Company:	**Qatar Aluminium Manufacturing Company (QAMCO)**
Conference Title:	**QAMCO Q4-20 Results Conference Call**
Speakers from IQCD:	**Mr. Abdulla Al-Hay, Assistant Manager, Privatized Companies Affairs, Qatar Petroleum** **Mr. Riaz Khan, Investor Relations and Communications Lead, Qatar Petroleum**
Moderator:	**Mehmet Aksoy, Sr. Research Analyst – QNB Financial Services**
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Mehmet Aksoy:	Good afternoon, ladies and gentlemen. This is Mehmet Aksoy from QNB Financial Services. I would like to welcome everyone to Qatar Aluminum Manufacturing Company's Fourth Quarter 2020 Financial Results conference call. On this call, from a QP Privatized Companies Affairs team, we have Mr Abdulla Yaaqob Al-Hay, Assistant Manager of Financial Operations, and we have Mr Riaz Khan, who is the Head of IR & Communications. We will conduct this conference call first with brief comments on the presentation, followed by the Q&A. I will now hand the call over to Mr Riaz to get us started. Riaz, please go ahead.
Riaz Khan:	Thank you Mehmet. Good afternoon and thank you all for joining us. Hope you're all staying safe. Before we go into QAMCO's business and performance updates, I would like to mention that this call is purely for the investors of QAMCO and no media representatives should be participating in this call. Moreover, please note that this call is subject to QAMCO's disclaimer statements as detailed on slide no. 2 of the IR deck. Moving on to the call, on 14th of February, QAMCO released its results for the financial year 2020, and today in this call, we will go through these results and provide you an update on the key financial and operational highlights of the Company. Today on this call, along with me, I have: 1- Mr. Mohammed Jaber Al-Sulaiti, Manager, Privatized Companies Affairs; and 2- Mr. Abdulla Al-Hay, Asst. Manager, Financial Operations We have structured our call as follows: ▪ At first, I will provide you with a quick insights into QAMCO's ownership structure, its competitive advantages and the overall governance and BOD structure by covering slides 5 till 8 and slides 26 and 27 of the IR deck. ▪ Secondly, Abdulla will brief you on QAMCO's key operational and financial performance matrix;

	▪ Later, I will provide you with more details on JV operations and CAPEX updates; and ▪ Finally, we will open the floor for the Q&A session which will be led by Mohammed Al-Sulaiti. To start with, as detailed on slide no. 6 of the IR deck, the ownership structure of QAMCO comprises of Qatar Petroleum with 51% stake and GRSIA being the second largest shareholder with more than 5% ownership. As detailed on slide 5, Qatar Petroleum, being the founding shareholder of the Company provides all the head office functions through a service-level agreement, while, the operations of JV is independently managed by its own Board of Directors, along with a senior management team. QAMCO holds 50% share in Qatar Aluminium Limited (Qatalum), which produces high-quality aluminium of about 650,000 tons per year for customers in Asia, Europe and North America. The facilities include a carbon plant, port and storage facilities, as well as, a gas-fired power plant. The Board structure is detailed on slide no. 7 of the IR Presentation. Moving on to slide 8, the competitive advantages, QAMCO's joint venture is considered to be one of the world's lowest-cost aluminium smelters, with a state-of-the-art production facilities; assured feedstock supply; and an intense focus on HSE which makes the JV a leader among its regional peers. Moreover, the JV's global marketing partnership with the other JV partner, provides an access to strategically important markets, which makes the Company more competitive in comparison to other international players. In addition, the JV is capable of quickly shifting the product mix i.e. from value added products to standard ingot and vice versa, which provides an additional layer of flexibility to the JV in terms of production process, as well as, supply chain management, while ensuring optimum production and sales volumes. I will cover details of the JV and its operational activities and sales & marketing arrangements later in this call. In terms of the Governance structure of QAMCO, you may refer to slides 26 and 27 of the IR deck, which covers various aspects of QAMCO's code of corporate governance in detail. I will now hand over to Abdulla.
Abdulla Al-Hay:	Thank you Riaz. Good afternoon and thank you all for joining us. In terms of operational performance as detailed on slide 10, the production remained stable compared with 2019, and in line with the management's effort to keep up the production levels to ensure optimum utilization.

Production volumes were not affected by COVID-19, as there were no changes to the planned maintenance timelines due to COVID-19 during the year 2020.

Despite the challenging macroeconomic environment, with the relentless efforts of QAMCO's JV's sales and marketing partner, the JV was able to ensure that all the sales contracts are effectively and efficiently secured with no disruptions to its supply chain and the sales volumes remained stable, year-on year basis.

