

BUY (Unchanged)
Change in Numbers

TP: Bt 6.20
Upside: 11.7%

(From: Bt 5.75)
24 JUNE 2022

Small Cap Research

Gunkul Engineering Pcl (GUNKUL TB)

Opportunities from new PDP

We see strong growth opportunities from GUNKUL's new JV to develop renewable projects based on new PPAs from the upcoming Thai PDP-2022. We expect this to more than offset the weaker outlook for its cannabis business. Reaffirm BUY with a higher Bt6.2 TP.



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Strong growth potential from renewables

We reaffirm BUY on GUNKUL after factoring in potential value from its recently set-up JV with Gulf Energy Dev Pcl (GULF), to bid for power purchase agreements (PPAs) for renewable projects from the upcoming Power Development Plan (PDP-2022), likely to be released later this year. 1) We assume the partnership wins a total capacity of 1.0GW over 2023-27F. 2) We expect GUNKUL to be the sole engineering contractor for those projects, thus also making a profit via its EPC business on top of recurring revenue from power plants. 3) We estimate Bt1.0/share value to GUNKUL from the JV (Bt0.8 from power plants and Bt0.2 from EPC), more than offsetting the negative impact from our lower assumption for GUNKUL's cannabis plantation area to 100 rai in 2024F (from 200 rai). Our DCF-based SOTP-TP thus rises to Bt6.2 (from Bt5.75) after rolling over to a 2023F base year.

Expecting new renewable PPAs in 2023

We see GUNKUL as a major beneficiary from the release of PDP-2022 since we expect the PDP to come with new PPAs for wind power projects and more quotas for private firms to develop solar projects. We expect bids for new PPAs to start in 2023. Based on GUNKUL's experience in developing wind farms and already secured potential land bank (including lands owned by GULF), we assume the JV wins 500MW of wind power PPAs (250MW equity capacity to GUNKUL through its 50% stake in the JV) over 2024-27F. For solar, the JV targets large-sized projects for government agencies, industrial estates, and commercial sites (either solar farms or solar rooftop projects). We assume another 250MW of (equity) solar capacity for GUNKUL in 2023-27F.

More conservative on cannabis business

GUNKUL harvested its first hemp crop in May and we expect hemp to contribute Bt290m in profit as one of its earnings growth drivers in 2022F. But we cut GUNKUL's cannabis plantation area to 25/75/100 rai in 2022-24F (from 50/150/200), in line with the firm's reduced long-term target following weaker-than-expected local demand for CBD-based products. After the cuts, we lower the value contribution from the cannabis business to Bt1.1 per GUNKUL's share (from Bt1.5) and project its Bt700m annual profit to comprise 20% of GUNKUL's earnings base in 2025F.

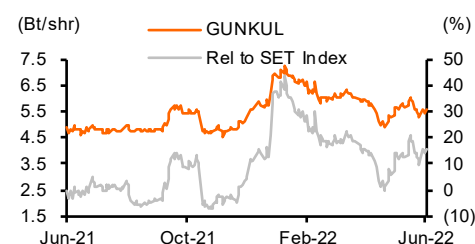
Series of share price catalysts

We foresee three major share price catalysts for GUNKUL in 2H22F. *First*, its growing revenue stream from the trending cannabis business. *Second*, the release of the PDP-2022 later in the year should lead to the announcement of new PPAs which would offer sizable growth potential for GUNKUL. *Third*, GUNKUL plans to list its engineering and construction business in early 2023, which we expect to provide a strong valuation boost.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	7,945	10,176	12,718	13,666
Net profit	2,229	2,864	3,543	3,803
Consensus NP	—	2,565	3,232	3,496
Diff frm cons (%)	—	11.7	9.6	8.8
Norm profit	2,022	2,864	3,543	3,803
Prev. Norm profit	—	2,958	3,968	4,033
Chg frm prev (%)	—	(3.2)	(10.7)	(5.7)
Norm EPS (Bt)	0.2	0.3	0.4	0.4
Norm EPS grw (%)	42.3	41.7	23.7	7.3
Norm PE (x)	24.4	17.2	13.9	13.0
EV/EBITDA (x)	23.9	18.2	14.0	12.4
P/BV (x)	3.8	3.3	2.8	2.5
Div yield (%)	1.1	2.3	2.9	3.1
ROE (%)	15.9	20.3	21.8	20.5
Net D/E (%)	157.2	121.6	115.2	92.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 24-Jun-22 (Bt)	5.55
Market Cap (US\$ m)	1,389.4
Listed Shares (m shares)	8,882.5
Free Float (%)	45.7
Avg Daily Turnover (US\$ m)	19.1
12M Price H/L (Bt)	7.20/4.54
Sector	Utilities
Major Shareholder	Gunkul Group 49.94%

