

# Tipco Asphalt Public Company Limited (TASCO)

Q1/2015 Opportunity Day

4<sup>th</sup> June 2015



บริษัท ทีปโก้แอสฟัลท์ จำกัด (มหาชน)  
Tipco Asphalt Public Company Limited

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## Mission

A **well-recognized leading asphalt focus** company in Asia Pacific

## Vision

To **distribute 2 million tons of asphalt products by 2015** and be the key contributor to the success of all stakeholders while maintain the highest Corporate Social Responsibility standards at all times



## Core Values

**T** - Teamwork

**I** - Integrity

**P** - Prudence

**C** - Commitment

**O** - Open-mind

## 36 years of strong track records...

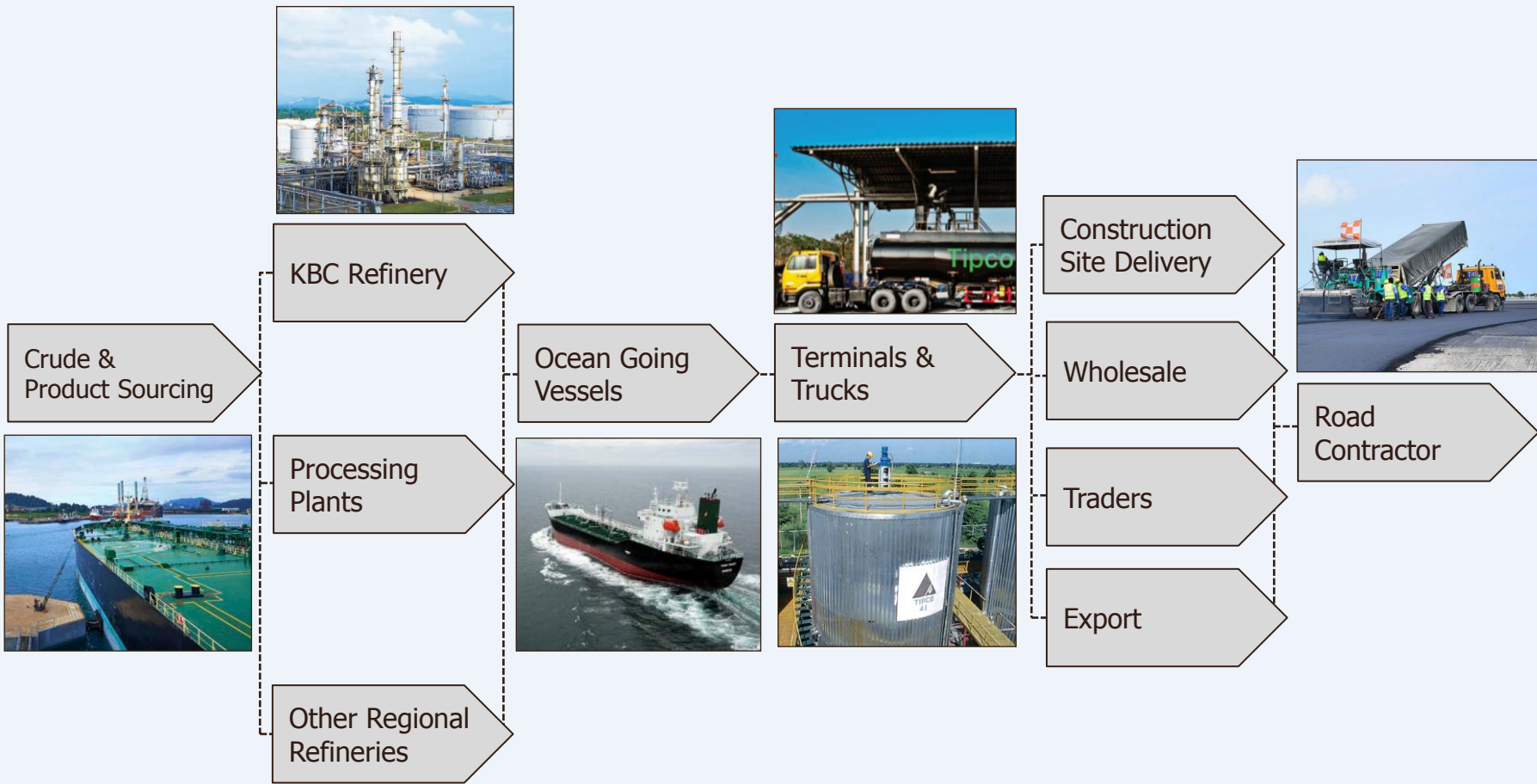
Tipco Asphalt has grown from a local asphalt trading company into a significant regional player via commitment to our TIPCO core values and striving towards achieving our vision



