B.Grimm Power Pcl (BGRIM TB) - BUY, Price Bt32.25, TP Bt40.00

Results Comment

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Weak 1Q22 profit, in-line

- BGRIM reported a barely breakeven result at Bt9m norm profit in 1Q22, down 99% y-y and 95% q-q, in-line with our forecast. However, we believe it surprised the market as some had expected earnings to be negative this quarter. This collapsed profit was due to a loss contribution from SPP power plants, given strong surge in gas cost, but limited tariff price hike.
- Total revenue was at Bt14.8bn in 1Q22, up 41% y-y and 14% q-q, driven by higher average selling prices of electricity and steam sales those links to the gas price. Electricity volume sale from SPP plants drop 1% y-y and 5% q-q as there were some units went down for maintenance.
- Gross margin, however, fell significantly to 8.8% in 1Q22 (from 12.7% in 4Q21 and 22.3% in 1Q21) as BGRIM made loss on an electricity sale to industrial users at the rate of Bt0.08/kWh. This is since the gas price surged strongly in Thailand, but the government fixed the national tariff price to prevent its impact on economy, so BGRIM could not raise its selling price as well.
- Total SG&A dropped 7% y-y and 13% q-q to Bt383m in 1Q22 as BGRIM applied various cost cutting measures to counter its weak operations. EBITDA thus declined by only 32% y-y and 13% q-q despite a weak profitability.
- We see a small downside to our numbers as a fall in gas price has been slower than we had expected. However, we maintain our view that 1Q22 is already the bottom for SPP's margins, thus expect a strong earnings recovery for BGRIM. BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	10,453	11,475	11,714	12,986	14,758
Gross profit	**2,326**	**2,590**	**2,130**	**1,648**	**1,300**
SG&A	411	409	413	439	383
Operating profit	1,915	2,181	1,717	1,208	917
EBITDA	**3,227**	**3,499**	**3,112**	**2,491**	**2,179**
Other income	28	45	57	58	51
Other expense	0	0	0	0	0
Interest expense	889	715	922	858	860
Profit before tax	**1,054**	**1,511**	**852**	**408**	**109**
Income tax	110	128	55	6	29
Equity & invest. income	50	(9)	14	(11)	(3)
Minority interests	(348)	(363)	(240)	(190)	(67)
Extraordinary items	(35)	10	(412)	284	19
Net profit	**611**	**1,021**	**159**	**485**	**28**
Normalized profit	**646**	**1,011**	**571**	**201**	**9**
EPS (Bt)	0.23	0.39	0.06	0.19	0.01
Normalized EPS (Bt)	0.25	0.39	0.22	0.08	0.00

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	14	41	25	58,348	58,498
Gross profit	**(21)**	**(44)**	**18**	**7,076**	**8,765**
SG&A	(13)	(7)	20	1,930	2,101
Operating profit	(24)	(52)	18	5,146	6,664
EBITDA	**(13)**	**(32)**	**22**	**9,937**	**12,186**
Other income	(12)	86	22	235	236
Other expense			na	0	0
Interest expense	0	(3)	23	3,714	3,887
Profit before tax	**(73)**	**(90)**	**7**	**1,667**	**3,012**
Income tax	387	(74)	20	142	256
Equity & invest. income	na	na	(4)	85	187
Minority interests	na	na	na	0	0
Extraordinary items	(93)	na	na	0	0
Net profit	**(94)**	**(95)**	**2**	**1,611**	**2,943**
Normalized profit	**(95)**	**(99)**	**1**	**1,611**	**2,943**
EPS (Bt)	(94)	(95)	2	0.62	1.13
Normalized EPS (Bt)	(95)	(99)	1	0.62	1.13

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	21,764	23,505	26,830	26,435	26,047
A/C receivable	5,589	8,280	8,395	8,983	8,841
Inventory	1,079	1,109	1,069	971	956
Other current assets	1,686	1,595	2,559	4,669	3,424
Investment	1,079	1,099	1,016	2,909	2,861
Fixed assets	81,341	82,687	81,496	84,804	88,121
Other assets	20,612	20,872	21,146	20,426	22,147
Total assets	**133,151**	**139,147**	**142,512**	**149,198**	**152,398**
S-T debt	20,606	17,434	7,855	6,495	4,594
A/C payable	6,444	6,085	6,709	5,691	7,286
Other current liabilities	1,207	597	688	538	1,300
L-T debt	58,473	68,066	80,662	89,241	53,137
Other liabilities	5,275	5,894	6,381	6,418	43,616
Minority interest	12,170	12,282	10,803	11,344	11,837
Shareholders' equity	**28,975**	**28,788**	**29,414**	**29,471**	**30,628**
Working capital	225	3,305	2,755	4,264	2,511
Total debt	79,080	85,500	88,517	95,736	57,731
Net debt	**57,316**	**61,995**	**61,687**	**69,300**	**31,684**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(6.9)	2.1	4.7	24.4	41.2
Operating profit growth	3.4	25.3	(12.9)	(27.5)	(52.1)
EBITDA growth	1.3	11.3	(7.8)	(18.6)	(32.5)
Norm profit growth	(5.3)	50.0	(23.4)	(61.0)	(98.5)
Norm EPS growth	(5.3)	50.0	(23.4)	(61.0)	(98.5)
Gross margin	22.3	22.6	18.2	12.7	8.8
Operating margin	18.3	19.0	14.7	9.3	6.2
EBITDA margin	30.9	30.5	26.6	19.2	14.8
Norm net margin	6.2	8.8	4.9	1.5	0.1
D/E (x)	1.9	2.1	2.2	2.3	1.4
Net D/E (x)	1.4	1.5	1.5	1.7	0.7
Interest coverage (x)	3.6	4.9	3.4	2.9	2.5
Interest rate	4.5	3.5	4.2	3.7	4.5
Effective tax rate	10.4	8.4	6.5	1.4	26.4
ROA	2.0	3.0	1.6	0.6	0.0
ROE	9.2	14.0	7.8	2.7	0.1

Sources: Company data, Thanachart estimates

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