

**TPC Power Holding Pcl (TPCH TB) - BUY, Price Bt11.0, TP Bt16.0****Results Comment**

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**Weak 3Q21 profit, lower-than-expected**

- TPCH reported Bt52m net profit in 3Q21, down 15% y-y but up 7% q-q. A drop from the same period last year was due to higher interest expense to support capacity expansion, while an improvement from previous quarter was driven by ramping up utilization rates in the new plants.
- Total revenue grew 40% y-y and 3% q-q to Bt661m in 3Q21, driven by a 33% capacity growth over the year and a higher plant utilization rate to 76.0%, from 74.7% in 2Q21.
- However, gross margin fell to 25.8% in 3Q21, from 31.8% in 3Q20, due to higher fuel and operating costs. Gross profit thus increased by only 13% y-y and 9% q-q to Bt170m in 3Q21.
- SG&A expenses rose 34% y-y following a capacity expansion, but remain stable q-q (+3%) at Bt34m in 3Q21. EBITDA margin thus improves to 35.1% in 3Q21, vs. 32.6% in 2Q21, but still lower than 39.6% in 3Q20.
- TPCH announces Bt0.343/share interim dividend, 40% payout from its performance in 9M21, with an indicated XD date on 22 November and a payment date on 7 December 2021.
- Despite seeing significant downsides to our earnings forecasts, we expect TPCH's profit to improve in 4Q21 from a continuing momentum of higher plant utilization and its Bt203m investment to acquire more stakes in its existing plants in October for a total of 8.2MW higher equity capacity in those projects (13% growth to its operating capacity).

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	473	472	566	643	661	Revenue	3	40	73	2,545	2,834
<b>Gross profit</b>	<b>150</b>	<b>104</b>	<b>151</b>	<b>156</b>	<b>170</b>	<b>Gross profit</b>	<b>9</b>	<b>13</b>	<b>53</b>	<b>900</b>	<b>1,052</b>
SG&A	25	34	37	33	34	SG&A	3	34	62	166	178
Operating profit	125	70	114	123	137	Operating profit	11	9	51	733	874
<b>EBITDA</b>	<b>187</b>	<b>139</b>	<b>195</b>	<b>210</b>	<b>232</b>	<b>EBITDA</b>	<b>10</b>	<b>24</b>	<b>58</b>	<b>1,105</b>	<b>1,277</b>
Other income	3	2	1	2	1	Other income	(57)	(67)	81	5	6
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	25	27	33	37	38	Interest expense	1	48	92	118	129
<b>Profit before tax</b>	<b>103</b>	<b>45</b>	<b>82</b>	<b>88</b>	<b>100</b>	<b>Profit before tax</b>	<b>13</b>	<b>(3)</b>	<b>44</b>	<b>620</b>	<b>750</b>
Income tax	0	1	1	4	4	Income tax	(1)		704	1	1
Equity & invest. income	3	(4)	4	2	1	Equity & invest. income	(69)	(79)	50	14	22
Minority interests	(45)	(29)	(38)	(39)	(45)	Minority interests	na	na	49	(251)	(300)
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
<b>Net profit</b>	<b>61</b>	<b>11</b>	<b>47</b>	<b>48</b>	<b>52</b>	<b>Net profit</b>	<b>7</b>	<b>(15)</b>	<b>39</b>	<b>382</b>	<b>471</b>
<b>Normalized profit</b>	<b>61</b>	<b>11</b>	<b>47</b>	<b>48</b>	<b>52</b>	<b>Normalized profit</b>	<b>7</b>	<b>(15)</b>	<b>39</b>	<b>382</b>	<b>471</b>
EPS (Bt)	0.15	0.03	0.12	0.12	0.13	EPS (Bt)	7	(15)	39	0.95	1.17
Normalized EPS (Bt)	0.15	0.03	0.12	0.12	0.13	Normalized EPS (Bt)	7	(15)	39	0.95	1.17
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	264	159	160	167	1,575	Sales grow th	11.0	14.8	43.9	46.4	39.7
A/C receivable	546	570	514	621	651	Operating profit grow th	(28.6)	(51.0)	(22.8)	(19.0)	8.9
Inventory	0	0	0	0	0	EBITDA grow th	(13.4)	(24.6)	3.8	7.1	23.7
Other current assets	83	93	265	135	133	Norm profit grow th	(37.1)	(86.2)	(44.6)	(47.9)	(15.3)
Investment	480	469	473	472	470	Norm EPS grow th	(37.1)	(86.2)	(44.6)	(47.9)	(15.3)
Fixed assets	6,929	7,216	7,219	7,206	7,153	Gross margin	31.8	22.0	26.7	24.3	25.8
Other assets	198	180	208	234	247	Operating margin	26.5	14.9	20.2	19.2	20.7
<b>Total assets</b>	<b>8,500</b>	<b>8,688</b>	<b>8,838</b>	<b>8,834</b>	<b>10,229</b>	EBITDA margin	39.6	29.5	34.4	32.6	35.1
S-T debt	878	800	887	1,047	995	Norm net margin	12.9	2.4	8.4	7.5	7.8
A/C payable	344	505	299	338	307	D/E (x)	1.4	1.3	1.4	1.4	1.8
Other current liabilities	27	287	311	233	236	Net D/E (x)	1.3	1.2	1.3	1.3	1.3
L-T debt	3,131	2,996	3,279	3,130	4,531	Interest coverage (x)	7.4	5.1	5.9	5.6	6.1
Other liabilities	189	49	57	55	54	Interest rate	2.5	2.8	3.3	3.6	3.1
Minority interest	975	1,083	990	1,012	1,037	Effective tax rate	-	1.7	0.7	4.0	3.5
<b>Shareholders' equity</b>	<b>2,956</b>	<b>2,967</b>	<b>3,014</b>	<b>3,019</b>	<b>3,070</b>	ROA	2.9	0.5	2.2	2.2	2.2
Working capital	202	65	215	282	344	ROE	8.3	1.5	6.3	6.4	6.8
Total debt	4,009	3,797	4,166	4,176	5,525						
<b>Net debt</b>	<b>3,745</b>	<b>3,638</b>	<b>4,007</b>	<b>4,009</b>	<b>3,950</b>						

Sources: Company data, Thanachart estimates

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