

Analyst Briefing – Q2 2024





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Agenda

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|  | 3 | <u>Business Updates</u> |
|  | 4 | <u>Looking Forward</u> |
|  | 5 | <u>Q&A</u> |





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Key Highlights



Key Highlights

Financial Highlights



Revenue
 PKR **34** Bn
 ↓ 8% vs LY



Profitability
 PKR **(1.6)** Bn
 ↓ 158% vs LY



LPS
 PKR **(1.97)**
 ↓ vs. 175% vs LY



Exports
 ↓ \$M **3.1**
 vs. -74% LY

Scale



Market Capitalization
 PKR **45** Bn



Total Employees
751



Tax Contribution
 PKR **6.1** Bn



Total Assets
 PKR **96** Bn



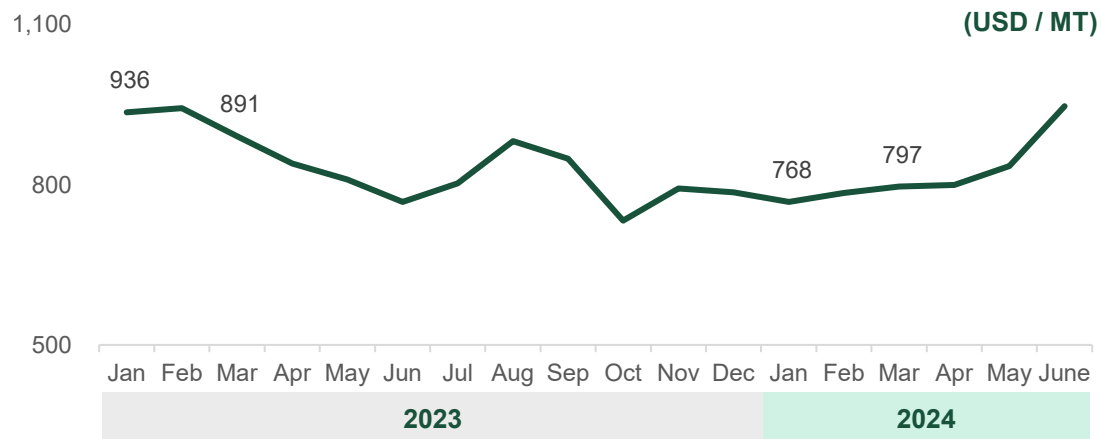
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Key Drivers



Key Drivers

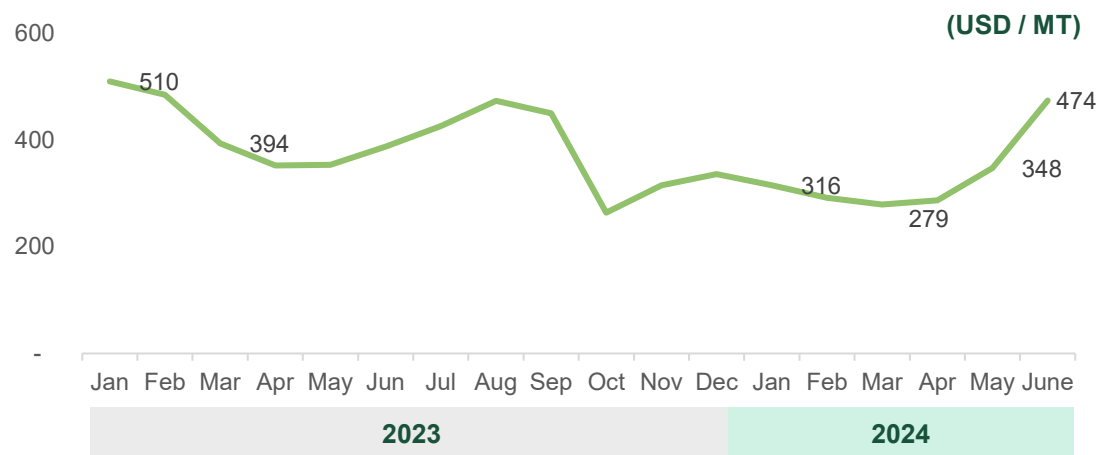
International PVC Prices



Highlights

- PVC prices increased to \$980/T in Q2 2024 due to increase in global freight owing to supply chain constraints
- Global demand, however, remained subdued due to slow down in the real estate and construction sector activity in China. Demand in India also remained muted due to monsoon. Global operating rates currently at 75%
- The US & European markets continue to face depressed demand due to economic uncertainties and potential slowdown in manufacturing sectors
- PVC prices started normalizing in July post recovery in port congestion, currently prices stand at \$810/T

