

# PT CHANDRA ASRI PETROCHEMICAL TBK [TPIA.JK]



## Company Presentation

Apr 2017



Chandra Asri  
Petrochemical

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

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# Management team presenting



**ERWIN CIPUTRA**

President Director

- President Director since 2007 (President Director of PT Chandra Asri from 2007 to 2011)
- Previous roles include advisor at PT Petrokimia Nusantara Interindo, as well as at JP Morgan Securities, TIAA-CREF Asset Management in New York, US
- Bachelor of Economics from Wharton School at the University of Pennsylvania, US



**KULACHET  
DHARACHANDRA**

VP Director of Operations

- Vice President Director since June 2016
- Previously served as Business Development Director, Director-Planning, Finance and Investment at SCG and Corporate Planning Director at SCG Chemical and Siam Cement PCL
- Bachelor of Chemical Engineering from Chulalongkorn University, Bangkok, Thailand



**TERRY LIM CHONG THIAN**

Director of Finance

- Director of finance since 2006 (Director of Finance of PT Chandra Asri from 2006 to 2011)
- 34 years of experience in O&G industry, at Shell Companies in Brunei, Malaysia and Australia
- Bachelor of Commerce from the New South Wales University, Australia, and member of CPA Australia, Malaysian Institute of Accountants and the Australian Institute of Company Directors



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1. Company Overview
2. Key Investment Highlights
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# 1. Company Overview

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# 1. Chandra Asri Petrochemical at a glance

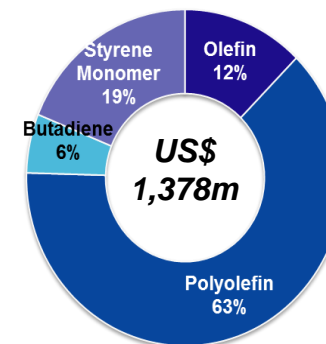
**We are the largest integrated Olefins and Polyolefins producer in Indonesia, and own the only Naphtha Cracker, Styrene Monomer and Butadiene plant in Indonesia.**

- ✓ **Market leadership** in highly attractive Indonesia and SE Asia petrochemical market – c. 41% market share of Indonesia's olefins and polymers production capacity
- ✓ **Long-standing relationships** with diverse customer base
  - No single customer accounts for more than 7% of consolidated revenue
  - c.80% of products by revenue are sold to domestic market, with remaining exported
- ✓ **Integration** from upstream cracker to downstream polyolefin products
  - Strategically located near key customers
- ✓ **Low production cost** base and **operating efficiencies**
  - Benefit from scale of feedstock sourcing and stable supplier relationships
  - Naphtha cracker utilisation rate above 95% post completion of the expansion in 4Q 2015
- ✓ Transformed in 2016 with the **completion of the Naphtha Cracker expansion**, resulting in EBITDA increase and reinforced balance sheet
  - 2015A-2016A EBITDA growth of +229%
  - Reduced debt and Debt/ Adjusted EBITDA at 0.8x
- ✓ New projects fueling **strategic growth** for the years to come.
  - Projects include partnership to expand downstream products, such as with world class player Michelin in synthetic rubber
- ✓ **Strong and experienced** management team
- ✓ **Support** from Barito Pacific Group and Siam Cement Group

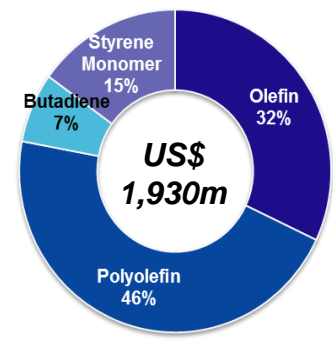


*CAP's main integrated manufacturing complex*

## 2015 Revenue



## 2016 Revenue



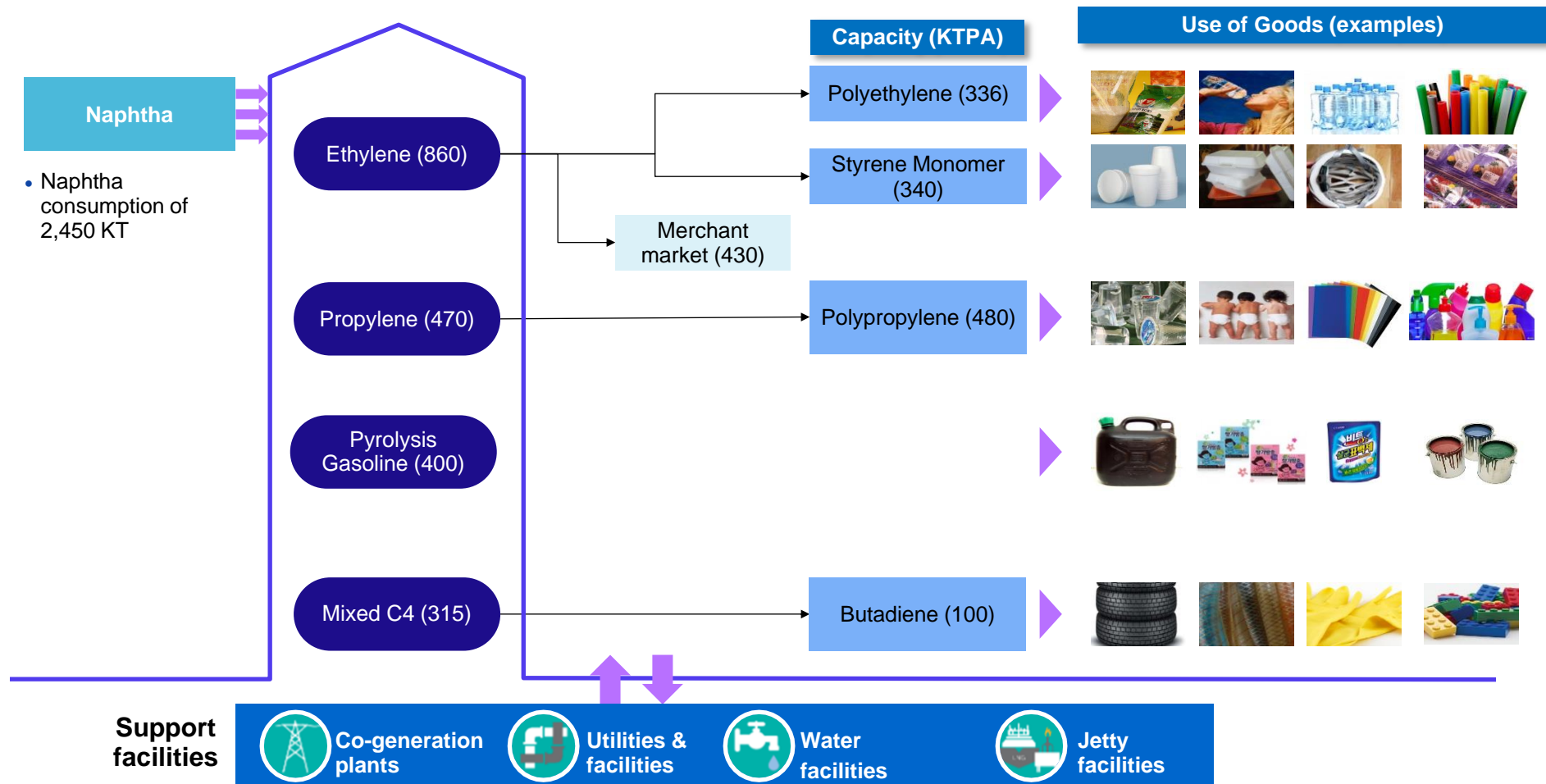
# 1. Vision and Business Strategy

## *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. Integrated production of diverse products

CAP's products encompass a wide range across the consumer products value-chain, and its leading position enhances its competitiveness vis-à-vis other producers



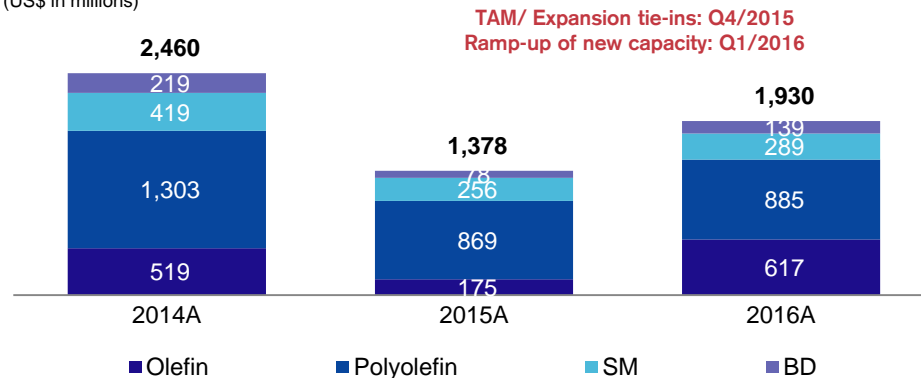




# 1. Robust financial and operational performance

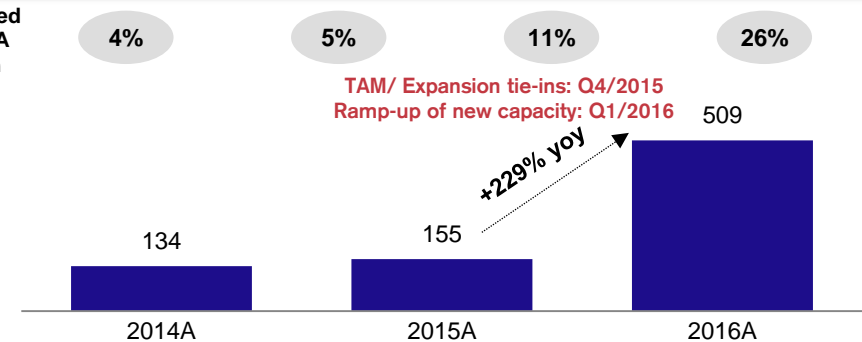
## Stable revenues despite industry decline

