

# PT CHANDRA ASRI PETROCHEMICAL TBK [TPIA.JK]



## Agenda: Updates on FY-2016 Performance

March 2017



Chandra Asri  
Petrochemical

[www.chandra-asri.com](http://www.chandra-asri.com)



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# 1. Company Overview

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# 1. Company Overview

## CAP Snapshot

- Largest integrated Olefins and Polyolefins producer in Indonesia.
- Owns the only Naphtha Cracker, Styrene Monomer and Butadiene plants in Indonesia.
- Sole producer of Ethylene (860KTA), the largest Polypropylene producer (480KTA) and Propylene (470KTA) in Indonesia. One of two producers of Polyethylene (336KTA) in Indonesia
- Uniquely positioned to capitalize on strong growth prospects of Indonesia’s petrochemical industry and rising consumer demand.
- Backed by strong principal shareholders Barito Pacific Group<sup>(1)</sup> (65.21%) and Siam Cement Group (“SCG”) (30.57%) as of 31<sup>st</sup> Dec 2016

Financial Summary:	FY2015	FY2016
▪ Net Revenue	US\$1,378m	US\$1,930m
▪ Adjusted EBITDA	US\$155m	US\$509m
▪ EBITDA margin	11%	26%



CAP's main integrated manufacturing complex



Ethylene plant



Polypropylene plant



Styrene monomer plant



Butadiene plant

(1) Includes CAP shares held by Marigold Resources and Magna Resources

# 1. Company Overview

## Vision and Business Strategy

### *The Leading and Preferred Petrochemical Company in Indonesia*

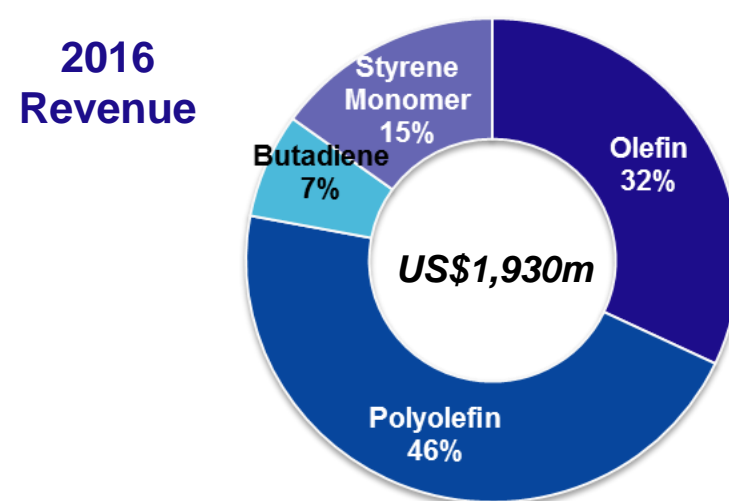
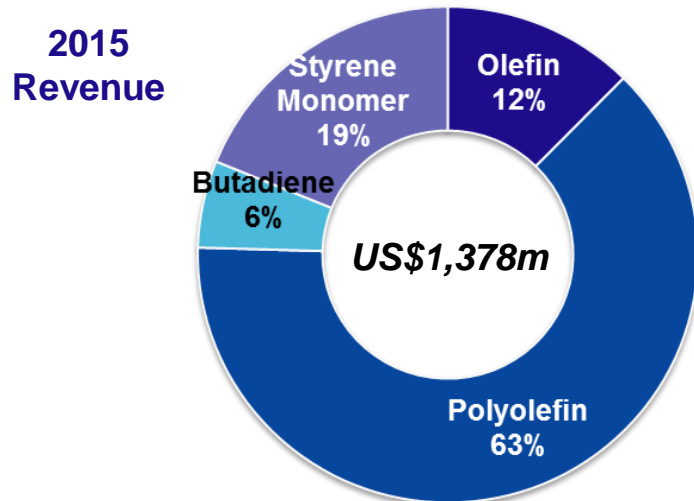
- 1 Increase capacity and build on leading market position
- 2 Expand product offerings and further optimize integration along the petrochemical value chain
- 3 Develop feedstock advantage to improve cost competitiveness
- 4 Develop and nurture human capital
- 5 Continue to leverage the Company's unique infrastructure and customer service to maintain premium relationship
- 6 Maintain and further improve best-in-class operating standards, cost efficiency, and safety, health, and environment



# 1. Company Overview

## Strong and diverse product portfolio

...fundamental to production of many diverse consumer and industrial products



**Olefins**

<b>Ethylene</b> 	<b>Propylene</b> 
<b>Pygas</b> 	<b>Mixed C<sub>4</sub></b> 

**Polyolefins**

<b>Polyethylene</b> 	
<b>Polypropylene</b> 	

**Styrene Monomer**


**Butadiene**




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## 2. Key Investment Highlights

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## 2. Key Investment Highlights

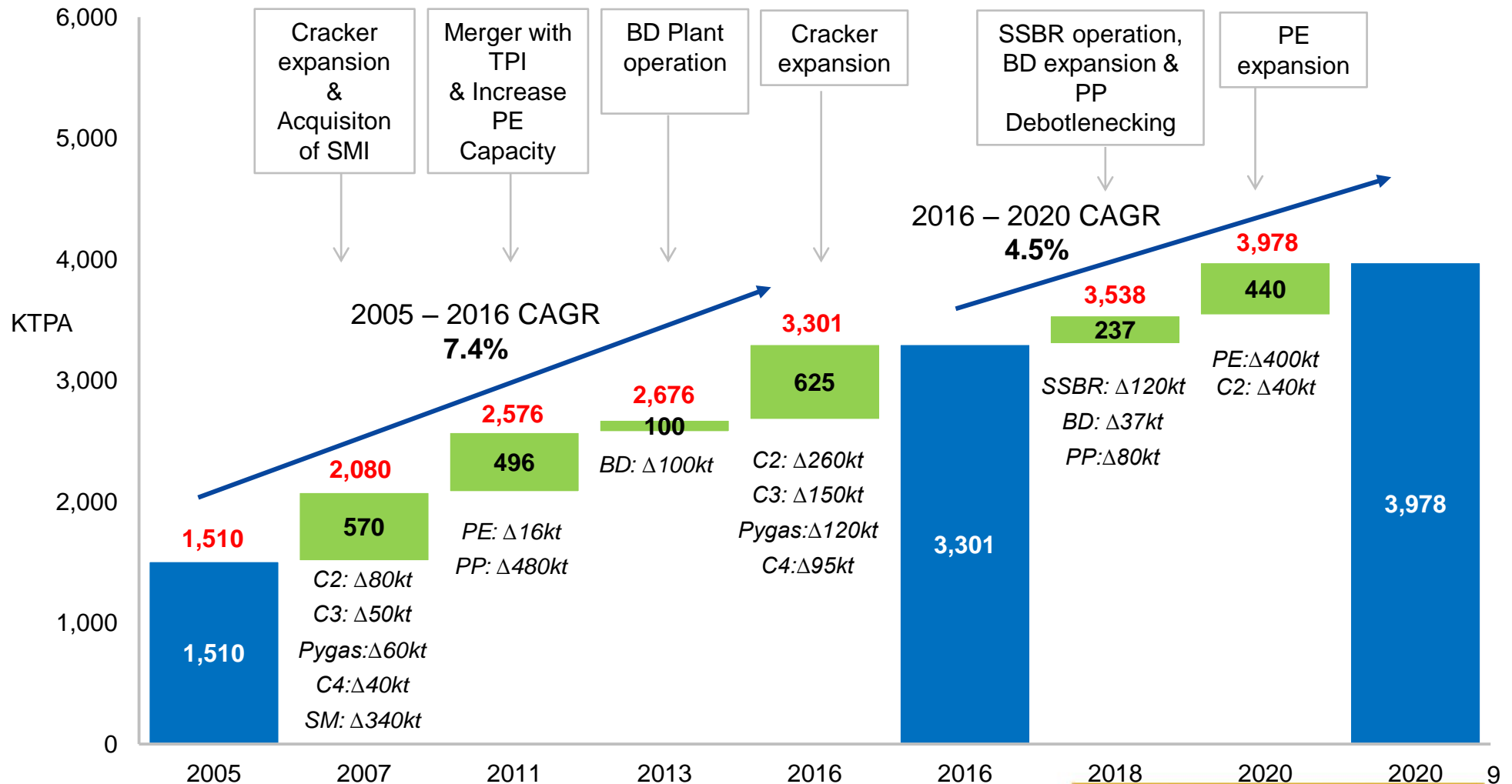






## 2. Key Investment Highlights

### 1 Strong success of both vertical and horizontal expansion



## 2. Key Investment Highlights

### 1 Successful Cracker expansion

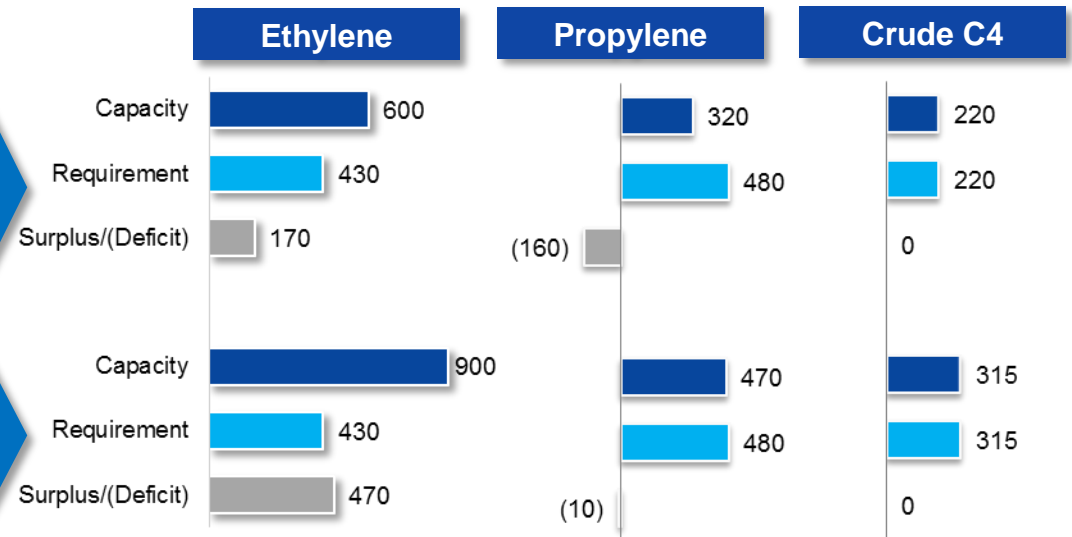


- Cracker expansion to achieve economies of scale and take advantage of significant ethylene shortage in Indonesia
- Ethylene sold to existing domestic customers who are carrying out debottlenecking (Asahimas, etc)
- Achieved Mechanical Completion on Dec 9, 2015. Re-started Cracker and achieved on-spec products on Dec 19, 2015
- Total actual project cost in line with budget (ca. US\$380m)



