

20 MAY 2020

THAILAND / ELECTRIC UTILITIES

# ENERGY ABSOLUTE EA TB

## BUY

UNCHANGED

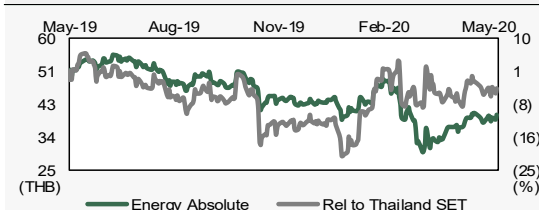
TARGET PRICE	THB55.00
CLOSE	THB39.75
UP/DOWNSIDE	+38.4%
PRIOR TP	THB62.00
CHANGE IN TP	-11.29%

## EV upside vs COVID-19 downside

- Delays of S-curve growth projects in 2020 due to COVID-19**  
 EA's S-curve growth projects, including a new phase change material (PCM) plant and its four electric vehicle (EV) ventures (EV cars, EV ferries, battery plants, and EV charging stations), will likely see a three to six-month delay in commencing their commercial operation dates (COD) due to global lockdowns. Hence, we revise down our net profit (NP) forecasts for 2020-21 to reflect the delays in EA's S-curve project CODs.
- EPS revisions**  
 We project EA to see 12.6% y-y NP growth in 2020, down from our previous forecast of 33.8% y-y, due to 1) a three-month delay in the operational start-up of its EV boats from Mar to Jun-20; 2) a two-month delay in the COD of its PCM and green diesel (GD) plant from Apr to Jun-20; and 3) a nine-month delay in the delivery of its first EV car from 2Q20-4Q20 to 4Q20-4Q21.
- NEX acquisition underscores EA's EV chain venture**  
 On Friday, 16 May-20, EA announced the THB1.5b acquisition of a 40% stake in Nex Point (NEX TB, not rated), via private placement (PP) at THB2.2/share for a total of 670m shares. NEX is a producer of high precision automotive, electronics, and camera parts, and recently diversified into EV buses with an assembly plant. According to management, the NEX acquisition is to allow EA to integrate the EV bus venture into part of its EV enterprise and leverage EA's THB1.2b assembly plant to achieve a 20,000 EV capacity.
- EPS and TP revisions**  
 We revise down our EPS forecasts for 2020-21 by 3-16% to reflect 1) the delays of EA's S-curve growth projects by three to six months in 2020; and 2) the investment adjustment of EA's second phase battery plant from a large, lump sum investment for 16-30GWh in 2021-22 to a more staggered investment pattern of 4-12GWh annually in 2021-24, following the company's new investment guidelines. We lower our SoTP-based TP from THB62 to THB55 to reflect our EPS forecast cuts and the more staggered investment plan for EA's second phase battery plant. The lower TP is mainly due to the cuts in value for the battery phase 2 plant by THB2.5 to THB20.6 and the battery phase 1 plant by THB0.2 to THB2.3.

## KEY STOCK DATA

YE Dec (THB m)	2019A	2020E	2021E	2022E
Revenue	14,887	17,652	32,253	38,844
Rec. net profit	6,082	6,848	8,152	10,981
Recurring EPS (THB)	1.63	1.84	2.19	2.94
Prior rec. EPS (THB)	1.63	2.18	2.25	3.45
Chg. In EPS est. (%)	-	(15.8)	(2.7)	(14.6)
EPS growth (%)	55.8	12.6	19.0	34.7
Recurring P/E (x)	24.4	21.7	18.2	13.5
Dividend yield (%)	1.5	2.0	2.5	3.8
EV/EBITDA (x)	18.7	16.4	12.9	10.5
Price/book (x)	6.3	5.3	4.5	3.7
Net debt/Equity (%)	128.4	110.4	80.6	53.0
ROE (%)	29.3	26.7	26.7	29.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	9.7	(12.6)	(21.3)
Relative to country (%)	3.7	0.4	(3.4)
Next Results	August 2020		
Mkt cap (USD m)	4,650		
3m avg daily turnover (USD m)	13.4		
Free float (%)	40		
Major shareholder	Mr. Somphote Ahunai (23%)		
12m high/low (THB)	55.75/29.75		
3m historic vol. (%)	67.6		
ADR ticker	-		
ADR closing price (USD)	-		
Issued shares (m)	3,730		

Sources: FactSet Estimates; FSSIA estimates

Suwat Sinsadok \*



\*Not an employee of BNP Paribas. For all matters and queries relating to this report, please contact your BNP Paribas representative. Our research is available on Thomson Reuters, Bloomberg, S&P Global, FactSet, RSRCHXchange and ONEaccess.

### Investment thesis

EA is Thailand's largest green energy player, operating through its three business segments of solar, wind and biodiesel; all touted to be the key pillars of Thailand's energy growth over the next 10 years. A biodiesel producer since 2012 with an 800k litre-per-day (lpd) capacity, EA later ventured into the solar and wind businesses. We believe EA's solar farms will be key earnings growth drivers, as they stand to gain from: 1) a high-margin THB6.5/kwh adder; and 2) a 40% decline in the cost of solar panels since 2010.

EA has evolved from being a pure biodiesel player to emerge as one of Thailand's key players in renewable energy. While its biodiesel segment has been struggling at a mere 50% utilisation rate due to the country's oversupply, EA's solar and wind farm businesses have benefited from high-margin electricity tariffs and the declining cost of solar panels.

### Catalyst

Higher utilisation rates of power plants and rising demand for electricity in Thailand are key growth drivers.

### Risk to our call

Downside risks to our SOTP-based TP include: 1) lower-than-expected demand for electricity in Thailand; 2) lower crude prices; and 3) lower-than-expected demand for batteries.

## Company background

Energy Absolute (EA) is a leading green energy company in Thailand with business interests in biodiesel, solar and wind energy. EA has expanded into the battery storage and electricity vehicle (EV) businesses, which should be key earnings growth drivers post 2019.

