BUY (From: SELL)

Change in Recommendation

TP: Bt 80.00 (From: Bt 75.00)

Upside : 15.5%

18 MAY 2021

Global Power Synergy (GPSC TB)

A good entry point

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We upgrade GPSC to BUY as we believe its current share price only reflects the value of its existing projects, while we see upside from its more aggressive investment plan in renewables and potential growth from its Li-ion battery business. We lift our TP to Bt80 after factoring the value of these two new businesses into our numbers.

Clear growth direction

GPSC has become attractive to us after its 19% share price fall from this year's peak. We upgrade our rating to BUY (from Sell), and lift our SOTP-based 12-month TP to Bt80 (from Bt75) as we factor in the value from its two new sources of growth. *First,* after the shareholding restructuring within the PTT Group, we believe GPSC is now fully geared up as a utility flagship to accumulate carbon credits for the group by aggressively expanding renewable capacity. *Second,* its new S-curve business of Li-ion battery production is taking off, with a boost from an investment in its partner's battery plant in China. These outweigh the negative from our near-term earnings cuts to reflect the impact from a rise in fuel costs and a lower stake in its renewable entity.

Renewable flagship for PTT Group

We expect GPSC to be more aggressive in acquiring renewable plants after it sold 50% of its stake in Global Renewable Power (GRP) to PTT Pcl (PTT, HOLD, Bt40.00) last year to improve GRP's finances. We assume GRP to ramp up capacity to 4GW in 2031F (2GW on GPSC's stake), more conservative than GRP's target of 7-8GW. Our assumption implies GPSC operates total capacity of 5.9GW in 2031F, of which 41% is from renewables. We estimate a Bt5.2/share value from this investment plan to GPSC. GRP's near-term targets are solar and wind farms in Taiwan and Vietnam, before aiming for a new potential market from power generation growth in Myanmar in later years.

Strong battery partnership with 24M

We include Bt6.1/share of value from the Li-ion battery business in our TP, based on assumptions that 1) GPSC's 100%-owned G-Cell battery plant in Thailand can lift capacity from 1GWh to 6GWh over 2023-30F to serve EV fleets for the PTT Group and develop energy storage systems (ESS) for its renewable plants, and 2) AXXIVA's plant capacity in China (11% owned) expands to 4GWh in 2025F (from 1GWh in 2022F) backed by growing EV sales by its major client, Chery Automobile. We expect shared knowhow from AXXIVA to help accelerate development of the G-Cell plant, while the partnership also provides growth potential for GPSC should Chery decide to penetrate the Thai EV market.

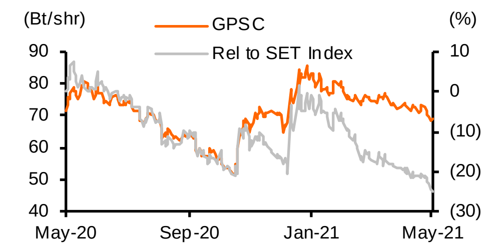
Earnings revisions

We lower our earnings for GPSC by 3% over 2021-22F on 1) the impact from higher coal and gas prices on the margins of electricity sold to industrial users (20% of total capacity) and 2) lower profit contributions from 45MW of solar farms under GRP after it divested 50% of its stake in GRP to PTT. After the cuts, we still expect GPSC to post a 14% EPS CAGR over 2020-23F, driven by recovering power demand and falling interest costs.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	69,578	74,269	70,150	77,476
Net profit	7,508	8,870	9,573	11,116
Consensus NP	—	8,562	8,961	9,442
Diff frm cons (%)	—	*3.6*	*6.8*	*17.7*
Norm profit	7,509	8,870	9,573	11,116
Prev. Norm profit	—	9,171	9,884	10,165
Chg frm prev (%)	—	*(3.3)*	*(3.2)*	*9.4*
Norm EPS (Bt)	2.7	3.1	3.4	3.9
Norm EPS grw (%)	50.3	18.1	7.9	16.1
Norm PE (x)	26.0	22.0	20.4	17.6
EV/EBITDA (x)	14.5	13.5	12.9	12.2
P/BV (x)	1.9	1.8	1.8	1.7
Div yield (%)	2.2	2.7	2.9	3.4
ROE (%)	7.4	8.5	8.8	9.8
Net D/E (%)	84.0	75.1	68.3	78.7

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 18-May-21 (Bt)	69.25
Market Cap (US$ m)	6,205.4
Listed Shares (m shares)	2,819.7
Free Float (%)	24.8
Avg Daily Turnover (US$ m)	28.9
12M Price H/L (Bt)	85.75/51.75
Sector	Utilities
Major Shareholder	PTT Group 75.23%

