Small Cap Research

**BUY** (Unchanged) | **TP: Bt 5.00** (Unchanged)

**Change in Numbers** | **Upside : 28.9%** | **21 OCTOBER 2024**

# CK Power Pcl (CKP TB)

## Near-term hiccup

**We cut CKP's 2024F earnings by 36% to reflect the 17-day shutdown of the XPCL project in its peak quarter. But we maintain our BUY rating, expecting CKP's 2025-26F earnings to turn around to 64/17% growth as it stands to benefit from La Nina and falling interest rates.**


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### Earnings hiccup

We now project CKP's earnings to drop 27% y-y in 2024F after cutting them by 36% to reflect the negative from a total 17-day production halt at its 42.5%-owned Xayaburi hydropower project (XPCL) in 3Q24 due to water overflow. However, we see this as only an unfortunate near-term hiccup and expect an earnings turnaround with 64/17% growth in 2025-26F backed by 1) a likely continuation of the favorable La Nina cycle and 2) lower interest costs for XPCL amid falling interest rate cycle and an organic repayment schedule. We maintain our BUY on CKP with an unchanged DCF-derived SOTP-based TP (2025F) of Bt5.0/share.

### XPCL temporarily halts production

CKP temporarily ceased electricity generation at XPCL twice in 3Q24 due to water overflow. The first round was a 10-day halt from 21-30 August, given the extraordinarily high rainfall in the peak rainy season month, likely driven by the emerging La Nina cycle. The second round lasted seven days from 21-27 September due to Typhoon Yagi. The shutdowns were in line with the plant's safety procedure, so there was no damage to its facilities. We project this to result in a 10% y-y drop in electricity output from XPCL to 6.2TWh in 2024F, which is also 2% lower than its recent low during the drought year in 2020.

### Continuing windfall from La Nina

Based on the usual four-year cycle between the peak La Nina year (2024F) to the next El Nino year (likely in 2027F), we expect the windfall from high water availability to continue driving strong electricity output from CKP's two hydropower plants (XPCL and 283MW of equity-owned capacity of the Nam Ngum 2 project, NN2) over 2025-26F. We assume 12% higher electricity output from XPCL (546MW equity capacity) and 2% higher generation from NN2 in the next two La Nina years, compared to 2024F.

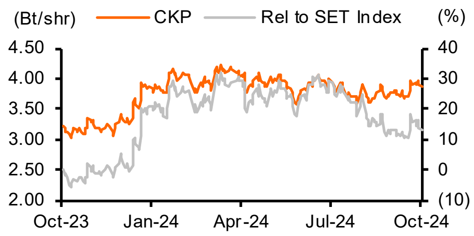
### Beneficiary of reversing interest rates

We see CKP as a major beneficiary of interest rates reversing to a declining trend. This is because, as of 2Q24, Bt67bn of XPCL's debt (76% of its Bt88bn total debt) was on floating rates: Bt58bn in Thai baht and Bt9bn in US dollars. We estimate CKP to enjoy Bt50m higher equity income from XPCL for every 0.25% cut in the Thai policy rate and Bt10m for each 0.25% US Fed funds rate cut. Our numbers assume 0.25/0.25bps and 0.75/0.50bps cuts in the Thai and US rates in 2025-26F, pushing XPCL's average cost of debt down to 6.6/6.4%, from 7.2% in 2024F, on top of its Bt6bn annual debt repayment schedule.

#### COMPANY VALUATION

| Y/E Dec (Bt m) | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|
| Sales | 10,286 | 10,396 | 10,467 | 10,463 |
| Net profit | 1,462 | 1,103 | 1,810 | 2,119 |
| Consensus NP | — | 1,711 | 2,044 | 2,208 |
| *Diff frm cons (%)* | — | *(35.5)* | *(11.4)* | *(4.0)* |
| Norm profit | 1,511 | 1,103 | 1,810 | 2,119 |
| Prev. Norm profit | — | 1,713 | 1,919 | 2,253 |
| *Chg frm prev (%)* | — | *(35.6)* | *(5.7)* | *(6.0)* |
| Norm EPS (Bt) | 0.2 | 0.1 | 0.2 | 0.3 |
| Norm EPS grw (%) | (40.6) | (27.0) | 64.1 | 17.0 |
| Norm PE (x) | 20.9 | 28.6 | 17.4 | 14.9 |
| EV/EBITDA (x) | 16.8 | 12.6 | 11.8 | 11.5 |
| P/BV (x) | 1.2 | 1.1 | 1.1 | 1.0 |
| Div yield (%) | 2.2 | 2.3 | 2.3 | 2.3 |
| ROE (%) | 5.6 | 4.0 | 6.4 | 7.2 |
| Net D/E (%) | 54.0 | 48.1 | 44.1 | 39.2 |

