

# SERMSANG POWER CORP

THAILAND / UTILITIES - RENEWABLES

## SSP TB

# BUY

UNCHANGED

TARGET PRICE	THB20.00
CLOSE	THB9.40
UP/DOWNSIDE	+112.8%
PRIOR TP	THB20.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+36.1%

## From plain-vanilla to stellar growth

- We believe the main reasons for SSP's share price plunge are concerns about potential EPS dilution and limited capacity growth.
- We believe SSP is now successfully diversifying its power plant portfolio into wind farms and biomass power plants.
- Maintain BUY and our SoTP-based TP of THB20.

### Unjustified share price plunge

Since reaching the peak of THB15.2 in Mar-21, SSP's share price has plunged by over 62% within 14 months, significantly underperforming the SET, which has risen by 3% during Mar-21 to May-22. We believe the main reasons are investors' concerns about potential negative impacts on three fronts: potential EPS dilution, limited capacity growth, and no diversification beyond solar farms. We think these three concerns will be fully addressed and resolved by SSP in 2022-24, and project net profit growth of up to 35% y-y in 2022, 14% y-y in 2023, and 59% y-y in 2024.

### 2.4x earnings growth from 2021-24 on existing growth projects

We think SSP will see significant 2.4x net profit growth within only three years and deliver a higher ROE that we project to rise from 17% in 2021 to 25% in 2024. Under SSP's existing capacity growth plan, we project that its equity capacity will grow from 216MW in 2021 to 287MW in 2024, mainly driven by the capacity growth from its wind farms in Thailand and Vietnam and its biomass power plant. The 287MW equity capacity target in 2024 would be sufficient to drive SSP's net profit higher to THB2.1b in 2024, doubling from THB0.9b in 2021 within only three years and implying a 3-year CAGR of 35% in 2021-24.

### No earnings gap post adder expiration of its solar farm in 2024

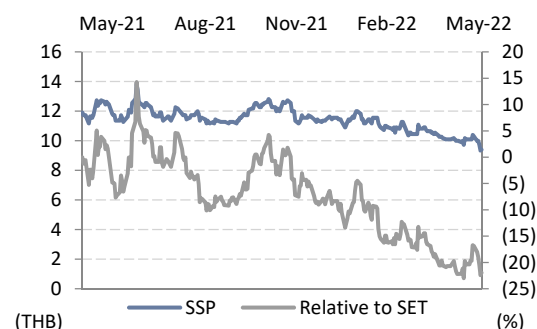
SSP is diversifying its power plant portfolio into wind farms and biomass power plants. This should lead to improving overall profitability and shareholder returns and secure capacity growth to sustain its earnings growth trajectory beyond 2024 when its lucrative 40MW SPN solar farm will see its THB6.5/kWh adder expire, which could cut its earnings by THB0.5b annually, based on our estimate.

### Strong BUY on strong EPS growth and potential valuation

We maintain BUY and our SoTP-based TP of THB20. We believe SSP is an attractive small-cap power play with strong, visible, and long-term net profit growth from 2021-25, with a high ROE that reflects its superior growth strategy of focusing on high-return investments. We think SSP's share price and valuation should re-rate to 12-15x forward P/E, backed by its strong and secured earnings growth, a more diversified asset portfolio, and improving ROE and profitability in 2022-24.

### KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Revenue	2,603	3,198	3,479	4,507
Net profit	859	1,156	1,320	2,093
EPS (THB)	0.80	1.08	1.23	1.95
vs Consensus (%)	-	6.7	12.6	10.2
EBITDA	2,018	2,446	2,678	3,522
Core net profit	871	1,156	1,320	2,093
Core EPS (THB)	0.81	1.08	1.23	1.95
Chg. in EPS est. (%)	-	-	-	-
EPS growth (%)	16.7	34.6	14.2	58.6
Core P/E (x)	11.6	8.7	7.6	4.8
Dividend yield (%)	1.1	5.3	5.3	5.3
EV/EBITDA (x)	10.2	8.7	7.9	5.8
Price/book (x)	1.7	1.5	1.3	1.1
Net debt/Equity (%)	158.5	140.1	123.4	94.1
ROE (%)	17.3	18.0	18.0	24.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.8)	(13.8)	(22.3)
Relative to country (%)	(1.6)	(7.5)	(24.0)
Mkt cap (USD m)	338		
3m avg. daily turnover (USD m)	1.4		
Free float (%)	30		
Major shareholder	Kraipisitkul Family (19%)		
12m high/low (THB)	14.27/9.10		
Issued shares (m)	1,072.00		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

Founded in 2010, Sermsang Power (SSP) is a producer and distributor of solar power to the Electricity Generating Authority of Thailand (EGAT). In June 2013, the company entered into a 40MW power purchase agreement with EGAT as a small power producer. SSP began operations at its first solar plant in 2015 with an adder rate of THB6.5/kWh for 10 years.

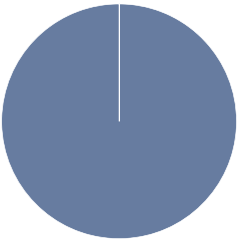
We believe SSP is now successfully diversifying its power plant portfolio into wind farms and biomass power plants, which should lead to improving overall profitability and shareholders' returns and secure capacity growth to sustain its earnings growth trajectory beyond 2024.

### Company profile

Sermsang power is a holding company investing in electricity generating businesses with major solar farm power assets in Thailand and Japan.

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

### Principal activities (revenue, 2021)

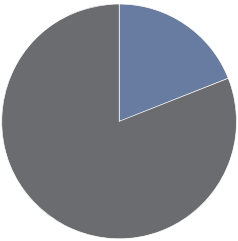


■ Electricity sales - 100.0 %

Source: Sermsang Power Corp

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### Major shareholders



■ Kraipisitkul Family - 19.0 %

■ Others - 81.0 %

Source: Sermsang Power Corp

### Catalysts

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

### Risks to our call

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.

