

# Company Update

Tuesday, May 24, 2022



I V Global Securities Public Company Limited

## TPI Polene Power Plc (TPIPP)

Rating: HOLD

Fair price: Bt4.00

Close price: Bt3.68

### Company Information

| Ticker:                      | TPIPP TB  |
|------------------------------|-----------|
| Sector:                      | Energy    |
| Shares outstanding (m):      | 8,400.00  |
| Market capitalization (Btm): | 30,912.00 |
| Trading vol/day (Btm):       | 20.16     |
| Free float (%):              | 28.47     |
| Beta:                        | 0.52      |

### Major Shareholders

|       |        |
|-------|--------|
| TPIPL | 70.24% |
|-------|--------|

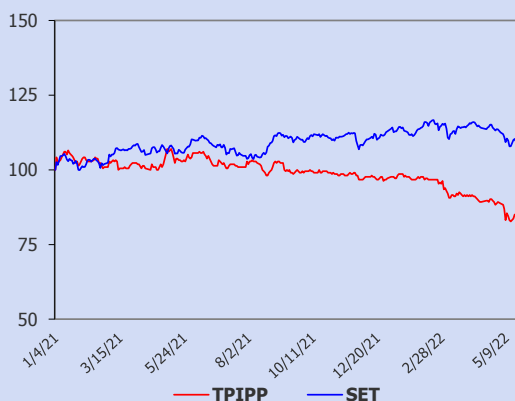
### Consensus Bloomberg

|                    |      |
|--------------------|------|
| 2022F EPS (Bt):    | 0.51 |
| Target price (Bt): | 4.00 |

### Price Performance

|                 |           |
|-----------------|-----------|
| 52 Wk high/low: | 4.56/3.50 |
|-----------------|-----------|

|              | 1M   | 3M    | 1Y    | YTD   |
|--------------|------|-------|-------|-------|
| Absolute (%) | -4.7 | -11.1 | -16.4 | -11.5 |
| Relative (%) | -1.4 | -7.5  | -21.7 | -10.2 |



| Rating | CGR 2021 | Thai CAC |
|--------|----------|----------|
| TPIPP  |          | N/A      |

### Analyst

Rattana Leenutaphong  
rattana@ivgglobal.co.th  
Tel: 662-658-5800 ext 109

## 1Q22 earnings miss target

- TPIPP reported 1Q22 net profit of Bt855m (EPS of Bt0.10), down 19.5% YoY and 14.5% QoQ. 1Q22's weak results were largely due to the end of the TG-3 adder contract with EGAT from January 2022 (of 18MW out of a total of 163MW sold to EGAT), rising coal costs and a plant shutdown of 35 days despite better selling prices on the adjustment of the Ft. 1Q22 results accounted for 22% of our full-year estimate.
- Under the current business plan, TPIPP expects to secure several new small power projects to compensate for the shortfall in future revenues when the adder payments from EGAT start to expire, i.e., TG-3 of 18MW expires in January 2022, TG-5 of another 55MW expires in August, and TG-4 & TG-6 for 90MW expires in April 2025. To counter the revenue shortfall, the company is in negotiations with EGAT for additional electricity sales estimated at 43.4MW, worth Bt70m/month in revenue. The conclusion of the negotiations is expected by mid-2022.
- To counter declining revenues and rising costs, the company plans to reduce coal consumption to zero by 2025 with the initiation of a 50% reduction this year, by increasing production capacity of RDF plants. The new RDF plant (number 3) is due to begin operation in 2023 with a capacity of 4,500 tons/day giving to a total of 11,700 tons on capex of Bt1bn.
- During 1Q22 overall revenue grew by 5.2% YoY and 6.3% QoQ to Bt2.8bn, thanks to higher sales volume to TPIPL.
- Average gross margin checked in lower than expected at 31.4% during 1Q22, down from 48.5% in 1Q21 and 40.6% in 4Q21. SG&A fell by 39% YoY and 23% QoQ to Bt102m, accounting for 3.7% of sales.
- Therefore, EBITDA fell by 20% YoY and 12% QoQ to Bt1.1bn, suggesting an EBITDA margin of 40.3%.
- Interest expenses fell both YoY and QoQ.
- Net D/E ratio rose YoY from 36.5% at end 2021 to 47.5% at end 1Q22. Capex for 1Q22 was at Bt1.05bn.
- Maintain HOLD.** We decide to cut our earnings estimates by 16% and 11% to Bt3.2bn and 3.1bn for 2022-23F, respectively to reflect declining revenues and higher production costs. We prefer to keep our HOLD rating on TPIPP with a revised price target of Bt4.0 (from Bt4.6), based on 11x 2023F earnings. We estimate the stock to offer an annual dividend yield of 5.3% (assuming a 50% pay-out ratio) and it is currently trading at a P/E multiple of 9.6x our 2022F earnings. Risks to our forecasts lie with the stability and production efficiency of electricity output.

