Thanachart Securities

THAILAND | **Sector Note** | **18 MARCH 2022**

Sector Weighting | **Overweight**

Thailand Utilities Sector

Fuel cost hit

Sector Valuation			Current	Target	Market	Norm EPS grw		— Norm PE —		— P/BV —		Div yield	
	BBG		price	price	Cap	2022F	2023F	2022F	2023F	2022F	2023F	2022F	2023F
Company	Code	Rec.	(Bt)	(Bt)	(US$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(%)	(%)
B.Grimm Power Pcl	BGRIM TB	BUY	35.50	40.00	2,785	(33.7)	82.7	57.4	31.4	3.1	2.9	0.9	1.6
Electricity Generating	EGCO TB	BUY	172.50	275.00	2,733	5.9	0.9	8.4	8.3	0.8	0.7	4.1	4.3
Global Power Synergy	GPSC TB	HOLD	72.25	72.50	6,130	(4.1)	18.6	31.4	26.5	1.8	1.8	1.8	2.1
Gulf Energy Dev. Pcl	GULF TB	HOLD	49.75	45.00	17,564	22.2	37.4	53.9	39.3	4.6	3.7	1.1	1.5
Ratchaburi Electricity	RATCH TB	HOLD	44.50	46.00	1,942	11.3	5.3	9.3	8.9	1.0	0.9	4.0	4.5

Source: Thanachart estimates, Based on 17 March 2022 closing prices

SPPs have been hit hard since 2H21 by surging gas pool prices and we cut their earnings further in this report. However, we believe the worst is over and earnings turnaround is around the corner. Among SPP, we prefer BGRIM over GPSC, which we downgrade to HOLD. We remain OVERWEIGHT the sector despite being more selective.

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High gas costs hit SPPs hard

Power plant companies with high exposure to the Small Power Producer (SPP) scheme have been hit hard by surging gas pool prices. While Independent Power Producers (IPPs) have a fuel pass-through formula in their selling price, SPPs do not and rely on the regulator to adjust the fuel factor (Ft) in the electricity tariff to reflect fuel cost changes. Ft changes have lagged rising fuel costs as the government wants to ease the inflationary impact on the economy. We cut the earnings of companies with high SPP exposure by 26/22/6% in 2022-24F (Exhibit 12), assuming a 58% spike in the domestic gas pool price, after a 9% rise in 2021. The jump is due to a higher LNG import portion and its price surge.

Turnaround around the corner

We expect the gas pool price to reach its peak by 1H22F. While the LNG import volume portion will continue to rise from disrupted domestic gas production volume, the jump in its price driven largely by the Russia-Ukraine war will not, in our view. The Asian spot LNG price has fallen to USD35/mmbtu from a recent peak of USD50. Moreover, for the selling price, the Ft has been lifted by Bt0.4/unit this year (Bt0.17 for Jan-Apr and another Bt0.23 for May-Aug). We expect another Bt0.15/unit hike in Sep-Dec. Although that not yet fully offsetting the fuel cost impact (we estimate at Bt1.2), SPP's earnings should still turn around in 2H22F on this widening margin from falling fuel costs and increasing selling prices.

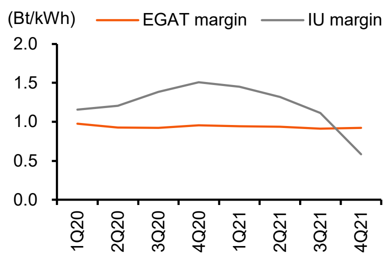
SPP preference

Stocks with significant SPP exposure have seen their share prices come down from their latest peaks (BGRIM down 34%, GSPC 20%, and GULF 5%). Among them, we like BGRIM (BUY) the most on our expectation for a reversing margin trend due to its largest SPP portion, with strongest earnings turnaround in 2023F driven by easing gas cost impacts and capacity expansion. We downgrade GPSC to HOLD (from Buy) as it is also suffering from weaker-than-expected contributions from its India solar investment. GULF is still a HOLD.

Among IPPs, we prefer EGCO

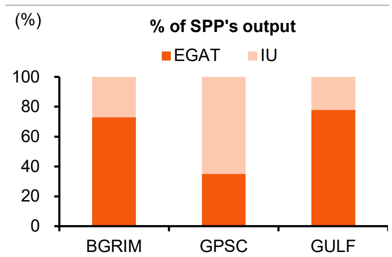
For risk-averse investors, we suggest investing in IPP firms that are resilient to fuel price surges (100% cost pass-through). We prefer EGCO (BUY) to RATCH (HOLD) on its more attractive valuations, while RATCH still has the overhang concern of the dilution impact from its upcoming capital raising plan in 2Q22.

IU Margin Squeezed



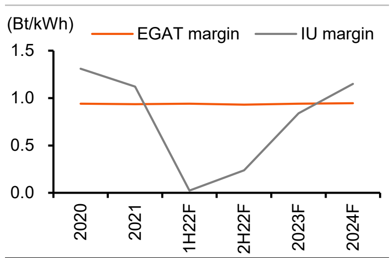
Source: Company data

Strong Hit On BGRIM And GPSC



Source: Company data

Expect Sharp Recovery 2H22F



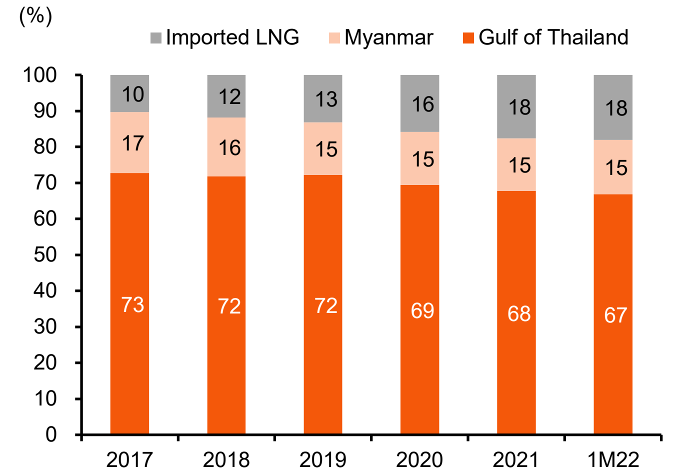
Sources: Company data; Thanachart estimates

High gas costs hit SPPs hard

Strong domestic gas price surge in 2022F

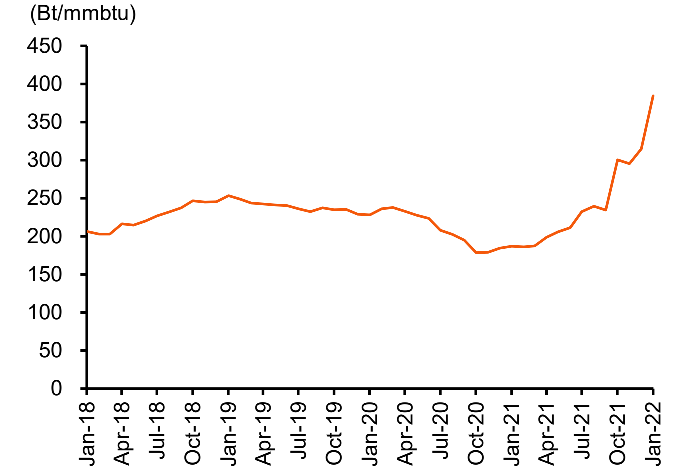
We expect domestic gas prices to increase sharply by 58% y-y in 2022F. The natural gas market in Thailand consists of a pool price system with PTT Pcl (PTT TB, Bt39.25, BUY) being the sole supplier. This means the Thai gas pool price is calculated from the weighted average gas cost from various sources (gas fields in the Gulf of Thailand and Myanmar, long-term LNG purchase contracts, and the spot LNG market) procured by PTT. The mix was 68% from domestic gas fields, 15% from fields in Myanmar, 16% from long-term LNG contracts, and 2% from the LNG spot market in 2021. PTT then marks up margins on the pool price and charges infrastructure fees before selling the gas to end-users. We see three major factors driving up the gas pool price in 2022F.

Ex 1: Major Sources Of Thailand's Gas Supply



Sources: Energy Policy and Planning Office (EPPO)

Ex 2: Gas Pool Price Up Sharply In Past 12 Months



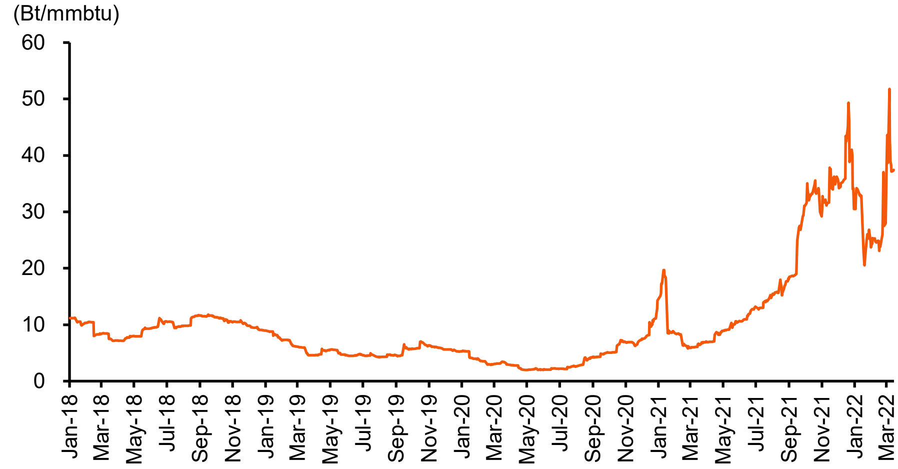
Sources: EPPO

High Asian spot LNG price

Spot LNG price has increased 4x from its normalized level

Despite contributing the smallest portion to the Thai gas pool mix, the Asian spot LNG price surged fourfold to USD30-35/mmbtu in 4Q21 (from USD8) and has remained elevated in 1Q22. The strong run-up was driven by tightened gas supply in global markets as countries fled from coal power to natural gas to reduce their carbon footprints following their pledges during the COP26 summit in late October last year. Recent global geopolitical issues earlier this year have served to escalate the situation further as many countries stocked up on gas (or reduced exports) to secure their energy security amid intensifying military activity in Eastern Europe. The higher spot LNG price has had the largest impact on the domestic gas pool price in 2022F. We estimate it to contribute 30% to the pool price rise this year (from our forecast of a 58% increase).

Ex 3: Surge In Asian Spot LNG Price



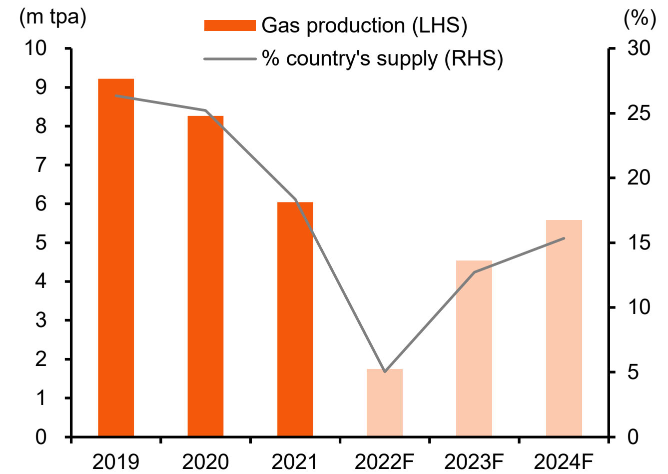
Sources: S&P Global

Lower production from Erawan field

Lower mix from domestic sources on production disruption at Erawan field

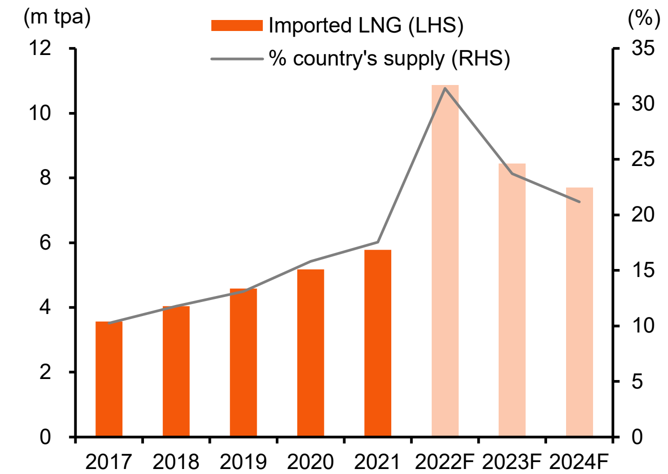
Amid high global LNG prices, Thailand needs to import more LNG from the spot market to compensate for the production disruption at the Erawan gas field, the largest gas field in the Gulf of Thailand and the country's cheapest source of gas. PTT Exploration and Production Pcl (PTTEP TB, Bt143.50, HOLD), as Erawan's new operator, plans to temporarily lower production rate in the field starting next month (April 2022) to improve its efficiency after years of under-investment toward the end of the previous concession. PTTEP expects Erawan to reach a new annual production target of 800mmcfd by 2024 (lower than the 1,200mmcfd target in the previous concession due to depleting field reserves). Less cheap gas (from Erawan) and a higher mix of high-priced imported LNG (to replace lower domestic production) will result in a rise in the gas pool price. During the production hiccup at Erawan, we estimate the portion of domestic gas supply in the pool to decline to 53% in 2022F (from 68% in 2021) and the expensive spot LNG portion to increase to 17% (from 2%). The change in gas supply mix accounts for 17% of our gas pool price rise assumption (from 58%).

Ex 4: Production Disruption At Erawan Gas Field



Sources: EPPO, PTTEP, Thanachart estimates

Ex 5: Imported LNG Portion To Stay High



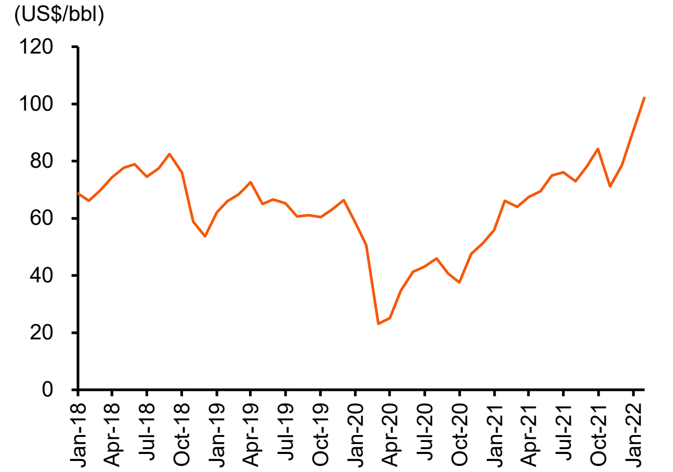
Sources: EPPO, Thanachart estimates

Strong oil price and weak baht are secondary drivers

High oil prices and the weaker baht also drive the pool price

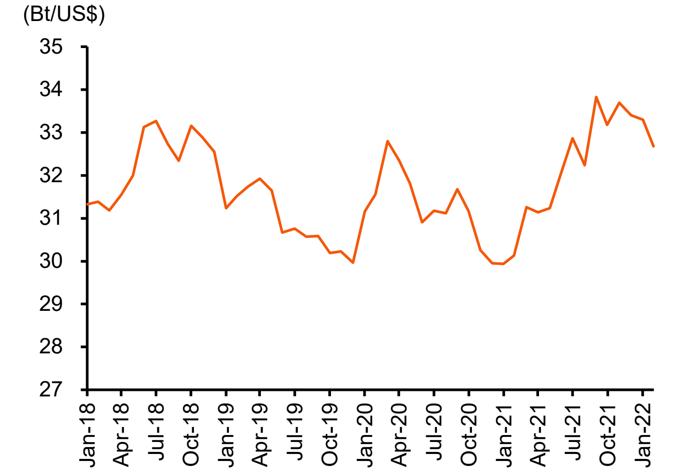
The price of natural gas from long-term purchase contracts is usually linked to the global oil price and is denominated in US dollars. Movements in oil prices and currencies therefore affect the cost of the largest portion of Thailand's gas supply, a combined 83% from domestic fields, gas fields in Myanmar, and long-term LNG import contracts from global suppliers. Based on forecasts by Thanachart's research team at an USD88/bbl oil price and Bt33.0/USD1 exchange rate in 2022F, this translates into an 11% y-y higher gas pool price.