Event calendar

Date	Event
May 2022	1Q22 results announcement

### Key assumptions

	2022E	2023E	2024E
Average utilisation rate (%)	20	20	20
Electricity tariff (THB/kWh)	3.25	3.41	3.58
Equity capacity (MW)	231	248	287

Source: FSSIA estimates

### Earnings sensitivity

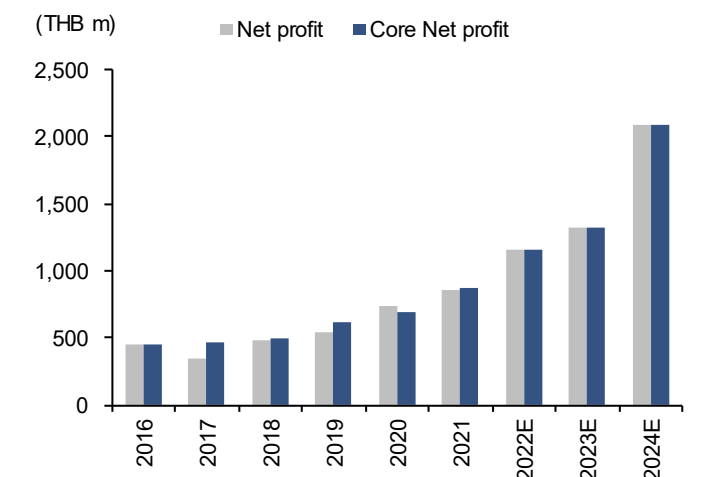
- Ceteris Paribus, for every 1% increase in gas price, we estimate 2022 earnings would increase 1.1%, and vice versa.
- Ceteris Paribus, for every 1% increase in interest rate, we estimate 2022 earnings would decline 1.2%, and vice versa.

Source: FSSIA estimates

## From plain-vanilla to stellar growth

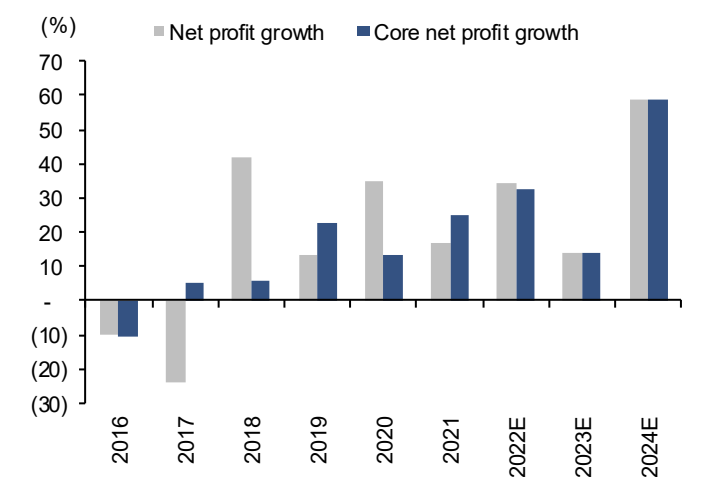
Since reaching the peak of THB15.2 in Mar-21, SSP's share price has plunged by over 62% within 14 months, significantly underperforming the SET, which has risen by 3% during Mar-21 to May-22. We believe the main reasons are investors' concerns about potential negative impacts on three fronts: potential EPS dilution, limited capacity growth, and no diversification beyond solar farms. We think these three concerns will be fully addressed and resolved by SSP in 2022-24, potentially driving its net profit growth higher to 35% y-y in 2022, 14% y-y in 2023, and 59% y-y in 2024, based on our estimate.

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



Sources: SSP; FSSIA estimates

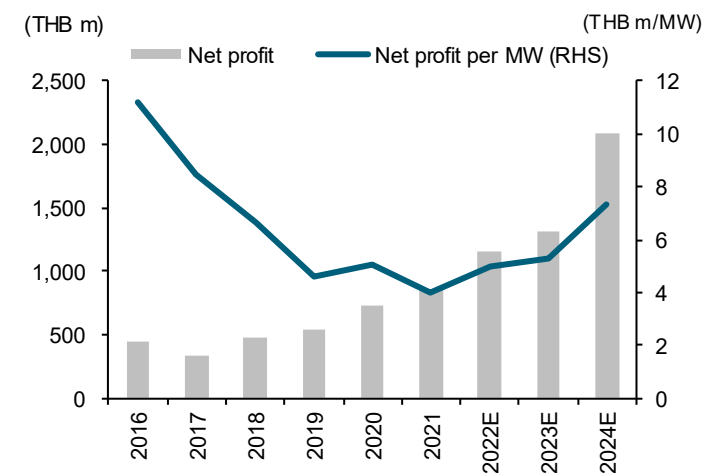
**Exhibit 2: Net profit growth and core net profit growth**



Sources: SSP; FSSIA estimates

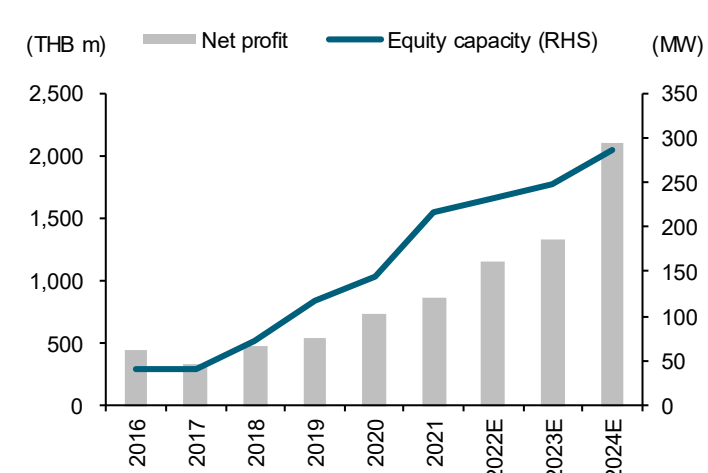
Under SSP's existing capacity growth plan, we project that its equity capacity will grow from 216MW in 2021 to 287MW in 2024, mainly driven by the capacity growth from its wind farms in Thailand and Vietnam and the biomass power plant. We think the 287MW equity capacity target in 2024 would be sufficient to drive SSP's net profit growth higher to a THB2.1b net profit in 2024, doubling from THB0.9b in 2021 within only three years and implying a 3-year CAGR of 35% in 2021-24.

