



# **PETRONAS CHEMICALS GROUP BERHAD**

Morgan Stanley Virtual ASEAN Conference 2023

June 2023

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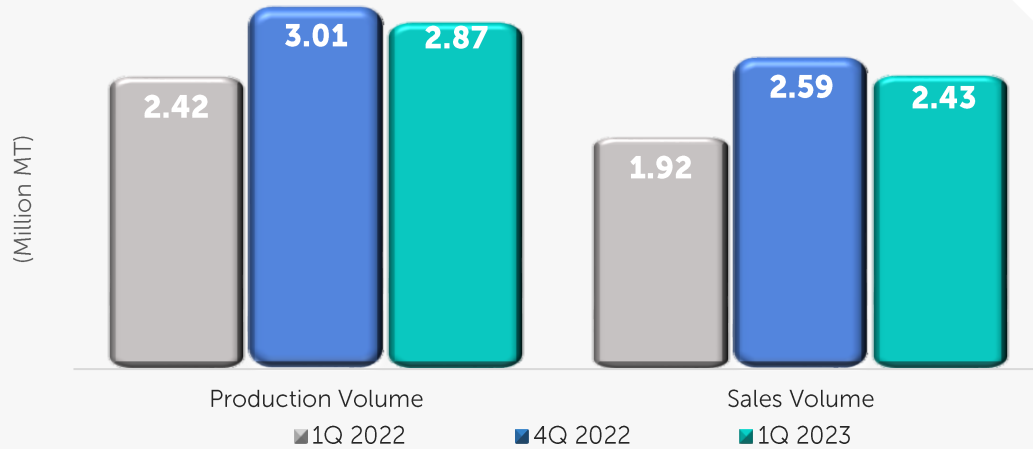
Market Outlook

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Moving forward – Sustainability

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# 1Q2023 Highlights : Higher share profit from JV & Associates supports improvement in PAT



REVENUE in RM Million		
6,634	8,704	7,557
1Q 2022	4Q 2022	1Q 2023

EBITDA in RM Million		
2,422	1,740	1,083
1Q 2022	4Q 2022	1Q 2023

PAT in RM Million		
2,072	484	536
1Q 2022	4Q 2022	1Q 2023

EBITDA margin		
37%	20%	14%
1Q 2022	4Q 2022	1Q 2023

Note:  
1Q 2022 does not include contributions from Perstorp Group.

## Operational Excellence

- Lower Plant utilisation at 96% due to planned shutdown at PC Aromatics and PC LDPE (4Q2022: 100%).
- Lower production volume by 5% at 2,870 KMT (4Q2022 : 3,010KMT).

## Commercial Excellence

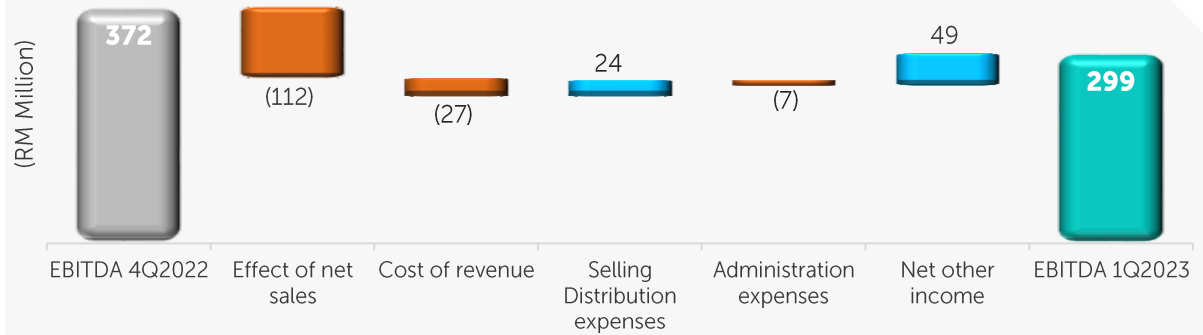
- Specialties sales improved but total sales volume decreased inline with lower production at the Malaysia operations (4Q2022: 2,588KMT).
- Average product prices for the Group declined, pulled down by weak Urea and Ammonia prices

## Financial Excellence

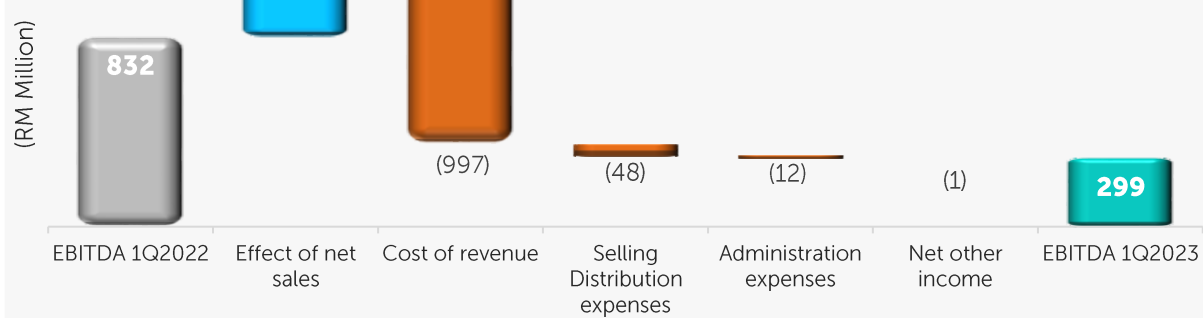
- 13% lower revenue quarter-on-quarter mainly due to lower sales volume, and supported by the strengthening MYR against USD
- EBITDA fell by 38% quarter-on-quarter due to lower sales volume, lower product spreads, particularly Urea and Ammonia
- PAT improved 11% quarter-on-quarter with higher share profit from JVs and Associates and lower unrealised foreign exchange loss on revaluation loan.

