

BUY (Unchanged)

Change in Numbers

TP: Bt 110.00

(Unchanged)

4 MARCH 2020**Upside : 168.3%**

Energy Absolute Pcl (EATB)

Awaiting proof of success

We maintain our high conviction on EA's earnings prospects from disruptive technology with catalysts from upcoming government policies. Proof of success of its "eco-system" to serve its e-transport in 2Q20 would mark the first step in a new earnings cycle with strong earnings momentum in 1Q20F. Reaffirm BUY.

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2020F – start of a new earnings cycle

We like EA for its disruptive technology story via li-ion battery energy storage systems (BESS) and battery-captive e-transport to gradually be seen in 2020. Construction of the BES phase-1 plant with 1GWh of capacity in Thailand is under way with common facilities to support up to 4GWh. The first BESS sale from the Thailand plant is confirmed for 4Q20. EA foresees captive demand of 2.5GWh which could rise to 4.0GWh from e-buses/trucks in 1.5-2.0 years. EA is maintaining its plan to deliver its first lot of 800 e-taxis in 2Q20 (a total of 3,500 units in 2020 vs. our 2,500 assumption). The first step in EA's new earnings cycle depends upon the success of its ecosystem in serving huge BESS capacity e-ferries and e-buses/trucks with high-speed charging, long life cycles, distance ranges, and low pricing.

Strong earnings momentum looks intact

Despite its new businesses not having started yet, we expect 1Q20F earnings to come in strong on the full-quarter operation of its 260MW Hanuman wind power project. Also, we expect its 278MW of solar power projects to yield higher output y-y due to robot cleaning machine installation and strong solar irradiation. Bio-diesel business should turn profitable from losses as demand has surged on government policies and B-10 price subsidies.

Positive government policy and guidelines

Several government policies and guidelines seem positive for EA's businesses, i.e. 1) setting B-10 as the primary diesel base oil (10% mix with B-100) has increased demand and eased competition in the B-100 business; 2) planned "EV mapping" to promote the installation of inter-city EV charging stations and low-electricity prices set for charging stations to support the EV market; 3) the planned revision of the 2018 PDP, i.e. increased community participation in the power industry and bringing forward wind power SPP to 2022 from 2034; and 4) a power tariff restructuring from 2021, unlocking the existing enhanced single buyer system, and opening up the peer-to-peer power trading platform using blockchain technology under the ERC sandbox.

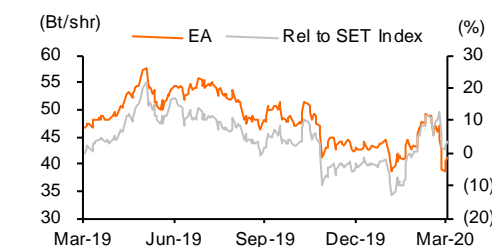
Share price appears overly punished

EA's share price plunged 17% late last week on its plans to buy a 19% stake in Land Prosperity Holding (LPH), which belongs to EA's founder. Yet, we see EA's offer price of Bt5.1bn or Bt18/LPH share as fair since Bt12-13/share represents the land market value estimated by IFAs and Bt5-6/share in cash from other shareholders through a capital raising. EA expects to realize higher value in the future given the scarcity of big land plots in good logistics locations. Even if the move is unsuccessful, the Bt5.1bn investment equates to only Bt1.4/EA share.

COMPANY VALUATION

Y/E Dec (Bt m)	2019A	2020F	2021F	2022F
Sales	14,887	22,344	35,990	54,587
Net profit	6,082	7,574	9,855	13,601
Consensus NP	—	7,325	8,195	12,856
Diff frm cons (%)	—	3.4	20.3	5.8
Norm profit	5,922	7,574	9,855	13,601
Prev. Norm profit	—	7,745	10,342	14,739
Chg frm prev (%)	—	(2.2)	(4.7)	(7.7)
Norm EPS (Bt)	1.6	2.0	2.6	3.6
Norm EPS grw (%)	45.0	27.9	30.1	38.0
Norm PE (x)	25.8	20.2	15.5	11.2
EV/EBITDA (x)	19.0	15.8	12.8	10.0
P/BV (x)	6.5	5.1	4.1	3.2
Div yield (%)	0.7	1.0	1.9	2.7
ROE (%)	28.5	28.5	29.3	31.8
Net D/E (%)	128.4	135.4	124.4	119.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 04-Mar-20 (Bt)	41.00
Market Cap (US\$ m)	4,880.8
Listed Shares (m shares)	3,730.0
Free Float (%)	39.9
Avg Daily Turnover (US\$ m)	20.6
12M Price H/L (Bt)	57.75/38.50
Sector	Utilities
Major Shareholder	Ahunai family 44.3%

Sources: Bloomberg, Company data, Thanachart estimates

Reaffirming BUY

We expect 2020F to mark the first step of its new earnings cycle

We reaffirm our BUY call on Energy Absolute Pcl (EA) as we like its disruptive technology businesses via li-ion battery energy storage systems (BESS) and related captive e-commercial transport, i.e. e-taxis, e-ferries, while it is currently looking into e-buses and e-trucks. We foresee the company creating an efficient so-called “ecosystem” with plans to lay out a charging station network nationwide (988 charging stations are currently in operation vs. the company’s 2,800 target by end 2020). In addition, production of EA’s own product innovation, a high-margin bio-PCM (phase-change-material), is scheduled to start in mid-2020 (65tpa with a target to double this to 130tpa by year end).

