WHA Utilities & Power (WHAUP TB) - BUY, Price Bt3.72, TP Bt5.00 | Results Comment

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Weaker-than-expected 2Q22

- WHAUP's 2Q22 net earnings came in at Bt205m. Excluding net FX hidden in its associates' income, its norm earnings would be Bt264m, flattish at -1% y-y but up strongly 410% q-q.
- The strong recovery q-q was driven by growing water sales in Thailand, recovery of power plant equity income and falling loss contribution from water equity income in Vietnam.
- Water sales, contributed majority of revenue, grew 13% y-y and 8% q-q driven by higher water consumption especially from power plants (new capacity commercially run) and petrochemical sectors and higher excessive charge fee. Volume was up 11% y-y and 9% q-q.
- Power plant equity income dropped 10% y-y on higher gas cost but up 260% q-q from falling maintenance days for IPP plant and improving profit from SPP plants.
- Loss contribution from equity investment in water projects in Vietnam dropped to Bt26m in 2Q22 vs a loss of Bt39/36m in 2Q21 and 1Q22 on improving utilization.
- 1H22 accounted for 23% of our full-year forecast. We see downside risk to our number.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	544	517	518	564	607
Gross profit	**179**	**180**	**140**	**188**	**207**
SG&A	52	50	72	69	54
Operating profit	127	130	67	118	153
EBITDA	**208**	**213**	**151**	**204**	**242**
Other income	10	17	10	27	9
Other expense	0	0	3	0	0
Interest expense	107	97	95	96	104
Profit before tax	**30**	**51**	**(20)**	**49**	**58**
Income tax	1	3	5	5	15
Equity & invest. income	236	227	158	8	221
Minority interests	(0)	0	(0)	(0)	(0)
Extraordinary items	(19)	(70)	20	27	(59)
Net profit	**247**	**206**	**152**	**78**	**205**
Normalized profit	**265**	**275**	**132**	**52**	**264**
EPS (Bt)	0.06	0.05	0.04	0.02	0.05
Normalized EPS (Bt)	0.07	0.07	0.03	0.01	0.07

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	8	12	46	2,524	2,946
Gross profit	**10**	**15**	**44**	**890**	**1,046**
SG&A	(23)	4	54	227	265
Operating profit	29	20	41	663	781
EBITDA	**19**	**16**	**44**	**1,013**	**1,166**
Other income	(67)	(9)	71	50	59
Other expense					
Interest expense	7	(3)	42	472	478
Profit before tax	**19**	**92**	**44**	**242**	**361**
Income tax	208	990	81	24	36
Equity & invest. income	2,797	(7)	19	1,181	1,203
Minority interests	na	na	70	(0)	(0)
Extraordinary items	na	na	na		
Net profit	**161**	**(17)**	**20**	**1,398**	**1,528**
Normalized profit	**410**	**(1)**	**23**	**1,398**	**1,528**
EPS (Bt)	161	(17)	20	0.37	0.40
Normalized EPS (Bt)	410	(1)	23	0.37	0.40

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	1,123	892	905	756	3,039
A/C receivable	336	324	295	379	373
Inventory	0	0	0	0	0
Other current assets	204	197	164	160	186
Investment	13,507	13,724	13,688	14,041	14,244
Fixed assets	5,223	5,272	5,455	5,659	6,019
Other assets	5,354	5,343	5,332	5,320	5,259
Total assets	**25,747**	**25,753**	**25,839**	**26,316**	**29,120**
S-T debt	2,697	1,999	4,499	4,498	5,788
A/C payable	360	273	459	372	507
Other current liabilities	51	1,045	92	98	96
L-T debt	9,604	9,101	7,602	7,603	9,110
Other liabilities	814	785	803	921	924
Minority interest	0	0	0	0	0
Shareholders' equity	**12,221**	**12,550**	**12,384**	**12,824**	**12,694**
Working capital	(23)	50	(163)	7	(134)
Total debt	12,301	11,100	12,101	12,101	14,899
Net debt	**11,178**	**10,208**	**11,196**	**11,345**	**11,860**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	34.7	24.1	15.5	(6.4)	11.7
Operating profit growth	62.7	63.2	20.1	(6.5)	20.1
EBITDA growth	56.1	27.9	15.9	0.5	16.5
Norm profit growth	49.5	40.4	(21.7)	(76.7)	(0.6)
Norm EPS growth	49.5	40.4	(21.7)	(76.7)	(0.6)
Gross margin	32.9	34.9	27.0	33.3	34.0
Operating margin	23.4	25.2	13.0	21.0	25.2
EBITDA margin	38.2	41.2	29.2	36.1	39.8
Norm net margin	48.8	53.3	25.5	9.2	43.4
D/E (x)	1.0	0.9	1.0	0.9	1.2
Net D/E (x)	0.9	0.8	0.9	0.9	0.9
Interest coverage (x)	1.9	2.2	1.6	2.1	2.3
Interest rate	3.4	3.3	3.3	3.2	3.1
Effective tax rate	4.5	5.0	(26.0)	9.8	25.5
ROA	4.1	4.3	2.0	0.8	3.8
ROE	8.5	8.9	4.2	1.6	8.3

Sources: Company data, Thanachart estimates

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