



Engro Corporation

H1 2023 Analyst Briefing

August 2023





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Company Profile: [Click here](#)

Agenda

	1	Pakistan Economy
	2	Financial Highlights
	3	Portfolio Performance
	4	Growth Projects
	5	Awards & Sustainability
	6	Q&A Session





With IMF SBA, looming default risk has been evaded → Our portfolio demonstrated great resilience during economic downturn and looming risk of default

Certain measures taken by the Government to avert default



Taxation

- **10% Super tax** (additional 6%)
- 1% increase in **Minimum Tax Rate**



Inflation & Monetary Tightening

- **Inflation** remained elevated → CPI 29.4%
- **Interest rates** at 22%
- Increase in **fuel and gas prices**



Capital Controls & Deval.

- Rupee **devaluation** by 27%
- **Limited imports & forex payments**



Initiatives by Government

- **IMF Bail-out package** USD 3bn
- **Inflows and rollovers** by friendly Countries
- CCoP approves **privatization of PIA & outsourcing airports** to the private sector
- Launch of **Sovereign Wealth Fund**



Engro's strategic presence in critical sectors of the economy has enabled our portfolio to be resilient, which is **partially hedged against volatility in foreign exchange and interest rates**



Financial Highlights – H1 2023

3Y Return Profile



3Y KSE 30 Return
-1.5%



3Y KSE 100 Return
20%



Engro 3Y TSR
27%

Consolidated Financial Highlights



Revenue
PKR **202** bn
↑ 14% vs LY



Profitability*
PKR **11** bn
↑ 43% vs LY



EPS
PKR **19.12**
↑ vs. 12.87 LY

Standalone Financial Highlights



Dividend Income
PKR **11** bn
↓ 29% vs LY



Profitability
PKR **9** bn
↓ 24% vs LY



EPS
PKR **17.09**
↓ PKR. 21.66 LY

Highlights

Consolidated

Higher profitability is attributable to:

- higher earnings from dollar denominated businesses.
- cost optimization across the portfolio.
- Tariff true-up (one-off adjustment) last year.
- higher costs incurred on research & business development last year, which has been partially offset by;
- reversal of commodity cycle.

Standalone


- Lower dividends mainly from Engro Polymer & Chemicals (commodity cycle reversal) and Engro Fertilizers (lower trading margins).
- Lower profitability due to lower dividends which has been partially offset by lower research & business development expense in current year.


* Owners' Share

TSR – Total Shareholder Return



Portfolio Performance – Petrochemicals

Company	KPI	Highlights															
 <p>Engro Fertilizers Limited</p>	<table border="1"> <tr> <td>Revenue PKR.</td> <td>82bn</td> <td>↑</td> </tr> <tr> <td></td> <td>10% vs LY</td> <td></td> </tr> <tr> <td>Profitability PKR.</td> <td>5bn</td> <td>↑</td> </tr> <tr> <td></td> <td>1% vs LY</td> <td></td> </tr> <tr> <td>Market Share</td> <td>33%</td> <td>■</td> </tr> </table>	Revenue PKR.	82bn	↑		10% vs LY		Profitability PKR.	5bn	↑		1% vs LY		Market Share	33%	■	<ul style="list-style-type: none"> Inflationary cost pressures were able to be passed through price increases and urea was made available at a discount of ~41%. Optimal plant capacity (Production: 1,115 KT vs 1,118 KT) and maintained market share at 33%. Business enabled import substitution of USD 346mn. <p>Outlook</p> <ul style="list-style-type: none"> Urea demand likely to remain stable, while DAP expected to pick up in H2 on account of seasonality.
Revenue PKR.	82bn	↑															
	10% vs LY																
Profitability PKR.	5bn	↑															
	1% vs LY																
Market Share	33%	■															

