BUY (Unchanged) | **TP: Bt 5.75** (From: Bt 3.30)

Change in Numbers | **Upside : 20.8%** | **17 SEPTEMBER 2021**

Small Cap Research

Thanachart Securities

Gunkul Engineering Pcl (GUNKUL TB)

Our best hemp play

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We see GUNKUL as the best play on hemp business legalization in Thailand. Full control of the production process from plantation to extraction reduces output risk, and we estimate sizable profit growth at a 30% CAGR in 2022-23F. We lift our TP to Bt5.75 and reaffirm BUY.

Factoring in hemp value

We reaffirm BUY on GUNKUL after lifting our DCF-derived SOTP-based TP to Bt5.75 (from Bt3.3) on the base-year roll-over to 2022F impact and growth stories from its new hemp business and its existing power and construction business. Our TP now comprises Bt1.5/share from the hemp business, Bt4.0 from its legacy businesses and Bt0.25 from M&As. We like GUNKUL's hemp business. *First*, we foresee strong demand for hemp-based products in Thailand and see GUNKUL as the most solid play with a sizable profit contribution at about 40% of its earnings base in 2023-25F. *Second*, we like GUNKUL's full control of the production process from hemp plantation to CBD extraction since this should significantly reduce output risk. *Third*, as the earliest integrated player in the market with the largest scale, we estimate only a two-year payback period for this investment for GUNKUL, which is before CBD imports are permitted from 2025.

Hemp production plan

GUNKUL plans to use 200 rai (80 acres) of unutilized land at one of its wind farms to grow its hemp. The company is building a plantation greenhouse and a CBD extraction plant with a target to begin commercial production in 1H22 before full capacity is reached in 2023. The hemp business was legalized in Thailand in January this year, yet only a few licenses for plantation and extraction have been issued. GUNKUL targets its hemp plantation greenhouse and medical-graded extraction plant to be granted the necessary licenses in 4Q21-1Q22. We project Bt1.5bn-1.8bn in profit from its hemp business in 2023-25F.

Growing existing businesses

Leaving aside the hemp business, we estimate earnings from GUNKUL's legacy businesses to grow by 5-13% in 2022-23F. As it is not too ambitious a target in our view, we assume the same capacity growth pace as the company's guidance of 1,000MW in 2024F (from 641MW now). This is from the annual development of 50MW of solar rooftop projects via private PPA contracts and M&As of 250MW operating solar farms in Thailand and Vietnam over 2022-24F. Note that we include the potential value of those M&As in our TP, but not yet in in our earnings forecasts.

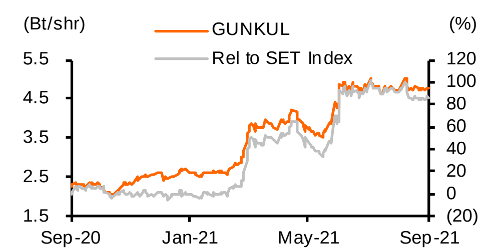
Strong 2H21F earnings

We project 81% y-y EPS growth for GUNKUL in 2H21F, mainly driven by 1) stronger output from its wind farms in Thailand from last year's low base, and 2) full-year contribution from three solar farms acquired in 4Q20. Expecting strong growth momentum to continue at 27% and 34% in 2022-23F from the ramping-up of its hemp business, we see its 14x PE in 2022F as inexpensive. Key risks to our investment thesis are hemp plantation productivity and the popularity of CBD-based products in Thailand.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	6,539	8,048	9,088	10,832
Net profit	3,412	2,332	2,958	3,968
Consensus NP	—	2,257	2,599	2,886
Diff frm cons (%)	—	*3.3*	*13.8*	*37.5*
Norm profit	1,399	2,332	2,958	3,968
Prev. Norm profit	—	1,882	2,295	2,093
Chg frm prev (%)	—	*24.0*	*28.9*	*89.6*
Norm EPS (Bt)	0.2	0.3	0.3	0.4
Norm EPS grw (%)	(41.1)	66.7	26.8	34.1
Norm PE (x)	30.2	18.1	14.3	10.7
EV/EBITDA (x)	28.3	18.7	15.7	10.9
P/BV (x)	3.4	3.2	2.9	2.6
Div yield (%)	3.8	3.0	4.2	5.6
ROE (%)	12.1	18.2	21.2	25.4
Net D/E (%)	164.2	130.6	121.2	100.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 17-Sep-21 (Bt)	4.76
Market Cap (US$ m)	1,271.9
Listed Shares (m shares)	8,882.5
Free Float (%)	43.1
Avg Daily Turnover (US$ m)	55.1
12M Price H/L (Bt)	5.00/2.02
Sector	Utilities
Major Shareholder	Gunkul Group 49.90%

Sources: Bloomberg, Company data, Thanachart estimates

Our best hemp play

We lift our TP to Bt5.75 and reaffirm BUY; best hemp business play in our view

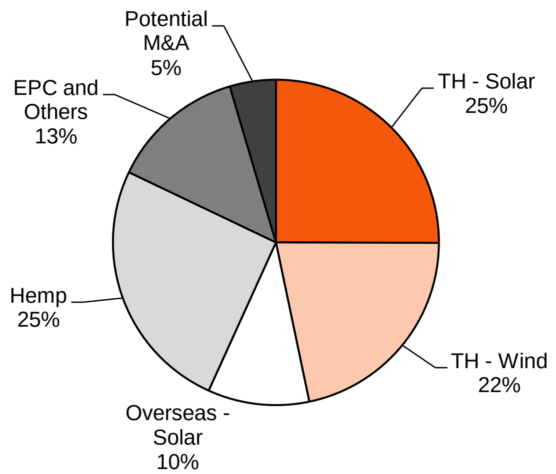
We reaffirm our BUY rating and raise our DCF-derived SOTP-based TP (valuation base year rolled over to 2022F) for Gunkul Engineering Pcl (GUNKUL) to Bt5.75/share (from Bt3.3). We see GUNKUL as the best play on the legalization of the hemp business in Thailand as we regard its business plan as the most solid in the industry. GUNKUL is a fully integrated isolated Cannabidiol (CBD) producer with a greenhouse hemp plantation and a medical-grade CBD extraction plant. We expect GUNKUL to succeed with its hemp-based business for three reasons:

