

BUY (Unchanged)

TP: Bt 16.00

(From: Bt 18.50)

Change in Numbers

Upside : 20.3%

31 MAY 2021

TPC Power Holding Pcl (TPCH TB)

Emerging catalyst

We expect TPCH to win a 10% share of the 150MW “community power plant” bidding scheme this year. All the bids have been submitted and results are scheduled to be released this August. We reaffirm our BUY rating on TPCH despite lowering our TP to Bt16/share.



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Bidding results near on the horizon

We expect TPCH to be the biggest beneficiary of the revised biomass/biogas power plant bid under the government’s “community power plant for grassroots economy” (CPGE) scheme. The bidding in this round is for a total capacity of 150MW and various companies have already submitted offers. TPCH, with 72MW of biomass capacity, has strong competitiveness in sourcing raw materials. We expect it to win a 10% share of the 150MW bid, or net-equity capacity of 16MW. Bidding results are scheduled for release in August 2021 and construction would likely take another 1.5 years. The assumed new capacity would add 22% growth to TPCH’s total capacity.

Decent earnings growth path...

We estimate 52% EPS growth for TPCH in 2021F, driven by the rising capacity factor of its four biomass plants (PTG, TPCH-1, 2, and 5), which began operations over the past 12 months. Note that TPCH operated capacity of 35MW at end 2019 and another 24MW and 6MW came online in 2020 and 1Q21, meaning the full-year impact will be felt in 2021. PTG plant (14MW), despite operating commercially since 2Q20, still made a loss in 2020 due to slow optimization. The plant is now running smoothly and should turn a profit this year. The TPCH projects started operations in 4Q20, thus contributing full-year profits this year. We project EPS growth of 23% in 2022F, driven by the utilization rate of the plants rising from 70% in 2021F to 85% in 2022F and starting operations of another 7MW capacity.

...despite our earnings cuts

The growth rates already reflect cuts in our earnings of 33% and 18% for 2021-22F. One reason is the slower-than-expected bid launch of the government’s CPGE scheme, which also has a smaller size for each plant of 6MW (from 10MW). We therefore lower our new capacity assumption for TPCH from 25MW to 14MW. Our cuts are also due to a slower-than-expected ramping-up of the four new plants last year. Following our revisions and our lower new capacity assumption, we lower our DCF-based 12-month TP (2021F base year) to Bt16.0 (from Bt18.5). However, with still decent earnings growth and the near-term catalyst from the bid results, we reaffirm our BUY rating on TPCH.

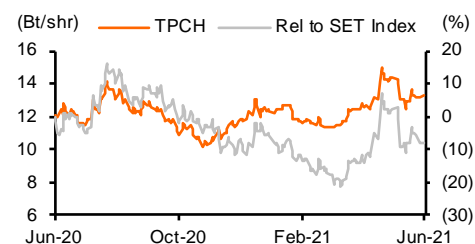
Attractive valuation, in our view

TPCH’s valuation looks attractive to us at a 14x PE in 2021F, before falling to 11x in 2022F, along with our 30% EPS CAGR projection over 2020-23F. Its PE is also trading at -1SD below its past-5-year historical average. We leave potential future biddings in the CPGE scheme (a total of 1.9GW of expected capacity for the whole scheme) and TPCH’s target to close M&A deals for a total of 50MW over the next few years as upside to our numbers.

COMPANY VALUATION

| Y/E Dec (Bt m) | 2020A | 2021F | 2022F | 2023F |
|-------------------|--------|--------|--------|--------|
| Sales | 1,777 | 2,545 | 2,834 | 2,996 |
| Net profit | 251 | 382 | 471 | 549 |
| Consensus NP | — | 526 | 633 | 632 |
| Diff frm cons (%) | — | (27.2) | (25.5) | (13.1) |
| Norm profit | 251 | 382 | 471 | 549 |
| Prev. Norm profit | — | 571 | 577 | 529 |
| Chg frm prev (%) | — | (33.0) | (18.3) | 3.8 |
| Norm EPS (Bt) | 0.6 | 1.0 | 1.2 | 1.4 |
| Norm EPS grw (%) | (30.2) | 52.4 | 23.3 | 16.4 |
| Norm PE (x) | 21.3 | 14.0 | 11.3 | 9.7 |
| EV/EBITDA (x) | 12.7 | 9.7 | 8.3 | 7.3 |
| P/BV (x) | 1.8 | 1.6 | 1.5 | 1.3 |
| Div yield (%) | 1.5 | 2.1 | 2.6 | 3.1 |
| ROE (%) | 8.7 | 12.3 | 13.8 | 14.5 |
| Net D/E (%) | 93.5 | 117.5 | 100.8 | 79.0 |