(US\$ in millions)

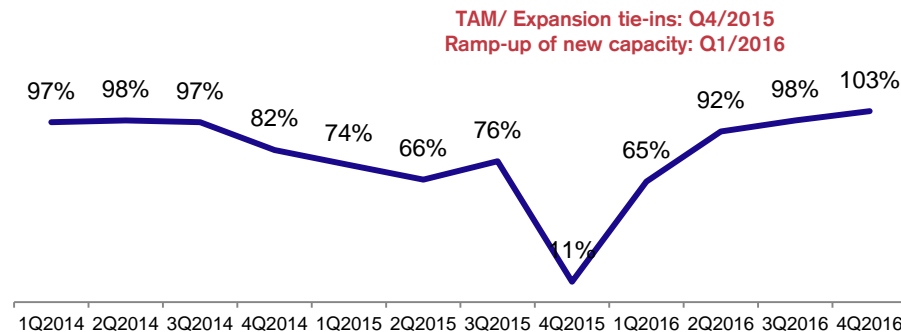


## Improvement in Adjusted EBITDA<sup>(1)</sup> and margin

Adjusted  
EBITDA  
margin



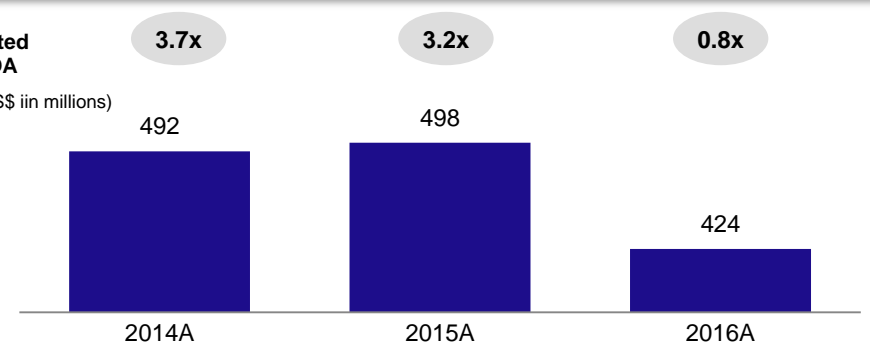
## High NC utilization post expansion



## Strong balance sheet position

Debt /  
Adjusted  
EBITDA

Debt (US\$ in millions)



Source: Company information

(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



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## **2. Investment Strengths and Strategy**

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## 2. Key Investment Highlights

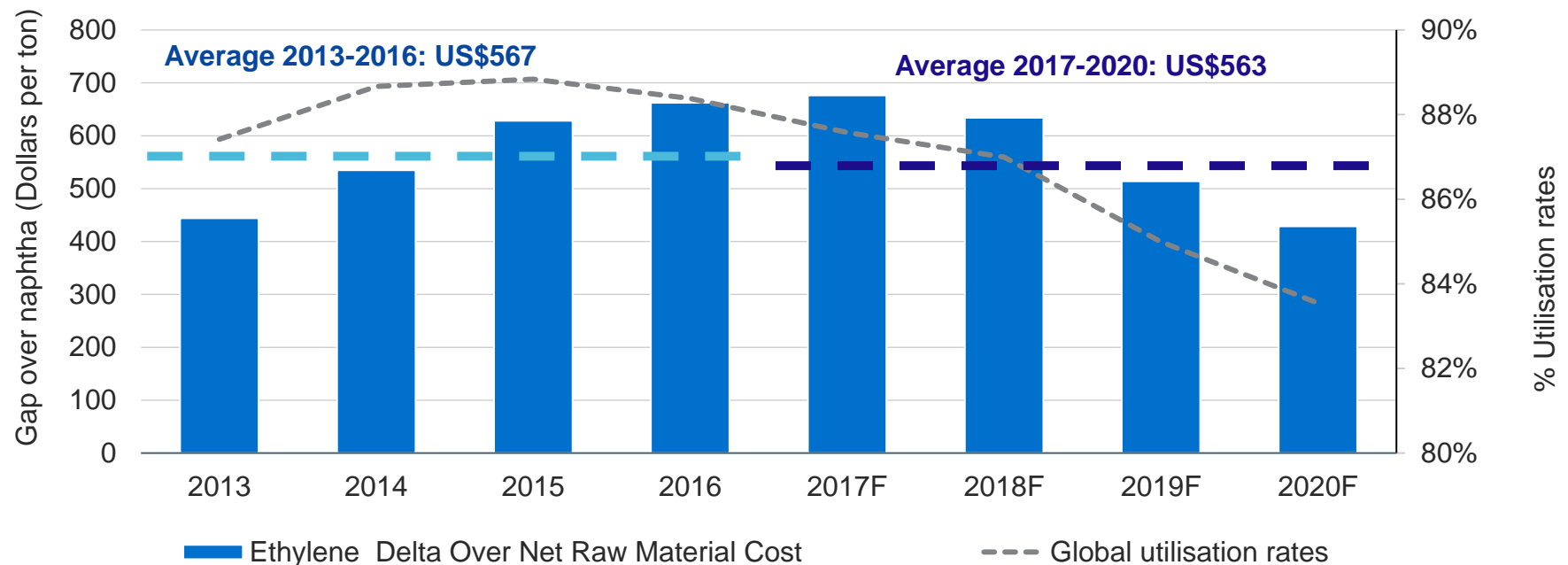


## 2. Investment Strengths

### 1 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

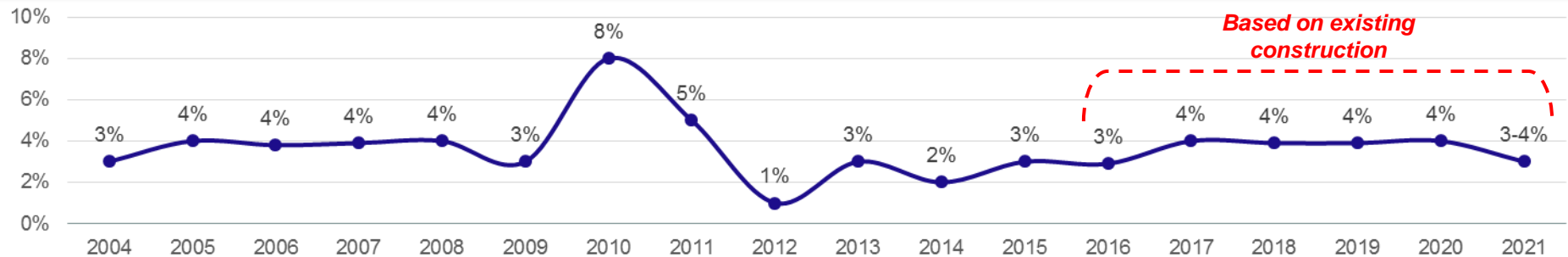


Note: - Forecast price is based on Brent Crude at \$55 (2017), \$65(2018), \$70(2019-2025) per barrel

## 2. Investment Strengths

### 1 Ethylene world supply growth and capacity

Ethylene world supply growth

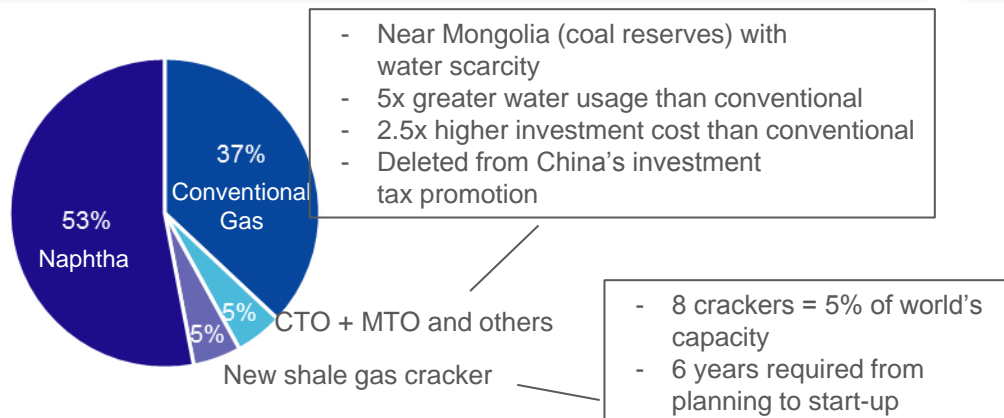


Incremental supply growth (MT):

