



# Engro Corporation

## FY 2022 Analyst Briefing

February 2023





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# Agenda

	<b>1</b>	Macroeconomic Update
	<b>2</b>	Business resilience
	<b>3</b>	Performance & Outlook
	<b>4</b>	Investment Initiatives
	<b>5</b>	Awards & Sustainability





# Global and local economies went through a turbulent phase in 2022



## Global Economy



Spill-over effects of the **Russia-Ukraine war** continued to suppress global trade



Resurgence of **Covid-19 lockdowns** in China impacted the global demand supply balance



**Global inflation** was at all time high and which led to unprecedented **rate hikes** across the globe



Growth contraction from **6%** in CY2021 to **3.2%** in CY2022



## Pakistan's Economy



Pakistani Rupee depreciated by **29%**



Average **inflation** soared to 14- year high above **20%**



**Supertax imposition** coupled with increase in interest rate by **6.25%**



Flood led to a damage of **USD ~ 30bn** in 2022

Investors faced an uphill battle on account of an economic slowdown



# Engro's Business Resilience in 2022



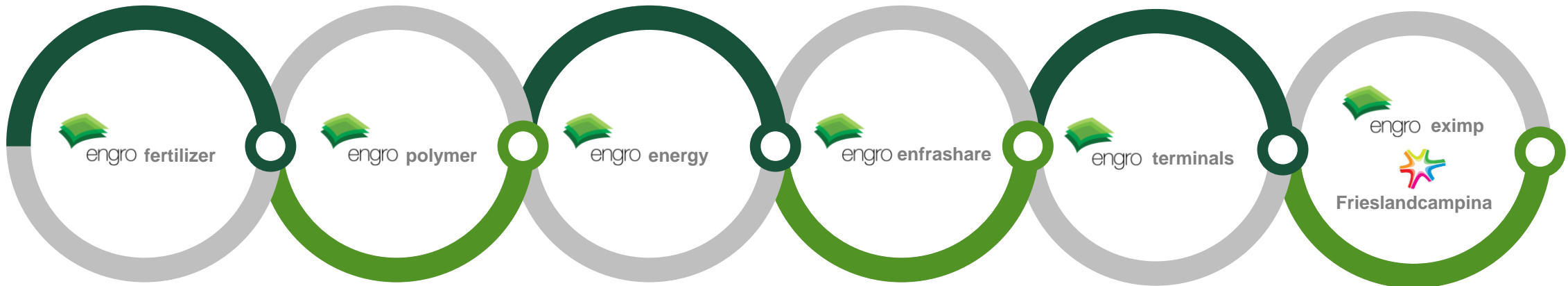
**1.9MT** urea production  
**29%** market share  
**USD 1.3bn** import substitution



~ **4,500GWH** electricity produced  
**3.2%** of national power generation  
**USD 320mn** import substitution



**219BCF** LNG handled  
**15%** of national gas supply  
**37%** LPG market share



**25KT** exports generating foreign exchange of **USD 21Mn**  
**95%** domestic market share for PVC  
**USD 134Mn** import substitution



**1,083** B2S towers added  
**3,329** Operational Towers









**36KT** rice exports generating foreign exchange of **USD 31Mn**  
**410KT** dairy & ice cream volume

# Financial Highlights – FY 2022

■ EFert ■ EPoly ■ Energy ■ Enfra ■ Terminals ■ Eximp

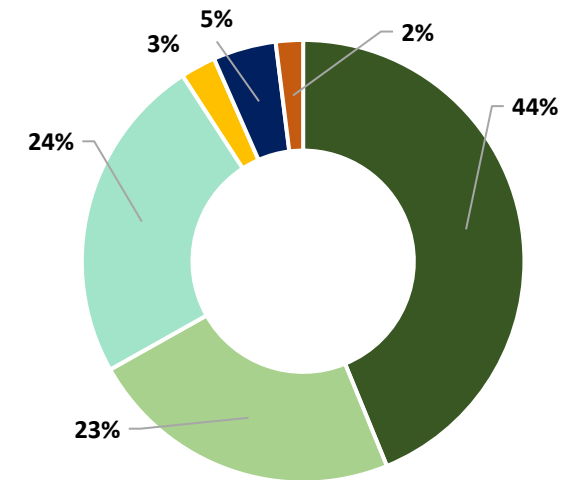


Despite economic headwinds, Engro Corporation continues to deliver resilient business performance and financial results driving up value for our shareholders

