BUY (Unchanged)

Change in Numbers

TP: Bt 16.00 (From: Bt 23.00)

Upside : 58.4%

19 AUGUST 2021

Banpu Public Co Ltd (BANPU TB)

Parting clouds

CHAK REUNGSINPINYA
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We maintain our BUY on BANPU and adjust our ex-rights TP to Bt16 from Bt23 to account for rights and warrant issues. We see a strong growth outlook on higher coal/gas prices. Valuation looks compelling to us at 6x 2022F PE. BANPU remains one of our top picks.

Thanachart Securities

Ex-rights valuation

We boost our normalized profit forecasts by 22% and 21% in 2021-22F and adjust our ex-rights SOTP-based TP to Bt16.0 from Bt23.0 to account for the company's rights and warrants issues. BANPU is trading at just 6x 2022F PE even based on our conservative earnings projection. While we expect earnings to decline after 2022F, we see potential upside risks to our forecasts on higher-for-longer coal and gas prices and BANPU's accelerated transformation into a greener energy company.

Coal price upgrades with room for more

We upgrade our coal price assumptions to 110/95/90 $/tonne in 2021-23F from 90/85/80 $/tonne and to $85/tonne longer term compared to $80/tonne previously. While the spot price of $175/tonne is likely unsustainable, we think coal prices will remain well north of $100/tonne through 1H22F. In fact, the futures market is pricing in coal prices at $105/tonne through end 2023. We believe the high price is driven mainly by demand which has been especially strong in North Asia. At the same time, supplies remain tight in all of the main producing countries (Indonesia, Australia, China) due to weather, logistics, safety inspections and COVID-containment measures. BANPU is not immune from these production issues, and we have trimmed our volume forecasts accordingly (see Exhibit 5). Still, the higher coal prices more than compensate for the lower volume.

Strong outlook for US gas

We see a strong outlook for the US natural gas business. First, inventories remain at 6% below the five-year average. Secondly, production growth is likely to be limited. Lastly, demand for LNG exports remains strong, which will help to tighten the market further. We lift our reference Henry Hub price assumption by $0.1/mmbtu to $3.2/mmbtu from 2022F onwards. Our assumption remains at $3.1/mmbtu for this year as BANPU has already hedged about 70% of its sales volume. Still, the strong outlook means BANPU will likely enjoy strong contributions from its US gas unit well into the future.

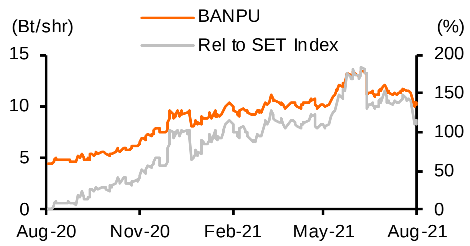
Acquisitions to reduce dilution impact

BANPU has announced a series of acquisitions in recent months, including solar farms in Australia and most recently a gas-fired power plant in the US. We have factored in Bt700m per annum in earnings from the new US power plant into our estimates from 2H22F onwards and view it as the first of many such deals to come. We expect acquisitions to help reduce the EPS dilution impact from the rights issues and accelerate BANPU's transformation into a greener energy company.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	71,332	101,050	106,552	103,642
Net profit	(1,786)	9,171	11,115	10,094
Consensus NP	—	9,206	9,291	9,763
Diff frm cons (%)	—	*(0.4)*	*19.6*	*3.4*
Norm profit	(4,122)	9,171	11,115	10,094
Prev. Norm profit	—	7,533	9,207	8,829
Chg frm prev (%)	—	*21.7*	*20.7*	*14.3*
Norm EPS (Bt)	(0.7)	1.4	1.6	1.5
Norm EPS grw (%)	na	na	14.2	(9.2)
Norm PE (x)	na	7.0	6.1	6.8
EV/EBITDA (x)	20.1	5.5	5.2	5.2
P/BV (x)	1.0	0.9	0.8	0.8
Div yield (%)	2.5	5.4	6.5	5.9
ROE (%)	na	13.1	13.7	11.6
Net D/E (%)	163.4	120.1	117.5	99.4

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 19-Aug-21 (Bt)	10.10
Market Cap (US$ m)	1,537.2
Listed Shares (m shares)	5,074.6
Free Float (%)	88.4
Avg Daily Turnover (US$ m)	49.8
12M Price H/L (Bt)	13.48/4.42
Sector	Energy
Major Shareholder	Vongkusolkit family 9.06%

Sources: Bloomberg, Company data, Thanachart estimates

Ex-rights valuation

We raise our normalized profit forecasts by 22% and 21% in 2021-22F and adjust our ex-rights TP to Bt16.0 from Bt23.0 to account for Banpu Pcl's (BANPU) rights and warrant issues. At the current level, BANPU is trading at just 6x 2022F PE even based on our conservative earnings projection. While we expect earnings to decline after 2022F, we see potential upside risks to our forecasts on higher-for-longer coal and gas prices and BANPU's accelerated transformation into a greener energy company.

