

BUY (Unchanged)
Change in Numbers

TP: Bt 20.00 (From: Bt 22.00)
Upside : 39.9%

21 JULY 2023

Banpu Power Pcl (BPP TB)

More solid footprint in the US

We like BPP's investment in the Temple-II gas-fired power plant as it solidifies its business expansion in the US. We still estimate a strong 24% EPS CAGR over 2023-25F despite some earnings cuts due to slower-than-expected M&A deals, which lowers our TP to Bt20.



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Reaffirming BUY

We reaffirm our BUY call on BPP given its strong 24% EPS CAGR over 2023-25F, supported by a series of acquisitions of US gas power plants and recovering margins at its coal power plants in China. *First*, BPP is due to begin recognizing profit from its recently acquired Temple-II power plant in 3Q23F, in which its full-year contribution raises its earnings base by 18% next year. *Second*, its 707MW equity-owned capacity of coal-fired power plants in China (21% of its operating capacity) is benefiting from declining coal prices. *Third*, BPP plans to acquire more major gas power projects in the US during 2024-25F to meet its capacity growth target of 5.3GW by 2025F (from 3.5GW currently). We lower our DCF-derived SOTP-based 12-month TP (2023F base year) slightly to Bt20 (from Bt22) on a slower-than-expected fall in coal prices and the later completion of its M&A deals.

Secured footprint in US gas power

BPP invested US\$230m earlier this month for a 50% stake in the 755MW installed capacity 'Temple-II' gas-fired power unit in the US. It is the twin of the Temple-I plant, which BPP acquired in 4Q21 (US\$215m for a 50% stake in 768MW of installed capacity). BPP plans to merge those units, operationally and financially. We estimate EIRR from the two projects combined at 17%, with a Bt730m annual profit contribution to BPP, or 18% of its earnings base. We see the completion of BPP's investment in the 'Temple' projects as a good start in reaching its capacity growth target, where we believe it will acquire a few more gas-fired power plants in the US at a similar scale to Temple-I and II.

Beneficiary of falling coal prices

We expect a margin recovery at BPP's coal power plants in China as we estimate their average coal cost falls to US\$140/120/tonne in 2023-24F, after spiking to US\$155/180 in 2021-22. We project the EBITDA margin at its three coal-fired combined heat and power (CHP) plants (total of 310MW equity-owned capacity) in China to improve to 2/5/11% in 2023-25F (vs. -2% and -6% in 2021-22) and expect its Shanxi Luguang project (SLG, 396MW) to finally turn profitable in 2023F after contributing losses to BPP in first two operating years (Bt541/479m in 2021-22, respectively).

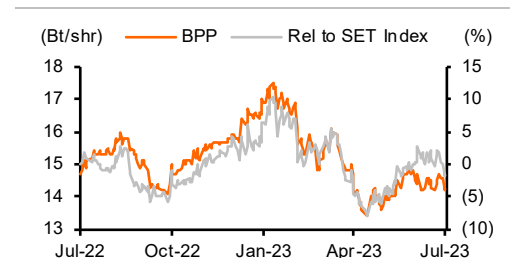
Attractive valuation, in our view

We see BPP's 13x 2023F PE multiple as highly attractive against its 24% EPS CAGR over 2023-25F, based on our projection. We also expect BPP to still offer generous 5% dividend yields despite its commitment to grow capacity, thanks to its currently low gearing at a 0.2x net debt-to-equity ratio as of 2023F and strong cash generation from its IPP plants in Thailand.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	24,501	25,295	28,220	27,925
Net profit	5,739	3,368	3,780	4,158
Consensus NP	—	3,096	3,325	3,742
Diff frm cons (%)	—	8.8	13.7	11.1
Norm profit	2,178	3,368	3,780	4,158
Prev. Norm profit	—	3,923	4,539	4,872
Chg frm prev (%)	—	(14.2)	(16.7)	(14.6)
Norm EPS (Bt)	0.7	1.1	1.2	1.4
Norm EPS grw (%)	(18.7)	54.6	12.2	10.0
Norm PE (x)	20.0	12.9	11.5	10.5
EV/EBITDA (x)	59.5	32.4	23.8	26.8
P/BV (x)	0.9	0.9	0.8	0.8
Div yield (%)	4.9	4.9	4.9	4.9
ROE (%)	4.6	6.9	7.5	7.9
Net D/E (%)	22.0	18.5	31.1	40.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 21-Jul-23 (Bt)	14.30
Market Cap (US\$ m)	1,264.8
Listed Shares (m shares)	3,047.7
Free Float (%)	21.2
Avg Daily Turnover (US\$ m)	0.5
12M Price H/L (Bt)	17.50/13.40
Sector	Utilities
Major Shareholder	BANPU 78.66%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P7

