

4 OCTOBER 2021

THAILAND / MATERIALS

# BANPU BANPU TB

## BUY

UNCHANGED

TARGET PRICE	THB14.60
CLOSE	THB13.00
UP/DOWNSIDE	+12.3%
PRIOR TP	THB14.60
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+6.0%

## จากความเคลือบแคลงสู่ความแข็งแกร่ง

### ยุครุ่งเรืองของถ่านหิน

เราขอมองบวกต่อแนวโน้มกำไรของ BANPU และคาดการณ์กำไรสุทธิจำนวน 5 พัน ลบ. ใน 3Q21 เราคาดว่ากำไรสุทธิจากการดำเนินงานจะแตะเป็น 9 พัน ลบ. แต่หน้าจะโดนหักกลับไปบางส่วนจากผลขาดทุนจำนวนมากจากสัญญาป้องกันความเสี่ยงสำหรับทั้งก๊าซในชั้นหินดินดานและถ่านหิน เราคิดว่า 3Q21 เป็นไตรมาสแรกที่ BANPU ได้ประโยชน์จากวงจรราคาถ่านหินและก๊าซฯ ขาขึ้น และน่าจะต่อเนื่องไปในปี 2022 เราคาดว่าผลกระทบจากการเป็นสินค้าทดแทนของก๊าซฯ ที่ราคาอยู่ในระดับสูง (เนื่องจากอุปทานดิ่งตัวและความต้องการไฟฟ้าโลกสูงเกินคาดทั้งเพื่อความเย็นในช่วงฤดูร้อนและให้ความร้อนในช่วงฤดูหนาว) จะช่วยทำให้ราคาถ่านหินและก๊าซฯ ปรับตัวขึ้นต่อเนื่องในปี 2022

### คาดการณ์กำไรสุทธิ 3Q21 ที่ 5 พัน ลบ.

เราคาดว่ากำไรสุทธิ 3Q21 ไว้ที่ 5 พัน ลบ. และกำไรสุทธิจากการดำเนินงานไว้ที่ 9 พัน ลบ. ใน 3Q21 เราเห็นปัจจัยผลักดันสำคัญประกอบด้วย 1) ราคาขายเฉลี่ย (ASP) ที่สูงขึ้นเป็น USD118/t สำหรับถ่านหินจากเหมืองอินโดนีเซีย ซึ่งเพิ่มขึ้นจาก USD81/t ใน 2Q21; 2) ปริมาณขายถ่านหินที่ 7.9mt ประกอบด้วย 5.2mt ในอินโดนีเซียและ 2.7mt ในออสเตรเลีย; 3) ผลขาดทุนจากสัญญาป้องกันความเสี่ยงจำนวน USD120 ล้าน ประกอบด้วย USD65 ล้านจากปริมาณถ่านหิน 0.5mt ที่ทำสัญญาไว้ที่ราคา Newcastle Index ที่ USD80-109.6/t เทียบกับ USD207/t และ USD55 ล้านสำหรับปริมาณก๊าซฯ 9m mmbtu ที่ทำสัญญาไว้ในช่วงราคา USD2.45-3.40/mmbtu เทียบกับราคาก๊าซฯ Henry Hub ที่ USD5.2/mmbtu ณ สิ้นเดือน ก.ย. 21; และ 4) กำไรจากอัตราแลกเปลี่ยน USD50 ล้านจากค่าเงินบาทที่อ่อนตัวลงเมื่อเทียบกับเงินเหรียญสหรัฐ

### แรงกดดันจากการเสนอขายหุ้นใหม่ให้แก่ผู้ถือหุ้นเดิม (RO) ไม่มีแล้ว

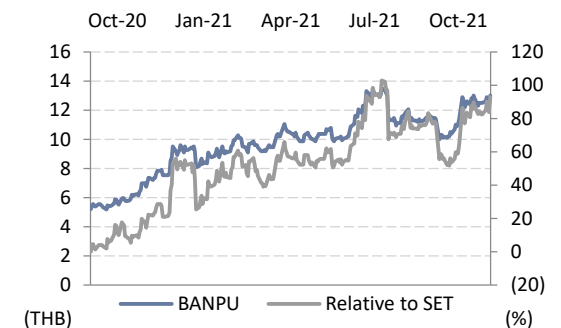
หลัง BANPU ปรับตัวลดเมื่อวันที่ 16 ส.ค. 21 จากก่อน XR ในวันที่ 13 ส.ค. 21 ที่ 13.5 บาท/หุ้นลงปิดที่ 10 บาท/หุ้นหลัง XR ในวันที่ 1 ต.ค. 21 ราคาหุ้นก็ปรับขึ้น 4.8% ในวันซื้อขายแรกสำหรับหุ้น RO จำนวน 1.692 พันล้านหุ้น ราคาหุ้นที่ลดลงแรงในวันที่ 16 ส.ค. 21 น่าจะสะท้อนผลกระทบจาก 2 ข้อสำคัญแสดงสิทธิที่บริษัทฯ ให้ฟรี กล่าวคือ BANPU-W4 และ BANPU-W5 และหุ้น RO อีก 1.692 พันล้านหุ้นไว้หมดแล้ว

