Borouge Earnings Call 02.02.2023

Male Speaker:

Hello, and welcome to today's Borouge fourth quarter and full-year 2022 conference call. My name is Bailey, and I'll be the moderator for today's call. All lines will be muted during the presentation portion of the call, with an opportunity for questions and answers at the end. If you would like to ask a question, please press star, followed by 1, on your telephone keypad.

I would now like to pass the conference over to our host, Samar Khan, Vice President of Investor Relations. Please go ahead.

Samar Khan:

A warm welcome to everyone, and thank you for taking the time to join us today. By way of introduction, my name is Samar Khan, and I am the Vice President of Investor Relations at Borouge. With me today I have Hazeem Al-Suwaidi, our CEO; Rainer Hoefling, Chief Marketing Office; Jan-Martin Nufer, Chief Financial Officer; and Louis Desal, Chief Operating Officer.

Before we start, I would like to draw your attention to the disclaimer accompanying these presentation materials. Also, a note on our disclosed financials. Borouge PLC was formally established on 28 April '22, and as such, our statutory published financials only cover the period from 28 April '22 to year-end. To assist analysis, we have prepared pro forma accounts showing the combination that forms the current business as if it had been in operation for the full-year '22 and the full-year '21. These are the numbers we will be working with in the following pages, and these numbers are also available on our website.

I will now hand over to Hazeem to talk you through the strategic highlights for the full-year and Q4 '22.

Over to you, Hazeem.

Hazeem Al-Suwaidi:

Thank you, Samar, and welcome to all those on today's call. As you know, the Q4 period was characterized by softer pricing level and a challenging global economic environment. Against this backdrop, however, I am pleased to report that Borouge recorded strong revenue growth during the full-year 2022, up by 8 percent year-on-year, primarily driven by higher sales volumes, which grew by 15 percent, year-on-year for the 12-month period, and by 24 percent year-on-year for Q4.

Net profit for the year was 1.4 billion USD, in line with the market expectations. A very good result in a prevailing market environment.

Higher-volume sales were primarily attributed to our new facility, PP5, which has been ramping up during this year. Despite a compression and average selling prices, we continued to realize strong premia over product benchmark market prices, demonstrating the differentiated nature of our offering.

Our cash conversions remain strong, and supports our commitment to pay 975 million USD in post-IPO dividends to shareholders for 2022. And we are committed to paying at least 1.3 billion USD for 2023.

At the same time, we are always looking for ways to further future-proof our business, to achieve growth, and create long-term value for our shareholders. Today, we have announced 400 million USD value-enhanced program, focused on driving cost efficiencies and revenue enhancements across the business. Our key strategic growth project, Borouge 4, is progressing on schedule, and as planned.

Further, we have been mandated by our board to explore international growth and expansion opportunities. These will be focused on geographies and markets that support the company's existing strategic priorities. Our ability to perform and position the company for future growth, even in challenging conditions, is a testament to our resilience and ability to deliver value and quality to our customers.

I will now hand over to Rainer to discuss the markets.

Rainer Hoefling:

Thank you, Hazeem. As Hazeem mentioned, Q4 was characterized by a challenging market environment, driven by global inflationary pressures, industry-wide softening of polyolefin prices, and volatility in oil and feedstock markets.

Borouge, however, is well-positioned to navigate these dynamic market conditions. We are proactively anticipating market needs and can tactically place volumes between geographies to address changes in customer demand.

Our diversified portfolio of premium products is addressing global market trends, such as the growing demand for energy transition infrastructure, or popularity of electrical vehicles, and the acute need for water access and sanitation products. Further, we are serving high-growth markets, with the majority of global polyolefin demand coming from Borouge's core markets. These markets are obviously expected to drive global demand growth going forward.

Notably, the long-term industry environment for polyethylene specifically continues to be very robust, with demand additions expected to outpace significantly supply additions over the next two years.