Reaffirming BUY

Reaffirming BUY for its earnings turnaround outlook

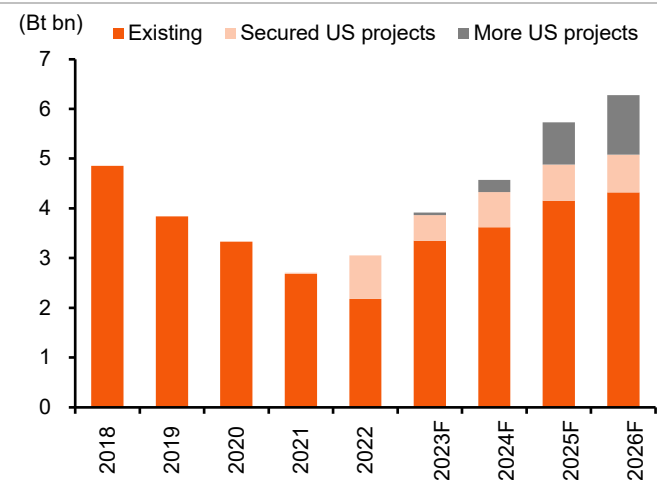
We reaffirm our BUY rating on shares of Banpu Power Pcl (BPP) for its earnings turnaround story, starting with a 55% growth in 2023F, before 12/10% in 2024-25F, supported by three key drivers:

- *First*, BPP acquired a gas-fired power plant, the 378MW equity-owned capacity Temple-II project in Texas earlier this month. Given that the project is an operating asset, we expect its immediate profit contribution to drive BPP's earnings growth from 2H23F.
- *Second*, we expect much stronger profitability at its coal-fired power projects in China since global coal prices have fallen by over 30% YTD. Based on our assumptions for US\$125/120/tonne average coal costs for BPP in 2023-24F, we estimate BPP's coal power plants in China to turn profitable this year after they suffered severe losses from the coal cost spike to US\$154/176/tonne in 2021-22.
- *Third*, we expect BPP to acquire more gas power plants in the US and some renewable projects overseas over the next two years, to meet its target of 5.3GW of operating capacity by 2025 (from 3.5GW as of 2Q23) which implies capacity growth of 13% p.a. over 2023-25F.

Lowering our TP to Bt20 on slightly slower-than-expected M&A deals

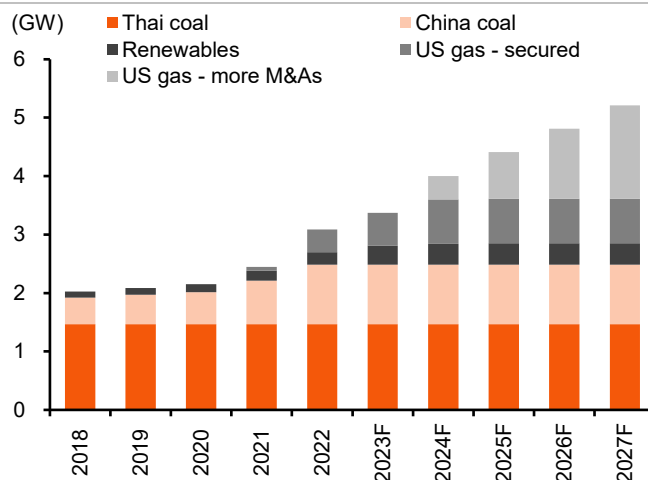
We lower our DCF-based SOTP-derived 12-month TP (2023F base year) to Bt20 (from Bt22) as we assume higher coal costs for BPP after the slower-than-expected fall in 1H23, and our expectation for the later completion of its acquisition plans. Due to the same reasons, our earnings projections are revised down 14/17/15% in 2023-25F.

Ex 1: Expecting V-Shaped Earnings Rebound From 2023F



Sources: Company data, Thanachart estimates

Ex 2: US Gas Plant Acquisitions Drive Capacity Growth



Sources: Company data, Thanachart estimates

Note: Based on our estimated pro-rata capacity of operating projects

More solid footprint in the US

Temple-II completes its first step into the US gas power plant industry

BPP completed its first step into the gas power plant industry in the US with its US\$230m (equivalent to Bt8.0bn) investment for a 50% stake in the 755MW installed capacity Temple-II gas-fired power plant in early July. When combined with its previous acquisition of the Temple-I project in August 2021, the US\$215m (Bt7.1bn) purchase price for a 50% stake in its 768MW of installed capacity, BPP now holds a total of 762MW equity-owned capacity in US gas power plants. Note that since the other 50% stake in those projects is owned by Banpu Pcl (BANPU TB, SELL, Bt9.35), Banpu Group now has absolute control of power on those plants. Both 'Temple' units are in Texas and sell electricity through the Electric Reliability Council of Texas (ERCOT), which supplies approximately 90% of electricity demand in Texas. Backed by their relatively new generation technology, aged at eight (Temple-II) and nine (Temple-I) years vs. the 26-year average age of operating power

plants in Texas, we see a strong competitiveness for the Temple projects in maintaining their high rankings in ERCOT's electricity dispatch merit order.