**Exhibit 3: Net profit and net profit per MW**



Sources: SSP; FSSIA estimates

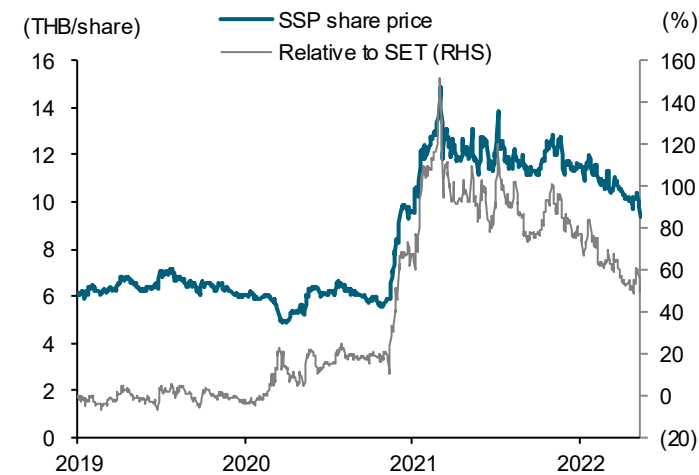
**Exhibit 4: Net profit vs equity capacity**



Sources: SSP; FSSIA estimates

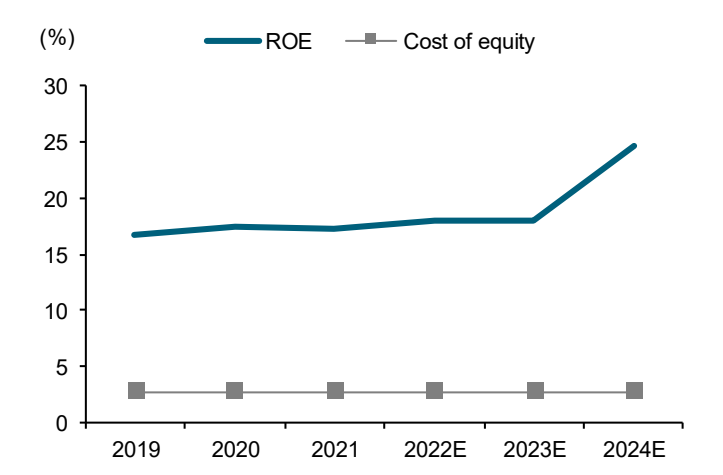
**Overlooked attractive renewable energy growth play.** Despite its strong earnings growth projections backed by already secured capacity growth, SSP's share price has continued to decline, underperforming both the Thai utility sector and the SET. We think SSP will see significant 2.4x net profit growth within only three years and deliver a higher ROE that we project to rise from 17% in 2021 to 25% in 2024.

**Exhibit 5: SSP's share price relative to SET**



Source: Bloomberg

**Exhibit 6: ROE expected to rise sharply by 2023**



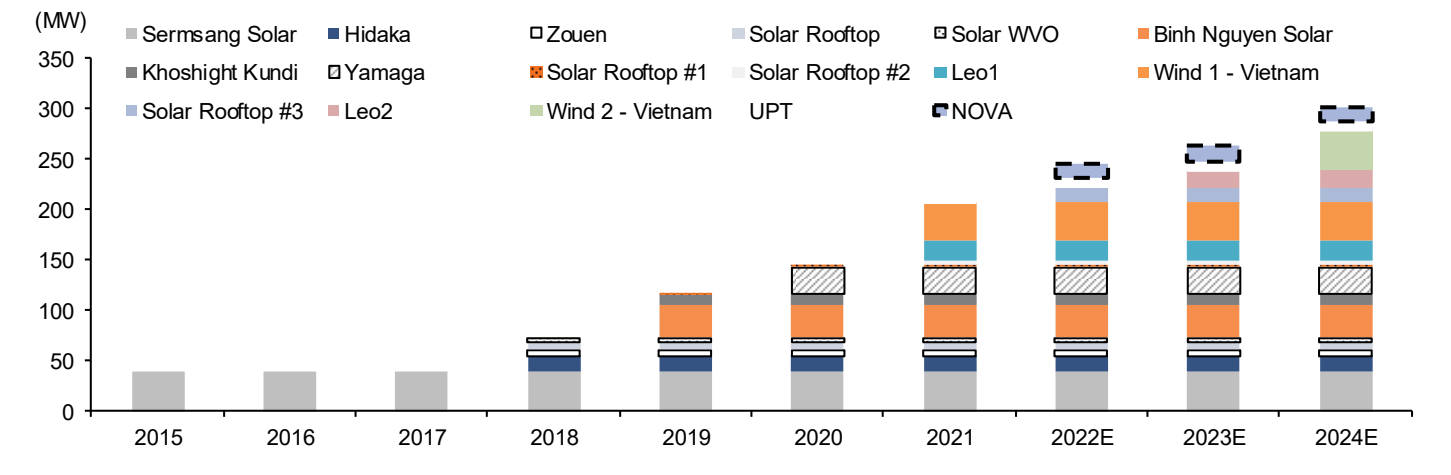
Sources: SSP; FSSIA estimates

The key drivers for both higher growth and ROE are likely to come from SSP's sound and timely strategies that we think will enhance its shareholders' returns within the next three years, potentially driving up its share price to our SoTP-based target price of THB20.

**Capacity growth.** SSP has already secured capacity growth from solar farms in Thailand and Japan, wind farms in Thailand and Vietnam, and a biomass power plant in Thailand, which should boost its equity capacity to 287MW in 2024, based on our estimate.

While the capacity growth seems small, from 216MW in 2021 to 287MW in 2024, we project SSP's net profit to grow at a 35% 3-year CAGR vs only a 10% 3-year CAGR in terms of capacity growth, thanks to the higher ROE and profitability of the new growth projects, including wind farms and biomass projects, with an EIRR of over 15-20% vs SSP's current ROE of 17% at the end of 2021.