In the fourth quarter, we experienced some premia compression, with our selling prices for the quarter softening, which is an industry-wide challenge in the current environment. Current softer pricing levels reflect the global demand and supply situation and feedstock prices observed during the period, with benchmark prices for PE and PP coming down across the regions.

Still, Borouge pricing premia for 2022 was robust, remaining above the over-the-cycle guidance. For 2022, premia for polyethylene and polypropylene were $311 U.S. and $208 U.S. per ton, respectively. In the fourth quarter, premia for polyethylene and polypropylene were $217 U.S. and $117 U.S. per ton, respectively.

Moving forward, we expect to continue to realize healthy premia. And we reiterate our over-the-cycle guidance of 200 per ton for polyethylene and $140 U.S. per ton for polypropylene.

Our core markets of Asia Pacific and the Middle East continue to record relatively stronger economic activity and healthier product demand, as compared to the global average, allowing us to sustain our sales volume momentum.

I will now hand over to Louis to take us through the operational highlights from the year.

Louis Desal:

Thank you, Rainer. I would like to take this opportunity to cover production volumes before handing back to Rainer, who will discuss sales performance.

While not pictured here, in the fourth quarter, overall production capacity grew by 10 percent, year-on-year, owing, to a large extent, to the ramp-up of our new PP5 unit, a key milestone achieved in the year. Since the third quarter, we started to introduce differentiated grades into the PP5 production mix.

By way of update on the LDPE unit, which is one of our 16 units at our Ruwais production complex, we have made good progress on preparations for a restart and expect to resume operations in the first quarter of 2023.

In order to mitigate the interim LDPE volume loss impact, we have and will continue to internally produce significant volumes of propylene by maximizing the flexibility of our olefin conversion unit operations, which is one of our competitive advantages, and thus converting cost-advantage ethylene to propylene. We are able to mitigate the financial impact of the LDPE by reducing the externally resourced propylene feedstock supply needs.

Lastly, the planned maintenance turnaround of Borouge 2 -- which is part of the five-yearly cycle -- is underway, and it is expected to run until March 2023. The volume impact of this scheduled turnaround is approximately 200 kilotons during quarter 1 of 2023. During this turnaround, several important maintenance activities and improvement projects are being implemented, ensuring maximum long-term asset reliability.

Finally, just to emphasize, at Borouge, we operate a young and well-maintained asset base with limited maintenance capital expenditure levels, which further enhances our production capacity. We remain committed to operational and commercial excellence, with a detailed efficiency enhancement strategy focused on safety, plant reliability, and integrity, and cash flow optimization. Back to you, Rainer.

Rainer Hoefling:

Thank you, Louis. Let's talk briefly about our sales volumes.

Fourth quarter sales volumes grew by 6 percent, versus the prior quarter, and 24 percent year-on-year. Sales volumes were higher for polypropylene due to the production ramp-up of PP5. Sales volumes from energy and infrastructure solutions represent 45 percent of total polyolefin sales volumes in 2022 versus 38 percent in 2021. This is representing a year-on-year growth in segment volumes of 27 percent. This is part of our strategy to focus on durable products for industrial applications.

Specifically, sales volumes of PE100, a key premium product used in infrastructure applications, have contributed positively to the overall sales mix outcome. The Asia Pacific market continues to be the largest destination for sales.

I will now hand over to Jan-Martin, who will talk through our financial performance for the period.

Jan-Martin Nufer:

Thank you, Rainer. As previously mentioned, we are pleased to note that our full year revenue is up 8 percent to 6.7 billion, driven by significant sales volume growth of 15 percent. For the fourth quarter, performance was impacted by an overall weak market environment, resulting in a 5 percent decline in revenue versus the previous quarter, primarily due to a 12 percent decline in average selling prices. However, this was partially offset by sales volume growth of 6 percent.

Adjusted EBITDA for the full year decreased by 2.9 percent to 2.6 billion, primarily due to industry challenges and pricing pressures experienced in the second half of the year. For the fourth quarter adjusted EBITDA was flat at 541 million USD versus the prior year and down 9 percent quarter on quarter.