Sources: Bloomberg, Company data, Thanachart estimates

Opportunities from the new PDP

BUY as our play for the upcoming PDP-2022

We reaffirm our BUY rating on shares of Gunkul Engineering Pcl (GUNKUL) as we expect it to be one of the major beneficiaries from the release of Thailand's new Power Development Plan (PDP-2022), likely late this year. This is because we believe its recently formed partnership with Gulf Energy Development Pcl (GULF TB, HOLD, Bt47.25) has significantly strengthened its competitiveness in the run-up to the upcoming bids for renewable power purchase agreements (PPAs) from the PDP.

Wind power is the major growth opportunity from the new PDP in our view

Based on the latest electricity generation mix proposed by the Energy Policy and Planning Office (EPPO) shown in Exhibit 1, the PDP-2022 will come with a larger portion of wind and hydropower in the renewable pool at the expense of a smaller quota for bioenergy power plants and solar projects. Due to the long construction lead time, new PPAs from an additional hydropower quota of 1.4GW have already been granted out ahead of the PDP, so that operators can immediately start developing the projects to meet their scheduled commencement of operation dates over 2030-33. This consequently leaves a new quota of 1.5GW for wind energy offering the only sizable capacity growth potential from the new PDP. We expect GUNKUL to win a significant share of the PPAs, likely to be bid out from 2023F onward, through its new partnership mentioned above.

Ex 1: Expected New PPA Quotas From The Upcoming PDP-2022

Power plants	Current (PDP-2018 rev.1)	New (PDP-2022)	Change (MW)
Natural gas	5,550	4,850	(700)
Coal	600	600	-
Conventional	6,150	5,450	(700)
Solar	5,194	4,455	(739)
Wind	270	1,500	1,230
Hydro	1,426	2,818	1,392
Biomass/gas	1,903	820	(1,083)
Waste	400	600	200
Renewables	9,193	10,193	1,000
Total	15,343	15,643	300

Source: Energy Policy and Planning Office (EPPO)

We have no concerns about solar, but remain bearish on bioenergy

We are not concerned about the reduced quota for solar power projects since we still see the lower target of 4.5GW as quite sizable. We also believe private firms now have the option to develop solar projects through private-PPA (B2B) contracts, without having to wait for PPAs from the government (B2G), given that electricity generating costs from solar farms are already lower than the national electricity price. On the other hand, we see bioenergy (biomass and biogas) developers as the biggest loser from the change in the renewables mix, which is why we have been bearish on bio-energy firms and terminated our coverage of them previously

Strong growth potential from renewables

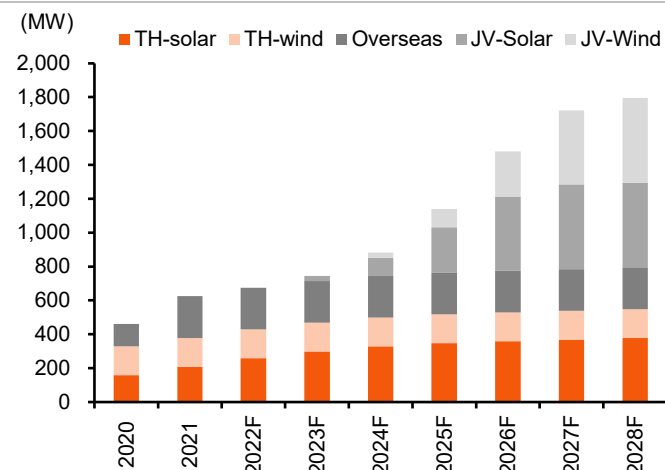
*We are positive on
GUNKUL's partnership with
GULF*

As mentioned, GUNKUL has set up a 50:50 joint-venture (JV) company with GULF to participate in bids for PPAs for wind power projects from the upcoming Thailand PDP-2022 and to develop solar power plants through private power purchase contracts for commercial and industrial clients. The JV would also consider the greenfield development of renewable projects in neighboring countries.

