

## English Transcript for Analyst Meeting FY2022

Bangchak Corporation Public Company Limited

Mar 02, 2023

### Opening:

Good afternoon analysts, fund managers, and commercial bank representatives, on behalf of Bangchak Corporation Public Company Limited, we would like to welcome you to the 4Q22 Analyst Meeting. We would like to introduce you our two executives who will walk you through the presentation.

- Ms. Phatpuree Chinkulkitnivat, Senior Executive Vice President, Accounting and Finance, and
- Mr. Bundit Hansapaiboon, Senior Executive Vice President, Strategic Synergy and Corporate Sustainability Development

Now, I will pass the floor to Ms. Phatpuree.

Good afternoon, today I will update BCP performance in the past year and our ongoing development.

### Slide 2: 00:00.57

This first slide is BCP's pride regarding sustainability. BCP has recently received "AA" ESG rating from MSCI for the fifth consecutive year, the highest among players in energy sector in Thailand. The rest is our awards received regionally and locally.

### Slide 3: 00:01:41

Our major developments in 2022 are as follows:

Starting with business development, BCPG has started power plant operation in Japan since late of 2021 until now with total capacity of approximately 75 MW. Revenue was almost fully recognized this year.

In 3Q22, we set up BSGF, a new company that produces sustainable aviation fuel from used cooking oil or SAF. At present, we are in the process of EPC (Engineering Procurement Construction) selection. Progress will be updated to you shortly.

In the last quarter, after the acquisition of OKEA new assets, production capacity of OKEA has increased approximately 7 KBOEPD.

For financial development, BBGI was IPO and listed in SET, BCP issued THB10billion bond in 3Q22 and digital bond in 4Q22 which was fully booked in three minutes and 18 seconds, breaking the record of digital bond issuance via Pao Tung application. This reflects the public confidences in BCP brand.

BCP has also announced Net-Zero roadmap or "BCP 316net" roadmap to set the Net-Zero goal in 2030 and 2050 and action plans.

In 4Q22, TRIS rating has upgraded BCP rating to “A”. BCP has also updated the company’s vision, mission, and corporate logo. The new logo will be first seen through service stations on the main street in 2Q23 onwards.

**Slide 4: 00:04:25**

This slide shows significant events in 2023. In the first two months, we have had quite development for BCP and our subsidiaries.

BCP has signed SPA with ExxonMobile to acquire 65.99% shares on January 12.

BCPG has acquired port and oil terminal in Phetchaburi province and two co-gen power plants with total capacity of 151 MW in the US. Revenue recognition is expected to be in 2Q23.

BCP has announced dividend payment of THB1.0 per share, approximately 7% yield. XD is on March 3 and dividend payment will be on April 24, 2023.

BCP AGM will be held on April 11, 2023. The key agenda for an approval will be the acquisition of ExxonMobil.

**Slide 5: 00:06:09**

Agenda today comprises three areas: BCP group performance, BCP group going forward and 2023 outlook. I will pass the floor to Mr. Bundit for the first topic.

**Slide 8: 00:06:37**

The past year was a historic year of our Refinery and Oil Trading Business. Our refinery marked the highest year of crude run at 123KPD, over 100% capacity, and the record-high GRM at USD14.33/ BBL. This was from a collaboration of BCP teams in different units e.g., refinery reliability, crude supply, and sales and marketing.

The bar chart in blue shows an increasing crude run every year except the years of maintenance shutdown, and reached 123KPD in 2022. The orange line chart represents unique product or unconverted oil (UO), a product that BCP is the sole producer and supplier in the market. UO productions and sales have increased over time, which helped BCP crude run to maintain at relatively high level. In 2022, UO production yield was recorded at 11%.

BCP product yields were considered typical since 2014. After the start of UO production, average yields improved and margins were reported higher.

The bottom graph shows distribution channels that helped BCP refinery to run at high level with impressive GRM. Four major distribution channels comprised three channels within Thailand of approximately 80% and an export of 20%. For export channel, products were high yield products, UO and fuel oil, which generated high premium price (UO premium price was above gas oil price and low-Sulphur fuel oil price had premium over crude oil price). In summary, we will supply refined oil within the country and export high price fuel oil and UO.



The green bar chart represents BCP total sales volumes. The highest margin of all volumes was from Marketing Business in the dark green bar chart. It was the main supporter to BCP high crude run and impressive GRM.

BCP subsidiaries that help strengthen BCP refinery production are on the right-hand side chart i.e., BFPL, a logistic company, whose services spanning from pipelines, truck, and vessels, and BCPT, a trading company in Singapore, whose trading volume increased every year except 2021 due to Covid-19. BCPT's EBITDA, however; continue to improve every year.