EA has said all the new businesses are confirmed to launch this year, starting in 2Q20. The BESS phase-1 plant with 1GWh of capacity p.a. which is currently under construction has common facilities to support up to 4GWh. EA reportedly foresees captive demand of 2.5GWh and this could rise to 4.0GWh from potential e-buses/trucks (10x the BESS capacity of EVs) in 1.5-2.0 years. The fundamentals of EA’s future value depend on the successful implementation of its ecosystem. The first step in EA’s new earnings cycle depends on the success of its ecosystem in serving huge BESS capacity e-ferries and e-buses/trucks with high-speed charging, long life cycles, distance ranges, and low pricing.

Ex 1: EV Factory

EV Factory



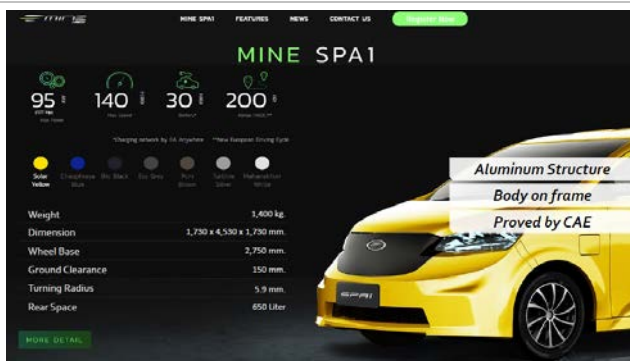
Source: Company data

Ex 2: Amita's Products And Application



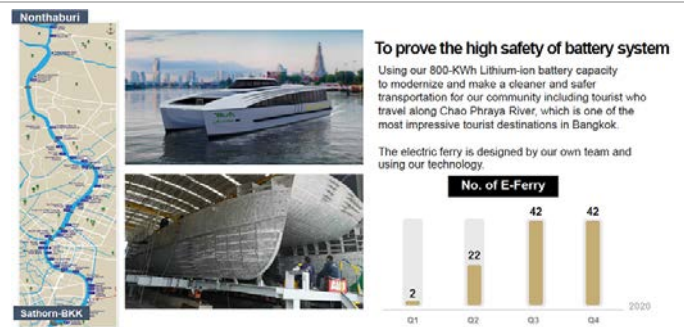
Source: Company data

Ex 3: EA's E-Taxis (Mine SPA 1 Model) – P13



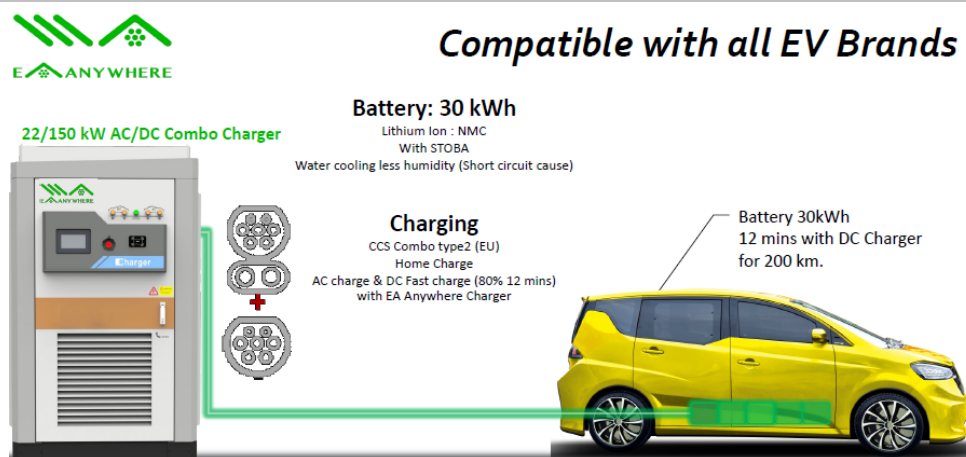
Source: Company data

Ex 4: EA's E-Ferries



Source: Company data

Ex 5: EA Anywhere Charging Station & Application

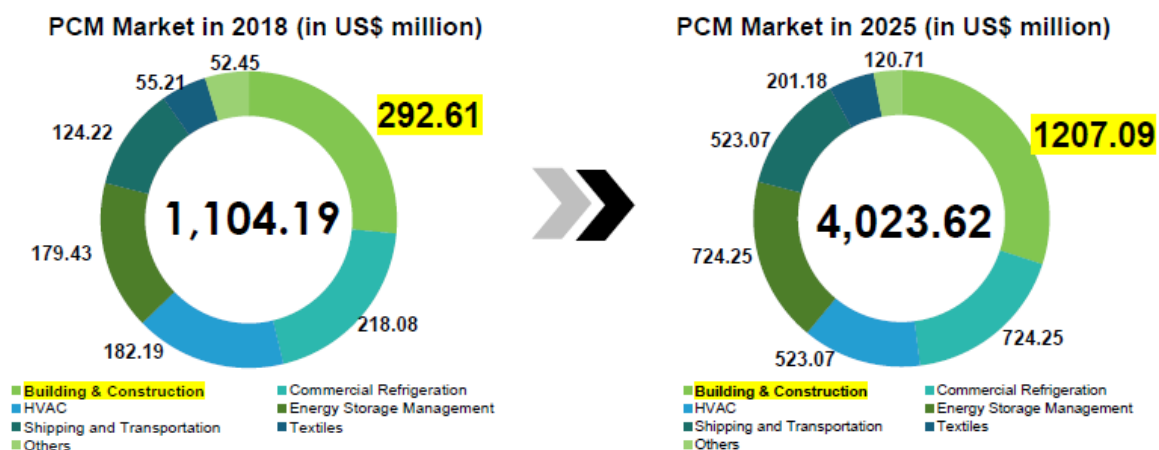


Source: Company data

Ex 6: PCM Market size

PCM Market Size : To be US\$ 4.024 billion in 2025

- ✓ Growing demand especially in Asia- Pacific mainly in Building and Construction
- ✓ Japan issued policy in Promotion of Zero Energy Building (ZEB) and Zero Energy Houses (ZEH)