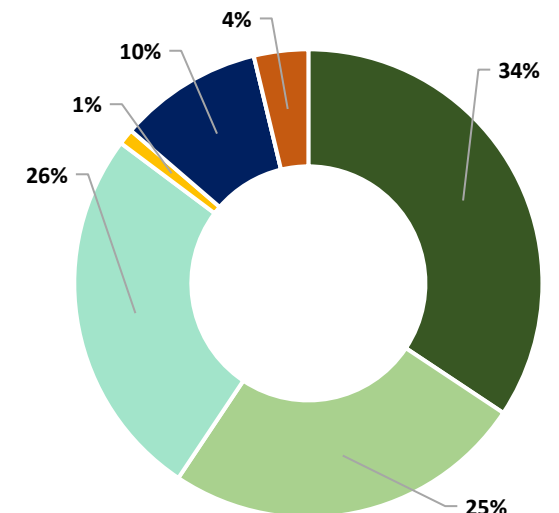
<b>Standalone Financial Highlights</b>	 <b>2022 Revenue</b> PKR 24bn	 <b>2022 PAT</b> PKR 21 bn	 <b>2022 EPS</b> PKR 36.8	
<b>Standalone Historical Performance</b>	<b>YoY Revenue Growth</b> 14%	<b>YoY PAT Growth</b> 11%	<b>5-Year Revenue CAGR</b> 10%	<b>5-Year PAT CAGR</b> 13%
<b>Consolidated Financial Highlights</b>	 <b>2022 Revenue</b> PKR 356 bn	 <b>2022 PAT</b> PKR 24 bn	 <b>2022 EPS</b> PKR 42.2	
<b>Consolidated Historical Performance</b>	<b>YoY Revenue Growth</b> 14%	<b>YoY PAT Growth</b> -14%	<b>5-Year Revenue CAGR</b> 23%	<b>5-Year PAT CAGR</b> 23%

The Company in line with decision of high court provided for 4% of the levied super tax

