# First quarter 2018 results

Pilipinas Shell Petroleum Corporation
May 15, 2018

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# Summary


**Q1 2018**

- Strong results overcoming uncertainties on TRAIN implementation
- Retained high premium fuel penetration
- Double-digit growth in non-fuels business

**Business enhancement**

- Bitumen production facility mechanically complete
- Expansion of Tabangao's supply and logistics facility

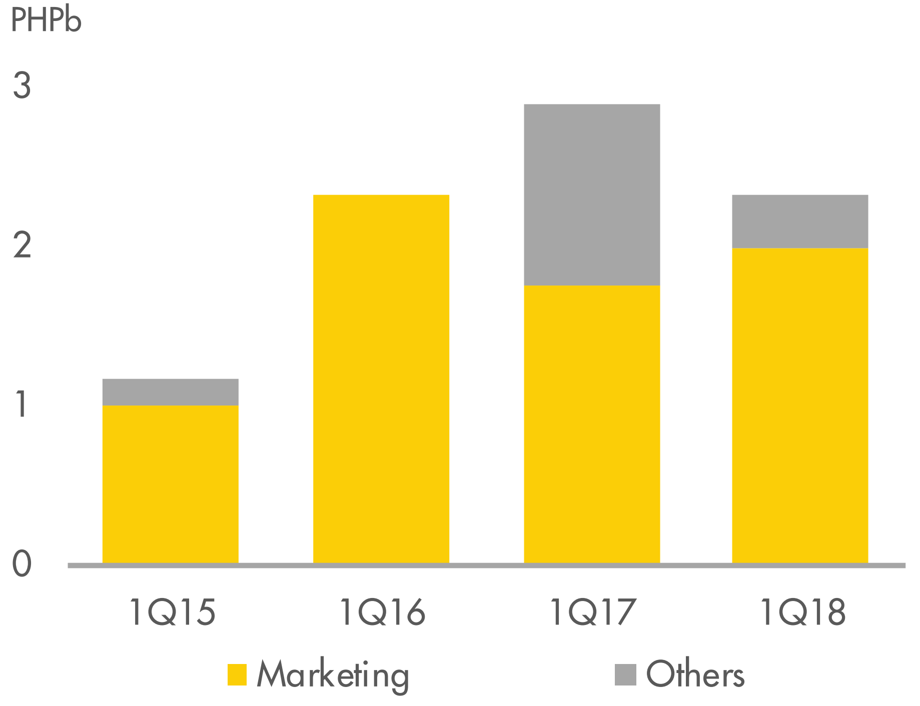
**Financial framework**

- Cash priorities unchanged
- Doubled retail capital investment

# Financial highlights

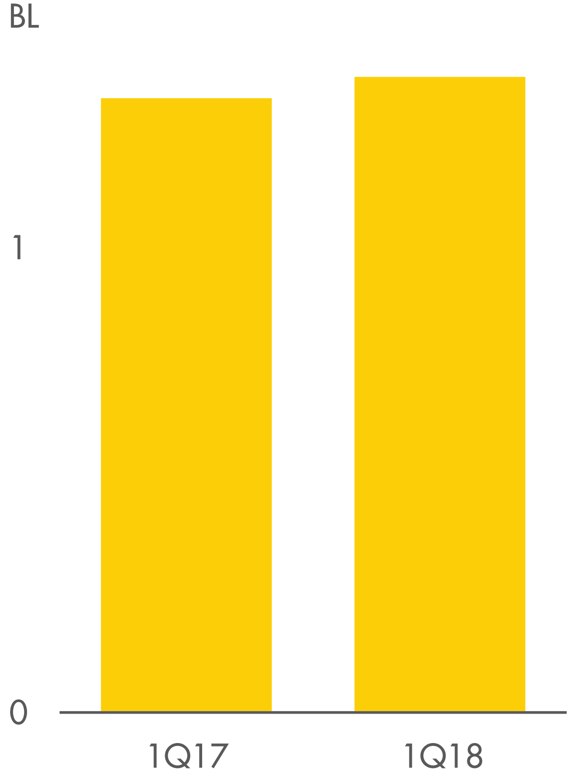
- Solid marketing delivery cushioning impact of decline in refining margins
- Net income after tax at P2.3bn

## Marketing earnings up ~13%; overall earnings dampened by the ~40% decline in gross refining margins




Note: Marketing and overall earnings based on NIAT. Marketing delivery, gross refining margins are based on internal estimates.