Ex 6: Oil Price Rises Amid Intense Geopolitical Tensions



Sources: Bloomberg

Ex 7: Weaker Baht Adds More Pressure



Sources: Bloomberg

Margin of SPPs' sales to industrial users squeezed by higher fuel prices

SPP power plants have had their margins squeezed by the surge in fuel prices since 2H21. This is because SPPs sell electricity to two groups of customers. *First,* usually 75-80% of installed capacity is to produce electricity for the Electricity Generating Authority of Thailand (EGAT) at the price calculated from a cost-plus formula, and thus it is not impacted by higher fuel costs. *Second,* SPP operators sell output from the remaining plant capacity (20-25%) to industrial users (IUs) at a price discount to the national tariff price. The margin of the latter segment thus relies on whether the government properly adjusts the national electricity price to reflect fuel price movements. A margin squeeze occurred in late 2021 when the government decided to fix the tariff amid a strong run-up in natural gas and coal prices, attempting to prevent an inflationary hit to the already weak economy. SPPs therefore could not raise selling prices and had to bear the higher fuel cost burden themselves. The situation has persisted into 1H22 as the national tariff has been lifted by just Bt0.4/unit (Bt0.17/unit for January – April 2022 and another Bt0.23/unit for May – August), far below our estimated actual impact of Bt1.2/unit.

IPPs can fully pass on fuel cost, thus no impact

Power plants under IPP contracts, on the other hand, can fully pass on fuel costs to EGAT. IPP plants receive monthly payments from EGAT in two forms. *First,* an availability payment (AP) is paid in full to operators if they could maintain their plants for generation, even if they get no dispatch orders from EGAT. The AP amount paid each year is based on what has been agreed by EGAT and the operators on the contract signing date. *Second,* an energy payment (EP) is made to compensate for fuel costs used to generate electricity per dispatched order. The payment is calculated from the actual fuel price in each period and benchmarked volume of fuel consumption. IPP plants thus have no fuel cost risk, but also rarely gain profit from it. IPP plants make a profit by keeping total costs (operation and maintenance, depreciation, and interest expenses) below AP revenue.

Ex 8: Comparison Between IPP And SPP Power Plant Schemes

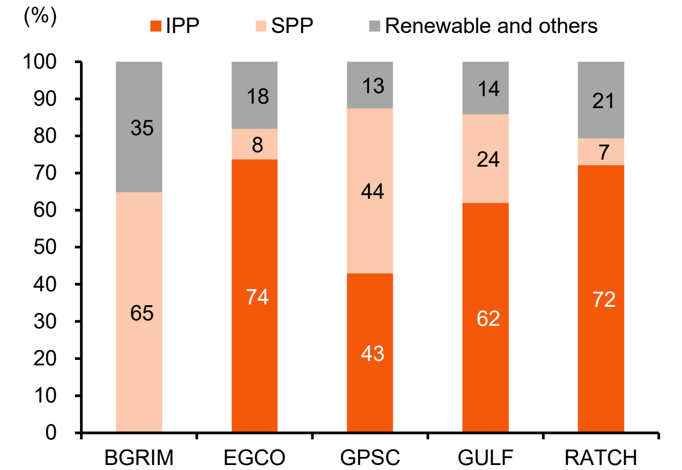
	Selling price	Margin	% to EBITDA
SPP's revenue			
1) Electricity sales to EGAT	Cost-plus formula	Highly stable in Bt per unit terms	65-75%
2) Electricity sales to IUs	Discounted from national tariff	Depends on national tariff adjustment vs. fuel price movements	25-30%
3) Steam sales to IUs	Cost-plus formula	Highly stable in Bt per unit terms	0-5%
IPP's revenue			
1) Availability payment	Negotiated based on required capex and expected IRR on contract signing	Based on negotiated IRR, but varies between years with annual operating costs and interest expenses	98-100%
2) Energy payment	Calculated from actual fuel cost and benchmarked fuel consumption per unit of production	Theoretically zero margin, but can be some if operator can beat the benchmarked efficiency level.	0-2%

Sources: Thanachart

BGRIM has been impacted the most, then GPSC

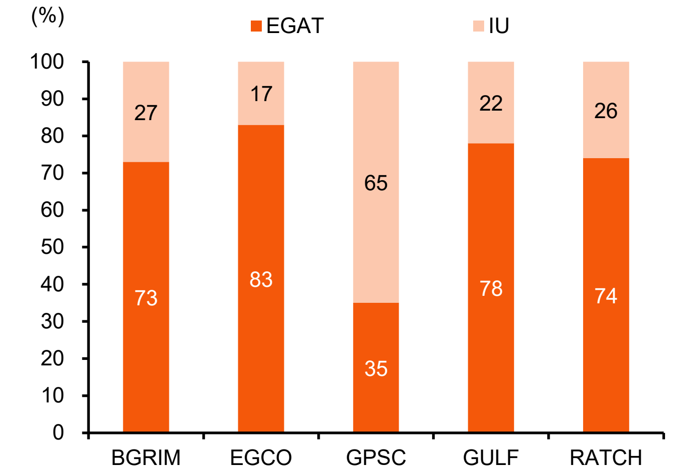
BGRIM's earnings have been hit hardest by the margin squeeze in SPPs. This is because 65% of its operating capacity is under SPP contracts, while 27% of output from those SPP plants is sold to IUs. In fact, GPSC has a much larger portion of SPP output sold to IUs at 65% but the impact on its earnings base is smaller thanks to an earnings cushion from IPP capacity and hydropower plants. GULF is hit the least among large SPP operators since its SPP portion of operating capacity has dropped to only 24% as the company is aggressively expanding IPP capacity. We cut their earnings by 45%/23%, 39%/40%, and 10%/8% in 2022-23F respectively to reflect our 39% and 29% higher SPP gas price assumptions of Bt420/mmbtu and Bt370. EGCO and RATCH are resilient to higher fuel prices, given that 74% and 72% of their capacity is from IPP plants and only 8% and 7% is from SPPs.

Ex 9: Operating Capacity Breakdown By Contract Type



Sources: Company data (As of 2021), Thanachart estimates

Ex 10: SPPs' Electricity Sales Volume Breakdown



Sources: Company data (As of 2021), Thanachart estimates

Ex 11: Our SPP Gas Price Assumptions

	2021A	2022F	2023F	2024F	2025F
New	266	420	370	330	300
Old	-	302	286	278	275
Change (%)	-	*39.3*	*29.2*	*18.8*	*9.1*

Sources: Thanachart estimates

Ex 12: Earnings Revisions For Major SPP Firms

	2022F	2023F	2024F
BGRIM's profit (Bt m)			
New	1,611	2,943	4,693
Old	2,917	3,812	4,445
Change (%)	*(44.8)*	*(22.8)*	*5.6*
GPSC's profit (Bt m)			
New	6,496	7,686	9,814
Old	10,675	12,888	13,475
Change (%)	*(39.1)*	*(40.4)*	*(27.2)*
GULF's profit (Bt m)			
New	10,820	14,862	21,421
Old	12,078	16,123	20,472
Change (%)	*(10.4)*	*(7.8)*	*4.6*

Sources: Thanachart estimates

Turnaround around the corner

We believe the impact on SPPs is nearing its peak

We believe the impact from high fuel prices on SPPs' margin will reach a peak in 1H22F, due to the increasing national tariff price, so SPPs can pass on more fuel costs, and our expectation of global energy prices normalizing from current extraordinarily high levels.

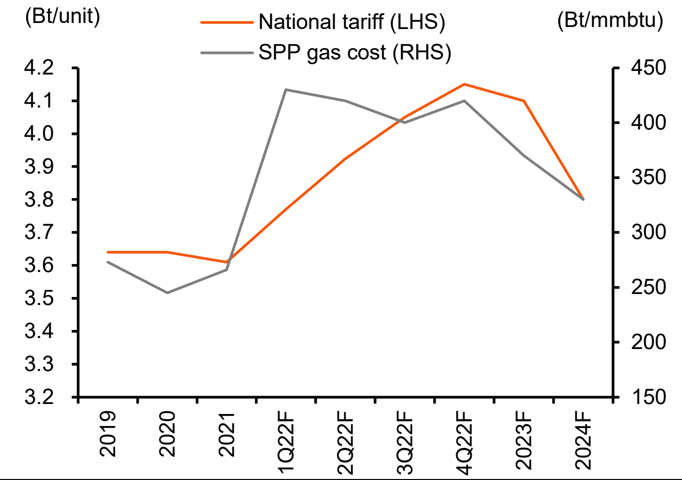
Increasing national tariff price so SPPs can pass on more fuel costs

The government has raised the national electricity price by Bt0.17/unit (to Bt3.77/unit) for the January to April period and by another Bt0.23/unit for May to August 2022, after the tariff was fixed throughout 2021 despite continuously rising coal and gas prices. However, we estimate that the hike only partially offsets the actual fuel cost impact of Bt1.2/unit, as the government still wants to manage the impact from higher electricity costs on the already weak Thai economy during the COVID-19 pandemic. Therefore, we assume another Bt0.15/unit hike in September to December 2022 to better reflect fuel price movements.

Current high commodity prices are not sustainable in our view

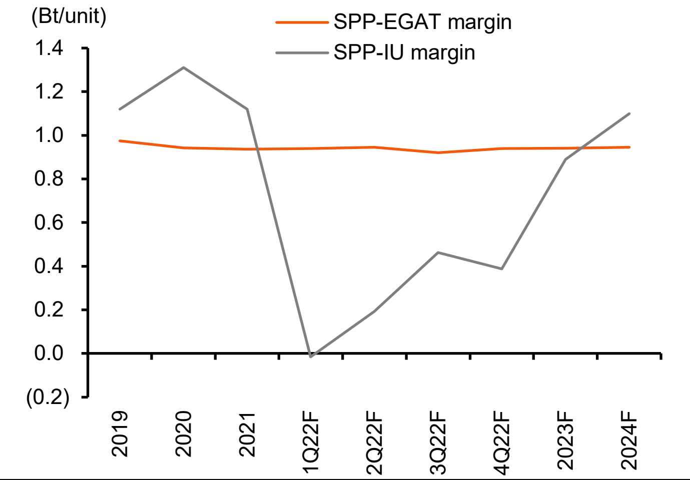
We believe the recent run-up in global commodity prices have largely driven by market concern over the war between Russia and Ukraine which has the potential to escalate and involve more leading countries in Europe, not to mention the US. Having said that, we don't expect the situation to be prolonged beyond mid-2022, and we therefore assume a gradual normalization of oil and LNG prices (parts of the pool price calculation) in 2H22F. Note that the ramping-up of production from the Erawan gas field in 2H22F should also help lower the portion of expensive imported spot LNG for the country, offering further significant relief to the gas pool price as its exposure to the high-priced global commodity markets is reduced.

Ex 13: Expecting Tariff Hikes And Easing Gas Costs …



Sources: EGAT, EPPO, Thanachart estimates

Ex 14: … And Thus Margins Will Likely Improve



Sources: Company data, Thanachart estimates

Various government policies to counter high gas prices

The Thai government has announced various measures to counter the surge in gas prices without having to raise the national tariff which would hurt the economy. *First,* it has ordered IPP power plants to temporarily switch from burning natural gas for electricity generation to diesel to reduce the country's gas demand. We expect this to significantly lower the gas pool price since Thailand would then need to import less expensive spot LNG, thus lowering the portion of high-priced gas in the pool. *Second,* the energy regulator is studying whether to review the gas pool price formula by adding diesel and fuel oil prices (since they are also fuels used in electricity generation) to the calculation. We believe this would lower the gas pool price. And, *third,* the government has been persuading private firms (including PTT as the current sole supplier) to secure more long-term LNG import contracts for the country, and has granted some licenses. This is to improve Thailand's energy security and reduce energy costs, as long-term contracts usually come with lower prices than buying directly from the spot market which is highly volatile.

We expect a strong earnings recovery for SPP firms in 2H22F

Backed by increasing selling prices and a lower cost burden, we expect margin (and thus earnings) of SPP operators to recover strongly in 2H22F. Downside risks to our view are a slower-than-expected Erawan gas field ramp-up and an extended (or escalating) Russia-Ukraine conflict.

Our preferences

BGRIM remains our favorite SPP pick

Despite our sharp earnings downgrades and it being hit the hardest by the higher gas costs, we maintain our BUY rating on BGRIM which remains our favorite SPP firm, but with a lower TP of Bt40 (from Bt45). This is because we believe its 34% share price drop has already reflected the impact from the margin squeeze, while we take the view that the gas pool price should peak in 1H22F. We therefore foresee a strong earnings turnaround for BGRIM into 2023F.

Downgrade GPSC to HOLD due to lower value from new businesses

We downgrade our rating for GPSC to HOLD (from Buy) given limited potential upside to our lower TP to Bt72.5 on the fuel cost impact and lower potential value from its growing green businesses (Li-ion battery factory and renewable power plants) since it has divested a portion of those investments to its parent (PTT).

GULF is a HOLD as its valuation is already at a premium

We maintain our HOLD rating on GULF since we believe its premium valuation at 54x PE in 2022F already factors in its strongest earnings growth in the sector, high potential value from business expansion into new industries, and it being least hit among SPP firms from the fuel price surge, thanks to its large earnings cushion from IPP plants and recently acquired 42% stake in Intouch Holdings Pcl (INTUCH TB, Bt78.00, HOLD)

Among IPP firms, we like EGCO

For risk-averse investors, we suggest switching to IPP firms amid this period of high volatility in energy prices, since they are not vulnerable to the margin squeeze. We prefer Electricity Generating Pcl (EGCO TB, Bt172.5, BUY) for its attractive valuations, decent dividend yields, and some earnings growth. Ratch Group Pcl (RATCH TB, Bt44.5, HOLD) looks decent to us operations-wise, but we believe the huge 53% dilution from its upcoming capital raising plan in 2Q22F will remain an overhang on its share price.

