

23 NOVEMBER 2021

THAILAND / UTILITIES - CONVENTIONAL

# B.GRIMM POWER BGRIM TB

## BUY

UNCHANGED

TARGET PRICE	THB58.00
CLOSE	THB43.00
UP/DOWNSIDE	+34.9%
PRIOR TP	THB58.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+6.8%

## Gleaming growth over gloomy gas

### Growth light near the end of the tunnel

While we expect BGRIM to see the most significant margin downside from the projected gas price hike by THB62/mmbtu to THB320/mmbtu, potentially eroding its net profit by THB0.2b in 4Q21, we think investors should look beyond the weak 4Q21E net profit into 2022-23, which we think will be BGRIM's "golden years" of growth. We expect 38% y-y net profit growth in 2022 and 51% y-y in 2023, bringing its forward P/E down from 39x 2021E P/E to 18x 2023E P/E, far below BGRIM's 4-year average P/E of 38x.

### More upsides in 2022 than downsides in 4Q21

Looking beyond the weak 4Q21E net profit due to the gas price hike, we project BGRIM's net profit growth to accelerate in 2022-23, driven by 1) new industrial user demand of 30MW in 4Q21; 2) three new M&A; 3) structurally lower gas costs from 0.65mt (100mmscf) of imported LNG; 4) a margin expansion from the five new small power producers (SPP) under SPP replacement power purchase agreements (PPAs) with staggered commercial operation dates (CODs) in Jul-Dec 2022; and 5) the expected upward adjustment of the electricity selling price by 1Q22 to link with the higher costs of gas, oil, and coal since mid-2021.

### The more the merrier (for growth projects in 2022-25)

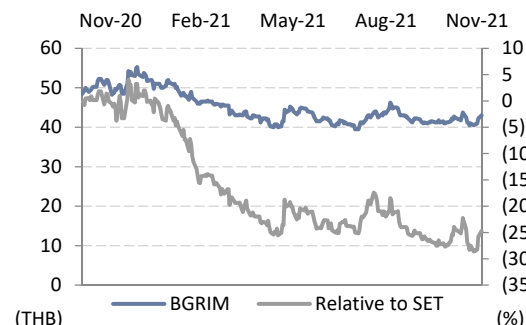
BGRIM is moving into a high growth phase in 2022-23, with projected capacity growth of over 1GW, up over 50% from its current 2GW as of 3Q21. The key growth projects include 1) five SPPs under SPP replacement PPAs in 2022; 2) two new SPPs, BGPAT 1&2; 3) a number of new small hydropower plants in Laos; 4) three acquired SPPs (PPTC and SSUT); 5) 163MW equity capacity from its 40% stake in Pimpinan Ehsan Berhad (PEB); and 6) the 80% stake in Huang Hoa Holding (HH) for a 48MW wind farm (COD scheduled in 2023).

### Top pick in Thai power sector

We maintain BUY and our SoTP target price of THB58. We think that after its recent share price plunge due to the downsides from the higher gas cost in 4Q21, BGRIM's share price is now highly attractive, trading at only 28x 2022E P/E and 19x 2023E P/E, even excluding the net profit upsides from the recently acquired projects (PPTC, SSUT, PEB, and HH), which we estimate to generate earnings of THB0.5b-0.7b annually.

## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Revenue	44,087	49,101	57,471	69,843
Net profit	2,175	2,882	3,966	5,998
EPS (THB)	0.83	1.11	1.52	2.30
vs Consensus (%)	-	4.9	12.1	29.1
EBITDA	12,694	13,843	16,618	20,830
Core net profit	2,617	2,882	3,966	5,998
Core EPS (THB)	1.00	1.11	1.52	2.30
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	7.6	10.1	37.6	51.2
Core P/E (x)	42.8	38.9	28.3	18.7
Dividend yield (%)	0.9	2.3	2.3	2.3
EV/EBITDA (x)	14.3	13.8	12.1	10.0
Price/book (x)	4.1	3.9	3.7	3.3
Net debt/Equity (%)	146.6	149.0	145.6	128.1
ROE (%)	9.4	10.2	13.4	18.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.2	1.2	(10.4)
Relative to country (%)	3.9	(3.0)	(22.9)
Mkt cap (USD m)	3,406		
3m avg. daily turnover (USD m)	13.2		
Free float (%)	31		
Major shareholder	B. Grimm Power (Singapore) Pte Ltd (34%)		
12m high/low (THB)	56.00/39.00		
Issued shares (m)	2,606.90		

Sources: Bloomberg consensus; FSSIA estimates



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## Investment thesis

B.Grimm Power (BGRIM) is one of Thailand's small power producer (SPP) pioneers, providing a reliable source of electricity to industrial users (IUs). It has continued to expand its portfolio, with the number of its SPPs increasing from one in 1998 to 13 at end-2016 and 17 as of 1Q20; while equity capacity has risen from 85MW in 1998 to 974MW in 2016 and 1,996MW in 2019. Its solid operational efficiency and optimisation, as well as in-house development and maintenance services, have made BGRIM a reliable power supplier and generated solid returns for its shareholders.

