



# **GLOBAL LEADING GREEN ENERGY AND CHEMICAL COMPANY**

Financial results for the fourth quarter ended  
December 31, 2019

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Investor Relations  
February 11, 2020

OCI Company Ltd.

# Disclaimer

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The following earnings release and the financial, business and other information contained herein are current only of the date hereof and readers are cautioned that changes in general macroeconomic, business, financial and other conditions may have occurred since such date and our financial condition and results of operations may have been materially impacted as a result of such occurrences. Certain information contained herein may be considered forward-looking in nature, which are based on certain assumptions and expectations of future events that are subject to risks and uncertainties, including comments on trends in the global economy and duration of such trends, future development and investment plans including market strategy and business plans. We disclaim any responsibility or obligation to update or disseminate any revisions to any forward-looking statements contained in this document to reflect any changes in assumptions or circumstances.

Actual future results and trends and statements regarding plans or expectations may change for various reasons which management has not anticipated, including as a result of a further slowdown in global economic growth, further weakening of customer demand for our products and the loss of major customers, pricing pressures, inability to finance certain projects and capital expenditures on attractive terms, or at all, among others.

1

Fourth Quarter Ended December 31, 2019

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Business Strategy & Updates

# Quarterly Consolidated Income Statement

- Sales declined due to lower prices and lower sales volume of major products
- Operating loss deepened by sales decrease of major products, increased fixed costs due to regular maintenance in Petrochemicals & Carbon Materials Division, and valuation loss of Poly-Si inventories
- Pre-tax loss deteriorated due to one-time factors such as Poly-Si impairment of KRW 750.5billion in Gunsan plant, KRW 16.9billion asset impairment losses in subsidiaries, and KRW 16billion losses in disposals of tangible assets and others

| (Unit: KRW bil)   | Q4 '18 | Q3 '19               | Q4 '19 | QoQ  | YoY  |
|-------------------|--------|----------------------|--------|------|------|
| Sales Revenue     | 704.4  | 670.8                | 638.7  | -5%  | -9%  |
| Operating Income  | -43.2  | -56.4                | -64.3  | Loss | Loss |
| % Margin          | -6%    | -8%                  | -10%   |      |      |
| EBITDA            | 31.9   | 20.1                 | 13.8   | -31% | -57% |
| % Margin          | 5%     | 3%                   | 2%     |      |      |
| Income before tax | -71.1  | -79.6 <sup>(1)</sup> | -847.6 | Loss | Loss |
| Net Income        | -55.4  | -66.9                | -662.6 | Loss | Loss |

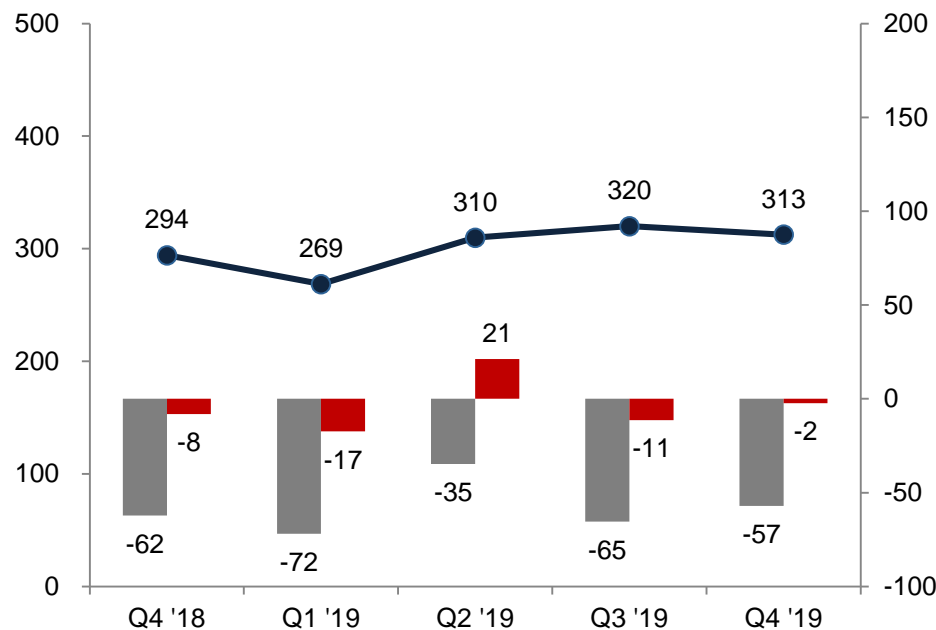
Note: Consolidated results based on K-IFRS, Not reviewed by outside auditors

(1) Disposal cost after replacement of Alamo 1 tracker (KRW 5.8bil)

### Quarterly Results

(Unit: KRW bil)

● Sales (LHS) ■ Operating Income (RHS) ■ EBITDA (RHS)



|                  |      |      |      |      |      |
|------------------|------|------|------|------|------|
| Operating Margin | -21% | -27% | -11% | -20% | -18% |
| EBITDA           | -3%  | -6%  | 7%   | -4%  | -1%  |

Note: Not reviewed by outside auditors

### Business Highlights

#### Q4'19 Highlights

- Although Poly-Si sales quantity declined 7% QoQ, Division sales remained solid thanks to the sales of EG<sup>(1)</sup> Poly-Si
- Manufacturing cost per unit of Poly-Si declined slightly due to higher operation rate after regular maintenance in 3Q, but operating losses continued because of inventory valuation loss (KRW -10.4bil)

#### Q1'20 Business Outlook

- Full operation and cost reduction of Malaysia Poly-Si plant
- Regular maintenance of Gunsan Poly-Si plant to prepare for chemical management evaluation from mid-Feb. Afterwards, part of the facilities(P1) will be resumed to focus on EG Poly-Si

