Global Power Synergy Pcl (GPSC TB) - HOLD, Price Bt63, TP Bt72.5

Results Comment

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Unexpected loss in 1Q22

- GPSC reported a weak Bt313m profit in 1Q22. Moreover, stripping off its one-time gain from divestment of a solar farm in Japan, GPSC made an unexpected normalized loss at Bt207m this quarter. This was due to higher-than-expected rise in fuel costs and unplanned shutdown in Gheco-1 IPP project.
- **IPP plants:** Gross profit (ex. depreciation) from IPPs increased 31% y-y to Bt1.3bn (48% of total gross profit) in 1Q22, backed by a higher EP margin during the period that EGAT switches IPP's fuel into diesel and a higher overall availability factor. But it dropped 6% q-q due to an unplanned shutdown in Gheco-1.
- **SPP plants:** Gross profit collapsed 66% y-y and 41% q-q to Bt1.5bn in 1Q22 (51%), due to a margin squeeze in sales of electricity to industrial users given natural gas and coal prices surged significantly while national tariff was only slightly lifted, so GPSC could not raise its selling price.
- **VSPP plants:** Gross profit was at Bt36m in 1Q22 (1%), down 30% y-y and 41% q-q. The drop was from lower output from solar projects and GPSC had divested Ichinoseki-1 project out in late March, thus less profit contribution from the project.
- Total equity income fell 31% y-y to Bt143m in 1Q22, due to a margin squeeze issue in two SPP plants (BIC and NNEG), but it rose 19% q-q as stronger output from solar farms more than offset impact from a seasonally weak quarter for hydropower.
- Total SG&A expenses declined 9% y-y and 32% q-q to Bt421m, the lowest in many years, as GPSC countered its weak operations with aggressive cost saving measures.
- We see significant downside to our 2022F earnings forecast for GPSC, and would have to revise our numbers and valuations.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	16,624	18,234	17,996	22,019	27,261
Gross profit	**3,310**	**3,459**	**2,742**	**1,746**	**702**
SG&A	460	545	474	616	421
Operating profit	2,850	2,914	2,269	1,131	281
EBITDA	**5,010**	**5,224**	**4,871**	**3,492**	**2,565**
Other income	360	213	504	405	177
Other expense					
Interest expense	974	987	998	901	974
Profit before tax	**2,236**	**2,140**	**1,775**	**635**	**(516)**
Income tax	453	310	322	(53)	(230)
Equity & invest. income	207	519	690	120	143
Minority interests	(19)	(132)	(63)	(309)	(64)
Extraordinary items	2	84	(205)	669	520
Net profit	**1,973**	**2,302**	**1,875**	**1,168**	**313**
Normalized profit	**1,972**	**2,218**	**2,079**	**499**	**(207)**
EPS (Bt)	0.70	0.82	0.66	0.41	0.11
Normalized EPS (Bt)	0.70	0.79	0.74	0.18	(0.07)

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	24	64	29	93,932	97,718
Gross profit	**(60)**	**(79)**	**7**	**10,652**	**11,301**
SG&A	(32)	(9)	19	2,199	2,265
Operating profit	(75)	(90)	3	8,453	9,035
EBITDA	**(27)**	**(49)**	**15**	**17,580**	**18,995**
Other income	(56)	(51)	11	1,551	1,583
Other expense			na		
Interest expense	8	(0)	22	4,419	4,835
Profit before tax	**na**	**na**	**(9)**	**5,585**	**5,783**
Income tax	na	na	(27)	838	896
Equity & invest. income	19	(31)	8	1,775	2,844
Minority interests	na	na	210	(30)	(31)
Extraordinary items	(22)	28,031	na		
Net profit	**(73)**	**(84)**	**5**	**6,492**	**7,699**
Normalized profit	**na**	**na**	**(3)**	**6,492**	**7,699**
EPS (Bt)	(73)	(84)	5	2.30	2.73
Normalized EPS (Bt)	na	na	(3)	2.30	2.73

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	25,430	20,238	16,001	13,793	18,644
A/C receivable	7,367	9,475	8,757	13,441	11,055
Inventory	6,197	6,577	7,018	6,938	6,942
Other current assets	4,716	7,012	4,406	11,318	7,075
Investment	11,751	12,345	24,818	24,623	29,604
Fixed assets	99,949	99,428	98,805	95,581	93,777
Other assets	102,514	102,065	104,440	104,685	101,350
Total assets	**257,925**	**257,140**	**264,245**	**270,379**	**268,447**
S-T debt	15,071	19,261	6,935	7,321	9,530
A/C payable	4,084	4,681	4,386	6,407	8,468
Other current liabilities	5,846	6,487	5,727	9,308	6,751
L-T debt	89,251	83,808	103,287	58,140	57,256
Other liabilities	29,577	29,356	29,398	71,455	68,201
Minority interest	9,052	8,965	9,060	9,413	9,510
Shareholders' equity	**105,044**	**104,582**	**105,452**	**108,334**	**108,730**
Working capital	9,480	11,372	11,388	13,973	9,529
Total debt	104,322	103,069	110,222	65,461	66,787
Net debt	**78,892**	**82,831**	**94,221**	**51,668**	**48,143**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(9.2)	0.5	8.4	33.2	64.0
Operating profit growth	(0.7)	(5.6)	(22.2)	(50.9)	(90.1)
EBITDA growth	(0.6)	(1.1)	(4.2)	(22.0)	(48.8)
Norm profit growth	22.5	28.8	(18.6)	(69.2)	na
Norm EPS growth	22.5	28.8	(18.6)	(69.2)	na
Gross margin	19.9	19.0	15.2	7.9	2.6
Operating margin	17.1	16.0	12.6	5.1	1.0
EBITDA margin	30.1	28.6	27.1	15.9	9.4
Norm net margin	11.9	12.2	11.6	2.3	(0.8)
D/E (x)	0.9	0.9	1.0	0.6	0.6
Net D/E (x)	0.7	0.7	0.8	0.4	0.4
Interest coverage (x)	5.1	5.3	4.9	3.9	2.6
Interest rate	3.7	3.8	3.7	4.1	5.9
Effective tax rate	20.2	14.5	18.2	(8.4)	44.6
ROA	3.1	3.4	3.2	0.7	(0.3)
ROE	7.6	8.5	7.9	1.9	(0.8)

Sources: Company data, Thanachart estimates

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