With a superior SPP portfolio and solid capabilities in SPP development and operations, BGRIM plans to expand its capacity substantially. The company aims to increase its equity capacity by 65% from 974MW in 2016 to 2,222MW in 2022, and aims to increase its renewable energy and conventional power capacities via SPPs in domestic and overseas markets.

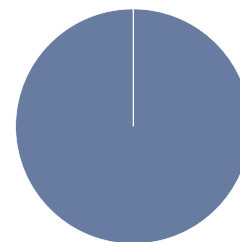
## Company profile

BGRIM is a holding company investing in electricity generating businesses of Small Power plants (SPP) with major gas-fired and solar farm power assets in Thailand, Laos, and Vietnam.

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

## Principal activities (revenue, 2020)

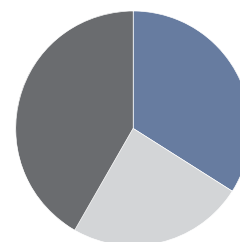
■ Electricity generation - 100.0 %



Source: B.Grimm Power

## Major shareholders

■ B. Grimm Power (Singapore) Pte Ltd - 34.0 %  
 ■ Mr. Harald Link - 24.3 %  
 ■ Others - 41.7 %



Source: B.Grimm Power

## Catalysts

Higher utilisation rates of power plants, rising demand for electricity in Thailand and Vietnam, and higher crude oil prices are key potential earnings growth drivers.

## Risks to our call

The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) unplanned shutdowns of its SPPs.

## Event calendar

Date	Event
Feb 2022	4Q21/2021 results announcement

## Key assumptions

	2021E	2022E	2023E
Utilisation rate (%)	88	92	93
Dispatched power (GWh)	11,132	12,778	11,504
Oil price (USD/bbl)	55	50	50
Average tariff (THB/kWh)	2.76	2.90	3.04
Gas price (THB/mmBtu)	224	217	210

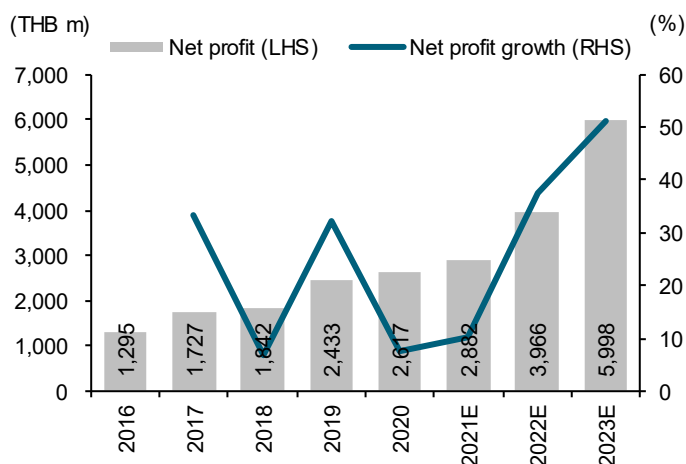
Source: FSSIA estimates

## Earnings sensitivity

- Ceteris paribus, for every 1% increase in gas price, we estimate 2021 earnings would decline 1.15%, and vice versa.
- Ceteris paribus, for every 1% increase in interest rate, we estimate 2021 earnings would decline 1.2%, and vice versa.