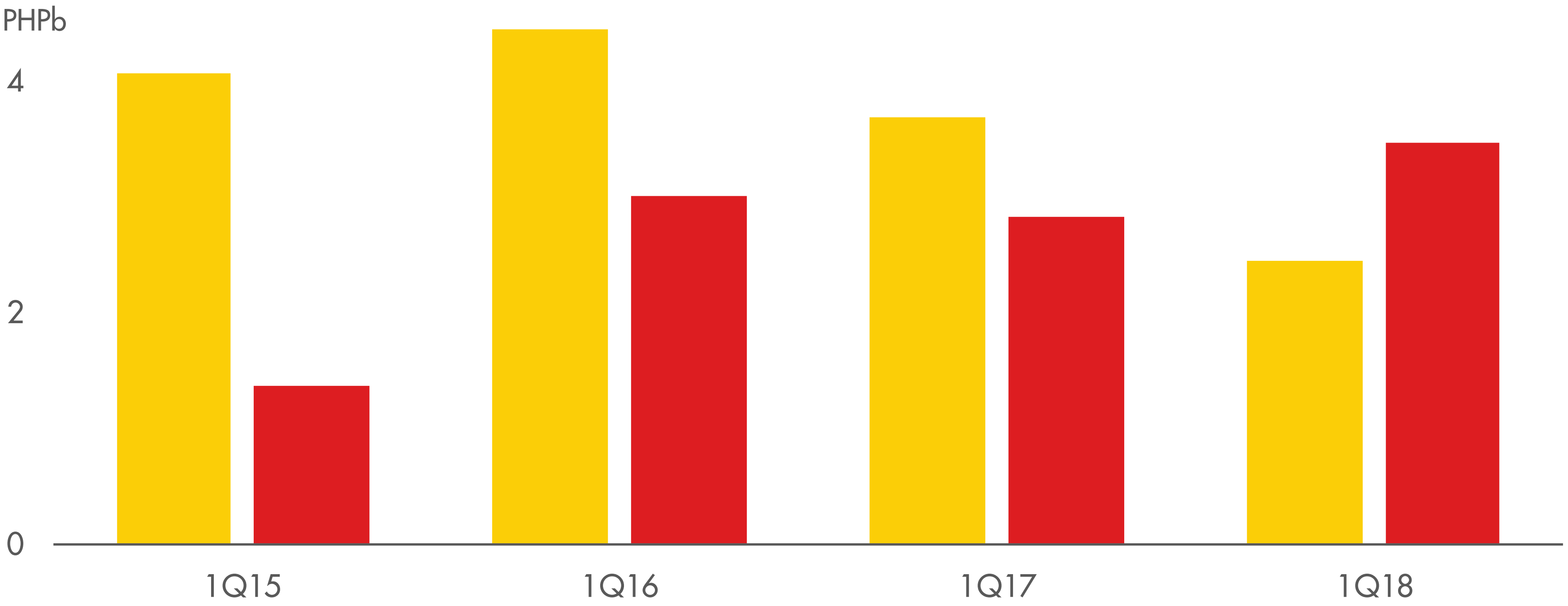
## 4% increase in total volumes sold post TRAIN implementation