### ได้เวลากลับมาสะสม

เราคงคำแนะนำซื้อที่ราคาเป้าหมาย 14.6 บาท (SoTP) ซึ่งสะท้อนหุ้นคงค้างเฉลี่ยที่สูงขึ้นในปี 2021-23 ไว้แล้ว ปัจจุบันเราคาดว่าราคาหุ้นของ BANPU จะปรับขึ้นจากกำไรสุทธิ 3Q21 ที่คาดว่าจะอยู่ในระดับสูงและกำไรสุทธิที่คาดว่าจะยังเพิ่มขึ้น q-q และ y-y ใน 4Q21 ตลอดจนถึงปี 2022 จากราคาถ่านหินและก๊าซฯ ที่อยู่ในระดับสูง ซึ่งน่าจะต่อเนื่องไปในปี 2022 เราคิดว่าความต้องการถ่านหินและก๊าซฯ ที่สูงขึ้นในฤดูหนาวและสภาวะอุปทานดิ่งตัวน่าจะช่วยพยุงราคาถ่านหินและก๊าซฯ ให้อยู่ในระดับสูงต่อเนื่องไปอีก 9 เดือนข้างหน้า

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	71,332	86,862	79,150	80,277
Net profit	(1,786)	8,905	8,002	8,565
EPS (THB)	(0.35)	1.62	1.11	0.96
vs Consensus (%)	-	(10.9)	(22.7)	(11.4)
EBITDA	9,287	31,959	30,652	33,436
Core net profit	(3,288)	8,905	8,002	8,565
Core EPS (THB)	(0.65)	1.62	1.11	0.96
Chg. In EPS est. (%)	nm	-	-	-
EPS growth (%)	nm	nm	(31.3)	(13.4)
Core P/E (x)	(20.1)	8.0	11.7	13.5
Dividend yield (%)	3.8	6.0	3.3	3.2
EV/EBITDA (x)	24.5	6.9	8.2	8.2
Price/book (x)	1.1	0.9	1.0	1.0
Net debt/Equity (%)	165.3	119.6	107.5	91.3
ROE (%)	(4.9)	12.7	9.4	8.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	19.3	16.0	141.1
Relative to country (%)	22.6	14.1	85.9
Mkt cap (USD m)	2,616		
3m avg. daily turnover (USD m)	45.8		
Free float (%)	88		
Major shareholder	Vongkusolkit Family (13%)		
12m high/low (THB)	13.90/4.89		
Issued shares (m)	5,074.58		

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 4 ตุลาคม 2021

## Investment thesis

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

We think that rising Newcastle (NCT) index coal prices in the range of USD68-70/tonne should lead to higher coal earnings in 2021-22. Power earnings should gradually improve with the resumption of full operations at the Hongsa power plant, as well as from its new solar farms in Japan and China and wind farms in Vietnam.

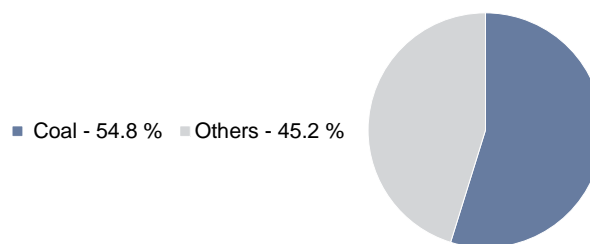
We see three factors that we think will drive up BANPU's earnings in 2021-22. First, BANPU's gas earnings are in an upcycle due to the tighter supply in the US. Second, we expect coal earnings of upward of THB1b-2b, including interest expenses, for 2021-22 on the back of USD75-90/tonne index coal prices. Finally, we see more upside for its power earnings due to higher projected net profit contributions from Hongsa.

## Company profile

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

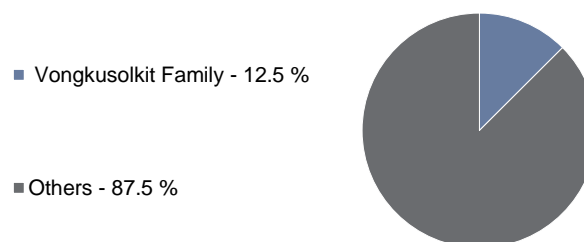
[www.banpu.com](http://www.banpu.com)

## Principal activities (revenue, 2020)



Source: Banpu

## Major shareholders



Source: Banpu

## Catalysts

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

## Risks to our call

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

## Event calendar

Date	Event
Nov 2021	3Q21 results announcement

## Key assumptions

	2021E	2022E	2023E
Coal sales volume (mtpa)	33.5	34.0	34.0
Newcastle coal price (USD/t)	90.0	75.0	70.0
ASP for coal (USD/t)	73.2	61.0	65.0
Total cost - Indonesia (USD/t)	60.5	57.9	57.5
Total cost - Australia (USD/t)	55.0	55.0	55.0

Source: FSSIA estimates

## Earnings sensitivity

- Ceteris paribus, for every 1% rise in average coal price, we project 2021 EPS to rise by 2.6%, and vice versa.
- Ceteris paribus, for every 1% rise in coal sales volume, we estimate 2021 EPS to rise by 1.2%, and vice versa.
- Stability in crude oil price, rising coal prices and high utilisation rates of power plants are key to earnings growth.

