

BUY (Unchanged)
Change in Numbers

TP: Bt 40.00
Upside : 13.5%

(From: Bt 46.00)

12 JULY 2023

B.Grimm Power Pcl (BGRIM TB)

Margin recovery continues

We cut our EPS estimates for BGRIM by 27-41% in 2023-25F to reflect our more conservative assumptions for SPP margins, its higher operating costs, and extra interest expenses. But we see its strong earnings turnaround trend remaining intact, and thus reaffirm BUY.

Cutting our earnings

We lower our EPS estimates for BGRIM by 38/27/41% over 2023-25F and cut our DCF-derived SOTP-based 12-month TP (2023F base year) to Bt40/share (from Bt46). *First*, we cut our spark margin assumptions (electricity tariff over fuel cost price), as shown in Exhibit 1, since the pool gas price is still on a downtrend but the electricity tariff is also being brought down at slightly faster pace given a longer-than-expected period planned by the government in paying back the Electricity Generating Authority of Thailand's (EGAT) debts incurred from tariff price subsidization in 2021-22. *Second*, BGRIM's total SG&A expenses are rising again from the unusually low level during the COVID period as it resumes business activities in search for new investments. *Third*, its recent perpetual bond issuance is increasing its interest expenses. Note that perpetual bond interest isn't being reflected in its net income but in EPS.

Cutting spark margin but still elevated

We cut our spark margin assumptions to Bt1.36/1.29/1.24/kWh (from Bt1.41/1.49/1.39) in 2023-25F. However, these margins are still at elevated levels compared with the pre-energy price crisis period of around Bt1.2/kWh (2017-21). We expect the margin to come down to a normalized level in 2026F after EGAT's financial burden has been completely paid off. Note that the burden on EGAT peaked at Bt150bn in 4Q22 before falling to Bt138bn in 1Q23 and Bt117bn in 2Q23.

Capacity growth looks intact

We still see a growing trend for BGRIM's capacity. Based on secured projects alone, we estimate BGRIM's operating capacity (equity-owned) to increase by 53% to 3.7GW in 2028F from 2.4GW currently. The key new projects driving its capacity growth are 1) two SPP plant units (BGPAT 2-3) with a combined equity-capacity of 196MW, which are scheduled to begin commercial operations in 4Q23F, 2) 560MW offshore wind projects in South Korea over 2025-27F, and 3) 161MW of solar and wind projects in Thailand from the recent bidding due to start during 2026-30.

Earnings growth outlook still strong

Despite cutting our earnings forecasts, we maintain our BUY rating on BGRIM. We still like its strong earnings turnaround story from the elevated spark margins at its SPP plants after the profitability was inevitably squeezed by the government's policy of subsidizing electricity tariff prices in 2021-22. Beyond the turnaround this year, we estimate BGRIM's earnings growth to continue via its capacity expansion plans with a three-year and five-year EPS CAGR of 27% and 26%, respectively, which we believe justifies its high PE multiples of 47/38x in 2023-24F.

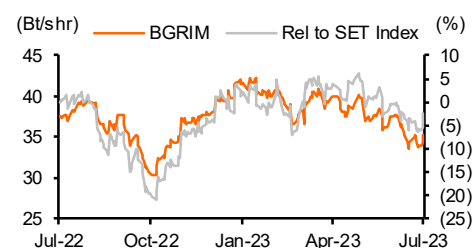


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COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	62,395	59,451	58,028	60,607
Net profit	(1,244)	2,594	3,313	3,490
Consensus NP	—	2,385	3,151	3,845
Diff frm cons (%)	—	8.8	5.1	(9.3)
Norm profit	159	2,594	3,313	3,490
Prev. Norm profit	—	2,981	4,049	4,175
Chg frm prev (%)	—	(13.0)	(18.2)	(16.4)
Norm EPS (Bt)	(0.1)	0.8	0.9	1.0
Norm EPS grw (%)	na	na	24.9	8.5
Norm PE (x)	na	46.8	37.5	34.5
EV/EBITDA (x)	18.3	12.3	11.6	11.6
P/BV (x)	3.1	2.4	2.3	2.2
Div yield (%)	0.2	1.1	1.3	1.4
ROE (%)	0.5	7.6	8.4	8.6
Net D/E (%)	202.9	148.9	140.3	134.4

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 12-Jul-23 (Bt)	35.25
Market Cap (US\$ m)	2,631.5
Listed Shares (m shares)	2,606.9
Free Float (%)	31.6
Avg Daily Turnover (US\$ m)	8.6
12M Price H/L (Bt)	42.25/30.25
Sector	Utilities
Major Shareholder	B.Grimm Group 18.39%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P9

Margin recovery continues

Earnings cuts on our more conservative assumptions for its SPP plants

We still expect an earnings turnaround story for B.Grimm Power Pcl (BGRIM) on the back of improving margins of its small power producer (SPP) gas-fired power plants in 2023-24F, even though we revise down our earnings estimates by 14-21% in 2023-25F as we adopt more conservative assumptions for those SPPs.