 <p>Engro Polymers Limited</p>	<table border="1"> <tr> <td>Revenue PKR.</td> <td>37bn</td> <td>↓</td> </tr> <tr> <td></td> <td>18% vs LY</td> <td></td> </tr> <tr> <td>Profitability PKR.</td> <td>3bn</td> <td>↓</td> </tr> <tr> <td></td> <td>61% vs LY</td> <td></td> </tr> <tr> <td>Export Sales</td> <td>21KT</td> <td>↑</td> </tr> <tr> <td></td> <td>vs. 3KT LY</td> <td></td> </tr> </table>	Revenue PKR.	37bn	↓		18% vs LY		Profitability PKR.	3bn	↓		61% vs LY		Export Sales	21KT	↑		vs. 3KT LY		<ul style="list-style-type: none"> Ensured plant operations through strategic shift towards exports of PVC, export inflows counterplayed the restrictions on imports. Lower profitability mainly due to reversal of commodity cycle and lower margins on exports. Economic slowdown resulted in lower domestic demand, however we continued to maintain our PVC market share above 90%. <p>Outlook</p> <ul style="list-style-type: none"> PVC demand likely to pick up post IMF funding in H2. Exploring avenues for alternate energy sources.
Revenue PKR.	37bn	↓																		
	18% vs LY																			
Profitability PKR.	3bn	↓																		
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Export Sales	21KT	↑																		
	vs. 3KT LY																			




Portfolio Performance – Energy & Connectivity

Company	KPI	Highlights									
<div data-bbox="71 365 535 425" data-label="Section-Header"> <h3>Engro Energy Limited</h3> </div> <div data-bbox="71 454 535 843" data-label="Image"> </div>	<table border="1"> <tr> <td data-bbox="657 396 866 472">Mine Capacity (MT)</td> <td data-bbox="970 396 1090 472">7.6 vs 3.8 LY</td> <td data-bbox="1187 418 1217 454">↑</td> </tr> <tr> <td data-bbox="703 532 866 639">EPQL Profitability PKR.</td> <td data-bbox="945 546 1116 622">1,221mn 3x vs LY</td> <td data-bbox="1187 575 1217 611">↑</td> </tr> <tr> <td data-bbox="733 708 866 783">Dispatch GWH</td> <td data-bbox="958 708 1103 783">1,960 vs 1,835 LY</td> <td data-bbox="1187 725 1217 761">↑</td> </tr> </table>	Mine Capacity (MT)	7.6 vs 3.8 LY	↑	EPQL Profitability PKR.	1,221mn 3x vs LY	↑	Dispatch GWH	1,960 vs 1,835 LY	↑	<ul style="list-style-type: none"> • Post Expansion to 7.6MT, mining operations continued smoothly with higher capacity, supplying coal to Engro Powergen Thar, Thar Energy and ThalNova Power. • SECMC successfully completed Phase I PCD and declared first ever dividend of PKR 8bn during the period. • EPQL higher profitability attributable to higher period weighing factor and efficiencies on higher dispatch. <p>Outlook</p> <ul style="list-style-type: none"> • Exploring new feed avenues for EPQL. • Mine expansion to 11.4MT by mid 2024
Mine Capacity (MT)	7.6 vs 3.8 LY	↑									
EPQL Profitability PKR.	1,221mn 3x vs LY	↑									
Dispatch GWH	1,960 vs 1,835 LY	↑									
<div data-bbox="71 911 535 971" data-label="Section-Header"> <h3>Engro Enfrashare Limited</h3> </div> <div data-bbox="71 971 535 1280" data-label="Image"> </div>	<table border="1"> <tr> <td data-bbox="619 1003 866 1039">Operational Sites</td> <td data-bbox="958 989 1103 1065">3,644 vs. 2,937 LY</td> <td data-bbox="1174 1003 1205 1039">↑</td> </tr> <tr> <td data-bbox="657 1168 866 1203">Tenancy Ratio</td> <td data-bbox="958 1153 1103 1229">1.18x vs. 1.14x LY</td> <td data-bbox="1174 1175 1205 1210">↑</td> </tr> </table>	Operational Sites	3,644 vs. 2,937 LY	↑	Tenancy Ratio	1.18x vs. 1.14x LY	↑	<ul style="list-style-type: none"> • 315 tower sites deployed during the period, captured market share of 60% in Built to-Suit (B2S) towers in H1. • Captured ~75% of all available colos. <p>Outlook</p> <ul style="list-style-type: none"> • 5,000+ towers by 2024/2025. • Incentivize colocation to enable better coverage across Pakistan. 			
Operational Sites	3,644 vs. 2,937 LY	↑									
Tenancy Ratio	1.18x vs. 1.14x LY	↑									



