

# Indonesia's **LEADING** and **PREFFERED** Petrochemical Company

# PT Chandra Asri Petrochemical Tbk COMPANY PRESENTATION HSBC Asia Credit Tour – Virtual Series

Jakarta, October 14<sup>th</sup>, 2020



# **Company Profile**



1

# **Investment Highlights**



# **Financial Overview**







# **Company Profile**



# Chandra Asri – Indonesia's leading and preferred petrochemical company

### Largest Integrated Petrochemical Producer in Indonesia

- Largest integrated petrochemical producer in Indonesia and operates the country's only Naphtha Cracker, Styrene Monomer, Butadiene, MTBE and Butene-1 plants
- Market leadership in highly attractive Indonesia and SE Asia petrochemical market
  - Market share of approximately 50%, 30%, and 32% of the domestic market (including imports) in Olefin, Polyethylene, and Polypropylene, respectively
- Support from Barito Pacific Group and Siam Cement Group
- Vital National Object status
- Transformed in 2016 following the 4Q2015 Naphtha Cracker expansion and Furnace revamping in 2019, Production capacity increased by some 50% to Ethylene 900 KTA, Propylene 490 KTA, Py-Gas 418 KTA, and Mixed C4 330 KTA
- Further downstream expansion completed in 2018-2020, Butadiene plant up to 137 KTA from 100 KTA; new Synthetic Rubber plant with capacity of 120 KTA (a joint venture with Michelin); new Polyethylene plant of 400 KTA bringing total Polyethylene capacity to 736 KTA, new expanded capacity of Polypropylene plant at 590 KTA through debottlenecking; and new plant of MTBE and Butene-1 plant with capacity of 128 KTA and 43 KTA respectively which completed the second phase master plan of CAP integrated complex.

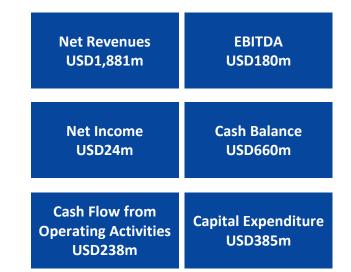
### Stable and Robust Financials Supported by Credit Strengths

- 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 utilization rate >90% in average
- Long-standing relationships with diverse customer base
  - No single customer accounts for more than 7-8% of consolidated revenue
  - Around +/- 75% of products by revenue were sold to domestic market
- Captive distribution network provides significant cost efficiencies
  - Key customers integrated with CAP production facilities via CAP's pipelines
  - Provides significant cost efficiencies to key customers
- New projects fueling strategic growth
  - Other efficiency improvements to complete integration of existing complex.
  - CAP 2 plan remains fully unchanged, and the pace will be subject to the stage-gated approach we have consistently adopted to ensure prudent and effective deployment of capital, underpinned by a strong equity base.

