

Sunpower's GI recurring PATMI rises 64.6% YoY to RMB88.9 million in 1Q 2024

Key Highlights

- **Total steam sales volume rose 13.2% YoY to 2.86 million tons in 1Q 2024 due to strong demand for clean steam and the continued ramp-up of the GI projects.**
- **Greater growth in profit despite mixed macro environment due to the comprehensive factors¹ and continuous efforts of the Company:**
 - GI recurring revenue rose 3.4% YoY to RMB825.8 million*
 - GI recurring EBITDA rose 40.9% YoY to RMB270.5 million*
 - GI recurring PATMI rose 64.6% YoY to RMB88.9 million*
- **1Q 2024 sustained the momentum achieved in FY2023 despite the mixed macro environment, which reaffirmed the Company's business model and the correctness of its business strategy.**
- **GI project portfolio comprises valuable assets proven to generate high-quality, recurring income and is well positioned for continued development in the future.**

Singapore, 14 May 2024 – Mainboard-listed Sunpower Group Ltd. (“中聖集團”, “Sunpower” or the “Group”), a leading provider of clean steam and industrial services through a sizeable portfolio of centralised Green Investments (“GI”) projects that generate long-term and recurring income, announced its results for the three months ended 31 March 2024 (“1Q 2024”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

RMB million	1Q 2023	1Q 2024	YoY Chg
Total steam sales volume (mil tons)	2.53	2.86	13.2%
GI recurring revenue ²	798.4	825.8	3.4%
GI recurring EBITDA ³	191.9	270.5	40.9%
GI recurring PATMI ⁴	54.0	88.9	64.6%
GI recurring operating cashflow ⁵	(29.4)	83.4	n/a

The Company uses the terms “GI recurring revenue”, “GI recurring EBITDA”, “GI recurring PATMI”, and “GI operating cashflow” to reflect the operating results of the GI business. This document should be read in conjunction with the Announcement of Unaudited Interim Financial Statements for the First Quarter Ended 31 March 2024 released at the same time.

¹ See page 3 for the descriptions of the comprehensive factors.

² GI recurring revenue refers to recurring revenue generated by the GI business, including commission fees recognised in accordance with *SFRS(I) INT15*. It excludes one-time contributions from services for BOT projects including EPC services that are performed by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements* (if any).

³ GI recurring EBITDA refers to the recurring Earnings before Interest, Tax, Depreciation and Amortisation of the GI Business. It excludes one-time contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; as well as expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of the employees at the group level, etc., which reflects the operating results of the GI business.

⁴ GI recurring PATMI refers to the recurring Profit After Tax and Minority Interests of the GI Business which reflects the profit of the GI business attributable to the Group. It excludes one-time revenue contributions from services for BOT projects, including EPC services, that are provided by the Group's internal project management department, recognised under *IFRIC 12 Service Concession Arrangements*; and expenses incurred by the Company that are not related to the running of the GI Business, such as listing-related expenses and remuneration of employees at the group level, etc.

⁵ GI recurring operating cashflow refers to cashflow generated by operating activities of the GI Business.

Investment Highlights

- **Leading provider of industrial steam with development strategy aligned with national policies**
 - Sunpower's long-term development strategy is aligned with national energy and environment policies that facilitates China's Carbon Peak and Carbon Neutrality goals.
 - The Group enables energy conservation and emission reduction through application of the circular economy model and development of highly efficient centralised steam generation facilities.
 - "Multiple" pollution sources can be eliminated with just "one" centralised GI plant that helps industrial parks and their enterprises comply with emission standards. This will also help the park to attract new investments that in turn benefit steam demand.