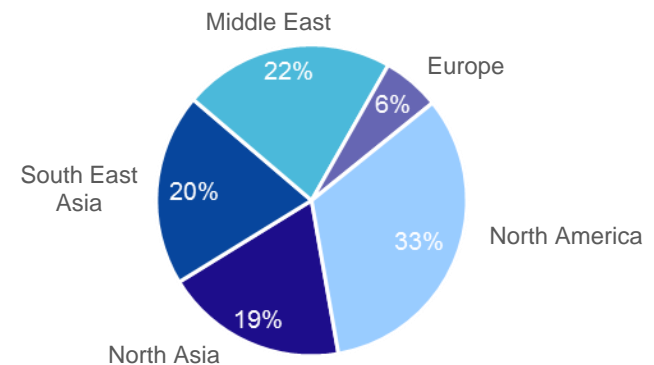
2.8	4.4	4.6	4.7	4.7	3.5	10.5	6.9	2.0	5.0	3.4	5.0	5-6	6-7	6-7	6-7	6-7	6-7
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Ethylene world capacity – Naptha + conventional gas = 91% of capacity

Ethylene world capacity: 191MT in 2021



New capacity by region (2017-2021)

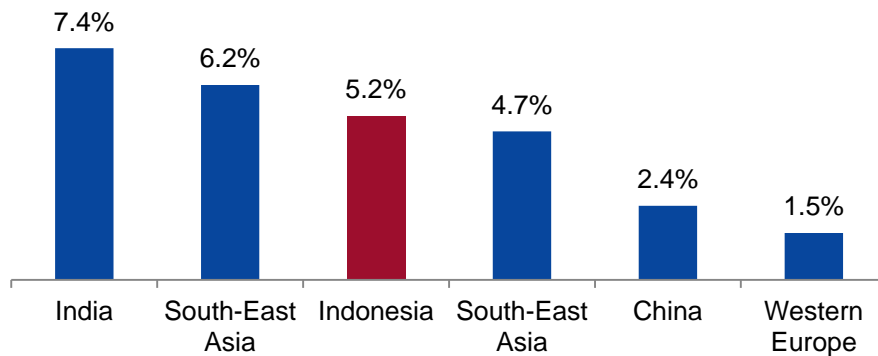




## 2. Investment Strengths

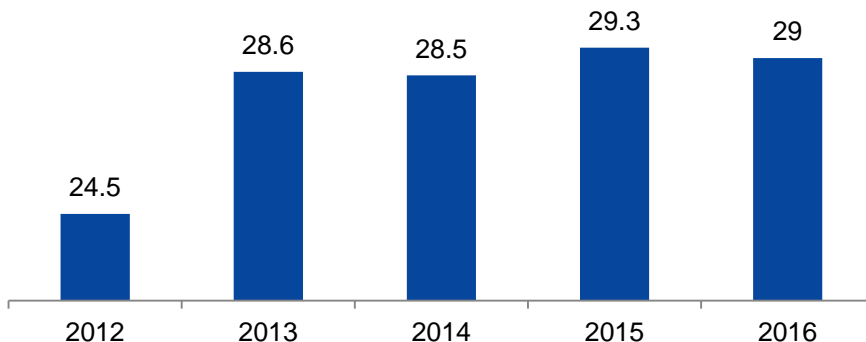
### 2 Uniquely positioned to benefit from Indonesia's strong macroeconomic growth and consumption trends

**GDP growth CAGR (2016-2020E)**

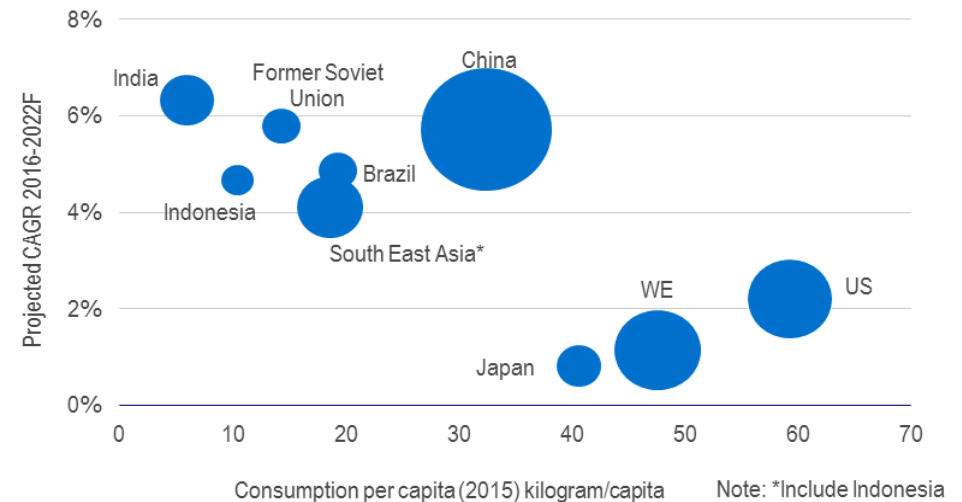


**FDI Investment in Indonesia (2012-2016)**

(US\$bn)



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



#### 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. Investment Strengths

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

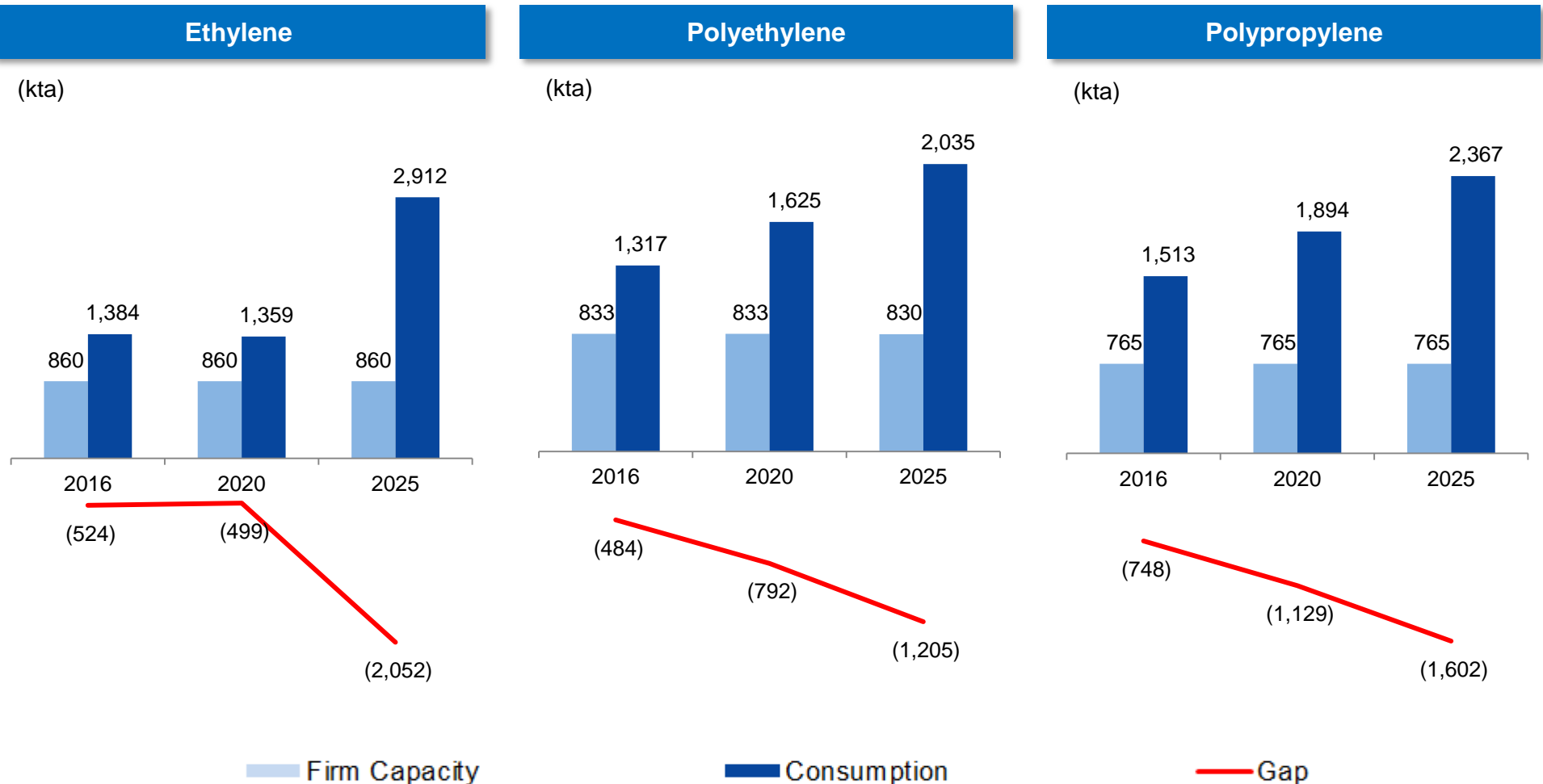
*Petrochemical products are fundamental to production of a wide variety of consumer and industrial products, such as packaging, containers, automotive and construction materials*



Source: Nexant (Feb 2016)  
 (1) By volume

## 2. Key Investment Highlights

**2** Petrochemical market in Indonesia will continue to see an increasing gap between supply and demand until at least 2025