Ex 15: Conventional Utilities Stocks Under Our Coverage

	Rating	Current	Target	*Up/down*	Market	Norm EPS grw		Norm PE		EV/EBITDA		— P/BV —		— Yield —		— ROE —		Net D/E	
		price	price	*side*	cap	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
Stock		(Bt)	(Bt)	*(%)*	(US$ m)	(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
BGRIM TB	BUY	35.50	40.00	*12.7*	2,785	(33.7)	82.7	57.4	31.4	17.2	14.4	3.1	2.9	0.9	1.6	5.4	9.5	1.9	1.9
EGCO TB	BUY	172.50	275.00	*59.4*	2,733	5.9	0.9	8.4	8.3	16.6	15.4	0.8	0.7	4.1	4.3	9.5	9.2	0.5	0.4
GPSC TB	HOLD	72.25	72.50	*0.3*	6,130	(4.1)	18.6	31.4	26.5	17.9	17.0	1.8	1.8	1.8	2.1	5.9	6.8	0.9	1.0
GULF TB	HOLD	49.75	45.00	*(9.5)*	17,564	22.2	37.4	53.9	39.3	39.5	31.2	4.6	3.7	1.1	1.5	9.7	10.4	1.5	1.2
RATCH TB	HOLD	44.50	46.00	*3.4*	1,942	11.3	5.3	9.3	8.9	17.3	18.0	1.0	0.9	4.0	4.5	11.6	10.7	0.3	0.2

Sources: Bloomberg, Thanachart estimates

Ex 16: Sector Valuation Comparison

		BGRIM	EGCO	GPSC	GULF	RATCH	Industry
Rating		**BUY**	**BUY**	**HOLD**	**HOLD**	**HOLD**	
Target price (Bt)	**Thanachart**	**40.00**	**275.00**	**72.50**	**45.00**	**46.00**	
	Consensus	45.00	234.00	86.50	50.00	50.75	
Consensus rec.	BUY	11	7	13	8	3	
	HOLD	5	2	6	6	4	
	SELL	1	0	0	1	2	
Sales (Bt m)	2021	46,628	35,903	74,874	47,467	37,327	242,199
	2022F	58,348	34,044	93,932	80,636	43,234	310,193
	2023F	58,498	33,735	97,718	104,923	42,890	337,765
	2024F	57,083	31,616	101,950	134,012	40,518	365,179
Norm profits (Bt m)	2021	2,429	10,258	6,769	8,852	6,573	34,881
	2022F	1,611	10,867	6,492	10,820	9,910	39,701
	2023F	2,943	10,963	7,699	14,862	11,130	47,597
	2024F	4,693	10,633	9,885	21,421	11,610	58,242
Sales growth (%)	2021	5.8	6.9	7.6	44.4	9.1	14.8
	2022F	25.1	(5.2)	25.5	69.9	15.8	26.2
	2023F	0.3	(0.9)	4.0	30.1	(0.8)	6.5
	2024F	(2.4)	(6.3)	4.3	27.7	(5.5)	3.6
Norm EPS growth (%)	2021	(9.0)	8.4	(9.9)	89.4	20.6	19.9
	2022F	(33.7)	5.9	(4.1)	22.2	11.3	0.3
	2023F	82.7	0.9	18.6	37.4	5.3	29.0
	2024F	59.5	(3.0)	28.4	44.1	4.3	26.7
Operating margin (%)	2021	15.1	15.9	12.2	22.7	6.7	14.5
	2022F	8.8	17.6	9.0	16.5	10.8	12.5
	2023F	11.4	17.5	9.2	16.0	10.5	12.9
	2024F	14.6	17.1	11.2	17.6	9.5	14.0
ROE (%)	2021	8.5	9.5	6.4	11.0	10.0	9.1
	2022F	5.4	9.5	5.9	9.7	11.6	8.4
	2023F	9.5	9.2	6.8	10.4	10.7	9.3
	2024F	14.1	8.4	8.4	12.3	10.5	10.7
Dividend yield (%)	2021	1.2	3.8	2.1	0.9	5.0	2.6
	2022F	0.9	4.1	1.8	1.1	4.0	2.4
	2023F	1.6	4.3	2.1	1.5	4.5	2.8
	2024F	2.5	4.3	2.7	2.6	5.9	3.6
P/BV (x)	2021	3.1	0.8	1.9	6.0	1.0	2.6
	2022F	3.1	0.8	1.8	4.6	1.0	2.3
	2023F	2.9	0.7	1.8	3.7	0.9	2.0
	2024F	2.7	0.7	1.7	3.1	0.9	1.8
Norm PE (x)	2021	38.1	8.9	30.1	65.9	10.4	30.7
	2022F	57.4	8.4	31.4	53.9	9.3	32.1
	2023F	31.4	8.3	26.5	39.3	8.9	22.9
	2024F	19.7	8.5	20.6	27.3	8.5	16.9
EV/EBITDA (x)	2021	13.2	20.7	16.8	50.3	25.3	25.2
	2022F	17.2	16.6	17.9	39.5	17.3	21.7
	2023F	14.4	15.4	17.0	31.2	18.0	19.2
	2024F	12.4	15.0	15.1	22.4	19.2	16.8
Net D/E (x)	2021	1.7	0.8	0.9	1.9	0.6	1.2
	2022F	1.9	0.5	0.9	1.5	0.3	1.0
	2023F	1.9	0.4	1.0	1.2	0.2	0.9
	2024F	1.7	0.3	1.0	0.9	0.2	0.8

Sources: Company data; Thanachart estimates

Valuation Comparison

Ex 17: Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Datang International Power	991 HK	China	123.7	0.0	7.1	7.1	0.5	0.5	7.7	7.5	5.8	12.5
Huadian Power	1071 HK	China	na	25.1	6.5	5.2	0.4	0.4	9.0	8.3	5.3	9.1
Huaneng Power	600011 CH	China	na	19.8	15.7	13.1	1.2	1.2	8.9	7.9	0.6	2.8
Cheung Kong Infrastructure	1038 HK	Hong Kong	7.7	(0.6)	14.0	14.1	1.1	1.0	44.4	43.6	4.9	4.9
China Power Int'l	2380 HK	Hong Kong	na	54.6	18.1	11.7	1.2	1.1	9.6	7.5	1.0	2.9
China Resources Power	836 HK	Hong Kong	83.4	21.8	6.8	5.6	0.8	0.7	5.7	4.8	3.4	5.6
CLP Holdings	2 HK	Hong Kong	(0.5)	5.4	17.3	16.5	1.6	1.6	10.7	10.4	4.1	4.1
Hongkong Electric Holdings	6 HK	Hong Kong	7.1	(1.2)	15.7	15.9	1.2	1.2	82.1	83.5	5.6	5.6
Huaneng Power	902 HK	Hong Kong	na	17.2	10.2	8.7	0.5	0.4	9.0	8.1	1.7	5.3
Tata Power	TPWR IN	India	35.9	23.3	35.4	28.7	3.3	3.1	15.9	13.5	0.7	0.8
Tenaga Nasional	TNB MK	Malaysia	(3.4)	6.8	11.0	10.3	0.9	0.8	6.5	6.6	6.0	5.5
YTL Corp	YTL MK	Malaysia	na	(10.5)	28.7	32.1	0.5	0.5	11.7	11.6	4.8	4.2
YTL Power	YTLP MK	Malaysia	(44.6)	54.8	20.0	12.9	0.4	0.4	11.2	10.5	6.1	5.6
Manila Electric	MER PM	Philippines	10.1	5.1	16.5	15.7	4.4	4.2	10.2	9.9	3.7	4.0
Absolute Clean Energy *	ACE TB	Thailand	36.9	30.5	17.3	13.3	2.3	2.0	14.6	11.9	2.3	3.0
BCPG Pcl *	BCPG TB	Thailand	16.6	(19.7)	13.6	17.0	1.3	1.3	10.8	13.6	2.7	2.7
B.Grimm Power Pcl *	BGRIM TB	Thailand	(33.7)	82.7	57.4	31.4	3.1	2.9	17.2	14.4	0.9	1.6
Banpu Power Pcl *	BPP TB	Thailand	69.7	6.5	12.2	11.4	1.1	1.1	149.6	107.3	4.9	5.2
CK Power Pcl *	CKP TB	Thailand	10.7	(0.1)	18.6	18.6	1.5	1.5	17.8	17.7	2.7	3.2
EA Pcl*	EA TB	Thailand	57.5	16.6	35.1	30.1	8.5	7.1	22.5	19.8	0.9	1.3
Electricity Generating *	EGCO TB	Thailand	5.9	0.9	8.4	8.3	0.8	0.7	16.6	15.4	4.1	4.3
Global Power Synergy *	GPSC TB	Thailand	(4.1)	18.6	31.4	26.5	1.8	1.8	17.9	17.0	1.8	2.1
Gulf Energy Dev. Pcl *	GULF TB	Thailand	22.2	37.4	53.9	39.3	4.6	3.7	39.5	31.2	1.1	1.5
Gunkul Engineering *	GUNKUL TB	Thailand	46.3	34.1	18.2	13.5	3.7	3.2	18.7	13.0	3.3	4.4
RATCH Group *	RATCH TB	Thailand	11.3	5.3	9.3	8.9	1.0	0.9	17.3	18.0	4.0	4.5
TPC Power Holding *	TPCH TB	Thailand	248.1	16.4	9.5	8.2	1.2	1.1	7.6	6.7	3.1	3.7
WHA Utilities & Power *	WHAUP TB	Thailand	101.1	5.2	10.6	10.1	1.2	1.1	25.7	23.8	5.7	6.0
Average			**36.7**	**16.9**	**19.2**	**16.1**	**1.9**	**1.7**	**22.9**	**20.1**	**3.4**	**4.3**

Sources: Bloomberg, * Thanachart estimates

Based on 17 February 2022 closing prices

STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
SET Index	**(1.8)**	**2.4**	**7.2**	**1.5**	**—**	**—**	**—**	**—**
Utilities Sector	**(3.6)**	**(1.7)**	**5.5**	**(3.8)**	**(1.8)**	**(4.2)**	**(1.7)**	**(5.3)**
ACE	(3.1)	(11.8)	(11.8)	(10.3)	(1.3)	(14.2)	(19.0)	(11.7)
BCPG	(8.5)	(6.3)	(19.6)	(0.8)	(6.6)	(8.7)	(26.8)	(2.3)
BGRIM	5.2	(11.3)	(23.7)	(12.3)	7.0	(13.7)	(30.9)	(13.8)
BPP	(1.8)	(6.3)	(13.6)	(4.1)	0.0	(8.7)	(20.8)	(5.5)
CKP	(1.0)	1.0	2.6	1.0	0.9	(1.4)	(4.6)	(0.5)
EA	(6.8)	(4.3)	49.4	(7.0)	(5.0)	(6.7)	42.2	(8.5)
EGCO	(2.8)	(1.7)	(5.0)	(1.7)	(1.0)	(4.1)	(12.2)	(3.2)
GPSC	(5.6)	(7.7)	(4.0)	(18.6)	(3.7)	(10.1)	(11.2)	(20.0)
GULF	(3.4)	15.7	47.4	8.7	(1.6)	13.3	40.2	7.3
GUNKUL	(8.3)	18.6	65.3	8.0	(6.5)	16.2	58.1	6.6
RATCH	(4.3)	(1.1)	(13.2)	(1.1)	(2.5)	(3.5)	(20.4)	(2.6)
TPCH	(3.4)	(5.9)	(7.4)	(7.4)	(1.6)	(8.3)	(14.6)	(8.9)

Source: Bloomberg

SECTOR - SWOT ANALYSIS

S — Strength

- Defensive as agreed revenues on PPAs are predetermined.
- Changes in fuel prices are passed through via PPAs for IPPs and mostly by formulae adjustments for SPPs.

W — Weakness

- Most IPPs set their tariff as front-end loaded, so tariffs for ageing plants, especially ones approaching expiry, are set to fall drastically.
- There is sometimes intervention in the Ft adjustment.

O — Opportunity

- Huge investment potential in neighboring countries.
- Government supports and subsidizes renewable energy.

T — Threat

- Local communities may protest against new projects.
- Increased regulatory risk on environmental concerns.

REGIONAL COMPARISON

	—EPS growth—		—— PE ——		—— P/BV ——		— EV/EBITDA —		—— Div. Yield ——	
Name	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**
	(%)	**(%)**	**(x)**	**(x)**	**(x)**	**(x)**	**(x)**	**(x)**	**(%)**	**(%)**
China	123.7	15.0	9.8	8.5	0.7	0.7	8.5	7.9	3.9	8.1
Hong Kong	24.4	16.2	13.7	12.1	1.1	1.0	26.9	26.3	3.4	4.8
India	35.9	23.3	35.4	28.7	3.3	3.1	15.9	13.5	0.7	0.8
Malaysia	(24.0)	17.0	19.9	18.4	0.6	0.6	9.8	9.5	5.6	5.1
Philippines	10.1	5.1	16.5	15.7	4.4	4.2	10.2	9.9	3.7	4.0
Thailand	45.3	18.0	22.7	18.2	2.5	2.2	28.9	23.8	2.9	3.4
Average	**35.9**	**15.8**	**19.7**	**16.9**	**2.1**	**1.9**	**16.7**	**15.2**	**3.4**	**4.4**

Sources: Bloomberg Consensus
Note: * Thanachart estimate – using normalized EPS

Thanachart Securities

BUY (Unchanged)

Change in Numbers

TP: Bt 40.00 (From: Bt 45.00)

Upside : 12.7%

18 MARCH 2022

B.Grimm Power Pcl (BGRIM TB)

Over the worst

NUTTAPOP PRASITSUKSANT
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BGRIM has the highest SPP exposure among peers and has been hit hardest by rising gas pool prices. But after its 34% share price fall from last year's high, peaking gas costs, and Ft hikes, we expect BGRIM to be the strongest turnaround play. Reaffirm BUY.

BUY despite sharp earnings cuts

BGRIM has 65% of its capacity operating under the SPP scheme. Some 73% of the output from the SPP capacity is sold to EGAT under a fuel pass-through formula, while another 27% is sold to industrial users (IUs) with a margin risk. We cut our earnings for BGRIM by 45/23% in 2022-23F to reflect our higher gas cost assumptions of Bt420/370 per mmbtu (from Bt302/286). Our DCF-derived SOTP-based 12-month TP (2022F base year) falls to Bt40 (from Bt45) after the cuts. However, we reaffirm BUY on BGRIM as we expect the worst to soon be over in 1H22F with a strong turnaround in 2H22F. The stock price has already fallen by 34% from last year's peak to trade at 31x PE in what we expect to be a normalized year in 2023F. 2022F PE looks high at 57x but that seems reasonable to us because of our expectation of a strong 83% earnings turnaround in the coming year.

Strong turnaround in 2H22F

Having suffered the most among peers from higher gas costs, we expect BGRIM's turnaround to be the strongest from national electricity tariff hikes and declining gas prices from a potential fall in unsustainably high import LNG price. We project its throughput margin (selling price – fuel cost) per unit on electricity sales to IUs to recover to Bt0.43/kWh in 2H22F and Bt0.89 in 2023F (from Bt0.18 in 1H22F and Bt1.12 in 2021). The margin on sales to EGAT is stable on a fuel pass-through formula of around Bt0.95. The regulator has lifted the tariff price by Bt0.17/kWh for Jan-Apr 2022 and another Bt0.23 for May-Aug. We expect a further Bt0.15 hike in Sept-Dec and another Bt0.15 in 2023F. Exhibit 3 shows our key assumptions for falling SPP gas costs.

