BUY (Unchanged)

Change in Numbers

TP: Bt 275.00 (Unchanged)

Upside : 66.7%

25 OCTOBER 2022

Electricity Generating (EGCO TB)

Undervalued

NUTTAPOP PRASITSUKSANT

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Thanachart Securities

We reaffirm BUY on EGCO for what we see as an undervalued valuation waiting to be unlocked, potentially from its partnership with SK Group. We lift our earnings by 8-11% in 2022-24F due to the higher profitability of its gas-fired power plants in the US and South Korea.

At the bottom end of the valuation range

We reaffirm BUY on EGCO. *First*, valuation looks highly attractive to us. Its 7x 2023F PE is at the bottom of its 7-18x range over the past 10 years (2012-22F) and average of 11x, while P/BV is at 0.7x in 2023F vs. its 10-year range of 0.7-1.9x and average of 1.1x. EGCO also offers decent 4% yields over 2022-24F on our estimates. *Second*, we lift our earnings by 11/9/8% in 2022-24F to reflect higher-than-expected profitability from its two gas-fired power plants in the US and Korea. But we maintain our 2023F SOTP-based 12-month TP of Bt275 given our more conservative assumptions for the long-term profitability of its domestic power plants and the impact of rising interest rates. *Third*, only 2% of EGCO's capacity has no fuel-cost pass-through mechanism; thus it is resilient to the current high fuel price environment. ***Fourth***, we see its partnership with SK Group likely creating opportunities for new projects in LNG-related business for EGCO.

High profitability of projects in Korea and US

Our earnings hikes are due to higher-than-expected margins from its 49%-owned 1.8GW gas-fired Paju power plant in Korea and 28%-owned 972MW Linden gas-fired power plant in the US. We expect these two projects to still enjoy elevated electricity tariffs in both markets, which are on bidding schemes, amid tight energy market supply. Paju also has stable gas costs from its long-term LNG contracts, thus gaining extra margin during the high global gas price situation. We estimate the contribution from these two projects to account for 28% of EGCO's profit in 2022F.

Good Korean assets and ASEAN opportunities

We visited EGCO's Paju power plant and 20MW hydrogen-based fuel cell plant in South Korea, in which it holds a 49% stake with SK Group owning the rest as its strategic partner. Paju's strengths are its scale, relatively new technology, and competitive LNG procurement. Fuel cell power plants are heavily subsidized by the Korean government as the means for a transition from fossil-based power plants to a reliable renewable source for the country. We see expansion opportunities for the partnership in these green energy solutions. Moreover, backed by SK Group's LNG industry experience, we also see opportunities for them to invest in LNG businesses (terminal or power plants) in ASEAN countries, where EGCO can contribute its strong footprints.

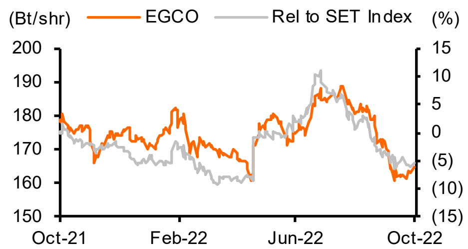
A countercyclical play

EGCO is our countercyclical play against three big market worries. 1) Its electricity sales are mostly on fuel-cost passthrough contracts, while its long-term LNG deals lift margins amid the energy price crisis. 2) 80% of its profit is from overseas plants so it is a net beneficiary of a weak baht. 3) We don't see electricity demand being hit by weak consumption and inflation.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	35,903	35,816	35,405	33,104
Net profit	4,104	11,835	11,760	11,191
Consensus NP	—	11,922	12,567	11,671
Diff frm cons (%)	—	*(0.7)*	*(6.4)*	*(4.1)*
Norm profit	10,258	11,835	11,760	11,191
Prev. Norm profit	—	10,657	10,837	10,373
Chg frm prev (%)	—	*11.1*	*8.5*	*7.9*
Norm EPS (Bt)	19.5	22.5	22.3	21.3
Norm EPS grw (%)	8.4	15.4	(0.6)	(4.8)
Norm PE (x)	8.5	7.3	7.4	7.8
EV/EBITDA (x)	20.2	18.5	17.5	17.1
P/BV (x)	0.8	0.7	0.7	0.6
Div yield (%)	3.9	3.9	4.2	4.2
ROE (%)	9.5	10.1	9.3	8.4
Net D/E (%)	80.3	65.7	51.8	39.6

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 25-Oct-22 (Bt)	165.00
Market Cap (US$ m)	2,268.7
Listed Shares (m shares)	526.5
Free Float (%)	50.0
Avg Daily Turnover (US$ m)	6.6
12M Price H/L (Bt)	189.00/161.00
Sector	Utilities
Major Shareholder	EGAT 25.41%

Sources: Bloomberg, Company data, Thanachart estimates

Reaffirming BUY

We reaffirm BUY on EGCO

We reaffirm our BUY rating on shares of Electricity Generating Pcl (EGCO) based on four supporting factors.

