

9M/Q3 2019 FINANCIAL RESULTS

Sipchem Earnings Call on Q3 2019 Results

Date: Sunday, November 03, 2019

Time: 03:30 pm (Saudi), 12:30 pm (GMT), 12:30 pm (London), 07:30 am (New York), 04:30 pm (Dubai)

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We take excellence in our work and emphasize on our commitment to develop our capabilities and achieving maximum efficiency

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WITH YOU TODAY



Saleh Bahamdan
CEO



Abdullah Al Saadoon
COO



Rushdi Al Dulaijan
VP Finance

Global Economy

Caught in down spiral – Sipchem remain reliant

Growth forecast: Sluggish from uncertainties



Global Growth Forecast

2018	2019
3.6%	3.2%
	-0.4%

- Global ramifications of US-China trade tensions
- Recession fears
- Slowdown of manufacturing activity and consumer durable spending on vehicles

Advance Economies Forecast



2018	2019
2.2%	1.9%
	-0.3%

- US: Trade tariffs to slow growth momentum
- EU: Germany weakens on lower external demand with rest of EU flat

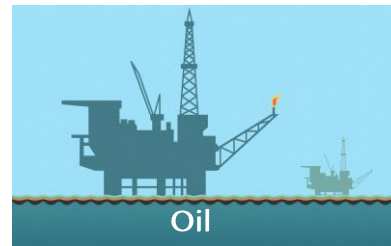
Emerging Economies Forecast



2018	2019
4.5%	4.1%
	-0.3%

- **China:** Negative effects of escalating tariffs and weaker external demand.
- **India:** Slightly weaker than expected outlook for domestic demand
- **MENA:** Downward revision due to Iran; KSA to strengthen non-oil sector

Global economy picture



- Slowdown in global demand
- Continuing OPEC production cuts
- Brent lower than \$60/bbl

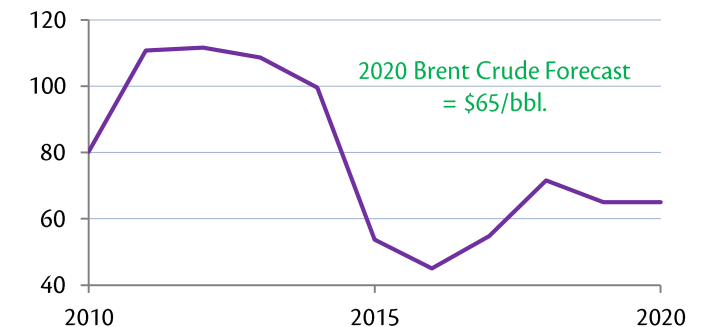


Trade Dispute



Geopolitics

\$/bbl



US

- US raises tariff rates on \$550B of goods

China

- China raises its own set of tariffs
- China surreptitiously lowers its exchange rate

- US/China trade
- Arabian Gulf tensions
- Brexit
- Unrest in Hong Kong
- Japan/South Korea simmering trade tensions