Capacity growth story intact

BGRIM has secured contracts to grow operating capacity by 14/16/6% in 2022-24F. Its target, however, is more aggressive, aiming to double capacity to over 4.5GW by 2025F (from 2.2GW in 2022F). In Exhibit 5 we show secured projects in the pipeline to support BGRIM's capacity growth over the next few years.

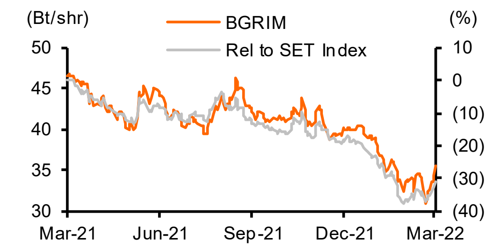
Self-importing LNG to grow more capacity

BGRIM has secured a seven-year contract to import 0.5mtpa of LNG (from the 1.2mtpa total quota granted), starting in early 2023, to unlock its capability to grow capacity without waiting for a power purchase contract (PPA) from the government. This is since the price of gas sold to private plants in Thailand is much higher than that sold to those with PPAs. BGRIM plans to use this low-cost self-imported gas to build small private 30-50MW power plants to serve captive B2B users. We see this offering significant long-term growth potential for BGRIM.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	46,628	58,348	58,498	57,083
Net profit	2,276	1,611	2,943	4,693
Consensus NP	—	2,771	3,955	4,425
Diff frm cons (%)	—	*(41.9)*	*(25.6)*	*6.1*
Norm profit	2,429	1,611	2,943	4,693
Prev. Norm profit	—	2,917	3,812	4,445
Chg frm prev (%)	—	*(44.8)*	*(22.8)*	*5.6*
Norm EPS (Bt)	0.9	0.6	1.1	1.8
Norm EPS grw (%)	(9.0)	(33.7)	82.7	59.5
Norm PE (x)	38.1	57.4	31.4	19.7
EV/EBITDA (x)	13.2	17.2	14.4	12.4
P/BV (x)	3.1	3.1	2.9	2.7
Div yield (%)	1.2	0.9	1.6	2.5
ROE (%)	8.5	5.4	9.5	14.1
Net D/E (%)	171.6	190.0	191.3	173.7

PRICE PERFORMANCE

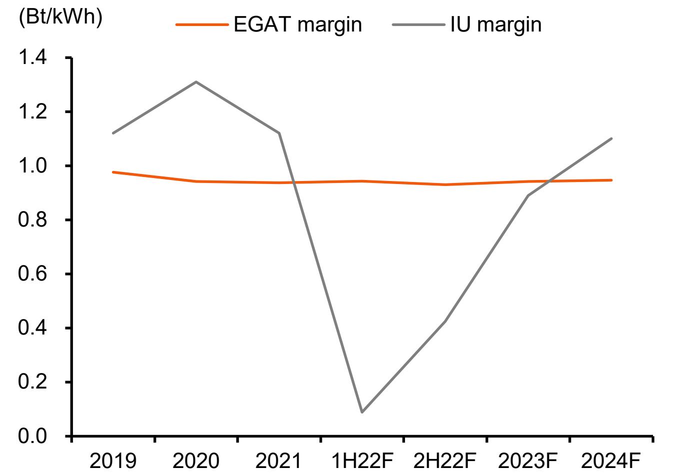


COMPANY INFORMATION

Price *as of* 17-Mar-22 (Bt)	35.50
Market Cap (US$ m)	2,779.6
Listed Shares (m shares)	2,606.9
Free Float (%)	36.0
Avg Daily Turnover (US$ m)	13.9
12M Price H/L (Bt)	46.75/31.00
Sector	Utilities
Major Shareholder	B.Grimm Group 38.43%

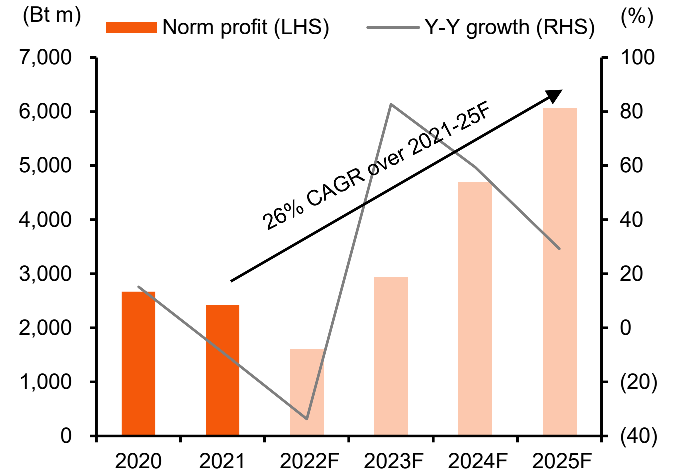
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: We Expect SPP Margins To Recover From 2H22F …



Sources: Company data, Thanachart estimates

Ex 2: … Thus Giving A Sharp Earnings Turnaround



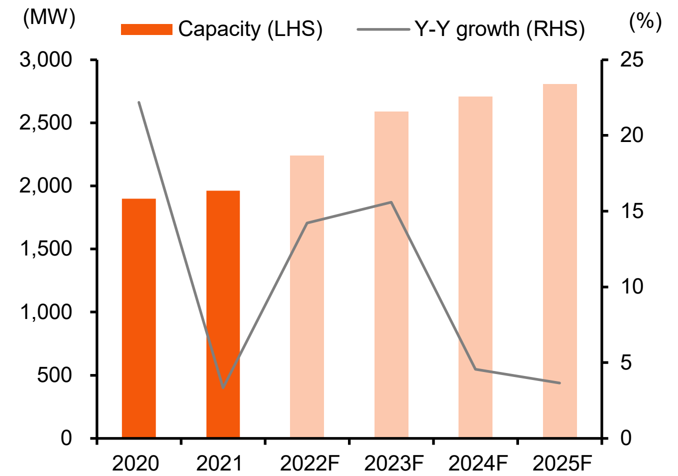
Sources: Company data, Thanachart estimates

Ex 3: Our Key Commodity Price Assumptions

	2022F	2023F	2024F
SPP gas price (Bt/mmbtu)	420	370	330
Brent crude oil price (US$/bbl)	88.0	73.0	71.0
Spot LNG (US$/ton)	29.0	25.0	20.0
Bt/US$	33.3	32.4	31.5

Sources: Thanachart estimates

Ex 4: Capacity Growth Outlook



Sources: Company data, Thanachart estimates

Ex 5: BGRIM's Secured Projects In Pipeline

Project	Equity capacity (MW)	Type	Expected COD
Tadsakoi	21.0	Hydro	2Q22
SPP replacement - 5 units	493.4	Gas-fired SPP	3Q-4Q22
U-Tapao airport solar	18.0	Solar	2H22
reNIKOLA phase 2-3	90.9	Solar	2H22-2023
Visa Max Solar	12.7	Solar	1Q23
BGPR unit 1-2	203.0	Gas-fired SPP	1H23
U-Tapao airport power plant	80.0	Gas-fired	2023
Nam Khao	48.6	Hydro	2023-25
Total	**967.6**		
% growth to current capacity	**47.5%**		

Sources: Company data, Thanachart estimates

Ex 6: Our DCF-derived Sum-Of-The-Parts (SOTP) 12-month TP Calculation

	Valuation method	WACC (%)	Value per BGRIM share (Bt/shr)
Operating gas-fired SPP plants	**DCF**	**5.2 - 6.4%**	**14.4**
(ABP, ABPR, BPLC, BPWHA, BIP, BPAM, ATP, UVBGP)			
SPP Replacement projects	**DCF**	**5.9%**	**4.4**
(ABP1, ABP2, BPLC1, BPAM1, BPAM2)			
Developing projects	**DCF**	**5.5 - 6.5%**	**3.2**
(BGPR, U-Tapao airport, other IPS projects)			
Renewable projects			**6.9**
Solar – Thailand	DCF	6.0%	1.2
Solar – Vietnam	DCF	6.7%	1.3
Solar - Cambodia	DCF	7.1%	0.5
Solar – Malaysia	DCF	6.4%	1.8
Wind – Thailand	DCF	6.0%	0.5
Hydro – Laos	DCF	6.7%	1.6
Cash on hand			**1.0**
Potential projects			**10.2**
- Korea wind farms	DCF	10.0%	0.9
- Vietnam wind farms	DCF	10.0%	0.1
- Vietnam LNG-to-Power	DCF	10.0%	7.2
		10.0%	2.0
Grand total			**40.0**

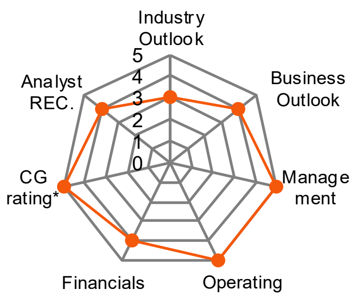
Source: Thanachart estimates

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.

W — Weakness

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

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.

T — Threat

- Relies on government's policy in balancing between fuel cost pass-on for power plants and its potential inflationary impacts on economy.
- Regulatory risks from business overseas.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	45.81	40.00	-13%
Net profit 22F (Bt m)	2,771	1,611	-42%
Net profit 23F (Bt m)	3,955	2,943	-26%
Consensus REC	**BUY: 11**	**HOLD: 5**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts are 42% and 26% below the Bloomberg consensus numbers in 2022-23F, which we attribute to us having more aggressive assumptions for SPP gas costs over those years.
- Our TP is therefore 13% lower.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- A stronger-than-expected rise in the domestic gas pool price or global LNG 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.
- A slower-than-expected post-COVID recovery or growth rate in electricity demand from the industrial sector represents another downside risk to our numbers.

Source: Thanachart

Sharp earnings recovery in 2023F from easing gas costs

Manageable balance sheet to continue growing capacity

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	44,087	46,628	58,348	58,498	57,083
Cost of sales	34,848	37,935	51,271	49,733	46,582
Gross profit	**9,239**	**8,694**	**7,076**	**8,765**	**10,500**
% gross margin	21.0%	18.6%	12.1%	15.0%	18.4%
Selling & administration expenses	2,008	1,673	1,930	2,101	2,174
Operating profit	**7,231**	**7,021**	**5,146**	**6,664**	**8,327**
% operating margin	16.4%	15.1%	8.8%	11.4%	14.6%
Depreciation & amortization	5,616	5,308	4,791	5,522	5,639
EBITDA	**12,847**	**12,329**	**9,937**	**12,186**	**13,966**
% EBITDA margin	29.1%	26.4%	17.0%	20.8%	24.5%
Non-operating income	251	188	235	236	230
Non-operating expenses	0	0	0	0	0
Interest expense	(3,056)	(3,384)	(3,714)	(3,887)	(3,808)
Pre-tax profit	**4,426**	**3,825**	**1,667**	**3,012**	**4,749**
Income tax	233	298	142	256	404
After-tax profit	**4,193**	**3,526**	**1,526**	**2,756**	**4,345**
% net margin	9.5%	7.6%	2.6%	4.7%	7.6%
Shares in affiliates' Earnings	58	44	85	187	348
Minority interests	(1,581)	(1,141)	0	0	0
Extraordinary items	(495)	(153)	0	0	0
NET PROFIT	**2,175**	**2,276**	**1,611**	**2,943**	**4,693**
Normalized profit	**2,670**	**2,429**	**1,611**	**2,943**	**4,693**
EPS (Bt)	0.8	0.9	0.6	1.1	1.8
Normalized EPS (Bt)	1.0	0.9	0.6	1.1	1.8

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	29,879	41,058	37,194	32,187	26,771
Cash & cash equivalent	20,389	25,707	20,000	15,000	10,000
Account receivables	6,818	8,983	9,591	9,616	9,383
Inventories	1,033	971	1,405	1,363	1,276
Others	1,638	5,397	6,198	6,208	6,111
Investments & loans	1,086	3,124	3,871	5,479	5,579
Net fixed assets	80,300	84,804	95,688	99,218	98,480
Other assets	19,431	20,211	20,629	21,035	21,382
Total assets	**130,696**	**149,198**	**157,382**	**157,919**	**152,212**
LIABILITIES:					
Current liabilities:	26,993	12,724	20,191	19,767	18,373
Account payables	5,641	5,691	8,428	8,175	7,657
Bank overdraft & ST loans	15,080	750	4,941	4,889	4,501
Current LT debt	5,705	5,745	6,102	6,038	5,559
Others current liabilities	567	538	720	665	656
Total LT debt	**58,361**	**89,241**	**87,774**	**86,851**	**79,958**
Others LT liabilities	6,038	6,418	7,941	8,021	7,816
Total liabilities	**91,392**	**108,382**	**115,906**	**114,639**	**106,147**
Minority interest	11,834	11,344	11,344	11,344	11,344
Preferreds 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	5,544	6,842	6,842	6,842	6,842
Retained earnings	**7,068**	**7,771**	**8,432**	**10,236**	**13,020**
Shareholders' equity	27,470	29,471	30,132	31,936	34,720
Liabilities & equity	**130,696**	**149,198**	**157,382**	**157,919**	**152,212**

Sources: Company data, Thanachart estimates

Hefty capex in 2022-23F for SPP replacements and new SPP units

We project a 20x PE in 2024F when its profit normalizes

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	4,426	3,825	1,667	3,012	4,749
Tax paid	(233)	(298)	(142)	(256)	(404)
Depreciation & amortization	5,616	5,308	4,791	5,522	5,639
Chg In working capital	(12,339)	(2,054)	1,696	(235)	(199)
Chg In other CA & CL / minorities	739	(4,504)	(533)	122	435
Cash flow from operations	**(1,792)**	**2,277**	**7,479**	**8,164**	**10,220**
Capex	(13,663)	(9,643)	(15,466)	(8,824)	(4,655)
Right of use	(1,256)	(309)	(200)	(200)	(150)
ST loans & investments	(16)	(1,413)	0	0	0
LT loans & investments	581	(2,038)	(747)	(1,609)	(100)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(320)	(629)	1,097	(355)	(647)
Cash flow from investments	**(14,673)**	**(14,031)**	**(15,316)**	**(10,987)**	**(5,552)**
Debt financing	16,040	17,346	3,081	(1,039)	(7,759)
Capital increase	0	0	0	0	0
Dividends paid	(965)	(1,173)	(950)	(1,138)	(1,909)
Warrants & other surplus	(1,884)	898	0	0	0
Cash flow from financing	**13,192**	**17,072**	**2,130**	**(2,178)**	**(9,668)**
Free cash flow	**(15,454)**	**(7,366)**	**(7,987)**	**(659)**	**5,565**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	34.7	38.1	57.4	31.4	19.7
Normalized PE - at target price (x)	39.1	42.9	64.7	35.4	22.2
PE (x)	42.6	40.7	57.4	31.4	19.7
PE - at target price (x)	47.9	45.8	64.7	35.4	22.2
EV/EBITDA (x)	11.8	13.2	17.2	14.4	12.4
EV/EBITDA - at target price (x)	12.7	14.1	18.4	15.4	13.2
P/BV (x)	3.4	3.1	3.1	2.9	2.7
P/BV - at target price (x)	3.8	3.5	3.5	3.3	3.0
P/CFO (x)	(51.7)	40.6	12.4	11.3	9.1
Price/sales (x)	2.1	2.0	1.6	1.6	1.6
Dividend yield (%)	1.3	1.2	0.9	1.6	2.5
FCF Yield (%)	(16.7)	(8.0)	(8.6)	(0.7)	6.0
(Bt)					
Normalized EPS	1.0	0.9	0.6	1.1	1.8
EPS	0.8	0.9	0.6	1.1	1.8
DPS	0.5	0.4	0.3	0.6	0.9
BV/share	10.5	11.3	11.6	12.3	13.3
CFO/share	(0.7)	0.9	2.9	3.1	3.9
FCF/share	(5.9)	(2.8)	(3.1)	(0.3)	2.1

