

## SERMSANG POWER CORP

## SSP TB

THAILAND / UTILITIES

BUY

UNCHANGED

## แสงสว่างที่ปลายอุโมงค์

- เราเชื่อว่าราคาหุ้นของ SSP ได้ปรับตัวลดลงไปแล้วจากความกังวลเกี่ยวกับกำไรต่อหุ้น (EPS) ที่อาจลดลงและการเติบโตของกำลังการผลิตที่มีจำกัด
- เราคาดว่า SSP จะได้กำลังการผลิตใหม่จำนวน 0.2-0.3GW จากการประมูลพลังงานหมุนเวียนที่จะประกาศในเร็ววันในประเทศไทย
- คงแนะนำซื้อที่ราคาเป้าหมาย 10.8 บาท (SoTP)

TARGET PRICE	THB10.80
CLOSE	THB9.45
UP/DOWNSIDE	+14.3%
PRIOR TP	THB10.80
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-16.0%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	3,483	3,902	4,394	3,901
Net profit	1,302	1,168	1,396	1,182
EPS (THB)	1.05	0.88	1.02	0.86
vs Consensus (%)	-	(10.2)	(16.4)	(3.4)
EBITDA	2,449	2,915	3,221	2,949
Core net profit	1,025	1,168	1,396	1,182
Core EPS (THB)	0.82	0.85	1.02	0.86
Chg. In EPS est. (%)	nm	(17.8)	(19.9)	nm
EPS growth (%)	(0.6)	3.2	19.5	(15.3)
Core P/E (x)	11.5	11.1	9.3	11.0
Dividend yield (%)	2.8	1.8	2.2	1.8
EV/EBITDA (x)	8.6	7.2	6.1	6.3
Price/book (x)	1.5	1.5	1.3	1.2
Net debt/Equity (%)	106.9	79.1	56.2	42.3
ROE (%)	15.0	14.0	14.8	11.3

## การเติบโตใหม่จะช่วยขจัดความกังวลเกี่ยวกับ EPS ที่อาจลดลง

เราเชื่อว่าเหตุผลสำคัญที่ทำให้ราคาหุ้นของ SSP ปรับตัวลดลงแรงไปเมื่อไม่นานมานี้เกิดจากความกังวลของนักลงทุนเกี่ยวกับผลกระทบเชิงลบที่อาจเกิดขึ้นจาก EPS ที่ลดลงและกำลังการผลิตที่โตจำกัด สมมติฐานของเราส่วนหนึ่งเป็นผล 9% ที่บริษัท จะจ่ายในปี 2023 การใช้สิทธิ์แปลงใบสำคัญแสดงสิทธิ์ SSP-W2 เป็นหุ้น SSP เพิ่มจำนวนที่จะเกิดขึ้นในปี 2025 และกำไรสุทธิที่จะลดลงจากการสิ้นสุดของค่า adder จำนวน 6.5 บาท/kWh ของโรงไฟฟ้าพลังแสงอาทิตย์ขนาด 52MW ในประเทศไทยในปี 2025 เมื่อพิจารณาจากสมมติฐานดังกล่าว เราคาดว่า EPS จะเพิ่มจาก 0.88 บาทในปี 2023 เป็น 1.02 บาทในปี 2024 แต่ลดลงเหลือ 0.86 บาทในปี 2025 อย่างไรก็ตาม เราคิดว่าความกังวลดังกล่าวจะได้รับการดูแลและแก้ไขได้ทั้งหมดในช่วงปี 2023-24 เมื่อเราคาดว่า SSP จะได้กำลังการผลิตใหม่ขนาด 0.2-0.3GW จากการประมูลพลังงานหมุนเวียนที่จะประกาศในเร็ววันในประเทศไทยพร้อมกำลังการผลิตใหม่อีก 0.2-0.3GW จากแผนพัฒนากำลังผลิตไฟฟ้าฉบับที่ 8 (PDP8) ของเวียดนาม

