

Company:	Mesaieed Petrochemical Holding Company (MPHC)
Conference Title:	MPHC 1H-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:	Roy Thomas, Sr. Research Analyst – QNB Financial Services
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Conference Time:	13:30 Doha Time

Operator:	Good day and welcome to the Mesaieed Petrochemical Holding Company's 1H-21 results conference call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Roy Thomas. Please go ahead.
Roy Thomas:	Hello, everyone, this is Roy Thomas from QNB Financial Services. I want to welcome everyone to Mesaieed Petrochemical Holding Company's 1H-21 financial results conference call. On this call, we have Sami Mathlouthi, MPHC's assistant manager for financial operations and Riaz-ur-Rehman Khan, Head of investor relations and communications. We will conduct this conference call with management first reviewing the company's results, followed by a Q&A. I will turn the call over to Riaz-ur-Rehman Khan. Go ahead, Riaz.
Riaz Khan:	<p>Thank you Roy. Good afternoon and thank you all for joining us. Hope you are all staying safe.</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 5th of August, MPHC published its results for the six-months period ended 30th June 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, competitive advantages 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 Qatar Petroleum with approximately 65.4% stake and the rest is in the free float held by various corporates and individuals.</p> <p>Qatar Petroleum 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 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. 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, the momentum carried from the latter part of last year, on the backdrop of satisfactory vaccination drive and easing out of geographical lockdowns in major markets, led to a sequential recovery in demand for petrochemicals and chlor-alkali products, and positively reflected on selling prices. 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 and translated into an improved set of financial results as detailed on slide 14.</p> <p>For the six-months period ended 30 June 2021, MPHC recorded a net profit of QR 909 million as compared to QR 135 million for the same period last year, up by 573%, as detailed on slide no. 16.</p> <p>Group's improved financial performance for the first half of 2021 was largely attributable to the improved product prices, which on an average increased by 57%, and translated into an increase of QR 721 million in Group's bottom line earnings, as you can see on slide 17.</p> <p>Sales volumes also surged by 26%, mainly on account of improved production volumes and contributed QR 238 million positively to the current period's bottom-line earnings versus 1H-20.</p> <p>The positive trajectory in product prices and improved volumes were slightly offset by increase in variable costs, which contributed QR 191 million negatively towards the current period earnings in comparison to 1H-20. Current period net earnings were also positively impacted by favorable variance amounting to QR 75 million on inventory differentials, due to lesser drawdowns in comparison to the same period last year.</p>

	<p>MPHC's operations continue to remain robust and resilient with total production for the period reaching 588 thousand MTs, up by 33% versus last year, as detailed on slide 15. The overall increase in production volumes was mainly attributed to improved plant operating rates during the current half year, as major planned turnarounds and preventive maintenance shutdowns were carried out in certain MPHC's joint venture facilities during first half of last year.</p> <p>Moving on to quarter-on-quarter performance, MPHC's revenue improved by 15% versus Q1-21, while net profit significantly improved by 40%. The key contributor towards the growth was the overall increase in average selling prices, which continued their positive trajectory on the backdrop of continued macroeconomic recovery. Average selling prices increased by 18% during Q2-21 versus Q1-21.</p> <p>On an 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, through cost optimization programs, 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 Khan:	<p>Thank you Sami.</p> <p>Petrochemicals Starting with petchem segment, as covered in slides 22 till 26, the performance of the segment bounced back with a net profit of QR 650 million, with an increase of more than 700% compared to first half of last year. This notable increase was primarily driven by improved products prices, which increased by 51%, on account of improved macroeconomic dynamics and supply constraints.</p> <p>Sales volumes also increased by 23%, compared to the same period last year, against a backdrop of higher operating days in the current period.</p> <p>The growth in product prices coupled with sales volumes led to an overall rise in revenue by 85% within the segment, to reach QR 1.4 billion for the current period.</p> <p>Production volumes increased by 33% versus first half of last year, as the segment had planned periodic turnaround of Q-Chem II facilities during Q1 2020, which affected the overall operating rates for the last year.</p> <p>In terms of segment revenue by geography, as detailed on slide 25, Asia remains a main market for the segment, where, Indian Sub-continent and Europe are the other key markets for the segment.</p> <p>Chlor-Alkali Moving on to Chlor-Alkali segment, as detailed on slides 27 till 31, the segmental performance recorded a significant recovery with net profit of QR 252 million, compared to a net profit of QR 5 million reported for the first six months of 2020.</p>

