

28 JUNE 2021

THAILAND / UTILITIES - CONVENTIONAL

## RATCH GROUP RATCH TB

BUY

UNCHANGED

TARGET PRICE	THB60.00
CLOSE	THB45.00
UP/DOWNSIDE	+33.3%
PRIOR TP	THB76.00
CHANGE IN TP	-21.1%
TP vs CONSENSUS	+10.4%

## สู่การเติบโตอย่างยั่งยืนและเป็นมิตรกับสิ่งแวดล้อม

## ความสัมพันธ์ระหว่างเงินทุน การเติบโต และกระแสเงินสด

ระหว่างการประชุมทางโทรศัพท์กับ FSSIA ผู้บริหารได้ให้รายละเอียดสำคัญ 3 ประการ ซึ่งเราคิดว่า เป็นเหตุเป็นผลกับการสร้างการเติบโตเชิงกลยุทธ์ด้วยโรงไฟฟ้าถ่านหินของบริษัท ในทางการเงินการเพิ่มทุนเพื่อสนับสนุนการซื้อและควบรวม 3 กิจการสำคัญในปี 2021-22 ซึ่งรวมถึง Paiton น่าจะเตรียม RATCH ให้พร้อมในด้านเงินทุนสำหรับการซื้อและควบรวมกิจการ รวมถึงโครงการเพื่อการเติบโตในต่างประเทศในอนาคตเพื่อให้บริการลูกค้ากำลังการผลิตตามส่วนการถือหุ้นที่ 10GW ของบริษัท ภายในปี 2025 ในแง่การดำเนินงาน Paiton เหมาะสมกับพอร์ตสินทรัพย์ของบริษัท เมื่อพิจารณาถึงอัตราผลตอบแทนทางเศรษฐกิจ (EIRR) ที่น่าพอใจของบริษัท ที่ 15% และทำเลที่ตั้งของโครงการที่ตอบสนองต่อความต้องการไฟฟ้าในอินโดนีเซีย ในเชิงยุทธศาสตร์ Paiton ให้กระแสเงินสดเป็นระยะเวลายาวนานถึงกว่า 21 ปีซึ่งจะทดแทนสัญญาซื้อขายไฟฟ้าของ RG ที่จะสิ้นสุดในปี 2024-25 ได้พอดี

## การสร้างสมดุลย์ในด้านเงินทุนสำหรับแผนการเติบโตในระยะยาว

ผู้บริหารระบุว่า การเพิ่มทุนของ RATCH มีจุดประสงค์ 2 ประการเพื่อช่วยสร้างสมดุลย์ระหว่างโครงสร้างเงินทุนกับการเติบโตของบริษัท ประการแรก การหาเงินทุนให้เพียงพอสำหรับในอีก 3-5 ปีข้างหน้าจะทำให้ RATCH สามารถเพิ่มกำลังการผลิตตามส่วนการลงทุนเป็น 10GW โดยไม่ต้องเพิ่มทุนอีกในอนาคต ประการที่สองการเพิ่มทุนจะทำให้ RATCH สามารถรักษาระดับเครดิตของบริษัท ที่ S&P เป็นผู้ประเมินไว้ที่ 'BBB+' ซึ่งเป็นอัตราเดียวกับของประเทศไทย อันจะทำให้บริษัท ได้ประโยชน์จากต้นทุนทางการเงินที่ต่ำในอนาคต โดยเฉพาะอย่างยิ่งสำหรับหุ้นกู้ในรูปเงินเหรียญสหรัฐ และทำให้บริษัท สามารถรักษาสัดส่วนหนี้สินต่อทุนไว้ที่ต่ำกว่า 1.3x หลังการซื้อและควบรวม Paiton รวมถึงกิจการอื่น ๆ ในปี 2022

## ความสัมพันธ์ระหว่างกระแสเงินสดและการเติบโตที่เป็นมิตรต่อสิ่งแวดล้อม

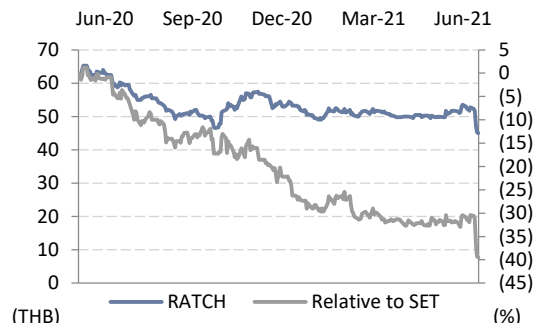
จากข้อมูลของผู้บริหาร RATCH มีเหตุผล 3 ประการในการซื้อโรงไฟฟ้าถ่านหิน Paiton ประการแรก Paiton จะเป็นธุรกิจสร้างกระแสเงินสดในระยะยาว ซึ่งจะช่วยเติมเต็มกระแสเงินสดที่ได้รับผลกระทบจากการสิ้นสุดสัญญาของ RG ในปี 2024-25 เนื่องจากสัญญาซื้อขายไฟฟ้าของ Paiton มีเงื่อนไขให้ชำระเงินตามสัญญาไม่ว่าจะใช้ไฟฟ้าหรือไม่ก็ตาม (Take-or-Pay) ประการที่สอง Paiton ให้ EIRR ที่กว่า 15% จากอัตราค่าไฟฟ้าที่สูงถึง USD0.09/kWh เนื่องจากมีความต้องการในระดับสูง ประการที่สาม Paiton จะเป็นฐานในการสร้างการเติบโตของ RATCH เนื่องจากเป็นโรงไฟฟ้าถ่านหินคุณภาพสูงที่ Paiton สร้าง เป็นเจ้าของและดำเนินงานเอง (Built-Own-Operate) และอยู่ในตลาดอินโดนีเซียที่มุ่งเน้นการใช้ถ่านหินเป็นหลัก ซึ่งจะช่วยให้เสริมสร้างการเป็นหุ้นส่วนเชิงยุทธศาสตร์ให้เข้มแข็งมากยิ่งขึ้นสำหรับโอกาสในการเติบโตในอนาคต

## จากหุ้นปันผลเป็นหุ้นเติบโต

เราปรับลดราคาเป้าหมายของเราจาก 76 เป็น 60 บาท (SoTP) เพื่อสะท้อนผลกระทบของการเพิ่มทุน 53% และรายได้ตามส่วนการลงทุนจาก Paiton เราคาดว่ามูลค่าของ Paiton จะอยู่ที่ 13.2 บาทต่อหุ้น และเชื่อว่าราคาหุ้นของ RATCH ที่ลดลงได้สะท้อนผลกระทบของกำไรต่อหุ้นที่ลดลงไปแล้ว เราเชื่อว่ากลยุทธ์ในระยะสั้นของ RATCH ที่เลือกการเติบโตมาก่อนสิ่งแวดล้อมจะช่วยให้นักลงทุนสามารถบรรลุยุทธศาสตร์ในการสร้างการเติบโตระยะยาวของบริษัท ที่ต้องการการเติบโตที่เป็นมิตรกับสิ่งแวดล้อมมากยิ่งขึ้น โดยมีรายได้จากพลังงานหมุนเวียนที่ 25% ซึ่งจะทำให้ RATCH อยู่ในระดับเดียวกับหุ้นเติบโตชั้นนำอีก 2 รายการคือ BGRIM และ GULF ในกลุ่มสาธารณูปโภคของไทย