Before  
Expansion

After  
Expansion

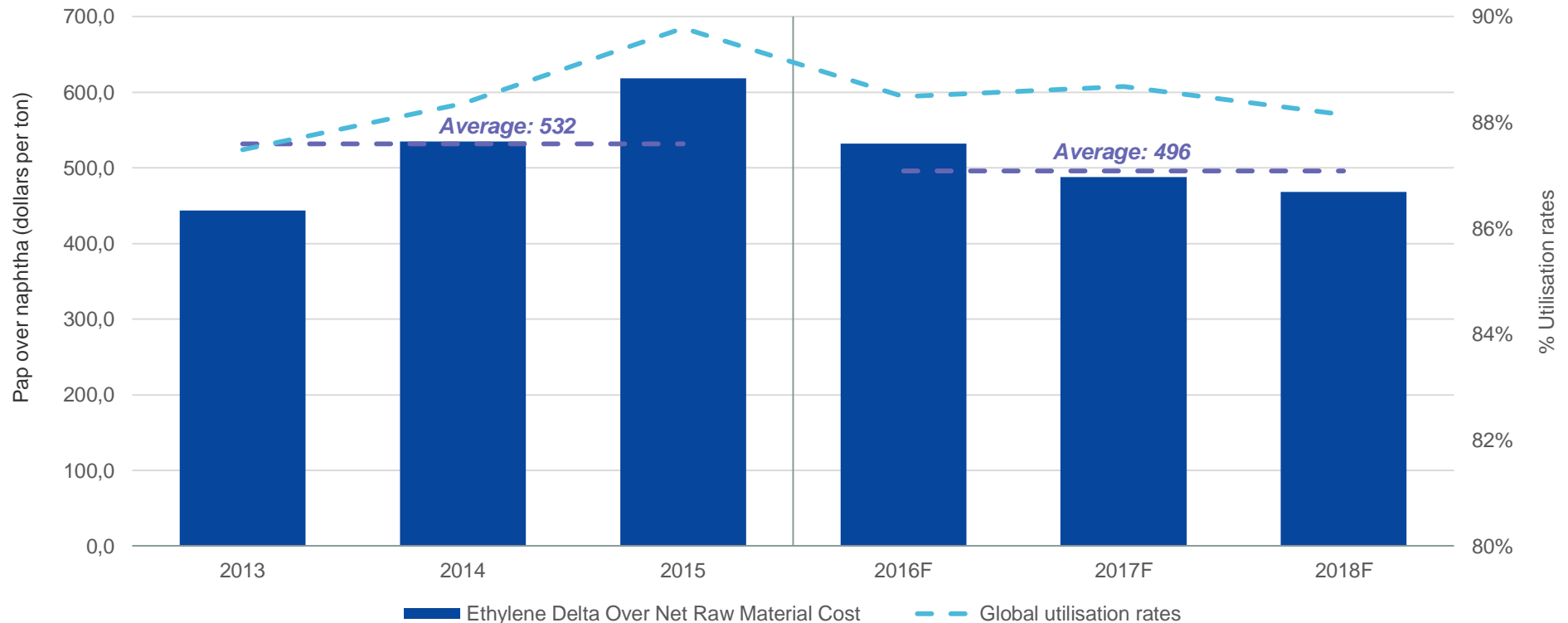


## 2. Key Investment Highlights

### 2 Attractive industry fundamentals: petrochemical industry is in long term cyclical phase

*Petrochemical industry profitability to continue on path of sustainable recovery post 2012 as a result of improving demand and lower capacity addition*

#### Ethylene spreads over Naphtha



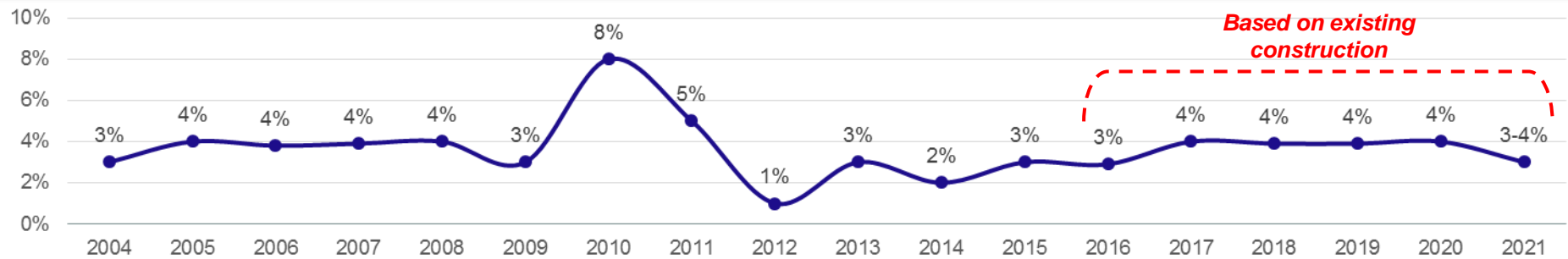
Note: Forecast price is based on Brent Crude at \$30 (2016-2020) and \$50 (2021-2022) per barrel

Source: Nexant (Feb 2016)

## 2. Key Investment Highlights

### 2 Ethylene world supply growth and capacity

Ethylene world supply growth

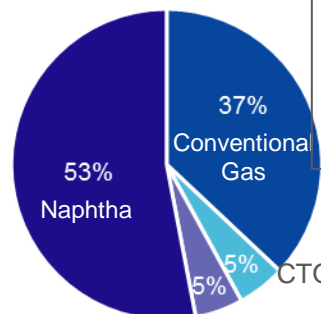


Incremental supply growth (MT):

2.8	4.4	4.6	4.7	4.7	3.5	10.5	6.9	2.0	5.0	3.4	5.0	5-6	6-7	6-7	6-7	6-7	6-7
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### Ethylene world capacity – Naptha + conventional gas = 91% of capacity

Ethylene world capacity: 191MT in 2021

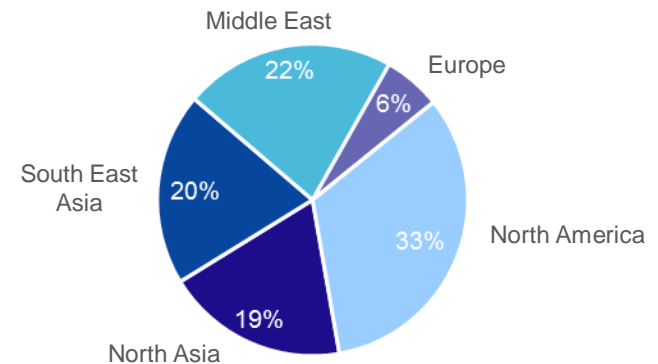


- Near Mongolia (coal reserves) with water scarcity
- 5x greater water usage than conventional
- 2.5x higher investment cost than conventional
- Deleted from China's investment tax promotion

CTO + MTO and others  
New shale gas cracker

- 8 crackers = 5% of world's capacity
- 6 years required from planning to start-up

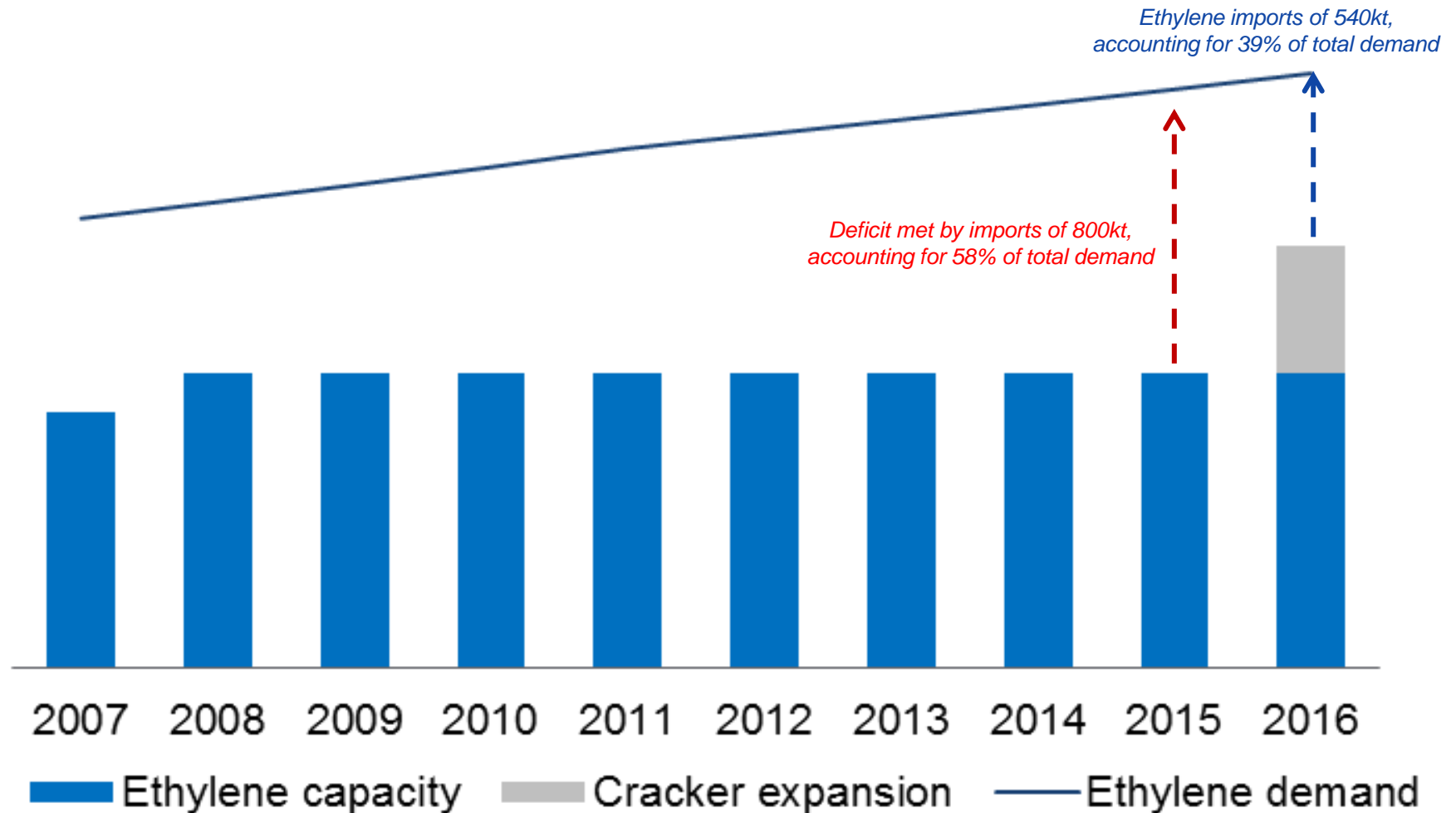
New capacity by region (2017-2021)





