

RATCH Group Pcl (RATCH TB) - BUY, Price Bt45, TP Bt76

Results Comment

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Strong growth in 2Q21, better-than-expected

- RATCH reported norm profit (excl. FX and hedging impacts) at Bt2.08bn in 2Q21, up 92% y-y and 29% q-q. This came in better than we earlier expected from stronger performance of Hongsa power plant and profit contribution from commencing operations of its wind farms in Australia this quarter.
- Total revenue was flat q-q but increased 22% q-q to Bt8.7bn in 2Q21. The growth q-q was from higher electricity volume sales from both in SPP and IPP plants in Thailand, and full-quarter contributions from its two new wind farms in Australia. In y-y basis, strong sale volume was offset by an expiration of one of its IPP contract in 3Q20.
- EBITDA thus grew 9% y-y and 1% q-q to Bt1.15bn in 2Q21, following a stronger revenue this quarter.
- Equity income was one of the major earnings growth drivers this quarter as it grew 71% y-y and 29% q-q to Bt1.54bn in 2Q21, mainly backed by stronger performances from Hongsa coal-fired IPP and Nam-Ngum 2 hydropower plant.
- We foresee upside to our 2021F's numbers as its 1H21's profit already made up 54% of our full-year forecast, while we expect RATCH's strong profit continue in 2H21F from higher electricity output from its wind farms in Australia and hydropower project.
- Note that RATCH is in process of capital raising plan (RO of 1 new share per 1.89 existing shares), with a targeted XR date in December this year. Our implied post-XR TP is at Bt50/share.
- We maintain BUY.

| Income Statement (consolidated) | | | | | | Income Statement | | | | | |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------|-----------|-----------|-----------|--------------|--------------|
| Yr-end Dec (Bt m) | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | (Bt m) | q-q% | y-y% | % 2021F | 2021F | 2022F |
| Revenue | 8,712 | 8,315 | 7,569 | 7,122 | 8,667 | Revenue | 22 | (1) | 41 | 38,906 | 38,795 |
| Gross profit | 1,049 | 910 | 958 | 1,018 | 1,063 | Gross profit | 4 | 1 | 42 | 4,957 | 5,229 |
| SG&A | 465 | 387 | 338 | 345 | 407 | SG&A | 18 | (13) | 46 | 1,628 | 1,658 |
| Operating profit | 584 | 523 | 620 | 673 | 656 | Operating profit | (3) | 12 | 40 | 3,329 | 3,571 |
| EBITDA | 1,055 | 995 | 1,069 | 1,143 | 1,153 | EBITDA | 1 | 9 | 41 | 5,623 | 6,069 |
| Other income | 182 | 96 | 129 | 106 | 164 | Other income | 55 | (10) | 38 | 713 | 683 |
| Other expense | (30) | (85) | (93) | (62) | (85) | Other expense | na | na | na | 0 | 0 |
| Interest expense | 429 | 365 | 396 | 411 | 426 | Interest expense | 4 | (1) | 46 | 1,816 | 1,970 |
| Profit before tax | 367 | 339 | 445 | 430 | 479 | Profit before tax | 11 | 31 | 41 | 2,227 | 2,285 |
| Income tax | 189 | 89 | 99 | 20 | (58) | Income tax | na | na | (6) | 668 | 685 |
| Equity & invest. income | 906 | 1,028 | 1,540 | 1,200 | 1,544 | Equity & invest. income | 29 | 71 | 52 | 5,268 | 5,422 |
| Minority interests | (0) | (0) | (0) | (0) | (0) | Minority interests | na | na | 38 | (0) | (0) |
| Extraordinary items | (9) | 245 | 443 | 478 | 41 | Extraordinary items | (91) | na | na | 0 | 0 |
| Net profit | 1,074 | 1,522 | 2,329 | 2,088 | 2,123 | Net profit | 2 | 98 | 62 | 6,827 | 7,021 |
| Normalized profit | 1,083 | 1,278 | 1,886 | 1,610 | 2,082 | Normalized profit | 29 | 92 | 54 | 6,827 | 7,021 |
| EPS (Bt) | 0.74 | 1.05 | 1.61 | 1.44 | 1.46 | EPS (Bt) | 2 | 98 | 62 | 4.71 | 4.84 |
| Normalized EPS (Bt) | 0.75 | 0.88 | 1.30 | 1.11 | 1.44 | Normalized EPS (Bt) | 29 | 92 | 54 | 4.71 | 4.84 |