Ex 1: Normalized Profit Upgrades

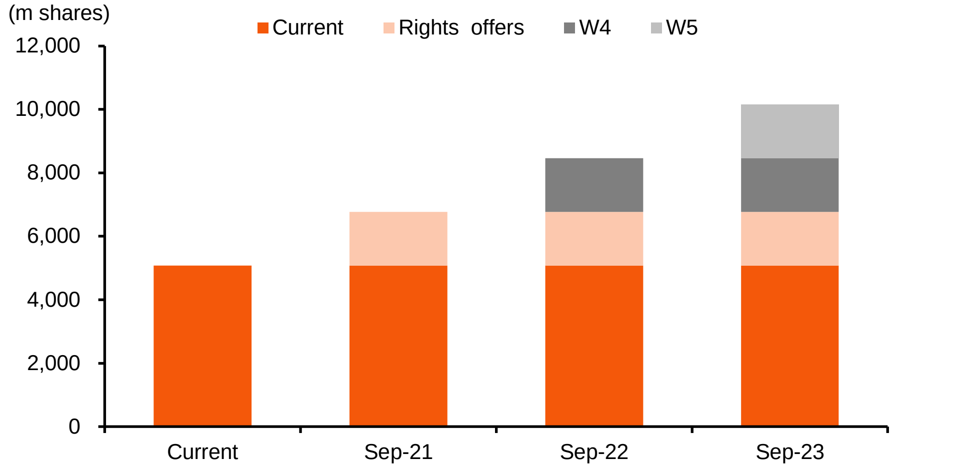
(Bt m)	Norm profit					
	2019A	2020A	2021F	2022F	2023F	2024F
New / Actual	2,567	(4,122)	9,171	11,115	10,094	8,986
Old	—	—	7,533	9,207	8,829	8,949
Change (%)	—	—	*21.7*	*20.7*	*14.3*	*0.4*

Sources: Company data, Thanachart estimates

Rights issues and warrant conversions could double number of shares

To recap, BANPU has announced rights and warrants issues that could ultimately double the number of shares outstanding over the next two years. The stock has already gone ex-rights and investors will be offered 1 new share for every 3 old shares with an exercise price of Bt5/share. For each new share subscribed, investors will receive 2 warrants. W4 is exercisable in one year with a strike price of Bt5 while W5 will be exercisable in two years with a strike price of Bt7.5.

Ex 2: No. Of Shares Post Rights Offers And Warrants 4 & 5 (Assuming Full Conversion)



Sources: Company data, Thanachart estimates

We have valued these warrants as shown in Exhibit 3 below:

Ex 3: BANPU's Warrants 4 & 5 Valuation

Warrant	Strike (Bt)	Expiry (Years)	Volatility (%)	Risk free (%)	Div yield (%)	Value (Bt) (Bt)	# shares (m)	Total value (Bt m)
W4	5.0	1.25	50%	0.50%	5.30%	4.75	1691.5	8,035
W5	7.5	2.25	50%	0.52%	6.40%	3.19	1691.5	5,396
Total								**13,431**

Sources: Company data, Thanachart estimates

Combining our earnings upgrades with the dilution impact, we have adjusted our TP to Bt16. Note that this new TP is not immediately comparable to our previous TP of Bt23 as it is on an ex-rights basis.

Ex 4: 12-month DCF-derived TP Calculation Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
Coal EBITDA and equity income		40,757	39,445	37,522	37,693	38,889	40,076	41,255	42,425	43,587	44,740	45,885	-
Free cash flow		(3,566)	12,995	12,535	13,411	14,716	16,058	17,394	18,724	20,049	21,368	22,681	327,887
PV of free cash flow		(3,433)	11,599	10,371	10,289	10,360	10,457	10,499	10,475	10,396	10,249	9,822	131,049
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.3												
WACC (%)	7.9												
Terminal growth (%)	2.0												

BANPU's sum-of-the-parts valuation	(Bt m)
PV of cash flow	232,133
Less: net debt	134,430
Less: minority interest	38,518
Equity value - coal & gas	59,184
Battery	16,074
Power	48,539
Total value exc. Warrant	**123,798**
Less warrant values:	
W4	(8,035)
W5	(5,396)
Net equity value	**110,367**
# of Shares	6,766
Total value per share (Bt/sh)	**16.3**

Sources: Company data, Thanachart estimates

Coal price upgrades with room for more

We upgrade our coal price assumptions by $5-20/tonne in 2021-24F

We upgrade our coal price assumptions to 110/95/90 $/tonne in 2021-23F from 90/85/80 $/tonne and to $85/tonne longer term compared to $80/tonne previously. While the spot price of $175/tonne looks likely to be unsustainable, we think coal prices will remain well north of $100/tonne through 1H22F. In fact, the futures market is pricing in coal prices at $105/tonne through end-2023.

Ex 5: Key Assumption Changes – Higher Coal & Gas Prices, Lower Production Volume

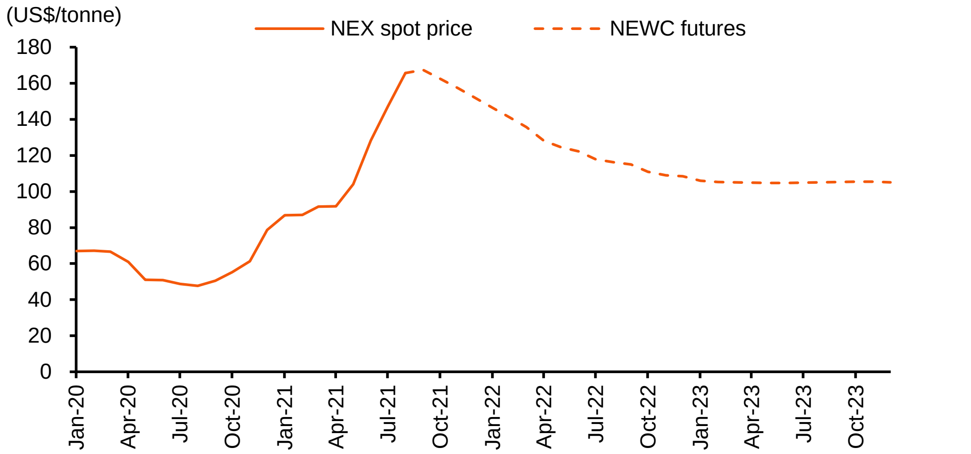
Key assumptions	Unit	2021F	2022F	2023F	2024F
New					
NEX coal price	(US$/tonne)	110.00	95.00	90.00	85.00
Indonesia output	(m tonnes)	18.50	20.00	20.00	20.00
Australia output	(m tonnes)	11.00	11.00	11.00	11.00
Henry Hub gas price	(US$/mmbtu)	3.10	3.20	3.20	3.23
Old					
NEX coal price	(US$/tonne)	90.00	85.00	80.00	80.00
Indonesia output	(m tonnes)	19.00	21.00	21.00	21.00
Australia output	(m tonnes)	11.50	11.50	11.50	11.50
Henry Hub gas price	(US$/mmbtu)	3.10	3.10	3.10	3.13
Change					
NEX coal price	(US$/tonne)	+20.00	+10.00	+10.00	+5.00
Indonesia output	(m tonnes)	-0.50	-1.00	-1.00	-1.00
Australia output	(m tonnes)	-0.50	-0.50	-0.50	-0.50
Henry Hub gas price	(US$/mmbtu)	+0.00	+0.10	+0.10	+0.10

