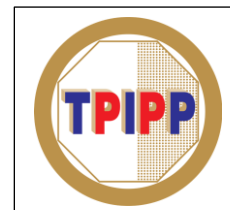


TPI Polene Power PLC

Discussion & Analysis on 9M22 Performance and Updates



2022 the year of change is winding down

TPI Polene Power, while largely immune to the economic cycles as its power sales are governed by PPAs, will see a significant decline in its 2022 performance due to the expiration of adder for 18MW in January and 55MW in August as well as volume disruption from the roll-out of the medium-term plant improvement program aimed to increase the uptake of MSW to achieve 100% fossil-free starting 2026. With the several changes this year causing wide divergence in operations a year-on-year comparison in our performance as not relevant at this point.

Lower earnings and cashflow

With the expiration of adder on 55MW plus 8% QoQ drop in volume due to operational disruption from the plant improvements, TPIPP's power revenues dropped 9.2% QoQ as sales under adder was down 34.2% QoQ while sales under base tariff was down just 1.4% QoQ. The Ft adjustment starting 1st September helped cushion the sales impact of the volume disruption. 9M22 power sales reached THB7.7b, -9.3% YoY while total revenues reached THB7.9b, down 8% YoY, thanks to better sales in the petrol business. Power volume sales were down 18% YoY.

With the expiry adder on the two plants, our operating profit and EBITDA margins dropped to 29.9% and 35.4% to THB694m and THB821m, respectively from 37.9% and 43.9% in 2Q22. Core profit reached THB574m, down 33.7% QoQ while the reported net profit reached THB538m down more (-37.1% QoQ) due to higher FX loss (THB35m) vs in 2Q22 (THB9m). For the 9M22, the operating profit and EBITDA margin on sales were 35.1% and 40.2% to THB2.7b and THB3.1b, respectively. These ratios were lower than the 43.8% and 49.1% ratio achieved in the 9M21 mainly due to the expiry of adder in the two projects and disrupted volumes. Reported net profit for the period reached THB2.2b, down 29.6% YoY, also for the same reason.

Solid finances

Despite softer operations, operating cashflow improved to THB3.5b in the 9M22 up from THB2.7b at the end of FY21 thanks to better working capital (W/C) management resulting in cash cycle shortened by nearly 30 days in 3Q22.

At the end of September 2022, net interest bearing debt (IBD) was at THB14.1b while net IBD/EBITDA was 3.4x on annualized 9M22 EBITDA and net IBD/equity was 0.46x on equity of THB31b. The EBITDA/interest cover was a solid 7.49x cashflow basis. Despite the expiry of adder on two plants our cashflow generation remains strong relative to our financial obligations. Moreover, prudent W/C management boosted our liquidity further. In the quarters ahead, cashflow generation will still be volatile but overall we are expecting sequential improvement as projects are completed in phases and plant operations gradually return to normal. Higher Ft, for now, will help cushion the potential downside arising from disrupted volumes as well as help offset revenue drop due to the expiry of adder. Our 9M22 EBITDA is 68% of our FY target; higher Ft and partial completion of the plant improvements will boost sequential volumes.

We expect operational improvement to gain momentum starting 2023 and EBITDA generation regaining strength that would be helped by more hikes in Ft.

Stock Information

Bloomberg/Reuters
TPIPP TB/TPIPP BK

Share price (14/12/22)	
52 week high	THB4.22
52-week low	THB3.20
No of shares	8,400 m
Par Value	THB 1.0
Book value	THB 3.69
Market Cap	THB27,720 m
Avg value trade (3M)	THB 13.59 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 MSW intake advancing our net zero GHG agenda by 2026.