Source: FSSIA estimates

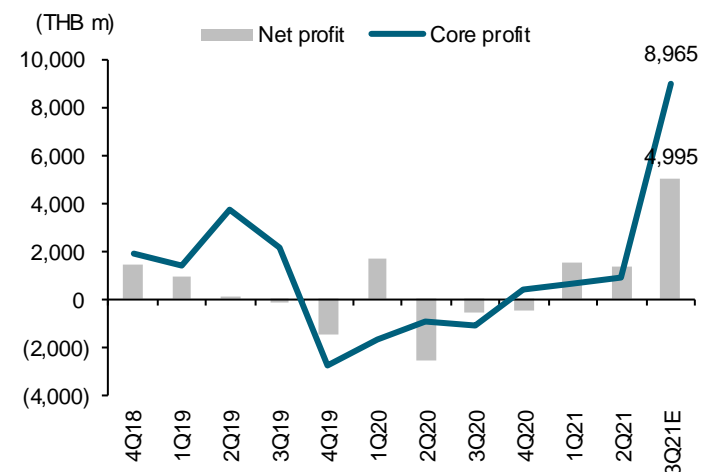


## From overhang to over the rainbow

We remain positive on BANPU's earnings outlook and project a net profit of THB5b in 3Q21. We expect its core net profit to jump to THB9b in 3Q21 but should be partly offset by large hedging losses for both shale gas and coal.

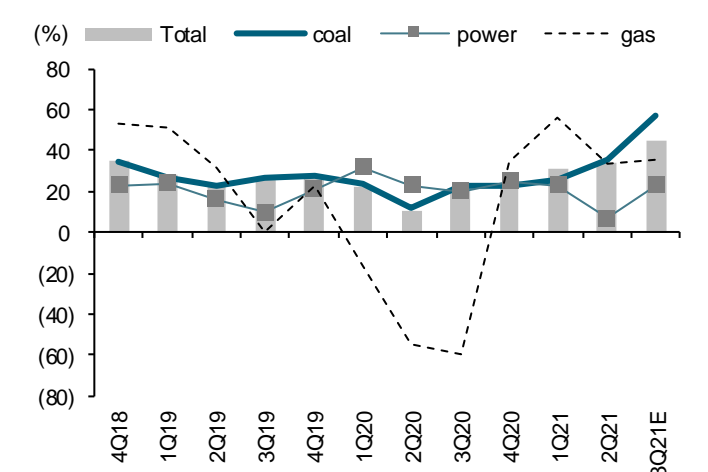
We think 3Q21 will be the first quarter for BANPU to enjoy the coal and gas price upcycle that should continue into 2022. We expect that the substitute impact of the high gas price – due to the tight supply and the stronger-than-expected demand globally for electricity for both cooling in the summer and heating in the upcoming winter – will sustain the coal and gas price spikes into 2022.

**Exhibit 1: Net profit and core profit**



Sources: BANPU; FSSIA estimates

**Exhibit 2: Gross margin by segment**

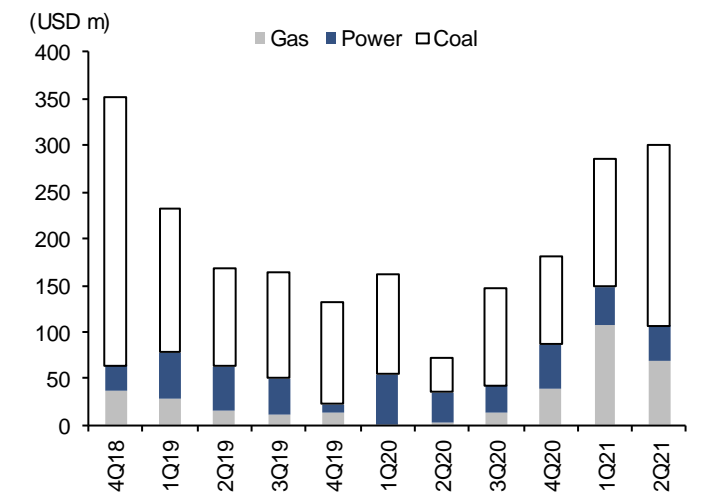


Sources: BANPU; FSSIA estimates

We project its EBITDA to rise from USD0.3b in 2Q21 to over USD0.4b in 3Q21, driven by the sharp rise in EBITDA from the coal mines in Indonesia, China, and Australia, owing to the coal price spike to over USD200/t since the last week of Sep-21.

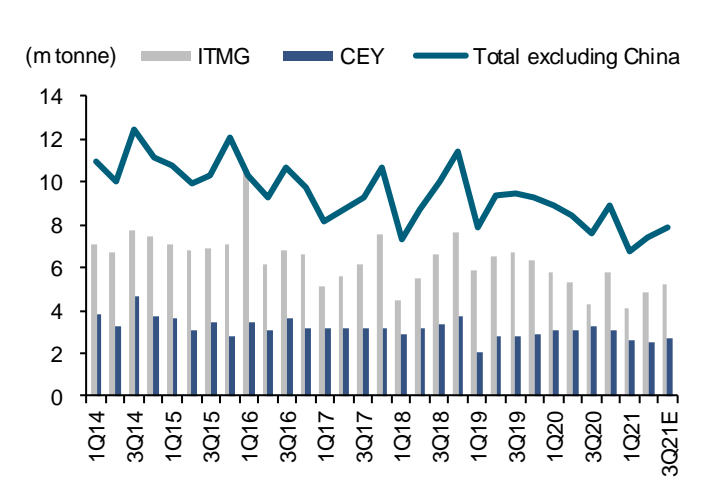
Despite our projections of lower-than-expected coal production volumes in 3Q21 for the Indonesia mines at 5.2mt vs BANPU's guided 5.4mt, for Australia at 2.7mt vs 2.8mt, and China at 1mt vs 1.2mt, we think the higher-than-expected coal prices should more than offset the lower coal production and sales volumes.