## KEY STOCK DATA

YE Dec (THB m)	2020E	2021E	2022E	2023E
Revenue	34,482	36,614	39,944	39,990
Net profit	6,287	7,655	13,150	13,360
EPS (THB)	4.34	5.28	5.93	6.02
vs Consensus (%)	-	13.3	34.2	31.1
EBITDA	4,180	7,938	10,211	10,820
Core net profit	5,982	7,655	13,150	13,360
Core EPS (THB)	4.13	5.28	5.93	6.02
Chg. In EPS est. (%)	-	-	(5.8)	(7.6)
EPS growth (%)	(1.9)	28.0	12.2	1.6
Core P/E (x)	10.9	8.5	7.6	7.5
Dividend yield (%)	5.4	7.0	7.6	8.1
EV/EBITDA (x)	18.8	11.1	11.6	10.9
Price/book (x)	1.1	1.0	1.0	0.9
Net debt/Equity (%)	22.2	35.9	18.0	16.7
ROE (%)	10.0	12.2	15.7	12.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.5)	(13.0)	(28.9)
Relative to country (%)	(10.4)	(13.7)	(40.4)
Mkt cap (USD m)	2,051		
3m avg. daily turnover (USD m)	10.5		
Free float (%)	43		
Major shareholder	EGAT (45%)		
12m high/low (THB)	66.00/44.75		
Issued shares (m)	1,450.00		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 28 มิถุนายน 2021

## Investment thesis

While RATCH's 2019-20 earnings growth was not substantial, we like the sustainability of its earnings from its large power asset portfolio. Its 40%-owned 1.8GW Hongsa coal-fired power plant (HPC) has continued to run efficiently, and we project a high utilisation rate of over 80% in 2021 with a 2021E annual net profit contribution of THB2.2b-2.7b, due to better efficiency. We believe RATCH's earnings momentum will improve in 2021-22, driven by: 1) stronger earnings contributions from HPC; 2) 2021E increased equity capacity; and 3) higher profitability and ROE driven by high-margin new capacity. RATCH has committed to invest THB2.8b for a 10% stake in the MRT Pink and Yellow Lines. It will partner with BTS Group Holdings (BTS TB, BUY) and Sino-Thai Engineering & Construction (STEC TB, HOLD) to complete the two train projects. While not a significant contributor to earnings, we think this could be a future growth engine for RATCH as a passive investor.

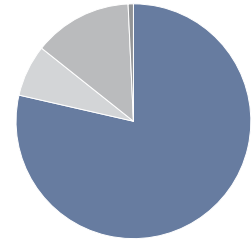
## Company profile

RATCH is a holding company investing in electricity generating businesses. RATCH is Thailand's largest power producer by equity capacity and most of its generating power capacity is via Independent Power Producers (IPP).

[www.ratch.co.th](http://www.ratch.co.th)

## Principal activities (revenue, 2019)

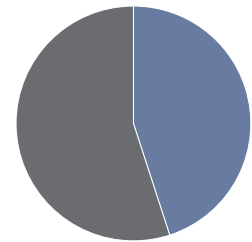
- Domestic electricity generating - 78.6 %
- International power projects - 7.1 %
- Revenue from finance lease contracts - 13.6 %
- Others - 0.7 %



Source: Ratch Group

## Major shareholders

- EGAT - 45.0 %
- Others - 55.0 %



Source: Ratch Group

## Catalysts

Higher power plant utilisation rates and rising demand for electricity in Thailand and Australia are key potential upside catalysts.

## Risks to our call

The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand; 2) lower crude price; and 3) delays in starting new projects.

## Event calendar

Date	Event
Aug 2021	2Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
Dispatched power (GWh)	12,982	20,603	20,603
Share of profits (THB m)	3,445	7,382	6,997

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in gas price, we estimate 2021 earnings would decline 1.2%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate 2021 earnings would decline 1.1%, and vice versa, all else being equal.

Source: FSSIA estimates

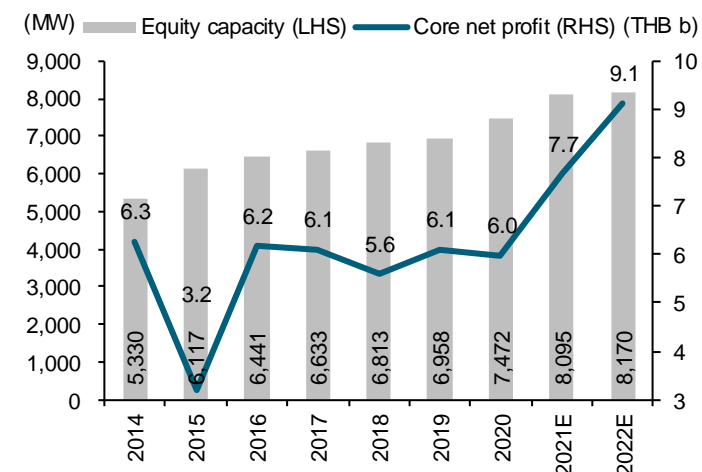


## From a dividend to growth utility play

Following RATCH's surprising announcement of a 53% capital increase to acquire a 45% stake in the 2GW coal-fired Paiton power plant in Indonesia, management elaborated on three key details that we think fairly justify RATCH's strategic growth into coal-fired assets.

**Background:** On 23 June 2021, RATCH announced its acquisition of a 45% stake in the Paiton 2GW coal-fired power plant and simultaneously announced a 53% capital increase by issuing new 769.23m preferential private offerings (PPO), scheduled to be completed in 4Q21, ahead of the acquisition payment of the Paiton deal in 1Q22. In addition, RATCH plans to complete one acquisition within 3Q21 and one more M&A by end-2021.

**Exhibit 1: Equity capacity vs core net profit**



Sources: RATCH; FSSIA estimates

**Exhibit 2: Location of Paiton power plant**



Source: Wikipedia

## Why is a capital increase a last resort for RATCH to fund M&A and Paiton?

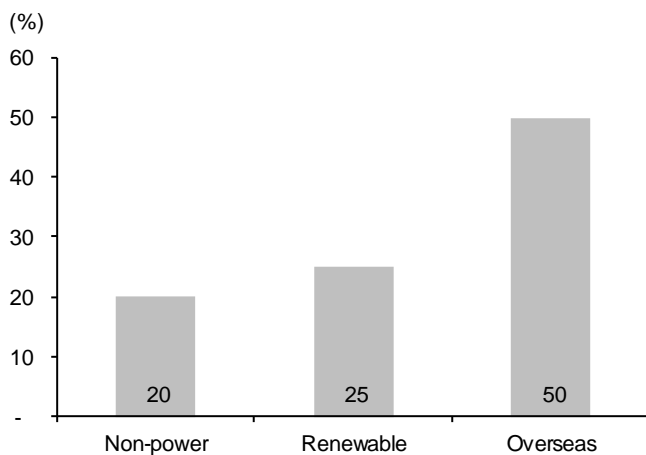
Financially, the capital increase to fund three major M&A in 2021-22, including Paiton, should prepare RATCH well for the funding of M&A and future growth projects overseas to achieve its 10GW equity capacity target by 2025. In May 2021, RATCH indicated three key targets for its growth strategy to be achieved by 2025.

First, RATCH aims to achieve its revenue target of at least 20% from non-power businesses, 25% from renewable energy, and 50% from overseas investment projects by 2025.

Second, RATCH plans to grow its equity capacity (EC) to 10GW by 2025, up from the current 7GW at end-1Q21 (4.4GW in Thailand and 2.6GW overseas), with committed capacity growth of 1.2GW in 2021-25 (0.8GW in Thailand and 0.4GW overseas).

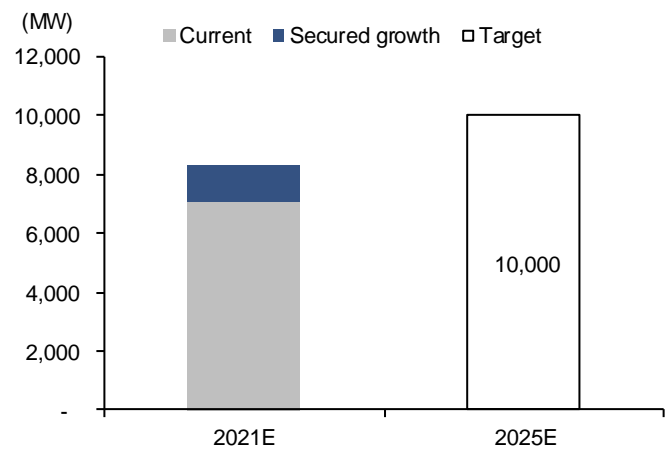
Third, RATCH plans to expand its non-power business growth into 'infrastructure' ventures, defined as businesses that will serve community and public needs, including transportation, healthcare, water, and telecommunications. After RATCH's acquisition of stakes in Bangkok Aviation Fuel Services (BAFS TB, BUY, TP THB40) and Principal Capital (PRINC TB, not rated), investors have cast doubts on the company's growth strategy. Management clearly indicated that RATCH will seek revenue growth in its self-defined 'infrastructure' ventures as those infrastructures that would serve the needs of public services, including healthcare (PRINC), transportation (BTS), oil pipelines (Thai Pipeline Network (not listed)), and fuel filling (BAFS).