Key Financial Figures

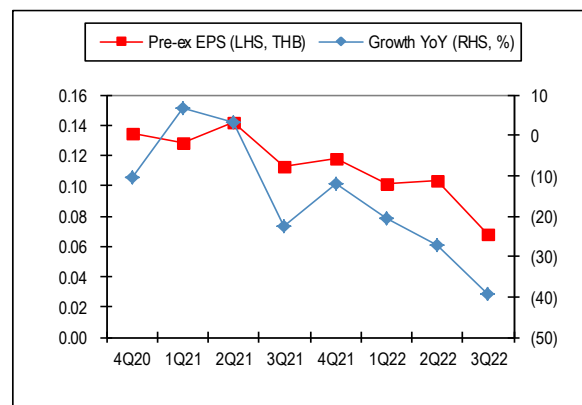
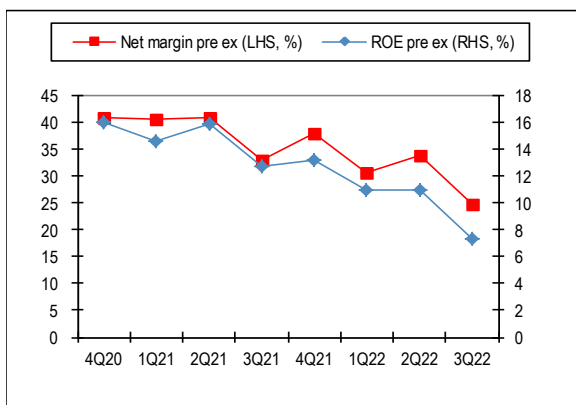
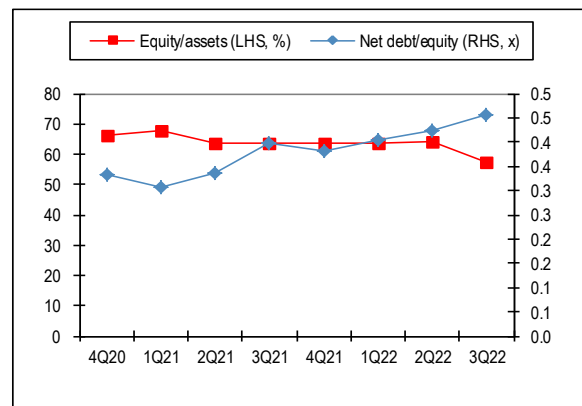
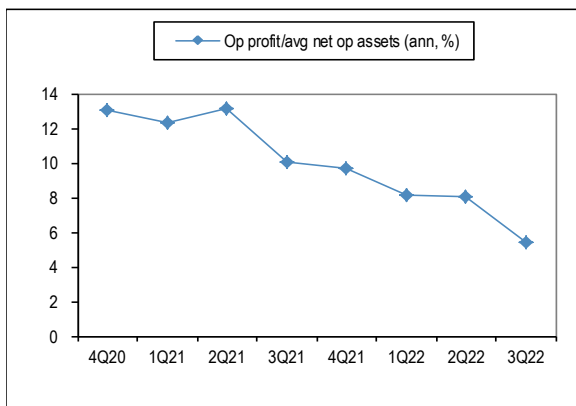
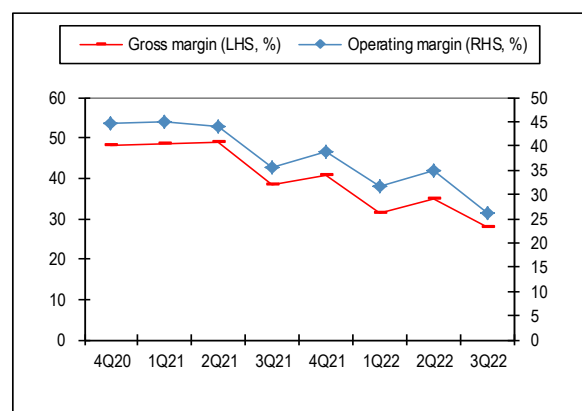
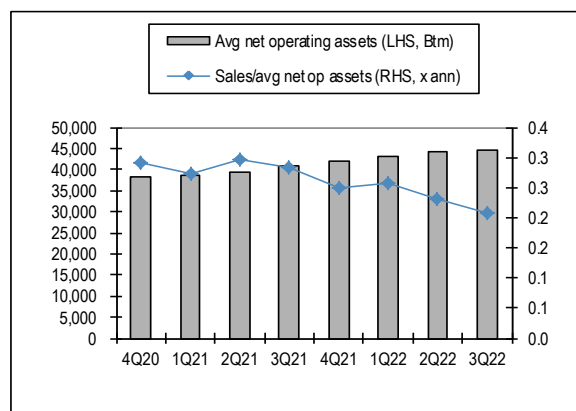
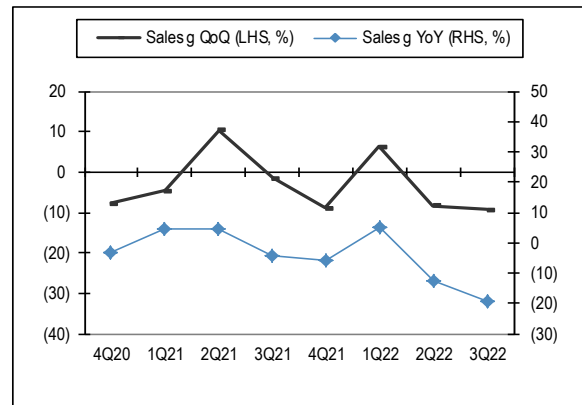
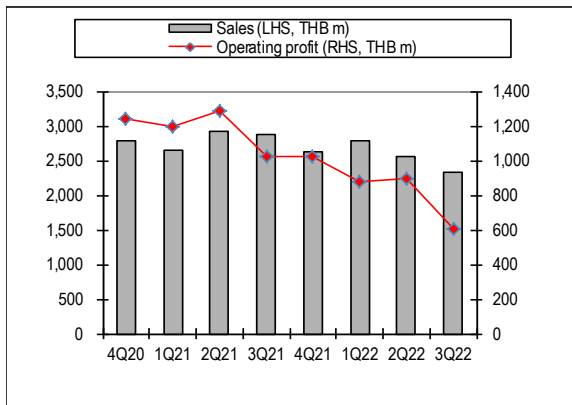
Unit: THB m	3Q22	QoQ	9M22	YoY
Sales	2,172	-9.8%	7,665	-9.3%
Revenues	2,321	-9.2%	7,939	-8.0%
EBITDA	821	-26.9%	3,079	-25.8%
Net profit excl MI	538	-37.1%	2,249	-29.6%
Net profit incl MI	538	-37.1%	2,249	-29.6%
Gross margin (%)	27.9		31.5	
Core Op margin to sales (%)	29.9		33.1	
Core Op margin to revenues (%)	29.2		33.9	
EBITDA margin to sales (%)	35.4		40.2	
EBITDA margin to revenues (%)	34.6		38.8	
SG&A/sales (%)	5.6		5.2	