**Exhibit 3: EBITDA breakdown by segment**



Sources: BANPU; FSSIA estimates

**Exhibit 4: Coal sales volume projections**

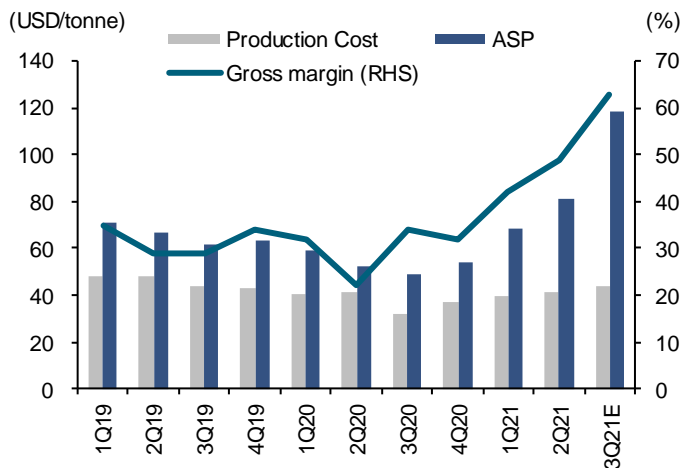


Sources: BANPU; FSSIA estimates

**Price spike to overshadow cost rise.** In 3Q21, the production cost of Indonesian open-pit coal mines rose by over 20% q-q due to the diesel price hike, but the ASP for coal had shot up even faster and higher than the diesel price, leading to our projected gross margin of 63% for BANPU's Indonesia coal business, up from 49% in 2Q21 and 34% in 3Q20.

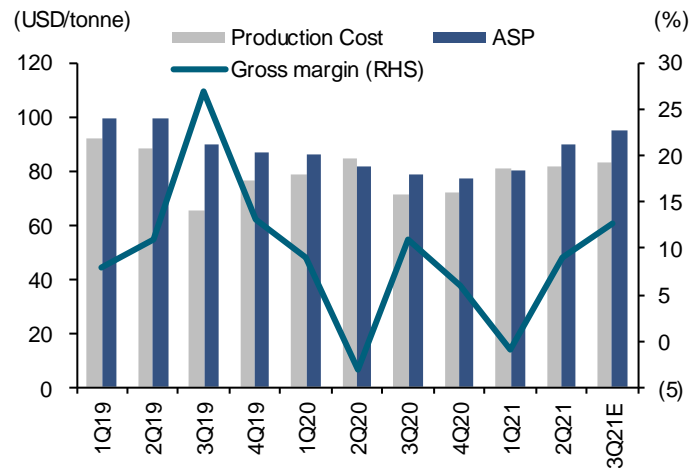
For the coal mines in Australia, while the coal production cost slightly rose due to the relatively fixed cost portion for underground mines, the ASP increased marginally to USD95/t, as most of the coal sales volume in Australia has already been fixed and sold to power producers in the domestic market. Hence, gross margin for the coal mines in Australia is likely to rise to only 13% in 3Q21, up from 9% in 2Q21, based on our estimate.

**Exhibit 5: Coal production cost and average selling price for Indonesian mines**



Sources: BANPU; FSSIA estimates

**Exhibit 6: Coal production cost and average selling price for Australian mines**



Sources: BANPU; FSSIA estimates

**Power earnings to decline q-q in 3Q21.** We project BANPU's power earnings via its subsidiary, Banpu Power (BPP TB, BUY, TP THB23), to drop from THB1b in 2Q21 to THB0.9b in 3Q21, due to:

- 1) A lower net profit contribution from the Hongsa power plant at THB1b, down 10% q-q due to a lower q-q utilisation rate from 92% in 2Q21 to 83% in 3Q21;
- 2) A lower gross profit from the CHP plants in China from THB12m in 2Q21 to THB4m in 3Q21 due to the higher coal cost;
- 3) A lower net profit from the BLPC power plant to THB60m, down from THB78m in 2Q21 as a result of the lower electricity tariff;
- 4) A net profit contribution of THB50m from the Nakoso power plant in Japan;
- 5) A net loss of THB10m from Banpu NEXT (not listed).

## 3Q21E results preview

We project BANPU to post a strong net profit of THB5b and a core net profit of THB9b in 3Q21. We see the key drivers as:

- A higher ASP to USD118/t for the Indonesian coal mines, up from USD81/t in 2Q21 and higher than our previous expectation of USD112/t, thanks to the higher Newcastle index coal price (NCT) to over USD200/t at the end of Sep-21;
- A coal sales volume of 7.9mt, comprising 5.2mt in Indonesia and 2.7mt in Australia;
- A hedging loss of USD120m, comprising USD65m from a coal hedging volume of 0.5mt at a price of USD80-109.6/t vs USD207/t NCT, and USD55m from a shale gas hedging volume of 9m mmbtu at a price range of USD2.45-3.40/mmbtu vs the Henry Hub gas price of USD5.2/mmbtu at end-Sep-21;
- An FX gain of USD50m as a result of the weaker THB/USD currency exchange rate.

