CK Power Pcl (CKP TB) - BUY

News Update

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A usual dry season

- **Total output from two hydro plants dropped 5% y-y in Feb**
- **The fall was mainly from a high-base last year**
- **SPP's output dropped this month**
- **Tariff rate approved for Luang Prabang project**

Total electricity generation from CKP's two hydropower plants dropped 5% y-y to 461GWh in February 2022. It fell 14% m-m on lower number of days in February. Weaker output from last year was mainly from the high-base of power generation from NN2 in Feb-21. However, water situations in both plant (XPCL and NN2) looked slightly better than in the same month last year. As the drought period is likely to continue for a few months, we expect attractiveness on CKP's shares remain low, despite significant upside to our valuation.

We update on a positive news earlier this month that the electricity tariff price for its developing 1.46GW installed capacity Luang Prabang hydropower project has been approved by Energy Regulatory Commission (ERC) at Bt2.84/kWh (Bt2.54 for XPCL). The next step for the project to a power purchase agreement (PPA) to be signed with Electricity Generating Authority of Thailand (EGAT). Scheduled commencing operation date for the project is within January 2030.

- **Xayaburi (XPCL, hydro, 482MW):** Total output from XPCL was 357GWh in February, a 1% growth from the same period last year. Stronger output y-y is driven by 4% higher water flow rate in the Mekong River this month. This implies capacity factor at 41.3%, slightly below its breakeven level which is usual during the drought season.
- **Nam Ngum 2 (NN2, hydro, 283MW):** Electricity generation from NN2 project was notably lower by 22% y-y to 104GWh in February. However, we don't see this as a concern since the fall was mainly due to a high base last year when CKP intentionally reserved water in 4Q20 to produce more electricity in 1Q21. Moreover, water inflow to its reservoir was very strong at 184 millions cubic meter in February (+2% y-y), a strong cushion for next month's output.
- **Bangpa-in Cogen (BIC, gas-fired, 154MW):** Total electricity volume sold by BIC was 111GWh in February, weakened 6% y-y. Steam volume sale also continued falling by 2% y-y. We suspect that these were from lower power demand from its industrial clients, and some minor maintenance. BIC is also suffering on margin squeeze issue, like other SPP plants, by gas cost surge.
- **Solar farms (BKC, solar, 19MW):** Total electricity output from solar farms dropped sharply 14% y-y to 1.77GWh in February as the rainfalls were higher than usual. However, solar business is very small contribution to its earnings.

Key Valuations

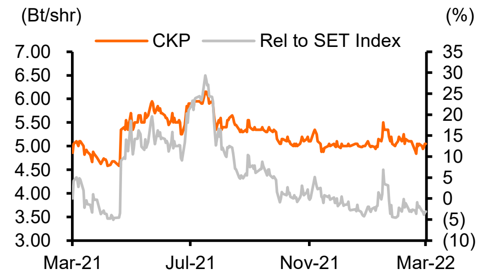
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	8,798	8,821	8,923	8,966
Net profit	2,179	2,210	2,207	2,210
Norm net profit	1,996	2,210	2,207	2,210
Norm EPS (Bt)	0.2	0.3	0.3	0.3
Norm EPS gr (%)	313.4	10.7	(0.1)	0.2
Norm PE (x)	20.6	18.6	18.6	18.6
EV/EBITDA (x)	19.2	17.8	17.7	18.1
P/BV (x)	1.7	1.5	1.5	1.5
Div. yield (%)	1.6	2.7	3.2	3.8
ROE (%)	8.2	8.6	8.2	7.9
Net D/E (%)	67.1	47.1	48.4	50.5

