

21 OCTOBER 2021

THAILAND / MATERIALS

BANPU **BANPU TB**
BUY
 UNCHANGED

TARGET PRICE	THB16.90
CLOSE	THB12.30
UP/DOWNSIDE	+37.4%
PRIOR TP	THB14.60
CHANGE IN TP	+15.8%
TP vs CONSENSUS	+19.7%

Attractive on strong coal earnings

USD120-150/t Newcastle coal index price is more sustainable

We believe the recent collapse in Banpu's share price by over 23% within only 9 days from its recent peak at THB14.9 is highly unjustified. In our view, Banpu's coal earnings would be strong under the Newcastle coal index (NCT) price at above USD120-150/t, instead of the current price of over USD200/t, as we estimate that it would generate over THB3b-4b in quarterly net profits for Banpu.

Net profits of THB5b-6b in 3Q-4Q21 should be achievable

We think our net profit forecasts of THB5b in 3Q21 and THB6b in 4Q21 are highly achievable, based on our expectations of 1) ITMG's earnings reaching USD100m-150m per quarter in 3Q-4Q21, as its cost per tonne at USD80/t is still far lower than its coal average selling price (ASP) of USD118/t in 3Q21 and USD150/t in 4Q21; 2) USD100m net profit per quarter from its mines in China; 3) a hedging loss of USD120m in 3Q21 and USD160m in 4Q21; 4) a USD20m-30m net loss per quarter for power plants in China due to the coal cost; 5) an FX gain of USD20m-50m in 3Q-4Q21; and 6) power earnings of THB0.9b in 3Q21 and THB0.5b in 4Q21 due to the seasonally lower demand and fewer shutdowns.

Share price should stay over THB14 on 7-8x 2021-22E P/E

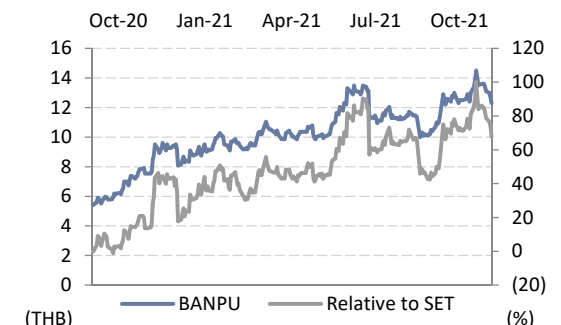
We think Banpu's share price should stay above THB14, reflecting a 2021E P/E of 7.0x and 2022E P/E of 7.8x. Three key assumptions to support our conviction are 1) the NCT price above USD150/t should be sustainable and will likely decline from over USD250/t currently to USD150-200/t by mid-2022 on a higher coal supply in China; 2) the NCT price at USD120-150/t is sufficient to drive Banpu's coal earnings to hit THB4b-5b per quarter, mainly from the all-spot coal sales volume of 1.2mt in China, while 70% of its total coal sales volume in Indonesia (around 15mt p.a.) with floating pricing is linked directly to NCT; and 3) the large hedging loss should be far smaller than the earnings upside we estimate from the rising coal price.

Maintain BUY; target price raised to THB16.9

We lift our SoTP TP from THB14.6 to THB16.9 to reflect 1) our higher 2021-23E EPS; and 2) our valuation rollover to 2022. We believe the market still underestimates Banpu's coal earnings power and the sustainably high coal price environment that we think should persist at least until mid-2022. Potential catalysts are stronger-than-expected 3Q-4Q21 net profits and a longer-than-expected high coal price into 1H22.

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	71,332	122,721	107,504	96,271
Net profit	(1,786)	11,090	12,771	9,984
EPS (THB)	(0.35)	2.02	1.78	1.12
vs Consensus (%)	-	(0.6)	13.8	(7.1)
EBITDA	9,287	54,686	49,651	43,889
Core net profit	(3,288)	11,090	12,771	9,984
Core EPS (THB)	(0.65)	2.02	1.78	1.12
Chg. In EPS est. (%)	nm	24.5	59.6	16.6
EPS growth (%)	nm	nm	(11.9)	(36.7)
Core P/E (x)	(19.0)	6.1	6.9	10.9
Dividend yield (%)	4.1	11.1	7.4	4.2
EV/EBITDA (x)	24.2	4.3	5.3	6.6
Price/book (x)	1.0	0.9	0.9	1.0
Net debt/Equity (%)	165.3	119.6	103.9	89.7
ROE (%)	(4.9)	15.7	14.7	9.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	5.8	124.6
Relative to country (%)	(2.1)	(0.6)	66.0
Mkt cap (USD m)	2,495		
3m avg. daily turnover (USD m)	52.0		
Free float (%)	88		
Major shareholder	Vongkusolkit Family (13%)		
12m high/low (THB)	14.90/5.18		
Issued shares (m)	6,766.00		

Sources: Bloomberg consensus; FSSIA estimates



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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.