*We assume the JV wins
500MW of wind power PPAs
from PDP-2022 ...*

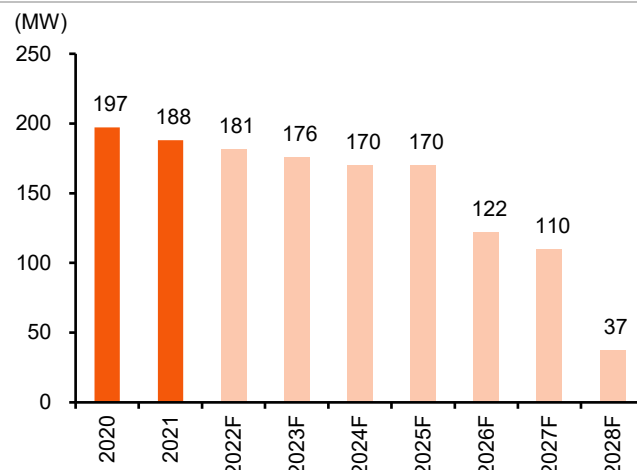
GUNKUL would contribute its expertise in developing wind farms and more than 10 plots of its own potential land bank for wind power projects to the partnership. GULF has another set of potential land plots while its financial status is strong to support low-cost funding for the projects, including the necessary transmission system to connect the plants to the core national electricity grid. We thus now see the JV as the strongest contender for the bids for 1.5GW of wind power PPAs from the PDP-2022, likely to be held in 1H23, based on its strong engineering experience and competitive financial costs. We assume it wins a total capacity of 500MW (250MW equity capacity for GUNKUL via its 50% stake in the JV) from the bids and expect those wind projects to commence operations over 2024-27F.

Ex 2: Pro-Rata Capacity Projections



Sources: Company data, Thanachart estimates

Ex 3: Expiring Subsidized Capacity



Sources: Company data, Thanachart estimates

*...and another 500MW of
solar private-PPAs*

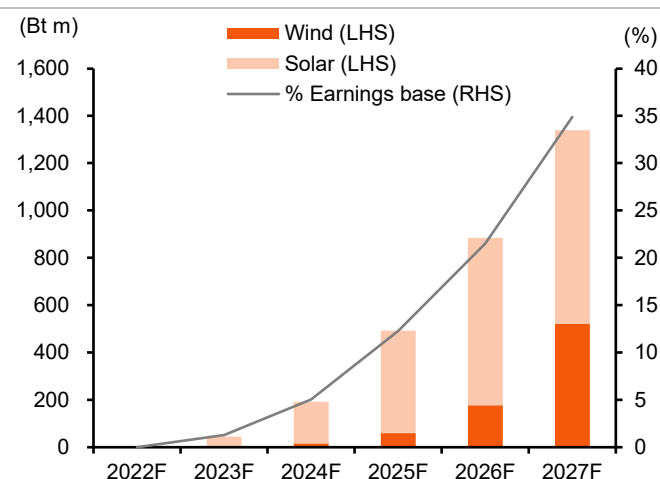
Despite there still being a sizable quota to develop new solar power plants, we don't expect any traditional solar PPAs (contracts to sell electricity to the central grid with EGAT as the only buyer) from the PDP-2022. This is because the cost of generating electricity from solar power is already below the national electricity price, so there is no need for solar projects to be subsidized. However, we believe the JV could instead secure B2B-like contracts to develop and sell electricity from either small- to medium-sized solar farms or solar rooftop projects to government agencies and corporates requiring green energy sources to comply with stricter global environmental rules. We factor into our numbers the development of 500MW of solar power plants (250MW based on GUNKUL's stake) over 2023-27F by the JV, in line with its announced target. We project the earnings contribution from the JV to more than offset the negative impact from the expiry of GUNKUL's solar subsidy in 2023F, despite only partially making up for its wind power subsidies due to expire over 2026-28F.

*GUNKUL is also going to be
the sole contractor to
develop those projects*

Apart from the recurring revenue from power plants, GUNKUL would also earn revenues via its engineering and construction business (EPC) as the sole project developer for the JV. We estimate Bt22.5bn in EPC revenue for GUNKUL (at a 100% stake) over 2023-27F for solar and wind power project developments with a conservative profitability assumption of a 5% net margin. Note that GUNKUL has announced a plan to spin off this EPC entity in early 2023. The strong backlog from the JV is therefore likely to become a good supporting factor