(1) Electronic Grade

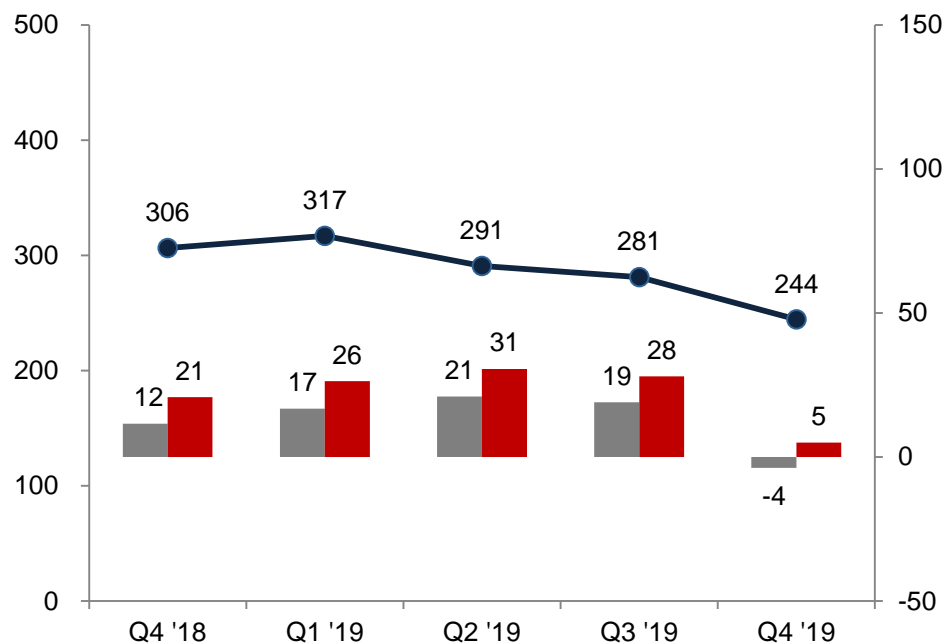
# Operating Results by Division

## Petrochemicals & Carbon Materials

### Quarterly Results

(Unit: KRW bil)

● Sales (LHS) ■ Operating Income (RHS) ■ EBITDA (RHS)



|                  |    |    |    |     |     |
|------------------|----|----|----|-----|-----|
| Operating Margin | 4% | 5% | 7% | 7%  | -2% |
| EBITDA           | 7% | 8% | 9% | 10% | 2%  |

Note: Not reviewed by outside auditors

### Business Highlights

#### Q4'19 Highlights

- Reduction in sales and increase in fixed costs due to regular maintenance in Korean plants
- Major product prices weakened due to US-China trade dispute and global economic slowdown

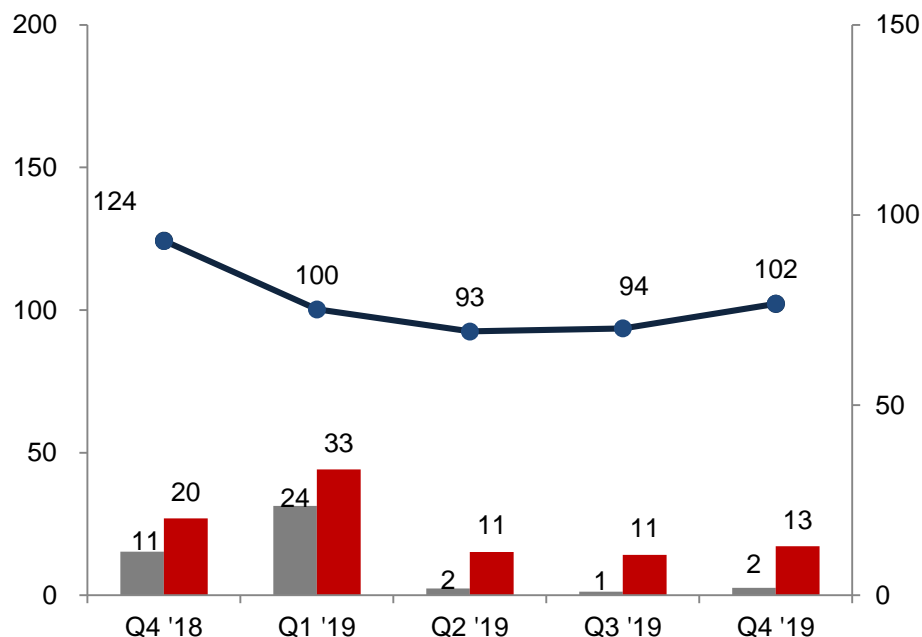
#### Q1'20 Business Outlook

- Normalized production after maintenance in Q4
- Paying attention to the operation of China plants and sales with the spread of new coronaviruses
- Recent situation in China affects selling price differently by product

### Quarterly Results

(Unit: KRW bil)

● Sales (LHS) ■ Operating Income (RHS) ■ EBITDA (RHS)



|                  |     |     |     |     |     |
|------------------|-----|-----|-----|-----|-----|
| Operating Margin | 9%  | 23% | 2%  | 1%  | 2%  |
| EBITDA           | 16% | 33% | 12% | 11% | 13% |

Note: Not reviewed by outside auditors

### Business Highlights

#### Q4'19 Highlights

- Sales increased by 9% QoQ, with OCI SE's sales of electricity and REC<sup>(1)</sup> (11% and 29%, respectively)
- Operating profit is similar to Q3 as a drop in REC price(-22%) offset an increase in SMP<sup>(2)</sup> (5%)

#### Q1'20 Business Outlook

- OCI SE's reduced raw material prices help to offset the drop in sales due to planned maintenance

