

9 OCTOBER 2020

THAILAND / MATERIALS

BANPU BANPU TB

BUY

FROM HOLD

TARGET PRICE	THB8.30
CLOSE	THB6.50
UP/DOWNSIDE	+27.7%
PRIOR TP	THB8.30
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+22.9%

ก๊าซเป็นปัจจัยที่ทำให้แนวโน้มผลประกอบการเปลี่ยน

จากถดถอยเป็นพลิกฟื้น

หลัง Banpu รายงานผลขาดทุนสุทธิรายไตรมาสอย่างต่อเนื่องนับตั้งแต่ไตรมาส 4Q19 เราเชื่อว่าปัจจุบัน Banpu อยู่ในจุดพลิกผันให้กลับมารายงานกำไรสุทธิได้ โดยจะเกิดจากการเพิ่มของกำไรสุทธิในระดับสูงจากธุรกิจก๊าซจากชั้นหินหลังการซื้อ Barnett เสร็จสิ้นไปเมื่ออาทิตย์ที่แล้ว พร้อมกับคาดการณ์ที่ว่าราคาก๊าซจากชั้นหินจะปรับตัวเพิ่มสูงขึ้น เราคาดว่ากำไรสุทธิจากธุรกิจถ่านหินจะเริ่มฟื้นตัวในไตรมาส 3Q20 โดยได้แรงผลักดันจากราคาถ่านหินที่ปรับตัวสูงขึ้นจากปัญหาการขาดแคลนถ่านหินในประเทศจีนและความต้องการที่กำลังเพิ่มสูงขึ้นสำหรับฤดูหนาว กำไรสุทธิจากธุรกิจไฟฟ้าควรเพิ่ม q-q เป็นกว่า 1 พัน ลบ. อีกครั้งในไตรมาส 3Q20 จากเพียง 680 ลบ. ใน 2Q20 หลังโรงไฟฟ้าหังสากลับมาดำเนินงานตามปกติหลังปิดซ่อมบำรุงตามแผนในช่วง 1H20

ปัจจัยหนุนการเติบโตในธุรกิจก๊าซกำลังก่อตัวขึ้น

หลังบริษัท ประกาศความสำเร็จในการซื้อแหล่งก๊าซจากชั้นหิน Barnett ในสหรัฐฯ เมื่อวันที่ 5 ส.ค. 2020 เราเชื่อว่า EBITDA ของ Banpu มีแนวโน้มที่จะเพิ่มอย่างมีนัยสำคัญจากธุรกิจก๊าซจากชั้นหินในสหรัฐฯ ของบริษัท นับตั้งแต่ไตรมาส 4Q20 เป็นต้นไป โดยได้แรงขับเคลื่อนจากความต้องการก๊าซที่กำลังเพิ่มขึ้นสำหรับฤดูหนาวในสหรัฐฯ ที่กำลังจะมาถึง รวมถึงการผลิตก๊าซในสหรัฐฯ ที่ลดลงอย่างต่อเนื่องจากราคาก๊าซที่ลดลงต่ำกว่า USD2/mmbtu เมื่อไม่นานมานี้ จากข้อมูลของ EIA ในขณะที่นักวิเคราะห์ส่วนมากคาดว่าตลาดก๊าซของสหรัฐฯ จะยังอยู่ในสภาวะอุปทานเกินดุลในปี 2020-2021 พวกเขาคาดว่าราคาก๊าซเฉลี่ยจะเพิ่ม H-H จาก USD2.25/mmbtu ในปี 2020 เป็น USD3.31/mmbtu ในปี 2021

ธุรกิจถ่านหินอาจพลิกมารายงานกำไรอีกครั้งใน 2H20

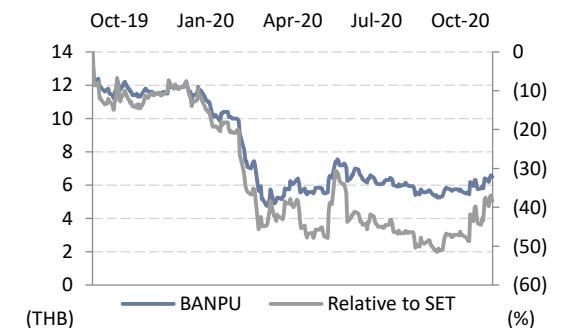
เราเชื่อว่า EBITDA ของธุรกิจถ่านหินได้ตกต่ำสุดไปแล้วใน 2Q20 โดยเราคาดว่า EBITDA ของธุรกิจถ่านหินของ Banpu จะอยู่ที่ USD60-100 ล้านในไตรมาส 3Q20 เพิ่มจาก USD37 ล้านในไตรมาส 2Q20 เนื่องจากราคาและปริมาณขายถ่านหินเพิ่มขึ้น เราคาดว่าราคาก๊าซจะยังอยู่ในระดับสูงเหนือ USD55/ตันในไตรมาส 4Q20 ถึงปี 2021 โดยได้แรงหนุนจากการนำเข้าถ่านหินของจีนในระดับที่สูงขึ้น และความแตกต่างของราคาที่กว้างขึ้นระหว่างราคาก๊าซในประเทศจีนและราคาก๊าซมาตรฐานนิวคาสเซิล (USD32/ตันในเดือน ก.ย. 2020)

ได้เวลาสะสม ปรับเพิ่มคำแนะนำเป็นซื้อ

เราปรับเพิ่มคำแนะนำ Banpu ของเราเป็นซื้อจากถือโดยคงราคาเป้าหมายที่ 8.3 บาท (SOTP) เราเห็นว่าการลดลงของราคาหุ้นได้รวมผลประกอบการที่อ่อนแอในช่วง 1H20 ไปแล้ว แต่ไม่ได้สะท้อน Upside จากกำไรสุทธิที่คาดว่าจะเพิ่มขึ้นใน 2H20 อันได้แรงผลักดันจากกำไรสุทธิที่กำลังเพิ่มขึ้นในทั้ง 3 ธุรกิจ กล่าวคือ ถ่านหิน (ตามราคาก๊าซที่กำลังปรับตัวสูงขึ้น) ก๊าซ (ตามราคาและปริมาณขายก๊าซที่กำลังเพิ่มขึ้นหลังการซื้อแหล่ง Barnett) และไฟฟ้า (จากอัตราการใช้กำลังการผลิตที่สูงขึ้นของโรงไฟฟ้าหังสา)

KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	85,718	61,023	59,055	59,823
Net profit	(553)	5,171	5,551	5,417
EPS (THB)	(0.11)	1.00	1.08	1.05
vs Consensus (%)	-	383.3	189.5	76.8
EBITDA	11,652	13,450	13,211	13,962
Core net profit	(358)	5,537	5,917	5,783
Core EPS (THB)	(0.07)	1.07	1.15	1.12
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(103.8)	nm	6.9	(2.3)
Core P/E (x)	(93.7)	6.1	5.7	5.8
Dividend yield (%)	9.2	5.5	5.7	5.6
EV/EBITDA (x)	14.5	13.3	14.2	14.0
Price/book (x)	0.5	0.4	0.4	0.4
Net debt/Equity (%)	129.7	132.7	133.6	134.6
ROE (%)	(0.5)	7.5	7.7	7.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	15.0	1.6	(47.6)
Relative to country (%)	16.8	8.5	(33.7)
Mkt cap (USD m)	1,058		
3m avg. daily turnover (USD m)	9.0		
Free float (%)	88		
Major shareholder	Vongkusolkrit Family (13%)		
12m high/low (THB)	13.80/4.20		
Issued shares (m)	5,161.93		

Sources: Bloomberg consensus; FSSIA estimates



Suwat Sinsadok

suwat.sin@fssia.com
+66 2611 3558

Siriluck Ponthusoonthorn

siriluck.pin@fssia.com
+66 2611 3562

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 9 ตุลาคม 2020

Investment thesis

We believe Banpu's earnings growth outlook will improve in 2021-22, driven by the three engines of its coal, gas and power businesses due to improving margin outlooks on stronger demand and tighter supply.

We think rising Newcastle index coal prices in the range of USD60-65/tonne would lead to higher coal earnings in 2021-22E. Power earnings should gradually improve in 2020 with the resumption of full operations at Hongsa power plant, as well as from new solar farms in Japan and China and wind farms in Vietnam.