### Exhibit 7: 3Q21E/9M21E results preview

	3Q20	2Q21	----- 3Q21E -----		9M20	9M21E	Change	
	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
<b>Revenue</b>	<b>14,739</b>	<b>25,063</b>	<b>30,214</b>	<b>20.6</b>	<b>105.0</b>	<b>51,073</b>	<b>77,539</b>	<b>51.8</b>
Operating costs	(10,172)	(15,393)	(15,691)	1.9	54.3	(38,927)	(44,749)	15.0
<b>EBITDA</b>	<b>4,567</b>	<b>9,670</b>	<b>14,523</b>	<b>50.2</b>	<b>218.0</b>	<b>12,146</b>	<b>32,790</b>	<b>170.0</b>
<i>EBITDA margin (%)</i>	31	39	48	<i>nm</i>	<i>nm</i>	23.8	42.3	<i>nm</i>
Depn & amort.	(3,425)	(3,589)	(3,642)	1.5	6.3	(10,004)	(10,976)	9.7
EBIT	1,142	6,081	10,881	78.9	852.4	2,142	21,813	918.4
Interest expense	(1,345)	(1,349)	(1,399)	3.7	4.0	(4,273)	(4,103)	(4.0)
Interest & invt inc	402	365	320	(12.3)	(20.4)	607	938	54.5
Associates' contrib	1,000	2,002	1,842	(8.0)	84.2	3,486	5,222	49.8
Exceptionals	(1,072)	(3,643)	(3,788)	<i>nm</i>	<i>nm</i>	(1,251)	(8,849)	607.5
<b>Pretax profit</b>	<b>127</b>	<b>3,456</b>	<b>7,856</b>	<b>127.3</b>	<b>nm</b>	<b>711</b>	<b>15,021</b>	<b>2,012.1</b>
Tax	(353)	(1,018)	(1,836)	80.3	419.8	(1,169)	(4,255)	264.0
<i>Tax rate (%)</i>	277	29	23	<i>nm</i>	<i>nm</i>	164	28	<i>nm</i>
Minority interests	(291)	(1,112)	(1,025)	(7.9)	252.8	(860)	(2,910)	238.2
<b>Net profit</b>	<b>(516)</b>	<b>1,325</b>	<b>4,995</b>	<b>276.9</b>	<b>nm</b>	<b>(1,318)</b>	<b>7,856</b>	<b>(695.9)</b>
Non-recurring	609	419	(3,970)	<i>nm</i>	(752.1)	2,403	(2,683)	(211.7)
<b>Core net profit</b>	<b>(1,125)</b>	<b>906</b>	<b>8,965</b>	<b>889.3</b>	<b>(896.7)</b>	<b>(3,721)</b>	<b>10,539</b>	<b>(383.2)</b>
EPS (THB)	(0.10)	0.26	0.97	276.9	<i>nm</i>	(0.26)	1.52	(695.9)
Core EPS (THB)	(0.22)	0.18	1.74	889.3	<i>nm</i>	(0.72)	2.04	(383.2)

Sources: BANPU; FSSIA estimates

**Overhang from new shares trading is now likely behind.** After BANPU's share price declined on 16 Aug-21 from the pre-XR date on 13 Aug-21 at THB13.5/share down to a closing market price of THB10/share post-XR date on 1 Oct-21, BANPU's share price rose by 4.8% on the first day of trading for its 1.692b RO shares.

The sharp drop in its share price on 16 Aug-21 should have already fully reflected the dilution impact from the two free warrants, BANPU-W4 and BANPU-W5, at a conversion ratio of three existing shares to one new warrant, along with the RO of 1.692b shares at a ratio of three existing shares to one RO share.

We now expect BANPU's share price to rerate, driven by the strong 3Q21E net profit and the likely even stronger q-q and y-y net profits that we expect in 4Q21 into 2022, thanks to the high coal and gas prices that should continue into 2022. We think the stronger demand for coal and gas in the winter season and the tight supplies should sustain the high coal and gas prices over the next nine months.

### Exhibit 8: Capital increase plan

Instrument	Number of shares	% increase in shares	Exercise price	Amount	Transaction	XR date	Warrant life	Expiration date	Payment date
	(m shares)	(%)	(THB/share)	(THB m)					
Number of existing shares outstanding	5,074.6		15.6	79,163.5					
RO	1,691.5	33.3	5.0	8,457.6	XR	16-Aug-21		Sep-21	6-17 Sep 2021
BANPU-W4	1,691.5	33.3	5.0	8,457.6	XR	16-Aug-21	1	Oct-22	na
BANPU-W5	1,691.5	33.3	7.5	12,686.5	XR	16-Aug-21	2	Oct-23	na
<b>Total</b>	<b>10,149.2</b>	<b>100.0</b>		<b>29,601.7</b>					

Sources: BANPU; FSSIA estimates

### The most attractive coal play in Thailand

We maintain BUY and our SoTP-based target price of THB14.6, which already reflects the higher average shares outstanding in 2021-23, which we estimate at 8.9b shares, up from 5.5b shares in 2021, and believe the current share price has already priced in the full dilution impact from the RO and warrants.