(1) REC: Renewable Energy Certificate

(2) SMP: System Marginal Price

# Financial Position

| Summary of Financial Position |              | (Unit: KRW bil) |               |  |
|-------------------------------|--------------|-----------------|---------------|--|
|                               | Sep 30 2019  | Dec 31 2019     | Change        |  |
| <b>Current Assets</b>         | <b>1,754</b> | <b>2,161</b>    | <b>406</b>    |  |
| Cash & ST Financial Assets    | 771          | 735             | -36           |  |
| Account Receivables & Others  | 406          | 410             | 4             |  |
| Inventories                   | 502          | 958             | 456           |  |
| Others                        | 76           | 58              | -18           |  |
| <b>Non-current Assets</b>     | <b>3,680</b> | <b>2,649</b>    | <b>-1,032</b> |  |
| Investments                   | 202          | 191             | -10           |  |
| Tangible Assets               | 3,275        | 2,038           | -1,238        |  |
| Others                        | 203          | 419             | 216           |  |
| <b>Total Assets</b>           | <b>5,435</b> | <b>4,809</b>    | <b>-625</b>   |  |
| <b>Liabilities</b>            | <b>2,054</b> | <b>2,126</b>    | <b>72</b>     |  |
| Debt                          | 1,510        | 1,582           | 72            |  |
| Accounts Payable & Others     | 345          | 344             | -1            |  |
| Long-term Advances Received   | 85           | 51              | -33           |  |
| Others                        | 114          | 148             | 34            |  |
| <b>Shareholders' Equity</b>   | <b>3,381</b> | <b>2,684</b>    | <b>-697</b>   |  |
| <b>Net Debt</b>               | <b>739</b>   | <b>847</b>      | <b>108</b>    |  |
| <b>Leverage Ratio</b>         | <b>61%</b>   | <b>79%</b>      |               |  |

Note: Consolidated results based on K-IFRS, Not reviewed by outside auditors

## Inventories

- Account change of the land value previously recognized as a tangible asset under inventory, following DCRE's partnership contract in Oct. 2019 (KRW +400bil)

## Tangible Assests

- Asset impairment of Gunsan Poly-Si plant and other subsidiaries
  - √ Poly-Si           KRW 750.5bil
  - √ OCI China       KRW 11.0bil
  - √ OCI Specialty   KRW 5.9bil
- Change the account of DCRE land (KRW -400bil)

## Net Debt

- Increased borrowings with facility(equipment) and DCRE development funds
- Reduced cash due to replacement investment of OCIE Alamo 1 trackers

## Other Non-Current Assets

- Deferred tax asset increased due to impairment of Poly-Si assets



1 Fourth Quarter Ended December 31, 2019

2 Business Strategy & Updates

# 2019 Highlights

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- Solar Value Chain**
- Cost reduction by completing PS1 revamping in Malaysia and operating its own CA plant
  - Stable operation after acquisition of Kaco New Energy Korea, providing one-stop total solution in solar power industry (OCI Power)
  - MOU with Hyundai Motor to commercialize the solar energy storage system by recycling EV(electric vehicle) waste batteries
  - Recognized impairment loss of Gunsan Poly-Si plant due to falling Poly-Si market price

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- Chemicals**
- Expansion of high value-added products such as Hydrogen Peroxide and Phosphoric Acid
  - MOU with POSCO Chemical to expand high value-added products development

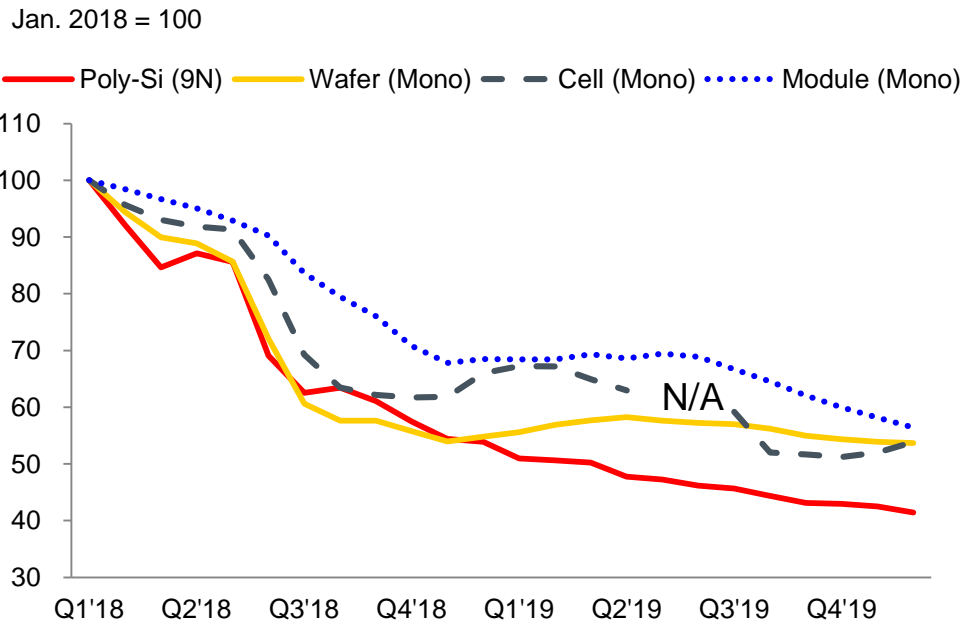
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- New Businesses**
- Partnership agreement for DCRE city development project
  - Invest in promising bio-venture companies with an oncology pipeline
    - SN Bio Science (KRW 5bil) : Nanoparticle drug delivery system
    - Synergy Fund (KRW 3bil<sup>(1)</sup>) : Invest in bio ventures for new drugs and medical devices
    - Nucleix (USD 4mil) : Early diagnosis of cancer
    - Adicet (USD 7mil) : Immunotherapy using homogeneous treatment method