- *First*, we now expect the national electricity tariff to come down to only Bt4.45/kWh in September (from Bt4.40 previously). This is based on the lowest tariff proposed by the Energy Regulatory Commission (ERC) in its recently released public hearing for electricity tariff adjustment in September to December 2023 round. We estimate the tariff to gradually decline with falling fuel prices to Bt4.00/kWh in 4Q24F, implying an average tariff of Bt4.07/kWh for 2024F (down 16% y-y).
- *Second*, we expect a swifter drop in the domestic gas pool price to Bt350/mmbtu in 2H23F and Bt320 in 2024F (from Bt365 and Bt343) because of a faster-than-expected fall in the Asian spot LNG price and a weakening outlook for oil prices amid the global economic slowdown.

Still higher-than-average SPP's spark margin under our new assumptions

The changes to those two key assumptions result in our projection for the spark margin (selling price per unit – average fuel cost per unit) dropping to Bt1.36/1.29/kWh in 2023-24F (from Bt1.41/1.49 previously), though this still represents a notable turnaround from Bt0.07/kWh in 2022. Note that our spark margin assumptions are also higher than its normalized level of Bt1.2/kWh during 2017-21 as we believe the tariff will be adjusted down more slowly than the actual fall in fuel prices to give the Electricity Generating Authority of Thailand (EGAT) an extra margin, thus gradually winding down its Bt136bn financial deficit (as of 1Q23), caused by electricity price subsidies during 2021-22.

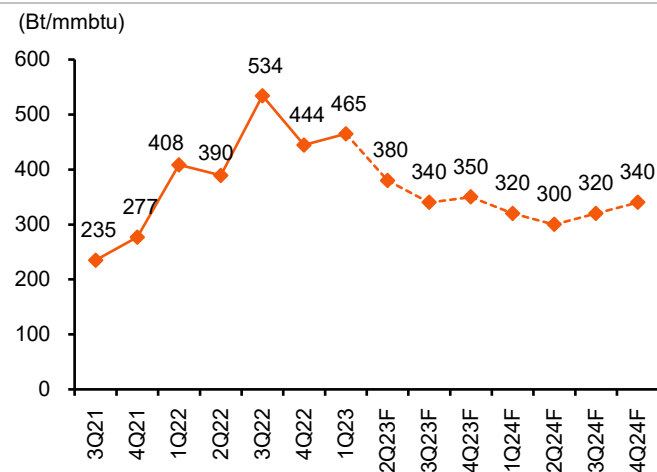
We reaffirm BUY as we see BGRIM as the best play on the SPP turnaround story

The sharper cuts of 38/27/41% to our EPS forecasts in 2023-25F are due to the impact of higher interest expenses from its Bt8.0bn perpetual bond issuance in March 2023. After the revisions, our DCF-derived SOTP-based 12-month TP (2023F base year) falls to Bt40/share (from Bt46). As its share price has fallen by 11% YTD, which we believe has reflected the market's concerns over what we see as the aggressive populist policies of the election-winning parties and a near-term energy price spike, with 14% potential upside from the market price to our valuation, we maintain our BUY rating on shares of BGRIM which we regard as the best play in the sector on this SPP turnaround story.