Exhibit 3: % of total revenue target by 2025



Source: RATCH

Exhibit 4: Equity capacity target



Source: RATCH

Management believes that without the capital increase, RATCH may not be able to timely secure the growth projects to strengthen its earnings and cash flow portfolio, particularly post 2024 when its largest, 3.7GW IPP RG, will see the expiration of its power purchase agreement (PPA).

Based on our analysis, RATCH's debt-to-equity (DE) ratio stands at 0.8x as of end-1Q21, comprising THB43.7b interest bearing debt, THB8.4b cash and cash equivalents, and THB51.9b equity. Given the optimum DE of 1.3x to maintain its credit rating at the BBB+ investment grade, management believes it will be beneficial for RATCH's shareholders for it to balance between competitive funding costs and timely growth acquisitions in order to sustain RATCH's net profit growth at over THB10b annually and position the company well for future growth projects in 2021-25.

Under RATCH's current 53% capital increase, we estimate that its DE will decline from 0.8x to 0.5x due to the larger equity base that should further allow RATCH to raise additional debt of up to THB63.8b before its DE reaches the 1.3x threshold.

Exhibit 5: Growth projects

Projects	Energy type	Power plant type	Equity capacity (MW)	COD	Locations
Collinsville solar	Renewable	Solar	43	1Q19	Australia
Xepian Xenamnoy	Renewable	Hydro	103	2019	Laos
Berkprai	SPP	Gas Cogen	35	1H20	Thailand
NNE	SPP	Gas Cogen	110	1H20	Thailand
NNEG Expansion	SPP	Gas Cogen	24	Sep-20	Thailand
Yandin	Renewable	Wind	150	Nov-20	Australia
Collector wind	Renewable	Wind	227	1Q21	Australia
BAFS	Fuel refuelling	na	na	1Q21	Thailand
TLP	IPP	Coal	137	1Q21	Vietnam
PRINC	Healthcare	na	na	2021E	Thailand
Riau Combined-cycle	SPP	Gas	145	May-21E	Indonesia
Ecowind	Renewable	Wind	15	2021E	Thailand
RATCH Cogen expansion	Gas	SPP	30	2022E	Thailand
Nexif	Gas	SPP	236	2022E	Vietnam
Nexif Energy Ben Tre	Renewable	Wind	40	2022E	Vietnam
Guangxi Fangchenggang	IPP	Nuclear	236	2022E	China
Paition	IPP	Coal	916	2022E	Indonesia
REN Korat (IPS)	Renewable	Solar	12	2023E	Thailand
Hin Kong	IPPs	Gas	714	2024-45E	Thailand

Sources: RATCH; FSSIA estimates

However, if RATCH pursues only debt funding for Paiton without any capital increase, we project that RATCH's DE would jump from 0.8x to 1.4x, exceeding the 1.3x barrier that could trigger a potential credit rating downgrade for RATCH.

Hence, we think RATCH's capital increase move is justified by 1) securing funding for its timely multiple M&A and future growth projects in 2021-25; 2) maintaining a low cost of funding at 2-3% for its green bonds and USD bonds, thanks to RATCH's high credit rating of BBB+, the highest among Thai power companies. This alone could result in financial cost savings of up to THB0.5b-1b annually to RATCH, based on 1 ppt interest cost savings.

#### Exhibit 6: Financial analysis of the capital increase and acquisition of Paiton

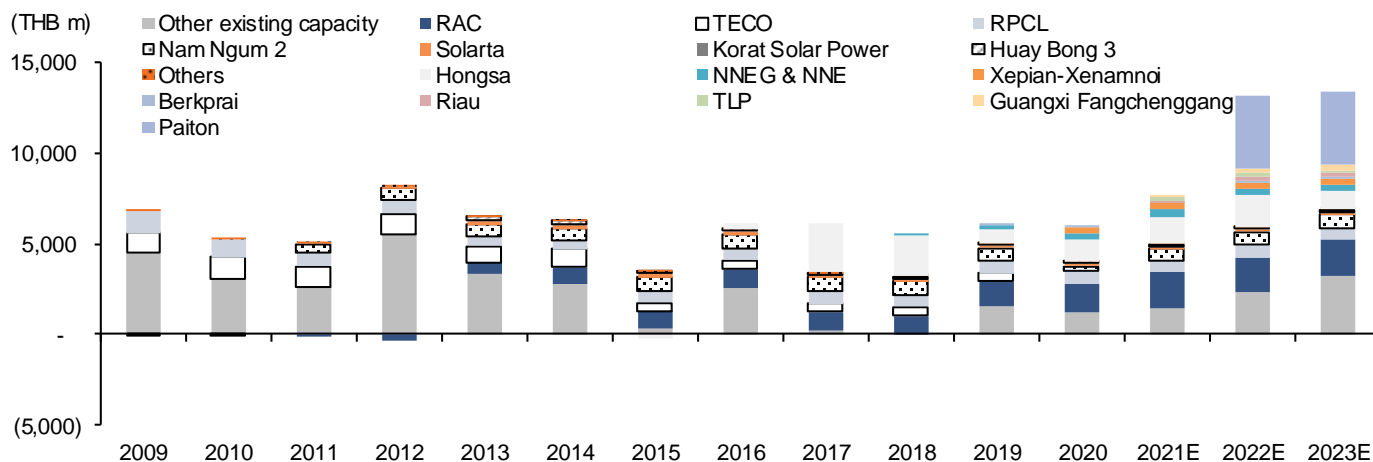
	Pre-capital increase in 2021E	Post-Paiton acquisition in 2022E	Post-Paiton acquisition in 2022E	Unit
		With capital increase	Without capital increase	
Acquisition cost - Paiton	30	30	30	THB b
Number of shares outstanding	1,450	2,219	1,450	m shares
Capital increase	-	769	-	m shares
% increase	-	53.1	-	%
Assume share price for capital increase	40.0	40.0	40.0	THB/share
Capital raised	-	30.8	-	THB b
Debt raised	-	-	30.0	THB b
<b>2021E net profit</b>	<b>9,117</b>	<b>13,150</b>	<b>12,411</b>	<b>THB m</b>
<b>2022E EPS</b>	<b>6.3</b>	<b>5.9</b>	<b>8.6</b>	<b>THB/share</b>
<b>% accretive (dilution)</b>		<b>(5.76)</b>	<b>36.13</b>	<b>%</b>
	Pre-capital increase in 2021E	Post-capital increase in 2021E	Post-capital increase in 2021E	Unit
Cash	8.4	8.4	8.4	THB b
Debt	43.7	43.7	73.7	THB b
Equity	51.9	82.7	51.9	THB b
Net debt	35.3	35.3	65.3	THB b
Net debt-to-equity	0.7	0.4	1.3	x
Debt-to-equity	0.8	0.5	1.4	x
Optimum net debt-to-equity	1.3	1.3	1.3	x
<b>Debt capacity</b>	<b>23.8</b>	<b>63.8</b>	<b>(6.2)</b>	<b>THB b</b>

Source: FSSIA estimates

## How can Paiton's coal-fired capacity fit into RATCH's portfolio and strategy?

Operationally, Paiton should fit well into RATCH's asset portfolio, given its attractive EIRR of 15% on its high tariff, strategic location to serve Indonesia's electricity demand, and platform ready for future growth opportunities.