# O&D: EBITDA declined quarter-on-quarter due to lower sales volume, mainly from ethane-related products

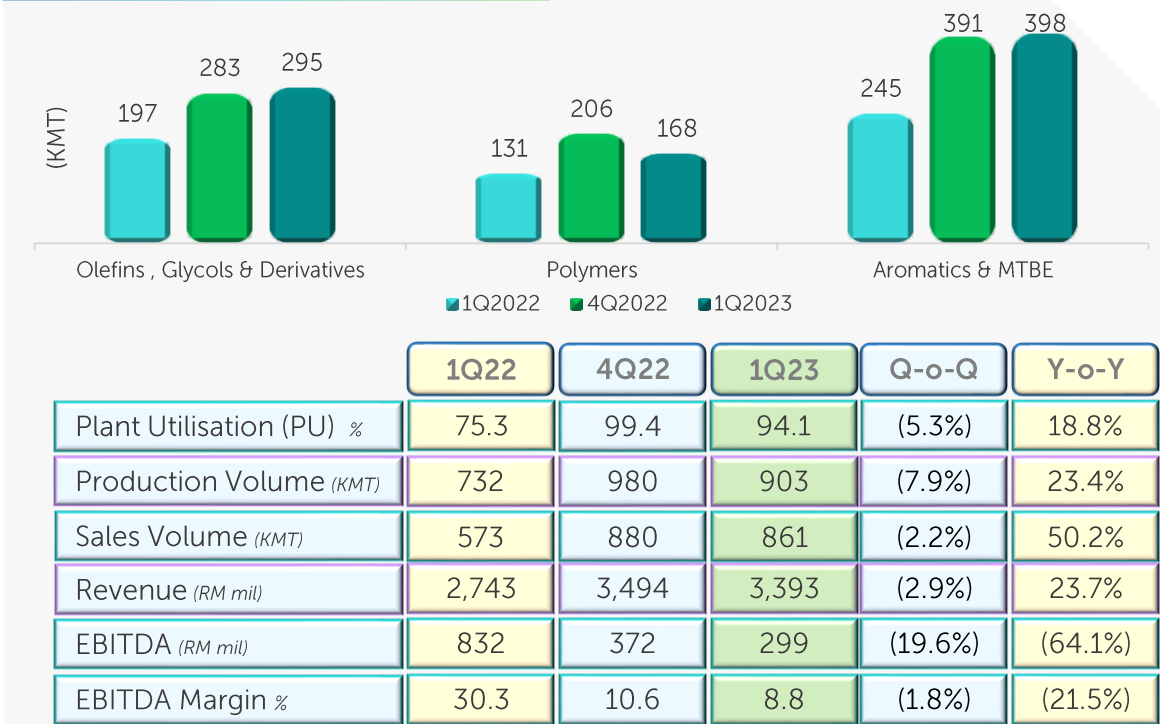
1Q2023 vs 4Q2022



1Q2023 vs 1Q2022



Product Sales Volume



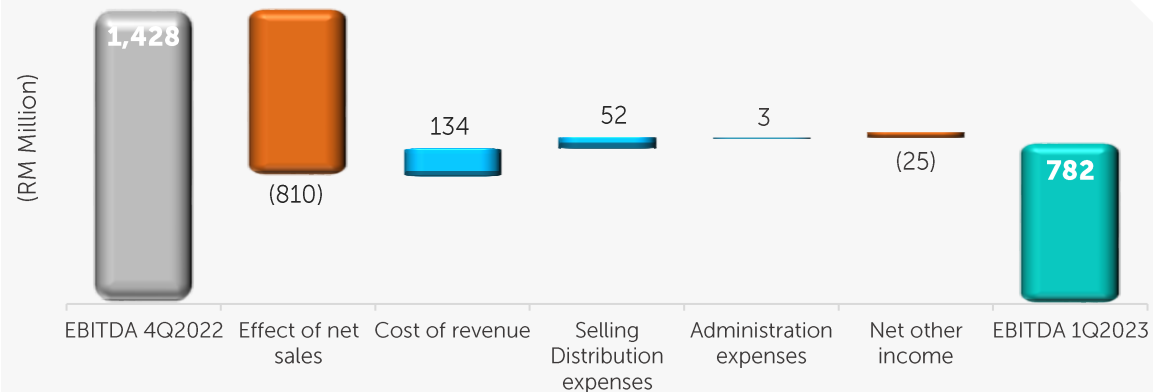
1Q2023 vs 4Q2022

**Plant Utilisation Rate:** Lower utilisation due to pitstops at PC Aromatics and PC LDPE

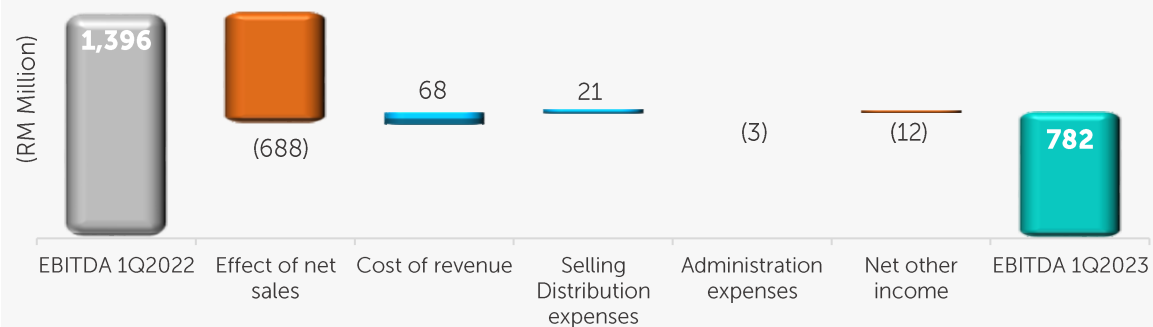
**Revenue & EBITDA:** Decreased by 3% and 20% respectively due to lower sales volume mainly from ethane-related products and pre-operating costs of a joint-operation company