#### PRICE PERFORMANCE




#### COMPANY INFORMATION

| | |
|---|---|
| Price *as of* 21-Oct-24 (Bt) | 3.88 |
| Market Cap (US$ m) | 942.8 |
| Listed Shares (m shares) | 8,129.4 |
| Free Float (%) | 25.5 |
| Avg Daily Turnover (US$ m) | 1.0 |
| 12M Price H/L (Bt) | 4.22/3.02 |
| Sector | Utilities |
| Major Shareholder | CK Group 71.8% |

Sources: Bloomberg, Company data, Thanachart estimates


**ESG Summary Report ……………..…………….… P6**


Thanachart Securities

## Near-term hiccup

*Earnings hiccup in 2024F as XPCL shut down twice due to water overflows*

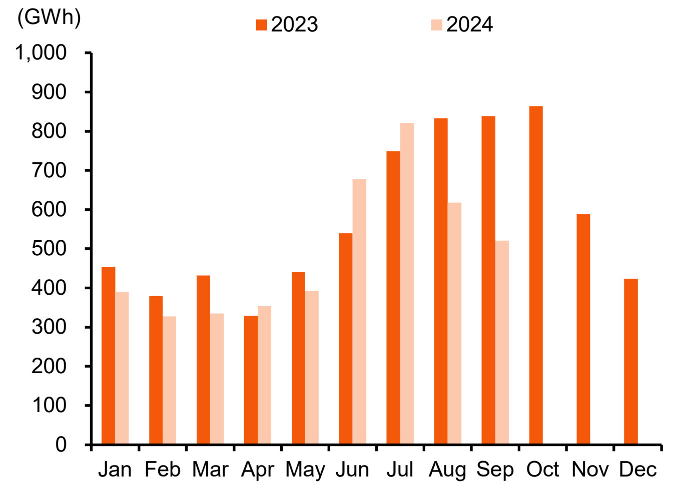
We lower our estimate for CK Power Pcl's (CKP) 2024F earnings by 36% to reflect two production halts at its Xayaburi hydropower project (XPCL, 42.5%-owned by CKP for the project's 1.3GW of installed capacity). Both shutdowns occurred in 3Q24, its peak quarter for electricity generation, due to water overflow exceeding the safety threshold, though no damage was done to the plant's facilities.

- The first round was from 21-30 August, following heavy rainfall during the peak month of the rainy season. The exceptionally strong downpours were likely influenced by the emerging La Nina cycle, which usually boosts water availability across the Indochina region, including the Mekong River, where XPCL is located.
- The second round, from 21-27 September, was more unexpected since it occurred later in the season. The overflow was driven by intense rainfall from Typhoon Yagi, which hit the region for nearly a week.

*We see this negative as short-term and maintain our BUY call on CKP*

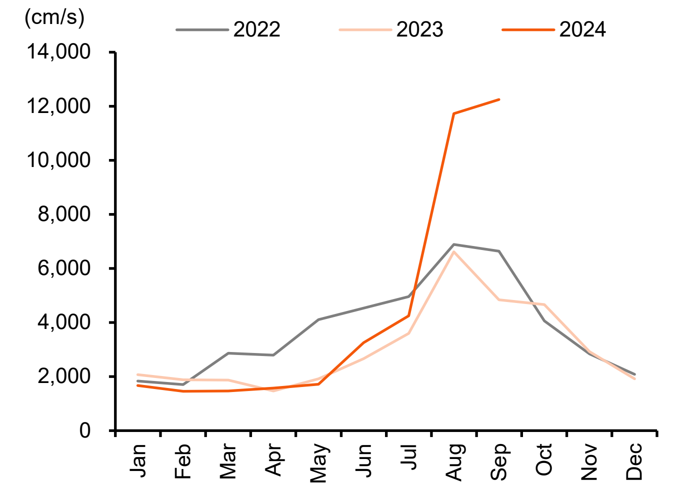
After factoring in the temporary shutdowns, we assume a lower capacity factor for XPCL of 55% in 2024F vs. our previous assumption of 60%. This implies a 10% y-y electricity output drop to 6.2TWh this year from 6.9TWh in 2023 and 6.3TWh in the earlier drought year in 2020. Having said that, since we see the impact as short-term while we expect it to be offset by a faster-than-expected cut in Thai policy rates, we maintain our DCF-derived SOTP-based 12-month TP (2025F base year) unchanged at Bt5.0/share and maintain our BUY rating on CKP.

**Ex 1: Weak XPCL's Output As It Shut Down Twice In 3Q24**




Source: Company data

**Ex 2: … Due To Water Flow Surging Above Safety Levels**




Source: Company data

## Positive drivers look intact

*Earnings turnaround in 2025-26F from 1) La Nina benefits continuing …*

We estimate 64/17% earnings growth for CKP in 2025-26F, from 27% y-y drop in 2024F. The sharp turnaround next year is backed by 1) a low base this year, given the unplanned shutdown at the XPCL project due to water overflows despite our expectation of it enjoying strong electricity output in the peak La Nina year, and 2) our observation of a four-year cycle between the strongest La Nina year (likely in 2024F) to the next drought year, which we now assume to be in 2027F. From the continuation of high water availability during this La Nina cycle, we estimate 9% higher total electricity generation from its two hydropower projects – 283MW in equity capacity for the Nam Ngum 2 project (NN2) and 546MW in equity capacity for the Xayaburi project (XPCL) – in 2025F, from the low base this year. We assume 40% capacity factors for NN2 and 61% for XPCL, vs. 39% and 55% this year, respectively.

