

Company:	Mesaieed Petrochemical Holding Company (MPHC)
Conference Title:	MPHC Q3-22 Results Conference Call
Speakers from MPHC:	Mr. Abdulla Yaqoob Al-Hay, Acting Manager, Privatized Companies Affairs, Qatar Energy Mr. Sami Mathlouthi, Assistant Manager, Privatized Companies Affairs, Qatar Energy Mr. Rashid Al-Mohannadi, Head of Investor Relations and Communications
Moderator:	Roy Thomas, Sr. Research Analyst – QNB Financial Services
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Conference Time:	1:30pm Doha Time

Operator:	Good day and welcome to the Mesaieed Petrochemical Holding CO. Q3 2022 results conference call. Today's conference is being recorded and at this time I'd like to turn the conference over to Mr. Roy Thomas. Please go ahead, sir.
Roy Thomas [QNBFS]:	Hello, everyone. This is Roy Thomas from QNB Financial Services. I want to welcome everyone to Mesaieed's Petrochemical Holding Company's Third quarter 2022 financial results conference call. On this call from Mesaieed Petrochemical Holding Company, we have Abdulla Al-Hay, the acting manager, Sami Mathlouthi the assistant manager of financial operations, and Rashid al-Mohannadi, the 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 Rashid. Go ahead, Rashid.
Rashid Al-Mohannadi [MPHC]:	<p>Thank you Roy. 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 25th of October, MPHC published its results for the nine-month period ended 30th of September 2022, and today in this call, we will go through these results and provide you an update on key financial and operational highlights.</p> <p>Today on this call, along with me, I have:</p> <ol style="list-style-type: none"> 1- Abdulla Yaqoob Al-Hay, Acting Manager – Privatized Companies Affairs 2- Sami Mathlouthi, Assistant 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 41 & 42; ▪ 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 [MPHC]:	<p>Thank you Rashid. Good afternoon and thank you all for joining us.</p> <p>Starting with macroeconomic environment, as detailed on slide 12, the macroeconomic climate remained wavered throughout the year marked by geopolitical conflicts and recessionary fears linked to inflationary pressures and higher interest rate environment.</p> <p>Unprecedentedly high energy prices in Europe persistently weighed on European producers. Also, China's strict zero-Covid policy is bringing additional layer of pressures to the commodities.</p> <p>On overall, commodity prices declined on a quarter-on-quarter basis, mainly due to cautious approach from buyers amid macro-headwinds, coupled with comparatively lower crude prices.</p> <p>However, product prices for the Group's basket of products remained strong versus last year, mainly due to positive momentum carried forward from the latter part of last year.</p> <p>For the nine-month period ended 30th of September 2022, MPHC recorded a net profit of QR 1.5 billion, up by 2% versus the same period of last year, as detailed on slide no. 16.</p> <p>Group's improved financial performance for the current period was largely attributable to improved product prices, which on an average increased by 6%, and translated into an increase of QR 253 million in Group's net earnings, as you can see on slide 17.</p> <p>On the contrary, sales volumes declined by 3%, versus same period last year, mainly driven by lowered plant operating rates, amid a large scale turnaround carried out at Q-Chem facilities during the current period. Decline in sales volumes translated into a decrease of QR 160 million in MPHC's net earnings.</p> <p>On the operational performance front, MPHC's operations continue to remain robust and resilient with total production for the year reaching 850 thousand MTs. Current period's</p>

	<p>production volumes declined by 5% versus nine months of 2021, mainly due to a largescale turnaround carried out at Q-Chem's facilities.</p> <p>Moving on to quarter-on-quarter performance, MPHC revenue inched lower by 14%, and net profit decreased by 27%.</p> <p>Key contributor towards this decline in revenue and net earnings was mainly linked to lower selling prices realized during the current period versus the second quarter of 2022. Decline in selling prices was mainly linked to downward trajectories noted in commodity prices amid macro-headwinds affecting global markets and comparatively lower crude prices. However, sales volumes improved by 12% compared to the previous quarter, despite demand related concerns, where both the segments reported growth in sales volumes in comparison to the previous quarter.</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 Rashid, to cover the segmental performance.</p>
<p>Rashid Al-Mohannadi [MPHC]:</p>	<p>Thank you Sami.</p> <p>Petrochemicals Starting with petchem segment, as covered in slides 22 till 26.</p> <p>Petrochemicals segment reported a net profit of QR 966 million for the first nine months of 2022, down by 4% versus the same period of last year. This marginal decline in profitability was primarily driven by reduction noted in segmental revenue which decreased by 3%, as lowered sales volumes weighed on higher selling prices.</p> <p>Segmental sales volumes declined by 9% on a year-on-year basis, as the segment carried out a large-scale turnaround at Q-Chem facilities during the first quarter of 2022, and also affected segment's production volumes which declined by 9%.</p> <p>On the contrary, product prices improved by 7% and offset the negative impacts relating to lowered sales volumes to an extent. Selling prices improved mainly on account of continued positive momentum from constructive macro-drivers carried from latter part of 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>Chlor-alkali segment reported a net profit of QR 471 million for the nine-months period ended 30 September 2022, increased by 12% compared to the same period of last year, mainly due to better revenues.</p>

	<p>On an overall basis revenue grew by 17% within the segment. This growth was primarily driven by an improvement in blended average selling prices, which increased by 11% versus nine months of last year, complemented by strength from end-product industries (alumina/ aluminium, PVC, etc). Sales volumes also improved by 5%, amid better production volumes which in turn grew by 3% on a year-on-year basis.</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>Question & Answers Now we will open the floor for the Q&A Session.</p>
<p>Operator:</p>	<p>Thank you. Ladies and gentlemen, if you would like to ask a question, you can do so now by pressing star one on your telephone. That's star one i you would like to ask a question; we will pause for a moment to allow people to queue. There are currently no questions in the queue at this time.</p>
<p>Operator:</p>	<p>Ladies and gentlemen, that will conclude today's conference. You may now all disconnect.</p>