Core Delta



Highlights

- During the quarter, ethylene prices were on the declining trend due to weaker downstream demand and decline in crude oil prices while higher PVC prices driven by short term increase in freight led to increase in core delta
- Prices declined from the high of 1,038/t in March to \$930/T in June
- Post July, plant shutdowns and port congestion resulting from adverse weather conditions resulted in increase in Ethylene prices to USD 1,000/T. Prices expected to remain rangebound going forward



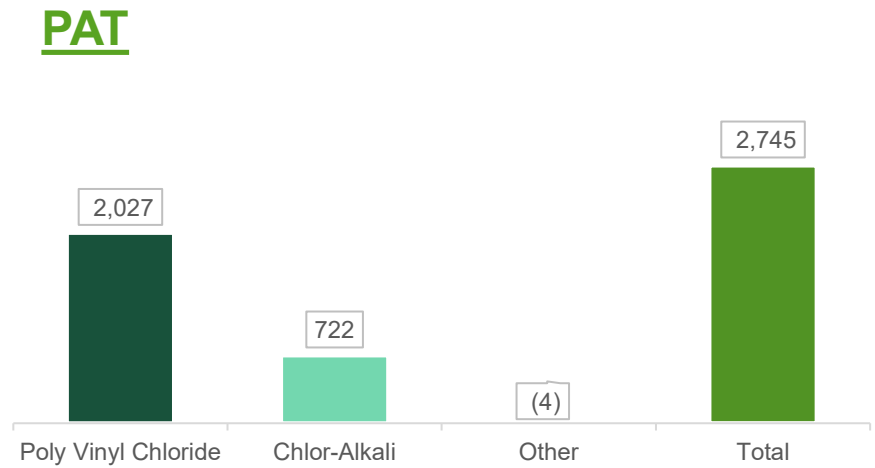
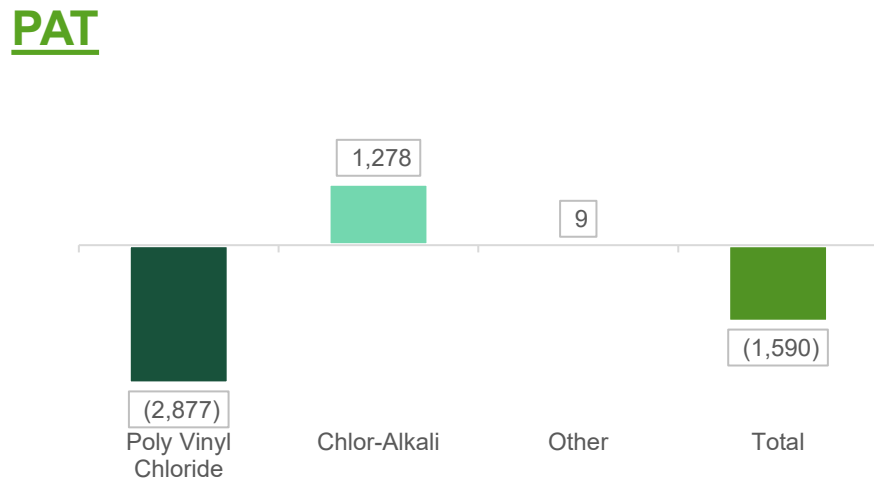
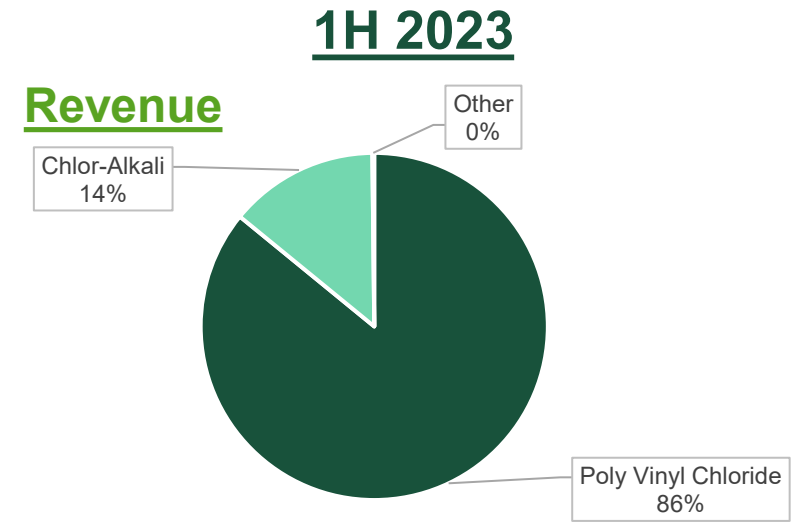
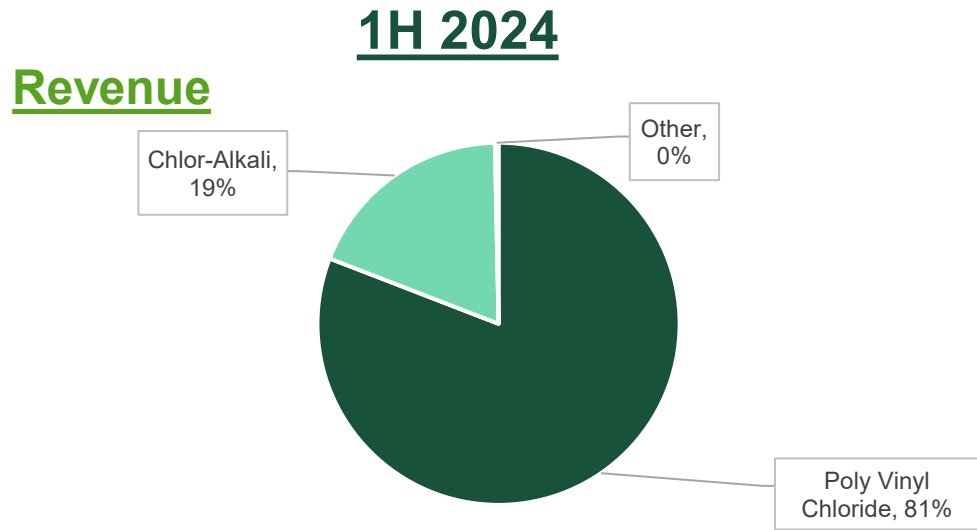
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Business Updates