KEY HIGHLIGHTS

Tough delivery

111m
SAR

Net Income

29.0%

EBITDA Margin

SAR
0.6/
share

Dividends

Operational Highlights

Q3 2019 Earnings
Investor Presentation

SIPCHEM'S BUSINESS STRUCTURE

Expanded portfolio and asset footprint



CHEMICALS



IMC

Methanol - 970 KTA



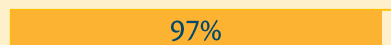
IAC

AA - 460 KTA



IDC

BDO - 94 KTA



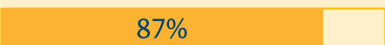
IGC

CO - 340 KTA



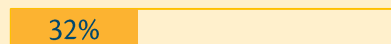
SCC

EA - 100 KTA



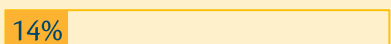
IVC

VAM - 330 KTA



SAMACO

Glacial Acrylic Acid 64 KMT
Butyl Acrylate 160 KMT



SABUCO

Butanol 330 KMT
Iso Butanol 30 KMT

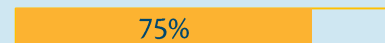


SAMAPCO

Ethylene Dichloride 300 KMT
Caustic Soda 250 KMT

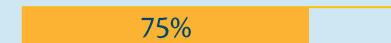


POLYMERS



IPC

LDPE and EVA - 200 KTA



Al Waha

Polypropylene 450 KMT



SCC