On a year-on-year basis, global aluminum prices continued its downward trajectory, on the back of trade tensions, Chinese and Middle Eastern capacity expansions and weakening global demand for aluminium due to slow down in global economies with dampened GDP growth. Prices continued to hit new lows since the outbreak of COVID-19 pandemic, especially in the months of April & May, as the demand for aluminium have witnessed an enormous pressure due to lockdown situation across all the regions globally, where manufacturing was subsided in many countries. All of this has caused average selling prices to decline by 12% on a year-on-year basis. This decline in selling prices caused an overall decline in share of revenues by 11%, versus 2019.

In terms of net profits for the financial year 2020, amounting to QR 95 million, a decline of 1% was noted compared to last year.

The profitability was mainly impacted due to lowered LME prices, on the back of lower demand prospects and continued production surplus. This was partially offset by lowered cost of goods sold.

A decline of 15% was noted in cash costs, mainly due to the overall decline in feedstock costs, lowered power import costs, saving on finance cost and other realized savings, amid operating cost optimization initiatives.

In terms of our funding position, QAMCO's share of debt stood at QR 2.2 billion, down by 8% compared to December 2019. This decrease was mainly due to repayment of principal amounting to QR 222 million during the period.

The Company's financial position continue to remain robust, with the liquidity position at the end of 31 December 2020 reached QR 740 million in form of cash and bank balances. During the year, the Company's JV generated positive share of operating cash flows of QR 684 million, with share of free cash flows amounted to QR 226 million.

Now, I will cover the detailed breakdown of QAMCO's earnings which is shown on slide 12 of the IR presentation.

On overall basis, the decline in earnings by 1%, compared to 2019, was mainly due to the decline in selling prices of 12%, as mentioned before. The overall decline in selling prices contributed QR 289 million negatively to the net profits for the financial year 2020 compared to last year.

The decline in profitability due to selling prices was offset by favorable variances noted in terms of cost of goods sold, where the Company's JV was able to successfully contain direct costs, comprising of lowered cost of raw materials, maintenance, salaries and energy consumption, which in total led to a positive impact on profitability of QR 255 million.

	Also, an upside in profitability was noted in relation to the growth in sales volumes, which contributed positively QR 10 million to the current year's net profits as compared to last year. As mentioned on slide 13, the average LME prices declined due to persistent challenging macroeconomic conditions pressuring the aluminium market globally. LME Premiums declined mainly due to the unprecedented shift in product mix from value added products towards standard ingots during the current period, amid declining global demand for aluminium products. Here, important point to note that, entering into Q4-20, based on the improved market conditions for value added products, the product mix was reinstated back to value added products from standard ingots. On a positive note, the decline in average selling prices has not affected the overall evolution of EBITDA margins, and the margins remained resilient in the current turbulent market conditions as detailed on slide 14 of the IR deck. When comparing Q4-20 performance versus Q3-20, as detailed on slides 10 & 11, during Q4-20 a significant recovery of 16% in selling prices was noted, compared to Q3-20, on the back of improved macroeconomic sentiments while most of the economies were easing out lockdowns coupled with unprecedented stimulus announcements and vaccine optimism, which created a surge in demand from construction and automotive sectors, and immensely contributed towards posting the best quarterly profits amounting to QR 82 million since QAMCO's incorporation. I will now hand over to Mr. Riaz Khan, to cover rest of the IR presentation.
Riaz Khan:	Thank you Abdulla. Moving on to slides 20 and 21, as mentioned earlier, QAMCO has 50% stake in Qatalum. The other partner of the JV is Hydro, which also acts a main supplier of the Alumina to the JV. Moreover, under Marketing & Offtake agreement, Hydro acts as a JV's representative for marketing aluminium products outside Qatar. This provides the JV an access to important and strategic markets, while competing with international players. Where, as detailed on slide 15, Asia remained the largest market for QAMCO's JV, while its presence US and Europe continued to be substantial. As detailed slide 16, in terms of product mix, extrusion ingots along with foundry alloys remain key products for QAMCO's JV. Contribution of standard ingots to the overall product mix significantly increased during the year, as the production moved from value added products to standard ingots for a certain period of time due to lower demand for value added products because of challenging market conditions due to the outbreak COVID-19 pandemic disrupting overall industrial activity. Although, in the fourth quarter of 2020, the product mix was reinstated back to value added products, due to improved macro conditions. In terms of JV facilities, as detailed on slide 20, it is located in Mesaieed, Qatar, with a design nameplate capacity of 575,000 tonnes per annum, but now the JV produces more than 650,000 tonnes per annum of high-quality primary aluminium products.

