Banpu Power Pcl (BPP TB) - BUY, Price Bt15.30, TP Bt22.50

Results Comment

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Better-than-expected 2Q22 profit

- BPP reported Bt685m net profit in 2Q22. After excluding FX and hedging gain/loss, we estimate its norm profit at Bt1.29bn, up 21% y-y and 408% q-q in a like-for-like basis. This earnings was better than what we had expected, driven mainly by strong contribution from Temple-1 gas-fired power plant in the US and higher availability factor in its IPP plants in Thailand.
- Total revenue increased 408% y-y to Bt4.4bn in 2Q22 due to the contribution from Temple-1 plant, acquired in Nov-21. It also increased 13% from previous quarter as higher revenue from Temple-1 in its high season of electricity demand more than offset weaker revenue from coal-fired power plants in China during their weak season.
- EBITDA was at Bt451m in 2Q22, recovered from a loss making in the same period last year when there was no contribution from Temple-1 and improved 85% q-q, also due to stronger performance from the gas power plant.
- Equity income dropped 34% y-y to Bt791m in 2Q22 due to a loss contribution from Shanxi Luguang coal-fired power plant in China given strong coal price surge. However, it went up 146% q-q since its two IPP plants in Thailand came back to full operation after went through their planned shutdowns in 1Q22.
- We still see significant downside to our earnings projection on BPP given a much stronger-than-expected rise in coal price, especially in China. However, we also believe that its share price has corrected heavily to reflect the issue. We have to revise our earnings forecast and valuation on BPP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	861	1,048	3,064	3,861	4,377
Gross profit	**(103)**	**(141)**	**(145)**	**252**	**478**
SG&A	228	232	439	308	336
Operating profit	(331)	(373)	(583)	(56)	142
EBITDA	**(211)**	**(249)**	**(356)**	**243**	**451**
Other income	197	316	298	159	194
Other expense	0	0	0	0	0
Interest expense	41	44	130	166	195
Profit before tax	**(175)**	**(102)**	**(415)**	**(64)**	**141**
Income tax	(19)	8	(25)	63	(34)
Equity & invest. income	1,205	513	612	322	791
Minority interests	14	(4)	(52)	59	324
Extraordinary items	63	197	200	2,665	(604)
Net profit	**1,126**	**596**	**371**	**2,918**	**685**
Normalized profit	**1,063**	**399**	**171**	**254**	**1,289**
EPS (Bt)	0.37	0.20	0.12	0.96	0.22
Normalized EPS (Bt)	0.35	0.13	0.06	0.08	0.42

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	13	408	133	6,196	6,190
Gross profit	**90**	**na**	**81**	**898**	**1,040**
SG&A	9	48	70	922	929
Operating profit	na	na	(347)	(25)	112
EBITDA	**85**	**na**	**174**	**399**	**542**
Other income	22	(1)	47	751	672
Other expense			na	0	0
Interest expense	17	370	105	345	324
Profit before tax	**na**	**na**	**20**	**381**	**460**
Income tax	na	na	26	114	138
Equity & invest. income	146	(34)	28	3,977	4,210
Minority interests	453	2,231	(314)	(122)	(142)
Extraordinary items	na	na	na	0	0
Net profit	**(77)**	**(39)**	**87**	**4,123**	**4,389**
Normalized profit	**408**	**21**	**37**	**4,123**	**4,389**
EPS (Bt)	(77)	(39)	87	1.35	1.44
Normalized EPS (Bt)	408	21	37	1.35	1.44

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	1,388	1,196	2,635	4,275	7,367
A/C receivable	1,015	1,065	1,311	1,566	1,551
Inventory	391	460	1,186	435	998
Other current assets	4,228	4,635	4,750	4,418	4,086
Investment	32,128	33,734	33,766	36,178	37,599
Fixed assets	8,431	8,841	23,811	23,431	24,076
Other assets	7,514	8,016	7,407	5,901	5,992
Total assets	**55,095**	**57,947**	**74,867**	**76,205**	**81,671**
S-T debt	5,533	6,302	7,991	6,111	4,002
A/C payable	187	187	331	188	467
Other current liabilities	1,272	2,055	2,647	2,428	3,653
L-T debt	2,706	2,508	13,965	15,241	21,114
Other liabilities	37	43	354	367	389
Minority interest	927	983	3,944	3,491	3,303
Shareholders' equity	**44,432**	**45,870**	**45,635**	**48,377**	**48,743**
Working capital	1,219	1,338	2,166	1,813	2,083
Total debt	8,239	8,810	21,956	21,352	25,116
Net debt	**6,852**	**7,614**	**19,321**	**17,077**	**17,749**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	(18.9)	7.8	88.1	113.1	408.4
Operating profit growth	na	na	na	na	na
EBITDA growth	na	na	na	(4.4)	na
Norm profit growth	40.8	(52.5)	(87.3)	(75.8)	21.3
Norm EPS growth	41.0	(52.5)	(87.3)	(75.7)	21.3
Gross margin	(11.9)	(13.5)	(4.7)	6.5	10.9
Operating margin	(38.4)	(35.6)	(19.0)	(1.5)	3.2
EBITDA margin	(24.5)	(23.8)	(11.6)	6.3	10.3
Norm net margin	123.4	38.1	5.6	6.6	29.5
D/E (x)	0.2	0.2	0.4	0.4	0.5
Net D/E (x)	0.2	0.2	0.4	0.3	0.3
Interest coverage (x)	(5.1)	(5.6)	(2.7)	1.5	2.3
Interest rate	2.4	2.1	3.4	3.1	3.4
Effective tax rate	10.8	(7.7)	6.1	(99.1)	(23.9)
ROA	7.8	2.8	1.0	1.3	6.5
ROE	9.7	3.5	1.5	2.2	10.6

Sources: Company data, Thanachart estimates

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