



# The Launch of Thailand Future Fund

*“Thailand Focus 2018 : The Future is Now”*  
29<sup>th</sup> August 2018, Grand Hyatt Erawan Bangkok Hotel


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Director-General  
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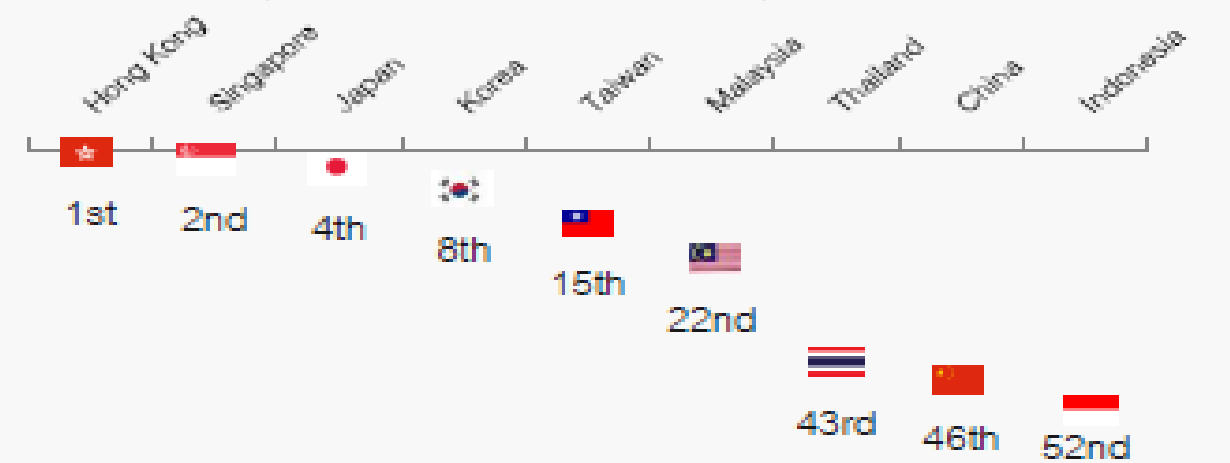
# Thailand's Plan for Infrastructure Development

*Transportation infrastructure quality plays a crucial role in improving competitiveness*

*Thailand's transportation infrastructure is still developing compared to other developed countries in Asia Pacific*

| Competitiveness Ranking from 137 Countries |  |
|--------------------------------------------|-------------------------------------------------------------------------------------|
| Overall Ranking                            | 32 <sup>nd</sup>                                                                    |
| Infrastructure Ranking                     | 43 <sup>rd</sup>                                                                    |
| Infrastructure Quality                     | 67 <sup>th</sup>                                                                    |
| Road Quality                               | 59 <sup>th</sup>                                                                    |
| Railroad Quality                           | 72 <sup>nd</sup>                                                                    |
| Port Quality                               | 63 <sup>rd</sup>                                                                    |
| Air Transport Quality                      | 39 <sup>th</sup>                                                                    |

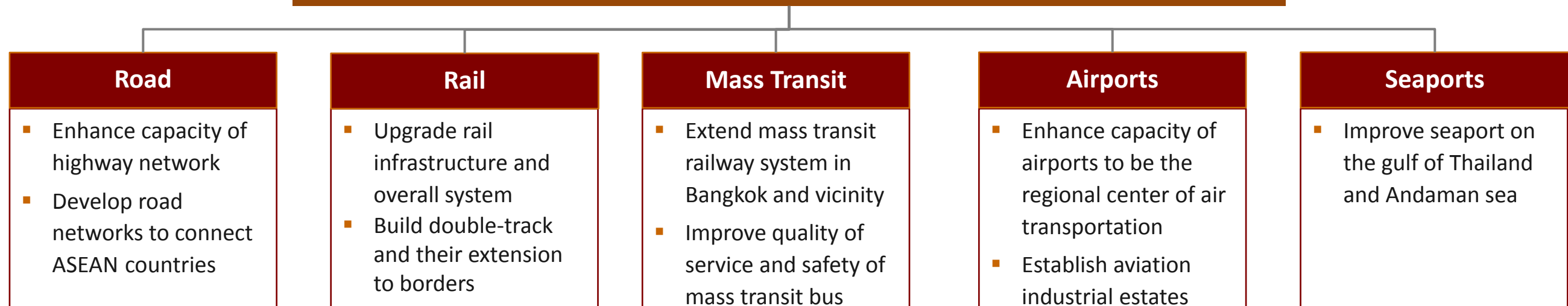
Selected Regional Infrastructure Ranking from 137 economics