## 2. Key Investment Highlights

### 2 Strong Indonesian Ethylene supply & demand



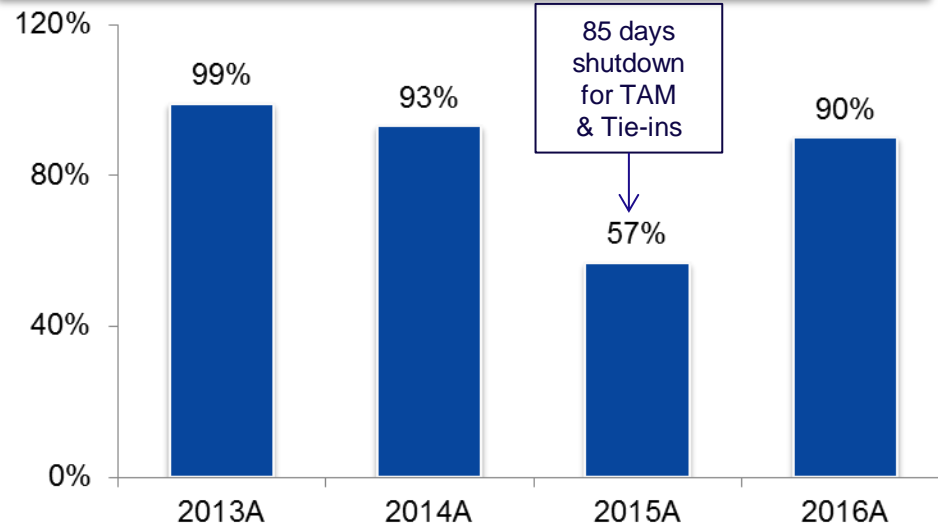
## 2. Key Investment Highlights

### 2 High operating rates

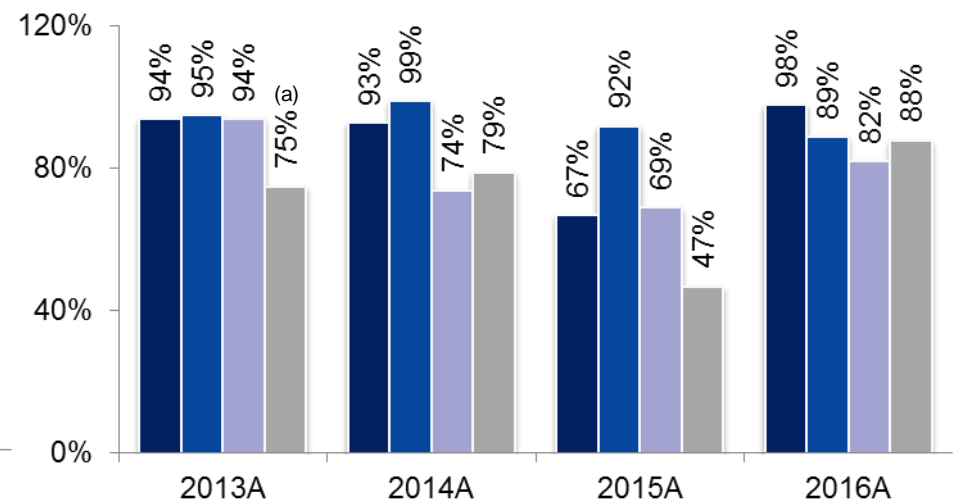
Continue to achieve high capacity utilization rates mainly due to robust demand from domestic market in Indonesia, a net petrochemical importing country, and focusing on energy yield and efficiency improvements.

#### Plant Utilisation Rates

##### Ethylene



##### Polyethylene, Polypropylene, Styrene Monomer, Butadiene



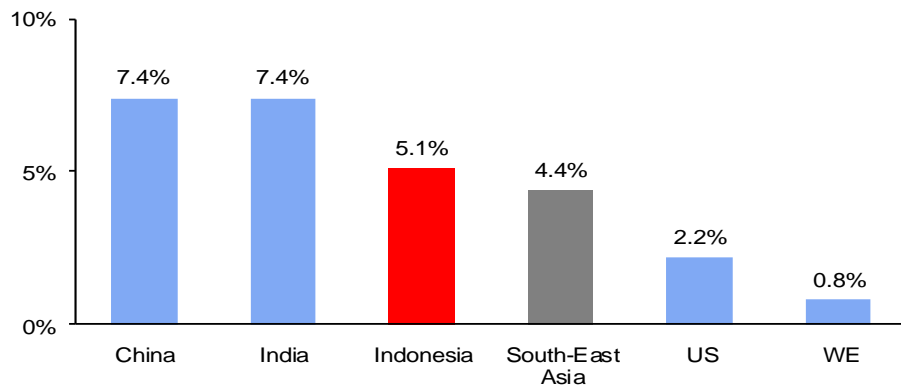
■ Polyethylene ■ Polypropylene ■ Styrene Monomer ■ Butadiene

- Consistently achieved high utilization rate of above 90%.
- Conducted 85 days shutdown for Turn Around Maintenance (TAM) and Cracker Expansion Tie-ins from Sept to Dec 2015
- Next TAM scheduled for 2020
- CAP's utilisation rates of the downstream products have remained strong with average of more than 90%
- Utilisation rates in 2014-2015 for SM and BD impacted by market conditions and C4 availability respectively

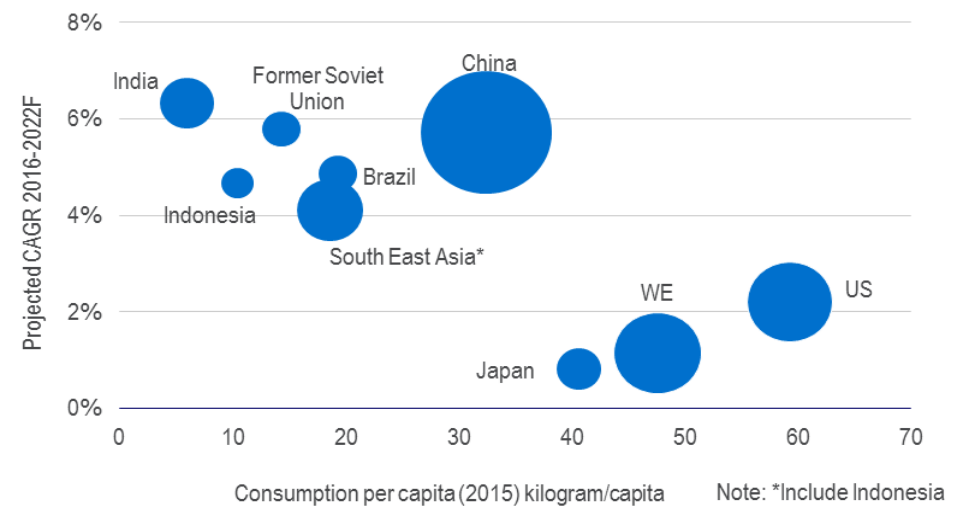
## 2. Key Investment Highlights

### 3 Uniquely positioned to benefit from Indonesia's strong macroeconomic growth and consumption trends

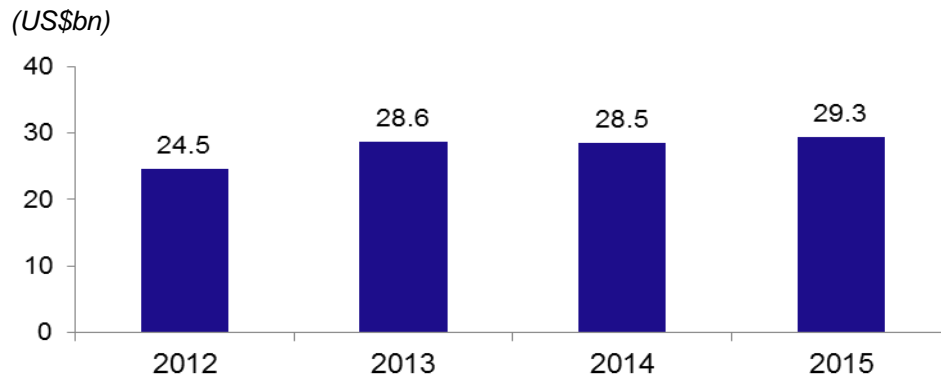
GDP growth CAGR (2014-2018E)



Polyolefins Consumption per Capita<sup>(1),(2)</sup>



FDI Investment in Indonesia (2012-2015)



#### Domestic trends

Rising Population

Quality of Life

Urbanization

Manufacturing

(1) Size of bubble indicates population size of each country / region in 2015

(2) Polyolefins include HDPE, LLDPE, LDPE and PP

## 2. Key Investment Highlights

### 3 Strong demand growth expected in Indonesia for petrochemical products

*Petrochemical products are fundamental to production of a wide variety of consumer and industrial products, such as packaging, containers, automotive and construction materials*



Source: Nexant (Feb 2016)



## 2. Key Investment Highlights

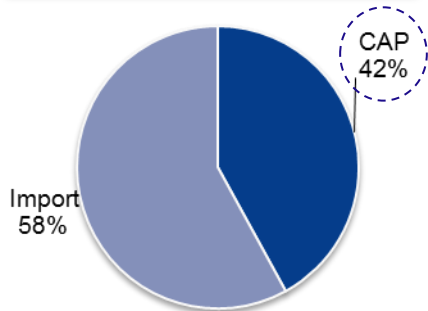
### 4 Domestic market leader

CAP is a market leader in Indonesia across all of its products and a leading player in the region



