CK Power Pcl (CKP TB) - BUY, Price Bt5.25, TP Bt6.50

Results Comment

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Better-than-expected 2Q22 profit

- CKP reported B859m norm profit (excluding Bt15m FX gain) in 2Q22, up 34% y-y in a like-for-like basis. The strong growth was driven mainly by stronger electricity output from Xayaburi hydropower plant, which more than offset weak performances from Nam-Ngum 2 hydro (NN2) and BIC gas-fired projects.
- The profit beat our expectation on a better-than-expected cost control in Xayaburi plant and a dip in its SPP's gas cost.
- Gross profit declined 28% y-y to Bt457m in 2Q22 due to a weakened performance in both NN2 (lower electricity output) and BIC (lower profitability from gas cost surge). It increased 39% q-q from a seasonally higher output from NN2.
- Shared profit from affiliates surged up 65% y-y due to higher electricity output from Xayaburi project and its decent cost control. A strong rise q-q was from seasonal impact.
- We expect strong earnings momentum for CKP continues into 3Q22F with is a usual peak of rainy season in the Indochina region, thus strong output from its Xayaburi and NN2 hydro power plants. We maintain BUY with some upside to our earnings forecast given an earnings beat this quarter.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	2,180	2,395	2,237	2,416	2,531
Gross profit	**636**	**707**	**409**	**329**	**457**
SG&A	127	110	143	115	129
Operating profit	509	597	267	214	328
EBITDA	**900**	**1,024**	**674**	**602**	**720**
Other income	116	113	192	127	128
Other expense					
Interest expense	267	266	275	267	265
Profit before tax	**357**	**444**	**184**	**74**	**191**
Income tax	16	26	11	9	18
Equity & invest. income	474	866	74	31	782
Minority interests	(173)	(219)	(60)	(24)	(97)
Extraordinary items	65	169	(64)	(33)	15
Net profit	**707**	**1,235**	**123**	**39**	**874**
Normalized profit	**642**	**1,066**	**187**	**72**	**859**
EPS (Bt)	0.09	0.15	0.02	0.00	0.11
Normalized EPS (Bt)	0.08	0.13	0.02	0.01	0.11

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	5	16	47	10,608	10,212
Gross profit	**39**	**(28)**	**34**	**2,279**	**2,375**
SG&A	12	1	39	629	612
Operating profit	54	(35)	33	1,650	1,764
EBITDA	**20**	**(20)**	**41**	**3,191**	**4,289**
Other income	1	11	52	493	456
Other expense			na		
Interest expense	(1)	(1)	47	1,144	1,166
Profit before tax	**160**	**(46)**	**27**	**998**	**1,053**
Income tax	95	10	41	65	100
Equity & invest. income	2,421	65	45	1,818	1,820
Minority interests	na	na	25	(481)	(605)
Extraordinary items	na	(77)	na		
Net profit	**2,157**	**24**	**40**	**2,270**	**2,168**
Normalized profit	**1,094**	**34**	**41**	**2,270**	**2,168**
EPS (Bt)	2,157	24	40	0.28	0.27
Normalized EPS (Bt)	1,094	34	41	0.28	0.27

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	6,367	7,021	7,630	7,632	5,037
A/C receivable	1,705	1,912	1,557	1,763	1,828
Inventory					
Other current assets	918	566	525	516	1,924
Investment	16,667	17,127	17,210	17,357	18,314
Fixed assets	8,697	8,599	8,491	8,373	8,268
Other assets	34,074	33,678	33,564	33,190	32,611
Total assets	**68,429**	**68,903**	**68,977**	**68,832**	**67,982**
S-T debt	1,539	2,818	1,999	2,278	2,277
A/C payable	849	1,109	927	1,230	853
Other current liabilities	1,895	106	468	474	480
L-T debt	28,198	28,204	28,979	28,184	27,940
Other liabilities	791	801	474	473	475
Minority interest	11,347	11,351	11,296	11,161	11,207
Shareholders' equity	**23,812**	**24,515**	**24,834**	**25,032**	**24,750**
Working capital	856	803	631	533	975
Total debt	29,736	31,021	30,978	30,462	30,217
Net debt	**23,369**	**24,001**	**23,348**	**22,830**	**25,180**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	27.4	19.0	67.7	21.7	16.1
Operating profit growth	913.8	52.0	na	(48.0)	(35.5)
EBITDA growth	105.5	30.4	241.5	(24.5)	(19.9)
Norm profit growth	na	37.4	30.7	na	33.7
Norm EPS growth	na	37.4	30.7	na	33.7
Gross margin	29.2	29.5	18.3	13.6	18.1
Operating margin	23.3	24.9	11.9	8.8	13.0
EBITDA margin	41.3	42.8	30.1	24.9	28.5
Norm net margin	29.5	44.5	8.4	3.0	33.9
D/E (x)	0.8	0.9	0.9	0.8	0.8
Net D/E (x)	0.7	0.7	0.6	0.6	0.7
Interest coverage (x)	3.4	3.8	2.5	2.3	2.7
Interest rate	3.6	3.5	3.5	3.5	3.5
Effective tax rate	4.5	5.9	6.1	12.3	9.2
ROA	3.8	6.2	1.1	0.4	5.0
ROE	10.8	17.6	3.0	1.2	13.8

Sources: Company data, Thanachart estimates

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