We estimate a strong 17% EIRR from investment in Temple projects

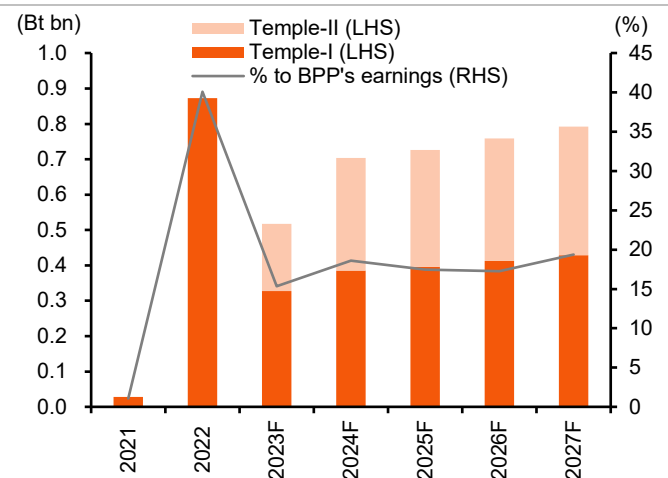
We estimate the full-year earnings contribution from the two Temple projects, starting in 2024F, at Bt730m to BPP, or 18% of its earnings base. For return on investment, we forecast a 17% EIRR from the Temple projects based on a capital structure of 60% debt and 40% equity funding by BPP for these investments. This high rate of return is due to 1) the low purchase price of US\$0.58m per MW compared to similar transactions by Thai companies of US gas power projects at US\$0.60-0.75m, 2) the relatively new assets with over 30-year potential asset lives, and 3) high operating leverage advantages when these two sizable units synergize their operations together.

Ex 3: Acquired 'Temple' Gas Power Projects In Texas

	Temple-I	Temple-II
Installed capacity (MW)	768.0	755.0
Equity capacity (MW)	384.0	377.5
Investment cost (US\$ m)	202.0	221.5
	(US\$0.56m/MW)	(US\$0.61m/MW)
Location	Texas, USA	Texas, USA
Project's COD date	July 2014	August 2015
Acquisition date	November 2021	July 2023
Main electricity market	ERCOT	ERCOT

Sources: Company data

Ex 4: Our Projected Earnings Contribution From 'Temple'



Sources: Company data, Thanachart estimates

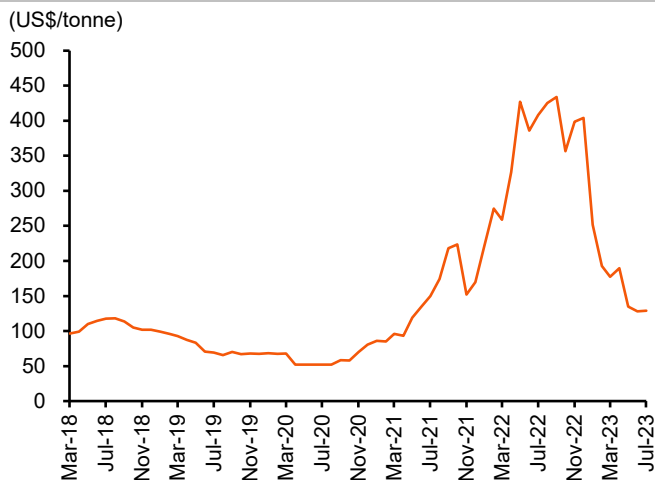
We expect two more similar acquisitions in 2024-25F

We expect BPP to successfully secure two more acquisition deals of gas-fired power plants at a similar scale to the 'Temple' projects, to meet its growth target of 5.3GW of operating capacity by 2025. Our earnings projections assume one deal in mid-2024F and another one in mid-2025F, which would drive 11% and 10% earnings growth for BPP in those two years. Thanks to its substantial cash generation from independent power producer (IPP) projects in Thailand, while the new projects are likely to be operating assets, therefore offering an immediate cashflow contribution, we estimate BPP's gearing to peak at only a 0.5x net debt-to-equity ratio in 2025F despite the sizable investment plan.

