

English Transcript for Analyst Meeting 3Q2023

Bangchak Corporation Public Company Limited

November 28, 2023

Opening:

Hello analysts, fund managers and financial institution representatives, on behalf of Bangchak Corporation Public Company Limited, we would like to welcome you to our 3Q23 Analyst Meeting. We would like to introduce our three executives who will walk you through the presentation namely; Ms. Phatpuree Chinkulkitnivat, Chief Financial Officer and Senior Executive Vice President, Accounting and Finance

Mr. Thamarat Paryoonsuk, Senior Executive Vice President, Refinery Business Group

Mr. Seri Anupantanan, Acting Senior Executive Vice President, Oil Retail and Corporate Marketing Business

Now, I will pass the floor to our executives.

Good afternoon, everyone. It is our pleasure to meet with you in person today to wrap up our performance in 3Q23.

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I would like to start with BCP's pride regarding ESG. BCP have been consistently focusing on ESG for years and that has become our DNA. Our recognition has been accumulated throughout ESG activities. For international ESG rating, we have received MSCI rating of "AA" for five consecutive years, the highest in the industry. For Thailand ESG rating, we have received SET rating at "AAA." We also received Sustainability Awards of Honor, SET Awards, for the fourth consecutive years. The Sustainability Awards of Honor will grant to a corporate who has received Best Sustainability Awards for three consecutive years, of which BCP has got this award for seven consecutive years. In the past few weeks, Mr. Chaiwat, our CEO, and Mr. Thamarat went to receive a world-class award or GPEA in Nepal. This has marked BCP to be the one and only refinery that received this award.

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This slide has been stated our target EBITDA commitment for the past few years. Currently, EBITDA growth has been delivered as planned. For 9M23, Net Profit marked a record high of THB14.21bn while EBITDA reached approximately THB30bn, confirming that by the end of this year we will be able to deliver growth as anticipated.

Slide 7: 00.04.08

For Business Portfolio, shareholder structure remains the same. Combination in details, however, varies in the past six months. Numbers of foreign investors and NVDR shareholders have increased and the holding period is longer.

BCP still have five major businesses in our portfolio. Since the acquisition of Bangchak Sriracha (BSRC), previously ESSO Thailand, our refinery capacity has increased to almost 300KBD, up from 120KBD. In terms of Marketing Business, our service stations exceed 2,200 stations, achieved our growth target. BCPG, BBGI and OKEA portfolios remain unchanged.

Next, I will pass the floor to Mr. Thamarat to share with you about the Refinery Business.

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Refinery Business's EBITDA jumped to THB6.3bn due to high GRM of USD17/BBL, but not as high as last year. Crude run, however, lowered to 116KBD or 97% of nameplate capacity due to the implementation of Euro 5 by the government, causing a shutdown of all refineries. Our shutdown time was slightly shorter than peers as we already run our refinery with low sulphur crude, allowing us to able to capture peak period of GRM. Currently, our crude run is back to normal at 120+KBD. Distillates remained the major contribution of yield in 3Q23.

Inventory gain was recognized at THB1.2bn, a surplus of approximately USD3/BBL. Crack spread was remarkably high comparing to 2Q23. Phra Khanong Refinery continued to be the core refinery that generated relatively high EBITDA for BCP Group.

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Sustainable Aviation Fuel or SAF has become main topic in the energy industry. Our SAF plant construction is underway. We expect to introduce our SAF from used cooking oil to the market in the beginning of 2025. Currently, we have been gathering raw material from major food manufacturers and export some cargoes to the EUs in preparation for initial SAF production. We plan to launch activities to introduce and educate Thai communities about SAF in the beginning of 2024 onwards.

Now, I will pass the presentation to Mr. Seri

Slide 10: 00.08.53

This year marks a good year for Marketing Business. Sales volume slightly dropped during Covid lockdown and has gradually picked up since. BCP sales volume increased this year both through service stations and industrial channels. In 3Q23, sales volume was impacted by rainy season but 9M23 sales volume still increased 3.4%, higher than market average of 2.8%, enabling us to have a slight gain on market share.

Marketing margin slightly declined as retailed price could not catch up with actual cost, but was still at acceptable level. Industrial sales improved, particularly by jet-fuel due to higher traveling traffic.

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This slide shows key highlights activities of our new products. Our Hi Premium 97 Gasohol received a "Product of the Year Award" last week. It is the product that contains the highest octane in the market and was tested and recognized by car racers and individual users in terms of performance, acceleration rate, and injector cleaning.

BCP has recently got a “Super Brand Award” both for “Bangchak” service station for the 6th consecutive years and for “Inthanin” brand for the 3rd consecutive years. This has proven that BCP never stops to consistently improve our brand and service development.

