

# EQUITY TALK

## 2Q23 RESULTS NOTE

🕒 August 15, 2023

### 2Q23 PROFIT FALLS DUE TO LOWER FT RATE. TO FALL IN 3Q23

2Q23 net profit and normalized profit fell 6.9%qoq and 12.3%qoq to B2.2bn and B2.0bn, respectively, due to Ft rate cut, less windy weather, lower biodiesel sales volume, and lower EV sales; EA delivered 655 EVs in 2Q23, down from 790 in 1Q23. 3Q23 normalized profit is expected to fall qoq due to lower Ft rate; plus, high season for solar power already passed, while the weather becomes windier.

We revise up 2023 forecast by 19% to reflect new Ft rate and EV delivery, so fair value rises from B64 to B65. Profit from power plant business may drop in 3Q23, while EV business (depending on government policies) may be pressured by delayed government formation and economic slowdown.

#### KEY FINANCIAL FORECAST

Ending Dec 31	2021	2022	2023F	2024F	2025F
Net Profit	6,100	7,604	8,140	6,548	6,046
Normalized Profit	5,637	5,391	8,140	6,548	6,046
EPS (B)	1.64	2.04	2.18	1.76	1.62
PER (x)	35.9	28.8	26.9	33.5	36.2
DPS (B)	0.30	0.30	0.39	0.32	0.30
Dividend Yield (%)	0.5%	0.5%	0.7%	0.5%	0.5%
BVS (B)	9.41	11.07	12.58	13.86	15.01
PBV (x)	6.2	5.3	4.7	4.2	3.9
EV/EBITDA	24.6	19.9	17.8	21.0	22.1
ROE (%)	18.8	19.9	18.5	13.3	11.2

Source: ASPS Research

#### TECHNICAL CHART/COMMENT



Source: ASPS Research

PRICE TREND: Sideway  
SUPPORTIVE: 51.75  
RESISTANCE: 64.00

EA

NEUTRAL

Current Price (B)	58.75
Target Price (B)	65.00
Upside (%)	10.64
Dividend yield (%)	0.7

CONSENSUS ANALYSIS

EPS (B)	ASPS	IAA Cons	% diff
<b>2023F</b>	2.18	2.26	-3%
<b>2024F</b>	1.76	2.37	-26%

Source: ASPS Research / IAA consensus

ESG RATING

Arabesque S-Ray	57.68
Moody's	-
MSCI	AA
Refinitiv	36.79
S&P	75.59

Source: Settrade

CG Score	Excellent
Anti-corruption	Certified

SOURCE: IAA CONSENSUS

#### RESEARCH DIVISION

Asia Plus Securities

Nalinrat Kittikumpolrat  
Fundamental Investment Analyst on Capital Market  
License No.: 018350

Tanya Udom  
Fundamental Investment Analyst on Securities  
License No.: 066756

- OUTPERFORM:** Considering its fundamentals, the stock is expected to produce a higher return than the sector average or SET Index.
- NEUTRAL:** Considering its fundamentals, the stock is expected to produce a return close to the sector average or SET Index.
- UNDERPERFORM:** Considering its fundamentals, the stock is expected to produce a lower return than the sector average or SET Index.