# F&M: EBITDA impacted by lower spreads and lower sales volumes

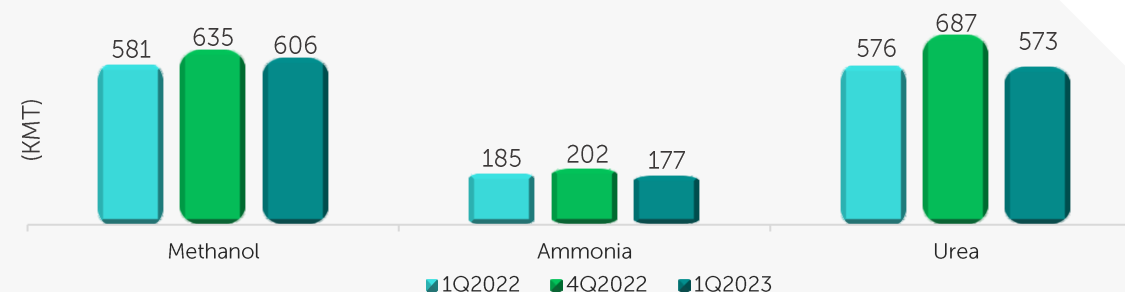
## 1Q2023 vs 4Q2022



## 1Q2023 vs 1Q2022



## Product Sales Volume



	1Q22	4Q22	1Q23	Q-o-Q	Y-o-Y
Plant Utilisation (PU) %	92.9	100.3	97.2	(3.1%)	4.3%
Production Volume (KMT)	1,673	1,846	1,752	(5.1%)	4.7%
Sales Volume (KMT)	1,342	1,524	1,357	(11.0%)	1.1%
Revenue (RM mil)	3,304	3,533	2,407	(31.9%)	(27.1%)
EBITDA (RM mil)	1,396	1,428	782	(45.2%)	(44.0%)
EBITDA Margin %	42.2	40.4	32.5	(7.9%)	(9.7%)

## 1Q2023 vs 4Q2022

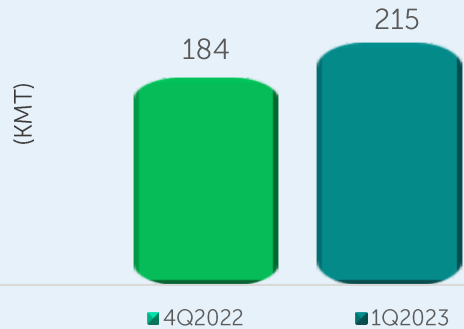
**Plant Utilisation Rate:** PU rate declined due to maintenance works

**Revenue:** Decreased due to lower sales volume of Urea and Ammonia, lower product prices and strengthening Ringgit Malaysia against US Dollar

**EBITDA:** Declined on lower product spreads

# Specialties: Slight recovery seen in 1Q2023 as inventory destocking comes to a close although the demand recovery is still weaker than expected for 1H2023

## Sales Volume



	4Q22	1Q23	Key highlights
Revenue <i>RM mil</i>	1,664	1,744	Higher revenue q-o-q attributable to increase in end market demand and sales volume
EBITDA <i>RM mil</i>	7	88	Higher EBITDA q-o-q in line with higher revenue supported by product margins
EBITDA Margin (%)	0.4	5.0	

### Resins & Coatings

- Higher revenue and sales volume for major resin segments such as alkyds in 1Q2023 vs 4Q2022.
- Q1 saw some restocking activities although demand is still subdued with the pricing pressure on intermediates.

### Advanced Materials

- Higher revenue and sales volume in 1Q2023 vs 4Q2022 as customers started to rebuild their inventory
- In particular, Polyvinyl butyral (PVB) Film segment volumes increased following issues faced by Chinese competitors and maintenance shutdowns in Europe

### Engineered Fluids

- Higher revenue and sales volume in 1Q2023 vs 4Q2022, supported by higher demand for transportation end market (aviation and transformer oil)
- Refrigeration lubes still see weaker demand due to China and the weak global housing market

### Silicones

- Lower revenue amid slightly higher volume in 1Q2023 vs 4Q2022 due to lower product prices
- Demand is slowly picking up but overall volume recovery is still under pressure