***… and 2) falling interest expenses for XPCL***

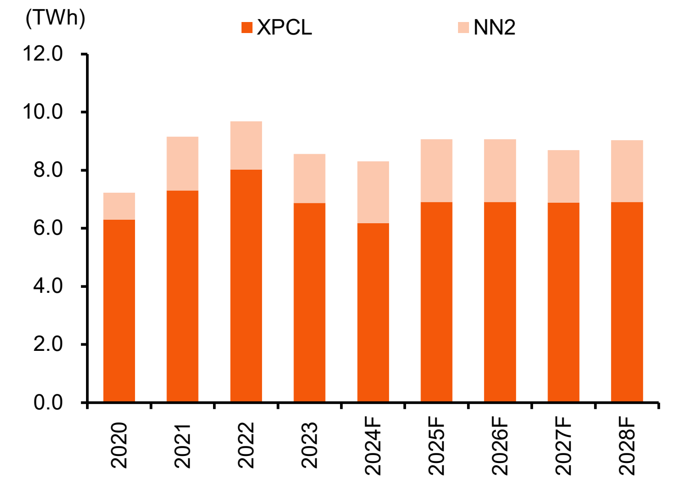
CKP is also a major beneficiary of global interest rates reversing to a declining trend, given the huge Bt88bn in outstanding debt for the XPCL project as of 2Q24. We expect the benefits from the 0.5bps US Fed rate cut in September and 0.25bps cut in the Thai policy rate this month to be immediate since 76% of XPCL's debt (Bt67bn) is on floating rates, of which Bt9bn is US dollar denominated and another Bt58bn is in Thai baht. We estimate that CKP will recognize Bt50m and Bt10m higher equity income from XPCL (on an annualized basis) for every 0.25bps cut in the Thai and US Fed funds rate, respectively. Our numbers assume 0.25/0.25bps Thai policy rate and 0.75/0.50bps US Fed funds rate reductions in 2024-25F. Note that the Bt31bn outstanding debt on CKP's consolidated balance sheet (as of 2Q24) mainly comprises fixed-rate debentures, so we may not see significant cost-saving benefits in its reported interest expenses.

**Ex 3: Key Assumption Changes**

| | 2024F | 2025F | 2026F |
|---|---|---|---|
| **Normalized profit (Bt m)** | | | |
| New | 1,103 | 1,810 | 2,119 |
| Old | 1,713 | 1,919 | 2,253 |
| *Change (%)* | *(35.6)* | *(5.7)* | *(6.0)* |
| | | | |
| **NN2's electricity output (TWh)** | | | |
| New | 2.1 | 2.2 | 2.2 |
| Old | 2.0 | 2.1 | 2.1 |
| *Change (%)* | *6.3* | *2.6* | *2.6* |
| | | | |
| **XPCL's electricity output (TWh)** | | | |
| New | 6.2 | 6.9 | 6.9 |
| Old | 6.8 | 7.1 | 7.3 |
| *Change (%)* | *(8.6)* | *(3.1)* | *(5.0)* |
| | | | |
| **XPCL's average cost of debt (%)** | | | |
| New | 7.2 | 6.6 | 6.4 |
| Old | 7.2 | 7.1 | 6.9 |
| *Change (pp)* | - | *(0.5)* | *(0.5)* |