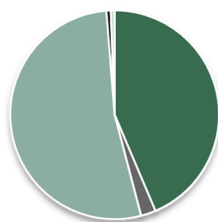
### Key executives

	Age	Joined	Title
Mr. Somphote Ahunai	50	2009	Chief Executive Officer
Mr. Amorn Saphaweekul	43	2012	Chief Financial Officer

<http://www.energyabsolute.co.th>

### Principal activities (revenue, 2019)

- Methyl ester Biodiesel products - 44.1%
- Pure glycerine products - 2.4%
- Electricity from solar and wind power - 53.4%
- Head office and others - 0.7%
- Project consultation regarding alternative electric energy - -0.6%
- Battery and EV - 0.0%



Source: Energy Absolute

### Event calendar

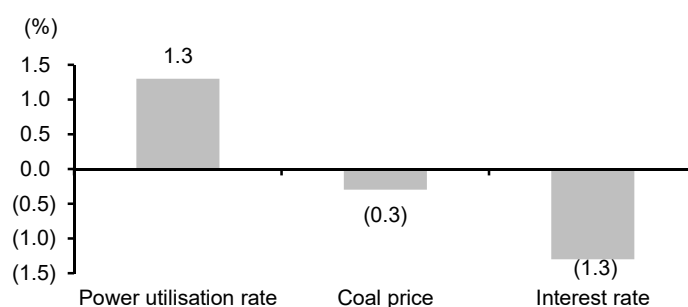
Date	Event
Aug 2020	2Q20 results announcement

## Key assumptions

	2020E	2021E	2022E
Dispatched power (GWh)	9,715	9,715	9,715
Capacity factor - wind farms (%)	26	26	26
Battery sales volume (GWh)	0.2	2.7	4.6
EV car sales (cars)	1,000	5,000	5,500
EV boat sales (boats)	25	50	50
EV charging stations (stations)	320	1,000	1,000
Green diesel & PCM (tpd)	26	124	124

Sources: Energy Absolute; FSSIA estimates

### Earnings sensitivity



Sources: Energy Absolute; FSSIA estimates

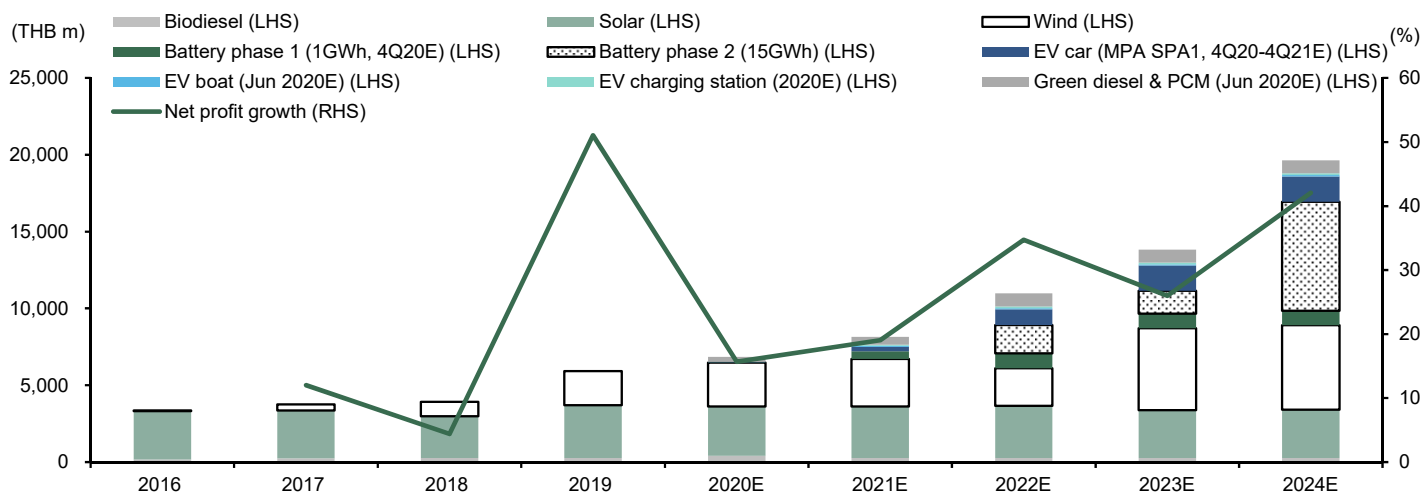
- For every 1% increase in utilisation rate, we estimate earnings would rise by 1.3%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate earnings would decline by 1.3%, and vice versa, all else being equal.

### Electric vehicle upside vs COVID-19 downside

After posting disappointing 1Q20 results of THB1.45b (+20% y-y, -17% q-q) due to the seasonally lower production of electricity from solar and wind farms, EA is likely to see potential NP downsides in 2Q-4Q20 due to the delays of its multiple S-curve growth projects caused by the COVID-19 pandemic and the global lockdowns.

EA's S-curve growth projects, including a new PCM plant and its four EV ventures (EV cars, E-ferries, battery plant, and EV charging stations), will likely see a three to six-month delay in commencing their CODs due to global lockdowns. Hence, we revise down our NP forecasts for 2020-21 to reflect the delays in EA's S-curve project CODs.

