

## GLOBAL POWER SYNERGY

## GPSC TB

THAILAND / UTILITIES

BUY

FROM HOLD

## ฟื้นตัวออกจากจุดต่ำสุดใน 4Q22

- GPSC ขาดทุนสุทธิ 436 ลบ. ใน 4Q22 ลดลงจากที่เคยมีกำไร 331 ลบ. ใน 3Q22 และ 1.2 พัน ลบ. ใน 4Q21 กำไรดังกล่าวรวมค่าเสื่อม 457 ลบ. ของ GLOW
- ปัจจัยถ่วงสำคัญอยู่ที่ต้นทุนก๊าซและถ่านหินที่สูงขึ้น การปิดซ่อมบำรุงนอกแผน การตัดจำหน่ายและค่าสินไหมทดแทนจากการประกันภัย
- ปรับเพิ่มคำแนะนำเป็นซื้อหลังเพิ่มราคาเป้าหมายเป็น 76 บาท (SoTP)

TARGET PRICE	THB76.00
CLOSE	THB68.50
UP/DOWNSIDE	+10.9%
PRIOR TP	THB68.50
CHANGE IN TP	+10.9%
TP vs CONSENSUS	-4.4%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	123,685	135,977	152,411	165,008
Net profit	891	5,776	7,188	7,219
EPS (THB)	0.32	2.05	2.55	2.56
vs Consensus (%)	-	146.1	11.8	(18.3)
EBITDA	14,783	19,464	20,692	21,787
Core net profit	2,779	5,776	7,188	7,219
Core EPS (THB)	0.99	2.05	2.55	2.56
Chg. In EPS est. (%)	nm	(24.8)	(41.4)	nm
EPS growth (%)	(68.8)	107.8	24.5	0.4
Core P/E (x)	69.5	33.4	26.9	26.8
Dividend yield (%)	1.8	2.2	2.2	2.2
EV/EBITDA (x)	20.2	15.5	14.7	14.1
Price/book (x)	1.8	1.8	1.8	1.7
Net debt/Equity (%)	82.7	83.1	80.4	78.5
ROE (%)	2.6	5.5	6.7	6.5

## ผลประกอบการ 4Q22 ได้รับผลกระทบจากการปิดซ่อมและต้นทุนที่ปรับขึ้น

GPSC ขาดทุนสุทธิ 436 ลบ. ใน 4Q22 ลดลงจากที่เคยมีกำไร 331 ลบ. ใน 3Q22 และ 1.2 พัน ลบ. ใน 4Q21 กำไรดังกล่าวรวมค่าเสื่อม 457 ลบ. ของ Glow Energy (GLOW, not listed) กำไรปกติก่อนแอมโดยอยู่ที่ 21 ลบ. (-97% q-q, -99% y-y) โดยมีปัจจัยถ่วงสำคัญอยู่ที่ 1) กำไรขั้นต้น (GP) ที่ลดลงของโรงไฟฟ้าขนาดเล็ก (SPP) จากต้นทุนก๊าซและถ่านหินที่สูงขึ้น; 2) ปริมาณขายไฟฟ้าและไอน้ำที่ลดลงตามความต้องการของผู้ใช้อุตสาหกรรม (IU) ที่ลดลง; 3) การปิดซ่อมนอกแผนของ Glow Energy phase 5 SPP และ Gheco-One (G1); 4) การตัดจำหน่าย 270 ลบ. ของ GEN phase 1 gas turbine; 5) การปรับมูลค่าถ่านหินคงคลังจำนวน 223 ลบ. ของ G1; 6) ค่าสินไหมทดแทนจากการประกันภัยจำนวน 408 ลบ. จาก Glow Energy phase 5 และ G1; และ 7) การเริ่มดำเนินงานเชิงพาณิชย์ของสัญญาทดแทนฉบับที่ 1 ของ GEN phase 2 ในเดือน พ.ย. 22

## ต้นทุนก๊าซและถ่านหินปรับขึ้น ปริมาณขายลดลง

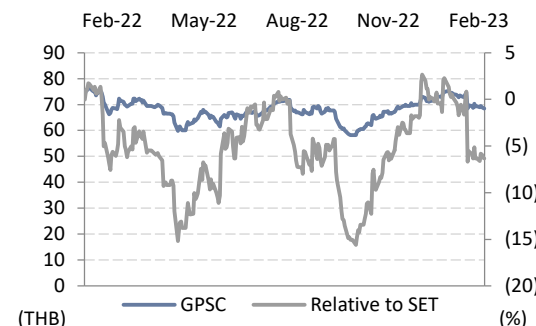
ใน 4Q22 GP ลดลงเหลือ 2.5 พัน ลบ. (-16% q-q, -37% y-y) ในขณะที่ GP จาก SPP อยู่ที่ 0.9 พัน ลบ. (-34% q-q, -63% y-y) จากต้นทุนก๊าซที่สูงขึ้นเป็น 534 บาท/mmbtu (+4% q-q, +61% y-y) และต้นทุนถ่านหินที่ปรับขึ้นเป็น USD423/ตัน (+19% q-q, +194% y-y) ปัจจัยดังกล่าวชดเชยได้บางส่วนจากค่าไฟฟ้าและไอน้ำที่สูงขึ้น GP จากโรงไฟฟ้าขนาดใหญ่ (IPP) เพิ่มขึ้น y-y เป็น 1.5 พัน ลบ. (-1% q-q, +8% y-y) จากการส่งไฟฟ้าที่เพิ่มขึ้นของ กฟผ. จากการใช้ถ่านหินดีเซลแทน แก๊สธรรมชาติ

## CI ช่วยหนุนส่วนแบ่งกำไร

ใน 4Q22 ส่วนแบ่งกำไรรวมลดลงเหลือ 31 ลบ. (-96% q-q, -74% y-y) ส่วนมากเกิดจาก 1) ส่วนแบ่งกำไร 73 ลบ. ของ XPCL (GPSC ถือหุ้น 25%) ลดลงจาก 741 ลบ. ใน 3Q22 จากระดับนำที่ลดลงตามฤดูกาล; 2) ผลขาดทุน 34 ลบ. จาก Nava Nakorn; 3) Nam Lik 1 ให้ส่วนแบ่งกำไรลดลง q-q มาอยู่ที่ 10 ลบ.; 4) ผลขาดทุน 39 ลบ. จาก Global Renewable; และ 5) ผลขาดทุน 36 ลบ. ของ Avaada จากต้นทุนทางการเงินที่อยู่ในระดับสูง โรงไฟฟ้าพลังแสงอาทิตย์ในประเทศไทยให้ส่วนแบ่งกำไร 80 ลบ. CI Changfang และ CI Xidao (25%) ให้กำไร 250 ลบ.