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# Company background: A Complete Value Chain in Asphalt Supply Business



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## Crude



- Brent price stabilized within the range of USD 53 to 63 per barrel
- Benefit from low crude price compared to 2014 when the crude price was above USD 100 per bbl.
- Consistent crude supply under long term crude supply agreement

## Refinery



- Almost 100% refining process volume and 99.8% reliability
- The Group benefits from high efficiency in fuel and energy consumption
- Optimum production cost, achieving lowest production cost per unit

## Marine



- 100% utilization of own vessels
- Tightness of asphalt vessels in the market improved freight revenue
- Long term charter two asphalt vessels to support sales growth

## Domestic Market



- Strong government budget disbursement in Q1/2015 resulted in almost double in domestic sales volumes.
- Shortage of supply of asphalt from local refineries hampered the progress of road construction project.
- Tipco responded swiftly in providing solutions in shortage of products and truck logistic to its customers.
- As always, Tipco is a focus asphalt company and hence, highly reliable.

## International Market

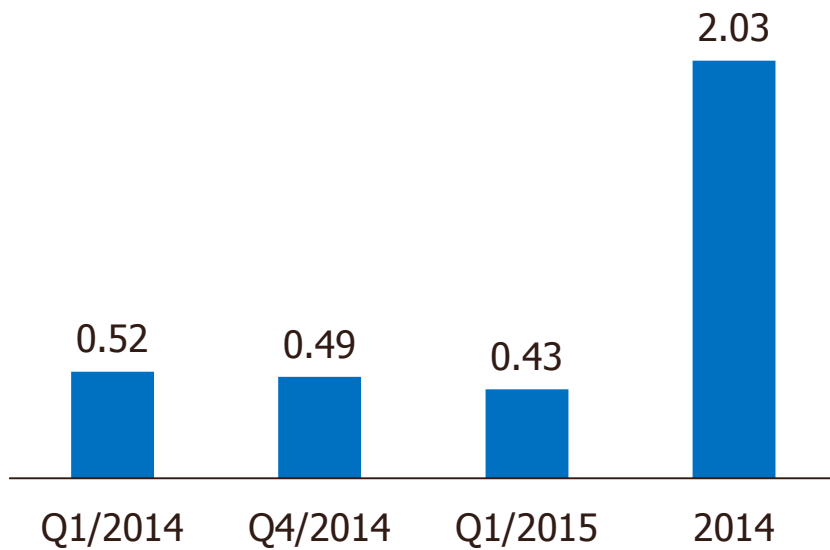


- Strong demand of asphalt in many countries in the region
- International asphalt sales volumes increased 61% from the same period last year
- Total international volumes were driven by top 5 countries which are China, Indonesia, Malaysia, Australia and Vietnam
- Asphalt selling price recovers in line with Brent price due to tight logistic in vessels availability