PBT - 63 KTA



GACI

XLPE - 20 KTA



SAPCO

Super Absorbent 80 KMT



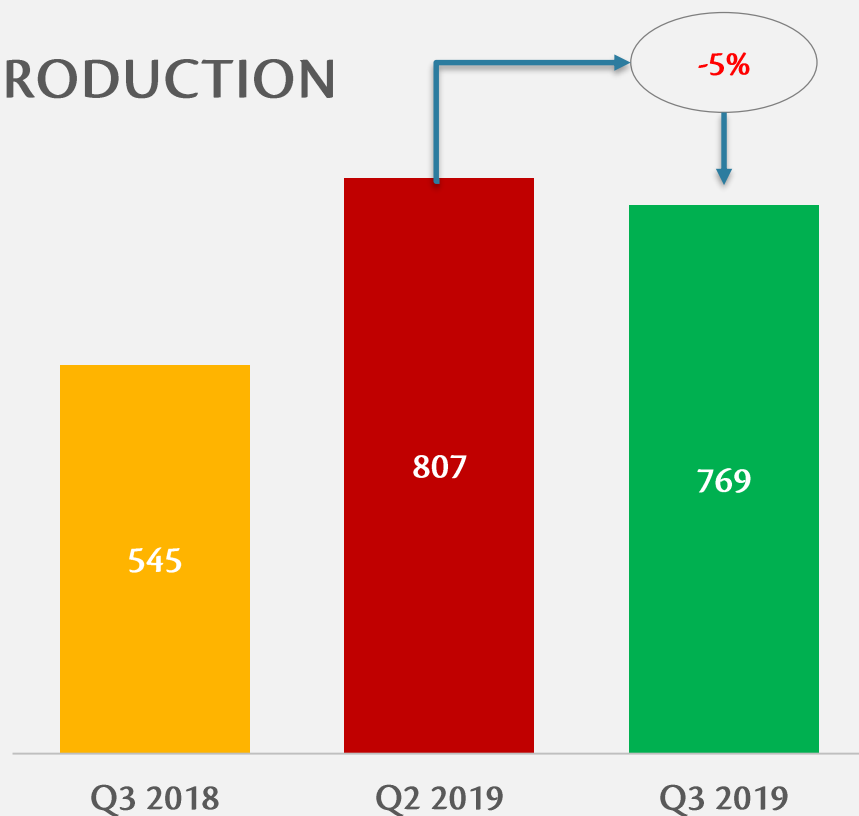
SEPC

LDPE/HDPE 800 KMT
Ethylene 1,008 KMT
Propylene 285 MT

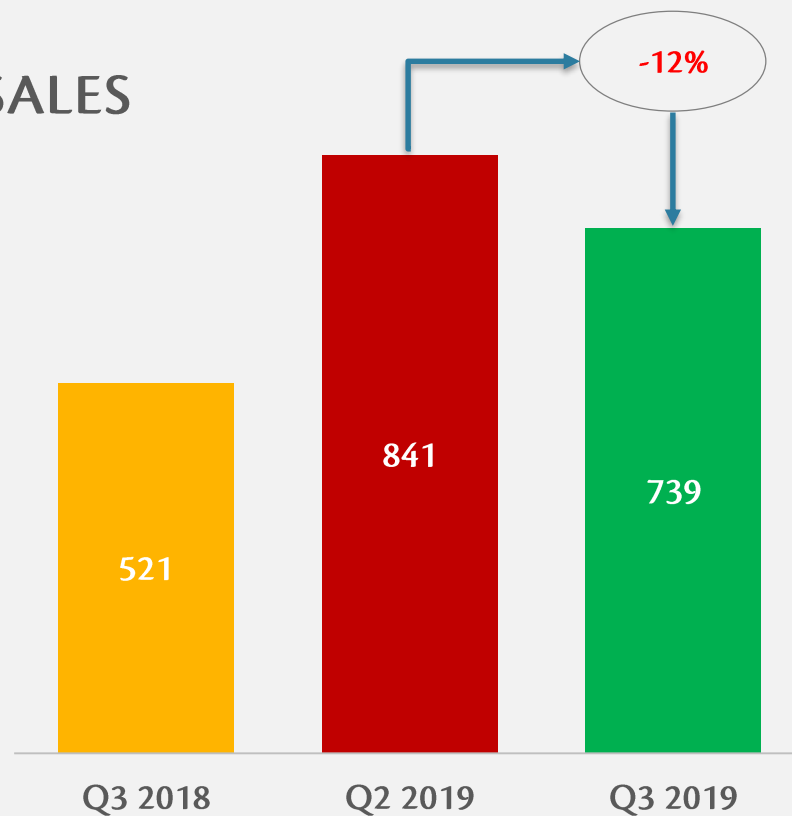
OVERVIEW OF CHEMICALS PERFORMANCE

Enhanced growth platform

PRODUCTION



SALES



Chemicals

- Methanol
- Butanediol (BDO)
- Carbon Monoxide
- Tetrahydrofuran (THF)
- Gamma Butyrolactone (GBL)
- Vinyl Acetate Monomer
- Acetic Acid / Acetic Anhydride
- Caustic Soda
- Ethyl Di-Chloride
- Butyl Acrylate
- Ethyl Acetate

The production and sales numbers of Sahara includes full operations of its affiliates and are not in proportion of its shareholding in those affiliates

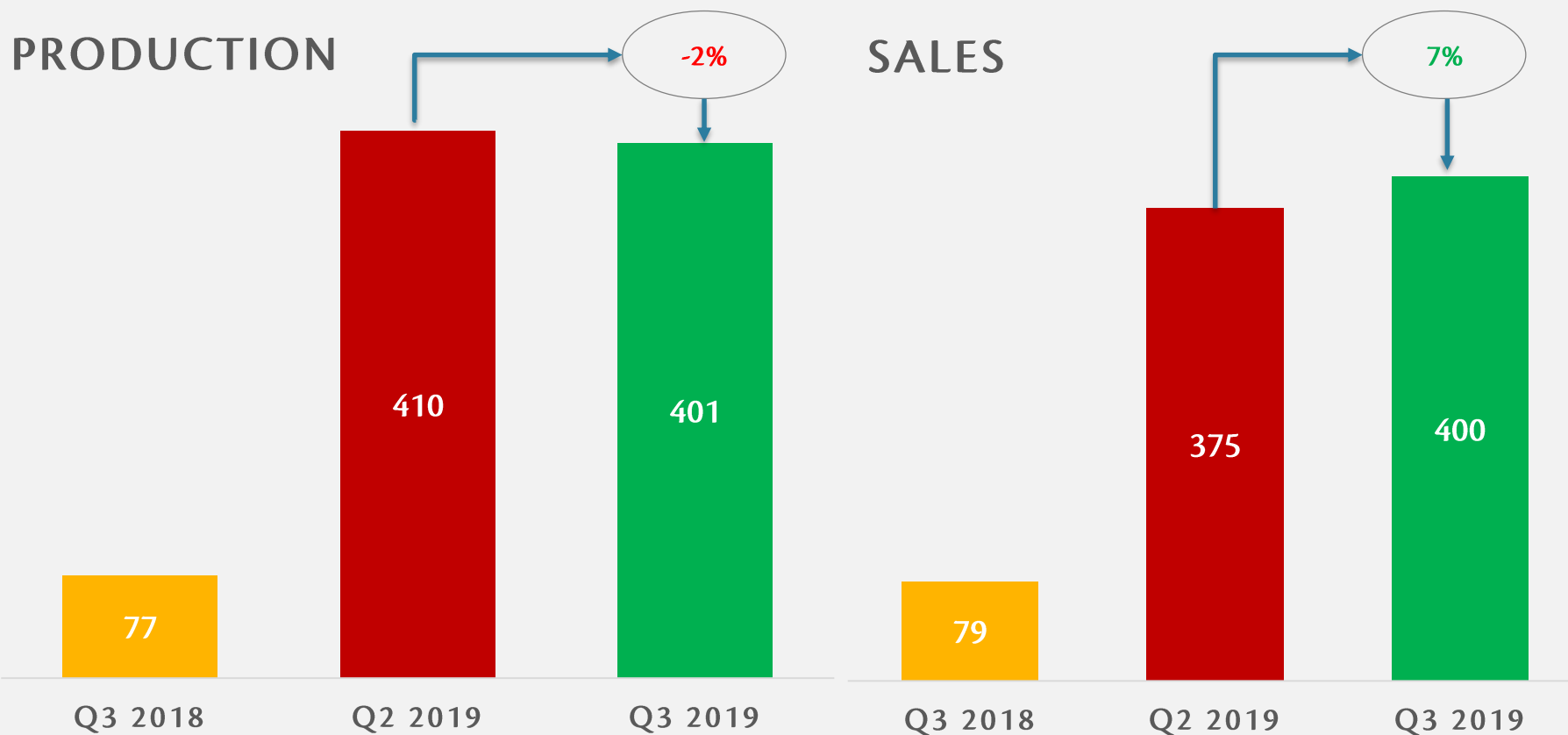
For the purpose of this slide, full production of Sahara and its affiliates is considered for Q2 2019 and not from the date of merger for a fair comparison

