

Gunkul Engineering Pcl (GUNKUL TB) - BUY

News Update

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

Reduced stake in wind power project

- **GUNKUL transfers 170MW wind projects to a JV with GULF**
- **GULF injects Bt5bn capital to make 50-50 holdings in JV**
- **We now see the deal as slightly unfavorable to GUNKUL**
- **The JV will continue with a target of 1,000MW new projects**

GUNKUL announced last week an official setup of the joint-ventured company with Gulf Energy Development Pcl (GULF TB, HOLD, Bt47.25), 'Gulf Gunkul Corporation', following the announcement in May that the two companies plan to setup a 50-50 JV together in pursue for a total of 1,000MW renewable projects.

- GUNKUL has transferred its 170MW subsidized (with adders) wind farms in Thailand into the JV. We value those projects at Bt10.2bn.
- GULF injected Bt5.0bn cash into the JV through its capital increase plan, via an issuance of new shares, in which GUNKUL waive its rights to subscribe.
- This makes a holding structure in the JV is now 50% GULF and 50% GUNKUL, with 170MW wind farms and Bt5.0bn cash as its initial assets.

Our comments

- We see the deal as unfavorable to GUNKUL since it had to inject a twice in value of assets (Bt10.2bn wind farms vs Bt5.0bn cash) into the JV for a 50-50 stake, despite it is arguable that this short-term sacrifice will be compensated by a long-term growth potential from the JV.
- Moreover, these wind power projects are GUNKUL's core operating assets, contributing half of its current earnings base on our estimates. We estimate this lower stake in the projects to post 10% and 20% downsides to our earnings forecasts for GUNKUL in 2022-23F.
- This is thus also a risk to GUNKUL's dividends, due to a lower cash flow from these wind power projects while the proceeds from asset transfer will be kept in the JV for future investments, rather than a cash proceeds to GUNKUL.
- We see one positive from this cash injection into the JV by GULF that it may suggest new projects are soon to come for the JV.
- Since we have factored in value from the JV in our numbers, this additional asset transfer posts a Bt0.5/share downside to our valuation on GUNKUL (current TP at Bt6.2/share).

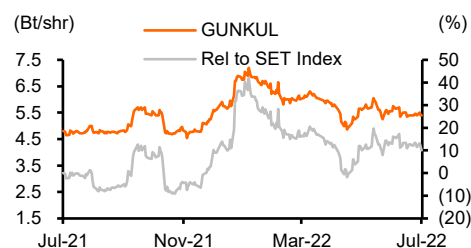
Key Valuations

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	7,945	10,176	12,718	13,666
Net profit	2,229	2,864	3,543	3,803
Norm net profit	2,022	2,864	3,543	3,803
Norm EPS (Bt)	0.2	0.3	0.4	0.4
Norm EPS gr (%)	42.3	41.7	23.7	7.3
Norm PE (x)	23.7	16.7	13.5	12.6
EV/EBITDA (x)	23.4	17.8	13.7	12.1
P/BV (x)	3.7	3.2	2.8	2.4
Div. yield (%)	1.1	2.4	3.0	3.2
ROE (%)	15.9	20.3	21.8	20.5
Net D/E (%)	157.2	121.6	115.2	92.6

Source: Thanachart estimates

Stock Data

Closing price (Bt)	5.40
Target price (Bt)	6.20
Market cap (US\$ m)	1,303
Avg daily turnover (US\$ m)	13.3
12M H/L price (Bt)	7.20/4.54

Price Performance

Source: Bloomberg

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 76 Derivative Warrants which are ADVANC16C2211A, ADVANC16C2210A, AMAT16C2209A, AOT16C2209A, AWC16C2207A, BAM16C2207A, BANP16C2207A, BANPU16C2210A, BCH16C2211A, BCH16C2207A, BEC16C2207A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2207A, CBG16C2210A, CENTEL16C2209A, CHG16C2207A, COM716C2211C, COM716C2211B, COM716C2208A, COM716C2209A, COM716C2211A, CPALL16C2211A, DOHO16C2207A, EA16C2211A, EA16C2207A, EA16C2209A, ESSO16C2209A, ESSO16C2209B, GPSC16C2207A, GPSC16C2209A, GULF16C2207A, GULF16C2210A, GUNK16C2207A, GUNK16C2209A, HANA16C2211A, HANA16C2207A, HANA16C2209A, IVL16C2211A, IVL16C2209A, JMART16C2211A, JMART16C2210A, JMT16C2211A, JMT16C2207A, JMT16C2210A, KBANK16C2211A, KBAN16C2208A, KBAN16C2209A, KCE16C2211A, KCE16C2208A, KCE16C2209A, KTC16C2209A, MEGA16C2207A, MINT16C2207A, MINT16C2211A, MTC16C2209A, PTG16C2209A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2208A, SET5016C2209B, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2208A, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TOP16C2211A, TTA16C2207A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BGRIM, BLA, CBG, CENTEL, CHG, COM7, CPALL, DOHOME, EA, ESSO, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MEGA, MINT, MTC, PTG, PTTEP, PTTGC, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TOP, TTA, TU, WHA) before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: -