

# TPI Polene Power PLC

## Discussion and Analysis 2Q22 Results, ended 30 June 2022

### Resilient performance

TPI Polene Power is largely immune to the economic cycles as its power sales are governed by PPAs. However, in this year 2022, TPIPP has to manage the effect of the expiration of adder for 18MW in January and 55MW in August, as well as higher coal cost. In addition, TPIPP has begun its medium-term plant improvement program to increase the use of RDF hoping to achieve 100% fossil-free by 2024/2025. Phase 1 is scheduled to be completed late this year. Given the wide variation in the operations, we see year-on-year comparison in its performance as not very relevant at this time.

### Revenues cushioned by Ft adjustment

With the expiration of the adder on 18MW plus the disruption from improvement program in the 70MW plant, TPIPP's volume sales dropped by about 20% QoQ. However, sales value dropped less, by 8.3% QoQ to THB2.6b thanks to the higher tariff following the Ft adjustment early in the year. Also helping cushion the revenue fall was the 9.1% QoQ rise in petrol sales. For the 1H22, sales reached THB5.3b, down 4% YoY.

### Margins are sequentially better in 2Q22

TPIPP's the gross margin and core operating margin to sale of 34.9% and 34.8%, respectively, were better than the 31.4% and 31.5%, achieved in 1Q22, respectively. The improvement in GM and OPM were also partly due to the higher profitability in the petrol station business, though this is a small segment. In 2Q22 TPIPP's gross profit was THB892m up 2% QoQ while core operating profit THB891m, up 1.3% QoQ. With SG&A to sales accounting for just 4.8%, TPIPP is a fixed cost business. Operating rates and fuel tariffs are key margin drivers.

After dipping to a historic low of 40.4% in 1Q22, EBITDA margin to sales improved to 44.3% in 2Q22. For the 1H22, EBITDA was THB2.26b, down 22% YoY. We see scope for margins to improve further driven by Ft adjustments and completion of the improvement program for the 70MW power plant.

### Net profit resilient

Despite major change in operating activity, TPIPP achieved THB856m net profit in 2Q22, flat QoQ. For the 1H22, net profit reached THB1.7b, down 24% YoY.

### Leverage and liquidity

Ending 1H22, our net working capital cycle (NWC) was 22.8 weeks, rising from the average of 19.4 weeks during the past 4Qs. This is mainly due to higher amount of cash tied to WCA that is now at 26.36 weeks compared to the average of 23 weeks in the past 4Qs. Because of plant improvements WCA is likely to remain at these elevated levels possibly until the completion of the programs.

Despite some lengthening in the cash conversion cycle, we are not concerned. At the end of 2Q22, net debt stood at THB13.4b and our net debt/EBITDA was at 2.96x on annualized basis. Net debt to equity is a comfortable 0.4x. Our interest burden is light at 5.1% of sales of while the interest cover is a solid 8.3x on cashflow basis. Given the long tenor of the PPAs, TPIPP's cashflow generation is very visible even with disruptions from the ongoing plant improvement.



#### Stock Information

Bloomberg/Reuters  
TPIPP TB/TPIPP BK

Share price (19/08/22)	
52 week high	THB4.42
52-week low	THB3.5
No of shares	8,400 m
Par Value	THB 1.0
Book value	THB 3.75
Market Cap	THB 31,080 m
Avg value trade (3M)	THB 11.3 m

#### Major Shareholders

TPI Polene Pcl	70.2%
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#### Business Overview

TPIPP the largest waste to energy power producer in Thailand and in the region with a capacity of 180MW. Its 220MW coal-fired power plants are being improved to increase their RDF intake advancing our net zero GHG agenda by 2024/2025.

#### Key Financial Figures

Unit: THB m	2Q22	1Q22	2Q21
Sales	2,557	2,788	2,924
Revenues	2,678	2,896	2,981
EBITDA	1,132	1,125	1,510
Net profit excl MI	856	855	1,188
Net profit incl MI	856	855	1,188
Gross margin (%)	34.9	31.4	48.9
Core Op margin to sales (%)	34.8	31.5	44.1
Core Op margin to revenues (%)	33.3	30.4	43.3
EBITDA margin to sales (%)	44.3	40.4	51.6
EBITDA margin to revenues (%)	42.3	38.8	50.6
Net profit margin to revenues (%)	31.9	29.5	39.9
SG&A/sales (%)	4.8	3.7	6.7
Interest expense/sales (%) *	5.3	4.9	4.1
Net debt	13,385	12,793	10,052
Net debt/Equity (x)	0.4	0.4	0.3
Net debt/EBITDA (x)	2.96**	2.8***	1.7**

