



# **PETRONAS Chemicals Group Berhad Analyst Briefing**

## **Third Quarter Ended 30 September 2024**

20 November 2024

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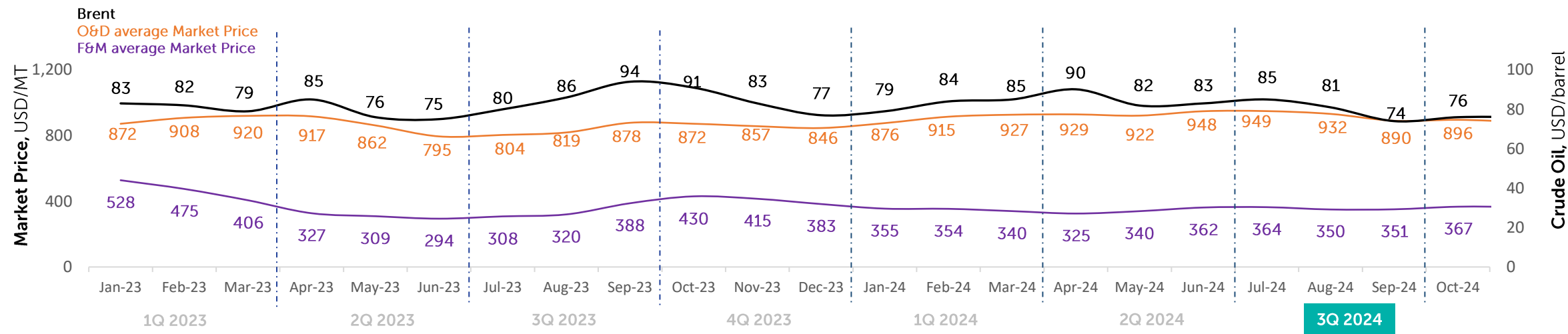
# Content

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- 01. Introduction and Highlights
  - 02. Operational and Financial Performance
  - 03. Market Outlook
  - 04 Key Priorities
  - 05 Q&A
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# Challenges in chemicals sector persists, despite improvement in global economy



## 9M 2024 Market Highlights



Global GDP growth increased to 2.58%, reflecting continuous economic recovery, supported by easing inflation (9M 2023: 1.77%).



The global manufacturing PMI index declined by 0.3%, at 48.8 (9M 2023: 49.1), due to the ongoing challenges faced by the manufacturing sector, such as weak demand, higher operating costs and supply chain disruption.



The benchmark Brent crude oil averaged at a comparable USD83/bbl (9M 2023: USD82/bbl), as market factored in risk of supply disruption from the heightened Middle East conflicts amidst weak demand.



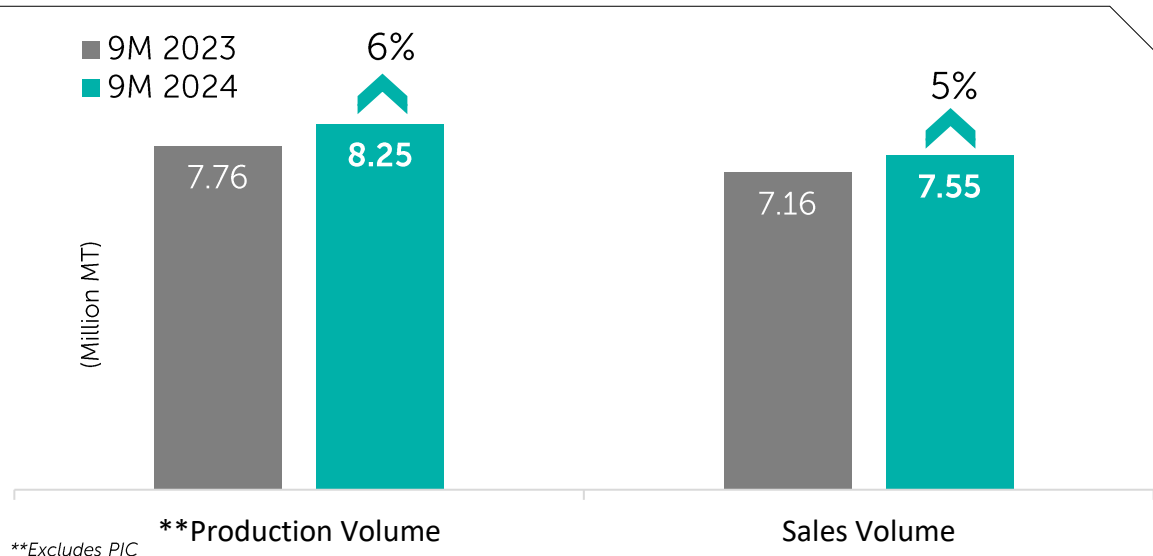
The average Bloomberg World Chemical Index declined by 5.2% as compared to the same period last year.



Compared to YTD Sept 2023, prices for PCG's key products averaged a slight 1% lower, impacted by the F&M segment, specifically Ammonia and Urea.

\*Source: market publications, PCG analysis

# 9M 2024 Highlights: Solid operational performance, profitability impacted by unrealised non-cash forex impact



	9 MONTHS		9 MONTHS	
	2023	2024	2023	2024
			<i>* Excluding forex impact</i>	
REVENUE	21,454	23,213	21,454	23,213
EBITDA	3,142	2,824	3,055*	3,337*
PAT	1,608	750	1,423*	1,658*
EBITDA MARGIN	14.6%	12.2%	14.2*	14.4*

in RM Million

## Operational Excellence

- Improved commodity Plant Utilisation (P.U) rate at 89% (9M 2023: 85%) despite operational challenges in both O&D and F&M segments.
- Total production of 8.25 million MT with higher production from all 3 segments (9M 2023: 7.76 million MT).