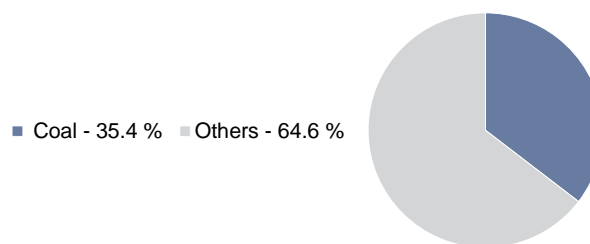
We see three factors that we think will drive up Banpu's earnings in 2020-22. First, Banpu's gas earnings are in an upcycle due to the tighter supply in the US. Second, we expect coal earnings of upward of THB1-2b for FY20-22 on the back of USD60- 65/tonne index coal prices. Finally, we see more upsides from power earnings due to higher projected NP contributions from Hongsa.

Company profile

BANPU is a leading coal-based energy company in Asia-Pacific with operations in Indonesia and China. It also operates power plants in Thailand, China.

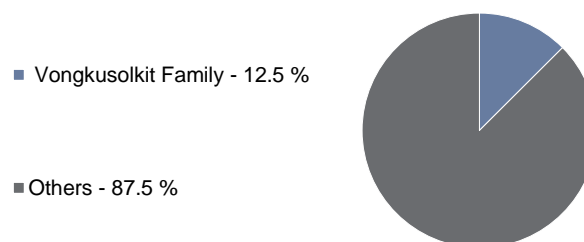
www.banpu.com

Principal activities (revenue, 2019)



Source: Banpu

Major shareholders



Source: Banpu

Catalyst

A higher coal price, rising coal production volumes and reserves, and improving NP growth from its power business would all be key positive catalysts.

Risk to our call

We see downside risks to our SoTP-based TP from lower coal prices, higher diesel costs and any unplanned shutdowns of its power plants.

Event calendar

Date	Event
Nov 2020	3Q20 results announcement

Key assumptions

	2020E	2021E	2022E
Coal sales volume (mtpa)	33.5	33.5	34
Newcastle coal price (USD/tonne)	62	62	62
ASP for coal (USD/tonne)	52	50.4	50.4
Total cost - Indonesia (USD/tonne)	50.8	49.6	48.6
Total cost - Australia (USD/tonne)	49.3	49.3	49.3

Source: FSSIA estimates

Earnings sensitivity

- Ceteris paribus, for every 1% rise in average coal price, we project 2020 EPS to rise by 2.6%, and vice versa.
- Ceteris paribus, for every 1% rise in coal sales volume, we estimate 2020 EPS to rise by 1.2%, and vice versa.
- Stability in crude oil price, rising coal prices and high utilisation rates of power plants are key to earnings growth.

Source: FSSIA estimates

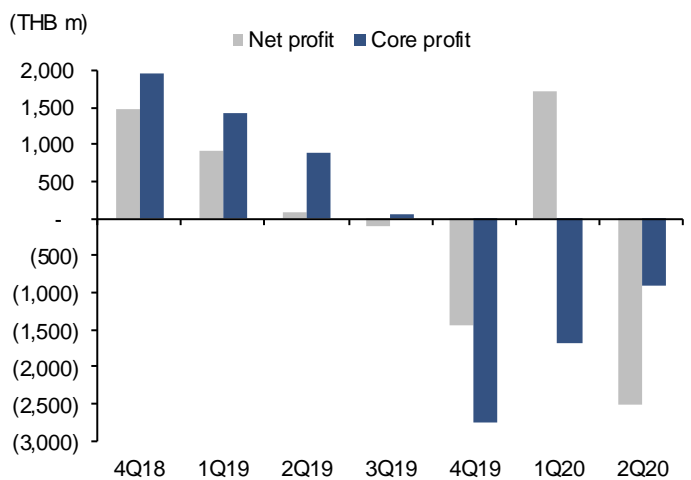
Emerging gas growth engine

After posting consecutive quarterly core net losses since 4Q19, we believe Banpu's NP is now at an inflection point for a turnaround. This should be led by a sharp NP increase from its shale gas unit after the completion of its Barnett acquisition last week, along with the projected higher shale gas price over the next six months, driven by seasonally higher demand in the US and declining gas production.

We project NPs from its coal unit to rebound starting in 3Q20, driven by the higher coal price thanks to China's structural coal supply shortfall and rising demand for the winter season.

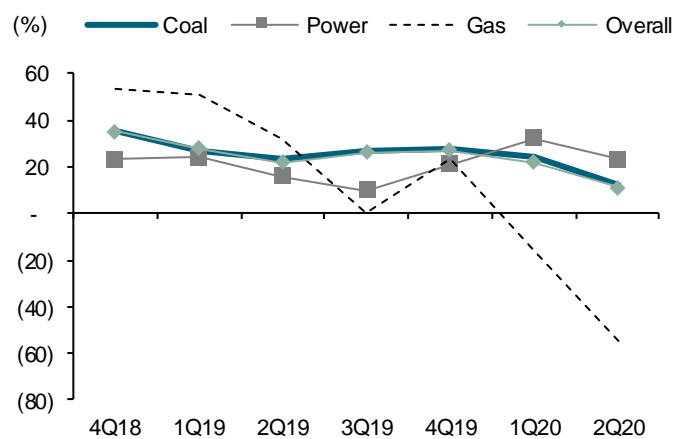
We also project NPs from its power unit to rise q-q to over THB1b again in 3Q20, after posting only THB680m NP in 2Q20, due to the resumption of normal operations at Hongsa power plant after the planned shutdowns in both 1Q20 and 2Q20.

Exhibit 1: Quarterly net profit and core net profit



Source: BANPU

Exhibit 2: Gross margins by segment



Source: BANPU

Emerging gas growth engine

After it announced the complete acquisition of the Barnett shale gas field in the US on 5 August 2020, we believe Banpu is poised to see a significant jump in its EBITDA from its US shale gas business in 4Q20 onward. The spike should be driven by the rising demand for gas in the upcoming winter in the US, as well as the continued decline in US gas production due to the recently distressed gas price below USD2/mmbtu.

Exhibit 3: Banpu's shale gas acquisitions in the US

Company	Investment (USD m)	Investment date	Shale gas area	Production capacity (mmscfd)	Accumulated sales volume (bcf)	EBITDA (USD m)	Reserve (tcf)
Chaffee Corners	112	2016	Marcellus	21	6	8	0.3
NEPA Corners I-III	95	1H17	Marcellus	28	8	12	0.24
NEPA Corners IV-V	315	2H17	Marcellus	152	13	12	0.6
Barnett	570	Oct-20	Barnett	597	50	42	3.5
Total	1,092			798	77	74	4.2

Sources: BANPU; FSSIA estimates

Barnett acquisition is a key growth milestone. We believe Banpu’s acquisition of the Barnett shale gas field is a key milestone for its future growth, both geographically and strategically. Geographically, Banpu has further expanded its shale gas portfolio from Marcellus to Barnett, both being major US gas fields, to serve US consumers in different locations. Strategically, Banpu has successfully diversified its energy asset portfolio away from a mostly coal-driven business, which includes coal mining and coal-driven power generation.

The final USD570m acquisition cost, comprising a USD170m deposit, a USD80.2m cash payment, and a USD319.8m remaining final payment, is lower than Banpu’s originally indicated USD770m cost. This was thanks to the high bargaining power Banpu had to negotiate a more favourable acquisition price due to the declining gas price environment.

