PT Chandra Asri Petrochemical Tbk (CAP)

About CAP:
CAP, a subsidiary of PT Barito Pacific Tbk, is Indonesia's largest integrated petrochemical company producing olefins and polyolefins. CAP's state-of-the-art facility and infrastructure are located in Cilegon and Serang, in Banten province on Java. CAP operates the country's only naphtha cracker, and is the sole producer of ethylene, styrene monomer and butadiene in Indonesia. In addition, CAP is also the largest polyolefins producer in Indonesia, producing raw materials and base petrochemical products used for packaging products, pipes, automotive, electronics, and consumer goods in support of Indonesia's growth and industrialization ambitions.

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NEWS RELEASE

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CHANDRA ASRI PETROCHEMICAL ANNOUNCES RESULTS FOR THE PERIOD ENDING JUNE 30, 2020

On 27 July 2020, PT Chandra Asri Petrochemical Tbk (IDX: TPIA) released its unaudited consolidated financial statements for the six months of 2020. The Company recorded Net Revenues of US$841.4 million.

The Company's Director, Suryandi, commented:

"We are pleased with the business turnaround in Q2 2020 compared to the first 3 months of the year. We have seen an uptick in industrial activity especially in China and NEA, leading to strengthening demand for polymers. This factor plus the reduction in naphtha prices in line with the decline in crude oil values have increased polymer spreads by 20-30%, to industry mid-cycle profit levels in June. YTD Q2 2020, we recorded Revenues of US$841.4 million, EBITDA of US$4.5 million, and a Net Loss of US$29.9 million.

Our balance sheet position remains robust with increased liquidity pool of US$931 million as of 30 June 2020 including US$649 million cash and cash equivalents (up from US$880 million and US$624 million in Q1 2020). Overall demand remains healthy and we are expecting a meaningful recovery in the second half of 2020, with a significant rebound since the petrochemical industry trough in Q1 2020.

Considering the Improved Business Profitability, Increased Financial Resilience, and Enhanced Business Outlook, Chandra Asri has progressed in July 2020 to prepay US$125 million of its secured term loan to reduce debt levels, whilst continuing to invest in our Digital Transformation Program across our operational and financial activities together with industry leaders and long-term partners, to be the Industry 4.0 leader in Indonesia."

6M 2020 FINANCIAL HIGHLIGHTS:

- Net Revenues decreased by 20.1% to US$841.4 million from US$1,053.7 million in YTD Q2 2019 as a result of lower average sales product prices particularly for Olefins and Polyolefins, with continued healthy demand resulting in sustained consumption and stable sales volume.
- Cost of Revenues declined by 7.4% to US$852.6 million from US$920.6 million in YTD Q2 2019 largely due to lower Naphtha price to an average of US$422/MT from US$547/MT in YTD Q2 2019, reflecting lower Brent crude oil prices which contracted to an average of US$40/bbl compared to US$66/bbl in YTD Q2 2019.
- EBITDA decreased by 96.3% to US$4.5 million from US$123.0 million in YTD Q2 2019 driven by the challenging Q1 2020, due to the high crude oil prices then, soft demand for polymers due to the US trade war, and slowing economy in China due to the onset of the Covid-19 pandemic around the Chinese New Year period.
- Net Profit After Tax amounted to -US$29.9 million, lower by 189.7% from the YTD Q2 2019 figure of US$33.3 million. The US$63 million reduction is largely attributable to compressed margins (-US$144 million), offset by reductions in operating expenditure, no share in net loss of an associate plus deferred tax liability reduction (US$63 million delta).
- Robust strong liquidity pool of US$931 million consisting of US$649 million in cash and cash equivalents, US$250 million of available Revolving Credit Facility, and US$32 million in marketable securities.

US$ million, unless otherwise stated	6M2020	6M2019	% change
Net Revenues	841.4	1,053.7	(20.1)
Cost of Revenues	852.6	920.6	(7.4)
Gross Profit	(11.2)	133.0	(108.4)
Net Profit After Tax	(29.9)	33.3	(189.7)
EBITDA	4.5	123.0	(96.3)
Cash Flows from (used in) Operating Activities	(86.9)	(42.1)	106.3
Capital Investments	70.0	152.0	(54.0)
Earnings per share (US$)	(0.0017)	0.0018	(194.4)
US$ million, unless otherwise stated	**6M2020**	**FY2019**	**% change**
Total Assets	3,326.9	3,451.2	(3.6)
Total Liabilities	1,600.6	1,690.2	(5.3)
Shareholders' Equity	1,726.2	1,761.0	(2.0)
Interest Bearing Debt	950.4	791.4	20.1
Cash & Cash Equivalents	649.0	660.2	(1.7)
Net Debt / (Cash)	301.4	131.2	129.7