## Commercial Excellence

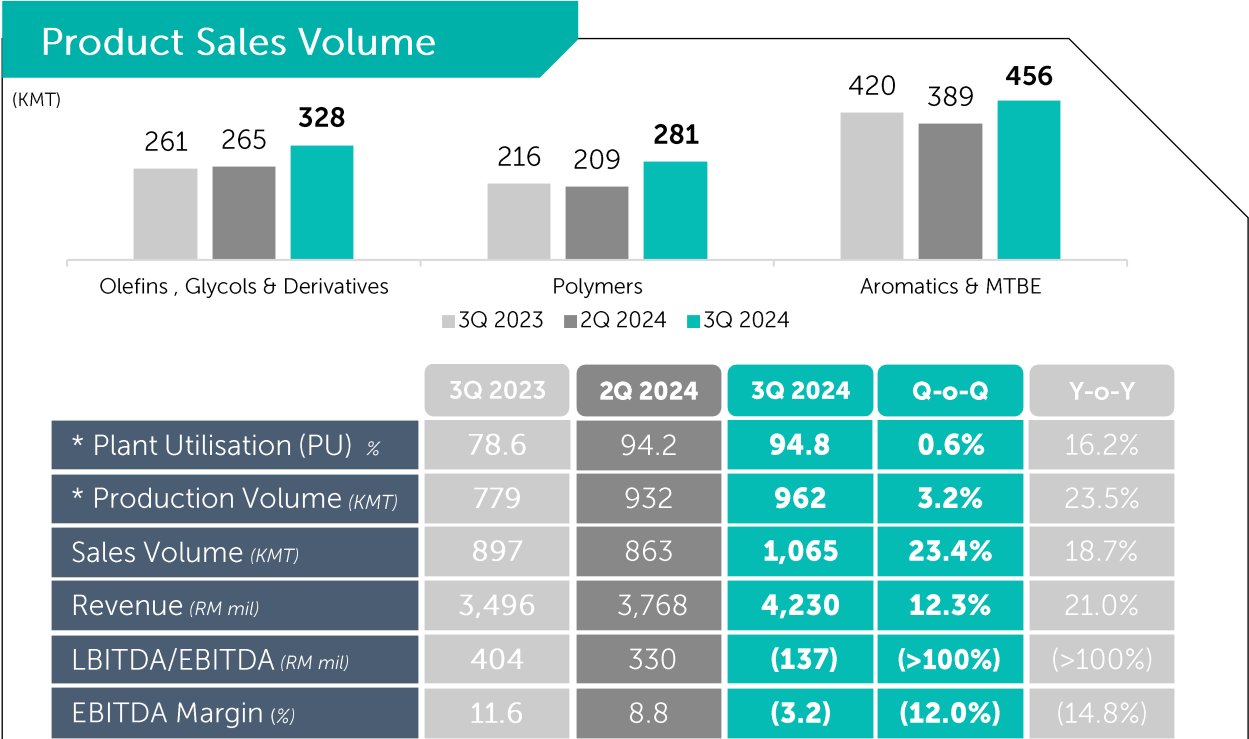
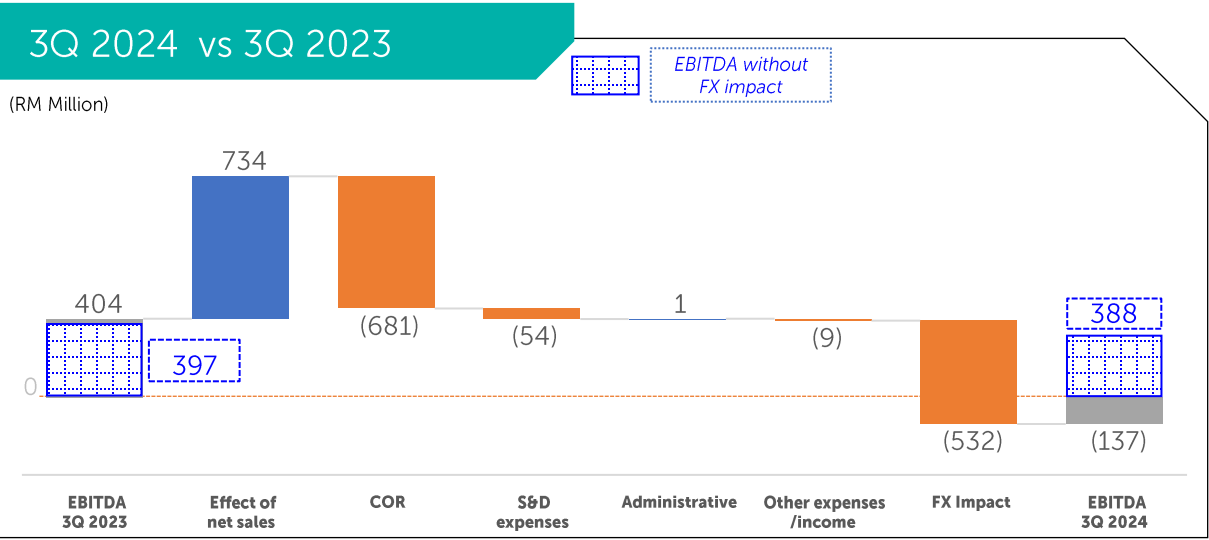
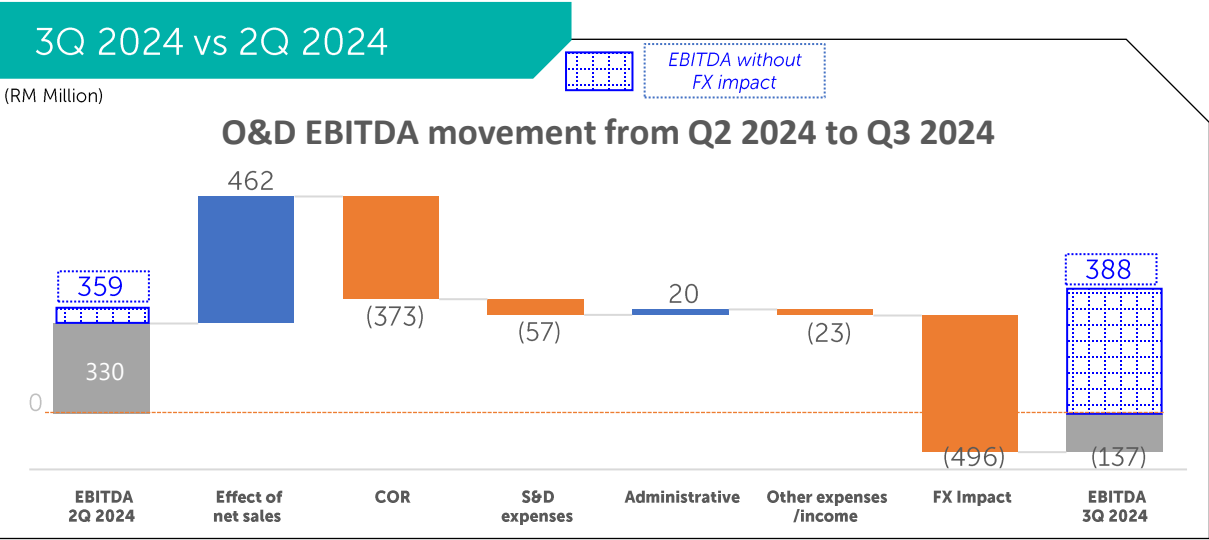
- Average product prices declined slightly by 1% year-on-year.
- Sales volume was higher contributed by higher sales volume from all segments (9M 2023: 7.16 million MT).

