

Tipco Asphalt Public Company Limited

Opportunity day

11th Dec 2014



บริษัท ทีปโก้แอสฟัลท์ จำกัด (มหาชน)
Tipco Asphalt Public Company Limited

Time : 3.20 - 4.20 pm.
Venue : Stock Exchange of Thailand

- 1 Mission, Vision and Values
- 2 Value Chain
- 3 2014 Business Highlights
- 4 2014 Performance Highlights
- 5 2015 Outlook

Mission, Vision and Values

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

35 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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A Complete Value Chain in Asphalt Supply Business



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Macroeconomic

- ❑ **Asphalt supply:** Expected to be less volumes
- ❑ **Asphalt demand:** Stable demand with positive GDP growth
- ❑ **Stable asphalt price**
- ❑ **Declining crude price:** from USD 107 per barrel in Jan 2014 to USD 95 per barrel in September 2014

Business

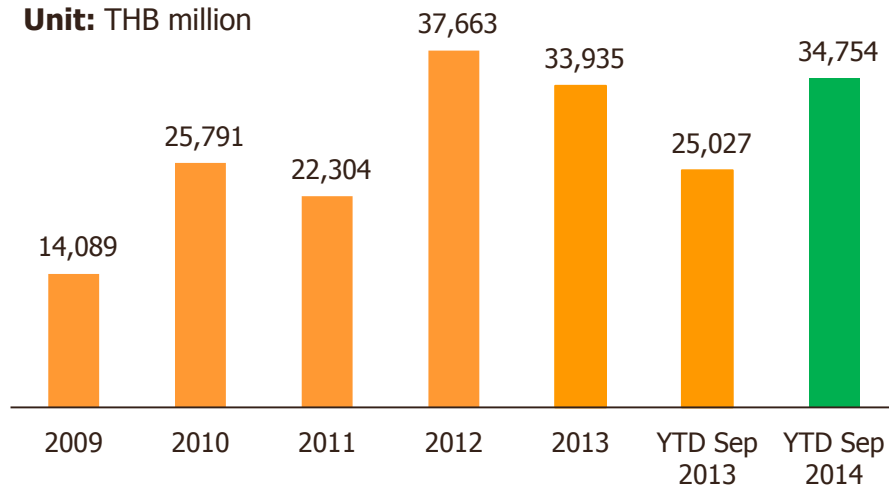
- ❑ **Crude supply:** Consistent supply of crude feed to refinery with 10.4 million barrel per annum
- ❑ **Refinery:** Increased 20% processing capacity from 25,000 - 30,000 barrel/day
- ❑ **Marine:** Competitive logistic advantage by having 6 own Tipco Asphalt tankers plus 2 tankers through a Technical ship-management contract.
- ❑ **Storage & distribution:** Largest Bitumen storage capacity & extensive distribution channels
- ❑ **Marketing outreach:** Leader in domestic and export to 14 countries