Beneficiary of falling coal prices

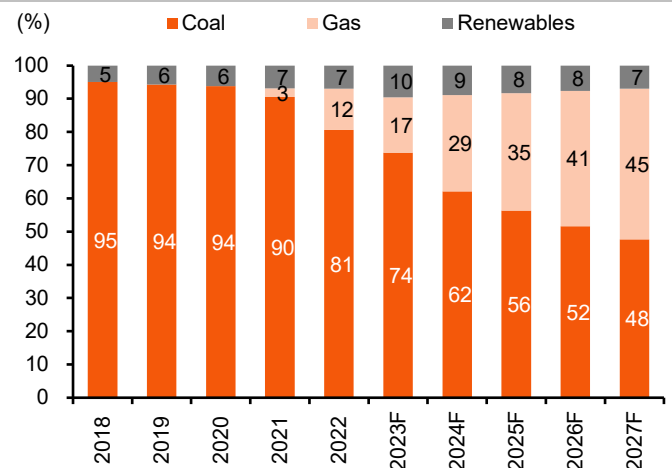
Declining coal prices to drive earnings turnaround at its coal power plants

We see BPP as a major beneficiary of declining coal prices given that 21% of its operating capacity being coal-fired power plants in China, i.e., 311MW (equity-capacity) of three combined heat and power (CHP) plants and the 396MW Shanxi Luguang (SLG) project. The benchmark coal price for the China market at Qinhuangdao port has fallen to CNY883/tonne (US\$125) in 2Q23, which represents a 26% drop from the same period last year after it declined by 4% y-y in 1Q23. Amid falling global coal prices and the sluggish economic recovery in China, we assume average coal costs for BPP will fall to CNY900/tonne in 2023F (down 24% from CNY1,186 in 2022). This results in our expectation of a strong earnings turnaround for BPP's coal power plants after severe losses in 2021-22 (see Exhibits 7-8). Note that we conservatively assume BPP's coal costs remain high at CNY800/tonne beyond 2024F, compared to its historical range of CNY570-640/tonne during 2017-20, given a limited coal supply growth outlook.

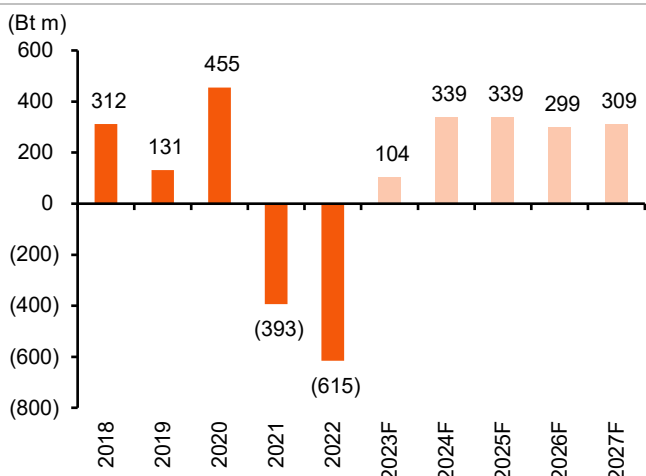
Ex 5: Coal Price In China Has Started To Decline

Sources: Bloomberg

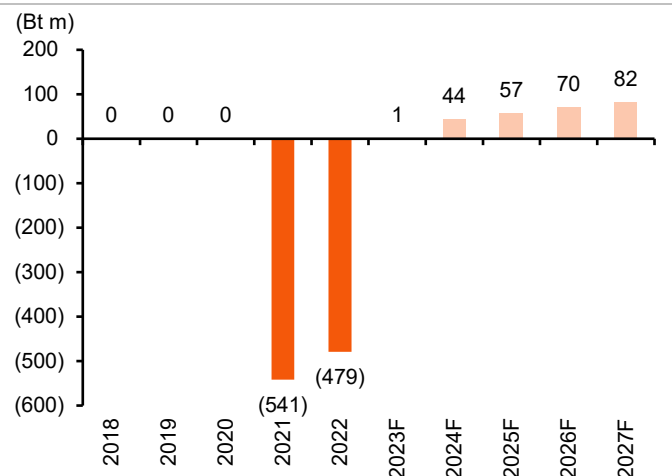
Note: Numbers are based on the 5,500kcal coal price at Qinhuangdao port.