	<p>This notable growth was primarily driven by significant improvement in blended average selling prices, which increased by 80%, complemented by renewed product demand and supply side shortages.</p> <p>Sales volumes also increased by 30%, compared to the same period last year, against the backdrop of better utilization rates in the current period versus last year.</p> <p>Growth in product prices coupled with sales volumes led to an overall increase in revenue by 136% within the segment, to reach QR 547 million for the current period.</p> <p>Production volumes rose by 32% versus same period last year, as the segment had more planned periodic shutdowns during Q1-20.</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, to ask a question, please signal by pressing star one on your telephone. Please ensure that the mute function on your telephone switched off to allow your signal to reach our equipment. Again, to ask a question, please signal by pressing star one on your telephone keypad. We would pause for just a moment to allow everyone an opportunity to signal for questions. Again, press star one on your telephone if you do have a question at this time. We have a question now from Siju Philip from United Securities. Please go ahead.</p>
Siju Philip:	<p>Good afternoon, gentlemen. Thank you for the call. Just a quick question. So how do you see the price outlook for the second half? Do you think the bottlenecks have stopped and will start to ease? And have you seen any pressure on the pricing? How comfortable is that? And could you just give a color on both the segments? Petchem and Chlor-Alkali? And secondly, do you expect any kind of a maintenance schedule for the second half? That's all my questions.</p>
Riaz Khan:	<p>Yeah, in terms of price outlook, as you are aware that during the first half we had a surge in demand because of opening up of economies as well as supply shortages, and there were certain bottlenecks in terms of supply chain. Going forward, we foresee some price adjustments happening specifically in the Petchem sector. As far as the expectations are concerned, we are seeing the prices are starting to settle down a bit, basically plateauing at the levels of what we had reached at the end of June.</p> <p>So going forward, on the expectations, considering that there will be surge in demand on one side as well as on the supply side where we will have most of the operating capacities coming online, specifically in the US and China. So we are hoping that the prices will tend to stabilize. I think on year-on-year basis, hopefully the price and price range will continue to remain positive.</p>
Sami Mathlouthi:	<p>Yeah, in terms of your second question relating to the maintenance of the plant, we don't expect any shutdowns on the petrochemical plants and we have in Q4 2021 planned shutdown in QVC plants, which is relating to the chlor-alkali. So that's around 90 days in Q4 2021.</p>
Siju Philip:	<p>Okay, just another question. I just want to ask that since you mentioned that one of your strategic plan is cost optimization, could you just give a color on that and elaborate on that? And what is this exercise? how long this exercise is going to last? Is it six months or one year? Could you just elaborate on that? Would be helpful.</p>

Sami Mathlouthi:	Well, I think we are continuously working to reduce the cost in all the plants to make sure that our direct costs are in line with all in the industry. So we are working with what I will say, for very reasonable costs. This exercise has been carried out for the past few years. Last year due to COVID-19, we started officially an optimization plan in June 2020. This has been achieved and we will continue basically to work with all the plants to achieve the highest efficiency level in terms of products, in terms of direct costs, and especially to make sure that our gross margins are streamlined.
Siju Philip:	Perfect, thank you.
Sami Mathlouthi:	Thank you.
Operator:	Thank you. Once again, ladies and gentlemen, if you do have a question at this time, please signal by pressing star one on your telephone keypad. Gentlemen, it appears we have no further questions at this moment.
Roy Thomas:	If there are no further questions, we would like to thank the Mesaieed Petrochemical Holding Company management for the results update, and look forward to speaking to you all for the next quarterly results. Thanks.
Riaz Khan:	Thank you all for joining us. In case you have any further questions in future, please feel free to contact us, myself or Sami. We'll be here to help you out understanding MPH. And once again, thank you all for joining us.
Sami Mathlouthi:	Thank you so much. Thank you, everyone.
Operator:	Thank you. This concludes today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.