

6 AUGUST 2021

THAILAND / UTILITIES - CONVENTIONAL

GULF ENERGY DEVELOPMENT

BUY

UNCHANGED

GULF TB

| | |
|-----------------|----------|
| TARGET PRICE | THB47.00 |
| CLOSE | THB35.25 |
| UP/DOWNSIDE | +33.3% |
| PRIOR TP | THB48.00 |
| CHANGE IN TP | -2.1% |
| TP vs CONSENSUS | +19.8% |

การเติบโตหลังการซื้อ INTUCH

ความกังวลเกี่ยวกับ INTUCH ได้หมดไปแล้ว

หลังราคาหุ้นถูกกดดันทมาเป็นระยะเวลา 18 เดือนจากประเด็นการเพิ่มทุนและการทำข้อเสนอซื้อ INTUCH เราคิดว่าปัจจุบัน GULF มีแนวโน้มรายงานกำไรสุทธิในระดับสูง ซึ่งน่าจะเป็นปัจจัยบวกที่ช่วยหนุนราคาหุ้น ในขณะที่เราปรับลดประมาณการกำไรต่อหุ้น (EPS) ในปี 2021-23 ลง 26-41% เพื่อสะท้อนสมมติฐานต้นทุนก๊าซฯ ที่สูงขึ้นและอัตราการใช้กำลังการผลิตที่ต่ำลง เราเห็นว่าประมาณการกำไรสุทธิที่ปรับใหม่ของ GULF ยังอยู่ในระดับสูงที่ 45% CAGR จากปี 2020-23 โดยได้ปัจจัยผลักดันจากกำลังการผลิตใหม่ ต้นทุนก๊าซฯ ที่ลดลง และโครงการเพื่อการเติบโตในธุรกิจ COD

ทำไมต้องเป็น INTUCH ทำไมต้องเป็นตอนนี้

เมื่อวันที่ 4 ก.ค. 21 GULF จบข้อเสนอซื้อ INTUCH โดยซื้อหุ้นเพิ่มได้อีก 747.9 ล้านหุ้น (23.32%) ทำให้สัดส่วนการถือหุ้นรวมเพิ่มเป็น 42.35% และทำให้ GULF กลายเป็นผู้ถือหุ้นรายใหญ่ที่สุดของ INTUCH เมื่อเทียบกับ Singtel ซึ่งปัจจุบันกลายเป็นผู้ถือหุ้นรายใหญ่อันดับ 2 ที่สัดส่วน 21% เราคิดว่าความตัดสินใจของ GULF ในการซื้อหุ้น INTUCH เพิ่มเติมเป็นกลยุทธ์ที่ดีในการเสริมสร้างแนวโน้มกำไรระยะยาวให้มากยิ่งขึ้นและวางบริษัทให้อยู่ในตำแหน่งที่ดีเหนือคู่แข่งในกระบวนการเปลี่ยนแปลงโครงสร้างตลาดอุตสาหกรรมให้เป็นดิจิทัลที่กำลังเกิดขึ้น ในทางยุทธศาสตร์เรามองว่า GULF สามารถใช้ระบบข้อมูลกลาง (Big Data) ของ ADVANC โดยใช้ฐานข้อมูลลูกค้าโทรศัพท์เคลื่อนที่ 41 ล้านราย (ส่วนแบ่งตลาด 45% ในประเทศไทย) และฐานข้อมูลลูกค้าอินเทอร์เน็ตผ่านเครือข่ายความเร็วสูง (Broadband subscribers) 1.2 ล้านรายเพื่อเป็นกลุ่มเป้าหมายหลักสำหรับโครงข่ายอัจฉริยะเพื่อการส่งไฟฟ้าและการให้บริการระบบสาธารณูปโภค (Smart Grid and Smart Utilities Network) โดยใช้ประโยชน์จากสินทรัพย์ในฐานพลังงานและสาธารณูปโภคในอนาคตของ GULF ที่มีอยู่อย่างครบครัน

โครงการทำเรือแหลมฉบังระยะที่ 3 เป็นไปตามแผน

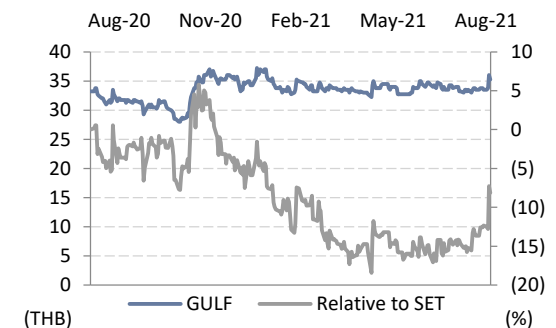
เมื่อวันที่ 4 ส.ค. 21 หน่วยงานผู้กำกับดูแลของไทย กล่าวคือคณะกรรมการนโยบายโครงการพัฒนาระเบียงเศรษฐกิจพิเศษภาคตะวันออก (PCEEC) ได้อนุมัติโครงการทำเรือแหลมฉบังระยะที่ 3 (LCB3) ที่เสนอโดย the GPC Group consortium ซึ่ง GULF ถือหุ้นอยู่ 40% PCEEC ระบุว่า การเซ็นสัญญาสำหรับ LCB3 จะอยู่ในช่วงสิ้นเดือน ส.ค. 21 เราคาดว่า LCB3 จะเพิ่มมูลค่า 0.9 บาท/หุ้นและกำไรสุทธิ 0.6 พัน ลบ. ให้แก่ GULF ตั้งแต่ปี 2023 เป็นต้นไป

คำแนะนำซื้อหลังปรับลดราคาเป้าหมายเป็น 47 บาท

เราคงคำแนะนำซื้อหลังปรับลดราคาเป้าหมายเป็น 47 บาท (SoTP) เพื่อสะท้อนการปรับ EPS ของเรา เราคิดว่า การซื้อ INTUCH ของ GULF เป็นการตัดสินใจที่ถูกต้องในการเสริมสร้างแนวโน้มการเติบโตของกำไรในระยะสั้นและพื้นฐานเพื่อการเติบโตในระยะยาวให้ดียิ่งขึ้นโดยใช้ประโยชน์จากการเกิดขึ้นพร้อม ๆ กันของเทคโนโลยี 5G, Big Data, และแพลตฟอร์มข้อมูลข่าวสาร ซึ่งน่าจะทำให้บริษัทฯ กลายเป็นผู้นำในอุตสาหกรรมและได้ประโยชน์จากโอกาสในการเติบโตในอนาคต

KEY STOCK DATA

| YE Dec (THB m) | 2020 | 2021E | 2022E | 2023E |
|----------------------|--------|--------|--------|--------|
| Revenue | 32,827 | 31,847 | 74,626 | 74,808 |
| Net profit | 4,282 | 6,590 | 12,632 | 13,407 |
| EPS (THB) | 0.36 | 0.56 | 1.08 | 1.14 |
| vs Consensus (%) | - | (19.2) | 14.2 | (9.0) |
| EBITDA | 10,672 | 12,178 | 22,932 | 24,118 |
| Core net profit | 4,478 | 6,590 | 12,632 | 13,407 |
| Core EPS (THB) | 0.38 | 0.56 | 1.08 | 1.14 |
| Chg. In EPS est. (%) | - | (27.1) | (36.1) | (41.1) |
| EPS growth (%) | 16.0 | 47.2 | 91.7 | 6.1 |
| Core P/E (x) | 92.4 | 62.8 | 32.7 | 30.8 |
| Dividend yield (%) | 0.7 | 1.1 | 2.0 | 2.0 |
| EV/EBITDA (x) | 47.1 | 44.2 | 23.3 | 21.9 |
| Price/book (x) | 6.5 | 6.1 | 5.5 | 5.1 |
| Net debt/Equity (%) | 113.1 | 147.3 | 116.9 | 96.4 |
| ROE (%) | 8.7 | 10.0 | 17.6 | 17.1 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|-----------------------------|---------|----------|
| Absolute (%) | 3.7 | 4.4 | 4.1 |
| Relative to country (%) | 7.2 | 5.9 | (8.9) |
| Mkt cap (USD m) | 12,443 | | |
| 3m avg. daily turnover (USD m) | 11.8 | | |
| Free float (%) | 27 | | |
| Major shareholder | Mr. Sarath Ratanavadi (35%) | | |
| 12m high/low (THB) | 38.00/27.50 | | |
| Issued shares (m) | 11,733.15 | | |

Sources: Bloomberg consensus; FSSIA estimates



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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 6 สิงหาคม 2021

Investment thesis

Founded in 2010, GULF is one of Thailand’s pioneer power companies with operations in both small power producers (SPP) and large independent power producers (IPP). A big power company with strong and sustainable earnings growth, GULF is Thailand’s largest power producer with the highest visible earnings growth outlook among the Thai power companies we cover. The key growth drivers include equity capacity growth that we estimate at 18% CAGR to reach 6.3GW by 2024, driven by two growth phases from SPP and IPP projects.