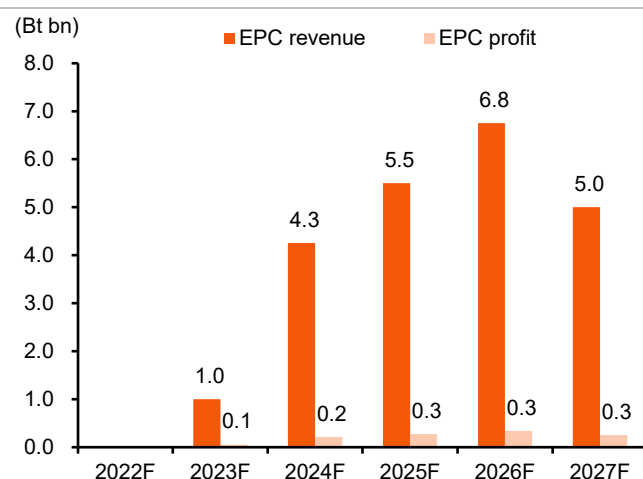
for its valuation, thus offering potential upside from the return on the divestment to GUNKUL. We include a Bt1.0/share additional value from the JV in our valuation for GUNKUL, of which Bt0.8 is from its 50% stake in the potential new renewable capacity of 1.0GW and Bt0.2 from value gained through its EPC business, but we have yet to factor benefits from the spin-off into our numbers.

Ex 4: Estimated Profit From Renewables In JV



Source: Thanachart estimates

Ex 5: GUNKUL Also Gains EPC Revenue From The JV



Source: Thanachart estimates

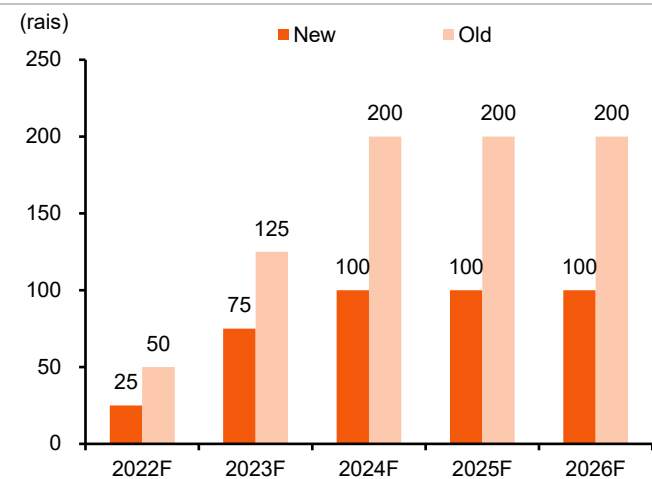
More conservative on cannabis business

Cannabis plantation cut to 100 rai, but now includes higher-value marijuana

GUNKUL has revised down its long-term cannabis plantation area target to 100 rai (from 200 rai earlier). We believe the cut has been the result of weaker-than-expected demand for CBD-based products from locals, especially in the food and beverage segment. Our projections now assume cannabis plantation areas of 25/75/100 rai in 2022-24F (from 50/125/200) following the business revision by the company. Having said that, we still see decent value-added from its hemp plantations through the sale of extracted CBD for cosmetic and medical uses. The recent removal of cannabis from the list of prohibited narcotics in Thailand has opened up a business opportunity for marijuana (cannabis with >2% Tetrahydrocannabinol [THC]) to sell the buds for recreational purposes (including smoking and in drinks or food) in the local market and for export. We expect marijuana to have a much higher value per plantation area than CBD products from hemp (<2% THC cannabis), which also requires additional extraction processes.

First revenue from cannabis business likely in 2Q22F

GUNKUL started harvesting dry buds from its first batch (4 rai) of hemp plantation in May to sell them to its clients in the medical industry to extract CBD oil themselves, and in the form of extracted CBD for another group of clients to mix with cosmetics, foods and beverages, and food supplement products. We recap here that GUNKUL has also invested in its own (100%) cannabis extraction plant (midstream) and 50% in the downstream businesses of CBD-product development (i.e., snacks, body creams, massage balms, and sleep-aid oils) and traditional Thai medicine clinics which can distribute and provide treatments from cannabis-based medicines and other products. The beginning of revenue recognition from its cannabis business should be seen in 2Q22F.