Sources: Bloomberg, Company data, Thanachart estimates

Thanachart Securities

A good entry point

We upgrade GPSC to BUY on growth potential from its two new projects

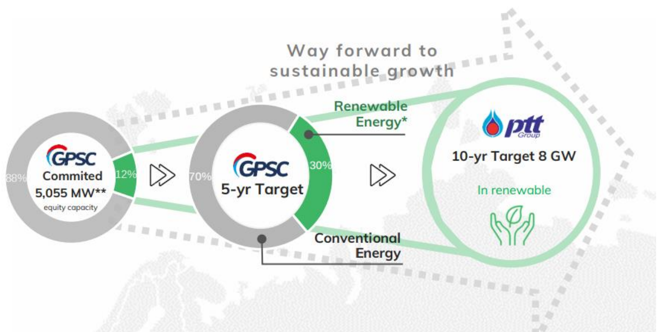
We upgrade our recommendation on shares of Global Power Synergy Pcl (GPSC) to BUY (from Sell). This is because we believe its current market price only reflects the value of its existing business, while we foresee strong growth potential from GPSC's two new projects.

- **First,** as an investment arm for the PTT Group in utility and renewable power, we assume GPSC acquires (or develops) a total of 2GW of renewable capacity via its 50% stake in Global Renewable Power (GRP) over the next 10 years (2021-30F), leveraging on the global trend to increase the portion of renewable sources for electricity generation. This implies a Bt5.2/share contribution to our SOTP valuation.
- **Second,** since its 30MWh pilot plant for Li-ion battery manufacturing (based on battery technology from 24M Technologies Inc.) is targeted to start full production next month, we also factor a value of Bt6.1/share from this Li-ion battery business into our TP. This includes the value of its 11% stake in Anhui Axxiva New Energy Technology Co., Ltd. (AXXIVA), another licensor of 24M's technology, which is constructing a 1GWh Li-ion battery production plant to serve the EV market in China.

We lift our TP to Bt80 after factoring in the value from its new businesses

Our DCF-derived SOTP-based 12-month TP, using a 2021F base year, for GPSC is raised to Bt80/share (from Bt75 previously) after we factor the value of the two above-mentioned projects into our valuation. This is despite our earnings cuts of 3% p.a. over 2021-22F which reflect the negative impact from higher fuel costs on its operational power plants and a lower stake in renewable projects after the divestment of 50% of its holding in GRP to its parent, PTT Pcl (PTT, HOLD, Bt40.00) late last year.

Ex 1: PTT Group Targets 8GW Of Renewable Capacity



Source: Company data

Ex 2: Li-ion Battery Business Based On 24M's Technology

Source: Company data

Ex 3: Breakdown Of Our 2021F SOTP Valuation

	Method	WACC	Bt/share
Power plants under subsidiaries (-IPPs, 6SPPs, 1 hydropower, 5 solar farms)	DCF	6.4%	56.5
Projects invested in with associates (1IPP, 2SPPs, 2 hydropower, TSR, GRP)	DCF	4.8 - 7.1%	12.3
Li-ion battery business (G-Cell, AXXIVA)	DCF	8.0%	6.1
Potential renewable projects under GRP	DCF	10.0%	5.2
Total			**80.0**

Source: Thanachart estimates

Renewable flagship for PTT Group

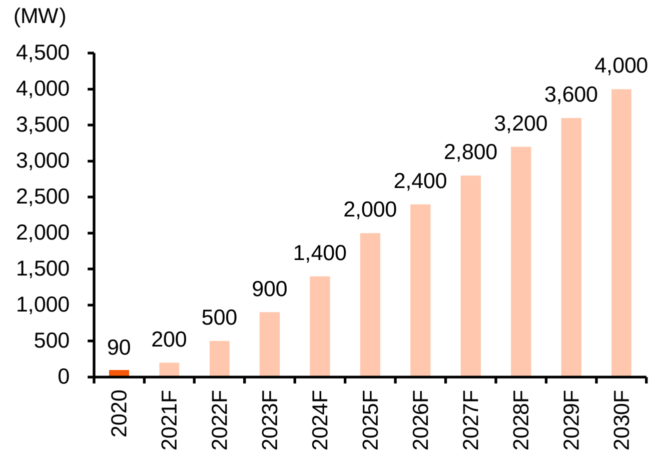
Aggressive investment plan in renewable power via 50% stake in GRP

In line with PTT Group's plan to expand renewable capacity to 8GW of electricity generation by 2031, GPSC sold 50% of its stake in its renewable investment entity, Global Renewable Power (GRP), to its parent, PTT Pcl (PTT TB, HOLD, Bt40.00), in late 2020. This was to strengthen the financial capability of GRP to accelerate acquisitions. We believe this aggressive investment plan by the PTT Group is to prepare itself for upcoming global emission regulations and carbon credit requirements, based on the Kyoto Protocol, as most of the group's business is linked to fossil-based fuels, which are considered as dirty sources of energy since they generate greenhouse gases. GRP now has two renewable projects in its portfolio, 1) 40MW of solar farms in Thailand and 2) 50MW of solar farms in Taiwan. This implies 45MW of equity capacity based on GPSC's 50% stake in GRP.