(1) 2019~2021 Total Investment

# Asset Impairment - Gunsan Poly-Si Facility (1)

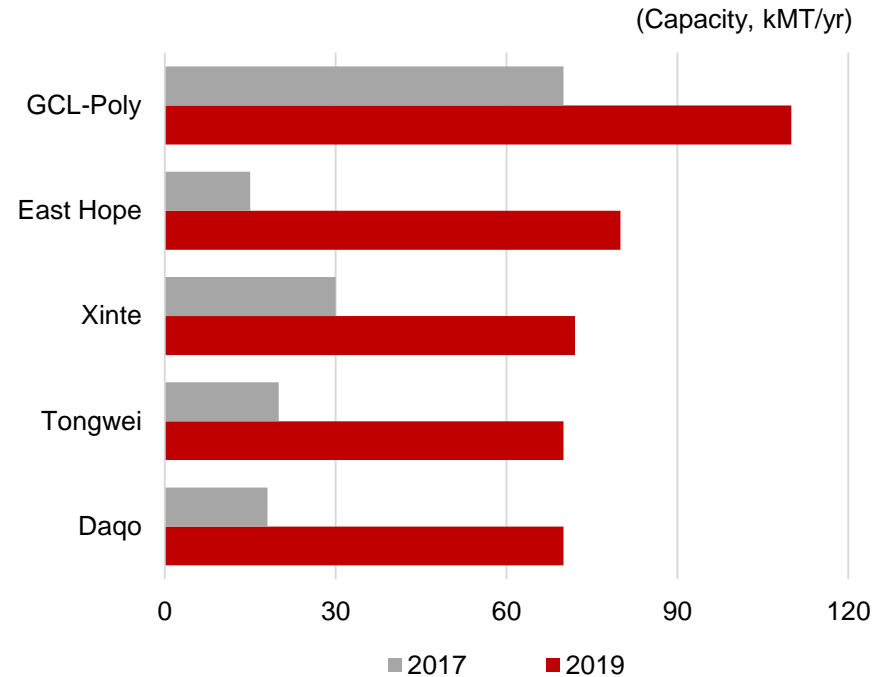
- Impairment losses on assets of KRW 750.5billion due to;
  - 1) Decreased Poly-Si prices as of contraction of Chinese market after 2H 2018
  - 2) Intensified competition in the market due to capacity expansion of competitors during 2018~2019
- For asset efficiency and competitiveness, Poly-Si operation at Gunsan plant will be reshuffled

## Solar Value Chain Price Trend



Source: PV insights

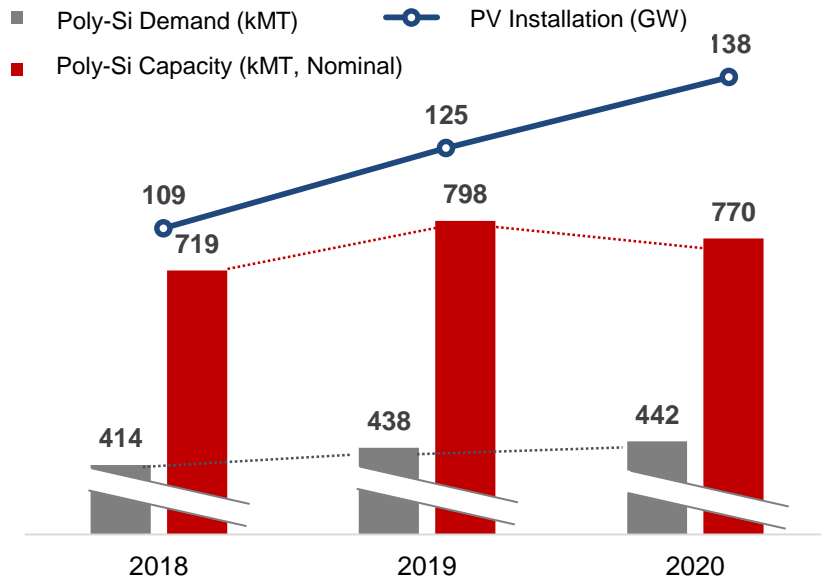
## Expansion of Major Poly-Si Companies



# Asset Impairment - Gunsan Poly-Si Facility (2)

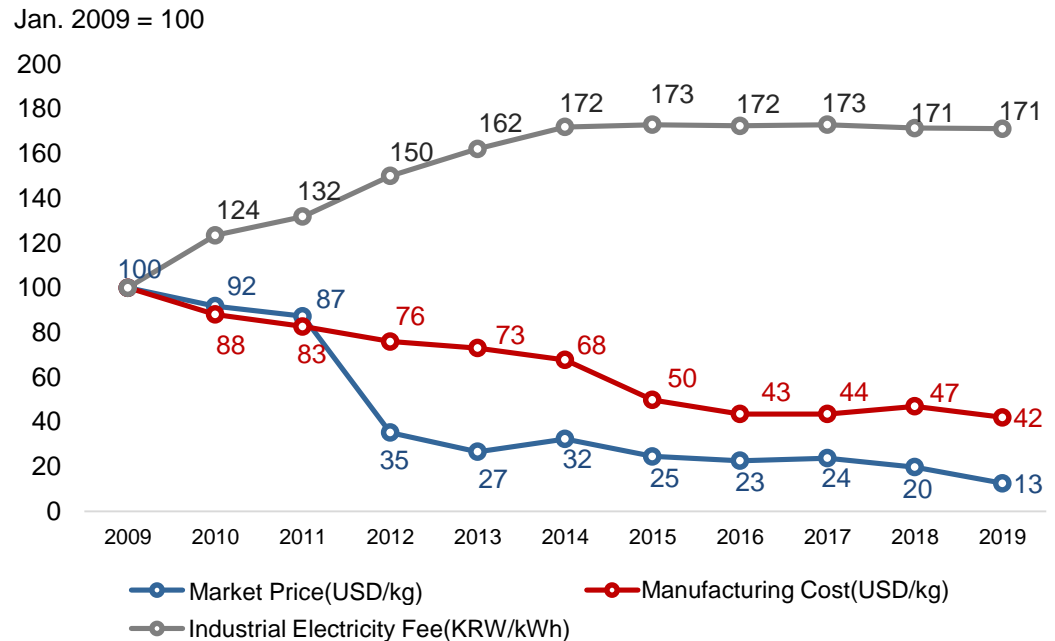
- Facing limitation in business growth and diversification due to China's single market concentration of Poly-Si demand and intensifying trade protection
- Despite continued technology investment and cost reduction, the business environment is not favorable, which adds to the cost burden and weakens business competitiveness

## Poly-Si Supply and Demand Status



Source: Bloomberg NEF(August 2019) and others, OCI analysis  
Silicon usage(gram/watt): 3.8(2018), 3.5(2019E), 3.2(2020E)

## Poly-Si Price, Major Cost Trend Variation



Source: Industrial Electricity Fee – KEPCO IR material  
Poly-Si Price – PV Insight  
Manufacturing Cost – OCI (Based on Gunsan Plant)

