

BUY (Unchanged)

Change in Numbers

TP: Bt 45.00

(From: Bt 54.00)

7 FEBRUARY 2022**Upside : 29.5%**

B.Grimm Power Pcl (BGRIM TB)

Correction looks overdone

We think the market is too pessimistic on the impact from the gas price surge on BGRIM and its delayed M&As. We expect three factors driving domestic gas prices to begin to reverse in 1H22F. We reaffirm BUY despite cutting our TP to Bt45 as we assume higher gas prices.

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Peaking gas prices

We cut our 2022-24F earnings for BGRIM by 13-19% on a stronger-than-expected domestic gas pool price rise. However, we believe the price has already peaked, foreseeing a reversal of its three drivers. *First*, the Asian LNG spot price (15% mix in the gas pool price) has fallen from its multi-year high in January. *Second*, we project oil prices to soften and the baht to strengthen from 2H22F. These are two key components of locally produced gas and long-term contracted LNG prices (73% and 12%). *Third*, we expect recovering Erawan gas field production to bring the gas pool price down over 2022-23F. Though we assume 16% and 13% higher pool gas prices in 2022-23F than 2021F's level, we still project 11% and 31% earnings growth for BGRIM backed by higher electricity selling prices and its legacy capacity growth.

Passing on the costs

The government has announced a national electricity price hike to Bt3.73/kWh in 1Q22, up 5% from 4Q21, to reflect the gas price surge since late last year, allowing BGRIM to lift the price of its electricity sold to industrial users (24% of SPPs' sale volume). The other 76% of volume is sold to EGAT with a cost pass-through mechanism. As fuel prices continued to rise after the hike while government funds to subsidize electricity costs are depleting, we expect another Bt0.15/kWh price rise in 2H22F to lessen the margin pressure on BGRIM further. We estimate a 1.5% adverse impact on BGRIM's earnings per 1% gas price rise.

Capacity growth looks intact

We expect 14% and 16% y-y capacity growth in 2022-23F to more than offset earnings pressure from gas costs. The growth is from 1) two SPP projects (a total of 148MW equity capacity) through its JV-entity (UVBGP) acquired in late 4Q21, 2) a net capacity rise of 186MW from five new SPP units under the SPP-replacement scheme in 4Q22, 3) a greenfield 203MW SPP due to start up in early 2023, and 4) up to 163MW of capacity from its 41% stake in Malaysian solar farm developer, reNIKOLA, over 2022-23. BGRIM now has total capacity of 2.7GW, 37% of it is renewables, with potential upside from M&A deals in its pipeline.

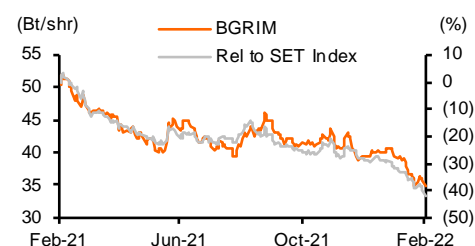
BUY into the bottom

We reaffirm our BUY call on BGRIM, seeing its 22% share price correction in the past six months (since gas prices started to rise in June) as overdone. We see decent potential upside to our lower TP of Bt45 (from Bt54), on a 6% higher long-term gas price assumption to reflect structural gas supply issues in Thailand (discussed inside). We expect peaking gas prices to be a key catalyst, with decent earnings growth as a share price cushion. We don't see its 31x 2022F PE as excessive, given more growth potential from M&As and LNG-to-power scheme in Vietnam.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	44,087	46,538	51,669	55,558
Net profit	2,175	2,633	2,917	3,812
Consensus NP	—	2,793	3,362	4,605
Diff frm cons (%)	—	(5.7)	(13.2)	(17.2)
Norm profit	2,670	2,633	2,917	3,812
Prev. Norm profit	—	2,882	3,613	4,384
Chg frm prev (%)	—	(8.7)	(19.3)	(13.0)
Norm EPS (Bt)	1.0	1.0	1.1	1.5
Norm EPS grw (%)	29.7	(1.4)	10.8	30.7
Norm PE (x)	33.9	34.4	31.1	23.8
EV/EBITDA (x)	11.6	13.3	13.8	11.4
P/BV (x)	3.3	3.1	3.0	2.8
Div yield (%)	1.3	1.5	1.6	2.1
ROE (%)	9.6	9.3	9.8	12.1
Net D/E (%)	149.5	193.6	230.2	205.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 07-Feb-22 (Bt)	34.75
Market Cap (US\$ m)	2,742.7
Listed Shares (m shares)	2,606.9
Free Float (%)	36.0
Avg Daily Turnover (US\$ m)	13.3
12M Price H/L (Bt)	52.00/34.75
Sector	Utilities
Major Shareholder	B.Grimm Group 38.43%

Sources: Bloomberg, Company data, Thanachart estimates



BUY into the bottom

Maintain BUY, despite lowering our TP to Bt45

We reaffirm our BUY rating on shares of B.Grimm Power Pcl (BGRIM), despite cutting our DCF-derived SOTP-based 12-month TP (2022F base year) to Bt45/share (from Bt54). This is because we believe its share price correction over past six months, caused by a surge in the domestic gas pool price (the major fuel for its power plants), has been overdone. We foresee three factors reversing its downward share price trend.

- *First*, we expect the domestic gas pool price to gradually come down from a likely peak in 1Q22F since we believe the global spot LNG price will start weakening from its extra-high level, while oil prices are already in a high trading range. We also forecast the baht to reverse to a strengthening trend from a recovery in tourism.
- *Second*, BGRIM can now pass on the higher gas costs to industrial users (IUs) as the government has announced an increase in the national electricity price to reflect the country's higher fuel costs.
- *Third*, we still estimate 11% and 31% earnings growth for BGRIM in 2022-23F despite significant margin pressure from the gas cost surge. Growth during these years is driven by capacity expansion from legacy projects under development and recently acquired power plants, growing sale volume to IUs, and upside from potential M&As in the pipeline.

