

Absolute Clean Energy Pcl (ACE TB) - BUY, Price Bt4.18, TP Bt4.6

Results Comment

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Weaker-than-expected 2Q21's profit

- ACE reported norm profit (excluding FX and hedging impacts) at Bt331m in 2Q21, fell 8% y-y but grew 13% q-q. This came in below our and the market's expectations due to a lower-than-expected sale volume from its new biomass plants and a strong surge in gas cost.
- Revenue from electricity sales increased 12% y-y and 6% q-q to Bt1.39bn in 2Q21 from capacity expansion and higher utilization rates in its new biomass power plants.
- Gross profit grew 4% y-y and 6% q-q to Bt466m in 2Q21, backed by higher sale volume from its biomass plants which outweighed impact from a higher gas cost to its SPP plant. Gross margin increased to 33.6% in 2Q21 compared to 33.4% in 1Q21 from higher generation from biomass plants, but lower than 35.9% in 2Q20 due to weak margins in its new plants.
- Total SG&A expenses increased 6% y-y to Bt82m in 2Q21, in-line with capacity expansion, but dropped 3% q-q given its strong cost control. SG&A-to-sales ratio expanded to 5.9% in 2Q21, vs. 4.7% in 2Q20 from lower blended plant's utilization rate, but improved from 6.5% in 1Q21 from better productivity.
- EBITDA rose 10% y-y and 6% q-q to Bt549m in 2Q21, given higher sale volume.
- We see a downside to our earnings forecast this year, given its 1H21's profit made up only 40% of our full-year projections. We are also less bullish on ACE given the policy on biomass power plant in Thailand is growing slower than we'd earlier expected.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	1,640	1,501	1,369	1,314	1,386	Revenue	5	(16)	49	5,515	10,242
Gross profit	446	463	454	439	466	Gross profit	6	4	40	2,259	3,899
SG&A	77	67	90	85	82	SG&A	(3)	6	48	351	355
Operating profit	369	396	364	355	384	Operating profit	8	4	39	1,908	3,545
EBITDA	501	535	500	517	549	EBITDA	6	10	43	2,453	5,078
Other income	1	3	2	2	5	Other income	153	488	20	36	67
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	25	28	27	34	36	Interest expense	5	43	25	285	551
Profit before tax	345	371	339	323	353	Profit before tax	9	2	41	1,659	3,060
Income tax	(15)	9	28	29	22	Income tax	(24)	na	61	83	153
Equity & invest. income	0	0	0	0	0	Equity & invest. income			na	0	0
Minority interests	0	0	0	0	0	Minority interests			na	0	0
Extraordinary items	(109)	48	(57)	66	35	Extraordinary items	(47)	na	na	0	0
Net profit	250	410	254	360	366	Net profit	2	47	46	1,576	2,907
Normalized profit	359	362	311	294	331	Normalized profit	13	(8)	40	1,576	2,907
EPS (Bt)	0.02	0.04	0.02	0.04	0.04	EPS (Bt)	2	47	46	0.15	0.29
Normalized EPS (Bt)	0.04	0.04	0.03	0.03	0.03	Normalized EPS (Bt)	13	(8)	40	0.15	0.29
Balance Sheet						Financial Ratios					
(consolidated)						(%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	2Q20	3Q20	4Q20	1Q21	2Q21	
Cash & ST investment	377	688	576	809	724	Sales grow th	24.5	18.5	8.8	(2.5)	(15.5)
A/C receivable	831	838	829	828	1,039	Operating profit grow th	5.9	15.8	3.1	4.4	4.0
Inventory	320	390	402	564	537	EBITDA grow th	4.4	12.9	3.1	9.1	9.5
Other current assets	17	36	34	46	52	Norm profit grow th	39.8	53.8	17.2	(0.1)	(7.9)
Investment	145	145	145	193	193	Norm EPS grow th	25.9	38.4	17.2	(0.1)	(7.9)
Fixed assets	8,075	8,814	9,095	9,464	9,764	Gross margin	27.2	30.9	33.2	33.4	33.6
Other assets	5,074	5,419	5,348	5,572	5,564	Operating margin	22.5	26.4	26.6	27.0	27.7
Total assets	14,839	16,330	16,430	17,475	17,873	EBITDA margin	30.6	35.7	36.5	39.3	39.6
S-T debt	748	748	841	735	938	Norm net margin	21.9	24.1	22.7	22.4	23.9
A/C payable	257	423	269	344	289	D/E (x)	0.3	0.3	0.3	0.4	0.4
Other current liabilities	82	43	103	89	77	Net D/E (x)	0.2	0.3	0.3	0.3	0.3
L-T debt	2,310	3,198	3,082	3,791	3,828	Interest coverage (x)	20.0	19.2	18.4	15.2	15.4
Other liabilities	111	177	142	163	178	Interest rate	3.5	3.2	2.8	3.2	3.1
Minority interest	0	0	0	0	27	Effective tax rate	(4.2)	2.4	8.2	8.9	6.2
Shareholders' equity	11,331	11,741	11,993	12,353	12,536	ROA	9.8	9.3	7.6	6.9	7.5
Working capital	894	806	962	1,048	1,287	ROE	12.7	12.6	10.5	9.7	10.6
Total debt	3,058	3,946	3,922	4,526	4,765						
Net debt	2,681	3,258	3,346	3,717	4,041						

Sources: Company data, Thanachart estimates

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