- *First,* we expect strong demand for hemp-based products in Thailand, especially in the early years. Ready-to-drink beverages look to be the spearhead to introduce CBD products to the Thai market, and we expect skincare, cosmetics and food supplements to sustain strong demand for CBD isolate over the long term.
- *Second,* we like its strategy of fully controlling the entire production supply chain by developing its own greenhouse plantation and CBD extraction facilities. We believe this will lower output risks while allowing GUNKUL to command high profitability, thereby lifting its earnings base by about 40% in 2023-25F.
- *Third*, as one of the early entrants into the industry, we expect only a two-year payback period for its Bt2.0bn hemp investment plan. This is significant as it would reduce business risk for GUNKUL when the ban on imported CBD products is scheduled to be lifted in 2025.

Attractive valuation in our view at 14x 2022F PE

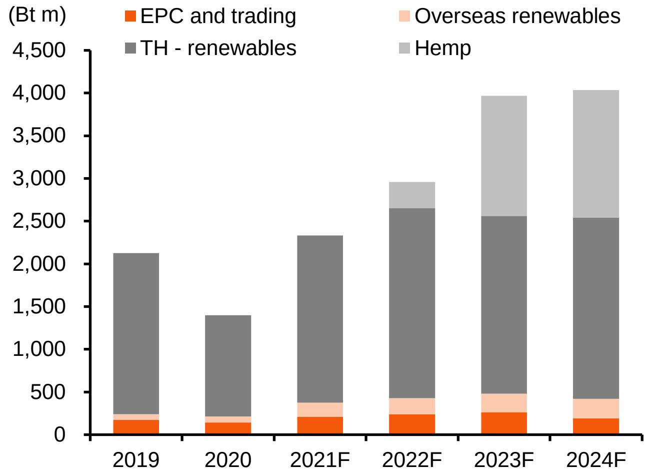
After factoring in contributions from the hemp business and higher earnings growth from its existing renewable power generation business, we now estimate a 30% EPS CAGR for GUNKUL over 2022-23F, which makes its 14x PE multiple in 2022F look highly attractive in our view. We foresee GUNKUL being granted the necessary hemp business licenses in 4Q21F and its strong earnings growth trend in 2H21F acting as two near-term catalysts for its share price.

Ex 1: Our SOTP-TP Breakdown



Source: Thanachart estimates

Ex 2: Hemp Business Drives Strong Earnings Growth



Sources: Company data, Thanachart estimates

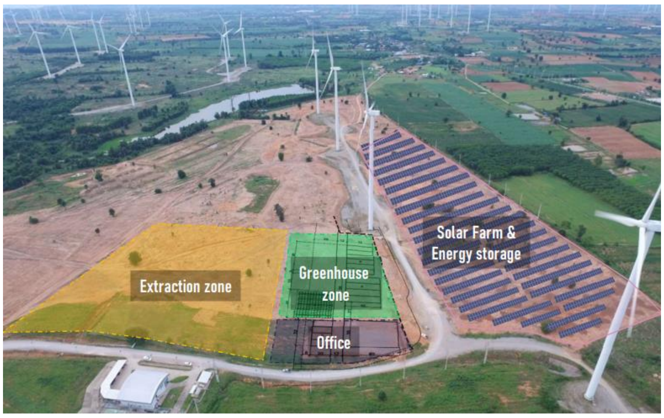
Hemp production plan

Hemp plantation targeted to get under way in 4Q21…

GUNKUL is applying for licenses to kick-start its hemp-based business after hemp was legalized for commercial use in Thailand in January this year. The company plans to utilize unused land around wind turbines at its 50MW wind farm in Nakhon Ratchasima to develop a greenhouse plantation facility and CBD extraction plant (Exhibit 3-4). GUNKUL targets this hemp-based business to drive new S-curve growth. The company expects the plantation license to be approved soon, thus aims to get its first hemp plantation under way in November on a 5-rai (2-acre) area, before gradually expanding to 200 rai (80 acres) by mid-2022. This would be in a closed, environmentally controlled greenhouse system to prevent pollination as GUNKUL requires only inflorescences (the buds on hemp plants) to feed its extraction plant. Based on the average plantation growing period of three months per crop, its extraction plant is scheduled to begin commercial production in 1Q22, which is also when we expect its first lot of CBD isolate to be sold on the market.