## 2. Investment Strengths

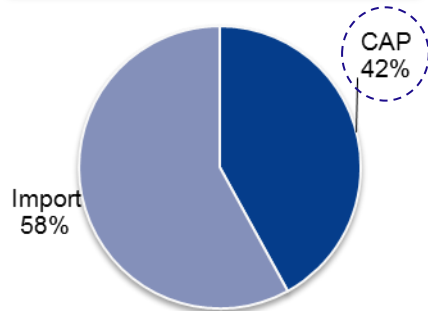
### 3 Domestic market leader

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



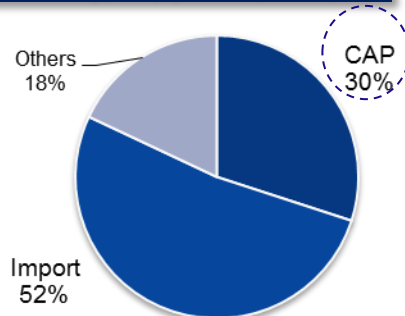
**Largest Petrochemical company in Indonesia<sup>(1)</sup>**

#### Ethylene (2015)



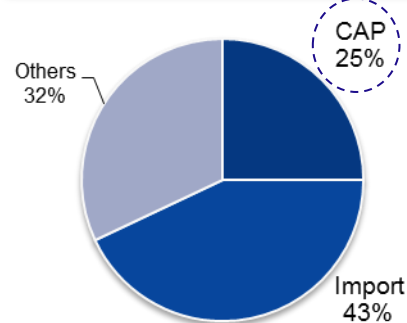
**Total Supply: 1.4M tons**

#### Polypropylene (2015)



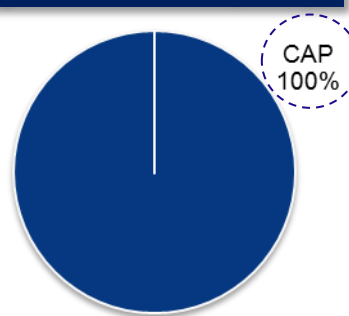
**Total Supply: 1.8M tons**

#### Polyethylene (2015)



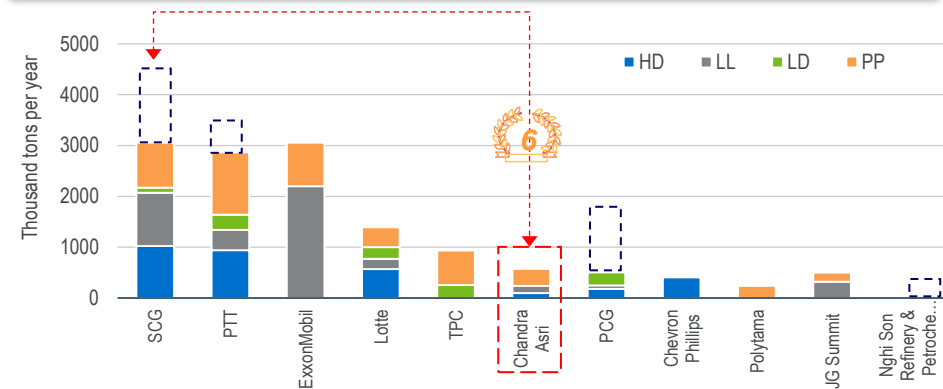
**Total Supply: 1.4M tons**

#### Styrene Monomer (2015)

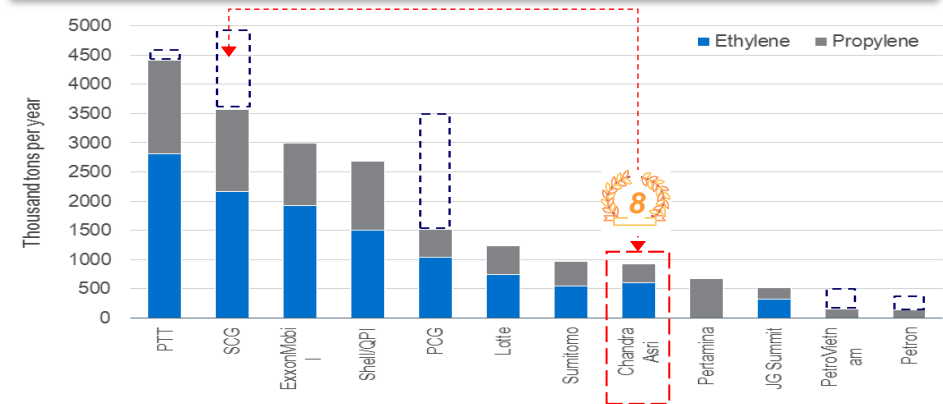


**Total Supply: 0.2M tons**

#### 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)

## 2. Investment Strengths

### 3 Indonesia's Leading Petrochemical Producers

*CAP offers the most diverse product range and is a dominant producer with approximately 41% market share of Indonesia's olefins and polymers production capacities.*

**Capacities of Petrochemical Producers in Indonesia (Annual) in KTA – March 2017**

Products (KT)											TOTAL
Ethylene	860										860
LLDPE	200	200									400
HDPE	136	250									386
Polypropylene	480		45	386							911
Styrene Monomer	340										340
Ethylene Dichloride						320					320
Vinyl Chloride Monomer					800	130					930
Polyvinyl Chloride					550	95					645
Ethylene Oxide									220		220
Ethylene Glycol									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>1,350</b>	<b>545</b>	<b>140</b>	<b>120</b>	<b>436</b>	<b>950</b>	<b>8,153</b>

Source: CAP Database, March



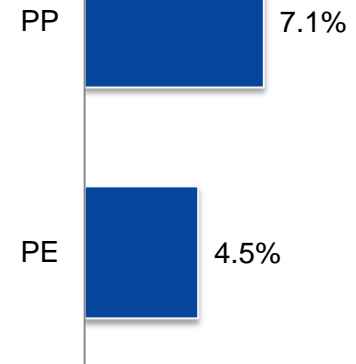
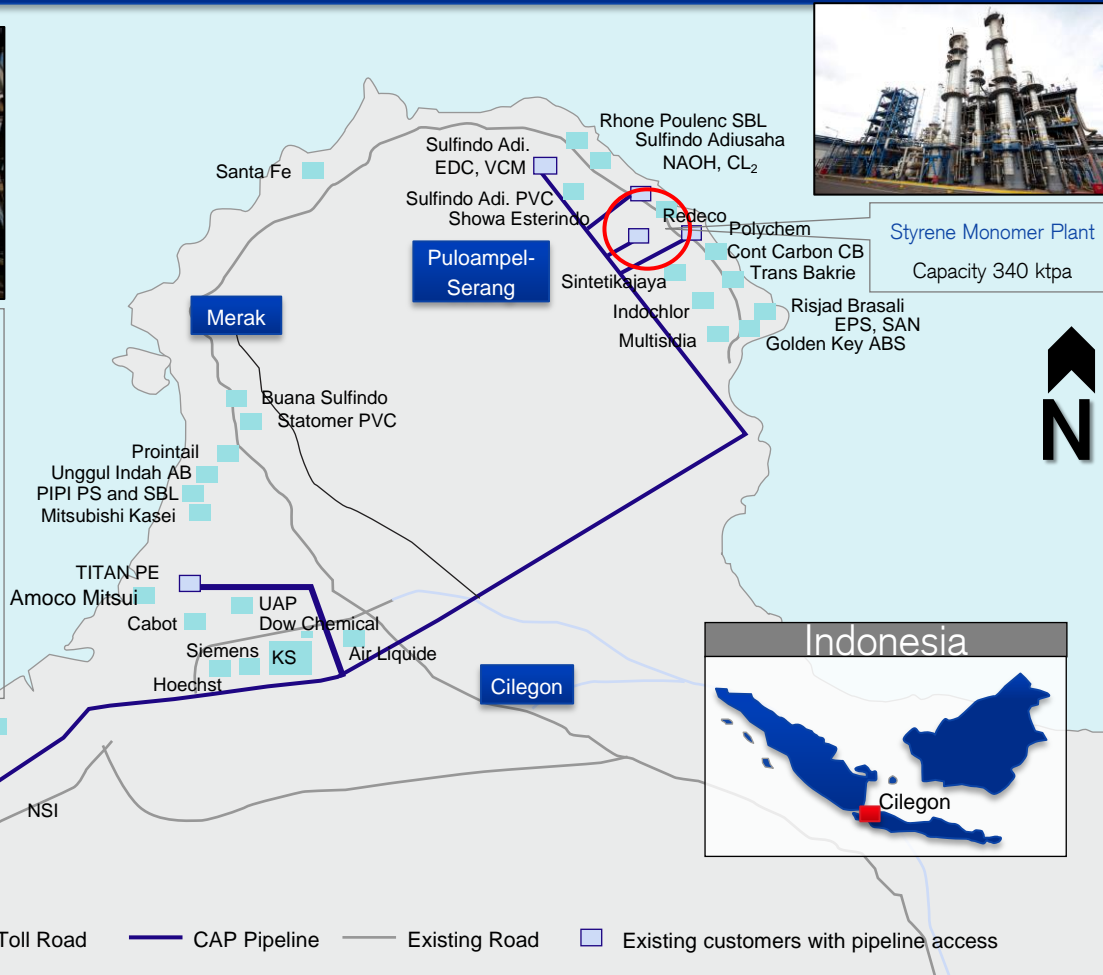
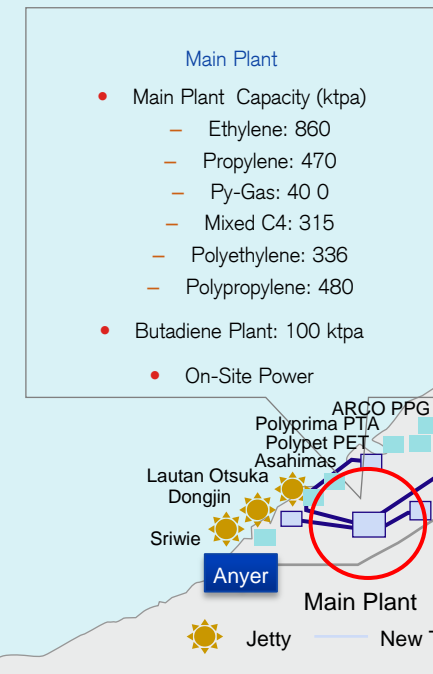


