Banpu Power Pcl (BPP TB) - BUY, Price Bt16.10, TP Bt22.50

Results Comment

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Much weaker-than-expected 1Q22 profit

- BPP reported extraordinarily high net profit at Bt2.9bn in 1Q22. But after stripping off extra items, including Bt2.9bn gain from asset sale, we estimate norm profit at Bt255m, down 76% y-y due to strong surge in coal cost, and is much weaker than our expectation despite a 49% q-q recovery.
- Consolidated revenue increased 113% y-y and 26% q-q to Bt3.86bn in 1Q22. The growth y-y was from BPP's penetration to private electricity market in China to get higher tariff than the wholesale price to the main grid and contribution from Temple-1 gas project in the US acquired in 3Q21. Higher revenue q-q was driven by electricity and steam volume sales during the high demand season and their higher selling prices.
- Gross margin collapsed to 6.5% in 1Q22 (from 19.3% in 1Q21) mainly from a strong surge of coal price in China despite stronger sale volume. But it improved from -4.7% in 4Q21, thanks to higher revenue base and lower averaged coal cost.
- Consolidated EBITDA turned positive at Bt243m this quarter, from a loss making in 4Q21, thanks to stronger performance from the Temple-1 project while coal power plants in China still barely breakeven. For y-y comparison, it was 4% lower than the same period last year due to a weak operation in China.
- Equity income fell 60% y-y and 47% q-q to Bt323m in 1Q22, due to loss contribution from SLG coal-fired power plant while its two major IPP plants were down for routine maintenance. Banpu NEXT continued to make loss after stripping off its one-time gain from divestment of 'Sunseap' solar company.
- We see a significant downside to our numbers as the global coal price remains much higher than we'd expected, thus a huge pressure to BPP's profitability. We need to revise down our earnings forecasts and valuations on BPP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	1,812	861	1,048	3,064	3,861
Gross profit	**349**	**(103)**	**(141)**	**(145)**	**252**
SG&A	205	228	232	439	308
Operating profit	144	(331)	(373)	(583)	(56)
EBITDA	**254**	**(211)**	**(249)**	**(356)**	**243**
Other income	223	197	316	298	159
Other expense	0	0	0	0	0
Interest expense	33	41	44	130	166
Profit before tax	**334**	**(175)**	**(102)**	**(415)**	**(64)**
Income tax	94	(19)	8	(25)	63
Equity & invest. income	812	1,205	513	612	323
Minority interests	(6)	14	(4)	(52)	59
Extraordinary items	(13)	63	197	200	2,664
Net profit	**1,034**	**1,126**	**596**	**371**	**2,918**
Normalized profit	**1,047**	**1,063**	**399**	**171**	**255**
EPS (Bt)	0.34	0.37	0.20	0.12	0.96
Normalized EPS (Bt)	0.34	0.35	0.13	0.06	0.08

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	26	113	62	6,196	6,190
Gross profit	**na**	**(28)**	**28**	**898**	**1,040**
SG&A	(30)	51	33	922	929
Operating profit	na	na	228	(25)	112
EBITDA	**na**	**(4)**	**61**	**399**	**542**
Other income	(47)	(29)	21	751	672
Other expense			na	0	0
Interest expense	28	402	48	345	324
Profit before tax	**na**	**na**	**(17)**	**381**	**460**
Income tax	na	(33)	55	114	138
Equity & invest. income	(47)	(60)	8	3,977	4,210
Minority interests	na	na	(48)	(122)	(142)
Extraordinary items	1,231	na	na	0	0
Net profit	**687**	**182**	**71**	**4,123**	**4,389**
Normalized profit	**49**	**(76)**	**6**	**4,123**	**4,389**
EPS (Bt)	687	182	71	1.35	1.44
Normalized EPS (Bt)	49	(76)	6	1.35	1.44

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	2,653	1,388	1,196	2,635	4,275
A/C receivable	1,158	1,015	1,065	1,311	1,566
Inventory	202	391	460	1,186	435
Other current assets	4,330	4,228	4,635	4,750	4,418
Investment	30,088	32,128	33,734	33,766	36,178
Fixed assets	8,180	8,431	8,841	23,811	23,431
Other assets	7,461	7,514	8,016	7,407	5,901
Total assets	**54,074**	**55,095**	**57,947**	**74,867**	**76,205**
S-T debt	2,463	5,533	6,302	7,991	6,111
A/C payable	134	187	187	331	188
Other current liabilities	3,806	1,272	2,055	2,647	2,428
L-T debt	3,271	2,706	2,508	13,965	15,241
Other liabilities	36	37	43	354	367
Minority interest	904	927	983	3,944	3,491
Shareholders' equity	**43,461**	**44,432**	**45,870**	**45,635**	**48,377**
Working capital	1,227	1,219	1,338	2,166	1,813
Total debt	5,733	8,239	8,810	21,956	21,352
Net debt	**3,080**	**6,852**	**7,614**	**19,321**	**17,077**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(1.7)	(18.9)	7.8	88.1	113.1
Operating profit growth	(48.2)	na	na	na	na
EBITDA growth	(42.7)	na	na	na	(4.4)
Norm profit growth	(30.3)	40.8	(52.5)	(87.3)	(75.7)
Norm EPS growth	(30.3)	41.0	(52.5)	(87.3)	(75.6)
Gross margin	19.3	(11.9)	(13.5)	(4.7)	6.5
Operating margin	8.0	(38.4)	(35.6)	(19.0)	(1.5)
EBITDA margin	14.0	(24.5)	(23.8)	(11.6)	6.3
Norm net margin	57.8	123.4	38.1	5.6	6.6
D/E (x)	0.1	0.2	0.2	0.4	0.4
Net D/E (x)	0.1	0.2	0.2	0.4	0.3
Interest coverage (x)	7.7	(5.1)	(5.6)	(2.7)	1.5
Interest rate	2.3	2.4	2.1	3.4	3.1
Effective tax rate	28.0	10.8	(7.7)	6.1	(99.1)
ROA	8.1	7.8	2.8	1.0	1.3
ROE	9.9	9.7	3.5	1.5	2.2

Sources: Company data, Thanachart estimates

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