Net profit for the year was 1.4 billion, in line with market expectation, which is a very good result in a challenging market and the industry environment.

Further I would like to add as a post period event, that in light of a significant 1 billion plus cash balance at year end, we repaid 500 million USD of our 3.65 billion USD commercial term facility. This being part of the total 4 billion USD financing brought in place end of 2021. This results in interest cost savings and an updated balance of 3.15 billion USD for the facility. We will continue to prudently manage our debt in response to the current market environment, optimizing costs and further strengthening our balance sheet. This anticipation of growth and ensuring future dividend capacity.

Now moving on to costs. Looking more closely at our expenses, our cost base remained flat in Q4, despite higher production volumes owing to a reduction in cost per ton. Cost of sales increased slightly by 1.2 percent in the fourth quarter, versus the previous period, in both absolute terms and as a percentage of revenue. Feedstock expenses declined by 3 percent quarter on quarter. With our cost base, ethane costs mine essentially fixed under our long-term Pricing Agreements with ADNOC which provides us with significant long-term cost visibility and supplier security and is a key competitive advantage to Borouge.

Overall costs per ton were down 3 percent in the fourth quarter versus the previous quarter, primarily driven by lowest selling and distribution costs. As you will recall, in the previous quarter, we were experiencing higher selling and distribution costs, particularly due to higher sea freight rates brought on by disruptions in the global shipping market. We saw some cost relief as these began to come down in the fourth quarter, and we expect them to remain at lower levels, which will be supportive of our margins. Looking ahead, we're placing a significant focus on overall cost management and revenue enhancement, which I will explain on the next slide.

To further enhance our competitive positioning and support further growth opportunities Borouge has announced a 400 million USD Value Enhancement Program. With an industry wide cost escalation economic headwind, we're taking meaningful steps to optimize our costs in the long term. With the implementation of our Value Enhancement Program, we will focus on high impact cost efficiency initiatives associated with conversion and logistics variable costs, fixed costs, as well as revenue optimization. The program is expected to result in a positive 400 million USD or 15 percent impact to be realized EBITDA level mainly by year end 2023. The Value Enhancement Program will be counteracting the impact of the macroeconomic challenges and pricing pressures referred to earlier. Most of this is expected to be achieved during the second half of 2023. Thereafter, we expect to sustain the 15 percent positive EBITDA impact from 2024 onwards versus the 2022 baseline. Most of the program value relates to on the cost side to savings in logistic variable costs the remainder in conversion variable and fixed cost, as well as a significant revenue enhancement initiative.

Moving on to capex and cash flow, with adjusted operating cash flow of 2.457 billion USD in full year 2022 and 465 million USD in the fourth quarter. Cash Flow conversion in Q4 remained strong at 86 percent versus 95 percent in the previous quarter. This variance reflected higher investment activity in the fourth quarter and operation expenses related to LDPE and the B2 turnarounds. Net debt remains stable in the period at approximately 1.1 times net debt to EBITDA ratio. We will still record relatively low maintenance capex reflecting the quality of our modern asset base.

I now hand back to Hazeem to discuss outlook and conclude our presentation.

Hazeem Al Suwaidi:

Looking ahead, we are confident about 2023 as activity in our core markets of Asia Pacific and the Middle East remains relatively strong versus the global average. And with China reopening, we expect demand growth and support for prices, where they iterate our over-the-cycle product premium guidance of $200 per tons for PE and $140 per ton for PP. Finally, we will continue to run our OCU at a high level of utilization leveraging our ability to generate cost effective propylene feedstock for PP production. And I see towards the end of Q3 with shipping costs expect to moderate we expect logistics costs to further come down and further cost efficiencies to be realized as part of our Value Enhancement Program.