## กำไรปกติน่าจะดีต่อเนื่อง

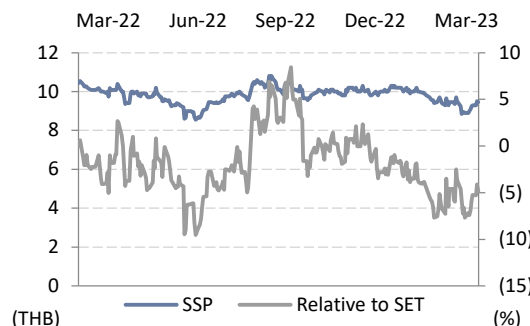
เราคาดว่ากำไรปกติรายปีจะดีต่อเนื่องในช่วงปี 2023-24 โดยได้ปัจจัยหนุนจาก 1) ส่วนแบ่งเพิ่มจากหุ้น 25% ในโรงไฟฟ้าพลังแสงอาทิตย์ Windchai (ซื้อเข้ามาในเดือน มี.ค. 22); และ 2) ส่วนแบ่งจากโรงไฟฟ้าพลังแสงอาทิตย์ Leo2 ขนาด 17MW ในญี่ปุ่นซึ่งเราคาดว่าจะเริ่มดำเนินงานเชิงพาณิชย์ (COD) ใน 4Q24 นอกจากนี้ SSP ยังมีแนวโน้มที่จะได้กำลังการผลิตเพิ่มจากโรงไฟฟ้าพลังลมและแสงอาทิตย์จากการประมูลโครงการพลังงานหมุนเวียนขนาด 5.2GW และ 3.6GW ในประเทศไทยพร้อมกับโครงการผลิตไฟฟ้าพลังลมและ LNG ที่อยู่ภายใต้ PDP8 ฉบับใหม่ของเวียดนาม

## ดอกเบี้ยจ่ายที่สูงขึ้นจุดกำไร 4Q22

SSP รายงานกำไรปกติ 4Q22 อยู่ที่ 180 ลบ. ลดลง 29% q-q แต่เพิ่มขึ้น 1% y-y ต่ำกว่าที่เราคาดว่าจะ 22% และตลาดคาด 19% ส่วนมากจากการรับรู้ค่าใช้จ่ายดอกเบี้ยจำนวน 60 ลบ. จาก TTTV และต้นทุนพิเศษจากการปรับโครงสร้างข้อตกลงทางการเงินจำนวน 16 ลบ. ของโครงการ SPN เมื่อรวมกับผลขาดทุนอัตราแลกเปลี่ยน 25 ลบ. และค่าตัดจำหน่าย 15 ลบ. จาก Windchai กำไรสุทธิ 4Q22 ลดลงเหลือ 140 ลบ. (-47% q-q, -6% y-y) จากกำไรโรงไฟฟ้าพลังแสงอาทิตย์ที่ลดลงแม้ว่า Leo 1 (20MW) จะดำเนินงานเต็มไตรมาส

## คงแนะนำซื้อที่ราคาเป้าหมาย 10.8 บาท (SoTP)

เราคงแนะนำซื้อที่ราคาเป้าหมาย 10.8 บาท (SoTP) ราคาดังกล่าวยังไม่ได้รวมผลกระทบจำนวน 9% จากหุ้นปันผลจำนวน 124.89 ล้านหุ้นและ SSP-W2 เราคิดว่าราคาหุ้นของ SSP และระดับการประเมินมูลค่าน่าจะปรับขึ้นเป็น 12-15x ของค่า forward P/E โดยมีปัจจัยสนับสนุนจากการเติบโตของกำไรที่แน่นอนและอยู่ในเกณฑ์สูง พอร์ตสินทรัพย์ที่มีการกระจายความเสี่ยงเพิ่มขึ้นและผลตอบแทนต่อส่วนผู้ถือหุ้น (ROE) ที่จะปรับตัวดีขึ้นในช่วงปี 2023-25



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.1)	(5.0)	(10.4)
Relative to country (%)	(1.4)	(1.6)	(5.5)
Mkt cap (USD m)	345		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	30		
Major shareholder	Kraipisitkul Family (19%)		
12m high/low (THB)	10.90/8.45		
Issued shares (m)	1,373.83		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 30 มีนาคม 2023

## Investment thesis

Founded in 2010, Sernsang 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 project an earnings CAGR of 25.5% over 2020-23, driven by the commencement of several new overseas growth projects. We expect SSP's earnings growth to accelerate in the medium to long term, post start-up of its solar farms in Japan and wind farms in Vietnam in 2021-24. SSP has set up subsidiaries to explore solar rooftop opportunities and other business opportunities in Thailand, Japan, and Mongolia.

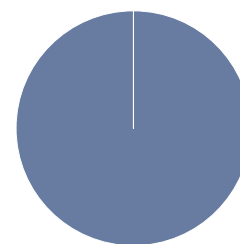
## Company profile

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

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

## Principal activities (revenue, 2022)

■ Electricity sales - 100.0 %

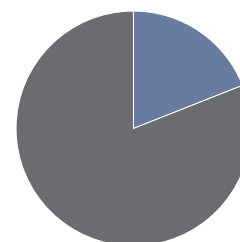


Source: Sernsang Power Corp

## Major shareholders

■ Kraipisitkul Family - 19.0 %

■ Others - 81.0 %



Source: Sernsang 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 2023	1Q23 results announcement

## Key assumptions

	2023E	2024E	2025E
Average utilisation rate - solar TH (%)	28	28	28
Average utilisation rate - solar JP (%)	20	20	20
Average utilisation rate - solar MO (%)	22	22	25
Average utilisation rate - solar VN (%)	20	20	25
Average utilisation rate - wind TH(%)	22	22	25
Average utilisation rate - wind VN(%)	30	30	36
Average utilisation rate - biomass TH (%)	72	72	72
Electricity tariff (THB/kWh)	4.74	4.50	4.41

Source: FSSIA estimates

## Earnings sensitivity

- Ceteris paribus, for every 1% increase in the electricity tariff, we estimate 2023 earnings would increase 0.6%, and vice versa.
- Ceteris paribus, for every 1% increase in interest rate, we estimate 2023 earnings would decline 0.5%, and vice versa.

