



## Press Release

### TPI Polene 3Q22 Performance

#### **Economy taking a breather but there are pockets of optimism**

Thailand's economic recovery continued but the momentum stalled in 3Q due to a more intense monsoon season, price inflation taking a bite on domestic demand and uncertain economic outlook. However, there are pockets of growth and optimism that bode well for construction materials manufacturers. The recovery in the international tourism traffic resulted in a sustained roll-out of new commercial complexes, hotels and resorts. Residential property developers, recording strong presales in the first nine months 2022, are expected to accelerate the implementation of projects in the pipeline. The new policy, under consideration, of allowing high net worth foreigners to own landed property in the Thailand could lead to more acceleration of new buildings. Moreover, reconstruction and re-building of areas damaged by this year's flooding could be more active as the country approaches national election. Input costs remain an issue for many, partly due the depreciating Thai Baht, but with demand largely intact programmed price adjustments can be implemented.

#### **TPIPL delivers solid 3Q22**

Sales in 3Q22 grew 38.9% YoY to THB12.5b while total revenues were up 38.2% YoY to THB13.2b. Sales of construction materials (ConsMat) rose 61% YoY primarily on higher prices, strong sales of mortar and low base effect. In addition, the Specialty Polymers and Nitrate sales combined posted 56% YoY growth, on higher volume and prices in both product groups. Selling prices rose faster than volumes. These two segments accounted for 84% of the Group's sales. Both Energy/Utilities and Agriculture reported weaker sales year-on-year, down 16% and 12%, respectively. Note that on a QoQ basis, ConsMat sales were down just 1.2%. The weak seasonality was offset by price adjustments. For the 9M22, sales reached THB37b, up 32% YoY.

With input prices rising and demand going through a soft spot (seasonal), cost management was particularly crucial in 3Q22. We succeeded in delivering high EBITDA margin of 29% or THB3.6b. Even our Energy/Utilities segment that saw adder expiry on two power contracts and volume disruptions due to plant improvements, still posted a 42% EBITDA margin. The Specialty Polymers/Nitrate division achieved 46% EBITDA margin and this division 37% of our Group's sales. For the 9M22, the Group's EBITDA reached THB11.1b, up 19% YoY. We are on track to meet our full year EBITDA target (guidance) of THB14-15b.

Strong sales and solid margins underpinned the 47% rise in net profit (including minority interests) to THB2.2b, bringing the 9M22 cumulative to THB6.9b, up 35% YoY.

#### **A star is born?**

**TPI** stands for **Technology, Products and Innovations**. We have been consistently innovating our products and processes. Our success is very much evident in our highly profitable power business that is increasingly fuelled by MSW. In the specialty polymers (mainly EVA), we have reached very high level of specialization and have been successful in insulating our margins from the highly volatile nature of petrochemical prices. Our 46% divisional EBITDA margins stands tall compared to the sub-10% achieved by our local peers. We will continue in this path, seeking to maintain our edge in MSW-fuelled power production and striving to hit yet another level of HVA in our Specialty Polymers. That said, where we see significant upside potential is in our ConsMat division especially on cement-derivatives. This division accounts for 53% of the Group's assets and in 3Q22 achieved just 10% EBITDA margin (9M22 average EBITDA margin was 14%). With its very high operating leverage, enhanced in asset turnover will have a disproportionately positive impact on margins and profits.

#### **Finances secure**

Our net IBD at the end of 9M22 was THB57.7b while our net IBD/EBITDA, based on annualized 9M22 EBITDA, was 3.89x. Our net IBD/equity ratio is a comfortable 0.93x. The Group is currently rolling out multiple projects to advance our goal of achieving net zero GHG starting 2025/26. Capex deployed in 9M22 was THB4b and we are allocating capital expenditure of around THB5b per year until 2024 to 1) reduce carbon emission in our cement production 2) increase MSW intake in our power production, 3) bring new HVA specialty polymers, 4) convert our ICE locomotives to EVs and 5) introduce more new products with innovations.

#### **Advancing ESG**

In addition to our achievement in carbon reduction at our power plants ([see 3Q22 TPIPP Press Release](#)) in the 9M22 TPIPL have also: 1) achieve 25% MSW replacement in our three cement kilns, 2) 31 of our trucks are now EVs, 3) reduced industrial waste by 36% to 6,644 tons and 4) hit 99.8% recycling ratio on the remaining industrial waste. We will continue to improve our processes to achieve the highest possible ratio of alternative waste (mainly MSW) in our cement production and advance the ESG agenda of the Group achieving net zero GHG starting 2026. We are getting recognized in our efforts. TPIPL made it to the SET's list of Thailand Sustainability Investments (THSI) and was also included in Thaipat Institute's ESG Emerging List of 2022. It has also received a citation from the Global Economics for being the "Most Socially Responsible Conglomerate – Thailand 2022" evaluated on 19 definitive criteria.