

Company:	<b>Qatar Aluminium Manufacturing Company (QAMCO)</b>
Conference Title:	<b>QAMCO YE-21 Results Conference Call</b>
Speakers from QAMCO:	<b>Mr. Abdulla Yaqoob Al-Hay, 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>
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Bobby Sarkar [QNBFS]:	<p>Hi. Hello, everyone. This is Bobby Sarkar, Head of Research at QNB Financial Services. I wanted to welcome everyone to Qatar Aluminium Manufacturing Company or QAMCO's Fourth Quarter and Fiscal Year 2021 Results Conference Call.</p> <p>So on this call from QatarEnergy's Privatized Companies Affairs Group, we have Abdulla Al-Hay, who's Assistant Manager in Financial Operations. We have Riaz Khan, who is the Head of Investor Relations and Communications. So, as usual, we will conduct this conference with management first reviewing the company's results, followed by a brief Q&amp;A.</p> <p>I would now like to turn the call over to Riaz. Riaz, please go ahead.</p>
Riaz-ur-Rehman Khan [QAMCO]:	<p>Thank you Bobby. Good afternoon and thank you all for joining us.</p> <p>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.</p> <p>Moreover, please note that this call is subject to QAMCO's disclaimer statements as detailed on slide no. 2 of the IR deck.</p> <p>Moving on to the call, on 3<sup>rd</sup> of February, QAMCO released its results for the year ended 31<sup>st</sup> of December 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 the Company.</p> <p>Today on this call, along with me, I have:</p> <ol style="list-style-type: none"> <li>1- Abdulla Al-Hay, Assistant 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 with a quick insight into QAMCO's ownership structure, its competitive strengths and overall governance structure by covering slides 5 till 14 and slides 33 and 34 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 33 and 34 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 Abdulla.</p>
<p>Abdulla Yaqoob Al-Hay [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, prices of aluminium, continue to climb on the back of renewed global demand, whereby sectors such as construction and automotive industries witnessed growth, as the global economies started to show signs of recovery since later part of 2020.</p> <p>Furthermore, global climate initiatives to reduce carbon footprints is also providing a structural support to aluminum markets and playing a key part in creating supply deficits. All of these factors translated into a sequential growth in prices of primary aluminium along with improved margins.</p> <p>As detailed on slide 19, at QAMCO's JV level, the average realized selling prices inclined by 42% versus last year and positively contributed QR 932 million to the current year's net earnings, compared to last year.</p>



	<p>On the other hand, sales volumes marginally declined by 0.4% and contributed QR 11 million negatively to net profits for the current financial year 2021 in comparison to last year.</p> <p>QAMCO's JV remained successful in realizing higher production and sales of VAP in comparison to last year. This strategic production shift, since latter part of last year has positively supported evolution of EBITDA margins for the JV.</p> <p>In terms of bottom-line profitability, for the year ended 31<sup>st</sup> of December 2021, QAMCO recorded a net profit of QR 835 million as compared to a net profit of QR 95 million for last year, 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 year were higher compared last year, mainly on account higher raw material costs, which was partially offset by favorable inventory movements and cost optimization initiatives. On overall basis, increase in cost of goods sold contributed QR 179 million negatively to QAMCO's net profits for the current year versus last year.</p> <p>Remaining on same slide 21, due to an overall decline in interest rates and absence of one-off unamortized portion of financing cost being written-off last year, JV's finance costs for the financial year 2021 declined by 32% versus last year and contributed QR 33 million positively to QAMCO's net earnings.</p> <p>Coming onto JV's operational performance as detailed on slide 19, production volumes slightly improved by 1% on a year-on-year basis, mainly due to higher amperage and production of value added products.</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, slightly up by 4% compared to December 2020 on account of an additional loan facility obtained for AGP gas turbine upgrade.</p> <p>QAMCO's financial position continued to remain robust with the liquidity position at the end of 31<sup>st</sup> December 2021 reaching QR 1.5 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 year, QAMCO's JV generated positive share of operating cash flows of QR 917 million, with a share of free cash flows of QR 693 million.</p> <p>As detailed on slide 22, the average LME prices improved by 39% on year-on-year basis, due to persistent macro strength. LME premiums also improved during 2021 mainly due to better product mix, as QAMCO's JV was successful in selling higher volumes of value-added products (VAP).</p> <p>As detailed on slide 23, 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>
<p>Riaz-ur-Rehman Khan [QAMCO]:</p>	<p>Thank you Abdulla.</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 24,</p>



	<p>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 25, 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 29, 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>
Operator:	<p>Thank you sir. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. We will now take our first question from Hosien Wehbi from Ajeej Capital. Please go ahead.</p>
Hosien Wehbi [Ajeej Capital]:	<p>Yes, hi. Thank you for taking the time for the call. Actually, as the current economic support the aluminium industry, does the company have any plans to expand its production capacity actually? Is there any plans for new capacity to come into effect? Thank you.</p>
Abdulla Yaqoob Al-Hay [QAMCO]:	<p>To answer your question, as you are aware right now, we are producing 660,000 metric tonnes per year. Any plan for expansion, there is actually no plan for expansion. However, there is a plan to run the JV in more efficient way by applying a newer technologies. And this, you can – you will see it in the next couple of years. Even during this year, there is a 1% increase in our production mainly due to better amperage use and higher efficiencies.</p> <p>So you will see a better and higher production. Also, we have highlighted that the JV went into the AGP, which is a new technology for the turbines to improve the efficiency of the facility.</p>
Speaker:	<p>Sure. Thank you.</p>
Operator:	<p>We will now take our next question from Nour Sherif from Arqaam Capital. Please go ahead.</p>
Nour Eldin Sherif [Arqaam Capital]:	<p>Hello, and congrats for the strong results. Just a question on the premiums. So we've seen in 2021 a premium of 9%. Can you give us expectations about what to expect next year, given that you are continuously focusing on increasing value-added products?</p>
Abdulla Yaqoob Al-Hay [QAMCO]:	<p>To be honest, value-added products this year show and give us an excellent result. Basically, on the reason of the supply and the demand as well and improvement of the macroeconomics, we see the demand is there. During January, the LME price at average of 3,000. We hope to continue with the same trend in the future. However, for an exact figures, we don't have it now.</p>
Nour Eldin Sherif	<p>Yes, clear. Okay. And in terms of production, should we expect flat production in 2022?</p>