Portfolio Performance – Terminals, Agri & Foods

Company	KPI	Highlights									
Engro Elengy & Vopak 	<table border="1"> <tr> <td>Chemical handled</td> <td>451KT 37% vs LY</td> <td>↓</td> </tr> <tr> <td>LPG Market Share</td> <td>37% vs. 36% LY</td> <td>↑</td> </tr> <tr> <td>% of total gas demand</td> <td>13% - 15%</td> <td></td> </tr> </table>	Chemical handled	451KT 37% vs LY	↓	LPG Market Share	37% vs. 36% LY	↑	% of total gas demand	13% - 15%		<ul style="list-style-type: none"> Lower chemical handled due to disruption in operations of key customers as a result of import restrictions and gas curtailment. The LNG terminal handled 37 cargoes, in line with same period last year. <p>Outlook</p> <ul style="list-style-type: none"> Considering ease in imports, chemical handling likely to normalize.
Chemical handled	451KT 37% vs LY	↓									
LPG Market Share	37% vs. 36% LY	↑									
% of total gas demand	13% - 15%										

FrieslandCampina Engro 	<table border="1"> <tr> <td>Revenue PKR.</td> <td>47bn 53% vs LY</td> <td>↑</td> </tr> <tr> <td>Profitability PKR.</td> <td>1.3bn 41% vs. LY</td> <td>↑</td> </tr> </table>	Revenue PKR.	47bn 53% vs LY	↑	Profitability PKR.	1.3bn 41% vs. LY	↑	<ul style="list-style-type: none"> Higher profitability due to volumetric growth, cost optimization and strategic price increases. <p>Outlook</p> <ul style="list-style-type: none"> Mango Flavored Milk and Shahi Mango Ice cream Launched. Evaluate and launch new products.
Revenue PKR.	47bn 53% vs LY	↑						
Profitability PKR.	1.3bn 41% vs. LY	↑						



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



5,000+ Towers

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



Mine Expansion

Coal mine expansion to 11.4MT is underway in order to make the indigenous Thar coal more competitive



Renewable Energy

To enable a sustainable solution of energy by developing the first renewable energy park of Pakistan



FZE

To leverage its position in the Global market

Completed Projects (2023)




Buyback of Engro Shares – demonstrating confidence in our financial and economic strength (39,536,762 shares)



5,000+ Towers: Stellar Performance continued through faster tower deployments and operational efficiencies

Enfrashare deployed 315 towers in H1 2023, taking the tally of total operational towers to 3,644 → Enroute to become a 5,000+ tower company by 2024/ early 2025



3,644 towers
53% market share



2,285 towers
33% market share



889 towers
13% market share



107 towers
2% market share

B2S Market Share for Enfrashare (60% H1 2023)



86%



72%



95%



41%

Growth Trajectory



Number of B2S sites



2020

957 towers



2021

2,246 towers



2022

3,329 towers



2023

4,000+ towers



2024-25

5,000+ towers



Coal Mine Expansion: Phase III

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



Capacity
(MT)

3.8

7.6

11.2



Coal Tariff
(USD/t)

61

47*

35*



Investment
(USD mn)