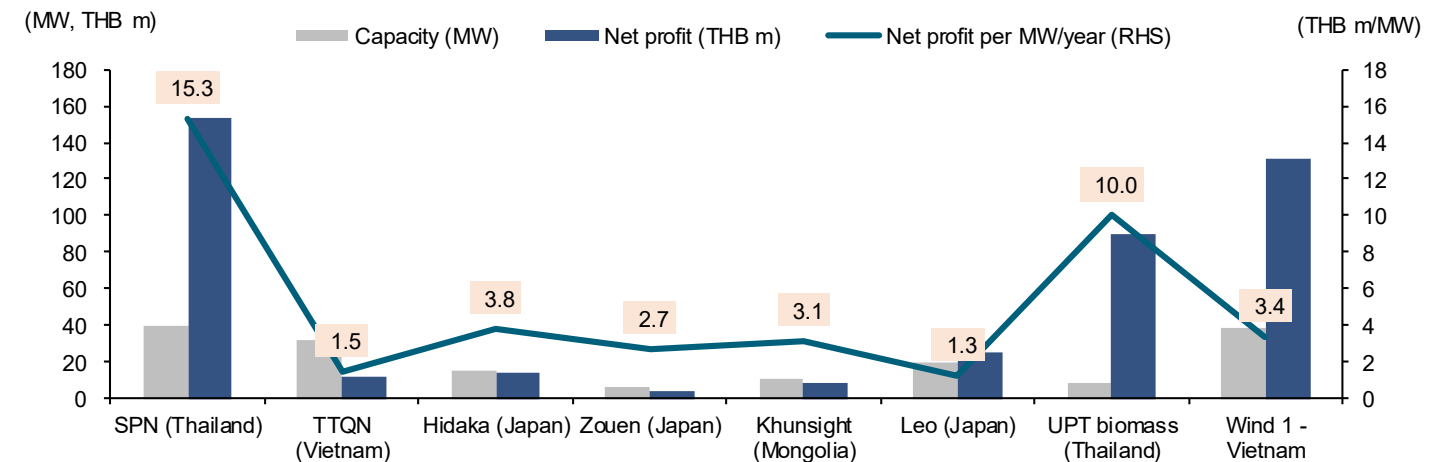
**Exhibit 7: Equity capacity breakdown by projects**



Sources: SSP; FSSIA estimates

**Higher ROE and profitability from new growth projects.** We expect the key growth drivers to be the higher profitability of the new growth projects, which we forecast to generate better profits and EIRR than most of SSP's existing projects, except for its 40MW SPN solar farm which is highly profitable at THB15m/MW, thanks to its high adder of THB6.5/kWh.

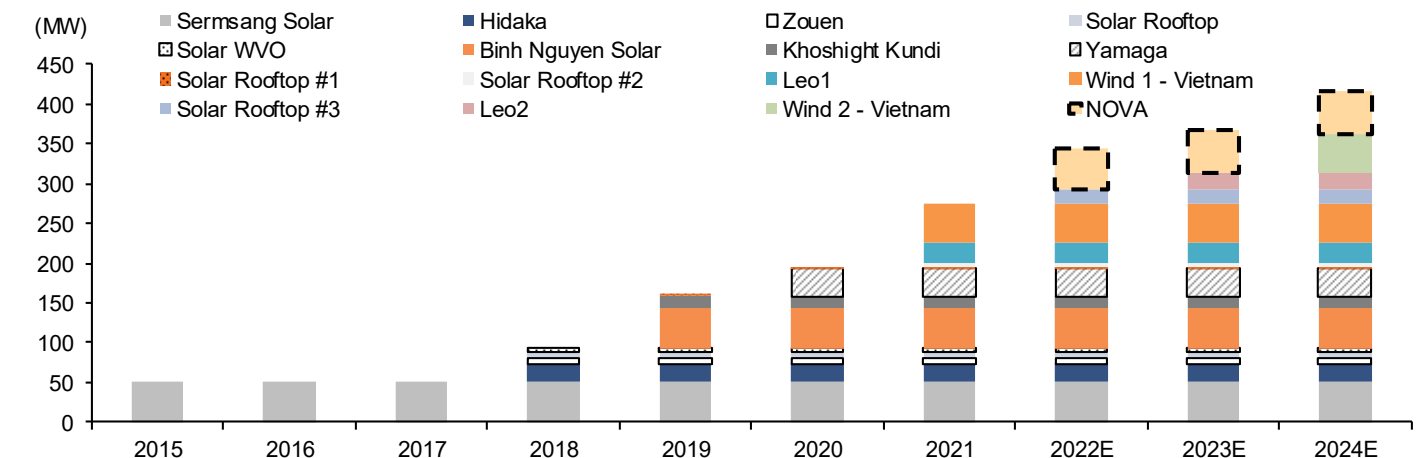
#### Exhibit 8: Capacity and profitability comparison of SSP's power projects



Sources: SSP; FSSIA estimates

Hence, we think the new growth projects, wind farm phase 2 and phase 3 at 38MW each, will secure a high profitability level of THB3-5m/MW, thanks to the lower infrastructure cost as both wind farm phase 2 and 3 will be located next to SPP's existing 38MW wind farm phase 1.

#### Exhibit 9: Installed capacity breakdown by projects



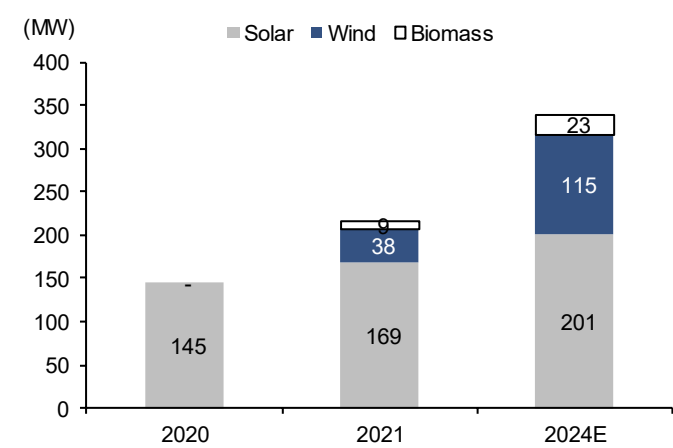
Sources: SSP; FSSIA estimates

**More diversification for its power portfolio.** Starting in 2021, SSP has begun to grow its capacity into other types of renewable energy, away from the now-unattractive solar farms as the entry barrier for solar farms is much lower than wind farms and biomass, which has resulted in wider differentials between the ROE and profitability of solar farms vs wind farms and biomass.

While solar farms require only an investment and a power purchase agreement (PPA) from the regulator to sell the electricity produced, wind farms require a location with an average wind speed high enough to turn the windmill turbines. Hence, while there is no real entry barrier for solar farms, a “suitable location” is a prerequisite for wind farms.