Our earnings cuts reflect higher gas cost assumptions

The key reason for our 13-19% downward earnings revisions in 2022-24F is our higher gas cost assumptions for BGRIM of Bt320/mmbtu, Bt295, and Bt285 (up 23%/16%/11% from our previous forecasts), and Bt260 over the long run (up 6%), reflecting the stronger-than-expected rise in the gas pool price since mid-2021 and our concern over structural gas supply issues in Thailand, discussed later in this report.

Ex 1: Key Assumption Changes

	2022F	2023F	2024F
Operating capacity (MW)			
New	2,240	2,589	2,707
Old	2,034	2,355	2,520
Change (%)	10.1	9.9	7.4
Total electricity sales volume (GWh)			
New	14,571	15,490	15,839
Old	13,838	15,101	15,566
Change (%)	5.3	2.6	1.8
Average gas cost (Bt/mmbtu)			
New	320	295	285
Old	260	254	257
Change (%)	23.3	15.9	10.9
Normalized profit (Bt m)			
New	2,917	3,812	4,445
Old	3,613	4,384	5,108
Change (%)	(19.3)	(13.0)	(13.0)

Sources: Thanachart estimates

Peaking gas prices

SPP margins squeezed by over a 50% pool gas price surge during 2021

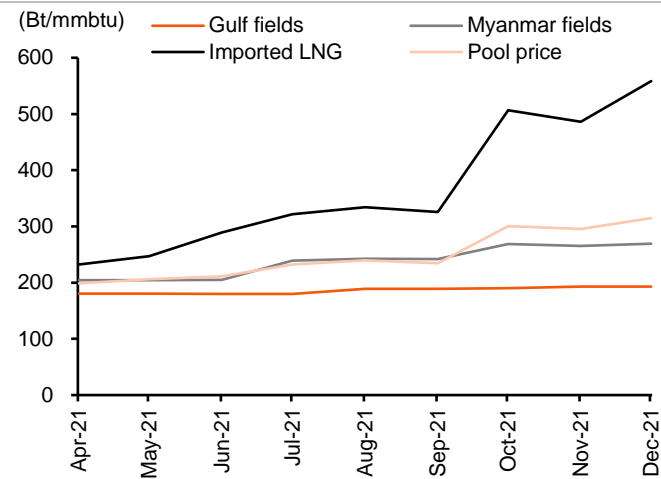
Thailand's gas pool price increased sharply to Bt315/mmbtu in December last year, up 58% from Bt199 in April, resulting in a significant negative impact on the margins of SPP plant operators such as BGRIM since natural gas is their main fuel. To better project the trend of the pool price, and therefore BGRIM's margins, we provide a breakdown of its key factors.

Under the current monopoly market for natural gas in Thailand with PTT Pcl (PTT TB, BUY, Bt45.00) as the sole seller, the country's pool gas is priced based on the average gas cost from three supply sources.

Thailand has three major sources of gas supply

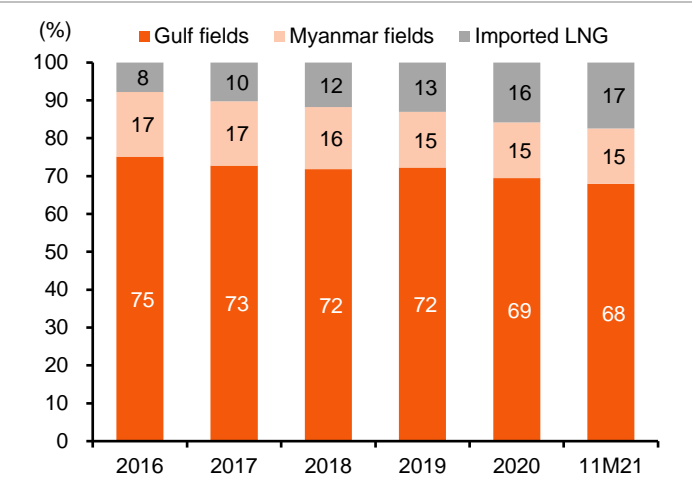
- 1) **Gas fields in the Gulf of Thailand and Myanmar:** PTT has long-term purchase contracts for gas from fields in the Gulf of Thailand and Myanmar. This source contributes the largest portion of the country's gas supply at 27.5tpa, or 83% of total supply in 2021F. The contracted purchase price from those fields is mainly linked to oil prices, with a currency adjustment factor.
- 2) **Imported LNG under long-term contracts:** To offset depleting gas reserves in the region while gas consumption in the country continues to increase with the expanding economy, PTT has secured long-term contracts to import LNG from foreign sites, i.e., Qatar and Australia. Their prices are also linked to oil prices and currency movements.
- 3) **Imported LNG at spot price:** As local gas demand and supply vary between periods, PTT uses the spot LNG market to complement the mismatch. This imported LNG is the factor leading to the most fluctuations in the pool price, given its varying portion of the country's total gas supply in each period and high price volatility in the spot market.