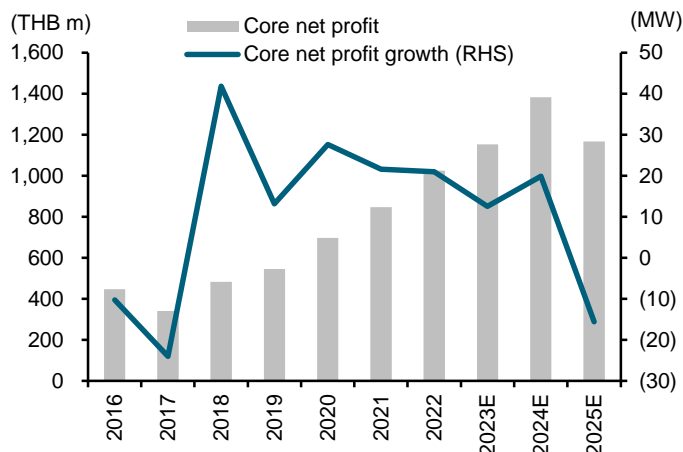
Source: FSSIA estimates



## Just a hiccup in 4Q22

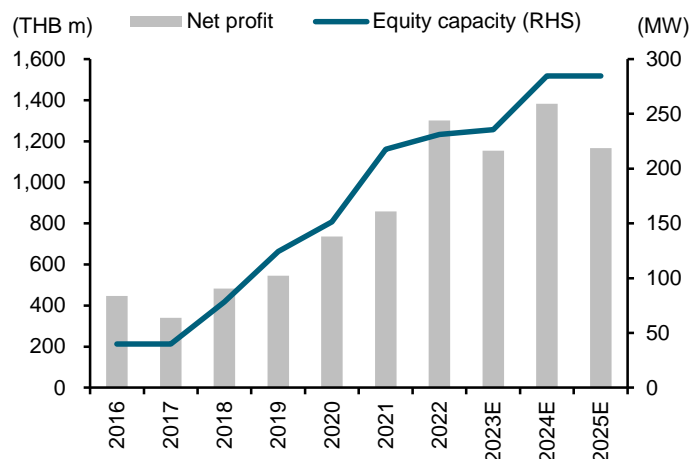
Looking forward to 1Q23, we expect a q-q stronger net profit, driven by 1) q-q higher expected earnings due to seasonally higher earnings from both solar and wind farms; 2) the higher electricity tariff for solar farms in Thailand; and 3) a lower financing cost by THB16m due to the absence of the one-time cost of restructuring the financial agreement for the Sermsang Palang Ngan (SPN) project.

Exhibit 1: Core net profit vs core net profit growth



Sources: SSP; FSSIA estimates

Exhibit 2: Net profit vs equity capacity

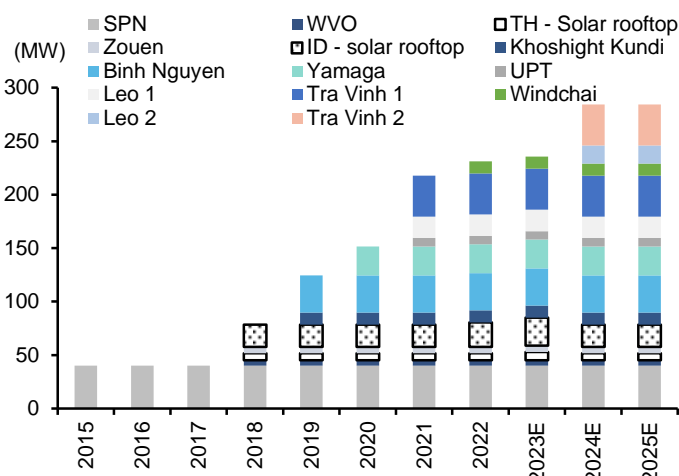


Sources: SSP; FSSIA estimates

We expect SSP's earnings to grow in 2023, driven by the electricity tariff hike to THB4.74/kWh expected in 2023 from THB4.18/kWh in 2022 and the full-year contribution from its 25% stake in the Windchai wind farm (acquired Mar-22). We estimate that the EBITDA margin will improve to 72% in 2023 from 70% in 2022.