OVERVIEW OF POLYMERS PERFORMANCE

Enhanced growth platform

PRODUCTION

SALES



Polymers

- Low Density Polyethylene (LDPE)
- High Density Polyethylene (HDPE)
- Polypropylene
- Ethylene Vinyl Acetate
- PBT
- Super Absorbent Polymer

The production and sales numbers of Sahara includes full operations of its affiliates and are not in proportion of its shareholding in those affiliates

For the purpose of this slide, full production of Sahara and its affiliates is considered for Q2 2019 and not from the date of merger for a fair comparison

Financial Highlights

Q3 2019 Earnings
Investor Presentation

Q3 2019 FINANCIAL HIGHLIGHTS

9M/Quarterly 2019 financial results

EBITDA

409

Million Saudi Riyal
USD 109.1m

NET INCOME

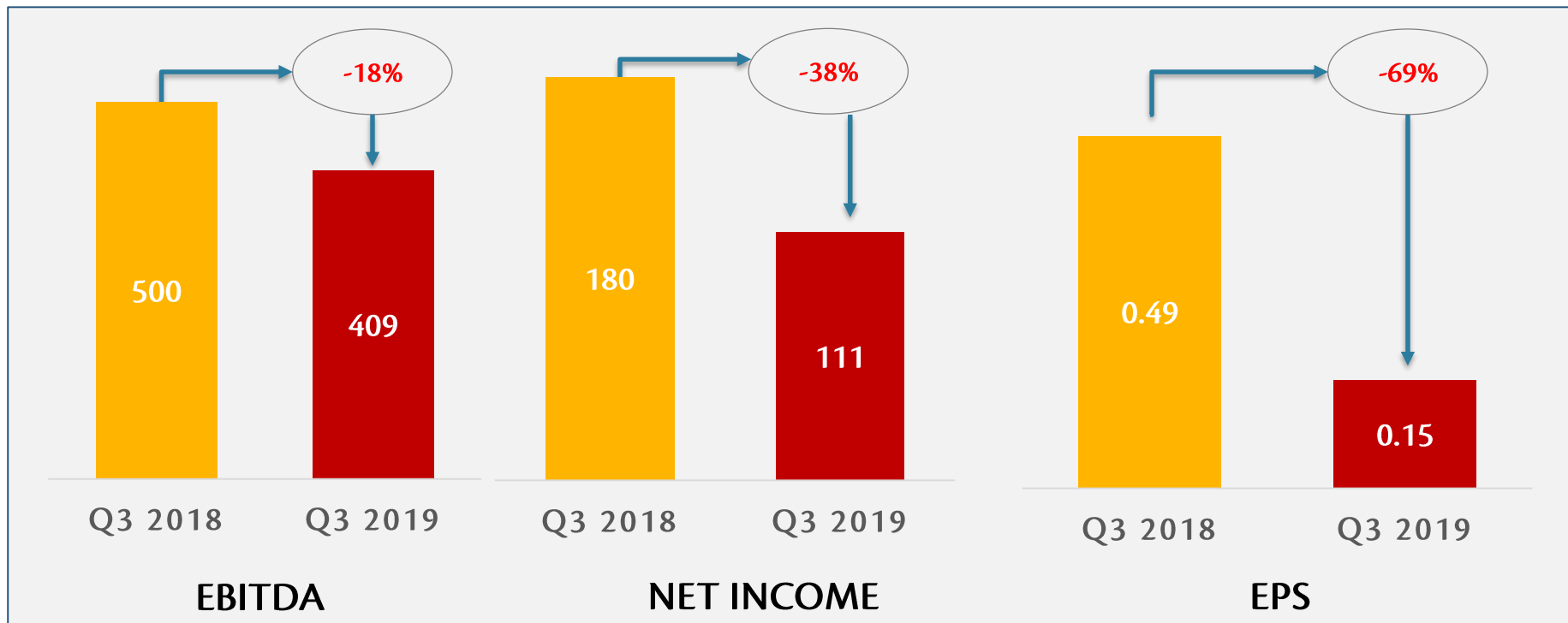
111.1

Million Saudi Riyal
USD 29.6m

EARNING PER SHARE

0.15

Saudi Riyal
USD 0.04



Cash

Strong cash positive position with SAR 2,618 MM in cash as of Sep 30, 2019

Dividends

SAR 0.60 per share for H1 2019

KEY FINANCIAL METRICS

Profitability and Performance

SAR in millions	Y2016	Y2017	Y2018	YTD June 2019	Q3 2019
Sales	3,515	4,460	5,036	2,531	1,409
EBITDA	1,165	1,648	1,982	988	409
EBITDA Margin	33.2%	36.9%	39.4%	39.0%	29.0%

- Depressed netbacks of majority of Sipchem products led to reduction in EBITDA margins
- Planned shutdowns in Acetic Acid, Vinyl Acetate Monomer and Carbon Monoxide plants in Q3
- Higher methanol production and sales volumes

Efficiency and Effectiveness

SAR in millions	Y2016	Y2017	Y2018	YTD June 2019	Q3 2019
CAPEX/Depreciation	0.7	1.0	1.1	0.8	1.2
Avg. On-stream Days YTD	90%	85%	87%	88%	82%

- Planned shutdowns in Acetic Acid, Vinyl Acetate Monomer and Carbon Monoxide plants in Q3 led to lower plant utilization rates
- CAPEX to depreciation ratio increased because of CAPEX incurred on turned maintenance costs of planned shutdowns

Capital Structure, Investment and Risks

SAR in millions	Y2016	Y2017	Y2018	YTD Sep 2019
Capital Expenditure	479	610	859	521
ROCE (%)	3.1%	6.9%	8.4%	11.1%
Dividends per share	-	0.50	1.15	0.60

- CAPEX incurred primarily on Methanol efficiency improvement project and turnaround maintenance costs of planned shutdowns