Ex 2: Thailand's Gas Supply Mix



Sources: Energy Policy and Planning Office (EPPO)

Ex 3: Gas Pool Price Rises On Higher Imported LNG Costs



Sources: Energy Policy and Planning Office (EPPO)

Oil price rise, weak baht, and spot LNG price surge are driving gas pool price

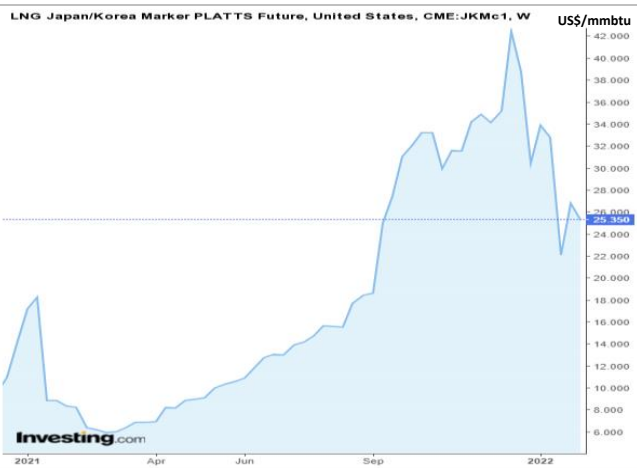
The surge in the gas pool price during 2H21 was driven by a perfect storm of three factors. The global oil price rallied from \$50/bbl in early 2021 to \$90 earlier this year. The baht weakened from Bt30/US\$1 to above Bt33. These first two factors were driving forces for higher gas prices from domestic production fields and long-term LNG contracts. The latest driver, but the one with the largest impact, is a rising portion of extraordinarily high-priced imported LNG from the spot market to bolster the country's total gas supply. The Asian LNG spot price increased drastically to nearly \$50/mmbtu in 4Q21, vs. its trading range of \$5-10 over the past five years (2016-21), due to the tight global gas supply situation given geopolitical issues, a colder than usual winter in Asia and Europe, and a shift of electricity generating fuel away from coal (to natural gas) to reduce global greenhouse gas emissions. Unfortunately for Thailand, amid the heavily unfavorable price environment, the country has had to raise the volume of imported LNG to offset lower domestic gas supply due to

production disruption at the Erawan gas field and lower-than-expected LNG imported by private firms which were granted import licenses from the middle of last year.

We expect those three factors to reverse

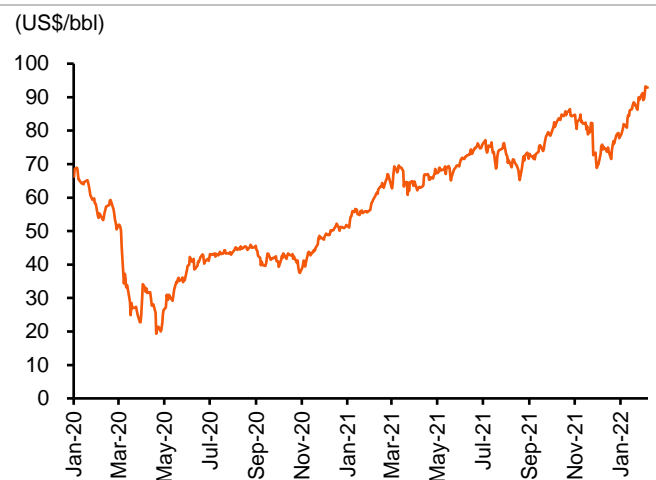
However, we expect those three factors to start to reverse and we assume the gas pool price peaks in 1Q22F for three reasons. *First*, the Asian LNG spot price has come down to \$25/mmbtu from its peak of nearly \$50 in January as geopolitical tensions look to have eased slightly while related countries have made progress in searching for alternative suppliers. Demand should also edge lower after the end of winter. *Second*, the PTT group plans to increase production from other gas fields to alleviate the impact from the disruption at the Erawan field, helping reduce the amount of imported spot LNG required by Thailand. Longer term, we project Erawan’s production rate to gradually recover over 2022-24F to reach its new supply contract level of 800mmcf (280mmcf of production in 2022F). Note that new the supply contracts for Erawan and Bongkot (700mmcf), two major gas fields in the Gulf of Thailand, are scheduled to commence in April this year at 40% lower contract prices than the previous ones. *Third*, we expect the baht to strengthen when tourism recovers, while Thailand’s financial status still looks healthier than regional peers’. We assume a Bt320/mmbtu gas cost for BGRIM in 2022F, before declining to Bt295 in 2023F (-8% y-y) and Bt285 in 2024F (-3%). We expect a fall in the gas pool price to be a strong share price catalyst for BGRIM.

Ex 4: Sharp Rise Of Asian LNG Price



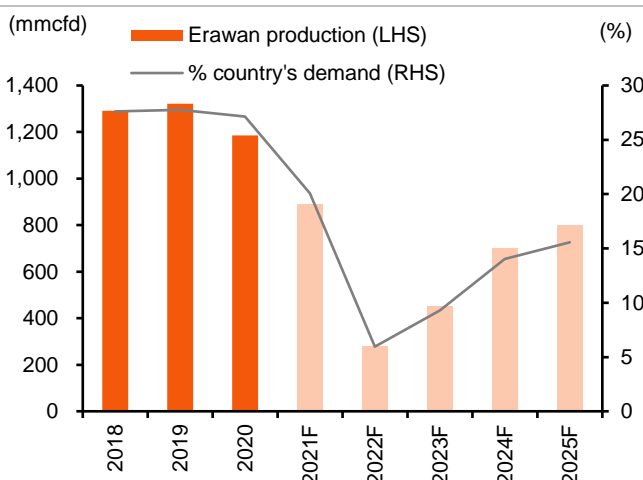
Sources: S&P Global Platts, Investing.com