1) Highly attractive valuation in our view

First, we see its valuation as highly attractive at 7x PE and 0.7x P/BV in 2023F. Those multiples are already at their lowest points over the past 10 years. EGCO also offers decent 4% dividend yields in 2022-24F, on our estimates.

2) Earnings upgrades a near-term catalyst

Second, we expect strong profitability from its two gas-fired power plants, Paju in South Korea and Linden in the US, to act as a near-term share price catalyst for EGCO. We also boost our earnings estimates by 8-11% in 2022-24F on better-than-expected margins from the two plants.

3) Countercyclical play against high fuel prices and weakened baht

Third, EGCO is our candidate as a countercyclical play against high fuel prices and the weak Thai baht against the US dollar. This is because only 2% of EGCO's capacity is exposed to a margin squeeze from rising fuel costs, while 80% of its profit is from overseas power plants whose revenues are denominated in US dollars.

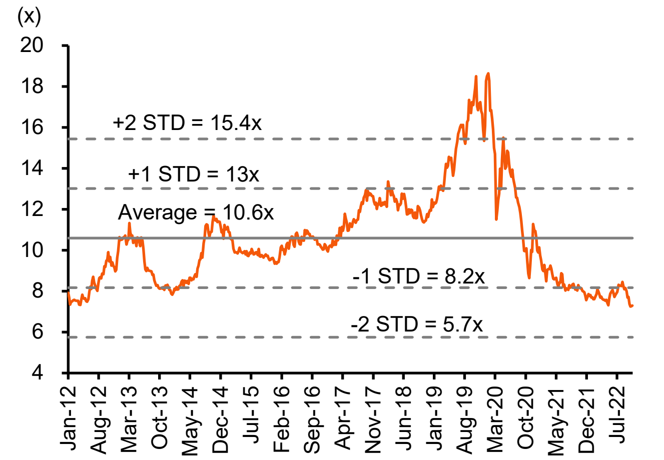
4) Upside from its more aggressive growth policy

Lastly, despite our expectation for a stable earnings base for EGCO over 2022-24F, we see potential upside to our numbers from its strong partnership with the SK Group to co-invest further in South Korea and in countries in ASEAN, including more acquisitions elsewhere.

Our TP is unchanged at Bt275/share

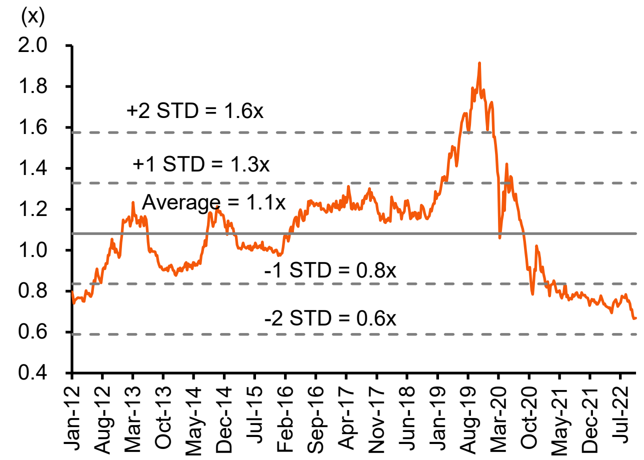
We keep our DCF-derived SOTP-based 12-month TP (2023F base year) unchanged at Bt275 after our earnings upgrades due to our more conservative assumptions for the long-term profitability at its small power producer (SPP) power plants in Thailand and the negative impact from rising interest rates.

Ex 1: 10-Year Historical Trading PE



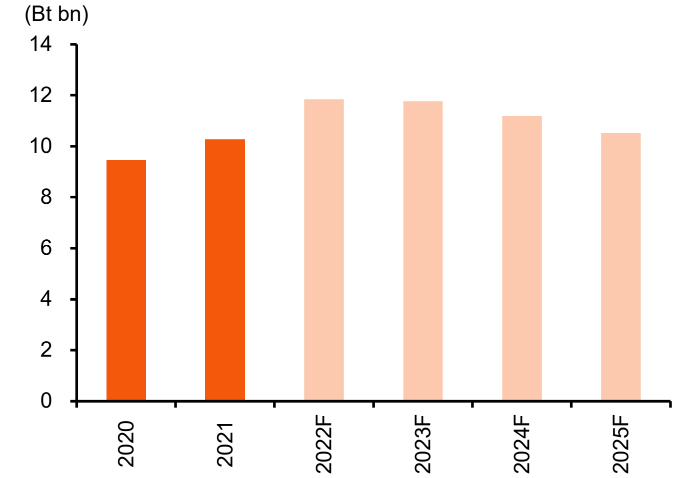
Sources: Bloomberg, Thanachart estimates