Source: The Global Competitiveness Report 2017-2018, World Economic Forum

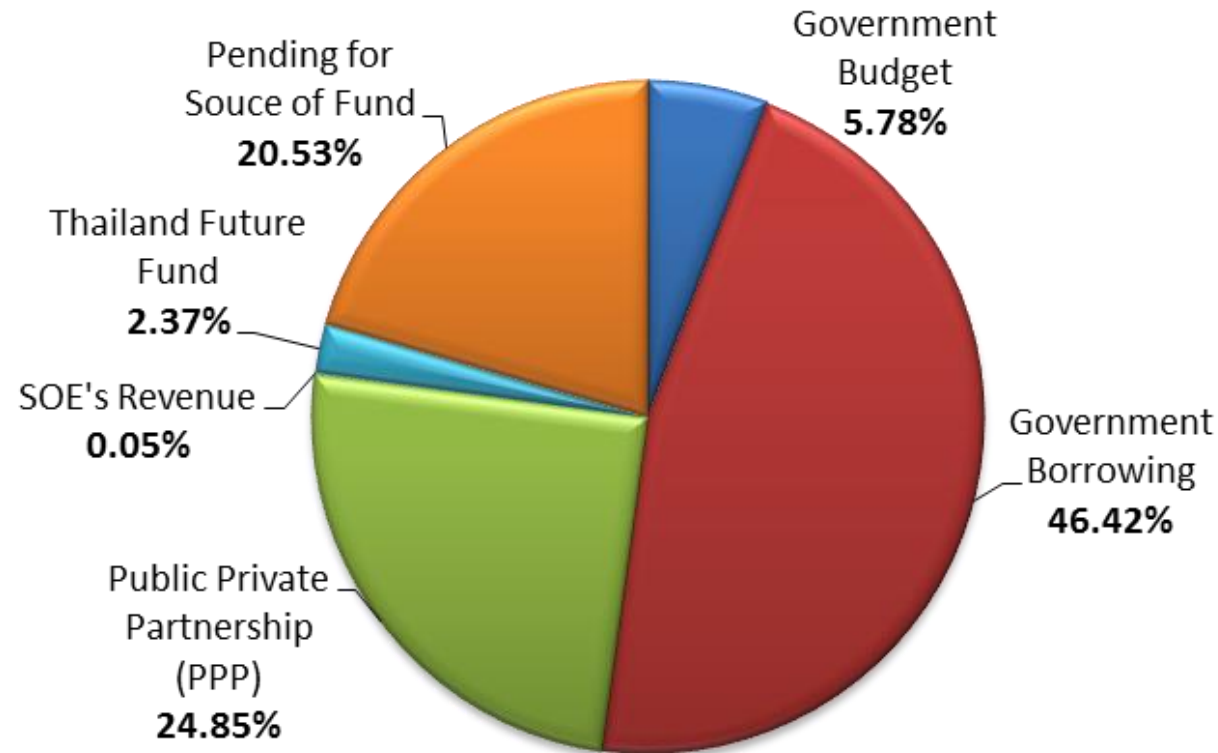
*On 27 March 2015, the Cabinet approved the Transport Infrastructure Development Master Plan (2015 – 2022) which consists of 5 key programs, aiming to reduce cost of logistics and transportation*