Ex 5: Global Oil Prices Have Also Run Up Strongly



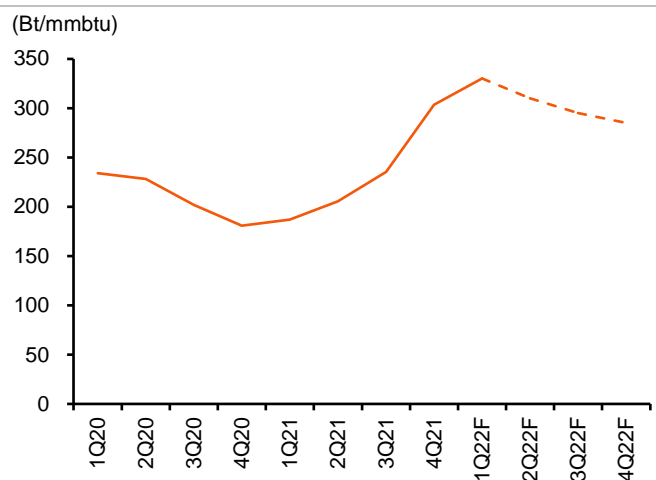
Source: Bloomberg

Ex 6: Short-Term Supply Disruption At Erawan Gas Field



Sources: EPPO, PTTEP, Thanachart estimates

Ex 7: We Expect The Pool Price To Decline From 1Q22F



Sources: EPPO, Thanachart estimates

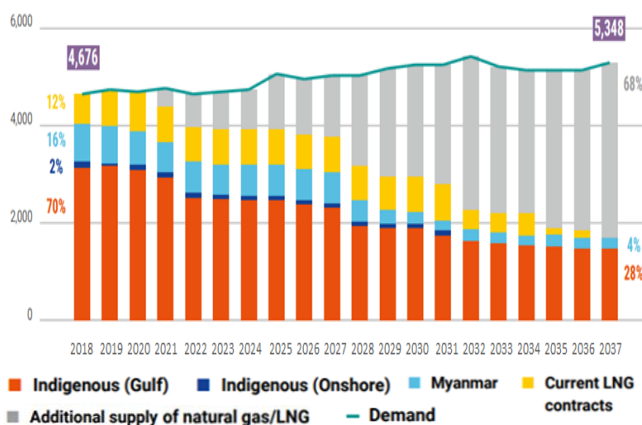
Thailand will have to rely much more heavily on imported gas

We recap here what we discussed earlier in our Energy sector report, *Assessing Thailand's energy security* – dated 1 October 2021 by Chak Reungsinpinya, the emerging challenge for Thailand to secure sufficient gas supplies as it will have to rely much more heavily on imported natural gas given that 60% of country's electricity generation is still fueled by natural gas. According to the country's latest Gas Plan (2018 version), imported LNG is expected to contribute nearly 70% of total gas supply at 27.0m tpa in 2037, up from 5.8m tpa in 2021 (17%). The government has tried to address this issue via a policy to liberalize the domestic gas market and it has granted licenses for private power companies to import a total LNG quota of 9.2m tpa to help secure long-term gas supplies for the country. PTT Group is reported to now have a total of 5.2m tpa of long-term LNG import contracts, and it is also becoming more aggressive in signing long-term LNG import contracts to lock in low-cost natural gas for the country.

We factor in higher long-term gas price

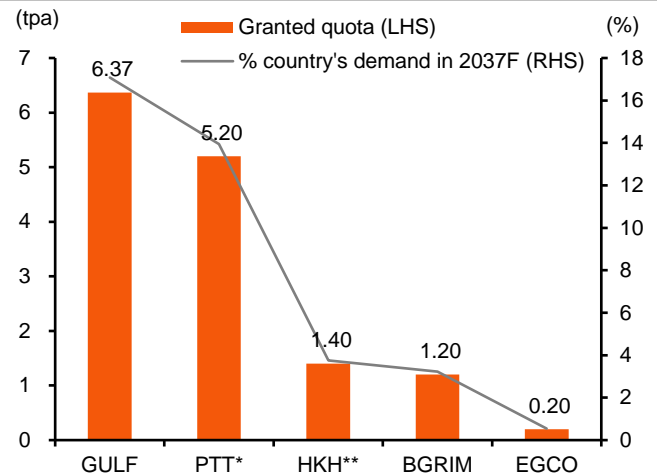
We factored in the risk of the reliance on imported LNG in our previous gas price forecasts. However, as global natural gas and LNG prices have surged far above our expectations while countries are competing strongly to secure gas supplies, we expect upcoming long-term contracts for Thai entities to be at higher prices. We therefore now assume a Bt260/mmbtu (US\$8.1) long-term gas pool price, 12% higher than its historical average price during 2015-20 and 6% above our previous forecast.

Ex 8: Thailand Must Rely More Heavily On Imported Gas



Source: Gas Plan 2018

Ex 9: LNG Import Quota Granted To Private Firms



Sources: Energy Regulatory Commission (ERC)
 Note: *Estimated secured long-term contracts held by PTT
 **HKH = Hin Kong Power Holding

