**BUY** (Unchanged)

**Change in Numbers**

**TP: Bt 100.00** (From: Bt 110.00)

**Upside : 20.8%**

**2 AUGUST 2022**

# Energy Absolute Pcl (EA TB)

## Completing an E-bus supply chain


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**EA has successfully built an E-bus supply chain, which is creating captive demand to ramp up utilization for the early stage of its Li-ion battery plant. We expect E-bus deliveries to resume in 3Q22F before its public E-bus service starts in 4Q22F. We reaffirm our BUY on EA.**

Thanachart Securities

### E-bus supply chain is complete

Last month, EA wrapped up a series of E-bus business investments by buying a 23.6% stake in Beyond Securities Pcl (BYD TB, not rated). Note that BYD owns 49% of ACE Incorporation (ACE, not listed), a public bus service operator in Bangkok. This closes the loop for EA's E-bus supply chain which comprises 1) a 73% effective stake in an E-bus manufacturing plant (Absolute Assembly, AAB), 2) 40% in an E-bus distributor and after-sales service provider (Nex Point Pcl; NEX TB, Bt16.5, BUY), and 3) 11% in an E-bus operator (ACE). These subsidiaries also create captive demand for the first 1GWh of capacity from EA's 75%-owned Li-ion battery factory, Amita Technology Thailand (Amita, not listed). We estimate profits for EA from this E-bus supply chain, including related battery production, of Bt0.8/2.4/3.5bn in 2023-25F.

### E-bus deliveries to resume in 3Q22F

We expect EA's E-bus deliveries (via production by AAB) to resume in 3Q22F after a few quarters of delay. *First,* AAB now has over 100 E-buses ready for delivery in its inventory and the plant is running at production of 300 units/month. *Second,* AAB has finally completed the documentation processes to get tax incentives for its EV production approved. This has been the cause of the delayed E-bus deliveries. *Third,* ACE is obligated to operate at least 800 E-buses by November this year. We expect 1.5/2.5/2.5k units of E-bus sales from EA's group in 2022-24F.

### Public bus service to start in 4Q22F

ACE has won licenses to operate a total of 124 public bus service routes in Bangkok. We estimate end-demand of 4,000 E-buses to operate the service, with at least 800 units obligated by the licenses to be in operation by 4Q22. Although we forecast ACE alone to contribute just 1-2% of EA's earnings or only Bt1.2/share to our TP for EA, since EA has only an 11% effective stake in ACE, it is one of the key components of EA's EV and battery solutions business ecosystem. For example, its demand for 4,000 E-buses implies battery demand of 1.2GWh for Amita.

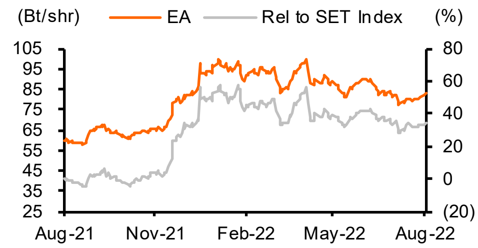
### BUY into the beginning of its new S-curve

We reaffirm our BUY call on EA as we expect earnings contributions from its new S-curve businesses, EV and battery solutions, to get started in 3Q22F. We estimate EA's earnings growth at 21/27/11% in 2022-24F, driven by E-bus and battery sales, and its soon-to-start E-truck business. We lower our DCF-derived SOTP-based 12-month TP to Bt100 (from Bt110) after rolling over to a 2023F base year, due to our 13-17% earnings cuts in 2022-24F to reflect our expectation of slower battery plant expansion given the weaker-than-expected global economy that may result in slower EV adoption.

#### COMPANY VALUATION

| Y/E Dec (Bt m) | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|
| Sales | 20,174 | 29,654 | 45,472 | 52,180 |
| Net profit | 6,100 | 7,272 | 9,207 | 10,188 |
| Consensus NP | — | 8,774 | 9,684 | 11,155 |
| *Diff frm cons (%)* | — | *(17.1)* | *(4.9)* | *(8.7)* |
| Norm profit | 6,021 | 7,272 | 9,207 | 10,188 |
| Prev. Norm profit | — | 8,726 | 10,527 | 11,803 |
| *Chg frm prev (%)* | — | *(16.7)* | *(12.5)* | *(13.7)* |
| Norm EPS (Bt) | 1.6 | 1.9 | 2.5 | 2.7 |
| Norm EPS grw (%) | 17.4 | 20.8 | 26.6 | 10.6 |
| Norm PE (x) | 51.3 | 42.4 | 33.5 | 30.3 |
| EV/EBITDA (x) | 35.8 | 29.0 | 22.7 | 21.7 |
| P/BV (x) | 9.5 | 8.1 | 6.9 | 6.0 |
| Div yield (%) | 0.4 | 0.7 | 0.9 | 1.3 |
| ROE (%) | 20.0 | 20.6 | 22.2 | 21.1 |
| Net D/E (%) | 114.8 | 87.4 | 67.5 | 55.0 |

#### PRICE PERFORMANCE




#### COMPANY INFORMATION

| | |
|---|---|
| Price *as of* 02-Aug-22 (Bt) | 82.75 |
| Market Cap (US$ m) | 8,543.2 |
| Listed Shares (m shares) | 3,730.0 |
| Free Float (%) | 39.8 |
| Avg Daily Turnover (US$ m) | 38.6 |
| 12M Price H/L (Bt) | 100.00/58.00 |
| Sector | Utilities |
| Major Shareholder | Ahunai family 43.49% |

Sources: Bloomberg, Company data, Thanachart estimates

## BUY into the beginning of its new S-curve

***Reaffirm BUY on starting new S-curve***

We reaffirm our BUY rating on shares of Energy Absolute Pcl (EA) as we foresee earnings contributions from its E-bus business commencing soon.