- ROCE: EBIT/Total Capital Employed

Liquidity and Stability

SAR in millions	Y2016	Y2017	Y2018	YTD Sep 2019
Current ratio (X)	1.58	1.96	1.58	1.79
Cash from operations	909	1,694	1,661	1,384

- Working capital ratios remained stable with cash and cash equivalents of SAR 2,618m as at September 30, 2019
- Cash generated from operations impacted by depressed netbacks and planned shutdowns in Q3

Q3 2019 FINANCIAL HIGHLIGHTS

9M/Quarterly 2019 financial results

Business Combination

SIPCHEM acquired 100% shares and voting rights in Sahara through issuance of 366 million shares

The business combination between SIPCHEM and Sahara was structured as an acquisition whereby Sipchem acquired 100% of Sahara shareholding by issuing 366,666,666 new Sipchem shares and agreed ratio of 0.8356 shares of Sipchem for each share of Sahara. Although the business combination was legally completed on 16 May 2019, for the purpose of consolidation, Sahara financials were combined with effect from 1 June 2019. Management considers that the impact of the transactions from 16 May 2019 to 31 May 2019 is not material. Sahara contributed revenues of SR 556.9 million and net profit of SR 156.4 million to the Group for the period from June to September 2019 (i.e. 4 months). If the acquisition had occurred on 1 January 2019, management estimates that:

- For the nine-months period ended 30 September 2019, Sahara would have contributed revenues of SR 1,205.4 million and net profit of SR 356.1 million. Therefore, The total consolidated revenue of the Group would have been SR 4,564.6 million and consolidated net profit attributable to shareholders of SIPCHEM would have been SR 636.3 million;
- For the quarter ended 30 September 2019, Sahara has contributed revenues of SR 399.0 million and net profit of SR 98.3 million to the Group.

Dividends

From January 1, 2019, SIPCHEM successfully adopted IFRS 16 with minimal impact

On September 25, 2019, the Board of Directors recommended to distribute interim cash dividends for the first half of the year 2019 amounting to SR 440.0 million (i.e. SR 0.60 per share). The Company distributed such dividends during October 2019.

