Gulf Energy Dev. Pcl (GULF TB) - HOLD, Price Bt50.25, TP Bt45.00

Results Comment

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Stronger-than-expected 2Q22 profit

- GULF reported norm profit (ex. FX gain/loss) at Bt3.1bn in 2Q22, up strongly 120% y-y but weakened 5% q-q. The growth y-y was from capacity expansion, while a small drop q-q was on seasonal impact. The earnings beat our forecast due to a stronger-than-expected performance from its new IPP plants.
- Gross profit grew 63% y-y to Bt4.4bn in 2Q22, supported by commencing operations of two new IPP plants during the year and an extraordinarily high margin from IPP plants as they are ordered to run on diesel amid high gas price situation. It fell 3% q-q on a seasonally lower output from wind farm in Germany
- Total SG&A expense rose 20% y-y and 16% q-q to Bt639m in 2Q22, following its power plant capacity expansion and its investment into other non-power businesses.
- EBITDA thus grew slightly softer than the growth in existing power business at 47% y-y (-4% q-q) to Bt5.04bn in 2Q22.
- Equity income jumped 178% y-y Bt2.04bn in 2Q22 as GULF has started to recognize shared profit from Intouch group since 4Q21. It improved 14% q-q due to a stronger profit from its joint ventured natural gas business.
- We see an upside to our earnings forecast this year since GULF's profit in 1H22 already made up 59% of our full-year projection while we expect GULF to benefit from the currently high natural gas price environment given its IPP plants could make higher margin when run on diesel as an alternative fuel for the natural gas.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Revenue	11,242	11,903	15,287	20,628	23,004
Gross profit	**2,716**	**2,959**	**4,397**	**4,562**	**4,437**
SG&A	532	589	692	551	639
Operating profit	2,184	2,370	3,705	4,011	3,798
EBITDA	**3,429**	**3,642**	**4,977**	**5,257**	**5,040**
Other income	88	1,702	31	35	98
Other expense					
Interest expense	1,174	1,753	1,737	1,473	1,864
Profit before tax	**1,098**	**2,319**	**1,998**	**2,573**	**2,032**
Income tax	(193)	91	308	448	146
Equity & invest. income	733	690	1,699	1,784	2,035
Minority interests	(624)	(626)	(662)	(653)	(840)
Extraordinary items	5	(705)	315	138	(1,550)
Net profit	**1,407**	**1,588**	**3,043**	**3,395**	**1,531**
Normalized profit	**1,401**	**2,293**	**2,728**	**3,257**	**3,081**
EPS (Bt)	0.12	0.14	0.26	0.29	0.13
Normalized EPS (Bt)	0.12	0.20	0.23	0.28	0.26

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	12	105	54	80,636	104,923
Gross profit	**(3)**	**63**	**57**	**15,759**	**19,710**
SG&A	16	20	48	2,493	2,891
Operating profit	(5)	74	59	13,266	16,819
EBITDA	**(4)**	**47**	**52**	**19,958**	**25,393**
Other income	183	11	61	217	186
Other expense			na		
Interest expense	27	59	45	7,424	7,335
Profit before tax	**(21)**	**85**	**76**	**6,060**	**9,670**
Income tax	(67)	na	188	315	362
Equity & invest. income	14	178	48	7,947	9,073
Minority interests	na	na	52	(2,872)	(3,518)
Extraordinary items	na	na	na		
Net profit	**(55)**	**9**	**46**	**10,820**	**14,862**
Normalized profit	**(5)**	**120**	**59**	**10,820**	**14,862**
EPS (Bt)	(55)	9	46	0.92	1.27
Normalized EPS (Bt)	(5)	120	59	0.92	1.27

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash & ST investment	18,931	24,623	19,847	22,621	16,819
A/C receivable	7,778	7,966	9,569	14,561	15,484
Inventory	1,002	1,058	1,303	1,732	2,115
Other current assets	2,272	3,109	8,093	6,356	7,387
Investment	24,169	24,468	135,573	139,760	137,563
Fixed assets	124,961	133,307	130,128	124,610	126,958
Other assets	89,815	160,657	58,161	72,552	81,923
Total assets	**268,929**	**355,188**	**362,674**	**382,193**	**388,249**
S-T debt	32,975	16,600	19,526	22,940	27,082
A/C payable	2,341	2,271	3,080	6,338	6,171
Other current liabilities	6,779	10,732	12,410	12,637	16,719
L-T debt	128,341	202,751	203,296	122,487	209,244
Other liabilities	19,722	23,451	16,853	101,242	10,702
Minority interest	9,618	10,230	10,913	12,950	14,725
Shareholders' equity	**69,153**	**89,153**	**96,596**	**103,598**	**103,605**
Working capital	6,440	6,753	7,791	9,954	11,429
Total debt	161,316	219,351	222,821	145,427	236,327
Net debt	**142,386**	**194,728**	**202,974**	**122,806**	**219,508**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Sales growth	44.6	51.1	64.2	128.3	104.6
Operating profit growth	52.2	47.3	48.9	59.0	73.9
EBITDA growth	59.3	53.0	34.2	41.2	47.0
Norm profit growth	41.6	73.1	131.9	36.3	119.9
Norm EPS growth	41.6	73.1	131.9	36.3	119.9
Gross margin	24.2	24.9	28.8	22.1	19.3
Operating margin	19.4	19.9	24.2	19.4	16.5
EBITDA margin	30.5	30.6	32.6	25.5	21.9
Norm net margin	12.5	19.3	17.8	15.8	13.4
D/E (x)	2.0	2.2	2.1	1.2	2.0
Net D/E (x)	1.8	2.0	1.9	1.1	1.9
Interest coverage (x)	2.9	2.1	2.9	3.6	2.7
Interest rate	3.0	3.7	3.1	3.2	3.9
Effective tax rate	(17.6)	3.9	15.4	17.4	7.2
ROA	2.1	2.9	3.0	3.5	3.2
ROE	8.0	11.6	11.7	13.0	11.9

Sources: Company data, Thanachart estimates

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