# Q1/2015 Highlights: Total sales volumes

## Sales volumes by quarters

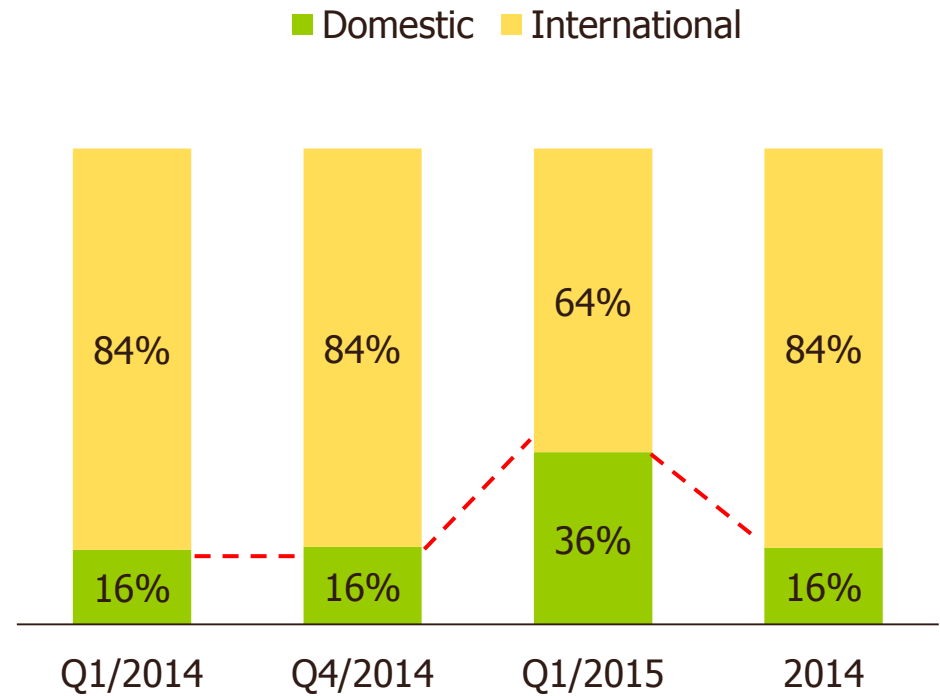
Unit: Mil tons



- Although Q1/2015 total asphalt volume declined, emulsion and AC sales volume increased by 61% from Q1/2014 due to high demand in domestic and export sales
- Higher Q1/2014 sales volume was due to exceptionally high Bitumen Mixture sales