Exhibit 1: Net profit breakdown and net profit growth

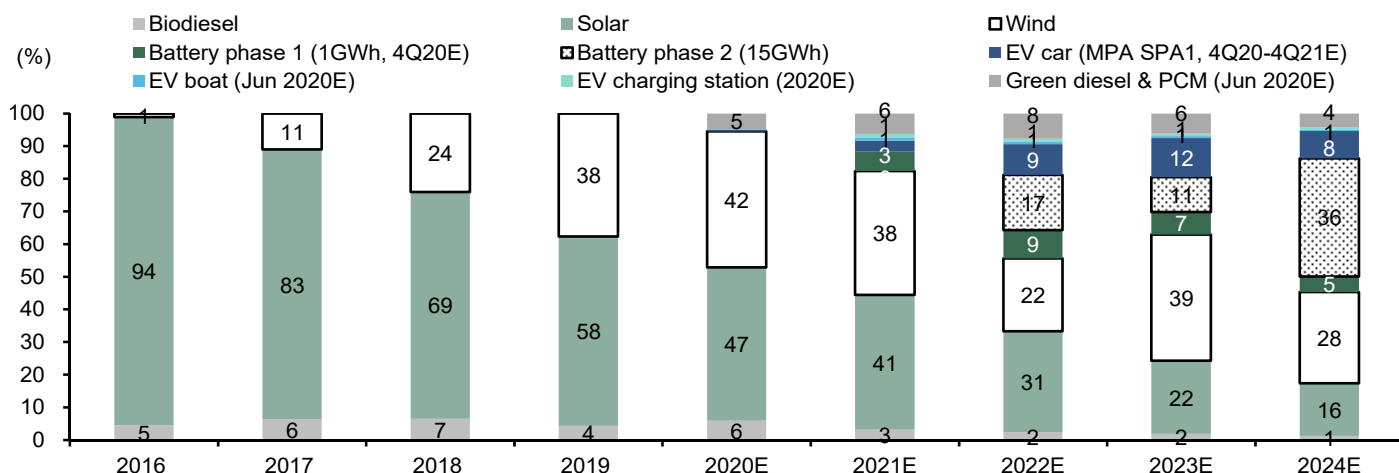


Sources: EA; FSSIA estimates

We project EA to see 12.6% y-y NP growth in 2020, down from our previous forecast of 33.8% y-y, due to 1) a three-month delay in the operational start-up of its EV boats from Mar to Jun-20; 2) a two-month delay in the COD of its PCM and GD plant from Apr to Jun-20; and 3) a nine-month delay in the delivery of its first EV car from 2Q20-4Q20 to 4Q20-4Q21.

Management indicated that the COD of its first phase 1GWh battery plant remains on track for 4Q20 despite the COVID-19 impact, thanks to the company's proactivity in pre-ordering the long-lead equipment for the plant before the lockdown in Feb-20. EA has already installed 385 charging stations and still expect to complete its 1,000-station target by end-2020.

Exhibit 2: Net profit breakdown by project (%)

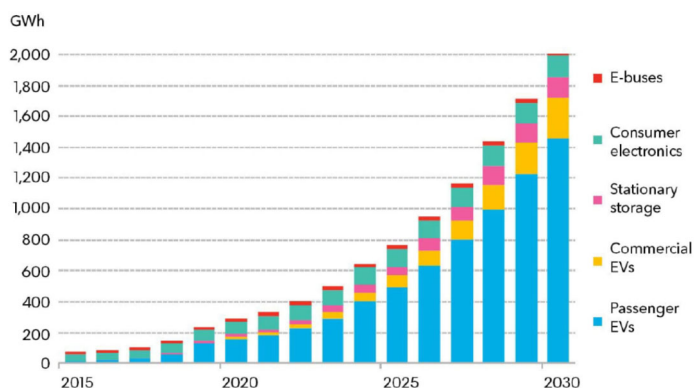


Sources: EA; FSSIA estimates

**Acquisition of NEX.** On Friday, 16 May-20, EA announced the THB1.5b acquisition of a 40% stake in Nex Point (NEX TB, not rated), via PP at THB2.2/share for a total of 670m shares. NEX, formerly known as Single Point Part (SPPT), is a listed company and the producer of high precision automotive, electronics, and camera parts, and recently diversified into EV buses with an assembly plant.

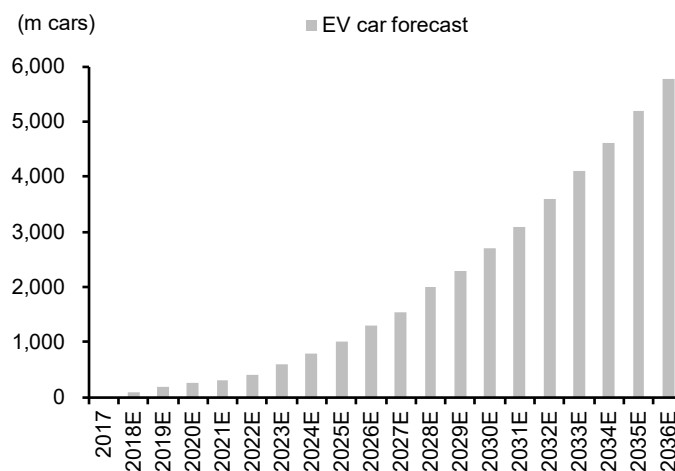
According to management, the NEX acquisition is to allow EA to integrate the EV bus venture into part of its EV enterprise, including EV boats, charging stations, battery plants, and an EV car production plant. EA has already completed its THB1.2b assembly plant with a 20,000 EV capacity, including a backlog of 4,000 EV cars that EA intends to produce, market, and deliver starting in 4Q20.

**Exhibit 3: Annual global lithium-ion battery demand**



Sources: BloombergNEF

**Exhibit 4: EV car projections under PDP 2018**



Sources: Power Development Plan 2018 (PDP 2018)

According to EA's management, the EV bus sector is a high growth market in Thailand. EA plans to further leverage the unused capacity of its 20,000-EV car plant to assemble up to 1,000 EV buses annually at its newly-completed manufacturing plant. According to Thailand's power development plan 2018 revision 1 (PDP 2018), the Thai government projects EV cars to grow at a phenomenal rate starting in 2020, driven by government promotions in the form of tax subsidies and waivers for new ventures related to EV business. Under Thailand's Eastern Economic Corridor (EEC) investment campaign, EV ventures are one of 12 focused industries in the EEC and part of the long-term development plan for Thailand.

According to Bloomberg, while global EV bus demand is projected to grow more slowly than the demand growth of EV passenger cars and EV commercial cars, the demand for EV buses in Thailand is likely to be strong in 2020-25, considering that the Thai government intends to 1) gradually shift the country's industry focus from its current internal combustion engine (ICE), or oil-based vehicles, to EV cars by 2030; and 2) reduce pollution emitted from existing ICE buses for the public sector under the Bangkok Mass Transit Authority (BMTA).