## Financial Excellence

- Revenue was higher by 8% due to revenue contribution from PPC, specialties and strategic sourcing.
- Lower EBITDA by 10% at RM 2.8 billion mainly due to unrealised forex loss from revaluation of payables and higher operating cost at PPC as well as lower product spreads in the O&D segment.
- PAT was lower at RM 750 million mainly due to unrealised forex loss on revaluation of shareholder loan to PPC and share of loss from JV & associates, partially offset by finance income from adjustment of timing for payment of payables at PPC.



# O&D: Profitability impacted by unrealised forex loss on revaluation of payables and increased operating costs at PPC



### 3Q 2024 vs 2Q 2024

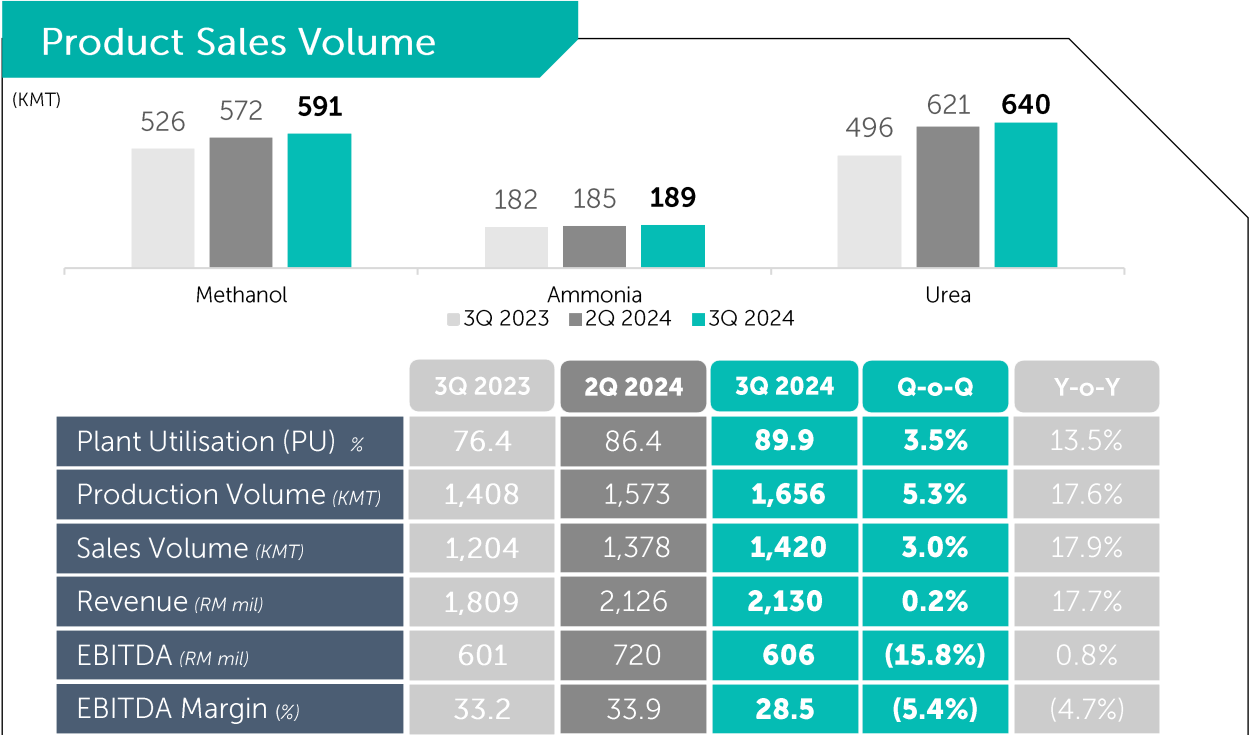
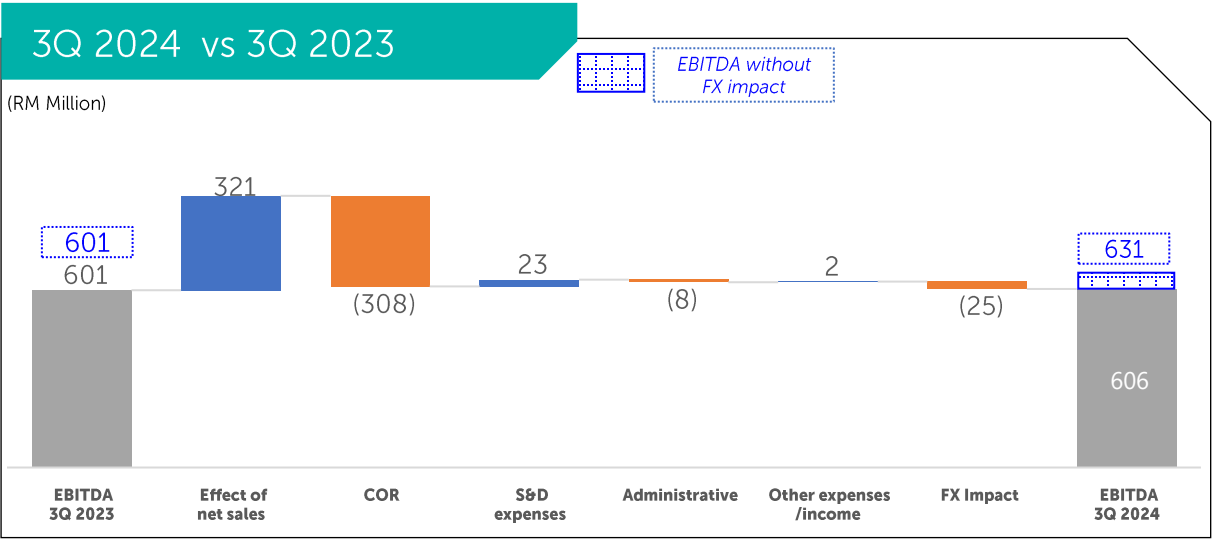
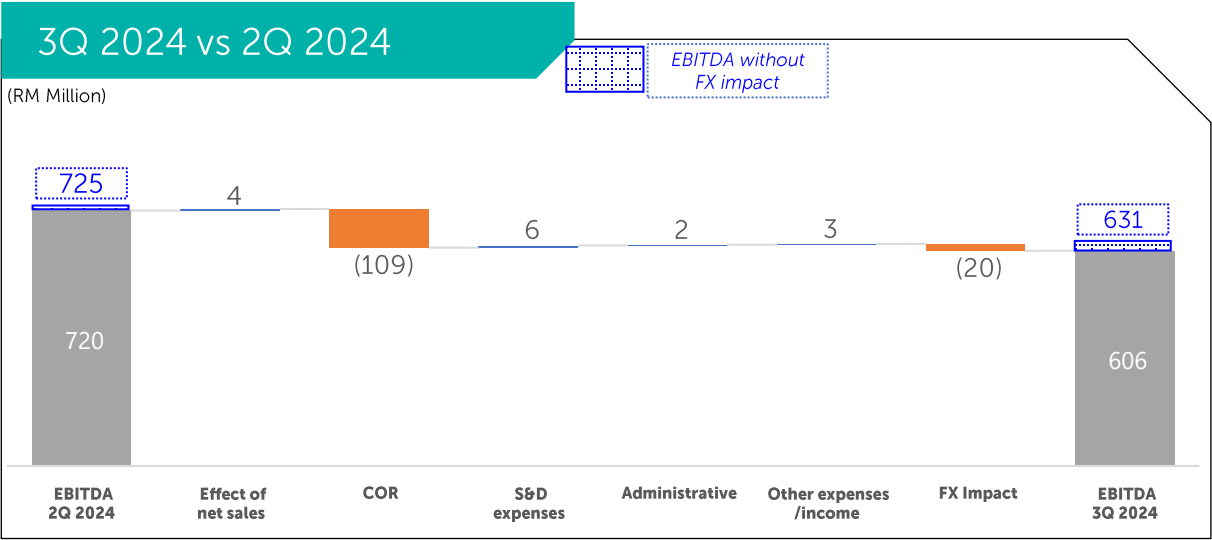
**Plant Utilisation Rate:** *Comparable* operations without major unplanned shutdowns.

**Revenue:** *Higher* mainly due to higher sales volume partially offset by the stronger Malaysian Ringgit and lower product prices.

**LBITDA:** *Negative* EBITDA due to unrealised forex loss from revaluation of payables at PPC and higher repair and maintenance cost.