PRICE PERFORMANCE



COMPANY INFORMATION

| | |
|-----------------------------|--------------------------|
| Price as of 31-May-21 (Bt) | 13.30 |
| Market Cap (US\$ m) | 170.9 |
| Listed Shares (m shares) | 401.2 |
| Free Float (%) | 57.4 |
| Avg Daily Turnover (US\$ m) | 0.5 |
| 12M Price H/L (Bt) | 15.00/10.20 |
| Sector | Utilities |
| Major Shareholder | Thai Polycons Pcl 41.26% |

Sources: Bloomberg, Company data, Thanachart estimates



Bidding results near on the horizon

We see the CPGE bidding results this August as a key share price catalyst

We reaffirm our BUY rating on shares of TPC Power Holding Pcl (TPCH), expecting the bidding for the government's "Community Power Plant for Grassroots Economy" (CPGE) project to be the key near-term share price catalyst. The scheme was scaled back earlier this year from a 700MW quota (100MW of quick-win capacity + 600MW capacity from the bid) to only bidding for capacity of 150MW in 2021. Half of the quota in the bid (75MW) is for biomass power plant (burning agricultural residuals to boil water into gas) and the other half is biogas power plant (using gas from the fermentation of either waste or energy crops). Apart from the lower available capacity, the contract size was also cut to no more than 6MW per project, from 10MW before the revision. The conditions of having local farmers hold a minimum 10% ownership in each project and secured contract farming for feedstock are unchanged. All the contenders submitted their bids in late April, with the schedule for the announcement of the final results set for 26 August 2021. Note that the winners are to be selected based on those who submit bids at the largest discount to the benchmark tariff of Bt4.26/kWh for biomass projects and Bt4.73/kWh for biogas projects. The deadline of a commercial operating date for the projects in this bid is December 2024.

Ex 1: Revised 'Community Power Plant For Grassroot Economy' Scheme

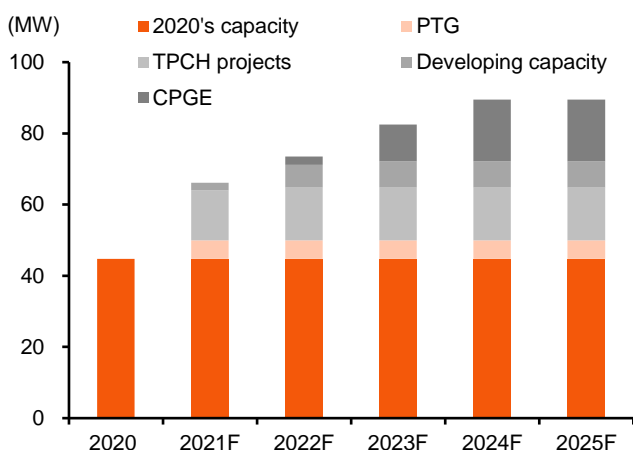
| | Biomass | Biogas |
|--------------------------------------|--|--|
| Feedstocks | Parawood, Palm trees, coconut cask, Husk | Waste water, molasses, cassava, napier grass |
| Available capacity (MW) | 75.0 | 75.0 |
| Benchmark tariff (Bt/kWh) | 4.26 | 4.73 |
| Investment cost (Bt m/MW)* | 70 - 80 | 80 - 90 |
| Bidding submission | 27 - 30 April 2021 | |
| Announcement of qualified candidates | 2 July 2021 | |
| Announcement of final results | 26 August 2021 | |
| Deadline for project COD | 24 December 2024 | |