Ex 6: Cannabis Plantation Area Assumptions

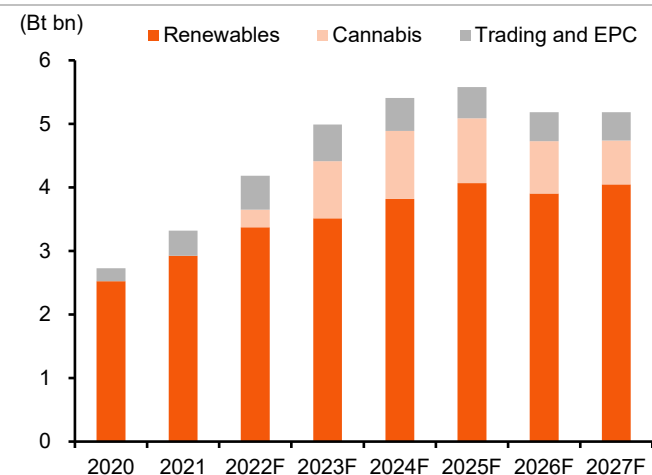
Sources: Thanachart estimates

Ex 7: GUNKUL Has Plantations To End Products

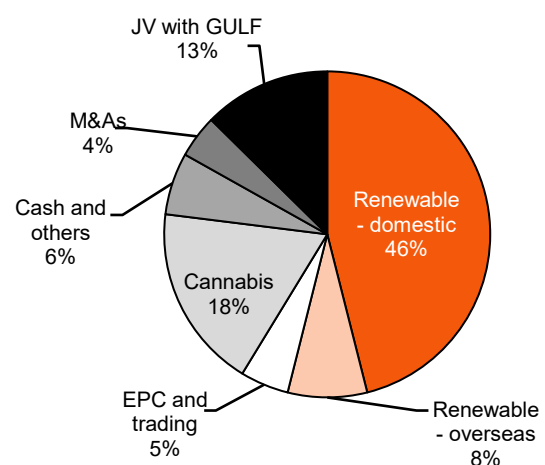
Sources: Company data

Renewables continue to be its long-term core business

Looking ahead to 2025F, we foresee GUNKUL operating four core businesses: 1) legacy subsidized solar and wind power plants and investments in renewable projects overseas, 2) renewable projects through the JV with GULF, 3) a full cannabis business supply chain from plantation to end products, and 4) engineering and construction work for the electricity grid and renewable projects (but with a lower ownership percentage after the spin-off). We expect the renewable business to remain the key contributor to GUNKUL's profit at 75% of its EBIT level in 2025F. Cannabis should gradually expand its contribution to 20% in that same year, while the remaining 5% would be from the EPC business. Similar portions are seen in the company's valuation breakdown shown in Exhibit 9.

Ex 8: EBIT Breakdown By Business

Sources: Company data, Thanachart estimates

Ex 9: Renewables Continue To Dominate GUNKUL's Value

Sources: Thanachart estimates

Ex 10: 12-month DCF-derived SOTP-TP Calculation

	Valuation method	WACC (%)	Value per GUNKUL's share (Bt)
Existing projects			
Solar farms TH	DCF	5.6-5.8%	0.78
Wind farms - TH	DCF	5.6-6.0%	1.15
Solar rooftop - TH	DCF	5.3-5.8%	0.93
Subtotal - Domestic			2.86
Solar farms - JP	DCF	3.9%	0.29
Solar farms - VN	DCF	5.1%	0.16
Solar farms - MY	DCF	5.5%	0.04
Subtotal - Overseas			0.49
EPC and trading business	DCF	7.3%	0.30
Hemp business	DCF	7.1%	1.13
Cash on hands			0.38
Potential : 250MW M&As	DCF	10.0%	0.26
Potential : 1000MW GULF-JV	DCF	10.0%	0.78
Grand total			6.20