Assuming GRP has 4GW of capacity by 2031, we value it at Bt5.2/share

We take a conservative view by assuming that GRP can only raise capacity to 4GW in 2031 (2GW based on GPSC's equity stake), vs. its target of 7-8GW, since we don't expect there to be any new sizable domestic projects in the near future given Thailand's currently high excess capacity while there is also strong acquisition demand for renewable plants in the regional market. Based on our projected capacity growth pace as shown in Exhibit 4, we estimate an additional value of Bt5.2/share to GPSC from its stake in this mega-investment plan of the PTT Group. GPSC mentions Taiwan, Thailand, and Vietnam as being its key focus markets to search for potential solar and wind power project acquisitions. Later on, GPSC foresees strong growth prospects for the renewable market in Myanmar given that the country's electricity generation is currently insufficient, despite the current political uncertainty there likely preventing this market from booming within the next few years.

Ex 4: Our Assumed Capacity Expansion Pace For GRP



Sources: Company data, Thanachart estimates

Ex 5: Current Capacity Under GRP

Project	Location	Type	Equity capacity (MW)
TH - Solar adders	Thailand	Solar	3.6
TH - Solar FIT Bt5.66/kWh	Thailand	Solar	35.9
Sheng Yang Energy	Taiwan	Solar	50.2
Total equity capacity			**89.7**

Source: Company data

Strong battery partnership with 24M

Our TP assumes Bt6.1/share from the Li-ion battery business

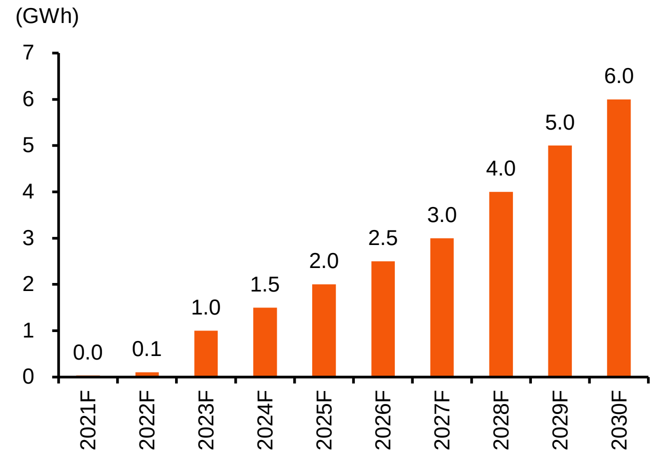
We factor a Bt6.1/share value from GPSC's Li-ion battery business into our valuation, slightly ahead of its initial commercial production date.

GPSC targets 30MWh of battery manufacturing capacity using semi solid-state Li-ion battery design from 24M Technologies Inc. (24M), where GPSC has been granted the rights to produce and distribute the technology in ASEAN via its 24% stake in 24M, to commence full operations next month (June 2021). This would be a pilot project to verify the commercial-scale production for the technology and to develop "G-Cell" batteries to serve applications for electric vehicles (EV), EV charging stations and energy storage systems (ESS) for renewable plants. GPSC plans to expand the plant's capacity to at least 100MWh later this year.

8GWh G-Cell battery plant to serve domestic EV and energy storage market

We assume GPSC builds and expands a commercial-scale "G-Cell" Li-ion battery production plant from 1GWh in 2023F to 6GWh in 2030F. We believe this supply could be taken up by captive EV fleets for the PTT Group and the installation of solar rooftops plus energy storage systems at PTT's gas stations. For external customers, we consider GPSC to be an early player in the Li-ion battery market in Thailand. Therefore, we expect it to be able to secure partnerships with foreign EV makers settling up their production hubs in Thailand and to supply Li-ion batteries to them. The potential of the Li-ion battery market is fully supported by the government's policy to promote battery and EV production as new S-curve drivers for Thailand.