Last year, we initiated our unique design service stations, so called Greenovative Destination for Intergeneration to capture all kinds of consumer behaviors. We also implement a loyalty program for truck drivers and diesel users called truck card membership program, that the truck drivers can collect purchased points for an exchange of gasoline or gold in the future. We will launch a new campaign “Reng Dung Jai Rang Kern Roi” next month for our diesel customers, which means every THB1,200 spending, the customer will get one free energy drink. This campaign will last from December 2023 to February 2024.

For Inthanin customers, “Sang Tee Rod-Rub Tee Ran” campaign will be launched to facilitate customers who do not have much time to park their cars to simply order drinks via QR code and pick them up at Inthanin outlet. Another Inthanin campaign will be launched in December is “Buy Two Drinks, Get One Free Lonely Pop Cup.” This cup is exclusively designed with five different colors of choice.

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BSRC, previously ESSO, the newest business of BCP, has started to consolidate to BCP financial statement in 3Q23. EBITDA was only little over THB1.2bn, due to low utilization rate from plant shutdown. Overall shutdown was 25 days, mostly to adjust the plant to produce lower sulphur to meet EURO 5 standard, required by the Government, coupled with a shutdown for scheduled maintenance.

In terms of yields, the products of two plants differ but complement each other. BCP’s product yield is mainly distillates, while that of BSRC is gasoline, causing high overall gasoline yield at 37%. Sales volume, both from industrial and retail, increased, mainly from co-promotion between BCP and BSRC.

Total GRM was recorded at USD5.31/BBL. Room for improvement activity of BSRC is underway. Inventory gain was recorded at an acceptable level due to low inventory from EURO 5 plant shutdown. At present, BCP has worked closely with BSRC, and we will update the two plants synergy on December 12. However, you may have heard about the co-loading synergy between BCP and BSRC. This synergy is considered as a big co-operation between the two refineries, which has never been taken place before. Despite the difficulties and complication process of co-loading of big cargoes at BSRC terminal, we can manage to shorten the process to approximately two months.

Currently, BSRC plant shutdown for EURO 5 adjustment was done and the operation is back to normal. We will update the utilization on December 12, but the numbers are guaranteed to be higher than previously run by ESSO.

Slide 13: 00.17.45

For Clean Power Business or BCPG, in 3Q23 hydropower plant in Laos could switch its sales from Laos to Vietnam, causing the plant to run at full capacity after the operation was seized for a while.

BCPG started to fully recognize revenue and net profit from investment in 3Q23 such as Asia Link Terminal and power plants in the US.

In August, BCPG had signed SPA to acquire additional 280 MW co-generation power plants in the US. The deal was closed on October 31, causing the company to have a fully consolidation financial performance of this investment in 4Q23.

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This slide shows BCPG's 13 MW minor solar power plants projects in Thailand. SPA has been signed and closing date is expected to be in 1Q24. Remaining PPA contract is 20 years with FIT tariff at slightly above THB4.0/kWh. This investment will add up top-line to BCPG in 2024.

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Bio-Based Product Business, from the graph, all the numbers were up. As many of you may have heard about BCP's Bio-Base business, both ethanol and bio-diesel, that they initially .were set up to be BCP's marketing arm. However, the business was struggled due to pricing policy, resulted in lower-than- capacity utilization rate.

The acquisition of BSRC, fortunately, has helped increase Bio-Based products use in the future. However, the numbers shown in 3Q-4Q23 graph, are the incremental numbers from previously signed contract by BSRC, so we expect to see a hike in performance from full utilization of Ethanol and B100 in 2024 onwards.

As sales volume is forecasted to be exceeding utilization, BBGI plans to become a Bio-Based trader (Ethanol and B-100) as well. We expect to see the operation improvement in Bio-Based Product Business since January 2024. At present, the plants are under the warm-up run at full capacity to accommodate the two refinery productions.

Good news for Bio-Based Business is the change of government policy in lowering the use of E85, the cancellation of B20, and the possibility of bringing back B7 use. However, this does not affect BCP as our internal demand is higher than the capacity. In summary, Bio-Based Business marked an impressive improvement in 3Q23.

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This slide, I would like to walk you through the business that related to Bio-Based Business. BCP has been focusing on SAF, used cooking oil, and green refinery. These mentioned businesses require biological base. BBGI, thus, has partnered with global operators to do the research to scale up raw material.

During BCP seminar last week, Mr. Chaiwat, our CEO, and the two global technology owners, UOP and Axens, discussed about the possibility to produce ethanol raw material for Jet-fuel by adding up water to wooden parcels and chemical and keep them under controlled temperature. This has put it into one of BBGI pipeline studies for future development and to add up to BCP's value chain.

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Next is Natural Resources Business or OKEA. We see a positive improvement in 3Q23 with a rise in EBITDA and Revenue from 2Q23 due to two factors. The first one was a rise in oil price QoQ, while gas price slightly dropped. Second was an increase in sales volume to 26.7 KBOEPD.