Sources: Inkwood Research, Company data

*We expect 1Q20F
normalized earnings to rise
on the full-year operation of
Hanuman...*

*...and its bio-diesel
business turning to a profit
from losses*

Strong earnings momentum in 1Q20F

Despite EA's new businesses having yet to commence, we expect 1Q20F earnings to come in strong again on 1) 260MW of capacity from a combined five Hanuman wind power projects operating for a full quarter (they gradually started up in 1H19). See Exhibit 7.

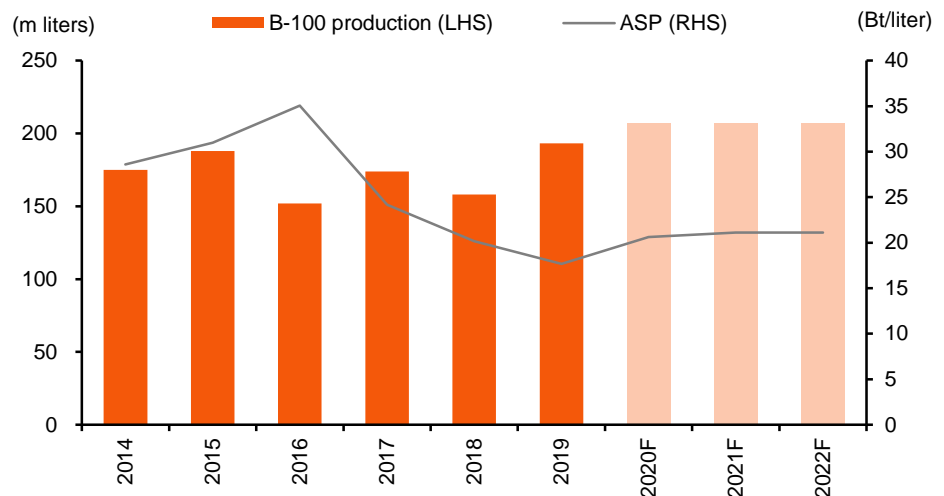
Also, we expect its 278MW of solar power projects to yield higher y-y output because of the installation of robotic cleaning machines for only a small investment amount and our expectation of strong solar irradiation this year due to the current severe drought.

Ex 7: EA's Capacity Profile

Companies	Project	Location	Type	Installed capacity (MW)	Contracted capacity (MW)	Owner ship (%)	Net owned (MW)	scheduled COD
Solar power plants								
Suechai 97 Solar	Solar Lop Buri	Lop Buri	Solar power	9	8	100	8	17-Oct-12
EA Solar Nakornsawan	Solar Nakornsawan	Nakornsawan	Solar power	126	90	100	90	23-Dec-13
EA Solar Lampang	Solar Lumpang	Lampang	Solar power	128	90	100	90	14-Feb-15
EA Solar Phitsanulok	Solar Phitsanulok	Phitsanulok	Solar power	134	90	100	90	1-Apr-16
Total solar capacity				398	278	100	278	
Hadkanghan - wind power projects								
EA Wind Hadkanghan 1	Hadkanghan 1	Songkhla	Wind power	36	36	100	36	3-Mar-17
EA Wind Hadkanghan 2	Hadkanghan 2	Nakonsrithamarat-Songkhla	Wind power	45	45	100	45	10-Jun-17
EA Wind Hadkanghan 3	Hadkanghan 3	Nakonsrithamarat-Songkhla	Wind power	45	45	100	45	23-Jun-17
Total Hadkanghan				126	126	100	126	
Hanuman - wind power projects								
Nayangklak Development (NYKD)	Hanuman 1	Chaiyaphum	Wind power	45	45	100	45	25 Jan 2019
Pongnok Development (PND)	Hanuman 5	Chaiyaphum	Wind power	48	48	100	48	22 Mar 2019
Nayangklak Wind Power (NWP)	Hanuman 8	Chaiyaphum	Wind power	45	45	100	45	25 Jan 2019
Benjarat Development (BJRD)	Hanuman 9	Chaiyaphum	Wind power	42	42	100	42	30 Mar 2019
Baanchuan Development (BCD)	Hanuman 10	Chaiyaphum	Wind power	80	80	100	80	20 April 2019
Total Hanuman				260	260	100	260	
Grand total				784	664	100	664	

Sources: Company data, Thanachart estimates

We expect EA's bio-diesel business (B-100) to turn profitable from losses in 2019 as demand has surged in the wake of the government policy to make B-10 diesel (a 10% mix of B-100) the country's primary diesel starting 1 January 2020 (from B-7 previously). In addition, the government has adopted a price support policy for B-10 at Bt3.0/liter below the price of B-7 diesel. EA expects its sales volume to grow by 15% in 2020F. With increased demand, competition in the B-100 business has eased with lower discounts to refinery buyers.