Source: Office of Energy Regulatory Commission (ERC), Thanachart estimate*

We assume TPCH wins 16MW in the bid, or a potential value of Bt2/share

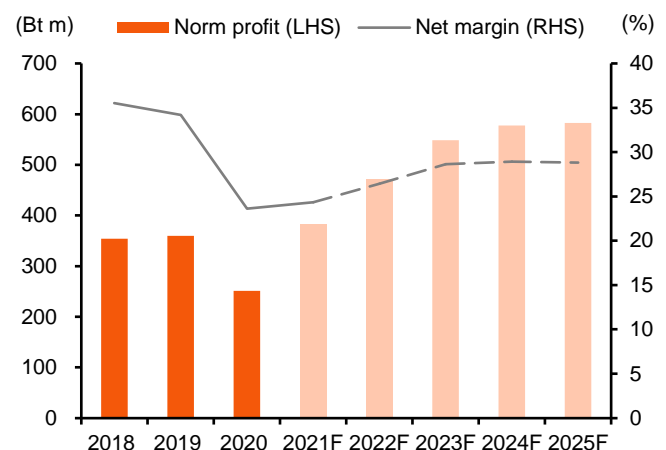
We assume TPCH wins three contracts in the bid, which implies a total of 18MW (3 x 6MW) of installed capacity, or 16MW of net-equity capacity. This would provide an additional 22% growth to its total capacity, raising it to 88MW in 2024F from 72MW today. We value this potential capacity at Bt2.0/share for TPCH, based on our assumptions of a Bt75m/MW investment cost and a 5% discount to the benchmark tariff.

Ex 2: Pro Rata Capacity Projection



Sources: Company data, Thanachart estimates

Ex 3: Strong Earnings Growth Trend



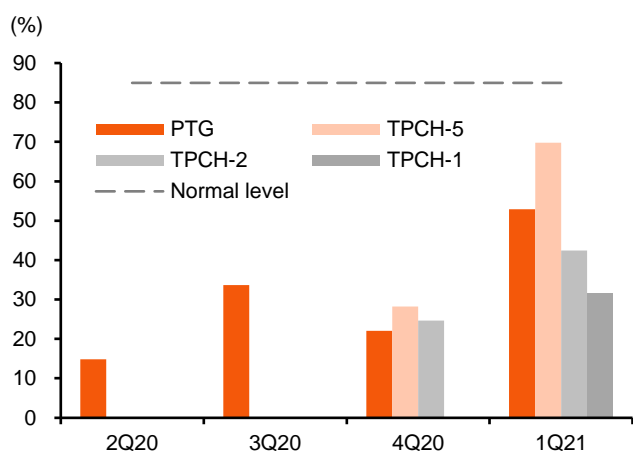
Sources: Company data, Thanachart estimates

Decent earnings growth path

We also project strong earnings growth from its legacy projects

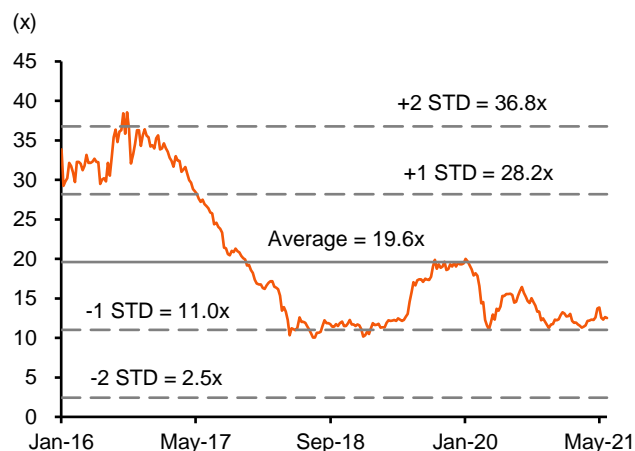
Excluding the new potential capacity, we also expect TPCH to deliver strong earnings growth of 52% in 2021F, backed by the ramping up of capacity at its four biomass power plants which faced difficulties during their first year of operations. The Pattani Green project (PTG, 14MW) started delivering electricity to the grid from mid-2020, but went through multiple shutdown rounds to optimize its efficiency. This was due to its extraordinarily large generating capacity, making it more difficult to fine tune its burning process. The other three new plants (TPCH-1, TPCH-2, and TPCH-5) began generating electricity in 4Q20 and 1Q21 and have been ramping up capacity nicely. We estimate another 23% and 16% EPS growth in 2022-23F backed by the full-year contribution of three other legacy projects (total of 7.4MW), which we foresee gradually commencing operations over 2H21F-2022F.