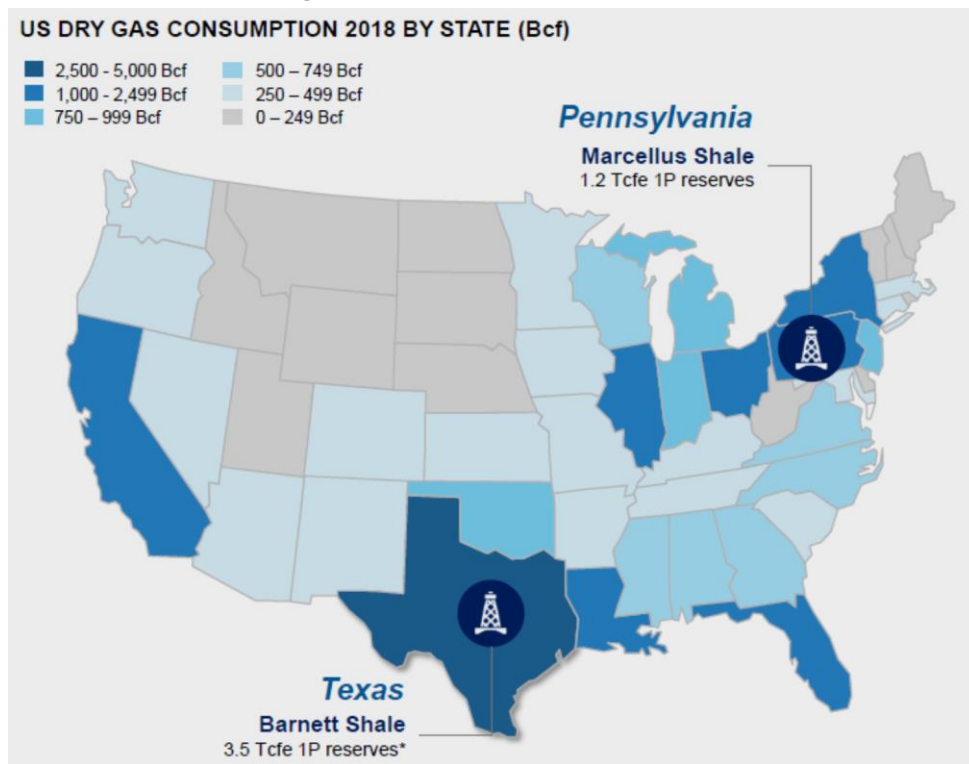
Exhibit 4: Banpu’s shale gas information – investment, production, 1P reserve, EV/production capacity, and EV/1P reserve

Company	Investment (USD m)	Production capacity (mmscfd)	Production capacity (% of total capacity)	1P reserve (tcf)	EV/production capacity (USD/bcfd)	EV/1P reserve (USD/mcf)
Chaffee Corners	112	21	2.6	0.3	5.3	0.4
NEPA Corners I-III	95	28	3.5	0.2	3.4	0.4
NEPA Corners IV-V	315	152	19.0	0.6	2.1	0.5
Barnett	570	597	74.8	3.5	1.0	0.2
Total BANPU	1,092	798	100.0	4.6	1.4	0.2
US average					4.5	0.8

Sources: BANPU; FSSIA estimates

Banpu is now producing 798mmscfd of gas in Marcellus and Barnett, with an estimated accumulated sales volume of 77bcf, annually. The gas production from the Barnett area alone could account for 74.8% of Banpu’s total annual gas production, based on our estimate.

Exhibit 5: Banpu’s shale gas production areas

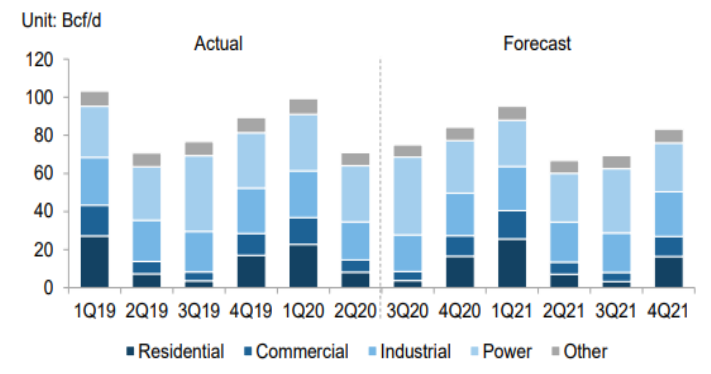


Source: BANPU

On track for a significant recovery in gas EBITDA in 2H20 onward. In our report, “Distressed US shale gas impact on Banpu and IVL” dated 14 April 2020, we projected that the US shale gas price would recover from the bottom at USD1.7/mmbtu in April up to USD2.5-3.5/mmbtu by 3Q20.

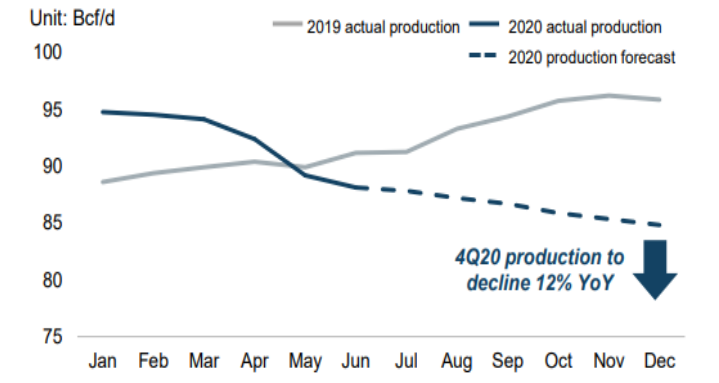
Our projected higher US gas price is in line with Banpu’s forecast for the rising US shale gas price in 2H20 into 2021. This is based on the rising demand for the winter season and, more importantly, the gas supply production cut by 15-30% due to fewer operating natural gas rigs at less than 80 in Aug-20 as a result of the prolonged distressed gas price below USD2/mmbtu in 1H20.

Exhibit 6: US gas demand forecast



Sources: BANPU; EIA

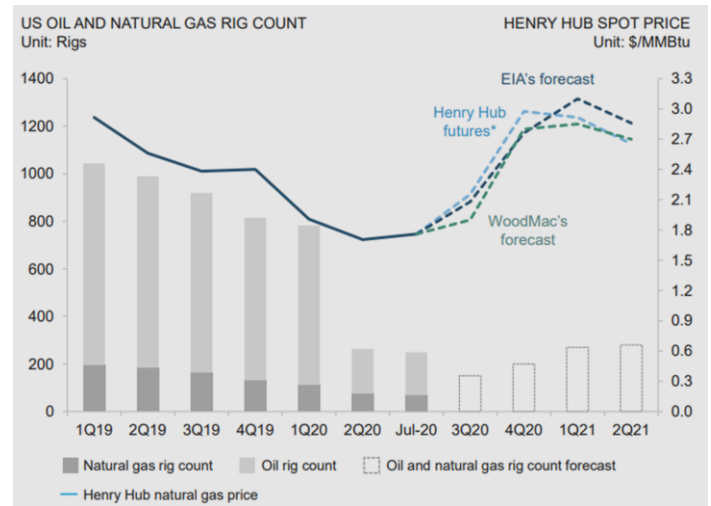
Exhibit 7: US natural gas production



Sources: BANPU; EIA

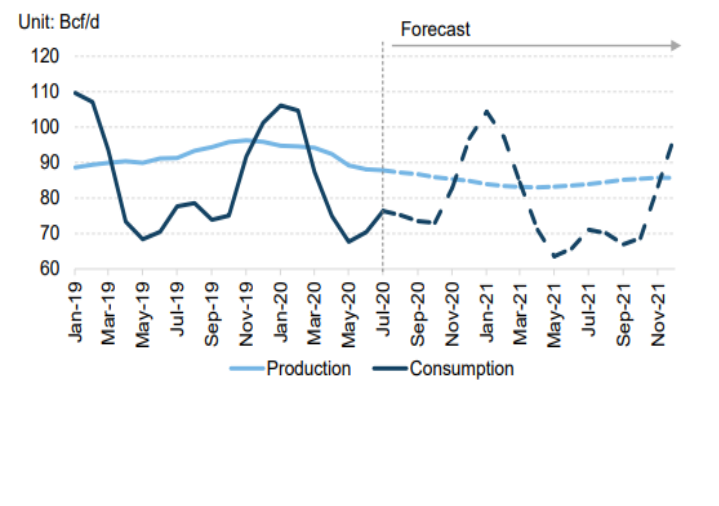
Banpu’s forecast. In its presentation post 2Q20 results, Banpu indicated that the US Energy Information Agency (EIA) forecast US gas production to decline sharply in 2H20 after hitting 90bcfd in 2Q20 – higher than the gas demand of 71bcfd – resulting in the depressed gas price below USD2/mmbtu – the industry breakeven cash cost level, based on our estimate.

Exhibit 8: US rig count vs Henry Hub gas price



Source: BANPU

Exhibit 9: US natural gas production vs consumption



Source: BANPU

According to the EIA, US gas producers announced capital expenditure cuts ranging from 15-30% in response to the COVID-19 impact, leading to the sharp drop in natural gas rig count to 75 in Sep-20, down from over 100 rigs a year ago. If both oil and gas rigs are included in the count, the rig number falls even more sharply by 615 rigs to 253 rigs in Sep-20.

The Henry Hub (HH) gas price is projected to rise from USD1.8/mmbtu in Jul-20 to USD2.7-3.1/mmbtu by 1Q21, based on the EIA’s estimates, which is in line with the HH gas futures seen in Jul-20.

