

EA: EV-ESS business success to drive future earnings



Update

Yesterday analyst meeting come in a neutral tone. We maintain the BUY recommendation based on a target price of Bt49.0 derived using SOTP methodology, implying 26.0x PE'21.

- Expect 4Q20 earnings to remain flat YoY, while improve QoQ, on the back of recovering wind power plant operations, enhancing contribution from biodiesel business, and earnings recognition from PCM business for the first time after commencing operation in 3Q20.
- Though the delay of EV-ESS business to 2021 could pressure the stock performance in short-term, we maintain our positive outlook for 2021-22, given the strong 12.0% CAGR EPS growth expectation backed by gradual earnings recognition from new businesses (EV-ESS).

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	34.1	27.7	26.9	23.6	21.5
Recurring net profit growth (%)	28.1	23.1	2.9	14.4	9.7
Recurring EPS (Bt)	1.3	1.6	1.6	1.9	2.0
Recurring EPS growth (%)	28.1	23.1	2.9	14.4	9.7
PBV (x)	9.0	7.0	5.8	4.9	4.1
BVPS (Bt)	4.9	6.3	7.6	9.1	10.7
ROE (%)	30.3	29.3	23.6	22.5	20.7
DPS (Bt)	0.3	0.3	0.3	0.4	0.4
Dividend yield (%)	0.6	0.7	0.7	0.8	0.9
Enterprise value (Bt m)	187,867.9	196,038.8	196,962.2	198,261.6	199,799.2
EV-to-EBITDA (x)	24.0	20.1	16.9	15.2	13.9

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Recommendation: BUY

Current price*: Bt44.00

Target price 2021: Bt49.00

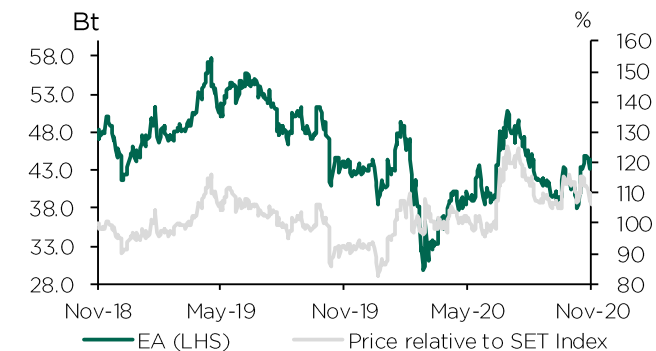
Up/(downside): 11.4%

IOD: 5 out of 5

CAC: Certified

Stock data

RIC code	EA.BK
Index	.SETI
SET Index (20 November 2020)	1,389.34
Market cap (Bt m)	164,120
Shares outstanding (million)	3,730
Par (Bt)	0.10



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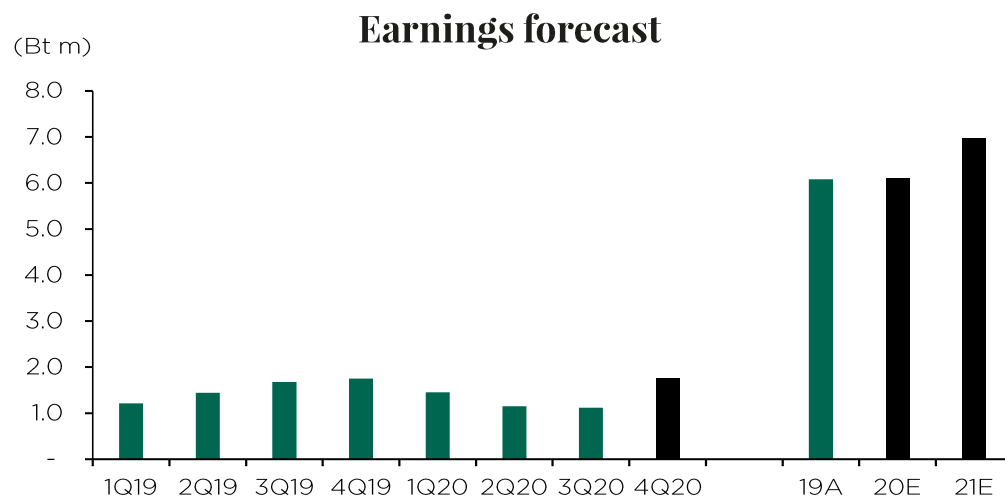
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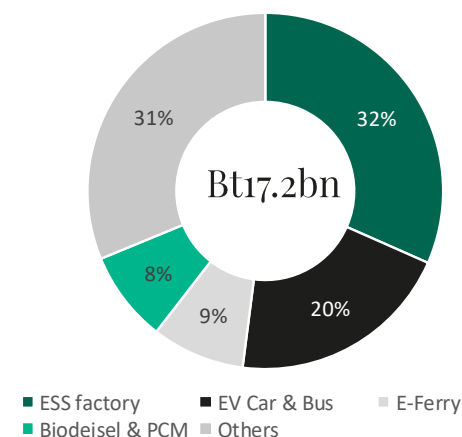
Risks