## Sales volumes concentration by market

Unit: %

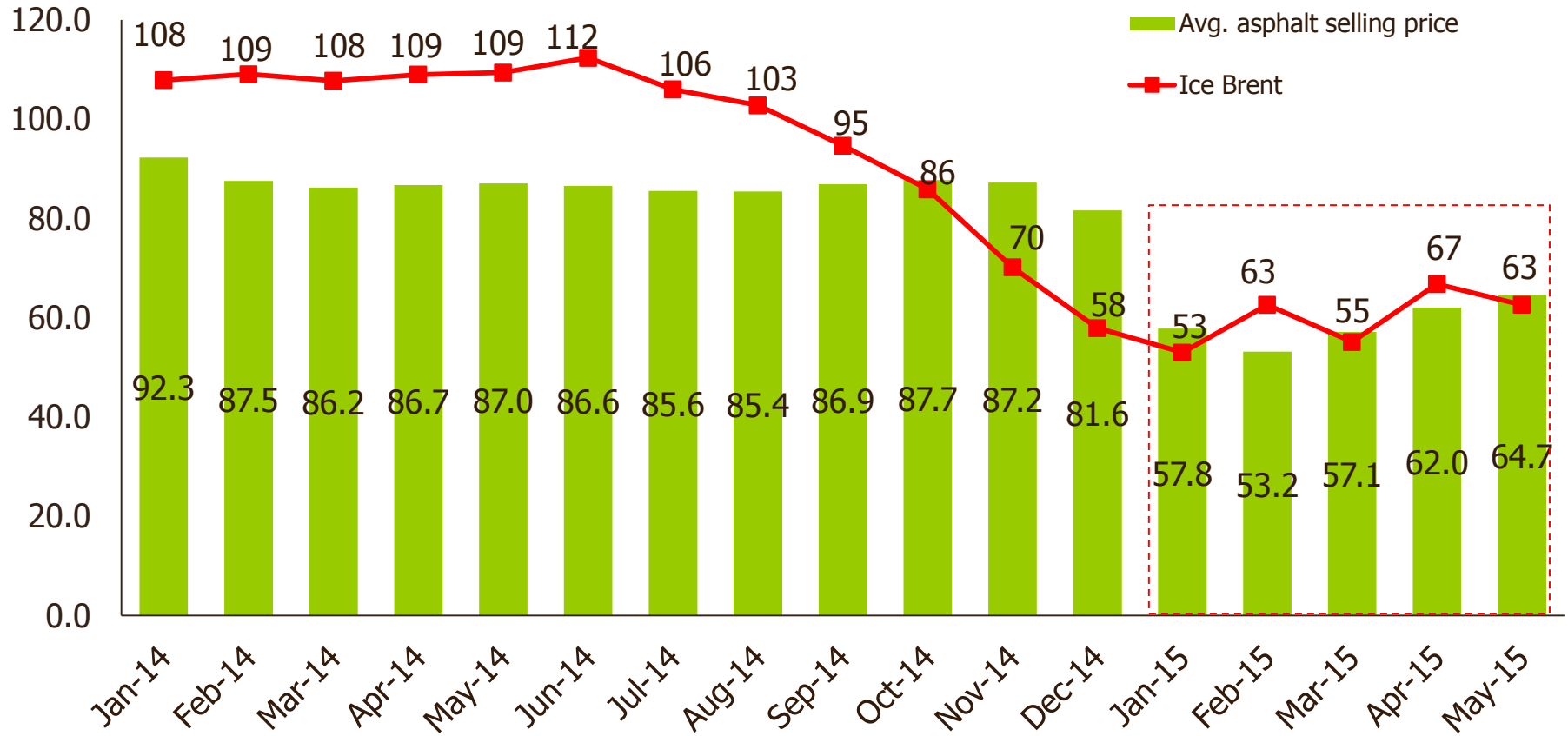


- According to total volumes domestic volumes accounted for 36% in Q1/2015



# Q1/2015 Highlights: International asphalt market selling price vs Ice Brent

USD/Barrel



- The Company's margin is on spread between selling price and crude cost
- Asphalt selling price recovers in line with Brent price due to tight logistic in vessels availability