## Consolidated Revenue Mix



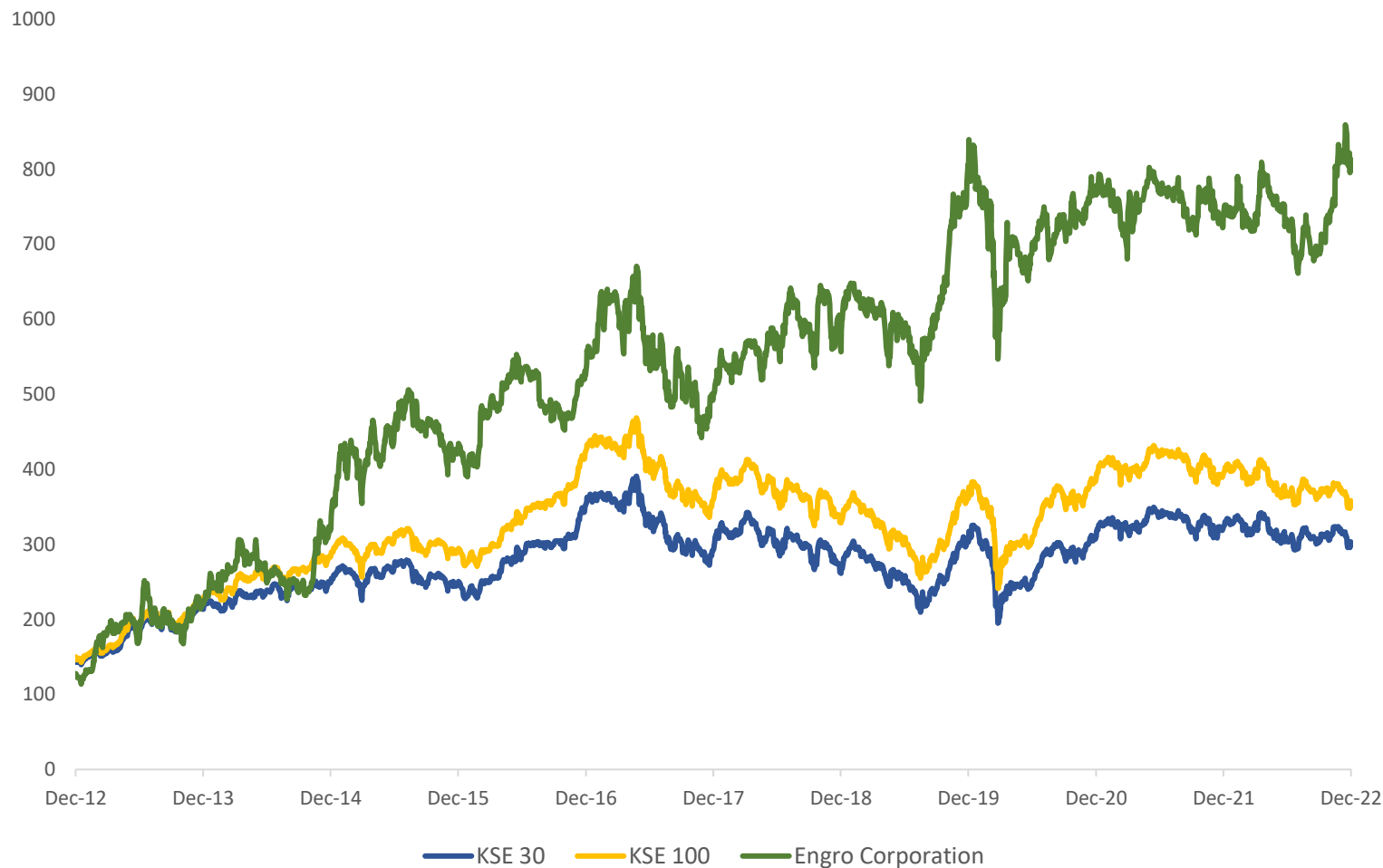
## Consolidated PAT Mix





# Comparative Performance – Engro vs Market

## Market Versus ECORP's Performance



## Total Shareholder Return

### 10 Year - TSR

**KSE 30** **10%**

**KSE 100** **12%**

*Versus*



**20%**

### 5 Year - TSR

**KSE 30** **1%**

**KSE 100** **-0.3%**




*Versus*



**9%**







## Portfolio Performance – Snapshot (1/2)

Company	KPI Indicators	Highlights				
<b>Engro Fertilizers</b> 	<table border="1"> <tr> <td data-bbox="545 431 871 539"> <b>1,935 KT</b> Urea Sales ↓ 16% vs LY         </td> <td data-bbox="907 431 1192 539"> <b>PKR 16 bn</b> Profit After Tax ↓ 24% vs LY         </td> </tr> </table>	<b>1,935 KT</b> Urea Sales ↓ 16% vs LY	<b>PKR 16 bn</b> Profit After Tax ↓ 24% vs LY	<ul style="list-style-type: none"> <li>• Urea market <b>grew by ~ 4%</b> over same period last year</li> <li>• Successfully completed a <b>major turnaround of 60 days</b> in the 50-year history of the Base plant without any injury and continued to maintain health, safety, and quality standards</li> <li>• This turnaround enabled additional <b>150KT</b> of production capacity, however this intervention reduced market share for 2022 to <b>29% vs 36% in 2021</b></li> <li>• DAP market <b>declined by 39%</b> in FY 2022 on account of higher global prices</li> </ul>		
<b>1,935 KT</b> Urea Sales ↓ 16% vs LY	<b>PKR 16 bn</b> Profit After Tax ↓ 24% vs LY					
<b>Engro Polymer &amp; Chemicals</b> 	<table border="1"> <tr> <td data-bbox="545 745 851 853"> <b>242 KT</b> PVC Sales ↑ 7% vs LY         </td> <td data-bbox="907 745 1192 853"> <b>PKR 12 bn</b> Profit After Tax ↓ 20% vs LY         </td> </tr> </table>	<b>242 KT</b> PVC Sales ↑ 7% vs LY	<b>PKR 12 bn</b> Profit After Tax ↓ 20% vs LY	<ul style="list-style-type: none"> <li>• Reported the <b>highest ever topline of PKR 82 Bn</b> → growth of <b>17%</b> on the back of volumetric increase of PVC</li> <li>• PVC <b>market share</b> remained in line with last year at <b>95%</b></li> </ul>		
<b>242 KT</b> PVC Sales ↑ 7% vs LY	<b>PKR 12 bn</b> Profit After Tax ↓ 20% vs LY					
<b>Engro Energy</b> 	<table border="1"> <tr> <td data-bbox="514 1002 805 1130"> <b>3.2%</b> % of power contribution to the grid         </td> <td data-bbox="952 1002 1243 1130"> <b>USD 320 mn</b> SECMC Import Substitution         </td> </tr> <tr> <td colspan="2" data-bbox="733 1145 1024 1245"> <b>PKR 1.5 bn</b> EPQL's Profit After Tax ↓ 6% vs LY         </td> </tr> </table>	<b>3.2%</b> % of power contribution to the grid	<b>USD 320 mn</b> SECMC Import Substitution	<b>PKR 1.5 