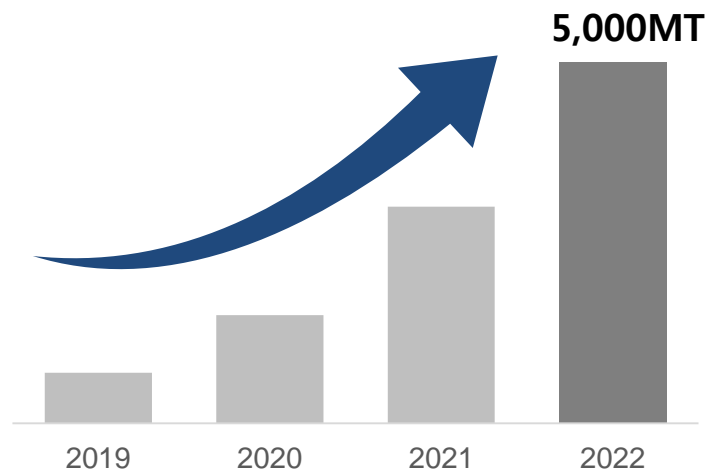
# Poly-Si Business Strategy (1) : OCI – Gunsan

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- After regular maintenance, part of production lines (P1) will be restarted in 2Q to produce EG Poly-Si
- Minimize the production of SoG<sup>(1)</sup> Poly-Si in Korea
- Expected Effect: Operating profit should be stabilized after the reorganization by preventing further operating loss and expanding its high-quality products portfolio

## Sales Roadmap for EG Poly-Si

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### Korea, Taiwan

- Delivery to some of the top 5 semiconductor wafer manufacturers

### China

- Business development or expansion of small to medium sized semiconductor wafer companies based on the 75% internalization goal by 2025 (less than 20% now)
- Drive sales through OCI's existing sales network

### Japan

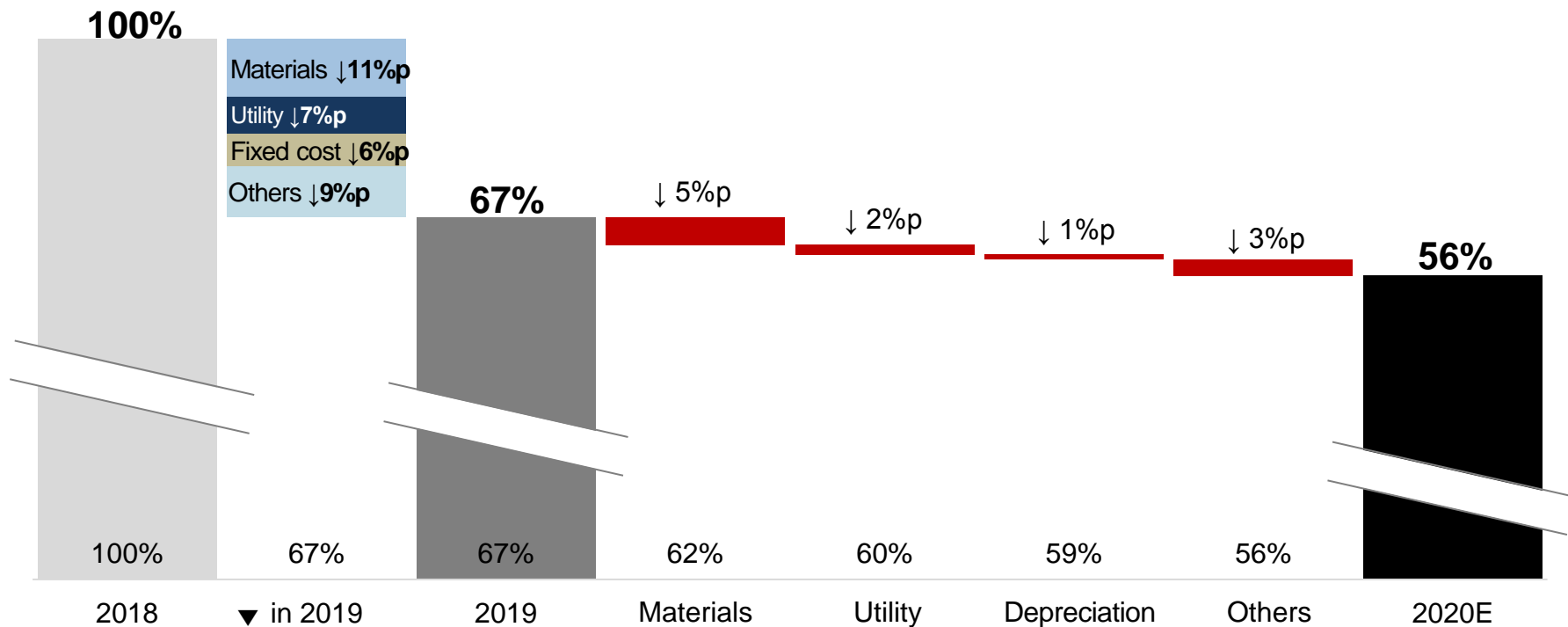
- Although the inventory level of Poly-Si is high, the high price level of existing long-term purchase contracts increases the interest in products with high quality but stable unit prices

(1) Solar Grade

# Poly-Si Business Strategy (2) : OCIMSB – Malaysia

- In 2019, OCIMSB's Poly-Si manufacturing costs were reduced by 33% over the previous year with fixed cost reduction and PS1 revamping
- Target to additionally reduce manufacturing costs by 16% YoY in 2020 with focusing on variable costs
- Increase production by 10% compared with 2019 by optimizing facility operating conditions

