

Company:	Mesaieed Petrochemical Holding Company (MPHC)
Conference Title:	MPHC Q4-21 Results Conference Call
Speakers from MPHC:	Mr. Sami Mathlouthi, Assistant Manager, Privatized Companies Affairs, Qatar Petroleum Mr. Riaz Khan, Head of Investor Relations and Communications, Qatar Petroleum
Moderator:	Bobby Sarkar, Head of Research – QNB Financial Services
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Operator:	Good day and welcome to the Mesaieed Petrochemical Holding Company Q4 2021 Results Conference Call. Today's conference is being recorded. At this time I would like to turn the conference over to Bobby Sarker. Please go ahead.
Bobby Sarker [QNBFS]:	Hi, thank you. Hi, everyone. This is Bobby Sarker, head of research at QNB Financial Services. I wanted to welcome everyone to Mesaieed Petrochemical Holdings 4 th Quarter end of Fiscal Year 2021 Results Conference Call. So, on this call from Qatar Energy's Privatized Companies Affairs Group, we have Sami Mathlouthi, who is the assistant manager in financial operations, and we have Riaz Khan, who is the head of investor relations and communications. So, we will conduct this conference with first management, briefly reviewing the company's results, followed by Q&A. I would like to turn the call over now to Riaz. Riaz, please go ahead.
Riaz-ur-Rehman Khan:	<p>Thank you Bobby. Good afternoon and thank you all for joining us. Hope you are all doing great.</p> <p>Before we go into the business and performance updates, I would like to mention that this call is purely for the investors of MPHC and no media representatives should be attending in this call.</p> <p>Moreover, please note that this call is subject to MPHC's disclaimer statements as detailed on slide no. 2 of the IR deck.</p> <p>Moving on to the call, on 21st of February, MPHC published its results for the year ended 31st of December 2021, and today in this call, we will go through these results and provide you an update on the key financial and operational highlights of MPHC.</p> <p>Today on this call, along with me, I have:</p> <ol style="list-style-type: none"> 1- Sami Mathlouthi, Asst. Manager, Financial Operations <p>We have structured our call as follows:</p> <ul style="list-style-type: none"> ▪ At first, I will provide you a quick insight on MPHC's ownership structure, its competitive strengths and overall governance structure by covering slides 5 till 10, and slides 40 & 41; ▪ Secondly, Sami will brief you on MPHC's key operational & financial performance matrix. ▪ Later, I will provide you with insights on the segmental performance. ▪ And finally, we will open the floor for the Q&A session. <p>To start with, as detailed on slide no. 5 of the IR deck, the ownership structure of MPHC comprises of QatarEnergy with approximately 65.4% stake and the rest is in the free float held by various domestic and international corporates and individuals.</p>

	<p>QatarEnergy being the main shareholder of MPHC provides most of the head office functions through a service-level agreement. The operations of MPHC's joint ventures are independently managed by their respective Board of Directors, along with the senior management team.</p> <p>In terms of competitive advantages, as detailed on slide no. 8, all of the MPHC's group companies are strategically placed in terms of:</p> <ul style="list-style-type: none"> - competitively priced and assured feedstock supply under long term arrangements; - solid liquidity position, with a strong cash flow generation capability; and - presence of most reputed JV partners. <p>Additionally, its partnership with Muntajat, acts as a catalyst for its access to global markets.</p> <p>As detailed on slide 10, from competitive positioning perspective, MPHC ranks among top tier companies in the regional chemical space, across most the matrices and specifically leads the charts in terms of profitability margins.</p> <p>In terms of the Governance structure of MPHC, you may refer to slides 40 & 41 of the IR deck, which covers various aspects of MPHC's code of corporate governance in detail.</p> <p>I will now hand over to Sami.</p>
Sami Mathlouthi:	<p>Thank you Riaz. Good afternoon and thank you all for joining us.</p> <p>To start with, as detailed on slide 12, in terms of macroeconomic dynamics, accelerated global GDP recovery on the back of positive macro drivers led to an increase in demand for downstream commodities. Industry-wide supply constraints and global logistical bottlenecks also played a part in keeping the product prices favourable for the downstream producers.</p> <p>MPHC joint ventures benefitted from these strong economic sentiments which resulted in improved price levels, which translated into an improved set of financial results as detailed on slide 14.</p> <p>For the year ended 31st of December 2021, MPHC recorded a net profit of QR 1.9 billion, up by 250%, as detailed on slide no. 16.</p> <p>Group's improved financial performance for the current year was largely attributable to improved product prices, which on an average increased by 52%, and translated into an increase of QR 1.3 billion in Group's net earnings, as you can see on slide 17.</p> <p>Sales volumes were also furthered by 7%, versus last year, driven by improved plant operating rates and healthy product demand. The overall growth in sales volumes translated into an increase of QR 191 million in MPHC's net earnings.</p> <p>The positive trajectory in product prices and improved volumes were slightly offset by increase in variable costs, which contributed by QR 282 million negatively towards the current year's earnings in comparison to the last year.</p> <p>MPHC's operations continue to remain robust and resilient with total production for the year reaching 1.1 million MTs, up by 9% versus last year, as detailed on slide 15. The overall increase in production volumes was mainly attributed to improved plant operating rates during 2021, despite a planned preventive maintenance shutdown which was carried out at the chlor-alkali facilities during Q4-21.</p>