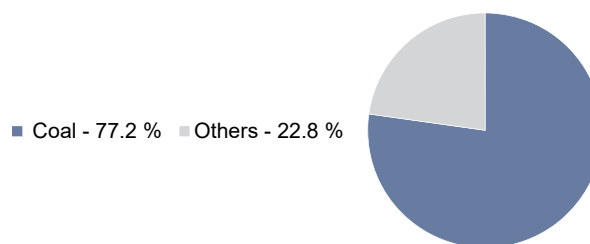
We see three factors that we think will drive up Banpu's earnings in 2021-22. First, its gas earnings are in an upcycle due to the tighter supply in the US. Second, we expect higher coal earnings on the back of USD100-150/tonne index coal prices. Finally, we see more upsides for its power earnings due 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.

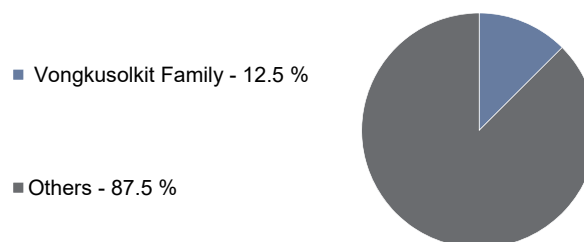
www.banpu.com

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)	130.0	100.0	70.0
ASP for coal (USD/t)	105.8	81.3	65.0
Total cost - Indonesia (USD/t)	58.7	54.6	51.5
Total cost - Australia (USD/t)	72.0	72.0	72.0

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

Share price plunge is highly unjustified

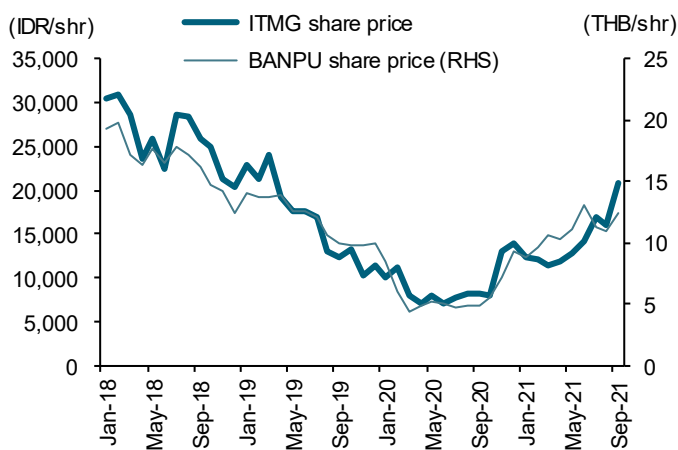
We believe the recent collapse in Banpu's share price by over 23% within only 9 days from its recent peak at THB14.9 is highly unjustified. In our view, Banpu's coal earnings would be strong under the Newcastle coal index (NCT) price at above USD120-150/t, instead of the current price of over USD200/t, as we estimate that it would generate over THB3b-4b in quarterly net profits for Banpu.

In addition, the share price of Banpu's 65%-owned subsidiary, Indo Tambangraya Megah Tbk PT (ITMG), has consistently outperformed Banpu's share price since Jul-21 due to investors' concerns over Banpu's potentially large hedging loss and the weak earnings from its power unit – particularly in China, as the Chinese government has capped the electricity tariff despite the spike in the coal cost for coal-fired power plants – including Banpu's three small power producers (SPP) which we project to incur net losses in 3Q21.

ITMG, as one of the pure plays in the coal production industry in Indonesia, has seen its share price rise from a mere IDR5,000 in Jun-20 to IDR25,425 in Oct-21, jumping 5x within only 15 months. In contrast, Banpu's share price has increased from THB4.5 in Jul-20 to its THB14.9 peak on 6 Oct-21, and has since dropped to THB12.3 on 20 Oct-21.

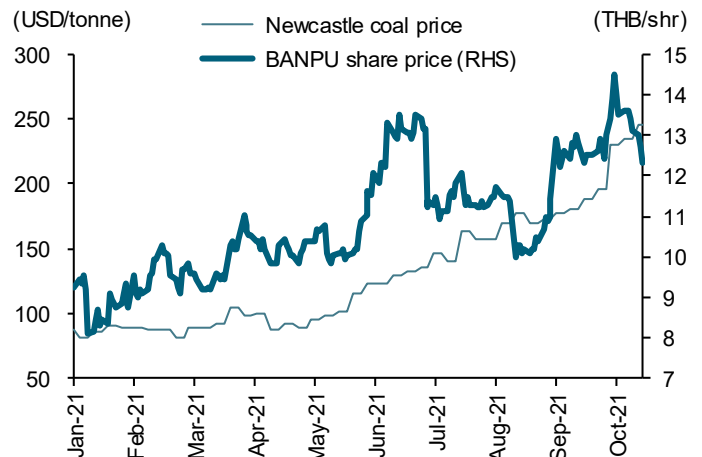
We believe Banpu's share price should rerate to reflect its strong fundamentals and the higher net profit potential from coal and shale gas that we think are being deeply underestimated by the market, as evidenced by its share price collapse in the past two weeks.