Source: Thanachart estimates

Valuation Comparison

Ex 11: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			22F (%)	23F (%)	22F (x)	23F (x)	22F (x)	23F (x)	22F (x)	23F (x)	22F (%)	23F (%)
Huadian Power	1071 HK	China	na	41.2	11.0	7.8	0.5	0.5	12.3	10.5	4.8	9.1
Huaneng Power	600011 CH	China	na	28.8	15.9	12.3	1.1	1.0	9.8	8.8	0.7	3.0
Cheung Kong Infrastructure	1038 HK	Hong Kong	10.6	(3.5)	12.8	13.3	1.0	1.0	50.6	50.0	5.2	5.2
China Power Int'l	2380 HK	Hong Kong	na	39.8	19.4	13.8	1.4	1.3	10.3	8.1	0.8	2.7
China Resources Power	836 HK	Hong Kong	54.5	30.2	7.9	6.1	0.8	0.7	6.4	5.5	3.4	6.0
CLP Holdings	2 HK	Hong Kong	(16.7)	21.9	17.7	14.5	1.4	1.4	9.6	9.3	4.8	4.8
Hongkong Electric Holdings	6 HK	Hong Kong	7.2	(1.0)	15.1	15.3	1.2	1.2	73.8	74.2	5.8	5.8
Huaneng Power	902 HK	Hong Kong	na	73.5	12.6	7.3	0.6	0.6	10.0	8.9	1.6	5.3
Tata Power	TPWR IN	India	35.5	43.4	32.0	22.3	3.0	2.7	15.1	12.9	0.7	0.8
Tenaga Nasional	TNB MK	Malaysia	(5.4)	7.4	10.1	9.4	0.8	0.8	6.7	6.7	6.7	5.4
YTL Corp	YTL MK	Malaysia	na	na	na	39.3	0.5	0.5	10.6	9.9	4.4	3.9
YTL Power	YTLP MK	Malaysia	na	na	na	17.2	0.4	0.4	11.4	9.7	5.7	5.5
Manila Electric	MER PM	Philippines	6.3	0.1	16.1	16.1	3.9	3.6	10.3	9.4	3.9	4.3
BCPG Pcl *	BCPG TB	Thailand	16.6	(19.7)	12.3	15.3	1.2	1.1	9.9	12.6	3.0	3.0
B.Grimm Power Pcl *	BGRIM TB	Thailand	(33.7)	82.7	59.1	32.3	3.2	3.0	17.5	14.6	0.8	1.5
Banpu Power Pcl *	BPP TB	Thailand	69.7	6.5	10.6	10.0	1.0	0.9	133.6	95.5	5.6	6.0
CK Power Pcl *	CKP TB	Thailand	13.7	(4.5)	20.6	21.6	1.8	1.7	21.6	16.0	1.9	2.3
EA Pcl*	EA TB	Thailand	44.9	20.6	35.5	29.4	7.9	6.6	25.3	21.5	0.8	1.0
Electricity Generating *	EGCO TB	Thailand	3.9	1.7	8.6	8.5	0.8	0.7	19.2	18.3	3.7	4.0
Global Power Synergy *	GPSC TB	Thailand	(4.1)	18.6	29.0	24.4	1.7	1.6	17.0	16.2	1.9	2.2
Gulf Energy Dev. Pcl *	GULF TB	Thailand	22.2	37.4	51.2	37.3	4.4	3.5	38.0	30.0	1.2	1.6
Gunkul Engineering *	GUNKUL TB	Thailand	41.7	23.7	17.2	13.9	3.3	2.8	18.2	14.0	2.3	2.9
RATCH Group *	RATCH TB	Thailand	49.7	(19.9)	5.8	7.2	0.8	0.7	18.6	17.4	9.5	5.2
WHA Utilities & Power *	WHAUP TB	Thailand	45.9	9.3	10.7	9.8	1.1	1.1	25.8	22.8	5.6	6.1
Average			20.1	19.9	19.6	16.9	1.8	1.6	24.2	21.0	3.5	4.1

Sources: Bloomberg, * Thanachart estimates

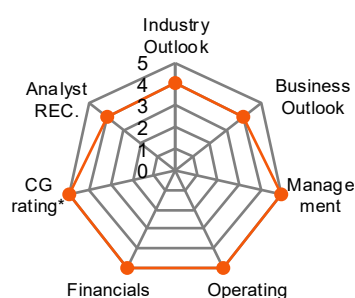
Based on 24 June 2022 closing prices

COMPANY DESCRIPTION

Gunkul Engineering Pcl (GUNKUL) operates three major business units: 1) electrical equipment trading and manufacturing, 2) electricity infrastructure construction service, and 3) renewable power plants. Power generation from renewable sources is now its core business, with a total of 641MW operating capacity from subsidized solar and wind farms in Thailand, solar power plants abroad, and private solar rooftop projects.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Established reputation and track record in the market, especially on public infrastructure construction projects.
- Strong relationships with local state power agencies.
- Hefty cashflow stream from subsidized renewable power plants in Thailand.

O — Opportunity

- Bigger slice of the pie in state-enterprise budgets, rising in tandem with a pick-up in the country's GDP.
- Further capacity expansion in neighbouring countries (i.e. Vietnam, Malaysia, and Myanmar), both greenfield development and acquisitions.

W — Weakness

- Limited capacity growth potential in Thailand given the country's oversupply situation.
- Power generation performance is heavily reliant on natural conditions as a usual characteristic of renewable plants.