Sources: Company data, Thanachart estimates

Margin hiccup in 2022F on extra-high gas costs

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(0.1)	5.8	25.1	0.3	(2.4)
Net profit (%)	(6.3)	4.6	(29.2)	82.7	59.5
EPS (%)	(6.3)	4.6	(29.2)	82.7	59.5
Normalized profit (%)	15.2	(9.0)	(33.7)	82.7	59.5
Normalized EPS (%)	15.2	(9.0)	(33.7)	82.7	59.5
Dividend payout ratio (%)	53.9	48.1	50.0	50.0	50.0
Operating performance					
Gross margin (%)	21.0	18.6	12.1	15.0	18.4
Operating margin (%)	16.4	15.1	8.8	11.4	14.6
EBITDA margin (%)	29.1	26.4	17.0	20.8	24.5
Net margin (%)	9.5	7.6	2.6	4.7	7.6
D/E (incl. minor) (x)	2.0	2.3	2.4	2.3	2.0
Net D/E (incl. minor) (x)	1.5	1.7	1.9	1.9	1.7
Interest coverage - EBIT (x)	2.4	2.1	1.4	1.7	2.2
Interest coverage - EBITDA (x)	4.2	3.6	2.7	3.1	3.7
ROA - using norm profit (%)	2.1	1.7	1.1	1.9	3.0
ROE - using norm profit (%)	9.6	8.5	5.4	9.5	14.1
DuPont					
ROE - using after tax profit (%)	15.1	12.4	5.1	8.9	13.0
- asset turnover (x)	0.3	0.3	0.4	0.4	0.4
- operating margin (%)	17.0	15.5	9.2	11.8	15.0
- leverage (x)	4.5	4.9	5.1	5.1	4.7
- interest burden (%)	59.2	53.1	31.0	43.7	55.5
- tax burden (%)	94.7	92.2	91.5	91.5	91.5
WACC (%)	5.9	5.9	5.9	5.9	5.9
ROIC (%)	10.2	7.5	4.7	5.6	6.6
NOPAT (Bt m)	6,850	6,473	4,709	6,097	7,619
invested capital (Bt m)	86,226	99,500	108,948	114,713	114,738

Sources: Company data, Thanachart estimates

HOLD (From: BUY)

Change in Recommendation

TP: Bt 72.50 (From: Bt 92.00)

Upside : 0.3%

18 MARCH 2022

Global Power Synergy (GPSC TB)

Adding to adversity

NUTTAPOP PRASITSUKSANT
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Thanachart Securities

We downgrade GPSC to HOLD with a lower TP of Bt72.5. There have been a few negative developments, including high gas and coal costs, a very weak return on its India investment, and lower potential value of green energy business which will be shared more with its parent.

Downgrading to HOLD

We downgrade GPSC to HOLD (from Buy) and lower our DCF-derived SOTP 12-month TP (2022F base year) to Bt72.5/share (from Bt92). *First,* we cut our earnings by 39/40/27% in 2022-24F to reflect a lower margin on its SPP plants (44% of capacity) and far weaker-than-expected profit from its 42%-owned solar farm developer in India (Avadaa). *Second,* we expect its earnings recovery story in 2H22F to be weaker than peers' as GPSC has some coal-fired SPPs which suffer more than gas-fired plants, while we assume only a slow improvement at Avaada. *Third,* in our TP, we cut the portion of the potential value from the green energy business (Li-ion battery and renewables) in half since we now expect GPSC to invest in them via joint ventures with PTT Pcl (PTT TB, BUY, Bt38.75).

Severely hit by fuel price surges

GPSC has been hard hit by the margin squeeze for SPPs from the surge in domestic gas pool and global coal prices. Some 65% of electricity output from its SPP plants is sold to industrial users (IUs) and this portion of electricity sales is not under a fuel cost pass-through formula. One third of its SPP capacity is also from coal-fired units and coal prices have increased more than gas prices. The energy regulator's policy to step up tariff hikes is good news for GPSC, but we don't expect it to cover the sharper rise in coal prices because the hikes are based more on gas price rises.

Lower stakes in new businesses

GPSC has divested 50% of its Li-ion battery business, a 30MWh plant in Thailand (G-Cell), and an 11% stake in a 1GWh plant in China (Axxiva), to PTT. GPSC and PTT have also set up a JV, Global Renewable Power (GRP), to invest in renewables. This would unlock the financial capability to expand new S-curve businesses faster for PTT Group, but GPSC would enjoy less potential value from them. We assume G-Cell plant's capacity grows from 1GWh in 2024F to 8GWh in 2030F, Axxiva's plant capacity to rise from 1GWh to 4GWh over 2023-25F, and for GRP to secure 8GW of capacity by 2030F. But their contributions to our TP fall to Bt7.9/share (battery) and Bt4.2 (renewables).

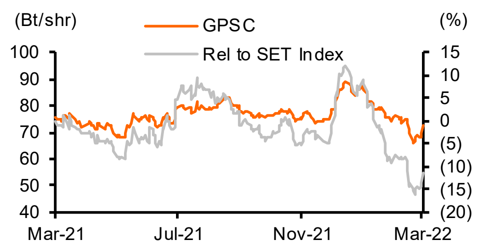
We prefer other more attractive choices

We believe GPSC's 21x PE in a normalized year in 2024F looks fair. Although we expect an SPP margin recovery and foresee strong Li-ion battery demand growth, we prefer playing this via other stocks. We pick BGRIM on an easing gas price situation as a more direct play on SPPs with a stronger growth outlook. We like Energy Absolute Pcl (EA TB, BUY, Bt89.25) the most for its battery and EV themes due to its more solid foundations, with a 1GWh battery plant already in operation and secured captive demand from its owned commercial-EV plant.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	74,874	93,932	97,718	101,950
Net profit	7,319	6,492	7,699	9,885
Consensus NP	—	8,254	9,531	10,469
Diff frm cons (%)	—	*(21.3)*	*(19.2)*	*(5.6)*
Norm profit	6,769	6,492	7,699	9,885
Prev. Norm profit	—	10,675	12,888	13,475
Chg frm prev (%)	—	*(39.2)*	*(40.3)*	*(26.6)*
Norm EPS (Bt)	2.4	2.3	2.7	3.5
Norm EPS grw (%)	(9.9)	(4.1)	18.6	28.4
Norm PE (x)	30.1	31.4	26.5	20.6
EV/EBITDA (x)	16.8	17.9	17.0	15.1
P/BV (x)	1.9	1.8	1.8	1.7
Div yield (%)	2.1	1.8	2.1	2.7
ROE (%)	6.4	5.9	6.8	8.4
Net D/E (%)	89.9	91.8	96.4	102.9

PRICE PERFORMANCE

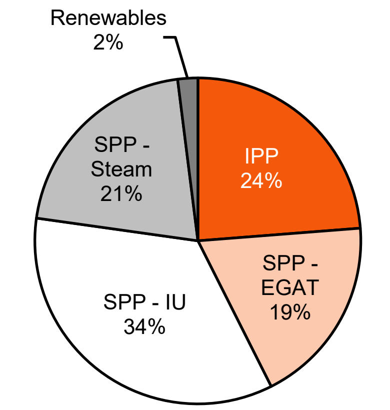


COMPANY INFORMATION

Price *as of* 17-Mar-22 (Bt)	72.25
Market Cap (US$ m)	6,119.0
Listed Shares (m shares)	2,819.7
Free Float (%)	24.8
Avg Daily Turnover (US$ m)	36.4
12M Price H/L (Bt)	88.75/66.25
Sector	Utilities
Major Shareholder	PTT Group 75.23%

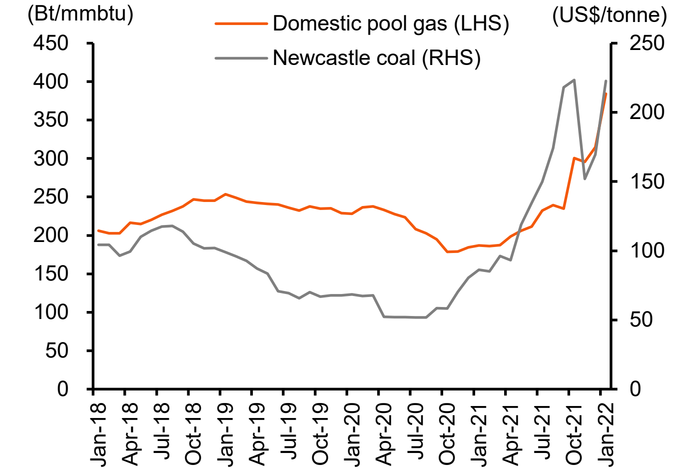
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Sizable Revenue Mix From IUs



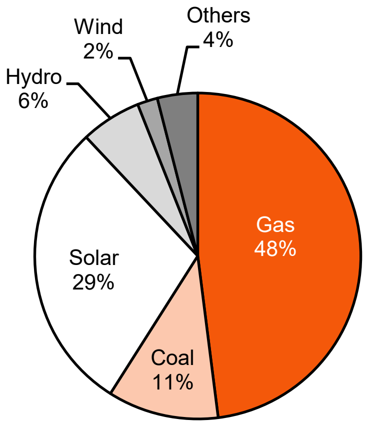
Sources: Company data as of 2021

Ex 2: Both Coal and Gas Pool Prices Are Rising



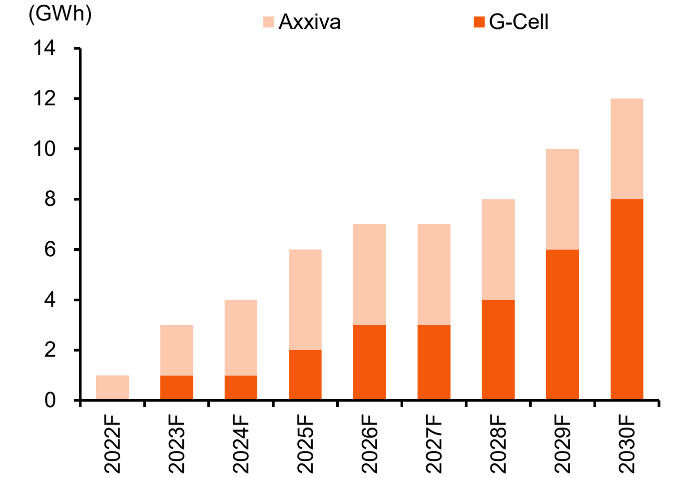
Sources: Energy Planning and Policy Office (EPPO), Bloomberg

Ex 3: GPSC's Capacity Breakdown



Sources: Company data as of 2021

Ex 4: Our GPSC Battery Production Capacity Projections



Sources: Thanachart estimates

Note: GPSC holds 50% in G-Cell and 11% in Axxiva

Ex 5: Our 12-month DCF-derived Valuation Plus Potential Capacity

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
EBITDA excl. depre from right of use	17,443	18,855	22,119	21,262	20,023	19,989	19,955	19,506	18,374	17,931	17,900	18,340	
Free cash flow	6,907	(5,111)	(6,324)	13,307	17,492	16,582	16,541	16,559	15,649	15,447	15,398	16,046	332,740
PV of free cash flow	6,888	(4,549)	(5,309)	10,540	13,070	11,390	10,671	10,034	8,907	8,259	7,731	7,187	149,039
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	0.9												
WACC (%)	6.0												
Terminal growth (%)	2.0												
Enterprise value - add investments	233,857												
Net debt (2022F)	110,444												
Minority interest	9,444												
Equity value	113,970												
# of shares (m)	2,820												
Valuation/share (Bt)	**40.4**												

	Valuation method	WACC	Equity value	Value per share
Plus associates				
BIC	DCF	5.1%	1,451	0.5
TSR/SSE	DCF	6.4%	1,850	0.7
NNEG	DCF	4.9%	5,291	1.9
GRP	DCF	7.1%	1,452	0.5
NL1PC	DCF	6.0%	2,275	0.8
RPCL	DCF	4.8%	193	0.1
XPCL	DCF	5.1%	20,790	7.4
Avaada	DCF	5.5%	17,458	6.2
Taiwan wind farms	DCF	6.0%	5,454	1.9
24M battery plants	DCF	8.0%	22,316	7.9
Total				**27.9**
Plus potential				
Renewable projects	DCF	6.0%	11,850	4.2
Total				**4.2**
Grand total				**72.5**

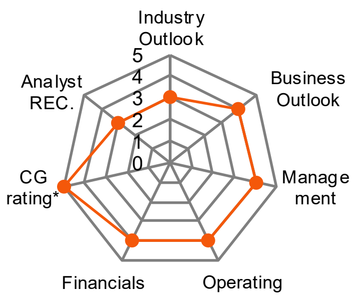
Source: Thanachart estimates

COMPANY DESCRIPTION

Established in January 2013, Global Power Synergy Company Ltd (GPSC) emerged from the amalgamation of PTTUT and IPT as PTT Group's flagship in power and utility businesses. GPSC generates and distributes electricity, steam, and processed water to the national grid and industrial customers in Thailand. GPSC acquired Glow Energy which doubled its generation capacity in March 2019. The company now has total of 8.0GW equity-capacity power plants, both domestic and overseas, in which 33% is from renewable sources.

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

- Growing along with PTT Group's expansion.
- Access to low financing costs as part of PTT Group.
- Strong balance sheet providing ability and flexibility to fund new investments.

W — Weakness

- No direct experience in investing abroad.
- Late player in the renewable segment.

O — Opportunity

- Expansion into neighboring countries' power industries.
- M&As in the renewable power segment, both in the domestic market and overseas.

T — Threat

- Thailand's high reserve margin and EGAT's own planned generation look as if they will last longer than the market had earlier anticipated.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	85.79	72.50	-15%
Net profit 22F (Bt m)	8,254	6,492	-21%
Net profit 23F (Bt m)	9,531	7,699	-19%
Consensus REC	**BUY: 13**	**HOLD: 6**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts are 21% and 19% lower than the Bloomberg consensus numbers in 2022-23F, which we believe is because we assume higher gas pool prices.
- Our TP is therefore 15% lower.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Slower/faster-than-expected recovery of SPP margin, either from the cost or the tariff side, is the key downside/upside risk to our investment case and earnings forecasts.
- Slower/faster-than-expected development of its Li-ion battery plants in Thailand and in China is a secondary downside/upside risk to our valuation.
- Investment pace and rate of return from asset acquisitions and new projects slower or smaller than our assumptions would represent a downside risk to our numbers.

