

Banpu Power Pcl (BPP TB) - BUY, Price Bt16.80, TP Bt22.50**Results Comment**

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

Weak 4Q21's results

- BPP reported a normalized loss at Bt98m in 4Q21, mainly from a strong surge of coal price in China where four of its major coal-fired power plants are located. Its recently acquired gas-fired power plant in the US also made loss on a high global natural gas price. These made BPP's full-year profit dropped 27% y-y to Bt2.4bn in 2021.
- Total revenue increased to Bt3.1bn in 4Q21, driven by higher volume sales and selling prices for both electricity and steam sales in China to reflect higher coal cost, and contribution from newly acquired gas power plant in the US.
- However, it recorded Bt145m loss in gross-level. Bt106m loss was from three coal-fired power plants in China suffering from a sharp rise in coal cost. Another Bt39m loss was from US-based Temple-1 gas-fired power plant acquired in Nov-21, also due to high fuel (natural gas) cost.
- SG&A expense rose significantly to Bt439m in 4Q21, up 54% y-y and 89% q-q. BPP cited higher staff cost and higher consultant fees related to investment transactions as the root causes. EBITDA was thus even weaker at Bt356m loss.
- Shared profit from affiliates, after stripping off impacts from FX and other accounting items, was at Bt283m, a sharp fall by 70% y-y and 36% q-q. The only strong contribution from a Bt832m profit from Hongsa IPP. Shanxi Luguang coal power plant made Bt267m loss, and Bt304m loss from Banpu NEXT.
- BPP announces Bt0.35/share final dividend with an XD date on 8 April and a payment date on 27 April 2022. Its total dividend is thus at Bt0.65/share in 2021, 63% payout from net profit.
- We see a significant downside to our earnings forecast since coal price in China looks to remain elevated in 1H22F. We need to revise our numbers and revisit our recommendation.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	1,629	1,812	861	1,048	3,064	Revenue	192	88	111	6,784	6,196
Gross profit	371	349	(103)	(141)	(145)	Gross profit	na	na	(5)	(40)	898
SG&A	285	205	228	232	439	SG&A	89	54	121	1,103	922
Operating profit	86	144	(331)	(373)	(583)	Operating profit	na	na	938	(1,143)	(25)
EBITDA	153	254	(211)	(249)	(356)	EBITDA	na	na	(193)	(562)	399
Other income	264	223	197	316	298	Other income	(6)	13	125	1,034	751
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	48	33	41	44	130	Interest expense	194	170	89	249	345
Profit before tax	302	334	(175)	(102)	(415)	Profit before tax	na	na	(85)	(358)	381
Income tax	93	94	(19)	8	(25)	Income tax	na	na	39	57	114
Equity & invest. income	1,143	812	1,204	533	343	Equity & invest. income	(36)	(70)	83	2,892	3,977
Minority interests	(9)	(6)	14	(4)	(52)	Minority interests	na	na	44	(47)	(122)
Extraordinary items	(142)	(13)	64	177	469	Extraordinary items	165	na	na	698	0
Net profit	1,201	1,034	1,126	596	371	Net profit	(38)	(69)	85	3,127	4,123
Normalized profit	1,343	1,047	1,062	419	(98)	Normalized profit	na	na	66	2,429	4,123
EPS (Bt)	0.39	0.34	0.37	0.20	0.12	EPS (Bt)	(38)	(69)	85	1.03	1.35
Normalized EPS (Bt)	0.44	0.34	0.35	0.14	(0.03)	Normalized EPS (Bt)	na	na	66	0.80	1.35

