

B.Grimm Power Pcl (BGRIM TB) - BUY, Price Bt42.5, TP Bt52

Results Comment

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Strong 2Q21's profit, much better-than-expected

- BGRIM reported a normalized profit at Bt840m, up 27% y-y and 35% q-q. The strong growth was driven mainly by stronger power demand from industrial users as their production getting recovered from easing Covid-19 impacts.
- Total revenue grew 2% y-y and 10% q-q to Bt11.5bn in 2Q21. The growth y-y was since higher electricity sold to IUs (from recovery of industrial activities and expanding customer base) more than offset a slight drop of volume sold to EGAT. The strong q-q growth was from lower maintenance days.
- Gross margin improved to 22.6% in 2Q21, from 22.3% in 1Q20 and 19.7% in 2Q20, thanks to a plant efficiency improvement program and a higher revenue mix from solar farms those outweighed negative impact from a rise in gas cost.
- A good cost control was another major earnings driver. Total SG&A fell 13% y-y (flat q-q) to Bt409m in 2Q21. Total SG&A-to-sales ratio thus came down to 3.6% this quarter, from 3.9% in 1Q21 and 4.2% in 2Q20, given a much stronger revenue.
- BGRIM announces Bt0.15/share interim dividend with an XD date of 26 August with a payment date on 10 September 2021.
- We foresee some upside to our earnings forecast this year as its 1H21's profit already made up 53% of our number, while we expect BGRIM's earnings to still be strong in 2H21F from rising electricity sold to IU and contribution from upcoming M&As.
- We maintain BUY.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	11,243	11,186	10,435	10,453	11,475	Revenue	10	2	48	45,521	51,910
Gross profit	2,210	2,449	2,267	2,326	2,590	Gross profit	11	17	50	9,776	11,918
SG&A	470	478	599	411	409	SG&A	(0)	(13)	42	1,960	2,261
Operating profit	1,740	1,972	1,667	1,915	2,181	Operating profit	14	25	52	7,816	9,657
EBITDA	3,144	3,377	3,061	3,227	3,499	EBITDA	8	11	51	13,181	15,691
Other income	76	40	42	28	45	Other income	63	(41)	28	259	295
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	731	738	820	889	715	Interest expense	(20)	(2)	48	3,347	3,966
Profit before tax	1,085	1,274	889	1,054	1,511	Profit before tax	43	39	54	4,728	5,986
Income tax	20	59	100	110	128	Income tax	16	523	50	473	599
Equity & invest. income	27	(10)	15	50	(9)	Equity & invest. income	na	na	98	42	27
Minority interests	(428)	(500)	(287)	(370)	(534)	Minority interests	na	na	58	(1,546)	(1,982)
Extraordinary items	696	(547)	59	(13)	181	Extraordinary items	na	(74)	na	0	0
Net profit	1,360	158	576	611	1,021	Net profit	67	(25)	59	2,751	3,433
Normalized profit	663	705	517	624	840	Normalized profit	35	27	53	2,751	3,433
EPS (Bt)	0.52	0.06	0.22	0.23	0.39	EPS (Bt)	67	(25)	59	1.06	1.32
Normalized EPS (Bt)	0.25	0.27	0.20	0.24	0.32	Normalized EPS (Bt)	35	27	53	1.06	1.32

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21		2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	20,872	20,334	20,389	21,764	23,505	Sales grow th	3.5	(4.8)	(7.3)	(6.9)	2.1
A/C receivable	7,485	7,448	6,818	5,589	8,280	Operating profit grow th	5.8	(1.1)	15.0	3.4	25.3
Inventory	1,035	1,037	1,033	1,079	1,109	EBITDA grow th	14.3	2.6	10.5	1.3	11.3
Other current assets	1,592	1,578	1,638	1,686	1,595	Norm profit grow th	34.4	0.7	21.8	(7.4)	26.6
Investment	1,364	1,247	1,070	1,079	1,099	Norm EPS grow th	34.4	0.7	21.8	(7.4)	26.6
Fixed assets	76,888	78,326	80,300	81,341	82,687	Gross margin	19.7	21.9	21.7	22.3	22.6
Other assets	16,930	17,008	19,447	20,612	20,872	Operating margin	15.5	17.6	16.0	18.3	19.0
Total assets	126,167	126,978	130,696	133,151	139,147	EBITDA margin	28.0	30.2	29.3	30.9	30.5
S-T debt	3,379	11,086	20,785	20,606	17,434	Norm net margin	5.9	6.3	5.0	6.0	7.3
A/C payable	18,904	11,843	5,641	6,444	6,085	D/E (x)	1.7	1.9	2.0	1.9	2.1
Other current liabilities	520	411	567	1,207	597	Net D/E (x)	1.2	1.3	1.5	1.4	1.5
L-T debt	60,273	59,669	58,361	58,473	68,066	Interest coverage (x)	4.3	4.6	3.7	3.6	4.9
Other liabilities	6,315	6,225	6,038	5,275	5,894	Interest rate	4.5	4.4	4.4	4.5	3.5
Minority interest	10,030	10,563	11,834	12,170	12,282	Effective tax rate	1.9	4.6	11.2	10.4	8.4
Shareholders' equity	26,746	27,181	27,470	28,975	28,788	ROA	2.1	2.2	1.6	1.9	2.5
Working capital	(10,384)	(3,358)	2,210	225	3,305	ROE	9.9	10.5	7.6	8.8	11.6
Total debt	63,652	70,756	79,146	79,080	85,500						
Net debt	42,780	50,422	58,756	57,316	61,995						

Sources: Company data, Thanachart estimates

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