

CK Power Pcl (CKP TB) - BUY, Price Bt3.44, TP Bt4.50**Results Comment**

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Weak 2Q23 profit

- CKP reported Bt2m profit in 2Q23. Excluding gain from FX, the result from normalized operations was Bt13m loss, weakened significantly from last year but improved slightly in a q-q basis. The weakness was mainly due to lower electricity output from both XPCL and NN2 projects, despite a higher profitability from the SPP project.
- Gross profit dropped 34% y-y and 15% q-q to Bt302m in 2Q23, pressured by lower output from NN2 project to 295GWh this quarter (down 25% y-y and 8% q-q) which more than offsets a positive from higher profitability from the gas-fired SPP project.
- SG&A expense was stable at Bt133m, up slightly 3% y-y and 5% q-q, in 2Q23. However, due to lower revenue, SG&A-to-sales ratio rose to 5.6%, from 4.9% in 1Q23 and 5.1% in 2Q22.
- EBITDA was at Bt560m in 2Q23, down 22% y-y and 9% q-q, in-line with the revenue trend. EBITDA margin fell to 23.7%, vs. 24.1% in 1Q23 and 28.5% in 2Q22.
- Equity income turned to Bt99m loss in 2Q23, significantly weakened from the same period last year given a much lower electricity generation from XPCL project (dropped to 1.3TWh or 41% lower y-y). It improved slightly from the previous quarter as the output picked up ahead of rainy season.
- We maintain BUY on CKP despite its weak 1H23 since we see the earnings has already hit the bottom and expect strong h-h recovery into its high season in 2H23F. A likely lower-than-expected impact from El Nino, thanks to a huge rainfall in Laos this month, may create a positive surprise to the market.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	2,531	3,364	2,594	2,555	2,365
Gross profit	457	724	318	356	302
SG&A	129	122	160	126	133
Operating profit	328	602	158	230	169
EBITDA	720	998	553	617	560
Other income	128	131	128	131	201
Other expense					
Interest expense	265	265	277	263	264
Profit before tax	191	467	9	98	106
Income tax	18	23	(3)	15	11
Equity & invest. income	713	1,193	298	(162)	(99)
Minority interests	(97)	(259)	(31)	(25)	(9)
Extraordinary items	74	83	(206)		15
Net profit	864	1,462	72	(104)	2
Normalized profit	790	1,379	278	(104)	(13)
EPS (Bt)	0.11	0.18	0.01	(0.01)	0.00
Normalized EPS (Bt)	0.10	0.17	0.03	(0.01)	(0.00)

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	5,037	6,605	6,609	5,152	4,699
A/C receivable	1,828	2,690	1,889	2,079	1,512
Inventory					
Other current assets	1,924	2,033	1,926	1,914	2,373
Investment	18,314	18,926	20,605	20,438	19,940
Fixed assets	8,268	8,159	8,050	7,933	7,817
Other assets	32,611	31,214	30,768	31,347	30,994
Total assets	67,982	69,627	69,846	68,863	67,335
S-T debt	2,277	2,677	3,362	2,638	4,080
A/C payable	853	1,407	741	916	776
Other current liabilities	480	512	529	132	175
L-T debt	27,940	27,544	26,799	26,803	25,031
Other liabilities	475	478	476	472	484
Minority interest	11,207	11,410	11,390	11,359	11,317
Shareholders' equity	24,750	25,599	26,550	26,543	25,471
Working capital	975	1,283	1,148	1,163	735
Total debt	30,217	30,222	30,161	29,441	29,111
Net debt	25,180	23,617	23,552	24,289	24,412

Sources: Company data, Thanachart estimates

Income Statement 6M as					
(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	(7)	(7)	49	9,987	9,374
Gross profit	(15)	(34)	34	1,933	2,191
SG&A	5	3	55	473	498
Operating profit	(26)	(48)	27	1,460	1,694
EBITDA	(9)	(22)	28	4,261	4,505
Other income	54	57	65	511	484
Other expense			na		
Interest expense	0	(0)	48	1,110	1,121
Profit before tax	9	(44)	24	861	1,058
Income tax	(27)	(37)	32	82	92
Equity & invest. income	na	na	(22)	1,210	1,331
Minority interests	na	na	13	(251)	(353)
Extraordinary items		(80)	na		
Net profit	na	(100)	(6)	1,739	1,943
Normalized profit	na	na	(7)	1,739	1,943
EPS (Bt)	na	(100)	(6)	0.21	0.24
Normalized EPS (Bt)	na	na	(7)	0.21	0.24

Financial Ratios (%)					
	2Q22	3Q22	4Q22	1Q23	2Q23
Sales grow th	16.1	40.4	15.9	5.7	(6.6)
Operating profit grow th	(35.5)	0.8	(40.9)	7.6	(48.4)
EBITDA grow th	(19.9)	(2.5)	(17.9)	2.4	(22.3)
Norm profit grow th	16.4	19.6	84.8	na	na
Norm EPS grow th	16.4	19.6	84.8	na	na
Gross margin	18.1	21.5	12.3	13.9	12.8
Operating margin	13.0	17.9	6.1	9.0	7.2
EBITDA margin	28.5	29.7	21.3	24.1	23.7
Norm net margin	31.2	41.0	10.7	(4.1)	(0.5)
D/E (x)	0.8	0.8	0.8	0.8	0.8
Net D/E (x)	0.7	0.6	0.6	0.6	0.7
Interest coverage (x)	2.7	3.8	2.0	2.3	2.1
Interest rate	3.5	3.5	3.7	3.5	3.6
Effective tax rate	9.2	5.0	(32.1)	15.7	10.5
ROA	4.6	8.0	1.6	(0.6)	(0.1)
ROE	12.7	21.9	4.3	(1.6)	(0.2)

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