Exhibit 1: Banpu's vs ITMG's share price (monthly)



Source: Bloomberg

Exhibit 2: Banpu's share price vs Newcastle coal price (daily)



Source: Bloomberg

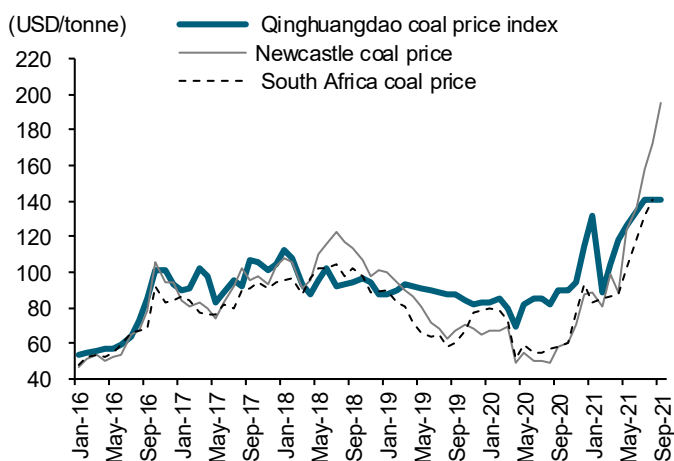
Why Banpu's share price should stay above THB14

We think Banpu's share price should stay above THB14, reflecting a 2021E P/E of 7.0x and 2022E P/E of 7.8x.

Three key assumptions to support our conviction are as follows:

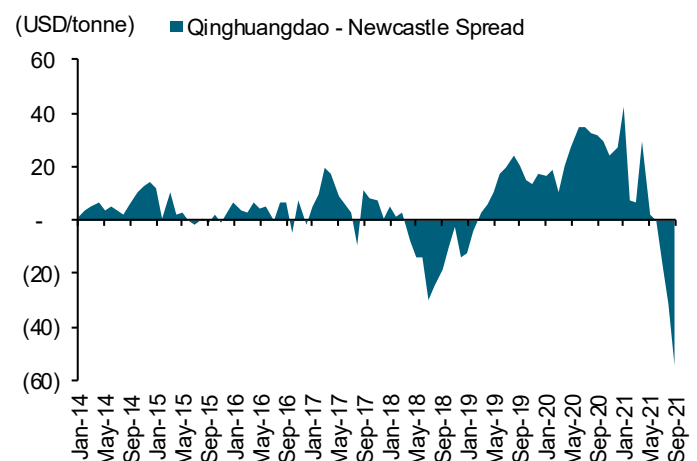
- **The NCT price above USD150/t should be sustainable** and will likely decline from over USD250/t currently to USD150-200/t by mid-2022 on a higher coal supply in China. For more detail, please see our report, "[Thailand Energy - Gas price spike sweetens coal and oil price uptrend](#)", dated 6 Oct-21.
- **The NCT price at USD120-150/t NCT price is sufficient to drive Banpu's coal earnings to hit THB4b-5b per quarter**, mainly from the all-spot coal sales volume of 1.2mt in China, while 70% of its total coal sales volume in Indonesia (around 15mt p.a.) with floating pricing is linked directly to NCT.
- **The large hedging loss should be far smaller than the earnings upside we estimate from the rising coal price.** We believe Banpu's potential hedging loss from its coal (2.0mt at USD80-109.6/t hedging price) and gas price hedging (36m mmbtu at USD2.45-3.40/mmbtu) should be much smaller than the margin gains from Banpu's sales of coal from ITMG (20mtpa production), Centennial (13mtpa) and China (4mtpa equity sales volume).

Exhibit 3: Benchmark coal prices (QHD vs NCT)



Source: Bloomberg

Exhibit 4: Coal price gap between QHD and NCT



Source: Bloomberg

NCT is more relevant to Banpu's coal price than Qinghuangdao

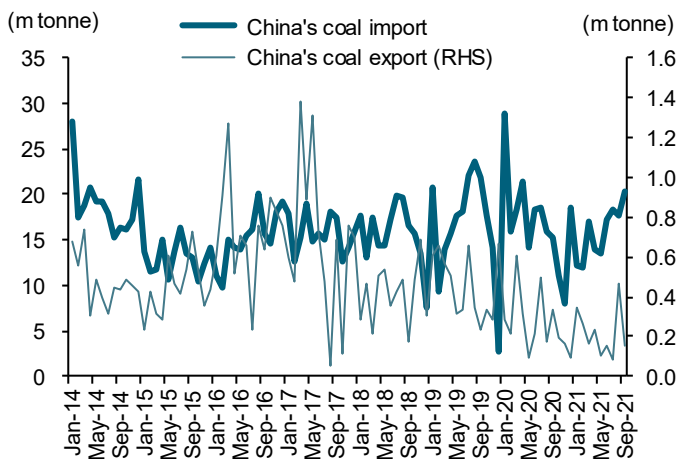
We believe the currently tight demand-supply balance of the coal industry is likely to persist into at least mid-2022, despite the strong effort from China's government to curb the coal price spike by issuing a number of policies to increase domestic coal production, import more coal (even from Australia, which it currently has bans on), and mandate a reduction on the electricity consumed in many provinces.

For Banpu, NCT is more relevant for its coal price than the Qinghuangdao coal price index (QHD), given that Banpu holds a 65% stake in ITMG. ITMG produces high quality coal at 20mtpa, and most of the sales volume's selling price is linked to NCT. However, Banpu has a policy to hedge up to 10% of ITMG's coal production, which can lead to a large hedging loss if NCT spikes faster and higher than expected, which is the case in 2021.