## 2. Investment Strengths

- 4 Location proximity to key customers and reliability of supply leading to product price premiums, with integration of facilities creating barriers to entry

### CAP's Petrochemical Complexes

Avg. Price Premium <sup>(1)</sup>  
(2011-2016)



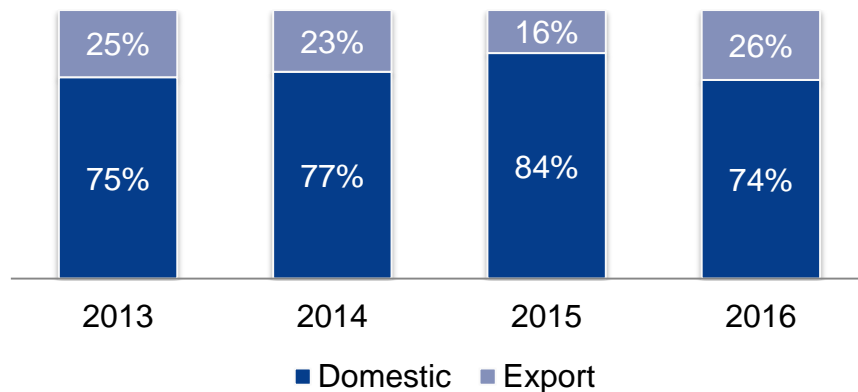
(1) Average price premium over ICIS high-pricing

## 2. Investment Strengths

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

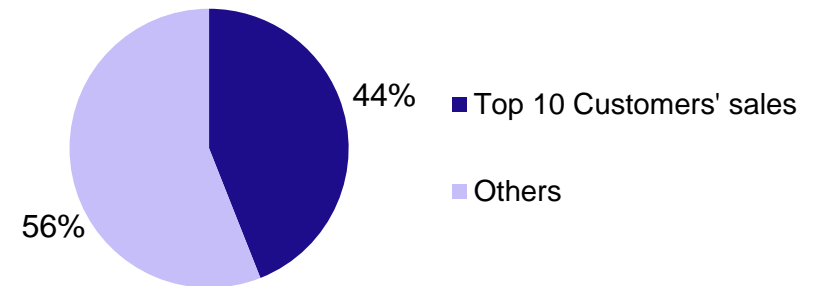
- Diversified clientele with top 10 customers accounting for only 44% of revenues in 2016
- Long term relationships with key customers
- Customers integrated with CAP production facilities via CAP's pipeline
- Strong marketing and distribution platform with wide network serving ~300+ customers
- Short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