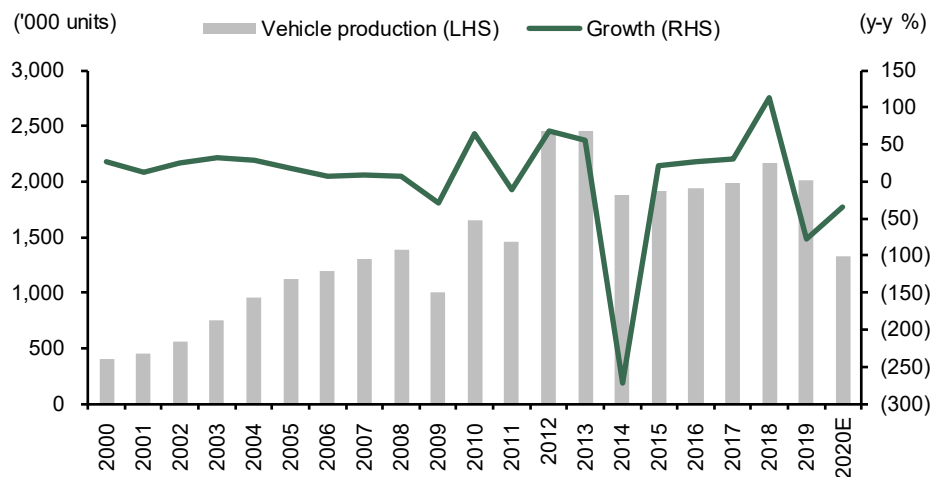
#### **Thailand ICE automotive demand and production has plunged in 2020 YTD.**

Even before the global COVID-19 outbreak, Thailand had already seen declining production levels of ICE cars in 2019 due to consumers' shifting preference toward EV cars. This shift is thanks to the sharp drop in EV selling prices and the improving technology and efficiency of EVs, closing the preference gap between EV and ICE cars in the eyes of consumers.

The COVID-19 outbreak has directly hit automobile demand in both domestic and export markets in 2020. In 1Q20, B.Grimm Power (BGRIM TB, Buy) indicated that it expects to see a 2% y-y demand decline from industrial users mainly due to lower demand from automotive industries.

According Thailand's Federation of Thai Industries (FTI), Thailand's car production is expected to plunge by 37% y-y to 1.33m cars in 2020, possibly sinking to 50% y-y to 1m cars if the COVID-19 crisis drags on into Jun from May-20. The 1.3m forecast is much lower than the 2m units projected in Jan-20 and 1.9m units projected in Mar-20 by the FTI. Of the 1.3m to be produced in 2020, 665k units will be slated for export while 665k units will be destined for the domestic market. In Apr-20, three car manufacturers announced to voluntarily shut down their production plants, including Mitsubishi, Mazda, and Honda, and we think that even after the country's lockdown easing in May, the production of ICE cars in Thailand may never return to its glory days seen during 2012-18.

**Exhibit 5: Thailand's vehicle production projections**

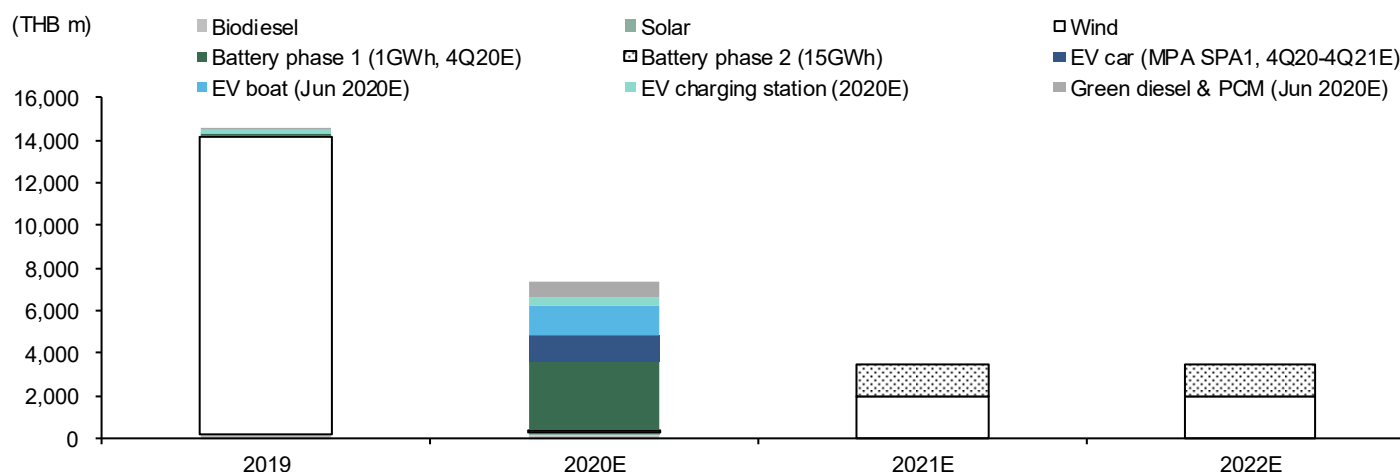


Source: Federation of Thai Industries

**Capex is manageable in 2020-22.** After heavy capex in 2019 of THB14.2b for the construction of EA's multiple S-curve growth projects, we think EA will see much lower capex in 2020-22. That includes investments for its EV car manufacturing plant (THB1.2b), PCM and GD first phase 65ktpa plant (THB1b), battery phase 2 plant (THB3.8b), EV boats (THB1.3b), and EV charging stations (THB0.5b), with most capex being spent in 2020.