Passing on the costs

Higher national tariff price eases margin pressure on BGRIM

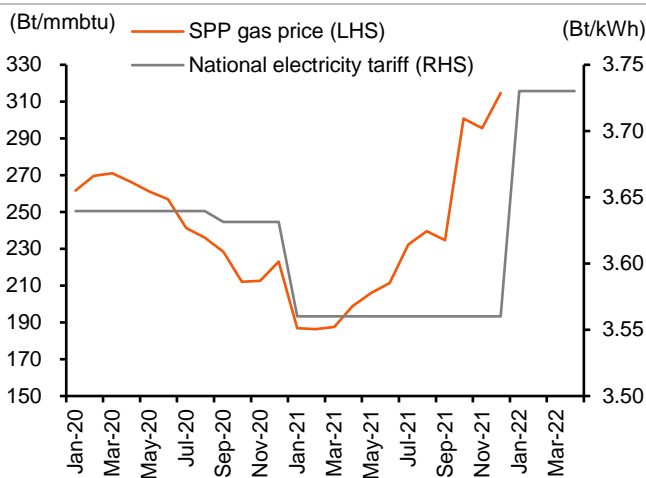
The announcement by the Energy Regulatory Commission (ERC) that the national electricity tariff for January to April 2022 would be raised to Bt3.73/kWh (up Bt0.17/kWh or 5% from 4Q21) eased the earnings pressure on BGRIM. Some 24% of electricity produced by BGRIM's SPP plants is sold to industrial users (IUs) and its selling price is linked (discounted from) to the national tariff. A hike in the national tariff therefore implies a higher ASP for this portion of BGRIM's revenue. As the government fixed the national electricity tariff throughout 2021 despite gas and coal prices, which are two major fuels for electricity generation in Thailand, increasing by 68% and 111% during the year, BGRIM suffered a margin squeeze during 2021. There was a minimal impact on the remaining 76% of sales volume sold to the Electricity Generating Authority of Thailand (EGAT), since there is an automatic fuel cost pass-through mechanism embedded in the purchase contracts.

We see a chance of another tariff hike in 2H22F

Given that fuel prices have continued to rise after the hike in November while the funds available for the government to help subsidize electricity prices for people look to be depleting, we believe there is a high chance of another tariff hike in 2H22F, which would result in a further significant margin improvement for BGRIM. Moreover, the usual practice for the government is to delay adjusting down the tariff when fuel costs start to soften in order to rebuild energy funds. We therefore see a chance of a temporary extra-high margin for BGRIM in 2023F.

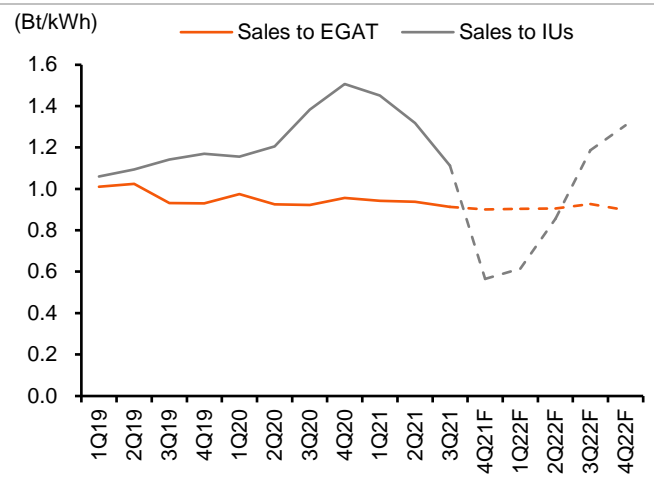
Given our expectation of a peaking domestic gas pool price in 1Q22F and a higher national electricity tariff price, we expect BGRIM's margin (defined as the average selling price minus the average gas cost per kWh production from its SPP plants) of electricity sold to IUs to hit bottom in 4Q21F. Exhibit 11 also shows the resiliency in the margin of electricity sold to EGAT backed by the fuel cost pass-through mechanism.

Ex 10: Higher National Tariff Alleviates Squeezed Margin



Sources: ERC, EPPO, Thanachart estimates

Ex 11: Projected Margin Improvement On Electricity Sales



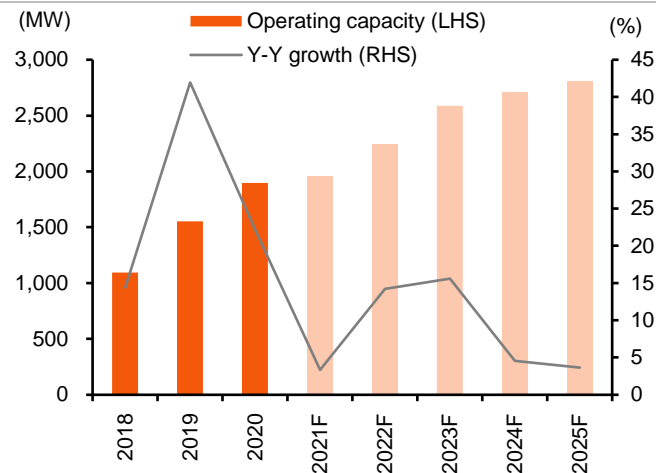
Sources: Thanachart estimates

Note: Margin = Average selling price – Average gas cost per kWh production

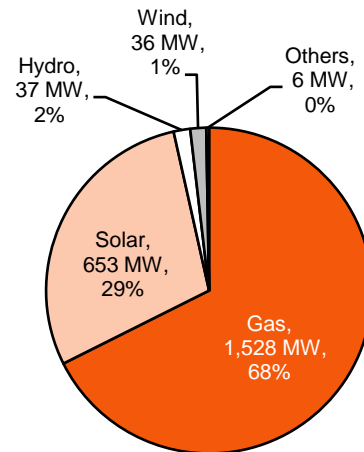
Capacity growth looks intact

Capacity growth continues to drive earnings

Our estimates for 11% and 31% earnings growth for BGRIM in 2022-23F, despite strong margin pressure during those years, are supported mainly by its capacity growth from legacy projects under development and recent acquisitions. We project 14% and 16% operating capacity growth for BGRIM based on full-year contributions from two SPP power projects, with a total equity capacity of 148MW, acquired via its joint-venture entity (Univenture BGP, UVBGP, in which BGRIM holds a 45% stake) in December last year, and the scheduled commencement of operations of 1) 186MW of net-addition capacity from five SPP units under the SPP-replacement scheme in 4Q22, 2) 203MW of equity-capacity from its greenfield developing SPP plants (BGPAT-2 and BGPAT-3) in 1H23, and 3) its partnership to develop solar farms in Malaysia through a 40.6% net stake in reNIKOLA Holdings Sdn Bhd (reNIKOLA), which has a target to expand capacity from 88MW (36MW at BGRIM's stake) currently to 553MW (225MW) by 2025. We leave potential new capacity from M&A deals in the pipeline, i.e., wind farms in South Korea and Vietnam, gas power plants in Malaysia and Cambodia, and more renewables in Europe, as upside to our forecasts.