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# EQUITY TALK

## EARNINGS RESULTS BY QUARTER

Million B	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	%QoQ	%YoY	1H23	1H22	%YoY
Sales	5,064	5,531	4,767	5,578	5,897	9,583	9,016	8,067	-10.5%	44.6%	17,083	10,345	65.1%
Cost of Sales	(2,902)	(3,334)	(2,906)	(3,709)	(4,123)	(6,656)	(5,597)	(4,785)	-14.5%	29.0%	(10,382)	(6,615)	56.9%
Gross Profit	2,162	2,198	1,860	1,869	1,775	2,927	3,419	3,282	-4.0%	75.6%	6,701	3,729	79.7%
SG&A	(365)	(394)	(320)	(451)	(281)	(374)	(368)	(430)	16.8%	-4.7%	(798)	(771)	3.5%
Other Income	139	230	76	58	1,915	143	9	76	697.7%	30.3%	85	134	-36.6%
EBIT	1,942	2,075	1,618	1,483	3,478	2,835	3,097	3,048	-1.6%	105.5%	6,145	3,101	98.1%
Fx Gain / Loss	34	(7)	8	33	17	(37)	(1)	57	N/A	71.0%	56	41	35.9%
Interest Expense	(323)	(295)	(310)	(345)	(359)	(399)	(485)	(556)	14.7%	61.2%	(1,040)	(655)	58.9%
Income Tax	(9)	56	5	(42)	(68)	(40)	(98)	(111)	13.6%	165.9%	(209)	(37)	466.4%
<b>Net Profit</b>	<b>1,616</b>	<b>1,881</b>	<b>1,366</b>	<b>1,095</b>	<b>2,970</b>	<b>2,172</b>	<b>2,320</b>	<b>2,160</b>	<b>-6.9%</b>	<b>97.2%</b>	<b>4,480</b>	<b>2,462</b>	<b>82.0%</b>
<b>Normalized Profit</b>	<b>1,441</b>	<b>1,657</b>	<b>1,282</b>	<b>1,004</b>	<b>1,038</b>	<b>2,067</b>	<b>2,311</b>	<b>2,028</b>	<b>-12.3%</b>	<b>102.0%</b>	<b>4,339</b>	<b>2,286</b>	<b>89.8%</b>
EPS (B)	0.43	0.50	0.37	0.29	0.80	0.58	0.62	0.58	-6.9%	97.2%	1.20	0.66	82.0%
Normalized EPS (B)	0.39	0.44	0.34	0.27	0.28	0.55	0.62	0.54	-12.3%	102.0%	1.16	0.61	89.8%
Gross Margin	42.7%	39.7%	39.0%	33.5%	30.1%	30.5%	37.9%	40.7%			39.2%	36.1%	
Net Profit Margin	31.9%	34.0%	28.7%	19.6%	50.4%	22.7%	25.7%	26.8%			26.2%	23.8%	

Source: ASPS Research

### EA BUSINESS OVERVIEW



Source: EA

### GROSS PROFIT



Source: EA

### KEY REGIONAL RECOMMENDATION

Company	REC./RB Rating	Current Price	Target Price	Upside (%)	PBV		PER	
					2023F	2024F	2023F	2024F
<b>SOLAR</b>								
<b>CHINA</b>								
SHANGHAI AEROS-A	5.00	10.97	14.3	29.9%	3.6	3.3	43.4	35.4
XINYI SOLAR HLDS	4.73	2.62	4.0	51.3%	2.3	1.9	8.8	6.8
CHINA SINGYES SO	4.47	3.52	5.0	42.0%	0.6	0.6	5.2	5.0
GCL-POLY ENERGY	3.93	1.00	1.3	32.5%	0.8	0.7	7.1	7.0
NEO SOLAR POWER	3.44	14.50	13.0	-10.3%	0.7	0.8	n.m.	n.m.
MOTECH INDUSTRIE	3.25	25.60	24.0	-6.3%	0.9	1.0	n.m.	n.m.
<b>USA</b>								
FIRST SOLAR INC	3.54	31.16	37.0	18.6%	0.6	0.6	6.8	87.0
SUNPOWER CORP	3.35	6.88	11.1	60.9%	0.8	0.9	n.m.	n.m.
SOLARCITY CORP	2.87	20.40	20.9	2.6%	1.5	2.1	n.m.	n.m.
<b>CHINA</b>								
HUIJANG RENEWAH	4.74	2.45	3.4	37.4%	1.0	0.9	8.2	7.0
HUADIAN FUXIN -H	4.73	1.69	2.5	49.1%	0.6	0.6	5.4	5.0
CHINA LONGYUAN-H	4.56	5.72	7.7	34.4%	1.0	0.9	11.4	9.4
XINJIANG GOLD-H	4.33	11.20	14.6	30.4%	1.5	1.3	8.8	7.9
CHINA DATANG C-H	3.47	0.75	0.9	24.7%	0.4	0.4	16.2	8.3
<b>EUROPE</b>								
GAMESA	4.19	19.04	22.3	17.1%	3.0	3.0	18.6	17.1
VESTAS WIND SYST	4.00	443.10	571.4	29.0%	4.0	3.4	13.8	14.5
<b>THAILAND</b>								
DEMCO PCL	Switch	3.78	3.20	-15.2%	0.00	0.00	13.1	13.0
ENERGY ABSOLUTE	Neutral	58.50	64.00	9.4%	4.71	4.27	32.0	33.3
GUNKUL ENGINEER	Neutral	3.30	4.60	39.4%	1.96	1.85	24.4	22.5
BCPG PCL	Neutral	9.60	11.00	14.6%	0.98	0.94	20.4	13.0
TPI POLENE POWER	Neutral	3.38	3.80	12.4%	0.86	0.81	7.8	7.9
SERMSANG POWER	Underperform	7.30	8.40	15.1%	0.99	0.79	10.4	11.9
<b>AVERAGE</b>					<b>1.5</b>	<b>1.4</b>	<b>14.5</b>	<b>13.2</b>