	Moreover, Qatalum has a captive Power Plant with a capacity of approximately 1,350 megawatts. This benefits the JV from the perspective of access to one of the most competitively priced sources of energy. Lastly, as detailed on slide 22, the 2021 till 2025 approved CAPEX plan mainly relates to routine operations, such as pot relining and other maintenance activities pertaining to power plant and anode facilities. Here important point to note that the cash flow forecasts for 2021-25 as disclosed in this slide cannot be relied on with absolute certainty, where, the actual realization of these cash flows might significantly differ, as compared to these projections, subject to evolving macroeconomic dynamics. Now we will open the floor for the Q&A Session.
Operator:	Thank you. If you would like to ask a question, please press star one on your telephone keypad. Please ensure 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.
Mehmet Aksoy:	Hi, this is Mehmet again from QNB FS. While we are queueing for questions, if I can start off with a question of my own. I would ask him QAMCO has any updates for us regarding a possible capacity expansion for Qatalum in the foreseeable future? Thank you.
Abdulla Al-Hay:	Yes, thank you, Mehmet. As of now and as part of business plan, there will be no expansion. However, there will be more efficient to the power that we use and more efficient to the production, more efficient process to the production units which will increase slightly the production about 2000 metric tons during the next budget under this plant.
Mehmet Aksoy:	Thank you very much.
Abdulla Al-Hay:	Welcome.
Operator:	There are no questions on the phone at this time, but again, please press star one. We'll take our first question from the phone from Rayadh Fadel, from Amwal Capital Partners.
Rayadh Fadel:	Hello gentlemen. Thank you for the call. It's the first time for me joining. So I'd just like to ask you, can I give us some color on the feedstock you use from QP? I mean, is there – is most of it fixed or variable? Can we have some details on that? I just want to understand –
Abdulla Al-Hay:	Sorry, the question is not clear for me. If you can get to repeat your question, the first question.
Rayadh Fadel:	On the feedstock, mainly natural gas. I see that you have long-term agreements with QP. I just want to understand, I mean, is most of it fixed or variable, how was the tone?
Abdulla Al-Hay:	Your second question?

Rayadh Fadel:	Yes, in terms of taxes. I see that QAMCO have been exempted over the past two years from taxed. How will this evolve in the future? And my last question, are there any shutdowns with our plan for 2021 or 2022? Thank you.
Abdulla Al-Hay:	With regards to the feedstock, we have a very long-term feed stock agreement for Qatar Petroleum which is a long-term feedstock agreement. The rate there is linked with the increase of the final product price. So, the agreement is for that whole period of the JVA and expired by 2050. In terms of tax, as you are aware, the joint venture, which is Qatalum was on tax holiday until 19th of September 2020. After that date, the operation of the producing company is taxable. However, we as QAMCO we are exempted from tax as a listed company. So QAMCO is fully exempt from the tax arrangement. In terms of the shutdown, definitely you know a full planning for the shutdown related to the port relining. So it's not mainly shutdown because port relining which is a routine practice that aluminum industries following a term of shutdown for the year of 2021. I hope this is clear for you.
Rayadh Fadel:	Yes, clear. Thank you very much. Is there any timing on the shutdown?
Abdulla Al-Hay:	The pot relining is allocated around the year. It has different operation and it is a continuous process.
Rayadh Fadel:	Okay. Clear. Thank you very much.
Abdulla Al-Hay:	It’s not a full shutdown. It is a pot relining.
Rayadh Fadel:	Clear. Thank you very much. Just one last question, if I may. Let's say for example that LME price is increased by USD100, how much would you say would flow to your bottom line? I mean, in terms of fixed – the leverage that you have at the plant – operational leverage?
Riaz Khan:	Normally we don't disclose these sensitivities, and this is up to the analyst the way they want to treat it. You have the historical records available on quarter on quarter, the evolution of the LME prices, as well as the premiums. So this is something where we will always limit ourself in providing any sorts of sensitivities and linking it to the aluminum prices.
Rayadh Fadel:	All right. Clear. Just in terms of – can you to reviews on the premiums going forward, on the premiums on LMEs? Any idea where those – because I think historically, they low hundreds or high hundreds – any view going forward?
Abdulla Al-Hay:	I believe the aluminum industry during the last quarter 2020 has rebounded. The prices exceeded the 2000 for Q4. And even right now during January, at least, I have seen still there is a sales of the value-added products instead of this standard ingots. And the average prices exceeding the 2000 which is a good pricing compared to what was in the 2020.
Rayadh Fadel:	Okay. Clear. Thank you very much. Very helpful.
Operator:	We’ll take the next question from Shabbir from Al-Rayan Investment.
Shabbir Kagalwala:	Gentlemen, thank you for the call in the presentation. I had a couple of questions. You mentioned that in Q4 you have moved back to the value-added products. So roughly how much of your sales was in value add compared to the standard ingots in

