

Energy Absolute Public Co Ltd (EA TB) - BUY

News Update

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EV battery incentives approved

- **'Board EV' approves subsidies for battery factories**
 - **The quota is around 40GWh battery cell production**
 - **We estimate the scheme to lower EV prices by 4-8%**
 - **EA and NEX are two major beneficiaries**
- The National EV Policy Commission (Board EV) announces new incentives to promote EV battery production in Thailand.
 - *First*, excise tax on battery produced in Thailand for EV applications will be reduced to 1% (from 8%).
 - *Second*, total subsidies of Bt24bn for EV battery factories, divided into two categories. 1) Battery factories of less than 8GWh annual production capacity will receive Bt400-600/kWh subsidy. 2) Battery plants with higher than 8GWh capacity will get Bt600-800/kWh subsidy.
 - The subsidies come in a 'first-come first-serve' basis, meaning it will be granted to the first 40GWh battery production in Thailand from the beginning of the scheme.
 - We estimate the scheme to help reducing EV prices in Thailand by 4-8%, see Exhibit 1, thus likely accelerate EV demand for both retail (PEV) and commercial (CEV) segments.
 - We see EA and Nex Point Pcl (NEX, BUY) as the two major beneficiaries since they already have Li-ion battery plant (EA, 1GWh annual production capacity) and commercial EV factory (55% EA and 45% NEX, up to 9,000 units annual production capacity) in operations. Therefore, they could be the only two players to capture the early quota of the scheme.

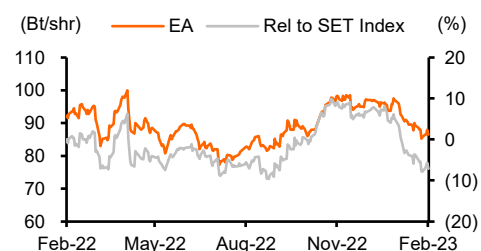
Key Valuations

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	20,174	29,654	45,472	52,180
Net profit	6,100	7,272	9,207	10,188
Norm net profit	6,021	7,272	9,207	10,188
Norm EPS (Bt)	1.6	1.9	2.5	2.7
Norm EPS gr (%)	17.4	20.8	26.6	10.6
Norm PE (x)	53.6	44.4	35.0	31.7
EV/EBITDA (x)	37.3	30.2	23.6	22.5
P/BV (x)	9.9	8.5	7.2	6.2
Div. yield (%)	0.3	0.7	0.9	1.3
ROE (%)	20.0	20.6	22.2	21.1
Net D/E (%)	114.8	87.4	67.5	55.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	86.50
Target price (Bt)	100.00
Market cap (US\$ m)	9,840
Avg daily turnover (US\$ m)	28.4
12M H/L price (Bt)	100.00/77.25

Price Performance

Source: Bloomberg

Ex 1: We Estimate EV Battery Incentives Lower EV Prices In Thailand Down 4-8%

	Current price	Battery size	Estimated battery cost	Excise tax benefits	Battery factory benefit	Estimated price savings	% price savings
	(Bt)	(kWh)	(Bt)	(Bt)	(Bt)	(Bt)	(%)
Small PEV	1,000,000	50	352,000	24,640	30,000	54,640	5%
Large PEV	1,500,000	90	633,600	44,352	54,000	98,352	7%
Small pickup	900,000	30	211,200	14,784	18,000	32,784	4%
Van	2,000,000	85	598,400	41,888	51,000	92,888	5%
Truck	2,500,000	250	1,440,000	100,800	100,000	200,800	8%
Small bus	3,500,000	200	1,152,000	80,640	80,000	160,640	5%
Large bus	5,000,000	350	2,016,000	141,120	140,000	281,120	6%

Source: Thanachart estimates

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