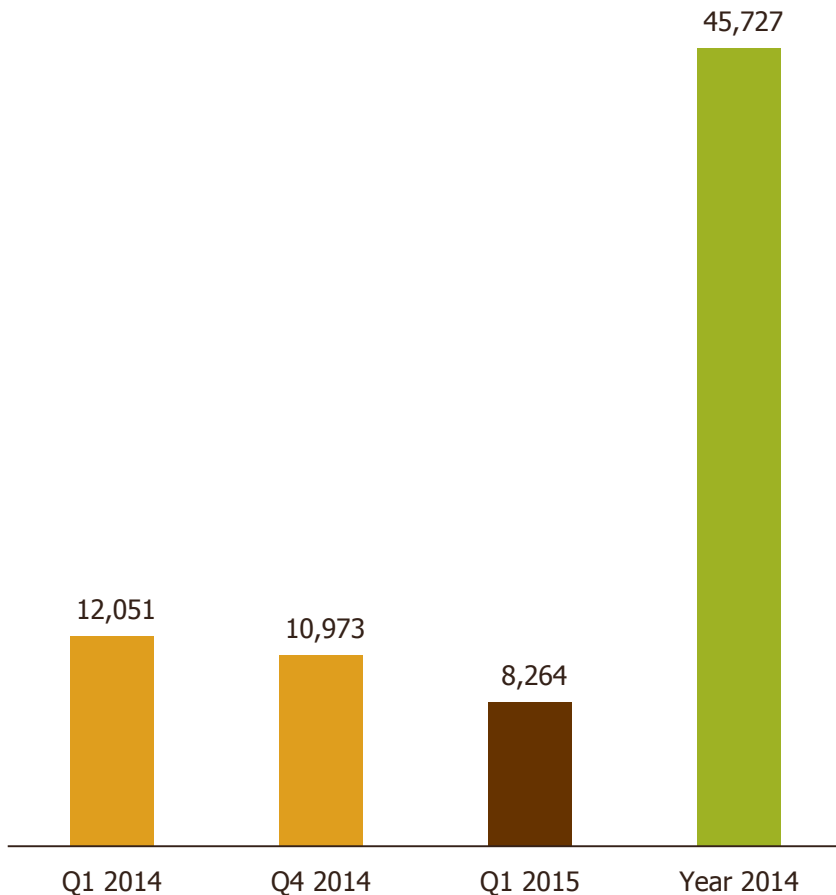


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# Performance Highlights: Sales & Services Revenue

(Unit : THB Million)

## Sales & services Revenue



- Sales and services stood at Baht 8,264 million reflecting a decrease of almost 31% from the same period last year
- This decrease in revenue was mainly attributable to an abruptly drop in selling price in accordance with the plunge in crude price during Q4 2014 that continued into Q1 2015
- Nevertheless, sales volume for asphalt emulsion and asphalt cement increased significantly because demand in the export and domestic market was exceptionally strong in Q1 2015
- As a consequence, the Group's operations in refinery, logistic and customer support service were tested to its fullest

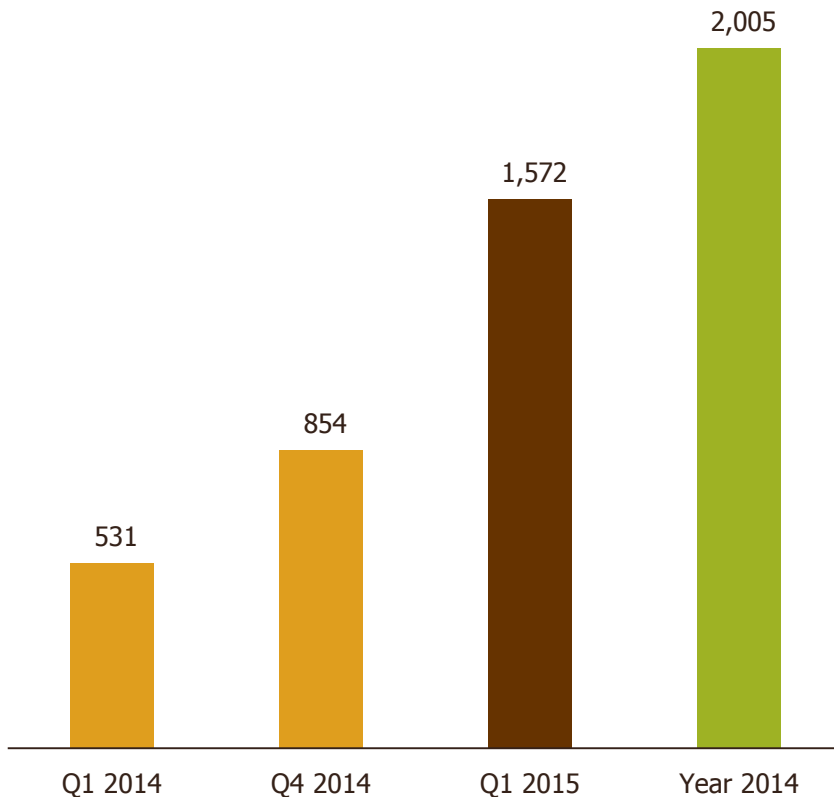


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# Performance Highlights: Operating Gross Profit

(Unit : THB Million)