### Exhibit 7: Capacity breakdown by projects



Sources: RATCH; FSSIA estimates

Management cited three key reasons for its coal-fired entry, likely to be RATCH's last coal-fired acquisition and later accelerating renewable capacity growth into its portfolio. The first reason is to improve its cash flow stability, thanks to the highly secured and stable cash flows from Paiton over the next 20 years. Second, Paiton has an attractive EIRR of 15% due to its high electricity tariff. Third, Paiton is a high-quality coal-fired asset located in the coal-focus Indonesian market, and hence could potentially strengthen RATCH's strategic partnerships for future growth in Indonesia.

### Exhibit 8: Capacity and ownership of Paiton power plant complex in East Java, Indonesia

Unit	Capacity (MW)	Ownership
Units 1 & 2	2 x 400 = 800	PT Pembangkitan Jawa Bali
Units 3	800	PT Paiton Energy
Units 5 & 6	2 x 610 = 1,220	PT Jawa Power
Units 7 & 8	2 x 615 = 1,230	PT Paiton Energy
Unit 9	1 x 660 = 660	PT PLN
<b>Total</b>	<b>4,710</b>	

Source: [Wikipedia](#)

According to management, Paiton has a highly secured take or pay PPA with a relatively stable tariff structure. To smooth out the execution process for the capital increase for US and Western investors, RATCH decided to issue PPO to accommodate the capital increase process to fund its existing capex plan of THB15b-20b in 2021, of which THB6b is already spent, excluding the Paiton project. RATCH plans to maintain its dividend payout ratio, even with the capital increase and heavy funding for growth projects.

## Exhibit 9: Projects in operation

Company	Project	Type	Location	Stake	Capacity (MW)		PPA expiration date
					Installed	EQ-owned	
<b>IPP</b>					<b>6,089</b>	<b>4,831</b>	
Ratchaburi Electricity Gen.	RG	Thermal	Ratchaburi (TH)	100%	1,470	1,470	2025E
Ratchaburi Electricity Gen.	RG	Combined Cycle	Ratchaburi (TH)	100%	2,175	2,175	2027E
Tri Energy Co.,	TECO (Tri Energy)	Combined Cycle	Ratchaburi (TH)	100%	720	720	2020E
Ratchaburi Power	RPCL	Combined Cycle	Ratchaburi (TH)	25%	1,490	373	2033E
Ratchaburi World Cogen	RW Cogen	Cogeneration	Ratchaburi (TH)	40%	234	94	2039E/2040E
<b>SPP</b>					<b>408</b>	<b>224</b>	
Navanakorn Electricity	NNEG	Cogeneration	Thailand	40%	139	56	2041E
Berkprai Cogeneration	Berkprai Cogeneration	Cogeneration	Ratchaburi	35%	99	35	2044E
Navanakorn Electricity	NNE	Cogeneration	Thailand	100%	110	110	2041E
Navanakorn Electricity	NNEG expansion	Cogeneration	Thailand	40%	60	24	2045E
<b>Renewable</b>					<b>281</b>	<b>75</b>	
Huay Bong 3	Huay Bong 3	Wind	Korat	20%	103.5	20.7	2022E
Huay Bong 2	Huay Bong 2	Wind	Korat	20%	103.5	20.7	2023E
Solar Power	Korat3, Korat4, Korat7	Solar	Nakornratchasima	40%	21.6	8.64	2022E
Solarta Co., Ltd.	Solarta	Solar	Ayutthaya	49%	42.3	20.73	2021E
VSPP	Songkhla Biommass	Biomass	Songkhla	40%	10	4.0	2022E
<b>Overseas</b>					<b>6,499</b>	<b>2,895</b>	
RATCH-Australia Corp.	RAC	Mixed	Australia	80%	1,356	1,217	2027E
SouthEast Asia Energy Ltd.	Nam Ngum 2	Hydro	Laos PDR	25%	615	154	2038E
Hongsa Power Co., Ltd.	Hongsa	Lignite-fired	Laos	40%	1,878	751	2040E
EDL-Generation	EDL	Solar	Laos PDR	10%	6	1	NA
EDL-Generation	EDL	Hydro	Laos PDR	10%	1,131	114	NA
RAC	Collinsville	Solar	Australia	100%	43	43	2033E
RAC	Collector	Wind	Australia	100%	227	227	2035E
RAC	Yandin	Wind	Australia	70%	214	150	2035E
RATCH	Xe Pian-Xe Namnoy	Hydro	Laos PDR	25%	410	103	2046E
Thang Long	IPP	Coal	Vietnam	22%	620	136	2018-43E
<b>Total</b>					<b>13,277</b>	<b>8,025</b>	

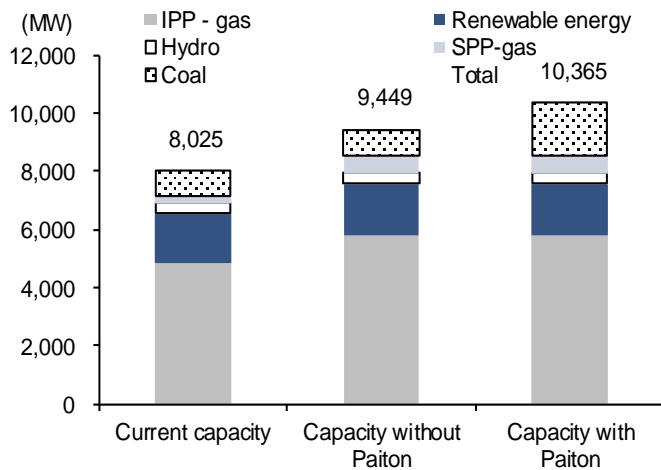
Source: RATCH

We estimate that post acquisition of Paiton, RATCH's generating capacity portion from coal will rise from 11% in 2021 to 17.4% in 2025. However, if RATCH decides to relinquish the acquisition of Paiton, its coal-fired capacity portion would decline from 11% in 2021 down to 9.4% in 2025, when all of its committed growth projects are on stream.

While its coal-fired capacity portion will rise, we think RATCH will benefit from the strong and sustainable earnings and cash flows as a base to allow the company to seek more capacity growth in renewable energy, which generates lower returns and profitability in the range of 8-11% EIRR. This is due to the high competition and lower government subsidies due to the increasing maturity of the renewable market, particularly for solar farms and onshore wind farms.

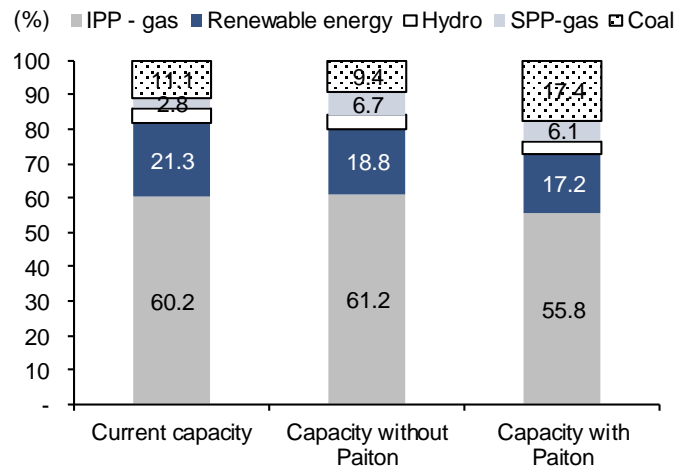


**Exhibit 10: Capacity breakdown by energy type with and without the acquisition of Paiton**



Sources: RATCH; FSSIA estimates

**Exhibit 11: Capacity breakdown by energy type with and without the acquisition of Paiton (%)**



Sources: RATCH; FSSIA estimates

### Why is RATCH pursuing the acquisition of Paiton and other M&A now?

Strategically, Paiton offers a long-term cash cow for over 21 years to RATCH, timely replacing its largest IPP, Ratchaburi Power Plant (RG), with its PPA scheduled to expire in 2024-25.

