

EA: Lower wind power plant operation dragged 3Q20 earnings



Result

EA reported 3Q20 net profit of Bt1.1bn (-33.5%YoY, -2.6% QoQ), the lowest since past 7 quarters. The result was lower than our expectation, and the 9M20 earnings accounted to only 61% of our 2020E forecast.

- 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).
- Expect 4Q20 earnings to improve QoQ while remain flat YoY, on the back of recovering wind power plant operation and improving contribution from biodiesel business (from higher ASP and sales volume).
- We will be reviewing our earnings forecast after the analyst meeting on 24th November 2020, however, we don't expect much impact to our target price.

We maintain our buy recommendation based on a target price to Bt49 derived using SOTP method, implying 26x PE'21.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	34.9	28.3	27.5	24.1	22.0
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)	9.3	7.2	5.9	5.0	4.2
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)	191,597.9	199,768.8	200,692.2	201,991.6	203,529.2
EV-to-EBITDA (x)	24.4	20.5	17.3	15.4	14.2

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Recommendation: BUY

Current price*: Bt45.00

Target price 2021: Bt49.00

Up/(downside): 10%

IOD: 5 out of 5

CAC: Certified

Stock data

RIC code	EA.BK
Index	.SETI
SET Index (13 November 2020)	1,346.47
Market cap (Bt m)	167,850
Shares outstanding (million)	3,730
Par (Bt)	0.10



EA: Updated Scorecard

(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

Story

Sales

P5F

Team

WCB

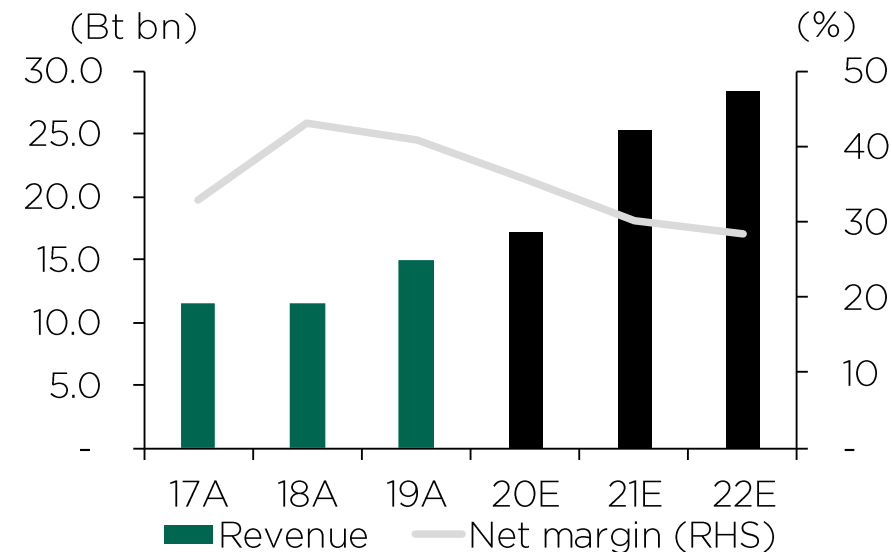
ESG

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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Value

Risks

Energy Absolute PCL: Summary financials

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	11,552	14,887	17,009	20,665	25,073	4,103	4,083	4,732	4,128	3,773
Cost of goods sold	(5,573)	(6,752)	(7,473)	(10,255)	(13,740)	(1,814)	(1,792)	(2,669)	(2,244)	(2,044)
Gross profit	5,979	8,134	9,536	10,410	11,333	2,289	2,291	2,063	1,884	1,730
SG&A	(899)	(946)	(1,191)	(1,137)	(1,379)	(189)	(231)	(288)	(392)	(268)
Other (exp)/inc	938	68	72	76	79	15	25	29	47	28
Operating profit	6,017	7,256	8,417	9,349	10,033	2,114	2,084	1,804	1,539	1,490
Finance cost	(1,086)	(1,386)	(1,652)	(1,659)	(1,649)	(383)	(400)	(433)	(408)	(421)
Other inc/(exp)	(0)	0	0	0	0	(0)	0	-	0	-
Earnings before taxes	4,931	5,870	6,765	7,691	8,384	1,732	1,684	1,371	1,132	1,068
Income tax	(29)	11	(474)	(538)	(587)	6	(0)	(1)	(7)	(4)
After-tax profit	4,902	5,881	6,291	7,152	7,797	1,738	1,684	1,370	1,125	1,064
Equity income	(6)	(14)	(74)	(42)	(1)	(6)	(2)	(14)	(2)	(3)
Minorities	(86)	55	(124)	(142)	(156)	31	(1)	36	30	33
Earnings from cont. operations	4,809	5,922	6,093	6,968	7,641	1,763	1,681	1,392	1,153	1,094
Forex gain/(loss) & unusual items	166	160	(0)	(0)	(0)	(84)	69	60	(3)	25
Net income	4,975	6,082	6,093	6,968	7,641	1,679	1,750	1,452	1,149	1,119
Recurring EPS (Bt)	1.29	1.59	1.63	1.87	2.05	0.47	0.45	0.37	0.31	0.30
Weighted average shares (m)	3,730	3,730	3,730	3,730	3,730	3,730	3,730	3,723	3,708	3,708
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Assets	59,208	70,220	75,511	82,480	92,034	67,789	70,220	74,041	75,867	77,249
Liabilities	39,690	45,353	45,646	46,898	50,184	44,677	45,353	47,619	48,861	48,782
Equity	18,139	23,365	28,239	33,813	39,926	21,401	23,365	24,851	25,433	26,639
Invested capital	43,233	56,616	62,612	69,670	77,476	54,997	56,616	59,329	60,861	61,953
Growth (YoY, %)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	(0.2)	28.9	14.3	21.5	21.3	38.6	48.1	53.3	14.2	(8.0)
Operating income	21.3	20.6	16.0	11.1	7.3	50.0	80.2	30.0	(7.8)	(29.5)
Recurring EPS	28.1	23.1	2.9	14.4	9.7	57.3	118.8	23.0	(13.7)	(37.6)
Assets	33.0	18.6	7.5	9.2	11.6	21.0	18.6	20.3	19.5	14.0
Liabilities	33.2	14.3	0.6	2.7	7.0	19.1	14.3	16.4	15.2	9.2
Equity	23.7	28.8	20.9	19.7	18.1	21.6	28.8	28.8	28.9	24.5
Profits (%)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Gross margin	51.8	54.6	56.1	50.4	45.2	55.8	56.1	43.6	45.6	45.8
Operating margin	52.1	48.7	49.5	45.2	40.0	51.5	51.0	38.1	37.3	39.5
Net margin	43.1	40.9	35.8	33.7	30.5	40.9	42.9	30.7	27.8	29.7
ROE	30.3	29.3	23.6	22.5	20.7	32.7	31.3	24.1	18.3	17.2
ROIC	14.9	14.6	13.1	13.1	12.7	15.6	14.9	12.4	10.2	9.7
Core profit (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Net profit	4,975	6,082	6,093	6,968	7,641	1,679	1,750	1,452	1,149	1,119

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- 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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