## Operating Gross Profit



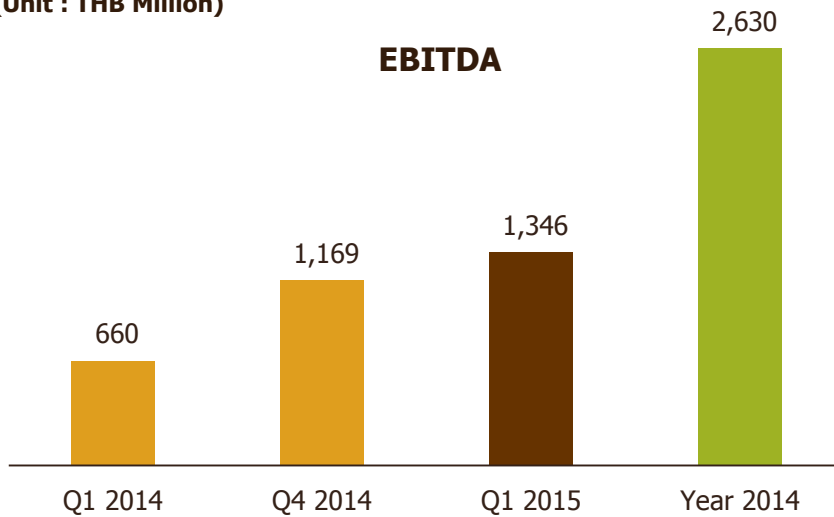
- The significantly improvement of overall gross profit margin was mainly due to the increase in asphalt prices arising from strong demand in both export and domestic market, and also a stable crude cost
- Brent crude price started at USD 58.02 on the first trading day of 2015 but stayed within a range from USD 46.59 to USD 62.53 and ended at USD 55.11 on 31<sup>st</sup> March 2015. The company's hedging strategy has been effective in managing our crude cost and as a result, reduced the hedging exposure substantially
- Since petroleum product prices were stabilised within a trading range, the result of hedging in Q1 was a low hedging loss of Baht 6 million as compared to a hedging gain of Baht 45 million in Q1 2014. In additions, there was a reversal of net realizable value (NRV) provision of Baht 366 million on the crude inventory



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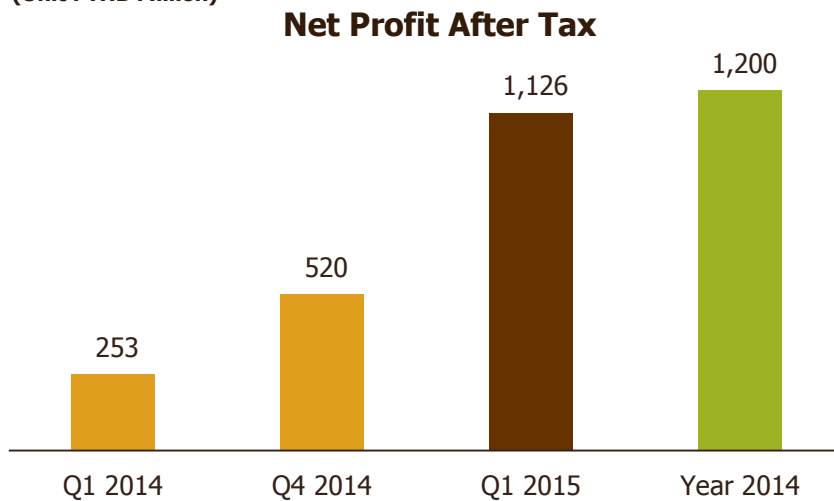
# Performance Highlights: EBITDA & Net Profit

(Unit : THB Million)



- EBITDA in 1<sup>st</sup> quarter 2015 stood at Baht 1,346 million reflecting another positive increase of almost 104% from the same period last year

(Unit : THB Million)



- The Net Profit After Tax of Baht 1,126 million represented earning per share of Baht 0.73 (par value of Baht 1 each) compare to baht 0.17 per share in corresponding quarter of 2014 attributable to the equity shareholders of the Company
- **This representing an annualized ROE of 34% !**

