

# The First MTBE and B1 Plant in Indonesia

With Lummus Technology

PT Chandra Asri Petrochemical Tbk

**Q3 2020 Results**

Earnings Call – 27<sup>th</sup> October 2020

# Forward Looking Statements

**IMPORTANT NOTICE:** This document contains forward-looking statements concerning the financial condition, results of operations and business of PT Chandra Asri Petrochemical Tbk. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.

There are a number of factors that could affect the operations and future performance of PT Chandra Asri Petrochemical Tbk, and cause the Company's results to differ from those expressed in the forward looking statements including (a) cyclicity in the petrochemical industry, (b) volatility of the international market prices, (c) fluctuations in the cost of feedstock, (d) variances to capacity and product expansion plans, (e) increased global and local competition, (f) unscheduled outages and shutdowns, (g) political and macro-economic risks, (h) trade-regulating actions by international governments, (i) evolving environmental and occupational health and safety laws, (j) dependence on third party providers, (k) approvals to renew permits/approvals/licenses, (l) risks associated with global pandemics e.g. COVID-19 outbreak, and (m) changes in trading conditions.

All forward-looking statements contained in this document are expressly qualified in their entirety. Readers should not place undue reliance on forward-looking statements. Neither PT Chandra Asri Petrochemical Tbk nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward looking statements contained in this document.



A photograph of an industrial refinery or chemical plant at night. The scene is illuminated by artificial lights, creating a warm glow against the dark sky. Several tall, cylindrical distillation columns are visible, some with ladders and platforms. A large, white, cylindrical storage tank is prominent in the foreground. The background shows a sunset or sunrise sky with soft, colorful clouds.

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- 1 Summary Highlights
- 2 Performance Overview
- 3 Strategy & Growth
- 4 Questions & Answers



# Management Overview – Q3 2020 Highlights



## Performance Turnaround

- Q3 2020 EBITDA US\$61m from US\$18m in Q2 2020
- Volume growth (17% yoy) and robust domestic demand
- Improving macro outlook with China and NEA rebound



## Financial Resilience

- Full prepayment US\$125m of last secured Term Loan and USD bond repurchase US\$20m to reduce debt by 12%
- Lower costs of financing through new IDR bonds



## Robust Operations

- MTBE and B1 plants completed on time, on budget and on spec even in Covid-19 situation
- Completion of Integration Master Plan to get to 4.2MTPA



## Sustainability Cornerstone

- US\$14m investment for Enclosed Ground Flare
- Continuing commitment to sustainable business with focus on ESG

# COVID-19 Response

## Sustained Focus on Navigating the Pandemic via 3 Key Imperatives



### Business Continuity

- Stringent day-to-day operational protocol
- Senior Management Covid-19 Task Force
- Supporting staff set-up for maximum work-from-home capability
- Support Communities
- Plant able to continue running through pandemic



### Operational Excellence

- Focus on Asset Integrity, with smooth and safe operations post TAM 2019
- Supply chain resilience
- Robust IT infrastructure
- Maintain critical customer support & staff productivity
- Successful start-up of new MTBE/B1 plants and EGF even in pandemic

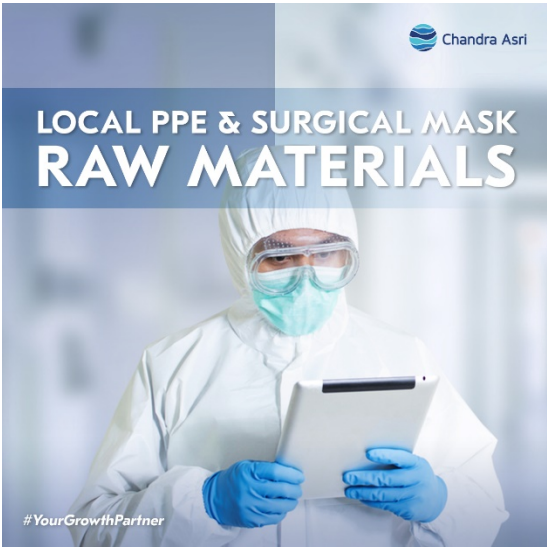


### Financial Resilience

- Capex reduced by \$295m in 2020
- Opex reduced by >US\$10m
- US\$797m total liquidity pool, with US\$516m cash
- Debt reduction via full prepayment US\$125m of last secured Term Loan
- US\$ bond buyback, a credit-positive action