#### **Slide 9: 00:12:39**

This slide shows details of Refinery and Oil Trading Business in 4Q22. Starting from the left-hand side chart, 4Q22 EBITDA softened due a decrease in crude oil price and crack spread, resulted in inventory loss. However, FY22 accounting EBITDA was recorded at THB17billion. Crude run maintained at relatively high level with high product yields. Product yield pattern will maintain as in 2021 onwards. BCP's GRM was reported high due to product yields that generated higher spread than crude oil, e.g., gasoline, middle distillate, and fuel oil. Middle distillate spread was benefited from global spread increase in 2022. BCP's middle distillate yield was accounted for 70%.

In 4Q22, total GRM slightly dropped to approximately USD6/BBL due to inventory loss, however; operating GRM still maintained at relatively high level of around USD14/BBL in 4Q22.

#### **Slide 10: 00:15:08**

Next is Marketing Business. As I have mentioned earlier, heavy sales led to higher production of BCP refinery. BCP continues to expand its service station network. By the end of 2022, BCP had 1,343 service stations, of which 724 stations were standard type that helped support higher sales from retail business and marked the record high in 2022. We also continue to deliver customer experience through our unique design service stations to create first impression for our customers. For BCP's loyalty program under Bangchak Green Miles membership card, members were up 1 million from 2021, resulting in almost 6 million members as the end of 2022.

Non-oil business continued to grow. Inthanin stores have already exceeded 1,000 stores by the end of 2022.

For energy transition, BCP has continued to install EV chargers at our service stations. By the end of 2022, BCP has almost 180 chargers in total.

#### **Slide 11: 00:17:17**

Marketing Business also generated improving EBITDA compared to that of 2021 despite margin squeeze in early 2022. Thanks to network expansion that generated all time high sales record despite lower marketing margin. The numbers shown on the right-hand side represent the strength of our network. In summary, retail business continued to grow and marked record high of sales as refinery business.

**Slide 12: 00:18:24**

BCP holds 57.19% in BCPG. BCPG has presence in six countries globally, and will be seven after an expansion to the US. Currently, BCPG has total production capacity of 1,259 MW, of which 541 MW are operating MW and roughly 700 MW are developing MW. In terms of technologies, 70% are solar, 21% are wind, and 9% are hydro generation.

**Slide 13: 00:19:16**

BCPG key highlights are new investment. BCPG announced a 100% acquisition of Asia Link Terminal with an investment cost of THB9billion. Asia Link Terminal operates tank terminals, pipelines, and seaport. Main contribution will be from recurring income, which expected to immediately recognize after the deal is closed in 1H23.

**Slide 14: 00:20:09**

Next investment will be in combined cycle gas turbines power plants in Ohio, USA. Net capacity from the operating assets will be 151 MW with investment cost of USD115million. It is expected that BCPG would close the deal in March 2023 and fully recognize quarterly revenue in 2Q23.

**Slide 15: 00:20:57**

For green power business, FY22 EBITDA growth was mainly from gain from divestment of power plants in Indonesia of around THB2billion and a COD of solar power plants in Japan.

4Q22 EBITDA slightly dropped from 3Q22 due to an operation pause of Hydro power plant in Laos for one month to change equipment and switch electricity sales to Vietnam. Despite revenue loss during the closure, BCPG would benefit from sales switching as it will help mitigate account receivable risk from Laos customers in the future.

**Slide 16: 00:22:24**

BCP holds 45% in BBGI. Key development of BBGI is ethanol plants. Ethanol plant with capacity of 200,000 litre per day is expected to commence operation in 1Q23. Overall biofuel production capacity, ethanol and biodiesel, is 1.85 million litre per day. BBGI has started to recognize revenue from high value added products and also collaborated with partners in expanding to upstream and midstream business. Currently, BBGI gradually expands its product sales to various channels.

**Slide 17: 00:23:51**

In 2022, Bio-Based Business was impacted by Russia-Ukraine war in term of raw material supply scarcity, which led to an inflation of raw material price in 2Q-3Q22. In addition, the Government announced a decrease in diesel blending from B7 to B5 during February and September, resulted in a drop in B100 sales and EBITDA. These two significant situations led to a drop in BBGI's FY2022 EBITDA. However, B100 sales volumes and EBITDA started to improve in 4Q22 as the Government readjusted diesel blending from B5 to B7. It is expected that sales volumes and EBITDA trend will continue to 1Q23.

**Slide 18: 00:25:20**

BCP holds 45% in OKEA. OKEA acts as an operator of two operating assets in Draugen and Brage. The acquisition of Brage was completed on November 1, 2022 resulted in six operating assets in total. The acquisition has boosted 47% production capacity from 16-17 KBOEPD in 2022 to 22-25 KBOEPD in 2023, which will lead to higher sales volumes in 2023.

In 2022, production volumes were 61% oil, 31% gas, and 8% natural gas. Proportion of sales volumes did not differ much from that of production volumes.