…with the first lot of CBD ready for sale in 1Q22

Ex 3: Developing Hemp Business At Its Wind Farm

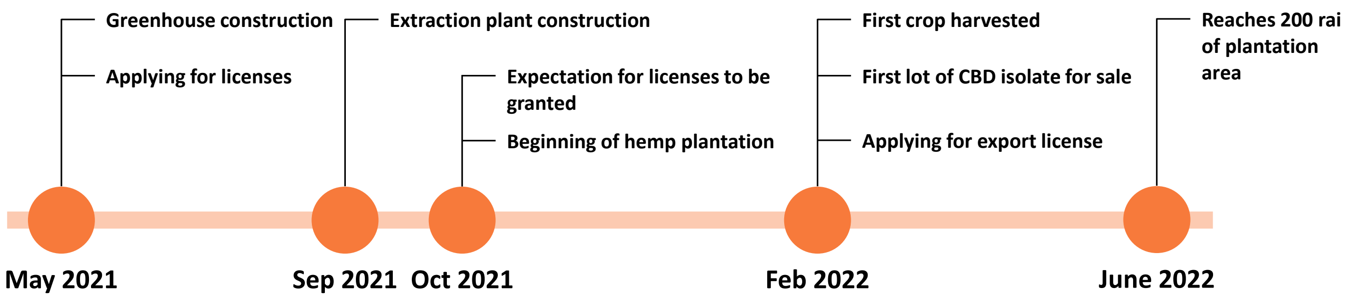


Source: Company data

Ex 4: Greenhouse Plantation And Extraction Facility

Source: Company data

Ex 5: GUNKUL's Expected Timeline On Hemp Business

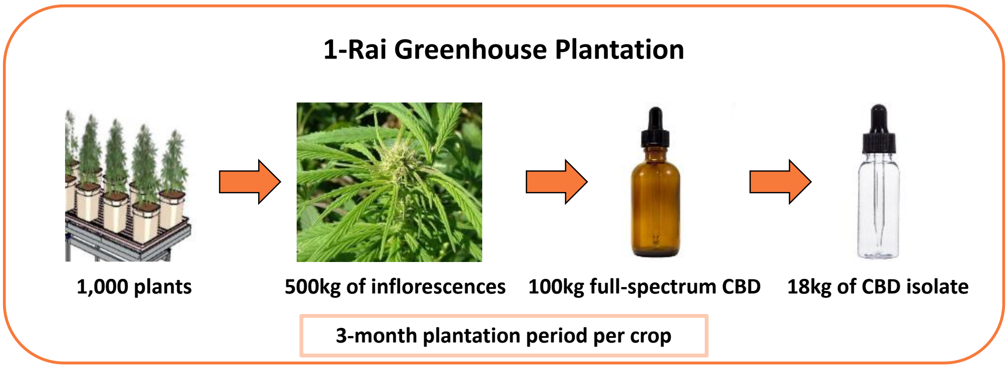


Source: Company data

We project 11 tonnes of CBD isolate to be sold to beverage and skincare firms in 2023F

We estimate GUNKUL to produce 11 tonnes of CBD isolate annually when it fully develops its 200-rai hemp plantation from 1H23F onward, slightly later than the company's target of mid-2022. This is based on our assumed conversion rates from hemp plantation to CBD isolate extraction as shown in Exhibit 6. GUNKUL targets to sell CBD isolate to ready-to-drink (RTD) beverage companies, major restaurant and café chains, and skincare and cosmetics manufacturers in Thailand. We expect demand for CBD isolate from those corporates to be high during 2022-24F as they compete to launch trendy CBD-based products to gain market share while enthusiasm for these legalized products remains high among Thai people. Longer term, we expect the consumption of CBD drinks to command a sizable share of the functional drinks market, and for the sale of CBD-based skincare and cosmetics to be strong at a similar level to collagen-based products given better antioxidant effects as proven by many scientific research studies, despite higher product prices.

Ex 6: Conversion Process From Hemp Plant To CBD Isolate



Sources: Company data

Ex 7: Estimated CBD Isolate Used In Final CBD Products

	CBD per unit (mg)	Units served by 1-rai plantation (unit)	Expected product price (Bt/unit)	CBD cost to product price (%)
Ready-to-drink beverages	15	3,600,000	30	15%
Food supplements	750	72,000	1,000	23%
Skincare & cosmetics	1,000	54,000	700	43%

Source: Thanachart estimates
Note: Based on CBD isolate price of Bt300k per kilogram

Ex 8: Examples Of CBD Products In The Global Market

Source: Leafly

We expect Bt1.5bn-1.8bn in profit from the hemp business in 2023-25F

We estimate the hemp business to contribute Bt1.5bn-1.8bn in profits to GUNKUL in 2023-25F, or about a 40% lift to its earnings base. This projection is based on what we believe is an already conservative assumption for the CBD isolate selling price to gradually decline from Bt300k/kilogram to Bt250k between 2022-24F, while current expectations in the market are for the price to rise to nearly Bt1.0m in the early stages due to limited supply. The reason we estimate a higher CBD price than the average global price of Bt200k/kg presently is because Thai regulations currently prohibit the import of CBD extract and CBD products for five years (2021-25). We therefore foresee an undersupply in the domestic CBD isolate market in 2022-24F, since only a few major players have been (or soon will be) granted hemp plantation and CBD extraction licenses, while demand looks set to be strong from the beverage and cosmetics industries. We assume the domestic CBD isolate price converges with the falling global market price at Bt150k/kg in 2026F when the import ban is lifted.