CAP Sales Exposure



Top 10 customers' sales breakdown

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



Selected key customers



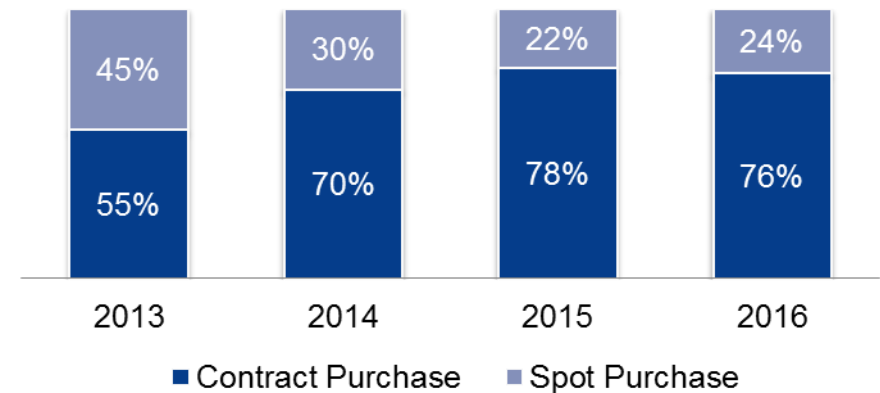
## 2. Investment Strengths

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

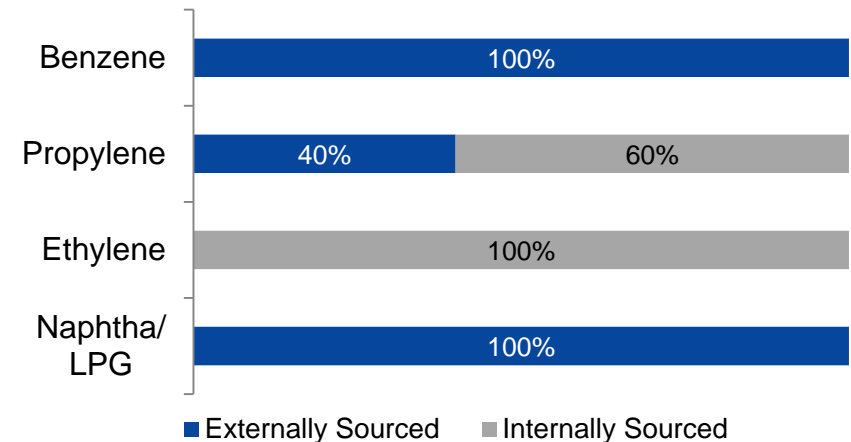
#### Feedstock overview

- 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 contract purchases

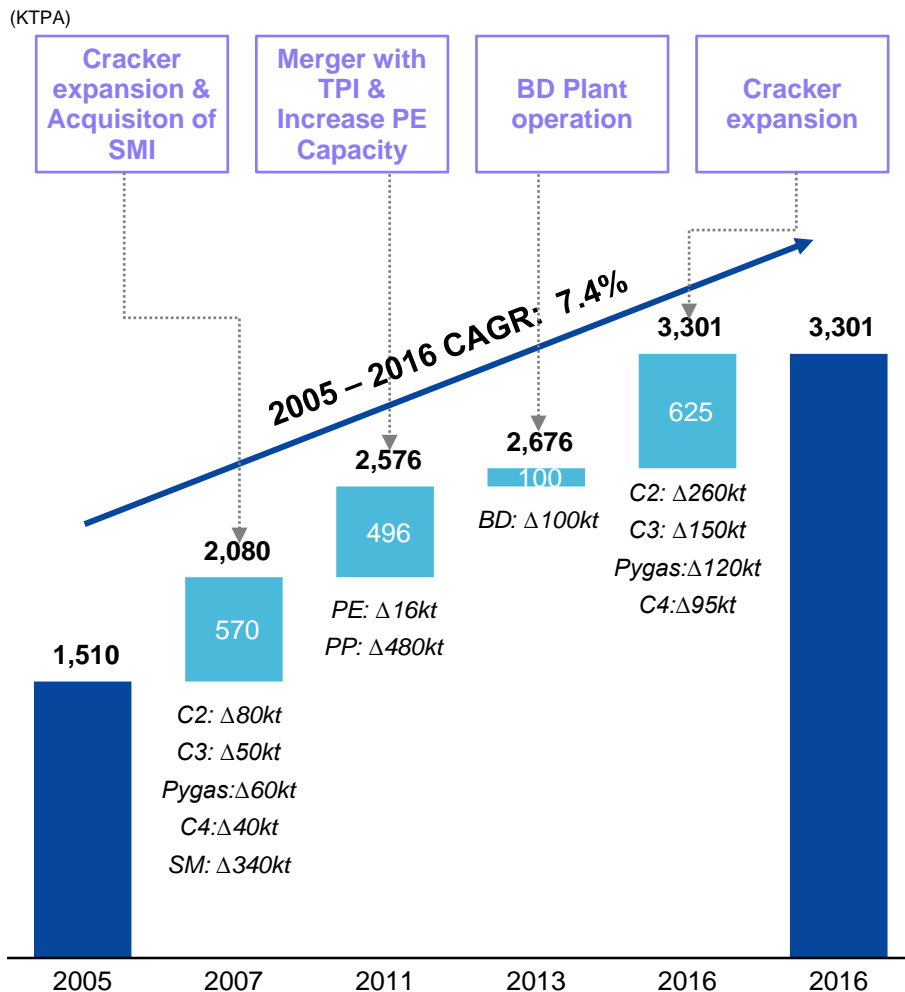


#### Main Raw Materials - 2016



## 2. Investment Strengths

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



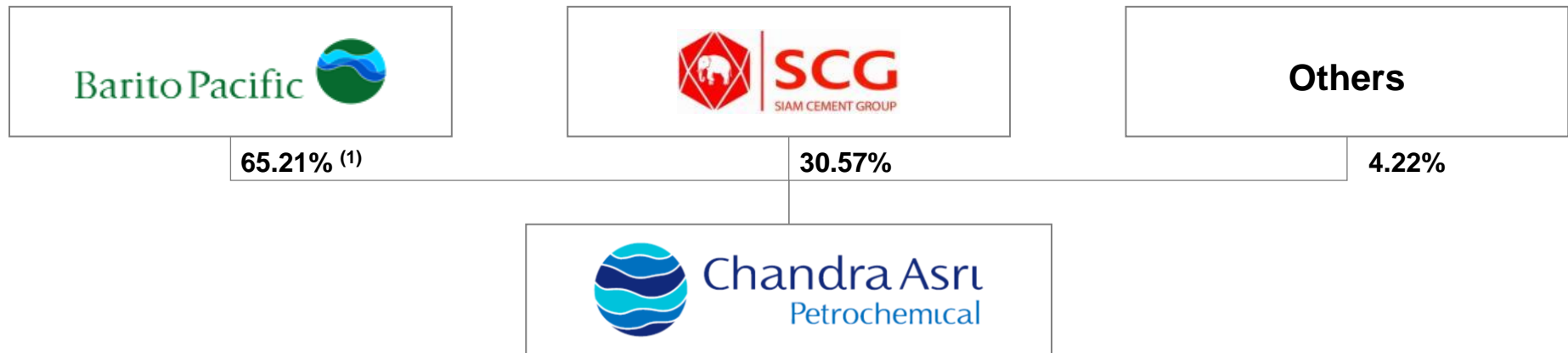
- Cracker expansion to achieve economies of scale and take advantage of significant ethylene shortage in Indonesia
- Ethylene sold to existing domestic customers who are carrying out debottlenecking (Asahimas, etc), with additional capacity targeted for new PE plant
- Achieved Mechanical Completion on 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)

		Ethylene	Propylene	Crude C4
Before Expansion	Capacity	600	320	220
	Requirement	430	480	220
	Surplus / (Deficit)	170	-160	0
After Expansion	Capacity	860	470	315
	Requirement	430	480	315
	Surplus / (Deficit)	430	-10	0

## 2. Investment Strengths

### 7 Strong commitment from shareholders

#### Shareholder structure (as of 28/02/2017)



#### 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**  
Director of Monomer Commercial

13 years in the Industry  
13 years with CAP

(1) Representative of SCG



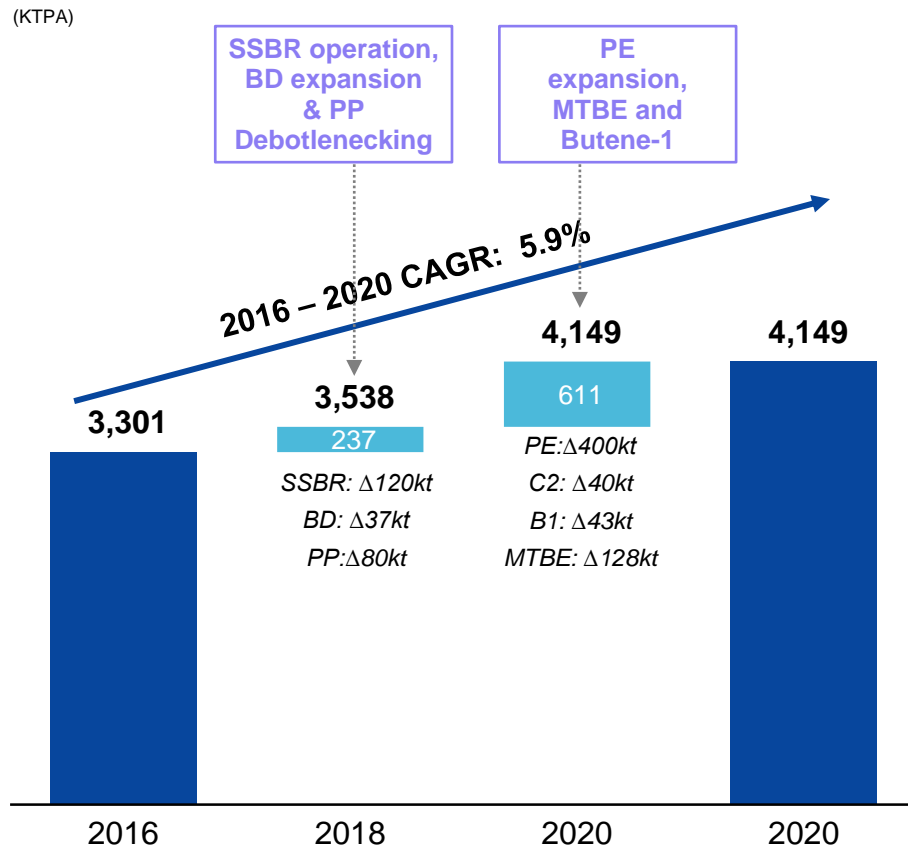
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## 3. Strategic Growth

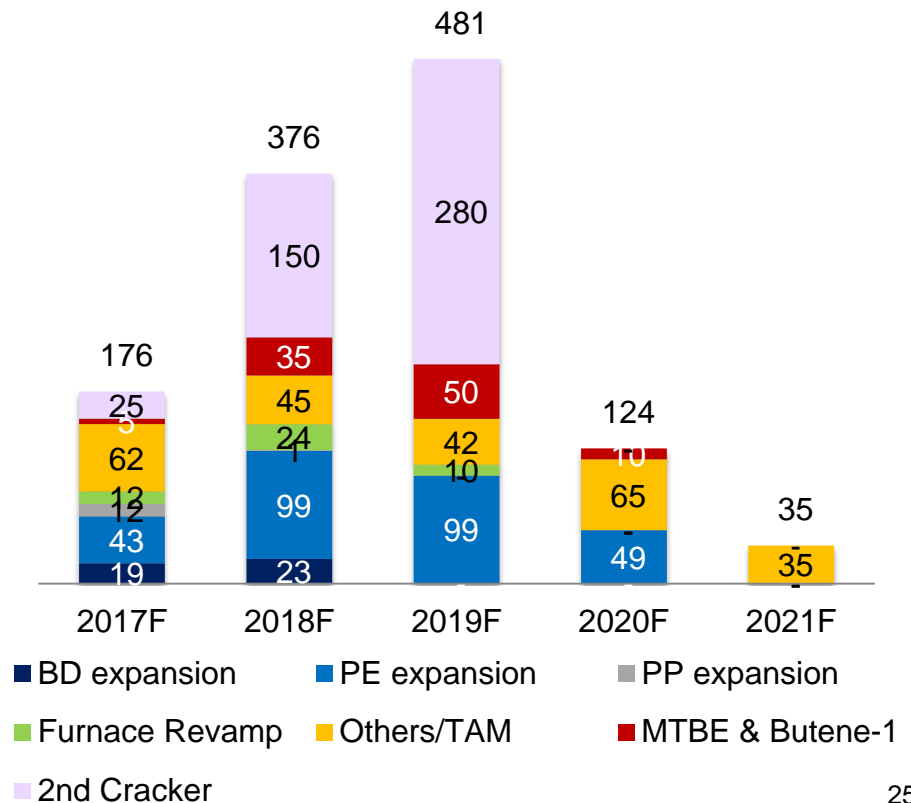
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### 3. Strategic Growth

Estimated US\$1.2bn over next 5yrs, mainly on Expansion and Debottlenecking



Capex plans breakdown by year 2017 – 2020 (US\$m)



### 3. Strategic Growth

#### Synthetic rubber project

*Progressing as planned.*

- 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



### 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.

### 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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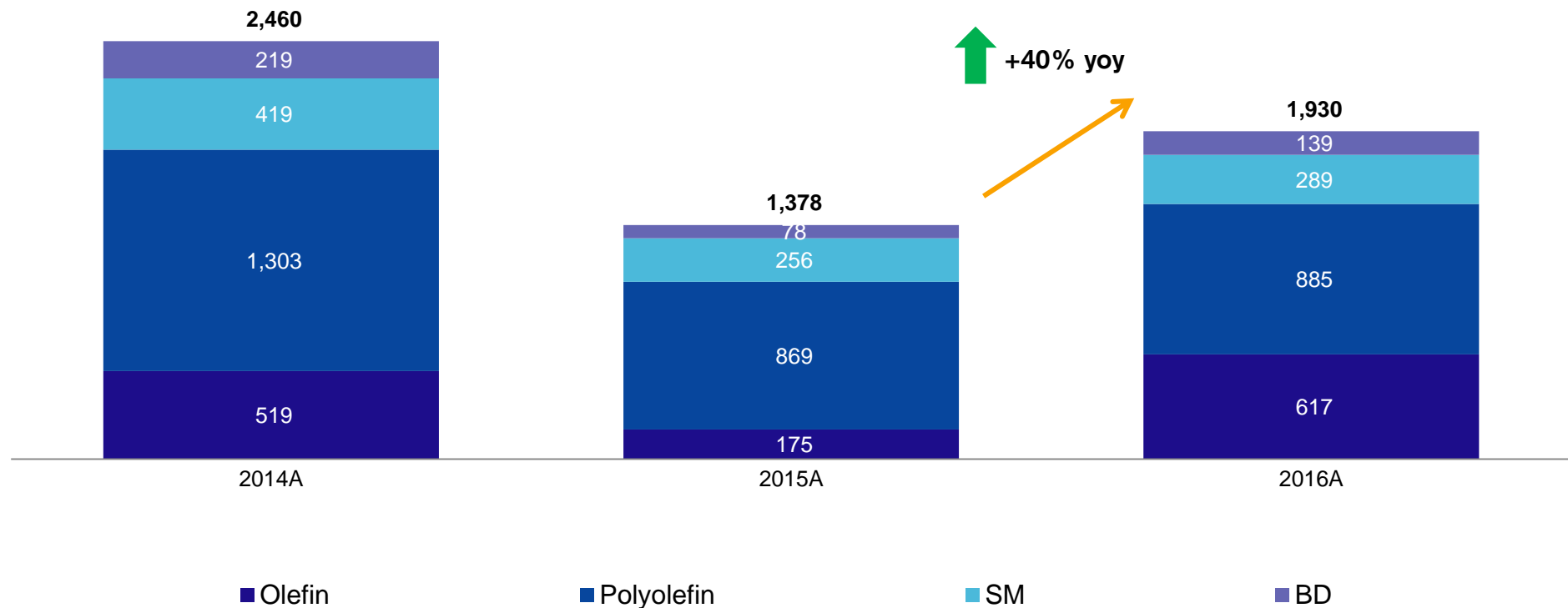