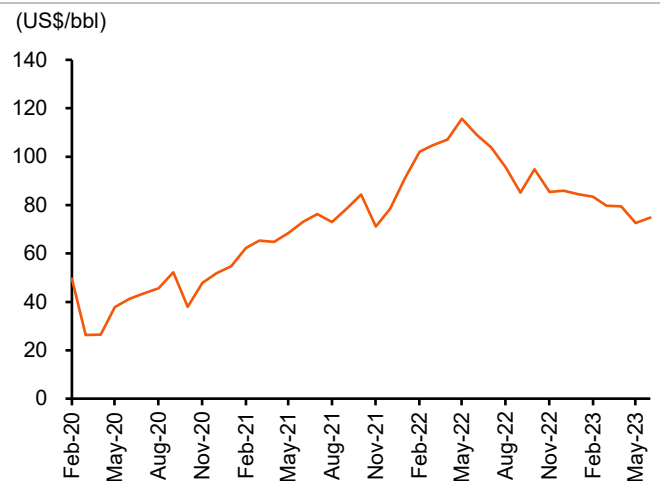
Ex 1: Key Assumption Changes

	2023F	2024F	2025F
Normalized profit (Bt m)			
New	2,594	3,313	3,490
Old	2,981	4,049	4,175
Change (%)	(13.0)	(18.2)	(16.4)
National electricity tariff (Bt/kWh)			
New	4.83	4.07	4.33
Old	5.00	4.67	4.22
Change (%)	(3.4)	(12.8)	2.6
Gas pool price (Bt/mmbtu)			
New	392	320	337
Old	402	343	304
Change (%)	(2.4)	(6.7)	10.9
SPP's spark margin on IU sales (Bt/kWh)			
New	1.36	1.29	1.24
Old	1.41	1.49	1.39
Change (%)	(3.6)	(13.4)	(11.0)

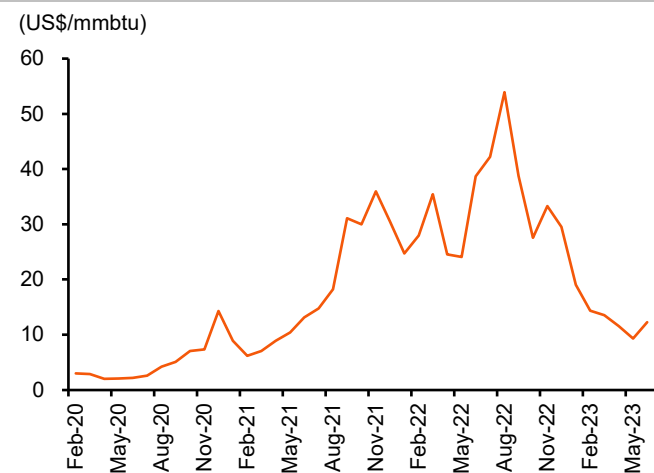
Sources: Thanachart estimates

Ex 2: Domestic Gas Pool Price Has Already Fallen

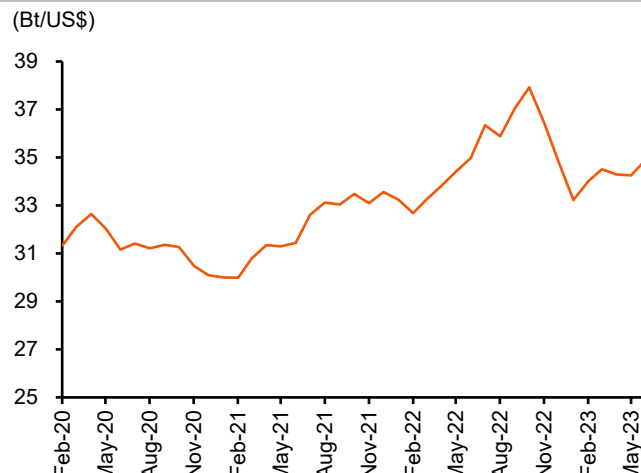
Sources: Energy Policy and Planning Office (EPPO), Thanachart estimates

Ex 3: Oil Price Leads Pool Price Change By 6 Months

Source: Bloomberg

Ex 4: LNG Price Leads Pool Price Change Only 1 Month

Source: Bloomberg

Ex 5: Weakening Baht Is A Minor Headwind

Source: Bank of Thailand (BoT)

Capacity growth story looks intact

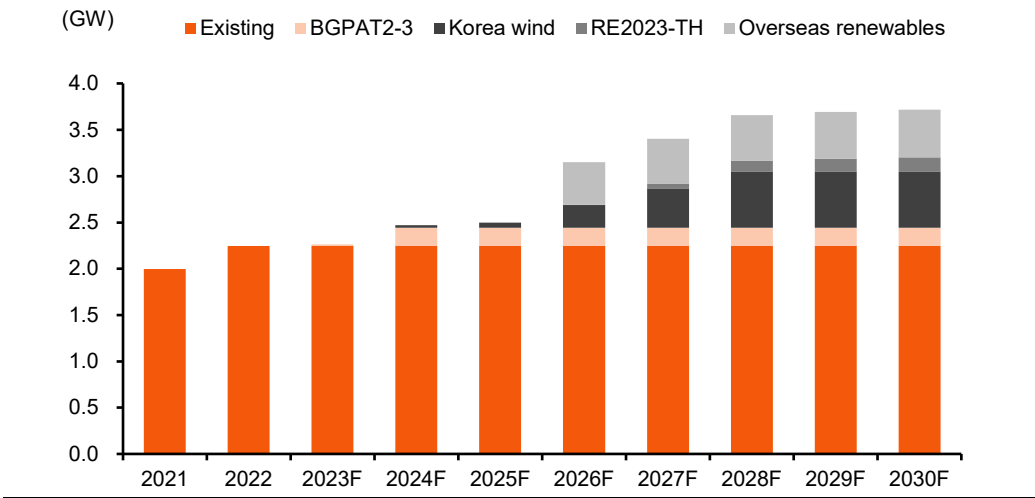
**Capacity continues to grow
by 8% p.a. over 2023-28F**