Ex 9: Our Key Assumptions For The Hemp Business

	2022F	2023F	2024F	2025F	2026F onward
Plantation area (rai)	100	200	200	200	200
CBD isolate production (tonnes)	2.7	9.0	10.8	11.0	11.0
CBD isolate selling price (Bt '000)	300	280	250	250	150

Source: Thanachart estimates

Ex 10: Our Valuation Model For The Hemp Business

	2022F	2023F	2024F	2025F	2026F
Revenue (Bt m)	**810**	**2,520**	**2,700**	**2,970**	**2,138**
Gross profit (Bt m)	430	1,870	1,950	2,209	1,355
Gross margin (%)	*53.1*	*74.2*	*72.2*	*74.4*	*63.4*
Operating margin (%)	*46.9*	*70.2*	*68.5*	*71.0*	*58.7*
Net profit (Bt m)	**346**	**1,508**	**1,608**	**1,819**	**1,144**
Net margin (%)	*42.7*	*59.8*	*59.6*	*61.3*	*53.5*
EBITDA (Bt m)	**460**	**1,920**	**2,050**	**2,309**	**1,455**
EBITDA margin (%)	*56.8*	*76.2*	*75.9*	*77.7*	*68.0*

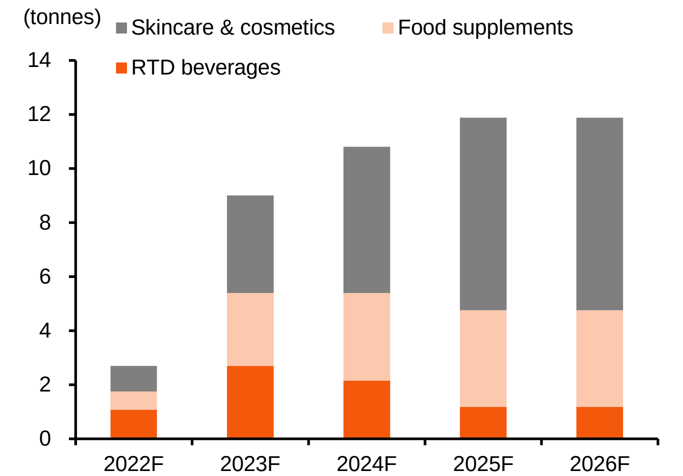
Source: Thanachart estimates

RTD beverages look set to be early adopters…

…before food supplements and cosmetics products sustain long-term demand

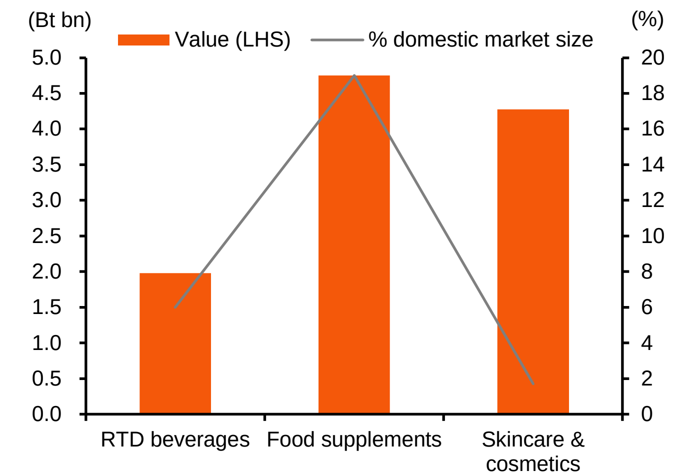
We expect RTD beverage products to consume most of the CBD isolate at 40% and 30% of GUNKUL's sales volume in 2022-23F. This implies the sale of 72m and 180m units of CBD-based RTD beverages (25mg of CBD infused in a 300ml drink) in those years, or Bt1.8bn and Bt4.5bn of end-product value assuming a Bt25 selling price per unit. We project annual RTD beverage sales to decline to 70m units in the long term when customer excitement about the products fades. We then expect food supplements, skincare and cosmetics to sustain consumption of CBD isolate over the long term as they have higher CBD content per unit. We assume 750mg of CBD per container of food supplement product (30 x 25mg capsules) and 1,000mg CBD per unit of skincare or cosmetics.

Ex 11: Projected Breakdown Of CBD Isolate Sales



Source: Thanachart estimates

Ex 12: Implied End Product Value In 2025F



Source: Thanachart estimates

Potential upside from export opportunities and legalization of cannabis

Note that we don't regard imported products after the market is opened to be a threat to local players. On the contrary, we expect hemp and CBD products from Thailand to be competitive in the global market given the country's more favorable weather conditions for hemp cultivation, compared to current major players from Western countries. Operating costs are therefore likely to be lower with better product quality. We also see a chance that the Thai government will later legalize cannabis use in selected provinces to promote tourism, which would offer significant upside potential for GUNKUL to expand this business unit further.

Growing renewable portfolio

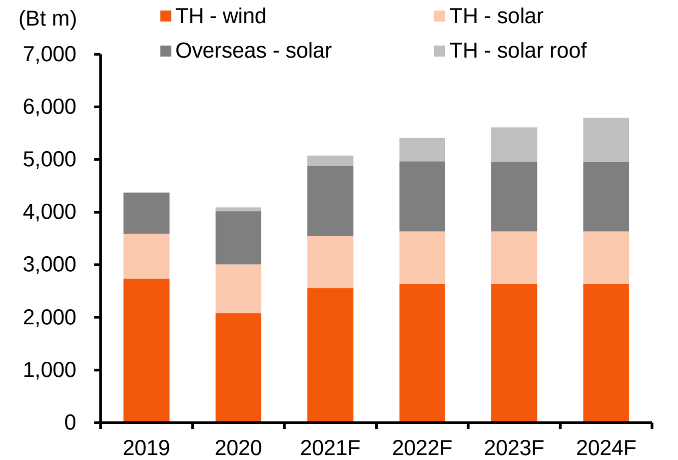
Higher renewable revenues from 1) upgraded solar panels and…

We also expect GUNKUL's legacy business of electricity generation from renewables to grow by 13% and 5% in 2022-23F. We project 8% and 5% higher revenue from its renewable plants during those years, backed by higher generating efficiency from solar farms in Thailand and growing capacity of solar rooftop projects from continuous development of built-to-suit projects for corporate clients under private-PPA contracts (B2B). GUNKUL has finished replacing degraded solar panels (eight to 10 years old) at its 125MW of solar farms in Thailand with higher-technology ones. We expect an 11% increase in electricity output from those solar projects given the higher energy conversion rate.