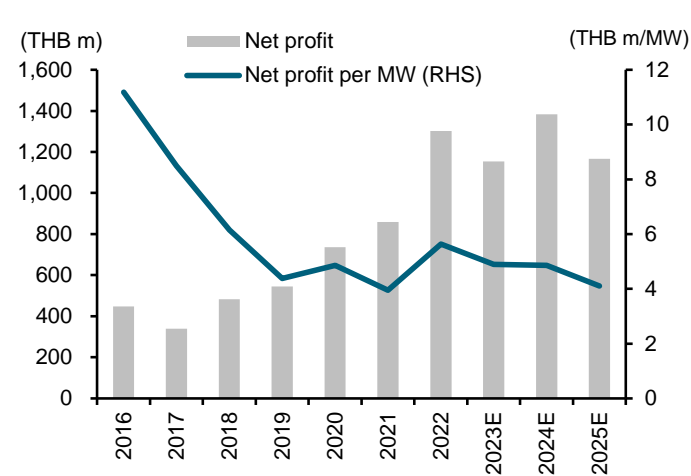
SSP, as one of Thailand's leading renewable plays, should secure more capacity growth from both greenfield and brownfield investments in 2023 onward. We think SSP stands a good chance of securing 0.2-0.3GW of new capacity from the two upcoming renewable energy tenders in Thailand, along with additional capacity from the new Power Development Plan 8 (PDP8) by the Vietnamese government. In addition, SSP also sees growth opportunities overseas, such as solar farms in Taiwan, wind farms in the Philippines and solar rooftops in Indonesia, according to management.

Exhibit 3: Equity capacity growth



Sources: SSP; FSSIA estimates

Exhibit 4: Net profit vs net profit per MW



Sources: SSP; FSSIA estimates

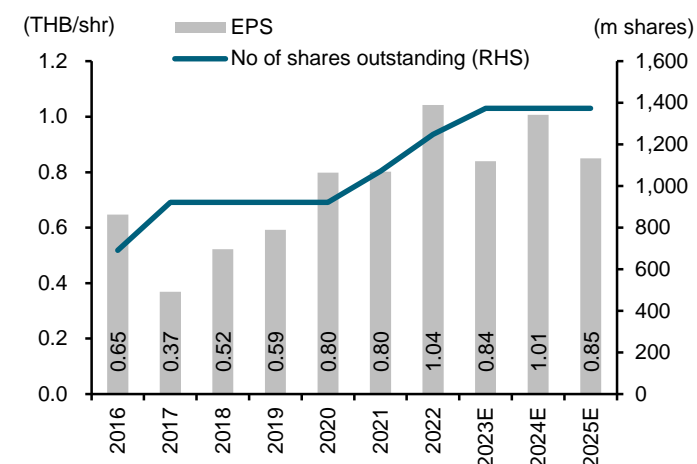
## Growth is on its way

We believe the main reasons for SSP's recent share price plunge are due to investors' concerns about the potentially negative impacts of EPS dilution and limited capacity growth.

On 28 February 2023, SSP announced a stock dividend of 124.89m shares at a THB1 par value for 10 existing shares to one new dividend share (10:1), implying a THB0.1/share dividend value. We think SSP's near-term EPS outlook remains relatively weak, based on EPS dilution of 9% in May 2023.

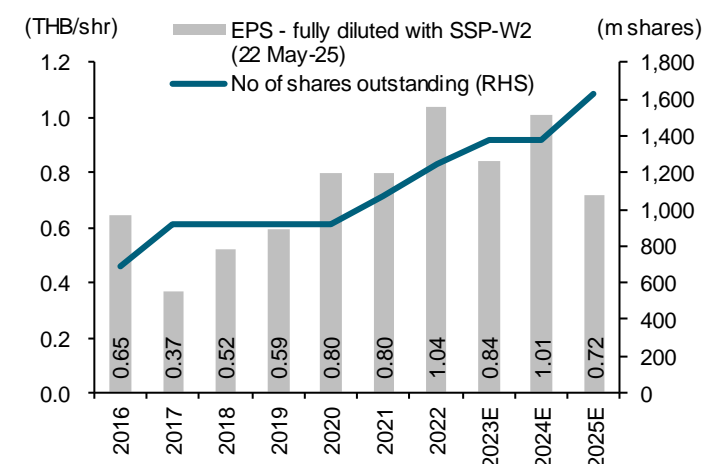
Moreover, SSP has an existing SSP Warrant 2 (SSP-W2) – 253.55m warrants at a 4:1 ratio with an issuance date on 22 June 2021, an expiration date on 22 May 2025 and an exercise price of THB18-24. This is on top of the net profit decline from the expiration of the THB6.5/kWh adder for its 52MW solar farm in Thailand in 2025.