There are three reasons for RATCH's coal-fired Paiton acquisition. First, Paiton is to be a long-term cash cow to fill up the cash flow dents from the expiration of RG in 2024-25, thanks to its take-or-pay PPA. Second, Paiton earns an attractive EIRR of over 15% thanks to its high tariff of USD0.09/kWh, due to the high demand. Third, Paiton will be RATCH's growth platform base – a high-quality coal-fired, built-own-operate asset in the coal-focused Indonesian market, strengthening strategic partnerships for future potential growth.

In addition, management indicated that RATCH's fundraising in 2021-22 should ensure that the company will be able to raise funds at a very attractive interest rate ahead of the coming uptrend of global interest hikes, led by the US Federal Reserve Bank that the company expects to increase its policy interest rate as early as 4Q22 vs Bloomberg's consensus expectation in 2023.

According to management, RATCH has two key approaches to capitalise on its high credit rating.

**Low-interest green bonds.** RATCH could issue green bonds for its renewable projects, benefiting from the 1-3% interest rate. In November 2020, RATCH issued senior and unsecured green bonds (environmental green bonds) worth THB8b, backed by its large portfolio of wind and solar farms in Australia and the Pink Line and Yellow Line electric monorail projects.

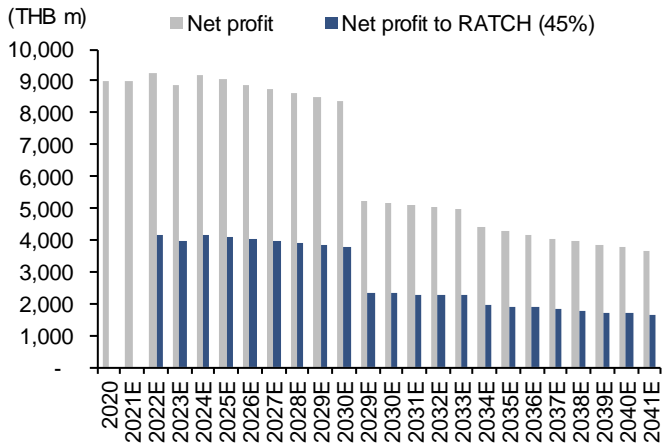
The green bonds offered a range of very low interest rates including:

- 1) Tranche 1: THB1b of 3-year bonds (coupon rate 1.32% p.a.)
- 2) Tranche 2: THB1.5b of 5-year bonds (1.76%)
- 3) Tranche 3: THB1.5b of 10-year bonds (2.61%)
- 4) Tranche 4: THB4b of 15-year bonds (2.94%)

The interest rate range of 1-3% for RATCH's green bonds is much lower than the interest yield curve at the time of its green bond issuance, indicating that RATCH's financial position is sound and stable. We believe that after its capital increase, RATCH should be able to issue additional green bonds to fund its planned renewable power plant capacity growth to achieve a 25% revenue contribution by 2025.

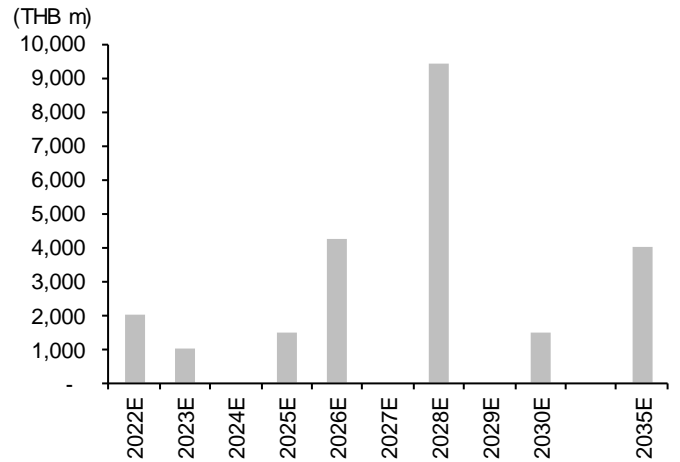
**USD bonds.** In 2021, RATCH issued USD bonds that commanded a very low interest rate of 0.6% for the short-term bonds and 2-3.5% for the long-term bonds, again reflecting RATCH's solid balance sheet and strong operations.

**Exhibit 12: Paiton – net profit projections**



Sources: RATCH; FSSIA estimates

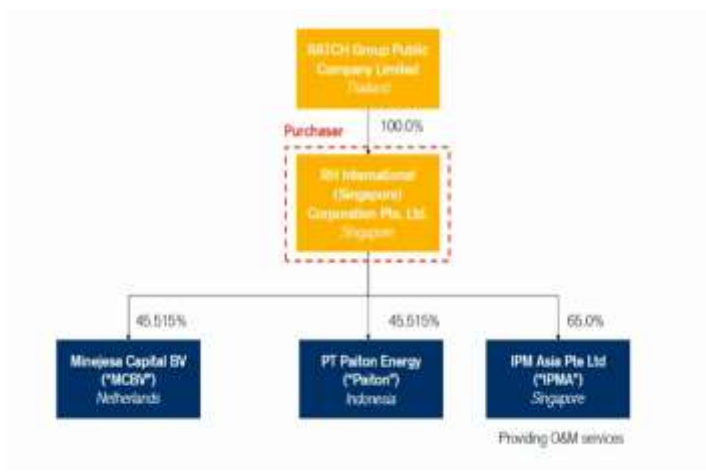
**Exhibit 13: RATCH's debt repayment schedule**



Sources: RATCH; FSSIA estimates

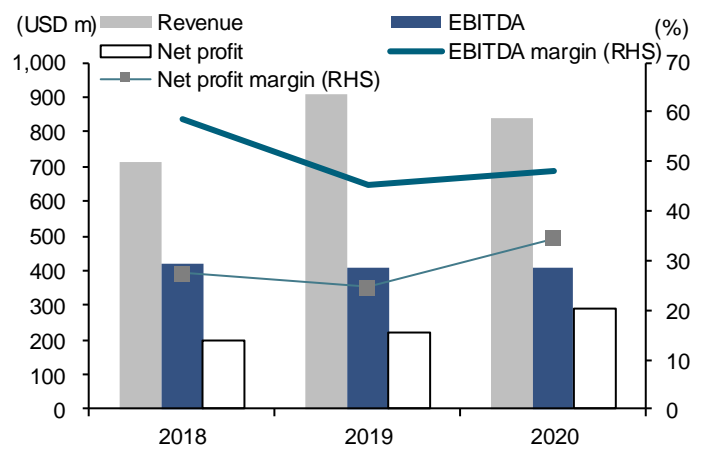
As a result of its low-risk, stable cash flow nature and its high profitability of over THB4m net profit per MW, based on our estimate, we are more positive on RATCH's capital increase to fund the coal-fired power plant acquisition, even though the move will be against the utilities sector trend toward more environment, social, and governance (ESG) assets.

**Exhibit 14: Proposed acquisition structure**



Sources: RATCH; FSSIA estimates

**Exhibit 15: Paiton's key financials**



Sources: RATCH; FSSIA estimates

**Indonesia is set to be RATCH's future growth market.** Management indicated that RATCH will seek more capacity growth in Indonesia, which is still an undersupplied power market, due to the strong demand growth but slow supply growth. We believe RATCH's strong renewable presence in Australia should allow it to leverage its expertise in growing its renewable capacity in Taiwan (for offshore wind farms), Vietnam (for solar, wind farms, and IPPs), and Laos (for hydropower plants and wind farms).