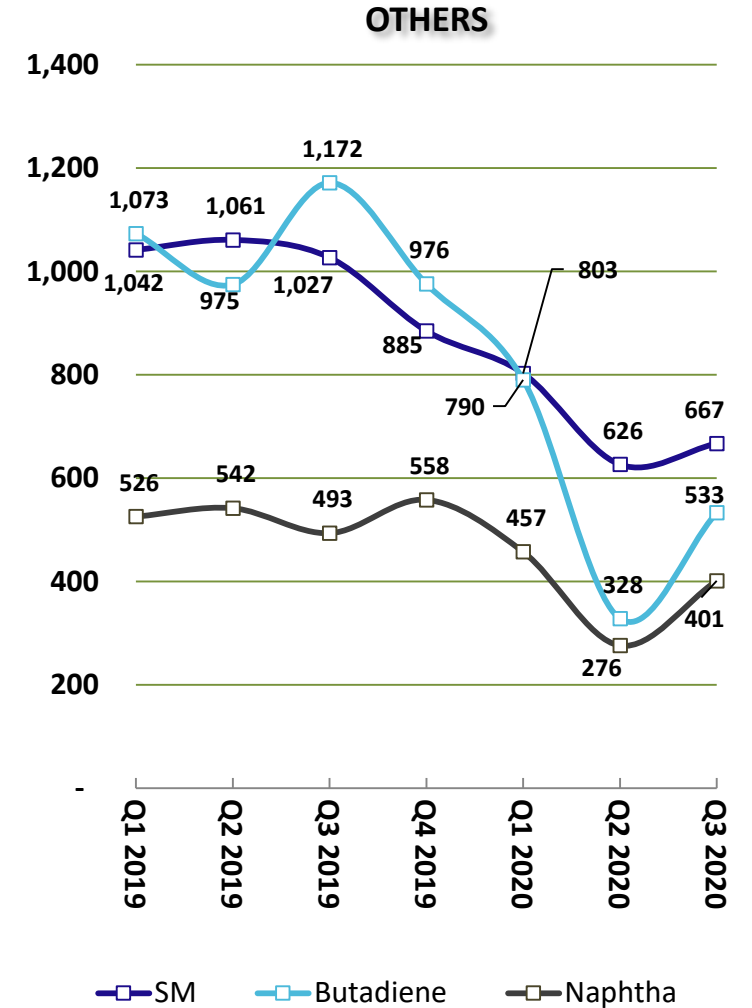
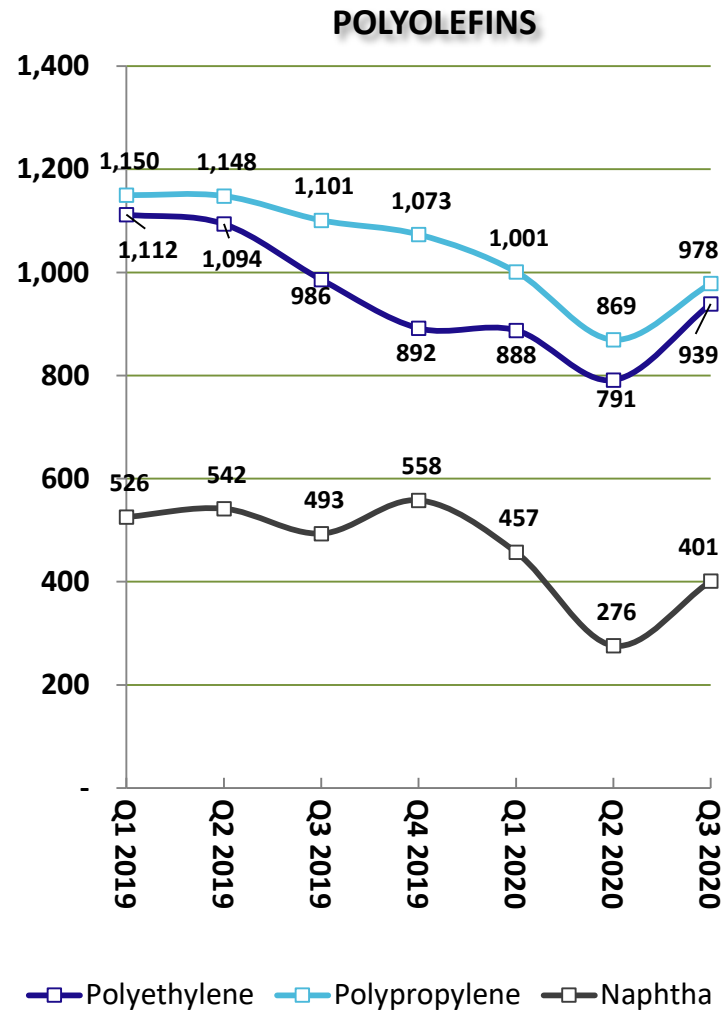
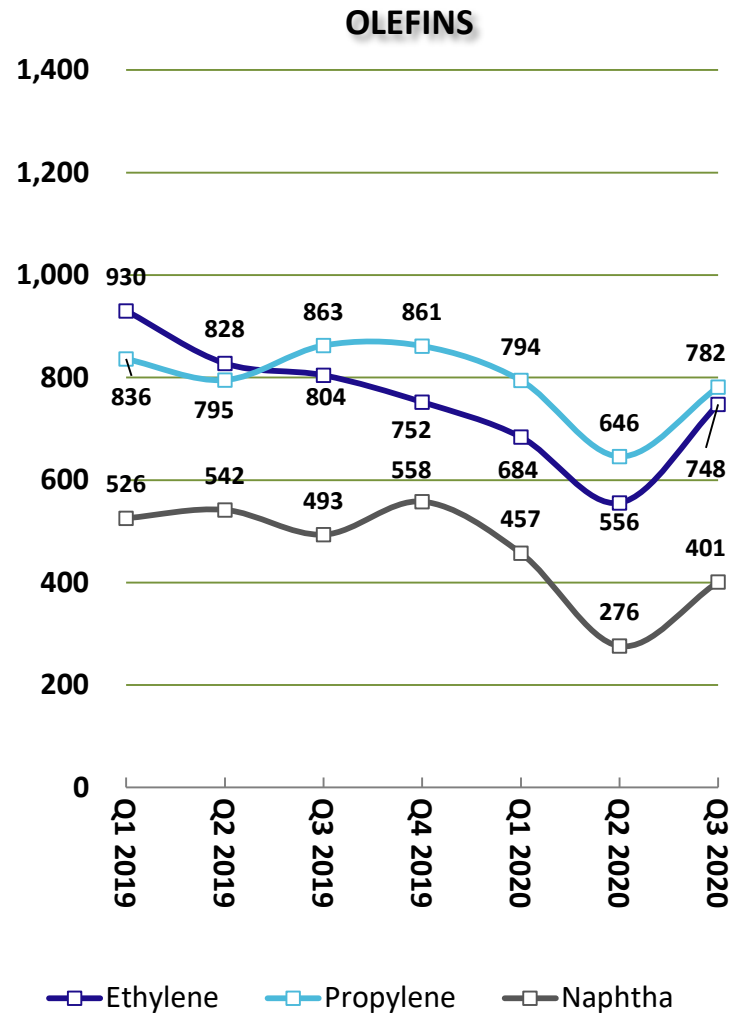
# COVID-19 Response

