

**Banpu Power Pcl (BPP TB) - BUY, Price Bt17.30, TP Bt22.50****Results Comment**

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**Very weak 3Q21 on a coal cost surge**

- BPP reported normalized profit (excluding Bt177m FX gain) at Bt418m in 3Q21, down sharply 50% y-y and 60% q-q in a like-for-like basis. The weakness was due to a surge of coal price in China and a planned maintenance in one of its major plants.
- Total consolidated revenue from its three coal power plants in China grew 8% y-y and 22% q-q to Bt1.05bn in 3Q21, thanks to higher steam selling price and sale volume which more than offset a sharp drop in electricity demand this quarter.
- However, BPP made Bt141m gross loss in 3Q21, pressured by strong surge of coal price in China to RMB920/ton (RMB733 in 2Q21 and RMB543 in 3Q20) and low electricity sale volume.
- Total SG&A expenses increased 10% y-y and 2% q-q to Bt232m in 3Q21 from higher consultant fees to support business expansion. EBITDA was thus also a loss at Bt249m.
- Shared profit from subsidiaries also weakened 31% y-y and 56% q-q to Bt533m in 3Q21, due to a loss contribution from its new major coal power plant in China on higher coal cost and lower revenues from its IPP plants in Laos, one went down for a planned maintenance and another one recorded lower revenue following its long-term contract.
- We expect a slight improvement for BPP's earnings into 4Q21F on a high season of power demand during Winter and an expected subsidy revenue on coal cost surge in China. Having said that, there is some downside to our forecast as the global coal price is now much higher than we earlier expected.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	972	1,629	1,812	861	1,048	Revenue	22	8	61	6,091	6,196
<b>Gross profit</b>	<b>92</b>	<b>371</b>	<b>349</b>	<b>(103)</b>	<b>(141)</b>	<b>Gross profit</b>	<b>na</b>	<b>na</b>	<b>13</b>	<b>791</b>	<b>898</b>
SG&A	211	285	205	228	232	SG&A	2	10	73	913	922
Operating profit	(119)	86	144	(331)	(373)	Operating profit	na	na	459	(122)	(25)
<b>EBITDA</b>	<b>(42)</b>	<b>153</b>	<b>254</b>	<b>(211)</b>	<b>(249)</b>	<b>EBITDA</b>	<b>na</b>	<b>na</b>	<b>(71)</b>	<b>291</b>	<b>399</b>
Other income	312	264	223	197	316	Other income	61	1	89	825	751
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	64	48	33	41	44	Interest expense	7	(30)	43	279	345
<b>Profit before tax</b>	<b>129</b>	<b>302</b>	<b>334</b>	<b>(175)</b>	<b>(102)</b>	<b>Profit before tax</b>	<b>na</b>	<b>na</b>	<b>13</b>	<b>424</b>	<b>381</b>
Income tax	46	93	94	(19)	8	Income tax	na	(83)	56	148	114
Equity & invest. income	771	1,143	812	1,204	533	Equity & invest. income	(56)	(31)	73	3,499	3,977
Minority interests	(13)	(9)	(6)	14	(4)	Minority interests	na	na	(4)	(107)	(122)
Extraordinary items	4	(142)	(13)	64	177	Extraordinary items	177	4,451	na	0	0
<b>Net profit</b>	<b>845</b>	<b>1,201</b>	<b>1,034</b>	<b>1,126</b>	<b>596</b>	<b>Net profit</b>	<b>(47)</b>	<b>(29)</b>	<b>75</b>	<b>3,668</b>	<b>4,123</b>
<b>Normalized profit</b>	<b>842</b>	<b>1,343</b>	<b>1,047</b>	<b>1,062</b>	<b>419</b>	<b>Normalized profit</b>	<b>(60)</b>	<b>(50)</b>	<b>69</b>	<b>3,668</b>	<b>4,123</b>
EPS (Bt)	0.28	0.39	0.34	0.37	0.20	EPS (Bt)	(47)	(29)	75	1.20	1.35
Normalized EPS (Bt)	0.28	0.44	0.34	0.35	0.14	Normalized EPS (Bt)	(60)	(50)	69	1.20	1.35

  

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	6,047	2,169	2,653	1,388	1,196	Sales grow th	0.5	(2.6)	(1.7)	(18.9)	7.8
A/C receivable	810	938	1,158	1,015	1,065	Operating profit grow th	na	na	(48.2)	na	na
Inventory	490	505	202	391	460	EBITDA grow th	na	8.7	(42.7)	na	na
Other current assets	3,559	3,907	4,330	4,228	4,635	Norm profit grow th	(19.0)	2,003.4	(30.3)	40.7	(50.2)
Investment	26,476	26,639	30,088	32,128	33,734	Norm EPS grow th	(19.0)	2,003.4	(30.3)	40.8	(50.1)
Fixed assets	8,064	8,001	8,180	8,431	8,841	Gross margin	9.4	22.8	19.3	(11.9)	(13.5)
Other assets	7,461	7,404	7,461	7,514	8,016	Operating margin	(12.3)	5.3	8.0	(38.4)	(35.6)
<b>Total assets</b>	<b>52,907</b>	<b>49,563</b>	<b>54,074</b>	<b>55,095</b>	<b>57,947</b>	EBITDA margin	(4.3)	9.4	14.0	(24.5)	(23.8)
S-T debt	5,883	2,405	2,463	5,533	6,302	Norm net margin	86.6	82.4	57.8	123.3	40.0
A/C payable	125	170	134	187	187	D/E (x)	0.2	0.1	0.1	0.2	0.2
Other current liabilities	1,142	1,492	3,806	1,272	2,055	Net D/E (x)	0.1	0.1	0.1	0.2	0.2
L-T debt	3,975	3,481	3,271	2,706	2,508	Interest coverage (x)	(0.7)	3.2	7.7	(5.1)	(5.6)
Other liabilities	65	37	36	37	43	Interest rate	2.5	2.5	2.3	2.4	2.1
Minority interest	866	869	904	927	983	Effective tax rate	35.4	30.8	28.0	10.8	(7.7)
<b>Shareholders' equity</b>	<b>40,851</b>	<b>41,109</b>	<b>43,461</b>	<b>44,432</b>	<b>45,870</b>	ROA	6.4	10.5	8.1	7.8	3.0
Working capital	1,175	1,273	1,227	1,219	1,338	ROE	8.4	13.1	9.9	9.7	3.7
Total debt	9,857	5,886	5,733	8,239	8,810						
<b>Net debt</b>	<b>3,810</b>	<b>3,716</b>	<b>3,080</b>	<b>6,852</b>	<b>7,614</b>						

Sources: Company data, Thanachart estimates

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