\* Excludes PPC

# F&M: Lower EBITDA due to higher maintenance costs



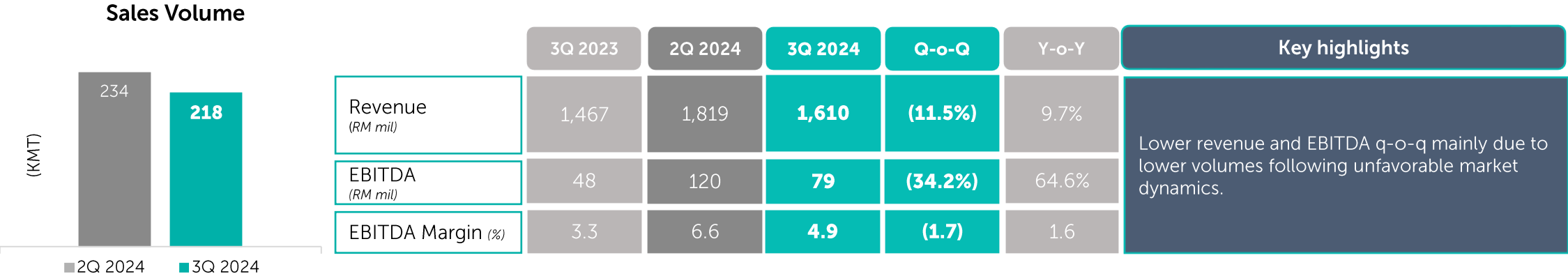
### 3Q 2024 vs 2Q 2024

**Plant Utilisation Rate:** *Higher* operational performance mainly contributed by lower downtime days.

**Revenue:** *Comparable* despite higher sales volume due to lower sales price particularly for Methanol and Ammonia.

**EBITDA:** *Lower* due to higher maintenance cost and forex impacting revenue.

# Specialties: EBITDA declined compared to 2Q 2024, on lower sales volumes following unfavourable market dynamics



## Resins & Coatings

- Lower sales volume against 2Q 2024 due to unfavourable market demand in APAC region, driven by slowdown in real estate sector.
- Stable contribution margins mainly contributed by lower raw material costs.

## Advanced Materials

Lower sales volume & contribution margin against 2Q 2024 mainly due to lower demand of PVB Films and PVC Polymer Additives as key competitors returned to their normal operations.

## Engineered Fluids

- Comparable sales volumes against 2Q 2024.
- Lower contribution margin due to lower demand for Aviation Turbine Oil & Metalworking Fluids.

## Silicones

Comparable sales volume and contribution margin against 2Q 2024 on improved supply chain management, partially offset by lower average selling prices due to strong market competition from APAC.

## Animal Nutrition

Higher sales volume & contribution margin against 2Q 2024, contributed by higher demand mainly for Gut Health & Nutritional Salts in EMEA & APAC region.

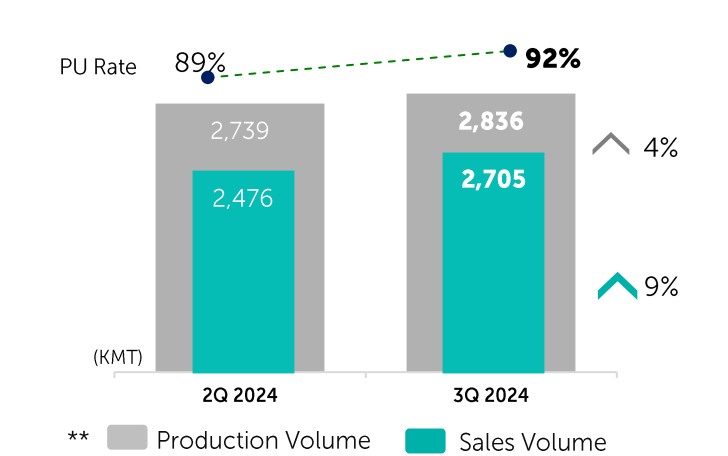
## Lube Oil Additives & Chemicals

Lower sales volume & contribution margin mainly due to seasonality effect from summer season, uncertainty in Middle East and product mix effect.



# Group: Lower EBITDA due to unrealised forex loss on revaluation of payables and higher operating costs at PPC

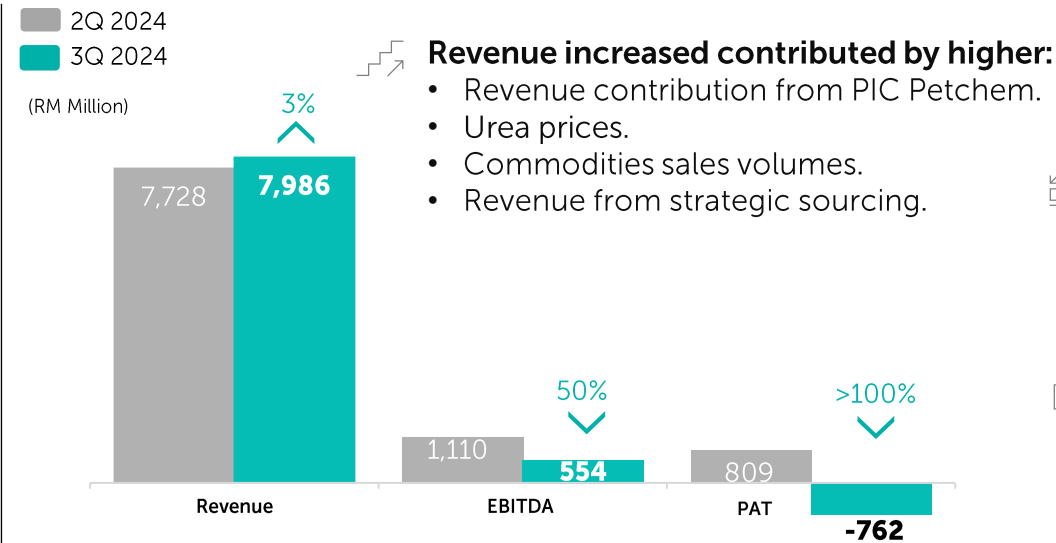
3Q 2024 vs 2Q 2024



**Plant Utilisation Rate (PU)\*\*:**  
Higher PU rate due to better plant performance at most plants despite challenges in F&M and aromatics plants.