## Contributing to Front-Line Workers and the Domestic PPE Industry



# Market Product Spreads

Polymer spreads improved to US\$500-600/T with the economic rebound in China and North East Asia



Note: Market data from ICIS

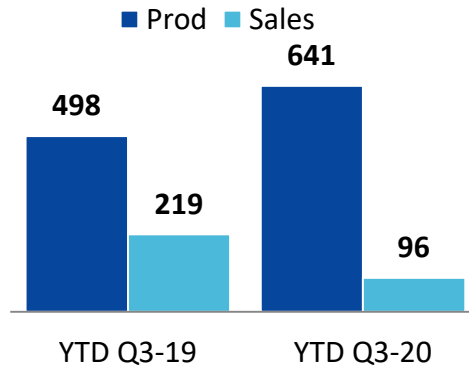


# Production and Sales

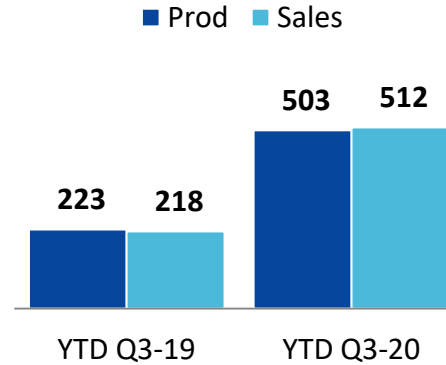
Safe and stable operations throughout COVID, and increased plant capacities, have led to higher production and sales

(all figures in KT)

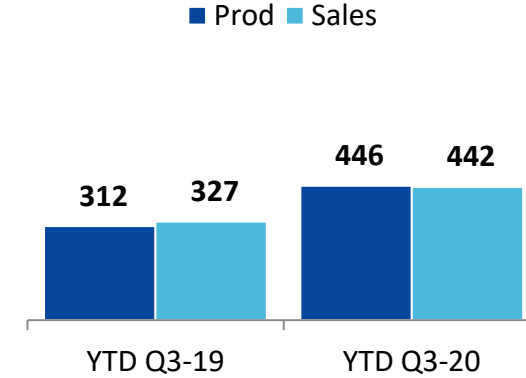
Ethylene<sup>(1)</sup>



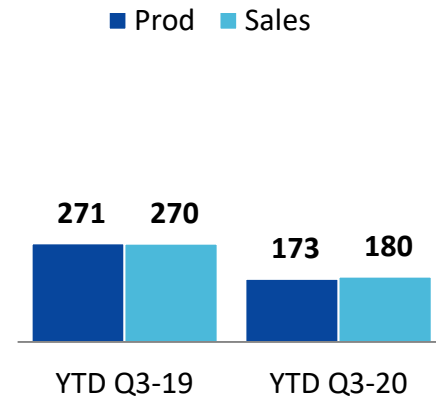
Polyethylene Plant



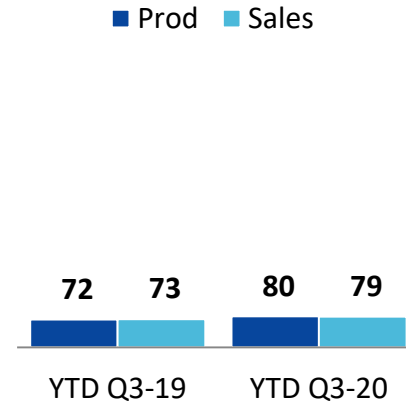
Polypropylene Plant



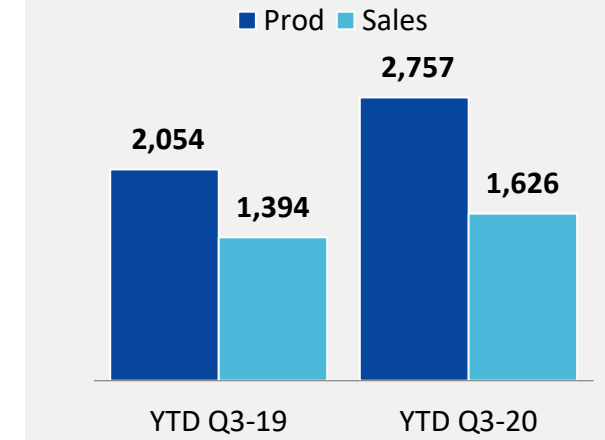
Styrene Monomer Plant



Butadiene Plant



Total Production & Sales Volume



(1) Ethylene is used as a feedstock for our Polyethylene and Styrene Monomer plant according to its capacity while the remaining of Ethylene production is sold to merchant sales. Since New Polyethylene plant 400KTA operates in Q4 2019, Ethylene is mostly self consumed as feedstock for Polyethylene plant.