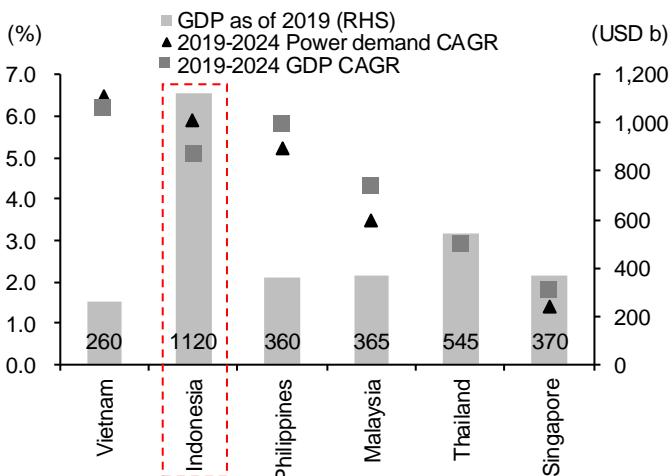
**Exhibit 16: RATCH's project presence**



Source: RATCH

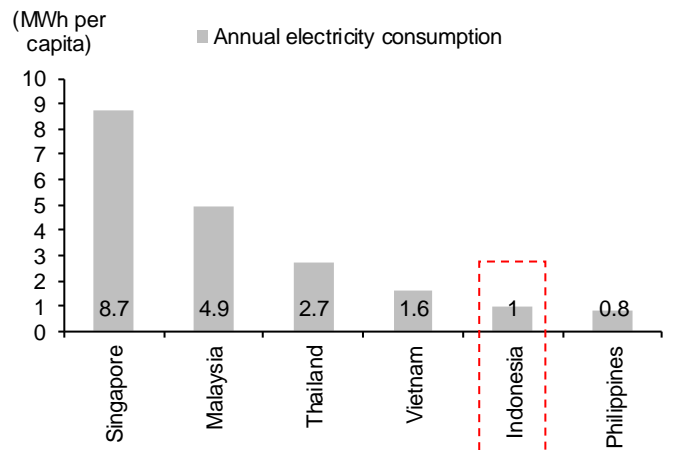
According to RATCH, despite its highest projected power demand growth in the region at 6% CAGR and GDP at 5% CAGR in 2019-24, Indonesia remains one of the underdeveloped countries for the power industry, with a very low annual power consumption per capita of only 1MWh per capita, far below Singapore (8.7MWh/person), Malaysia (4.9), Thailand (2.7) and Vietnam (1.6). Hence, the Paiton M&A should pave the way for RATCH to grow its presence in the Indonesian market, in our view.

**Exhibit 17: Indonesia's power demand vs GDP**



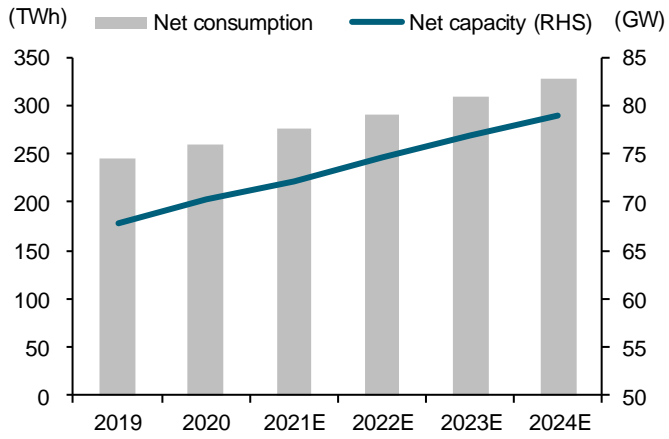
Sources: RATCH; FSSIA estimates

**Exhibit 18: Indonesian power consumption per capita remains far below other Asian countries, including Thailand**



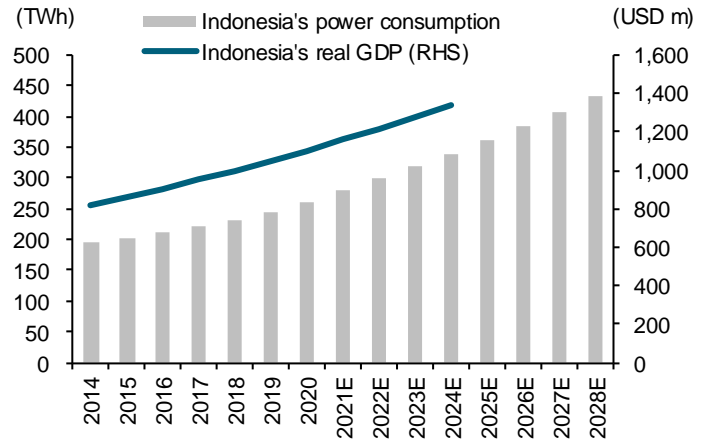
Sources: RATCH; FSSIA estimates

**Exhibit 19: Energy demand and capacity in Indonesia**



Sources: RATCH; FSSIA estimates

**Exhibit 20: Indonesia's power consumption and real GDP**



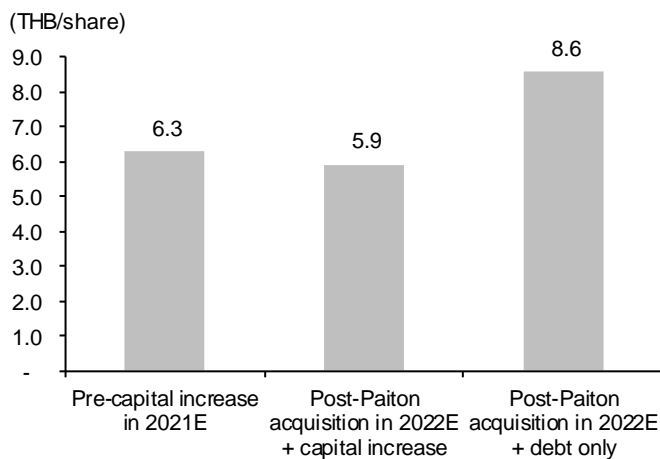
Sources: RATCH; FSSIA estimates

### Balance between growth vs capital structure

In summary, we believe it is in shareholders’ interest to create value for RATCH to pursue the capital increase to acquire Paiton, based on:

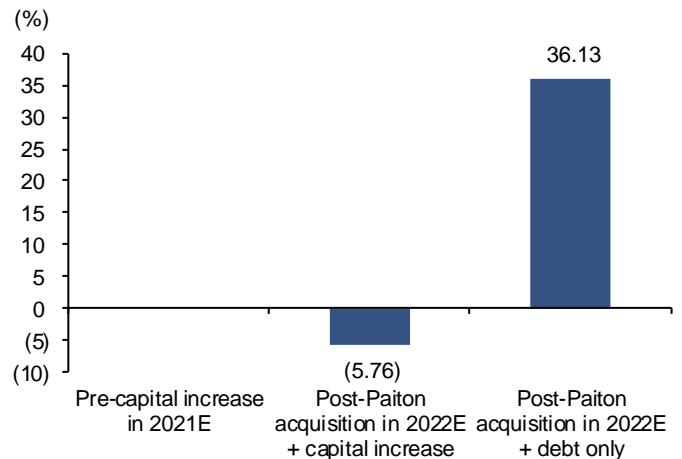
- 1) The capital raised as a last resort for funding will be earmarked for three M&A, including Paiton, to timely capture the capacity growth in the high-growth countries that RATCH will focus on (Vietnam, Indonesia, and Taiwan).
- 2) We estimate that the EPS dilution impact would be only 5.76% in the event that RATCH proceeds with its planned 53% capital increase to acquire Paiton. Meanwhile, if RATCH decides to raise only debt to fully fund the Paiton acquisition, we estimate that RATCH could even see EPS accretion of 36%, as we project Paiton to generate THB4b-4.2b equity income to RATCH annually, while RATCH could incur an additional interest expense of THB1.2b annually, thanks to its superior credit rating of BBB+ by the S&P credit agency. Nevertheless, RATCH’s DE could exceed 1.3x to 1.4x under the debt-funding scenario, potentially leading to credit rating downgrade.
- 3) However, we remain negative on RATCH’s move into coal-fired assets, even in a coal-centric country like Indonesia, as we think the move could contaminate RATCH’s position as a greener power company in the short term and could prohibit certain ESG-focused investors from investing in RATCH.