We still regard BGRIM as a growth stock and believe that it deserves to trade at high PE multiples. We project its operating capacity to grow by 8% p.a. to 3.7GW in 2028F, from 2.2GW in 2022, based only on its already secured contracts. The nearest new capacity on its timeline is from the commencement of operation of 280MW of installed capacity (196MW equity-capacity based on its 70% stake) from the BGPAT2-3 gas-fired SPP power plant scheduled for 4Q23. The BGPAT project will be operated under SPP contracts, under which its contracted capacity for the sale of electricity to EGAT is 180MW. Thus, the available capacity for electricity sales to industrial users (IUs) is another 100MW. Therefore, we expect the profitability of BGPAT2-3 to be higher than that for BGRIM's existing SPP projects given: 1) larger mix of higher-margin electricity sales to IUs, 2) higher operating leverage benefits given its greater capacity, and 3) newer-generation technology.

**Renewable plants in Korea
and Thailand drive capacity
growth in the medium term**

The second sizable upcoming lot of new capacity is from its offshore wind power projects under development in South Korea, with a total of 955MW of installed capacity (560MW equity-capacity on based on BGRIM's stakes). The projects have been granted licenses to develop power plants and to connect to the national grid from the related authorities, and their construction is scheduled to begin next year before commencing operations over 2025-27. BGRIM has also won power purchase agreements (PPAs) for a total of 339MW of installed capacity (161MW equity-capacity) of renewable projects from the RE Proposal bidding 2023 (phase 1) by the Thai government earlier this year. Those PPAs comprise 326MW of solar farms (145MW based on BGRIM's stake) and a 16MW wind power project (100% owned), which are due to start delivering electricity to EGAT from 2026-30.

Ex 6: Secured Capacity Growth Projections



Ex 7: Developing Offshore Wind Farms In South Korea

Project	Installed capacity (MW)	BGRIM's stake	Remarks
Jodo wind power	517	70%	Granted power plant license, waiting for approval for construction
Shinan-Eoui wind power	99	15%	Waiting for approval for grid connection and construction Construction scheduled for 1Q24 to COD in 3Q25
Choensa-Eoui wind power	99	15%	Waiting for approval for grid connection and construction Construction scheduled for 1Q24 to COD in 3Q25
Gunghung offshore wind power	240	70%	Granted power plant license, waiting for approval for construction Construction scheduled for 3Q24 to COD in 1Q27

Source: Company data

Ex 8: Our DCF-derived Sum-Of-The-Parts (SOTP)-Based 12-month TP Calculation

	Valuation method	WACC (%)	Value per BGRIM share (Bt)
Operating gas-fired SPP plants (ABP, ABPR, BPLC, BPWHA, BIP, BPAM, ATP, UVBGP)	DCF	5.2 - 6.4%	9.9
SPP replacement projects (ABP1, ABP2, BPLC1, BPAM1, BPAM2)	DCF	5.5%	8.4
Projects under development (BGPR, U-Tapao airport, other IPS projects)	DCF	5.5 - 6.5%	3.3
Renewable projects			14.4
Solar – Thailand	DCF	6.0%	1.2
Solar – Vietnam	DCF	6.7%	0.9
Solar – Cambodia	DCF	7.1%	0.0
Solar – Malaysia	DCF	6.4%	1.9
Wind – Thailand	DCF	5.1%	0.5
Hydro – Laos	DCF	6.7%	1.1
S Korea offshore wind farms	DCF	5.4%	5.9
Other developing renewable projects	DCF	6.0 - 7.2%	2.8
Others & cash on hand			0.8
Potential projects			3.2
- Vietnam wind farms	DCF	10.0%	0.2
- Vietnam LNG-to-Power	DCF	10.0%	3.0
Grand total			40.0