Ex 2: 10-Year Historical Trading P/BV



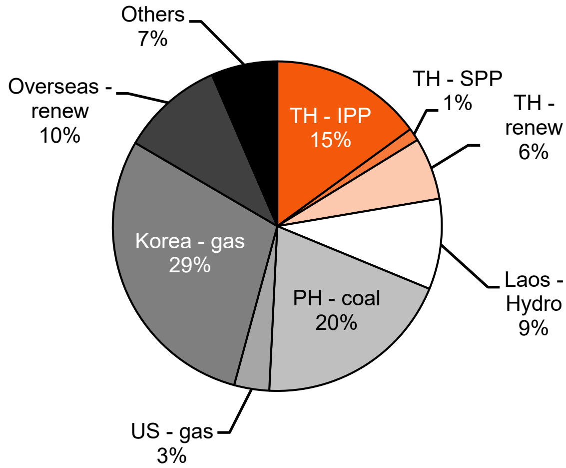
Sources: Bloomberg, Thanachart estimates

Ex 3: Resilient Earnings Trend With Potential Upside



Sources: Company data, Thanachart estimates

Ex 4: Earnings Breakdown From 6M22



Sources: Company data
Note: TH = Thailand, PH = Philippines

High profitability of projects in Korea and the US

8-11% earnings upgrades for 2022-24F

We raise our earnings estimates for EGCO by 11/9/8% in 2022-24F because of the higher-than-expected profitability of its two gas-fired power plants, plus some extra near-term windfalls amid the current global energy price crisis.

Paju is gaining extra margin amid the high gas price situation

The Paju gas-fired power plant in South Korea, with 893MW of equity-owned capacity, leverages on its long-term LNG import contract with its parent, the SK Group, which owns a 51% stake as EGCO's strategic partner in the project, in sourcing LNG at much lower than market prices. Paju, therefore, gains significant extra profits from the competitive bidding electricity market in South Korea given that its peers are suffering from the surge in coal and natural gas prices, which has driven the tariff price up to an exceptionally high level. As we expect high global fuel prices to persist over the next few years, we expect the profit contribution from the Paju project to remain elevated in 2023-24F.

Also, strong profit from Linden on high demand but limited gas supply

Similarly, for the Linden gas-fired power plant in the US, with 272MW of equity-owned capacity, we expect it to enjoy high profitability amid the natural gas shortage in Western countries, which looks likely to continue to be driven by the prolonged standoff between Russia and European countries (as well as the US) over the invasion of Ukraine. The trend of developed countries in the West moving away from coal power is also positive for gas-fired power projects since coal is a lower-cost fuel than gas, therefore allowing Linden to be more competitive in the overall electricity bidding market in the US. Note that the weak Thai baht against the US dollar also boosts EGCO's recognized profit from the project.

Good Korean assets and ASEAN opportunities

We found that Paju plant is highly competitive in the market during our visit

We visited EGCO's Paju 1,823MW installed capacity gas-fired power plant in South Korea earlier this month. Despite it commencing operation back in early 2017, before EGCO acquired a 49% stake in the project from SK E&S (a utility arm of the SK Group) in 2019, the plant has high-efficiency (H-Class) generator technology at both units (911MW each), which allows it to be very competitive in South Korea's bidding electricity market. We also learned about two other key advantages of the project during our visit. *First,* the plant is in a prime location (around 50km from Seoul), so power loss during transmission is low while electricity demand is high, as one of only a few large-sized power plants in the northern region of South Korea. *Second,* supported by the upstream gas (gas fields and domestic LNG terminal) businesses of the SK Group, the Paju project has secured long-term LNG procurement contracts to ensure sufficient fuel availability for generation at a relatively stable price, so it is likely to stay competitive in the market.