## ปรับเพิ่มคำแนะนำเป็นซื้อหลังเพิ่มราคาเป้าหมายเป็น 76 บาท (SoTP)

เราปรับเพิ่มคำแนะนำเป็นซื้อหลังปรับราคาเป้าหมายขึ้นเป็น 76 บาท (SoTP) เพื่อรวมสมมติฐานค่าไฟฟ้าที่สูงขึ้นและกำไรต่อหุ้นที่ลดลงจากต้นทุนก๊าซที่สูงขึ้น เราคาดว่า 4Q22 เป็นจุดต่ำสุดของ GPSC พร้อมคาดว่าผลประกอบการจะปรับขึ้นใน 1Q23 จากต้นทุนก๊าซที่ลดลงและค่า Ft ที่สูงขึ้น



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.4)	4.6	(9.0)
Relative to country (%)	(7.4)	2.9	(7.1)
Mkt cap (USD m)	5,725		
3m avg. daily turnover (USD m)	13.0		
Free float (%)	25		
Major shareholder	PTT Plc (47%)		
12m high/low (THB)	77.25/57.25		
Issued shares (m)	2,819.73		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

### Investment thesis

Backed by the PTT Group as a major shareholder, GPSC is the fourth-largest utilities company in Thailand by market capitalisation, with its operations comprising the generation of electricity, steam and other utilities. The company had an electricity generating equity capacity of 4,750MW as of 2020 and solid expansion plans to increase its capacity to 7.1GW in 2023.

Established as a power investment arm of the PTT Group – Thailand’s leading energy company – GPSC has long leveraged its solid ties with the group to expand its electricity generation capacity growth and capture domestic and international opportunities. Currently, GPSC generates electricity mainly from natural gas (80%), and most of its capacity is aimed at supporting PTT Group companies, including PTT (PTT TB, NR), PTT Global Chemical (PTTGC TB, NR), Thai Oil (TOP TB, NR) and IRPC (IRPC TB, NR).

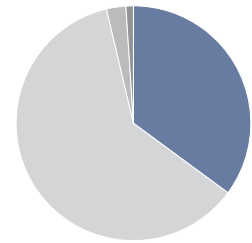
### Company profile

GPSC is a power flagship company of PTT Group. It operates small power producers, is an independent power producer and has a presence in renewable energy.

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

### Principal activities (revenue, 2022)

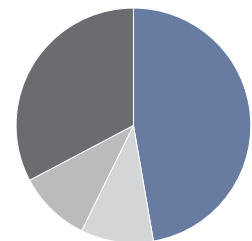
- Independent power producer - 35.1 %
- Small power producer - 61.2 %
- Very small power producer - 2.7 %
- Others - 1.0 %



Source: Global Power Synergy

### Major shareholders

- PTT Plc - 47.3 %
- PTTGC Plc - 10.0 %
- TOP Plc - 10.0 %
- Others - 32.7 %



Source: Global Power Synergy

### Catalysts

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

### Risks to our call

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.

### Event calendar

Date	Event
May 2023	1Q23 results announcement

### Key assumptions

	2023E	2024E	2025E
Gas cost (THB/mmbtu)	490	431	418
Coal cost (USD/tonne)	220	200	200
Tariff (THB/kWh)	4.82	4.58	4.21

Source: FSSIA estimates

### Earnings sensitivity

- Ceteris paribus, for every THB1/mmbtu increase in gas price, we estimate 2023 earnings would decline THB30m, and vice versa.
- Ceteris paribus, for every THB0.01/kWh increase in the fuel tariff, we estimate 2023 earnings would increase by THB60m, and vice versa.

Source: FSSIA estimates



## Exhibit 1: Summary of 4Q22/2022 operations

	4Q21	3Q22	4Q22			2021	2022	Change
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
<b>Revenue</b>	<b>22,019</b>	<b>33,866</b>	<b>34,839</b>	<b>2.9</b>	<b>58.2</b>	<b>74,874</b>	<b>123,685</b>	<b>65.2</b>
Operating costs	(18,676)	(31,312)	(32,990)	5.4	76.6	(54,504)	(111,212)	104.0
<b>EBITDA</b>	<b>3,343</b>	<b>2,554</b>	<b>1,849</b>	<b>(27.6)</b>	<b>(44.7)</b>	<b>22,231</b>	<b>14,783</b>	<b>(33.5)</b>
EBITDA margin (%)	15	8	5	nm	nm	30	12	nm
Depn & amort.	(2,200)	(2,150)	(2,156)	0.3	(2.0)	(9,232)	(9,113)	(1.3)
EBIT	1,143	404	(307)	nm	nm	13,000	5,670	(56.4)
Interest expense	(901)	(1,069)	(1,210)	13.2	34.2	(3,860)	(4,299)	11.4
Interest & invt inc	0	0	0	nm	nm	0	0	nm
Other income	1,944	211	771	265.5	(60.3)	(1,588)	(1,888)	18.9
Associates' contrib	120	683	281	(58.8)	134.1	1,536	1,539	0.2
Exceptional	(732)	14	99	614.8	nm	(55)	59	nm
<b>Pretax profit</b>	<b>1,574</b>	<b>243</b>	<b>(366)</b>	<b>nm</b>	<b>nm</b>	<b>9,032</b>	<b>1,081</b>	<b>(88.0)</b>
Tax	(97)	158	238	50.3	nm	(1,192)	376	nm
Tax rate (%)	6	(65)	65	nm	nm	13	(35)	nm
Minority interests	(309)	(70)	(308)	342.1	(0.2)	(522)	(566)	8.5
<b>Net profit</b>	<b>1,168</b>	<b>331</b>	<b>(436)</b>	<b>nm</b>	<b>nm</b>	<b>7,319</b>	<b>891</b>	<b>(87.8)</b>
Non-recurring	403	453	457	0.9	13.6	1,588	1,888	18.9
<b>Core net profit</b>	<b>1,571</b>	<b>784</b>	<b>21</b>	<b>(97.3)</b>	<b>(98.7)</b>	<b>8,907</b>	<b>2,779</b>	<b>(68.8)</b>
EPS (THB)	0.41	0.12	(0.15)	nm	nm	2.60	0.32	(87.8)
Core EPS (THB)	0.56	0.28	0.01	(97.3)	(98.7)	3.16	0.99	(68.8)