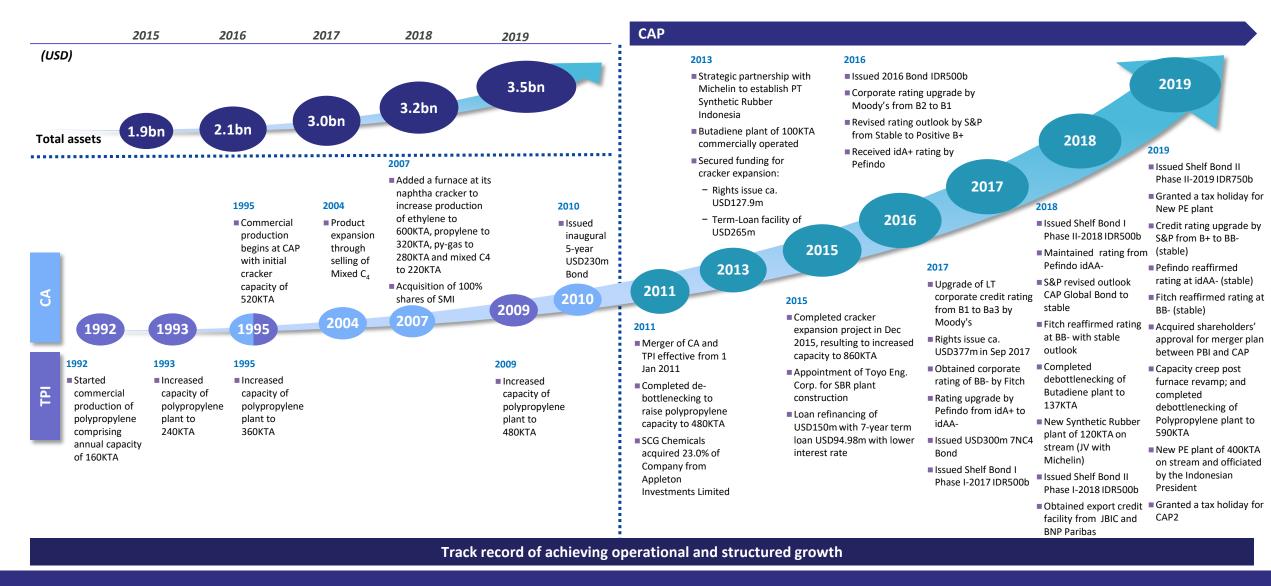


CAP's main integrated manufacturing complex

## FY-2019 Key Figures



# 28-year Track Record of Successful Growth





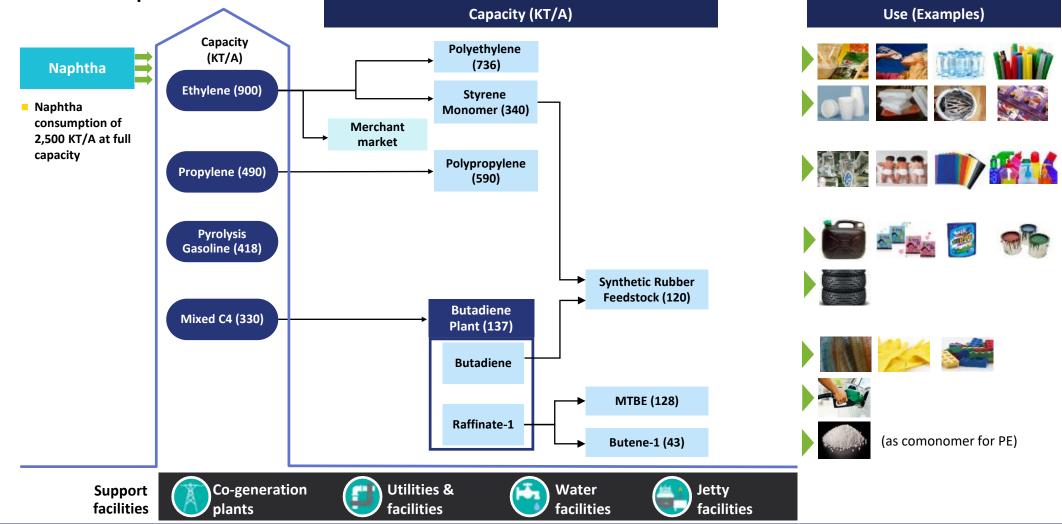
# Vision and Business Strategy

	Vision to be Indonesia's Leading and Preferred Petrochemical Company
1	Increase capacity and product offerings to build on leading market position
2	Expand value proposition to increase profitability
3	Develop feedstock advantage to improve cost competitiveness
4	Develop and nurture human capital
5	Continue to leverage the Company's branding to maintain premium relationship with stakeholders
6	Maintain and further improve best-in-class operating standards, cost efficiency, and safety, health and environment framework; leveraging digital transformation



# Integrated production of diverse products

CAP's products encompass a wide range across the consumer products value-chain, and its leading position & strategic location enhances its competitiveness





# **Our Sustainability**

# **Incorporating ESG**

In Chandra Asri, sustainability is an inherent part of our business strategy. Along with the company's growth, **Environmental, Social** and **Governance** aspects have become embedded in our operational activities and become our priorities.





# **Holistic Focus ESG Factors Across 4 Key Pillars**

### Health

- Distributing aid for the victims of natural disaster
- Holding several health events for both internal and external parties





### Socioeconomic

- Building partnership to support Polymer material technology innovation
- Exploring opportunities for collaboration in the petrochemical sector











### Environment

- Working with local Government in implementing plastic asphalt project
- Supporting community-based waste management industry





### Education

- Rebuilding a few inadequate schools
- Holding training programs for teachers









# **Investment Highlights**



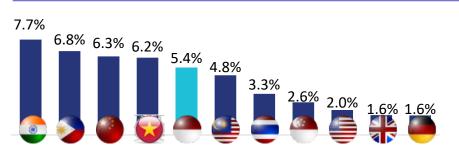
# **Key Investment Highlights**



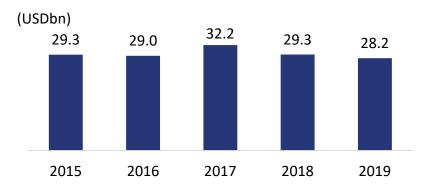


# Well-Positioned to Benefit from Attractive Indonesian Macroeconomic Growth and Consumption Trends

## GDP Growth CAGR (2017 - 2020F)<sup>(1)</sup>



### Foreign Direct Investment in Indonesia (2015-2019)

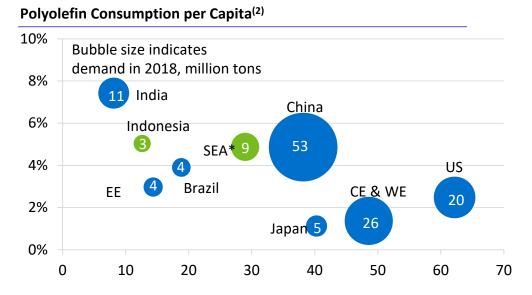


### Source: Nexant, IMF, BKPM

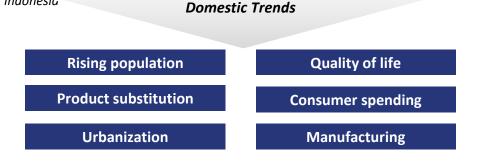
Note:

- 1. GDP, constant prices; IMF World Economic Outlook Database
- 2. Polyolefin include HDPE, LLDPE, LDPE and PP