## Transport Infrastructure Development Master Plan 2015-2022



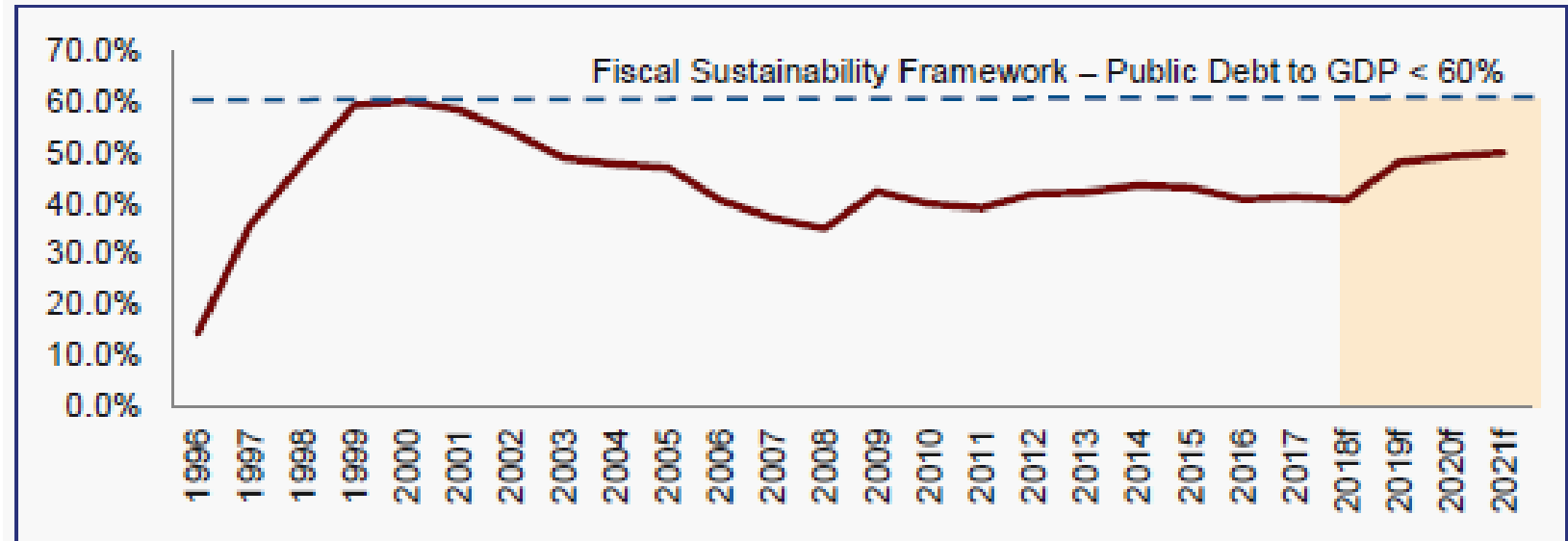
# Alternatives to Finance Thailand's Important Infrastructure Projects

*The Transportation Action Plan 2018 consisted of 44 projects with total investment budget of THB 2,021.3 billion*