| Balance Sheet (consolidated) | | | | | | Financial Ratios | | | | | |
|------------------------------|----------------|----------------|----------------|----------------|----------------|-------------------------|--------|--------|--------|--------|--------|
| Yr-end Dec (Bt m) | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 | (%) | 2Q20 | 3Q20 | 4Q20 | 1Q21 | 2Q21 |
| Cash & ST investment | 9,235 | 6,664 | 8,614 | 8,378 | 7,810 | Sales growth | (19.4) | (5.5) | (13.7) | (25.9) | (0.5) |
| A/C receivable | 6,445 | 6,320 | 5,190 | 3,490 | 7,125 | Operating profit growth | (48.2) | (22.5) | 27.2 | (17.4) | 12.3 |
| Inventory | 1,669 | 1,749 | 1,783 | 1,773 | 1,547 | EBITDA growth | (29.8) | (3.8) | 16.8 | (9.0) | 9.3 |
| Other current assets | 3,761 | 3,551 | 2,898 | 3,422 | 2,974 | Norm profit growth | (49.7) | (10.3) | 208.3 | (2.6) | 92.2 |
| Investment | 36,274 | 41,061 | 40,788 | 46,375 | 49,140 | Norm EPS growth | (49.7) | (10.3) | 208.3 | (2.6) | 92.2 |
| Fixed assets | 27,475 | 28,923 | 29,479 | 30,401 | 30,488 | Gross margin | 12.0 | 10.9 | 12.7 | 14.3 | 12.3 |
| Other assets | 20,588 | 22,642 | 23,380 | 23,076 | 24,149 | Operating margin | 6.7 | 6.3 | 8.2 | 9.5 | 7.6 |
| Total assets | 105,446 | 110,910 | 112,132 | 116,915 | 123,233 | EBITDA margin | 12.1 | 12.0 | 14.1 | 16.0 | 13.3 |
| S-T debt | 4,711 | 8,444 | 1,546 | 5,009 | 6,950 | Norm net margin | 12.4 | 15.4 | 24.9 | 22.6 | 24.0 |
| A/C payable | 4,511 | 4,473 | 4,801 | 3,062 | 5,587 | D/E (x) | 0.6 | 0.4 | 0.7 | 0.7 | 0.7 |
| Other current liabilities | 1,776 | 1,547 | 530 | 502 | 732 | Net D/E (x) | 0.5 | 0.3 | 0.5 | 0.5 | 0.6 |
| L-T debt | 31,885 | 16,865 | 40,106 | 38,717 | 39,423 | Interest coverage (x) | 2.5 | 2.7 | 2.7 | 2.8 | 2.7 |
| Other liabilities | 3,449 | 19,597 | 4,627 | 4,661 | 4,426 | Interest rate | 4.8 | 4.7 | 4.7 | 3.9 | 3.8 |
| Minority interest | 1 | 1 | 1 | 1 | 1 | Effective tax rate | 51.6 | 26.4 | 22.2 | 4.7 | (12.1) |
| Shareholders' equity | 59,113 | 59,983 | 60,521 | 64,963 | 66,114 | ROA | 4.1 | 4.7 | 6.8 | 5.6 | 6.9 |
| Working capital | 3,603 | 3,596 | 2,172 | 2,201 | 3,084 | ROE | 7.3 | 8.6 | 12.5 | 10.3 | 12.7 |
| Total debt | 36,596 | 25,309 | 41,653 | 43,727 | 46,373 | | | | | | |
| Net debt | 27,361 | 18,646 | 33,039 | 35,348 | 38,563 | | | | | | |

Sources: Company data, Thanachart estimates

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