Absolute Clean Energy Pcl (ACE TB) - SELL, Price Bt3.64, TP Bt3.4

Results Comment

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

Weaker-than-expected 3Q21 profit

- ACE reported Bt330m norm profit (excluding FX gain and one-off legal expense) in 3Q21, down 9% y-y but flat q-q. This came in weaker-than-expected due to lower-than-expected profit from biomass and bio-waste power plants this quarter.
- Gross profit improved 7% y-y and 7% q-q to Bt496m in 3Q21, driven by capacity expansion over the year and higher margin from its biomass power plants compared to previous quarter.
- Total SG&A expenses increased more than we had expected, up 42% y-y and 16% q-q, following commencing operations of its self-developed power plants and those from M&As.
- EBITDA margin weakened to 38.8% in 3Q21 from 33.6% in 2Q21 given higher fuel costs (both biomass materials and domestic gas cost). It improved from 35.7% in 3Q20 from scale benefits of capacity expansion.
- ACE's 9M21 profit was much lower than we expected, made up only 66% of our full-year forecast for 2021F. We see downside to our numbers and maintain our SELL rating on ACE.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	1,501	1,369	1,314	1,386	1,468
Gross profit	**463**	**454**	**439**	**466**	**496**
SG&A	67	90	85	82	95
Operating profit	396	364	355	384	401
EBITDA	**535**	**500**	**517**	**549**	**570**
Other income	3	2	2	5	2
Other expense	0	0	0	0	0
Interest expense	28	27	34	36	36
Profit before tax	**371**	**339**	**323**	**353**	**367**
Income tax	9	28	29	22	37
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	48	(57)	66	35	81
Net profit	**410**	**254**	**360**	**366**	**411**
Normalized profit	**362**	**311**	**294**	**331**	**330**
EPS (Bt)	0.04	0.02	0.04	0.04	0.04
Normalized EPS (Bt)	0.04	0.03	0.03	0.03	0.03

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	6	(2)	73	5,736	6,980
Gross profit	**7**	**7**	**69**	**2,024**	**2,594**
SG&A	16	42	72	365	423
Operating profit	5	1	69	1,659	2,171
EBITDA	**4**	**7**	**75**	**2,196**	**2,912**
Other income	(59)	(31)	140	7	8
Other expense	na	na	na	0	0
Interest expense	1	30	80	132	239
Profit before tax	**4**	**(1)**	**68**	**1,534**	**1,940**
Income tax	69	311	114	77	97
Equity & invest. income	na	na	na	0	0
Minority interests	na	na	na	0	0
Extraordinary items	129	68	na	0	0
Net profit	**12**	**0**	**78**	**1,457**	**1,843**
Normalized profit	**(0)**	**(9)**	**66**	**1,457**	**1,843**
EPS (Bt)	12	0	78	0.14	0.18
Normalized EPS (Bt)	(0)	(9)	66	0.14	0.18

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	688	576	809	724	505
A/C receivable	838	829	828	1,039	1,047
Inventory	390	402	564	537	535
Other current assets	36	34	46	52	67
Investment	145	145	193	193	193
Fixed assets	8,814	9,095	9,464	9,764	10,137
Other assets	5,419	5,348	5,572	5,564	5,707
Total assets	**16,330**	**16,430**	**17,475**	**17,873**	**18,191**
S-T debt	748	841	735	938	840
A/C payable	423	269	344	289	283
Other current liabilities	43	103	89	77	97
L-T debt	3,198	3,082	3,791	3,828	3,781
Other liabilities	177	142	163	178	204
Minority interest	0	0	0	27	37
Shareholders' equity	**11,741**	**11,993**	**12,353**	**12,536**	**12,948**
Working capital	806	962	1,048	1,287	1,298
Total debt	3,946	3,922	4,526	4,765	4,621
Net debt	**3,258**	**3,346**	**3,717**	**4,041**	**4,116**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	18.5	8.8	(2.5)	(15.5)	(2.2)
Operating profit growth	15.8	3.1	4.4	4.0	1.3
EBITDA growth	12.9	3.1	9.1	9.5	6.5
Norm profit growth	53.8	17.2	(0.1)	(7.9)	(8.8)
Norm EPS growth	38.4	17.2	(0.1)	(7.9)	(8.8)
Gross margin	30.9	33.2	33.4	33.6	33.8
Operating margin	26.4	26.6	27.0	27.7	27.3
EBITDA margin	35.7	36.5	39.3	39.6	38.8
Norm net margin	24.1	22.7	22.4	23.9	22.5
D/E (x)	0.3	0.3	0.4	0.4	0.4
Net D/E (x)	0.3	0.3	0.3	0.3	0.3
Interest coverage (x)	19.2	18.4	15.2	15.4	15.8
Interest rate	3.2	2.8	3.2	3.1	3.1
Effective tax rate	2.4	8.2	8.9	6.2	10.1
ROA	9.3	7.6	6.9	7.5	7.3
ROE	12.6	10.5	9.7	10.6	10.4