Ex 8: Bio-diesel Volume Sale, ASP

Sources: Company data, Thanachart estimates

Ex 9: EA's Normalized Earnings Breakdown by Business

Normalized profit breakdown	2019	2020F	2021F	2022F
Renewable	7,742	8,176	8,203	8,131
Bio-diesel, green diesel and PCM	(21)	603	1,411	1,420
EVs		212	504	725
E-buses, E-trucks			100	250
E-ferries		(18)	(15)	36
Li-ion batteries		70	997	3,203
Solar + Batteries		15	274	2,169
Charging stations (50%)		2	70	93
Parent & R&D	(1,705)	(1,443)	(1,399)	(1,354)
Minority	55	(7)	(208)	(738)
Tax	25	(36)	(93)	(404)
Forex	(160)	0	0	0
Equity income	(14)	0	14	146
Total normalized profit estimate	5,922	7,575	9,858	13,677

Sources: Company data, Thanachart estimates

Positive government policies

- 1) *Setting B10 as the primary diesel base oil* (10% mix with B100 in diesel oil) from B7 previously, effective 1 January 2020. The policy aims to help crude palm oil (CPO) farmers as CPO is the feedstock for B100. The policy is estimated to absorb two-thirds of the CPO produced locally. Given that the B100 pricing formula is 94% of the CPO price plus a fixed margin, higher CPO prices are pretty much passed through. In addition, the government subsidizes the B10 price at Bt3/liter below that for B7 to attract consumers. As such, demand for B10 has been rising, easing competition in the B100 market and leading to lower discounts for refinery buyers. The policy is positive for EA as it has a B100 business.
- 2) "EV mapping". The Energy Policy and Planning Office (EPPO) recently introduced a policy promoting the installation of EV charging stations every 50-70 kilometers across the country. Also, the EPPO has set one electricity price for charging stations at Bt2.639/kWh (vs. the base electricity tariff of Bt3.6/kWh) to promote the emergence of the EV market. We see this

indirectly spurring demand for EVs including EA's commercial vehicles. This in turn will boost its revenues from charging stations.

Given that EA is the first mover with a 70% market share in EV charging stations, we believe most key locations have already been taken, making it difficult for newcomers to the market.

- 3) The Energy Ministry is considering revising the Thailand Integrated Energy Blueprint (TIEB), which would likely result in revisions to three out of the four power plans. The three power plans are: 1) the 2018 Power Development Plan (PDP version 1); 2) the 2018 Alternative Energy Development Plan (AEDP); and 3) the 2018 Energy Efficiency Plan. We foresee some of the planned revisions benefiting renewable power producers including EA, as follows:
 - a) Bringing forward 1.9GW of renewable capacity (biomass, biogas, solar hybrid) under a new "Energy for All" project in 2020-24. This scheme would allow local residents to participate in power project investments.
 - b) Bringing forward wind power capacity to 2022 (from 2034).
 - c) Reducing peak demand by 4GW using disruptive technology for all consumer energy targets.
 - d) The planned restructuring of the power tariff, unlocking the existing enhanced single buyer system and launching trials for peer-to-peer power trading platforms by the private sector using blockchain technology under the Energy Regulatory Commission (ERC) sandbox.

We see the government policy benefiting EA in many areas

We see these policies as positive to EA from many aspects. Apart from capacity expansion opportunities in the domestic market, EA is focusing on wind power projects. Recently, EA acquired a 100% stake in Subyai Wind Farm for Bt5m. The company has access to the wind data of the areas close to EA's current Hanuman projects. This could help EA make expansion decisions more easily than other players with no wind data in hand. With the government's target to improve energy efficiency by reducing peak demand, we see a chance for EA's batteries to play a big role. As a producer of BESS, EA could benefit from being the lowest-cost producer in the power business. Lastly, peer-to-peer trading platforms using blockchain technology look to be a good match for EA's in-house development of Gideon software, which claims to provide the best matching choice for power buyers/offers in large-volume, multi-layer and real-time transactions.

Investment in a property firm is fair, in our view

EA recently announced to invest in a property belonging to the CEO

Apart from being hit by already weak market sentiment, EA's share price plunged by 17% late last week on the company's announcement of a plan to buy a 19% stake in Land Prosperity Holding (LPH) via Prosperity Gain Holding. Both companies are related to EA's CEO – Khun Somphote Ahunai and his son. LPH has two land plots with a combined area of 2,828 rai (4.5m sq m) in Chachoengsao province via its two subsidiaries – Double P Land and Wattanapiboon Land (see Exhibit 10). Also, EA's 65%-owned Amita Thailand, a battery plant, would lease the land from LPH for 15 years with the option for another 15-year extension for Bt1,248m on 91 rai of land (housing 4GWh of battery capacity). EA plans to use its internal cash flow to fund this. EA expect to close the deal in April/May.

For the first land plot which is owned by Double P Land (around 2,200 rai), the plan is to develop it into an industrial estate. The land is adjacent to the Bangkok-Chonburi motorway at the front and the Bangprakong River at the back, which runs to Lam Chabang seaport. Amita Thailand aims to build its Blue Tech City on 500 rai for its planned 50GWh of total capacity (the phase-1 plant of 1GWh on 91 rai of leased land currently separate but would later be grouped under the industrial estate given the time-consuming process of applying for an industrial estate license). With the giga-sized battery plant, EA expects to attract companies in many supply chains related to its battery and downstream businesses to locate close to the plant. This would help lower logistics and raw material stocking costs, apart from providing land sales/lease benefits.

For the other plot of land which is owned by Wattanapiboon Land (600 rai), the goal is to develop this as a residential and commercial estate in the future. The land also has a good location in our view with the front adjacent to a beach. EA expects new city expansions following the development of the Eastern Economic Corridor (EEC) but this is a long-term project.

