

Sunpower's steam sales volume rises 10.2% YoY to 8.21 million tons in 9M 2024

Key Highlights of 9M 2024

- Total steam sales volume rose 10.2% YoY to 8.21 million tons, driven by the continuing ramp-up of the GI projects.
- GI recurring EBITDA and GI recurring PATMI excluding a one-off provision for bad debt¹ recorded in 3Q 2024 was RMB779.5 million (+9.8% YoY) and RMB270.3 million (+6.1% YoY) respectively.
- GI recurring EBITDA and GI recurring PATMI including a one-off provision for bad debt recorded in 3Q 2024 was RMB664.8 million (-6.3% YoY) and RMB190.2 million (-25.4% YoY) respectively.
- GI recurring operating cashflow was RMB283.6 million.

Singapore, 14 November 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 third quarter and nine months ended 30 September 2024 (“9M 2024”).

GI Financial Highlights (Without Financial Effects of Convertible Bonds)

RMB million	3Q 2023	3Q 2024	YoY Chg	9M 2023	9M 2024	YoY Chg
Total steam sales volume (mil tons)	2.48	2.52	1.8%	7.45	8.21	10.2%
GI recurring revenue ²	771.8	749.3	-2.9%	2,374.2	2,404.5	1.3%
GI recurring EBITDA (excluding provision for bad debt in 3Q2024) ³	269.7	230.0	-14.7%	709.8	779.5	9.8%
GI recurring PATMI (excluding provision for bad debt in 3Q2024) ⁴	110.6	76.4	-30.9%	254.8	270.3	6.1%
GI recurring EBITDA (including provision for bad debt in 3Q2024) ³	269.7	115.3	-57.2%	709.8	664.8	-6.3%
GI recurring PATMI (including provision for bad debt in 3Q2024) ⁴	110.6	(3.7)	n.m.	254.8	190.2	-25.4%
GI recurring operating cashflow ⁵	-8.3	117.9	n.m.	190.7	283.6	48.7%

¹ For the detailed disclosure, please refer to the Announcement of Condensed Interim Financial Statements for the Third Quarter and Nine Months Ended 30 September 2024 released at the same time (the “3Q 2024 and 9M 2024 Earnings Announcement”).

The Company uses the terms “GI recurring revenue”, “GI recurring EBITDA”, “GI recurring PATMI”, and “GI recurring operating cashflow” to reflect the operating results of the GI business. This document should be read in conjunction with the “3Q 2024 and 9M 2024 Earnings Announcement” released at the same time.

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 within the current period.

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 within the current period. 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 typically have exclusive concession rights of ~30 years (with first right to renew) and/or extensive pipeline networks that typically enhance *de facto* exclusivity in their coverage areas.
- Industrial steam business typically operates on a B2B model, with a contractual price adjustment mechanism linking feedstock costs to industrial steam prices that supports long-term profitability.
- Structural growth drivers mainly include organic expansion of customers, relocation of new enterprises into industrial parks, and/or long-term structural development of industrial parks that either have economic viability or have industry clusters of excellence.
- All these enable GI projects to be in a strong position to supply steam, a non-discretionary input product, to a large and diversified base of customers, bolstered by technologies that act as entry barriers against competition.

➤ **Proven track record in delivering solid financial performance**

- 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 expected from customers' organic growth and structural expansion of industrial parks.
- Large addressable market in China and the Company has robust pipeline.

➤ **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 model 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

Total steam sales volume rose 10.2% YoY⁶ to 8.21 million tons in 9M 2024 due to the continued ramp-up of the GI projects including Shantou Project.

GI recurring revenue rose 1.3% YoY to RMB2,404.5 million, with the growth attributed to higher steam sales volume, moderated by the continuing execution of the price adjustment mechanism that links feedstock cost to industrial steam price.

The profit of the GI business in 9M 2024 was impacted by a one-off provision for bad debt made in 3Q 2024 on account of a reduction in biomass power subsidies for two GI projects that have biomass boilers and sell biomass-generated electricity to the State Grid – Xintai Project and Tongshan Project – of which the negative impact to net profit attributable to the shareholders was approximately RMB80.1 million. As a result, GI recurring EBITDA and GI recurring PATMI (including provision for bad debt in 3Q 2024) fell 6.3% YoY and 25.4% YoY to RMB664.8 million and RMB190.2 million respectively in 9M 2024.