T — Threat

- Lack of expertise in new energy technology, i.e. peer-to-peer trading system, and battery and energy storage.
- Rising number of corporates investing in renewables to gain benefits from carbon emission neutrality.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	6.37	6.20	-3%
Net profit 22F (Bt m)	2,565	2,864	12%
Net profit 23F (Bt m)	3,232	3,543	10%
Consensus REC	BUY: 5	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F earnings are 12% and 10% above the Bloomberg consensus numbers, which we believe is due to us factoring in higher benefits from the national Ft hike than the Street.
- However, our TP is 3% lower, which we attribute to us assuming lower long-term cannabis business profitability.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Our valuation relies heavily on the success of its start-up hemp business, i.e., plantation yield, domestic market price of CBD isolate, and end demand for CBD-based projects.
- Another key downside risk to our call would be if GUNKUL fails to grow its capacity to our expectation.
- Unfavourable natural conditions, i.e., low solar radiation and weak wind speeds, would represent another significant downside risk to our earnings forecasts.
- A secondary downside risk would be if construction work projects were to be delayed from our assumptions.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	7,453	7,945	10,176	12,718	13,666
Cost of sales	5,608	5,574	6,865	8,139	8,639
Gross profit	1,845	2,372	3,311	4,579	5,027
% gross margin	24.8%	29.9%	32.5%	36.0%	36.8%
Selling & administration expenses	955	972	1,054	1,245	1,346
Operating profit	889	1,400	2,257	3,334	3,681
% operating margin	11.9%	17.6%	22.2%	26.2%	26.9%
Depreciation & amortization	1,353	1,542	1,479	1,646	1,796
EBITDA	2,243	2,942	3,737	4,979	5,478
% EBITDA margin	30.1%	37.0%	36.7%	39.2%	40.1%
Non-operating income	1,285	1,446	1,486	1,550	1,560
Non-operating expenses	0	0	0	0	0
Interest expense	(912)	(971)	(927)	(919)	(915)
Pre-tax profit	1,262	1,875	2,816	3,966	4,327
Income tax	119	188	282	476	649
After-tax profit	1,143	1,687	2,534	3,490	3,678
% net margin	15.3%	21.2%	24.9%	27.4%	26.9%
Shares in affiliates' Earnings	291	357	340	65	136
Minority interests	(13)	(22)	(10)	(11)	(11)
Extraordinary items	1,992	208	0	0	0
NET PROFIT	3,412	2,229	2,864	3,543	3,803
Normalized profit	1,421	2,022	2,864	3,543	3,803
EPS (Bt)	0.4	0.3	0.3	0.4	0.4
Normalized EPS (Bt)	0.2	0.2	0.3	0.4	0.4

*Cannabis business is
the key earning growth
driver for 2022-23F*

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	11,782	7,567	9,067	9,903	10,324
Cash & cash equivalent	6,279	3,868	4,019	4,019	4,019
Account receivables	2,864	1,466	2,509	3,136	3,370
Inventories	637	809	1,128	1,338	1,420
Others	2,003	1,424	1,410	1,410	1,515
Investments & loans	1,566	1,833	1,833	1,833	1,833
Net fixed assets	26,943	26,536	27,626	28,721	29,759
Other assets	5,741	6,550	8,237	10,158	10,875
Total assets	46,032	42,485	46,763	50,615	52,791
LIABILITIES:					
Current liabilities:	12,983	9,054	12,448	12,463	13,546
Account payables	2,404	1,681	2,257	2,676	2,840
Bank overdraft & ST loans	4,659	1,645	1,132	1,214	1,124
Current LT debt	3,315	4,469	4,302	4,613	4,270
Others current liabilities	2,604	1,258	4,756	3,960	5,312
Total LT debt	18,793	18,630	17,209	18,452	17,080
Others LT liabilities	1,781	1,518	1,787	2,109	2,228
Total liabilities	33,557	29,202	31,444	33,023	32,855
Minority interest	125	162	172	183	193
Preferreds shares	0	0	0	0	0
Paid-up capital	2,221	2,221	2,221	2,221	2,221
Share premium	5,179	5,179	5,179	5,179	5,179
Warrants	0	0	0	0	0
Surplus	(1,359)	(674)	(674)	(674)	(674)
Retained earnings	6,309	6,395	8,420	10,682	13,016
Shareholders' equity	12,350	13,122	15,147	17,408	19,742
Liabilities & equity	46,032	42,485	46,763	50,615	52,791