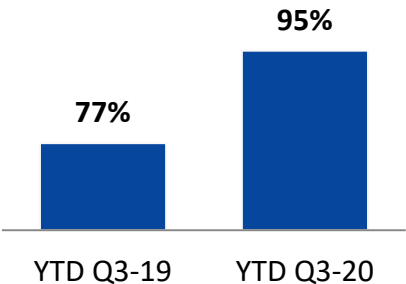


# Operating Rates

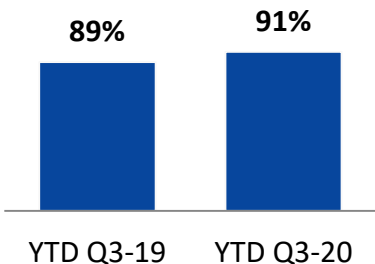
Operating rates driven by economics and sustained focus on maintaining Safe Operations. Activity levels ramping up for new MTBE and Butene-1 plants, which came on stream in September 2020

(all figures in %)

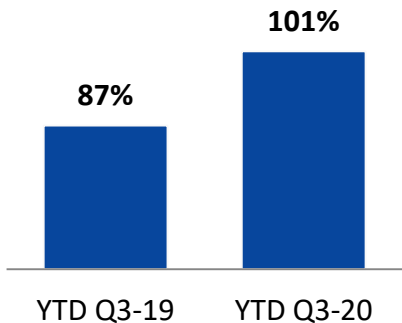
Naphtha Cracker



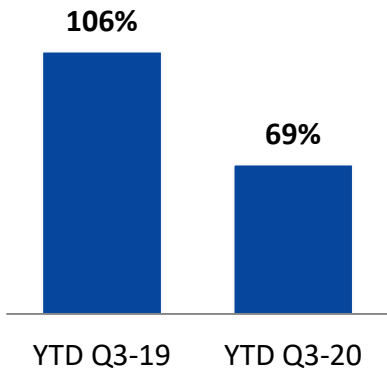
Polyethylene Plant



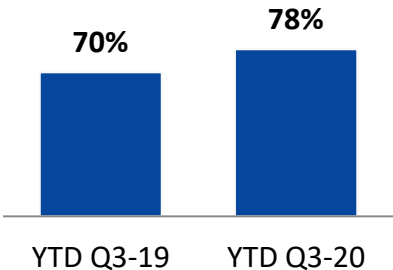
Polypropylene Plant



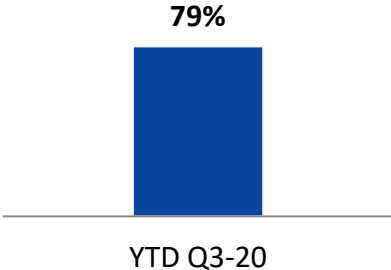
Styrene Monomer Plant



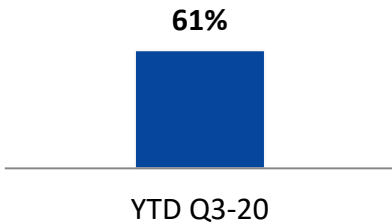
Butadiene Plant



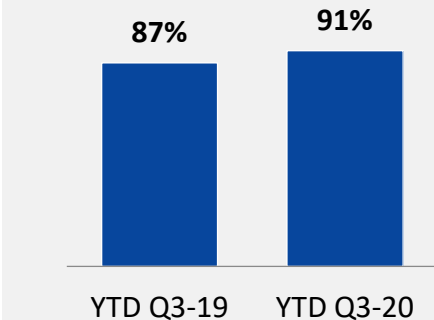
MTBE Plant



Butene-1 Plant



All Plants

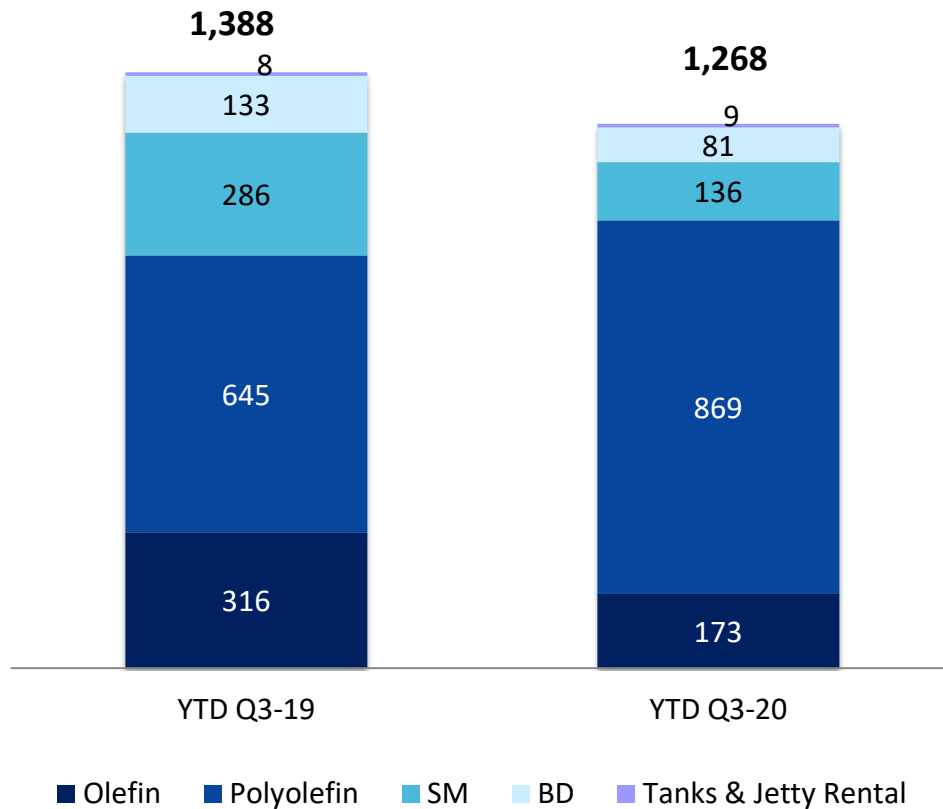