Excluding the impact of the one-off provision for bad debt in 3Q 2024, GI recurring EBITDA and GI recurring PATMI (excluding provision for bad debt in 3Q 2024) grew 9.8% and 6.1% YoY to RMB779.5 million and RMB270.3 million respectively in 9M 2024.

On balance, 9M 2024 profit excluding the 3Q 2024 provision for bad debt improved despite challenges due to a comprehensive set of factors, including economies of scale from increased steam sales volume; the price adjustment mechanism; optimised feedstock procurement; benefits from the application of waste heat recovery technology in Xintai Project; refined management practices, etc.

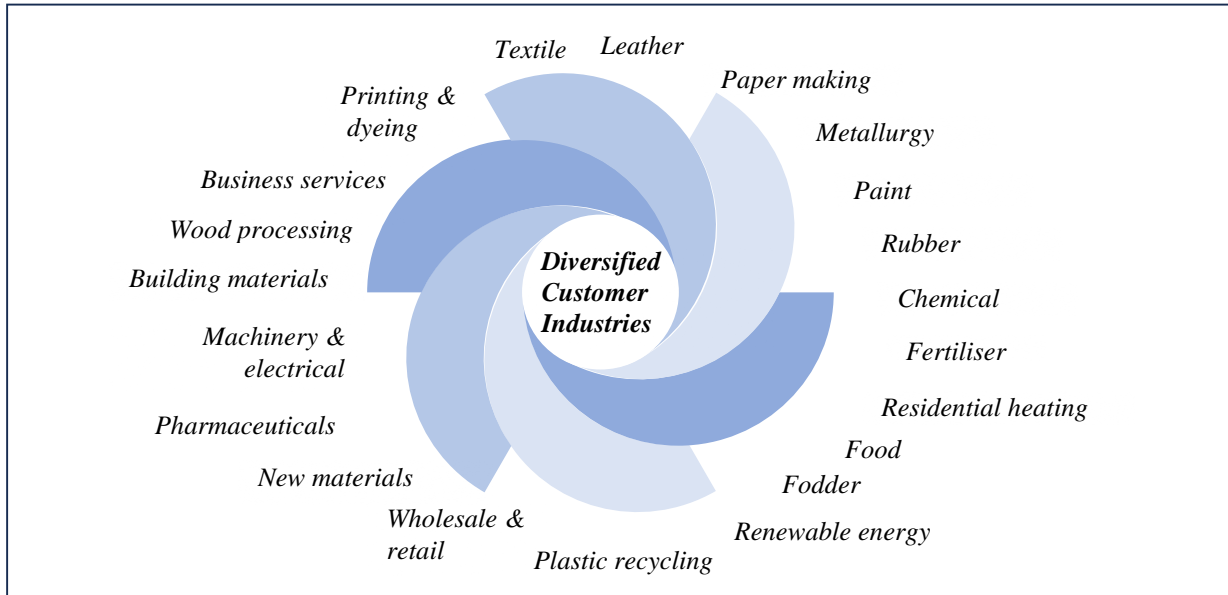
Furthermore, GI recurring operating cash inflow was RMB283.6 million in 9M 2024.

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 economy.

⁶ YoY: Year over Year



Further, the GI projects are strategically located in industrial parks in economically developed areas or have industry clusters of excellence. They are typically exclusive suppliers in their coverage areas due to exclusive operating concessions and/or typically have *de facto* exclusivity enhanced by extensive networks of 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**

Updates on GI Projects:

- **Quanjiao Project:** Construction of the Phase 2 biomass boiler to supply industrial steam to end-users is basically completed.