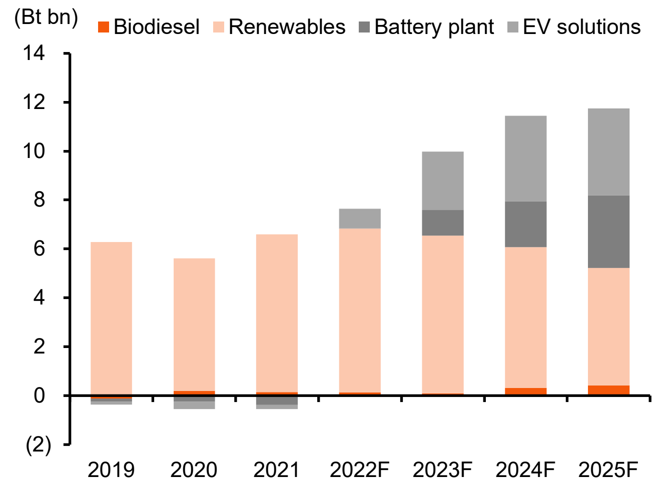
- *First,* we expect a resumption of its E-bus deliveries to begin in 3Q22F after sales were delayed from its initial plan by around two quarters due to the slower-than-expected process of obtaining tax approval from the government for its E-bus production.
- *Second,* we expect EA to enter a new S-curve of earnings growth of 21% and 27% in 2022-23F driven by E-bus sales, and thus also the start of Li-ion battery sales, public bus service contributions, and the beginning of E-truck sales which we see as the second stage of growth from the battery solutions and electric vehicle (EV) industries.
- *Third,* we believe its 21% share price fall from this year's peak has already reflected the market's disappointment over its delayed E-bus deliveries and concerns about potentially slower-than-expected growth of the global EV market, and therefore the expansion pace of EA's Li-ion battery plant, due to the impact from the weakening global economy and inflation.

***Our Bt100 TP assumes EA to reach 30GWh battery plant capacity in 2032F***

We trim our DCF-derived SOTP-based 12-month TP for EA to Bt100/share (from Bt110) after cutting our earnings estimates by 13-17% in 2022-24F to reflect our new assumption of slower battery plant capacity expansion. We now assume EA's battery plant reaches 30GWh of capacity in 2032F (from 2030F previously).

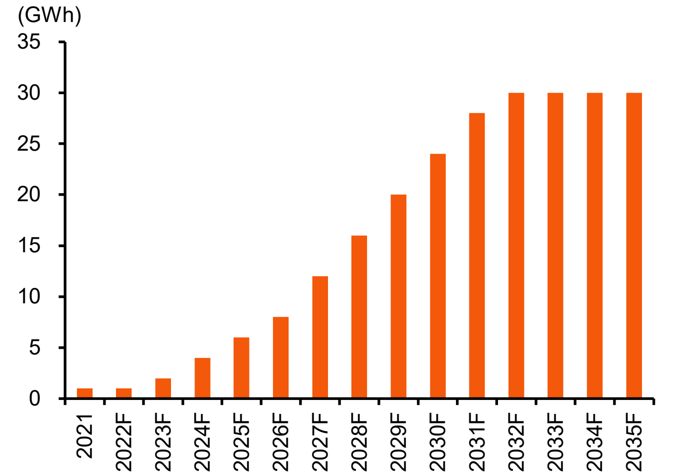
Note that EA is maintaining its ambitious long-term target of having 50GWh of battery production (from 1GWh currently) to serve growing battery demand from the EV market and energy storage systems (ESS) for renewable plants and electricity grid applications.

**Ex 1: Entering A New S-Curve Of Earnings Growth**



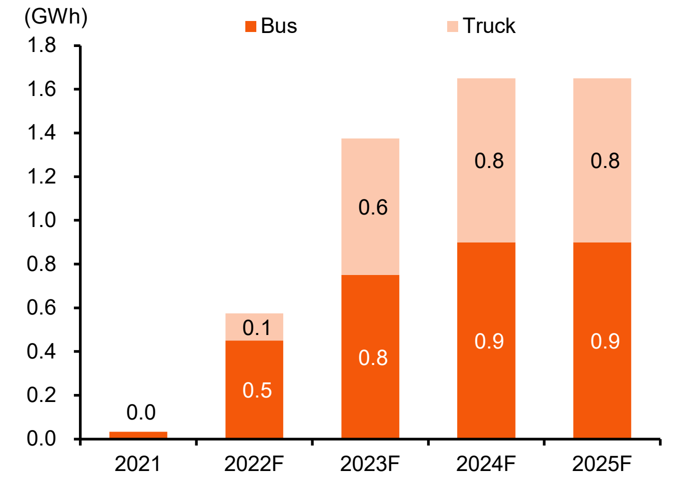

Sources: Company data, Thanachart estimates

**Ex 2: We Project 30GWh Battery Plant Capacity In 2032F**



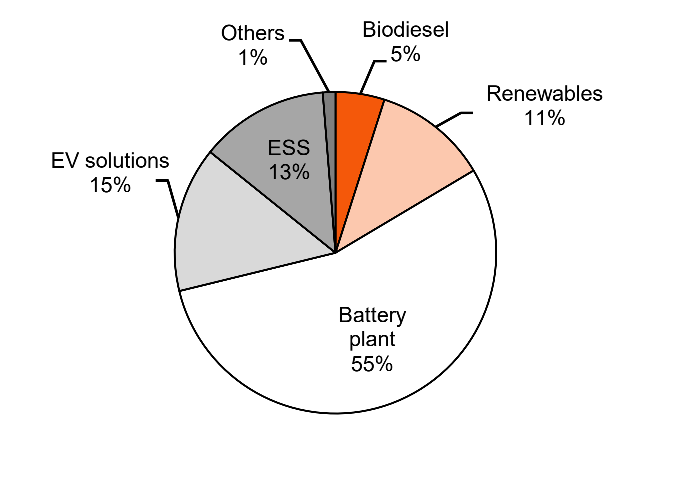

Sources: Company data, Thanachart estimates

**Ex 3: Captive Battery Demand From AAB's CEV Plant**




Sources: Company data, Thanachart estimates

**Ex 4: Our Valuation Breakdown On EA**




Source: Thanachart estimates

## An E-bus supply chain

*Completion of investments in full E-bus supply chain*

EA has completed a series of E-bus supply chain investments, which allows its investment group to now cover the entire value chain of the E-bus market. We provide a breakdown of the entities in its E-bus business group as follows:

*1) E-bus production plant*

1) **Upstream:** A 73% effective stake (55% direct holding and 18% indirect stake through NEX) in a manufacturing plant for commercial electric vehicles (CEV, now E-buses and E-trucks), Absolute Assembly (AAB), which commenced operation in 4Q21.

*2) E-bus distributor and after sales service provider*

2) **Midstream:** A 40% stake in Nex Point Pcl (NEX TB, Bt16.50, BUY), an E-bus distributor with a strong customer base given its more than 10 years of experience in the Thai bus market with the capability to support long-term repair and maintenance services for customers' fleets.

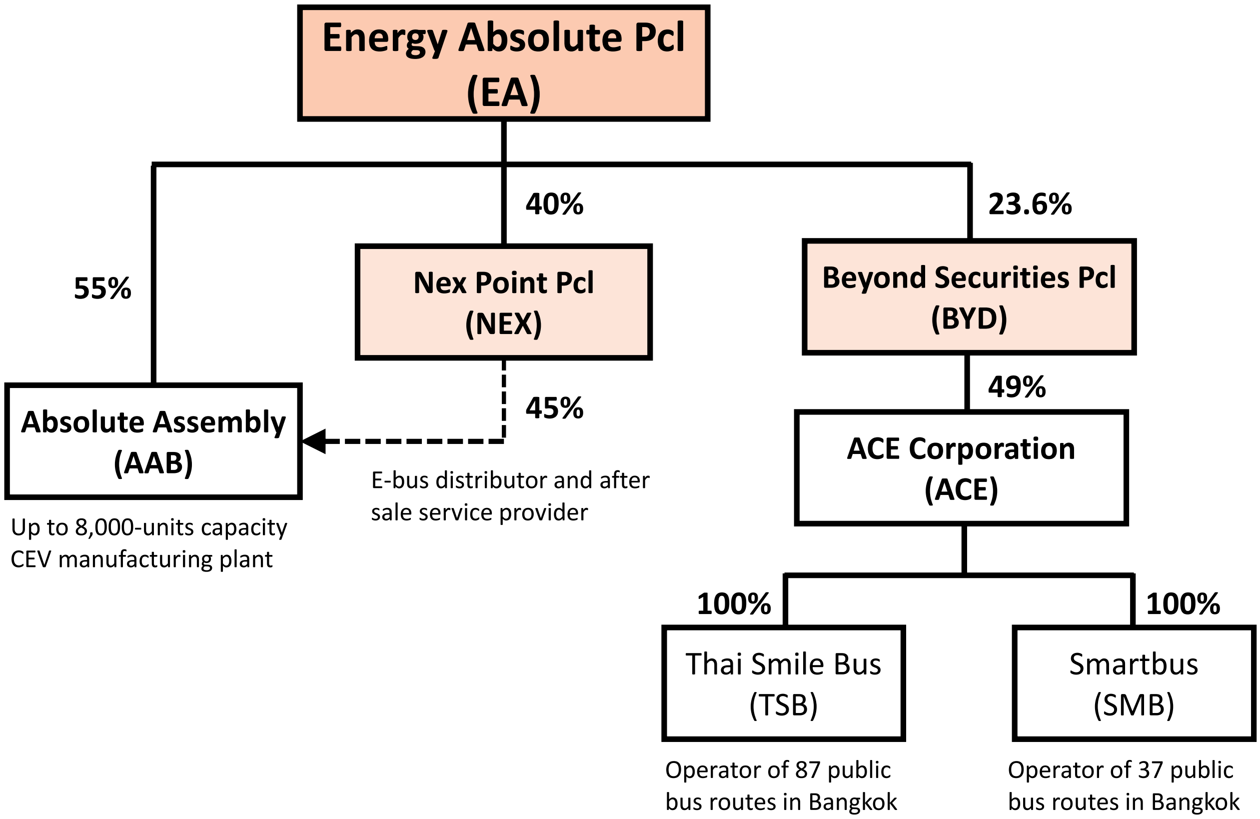
*3) E-bus operator*

3) **Downstream:** An 11% effective stake in E-bus operator, ACE Corporation Pcl (ACE, not listed), which has licenses to operate a total of 124 public bus service routes in Bangkok, through its 23.6% stake in Beyond Securities Pcl (BYD TB, not rated) which owns 49% of ACE.

*Small contribution in near term but strong first step to achieve long-term goal*

Though we estimate the contribution from ACE's public E-bus service at only 1-2% of EA's earnings base and Bt1.2/share of our valuation for EA, we see EA's investment into the public bus service business as a good move to complete its E-bus supply chain, and thus a strong first step for the company to reach its long-term target of a 50GWh battery production plant. ACE requires 4,000 E-buses to operate its 124-route service, which implies battery demand of 1.2GWh for EA's battery plant (Amita Technology Thailand, Amita; not listed), with potential upside if ACE can win more public bus service licenses, either routes in Bangkok or in the provinces.