- **GI business model proven to generate long-term high-quality recurring income**
 - GI projects have exclusive concession rights of ~30 years (with first right to renew) and extensive pipeline networks that enhance *de facto* exclusivity in their coverage areas.
 - Typically operating on a B2B model with end-customers, with a contractual price adjustment mechanism that links feedstock costs to industrial steam prices and ensures long term profitability.
 - Structural growth drivers include organic expansion of customers, continuous closure of small dirty boilers that drive demand to centralised facilities, relocation of new enterprises into industrial parks, and/or long-term structural development of industrial parks that either have strong economic viability or have industry clusters of excellence.
 - All these confer a strong market position to supply steam, a non-discretionary input product, to a large base of captive customers that provides resilient demand, bolstered by technologies that act as entry barriers against competition.

- **Strong financial performance with significant growth**
 - Despite the challenges of tough macro-economic conditions caused by various significant events in 2020-2022, total steam sales volume still rose by a CAGR of 20.4% while GI recurring revenue rose by a CAGR of 35.6% in FY2019 to FY2022.
 - By 2023, the proven business model had enabled a quick recovery with significant growth in total steam sales volume (↑20.6% YoY), GI recurring revenue (↑13.2% YoY) and GI recurring PATMI (↑114.9% YoY), and significant improvement in profit margins.

- **Well positioned to capture long-term growth potential**
 - Growing steam demand from customers' organic growth, and structural expansion of industrial parks due to mandatory closures of small dirty boilers and relocation of enterprises into industrial parks supports the continued ramp-up of existing GI projects.
 - A large addressable market in China and a robust pipeline of projects located in economically developed areas are expected to fuel further growth in the long term.

- **Practises ESG and sustainability values in every aspect**
 - Sunpower commits to better sustainability in its business by incorporating environmental, social and governance (ESG) values in every aspect.
 - It is a pioneer in the development of the circular economy that promotes efficient resource utilisation and greater conservation and recycling of resources.

- **Professional & disciplined management with strong execution and entrepreneurship**
 - Key management are professional and disciplined executives with extensive experience, strong execution capabilities, entrepreneurship as well as a refined management approach.
 - Centralised management model integrates resources for better technological innovation, transformation and refined management, as well as good control of procurement cost and oversight of a sizeable project portfolio across China.

- **Strong institutional investors that support the Group**
 - CDH and DCP invested US\$130 million through convertible bonds issued to-date.
 - They are among the largest and most experienced private equity investors in China with a strong track record of investing and nurturing many leading companies.

11 Projects in Commercial Operation



Financials

The Group reported a significant YoY improvement in its financial performance in 1Q 2024, underpinned by the resilience of the industrial parks which are either located in economically developed areas or have industry clusters of excellence.

Total steam sales volume rose 13.2% YoY⁶ to 2.86 million tons due to the strong demand for clean steam and continued ramp-up of the GI projects including Shantou Project and Shanxi Xinjiang Project (which started commercial operation at the end of 2023).

Meanwhile, GI recurring revenue rose 3.4% YoY to RMB825.8 million, with the growth attributed to the higher steam sales volume and the execution of the price adjustment mechanism that links feedstock cost to industrial steam price.

The profitability of the GI business continued to expand faster than the growth in steam sales volume and revenue in 1Q 2024, up from 1Q 2023 (YoY) and 4Q 2023 (QoQ⁷). When compared with 1Q 2023, GI recurring EBITDA rose 40.9% YoY to RMB270.5 million while GI recurring PATMI rose 64.6% YoY to RMB88.9 million. When compared with 4Q 2023, GI recurring EBITDA rose 15.6% QoQ while GI recurring PATMI rose 4.4% QoQ.

The significant improvement in profitability is attributed to a comprehensive set of factors, including the benefits of economies of scale as a result of the continuous growth in steam sales volume; execution of the price adjustment mechanism; continuous optimisation of feedstock procurement strategy; the benefits generated by waste heat recovery; technological transformation that increased production capability and efficiency; and refined management practices, etc. For instance, the Company strategically procured and stored sufficient feedstock in summer before the heating season started from November 2023 to March 2024 to lock in the earnings of the heating business of Xinyuan and Xintai Zhengda Projects which are located in the north of China.