Exhibit 10: US rig count – oil and gas, Sep 20

	Rig count (rig)	Change w-w (rig)
Oil	178	(1)
Gas	75	2

Source: EIA

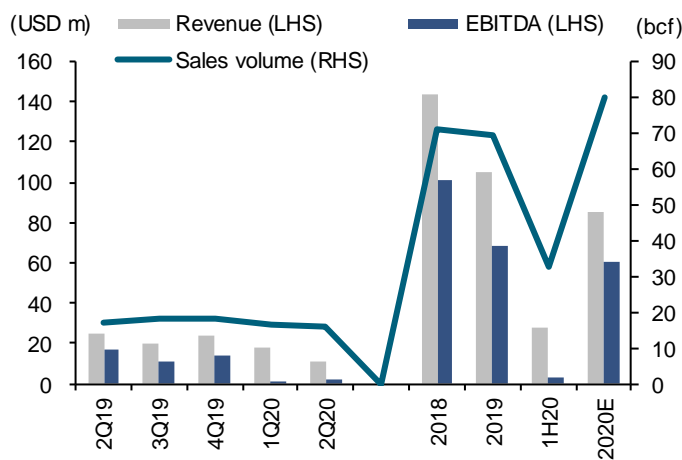
Exhibit 11: Changes in US rig counts – oil plus gas

	Rig count (rig)	Change w-w (rig)	Change y-y (rig)
Sep-19	868	n/a	n/a
Sep-20	253	1	(615)

Source: EIA

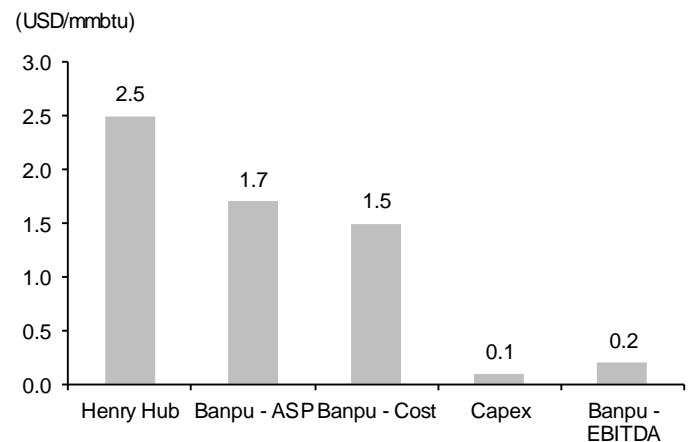
Our gas price forecast and the updated HH gas price. We believe the EBITDA generated from Banpu’s US shale gas business has already bottomed in 2Q20 and is now poised for a significant recovery in 2H20. While the total EBITDA from its gas operation was USD2.9m in 2Q20, it was offset by a USD1.3m one-time expense, resulting in EBITDA of USD1.6m. This was up 14% q-q but down sharply from USD16.8m in 2Q19, based on a 15.9bcf sales volume and a mere USD0.52/mcf average selling price (ASP) in 2Q20.

Exhibit 12: Banpu’s quarterly shale gas production, revenue and EBITDA



Sources: BANPU; FSSIA estimates

Exhibit 13: Banpu’s shale gas ASP, cost structure, and projected EBITDA vs HH gas price as of 2Q20

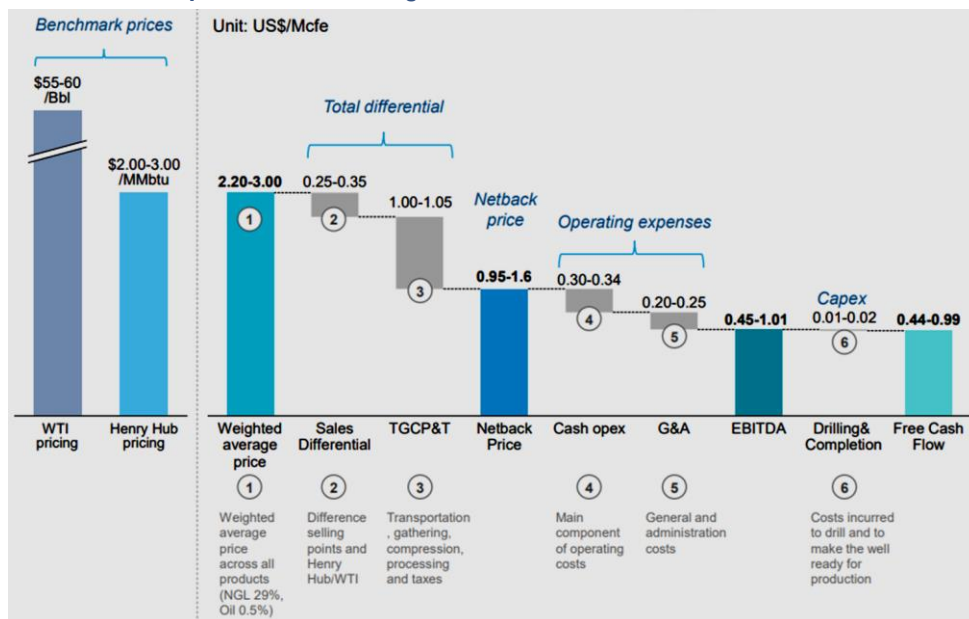


Sources: BANPU; FSSIA estimates

We project Banpu’s EBITDA from its shale gas unit to rise from USD1.6m in 2Q20 to USD15-20m in 3Q20 and USD20-30m in 4Q20, driven by rising gas production levels and a higher gas price to USD2.5-3.0/mmbtu, based on our estimate.

However, if we base our gas price on the EIA’s projected gas price of USD3.5/mmbtu in 4Q20, we estimate that Banpu could generate USD50-100m EBITDA in 4Q20, thanks to the company’s low-cost shale gas structure. We expect Banpu to make a small net profit of USD10-15m in 2020, even based on the expected distressed HH gas price of USD2/mmbtu. We project Banpu to generate USD85m EBITDA from its gas unit in 2020, up from USD68m pre-Barnett acquisition in 2019, but down sharply from USD101m in 2018.

Exhibit 14: Banpu's Barnett shale gas cost structure



Source: BANPU

The main reasons for Banpu's positive EBITDA and NP from its shale gas under the USD2/mmbtu HH price includes Banpu's low-cost structure and small selling price discount.

Exhibit 15: Profitability analysis of Banpu's shale gas unit (2020E)

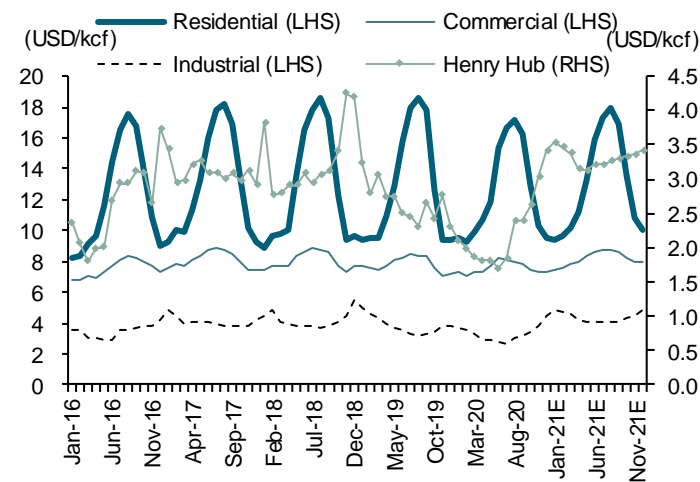
	Unit		
Total production volume	798	mmscfd	
Total production volume	291,270	mmscf	
Change in gas price	0.1	USD/mmbtu	
Current gas price	2.5	USD/mmbtu	
Change in revenue	29.13	USD m	
Pricing and cost structure per unit (USD/mmbtu)	Average	Min	Max
Price per unit			
Price discount to Henry Hub	0.33	0.20	0.45
Net price after discount	2.18	2.30	2.05
Gathering & compression costs (G&C)	0.55	0.45	0.65
Transportation	0.20	0.20	0.20
Netback price	2.93	2.95	2.90
Cost per unit			
Lease operating cost	0.23	0.20	0.25
G&A	0.30	0.25	0.35
DD&A	0.90	0.80	1.00
Drilling & completion	1.00	0.80	1.20
Net cash cost	1.53	1.25	1.80
Margin per unit			
EBITDA	1.40	1.70	1.10
EBT	0.50	0.90	0.10
Tax 21%	(0.11)	(0.19)	(0.02)
Net margin	0.40	0.71	0.08
EBITDA (USD m)	1,117	1,357	878
Net profit (USD m)	315	567	63

Source: BANPU's estimates

First, Banpu has a low overall cost structure of USD1.5/mmbtu, thanks to its mature gas fields which only require small ongoing investments. This is particularly true for its Barnett assets (87% of Banpu’s shale gas production in 2020E), with only a USD1.5-1.6/mmbtu cash cost and a marginal drilling & completion cost at USD0.8-1.2/mmbtu while the required capex for drilling & completion is in the range of USD0.01-0.02/mmbtu.