Ex 6: Our G-Cell Plant Capacity Assumptions



Source: Thanachart estimates

Ex 7: Construction Of G-Cell Pilot Plant Near Completion

Source: Company data

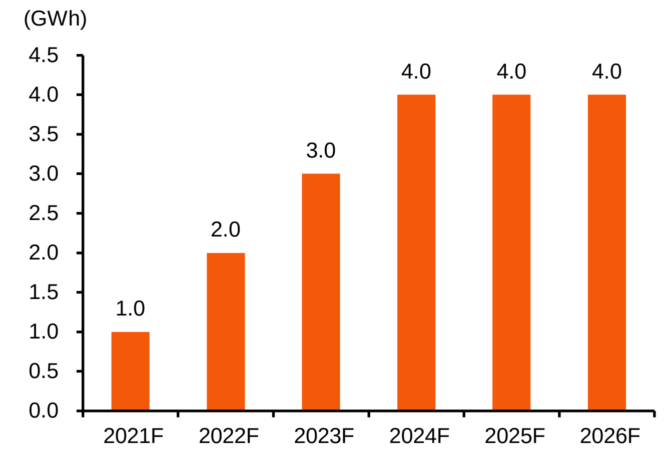
Investment in an 11% stake in AXXIVA's battery plant in China

GPSC also holds an 11% stake in Anhui Axxiva New Energy Technology Co., Ltd. (AXXIVA). AXXIVA, as another major investor in 24M, has the right to manufacture and distribute 24M's battery technology in China. Its first commercial battery production plant with 1GWh of capacity is under construction and it is scheduled to commence operations in 1H22. AXXIVA focuses on supplying Li-ion batteries to the EV market in China. We assume AXXIVA's capacity expands to 4GWh in 2025F, which could serve the production of 80k electric passenger cars per year. We believe this expansion could be supported by growing EV demand in China and its major client, Chery Automobile (Chery), gaining market share.

Key client is an EV maker in China

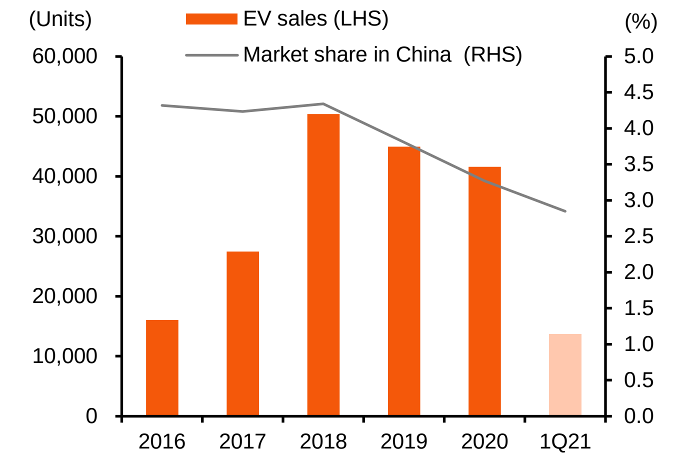
Chery has been operating in the China automotive market for more than 20 years and it started to penetrate the EV market there in 2016. Chery sold 41.6k EV cars in 2020, contributing 8% of its total unit sales and equating to a 3% share of China's EV market. That implies a 27% CAGR of unit sales over the past five years (2016-20). Chery's EV portfolio covers compact cars, sedans and SUV models.