We project that net profits from its 19 SPPs will make up the bulk of GULF’s core net profit in 2021-22 before its new large-scale IPPs come on stream in 2022-25. We believe that GULF will ride Thailand’s SPP growth, based on 1) higher electricity tariffs on Thailand’s structurally higher tariff rates, driven by the higher commodity prices of coal, gas, and oil; and 2) the solid demand for power and steam from industrial users (IU).

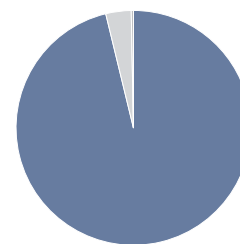
Company profile

GULF is Thailand’s largest power producer with expected capacity of over 7.6GW by 2027. It has the largest SPP and IPP portfolio and the strongest earnings growth outlook among the Thai power companies we cover.

www.gulf.co.th

Principal activities (revenue, 2020)

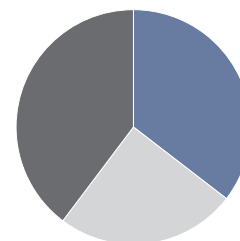
- Power business - 96.8 %
- Consulting business - 3.5 %
- Others - -0.3 %



Source: Gulf Energy Development

Major shareholders

- Mr. Sarath Ratanavadi - 35.4 %
- GULF Capital Holdings Limited - 24.8 %
- Others - 39.7 %



Source: Gulf Energy Development

Catalysts

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

Risks to our call

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.

Event calendar

| Date | Event |
|----------|--------------------------|
| Aug 2021 | 2Q21 result announcement |

Key assumptions

| | 2021E | 2022E | 2023E |
|---|--------|--------|--------|
| Dispatched power (GWh) | 17,537 | 32,848 | 34,646 |
| Average utilisation rate (%) | 81 | 82 | 83 |
| Gas cost (THB/mmbtu) | 235 | 223 | 212 |
| No of shares at year-end (m shares) | 11,733 | 11,733 | 11,733 |
| No of shares - weighted avg. (m shares) | 11,733 | 11,733 | 11,733 |

Source: FSSIA estimates

Earnings sensitivity

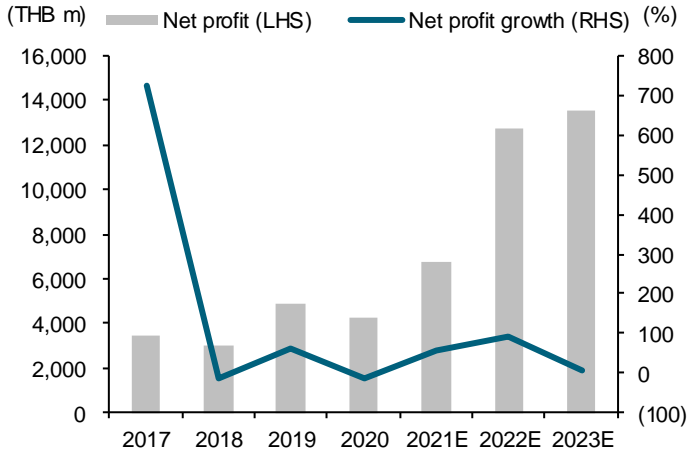
- For every 1% increase in gas price, we estimate that 2021 earnings would decline 1.1%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate that 2021 earnings would decline 2.1%, and vice versa, all else being equal.

Source: FSSIA estimates

Net profit growth vs capacity growth

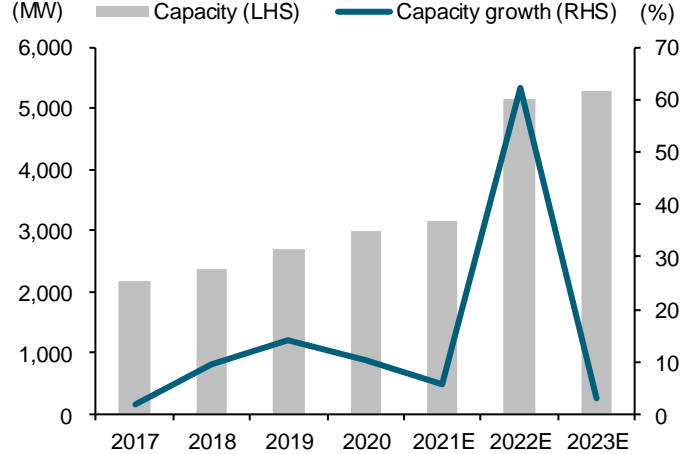
After 18 months of a share price overhang due to the lack of new growth projects, its capital increase, and the tender offer for Intouch Holdings (INTUCH TB, HOLD, TP THB65), we think GULF is now poised to see strong net profit growth that should catalyse its share price toward our revised target price of THB47.

Exhibit 1: Net profit and net profit growth



Sources: GULF; FSSIA estimates

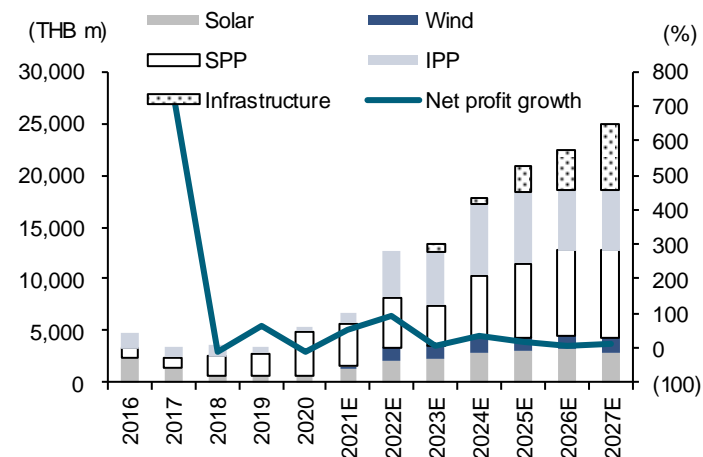
Exhibit 2: Capacity and capacity growth



Sources: GULF; FSSIA estimates

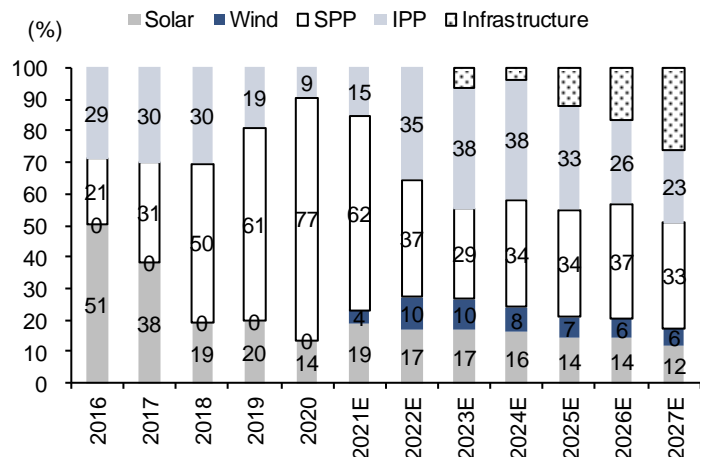
While we revise down our net profit and EPS forecasts for 2021-23 by 26-41% to reflect our higher gas cost and lower utilisation rate assumptions for GULF's independent power producers (IPPs) and small power producers (SPPs) due to the impact of the Covid-19 outbreak, we believe GULF's revised net profit trajectory remains on track to post solid growth at a 45% CAGR from 2020-23, driven by the new capacity, lower gas costs from LNG imports, and the commercial operation date (COD) commencement of its committed growth projects.

Exhibit 3: Net profit breakdown by power plant type



Sources: GULF; FSSIA estimates

Exhibit 4: Net profit breakdown by power plant type (%)



Sources: GULF; FSSIA estimates

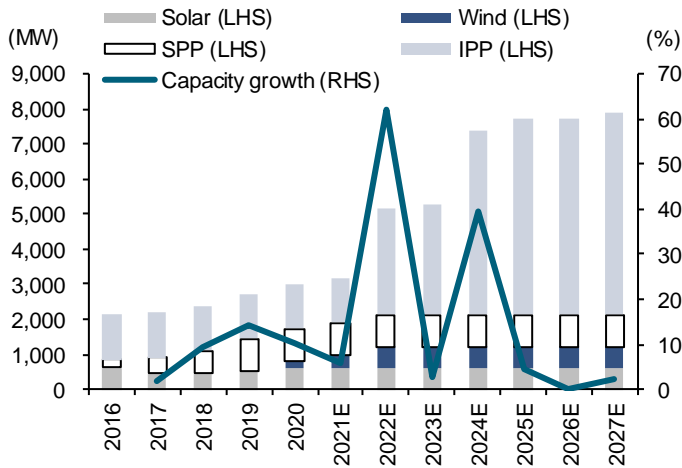
We believe IPPs will be the most significant net profit growth driver in 2021-27. Based on GULF's committed capacity growth projects, we estimate that its net profit growth, from highest to lowest order, will be driven by:

IPPs, from the large-scale 2.5GW Gulf Sriracha (GSRC) and 2.5GW Gulf Pluekdaeng (GPD) producers, with scheduled CODs in 2021-22 for GSRC and in 2023-24 for GPD.