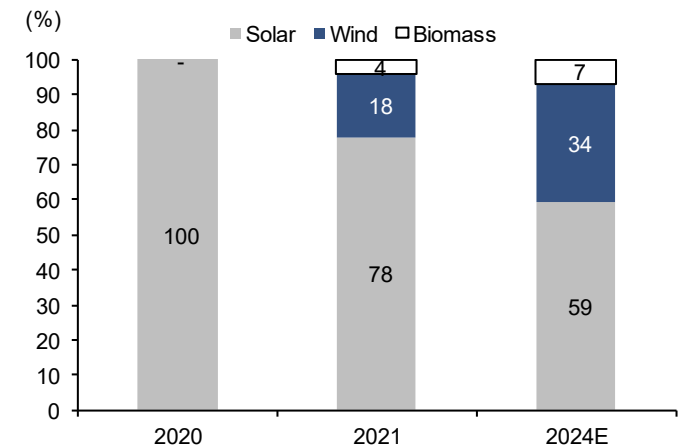
Meanwhile, the entry barrier for biomass relies on feedstock management expertise to ensure not only adequate feedstock availability to run the power plant at a high utilisation rate but also management acumen to optimise feedstock costs given the wide variety, high cost volatility, and the technical feasibility of feedstock consumption sources for biomass power plants.

Exhibit 10: Power plant equity capacity breakdown by fuel type



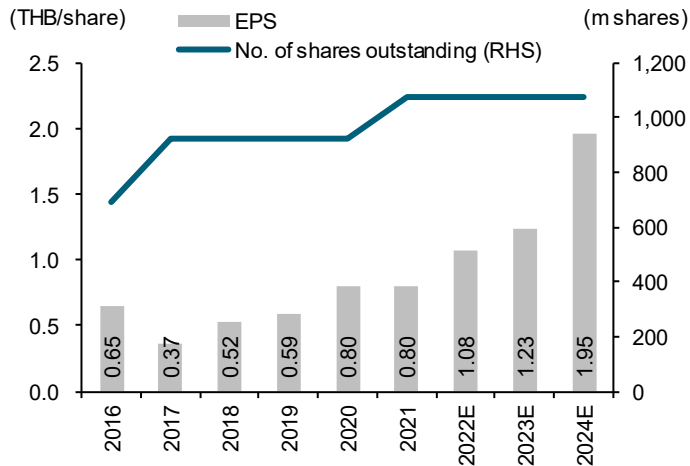
Sources: SSP; FSSIA estimates

Exhibit 11: Power plant equity capacity breakdown by fuel type (%)

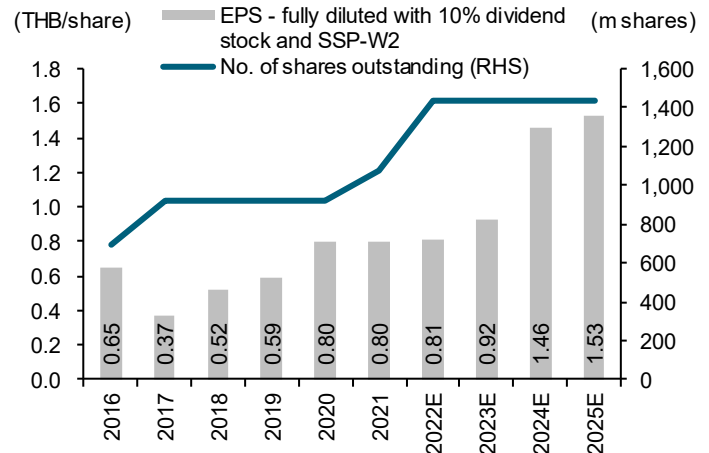


Sources: SSP; FSSIA estimates

**No earnings growth gap after the expiration of the adder for its 40MW solar farm in 2024.** We believe SSP is now successfully diversifying its power plant portfolio into wind farms and biomass power plants, which should lead to improving overall profitability and shareholders' returns, and secure capacity growth to sustain its earnings growth trajectory beyond 2024 when its lucrative 40MW SPN solar farm will see its THB6.5/kWh adder expire, which could lead to a decline in earnings by THB0.5b annually, based on our estimate.

**Exhibit 12: EPS on current number of shares outstanding**


Sources: SSP; FSSIA estimates

**Exhibit 13: EPS on the number of shares outstanding with 10% stock dividend in 2022 and SSP-W2 (253m shares)**


Sources: SSP; FSSIA estimates

**EPS dilution is no more.** On 1 Mar-21, SSP announced a 48.5% capital increase from 922m shares (THB1 par value) to 1,369.17m shares, adding 447.17m shares via 1) +10% from a stock dividend of 92.2m shares at a THB1 par value on 10 existing shares to one new dividend share (10:1), implying a THB0.1/share dividend value; 2) +11% from the eight-month SSP warrant 1 (SSP-W1) – 101.42m warrants at a 10:1 ratio with an issuance date on 22 Jun-21 and an exercise price of THB12; and 3) +27.5% from the 47-month SSP warrant 2 (SSP-W2) – 253.55m warrants at a 4:1 ratio with an issuance date on 22 Jun-21 and an exercise price of THB18-24.

Based on our current projected net profit growth from THB0.9b in 2021 to THB1.2b in 2022, THB1.3b in 2023, and THB2.1b in 2024, we estimate that the EPS, even under the conservative assumption that a 10% stock dividend will be given in 2022 and the full exercise of all SSP-W2 warrants into SSP shares will occur in 2022, we project that SSP's EPS will still grow from THB0.8 in 2021 to THB1.95 in 2024 and THB2.50 in 2025, based on our assumption that SSP will secure additional growth projects comprising its 38MW wind farm phase 3, a 9MW biomass plant, and a 130MW gas-fired power plant, mainly in Vietnam.