Investors do not like the deal

It seems that some investors are not happy with EA investing in the industrial estate and residential property business and would prefer straightforward land purchases for in its lithium battery & related businesses. EA's management said that it depends on what value investors are assigning to the land plots but that the prices EA has proposed are cheap compared to the potential value to be realized in the future given that the two plots have good logistics and locations. Apart from potential dividend income, EA expects to unlock the land value with capital gains as LPH has plans to list in the future (three to four years from now).

The investment is fair, in our view

Nonetheless, we see the investment as fair:

- EA's offer price of Bt18/LPH share (Bt5.1bn for a 19% share) is at the low end of the prices estimated by independent financial advisers (IFAs) in the range of Bt17-23/LPH share.
- The current market price of raw land alone estimated by the IFAs stands at around Bt12-13/LPH share (3x price appreciation on a total asset value of Bt6.2bn as the law now allows "green zone" land (only agricultural use permitted) to become "purple zone" land (allowing green industrial/commercial use).
- There would be a capital injection of around Bt8.9bn by Khun Somphote and his son (66%) and other shareholders (15%) to bring total paid-up capital to Bt15bn (now Bt6.1bn) while EA does not need to pay any more. This equates to cash of Bt5.9/LPH share.

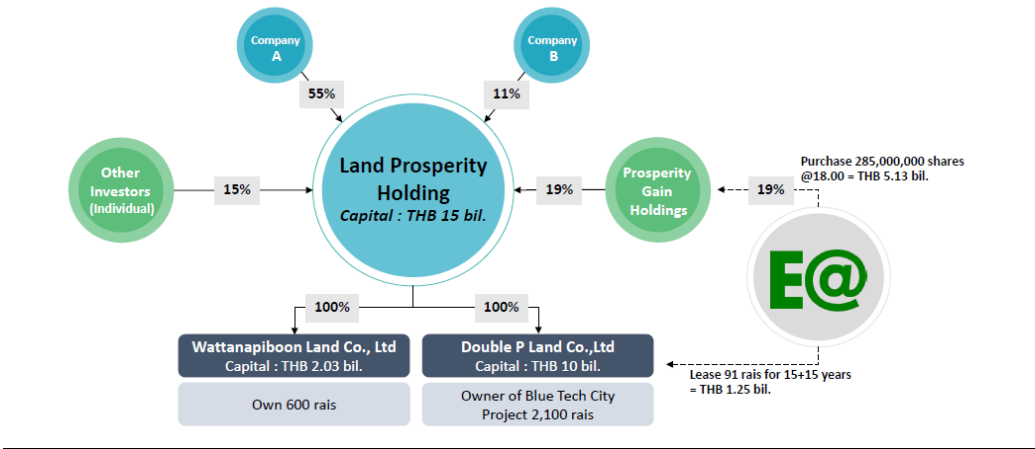
In terms of the land price, this would imply Bt9.6m/rai, which might not look cheap compared to Amata Corp's (AMATA TB, BUY, Bt15.30) achieved selling price of Bt8.0-9.0m/rai. But prime logistics locations for industrial estates just a one-hour drive from Bangkok (the same as AMATA's) are scarce while it has a waterway to Lam Chabang seaport which AMATA's doesn't have. Also, the EEC targets high-tech industries where land costs amount to only a tiny part of their capital investments. We believe LPH could sell/lease its land at a higher price than EA's offered price. This would also be upside gain if EA wants to unlock value as LPH plans to list in the next three to four years.

Yet, we see the share price is overly punished

We believe EA's share price has been overly punished by investors who don't like the company moving into the industrial estate/property business. Nevertheless, even if EA isn't successful in the property business, the capital investment of Bt5.1bn equals Bt1.4/EA share. We regard EA's existing biodiesel and PCM business as well on track and like its move into disruptive technology following the global trend. We see 2020F marking the beginning of its new earnings cycle.

Ex 10: Land Prosperity Holding Structure

To invest in Land Prosperity Holding 19% and
land lease 91 rais for Battery Factory Phase I



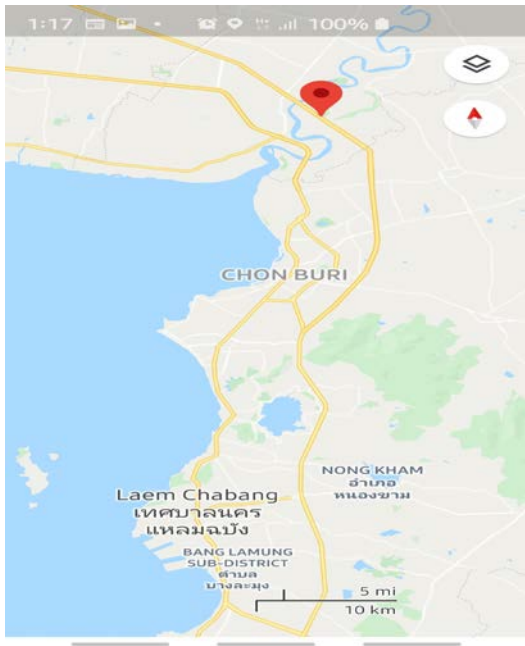
Source: Company data

Ex 11: Wattanapiboon Land's Location



Sources: Google; Company data

Ex 12: Double P Land's Location



Sources: Google; Company data

Ex 13: 12-month SOTP-based DCF-derived TP Calculation, Using A Base Year Of 2020F