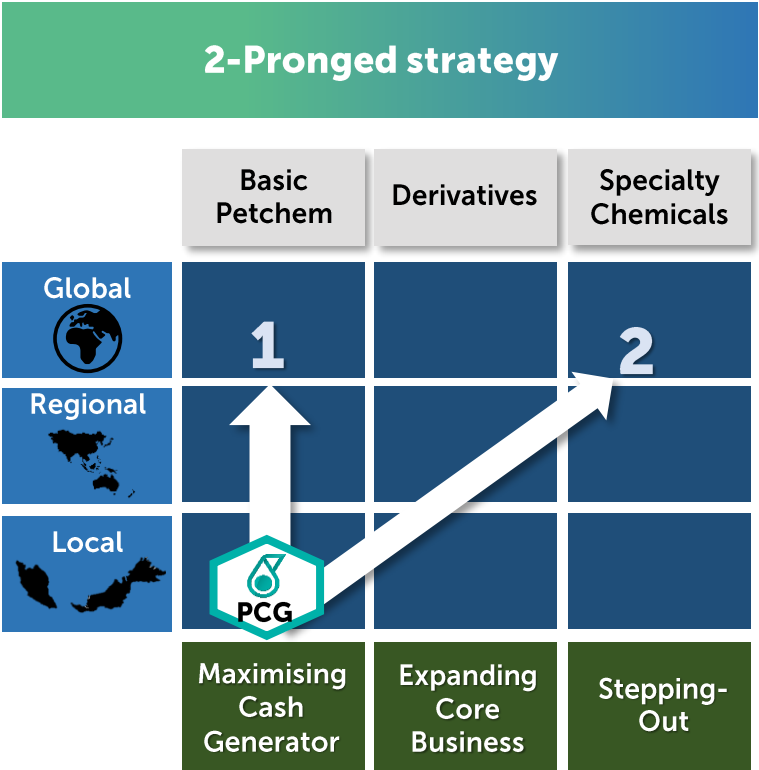
### Animal Nutrition

- Lower revenue and sales volume in 1Q2023 vs 4Q2022 due to lower demand amid higher prices and lower customer profitability.
- Higher cost to serve also reduced the margins for the segment

### Lube oil Additives & Chemicals

- Slightly higher revenue and sales volume in 1Q2023 vs 4Q2022 despite decreasing product prices following pricing competition in the markets
- This is partially impacted by the lower base oil prices in the market, offset by effective product mix

# PCG has a clear strategy to grow our specialty chemicals portfolio and future-proof the business



- 1. Sustain strength in basic petrochemicals
- 2. Selectively diversify into derivatives, specialty chemicals and solutions

Diversify into derivatives, specialty chemicals and solutions to future-proof the business

Expanding Core Business

Stepping-Out



**1** Extend Value Chain (EVC)

via downstream investment



**2** Build Specialty Platform

via Merger & Acquisition (M&A)

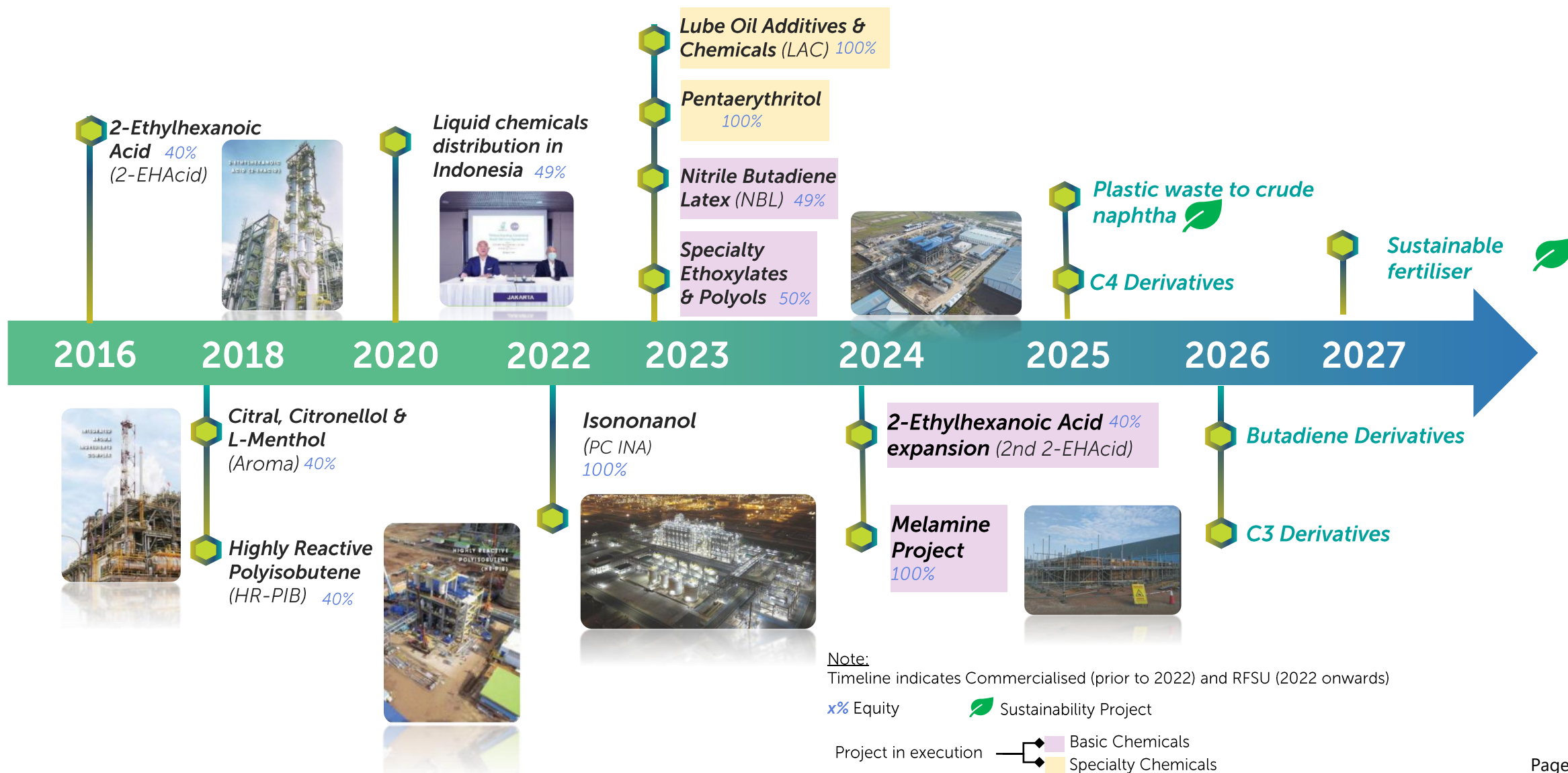


**3** Create Optionality for Growth

via Technology Research and Corporate Venture Capital (CVC)



# PCG growth projects are in the pipeline, undergoing various stages of execution



# Acquisitions of BRB Group in 2019 and Perstorp in 2022 provide the building blocks for our specialty chemicals platform