**Exhibit 14: Capital increase and dividend stock impact**

Capital increase	No of shares (m shares)	% of existing shares (%)	Existing:new share ratio (x)	XR date	Exercise price (THB/share)
Current shares outstanding	1,072.0				
Stock dividend at 10%	107.2	10.0	10:1	22-Jun-21	n/a
SSP-W1 (10:1) @ THB12	117.9	11.0	10:1	22-Jun-21	12
SSP-W2 (4:1)	253.6	23.7	4:1	22-Jun-21	18
<b>Total shares with stock dividend and W1</b>	<b>1,296.6</b>	<b>21.0</b>			
<b>Total shares with stock dividend, W1 and W2</b>	<b>1,550.2</b>	<b>44.7</b>			
(THB/share)	2019	2020	2021	2022E	2023E
Net profit (THB m)	546	736	859	1,156	1,320
EPS - with stock dividend and W1 (base case)	0.51	0.69	0.55	0.75	0.85
EPS - with stock dividend, W1 and W2	0.51	0.69	0.66	0.89	1.02
Net profit growth (%)	13.2	34.9	16.7	34.6	14.2
EPS growth (with dividend stock and W1) (%)	13.2	34.9	(19.4)	34.6	14.2

Sources: SSP; FSSIA estimates



## Strong 65% y-y core net profit growth in 1Q22 to THB296m

SSP posted a strong 1Q22 net profit of THB295m, up 98% q-q and 61% y-y. Excluding non-recurring items, core net profit jumped to THB296m, up 65% q-q and 66% y-y.

Key drivers were:

- **THB26m net profit contribution from its 9MW biomass power plant**, which ran at a high utilisation rate of over 90% and generated a high profitability level at THB12/MW. The higher net profit contribution from the biomass power plant came from SSP's successful feedstock management to reduce the feedstock cost via a superior feedstock mix and enhanced operational reliability.
- **THB50m net profit from SSP's 80%-owned 38MW wind farm in Vietnam.** Following its commercial operations date (COD) in 4Q21, the seasonally high wind drove its capacity factor to over 35% in 1Q22.
- **THB15m net profit from Leo 1 solar farm**, COD since 3Q21.
- **THB195m net profit from existing power plants**, which saw improving earnings q-q and y-y as a result of the seasonally higher capacity factors for solar farms.

### Exhibit 15: Summary of 1Q22 operations

	1Q21	4Q21	1Q22			2021	2022E	Chg.
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
<b>Revenue</b>	<b>486</b>	<b>877</b>	<b>856</b>	<b>(2.4)</b>	<b>76.1</b>	<b>2,603</b>	<b>3,198</b>	<b>22.9</b>
Operating costs	(74)	(314)	(173)	(44.7)	135.4	(585)	(752)	28.7
<b>EBITDA</b>	<b>413</b>	<b>564</b>	<b>683</b>	<b>21.2</b>	<b>65.5</b>	<b>2,018</b>	<b>2,446</b>	<b>21.2</b>
EBITDA margin (%)	84.9	64.3	79.8	nm	nm	77.5	76.5	nm
Depn & amort.	(147)	(230)	(239)	4.2	62.6	(751)	(448)	(40.3)
<b>EBIT</b>	<b>266</b>	<b>334</b>	<b>444</b>	<b>32.9</b>	<b>67.1</b>	<b>1,267</b>	<b>1,998</b>	<b>57.6</b>
Interest expense	(80)	(116)	(124)	6.4	53.7	(356)	(697)	95.6
Interest & invt inc	0	(0)	2	nm	nm	3	-	nm
Other income	14	(4)	3	nm	(78.8)	(16)	(18)	10.0
Associates' contrib	-	-	3	nm	nm	-	-	nm
Exceptional	-	(39)	-	nm	nm	67	-	nm
<b>Pre-tax profit</b>	<b>200</b>	<b>175</b>	<b>329</b>	<b>87.7</b>	<b>64.6</b>	<b>965</b>	<b>1,284</b>	<b>33.1</b>
Tax	(11)	(17)	(5)	(70.1)	(56.0)	(65)	(42)	(36.4)
Tax rate (%)	5.7	9.6	1.5	nm	nm	6.8	3.2	nm
Minority interests	(5)	(9)	(29)	213.2	442.9	(40)	(86)	112.7
<b>Net profit</b>	<b>183</b>	<b>149</b>	<b>295</b>	<b>97.8</b>	<b>61.0</b>	<b>859</b>	<b>1,156</b>	<b>34.6</b>
Non-recurring	5	(30)	(1)	(97.2)	nm	(12)	-	nm
<b>Core net profit</b>	<b>178</b>	<b>179</b>	<b>296</b>	<b>65.4</b>	<b>65.9</b>	<b>871</b>	<b>1,156</b>	<b>32.8</b>
EPS (THB)	0.20	0.16	0.32	97.8	61.0	0.80	1.08	34.6
Core EPS (THB)	0.19	0.19	0.32	65.4	65.9	0.81	1.08	32.8

Sources: SSP; FSSIA estimates

### Exhibit 16: 1Q22 performance

	1Q21	4Q21	1Q22	Change	
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)
<b>Sales revenue from electricity</b>	<b>482.0</b>	<b>721.9</b>	<b>847.7</b>	<b>17.4</b>	<b>75.9</b>
Thailand	230.1	283.3	295.7	4.4	28.5
Japan	175.2	254.1	360.8	42.0	105.9
Vietnam	44.6	148.7	149.5	0.5	235.2
Mongolia	29.9	26.4	30.3	14.8	1.3
Indonesia	2.2	9.4	11.4	21.3	418.2
<b>Net profit distribution to SSP shareholders</b>	<b>183.1</b>	<b>149.0</b>	<b>294.8</b>	<b>97.9</b>	<b>61.0</b>
Unrealised FX (gain)/loss	(4.9)	18.8	1.1	(94.1)	(122.4)
<b>Core operating profit</b>	<b>178.2</b>	<b>178.7</b>	<b>295.6</b>	<b>65.4</b>	<b>65.9</b>

Sources: SSP; FSSIA estimates



## Strong BUY on EPS growth and potential valuation rerating

We maintain BUY and our SoTP-based target price of THB20. We believe SSP is a highly attractive small-cap power play with strong, visible, and long-term net profit growth from 2021-25, with a high ROE that reflects its superior growth strategy of focusing on high-return investments.

Currently trading at only 7-8x 2022-23E P/E, we think SSP's share price and valuation should rerate to 12-15x forward P/E, backed by its strong and secured earnings growth, a more diversified asset portfolio, and improving ROE and profitability in 2022-24.