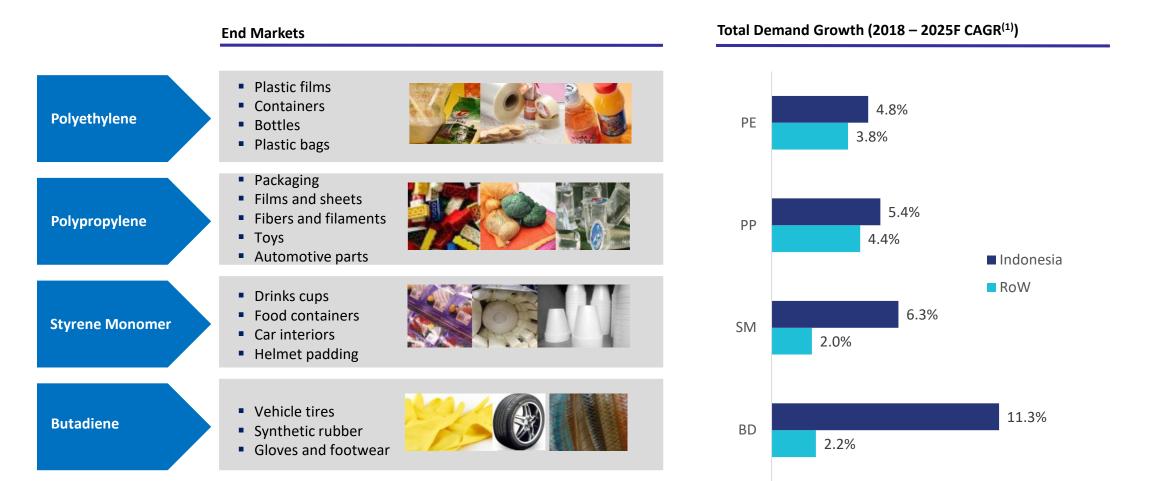




Note: EE = Eastern Europe, CE = Central Europe, WE = Western Europe, SEA\* = South East Asia (including Malaysia, Philippines, Singapore, Thailand and Vietnam) \* Excluding Indonesiu



# **1** Strong Demand Growth for Petrochemical Products in Indonesia



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

Source: Nexant



# **2** CAP is the Largest Petrochemical Producer in Indonesia

Capacities of Petrochemical Producers in Indonesia (2020)

Capacity ('000 tons per year)	😂 Chandra Asri	LOTTE CHEMICAL		Masplene*	ASC AGC Group PT Asahimas Chemical	PT SULFINDO ADIUSAHA	ТРРІ	Others	Total
Ethylene	900	-	-	-	-	-	-	-	900
Propylene	490	-	625	-	-	-	-	-	1,115
LLDPE	400	200	-	-	-	-	-	-	600
HDPE	336	250	-	-	-	-	-	-	586
Polypropylene	590	-	45	300	-	-	-	-	935
Ethylene Dichloride	-	-	-	-	760	380	-	-	1,140
Vinyl Chloride Monomer	-	-	-	-	875	130	-	-	1,005
Polyvinyl Chloride	-	-	-	-	550	110	-	202	862
Ethylene Oxide	-	-	-	-	-	-	-	240	240
Mono Ethylene Glycol	-	-	-	-	-	-	-	220	220
Acrylic Acid	-	-	-	-	-	-	-	140	140
Butanol	-	-	-	-	-	-	-	20	20
2-Ethylhexanol	-	-	-	-	-	-	-	140	140
Pygas	418	-	-	-	-	-	-	-	418
Crude C4	330	-	-	-	-	-	-	-	330
Butadiene	137	-	-	-	-	-	-	-	137
Benzene	-	-	100	-	-	-	207 <sup>1</sup>	-	307
Para-Xylene	-	-	270	-	-	-	500 <sup>1</sup>	-	770
Styrene	340	-	-	-	-	-	-	-	340
Synthetic Rubber	120	-	-	-	-	-		75	195
Methyl Tert-butyl Ether	128								128
Butene-1	43								43
Total	4,232	450	1,040	300	2,185	620	707	1,037	10,571

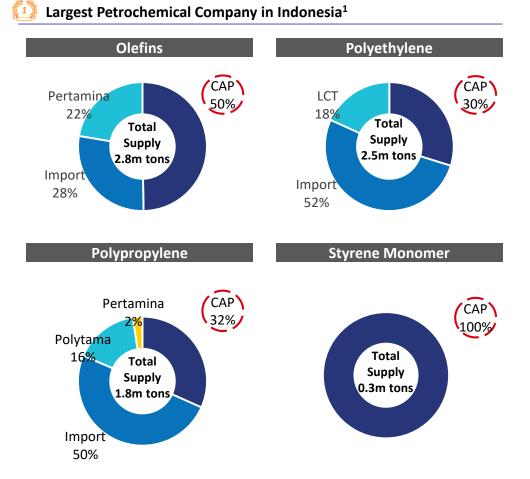
CAP offers the most diverse product range and is a dominant producer with market share of approximately 50%, 30%, and 32% of the domestic market (including imports) in olefin, polyethylene and polypropylene respectively

Source: Company, ICIS, Nexant



# **2** CAP is the Country's Market Leader for its Product Portfolio

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



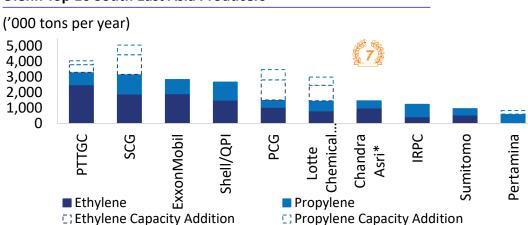
Source: Company, Nexant

Note:

1. By production excluding fertilizer producers and including imports

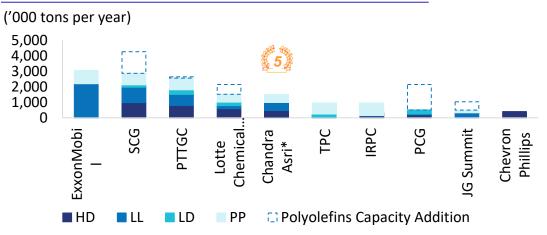
2. Chandra Asri capacity is inclusive of SCG's equity in Chandra Asri





### Olefin Top 10 South East Asia Producers<sup>2</sup>

## Polyolefin Top 10 South East Asia Producers<sup>2</sup>



# **3** Strong Brand with Diversified Client Base of Industry Leaders, Developed Over Many Years

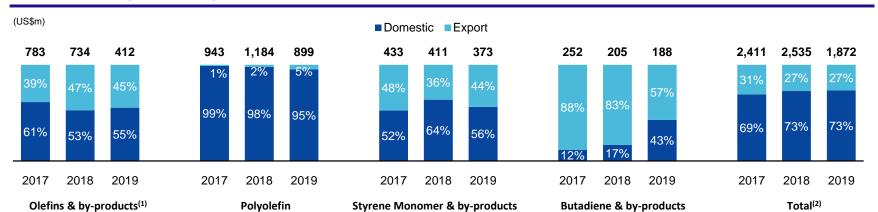
### Sales & Marketing Strategy

- Long term relationships with key customers
- Network of 300+ customers, with diversified clientele
- Top 10 customers account for only 43.41% of revenues in 2019
- Majority of top 10 customers have been with CAP for >10 years
- Trademarked brand names
  - "Asrene" for polyethylene products,
  - "Trilene" for polypropylene products,
  - "Grene" for resin products
- Strong marketing and distribution platform with nation-wide network
  - Short delivery times result in premium pricing over benchmarks
  - On ground technical support.

### Sales Breakdown (2017 – 2019)

### Top 10 Customers (2019)

Customer	Products	% of Revenue	Customer Since	Location
Customer 1	Polyethylene, Polypropylene	7.04%	1995	Indonesia
Customer 2	Ethylene	5.50%	1995	Indonesia
Customer 3	Styrene Monomer, Butadiene	5.12%	2004	Indonesia
Customer 4	Styrene Monomer, Butadiene, HP Steam	5.00%	2018	Indonesia
Customer 5	Polyethylene, Polypropylene	4.06%	2015	Indonesia
Customer 6	Py-Gas	3.91%	2019	Singapore
Customer 7	Butadiene, Raffinate-1	3.54%	2013	Singapore
Customer 8	Polyethylene, Polypropylene	3.37%	1995	Indonesia
Customer 9	Styrene Monomer	3.07%	2018	Singapore
Customer 10	Polyethylene, Polypropylene, Ethylene	2.79%	2010	Japan
Top 10 Customers	% of Revenue	43.41%		



(1) Include ethylene, propylene, and by-products such as Py-Gas and Mixed C4

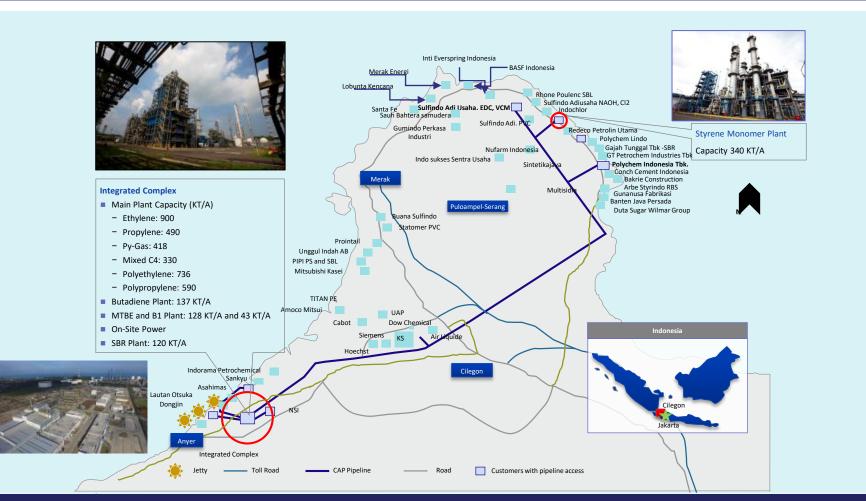
- Propylene: Majority used as feedstock for polypropylene production internally
- Mixed C4: Majority used as feedstock for butadiene production internally
- Py-gas: Primarily sold to SCG

(2) Exclude Tanks & Jetty Rent



# **3** Strategically Located Key Customers, with Location Proximity & a Proprietary Pipeline

**CAP's Integrated Petrochemical Complexes** 



Location proximity and well established pipeline ensures excellent connectivity to key customers. This coupled with reliability of supply lead to premium pricing, with integration of facilities creating significant barriers to entry.