2-pronged strategy in Growth Delivery Excellence

2

Build Specialty Platform

via Merger & Acquisition (M&A)



BRB

Manufacturer of lube oil additives, silicones and other specialty chemicals



Perstorp

Global market leader providing sustainable chemical solutions notably for the Resins & Coatings, Engineered Fluids and Animal Nutrition markets

PCG's global network



Specialty Chemicals' Presence

These acquisition will boost our market presence in Americas, Europe and APAC's

Specialty chemicals segments

1



Resin & Coatings

2



Engineered Fluids

3



Animal Nutrition

4



Advanced Materials

5



Silicones

6



Lubricant Additives & Chemicals

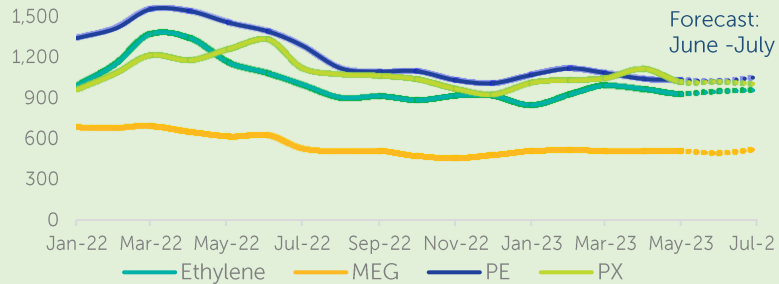
To achieve 30% additional revenue from non-traditional business

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Open

# Short-term market outlook

**O&D: Weak demand recovery amidst additional supply from new capacity addition**



## Ethylene:

- Soft on rising regional supply mainly in China amid weak downstream demand and low buying interest

## Ethylene Glycols:

- Higher supply availability with restart plants in China (Henan, Sinopec, ZPC), is expected to dampen market sentiment

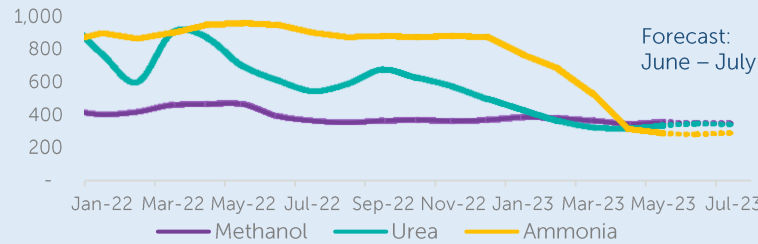
## Polyethylene:

- Soft on expected supply increase with start up of PrefChem in Malaysia and Long Son in Vietnam

## Paraxylene:

- Despite market tightness, demand remains weak, impacted by weak downstream PTA margins

**F&M: Weaker demand, ample supply and China export arrangement may indicate the supply & demand movement in F&M**



## Urea:

- Demand remains soft despite recently announced Indian tender while returning of Chinese export cargo may further pressure prices.

## Ammonia:

- Soft with new capacities in China coming onstream coupled with weak downstream demand in Caprolactam and ACN

## Methanol:

- Prices seeing pressure on weak downstream demand and continuous supply availability from Middle East. MTO operating rates are low on weak olefin economics

**Specialties: Demand recovery timeline continues to be pushed further out**



- Energy and raw materials prices in Europe are expected to normalize but the demand still remains weak in the short term despite China's reopening.
- The demand recovery is expected to remain relatively scattered across the end markets, with construction still lagging in particular and transportation holding strong.
- Moving forward, all eyes are on 2H2023 that is cautiously optimistic for any signs of demand recovery amid the persistent inflationary environment.

# Embedding Sustainability at the Core, PCG will continue to focus on Economic, Environmental, Social and Governance (EESG) aligned with 50.30.0

FOCUS AREAS 2023

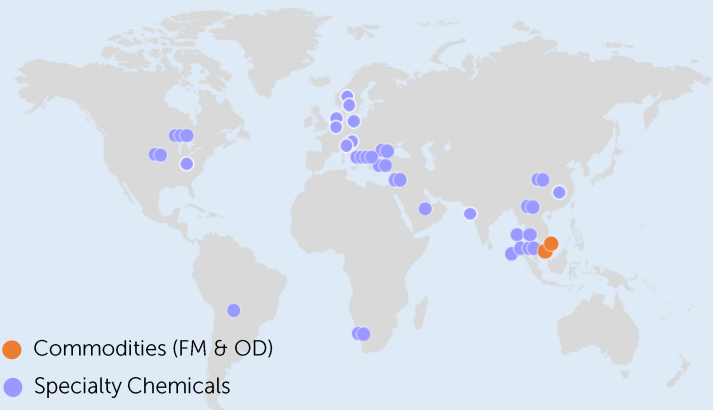


THANK YOU

# Appendix

# PCG is a leading integrated chemicals player in the region

## PCG's Global Network



### 3 MAJOR SEGMENTS

#### Olefins & Derivatives

Olefins, intermediate, basic and high performance chemicals, and polymer

#### Fertilisers & Methanol

Methanol and a range of nitrogen, phosphate and compound fertilisers

#### Specialties

Specialty chemicals from the operations of Da Vinci B.V group & Perstorp Holding AB

## PCG at a Glance

First plant in

**1985**

ASEAN Bintulu Fertilizer Sdn Bhd

Nameplate capacity

**15.4mil**

tonne per annum (mtpa)

Listed since **November**

**2010**

Our Market presence

**65%**

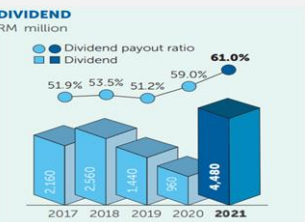
SEA

**19%**

NEA

**16%**

Rest of the world



Made up of more than

**80 Subsidiaries**

JVs & associated companies

Market Capitalisation

**RM68.8bil**

as at 31 Dec 2022

Total asset:

**RM55.4bil**

as at 31 Dec 2022

Historical payout ratio more than

**50%**

of Group Profit After Tax and Non-Controlling Interests ("PATANCI"),

## Our Growth Journey

**1985**

First plant in Bintulu; ASEAN Bintulu Fertilizer Sdn Bhd

**1992-1999**

- Commenced production at Gebeng Integrated Petrochemical Complex in Pahang, Kerteh Integrated Petrochemical Complex in Terengganu.
- Acquired methanol plant in Labuan

**2010-2014**

- Incorporation of PCG and listing on Main Market of Bursa Malaysia
- Incorporated overseas marketing subsidiaries, PCM (Thailand) Company Limited & PCM (China) Co., Ltd

**2015-2016**

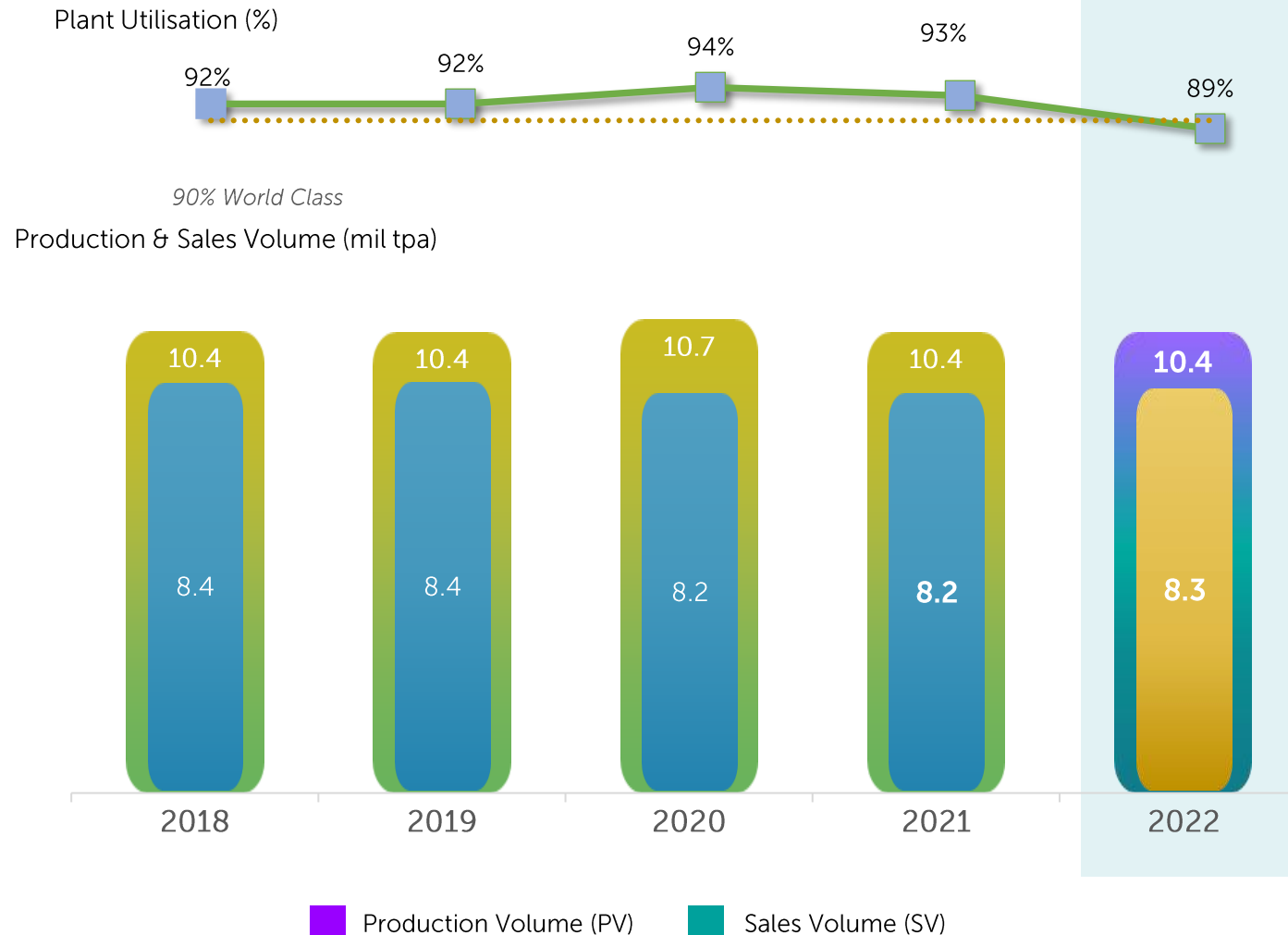
- Undertake petrochemical projects at PIC, Pengerang, Johor
- Incorporated an overseas marketing subsidiary, PT PCM Kimia Indonesia

**2017 – 2022**

- Divested 50% equity in PPC to Aramco
- Achieved first drop of Bio-Monoethylene Glycols
- Acquired BRB
- Commenced production of silicone blended products in at BRB Malaysia in Gebeng, Pahang
- Acquired PERSTORP Holding AB

# Heavy turnaround activities dominated manufacturing operations in 2022, plant utilisation to recover in 2023

## Group Performance



## Operational Excellence

### 2022

- Higher maintenance activities compare to 2021 with 4 TA's and 2 pitstops completed.
- Due to these major activities, our plant utilisation rate for 2022 came in at 89%