Financial Ratios

	6M2020	6M2019
Gross Profit Margin	-1.3%	12.6%
EBITDA Margin	0.5%	11.7%
Interest service coverage (x)	3.2	4.5
Debt to Capitalization	36%	31%
Debt to EBITDA (x) - LTM	15.4	2.7
Net Debt/ (Cash) to EBITDA (x) – LTM	4.9	0.5

Business Segments

In US$ million	Revenues		
	6M2020	6M2019	% change
Olefins	116.7	257.9	(54.8)
Polyolefins	557.5	486.2	14.7
Styrene Monomer	102.7	192.2	(46.6)
Butadiene	62.0	111.3	(44.3)
Tanks and Jetty Rental	2.5	6.0	(58.1)
Consolidated	**841.4**	**1053.7**	**(20.1)**

In US$ million	Gross Profit		
	6M2020	6M2019	% change
Olefins	9.0	24.0	(62.4)
Polyolefins	(13.3)	73.5	(118.0)
Styrene Monomer	(9.3)	25.9	(135.9)
Butadiene	0.7	6.8	(90.5)
Tanks and Jetty Rental	1.7	4.7	(64.7)
Consolidated	**(11.2)**	**134.9**	**(108.3)**

FINANCIAL PERFORMANCE ANALYSIS

Net Revenues

Net Revenues decreased by US$212 million, 20.1% lower to US$841.4 million from US$1,053.7 million in YTD Q2 2019, mainly reflecting lower average sales product prices to US$777/T from US$996/T in YTD Q2 2019 with Ethylene and Polyethylene prices dropping sharply to US$646/T and US$824/T, from US$906/T and US$1,170/T respectively. In addition, our sales volume remained relatively stable at level of 1,082KT in YTD Q2 2020.

Cost of Revenues

Cost of Revenues declined by 7.4% to US$852.6 million from US$920.6 million in YTD Q2 2019 largely due to lower Naphtha price to an average of US$422/MT from US$547/MT in YTD Q2 2019, driven by lower Brent crude oil prices (40% decline year-on-year to an average of US$40/bbl against US$66/bbl in YTD Q2 2019).

As a result of the above, Gross Profit for six months of 2020 was -US$11.2 million, 108.4% lower than YTD Q2 2019.

EBITDA

EBITDA decreased by 96.3% to US$4.5 million from US$123.0 million in YTD Q2 2019 driven by lower petrochemical margins due to the challenging Q1 2020, with the high crude oil prices then, soft demand for polymers due to the US trade war, and slowing economy in China due to the onset of the Covid-19 pandemic around the Chinese New Year period.

Net Profit After Tax

The Company realized -US$29.9 million Net Profit After Tax in YTD Q2 2020 compared to US$33.3 million in same period last year. The US$63 million reduction is largely attributable to weaker gross profit (US$144 million less), offset by reductions in operating expenditure, no share in net loss of an associate plus deferred tax liability reduction (US$63 million delta), due to the reduction of Indonesia corporate income tax rate from 25% to 22% in 2020-2021, and to 20% in 2022 onwards.

Total Assets

Total Assets decreased by 3.6% to US$3,326.9 million as of 30 June 2020, against US$3,451.2 million on 31 December 2019 largely due to lower account receivables reflecting soft lower average selling prices.

Total Liabilities

Total Liabilities reduced to US$1,600.6 million from US$1,690.2 in FY 2019 mainly due to lower account payable at US$462.0 million coupled with lower deferred tax liabilities at US$95.1 million with the change in Indonesia's corporate income tax rate, offset by higher interest bearing debt at US$950.4 million including working capital credit facility of US$70 million.

As of June 30, 2020, the Company had a total debt position of US$950.4 million, against a cash and cash equivalents balance of US$649.0 million, resulting in an overall net debt position of US$301.4 million. Net Debt to EBITDA stood at 4.9x.

Cash Flows from Operating Activities

Net cash used in Operating activities was US$86.9 million in YTD Q2 2020 against US$42.1 million in YTD Q2 2019, due to lower cash receipts from customers in line with lower gross profit levels.

Cash Flows from Investing Activities

Net cash used in Investing activities decreased by 62.6% to US$53.7 million in YTD Q2 2020 from US$143.5 million in YTD Q2 2019, with most capex projects largely completed and only channeled towards the ongoing MTBE-B1 plant expansion.

Cash Flows from Financing Activities

Net cash provided from Financing activities was US$129.5 million in YTD Q2 2020 against US$107.9 million in YTD Q2 2019 due to new Term Loan from PermataBank US$70 million coupled with working capital credit facility US$70 million, offset by higher interest and financial charges US$30 million, principal repayments US$41.6 million and lower dividend payment.

MARKET CONDITIONS Q2 2020

Brent crude price dropped to US$33/bbl in Q2-2020 from US$51/bbl in Q1-2020 on the back of huge global surplus & massive demand destructions amid the COVID-19 pandemic crisis with collapsing global economy, persistent market volatility amid US-China trade tension and rising fears for the second wave of the outbreak.