Ex 8: AXXIVA's Battery Plant Capacity Assumptions



Source: Thanachart estimates

Ex 9: Chery's EV Sales



Source: Carsalesbase.com

Ex 10: Chery's Models Cover The Full Range Of The Electric Passenger Car Market

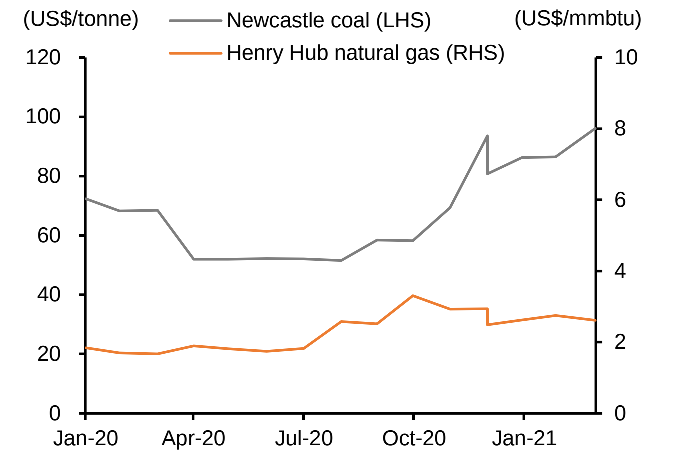
Source: Chery Automobile

Earnings revisions

4% earnings cuts in 2021-22F on higher fuel costs and lower stake in GRP

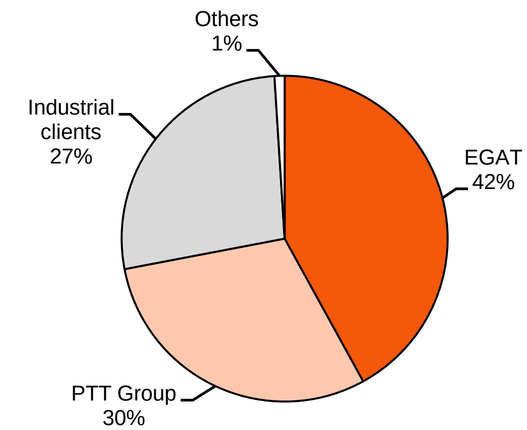
We lower our earnings estimates for GPSC by 3% p.a. over 2021-22F to reflect rising prices of natural gas and coal, which are its two major fuel inputs. Higher fuel costs would hit the margins of its electricity and steam sales to industrial users, which contribute nearly 50% of its total revenue. The divestment of 50% of its stake in GRP is another reason for our earnings cuts as GPSC would now realize profit from the projects as equity income and no longer consolidate GRP into its balance sheet. Despite the downward revisions, we still estimate GPSC to deliver an EPS CAGR of 14% over 2020-23F, driven by a recovery of electricity and steam demand from industrial users after the COVID-19 crisis subsides, new capacity coming online scheduled for 2023, and declining interest expenses as GPSC continues to lower its gearing to below its target level of a 1.0x net debt-to-equity ratio.

Ex 11: Coal And Gas Prices



Sources: Bloomberg

Ex 12: GPSC's Revenue Breakdown (2020)



Source: Company data, Thanachart estimates

Ex 13: Our 12-month DCF-derived Valuation Plus Potential Capacity

(Bt m)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal value
EBITDA excl. depre from right of use	20,792	21,465	24,062	25,441	23,817	23,024	23,199	23,185	22,953	21,814	21,572	20,996	—
Free cash flow	12,021	7,698	(7,466)	10,924	19,405	18,897	18,563	18,555	18,583	17,685	17,294	16,591	344,046
PV of free cash flow	11,988	6,852	(6,269)	8,652	14,499	12,980	11,977	11,243	10,577	9,455	8,685	7,431	154,103

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.9
WACC (%)	6.0
Terminal growth (%)	2.0
Enterprise value - add investments	262,173
Net debt (2020)	93,943
Minority interest	8,966
Equity value	159,264
# of shares (m)	2,820
Valuation/share (Bt)	**56.5**

	Valuation method	WACC	Equity value (Bt m)	Value per share (Bt)
Plus associates				
BIC	DCF	5.1%	2,223	0.8
TSR/SSE	DCF	6.4%	1,717	0.6
NNEG	DCF	4.9%	6,255	2.2
GRP	DCF	7.1%	2,672	0.9
NL1PC	DCF	6.0%	2,101	0.7
RPCL	DCF	4.8%	155	0.1
XPCL	DCF	5.2%	19,498	6.9
Total			**34,622**	**12.3**
Plus potential				
24M Li-ion battery	DCF	8.0%	17,073	6.1
Renewable projects	DCF	10.0%	14,628	5.2
Total			**31,701**	**11.2**
Grand total				**80.0**