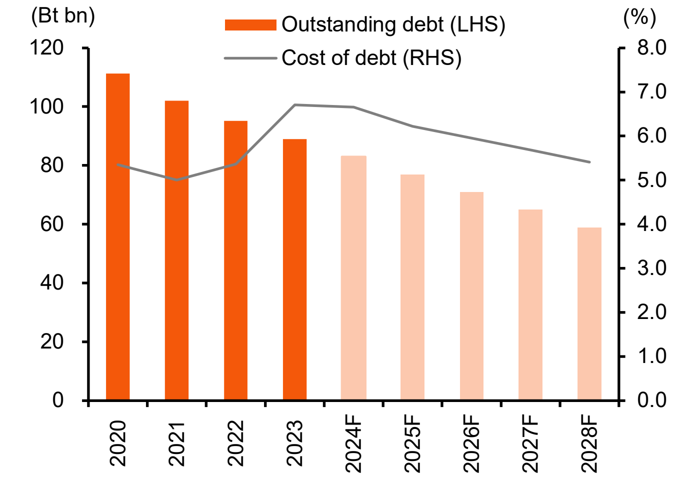
Source: Thanachart estimates

**Ex 4: La Nina Likely Drives Strong Output In 2025-26F**




Sources: Company data, Thanachart estimates

**Ex 5: Falling Interest Cost In XPCL**




Sources: Company data, Thanachart estimates

**Ex 6: Our DCF-based Sum-Of-The-Parts 12-month TP Calculation (2025F Base Year)**

| | Valuation method | WACC (%) | Value per CKP share (Bt) |
|---|---|---|---|
| Xayaburi (XPCL) | DCF | 5.5% | 3.53 |
| Nam Ngum 2 (NN2) | DCF | 5.3% | 0.99 |
| Bangpa-in Cogen (BIC) | DCF | 5.1% | 0.42 |
| Solar farms / rooftop | DCF | 6-10% | 0.08 |
| **Total - existing capacity** | | | **5.01** |
| **Net debt** | | | **(0.75)** |
| **Plus: Developing project(s)** | | | |
| Luang Prabang (LPCL) | DCF | 8.9% | 0.73 |
| **Total** | | | **5.00** |

Source: Thanachart estimates

# Valuation Comparison

**Ex 7: Comparison With Regional Peers**

| Name | BBG code | Country | EPS growth 24F (%) | EPS growth 25F (%) | PE 24F (x) | PE 25F (x) | P/BV 24F (x) | P/BV 25F (x) | EV/EBITDA 24F (x) | EV/EBITDA 25F (x) | Div yield 24F (%) | Div yield 25F (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cheung Kong Infrastructure | 1038 HK | Hong Kong | 6.2 | 6.0 | 16.9 | 15.9 | 1.1 | 1.0 | 60.1 | 57.6 | 4.7 | 4.7 |
| China Power Int'l | 2380 HK | Hong Kong | 36.6 | 20.8 | 9.0 | 7.4 | 0.9 | 0.8 | 10.6 | 9.3 | 6.0 | 6.5 |
| China Resources Power | 836 HK | Hong Kong | 21.5 | 11.7 | 6.5 | 5.8 | 1.0 | 0.9 | 7.3 | 6.3 | 5.9 | 6.9 |
| CLP Holdings | 2 HK | Hong Kong | 20.9 | 6.1 | 14.9 | 14.1 | 1.6 | 1.5 | 9.6 | 9.4 | 4.7 | 4.8 |
| Hongkong Electric Holdings | 6 HK | Hong Kong | 3.3 | 3.9 | 18.1 | 17.4 | 1.2 | 1.2 | na | na | 5.5 | 5.5 |
| Huaneng Power | 902 HK | Hong Kong | (12.0) | 12.4 | 6.7 | 5.9 | 0.9 | 0.7 | 7.8 | 7.2 | 6.5 | 7.3 |
| Tata Power | TPWR IN | India | 4.1 | 16.2 | 38.9 | 33.5 | 4.5 | 4.0 | 17.6 | 15.4 | 0.4 | 0.5 |
| Tenaga Nasional | TNB MK | Malaysia | 8.9 | 17.0 | 20.5 | 17.6 | 1.4 | 1.4 | 8.3 | 7.7 | 3.1 | 3.5 |
| YTL Corp | YTL MK | Malaysia | 160.3 | (2.6) | 11.8 | 12.1 | 1.6 | 1.4 | 7.3 | 7.2 | 3.6 | 2.1 |
| YTL Power | YTLP MK | Malaysia | 129.0 | (0.8) | 8.9 | 8.9 | 1.5 | 1.3 | 7.9 | 7.5 | 2.3 | 2.2 |
| Manila Electric | MER PM | Philippines | 13.8 | 3.7 | 13.7 | 13.2 | 3.8 | 3.3 | 9.7 | 9.3 | 4.4 | 4.6 |
| BCPG Pcl * | BCPG TB | Thailand | 5.3 | 21.2 | 23.3 | 19.2 | 0.6 | 0.6 | 15.4 | 19.0 | 3.5 | 3.5 |
| B.Grimm Power Pcl * | BGRIM TB | Thailand | (7.1) | 18.6 | 51.0 | 43.0 | 1.6 | 1.6 | 9.7 | 9.4 | 0.8 | 0.9 |
| Banpu Power Pcl * | BPP TB | Thailand | (23.7) | 12.6 | 10.3 | 9.1 | 0.8 | 0.7 | 15.6 | 14.5 | 4.7 | 4.7 |
| CK Power Pcl * | CKP TB | Thailand | (27.0) | 64.1 | 28.6 | 17.4 | 1.1 | 1.1 | 12.6 | 11.8 | 2.3 | 2.3 |
| EA Pcl* | EA TB | Thailand | (40.2) | (15.2) | 7.2 | 8.5 | 0.7 | 0.6 | 8.2 | 8.5 | 2.8 | 2.4 |
| Electricity Generating * | EGCO TB | Thailand | (1.4) | (2.9) | 6.6 | 6.8 | 0.6 | 0.6 | 19.5 | 22.5 | 5.2 | 5.2 |
| Global Power Synergy * | GPSC TB | Thailand | 44.7 | 21.2 | 25.5 | 21.0 | 1.2 | 1.2 | 12.9 | 13.1 | 2.2 | 2.6 |
| Gulf Energy Dev. Pcl * | GULF TB | Thailand | 15.1 | 17.5 | 47.5 | 40.4 | 6.6 | 6.3 | 41.0 | 36.3 | 1.5 | 1.7 |
| Gunkul Engineering * | GUNKUL TB | Thailand | (6.3) | 3.6 | 17.3 | 16.7 | 1.7 | 1.6 | 16.3 | 16.7 | 2.3 | 2.4 |
| RATCH Group * | RATCH TB | Thailand | 56.7 | 27.8 | 10.6 | 8.3 | 0.7 | 0.7 | 21.9 | 18.7 | 4.7 | 4.7 |
| **Average** | | | **18.2** | **12.1** | **18.4** | **16.1** | **1.7** | **1.6** | **16.1** | **15.5** | **3.8** | **3.8** |