*Healthy balance sheet
for further investment
opportunities*

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,262	1,875	2,816	3,966	4,327
Tax paid	(114)	(194)	(270)	(471)	(644)
Depreciation & amortization	1,353	1,542	1,479	1,646	1,796
Chg ln working capital	(287)	504	(788)	(417)	(152)
Chg ln other CA & CL / minorities	(2,482)	(440)	3,792	(785)	1,330
Cash flow from operations	(267)	3,286	7,030	3,939	6,658
Capex	(3,729)	(1,135)	(2,570)	(2,740)	(2,835)
Right of use	(682)	138	0	0	0
ST loans & investments	170	0	0	0	0
LT loans & investments	165	(267)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg ln other assets & liabilities	3,728	(1,052)	(1,369)	(1,552)	(549)
Cash flow from investments	(348)	(2,315)	(3,939)	(4,292)	(3,384)
Debt financing	4,451	(1,924)	(2,100)	1,635	(1,805)
Capital increase	0	0	0	0	0
Dividends paid	(1,194)	(2,131)	(839)	(1,282)	(1,469)
Warrants & other surplus	(580)	674	0	0	0
Cash flow from financing	2,676	(3,382)	(2,940)	353	(3,274)
Free cash flow	(3,996)	2,152	4,460	1,199	3,823

Hefty cash flow from
subsidized wind farms
easily supports capex

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	34.7	24.4	17.2	13.9	13.0
Normalized PE - at target price (x)	38.8	27.2	19.2	15.5	14.5
PE (x)	14.4	22.1	17.2	13.9	13.0
PE - at target price (x)	16.1	24.7	19.2	15.5	14.5
EV/EBITDA (x)	31.1	23.9	18.2	14.0	12.4
EV/EBITDA - at target price (x)	33.7	25.8	19.7	15.1	13.4
P/BV (x)	4.0	3.8	3.3	2.8	2.5
P/BV - at target price (x)	4.5	4.2	3.6	3.2	2.8
P/CFO (x)	(184.6)	15.0	7.0	12.5	7.4
Price/sales (x)	6.6	6.2	4.8	3.9	3.6
Dividend yield (%)	3.3	1.1	2.3	2.9	3.1
FCF Yield (%)	(8.1)	4.4	9.0	2.4	7.8
(Bt)					
Normalized EPS	0.2	0.2	0.3	0.4	0.4
EPS	0.4	0.3	0.3	0.4	0.4
DPS	0.2	0.1	0.1	0.2	0.2
BV/share	1.4	1.5	1.7	2.0	2.2
CFO/share	(0.0)	0.4	0.8	0.4	0.7
FCF/share	(0.5)	0.2	0.5	0.1	0.4

Sources: Company data, Thanachart estimates

Attractive valuation in
our view at 14x PE in
2023F

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	35.0	6.6	28.1	25.0	7.5
Net profit (%)	58.9	(34.7)	28.5	23.7	7.3
EPS (%)	42.2	(34.7)	28.5	23.7	7.3
Normalized profit (%)	(33.2)	42.3	41.7	23.7	7.3
Normalized EPS (%)	(40.2)	42.3	41.7	23.7	7.3
Dividend payout ratio (%)	47.4	23.9	40.0	40.0	40.0
Operating performance					
Gross margin (%)	24.8	29.9	32.5	36.0	36.8
Operating margin (%)	11.9	17.6	22.2	26.2	26.9
EBITDA margin (%)	30.1	37.0	36.7	39.2	40.1
Net margin (%)	15.3	21.2	24.9	27.4	26.9
D/E (incl. minor) (x)	2.1	1.9	1.5	1.4	1.1
Net D/E (incl. minor) (x)	1.6	1.6	1.2	1.2	0.9
Interest coverage - EBIT (x)	1.0	1.4	2.4	3.6	4.0
Interest coverage - EBITDA (x)	2.5	3.0	4.0	5.4	6.0
ROA - using norm profit (%)	3.3	4.6	6.4	7.3	7.4
ROE - using norm profit (%)	12.3	15.9	20.3	21.8	20.5
DuPont					
ROE - using after tax profit (%)	9.9	13.2	17.9	21.4	19.8
- asset turnover (x)	0.2	0.2	0.2	0.3	0.3
- operating margin (%)	29.2	35.8	36.8	38.4	38.4
- leverage (x)	3.7	3.5	3.2	3.0	2.8
- interest burden (%)	58.1	65.9	75.2	81.2	82.5
- tax burden (%)	90.5	90.0	90.0	88.0	85.0
WACC (%)	5.8	5.8	5.8	5.8	5.8
ROIC (%)	2.8	3.8	6.0	8.7	8.3
NOPAT (Bt m)	805	1,259	2,032	2,934	3,129
invested capital (Bt m)	32,839	33,998	33,771	37,668	38,197

Sources: Company data, Thanachart estimates

*High-profitability company,
supported by subsidized
renewable plants*

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