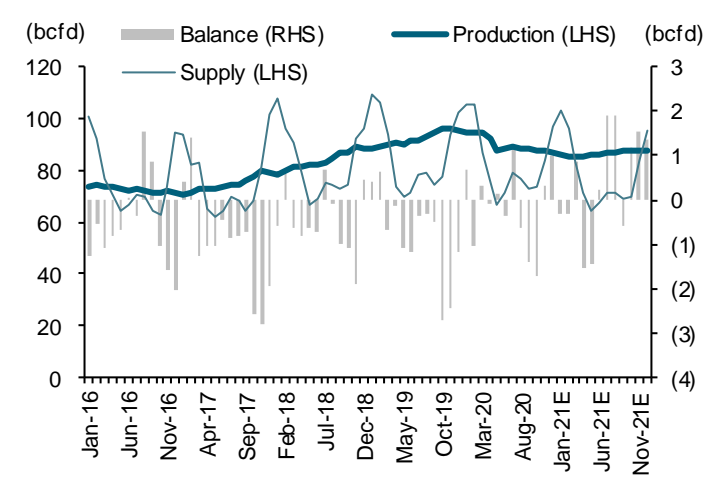
Second, Banpu’s overall shale gas price should be at a 10-15% discount, or USD0.25-0.4/mmbtu, to the HH benchmark gas price, thanks to its proximity to the high-demand areas for the residential (Marcellus) and industrial (Barnett) segments. In addition, the gas pricing for Barnett should also command a premium on its high natural gas liquid (NGL) production, which accounts for 30% of Banpu’s total Barnett production of 597mmscfd.

Exhibit 16: US gas prices by segment



Source: EIA

Exhibit 17: US gas production, supply, and balance

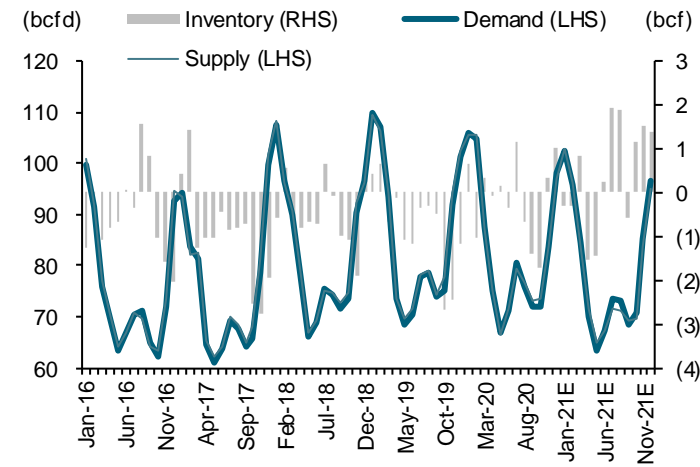


Source: EIA

US shale gas oversupply to continue into 2021. According to the EIA, while the US gas market balance is projected to remain in oversupply in 2020-21, the average HH gas price is forecast to rise from USD2.25/mmbtu in 2020 to USD3.31/mmbtu in 2021.

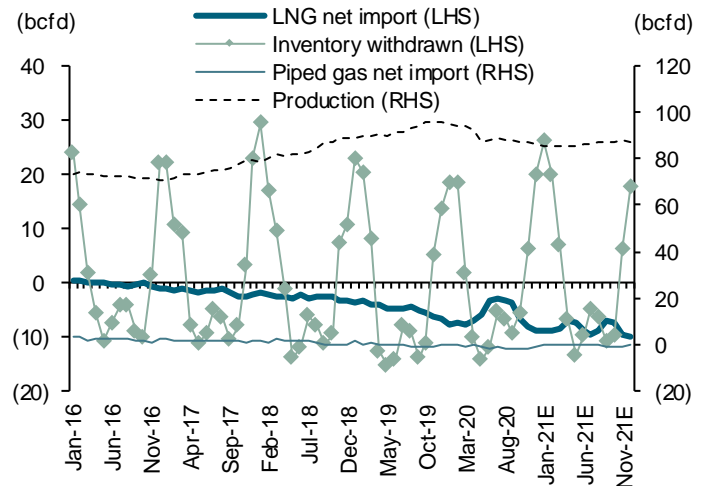
According to the EIA’s projections, the US gas inventory could rise markedly and remain high above its historical average. Normally, the US gas inventory would start rising in October for restocking ahead of the seasonally high demand for both domestic consumption, heating in the winter, and LPG/LNG exports. The US gas inventory typically starts to decline by April every year after the demand for heating gas slows.

Exhibit 18: US gas demand, supply, and inventory



Source: EIA

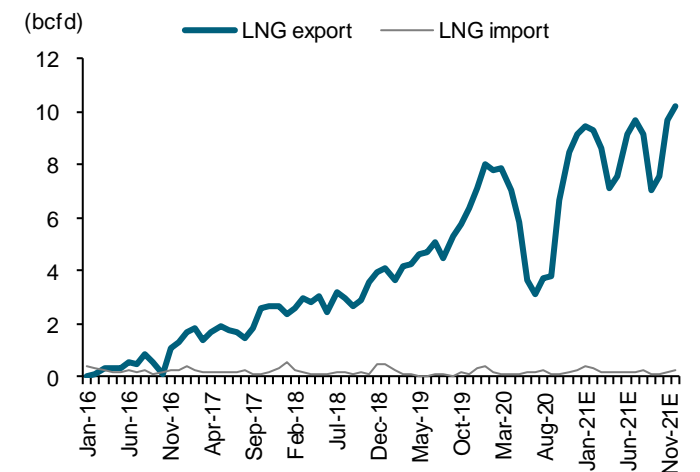
Exhibit 19: US gas supply, including net LNG imports, net imports of piped gas, production, and inventory withdrawn



Source: EIA

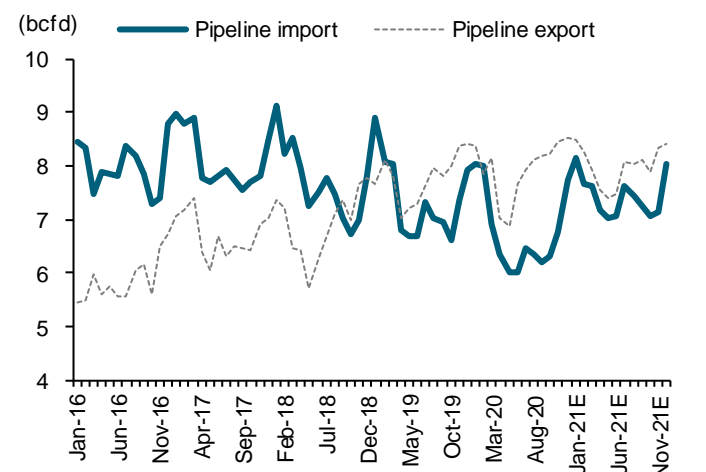
However, starting in 2Q21, the EIA projects that, while the US gas inventory could increase substantially ahead of the seasonally high winter demand, the gas inventory is unlikely to drop to its normal average in 2Q-3Q21 due to the weak demand and continued high gas production, mainly for shale gas.

Exhibit 20: US LNG exports and imports



Source: EIA

Exhibit 21: US LNG pipeline exports and imports



Source: EIA

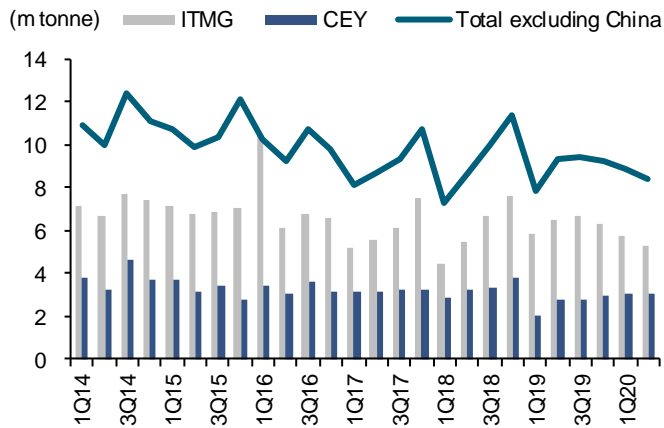
We expect the HH price to rise starting Aug-20. The EIA estimates that, in response to the lower demand and the particularly prolonged distressed HH price at lower than USD2/mmbtu (equivalent to USD2/kcf), US shale gas producers have started cutting their gas production since 2Q20, as most US shale gas producers have a cash cost above USD2/mmbtu. In addition, the EIA expects US LNG exports to rise starting in 4Q20, to help balance out the oversupplied US gas market.