**Exhibit 5: EPS vs number of shares outstanding**



Sources: SSP; FSSIA estimates

**Exhibit 6: Fully diluted EPS in 2025 vs number of shares outstanding**



Sources: SSP; FSSIA estimates

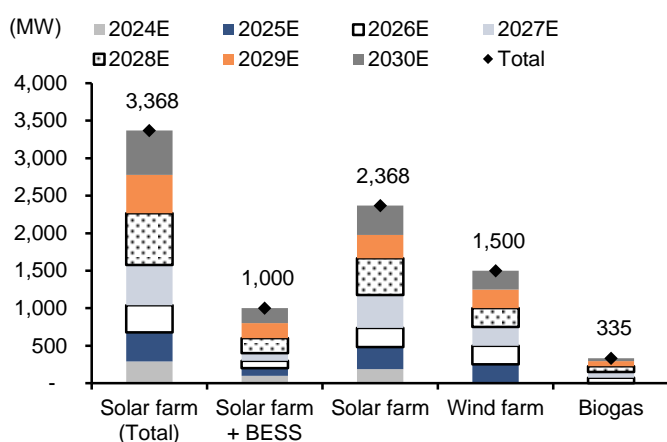
We estimate that SSP's EPS – under our assumption that a 9% stock dividend will be paid in 2023 and all SSP-W2 warrants will be fully exercised into SSP shares in 2025 – will grow from THB0.88 in 2023 to THB1.02 in 2024, but drop to THB0.86 in 2025. However, we think these concerns will be fully addressed and resolved during 2023-24, when we project SSP's new committed growth projects to come on stream, gradually contributing earnings to SSP and reducing the EPS dilution in 2023-25.

## Upside from Thailand's renewable energy bidding

On 6 May 2022, the Energy Policy and Planning Office (EPPO), under Power Development Plan 2018 Revision 1 (PDP2018 Rev1), approved the plan to open a new round of bidding for 5,203MW of additional renewable power capacity, with commercial operation dates (COD) scheduled from 2022-30. This includes 2,368MW of capacity in solar farms, 1,000MW in hybrid solar farms and battery energy storage systems (solar+BESS), 1,500MW in wind farms, and 335MW in biogas (wastewater). The final winners of the bidding should be announced on 5 April 2023. In this round of bidding, the feed-in tariff (FiT) structure will be the lowest ever for renewable energy projects in Thailand, at THB2.07/kWh for biogas, THB3.1/kWh for wind farms, THB2.17/kWh for solar farms, and THB2.83/kWh for solar+BESS.

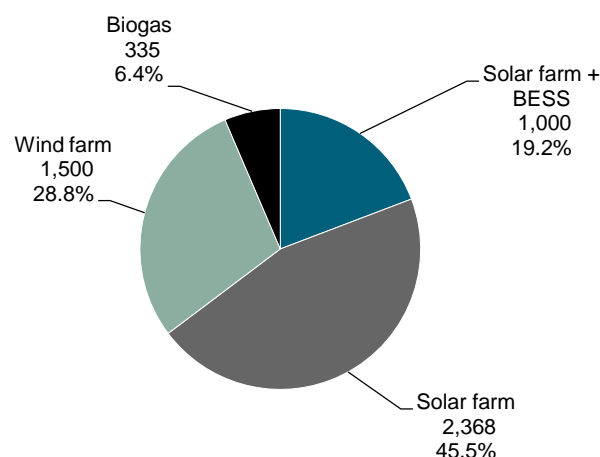
On 9 March 2023, the EPPO, under PDP2018 Rev1, approved the plan to open another round of bidding for new renewable power projects, with 3,632MW of capacity up for grabs. This includes 2,632MW of capacity in solar farms, and 1,000MW in wind farms.

**Exhibit 7: 5.2GW of new renewable capacity up for bidding by type**



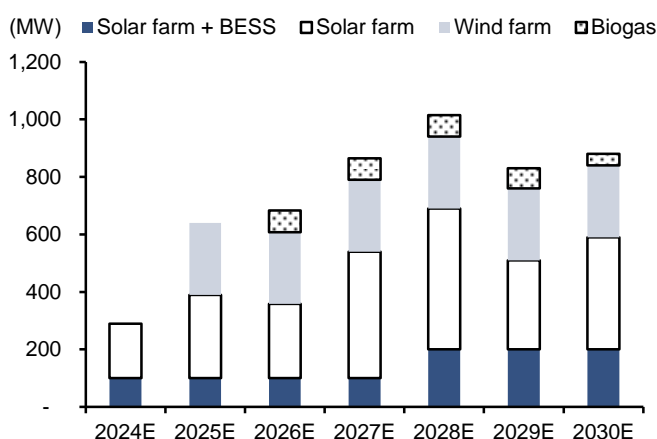
Source: Energy Regulatory Commission (ERC)