SPPs, from their improving operational efficiency, the lower gas costs from LNG imports, and Thailand's structurally lower gas price once the two large gas fields, Bangkok and Erawan, under new production service contracts, COD in 2022-23.

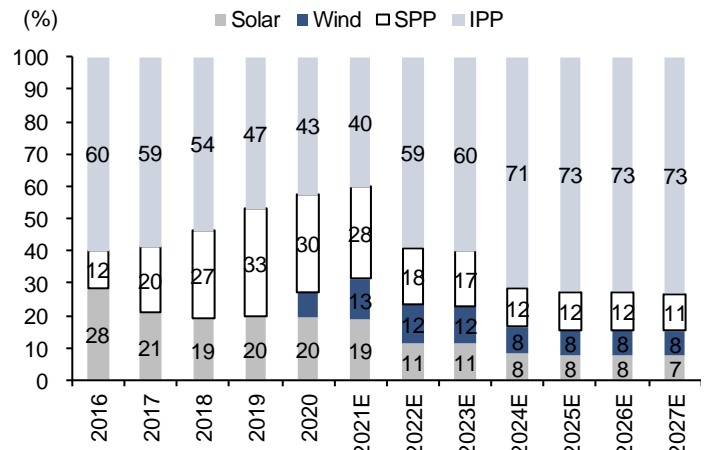
Renewable energy, from the solar farms and wind farms in Vietnam and Germany.

Exhibit 5: Capacity breakdown by power plant type



Sources: GULF; FSSIA estimates

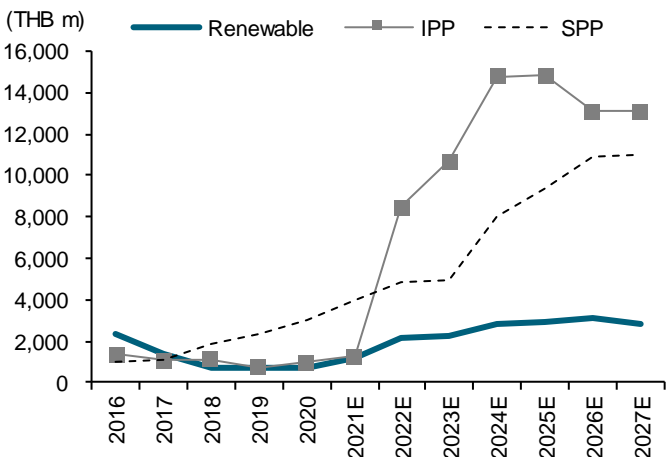
Exhibit 6: Capacity breakdown by power plant type (%)



Sources: GULF; FSSIA estimates

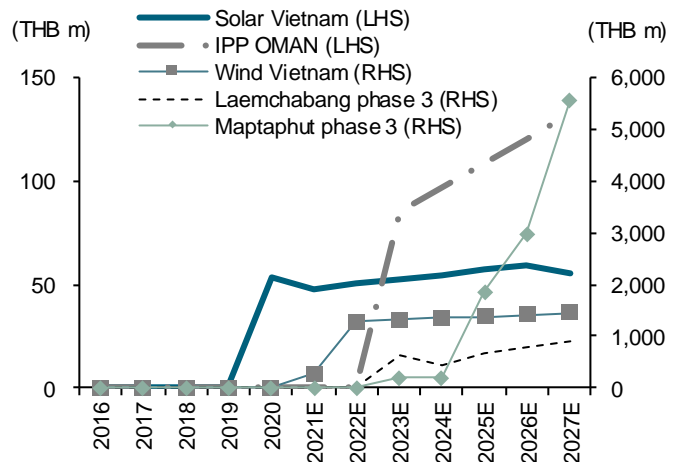
In 2020, GULF acquired three key projects – the Borkum Riffgrund 2 (BKR2) wind farm in Germany, the Ia Pech 1&2 wind farms in Vietnam, and stakes in the Burapa IPP – further strengthening its capacity growth trajectory in 2021-25.

Exhibit 7: Net profit growth from committed projects



Sources: GULF; FSSIA estimates

Exhibit 8: Net profit growth from new projects added in 2020 onward



Sources: GULF; FSSIA estimates

In addition, GULF plans to secure additional large-scale LNG-to-power projects in Vietnam and hydropower plants in Laos, which could be finalised by 4Q21 or 1H22, pending the approval of Vietnam's regulator and government.

Moreover, GULF has now completed its tender offer for INTUCH, acquiring an additional 747.9m shares (23.32%) to bring its total stake to 42.35%, turning GULF into INTUCH's largest shareholder vs the now second largest shareholder, Singtel, with a 21% stake. This should be a long-term earnings growth driver for GULF and INTUCH, potentially contributing an annual dividend income of THB3b-4b, based on the 42.35% stake.

Exhibit 9: Growth projects

| Committed growth projects | Capacity | Energy | Investment | Stake | Equity investment | Growth | Time | Certainty | COD |
|--|---------------|---------------------|--------------|-------|-------------------|--------|------|-----------|-------------|
| | (MW) | | (THB b) | (%) | (THB b) | | | | |
| Oman | | | | | | | | | |
| - Gas-fired power plant | 326 | Gas | 15.0 | 49 | 1.6 | / | / | / | 2021-22E |
| - Water (m3/hour) | 1,667 | Water | | 49 | | / | / | / | 2021-22E |
| Vietnam | | | | | | | | | |
| - Mekong wind | 310 | Wind | 19.2 | 95 | 4.6 | / | / | / | 2021-23E |
| - Ia Pech 1&2 | 100 | Wind | 6.2 | 100 | 1.6 | / | / | / | 2021E |
| Germany | | | | | | | | | |
| - Renewable - wind farm | 450 | Wind | 39.2 | 50 | 19.6 | / | / | / | 2021E |
| Thailand | | | | | | | | | |
| Power plants | | | | | | | | | |
| - Two IPP power plants (GSRC and GPD) | 5,300 | Gas | 100.0 | 70 | 25.0 | / | / | / | 2021-24E |
| - Hin Kong IPP power plant | 1,400 | Gas | 21.0 | 49 | 2.6 | / | / | / | 2024-25E |
| - Burapa IPP power plant | 540 | Gas | 9.7 | 35 | 0.9 | / | / | / | 2027E |
| Infrastructure | | | | | | | | | |
| - Laem Chabang deep sea port (m TEU) | 4.0 | Port | 30.0 | 40 | 3.8 | / | / | / | 2024E |
| - Maptaphut LNG terminal (mtpa) | 10.8 | LNG | 42.9 | 70 | 9.9 | / | / | / | 2023E/2026E |
| - Motorway (M6 & M81) | | Toll | na | 40 | 3.0 | / | / | / | 2023E |
| - One Bangkok - electricity and water distribution | | Electricity & water | 3.6 | 33 | 0.4 | / | / | / | 2024E |
| Investment | | | | | | | | | |
| INTUCH | | | 70.3 | 40.0 | 70.3 | / | / | / | 2020 |
| Total | | | 357.1 | | 72.9 | | | | |
| Potential growth projects | | | | | | | | | |
| | Capacity | Energy | Investment | Stake | Equity investment | Growth | Time | Certainty | COD |
| | (MW) | | (THB b) | (%) | (THB b) | | | | |
| Europe and Asia | | | | | | | | | |
| Offshore wind farms | 500 | Wind | 40.0 | 50 | 20.0 | / | | | 2020E |
| Laos | | | | | | | | | |
| - Hydropower plant | 3,744 | Hydro | 337.0 | 30 | 25.3 | / | | | 2026-33E |
| Vietnam | | | | | | | | | |
| - LNG to power | 6,000 | Gas | na | 30 | 14.0 | / | | | 2025-30E |
| Total | 10,244 | | | | 59.2 | | | | |

Sources: GULF; FSSIA estimates

Implications for INTUCH acquisition

GULF completed the tender offer for INTUCH on 4 Jul-21 and successfully acquired an additional 747.9m shares in INTUCH (23.32%). This brings GULF's total stake in INTUCH up to 42.35%, up from 18.93% prior to the tender offer, turning GULF into INTUCH's largest shareholder vs the once-largest, now second largest, shareholder, Singtel, with a 21% stake.

We think GULF's move to acquire a larger stake in INTUCH is a positive strategy to strengthen its long-term earnings growth and position itself well ahead of its competitors for the upcoming digitalization of the industrial market landscape. Strategically, we think GULF could employ Advanced Info Service (ADVANC TB, BUY, TP THB200)'s 'big data' from its 41m mobile subscribers (45% market share in Thailand) and 1.2m (10% market share) broadband subscribers, as a key potential customer base for a smart grid and smart utilities network, capitalising on GULF's future integrated power and infrastructure asset portfolio.