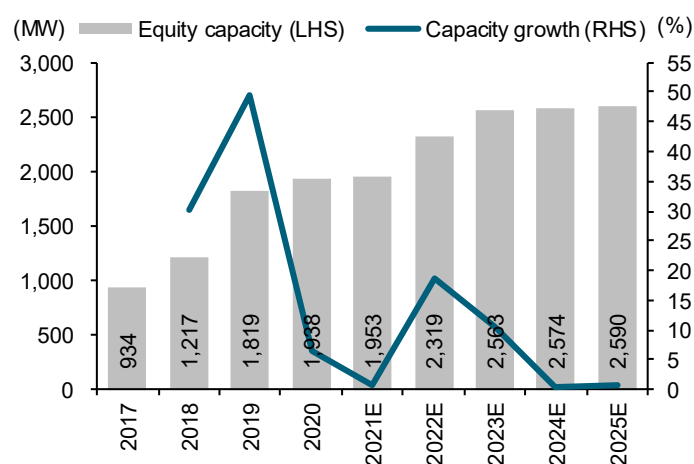
Source: FSSIA estimates

Exhibit 1: Core net profit and net profit growth



Sources: BGRIM; FSSIA estimates

Exhibit 2: Equity capacity and capacity growth



Sources: BGRIM; FSSIA estimates

Exhibit 3: New growth projects with PPTC, SSUT and PEB

Year	Equity capacity (MW)	Growth (MW)	Growth (%)	Project
2016	974			ABP5, BOWIN
2017	988	14	1	XXHP (SNN, SGD)
2018	1,217	229	23	ABPR3-5 SPPs, WVO solar farm
2019	1,819	602	49	Solar farms in Vietnam, Nam Che, SPP1, ABP1 extension, WTE
2020	1,938	119	7	ATP, Ray solar farm
2021E	1,953	15	1	BOTHONG wind farms, BPAM extension
2022E	2,319 (2,482)	366 (529)	19 (27)	<b>(PEB), PPTC and SSUT</b> , Hybrid U-Tapao (15MW), BPLC1, ABP1, ABP2, SPP1 SPP replacements, Tadsakoi, Nam Khao 4
2023E	2,690 (2,853)	371	16	<b>(HH)</b> , BGPAT1, BGPAT2 SPPs, Nam Khao 2, Hybrid U-Tapao (80MW + ESS 50MW)
2024E	2,701 (2,864)	11	0	Nam Khao 3
2025E	2,717 (2,880)	16	1	Nam Khao 1, 5
<b>Total equity capacity</b>	<b>2,717 (2,880)</b>	<b>1,743 (1,905)</b>		

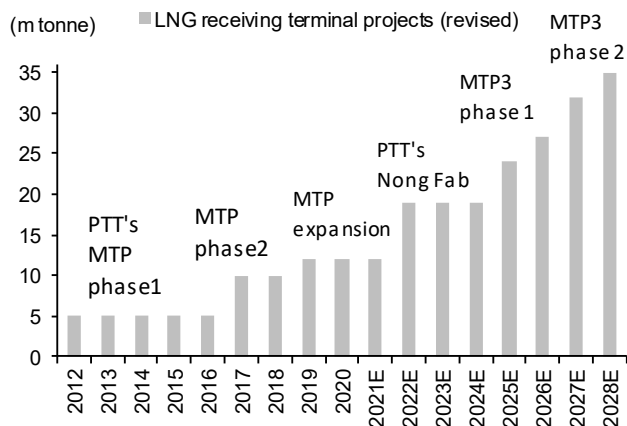
Sources: BGRIM; FSSIA estimates

Exhibit 4: SPPs with SPP replacement PPAs

Project	Existing installed capacity				Contracted heat rate (mmBTU/kWh)	New installed capacity				Contracted heat rate (mmBTU/kWh)	SPP replacement PPA COD
	Stake (%)	Power (MW)	Steam (tph)	Equity capacity (MW)		Stake (%)	Power (MW)	Steam (tph)	Equity capacity (MW)		
BPLC1	100	103	46	103	8,600	100	140	46	140	7,409	Jul-22E
ABP1	51	166	6	85	8,282	51	140	20	71	7,409	Sep-22E
ABP2	15	171	16	26	8,600	51	140	16	71	7,409	Sep-22E
BGPC #1	70	62	24	43.4	8,282	70	140	48	98	7,409	Dec-22E
BGPM #2	70	62	24	43.4	8,282	70	140	48	98	7,409	Dec-22E
<b>Total</b>	<b>61</b>	<b>564</b>	<b>116</b>	<b>301</b>	<b>8,282</b>	<b>68</b>	<b>700</b>	<b>178</b>	<b>479</b>	<b>7,409</b>	

Source: BGRIM

**Exhibit 5: LNG terminals in Thailand**



Source: PTT

**Exhibit 6: Owners of LNG shipper import licences in Thailand**

Company	Import quota	
	(mtpa)	(mmscfd)
1 PTT	n/a	n/a
2 EGAT	n/a	n/a
3 GULF	0.3	42
4 Hin Kong Power Holding	1.4	196
5 BGRIM	1.2	168
6 EGCO	0.2	35
7 PTT Global LNG	n/a	n/a
8 SCC	n/a	n/a
<b>Total</b>	<b>3.1</b>	<b>441</b>

Source: PTT

**Exhibit 7: SoTP valuation**

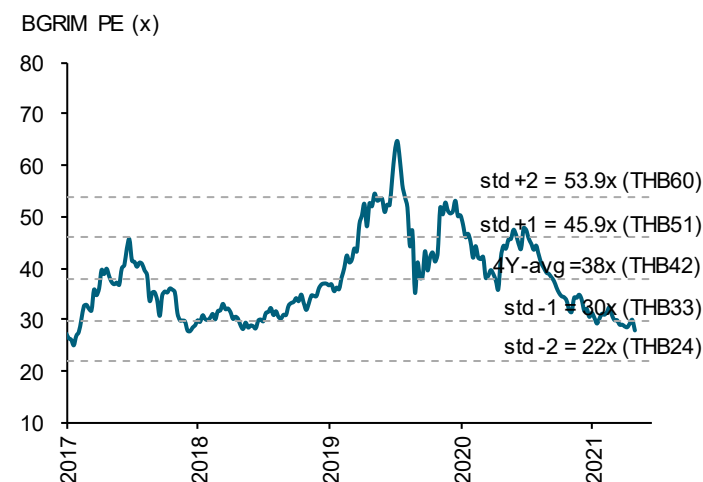
Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		2.3	Pretax cost of debt		4.1
Market risk premium		8.0	Marginal tax rate		20.0
Stock beta		0.80			
Cost of equity, Ke		8.7	Net cost of debt, Kd		3.3
Weight applied		30.0	Weight applied		70.0
WACC		4.9			

