



Trinidad and Tobago NGL Limited

# PERFORMANCE INSIGHT

STATEMENT TO TTNGL SHAREHOLDERS

November, 2024





Trinidad and Tobago NGL Limited

# Performance Insight

Statement to TTNGL Shareholders

At TTNGL, we recognise the concerns raised regarding the recent performance of our share price and the suspension of dividend payments. We remain committed to transparent communication and want to provide clarity on our current position, the actions we're taking, and our vision for the future.

## Understanding TTNGL's Share Price: Current Challenges and Future Opportunities

### Recent Market Dynamics

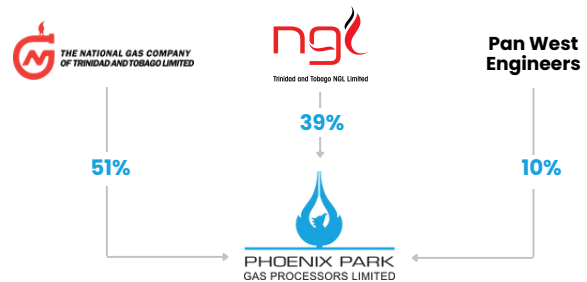
TTNGL's share price has been influenced by the evolving landscape of the global energy market. Over the past three years, our local industry has experienced a shift in natural gas supply levels. Compared to the peak production period a decade ago, the current gas supply to petrochemical facilities has moderated, leading these facilities to operate at adjusted capacities. This shift has impacted the profitability of our underlying asset, Phoenix Park Gas Processors Limited (PPGPL), and consequently, TTNGL's financial performance.



Gas Production :000,000 Cubic Feet Per Day

## Understanding Asset Valuation and Impairment

TTNGL acts as an investment holding company with 39% ownership of Class B shares in PPGPL. This investment is governed by International Accounting Standard IAS 36–Impairment of Assets, which requires that the carrying value of an asset should not exceed its recoverable amount at the date of the Statement of Financial Position (SOFP).



The ownership structure of PPGPL

The carrying value represents the amount at which our investment in PPGPL is recognised in the SOFP after accounting for the following:

- Share of net profit or loss from joint venture
- Deduction of dividend received from joint venture
- Accumulated impairment losses

Additionally, TTNGL utilises the Fair Value (FV) less Cost of Disposal (FVLCD) method to determine the recoverable amount of its investment in PPGPL. An impairment loss is recognised whenever the recoverable amount is below the carrying amount. The impairment loss is recognised as an expense. Any reversal in impairment is limited to impairment loss previously recognised.



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TTNGL determines the Fair Value (FV) of our investment through the income approach, which considers PPGPL's long-term net cash flow projections discounted to present value. Key factors affecting these projections include:

1. Natural gas supply
2. NGL product prices
3. NGL product differentials
4. NGL content in the gas stream
5. North American cash flows from trading volumes and margins
6. Overhead and operating expenses
7. Decommissioning expenses

Changes in these factors, notably moderated gas supply, have impacted the FV calculation since 2020, leading to the recognition of impairment charges.

### **Proactive Measures and Future Outlook**

We're pleased to report that significant strides are being made to enhance our gas supply:

1. Domestic Initiatives: efforts are underway to boost local gas production.
2. International Collaboration: exploration of promising cross-border opportunities with Venezuela.

While these developments are in progress, PPGPL's earnings, and by extension, TTNGL's financial metrics, are in a transitional phase. This has led to a temporary adjustment in our asset valuation, which has influenced our dividend program and the current share price.

### **Reasons for Optimism**

We have strong reasons to be optimistic about the future:

- Short-term Resilience: PPGPL continues to optimise operations and explore new market opportunities.
- Medium-term Growth: As new gas supplies come online over the next 3-5 years, we will conduct a reassessment of our asset values.
- Long-term Vision: The Ministry of Energy and Energy Industries and The National Gas Company of Trinidad and Tobago (NGC) are actively managing strategic initiatives to secure a robust energy future for Trinidad and Tobago.

### **Dividend Payments**

We understand that the suspension of dividends is a pressing concern for our shareholders. This decision was not taken lightly, but it is legally compliant and is directly linked to the performance of PPGPL, which has faced reduced revenues due to the transitioning gas supply and fluctuating global demand for natural gas liquids (NGLs).

The Board of Directors is continuously evaluating the financial landscape and is exploring potential options for dividend payouts. We commit to promptly communicating the outcomes of these discussions to all shareholders.



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## Strategic Actions in Progress

While navigating short-term challenges, TTNGL and PPGPL have implemented several strategic initiatives:

1. **Operational Efficiency:** We've optimised our operations to align with current gas supply levels, ensuring we maintain peak efficiency during this transitional period.
2. **Market Expansion:** PPGPL has successfully established a presence in the North American midstream market. We expect this strategic move to yield positive returns within the next 18 months, diversifying our revenue streams.
3. **Asset Optimization:** Our focus on minimising unplanned downtime and maximising product value ensures robust operations despite external challenges.

**We are confident that these measures will contribute to stabilising and improving TTNGL's financial performance over the medium to long term.**

## Looking Ahead

While we acknowledge the current transition period, we remain steadfast in our commitment to delivering long-term value. As the global energy market evolves and gas supply to PPGPL increases, we believe TTNGL's share price and financial performance will reflect these positive changes. Our focus remains on resilience, sustainability, and maximising shareholder value in this dynamic energy landscape.



We encourage all shareholders to stay engaged with our updates. For further information, please visit our website or contact us at [ttngl@ngc.co.tt](mailto:ttngl@ngc.co.tt).