# 4 Stable & Flexible Feedstock Supply from Long-Term International Suppliers

### **Feedstock Procurement Overview**

- Long-standing stable supplier relationships
- No material feedstock supply disruption historically
- Flexibility in feedstock purchasing (spot vs. contract)
  - Avoids single supplier dependence
- 80% of naphtha under contract with major oil trading companies in 2019
- Procurement synergies with SCG

Naphtha Supply (2019)

Substantial naphtha storage capacity to support 27 days of operations



### Main Raw Materials (2019)



Externally Sourced
Internally Sourced

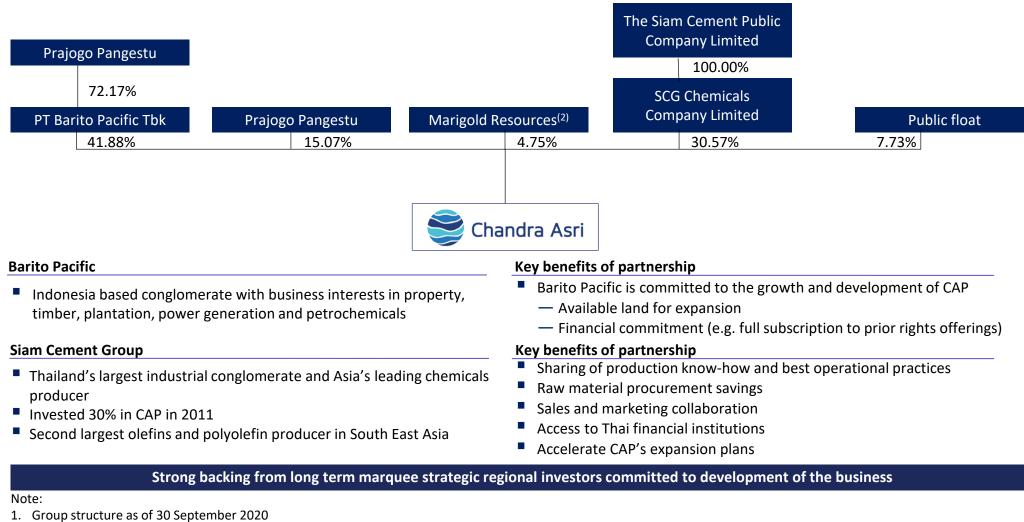
## Key Suppliers of Naphtha (2019)

Supplier	US\$m	%
Shell International Eastern Trading	341.1	32.91%
Marubeni Petroleum Co. Ltd	316.9	30.58%
Total Trading Asia Pte Ltd	114.8	11.08%
Chevron U.S.A. Inc	112.9	10.90%
Konsorsium PT. Titis Sampurna	41.5	4.00%
Kuwait Petroleum Corporation	30.4	2.93%
Shell MDS (Malaysia) Sendirian Berhad	29.7	2.87%
Saudi Aramco Product Trading Company	19.5	1.88%
PT Surya Mandala Sakti	16.9	1.63%
BP PIc	12.7	1.23%
Total	1,036.4	100.0%

Win-Win Mindset, Reliability and Trustworthy Credit have Resulted in Long-standing Relationships



### Strong Commitments from Shareholders, Realizing Significant Partnership Benefits 5



Strong commitment from Shareholders

- 2. Subsidiary of PT Barito Pacific Tbk

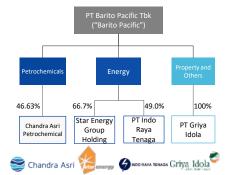


### **Barito Pacific Group – A Leading Indonesian Conglomerate with Diversified Assets** 5



PT Barito Pacific Tbk ("Barito") is a resource-based company listed on the Indonesia Stock Exchange with a diversified portfolio of businesses including petrochemicals, property, plantation and renewable energy.

#### **Organizational Structure**



#### Management Team

Name	Position	EBITDA
Agus Salim Pangestu	President Director	Margin (%)
Rudy Suparman	VP Director	EBIT
Andry Setiawan	Director	Margin (%)
David Kosasih	Independent Director	Net Income

### **Business Description**

Financial Performance<sup>3</sup> (USDm)

Sales

Growth (%)

Margin (%)

2019A

2,402

-21.9%

595

24.8%

451

18.8%

137

5.7%

- Barito was originally established in 1979 under the name of PT Bumi Raya Pura Mas Kalimantan, with its beginnings centered around the forestry and timber businesses
- Barito is listed on the Indonesia Stock Exchange with a market capitalization of c. USD9.7bn, and has now transformed into an integrated energy company with multiple power and industrial assets
- Owns a controlling share in PT Chandra Asri Petrochemical Tbk, Indonesia's largest and only integrated petrochemical company
- Barito Pacific also owns a controlling share in Star Energy, the largest geothermal company in Indonesia and the third largest geothermal company in the world
- Barito's largest shareholder is Prajogo Pangestu, an Indonesian business magnate and investor with c.71.48% stake in the company

2017A

2,852

46.3%

899

31.5%

765

26.8%

375

13.1%

2018A

3,076

14.7%

813

26.4%

675

21.9%

242

7.9%

#### **Business Segments<sup>1</sup>**

78.0%

Market Capitalization & Credit Profile

## Breakdown by FY2019 Sales Breakdown by FY2019 EBITDA 0.0% 22.0% 30.0%



68.0%

As of Dec 31, 2019	IDRb	USDm
Price (IDR / USD)	1,510	0.11
x Shares Outstanding (m)	89,016	89,016
Market Cap.	134,414	9,669
Total Debt	35,248	2,536
Total Cash	10,345	744
Debt / EBITDA	4.3x	4.3x
Net Debt / EBITDA	3.0x	3.0x

Sources: Company presentations, Bloomberg and Factset as of 31 December 2019 Notes:

- 1. Based on FY2019 sales; Petrochemical segment sales exclude tank & jetty rents
- 2. EBITDA from Barito & Others was insignificant in FY2019
- 3. Growth rates calculated in local currency (IDR)



### SCG – Thailand's Largest Industrial Conglomerate and Asia's Leading Chemicals Producer 5



Siam Cement Group ("SCG") is a leading conglomerate in the ASEAN region focusing on three core business lines - SCG Cement-Building Materials, SCG Chemicals and SCG Packaging.