### Exhibit 9: SOTP valuation

Banpu's valuation breakdown	THB/share	
ITMG (65%) (A)	8.2	DCF 9% WACC, terminal growth is zero for mines
China coal	2.0	DCF 9% WACC, terminal growth is zero for mines
Australian coal (Centennial)	7.4	DCF 9% WACC, terminal growth is zero for mines
<b>Net value of non-ITMG coal (B)</b>	<b>17.6</b>	
<b>Value of power business</b>		
BLCP	2.8	DCF 7.1% WACC, terminal growth is zero at the end of PPA
China power	2.9	DCF 7.1% WACC, terminal growth is zero at the end of PPA
Hongsa	5.2	DCF 7.1% WACC, terminal growth is zero at the end of PPA
SLG	1.6	DCF 7.1% WACC, terminal growth is zero at the end of PPA
NIGGC	1.2	DCF 4% WACC, terminal growth is zero at the end of PPA
Solar farms (Japan, Thailand, China)	2.9	DCF 7.1% WACC, terminal growth is zero at the end of PPA
<b>Net value of power (C)</b>	<b>16.6</b>	
<b>Net value of shale gas (D)</b>	<b>3.0</b>	<b>DCF 7.1% WACC, terminal growth is zero at the end of PPA</b>
Banpu's net debt	(22.6)	at end 2021E
<b>Net value of Banpu (A+B+C+D)</b>	<b>14.6</b>	<b>Target price</b>

Sources: BANPU; FSSIA estimates

## Financial Statements

### Banpu

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	85,718	71,332	86,862	79,150	80,277
Cost of goods sold	(63,952)	(50,626)	(38,146)	(33,265)	(31,364)
<b>Gross profit</b>	<b>21,766</b>	<b>20,706</b>	<b>48,716</b>	<b>45,885</b>	<b>48,913</b>
Other operating income	-	-	-	-	-
Operating costs	(13,810)	(11,419)	(16,757)	(15,233)	(15,477)
<b>Operating EBITDA</b>	<b>7,955</b>	<b>9,287</b>	<b>31,959</b>	<b>30,652</b>	<b>33,436</b>
Depreciation	(10,761)	(13,543)	(16,574)	(20,007)	(20,007)
Goodwill amortisation	(195)	(31)	(366)	(366)	(366)
<b>Operating EBIT</b>	<b>(3,000)</b>	<b>(4,287)</b>	<b>15,019</b>	<b>10,279</b>	<b>13,063</b>
Net financing costs	(8,393)	(2,778)	(5,992)	(5,984)	(6,006)
Associates	6,444	4,239	5,781	6,068	5,427
Recurring non-operating income	11,416	5,264	6,296	6,854	6,111
Non-recurring items	3,697	1,502	0	0	0
<b>Profit before tax</b>	<b>3,720</b>	<b>(300)</b>	<b>15,323</b>	<b>11,149</b>	<b>13,168</b>
Tax	(2,368)	(269)	(2,672)	(1,423)	(2,167)
<b>Profit after tax</b>	<b>1,352</b>	<b>(569)</b>	<b>12,651</b>	<b>9,727</b>	<b>11,000</b>
Minority interests	(1,905)	(1,217)	(3,746)	(1,724)	(2,435)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>(553)</b>	<b>(1,786)</b>	<b>8,905</b>	<b>8,002</b>	<b>8,565</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(3,697)</b>	<b>(1,502)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>(4,249)</b>	<b>(3,288)</b>	<b>8,905</b>	<b>8,002</b>	<b>8,565</b>
<b>Per share (THB)</b>					
Recurring EPS *	(0.82)	(0.65)	1.62	1.11	0.96
Reported EPS	(0.11)	(0.35)	1.62	1.11	0.96
DPS	0.60	0.50	0.78	0.43	0.42
Diluted shares (used to calculate per share data)	5,162	5,075	5,497	7,189	8,881
<b>Growth</b>					
Revenue (%)	(24.0)	(16.8)	21.8	(8.9)	1.4
Operating EBITDA (%)	(71.0)	16.7	244.1	(4.1)	9.1
Operating EBIT (%)	nm	nm	nm	(31.6)	27.1
Recurring EPS (%)	nm	nm	nm	(31.3)	(13.4)
Reported EPS (%)	nm	nm	nm	(31.3)	(13.4)
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	12.8	10.0	37.0	32.7	36.0
Gross margin of key business (%)	25.6	20.1	46.4	42.0	45.3
Operating EBITDA margin (%)	9.3	13.0	36.8	38.7	41.6
Operating EBIT margin (%)	(3.5)	(6.0)	17.3	13.0	16.3
Net margin (%)	(5.0)	(4.6)	10.3	10.1	10.7
Effective tax rate (%)	20.0	20.0	28.0	28.0	28.0
Dividend payout on recurring profit (%)	(72.9)	(77.2)	48.2	39.0	43.0
Interest cover (X)	1.0	0.4	3.6	2.9	3.3
Inventory days	24.6	24.5	27.9	28.7	28.8
Debtor days	43.1	38.1	37.3	45.0	42.4
Creditor days	15.9	13.8	22.2	27.4	27.9
Operating ROIC (%)	(1.6)	(10.6)	13.8	9.3	10.9
ROIC (%)	1.4	0.8	7.3	5.9	5.9
ROE (%)	(5.5)	(4.9)	12.7	9.4	8.4
ROA (%)	0.3	1.2	6.2	5.1	5.2
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Coal	30,346	39,086	40,308	39,086	37,865
Others	55,372	32,245	46,554	40,064	42,412

