

RATCH Group Pcl (RATCH TB) - HOLD, Price Bt41.00, TP Bt46.00**Results Comment**

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

Weaker-than-expected 3Q22 profit

- RATCH reported normalized profit (excluding FX and hedging gains/losses) at Bt1.81bn in 3Q22, up 42% y-y and 1% q-q in a like-for-like basis. However, the result came in below our and market's expectations due to weaker-than-expected margins from both its IPP and SPP projects.
- Consolidated EBITDA grew 23% y-y to Bt1.46bn in 3Q22 given RATCH acquired two major power plants over the past year and its sizable wind farm in Australia commenced operation earlier this year. The EBITDA, however, fell 21% q-q pressured by weaker margin at its SPP plants due to rising fuel cost and an unexpected energy payment loss from its major IPP plant.
- Shared profit from projects in affiliates increased 57% y-y to Bt1.68bn in 3Q22, mainly driven by its Hongsa IPP plant came back to full operations after it went down for maintenance last year. The profit grew slightly 5% q-q backed by a strong power output from its hydropower plants during the high season.
- RATCH's 9M22 profit made up only 55% of our forecasts for its 2022F performance. We see downside to our numbers and yet see a significant catalyst for RATCH. We maintain HOLD.

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	9,142	12,396	16,915	16,339	22,352	Revenue	37	144	133	41,919	41,559
Gross profit	1,113	1,016	1,421	1,788	1,244	Gross profit	(30)	12	69	6,447	6,303
SG&A	497	453	502	669	605	SG&A	(10)	22	105	1,691	1,765
Operating profit	616	564	919	1,119	639	Operating profit	(43)	4	56	4,756	4,538
EBITDA	1,185	1,172	1,642	1,844	1,460	EBITDA	(21)	23	72	6,885	6,596
Other income	111	107	115	157	218	Other income	39	96	48	1,032	944
Other expense	(46)	(205)	(33)	(31)	(73)	Other expense	na	na	na	0	0
Interest expense	465	566	583	751	664	Interest expense	(12)	43	84	2,390	2,090
Profit before tax	308	309	485	556	266	Profit before tax	(52)	(14)	38	3,398	3,392
Income tax	101	115	131	266	105	Income tax	(61)	4	49	1,020	1,018
Equity & invest. income	1,068	1,418	1,250	1,586	1,680	Equity & invest. income	6	57	57	7,881	8,753
Minority interests	0	(7)	215	(74)	(29)	Minority interests	na	na	(27)	(418)	(447)
Extraordinary items	163	518	(239)	394	436	Extraordinary items	11	168	na	0	0
Net profit	1,438	2,123	1,579	2,196	2,248	Net profit	2	56	61	9,842	10,680
Normalized profit	1,275	1,605	1,819	1,802	1,813	Normalized profit	1	42	55	9,842	10,680
EPS (Bt)	0.99	1.46	1.09	1.10	1.01	EPS (Bt)	(8)	2	50	6.41	5.13
Normalized EPS (Bt)	0.88	1.11	1.25	0.91	0.82	Normalized EPS (Bt)	(10)	(7)	46	6.41	5.13
Balance Sheet						Financial Ratios					
(consolidated)						(%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	7,909	9,861	8,911	32,327	32,427	Sales grow th	10.0	63.8	137.5	88.5	144.5
A/C receivable	6,563	9,774	8,682	11,771	16,740	Operating profit grow th	17.7	(9.1)	36.5	70.6	3.8
Inventory	1,464	1,902	2,190	2,663	1,949	EBITDA grow th	19.1	9.6	43.7	60.0	23.2
Other current assets	3,471	3,779	4,909	5,635	7,763	Norm profit grow th	(0.2)	(14.9)	12.9	(13.4)	42.1
Investment	52,887	51,067	52,475	57,255	61,851	Norm EPS grow th	(0.2)	(14.9)	12.9	(37.0)	(7.1)
Fixed assets	30,882	36,228	36,434	35,803	35,634	Gross margin	12.2	8.2	8.4	10.9	5.6
Other assets	23,589	42,245	41,616	43,065	46,885	Operating margin	6.7	4.5	5.4	6.8	2.9
Total assets	126,765	154,855	155,217	188,520	203,249	EBITDA margin	13.0	9.5	9.7	11.3	6.5
S-T debt	5,588	8,035	7,256	6,175	6,381	Norm net margin	13.9	13.0	10.8	11.0	8.1
A/C payable	4,592	7,677	7,331	10,294	15,576	D/E (x)	0.7	0.4	0.5	0.3	0.3
Other current liabilities	1,910	4,558	706	717	744	Net D/E (x)	0.6	0.3	0.3	0.0	0.0
L-T debt	42,254	26,745	29,723	31,482	30,313	Interest coverage (x)	2.5	2.1	2.8	2.5	2.2
Other liabilities	4,329	30,031	29,415	30,436	34,478	Interest rate	3.9	5.5	6.5	8.0	7.1
Minority interest	1	7,520	7,465	7,301	8,845	Effective tax rate	32.7	37.2	27.0	47.9	39.4
Shareholders' equity	68,091	70,290	73,321	102,114	106,913	ROA	4.1	4.6	4.7	4.2	3.7
Working capital	3,436	3,999	3,540	4,140	3,113	ROE	7.6	9.3	10.1	8.2	6.9
Total debt	47,842	34,781	36,980	37,657	36,693						
Net debt	39,933	24,920	28,069	5,329	4,267						

Sources: Company data, Thanachart estimates

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