**Exhibit 8: Breakdown of 5,203MW to COD in 2024-30**



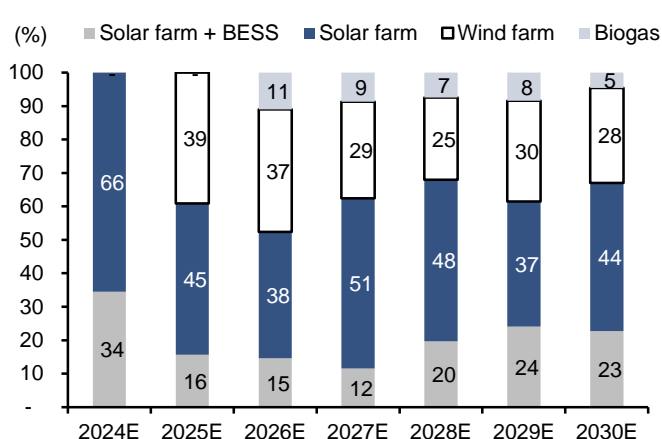
Source: ERC

**Exhibit 9: 5.2GW of renewable capacity by COD year**



Source: ERC

**Exhibit 10: 5.2GW of renewable capacity by COD year (%)**



Source: ERC

## Upside from Vietnam's PDP8

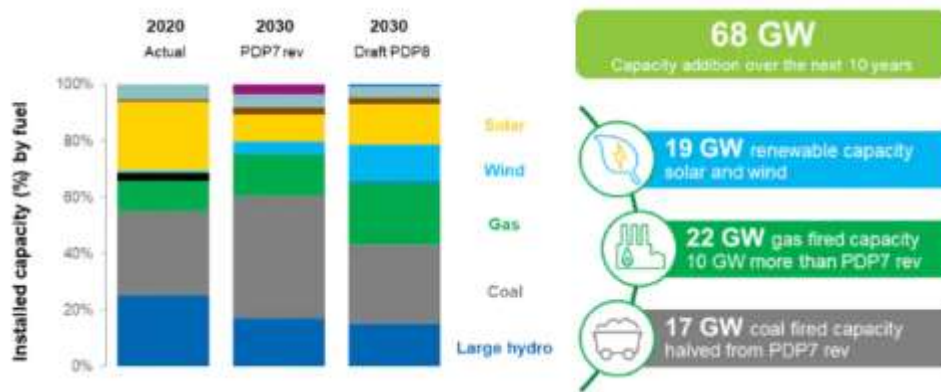
SSP's management is highly optimistic about the potential for capacity growth in Vietnam, given SSP's experience and the current operations of its 48MW wind farm in that country. We believe SSP is likely to secure new capacity growth of up to 0.2-0.3GW in Vietnam given its high state of preparedness for new wind farm developments and capital availability for its proposed LNG-to-power JV power plant.

**Background.** Vietnam's government Standing Committee on Electricity Development Planning, chaired by Prime Minister Pham Minh Chinh, recently issued Notice 277/TB-VPCP (Notice 277) providing an update on the issues impacting the drafting and finalisation of PDP8.

The announcement of Vietnam's PDP8 has already been delayed by over a year after a new prime minister was appointed, and amid the highly volatile energy prices that followed Russia's invasion of Ukraine.

According to Vietnam's Institute for Energy Economics and Financial Analysis (IEEFA), the current draft of PDP8, approved on 22 February 2021, is the third version of the draft. It incorporates the impact of Covid-19 driving down power demand in 2020 and slower economic growth expected through 2030, with up to 68GW of capacity to be added from 2020-30. Of the total 68GW in planned new capacity, 19GW will be renewable, 22GW will be gas-fired – 10GW more than in PDP7 – and 17GW will be coal-fired capacity, which is 50% lower than in PDP7.

### Exhibit 11: Vietnam's draft PDP8



Source: IEEFA



## Recap: 4Q22 results review

SSP's 4Q22 core net profit was THB180m, down 29% q-q but up 1% y-y due mainly to a THB60m recognition of interest expenses from Truong Thanh Tra Vinh Wind Power Joint Stock Company (TTTV) and a THB16m one-time cost of restructuring the financial agreement for the SPN project. Including an FX loss of THB25m and THB15m in amortisation from Windchai, 4Q22 net profit fell to THB140m, down 47% q-q and 6% y-y due to weaker solar earnings, despite the full-quarter operation of Leo 1 (20MW).

- 4Q22 revenue from solar farms dropped to THB465m (-13% q-q), and revenue from solar rooftops fell to a net loss of THB1m on seasonality.
- Revenue from wind in 4Q22 rose to THB129m, up 27% q-q due to the 25% stake in Windchai (acquired Mar-22) and an 87% stake in the TTTV wind farm in Vietnam (COD Oct-21).
- Revenue from biomass power plants dipped to THB75m in 4Q22, down 7% q-q due to lower utilisation.
- SSP's 4Q22 financing costs were THB195m (+65%q-q) due to the recognition of interest expenses from TTTV and the cost of restructuring the financial agreement for the SPN project.