Ex 4: Utilization Rates Of Its New Plants



Sources: Company data, Thanachart estimates

Ex 5: Five-Year Historical Trading PE Range



Sources: Bloomberg, Thanachart estimates

Ex 6: Our SOTP-derived TP Calculation

| Projects | Valuation method | WACC (%) | Value (Bt/share) |
|---------------------------|------------------|----------|------------------|
| CRB | DCF | 6.7% | 1.5 |
| TSG | DCF | 6.7% | 1.9 |
| MWE | DCF | 6.7% | 1.4 |
| PGP | DCF | 6.7% | 1.6 |
| SGP | DCF | 6.7% | 0.9 |
| PTG-1 | DCF | 6.7% | 3.0 |
| TPCH1,2,5 | DCF | 6.7% | 1.8 |
| PBB, PBM | DCF | 6.7% | 0.3 |
| Subtotal | | | 12.5 |
| Plus: Associates | | | |
| MGP | DCF | 6.7% | 0.8 |
| SP | DCF | 6.7% | 0.7 |
| Subtotal | | | 1.5 |
| Plus: Potential | | | |
| 14MW biomass power plants | | | 2.0 |
| Total | | | 16.0 |

Sources: Thanachart estimates

Valuation Comparison

Ex 7: Comparison With Regional Peers

| Name | BBG code | Country | EPS growth | | PE | | P/BV | | EV/EBITDA | | Div yield | |
|------------------------------|-----------|-------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|------------|------------|
| | | | 21F (%) | 22F (%) | 21F (x) | 22F (x) | 21F (x) | 22F (x) | 21F (x) | 22F (x) | 21F (%) | 22F (%) |
| Datang International Power | 991 HK | China | 28.0 | 6.3 | 7.8 | 7.4 | 0.5 | 0.5 | 9.0 | 8.8 | 7.3 | 7.7 |
| Huadian Power | 1071 HK | China | (17.3) | 23.8 | 7.6 | 6.2 | 0.4 | 0.3 | 8.6 | 7.9 | 8.2 | 9.6 |
| Huaneng Power | 600011 CH | China | (9.3) | 17.6 | 9.6 | 8.2 | 0.7 | 0.6 | 8.3 | 7.5 | 3.8 | 4.4 |
| Cheung Kong Infrastructure | 1038 HK | Hong Kong | 9.7 | 2.1 | 13.4 | 13.1 | 1.0 | 1.0 | 41.2 | 40.2 | 5.2 | 5.2 |
| China Power Int'l | 2380 HK | Hong Kong | 7.6 | 14.1 | 9.2 | 8.0 | 0.6 | 0.6 | 9.4 | 8.3 | 6.0 | 6.3 |
| China Resources Power | 836 HK | Hong Kong | 18.0 | 13.1 | 4.9 | 4.4 | 0.5 | 0.5 | 5.6 | 5.1 | 7.9 | 8.9 |
| CLP Holdings | 2 HK | Hong Kong | 6.9 | 4.6 | 16.5 | 15.7 | 1.7 | 1.6 | 10.8 | 10.1 | 4.0 | 4.1 |
| Hongkong Electric Holdings | 6 HK | Hong Kong | 5.5 | 1.9 | 15.5 | 15.2 | 1.2 | 1.2 | 73.8 | 73.9 | 5.9 | 5.9 |
| Huaneng Power | 902 HK | Hong Kong | (8.5) | 16.6 | 6.8 | 5.8 | 0.5 | 0.4 | 8.2 | 7.4 | 6.5 | 7.7 |
| Tata Power | TPWR IN | India | 17.6 | 21.5 | 22.1 | 18.2 | 1.5 | 1.5 | 9.3 | 8.9 | 1.4 | 1.4 |
| Tenaga Nasional | TNB MK | Malaysia | 11.2 | 3.2 | 11.7 | 11.3 | 1.0 | 1.0 | 6.6 | 6.5 | 5.4 | 5.6 |