## Malaysia's SoG Poly-Si Manufacturing Cost Reduction Roadmap



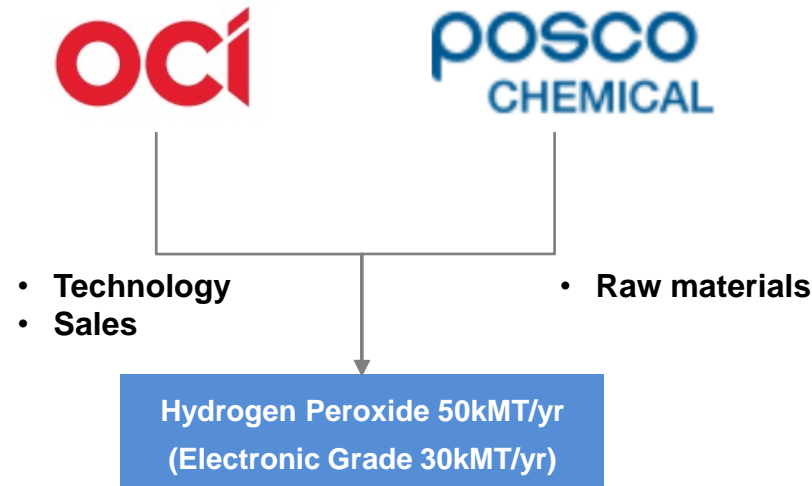
# Strategic Alliance with POSCO Chemical

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- After signing MOU with POSCO Chemical (Apr. 2019) to expand high value-added product business, the first phase of the project is under way
- To produce electronic grade high purity Hydrogen Peroxide by extracting hydrogen from steel by-products
- Afterwards, to expand further cooperation projects
- To secure business competitiveness based on OCI's technology and operating know-how and POSCO Chemical's cost-competitive materials

## Business Structure

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# 2020 Strategies

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- Solar Value Chain**
- Improve profitability and efficiency through dual production of Poly-Si
    - OCI Gunsan: Focus on EG Poly-Si market
      - The cost incurred by business restructuring in 2020
      - Expect to recover profitability after the completion of business restructuring
    - OCIMSB Malaysia: Enlarge SoG Poly-Si cost competitiveness
      - Increase profits by further reducing costs and optimizing operating conditions
  - Solid growth of OCI Power and MSE

- 
- Chemicals**
- Expansion of high value-added specialty products
    - Expand production and sales of specialty Fumed Silica
    - Hydrogen Peroxide with POSCO Chemical
  - Sales are possible to shrink due to falling prices and spread of the new coronavirus, but relatively stable cash flows

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- New Businesses**
- Groundbreaking for the first stage of DCRE city development
  - Seek investment opportunities not only for promising bio-venture companies but also pipelines with potential for development as new drugs

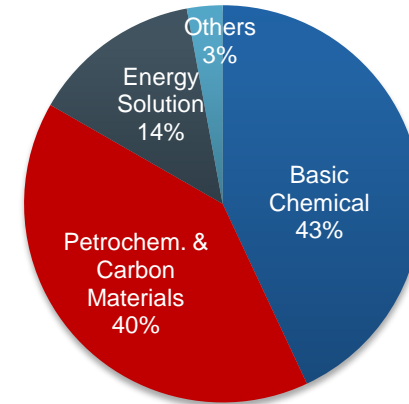


# Appendix. Company Overview

## Overview

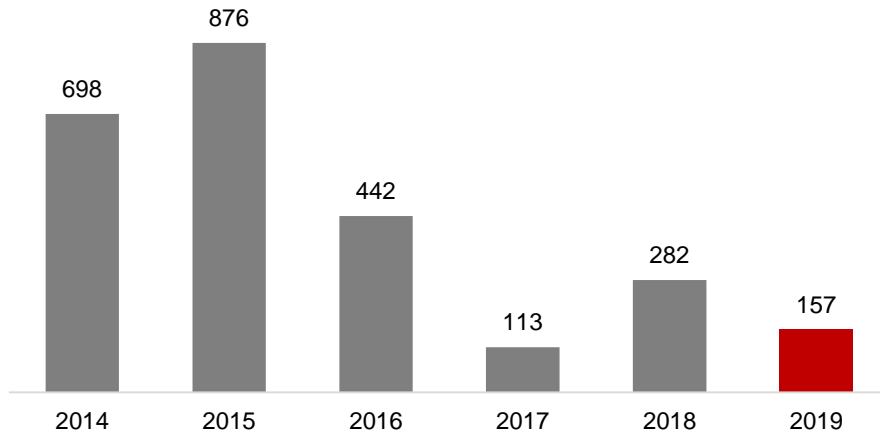
- Founded in 1959, OCI Company Ltd. is a Korea-based chemical company
- The company consists of four business divisions: Basic Chemical, Petrochemical & Carbon Materials, Energy Solution and others
- Basic Chemical: Poly-Si, H<sub>2</sub>O<sub>2</sub>, Chlor-Alkali and etc
- Petrochemical & Carbon Materials: TDI, Carbon Black, Pitch, Benzene, P/A, Plasticizer, FS VIP and etc
- Energy Solution: Solar PV, Cogeneration power plant
- Others: Bio, Trading and etc

## 2019 Revenue<sup>(1)</sup> Breakdown by Segment



## CAPEX

(Unit: KRW bil)

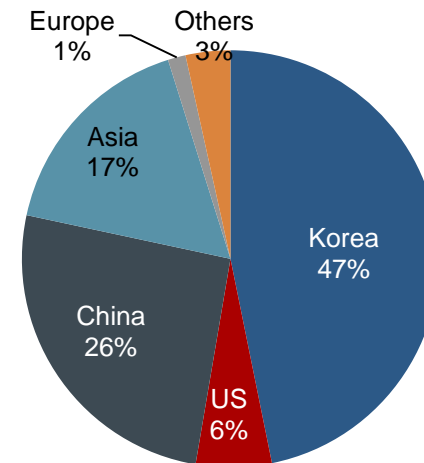


Note: Consolidated results based on K-IFRS, Not reviewed by outside auditors

(1) Before inter-company adjustment

(2) Korea revenue includes transaction through domestic letter of credit

## 2019 Revenue Breakdown by Region<sup>(2)</sup>



# Appendix. Business Snapshot by Division (2019 Q4)

(Unit: KRW bil)

