RATCH Group Pcl (RATCH TB) - HOLD, Price Bt38.25, TP Bt46.00

Results Comment

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Decent growth in 1Q22, in-line

- RATCH reported Bt1.82bn normalized profit in 1Q22, up 13% y-y and 13% q-q in a like-for-like basis. Stronger performance from IPP power plants and capacity growth from last year were more than offset impact from lower profitability in SPP plants.
- Gross profit grew strongly 40% y-y and 40% q-q to Bt1.4bn in 1Q22 backed by higher electricity dispatch from IPP plants with stronger margin, starting operation of 'Collector' wind farm project in Australia, and contribution from the new investments last year.
- EBTIDA grew at similar pace to Bt1.6bn this quarter, up 44% y-y and 40% q-q, as its SG&A-to-sales ratio also fell nicely to 3.0% in 1Q22, from 3.7% in 4Q21 and 4.9% in 1Q21, due to scale benefits from continuous capacity growth.
- Equity income expanded slightly 4% y-y driven by commencing operations of Yandin wind power project in Australia and Riau gas-fired power plant in Indonesia. It dropped 12% q-q as its major IPP power plant, HPC, was down for its annual maintenance this quarter.
- RATCH has announced the final selling price of its new issuing shares (PPO to existing shareholders) at Bt34.5/share, with subscription period between 6-10 June 2022. Note that the XR date had passed on 6 May 2022,
- Therefore, for investors with the rights granted we suggest them to subscribe for new shares at this attractive price. But for those are not granted the rights, we believe it is worth to wait for RATCH to fully invest this new capital before consider revisiting the stocks. Maintain HOLD.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	7,122	8,667	9,142	12,396	16,915
Gross profit	**1,018**	**1,063**	**1,113**	**1,016**	**1,421**
SG&A	345	407	497	453	502
Operating profit	673	656	616	564	919
EBITDA	**1,143**	**1,153**	**1,185**	**1,172**	**1,642**
Other income	106	164	111	107	115
Other expense	(62)	(85)	(46)	(205)	(33)
Interest expense	411	426	465	566	583
Profit before tax	**430**	**479**	**308**	**309**	**485**
Income tax	20	(58)	101	115	131
Equity & invest. income	1,200	1,544	1,068	1,418	1,250
Minority interests	(0)	(0)	0	(7)	215
Extraordinary items	478	41	163	518	(240)
Net profit	**2,088**	**2,123**	**1,438**	**2,123**	**1,579**
Normalized profit	**1,610**	**2,082**	**1,275**	**1,605**	**1,819**
EPS (Bt)	1.44	1.46	0.99	1.46	1.09
Normalized EPS (Bt)	1.11	1.44	0.88	1.11	1.25

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	36	138	40	41,919	41,559
Gross profit	**40**	**40**	**22**	**6,447**	**6,303**
SG&A	11	45	30	1,691	1,765
Operating profit	63	37	19	4,756	4,538
EBITDA	**40**	**44**	**24**	**6,885**	**6,596**
Other income	8	9	11	1,032	944
Other expense	na	na	na	0	0
Interest expense	3	42	24	2,390	2,090
Profit before tax	**57**	**13**	**14**	**3,398**	**3,392**
Income tax	14	541	13	1,020	1,018
Equity & invest. income	(12)	4	16	7,881	8,753
Minority interests	na	na	(51)	(418)	(447)
Extraordinary items	na	na	na	0	0
Net profit	**(26)**	**(24)**	**16**	**9,842**	**10,680**
Normalized profit	**13**	**13**	**18**	**9,842**	**10,680**
EPS (Bt)	(26)	(24)	17	6.41	5.13
Normalized EPS (Bt)	13	13	20	6.41	5.13

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	8,378	7,810	7,909	9,861	8,911
A/C receivable	3,490	7,125	6,563	9,774	8,682
Inventory	1,773	1,547	1,464	1,902	2,190
Other current assets	3,422	2,974	3,471	3,779	4,909
Investment	46,375	49,140	52,887	51,067	52,475
Fixed assets	30,401	30,488	30,882	36,228	36,434
Other assets	23,076	24,149	23,589	42,245	41,616
Total assets	**116,915**	**123,233**	**126,765**	**154,855**	**155,217**
S-T debt	5,009	6,950	5,588	8,035	7,256
A/C payable	3,062	5,587	4,592	7,677	7,331
Other current liabilities	502	732	1,910	4,558	706
L-T debt	38,717	39,423	42,254	26,745	29,723
Other liabilities	4,661	4,426	4,329	30,031	29,415
Minority interest	1	1	1	7,520	7,465
Shareholders' equity	**64,963**	**66,114**	**68,091**	**70,290**	**73,321**
Working capital	2,201	3,084	3,436	3,999	3,540
Total debt	43,727	46,373	47,842	34,781	36,980
Net debt	**35,348**	**38,563**	**39,933**	**24,920**	**28,069**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(25.9)	(0.5)	10.0	63.8	137.5
Operating profit growth	(17.4)	12.3	17.7	(9.1)	36.5
EBITDA growth	(9.0)	9.3	19.1	9.6	43.7
Norm profit growth	(2.6)	92.2	(0.2)	(14.9)	13.0
Norm EPS growth	(2.6)	92.2	(0.2)	(14.9)	13.0
Gross margin	14.3	12.3	12.2	8.2	8.4
Operating margin	9.5	7.6	6.7	4.5	5.4
EBITDA margin	16.0	13.3	13.0	9.5	9.7
Norm net margin	22.6	24.0	13.9	13.0	10.8
D/E (x)	0.7	0.7	0.7	0.5	0.5
Net D/E (x)	0.5	0.6	0.6	0.4	0.4
Interest coverage (x)	2.8	2.7	2.5	2.1	2.8
Interest rate	3.9	3.8	3.9	5.5	6.5
Effective tax rate	4.7	(12.1)	32.7	37.2	27.0
ROA	5.6	6.9	4.1	4.6	4.7
ROE	10.3	12.7	7.6	9.3	10.1

Sources: Company data, Thanachart estimates

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