Energy Absolute Pcl (EA TB) - BUY, Price Bt81.50, TP Bt110.00

Results Comment

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Weaker-than-expected 1Q22 profit

- EA reported norm profit at Bt1.36bn in 1Q22, down 2% y-y and 28% q-q, below our expectation due to an extraordinarily low electricity output from its wind power projects which more than offset benefits from its lower operating costs. We see this weak earnings as just a hiccup and has no impact to our bullish view on EA's long-term growth outlook from battery business.
- **Biodiesel:** profit contribution from biodiesel business unit was a Bt2m loss in 1Q22 (Bt27m profit in 4Q21 and Bt54m profit in 1Q21) due to a lower demand after the government adjust mix of B-100 in standard retail diesel sale to 5% (from 7% earlier) while domestic diesel consumption was also weak in 1Q22.
- **Renewable** was key reason for the earnings miss, contributing Bt1.77bn profit to EA in 1Q22, down 8% y-y and 14% q-q. An unusually low output from wind power projects, despite its high season, more than offset stronger output from the solar farms.
- **Battery/EV and other businesses:** Loss from new businesses increased to Bt483m in 1Q22 (from Bt356m in 4Q21) since there was no E-bus sale by EA's group this quarter. However, it improved from Bt571m loss in 1Q21 given lower cost in starting up new businesses and lower interest expense.
- EA reported that up to this quarter, it has managed to secure a total of 893-units of E-bus orders via its major subsidiary (Nex Point Pcl, NEX), vs. our assumption of 2,000-units E-bus sale for EA's group this year. The company still targets to deliver up to 500 units of E-bus to its customers in 2Q22F.
- We believe the resumption of E-bus sale in 2Q22F will be EA's strong share price catalyst, and thus maintain BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	4,703	4,923	5,040	5,508	4,740
Gross profit	**2,146**	**1,823**	**2,137**	**2,174**	**1,834**
SG&A	367	312	365	394	320
Operating profit	1,779	1,511	1,772	1,781	1,514
EBITDA	**2,470**	**2,233**	**2,548**	**2,488**	**2,310**
Other income	4	12	139	230	76
Other expense					
Interest expense	391	379	323	295	310
Profit before tax	**1,392**	**1,144**	**1,588**	**1,716**	**1,280**
Income tax	38	12	9	(56)	(5)
Equity & invest. income	(25)	(8)	6	40	2
Minority interests	51	50	(5)	75	72
Extraordinary items	32	17	37	(6)	8
Net profit	**1,412**	**1,191**	**1,616**	**1,881**	**1,366**
Normalized profit	**1,380**	**1,174**	**1,580**	**1,887**	**1,358**
EPS (Bt)	0.38	0.32	0.43	0.50	0.37
Normalized EPS (Bt)	0.37	0.31	0.42	0.51	0.36

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(14)	1	13	35,398	48,310
Gross profit	**(16)**	**(15)**	**15**	**12,400**	**14,874**
SG&A	(19)	(13)	15	2,091	2,639
Operating profit	(15)	(15)	15	10,308	12,235
EBITDA	**(7)**	**(6)**	**17**	**13,659**	**15,904**
Other income	(67)	1,951	43	177	242
Other expense			na		
Interest expense	5	(21)	23	1,342	1,250
Profit before tax	**(25)**	**(8)**	**14**	**9,143**	**11,227**
Income tax	na	na	(11)	46	56
Equity & invest. income	(96)	na	0	654	969
Minority interests	(4)	40	(7)	(1,025)	(1,612)
Extraordinary items	na	(75)	na		
Net profit	**(27)**	**(3)**	**16**	**8,726**	**10,527**
Normalized profit	**(28)**	**(2)**	**16**	**8,726**	**10,527**
EPS (Bt)	(27)	(3)	16	2.34	2.82
Normalized EPS (Bt)	(28)	(2)	16	2.34	2.82

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	4,535	4,211	3,313	2,927	3,164
A/C receivable	2,456	2,590	2,838	3,690	2,651
Inventory	1,010	1,588	1,578	1,483	2,226
Other current assets	880	775	859	3,549	3,933
Investment					
Fixed assets	57,115	57,542	57,642	58,421	60,547
Other assets	15,023	15,124	15,454	15,406	17,156
Total assets	**81,018**	**81,830**	**81,685**	**85,476**	**89,677**
S-T debt	10,734	9,180	9,358	9,457	11,594
A/C payable	305	553	450	358	631
Other current liabilities	1,893	1,212	1,147	2,860	3,433
L-T debt	32,630	34,657	22,843	33,777	33,515
Other liabilities	4,268	4,295	14,468	3,921	4,239
Minority interest	1,941	2,646	2,682	2,601	2,501
Shareholders' equity	**29,248**	**29,287**	**30,736**	**32,501**	**33,765**
Working capital	3,161	3,625	3,967	4,815	4,246
Total debt	43,364	43,837	32,201	43,234	45,108
Net debt	**38,829**	**39,626**	**28,887**	**40,307**	**41,944**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(0.6)	19.3	33.6	23.9	0.8
Operating profit growth	0.2	1.3	21.2	(1.1)	(14.9)
EBITDA growth	4.9	(0.5)	18.8	(1.1)	(6.5)
Norm profit growth	(0.9)	1.9	44.4	26.8	(1.6)
Norm EPS growth	(0.9)	1.9	44.4	26.8	(1.6)
Gross margin	45.6	37.0	42.4	39.5	38.7
Operating margin	37.8	30.7	35.2	32.3	31.9
EBITDA margin	52.5	45.4	50.6	45.2	48.7
Norm net margin	29.3	23.8	31.3	34.3	28.7
D/E (x)	1.4	1.4	1.0	1.2	1.2
Net D/E (x)	1.2	1.2	0.9	1.1	1.2
Interest coverage (x)	6.3	5.9	7.9	8.4	7.4
Interest rate	3.6	3.5	3.4	3.1	2.8
Effective tax rate	2.7	1.1	0.6	(3.2)	(0.4)
ROA	6.9	5.8	7.7	9.0	6.2
ROE	19.4	16.0	21.1	23.9	16.4

Sources: Company data, Thanachart estimates

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