Source: Thanachart estimates

Stock Data

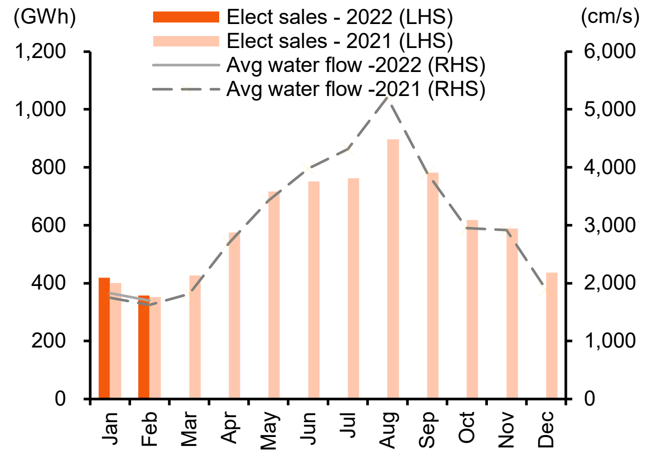
Closing price (Bt)	5.05
Target price (Bt)	7.50
Market cap (US$ m)	1,232
Avg daily turnover (US$ m)	2.8
12M H/L price (Bt)	6.15/4.58

Price Performance



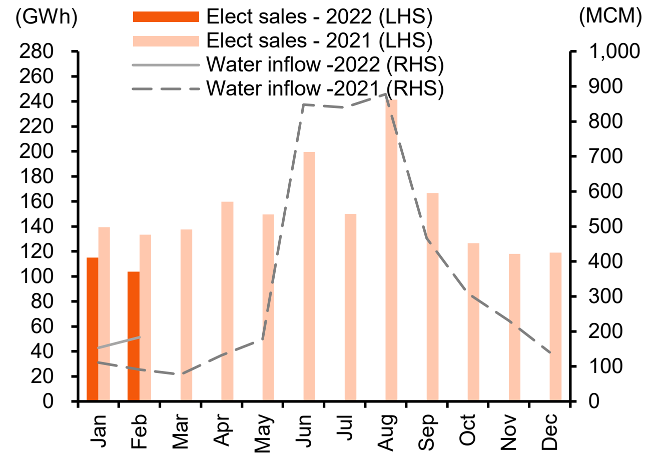
Source: Bloomberg

Ex 1: Performance From XPCL Slightly Better Y-Y



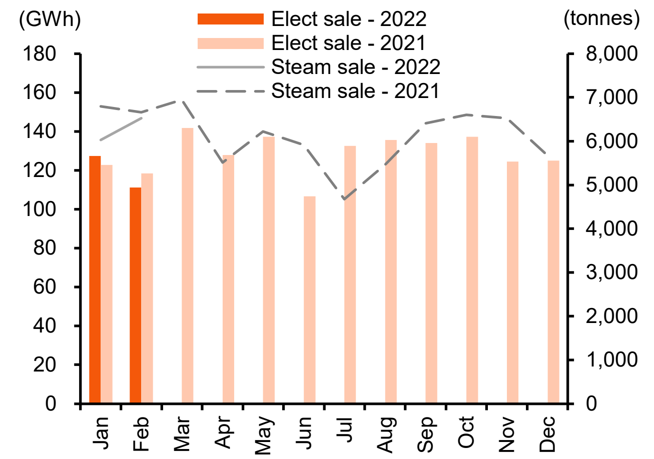
Source: Company data

Ex 2: NN2's Output Dropped From A High-Base



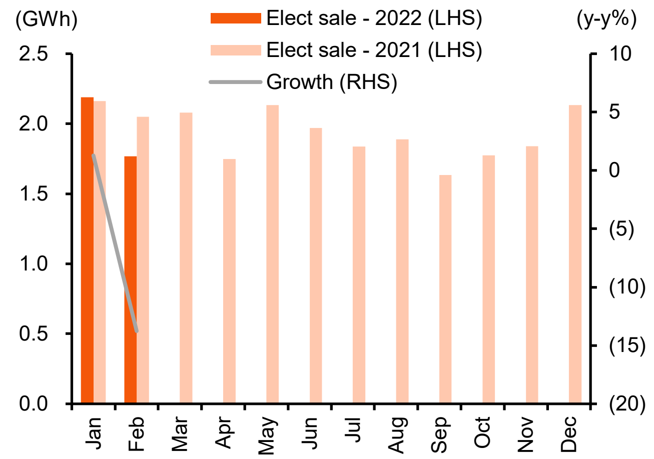
Source: Company data

Ex 3: SPP Generation Was Weak In Feb-22



Source: Company data

Ex 4: Also Weak Solar Farms, But Small Impact



Source: Company data

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