Ex 5: Paju Gas-Fired Power Plant Specifications

Installed capacity	1,823MW (2 units x 911MW)
Location	50km from Seoul city center
Plant area	200,770 sq.m.
Fuel type	Direct imported LNG
Commercial operation date	January 2017
Off-taker	Korea Electricity Exchange (KEX, competitive bidding market)

Sources: Company data

Hydrogen-based fuel cell power plants are heavily subsidized in Korea

In line with the aggressive clean energy policy of the South Korean government, conventional power plant operators are required to invest in renewable power projects at 10% at least of the installed capacity of their main fossil-based plants. Therefore, to match its investment in Paju, the partnership (EGCO and SK E&S) has invested in the 19.8MW-installed capacity Gangdong hydrogen fuel cell power plant. The project commenced operation in October 2020 and has been smoothly delivering electricity to the grid at a highly subsidized tariff, therefore it is profitable. The South Korean government strongly promotes investment in hydrogen-based fuel cell power plants, as it believes this is the best technology for a transition from conventional fossil-based power plants (i.e., natural gas, coal, and diesel) to a reliable renewable source for the country, expecting the investment costs in developing fuel cell power plants to gradually decline with production scale until the subsidies can be eliminated.

We believe the selection of fuel cell technology as South Korea's most promoted renewable energy source makes sense because the country's limited land area is a barrier for it to heavily expand solar or wind power projects despite their lower investment costs. A difficulty at the moment for fuel cell projects is a lack of clean hydrogen sources so the technology is still not considered to be fully clean (it still emits carbon). The Gangdong project also sells leftover heat from its power generation to industrial customers within the plant's vicinity while it sells Renewable Energy Certificates (REC) to big corporates that have been early in implementing a carbon-neutral policy, creating additional revenue streams for the project.

Ex 6: Gangdong Fuel Cell Power Plant Specifications

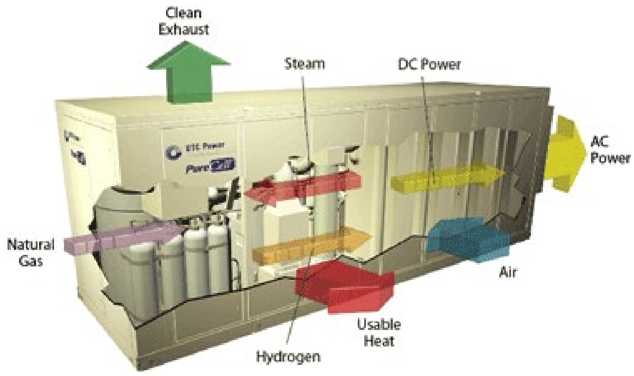
Installed capacity	19.8MW (45 units x 440kW)
Location	20km from Seoul city center
Plant area	5,893 sq.m.
Fuel type	Natural gas (LNG)
Commercial operation date	October 2022
Revenue model	1) Electricity sales to the Korea Power Exchange (KEX)
	2) Heat sales to industrial users
	3) REC sales through the Korea Energy Agency (KEA)

Sources: Company data

Ex 7: Gangdong Fuel Cell Power Plant

Source: Thanachart

Ex 8: Phosphoric Acid Fuel Cell (PAFC) Configuration



Source: Doosan

Ex 9: 12-month SOTP-derived DCF-based TP Calculation Using A Base Year Of 2022F

Projects	Valuation method	WACC	Value (Bt/share)
Conventional – IPP			**70.0**
- BLCP	DCF	5.5%	14.5
- GPG	DCF	5.3%	20.9
- KEGCO	DCF	4.4%	34.6
Conventional - SPP			**13.5**
- EGCO Cogen	DCF	5.9%	0.4
- BPU	DCF	6.5%	8.9
- KLU	DCF	6.5%	4.2
TH renewables			**28.1**
- Roi-et green	DCF	4.6%	0.2
- GYG	DCF	4.6%	2.1
- NED	DCF	4.9%	6.9
- SPP 2-5	DCF	4.6%	3.2
- GPS	DCF	7.2%	1.2
- Solarco	DCF	4.3%	4.0
- CWF	DCF	4.6%	9.0
- TWF	DCF	4.9%	1.4
Overseas plants			**196.1**
- Laos hydro	DCF	5.4%	59.0
- Indonesia geothermal	DCF	4.9%	25.6
- Australia wind	DCF	5.9%	7.3
- Philippines coal	DCF	7.0%	39.3
- Korea gas	DCF	4.9%	34.7
- Taiwan wind	DCF	5.4%	19.3
- US gas	DCF	5.9%	11.0
Subtotal - existing projects			**307.7**
Other businesses & net debts			**(32.7)**
Grand total			**275.0**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 10: Comparison With Regional Peers

