

B.Grimm Power Pcl (BGRIM TB) - HOLD, Price Bt39.00, TP Bt34.00**Results Comment**

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Small profit recovery in 2Q22

- We estimate BGRIM's norm profit, after excluding impact from FX adjusted with minority interests, at Bt147m in 2Q22, down 85% y-y but improved 327% q-q. The sharp drop y-y was due to squeezed margin in its SPP plants from surging gas cost, while a recovery q-q was from a dip in gas cost this quarter.
- Total revenue grew 28% y-y to Bt14.7bn in 2Q22, driven by higher electricity selling price, higher sale volume, and stronger contribution from Vietnam solar farms. It was flat q-q since few of its power plants went down for their planned maintenances.
- Gross margin recovered slightly to 11.5% in 2Q22, vs. 8.8% in 1Q22, thanks to an Ft hike in May and lower gas cost to Bt422/mmbtu (-5% q-q). However, it was weaker than 22.6% in 2Q21 as national tariff hike still lags actual rise in gas cost.
- Total SG&A increased 11% y-y and 18% q-q to Bt453m in 2Q22, mainly due to a re-classification of some cost items from the cost of good sold. Total SG&A-to-sales thus expanded to 3.1% in 2Q22, from 2.6% in 1Q22 and 3.6% in 2Q21.
- EBITDA dropped 28% y-y to Bt2.5bn in 2Q22, due to weaker margins. It grew 16% q-q from the small drip in SPP gas cost compared to the previous quarter.
- We expect BGRIM's earnings to weaken in 2H22F as we project a recently announced Bt0.69/kWh Ft hike from Sep-22 is not sufficient to offset the rise in gas cost, thus lower margin from BGRIM's SPP plants. We maintain HOLD as we believe the market is now overly optimistic on BGRIM's earnings recovery trend, while see downside to our numbers.

Income Statement				(consolidated)	
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	11,475	11,714	12,986	14,758	14,676
Gross profit	2,590	2,130	1,648	1,300	1,693
SG&A	409	413	439	383	453
Operating profit	2,181	1,717	1,208	917	1,240
EBITDA	3,499	3,112	2,491	2,179	2,526
Other income	45	57	58	51	66
Other expense	0	0	0	0	0
Interest expense	715	922	858	865	960
Profit before tax	1,511	852	408	104	345
Income tax	128	55	6	29	2
Equity & invest. income	(9)	14	(11)	(3)	(20)
Minority interests	(363)	(240)	(190)	(37)	(176)
Extraordinary items	10	(122)	(7)	(11)	(340)
Net profit	1,021	449	194	23	(193)
Normalized profit	1,011	571	201	34	147
EPS (Bt)	0.39	0.17	0.07	0.01	(0.07)
Normalized EPS (Bt)	0.39	0.22	0.08	0.01	0.06

Balance Sheet				(consolidated)	
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	23,505	26,830	26,435	26,047	35,648
A/C receivable	8,280	8,395	8,983	8,841	10,369
Inventory	1,109	1,069	971	956	964
Other current assets	1,595	2,559	4,669	3,424	3,678
Investment	1,099	1,016	2,909	2,861	4,228
Fixed assets	82,687	81,496	84,804	88,121	90,185
Other assets	20,872	21,146	20,426	22,147	23,418
Total assets	139,147	142,512	149,198	152,398	168,489
S-T debt	17,434	7,855	6,495	4,594	7,133
A/C payable	6,085	6,709	5,691	7,286	3,725
Other current liabilities	597	688	538	1,300	4,269
L-T debt	68,066	80,662	89,241	53,137	104,829
Other liabilities	5,894	6,381	6,418	43,616	5,212
Minority interest	12,282	10,803	11,344	11,837	12,309
Shareholders' equity	28,788	29,414	29,471	30,628	31,011
Working capital	3,305	2,755	4,264	2,511	7,607
Total debt	85,500	88,517	95,736	57,731	111,963
Net debt	61,995	61,687	69,300	31,684	76,315

Sources: Company data, Thanachart estimates

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(1)	28	46	64,512	65,985
Gross profit	30	(35)	63	4,738	7,415
SG&A	18	11	47	1,776	2,065
Operating profit	35	(43)	73	2,962	5,350
EBITDA	16	(28)	56	8,404	10,872
Other income	28	46	45	260	266
Other expense			na	0	0
Interest expense	11	34	53	3,436	3,526
Profit before tax	233	(77)	(210)	(214)	2,090
Income tax	(93)	(99)	na	0	178
Equity & invest. income	na	na	37	(63)	66
Minority interests	na	na	(30)	720	(29)
Extraordinary items	na	na	na	0	0
Net profit	na	na	na	443	1,949
Normalized profit	327	(85)	41	443	1,949
EPS (Bt)	na	na	(38)	0.17	0.75
Normalized EPS (Bt)	327	(85)	41	0.17	0.75

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales grow th	2.1	4.7	24.4	41.2	27.9
Operating profit grow th	25.3	(12.9)	(27.5)	(52.1)	(43.1)
EBITDA grow th	11.3	(7.8)	(18.6)	(32.5)	(27.8)
Norm profit grow th	50.0	(23.4)	(61.0)	(94.7)	(85.5)
Norm EPS grow th	50.0	(23.4)	(61.0)	(94.7)	(85.5)
Gross margin	22.6	18.2	12.7	8.8	11.5
Operating margin	19.0	14.7	9.3	6.2	8.4
EBITDA margin	30.5	26.6	19.2	14.8	17.2
Norm net margin	8.8	4.9	1.5	0.2	1.0
D/E (x)	2.1	2.2	2.3	1.4	2.6
Net D/E (x)	1.5	1.5	1.7	0.7	1.8
Interest coverage (x)	4.9	3.4	2.9	2.5	2.6
Interest rate	3.5	4.2	3.7	4.5	4.5
Effective tax rate	8.4	6.5	1.4	27.7	0.6
ROA	3.0	1.6	0.6	0.1	0.4
ROE	14.0	7.8	2.7	0.5	1.9

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