As a result, the EIA expects the HH price to rise from its bottom of USD1.7/mmbtu in Apr-20 to USD3.31/mmbtu by end-2021, driven by 1) lower gas production; and 2) higher gas exports for both LNG and pipeline gas after demand recovers post COVID-19. This should bode well for Banpu's EBITDA from its shale gas business, in our view.

Black coal could be black again

We believe the EBITDA generated from its core coal unit has already seen its bottom in 2Q20 – we project Banpu’s coal EBITDA to be USD60-100m in 3Q20, up from USD37m in 2Q20 – due to the higher coal price and rising sales volumes. We project the coal price to remain high above USD55/tonne in 4Q20-2021, supported by China’s higher coal imports and the wider price gap between the Chinese domestic coal price and the benchmark Newcastle coal price.

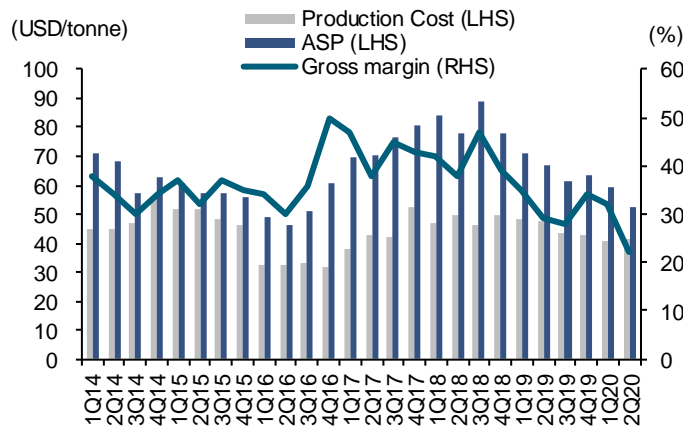
Exhibit 22: Banpu’s quarterly coal production volume



Source: BANPU

We project Banpu’s Indonesian coal producers, Indo Tambangraya Megah Tbk PT (ITMG ID) and Centennial (CEY), to see higher q-q impacts to their NPs from both rising coal sales volumes and ASPs, given the seasonally higher demand and strong support from China’s coal import demand.

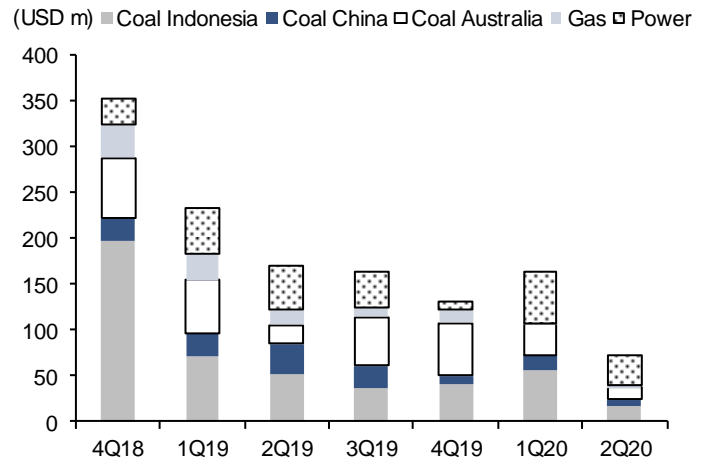
Exhibit 24: ITMG’s coal cost, ASP, and gross margin



Source: BANPU

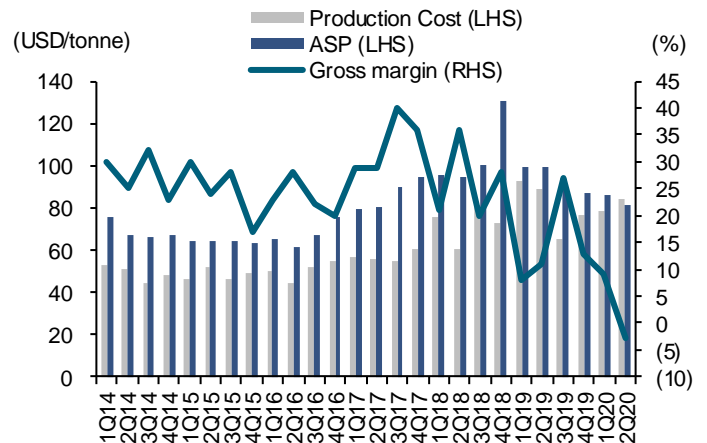
China has continued to increase its coal imports despite the limited coal import quota, resulting in a much wider price gap between the Chinese benchmark Qinghuangdao (QHD) coal price and the Newcastle (NCT) coal price. The domestic QHD (5,500kcal/kg heat rate) was USD32/tonne (RMB210/tonne) in Sep-20, higher than the NCT coal price (6,300kcal/kg), rising from just a USD16/tonne gap in Jan-20 and a price discount of USD10/tonne in Sep-19.