Sources: GPSC; FSSIA estimates

## Exhibit 2: 4Q22/2022 – key performance

	4Q21	3Q22	4Q22	(q-q %)	(y-y %)	2021	2022	(y-y %)	Unit
<b>IPP</b>									
Gross profit	1,423	1,558	1,540	(1.2)	8.2	4,889	6,089	24.5	THB m
Gross profit margin*	20	15	11	(4.0)	(9.0)	27	14	(13.0)	%
Availability rate (Sriracha)*	63	45	76	31.0	13.0	91	75	(16.0)	%
Availability rate (GIPP)*	93	96	96	0.0	3.0	92	97	5.0	%
Availability rate (GHECO-ONE)*	96	78	87	9.0	(9.0)	75	83	8.0	%
Average selling price	3.44	5.02	5.45	8.6	58.4	2.70	5.00	85.2	THB/kWh
Natural gas consumption (Sriracha)	130	30	241	703.3	85.4	6,775	321	(95.3)	('000 MMBTU)
Natural gas consumption (GLOW)	1,102	250	110	(56.0)	(90.0)	4,977	392	(92.1)	('000 MMBTU)
Average coal cost	96	169	242	43.8	153.2	88	209	138.6	USD/tonne JPU
<b>SPP</b>									
Gross profit	2,437	1,375	902	(34.4)	(63.0)	14,423	5,653	(60.8)	THB m
Gross profit margin*	17	6	4	(2.0)	(13.0)	26	7	(19.0)	%
Weighted average selling price (Electricity)	3.17	4.86	4.68	(3.7)	47.6	3.00	4.29	43.0	THB/kWh
Weighted average selling price (Steam)	1,153	1,633	1,812	11.0	57.2	996	1,562	56.8	THB/Tonnes
Natural gas consumption	28,786	33,491	28,440	(15.1)	(1.2)	122,278	123,652	1.1	('000 MMBTU)
- GPSC	12,907	14,191	12,551	(11.6)	(2.8)	52,857	53,787	1.8	('000 MMBTU)
- GLOW	15,879	19,300	15,889	(17.7)	0.1	69,421	69,865	0.6	('000 MMBTU)
Average price of natural gas	331	513	534	4.1	61.3	265	478	80.4	THB/MMBTU
Average coal cost	144	356	423	19.0	193.5	103	290	183.1	USD/tonne JPU
<b>VSPP</b>									
Gross profit	61	15	42	180.0	(31.1)	355	129	(63.7)	THB m
Gross profit margin*	34	6	19	13.0	(15.0)	51	15	(36.0)	%
Average selling price (Electricity)	7.70	5.49	6.11	11.3	(20.6)	8.93	5.99	(32.9)	THB/kWh
Average selling price (Chilled water)	7.70	8.21	9.28	13.0	20.5	7.21	8.33	15.5	THB/RT
<b>Share of profits from associates and joint ventures</b>	<b>120</b>	<b>682</b>	<b>31</b>	<b>(95.5)</b>	<b>(74.2)</b>	<b>1,535</b>	<b>1,334</b>	<b>(13.1)</b>	<b>THB m</b>
- Xayaburi Power (XPCL)	37	741	73	(90.1)	97.3	944	1,274	35.0	THB m
- Bangpa-in Cogeneration (BIC)	23	5	5	0.0	(78.3)	123	43	(65.0)	THB m
- Nava Nakorn Electricity Generating (NNEG)	4	(48)	(34)	(29.2)	nm	116	(100)	nm	THB m
- Nam Lik 1 Power (NL1PC)	21	14	10	(28.6)	(52.4)	67	59	(11.9)	THB m
- Thai Solar Renewable (TSR)	65	77	80	3.9	23.1	335	342	2.1	THB m
- Eastern Seaboard Clean Energy (ESCE)	6	6	(9)	nm	nm	27	12	(55.6)	THB m
- Avaada Energy Private (Avaada)	(25)	(110)	(36)	(67.3)	44.0	(57)	(301)	428.1	THB m
- Global Renewable Power (GRP)	(11)	10	(39)	nm	254.5	(20)	5	nm	THB m
- Nuovo Plus (NUOVO PLUS)	0	(13)	(19)	46.2	nm	0	(44)	nm	THB m
- CI Changfang and CI Xidao (CFXD)	0	0	250	nm	nm	0	250	nm	THB m

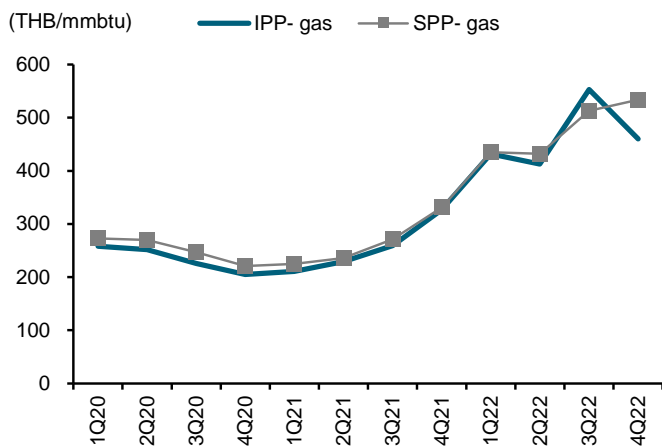
\*Note: Change in margin % is represented in ppt change  
 Sources: GPSC; FSSIA estimates

**Bottomed out in 4Q22**

Since 4Q21, GPSC has suffered from the sharp rises in the prices of gas and coal. The rising global supply risks from Russia’s invasion of Ukraine since Feb-22 has exacerbated Thailand’s energy dilemma as the country needs to import more spot LNG to compensate for the gas supply shortfall from G1 of up to 600mmscfd (12% of Thailand’s gas supply).