Sources: Company data, Thanachart estimates

Strong demand recovery and supply disruptions help to drive up coal prices

We believe the high prices are driven mainly by demand which has been especially strong in North Asia. At the same time, supplies remain tight in all of the main producing countries (Indonesia, Australia, China) because of weather, logistics, safety inspections and COVID-containment measures. BANPU is not immune to these production issues, and we have trimmed our volume forecasts by 1m tpa in Indonesia and by 0.5m tpa in Australia through the forecast periods. We have also revised up our unit cost assumption for Australian coal mines, reflecting high fixed costs amid lower production volume. Still, the rising coal prices more than compensate for lower volume and higher costs.

Ex 6: NEX Coal Price Touched $175/Tonne; Futures Point to $105 Through End-2023

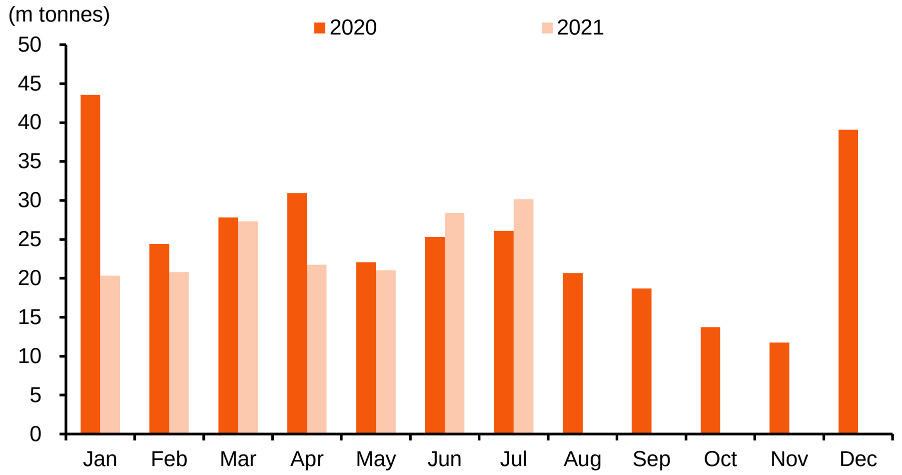


Sources: Company data, Bloomberg, Thanachart estimates

The pace of China's coal imports has picked up in recent months

We believe the coal market tightness is likely to last through at least 1H22F. Based on our conversations with BANPU, demand in North Asia has been the key driver of the recent coal price rally. For example, China's imports of coal picked up strongly in both June and July, increasing by 12-16% y-y in these two months compared to a 25% y-y *decline* through the first five months of the year. We believe policymakers there are scrambling to allow more imports in order to cool red-hot domestic coal market.

Ex 7: The Pace Of China's Coal Imports Has Begun To Pick Up



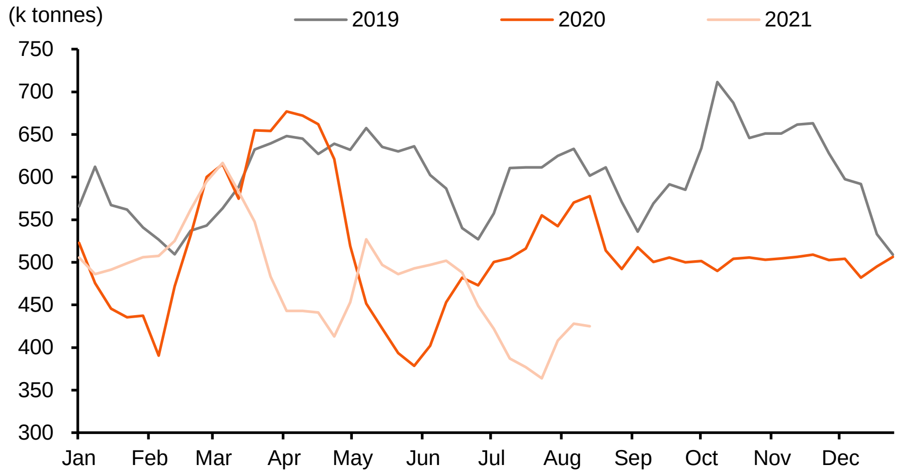
Sources: General Administration of Customs China

Coal inventories in China remain at multi-year lows…

…suggesting a need for early winter restocking

Still, inventory levels remain low in China. For example, coal stocks at Qinhuangdao port, a major coal trading hub, are still well below the normal level for this time of year. This means China will likely have to keep importing high volumes of coal in the months ahead, not only to meet summer demand but also for winter restocking.