Segment Wise Performance

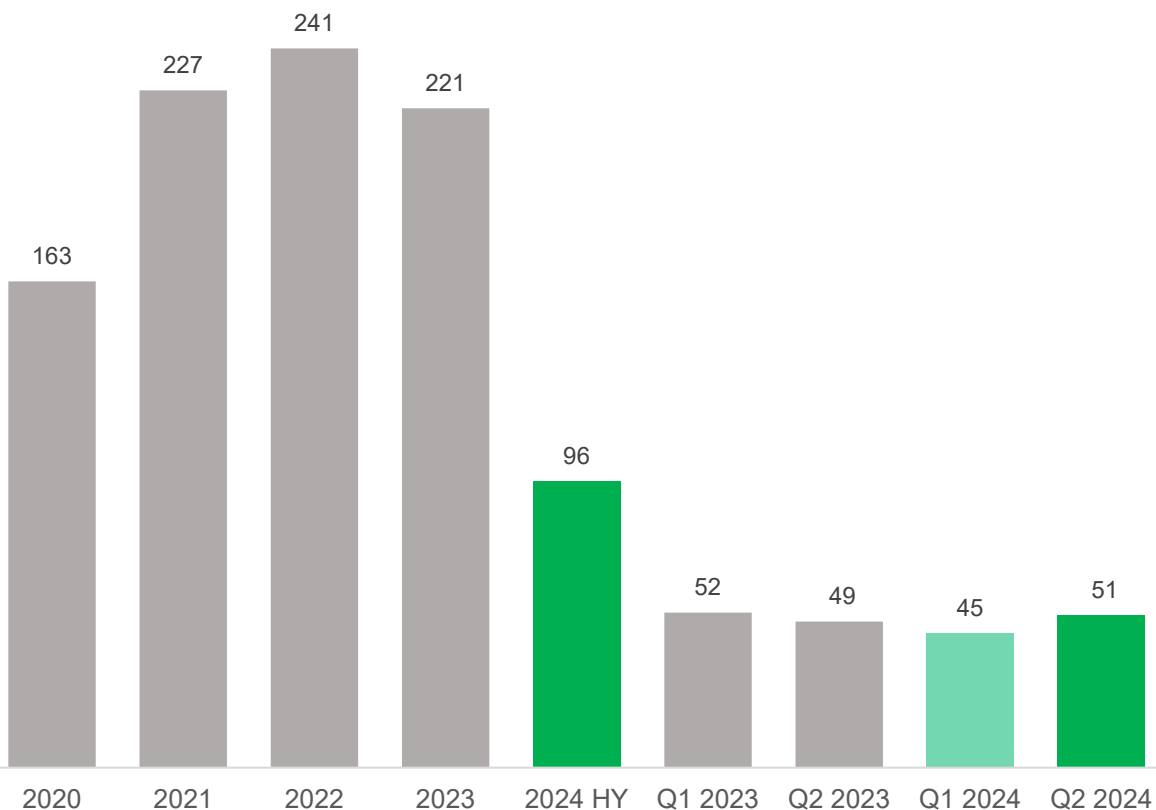
PKR Mn





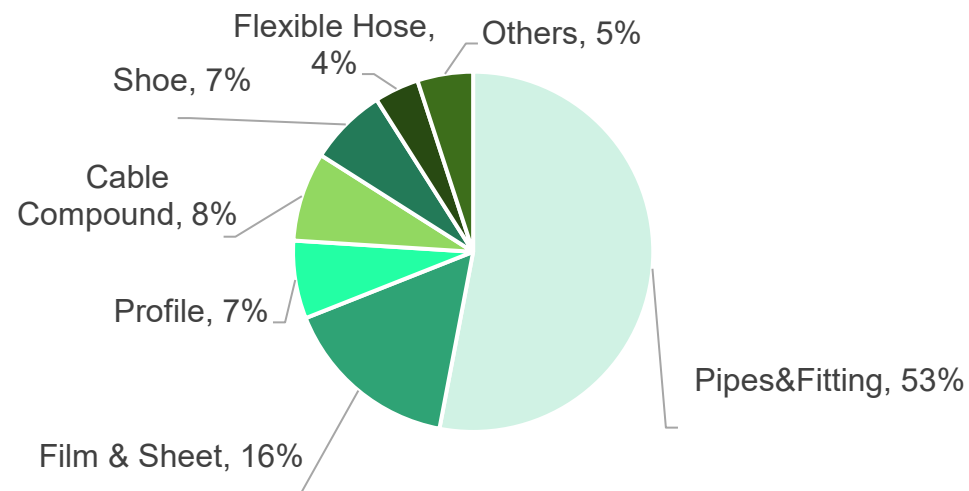
Business Updates - Poly Vinyl Chloride (PVC)

Poly Vinyl Chloride Sales Volumes (kT)



Highlights

- Poly Vinyl Chloride domestic downstream demand remained subdued in 1H 2024 marred by slow down in construction activity, political uncertainty, non-conducive business environment, high inflation, rising energy and fuel costs.
- Despite the headwinds, the Company was able to support the market by ensuring product availability and implementing various incentives to boost market confidence
- On QoQ basis, EPCL adopted competitive pricing strategy to protect domestic market share and increase sales by 13%