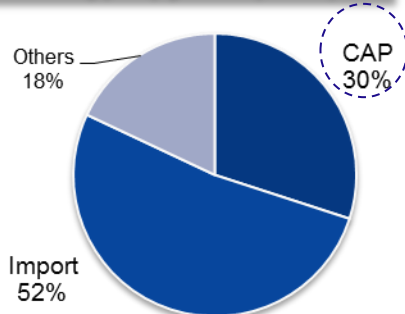
Largest Petrochemical company in Indonesia<sup>(1)</sup>

#### Ethylene (2015)



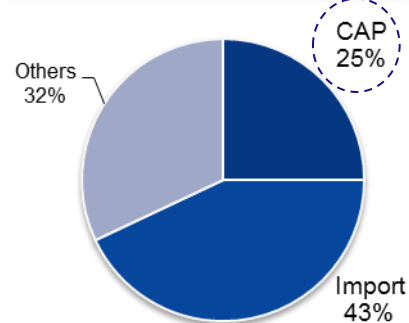
Total Supply: 1.4M tons

#### Polypropylene (2015)



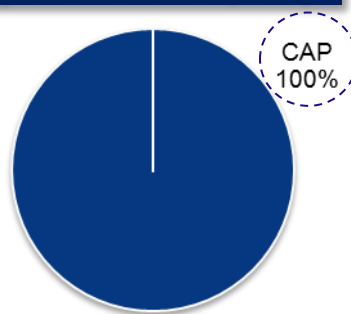
Total Supply: 1.8M tons

#### Polyethylene (2015)



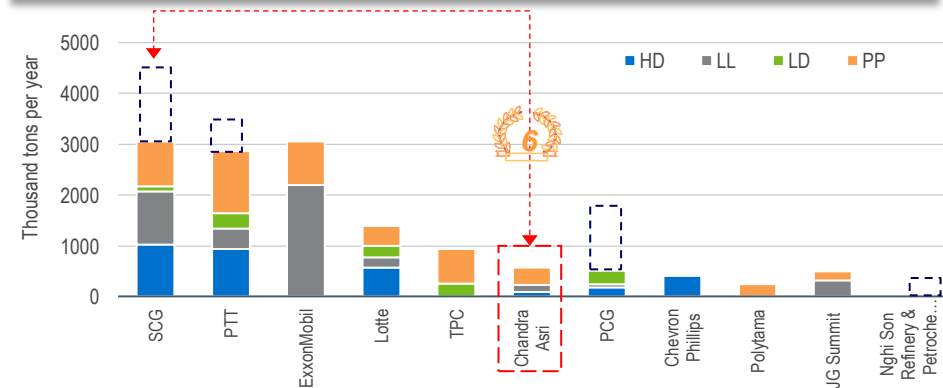
Total Supply: 1.4M tons

#### Styrene Monomer (2015)

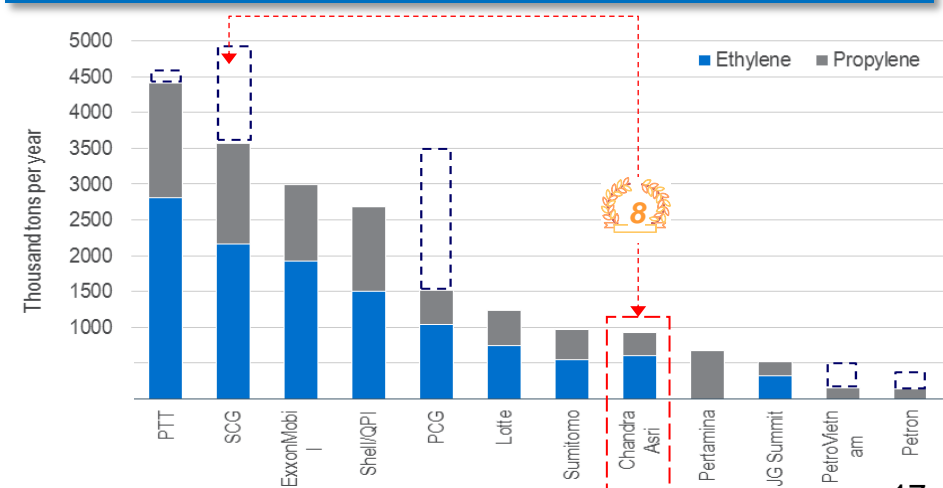


Total Supply: 0.2M tons

#### Polyolefin Top 10 South East Asia Producers



#### Olefin Top 10 South East Asia Producers



(1) By production excluding fertilizer producers  
Source: Company, Nexant (Feb 2016)



Source: Nexant (Feb 2016)

## 2. Key Investment Highlights

### 4 Indonesia's leading petrochemical producer

*CAP has the most diverse product range and a dominant producer with approximately 48% market share of Indonesia's olefins and polymers production capacity*

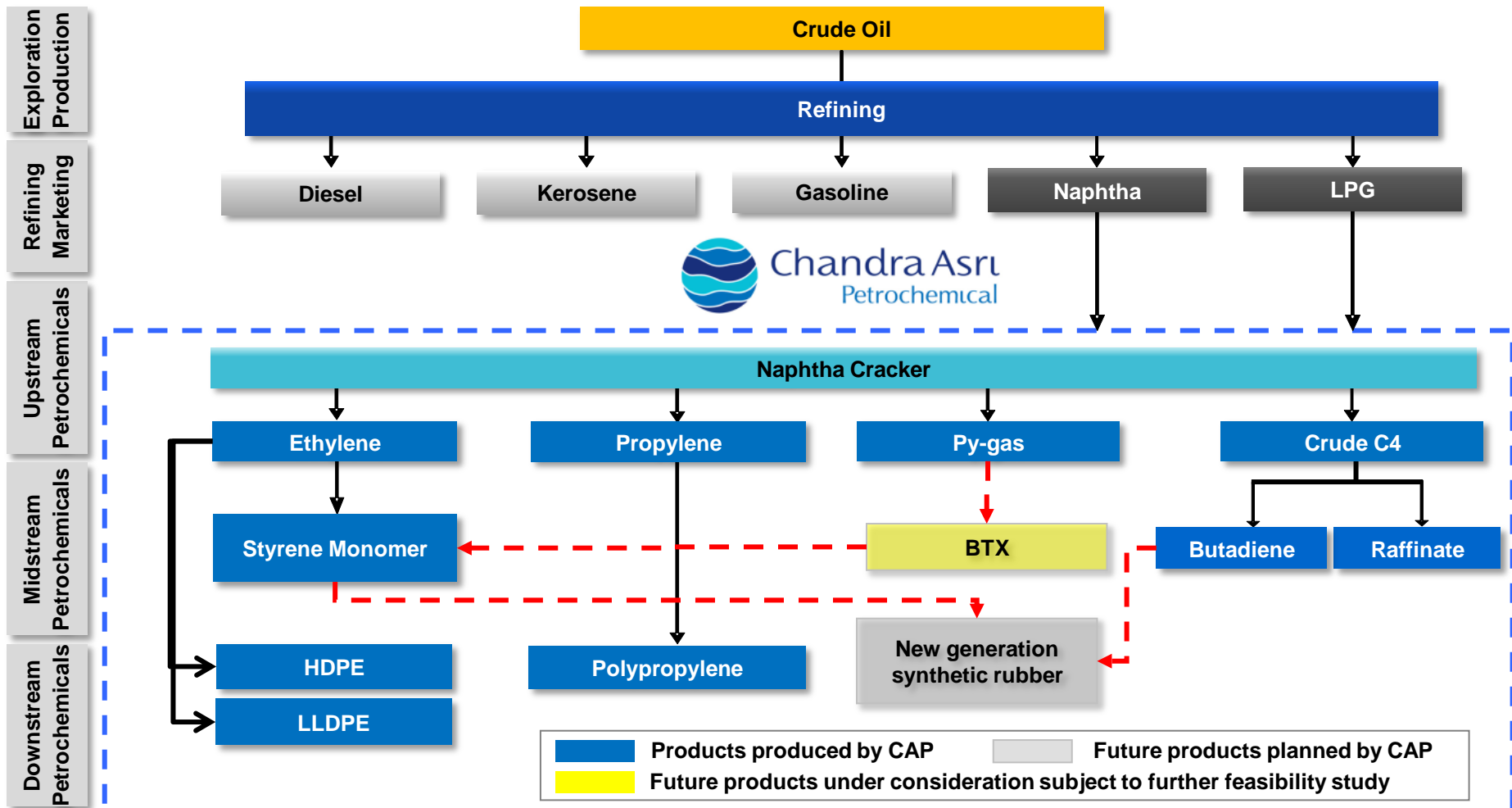
**Capacities of Petrochemical Producers in Indonesia (Annual) – FY2015**

Products (KT)	 	Lotte Chemical		Polytama	Asahimas Chemical	Sulfindo	Nippon Shokubai	Petro-Oxo Nusantara	Polychem Indonesia	TPPI	TOTAL
		Titan	Pertamina								
Ethylene	860										860
LLDPE	200	200									400
HDPE	136	250									386
Polypropylene	480		45	386							911
Styrene Monomer	340										340
Vinyl Chloride Monomer					712	130					530
Ethylene Oxide									216		216
Propylene	470		430								900
Acrylic Acid							140				140
Butanol								20			20
Ethylhexanol								100			100
Py-gas	400										400
Crude C4	315										315
Benzene										400	400
ParaXylene										550	550
Butadiene	100										100
<b>Total Capacity of Producer</b>	<b>3,301</b>	<b>450</b>	<b>475</b>	<b>386</b>	<b>712</b>	<b>130</b>	<b>140</b>	<b>120</b>	<b>216</b>	<b>950</b>	<b>6,880</b>