Net debt	14,120
Net debt/Equity (x)	0.48
Net debt/EBITDA (x)	3.4

MI - minority interests

** annualized 9M EBITDA

Declining performance ratios as per changes in pricing as well as volume disruption from ongoing plant improvement programs



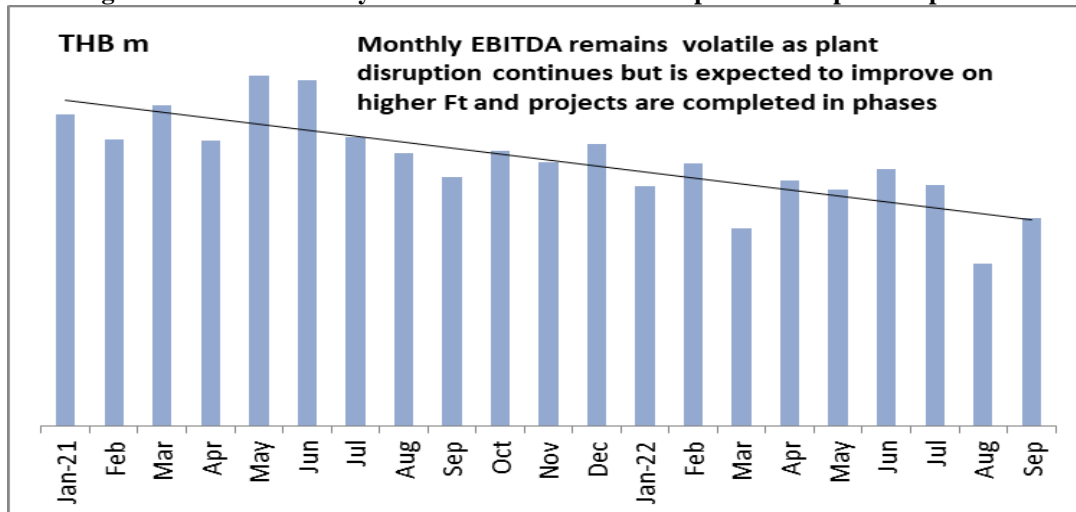
Note: Operating ratios are based on sales and include other income

Discussion Highlights

Declining cashflow but remains at good high level

The charts above show growing operating assets in the past quarters and yet performance ratios continued their decline on multiple factors: change in the pricing as per PPA, rising input costs and plant improvement program.