(1) B1-MTBE plants only on stream since September 2020.

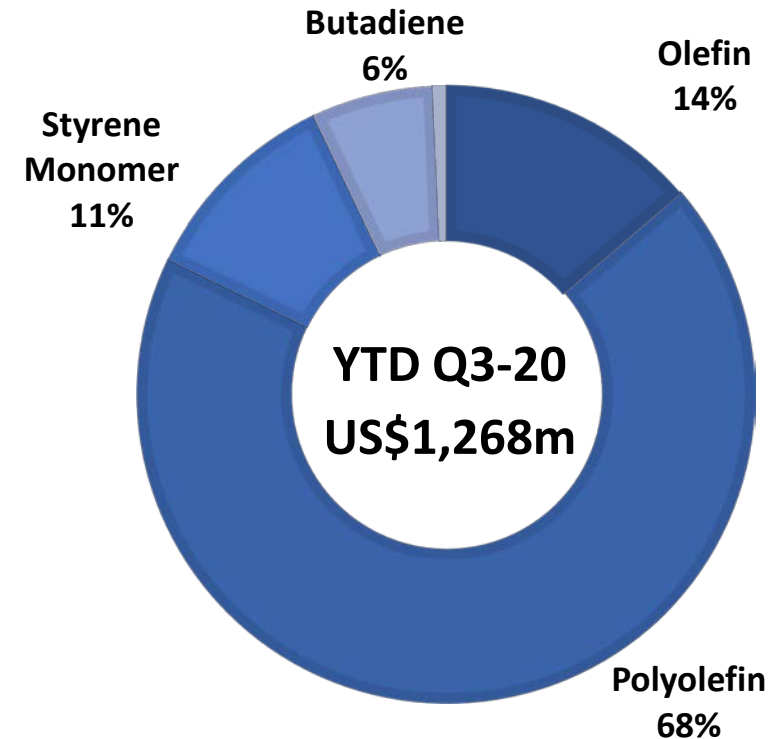
# Net Revenues

Lower Net Revenues by 8.6% YTD to US\$1,268 million in Q3 2020, reflecting lower realized Average Selling Price but bottom-line production capabilities have increased, and revenues are more integrated with higher polyolefin share

Net Revenues by segment (\$m)



Net Revenues % Split





# Key Financials Summary

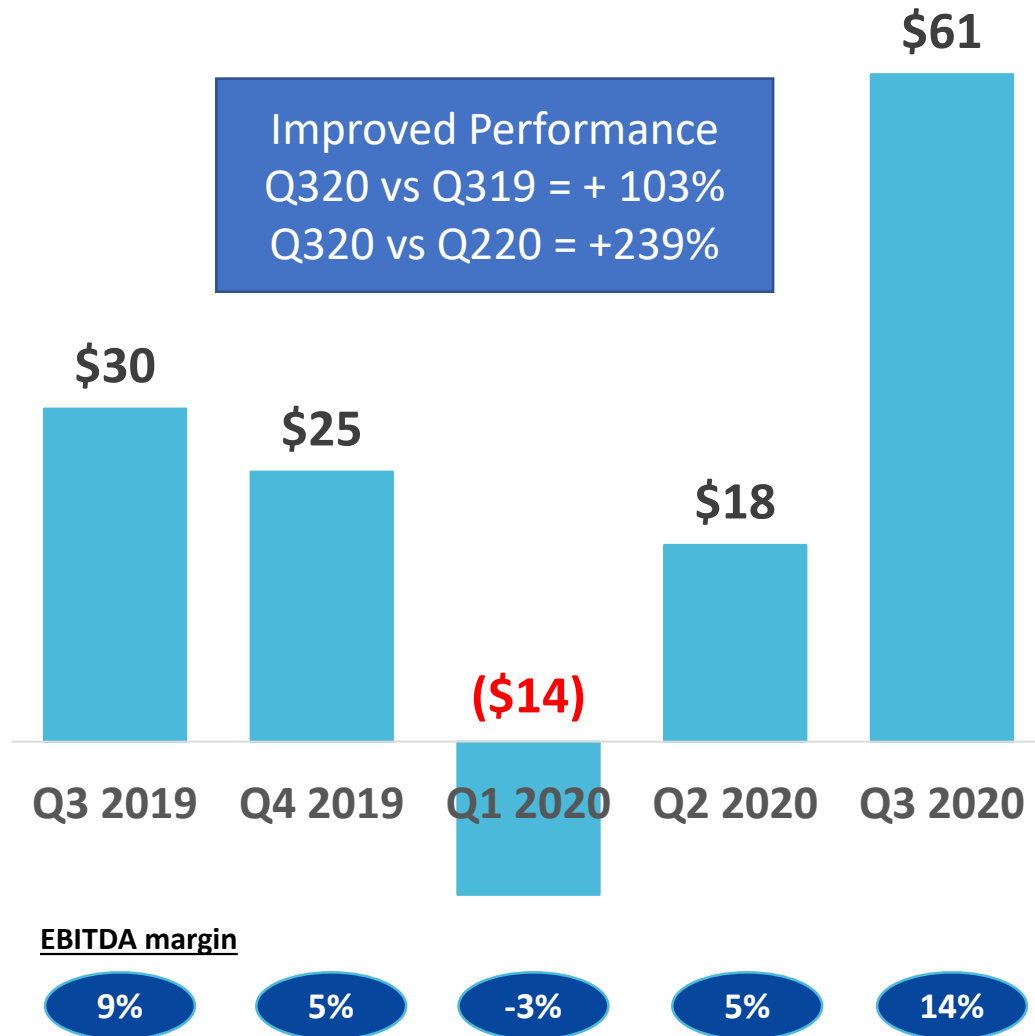
2020 has been a challenging year with the global petchem industry trough in the first half of 2020, but performance is picking up in the second half with the improved market conditions and delivery of our strategy to reduce opex, rephase capex and optimize working capital.