| YTL Corp | YTL MK | Malaysia | (73.7) | na | 134.0 | 30.5 | 0.6 | 0.6 | 12.5 | 11.4 | 5.1 | 4.3 |
| YTL Power | YTLP MK | Malaysia | 44.7 | 7.3 | 13.0 | 12.1 | 0.5 | 0.5 | 10.4 | 10.3 | 4.8 | 6.0 |
| Manila Electric | MER PM | Philippines | 11.2 | (0.3) | 13.8 | 13.9 | 3.5 | 3.2 | 9.2 | 9.1 | 5.0 | 5.1 |
| Absolute Clean Energy Pcl * | ACE TB | Thailand | 18.8 | 84.4 | 23.8 | 12.9 | 3.4 | 2.9 | 19.0 | 10.8 | 1.7 | 3.9 |
| BCPG Pcl * | BCPG TB | Thailand | (14.3) | 3.4 | 20.5 | 19.9 | 1.5 | 1.4 | 16.6 | 17.6 | 2.3 | 2.3 |
| B.Grimm Power Pcl * | BGRIM TB | Thailand | 20.2 | 23.0 | 35.9 | 29.2 | 3.9 | 3.7 | 14.9 | 13.5 | 1.4 | 1.7 |
| Banpu Power Pcl * | BPP TB | Thailand | 10.2 | 12.4 | 15.9 | 14.1 | 1.4 | 1.3 | 225.6 | 169.5 | 3.8 | 4.3 |
| 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 | 38.0 | 28.7 | 7.0 | 5.9 | 22.6 | 17.4 | 0.8 | 1.0 |
| Electricity Generating Pcl * | EGCO TB | Thailand | 22.6 | 9.6 | 8.3 | 7.5 | 0.8 | 0.7 | 16.0 | 14.1 | 3.9 | 4.0 |
| Global Power Synergy Pcl * | GPSC TB | Thailand | 18.1 | 7.9 | 23.2 | 21.5 | 1.9 | 1.9 | 14.0 | 13.4 | 2.6 | 2.8 |
| Gulf Energy Dev. Pcl * | GULF TB | Thailand | 42.7 | 21.1 | 59.4 | 49.0 | 5.3 | 5.1 | 48.7 | 41.2 | 1.0 | 1.2 |
| Gunkul Engineering Pcl * | GUNKUL TB | Thailand | 34.5 | 22.0 | 16.5 | 13.5 | 2.4 | 2.2 | 16.2 | 14.4 | 3.0 | 3.7 |
| RATCH Group Pcl * | RATCH TB | Thailand | 26.6 | 5.7 | 10.8 | 10.2 | 1.1 | 1.1 | 16.7 | 15.9 | 5.6 | 5.9 |
| SPCG Pcl* | SPCG TB | Thailand | (8.1) | (19.9) | 7.8 | 9.7 | 1.2 | 1.1 | 5.0 | 5.1 | 5.8 | 4.6 |
| TPC Power Holding Pcl * | TPCH TB | Thailand | 52.4 | 23.3 | 14.0 | 11.3 | 1.6 | 1.5 | 9.7 | 8.3 | 2.1 | 2.6 |
| WHA Utilities & Power Pcl * | WHAUP TB | Thailand | 47.9 | 24.5 | 14.6 | 11.7 | 1.4 | 1.3 | 32.0 | 27.3 | 4.1 | 5.1 |
| Average | | | 26.4 | 14.4 | 21.3 | 15.4 | 1.7 | 1.6 | 24.8 | 21.4 | 4.2 | 4.6 |

Sources: Bloomberg, * Thanachart estimates

Based on 31 May 2021 closing prices

COMPANY DESCRIPTION

TPC Power Holding Pcl (TPCH) is a holding company which has secured contracts to operate biomass and waste-to-energy (WTE) power plants those selling electricity to the Provincial Authority of Thailand (PEA) and the Electricity Generating Authority of Thailand (EGAT). TPCH's strategy is to form partnerships with feedstock owners, while gaining experience in running biomass plants from hired professional operators. The company has net-equity capacity of 72MW – 65MW of operating plants and 7MW under development.