Source: Thanachart estimates

Valuation Comparison

Ex 14: Comparison With Regional Peers

Name	BBG 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 (%)
Datang International Power	991 HK	China	22.4	17.6	7.9	6.7	0.5	0.5	8.7	8.3	8.6	9.8
Huadian Power	1071 HK	China	10.0	6.4	5.8	5.4	0.4	0.4	8.1	7.8	8.1	8.6
Huaneng Power	600011 CH	China	(7.1)	17.9	9.4	8.0	0.7	0.7	8.3	7.5	4.6	5.2
Cheung Kong Infrastructure	1038 HK	Hong Kong	9.7	2.1	13.2	13.0	1.0	1.0	40.8	39.9	5.2	5.3
China Power Int'l	2380 HK	Hong Kong	7.6	14.1	8.5	7.5	0.5	0.5	9.4	8.2	6.4	6.8
China Resources Power	836 HK	Hong Kong	17.6	12.9	5.0	4.4	0.5	0.5	5.6	5.1	7.9	8.8
CLP Holdings	2 HK	Hong Kong	7.0	4.2	16.5	15.8	1.7	1.6	10.8	10.1	4.0	4.1
Hongkong Electric Holdings	6 HK	Hong Kong	5.5	1.9	15.4	15.2	1.2	1.2	73.7	73.8	5.9	5.9
Huaneng Power	902 HK	Hong Kong	(3.3)	17.3	6.5	5.5	0.4	0.4	8.0	7.4	7.3	8.0
Tata Power	TPWR IN	India	17.6	26.3	21.8	17.3	1.5	1.5	9.2	8.8	1.4	1.4
Tenaga Nasional	TNB MK	Malaysia	10.2	4.1	11.8	11.4	1.0	1.0	6.8	6.7	5.4	5.6
YTL Corp	YTL MK	Malaysia	(73.7)	na	142.0	32.3	0.6	0.6	12.5	11.3	4.8	4.9
YTL Power	YTLP MK	Malaysia	34.2	9.8	13.8	12.6	0.5	0.5	10.3	10.2	4.3	5.5
Manila Electric	MER PM	Philippines	11.3	(2.5)	13.3	13.7	3.3	3.1	8.1	8.1	5.0	5.2
Absolute Clean Energy *	ACE TB	Thailand	18.8	84.4	23.4	12.7	3.3	2.9	18.8	10.7	1.7	3.9
BCPG Pcl *	BCPG TB	Thailand	(14.3)	3.4	20.2	19.6	1.4	1.4	16.4	17.4	2.3	2.3
B.Grimm Power Pcl *	BGRIM TB	Thailand	20.2	23.0	33.1	26.9	3.6	3.4	14.2	12.9	1.5	1.9
Banpu Power Pcl *	BPP TB	Thailand	10.2	12.4	14.5	12.9	1.3	1.2	208.9	157.3	4.1	4.6
CK Power Pcl *	CKP TB	Thailand	401.7	5.8	22.6	21.4	1.8	1.7	15.2	15.7	1.8	2.3
EA Pcl*	EA TB	Thailand	15.3	32.6	37.1	28.0	6.8	5.8	22.2	17.1	0.8	1.1
Electricity Generating *	EGCO TB	Thailand	22.6	9.6	8.1	7.4	0.8	0.7	15.9	13.9	3.9	4.1
Global Power Synergy *	GPSC TB	Thailand	18.1	7.9	22.0	20.4	1.8	1.8	13.5	12.9	2.7	2.9
Gulf Energy Dev. Pcl *	GULF TB	Thailand	42.7	21.1	57.6	47.6	5.1	4.9	47.6	40.4	1.0	1.3
Gunkul Engineering *	GUNKUL TB	Thailand	34.5	22.0	17.7	14.5	2.6	2.3	16.9	15.0	2.8	3.5
RATCH Group *	RATCH TB	Thailand	26.6	5.7	10.5	9.9	1.1	1.1	16.3	15.6	5.7	6.1
SPCG Pcl*	SPCG TB	Thailand	(8.1)	(19.9)	7.5	9.4	1.1	1.0	4.8	4.9	6.0	4.8
TPC Power Holding *	TPCH TB	Thailand	127.3	1.2	9.2	9.1	1.4	1.3	6.0	5.2	1.6	1.6
WHA Utilities & Power *	WHAUP TB	Thailand	47.9	24.5	14.1	11.3	1.3	1.3	31.3	26.8	4.3	5.3
Average			**29.7**	**13.6**	**21.0**	**15.0**	**1.7**	**1.6**	**23.9**	**20.7**	**4.3**	**4.7**

Sources: Bloomberg, * Thanachart estimates
Based on 18 May 2021 closing prices

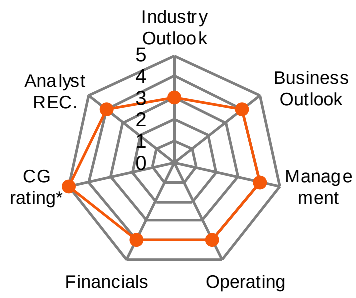
COMPANY DESCRIPTION

Established in January 2013, Global Power Synergy Company Ltd (GPSC) emerged from the amalgamation of PTTUT and IPT as PTT Group's power flagship. GPSC generates and distributes electricity, steam and processed water, and serves customers in Thailand. Before the acquisition of GLOW's assets in March 2019, the company had 2.2GW of power capacity in hand, 1,760tph of steam, and 12,000 and 2,080 cubic meters per hour of chilled and demineralized water.

.

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

- Growing along with PTT Group's expansion.
- Access to low financing costs as part of PTT Group.
- Strong balance sheet providing ability and flexibility to fund new investments.

W — Weakness

- No direct experience in investing abroad.
- Late player in the renewable segment.

O — Opportunity

- Expansion into neighboring countries' power industries.
- M&As in the renewable power segment, both in domestic market and overseas.