In addition, NCT is directly linked to 3mtpa out of the total 13mtpa of coal production from Banpu's 100%-owned Centennial mines in Australia. The remaining 10mtpa sales volume is marketed to domestic power plants in Australia at a cost-plus, fixed formula unrelated to NCT.

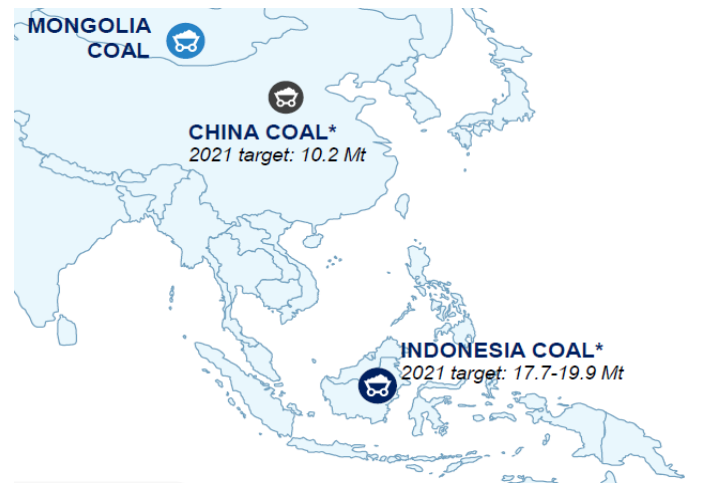
For Banpu's coal mines in China, it has an equity coal production volume of 4mtpa out of a total 10mtpa from two mines. All coal sales volumes from its China mines have their selling prices fully linked to QHD. Without any hedging for the coal sales volume, Banpu is expected to reap the full benefit from the current QHD price spike.

Exhibit 5: China's coal imports and exports



Source: Bloomberg

Exhibit 6: Banpu's coal mining operations in China and Indonesia



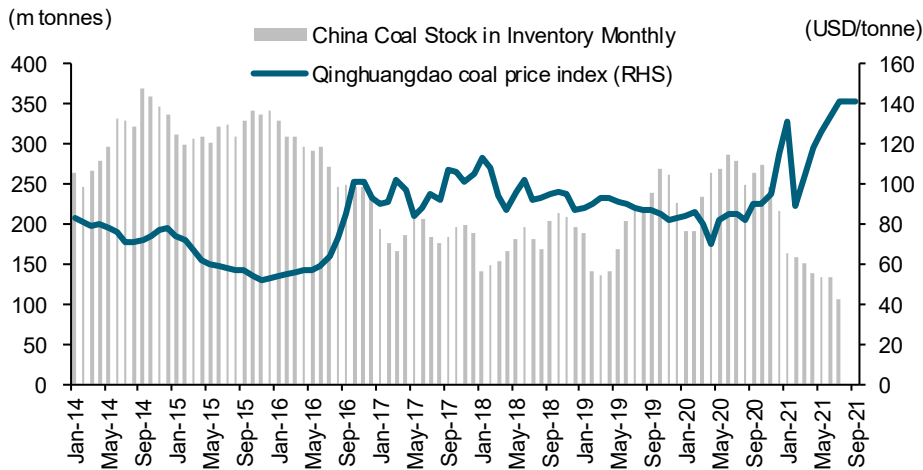
Source: BANPU

China increased coal imports in Aug-Sep 2021. China has been importing higher amounts of coal for its power plants since Aug-21. It has done so to alleviate the current electricity crunch as a result of the higher-than-expected demand for electricity after the full easing of the lockdowns and the multi-year low coal inventory for many power plants ahead of the seasonally high demand for coal in the upcoming winter.

As a result, QHD has remained below USD140/t YTD, despite the sharp rise in NCT to over USD200/t, reflecting that China's coal shortage has impacted the global coal price, as China needs to import higher coal volumes from South Africa, the US, and Russia to replace the banned coal imports from Australia and to compensate for the higher demand from power plants.

China's coal inventory hit a historically low level at 100mt in Jul-21, which NBRC estimates to have declined further to below 100mt in Aug-Oct 2021. We believe China's pause to disclose its coal inventory since Aug-21 indicates that its coal inventory is now at a critically low level, leading to the current electricity crunch and the government's order to reduce or halt industrial production and household electricity consumption since Sep-21.

Exhibit 7: China's coal inventory vs QHD coal price index



Source: Bloomberg

3Q21E net profit of THB5b and 4Q21E of THB6b are highly achievable

We project Banpu's net profit to jump to THB5b in 3Q21, up 277% q-q and from a net loss of 516m in 3Q20. We expect its core net profit to rise to THB9b in 3Q21, up 8.9x q-q and from a net loss of THB1.12b in 3Q20. For 4Q21, we anticipate Banpu's net profit to rise further to THB6b due to the widening margin for coal sales from ITMG and China.