bn</b> EPQL's Profit After Tax ↓ 6% vs LY		<ul style="list-style-type: none"> <li>• Phase II expansion of the mine was achieved as planned during the year which effectively doubled the <b>capacity to 7.6MTPA</b></li> <li>• EPTL &amp; EPQL dispatched <b>~ 4,500GWH to the national grid</b></li> <li>• EPTL's plant availability remained low primarily due to the incident however necessary rehabilitation work was duly undertaken</li> </ul>
<b>3.2%</b> % of power contribution to the grid	<b>USD 320 mn</b> SECMC Import Substitution					
<b>PKR 1.5 bn</b> EPQL's Profit After Tax ↓ 6% vs LY						





## Portfolio Performance – Snapshot (2/2)

Company	KPI Indicators	Highlights
<b>Engro Enfrashare</b> 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>3,329</b></p> <p>Operational Sites</p> <p>↑ 48% vs LY</p> </div> <div style="text-align: center;"> <p><b>1.17x</b></p> <p>Tenancy Ratio</p> <p>↑ 6% vs LY</p> </div> </div>	<ul style="list-style-type: none"> <li>Continued to expand its national footprint and achieved a scale of <b>3,329 tower sites</b> as per plan</li> <li>Captured a <b>market share of 62%</b> in Build-to-Suit (B2S) towers rollout in comparison to other independent tower companies</li> </ul>
<b>Engro Vopak</b>  <b>Engro Elengy</b> 	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>1,331 KT</b></p> <p>Chemicals Handled</p> <p>↑ 4% vs LY</p> </div> <div style="text-align: center;"> <p><b>37%</b></p> <p>LPG Market Share</p> <p>↓ 10% vs LY</p> </div> </div> <div style="text-align: center; margin-top: 10px;"> <p><b>13% – 15%</b></p> <p>% of Total gas demand</p> </div>	<ul style="list-style-type: none"> <li>The Engro Vopak Terminal recorded the <b>highest ever volume of 1,331KT</b> in chemical handling</li> <li>LPG marine imports will continue to be <b>under pressure</b> due to gray channel imports</li> <li>The LNG terminal handled <b>74 vessels</b> in the year 2022</li> </ul>
<b>Engro Foods</b>  <b>Engro Eximp</b>	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;"> <p><b>PKR 74 bn</b></p> <p>Revenue</p> <p>↑ 41% vs LY</p> </div> <div style="text-align: center;"> <p><b>PKR 2.5 bn</b></p> <p>Profit After Tax</p> <p>↑ 37% vs LY</p> </div> </div> <div style="text-align: center; margin-top: 10px;"> <p><b>36 KT</b></p> <p>Exports volume</p> <p>↑ 50% vs LY</p> </div>	<ul style="list-style-type: none"> <li>Demonstrated a <b>topline growth of ~ 41%</b></li> <li>Recorded a <b>PAT growth of ~ 37%</b></li> <li>Generated a revenue of <b>USD 28 million</b> through exports of 36 KT rice versus 24 KT last year on the back of <b>ease in supply chain disruptions</b></li> </ul>