Below are GULF's events related to the acquisition of INTUCH in chronological order.

- On 28 Aug-20, GULF announced its intention to acquire up to a 10% stake in INTUCH, clearly indicating that it has a long-term plan for the company. On 21 Aug-20, GULF acquired an 8% stake, or 256.287m shares, in INTUCH; up from 5.1% in Jul-20.
- On 19 Apr-21, GULF announced a tender offer for INTUCH and a mandatory tender offer for ADVANC. GULF already owned an 18.93% stake in INTUCH, or 606.9m shares, as of 16 Apr-21, up from 15% in Mar-21. Currently, INTUCH owns a 40% stake in ADVANC and a 41% stake in Thaicom (THCOM TB, REDUCE, TP THB7.1).
- During 29 Jun to 4 Aug-21, GULF executed the tender offer for INTUCH at THB65/share and eventually acquired an additional 23.32% stake in INTUCH, bringing its total holding up to 42.35%.

Exhibit 10: INTUCH's shareholder structure

| INTUCH's shareholder structure as of end-2020 | | |
|---|---------------------------|----------------|
| Shareholder | # of shares (m shares) | % stake (%) |
| GULF | 1,354.8 | 42.3 |
| Singtel | 673.4 | 21.0 |
| Others | 1,178.4 | 36.8 |
| Total | 3,206.6 | 100.0 |
| INTUCH's stakes | | |
| | (m shares) | (%) |
| ADVANC | 1,202.7 | 40.5 |
| THCOM | 450.8 | 41.1 |

Source: SETSMART; FSSIA estimates

The acquisition of INTUCH to 42% is in line with our expectation, and GULF still has additional room to acquire a 37% stake in INTUCH to reach a maximum of 79% (excluding the 42% stake currently owned by GULF and the 21% owned by SINGTEL).

Exhibit 11: GULF's tender offer for INTUCH

| Shareholder | (m shares) | (%) | Comment |
|-------------------------------------|------------|------------|---|
| No. of shares offered for tender | 2,599.7 | 81.07 | |
| No. of shares successfully tendered | 747.9 | 23.32 | |
| Tender offer price (THB/share) | 65.0 | | |
| Total capital required (THB m) | 48,613 | | |
| INTUCH-Warrant outstanding at 1:1 | 1.3 | m warrants | Conversion ratio at 1:1 in May-Jun 2021 |

Source: SET

We see five potential positive impacts to GULF.

First, GULF should greatly benefit from and be able to timely monetise INTUCH's strong balance sheet, which was only at 0.04x D/E at end-2020 vs 1.8x for GULF in the same period. Hence, not only would GULF not need to risk a capital increase, it could also strengthen its consolidated balance sheet with INTUCH if it consolidates INTUCH into its financial statements, assuming that GULF could tender an additional 31% stake at THB65/share.

Second, GULF should be able to fund the acquisition cost of INTUCH. This should allow GULF to fund its other growth projects beyond this acquisition, thanks to INTUCH's strong balance sheet that would enhance, not burden, GULF's balance sheet, as previously expected by us and the market.

Third, we estimate that its stake in INTUCH could timely and immediately enhance GULF's cash flow and net profit. We expect INTUCH to add THB3b-4b net profit annually to GULF based on the 42.35% stake-holding in INTUCH.

Fourth, we believe the negative sentiment over GULF's share price is likely to dissipate, as investors' concerns over the potential capital increase and the unclear strategic move for INTUCH's acquisition have now been alleviated, potentially leading to GULF's share price rerating to reflect its stronger net profit growth outlook in 2021-23.

Finally, we think GULF's acquisition of INTUCH will strengthen its long-term net profit growth and position it ahead of its competitors for the upcoming digitalization of the industrial market landscape. We believe GULF could employ ADVANC's 'big data' and the 5G platform from ADVANC's 41m mobile subscribers (45% market share in Thailand) and 1.2m (10% market share) broadband subscribers as a key potential customer base for a smart grid and smart utilities network, capitalizing on GULF's future integrated power and infrastructure asset portfolio.

The following paragraphs are excerpted from our report, "[In growth we trust, Part II](#)", dated 11 Sept-20, to clarify the potential synergies between GULF and INTUCH/ADVANC after GULF's acquisition of a higher stake in INTUCH. Please note that where they appear, target prices and recommendations for stocks under FSSIA coverage have been updated to 6 Aug-21 for ease of reference.

Potential long-term strategic win. Strategically, we are now positive on the INTUCH acquisition, as we think GULF could employ ADVANC's big data from its 41m mobile subscribers (45% market share in Thailand) and 1.2m (10% market share) broadband subscribers as a key potential customer base for a smart grid and smart utilities network, capitalising on GULF's future integrated businesses, which include:

- 1) An LNG terminal, LNG imports, and LNG-to-power;
- 2) Power plant assets, which could rise to over 20% of Thailand's generating capacity by 2025;
- 3) Motorway and train infrastructure projects;
- 4) Other utilities services, such as water for the 'One Bangkok' project.

Management indicated that it will hold INTUCH as an opportunistic investment and potentially as a key platform for future growth to fully capitalise on GULF's large-scale, well-diversified asset portfolio of power plants and infrastructure projects.

Management also stated that they have a clear strategic growth plan for the next 10 years to divide GULF's core business into five categories: 1) power generation (IPPs, SPPs, very small power producers (VSPPs)); 2) renewables; 3) hydropower plants; 4) gas (LNG terminal and LNG imports); and 5) infrastructure (motorways).

Exhibit 12: GULF's financial position projections at end-2020-22E

| (THB m) | Pre capital increase | | Post capital increase | |
|------------------------|----------------------|---------|-----------------------|---------|
| | 2020E | 2020E | 2021E | 2022E |
| Cash | 29,237 | 29,237 | 33,028 | 18,006 |
| Debt | 104,453 | 104,453 | 120,453 | 90,453 |
| Net debt | 75,216 | 75,216 | 87,425 | 72,446 |
| Asset | 204,454 | 204,454 | 230,305 | 232,570 |
| Equity | 84,914 | 84,914 | 93,909 | 115,844 |
| Debt to equity (x) | 1.23 | 1.23 | 1.28 | 0.78 |
| Net debt to equity (x) | 1.66 | 0.89 | 0.93 | 0.63 |

Sources: GULF; FSSIA estimates

While the new projects require large investments, GULF plans to manage the funding risk using 1) back-end equity funding, which would typically be in the last 1-2 years before the CODs of the new projects; 2) rising free cash flows from operating projects; and 3) new debt. Hence, we think the INTUCH investment will likely be divested in the future when GULF requires capital for its multiple growth projects.

However, management indicated that while GULF is unlikely to take management control and enter into an Information and Communication Technology (ICT) industry – which is outside GULF's core business strength of utilities and infrastructure – GULF could enhance INTUCH's value. This could be achieved via strategic moves to further strengthen ADVANC's incumbent leading position in the ICT business in Thailand, which would help GULF capture the upcoming digitalization trend of Thailand's utilities and infrastructure industries.

Asset enhancement. We believe GULF's ownership in INTUCH, which owns a 40.45% stake in ADVANC – Thailand's leading mobile and fixed broadband (FB) operator – and a 41.14% stake in THCOM – Thailand's leading operator of satellites – is a good strategic move that should enable GULF to harness the upcoming 5G technology, which could be a key platform for GULF's expanding utilities and infrastructure in Thailand.

We think ADVANC's major shareholder, Temasek Holdings, which owns a combined 31.81% in ADVANC via a direct holding of 23.32% and an indirect holding of 8.5% (21% stake INTUCH which owns 40.45% in ADVANC), has efficiently managed ADVANC. Temasek also owns Singtel, and under those companies' ownership and current management team, ADVANC has maintained its long-standing market leader position in Thailand's mobile industry. It has also become an increasingly more prominent player in Thailand's FB industry.

Less intense price competition. We believe that under GULF's ownership, ADVANC's value to shareholders could be further strengthened. As a foreign-owned operator in the highly-protected ICT industry, ADVANC's net profit growth, particularly in terms of average revenue per user (ARPU), has been declining, ranging between THB230-240/user since 1Q17, due to the high competition in Thailand's already saturated ICT market. Total mobile subscriber numbers in Thailand have also been stagnating in the range of 90-93m, and recently dropped to below 90m in 2Q20 due to the decline in tourism that resulted in fewer prepaid subscribers.

Since 1Q16, the blended ARPU (ARPU for postpaid and prepaid subscribers) for all three key mobile operators in Thailand have been relatively stable between THB200/subscriber for True Corporation (TRUE TB, HOLD, THB3.3), up to THB230/subscriber for ADVANC and THB250/subscriber for Total Access Communication (DTAC TB, BUY, TP THB40).