MI - minority interests

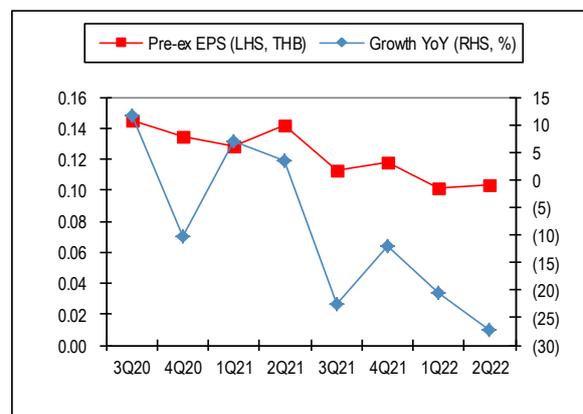
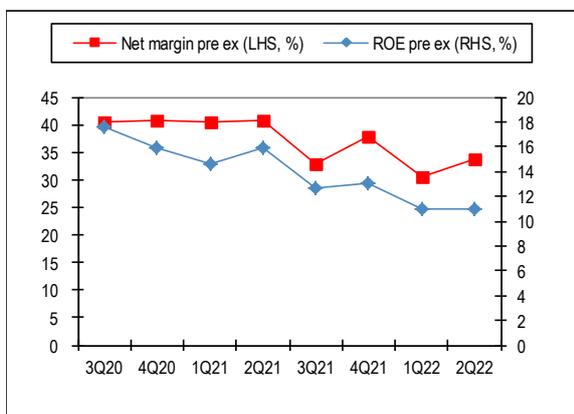
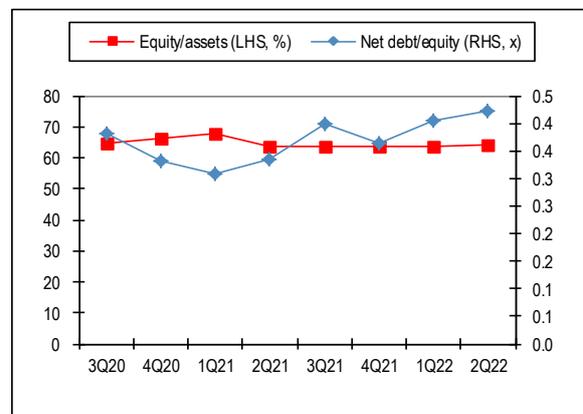
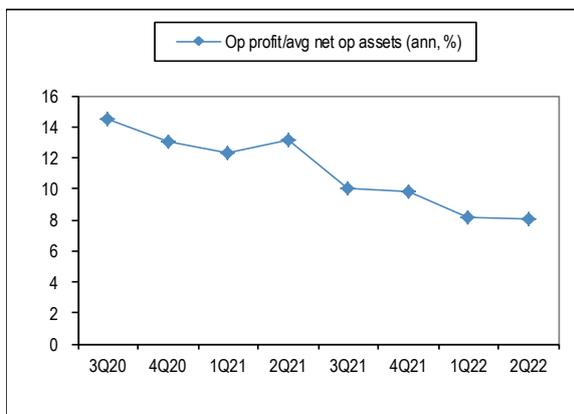
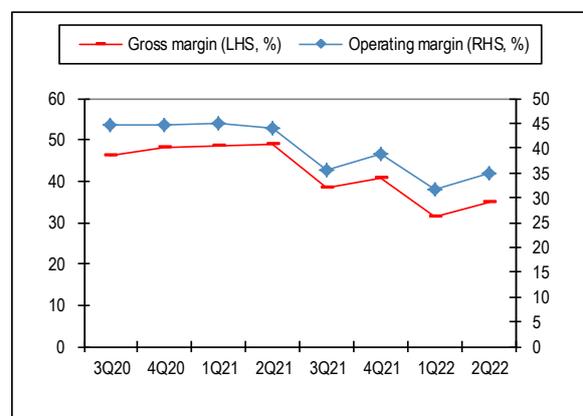
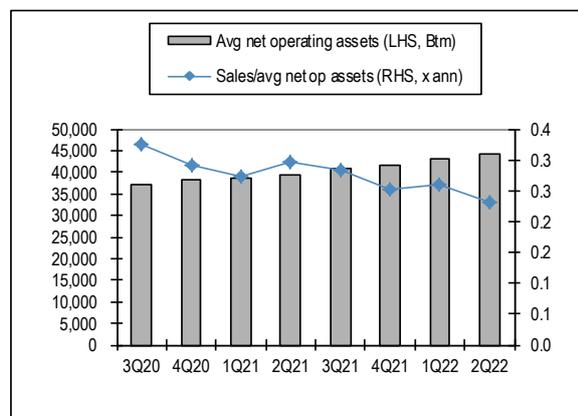
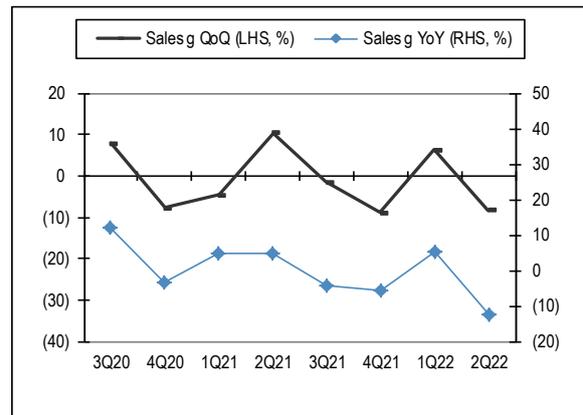
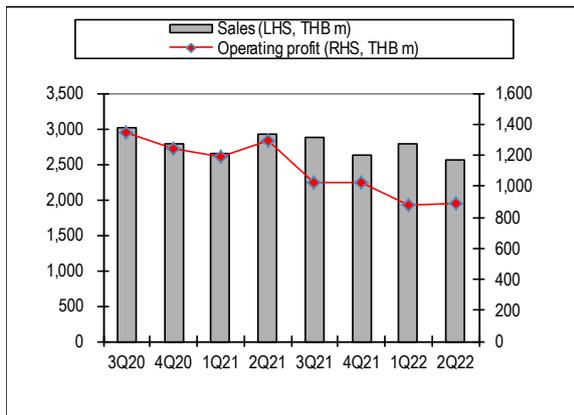
\* on cashflow basis