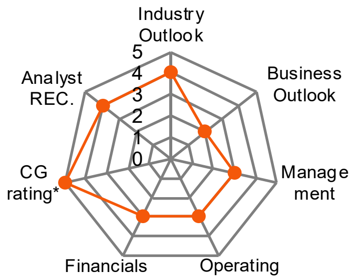
Sources: Bloomberg, * Thanachart estimates
Based on 21 October 2024 closing prices

## COMPANY DESCRIPTION

CK Power (CKP) is 73.5%-owned by CH. Karnchang Group as its utility investment arm. Therefore, most of CKP's investments are in hydropower projects where its parent company has strong expertise in project construction, i.e., the 546MW equity-owned capacity of Xayaburi (XPCL) and 283MW Nam Ngum 2 (NN2) hydropower plants. CKP also operates a gas-fired power plant (BIC), which sells most of its generated power to the Electricity Generating Authority of Thailand (EGAT). It also caters to some electricity demand from the industrial sector. CKP is developing a mega-sized 1.5GW installed capacity hydropower project, Luang Prabang (LPCL, 50% owned by CKP).

Source: Thanachart

## COMPANY RATING




| Rating Scale | |
|---|---|
| **Excellent** | 5 |
| **Good** | 4 |
| **Fair** | 3 |
| **Weak** | 2 |
| **Very Weak** | 1 |
| **None** | 0 |

Source: Thanachart; * CG rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Project bidding advantages as it has CK Group, one of Thailand's biggest contractors, as a shareholder.
- Strong expertise in operating hydropower plants.
- Experience and good relationships could help the company find new projects in neighboring countries,

### W — Weakness

- CKP is keen to invest in hydropower projects which have long investment lead times before cash flows are generated.
- CKP is highly exposed to interest rate risk since it always carries sizable debt, which is used to fund hefty investments for hydropower plants.
- CKP has a high concentration risk in hydropower, which are highly sensitive to cyclical changes in the water situation.

### O — Opportunity

- Hydropower remains the cheapest reliable electricity source for Thailand, offering a good incentive for the government to promote investments in new hydropower projects.
- Sizable renewable PPAs from the new Power Development Plan (PDP) offer CKP the potential to bid for capacity growth.

### T — Threat

- Increased competition may lead to lower returns for new projects.

## CONSENSUS COMPARISON

| | Consensus | Thanachart | Diff |
|---|---|---|---|
| **Target price (Bt)** | 4.51 | 5.00 | 11% |
| **Net profit 24F (Bt m)** | 1,711 | 1,103 | -36% |
| **Net profit 25F (Bt m)** | 2,044 | 1,810 | -11% |
| **Consensus REC** | **BUY: 8** | **HOLD: 2** | **SELL: 0** |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2024F earnings estimate is 36% lower than the Bloomberg consensus figure, which believe is due to us being early in factoring in a negative from XPCL's production halts.
- However, our TP is 11% higher, likely because we project a swifter fall in XPCL's cost of debt in the long term.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be a lower-than-expected amount of water availability in the Nam Ngum and Mekong rivers, which would negatively impact electricity output from NN2 and XPCL.
- Interest rates rising above our current projections would be a secondary downside risk.
- Later-than-expected commercialization and a lower rate of return from the Luang Prabang project (LPCL) would present another downside risk to our TP.