Furthermore, GI recurring operating cash inflow was a robust RMB83.4 million in 1Q 2024 compared with an outflow of RMB29.3 million in 1Q 2023. This affirmed the strong cash generation capability of the GI business.

With the continued positive growth in sales and profitability, 1Q 2024's performance sustained the strong momentum that was achieved in FY2023. This growth, achieved despite the mixed macro environment, reaffirmed the Company's business model and strategic advantages that enable the Company to have resistibility to industry cyclical and differentiate itself from the others amidst the macro complexity.

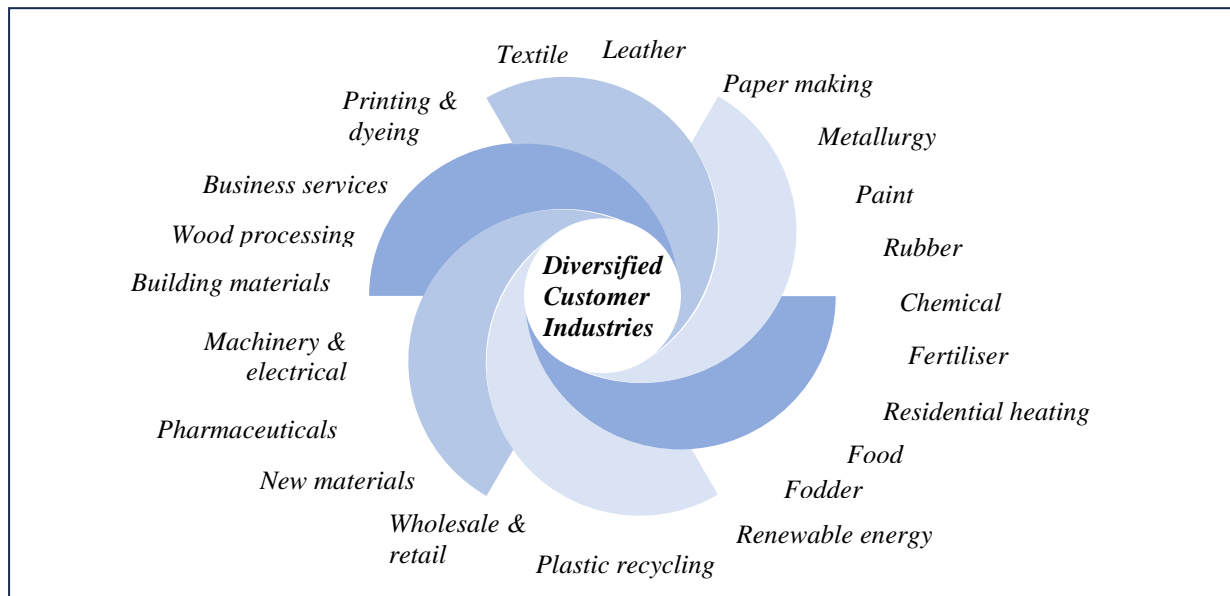
⁶ YoY: Year over Year

⁷ QoQ: Quarter over Quarter

GI Business Updates

The Group is a leading company in the industry of centralised facilities that supply clean steam and industrial services and a pioneer in facilitating the development of circular economy industrial parks promoted by the “14th Five-Year Plan for Circular Economy Development” of the National Development and Reform Commission (NDRC).

Industrial steam is a non-discretionary input product for the large and diversified captive customer base spanning more than 20 industries that provides resilient demand. Sunpower’s customer base is an integral part of the development of the local infrastructure and economy.



Further, the GI projects are strategically located in industrial parks that have strong economic viability in economically developed areas or have industry clusters of excellence. They are also exclusive suppliers in their coverage areas due to exclusive operating concessions and *de facto* exclusivity enhanced by extensive networks of valuable steam distribution pipelines.

In addition to industrial steam, Sunpower also provides clean civil heating to a large base of households, and electricity to the State Grid. Certain projects have added new products such as compressed air to complement steam sales and broaden their role as an industrial service provider.