[Arqaam Capital]:	
Abdulla Yaqoob Al-Hay [QAMCO]:	Yeah, flat. I'm expecting a slightly increase of about another 1% during the next year due to the technology that we just have for the better efficiency to the facility.
Nour Eldin Sherif [Arqaam Capital]:	Can you give us more details about the new technologies that you added?
Riaz-ur-Rehman Khan [QAMCO]:	<p>Nour, thank you for this question. Actually, the idea is to have six AGPs there. So what gas turbine does is to convert the gas into electricity. So this is an advanced technology, which we are buying or which we are working and collaborating with General Electric. There was a detailed press release, which was done on this topic back in May-22. So you can go into the nitty-gritties of that.</p> <p>The central idea of that is, on one side, you will improve the efficiency. On the other side, this will give you a bit of positives from the sustainability perspective. It's a greener technology. It's greener compared to the current technology, which we were using.</p> <p>So in summary, you have a sustainability positive as well as efficiency improvement, which we are expecting. And on our website, you can see the detailed discussion about this technology, which we have already done in the press release back in May-22.</p>
Nour Eldin Sherif [Arqaam Capital]:	Yes, amazing. Okay. I will go through it. Just two more questions. The first on the dividends. So we've seen the dividend payout ratio of 54%. And I think there could be some more juice here to squeeze. So why we actually, we expected slightly higher dividends. So can you tell us your – maybe your view on dividend policy going forward?
Abdulla Yaqoob Al-Hay [QAMCO]:	<p>Yeah. I believe when you look at the situation of the QAMCO with the share of debt that it has of QAR2.2 billion. So I believe it is smart to make a good reserve for the bullet payment that will be due in 2025, thus 53% or 54% been distributed this year. I believe, it is generous comparing to the liability that we have.</p> <p>And this would give also the investor the thought of the management that they are planning for the future to – in order to provide a sustainable level of dividend distribution during even in the future years. Keeping in mind, aluminium industry is very volatile, this year, it was exceptional year, I would say, a special year. The product price are – stood at an excellent position. However, onwards I don't have any expectation and we are not aware about the market changes going forward. So 53% of the earnings can be considered as a generous distribution.</p>
Nour Eldin Sherif [Arqaam Capital]:	Yes. Okay. Just one last question. Do you have any plans to publish an updated sustainability reports maybe regarding your ESG plans and the emissions of the current capacity?
Abdulla Yaqoob Al-Hay [QAMCO]:	As you are aware, we are managing other Group companies. We have – during the year, we have issued for two companies. Our target during 2022 is to issue a sustainability report for QAMCO as well.
Nour Eldin Sherif [Arqaam Capital]:	Okay. Amazing. Looking forward. Thank you.
Operator:	As a reminder, to ask a telephone question, please signal by pressing star one. We will now take our next question from Nikhil Arora from Franklin Templeton. Please go ahead.
Nikhil Arora [Franklin Templeton]:	Hi, gentlemen. Hi Abdulla. Hi Riaz. Thank you so much for the call. I have a few questions. First of all, on the new technology. You mentioned that it can expand capacity and also make the electricity generation more efficient. So can you comment whether that can also lead you



	to save on the cost front? And if we could see that cost per tonne going down in the next few years? I have two more questions, but probably we can go one by one.
Riaz-ur-Rehman Khan [QAMCO]:	Hi – Nikhil, thank you for the question. So obviously, the idea is to enhance the efficiencies. So when we talk about the efficiency, there will be some positivities around the cost curtailment. Because your volumes will improve with a similar number of units of feedstock, which you are inputting, via better amperage with this technology. So obviously, your cost will get a benefit on that.
Nikhil Arora [Franklin Templeton]:	Okay. All right. And in addition, I think we are also now looking towards the Fed increasing interest rates. So do you have like a sensitivity on if interest rates were to move up by 100 basis points, then how does that impact your net profit?
Riaz-ur-Rehman Khan [QAMCO]:	Yes. So Nikhil, in terms of – you see the balance sheet structure for us. So we do not have any specific interest earning assets. While this debt is the only interest-bearing liabilities on our books. So it's a basic math. In this case, presumably, we get a Fed hike of 25-50 bps in March. You add similar bps on the LIBOR, and almost like QAR12 million to QAR 24 million, would be the incremental effect on a per annum basis on the finance cost. I'm doing a basic math and I cannot think outside of that.
Nikhil Arora [Franklin Templeton]:	Okay. Okay, that's very clear. Thank you so much.
Operator:	There appears to be no further questions. I'd like to turn the conference back to the host for any additional or closing remarks.
Bobby Sarkar [QNBFS]:	Hi. This is Bobby Sarkar again. So if you have no further questions, we can end the call for today. I wanted to thank Abdulla and Riaz for taking the time to speak to us, investors, and we will pick this up next quarter. Thank you so much.
Riaz-ur-Rehman Khan [QAMCO]:	Thank you all. Thank you for your time. And please feel free to contact us in case you have any further questions. We are more than happy to separately take up those questions in the future. Thank you all.