# EBITDA adjusted for COSA impacted by the decline in global gross refining margins

- EBITDA adjusted for COSA at P2.5bn
- Cash flow from operations increase by 23%

EBITDA adjusted for COSA vs Cash flow from operations




**1Q15**
- ↑ High sales volume growth
- ↑ High refining margins
- ↓ High inventory holding losses

**1Q16**
- ↑ High retail volume growth
- ↑ High refining margins
- ↓ Unplanned downtime

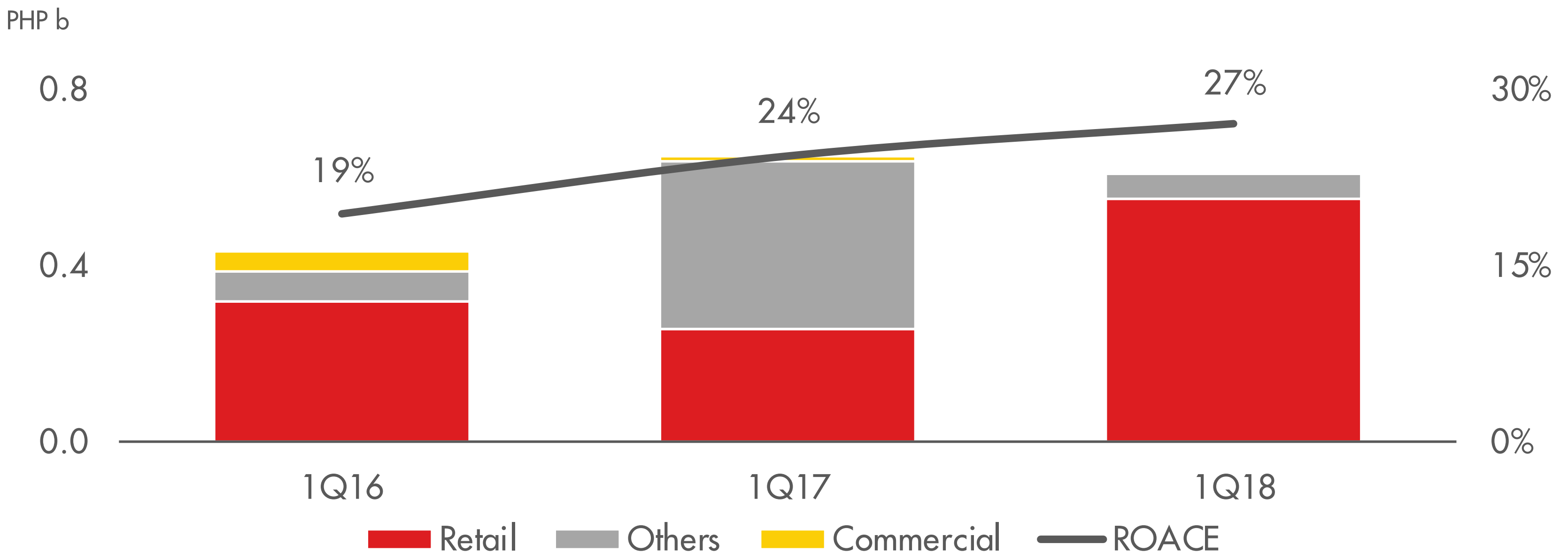
**1Q17**
- ↑ High premium fuel penetration
- ↑ High refining margins
- ↓ Lower demand in power sector

**1Q18**
- ↑ Stronger marketing delivery
- ↑ High premium fuel penetration
- ↓ Decline in refining margins

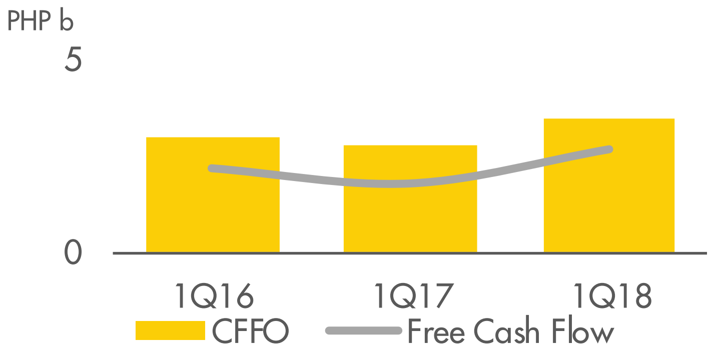
# Healthy balance sheet driven by robust cash generation and disciplined investments