### Exhibit 17: SoTP-based valuation

Cost of equity assumptions		(%)	Cost of debt assumptions		(%)
Risk-free rate		2.3	Pretax cost of debt		2.0
Market risk premium		8.5	Marginal tax rate		20.0
Stock beta		0.4			
Cost of equity, Ke		5.7	Net cost of debt, Kd		1.5
Weight applied		20.0	Weight applied		80.0
WACC (%)		2.3			

DCF valuation estimate		Contracted capacity (MW)	% holding	Equity Capacity (MW)	THB m	THB/share
Thailand	Sermsang solar	40.0	100	40.0	7,404	6.6
	Solar rooftop	6.9	100	6.9	790	0.7
	WVO	5.0	100	5.0	515	0.5
Japan	Hidaka	17.0	87	14.8	2,280	2.0
	Leo 1	20.0	100	20.0	2,151	1.9
	Leo 2	17.0	100	17.0	1,678	1.5
	Yamaga1	30.0	90	27.0	4,065	3.6
	Zouen	6.0	100	6.0	996	0.9
Mongolia	Khoshight Kundi	16.4	75	12.3	549	0.5
Vietnam	Binh Nguyen solar farm	49.6	80	39.7	1,661	1.5
	Tra Vinh wind farm phase 1	48.0	80	38.4	3,670	3.3
	Tra Vinh wind farm phase 2	48.0	80	38.4	2,887	2.6
Indonesia	Indonesia (2020-22) solar rooftop	21.1	100	21.1	152	0.1
	Net debt				(6,515)	(5.8)
Residual ordinary equity					22,284	20.0

Sources: SSP; FSSIA estimates

## Financial Statements

### Sernsang Power Corp

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Revenue	2,177	2,603	3,198	3,479	4,507
Cost of goods sold	(392)	(341)	(272)	(280)	(309)
<b>Gross profit</b>	<b>1,785</b>	<b>2,262</b>	<b>2,926</b>	<b>3,200</b>	<b>4,198</b>
Other operating income	-	-	-	-	-
Operating costs	(196)	(243)	(480)	(522)	(676)
<b>Operating EBITDA</b>	<b>1,588</b>	<b>2,018</b>	<b>2,446</b>	<b>2,678</b>	<b>3,522</b>
Depreciation	(533)	(751)	(448)	(468)	(488)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>1,055</b>	<b>1,267</b>	<b>1,998</b>	<b>2,209</b>	<b>3,034</b>
Net financing costs	(264)	(275)	(697)	(722)	(747)
Associates	0	0	0	0	0
Recurring non-operating income	(43)	(16)	(18)	(20)	(22)
Non-recurring items	40	(12)	0	0	0
<b>Profit before tax</b>	<b>788</b>	<b>965</b>	<b>1,284</b>	<b>1,468</b>	<b>2,266</b>
Tax	(23)	(65)	(42)	(60)	(82)
<b>Profit after tax</b>	<b>765</b>	<b>899</b>	<b>1,242</b>	<b>1,408</b>	<b>2,184</b>
Minority interests	(29)	(40)	(86)	(88)	(90)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>736</b>	<b>859</b>	<b>1,156</b>	<b>1,320</b>	<b>2,093</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(40)</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>696</b>	<b>871</b>	<b>1,156</b>	<b>1,320</b>	<b>2,093</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.69	0.81	1.08	1.23	1.95
Reported EPS	0.65	0.80	1.08	1.23	1.95
DPS	0.01	0.10	0.50	0.50	0.50
Diluted shares (used to calculate per share data)	1,072	1,072	1,072	1,072	1,072
<b>Growth</b>					
Revenue (%)	47.7	19.6	22.9	8.8	29.5
Operating EBITDA (%)	39.0	27.1	21.2	9.5	31.5
Operating EBIT (%)	27.8	20.1	57.6	10.6	37.3
Recurring EPS (%)	13.6	25.1	32.8	14.2	58.6
Reported EPS (%)	34.9	16.7	34.6	14.2	58.6
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	57.5	58.0	77.5	78.5	82.3
Gross margin of key business (%)	59.3	57.6	77.5	78.5	82.3
Operating EBITDA margin (%)	73.0	77.5	76.5	77.0	78.1
Operating EBIT margin (%)	48.5	48.7	62.5	63.5	67.3
Net margin (%)	32.0	33.5	36.2	37.9	46.4
Effective tax rate (%)	2.9	6.8	3.2	4.1	3.6
Dividend payout on recurring profit (%)	1.5	12.3	46.3	40.6	25.6
Interest cover (X)	3.8	4.6	2.8	3.0	4.0
Inventory days	-	-	-	-	-
Debtor days	66.3	79.5	99.5	128.4	133.2
Creditor days	151.8	1,775.3	3,798.9	3,265.1	3,150.8
Operating ROIC (%)	7.9	(2.0)	(2.8)	(2.8)	(3.7)
ROIC (%)	6.1	(1.6)	(2.2)	(2.3)	(3.0)
ROE (%)	17.4	17.3	18.0	18.0	24.6
ROA (%)	6.4	4.3	4.5	4.9	7.4

\* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2020	2021	2022E	2023E	2024E
Electricity sales	2,177	2,603	3,198	3,479	4,507
Subsidy for adder	0	0	0	0	0
Construction service	0	0	0	0	0

