

## Energy Absolute Pcl (EA TB) - BUY, Price Bt58.75, TP Bt95

## Results Comment

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## Weaker-than-expected 2Q21's profit

- EA reported normalized profit at Bt1.17bn in 2Q21, up 2% y-y but down 15% q-q, lower than our expectation. The miss was due to weak biodiesel volume sale during the Covid-19 pandemic and lower-than-expected output from its solar farms.
- Biodiesel:** Profit contribution fell to Bt70m in 2Q21 (down 45% y-y but up 30% q-q) as sale volume dropped 14% y-y and 2% q-q, due to lower economic activities and travelling during the Covid-19 lockdown. An improvement q-q was from higher ASP, thanks to a tighter palm oil market.
- Renewables:** Profit improved 3% y-y to Bt1.7bn since higher output from wind farms more than offset lower generation from its solar farms this year, given a higher rainfall. The drop q-q was a seasonal impact of lower windspeed.
- Overhead cost from headquarters and loss contribution from new businesses was at Bt640m, lower 3% y-y given PCM business started to generate revenue since 4Q20. However, it increased 12% q-q due to higher costs for preparation of EV and battery businesses, both to start operations in 4Q21F.
- We see some downside to our earnings forecast this year, since its 1H21's profit made up only 43% of our projection.
- Having said that, we maintain our bullish view on EA and expect strong catalysts on its share price in 2H21F from 1) stronger earnings from high-season of wind power output and 2) commencing operations of its battery and E-bus production plants in 4Q21F.

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	4,128	3,773	4,446	4,703	4,923	Revenue	5	19	38	25,342	41,384
<b>Gross profit</b>	<b>1,884</b>	<b>1,730</b>	<b>2,131</b>	<b>2,146</b>	<b>1,823</b>	<b>Gross profit</b>	<b>(15)</b>	<b>(3)</b>	<b>44</b>	<b>9,078</b>	<b>12,808</b>
SG&A	392	268	330	367	312	SG&A	(15)	(21)	47	1,435	2,406
Operating profit	1,492	1,462	1,801	1,779	1,511	Operating profit	(15)	1	43	7,643	10,402
<b>EBITDA</b>	<b>2,245</b>	<b>2,144</b>	<b>2,515</b>	<b>2,470</b>	<b>2,233</b>	<b>EBITDA</b>	<b>(10)</b>	<b>(1)</b>	<b>40</b>	<b>11,701</b>	<b>14,943</b>
Other income	47	28	15	4	12	Other income	213	(75)	30	51	83
Other expense						Other expense			na		
Interest expense	408	421	375	391	379	Interest expense	(3)	(7)	48	1,608	1,483
<b>Profit before tax</b>	<b>1,132</b>	<b>1,068</b>	<b>1,441</b>	<b>1,392</b>	<b>1,144</b>	<b>Profit before tax</b>	<b>(18)</b>	<b>1</b>	<b>42</b>	<b>6,086</b>	<b>9,001</b>
Income tax	7	4	(30)	38	12	Income tax	(68)	74	82	61	90
Equity & invest. income	(2)	(3)	(42)	(25)	(8)	Equity & invest. income	na	na	67	(50)	(50)
Minority interests	30	33	59	51	50	Minority interests	(3)	68	(158)	(64)	(1,023)
Extraordinary items	(3)	25	(4)	32	17	Extraordinary items	(47)	na	na		
<b>Net profit</b>	<b>1,149</b>	<b>1,119</b>	<b>1,484</b>	<b>1,412</b>	<b>1,191</b>	<b>Net profit</b>	<b>(16)</b>	<b>4</b>	<b>44</b>	<b>5,911</b>	<b>7,839</b>
<b>Normalized profit</b>	<b>1,153</b>	<b>1,094</b>	<b>1,488</b>	<b>1,380</b>	<b>1,174</b>	<b>Normalized profit</b>	<b>(15)</b>	<b>2</b>	<b>43</b>	<b>5,911</b>	<b>7,839</b>
EPS (Bt)	0.31	0.30	0.40	0.38	0.32	EPS (Bt)	(16)	4	44	1.58	2.10
Normalized EPS (Bt)	0.31	0.29	0.40	0.37	0.31	Normalized EPS (Bt)	(15)	2	43	1.58	2.10

  

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21		2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	4,940	3,566	2,951	4,535	4,211	Sales grow th	14.2	(8.0)	8.9	(0.6)	19.3
A/C receivable	2,310	2,095	2,750	2,456	2,590	Operating profit grow th	(9.3)	(30.4)	(12.6)	0.2	1.3
Inventory	903	743	833	1,010	1,588	EBITDA grow th	(1.1)	(22.9)	(8.9)	4.9	(0.5)
Other current assets	628	792	855	880	775	Norm profit grow th	(13.1)	(37.9)	(12.9)	(0.9)	1.9
Investment						Norm EPS grow th	(13.1)	(37.9)	(12.9)	(0.9)	1.9
Fixed assets	53,701	55,029	55,857	57,115	57,542	Gross margin	45.6	45.8	47.9	45.6	37.0
Other assets	13,386	15,024	15,238	15,023	15,124	Operating margin	36.1	38.7	40.5	37.8	30.7
<b>Total assets</b>	<b>75,867</b>	<b>77,249</b>	<b>78,484</b>	<b>81,018</b>	<b>81,830</b>	EBITDA margin	54.4	56.8	56.6	52.5	45.4
S-T debt	9,410	5,958	11,982	10,734	9,180	Norm net margin	27.9	29.0	33.5	29.3	23.8
A/C payable	1,089	172	373	305	553	D/E (x)	1.6	1.3	1.5	1.4	1.4
Other current liabilities	347	6,288	1,210	1,893	1,212	Net D/E (x)	1.4	1.2	1.4	1.2	1.2
L-T debt	33,814	32,105	31,090	32,630	34,657	Interest coverage (x)	5.5	5.1	6.7	6.3	5.9
Other liabilities	4,201	4,259	4,203	4,268	4,295	Interest rate	3.8	4.1	3.7	3.6	3.5
Minority interest	1,574	1,828	1,815	1,941	2,646	Effective tax rate	0.6	0.4	(2.1)	2.7	1.1
<b>Shareholders' equity</b>	<b>25,433</b>	<b>26,640</b>	<b>27,812</b>	<b>29,248</b>	<b>29,287</b>	ROA	6.2	5.7	7.6	6.9	5.8
Working capital	2,124	2,666	3,211	3,161	3,625	ROE	18.3	16.8	21.9	19.4	16.0
Total debt	43,225	38,063	43,072	43,364	43,837						
<b>Net debt</b>	<b>38,285</b>	<b>34,497</b>	<b>40,121</b>	<b>38,829</b>	<b>39,626</b>						

Sources: Company data, Thanachart estimates

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