Name	BBG code	Country	EPS growth 22F (%)	EPS growth 23F (%)	PE 22F (x)	PE 23F (x)	P/BV 22F (x)	P/BV 23F (x)	EV/EBITDA 22F (x)	EV/EBITDA 23F (x)	Div yield 22F (%)	Div yield 23F (%)
Huadian Power	1071 HK	China	na	38.8	9.1	6.6	0.5	0.5	15.1	12.1	6.9	7.6
Huaneng Power	600011 CH	China	154.6	184.1	43.2	15.2	1.3	1.2	11.2	8.6	0.8	2.5
Cheung Kong Infrastructure	1038 HK	Hong Kong	11.5	(2.6)	9.4	9.6	0.7	0.7	37.0	37.2	7.1	7.3
China Power Int'l	2380 HK	Hong Kong	na	58.0	12.5	7.9	0.9	0.9	10.1	7.6	3.6	5.9
China Resources Power	836 HK	Hong Kong	57.4	29.9	7.0	5.4	0.7	0.6	6.7	5.7	6.0	8.0
CLP Holdings	2 HK	Hong Kong	(43.7)	82.1	20.8	11.4	1.2	1.2	11.1	8.1	6.0	6.1
Hongkong Electric Holdings	6 HK	Hong Kong	5.8	(2.0)	11.3	11.5	0.9	0.9	31.8	55.4	7.9	7.9
Huaneng Power	902 HK	Hong Kong	191.4	147.9	19.1	7.7	0.5	0.6	10.9	8.5	2.1	6.0
Tata Power	TPWR IN	India	28.2	71.9	35.7	20.8	3.2	2.8	15.9	13.9	0.8	0.9
Tenaga Nasional	TNB MK	Malaysia	(9.4)	8.3	10.6	9.8	0.8	0.8	7.0	6.8	4.9	5.2
YTL Corp	YTL MK	Malaysia	na	187.5	na	40.4	0.5	0.5	10.8	8.9	4.1	5.3
YTL Power	YTLP MK	Malaysia	(105.4)	na	na	15.7	0.4	0.4	11.9	10.1	5.5	6.8
Manila Electric	MER PM	Philippines	9.0	0.6	13.2	13.1	3.3	3.0	9.2	8.0	5.1	5.3
BCPG Pcl *	BCPG TB	Thailand	(2.4)	(24.7)	12.3	16.4	1.0	0.9	8.2	9.8	3.4	3.4
B.Grimm Power Pcl *	BGRIM TB	Thailand	(81.8)	339.8	192.7	43.8	2.9	2.8	19.6	15.6	0.3	1.1
Banpu Power Pcl *	BPP TB	Thailand	23.6	14.7	14.9	13.0	1.0	0.9	42.4	33.6	4.7	5.4
CK Power Pcl *	CKP TB	Thailand	13.7	(4.5)	17.6	18.4	1.5	1.4	19.4	14.4	2.3	2.7
EA Pcl*	EA TB	Thailand	20.8	26.6	49.4	39.0	9.4	8.0	33.3	26.0	0.6	0.8
Electricity Generating *	EGCO TB	Thailand	15.4	(0.6)	7.3	7.4	0.7	0.7	18.5	17.5	3.9	4.2
Global Power Synergy *	GPSC TB	Thailand	(63.4)	132.2	69.8	30.0	1.6	1.5	22.4	17.3	0.8	1.8
Gulf Energy Dev. Pcl *	GULF TB	Thailand	22.2	37.4	54.5	39.7	4.7	3.7	39.8	31.4	1.1	1.5
Gunkul Engineering *	GUNKUL TB	Thailand	41.7	23.7	15.5	12.5	2.9	2.6	16.9	13.0	2.6	3.2
RATCH Group *	RATCH TB	Thailand	49.7	(19.9)	6.3	7.9	0.8	0.8	19.4	18.5	8.7	4.8
WHA Utilities & Power *	WHAUP TB	Thailand	45.9	9.3	10.8	9.9	1.2	1.1	26.0	23.0	5.5	6.1
Average			**18.3**	**58.2**	**29.2**	**17.2**	**1.8**	**1.6**	**18.9**	**17.1**	**3.9**	**4.6**

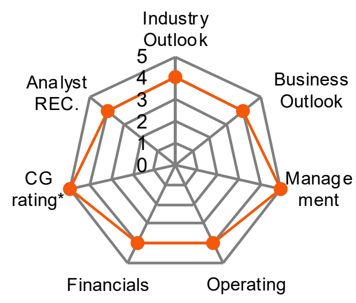
Sources: Bloomberg, * Thanachart estimates
Based on 25 October 2022 closing prices

COMPANY DESCRIPTION

Electricity Generating Pcl's (EGCO) core business is power generation with diversified fuels, i.e., natural gas, coal, solar, wind, hydropower, and biomass. Total combined attributed operating power capacity is 5.7GW. The company had another 0.3GW of secured contract power capacity under construction as of 2022. EGCO also has a service business that provides operation, maintenance, engineering, and construction services to power and petrochemical plants, oil refineries, and other industries.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Operationally defensive. Predetermined tariffs over power plants' lives in PPAs generate fixed revenues and returns.
- Access to cheap financing sources due to low business risk and trustworthy and well-known shareholders.