EV-ESS business to commence by early 2021

- The 4Q20 earnings is expected to remain flat YoY while improve QoQ, on the back of 1) recovering wind power plant operations (wind currents recouped to normal), 2) enhancing contribution from biodiesel business from better sales volume and average selling price, due to demand resumption (after lockdown period & B10 promotion), and 3) The earnings recognition from PCM business for the first time after commencing operation in 3Q20.
- EA has postponed the sales of “Mine SPA-1” EV-car from 4Q20 to 1Q21. The prime subscriber Suvarnabhumi Pattana credit union (taxi service provider) has delayed the offtake due to crisis from COVID-19 pandemic. We expect the agreed delivery volume of 3,500 units (as per MoU) for 2021 could be amended to a lower figure or delayed offtake period. We anticipate EA to achieve a minimum of 1,000 EV-car sales in 2021.
- The first phase of ESS plant (1.0GWh) has already attained 80% completion, the facility should COD in 1Q21 as scheduled. For EV Business, the EV-car sales should commence by 1Q21 and E-bus by 2H21. The E-Ferry has completed the testing phase and will begin service by 1Q21 (27 units).
- EA has maintained the investment plan of Bt17.2bn for 2020-21. Bulk of the CAPEX is allocated for ESS business (31%) and EV business (29%). The company has solid financials with Bt10.0bn cash in hand, D/E of 1.41 (below debt covenant of 3.0), and secured support from various financial institutions, to support the investment plan.



Investment plan (2020-21)