**Ex 5: EA's E-Bus Business Holding Structure**




Source: Company data

## E-bus deliveries to resume in 3Q22F

*E-buses are ready for sale with the plant production rate already at target level*

We are confident that EA's E-bus deliveries, via production by AAB and distribution by NEX, will finally resume in 3Q22F. The company mentioned that the key dragger for deliveries over the past few quarters has been the longer-than-expected lead time for AAB in getting tax incentives for its electric vehicle (EV) production approved by the related authorities. Given that these processes are now completed, more than 100 E-buses in AAB's inventory are now just waiting for the usual registration process with the Department of Land Transport, and should therefore be delivered to clients this month (August 2022). Moreover, AAB's factory (after commencing operation in 4Q21) has achieved a 300 units/month production rate, so it is now capable of smoothly delivering more E-buses.

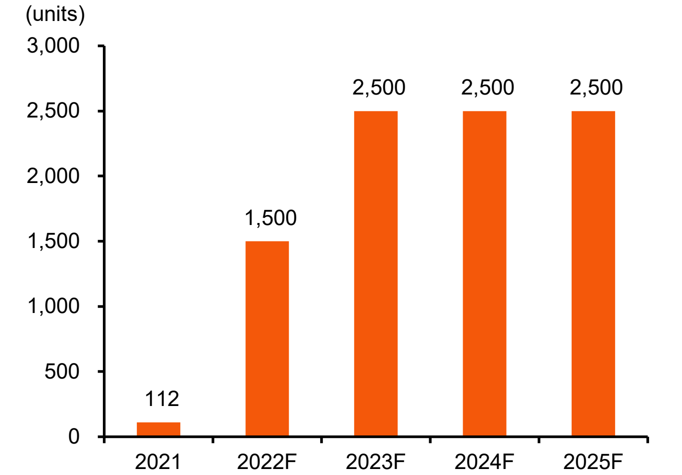
*We maintain our estimates for 1.5/2.5k E-bus sales in 2023-24F …*

Even after factoring in the delay, we maintain our estimates for 1.5k and 2.5k E-bus sales from AAB in 2022-23F. These 4,000 E-buses can be taken up by demand from ACE alone for the full operation of its 124 public bus routes in Bangkok. We recap here that ACE is obligated by its licenses to operate at least 800 E-buses for public service by this November. Later, ACE plans to gradually expand its E-bus fleet to an optimized level of 4,000 by the end of next year (2023F) to match with the post-COVID recovery in commuting demand.

*… and expect sustainable demand at 2.5k units p.a.*

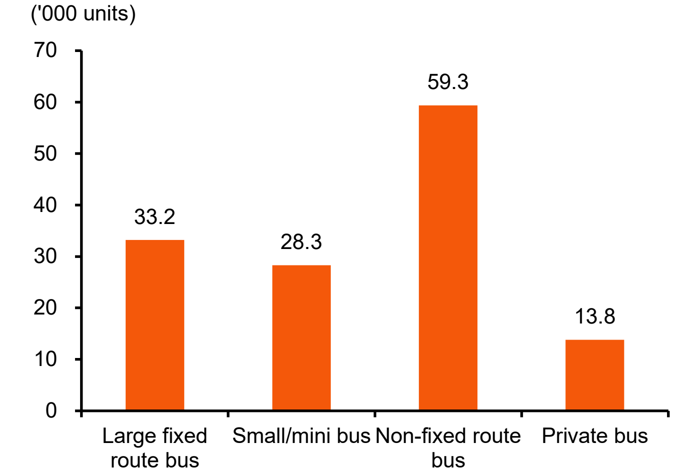
We expect stable annual E-bus sales by EA's group of 2.5k units beyond 2024F, supported by demand from 1) the plan for Bangkok Mass Transit Authority (BMTA) to convert its 3,000 operating buses into EVs, 2) the conversion of nearly 9,000 buses for public service on provincial routes (operated under the care of the state-owned enterprise, 'The Transport Co., Ltd') into electric fleets, 3) private E-bus fleets for both internal use (ie, shuttle buses for its employees or customers) and external use (ie, logistics, transport and tourism services), and 4) the potential to export E-buses to other Southeast Asian markets.

**Ex 6: Resumption Of E-Bus Deliveries From 3Q22F**




Sources: Company data, Thanachart estimates

**Ex 7: Number Of Buses Registered In Thailand (2Q22)**




Sources: Department of Land Transport

## Public bus service to start in 4Q22F

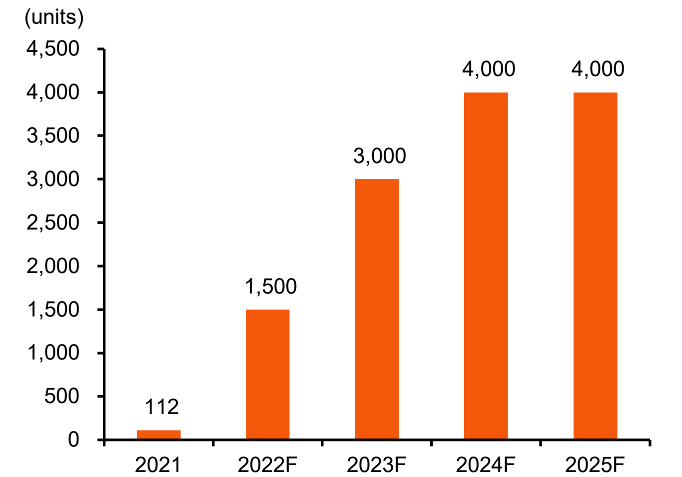
*EA holds 11% in the largest private operator of public bus services in Bangkok*

EA indirectly invested (through a 23% holding in BYD) in an 11% stake in ACE, a public bus service operator, last month (July 2022). ACE started providing 10 public bus service routes in Bangkok using 112 E-buses from 4Q21. In April 2022, it won licenses to operate 71 more routes under the conditions that 100% of its operating fleet needs to consist of E-buses and that it must have at least 800 new E-buses ready for service by this November. Lastly, ACE recently (also in July) acquired licenses for another 37 public bus routes from EA as part of the deal that made EA became one of its major shareholders. From all those sets of licenses plus some minor acquisitions for smaller operators, ACE is now the largest private operator of public bus services in Bangkok (124 from a total of 126 available routes), while the biggest player in the market remains the BMTA, a state-owned enterprise which operates 137 public bus routes in Bangkok.