I would like to provide a quick update on Borouge 4. As you are aware, Borouge 4 was carved out at the time of our listing to eliminate constructions risk for investors and to optimize our capital structure and cash flows. Borouge 4 is our major growth project for the near term, which will be fully integrated into our existing plants and site, as you can see from the map on the page. The APC phase is currently ongoing, and Borouge 4 is on track to be completed as scheduled in 2025. Borouge 4 will include a 1.5 million tons ethane cracker, two Borstar PE units, and an XLP unit. This will allow us to produce 1.4 polyolefins, bringing Borouge total production capacity to 6.4 million tons. Based on third generation Borstar technology, Borouge 4 will enable high value sustainable plastics applications and help us meet the increasing demand from the Asia Pacific and Middle East regions.

Financially, Borouge 4 will contribute to higher margins thanks to the competitive long-term feedstock agreement with ADNOC for ethane. The initial EBITDA margins are expected to be above Borouge current levels. Finally, through this mega project will be directly contributing to UAE economy actively thanks to the creation of additional jobs, while helping the UAE affirm global leadership in petrochemicals.

To summarize the key highlights: Borouge distinct competitive advantage, and our operational and financial discipline enabled us to deliver a resilient performance in 2022 despite a challenging second half of the year. We continue to achieve premium pricing and reiterate our existing oversight of the premium guidance. We also launched our Value Enhancement Program, which will help us drive sustainable growth through high impact cost efficiency and revenue optimization. We continue to have ample dividend capacity and remain focused on delivering value for our shareholders. We affirm our dividend commitment for 2023 to pay out at least 1.3 billion to our shareholders. Looking ahead, Borouge 4, our key strategic growth project is progressing as planned, and we will continue to provide regular progress updates. Further we will be exploring international growth and expansion opportunities focused on geographies and markets that support the company's existing strategic priorities.

With that, we conclude our presentation. I would like to open the floor for questions.

Male Speaker:

Thank you. If you would like to ask a question, please press star followed by 1 on your telephone keypad. If for any reason you would like to remove that question, please press star followed by 2. Again, to ask a question please press star followed by 1. As a reminder, if you are using a speakerphone, please remember to pick up your handset before asking your question. The first question today comes from the line of Faisal Azmeh from Goldman Sachs. Please go ahead. Your line is now open.

Faisal Azmeh:

Yes, hi. This is Faisal Azmeh from Goldman Sachs. Just a few questions on my end. Just looking at the premia achieved in Q4. Obviously, the numbers were quite strong generally, in terms of what you've managed to realize this year and into Q4. But when looking at particularly for polypropylene, you've went below your long-term guidance. Maybe just trying to understand what drove that and how do we think about the current run rates this quarter? Are you back towards the 114 level? Or is that kind of just exceptional for Q4, or this is something that will continue to take place in the first half of this year?

My second question relates to strategic initiatives. So, you've mentioned you're looking -- or you're planning to look at international growth opportunities. How do you balance between acquiring the Borouge 4, maintaining a $1.3 billion dividend, and also looking at international assets? Are you looking more at the M&A side or in Greenfield expansions? And what value chains are you looking at? If you can provide some more color on that, that would be quite helpful. Thank you.

Rainer Hoefling:

Yes, perhaps -- Rainer, here. I'll take the first question. We're all on the premium side. What we say we maintain our over the cycle guidance, right over 280 MPE and 140 on polypropylene. But I always said that this is guidance over a full business cycle. I've always said that it can happen but when there's bit compression in the market and you get a bit headwind, this can go at the bottom or the other corridors are below. But over the site, we remain this page showing the differentiation what we have. So, while the prices in '22 were lower than in '21, around 100, we remain the strong premium on the if you look at over the full year there where it was reflecting a bit of kind of cycle, we delivered quite strong premiums of 311 and also 208 U.S. dollar in polypropylene, which reflects the differentiation about what we have.