We think our net profit forecasts for 3Q-4Q21 are highly achievable, based on our expectations of:

- **ITMG's earnings should reach USD100m-150m per quarter in 3Q-4Q21**, as we project its cost per tonne to rise to USD80/t, mainly from the higher royalty cost (13% of ASP) and production cost (higher diesel price), while its coal ASP should hit USD118/t in 3Q21 and USD150/t in 4Q21, based on our estimate. We expect Banpu will produce 5.2mt in 3Q21 and 5.5mt in 4Q21 from ITMG's mines.
- **Net profit of over USD100m per quarter from its mines in China**, based on an equity coal sales volume of 1mt per quarter and a gross margin of over USD100/t thanks to the fixed cost from the underground mines in China.
- **A hedging loss of USD120m in 3Q21 and USD160m in 4Q21**, based on 1) a coal hedging volume of 0.5mt at a price of USD80-109.6/t; and 2) a shale gas hedging volume of 9m mmbtu per quarter at a price range of USD2.45-3.40/mmbtu.
- **A USD20m-30m net loss per quarter for Banpu's power plants in China** due to the mismatch between the rising coal cost and stagnant electricity tariff.
- **An FX gain of USD50m in 3Q21 and USD20m-30m in 4Q21** as a result of the weaker THB/USD currency exchange rate.
- **Power earnings of THB0.9b in 3Q21 and THB0.5b in 4Q21** due to the seasonally lower demand for electricity in 4Q21 that could lead to lower earnings contributions from the Hongsa and BLCF power plants.

TP raised to THB16.9, implying 8-9x 2021-22E P/E

We raise our EPS forecasts for 2021-23 by 16.6-59.6% to incorporate 1) our higher NCT price and ASP for coal assumptions for 2021-22 by 44% and 33%, respectively; 2) our lower estimates for the cost of coal production in Indonesia by 2.9-10.4% in 2021-23 due to our lower SG&A; and 3) our higher estimates for the cost of coal production in Australia by 30.9% in 2021-23 to reflect the higher depreciation and freight expenses.

Exhibit 8: Key changes in assumptions

	Current			Previous			Change		
	2021E (THB b)	2022E (THB b)	2023E (THB b)	2021E (THB b)	2022E (THB b)	2023E (THB b)	2021E (%)	2022E (%)	2023E (%)
Revenue	122,721	107,504	96,271	86,862	79,150	80,277	41.3	35.8	19.9
Gross profit	78,615	70,555	62,565	48,716	45,885	48,913	61.4	53.8	27.9
Operating profit	37,005	27,209	21,447	15,019	10,279	13,063	146.4	164.7	64.2
Net profit	11,090	12,771	9,984	8,905	8,002	8,565	24.5	59.6	16.6
Core net profit	11,090	12,771	9,984	8,905	8,002	8,565	24.5	59.6	16.6
EPS (THB/shr)	2.02	1.78	1.12	1.62	1.11	0.96	24.5	59.6	16.6
Core EPS (THB/shr)	2.02	1.78	1.12	1.62	1.11	0.96	24.5	59.6	16.6
Key assumptions									
Coal sales volume (mtpa)	33.5	34.0	34.0	33.5	34.0	34.0	-	-	-
Newcastle coal price (USD/t)	130.0	100.0	70.0	90.0	75.0	70.0	44.4	33.3	-
ASP for coal (USD/t)	105.8	81.3	65.0	73.2	61.0	65.0	44.4	33.3	-
Total cost - Indonesia (USD/t)	58.7	54.6	51.5	60.5	57.9	57.5	(2.9)	(5.8)	(10.4)
Total cost - Australia (USD/t)	72.0	72.0	72.0	55.0	55.0	55.0	30.9	30.9	30.9

Source: FSSIA estimates

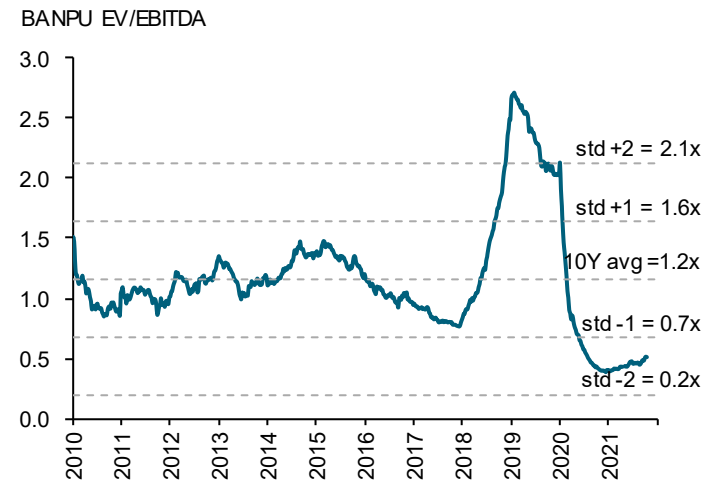
We lift our SOTP-based target price from THB14.6 to THB16.9 to reflect 1) our higher EPS forecasts for 2021-23; and 2) our valuation rollover to 2022. We believe the market still underestimates Banpu's coal earnings power and the sustainably high coal price environment that we think should persist at least until mid-2022. Potential catalysts would be stronger-than-expected 3Q21 and 4Q21 net profits and a longer-than-expected high coal price into 1H22.