We believe EA has a well-managed, flexible investment plan that can be adjusted in response to the changing demand, supply, and technological landscape that could jeopardize EA's project investment returns. We believe that while EA's growth may see potential downsides from cancellations, delays, and adjustments, we think its flexible plan to match the investment and project demand-supply outlook will ensure that its shareholder value creation continues to be balanced between risk and reward, without falling into the growth trap.

**Exhibit 6: Capex breakdown by project**



Sources: EA; FSSIA estimates

## EPS and TP revisions

We revise down our EPS forecasts for 2020-21 by 3-16% to reflect 1) the delays of EA's S-curve growth projects by three to six months in 2020; and 2) the investment adjustment of EA's second phase battery plant from a large, lump sum investment for 16-30GWh in 2021-22 to a more staggered investment pattern of 4-12GWh annually in 2021-24, following the company's new investment guidelines.

We lower our capacity estimates for the first and second phase battery plants for 2020 by 65% to 0.2GWh, for 2021 from 2.9GWh down to 2.7GWh, and for 2022 from 6.3GWh down to 4.6GWh.

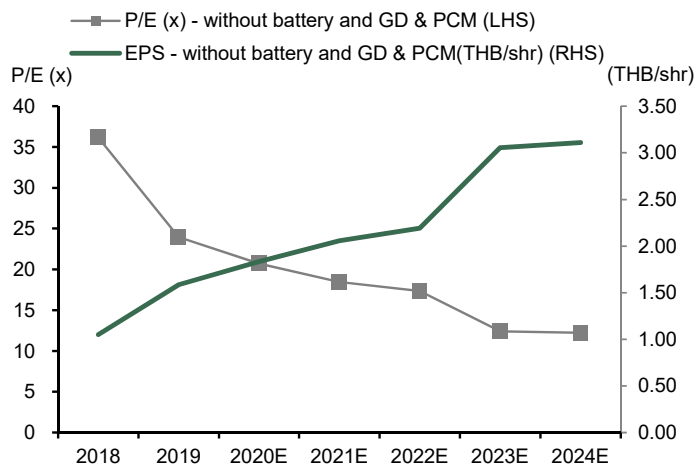
## Exhibit 7: Key changes in assumptions

	Current			Previous			Change		
	2020E (THB m)	2021E (THB m)	2022E (THB m)	2020E (THB m)	2021E (THB m)	2022E (THB m)	2020E (%)	2021E (%)	2022E (%)
Revenue	17,652	32,253	38,844	23,598	32,606	44,095	(25)	(1)	(12)
Gross profit	12,426	16,112	19,315	14,094	16,327	21,523	(12)	(1)	(10)
Operating profit	8,696	10,160	12,902	9,984	10,387	14,778	(13)	(2)	(13)
Net profit	6,848	8,152	10,981	8,137	8,378	12,856	(16)	(3)	(15)
EPS (THB/shr)	1.8	2.2	2.9	2.2	2.2	3.4	(16)	(3)	(15)
<b>Key assumptions</b>									
Dispatched power (GWh)	9,715	9,715	9,715	9,715	9,715	9,715	0	0	0
Capacity factor - wind farms (%)	26	26	26	26	26	26	0	0	0
Battery sales volume (GWh)	0.2	2.7	4.6	0.4	2.9	6.3	(65)	(6)	(26)
EV car sales (cars)	1,000	5,000	5,500	5,000	5,000	5,500	(80)	0	0
EV boat sales (boats)	25	50	50	40	50	50	(38)	0	0
EV charging stations (stations)	320	1,000	1,000	800	1,000	1,000	(60)	0	0
Green diesel & PCM (tpd)	26	124	124	119.6	124	124	(78)	0	0

Source: FSSIA estimates

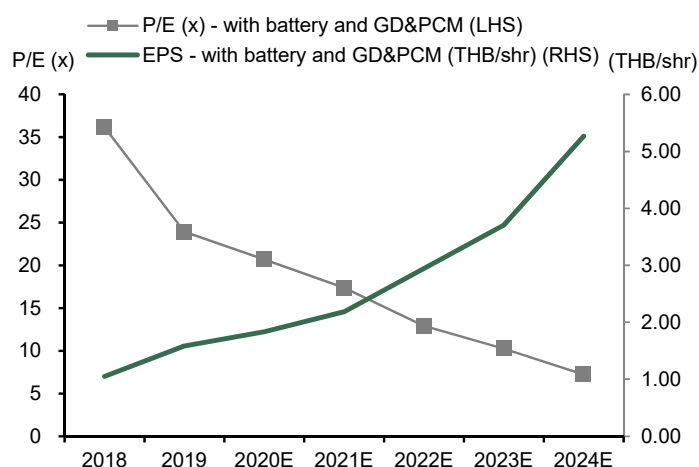
Even after our EPS cuts for 2020-22, we think EA's share price upside could be stimulated in 2020 by the start-ups of its EV car and battery phase 1 plants, as well as the start of its EV boat operations. We think EA remains attractive and estimate that its forward P/E will continue to decline, with or without the EPS from its battery and PCM & GD plants, toward 7x with EPS from its S-curve projects, and 13x without EPS from its S-curve projects.

## Exhibit 8: Projected forward P/E and EPS excludes earnings from batteries, EV cars, EV boats, EV charging stations, and GD & PCM



Source: FSSIA estimates

## Exhibit 9: Projected forward P/E and EPS includes earnings from batteries, EV cars, EV boats, EV charging stations, and GD & PCM



Source: FSSIA estimates

We lower our SoTP-based TP from THB62 to THB55 to reflect our EPS forecast cuts and the more staggered investment plan for EA's second phase battery plant. The lower TP is mainly due to the cuts in value for the battery phase 2 plant by THB2.5 to THB2.6 and the battery phase 1 plant by THB0.2 to THB2.3.