## Portfolio Outlook (1 of 2)

### Engro Fertilizer



- Urea and DAP are essential products for Pakistan's food security
- Proactive sourcing of critical items
- Higher production capacity post turnaround of 170KTA
- Investing in Energy reliability – Mari Compression

### Engro Polymer



- Proactive sourcing of critical items
- Key supplier of Caustic to Textile sector
- Sole local PVC supplier with potential to tap export market
- Exploring avenues for alternate energy sources

### Engro Energy



- Energy is an essential sector company
- Exploring new feed avenues for EPQL
- Mine expansion – Phase III
- Exploring potential to replace imported coal with local Thar coal

### Engro Enfrashare



- 5,000+ towers by 2024
- Focus on solarization
- Incentivize colocation to enable better coverage across Pakistan



## Portfolio Outlook (2 of 2)

### Engro Vopak



- Import restrictions may impact chemical handling business
- LPG volumes may face pressure on account of gray channel imports

### Engro Elengy



- LNG is an essential product for the economy
- Uninterrupted regassification to alleviate energy concerns of the nation

### Frieslandcampina Engro



- Prioritize ensuring a consistent supply of nutritious and safe products to its customers

### Engro Eximp - FZE



- Further develop existing export portfolio of Rice, PVC and Caustic
- Scope international market for Pakistan based goods
- One stop global trader for Engro



# A growth canvas to create value for all our stakeholders whilst addressing the pressing issues of Pakistan

## Connectivity

### ENFRASHARE

Continuing its streak to enable efficient connectivity in Pakistan and enroute to become a 5,000+ tower company

## Energy

### RENEWABLE

To enable a sustainable solution of energy by developing the first renewable energy park of Pakistan that would explore bilateral PPAs with local corporates in the southern region

## Energy

### PHASE III EXPANSION

Coal mine expansion underway in order to make the indigenous Thar coal more competitive in comparison with imported coal

## FZE

### FZE

FZE, plans to leverage its position to enable reach of Pakistani products across the globe and streamline inflow of goods to the domestic market

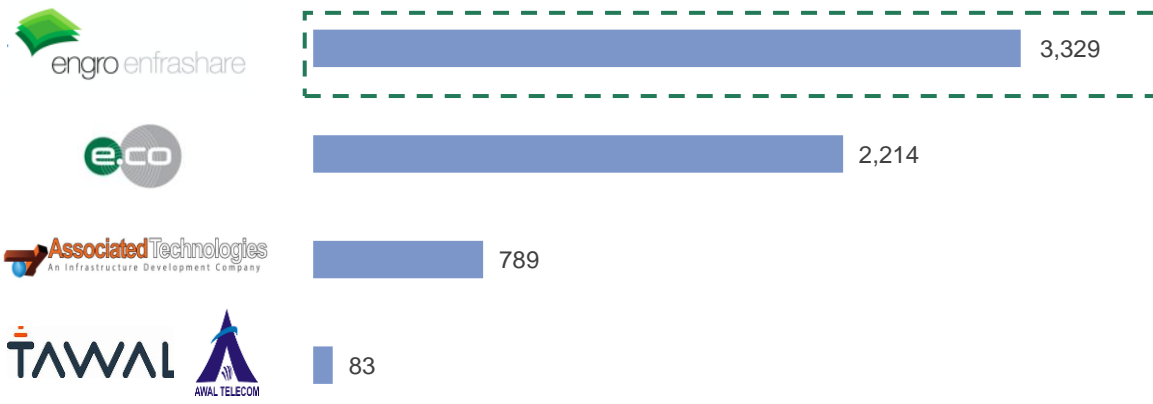
The company announced a buyback program during the year, showcasing its confidence in its financial and economic strength