Source: ASPS Research

### KEY RISK

- 1) New projects may not be successful as expected.
- 2) Energy generation equipment may be broken.
- 3) Power plants may undergo unplanned shutdown.

Source: ASPS Research

# EQUITY TALK

## 2023-2025F EARNINGS FORECAST

<b>Statement of Income (Million B)</b>				
<i>At 31 December</i>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Sales	25,355	39,643	29,654	29,878
Cost of sales	(17,394)	(26,923)	(19,537)	(20,388)
Gross profit	7,961	12,720	10,117	9,489
SG&A	(1,427)	(2,416)	(1,901)	(1,917)
Other income	2,192	-	-	-
EBIT	8,726	10,303	8,216	7,573
Interest expenses	(1,413)	(1,031)	(854)	(701)
Income taxes	(145)	(501)	(450)	(442)
Minority interest	198	(1,051)	(607)	(639)
Normalized profit	5,391	8,140	6,548	6,046
Fx gain/loss	21	-	-	-
Extraordinary items	2,193	-	-	-
Net profit	7,604	8,140	6,548	6,046
EPS	2.04	2.18	1.76	1.62
Sales growth	26%	56%	-25%	1%
Net profit growth	25%	7%	-20%	-8%
Gross profit margin	30.2%	31.7%	33.4%	31.0%
Net profit margin	40.9%	30.5%	30.2%	30.0%

<b>Quarterly Statement of Income (Million B)</b>				
	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>
Sales	5,897	9,583	9,016	8,067
Cost of sales	(4,123)	(6,656)	(5,597)	(4,785)
Gross profit	1,775	2,927	3,419	3,282
SG&A	(281)	(374)	(368)	(430)
Other income	1,915	143	9	76
EBIT	3,478	2,835	3,097	3,048
Interest expenses	(359)	(399)	(485)	(556)
Income taxes	(68)	(40)	(98)	(111)
Normalized profit	3,051	2,396	2,515	2,381
Fx gain/loss & extraordinary items	17	(37)	(1)	57
Minority interest	108	(129)	(72)	(91)
Net profit	3,176	2,229	2,441	2,347
EPS	0.80	0.58	0.62	0.58
Sales growth (%qoq)	5%	67%	-7%	-11%
Net profit growth (%qoq)	171%	-27%	7%	-7%
Gross profit margin	27.6%	30.1%	37.1%	39.3%
Net profit margin	51.6%	22.5%	26.0%	27.0%