Source: Thanachart estimates

Valuation Comparison

Ex 9: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Huadian Power	1071 HK	Hong Kong	65.8	22.6	7.4	6.0	0.8	0.7	12.3	11.3	6.1	7.2
Cheung Kong Infrastructure	1038 HK	Hong Kong	(9.4)	6.1	11.8	11.2	0.8	0.8	38.2	36.8	6.4	6.5
China Power Int'l	2380 HK	Hong Kong	57.5	38.5	10.3	7.4	0.8	0.8	8.8	7.0	4.4	5.9
China Resources Power	836 HK	Hong Kong	40.1	19.0	7.5	6.3	0.9	0.9	6.3	5.3	5.4	6.5
CLP Holdings	2 HK	Hong Kong	76.5	10.5	14.1	12.8	1.4	1.3	9.4	8.9	5.3	5.4
Hongkong Electric Holdings	6 HK	Hong Kong	(6.8)	4.6	13.6	13.0	1.0	1.0	64.4	63.4	7.1	7.1
Huaneng Power	902 HK	Hong Kong	137.7	20.7	8.7	7.2	0.7	0.7	10.2	9.2	5.1	6.6
Tata Power	TPWR IN	India	81.0	(4.9)	20.2	21.3	2.8	2.4	14.6	12.7	0.9	1.1
Tenaga Nasional	TNB MK	Malaysia	2.7	5.0	11.2	10.7	0.9	0.8	6.6	6.7	4.7	4.8
YTL Corp	YTL MK	Malaysia	na	7.9	14.6	13.5	0.9	0.9	9.6	9.4	4.1	5.9
YTL Power	YTLP MK	Malaysia	na	(2.5)	8.0	8.2	0.7	0.7	8.1	8.1	3.7	4.3
Manila Electric	MER PM	Philippines	16.3	2.1	12.2	11.9	3.1	2.8	8.6	8.3	5.4	5.6
BCPG Pcl *	BCPG TB	Thailand	(6.8)	6.3	13.6	12.8	0.9	0.8	10.1	11.3	3.6	3.6
B.Grimm Power Pcl *	BGRIM TB	Thailand	na	24.9	46.8	37.5	2.4	2.3	12.3	11.6	1.1	1.3
Banpu Power Pcl *	BPP TB	Thailand	80.1	15.7	11.2	9.7	0.9	0.9	32.5	36.2	4.9	5.7
CK Power Pcl *	CKP TB	Thailand	(30.4)	11.7	15.9	14.2	1.0	1.0	11.2	10.8	2.6	2.6
EA Pcl*	EA TB	Thailand	60.0	3.2	21.8	21.1	4.3	3.8	16.4	15.2	1.4	1.4
Electricity Generating *	EGCO TB	Thailand	(7.2)	(4.8)	5.9	6.2	0.5	0.5	15.4	15.0	5.3	5.3
Global Power Synergy *	GPSC TB	Thailand	2,756.5	17.1	24.0	20.5	1.4	1.3	14.1	12.8	2.3	2.9
Gulf Energy Dev. Pcl *	GULF TB	Thailand	40.0	30.5	34.3	26.3	4.7	4.4	28.8	23.7	1.7	2.3
Gunkul Engineering *	GUNKUL TB	Thailand	47.8	9.2	14.6	13.4	1.8	1.6	14.7	13.0	2.7	3.0
RATCH Group *	RATCH TB	Thailand	46.9	5.1	6.9	6.5	0.7	0.7	16.8	18.7	5.5	6.1
Average			36.8	10.8	15.6	13.9	1.5	1.4	17.0	16.4	4.0	4.5

Sources: Bloomberg, * Thanachart estimates

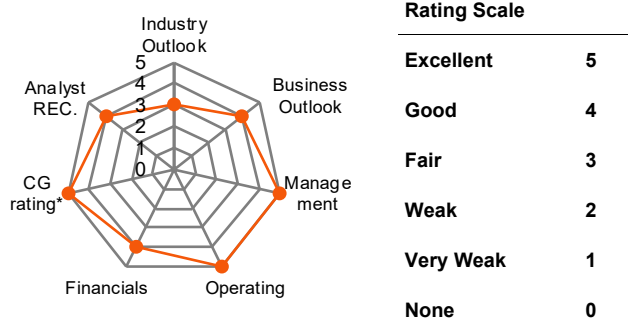
Based on 12 July 2023 closing prices

COMPANY DESCRIPTION

Established in 1993, BGRIM, the investment arm of B.Grimm Group for utilities and power generation projects, is one of the largest power producers in Thailand under Small Power Producer (SPP) contracts. BGRIM provides electricity and steam for the national power grid as well as nearly 200 industrial manufacturers and has also expanded its power business into Vietnam and Laos. The company has a target to expand its total installed capacity to 10GW by 2030, from 3.3GW as of 2022, in which renewable power capacity is its new key focus.