Outlook

In September 2024, the Chinese government rolled out a package of stimulus measures to counter economic challenges and achieve the economic growth target of “around 5%” for 2024⁷. The package included measures aimed at revitalising key sectors, with a focus on monetary easing, property market stabilisation, and bolstering stock markets.⁸ After the announcement of the stimulus package, the National Bureau of Statistics recently reported that China’s official purchasing managers’ index for October rose to 50.1, in expansionary territory for the first time since April.⁹

On the external front, the global environment has become more complicated as geopolitical risk continued to rise and spread to more regions around the world.¹⁰ According to The World Economic Forum’s Global Risks Report 2024, geopolitical tensions are seen as the main risk to global economic growth in the coming year.¹¹

Against this backdrop, the Group remains focused on enhancing and optimising the profitability and cash flows of its GI business through the continued ramp-up of its GI projects and further execution of its refined management practices. Further, the Group will strive to address and adapt to the challenges and impacts of potential changes in government policies and the macro environment.

Barring unforeseen circumstances, the Group expects the following business trends for its business in FY2024:

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

- Continued ramp-up of the existing GI project portfolio in commercial operation, mainly driven by organic growth and ramp-up of customers, 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 operation.
- Construction of Quanjiao Project’s biomass boiler which was built to supply industrial steam was basically completed in 3Q 2024 and is expected to enter trial production in 4Q 2024.

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

- Sustain execution of price adjustment mechanism and optimise feedstock procurement strategy.
- Enhance operating efficiency via technological transformation and refined management of GI plants.
- Tap into beneficial economies of scale in the GI business.
- Explore new business opportunities in 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 capacity of certain projects.
- (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.

⁷ <https://www.scmp.com/economy/policy/article/3283050/what-new-moves-did-china-make-economic-stimulus-front-last-week>

⁸ <https://www.china-briefing.com/news/decoding-chinas-recent-economic-stimulus-package-what-investors-need-to-know/>

⁹ <https://www.cnbc.com/2024/10/31/pmi-chinas-factory-activity-expands-for-the-first-time-since-april.html>

¹⁰ <https://www.economicsobservatory.com/how-are-geopolitical-risks-affecting-the-world-economy>

¹¹ <https://www.weforum.org/stories/2024/08/geopolitics-inflation-central-banks/>

Pertaining to the Convertible Bonds (the “CBs”), the maturity is in April 2025. The Group continues to proactively take various measures to raise the necessary funding by maturity. Should the Group be unable to do so, it risks being unable to repay the CBs. As disclosed, the 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.¹² The Board of Directors is progressing on the assessment of the options which are currently available to date and the Company will make the necessary announcement at the appropriate time.

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

“In 9M 2024, the GI business showed growth in revenue and profit excluding the provision for bad debt pertaining to the Group’s two plants that have biomass boilers to generate and supply electricity. We continue to work hard to ramp up each GI project and aim to further improve the efficiency and profitability of certain GI projects, which could support us in the increasingly complex internal and external environments.

“The Company is constantly monitoring and working hard to navigate challenges from potential risks, such as tumultuous geopolitical situations, mixed macroeconomic environments, and potential changes in government policies or actions, leveraging on our proven business model and extensive experience in the GI industry.”

“In addition, as disclosed, the outstanding CB issue is very important for the Company and it has been included in its key agenda all along. The Company is progressing on the assessment of its options which are currently available to date. It will make an announcement at the appropriate time.”

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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. Among other things, the quotations from management in this press release and the Company’s operations and business outlook, contain forward-looking statements. These forward-looking statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “believes,” “estimates” and similar statements. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions; interest rate trends; continued availability of working capital financing in the amounts and terms necessary to support future business; capital availability and cost of capital for existing debt refinancing needs; competition from other companies and venues for the sales/distribution of similar services; seasonal and structural shifts in customer demand; changes in operating expenses, including raw material costs; and changes in governmental policies and planning that may affect the profitability of the GI business. Accordingly, there can be no assurance that such projections and forward-looking statements can be realised. 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 and business model of the Group is not necessarily indicative of the future performance and business model of the Group.

About Sunpower Group Ltd.

¹² To be read in conjunction with the disclosure on “Basis of Preparation” in the Condensed Interim Financial Statements for the Third Quarter and Nine Months Ended 30 September 2024 released at the same time.

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 Thermoelectric 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/>.

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