Ex 8: Coal Inventories At Qinhuangdao Port Remain Well Below Normal Levels

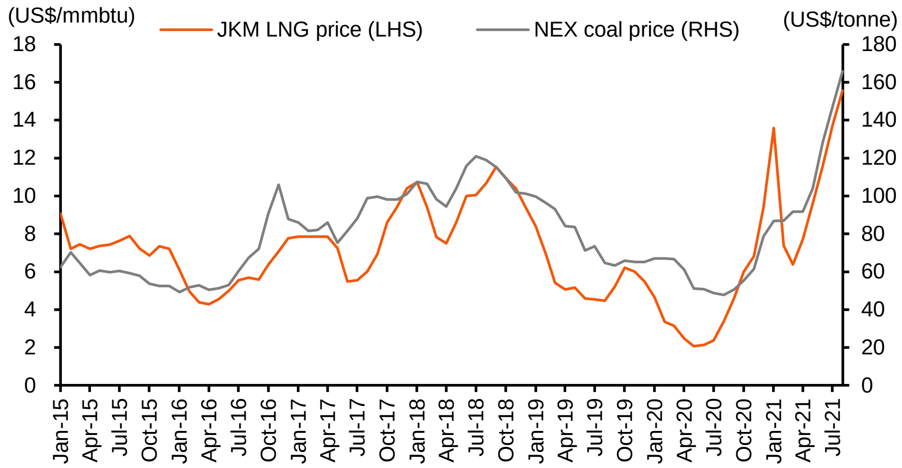


Source: Bloomberg

High LNG price is helping to drive demand for coal due to substitution

Beyond the demand/supply fundamentals in the coal market itself, we think there is also a knock-on impact from the tightening liquefied natural gas (LNG) market. The two fuels are essentially substitutes in power generation, and high gas prices can easily lead to higher demand for coal. In Asia, the price of LNG, based on the JKM spot benchmark, is touching levels not seen since 2014. Again, this is likely a function of strong demand and limited supply. As Asia relies very heavily on natural gas imports from the US, Qatar and Australia, the price swing is at the mercy of new supplies from those countries. As things stand, we believe the market will remain tight for the foreseeable future as demand growth is likely to be faster than supply can keep up.

Ex 9: Coal Prices Also Driven Up By Higher LNG Prices Due To Substitution Effect



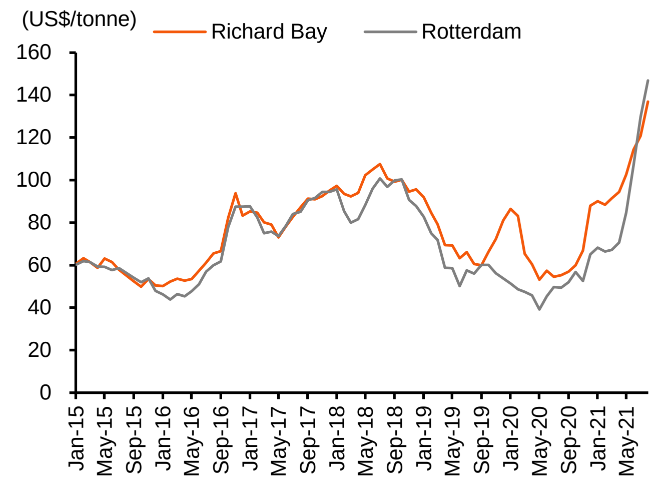
Sources: Company data, Bloomberg

Coal prices are rising everywhere, not just in Asia

We note that rising coal and gas prices are not confined to Asia. They are rising to high levels in Europe and the US as well. For example, the Richard Bay coal price, a key benchmark for the Atlantic basin, is approaching $140/tonne whereas the landed price in Rotterdam is now over $150/tonne. These are decade-high levels, similar to what we are seeing in Asian coal trading. Likewise, the natural gas price in Europe is touching multi-year high levels with TTF (a European benchmark) approaching EUR45/MWh, which is more than double the average in 2015-18.

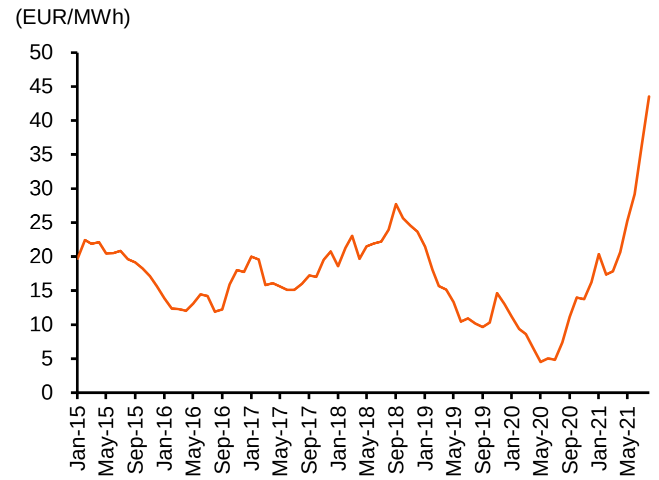
These high prices are a result of the strong demand recovery as well as supply tightness. We think the market will remain tight for both coal and gas through the first half of 2022F. Beyond that, prices are likely to come down though we believe they will remain elevated relative to the past five-year average.