Source: Ministry of Transport

## Public Debt to GDP – Medium Term



Source: Public Debt Management Office

## Limitations of Government's Sources of Funding

**Government Budget**

*Competing funding needs with current expenditure and social projects*

**Government Borrowing**

*Public debt level must be maintained below 60% of GDP*

**SOEs' Income**

*SOE's annual cash flow is not sufficient to meet rapid demand of investment*

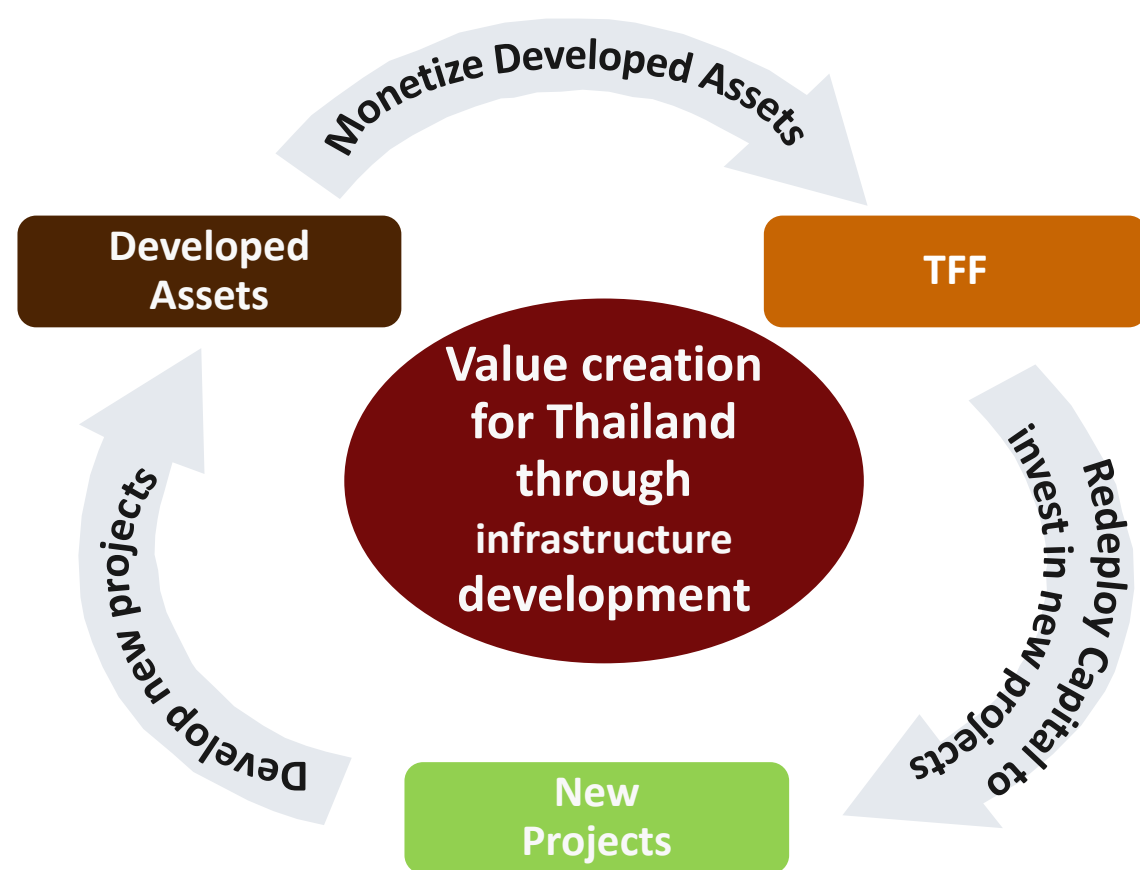
**PPP**

*Some sectors or types of assets may not be suitable for private participation*

# Thailand Future Fund (TFF), An Alternative Funding Vehicle

*TFF was established on 24 November 2016, following the approval of the Office of the Thai SEC, as a result of The Cabinet's resolution*

- ✓ **Sole government-sponsored infrastructure fund** for investing in infrastructure projects to enhance Thailand's competitiveness.
- ✓ **Committed government holdings** to ensure the success of the fund.
- ✓ **Alternative funding for infrastructure projects, lessening dependency** on the Thai government annual's budget and public debt.
- ✓ **Promote development of Thailand's capital markets** and provide investors with **investment opportunities in quality infrastructure assets** of state agencies.



|                                                |
|------------------------------------------------|
| <b>Investment policy</b>                       |
| <b>Initial Investment</b>                      |
| <b>Cabinet-acknowledged potential projects</b> |

- TFF aims to invest in **value-enhancing state agencies' infrastructure assets/projects to create long-term distribution growth potential**
  - Including expressways or toll roads, railways, electricity generation and distribution, airports, deep seaport, and other infrastructure businesses
- Initial asset injection will be **Partial Toll Revenue collected from the existing routes of EXAT's expressways**
- The Cabinet also **acknowledged the other two potential projects of the Department of Highway ("DOH") could be potentially injected into TFF**
  1. Bangkok – Baan Chang Highway No. 7
  2. Bangkok Outer Ring Road Highway No.9

# TFF's Proposed Initial Structure and Investments

**General Investors (domestic and foreign),  
Ministry of Finance, and SOEs**

Holds investment units  
of SET listed entity ↓  
↑ Receives return through  
dividends and capital gains

**Thailand Future Fund (TFF)**

Injects capital ↓  
↑ 45% of future toll revenue through  
Revenue Transfer Agreement