Source: Thanachart

Earnings growth hiccup in 2022F from margin squeeze for SPPs

Balance sheet looks ready for further investments in our view

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	69,578	74,874	93,932	97,718	101,950
Cost of sales	56,448	63,616	83,280	86,417	88,245
Gross profit	**13,129**	**11,258**	**10,652**	**11,301**	**13,706**
% gross margin	18.9%	15.0%	11.3%	11.6%	13.4%
Selling & administration expenses	1,951	2,095	2,199	2,265	2,311
Operating profit	**11,178**	**9,163**	**8,453**	**9,035**	**11,395**
% operating margin	16.1%	12.2%	9.0%	9.2%	11.2%
Depreciation & amortization	8,706	9,314	9,127	9,960	10,866
EBITDA	**19,885**	**18,477**	**17,580**	**18,995**	**22,261**
% EBITDA margin	28.6%	24.7%	18.7%	19.4%	21.8%
Non-operating income	1,405	1,483	1,551	1,583	1,614
Non-operating expenses	0	0	0	0	0
Interest expense	(4,024)	(3,860)	(4,419)	(4,835)	(5,196)
Pre-tax profit	**8,560**	**6,786**	**5,585**	**5,783**	**7,813**
Income tax	993	1,031	838	896	1,250
After-tax profit	**7,567**	**5,754**	**4,747**	**4,886**	**6,563**
% net margin	10.9%	7.7%	5.1%	5.0%	6.4%
Shares in affiliates' Earnings	924	1,536	1,775	2,844	3,364
Minority interests	(982)	(522)	(30)	(31)	(42)
Extraordinary items	(1)	550	0	0	0
NET PROFIT	**7,508**	**7,319**	**6,492**	**7,699**	**9,885**
Normalized profit	**7,509**	**6,769**	**6,492**	**7,699**	**9,885**
EPS (Bt)	2.7	2.6	2.3	2.7	3.5
Normalized EPS (Bt)	2.7	2.4	2.3	2.7	3.5

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	43,454	45,490	53,704	55,008	56,282
Cash & cash equivalent	20,289	13,793	20,000	20,000	20,000
Account receivables	9,084	13,441	12,867	13,386	13,966
Inventories	6,253	6,938	9,127	9,470	9,671
Others	7,828	11,318	11,710	12,151	12,645
Investments & loans	17,376	37,660	44,522	54,560	55,238
Net fixed assets	99,978	95,581	93,413	97,815	114,649
Other assets	95,849	91,648	99,508	99,575	99,914
Total assets	**256,656**	**270,379**	**291,147**	**306,959**	**326,082**
LIABILITIES:					
Current liabilities:	22,063	23,036	26,756	29,374	30,264
Account payables	6,746	6,407	10,267	10,654	10,879
Bank overdraft & ST loans	0	0	5,218	5,589	6,120
Current LT debt	11,993	9,121	4,383	4,695	5,141
Others current liabilities	3,324	7,508	6,887	8,435	8,123
Total LT debt	**102,239**	**110,474**	**120,843**	**129,452**	**141,741**
Others LT liabilities	20,487	19,121	23,179	23,935	24,787
Total liabilities	**144,789**	**152,632**	**170,777**	**182,761**	**196,793**
Minority interest	8,966	9,413	9,444	9,475	9,517
Preferreds shares	0	0	0	0	0
Paid-up capital	28,197	28,197	28,197	28,197	28,197
Share premium	70,176	70,176	70,176	70,176	70,176
Warrants	0	0	0	0	0
Surplus	(17,563)	(15,219)	(15,219)	(15,219)	(15,219)
Retained earnings	**22,091**	**25,180**	**27,772**	**31,568**	**36,617**
Shareholders' equity	102,901	108,334	110,926	114,723	119,772
Liabilities & equity	**256,656**	**270,379**	**291,147**	**306,959**	**326,082**

Sources: Company data, Thanachart estimates

Internal cash generation can largely sustain its investment plan

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	8,560	6,786	5,585	5,783	7,813
Tax paid	(993)	(1,031)	(838)	(896)	(1,250)
Depreciation & amortization	8,706	9,314	9,127	9,960	10,866
Chg In working capital	83	(5,381)	2,246	(476)	(555)
Chg In other CA & CL / minorities	(3,391)	3,198	(1,069)	3,950	2,398
Cash flow from operations	**12,965**	**12,885**	**15,051**	**18,320**	**19,272**
Capex	(7,235)	(4,715)	(4,652)	(12,052)	(25,388)
Right of use	(2,973)	78	(50)	(50)	(50)
ST loans & investments	(68)	(1,408)	1,832	0	0
LT loans & investments	5	(20,284)	(6,862)	(10,038)	(677)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	5,520	3,526	(6,060)	(1,571)	(1,587)
Cash flow from investments	**(4,751)**	**(22,804)**	**(15,792)**	**(23,711)**	**(27,702)**
Debt financing	(2,229)	5,308	10,849	9,293	13,266
Capital increase	0	0	0	0	0
Dividends paid	(3,666)	(4,230)	(3,900)	(3,903)	(4,836)
Warrants & other surplus	(1,834)	2,344	0	0	0
Cash flow from financing	**(7,729)**	**3,422**	**6,949**	**5,390**	**8,430**
Free cash flow	**5,730**	**8,170**	**10,399**	**6,268**	**(6,116)**

We see GPSC's valuation as fair

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	27.1	30.1	31.4	26.5	20.6
Normalized PE - at target price (x)	27.2	30.2	31.5	26.6	20.7
PE (x)	27.1	27.8	31.4	26.5	20.6
PE - at target price (x)	27.2	27.9	31.5	26.6	20.7
EV/EBITDA (x)	15.0	16.8	17.9	17.0	15.1
EV/EBITDA - at target price (x)	15.0	16.8	17.9	17.1	15.2
P/BV (x)	2.0	1.9	1.8	1.8	1.7
P/BV - at target price (x)	2.0	1.9	1.8	1.8	1.7
P/CFO (x)	15.7	15.8	13.5	11.1	10.6
Price/sales (x)	2.9	2.7	2.2	2.1	2.0
Dividend yield (%)	2.1	2.1	1.8	2.1	2.7
FCF Yield (%)	2.8	4.0	5.1	3.1	(3.0)
(Bt)					
Normalized EPS	2.7	2.4	2.3	2.7	3.5
EPS	2.7	2.6	2.3	2.7	3.5
DPS	1.5	1.5	1.3	1.5	1.9
BV/share	36.5	38.4	39.3	40.7	42.5
CFO/share	4.6	4.6	5.3	6.5	6.8
FCF/share	2.0	2.9	3.7	2.2	(2.2)

Sources: Company data, Thanachart estimates

Net gearing is kept below 1.0x per the company's internal policy

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	4.5	7.6	25.5	4.0	4.3
Net profit (%)	84.9	(2.5)	(11.3)	18.6	28.4
EPS (%)	38.5	(2.5)	(11.3)	18.6	28.4
Normalized profit (%)	100.6	(9.9)	(4.1)	18.6	28.4
Normalized EPS (%)	50.3	(9.9)	(4.1)	18.6	28.4
Dividend payout ratio (%)	56.3	57.8	55.0	55.0	55.0
Operating performance					
Gross margin (%)	18.9	15.0	11.3	11.6	13.4
Operating margin (%)	16.1	12.2	9.0	9.2	11.2
EBITDA margin (%)	28.6	24.7	18.7	19.4	21.8
Net margin (%)	10.9	7.7	5.1	5.0	6.4
D/E (incl. minor) (x)	1.0	1.0	1.1	1.1	1.2
Net D/E (incl. minor) (x)	0.8	0.9	0.9	1.0	1.0
Interest coverage - EBIT (x)	2.8	2.4	1.9	1.9	2.2
Interest coverage - EBITDA (x)	4.9	4.8	4.0	3.9	4.3
ROA - using norm profit (%)	3.0	2.6	2.3	2.6	3.1
ROE - using norm profit (%)	7.4	6.4	5.9	6.8	8.4
DuPont					
ROE - using after tax profit (%)	7.4	5.4	4.3	4.3	5.6
- asset turnover (x)	0.3	0.3	0.3	0.3	0.3
- operating margin (%)	18.1	14.2	10.7	10.9	12.8
- leverage (x)	2.5	2.5	2.6	2.7	2.7
- interest burden (%)	68.0	63.7	55.8	54.5	60.1
- tax burden (%)	88.4	84.8	85.0	84.5	84.0
WACC (%)	6.0	6.0	6.0	6.0	6.0
ROIC (%)	5.0	3.9	3.4	3.4	4.1
NOPAT (Bt m)	9,882	7,770	7,185	7,635	9,572
invested capital (Bt m)	196,845	214,137	221,370	234,460	252,774

Sources: Company data, Thanachart estimates

HOLD (Unchanged)

Change in Numbers

TP: Bt 45.00 (From: Bt 40.00)

Downside : 9.5%

18 MARCH 2022

Gulf Energy Dev. Pcl (GULF TB)

Already at a premium

NUTTAPOP PRASITSUKSANT

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We maintain our HOLD call on GULF as we believe its hefty valuation premium over peers has already reflected its strong capacity growth outlook and the capability to expand its business beyond the power and utility industries. We raise our TP to Bt45 after factoring in clearer visibility for the development of projects in the pipeline.

Thanachart Securities

Growing conglomerate

We estimate GULF's earnings to grow 22% y-y in 2022F, despite the gas pool price surge, and even more sharply by 37% in 2023F. *First,* we project GULF's capacity to expand by 21% p.a. over 2022-25F, with most being IPPs with high margins and resiliency against high fuel prices. *Second,* GULF will recognize its first full-year profit from its 42% stake in Intouch Holdings Pcl (INTUCH TB, Bt78.00, HOLD) in 2022F. *Third,* GULF is hurt the least by the margin squeeze among SPP operators, as only 24% of its capacity is under SPP contracts. We lift our DCF-derived SOTP-based 12-month TP (2022F base year) to Bt45 (from Bt40), as we lower the risk factor for its new projects now that their contracts have been secured. But we maintain our HOLD since its 54x 2022F PE, falling to 39x in 2023F, is at a substantial premium to peers'.

New earnings offset gas price hit

GULF has a total of 3.5GW in IPP capacity due to start operation over 2022-24F, an 82% addition to its operating capacity which should immediately generate profit in the first year. We also estimate full-year equity income of Bt4.8bn from INTUCH to begin in 2022F. We expect these new earnings to more than offset the impact from the surge in gas prices. We cut our earnings by only 10/8% in 2022-23F on the SPP margin squeeze since GULF has only 7% of capacity linked to IU sales in 2022F, and this declines to 4% in 2023F as a result of a growing IPP portion.

Expanding to other infrastructure businesses

GULF has been investing in infrastructure projects outside of power generation, and we expect them to start bearing fruit this year. The biggest one is its investment in INTUCH, a leading group of telco companies in Thailand. GULF plans to co-invest in a Bt20bn data center facility, with start-up due in 2023, with INTUCH to grow its footprint into the digital infrastructure space. A study to set up a digital asset business with Binance is ongoing. GULF is also investing in an LNG terminal and a deep-sea port to boost its gas-fired power plant expertise. Motorways are now under construction after signing contracts with the government.

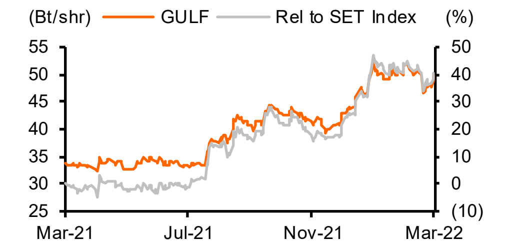
Securing more power capacity

GULF plans to continue chasing power generation capacity, on top of an already secured doubling of capacity to 8GW in 2027F (from 4GW today). Its key focus is on an up to 6GW potential LNG-to-power scheme in Vietnam, where GULF could leverage on its expertise in gas power plant and LNG terminal operations. The rest would be renewables, with an ambition to have them as 30% of capacity (from 8%) by 2030F. Wind power in Vietnam and Europe, and hydropower in Laos are its main targets.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	47,467	80,636	104,923	134,012
Net profit	7,670	10,820	14,862	21,421
Consensus NP	—	13,214	15,919	17,908
Diff frm cons (%)	—	*(18.1)*	*(6.6)*	*19.6*
Norm profit	8,852	10,820	14,862	21,421
Prev. Norm profit	—	12,078	16,123	20,472
Chg frm prev (%)	—	*(10.4)*	*(7.8)*	*4.6*
Norm EPS (Bt)	0.8	0.9	1.3	1.8
Norm EPS grw (%)	89.4	22.2	37.4	44.1
Norm PE (x)	65.9	53.9	39.3	27.3
EV/EBITDA (x)	50.3	39.5	31.2	22.4
P/BV (x)	6.0	4.6	3.7	3.1
Div yield (%)	0.9	1.1	1.5	2.6
ROE (%)	11.0	9.7	10.4	12.3
Net D/E (%)	194.7	145.3	118.1	87.0

PRICE PERFORMANCE

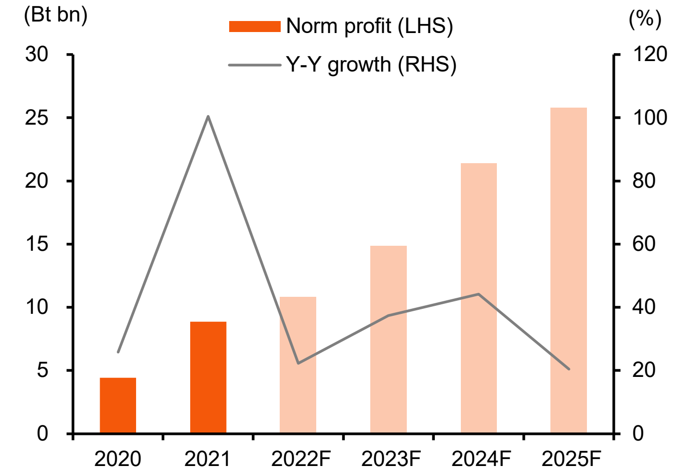


COMPANY INFORMATION

Price *as of* 17-Mar-22 (Bt)	49.75
Market Cap (US$ m)	17,532.4
Listed Shares (m shares)	11,733.1
Free Float (%)	26.2
Avg Daily Turnover (US$ m)	41.5
12M Price H/L (Bt)	52.00/32.25
Sector	Utilities
Major Shareholder	Ratanavadi family 57.62%

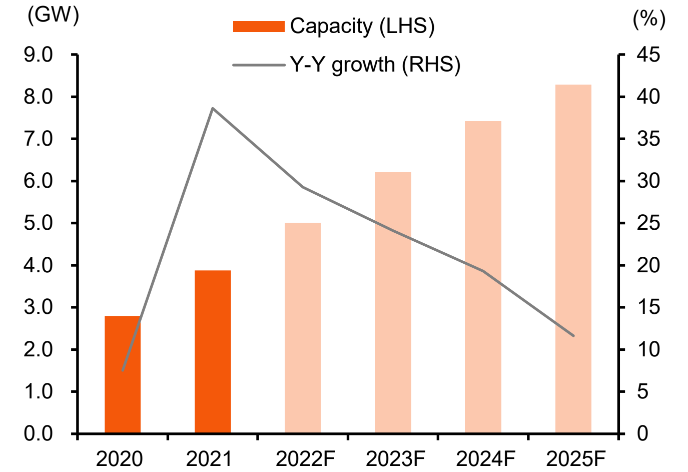
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Earnings Growth Remains Strong …