SCG is currently rated A+ by Fitch National (Thailand).

#### **Key Manufacturing Locations**



#### Management team

ivialiagement team		. ,			
Name	Position	EBITDA	2,503	2,680	3,007
Roongrote Rangsiyopash	President & CEO, SCG	Margin (0/)	17.1%	18.1%	22.6%
Tanawong Areeratchakul	President – Chemicals	Margin (%)	17.1%	18.1%	22.0%
Sakchai Patiparnpreechavud	VP-Polyolefin & Vinyl	EBIT	1,703	2,065	2,373
Mongkol Hengrojanasophon	VP-Olefins	Margin (%)	11.7%	14.0%	17.9%
Suracha Udomsak	VP-Chemicals	Notincomo	1.060	1.384	1 621
Nithi Patarachoke	President-Cement	Net Income	1,069	1,384	1,621
Chana Poomee	VP-Cement & Building Materials	Margin (%)	7.5%	9.4%	12.2%
Paramate Nisagornsen	VP-Regional Business	Sourcos: Company	procontations Pl	oomborg and [	acted as of 2
Yuttana Jiamtragan	VP-Corporate Administration	<ul> <li>Sources: Company presentations, Bloomberg and Factset</li> <li>Notes:</li> </ul>			acisel as of 5
Thammasak Sethaudom VP SCG, Finance and Investment & CFO		1. Based on FY20	19 sales before a	•	•
Aree Chavalitcheewingul	President – Cementhai Holding	<ul> <li>2. Other EBITDA refers to dividend from investment in as</li> <li>2. Converted based on annual events of USD (TU)</li> </ul>			

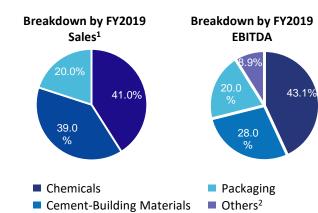
### **Business Description**

- SCG is a leading business conglomerate in the ASEAN region and engaged in the production and distribution of chemicals (41.0%), building materials (39.0%) and packaging products (20.0%)
- Established in 1913 following a Royal Decree of His Majesty King Rama VI of Thailand (Currently owned c.33.3% by His Majesty King)
- SCG is Thailand's largest industrial conglomerate and Asia's leading chemicals producer. SCG is the second largest olefins and polyolefin producer in South East Asia
- Strong presence and focus in the SEA region which it is committed to grow, as demonstrated by its investment in the Long Son Petrochemical Plant in Vietnam in 2018

#### Financial Performance<sup>3</sup> (USDm)

	2019A	2018A	2017A
Sales	14,624	14,801	13,284
Growth (%)	-3.6%	11.4%	6.5%
EBITDA	2,503	2,680	3,007
Margin (%)	17.1%	18.1%	22.6%
EBIT	1,703	2,065	2,373
Margin (%)	11.7%	14.0%	17.9%
Net Income	1,069	1,384	1,621
Margin (%)	7.5%	9.4%	12.2%
Margin (%) Sources: Company pr Notes: 1. Based on FY2019	resentations, Bl	oomberg and F	actset as of 3

#### **Business Segments**



#### Market Capitalization & Credit Profile

As of Dec 31, 2019	THBm	USDm
Price (IDR / USD)	392	13.1
x Shares Outstanding (m)	1,200	1,200
Market Cap.	470,400	15,720
Total Debt	181,684	6,066
Total Cash	45,729	1,527
Debt / EBITDA	2.4x	2.4x
Net Debt / EBITDA	2.4x	2.4x

ber 2019

ated companies

3. Converted based on annual average FX rate of USD/THB 31.05 (2019), USD/THB 32.33 (2018), and USD/THB 33.95 (2017); Growth rates calculated in local currency (Thailand Baht)



# **6** Strong Management Team with Substantial Industry Experience

### **Board of Commissioners**



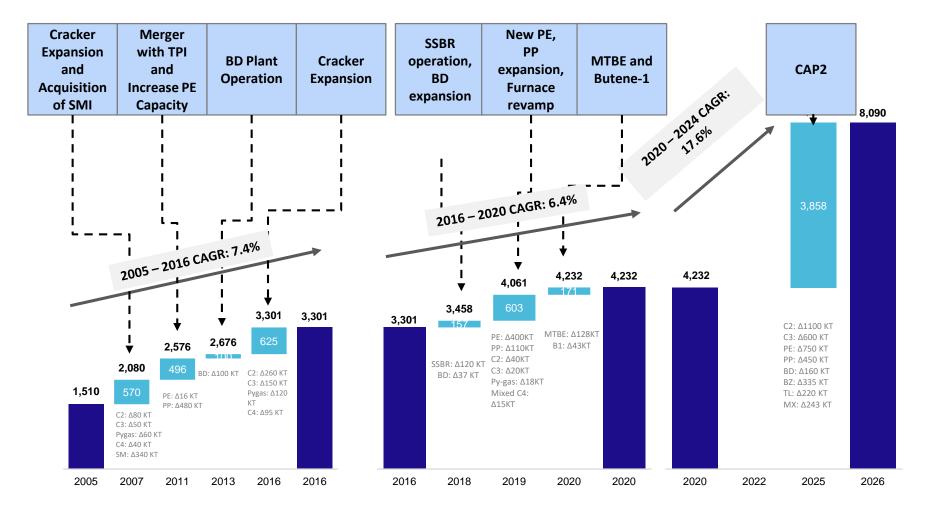
### **Board of Directors**



(1) Representative of SCG



# **6** Solid Track Record of Delivering Sustainable and Profitable Growth





# **Government Supports Exponential Growth**



President Jokowi: "The development of Chandra Asri's new plant is a concrete step that is needed by our country" — The Jakarta Post, 9 Dec 2019





