

Company:	<b>Mesaieed Petrochemical Holding Company (MPHC)</b>
Conference Title:	<b>MPHC Q1-21 Results Conference Call</b>
Speakers from IQCD:	<b>Mr. Sami Mathlouthi, Assistant Manager, Privatized Companies Affairs, Qatar Petroleum</b> <b>Mr. Riaz Khan, Investor Relations and Communications Lead, Qatar Petroleum</b>
Moderator:	<b>Bobby Sarkar, Head of Research – QNB Financial Services</b>
Date:	<b>Tuesday, 4 May 2021</b>
Conference Time:	<b>13:30 Doha Time</b>

Operator:	Good day and welcome to MPHC Q1 2021 Results conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Bobby Sarkar. Please go ahead, sir.
Bobby Sarkar:	Hi. Okay, thank you, Cecilia. Hi. Hello, everyone. This is Bobby Sarker, head of research at QNB Financial Services. I wanted to welcome everyone to Mesaieed Petrochemical Holding Company's Q1 2021 Results conference call. So on this call from QP's privatised company affairs group, we have Sami Mathlouthi, who is the assistant manager in financial operations, and Riaz Khan, who is the head of investor relations and communications. So we will conduct this conference first with management reviewing the company's results, followed by a Q&A. I would like to turn the call over now to Riaz. Riaz, please go ahead.
Riaz Khan:	<p>Thank you Bobby. Good afternoon and thank you all for joining us. Hope you are all staying safe.</p> <p><b>DISCLAIMER:</b> 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 participating 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 27<sup>th</sup> of April, MPHC released its results for the three-month period ended 31<sup>st</sup> March 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"> <li>1- Sami Mathlouthi, Asst. Manager, Financial Operations</li> </ol> <p>We have structured our call as follows:</p> <ul style="list-style-type: none"> <li>▪ At first, I will provide you a quick insight on MPHC's ownership structure, competitive advantages, overall governance &amp; BOD structure by covering slides 5 till 8, and slides 34 &amp; 35;</li> <li>▪ Secondly, Sami will brief you on MPHC's key operational &amp; financial performance matrix.</li> <li>▪ Later, I will provide you with insights on the segmental performance.</li> <li>▪ And finally, we will open the floor for the Q&amp;A session.</li> </ul> <p>To start with, as detailed on slide no. 6 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.</p>

As detailed on slide no. 5, 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.

The BOD structure is detailed on slide no. 7 of the IR Presentation.

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.

In terms of the Governance structure of MPHC, you may refer to slides 34 & 35 of the IR deck, which covers various aspects of MPHC's code of corporate governance in detail.

I will now hand over to Sami.

Sami:

Thank you Riaz. Good afternoon and thank you all for joining us.

To start with, MPHC joint ventures benefitted from a strong economic recovery, coupled with supply constraints resulted in improved price levels which translated into an improved set of financial results.

For the three-month period ended 31 March 2021, MPHC recorded a net profit of QR 379 million as compared to QR 57 million for Q1-20, up by 564%, as detailed on slide no. 14.

Group's improved financial performance for Q1-21 versus Q1-20 was largely attributable to the improved product prices, which on an average increased by 36% compared to Q1-20, and translated into an increase of QR 239 million in Group's bottom line earnings, as you can see on slide 15.

Sales volumes were also furthered by 28% versus Q1-20, mainly to improved production volumes and contributed QR 142 million positively to the current period's bottom-line earnings versus Q1-20, as reported on slide 15.

The positive trajectory in product prices and improved volumes were slightly offset by increase in variable costs, which contributed QR 80 million negatively towards the Q1-21 net earnings in comparison to Q1-20. Current period net earnings were also positively impacted by favorable variance amounting to QR 48 million, in relation to inventory differentials, due to lesser drawdowns in comparison to Q1-20.

MPHC's operations continue to remain robust and resilient with total production for the period reaching 280 thousand MTs, up by 47% versus Q1-20, as detailed on slide 13. The overall increase in production volumes was mainly attributed to improved plant operating rates in Q1-21, as major planned turnarounds and preventive maintenance shutdowns were carried out in certain MPHC's joint venture facilities during Q1-20.

Moving on to quarter-on-quarter performance, MPHC revenue improved by 7% versus Q4-20, while net profit significantly improved by 88%. The key contributor towards the growth was the overall increase in average selling prices, which continued their positive trajectory on the back of continued macroeconomic recovery and supply shortages. Average selling prices increased by 18% in Q1-21 versus Q4-20. Sales volumes on the other hand declined by 10% versus Q4-20, affected by higher maintenance shutdown days compared to Q4-20.

On overall basis, our base case strategy will be to continue its 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.

I will now hand over to Riaz, to cover the segmental performance.