#### Exhibit 10: EA's SOTP, DCF-based valuation

Cost of equity assumptions (%)		Cost of debt assumptions (%)	
Risk free rate	2.3	Pre-tax cost of debt	4.6
Market risk premium	8.5	Marginal tax rate	20.0
Stock beta	0.40		
DCF assumptions			
Cost of equity, Ke	5.7	Net cost of debt, Kd	3.4
Weight applied	25.0	Weight applied	75.0
WACC	4.0		

SOTP valuation estimate	(THB m)	(THB/share)	Valuation methodology
<b>Biodiesel</b>	<b>3,891</b>	<b>1.0</b>	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
<b>Solar</b>			
Lopburi	1,331	0.4	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Nakornsawun	12,119	3.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Lumpang	20,085	6.1	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Pitsanulok	22,035	5.9	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
<b>Total solar</b>	<b>55,570</b>	<b>15.6</b>	
<b>Wind</b>			
<b>Southern (COD 2017)</b>			
Had Gunghun 1	4,175	1.1	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Had Gunghun 2	5,087	1.4	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Had Gunghun 3	5,103	1.4	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Had Gunghun 4	6,301	1.7	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
<b>Total wind farms - Southern</b>	<b>14,365</b>	<b>5.5</b>	
<b>Northeastern (COD 2018-19)</b>			
Hanuman 1	8,207	2.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Hanuman 5	8,732	2.3	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Hanuman 8	8,186	2.2	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Hanuman 9	7,641	2.0	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
Hanuman 10	14,591	3.9	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
<b>Total wind farms - Northeastern</b>	<b>47,358</b>	<b>12.7</b>	
Battery phase 1 (1GWh)	8,640	2.3	DCF with WACC 7%, Risk free rate 5.3%, Risk premium 8.5%
Battery phase 2 (15GWh)	76,850	20.6	DCF with WACC 7%, Risk free rate 5.3%, Risk premium 8.5%
EV cars (MPA SPA1, 2020E)	1,332	0.7	2020E P/E at 12x
EV boats (2020E)	99	0.0	2020E P/E at 12x
EV charging stations (2020E)	1,135	0.3	DCF with WACC 4.0%, Risk free rate 2.3%, Risk premium 8.5%
<b>Total EV and battery</b>	<b>88,056</b>	<b>23.9</b>	
Green diesel & PCM (Jan 2020E)	6,127	1.6	2020E P/E at 15x
Net debt	(32,881)	(10.5)	
Minorities	15,498	5.1	
<b>Residual ordinary equity</b>	<b>197,984</b>	<b>55.0</b>	

Sources: EA; FSSIA estimates

## Financial statements

## Energy Absolute

Profit and Loss (THB m) Year Ending Dec	2018A	2019A	2020E	2021E	2022E
Revenue	11,552	14,887	17,652	32,253	38,844
Cost of goods sold	(3,835)	(4,235)	(5,226)	(16,141)	(19,528)
<b>Gross profit</b>	<b>7,717</b>	<b>10,652</b>	<b>12,426</b>	<b>16,112</b>	<b>19,315</b>
Other operating income	-	-	-	-	-
Operating costs	(805)	(946)	(1,236)	(2,258)	(2,719)
<b>Operating EBITDA</b>	<b>6,912</b>	<b>9,706</b>	<b>11,190</b>	<b>13,854</b>	<b>16,596</b>
Depreciation	(1,833)	(2,517)	(2,494)	(3,694)	(3,694)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>5,079</b>	<b>7,189</b>	<b>8,696</b>	<b>10,160</b>	<b>12,902</b>
Net financing costs	(920)	(1,226)	(1,631)	(1,743)	(1,645)
Associates	(6)	(14)	0	0	0
Recurring non operating income	(140)	53	100	101	101
Non recurring items	1,072	0	0	0	0
<b>Profit before tax</b>	<b>5,091</b>	<b>6,016</b>	<b>7,165</b>	<b>8,518</b>	<b>11,358</b>
Tax	(29)	11	(6)	(46)	(48)
<b>Profit after tax</b>	<b>5,061</b>	<b>6,027</b>	<b>7,159</b>	<b>8,472</b>	<b>11,310</b>
Minority interests	(86)	55	(311)	(320)	(330)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>4,975</b>	<b>6,082</b>	<b>6,848</b>	<b>8,152</b>	<b>10,981</b>
<b>Non recurring items &amp; goodwill (net)</b>	<b>(1,072)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>3,904</b>	<b>6,082</b>	<b>6,848</b>	<b>8,152</b>	<b>10,981</b>
<b>Per share (THB)</b>					
Recurring EPS *	1.05	1.63	1.84	2.19	2.94
Reported EPS	1.33	1.63	1.84	2.19	2.94
DPS	0.40	0.60	0.80	1.00	1.50
Diluted shares (used to calculate per share data)	3,730	3,730	3,730	3,730	3,730
<b>Growth</b>					
Revenue (%)	(0.2)	28.9	18.6	82.7	20.4
Operating EBITDA (%)	8.1	40.4	15.3	23.8	19.8
Operating EBIT (%)	4.4	41.5	21.0	16.8	27.0
Recurring EPS (%)	2.3	55.8	12.6	19.0	34.7
Reported EPS (%)	30.3	22.2	12.6	19.0	34.7
<b>Operating performance</b>					
Gross margin (%)	66.8	71.6	70.4	50.0	49.7
Operating EBITDA margin (%)	59.8	65.2	63.4	43.0	42.7
Operating EBIT margin (%)	44.0	48.3	49.3	31.5	33.2
Net margin (%)	33.8	40.9	38.8	25.3	28.3
Effective tax rate (%)	0.6	(0.2)	0.1	0.5	0.4
Dividend payout on recurring profit (%)	38.2	36.8	43.6	45.8	51.0
Interest cover (x)	5.4	5.9	5.4	5.9	7.9
Inventory days	21.8	46.9	59.1	43.2	59.6
Debtor days	74.0	67.1	76.4	58.5	68.4
Creditor days	56.8	70.3	79.7	58.2	80.4
Operating ROIC (%)	10.5	12.1	12.2	n/a	n/a
ROIC (%)	9.5	11.2	11.3	n/a	n/a
ROE (%)	23.8	29.3	26.7	26.7	29.9
ROA (%)	9.1	10.8	11.6	9.9	12.5
*Pre exceptional pre-goodwill and fully diluted					
<b>Revenue By Division (THB m)</b>					
Methyl ester Biodiesel products	3,213	6,570	6,570	6,570	6,570
Pure glycerine products	298	350	360	361	361
Electricity from solar and wind power	7,692	7,957	7,843	15,116	21,107
Head office and others	341	100	100	101	101
Project consultation regarding alternative electric energy	50	(90)	(90)	(89)	(89)
Battery and EV	(42)	0	2,869	10,194	10,794