Source: Thanachart

COMPANY RATING



Source: Thanachart; * CG rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Good engineering team with strong expertise in developing and operating gas-fired power plants for over 20 years.
- Benefits from relationships with B.Grimm Group and other key strategic partners.

O — Opportunity

- Expansion of the power business in neighboring countries and the rest of Asia.
- Increasing power industry liberalization opens room for new business areas, i.e., smart grid and peer-to-peer trading.

W — Weakness

- Financial gearing looks a bit high compared with peers, but it is still well below its targeted threshold after the issuance of its second tranche of perpetual bonds in early 2023.

T — Threat

- Relies on government policy in balancing between the fuel cost pass-on for power plants and its potential inflationary impact on the economy.
- Regulatory risk with business overseas.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	45.66	40.00	-12%
Net profit 23F (Bt m)	2,385	2,594	9%
Net profit 24F (Bt m)	3,151	3,313	5%
Consensus REC	BUY: 16	HOLD: 1	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F earnings are 9% and 5% higher than the Bloomberg consensus numbers, which we attribute to us assuming a sharper rise in spark margins at its SPP plants.
- However, our DCF-derived SOTP-based TP is 12% lower, likely since we are earlier in factoring in the dilution impact from it issuing perpetual bonds, while we assume a lower value from potential acquisitions of more renewable projects.

Sources: Bloomberg consensus, Thanachart estimates

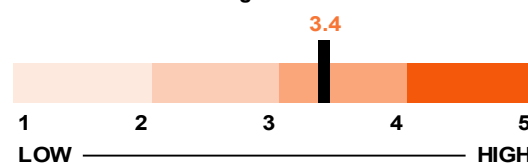
RISKS TO OUR INVESTMENT CASE

- A slower-than-expected fall in the domestic gas pool price than our assumptions is the key downside risk to our earnings forecasts and target price.
- Faster national electricity tariff adjustments to reflect actual fuel price normalization, and thus a lower-than-expected margin at its SPP plants, are another key downside risk to our numbers.
- Slower-than-expected capacity growth, either from greenfield project development or M&As, than we currently expect would represent a secondary downside risk to our valuation.

Source: Thanachart

BGRIM is one of the major gas-fired power plant operators in Thailand. Of its 2.2GW operating capacity, 67% is gas power plants in Thailand, and another 33% is renewable plants across ASEAN. We rate its ESG score at 3.4 on its policy to raise its green energy mix, various social activity initiatives, and its large dedicated team to improve ESG aspects.

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)
BGRIM	YES	YES	-	BBB	47.82	64.57	84.00	-	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

- BGRIM provides detailed sets of data on the company's environmental reporting, including energy consumption, pollution emissions, and waste-management aspects.
- BGRIM targets net-zero carbon emissions by 2050, via an increase of the renewable mix in its total generation capacity to over 50% in 2030F, from 25% as of 2022. BGRIM also plans to invest in carbon capture units to reduce its carbon footprint further.
- BGRIM emitted 0.38 tonnes of CO2 equivalent per MWh of electricity generation in 2022. The company targets to reduce its carbon emission intensity to below 0.28 tonnes per MWh in 2030F, implying an emission reduction rate of 4% p.a. vs. (7% p.a. in 2018-22).
- BGRIM is one of the few Thai companies with a biodiversity policy. We like this initiative for helping to preserve the global environment apart from the global warming issue.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- BGRIM's human rights policy is in line with the UN Guiding Principles (UNGP) to protect, respect, and remedy staff and all stakeholders. The company has not reported any human rights or staff violations for the past five years.
- BGRIM has developed a strong platform for its employees to self-develop their competencies under the name "B.Grimm Academy". The courses are formed based on BGRIM's core cultures of "positivity, partnership, pioneering, and professionalism".
- It also shares academic support to help develop human resources for Thais with 232 schools and over 100 students under its care.
- Since its core fossil-based power plant business leads to the risk of accidents and health issues in surrounding communities, BGRIM is committed to high standards and protocols to prevent unexpected chemical leaks and to ensure a swift emergency response.