Ex 6: Declining But Still Sizable Portion Of Coal Capacity

Sources: Company data, Thanachart estimates

Ex 7: Recovering Profitability At Three CHP Projects

Sources: Company data, Thanachart estimates

Ex 8: SLG Likely To Turn Profitable

Sources: Company data, Thanachart estimates

Note: SLG commenced operations in 3Q21

Ex 9: 12-month DCF-derived SOTP-based TP Calculation

	Valuation method	WACC (%)	Value per BPP's share (Baht)
China CHP	DCF	6.4%	2.08
BLCP	DCF	6.5%	3.01
HPC	DCF	7.8%	8.18
SLG	DCF	5.8%	0.59
Nakoso	DCF	6.7%	1.48
Temple-I and II	DCF	5.9%	2.72
Banpu NEXT	DCF	6-10%	2.43
Parents - HQ & Cash	DCF	10.0%	(0.50)
Total			20.0

Source: Thanachart estimates

Valuation Comparison

Ex 10: 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)	(%)	(%)
Cheung Kong Infrastructure	1038 HK	Hong Kong	(9.4)	6.1	12.1	11.4	0.8	0.8	38.9	37.5	6.3	6.4
China Power Int'l	2380 HK	Hong Kong	57.5	38.5	9.9	7.2	0.8	0.7	8.8	7.0	4.6	6.1
China Resources Power	836 HK	Hong Kong	36.1	20.8	7.2	6.0	0.9	0.8	6.2	5.2	5.7	6.9
CLP Holdings	2 HK	Hong Kong	76.5	10.5	14.6	13.2	1.4	1.4	9.6	9.1	5.1	5.2
Hongkong Electric Holdings	6 HK	Hong Kong	(6.8)	4.6	14.0	13.4	1.0	1.0	66.0	65.1	6.9	6.9
Huaneng Power	902 HK	Hong Kong	155.1	17.6	7.4	6.3	0.8	0.7	10.0	9.0	5.6	7.1
Tata Power	TPWR IN	India	81.0	(5.3)	19.4	20.5	2.7	2.3	14.3	12.3	1.0	1.1
Tenaga Nasional	TNB MK	Malaysia	2.7	5.0	11.3	10.8	0.9	0.8	6.6	6.7	4.6	4.8
YTL Corp	YTL MK	Malaysia	na	7.9	15.3	14.1	0.9	0.9	9.7	9.5	4.0	5.7
YTL Power	YTLP MK	Malaysia	na	(2.5)	8.3	8.5	0.7	0.7	8.2	8.2	3.6	4.1
Manila Electric	MER PM	Philippines	15.0	3.1	12.8	12.4	3.3	3.0	9.1	8.7	5.2	5.4
BCPG Pcl *	BCPG TB	Thailand	(6.8)	6.3	14.6	13.7	0.9	0.9	10.5	11.7	3.3	3.3
B.Grimm Power Pcl *	BGRIM TB	Thailand	na	24.9	48.4	38.8	2.4	2.4	12.5	11.8	1.0	1.3
Banpu Power Pcl *	BPP TB	Thailand	54.6	12.2	12.9	11.5	0.9	0.8	32.4	23.8	4.9	4.9
CK Power Pcl *	CKP TB	Thailand	(30.4)	11.7	16.5	14.7	1.0	1.0	11.5	11.0	2.6	2.6
EA Pcl*	EA TB	Thailand	60.0	3.2	23.0	22.3	4.6	4.0	17.1	15.8	1.3	1.3
Electricity Generating *	EGCO TB	Thailand	(7.2)	(4.8)	6.2	6.5	0.6	0.5	15.8	15.4	5.1	5.1
Global Power Synergy *	GPSC TB	Thailand	2,756.5	17.1	25.0	21.4	1.4	1.4	14.5	13.2	2.2	2.8
Gulf Energy Dev. Pcl *	GULF TB	Thailand	40.0	30.5	35.4	27.2	4.9	4.6	29.5	24.2	1.7	2.2
Gunkul Engineering *	GUNKUL TB	Thailand	47.8	9.2	15.8	14.5	1.9	1.8	15.5	13.7	2.5	2.8
RATCH Group *	RATCH TB	Thailand	46.9	5.1	7.3	6.9	0.7	0.7	17.5	19.4	5.2	5.8
Average			36.0	10.6	16.1	14.3	1.6	1.5	17.3	16.1	3.9	4.4