DCF valuation estimate		Equity Capacity		Comments		
		(MW)	(%)	(MW)	(THB/share)	
SPP	Amata Nakorn (ABP1-5)	732	38	277	6.6	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	ABP1&2 and BPLC1	420	51	214	10.1	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	Amata City (ABPR1-5)	646	58	375	25.0	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	Leam Chabang (BPLC1-2)	159	100	159	2.6	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	Bangkadi (BIP1-2)	230	74	170	4.3	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	SPP1	124	100	124	10.7	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	Amata City Bien Hoa	13	31	4	0.2	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	Hemraj	130	75	98	5.5	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	BGPR1&2	240	60	144	10.1	WACC 4.9%, Risk free rate 2.3%, Risk premium 8%
	Solar Vietnam (Dau Tieng)	420	51	214	3.0	WACC 6%, Risk free rate 5%, Risk premium 7.5%
Solar Vietnam (Hoa Hoi)	257	80	206	2.9	WACC 6%, Risk free rate 5%, Risk premium 7.5%	
VSP	Solar Thailand	115	52	60	1.2	WACC 4.9%, Risk free rate 5%, Risk premium 8%
	Hydropower	133	71	95	1.7	WACC 4.9%, Risk free rate 5%, Risk premium 8%
	Wind	16	94	15	0.4	WACC 4.9%, Risk free rate 5%, Risk premium 8%
	Solar Cambodia	39	100	15	1.4	WACC 4.9%, Risk free rate 5%, Risk premium 8%
Net debt				(27.7)	2022E	
<b>Residual ordinary equity</b>				<b>58.0</b>		

