

RATCH Group Pcl (RATCH TB) - HOLD, Price Bt35.50, TP Bt36.00**Results Comment**

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2Q23 profit came in-line

- RATCH reported Bt1.81bn normalized profit in 2Q23, down 18% y-y but grew 12% q-q in a like-for-like basis, in-line with our forecast. The drop y-y was due to lower electricity selling prices in Australia and profit hiccup from IPP plants. The rise q-q was driven by improving SPP margins.
- Consolidated gross profit was Bt1.70bn in 2Q23, down 5% y-y given lower selling margins from power plants in Australia as the selling tariff prices declined from a high base last year. It grew 27% q-q due to higher margins at domestic SPP plants as the tariff price was adjusted to better match with fuel costs.
- EBITDA grew 4% y-y to Bt1.93bn in 2Q23, mainly from the consolidation of acquired renewable projects from Nexif since 4Q22 which delivered strong EBITDA margin. Its grew by 16% q- on higher SPP margins. EBITDA margin expanded to 17.5% in 2Q23, from 11.0% in 1Q23 and 11.3% in 2Q22, due to higher mix of renewable projects in its portfolio.
- Equity income (after stripping off FX impacts) dropped 24% y-y and 12% q-q to Bt1.20bn in 2Q23. The key pressure was a lower profit from Hongsa IPP project and a re-classification of revenue recognition from some projects into consolidated basis after the acquisition last year.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	16,339	22,352	19,119	15,120	11,012	Revenue	(27)	(33)	53	49,218	51,803
Gross profit	1,788	1,244	986	1,344	1,701	Gross profit	27	(5)	44	6,950	6,880
SG&A	669	605	1,003	620	715	SG&A	15	7	50	2,652	2,677
Operating profit	1,119	639	(18)	724	986	Operating profit	36	(12)	40	4,298	4,203
EBITDA	1,844	1,460	751	1,664	1,926	EBITDA	16	4	42	8,449	8,554
Other income	188	291	383	527	797	Other income	51	324	68	1,951	1,319
Other expense						Other expense			na	0	0
Interest expense	751	664	753	1,025	1,001	Interest expense	(2)	33	51	3,996	4,049
Profit before tax	556	266	(388)	226	783	Profit before tax	246	41	45	2,253	1,472
Income tax	266	105	98	108	239	Income tax	122	(10)	48	721	486
Equity & invest. income	1,582	1,680	423	1,364	1,202	Equity & invest. income	(12)	(24)	45	5,746	8,767
Minority interests	346	673	(24)	142	67	Minority interests	(53)	(81)	(44)	(472)	(700)
Extraordinary items	(21)	(266)	(156)	(396)	267	Extraordinary items	na	na	na	0	0
Net profit	2,196	2,248	(242)	1,229	2,079	Net profit	69	(5)	49	6,807	9,053
Normalized profit	2,217	2,515	(86)	1,625	1,813	Normalized profit	12	(18)	51	6,807	9,053
EPS (Bt)	1.10	1.01	(0.11)	0.55	0.94	EPS (Bt)	69	(15)	48	3.13	4.16
Normalized EPS (Bt)	1.11	1.13	(0.04)	0.73	0.82	Normalized EPS (Bt)	12	(27)	50	3.13	4.16

Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	32,327	32,427	37,500	36,378	33,519	Sales grow th	88.5	144.5	54.2	(10.6)	(32.6)
A/C receivable	11,771	16,740	12,582	5,707	6,886	Operating profit grow th	70.6	3.8	na	(21.3)	(11.9)
Inventory	2,663	1,949	1,946	1,982	2,453	EBITDA grow th	60.0	23.2	(35.6)	1.3	4.5
Other current assets	5,635	7,763	3,456	9,637	10,076	Norm profit grow th	6.5	107.8	na	39.4	(18.2)
Investment	57,255	61,851	61,365	60,768	64,484	Norm EPS grow th	(22.4)	35.8	na	(8.9)	(26.7)
Fixed assets	35,803	35,634	52,338	51,360	52,595	Gross margin	10.9	5.6	5.2	8.9	15.4
Other assets	43,065	46,885	60,391	58,668	58,891	Operating margin	6.8	2.9	(0.1)	4.8	9.0
Total assets	188,520	203,249	229,578	224,500	228,905	EBITDA margin	11.3	6.5	3.9	11.0	17.5
S-T debt	6,175	6,381	16,264	17,432	36,253	Norm net margin	13.6	11.3	(0.4)	10.7	16.5
A/C payable	10,294	15,576	11,577	9,002	6,427	D/E (x)	0.3	0.3	0.7	0.7	0.7
Other current liabilities	717	744	1,332	1,084	962	Net D/E (x)	0.0	0.0	0.3	0.3	0.4
L-T debt	31,482	30,313	55,427	53,423	37,456	Interest coverage (x)	2.5	2.2	1.0	1.6	1.9
Other liabilities	30,436	34,478	37,575	37,094	37,733	Interest rate	8.0	7.1	5.6	5.8	5.5
Minority interest	7,301	8,845	9,375	9,390	9,004	Effective tax rate	47.9	39.4	(25.2)	47.6	30.5
Shareholders' equity	102,114	106,913	98,029	97,075	101,069	ROA	5.2	5.1	(0.2)	2.9	3.2
Working capital	4,140	3,113	2,951	(1,313)	2,912	ROE	10.1	9.6	(0.3)	6.7	7.3
Total debt	37,657	36,693	71,692	70,855	73,709						
Net debt	5,329	4,267	34,192	34,477	40,190						

Sources: Company data, Thanachart estimates

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