We believe the main reason for the frozen ARPU and subscriber numbers in Thailand is the intense competition among all three operators, particularly the concomitant price war with heavy promotions to maintain or increase the market share of each player. We think that with GULF's ownership, the price competition could be less intense, as GULF could potentially lessen the price competition among the three operators, leading to a compromise to alleviate the price competition and thereby allowing the ARPU to stabilise or increase slightly.

Similarly, the ARPU for FB in Thailand has been trending downward since 2017 due to the intensifying competition between two arch-rivals – the newly arrived ADVANC and the incumbent TRUE. Since its FB operation commenced in 2015, ADVANC has continued to gain market share for its FB, rising from zero at the beginning of 2015 up to 14% in 2Q20. We think ADVANC's newer technology platform, larger subscriber base, and wider network coverage than its two peers are the key reasons for its increasing FB market share.

Exhibit 13: Typical service scenarios for smart grids



Source: "5G Network Slicing Enabling the Smart Grid" by China Telecom Beijing Research Institute

5G technology platform for the convergence of utilities, infrastructure, and data communications. According to the study by Huawei and China Telecom Beijing Research Institute in the report ["5G Network Slicing Enabling the Smart Grid."](#) 5G technology is an essential component in the successful development of a smart grid system. A smart grid can comprehensively improve the information and intelligence of the power grid and fully utilise modern information communication and control technologies.

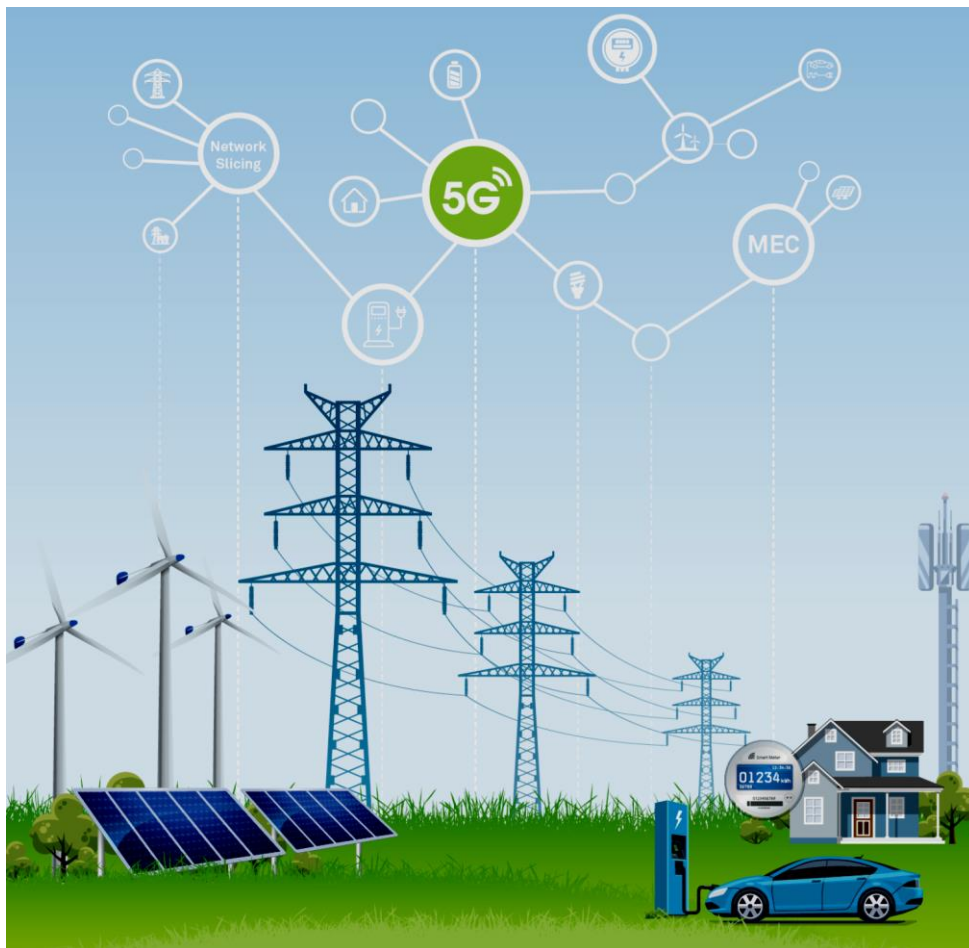
The smart grid system and the power pool concept can allow a country to achieve effective security, clean energy, close coordination, and intelligent development of the power grid, as well as provide reliable power for economic and social development.

With the rapid development of power consumption information collection, distribution automation, distributed energy access, EV services, bidirectional user interactions, and 5G technology, ICT platforms and the big data of customers have become critical for the development of a successful smart grid and smart utility and infrastructure systems.

New real-time, stable and efficient communication technologies and systems suitable for the electric power industry are urgently needed for monitoring the status of and collecting information about intelligent devices and triggering new working and power service modes.

With GULF's fully integrated network of multiple power plants (IPPs, SPPs, renewables), infrastructure assets (port, LNG terminal, motorway, and train systems), and its energy business (LNG imports, electricity and water distribution), we believe the company should be able to greatly benefit from ADVANC's extensive customer base, efficient ICT technology platform, and nationwide coverage. This would allow GULF to leverage and expand its upcoming 'smart' ventures, including the smart grid and the electricity market in the future.

Exhibit 14: 5G and smart grid



Source: "5G Network Slicing Enabling the Smart Grid" by China Telecom Beijing Research Institute

The electricity market exists in two major forms. First, wholesale electricity markets (WEMs) allow for power trading between generators, retailers, and other financial intermediaries for both the short-term delivery of electricity (spot price) and for future delivery periods (forward price). WEMs exist when competing power generators offer their electricity output to retailers. WEMs exist in many developed countries, including the US, Singapore, Germany, Australia and New Zealand.

Second, retail electricity markets (REMs) exist when end-user customers can choose their power suppliers from competing electricity retailers who purchase electricity from generators and then distribute it to end users. Generally, REM reforms follow when the WEM and REM systems embrace power billing, credit control, customer management via an efficient call centre, distribution use-of-system contracts, 'pool' or 'spot market' purchase agreements, and hedge contracts for different users.

We believe the recent marriage between GULF – Thailand's largest private power company – and ADVANC – Thailand's largest mobile operator – is likely to be a happy union. There are a number of operational and strategic synergies between the two that should allow both parties to fully enjoy the benefits of 5G technology. These involve the rapid convergence of utilities, infrastructure, and the increasing digitalization of the world that is increasingly reliant upon big data and technology platforms to ensure the success of present and future business operations.

A positive development for LCB3

On 4 Aug-21, the Thai regulator, the PCEEC, approved the LCB3 terminal project proposed by the GPC Group consortium, giving it the go-ahead to proceed with the project. GULF had already won the bid for LCB3 via the JV company, GPC (GULF 40%, PTT (PTT TB, BUY, TP THB60) 30%, China Harbour Engineering 30%), announced in Apr-2019 by the Port Authority of Thailand (PAT). The PCEEC indicated that the contract signing for LCB3 is scheduled to be completed by the end of Aug-21.

The LCB3 project has an investment cost of THB84.4b with a concession period of 35 years. GPC agreed to offer a total NPV of THB32.3b, comprising a fixed NPV of THB29.1b and a variable NPV of THB100 per twenty-foot equivalent unit (TEU) to the PCEEC.

We estimate that LCB3 (THB32b investment) will earn an EIRR of 10.5% and start generating a net profit of THB631m in 2023, which could increase to THB1b by 2027, based on a higher utilisation rate of 90%. This is based on the assumption of a starting 50% utilisation rate for the 11.4m TEU containers, and would increase the LCB port’s capacity from its current 9.7m TEUs to 21.1m TEUs. Of the 21.1m TEU capacity, 18.1m TEUs would be for cargo containers and 3m TEUs for automotive containers.

Exhibit 15: Laemchabang phase 3 (LCB3)

Consortium

Infrastructure work done by Port Authority of Thailand (PAT)

| Superstructure | |
|-----------------------------|--|
| Deep-Sea-Port: | F1 and F2 Terminals (690 rai) |
| Investment Type: | PPP Net Cost |
| Contract Period: | 35 years |
| Scope: | Design, Build, Operation, and Maintenance |
| Capacity: | At least 4 million TEU/year |
| Berth Length: | <ul style="list-style-type: none"> F1 = 1,000 m. F2 = 1,000 m. |
| Deepest Berth Depth: | -18.5 m. |
| Investment Cost: | 30,000 MB |
| Concession Fees: | <ul style="list-style-type: none"> Fixed concession fee Royalty fee (variable fee) |
| SCOD: | <ul style="list-style-type: none"> F1 = 2023 F2 = 2027* |

* Subject to further discussions with PAT

Source: GULF

A large upside for MTP3: In addition to LCB3, GULF (70% stake), via a JV with PTT Tank Terminal (not listed; 30%), secured the Maptaphut phase 3 project (MPT3), which includes a port and an LNG terminal of up to a 16mtpa capacity, with an investment cost of THB55.4b.

