

**RATCH Group Pcl (RATCH TB) - U.R.**

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**News Update****Acquiring 51% stake in Sahacogen (SCG)**

- **RATCH will invest Bt3.4bn for 51% stake in SCG**
- **SCG owns 214MW gas and 15MW biomass plants**
- **RATCH has to do tender offer for the rest of SCG's shares**
- **We initially see the deal as expensive**

RATCH announced to SET yesterday a plan to invest in 51% of total shares of Sahacogen (Chonburi) Pcl (SCG TB, unrated) via a purchase of existing shares from SCG's current shareholders and a subscription into the newly issued shares.

- RATCH plans to purchase 384.8m SCG's total shares or 33.1% stake in SCG post its share issuance (including 46.0m shares or 4.0% stake from Saha Pathana Inter-Holding Pcl, SPI TB) at Bt5.75/share, and subscribe to 208.7m newly issued shares (17.8% of total shares post issuance), also at the price of Bt5.75/share. This implies total investment cost of Bt3.4bn by RATCH for 51% stake in SCG.
- SCG owns and operates gas-fired SPP plant in Sahaphat Group industrial park (in Sriracha, Chonburi) with a total capacity of 214MW electricity and 96tph steam generation. It also has two biomass power plants with a total of 15MW electricity capacity in its portfolio.
- RATCH expects this deal to strengthen its relation with SPI (which will remain one of the major shareholders with 14.7% stake in SCG post the deal) to further develop more power plants in industrial estates or other projects owned by Sahaphat Group together in the future, apart from an immediate profit contribution and capacity growth from SCG's existing projects.
- This is in-line with RATCH's investment target to reach 10.0GW equity capacity by 2025F, from 9.3GW currently (after included its recent investment in 931MW coal-fired Paiton power plant and 117MW from this SCG deal).
- By SEC's rule, RATCH is required to make a tender offer for the remaining 570.2m shares to SCG after a completion of its share subscription at Bt5.75/share, the same as its purchase price in private placement.
- RATCH expects share purchase and share subscription transactions to both complete by this year, and will immediately launch its tender offer afterward.

Based on historical Bt117-308m net profits from SCG over past five years (2016-20) or Bt0.10-0.27/share (post dilution from new share issuance), the acquisition from RATCH this round implies trading price at 31x average trailing PE. We initially see this deal as expensive, given SCG's SPP contract is expiring and thus required another investment to construct replacement plant. We would have to discuss more with RATCH on potential growth from SCG whether it justifies this high valuation. We put our recommendation and TP on RATCH under reviewed.

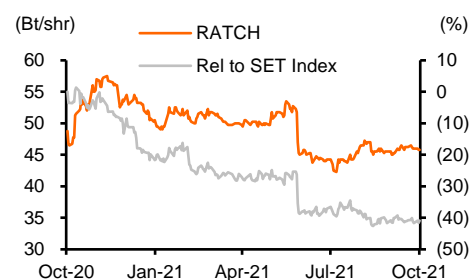
**Key Valuations**

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	34,206	38,906	38,795	38,152
Net profit	6,287	6,827	7,021	7,071
Norm net profit	5,451	6,827	7,021	7,071
Norm EPS (Bt)	3.8	4.7	4.8	4.9
Norm EPS gr (%)	(9.7)	25.2	2.8	0.7
Norm PE (x)	12.2	9.8	9.5	9.4
EV/EBITDA (x)	22.8	17.7	16.3	16.0
P/BV (x)	1.1	1.0	1.0	1.0
Div. yield (%)	5.2	5.6	6.3	6.9
ROE (%)	9.1	11.0	10.8	10.4
Net D/E (%)	54.8	51.1	48.3	39.1

Source: Thanachart estimates

**Stock Data**

Closing price (Bt)	46.00
Target price (Bt)	U.R.
Market cap (US\$ m)	2,004
Avg daily turnover (US\$ m)	6.8
12M H/L price (Bt)	57.50/42.25

**Price Performance**

Source: Bloomberg

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