

Company:	<b>Qatar Aluminium Manufacturing Company (QAMCO)</b>
Conference Title:	<b>QAMCO 1Q-22 Results Conference Call</b>
Speakers from QAMCO:	<b>Mr. Rashid Al-Mohannadi, Acting Assistant Manager Financial Operations, Privatized Companies Affairs, QatarEnergy</b> <b>Mr. Riaz Khan, Head of Investor Relations and Communications, QatarEnergy</b>
Moderator:	<b>Bobby Sarkar, Sr. Research Analyst – QNB Financial Services</b>
Date:	<b>Thursday, 28 April 2022</b>
Conference Time:	<b>12:00 Doha Time</b>

Operator:	Good day and welcome to the Qatar Aluminum Manufacturing Company, Quarter One 2022 Results Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Bobby Sarkar, QNB's Head of Research. Please go ahead, sir.
Bobby Sarkar [QNBFS]:	Thank you, operator. Hi. Hello, everyone. This is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Qatar Aluminum Manufacturing Company or QAMCO's First Quarter 2022 Results Conference Call.  So on this call from Qatar Energy's privatized Companies Affairs Group, we have Rashid Al-Mohannadi, who is the acting 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 management first reviewing the company's results, followed by a brief Q&A. I would like to turn the call over now to Riaz. Riaz, please go ahead.
Riaz Khan [QAMCO]:	Thank you Bobby. Good afternoon and thank you all for joining us.  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 attending 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 27 <sup>th</sup> of April, that was yesterday, QAMCO published its results for the three-month period ended 31 <sup>st</sup> of March 2022, and today in this call, we will go through these results and provide you an update on key financial and operational highlights.  Today on this call, along with me, I have: 1- Rashid Al-Mohannadi, Acting Assistant Manager, Financial Operations  We have structured our call as follows: <ul style="list-style-type: none"> <li>▪ At first, I will provide you with a quick insight into QAMCO's ownership structure, its competitive strengths and overall governance structure by covering slides 5 till 14 and slides 34 and 35 of the IR deck.</li> <li>▪ Secondly, Abdulla will brief you on QAMCO's key operational and financial performance matrix;</li> <li>▪ Later, I will provide you with more details on JV operations and CAPEX updates; and</li> <li>▪ Finally, we will open the floor for the Q&amp;A session.</li> </ul>

	<p>To start with, as detailed on slide no. 5 of the IR deck, the ownership structure of QAMCO comprises of QatarEnergy with 51% stake and the rest is in the free float held by various domestic and international corporates and individuals.</p> <p>QatarEnergy, being the founding shareholder and Parent Company of QAMCO, 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.</p> <p>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.</p> <p>In terms of competitive strengths, as detailed on slide 12, QAMCO's joint venture is considered to be among low-cost aluminium smelters, with a state-of-the-art production facilities; assured feedstock supply via long term agreements; with an intense focus on HSE which makes the JV a leader among its peers.</p> <p>As detailed on slide 14, from competitive positioning perspective, QAMCO ranks among top tier companies within the industry at a global scale, across most of the profitability matrices. This is a testament to JV's leaner cost base and continued optimization drive, which keeps QAMCO's JV on the lower side of the cost curve among global peers resulting in a strong margin evolution.</p> <p>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 its peers.</p> <p>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 processes, as well as, supply chain management, while ensuring optimum production and sales volumes in line with the evolving market dynamics.</p> <p>I will cover further details of the JV and its operational activities and sales &amp; marketing arrangements later in this call.</p> <p>In terms of the Governance structure of QAMCO, you may refer to slides 34 and 35 of the IR deck, which covers various aspects of QAMCO's code of corporate governance in detail.</p> <p>I will now hand over to Rashid.</p>
<p>Rashid Al-Mohannadi [QAMCO]:</p>	<p>Thank you Riaz. Good afternoon and thank you all for joining us.</p> <p>Starting with macroeconomic updates, as detailed on slide 16, demand for primary aluminium continue to remain firm across key aluminium intensive sectors like automobiles - especially electric vehicles - construction, renewable energy and packaging.</p> <p>On the other hand, supply remained in deficit, given higher energy prices in Europe and dual policy measures by China, leading to widening of inventory deficits.</p> <p>Moreover, with trade disengagement from Russia amid geo-political tensions, commodity markets are displaying clear signals of scarcity.</p> <p>On overall basis these supply-demand imbalances have led to persistently high-price trajectories for primary aluminium throughout the first three months of 2022.</p>