|                            | Basic Chemical                                       | Petrochemical & Carbon Materials                            | Energy Solution                                      | Others & Adjustment                | Total |
|----------------------------|--|---|--|------------------------------------|-------|
| Sales Revenue              | 313  | 244   | 102  | -20                                | 639   |
| Operating Income           | -57  | -4  | 2  | -6                                 | -64   |
| % margin                   | -18%   | -2%   | 2%   |                                    | -10%  |
| EBITDA                     | -2   | 5   | 13   | -2                                 | 14    |
| % margin                   | -1%  | 2%  | 13%  |                                    | 2%    |
| Main Products              | Poly-Si, H2O2, FS, Chlor-Alkali, Sodium Percarbonate | TDI, Carbon Black, Pitch, Benzene, P/A, Plasticizer, FS VIP | Solar power development, Cogeneration power plant    | Bio Product Sales<br>Rental Income |       |
| OCI and Major Subsidiaries | OCI Specialty<br>OCIMSB                              | OCI China   | OCI Enterprises<br>OCI SE<br>OCI Power<br>OCI Global | DCRE<br>OCI I&C                    |       |

Note: Not reviewed by outside auditors

# Appendix. Historical Performance by Segment

(Unit: KRW bil)

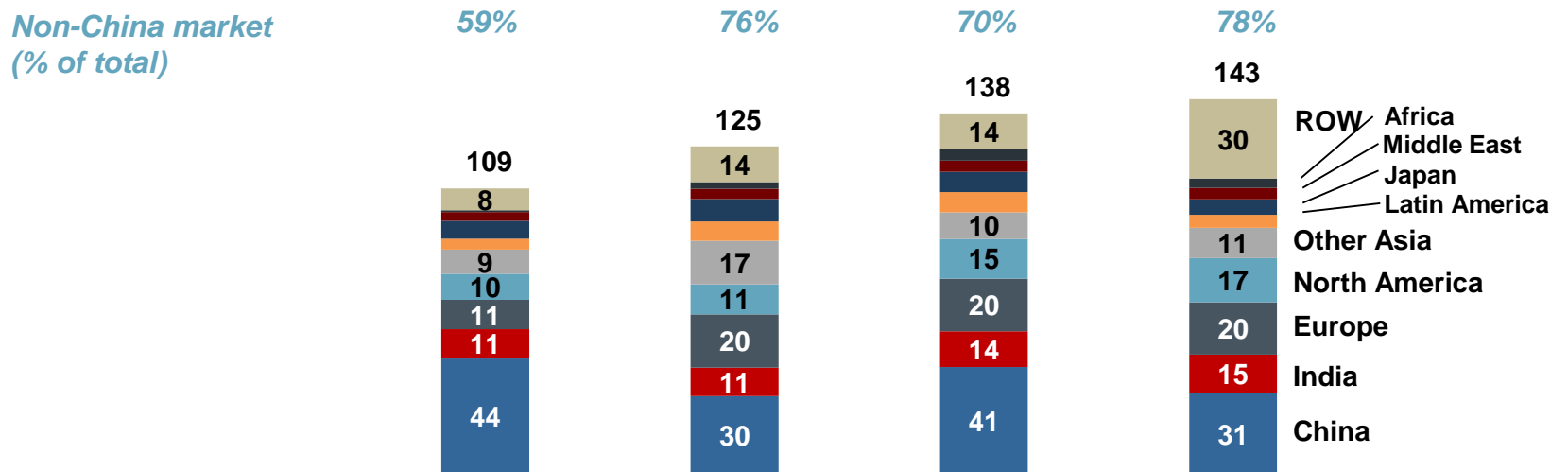
|                                  | 2018 Q4      | 2019 Q1      | 2019 Q2      | 2019 Q3      | 2019 Q4      | 2019           |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|----------------|
| <b>Sales Revenue</b>             | <b>704.4</b> | <b>641.8</b> | <b>653.9</b> | <b>670.8</b> | <b>638.7</b> | <b>2,605.1</b> |
| Basic Chemical                   | 294.1        | 268.5        | 309.8        | 320.0        | 312.6        | 1,210.9        |
| Petrochemical & Carbon Materials | 306.2        | 316.9        | 290.7        | 281.1        | 244.3        | 1,133.0        |
| Energy Solution                  | 124.3        | 100.3        | 92.5         | 93.6         | 102.2        | 388.6          |
| Others and Adjustment            | -20.2        | -43.9        | -39.1        | -24.0        | -20.4        | -127.3         |
| <b>Operating Income</b>          | <b>-43.2</b> | <b>-40.1</b> | <b>-19.9</b> | <b>-56.4</b> | <b>-64.3</b> | <b>-180.7</b>  |
| Basic Chemical                   | -62.2        | -71.9        | -34.8        | -65.5        | -57.0        | -229.1         |
| Petrochemical & Carbon Materials | 11.5         | 16.7         | 21.0         | 18.9         | -3.8         | 52.8           |
| Energy Solution                  | 11.5         | 23.5         | 1.8          | 0.9          | 2.0          | 28.3           |
| Others and Adjustment            | -4.0         | -8.5         | -7.9         | -10.8        | -5.5         | -32.7          |
| <b>EBITDA</b>                    | <b>31.9</b>  | <b>37.1</b>  | <b>58.9</b>  | <b>20.1</b>  | <b>13.8</b>  | <b>129.9</b>   |
| Basic Chemical                   | -8.1         | -17.3        | 21.1         | -11.4        | -2.3         | -9.9           |
| Petrochemical & Carbon Materials | 20.8         | 26.3         | 30.5         | 27.9         | 5.0          | 89.7           |
| Energy Solution                  | 20.2         | 33.1         | 11.4         | 10.6         | 12.9         | 68.0           |
| Others and Adjustment            | -1.0         | -4.9         | -4.2         | -7.1         | -1.8         | -18.0          |

Note: Not reviewed by outside auditors

# Appendix. Mid-term Solar PV Market Forecast

- In 2019, the market was 30GW in China and 95GW outside of China, achieving 125GW of new installation
- In 2020, PV demand is expected to continue to grow modestly backed by the existing markets led by subsidy-free projects as well as diversified new markets

