

CK Power Pcl (CKP TB) - BUY

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News Update

Strong 3Q21F, but weak outlook into next quarter

- **Total output from two hydropower plants grew 10% y-y in Sep-21**
- **Favorable water situation in Mekong River for XPCL ...**
- **... But water inflow to NN2 looks weak from September**
- **We see downside to our 4Q21F earnings forecast**

Total electricity generation from CKP's two hydropower plants in Laos increased 10% y-y to 948GWh in September 2021. A drop by 17% m-m due to a seasonal impact that August is a usual peak month for electricity generation from hydropower in Indochina region. This is in-line with our expectation of strong power generation, thus strong earnings, from CKP in 3Q21F especially when compared to its drought year in 2020. Having said that, water situation in the Mekong River and Nam-Ngum River looks weak from September, so we see a downside to our 4Q21F earnings forecast. We see a glimpse of improvement in performance of BIC, likely backed by recovering industrial activities post Covid.

- **Xayaburi (XPCL, hydro, 482MW):** Electricity output from XPCL declined 13% m-m and 2% y-y to 781GWh in September, in-line with our expectation. The weaker generation compared to the same period last year was due to an 8% y-y lower water flow rate in the Mekong River, despite there were multiple rainstorms hit the region during the month.
- **Nam Ngum 2 (NN2, hydro, 283MW):** Electricity generation from NN2 was at 167GWh in September, up strongly by 142% y-y but fell 31% m-m, also in-line with what we had been expected. Having said that, water inflow to its reservoir looks weak at only 467mcm, 17% lower than last year. This creates a downside to NN2's power generation in 4Q21F, given this weaker-than-expected starting amount of water in its reservoir going into the new quarter.
- **Bangpa-in Cogen (BIC, gas-fired, 154MW):** There is a slight improvement in a performance from BIC power plant. Electricity generation was stable at 134GWh in September, up 1% y-y. The positive point was on a 17% y-y rise in volume of steam sold to industrial users. We believe this was supported by an recovering industrial activities in the country on easing Covid-19 impacts.
- **Solar farms (BKC, solar, 19MW):** Total electricity output from its solar farms still grew 3% y-y to 1.63GWh this September, even there were lot of rainstorms during the month.

We now project CKP's earnings to be strong at Bt1.05bn in 3Q21F, up 35% y-y and 63% q-q, thanks to a much stronger water situation in Indochina region this year. This would make its 9M21F makes up 82% of our full-year forecast. However, we see some downside to that full-year numbers since the water situation in two major rivers for CKP was weak in September, which poses a downside risk to its amount of power generation in 4Q21F.

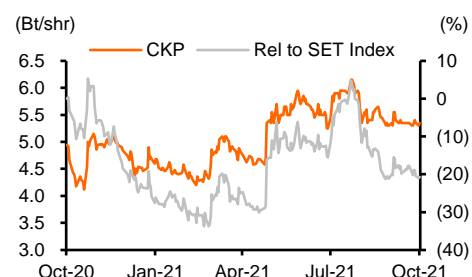
Key Valuations

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	6,695	8,642	8,821	8,923
Net profit	405	2,043	2,210	2,207
Norm net profit	394	2,043	2,210	2,207
Norm EPS (Bt)	0.0	0.3	0.3	0.3
Norm EPS gr (%)	53.0	418.6	8.2	(0.1)
Norm PE (x)	110.4	21.3	19.7	19.7
EV/EBITDA (x)	35.4	19.1	18.5	18.4
P/BV (x)	1.8	1.7	1.6	1.6
Div. yield (%)	0.7	1.9	2.5	3.0
ROE (%)	1.7	8.3	8.5	8.2
Net D/E (%)	61.7	53.8	47.1	48.4