627

173

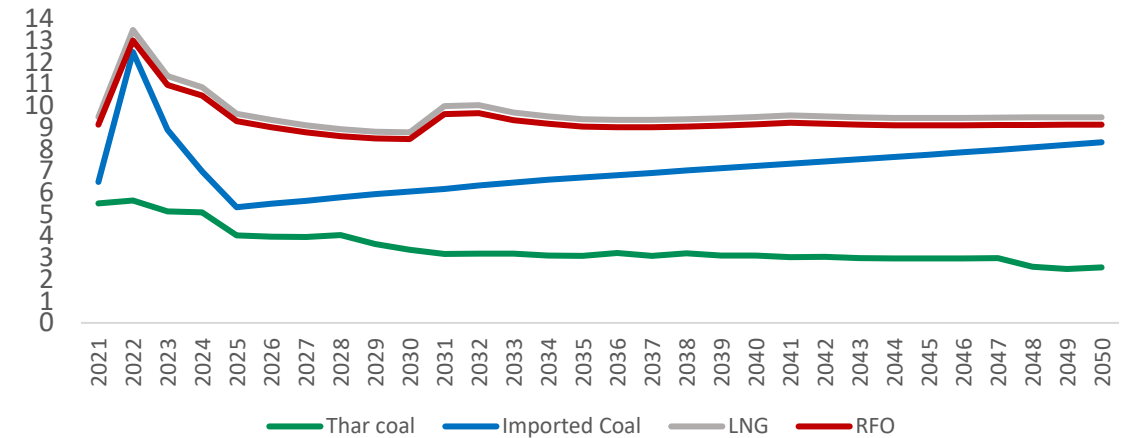
93

Progress



	Phase I	Phase II	Phase III
Capacity (MT)	3.8	7.6	11.2
Coal Tariff (USD/t)	61	47*	35*
Investment (USD mn)	627	173	93
Progress	✓	✓	📊

Fuel Cost Comparison (USD)



- Successfully completed Phase I PCD and **declared first ever dividend of PKR 8bn**
- Expansion to 11.2 MT expected by H1 2024

- The **cost of Thar 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**



Renewable Energy: Committed to set up Pakistan's first ever 1GW wind-solar hybrid power plant

Engro Energy, in collaboration with Sindh Transmission and Dispatch Company (STDC) and the Director of Alternate Energy (DAE), is building a renewable energy park in Jhimpir.



Renewable Generation

- Phase I – Generation capacity 400MW
- Phase II - Generation up to 1GW



CO₂ Emission Savings

- CO₂ emissions 425 KT, equivalent to planting 20 million trees



Allotment of Land
6,764 acres



Commitment from
potential customers
~670MW



Expected Project
COD
Q4, 2025



RE-Park Objective



Cheaper Power
(Cost reduction by ~20%)



Industrial Growth



Stakeholder Value Creation



Import Substitution
(~USD 400mn per annum)



Sustainable Development
Increase share of renewable energy to 30% by 2030

Pakistan is transitioning from a Single-Buyer Model to a Liberalized Market, providing reliable and cost-effective solution



Leverage FZE position in the global market

Total Volumes

260 KT



Geographical Spread

15 Countries



Product Spread

12 Products Handled



Achievements

First-ever DAP transaction of 22,000 tons, sourced from China and sold to a state-owned Indonesian entity.

First-ever Ammonium Sulphate transaction of 22,000 tons, sourced from China and sold to a state-owned Indonesian entity.



Forward Looking

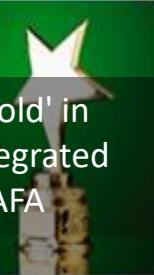
Continue to expand our footprint in the Global Trade Market.

Signed an MOU with Excelerate Energy for partnership in LNG sourcing and Gas Marketing in Pakistan.




Awards and Recognition

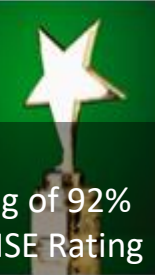
During 2023, Engro Group secured awards from local / global bodies in recognition of the company's value delivery across multiple avenues.



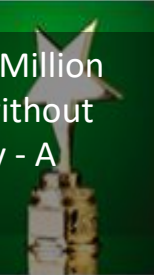
EFERT wins 'Joint Gold' in the category of 'Integrated Reporting' at the SAFA Awards




EPTL gets 5s system certified




EPTL achieves an outstanding ranking of 92% in NEPRA Annual HSE Rating




EPQL achieves '10 Million Safe Man-hours' without lost workday injury - A remarkable safety milestone




EPTL received ISO 50001 certification for Energy Management



EPTL Wins at 'International Safety Award 2023' with Distinction



EPTL Wins at 'International Safety Award 2023' with Distinction



EFERT Zarkhez Plant received the ISO/IEC - 17025 lab accreditation

Awards & Recognition: [Click here for more details](#)



Sustainability Initiatives

Environment



Society



Our People



Sustainability Initiatives: [Click here for more details](#)





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