T — Threat

- Thailand's high reserve margin and EGAT's own planned generation look as if they will last longer than the market had earlier anticipated.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	86.32	80.00	-7%
Net profit 21F (Bt m)	8,562	8,870	4%
Net profit 22F (Bt m)	8,961	9,573	7%
Consensus REC	**BUY: 11**	**HOLD: 6**	**SELL: 3**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts are 4-7% higher than the Bloomberg consensus numbers, likely because we are more positive on the recovery power demand post COVID-19.
- However, our SOTP-based TP is 7% lower than the Street's, which we believe is due to us having more conservative assumptions on the growth potential of GPSC's new businesses.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the investment pace and rate of return from asset acquisitions and new projects are slower or smaller than our assumptions, this would represent the key downside risk to our call.
- Faster upward movements in coal and gas prices, which are key fuel input costs for GPSC, are a secondary downside risk to our forecasts.
- If the fuel-adjustment tariff (Ft) comes lower than our current projections, this would be another secondary downside risk.

Source: Thanachart

Decent earnings growth from new capacity and cost-saving measures

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	66,562	69,578	74,269	70,150	77,476
Cost of sales	55,063	56,448	60,212	55,725	60,671
Gross profit	**11,499**	**13,129**	**14,057**	**14,425**	**16,806**
% gross margin	17.3%	18.9%	18.9%	20.6%	21.7%
Selling & administration expenses	2,184	1,951	2,049	2,110	2,152
Operating profit	**9,315**	**11,178**	**12,008**	**12,315**	**14,653**
% operating margin	14.0%	16.1%	16.2%	17.6%	18.9%
Depreciation & amortization	7,079	8,706	8,945	9,335	9,610
EBITDA	**16,394**	**19,885**	**20,953**	**21,649**	**24,264**
% EBITDA margin	24.6%	28.6%	28.2%	30.9%	31.3%
Non-operating income	918	1,405	1,414	1,358	1,474
Non-operating expenses	0	0	0	0	0
Interest expense	(5,140)	(4,024)	(3,841)	(3,604)	(3,963)
Pre-tax profit	**5,094**	**8,560**	**9,581**	**10,069**	**12,164**
Income tax	247	993	1,150	1,259	1,581
After-tax profit	**4,846**	**7,567**	**8,432**	**8,810**	**10,583**
% net margin	7.3%	10.9%	11.4%	12.6%	13.7%
Shares in affiliates' Earnings	837	924	1,533	1,906	1,907
Minority interests	(1,940)	(982)	(1,094)	(1,144)	(1,374)
Extraordinary items	317	(1)	0	0	0
NET PROFIT	**4,061**	**7,508**	**8,870**	**9,573**	**11,116**
Normalized profit	**3,743**	**7,509**	**8,870**	**9,573**	**11,116**
EPS (Bt)	1.9	2.7	3.1	3.4	3.9
Normalized EPS (Bt)	1.8	2.7	3.1	3.4	3.9

Healthy balance sheet for major investment plans ahead

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	38,919	43,454	44,625	43,175	45,421
Cash & cash equivalent	19,804	20,289	20,000	20,000	20,000
Account receivables	10,084	9,084	10,174	9,610	10,613
Inventories	6,724	6,253	6,599	6,107	6,649
Others	2,308	7,828	7,852	7,458	8,159
Investments & loans	17,381	17,376	17,376	17,376	17,376
Net fixed assets	101,272	99,978	99,937	105,688	127,136
Other assets	94,445	95,849	95,326	90,578	93,476
Total assets	**252,017**	**256,657**	**257,264**	**256,817**	**283,410**
LIABILITIES:					
Current liabilities:	36,748	22,063	18,277	17,566	19,610
Account payables	8,133	6,746	7,423	6,870	7,480
Bank overdraft & ST loans	19,253	0	4,317	4,141	4,845
Current LT debt	7,479	11,993	3,626	3,479	4,070
Others current liabilities	1,884	3,324	2,910	3,076	3,215
Total LT debt	**89,731**	**102,239**	**99,987**	**95,914**	**112,216**
Others LT liabilities	15,362	20,488	21,943	21,096	23,061
Total liabilities	**141,841**	**144,790**	**140,208**	**134,577**	**154,887**
Minority interest	9,283	8,966	10,060	11,204	12,578
Preferreds shares	0	0	0	0	0
Paid-up capital	28,197	28,197	28,197	28,197	28,197
Share premium	70,176	70,176	70,176	70,176	70,176
Warrants	0	0	0	0	0
Surplus	(16,234)	(17,563)	(17,563)	(17,563)	(17,563)
Retained earnings	**18,753**	**22,091**	**26,185**	**30,225**	**35,134**
Shareholders' equity	100,893	102,901	106,996	111,036	115,945
Liabilities & equity	**252,017**	**256,657**	**257,264**	**256,817**	**283,410**