## 2. Key Investment Highlights

### 4 Vertically integrated operations resulting in higher efficiency and lower costs

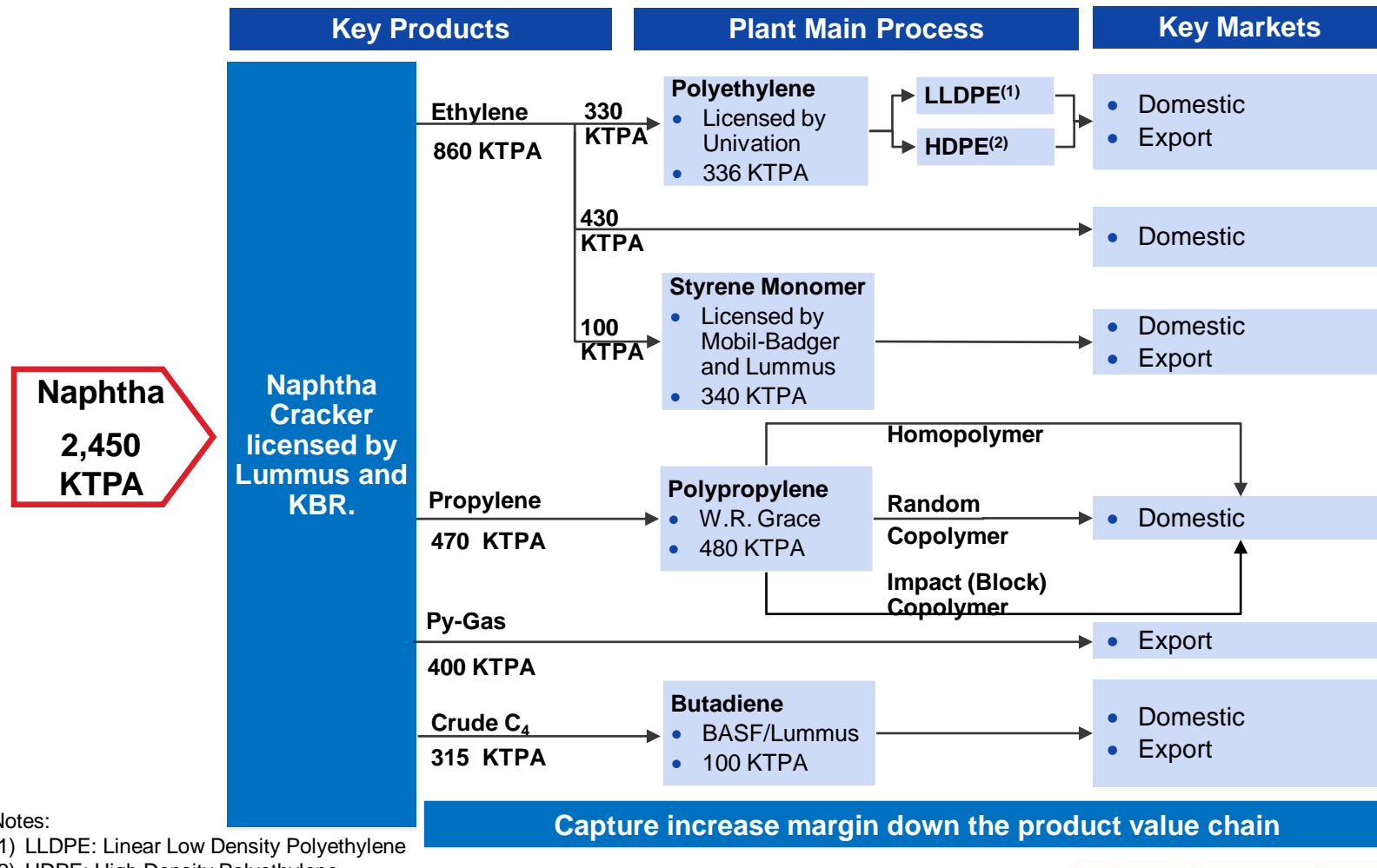
Operations are integrated from upstream to downstream petrochemical products. New products planned will further integrate operations



## 2. Key Investment Highlights

### 4 Key products, capacity and key markets

Cracker debottlenecking resulted in streamlining with no shortage of midstream products



Notes:

(1) LLDPE: Linear Low Density Polyethylene

(2) HDPE: High Density Polyethylene

## 2. Key Investment Highlights

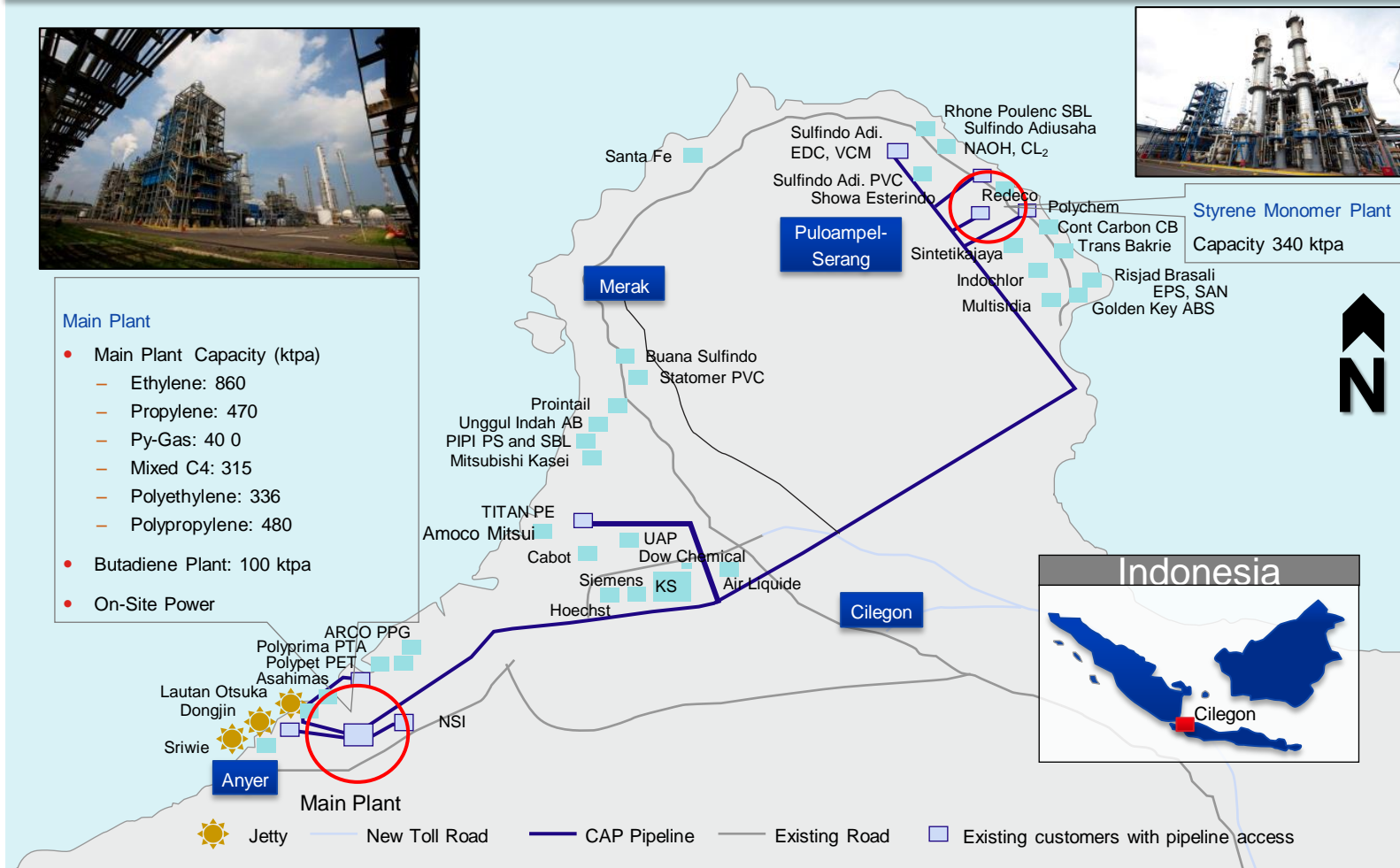
### 5 Integrated facilities, strategically located to key customers leading to product price premiums

#### CAP's Petrochemical Complexes

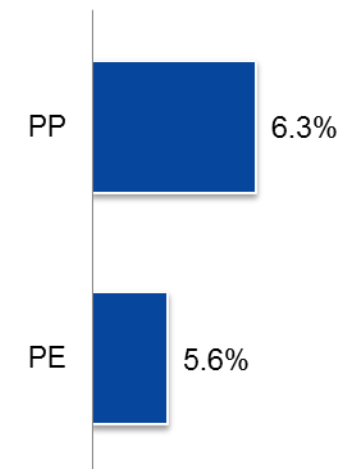


##### Main Plant

- Main Plant Capacity (ktpa)
  - Ethylene: 860
  - Propylene: 470
  - Py-Gas: 40 0
  - Mixed C4: 315
  - Polyethylene: 336
  - Polypropylene: 480
- Butadiene Plant: 100 ktpa
- On-Site Power



#### Avg. Price Premium (2011-2015)



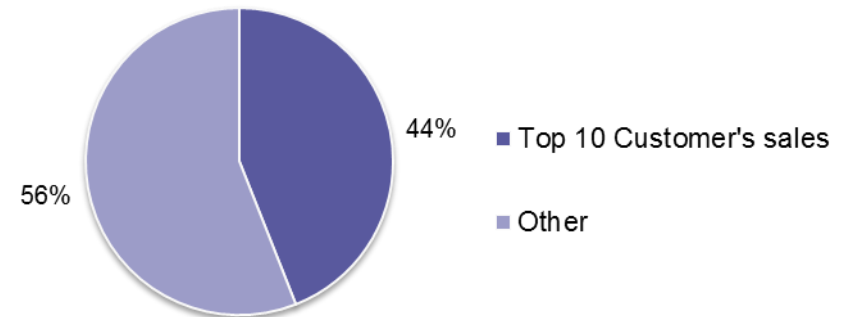
## 2. Key Investment Highlights

### 5 Customers' dependency on sole cracker reinforced by pipeline integration

- Diversified clientele with top 10 customers accounting for only 44% of revenues in 2016
- Long term relationships with key customers
- Customers integrated with CAP production facilities via CAP's pipeline
- Strong marketing and distribution platform with wide network serving ~300+ customers
- Short delivery trend time resulting in pricing premium to benchmark prices

