



Press Release

TPI Polene 1Q 2024 Performance

Weak operating conditions prevailed...

The Bank of Thailand's statistics on domestic cement sales showed contractionary trend since the pandemic, -3.1% in 2022 and -1.5% in 2023. In addition, since November 2023 the trend has worsened and by March 2024 domestic cement sales contracted 14.5% YoY bringing the 1Q24 contraction to 10.6%. The key reason for the major deterioration in demand is the delay in the approval/deployment of the Fiscal Year 2023-2024 budget affecting public sector works then creating a negative ripple effect in the whole construction sector. The overall sluggish economy also affected demand for residential properties with household's spending power capped high leverage and general inflation.

In 2022-2023 TPIPL's domestic cement sales bucked the trend, posting growth. However, when contraction hit a double digit rate, TPIPL started to get affected. ConsMat volume sales and value dropped double-digit as well, by 20.7% YoY. Meanwhile sales of the Specialty Polymer/Chemical division also dropped 28% YoY due to global weakness in product prices and slow manufacturing demand. Partly offsetting the weaker divisions is the resilient topline of the Energy/Utilities division as lower electricity tariff was offset by higher throughput.

...notwithstanding EBITDA was resilient

In the past five years, TPIPL has been investing in cost efficiency programs, plant modifications and green technologies to advance its commitment to Sustainability and BCG-economy. These investments have begun to generate cost efficiency gains, higher value products and lower unit production costs. As a result, overall EBITDA – the management's key performance metric - rose 6% YoY to THB2,504 million. This is equivalent to an EBITDA/sales margin of 28%, significantly higher than what was achieved the same period last year. The ConsMat division posted the most significant EBITDA improvement of 248% YoY. This is partly helped by gains in foreign exchange as the division holds high USD-denominated cash balance. However, even if excluding the foreign exchange gains, realized EBITDA would still post a 138% improvement year-on-year, thanks to lower production costs. The Specialty Polymer/Chemical division - the high performer in 2021 and 2022 - has been seeing reversion in product prices and spreads that by the fourth quarter of 2023 it is already a small contributor to the overall cash flow generation of the Group. As for the Energy/Utilities division, EBITDA was down by 21.5% YoY due to lower power tariff as Ft has been reduced in each of the periodic adjustments throughout 2023. That said in 1Q24, ConstMat and Energy/Utilities divisions combined generated 88% of the Group's EBITDA compared to 70% the same period last year.

Given the improvement in EBITDA, reported net profit to the owners rose 15% YoY to THB742.9 million while reported profit including non-controlling interest was flatish (-0.71% YoY) to THB950.3 million.

Maintain full year guidance

The EBITDA generated in the first quarter of 2024 accounted for 22.2% of the full year guidance. While the short term economic outlook for Thailand is largely uncertain, the fact that the Fiscal Year 2023-24 budget has already begun disbursement lead us to anticipate sequential improvement in construction activities and the pace could be faster-than-norm given the tight timeframe of implementation because budget discussion for the Fiscal Year 2024-25 will begin in a couple of months' time. Our ConsMat division is likely to see sequentially better operating environment under the scenario of expedited fiscal budget deployment.

Finances manageable

TPIPL's short term financial assets remains high at THB17.2 billion, translating into 47% of sales generating capacity based on annualized 1Q24. The high cash balance reflects our conservative prognosis on general financial conditions and the need to ensure sufficient liquidity to execute our capex plan. Capex deployed in 1Q24 including advances of machinery was THB1,960 million, 31% of our full year guidance. In 1Q24, we have also allocated THB1,625 million for the final dividend payment for 2023 operations. Despite the high spending allocation, net interest bearing debt (net IBD) was THB66 billion and the net IBD/EBITDA ratio was 6.56x just a tad higher than the 6.41x ratio at the end of 2023. TPIPL's credit rating by TRIS is maintained at A- with a Stable Outlook.