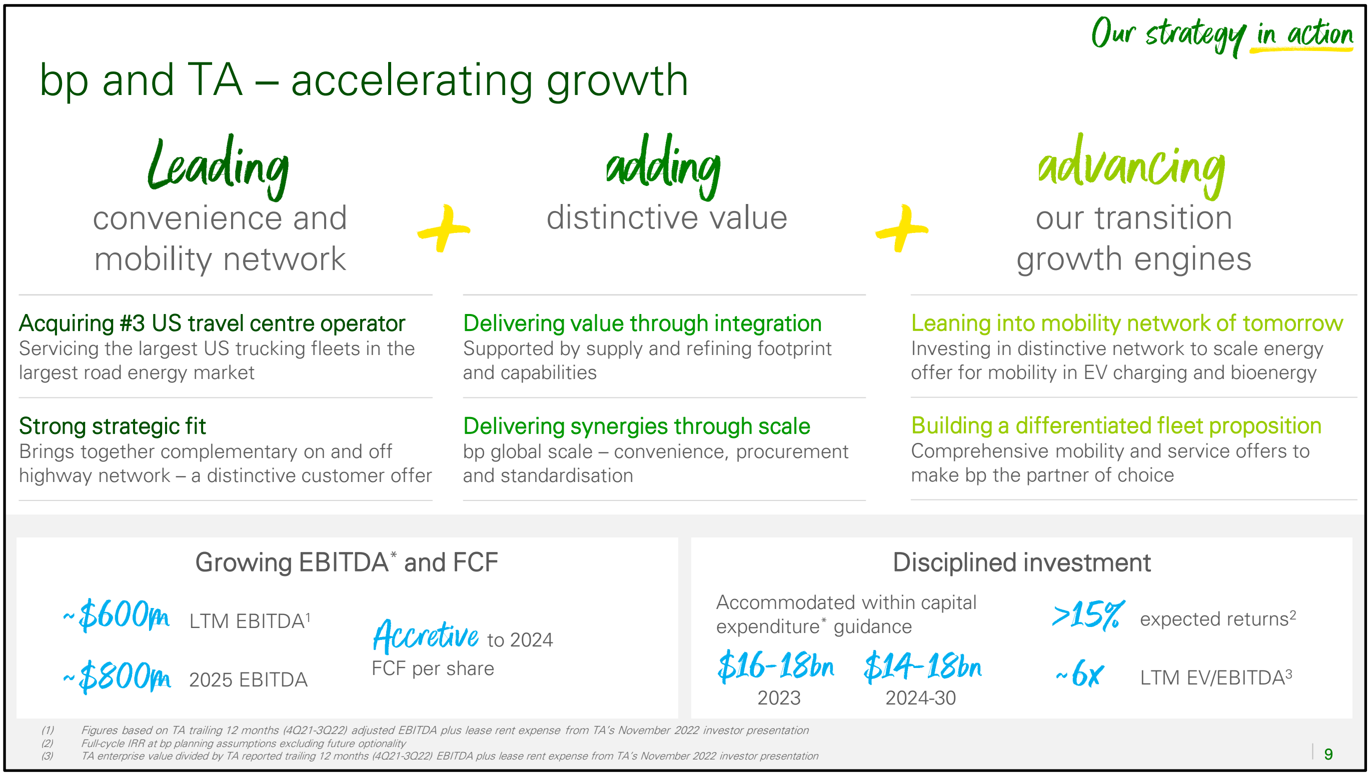
– Biogas through the recent Archaea Energy acquisition and continued growth in its existing business;

– Biofuels through our investment in co-processing and our biofuels projects;

– EV charging through bp Pulse – which as you may have seen from yesterday's announcement – we plan to invest $1 billion in EV charging across the US by 2030;

– And in the longer-term aiming to offer hydrogen for heavy trucking.

Through the acquisition of TA we are now creating a distinctive on the ground network to lean in to this transition. Supporting our customers as they seek to decarbonise. And all underpinned by leading brands and convenience offers – including bp's ampm and Thorntons – to make us the destination of choice.



Let me wrap up and we can then turn to Q&A.

Through this proposed acquisition of TA, we are accelerating growth. It creates the opportunity for bp to:

– **Lean into today's US convenience and mobility system** – growing through a strategically located and complementary network – leveraging significant integration value – almost doubling bp's current global convenience gross margin – and delivering returns of more than 15%.

And

– **Lean into the mobility system of tomorrow** – investing in the combined network alongside our transition growth engines to support customers with their adoption of lower carbon mobility solutions.

And finally – this is all accommodated within our unchanged disciplined financial frame, is cash flow accretive from 2024, and – importantly – this supports our net zero ambition.

Thank you for listening. Emma, Murray and I are happy to take any questions you have about this transaction.

Q&A

Bernard Looney
Chief executive officer

Emma Delaney
EVP, customers & products

Murray Auchincloss
Chief financial officer

Appendix

EBITDA and EV multiples reconciliation

	2022	
	Including capitalised leases	**Excluding capitalised leases**
Equity value: $86/share (~15m shares)	1.3	1.3
Net debt*[1]	0.1	0.1
Brand purchase	0.1	0.1
Lease obligations[2]	2.1	-
Enterprise value	3.5	1.4
LTM EBITDA*[3]	0.3	0.3
Add lease payments[4,5]	0.3	0.0
LTM EBITDA	0.6	0.3
EV/EBITDA	~6x	~5x

(1) *Figures based on TA trailing 12 months (4Q21-3Q22) net debt from TA's November 2022 investor presentation*
(2) *Present value of lease payments adjusted for bp's discount rate*
(3) *Figures based on TA trailing 12 months (4Q21-3Q22) adjusted EBITDA from TA's November 2022 investor presentation*
(4) *Figures based on TA trailing 12 months (4Q21-3Q22) lease rent expense from TA's November 2022 investor presentation*
(5) *Per IFRS 16 as lease payments are classified within DD&A and a financing cash outflow vs US GAAP reported as lease rent expense*

Glossary

Glossary - abbreviations

DD&A	Depreciation, depletion and amortisation.
EV	Electric vehicle.
EV	Enterprise value.
EVP	Executive vice president.
FCF	Free cash flow.
IRR	Internal rate of return.
LTM	Last twelve months.
mbd	Thousand barrels per day.
SVP	Senior vice president.

Glossary

Capital expenditure	Total cash capital expenditure as stated in the condensed group cash flow statement. Capital expenditure for the operating segments and customers & products businesses is presented on the same basis.
EBITDA / adjusted EBITDA	Replacement cost (RC) profit before interest and tax, excluding net adjusting items*, adding back depreciation, depletion and amortisation and exploration write offs (net of adjusting items).
Hydrogen / low carbon hydrogen	Hydrogen fuel with reduced carbon attributes, including renewable (green) hydrogen made from solar, wind and hydro-electricity, and (blue) made from natural gas in combination with carbon capture and storage (CCS).
Net debt	Calculated as finance debt, as shown in the balance sheet, plus the fair value of associated derivative financial instruments that are used to hedge foreign currency exchange and interest rate risks relating to finance debt, for which hedge accounting is applied, less cash and cash equivalents. Net debt does not include accrued interest, which is reported within other receivables and other payables on the balance sheet and for which the associated cash flows are presented as operating cash flows in the group cash flow statement..