	Q4? And what's the outlook and what the strategy for 2021, how much of the value you would like to do on the value add? What is the standard ingots?
Abdulla Al-Hay:	Yes, to be honest previously during our operation, we normally, in the normal case, we only budget for a value-added product. We don't budget for these standard ingots. Why we are budgeting for the value-added products? Because we are aiming the good, the optimum and the best return for the company. So however, 2020 was different year. It was the first year that we have budgeted for the standard ingots. And during Q4 let's say 90% of the sales was value-added products. And this is why you have seen the profitability was jumped during the Q4.
Shabbir Kagalwala:	Okay. Going ahead, '21, you'd see similar 90-90% plus the value-added product sales? That's what you are – your plans are?
Abdulla Al-Hay:	The market is very fluctuating, as you are aware. Even right now, we thought we will get over by the vaccination and all these COVID-19. However, we have seen a new type of the COVID came to us where putting pressure on the macroeconomy and the growth where it will impact the entire industry. So, however, as of now, as per the information that I have, we are in terms of the prices. And we are producing right now the old value-add products.
Shabbir Kagalwala:	My second question was on the dividends. Sorry, go ahead.
Abdulla Al-Hay:	And we have budgeted more value-added product and the 2021 compared to 2019 which is very good, to be honest.
Shabbir Kagalwala:	Okay. And my second question was on the dividend side. This year you paid over 200% of your earnings as dividends. But if you look at your retained earnings, we don't have retained earnings to take from. So this will really translate to a negative retained earnings. So what's your strategy on that, is a negative retained earnings on the cards, because the presentation and stuff it says that you have free cash flows to pay, so you had the cash balance and the free cash flows to pay, and you don't have any CapEx. So you pay more.
Abdulla Al-Hay:	As you are aware, the company has a good position in terms of the free cashflow that's generated. And we have done and restructure the loans, this restructure was allowing us to pay more dividends. As you can see this year we have a good cash position. So, this is the main reason that we have paid 200 plus from us – from our net income.
Shabbir Kagalwala:	Alright. So, in the future, when you think of paying dividends, it will be mainly from the cash flow, and retained earnings will not have a have a bearing? Additionally – sorry.

Abdulla Al-Hay:	Year on year the situation will vary, and it will be different based on the performance of the company. I don't have a solid percentage for the future payout mechanism. However, we are looking for the best interest for the shareholder. Shabir, just to add one more point here. Since even inception, even if you look at the documents from the perspective of – like the forecasting which we did at that point of time, you will always have a huge mismatch between your bottom-line profitability and your free cash flows. And this mismatch will always want to continue. Why? Because your clients are very much new and you have a huge depreciation chunk which is eating out most of your profitability and which is actually non-cash in nature. So, this mismatch will always be there. As what Abdulla mentioned then depending on the market conditions, depending on the year, and depending on the performance and comfort which the board will be having to just keep aside some of the cash which will be required for your CapEx as well as for your repayments, then you will be deciding, okay, what to do with that remaining cash. So that's how the dynamics will – even since inception is working. So this year there was two, three positives, like in Q4 the price really rebounded and your profitability jumped. But on the cashflow side, you were printing cash. So you were printing cash since inception, because most of your bottom line was being eaten out by the non-cash items. So this mismatch will be there always. And that's how the dynamics of QAMCO will work.
Shabbir Kagalwala:	Right. And your financial says that – note six of your financial says that you will – you are required to create legal reserve before distributing any dividends. So what's the plan there, how much, how much of the legal reserve would be – you would start doing it before –
Abdulla Al-Hay:	Legal reserve is applicable at the head office only. So I mean, a standalone number. So, it’s not going to be in total activity. So this number will not be a really big number that can impact or our cash position.
Shabbir Kagalwala:	Okay. Okay. So, just to sum it up. The negative retained earnings is fine. It's accumulate losses will be there and you – since it is – you're just looking at the free cashflow angle. The dividends will stay depending on the free cash flow generated by the company?
Abdulla Al-Hay:	What are we going to do with this cash? To be honest. Either to distribute it or to invest it right now, which is better I believe since we have this free cash as a company. And just to give the investor the confidence of the company, we distribute it to the shareholders.
Shabbir Kagalwala:	Perfect. Makes sense. Thank you for your comments, sir.
Abdulla Al-Hay:	And just one more point to add in there. I remember over my head as per the commercial company law, the retained earnings can be negative until 50% of the share capital. So, that is even not even reached. That is a very far-fetched idea which we are discussing. So we have a net negative, I think, of 20-30 million we are talking about, which I think in Q1 even can be recovered. So the way the aluminum prices are moving. So that's something, keeping it negative is one side, but like how much negative you can sustain as per the law I think it's more than 50% of the share capital.
Shabbir Kagalwala:	Okay. Thank you.
Operator:	We will now take the next question from Lee Beswick from QNB.