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For E&P Business, growth basically was from M&A. An Acquisition of Wintershall in 2022 led to a production and performance recognition in 2023.

In late 2023, Stat Field deal is forecasted to be closed. This will add up production profile of approximately 16KBD. In 2024, total production capacity will increase to 40KBD.

In 2023, production capacity was shown at 37.5KBD at year end. In the previous slide, however, capacity was shown at 22-25KBD. This was because the deal is expected to close at the end of 2023. In summary, total production capacity will be 40KBD in 2024. Details will be discussed shortly.

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BCP celebrated its 39th year this year. We are proud to announce that our quarterly net profit marked the highest record in 3Q23. Accounting EBITDA was recorded at approximately THB14bn. This resulted from EBITDA rise in all businesses, Refinery, Marketing, BSRC, BCPG, Bio-Based and OKEA.

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As our financial statement was disclosed, I would like to go through details of ESSO gain on purchase price. BCP recognized 76% gain regarding percentage of shareholding, of which 66% was from ESSO and 10% was from tender offer.

For 100% shareholding, gain on purchase price would be THB9.679bn. This was calculated from fair value estimate method. The calculated fair value was THB15bn above book value net equity of THB28bn.

We have thoroughly conducted assessment of every single piece of ESSO's assets such as refinery land, service-station land, refinery, stocks, machine, equipment, warehouses, office buildings, and leased assets to get the fairest value. However, these numbers are not the finalized.

The THB13bn out of THB15bn fair value was from land of refinery and service station, and warehouses.

ESSO's Book value (net equity) would go up to THB44bn after an adjustment of THB15bn fair value, marking a gain of THB9.6bn when compared to purchase price of THB34.2bn. This number, however, may be re-adjusted, but we are confident that the assessment and fair value are likely. We will update the final value again in 4Q23.

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3Q23 net profit was THB11.011bn. This relatively high net profit was not solely from one-time item, rather it came from different factors.

Starting from Core PAT, net profit excluded inventory gain and one-time item, it was recorded at high level of THB3.5bn, significantly growing from the previous quarter.

Adding inventory gain and deducting change in fair value of derivatives hedging, totaling approximately THB2.0 to Core PAT, Recurring PAT or net profit from normal operation was reported at THB5-6bn.

Topping up THB7.4bn gain on purchase and deducting THB1.8bn one-time expenses such as ESSO's advisor fee and system set up expenses to Recurring PAT, PAT or net profit was recorded at THB11.011bn.

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After the ESSO acquisition, BCP financial position remains strong and is sufficient for further investment. In 3Q23, net debt to equity was 0.8x while net debt to EBITDA was 2.0x. ESSO acquisition cost was THB26bn, of which only THB8bn was from bank loan and the rest was from cash on hand. We believe at this debt level, BCP will be comfortable for future investment.

In terms of return, ROE and ROA grew in accordance with revenue. Currently, ROA was approximately 10% and ROE excluded one-time item was 13%. This return level was satisfied despite PPA assessment and book value adjustment.

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Significant synergies are still questionable among investment community. However, we can commit that synergy EBITDA will exceed THB3.0bn, of which 60% will be at BCP level, and 40% at BSRC level. Regarding timeline, synergy value is expected to be THB2.5bn in 2024 and will reach THB3.0bn in 2025.

Synergy value classified by businesses are shown in the boxes.

Refinery Business, synergy value is forecasted to be conservative at THB1.0bn, mainly from optimization and utilization improvement.

Synergy values of Logistic Business and Marketing Business are expected to be THB200m and THB300m per year respectively.

Corporate cost saving or shared-service would generate THB1.5bn synergy value.

Synergy value from Logistic Business is expected to be recognized this year, particular from on-shore operation while that of Refinery Business will be in the beginning of 2024.

For corporate cost saving synergy, we are in the process of signing shared-service contract with ESSO. Examples of shared-service operation in Finance and Accounting department are to switch team members between EXXON, ESSO Thailand, and BCP to build up one team at BCP as well as to streamline working process for cost efficiency.

Examples of Marketing Business activities are to rebranding and changing logo as well as visiting and ensuring commitment with dealers.

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For 4Q23 outlook, crude run will be above nameplate capacity at 120KBD while GRM seems to slightly drop in accordance with market condition, of which Singapore GRM has shown a drop in 4Q23. Spread of middle-distillates, on the contrary, is still over USD20/BBL.

4Q23 marks as high season of travelling, benefiting Marketing Business. Therefore, an improvement of margins is expected to be seen in this quarter.

BSRC's crude run is back to normal at 122KBD in 4Q23 after the maintenance shutdown in October.

BCPG will realize additional profit from 857MW co-gen power plants in the US in 4Q23.

BBGI' s improvement will be from an increase in sales volume to BSRC in 4Q23.

OKEA's gas price is anticipated to rise 24% in 4Q23 due to the high season of gas utilization in Europe.

Thank you.