Sources: Banpu; FSSIA estimates



## Financial Statements

### Banpu

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	(4,249)	(3,288)	8,905	8,002	8,565
Depreciation	10,761	13,543	16,574	20,007	20,007
Associates & minorities	(6,444)	(4,239)	(5,781)	(6,068)	(5,427)
Other non-cash items	(544)	1,302	4,517	4,508	4,530
Change in working capital	5,207	1,403	(1,916)	1,083	(133)
<b>Cash flow from operations</b>	<b>4,730</b>	<b>8,722</b>	<b>22,298</b>	<b>27,533</b>	<b>27,542</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(11,578)	(22,372)	(27,243)	(24,824)	(25,178)
Net acquisitions & disposals	(3,133)	2,828	2,828	2,828	2,828
Other investments (net)	3,894	(2,160)	(2,160)	(2,160)	(2,160)
<b>Cash flow from investing</b>	<b>(10,817)</b>	<b>(21,704)</b>	<b>(26,575)</b>	<b>(24,157)</b>	<b>(24,510)</b>
Dividends paid	(3,097)	(2,864)	(3,268)	(3,804)	(3,357)
Equity finance	0	0	0	0	0
Debt finance	8,531	28,455	6,700	(1,200)	2,500
Other financing cash flows	(2,923)	(7,056)	(2,169)	(4,335)	(352)
<b>Cash flow from financing</b>	<b>2,511</b>	<b>18,536</b>	<b>1,263</b>	<b>(9,339)</b>	<b>(1,209)</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>(3,576)</b>	<b>5,553</b>	<b>(3,014)</b>	<b>(5,962)</b>	<b>1,823</b>
Free cash flow to firm (FCFF)	(261.79)	(7,363.73)	1,918.00	9,715.09	9,395.88
Free cash flow to equity (FCFE)	(479.32)	8,416.72	253.93	(2,158.81)	5,180.31

#### Per share (THB)

FCFF per share	(0.05)	(1.45)	0.38	1.91	1.85
FCFE per share	(0.09)	1.66	0.05	(0.43)	1.02
Recurring cash flow per share	(0.09)	1.44	4.40	3.68	3.12

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	93,339	112,066	139,309	164,133	189,311
Less: Accumulated depreciation	(34,543)	(34,543)	(51,117)	(71,124)	(94,427)
<b>Tangible fixed assets (net)</b>	<b>58,796</b>	<b>77,523</b>	<b>88,192</b>	<b>93,010</b>	<b>94,884</b>
<b>Intangible fixed assets (net)</b>	<b>460</b>	<b>94</b>	<b>94</b>	<b>94</b>	<b>94</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	49,104	50,761	51,872	53,270	54,027
Cash & equivalents	16,388	21,941	18,927	12,965	14,788
A/C receivable	7,415	7,482	10,250	9,261	9,392
Inventories	3,759	3,045	2,780	2,454	2,489
Other current assets	13,533	14,833	14,833	14,833	14,833
<b>Current assets</b>	<b>41,095</b>	<b>47,301</b>	<b>46,789</b>	<b>39,512</b>	<b>41,502</b>
Other assets	108,134	105,969	96,321	111,737	131,382
<b>Total assets</b>	<b>257,589</b>	<b>281,648</b>	<b>283,268</b>	<b>297,623</b>	<b>321,890</b>
Common equity	72,195	62,344	78,130	92,478	112,064
Minorities etc.	18,286	22,211	25,958	27,682	30,117
<b>Total shareholders' equity</b>	<b>90,481</b>	<b>84,555</b>	<b>104,088</b>	<b>120,160</b>	<b>142,181</b>
Long term debt	103,749	112,559	123,415	122,140	124,563
Other long-term liabilities	16,285	18,129	17,915	17,704	17,494
<b>Long-term liabilities</b>	<b>120,034</b>	<b>130,687</b>	<b>141,330</b>	<b>139,844</b>	<b>142,057</b>
A/C payable	1,798	2,025	2,610	2,379	2,413
Short term debt	29,964	49,140	20,000	20,000	20,000
Other current liabilities	15,312	15,240	15,240	15,240	15,240
<b>Current liabilities</b>	<b>47,074</b>	<b>66,405</b>	<b>37,850</b>	<b>37,618</b>	<b>37,652</b>
<b>Total liabilities and shareholders' equity</b>	<b>257,589</b>	<b>281,648</b>	<b>283,268</b>	<b>297,623</b>	<b>321,890</b>
Net working capital	7,597	8,096	10,012	8,929	9,062
Invested capital	224,090	242,442	246,491	267,039	289,449

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

#### Per share (THB)

Book value per share	13.99	12.29	14.21	12.86	12.62
Tangible book value per share	13.90	12.27	14.19	12.85	12.61

#### Financial strength

Net debt/equity (%)	129.7	165.3	119.6	107.5	91.3
Net debt/total assets (%)	45.5	49.6	43.9	43.4	40.3
Current ratio (x)	0.9	0.7	1.2	1.1	1.1
CF interest cover (x)	2.3	12.1	5.6	4.8	6.1