Sources: Company data, Thanachart estimates

Ex 2: … Supported By Capacity Expansion

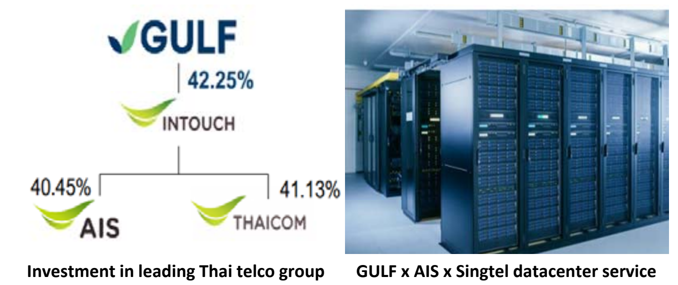


Sources: Company data, Thanachart estimates

Ex 3: Expanding Into Other Infrastructure Projects …

Sources: Company data

Ex 4: … And Trending Digital Infrastructure



Sources: Company data

Ex 5: Sum-of-the-Parts Valuation

	Equity value (Bt m)	Valuation method	WACC	Value (Bt per share)
Subsidiaries				
- GMP	35,054	DCF	4.9%	2.99
- GCG	402	DCF	4.8%	0.03
- GTN	1,197	DCF	5.7%	0.10
- Borkhum Riffgund	9,627	DCF	6.2%	0.82
- GSRC	64,407	DCF	4.2%	5.49
- GPD	69,608	DCF	4.8%	4.00
- Map Ta Phut 3	10,736		15% IRR on project cost	0.92
Subtotal				**14.4**
Associates				
- GULF JP	10,508	DCF	4.4%	0.90
- Marafiq	16,812	DCF	4.7%	1.43
- Hin Kong	13,677	DCF	4.7%	1.17
- Burapa	3,799	DCF	4.7%	0.32
- Mekong wind	4,964	DCF	5.2%	0.42
- La Pech 1, 2	886	DCF	4.8%	0.08
- PTT NGD	6,480		15% IRR on investment cost	0.55
- Lam Chabang 3	2,400		12% IRR on project cost	0.20
- One Bangkok	460		15% IRR on project cost	0.04
- M6, M81 motorways	9,200	DCF	6.5%	0.78
Subtotal				**5.9**
Other investments				
- SPCG	1,607		10% discount from market price	0.14
- INTUCH	100,929		Based on our fair value at Bt74.5/share	8.60
Subtotal				**8.7**
Total - existing projects and investments				**29.0**
Potential projects				
- LNG-to-power Vietnam	130,266	DCF	10.0%	11.10
- Three hydropower projects	24,615	DCF	10.0%	2.10
- Datacenter partnership	8,000	DCF	10.0%	0.68
- 1,000MW renewable plants	19,856	DCF	10.0%	1.69
- Marafiq expansion	5,716	DCF	10.0%	0.49
Total - potential projects				**16.1**
Grand total				**45.1**

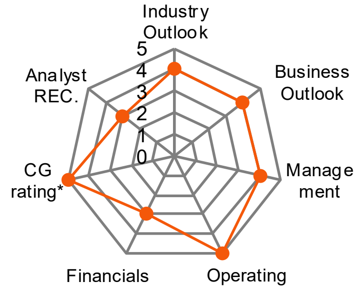
Sources: Company data, Thanachart estimates

COMPANY DESCRIPTION

Gulf Energy Development Pcl (GULF) is a power company that focuses on gas-fired power projects. The firm has secured power purchase agreement (PPA) contracts with a combined capacity of 8.5GW. Most of the capacity is in Thailand with EGAT being the major off-taker. Of the capacity 3.8GW is already in operation, while the remainder of 4.7GW is due to be fully commercialized by 2027. GULF also has investments in other infrastructure, i.e. motorways, a deep-sea port, an LNG terminal and distribution pipelines, and telecommunication.

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

- Strong partnerships help give access to low financing costs and improve efficiency via up-to-date technology.
- We expect huge, secured capacity to deliver earnings growth through 2024F.

W — Weakness

- High gearing, though IPO proceeds should help bring down the ratio while Thai banks accept high ratios of up to 3.0x in general.

O — Opportunity

- GULF is looking for massive new capacity potential in ASEAN and in the domestic market.

T — Threat

- There could be regulatory risk especially for overseas projects where the company has been increasing its focus.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	50.35	45.00	-11%
Net profit 22F (Bt m)	13,214	10,820	-18%
Net profit 23F (Bt m)	15,919	14,862	-7%
Consensus REC	**BUY: 8**	**HOLD: 6**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings forecasts are 18% and 7% lower than Bloomberg consensus numbers, likely since we assume higher gas pool prices in those years.
- Our TP is therefore 11% lower than the Street's.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Slower/faster-than-expected SPP's margin recovery, either from the fuel cost or the selling price, would be downside/upside risks to our earnings forecasts and valuation.
- If GULF can secure more capacity either domestically or overseas, this would offer upside to our valuations.
- On the other hand, a delay in developing projects or lower-than-expected profitability from them would be a downside risk to our forecasts.
- Since a significant portion of our valuation for GULF is based on its unsecured potential projects, larger/smaller awarded capacity than our present assumptions would be upside/downside risks.

Source: Thanachart

Earnings continue to grow despite margin hiccup in SPPs

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	32,863	47,467	80,636	104,923	134,012
Cost of sales	23,702	34,388	64,876	85,213	107,048
Gross profit	**9,161**	**13,079**	**15,759**	**19,710**	**26,964**
% gross margin	27.9%	27.6%	19.5%	18.8%	20.1%
Selling & administration expenses	2,116	2,297	2,493	2,891	3,355
Operating profit	**7,045**	**10,782**	**13,266**	**16,819**	**23,609**
% operating margin	21.4%	22.7%	16.5%	16.0%	17.6%
Depreciation & amortization	3,431	4,989	6,691	8,574	10,781
EBITDA	**10,476**	**15,771**	**19,958**	**25,393**	**34,390**
% EBITDA margin	31.9%	33.2%	24.8%	24.2%	25.7%
Non-operating income	543	2,516	217	186	151
Non-operating expenses	0	0	0	0	0
Interest expense	(3,665)	(5,596)	(7,424)	(7,335)	(7,019)
Pre-tax profit	**3,923**	**7,703**	**6,060**	**9,670**	**16,740**
Income tax	107	347	315	362	478
After-tax profit	**3,816**	**7,356**	**5,745**	**9,307**	**16,262**
% net margin	11.6%	15.5%	7.1%	8.9%	12.1%
Shares in affiliates' Earnings	2,462	3,853	7,947	9,073	10,424
Minority interests	(1,862)	(2,356)	(2,872)	(3,518)	(5,266)
Extraordinary items	(134)	(1,182)	0	0	0
NET PROFIT	**4,282**	**7,670**	**10,820**	**14,862**	**21,421**
Normalized profit	**4,416**	**8,852**	**10,820**	**14,862**	**21,421**
EPS (Bt)	0.4	0.7	0.9	1.3	1.8
Normalized EPS (Bt)	0.4	0.8	0.9	1.3	1.8

Debts piling up to fund its aggressive investment strategy

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	30,354	38,811	44,858	45,493	57,158
Cash & cash equivalent	21,772	22,634	23,000	18,000	23,000
Account receivables	5,660	9,569	16,569	21,560	27,537
Inventories	331	1,303	1,777	2,335	2,933
Others	2,591	5,306	3,511	3,599	3,689
Investments & loans	26,717	142,229	147,486	153,265	160,657
Net fixed assets	129,718	130,128	170,373	200,212	204,695
Other assets	58,790	51,506	21,267	21,385	21,500
Total assets	**245,581**	**362,674**	**383,983**	**420,355**	**444,010**
LIABILITIES:					
Current liabilities:	29,643	35,016	27,923	30,083	31,870
Account payables	1,353	3,080	5,332	7,004	8,798
Bank overdraft & ST loans	11,500	9,998	4,540	4,511	4,169
Current LT debt	6,787	9,528	8,899	8,842	8,171
Others current liabilities	10,002	12,410	9,151	9,726	10,731
Total LT debt	**136,482**	**212,465**	**213,583**	**212,205**	**196,115**
Others LT liabilities	7,376	7,684	2,017	2,393	2,907
Total liabilities	**173,501**	**255,165**	**243,523**	**244,680**	**230,892**
Minority interest	8,053	10,913	13,785	17,303	22,569
Preferreds shares	0	0	0	0	0
Paid-up capital	11,733	11,733	11,733	11,733	11,733
Share premium	51,822	51,822	51,822	51,822	51,822
Warrants	0	0	0	0	0
Surplus	(7,496)	(3,891)	(3,891)	(3,891)	(3,891)
Retained earnings	**7,968**	**36,931**	**67,011**	**98,707**	**130,885**
Shareholders' equity	64,027	96,596	126,676	158,372	190,550
Liabilities & equity	**245,581**	**362,674**	**383,983**	**420,355**	**444,010**

Sources: Company data, Thanachart estimates

Continuous investment to develop new projects in the pipeline

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	3,923	7,703	6,060	9,670	16,740
Tax paid	(112)	(259)	(323)	(290)	(465)
Depreciation & amortization	3,431	4,989	6,691	8,574	10,781
Chg In working capital	(971)	(3,153)	(5,223)	(3,876)	(4,781)
Chg In other CA & CL / minorities	1,342	3,586	6,491	9,488	11,326
Cash flow from operations	**7,614**	**12,865**	**13,695**	**23,566**	**33,602**
Capex	(52,189)	(5,399)	(46,901)	(38,373)	(15,218)
Right of use	(787)	131	(100)	(100)	(100)
ST loans & investments	0	(596)	0	0	0
LT loans & investments	(3,146)	(115,511)	(5,257)	(5,779)	(7,392)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(42,844)	8,326	24,637	317	454
Cash flow from investments	**(98,967)**	**(113,049)**	**(27,621)**	**(43,935)**	**(22,256)**
Debt financing	76,997	76,147	(4,968)	(1,465)	(17,102)
Capital increase	31,999	0	0	0	0
Dividends paid	(2,773)	(4,459)	(6,492)	(8,917)	(14,995)
Warrants & other surplus	(7,908)	29,357	25,752	25,752	25,752
Cash flow from financing	**98,315**	**101,046**	**14,292**	**15,369**	**(6,345)**
Free cash flow	**(44,575)**	**7,467**	**(33,205)**	**(14,807)**	**18,384**

Valuation already at premium, in our view

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	124.9	65.9	53.9	39.3	27.3
Normalized PE - at target price (x)	113.0	59.6	48.8	35.5	24.6
PE (x)	128.8	76.1	53.9	39.3	27.3
PE - at target price (x)	116.5	68.8	48.8	35.5	24.6
EV/EBITDA (x)	65.3	50.3	39.5	31.2	22.4
EV/EBITDA - at target price (x)	60.3	46.8	36.7	29.0	20.7
P/BV (x)	9.1	6.0	4.6	3.7	3.1
P/BV - at target price (x)	8.2	5.5	4.2	3.3	2.8
P/CFO (x)	72.4	45.4	42.6	24.8	17.4
Price/sales (x)	17.8	12.3	7.2	5.6	4.4
Dividend yield (%)	0.8	0.9	1.1	1.5	2.6
FCF Yield (%)	(8.1)	1.3	(5.7)	(2.5)	3.1
(Bt)					
Normalized EPS	0.4	0.8	0.9	1.3	1.8
EPS	0.4	0.7	0.9	1.3	1.8
DPS	0.4	0.4	0.6	0.8	1.3
BV/share	5.5	8.2	10.8	13.5	16.2
CFO/share	0.7	1.1	1.2	2.0	2.9
FCF/share	(4.0)	0.6	(2.8)	(1.3)	1.6

Sources: Company data, Thanachart estimates

Strong profitability from its large portion of IPP plants in Thailand

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	9.4	44.4	69.9	30.1	27.7
Net profit (%)	(12.4)	79.1	41.1	37.4	44.1
EPS (%)	(14.1)	69.3	41.1	37.4	44.1
Normalized profit (%)	25.8	100.5	22.2	37.4	44.1
Normalized EPS (%)	23.4	89.4	22.2	37.4	44.1
Dividend payout ratio (%)	104.1	67.3	60.0	60.0	70.0
Operating performance					
Gross margin (%)	27.9	27.6	19.5	18.8	20.1
Operating margin (%)	21.4	22.7	16.5	16.0	17.6
EBITDA margin (%)	31.9	33.2	24.8	24.2	25.7
Net margin (%)	11.6	15.5	7.1	8.9	12.1
D/E (incl. minor) (x)	2.1	2.2	1.6	1.3	1.0
Net D/E (incl. minor) (x)	1.8	1.9	1.5	1.2	0.9
Interest coverage - EBIT (x)	1.9	1.9	1.8	2.3	3.4
Interest coverage - EBITDA (x)	2.9	2.8	2.7	3.5	4.9
ROA - using norm profit (%)	2.3	2.9	2.9	3.7	5.0
ROE - using norm profit (%)	8.6	11.0	9.7	10.4	12.3
DuPont					
ROE - using after tax profit (%)	7.4	9.2	5.1	6.5	9.3
- asset turnover (x)	0.2	0.2	0.2	0.3	0.3
- operating margin (%)	23.1	28.0	16.7	16.2	17.7
- leverage (x)	3.7	3.8	3.3	2.8	2.5
- interest burden (%)	51.7	57.9	44.9	56.9	70.5
- tax burden (%)	97.3	95.5	94.8	96.3	97.1
WACC (%)	4.3	4.3	4.3	4.3	4.3
ROIC (%)	6.8	5.2	4.1	4.9	6.3
NOPAT (Bt m)	6,852	10,296	12,577	16,189	22,934
invested capital (Bt m)	197,024	305,953	330,699	365,930	376,005

Sources: Company data, Thanachart estimates

Electricity Generating

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	33,578	35,903	34,044	33,735	31,616
Cost of sales	25,258	27,560	25,639	25,412	23,745
Gross profit	**8,320**	**8,343**	**8,404**	**8,323**	**7,871**
% gross margin	24.8%	23.2%	24.7%	24.7%	24.9%
Selling & administration expenses	2,613	2,646	2,411	2,433	2,459
Operating profit	**5,707**	**5,697**	**5,993**	**5,890**	**5,413**
% operating margin	17.0%	15.9%	17.6%	17.5%	17.1%
Depreciation & amortization	3,131	3,124	3,197	3,232	3,268
EBITDA	**8,838**	**8,821**	**9,190**	**9,123**	**8,681**
% EBITDA margin	26.3%	24.6%	27.0%	27.0%	27.5%
Non-operating income	2,413	2,234	2,035	1,505	939
Non-operating expenses	0	0	0	0	0
Interest expense	(3,869)	(3,714)	(3,474)	(3,010)	(2,603)
Pre-tax profit	**4,250**	**4,216**	**4,554**	**4,385**	**3,749**
Income tax	1,022	818	1,139	1,096	937
After-tax profit	**3,228**	**3,398**	**3,416**	**3,289**	**2,812**
% net margin	9.6%	9.5%	10.0%	9.7%	8.9%
Shares in affiliates' Earnings	6,259	6,873	7,502	7,724	7,868
Minority interests	(27)	(13)	(50)	(50)	(46)
Extraordinary items	(727)	(6,154)	0	0	0
NET PROFIT	**8,733**	**4,104**	**10,867**	**10,963**	**10,633**
Normalized profit	**9,460**	**10,258**	**10,867**	**10,963**	**10,633**
EPS (Bt)	16.6	7.8	20.6	20.8	20.2
Normalized EPS (Bt)	18.0	19.5	20.6	20.8	20.2