Looking forward to this on the polyethylene side, specifically, on the pipe side, we had 27 percent growth. On the [unintelligible] side the 45 percent of our products, what we are selling is in durable products meanwhile, and this is significant. And when you look then on polypropylene, this is also the way we are going forward. So, we will introduce more infrastructure products also in our new PP5. But it was launched at the beginning of last year. And with this movement, we bring the premium differentiation up. And we've been -- have also with this the possibility to make space in another plant to produce more differentiated products, we call them block copolymers to specific segments. Maybe achieve also 50 to 80 U.S. dollars per ton higher premium that we have in standard products.

We launched also a new random copolymer for this. So, this is for

products where we're bringing a differentiation in. So, we're doing a number of things mitigating this already. What we see generally in the market and finishing with this, if you look at the market sentiment towards quarter one, there's a number of maintenance things going on polypropylene and propane prices are coming up. There are some outages also in the first quarter now in the U.S. on production, which gives a bit of sentiment there. So, fundamentally in our region, a relatively stable growth where analysts come also to the conclusion that there's options for price uplift in polyethylene, but specifically also in polypropylene to get this again in a better shape on the overall price performance of the market. So, we are working in that direction so that we are coming back to our guidance of 140 also on polypropylene.

Jan-Martin Nufer:

And maybe if I can take the question on the international expansion, the balance sheet capacity and the assessment of what we would consider in that respect. I think we're very excited that we have essentially mandated to look into growth opportunities through international expansion that can go in various ways. We are coming from very strong financials and the healthy cash generation also in the period where there has been price compression, as we have been setting out. We're starting essentially, the journey right now, with a net debt to EBITDA of 1.1, which we consider to be low and considerate of the current situation. We have also, as mentioned, just to recap now recently repaid or the 500 million under the existing financing with the commercial banks. And essentially, we'll make sure that we have adequate headroom to look into all the opportunities that might arise. We think we have the flexibility and asset wants to take all options open but continue our conservative financial approach to this matter.

Hazeem Al Suwaidi:

So, just also to build on what Jan-Martin mentioned, when it comes to the international expansions and M&A, definitely for us, we will explore growth opportunities through international expansion, as mandated by the board of directors. We are open to the right opportunities, provided they are very accretive to the business and fit within our discipline capital allocation policy and are complementary to our organic growth program. And any expansions through new or existing assets will be focused on geographies and markets that support the company's existing strategies and priorities. Thank you.

Faisal Azmeh:

I mean, maybe if I can follow up with that. I mean, the UAE has quite ambitious plans to expand natural gas production over the coming years. Wouldn't you argue that maybe expanding Borouge locally and adding additional capacity domestically would also be an attractive proposition versus going internationally? Or do you have any strong feelings about international opportunities at the moment versus potentially adding let's say a B6 or PP6? Or a B5 --

Hazeem Al Suwaidi:

We are exploring -- yeah, we are exploring all opportunities, sir.

Faisal Azmeh:

All right, thank you.

Male Speaker:

Thank you. Our next question today comes from the line of Prateek Chandra, from HSBC. Please go ahead. Your line is now open.

Prateek Chandra:

Thanks for taking my question. I have two. The first one is on China. So, are you seeing any signs, early signs of a demand in China with the Chinese New Year and the COVID? That's the first question. Second is on Borouge 4. Have you or do you plan to do an early assessment of what the fair value might be? Might look under the current environment? Is it what you could do in2025? Or you would be doing this continuously till the plant is ready? And if yes, then what will -- what's your current assessment of the value?

Rainer Hoefling:

If the question was how we see China for the time being and the market picks up the market sentiment is as such, perhaps I explore a little bit on a this. So, let's say on the market overall either 2022 we're looking forward to 2023 global not only China, but globally. Because the industry has seen some headwinds are then expected to continue also in 2023. Globally, we have seen the economic slowdown and political tensions, inflationary environment, I think this will not go away overnight either see also the oversight operation rates in '23, '22 coming down that put a bit the pressure also on the prices.