(Bt m)	2020F	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	Terminal value
EBITDA	12,365	15,921	21,689	25,489	27,300	36,295	42,173	45,197	44,681	45,596	45,914	
Free cash flow	(8,363)	(6,689)	(10,087)	(14,642)	7,157	2,918	12,841	10,034	38,422	38,452	38,670	-
PV of free cash flow	-	(6,689)	(8,573)	(11,788)	5,457	2,108	8,785	6,503	23,582	22,355	21,296	19,490
Risk-free rate (%)	3.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	5.6											
Terminal growth (%)	-											
Enterprise value - add investments	374,663											
Net debt	31,932											
Minority interest	1,648											
Equity value	341,082											
No. of shares (fully diluted) (m)	3,730											
Equity value/share (Bt)	91.44											
Sum-of-the-parts valuation												(Bt/shr)
Solar												
- Lop Buri												0.2
- Nakornsawan												2.0
- Lampang												2.2
- Phitsanulok												3.0
Wind 126 MW												3.0
Wind 260MW												6.1
Bio, Green diesel & PCM												9.3
Total												25.8
ES business												60.1
Charging stations												5.3
E-ferries												0.6
E-taxis												3.9
Solar + BES (Condao, Myanmar, Thailand)												6.0
Other potentials (e-trucks, blockchain)												7.0
Total												108.6

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 14: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		—EV/EBITDA—		— Div yield —	
			20F (%)	21F (%)	20F (x)	21F (x)	20F (x)	21F (x)	20F (x)	21F (x)	20F (%)	21F (%)
Datang International Power	991 HK	China	41.7	10.4	7.6	6.9	0.5	0.4	8.1	8.1	7.3	7.9
Huadian Power	1071 HK	China	18.2	13.8	6.1	5.3	0.4	0.4	7.7	7.2	7.2	8.2
Huaneng Power	600011 CH	China	32.2	15.2	10.9	9.5	0.8	0.8	7.5	7.0	6.1	6.7
Cheung Kong Infrastructure	1038 HK	Hong Kong	2.5	0.0	12.4	12.4	1.1	1.1	44.9	44.1	4.8	4.9
China Power Int'l	2380 HK	Hong Kong	18.6	27.8	6.3	4.9	0.4	0.4	7.4	6.7	8.1	10.4
China Resources Power	836 HK	Hong Kong	17.2	8.8	5.2	4.8	0.6	0.5	5.3	4.9	7.5	8.3
CLP Holdings	2 HK	Hong Kong	9.8	5.1	17.6	16.8	1.8	1.8	10.7	10.3	3.9	4.1
Hongkong Electric Holdings	6 HK	Hong Kong	2.5	1.3	16.0	15.8	1.4	1.4	115.3	83.9	5.1	5.1
Huaneng Power	902 HK	Hong Kong	21.5	10.7	7.3	6.6	0.5	0.5	7.5	7.1	9.3	9.8
Reliance Infrastructure	RELI IN	India	na	na	na	na	na	na	na	na	na	na
Tata Power	TPWR IN	India	(2.1)	28.3	10.2	7.9	0.7	0.6	8.1	7.8	3.1	3.4
Tenaga Nasional	TNB MK	Malaysia	(2.8)	3.2	13.1	12.7	1.1	1.1	7.9	7.7	4.4	4.5
YTL Corp	YTL MK	Malaysia	(36.6)	30.8	33.5	25.6	0.8	0.8	12.3	11.8	4.9	4.9
YTL Power	YTLP MK	Malaysia	(39.7)	14.6	17.0	14.8	0.4	0.4	10.0	9.8	5.3	5.5
Manila Electric	MER PM	Philippines	1.4	(0.0)	12.7	12.7	3.3	3.1	7.1	7.2	6.0	5.9
BCPG Pcl *	BCPG TB	Thailand	23.6	9.3	13.7	12.5	1.8	1.7	15.6	14.0	5.2	3.6
B.Grimm Power Pcl *	BGRIM TB	Thailand	56.0	(0.7)	37.0	37.2	5.3	4.9	15.2	15.6	1.2	1.2
Banpu Power Pcl *	BPP TB	Thailand	42.1	7.7	8.4	7.8	0.9	0.8	70.2	40.9	6.0	6.4
CK Power Pcl *	CKP TB	Thailand	435.9	22.6	24.1	19.7	1.1	1.1	13.2	12.0	2.1	3.1
EA Pcl*	EA TB	Thailand	27.9	30.1	20.2	15.5	5.1	4.1	15.8	12.8	1.0	1.9
Electricity Generating *	EGCO TB	Thailand	15.2	9.8	12.8	11.7	1.3	1.2	23.4	22.5	2.9	3.2
Global Power Synergy *	GPSC TB	Thailand	55.8	13.1	23.2	20.5	1.5	1.5	11.4	10.6	2.6	2.9
Gulf Energy Dev. Pcl *	GULF TB	Thailand	50.8	29.0	69.3	53.8	9.1	8.5	45.8	39.5	0.9	1.1
Gunkul Engineering *	GUNKUL TB	Thailand	(7.0)	(0.0)	10.0	10.0	1.9	1.7	15.3	15.6	4.0	4.0
RATCH Group *	RATCH TB	Thailand	17.7	7.3	12.7	11.9	1.3	1.3	23.4	18.9	4.3	4.6
SPCG Pcl*	SPCG TB	Thailand	1.4	(3.8)	6.5	6.7	1.2	1.1	4.9	4.6	6.9	6.7
TPC Power Holding *	TPCH TB	Thailand	53.8	12.2	7.4	6.6	1.2	1.1	5.3	4.3	4.0	6.0
WHA Utilities & Power *	WHAUP TB	Thailand	0.6	2.3	9.2	9.0	1.0	1.0	33.5	30.3	4.4	4.5
Average			31.8	11.4	15.9	14.1	1.7	1.6	20.5	17.2	4.8	5.1