	<p>Moving on to quarter-on-quarter performance, MPHC revenue declined by 12%, while net profit fell 20%.</p> <p>Key contributor towards the decline in revenue and net earnings was mainly due to lowered sales volumes which declined by 20%, amid large scale planned maintenance shutdown at the chlor-alkali facilities carried out during Q4-21, which affected the Group's production and sales volumes.</p> <p>However, selling prices were up 10% during Q4-21 compared to Q3-21 mainly on account of higher energy prices and firm demand.</p> <p>On overall basis, our base case strategy will be to continue our focus on the strategic drivers of operational reliability in terms of continued improvement in efficiency, and achieving cost optimization which would enable the Group to contain costs while making strategic investments for unlocking further growth potential.</p> <p>I will now hand over to Riaz, to cover the segmental performance.</p>
Riaz-ur-Rehman Khan:	<p>Thank you Sami.</p> <p>Petrochemicals Starting with petchem segment, as covered in slides 22 till 26.</p> <p>Compared to last year, financial performance of the segment bounced back with a net profit of QR 1.4 billion, with an increase of 201% compared to last year. This notable increase was primarily driven by improved products prices, which increased by 44%, on account of improved macroeconomic dynamics and supply constraints.</p> <p>Sales volumes also increased by 11%, compared to last year, against a backdrop of higher operating days during the current year.</p> <p>The growth in product prices coupled with sales volumes led to an overall rise in revenue by 60% within the segment, to reach QR 2.9 billion for the current year.</p> <p>Production volumes increased by 14% versus last year, as the segment had planned periodic turnaround of Q-Chem II facilities during Q1 2020, which affected the overall operating rates for last year.</p> <p>In terms of segment revenue by geography, as detailed on slide 25, Asia remains a main market for the segment, along with Indian Sub-continent and Europe.</p> <p>Chlor-Alkali Moving on to Chlor-Alkali segment, as detailed on slides 27 till 31.</p> <p>The segmental performance recorded a significant recovery with net profit of QR 476 million, compared to a net profit of QR 125 million reported for the last year.</p> <p>This notable growth was primarily driven by significant improvement in blended average selling prices, which increased by 71%, complemented by renewed product demand and supply side shortages.</p>

	<p>Sales volumes declined by 1%, compared to last year, against the backdrop of planned maintenance shutdown specifically carried out during the fourth quarter of 2021.</p> <p>On overall basis revenue grew by 70% within the segment, and marginally surpassed QR 1.0 billion for the current year.</p> <p>Production volumes marginally rose by 2% versus 2020, despite a planned periodic shutdown carried out during Q4-21.</p> <p>In terms of segment revenue by geography, as detailed on slide 30, Indian sub-continent remains the main market for this segment.</p> <p>Now we will open the floor for the Q&A Session.</p>
Operator:	<p>Thank you, ladies and gentlemen, if you would like to ask a question at this time, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that is star one for your questions today. We will pause for a brief moment. Once again, ladies and gentlemen, that is star one for any questions you may have today. We now have our first question coming from Wai Chao from QIC. Please go ahead.</p>
Wai Chao [QIC]:	<p>Great one. Thanks for the presentation. I just have one question on the product prices. What are you seeing in the first quarter and what are the expectations going forward?</p>
Riaz-ur-Rehman Khan [MPHC]:	<p>Hi, this is Riaz here. Yeah, so in terms of the expectations, the product prices, when we did the budgeting or the product plans or the outlook plans for 2022, things were positive or basically kind of bullish or somewhere at the breakeven, but with the current situation or the current dynamics or the current political tensions going around specifically in Europe, it will be very difficult to estimate the exact trajectories of these products as we talk now because it's too early to determine the exact direction, how things will turn around.</p> <p>So, as of now, I stand, I'll be very, very conservative on my approach in telling you the exact direction, but what I can tell is like in the start of the year before this current situation, which is currently brewing, we were quite on the breakeven side in terms of the outlook.</p>
Wai Chao [QIC]:	<p>All right. And what about the production of volume for 2022, are we seeing any planned maintenance of the sort in fourth quarter? Have you seen?</p>
Sami Mathlouthi [MPHC]:	<p>Yeah. I think as you have seen, so in the fourth quarter of 2021, we had a big shutdown, big turnaround in QVC, which lasted around 43 days for Q4. For 2022 we are actually in the middle of one turnaround in QChem, so it is planned to last around 39 days. So, the first week started already, so we have around 1,000 man hours of maintenance at this stage. So, Q1 will be affected by QChem I turnaround, but during the year, nothing else is planned, so we will have around 30 days for QVC, but those planned maintenances will be over spread over many months, except in Q4, we will have around 10 days for the QVC. So, we are almost expecting, except Q4, Q1 2022, so most of the other quarters will be like the Q3 of 2021.</p>
Wai Chao [QIC]:	<p>Okay. Thank you.</p>
Operator:	<p>Thank you. Once again, that is star one for your questions today. We will pause for a further moment. There appears to be no further questions at this time.</p>
Bobby Sarker [QNBFS]:	<p>Hi, operator, so this is Bobby again. So, if we have no further questions, we can end the call for today. I want to thank Sami and Riaz for taking the time to answer our questions and give us this presentation and we'll pick this up next quarter. Thank you so much.</p>
Riaz-ur-Rehman Khan [MPHC]:	<p>Thank you.</p>
Operator:	<p>Thank you. This will conclude today's call. Thank you for your participation, ladies and gentlemen, you may now disconnect.</p>