US\$ million, unless otherwise stated	9M2020	9M2019	% change
Net Revenues	1,268.0	1,387.6	(8.6)
Cost of Revenues	1,220.9	1,220.3	0.0
Gross Profit	47.1	167.3	(71.8)
Net Profit After Tax	(19.0)	32.1	(159.3)
EBITDA	65.5	155.4	(57.9)
Cash Flows from (used in) Operating Activities	(63.4)	(17.8)	256.7
Capital Investments	102.9	272.8	(62.3)
Earnings per share (US\$)	(0.0011)	0.0018	(162.4)
US\$ million, unless otherwise stated	9M2020	FY2019	% change
Total Assets	3,259.9	3,451.2	(5.5)
Total Liabilities	1,521.6	1,690.2	(10.0)
Shareholders' Equity	1,738.3	1,761.0	(1.3)
Interest Bearing Debt	835.8	787.9	6.1
Cash & Cash Equivalents	516.2	660.2	(21.8)
Net Debt / (Cash)	319.5	127.7	150.2

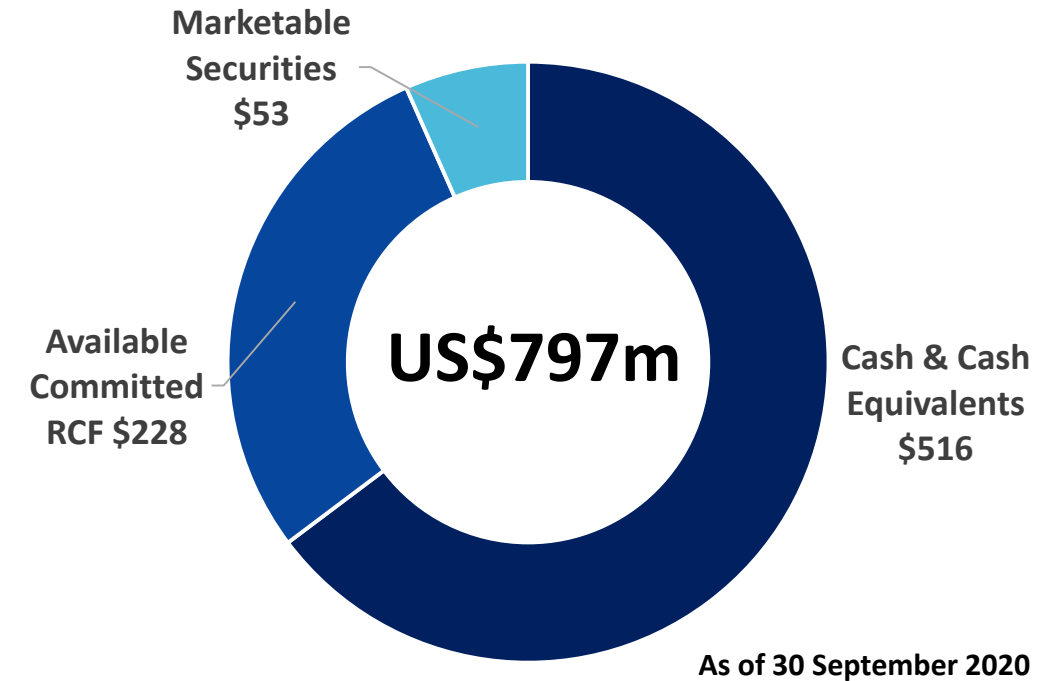
# Key Financial Highlights

Turnaround performance with improved EBITDA and robust financial resilience with solid liquidity pool

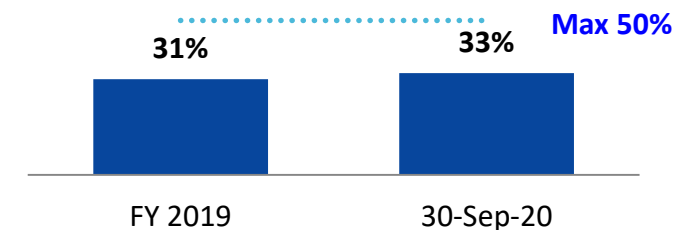
## Quarterly EBITDA (US\$ million)