- CFFO up 23%
- Retail capital investment doubled in 2018
- Industry-leading ROACE

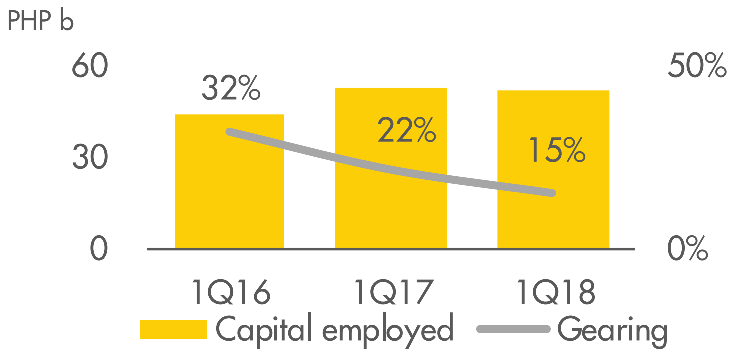
## Capital Investments + ROACE




## Cash flow from operations




## Capital employed + Gearing




Notes: Return on average capital employed is defined as EBIT as a percentage of the average capital employed for the period. Capital employed consists of short-term borrowings and loans payable, and total equity. Average capital is calculated as the mean of the opening and closing balances of capital employed for that period. Net earnings based on net income after tax. Gearing ratio is defined as net debt (total debt less cash and cash equivalents) as a percentage of total capital (net debt plus total equity). It is a measure of the degree to which our operations are financed by debt.

# Sustained retail volume and high premium fuel penetration despite higher pump prices

RETAIL FUELS

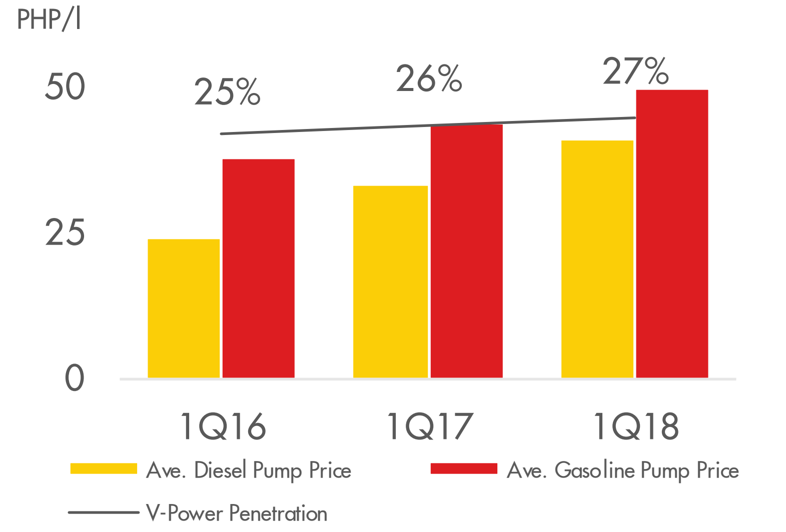
Sustained retail volume


High premium fuel penetration

Higher earnings vs PY due to favorable product mix

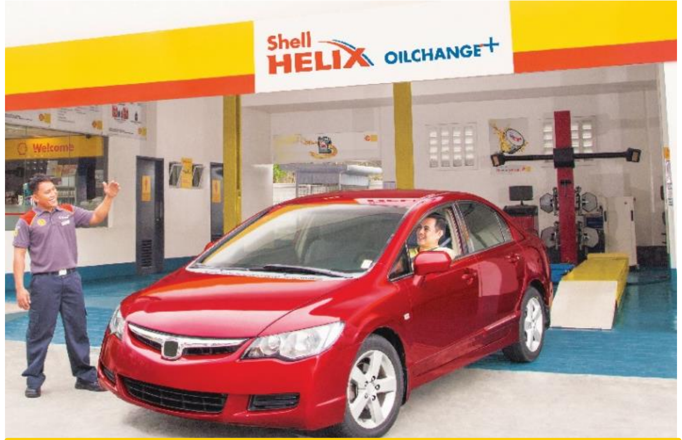
1,047 retail stations with 20 solar-powered sites