**Cabinet-approved  
Brownfield Projects**



Asset owner  
and operator

→ Investment

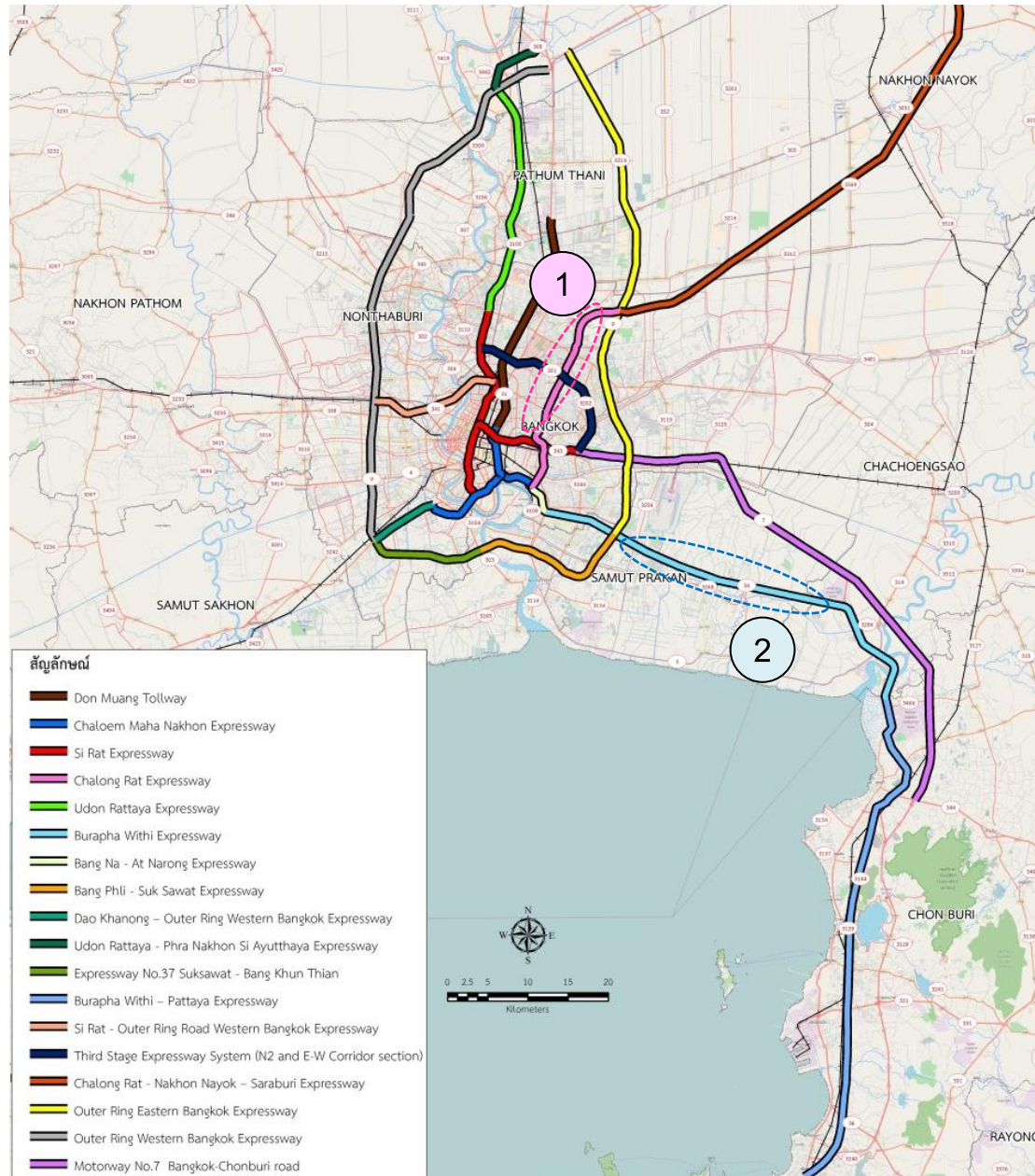
→ Cash flow

- During the initial stage, TFF will invest in **two brownfield projects owned and operated by the Expressway Authority of Thailand (EXAT)**. TFF will receive a fixed percentage of future revenue as governed by the Revenue Transfer Agreement (RTA)
  - TFF will receive **45% of EXAT's two expressways' toll revenue** for the period of **30 years**
    - I. *Chalongrat Expressway*
    - II. *Buraphawithi Expressway*
- EXAT plans to **utilize proceeds from any funds raised through TFF to develop its greenfield projects**
  - I. *Rama 3 - Dao Khanong - Western Outer Ring Road Expressway*
  - II. *Third stage expressway system (N2 and East - West Corridor section)*