## 4. Financial Highlights

### Net Revenues

#### Revenue by product (US\$m)

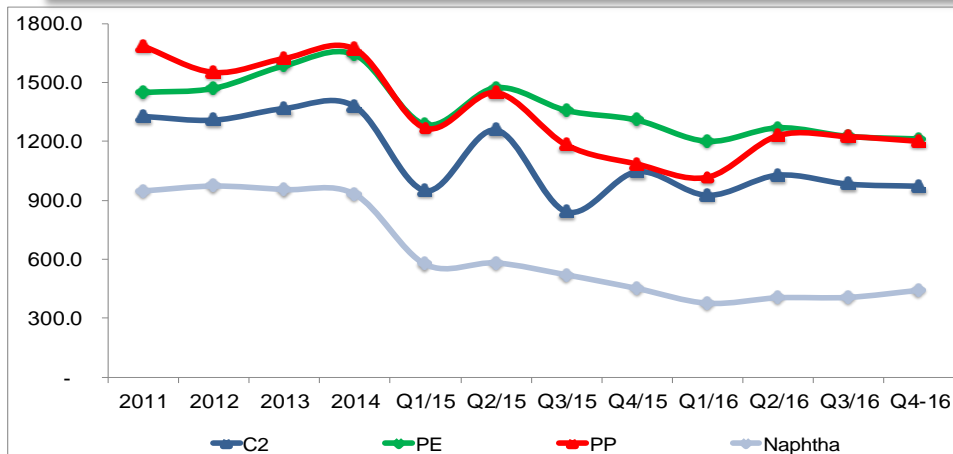
(US\$ in millions)



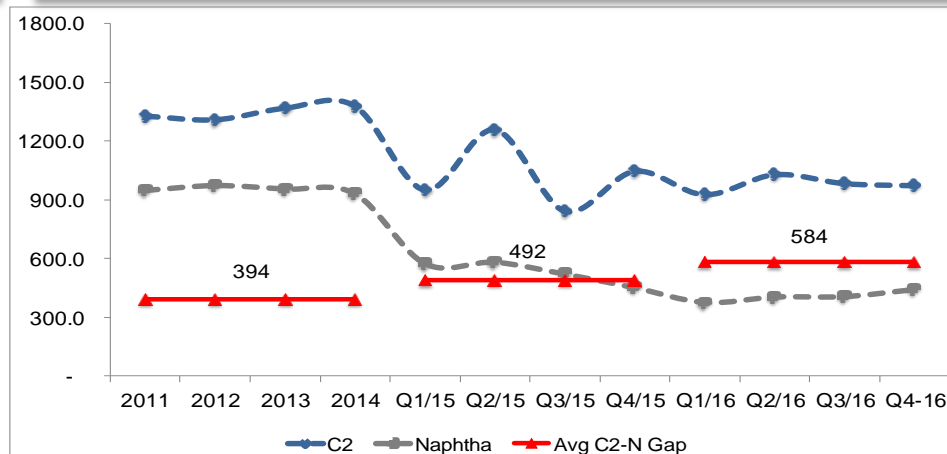
## 4. Financial Highlights

Improved spreads across all key product categories

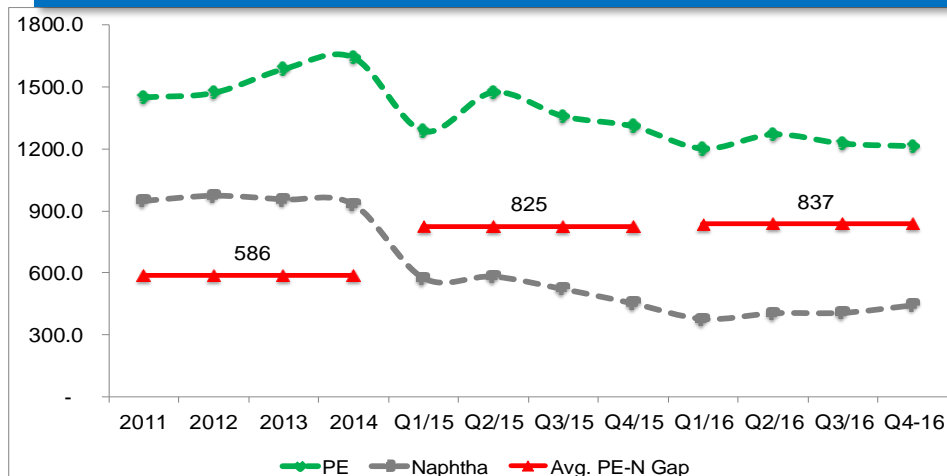
CAP Avg Realized Prices (US\$/ton)



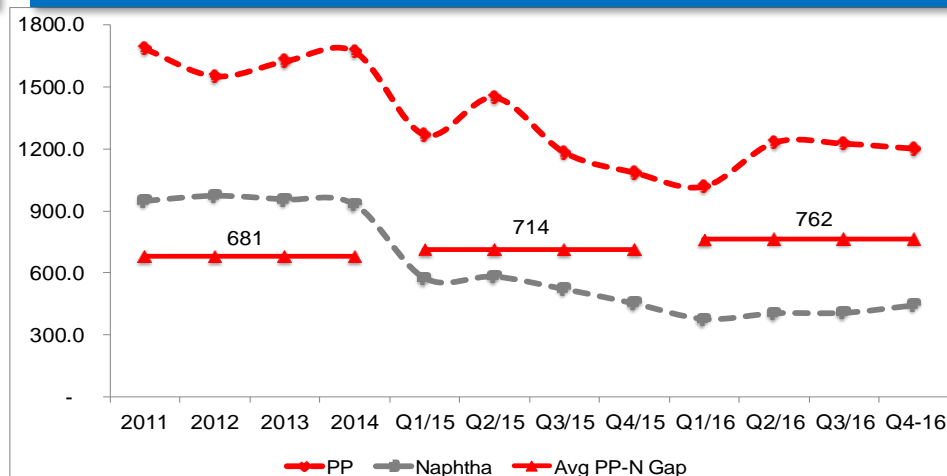
C2 – Naphtha Price Gap (US\$/ton)



PE – Naphtha Price Gap (US\$/ton)



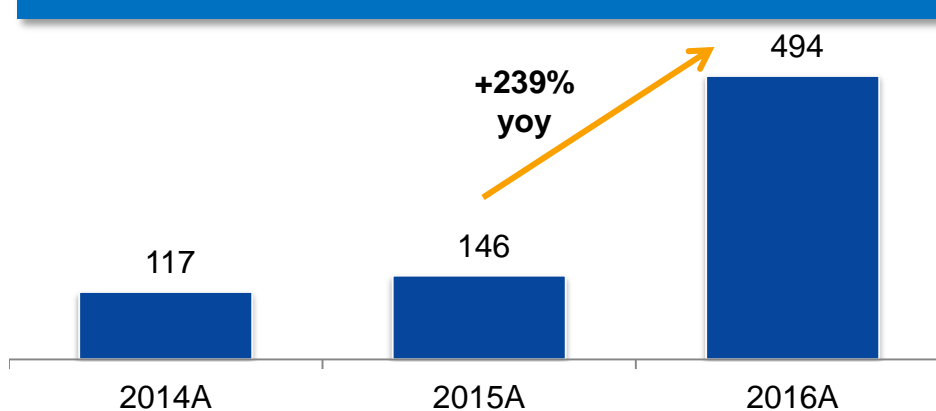
PP – Naphtha Price Gap (US\$/ton)



