Energy Absolute Pcl (EA TB) - BUY, Price Bt85.75, TP Bt100.00

Results Comment

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Weaker-than-expected 2Q22 profit

- EA reported a weaker-than-expected norm profit at Bt1.06bn in 2Q22, down 10% y-y and 22% q-q, mainly due to higher costs from new businesses which yet generated revenues. Existing businesses of biodiesel and renewable plants remained strong.
- **Biodiesel business:** Profit contribution was slim at only Bt4m in 2Q22. It weakened from Bt70m profit in 2Q21 due to a 49% lower volume sale after the government changed standard diesel mix to B5 (from B7) in February. It improved slightly q-q (Bt2m loss in 1Q22) on stronger selling prices.
- **Renewable business** generated a total of Bt1.9bn profit this quarter, thanks to strong electricity output from both 278MW solar farms (+6% y-y and 4% q-q) and 386MW wind farms (+4% y-y and 17% q-q) with a small boost from an Ft hike.
- **Battery and others:** EA's new businesses (including operating cost for the HQ) made much higher loss to Bt952m in 2Q22 (vs. Bt483m loss in 1Q22 and Bt640m loss in 2Q21). This was mainly due to higher fixed cost for its E-bus and E-ferry service business those still generated small revenue during the quarter.
- We expect EA's earnings to improve strongly in 3Q22F due to 1) it has divested E-bus service business to its new strategic partner, thus lower loss recognition, 2) the third quarter is a high season for wind power output, and 3) we expect its E-bus delivery to resume in the quarter.
- We maintain BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	4,923	5,040	5,508	4,740	5,396
Gross profit	**1,823**	**2,137**	**2,174**	**1,834**	**1,687**
SG&A	312	365	394	320	451
Operating profit	1,511	1,772	1,781	1,514	1,236
EBITDA	**2,233**	**2,548**	**2,488**	**2,310**	**2,249**
Other income	12	139	230	76	58
Other expense					
Interest expense	379	323	295	310	345
Profit before tax	**1,144**	**1,588**	**1,716**	**1,280**	**949**
Income tax	12	9	(56)	(5)	42
Equity & invest. income	(8)	6	40	2	7
Minority interests	50	(5)	75	72	147
Extraordinary items	17	37	(6)	8	33
Net profit	**1,191**	**1,616**	**1,881**	**1,366**	**1,095**
Normalized profit	**1,174**	**1,580**	**1,887**	**1,358**	**1,062**
EPS (Bt)	0.32	0.43	0.50	0.37	0.29
Normalized EPS (Bt)	0.31	0.42	0.51	0.36	0.28

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	14	10	34	29,654	45,472
Gross profit	**(8)**	**(7)**	**33**	**10,651**	**14,283**
SG&A	41	45	39	1,961	2,553
Operating profit	(18)	(18)	32	8,690	11,731
EBITDA	**(3)**	**1**	**38**	**11,876**	**15,089**
Other income	(24)	400	91	148	227
Other expense			na		
Interest expense	11	(9)	48	1,353	1,276
Profit before tax	**(26)**	**(17)**	**30**	**7,485**	**10,682**
Income tax	na	244	99	37	53
Equity & invest. income	345	na	2	368	773
Minority interests	104	195	(40)	(543)	(2,195)
Extraordinary items	316	100	na		
Net profit	**(20)**	**(8)**	**34**	**7,272**	**9,207**
Normalized profit	**(22)**	**(10)**	**33**	**7,272**	**9,207**
EPS (Bt)	(20)	(8)	34	1.95	2.47
Normalized EPS (Bt)	(22)	(10)	33	1.95	2.47

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	4,211	3,313	2,927	3,164	2,665
A/C receivable	2,590	2,838	3,690	2,651	2,651
Inventory	1,588	1,578	1,483	2,226	3,136
Other current assets	775	859	3,549	3,933	6,741
Investment					
Fixed assets	57,542	57,642	58,421	60,547	59,082
Other assets	15,124	15,454	15,406	17,156	17,786
Total assets	**81,830**	**81,685**	**85,476**	**89,677**	**92,062**
S-T debt	9,180	9,358	9,457	11,594	18,432
A/C payable	553	450	358	631	449
Other current liabilities	1,212	1,147	2,860	3,433	1,075
L-T debt	34,657	22,843	33,777	33,515	31,674
Other liabilities	4,295	14,468	3,921	4,239	4,272
Minority interest	2,646	2,682	2,601	2,501	2,361
Shareholders' equity	**29,287**	**30,736**	**32,501**	**33,765**	**33,798**
Working capital	3,625	3,967	4,815	4,246	5,338
Total debt	43,837	32,201	43,234	45,108	50,106
Net debt	**39,626**	**28,887**	**40,307**	**41,944**	**47,441**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	19.3	33.6	23.9	0.8	9.6
Operating profit growth	1.3	21.2	(1.1)	(14.9)	(18.2)
EBITDA growth	(0.5)	18.8	(1.1)	(6.5)	0.7
Norm profit growth	1.9	44.4	26.8	(1.6)	(9.5)
Norm EPS growth	1.9	44.4	26.8	(1.6)	(9.5)
Gross margin	37.0	42.4	39.5	38.7	31.3
Operating margin	30.7	35.2	32.3	31.9	22.9
EBITDA margin	45.4	50.6	45.2	48.7	41.7
Norm net margin	23.8	31.3	34.3	28.7	19.7
D/E (x)	1.4	1.0	1.2	1.2	1.4
Net D/E (x)	1.2	0.9	1.1	1.2	1.3
Interest coverage (x)	5.9	7.9	8.4	7.4	6.5
Interest rate	3.5	3.4	3.1	2.8	2.9
Effective tax rate	1.1	0.6	(3.2)	(0.4)	4.4
ROA	5.8	7.7	9.0	6.2	4.7
ROE	16.0	21.1	23.9	16.4	12.6

Sources: Company data, Thanachart estimates

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