But on the other hand, if you look at the at the scale now where we are working in the territories, it is reconfirmed first of all, the biggest consumption is in these regions. This is above 65 percent. And I will -- I always said the growth happening in this region this 86 I would say I would guess in 2023, even the proportion will be higher, because Europe and the U.S. will be a little bit lower. So, we think there will be a continuous, good demand. And but we also saw that we saw already in the fourth quarter in December last year when China opened up, it changed the sentiment already in the market when it was coming to pricing. But when it's coming also to demand, and we expect that China you have seen GDP growth estimates are going up also towards 5 percent with a gradually increase, but we see already more activity coming from China also on the infrastructure side. And we expect that the China is growing in a, let's say, four plus percentages and keeps a good sentiment in other regions. And the sales in other regions also, if you look at India, I think India, we expect growth rates in polypropylene in double digit, either we expecting polypropylene growth rates of 7 percent, expecting the Middle East Africa growth rates, which are 4 percent. China on top of it. So, I think we will live in an environment where there is growth possible, and where we have all opportunities with our set up in Asia from region to region to place our differentiated products are pretty good. So, we are positive from that sentiment.

Jan-Martin Nufer:

Yeah, look, I think just to recap a little bit the situation as you know, Borouge 4 has been carved out in the process of the IPO, which gives us the possibility, essentially, to mitigate the completion and the construction risk. And then we have clearly said and stated out that the recontribution of Borouge 4, meeting certain completion criteria will be at a value accretive and dividend accretive process. That's where it stands and that's the current situation, so that's the basis for the analysis going forward. There have been no further clarifications around the topic of the fair market value.

Prateek Chandra:

Thanks. Thanks.

Male Speaker:

Thank you. As a reminder, if you would like to ask a question, please press star followed by 1 on your telephone keypad. Our next question comes from the line of Jonathan Chung from Morgan Stanley. Please go ahead. Your line is now open.

Jonathan Chung:

Hello, hi, just thank you for taking my questions. I've got two. So, the first one I've got on just $400 million of value enhancement. Could you give us a split of how much that relates to cost improvement and how much that relates to the revenue contributions? I guess I just want to gauge the run rate for various cost lines going forward. And then the second question I have is just a follow up on the Borouge 4. If I recall from the IPO, the cost, the estimated cost of the project is around $6.2 billion. Is this still the right number to think, to consider, given all the inflations and raw material costs increase recently? Thank you.

Jan-Martin Nufer:

Jan-Martin here. But I may elaborate a little bit on the 400 million of Value Enhancement Program and then I am going to dive a bit into your question for Borouge 4. If we look at the Value Enhancement Program, I think it's good first to state that, you know, we’re not only embarking on the program right now, we have been always applying a cost conscious mindset. But we think now is the right time from a clear position of strength to enter into a very comprehensive program. If you ask about the breakdown of the program, I think the indications and guidance we can give that you should and now just bear with us because it's a quite sizable program that we're looking at, that the current estimate is that approximately 20 percent at the current calculation would come from the revenue optimization and the rest would come from cost optimization, right. And in the cost optimization just to recap what we pointed out during the presentation, we think that from the total volume of the program, roughly 50 percent should come from the area of logistics variable costs, which is also clear if you look at the magnitude and the impact of the LDC that we have been seeing during 2022.

So, hope that gives a bit more color. And then we would also say we are planning then, clearly, to give regular updates on the status. The program is well underway. Asset various components, including also looking at the fixed cost and conversion variable costs. So, we're going to give you a regular update on where we stand.

Now, adding on to Borouge 4. Look, I think the whole project is set up mainly on an EPC LSTK program. The estimated costs that were given out at that point of time I think we're not including interest during construction. So, we certainly will need to do a refresh here. But the magnitude of the base cost that you have been mentioning are still accurate, we just would need essentially to add the elements which would then come into the picture, if we look at the total Borouge 4 costs, in the year of 2025, when we expect them getting nearer to the completion and nearer to the recontribution time.

Jonathan Chung:

Thank you. Very clear.