Ex 12: BGRIM's Capacity Continues To Grow

Sources: Company data, Thanachart estimates

Ex 13: BGRIM's Portfolio Breakdown By Fuel Type

Sources: Company data, Thanachart estimates

Ex 14: Our DCF-derived Sum-Of-The-Parts (SOTP) 12-month TP Calculation

	Valuation method	WACC (%)	Value per BGRIM's share (Bt/shr)
Operating gas-fired SPP plants (ABP, ABPR, BPLC, BPWHA, BIP, BPAM, ATP, UVBGP)	DCF	5.2 - 6.4%	19.0
SPP Replacement projects (ABP1, ABP2, BPLC1, BPAM1, BPAM2)	DCF	5.9%	4.9
Developing projects (BGPR, U-Tapao airport, other IPS projects)	DCF	5.5 - 6.5%	5.9
Renewable projects			7.7
Solar – Thailand	DCF	6.0%	1.2
Solar – Vietnam	DCF	6.7%	1.9
Solar - Cambodia	DCF	7.1%	0.5
Solar – Malaysia	DCF	6.4%	1.9
Wind – Thailand	DCF	6.0%	0.5
Hydro – Laos	DCF	6.7%	1.6
Cash on hand			1.0
Potential projects			6.6
- Korea wind farms	DCF	10.0%	1.2
- Vietnam wind farms	DCF	10.0%	1.3
- Vietnam LNG-to-Power	DCF	10.0%	4.1
Grand total			45.0

Source: Thanachart estimates

Valuation Comparison

Ex 15: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)
Datang International Power	991 HK	China	(39.2)	123.7	19.3	8.6	0.6	0.6	9.2	7.9	4.8	10.2
Huadian Power	1071 HK	China	(87.7)	na	62.3	8.1	0.5	0.5	13.3	9.1	5.4	7.3
Huaneng Power	600011 CH	China	na	na	na	16.1	1.3	1.2	14.4	8.8	0.8	2.8
Cheung Kong Infrastructure	1038 HK	Hong Kong	4.6	7.5	14.2	13.2	1.1	1.0	39.4	38.1	5.2	5.3
China Power Int'l	2380 HK	Hong Kong	(79.8)	na	102.0	18.2	1.3	1.2	13.5	9.5	1.4	2.9
China Resources Power	836 HK	Hong Kong	(18.1)	59.9	14.0	8.7	1.1	1.0	8.8	6.6	3.0	4.5
CLP Holdings	2 HK	Hong Kong	(1.6)	8.1	17.9	16.6	1.7	1.6	11.0	10.5	4.0	4.1
Hongkong Electric Holdings	6 HK	Hong Kong	2.7	6.8	16.3	15.3	1.2	1.2	78.4	75.9	5.8	5.8
Huaneng Power	902 HK	Hong Kong	na	na	na	11.2	0.5	0.5	13.7	8.9	2.1	4.6
Tata Power	TPWR IN	India	17.6	39.7	52.2	37.4	3.6	3.6	15.8	15.8	0.6	0.8
Tenaga Nasional	TNB MK	Malaysia	11.6	(1.5)	10.7	10.9	0.9	0.9	6.3	6.2	6.0	5.9
YTL Corp	YTL MK	Malaysia	(68.4)	na	94.2	26.9	0.5	0.5	12.2	11.5	4.6	4.4
YTL Power	YTLP MK	Malaysia	47.4	(16.1)	10.6	12.7	0.4	0.4	10.2	10.4	6.4	7.1
Manila Electric	MER PM	Philippines	11.8	4.9	16.5	15.7	4.4	4.0	10.7	9.7	4.1	4.5
Absolute Clean Energy *	ACE TB	Thailand	9.8	26.4	23.3	18.4	2.6	2.4	17.5	15.3	1.7	2.2
BCPG Pcl *	BCPG TB	Thailand	(8.6)	20.6	18.0	14.9	1.5	1.4	14.6	11.5	2.5	2.5
B.Grimm Power Pcl *	BGRIM TB	Thailand	(1.4)	10.8	34.4	31.1	3.1	3.0	13.3	13.8	1.5	1.6
Banpu Power Pcl *	BPP TB	Thailand	10.2	12.4	14.0	12.5	1.2	1.2	202.6	152.7	4.3	4.8
CK Power Pcl *	CKP TB	Thailand	418.6	8.2	21.3	19.7	1.7	1.6	19.1	18.5	1.9	2.5
EA Pcl*	EA TB	Thailand	7.4	72.1	63.3	36.8	10.9	8.9	37.5	23.5	0.5	0.8
Electricity Generating *	EGCO TB	Thailand	7.2	4.7	9.0	8.6	0.8	0.8	17.5	15.9	4.0	4.3
Global Power Synergy *	GPSC TB	Thailand	23.5	15.1	23.3	20.3	2.0	1.9	15.3	14.1	2.6	3.0
Gulf Energy Dev. Pcl *	GULF TB	Thailand	88.0	37.4	66.8	48.6	8.7	8.1	46.7	36.6	0.9	1.2
Gunkul Engineering *	GUNKUL TB	Thailand	66.7	26.8	26.1	20.6	4.6	4.1	24.5	20.5	2.1	2.9
RATCH Group *	RATCH TB	Thailand	25.2	2.8	9.6	9.3	1.0	1.0	17.4	16.1	5.8	6.5
TPC Power Holding *	TPCH TB	Thailand	52.4	23.3	12.6	10.2	1.5	1.3	9.2	7.9	2.4	2.9
WHA Utilities & Power *	WHAUP TB	Thailand	47.9	24.5	13.4	10.8	1.3	1.2	30.4	26.0	4.5	5.6
Average			21.9	23.6	30.6	17.8	2.2	2.0	26.8	22.3	3.3	4.1

