Energy Absolute Pcl (EA TB) - BUY, Price Bt92.75, TP Bt120.00

Results Comment

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

Stronger-than-expected 4Q21's profit

- EA reported Bt1.89bn normalized profit (ex. FX and hedging gain/loss) in 4Q21, grew 27% y-y and 19% q-q in a like-for-like basis. The growth was driven by stronger electricity generation from its solar farms and commercialization of E-bus business. The profit beats significantly our numbers, such that its total Bt6.02bn norm profit in 2021 made up 109% of our forecast.
- **Renewables:** Core EBIT increased 13% y-y and 23% q-q to Bt2.1bn in 4Q21. Higher output from solar farms to 156GWh (+10% y-y and 7% q-q) after completion of panel upgrade was the key driver. Output from wind farms was 219GWh, down 5% y-y but increased 4% q-q on seasonal factor.
- **Li-ion battery and EV businesses** recorded Bt350m revenue in 4Q21 from 35 units E-bus sale (77 units in 3Q21) and battery sale in Taiwan. We estimate Bt200m core profit from this new S-curve business units this quarter, from Bt440m in 3Q21 due to lower number of E-bus sales.
- **Biodiesel:** EBIT contribution was small at Bt27m in 4Q21, in-line with our view of squeezed biodiesel margin due to a surge of palm oil price and an oversupply situation in Thai market.
- EA announces Bt0.3/share dividend for 2021, 18% payout from net profit, with an XD date on 11 March and a payment date on 20 May 2022.
- EA remains our top-pick for Thai utility sector as we are bullish on its growth outlook in battery and EV businesses. We expect the market to take strong reported earnings positively. Recently announced government's EV incentive scheme likely boosts EV demand in Thailand, with high chance of commercial-EV schemes to later be announced. BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	4,446	4,703	4,923	5,040	5,508
Gross profit	**2,131**	**2,146**	**1,823**	**2,137**	**2,174**
SG&A	330	367	312	365	394
Operating profit	1,801	1,779	1,511	1,772	1,781
EBITDA	**2,515**	**2,470**	**2,233**	**2,548**	**2,488**
Other income	15	4	12	139	230
Other expense					
Interest expense	375	391	379	323	295
Profit before tax	**1,441**	**1,392**	**1,144**	**1,588**	**1,716**
Income tax	(30)	38	12	9	(56)
Equity & invest. income	(42)	(25)	(8)	6	40
Minority interests	59	51	50	(5)	75
Extraordinary items	(4)	32	17	37	(6)
Net profit	**1,484**	**1,412**	**1,191**	**1,616**	**1,881**
Normalized profit	**1,488**	**1,380**	**1,174**	**1,580**	**1,887**
EPS (Bt)	0.40	0.38	0.32	0.43	0.50
Normalized EPS (Bt)	0.40	0.37	0.31	0.42	0.51

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	9	24	104	20,174	45,729
Gross profit	**2**	**2**	**100**	**8,280**	**14,476**
SG&A	8	19	97	1,437	2,844
Operating profit	1	(1)	101	6,843	11,631
EBITDA	**(2)**	**(1)**	**94**	**9,739**	**16,265**
Other income	66	1,412	198	384	91
Other expense			na		
Interest expense	(9)	(21)	97	1,388	1,367
Profit before tax	**8**	**19**	**105**	**5,840**	**10,356**
Income tax	na	na	6	3	104
Equity & invest. income	538	na	(26)	14	890
Minority interests	na	28	224	171	(1,660)
Extraordinary items	na	na	na	79	
Net profit	**16**	**27**	**111**	**6,100**	**9,483**
Normalized profit	**19**	**27**	**109**	**6,021**	**9,483**
EPS (Bt)	16	27	111	1.64	2.54
Normalized EPS (Bt)	19	27	109	1.61	2.54

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	2,951	4,535	4,211	3,313	2,927
A/C receivable	2,750	2,456	2,590	2,838	3,690
Inventory	833	1,010	1,588	1,578	1,483
Other current assets	855	880	775	859	3,549
Investment					
Fixed assets	55,857	57,115	57,542	57,642	58,421
Other assets	15,238	15,023	15,124	15,454	15,406
Total assets	**78,484**	**81,018**	**81,830**	**81,685**	**85,476**
S-T debt	11,982	10,734	9,180	9,358	7,458
A/C payable	373	305	553	450	358
Other current liabilities	1,210	1,893	1,212	1,147	4,859
L-T debt	31,090	32,630	34,657	22,843	33,777
Other liabilities	4,203	4,268	4,295	14,468	3,921
Minority interest	1,815	1,941	2,646	2,682	2,601
Shareholders' equity	**27,812**	**29,248**	**29,287**	**30,736**	**32,501**
Working capital	3,211	3,161	3,625	3,967	4,815
Total debt	43,072	43,364	43,837	32,201	41,236
Net debt	**40,121**	**38,829**	**39,626**	**28,887**	**38,309**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	8.9	(0.6)	19.3	33.6	23.9
Operating profit growth	(12.6)	0.2	1.3	21.2	(1.1)
EBITDA growth	(8.9)	4.9	(0.5)	18.8	(1.1)
Norm profit growth	(12.9)	(0.9)	1.9	44.4	26.8
Norm EPS growth	(12.9)	(0.9)	1.9	44.4	26.8
Gross margin	47.9	45.6	37.0	42.4	39.5
Operating margin	40.5	37.8	30.7	35.2	32.3
EBITDA margin	56.6	52.5	45.4	50.6	45.2
Norm net margin	33.5	29.3	23.8	31.3	34.3
D/E (x)	1.5	1.4	1.4	1.0	1.2
Net D/E (x)	1.4	1.2	1.2	0.9	1.1
Interest coverage (x)	6.7	6.3	5.9	7.9	8.4
Interest rate	3.7	3.6	3.5	3.4	3.2
Effective tax rate	(2.1)	2.7	1.1	0.6	(3.2)
ROA	7.6	6.9	5.8	7.7	9.0
ROE	21.9	19.4	16.0	21.1	23.9

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

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 LIMTED (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)