	<p>As detailed on slide 19, at QAMCO's JV level, the average realized selling prices inclined by 51% versus the same period of last year and positively contributed QR 320 million to the current period's net earnings, compared to the first quarter of last year.</p> <p>On the other hand, sales volumes marginally declined by 1% and contributed QR 8 million negatively to net profits for the current quarter in comparison to the same quarter of last year.</p> <p>In terms of bottom-line profitability, for the period ended 31<sup>st</sup> of March 2022, QAMCO recorded a net profit of QR 240 million as compared to a net profit of QR 124 million for the first quarter of 2021, driven by growth in global aluminium prices on the back of improved macroeconomic dynamics.</p> <p>As detailed on slide 21, JV's cost of goods sold for the current period were higher compared last year, mainly on account higher raw material costs, which was partially offset by favorable inventory movements. On overall basis, increase in cost of goods sold contributed QR 183 million negatively to QAMCO's net earnings for the current period versus the same period of last year.</p> <p>Coming onto JV's operational performance as detailed on slide 19, <b>production</b> volumes slightly improved by 1% on a year-on-year basis, mainly due to higher amperage.</p> <p>Moving on to the balance sheet, in terms of JV's debt position, QAMCO's share of debt stood at QR 2.3 billion, and slightly inched higher on account of additional drawdown on loan facility.</p> <p>QAMCO's financial position continued to remain robust with the liquidity position at the end of 31<sup>st</sup> March 2022 reaching QR 1.2 billion in form of cash and bank balances. This also includes proportionate share of cash and bank balances at the JV level.</p> <p>During the current period, QAMCO's share in JV's operating cash flows amounted to QR 219 million, with a share of free cash flows of QR 148 million.</p> <p>As detailed on slide 23, the average LME prices improved by 41% on a year-on-year basis, due to persistent macro strength. LME premiums also improved during 2022 mainly due to favorable product mix and better global demand for primary aluminium products.</p> <p>As detailed on slide 24, QAMCO's JV EBITDA margins continue to remain robust and resilient.</p> <p>I will now hand over to Riaz, to cover rest of the IR presentation.</p>
Riaz Khan [QAMCO]:	<p>Thank you Rashid.</p> <p>Moving on to the remaining slides, 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 &amp; 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 25, Asia remained the largest market for QAMCO's JV, while its presence Europe and North America continued to be substantial.</p> <p>As detailed slide 26, in terms of product mix, extrusion ingots along with foundry alloys remain key products for QAMCO's JV.</p> <p>In terms of JV facilities, as detailed on slide 9, 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.</p>

	<p>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.</p> <p>Lastly, as detailed on slide 30, the approved CAPEX plan for 2022 till 2026 mainly relates to routine operations, such as pot relining and other maintenance activities pertaining to power plant and anode facilities.</p> <p>Here important point to note that the cash flow forecasts for 2022-26 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.</p> <p>Now we will open the floor for the Q&amp;A Session.</p>
Nour Sherif [Arqaam Capital]:	Hello, everyone, and thanks for the call. Just a couple of questions for me, if I may. My first question on the cash cost, why we've seen a jump this quarter and what should we expect for next quarter?
Rashid Al-Mohannadi [QAMCO]:	Yes. We see that the cash cost has increased mainly for it comes to the raw material cost. We've seen that the alloy, the market price has shot up due to the scarcity or the issue of the semiconductors, and that has affected the cost of alloy during this year. Also, aluminum prices has increased in comparison to last year. Also, Coke has increased as well. So the majority of the increase in the cash cost is basically driven by the raw material. That's the first factor. Second factor is the shipping aspect. We've seen that the shipping costs compared to last year has increased. So that also has contributed to the increase in the cost side. And also insurance has increased as well. So these are the main factors that played a role in increasing our total cash costs for year to date.
Nour Sherif [Arqaam Capital]:	Yes exactly. And regarding expectations for next quarter?
Rashid Al-Mohannadi [QAMCO]:	So regard to the expectation, it all depends on the market trend and how the situation will evolve in the future when it comes to the Ukraine, Russia geopolitical tension. Also the COVID situation in China and the supply chain deficits. So it's all driven by all these macroeconomic factors, but we expect that in the next quarter that aluminium prices hopefully will support the cost and will continue to have a healthy EBITDA margins.
Nour Sherif [Arqaam Capital]:	Clear. Okay. And according to sales volume, we've seen a drop this quarter from an exceptionally high quarter in Q4. Can you give us some guidance about volumes in Q2 and if the supply chain issues continue to put pressure on delivering such volumes?
Rashid Al-Mohannadi [QAMCO]:	It's a valid concern of fuel, but it's pretty much justifiable because in Q4 last year we realized selling volumes related to Q3. So there was a shipment in particular that was supposed to be delivered in September, but it got delayed to October. So the sales volume got recognized under Q4. So that's why when you compare Q4 sales volume versus Q1, you'll see that there is a decrease. But in reality, the Q1 sales volume is the normal and Q4 is the abnormal level of sales volume.
Nour Sherif [Arqaam Capital]:	That's clear. So should we expect the same delivery in Q2, right?
Rashid Al-Mohannadi [QAMCO]:	Yes, we should. The supply chain or the delivery aspect of aluminium should not be interrupted. We have our own secured supply chains. We have our own strategy when it comes to shipping. So we're mitigated from that aspect.
Nour Sherif [Arqaam Capital]:	Okay. That's it for me. Thank you very much.