Source: Thanachart

# CKP

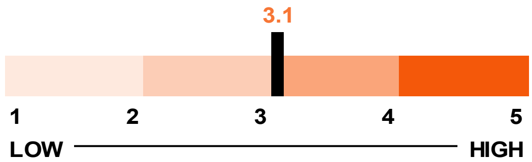
**CK Power Pcl.**

**Sector: Resources | Energy & Utilities**

# ESG & Sustainability Report

**CKP operates two major hydropower plants, which contribute 83% of its operating capacity. Another major power project is a gas-fired power plant under an SPP contract in Thailand and a few solar projects. CKP provides support to local villages to compensate for impacts from the construction of its hydro projects. We like its strong independence despite CK Group owning a sizable stake. We rate its ESG score at 3.1.**

**Thanachart ESG Rating**




| | SET ESG Index | SET ESG (BBB-AAA) | DJSI Index | MSCI (CCC-AAA) | ESG Book (0-100) | Refinitiv (0-100) | S&P Global (0-100) | Moody's (0-100) | CG Rating (0-5) |
|---|---|---|---|---|---|---|---|---|---|
| CKP | YES | YES | - | BBB | 66.77 | 70.34 | 54.00 | - | 5.0 |

Sources: SETTRADE, SET ESG Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "terms of use" in the following back page.

| Factors | Our Comments |
|---|---|
| **ENVIRONMENT**<br>– **Environmental Policies & Guidelines**<br>– **Energy Management**<br>– **Carbon Management**<br>– **Water Management**<br>– **Waste Management** | ▪ CKP's vision is "Renewable electricity towards a low-carbon society" to achieve its long-term goal of net-zero greenhouse gas emissions by 2050. Nearer term, it is committed to lifting renewable capacity to 95% of its portfolio by 2024 (from 89% in 2022).<br>▪ CKP reduced its GHG emissions by 0.24% y-y in 2022. A big part of its success has been its ability to convert electricity consumption within the organization to 92% from renewables, with a target to increase the portion to 95% by 2026. We are impressed with CKP's detailed reported numbers for energy and emission-related performances.<br>▪ To compensate for significant impacts from its construction of mega-hydropower projects, CKP is strongly committed to various biodiversity improvement targets, especially aquatic biodiversity (i.e., fish species preservation and water quality) in the Mekong River. |
| **SOCIAL**<br>– **Human Rights**<br>– **Staff Management**<br>– **Health & Safety**<br>– **Product Safety & Quality**<br>– **Social Responsibility** | ▪ CKP has set a target of zero cases of human rights violations across its business value chain. The company continuously develops activities to raise awareness of human rights among its employees. It bolsters its commitment with established remedial measures for any company-related human rights violations.<br>▪ CKP provides new accommodation to people who live in the development areas of its hydropower projects. The company also follows up with various social activities to ensure their quality of life, i.e., education, job creation, and renewable energy resources).<br>▪ CKP spent a total of Bt27m on 84 CSR activities in 2022. Free renewable energy generators for villages, sports activities for communities, and public infrastructure construction were the major areas of its spending. |
| **GOVERNANCE & SUSTAINABILITY**<br>– **Board**<br>– **Ethics & Transparency**<br>– **Business Sustainability**<br>– **Risk Management**<br>– **Innovation** | ▪ CKP's board of directors (BOD) comprises 11 members. All of them are male, with four independent directors. We believe the size of its BOD is a little large for its business scale.<br>▪ We like CKP's initiative of implementing modern hydrological forecast systems to better predict water inflow volume at its hydropower projects to manage electricity production better while minimizing the impact on the surrounding ecology and communities.<br>▪ However, we don't like the concentration of its business risk in hydropower. We agree that the business is a good cash flow generator in the long run, but the lengthy upfront investment during construction and huge revenue volatility are the major shortfalls.<br>▪ Likely also due to the long development periods and huge investments required for hydropower plants, CKP has only a few projects in its portfolio, which may be hard to replace over the long run. |

Sources: Thanachart, Company data

*2024F earnings hiccup due to water overflow at the XPCL project*

*Balance sheet strong enough to support development of LPCL*

**INCOME STATEMENT**

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Sales | 10,904 | 10,286 | 10,396 | 10,467 | 10,463 |
| Cost of sales | 9,077 | 8,161 | 7,409 | 7,284 | 7,268 |
| **Gross profit** | **1,828** | **2,125** | **2,988** | **3,183** | **3,195** |
| % gross margin | 16.8% | 20.7% | 28.7% | 30.4% | 30.5% |
| Selling & administration expenses | 526 | 563 | 565 | 569 | 573 |
| **Operating profit** | **1,302** | **1,562** | **2,423** | **2,614** | **2,622** |
| % operating margin | 11.9% | 15.2% | 23.3% | 25.0% | 25.1% |
| Depreciation & amortization | 1,572 | 1,567 | 1,612 | 1,622 | 1,632 |
| **EBITDA** | **2,874** | **3,130** | **4,035** | **4,237** | **4,254** |
| % EBITDA margin | 26.4% | 30.4% | 38.8% | 40.5% | 40.7% |
| Non-operating income | 514 | 655 | 553 | 512 | 488 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 |
| Interest expense | (1,075) | (1,065) | (1,195) | (1,132) | (1,079) |
| **Pre-tax profit** | **741** | **1,153** | **1,781** | **1,994** | **2,031** |
| Income tax | 47 | 89 | 155 | 343 | 335 |
| **After-tax profit** | **694** | **1,064** | **1,626** | **1,651** | **1,696** |
| % net margin | 6.4% | 10.3% | 15.6% | 15.8% | 16.2% |
| Shares in affiliates' Earnings | 2,261 | 913 | 237 | 997 | 1,212 |
| Minority interests | (410) | (466) | (760) | (838) | (789) |
| Extraordinary items | (108) | (49) | 0 | 0 | 0 |
| **NET PROFIT** | **2,436** | **1,462** | **1,103** | **1,810** | **2,119** |
| **Normalized profit** | **2,545** | **1,511** | **1,103** | **1,810** | **2,119** |
| EPS (Bt) | 0.3 | 0.2 | 0.1 | 0.2 | 0.3 |
| Normalized EPS (Bt) | 0.3 | 0.2 | 0.1 | 0.2 | 0.3 |