Sources: Bloomberg, * Thanachart estimates

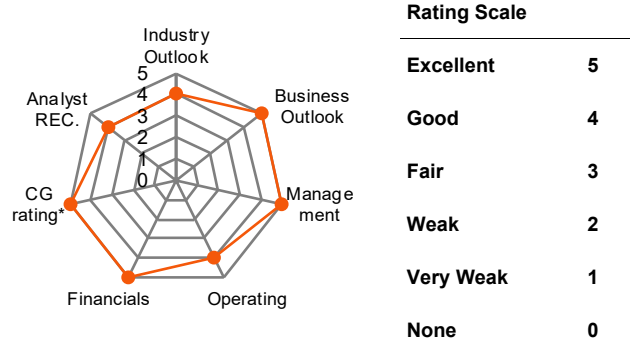
Based on 21 July 2023 closing prices

COMPANY DESCRIPTION

Banpu Power Pcl (BPP), the power arm of Banpu Pcl (BANPU), has a well-diversified power portfolio in growing markets in the Asia-Pacific region, including China, Thailand, Laos, and lately in the US market. BPP has started to invest in renewable power projects to grow in line with the global trend, starting with diversification into solar power projects in China and Japan. US gas power plants have become its latest focus, following the stronger footprint from BANPU in the US gas industry. BPP aims to grow its capacity to 5.3GW by 2025, from 3.2GW currently, with 800MW of that being renewable projects.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Experienced management and a good track record with power investments.
- Advantages from BANPU's relationships in penetrating new power markets.

O — Opportunity

- High demand for power in the Asia-Pacific region.
- Growing trend of renewable power capacity creating new areas for expansion.
- Following footprint of Banpu Group into US gas market.

W — Weakness

- A bit late in tendering for Thailand's early renewable power contracts which obtained high returns.
- More risk of forex translation losses given diversified portfolio.

T — Threat

- Regulatory risks regarding power tariffs as many countries are looking to lower investors' returns.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	16.10	20.00	24%
Net profit 23F (Bt m)	3,096	3,368	9%
Net profit 24F (Bt m)	3,325	3,780	14%
Consensus REC	BUY: 3	HOLD: 2	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F earnings are 9-14% higher than the Bloomberg consensus numbers, which we believe is due to us assuming a swifter fall in the coal costs.
- Our SOTP-based TP is also 24% higher, likely due to our stronger earnings forecasts and because we are early in factoring in the value from its potential M&As.

RISKS TO OUR INVESTMENT CASE

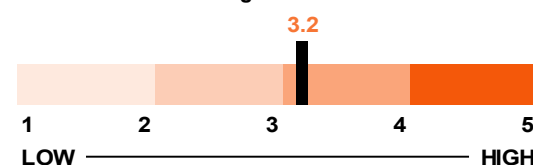
- A slower-than-expected decline in global coal prices, and especially China coal prices, is the key downside risk to our numbers.
- Weaker-than-expected electricity demand in the US market represents another downside risk to our numbers.
- Slower-than-expected finalization or smaller-than-expected sizes of upcoming M&A deals, especially the gas-fired power plants in the US, represents a secondary downside risk to our earnings projections and valuation.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart

BPP is one of the major power plant operators in Thailand with coal-fired exposure at 80% of its current 3.1GW of operating capacity. Despite its heavy exposure to coal, our ESG score for BPP of 3.2 is in line with the sector average since we see BPP, along with its parent company Banpu Pcl (BANPU TB), as having one of the best sets of ESG policies with the most detailed ESG performance reports in Thailand.

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)
BPP	YES	YES	-	-	60.17	72.31	73.00	-	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

- Our key concern regarding BPP's environmental issues is its high exposure to coal. Coal-fired power plants make up 80% of its total operating capacity. However, we see BPP bringing down its coal portion at a decent pace to below 50% of its capacity, likely within 2027F.
- BPP is maintaining its target to raise the portion of renewable projects to 15% (800MW) of its power generation portfolio by 2025 from 8% (254MW) in 2022.
- BPP had greenhouse gas (GHG) emission intensity of 0.609 tonnes of CO2 equivalent per MWh in 2022, slightly higher than 0.607 tonnes in 2021, but is still 10% below its target.
- BPP reported lower water consumption intensity from its consolidated coal power plants in China to 0.82m³/MWh in 2022, down 7% y-y, exceeding its target of 0.87m³.
- BPP remains strongly committed to a "Greener and Smarter" policy to grow capacity with its "High Efficiency, Low Emission" (HELE) concept, i.e., Integrated Gasification Combined Cycle (IGCC) coal plants, efficiency improvements, and emission capture systems.