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

- Construction skills in biomass power projects via Thai Polycons Pcl (TPOLY TB, Not Rated), its parent company.
- Well known in the southern provinces leading to relationships with more sources of feedstock owners/dealers than its competitors.

O — Opportunity

- Biomass power plants are being promoted by the Thai government as a new source of electricity for the country, with an expected capacity of 1.9GW over the next 10 years.

W — Weakness

- Owns no feedstock; therefore has to rely on its suppliers or partners.
- Most of its plants are concentrated in the southern part of Thailand, so any unfavorable natural conditions may cause shortages of its required agricultural feedstocks.

T — Threat

- The development of the wood pellet industry might cause feedstock price volatility.
- Changes to government agricultural policy may curb tree growing over the long term.

CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|------------------------------|---------------|----------------|----------------|
| Target price (Bt) | 15.80 | 16.00 | 1% |
| Net profit 21F (Bt m) | 526 | 382 | -27% |
| Net profit 22F (Bt m) | 633 | 471 | -25% |
| Consensus REC | BUY: 2 | HOLD: 1 | SELL: 0 |

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts are 25-27% lower than the Bloomberg consensus numbers in 2021-22F, likely as we are earlier in factoring its weak operations over the past few quarters into our numbers.
- However, our TP is in line with the Street's since we believe the impact from weak operations will likely be short term.

RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if projects' operations are delayed from our current assumptions.
- If the power plants produce less power than we currently expect due to longer-than-expected maintenance shutdowns, this would represent a secondary downside risk.
- If the company secures less new capacity either from the bids or acquisitions than what we currently factor in, then this would represent another downside risk to our valuation.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

INCOME STATEMENT

Earnings turnaround in 2021F after weak operations last year

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|------------|------------|--------------|--------------|--------------|
| Sales | 1,642 | 1,777 | 2,545 | 2,834 | 2,996 |
| Cost of sales | 891 | 1,159 | 1,645 | 1,783 | 1,842 |
| Gross profit | 751 | 618 | 900 | 1,052 | 1,154 |
| % gross margin | 45.7% | 34.8% | 35.4% | 37.1% | 38.5% |
| Selling & administration expenses | 124 | 122 | 166 | 178 | 185 |
| Operating profit | 627 | 496 | 733 | 874 | 969 |
| % operating margin | 38.2% | 27.9% | 28.8% | 30.8% | 32.3% |
| Depreciation & amortization | 161 | 222 | 372 | 403 | 415 |
| EBITDA | 788 | 719 | 1,105 | 1,277 | 1,384 |
| % EBITDA margin | 48.0% | 40.4% | 43.4% | 45.1% | 46.2% |
| Non-operating income | 14 | 12 | 5 | 6 | 6 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (79) | (88) | (118) | (129) | (115) |
| Pre-tax profit | 562 | 420 | 620 | 750 | 860 |
| Income tax | 0 | 1 | 1 | 1 | 2 |
| After-tax profit | 562 | 420 | 619 | 749 | 858 |
| % net margin | 34.2% | 23.6% | 24.3% | 26.4% | 28.6% |
| Shares in affiliates' Earnings | 14 | 6 | 14 | 22 | 34 |
| Minority interests | (216) | (175) | (251) | (300) | (343) |
| Extraordinary items | 0 | 0 | 0 | 0 | 0 |
| NET PROFIT | 360 | 251 | 382 | 471 | 549 |
| Normalized profit | 360 | 251 | 382 | 471 | 549 |
| EPS (Bt) | 0.9 | 0.6 | 1.0 | 1.2 | 1.4 |
| Normalized EPS (Bt) | 0.9 | 0.6 | 1.0 | 1.2 | 1.4 |