# EXAT Overview

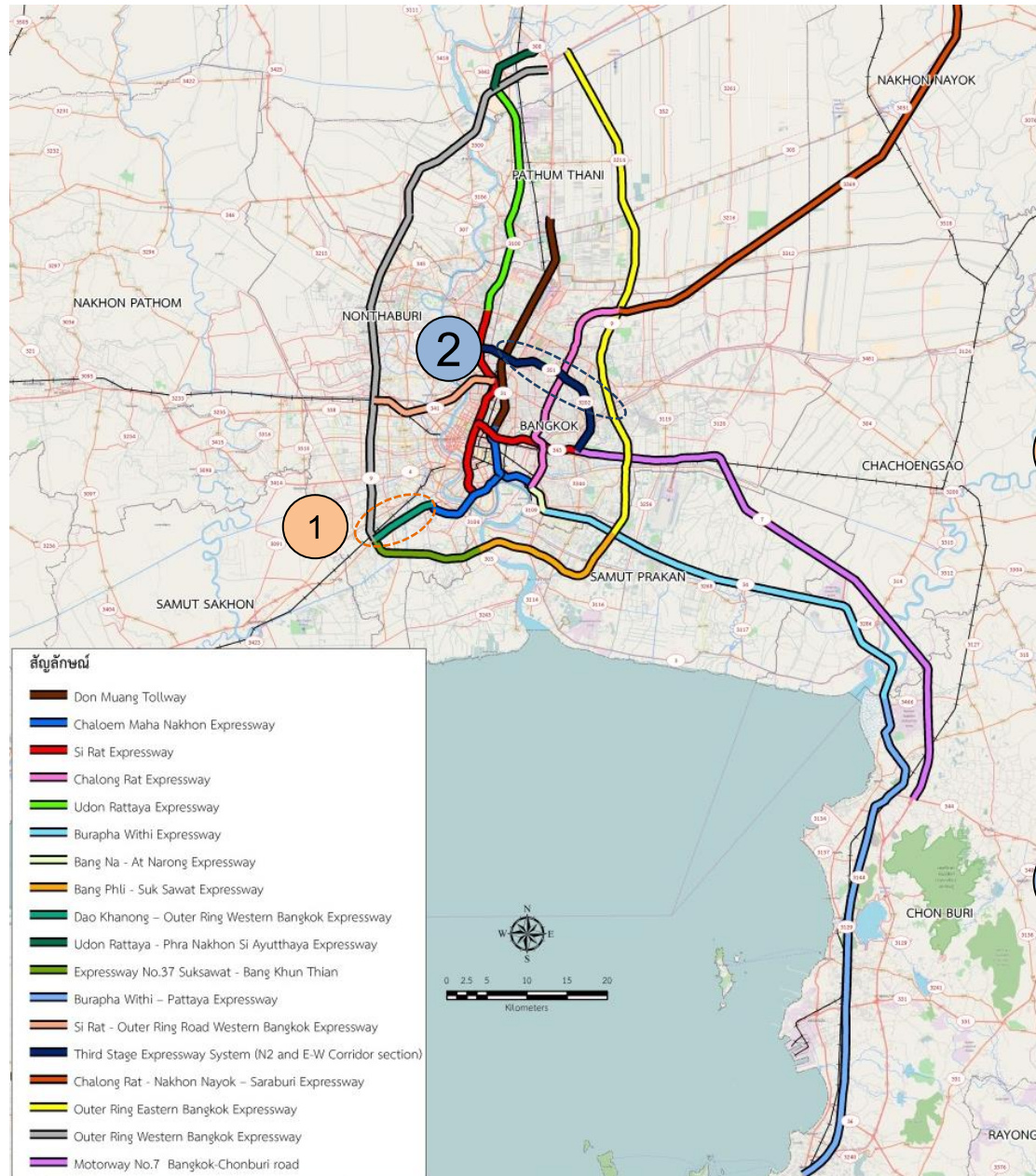


- *The Expressway Authority of Thailand (EXAT) is a state enterprise established under the **Ministry of Transport**, founded in 1972.*
- *The system currently **consists of eight expressways** with a total length of **224.6 kilometers**.*



|   | Cabinet-approved Projects for TFF | Operation Started | Details/Direction                                                                                                                                                                |
|---|-----------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | <b>Chalongrat Expressway</b>      | 1996              | <ul style="list-style-type: none"> <li>■ Total length of 28.2 kilometers</li> <li>■ Chatuchot - Ram Intra - Ramkhamhaeng - Pattanakarn - Chalem Mahanakorn Expressway</li> </ul> |
| 2 | <b>Buraphawithi Expressway</b>    | 2000              | <ul style="list-style-type: none"> <li>■ Total length of 55 kilometers</li> <li>■ Chalem Mahanakorn Expressway - Bang Na - Bangpakong - Chonburi</li> </ul>                      |

# EXAT's New Projects



- Short-term greenfield projects include Rama 3 - Dao Khanong - Western Outer Ring Road expressway and Third stage expressway system (N2 and East-West Corridor section)

| Projects                                                                   | Current Status                                                                                                                                                                                     |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>1 Rama 3 - Dao Khanong – Western Outer Ring Road Expressway</p>         | <ul style="list-style-type: none"> <li>Estimated cost: THB 30.4 billion</li> <li>EIA approved</li> <li>Currently in design process stage</li> <li>Expects construction to start in 2018</li> </ul> |
| <p>2 Third stage expressway system (N2 and East-West Corridor section)</p> | <ul style="list-style-type: none"> <li>Estimated cost: THB 14.4 billion</li> <li>Feasibility study stage</li> </ul>                                                                                |