Sources: Bloomberg, * Thanachart estimates

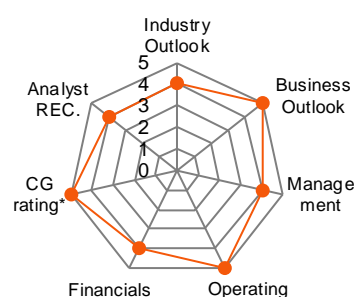
Based on 4 March 2020 closing prices

COMPANY DESCRIPTION

Established in 2006 as a bio-diesel business operator, Energy Absolute Pcl (EA) has become Thailand's largest producer of renewable power with a total capacity of 660MW (net) by 2018 (278MW of solar power and 386MW of wind power). EA has a wholly owned subsidiary called Energy Solution Management (ESM) to provide O&M services for the group's renewable power plants. EA invested in the energy storage business via a 70% stake in Taiwan-based Amita Technologies with plans to build a 50GWh energy storage plant in Thailand during 2018-22.

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

- Management has a strong financial background with what we regard as well-thought-out plans for expansion.

O — Opportunity

- Electricity industry gearing towards renewable energy.
- Huge potential capacity expansion planned.
- Energy storage (ES) could be part of the requirements for the government grid and private off-grid systems.

W — Weakness

- In a heavy capex cycle due to scheduled new capacity expansion but gearing is still below its threshold.

T — Threat

- New capacity tendered by the government will likely see lower returns.
- Regulations from both domestic and overseas power markets.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	60.54	110.00	82%
Net profit 2020F (Bt m)	7,325	7,574	3%
Net profit 2021F (Bt m)	8,195	9,855	20%
Consensus REC	BUY: 7	HOLD: 1	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our TP is 82% higher than the Bloomberg consensus, which we attribute to us having already incorporated the valuation of its ES giga-factory and downstream businesses.
- Our 2020-21F net profits are 3% and 20% above the consensus estimates, likely as we expect higher revenues and margins from its BES-related business and an improved biodiesel business.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If investment costs come in higher than we presently anticipate this would represent the key downside risk to our call.
- If projects are delayed from their commercial operation date (COD) schedules, this would represent a secondary downside risk.

Source: Thanachart

INCOME STATEMENT

2020F revenue, earnings likely to see strong growth with Hanuman's full-year operation plus...

...ESSS business and PCM to bring in new earnings from 2Q20F

FY ending Dec (Bt m)	2018A	2019A	2020F	2021F	2022F
Sales	11,552	14,887	22,344	35,990	54,587
Cost of sales	5,668	6,752	11,939	21,826	34,389
Gross profit	5,884	8,134	10,405	14,164	20,198
% gross margin	50.9%	54.6%	46.6%	39.4%	37.0%
Selling & administration expenses	805	946	1,287	2,149	3,068
Operating profit	5,079	7,189	9,118	12,015	17,130
% operating margin	44.0%	48.3%	40.8%	33.4%	31.4%
Depreciation & amortization	1,833	2,517	3,247	3,907	4,559
EBITDA	6,912	9,706	12,365	15,921	21,689
% EBITDA margin	59.8%	65.2%	55.3%	44.2%	39.7%
Non-operating income	44	68	65	88	108
Non-operating expenses	0	0	0	0	0
Interest expense	(1,086)	(1,386)	(1,566)	(1,867)	(2,236)
Pre-tax profit	4,036	5,870	7,617	10,236	15,002
Income tax	32	(11)	36	187	808
After-tax profit	4,004	5,881	7,581	10,049	14,193
% net margin	34.7%	39.5%	33.9%	27.9%	26.0%
Shares in affiliates' Earnings	(6)	(14)	0	14	146
Minority interests	86	55	(7)	(208)	(738)
Extraordinary items	1,063	160	0	0	0
NET PROFIT	5,148	6,082	7,574	9,855	13,601
Normalized profit	4,084	5,922	7,574	9,855	13,601
EPS (Bt)	1.4	1.6	2.0	2.6	3.6
Normalized EPS (Bt)	1.1	1.6	2.0	2.6	3.6

BALANCE SHEET

Fixed assets, debt, to rise on battery plant and investments...

...while capex spending for ES Phase 2 is due to gradually start from 2021

FY ending Dec (Bt m)	2018A	2019A	2020F	2021F	2022F
ASSETS:					
Current assets:	8,150	14,033	13,130	17,027	15,896
Cash & cash equivalent	5,479	10,029	7,200	7,200	1,800
Account receivables	1,651	2,666	3,673	5,916	8,973
Inventories	330	758	1,308	2,392	2,826
Others	691	580	949	1,519	2,297
Investments & loans	0	0	5,209	5,857	7,031
Net fixed assets	47,587	51,371	62,248	77,165	99,309
Other assets	3,470	4,816	5,060	5,705	6,057
Total assets	59,208	70,220	85,646	105,753	128,293
LIABILITIES:					
Current liabilities:	12,503	6,008	8,281	8,011	9,319
Account payables	150	285	491	897	1,413
Bank overdraft & ST loans	1,817	660	3,094	921	0
Current LT debt	1,264	4,308	3,267	4,439	5,290
Others current liabilities	9,271	755	1,430	1,754	2,615
Total LT debt	26,145	36,993	43,402	53,211	60,836
Others LT liabilities	1,008	2,240	2,521	3,249	4,189
Total liabilities	39,690	45,353	54,204	64,471	74,343
Minority interest	1,379	1,502	1,648	3,697	6,109
Preferreds shares	0	0	0	0	0
Paid-up capital	373	373	373	373	373
Share premium	3,681	3,681	3,681	3,681	3,681
Warrants	0	0	0	0	0
Surplus	(779)	(874)	(874)	(874)	(874)
Retained earnings	14,864	20,185	26,615	34,407	44,662
Shareholders' equity	18,139	23,365	29,794	37,586	47,841
Liabilities & equity	59,208	70,220	85,646	105,753	128,293

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

We expect negative FCF from 2020F...