Naphtha price in Q2-2020 decreased from an average US$437/MT in Q1-2020 to US$276/MT due to muted petrochemical demand amid COVID-19 outbreak, Eid holiday & cracker maintenances/outages as well as pandemic lockdown resulting in lackluster gasoline blending demand in overall.

Ethylene price declined from US$684/MT in Q1-2020 to US$556/MT in Q2-2020 due to bleak market sentiment and pessimistic economic outlook caused by COVID-19 pandemic, quiet market during Eid holiday and ample supply amid weak demand from downstream sides.

Polymer price decreased in Q2-2020 to US$791/MT for Polyethylene and US$988/MT for Polypropylene. Weaker Polyethylene prices were driven by depressed sentiment amid global lockdowns, bleak economy, weak China import market and slow end-user demand. Polypropylene prices softened due to sluggish global demand and lowered demand growth.

Butadiene price decreased from US$790/MT in Q1-2020 to US$328/MT in Q2-2020 on the back of ample supply which outstripped demand on collapsing global automotive trade. Thin trade in China and the rest of Asia accompanied by deteriorating downstream affordability and high inventory situation.

Styrene Monomer price decreased from US$885/MT in Q1-2020 to US$803/MT in Q2-2020, due to weak buying sentiment caused by COVID-19 outbreak. Ample supply due to higher run rates and high inventory level in China resulted from cargo arrivals.

CORPORATE NEWS

Chandra Asri Donates 50 Water Tanks to Cilegon City Government

On 20 May 2020, the Company and PT Penguin Indonesia donated 50 water tanks to the Cilegon City Government, Government agencies at the sub-district and urban village levels, the Police Department, as well as several places of worship and schools in Cilegon. This was a form of commitment to support adequate facilities and infrastructure to implement Clean and Healthy Behavior during the COVID-19 pandemic.

Chandra Asri Provides Social Assistance to the Orange Forces in Jakarta

On 25 May 2020, the Company together with members of DPD RI Prof. Dr. Hj. Sylviana Murni, S.H., M.Si collaborated to provide a social assistance package to 1,200 "orange forces" in Jakarta, officers handling the cleanliness of public infrastructure and facilities. The assistance was delivered together with the Deputy Governor of DKI Jakarta Ir. H. Ahmad Riza Patria, M.B.A., and Head of DKI Jakarta Environment Agency Ir. H. Andono Warih, M.Sc.

Chandra Asri Ratings Affirmed at idAA- by PEFINDO

On 8 June 2020, the Company has been reaffirmed by PEFINDO for its Bond I/2016, Shelf Registered Bond I/2017-2018, and Shelf Registered Bond II/2018-2020 at idAA-. Due to retail investor demand, Chandra Asri is progressing with its 3rd IDR Bond Shelf Programme after the successful full completion of prior programs that were oversubscribed.

Chandra Asri Provides Raw Material for Flocked Swab for COVID-19 Test, in a Consortium initiated by the University of Indonesia (UI)

On 8 June 2020, the Company supported the consortium initiated by UI which aims to produce flocked swab, a specimen collection device for Polymerase Chain Reaction (PCR) test considered as the most reliable test by the World Health Organization. The consortium targets one million units of flocked swab production to be donated to Indonesian hospitals.

Chandra Asri Donates Positive-Pressed Swab Booth to BNPB to Protect Medical Personnel

On 10 June 2020, the Company together with the assistance of SCG Indonesia donated five positive-pressed swab booths to protect medical personnel from potential virus infection. This swab booth is an innovative SCG solution that uses a pressure generator to allow the air inside the room to remain clean and sterile when medical personnel examines or take patient samples.

Chandra Asri is Reaffirmed at BB-, by S&P Global Ratings

On 19 June 2020, the Company's credit rating was reaffirmed by S&P at 'BB-'. The international credit rating agency also affirmed the Company's senior unsecured US Dollar Bond at 'BB-'.

Chandra Asri Gives 500 Influenza Vaccines to Protect Medical Personnel from COVID-19

On 2 July 2020, the Company provided 500 FluQuadri influenza vaccines for medical workers to protect them from the virus transmission. The assistance will be distributed by the Health Service to all Community Health Centers in Cilegon city.

DBS Bank Extends US$195 million Financing and Digital Platforms to Chandra Asri to Navigate the New Normal

On 20 July 2020, the Company obtained the support of DBS Bank in the form of financing amounting to US$195 million or equivalent to IDR2.9 trillion to meet the working capital needs in the form of Trade Financing and Revolving Credit Facility (RCF). In addition, the Company also maximizes the use of digital platforms, DBS IDEAL and DBS RAPID to manage the effectiveness and efficiency of day-to day business activities in maintaining sustainable business processes.