BALANCE SHEET

Low gearing despite having a heavy investment year in 2020

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|---------------------------------|--------------|--------------|---------------|---------------|---------------|
| ASSETS: | | | | | |
| Current assets: | 1,095 | 823 | 1,302 | 1,568 | 1,882 |
| Cash & cash equivalent | 150 | 44 | 150 | 300 | 550 |
| Account receivables | 518 | 570 | 837 | 932 | 985 |
| Inventories | 12 | 34 | 45 | 49 | 50 |
| Others | 416 | 174 | 270 | 287 | 297 |
| Investments & loans | 484 | 469 | 469 | 469 | 469 |
| Net fixed assets | 6,071 | 7,216 | 8,978 | 9,551 | 9,637 |
| Other assets | 171 | 180 | 257 | 279 | 291 |
| Total assets | 7,822 | 8,688 | 11,006 | 11,868 | 12,280 |
| LIABILITIES: | | | | | |
| Current liabilities: | 1,079 | 1,592 | 1,922 | 2,114 | 2,032 |
| Account payables | 268 | 505 | 676 | 733 | 757 |
| Bank overdraft & ST loans | 202 | 253 | 277 | 279 | 263 |
| Current LT debt | 544 | 547 | 790 | 794 | 750 |
| Others current liabilities | 64 | 287 | 179 | 309 | 262 |
| Total LT debt | 2,865 | 3,030 | 4,474 | 4,499 | 4,252 |
| Others LT liabilities | 170 | 16 | 23 | 25 | 27 |
| Total liabilities | 4,114 | 4,638 | 6,419 | 6,638 | 6,312 |
| Minority interest | 906 | 1,083 | 1,334 | 1,633 | 1,976 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 401 | 401 | 401 | 401 | 401 |
| Share premium | 1,254 | 1,254 | 1,254 | 1,254 | 1,254 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | 33 | 32 | 32 | 32 | 32 |
| Retained earnings | 1,113 | 1,280 | 1,565 | 1,908 | 2,304 |
| Shareholders' equity | 2,801 | 2,967 | 3,253 | 3,596 | 3,992 |
| Liabilities & equity | 7,822 | 8,688 | 11,006 | 11,868 | 12,280 |

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2019A | 2020A | 2021F | 2022F | 2023F |
|-----------------------------------|----------------|----------------|----------------|--------------|--------------|
| Earnings before tax | 562 | 420 | 620 | 750 | 860 |
| Tax paid | (0) | (1) | (1) | (1) | (2) |
| Depreciation & amortization | 161 | 222 | 372 | 403 | 415 |
| Chg In working capital | (254) | 161 | (106) | (43) | (30) |
| Chg In other CA & CL / minorities | 169 | 321 | (185) | 135 | (24) |
| Cash flow from operations | 639 | 1,124 | 701 | 1,245 | 1,219 |
| Capex | (2,000) | (1,358) | (2,130) | (973) | (495) |
| Right of use | 0 | (62) | (20) | (5) | (5) |
| ST loans & investments | (217) | 152 | (5) | 0 | 0 |
| LT loans & investments | 5 | 14 | 0 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | 108 | (111) | (53) | (19) | (11) |
| Cash flow from investments | (2,103) | (1,365) | (2,208) | (997) | (511) |
| Debt financing | 1,434 | 219 | 1,711 | 30 | (305) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (59) | (85) | (97) | (128) | (153) |
| Warrants & other surplus | 0 | 0 | 0 | 0 | 0 |
| Cash flow from financing | 1,375 | 135 | 1,614 | (98) | (458) |
| Free cash flow | (1,361) | (234) | (1,429) | 272 | 724 |