Sources: Energy Absolute; FSSIA estimates



## Financial statements

## Energy Absolute

Cash Flow (THB m) Year Ending Dec	2018A	2019A	2020E	2021E	2022E
Recurring net profit	3,904	6,082	6,848	8,152	10,981
Depreciation	1,833	2,517	2,494	3,694	3,694
Associates & minorities	(6)	(14)	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	7,992	(9,651)	(980)	(1,219)	(2,082)
<b>Cash flow from operations</b>	<b>13,722</b>	<b>(1,067)</b>	<b>8,362</b>	<b>10,627</b>	<b>12,593</b>
Capex - maintenance	(1,833)	(2,517)	(2,494)	(3,694)	(3,694)
Capex - new investment	(12,368)	(3,784)	(4,906)	(194)	(194)
Net acquisitions & disposals	922	(68)	0	0	0
Other investments (net)	(984)	(49)	0	0	0
<b>Cash flow from Investing</b>	<b>(14,263)</b>	<b>(6,418)</b>	<b>(7,400)</b>	<b>(3,888)</b>	<b>(3,888)</b>
Dividends paid	(746)	(746)	(2,238)	(2,984)	(3,730)
Equity finance	0	0	0	0	0
Debt finance	1,525	12,725	(180)	5,946	(10,990)
Other financing cash flows	734	56	311	709	718
<b>Cash flow from Financing</b>	<b>1,513</b>	<b>12,035</b>	<b>(2,107)</b>	<b>3,671</b>	<b>(14,002)</b>
Non recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>972</b>	<b>4,550</b>	<b>(1,145)</b>	<b>10,410</b>	<b>(5,298)</b>
Free cash flow to firm (FCFF)	545.96	(6,098.64)	2,592.58	8,481.86	10,349.30
Free cash flow to equity (FCFE)	1,718.50	5,296.19	1,093.25	13,393.73	(1,567.87)

Per share (THB)					
FCFF per share	0.15	(1.64)	0.70	2.27	2.77
FCFE per share	0.46	1.42	0.29	3.59	(0.42)
Recurring cash flow per share	1.54	2.30	2.50	3.18	3.93

Balance Sheet (THB m) Year Ending Dec	2018A	2019A	2020E	2021E	2022E
Tangible fixed assets (gross)	53,646	59,819	67,219	70,719	74,219
Less: Accumulated depreciation	(6,059)	(8,448)	(10,942)	(14,637)	(18,331)
<b>Tangible fixed assets (Net)</b>	<b>47,587</b>	<b>51,371</b>	<b>56,277</b>	<b>56,083</b>	<b>55,888</b>
<b>Intangible fixed assets (Net)</b>	<b>937</b>	<b>3,683</b>	<b>3,683</b>	<b>3,683</b>	<b>3,683</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	33	100	100	100	100
Cash & equivalents	5,479	10,029	8,884	19,294	13,996
A/C receivable	2,295	3,175	4,219	6,126	8,424
Inventories	330	758	935	2,888	3,494
Other current assets	47	71	84	154	185
<b>Current assets</b>	<b>8,150</b>	<b>14,033</b>	<b>14,123</b>	<b>28,462</b>	<b>26,099</b>
Other assets	2,501	1,033	1,033	1,033	1,033
<b>Total assets</b>	<b>59,208</b>	<b>70,220</b>	<b>75,215</b>	<b>89,360</b>	<b>86,803</b>
Common equity	18,139	23,365	27,975	33,142	40,393
Minorities etc	1,379	1,502	1,813	2,133	2,463
<b>Total Shareholders' equity</b>	<b>19,518</b>	<b>24,866</b>	<b>29,788</b>	<b>35,276</b>	<b>42,856</b>
Long term debt	26,139	36,977	36,798	42,744	31,753
Other long-term liabilities	1,049	2,306	2,306	2,306	2,306
<b>Long-term liabilities</b>	<b>27,187</b>	<b>39,283</b>	<b>39,103</b>	<b>45,049</b>	<b>34,059</b>
A/C payable	611	1,021	1,260	3,892	4,708
Short term debt	3,081	4,968	4,968	4,968	4,968
Other current liabilities	8,810	81	96	176	211
<b>Current liabilities</b>	<b>12,503</b>	<b>6,070</b>	<b>6,324</b>	<b>9,035</b>	<b>9,888</b>
<b>Total liabilities and shareholders' equity</b>	<b>59,208</b>	<b>70,220</b>	<b>75,215</b>	<b>89,360</b>	<b>86,803</b>
Net working capital	(6,750)	2,902	3,882	5,101	7,183
Invested capital	44,308	59,089	64,975	65,999	67,887

\* includes convertibles and preferred stock which is being treated as debt

Per share (THB)					
Book value per share	4.86	6.26	7.50	8.89	10.83
Tangible book value per share	4.61	5.28	6.51	7.90	9.84

Financial strength					
Net debt/Equity (%)	121.6	128.4	110.4	80.6	53.0
Net debt/total assets (%)	40.1	45.5	43.7	31.8	26.2
Current ratio (x)	0.7	2.3	2.2	3.2	2.6
CF interest cover (x)	16.3	8.4	4.7	8.8	0.2