… 2) growing solar rooftop capacity via B2B contracts

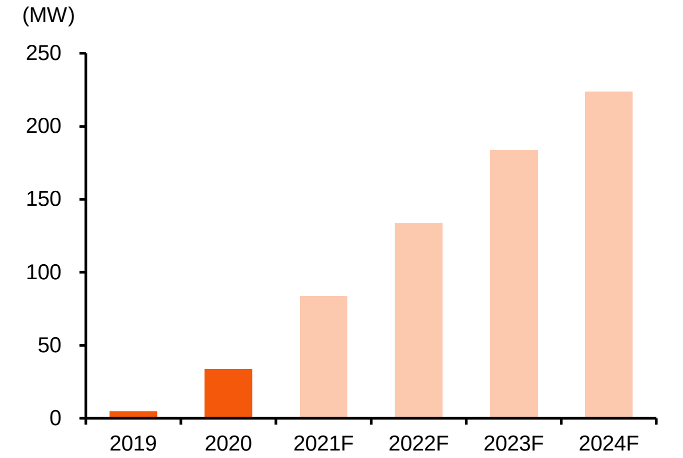
We expect GUNKUL to grow its solar rooftop capacity by 50MW per year, from 34MW in 2020 to 184MW in 2023F. Demand for private solar power generation from corporate clients is increasing as the payback period for solar rooftop projects, via electricity cost savings, has decreased to six to seven years because of the falling prices of solar panels. Hypermarkets, industrial factories, and logistics warehouses are the major customers. Note that we have factored in Bt0.3/share of potential value from GUNKUL's target to acquire 250MW of operating solar farms in Thailand and Vietnam in our TP, but we have yet to include these M&As in our earnings forecasts.

Ex 13: Renewable Revenue Trend (Solar + Wind + Roof)



Sources: Company data, Thanachart estimates

Ex 14: Our Projections For Solar Rooftop Capacity



Sources: Company data, Thanachart estimates

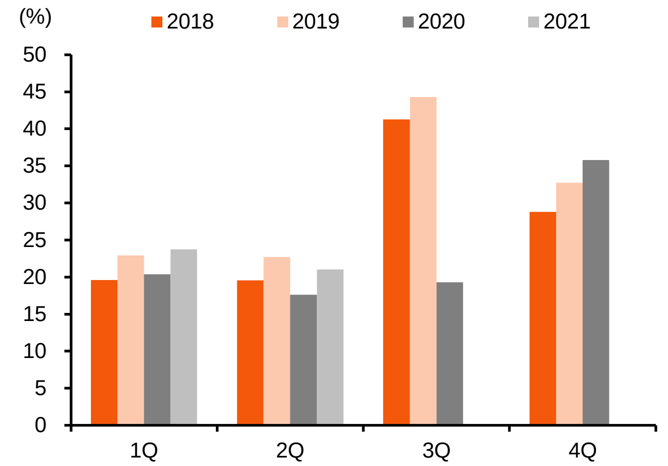
Strong 2H21F earnings

Strong 2H21F earnings from higher wind power output

We estimate 81% y-y earnings growth for GUNKUL in 2H21F driven by much stronger output from its wind power projects in Thailand compared to the extraordinary low base last year, and full-year earnings contributions from three solar power projects (121MW equity capacity, or 19% of its operating capacity) in Vietnam and Malaysia acquired in 4Q20. We now assume a 35% capacity factor for its subsidized wind farms in Thailand (170MW, 27%) in 2H21F, vs. 28% in 2H20 and 35-40% during 2018-19.

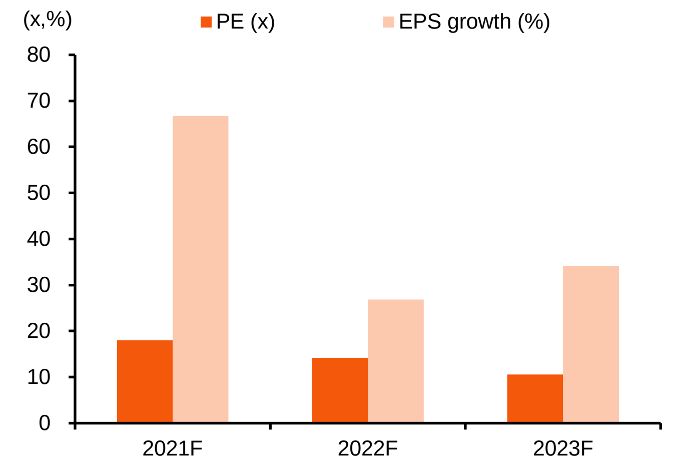
We also expect strong earnings momentum to continue at 27% y-y growth in 2022F and another 34% in 2023F from the ramping-up of its hemp business. Given the robust earnings growth pace, we see GUNKUL's valuation at 14x PE in 2022F as highly attractive.