Exhibit 9: SoTP valuation

Banpu's valuation breakdown	THB/share	
ITMG (65%) (A)	10.4	DCF 9% WACC, terminal growth is zero for mines
China coal	2.2	DCF 9% WACC, terminal growth is zero for mines
Australian coal (Centennial)	10.0	DCF 9% WACC, terminal growth is zero for mines
Net value of non-ITMG coal (B)	22.6	
Value of power business		
BLCF	0.2	DCF 7.1% WACC, terminal growth is zero at the end of PPA
China power	2.5	DCF 7.1% WACC, terminal growth is zero at the end of PPA
Hongsa	4.3	DCF 7.1% WACC, terminal growth is zero at the end of PPA
SLG	1.2	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)	1.0	DCF 7.1% WACC, terminal growth is zero at the end of PPA
Net value of power (C)	10.5	
Net value of shale gas (D)	3.0	DCF 7.1% WACC, terminal growth is zero at the end of PPA
Banpu's net debt	(19.2)	at end-2022E
Net value of Banpu (A+B+C+D)	16.9	Target price

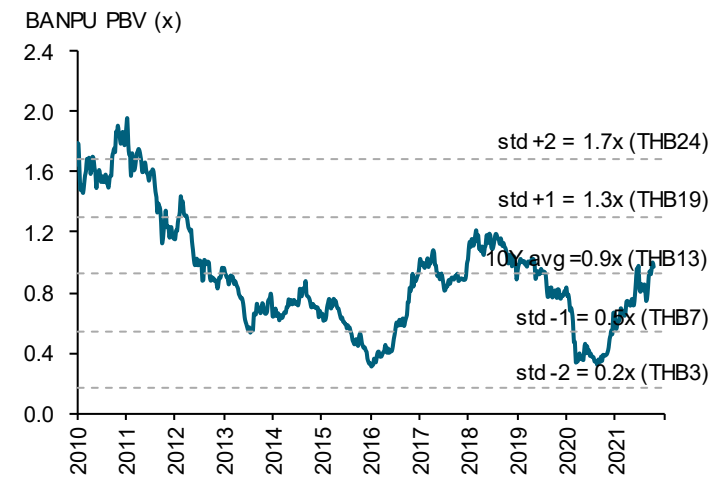
Sources: BANPU; FSSIA estimates

Exhibit 10: EV/EBITDA band



Sources: FSSIA estimates; Bloomberg

Exhibit 11: One-year forward rolling P/BV band



Sources: FSSIA estimates; Bloomberg

Exhibit 12: Peer comparisons

Company	BBG code	Rec	Share Price (LCY)	Target price (LCY)	Up side (%)	Market Cap (USD m)	3Y EPS CAGR (%)	PE		ROE		PBV		EV / EBITDA	
								21E	22E	21E	22E	21E	22E	21E	22E
THAILAND															
Banpu	BANPU TB	BUY	12.30	16.90	37	2,579	nm	6.1	6.9	15.7	14.7	0.9	0.9	4.3	5.3
Thailand avg						2,579	nm	6.1	6.9	15.7	14.7	0.9	0.9	4.3	5.3
INDONESIA															
Adaro Energy	ADRO IJ	n/a	1,855.00	n/a	n/a	3,958	19.7	7.7	8.2	13.7	12.4	1.0	1.0	3.3	3.5
Bukit Asam t	PTBA IJ	n/a	2,820.00	n/a	n/a	2,208	21.2	6.3	6.3	24.8	23.5	1.5	1.4	4.1	3.9
Harum Energy	HRUM IJ	n/a	8,300.00	n/a	n/a	1,563	110.5	26.3	19.3	14.6	20.1	4.8	3.3	16.4	11.1
Indo Tambangraya Megah	ITMG IJ	n/a	25,425.00	n/a	n/a	1,919	55.0	6.0	6.5	30.0	26.2	1.8	1.8	3.3	3.7
Indonesia avg						9,648	51.7	10.1	9.2	19.6	18.9	1.9	1.6	5.6	4.8
CHINA															
China Shenhua Energy	1088 HK	n/a	18.04	n/a	n/a	68,291	9.2	6.1	7.1	13.1	11.6	0.8	0.8	4.3	4.6
China Coal Energy	1898 HK	n/a	5.51	n/a	n/a	15,172	36.6	4.3	5.0	12.3	10.2	0.5	0.5	4.3	4.6
Yanzhou Coal Mining	1171 HK	n/a	13.56	n/a	n/a	18,196	26.3	4.6	4.7	18.5	16.9	0.9	0.8	8.7	8.8
China avg						101,659	13.5	58.6	67.2	146.8	130.1	8.1	7.7	54.0	56.1
AUSTRALIA															
New Hope	NHC AU	n/a	2.39	n/a	n/a	1,456	53.8	12.6	3.2	9.1	35.9	1.1	0.9	5.8	2.5
Whitehaven Coal	WHC AU	n/a	3.05	n/a	n/a	2,323	204.6	nm	3.1	(2.3)	31.6	1.0	0.8	19.3	2.3
Australia avg						3,779	105.2	1.9	1.2	0.8	13.0	0.4	0.3	5.5	0.9
INDIA															
Coal India	COAL IN	n/a	180.50	n/a	n/a	14,969	(4.0)	9.4	7.7	35.0	37.5	3.1	2.7	5.9	4.7
India avg						14,969	(4.0)	14.6	12.0	54.3	58.2	4.8	4.3	9.1	7.3
Coal under coverage						2,579	nm	6.1	6.9	15.7	14.7	0.9	0.9	4.3	5.3
Average (all)						132,633	13.0	47.4	53.7	120.4	108.4	6.9	6.5	43.1	44.3