#### Top 10 customers' sales breakdown

Total CAP sales 2016 : US\$ 1,930m



#### Selected key customers



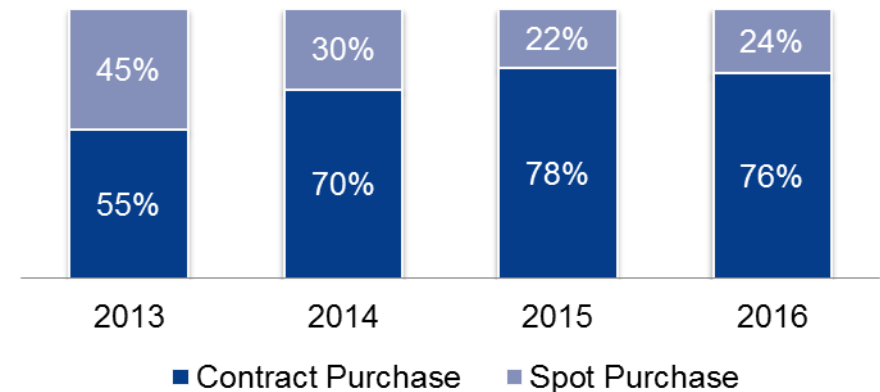
## 2. Key Investment Highlights

### 6 Stable and flexible feedstock supply... With increasing advantaged feedstock from domestic sources

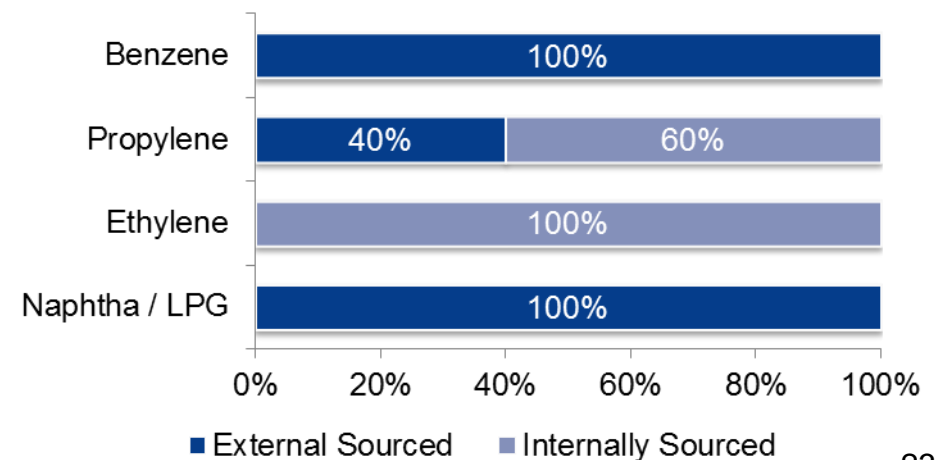
#### Feedstock overview

- Long-standing stable supplier relationships
- No material feedstock supply disruption
- Flexibility in feedstock purchasing (spot vs. contract) – no single supplier dependence
- Procurement synergies with SCG
- Substantial naphtha storage capacity

#### Naphtha spot vs contracted purchases

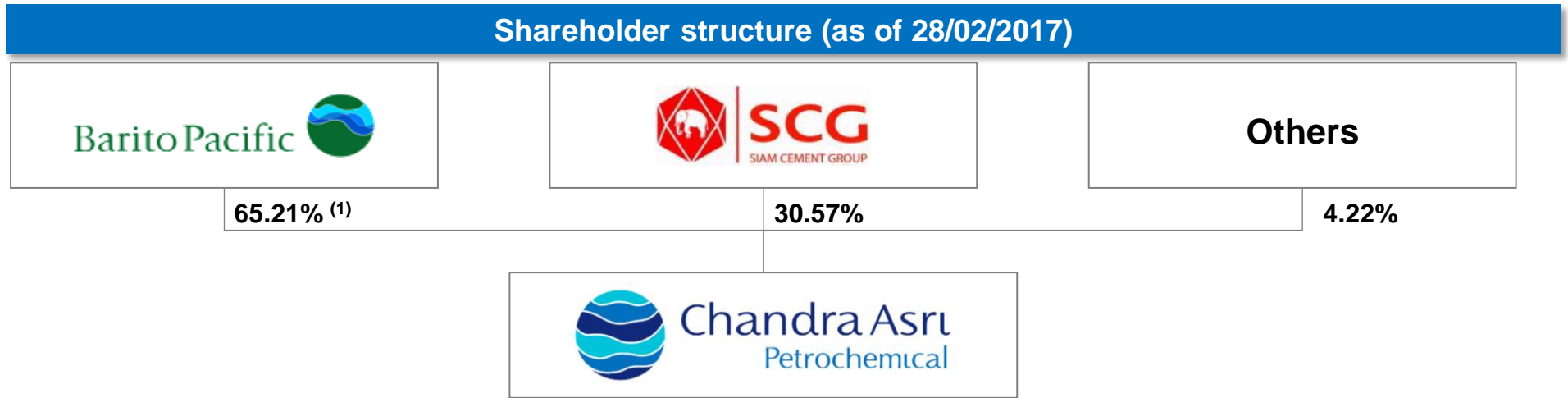


#### Main Raw Materials - 2016



## 2. Key Investment Highlights

### 7 Strong commitment from shareholders



#### Siam Cement Group

- Thailand's largest industrial conglomerate and Asia's leading chemicals producer
- Invested 30% in CAP in 2011
- Long term shareholder with substantial experience and expertise in petrochemicals committed to supporting the development of the business

#### Key benefits of partnership

- Production know-how
- Sharing of best operational practices
- Raw material procurement savings
- Sales and marketing collaboration
- Access to Thailand banks
- Accelerate CAP's expansion plans
- Take advantage of market opportunities

(1) Includes CAP shares held by Marigold RESOURCES Pte Ltd and Magna Resources Corp Pte. Ltd



## 2. Key Investment Highlights

### 8 Strong management team with substantial industry experience

#### BOARD OF COMMISSIONERS



**DJOKO SUYANTO**  
President Commissioner  
Independent Commissioner

4 years in the Industry  
1 year with CAP



**TAN EK KIA**  
VP Commissioner  
Independent Commissioner

41 years in the Industry  
5 years with CAP



**HO HON CHEONG**  
Independent Commissioner

c.1 year in the Industry  
c.1 year with CAP



**AGUS SALIM PANGESTU**  
Commissioner

10 years in the Industry  
9 years with CAP



**LOEKI SUNDJAJA PUTERA**  
Commissioner

15 years in the Industry  
14 years with CAP



**CHAOVALIT EKABUT<sup>(1)</sup>**  
Commissioner

11 years in the Industry  
4 years with CAP



**CHOLANAT YANARANOP<sup>(1)</sup>**  
Commissioner

28 years in the Industry  
4 years with CAP

#### BOARD OF DIRECTORS



**ERWIN CIPUTRA**  
President Director

13 years in the Industry  
12 years with CAP



**KULACHET DHARACHANDRA<sup>(1)</sup>**  
VP Director of Operations

19 years in the Industry  
With CAP since June 2016



**BARITONO PANGESTU**  
VP Director of Polymer Commercial

10 years in the Industry  
9 years with CAP



**TERRY LIM CHONG THIAN**  
Director of Finance

34 years in the Industry  
10 years with CAP



**SURYANDI**  
Director of Human Resource and Corp. Administration

26 years in the Industry  
26 years with CAP



**PIBOON SIRINANTANAKUL<sup>(1)</sup>**  
Director of Manufacturing

22 years in the Industry  
With CAP since Jan 2016



**FRANSISKUS RULY ARYAWAN**  
Monomer Commercial

13 years in the Industry  
13 years with CAP

(1) Appointed by SCG



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## 3. Strategic Growth

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### 3. Strategic Growth

#### Synthetic rubber project

.....Progressing as plan.

- Further value add CAP's Butadiene and Styrene Monomer products into high technology Synthetic Rubber products and enhance CAP's netback.
- Estimated total project cost: US\$570m.
- Funding structure: 80:20 (Debt:Equity). Debt fully funded by Michelin.
- Overall EPC work progress 65% as per plan (as of 31 Dec 2016).
- Piping fabrication work and equipment installation on-going.
- Start-up: Q1-2018



Purification Column



Admin, Lab & Control Room



Maintenance Warehouse



Flare

## 3. Strategic Growth

### New Polyethylene Plant

... Further vertical integration

- Rationale:
  - Vertical Integration to further add value;
  - Protect and grow leading polymer market position in Indonesia
- Licence: UNIPOL Polyethylene Process from Univation Technologies, LLC
- Capacity: new facility of total 400 KTA to produce LLDPE, HDPE and Metallocene LLDPE.
- Estimated cost US\$300m.
- Funding structure 70:30 (Debt:Equity)
- Awarded Toyo Engineering Korea for FEED work (20/02/17).
- Start-up: Q1 2020



Existing PE plant in Cilegon with capacity 336 KTA with 1 train UNIPOL PE Technology 200 KTA and 1 train Showa Denko PE Technology 136 KTA

*"Following completion of its Cracker expansion and in line with its strategy of pursuing vertical integration, CAP has a strategic plan to build a new PE plant to add value to its excess Ethylene product"*

## 3. Strategic Growth

### Butadiene Plant Expansion

... Add value to incremental C4

- Rationale:
  - Add value to incremental CC4 after Cracker expansion.
  - Avoid opportunity loss of exporting excess CC4.
  - Enjoy BD Domestic premium and fulfill SRI's BD requirement
- Increase BD capacity 100KTA to 137KTA
- Investment: US\$42 Million
- Funding structure: 100% Equity.
- Awarded EPC work to Toyo Engineering Korea (23/1/17); EPC activities start Q1 2017
- Start-up: Q3 2018



Existing BD plant in Cilegon with capacity 100 KTA.

*" Capturing BD domestic demand and avoiding value leak from CC4 export "*

## 3. Strategic Growth

### Other projects

#### PP Debottlenecking

- Debottleneck PP Plant to increase capacity by 80 KTA from 480 KTA to 560 KTA
- Estimated cost US\$15m
- Completion: Q1 2018.

#### Natural Gas Boiler

- Improve plant reliability and fulfill steam demand and secure availability for future projects (incl. SRI).
- Capacity: 120T/h pressure steam.
- Investment: US\$15m.
- Completion: Q2 2018.
- EPC progress 7.5% (31/12/16).