Operator:	We'll take our next question in line from Abdullah Haqami of Hassana Investment. Please go ahead your line is open.
Abdullah Haqami [Hassana Investment]:	Excellent. I just have one question on the current aluminum prices. I'll start off with just highlighting how is the company viewing the current aluminum prices at \$3,000 plus how sustainable the prices are? And given the current gas prices across the globe and margin producers that have a high cash cost, how do you see marginal producer operating? Do you think they have room to come back to add volume into the market or that loss volume will last there or it's going to continue to be lost for quite some time?
Riaz Khan [QAMCO]:	<p>Thank you, Abdullah. So in terms of the outlook, basically the aluminium prices have remained quite robust since we came out of the lows reached during pandemic. There was two or three layers around it.</p> <p>So the first layer was the renewed construction activity and automobile manufacturing, which was on hold at the time of pandemic. And then when things started to open, they came back online, hence use of aluminium also increased.</p> <p>Then on the supply side, during the last year we saw a lot of curtailments from different perspectives. So the first one was the Chinese policies basically to decarbonize their industries, specifically linked to the aluminium industry. That had a negative impact on the supply side and it created a deficit. Then over and above in the very end, latter part of the year, we started to see energy prices going up quite significantly in the Europe specifically. And then again we saw question marks on the smelter capacities in EU region. Then as we entered in this year, we saw another new layer of supply shortages due to Russian Ukrainian war.</p>
Abdullah Haqami:	Clear. Maybe just one last follow up. Given your close interaction with the market, are you seeing any demand destruction from consumer or hesitance to buy at these high prices?
Speaker:	As we stand now, we are not seeing it happening. So it's still the prices are propelling towards a 3000 plus range.
Abdullah Haqami:	Okay. Thank you very much.
Speaker:	Thank you.
Operator:	Thank you, Speaker. We'll take our next question from Vijay Singh of Fierra Capital. Please go ahead your line is open.
Vijay Singh [Fierra Capital]:	Thanks you for the opportunity. Is there some linkage to the spreads of aluminium versus alumina or to the index to the aluminium price, or it's linked to something else entirely? I'm just trying to understand what are the linkages or what are the variables.
Riaz Khan [QAMCO]:	<p>Thank you for your question. We have two JV partners. Then we have ourselves, QAMCO and then we have the feedstock supplier. So as a policy, we don't disclose the exact dynamics of how the gas pricing works. As a reference to the investors for their comfort, you can always compare our EBITDA margins with the other regional players and that will give you a good reference that how we are evolving and how we are performing from the perspective of the bottom line profitability generation.</p> <p>And then since you don't have that one variable, the gas price variable, which we are not disclosing, but on the other side we are giving you the EBIDTA margins and the gross profit margins and even the bottom line profitability margins. That will give you a good reference indicator that how comparable and how competitively positioned our contracts are.</p>
Vijay Singh [Fierra Capital]:	Great. Thank you very much. Much appreciated. That's all from me.
Operator:	We'll take our last question in line from Philip of United Securities. Please go ahead your line is open.
Philip [United Securities]:	Hi, this is Philip from United. Just a quick generic question. I could see volumes have been down four sequentially as well as year on year. Just want to see get a sense of are you



	finding buyers deferring their orders or is this a trend year? So do you expect volumes to iterate going forward if not you when do you expect volumes to resume?
Riaz Khan [QAMCO]:	<p>So sales volumes in Q1 of 2021 was 159,000 metric tons. There is a 1000 metric ton decline when we compare them with the current year's current quarters. There has been a significant decline in the sales volumes from Q4 to Q1. That's what Rashid had mentioned before in this call. That was due to the timings of the shipments. So actually there were some shipments which were supposed to be completed in the third quarter of 2021.</p> <p>That didn't happen that the sales got recognized in the fourth quarter. And that's why you see an abnormal increase in the sales volumes for the fourth quarter of 2021. So there is no unusual spike or decline in terms of our sales volumes. The abnormal one was the fourth quarter, and that was because of certain specific reasons of timing of shipments.</p>
Philip [United Securities]:	Okay, perfect. Thank you. Thank you guys, wish you guys all the best.
Operator:	Speakers, I'll hand the call back to you for any additional or closing remarks.
Bobby Sarkar [QNBFS]:	Okay. So if we're done with the questions, we can end the call for today. I want to thank Rashid and Riaz for taking the time to answer our questions and we will pick this up next quarter. Thank you very much.
Riaz Khan [QAMCO]:	Thank you all. Thank you for joining us. In case you have any questions, please come back to us and we'll be happy to host you for a separate call. Thank you all and goodbye and Eid Mubarak. Thank you.
Operator:	This concludes today's conference, thank you for your participation. You may now disconnect.