Sources: Bloomberg, * Thanachart estimates

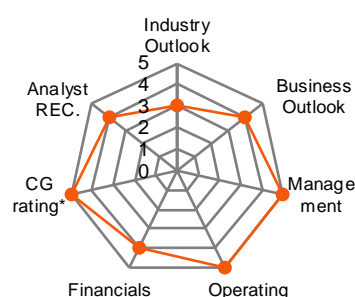
Based on 7 February 2022 closing prices

COMPANY DESCRIPTION

Established in 1993, BGRIM, a power arm of B.Grimm Group which has been operating businesses in Thailand for over 140 years, is one of the largest power producers in Thailand under the Small Power Producer (SPP) scheme. BGRIM provides electricity and steam for the national power grid as well as nearly 200 large manufacturers in many industrial estates and has also expanded its power business into Vietnam and Laos. The company has a target to expand its total capacity to 5.0GW by 2025.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * CG rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Good engineering team with strong expertise in developing and operating gas-fired power plants for over 20 years.
- Benefits from relationships with B.Grimm Group and other key strategic partners.

O — Opportunity

- Expansion of power business in neighbouring countries and the rest of Asia.
- Increasing power industry liberalization opens room for new business areas, i.e., smart grid and peer-to-peer trading.

W — Weakness

- Financial gearing looks a bit high compared with peers', but is still well below its threshold.

T — Threat

- Regulatory risks from business overseas.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	53.49	45.00	-16%
Net profit 21F (Bt m)	2,767	2,633	-5%
Net profit 22F (Bt m)	3,331	2,917	-12%
Consensus REC	BUY: 15	HOLD: 4	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings estimate in 2022-23F are 5% and 12% lower than the Bloomberg consensus numbers, which we attribute to us having more conservative gas cost assumptions.
- Our TP is therefore also lower.

RISKS TO OUR INVESTMENT CASE

- A stronger-than-expected rise in domestic gas pool price than our assumption is the key downside risk to our earnings forecasts and target price.
- Lower-than-expected capacity growth, from both developing greenfield projects and potential M&As, than we currently expect would represent a secondary downside risk to our earnings and valuation.
- Slower-than-expected recovery (or growth) of manufacturing activity, thus electricity and steam demand from industrial users (IUs), represents another downside risk to our numbers.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	44,132	44,087	46,538	51,669	55,558
Cost of sales	35,953	34,848	37,142	41,476	43,545
Gross profit	8,179	9,239	9,397	10,193	12,013
% gross margin	18.5%	21.0%	20.2%	19.7%	21.6%
Selling & administration expenses	1,740	2,008	1,805	1,967	2,095
Operating profit	6,439	7,231	7,591	8,226	9,918
% operating margin	14.6%	16.4%	16.3%	15.9%	17.9%
Depreciation & amortization	4,701	5,616	5,366	5,799	6,826
EBITDA	11,140	12,847	12,958	14,025	16,745
% EBITDA margin	25.2%	29.1%	27.8%	27.1%	30.1%
Non-operating income	289	251	186	207	222
Non-operating expenses	0	0	0	0	0
Interest expense	(3,001)	(3,056)	(3,451)	(3,957)	(4,054)
Pre-tax profit	3,728	4,426	4,327	4,476	6,087
Income tax	235	233	368	380	517
After-tax profit	3,493	4,193	3,959	4,096	5,569
% net margin	7.9%	9.5%	8.5%	7.9%	10.0%
Shares in affiliates' Earnings	101	58	42	27	27
Minority interests	(1,535)	(1,581)	(1,368)	(1,205)	(1,784)
Extraordinary items	271	(495)	0	0	0
NET PROFIT	2,331	2,175	2,633	2,917	3,812
Normalized profit	2,059	2,670	2,633	2,917	3,812
EPS (Bt)	0.9	0.8	1.0	1.1	1.5
Normalized EPS (Bt)	0.8	1.0	1.0	1.1	1.5