# First MTBE and B1 Plants Geared to Meet Domestic Demand

Ministry of Industry: "We need to support the domestic petrochemical industry in Indonesia as it holds an important role to substitute import. In addition, petrochemical companies such as Chandra Asri also attracts new investors which will bring positive impact to the Indonesian economy" – IDN Financials, 7 Sep 2020

### Capacity

- MTBE (Methyl Tert-butyl Ether) plant capacity is 128KTA, tapping into octane booster market that is still reliant to import.
- B1 (Butene 1) plant capacity is 43KTA, where 33KTA will be absorbed by Chandra Asri's own operation while the rest is targeted for domestic market.

## Technology

Both plants are using Lummus Technology, one of the most advanced petrochemical processing technology in the world.

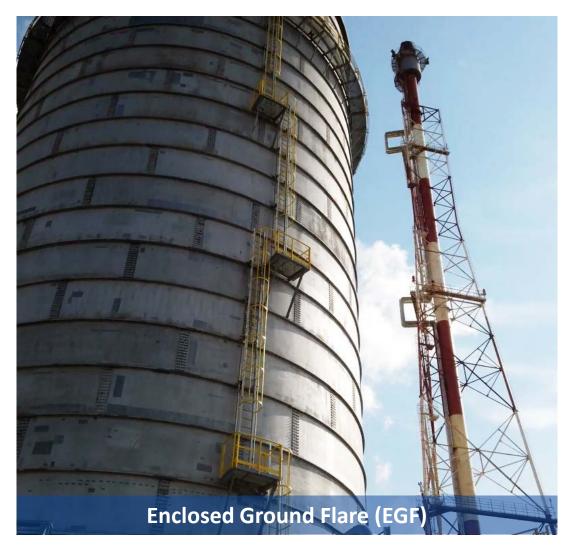
### Values

 Capturing added value along integrated production chain especially Raffinate-1 which produced from our Butadiene plant process.





# US\$14 million EGF Investment – a Commitment to Sustainability



### Feature

Enclosed Ground Flare (EGF) is capable of burning 220 tons of hydrocarbons per hour without heat and noise.

### **Environmental Perspective**

Designed to carry out the combustion process completely leaving no hydrocarbons from combustion discharged into the air.

### **Social Perspective**

Its ability to reduce noise while eliminating flame and smoke.

Chandra Asri's President Director: "We are committed to run our plant operations wisely by reducing potential impacts to the environment and communities. The EGF construction in our plant operational area is our environmental and social investment to reduce carbon footprint and maintain a more comfortable condition for communities living near our operational area."



# **Chandra Asri & Pertamina Develop Petrochemical Business in Indonesia**



Chandra Asri & PT Kilang Pertamina Internasional, a subsidiary of PT Pertamina (Persero), signed a Head of Agreement (HoA) as a form of cooperation in developing the petrochemical business in Indonesia. It is hoped that this cooperation can reduce petrochemical imports and develop the domestic petrochemical business.



# **Chandra Asri & Vopak Sign LOI for Partnership in Industrial Terminal**



### Objectives

- A collaboration to develop a new jetty and tank farm line of business to serve new third party customers.
- Prepare for the investment and construction of the supporting infrastructure of our second petrochemical complex.

To grow existing petrochemical value chains and lay the foundations for an expanded industrial cluster in Cilegon, Banten Province, Indonesia