Lee Beswick:	Hi. On page 22 of the presentation, you've got some assumptions for the next few years, what aluminum price you assumed in these assumptions?
Speaker:	I am very sorry, I cannot hear you. If you can just raise your voice up, please.
Lee Beswick:	The presentation has the assumptions on cashflow going forward. What aluminum price have you assumed in these assumptions?
Abdulla Al-Hay:	All of the aluminum that's been used is based on the market going forward direction on the basis of the prices from Bloomberg, which we see the most closer advisors to the actual sales price. So the sources of these prices are Bloomberg. If you want –
Lee Beswick:	You're saying that this is just the spot to Bloomberg price as when you wrote the presentation, is that correct?
Abdulla Al-Hay:	No, actually we go through a detailed analysis for the product price, and we have our team and the joint venture where we are looking at different prices. We have sources pluses from Hydro, which is very conservative. And we have others advisors, which is the Bloomberg prices. Based on the analysis that we have conducted that Bloomberg prices is the most closer prices to the actual compared to the historical record. So we use that prices to build our budget and business plan.
Lee Beswick:	Okay. So that Bloomberg price will be roughly USD 2000 is what goes into it? 2000-2100?
Abdulla Al-Hay:	No, this is the spot. How about another forward prices, forward undergoing prices for the budgeting purposes that's been published by Bloomberg? This is the prices that we are taken out of consideration. Maybe what you are looking at is the current spot price which is not the applicable price that we have used for our budget and business plan.
Lee Beswick:	Okay. So I can assume the 12-month price on the LME is what you would use for 2021 or 2022 which is basically the same as today?
Abdulla Al-Hay:	Yes.
Lee Beswick:	Okay. Thank you.
Abdulla Al-Hay:	Welcome.
Operator:	We will now take the next question Imad from ACP.
Imad:	Thank you. Thank you very much. And thank you gentlemen for the call and congrats on the Q4 results. My question is in the presentation you show a realized selling price on the LME in Q4 of 1758, while looking at the spot, for example, on Bloomberg, in Q4, it was maybe USD200 or USD180 higher. I just want to understand, is there a lag in your sales versus let's say the spot price or the three-month rolling price? And how much is that lag? And therefore, do we – should we expect to see let's say much higher realized prices now in Q1 since the spot has been comfortably above 2000?
Abdulla Al-Hay:	You know the prices here, as you can see in our presentation, maybe you are referring to the page number 13. What you are seeing in the Bloomberg maybe is the current prices, where we have referred to the historical prices. Moreover the – let's take an example. The sales of December, the average prices for our sales in December will be reflected in our report in February. So, there is a gap month and a half. So the Q4 prices –
Imad:	Okay. Got it.
Abdulla Al-Hay:	– due to the calculation, there is some lag of 45 days where this is why maybe it's not fully reflected the Q4 prices.

Imad:	Okay. Okay. That's very clear. And my question just on the structure and operating leverage in the business. I understand obviously aluminum prices move in correlation with the final product prices, the aluminum prices. I understand that on the gas side the formula is in a way or another linked to aluminum prices if I understand that correctly. So would it be fair to assume that the maybe 50% or so of the increase in aluminum prices translates to the company's cashflow or is that number way off just ballpark, are we talking 50 plus or minus, or is it more like 20% only? Thank you.
Abdulla Al-Hay:	I really don't have a number to comment on, to be honest in my head. However, it has a correlation definitely with the aluminum prices. And then, I don't know Riaz if you have any numbers?
Riaz Khan:	No, as of, as of now, we don't have any such number handy, but again, we will caveat ourselves in terms of discussing the sensitivities for any forward-looking prices. That will be very difficult to discuss.
Imad Jagrala:	Understood, thank you.
Operator:	There are no further questions on the phone at this time.
Mehmet Aksoy:	Hi. This is Mehmet Aksoy again. If there are no further questions, then we can wind up the call for today. I would like to thank everyone for participating in the call. Please do reach out to the team at QNB FS or QAMCO if you have any further questions. Thank you.
Riaz Khan:	Okay. Thank you all for joining us. Thank you very much.