CK Power Pcl (CKP TB) - BUY, Price Bt5.50, TP Bt6.50

Results Comment

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

Turning profit in 1Q22 as expected

- CKP reported Bt38m normalized profit in 1Q22, a turnaround from a loss in 1Q21 backed by a stronger output from Xayaburi hydropower plant despite an 80% drop q-q on seasonal impact of a dry season in Indochina region during the 1st quarter of the year. The result is in-line with our view.
- Gross profit dropped 37% y-y to Bt329m in 1Q22 due to a lower electricity output from Nam-Ngum 2 hydropower plant, compared to the high base last year, and weaker profitability in BIC gas-fired SPP plant pressured by strong surge in gas cost. It lowered 20% q-q from weaker hydropower output.
- Total SG&A expense was at Bt115m this quarter, flat y-y but down 20% q-q on a seasonal effect. EBITDA thus fell 24% y-y and 11% q-q to Bt602m.
- Equity income improved to only Bt3m loss in 1Q22, from Bt32m loss in the same period last year, thanks to higher electricity output from Xayaburi hydropower project while performance from the solar farms was stable y-y.
- We see CKP's 1Q22 earnings as a decent result, since the company could still make profit despite it was its weakest quarter of the year due to the drought season. We recommend BUY on CKP on its rising earnings momentum into its peak quarters in the rainy season for Indochina region in 2Q-3Q22F.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	1,985	2,180	2,395	2,237	2,416
Gross profit	**525**	**636**	**707**	**409**	**329**
SG&A	115	127	110	143	115
Operating profit	411	509	597	267	214
EBITDA	**797**	**900**	**1,024**	**674**	**602**
Other income	116	116	113	192	127
Other expense					
Interest expense	262	267	266	275	267
Profit before tax	**264**	**357**	**444**	**184**	**74**
Income tax	8	16	26	11	9
Equity & invest. income	(157)	474	866	74	(3)
Minority interests	(120)	(173)	(219)	(60)	(24)
Extraordinary items	135	65	169	(64)	1
Net profit	**115**	**707**	**1,235**	**123**	**39**
Normalized profit	**(21)**	**642**	**1,066**	**187**	**38**
EPS (Bt)	0.01	0.09	0.15	0.02	0.00
Normalized EPS (Bt)	(0.00)	0.08	0.13	0.02	0.00

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	8	22	23	10,608	10,212
Gross profit	**(20)**	**(37)**	**14**	**2,279**	**2,375**
SG&A	(20)	0	18	629	612
Operating profit	(20)	(48)	13	1,650	1,764
EBITDA	**(11)**	**(24)**	**19**	**3,191**	**4,289**
Other income	(34)	10	26	493	456
Other expense			na		
Interest expense	(3)	2	23	1,144	1,166
Profit before tax	**(60)**	**(72)**	**7**	**998**	**1,053**
Income tax	(19)	14	14	65	100
Equity & invest. income	na	na	(0)	1,818	1,820
Minority interests	na	na	5	(481)	(605)
Extraordinary items	na	(99)	na		
Net profit	**(68)**	**(66)**	**2**	**2,270**	**2,168**
Normalized profit	**(80)**	**na**	**2**	**2,270**	**2,168**
EPS (Bt)	(68)	(66)	2	0.28	0.27
Normalized EPS (Bt)	(80)	na	2	0.28	0.27

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	5,935	6,367	7,021	7,630	7,632
A/C receivable	1,512	1,705	1,912	1,557	1,763
Inventory					
Other current assets	1,255	918	566	525	516
Investment	14,516	16,667	17,127	17,210	17,357
Fixed assets	8,814	8,697	8,599	8,491	8,373
Other assets	34,454	34,074	33,678	33,564	33,190
Total assets	**66,487**	**68,429**	**68,903**	**68,977**	**68,832**
S-T debt	5,544	1,539	2,818	1,999	2,278
A/C payable	825	849	1,109	927	1,230
Other current liabilities	109	1,895	106	468	474
L-T debt	24,445	28,198	28,204	28,979	28,184
Other liabilities	768	791	801	474	473
Minority interest	11,225	11,347	11,351	11,296	11,161
Shareholders' equity	**23,571**	**23,812**	**24,515**	**24,834**	**25,032**
Working capital	687	856	803	631	533
Total debt	29,989	29,736	31,021	30,978	30,462
Net debt	**24,054**	**23,369**	**24,001**	**23,348**	**22,830**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	21.3	27.4	19.0	67.7	21.7
Operating profit growth	1,234.0	913.8	52.0	na	(48.0)
EBITDA growth	90.7	105.5	30.4	241.5	(24.5)
Norm profit growth	na	na	37.4	30.7	na
Norm EPS growth	na	na	37.4	30.7	na
Gross margin	26.5	29.2	29.5	18.3	13.6
Operating margin	20.7	23.3	24.9	11.9	8.8
EBITDA margin	40.1	41.3	42.8	30.1	24.9
Norm net margin	(1.0)	29.5	44.5	8.4	1.6
D/E (x)	0.9	0.8	0.9	0.9	0.8
Net D/E (x)	0.7	0.7	0.7	0.6	0.6
Interest coverage (x)	3.0	3.4	3.8	2.5	2.3
Interest rate	3.5	3.6	3.5	3.5	3.5
Effective tax rate	3.0	4.5	5.9	6.1	12.3
ROA	(0.1)	3.8	6.2	1.1	0.2
ROE	(0.3)	10.8	17.6	3.0	0.6

Sources: Company data, Thanachart estimates

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