Share price as of 20 October 2021

Sources: Bloomberg, FSSIA estimates

Financial Statements

Banpu

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	85,718	71,332	122,721	107,504	96,271
Cost of goods sold	(63,952)	(50,626)	(44,107)	(36,948)	(33,706)
Gross profit	21,766	20,706	78,615	70,555	62,565
Other operating income	-	-	-	-	-
Operating costs	(13,810)	(11,419)	(23,929)	(20,904)	(18,676)
Operating EBITDA	7,955	9,287	54,686	49,651	43,889
Depreciation	(10,761)	(13,543)	(17,315)	(22,076)	(22,076)
Goodwill amortisation	(195)	(31)	(366)	(366)	(366)
Operating EBIT	(3,000)	(4,287)	37,005	27,209	21,447
Net financing costs	(8,393)	(2,778)	(5,992)	(5,984)	(6,006)
Associates	6,444	4,239	6,394	6,295	5,109
Recurring non-operating income	11,416	5,264	(4,315)	2,295	1,109
Non-recurring items	3,697	1,502	0	0	0
Profit before tax	3,720	(300)	26,697	23,521	16,550
Tax	(2,368)	(269)	(5,685)	(4,823)	(3,203)
Profit after tax	1,352	(569)	21,012	18,698	13,347
Minority interests	(1,905)	(1,217)	(9,923)	(5,926)	(3,363)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	(553)	(1,786)	11,090	12,771	9,984
Non-recurring items & goodwill (net)	(3,697)	(1,502)	0	0	0
Recurring net profit	(4,249)	(3,288)	11,090	12,771	9,984
Per share (THB)					
Recurring EPS *	(0.82)	(0.65)	2.02	1.78	1.12
Reported EPS	(0.11)	(0.35)	2.02	1.78	1.12
DPS	0.60	0.50	1.36	0.92	0.52
Diluted shares (used to calculate per share data)	5,162	5,075	5,497	7,189	8,881
Growth					
Revenue (%)	(24.0)	(16.8)	72.0	(12.4)	(10.4)
Operating EBITDA (%)	(71.0)	16.7	488.9	(9.2)	(11.6)
Operating EBIT (%)	nm	nm	nm	(26.5)	(21.2)
Recurring EPS (%)	nm	nm	nm	(11.9)	(36.7)
Reported EPS (%)	nm	nm	nm	(11.9)	(36.7)
Operating performance					
Gross margin inc. depreciation (%)	12.8	10.0	50.0	45.1	42.1
Gross margin of key business (%)	25.6	20.1	59.5	54.6	51.5
Operating EBITDA margin (%)	9.3	13.0	44.6	46.2	45.6
Operating EBIT margin (%)	(3.5)	(6.0)	30.2	25.3	22.3
Net margin (%)	(5.0)	(4.6)	9.0	11.9	10.4
Effective tax rate (%)	20.0	20.0	28.0	28.0	28.0
Dividend payout on recurring profit (%)	(72.9)	(77.2)	67.4	51.6	46.4
Interest cover (X)	1.0	0.4	5.5	5.0	3.8
Inventory days	24.6	24.5	28.9	35.9	34.2
Debtor days	43.1	38.1	32.7	45.9	45.2
Creditor days	15.9	13.8	23.6	34.2	33.2
Operating ROIC (%)	(1.6)	(10.6)	29.6	18.6	14.2
ROIC (%)	1.4	0.8	10.3	8.6	6.2
ROE (%)	(5.5)	(4.9)	15.7	14.7	9.6
ROA (%)	0.3	1.2	9.0	7.8	5.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Coal	30,346	55,080	56,801	55,080	53,359
Others	55,372	16,252	65,920	52,424	42,912

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)	11,090	12,771	9,984
Depreciation	10,761	13,543	17,315	22,076	22,076
Associates & minorities	(6,444)	(4,239)	(6,394)	(6,295)	(5,109)
Other non-cash items	(544)	1,302	4,517	4,508	4,530
Change in working capital	5,207	1,403	(6,218)	2,040	1,325
Cash flow from operations	4,730	8,722	20,310	35,100	32,806
Capex - maintenance	-	-	-	-	-
Capex - new investment	(11,578)	(22,372)	(38,490)	(33,717)	(30,194)
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)
Cash flow from investing	(10,817)	(21,704)	(37,822)	(33,049)	(29,526)
Dividends paid	(3,097)	(2,864)	(4,595)	(7,105)	(5,773)
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)	4,008	(133)	1,493
Cash flow from financing	2,511	18,536	6,113	(8,438)	(1,780)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	(3,576)	5,553	(11,399)	(6,387)	1,500
Free cash flow to firm (FCFF)	(261.79)	(7,363.73)	(11,317.23)	8,389.99	9,643.06
Free cash flow to equity (FCFE)	(479.32)	8,416.72	(6,804.29)	718.09	7,272.49