*We project ACE to have an operating bus fleet of 4,000 in 2024F*

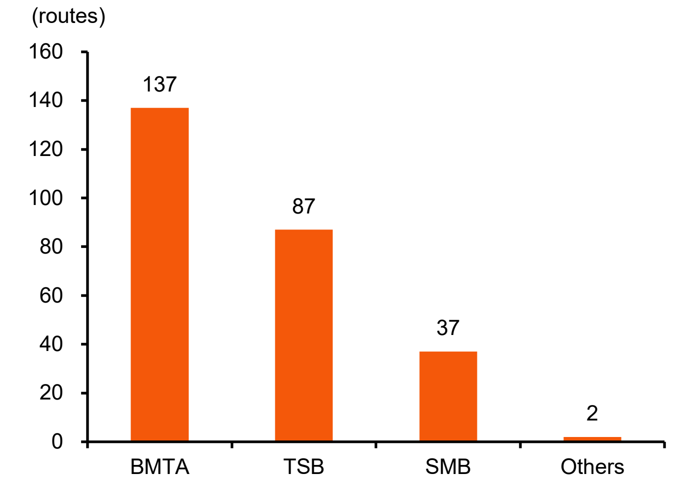
ACE plans to gradually expand its operating fleet for those 124 routes to 4,000 E-buses by end-2023, from a minimum of an 800-bus fleet this year. We conservatively assume that ACE reaches the target slightly later by 2024F because we don't expect commuting demand to recover to its usual (pre-COVID) level that swiftly.

**Ex 8: Our Projections For ACE's Operating Bus Fleet**




Sources: Company data, Thanachart estimates

**Ex 9: Operators Of Public Bus Services In Bangkok**




Sources: Company data, Thanachart estimates

Note: TSB (Thai Smile Bus) and SMB (Smartbus) are subsidiaries of ACE

***Profitable business despite the small contribution to EA's earnings base***

Despite being a public service under the government's control, running a fixed-route bus service is a profitable business especially when it is done with E-buses, which have much lower fuel (electricity) costs compared with traditional (diesel or natural gas) buses. We estimate, as shown in Exhibit 10, Bt0.2m in annual profit per E-bus for ACE's public bus service in Bangkok. Based on our fleet expansion projections, we estimate ACE to generate Bt0.1/0.8/1.1bn in profit over 2023-25F. Having said that, because of the much larger profit base from the upstream businesses while EA holds a relatively small stake in the company, these figures imply only 1-2% of EA's earnings base. We value ACE's contribution to EA at Bt1.2/share.

**Ex 10: Our Financial Projections For ACE's Public Bus Service**

| (annually per bus) | ('000 Baht) |
|---|---|
| **Revenue** | **1,850** |
| - Ticket fares | 1,750 |
| - Advertising income | 100 |
| | |
| **Operating costs** | **1,450** |
| - Fuel (electricity) | 350 |
| - Bus crews | 300 |
| - Depreciation | 500 |
| - Maintenance | 300 |
| | |
| **Selling & Admin** | **20** |
| | |
| **Interests & Taxes** | **180** |
| | |
| **Net profit** | **200** |

Source: Thanachart estimates

**Ex 11: Sum-Of-The-Parts Valuation**

| | Value (Bt/Share) |
|---|---|
| **Renewables & Green energy** | |
| Biodiesel | 4.9 |
| Solar farms | 6.9 |
| Wind farms | 4.7 |
| **Subtotal** | **16.5** |
| | |
| **E-Vehicle solutions** | |
| E-bus (AAB, NEX, BYD) | 10.9 |
| EA Anywhere | 3.8 |
| **Subtotal** | **14.6** |
| | |
| **Battery and energy storage** | |
| Battery plant | 54.7 |
| Energy storage system (ESS) | 13.0 |
| **Subtotal** | **67.7** |
| | |
| **Potential projects** | |
| 3,000MW hydropower | 1.6 |
| **Subtotal** | **1.6** |
| | |
| **+ Cash and parent company** | **(0.30)** |
| | |
| **Grand total** | **100.0** |