We see more upsides from MTP3 to GULF due to the larger-than-expected scale of its LNG terminal from 10mtpa to 16mtpa (first phase of 5mtpa scheduled to COD by 2025 and second phase capacity COD remains undetermined by the regulator), resulting in 1) higher annual net profit contributions to GULF of 0.1b-8.9b, up from 0.1b-4.9b; 2) a higher EIRR from 11% to 13.6%; and 3) an estimated value/shr of THB50. The key supportive factor would be the stronger LNG demand post-2025, compared to the previous LNG demand under GAS 2015, thanks to the additional gas-fired power plant capacity in PDP 2018.

We estimate that MTP3, which comprises mainly the new deep-sea port and the 10mtpa LNG terminal, will earn an EIRR of 13.6%. We project MTP3 to be GULF's key earnings growth driver post-2025, generating a 2023E net profit of THB44m (70% stake) from a land reclamation project (THB12.9b investment), potentially rising to THB1.2b by 2025 when the 5mtpa LNG terminal starts up (THB28b investment), and to THB8.1b by 2030 when the LNG terminal phase 2 (THB17b investment) starts up.

Exhibit 16: Maptaphut industrial port phase 3 (MTP3)

| Maptaphut industrial port phase 3 | |
|---|--|
| GULF & PTT Tank Terminal joint venture | PTT Tank Terminal (30%), GULF Energy Development (70%) |
| Investment cost (THB b) | 55.4 |
| IEAT signed contract with the private side | Jun-19 |
| Construction | 2023E |
| Commercial operation date (COD) | 2025E |
| EIRR (%) | 13.6 |
| Estimated debt to equity | 3:1 |
| Estimated net profit per year contributions (THB b) | 0.1-8.9 |
| Port capacity | |
| LNG terminal (mtpa) | Up to 16 |

Sources: GULF; FSSIA estimates

We believe the key risk to MTP3 would be the permission for the unsettled fixed and guaranteed return of MTP3 by the Ministry of Energy to allow imported LNG to be included into Thailand's gas pooled price for the power industry. However, since we think that Thailand requires higher LNG imports to ensure a secure gas supply, we think the risk is low for MTP3.

Exhibit 17: Maptaphut phase 3 (MTP3)



| | Infrastructure (2020 – 2023) | Superstructure (2023 – 2027) |
|------------------------------|--|---|
| Investment Type: | PPP | Private sector runs its own business |
| Scope: | Land reclamation (1,000 rai) | <u>Right to use land:</u> Plot B (200 rai) • LNG terminal (phase 1) 5 MTPA • LNG terminal (phase 2) 5 MTPA |
| Ownership: | Build – Transfer | Build – Operate – Transfer |
| Construction Period: | 3 years (2020 – 2023) | 4 years (2023 – 2027) |
| Operation Period: | Operated by IEAT | 30 years |
| Investment Cost: | 12,900 MB | 35,000 MB |
| Return on Investment: | Annual fixed payment made by IEAT to private sector for 30 years | Tolling service fees by off-takers |

Source: GULF

2Q21E results summary

We project a 2Q21 net profit of THB1.4b, down 11% q-q and 23% y-y. 2Q21 Core net profit is projected to be THB1.8b, down 26% q-q but up 78% y-y. Key drivers and expectations are:

- A q-q lower net profit from BKR2 from THB0.4b in 1Q21 to a net loss of THB0.1b in 2Q21 due to the seasonally lower wind speeds;
- The absence of the THB0.6b dividend income from INTUCH in 1Q21, but we expect the dividend from INTUCH to rise to THB1.2b in 3Q21 after GULF's acquisition of additional stakes in INTUCH from 19% to 42%;
- THB0.1b net profit from the new 1.25GW IPP GRSC phase 1, which had its COD in Apr-21;
- A small FX gain of THB10m in 2Q21 vs an FX loss of THB757m in 1Q21;
- A q-q lower net profit from SPPs due to the q-q higher gas cost.

Exhibit 18: Summary of 2Q21E/6M21E operations

| | 2Q20 | 1Q21 | ----- 2Q21E ----- | | | 6M20 | 6M21E | Change | 2021E |
|--------------------------|--------------|--------------|-------------------|---------------|---------------|---------------|---------------|--------------|---------------|
| | (THB m) | (THB m) | (THB m) | (q-q %) | (y-y %) | (THB m) | (THB m) | (y-y %) | (THB m) |
| Revenue | 7,773 | 9,035 | 9,047 | 0.1 | 16.4 | 15,641 | 18,082 | 15.6 | 31,847 |
| Operating costs | (5,620) | (5,311) | (5,863) | 10.4 | 4.3 | (11,254) | (11,174) | (0.7) | (19,669) |
| EBITDA | 2,153 | 3,724 | 3,184 | (14.5) | 47.9 | 4,387 | 6,908 | 57.4 | 12,178 |
| <i>EBITDA margin (%)</i> | 27.7 | 41.2 | 35.2 | <i>nm</i> | <i>nm</i> | 28.1 | 38.2 | <i>nm</i> | 38.2 |
| Deprn & amort. | (718) | (1,201) | (1,235) | 2.8 | 72.0 | (1,440) | (2,436) | 69.1 | (3,049) |
| EBIT | 1,435 | 2,523 | 1,949 | (22.7) | 35.8 | 2,947 | 4,472 | 51.7 | 9,129 |
| Interest expense | (836) | (932) | (955) | 2.5 | 14.2 | (1,659) | (1,887) | 13.7 | (3,978) |
| Interest & invt inc | 23 | 12 | 25 | 115.1 | 11.1 | 53 | 37 | (31.2) | 477 |
| Other income | 8 | 1 | 3 | 148.6 | (63.7) | 15 | 4 | (71.9) | 148 |
| Associates' contrib | 1,254 | 259 | 863 | 233.3 | (31.2) | 988 | 1,122 | 13.6 | 3,210 |
| Exceptionals | 746 | 69 | 85 | 22.5 | (88.6) | (230) | 154 | (167.1) | - |
| Pretax profit | 2,629 | 1,932 | 1,970 | 2.0 | (25.1) | 2,114 | 3,902 | 84.6 | 8,987 |
| Tax | 27 | (141) | (165) | 16.7 | (720.4) | 39 | (306) | (880.1) | (13) |
| <i>Tax rate (%)</i> | <i>(1.0)</i> | 7.3 | 8.4 | <i>nm</i> | <i>nm</i> | <i>(1.9)</i> | 7.9 | <i>nm</i> | 0.1 |
| Minority interests | (775) | (159) | (356) | 124.3 | (54.1) | (686) | (515) | (25.0) | (2,256) |
| Net profit | 1,881 | 1,632 | 1,449 | (11.2) | (23.0) | 1,468 | 3,081 | 109.9 | 6,718 |
| Non-recurring | 892 | (758) | (314) | (58.6) | (135.2) | (446) | (1,072) | 140.1 | - |
| Core net profit | 989 | 2,390 | 1,763 | (26.2) | 78.3 | 1,914 | 4,153 | 117.0 | 6,718 |
| EPS (THB) | 0.16 | 0.14 | 0.12 | (11.2) | (23.0) | 0.12 | 0.26 | 116.0 | 0.57 |

Sources: GULF; FSSIA estimates

EPS and TP revisions

We revise down our EPS forecasts in 2021-23 by 26-41% to reflect 1) our lower dispatched power volume assumptions due to the lower demand caused by the Covid-19 pandemic that prompted us to lower our utilisation rate forecast by 3 ppts; and 2) the dividend income INTUCH based on GULFs 42.35% holding.