We expect stronger cash flows as most projects have begun operations

VALUATION

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|-------------------------------------|--------|-------|--------|-------|-------|
| Normalized PE (x) | 14.8 | 21.3 | 14.0 | 11.3 | 9.7 |
| Normalized PE - at target price (x) | 17.9 | 25.6 | 16.8 | 13.6 | 11.7 |
| PE (x) | 14.8 | 21.3 | 14.0 | 11.3 | 9.7 |
| PE - at target price (x) | 17.9 | 25.6 | 16.8 | 13.6 | 11.7 |
| EV/EBITDA (x) | 11.2 | 12.7 | 9.7 | 8.3 | 7.3 |
| EV/EBITDA - at target price (x) | 12.5 | 14.2 | 10.7 | 9.2 | 8.0 |
| P/BV (x) | 1.9 | 1.8 | 1.6 | 1.5 | 1.3 |
| P/BV - at target price (x) | 2.3 | 2.2 | 2.0 | 1.8 | 1.6 |
| P/CFO (x) | 8.4 | 4.7 | 7.6 | 4.3 | 4.4 |
| Price/sales (x) | 3.2 | 3.0 | 2.1 | 1.9 | 1.8 |
| Dividend yield (%) | 1.6 | 1.5 | 2.1 | 2.6 | 3.1 |
| FCF Yield (%) | (25.5) | (4.4) | (26.8) | 5.1 | 13.6 |
| (Bt) | | | | | |
| Normalized EPS | 0.9 | 0.6 | 1.0 | 1.2 | 1.4 |
| EPS | 0.9 | 0.6 | 1.0 | 1.2 | 1.4 |
| DPS | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 |
| BV/share | 7.0 | 7.4 | 8.1 | 9.0 | 9.9 |
| CFO/share | 1.6 | 2.8 | 1.7 | 3.1 | 3.0 |
| FCF/share | (3.4) | (0.6) | (3.6) | 0.7 | 1.8 |

Attractive PE multiple in our view, given its strong earnings growth trend

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

| FY ending Dec | 2019A | 2020A | 2021F | 2022F | 2023F |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Growth Rate | | | | | |
| Sales (%) | 5.2 | 8.2 | 43.2 | 11.4 | 5.7 |
| Net profit (%) | 1.6 | (30.2) | 52.4 | 23.3 | 16.4 |
| EPS (%) | 1.6 | (30.2) | 52.4 | 23.3 | 16.4 |
| Normalized profit (%) | 1.6 | (30.2) | 52.4 | 23.3 | 16.4 |
| Normalized EPS (%) | 1.6 | (30.2) | 52.4 | 23.3 | 16.4 |
| Dividend payout ratio (%) | 23.1 | 31.7 | 30.0 | 30.0 | 30.0 |
| Operating performance | | | | | |
| Gross margin (%) | 45.7 | 34.8 | 35.4 | 37.1 | 38.5 |
| Operating margin (%) | 38.2 | 27.9 | 28.8 | 30.8 | 32.3 |
| EBITDA margin (%) | 48.0 | 40.4 | 43.4 | 45.1 | 46.2 |
| Net margin (%) | 34.2 | 23.6 | 24.3 | 26.4 | 28.6 |
| D/E (incl. minor) (x) | 1.0 | 0.9 | 1.2 | 1.1 | 0.9 |
| Net D/E (incl. minor) (x) | 0.9 | 0.9 | 1.2 | 1.0 | 0.8 |
| Interest coverage - EBIT (x) | 8.0 | 5.7 | 6.2 | 6.8 | 8.4 |
| Interest coverage - EBITDA (x) | 10.0 | 8.2 | 9.4 | 9.9 | 12.0 |
| ROA - using norm profit (%) | 5.2 | 3.0 | 3.9 | 4.1 | 4.5 |
| ROE - using norm profit (%) | 13.6 | 8.7 | 12.3 | 13.8 | 14.5 |
| DuPont | | | | | |
| ROE - using after tax profit (%) | 21.2 | 14.5 | 19.9 | 21.9 | 22.6 |
| - asset turnover (x) | 0.2 | 0.2 | 0.3 | 0.2 | 0.2 |
| - operating margin (%) | 39.0 | 28.6 | 29.0 | 31.0 | 32.5 |
| - leverage (x) | 2.6 | 2.9 | 3.2 | 3.3 | 3.2 |
| - interest burden (%) | 87.7 | 82.7 | 84.0 | 85.3 | 88.2 |
| - tax burden (%) | 99.9 | 99.8 | 99.8 | 99.8 | 99.8 |
| WACC (%) | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 |
| ROIC (%) | 14.1 | 7.9 | 10.8 | 10.1 | 10.9 |
| NOPAT (Bt m) | 627 | 495 | 732 | 872 | 967 |
| invested capital (Bt m) | 6,263 | 6,754 | 8,644 | 8,867 | 8,708 |

Sources: Company data, Thanachart estimates

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