Ex 10: Coal Prices Are Also High In The Atlantic Basin



Source: Bloomberg

Ex 11: Gas Price (TTF) Has Been Rising In Europe As Well



Source: Bloomberg

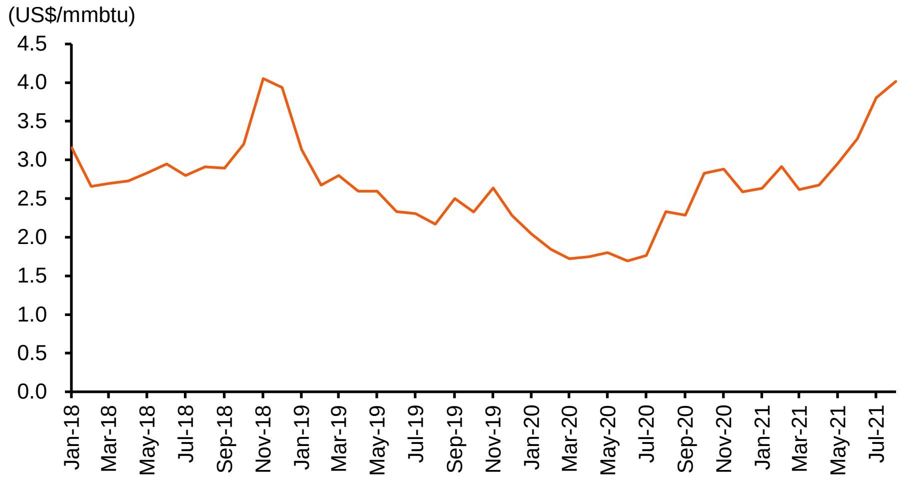
Strong outlook for US gas

We see a strong outlook for the US natural gas market…

…and we have marginally raised our price forecasts

We see a strong outlook for the US natural gas business. First, inventories remain at 6% below the five-year average. Secondly, production growth is likely to be limited. Lastly, demand for LNG exports remains strong, which will help to tighten the market further. We lift our reference Henry Hub price assumption by $0.1/mmbtu to $3.2/mmbtu from 2022F onwards. Our assumption remains at $3.1/mmbtu for this year as BANPU has already hedged about 70% of its sales volume. Still, the strong outlook means BANPU will likely enjoy strong contributions from its US gas unit well into the future.

Ex 12: US Natural Gas Price At Henry Hub

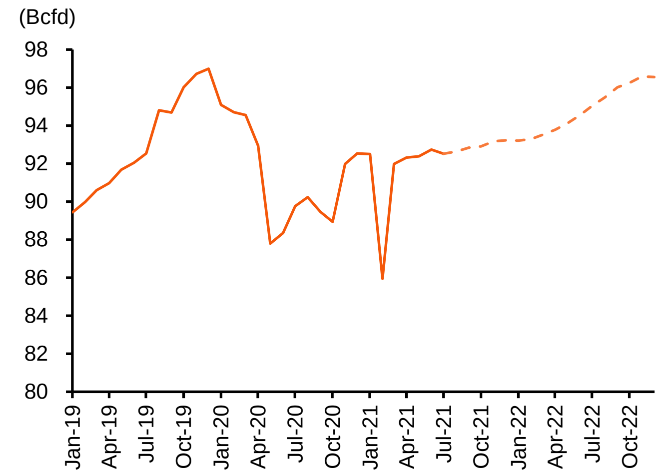


Source: Bloomberg

Slow production recovery and strong LNG exports growth are tightening US gas demand/supply balance

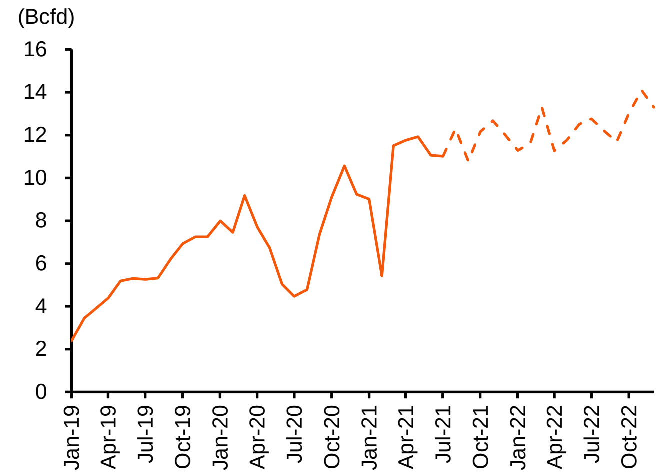
Production of natural gas in the US took a big hit in early 2020 as the pandemic began. Output has partially recovered since then but remains well below the pre-pandemic peak in late 2019. In fact, based on the EIA's forecast, production of dry natural gas is not expected to reach the pre-pandemic peak even by end 2022. At the same time, domestic consumption has recovered. More importantly, exports of natural gas — both as LNG and via pipelines to Mexico and Canada — have continued to grow exponentially. This growth is expected to continue in the coming years with more new LNG export terminals and pipelines being built.