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	34,911	38,495	35,599	34,335	36,229
Cash & cash equivalent	17,237	17,898	15,000	15,000	18,000
Account receivables	4,811	7,060	5,130	5,083	4,764
Inventories	2,760	2,947	2,810	2,785	2,602
Others	10,104	10,591	12,659	11,467	10,863
Investments & loans	97,903	124,462	106,952	106,952	106,952
Net fixed assets	49,750	49,597	44,473	41,804	39,114
Other assets	31,873	29,377	27,595	27,113	26,108
Total assets	**214,438**	**241,932**	**214,620**	**210,204**	**208,404**
LIABILITIES:					
Current liabilities:	16,290	27,019	17,204	15,419	13,929
Account payables	2,510	4,380	2,810	2,785	2,602
Bank overdraft & ST loans	0	0	77	65	57
Current LT debt	11,170	19,670	11,522	9,725	8,606
Others current liabilities	2,610	2,970	2,795	2,844	2,664
Total LT debt	**81,758**	**89,747**	**65,293**	**55,106**	**48,765**
Others LT liabilities	13,556	11,129	15,207	15,567	14,867
Total liabilities	**111,603**	**127,895**	**97,704**	**86,092**	**77,561**
Minority interest	591	596	691	741	787
Preferreds shares	0	0	0	0	0
Paid-up capital	5,265	5,265	5,265	5,265	5,265
Share premium	8,601	8,601	8,601	8,601	8,601
Warrants	0	0	0	0	0
Surplus	(14,349)	(3,702)	(14,349)	(14,349)	(14,349)
Retained earnings	**102,726**	**103,277**	**116,708**	**123,854**	**130,539**
Shareholders' equity	102,243	113,441	116,225	123,371	130,056
Liabilities & equity	**214,438**	**241,932**	**214,620**	**210,204**	**208,404**

Sources: Company data, Thanachart estimates

Electricity Generating

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	4,250	4,216	4,554	4,385	3,749
Tax paid	(1,022)	(818)	(1,139)	(1,096)	(937)
Depreciation & amortization	3,131	3,124	3,197	3,232	3,268
Chg In working capital	287	(565)	(0)	46	319
Chg In other CA & CL / minorities	(1,516)	6,036	8,664	8,993	8,320
Cash flow from operations	**5,131**	**11,993**	**15,277**	**15,561**	**14,719**
Capex	(100)	(2,971)	(500)	(500)	(500)
Right of use	(513)	(71)	(300)	(300)	(300)
ST loans & investments	(1,513)	(91)	(27)	(28)	(28)
LT loans & investments	(9,391)	(26,559)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,401	(4,896)	999	1,080	526
Cash flow from investments	**(8,116)**	**(34,587)**	**172**	**253**	**(302)**
Debt financing	6,016	16,162	(32,525)	(11,996)	(7,468)
Capital increase	0	0	0	0	0
Dividends paid	(3,325)	(3,565)	(3,554)	(3,817)	(3,948)
Warrants & other surplus	(7,655)	10,659	0	0	0
Cash flow from financing	**(4,964)**	**23,255**	**(36,079)**	**(15,813)**	**(11,416)**
Free cash flow	**5,031**	**9,022**	**14,777**	**15,061**	**14,219**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	9.6	8.9	8.4	8.3	8.5
Normalized PE - at target price (x)	15.3	14.1	13.3	13.2	13.6
PE (x)	10.4	22.1	8.4	8.3	8.5
PE - at target price (x)	16.6	35.3	13.3	13.2	13.6
EV/EBITDA (x)	18.8	20.7	16.6	15.4	15.0
EV/EBITDA - at target price (x)	24.9	26.8	22.5	21.3	21.2
P/BV (x)	0.9	0.8	0.8	0.7	0.7
P/BV - at target price (x)	1.4	1.3	1.2	1.2	1.1
P/CFO (x)	17.7	7.6	5.9	5.8	6.2
Price/sales (x)	2.7	2.5	2.7	2.7	2.9
Dividend yield (%)	3.8	3.8	4.1	4.3	4.3
FCF Yield (%)	5.5	9.9	16.3	16.6	15.7
(Bt)					
Normalized EPS	18.0	19.5	20.6	20.8	20.2
EPS	16.6	7.8	20.6	20.8	20.2
DPS	6.5	6.5	7.0	7.5	7.5
BV/share	194.2	215.5	220.8	234.3	247.0
CFO/share	9.7	22.8	29.0	29.6	28.0
FCF/share	9.6	17.1	28.1	28.6	27.0

Sources: Company data, Thanachart estimates

Electricity Generating

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(10.5)	6.9	(5.2)	(0.9)	(6.3)
Net profit (%)	(33.1)	(53.0)	164.8	0.9	(3.0)
EPS (%)	(33.1)	(53.0)	164.8	0.9	(3.0)
Normalized profit (%)	(12.5)	8.4	5.9	0.9	(3.0)
Normalized EPS (%)	(12.5)	8.4	5.9	0.9	(3.0)
Dividend payout ratio (%)	39.2	83.4	33.9	36.0	37.1
Operating performance					
Gross margin (%)	24.8	23.2	24.7	24.7	24.9
Operating margin (%)	17.0	15.9	17.6	17.5	17.1
EBITDA margin (%)	26.3	24.6	27.0	27.0	27.5
Net margin (%)	9.6	9.5	10.0	9.7	8.9
D/E (incl. minor) (x)	0.9	1.0	0.7	0.5	0.4
Net D/E (incl. minor) (x)	0.7	0.8	0.5	0.4	0.3
Interest coverage - EBIT (x)	1.5	1.5	1.7	2.0	2.1
Interest coverage - EBITDA (x)	2.3	2.4	2.6	3.0	3.3
ROA - using norm profit (%)	4.5	4.5	4.8	5.2	5.1
ROE - using norm profit (%)	9.2	9.5	9.5	9.2	8.4
DuPont					
ROE - using after tax profit (%)	3.1	3.2	3.0	2.7	2.2
- asset turnover (x)	0.2	0.2	0.1	0.2	0.2
- operating margin (%)	24.2	22.1	23.6	21.9	20.1
- leverage (x)	2.0	2.1	2.0	1.8	1.7
- interest burden (%)	52.3	53.2	56.7	59.3	59.0
- tax burden (%)	76.0	80.6	75.0	75.0	75.0
WACC (%)	5.2	5.2	5.2	5.2	5.2
ROIC (%)	2.6	2.6	2.2	2.5	2.3
NOPAT (Bt m)	4,335	4,591	4,495	4,418	4,059
invested capital (Bt m)	177,934	204,960	178,117	173,266	169,483

Sources: Company data, Thanachart estimates

Ratchaburi Electricity Generating

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	34,206	37,327	43,234	42,890	40,518
Cost of sales	30,063	33,116	36,820	36,597	34,816
Gross profit	**4,143**	**4,210**	**6,414**	**6,294**	**5,702**
% gross margin	12.1%	11.3%	14.8%	14.7%	14.1%
Selling & administration expenses	1,601	1,702	1,730	1,806	1,841
Operating profit	**2,542**	**2,508**	**4,684**	**4,488**	**3,861**
% operating margin	7.4%	6.7%	10.8%	10.5%	9.5%
Depreciation & amortization	1,833	2,144	2,456	2,350	2,268
EBITDA	**4,374**	**4,653**	**7,140**	**6,838**	**6,130**
% EBITDA margin	12.8%	12.5%	16.5%	15.9%	15.1%
Non-operating income	716	886	717	1,017	1,024
Non-operating expenses	0	0	0	0	0
Interest expense	(1,551)	(1,868)	(2,079)	(1,634)	(1,403)
Pre-tax profit	**1,706**	**1,527**	**3,322**	**3,870**	**3,482**
Income tax	528	178	996	1,161	1,045
After-tax profit	**1,178**	**1,349**	**2,325**	**2,709**	**2,438**
% net margin	3.4%	3.6%	5.4%	6.3%	6.0%
Shares in affiliates' Earnings	4,273	5,231	8,003	8,868	9,456
Minority interests	(0)	(7)	(418)	(447)	(284)
Extraordinary items	836	1,199	0	0	0
NET PROFIT	**6,287**	**7,772**	**9,910**	**11,130**	**11,610**
Normalized profit	**5,451**	**6,573**	**9,910**	**11,130**	**11,610**
EPS (Bt)	4.1	5.1	4.8	5.0	5.2
Normalized EPS (Bt)	3.5	4.3	4.8	5.0	5.2

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	18,485	25,316	19,686	19,621	21,162
Cash & cash equivalent	8,614	9,861	8,500	8,500	10,500
Account receivables	4,982	8,934	5,923	5,875	5,550
Inventories	1,783	1,902	2,018	2,005	1,908
Others	3,106	4,619	3,246	3,240	3,204
Investments & loans	43,387	51,723	79,657	81,531	82,156
Net fixed assets	29,479	36,228	33,463	32,862	32,157
Other assets	18,752	39,414	19,510	19,900	20,298
Total assets	**110,103**	**152,681**	**152,315**	**153,915**	**155,772**
LIABILITIES:					
Current liabilities:	6,877	20,270	11,846	11,787	10,661
Account payables	4,801	7,677	6,053	6,016	5,723
Bank overdraft & ST loans	60	5,365	57	48	42
Current LT debt	1,486	4,670	3,942	3,311	2,916
Others current liabilities	530	2,558	1,794	2,412	1,980
Total LT debt	**40,106**	**49,097**	**35,476**	**29,799**	**26,243**
Others LT liabilities	2,597	5,504	4,126	4,093	3,867
Total liabilities	**49,581**	**74,871**	**51,448**	**45,679**	**40,771**
Minority interest	1	7,520	418	865	1,149
Preferreds shares	0	0	0	0	0
Paid-up capital	14,500	14,500	22,192	22,192	22,192
Share premium	1,532	1,532	24,609	24,609	24,609
Warrants	0	0	0	0	0
Surplus	(10,547)	(5,070)	(10,547)	(10,547)	(10,547)
Retained earnings	**55,036**	**59,328**	**64,194**	**71,116**	**77,598**
Shareholders' equity	60,521	70,290	100,449	107,371	113,852
Liabilities & equity	**110,103**	**152,681**	**152,315**	**153,915**	**155,772**

Sources: Company data, Thanachart estimates

Ratchaburi Electricity Generating

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,706	1,527	3,322	3,870	3,482
Tax paid	(532)	(167)	(997)	(1,160)	(1,045)
Depreciation & amortization	1,833	2,144	2,456	2,350	2,268
Chg In working capital	(420)	(1,195)	(306)	23	130
Chg In other CA & CL / minorities	3,996	13,066	6,976	9,490	9,061
Cash flow from operations	**6,583**	**15,375**	**11,450**	**14,572**	**13,897**
Capex	(6,876)	(8,558)	(713)	(1,400)	(1,213)
Right of use	0	0	0	0	0
ST loans & investments	693	(471)	0	0	0
LT loans & investments	(7,305)	(8,337)	(27,874)	(1,874)	(625)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,537	(16,301)	(309)	(773)	(974)
Cash flow from investments	**(9,951)**	**(33,666)**	**(28,895)**	**(4,047)**	**(2,812)**
Debt financing	9,821	17,686	(19,658)	(6,317)	(3,956)
Capital increase	0	0	30,769	0	0
Dividends paid	(3,480)	(3,480)	(3,797)	(4,208)	(5,129)
Warrants & other surplus	(1,699)	5,477	0	0	0
Cash flow from financing	**4,642**	**19,683**	**7,314**	**(10,525)**	**(9,085)**
Free cash flow	**(292)**	**6,817**	**10,738**	**13,172**	**12,684**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	12.5	10.4	9.3	8.9	8.5
Normalized PE - at target price (x)	13.0	10.7	9.7	9.2	8.8
PE (x)	10.9	8.8	9.3	8.9	8.5
PE - at target price (x)	11.2	9.1	9.7	9.2	8.8
EV/EBITDA (x)	23.2	25.3	17.3	18.0	19.2
EV/EBITDA - at target price (x)	23.7	25.8	17.7	18.5	19.7
P/BV (x)	1.1	1.0	1.0	0.9	0.9
P/BV - at target price (x)	1.2	1.0	1.0	1.0	0.9
P/CFO (x)	10.4	4.4	8.1	6.8	7.1
Price/sales (x)	1.9	1.7	1.5	1.5	1.6
Dividend yield (%)	5.1	5.0	4.0	4.5	5.9
FCF Yield (%)	(0.4)	10.0	11.6	13.3	12.8
(Bt)					
Normalized EPS	3.5	4.3	4.8	5.0	5.2
EPS	4.1	5.1	4.8	5.0	5.2
DPS	2.3	2.2	1.8	2.0	2.6
BV/share	39.4	45.8	45.3	48.4	51.3
CFO/share	4.3	10.0	5.5	6.6	6.3
FCF/share	(0.2)	4.4	5.2	5.9	5.7

Sources: Company data, Thanachart estimates

Ratchaburi Electricity Generating

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(10.8)	9.1	15.8	(0.8)	(5.5)
Net profit (%)	5.4	23.6	27.5	12.3	4.3
EPS (%)	5.4	23.6	(5.9)	5.3	4.3
Normalized profit (%)	(9.7)	20.6	50.8	12.3	4.3
Normalized EPS (%)	(9.7)	20.6	11.3	5.3	4.3
Dividend payout ratio (%)	55.4	44.0	40.0	40.0	50.0
Operating performance					
Gross margin (%)	12.1	11.3	14.8	14.7	14.1
Operating margin (%)	7.4	6.7	10.8	10.5	9.5
EBITDA margin (%)	12.8	12.5	16.5	15.9	15.1
Net margin (%)	3.4	3.6	5.4	6.3	6.0
D/E (incl. minor) (x)	0.7	0.8	0.4	0.3	0.3
Net D/E (incl. minor) (x)	0.5	0.6	0.3	0.2	0.2
Interest coverage - EBIT (x)	1.6	1.3	2.3	2.7	2.8
Interest coverage - EBITDA (x)	2.8	2.5	3.4	4.2	4.4
ROA - using norm profit (%)	5.2	5.0	6.5	7.3	7.5
ROE - using norm profit (%)	9.1	10.0	11.6	10.7	10.5
DuPont					
ROE - using after tax profit (%)	2.0	2.1	2.7	2.6	2.2
- asset turnover (x)	0.3	0.3	0.3	0.3	0.3
- operating margin (%)	9.5	9.1	12.5	12.8	12.1
- leverage (x)	1.8	2.0	1.8	1.5	1.4
- interest burden (%)	52.4	45.0	61.5	70.3	71.3
- tax burden (%)	69.0	88.3	70.0	70.0	70.0
WACC (%)	6.2	6.2	6.2	6.2	6.2
ROIC (%)	2.1	2.4	2.7	2.4	2.0
NOPAT (Bt m)	1,755	2,216	3,279	3,141	2,703
invested capital (Bt m)	93,560	119,561	131,424	132,028	132,554

Sources: Company data, Thanachart estimates

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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 23% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), 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.

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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