**Production Volume:**  
Higher production volume by 4% driven by higher production of commodity chemicals.

**Sales Volume:**  
Increased, contributed by higher sales volume of commodity chemicals mainly paraxylene, propylene in O&D segment.



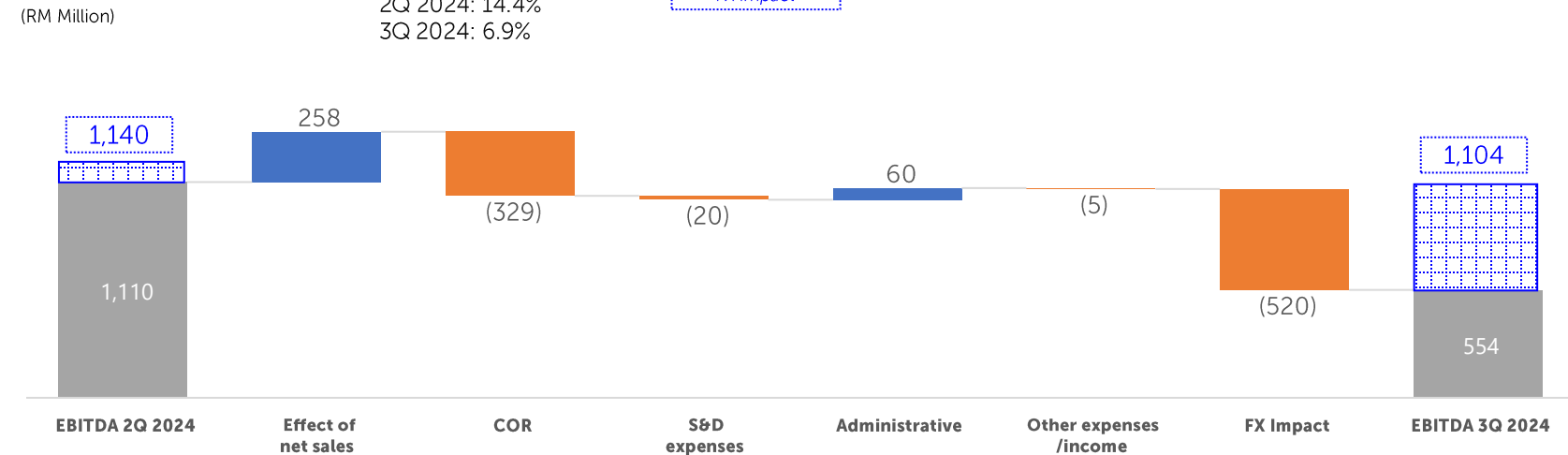
**Lower in EBITDA mainly due to:**

- Unrealised forex loss from revaluation of payables and higher operating cost at PPC.

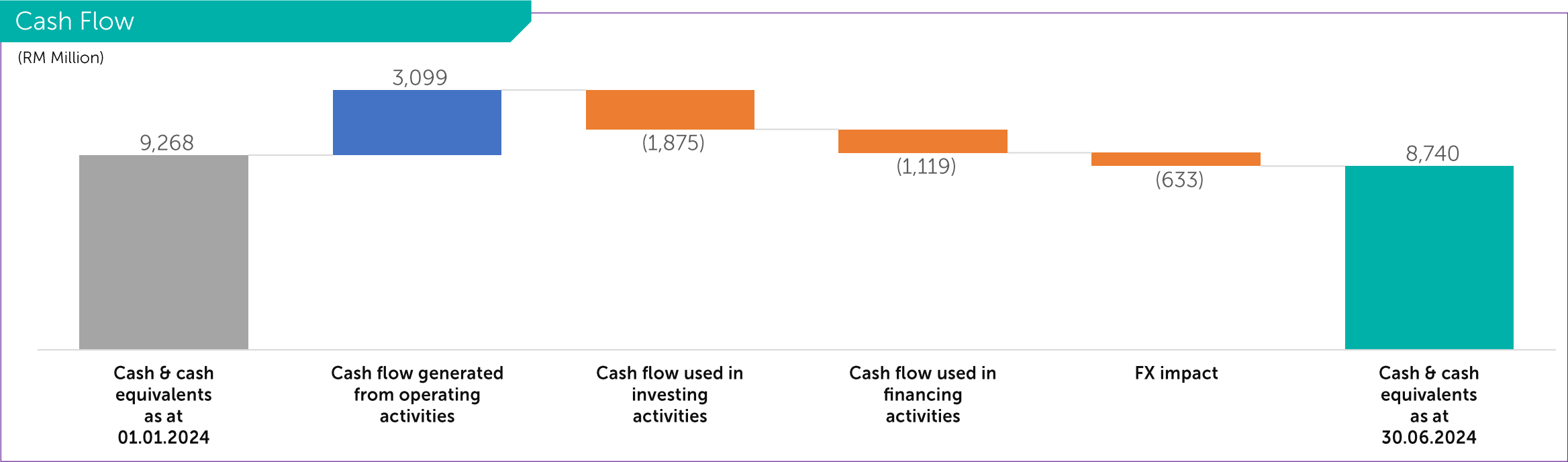
**Loss net income due to:**

- Unrealised forex loss on revaluation of shareholders loan to PPC.