## Investment summary

| FY Dec 31         | 2019   | 2020   | 2021   | 2022F  | 2023F  | 2024F |
|-------------------|--------|--------|--------|--------|--------|-------|
| Revenue           | 10,571 | 11,119 | 11,074 | 10,940 | 10,160 | 9,962 |
| Change (%)        | 38.7   | 5.2    | -0.4   | -1.2   | -7.1   | -1.9  |
| Net profit (Btm)  | 4,607  | 4,506  | 4,191  | 3,228  | 3,078  | 3,173 |
| Change (%)        | 24.5   | -2.2   | -7.0   | -23.0  | -4.6   | 3.1   |
| EPS (Bt)          | 0.55   | 0.54   | 0.50   | 0.38   | 0.37   | 0.38  |
| Change (%)        | 24.5   | -2.2   | -7.0   | -23.0  | -4.6   | 3.1   |
| P/E (x)           | 6.7    | 6.9    | 7.4    | 9.6    | 10.0   | 9.7   |
| EV/EBITDA (x)     | 6.4    | 7.1    | 7.8    | 8.9    | 9.1    | 8.8   |
| DPS (Bt)          | 0.40   | 0.27   | 0.25   | 0.19   | 0.18   | 0.19  |
| Yield (%)         | 10.9   | 7.3    | 6.8    | 5.2    | 5.0    | 5.1   |
| BVPS (Bt)         | 3.23   | 3.44   | 3.67   | 3.81   | 3.98   | 4.18  |
| P/BV (x)          | 1.1    | 1.1    | 1.0    | 1.0    | 0.9    | 0.9   |
| ROE (%)           | 17.0   | 16.1   | 14.0   | 10.3   | 9.4    | 9.3   |
| ROA (%)           | 12.2   | 11.0   | 9.1    | 6.8    | 6.5    | 6.5   |
| Net D/E ratio (%) | 17.2   | 33.2   | 36.5   | 30.0   | 27.3   | 24.7  |

Source: Company and IVG estimates

## Results

| (Btm)             | 1Q22       | 1Q21         | % YoY        | 4Q21       | % QoQ        | 2021         | 2020         | % YoY       |
|-------------------|------------|--------------|--------------|------------|--------------|--------------|--------------|-------------|
| Revenue           | 2,788      | 2,650        | 5.2          | 2,622      | 6.3          | 11,074       | 11,119       | -0.4        |
| Gross profit      | 875        | 1,285        | -32.0        | 1,065      | -17.9        | 4,887        | 5,092        | -4.0        |
| Other income      | 107        | 75           | 42.6         | 88         | 22.1         | 284          | 237          | 20.2        |
| SG&A              | (102)      | (169)        | -39.4        | (132)      | -22.5        | (647)        | (499)        | 29.7        |
| EBITDA            | 1,124      | 1,409        | -20.2        | 1,270      | -11.5        | 5,441        | 5,705        | -4.6        |
| Interest expense  | (21)       | (81)         | -73.9        | (1)        | 1439.1       | (208)        | (285)        | -27.1       |
| Forex gain        | 1          | (14)         | -107.2       | 5          | -78.3        | (15)         | (4)          | 276.6       |
| Pre-tax profit    | 859        | 1,097        | -21.7        | 1,023      | -16.1        | 4,301        | 4,628        | -7.1        |
| Income tax        | (4)        | (36)         | -87.7        | (24)       | -81.8        | (110)        | (122)        | -9.9        |
| <b>Net profit</b> | <b>855</b> | <b>1,061</b> | <b>-19.5</b> | <b>999</b> | <b>-14.5</b> | <b>4,191</b> | <b>4,506</b> | <b>-7.0</b> |
| EPS (Bt)          | 0.10       | 0.13         | -19.5        | 0.12       | -14.5        | 0.50         | 0.54         | -7.0        |