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- BGRIM's board of directors comprises 10 members. Six of them are independent directors while half are female.
- We see BGRIM as one of the leading companies in providing clear and detailed data on both its operations and (recently) ESG issues. It has developed a dedicated team to ensure high ESG standards, including business transparency.
- BGRIM has high business sustainability supported by long-term contracts for all of its power plants, while the company continuously looks for more investments to deliver business growth to its shareholders.
- BGRIM still lacks an innovative business plan, in our view. It may need to accelerate the exploration of new technology to complement its traditional power business, especially the carbon capture, utilization, and storage (CCUS) trend, to mitigate the risk to its business from global emission regulations being implemented.

Sources: Thanachart, Company note

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	46,628	62,395	59,451	58,028	60,607
Cost of sales	37,935	56,067	49,291	47,430	49,832
Gross profit	8,694	6,329	10,160	10,598	10,775
% gross margin	18.6%	10.1%	17.1%	18.3%	17.8%
Selling & administration expenses	1,673	1,857	1,813	1,813	1,874
Operating profit	7,021	4,472	8,347	8,785	8,901
% operating margin	15.1%	7.2%	14.0%	15.1%	14.7%
Depreciation & amortization	5,308	5,221	5,578	5,822	5,775
EBITDA	12,329	9,693	13,925	14,607	14,676
% EBITDA margin	26.4%	15.5%	23.4%	25.2%	24.2%
Non-operating income	188	291	277	271	283
Non-operating expenses	0	0	0	0	0
Interest expense	(3,394)	(4,056)	(4,414)	(4,247)	(4,253)
Pre-tax profit	3,814	707	4,210	4,809	4,930
Income tax	298	(156)	211	385	493
After-tax profit	3,516	863	4,000	4,424	4,437
% net margin	7.5%	1.4%	6.7%	7.6%	7.3%
Shares in affiliates' Earnings	44	(32)	53	529	732
Minority interests	(1,479)	(672)	(1,458)	(1,640)	(1,680)
Extraordinary items	195	(1,403)	0	0	0
NET PROFIT	2,276	(1,244)	2,594	3,313	3,490
Normalized profit	2,081	159	2,594	3,313	3,490
EPS (Bt)	0.7	(0.6)	0.8	0.9	1.0
Normalized EPS (Bt)	0.6	(0.1)	0.8	0.9	1.0

We expect a fast earnings recovery amid an inflated SPP margin in 2023-24F

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	41,058	48,803	42,083	39,740	38,350
Cash & cash equivalent	25,707	28,907	22,000	20,000	18,000
Account receivables	8,983	9,254	9,773	9,539	9,963
Inventories	971	833	675	650	683
Others	5,397	9,810	9,635	9,551	9,704
Investments & loans	3,124	4,492	5,239	7,795	10,938
Net fixed assets	84,804	94,071	96,706	95,334	94,660
Other assets	20,211	23,284	23,738	24,184	24,575
Total assets	149,198	170,651	167,766	167,053	168,523
LIABILITIES:					
Current liabilities:	12,724	19,624	20,027	19,388	19,627
Account payables	5,691	8,005	8,103	7,797	8,192
Bank overdraft & ST loans	750	414	5,036	4,892	4,806
Current LT debt	5,745	10,616	6,220	6,041	5,936
Others current liabilities	538	589	668	659	693
Total LT debt	89,241	103,424	89,473	86,898	85,381
Others LT liabilities	6,418	5,436	5,388	5,273	5,381
Total liabilities	108,382	128,483	114,888	111,559	110,388
Minority interest	11,344	12,440	13,898	15,538	17,217
Preferreds shares	0	0	0	0	0
Paid-up capital	5,214	5,214	5,214	5,214	5,214
Share premium	9,644	9,644	9,644	9,644	9,644
Warrants	0	0	0	0	0
Surplus	6,842	9,497	17,497	17,497	17,497
Retained earnings	7,771	5,373	6,624	7,601	8,563
Shareholders' equity	29,471	29,728	38,979	39,956	40,918
Liabilities & equity	149,198	170,651	167,766	167,053	168,523

Perpetual bond issuance eases the tightness of its balance sheet

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	3,814	707	4,210	4,809	4,930
Tax paid	(298)	156	(211)	(385)	(493)
Depreciation & amortization	5,308	5,221	5,578	5,822	5,775
Chg In working capital	(2,054)	2,182	(263)	(47)	(62)
Chg In other CA & CL / minorities	(3,934)	(710)	306	604	613
Cash flow from operations	2,836	7,557	9,620	10,803	10,764
Capex	(9,643)	(14,254)	(7,956)	(4,177)	(4,815)
Right of use	(309)	(702)	(200)	(200)	(150)
ST loans & investments	(1,413)	(3,894)	0	0	0
LT loans & investments	(2,038)	(1,368)	(747)	(2,556)	(3,143)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,188)	(4,436)	(559)	(635)	(420)
Cash flow from investments	(14,591)	(24,655)	(9,461)	(7,568)	(8,528)
Debt financing	17,346	18,798	(13,724)	(2,899)	(1,709)
Capital increase	0	0	0	0	0
Dividends paid	(1,573)	(1,182)	(1,343)	(2,337)	(2,527)
Warrants & other surplus	1,298	2,683	8,000	0	0
Cash flow from financing	17,072	20,299	(7,066)	(5,235)	(4,236)
Free cash flow	(6,806)	(6,697)	1,665	6,626	5,949