## EBITDA MOVEMENT

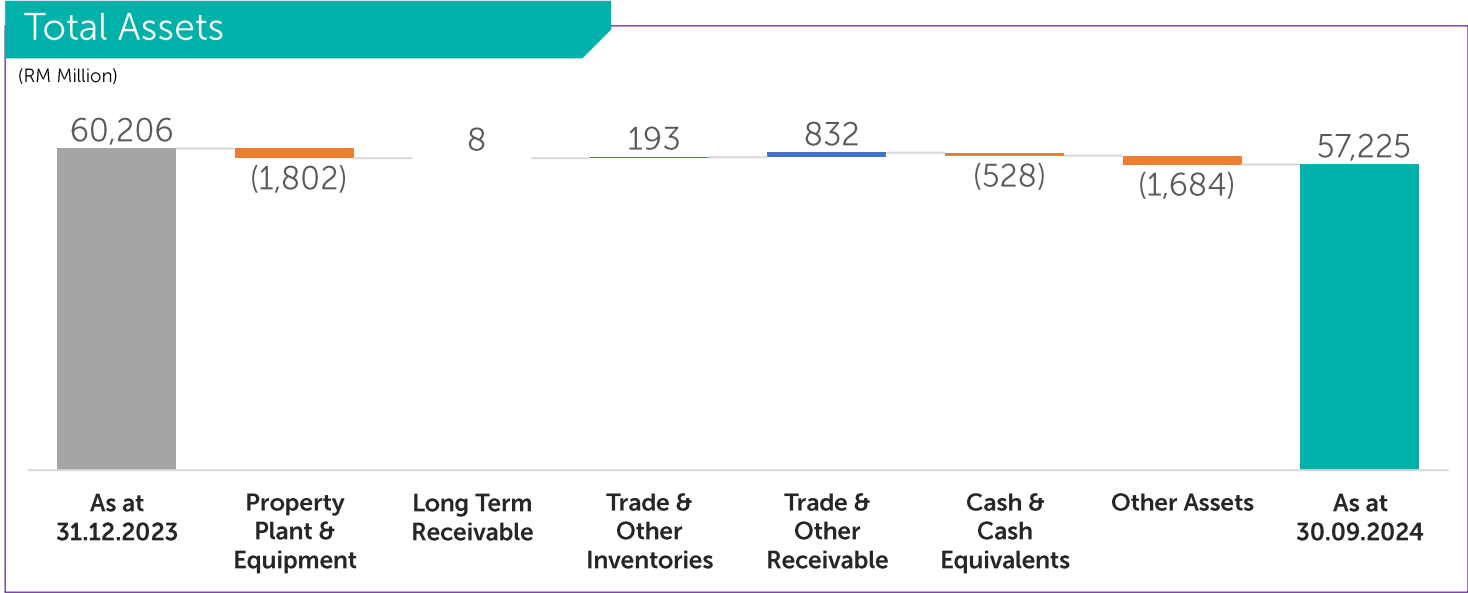


# Lower cash balance due to investment in growth projects and dividend payment



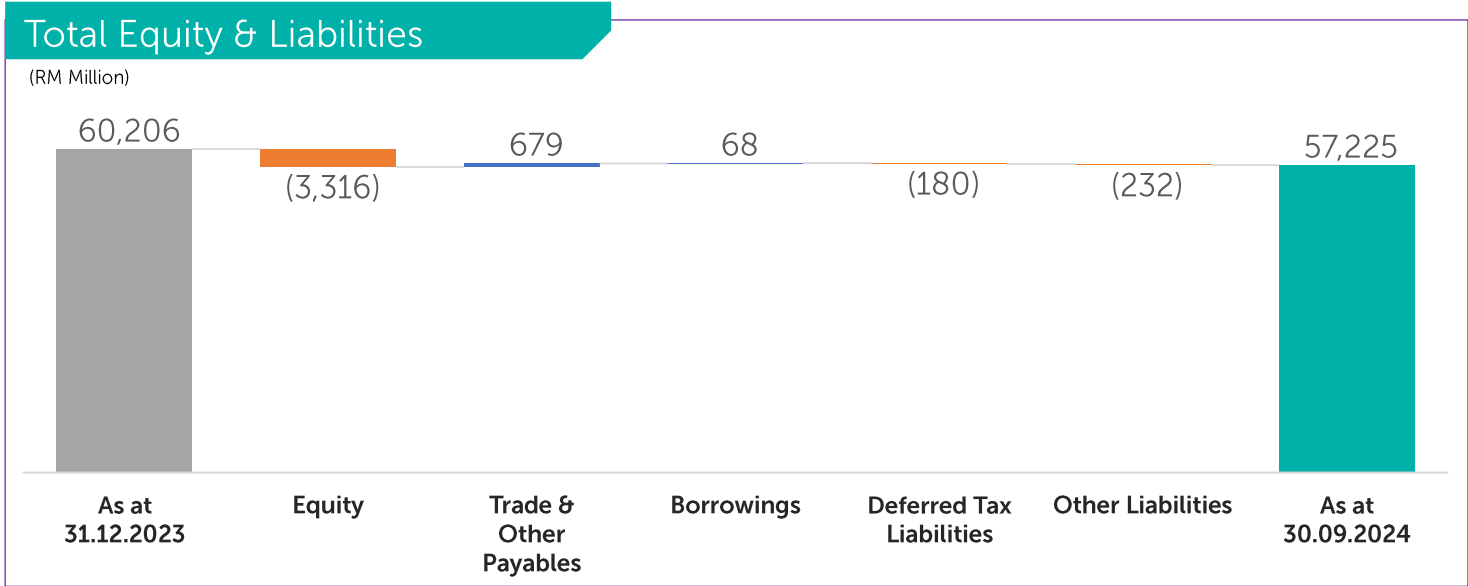
- Net cash generated from operating activities in line with higher sales in the current period.
- Net cash used in investing activities mainly contributed by higher purchase of PPE mainly for growth projects and turnaround cost.
- Net cash used in financing activities mainly contributed by dividend paid to shareholders.