Exhibit 23: Quarterly EBITDA breakdown by segment



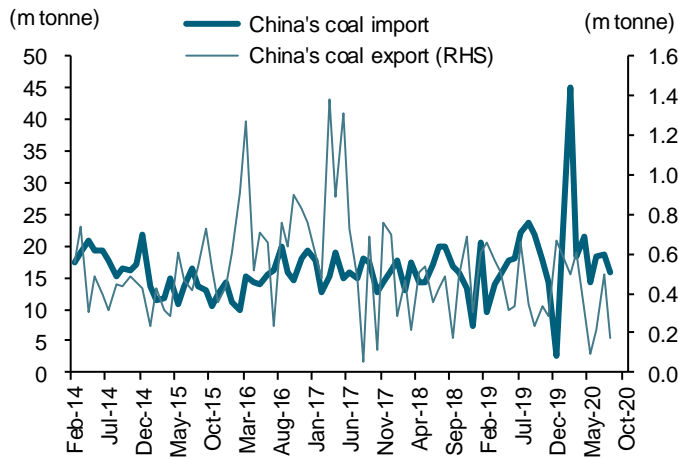
Source: BANPU

Exhibit 25: CEY’s quarterly coal production volume



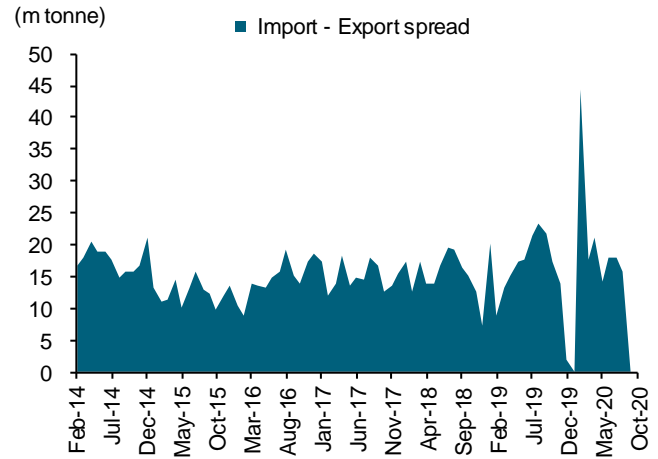
Source: BANPU

Exhibit 26: China's coal imports and exports



Source: Bloomberg

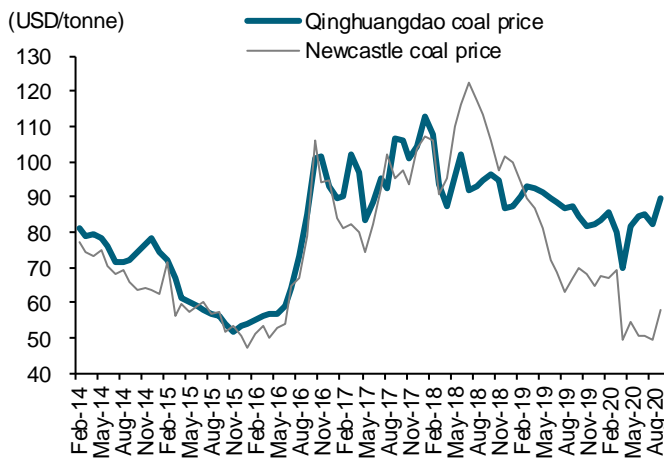
Exhibit 27: China's net coal imports



Source: Bloomberg

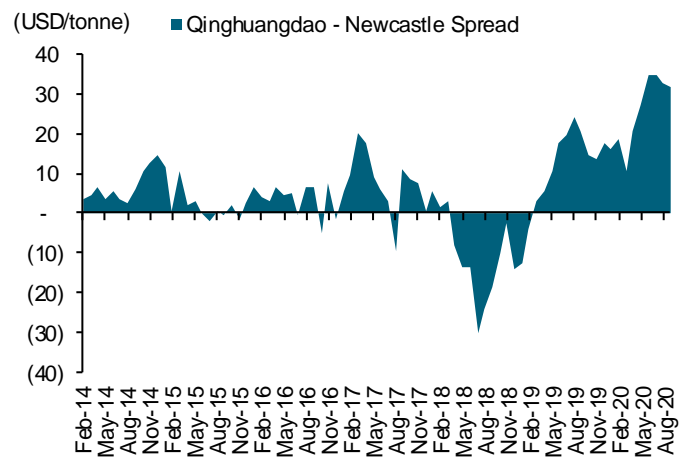
With the expected seasonally higher demand for coal in the coming winter, we think the seaborne NCT price will rise in 4Q20-2Q21 to narrow the price gap between QHD and NCT, based on the assumption that the Chinese government is likely to permit Chinese power producers to import more coal in the coming months.

Exhibit 28: Benchmark coal prices (QHD vs Newcastle)



Source: Bloomberg

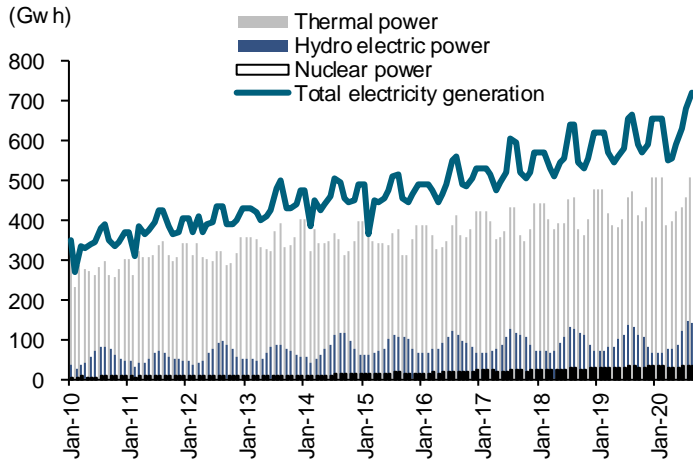
Exhibit 29: Coal price gap between QHD and Newcastle



Source: Bloomberg

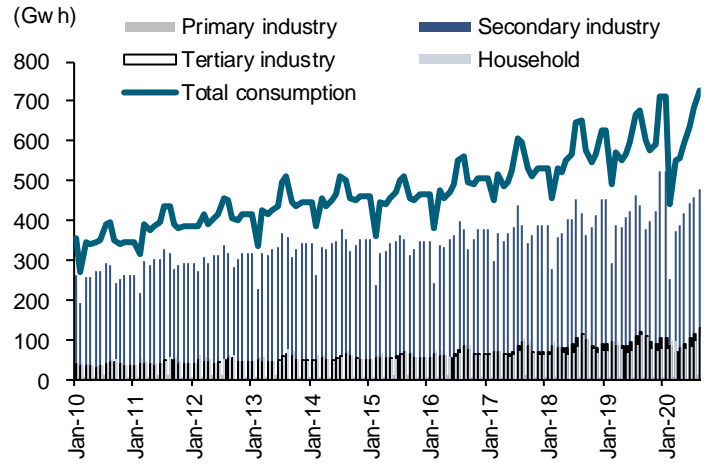
We believe the wider price gap between QHD and NCT will further increase from USD32/tonne in Sep-20 toward USD40/tonne by end-2020, unless the Chinese government allows higher coal imports for Chinese power producers to restock their coal inventories for the upcoming winter. Chinese power producers normally see a sharp rise in electricity demand by almost 2x from the summer, as China consumes electricity for both heating and energy purposes for both households and the industrial sector, which is broken into three tiers based on power consumption level.

Exhibit 30: Thermal power (mostly coal-fired) remains China's main power generation capacity



Source: Bloomberg

Exhibit 31: China's electricity demand has sharply rebounded above pre-COVID-19 levels



Source: Bloomberg

Valuation

We upgrade Banpu to BUY from Hold and maintain our SOTP-based TP of THB8.3. We think its share price decline has already priced in its weak 1H20 performance due to the depressed coal and gas prices, but has not yet priced in the upcoming net profit growth in 2H20E driven by rising NPs across its three divisions: coal (improving coal price and sales volumes), gas (rising gas price and sales volumes from the Barnett acquisition), and power (from Hongsa power plant's higher utilisation rates).

Exhibit 32: SOTP valuation

Banpu's valuation breakdown	(THB/share)	Consolidated	
ITMG (65%) (A)	6.5	Yes	DCF 9% WACC, terminal growth is zero for mines
Value of non-ITMG coal business			
China coal	2.0	No	DCF 9% WACC, terminal growth is zero for mines
Australian coal (Centennial)	1.1	Yes	DCF 9% WACC, terminal growth is zero for mines
Banpu's net debt	(11.4)		at end FY20E
Net value of non-ITMG coal (B)	(8.3)		
Value of power business			
BLCP	2.3	No	DCF 6.5% WACC, terminal growth is zero at the end of PPA
China power	2.5	Yes	DCF 6.5% WACC, terminal growth is zero at the end of PPA
Hongsa	2.3	No	DCF 6.5% WACC, terminal growth is zero at the end of PPA
SLG	0.8	No	DCF 6.5% WACC, terminal growth is zero at the end of PPA
Solar farms (Japan, Thailand, China)	2.2	Yes	DCF 6.5% WACC, terminal growth is zero at the end of PPA
Net value of power (C)	10.1		
	Banpu (A+B+C)		
Net value of Banpu (A+B+C)	8.3		Target price

Sources: Banpu; FSSIA estimates

Financial Statements

Banpu

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	112,771	85,718	61,023	59,055	59,823
Cost of goods sold	(71,776)	(60,256)	(35,966)	(34,611)	(34,475)
Gross profit	40,994	25,462	25,058	24,444	25,349
Other operating income	-	-	-	-	-
Operating costs	(13,559)	(13,810)	(11,608)	(11,233)	(11,387)
Operating EBITDA	27,435	11,652	13,450	13,211	13,962
Depreciation	(10,544)	(10,761)	(11,269)	(10,557)	(11,360)
Goodwill amortisation	(70)	(195)	(366)	(366)	(366)
Operating EBIT	16,821	697	1,815	2,288	2,236
Net financing costs	(6,014)	(8,393)	(5,756)	(5,807)	(6,007)
Associates	8,500	6,444	7,297	7,266	7,266
Recurring non operating income	8,253	11,416	10,527	10,337	10,446
Non recurring items	0	0	0	0	0
Profit before tax	19,060	3,720	6,586	6,818	6,675
Tax	(6,110)	(2,368)	0	0	0
Profit after tax	12,950	1,352	6,586	6,818	6,675
Minority interests	(3,542)	(1,905)	(1,414)	(1,267)	(1,258)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	9,408	(553)	5,171	5,551	5,417
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	9,478	(358)	5,537	5,917	5,783
Per share (THB)					
Recurring EPS *	1.84	(0.07)	1.07	1.15	1.12
Reported EPS	1.82	(0.11)	1.00	1.08	1.05
DPS	0.65	0.60	0.36	0.37	0.36
Diluted shares (used to calculate per share data)	5,162	5,162	5,162	5,162	5,162
Growth					
Revenue (%)	15.9	(24.0)	(28.8)	(3.2)	1.3
Operating EBITDA (%)	21.3	(57.5)	15.4	(1.8)	5.7
Operating EBIT (%)	7.4	(95.9)	160.5	26.1	(2.3)
Recurring EPS (%)	20.0	(103.8)	(1,647.0)	6.9	(2.3)
Reported EPS (%)	19.1	(105.9)	(1,035.4)	7.3	(2.4)
Operating performance					
Gross margin inc depreciation (%)	27.0	17.2	22.6	23.5	23.4
Gross margin of key business (%)	-	-	-	-	-
Operating EBITDA margin (%)	24.3	13.6	22.0	22.4	23.3
Operating EBIT margin (%)	14.9	0.8	3.0	3.9	3.7
Net margin (%)	8.4	(0.4)	9.1	10.0	9.7
Effective tax rate (%)	20.0	20.0	20.0	20.0	20.0
Dividend payout on recurring profit (%)	35.4	(865.3)	33.3	32.3	32.3
Interest cover (X)	4.2	1.5	2.2	2.2	2.2
Inventory days	23.1	26.1	29.2	20.5	19.8
Debtor days	37.7	43.1	43.9	44.0	42.6
Creditor days	18.9	16.8	18.4	19.0	18.9
Operating ROIC (%)	18.9	0.5	3.4	4.3	4.5
ROIC (%)	7.5	2.0	5.5	5.4	5.1
ROE (%)	11.3	(0.5)	7.5	7.7	7.2
ROA (%)	6.3	1.7	4.9	4.8	4.7
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue By Division (THB m)					
Coal	38,027	30,346	27,238	27,238	27,238
Others	74,744	55,372	33,785	31,817	32,585