Financial Highlight: Impressive Revenue and Margin Growth

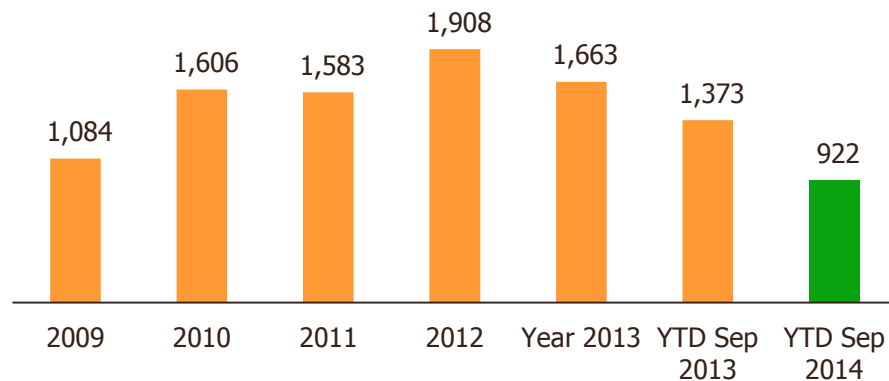
Total Revenue

Unit: THB million



Operating Gross Profit

Unit: THB million



- Sales and services of YTD Sep 2014 stood at Baht 34,754 million reflecting an increase of 39% from the same period last year. The increase in revenue was mainly attributable to abundance supply of heavy crude. In early 2014, the Company entered into a crude term (up to 4 years) supply contract with a major crude supplier whereby the Company has the opportunity to procure approximately 10 million barrel of heavy crude per annum.
- We took this opportunity to diversify our product range in the export market and thereby managed to increase revenue during a weak (in terms of demand and price) export asphalt market in the first 2 quarters of 2014 while sales in export markets in Q3 of 2014 was higher due to better market demand in this region and also the increase of our refinery production in Malaysia. The domestic asphalt sales remained healthy and reported similar sales volume in comparison to last year.
- The overall lower gross profit margin was due to stronger competition and weak demand in the asphalt export market for Q1 & Q2 2014. However, the big drop in crude oil prices in Q3 is turning point to Tipco business model and we see a significant improvement in the profit margin.
- Brent crude price started at USD 111 on the first trading day of 2014 but reduced to USD 107 in April 2014 and gradually went up to USD 112 again in June 2014. The Brent market plummeted a whopping USD 18/barrel (from US\$113/barrel to US\$95/barrel) during Q3 of 2014. This free fall was the result of surplus crude supply in the market from Shale Oil in the US competing with OPEC productions and also negative global economic outlook by IMF.
- Nevertheless, the reduction in gross profit margin was protected by the hedging strategy in this incredible market volatility with a hedging gain of Baht 392 million in YTD Sep 2014.



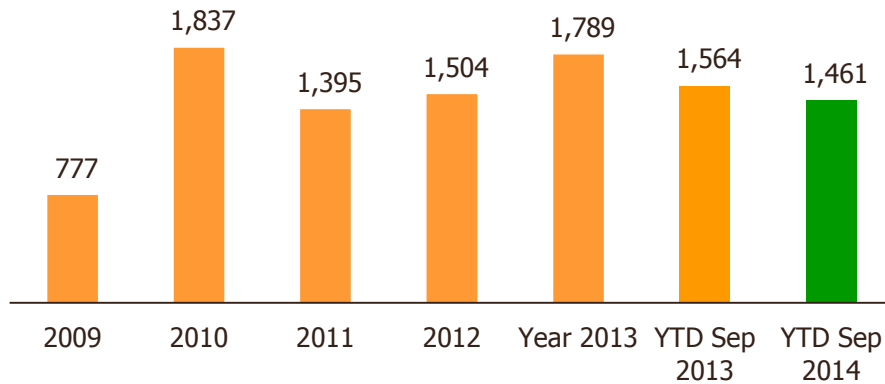
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Financial Highlight: EBITDA & Financial Performance

EBITDA

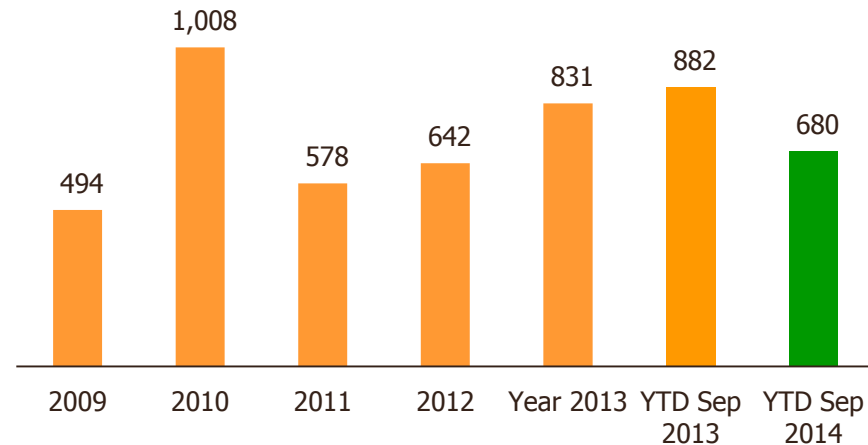
Unit: THB million



- Strong net cashflow generation sufficient for funding of annual CAPEX.
- Consequently, minimum long term borrowings to fund CAPEX.