## Global Solar PV Installation Forecast(GW)



| (kMT)                 | 2018       | 2019(E)    | 2020(E)    | 2021(E)    |
|-----------------------|------------|------------|------------|------------|
| <b>Poly-Si Demand</b> | <b>451</b> | <b>477</b> | <b>482</b> | <b>484</b> |
| Solar                 | 414        | 438        | 442        | 443        |
| Semiconductor         | 37         | 39         | 40         | 41         |

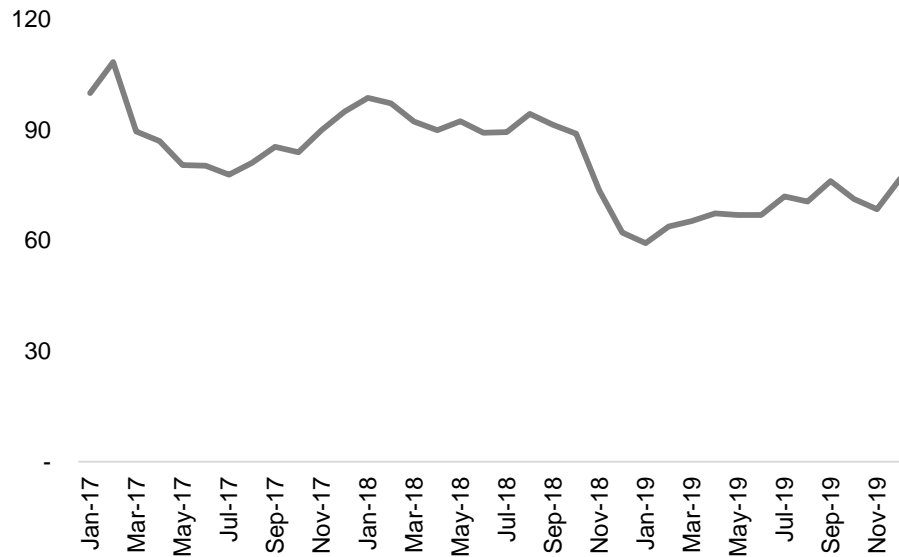
Source: Global Solar PV installation actual and forecast by Bloomberg NEF(Central scenario, Nov. 2019) and others, OCI analysis  
 Poly-Si demand forecast(OCI analysis)  
 Silicon usage(gram/watt): Bloomberg NEF and OCI analysis, 3.8(2018), 3.5(2019E), 3.2(2020E), 3.1(2021E)

# Appendix. Chemical Business Updates (1)

## Benzene

- Demand decreased due to low utilization rate in downstream industries, but price recovered due to reduced Benzene production

(January 2017=100)

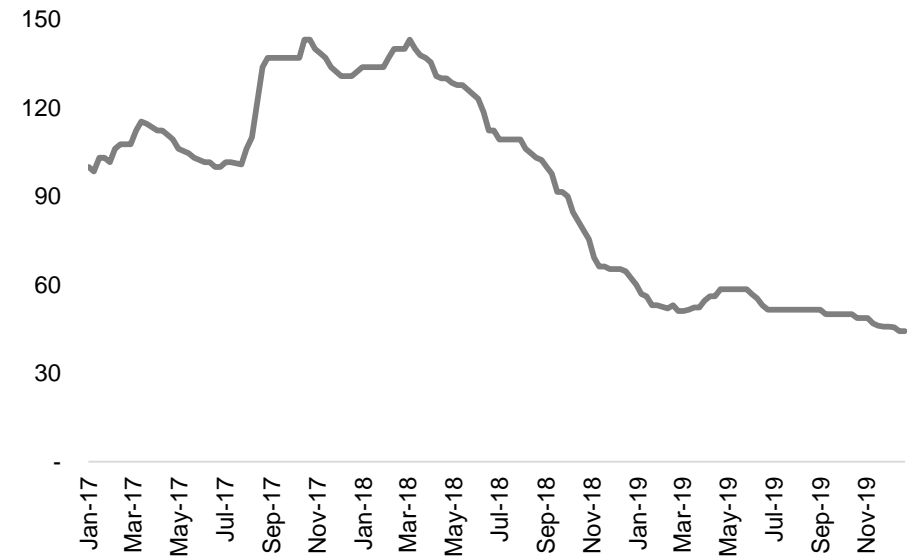


Source: Platts(FOB Korea)

## TDI

- Reduced demand due to off-season

(January 2017=100)



Source: ICIS(CFR China Main Port & HK)

# Appendix. Chemical Business Updates (2)

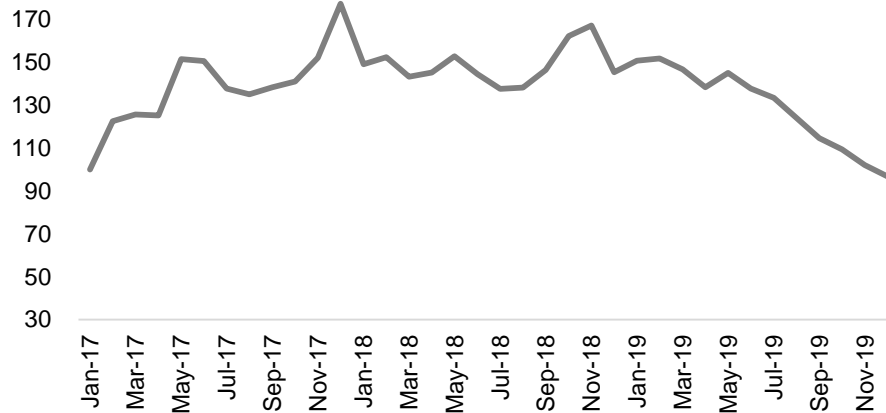
## Pitch

- Slump in demand due to reduced Aluminum production in China

## Carbon Black

- Lower utilization rate in tire industry continued
- Oversupply due to increased sales of Chinese Carbon Black to Asia

(January 2017=100)



Source: EastRiver(Hard Pitch, EX-Work China)

# Thank you!

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