W — Weakness

- Increased competition from new power plants may affect dispatched capacities and increase O&M costs.
- Lower tariffs from new projects given the global trend.

O — Opportunity

- Large power-expansion projects in Asian countries, both conventional and renewable power capacities.
- Diversification opportunities for LNG imports in ASEAN.

T — Threat

- Regulatory risks and stricter environmental requirements, especially increased expansion overseas.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	225.17	275.00	22%
Net profit 22F (Bt m)	11,922	11,835	-1%
Net profit 23F (Bt m)	12,567	11,760	-6%
Consensus REC	**BUY: 8**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023F earnings estimate is 6% below the Bloomberg consensus number, which we believe is due to us having a more conservative assumption for EGCO's overall profitability.
- However, our TP is 22% higher, which we attribute to us being more confident in EGCO's capability to sustain its cash-flow generation over the long term.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected electricity demand in the countries where EGCO's major power plants are located, i.e., the Philippines, South Korea, and the US, would be the key downside risk to our earnings forecasts.
- Unfavorable movements in the prices of fuel required for electricity generation at its plants, leading to weaker profitability, are a secondary downside risk to our forecasts.
- Unfavorable natural conditions for the performance of EGCO's renewable projects would be another secondary downside risk to our projections.

Source: Thanachart

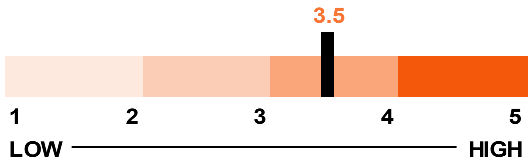
EGCO

Electricity Generating Pcl.

Sector: Resources | Energy & Utilities

EGCO is a power plant with a total 5.7GW capacity, of which 55% are gas-based, 23% coal, and 18% renewables. 53% of the capacity is in Thailand and another 47% overseas (Laos, Philippines, Korea, US, etc.). We give EGCO the best ESG score in the sector at 3.5 to reflect its clear target and focus on innovative energy technology investments and its intensive social responsibility activities.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
EGCO	YES	YES	YES	BB	54.99	76.68	87.34	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "term of use" in the following back page.

Factors	Our Comments
ENVIRONMENT – **Environmental Policies & Guidelines** – **Energy Management** – **Carbon Management** – **Water Management** – **Waste Management**	▪ EGCO has set clear targets to achieve on environmental matters. It targets to have 30% of its power generation portfolio from renewable energy (18% as of 2022) by 2030, which should reduce its carbon emission intensity by 10% from now. Long-term, it aims to achieve carbon neutrality by 2050 and net-zero carbon emissions by 2065. ▪ EGCO emitted a total of 14.4m tonnes of CO2 equivalent in 2021 and it plans to reduce this by 2.89m tonnes to meet the COP21 target by 2030. ▪ EGCO implements the "3Rs" principle (reduce, reuse, and recycle) to preserve water supplies for its own operations and prevent unfavorable impacts on the surrounding environment. These same procedures extend to its fuel-management approach to ensure sufficient fuel supplies for its electricity generation.
SOCIAL – **Human Rights** – **Staff Management** – **Health & Safety** – **Product Safety & Quality** – **Social Responsibility**	▪ EGCO is committed to the UN Guiding Principles (UNGP) on human rights to protect its employees from discrimination and harassment, especially child labor and human trafficking. The policies extend to its suppliers and all stakeholders. ▪ EGCO has formed a solid long-term target for its employee management scheme. It plans a 100% employee succession planning program to ensure operational sustainability. It also aims to add more female employees so they make up 30% of its total employees by 2025. ▪ EGCO is 25% owned by the state-owned enterprise Electricity Generation Authority of Thailand (EGAT). It thus works closely with its parent to minimize the effects from its operations on the community. It has set up initiatives to support local employment, develop skills, educate children in the community, and improve the quality of life of local residents.
GOVERNANCE & SUSTAINABILITY – **Board** – **Ethics & Transparency** – **Business Sustainability** – **Risk Management** – **Innovation**	▪ EGCO's board of directors comprises 15 members, which looks too large in our view. Moreover, most of them are representatives from its major shareholders, leaving room for only six independent directors. ▪ EGCO communicates its investment plans clearly to the public. However, it is difficult to closely track each project performance from its financial report as majority of them is off-balance sheet accounting. ▪ We like EGCO's well-diversified power generation portfolio, both in terms of fuel type and generating technology, and its geographical diversification across developed and developing countries. ▪ We also like its initiative to leverage on its healthy balance sheet with resilient generating cash flow from operating power plants to invest in innovative energy solutions technology for its long-term business sustainability as the industry becomes more digitalized.

