Energy Absolute Pcl (EA TB) - BUY, Price Bt66.50, TP Bt95.00

Results Comment

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Strong 3Q21 profit, in-line

- EA reported normalized profit (excluding FX gain) at Bt1.58bn in 3Q21, up strongly 44% y-y and 35% q-q, in-line with our expectation. This strong profit is driven by higher renewable output compared to the same period last year and lower loss contribution from battery and electric vehicle (EV) businesses.
- **Biodiesel:** norm profit contribution was weak at Bt44m, down 80% y-y and 37% q-q in 3Q21. Sale volume dropped 25% y-y and 19% q-q due to a low demand given low mobility activities in Thailand during Covid-19 lockdown this quarter.
- **Renewables:** profit contribution improved 12% y-y to Bt1.66bn in 3Q21 driven by higher output from its wind farms this year. However, it fell 3% q-q, likely from higher interest cost as EA invested to replace solar panels in its solar farms.
- **Battery and EV:** EA recorded a total of Bt541m from battery and EV assembly plants this quarter from a delivery of its first lot of E-buses (77 units). We estimate lower loss contribution from these two new business units by around Bt300m in this first quarter of operations.
- We maintain BUY on EA as our top pick in utility sector. We expect higher number of E-bus delivery in 4Q21F thus stronger earnings base for EA. Fully commercialization of its battery and E-bus manufacturing plants is a strong catalyst to its share price, in our view.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Revenue	3,773	4,446	4,703	4,923	5,040
Gross profit	**1,730**	**2,131**	**2,146**	**1,823**	**2,137**
SG&A	268	330	367	312	365
Operating profit	1,462	1,801	1,779	1,511	1,772
EBITDA	**2,144**	**2,515**	**2,470**	**2,233**	**2,548**
Other income	28	15	4	12	139
Other expense					
Interest expense	421	375	391	379	323
Profit before tax	**1,068**	**1,441**	**1,392**	**1,144**	**1,588**
Income tax	4	(30)	38	12	9
Equity & invest. income	(3)	(42)	(25)	(8)	6
Minority interests	33	59	51	50	(5)
Extraordinary items	25	(4)	32	17	37
Net profit	**1,119**	**1,484**	**1,412**	**1,191**	**1,616**
Normalized profit	**1,094**	**1,488**	**1,380**	**1,174**	**1,580**
EPS (Bt)	0.30	0.40	0.38	0.32	0.43
Normalized EPS (Bt)	0.29	0.40	0.37	0.31	0.42

Income Statement			**9M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	2	34	64	22,878	32,080
Gross profit	**17**	**24**	**68**	**8,931**	**11,896**
SG&A	17	37	60	1,735	3,504
Operating profit	17	21	70	7,197	8,392
EBITDA	**14**	**19**	**67**	**10,796**	**12,933**
Other income	1,095	399	337	46	64
Other expense			na		
Interest expense	(15)	(23)	69	1,590	1,439
Profit before tax	**39**	**49**	**73**	**5,653**	**7,017**
Income tax	(28)	121	104	57	70
Equity & invest. income	na	na	117	(23)	467
Minority interests	na	na	40	240	(38)
Extraordinary items	120	48	na		
Net profit	**36**	**44**	**73**	**5,813**	**7,375**
Normalized profit	**35**	**44**	**71**	**5,813**	**7,375**
EPS (Bt)	36	44	73	1.56	1.98
Normalized EPS (Bt)	35	44	71	1.56	1.98

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash & ST investment	3,566	2,951	4,535	4,211	3,313
A/C receivable	2,095	2,750	2,456	2,590	2,838
Inventory	743	833	1,010	1,588	1,578
Other current assets	792	855	880	775	859
Investment					
Fixed assets	55,029	55,857	57,115	57,542	57,642
Other assets	15,024	15,238	15,023	15,124	15,454
Total assets	**77,249**	**78,484**	**81,018**	**81,830**	**81,685**
S-T debt	5,958	11,982	10,734	9,180	9,358
A/C payable	172	373	305	553	450
Other current liabilities	6,288	1,210	1,893	1,212	1,147
L-T debt	32,105	31,090	32,630	34,657	22,843
Other liabilities	4,259	4,203	4,268	4,295	14,468
Minority interest	1,828	1,815	1,941	2,646	2,682
Shareholders' equity	**26,640**	**27,812**	**29,248**	**29,287**	**30,736**
Working capital	2,666	3,211	3,161	3,625	3,967
Total debt	38,063	43,072	43,364	43,837	32,201
Net debt	**34,497**	**40,121**	**38,829**	**39,626**	**28,887**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Sales growth	(8.0)	8.9	(0.6)	19.3	33.6
Operating profit growth	(30.4)	(12.6)	0.2	1.3	21.2
EBITDA growth	(22.9)	(8.9)	4.9	(0.5)	18.8
Norm profit growth	(37.9)	(12.9)	(0.9)	1.9	44.4
Norm EPS growth	(37.9)	(12.9)	(0.9)	1.9	44.4
Gross margin	45.8	47.9	45.6	37.0	42.4
Operating margin	38.7	40.5	37.8	30.7	35.2
EBITDA margin	56.8	56.6	52.5	45.4	50.6
Norm net margin	29.0	33.5	29.3	23.8	31.3
D/E (x)	1.3	1.5	1.4	1.4	1.0
Net D/E (x)	1.2	1.4	1.2	1.2	0.9
Interest coverage (x)	5.1	6.7	6.3	5.9	7.9
Interest rate	4.1	3.7	3.6	3.5	3.4
Effective tax rate	0.4	(2.1)	2.7	1.1	0.6
ROA	5.7	7.6	6.9	5.8	7.7
ROE	16.8	21.9	19.4	16.0	21.1

Sources: Company data, Thanachart estimates

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