Electricity Generating (EGCO TB) - BUY, Price Bt161, TP Bt275

Results Comment

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Exceptionally high 1Q22 profit

- EGCO reported an unusually strong norm profit at Bt4.2bn in 1Q22, up 92% y-y and 159% q-q, far above our expectation. The key surprise was an exceptionally high profit contribution from Paju gas-fired power plant as it took advantage on its long-term gas contract to secure natural gas at the much lower price than market's benchmark. We see upside to our numbers despite not expecting this high earnings base to sustain.
- Consolidated revenue surged 69% y-y to Bt12.0bn in 1Q22, mainly driven by higher energy payment (EP) revenue from the KEGCO IPP plant. However, it has only small impact to profit as IPP plants make only slim margin from EP revenue.
- Total EBITDA thus grew only 3% y-y to Bt1.7bn despite a significant revenue jump. It, however, dropped 30% q-q mainly due to lower profit contributions from Quezon coal-fired power plant, from a strong rise in coal cost, and KEGCO IPP plant.
- Total shared profit from affiliates surged to Bt3.8bn this quarter, up 115% y-y and 686% q-q. The key contributors to this strong result were 1) very strong electricity sale margin in Paju plant in Korea as it could secure much cheaper natural gas than the current market price and 2) higher electricity sale from NTPC hydropower plant in Laos.
- Despite we do not expect its profit to be sustainable at this extraordinarily high level, but still see some upside to our 2022F earnings forecast. We maintain BUY on EGCO, mainly on its attractive valuation and upside to dividend payout.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	7,109	8,706	8,743	11,345	11,985
Gross profit	**1,624**	**2,413**	**1,995**	**2,311**	**1,609**
SG&A	716	729	538	663	672
Operating profit	908	1,684	1,458	1,648	937
EBITDA	**1,667**	**2,450**	**2,255**	**2,448**	**1,720**
Other income	521	505	515	692	514
Other expense	0	0	0	0	0
Interest expense	891	918	948	957	919
Profit before tax	**538**	**1,271**	**1,024**	**1,383**	**532**
Income tax	126	219	222	251	178
Equity & invest. income	1,773	1,890	2,351	486	3,817
Minority interests	(8)	9	(12)	(3)	14
Extraordinary items	(1,591)	(1,441)	(2,067)	(681)	(69)
Net profit	**585**	**1,510**	**1,074**	**934**	**4,116**
Normalized profit	**2,176**	**2,952**	**3,141**	**1,615**	**4,185**
EPS (Bt)	1.11	2.87	2.04	1.77	7.82
Normalized EPS (Bt)	4.13	5.61	5.97	3.07	7.95

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	6	69	33	35,816	35,405
Gross profit	**(30)**	**(1)**	**19**	**8,676**	**8,494**
SG&A	1	(6)	25	2,673	2,708
Operating profit	(43)	3	16	6,003	5,786
EBITDA	**(30)**	**3**	**19**	**9,063**	**8,887**
Other income	(26)	(1)	22	2,332	2,045
Other expense			na	0	0
Interest expense	(4)	3	21	4,364	3,913
Profit before tax	**(62)**	**(1)**	**13**	**3,971**	**3,918**
Income tax	(29)	41	22	794	784
Equity & invest. income	686	115	51	7,530	7,752
Minority interests	na	na	(29)	(50)	(49)
Extraordinary items	na	na	na	0	0
Net profit	**341**	**603**	**39**	**10,657**	**10,837**
Normalized profit	**159**	**92**	**39**	**10,657**	**10,837**
EPS (Bt)	341	603	39	20.24	20.58
Normalized EPS (Bt)	159	92	39	20.24	20.58

Balance Sheet			(consolidated)	nsolidated)	nsolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & equivalent	15,638	16,483	16,988	17,898	20,943
A/C receivable	3,730	5,573	5,811	7,060	5,700
Inventory	2,531	2,499	3,103	2,947	2,519
Other current assets	11,067	11,076	9,738	10,591	9,966
Investment	102,011	111,122	117,727	124,979	128,156
Fixed assets	50,119	50,018	50,921	49,597	49,057
Other assets	30,382	29,812	30,313	28,860	29,788
Total assets	**215,479**	**226,583**	**234,600**	**241,932**	**246,130**
S-T debt	15,545	15,847	15,417	19,670	7,818
A/C payable	1,974	3,301	3,643	4,380	3,923
Other current liabilities	7,355	7,447	7,787	2,970	2,437
L-T debt	71,116	78,558	82,198	90,074	101,824
Other liabilities	12,083	12,305	12,118	10,802	9,554
Minority interest	602	584	596	596	582
Shareholders' equity	**71,116**	**78,558**	**82,198**	**90,074**	**101,824**
Working capital	4,288	4,771	5,271	5,626	4,297
Total debt	71,023	77,922	80,628	91,846	88,699
Net debt	**106,805**	**108,541**	**112,841**	**113,441**	**119,991**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(18.6)	(4.2)	5.0	52.6	68.6
Operating profit growth	(19.8)	(6.0)	(14.3)	52.0	3.2
EBITDA growth	(12.6)	(4.8)	(9.4)	31.0	3.2
Norm profit growth	(9.5)	10.2	10.8	35.9	92.3
Norm EPS growth	(9.5)	10.2	10.8	35.9	92.3
Gross margin	22.8	27.7	22.8	20.4	13.4
Operating margin	12.8	19.3	16.7	14.5	7.8
EBITDA margin	23.4	28.1	25.8	21.6	14.4
Norm net margin	30.6	33.9	35.9	14.2	34.9
D/E (x)	0.8	0.9	0.9	1.0	0.9
Net D/E (x)	0.7	0.7	0.7	0.8	0.7
Interest coverage (x)	1.9	2.7	2.4	2.6	1.9
Interest rate	4.0	4.1	4.0	3.7	3.4
Effective tax rate	23.5	17.2	21.7	18.1	33.5
ROA	4.0	5.3	5.4	2.7	6.9
ROE	8.3	11.0	11.3	5.7	14.3

Sources: Company data, Thanachart estimates

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