Ex 13: US Dry Natural Gas Production



Source: EIA

Ex 14: US Net Exports Of LNG & Natural Gas Via Pipelines

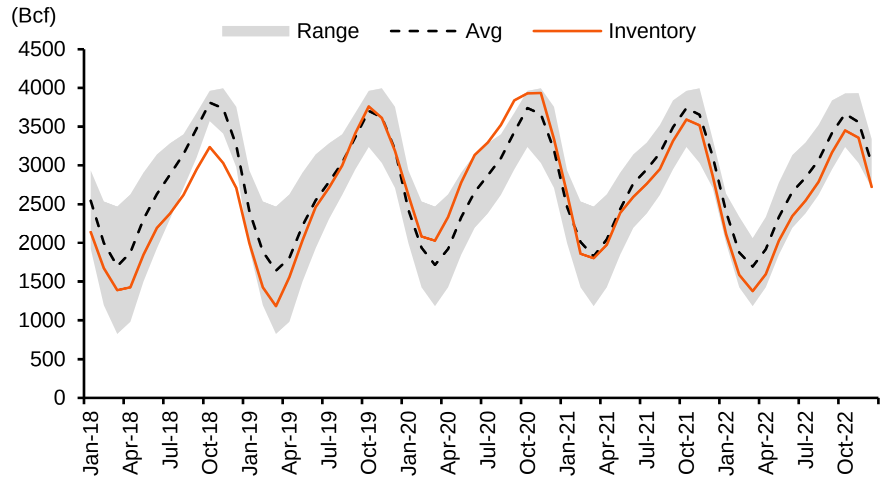


Source: EIA

The tight US gas market could drive prices toward $5/mmbtu this winter

As a result of limited production growth, the strong demand recovery and continued growth in natural gas exports, US natural gas inventory had fallen to 6% below the five-year average as of mid-August 2021. The EIA forecasts the storage level will remain well below average throughout the rest of 2021 and into 2022. In fact, the agency expects natural gas inventory to fall to a five-year minimum by the end of 2022. These low inventory levels will likely keep natural gas prices elevated, and we believe the price could reach $5/mmbtu this coming winter.

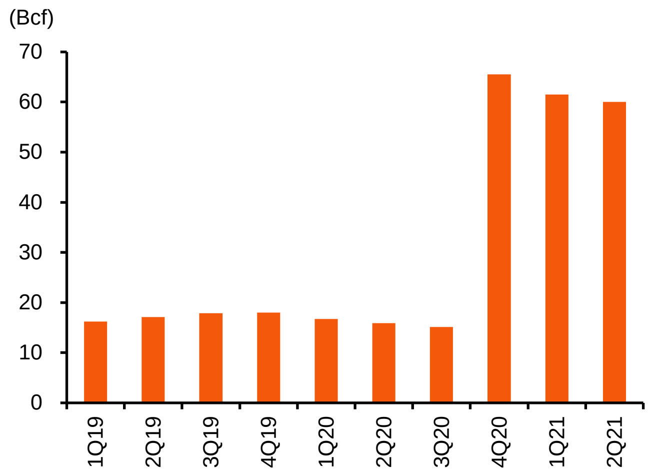
Ex 15: US Working Natural Gas In Underground Storage



Sources: EIA, Thanachart estimates

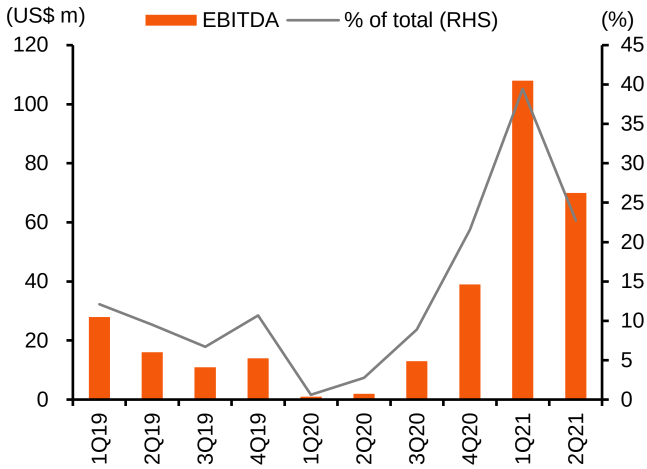
For BANPU, natural gas has become a major “third leg” for the company. Volume has more than tripled since the consolidation of Barnett shale in 4Q20 while rising price meant EBITDA has increased more than 5x from 2019 levels. Natural gas now makes up nearly a third of BANPU’s total EBITDA (1H21), up from about 10% in 2019.

Ex 16: BANPU’s US Gas Sales Volume



Sources: Company data, Thanachart estimates

Ex 17: BANPU’s US Gas EBITDA



Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 18: Valuation Comparison With Regional Peers

Company	Code	Country	EPS Growth 21F (%)	EPS Growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div. yield 21F (%)	Div. yield 22F (%)
New Hope Corp	NHC AU	Australia	13.1	86.7	10.9	5.8	0.9	0.9	5.6	3.9	6.8	9.9
Whitehaven Coal Ltd	WHC AU	Australia	na	na	na	6.6	0.7	0.7	15.8	3.9	0.0	3.1
China Shenhua Energy	601088 CH	China	21.5	(1.9)	7.2	7.4	0.9	0.9	3.5	3.6	8.9	8.4
Datong Coal Industry	601001 CH	China	na	(2.8)	5.7	5.9	1.4	1.1	2.8	2.9	na	na
Guizhou Panjiang Ref. Coal	600395 CH	China	28.7	20.2	12.2	10.1	2.1	2.0	5.0	5.1	4.4	4.4
Kailuan Energy	600997 CH	China	na	na	na	na	1.0	0.9	na	na	4.6	5.1
Pingdingshan Tianan Coal	601666 CH	China	68.3	13.4	8.5	7.5	1.2	1.1	6.8	6.2	7.1	7.7
Yang Quan Coal Industry	600348 CH	China	68.7	5.4	12.2	11.5	1.5	1.4	7.3	7.1	3.0	3.1
Yanzhou Coal Mining	600188 CH	China	59.3	(0.0)	7.6	7.6	1.3	1.2	5.8	6.1	7.0	6.7
China Coal Energy	1898 HK	Hong Kong	na	(10.0)	5.0	5.6	0.5	0.5	4.4	4.5	5.8	5.0
Indo Tambangraya Megah	ITMG IJ	Indonesia	na	(14.1)	6.3	7.3	1.3	1.3	2.5	2.9	8.1	12.5
Bukit Asam Tbk PT	PTBA IJ	Indonesia	39.2	(1.2)	7.3	7.4	1.3	1.2	4.2	4.2	6.1	8.2
Semirara Mining Corp.	SCC PM	Philippines	na	1.6	7.1	7.0	1.6	1.4	5.2	4.6	7.6	8.2
Banpu Pcl *	BANPU TB	Thailand	na	14.2	7.0	6.1	0.9	0.8	5.5	5.2	5.4	6.5
Average			**42.7**	**9.3**	**8.1**	**7.4**	**1.2**	**1.1**	**5.7**	**4.6**	**5.7**	**6.8**