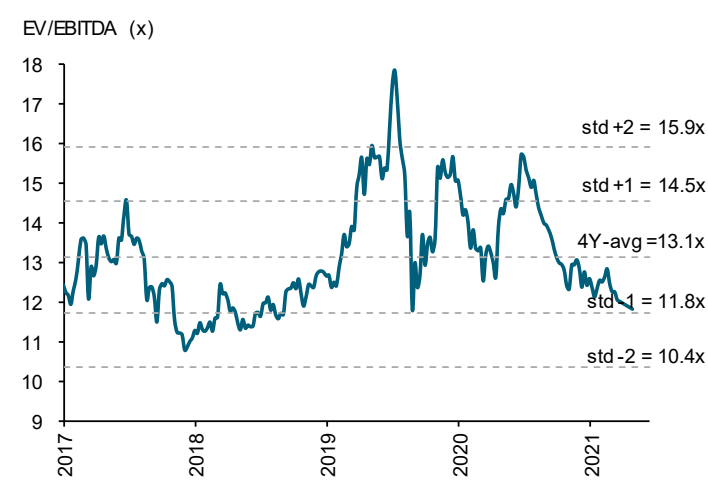
Sources: BGRIM; FSSIA estimates

**Exhibit 8: Prospective P/E band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 9: EV/EBITDA band**



Sources: Bloomberg; FSSIA estimates

## Exhibit 10: 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 (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)	21E (x)	22E (x)
<b>THAILAND</b>															
B Grimm Power	BGRIM TB	BUY	43.00	58.00	35	3,406	31.8	38.9	28.3	10.2	13.4	3.9	3.7	13.8	12.1
Gulf Energy Deve	GULF TB	BUY	42.00	56.00	33	14,972	44.1	74.8	39.0	10.0	17.6	7.3	6.5	50.7	26.7
Global Power Syn	GPSC TB	BUY	77.75	100.00	29	6,661	16.3	26.3	22.1	8.0	9.3	2.1	2.0	16.6	16.2
Banpu Power	BPP TB	BUY	17.50	23.00	31	1,620	18.2	9.9	8.7	12.7	13.3	1.2	1.1	33.8	25.9
Electricity Gen	EGCO TB	BUY	177.00	245.00	38	2,831	26.2	7.1	5.5	12.3	14.5	0.8	0.8	13.9	10.1
Ratch Group	RATCH TB	BUY	45.75	60.00	31	2,015	13.4	8.7	7.7	12.2	15.7	1.0	1.0	11.3	11.8
Wha Utilities&Pow	WHAUP TB	HOLD	4.40	4.50	2	511	20.4	13.8	12.7	9.9	10.6	1.4	1.3	45.0	44.0
Bcpq	BCPG TB	BUY	13.40	17.00	27	1,178	(6.4)	14.9	15.2	10.8	9.8	1.5	1.5	18.0	17.9
Ck Power	BKP TB	BUY	5.30	6.60	25	1,309	97.0	19.0	13.5	9.1	11.9	1.7	1.6	10.6	12.3
Energy Absolute	EA TB	BUY	78.75	88.00	12	8,924	29.3	35.9	30.2	26.1	24.8	8.4	6.7	27.4	21.7
Gunkul Engineer	GUNKUL TB	BUY	4.84	5.40	12	1,306	41.4	16.6	13.9	20.2	22.0	3.2	2.9	14.1	12.6
Demco Pcl	DEMCO TB	BUY	4.26	5.90	38	95	64.6	17.2	14.6	3.8	4.4	0.7	0.6	(107.1)	(78.7)
Power Solution	PSTC TB	BUY	2.58	3.70	43	186	196.7	55.0	17.5	1.9	5.8	1.0	1.0	15.4	20.9
Sermasang Power	SSP TB	BUY	13.80	20.00	45	425	19.5	15.4	12.3	18.7	18.2	2.4	2.1	10.6	9.0
Tpc Power	TPCH TB	BUY	11.00	14.00	27	134	30.8	19.6	9.1	7.5	15.1	1.4	1.3	12.5	8.2
Tpi Polene Power	TIIPP TB	BUY	4.22	5.70	35	1,077	(3.6)	7.6	7.8	15.7	14.8	1.2	1.1	6.6	6.6
Absolute Clean	ACE TB	BUY	3.72	5.20	40	1,150	31.0	20.0	17.5	15.1	16.5	2.9	2.9	15.9	12.5
Earth Tech	ETC TB	HOLD	3.00	2.10	(30)	204	nm	21.1	20.4	12.6	12.0	2.6	2.4	13.8	13.1
<b>Thailand avg</b>						<b>48,004</b>	<b>25.0</b>	<b>40.2</b>	<b>26.0</b>	<b>13.6</b>	<b>16.6</b>	<b>4.9</b>	<b>4.3</b>	<b>28.8</b>	<b>19.6</b>
<b>HONGKONG</b>															
Datang Intl Power	991 HK		1.22	n/a	NA	5,910	(1.1)	13.2	5.9	1.9	4.1	0.4	0.4	9.1	7.8
Huadian Power	1071 HK		2.38	n/a	NA	5,038	(3.3)	14.6	4.6	1.5	10.6	0.3	0.3	11.8	8.4
Huaneng Power	902 HK		3.24	n/a	NA	12,057	(3.8)	13.7	6.2	1.7	6.9	0.5	0.4	10.5	8.5
China Power Inter	2380 HK		3.39	n/a	NA	4,344	15.9	13.7	11.8	4.8	6.5	0.8	0.8	11.4	9.3
China Resources	836 HK		18.14	n/a	NA	10,846	18.2	10.8	8.0	8.3	10.9	0.9	0.9	7.4	6.2
Clp Holdings Ltd	2 HK		75.80	n/a	NA	24,702	1.0	17.1	16.0	9.8	10.2	1.6	1.6	10.7	10.2
Power Assets	6 HK		47.15	n/a	NA	12,989	3.1	15.8	14.9	7.7	8.2	1.2	1.2	77.0	74.4
<b>Hongkong avg</b>						<b>75,886</b>	<b>3.2</b>	<b>14.8</b>	<b>11.3</b>	<b>6.5</b>	<b>8.8</b>	<b>1.0</b>	<b>1.0</b>	<b>21.6</b>	<b>20.0</b>
<b>MALAYSIA</b>															
Petronas Gas	PTG MK		16.40	n/a	NA	7,706	(0.6)	15.7	16.1	15.5	14.8	2.5	2.5	8.6	8.6
Tenaga Nasional	TNB MK		9.50	n/a	NA	12,997	9.2	11.5	11.1	8.4	8.4	0.9	0.9	6.4	6.4
Ytl Power Inte	YTLP MK		0.67	n/a	NA	1,278	101.9	11.8	12.5	3.6	3.2	0.4	0.4	10.3	10.3
<b>Malaysia avg</b>						<b>21,981</b>	<b>5.0</b>	<b>3.8</b>	<b>3.7</b>	<b>3.1</b>	<b>3.0</b>	<b>0.4</b>	<b>0.4</b>	<b>2.2</b>	<b>2.1</b>
<b>CHINA</b>															
China Datang	1798 HK		2.82	n/a	NA	2,540	26.3	10.1	8.2	7.4	7.7	1.2	0.8	9.3	8.0
China Gas	384 HK		17.88	n/a	NA	12,822	12.0	8.7	8.3	23.5	19.4	1.9	1.4	8.6	7.9
China Longyuan	916 HK		15.44	n/a	NA	15,581	20.0	15.9	13.9	10.7	11.0	1.6	1.5	9.4	8.3
Beijing Enterprises	392 HK		27.60	n/a	NA	4,505	14.6	4.1	3.9	9.8	9.7	0.4	0.4	7.8	6.5
Kunlun Energy	135 HK		7.18	n/a	NA	8,138	22.6	10.4	9.2	10.2	11.6	1.0	0.9	3.3	3.0
<b>China avg</b>						<b>43,586</b>	<b>15.3</b>	<b>6.4</b>	<b>5.7</b>	<b>8.1</b>	<b>7.6</b>	<b>0.8</b>	<b>0.7</b>	<b>4.5</b>	<b>4.0</b>
<b>INDONESIA</b>															
Perusahaan Gas	PGAS IJ		1,520.00	n/a	NA	2,644	nm	10.9	10.9	11.4	9.3	1.1	1.0	5.8	5.4
<b>Indonesia avg</b>						<b>2,644</b>	<b>nm</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.2</b>	<b>0.2</b>
<b>SINGAPORE</b>															
Sembcorp Indus	SCI SP		2.05	n/a	NA	2,653	9.6	14.4	9.7	7.6	10.3	1.0	1.0	9.7	9.0
<b>Singapore avg</b>						<b>2,653</b>	<b>9.6</b>	<b>0.5</b>	<b>0.3</b>	<b>0.3</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>0.3</b>
<b>Utilities under coverage</b>						<b>48,004</b>	<b>25.0</b>	<b>40.2</b>	<b>26.0</b>	<b>13.6</b>	<b>16.6</b>	<b>4.9</b>	<b>4.3</b>	<b>28.8</b>	<b>19.6</b>
<b>Average (all)</b>						<b>194,755</b>	<b>21.0</b>	<b>17.5</b>	<b>12.5</b>	<b>8.1</b>	<b>9.6</b>	<b>1.8</b>	<b>1.6</b>	<b>16.8</b>	<b>13.8</b>