Declining EBITDA and recently volatile due to volume disruptions from plant improvements

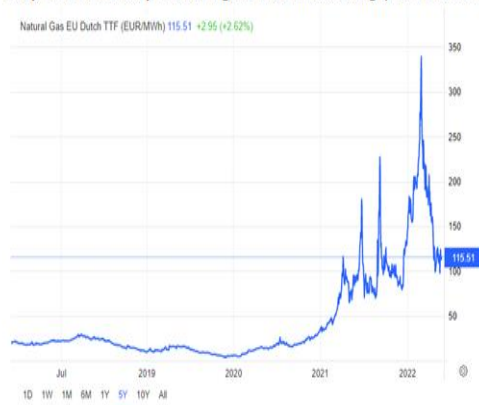


The biggest change in 2022 is the adder expiry on our 18MW and 55MW power plants that resulted in a 22% YoY decline in power sales under the adder pricing or THB807m in 9M22. Sales under adder this year accounted for 38% of the total power sales down from 44% in the same period last year. This is a permanent change and recent power sales breakdown would be the template for the quarters ahead.

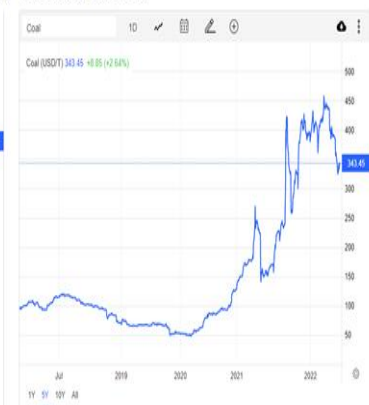
Our ongoing plant improvement program amidst rising input prices, particularly coal, brings power throughput down by 18% YoY to 1.4b kWh. That overall power sales declined just by 9.3% YoY is thanks to the upward adjustment in Ft. This Ft adjustment trajectory is likely to remain positive as gas prices, especially in Europe, will remain high possibly repeating the two favourable episodes in 2008-2010 and 2013-2015. The next Ft hike, effective starting January 2023 is THB0.97/kWh, could add an estimated EBITDA of THB2 billion per annum.

Various input costs in power production are likely to remain elevated

Gas prices off recent peak but higher than historic range, more volatile



Crude oil and coal prices off recent peak but likely to remain elevated



Source: tradingeconomics

Historical Ft data shows periods of sustained increases in Ft; the amount of the next hike is a function of how much loss EGAT is willing to subsidise*

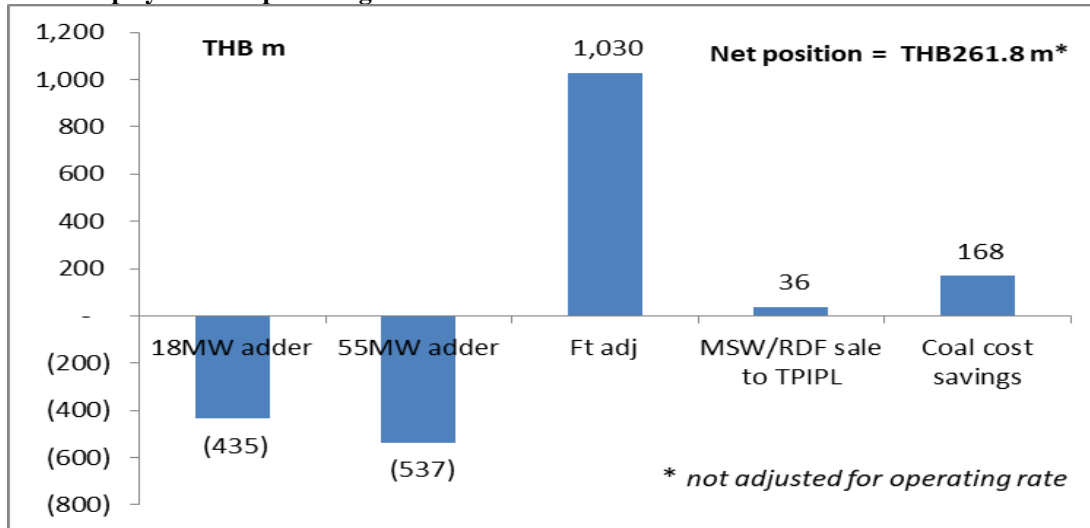
Year	Unit : Stang/kWh											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
2022	1.39	1.39	1.39	1.39	24.77	24.77	24.77	24.77	93.43	93.43	93.43	93.43
2021	-15.32	-15.32	-15.32	-15.32	-15.32	-15.32	-15.32	-15.32	-15.32	-15.32	-15.32	-15.32
2020	-11.6	-11.6	-11.6	-11.6	-11.6	-11.60	-11.60	-11.60	-12.43	-12.43	-12.43	-12.43
2019	-11.6	-11.6	-11.6	-11.6	-11.6	-11.60	-11.60	-11.60	-11.60	-11.60	-11.60	-11.60
2018	-15.9	-15.9	-15.9	-15.9	-15.90	-15.90	-15.90	-15.90	-15.90	-15.90	-15.90	-15.90
2017	-37.29	-37.29	-37.29	-37.29	-24.77	-24.77	-24.77	-24.77	-15.90	-15.90	-15.90	-15.90
2016	-4.8	-4.8	-4.8	-4.8	-33.29	-33.29	-33.29	-33.29	-33.29	-33.29	-33.29	-33.29
2015	58.96	58.96	58.96	58.96	49.61	49.61	49.61	49.61	46.38	46.38	46.38	46.38
2014	59	59	59	59	69	69	69	69	69	69	69	69
2013	52.04	52.04	52.04	52.04	46.92	46.92	46.92	46.92	54	54	54	54
2012	0	0	0	0	0	30	30	30	48	48	48	48
2011	86.88	86.88	86.88	86.88	95.81	95.81	-6.0	-6.0	-6.0	-6.0	-6.0	-6.0
2010	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55
2009	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55	92.55
2008	66.11	68.86	68.86	68.86	68.86	62.85	62.85	62.85	62.85	77.7	77.7	7

