

BCPG Pcl (BCPG TB) - BUY

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News Update**Acquiring wind power projects in Vietnam**

- **BCPG sets to acquire 99MW wind power projects in Vietnam**
- **Maximum investment cost is Bt4.5bn**
- **The projects are targeted to commence operations in 1Q25**
- **We see the deal as positive and maintain BUY**

BCPG announces to acquire to wind power projects in Vietnam with a total of 99MW installed capacity, 49.5MW Cha Bien Tay Nguyen project (CBTN) and 49.5MW Phat Trien Mien Nui project (PTMN), from Eastern Power Group Pcl (EP TB, non-rated) for a maximum of Bt4.5bn investment cost.

- The deal is divided into two phases; 1) BCPG will pay Bt1.73bn to the seller (Bt865m per project) for a 90% stake in the projects upon their commencement of commercial operations in 1Q25, and 2) BCPG will make an additional payment of Bt2.78bn (Bt1.39bn per project) to increase its ownership to 100%, provided that the electricity selling price is successfully renegotiated to US\$0.0635/kWh (from the current US\$0.0318) within two years (by 1Q27).
- Both projects have 20-year power purchase agreements (PPAs) signed with the Electricity Vietnam (EVN). However, missing their COD dates specified in the PPAs resulted in a penalty that lowered their electricity tariff to US\$0.0318/kWh, a level below profitability. This financial strain forced the seller to divest the projects at below investment cost to repay debts used in projects' development. BCPG leverages this opportunity to acquire these distressed assets at an attractive price.
- Having said that, as the seller is actively negotiating with EVN to recover the tariff for both projects up to US\$0.0635/kWh. If successful, BCPG will compensate the seller for achieving this higher tariff.
- Under scenario that the tariff for both projects is raised to US\$0.0635/kWh by 2027F, we estimate an EIRR of 7.9% for BCPG, assuming a 28% capacity factor and a 90% EBITDA margin for the projects.
- If the seller fails to secure the tariff increase, resulting in BCPG's investment cost being capped at only Bt1.73bn, we estimate an EIRR of 7.1% under the same operating assumptions.
- We view the deal as positive to BCPG. Although the projected return on investment looks modest, it allows BCPG to reinvest proceeds from its divestment of solar projects in Japan (completed in 2Q24) at a higher return, thus a value accretive to the company. We maintain BUY.

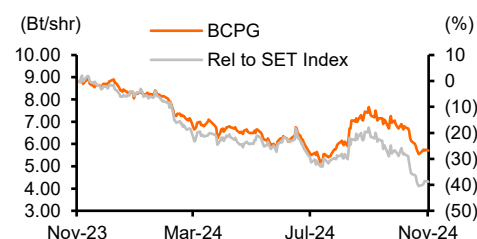
Key Valuations

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	5,031	4,116	4,379	5,884
Net profit	1,104	3,034	1,061	1,389
Norm net profit	831	875	1,061	1,389
Norm EPS (Bt)	0.3	0.3	0.4	0.5
Norm EPS gr (%)	(59.3)	5.3	21.2	30.9
Norm PE (x)	19.9	18.8	15.5	11.9
EV/EBITDA (x)	12.7	14.1	17.6	15.0
P/BV (x)	0.6	0.5	0.5	0.5
Div. yield (%)	4.4	4.4	4.4	4.4
ROE (%)	2.8	2.8	3.2	4.1
Net D/E (%)	102.3	72.3	93.3	122.9

Source: Thanachart estimates

Stock Data

Closing price (Bt)	5.70
Target price (Bt)	10.00
Market cap (US\$ m)	493
Avg daily turnover (US\$ m)	0.9
12M H/L price (Bt)	8.95/5.15

Price Performance

Source: Bloomberg

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