#### Furnace Revamp

- Increase cracker capacity by modifying heat internals to increase ethylene capacity from 860KTPA to 900KTPA.
- Preliminary investment: US\$40-60m.
- Completion: Q4 2019





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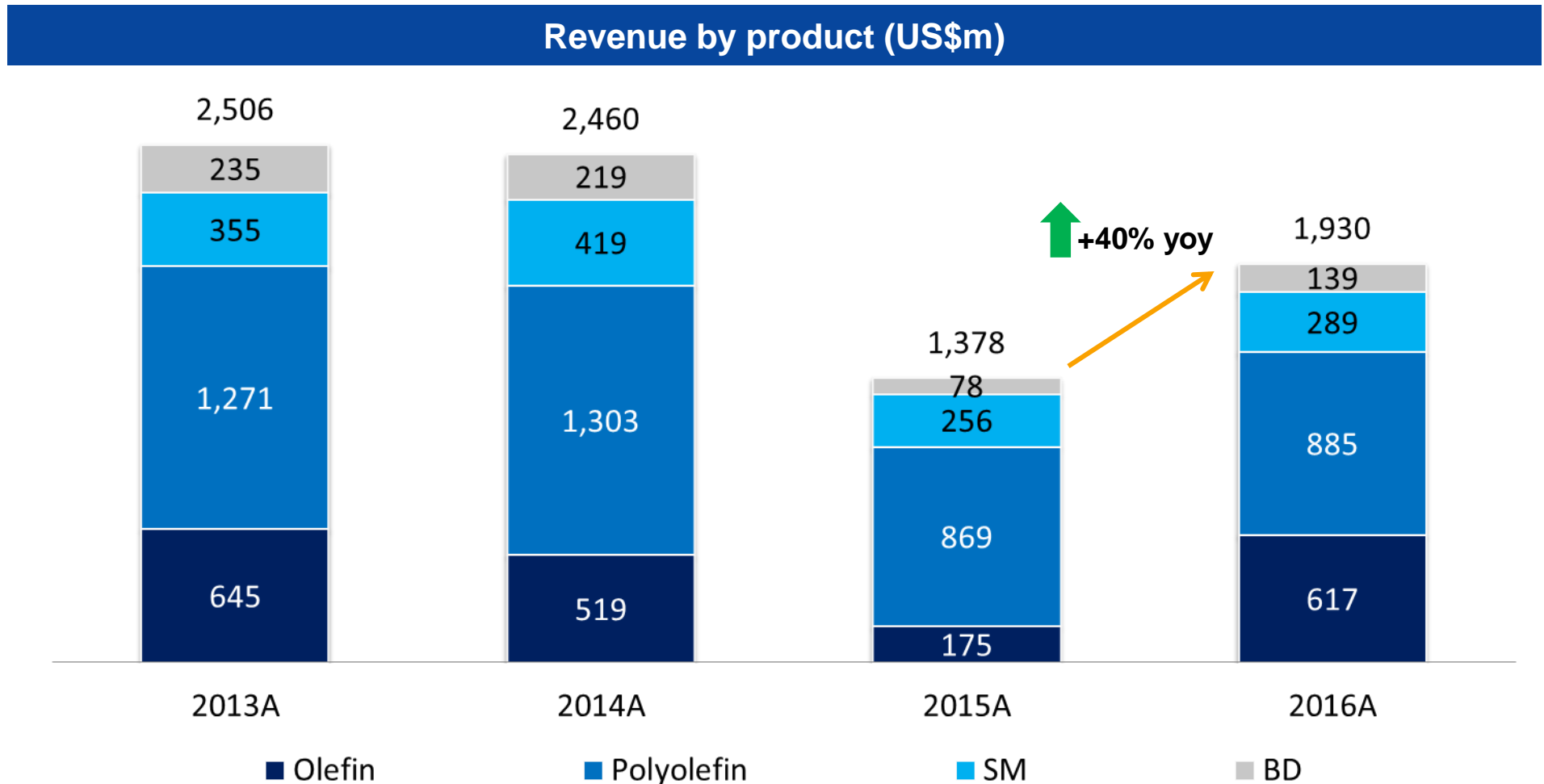
## 4. Financial Highlights

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## 4. Financial Highlights

### Net Revenues

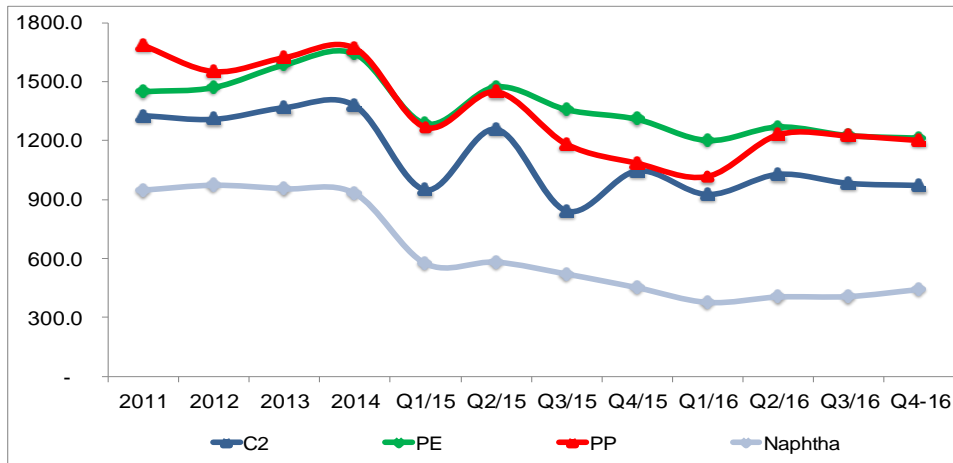




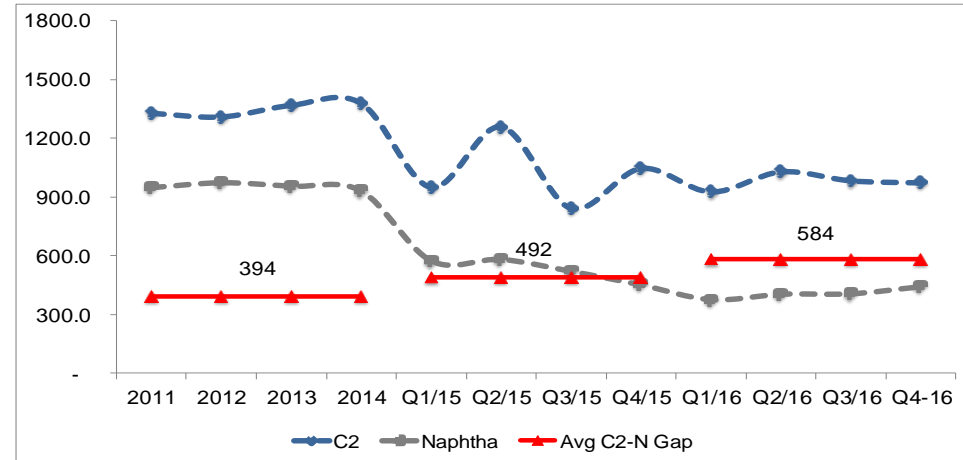
## 4. Financial Highlights

### Improved spreads across all key product categories

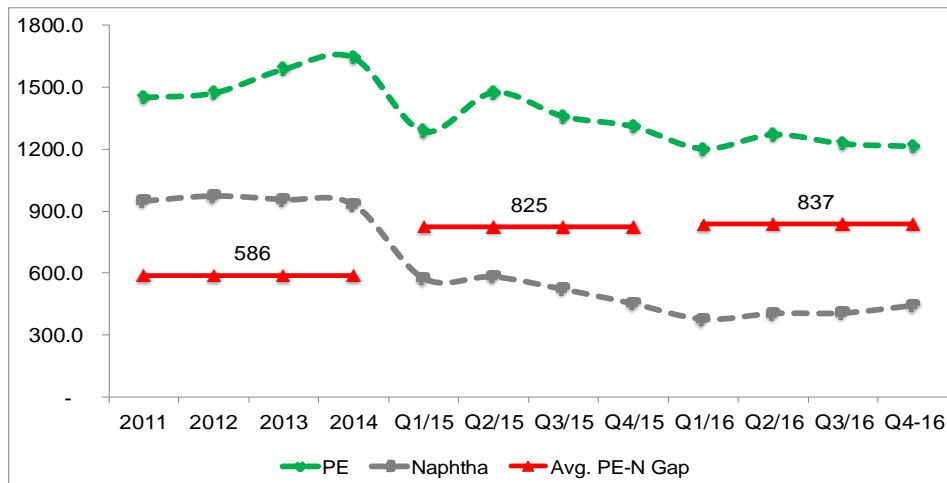
CAP Avg Realized Prices (US\$/ton)



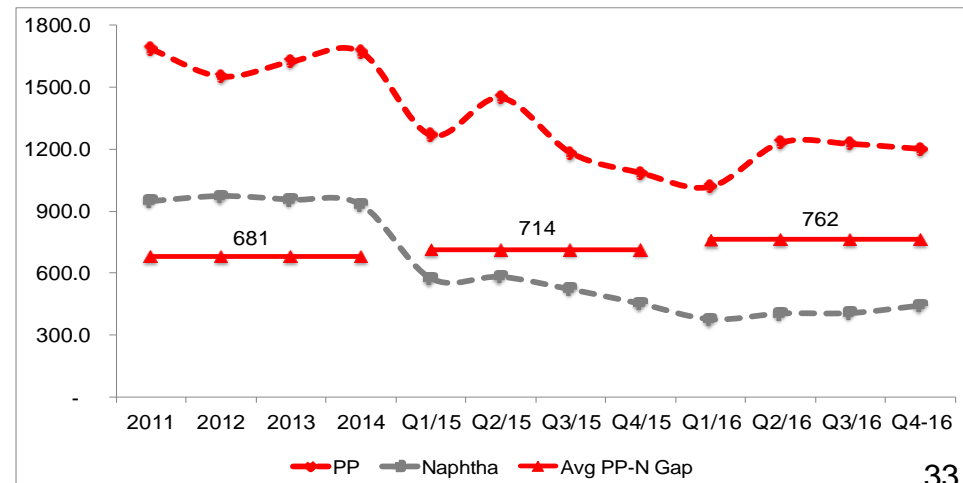
C2 – Naphtha Price Gap (US\$/ton)



PE – Naphtha Price Gap (US\$/ton)