**Exhibit 21: EPS with/without capital increase to acquire Paiton**



Sources: RATCH; FSSIA estimates

**Exhibit 22: EPS changes with/without capital increase to acquire Paiton**



Sources: RATCH; FSSIA estimates

## EPS dilution underscores stronger long-term growth

We revise up our net profit forecast for 2022-23 by 44.2%/41.4% to incorporate the additional equity income of THB4b-4.2b annually from RATCH's 45% stake in Paiton starting in 2022. However, we also trim our EPS forecast for 2022-23 by 5.8%/7.6% to reflect the 53% higher number of shares outstanding (+769.23m shares) from 1.45b shares to 2.219b shares.

### Exhibit 23: Key changes in assumptions

(THB m)	Current			Previous			Change (%)		
	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2022E
Revenue	36,614	39,944	39,990	36,614	39,944	39,990	0.0	0.0	0.0
Gross profit	9,146	12,008	12,020	9,146	12,008	12,020	0.0	0.0	0.0
Operating profit	6,075	8,347	8,957	6,075	8,347	8,957	0.0	0.0	0.0
Net profit	7,655	13,150	13,360	7,655	9,117	9,451	0.0	44.2	41.4
EPS (THB/shr)	5.28	5.93	6.02	5.28	6.29	6.52	0.0	(5.8)	(7.6)
<b>Key assumptions</b>									
Dispatched power (GWh)	12,982	20,603	20,603	12,982	12,982	12,982	0.0	58.7	58.7
Share of profits (THB m)	3,445	7,382	6,997	3,445	3,214	3,005	0.0	129.7	132.9

Source: FSSIA estimates

We lower our SoTP-based TP from THB76 to THB60, to reflect the impact of the 53% capital increase and the incorporation of equity income from Paiton at 45%. We estimate that the value of Paiton to RATCH will be THB13.2/share, based on 1) EIRR of 15%; 2) acquisition cost of THB30b for the 45% stake; 3) annual equity income of THB4b-4.2b on the 45% stake, based on Paiton's net profit of USD290.7m (THB9b) in 2020.

We believe RATCH's share price drop by over 10% since its announcement of the capital increase and the acquisition of Paiton is unjustified and has already priced in the impact of the EPS dilution. We think RATCH's recent M&A of BAFS and Paiton will be key long-term growth engines for the company, placing RATCH at the forefront of Thailand's leading growth plays in the utilities sector along with B.Grimm Power (BGRIM TB, BUY, TP THB56) and Gulf Energy Development (GULF TB, BUY, TP THB48).

### Exhibit 24: SoTP valuation

Cost of equity assumptions	(%)		Cost of debt assumptions (%)	(%)
Risk-free rate	2.3		Pretax cost of debt	4.0
Market risk premium	8.5		Marginal tax rate	20.0
Stock beta	1.0			
Cost of equity, Ke	10.8		Net cost of debt, Kd	3.2
Weight applied	25.0		Weight applied	75.0
WACC (%)	5.1			
<b>DCF valuation estimate</b>	<b>(THB m)</b>	<b>(THB/share)</b>	<b>Comments</b>	
Core operating assets	100,389	45.2	Include RG, RAC, KKW, WACC 7.6%, Risk-free rate 5%	
Investments	28,681	12.9	Estimated value for affiliates post 2018 at 1.1x P/BV	
Hongsa	12,354	5.6	WACC 5.1%, Risk-free rate 2.3%, Risk premium 8.5%	
Cash	7,928	3.6	At end-2022E	
Debt	(23,546)	(10.6)	At end-2022E	
Minorities	(119)	(0.1)	At end-2022E	
<b>Residual ordinary equity</b>	<b>125,687</b>	<b>56.6</b>		
New gas-fired IPPs (1.4GW)	7,466	3.4	Assume EIRR at 11%, COD 2023-24E	
New 214 wind farms in Australia (214MW)	8,387	3.8	Assume EIRR at 11%, COD Sep 2020	
NNEG& NNE	13,732	6.2	WACC 5.1%, Risk-free rate 2.3%, Risk premium 8.5%	
BAFS (15.5%)	2,969	1.3	Assume fair price at THB30 for 98.98m shares	
Paiton (45%)	29,362	13.2	Assume EIRR at 15%, acquisition completed in 1Q22	
<b>Target price</b>	<b>133,153</b>	<b>60.0</b>		

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Sources: RATCH; FSSIA estimates

## Financial Statements

### Ratch Group

Profit and Loss (THB m) Year Ending Dec	2019	2020E	2021E	2022E	2023E
Revenue	38,609	34,482	36,614	39,944	39,990
Cost of goods sold	(31,700)	(28,396)	(27,468)	(27,936)	(27,971)
<b>Gross profit</b>	<b>6,908</b>	<b>6,086</b>	<b>9,146</b>	<b>12,008</b>	<b>12,020</b>
Other operating income	-	-	-	-	-
Operating costs	(1,464)	(1,906)	(1,208)	(1,797)	(1,200)
<b>Operating EBITDA</b>	<b>5,445</b>	<b>4,180</b>	<b>7,938</b>	<b>10,211</b>	<b>10,820</b>
Depreciation	(1,528)	(1,833)	(1,863)	(1,863)	(1,863)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>3,917</b>	<b>2,348</b>	<b>6,075</b>	<b>8,347</b>	<b>8,957</b>
Net financing costs	(1,357)	(1,087)	(1,297)	(1,576)	(1,498)
Associates	3,968	4,600	3,445	7,382	6,997
Recurring non-operating income	4,406	4,750	3,974	7,964	7,637
Non-recurring items	(132)	304	0	0	0
<b>Profit before tax</b>	<b>6,833</b>	<b>6,315</b>	<b>8,752</b>	<b>14,736</b>	<b>15,096</b>
Tax	(870)	(28)	(1,057)	(1,468)	(1,616)
<b>Profit after tax</b>	<b>5,963</b>	<b>6,287</b>	<b>7,695</b>	<b>13,269</b>	<b>13,479</b>
Minority interests	0	0	(41)	(119)	(119)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>5,963</b>	<b>6,287</b>	<b>7,655</b>	<b>13,150</b>	<b>13,360</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>132</b>	<b>(304)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>6,096</b>	<b>5,982</b>	<b>7,655</b>	<b>13,150</b>	<b>13,360</b>
<b>Per share (THB)</b>					
Recurring EPS *	4.20	4.13	5.28	5.93	6.02
Reported EPS	4.11	4.34	5.28	5.93	6.02
DPS	2.40	2.45	3.15	3.40	3.65
Diluted shares (used to calculate per share data)	1,450	1,450	1,450	2,219	2,219
<b>Growth</b>					
Revenue (%)	(2.9)	(10.7)	6.2	9.1	0.1
Operating EBITDA (%)	30.3	(23.2)	89.9	28.6	6.0
Operating EBIT (%)	30.8	(40.1)	158.7	37.4	7.3
Recurring EPS (%)	9.1	(1.9)	28.0	12.2	1.6
Reported EPS (%)	6.7	5.4	21.8	12.2	1.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	13.9	12.3	19.9	25.4	25.4
Gross margin of key business (%)	13.9	12.3	19.9	25.4	25.4
Operating EBITDA margin (%)	14.1	12.1	21.7	25.6	27.1
Operating EBIT margin (%)	10.1	6.8	16.6	20.9	22.4
Net margin (%)	15.8	17.3	20.9	32.9	33.4
Effective tax rate (%)	30.4	1.7	19.9	20.0	20.0
Dividend payout on recurring profit (%)	57.1	59.4	59.7	57.4	60.6
Interest cover (X)	6.1	6.5	7.7	10.4	11.1
Inventory days	22.0	23.5	23.3	22.7	22.9
Debtor days	59.9	55.6	51.5	50.7	54.3
Creditor days	56.2	48.5	47.6	46.4	46.8
Operating ROIC (%)	12.0	5.6	10.9	9.7	8.1
ROIC (%)	8.0	6.1	7.4	9.8	8.7
ROE (%)	10.2	10.0	12.2	15.7	12.6
ROA (%)	7.1	6.5	7.4	10.1	8.8
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Domestic electricity generating	32,397	27,093	27,733	31,063	31,110
International power projects	3,044	2,456	2,456	2,456	2,456
Revenue from finance lease contracts	2,923	4,682	6,174	6,174	6,174
Others	244	251	251	251	251