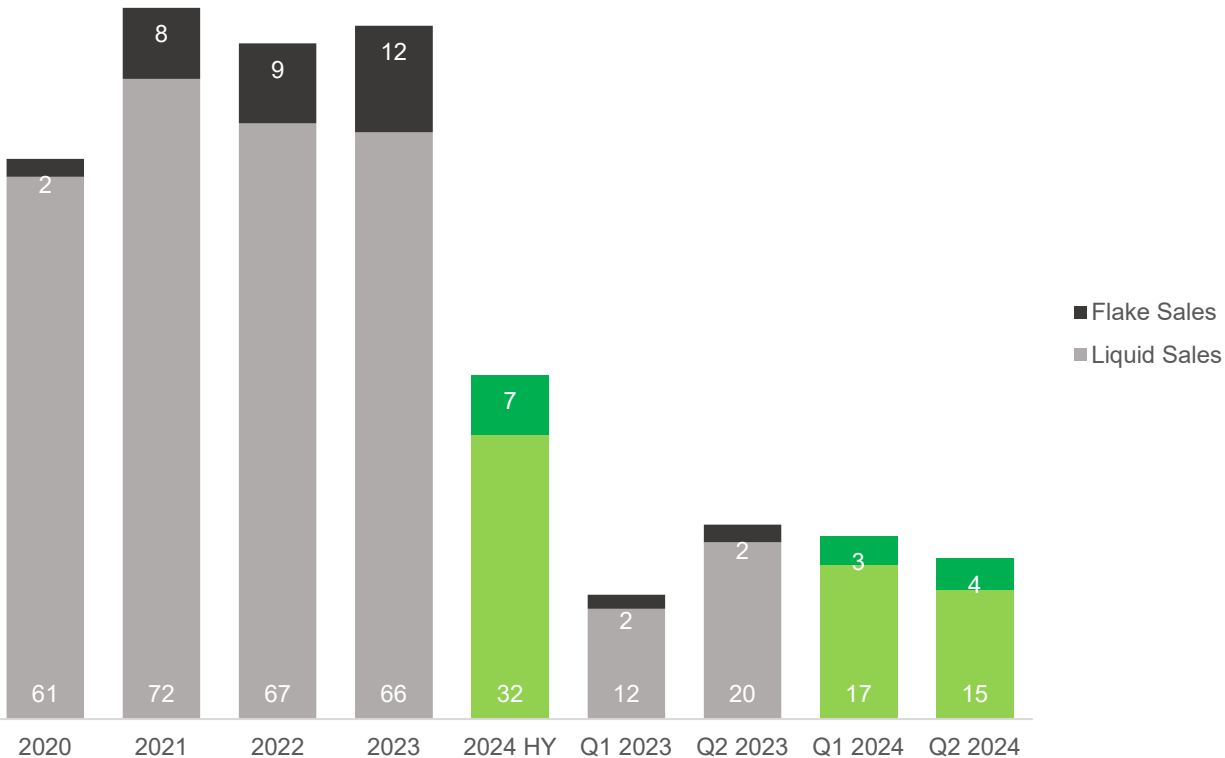




Business Updates – Chlor Alkali

Chlor Alkali Sales Volumes (kT)

▲ 17% YoY



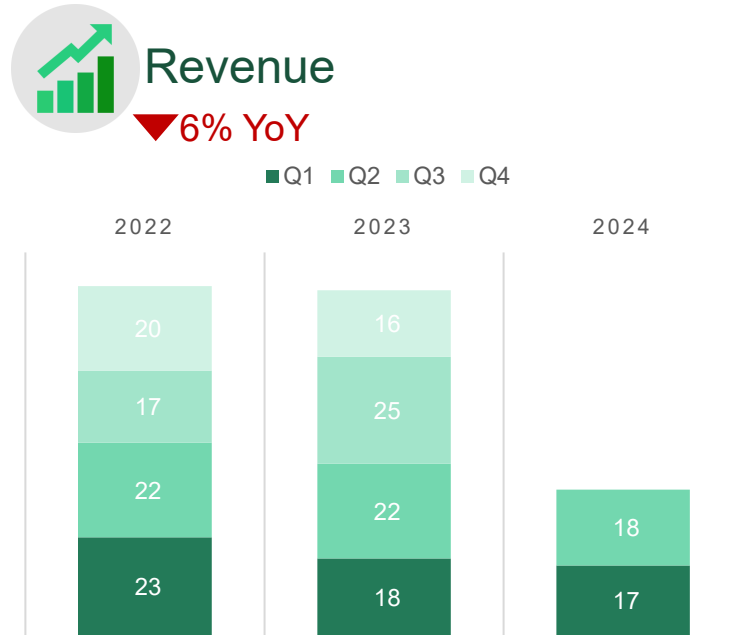
Highlights

- International caustic soda prices remained stable in the second quarter due to limited activity in international markets
- While the domestic textile sector has been struggling due to high energy prices and inflation, dampening local caustic demand in textile woven sector. Demand for caustic in export-oriented denim sector saw an increase in second quarter.
- With stable international prices, domestic margins remained attractive. Despite that we maintained presence in the export market to enable inflow of valuable FX into the country
- Supply to domestic Export Oriented Units maintained at 78%