For further enquiries, please contact:

Sipchem Investor Relations Team

E-Mail: sipchemir@sipchem.com

Office: +966 13 801 9200



www.sipchem.com



Q&A

Appendix:

Financials Summary

Q3 2019 Earnings

Investor Presentation

30 SEPTEMBER 2019 - FINANCIAL RESULTS

Summary of Statement of profit or loss (SAR, in Million)

	Q3 2019	Q3 2018	Variance	% Change
Sales	1,402.0	1,337.7	64.3	5%
Cost of sales	(1,040.4)	(867.3)	(173.1)	(20%)
Gross profit	361.6	470.4	(108.8)	(23%)
Selling and distribution expenses	(71.9)	(57.1)	(14.8)	(26%)
General and administrative expenses	(112.7)	(85.3)	(27.4)	(32%)
Operating profit	177.0	328.0	(151.0)	(46%)
Share of profit from a joint venture and associates	18.8	-	18.8	100%
Financial income	36.0	8.3	27.7	334%
Finance cost	(103.2)	(82.8)	(20.4)	(25%)
Other income and expenses, net	4.3	(7.7)	12.0	156%
Profit before zakat and income tax	132.9	245.8	(112.9)	(46%)
Zakat and income tax	(25.5)	(14.0)	(11.5)	(82%)
Profit for the period	107.4	231.8	(124.4)	(54%)
<i>Attributable to equity holders of the Company</i>	111.1	180.3		
<i>Attributable to Non-controlling interests</i>	(3.7)	51.5		
<i>Earnings per share (basic and diluted)</i>	0.15	0.49		

30 SEPTEMBER 2019 - FINANCIAL RESULTS

Summary of Statement of Financial Position (SAR in Million)

	September 30, 2019	Dec 31, 2018	Variance	% Change
Property, plant and equipment	14,635.8	11,274.6	3,361.2	30%
Investments in joint ventures and associates	3,738.0	-	3,738.0	100%
Employees Home ownership programs	1,032.6	681.2	351.4	52%
Goodwill	527.4	29.5	497.9	1,688%
Others	582.5	362.8	219.7	61%
Total Non-Current Assets	20,516.3	12,348.1	8,168.2	66%
Cash and cash equivalents	2,617.9	1,013.5	1,604.4	158%
Other current assets	2,374.2	2,018.4	355.8	18%
Total Current Assets	4,992.1	3,031.9	1,906.2	65%
TOTAL ASSETS	25,508.4	15,380.0	10,128.4	66%
Total Equity	14,666.5	7,125.0	7,541.5	106%
Non-current portion of long-term borrowings	7,135.0	5,897.1	1,237.9	21%
Other non-current liabilities	919.3	432.9	486.4	112%
Total Non-current liabilities	8,054.3	6,330.0	1,724.3	27%
Current portion of long-term borrowings	1,374.5	1,196.6	177.9	15%
Other current liabilities	1,413.1	728.4	684.7	94%
Total Current liabilities	2,787.6	1,925.0	862.6	45%
TOTAL EQUITY AND LIABILITIES	25,508.4	15,380.0	10,128.4	66%

30 SEPTEMBER 2019 - FINANCIAL RESULTS

Summary of Statement of Cash Flow (SAR in Million)

	September 30, 19	September 30, 18	Variance	% Change
Net Income for the period	560.2	841.0	(280.8)	(33%)
Depreciation and amortization	632.0	583.9	48.1	8%
Changes to working capital and others	192.0	(248.2)	440.2	177%
Net cash generated from operating activities	1,384.2	1,176.7	207.5	18%
Additions to property, plant and equipment and HOP	(521.3)	(578.2)	56.9	10%
Others Investing activities	289.3	(54.3)	343.6	633%
Net cash used in investing activities	(232.0)	(632.5)	400.5	63%
Changes in long term loans	89.8	13.4	76.4	570%
Dividends	(238.3)	(547.5)	309.2	56%
Non-controlling interest / other	(314.4)	(192.3)	(122.1)	(63%)
Net cash from financing activities	(462.9)	(726.4)	263.5	36%
Changes in cash & cash equivalents	689.3	(182.2)	871.5	478%
Cash & cash equivalents at 1 Jan	1,013.5	1,722.8	(709.3)	(41%)
Exchange rate Changes Impact	-	0.2	(0.2)	(100%)
Cash and cash equivalents due to acquisition of Sahara	915.0	-	915.0	100%
Cash & cash equivalents at 30 June	2,617.9	1,540.8	1,077.1	70%

Thank you,,,

Q3 2019 Earnings
Investor Presentation