SOCIAL

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

- BPP ensures rights protection and prevents discrimination and harassment of its staff through communication channels which allow them to voice workplace issues. Its 2021 employee engagement survey participation stood at 69% in Thailand and 93% in China.
- BPP shares the "Banpu Heart" corporate culture with its group, mainly a smarter and faster work environment to achieve business success for the Banpu Group, while the group provides equal training for all staff to enhance their skills and opportunities.
- Health and safety protocols are the core standard at all BPP's power plants.
- BPP serves local communities by improving their quality of life, i.e., job opportunities, compensation, and support for potential harm from power plants (including emissions), and educational and training group workshops for local residents.

GOVERNANCE &
SUSTAINABILITY

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

- BPP has 10 members on its board of directors (BOD), five of whom are independent directors and two females.
- BPP has an internal control system to monitor and evaluate its own (and stakeholders in its supply and value chains) transparency and corporate governance, including channels for staff to report suspicious issues.
- For business sustainability, BPP has made strong attempts to lower the proportion of coal in its portfolio and increase the proportion of gas-based and renewable power projects.
- BPP invests, through its 50%-owned subsidiary Banpu NEXT, in smart energy solutions, energy storage platforms, and smart electricity trading platforms to capture potential growth from these innovative business opportunities.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	6,784	24,501	25,295	28,220	27,925
Cost of sales	6,824	22,933	23,181	25,221	24,977
Gross profit	(40)	1,568	2,114	2,999	2,948
% gross margin	-0.6%	6.4%	8.4%	10.6%	10.6%
Selling & administration expenses	1,103	1,887	1,968	2,121	2,117
Operating profit	(1,143)	(318)	146	878	832
% operating margin	-16.8%	-1.3%	0.6%	3.1%	3.0%
Depreciation & amortization	581	1,246	1,507	1,698	1,691
EBITDA	(562)	928	1,653	2,576	2,523
% EBITDA margin	-8.3%	3.8%	6.5%	9.1%	9.0%
Non-operating income	1,034	905	1,083	1,106	973
Non-operating expenses	0	0	0	0	0
Interest expense	(249)	(897)	(978)	(1,066)	(1,276)
Pre-tax profit	(358)	(310)	251	918	528
Income tax	57	108	88	275	159
After-tax profit	(416)	(418)	163	643	370
% net margin	-6.1%	-1.7%	0.6%	2.3%	1.3%
Shares in affiliates' Earnings	3,142	3,338	3,740	3,898	4,571
Minority interests	(47)	(742)	(535)	(760)	(783)
Extraordinary items	448	3,560	0	0	0
NET PROFIT	3,127	5,739	3,368	3,780	4,158
Normalized profit	2,679	2,178	3,368	3,780	4,158
EPS (Bt)	1.0	1.9	1.1	1.2	1.4
Normalized EPS (Bt)	0.9	0.7	1.1	1.2	1.4

M&A deals are the key earnings growth drivers

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	9,883	11,670	13,574	9,567	7,906
Cash & cash equivalent	2,760	4,105	6,050	2,050	1,050
Account receivables	1,311	1,754	2,079	2,319	2,295
Inventories	1,186	1,101	1,270	1,382	1,369
Others	4,625	4,710	4,175	3,816	3,192
Investments & loans	39,245	41,157	43,803	55,861	66,841
Net fixed assets	23,811	22,876	21,997	20,800	19,535
Other assets	1,928	1,962	2,171	2,273	2,372
Total assets	74,867	77,665	81,545	88,501	96,652
LIABILITIES:					
Current liabilities:	10,968	9,385	11,053	12,677	14,822
Account payables	331	220	953	1,036	1,026
Bank overdraft & ST loans	6,551	242	807	988	1,251
Current LT debt	1,439	5,617	5,364	6,568	8,319
Others current liabilities	2,647	3,307	3,930	4,084	4,225
Total LT debt	13,965	9,860	9,961	12,199	15,450
Others LT liabilities	354	5,628	5,989	6,675	6,621
Total liabilities	25,287	24,873	27,002	31,551	36,893
Minority interest	3,944	4,310	4,845	5,606	6,389
Preferreds shares	0	0	0	0	0
Paid-up capital	30,477	30,477	30,457	30,457	30,457
Share premium	7,231	7,231	7,231	7,231	7,231
Warrants	0	0	0	0	0
Surplus	(4,369)	(4,955)	(4,955)	(4,955)	(4,955)
Retained earnings	12,295	15,727	16,963	18,611	20,637
Shareholders' equity	45,635	48,481	49,697	51,344	53,371
Liabilities & equity	74,867	77,665	81,545	88,501	96,652