Continuing capex
spending to propel
growth

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	54.7	na	46.8	37.5	34.5
Normalized PE - at target price (x)	62.0	na	53.1	42.5	39.2
PE (x)	49.0	na	46.8	37.5	34.5
PE - at target price (x)	55.6	na	53.1	42.5	39.2
EV/EBITDA (x)	13.1	18.3	12.3	11.6	11.6
EV/EBITDA - at target price (x)	14.1	19.6	13.1	12.5	12.4
P/BV (x)	3.1	3.1	2.4	2.3	2.2
P/BV - at target price (x)	3.5	3.5	2.7	2.6	2.5
P/CFO (x)	32.4	12.2	9.6	8.5	8.5
Price/sales (x)	2.0	1.5	1.5	1.6	1.5
Dividend yield (%)	1.2	0.2	1.1	1.3	1.4
FCF Yield (%)	(7.4)	(7.3)	1.8	7.2	6.5
(Bt)					
Normalized EPS	0.6	(0.1)	0.8	0.9	1.0
EPS	0.7	(0.6)	0.8	0.9	1.0
DPS	0.4	0.1	0.4	0.5	0.5
BV/share	11.3	11.4	15.0	15.3	15.7
CFO/share	1.1	2.9	3.7	4.1	4.1
FCF/share	(2.6)	(2.6)	0.6	2.5	2.3

Sources: Company data, Thanachart estimates

High multiples look justified
to us given its strong
earnings turnaround

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	5.8	33.8	(4.7)	(2.4)	4.4
Net profit (%)	4.6	na	na	27.7	5.3
EPS (%)	5.8	na	na	24.9	8.5
Normalized profit (%)	(22.1)	(92.4)	1,531.8	27.7	5.3
Normalized EPS (%)	(25.9)	na	na	24.9	8.5
Dividend payout ratio (%)	58.4	(10.3)	50.0	50.0	50.0
Operating performance					
Gross margin (%)	18.6	10.1	17.1	18.3	17.8
Operating margin (%)	15.1	7.2	14.0	15.1	14.7
EBITDA margin (%)	26.4	15.5	23.4	25.2	24.2
Net margin (%)	7.5	1.4	6.7	7.6	7.3
D/E (incl. minor) (x)	2.3	2.7	1.9	1.8	1.7
Net D/E (incl. minor) (x)	1.7	2.0	1.5	1.4	1.3
Interest coverage - EBIT (x)	2.1	1.1	1.9	2.1	2.1
Interest coverage - EBITDA (x)	3.6	2.4	3.2	3.4	3.5
ROA - using norm profit (%)	1.5	0.1	1.5	2.0	2.1
ROE - using norm profit (%)	7.3	0.5	7.6	8.4	8.6
DuPont					
ROE - using after tax profit (%)	12.3	2.9	11.6	11.2	11.0
- asset turnover (x)	0.3	0.4	0.4	0.3	0.4
- operating margin (%)	15.5	7.6	14.5	15.6	15.2
- leverage (x)	4.9	5.4	4.9	4.2	4.1
- interest burden (%)	52.9	14.8	48.8	53.1	53.7
- tax burden (%)	92.2	122.1	95.0	92.0	90.0
WACC (%)	5.1	5.1	5.1	5.1	5.1
ROIC (%)	7.5	5.5	6.9	6.9	6.8
NOPAT (Bt m)	6,472	5,460	7,930	8,083	8,011
invested capital (Bt m)	99,500	115,274	117,709	117,787	119,040

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Note: Thanachart Securities Public Company Limited (TNS) acts as an underwriter of "Debentures of True Corporation Pcl (TRUE) No. 1/2023 (B.E. 2566) (No. 1-4) which its maturity at 2025, 2026, 2028, 2033 (B.E. 2568, 2569, 2571, 2576)", therefore investors need to be aware that there could be conflicts of interest in this research.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Moshi Moshi Retail Corporation Pcl.

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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