The gas cost for GPSC declined substantially to THB470/mmbtu in 4Q22, and we expect it to rise again to THB530/mmbtu in 1Q23. In 2023, we believe that energy costs for power generation should stay high due to rising supply risks and demand growth.

**Exhibit 3: Prices of gas for GPSC’s IPPs and SPPs**



Source: GPSC

**Exhibit 4: Dutch TTF gas price futures (Mar-22 (TGH223))**

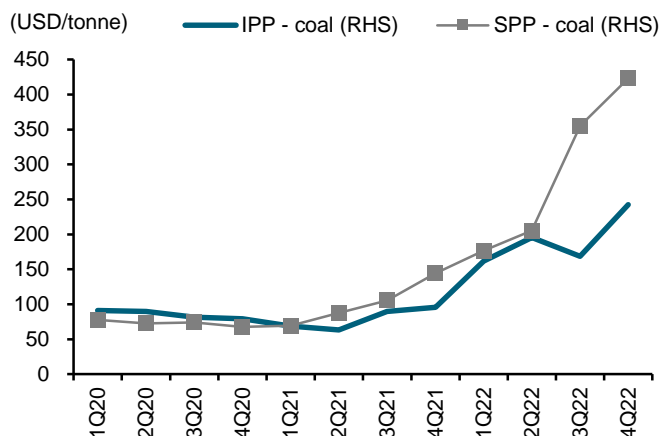


Source: [Barchart.com](https://www.barchart.com)

Coal, on the other hand, faces supply reductions as a result of global environmental concerns that have led to a structural decline in coal consumption for power generation. We see that the Newcastle coal price index has dropped markedly from the peak at USD458/tonne in Sep-22 to USD236/tonne in Feb-23, and we expect it to trade in the range of USD150-250/tonne in 2023.

On top of that, we believe the gross margin (tariff minus energy cost) for SPPs’ sales volumes for electricity and steam sold to IUs in Thailand should improve significantly as a result of the increase in the fuel tariff by THB0.6866/kWh for Sep-Dec 2022 and by THB0.6101/kWh for Jan-Apr 2023, which should more than offset the higher gas cost.

## Exhibit 5: Prices of coal for GPSC's IPPs and SPPs



Source: GPSC

## Exhibit 6: ICE Newcastle coal price index

Source: [Barchart.com](https://www.barchart.com)

## Upgrade to BUY and raise TP to THB76

We revise down our EPS forecasts cut for 2023-24 due to the changes in our assumptions to accommodate the higher gas and coal costs. In addition, we expect lower earnings from GLOW due to the unplanned shutdown of the Glow Energy phase 5 SPP and Gheco-One. We believe these should be partly offset by the higher electricity tariff.

We upgrade GPSC to BUY from Hold and raise our SoTP-based target price from THB68.5 to THB76 to reflect the high electricity tariff for all operating projects, as we expect sustainably higher electricity tariffs to reflect the higher gas and coal costs.

## Exhibit 7: Changes in key assumptions

	Current			Previous			Change		
	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Revenue	135,977	152,411	165,008	96,548	112,184	-	40.8	35.9	nm
Gross profit	21,208	22,821	23,941	19,594	25,245	-	8.2	(9.6)	nm
Operating profit	7,159	9,177	10,428	9,862	15,226	-	(27.4)	(39.7)	nm
Core net profit	5,776	7,188	7,219	7,676	12,263	-	(24.8)	(41.4)	nm
EPS (THB/share)	2.05	2.55	2.56	2.72	4.35	-	(24.8)	(41.4)	nm
<b>Key assumptions</b>									
Gas cost (THB/mmbtu)	490	431	418	350	354	-	40.0	22.0	nm
Coal cost (USD/tonne)	220	200	200	220	150	-	0.0	33.3	nm
Tariff (THB/kWh)	4.82	4.58	4.21	3.49	3.52	-	38.1	29.9	nm

Sources: GPSC; FSSIA estimates

## Exhibit 8: SoTP-based target price

Cost of equity assumptions		Cost of debt assumptions	
	(%)		(%)
Risk-free rate	2.3	Pretax cost of debt	4.0
Market risk premium	8.5	Marginal tax rate	20.0
Stock beta	1.09		
Cost of equity, Ke	11.6	Net cost of debt, Kd	3.2
Weight applied	37.2	Weight applied	62.8
WACC (%)	6.3		
<b>DCF valuation estimate</b>	<b>(THB m)</b>	<b>(THB/share)</b>	<b>Comments</b>
Core operating assets	156,472	55.5	Include all SPPs and two hydropower plants, WACC 6%
Investments	17,626	6.3	Estimated value for affiliates post 2015, assume EIRR of 12%

Cash	21,068	7.5	At end-2023E	
Debt	(118,957)	(42.2)	At end-2023E	
Minorities	(11,456)	(4.1)	At end-2023E	
<b>Residual ordinary equity - Exc. ERU</b>	<b>64,753</b>	<b>22.5</b>		
GLOW	60,798	21.6	Excluding SPP replacement projects	
XPCL	4,621	1.6	Assume EIRR 12%, COD Oct 2019	
ERU - TOP	1,325	0.5	Assume EIRR 9.4%, COD 2023E	
GLOW SPP replacement	78,677	27.9	Including GEN phase 2, GSPP2&3, and GSPP11#1	
Avaada - solar farms (India)	5,509	2.0	Assume EIRR 15%	
CI - offshore wind farms (Taiwan)	291	0.1	Assume EIRR 8%	
<b>Target price</b>	<b>215,973</b>	<b>76.0</b>		