Ex 15: Extraordinary Low Wind Capacity Factor In 3Q20



Sources: Company data, Thanachart estimates

Ex 16: Valuation Attractive In Our View



Source: Thanachart estimates

Ex 17: 12-month DCF-derived SOTP-TP Calculation

	Valuation method	WACC (%)	Value per GUNKUL's share (Bt)
Solar farms TH	DCF	5.6-5.8%	0.91
Wind farms - TH	DCF	5.6-6.0%	1.25
Solar rooftop - TH	DCF	5.3-5.8%	0.53
Subtotal - Domestic			**2.69**
Solar farms - JP	DCF	3.9%	0.31
Solar farms - VN	DCF	5.1%	0.24
Solar farms - MY	DCF	5.5%	0.03
Subtotal - Overseas			**0.58**
EPC and trading business	**DCF**	**6.9%**	**0.25**
Hemp business	**DCF**	**6.9%**	**1.46**
Cash on hand			**0.52**
Plus - Potential 250MW M&As	DCF	10.0%	0.26
Grand total			**5.75**

Source: Thanachart estimates

Valuation Comparison

Ex 18: 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	6.4	10.5	10.2	9.3	0.6	0.6	7.9	7.5	7.4	8.5
Huadian Power	1071 HK	China	8.4	2.4	6.9	6.7	0.5	0.5	8.4	7.8	7.6	8.0
Huaneng Power	600011 CH	China	(34.2)	32.5	21.0	15.8	1.0	0.9	8.4	7.4	2.3	2.9
Cheung Kong Infrastructure	1038 HK	Hong Kong	4.5	9.3	12.7	11.6	0.9	0.9	37.6	36.3	5.8	5.9
China Power Int'l	2380 HK	Hong Kong	4.5	19.8	14.8	12.3	0.9	0.9	10.4	9.0	3.7	4.2
China Resources Power	836 HK	Hong Kong	11.8	16.3	10.2	8.8	1.0	0.9	7.4	6.6	3.9	4.6
CLP Holdings	2 HK	Hong Kong	0.1	7.5	16.9	15.7	1.6	1.6	10.7	10.2	4.2	4.3
Hongkong Electric Holdings	6 HK	Hong Kong	2.9	7.1	15.4	14.4	1.2	1.2	74.8	72.5	6.1	6.1
Huaneng Power	902 HK	Hong Kong	(28.3)	22.4	12.1	9.9	0.5	0.5	8.2	7.3	4.6	5.6
Tata Power	TPWR IN	India	17.6	21.5	28.6	23.5	2.0	2.0	11.1	10.6	1.1	1.3
Tenaga Nasional	TNB MK	Malaysia	9.1	3.6	11.8	11.4	1.0	1.0	6.8	6.7	5.2	5.4
YTL Corp	YTL MK	Malaysia	(68.4)	183.3	107.5	37.9	0.6	0.6	12.3	11.2	4.0	4.2
YTL Power	YTLP MK	Malaysia	47.4	(7.1)	12.5	13.5	0.5	0.4	10.5	10.6	5.4	6.3
Manila Electric	MER PM	Philippines	10.9	1.3	14.5	14.3	3.9	3.5	10.2	9.7	5.0	5.4
Absolute Clean Energy *	ACE TB	Thailand	18.8	84.4	25.2	13.7	3.6	3.1	19.9	11.2	1.6	3.7
BCPG Pcl *	BCPG TB	Thailand	(13.2)	3.3	20.3	19.6	1.7	1.6	17.4	17.7	2.3	2.3
B.Grimm Power Pcl *	BGRIM TB	Thailand	8.0	25.3	38.0	30.3	3.8	3.5	13.8	13.2	1.3	1.6
Banpu Power Pcl *	BPP TB	Thailand	10.2	12.4	14.6	13.0	1.3	1.2	209.9	158.0	4.1	4.6
CK Power Pcl *	CKP TB	Thailand	418.6	8.2	21.5	19.9	1.7	1.7	19.2	18.6	1.9	2.5
EA Pcl*	EA TB	Thailand	15.3	32.6	40.2	30.3	7.4	6.2	23.8	18.3	0.7	1.0
Electricity Generating *	EGCO TB	Thailand	17.9	11.1	8.6	7.7	0.8	0.8	17.9	15.9	4.0	4.3
Global Power Synergy *	GPSC TB	Thailand	20.3	16.7	24.2	20.7	2.0	2.0	15.4	14.3	2.5	2.9
Gulf Energy Dev. Pcl *	GULF TB	Thailand	88.0	37.4	54.1	39.3	7.0	6.6	40.1	31.7	1.1	1.5
Gunkul Engineering *	GUNKUL TB	Thailand	66.7	26.8	18.1	14.3	3.2	2.9	18.7	15.7	3.0	4.2
RATCH Group *	RATCH TB	Thailand	25.2	2.8	9.8	9.5	1.0	1.0	17.7	16.3	5.6	6.3
TPC Power Holding *	TPCH TB	Thailand	52.4	23.3	12.2	9.9	1.4	1.3	9.1	7.8	2.5	3.0
WHA Utilities & Power *	WHAUP TB	Thailand	47.9	24.5	13.9	11.2	1.3	1.3	31.1	26.5	4.3	5.4
Average			**28.5**	**23.7**	**22.1**	**16.5**	**1.9**	**1.8**	**25.1**	**21.4**	**3.8**	**4.3**

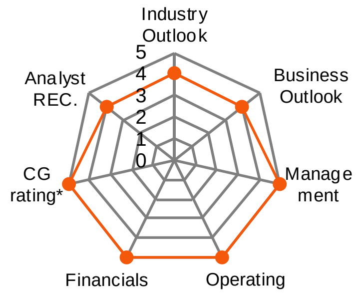
Sources: Bloomberg, * Thanachart estimates
Based on 17 September 2021 closing prices

COMPANY DESCRIPTION

Gunkul Engineering Pcl (GUNKUL) operates three major business units: 1) electrical equipment trading and manufacturing, 2) electricity infrastructure construction service, and 3) renewable power plants. Power generation from renewable sources is now its core business, with a total of 641MW operating capacity from subsidized solar and wind farms in Thailand, solar power plants abroad, and private solar rooftop projects.