Net Profit

Unit: THB million



- Since 2012 onwards, financial performance has improved and stabilised with the effective hedging strategy. With the expansion of 20% refinery capacity, a secured term crude supply contract and favourable lower crude oil prices that dropped more than 30%, Tipco is in a strong position to improve its financial performance.

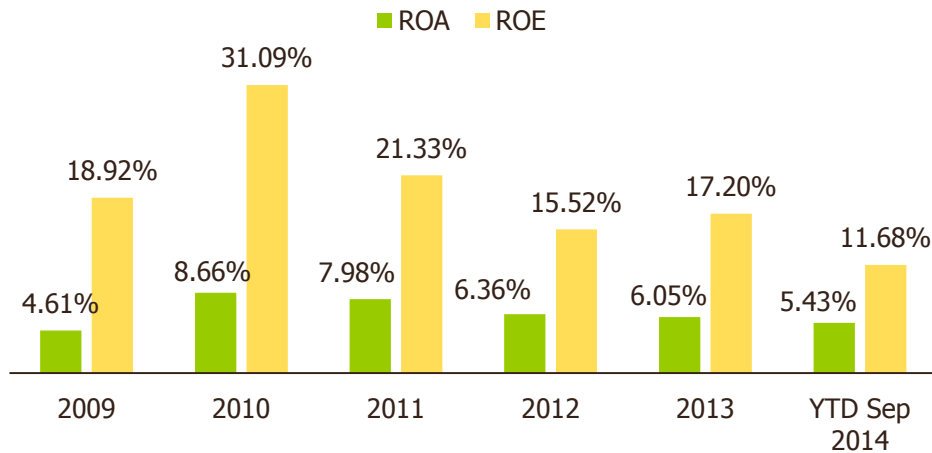


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Financial Highlight: Strong Financial Leverage

ROA vs ROE

Unit: %



- the ROE has been impressive with annual return above 15% and Tipco is confident to surpass this level in its full year performance in 2014. As a sign of confidence, Tipco announced its interim dividend of 1 Baht payable in December 2014.

FitchRatings **BBB+**

Fitch Ratings as of Nov 2013:

- National Long-Term Rating of 'BBB+(tha)' with a Stable Outlook; National Short-Term Rating of 'F2(tha)'

Key Rating Drivers

- Strong Domestic Market Position** – Market Leader in the asphalt business in Thailand. Strong market share. Long track record in the asphalt business along with technical knowledge.
- Geographic Diversification** – Operates 18 manufacturing plants in five countries in Asia-Pacific region. International markets are diversified across five major markets including, Indonesia, China, Australia, Malaysia and Vietnam.
- Support from Strong Parent** – Able to leverage advanced technology and global market network from Colas