Valuation	2019	2020	2021E	2022E	2023E
<b>Recurring P/E (x) *</b>	<b>(15.8)</b>	<b>(20.1)</b>	<b>8.0</b>	<b>11.7</b>	<b>13.5</b>
<b>Recurring P/E @ target price (x) *</b>	<b>(17.7)</b>	<b>(22.5)</b>	<b>9.0</b>	<b>13.1</b>	<b>15.1</b>
Reported P/E (x)	(121.4)	(36.9)	8.0	11.7	13.5
Dividend yield (%)	4.6	3.8	6.0	3.3	3.2
Price/book (x)	0.9	1.1	0.9	1.0	1.0
Price/tangible book (x)	0.9	1.1	0.9	1.0	1.0
EV/EBITDA (x) **	25.5	24.5	6.9	8.2	8.2
EV/EBITDA @ target price (x) **	26.5	25.4	7.2	8.5	8.7
EV/invested capital (x)	0.9	0.9	0.9	0.9	1.0

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

Sources: Banpu; 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	TTB	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	TTB	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)

### Disclaimer:

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

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

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Suwat Sinsadok FSS International Investment Advisory Securities Co., Ltd

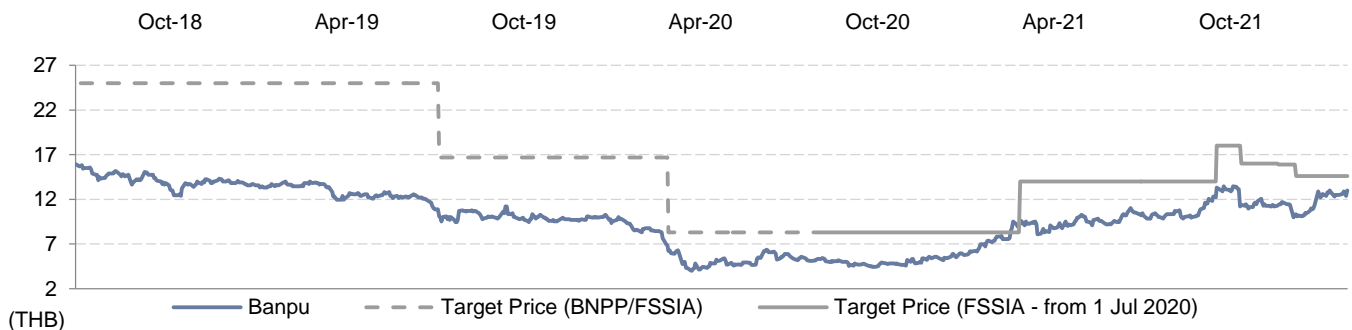
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#### History of change in investment rating and/or target price

##### Banpu (BANPU TB)



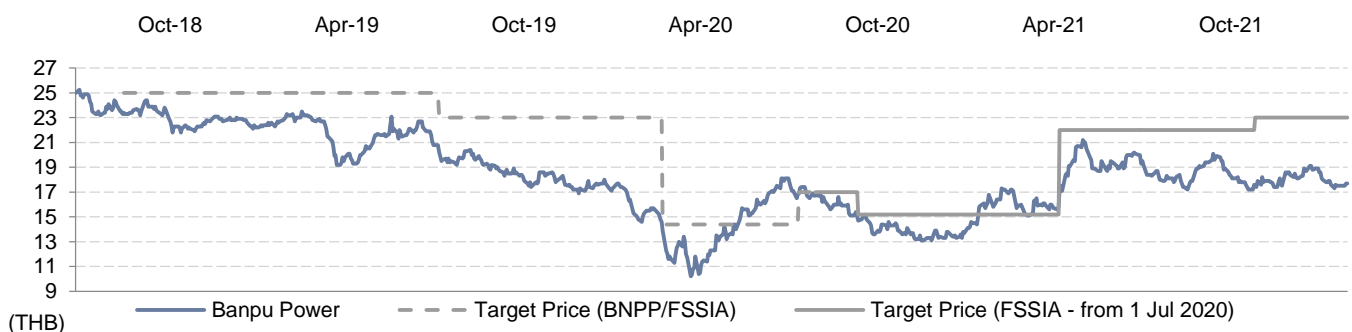
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Oct-2018	BUY	25.00	09-Oct-2020	BUY	8.30	10-Jun-2021	BUY	18.00
13-Aug-2019	BUY	16.70	23-Dec-2020	BUY	14.00	01-Jul-2021	HOLD	16.00
26-Feb-2020	HOLD	8.30	14-Jan-2021	BUY	14.00	02-Aug-2021	BUY	15.90
26-Feb-2020	HOLD	8.30	24-Feb-2021	BUY	14.00	17-Aug-2021	BUY	14.60

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

Price and TP are in local currency

Source: FSSIA estimates

##### Banpu Power (BPP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Nov-2018	HOLD	25.00	17-Jun-2020	HOLD	17.00	23-Feb-2021	BUY	22.00
13-Aug-2019	HOLD	23.00	06-Aug-2020	HOLD	15.20	13-Jul-2021	BUY	23.00
21-Feb-2020	HOLD	14.40	16-Oct-2020	HOLD	15.20			
17-Jun-2020	HOLD	17.00	26-Jan-2021	BUY	22.00			

Suwat Sinsadok started covering this stock from 15-Nov-2018

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Banpu	BANPU TB	THB 13.00	BUY	We see downside risks to our SoTP-based TP from lower coal prices, higher diesel costs and any unplanned shutdowns of its power plants.
Banpu Power	BPP TB	THB 17.70	BUY	Downside risks to our SOTP valuation are the start-up delays of its new projects and government intervention in the electricity tariff.

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 Finansia 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 Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 01-Oct-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

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

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

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

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

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

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

### Industry Recommendations

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

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

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

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

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

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