Sources: Sernsang Power Corp; FSSIA estimates

## Financial Statements

### Sermsang Power Corp

Cash Flow (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Recurring net profit	696	871	1,156	1,320	2,093
Depreciation	533	751	448	468	488
Associates & minorities	0	0	0	0	0
Other non-cash items	-	-	-	-	-
Change in working capital	(288)	2,559	(1,201)	(362)	(436)
<b>Cash flow from operations</b>	<b>941</b>	<b>4,181</b>	<b>403</b>	<b>1,426</b>	<b>2,146</b>
Capex - maintenance	(835)	(836)	(800)	(800)	(800)
Capex - new investment	(570)	(4,843)	0	0	0
Net acquisitions & disposals	0	0	0	0	0
Other investments (net)	(90)	(1,147)	0	0	0
<b>Cash flow from investing</b>	<b>(1,495)</b>	<b>(6,826)</b>	<b>(800)</b>	<b>(800)</b>	<b>(800)</b>
Dividends paid	(10)	(107)	(107)	(536)	(536)
Equity finance	0	0	0	0	0
Debt finance	1,062	3,904	500	500	500
Other financing cash flows	(49)	1,064	86	87	90
<b>Cash flow from financing</b>	<b>1,004</b>	<b>4,861</b>	<b>479</b>	<b>52</b>	<b>55</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>449</b>	<b>2,216</b>	<b>83</b>	<b>678</b>	<b>1,400</b>
Free cash flow to firm (FCFF)	(240.52)	(2,288.84)	300.03	1,348.02	2,092.22
Free cash flow to equity (FCFE)	459.58	2,322.82	189.80	1,213.80	1,936.00
<b>Per share (THB)</b>					
FCFF per share	(0.26)	(2.48)	0.33	1.46	2.27
FCFE per share	0.50	2.52	0.21	1.32	2.10
Recurring cash flow per share	1.33	1.51	1.50	1.67	2.41
Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Tangible fixed assets (gross)	11,865	17,525	18,325	19,125	19,925
Less: Accumulated depreciation	(1,271)	(2,003)	(2,451)	(2,919)	(3,407)
<b>Tangible fixed assets (net)</b>	<b>10,594</b>	<b>15,522</b>	<b>15,874</b>	<b>16,206</b>	<b>16,518</b>
<b>Intangible fixed assets (net)</b>	<b>1,048</b>	<b>1,232</b>	<b>1,232</b>	<b>1,232</b>	<b>1,232</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	1,364	3,580	3,662	4,340	5,740
A/C receivable	430	704	1,041	1,407	1,882
Inventories	0	0	0	0	0
Other current assets	386	643	790	860	1,114
<b>Current assets</b>	<b>2,180</b>	<b>4,927</b>	<b>5,493</b>	<b>6,607</b>	<b>8,736</b>
Other assets	2,281	2,382	2,382	2,382	2,382
<b>Total assets</b>	<b>16,104</b>	<b>24,063</b>	<b>24,981</b>	<b>26,428</b>	<b>28,868</b>
Common equity	4,205	5,884	6,933	7,718	9,276
Minorities etc.	337	490	576	664	754
<b>Total shareholders' equity</b>	<b>4,542</b>	<b>6,374</b>	<b>7,509</b>	<b>8,382</b>	<b>10,029</b>
Long term debt	8,387	10,862	11,362	11,862	12,362
Other long-term liabilities	1,612	745	745	745	745
<b>Long-term liabilities</b>	<b>9,999</b>	<b>11,608</b>	<b>12,108</b>	<b>12,608</b>	<b>13,108</b>
A/C payable	117	3,201	2,469	2,536	2,804
Short term debt	1,390	2,818	2,818	2,818	2,818
Other current liabilities	56	63	77	84	108
<b>Current liabilities</b>	<b>1,563</b>	<b>6,082</b>	<b>5,365</b>	<b>5,438</b>	<b>5,731</b>
<b>Total liabilities and shareholders' equity</b>	<b>16,104</b>	<b>24,063</b>	<b>24,981</b>	<b>26,428</b>	<b>28,868</b>
Net working capital	643	(1,916)	(715)	(353)	83
Invested capital	14,566	17,220	18,773	19,467	20,215
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	4.56	5.49	6.47	7.20	8.66
Tangible book value per share	3.42	4.34	5.32	6.05	7.51
<b>Financial strength</b>					
Net debt/equity (%)	185.2	158.5	140.1	123.4	94.1
Net debt/total assets (%)	52.2	42.0	42.1	39.1	32.7
Current ratio (x)	1.4	0.8	1.0	1.2	1.5
CF interest cover (x)	4.9	27.1	1.3	2.7	3.6
Valuation	2020	2021	2022E	2023E	2024E
<b>Recurring P/E (x) *</b>	<b>12.4</b>	<b>11.6</b>	<b>8.7</b>	<b>7.6</b>	<b>4.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>26.5</b>	<b>24.6</b>	<b>18.5</b>	<b>16.2</b>	<b>10.2</b>
Reported P/E (x)	11.8	11.7	8.7	7.6	4.8
Dividend yield (%)	0.1	1.1	5.3	5.3	5.3
Price/book (x)	2.1	1.7	1.5	1.3	1.1
Price/tangible book (x)	2.7	2.2	1.8	1.6	1.3
EV/EBITDA (x) **	11.0	10.2	8.7	7.9	5.8
EV/EBITDA @ target price (x) **	17.1	15.9	13.3	12.1	9.0
EV/invested capital (x)	1.2	1.2	1.1	1.1	1.0
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Sermsang Power Corp; FSSIA estimates

## Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	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	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	MITSI	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	AMANAH	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	WIIK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Suwat Sinsadok, CFA, FRM, ERP FSS International Investment Advisory Securities Co., Ltd

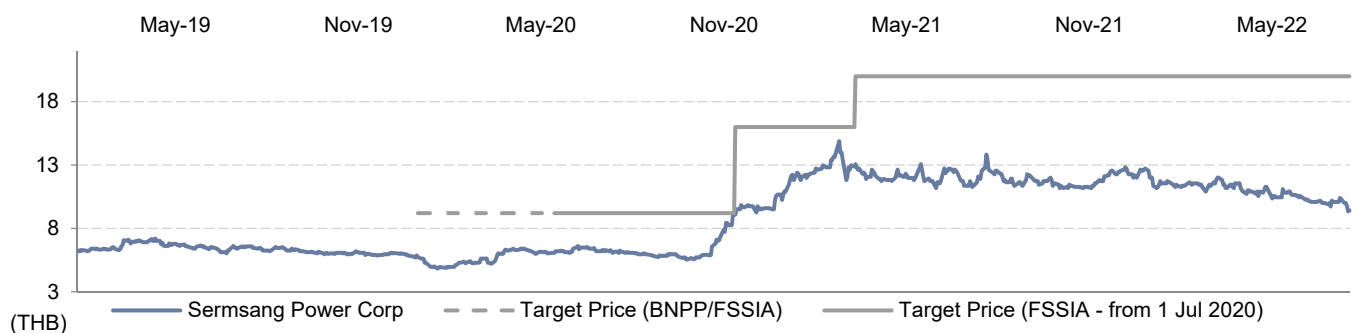
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

#### Sernsang Power Corp (SSP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
06-Mar-2020	BUY	9.20	02-Dec-2020	BUY	16.00	15-Mar-2021	BUY	20.00

Suwat Sinsadok, CFA, FRM, ERP started covering this stock from 27-May-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sernsang Power Corp	SSP TB	THB 9.40	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.

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 13-May-2022 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.