# Lower total assets mainly due to forex translation and higher depreciation



The Group's total assets were lower due to:

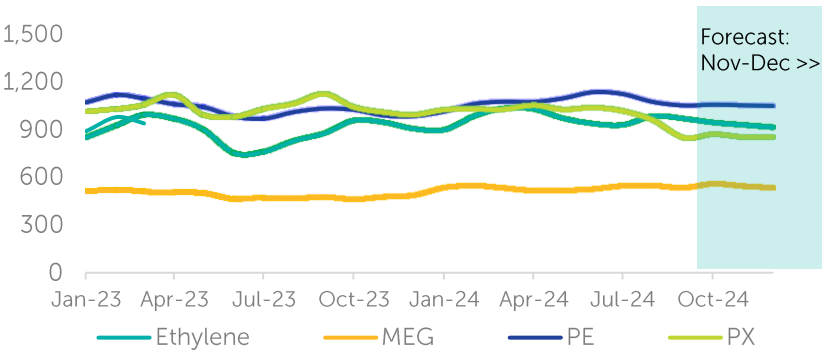
- Lower Property, Plant and Equipment (PPE) and Other Assets due to forex translation of RM against USD, Euro and SEK.



- Lower equity mainly due to unfavourable foreign exchange, payment of dividend for FY2023 second interim and FY2024 first interim.
- Higher trade and other payables mainly due to pre-commercialisation cost at PPC and higher strategic sourcing.

# Soft outlook on Commodities due to weaker downstream demand and feedstock price volatility. Specialties facing headwinds from ongoing slowdown in construction sector

## O&D: Factories to slow down to align with reduced demand & stock clearance as the year wraps up



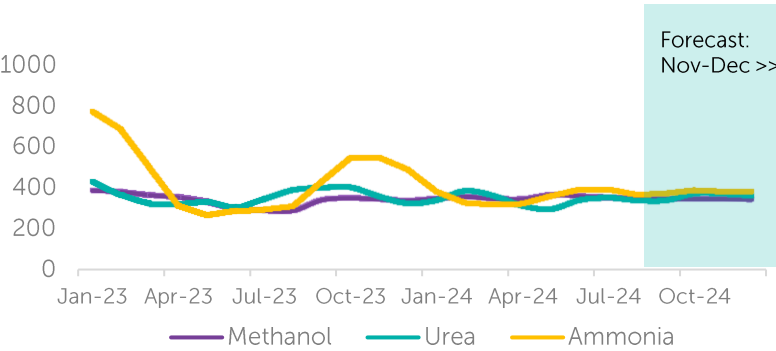
**Ethylene:**  
Prices are expected to be soft. Market sentiment is cautious as oil and feedstock prices continue to be volatile, in addition to weak margins for derivatives.

**Ethylene Glycols:**  
Stable prices mainly supported by limited supply.

**Polyethylene:**  
Soft outlook ahead of seasonal lull, further drop will be cushioned by regional supply tightness and some restocking activities post Golden Week.

**Paraxylene:**  
Stable outlook in line with weak downstream demand and reduced gasoline blending amidst planned maintenance by several producers.

## F&M: Seasonal demand in India is sustaining urea prices, while constrained supply continues to stabilise ammonia and methanol prices.



**Urea:**  
Stable outlook for urea driven by demand from India in 4Q and escalating tensions in Middle East, along with anticipation of seasonal demand return from LATAM.

**Ammonia:**  
Stable ammonia outlook with tighter supply in October following lower production rates and plant outages, balanced by limited demand from the Far East amidst turnaround season.

**Methanol:**  
Methanol prices are forecasted to remain stable and potential supply limitation due to winter curtailments in 4Q. Moderate downstream demand for Acetic Acid, Formaldehyde and Biodiesel persists.

## Specialties: Weaker market sentiment ahead despite some signals of gradual recovery



- The Federal Reserve's rate cut, notwithstanding the upcoming holiday season, may provide stimulus to rejuvenate the demand for industrial and specialties.
- The muted demand growth for specialties leading up to 4Q with softness in Europe and China remains a potential concern, while the market observes effects from regional interest rate cuts and China's stimulus package.
- Headwinds remain for the building and construction sectors heading into 4Q, while automotive sector has illustrated downward trend. Consumer goods and retail are expected to maintain the positive momentum.

# Resilient in navigating current market and steadfast to deliver value through business excellence initiatives

## OPERATIONAL EXCELLENCE



- Strengthening the reliability of plant operations to ensure stability and efficiency.
- Committed to the safe and efficient execution of planned shutdowns and turnarounds.
- Ensuring the safe and seamless initiation of operations at the Pengerang Petrochemical Complex

## GROWTH EXCELLENCE



- Commissioning of Pentaerythritol (Penta) plant in Sayakha, targeted in 4Q 2024.
- Commercial operations of Pengerang Petrochemical Complex in year end 2024

## COMMERCIAL EXCELLENCE



- Optimise value from current core business operations while maintaining competitive cost structure.
- Drive value creation in non-traditional platforms through innovative product solutions.

**Thank  
you**