Exhibit 19: Key changes in assumptions

| (THB m) | ----- Current ----- | | | ----- Previous ----- | | | ----- Change (%) ----- | | |
|---|---------------------|--------|--------|----------------------|--------|--------|------------------------|--------|--------|
| | 2021E | 2022E | 2023E | 2021E | 2022E | 2023E | 2021E | 2022E | 2023E |
| Revenue | 31,847 | 74,626 | 74,808 | 34,010 | 82,516 | 86,552 | (6.4) | (9.6) | (13.6) |
| Gross profit | 13,771 | 26,664 | 27,859 | 15,650 | 33,822 | 38,444 | (12.0) | (21.2) | (27.5) |
| Operating profit | 9,129 | 17,752 | 18,616 | 10,900 | 24,516 | 28,613 | (16.2) | (27.6) | (34.9) |
| Net profit | 6,718 | 12,759 | 13,536 | 9,036 | 19,755 | 22,780 | (25.7) | (35.4) | (40.6) |
| EPS (THB/share) | 0.57 | 1.09 | 1.15 | 0.77 | 1.68 | 1.94 | (25.7) | (35.4) | (40.6) |
| Key assumptions | | | | | | | | | |
| Dispatched power (GWh) | 17,537 | 32,848 | 34,646 | 17,549 | 33,479 | 35,276 | (0.1) | (1.9) | (1.8) |
| Average utilisation rate (%pts) | 81 | 82 | 83 | 84 | 85 | 86 | (3.0) | (3.0) | (3.0) |
| Gas cost (THB/mmbtu) | 235 | 223 | 212 | 225 | 210 | 200 | 4.4 | 6.2 | 6.0 |
| No of shares at year-end (m shares) | 11,733 | 11,733 | 11,733 | 11,733 | 11,733 | 11,733 | 0.0 | 0.0 | 0.0 |
| No of shares - weighted avg. (m shares) | 11,733 | 11,733 | 11,733 | 11,733 | 11,733 | 11,733 | 0.0 | 0.0 | 0.0 |

Sources: GULF; FSSIA estimates

Valuation

We maintain BUY and lower our SoTP-based target price from THB48 to THB47 to reflect our EPS downgrades and lower utilisation rate forecast. We maintain our positive view on GULF and believe its acquisition of INTUCH is a rational move to strengthen its short-term earnings growth outlook and balance sheet capability, as well as enhance its long-term growth platform, leveraging the confluence of 5G technology, big data, and information platforms that should allow it to stay ahead of the industry and capitalise on future growth opportunities.

Exhibit 20: 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 | | 0.50 | | | | | |
| Cost of equity, Ke | | 6.6 | | Net cost of debt, Kd | | 2.9 | |
| Weight applied | | 25.0 | | Weight applied | | 75.0 | |
| WACC (%) | | 3.8 | | | | | |

| DCF valuation estimate | | (MW) | (%) | (THB m) | Equity Capacity (MW) | (THB/share) | Comments |
|---------------------------------|-------------------------------|--------------|-----|----------------|----------------------|-------------|---|
| IPP | GNS | 1,653 | 40 | 27,097 | 661 | 2.3 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | GUT | 1,752 | 40 | 37,570 | 701 | 3.2 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | GSRC | 2,650 | 70 | 59,804 | 1,855 | 5.1 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | GPD | 2,920 | 70 | 88,268 | 2,044 | 7.5 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | Duqm (Oman) | 236 | 45 | 4,409 | 106 | 0.4 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | Hin Kong (2024E-2025E) | 1,400 | 49 | 36,484 | 686 | 3.1 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | Burapa power (2027E) | 540 | 35 | 11,164 | 189 | 1.0 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | SPP | GJP's 7 SPPs | 831 | 40 | 30,280 | 332 | 2.6 |
| GMP's 9 SPPs | | 1,179 | 53 | 57,783 | 619 | 4.9 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| GMP's 3 SPPs (GNC, GNRV1&2) | | 383 | 70 | 18,132 | 268 | 1.5 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| CGC (biomass) | | 25 | 100 | 197 | 25 | 0.0 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| Renewable | Solar - Thailand | 598 | 75 | 15,114 | 449 | 1.3 | WACC 3.8%, Risk free rate 2.3%, Risk premium 8.5%, zero terminal growth |
| | Solar - Vietnam | 149 | 95 | 1,348 | 141 | 0.1 | WACC 5%, Risk free rate 6%, Risk premium 6.5%, zero terminal growth |
| | Wind - Vietnam | 410 | 95 | 14,838 | 390 | 1.3 | WACC 5%, Risk free rate 6%, Risk premium 6.5%, zero terminal growth |
| | Wind - Germany | 450 | 50 | 17,211 | 225 | 1.5 | WACC 4%, Risk free rate 2%, Risk premium 8.5%, zero terminal growth |
| Infrastructure | Laemchabang phase 3 (2023E) | | 40 | 10,055 | | 0.9 | EIRR 10.5% |
| | Maptaphut phase 3 (2023E) | | 70 | 140,673 | | 12.0 | EIRR 13.6% |
| | Motorway O&M projects (2023E) | | 40 | 7,418 | | 0.6 | EIRR 10% |
| | One Bangkok (2024E) | 240 | 16 | 1,237 | | 0.1 | EIRR 12% |
| Investment | SPCG | | 10 | 2,300 | 29 | 0.2 | At 1.5x FY21E P/BV |
| | INTUCH | | 42 | 88,062 | | 7.5 | At THB65 SoTP TP |
| | Net debt | | | (117,871) | | (10.0) | At end-2021E |
| Residual ordinary equity | | | | 551,571 | 8,720 | 47.0 | |

Sources: GULF; FSSIA estimates

Financial Statements

Gulf Energy Development

| Profit and Loss (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|---|----------------|---------------|---------------|---------------|---------------|
| Revenue | 30,040 | 32,827 | 31,847 | 74,626 | 74,808 |
| Cost of goods sold | (21,734) | (20,075) | (18,076) | (47,962) | (46,949) |
| Gross profit | 8,306 | 12,752 | 13,771 | 26,664 | 27,859 |
| Other operating income | - | - | - | - | - |
| Operating costs | (1,713) | (2,080) | (1,592) | (3,731) | (3,740) |
| Operating EBITDA | 6,593 | 10,672 | 12,178 | 22,932 | 24,118 |
| Depreciation | (2,434) | (3,431) | (3,049) | (5,180) | (5,503) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 4,159 | 7,241 | 9,129 | 17,752 | 18,616 |
| Net financing costs | (1,703) | (3,715) | (3,501) | (4,656) | (4,518) |
| Associates | 3,205 | 2,462 | 3,210 | 4,189 | 4,631 |
| Recurring non-operating income | 3,320 | 2,922 | 3,230 | 4,209 | 4,651 |
| Non-recurring items | 1,377 | (196) | 0 | 0 | 0 |
| Profit before tax | 7,152 | 6,252 | 8,859 | 17,306 | 18,748 |
| Tax | 14 | (107) | (13) | (492) | (963) |
| Profit after tax | 7,166 | 6,144 | 8,846 | 16,814 | 17,785 |
| Minority interests | (2,280) | (1,862) | (2,256) | (4,182) | (4,378) |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | - | - | - | - | - |
| Reported net profit | 4,887 | 4,282 | 6,590 | 12,632 | 13,407 |
| Non-recurring items & goodwill (net) | (1,377) | 196 | 0 | 0 | 0 |
| Recurring net profit | 3,510 | 4,478 | 6,590 | 12,632 | 13,407 |
| Per share (THB) | | | | | |
| Recurring EPS * | 0.33 | 0.38 | 0.56 | 1.08 | 1.14 |
| Reported EPS | 0.46 | 0.36 | 0.56 | 1.08 | 1.14 |
| DPS | 0.26 | 0.25 | 0.40 | 0.70 | 0.70 |
| Diluted shares (used to calculate per share data) | 10,667 | 11,733 | 11,733 | 11,733 | 11,733 |
| Growth | | | | | |
| Revenue (%) | 74.8 | 9.3 | (3.0) | 134.3 | 0.2 |
| Operating EBITDA (%) | 49.7 | 61.9 | 14.1 | 88.3 | 5.2 |
| Operating EBIT (%) | 38.1 | 74.1 | 26.1 | 94.5 | 4.9 |
| Recurring EPS (%) | 15.9 | 16.0 | 47.2 | 91.7 | 6.1 |
| Reported EPS (%) | 61.4 | (20.3) | 53.9 | 91.7 | 6.1 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 19.5 | 28.4 | 33.7 | 28.8 | 29.9 |
| Gross margin of key business (%) | 24.1 | 27.8 | 33.7 | 28.8 | 29.9 |
| Operating EBITDA margin (%) | 21.9 | 32.5 | 38.2 | 30.7 | 32.2 |
| Operating EBIT margin (%) | 13.8 | 22.1 | 28.7 | 23.8 | 24.9 |
| Net margin (%) | 11.7 | 13.6 | 20.7 | 16.9 | 17.9 |
| Effective tax rate (%) | -0.3 | 2.8 | 0.2 | 3.7 | 6.8 |
| Dividend payout on recurring profit (%) | 79.0 | 65.5 | 71.2 | 65.0 | 61.3 |
| Interest cover (X) | 4.4 | 2.7 | 3.5 | 4.7 | 5.1 |
| Inventory days | - | - | - | - | - |
| Debtor days | 52.9 | 60.4 | 67.4 | 33.5 | 40.7 |
| Creditor days | 24.1 | 27.7 | 25.8 | 16.8 | 24.6 |
| Operating ROIC (%) | 4.6 | 5.5 | (1.2) | (2.1) | (2.2) |
| ROIC (%) | 5.8 | 5.0 | (1.1) | (1.7) | (1.8) |
| ROE (%) | 9.4 | 8.7 | 10.0 | 17.6 | 17.1 |
| ROA (%) | 5.5 | 4.9 | 3.1 | 5.5 | 5.5 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Power business | 30,313 | 31,772 | 26,704 | 69,375 | 69,557 |
| Consulting business | 955 | 1,154 | 5,772 | 5,772 | 5,772 |
| Others | (1,228) | (99) | (629) | (521) | (521) |