Source: Thanachart estimates

# Valuation Comparison

### Ex 12: Comparison With Regional Peers

| Name | BBG code | Country | EPS growth 22F (%) | EPS growth 23F (%) | PE 22F (x) | PE 23F (x) | P/BV 22F (x) | P/BV 23F (x) | EV/EBITDA 22F (x) | EV/EBITDA 23F (x) | Div yield 22F (%) | Div yield 23F (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Sungrow | 300274 CH | China | 15.7 | 44.5 | 62.5 | 43.3 | 10.5 | 8.5 | 50.4 | 35.3 | 0.1 | 0.2 |
| China Longyuan | 916 HK | Hong Kong | 18.8 | 19.2 | 13.1 | 11.0 | 1.4 | 1.3 | 10.4 | 9.0 | 1.3 | 1.5 |
| China Suntien Green Energy | 956 HK | Hong Kong | (1.9) | 17.4 | 6.3 | 5.4 | 0.7 | 0.6 | 10.6 | 9.4 | 5.7 | 5.2 |
| China Resources Power | 836 HK | Hong Kong | 48.4 | 37.0 | 7.7 | 5.6 | 0.7 | 0.7 | 6.4 | 5.4 | 3.7 | 6.3 |
| CATL | 300750 CH | China | 68.2 | 50.8 | 53.9 | 35.7 | 11.1 | 8.5 | 36.1 | 23.6 | 0.1 | 0.1 |
| GEM - A | 002340 CH | China | 56.2 | 44.2 | 27.7 | 19.2 | 2.9 | 2.5 | 17.0 | 12.3 | 0.4 | 0.4 |
| Gotion High-Tech - A | 002074 CH | China | 78.2 | 73.8 | 96.4 | 55.5 | 3.4 | 3.2 | 37.3 | 23.6 | 0.0 | 0.1 |
| BYD | 1211 HK | Hong Kong | 83.4 | 55.8 | 101.1 | 64.9 | 8.1 | 7.0 | 30.2 | 23.2 | 0.1 | 0.1 |
| LG Chem | 051910 KS | S. Korea | (33.9) | 26.5 | 18.0 | 14.2 | 1.5 | 1.4 | 6.6 | 5.4 | 1.8 | 1.6 |
| SK Innovation | 096770 KS | S. Korea | na | (35.9) | 4.9 | 7.7 | 0.8 | 0.7 | 4.0 | 5.4 | 1.0 | 1.9 |
| Panasonic | 6752 JP | Japan | 53.7 | (0.6) | 10.6 | 10.6 | 0.9 | 0.8 | 5.3 | 5.0 | 2.1 | 2.7 |
| Tesla | TSLA US | USA | 90.3 | 38.4 | 71.7 | 51.8 | 20.6 | 15.3 | 45.7 | 31.6 | 0.0 | 0.0 |
| BCPG Pcl * | BCPG TB | Thailand | (2.4) | (24.7) | 13.8 | 18.3 | 1.1 | 1.0 | 9.0 | 10.6 | 3.0 | 3.0 |
| CK Power Pcl * | CKP TB | Thailand | 13.7 | (4.5) | 19.2 | 20.1 | 1.7 | 1.6 | 20.6 | 15.3 | 2.1 | 2.5 |
| Energy Absolute Pcl * | EA TB | Thailand | 20.8 | 26.6 | 42.4 | 33.5 | 8.1 | 6.9 | 29.0 | 22.7 | 0.7 | 0.9 |
| Electricity Generating * | EGCO TB | Thailand | 3.9 | 1.7 | 9.2 | 9.1 | 0.8 | 0.8 | 19.9 | 19.0 | 3.5 | 3.7 |
| Global Power Synergy * | GPSC TB | Thailand | (63.4) | 132.2 | 78.6 | 33.8 | 1.8 | 1.7 | 24.0 | 18.6 | 0.7 | 1.6 |
| Gulf Energy Dev. Pcl * | GULF TB | Thailand | 22.2 | 37.4 | 51.8 | 37.7 | 4.4 | 3.5 | 38.3 | 30.2 | 1.2 | 1.6 |
| Gunkul Engineering * | GUNKUL TB | Thailand | 41.7 | 23.7 | 16.3 | 13.2 | 3.1 | 2.7 | 17.5 | 13.4 | 2.5 | 3.0 |
| RATCH Group Pcl * | RATCH TB | Thailand | 49.7 | (19.9) | 6.0 | 7.5 | 0.8 | 0.8 | 19.0 | 17.9 | 9.1 | 5.0 |
| **Average** | | | **29.7** | **27.2** | **35.6** | **24.9** | **4.2** | **3.5** | **21.9** | **16.8** | **2.0** | **2.1** |

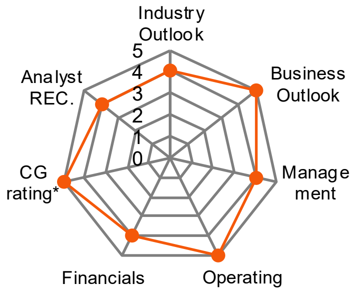
Sources: Bloomberg, * Thanachart estimates
Based on 2 August 2022 closing prices

## COMPANY DESCRIPTION

Established in 2006 as a biodiesel business operator, Energy Absolute Pcl (EA) has become one among Thailand's major renewable plant operators with 784MW installed capacity of solar and wind farms fully operated since 2019. EA started investing in li-ion battery production business by acquiring stakes in Taiwan-based Amita Technologies during 2016-18 with plans to build a 50GWh li-ion battery factory in Thailand to serve the electric vehicle (EV) and energy storage system (ESS) markets.

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

- Management has a strong financial background with what we regard as well-thought-out plans for expansion.

### W — Weakness

- In a heavy capex cycle due to scheduled new capacity expansion but gearing is still below its threshold.

### O — Opportunity

- Electricity industry gearing towards renewable energy.
- Huge potential capacity expansion planned.
- Energy storage (ES) could be part of the requirements for the government grid and private off-grid systems.

### T — Threat

- New capacity tendered through power purchase contracts by the government will likely see lower returns.
- Regulations from both domestic and overseas power markets on both electricity generation and EV businesses.

## CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|---|---|---|---|
| **Target price (Bt)** | 86.42 | 100.00 | 16% |
| **Net profit 22F (Bt m)** | 8,774 | 7,272 | -17% |
| **Net profit 23F (Bt m)** | 9,684 | 9,207 | -5% |
| **Consensus REC** | **BUY: 4** | **HOLD: 2** | **SELL: 1** |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F earnings are 17% below the Bloomberg consensus number, which we believe is because we have factored in weak output from its wind power project this year, while our 2023F estimate is more in line with the Street's.
- However, our SOTP-based TP is 16% higher, likely because we foresee stronger growth potential for its battery and related EV solutions businesses.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- If investment costs required for its new S-curve businesses are higher than we presently anticipate, this would represent the key downside risk to our valuation.
- If EA cannot secure enough orders, for either battery or e-vehicle sales, to match our expectations, that would present another major downside risk to our numbers.
- Unfavourable weather conditions for its wind and solar power plants would represent a secondary downside risk to our earnings projections.
- Swift changes in Li-ion battery or e-vehicle technologies are also a risk to our earnings growth projections for EA.