Riaz:

Thank you Sami.

#### Petrochemicals

Starting with petchem segment, as covered in slides 21 till 25, the performance of the segment bounced back with a net profit of QR 250 million, with an increase of more than 800% compared to Q1-20. This notable increase was primarily driven by improved products prices, which increased by 31% versus Q1-20, amid improved macroeconomic dynamics.

Sales volumes also increased by 29%, compared to the same period last year, against a backdrop of higher operating days in the current period versus Q1-20.

The growth in product prices coupled with sales volumes led to an overall rise in revenue by 68% within the segment, to reach QR 617 million for the current period.

Production volumes increased by 49% versus Q1-20, as the segment had planned periodic turnaround of Q-Chem II facilities during Q1-20, which affected the overall operating rates for Q1-20 in comparison to Q1-21.

In terms of segment revenue by geography, as detailed on slide 24, Asia remains a main market for the segment, where, Indian Sub-continent and Europe are the other key markets for the segment.

#### Chlor-Alkali

Moving on to Chlor-Alkali segment, as detailed on slides 26 till 30, the segmental performance recorded a significant recovery with net profit of QR 125 million, compared to a net profit of QR 22 million reported in Q1-20.

This notable growth was primarily driven by significant improvement in blended average selling prices, which increased by 47% versus Q1-20, complemented by renewed product demand and supply side shortages.

Sales volumes also increased by 26%, compared to the same period last year, against the backdrop of better utilization rates in the current period versus Q1-20.

The growth in product prices coupled with sales volumes led to an overall increase in revenue by 86% within the segment, to reach QR 277 million for the current period.

	<p>Production volumes rose by 44% versus Q1-20, as the segment had more planned periodic shutdowns during Q1-20 versus Q1-21.</p> <p>In terms of segment revenue by geography, as detailed on slide 29, Indian sub-continent remains the main market for this segment.</p> <p>Now we will open the floor for the Q&amp;A Session.</p>
Operator:	<p>Thank you. If you wish to ask a question, please press star one on your telephone keypad. Please enter the mute function on your telephone is switched off to allow your signal to reach our equipment. Again, please press star one to ask a question. We'll pause for a moment to allow everyone to signal. As a reminder to ask a question, please press star one. We will now take our first question from Jada Ankush from Jadwa Investments. Please go ahead.</p>
Jada Ankush:	<p>Hello, I have a question regarding the shutdowns. What are the shutdowns expected for 2021 and what level for capex are you planning for this shutdown?</p>
Sami Mathlouthi:	<p>In terms of shutdown, we have seen basically zero shut downs for Qchem I and Qchem II, and five days planned shut downs for QVC and around three to four days each planned shutdowns. That's for Q1. So in average, we are planning around five working days per quarter for QVC. That's for Q2, Q3. And then basically starting from Q4, we will have a major shutdown in QVC, which is around 90 days. It's starting from October 2021. So there is no other plans announced at the moment in the Qchem I. And this is the only planned shutdown that we have for 2021.</p>
	<p>So for your second question, in terms of capex, so in slide 21, so basically we have the plan for QVC, so it's around QAR 35.7 million for the planned shutdown in QVC.</p>
Operator:	<p>As a reminder, to ask a question, please, press star one. We'll pause for a moment to allow everyone to signal. We'll now take our next question from [Inaudible] from [Inaudible]. Please go ahead.</p>
Speaker:	<p>Hi. Just can you can you repeat the previous question – to repeat the details of the shutdowns that you had during the year, and what are the expectations for the rest of the year?</p>
Speaker:	<p>Yes, so for what we have during this quarter. So we have basically five days for planned shutdowns in average for QVC and around three to four unplanned slowdowns in average for QVC. So for Qchem, we didn't had any shutdowns, no planned or unplanned shutdowns. And the plan is to have for Q2 and Q3 so around five days of shutdowns in QVC. And then we have a major shutdown, planned shutdown in Q4 2021, which is relating to QVC for around 90 days.</p>
Speaker:	<p>Okay. Perfect. Thanks a lot. Thank you.</p>
Operator:	<p>As a reminder, to ask a question, please press star one. We'll pause for a moment for everyone to signal. There appears to be no further questions over the phone at this time.</p>
Bobby Sarkar:	<p>Hi, this is Bobby again, Cecelia. If there are no further questions, we can end the call for today. I want to thank Sammy. I want to thank Riaz for taking the time to answer our questions and go to the quarter. And we will do this again next quarter. Thank you very much.</p>
Speaker:	<p>Thank you so much, Bobby and everyone. Thank you.</p>
Speaker:	<p>Thank you.</p>
Operator:	<p>Thank you. That will conclude today's conference call. Thank you for your participation. Ladies and gentlemen, you may now disconnect.</p>