## Total Liquidity Pool (US\$ million)



## Gearing (%)



EBITDA = Earnings Before Interest, Tax, Depreciation, Amortization, Unrealized Foreign Exchange, Equity in Net loss of an Associate, and other non-operational, non-cash items



# Updated Capex Budget 2020

Capex channeled towards maintaining asset integrity and safety, and prudent progress being made with new growth projects

Opportunity Classification		Original Capex Budget 2020	Revised Capex Budget 2020	Capex Spending YTD Sep-2020
	Asset Integrity	US\$23m	US\$37m	US\$20m
	Margin Improvement	US\$19m	US\$14m	US\$10m
	Growth Projects (including CAP 2)	US\$388m	US\$84m	US\$73m
		US\$430m	US\$135m	US\$103m

# First MTBE and Butene-1 Plants Geared to Meet Domestic Demand

These new plants bring Company's total capacity to 4.2Mln TPA, and complete CAP's Vertical Integration Master Plan

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

## Capacity

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

## Technology

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

## Strategic Value

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





# Commitment to Sustainability

Clear focus on sustainability with US\$14 million EGF Investments and support to local communities



Enclosed Ground Flare (EGF)

## Feature

- Enclosed Ground Flare (EGF) capable of burning 220 tons of hydrocarbons per hour.

## Environmental Perspective

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

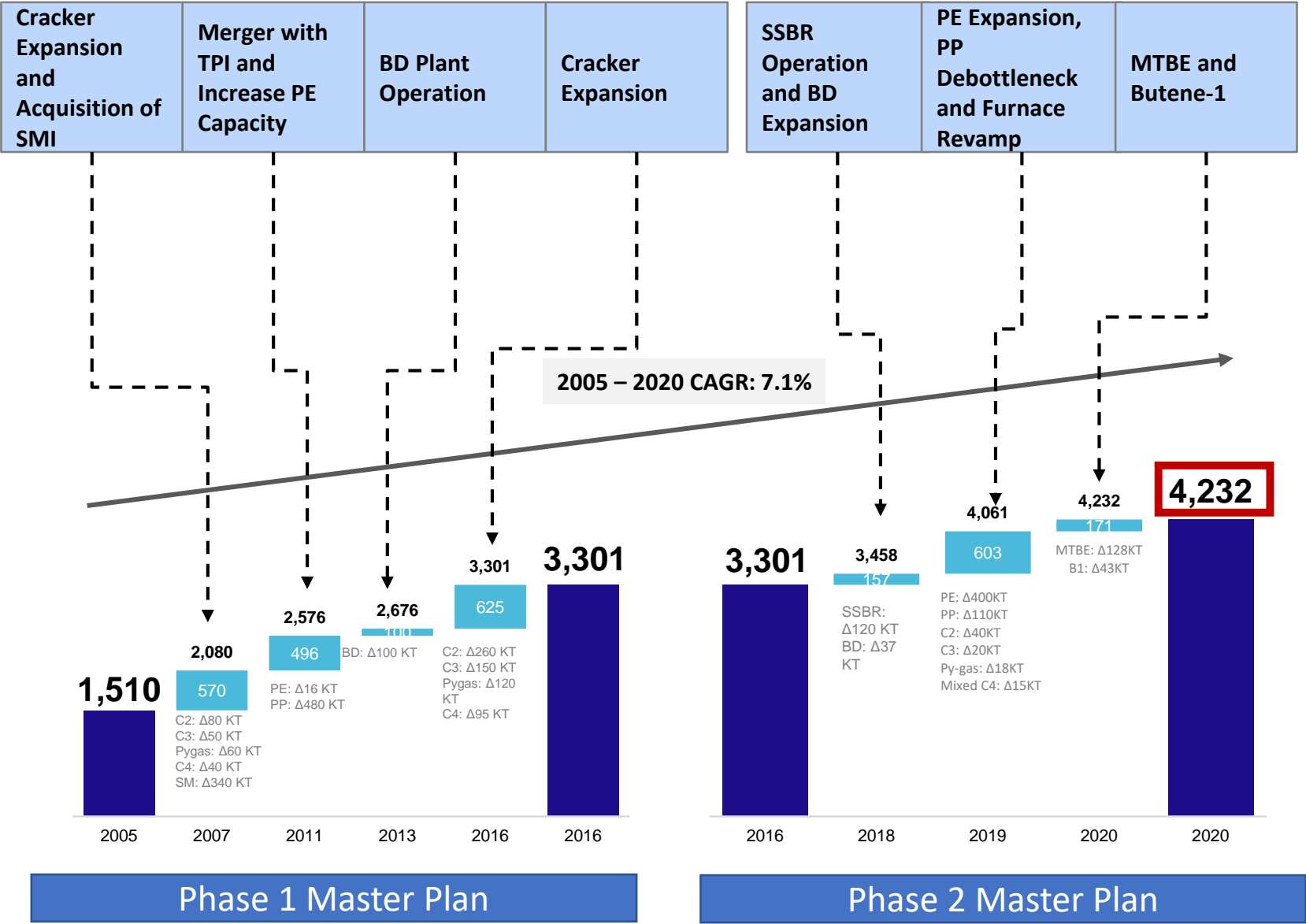
## Social Perspective

- Reduces noise, and eliminates 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 is our environmental and social investment to reduce our carbon footprint and maintain a more comfortable condition for communities living near our operational area."**