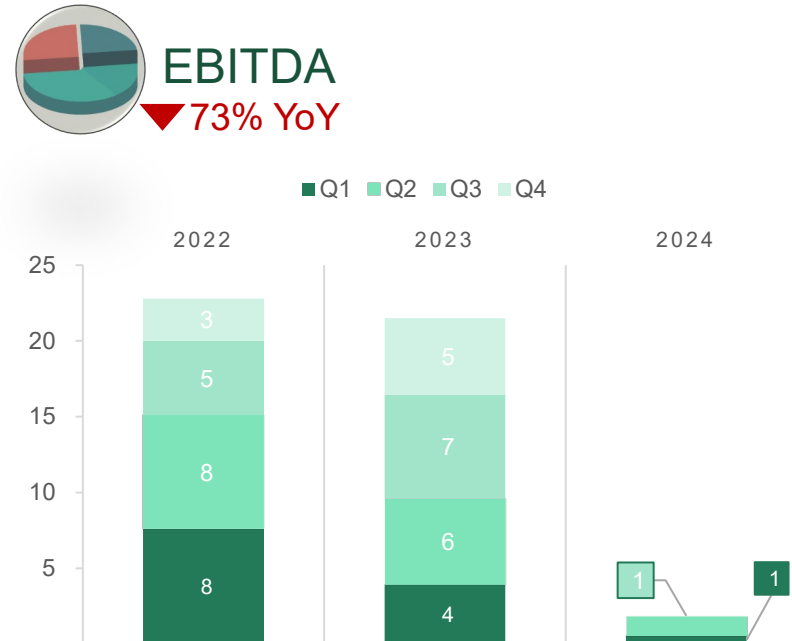


Consolidated Performance 1H 2024 vs 1H 2023

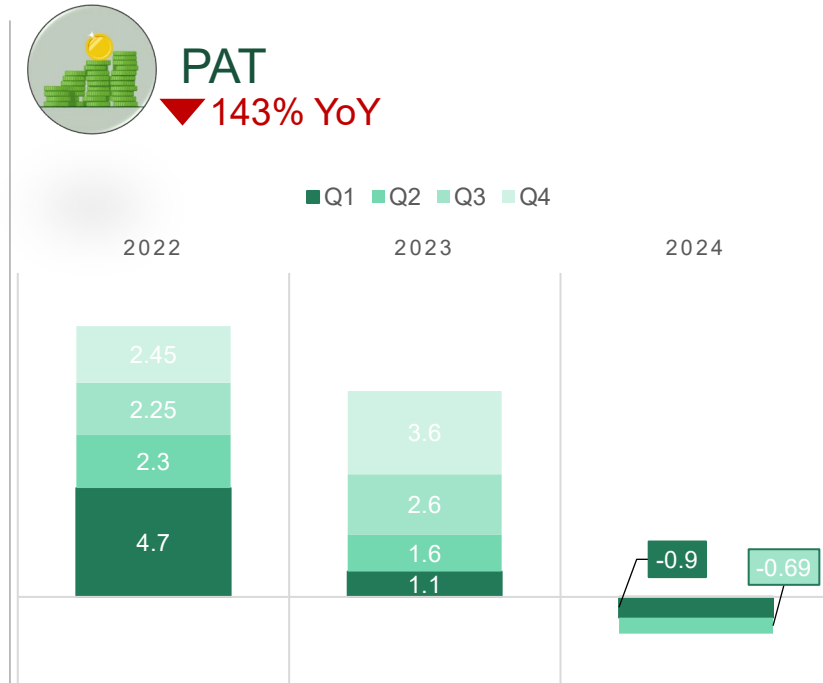
PKR Bn



Revenue declined 6% on YoY basis on the back of lower international PVC prices and slower domestic PVC market, partially offset by higher caustic domestic sales.



Decline in EBITDA vs the preceding year is primarily due to lower core delta and inflationary pressures.



In addition to lower domestic sales and international prices, increase in short term borrowing due to inventory levels and macroeconomic headwinds also had an adverse impact on profitability.








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Looking Forward



Looking forward

| Key Areas | Outlook |
|---|---|
|  Safety | <ul style="list-style-type: none"> • Key focus on ensuring safe and sustainable operations and completing on-going projects. • Make substantial progress on process safety transformation, showcasing our continuous drive for safety excellence. |
|  PVC | <ul style="list-style-type: none"> • In 2024, while weak global demand suggests stable to bearish international PVC prices, narrow producer margins will limit further price cuts. • Domestically, demand will remain subdued due to slow down in construction sector, however, some respite will come from increase in PSDP spend and interest rate cuts • Ethylene prices are expected to remain rangebound on the back of crude oil price, and annual turnarounds leading to supply constraints |
|  Caustic | <ul style="list-style-type: none"> • The Chlor-Alkali industry in the local market is primarily influenced by energy costs. Affordable energy cost will remain a challenge for Chlor-Alkali industry. • The domestic demand outlook is positive, determined by factors such as the recovery in the Large-Scale Manufacturing Sector and the government's increased focus on textile exports. |
|  Gas Price | <ul style="list-style-type: none"> • Given depletion of indigenous gas reserves, availability of gas at competitive rates will remain a challenge. • Captive gas prices increased to PKR 3,000 / MMBtu in July 2024 from PKR 2,750 / MMBtu |
|  Projects | <ul style="list-style-type: none"> • The Company continues to work towards executing its Hydrogen Peroxide & High Temperature Direct Chlorination projects with COD in 2024. |



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Q&A



THANK YOU