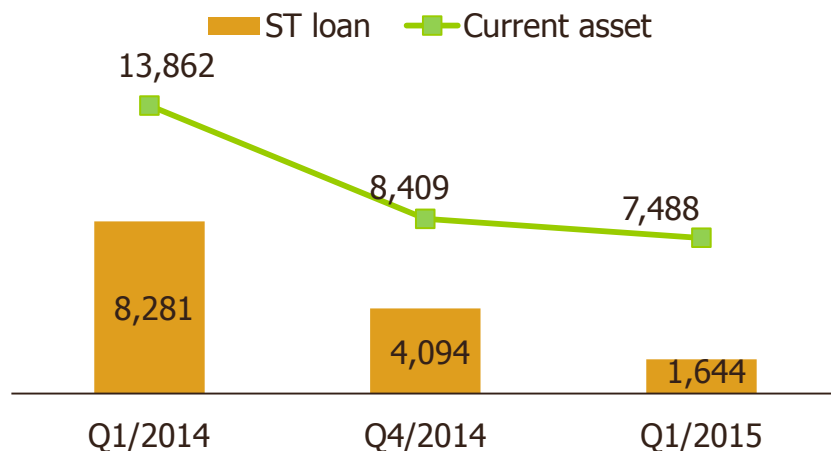


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# Performance Highlights: Debt to Equity Ratio

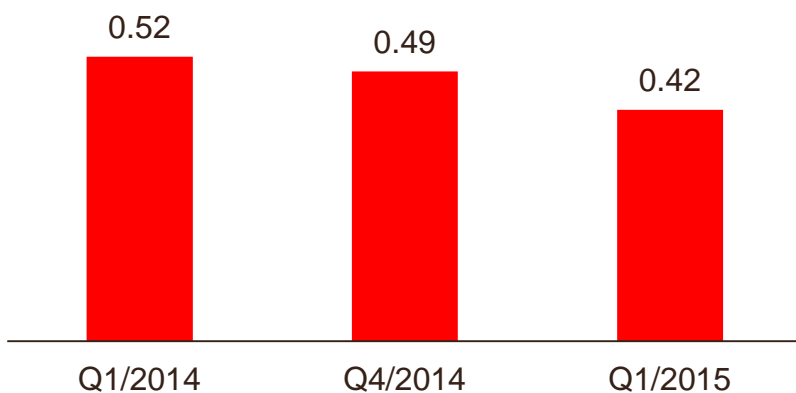
## ST loan vs Current asset

Unit: THB million



- The Group's consolidated current ratio has improved to 1.6 due to decrease in crude price and improved "crude to cash conversion cycle" in 1<sup>st</sup> quarter 2015 as compared to 2014
- Short-term borrowing has further reduced by 60% from Q4/2014 due to strong cashflow generated from operations

## Long Term Debt/ Equity Ratio



- The Group's consolidated long term debt to equity ratio (D/E ratio) has decreased from 0.52 to 0.42 due to loan repayment

## Crude



- Expect to see volatility in Brent price but stay within \$60-\$70 price range in Q2. Nevertheless, we will manage this by effective hedging strategy
- Expected to procure more cargoes in addition to the term supply contract to support growth

## Refinery



- With almost 100% refining process volume, the Group continued to enjoy high efficiency in fuel consumption
- Maintain high reliability at 99.8%
- The refinery performance has been also impressive and achieve lowest cost of production

## Marine



- Tightness of vessel still continue and the freight revenue improved significantly
- Opportunity to invest additional vessel to support the business growth
- Long term two chartered vessels will support the business growth starting from Q2/2015

## Domestic Market



- Expect disbursement of additional Baht 40,000 million of government budget since June 2015
- The shortage supply in Q1/2015 is likely to repeat in Q3/2015
- Substantially increase in usage of natural rubber modified asphalt products

## International Market



- Strong demand especially in Indonesia and Vietnam due to government roadmap
- The tight logistic in asphalt delivery has strengthened TASCOS orders book in respect of term sales contract.
- The Asphalt price is expected to increase during Q2/2015 and remain strong as the customers are eager to take delivery.
- Export volumes in Q2/2015 is expected to increase

# Q&A