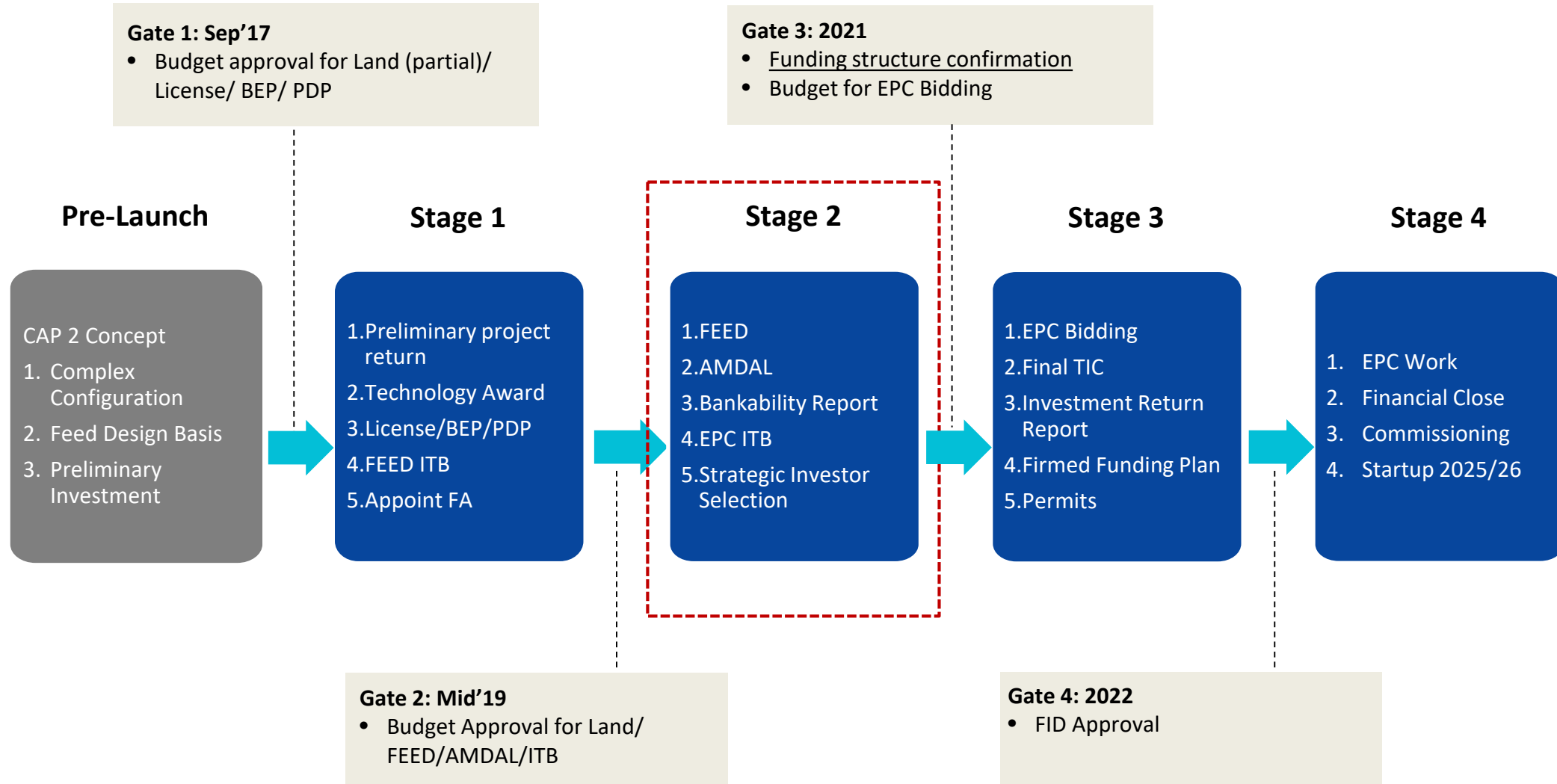
# Projects and Growth Update

The Start-up of the MTBE-B1 plant gets CAP to 4.2Mln TPA total capacity, and completes its Vertical Integration Master Plan



# CAP 2 – Project Master Schedule to Grow to >8Mln TPA Capacity

FID target date is 2022, subject to COVID-19 public health situation





# CAP 2 – Key Milestones and Ongoing Progress

- 1 Ongoing discussions with international Strategic Investors
- 2 Land acquisitions on track
- 3 Shareholder approval for pre-emptive rights
- 4 TIC estimates +/- 30% by 3<sup>rd</sup> party within projections
- 5 Tax Holiday confirmed (20 years @ 100% + 2 years @ 50%)
- 6 Funding plan clarity progress
- 7 Partnership interest from market-leading utility/facility operators  
(latest: Signed Lol with Vopak)





# Signed Lol with Vopak

Partnering with world-class operator to develop new growth line of business and realise CAP 2



## 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 (CAP 2).



Chandra Asri



Royal Vopak is the world's leading independent tank storage company with over 400 years of history and a focus on sustainability. They ensure safe, clean and efficient storage and handling of bulk liquid products and gases; ranging from chemicals, oils, gases and LNG to biofuels and vegoils





## For more information please contact:

Head Office Address:

**PT Chandra Asri Petrochemical Tbk**

Wisma Barito Pacific Tower A, 7<sup>th</sup> Floor

Jl. Let. Jend. S. Parman Kav. 62-63

Jakarta 11410

Contact:

**Investor Relations**

Email: [investor-relations@capcx.com](mailto:investor-relations@capcx.com)

Tel: +62 21 530 7950

Fax: +62 21 530 8930



**Chandra Asri**

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