- **Sizeable GI portfolio:**
 - 11 projects in commercial operation
 - Robust pipeline of projects under evaluation
- **Exclusive concessions: Typically ~30 years with right of first renewal**
- **Total length of GI pipelines of ~406 km enhances *de facto* project exclusivity in coverage areas**
- **Number of GI customer industries: >20**
- **Current number of customers: ~536***

* Dynamic data that accounts for the net change in the number of customers.

Updates on GI Projects:

- **Suyuan Plant:** Some new enterprises are moving into the park and are expected to start production in 2H 2024.
- **Quanjiao Project:** Construction of the Phase 2 biomass boiler is in progress.
- **Shanxi Xinjiang Project:** Steam supply underway since commercial operation started at the end of 2023.

Outlook

In 1Q 2024, domestic demand for basic consumption goods maintained the improving trend that started in 2023. Positive growth rates were particularly prominent in industries where the GI business has industrial steam customers, such as textiles⁸, food and beverage, clothing, and other daily necessities⁹. Further, industrial production registered fast growth in value-add in 1Q 2024.¹⁰ Further, feedstock prices were relatively stable in 1Q 2024.¹¹

The Group's outlook remains encouraging as of May 2024 and barring unforeseen circumstances, demand for industrial steam is expected to remain resilient. The Group is dedicated to enhancing the profitability of its GI projects and optimising cash flows, leveraging on its robust business model and refined management practices.

Barring unforeseen circumstances, the Group expects the business trends summarised below to benefit its business in FY2024:

Continued ramp-up of the existing GI plants to solidify market position, namely:

- Continued ramp-up of 11 existing projects in commercial operation, driven by organic growth and ramp-up of customers, mandatory closure of small dirty boilers, continuous relocation of new factories into industrial parks, and long-term structural development of industrial parks.
- Yongxing Plant's general solid waste JV plant is in trial operation.

Continued execution of holistic strategy to solidify the profitability of the GI business, namely:

- Continue to execute the price adjustment mechanism and optimise the feedstock procurement strategy.
- Enhance operational efficiency via technological transformation and refined management of GI plants.
- Leverage the beneficial economies of scale in the GI business.
- Explore new business opportunities in the medium to long term.

Pertaining to the GI business, for 2024, Sunpower intends to continue to execute the following two-pronged strategy with an emphasis on the quality of development that amplifies its strengths:

- (1) Solidify its market position as a centralised provider of clean steam and industrial services by (a) continuously ramping up its existing GI portfolio through further expansion of coverage areas and customer base but with less intense capital expenditure; and (b) ramping up the incremental capacity of certain projects, such as Yongxing Plant's solid waste JV plant, Shanxi Xinjiang Project, Phase 2 of Jining Project and Quanjiao Project.

⁸ https://www.stats.gov.cn/english/PressRelease/202404/t20240424_1955021.html

⁹ https://www.stats.gov.cn/english/PressRelease/202404/t20240424_1955013.html

¹⁰ https://www.stats.gov.cn/english/PressRelease/202404/t20240416_1954583.html

¹¹ <https://www.bloomberg.com/news/articles/2024-04-03/china-s-coal-price-slump-likely-to-persist-until-start-of-summer>

- (2) Continuously strive to target improvement in the Group's efficiency and profitability by enhancing the operation and production of each project where possible. In addition, evaluate the pipeline for quality projects with potential.

Pertaining to the Convertible Bonds (the “CBs”), Sunpower is currently focusing on strategising and exploring options to raise the required funds for redemption before the maturity date of the CBs in April 2025. As disclosed, these options include but are not limited to seeking new investors, additional equity or debt fundraising, a strategic review of the Group’s existing operations and financials, and monetisation of certain GI Projects.

Mr. Ma Ming, CEO and Executive Director of Sunpower, commented:

“In 1Q 2024, Sunpower continued to build upon the positive momentum established in FY2023, with our GI business demonstrating resilient growth and improvement in profitability. We are now materially seeing the fruits of management’s strategic decisions of the past three years in our financial performance.”