Sources: GPSC; FSSIA estimates

## Financial Statements

### Global Power Synergy

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	74,874	123,685	135,977	152,411	165,008
Cost of goods sold	(54,504)	(111,212)	(114,768)	(129,591)	(141,068)
<b>Gross profit</b>	<b>20,370</b>	<b>12,474</b>	<b>21,208</b>	<b>22,821</b>	<b>23,941</b>
Other operating income	3,236	2,731	648	650	649
Operating costs	(1,374)	(422)	(2,393)	(2,778)	(2,803)
<b>Operating EBITDA</b>	<b>22,231</b>	<b>14,783</b>	<b>19,464</b>	<b>20,692</b>	<b>21,787</b>
Depreciation	(9,232)	(9,113)	(12,305)	(11,515)	(11,359)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>13,000</b>	<b>5,670</b>	<b>7,159</b>	<b>9,177</b>	<b>10,428</b>
Net financing costs	(3,915)	(4,240)	(4,566)	(4,857)	(6,063)
Associates	1,536	1,539	4,474	4,641	4,514
Recurring non-operating income	1,536	1,539	4,474	4,641	4,514
Non-recurring items	(1,588)	(1,888)	0	0	0
<b>Profit before tax</b>	<b>9,032</b>	<b>1,081</b>	<b>7,068</b>	<b>8,961</b>	<b>8,879</b>
Tax	(1,192)	376	(207)	(466)	(468)
<b>Profit after tax</b>	<b>7,840</b>	<b>1,457</b>	<b>6,861</b>	<b>8,495</b>	<b>8,410</b>
Minority interests	(522)	(566)	(1,085)	(1,307)	(1,192)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>7,319</b>	<b>891</b>	<b>5,776</b>	<b>7,188</b>	<b>7,219</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>1,588</b>	<b>1,888</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,907</b>	<b>2,779</b>	<b>5,776</b>	<b>7,188</b>	<b>7,219</b>
<b>Per share (THB)</b>					
Recurring EPS *	3.16	0.99	2.05	2.55	2.56
Reported EPS	2.60	0.32	2.05	2.55	2.56
DPS	1.50	1.20	1.50	1.50	1.50
Diluted shares (used to calculate per share data)	2,820	2,820	2,820	2,820	2,820
<b>Growth</b>					
Revenue (%)	7.6	65.2	9.9	12.1	8.3
Operating EBITDA (%)	(2.2)	(33.5)	31.7	6.3	5.3
Operating EBIT (%)	(7.4)	(56.4)	26.3	28.2	13.6
Recurring EPS (%)	(0.6)	(68.8)	107.8	24.5	0.4
Reported EPS (%)	(2.5)	(87.8)	547.9	24.5	0.4
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	14.9	2.7	6.5	7.4	7.6
Gross margin of key business (%)	14.9	2.7	6.5	7.4	7.6
Operating EBITDA margin (%)	29.7	12.0	14.3	13.6	13.2
Operating EBIT margin (%)	17.4	4.6	5.3	6.0	6.3
Net margin (%)	11.9	2.2	4.2	4.7	4.4
Effective tax rate (%)	15.9	82.2	8.0	10.8	10.7
Dividend payout on recurring profit (%)	47.5	121.7	73.2	58.8	58.6
Interest cover (X)	3.7	1.7	2.5	2.8	2.5
Inventory days	44.2	30.9	38.5	36.9	37.5
Debtor days	54.9	49.6	64.1	76.0	89.3
Creditor days	34.7	28.4	35.2	33.7	34.3
Operating ROIC (%)	(2.3)	(1.0)	(7.6)	(9.3)	(18.7)
ROIC (%)	(1.2)	(0.6)	(5.4)	(6.3)	(12.3)
ROE (%)	8.4	2.6	5.5	6.7	6.5
ROA (%)	3.3	0.9	0.5	0.9	(1.5)
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Independent power producer	7,617	43,416	43,146	62,889	82,384
Small power producer	63,182	75,702	88,128	84,858	78,018
Very small power producer	2,851	3,295	3,383	3,357	3,317
Others	1,224	1,272	1,321	1,308	1,289

Sources: Global Power Synergy; FSSIA estimates



## Financial Statements

### Global Power Synergy

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	8,907	2,779	5,776	7,188	7,219
Depreciation	9,232	9,113	12,305	11,515	11,359
Associates & minorities	1,536	1,539	4,474	4,641	4,514
Other non-cash items	1,318	1,318	1,319	1,319	1,320
Change in working capital	(4,686)	(68)	(7,105)	(7,992)	(8,751)
<b>Cash flow from operations</b>	<b>16,307</b>	<b>14,681</b>	<b>16,769</b>	<b>16,672</b>	<b>15,661</b>
Capex - maintenance	(6,208)	(6,237)	(6,761)	(6,802)	(6,946)
Capex - new investment	(11,042)	(12,414)	(3,779)	(1,210)	(766)
Net acquisitions & disposals	(28,951)	(29,145)	0	0	0
Other investments (net)	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(46,201)</b>	<b>(47,797)</b>	<b>(10,540)</b>	<b>(8,012)</b>	<b>(7,712)</b>
Dividends paid	0	0	(4,230)	(4,230)	(4,230)
Equity finance	0	0	0	0	0
Debt finance	(2,683)	7,782	9,543	5,000	5,001
Other financing cash flows	26,081	25,777	(4,709)	(4,655)	(4,644)
<b>Cash flow from financing</b>	<b>23,398</b>	<b>33,559</b>	<b>604</b>	<b>(3,885)</b>	<b>(3,872)</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>(6,496)</b>	<b>444</b>	<b>6,832</b>	<b>4,776</b>	<b>4,077</b>
Free cash flow to firm (FCFF)	(26,034.15)	(28,816.56)	10,794.52	13,517.11	14,271.03
Free cash flow to equity (FCFE)	(6,496.03)	443.56	11,061.97	9,005.24	8,306.78

#### Per share (THB)

FCFF per share	(9.23)	(10.22)	3.83	4.79	5.06
FCFE per share	(2.30)	0.16	3.92	3.19	2.95
Recurring cash flow per share	7.45	5.23	8.47	8.75	8.66