Source: Thanachart

*Emerging CEV business likely the key earnings driver over 2022-24F*

*Healthy balance sheet despite a rapid business expansion plan*

## INCOME STATEMENT

| FY ending Dec (Bt m) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Sales | 17,080 | 20,174 | 29,654 | 45,472 | 52,180 |
| Cost of sales | 9,271 | 11,893 | 19,004 | 31,189 | 37,436 |
| **Gross profit** | **7,808** | **8,280** | **10,651** | **14,283** | **14,743** |
| % gross margin | 45.7% | 41.0% | 35.9% | 31.4% | 28.3% |
| Selling & administration expenses | 1,278 | 1,437 | 1,961 | 2,553 | 2,774 |
| **Operating profit** | **6,530** | **6,843** | **8,690** | **11,731** | **11,969** |
| % operating margin | 38.2% | 33.9% | 29.3% | 25.8% | 22.9% |
| Depreciation & amortization | 2,844 | 2,896 | 3,186 | 3,358 | 3,783 |
| **EBITDA** | **9,373** | **9,739** | **11,876** | **15,089** | **15,752** |
| % EBITDA margin | 54.9% | 48.3% | 40.0% | 33.2% | 30.2% |
| Non-operating income | 120 | 384 | 148 | 227 | 261 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (1,637) | (1,388) | (1,353) | (1,276) | (1,244) |
| **Pre-tax profit** | **5,013** | **5,840** | **7,485** | **10,682** | **10,986** |
| Income tax | (18) | 3 | 37 | 53 | 55 |
| **After-tax profit** | **5,031** | **5,837** | **7,448** | **10,629** | **10,931** |
| % net margin | 29.5% | 28.9% | 25.1% | 23.4% | 20.9% |
| Shares in affiliates' Earnings | (61) | 14 | 368 | 773 | 1,261 |
| Minority interests | 157 | 171 | (543) | (2,195) | (2,004) |
| Extraordinary items | 78 | 79 | 0 | 0 | 0 |
| **NET PROFIT** | **5,205** | **6,100** | **7,272** | **9,207** | **10,188** |
| **Normalized profit** | **5,127** | **6,021** | **7,272** | **9,207** | **10,188** |
| EPS (Bt) | 1.4 | 1.6 | 1.9 | 2.5 | 2.7 |
| Normalized EPS (Bt) | 1.4 | 1.6 | 1.9 | 2.5 | 2.7 |

## BALANCE SHEET

| FY ending Dec (Bt m) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Current assets: | 7,389 | 11,650 | 15,166 | 21,871 | 24,833 |
| Cash & cash equivalent | 2,962 | 2,944 | 3,017 | 3,017 | 3,017 |
| Account receivables | 2,750 | 3,690 | 4,875 | 7,475 | 8,577 |
| Inventories | 833 | 1,483 | 2,083 | 3,418 | 4,103 |
| Others | 843 | 3,532 | 5,192 | 7,962 | 9,136 |
| Investments & loans | 0 | 0 | 0 | 0 | 0 |
| Net fixed assets | 55,857 | 58,421 | 59,278 | 62,765 | 67,377 |
| Other assets | 15,238 | 15,406 | 14,649 | 14,834 | 15,023 |
| **Total assets** | **78,484** | **85,476** | **89,093** | **99,470** | **107,234** |
| **LIABILITIES:** | | | | | |
| Current liabilities: | 13,564 | 12,676 | 13,244 | 15,667 | 15,886 |
| Account payables | 373 | 358 | 781 | 1,282 | 1,538 |
| Bank overdraft & ST loans | 2,674 | 1,877 | 1,955 | 1,844 | 1,772 |
| Current LT debt | 9,342 | 7,580 | 7,429 | 7,007 | 6,734 |
| Others current liabilities | 1,176 | 2,860 | 3,078 | 5,535 | 5,841 |
| **Total LT debt** | **31,090** | **33,777** | **29,717** | **28,026** | **26,936** |
| Others LT liabilities | 4,203 | 3,921 | 4,865 | 5,579 | 5,440 |
| **Total liabilities** | **48,857** | **50,375** | **47,826** | **49,273** | **48,263** |
| Minority interest | 1,815 | 2,601 | 3,144 | 5,339 | 7,343 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 373 | 373 | 373 | 373 | 373 |
| Share premium | 3,681 | 3,681 | 3,681 | 3,681 | 3,681 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | (428) | (720) | (720) | (720) | (720) |
| **Retained earnings** | **24,186** | **29,167** | **34,789** | **41,525** | **48,294** |
| Shareholders' equity | 27,812 | 32,501 | 38,123 | 44,858 | 51,627 |
| **Liabilities & equity** | **78,484** | **85,476** | **89,093** | **99,470** | **107,234** |