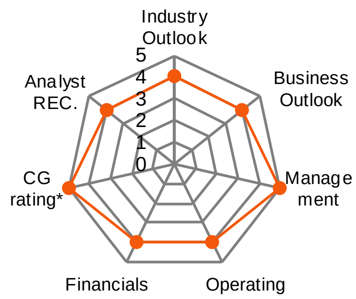
Sources: Bloomberg, * Thanachart estimates
Based on 19 August 2021 closing prices

COMPANY DESCRIPTION

Banpu Pcl (BANPU) is a leading regional energy company. It operates coal mines in Indonesia, Australia and China. It also has investments in the power businesses in Thailand, Laos, China and Japan. In recent years, the company has significantly expanded its footprint in US shale gas as well as invested in new energy businesses including battery (Durapower) and EV (Fomm).

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Reduced operating risk due to greater geographical diversification. It also has footprint across energy value chain.
- Operations more reliable than peers', which don't own port facilities and/or power plants.

W — Weakness

- Coal price volatility still impacts earnings though diversifications in recent years has greatly reduced BANPU's dependence on coal.
- Relatively high financial leverage.

O — Opportunity

- BANPU could look to grow its US shale gas business after having established a firm footing.
- New energy businesses such as lithium-ion battery and electric vehicles (EV) offer strong growth potential.

T — Threat

- Regulatory risk and environmental concerns.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	13.01	16.00	23%
Net profit 21F (Bt m)	9,206	9,171	0%
Net profit 22F (Bt m)	9,291	11,115	20%
Consensus REC	**BUY: 5**	**HOLD: 3**	**SELL: 6**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts are in line with the Bloomberg consensus in 2021F but 20% ahead in 2022F. We attribute this to our higher coal price assumption.
- Our TP is consequently 23% above the Street's.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A weaker-than-expected coal or gas price environment would present the key downside risk to our earnings and TP.
- Lower-than-expected growth in the power business would present a secondary downside risk to our TP.

Source: Thanachart

Strong earnings growth in 2021-22F driven by higher coal & gas prices

We do not see leverage as an issue despite relatively high D/E

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	85,718	71,332	101,050	106,552	103,642
Cost of sales	63,737	57,768	61,558	63,456	64,027
Gross profit	**21,981**	**13,564**	**39,492**	**43,096**	**39,616**
% gross margin	25.6%	19.0%	39.1%	40.4%	38.2%
Selling & administration expenses	21,059	17,128	21,015	22,222	21,925
Operating profit	**922**	**(3,564)**	**18,478**	**20,874**	**17,691**
% operating margin	1.1%	-5.0%	18.3%	19.6%	17.1%
Depreciation & amortization	10,535	13,543	15,623	17,764	19,312
EBITDA	**11,457**	**9,979**	**34,100**	**38,638**	**37,003**
% EBITDA margin	13.4%	14.0%	33.7%	36.3%	35.7%
Non-operating income	5,367	2,309	1,247	1,134	1,111
Non-operating expenses	(168)	(199)	(320)	(320)	(300)
Interest expense	(5,657)	(5,420)	(7,356)	(6,432)	(6,920)
Pre-tax profit	**463**	**(6,874)**	**12,049**	**15,257**	**11,583**
Income tax	2,436	269	4,820	6,103	4,633
After-tax profit	**(1,973)**	**(7,143)**	**7,229**	**9,154**	**6,950**
% net margin	-2.3%	-10.0%	7.2%	8.6%	6.7%
Shares in affiliates' Earnings	6,444	4,239	5,409	6,227	6,797
Minority interests	(1,905)	(1,217)	(3,468)	(4,266)	(3,653)
Extraordinary items	(2,962)	2,336	0	0	0
NET PROFIT	**(395)**	**(1,786)**	**9,171**	**11,115**	**10,094**
Normalized profit	**2,567**	**(4,122)**	**9,171**	**11,115**	**10,094**
EPS (Bt)	(0.1)	(0.3)	1.4	1.6	1.5
Normalized EPS (Bt)	0.4	(0.7)	1.4	1.6	1.5

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	41,095	47,301	48,736	50,354	49,628
Cash & cash equivalent	16,388	23,777	16,836	16,836	16,836
Account receivables	7,415	7,482	9,690	10,217	9,938
Inventories	4,782	3,935	5,060	5,216	5,262
Others	12,510	12,107	17,151	18,085	17,591
Investments & loans	49,711	51,389	54,501	58,225	58,841
Net fixed assets	58,796	77,523	82,015	95,981	95,814
Other assets	93,710	105,435	105,620	111,414	108,595
Total assets	**243,312**	**281,648**	**290,873**	**315,973**	**312,878**
LIABILITIES:					
Current liabilities:	47,026	66,405	44,184	47,596	44,870
Account payables	1,798	2,025	1,096	1,130	1,140
Bank overdraft & ST loans	13,716	24,856	14,059	15,127	14,002
Current LT debt	16,417	24,520	10,122	10,891	10,082
Others current liabilities	15,095	15,003	18,907	20,448	19,646
Total LT debt	**103,749**	**112,559**	**116,407**	**125,249**	**115,940**
Others LT liabilities	13,084	18,129	27,225	28,749	28,183
Total liabilities	**163,859**	**197,092**	**187,817**	**201,594**	**188,994**
Minority interest	18,286	22,211	25,679	29,945	33,598
Preferreds shares	0	0	0	0	0
Paid-up capital	5,162	5,075	6,766	6,766	6,766
Share premium	15,372	15,372	22,139	22,139	22,139
Warrants	0	0	0	0	0
Surplus	(25,675)	(19,348)	(19,348)	(19,348)	(19,348)
Retained earnings	**66,308**	**61,245**	**67,821**	**74,878**	**80,731**
Shareholders' equity	61,167	62,344	77,377	84,435	90,287
Liabilities & equity	**243,312**	**281,648**	**290,873**	**315,973**	**312,878**