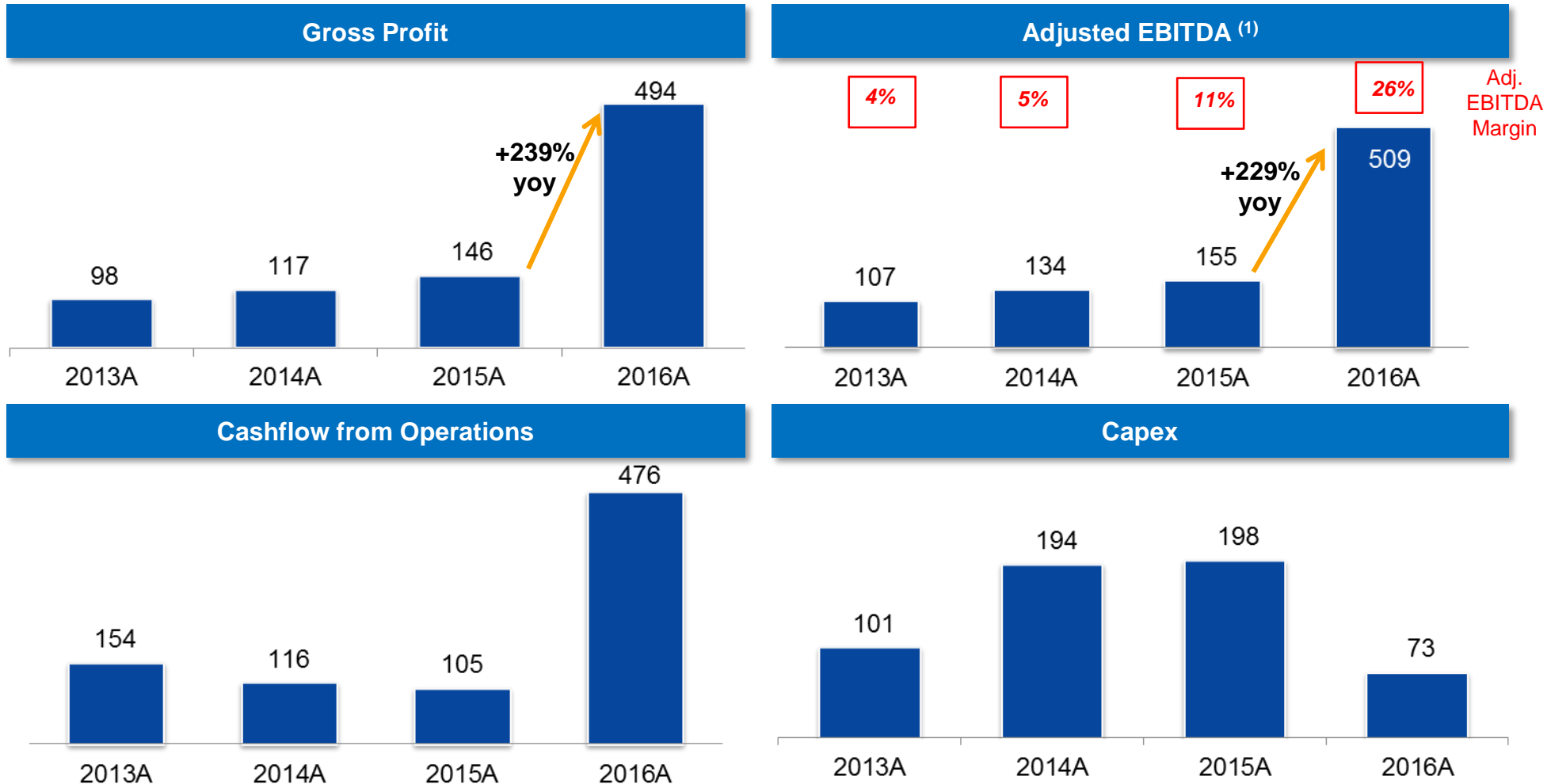
PP – Naphtha Price Gap (US\$/ton)





## 4. Financial Highlights

Strong financials across the cycle, further enhanced by economies of scale from world class size (in US\$m)



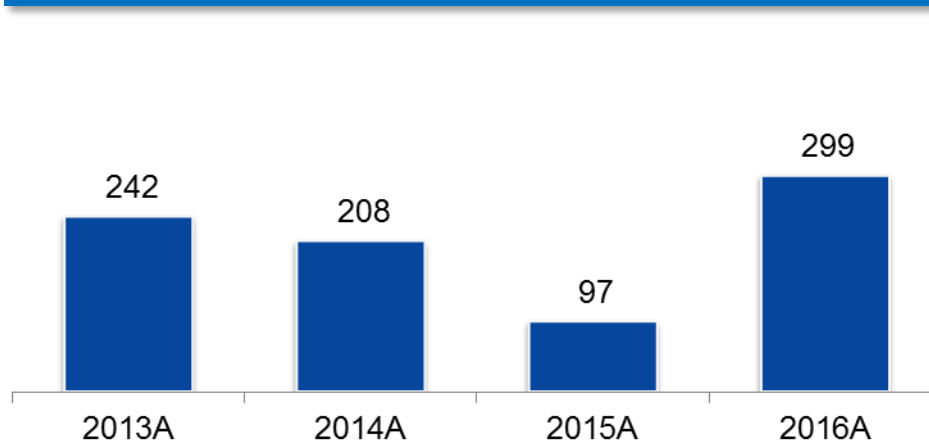
(1) Adjusted EBITDA is defined as net income/(loss) before interest, taxes, depreciation and amortization as adjusted for net unrealized foreign exchange loss/(gain), unrealized loss/(gain) on mark to market valuation of derivatives, equity in net loss of an associate, write down of inventories to NRV.



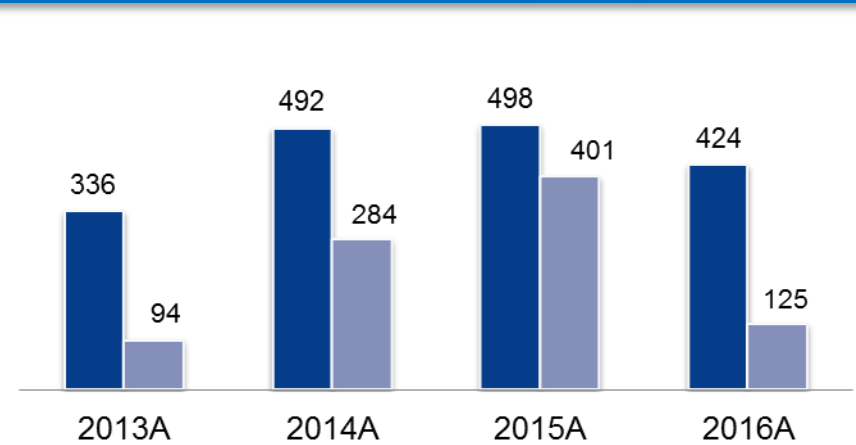
## 4. Financial Highlights

### Consolidated debt, liquidity and coverage profile

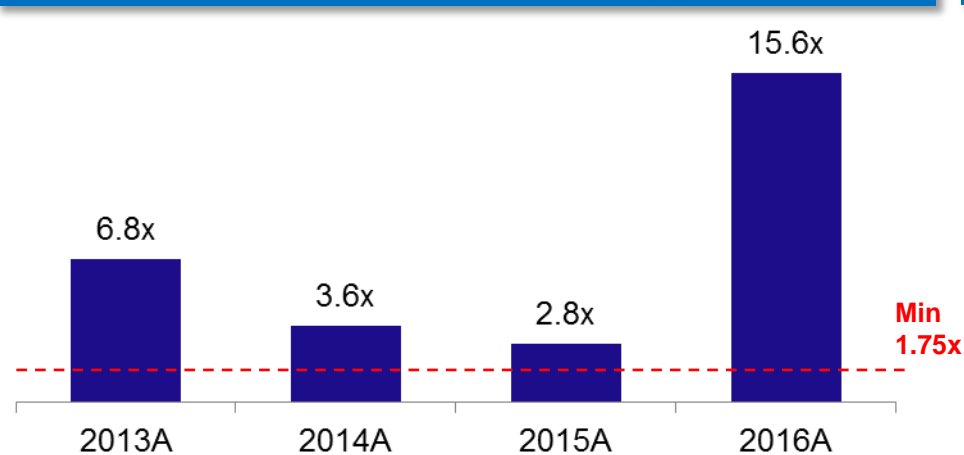
Cash Balance (US\$m)



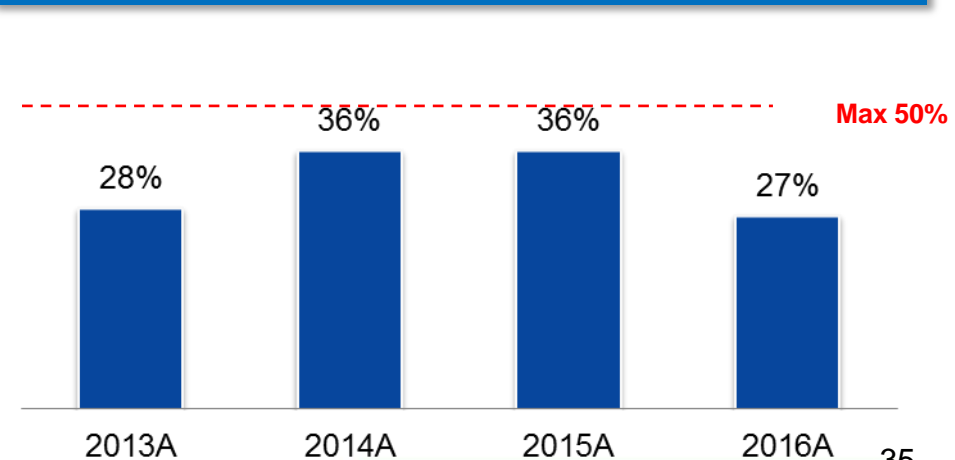
Debt and Net Debt (US\$m)



Int. Service Coverage (x)



Debt to Capital (%)





# Thank You

Address:

**PT Chandra Asri Petrochemical Tbk**  
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Jakarta 11410

Contact:

**Investor Relations**

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Fax: +62 21 530 8930

Visit our website at [www.chandra-asri.com](http://www.chandra-asri.com)

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