Electricity Generating (EGCO TB) - BUY, Price Bt176, TP Bt275

Results Comment

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Decent 3Q21 profit, in-line

- EGCO reported Bt3.1bn norm profit (excluding impacts from FX and hedging items) in 3Q21, up 11% y-y and 6% q-q, mainly driven by stronger output from hydropower and wind power projects and lower number of maintenance days. This is in-line with our expectation.
- **Y-Y:** EBITDA fell 9% y-y due to lower revenue and higher maintenance costs from KEGCO IPP plant which went down for a planned overhaul this quarter. Higher gas and coal costs in its SPP plants also pressured in margins in 3Q21.
- **Q-Q:** EBITDA also dropped 8% q-q from impact from higher global coal price on its Quezon coal-fired power plant in Philippines and also a planned maintenance at the plant.
- Shared profit grew strongly 29% y-y and 24% q-q to Bt2.35bn in 3Q21, driven mainly by higher output from two hydropower plants, Xayaburi and Nam Thuen 2, and stronger electricity dispatch in SBPL coal-fired power plant in Philippines.
- EGCO's 9M21 profit made up 82% of our full-year forecast in 2021F. However, we maintain our numbers as we expect a weaker profit from EGCO in 4Q21F due to seasonal impact of lower output hydropower projects and planned maintenance in various of its plants.
- We still like EGCO on attractive valuation and decent dividend yield, with upsides from potential M&As. Maintain BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Revenue	8,327	7,435	7,109	8,706	8,743
Gross profit	**2,207**	**1,856**	**1,624**	**2,413**	**1,995**
SG&A	507	772	716	729	538
Operating profit	1,700	1,084	908	1,684	1,458
EBITDA	**2,491**	**1,868**	**1,667**	**2,450**	**2,255**
Other income	560	710	521	505	515
Other expense	0	0	0	0	0
Interest expense	959	937	891	918	948
Profit before tax	**1,301**	**857**	**538**	**1,271**	**1,024**
Income tax	291	246	126	219	222
Equity & invest. income	1,825	590	1,773	1,890	2,351
Minority interests	(1)	(13)	(8)	9	(12)
Extraordinary items	(567)	615	(1,591)	(1,441)	(2,067)
Net profit	**2,267**	**1,804**	**585**	**1,510**	**1,074**
Normalized profit	**2,835**	**1,188**	**2,176**	**2,952**	**3,141**
EPS (Bt)	4.31	3.43	1.11	2.87	2.04
Normalized EPS (Bt)	5.38	2.26	4.13	5.61	5.97

Income Statement			**9M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	0	5	73	33,601	33,493
Gross profit	**(17)**	**(10)**	**69**	**8,683**	**8,923**
SG&A	(26)	6	82	2,408	2,422
Operating profit	(13)	(14)	65	6,276	6,501
EBITDA	**(8)**	**(9)**	**68**	**9,437**	**9,698**
Other income	2	(8)	68	2,283	2,260
Other expense			na	0	0
Interest expense	3	(1)	73	3,795	3,341
Profit before tax	**(19)**	**(21)**	**59**	**4,764**	**5,420**
Income tax	2	(24)	48	1,191	1,355
Equity & invest. income	24	29	91	6,621	6,603
Minority interests	na	na	20	(50)	(50)
Extraordinary items	na	na	na	0	0
Net profit	**(29)**	**(53)**	**31**	**10,144**	**10,618**
Normalized profit	**6**	**11**	**82**	**10,144**	**10,618**
EPS (Bt)	(29)	(53)	31	19.27	20.17
Normalized EPS (Bt)	6	11	82	19.27	20.17

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash & equivalent	14,368	17,237	15,638	16,483	16,988
A/C receivable	5,338	4,811	3,730	5,573	5,811
Inventory	2,923	2,760	2,531	2,499	3,103
Other current assets	10,171	10,104	11,067	11,076	9,738
Investment	101,850	98,421	102,011	111,122	117,727
Fixed assets	51,966	49,750	50,119	50,018	50,921
Other assets	31,658	31,355	30,382	29,812	30,313
Total assets	**218,274**	**214,438**	**215,479**	**226,583**	**234,600**
S-T debt	7,274	11,170	15,545	15,847	15,417
A/C payable	3,007	2,510	1,974	3,301	3,643
Other current liabilities	2,618	2,610	7,355	7,447	7,787
L-T debt	88,854	81,758	71,116	78,558	82,198
Other liabilities	14,107	13,556	12,083	12,305	12,118
Minority interest	586	591	602	584	596
Shareholders' equity	**88,854**	**81,758**	**71,116**	**78,558**	**82,198**
Working capital	5,255	5,061	4,288	4,771	5,271
Total debt	81,759	75,691	71,023	77,922	80,628
Net debt	**101,829**	**102,243**	**106,805**	**108,541**	**112,841**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Sales growth	(9.1)	(16.8)	(18.6)	(4.2)	5.0
Operating profit growth	5.6	(16.7)	(19.8)	(6.0)	(14.3)
EBITDA growth	4.9	(9.4)	(12.6)	(4.8)	(9.4)
Norm profit growth	8.8	(30.1)	(9.5)	10.2	10.8
Norm EPS growth	8.8	(30.1)	(9.5)	10.2	10.8
Gross margin	26.5	25.0	22.8	27.7	22.8
Operating margin	20.4	14.6	12.8	19.3	16.7
EBITDA margin	29.9	25.1	23.4	28.1	25.8
Norm net margin	34.0	16.0	30.6	33.9	35.9
D/E (x)	0.9	0.9	0.8	0.9	0.9
Net D/E (x)	0.8	0.7	0.7	0.7	0.7
Interest coverage (x)	2.6	2.0	1.9	2.7	2.4
Interest rate	4.0	4.0	4.0	4.1	4.0
Effective tax rate	22.3	28.7	23.5	17.2	21.7
ROA	5.2	2.2	4.0	5.3	5.4
ROE	11.4	4.7	8.3	11.0	11.3

Sources: Company data, Thanachart estimates

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