**BALANCE SHEET**

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **ASSETS:** | | | | | |
| Current assets: | 10,617 | 10,102 | 9,538 | 10,052 | 10,551 |
| Cash & cash equivalent | 7,271 | 6,959 | 6,378 | 6,878 | 7,378 |
| Account receivables | 2,099 | 2,026 | 2,048 | 2,062 | 2,061 |
| Inventories | 66 | 72 | 65 | 64 | 64 |
| Others | 1,180 | 1,045 | 1,046 | 1,047 | 1,047 |
| Investments & loans | 27,096 | 28,231 | 30,306 | 33,994 | 37,682 |
| Net fixed assets | 8,050 | 7,670 | 7,323 | 6,972 | 6,615 |
| Other assets | 24,294 | 22,762 | 20,476 | 18,185 | 15,889 |
| **Total assets** | **70,056** | **68,765** | **67,643** | **69,202** | **70,737** |
| **LIABILITIES:** | | | | | |
| Current liabilities: | 4,842 | 6,015 | 5,755 | 5,176 | 5,115 |
| Account payables | 950 | 1,233 | 1,119 | 1,100 | 1,098 |
| Bank overdraft & ST loans | 0 | 1,000 | 513 | 0 | 0 |
| Current LT debt | 3,362 | 3,603 | 3,771 | 3,809 | 3,707 |
| Others current liabilities | 529 | 179 | 352 | 267 | 310 |
| **Total LT debt** | **26,799** | **23,362** | **21,369** | **21,584** | **21,005** |
| Others LT liabilities | 476 | 470 | 450 | 456 | 455 |
| **Total liabilities** | **32,116** | **29,847** | **27,574** | **27,216** | **26,575** |
| Minority interest | 11,390 | 11,653 | 12,414 | 13,252 | 14,040 |
| Preferreds shares | 0 | 0 | 0 | 0 | 0 |
| Paid-up capital | 8,129 | 8,129 | 8,129 | 8,129 | 8,129 |
| Share premium | 13,319 | 13,319 | 13,319 | 13,319 | 13,319 |
| Warrants | 0 | 0 | 0 | 0 | 0 |
| Surplus | (532) | (590) | (590) | (590) | (590) |
| **Retained earnings** | **5,633** | **6,406** | **6,798** | **7,876** | **9,263** |
| Shareholders' equity | 26,550 | 27,264 | 27,656 | 28,734 | 30,121 |
| **Liabilities & equity** | **70,056** | **68,765** | **67,643** | **69,202** | **70,737** |

Sources: Company data, Thanachart estimates

*Investment in LPCL lasts until 2029F*

*Multiples look attractive against its turnaround outlook*

## CASH FLOW STATEMENT

| FY ending Dec (Bt m) | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Earnings before tax | 741 | 1,153 | 1,781 | 1,994 | 2,031 |
| Tax paid | (43) | (72) | (155) | (343) | (335) |
| Depreciation & amortization | 1,572 | 1,567 | 1,612 | 1,622 | 1,632 |
| Chg In working capital | (516) | 349 | (129) | (32) | (1) |
| Chg In other CA & CL / minorities | 2,656 | 1,072 | 408 | 912 | 1,255 |
| **Cash flow from operations** | **4,410** | **4,069** | **3,518** | **4,153** | **4,582** |
| Capex | (65) | (121) | (200) | (200) | (200) |
| Right of use | (10) | (33) | (50) | (50) | (50) |
| ST loans & investments | (130) | (242) | 0 | 0 | 0 |
| LT loans & investments | (2,195) | (1,135) | (2,075) | (3,688) | (3,688) |
| Adj for asset revaluation | 0 | 0 | 0 | 0 | 0 |
| Chg In other assets & liabilities | 23 | 88 | 1,250 | 1,275 | 1,270 |
| **Cash flow from investments** | **(2,377)** | **(1,444)** | **(1,074)** | **(2,663)** | **(2,668)** |
| Debt financing | (1,125) | (2,190) | (2,313) | (259) | (682) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Dividends paid | (967) | (691) | (711) | (732) | (732) |
| Warrants & other surplus | 247 | (56) | 0 | 0 | 0 |
| **Cash flow from financing** | **(1,845)** | **(2,938)** | **(3,024)** | **(991)** | **(1,413)** |
| **Free cash flow** | **4,345** | **3,948** | **3,318** | **3,953** | **4,382** |