# TFF Benefits

## 1 Benefits of TFF

- ✓ Provides fund raising alternative to the Thai government, leading to the **acceleration of the Thai government investment in infrastructure projects**, which can be injected into TFF in the future, and **enhancing the country's competitiveness**.
- ✓ Allows for **less dependency on the Thai government annual's budget and public debt**.
- ✓ Provides opportunities **to invest in high performance and stable income infrastructure projects** to both institutional and retail investors.
- ✓ **Promotes the development of Thailand's capital markets** by adding diversity to investment products and attracting foreign investors to Thai capital markets.

## 2 Benefits for the First Fund Raising by EXAT's Assets

### ✓ Long-Term Duration

- The exclusive RTA has a **duration of 30 years**
- TFF is expected to benefit from **long-term and stable revenue**, supported by the long term RTA and **Thailand's megatrends** which should contribute to the continued or increased usage of Initial Expressways

Contract Duration of Thai IFFs at IPO Date

| Name     | TFF      | BTSGIF <sup>(3)</sup> | TRUEIF <sup>(4)</sup>   | JASIF <sup>(5)</sup>    |
|----------|----------|-----------------------|-------------------------|-------------------------|
| Duration | 30 Years | 16 Years              | 12 <sup>(6)</sup> Years | 11 <sup>(7)</sup> Years |

### ✓ Low Volatility

- TFF is expected to experience **low volatility** in cash flows of the expressways
- Under the RTA, TFF will enjoy the share of the expressways' toll revenue
- TFF will **not bear the operating costs or capital expenditure** of the expressways, with the exception of certain insurance costs

### ✓ Incentivization

- **Built-in incentive scheme** to improve the operation of the expressways by EXAT
- EXAT will **retain a larger portion of the toll** as set out in the RTA
- The mechanism ensures that EXAT and TFF's **interests are aligned and increase in toll revenue will be mutually beneficial for both parties**