Sources: Company data, Thanachart estimates

*Capex plan is supported mainly by hefty cash from renewable plants*

## CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Earnings before tax | 5,013 | 5,840 | 7,485 | 10,682 | 10,986 |
| Tax paid | 18 | (3) | (37) | (53) | (55) |
| Depreciation & amortization | 2,844 | 2,896 | 3,186 | 3,358 | 3,783 |
| Chg In working capital | (73) | (1,604) | (1,361) | (3,435) | (1,531) |
| Chg In other CA & CL / minorities | 449 | (326) | (1,074) | 461 | 392 |
| **Cash flow from operations** | **8,251** | **6,802** | **8,199** | **11,013** | **13,576** |
| Capex | (7,216) | (5,332) | (3,950) | (6,750) | (8,299) |
| Right of use | (1,892) | (83) | (20) | (20) | (20) |
| ST loans & investments | (4) | 7 | 0 | 0 | 0 |
| LT loans & investments | 0 | 0 | 0 | 0 | 0 |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | (6,631) | (196) | 1,627 | 454 | (404) |
| **Cash flow from investments** | **(15,743)** | **(5,604)** | **(2,343)** | **(6,316)** | **(8,723)** |
| Debt financing | 1,171 | 194 | (4,133) | (2,225) | (1,434) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (1,119) | (1,119) | (1,650) | (2,472) | (3,419) |
| Warrants & other surplus | 361 | (292) | 0 | 0 | 0 |
| **Cash flow from financing** | **414** | **(1,216)** | **(5,783)** | **(4,697)** | **(4,853)** |
| **Free cash flow** | **1,035** | **1,470** | **4,249** | **4,263** | **5,276** |

*High valuation is justified by its strong EPS growth potential, in our view*

## VALUATION

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Normalized PE (x) | 60.2 | 51.3 | 42.4 | 33.5 | 30.3 |
| Normalized PE - at target price (x) | 72.8 | 62.0 | 51.3 | 40.5 | 36.6 |
| PE (x) | 59.3 | 50.6 | 42.4 | 33.5 | 30.3 |
| PE - at target price (x) | 71.7 | 61.1 | 51.3 | 40.5 | 36.6 |
| EV/EBITDA (x) | 37.2 | 35.8 | 29.0 | 22.7 | 21.7 |
| EV/EBITDA - at target price (x) | 44.1 | 42.4 | 34.4 | 27.0 | 25.7 |
| P/BV (x) | 11.1 | 9.5 | 8.1 | 6.9 | 6.0 |
| P/BV - at target price (x) | 13.4 | 11.5 | 9.8 | 8.3 | 7.2 |
| P/CFO (x) | 37.4 | 45.4 | 37.6 | 28.0 | 22.7 |
| Price/sales (x) | 18.1 | 15.3 | 10.4 | 6.8 | 5.9 |
| Dividend yield (%) | 0.4 | 0.4 | 0.7 | 0.9 | 1.3 |
| FCF Yield (%) | 0.3 | 0.5 | 1.4 | 1.4 | 1.7 |
| **(Bt)** | | | | | |
| Normalized EPS | 1.4 | 1.6 | 1.9 | 2.5 | 2.7 |
| EPS | 1.4 | 1.6 | 1.9 | 2.5 | 2.7 |
| DPS | 0.3 | 0.3 | 0.6 | 0.7 | 1.1 |
| BV/share | 7.5 | 8.7 | 10.2 | 12.0 | 13.8 |
| CFO/share | 2.2 | 1.8 | 2.2 | 3.0 | 3.6 |
| FCF/share | 0.3 | 0.4 | 1.1 | 1.1 | 1.4 |

Sources: Company data, Thanachart estimates

*Profitability trending up as new businesses achieve scale*

## FINANCIAL RATIOS

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **Growth Rate** | | | | | |
| Sales (%) | 14.7 | 18.1 | 47.0 | 53.3 | 14.8 |
| Net profit (%) | (14.4) | 17.2 | 19.2 | 26.6 | 10.6 |
| EPS (%) | (14.4) | 17.2 | 19.2 | 26.6 | 10.6 |
| Normalized profit (%) | (13.4) | 17.4 | 20.8 | 26.6 | 10.6 |
| Normalized EPS (%) | (13.4) | 17.4 | 20.8 | 26.6 | 10.6 |
| Dividend payout ratio (%) | 21.5 | 18.3 | 30.0 | 30.0 | 40.0 |
| **Operating performance** | | | | | |
| Gross margin (%) | 45.7 | 41.0 | 35.9 | 31.4 | 28.3 |
| Operating margin (%) | 38.2 | 33.9 | 29.3 | 25.8 | 22.9 |
| EBITDA margin (%) | 54.9 | 48.3 | 40.0 | 33.2 | 30.2 |
| Net margin (%) | 29.5 | 28.9 | 25.1 | 23.4 | 20.9 |
| D/E (incl. minor) (x) | 1.5 | 1.2 | 0.9 | 0.7 | 0.6 |
| Net D/E (incl. minor) (x) | 1.4 | 1.1 | 0.9 | 0.7 | 0.5 |
| Interest coverage - EBIT (x) | na | na | na | na | na |
| Interest coverage - EBITDA (x) | na | na | na | na | na |
| ROA - using norm profit (%) | 6.9 | 7.3 | 8.3 | 9.8 | 9.9 |
| ROE - using norm profit (%) | 20.0 | 20.0 | 20.6 | 22.2 | 21.1 |
| **DuPont** | | | | | |
| ROE - using after tax profit (%) | 19.7 | 19.4 | 21.1 | 25.6 | 22.7 |
| - asset turnover (x) | 0.2 | 0.2 | 0.3 | 0.5 | 0.5 |
| - operating margin (%) | 38.9 | 35.8 | 29.8 | 26.3 | 23.4 |
| - leverage (x) | 2.9 | 2.7 | 2.5 | 2.3 | 2.1 |
| - interest burden (%) | 75.4 | 80.8 | 84.7 | 89.3 | 89.8 |
| - tax burden (%) | 100.4 | 99.9 | 99.5 | 99.5 | 99.5 |
| WACC (%) | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| ROIC (%) | 11.9 | 10.1 | 11.9 | 15.7 | 15.1 |
| NOPAT (Bt m) | 6,553 | 6,839 | 8,646 | 11,672 | 11,909 |
| invested capital (Bt m) | 67,955 | 72,792 | 74,208 | 78,718 | 84,053 |

Sources: Company data, Thanachart estimates

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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