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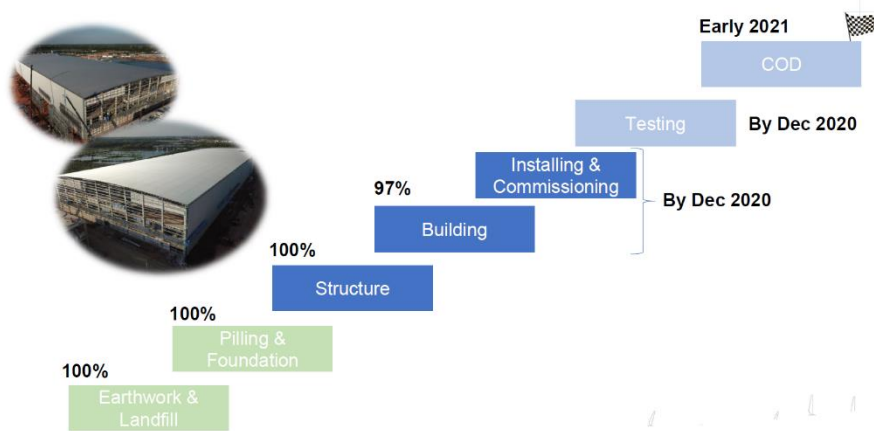
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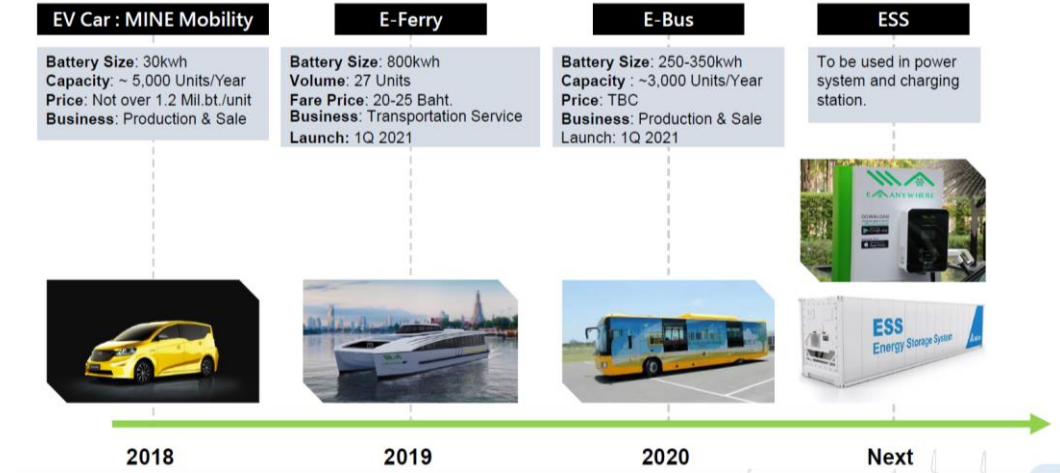
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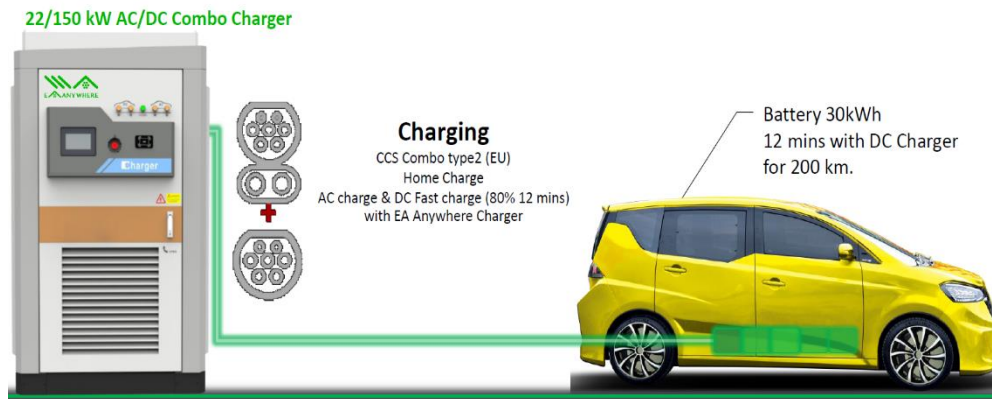
Progress of battery factory project



EA product development



EA EV-car and charging station



EV charging stations in Thailand

	EA ANYWHERE	EVOLT	EVOLUTION	EV	ChargeNow	HEA EV	EVIA	EGAT	EVEN	PUMPCHARGE	Total
No. of Locations	405	86	68	25	16	13	11	10	7	6	647
AC (Normal Charge)	1052	26	48	33	38	7	13	11	12	18	1220
DC (Fast Charge)	559*	80	32	0	1	9	13	12	0	0	706
Total Chargers	1,611	106	80	33	39	16	26	33	12	18	1,974

(Bt m)	3Q19	4Q19	1Q20	2Q20	3Q20	YoY (%)	9M20	20E	% of 20E
Revenue	4,103	4,083	4,732	4,128	3,773	(8.0)	12,634	17,009	74.3
Cost of sales	(1,814)	(1,792)	(2,669)	(2,244)	(2,044)	12.7	(6,956)	(7,473)	93.1
Gross profit	2,289	2,291	2,063	1,884	1,730	(24.4)	5,677	9,536	59.5
SG&A	(189)	(231)	(288)	(392)	(268)	41.4	(948)	(1,191)	79.7
Other (exp)/inc	15	25	29	47	28	91.6	104	72	145.9
EBIT	2,114	2,084	1,804	1,539	1,490	(29.5)	4,833	8,417	57.4
Finance cost	(383)	(400)	(433)	(408)	(421)	10.2	(1,262)	(1,652)	76.4
Other inc/(exp)	(0)	0	-	0	-	nm	0	0	0.0
Earnings before taxes	1,732	1,684	1,371	1,132	1,068	(38.3)	3,571	6,765	52.8
Income tax	6	(0)	(1)	(7)	(4)	(168.0)	(12)	(474)	2.5
Earnings after taxes	1,738	1,684	1,370	1,125	1,064	(38.7)	3,559	6,291	56.6
Equity income	(6)	(2)	(14)	(2)	(3)	nm	(19)	(74)	25.4
Minority interest	31	(1)	36	30	33	nm	98	(124)	(79.1)
Earnings from cont. operations	1,763	1,681	1,392	1,153	1,094	(37.9)	3,639	6,093	59.7
Forex gain/(loss) & unusual items	(84)	69	60	(3)	25	nm	82	(0)	nm
Net profit	1,679	1,750	1,452	1,149	1,119	(33.3)	3,720	6,093	61.1
Recurring profit	1,763	1,681	1,392	1,153	1,094	(37.9)	3,639	6,093	59.7
EBITDA	2,791	2,784	2,370	2,291	2,169	(22.3)	6,830	11,623	58.8
Recurring EPS (Bt)	0.473	0.451	0.374	0.311	0.295	(37.6)	0.980	1.633	60.0
Reported EPS (Bt)	0.450	0.469	0.390	0.310	0.300	(33.3)	0.997	1.633	61.1
Profits (%)	3Q19	4Q19	1Q20	2Q20	3Q20	Diff (%)	9M20	20E	Diff (%)
Gross margin	55.8	56.1	43.6	45.6	45.8	(9.9)	44.9	56.1	11.1
Operating margin	51.5	51.0	38.1	37.3	39.5	(12.0)	38.3	49.5	11.2
Net margin	40.9	42.9	30.7	27.8	29.7	(11.3)	29.4	35.8	6.4