Male Speaker:

Thank you. There are no additional questions waiting at this time. So, I'd like to pass the conference back over to the management team for any closing remarks.

We do have a follow up question. Apologies. The next question today comes from the line of Oliver Connor from Citi. Please go ahead.

Oliver Connor:

Hi, thanks all for the presentation. Just two quick questions, if I can. So, firstly, just touching on the demand point around China? And how do you think -- how do you see that sort of playing out through the year? So, you know, on the industry activity front, do you see that occurring in the first half of the year or more of a sort of second half end of year story and how that plays into your thinking around sales events or infrastructure products into China? And then second point, just quickly on the M&A front again, and any kind of investment there, any regions that you're focused on? I know you said you were looking at anything that was value accretive but is there a particular geographical focus? So, perhaps into Asia for new growth opportunities? Thank you.

Rainer Hoefling:

So on China, I also don't know how China will exactly develop in 2023. But what we see already is that they changed sentiment, either we see already more activity. We were also in, let's say a more compressed the market than in China is with COVID lockdown, relative to active net, strong sales, but in the infrastructure sector, specifically in the water part segments, and in the advanced packaging segments. So, we were able, really, to place our volume in this [unintelligible] with our differentiated product lines. So, we see, of course, a great rally, uplift over the year. I guess the best forecast is that in the second half of this year, this is ramping up a bit more and given additional good sentiment into the market, but that's to be seen. But in the independently on this for us as an organization, it's important that we place our volumes in the market, which are strategically for us. And then on top of it, I think for this year, it's important that you show some agility rather than taking the opportunities in the market. And this is what we have shown also in 2022 is a setup what we have as an organization, 12 space offices, to people on the ground, 200 customer facing people that we can take the opportunities out of these market dynamics. And it's not only China for us playing a role. I mean, we have a broad range of countries we have [unintelligible].

The second question I didn't get fully.

Hazeem Al Suwaidi:

I'll take the second one on our international expansions. As we have clearly highlighted, the board has given us the mandate to explore all opportunities now for us. They have been very much focusing on core markets in Asia and Middle East, and Africa so forth. However, our expansions wouldn't be, as we said, whether it's new or existing assets, of course we focus on the right geographies and the markets. It has to be -- has built a further synergy with Borouge, our organic growth program, so it has complemented, and has to be valued accretive to our business. So, we continue to focus on the business that complements and adds value to our business. And, yeah, we will focus on developing and furthering business and core markets that we are greatly operating in.

Thank you. The next question is a follow up question from Faisal Azmeh from Goldman Sachs. Please go ahead.

Faisal Azmeh:

Yes, hi. Just a quick follow up. When we think about obviously Borouge 4, you know, the company has levered up to -- or initially levered up by almost 1.1 times and has paid a pre-IPO dividend to the parents to fund this project. Should we think about the acquisition costs, at some point being net of that amount, or you would need to gear up again to pay the full amount, because part of that leverage was existing, you know, has been channeled to the parents to finance this project, I'm assuming. So, how should we think about that and when the time comes for you to acquire Borouge 4?

Jan-Martin Nufer:

Maybe I'll take the question. Look, we have been taking a very considerate approach from the shareholder side to have a mechanism for the recontribution of B4 that leaves quite a bit of flexibility from various angles. So, the statement that the recontribution needs to be value accretive and dividend accretive prevails. How that is then exactly going to be factored in and how the mechanism will be, that has not been clearly set out in a firm manner. So, we have some leeway, and it will be then considered closer to the time where we reach the recontribution time, which is, as mentioned approximately around 2025.

Faisal Azmeh:

All right, thank you.

Male Speaker:

Thank you. There are no additional questions waiting at this time. So, I'd like to pass the conference back over to the management team for any closing remarks.

Hazeem Al Suwaidi:

Thank you for engaging with us and looking forward to meeting you in the near future. Thank you.

Male Speaker:

This concludes today's conference call. Thank you all for your participation. You may now disconnect your lines.

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