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	(358)	(310)	251	918	528
Tax paid	(115)	(80)	(100)	(266)	(162)
Depreciation & amortization	581	1,246	1,507	1,698	1,691
Chg In working capital	(894)	(469)	239	(268)	28
Chg In other CA & CL / minorities	6,464	2,969	4,310	3,802	4,740
Cash flow from operations	5,678	3,356	6,207	5,883	6,825
Capex	(16,390)	(310)	(595)	(460)	(380)
Right of use	(62)	64	(200)	(100)	(100)
ST loans & investments	50	542	600	600	600
LT loans & investments	(6,866)	(1,912)	(2,646)	(12,058)	(10,979)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(53)	8,580	319	643	(99)
Cash flow from investments	(23,322)	6,965	(2,522)	(11,375)	(10,958)
Debt financing	16,686	(6,082)	412	3,624	5,265
Capital increase	(33)	0	(20)	0	0
Dividends paid	(1,981)	(2,286)	(2,132)	(2,132)	(2,132)
Warrants & other surplus	3,413	(607)	0	0	0
Cash flow from financing	18,085	(8,975)	(1,740)	1,492	3,133
Free cash flow	(10,713)	3,045	5,612	5,423	6,445

Resilient cash flows from IPP plants the key source for its investment budget

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	16.3	20.0	12.9	11.5	10.5
Normalized PE - at target price (x)	22.7	28.0	18.1	16.1	14.6
PE (x)	13.9	7.6	12.9	11.5	10.5
PE - at target price (x)	19.5	10.6	18.1	16.1	14.6
EV/EBITDA (x)	na	59.5	32.4	23.8	26.8
EV/EBITDA - at target price (x)	na	78.2	42.9	30.5	33.6
P/BV (x)	1.0	0.9	0.9	0.8	0.8
P/BV - at target price (x)	1.3	1.3	1.2	1.2	1.1
P/CFO (x)	7.7	13.0	7.0	7.4	6.4
Price/sales (x)	6.4	1.8	1.7	1.5	1.6
Dividend yield (%)	4.5	4.9	4.9	4.9	4.9
FCF Yield (%)	(24.6)	7.0	12.9	12.5	14.8
(Bt)					
Normalized EPS	0.9	0.7	1.1	1.2	1.4
EPS	1.0	1.9	1.1	1.2	1.4
DPS	0.7	0.7	0.7	0.7	0.7
BV/share	15.0	15.9	16.3	16.9	17.5
CFO/share	1.9	1.1	2.0	1.9	2.2
FCF/share	(3.5)	1.0	1.8	1.8	2.1

Sources: Company data, Thanachart estimates

We see its valuation as the most attractive among its utilities peers

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	23.2	261.1	3.2	11.6	(1.0)
Net profit (%)	(15.5)	83.5	(41.3)	12.2	10.0
EPS (%)	(15.5)	83.5	(41.3)	12.2	10.0
Normalized profit (%)	(19.5)	(18.7)	54.6	12.2	10.0
Normalized EPS (%)	(19.5)	(18.7)	54.6	12.2	10.0
Dividend payout ratio (%)	63.3	37.2	63.3	56.4	51.3
Operating performance					
Gross margin (%)	(0.6)	6.4	8.4	10.6	10.6
Operating margin (%)	(16.8)	(1.3)	0.6	3.1	3.0
EBITDA margin (%)	(8.3)	3.8	6.5	9.1	9.0
Net margin (%)	(6.1)	(1.7)	0.6	2.3	1.3
D/E (incl. minor) (x)	0.4	0.3	0.3	0.3	0.4
Net D/E (incl. minor) (x)	0.4	0.2	0.2	0.3	0.4
Interest coverage - EBIT (x)	na	na	0.1	0.8	0.7
Interest coverage - EBITDA (x)	na	1.0	1.7	2.4	2.0
ROA - using norm profit (%)	4.3	2.9	4.2	4.4	4.5
ROE - using norm profit (%)	6.2	4.6	6.9	7.5	7.9
DuPont					
ROE - using after tax profit (%)	na	na	0.3	1.3	0.7
- asset turnover (x)	0.1	0.3	0.3	0.3	0.3
- operating margin (%)	na	na	4.9	7.0	6.5
- leverage (x)	1.4	1.6	1.6	1.7	1.8
- interest burden (%)	328.8	(52.7)	20.4	46.3	29.3
- tax burden (%)	na	na	65.0	70.0	70.0
WACC (%)	5.2	5.2	5.2	5.2	5.2
ROIC (%)	(2.6)	(0.5)	0.2	1.0	0.8
NOPAT (Bt m)	(1,143)	(318)	95	615	582
invested capital (Bt m)	64,831	60,095	59,778	69,049	77,341

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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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. (MOSHI TB)

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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