Result summary

- EA reported 3Q20 net profit of Bt1.1bn (-33.5%YoY, -2.6% QoQ). The YoY drop was due to lower contribution from wind power plants resulted from weaker wind current compared with same period of last year (18 to 25% drop).
- The 3Q20 earnings was lower than our expectation and, the 9M20 earnings accounted to only 61% of our 2020E forecast.
- The revenue for the period was Bt3.8 bn (-8.0% YoY, -8.6% QoQ). The revenue from power generation business power generation business dropped 22% YoY due to lower contribution from wind power plants. While revenue from biodiesel business increased 12% because of improved average selling price,.
- The gross profit margin stood at 45.8%, compared to 45.6% in 2Q20 and 55.8% in 3Q19. YoY drop was due to reduced margin of power generation business.

EA: Revenue breakdown

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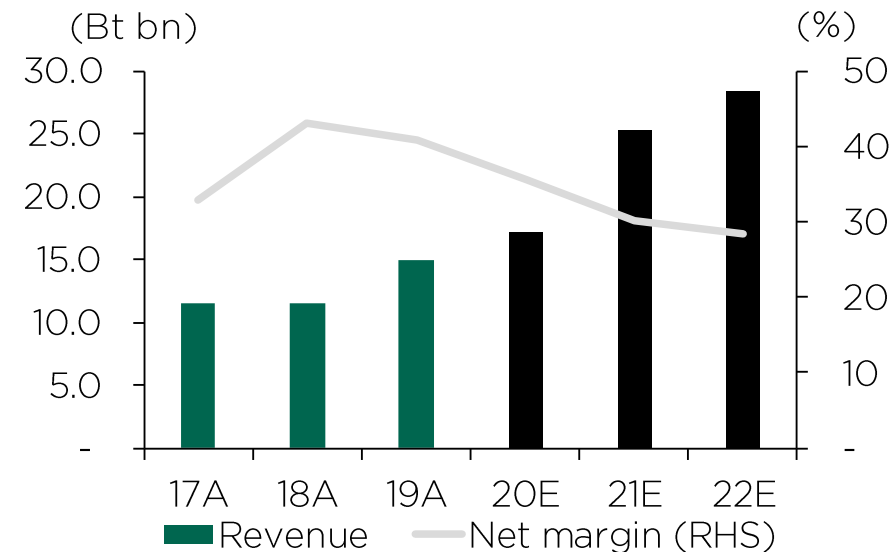
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Value

Risks

EA's main source of income is from sales of biodiesel and electricity through subsidiaries in Thailand. The company has 664MWe projects in portfolio including Solar and Wind sources, and a biodiesel production capacity of 800,000 liter/Day in operation.

In 2019, revenue from electricity sales to EGAT& PEA accounted for 74% of total revenue. While, the revenue from biodiesel and glycerin sales contributed 25% and "Other" including new business expansions to EV and ESS business segment accounted for remaining 1%.