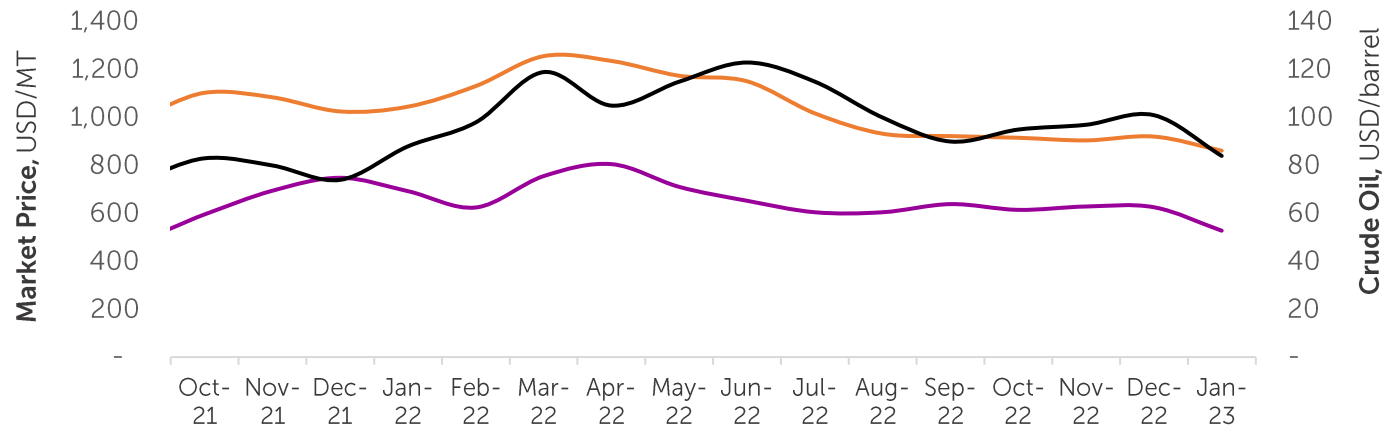
### 2023

- Two planned turnarounds in 2023 at:
- PC Ammonia
- PC MTBE
- and
- 6 pitstops scheduled throughout the year

**Sustainable** operations achieved through stable stock supply and stringent planning with suppliers



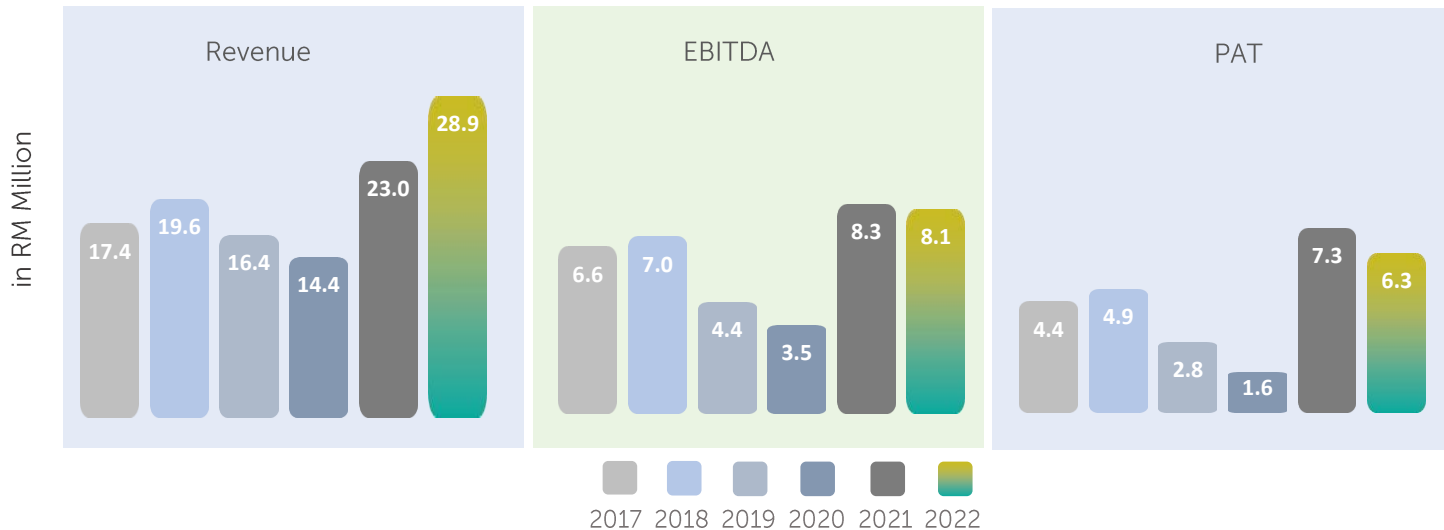
# Commendable full year performance amidst challenging market and heavy turnaround schedule



## Commercial Excellence

Group revenue was at 28.9 billion ringgit driven by :