# **Financial Overview**

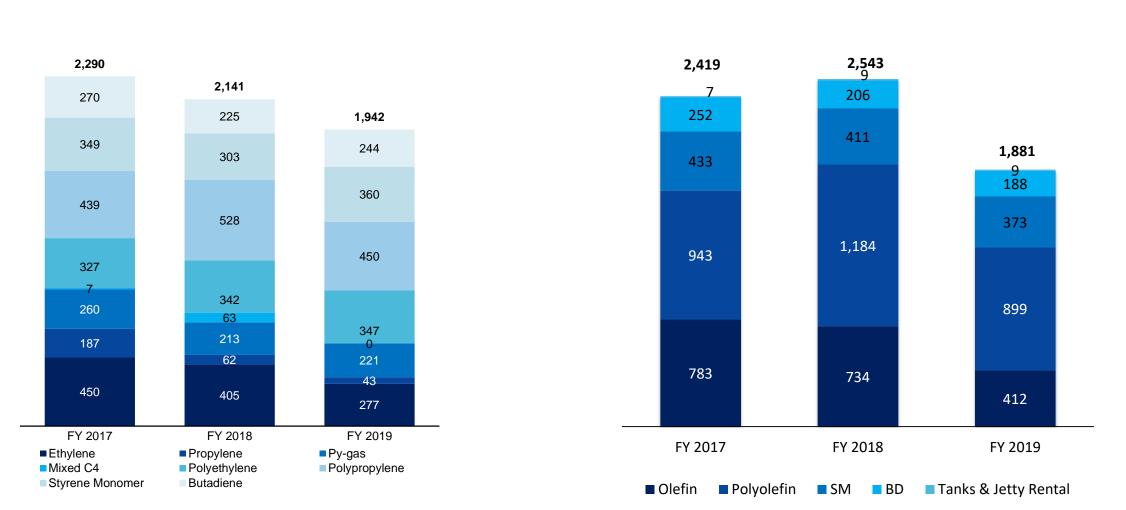


# **Prudent Financial Policies**

Foreign Exchange	<ul> <li>Maintain natural economic hedge as underlying sales and majority of costs and borrowings are denominated in US\$</li> <li>Treasury risk management on Rupiah currency risks: <ul> <li>Sales are hedged via pricing to customers and forward swaps with reputable banks</li> <li>Minimum Rupiah cash holdings of up to 10 – 15% of idle cash to meet operational needs</li> </ul> </li> </ul>
Leverage	Maximum total debt to capitalization less than 50% on sustainable basis
Liquidity	Seek to maintain minimum cash of US\$100m at all times
Return on Capital	Seek minimum 10% IRR for new investments with positive NPV
Dividend Policy	<ul> <li>Payout up to 40% of consolidated net profit subject to:         <ul> <li>Liquidity, leverage and reserves</li> <li>Financial performance / sustainability</li> <li>Projected operational and capital expenditure</li> </ul> </li> </ul>



# **Diversified Product Mix generates a Broad Revenue Base**



**Revenues by Product Segments (in US\$m)** 

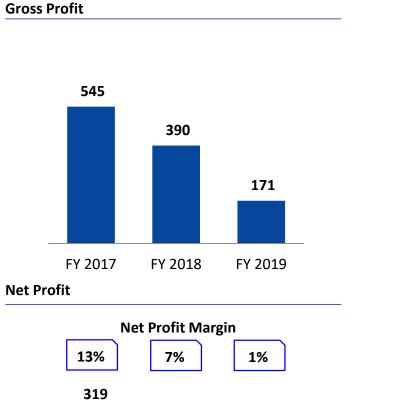
N.B. FY 2019 figures includes effect of c. 2 months scheduled Turnaround Maintenance over August and September 2019, to dovetail with New PE and PP capacity coming onstream.

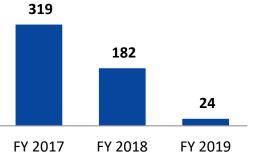


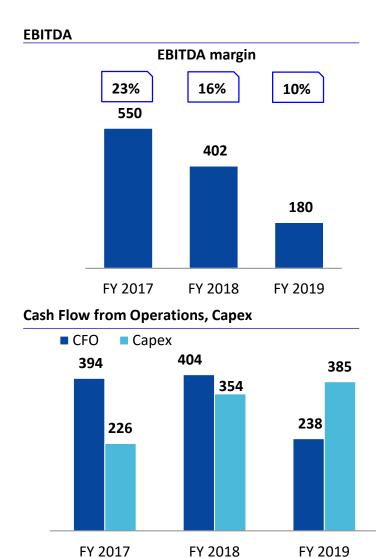
Sales Volume (in KT)

# **Robust Operating and Financial Performance**

## (in US\$mn)



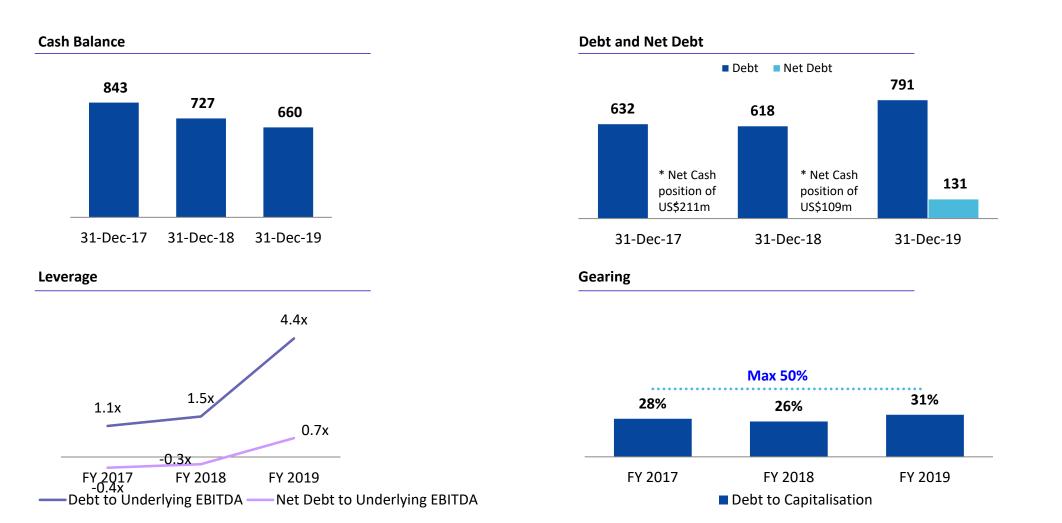




N.B. FY 2019 figures includes effect of c. 2 months scheduled Turnaround Maintenance over August and September 2019, to dovetail with New PE and PP capacity coming onstream.



# Strong Balance Sheet, with Healthy Liquidity and Access to Capital Markets (in US\$mn)



N.B. FY 2019 figures includes effect of c. 2 months scheduled Turnaround Maintenance over August and September 2019, to dovetail with New PE and PP capacity coming onstream.



# **For more information please contact:**

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Fina and all



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