**Slide 19: 00:26:48**

Key drivers for FY22 EBITDA growth of Natural Resources business were from fully-consolidated of OKEA performance (BCP has consolidated OKEA performance since 2H21), and a drastically rise in gas and oil price.

In 4Q22, EBITDA softened due to a drop in oil and gas price from their peak in 3Q22.

**Slide 20: 00:28:07**

This slide shows BCP overall businesses. Even though Russia-Ukraine war impacted some BCP entities, it also benefited other entities as well. FY22 marked as a new record high year of BCP in term of EBITDA and net profit. FY22 EBITDA was recorded at THB44,724million and net profit was THB12,575million.

**Slide 21: 00:28:50**

BCP has announced dividend payment of THB1.00 per share, including interim dividend of THB1.25 per share which already paid earlier, dividend yield will be 7.25% based on average stock price in 2022 at THB31.

**Slide 22: 00:29:17**

BCP Group going forward.

**Slide 23: 00:29:22**

As BCP has entered ExxonMobil acquisition, we would like to revisit our CAPEX for the next seven years from 2023 to 2030. CAPEX is set to be THB200billion, of which 15% is for Esso. We estimate 100% of Esso acquisition cost of around THB30billion, however; it would be less after the launch of tender offer. Thus, CAPEX is set to be around THB25billion, including service station renovation and logo change. CAPEX for other businesses is likely to be unchanged, except for Natural Resources business or NT, that would be less, roughly 24% of total CAPEX.

For 2023, CAPEX is forecasted to be THB90billion. Additional CAPEX is from Esso acquisition of THB25billion and BCPG of THB39billion, up from THB30billion due to a delay investment from last year. Natural Resource CAPEX in 2023 is forecasted to be THB17billion, up from the previous plan of around THB5billion due to a potential acquisition this year.

Composition of 2030 EBITDA is varied, of which 8% will be additional from Esso. Proportion of EBITDA between old and new economy business will be 50:50. New economy business comprises gas and any other businesses that are not oil business.

**Slide 24: 00:32:19**

This slide shows an update of BCP financial status for future investment. At the end of FY22, BCP assets was reported at approximately THB242billion, of which THB50billion was cash. Debt was THB93billion and EBITDA was around THB45billion.

Financial ratio also improved from last September. FY22 Net debt to equity was 0.4x better than 0.6x in September 2022. Net interest-bearing debt to EBITDA was 0.8x, improving from 1.1x in September last year.

Funding for THB200billion CAPEX plan remains unchanged. 63% will be from subsidiaries self-funding and 37% will be from BCP funding through debt and/or cash flow from operation.

15% of Esso CAPEX is broken down into two portions. The first portion is for the acquisition, which will be funded by BCP. The second is for future maintenance which will be funded by internal cashflow.

**Slide 25: 00:34:14**

Next is 2023 outlook.

**Slide 26: 00:34:18**

For Refinery Business, there will be no turnaround maintenance in 2023. Crude run will exceed 120KBD. Crude oil price is normalized at USD80-85/BBL. Production yield will vary from last year, particular jet-fuel yield that will relatively increase from last year.

For Green Power Business or BCPG, key drivers will be from an acquisition of two new assets. EBITDA growth is forecasted to be 20% per year, of which 33% will be from new businesses.

BBGI business trend improved in 4Q22 from 2Q-3Q22 due to a change in diesel blending form B5 to B7, which boosted B100 sales volume. This change will continue to support BBGI business in 2023. Additional ethanol capacity will also support growth for BBGI.

For Marketing Business, BCP continues to expand network to reach service stations of 1,413 stations in 2023. Inthanin stores are expected to be 1,250 stores in 2023, up 250 stores from last year. Retail sales volume is expected to increase 9-10% while total sales volume is forecasted to be higher, mainly from jet-fuel sales.

For Natural Resources Business or OKEA, 2023 production guidance before M&A is 22-25 KBOEPD, up 30-50% from last year. Normalized CAPEX, excluding M&A, is approximately NOK2billion or equivalent to THB8billion. The proportion of CAPEX is 65% for oil and 27% for gas.

**Slide 27: 00:37:15**

The last slide is Esso timeline update. Mr. Bundit will walk you through the details.

After signing SPA in January, BCP needs to follow CPs for the transition. At presents, all activities are on process. Next step will be BCP's AGM to approve the transaction. For other CPs e.g., Refinery Agreement, Esso has informed that after consultation with the government agencies, there is no obligations for SPA between BCP and ExxonMobil under the Refinery Agreement, but both must strictly follow all conditions under the SPA and the Refinery Agreement. BCP is currently preparing document for an Anti-Trust approval. All CPs are expected to be fulfilled within 2H23 before closing and tender offer launch. The deal is forecasted to be completed by the end of this year. That is all for today. Thank you.