



Press Release

TPI Polene Power 1Q 2023 Performance

Improved Performance

Total sales in 1Q23 were up 5.5% YoY to THB2,940 million on the back of 5.2% increase in energy/utilities sales and 9.9% increase in petrol-related sales. Gross margins improved significantly to 39% compared to 31% in 1Q22, translating into EBITDA to sales margin of 45% compared to 40% in 1Q22. Our SG&A rose 41% YoY mainly on higher logistics cost but this expense is small at 4.9% of sales. More importantly, the ratio has been sequentially declining for two quarters now. The normalized EBITDA in 1Q23 was THB1,330 million, up 18% YoY while net profit reached THB1,046 million, up significantly by 22.45% YoY.

Power operations improved, in line with our expectations

In our previous press release, we opined that 2022 is the bottom for our operations and in our business plan for this year we mapped a sequential improvements in both volume and value. Power throughput in 1Q23 dropping 7.3% YoY mainly due to continued disruptions from ongoing plant modification programs. However, on a quarter-over-quarter basis volume improved 10.5% to 493 million units. The throughput of the WH power plants returned to normal whereas in 1Q last year these facilities were on a downtime. Power sales under adder pricing dropped 38% YoY to THB653 million following adder expiry in two power plants in 2022 (1Q and 3Q). However, power sales under base tariff formula rose 32% YoY and this now accounts for 78% of our total power sales. On a quarter-over-quarter basis sales value was up 26% to THB2,135 million. The higher Ft also helped drive power sales growth lifting our overall average selling price by 16% YoY and 7.5% QoQ.

Petrol-related revenues also improved

Our petrol-related businesses also performed well posting 10.5% YoY growth and up 4% QoQ due to higher average selling price for both petrol and NGV. However, this division is a very small component of our revenues, accounting for c. 5% of the total. We re-iterate that the primary function of this division is to provide the group access to fuel supply to facilitate smooth functioning of our transport and logistics.

Higher margin realization

Given broad-based inflationary pressures, we endeavor to keep a tight lid in both our production and operating costs and we have been successful. Our gross margins rose by c.800 bps to 39% while our EBITDA to sales margins registered a 500bps enhancement compared to what we achieved the same period last year. The lower selling price for some of our power output due to adder expiry was partly offset by higher Ft. However, key factors playing crucial roles to better margins and higher profitability are: 1) improved operating efficiency, 2) higher operating rate, 3) reduced disruptions upon completion in some of our ongoing plant modification programs, and 4) cost saving measures & cost control. We will continue to improve on these four aspects going forward to achieve the operational target we have set at the beginning of this year and deliver sustained returns to our shareholders.

Enhanced returns, solid finances

Our fixed assets grew 10% YoY to c.TH43 billion as plant modifications continue plus the expansion capex for our MSW processing capability. However, with our better operational efficiency and cost control, our returns remain strong and high. Our asset return, defined as operating profit/average net assets, reached 9.4% surpassing the 8.6% average attained in eight previous quarters (i.e. over a two-year period). This enhanced asset return filters into our shareholder's value with ROE reaching 13.2% (annualized basis) clawing back to the 2021 levels. Our capex program is on time and on budget. However, we continue to maintain our conservative stance on financing keeping cash & cash equivalents of THB6.5 billion thus de-risking the funding needs for our programmed capex. That said, our gross interest bearing debt (IBD) to EBITDA remains manageable at 4.2x; 3x on net IBD/EBITDA basis. Our net IBD/equity ratio is a comfortable 0.5x.

Further strides on ESG in 1Q23

ESG Performance

The Company places an importance on creating sustainable values in Environment, Social and Governance (ESG) dimensions as a driving force for business operations in order to manage the business for benefits and respond to the sustainable participation of all groups of stakeholders. ESG performance in the first three-month period of the year 2023 is summarized as follows:-

Environmentally friendly production process

1. The Company has used a total of 595,353 tons of all types of waste as fuel in the Company's power plants and cement plants of TPI Polene Public Company Limited, which has reduced greenhouse gas emissions (carbon reduction) by approximately 1,381,219 tons of carbon dioxide equivalent (emission factor is calculated based on the above wastes into landfill waste of 2.32 tons of greenhouse gases per 1 ton of landfill waste).
2. The Company was able to reduce greenhouse gas emissions in the power generation process by 68,789 tons of carbon dioxide equivalent or decreased by 9.08%, from 757,914 tons emission of carbon dioxide equivalent in the first three-month period of 2022 to 689,125 tons emission of carbon dioxide equivalent in the first three-month period of 2023.
3. Energy consumption decreased by 788,278.81 gigajoules or decreased by 10.10%, from 7,807,871.92 gigajoules in the first three-month period of 2022 to 7,019,596.11 gigajoules the first three-month period of 2023.
4. The Company was able to reuse the effluents from the electricity generation process to re-filter of 96,945 cubic meters, representing 4.71% of the total water consumption of 2,058,984 cubic meters.
5. The Company has utilized industrial waste from the production process to be used as renewable fuel, renewable materials and recycled for a total of 3,139.06 tons, representing 100% total quantity of industrial wastes generated, to comply with the "Zero Waste" policy

Corporate Social Responsibility

1. The Company has supported various projects and activities for public benefits, totaling approximately Baht 20.11 million to communities, educational institutions, temples, hospitals and government authorities and contributed healthcare products and products of TPI Polene Group, such as cement, other construction materials, organic fertilizers, drinking water and health products to prevent pathogens.
2. The Company provides equal opportunities for employment without discrimination in favor or against any person. In Q1/2023, the Company employed total of 15 people and employed 3 elderly people. In addition, various activities were held to create relationships with communities around the factory area to continuously support public benefit activities.
3. Disposal of contaminated waste infected with COVID-19 of 1,450 tons and 2,584.92 tons of non-hazardous industrial wastes were disposed of as fuel in the production process.