Earnings grow from capacity expansion despite margin pressure

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	33,493	29,879	26,657	22,743	18,539
Cash & cash equivalent	23,663	20,389	16,305	11,331	6,357
Account receivables	7,156	6,818	7,650	8,494	9,133
Inventories	969	1,033	1,018	1,136	1,193
Others	1,706	1,638	1,685	1,782	1,856
Investments & loans	1,667	1,086	935	783	632
Net fixed assets	72,132	80,300	105,611	130,161	130,689
Other assets	14,401	19,431	19,860	20,277	20,633
Total assets	121,693	130,696	153,064	173,964	170,494
LIABILITIES:					
Current liabilities:	25,832	26,993	17,592	20,214	19,666
Account payables	18,254	5,641	6,105	6,818	7,158
Bank overdraft & ST loans	3,036	15,080	4,886	5,723	5,314
Current LT debt	4,139	5,705	6,035	7,068	6,562
Others current liabilities	403	567	566	605	632
Total LT debt	55,596	58,361	86,806	101,668	94,397
Others LT liabilities	1,588	6,038	6,605	7,287	7,721
Total liabilities	83,016	91,392	111,003	129,168	121,784
Minority interest	10,533	11,834	13,202	14,408	16,192
Preferred shares	0	0	0	0	0
Paid-up capital	5,214	5,214	5,214	5,214	5,214
Share premium	9,644	9,644	9,644	9,644	9,644
Warrants	0	0	0	0	0
Surplus	6,959	5,544	5,544	5,544	5,544
Retained earnings	6,328	7,068	8,456	9,986	12,116
Shareholders' equity	28,144	27,470	28,858	30,388	32,518
Liabilities & equity	121,693	130,696	153,064	173,964	170,494

Manageable balance sheet to continue growing capacity

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	3,728	4,426	4,327	4,476	6,087
Tax paid	(235)	(233)	(368)	(380)	(517)
Depreciation & amortization	4,701	5,616	5,366	5,799	6,826
Chg In working capital	11,649	(12,339)	(352)	(250)	(356)
Chg In other CA & CL / minorities	2,746	(78)	(6)	(31)	(20)
Cash flow from operations	22,588	(2,609)	8,967	9,614	12,020
Capex	(14,441)	(13,663)	(30,500)	(30,151)	(7,140)
Right of use	0	(1,256)	(200)	(200)	(150)
ST loans & investments	(700)	(16)	0	0	0
LT loans & investments	340	581	151	151	151
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(6,506)	498	160	268	13
Cash flow from investments	(21,307)	(13,856)	(30,389)	(29,932)	(7,125)
Debt financing	1,177	16,040	18,582	16,731	(8,186)
Capital increase	0	0	0	0	0
Dividends paid	(834)	(965)	(1,245)	(1,387)	(1,682)
Warrants & other surplus	7,395	(1,884)	0	0	0
Cash flow from financing	7,738	13,192	17,337	15,344	(9,868)
Free cash flow	8,147	(16,272)	(21,533)	(20,537)	4,880

Big investment in 2021-22F for SPP replacement projects and M&As

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	44.0	33.9	34.4	31.1	23.8
Normalized PE - at target price (x)	57.0	43.9	44.6	40.2	30.8
PE (x)	38.9	41.7	34.4	31.1	23.8
PE - at target price (x)	50.3	53.9	44.6	40.2	30.8
EV/EBITDA (x)	11.6	11.6	13.3	13.8	11.4
EV/EBITDA - at target price (x)	14.0	13.7	15.3	15.7	13.0
P/BV (x)	3.2	3.3	3.1	3.0	2.8
P/BV - at target price (x)	4.2	4.3	4.1	3.9	3.6
P/CFO (x)	4.0	(34.7)	10.1	9.4	7.5
Price/sales (x)	2.1	2.1	1.9	1.8	1.6
Dividend yield (%)	1.1	1.3	1.5	1.6	2.1
FCF Yield (%)	9.0	(18.0)	(23.8)	(22.7)	5.4
(Bt)					
Normalized EPS	0.8	1.0	1.0	1.1	1.5
EPS	0.9	0.8	1.0	1.1	1.5
DPS	0.4	0.5	0.5	0.6	0.7
BV/share	10.8	10.5	11.1	11.7	12.5
CFO/share	8.7	(1.0)	3.4	3.7	4.6
FCF/share	3.1	(6.2)	(8.3)	(7.9)	1.9

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	20.6	(0.1)	5.6	11.0	7.5
Net profit (%)	22.0	(6.7)	21.1	10.8	30.7
EPS (%)	22.0	(6.7)	21.1	10.8	30.7
Normalized profit (%)	13.1	29.7	(1.4)	10.8	30.7
Normalized EPS (%)	13.1	29.7	(1.4)	10.8	30.7
Dividend payout ratio (%)	41.4	53.9	50.0	50.0	50.0
Operating performance					
Gross margin (%)	18.5	21.0	20.2	19.7	21.6
Operating margin (%)	14.6	16.4	16.3	15.9	17.9
EBITDA margin (%)	25.2	29.1	27.8	27.1	30.1
Net margin (%)	7.9	9.5	8.5	7.9	10.0
D/E (incl. minor) (x)	1.6	2.0	2.3	2.6	2.2
Net D/E (incl. minor) (x)	1.0	1.5	1.9	2.3	2.1
Interest coverage - EBIT (x)	2.1	2.4	2.2	2.1	2.4
Interest coverage - EBITDA (x)	3.7	4.2	3.8	3.5	4.1
ROA - using norm profit (%)	1.9	2.1	1.9	1.8	2.2
ROE - using norm profit (%)	8.7	9.6	9.3	9.8	12.1
DuPont					
ROE - using after tax profit (%)	14.7	15.1	14.1	13.8	17.7
- asset turnover (x)	0.4	0.3	0.3	0.3	0.3
- operating margin (%)	15.2	17.0	16.7	16.3	18.3
- leverage (x)	4.7	4.5	5.0	5.5	5.5
- interest burden (%)	55.4	59.2	55.6	53.1	60.0
- tax burden (%)	93.7	94.7	91.5	91.5	91.5
WACC (%)	5.9	5.9	5.9	5.9	5.9
ROIC (%)	9.1	10.2	8.1	6.8	6.8
NOPAT (Bt m)	6,033	6,850	6,946	7,527	9,075
invested capital (Bt m)	67,253	86,226	110,281	133,516	132,433

Sources: Company data, Thanachart estimates

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