Sources: Banpu; FSSIA estimates

Financial Statements

Banpu

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	9,478	(358)	5,537	5,917	5,783
Depreciation	10,544	10,761	11,269	10,557	11,360
Associates & minorities	(8,500)	(6,444)	(7,297)	(7,266)	(7,266)
Other non-cash items	7,241	(544)	(3,181)	(3,130)	(2,930)
Change in working capital	(3,544)	5,207	1,935	357	27
Cash flow from operations	15,219	8,621	8,264	6,435	6,974
Capex - maintenance	-	-	-	-	-
Capex - new investment	(15,800)	(11,578)	(8,243)	(7,977)	(8,081)
Net acquisitions & disposals	78	(3,133)	(3,133)	(3,133)	(3,133)
Other investments (net)	896	3,894	3,898	3,898	3,898
Cash flow from investing	(14,825)	(10,817)	(7,478)	(7,212)	(7,316)
Dividends paid	(3,355)	(3,097)	(2,575)	(1,871)	(1,892)
Equity finance	0	0	0	0	0
Debt finance	6,153	8,531	2,800	6,900	(1,100)
Other financing cash flows	(6,073)	(6,814)	(6,151)	(4,983)	(5,114)
Cash flow from Financing	(3,275)	(1,380)	(5,926)	46	(8,106)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(2,881)	(3,576)	(5,141)	(731)	(8,449)
Free cash flow to firm (FCFF)	6,060.07	3,629.64	6,741.63	5,386.89	5,944.15
Free cash flow to equity (FCFE)	474.05	(478.90)	(2,565.67)	1,139.84	(6,556.44)

Per share (THB)

FCFF per share	1.17	0.70	1.31	1.04	1.15
FCFE per share	0.09	(0.09)	(0.50)	0.22	(1.27)
Recurring cash flow per share	3.63	0.66	1.23	1.18	1.35

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Tangible fixed asset (gross)	94,880	93,339	101,582	109,559	117,639
Less: Accumulated depreciation	(34,543)	(34,543)	(44,289)	(54,846)	(66,206)
Tangible fixed assets (Net)	60,337	58,796	57,293	54,712	51,433
Intangible fixed assets (Net)	822	460	460	460	460
Long-term financial assets	-	-	-	-	-
Invest. In associates & subsidiaries	49,962	49,104	54,724	60,313	65,902
Cash & equivalents	19,964	16,388	11,248	10,516	2,067
A/C receivable	12,809	7,415	7,281	6,968	6,999
Inventories	4,856	3,759	1,994	1,890	1,855
Other current assets	7,618	13,533	13,533	13,533	13,533
Current assets	45,247	41,095	34,055	32,908	24,455
Other assets	117,950	108,134	117,856	127,491	137,130
Total assets	274,317	257,589	264,388	275,885	279,380
Common equity	83,060	72,195	74,791	78,471	81,996
Minorities etc.	19,952	18,286	19,701	20,968	22,226
Total Shareholders' equity	103,013	90,481	94,492	99,439	104,222
Long term debt	99,036	103,749	116,593	123,415	122,315
Other long-term liabilities	16,810	16,285	16,158	15,943	15,733
Long-term liabilities	115,845	120,034	132,750	139,359	138,048
A/C payable	3,758	1,798	1,834	1,775	1,798
Short term debt	31,456	29,964	20,000	20,000	20,000
Other current liabilities	20,246	15,312	15,312	15,312	15,312
Current liabilities	55,459	47,074	37,146	37,087	37,110
Total liabilities and shareholders' equity	274,317	257,589	264,388	275,885	279,380
Net working capital	1,279	7,597	5,662	5,305	5,277
Invested capital	230,350	224,090	235,995	248,282	260,203

* Includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	16.09	13.99	14.49	15.20	15.88
Tangible book value per share	15.93	13.90	14.40	15.11	15.80

Financial strength

Net debt/Equity (%)	107.3	129.7	132.7	133.6	134.6
Net debt/total assets (%)	40.3	45.5	47.4	48.2	50.2
Current ratio (x)	0.8	0.9	0.9	0.9	0.7
CF interest cover (x)	3.7	2.3	2.0	2.6	1.3

Valuation	2018	2019	2020E	2021E	2022E
Recurring P/E (x) *	3.5	(93.7)	6.1	5.7	5.8
Recurring P/E @ target price (x) *	4.5	(119.7)	7.7	7.2	7.4
Reported P/E (x)	3.6	(60.7)	6.5	6.0	6.2
Dividend yield (%)	10.0	9.2	5.5	5.7	5.6
Price/book (x)	0.4	0.5	0.4	0.4	0.4
Price/tangible book (x)	0.4	0.5	0.5	0.4	0.4
EV/EBITDA (x) **	6.0	14.5	13.3	14.2	14.0
EV/EBITDA @ target price (x) **	6.3	15.3	14.0	14.9	14.7
EV/invested capital (x)	0.7	0.8	0.8	0.8	0.8

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

Sources: Banpu; FSSIA estimates

Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANA
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PM	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMPC	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range	Number of Logo					Description				
90-100						Excellent				
80-89						Very Good				
70-79						Good				
60-69						Satisfactory				
50-59						Pass				
Less than 50	No logo given					-				

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANAHA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

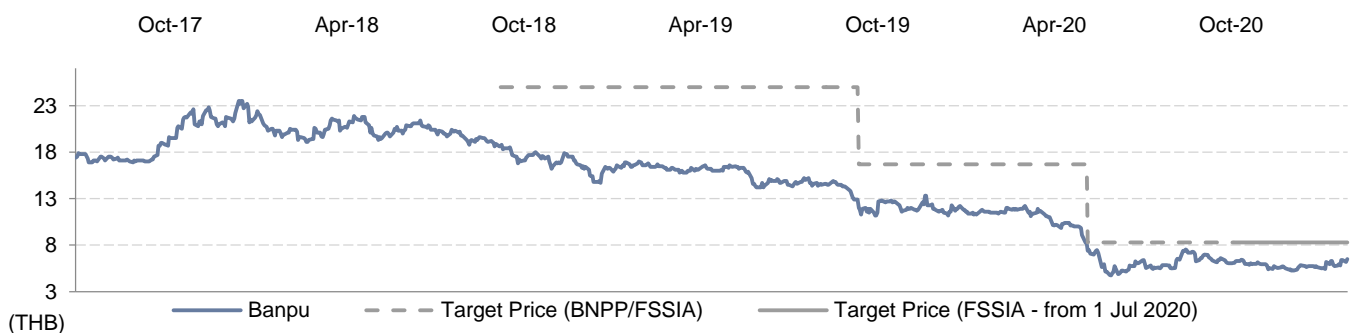
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

Banpu (BANPU TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Oct-2018	BUY	25.00	13-Aug-2019	BUY	16.70	26-Feb-2020	HOLD	8.30

Suwat Sinsadok started covering this stock from 09-Oct-2018

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Banpu	BANPU TB	THB 6.50	BUY	We see downside risks to our SoTP-based TP from lower coal prices, higher diesel costs and any unplanned shutdowns of its power plants.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 08-Oct-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

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

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

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. 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.