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	165,325	168,236	173,235	176,535	179,835
Less: Accumulated depreciation	(69,744)	(75,589)	(82,350)	(89,153)	(96,099)
<b>Tangible fixed assets (net)</b>	<b>95,581</b>	<b>92,647</b>	<b>90,884</b>	<b>87,382</b>	<b>83,736</b>
<b>Intangible fixed assets (net)</b>	<b>5,116</b>	<b>3,817</b>	<b>3,817</b>	<b>3,817</b>	<b>3,817</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	27,700	44,372	44,372	44,372	44,372
Cash & equivalents	13,793	14,236	21,068	25,844	29,921
A/C receivable	13,441	20,178	27,583	35,884	44,870
Inventories	6,938	11,915	12,296	13,884	15,113
Other current assets	11,318	6,494	7,139	8,002	8,663
<b>Current assets</b>	<b>45,490</b>	<b>52,822</b>	<b>68,086</b>	<b>83,613</b>	<b>98,568</b>
Other assets	96,492	95,152	95,152	95,152	95,152
<b>Total assets</b>	<b>270,379</b>	<b>288,810</b>	<b>302,311</b>	<b>314,337</b>	<b>325,645</b>
Common equity	108,334	104,730	106,276	109,235	112,224
Minorities etc.	9,413	10,370	11,456	12,763	13,955
<b>Total shareholders' equity</b>	<b>117,748</b>	<b>115,100</b>	<b>117,732</b>	<b>121,997</b>	<b>126,178</b>
Long term debt	92,511	97,957	93,957	98,957	103,957
Other long-term liabilities	37,084	43,560	43,560	43,560	43,560
<b>Long-term liabilities</b>	<b>129,595</b>	<b>141,516</b>	<b>137,516</b>	<b>142,516</b>	<b>147,516</b>
A/C payable	6,407	10,887	11,236	12,687	13,810
Short term debt	9,121	11,457	25,000	25,000	25,001
Other current liabilities	7,508	9,849	10,827	12,136	13,139
<b>Current liabilities</b>	<b>23,036</b>	<b>32,193</b>	<b>47,063</b>	<b>49,823</b>	<b>51,950</b>
<b>Total liabilities and shareholders' equity</b>	<b>270,379</b>	<b>288,810</b>	<b>302,311</b>	<b>314,337</b>	<b>325,645</b>
Net working capital	17,782	17,850	24,955	32,947	41,698
Invested capital	242,671	253,838	259,180	263,670	268,775

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

#### Per share (THB)

Book value per share	38.42	37.14	37.69	38.74	39.80
Tangible book value per share	36.61	35.79	36.34	37.39	38.45

#### Financial strength

Net debt/equity (%)	74.6	82.7	83.1	80.4	78.5
Net debt/total assets (%)	32.5	33.0	32.4	31.2	30.4
Current ratio (x)	2.0	1.6	1.4	1.7	1.9
CF interest cover (x)	2.2	4.0	4.3	3.1	2.5

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>21.7</b>	<b>69.5</b>	<b>33.4</b>	<b>26.9</b>	<b>26.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>24.1</b>	<b>77.1</b>	<b>37.1</b>	<b>29.8</b>	<b>29.7</b>
Reported P/E (x)	26.4	216.7	33.4	26.9	26.8
Dividend yield (%)	2.2	1.8	2.2	2.2	2.2
Price/book (x)	1.8	1.8	1.8	1.8	1.7
Price/tangible book (x)	1.9	1.9	1.9	1.8	1.8
EV/EBITDA (x) **	13.1	20.2	15.5	14.7	14.1
EV/EBITDA @ target price (x) **	14.0	21.6	16.6	15.7	15.0
EV/invested capital (x)	1.2	1.2	1.2	1.2	1.1

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

Sources: Global Power Synergy; FSSIA estimates

## Corporate Governance report of Thai listed companies 2022

EXCELLENT LEVEL – Score range 90-100											
AAV	BAM	CIMBT	ECL	HENG	LALIN	NEP	PRG	SCC	SPRC	THRE	TTW
ADVANC	BANPU	CK	EE	HMPRO	LANNA	NER	PRM	SCCC	SPVI	THREL	TU
AF	BAY	CKP	EGCO	ICC	LHFG	NKI	PSH	SCG	SSC	TIPCO	TVDH
AH	BBIK	CM	EPG	ICHI	LIT	NOBLE	PSL	SCGP	SSSC	TISCO	TVI
AIRA	BBL	CNT	ETC	III	LOXLEY	NSI	PTG	SCM	SST	TK	TVO
AJ	BCP	COLOR	ETE	ILINK	LPN	NVD	PTT	SCN	STA	TKN	TWPC
AKP	BCPG	COM7	FN	ILM	LRH	NYT	PTTEP	SDC	STEC	TKS	UAC
AKR	BDM5	COMAN	FNS	IND	LST	OISHI	PTTGC	SEAFCO	STGT	TKT	UBIS
ALLA	BEM	COTTO	FPI	INTUCH	MACO	OR	PYLON	SEAOIL	STI	TMILL	UPOIC
ALT	BEYOND	CPALL	FPT	IP	MAJOR	ORI	Q-CON	SE-ED	SUN	TMT	UV
AMA	BGC	CPF	FSMART	IRC	MAKRO	OSP	QH	SELIC	SUSCO	TNDT	VCOM
AMARIN	BGRIM	CPI	FVC	IRPC	MALEE	OTO	QTC	SENA	SUTHA	TNITY	VGI
AMATA	BIZ	CPN	GC	ITEL	MBK	PAP	RABBIT	SENAJ	SUTHA	TOA	VIH
AMATAV	BKI	CRC	GEL	IVL	MC	PCSGH	RATCH	SGF	SYMC	TOP	WACOAL
ANAN	BOL	CSS	GFPT	JTS	MCOT	PDG	RBF	SHR	SYNTEC	TPBI	WAVE
AOT	BPP	DDD	GGC	JWD	METCO	PDJ	RS	SICT	TACC	TQM	WHA
AP	BRR	DELTA	GLAND	K	MFEC	PG	S	SIRI	TASCO	TRC	WHAUP
APURE	BTS	DEMCO	GLOBAL	KBANK	MINT	PHOL	S&J	SIS	TCAP	TRUE	WICE
ARIP	BTW	DOHOME	GPI	KCE	MONO	PLANB	SAM	SITHAI	TEAMG	TSC	WINNER
ASP	BWG	DRT	GPSC	KEX	MOONG	PLANET	SABINA	SMPC	TFMAMA	TSR	XPG
ASW	CENDEL	DTAC	GRAMMY	KGI	MSC	PLAT	SAMART	SNC	THANA	TSTE	ZEN
AUCT	CFRESH	DUSIT	GULF	KKP	MST	PORT	SAMTEL	SONIC	THANI	TSTH	
AWC	CGH	EA	GUNKUL	KSL	MTC	PPS	SAT	SORKON	THCOM	TTA	
AYUD	CHEWA	EASTW	HANA	KTB	MVP	PR9	SC	SPALI	TTB	THG	
BAFS	CHO	ECF	HARN	KTC	NCL	PREB	SCB	SPI	THIP	TTCL	

