



Press Release

TPI Polene Power 2Q22 Performance

2022 a year of changes

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 equipment program to increase the use of RDF aiming to achieve 100% fossil-free by 2024/2025. Phase 1 is scheduled to be completed late this year. 2022 is a year of changes for TPIPP and given the wide variations in the operation we see year-on-year comparison in its performance as not very relevant at this point.

2Q22 is a picture of resilience

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

Despite pressure at the topline, gross and core operating margins of 34.9% and 34.8%, respectively, were an improvement from the 31.4% and 31.5%, achieved in 1Q22, respectively. The QoQ 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 THB892 million up 2% QoQ while core operating profit THB891 million, up 1.3% QoQ. With SG&A to sales accounting for just 4.8%, TPIPP is a fixed cost business. Operating rates and fuel tariff are key margin drivers.

After dipping to a historic low of 40% in 1Q22, due to increase in energy costs and partial expiration of adders, EBITDA margin improved to 44% in 2Q22, after improvement in operating efficiency. For the 1H22, EBITDA was THB2.26b, down 22% YoY. Despite the major change in operating activity, TPIPP achieved THB856 million net profit, flat QoQ. For 1H22, net profit reached THB1.7 billion, down 24% YoY.

We see scope for margin and profits to in the 2H driven by Ft adjustment of 0.6866 THB/KWH starting 1 September and the plant improvements to increase the use of RDF.

Finances solid

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 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 interest bearing debt stood at THB13.4 billion and our net interest bearing debt/EBITDA was at 2.96x on annualized 2Q22. Net interest bearing debt to equity is a comfortable 0.4x while the interest burden is manageable at 5.1% of sales and interest cover a solid 8.3x on cashflow basis. Given the long tenor of the PPAs, TPIPP's cashflow generation is highly visible even with the ongoing plant improvement programs.

For a more detailed discussion/analysis on our 2Q22 performance we invite you to visit our website www.tpipolene.com

TPIPP Corporate Relations Department