\*\* annualized 1H EBITDA, \*\*\*annualized 1Q EBITDA

# Solid performance record though at times affected by shutdowns and coal cost

TPI Polene Power PLC

2Q22



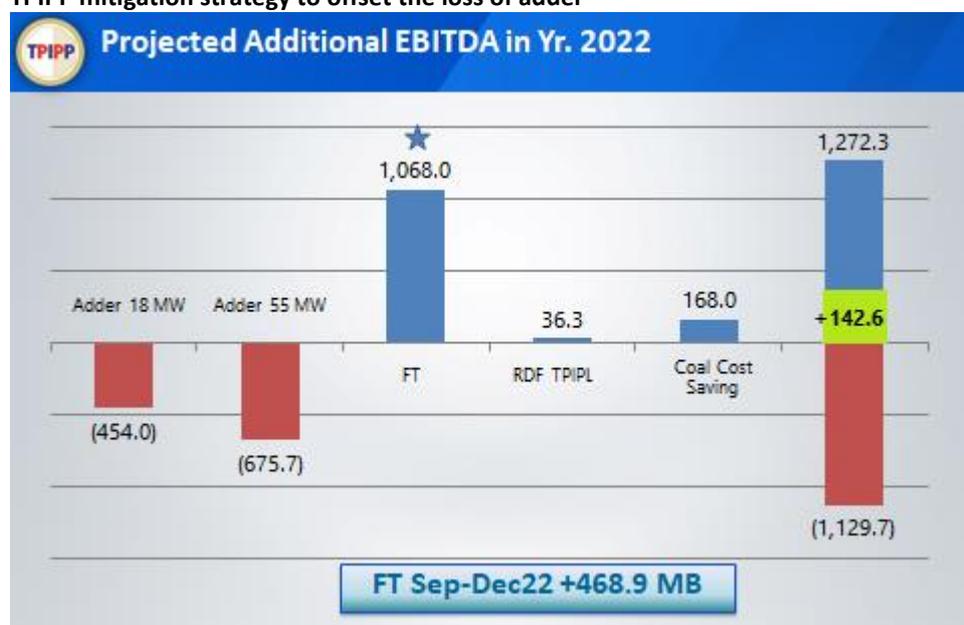
Note: Operating ratios are based on sales and include other income

### Additional matters

Volume sales will still be lower from last year due to ongoing plant improvements to raise efficiency and increase the use of RDF. This is another of our medium-term programs in the Group to advance our ESG agenda, aiming to get to net-zero on GHG emissions by 2024/2025. By that time our power plants will run on RDF.

The adder for the 55 MW capacity expired 6<sup>th</sup> Aug and this means further decline of revenues going forward. However, because Ft will again be increased starting 1 September the incremental EBITDA could get up to THB1.07b for the year. In our previous discussion (refer to 1Q22 Opportunity Day Presentation), we estimated that the expiry of adder for the two projects will result in THB1.13b EBITDA reduction this year. With the various Ft adjustments this year plus the execution of a number of mitigation programs we expect that the impact of the expiration of adders will not be visible at all as we expect a net gain of at least THB143m.

### TPIPP mitigation strategy to offset the loss of adder



★ Estimated incremental EBITDA based on Ft adjustments during the year  
Source: TPIPP estimates

If you have further queries contact:

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