Valuation	2018A	2019A	2020E	2021E	2022E
Recurring P/E (x) *	38.0	24.4	21.7	18.2	13.5
Recurring P/E @ target price (x) *	52.6	33.7	30.0	25.2	18.7
Reported P/E (x)	29.8	24.4	21.7	18.2	13.5
Dividend yield (%)	1.0	1.5	2.0	2.5	3.8
P/CF (x)	25.9	17.3	15.9	12.5	10.1
P/FCF (x)	86.3	28.0	n/a	11.1	n/a
Price/book (x)	8.2	6.3	5.3	4.5	3.7
Price/tangible book (x)	8.6	7.5	6.1	5.0	4.0
EV/EBITDA (x) **	25.1	18.7	16.4	12.9	10.5
EV/EBITDA @ target price (x) **	33.3	24.6	21.4	17.0	13.9
EV/invested capital (x)	3.9	3.1	2.8	2.7	2.6

\* Pre exceptional & pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non operating income

Sources: Energy Absolute; FSSIA estimates

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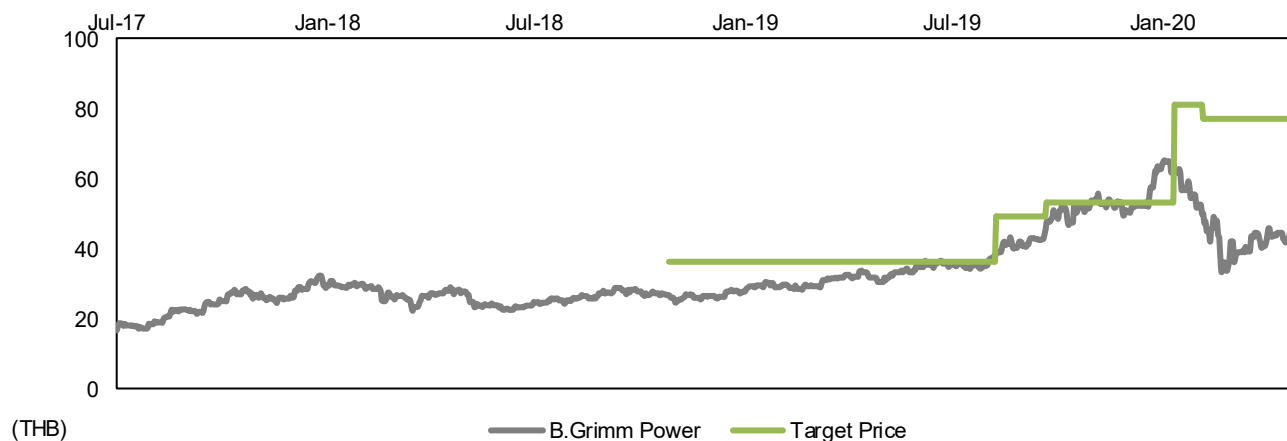
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## History of change in investment rating and/or target price

## B.Grimm Power (BGRIM TB)



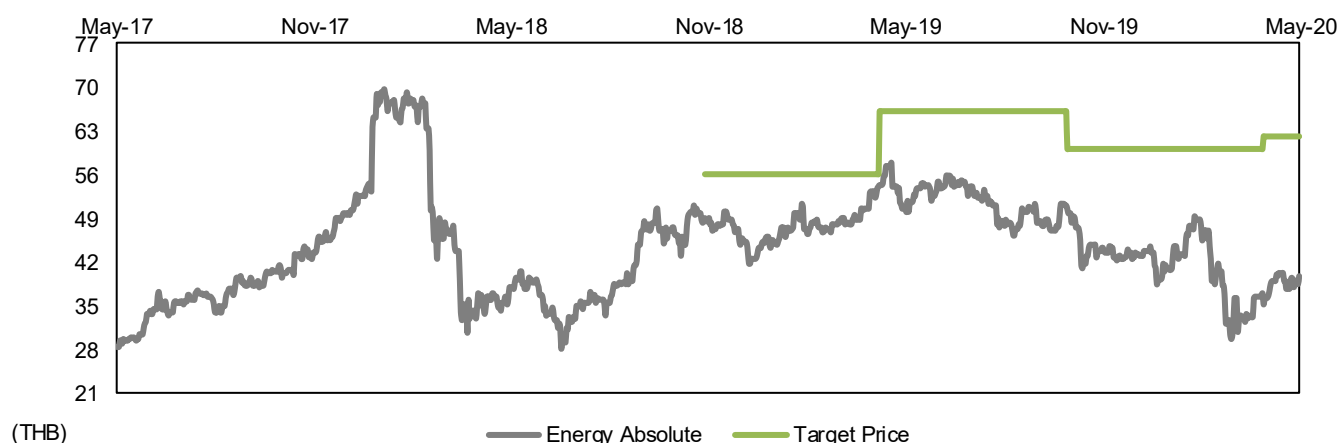
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Nov-18	Buy	36.00	11-Oct-19	Buy	53.00	25-Feb-20	Buy	77.00
28-Aug-19	Buy	49.00	31-Jan-20	Buy	81.00			

Suwat Sinsadok started covering this stock from 15 Nov 2018

Price and TP are in local currency

Sources: FactSet; BNP Paribas

## Energy Absolute (EA TB)



Date	Rating	Target price	Date	Rating	Target price
15-Nov-18	Buy	56.00	17-Oct-19	Buy	60.00
26-Apr-19	Buy	66.00	16-Apr-20	Buy	62.00

Suwat Sinsadok started covering this stock from 15 Nov 2018

Price and TP are in local currency

Sources: FactSet; BNP Paribas

Company	Ticker	Price	Rating	Valuation & Risks
B.Grimm Power	BGRIM TB	THB 47.50	Buy	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) unplanned shutdowns of its SPPs.
Energy Absolute	EA TB	THB 39.75	Buy	Downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand; 2) lower crude price; and 3) lower-than-expected demand for batteries.

Sources: Factset, BNP Paribas

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### Stock Ratings

Stock ratings are based on absolute upside or downside, which we define as (target price\* - current price) / current price.

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.*

### Industry Recommendations

**Improving (↑):** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Stable (previously known as Neutral) (↔):** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Deteriorating (↓):** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

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