Sources: Ratch Group; FSSIA estimates



## Financial Statements

### Ratch Group

Cash Flow (THB m) Year Ending Dec	2019	2020E	2021E	2022E	2023E
Recurring net profit	6,096	5,982	7,655	13,150	13,360
Depreciation	1,528	1,833	1,863	1,863	1,863
Associates & minorities	3,968	4,600	3,445	7,382	6,997
Other non-cash items	-	-	-	-	-
Change in working capital	(2,019)	(3,066)	(747)	(869)	(405)
<b>Cash flow from operations</b>	<b>9,573</b>	<b>9,349</b>	<b>12,216</b>	<b>21,527</b>	<b>21,816</b>
Capex - maintenance	(1,528)	(1,833)	(1,863)	(1,863)	(1,863)
Capex - new investment	(4,335)	(5,371)	(13,137)	(33,137)	(5,137)
Net acquisitions & disposals	2,271	(7,490)	0	0	0
Other investments (net)	4,627	28,479	3,445	7,382	6,997
<b>Cash flow from investing</b>	<b>1,035</b>	<b>13,785</b>	<b>(11,554)</b>	<b>(27,618)</b>	<b>(3)</b>
Dividends paid	(3,255)	(3,254)	(3,553)	(5,452)	(7,545)
Equity finance	0	0	0	0	0
Debt finance	(1,017)	(13,821)	8,232	0	0
Other financing cash flows	(10,891)	(10,572)	(6,849)	16,123	(13,875)
<b>Cash flow from financing</b>	<b>(15,163)</b>	<b>(27,646)</b>	<b>(2,170)</b>	<b>10,671</b>	<b>(21,420)</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>(4,555)</b>	<b>(4,512)</b>	<b>(1,508)</b>	<b>4,580</b>	<b>392</b>
Free cash flow to firm (FCFF)	12,037.29	24,685.15	2,041.38	(4,458.09)	23,444.73
Free cash flow to equity (FCFE)	(1,300.95)	(1,258.91)	2,044.32	10,032.27	7,937.41

#### Per share (THB)

FCFF per share	8.30	17.02	1.41	(3.07)	16.17
FCFE per share	(0.90)	(0.87)	1.41	6.92	5.47
Recurring cash flow per share	7.99	8.56	8.94	10.09	10.01

Balance Sheet (THB m) Year Ending Dec	2019	2020E	2021E	2022E	2023E
Tangible fixed assets (gross)	38,452	38,452	53,452	88,452	95,452
Less: Accumulated depreciation	(14,344)	(8,973)	(10,836)	(12,699)	(14,563)
<b>Tangible fixed assets (net)</b>	<b>24,108</b>	<b>29,479</b>	<b>42,616</b>	<b>75,753</b>	<b>80,889</b>
<b>Intangible fixed assets (net)</b>	<b>3,797</b>	<b>3,454</b>	<b>3,454</b>	<b>3,454</b>	<b>3,454</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	33,545	41,035	41,035	41,035	41,035
Cash & equivalents	9,369	4,857	3,348	7,928	8,321
A/C receivable	5,514	4,982	5,348	5,748	6,148
Inventories	1,880	1,783	1,724	1,754	1,756
Other current assets	3,717	6,863	7,288	7,950	7,960
<b>Current assets</b>	<b>20,480</b>	<b>18,485</b>	<b>17,708</b>	<b>23,380</b>	<b>24,184</b>
Other assets	18,299	19,680	19,680	19,680	19,680
<b>Total assets</b>	<b>100,229</b>	<b>112,132</b>	<b>124,492</b>	<b>163,301</b>	<b>169,242</b>
Common equity	59,413	60,521	64,623	103,090	108,905
Minorities etc.	1	1	41	160	279
<b>Total shareholders' equity</b>	<b>59,414</b>	<b>60,522</b>	<b>64,665</b>	<b>103,250</b>	<b>109,184</b>
Long term debt	30,441	16,768	25,000	25,000	25,000
Other long-term liabilities	2,801	27,965	27,965	27,965	27,965
<b>Long-term liabilities</b>	<b>33,241</b>	<b>44,733</b>	<b>52,965</b>	<b>52,965</b>	<b>52,965</b>
A/C payable	3,906	3,643	3,524	3,584	3,588
Short term debt	1,694	1,546	1,546	1,546	1,546
Other current liabilities	1,973	1,688	1,792	1,955	1,958
<b>Current liabilities</b>	<b>7,574</b>	<b>6,877</b>	<b>6,862</b>	<b>7,085</b>	<b>7,092</b>
<b>Total liabilities and shareholders' equity</b>	<b>100,229</b>	<b>112,132</b>	<b>124,492</b>	<b>163,301</b>	<b>169,242</b>
Net working capital	5,231	8,297	9,044	9,913	10,317
Invested capital	84,981	101,944	115,828	149,834	155,375

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

#### Per share (THB)

Book value per share	40.97	41.74	44.57	46.45	49.07
Tangible book value per share	38.36	39.36	42.19	44.90	47.52

#### Financial strength

Net debt/equity (%)	38.3	22.2	35.9	18.0	16.7
Net debt/total assets (%)	22.7	12.0	18.6	11.4	10.8
Current ratio (x)	2.7	2.7	2.6	3.3	3.4
CF interest cover (x)	3.2	4.8	12.7	28.4	9.7

Valuation	2019	2020E	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>10.7</b>	<b>10.9</b>	<b>8.5</b>	<b>7.6</b>	<b>7.5</b>
<b>Recurring P/E @ target price (x) *</b>	<b>14.3</b>	<b>14.5</b>	<b>11.4</b>	<b>10.1</b>	<b>10.0</b>
Reported P/E (x)	10.9	10.4	8.5	7.6	7.5
Dividend yield (%)	5.3	5.4	7.0	7.6	8.1
Price/book (x)	1.1	1.1	1.0	1.0	0.9
Price/tangible book (x)	1.2	1.1	1.1	1.0	0.9
EV/EBITDA (x) **	16.2	18.8	11.1	11.6	10.9
EV/EBITDA @ target price (x) **	20.2	24.0	13.9	14.9	14.0
EV/invested capital (x)	1.0	0.8	0.8	0.8	0.8

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

Sources: Ratch Group; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

## Description

## Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

## 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 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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)

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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.

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Company	Ticker	Price	Rating	Valuation & Risks
Ratch Group	RATCH TB	THB 45.00	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand; 2) lower crude price; and 3) delays in starting new projects.
B.Grimm Power	BGRIM TB	THB 41.50	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.
Gulf Energy Development	GULF TB	THB 33.50	BUY	The downside risks to our SoTP-based TP on GULF include 1) lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) delays in project commercial operation dates.
BTS Group Holdings	BTS TB	THB 9.45	BUY	The key downside risks to our SOTP-based TP include a slower-than-expected recovery of the Thai economic outlook and the company not being able to win new mass transit projects.
Sino-Thai E&C	STEC TB	THB 13.90	HOLD	Downside risks to our P/BV multiple valuation-based TP are 1) prolonged political uncertainty; and 2) delays in projects and the construction margin contracting more than expected. The upside risk is if STEC can win the Orange Line bid.
Bangkok Aviation Fuel Services	BAFS TB	THB 27.75	BUY	Downside risk to our SoTP target price includes the slower than expected vaccination rate, which will lead to slower demand in tourism activities. Plus, the uncertainty in the fuel volume demand in the north, which can lead to volatility in income of FPT.

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 25-Jun-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### 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

**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.