## V-Power Penetration vs Average Pump Price



# Non-fuels retailing business continues to enjoy double-digit growth

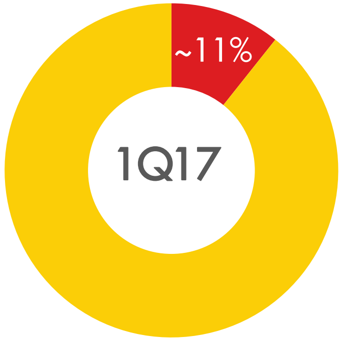
Variety of choices in Shell Select

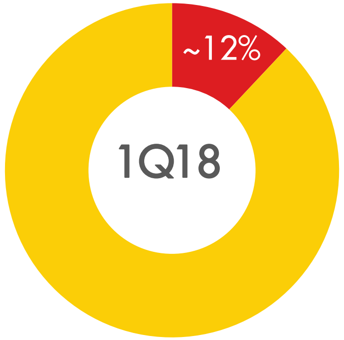



New lube bays

| Store count | Guidance | New | Total |
|---|---|---|---|
| Select | 15-20 | 11 | 113 |
| deli2go | 15-20 | 7 | 48 |
| Lube bay | 30-50 | 9 | 271 |

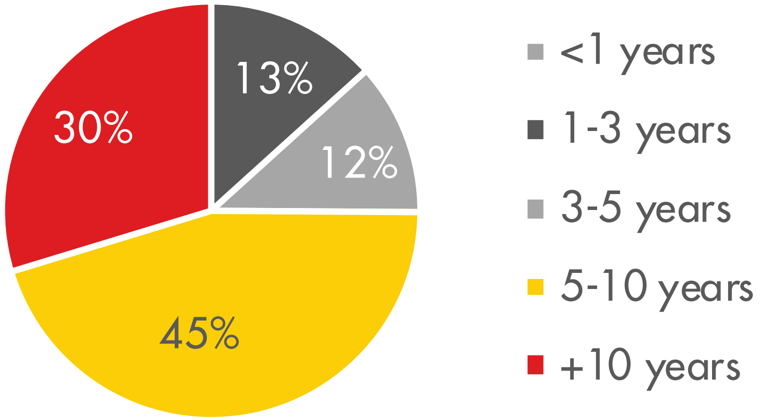
Non-fuels contribution to retail margins



# Robust Commercial Business performance amidst higher excise taxes


## Long relationship with partners




## Commercial fuels

Refreshed reseller strategy to optimize value in the wholesale sector

**11** Customers

**12** Deals Won/ Renewed

## Aviation

Strong volume growth in Aviation

## Lubricants

Higher volumes in Lubricants captured from new customers

## Specialities (Bitumen + Sulphur)

Double digit growth in premium products

# Leveraging on Reliable and Efficient Supply Chain

## Tabangao Refinery

- 6M man-hours free of Loss Time Incidents
- Bitumen plant mechanically complete
- Lower refining margin environment
- Scheduled pitstop in May

## North Mindanao Import Facility

- 17M man-hours free of Loss Time Incidents
- 99.7% on-time and in-full pick-up and road delivered

# Update on key strategies

## Strategy

Selectively pursue profitable fuel opportunities

Maintain a reliable and efficient manufacturing and supply chain


Capture non-fuel related growth opportunities

Leading corporate governance and world class talent development

## PSPC priorities

- Maximizing cash generation while maintaining competitive returns
- Disciplined expansion and capital allocation
- Attractive dividend policy

## Delivery

- CFFO up by 23%, delivered PHP 3.5B
- ROACE at 27%
- Provided 80% Dividend Payout Ratio for FY16 and FY17 audited Net Income

## Key Projects


Grow Premium Fuel Penetration and Expand Network

Continuous Aviation Supply Points Expansion


Grew Non-Fuel Retail Offerings

Started bitumen production