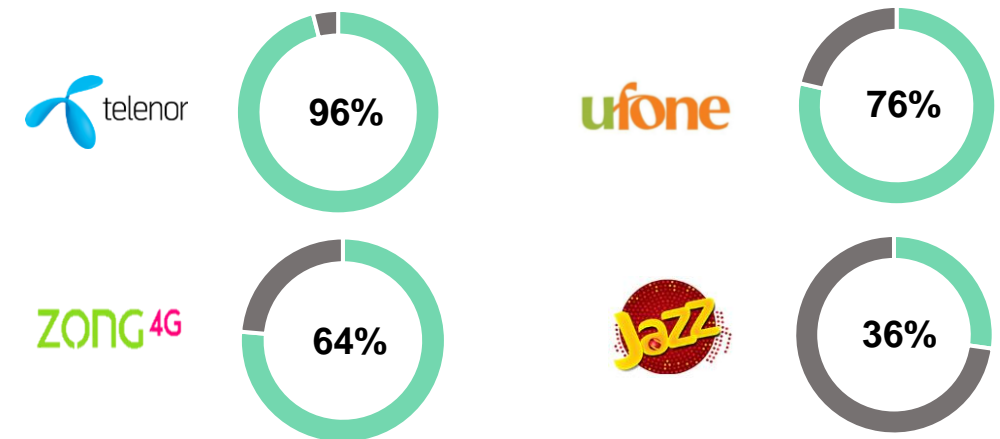
# Stellar Performance continued through faster tower deployments and operational efficiencies

Enfrashare deployed 1,083 towers in 2022, taking the tally of total operational towers to 3,329 – Enroute to become a 5,000+ tower company by end of 2024

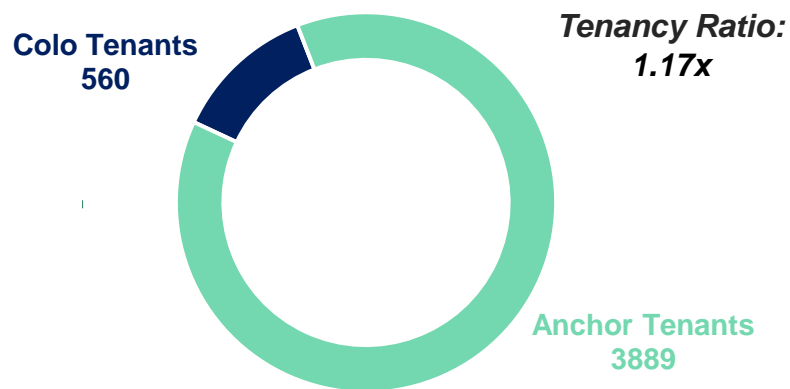
## No. of Towers - 52% of independent TowerCo space



