RATCH Group Pcl (RATCH TB) - HOLD, Price Bt40.25, TP Bt46.00

Results Comment

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Weaker-than-expected 2Q22 profit

- RATCH reported Bt1.80bn norm profit in 2Q22, down 13% y-y and 1% q-q in a like-for-like basis. A drop y-y was due to lower margins from SPP plants and rise of interest expense to fund its acquisitions over the past year. The earnings came in below our expectation due to the larger-than-expected negative impact from the surge of domestic gas price.
- Gross profit grew strongly 68% y-y and 26% q-q to Bt1.8bn in 2Q22, driven by contribution from new SPP plants acquired in 4Q21 and strong performance from power plants in Australia.
- Total SG&A increased to Bt669m in 2Q22, up 64% y-y and 33% q-q, in-line with its expanding power plant portfolio. However, SG&A-to-sales ratio was well managed at 4.1% in 2Q22, from 4.7% in 2Q21 and 3.0% in 1Q22.
- EBITDA thus grew 60% y-y and 12% q-q to Bt1.8bn, in-line with the growth in gross profit level.
- Equity income was stable at Bt1.6bn, up 3% y-y, as there was no new investment in the affiliate-level. It improved 27% q-q, maintain since there were some planned maintenances in its major power plants in the previous quarter.
- We see a downside to our 2022F forecast as RATCH's 1H22 profit made up only 37% of our full-year projection. We expect no major catalyst to its share price and maintain HOLD.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	8,667	9,142	12,396	16,915	16,339
Gross profit	**1,063**	**1,113**	**1,016**	**1,421**	**1,788**
SG&A	407	497	453	502	669
Operating profit	656	616	564	919	1,119
EBITDA	**1,153**	**1,185**	**1,172**	**1,642**	**1,844**
Other income	164	111	107	115	157
Other expense	(85)	(46)	(205)	(33)	(31)
Interest expense	426	465	566	583	751
Profit before tax	**479**	**308**	**309**	**485**	**556**
Income tax	(58)	101	115	131	266
Equity & invest. income	1,544	1,068	1,418	1,250	1,586
Minority interests	(0)	0	(7)	215	(74)
Extraordinary items	41	163	518	(239)	394
Net profit	**2,123**	**1,438**	**2,123**	**1,579**	**2,196**
Normalized profit	**2,082**	**1,275**	**1,605**	**1,819**	**1,802**
EPS (Bt)	1.46	0.99	1.46	1.09	1.51
Normalized EPS (Bt)	1.44	0.88	1.11	1.25	1.24

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(3)	89	79	41,919	41,559
Gross profit	**26**	**68**	**50**	**6,447**	**6,303**
SG&A	33	64	69	1,691	1,765
Operating profit	22	71	43	4,756	4,538
EBITDA	**12**	**60**	**51**	**6,885**	**6,596**
Other income	36	(4)	26	1,032	944
Other expense	na	na	na	0	0
Interest expense	29	76	56	2,390	2,090
Profit before tax	**15**	**16**	**31**	**3,398**	**3,392**
Income tax	103	na	39	1,020	1,018
Equity & invest. income	27	3	36	7,881	8,753
Minority interests	na	na	(34)	(418)	(447)
Extraordinary items	na	860	na	0	0
Net profit	**39**	**3**	**38**	**9,842**	**10,680**
Normalized profit	**(1)**	**(13)**	**37**	**9,842**	**10,680**
EPS (Bt)	39	3	41	6.41	5.13
Normalized EPS (Bt)	(1)	(13)	39	6.41	5.13

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	7,810	7,909	9,861	8,911	32,327
A/C receivable	7,125	6,563	9,774	8,682	11,771
Inventory	1,547	1,464	1,902	2,190	2,663
Other current assets	2,974	3,471	3,779	4,909	5,635
Investment	49,140	52,887	51,067	52,475	57,255
Fixed assets	30,488	30,882	36,228	36,434	35,803
Other assets	24,149	23,589	42,245	41,616	43,065
Total assets	**123,233**	**126,765**	**154,855**	**155,217**	**188,520**
S-T debt	6,950	5,588	8,035	7,256	6,175
A/C payable	5,587	4,592	7,677	7,331	10,294
Other current liabilities	732	1,910	4,558	706	717
L-T debt	39,423	42,254	26,745	29,723	31,482
Other liabilities	4,426	4,329	30,031	29,415	30,436
Minority interest	1	1	7,520	7,465	7,301
Shareholders' equity	**66,114**	**68,091**	**70,290**	**73,321**	**102,114**
Working capital	3,084	3,436	3,999	3,540	4,140
Total debt	46,373	47,842	34,781	36,980	37,657
Net debt	**38,563**	**39,933**	**24,920**	**28,069**	**5,329**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	(0.5)	10.0	63.8	137.5	88.5
Operating profit growth	12.3	17.7	(9.1)	36.5	70.6
EBITDA growth	9.3	19.1	9.6	43.7	60.0
Norm profit growth	92.2	(0.2)	(14.9)	12.9	(13.4)
Norm EPS growth	92.2	(0.2)	(14.9)	12.9	(13.4)
Gross margin	12.3	12.2	8.2	8.4	10.9
Operating margin	7.6	6.7	4.5	5.4	6.8
EBITDA margin	13.3	13.0	9.5	9.7	11.3
Norm net margin	24.0	13.9	13.0	10.8	11.0
D/E (x)	0.7	0.7	0.4	0.5	0.3
Net D/E (x)	0.6	0.6	0.3	0.3	0.0
Interest coverage (x)	2.7	2.5	2.1	2.8	2.5
Interest rate	3.8	3.9	5.5	6.5	8.0
Effective tax rate	(12.1)	32.7	37.2	27.0	47.9
ROA	6.9	4.1	4.6	4.7	4.2
ROE	12.7	7.6	9.3	10.1	8.2

Sources: Company data, Thanachart estimates

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