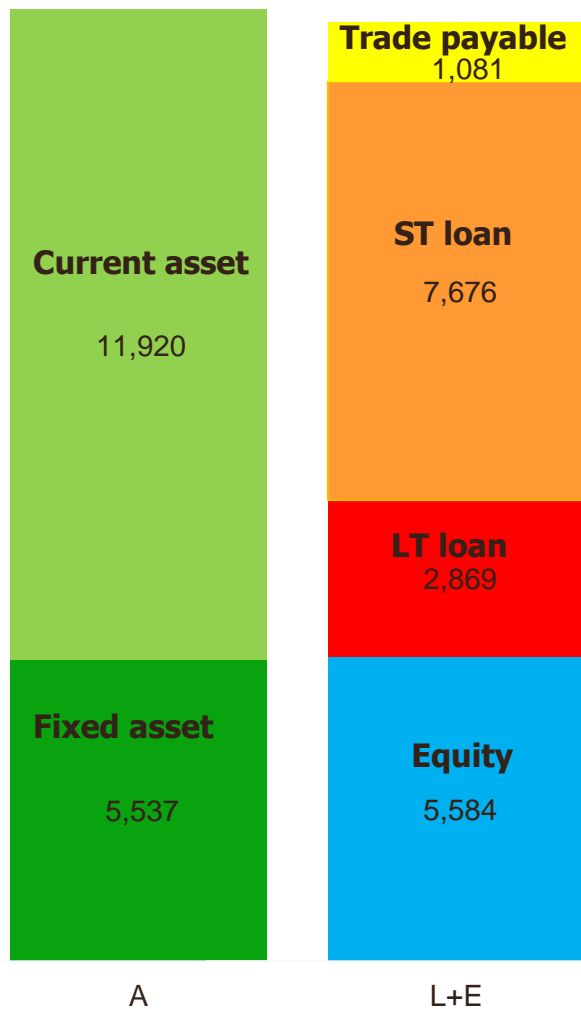
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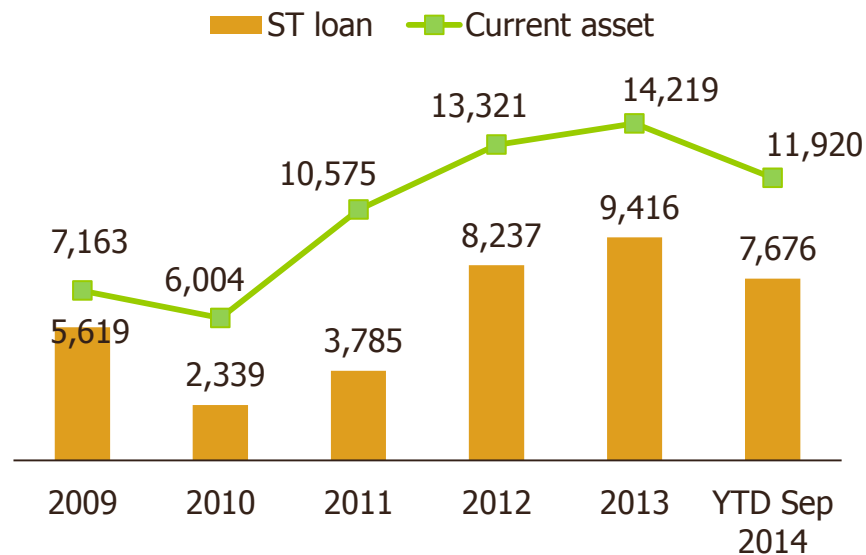
3Q 2014 Balance sheet

Unit: THB million

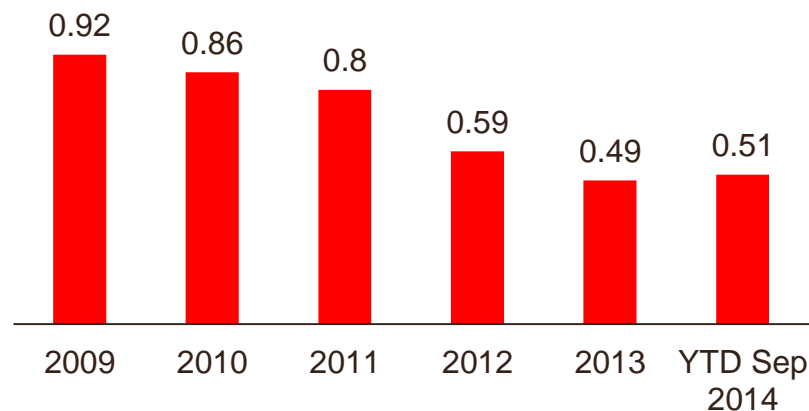


ST loan vs Current asset

Unit: THB million



Long Term Debt/ Equity Ratio



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2015 Outlook



- **Crude:** Benefit from low crude price in the market
Effective hedging policy

- **Refinery:**

- Increase productivity in fuel consumption
- Maintain high reliability at 99.9%



- **Marine:** Maintain high reliability & utilization rate of vessels

- **Domestic market:**

- Increase in budget allocation for road construction and maintenance by 24%
- Substantially increase in usage of natural rubber modified Bitumen by 18%



- **International market**

- Stable outlook of International market
- JV company in Singapore progress: expect to established in Q1 2015

Q&A