Per share (THB)

FCFF per share	(0.04)	(1.09)	(1.67)	1.24	1.43
FCFE per share	(0.07)	1.24	(1.01)	0.11	1.07
Recurring cash flow per share	(0.09)	1.44	4.83	4.60	3.54

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Tangible fixed assets (gross)	93,339	112,066	150,556	184,273	214,467
Less: Accumulated depreciation	(34,543)	(34,543)	(51,858)	(73,935)	(100,224)
Tangible fixed assets (net)	58,796	77,523	98,697	110,338	114,242
Intangible fixed assets (net)	460	94	94	94	94
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	49,104	50,761	52,486	54,111	54,551
Cash & equivalents	16,388	21,941	10,541	4,155	5,655
A/C receivable	7,415	7,482	14,481	12,578	11,264
Inventories	3,759	3,045	3,927	3,333	2,984
Other current assets	13,533	14,833	14,833	14,833	14,833
Current assets	41,095	47,301	43,782	34,898	34,736
Other assets	108,134	105,969	96,321	111,737	131,382
Total assets	257,589	281,648	291,380	311,179	335,006
Common equity	72,195	62,344	78,988	94,804	113,393
Minorities etc.	18,286	22,211	32,134	38,060	41,423
Total shareholders' equity	90,481	84,555	111,122	132,864	154,816
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
Long-term liabilities	120,034	130,687	141,330	139,844	142,057
A/C payable	1,798	2,025	3,688	3,231	2,893
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
Current liabilities	47,074	66,405	38,928	38,470	38,133
Total liabilities and shareholders' equity	257,589	281,648	291,380	311,179	335,006
Net working capital	7,597	8,096	14,313	12,273	10,948
Invested capital	224,090	242,442	261,911	288,553	311,218

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

Per share (THB)

Book value per share	13.99	12.29	14.37	13.19	12.77
Tangible book value per share	13.90	12.27	14.35	13.17	12.76

Financial strength

Net debt/equity (%)	129.7	165.3	119.6	103.9	89.7
Net debt/total assets (%)	45.5	49.6	45.6	44.3	41.5
Current ratio (x)	0.9	0.7	1.1	0.9	0.9
CF interest cover (x)	2.3	12.1	6.3	6.8	7.2

Valuation	2019	2020	2021E	2022E	2023E
Recurring P/E (x) *	(14.9)	(19.0)	6.1	6.9	10.9
Recurring P/E @ target price (x) *	(20.5)	(26.1)	8.4	9.5	15.0
Reported P/E (x)	(114.8)	(34.9)	6.1	6.9	10.9
Dividend yield (%)	4.9	4.1	11.1	7.4	4.2
Price/book (x)	0.9	1.0	0.9	0.9	1.0
Price/tangible book (x)	0.9	1.0	0.9	0.9	1.0
EV/EBITDA (x) **	25.0	24.2	4.3	5.3	6.6
EV/EBITDA @ target price (x) **	28.0	26.7	4.7	6.0	7.5
EV/invested capital (x)	0.9	0.9	0.9	0.9	0.9

* 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	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	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
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

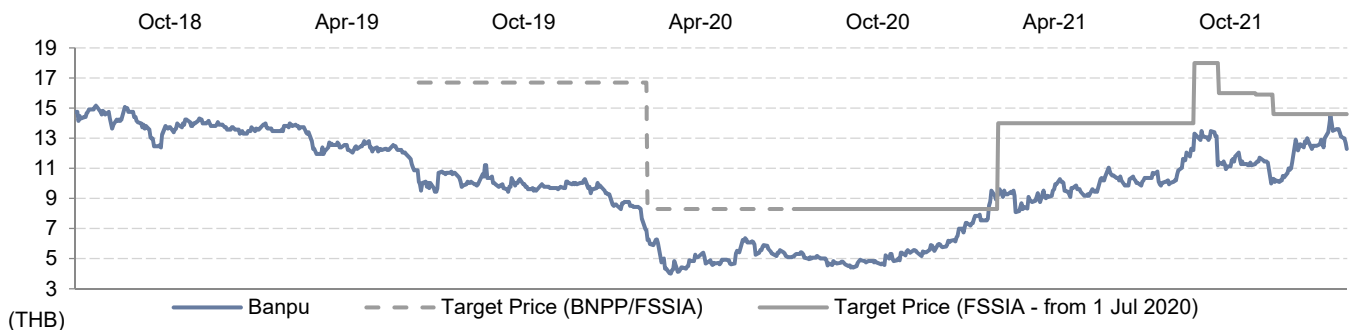
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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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
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
09-Oct-2020	BUY	8.30	10-Jun-2021	BUY	18.00			

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Banpu	BANPU TB	THB 12.30	BUY	We see downside risks to our SoTP-based TP from lower coal prices, higher diesel costs and any unplanned shutdowns of its power plants.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at 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 20-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.