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

- Established reputation and track record in the market, especially on public infrastructure construction projects.
- Strong relationships with local state power agencies.
- Hefty cashflow stream from subsidized renewable power plants in Thailand.

W — Weakness

- Limited capacity growth potential in Thailand given the country's oversupply situation.
- Power generation performance is heavily reliant on natural conditions as a usual characteristic of renewable plants.

O — Opportunity

- Bigger slice of the pie in state-enterprise budgets, rising in tandem with a pick-up in the country's GDP.
- Further capacity expansion in neighbouring countries (i.e. Vietnam, Malaysia, and Myanmar), both greenfield development and acquisitions.

T — Threat

- Lack of expertise in new energy technology, i.e. peer-to-peer trading system, and battery and energy storage.
- Rising number of corporates investing in renewables to gain benefits from carbon emission neutrality.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	4.81	5.75	19%
Net profit 21F (Bt m)	2,257	2,332	3%
Net profit 22F (Bt m)	2,599	2,958	14%
Consensus REC	**BUY: 3**	**HOLD: 2**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F earnings forecast is 14% higher than the Bloomberg consensus number, which we attribute to us being earlier in factoring the hemp business into our numbers.
- Our TP is therefore 19% higher as well.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Our valuation relies heavily on the success of its start-up hemp business, i.e., plantation yield, domestic market price of CBD isolate, and end demand for CBD-based projects.
- Another key downside risk to our call would be if GUNKUL fails to grow its capacity to our expectation.
- Unfavourable natural conditions, i.e., low solar radiation and weak wind speeds, would represent another significant downside risk to our earnings forecasts.
- A secondary downside risk would be if construction work projects were to be delayed from our assumptions.

Source: Thanachart

Hemp business driving new S-curve earnings growth in 2022-23F

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	5,523	6,539	8,048	9,088	10,832
Cost of sales	3,450	4,716	5,515	5,851	6,001
Gross profit	**2,072**	**1,823**	**2,534**	**3,237**	**4,832**
% gross margin	37.5%	27.9%	31.5%	35.6%	44.6%
Selling & administration expenses	840	955	932	1,013	1,090
Operating profit	**1,232**	**868**	**1,601**	**2,224**	**3,742**
% operating margin	22.3%	13.3%	19.9%	24.5%	34.5%
Depreciation & amortization	1,137	1,353	1,596	1,616	1,672
EBITDA	**2,369**	**2,221**	**3,198**	**3,840**	**5,414**
% EBITDA margin	42.9%	34.0%	39.7%	42.2%	50.0%
Non-operating income	1,653	1,285	1,568	1,622	1,640
Non-operating expenses	0	0	0	0	0
Interest expense	(910)	(912)	(954)	(879)	(740)
Pre-tax profit	**1,975**	**1,241**	**2,215**	**2,967**	**4,642**
Income tax	41	119	222	356	696
After-tax profit	**1,934**	**1,121**	**1,994**	**2,611**	**3,945**
% net margin	35.0%	17.1%	24.8%	28.7%	36.4%
Shares in affiliates' Earnings	269	291	350	359	35
Minority interests	(75)	(13)	(12)	(12)	(12)
Extraordinary items	20	2,013	0	0	0
NET PROFIT	**2,147**	**3,412**	**2,332**	**2,958**	**3,968**
Normalized profit	**2,127**	**1,399**	**2,332**	**2,958**	**3,968**
EPS (Bt)	0.3	0.4	0.3	0.3	0.4
Normalized EPS (Bt)	0.3	0.2	0.3	0.3	0.4

Healthy balance sheet for further investment opportunities

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	7,285	11,782	8,463	8,639	9,338
Cash & cash equivalent	4,218	6,279	4,162	4,162	4,162
Account receivables	1,227	2,864	1,985	2,241	2,671
Inventories	653	637	907	962	986
Others	1,187	2,003	1,410	1,274	1,518
Investments & loans	1,731	1,566	1,566	1,566	1,566
Net fixed assets	24,567	26,943	26,797	27,777	28,282
Other assets	5,458	5,741	6,982	7,891	9,338
Total assets	**39,042**	**46,032**	**43,809**	**45,873**	**48,524**
LIABILITIES:					
Current liabilities:	8,205	12,983	13,509	12,625	13,750
Account payables	1,070	2,404	1,813	1,924	1,973
Bank overdraft & ST loans	1,051	4,659	3,244	2,211	2,101
Current LT debt	2,261	3,315	3,677	3,980	3,781
Others current liabilities	3,823	2,604	4,774	4,510	5,896
Total LT debt	**18,991**	**18,793**	**14,708**	**15,920**	**15,124**
Others LT liabilities	513	1,781	2,222	2,515	2,935
Total liabilities	**27,709**	**33,557**	**30,439**	**31,061**	**31,810**
Minority interest	621	125	137	150	162
Preferreds shares	0	0	0	0	0
Paid-up capital	2,221	2,221	2,221	2,221	2,221
Share premium	5,179	5,179	5,179	5,179	5,179
Warrants	0	0	0	0	0
Surplus	(1,350)	(1,359)	(1,359)	(1,359)	(1,359)
Retained earnings	**4,662**	**6,309**	**7,191**	**8,621**	**10,511**
Shareholders' equity	10,712	12,350	13,233	14,662	16,552
Liabilities & equity	**39,042**	**46,032**	**43,809**	**45,873**	**48,524**

