

B.Grimm Power Pcl (BGRIM TB) - BUY

News Update

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Investment in solar business in Malaysia

- **BGRIM is to invest Bt3.2bn for solar business in Malaysia**
- **Targeted reNIKOLA co. plans to develop 1GW solar farms**
- **The deal is expected to finalize in 1Q22F**
- **We estimate Bt0.7/share upside to our TP**

BGRIM announces to indirectly invest, through Pimpinan Ehsan Berhad (PEB), Bt3.2bn for 40.6% stake in reNIKOLA Holdings, a developer of solar farms in Malaysia holding 178MW operating solar capacity with a plan to build a total of 1.0GW solar farms within next five years. BGRIM sees this as a strategic move for it to expand business into a new country and to reach its target of net-zero carbon emission by 2050.

- reNIKOLA has 88MW of solar farms already in operations, commissioning since 2018-20 with 21-years long-term power purchase agreements (PPAs) with Tenaga Nasional Berhad (TNB), the sole utility company in Malaysia.
- reNIKOLA is targeting to acquire another 90MW solar farm by end-2021 which has a scheduled commencement date (COD) in 1Q22F. reNIKOLA is also developing a huge 375MW (51%-owned) solar farm to begin operations in early 2024F.
- BGRIM expects is investment injected into reNIKOLA would be sufficient for the company to develop these two new projects.
- For other new potentials of 450MW, BGRIM may have to inject more money into reNIKOLA if the new capacity comes in as a big chunk such that proceeds from its existing plants are yet sufficient to be re-invested into those new projects.
- BGRIM targets all transactions for the deal to be done within 1Q22F, when the company could recognize profits from reNIKOLA's operating solar farms of 178MW (72.2MW equity capacity to BGRIM).

We estimate this investment to add Bt0.7/share value to our valuation on BGRIM, as we have yet included this deal into our numbers. We expect Bt480m profit contribution from reNIKOLA when its developing plants are online in 2024F. This implies 9% upside to earnings forecast in that year.

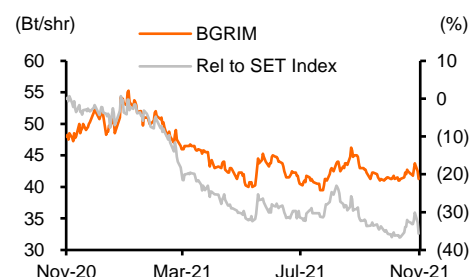
Key Valuations

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	44,087	45,635	52,003	57,188
Net profit	2,175	2,882	3,613	4,384
Norm net profit	2,670	2,882	3,613	4,384
Norm EPS (Bt)	1.0	1.1	1.4	1.7
Norm EPS gr (%)	29.7	8.0	25.3	21.4
Norm PE (x)	40.0	37.1	29.6	24.4
EV/EBITDA (x)	12.9	13.6	13.0	11.0
P/BV (x)	3.9	3.7	3.4	3.2
Div. yield (%)	1.1	1.3	1.7	2.1
ROE (%)	9.6	10.2	12.0	13.6
Net D/E (%)	149.5	189.8	217.8	190.4

Source: Thanachart estimates

Stock Data

Closing price (Bt)	41.00
Target price (Bt)	54.00
Market cap (US\$ m)	3,263
Avg daily turnover (US\$ m)	11.8
12M H/L price (Bt)	55.25/39.50

Price Performance

Source: Bloomberg

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