Energy Charge	
First 150 kWh (1st – 150th)	3.2484 Baht/kWh
Next 250 kWh (151st – 400th)	4.2218 Baht/kWh
Over 400 kWh (up from 401st)	4.4217 Baht/kWh
Charges reported by press	
Current electricity rate	4.72 Baht/kWh
Projections after next Ft adjustments	Jan-Apr
Case 1 - EGAT burden THB122.25 b	5.37 Baht/kWh
Case 2 - EGAT burden THB101.88 b	5.70
Case 3 - EGAT burden THB81.45 b	6.03

Note: * EGAT – Electricity Generating Authority of Thailand Source: Electricity Authority, Press

In our pro-forma plan and estimate the loss of adder for 2022 (THB972 m) will be offset by a number of revenue boosters: Ft adjustment (THB 1,029.6 m), MSW/RDF to parent TPIPL (THB36.3 m) and coal cost savings (THB168 m).

Adder expiry and compensating revenues 2022



Cashflow generation remains robust

At the end of September 2022, net interest bearing debt (IBD) was at THB14.1b while net IBD/EBITDA was 3.4x on annualized 9M22 EBITDA and net IBD/equity was 0.46x on equity of THB31b. The EBITDA/interest cover was a solid 7.49x (c.49x on P&L basis). Despite the expiry of adder on two plants our cashflow generation remains strong relative to our financial obligations. Prudent W/C management boosted our liquidity and funding capability. In the quarters ahead, cashflow generation will still be volatile but overall we are expecting sequentially better performance as projects are completed, in phases, and plant operations gradually return to normal.

Clocking more ESG merits

For 9M22, TPIPP used 2.1m tons of MSW, +40% YoY reducing GHG emissions by an equivalent of 4.88m tons CO₂ based on MSW dumped into the landfill that emits 3.49m tons of CO₂ equivalent per ton of landfill waste. The GHG reduction equivalent of 4.88m tons CO₂ in the 9M22 puts us on track to beat our full year target of 5.8m tons of CO₂ equivalent reduction.

Apart from CO₂ reduction TPIPP also reduced water consumption by 11% YoY (or 840k m³) and was able to recycle 36% of that volume. On internal recycling adhering to zero-waste policy, we used 15k tons of recycled materials, 100% of our generated waste.

For these efforts, TPIPP is getting recognized by its inclusion into the SET-THSI list (Thailand Sustainability Investment) and recognition by the International Finance Magazine having the “Most Innovative Green Practices Towards ESG – Waste Management” (**link to the article**).

More green capex on the cards

Apart from our ongoing program to increase the MSW uptake in TG7 & TG8 power plant as well as two MSW power plant projects in Songkhla and Korat, we are also investing in a 62MW solar farm and 5MW wind turbine to further reduce our GHG emission and consequentially improve earnings and shareholders’ returns. We remain strongly committed to our zero-waste and carbon reduction agenda and this will drive our investments going forward. For these projects we set the capex of THB5-6b funded mainly by internal cashflow.

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