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	2,169	2,653	1,388	1,196	2,635	Sales grow th	(2.6)	(1.7)	(18.9)	7.8	88.1
A/C receivable	938	1,158	1,015	1,065	1,311	Operating profit grow th	na	(48.2)	na	na	na
Inventory	505	202	391	460	1,186	EBITDA grow th	8.7	(42.7)	na	na	na
Other current assets	3,907	4,330	4,228	4,635	4,750	Norm profit grow th	2,003.4	(30.3)	40.7	(50.2)	na
Investment	26,639	30,088	32,128	33,734	33,766	Norm EPS grow th	2,003.4	(30.3)	40.8	(50.1)	na
Fixed assets	8,001	8,180	8,431	8,841	23,811	Gross margin	22.8	19.3	(11.9)	(13.5)	(4.7)
Other assets	7,404	7,461	7,514	8,016	7,407	Operating margin	5.3	8.0	(38.4)	(35.6)	(19.0)
Total assets	49,563	54,074	55,095	57,947	74,867	EBITDA margin	9.4	14.0	(24.5)	(23.8)	(11.6)
S-T debt	2,405	2,463	5,533	6,302	7,991	Norm net margin	82.4	57.8	123.3	40.0	(3.2)
A/C payable	170	134	187	187	331	D/E (x)	0.1	0.1	0.2	0.2	0.4
Other current liabilities	1,492	3,806	1,272	2,055	2,647	Net D/E (x)	0.1	0.1	0.2	0.2	0.4
L-T debt	3,481	3,271	2,706	2,508	13,965	Interest coverage (x)	3.2	7.7	(5.1)	(5.6)	(2.7)
Other liabilities	37	36	37	43	354	Interest rate	2.5	2.3	2.4	2.1	3.4
Minority interest	869	904	927	983	3,944	Effective tax rate	30.8	28.0	10.8	(7.7)	6.1
Shareholders' equity	41,109	43,461	44,432	45,870	45,635	ROA	10.5	8.1	7.8	3.0	(0.6)
Working capital	1,273	1,227	1,219	1,338	2,166	ROE	13.1	9.9	9.7	3.7	(0.9)
Total debt	5,886	5,733	8,239	8,810	21,956						
Net debt	3,716	3,080	6,852	7,614	19,321						

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 117 Derivative Warrants which are ACE16C2202A, ADVA16C2202A, ADVA16C2203A, AMAT16C2206A, AOT16C2202A, AOT16C2204A, BAM16C2206A, BAM16C2204A, BANP16C2205A, BANP16C2202A, BANP16C2204A, BBL16C2203A, BBL16C2204A, BCH16C2203A, BEC16C2202A, BEC16C2204A, BGRI16C2203A, BGRI16C2205A, BLA16C2205A, CBG16C2202A, CBG16C2204A, CBG16C2205A, CHG16C2202A, COM716C2203A, COM716C2205A, CPAL16C2203A, CPAL16C2204A, CPF16C2205A, CPN16C2202A, CRC16C2204A, DELT16C2202A, DELT16C2203A, DOHO16C2202A, DTAC16C2203A, EA16C2206A, EA16C2203A, EA16C2205A, ESSO16C2202A, GLOB16C2203A, GPSC16C2206A, GPSC16C2203A, GPSC16C2205A, GULF16C2202A, GULF16C2203A, GULF16C2205A, GUNK16C2206A, GUNK16C2203A, GUNK16C2205A, HANA16C2202A, HANA16C2204A, HANA16C2205A, HMPR16C2202A, INTU16C2202A, INTU16C2205A, IRPC16C2205A, IVL16C2202A, IVL16C2203A, JAS16C2202A, JMAR16C2206A, JMAR16C2202A, JMAR16C2205A, JMT16C2203A, JMT16C2205A, KBAN16C2206A, KBAN16C2202A, KBAN16C2204A, KCE16C2204A, KCE16C2205A, KCE16C2205B, KTC16C2202A, LH16C2202A, MINT16C2203A, MINT16C2204A, MTC16C2202A, MTC16C2204A, OR16C2202A, OR16C2203A, OR16C2205A, PTG16C2202A, PTG16C2203A, PTL16C2202A, PTL16C2202B, PTT16C2203A, PTT16C2205A, PTTE16C2203A, RBF16C2202A, RCL16C2205A, RS16C2205A, S5016P2206B, S5016C2203A, S5016C2203B, S5016C2206A, S5016P2203A, S5016P2203B, S5016P2206A, SAWA16C2202A, SAWA16C2204A, SAWA16C2205A, SCB16C2202A, SCC16C2204A, SCGP16C2202A, SPAL16C2202A, STA16C2203A, STEC16C2204A, STGT16C2202A, SYNE16C2202A, TOP16C2206A, TOP16C2202A, TRUE16C2205B, TRUE16C2205A, TRUE16C2202A, TRUE16C2203A, TRUE16C2203B, TU16C2202A, TU16C2204A, WHA16C2202A, WHA16C2204A (underlying securities are ACE, ADVANC, AMATA, AOT, BAM, BANPU, BBL, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, RBF, RCL, RS, SAWAD, SCB, SCC, SCGP, SET50, SPALI, STA, STEC, STGT, SYNEX, TOP, TU, WHA, TRUE). Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 21.2% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB), SCG Packaging Pcl (SCGP TB)