...as we assume the li-ion BESS gradually expands to Phase 2

FY ending Dec (Bt m)	2018A	2019A	2020F	2021F	2022F
Earnings before tax	4,036	5,870	7,617	10,236	15,002
Tax paid	(32)	11	(36)	(187)	(808)
Depreciation & amortization	1,833	2,517	3,247	3,907	4,559
Chg In working capital	(87)	(1,308)	(1,353)	(2,920)	(2,975)
Chg In other CA & CL / minorities	9,637	(8,213)	310	1,378	1,710
Cash flow from operations	15,387	(1,123)	9,785	12,413	17,486
Capex	(14,201)	(6,301)	(14,123)	(18,823)	(26,703)
ST loans & investments	(44)	32	0	0	0
LT loans & investments	0	0	(5,209)	(648)	(1,175)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(14)	(159)	124	313	782
Cash flow from investments	(14,259)	(6,428)	(19,208)	(19,158)	(27,096)
Debt financing	1,521	12,895	7,801	8,808	7,555
Capital increase	0	0	0	0	0
Dividends paid	(746)	(932)	(1,317)	(2,236)	(3,518)
Warrants & other surplus	(931)	77	172	172	172
Cash flow from financing	(156)	12,039	6,656	6,745	4,209
Free cash flow	1,187	(7,424)	(4,338)	(6,410)	(9,217)

VALUATION

20.2x 2020F PE vs. a 32% three-year normalized EPS growth looks attractive to us

FY ending Dec	2018A	2019A	2020F	2021F	2022F
Normalized PE (x)	37.4	25.8	20.2	15.5	11.2
Normalized PE - at target price (x)	100.5	69.3	54.2	41.6	30.2
PE (x)	29.7	25.1	20.2	15.5	11.2
PE - at target price (x)	79.7	67.5	54.2	41.6	30.2
EV/EBITDA (x)	25.6	19.0	15.8	12.8	10.0
EV/EBITDA - at target price (x)	62.8	45.6	36.6	29.0	21.9
P/BV (x)	8.4	6.5	5.1	4.1	3.2
P/BV - at target price (x)	22.6	17.6	13.8	10.9	8.6
P/CFO (x)	9.9	(136.2)	15.6	12.3	8.7
Price/sales (x)	13.2	10.3	6.8	4.2	2.8
Dividend yield (%)	0.6	0.7	1.0	1.9	2.7
FCF Yield (%)	0.8	(4.9)	(2.8)	(4.2)	(6.0)
(Bt)					
Normalized EPS	1.1	1.6	2.0	2.6	3.6
EPS	1.4	1.6	2.0	2.6	3.6
DPS	0.3	0.3	0.4	0.8	1.1
BV/share	4.9	6.3	8.0	10.1	12.8
CFO/share	4.1	(0.3)	2.6	3.3	4.7
FCF/share	0.3	(2.0)	(1.2)	(1.7)	(2.5)

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2018A	2019A	2020F	2021F	2022F
Growth Rate					
Sales (%)	(0.2)	28.9	50.1	61.1	51.7
Net profit (%)	34.8	18.1	24.5	30.1	38.0
EPS (%)	34.8	18.1	24.5	30.1	38.0
Normalized profit (%)	8.7	45.0	27.9	30.1	38.0
Normalized EPS (%)	8.7	45.0	27.9	30.1	38.0
Dividend payout ratio (%)	18.1	18.4	20.0	30.0	30.0
Operating performance					
Gross margin (%)	50.9	54.6	46.6	39.4	37.0
Operating margin (%)	44.0	48.3	40.8	33.4	31.4
EBITDA margin (%)	59.8	65.2	55.3	44.2	39.7
Net margin (%)	34.7	39.5	33.9	27.9	26.0
D/E (incl. minor) (x)	1.5	1.7	1.6	1.4	1.2
Net D/E (incl. minor) (x)	1.2	1.3	1.4	1.2	1.2
Interest coverage - EBIT (x)	4.7	5.2	5.8	6.4	7.7
Interest coverage - EBITDA (x)	6.4	7.0	7.9	8.5	9.7
ROA - using norm profit (%)	7.9	9.2	9.7	10.3	11.6
ROE - using norm profit (%)	24.9	28.5	28.5	29.3	31.8
DuPont					
ROE - using after tax profit (%)	24.4	28.3	28.5	29.8	33.2
- asset turnover (x)	0.2	0.2	0.3	0.4	0.5
- operating margin (%)	44.3	48.7	41.1	33.6	31.6
- leverage (x)	3.2	3.1	2.9	2.8	2.7
- interest burden (%)	78.8	80.9	82.9	84.6	87.0
- tax burden (%)	99.2	100.2	99.5	98.2	94.6
WACC (%)	5.6	5.6	5.6	5.6	5.6
ROIC (%)	13.2	17.2	16.4	16.3	18.2
NOPAT (Bt m)	5,039	7,202	9,075	11,796	16,207

Sources: Company data, Thanachart estimates

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