

Electricity Generating (EGCO TB) - BUY, Price Bt173, TP Bt275**Results Comment**

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Strong beat in 3Q22

- EGCO reported Bt392m net loss in 3Q22. However, excluding non-cash FX items, we estimate its norm profit at Bt3.36bn this quarter, up 7% y-y but down 5% q-q in a like-for-like basis. The result beat significantly out expectation due to stronger-than-expected contributions from its IPP plants.
- The y-y growth was driven by lower maintenance days and some capacity expansion, while the q-q drop was mainly on weaker margin from SPP plants and higher interest cost.
- Consolidated EBITDA grew 22% y-y to Bt2.76bn in 3Q22, backed by stronger performance from KEGCO IPP plant and Quezon coal-fired power plant those had less maintenance days this year. It dropped 5% q-q pressured by weaker margin from its domestic SPP plants due to higher fuel costs.
- Shared profit from projects under its affiliates declined 3% y-y to Bt2.29bn in 3Q22, mainly due to lower output from its NTPC hydropower project and some expirations of its solar subsidies. It grew 5% q-q on strong performance from XPCL project, commencing operation of Nam Thuen 1 hydropower plant, and weak baht benefits at its geothermal projects in Indonesia.
- Interest expense increased 10% y-y and 4% q-q to Bt1.04bn in 3Q22 as EGCO raised more debts to support its capacity expansion and negative impact from rising global interest rates.
- EGCO's 9M22 normalized profit already made up 94% of our 2022F full-year projection, so we see a significant upside to our numbers. Its valuation also remains highly attractive to us, so we maintain BUY.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	8,743	11,345	11,985	13,891	16,810	Revenue	21	92	121	35,816	35,405
Gross profit	1,995	2,311	1,609	2,629	2,483	Gross profit	(6)	24	79	8,676	8,494
SG&A	538	663	672	525	559	SG&A	6	4	65	2,673	2,708
Operating profit	1,458	1,648	937	2,104	1,925	Operating profit	(9)	32	86	6,003	5,786
EBITDA	2,255	2,448	1,720	2,907	2,759	EBITDA	(5)	22	83	9,053	8,858
Other income	515	692	514	532	469	Other income	(12)	(9)	91	2,120	1,664
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	948	957	919	997	1,039	Interest expense	4	10	72	4,222	4,082
Profit before tax	1,024	1,383	532	1,639	1,355	Profit before tax	(17)	32	105	3,901	3,368
Income tax	222	251	178	298	295	Income tax	(1)	33	114	780	674
Equity & invest. income	2,352	484	3,817	2,184	2,289	Equity & invest. income	5	(3)	91	8,764	9,115
Minority interests	(12)	(3)	14	2	11	Minority interests	629	na	(55)	(50)	(49)
Extraordinary items	(2,069)	(680)	(69)	(4,304)	(3,753)	Extraordinary items	na	na	na	0	0
Net profit	1,074	934	4,116	(777)	(392)	Net profit	na	na	25	11,835	11,760
Normalized profit	3,142	1,614	4,185	3,527	3,360	Normalized profit	(5)	7	94	11,835	11,760
EPS (Bt)	2.04	1.77	7.82	(1.48)	(0.75)	EPS (Bt)	na	na	25	22.48	22.34
Normalized EPS (Bt)	5.97	3.07	7.95	6.70	6.38	Normalized EPS (Bt)	(4.73)	6.93	94	22.48	22.34

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & equivalent	16,988	17,898	20,943	19,556	21,705	Sales grow th	5.0	52.6	68.6	59.6	92.3
A/C receivable	5,811	7,060	5,700	8,328	11,222	Operating profit grow th	(14.3)	52.0	3.2	25.0	32.0
Inventory	3,103	2,947	2,519	4,527	5,474	EBITDA grow th	(9.4)	31.0	3.2	18.6	22.3
Other current assets	9,738	10,591	9,966	10,658	8,343	Norm profit grow th	10.9	35.8	92.3	19.5	6.9
Investment	117,727	124,979	128,156	135,128	141,006	Norm EPS grow th	10.9	35.8	92.3	19.5	6.9
Fixed assets	50,921	49,597	49,057	50,139	51,461	Gross margin	22.8	20.4	13.4	18.9	14.8
Other assets	30,313	28,860	29,788	30,620	33,843	Operating margin	16.7	14.5	7.8	15.1	11.5
Total assets	234,600	241,932	246,130	258,956	273,054	EBITDA margin	25.8	21.6	14.4	20.9	16.4
S-T debt	15,417	19,670	7,818	8,281	11,521	Norm net margin	35.9	14.2	34.9	25.4	20.0
A/C payable	3,643	4,380	3,923	6,728	7,967	D/E (x)	0.9	1.0	0.9	0.9	0.9
Other current liabilities	7,787	2,970	2,437	3,185	3,931	Net D/E (x)	0.7	0.8	0.7	0.8	0.8
L-T debt	82,198	90,074	101,824	106,906	109,756	Interest coverage (x)	2.4	2.6	1.9	2.9	2.7
Other liabilities	12,118	10,802	9,554	9,138	9,316	Interest rate	4.0	3.7	3.4	3.5	3.5
Minority interest	596	596	582	631	340	Effective tax rate	21.7	18.1	33.5	18.2	21.8
Shareholders' equity	82,198	90,074	101,824	106,906	109,756	ROA	5.5	2.7	6.9	5.6	5.1
Working capital	5,271	5,626	4,297	6,127	8,730	ROE	11.4	5.7	14.3	11.6	10.6
Total debt	80,628	91,846	88,699	95,630	99,571						
Net debt	112,841	113,441	119,991	124,087	130,224						

Sources: Company data, Thanachart estimates

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