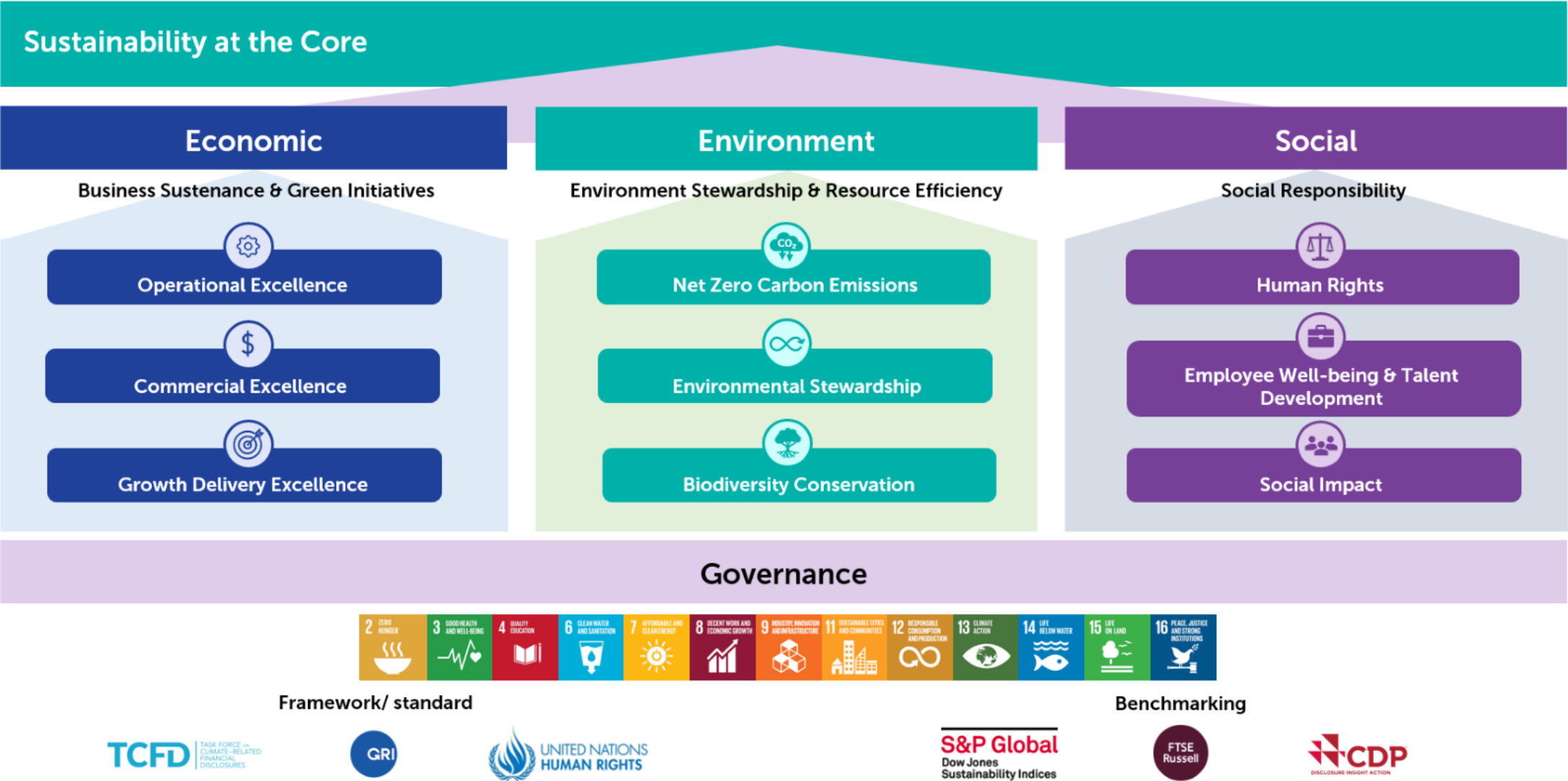
- higher product prices,
- favourable foreign exchange impact
- additional revenue from Perstorp



Offset by:

- Higher production cost:
  - Increase fuel cost
  - Higher utility
  - Higher feedstock cost
- Higher tax
- Lower profit share from JV & Assoc

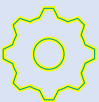
# Putting sustainability at the core of our business, we remain committed to support all EESG pillars



# Economic: Business sustenance through growth and responsible product solutions

## ECONOMIC

Business Sustenance &  
Green Initiatives



Operational  
Excellence



Commercial  
Excellence



Growth Delivery  
Excellence



## Growth Delivery Excellence

### Product Solutions

Bio-MEG for bio-  
degradable packaging

AireBlue for cleaner  
environment

High Active Surfactant

Ultra-mild specialty  
surfactant for personal  
care

CRF-Polymer Coated  
Urea

High Stiffness Bubble  
wrap

Eco-friendly  
surfactant for oil & gas

DMPP Treated Urea  
(Blue Urea)

Drilling Mud Base  
Chemical

Polyol ester emollient  
for personal care

Ultra High Purity  
Methanol for fuel cells

# Environmental: PCG aims to reduce greenhouse gas (GHG) emission through Net Zero Carbon Emissions Roadmap by 2050 (NZCE2050)

## ENVIRONMENT

Environment  
Stewardship & Resource  
Efficiency



Net Zero Carbon  
Emission



Environmental  
Stewardship



Biodiversity  
Conservation

## Key Challenges

- As more projects comes on stream, our GHG emissions will increase
- Increasing stakeholder scrutiny and expectation for more tangible efforts towards decarbonisation

## Key initiatives in 2023 toward achieving 20% emissions reduction

- To reduce 1.8 Mil tCO<sub>2</sub>e in order to realise first milestone of 20% reduction by 2030.
- Further execute plant optimisation projects to reduce GHG and air emissions by implementing latest technology and decarbonisation tools
- Include plans to mitigate carbon emissions in new projects.

# Social: CSR initiatives reach will be expanded to support our sustainability development

## SOCIAL

Social  
Responsibility



Human Rights



Employment well being  
& talent development



Social Impact

### Key Challenges

- Expansion for Mangrove plantation in view of limited land at ecoCare
- To determine effectiveness of PSYE module and methods for improvement

#### Moving forward:

- Plan to acquire additional land and new land/area in line with Forest Conservation Certification (FCC) requirements
- Explore possibility to make PSYE as part of school syllabus

### Key Highlights

- **Continue education on the importance of mangrove and bio-diversity**
- **Forest Conservation Certification (FCC) to claim for carbon offset**
  - Acquisition of land in current conservation area and new area
  - Continuous monitoring of biodiversity
- **Increase reach of 'Plastic, Sustainability & You' & Be Green programmes through collaboration with third party in supporting our NPE initiative**
- **Extend PCG's sustainability Agenda to its supply chain**

END OF DOCUMENTS