Global Power Synergy Pcl (GPSC TB) - BUY, Price Bt78.5, TP Bt92

Results Comment

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A huge miss in 3Q21

- GPSC reported a much weaker-than-expected norm profit (ex. FX and hedging losses and Bt137m one-off penalty paid to EGAT) at Bt2.1bn in 3Q21, down 19% y-y and 7% q-q, due to unplanned outage in two major plants, higher fuel costs, and loss contribution from recently acquired solar business in India.
- **IPP plants:** Gross profit from IPP plants dropped 14% y-y and 20% q-q to Bt1.1bn (22% of total gross profit) in 3Q21, given Gheco-1 project went down for 28 days from a tube leak issue.
- **SPP plants:** SPP plants contributed Bt3.7bn gross profit (76%) in 3Q21, down 5% y-y and 7% q-q. This was due to their lower margins from a surge in coal and gas costs and an unplanned shutdown of the Glow Energy Phase 5 project. These two negatives outweighed improving electricity and steam volume sold to industrial users.
- **VSPP projects:** Gross profit from renewable projects was at Bt112m (2%) in 3Q21, down 40% y-y since GPSC divested 50% of GRP in January and down 14% q-q due to a weaker seasonality of solar farms in Japan.
- Total SG&A expenses was at Bt474m in 3Q21, up 13% y-y from a repairment cost for Gheco-1, but down 13% q-q given there were extra consultant fees related to M&As in 2Q21.
- GPSC recorded 8% y-y and 33% q-q higher equity income to Bt690m in 3Q21, thanks to stronger output from Xayaburi project despite it was offset down by a loss contribution from Avadaa, which was due to FX and hedging losses.
- As impact from an outage in Glow Energy-5 will continue into 4Q21F while GPSC's 9M21 profit made up only 70% of our full-year projection, we see a significant downside to our numbers.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	16,601	16,531	16,624	18,234	17,996
Gross profit	**3,338**	**2,906**	**3,310**	**3,459**	**2,742**
SG&A	421	601	460	545	474
Operating profit	2,917	2,305	2,850	2,914	2,269
EBITDA	**5,086**	**4,477**	**5,010**	**5,224**	**4,871**
Other income	539	537	360	213	504
Other expense					
Interest expense	1,026	965	974	987	998
Profit before tax	**2,430**	**1,876**	**2,236**	**2,140**	**1,775**
Income tax	314	186	453	286	322
Equity & invest. income	638	244	207	519	690
Minority interests	(201)	(311)	(19)	(132)	(63)
Extraordinary items	21	(166)	2	60	(205)
Net profit	**2,574**	**1,458**	**1,973**	**2,302**	**1,875**
Normalized profit	**2,553**	**1,624**	**1,972**	**2,242**	**2,079**
EPS (Bt)	0.91	0.52	0.70	0.82	0.66
Normalized EPS (Bt)	0.91	0.58	0.70	0.80	0.74

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(1)	8	71	74,192	72,564
Gross profit	**(21)**	**(18)**	**68**	**13,989**	**15,560**
SG&A	(13)	13	70	2,107	2,213
Operating profit	(22)	(22)	68	11,882	13,348
EBITDA	**(7)**	**(4)**	**73**	**20,799**	**22,706**
Other income	136	(6)	81	1,329	1,355
Other expense			na		
Interest expense	1	(3)	73	4,059	4,328
Profit before tax	**(17)**	**(27)**	**67**	**9,152**	**10,375**
Income tax	13	3	77	1,373	1,608
Equity & invest. income	33	8	76	1,864	2,465
Minority interests	na	na	35	(610)	(687)
Extraordinary items	na	na	na		
Net profit	**(19)**	**(27)**	**68**	**9,033**	**10,545**
Normalized profit	**(7)**	**(19)**	**70**	**9,033**	**10,545**
EPS (Bt)	(19)	(27)	68	3.20	3.74
Normalized EPS (Bt)	(7)	(19)	70	3.20	3.74

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	21,670	20,550	25,430	20,238	16,001
A/C receivable	9,006	9,084	7,367	9,475	8,757
Inventory	6,593	6,253	6,197	6,577	7,018
Other current assets	3,631	7,566	4,716	7,012	4,406
Investment	10,712	11,165	11,751	12,345	24,818
Fixed assets	101,141	99,978	99,949	99,428	98,805
Other assets	102,105	102,059	102,514	102,065	104,440
Total assets	**254,857**	**256,656**	**257,925**	**257,140**	**264,245**
S-T debt	12,162	11,993	15,071	19,261	6,935
A/C payable	3,814	3,952	4,084	4,681	4,386
Other current liabilities	4,260	6,118	5,846	6,487	5,727
L-T debt	94,231	92,321	89,251	83,808	103,287
Other liabilities	30,291	30,405	29,577	29,356	29,398
Minority interest	8,934	8,966	9,052	8,965	9,060
Shareholders' equity	**101,165**	**102,901**	**105,044**	**104,582**	**105,452**
Working capital	11,785	11,386	9,480	11,372	11,388
Total debt	106,392	104,315	104,322	103,069	110,222
Net debt	**84,722**	**83,764**	**78,892**	**82,831**	**94,221**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(13.7)	(9.6)	(9.2)	0.5	8.4
Operating profit growth	(0.7)	22.2	(0.7)	(5.6)	(22.2)
EBITDA growth	1.6	11.6	(0.6)	(1.1)	(4.2)
Norm profit growth	191.5	26.9	22.5	30.2	(18.6)
Norm EPS growth	55.0	26.9	22.5	30.2	(18.6)
Gross margin	20.1	17.6	19.9	19.0	15.2
Operating margin	17.6	13.9	17.1	16.0	12.6
EBITDA margin	30.6	27.1	30.1	28.6	27.1
Norm net margin	15.4	9.8	11.9	12.3	11.6
D/E (x)	1.0	0.9	0.9	0.9	1.0
Net D/E (x)	0.8	0.7	0.7	0.7	0.8
Interest coverage (x)	5.0	4.6	5.1	5.3	4.9
Interest rate	3.9	3.7	3.7	3.8	3.7
Effective tax rate	12.9	9.9	20.2	13.3	18.2
ROA	4.0	2.5	3.1	3.5	3.2
ROE	10.2	6.4	7.6	8.6	7.9

Sources: Company data, Thanachart estimates

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