He emphasised, “Moreover, the 1Q 2024 results underscore the enduring strength of our GI business and reaffirm our belief in the intrinsic value of the GI assets. We remain committed to maximising their potential, which can be expected to enhance shareholders’ value as we believe the GI projects are valuable assets.”

“We intend to continue enhancing the operations of our GI projects, particularly through technological innovation, continuous optimisation of feedstock procurement strategies, refined management practices, etc., which have allowed the Company to achieve sustainable growth in the long term amidst the current complex environment. We believe our strategic positioning now places us in a favourable position to capitalise on the growth opportunities in the centralised steam supply industry. Meanwhile, the Company is also continuously seeking to resolve the CB issue.”, he added.

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Forward-looking Statement

This press release includes forward-looking statements and financial information provided with respect to the anticipated future performance and involves assumptions and uncertainties based on the Group’s view of future events. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Among other things, the quotations from management in this press release and the Company’s operations and business outlook, contain forward-looking statements. The actual results may vary from the anticipated results and such variations may be material. Accordingly, there can be no assurance that such projections and forward-looking statements can be realized. No representations or warranties are made as to the accuracy or reasonableness of such assumptions of the forward-looking statements and financial information based thereon. The Group undertakes no obligation to update forward-looking statements and financial information to reflect subsequent occurring events or circumstances, or to changes in its expectations, except as may be required by law. The past performance of the Group is not necessarily indicative of the future performance of the Group.

About Sunpower Group Ltd.

Sunpower Group Ltd. (SGX: 5GD.SI) is a leading provider of industrial steam with a sizeable portfolio of 100%-recurring, long-term income-generating Green Investments (“GI”) projects that use innovative integrated environmental-protection technology to facilitate the development of the circular economy and help China to attain its carbon peak and carbon neutrality goals. It was founded in China in 1997 and listed on the Singapore Exchange (SGX) in 2005.

In 2020, Sunpower announced the disposal of its Manufacturing and Services (“M&S”) business for an attractive consideration that unlocked value and improved investment returns for investors. To reward shareholders and bondholders, a substantial Special Dividend of S\$0.2412 a share was declared and paid in 2021. Following the monetisation of M&S, the sole principal business of the Group is the Green Investments (“GI”) business where it has a sizeable portfolio of GI projects that generate 100% recurring, long-term income.

Sunpower is successfully expanding the GI business by leveraging its robust and replicable business model with a unique competitive edge to unlock the long-term growth potential. With the application of innovative technology packages that raise high entry barriers, a proven effective management team to provide leadership and execution capabilities in operations and risk management, and the strong support of strategic investors DCP and CDH, Sunpower is continuously shaping a green future for itself as it takes its green, low-carbon, circular economy GI business to greater heights.

Sunpower actively undertakes the responsibility of promoting the sustainable development of the economy and society and has been recognised by various environmental and industry associations. To date, Sunpower has been included as a member of the China Association of Environmental Protection Industry (中国环境保护产业协会), Renewable Energy Generation Branch of China Electric Power Promotion Council(中国电力发展促进会可再生能源发电分会), Shandong Province Electric Power Enterprise Association (山东省电力企业协会), Energy Association of Jiangsu Province (江苏省能源行业协会), and Jiangsu Association of Environmental Protection Industry (江苏省环境保护产业协会), and as a director member of Hebei Association of Environmental Protection Industry (河北省环境保护产业协会). In March 2023, Jiangsu Sunpower Clean Energy Co., Ltd was named as the “Advanced Unit for Green and Low-Carbon Development of the Thermolectric Industry under the 14th Five-Year Plan” (十四五热电产业绿色低碳发展先进单位).

For more information, please refer to Sunpower’s investor relations website, <http://sunpower.listedcompany.com/>.

August Consulting (Singapore)	
Silvia Heng	Alan Lee
Email: silviaheng@august.com.sg	Email: alanlee@august.com.sg
Phone: +65 6733 8873	Phone: +65 6733 8873



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