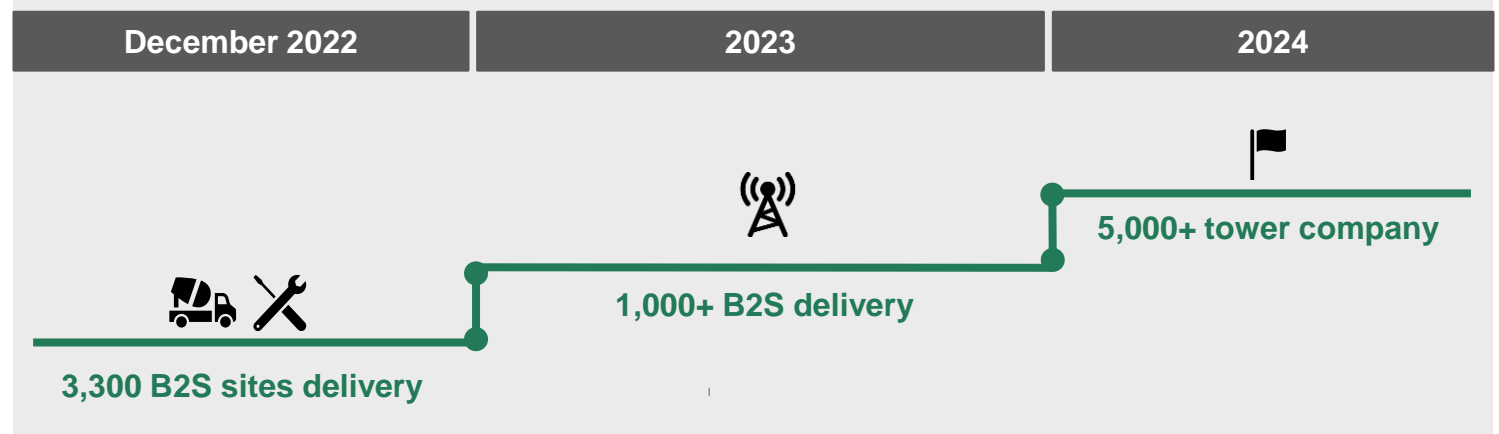
## B2S Market Share 2022 for Enfrashare – 62%



## Tenancy Breakup



## Growth Plans





# Energy - Pakistan's 1st Hybrid Renewable Energy Park

Engro Energy has signed an MoU with Sindh Transmission & Dispatch Company (STDC) and Directorate of Alternative Energy (DAE) to establish Pakistan's first hybrid renewable park (solar and wind) that would provide renewable energy to the industrial hub of Karachi

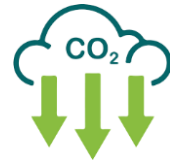
## Renewable Generation



### Phase I: 400MW

Initially, **280MW through wind and 120MW through solar PV** would be generated. Generation would be **scaled up to 1GW**

## CO<sub>2</sub> Emission Savings



### c. 425KT / annum

Each renewable energy unit will displace gas-based generation

## Tree Plantation



### 20mn Trees

Through planting 20mn trees, total **carbon emission savings of 425K tons** would be realized\*

## Goals



Reduce power costs by **~20%**



Import substitution of up to **USD 400mn<sup>2</sup> per annum (Phase I)**



Increase share of renewable energy to **30% by 2030**



Industrial growth



Stakeholder value creation



Sustainable development

**This project will contribute substantially towards the sustainability goals that Engro has set for its businesses**




\*Based on the assumption that a mature tree offsets c. 21 kg CO<sub>2</sub> / annum