Revenue breakdown, 2019



Palm oil based business 25%



Solar & Wind energy 74%



Others 1%

EA: Summary financials

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Energy Absolute PCL: Summary financials

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Revenue	11,552	14,887	17,009	20,665	25,073	3,614	4,103	4,083	4,732	4,128
Cost of goods sold	(5,573)	(6,752)	(7,473)	(10,255)	(13,740)	(1,661)	(1,814)	(1,792)	(2,669)	(2,244)
Gross profit	5,979	8,134	9,536	10,410	11,333	1,953	2,289	2,291	2,063	1,884
SG&A	(899)	(946)	(1,191)	(1,137)	(1,379)	(309)	(189)	(231)	(288)	(392)
Other (exp)/inc	938	68	72	76	79	26	15	25	29	47
Operating profit	6,017	7,256	8,417	9,349	10,033	1,670	2,114	2,084	1,804	1,539
Finance cost	(1,086)	(1,386)	(1,652)	(1,659)	(1,649)	(341)	(383)	(400)	(433)	(408)
Other inc/(exp)	(0)	0	0	0	0	0	(0)	0	-	0
Earnings before taxes	4,931	5,870	6,765	7,691	8,384	1,330	1,732	1,684	1,371	1,132
Income tax	(29)	11	(474)	(538)	(587)	(3)	6	(0)	(1)	(7)
After-tax profit	4,902	5,881	6,291	7,152	7,797	1,326	1,738	1,684	1,370	1,125
Equity income	(6)	(14)	(74)	(42)	(1)	5	(6)	(2)	(14)	(2)
Minorities	(86)	55	(124)	(142)	(156)	13	31	(1)	36	30
Earnings from cont. operations	4,809	5,922	6,093	6,968	7,641	1,343	1,763	1,681	1,392	1,153
Forex gain/(loss) & unusual items	166	160	(0)	(0)	(0)	99	(84)	69	60	(3)
Net income	4,975	6,082	6,093	6,968	7,641	1,442	1,679	1,750	1,452	1,149
Recurring EPS (Bt)	1.29	1.59	1.63	1.87	2.05	0.36	0.47	0.45	0.37	0.31
Weighted average shares (m)	3,730	3,730	3,730	3,730	3,730	3,730	3,730	3,730	3,723	3,708
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Assets	59,208	70,220	75,511	82,480	92,034	63,470	67,789	70,220	74,041	75,867
Liabilities	39,690	45,353	45,646	46,898	50,184	42,431	44,677	45,353	47,619	48,861
Equity	18,139	23,365	28,239	33,813	39,926	19,731	21,401	23,365	24,851	25,433
Invested capital	43,233	56,616	62,612	69,670	77,476	53,632	54,997	56,616	59,329	60,861
Growth (YoY, %)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Revenue	(0.2)	28.9	14.3	21.5	21.3	24.4	38.6	48.1	53.3	14.2
Operating income	21.3	20.6	16.0	11.1	7.3	32.1	50.0	80.2	30.0	(7.8)
Recurring EPS	28.1	23.1	2.9	14.4	9.7	34.6	57.3	118.8	23.0	(13.7)
Assets	33.0	18.6	7.5	9.2	11.6	30.2	21.0	18.6	20.3	19.5
Liabilities	33.2	14.3	0.6	2.7	7.0	34.8	19.1	14.3	16.4	15.2
Equity	23.7	28.8	20.9	19.7	18.1	20.7	21.6	28.8	28.8	28.9
Profits (%)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Gross margin	51.8	54.6	56.1	50.4	45.2	54.0	55.8	56.1	43.6	45.6
Operating margin	52.1	48.7	49.5	45.2	40.0	46.2	51.5	51.0	38.1	37.3
Net margin	43.1	40.9	35.8	33.7	30.5	39.9	40.9	42.9	30.7	27.8
ROE	30.3	29.3	23.6	22.5	20.7	29.6	32.7	31.3	24.1	18.3
ROIC	14.9	14.6	13.1	13.1	12.7	12.6	15.6	14.9	12.4	10.2
Core profit (Bt m)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Net profit	4,975	6,082	6,093	6,968	7,641	1,442	1,679	1,750	1,452	1,149

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Investment ratings

- BUY:** Expected return excluding dividends of more than 10% within the next 12 months.
HOLD: Expected return excluding dividends between -10% and 10% within the next 12 months.
SELL: Expected return excluding dividends of less than -10% within the next 12 months.
NR: Not Rated- Stock is not in our research coverage.

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