Share price as of 22 November 2021

Sources: Bloomberg; FSSIA estimates

## Financial Statements

B.Grimm Power

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Revenue	44,132	44,087	49,101	57,471	69,843
Cost of goods sold	(31,293)	(29,354)	(33,441)	(38,726)	(46,429)
<b>Gross profit</b>	<b>12,839</b>	<b>14,733</b>	<b>15,660</b>	<b>18,745</b>	<b>23,414</b>
Other operating income	-	-	-	-	-
Operating costs	(1,865)	(2,039)	(1,817)	(2,126)	(2,584)
<b>Operating EBITDA</b>	<b>10,974</b>	<b>12,694</b>	<b>13,843</b>	<b>16,618</b>	<b>20,830</b>
Depreciation	(4,660)	(5,494)	(5,466)	(5,681)	(6,266)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>6,314</b>	<b>7,200</b>	<b>8,378</b>	<b>10,938</b>	<b>14,564</b>
Net financing costs	(2,493)	(3,520)	(3,050)	(2,993)	(3,203)
Associates	101	58	220	224	228
Recurring non-operating income	493	751	420	424	428
Non-recurring items	(102)	(442)	0	0	0
<b>Profit before tax</b>	<b>4,212</b>	<b>3,989</b>	<b>5,747</b>	<b>8,369</b>	<b>11,789</b>
Tax	(235)	(233)	(229)	(406)	(698)
<b>Profit after tax</b>	<b>3,977</b>	<b>3,755</b>	<b>5,519</b>	<b>7,963</b>	<b>11,091</b>
Minority interests	(1,646)	(1,581)	(2,636)	(3,997)	(5,093)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,331</b>	<b>2,175</b>	<b>2,882</b>	<b>3,966</b>	<b>5,998</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>102</b>	<b>442</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>2,433</b>	<b>2,617</b>	<b>2,882</b>	<b>3,966</b>	<b>5,998</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.93	1.00	1.11	1.52	2.30
Reported EPS	0.89	0.83	1.11	1.52	2.30
DPS	0.37	0.37	1.00	1.00	1.00
Diluted shares (used to calculate per share data)	2,607	2,607	2,607	2,607	2,607
<b>Growth</b>					
Revenue (%)	20.6	(0.1)	11.4	17.0	21.5
Operating EBITDA (%)	22.5	15.7	9.1	20.0	25.3
Operating EBIT (%)	16.0	14.0	16.4	30.6	33.2
Recurring EPS (%)	32.1	7.6	10.1	37.6	51.2
Reported EPS (%)	25.1	(6.7)	32.5	37.6	51.2
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	18.5	21.0	20.8	22.7	24.6
Gross margin of key business (%)	18.5	21.0	20.8	22.7	24.6
Operating EBITDA margin (%)	24.9	28.8	28.2	28.9	29.8
Operating EBIT margin (%)	14.3	16.3	17.1	19.0	20.9
Net margin (%)	5.5	5.9	5.9	6.9	8.6
Effective tax rate (%)	5.7	5.9	4.1	5.0	6.0
Dividend payout on recurring profit (%)	39.6	36.9	90.4	65.7	43.5
Interest cover (X)	2.7	2.3	2.9	3.8	4.7
Inventory days	11.4	12.4	12.1	12.0	11.8
Debtor days	54.9	57.8	50.7	43.3	35.6
Creditor days	139.0	148.6	65.9	65.4	64.3
Operating ROIC (%)	7.9	7.8	7.5	8.7	10.4
ROIC (%)	6.9	6.9	6.4	7.5	9.1
ROE (%)	10.3	9.4	10.2	13.4	18.8
ROA (%)	5.5	5.6	6.2	7.8	9.4
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Electricity generation	44,128	44,087	49,101	57,471	69,843
Others business	4	0	0	0	0