VERY GOOD LEVEL – Score range 80-89											
2S	ASIMAR	CHOTI	ESSO	INSURE	LH	NRF	PROEN	SCI	SR	TMC	UMI
7UP	ASK	CHOW	ESTAR	IRCP	LHK	NTV	PROS	SCP	SRICHA	TMD	UOBKH
ABM	ASN	CI	FE	IT	M	NUSA	PROUD	SE	SSF	TMI	UP
ACE	ATP30	CIG	FLOYD	ITD	MATCH	NWR	PSG	SECURE	SSP	TNL	UPF
ACG	B	CITY	FORTH	J	MBAX	OCC	PSTC	SFLEX	STANLY	TNP	UTP
ADB	BA	CIVIL	FSS	JAS	MEGA	OGC	PT	SFP	STC	TNR	VIBHA
ADD	BC	CMC	FTE	JCK	META	ONEE	PTC	SFT	STPI	TOG	VL
AEONTS	BCH	CPL	GBX	JCKH	MFC	PACO	QLT	SGP	SUC	TPA	VPO
AGE	BE8	CPW	GCAP	JMT	MGT	PATO	RCL	SIAM	SVOA	TPAC	VRANDA
AHC	BEC	CRANE	GENCO	JR	MICRO	PB	RICHY	SINGER	SVT	TPCS	WGE
AIE	BH	CRD	GJS	KBS	MILL	PICO	RJH	SKE	SWC	TPIPL	WIK
AIT	BIG	CSC	GTB	KCAR	MITSIB	PIMO	ROJNA	SKN	SYNEX	TPIPP	WIN
ALUCON	BJC	CSP	GYT	KGEN	MK	PIN	RPC	SKR	TAE	TPLAS	WINMED
AMANAH	BJCHI	CV	HEMP	KIAT	MODERN	PJW	RT	SKY	TAKUNI	TPS	WORK
AMR	BLA	CWT	HPT	KISS	MTI	PL	RWI	SLP	TCC	TQR	WP
APCO	BR	DCC	HTC	KK	NATION	PLE	S11	SMART	TCMC	TRITN	XO
APCS	BRI	DHOUSE	HUMAN	KOOL	NCAP	PM	SA	SMD	TFG	TRT	YUASA
AQUA	BROOK	DITTO	HYDRO	KTIS	NCH	PMTA	SABUY	SMT	TFI	TRU	ZIGA
ARIN	BSM	DMT	ICN	KUMWEL	NDR	PPP	SAK	SMT	TFM	TRV	
ARROW	BYD	DOD	IFS	KUN	NETBAY	PPPM	SALEE	SNNP	TGH	TSE	
AS	CBG	DPAINT	IIG	KWC	NEX	PRAPAT	SAMCO	SNP	TIDLOR	TVT	
ASAP	CEN	DV8	IMH	KWM	NINE	PRECHA	SANKO	SO	TIGER	TWP	
ASEFA	CHARAN	EASON	INET	L&E	NNCL	PRIME	SAPPE	SPA	TIPH	UBE	
ASIA	CHAYO	EFORL	INGRS	LDC	NOVA	PRIN	SAWAD	SPC	TITLE	UEC	
ASIAN	CHG	ERW	INSET	LEO	NPK	PRINC	SCAP	SPCG	TM	UKEM	

GOOD LEVEL – Score range 70-79											
A	BEAUTY	CMAN	EMC	HL	KWI	MORE	PF	RSP	SUPER	TOPP	VARO
A5	BGT	CMO	EP	HTECH	KYE	MPIC	PK	SIMAT	TC	TPCH	W
AI	BLAND	CMR	EVER	IHL	LEE	MUD	PPM	SISB	TCCC	TPOLY	WFX
ALL	BM	CPANEL	F&D	INOX	LPH	NC	PRAKIT	SK	TCJ	TRUBB	WPH
ALPHAX	BROCK	CPT	FMT	JAK	MATI	NEWS	PTECH	SOLAR	TEAM	TTI	YGG
AMC	BSBM	CSR	GIFT	JMART	M-CHAI	NFC	PTL	SPACK	THE	TYCN	
APP	BTNC	CTW	GLOCON	JSP	MCS	NSL	RAM	SPG	THMUI	UMS	
AQ	CAZ	D	GLORY	JUBILE	MDX	NV	ROCK	SQ	TKC	UNIQ	
AU	CCP	DCON	GREEN	KASET	MENA	PAF	RP	STARK	TNH	UPA	
B52	CGD	EKH	GSC	KCM	MJD	PEACE	RPH	STECH	TNPC	UREKA	

**Disclaimer:**

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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

Sources: Thai Institute of Directors Association (IOD); FSSIA's compilation; data as of 26 October 2021

