

Gulf Energy Dev. Pcl (GULF TB) - HOLD, Price Bt52.75, TP Bt45.00 | Results Comment

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Soft 3Q22 profit, but in-line

- GULF reported normalized profit (excluding FX and hedging gain/loss) at Bt2.17bn in 3Q22, down 5% y-y and 30% q-q in a like-for-like basis. This is in-line with our expectation.
- The softened result was due to losses from domestic gas infrastructure business and SPP projects this quarter, while IPP plants also had lower dispatch. This is despite a very strong profit from its wind farm in Germany. The sharper drop in a y-y basis was due to a one-off dividend income from Intouch Group recognized in the previous year.
- Consolidated EBITDA grew 46% y-y to Bt5.33bn in 3Q22, driven mainly by capacity expansion and extraordinarily high electricity tariff at its wind power project in Germany. It implies 5% growth q-q as the strong contribution from the wind project was offset down by a margin squeeze in its SPP plants.
- Shared profit from affiliates grew 81% y-y to Bt1.25bn in 3Q22 given GULF started consolidating Intouch Group in 4Q21. The profit, however, dropped 38% q-q due to a weaker performance from SPP plants in GJP (40%-owned) and domestic natural gas infrastructure business (42%-owned).
- Interest expense increased 16% y-y to Bt2.04bn in 3Q22 as GULF continuously raise debt to fund its growth. GULF's average cost of debt was 3.3% as of 3Q22, at 1.9x net D/E.
- Despite its soft earnings this quarter, GULF's 9M22 earnings has made up 79% of our full-year projections for 2022F. We thus see upsides to our earnings forecasts and valuations of GULF. We need to revise our numbers and recommendation.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	11,903	15,287	20,628	23,004	23,631	Revenue	3	99	83	80,636	104,923
Gross profit	2,959	4,397	4,562	4,437	4,700	Gross profit	6	59	87	15,759	19,710
SG&A	589	692	551	639	643	SG&A	1	9	74	2,493	2,891
Operating profit	2,370	3,705	4,011	3,798	4,057	Operating profit	7	71	89	13,266	16,819
EBITDA	3,642	4,977	5,257	5,040	5,334	EBITDA	6	46	78	19,958	25,393
Other income	1,702	31	35	98	75	Other income	(24)	(96)	95	217	186
Other expense						Other expense			na		
Interest expense	1,753	1,737	1,473	1,864	2,036	Interest expense	9	16	72	7,424	7,335
Profit before tax	2,319	1,998	2,573	2,032	2,096	Profit before tax	3	(10)	111	6,060	9,670
Income tax	91	308	448	146	572	Income tax	292	532	370	315	362
Equity & invest. income	690	1,699	1,784	2,035	1,252	Equity & invest. income	(38)	81	64	7,947	9,073
Minority interests	(626)	(662)	(653)	(840)	(608)	Minority interests	na	na	73	(2,872)	(3,518)
Extraordinary items	(705)	315	138	(1,550)	(1,081)	Extraordinary items	na	na	na		
Net profit	1,588	3,043	3,395	1,531	1,087	Net profit	(29)	(32)	56	10,820	14,862
Normalized profit	2,293	2,728	3,257	3,081	2,168	Normalized profit	(30)	(5)	79	10,820	14,862
EPS (Bt)	0.14	0.26	0.29	0.13	0.09	EPS (Bt)	(29)	(32)	56	0.92	1.27
Normalized EPS (Bt)	0.20	0.23	0.28	0.26	0.18	Normalized EPS (Bt)	(30)	(5)	79	0.92	1.27

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	24,623	19,847	22,621	16,819	27,945	Sales grow th	51.1	64.2	128.3	104.6	98.5
A/C receivable	7,966	9,569	14,561	15,484	15,969	Operating profit grow th	47.3	48.9	59.0	73.9	71.2
Inventory	1,058	1,303	1,732	2,115	2,152	EBITDA grow th	53.0	34.2	41.2	47.0	46.5
Other current assets	3,109	8,093	6,356	7,387	8,208	Norm profit grow th	73.1	131.9	36.3	119.9	(5.5)
Investment	24,468	135,573	139,760	137,563	139,445	Norm EPS grow th	73.1	131.9	36.3	119.9	(5.5)
Fixed assets	133,307	130,128	124,610	126,958	135,322	Gross margin	24.9	28.8	22.1	19.3	19.9
Other assets	160,657	58,161	72,552	81,923	92,579	Operating margin	19.9	24.2	19.4	16.5	17.2
Total assets	355,188	362,674	382,193	388,249	421,621	EBITDA margin	30.6	32.6	25.5	21.9	22.6
S-T debt	16,600	19,526	22,940	27,082	24,744	Norm net margin	19.3	17.8	15.8	13.4	9.2
A/C payable	2,271	3,080	6,338	6,171	6,286	D/E (x)	2.2	2.1	2.0	2.0	2.1
Other current liabilities	10,732	12,410	12,637	16,719	19,427	Net D/E (x)	2.0	1.9	1.8	1.9	1.9
L-T debt	202,751	203,296	210,646	209,244	238,125	Interest coverage (x)	2.1	2.9	3.6	2.7	2.6
Other liabilities	23,451	16,853	13,083	10,702	10,628	Interest rate	3.7	3.1	2.6	3.2	3.3
Minority interest	10,230	10,913	12,950	14,725	15,567	Effective tax rate	3.9	15.4	17.4	7.2	27.3
Shareholders' equity	89,153	96,596	103,598	103,605	106,843	ROA	2.9	3.0	3.5	3.2	2.1
Working capital	6,753	7,791	9,954	11,429	11,834	ROE	11.6	11.7	13.0	11.9	8.2
Total debt	219,351	222,821	233,586	236,327	262,869						
Net debt	194,728	202,974	210,965	219,508	234,923						

Sources: Company data, Thanachart estimates

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