Sources: B.Grimm Power; FSSIA estimates

## Financial Statements

B.Grimm Power

Cash Flow (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Recurring net profit	2,433	2,617	2,882	3,966	5,998
Depreciation	4,660	5,494	5,466	5,681	6,266
Associates & minorities	101	58	220	224	228
Other non-cash items	-	-	-	-	-
Change in working capital	11,276	(12,068)	524	634	920
<b>Cash flow from operations</b>	<b>18,470</b>	<b>(3,898)</b>	<b>9,092</b>	<b>10,504</b>	<b>13,411</b>
Capex - maintenance	(100)	(101)	(100)	(100)	(100)
Capex - new investment	(14,341)	(13,562)	(16,900)	(17,900)	(17,900)
Net acquisitions & disposals	(272)	(465)	0	0	0
Other investments (net)	(959)	815	220	224	228
<b>Cash flow from investing</b>	<b>(15,672)</b>	<b>(13,313)</b>	<b>(16,780)</b>	<b>(17,776)</b>	<b>(17,772)</b>
Dividends paid	(965)	(965)	(1,486)	(2,607)	(2,607)
Equity finance	0	0	0	0	0
Debt finance	(2,494)	15,230	(10,745)	8,000	2,000
Other financing cash flows	9,144	(328)	2,195	3,549	4,638
<b>Cash flow from financing</b>	<b>5,685</b>	<b>13,938</b>	<b>(10,035)</b>	<b>8,943</b>	<b>4,031</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>8,483</b>	<b>(3,274)</b>	<b>(17,723)</b>	<b>1,671</b>	<b>(331)</b>
Free cash flow to firm (FCFF)	5,428.45	(14,024.75)	(4,637.33)	(4,279.10)	(1,158.60)
Free cash flow to equity (FCFE)	9,447.90	(2,308.98)	(16,237.67)	4,277.62	2,276.22
<b>Per share (THB)</b>					
FCFF per share	2.08	(5.38)	(1.78)	(1.64)	(0.44)
FCFE per share	3.62	(0.89)	(6.23)	1.64	0.87
Recurring cash flow per share	2.76	3.13	3.29	3.79	4.79
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	100,752	114,469	131,469	149,469	167,469
Less: Accumulated depreciation	(28,620)	(34,169)	(39,635)	(45,315)	(51,581)
<b>Tangible fixed assets (net)</b>	<b>72,132</b>	<b>80,300</b>	<b>91,835</b>	<b>104,154</b>	<b>115,888</b>
<b>Intangible fixed assets (net)</b>	<b>10,908</b>	<b>12,949</b>	<b>12,949</b>	<b>12,949</b>	<b>12,949</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	1,535	1,070	1,070	1,070	1,070
Cash & equivalents	23,663	20,389	2,667	4,337	4,007
A/C receivable	7,156	6,818	6,818	6,818	6,818
Inventories	969	1,033	1,177	1,363	1,634
Other current assets	1,706	1,638	1,825	2,136	2,595
<b>Current assets</b>	<b>33,493</b>	<b>29,879</b>	<b>12,486</b>	<b>14,654</b>	<b>15,055</b>
Other assets	3,625	6,498	6,498	6,498	6,498
<b>Total assets</b>	<b>121,693</b>	<b>130,696</b>	<b>124,838</b>	<b>139,325</b>	<b>151,460</b>
Common equity	28,144	27,470	28,866	30,226	33,617
Minorities etc.	10,533	11,834	14,470	18,467	23,560
<b>Total shareholders' equity</b>	<b>38,677</b>	<b>39,304</b>	<b>43,337</b>	<b>48,693</b>	<b>57,177</b>
Long term debt	55,596	57,256	57,256	67,256	67,256
Other long-term liabilities	1,588	7,143	7,143	7,143	7,143
<b>Long-term liabilities</b>	<b>57,184</b>	<b>64,399</b>	<b>64,399</b>	<b>74,399</b>	<b>74,399</b>
A/C payable	18,254	5,641	6,426	7,442	8,922
Short term debt	7,175	20,745	10,000	8,000	10,000
Other current liabilities	403	607	676	791	961
<b>Current liabilities</b>	<b>25,832</b>	<b>26,993</b>	<b>17,102</b>	<b>16,233</b>	<b>19,884</b>
<b>Total liabilities and shareholders' equity</b>	<b>121,693</b>	<b>130,696</b>	<b>124,838</b>	<b>139,325</b>	<b>151,460</b>
Net working capital	(8,826)	3,242	2,717	2,084	1,164
Invested capital	79,374	104,059	115,069	126,754	137,569
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	10.80	10.54	11.07	11.59	12.90
Tangible book value per share	6.61	5.57	6.11	6.63	7.93
<b>Financial strength</b>					
Net debt/equity (%)	101.1	146.6	149.0	145.6	128.1
Net debt/total assets (%)	32.1	44.1	51.7	50.9	48.4
Current ratio (x)	1.3	1.1	0.7	0.9	0.8
CF interest cover (x)	10.5	4.2	1.2	8.4	7.3
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>46.1</b>	<b>42.8</b>	<b>38.9</b>	<b>28.3</b>	<b>18.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>62.1</b>	<b>57.8</b>	<b>52.5</b>	<b>38.1</b>	<b>25.2</b>
Reported P/E (x)	48.1	51.5	38.9	28.3	18.7
Dividend yield (%)	0.9	0.9	2.3	2.3	2.3
Price/book (x)	4.0	4.1	3.9	3.7	3.3
Price/tangible book (x)	6.5	7.7	7.0	6.5	5.4
EV/EBITDA (x) **	14.7	14.3	13.8	12.1	10.0
EV/EBITDA @ target price (x) **	18.3	17.4	16.6	14.5	11.9
EV/invested capital (x)	2.0	1.7	1.7	1.6	1.5
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: B.Grimm Power; 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	SEOIL	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)