Sources: Company data, Thanachart estimates

Strong cash flow streams from domestic IPP and SPP power plants

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	5,094	8,560	9,581	10,069	12,164
Tax paid	(247)	(993)	(1,150)	(1,259)	(1,581)
Depreciation & amortization	7,079	8,706	8,945	9,335	9,610
Chg In working capital	(7,406)	83	(757)	503	(936)
Chg In other CA & CL / minorities	10,382	(4,348)	671	2,466	1,222
Cash flow from operations	**14,901**	**12,008**	**17,290**	**21,113**	**20,480**
Capex	(79,815)	(7,236)	(6,573)	(12,731)	(28,688)
Right of use	0	(2,973)	(500)	(400)	(300)
ST loans & investments	(405)	(68)	424	0	0
LT loans & investments	(1,341)	5	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(75,170)	6,476	148	1,947	(2,882)
Cash flow from investments	**(156,731)**	**(3,795)**	**(6,501)**	**(11,184)**	**(31,870)**
Debt financing	98,784	(2,229)	(6,301)	(4,397)	17,597
Capital increase	73,905	0	0	0	0
Dividends paid	(2,630)	(3,666)	(4,776)	(5,533)	(6,207)
Warrants & other surplus	(14,435)	(1,834)	0	0	0
Cash flow from financing	**155,624**	**(7,729)**	**(11,077)**	**(9,930)**	**11,390**
Free cash flow	**(64,914)**	**4,773**	**10,717**	**8,382**	**(8,208)**

Valuation looks more attractive after 19% share price fall from this year's peak

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	39.1	26.0	22.0	20.4	17.6
Normalized PE - at target price (x)	45.1	30.0	25.4	23.6	20.3
PE (x)	36.0	26.0	22.0	20.4	17.6
PE - at target price (x)	41.6	30.0	25.4	23.6	20.3
EV/EBITDA (x)	14.8	14.5	13.5	12.9	12.2
EV/EBITDA - at target price (x)	16.2	16.1	15.0	14.3	13.5
P/BV (x)	1.9	1.9	1.8	1.8	1.7
P/BV - at target price (x)	2.2	2.2	2.1	2.0	1.9
P/CFO (x)	9.8	16.3	11.3	9.2	9.5
Price/sales (x)	2.9	2.8	2.6	2.8	2.5
Dividend yield (%)	1.9	2.2	2.7	2.9	3.4
FCF Yield (%)	(44.4)	2.4	5.5	4.3	(4.2)
(Bt)					
Normalized EPS	1.8	2.7	3.1	3.4	3.9
EPS	1.9	2.7	3.1	3.4	3.9
DPS	1.3	1.5	1.9	2.0	2.4
BV/share	35.8	36.5	37.9	39.4	41.1
CFO/share	7.1	4.3	6.1	7.5	7.3
FCF/share	(30.7)	1.7	3.8	3.0	(2.9)

Sources: Company data, Thanachart estimates

Rising profitability from synergy benefits with GLOW and higher renewables mix

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	167.5	4.5	6.7	(5.5)	10.4
Net profit (%)	20.9	84.9	18.1	7.9	16.1
EPS (%)	1.5	38.5	18.1	7.9	16.1
Normalized profit (%)	11.0	100.6	18.1	7.9	16.1
Normalized EPS (%)	(6.8)	50.3	18.1	7.9	16.1
Dividend payout ratio (%)	90.3	56.3	60.0	60.0	60.0
Operating performance					
Gross margin (%)	17.3	18.9	18.9	20.6	21.7
Operating margin (%)	14.0	16.1	16.2	17.6	18.9
EBITDA margin (%)	24.6	28.6	28.2	30.9	31.3
Net margin (%)	7.3	10.9	11.4	12.6	13.7
D/E (incl. minor) (x)	1.1	1.0	0.9	0.8	0.9
Net D/E (incl. minor) (x)	0.9	0.8	0.8	0.7	0.8
Interest coverage - EBIT (x)	1.8	2.8	3.1	3.4	3.7
Interest coverage - EBITDA (x)	3.2	4.9	5.5	6.0	6.1
ROA - using norm profit (%)	2.4	3.0	3.5	3.7	4.1
ROE - using norm profit (%)	5.3	7.4	8.5	8.8	9.8
DuPont					
ROE - using after tax profit (%)	6.9	7.4	8.0	8.1	9.3
- asset turnover (x)	0.4	0.3	0.3	0.3	0.3
- operating margin (%)	15.4	18.1	18.1	19.5	20.8
- leverage (x)	2.2	2.5	2.4	2.4	2.4
- interest burden (%)	49.8	68.0	71.4	73.6	75.4
- tax burden (%)	95.1	88.4	88.0	87.5	87.0
WACC (%)	6.0	6.0	6.0	6.0	6.0
ROIC (%)	17.1	5.0	5.4	5.5	6.6
NOPAT (Bt m)	8,863	9,882	10,567	10,775	12,748
invested capital (Bt m)	197,552	196,845	194,927	194,570	217,076

Sources: Company data, Thanachart estimates

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