Source: Company and IVG estimates

## Financial ratios

| %                    | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
|----------------------|------|------|------|------|------|
| Revenue growth YoY   | 4.5  | 4.6  | -4.4 | -5.7 | 5.2  |
| Gross margin         | 48.5 | 48.9 | 38.5 | 40.6 | 31.4 |
| SG&A as % of revenue | 6.4  | 6.7  | 5.2  | 5.0  | 3.7  |
| EBITDA margin        | 53.2 | 51.7 | 43.4 | 48.5 | 40.3 |
| Net margin           | 40.0 | 40.6 | 32.8 | 38.1 | 30.7 |
| Net D/E ratio        | 35.1 | 33.6 | 39.9 | 36.5 | 47.5 |

Source: Company and IVG estimates

## Quarterly results

| (Btm)            | 1Q21  | 2Q21  | 3Q21  | 4Q21  | 1Q22  |
|------------------|-------|-------|-------|-------|-------|
| Revenue          | 2,650 | 2,924 | 2,878 | 2,622 | 2,788 |
| Gross profit     | 1,285 | 1,429 | 1,108 | 1,065 | 875   |
| Other income     | 75    | 57    | 65    | 88    | 107   |
| SG&A             | (169) | (195) | (151) | (132) | (102) |
| EBIT             | 1,409 | 1,512 | 1,251 | 1,270 | 1,124 |
| Interest expense | (81)  | (78)  | (47)  | (1)   | (21)  |
| Forex gain       | (14)  | (2)   | (4)   | 5     | 1     |
| Pre-tax profit   | 1,097 | 1,210 | 971   | 1,023 | 859   |
| Income tax       | (36)  | (22)  | (28)  | (24)  | (4)   |
| Net profit       | 1,061 | 1,188 | 943   | 999   | 855   |
| EPS (Bt)         | 0.13  | 0.14  | 0.11  | 0.12  | 0.10  |

Source: Company and IVG estimates

## I V Global Investment Research – Recommendation Definitions

### Sector Recommendations

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

### Stock Recommendations

**BUY:** Expecting positive total returns of 15% or more over the next 12 months.

**HOLD:** Expecting total returns of not more than -10% to +10% over the next 3 months.

**SELL:** Expecting negative total returns of 15% or more over the next 12 months

## Anti-corruption Progress Indicator Definitions

|                            |  |
|----------------------------|--|
| <b>Level 5 Extended</b>    | Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases   |
| <b>Level 4 Certified</b>   | Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)   |
| <b>Level 3 Established</b> | Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy) |
| <b>Level 2 Declared</b>    | Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives  |
| <b>Level 1 Committed</b>   | Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws   |
| <b>Partially progress</b>  | Insufficient or not clearly defined policy   |
| <b>No progress</b>         | Data not available / no policy   |

## Corporate Governance Report (CGR)

|   |           |
|---|-----------|
|  | Excellent |
|  | Very good |
|  | Good      |

## Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors, and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.



I V Global Securities Public Company Limited

18<sup>th</sup> Floor, Mercury Tower, 540 Ploenchit Road, Lumpini, Pathumwan, Bangkok 10330

Telephone: +66 (0) 2658-5800 Fax: +66 (0) 2658-5779