Sources: Company data, Thanachart estimates

Hefty cash flow from subsidized wind farms easily supports capex

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	1,975	1,241	2,215	2,967	4,642
Tax paid	(82)	(114)	(215)	(351)	(689)
Depreciation & amortization	1,137	1,353	1,596	1,616	1,672
Chg In working capital	458	(287)	19	(201)	(406)
Chg In other CA & CL / minorities	2,347	(2,489)	3,097	227	1,038
Cash flow from operations	**5,835**	**(296)**	**6,713**	**4,258**	**6,257**
Capex	(2,686)	(3,729)	(1,375)	(2,550)	(2,125)
Right of use	0	(682)	(150)	(150)	(150)
ST loans & investments	(170)	170	0	0	0
LT loans & investments	(225)	165	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	55	3,757	(716)	(511)	(799)
Cash flow from investments	**(3,027)**	**(320)**	**(2,241)**	**(3,211)**	**(3,074)**
Debt financing	(1,245)	4,451	(5,138)	482	(1,106)
Capital increase	366	0	0	0	0
Dividends paid	(73)	(1,194)	(1,450)	(1,529)	(2,078)
Warrants & other surplus	(638)	(580)	0	0	0
Cash flow from financing	**(1,591)**	**2,676**	**(6,588)**	**(1,047)**	**(3,184)**
Free cash flow	**3,149**	**(4,025)**	**5,338**	**1,708**	**4,132**

Attractive valuation at 14x 2022F PE given strong EPS growth

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	17.8	30.2	18.1	14.3	10.7
Normalized PE - at target price (x)	21.5	36.5	21.9	17.3	12.9
PE (x)	17.6	12.4	18.1	14.3	10.7
PE - at target price (x)	21.3	15.0	21.9	17.3	12.9
EV/EBITDA (x)	23.6	28.3	18.7	15.7	10.9
EV/EBITDA - at target price (x)	26.9	32.2	21.4	18.0	12.5
P/BV (x)	3.5	3.4	3.2	2.9	2.6
P/BV - at target price (x)	4.3	4.1	3.9	3.5	3.1
P/CFO (x)	6.5	(143.0)	6.3	9.9	6.8
Price/sales (x)	7.7	6.5	5.3	4.7	3.9
Dividend yield (%)	3.2	3.8	3.0	4.2	5.6
FCF Yield (%)	8.3	(9.5)	12.6	4.0	9.8
(Bt)					
Normalized EPS	0.3	0.2	0.3	0.3	0.4
EPS	0.3	0.4	0.3	0.3	0.4
DPS	0.2	0.2	0.1	0.2	0.3
BV/share	1.3	1.4	1.5	1.7	1.9
CFO/share	0.7	(0.0)	0.8	0.5	0.7
FCF/share	0.4	(0.5)	0.6	0.2	0.5

Sources: Company data, Thanachart estimates

High-profitability company due to large contribution from renewable plants

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	9.1	18.4	23.1	12.9	19.2
Net profit (%)	97.9	58.9	(31.6)	26.8	34.1
EPS (%)	88.4	42.2	(31.7)	26.8	34.1
Normalized profit (%)	27.2	(34.2)	66.7	26.8	34.1
Normalized EPS (%)	21.0	(41.1)	66.7	26.8	34.1
Dividend payout ratio (%)	56.3	47.4	55.0	60.0	60.0
Operating performance					
Gross margin (%)	37.5	27.9	31.5	35.6	44.6
Operating margin (%)	22.3	13.3	19.9	24.5	34.5
EBITDA margin (%)	42.9	34.0	39.7	42.2	50.0
Net margin (%)	35.0	17.1	24.8	28.7	36.4
D/E (incl. minor) (x)	2.0	2.1	1.6	1.5	1.3
Net D/E (incl. minor) (x)	1.6	1.6	1.3	1.2	1.0
Interest coverage - EBIT (x)	1.4	1.0	1.7	2.5	5.1
Interest coverage - EBITDA (x)	2.6	2.4	3.4	4.4	7.3
ROA - using norm profit (%)	5.7	3.3	5.2	6.6	8.4
ROE - using norm profit (%)	21.7	12.1	18.2	21.2	25.4
DuPont					
ROE - using after tax profit (%)	19.7	9.7	15.6	18.7	25.3
- asset turnover (x)	0.1	0.2	0.2	0.2	0.2
- operating margin (%)	52.2	32.9	39.4	42.3	49.7
- leverage (x)	3.8	3.7	3.5	3.2	3.0
- interest burden (%)	68.5	57.6	69.9	77.1	86.2
- tax burden (%)	97.9	90.4	90.0	88.0	85.0
WACC (%)	5.8	5.8	5.8	5.8	5.8
ROIC (%)	4.1	2.7	4.4	6.4	9.8
NOPAT (Bt m)	1,206	784	1,441	1,957	3,180
invested capital (Bt m)	28,798	32,839	30,700	32,611	33,395

Sources: Company data, Thanachart estimates

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