Sources: Company data, Thanachart

Stable earnings base with potential upside from acquisitions

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	33,578	35,903	35,816	35,405	33,104
Cost of sales	25,258	27,560	27,140	26,911	25,181
Gross profit	**8,320**	**8,343**	**8,676**	**8,494**	**7,923**
% gross margin	24.8%	23.2%	24.2%	24.0%	23.9%
Selling & administration expenses	2,613	2,646	2,673	2,708	2,748
Operating profit	**5,707**	**5,697**	**6,003**	**5,786**	**5,175**
% operating margin	17.0%	15.9%	16.8%	16.3%	15.6%
Depreciation & amortization	3,131	3,124	3,050	3,072	3,094
EBITDA	**8,838**	**8,821**	**9,053**	**8,858**	**8,269**
% EBITDA margin	26.3%	24.6%	25.3%	25.0%	25.0%
Non-operating income	2,413	2,234	2,120	1,664	1,291
Non-operating expenses	0	0	0	0	0
Interest expense	(3,869)	(3,714)	(4,222)	(4,082)	(3,733)
Pre-tax profit	**4,250**	**4,216**	**3,901**	**3,368**	**2,733**
Income tax	1,022	818	780	674	547
After-tax profit	**3,228**	**3,398**	**3,121**	**2,694**	**2,186**
% net margin	9.6%	9.5%	8.7%	7.6%	6.6%
Shares in affiliates' Earnings	6,259	6,873	8,764	9,115	9,051
Minority interests	(27)	(13)	(50)	(49)	(46)
Extraordinary items	(727)	(6,154)	0	0	0
NET PROFIT	**8,733**	**4,104**	**11,835**	**11,760**	**11,191**
Normalized profit	**9,460**	**10,258**	**11,835**	**11,760**	**11,191**
EPS (Bt)	16.6	7.8	22.5	22.3	21.3
Normalized EPS (Bt)	18.0	19.5	22.5	22.3	21.3

Very strong balance sheet with low gearing

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	34,911	38,495	42,535	46,061	43,745
Cash & cash equivalent	17,237	17,898	20,000	25,000	25,000
Account receivables	4,811	7,060	5,397	5,335	4,988
Inventories	2,760	2,947	2,974	2,949	2,760
Others	10,104	10,591	14,164	12,777	10,998
Investments & loans	97,903	124,462	124,462	124,462	124,462
Net fixed assets	49,750	49,597	47,078	44,539	41,980
Other assets	31,873	29,377	27,158	26,559	25,863
Total assets	**214,438**	**241,932**	**241,233**	**241,620**	**236,051**
LIABILITIES:					
Current liabilities:	16,290	27,019	21,390	20,007	17,740
Account payables	2,510	4,380	2,974	2,949	2,760
Bank overdraft & ST loans	0	0	101	93	80
Current LT debt	11,170	19,670	15,063	13,896	11,958
Others current liabilities	2,610	2,970	3,252	3,069	2,943
Total LT debt	**81,758**	**89,747**	**85,359**	**78,743**	**67,760**
Others LT liabilities	13,556	11,129	11,985	12,115	12,244
Total liabilities	**111,603**	**127,895**	**118,733**	**110,865**	**97,744**
Minority interest	591	596	646	695	741
Preferreds shares	0	0	0	0	0
Paid-up capital	5,265	5,265	5,265	5,265	5,265
Share premium	8,601	8,601	8,601	8,601	8,601
Warrants	0	0	0	0	0
Surplus	(14,349)	(3,702)	(3,702)	(3,702)	(3,702)
Retained earnings	**102,726**	**103,277**	**111,689**	**119,896**	**127,401**
Shareholders' equity	102,243	113,441	121,854	130,060	137,566
Liabilities & equity	**214,438**	**241,932**	**241,233**	**241,620**	**236,051**