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

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Company	Ticker	Price	Rating	Valuation & Risks
B.Grimm Power	BGRIM TB	THB 43.00	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) unplanned shutdowns of its SPPs.
Gulf Energy Development	GULF TB	THB 42.00	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.
Global Power Synergy	GPSC TB	THB 77.75	BUY	The downside risks to our SoTP-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) lower-than-expected demand from industrial users.
Banpu Power	BPP TB	THB 17.50	BUY	Downside risks to our SOTP valuation are the start-up delays of its new projects and government intervention in the electricity tariff.
Electricity Generating	EGCO TB	THB 177.00	BUY	Downside risks to our SoTP-based TP include 1) lower-than expected demand for electricity in Thailand; 2) delays in project commencement or commercial operation dates (COD); and 3) government intervention in electricity tariff subsidies.
Ratch Group	RATCH TB	THB 45.75	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand; 2) lower crude price; and 3) delays in starting new projects.
WHA Utilities & Power	WHAUP TB	THB 4.40	HOLD	Downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand; and 2) lower crude prices. Upside risks are the higher than expected sales volumes of water and electricity for industrial users.
BCPG	BCPG TB	THB 13.40	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand, the Philippines and Indonesia; and 2) government intervention by way of electricity tariff subsidies.
CK Power	CKP TB	THB 5.30	BUY	The downside risks to our SoTP-based TP include lower-than-expected demand for electricity in Thailand and lower-than-expected water supply for hydro projects.
Energy Absolute	EA TB	THB 78.75	BUY	Downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand; 2) lower crude prices; and 3) lower-than-expected demand for batteries.
Gunkul Engineering	GUNKUL TB	THB 4.84	BUY	The downside risks to our SoTP-based TP on GUNKUL include 1) lower-than-expected demand for electricity in Thailand, 2) declining EPC backlogs, and 3) lower-than-expected utilisation rates for solar and wind farms.
Demco	DEMCO TB	THB 4.26	BUY	Downside risk includes delays in bidding for power transmission projects.
Power Solution Technologies	PSTC TB	THB 2.58	BUY	The downside risks to our SoTP-based TP on PSTC include 1) lower-than-expected demand for electricity in Thailand and delays of power plant project start-ups.
Sermasang Power Corp	SSP TB	THB 13.80	BUY	The downside risks to our SoTP-based TP for SSP include 1) a lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) project start-up delays.
TPC Power Holding	TPCH TB	THB 11.00	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) higher costs of biomass feedstock.
TPI Polene Power	TPIPP TB	THB 4.22	BUY	Downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand; 2) lower crude price, and 3) unplanned shutdown of the company's power plants.
Absolute Clean Energy	ACE TB	THB 3.72	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) higher costs of biomass feedstock.
Earth Tech Environment	ETC TB	THB 3.00	HOLD	Downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand; 2) lower crude price; and 3) lower-than-expected industrial waste volumes. Upside risks are the faster and larger-than-expected new capacity won by ETC in 2021.

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 22-Nov-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.