Source: Thanachart estimates

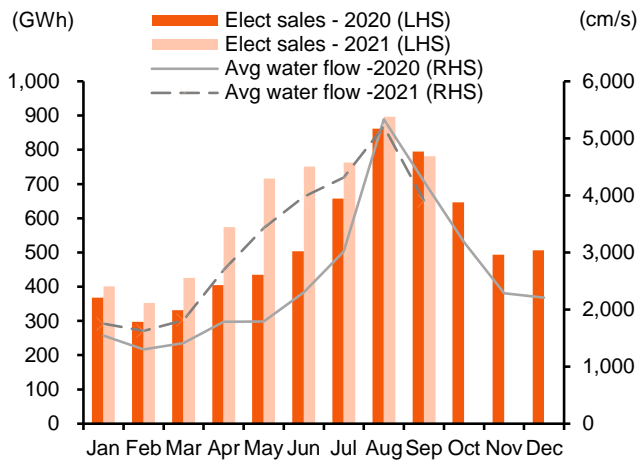
Stock Data

Closing price (Bt)	5.35
Target price (Bt)	7.50
Market cap (US\$ m)	1,301
Avg daily turnover (US\$ m)	4.4
12M H/L price (Bt)	6.15/4.12

Price Performance

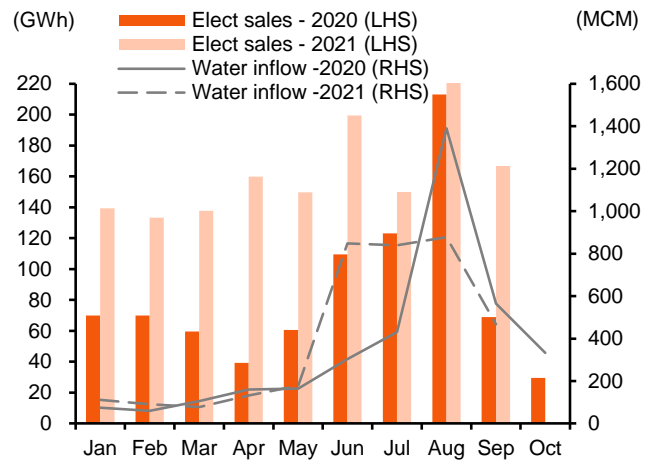
Source: Bloomberg

Ex 1: XPCL's Performance Was In-Line With Our View



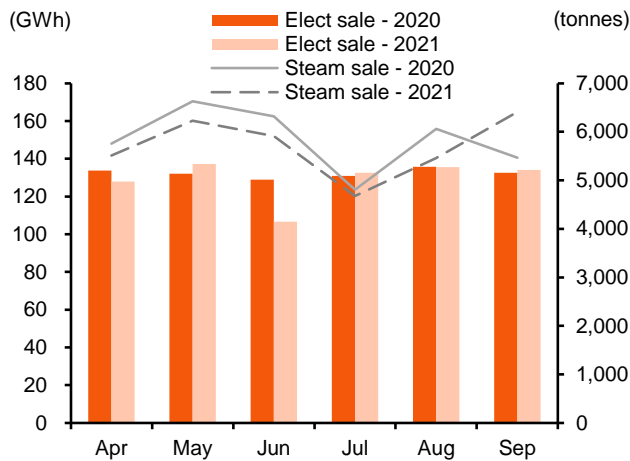
Source: Company data

Ex 2: Water Inflow To NN2's Reservoir Looks Weak



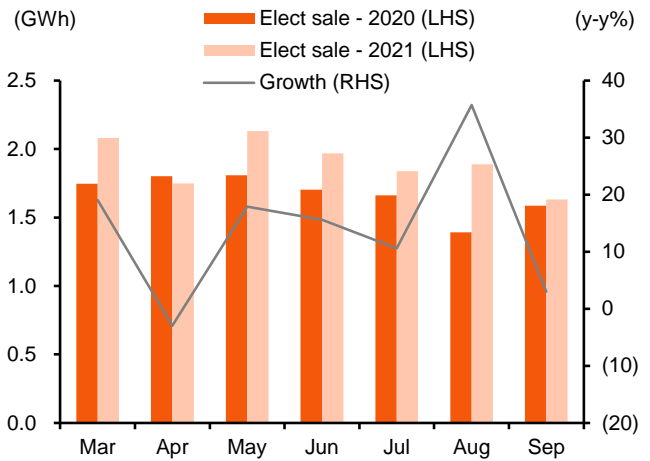
Source: Company data

Ex 3: Improving Steam Volume Sale This Month



Source: Company data

Ex 4: Output From Solar Projects Continues To grow



Source: Company data

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