<b>Financial Ratio</b>				
<i>At 31 December</i>	<b>2022</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Current ratio (x)	0.85	0.73	0.70	0.66
Receivable Turnover (x)	11.78	11.78	11.78	11.78
Payable Turnover (x)	20.07	20.07	20.07	20.07
Debt to Equity	35.20	35.20	35.20	35.20
Net gearing	0.90	0.68	0.54	0.44
Return on Asset	7.4%	8.1%	6.5%	5.9%
Return on Equity	18.4%	17.3%	12.7%	10.8%

Source: ASPS Research

# EQUITY TALK

## 2023-2025F EARNINGS FORECAST (CONT.)

### Statement of Cash Flows (Million B)

At 31 December	2022	2023F	2024F	2025F
<b>Cash flows from operating activities</b>				
Net profit	7,552	9,692	7,605	7,127
Adjustment	(858)	-	-	-
Depreciation and amortisation	3,648	2,806	2,806	2,806
Increase/decrease from operation	(8,387)	4,812	(817)	(1,961)
<b>Net cash flows from operating activities</b>	<b>1,954</b>	<b>17,311</b>	<b>9,595</b>	<b>7,973</b>
<b>Cash flows from investing activities</b>				
Increase/decrease from fixed assets	(2,515)	(2,550)	(3,550)	(3,750)
Others	(4,356)	(804)	(872)	(947)
<b>Net cash flows from investing activities</b>	<b>(6,871)</b>	<b>(3,354)</b>	<b>(4,422)</b>	<b>(4,697)</b>
<b>Cash flows from financing activities</b>				
Increase/decrease from capital & share premium	-	-	-	-
Increase/decrease from loans	4,638	(5,350)	(3,953)	(3,388)
Dividend paid	(1,119)	(1,465)	(1,179)	(1,119)
<b>Net cash flows from financing activities</b>	<b>3,519</b>	<b>(6,815)</b>	<b>(5,132)</b>	<b>(4,507)</b>
<b>Increase/decrease in net cash</b>	<b>(1,398)</b>	<b>7,142</b>	<b>41</b>	<b>(1,231)</b>

### Statement of Financial Position (Million B)

At 31 December	2022	2023F	2024F	2025F
Cash and cash equivalents	3,211	7,435	7,392	6,080
Trade receivable	9,809	3,349	2,493	2,507
Inventories	5,516	1,341	973	1,016
Net PP&E	54,221	55,661	55,209	54,894
<b>Total assets</b>	<b>103,364</b>	<b>100,489</b>	<b>101,031</b>	<b>101,903</b>
Short-term loans	10,806	10,806	10,806	10,806
Trade payables	5,937	1,901	1,691	1,716
Other current liabilities	946	946	946	946
Long-term loans	17,125	11,775	7,822	4,434
Non-current liabilities	1,737	1,737	1,737	1,737
<b>Total liabilities</b>	<b>62,060</b>	<b>52,595</b>	<b>48,356</b>	<b>44,918</b>
Paid-up share capital	373	373	373	373
Premium on share capital	3,681	3,681	3,681	3,681
Retained earning	35,653	42,328	47,697	52,624
<b>Shareholders' equity</b>	<b>41,304</b>	<b>46,928</b>	<b>51,690</b>	<b>55,978</b>
<b>Total liabilities and shareholders' equity</b>	<b>103,364</b>	<b>99,523</b>	<b>100,046</b>	<b>100,897</b>

### Assumption

At 31 December	2022	2023F	2024F	2025F
Total capacity (MW)	664	664	664	664
Sales growth	35%	44%	-25%	1%
Gross margin	30.2%	31.7%	33.4%	31.0%
SG&A/Sales	5.6%	6.1%	6.4%	6.4%
Dividend payout ratio	15%	18%	18%	19%

Source: ASPS Research