Sources: Gulf Energy Development; FSSIA estimates

Financial Statements

Gulf Energy Development

| Cash Flow (THB m) Year Ending Dec | 2019 | 2020 | 2021E | 2022E | 2023E |
|--|----------------|-----------------|-----------------|-----------------|-----------------|
| Recurring net profit | 3,510 | 4,478 | 6,590 | 12,632 | 13,407 |
| Depreciation | 2,434 | 3,431 | 3,049 | 5,180 | 5,503 |
| Associates & minorities | 3,205 | 2,462 | 3,210 | 4,189 | 4,631 |
| Other non-cash items | - | - | - | - | - |
| Change in working capital | (6,473) | 2,798 | (762) | 7,807 | (1,533) |
| Cash flow from operations | 2,676 | 13,169 | 12,088 | 29,809 | 22,008 |
| Capex - maintenance | (2,410) | (3,152) | (3,226) | (4,256) | (3,805) |
| Capex - new investment | (13,320) | (49,037) | (38,313) | (11,321) | (462) |
| Net acquisitions & disposals | (1,209) | (832) | 0 | 0 | 0 |
| Other investments (net) | 11,701 | 433 | 3,209 | 4,187 | 4,629 |
| Cash flow from investing | (5,239) | (52,588) | (38,329) | (11,390) | 362 |
| Dividends paid | (2,133) | (2,773) | (2,933) | (4,693) | (8,213) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | 5,584 | 27,702 | 23,017 | (2,000) | 0 |
| Other financing cash flows | (3,196) | 16,003 | (4,164) | (4,194) | (4,882) |
| Cash flow from financing | 254 | 40,932 | 15,920 | (10,887) | (13,095) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | (2,309) | 1,513 | (10,321) | 7,532 | 9,275 |
| Free cash flow to firm (FCFF) | 332.82 | (35,753.90) | (22,263.26) | 23,297.88 | 27,412.85 |
| Free cash flow to equity (FCFE) | (175.27) | 4,285.96 | (7,388.02) | 12,225.06 | 17,487.81 |
| Per share (THB) | | | | | |
| FCFF per share | 0.03 | (3.05) | (1.90) | 1.99 | 2.34 |
| FCFE per share | (0.01) | 0.37 | (0.63) | 1.04 | 1.49 |
| Recurring cash flow per share | 0.86 | 0.88 | 1.10 | 1.88 | 2.01 |
| Balance Sheet (THB m) Year Ending Dec | | | | | |
| Tangible fixed assets (gross) | 85,190 | 139,958 | 181,673 | 196,326 | 198,896 |
| Less: Accumulated depreciation | (4,229) | (10,240) | (13,466) | (17,722) | (21,527) |
| Tangible fixed assets (net) | 80,961 | 129,718 | 168,208 | 178,605 | 177,369 |
| Intangible fixed assets (net) | 1,113 | 17,354 | 17,354 | 17,354 | 17,354 |
| Long-term financial assets | - | - | - | - | - |
| Invest. in associates & subsidiaries | 21,247 | 22,079 | 22,079 | 22,079 | 22,079 |
| Cash & equivalents | 14,390 | 15,902 | 5,581 | 13,112 | 22,387 |
| A/C receivable | 5,199 | 5,660 | 6,108 | 7,601 | 9,097 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 2,828 | 8,792 | 8,529 | 19,986 | 20,035 |
| Current assets | 22,417 | 30,354 | 20,219 | 40,699 | 51,519 |
| Other assets | 8,540 | 46,075 | 46,075 | 46,075 | 46,075 |
| Total assets | 134,278 | 245,580 | 273,934 | 304,812 | 314,396 |
| Common equity | 38,427 | 64,027 | 67,684 | 75,623 | 80,816 |
| Minorities etc. | 10,613 | 8,053 | 10,309 | 14,491 | 18,869 |
| Total shareholders' equity | 49,040 | 72,080 | 77,993 | 90,114 | 99,685 |
| Long term debt | 66,453 | 83,544 | 116,453 | 116,453 | 116,453 |
| Other long-term liabilities | 8,976 | 60,314 | 60,314 | 60,314 | 60,314 |
| Long-term liabilities | 75,429 | 143,858 | 176,767 | 176,767 | 176,767 |
| A/C payable | 1,689 | 1,353 | 1,207 | 3,202 | 3,135 |
| Short term debt | 3,281 | 13,892 | 4,000 | 2,000 | 2,000 |
| Other current liabilities | 4,838 | 14,397 | 13,967 | 32,729 | 32,808 |
| Current liabilities | 9,809 | 29,643 | 19,174 | 37,931 | 37,943 |
| Total liabilities and shareholders' equity | 134,278 | 245,581 | 273,934 | 304,812 | 314,396 |
| Net working capital | 1,500 | (1,298) | (537) | (8,344) | (6,811) |
| Invested capital | 113,360 | 213,928 | 253,179 | 255,768 | 256,065 |
| * Includes convertibles and preferred stock which is being treated as debt | | | | | |
| Per share (THB) | | | | | |
| Book value per share | 3.60 | 5.46 | 5.77 | 6.45 | 6.89 |
| Tangible book value per share | 3.50 | 3.98 | 4.29 | 4.97 | 5.41 |
| Financial strength | | | | | |
| Net debt/equity (%) | 112.9 | 113.1 | 147.3 | 116.9 | 96.4 |
| Net debt/total assets (%) | 41.2 | 33.2 | 41.9 | 34.6 | 30.6 |
| Current ratio (x) | 2.3 | 1.0 | 1.1 | 1.1 | 1.4 |
| CF interest cover (x) | 8.7 | 15.4 | 9.8 | 6.1 | 5.0 |
| Valuation | | | | | |
| Recurring P/E (x) * | 107.1 | 92.4 | 62.8 | 32.7 | 30.8 |
| Recurring P/E @ target price (x) * | 142.8 | 123.1 | 83.7 | 43.7 | 41.1 |
| Reported P/E (x) | 76.9 | 96.6 | 62.8 | 32.7 | 30.8 |
| Dividend yield (%) | 0.7 | 0.7 | 1.1 | 2.0 | 2.0 |
| Price/book (x) | 9.8 | 6.5 | 6.1 | 5.5 | 5.1 |
| Price/tangible book (x) | 10.1 | 8.9 | 8.2 | 7.1 | 6.5 |
| EV/EBITDA (x) ** | 67.0 | 47.1 | 44.2 | 23.3 | 21.9 |
| EV/EBITDA @ target price (x) ** | 86.0 | 60.1 | 55.6 | 29.3 | 27.6 |
| EV/invested capital (x) | 3.9 | 2.4 | 2.1 | 2.1 | 2.1 |
| * Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income | | | | | |

Sources: Gulf Energy Development; 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 | ICHI | 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 | PCSGH | PDJ | PG | 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 | TISCO | TK | TKT | TMB | TMILL | TNDT | TTA |
| 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 | RICHY | RML | RPC | 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 | TMC | 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 | TPIPP | 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

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ANALYST(S) CERTIFICATION

Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

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| Company | Ticker | Price | Rating | Valuation & Risks |
|----------------------------|-----------|------------|--------|--|
| Gulf Energy Development | GULF TB | THB 35.25 | 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. |
| Intouch Holdings | INTUCH TB | THB 63.00 | HOLD | The key downside risks to our NAV-discounted TP are if the sluggish performance from the satellite business continues and if there is a slower-than-expected 5G adoption rate. The key upside risk is if INTUCH synergizes with GULF faster than expected. |
| Advanced Info Service | ADVANC TB | THB 175.50 | BUY | The key downside risks to our DCF-based TP are stronger-than-expected competition in the mobile market and the slower-than-expected adoption of 5G use cases. |
| Thaicom | THCOM TB | THB 10.50 | REDUCE | The key upside risks to our P/BV-based TP are 1) if the company is able to secure a new right of use concession for the satellite orbital slots and can generate significant revenue from it; 2) if it can form a partnership with NT or LEO satellite operators; and 3) if its operating costs after the expiration of Thaicom 4 and 6 are lower than expected. |
| True Corporation | TRUE TB | THB 3.12 | HOLD | The key upside and downside risks to our DCF-based TP are if the 5G subscription gains and ARPU are better or worse than our expectation, if the company can reduce its costs better or worse than we expect, and if there is a faster or slower-than-expected adoption of 5G use cases. |
| Total Access Communication | DTAC TB | THB 35.50 | BUY | The key downside risks to our DCF-based TP are if the 5G subscription losses are worse than our expectation, the cost of the 3500MHz band is higher than our expectation, if there is stronger-than-expected competition in the mobile market, and if there is a faster-than-expected adoption of 5G use cases. |
| PTT PCL | PTT TB | THB 34.50 | BUY | Risks to our SoTP-based valuation are the oil price and potential earnings downside from government intervention. |

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 05-Aug-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.