<sup>2</sup> RLNG Price = US\$ 15 / mmbtu ; 50% gas efficiency

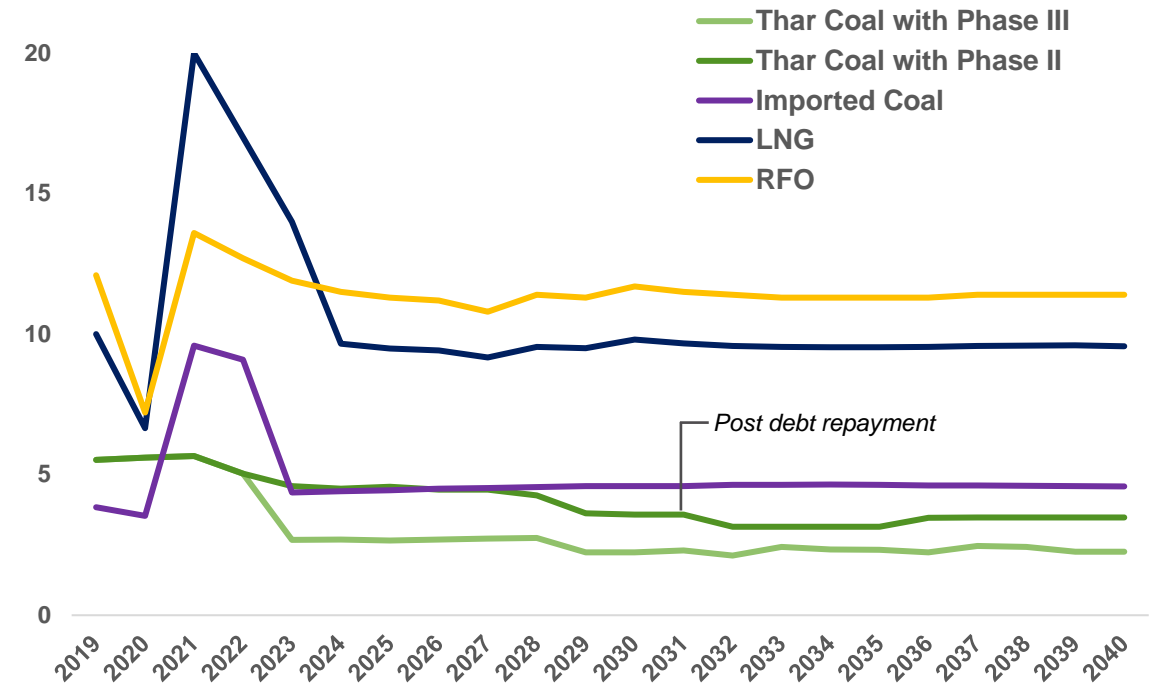


# SECMC – Phase III Expansion

Mine expansion underway in order to make the indigenous Thar coal more competitive in comparison with imported coal

	Phase I	Phase II	Phase III
 Capacity (MT / annum)	3.8	7.6	11.4
 Coal Tariff (USD / T)	61	50	39
 Investment (USD mn)	627	169	103

- **Tariff true-up of Phase I** achieved in December 2022
- Phase II COD achieved in September 2022, with mine capacity increased to 7.6 MTPA
- **Phase III expansion to 11.4 MTPA** has been approved by GOS, CoD is expected in early 2024



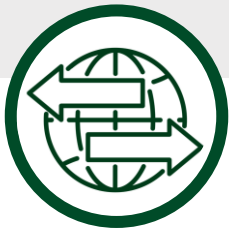
- The **cost of Thar Coal** in comparison with Imported Coal would become **substantially lower post completion of Phase III**
- Thar's indigenous supply of coal would **reduce the levelized basket cost of energy** in the years to come and contribute positively by **reducing reliance on imported fuels**



## Engro Eximp FZE

Engro set up its trading arm Engro EXIMP FZE in Dubai to explore potential trading opportunities in the Energy, Fertilizers, Petrochemicals and Food & Agriculture sectors

**Expand Export Customer Base**



**Sourcing Optimization**



**Optimize Assets Utilization**



**Global Trade**



**Focus is to maximize capability of local exports and to streamline imports to Pakistan**





## Awards and Recognition

During 2022 Engro Group secured awards from local / global bodies in recognition of the company's value delivery across multiple avenues



**ASIAMONEY**

*Fourth year in a row*



**ASIAMONEY**



**HR Metrics**



**PSHRM engage consulting**  
Engaging People - Growing Business



**CFA Society Pakistan**



**CFA Society Pakistan**



**CFA Society Pakistan**



**United Nations Global Compact**



# Sustainability Initiatives



**Waste Reduction Initiatives**



**Biodiversity Initiatives**



**Emission Reduction Program**



**Water Conservation Program**



**Farmer Training**



**Education & Skills Development**



**Livelihood & Capacity Building**



**Healthcare & Infrastructure**