Banpu Pcl (BANPU TB) - BUY, Price Bt13.20, TP Bt17.00

Results Comment

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2Q22 core profit higher than expected

- BANPU reported 2Q22 net profit of Bt12.8bn (EPS Bt2.48/sh). Excluding items, norm profit was Bt15.4bn (norm EPS Bt2.99/sh). The core profit was ahead of our expectation due to both strong coal and gas contribution. BUY.
- Gross profit total $931m, broken down into coal 71%, gas 25% and the rest from power and others. All segments saw more than 50% q-q GP growth.
- **Coal**: Total output was 6.29m tons, up 16% q-q but -10% y-y. Indonesian output was 3.83m tons, up slightly q-q but -19% y-y due to closure of Embalut mine. ASP reached $203/ton, +150% y-y and 34% q-q while production cost was $67.5/ton up both y-y and q-q due to higher diesel price. Australian output was 2.46m tons (+9% y-y, +43% q-q) while ASP was A$172/ton (+92% y-y) against cost of A$111/ton (+36% y-y).
- **US gas**: Sales volume was more or less flat y-y and q-q at almost 60Mcf. ASP increased strongly y-y and q-q to $6.44/mmbtu, a discount of about $0.8/mmbtu vs Henry Hub price. Production cost was $1.36/mmbtu, up 55% y-y and 4% q-q. Gathering & compression cost increased about 6% y-y and q-q to $1.06/mmbtu.
- **Equity income** was $81m (Bt2.8bn) +42% y-y and +36% q-q due to strong contribution from China coal and Hongsa Power.
- **Non-operating item**. BANPU reported $292m loss from derivatives partially offset by $164m gain from bargain purchase of XTO (US gas asset) and $53m FX gain.
- We expect core profit to grow q-q in 3Q22F on stronger coal price and higher gas volume (XTO) while hedging loss will likely decline (lower hedged portion for both coal and gas).

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	25,063	38,234	47,631	41,509	60,986
Gross profit	**8,946**	**17,415**	**21,919**	**19,499**	**32,027**
SG&A	4,913	7,405	8,314	6,835	9,033
Operating profit	4,033	10,010	13,605	12,664	22,994
EBITDA	**7,622**	**14,183**	**17,993**	**17,057**	**28,813**
Other income	390	455	624	985	732
Other expense	66	108	73	59	63
Interest expense	1,283	1,412	1,585	1,642	1,862
Profit before tax	**3,074**	**8,945**	**12,572**	**11,948**	**21,802**
Income tax	1,018	1,996	1,957	2,483	5,691
Equity & invest. income	1,977	2,109	1,903	2,059	2,800
Minority interests	(1,112)	(1,534)	(2,701)	(2,639)	(3,490)
Extraordinary items	(1,595)	(4,019)	(6,369)	1,379	(2,632)
Net profit	**1,325**	**3,505**	**3,448**	**10,264**	**12,789**
Normalized profit	**2,920**	**7,524**	**9,817**	**8,885**	**15,421**
EPS (Bt)	0.26	0.68	0.67	1.99	2.48
Normalized EPS (Bt)	0.57	1.46	1.90	1.72	2.99

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	47	143	64	159,260	156,740
Gross profit	**64**	**258**	**64**	**80,022**	**79,412**
SG&A	32	84	54	29,337	28,818
Operating profit	82	470	70	50,685	50,595
EBITDA	**69**	**278**	**66**	**69,351**	**70,974**
Other income	(26)	88	90	1,913	1,554
Other expense	6	(5)	38	320	320
Interest expense	13	45	50	7,074	5,935
Profit before tax	**82**	**609**	**75**	**45,205**	**45,894**
Income tax	129	459	45	18,082	18,358
Equity & invest. income	36	42	85	5,733	6,000
Minority interests	na	na	61	(10,097)	(10,287)
Extraordinary items	na	na	na	0	0
Net profit	**25**	**865**	**101**	**22,759**	**23,249**
Normalized profit	**74**	**428**	**107**	**22,759**	**23,249**
EPS (Bt)	25	865	141	3.16	2.62
Normalized EPS (Bt)	74	428	149	3.16	2.62

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	35,632	46,393	42,971	60,649	60,512
A/C receivable	10,709	16,083	15,806	16,432	22,466
Inventory	3,539	3,395	3,905	3,886	5,725
Other current assets	9,405	20,975	22,755	15,053	16,093
Investment	62,138	54,293	54,991	62,942	57,111
Fixed assets	87,683	99,633	114,167	114,171	150,653
Other assets	101,316	114,327	111,205	109,225	119,505
Total assets	**310,421**	**355,100**	**365,799**	**382,358**	**432,066**
S-T debt	59,399	56,987	60,649	45,730	63,069
A/C payable	2,530	2,905	3,293	3,293	4,043
Other current liabilities	24,971	35,874	33,248	43,656	45,200
L-T debt	115,422	135,852	139,747	154,135	164,602
Other liabilities	21,005	28,744	25,164	24,991	31,578
Minority interest	23,552	25,494	24,420	24,909	28,957
Shareholders' equity	**63,542**	**69,244**	**79,277**	**85,644**	**94,616**
Working capital	11,718	16,573	16,417	17,024	24,148
Total debt	174,821	192,839	200,396	199,865	227,672
Net debt	**139,190**	**146,446**	**157,425**	**139,216**	**167,160**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	51.6	159.4	135.1	86.5	143.3
Operating profit growth	na	na	na	233.1	470.2
EBITDA growth	985.2	320.5	563.5	126.0	278.0
Norm profit growth	na	na	26,102.5	405.5	428.1
Norm EPS growth	na	na	26,102.5	405.5	428.1
Gross margin	35.7	45.5	46.0	47.0	52.5
Operating margin	16.1	26.2	28.6	30.5	37.7
EBITDA margin	30.4	37.1	37.8	41.1	47.2
Norm net margin	11.7	19.7	20.6	21.4	25.3
D/E (x)	2.0	2.0	1.9	1.8	1.8
Net D/E (x)	1.6	1.5	1.5	1.3	1.4
Interest coverage (x)	5.9	10.0	11.4	10.4	15.5
Interest rate	3.0	3.1	3.2	3.3	3.5
Effective tax rate	33.1	22.3	15.6	20.8	26.1
ROA	3.8	9.0	10.9	9.5	15.1
ROE	18.1	45.3	52.9	43.1	68.4

Sources: Company data, Thanachart estimates

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