## Anti-corruption Progress Indicator

CERTIFIED										
2S	BCPG	CPI	GCAP	JR	MCOT	PHOL	RABBIT	SNC	THANI	TTCL
7UP	BE8	CPL	GEL	K	META	PK	RATCH	SNP	THCOM	TU
ADVANC	BEC	CPN	GFPT	KASET	MFC	PL	RML	SORKON	THIP	TVDH
AF	BEYOND	CRC	GGC	KBANK	MFEC	PLANB	RWI	SPACK	THRE	TVI
AI	BGC	CSC	GJS	KBS	MILL	PLANET	S&J	SPALI	THREL	TVO
AIE	BGRIM	DCC	GPI	KCAR	MINT	PLAT	SAAM	SPC	TIDLOR	TWPC
AIRA	BKI	DELTA	GPSC	KCE	MONO	PM	SABINA	SPI	TIPCO	UBE
AJ	BLA	DEMCO	GSTEEL	KGEN	MOONG	PPP	SAPPE	SPRC	TISCO	UBIS
AKP	BPP	DIMET	GULF	KGI	MSC	PPPM	SAT	SRICHA	TKS	UEC
AMA	BROOK	DRT	GUNKUL	KKP	MST	PPS	SC	SSF	TKT	UKEM
AMANAHA	BRR	DTAC	HANA	KSL	MTC	PR9	SCB	SSP	TMILL	UOBKH
AMATA	BSBM	DUSIT	HARN	KTB	MTI	PREB	SCC	SSSC	TMT	UPF
AMATAV	BTS	EA	HEMP	KTC	NEP	PRG	SCCC	SST	TNITY	UV
AP	BWG	EASTW	HENG	KWI	NINE	PRINC	SCG	STA	TNL	VGI
APCS	CEN	EGCO	HMPRO	L&E	NKI	PRM	SCGP	STGT	TNP	VIH
AS	CENTEL	EP	HTC	LANNA	NOBLE	PROS	SCM	STOWER	TNR	WACOAL
ASIAN	CFRESH	EPG	ICC	LH	NOK	PSH	SCN	SUSCO	TOG	WHA
ASK	CGH	ERW	ICHI	LHFG	NSI	PSL	SEAOIL	SVI	TOP	WHAUP
ASP	CHEWA	ESTAR	IFS	LHK	NWR	PSTC	SE-ED	SYMC	TOPP	WICE
AWC	CHOTI	ETE	III	LPN	OCC	PT	SELIC	SYNTEC	TPA	WIIK
AYUD	CHOW	FE	ILINK	LRH	OGC	PTG	SENA	TAE	TPCS	XO
B	CIG	FNS	INET	M	ORI	PTT	SGP	TAKUNI	TPP	YUASA
BAFS	CIMBT	FPI	INSURE	MAJOR	PAP	PTTEP	SINGER	TASCO	TRU	ZEN
BAM	CM	FPT	INTUCH	MAKRO	PATO	PTTGC	SIRI	TCAP	TRUE	ZIGA
BANPU	CMC	FSMART	IRC	MALEE	PB	PYLON	SITHAI	TCMC	TSC	
BAY	COM7	FSS	IRPC	MATCH	PCSGH	Q-CON	SKR	TFG	TSTE	
BBL	COTTO	FTE	ITEL	MBAX	PDG	QH	SMIT	TFI	TSTH	
BCH	CPALL	GBX	IVL	MBK	PDJ	QLT	SMK	TFMAMA	TTA	
BCP	CPF	GC	JKN	MC	PG	QTC	SMPC	TGH	TTB	
DECLARED										
AH	CHG	DHOUSE	EVER	J	KUMWEL	NRF	RS	SUPER	TQM	VIBHA
ALT	CI	DOHOME	FLOYD	JMART	LDC	NUSA	SAK	SVT	TRT	W
APCO	CPR	ECF	GLOBAL	JMT	MEGA	OR	SIS	TKN	TSI	WIN
ASW	CPW	EKH	ILM	JTS	NCAP	PIMO	SSS	TMD	VARO	
B52	DDD	ETC	INOX	KEX	NOVA	PLE	STECH	TMI	VCOM	

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 26 October 2021) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Siriluck Pinthusoonthorn FSS International Investment Advisory Securities Co., Ltd

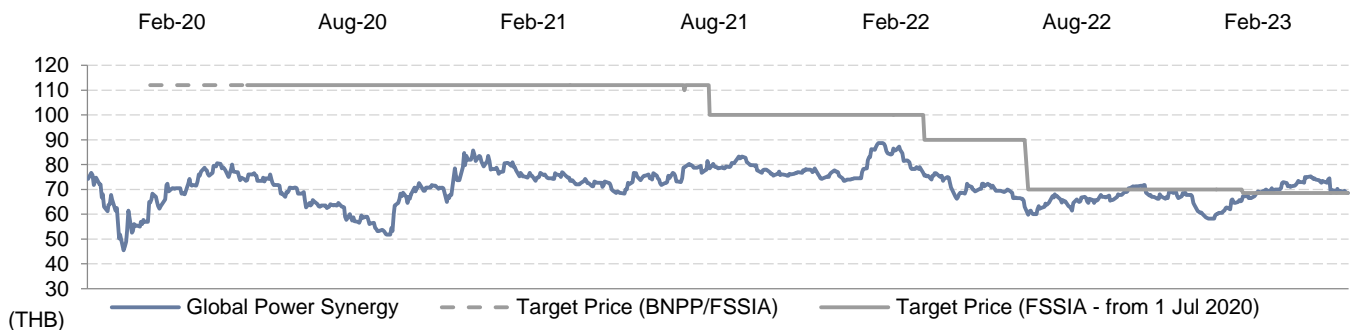
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### History of change in investment rating and/or target price

#### Global Power Synergy (GPSC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Apr-2020	BUY	112.00	05-Aug-2021	BUY	100.00	10-Nov-2022	HOLD	68.50
14-Jul-2021	BUY	110.00	07-Feb-2022	BUY	90.00			
15-Jul-2021	BUY	112.00	06-May-2022	HOLD	70.00			

Siriluck Pinthusoonthorn started covering this stock from 10-Nov-2022

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Global Power Synergy	GPSC TB	THB 68.50	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.

Source: FSSIA estimates

### Additional Disclosures

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

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 10-Feb-2023 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.