Sources: Company data, Thanachart estimates

Ample cash flow generation per year

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	4,250	4,216	3,901	3,368	2,733
Tax paid	(1,022)	(818)	(780)	(674)	(547)
Depreciation & amortization	3,131	3,124	3,050	3,072	3,094
Chg In w orking capital	287	(565)	229	62	347
Chg In other CA & CL / minorities	(1,516)	6,036	3,865	10,346	10,732
Cash flow from operations	**5,131**	**11,993**	**10,265**	**16,174**	**16,358**
Capex	(100)	(2,971)	(500)	(500)	(500)
Right of use	(513)	(71)	(50)	(50)	(50)
ST loans & investments	(1,513)	(91)	1,609	(27)	(28)
LT loans & investments	(9,391)	(26,559)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	3,401	(4,896)	3,094	747	839
Cash flow from investments	**(8,116)**	**(34,587)**	**4,153**	**170**	**262**
Debt financing	6,016	16,162	(8,894)	(7,790)	(12,935)
Capital increase	0	0	0	0	0
Dividends paid	(3,325)	(3,565)	(3,422)	(3,554)	(3,685)
Warrants & other surplus	(7,655)	10,659	0	0	0
Cash flow from financing	**(4,964)**	**23,255**	**(12,316)**	**(11,344)**	**(16,620)**
Free cash flow	**5,031**	**9,022**	**9,765**	**15,674**	**15,858**

We see EGCO as deeply undervalued

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	9.2	8.5	7.3	7.4	7.8
Normalized PE - at target price (x)	15.3	14.1	12.2	12.3	12.9
PE (x)	9.9	21.2	7.3	7.4	7.8
PE - at target price (x)	16.6	35.3	12.2	12.3	12.9
EV/EBITDA (x)	18.4	20.2	18.5	17.5	17.1
EV/EBITDA - at target price (x)	24.9	26.8	24.9	24.0	24.1
P/BV (x)	0.8	0.8	0.7	0.7	0.6
P/BV - at target price (x)	1.4	1.3	1.2	1.1	1.1
P/CFO (x)	16.9	7.2	8.5	5.4	5.3
Price/sales (x)	2.6	2.4	2.4	2.5	2.6
Dividend yield (%)	3.9	3.9	3.9	4.2	4.2
FCF Yield (%)	5.8	10.4	11.2	18.0	18.3
(Bt)					
Normalized EPS	18.0	19.5	22.5	22.3	21.3
EPS	16.6	7.8	22.5	22.3	21.3
DPS	6.5	6.5	6.5	7.0	7.0
BV/share	194.2	215.5	231.5	247.0	261.3
CFO/share	9.7	22.8	19.5	30.7	31.1
FCF/share	9.6	17.1	18.5	29.8	30.1

Sources: Company data, Thanachart estimates

A dividend payout hike would be a strong catalyst for its share price

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(10.5)	6.9	(0.2)	(1.1)	(6.5)
Net profit (%)	(33.1)	(53.0)	188.4	(0.6)	(4.8)
EPS (%)	(33.1)	(53.0)	188.4	(0.6)	(4.8)
Normalized profit (%)	(12.5)	8.4	15.4	(0.6)	(4.8)
Normalized EPS (%)	(12.5)	8.4	15.4	(0.6)	(4.8)
Dividend payout ratio (%)	39.2	83.4	28.9	31.3	32.9
Operating performance					
Gross margin (%)	24.8	23.2	24.2	24.0	23.9
Operating margin (%)	17.0	15.9	16.8	16.3	15.6
EBITDA margin (%)	26.3	24.6	25.3	25.0	25.0
Net margin (%)	9.6	9.5	8.7	7.6	6.6
D/E (incl. minor) (x)	0.9	1.0	0.8	0.7	0.6
Net D/E (incl. minor) (x)	0.7	0.8	0.7	0.5	0.4
Interest coverage - EBIT (x)	1.5	1.5	1.4	1.4	1.4
Interest coverage - EBITDA (x)	2.3	2.4	2.1	2.2	2.2
ROA - using norm profit (%)	4.5	4.5	4.9	4.9	4.7
ROE - using norm profit (%)	9.2	9.5	10.1	9.3	8.4
DuPont					
ROE - using after tax profit (%)	3.1	3.2	2.7	2.1	1.6
- asset turnover (x)	0.2	0.2	0.1	0.1	0.1
- operating margin (%)	24.2	22.1	22.7	21.0	19.5
- leverage (x)	2.0	2.1	2.1	1.9	1.8
- interest burden (%)	52.3	53.2	48.0	45.2	42.3
- tax burden (%)	76.0	80.6	80.0	80.0	80.0
WACC (%)	7.2	7.2	7.2	7.2	7.2
ROIC (%)	2.6	2.6	2.3	2.3	2.1
NOPAT (Bt m)	4,335	4,591	4,802	4,629	4,140
invested capital (Bt m)	177,934	204,960	202,376	197,792	192,363

Sources: Company data, Thanachart estimates

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80-89	△△△△	Very Good
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