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 143 Derivative Warrants which are ACE16C2111A, ACE16C2201A, ACE16C2202A, ADVA16C2110A, ADVA16C2201A, ADVA16C2202A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2112A, AOT16C2202A, BAM16C2110A, BAM16C2112A, BANP16C2110A, BANP16C2112A, BANP16C2201A, BANP16C2202A, BBL16C2201A, BCH16C2111A, BCH16C2111B, BCH16C2201A, BCH16C2203A, BCPG16C2111A, BEC16C2202A, BGRI16C2110A, BGRI16C2112A, CBG16C2201A, CBG16C2202A, CHG16C2111A, CHG16C2112A, CHG16C2202A, COM716C2110A, COM716C2112A, CPAL16C2111A, CPAL16C2112A, CPF16C2112A, CPN16C2202A, DELT16C2112A, DELT16C2202A, DOHO16C2111A, DOHO16C2112A, DOHO16C2202A, DTAC16C2112A, EA16C2110A, EA16C2201A, EGCO16C2110A, ESSO16C2202A, GLOB16C2201A, GLOB16C2203A, GPSC16C2110A, GPSC16C2201A, GPSC16C2201B, GULF16C2112A, GULF16C2202A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IRPC16C2110A, IRPC16C2112A, IVL16C2110A, IVL16C2111A, IVL16C2202A, JAS16C2202A, JMAR16C2111A, JMAR16C2201A, JMAR16C2202A, JMT16C2110A, JMT16C2201A, KBAN16C2111A, KBAN16C2111B, KBAN16C2201A, KBAN16C2202A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, KTC16C2202A, LH16C2202A, MAJO16C2201A, MEGA16C2112A, MINT16C2112A, MTC16C2112A, MTC16C2202A, OR16C2112A, OR16C2202A, PTG16C2201A, PTG16C2202A, PTG16C2203A, PTL16C2201A, PTL16C2202A, PTL16C2202B, PTT16C2112A, PTT16C2201A, PTTE16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RBF16C2202A, RS16C2112A, RS16C2201A, S5016C2112A, S5016C2112A, S5016C2112B, S5016C2112C, S5016P2112C, S5016P2112A, S5016P2112B, S5016C2203A, S5016P2203A, S5016C2112D, S5016P2112D, SAWA16C2112A, SAWA16C2202A, SCB16C2111A, SCB16C2112A, SCB16C2201A, SCB16C2202A, SCC16C2112A, SCGP16C2202A, SCGP16C2201A, SPAL16C2202A, SPRC16C2201A, STA16C2112A, STA16C2201A, STEC16C2110A, STEC16C2201A, STGT16C2111A, STGT16C2202A, SYNE16C2202A, TASC16C2201A, TOP16C2112A, TOP16C2202A, TRUE16C2202A, TU16C2110A, TU16C2111A, TU16C2202A, WHA16C2202A (underlying securities are ACE, ADVANC, AEONTS, AMATA, AOT, BAM, BANPU, BBL, BCH, BCPG, BEC, BGRIM, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MAJOR, MEGA, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SPALI, SPRC, SET50, STA, STEC, STGT, SYNTEC, TASCO, TOP, TRUE, TU, WHA) . Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities
Investment Banking Relationship
Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)