## VALUATION

| FY ending Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| Normalized PE (x) | 12.4 | 20.9 | 28.6 | 17.4 | 14.9 |
| Normalized PE - at target price (x) | 16.0 | 26.9 | 36.9 | 22.5 | 19.2 |
| PE (x) | 12.9 | 21.6 | 28.6 | 17.4 | 14.9 |
| PE - at target price (x) | 16.7 | 27.8 | 36.9 | 22.5 | 19.2 |
| EV/EBITDA (x) | 18.9 | 16.8 | 12.6 | 11.8 | 11.5 |
| EV/EBITDA - at target price (x) | 22.1 | 19.7 | 14.8 | 14.0 | 13.6 |
| P/BV (x) | 1.2 | 1.2 | 1.1 | 1.1 | 1.0 |
| P/BV - at target price (x) | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 |
| P/CFO (x) | 7.2 | 7.8 | 9.0 | 7.6 | 6.9 |
| Price/sales (x) | 2.9 | 3.1 | 3.0 | 3.0 | 3.0 |
| Dividend yield (%) | 2.2 | 2.2 | 2.3 | 2.3 | 2.3 |
| FCF Yield (%) | 13.8 | 12.5 | 10.5 | 12.5 | 13.9 |
| **(Bt)** | | | | | |
| Normalized EPS | 0.3 | 0.2 | 0.1 | 0.2 | 0.3 |
| EPS | 0.3 | 0.2 | 0.1 | 0.2 | 0.3 |
| DPS | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| BV/share | 3.3 | 3.4 | 3.4 | 3.5 | 3.7 |
| CFO/share | 0.5 | 0.5 | 0.4 | 0.5 | 0.6 |
| FCF/share | 0.5 | 0.5 | 0.4 | 0.5 | 0.5 |

Sources: Company data, Thanachart estimates

### FINANCIAL RATIOS

| FY ending Dec | 2022A | 2023A | 2024F | 2025F | 2026F |
|---|---|---|---|---|---|
| **Growth Rate** | | | | | |
| Sales (%) | 23.9 | (5.7) | 1.1 | 0.7 | (0.0) |
| Net profit (%) | 11.8 | (40.0) | (24.6) | 64.1 | 17.0 |
| EPS (%) | 11.8 | (40.0) | (24.6) | 64.1 | 17.0 |
| Normalized profit (%) | 24.8 | (40.6) | (27.0) | 64.1 | 17.0 |
| Normalized EPS (%) | 24.8 | (40.6) | (27.0) | 64.1 | 17.0 |
| Dividend payout ratio (%) | 28.4 | 47.3 | 66.3 | 40.4 | 34.5 |
| **Operating performance** | | | | | |
| Gross margin (%) | 16.8 | 20.7 | 28.7 | 30.4 | 30.5 |
| Operating margin (%) | 11.9 | 15.2 | 23.3 | 25.0 | 25.1 |
| EBITDA margin (%) | 26.4 | 30.4 | 38.8 | 40.5 | 40.7 |
| Net margin (%) | 6.4 | 10.3 | 15.6 | 15.8 | 16.2 |
| D/E (incl. minor) (x) | 0.8 | 0.7 | 0.6 | 0.6 | 0.6 |
| Net D/E (incl. minor) (x) | 0.6 | 0.5 | 0.5 | 0.4 | 0.4 |
| Interest coverage - EBIT (x) | na | na | na | na | na |
| Interest coverage - EBITDA (x) | na | na | na | na | na |
| ROA - using norm profit (%) | 3.7 | 2.2 | 1.6 | 2.6 | 3.0 |
| ROE - using norm profit (%) | 9.9 | 5.6 | 4.0 | 6.4 | 7.2 |
| **DuPont** | | | | | |
| ROE - using after tax profit (%) | 2.7 | 4.0 | 5.9 | 5.9 | 5.8 |
| - asset turnover (x) | 0.2 | 0.1 | 0.2 | 0.2 | 0.1 |
| - operating margin (%) | 16.7 | 21.6 | 28.6 | 29.9 | 29.7 |
| - leverage (x) | 2.7 | 2.6 | 2.5 | 2.4 | 2.4 |
| - interest burden (%) | 40.8 | 52.0 | 59.8 | 63.8 | 65.3 |
| - tax burden (%) | 93.6 | 92.3 | 91.3 | 82.8 | 83.5 |
| WACC (%) | 9.2 | 9.2 | 9.2 | 9.7 | 9.7 |
| ROIC (%) | 2.5 | 2.9 | 4.6 | 4.6 | 4.6 |
| NOPAT (Bt m) | 1,218 | 1,442 | 2,212 | 2,165 | 2,189 |
| invested capital (Bt m) | 49,440 | 48,271 | 46,930 | 47,250 | 47,455 |

Sources: Company data, Thanachart estimates

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