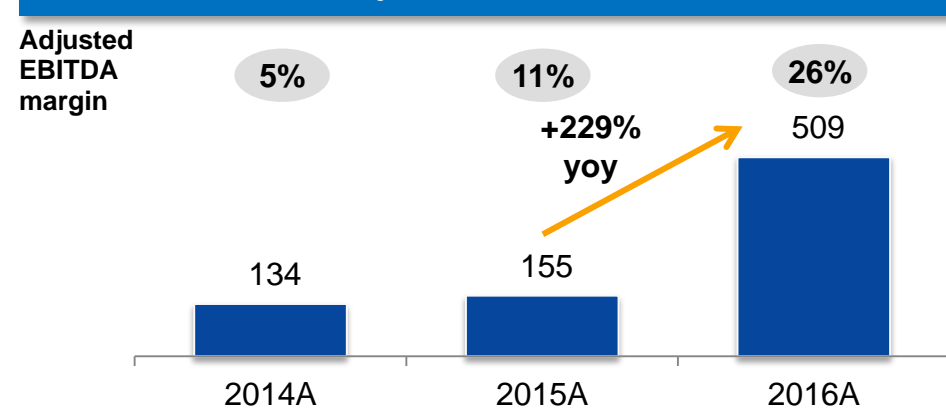
## 4. Financial Highlights

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

Gross Profit

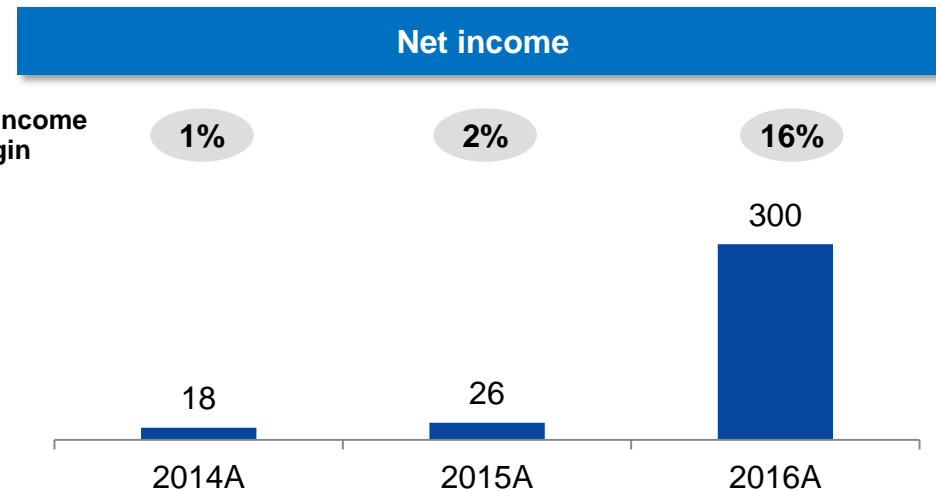


Adjusted EBITDA <sup>(1)</sup>

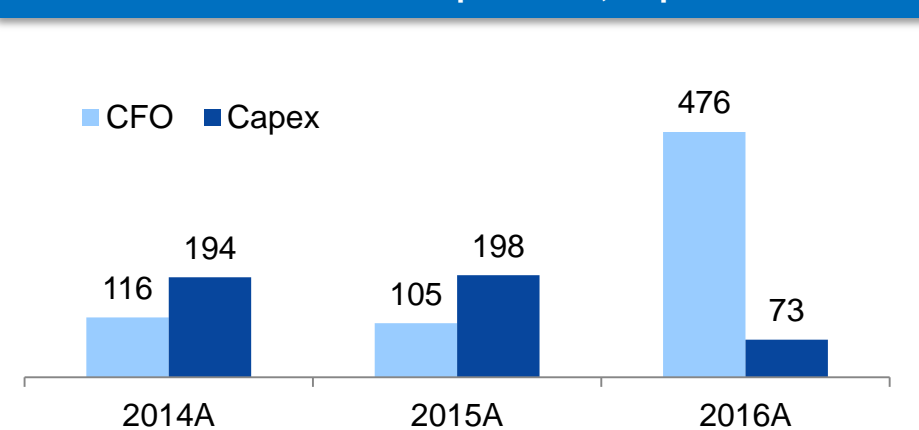


Net income

Net Income Margin



Cashflow from Operations, Capex

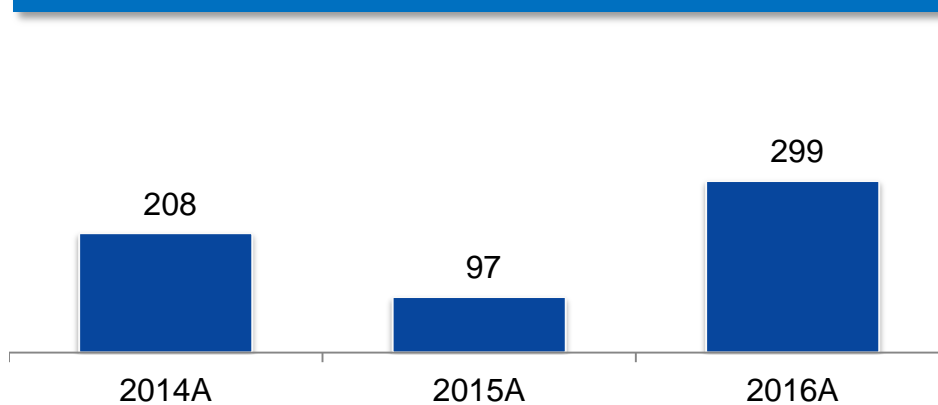


(1) Adjusted EBITDA is defined as net income/(loss) before interest, taxes, depreciation and amortization as adjusted for net unrealized foreign exchange loss/(gain), unrealized loss/(gain) on mark to market valuation of derivatives, equity in net loss of an associate, write down of inventories to NRV.

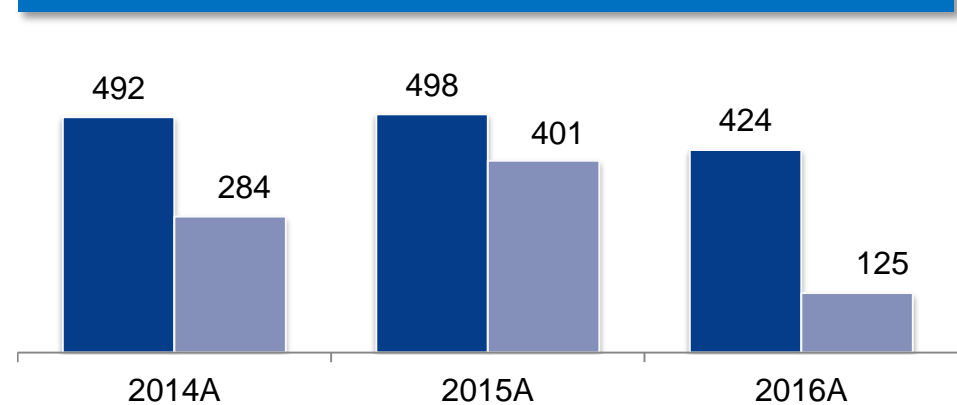
## 4. Financial Highlights

### Consolidated debt, liquidity and coverage profile

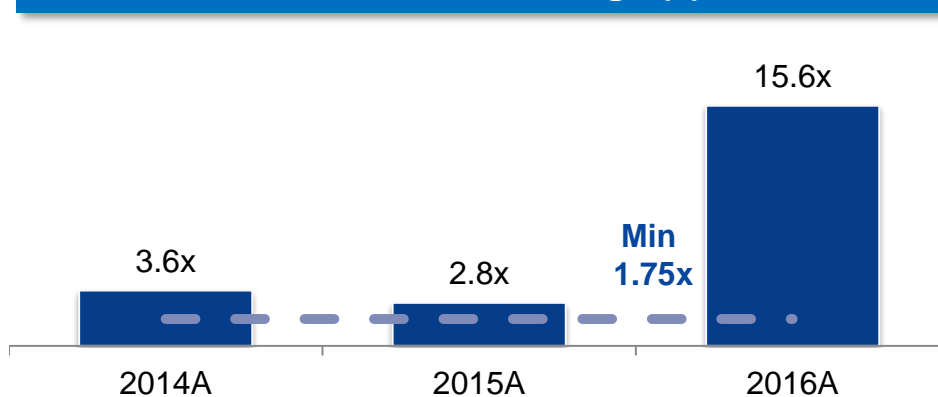
Cash Balance (US\$m)



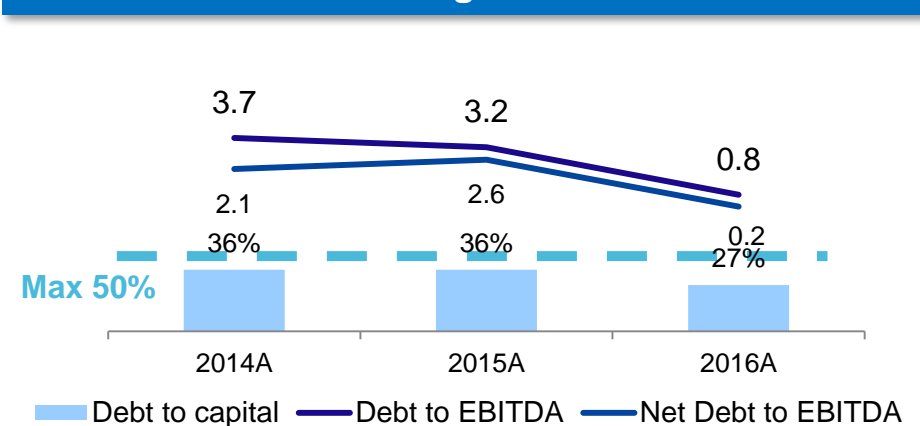
Debt and Net Debt (US\$m)



Int. Service Coverage (x)



Leverage ratios





# Thank You

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## Appendix

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## Vertical Integration

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.