## Exhibit 12: 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>728</b>	<b>740</b>	<b>698</b>	<b>(5.7)</b>	<b>(4.2)</b>	<b>2,603</b>	<b>3,483</b>	<b>33.8</b>
Operating costs	(196)	(150)	(116)	(22.6)	(40.8)	(609)	(1,034)	69.9
<b>EBITDA</b>	<b>533</b>	<b>590</b>	<b>582</b>	<b>(1.4)</b>	<b>9.3</b>	<b>1,994</b>	<b>2,449</b>	<b>22.8</b>
EBITDA margin (%)	73.1	79.7	83.4	nm	nm	76.6	70.3	nm
Depn & amort.	(230)	(226)	(214)	(5.4)	(7.0)	(751)	(920)	22.5
<b>EBIT</b>	<b>303</b>	<b>364</b>	<b>368</b>	<b>1.2</b>	<b>21.6</b>	<b>1,243</b>	<b>1,529</b>	<b>23.0</b>
Interest expense	(105)	(118)	(195)	64.9	85.8	(356)	(561)	57.7
Interest & invt inc	(0)	3	3	10.8	nm	3	12	354.0
Other income	(4)	64	(62)	nm	1,585.0	(16)	37	(331.6)
Associates' contrib	-	(6)	74	nm	nm	-	86	-
Exceptional	(19)	(14)	(46)	nm	147.6	91	277	205.4
<b>Pre-tax profit</b>	<b>175</b>	<b>293</b>	<b>143</b>	<b>(51.1)</b>	<b>(18.3)</b>	<b>965</b>	<b>1,381</b>	<b>43.1</b>
Tax	(17)	(18)	(19)	5.7	15.6	(65)	(40)	(38.6)
Tax rate (%)	9.6	6.3	13.6	nm	nm	6.8	2.9	nm
Minority interests	(9)	(11)	16	nm	nm	(40)	(39)	(4.1)
<b>Net profit</b>	<b>149</b>	<b>264</b>	<b>140</b>	<b>(46.9)</b>	<b>(6.0)</b>	<b>859</b>	<b>1,302</b>	<b>51.5</b>
Non-recurring	(30)	9	(40)	nm	35.1	12	277	2,208.3
<b>Core net profit</b>	<b>179</b>	<b>255</b>	<b>180</b>	<b>(29.3)</b>	<b>0.8</b>	<b>847</b>	<b>1,025</b>	<b>21.0</b>
EPS (THB)	0.16	0.29	0.15	(46.9)	(6.0)	0.84	1.04	30.0
Core EPS (THB)	0.19	0.28	0.20	(29.3)	0.8	0.83	0.82	(1.2)

Sources: SSP; FSSIA estimates

## Exhibit 13: 4Q22/2022 key performance

	4Q21	3Q22	4Q22	Change		2021	2022	Change
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(THB m)	(y-y %)
<b>Sales revenue from electricity</b>	<b>710.8</b>	<b>739.1</b>	<b>667.7</b>	<b>(9.7)</b>	<b>(6.1)</b>	<b>2,579.1</b>	<b>3,086.6</b>	<b>19.7</b>
Solar	512.9	534.5	464.9	(13.0)	(9.4)	2,110.0	2,194.4	4.0
Wind	117.7	101.5	129.0	27.1	9.6	117.7	508.2	331.8
Biomass	76.0	80.4	74.5	(7.3)	(2.0)	304.0	302.8	(0.4)
Solar rooftop	4.2	22.7	(0.6)	nm	nm	47.4	81.3	71.5
<b>Net profit distribution to SSP shareholders</b>	<b>149.0</b>	<b>230.9</b>	<b>140.1</b>	<b>(39.3)</b>	<b>(6.0)</b>	<b>859.0</b>	<b>1,310.6</b>	<b>52.6</b>
Unrealised FX (gain)/loss	20.9	(10.6)	25.0	nm	19.6	(21.0)	3.8	nm
Gain/(loss) from disposal	0.0	0.0	0.0	nm	nm	0.0	(348.4)	nm
Unrealised impairment provision	0.0	0.0	0.0	nm	nm	0.0	(8.5)	nm
Restructure financial agreement	0.0	7.6	0.0	nm	nm	0.0	7.6	nm
Others	8.7	(6.1)	15.1	nm	73.6	8.7	26.6	205.9
<b>Core operating profit</b>	<b>178.7</b>	<b>254.7</b>	<b>180.1</b>	<b>(29.3)</b>	<b>0.8</b>	<b>846.7</b>	<b>1,024.3</b>	<b>21.0</b>



Sources: SSP; FSSIA estimates

## Maintain BUY and our target price at THB10.8

We revise our 2023-24E EPS by -18%/-20% to reflect our earnings revisions to incorporate the 1) higher-than-expected interest rate; 2) higher electricity tariff; and 3) EPS dilution impact from the increase in the number of shares outstanding.