Sources: Company data, Thanachart estimates

Capex likely to remain high…

…as BANPU continues to invest in greener energy

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	463	(6,874)	12,049	15,257	11,583
Tax paid	(2,587)	(543)	(4,621)	(6,162)	(4,603)
Depreciation & amortization	10,535	13,543	15,623	17,764	19,312
Chg In working capital	3,509	1,006	(4,261)	(650)	242
Chg In other CA & CL / minorities	(7,019)	7,560	4,071	6,894	6,458
Cash flow from operations	**4,901**	**14,692**	**22,860**	**33,102**	**32,992**
Capex	(8,995)	(32,269)	(20,000)	(31,600)	(19,000)
Right of use	0	(2,149)	(300)	(300)	(300)
ST loans & investments	0	0	0	0	0
LT loans & investments	251	(1,678)	(3,113)	(3,724)	(616)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	21,336	(4,767)	9,096	(4,099)	2,408
Cash flow from investments	**12,592**	**(40,863)**	**(14,316)**	**(39,723)**	**(17,508)**
Debt financing	428	30,596	(21,347)	10,678	(11,242)
Capital increase	0	(87)	8,458	0	0
Dividends paid	(3,613)	(2,030)	(2,595)	(4,057)	(4,242)
Warrants & other surplus	(17,885)	5,080	0	0	0
Cash flow from financing	**(21,070)**	**33,559**	**(15,484)**	**6,621**	**(15,484)**
Free cash flow	**(4,093)**	**(17,578)**	**2,860**	**1,502**	**13,992**

We see BANPU's current valuation as compelling

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	24.6	na	7.0	6.1	6.8
Normalized PE - at target price (x)	38.9	na	11.1	9.7	10.7
PE (x)	na	na	7.0	6.1	6.8
PE - at target price (x)	na	na	11.1	9.7	10.7
EV/EBITDA (x)	15.8	20.1	5.5	5.2	5.2
EV/EBITDA - at target price (x)	19.0	23.8	6.6	6.3	6.3
P/BV (x)	1.0	1.0	0.9	0.8	0.8
P/BV - at target price (x)	1.6	1.6	1.4	1.3	1.2
P/CFO (x)	12.9	4.3	2.8	2.1	2.1
Price/sales (x)	0.6	0.7	0.5	0.5	0.5
Dividend yield (%)	4.9	2.5	5.4	6.5	5.9
FCF Yield (%)	(6.5)	(28.1)	4.4	2.2	20.5
(Bt)					
Normalized EPS	0.4	(0.7)	1.4	1.6	1.5
EPS	(0.1)	(0.3)	1.4	1.6	1.5
DPS	0.5	0.2	0.5	0.7	0.6
BV/share	9.8	10.2	11.4	12.5	13.3
CFO/share	0.8	2.4	3.6	4.9	4.9
FCF/share	(0.7)	(2.8)	0.4	0.2	2.1

Sources: Company data, Thanachart estimates

Margin improvements to help drive ROE expansion

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(24.0)	(16.8)	41.7	5.4	(2.7)
Net profit (%)	na	na	na	21.2	(9.2)
EPS (%)	na	na	na	14.2	(9.2)
Normalized profit (%)	(74.4)	na	na	21.2	(9.2)
Normalized EPS (%)	(74.4)	na	na	14.2	(9.2)
Dividend payout ratio (%)	(783.6)	(85.2)	40.0	40.0	40.0
Operating performance					
Gross margin (%)	25.6	19.0	39.1	40.4	38.2
Operating margin (%)	1.1	(5.0)	18.3	19.6	17.1
EBITDA margin (%)	13.4	14.0	33.7	36.3	35.7
Net margin (%)	(2.3)	(10.0)	7.2	8.6	6.7
D/E (incl. minor) (x)	1.7	1.9	1.4	1.3	1.1
Net D/E (incl. minor) (x)	1.5	1.6	1.2	1.2	1.0
Interest coverage - EBIT (x)	0.2	na	2.5	3.2	2.6
Interest coverage - EBITDA (x)	2.0	1.8	4.6	6.0	5.3
ROA - using norm profit (%)	1.0	na	3.2	3.7	3.2
ROE - using norm profit (%)	3.6	na	13.1	13.7	11.6
DuPont					
ROE - using after tax profit (%)	na	na	10.3	11.3	8.0
- asset turnover (x)	0.3	0.3	0.4	0.4	0.3
- operating margin (%)	7.1	na	19.2	20.4	17.9
- leverage (x)	3.6	4.3	4.1	3.8	3.6
- interest burden (%)	7.6	472.7	62.1	70.3	62.6
- tax burden (%)	na	na	60.0	60.0	60.0
WACC (%)	7.9	7.9	7.9	7.9	7.9
ROIC (%)	(2.0)	(2.0)	5.5	6.2	4.8
NOPAT (Bt m)	(3,927)	(3,564)	11,087	12,524	10,615
invested capital (Bt m)	178,661	200,502	201,130	218,865	213,475

Sources: Company data, Thanachart estimates

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