### Exhibit 14: Key assumptions and EPS revisions

	Current			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)
Revenue	3,902	4,394	3,901	3,847	4,340	3,901	1.4	1.2	0.0
Gross profit	3,278	3,630	3,311	3,300	3,661	3,311	(0.7)	(0.8)	0.0
Operating profit	1,970	2,229	2,019	1,930	2,199	2,019	2.1	1.4	0.0
Net profit	1,168	1,396	1,182	1,176	1,441	1,182	(0.6)	(3.1)	0.0
EPS (THB/shr)	0.85	1.02	0.86	1.03	1.27	0.86	(17.8)	(19.9)	0.0
<b>Key assumptions</b>									
Average utilisation rate - solar TH (%)	28	28	28	28	28	28	0.0	0.0	0.0
Average utilisation rate - solar JP (%)	20	20	20	20	20	20	0.0	0.0	0.0
Average utilisation rate - solar MO (%)	22	22	25	22	22	25	0.0	0.0	0.0
Average utilisation rate - solar VN (%)	20	20	25	20	20	25	0.0	0.0	0.0
Average utilisation rate - wind TH (%)	22	22	25	22	22	25	0.0	0.0	0.0
Average utilisation rate - wind VN (%)	30	30	36	30	30	36	0.0	0.0	0.0
Average utilisation rate - biomass TH (%)	72	72	72	72	72	72	0.0	0.0	0.0
Electricity tariff (THB/KWh)	4.74	4.50	4.41	4.63	4.40	4.41	2.3	2.3	0.0

Note: Change of items in percentage terms are represented in ppt change

Sources: SSP; FSSIA estimates

We maintain BUY and our SoTP-TP of THB10.8, excluding the 9% dilution impact from the stock dividend of 124.89m shares and SSP-W2. 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 in 2023-25.

### Exhibit 15: SoTP-based valuation

Cost of equity assumptions			(%)	Cost of debt assumptions				(%)
Risk-free rate			3.0				Pretax cost of debt	3.0
Market risk premium			4.0				Marginal tax rate	20.0
Stock beta			0.8					
Cost of equity, Ke			4.8				Net cost of debt, Kd	2.0
Weight applied			20.0				Weight applied	80.0
WACC (%)			2.8					
DCF valuation estimate			Contracted capacity	% holding	Equity capacity			
			(MW)	(%)	(MW)	(THB m)	(THB/share)	
<b>Thailand</b>	Sermang solar (SPN)		40.0	100	40.0	7,571	5.5	
	WVO		5.0	100	5.0	327	0.2	
	TH - Solar rooftop (2018-22)		7.7	95	7.3	312	0.2	
	Windchai		45.0	25	11.3	2,498	1.8	
	UPT		8.0	99	7.9	109	0.1	
<b>Japan</b>	Leo 1		20.0	100	20.0	1,560	1.1	
	Leo 2 (COD 2024)		17.0	100	17.0	2,505	1.8	
	Yamaga1		30.0	90	27.0	1,435	1.0	
	Zouen		6.0	100	6.0	512	0.4	
<b>Mongolia</b>	Khoshight Kundi		15.0	75	11.3	290	0.2	
<b>Vietnam</b>	Binh Nguyen (TTQN)		40.0	87	34.8	1,419	1.0	
	Tra Vinh phase 1		48.0	80	38.4	1,579	1.1	
	Tra Vinh phase 2 (COD 2024)		48.0	80	38.4	399	0.3	
<b>Indonesia</b>	ID - solar rooftop (2018-22)		26.2	100	26.2	502	0.4	
	Net debt					(7,474)	(5.4)	
<b>Fair value after dilution effect of stock dividend on 25 May-23</b>						<b>13,543</b>	<b>9.9</b>	
Dilution effect 9.09%							0.9	
<b>Target price before dilution effect of stock dividend on 25 May-23</b>							<b>10.8</b>	

Sources: SSP; FSSIA estimates

## Financial Statements

### Sernsang Power Corp

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	2,603	3,483	3,902	4,394	3,901
Cost of goods sold	(365)	(713)	(624)	(764)	(589)
<b>Gross profit</b>	<b>2,238</b>	<b>2,770</b>	<b>3,278</b>	<b>3,630</b>	<b>3,311</b>
Other operating income	-	-	-	-	-
Operating costs	(243)	(321)	(363)	(409)	(363)
<b>Operating EBITDA</b>	<b>1,994</b>	<b>2,449</b>	<b>2,915</b>	<b>3,221</b>	<b>2,949</b>
Depreciation	(751)	(920)	(945)	(992)	(930)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>1,243</b>	<b>1,529</b>	<b>1,970</b>	<b>2,229</b>	<b>2,019</b>
Net financing costs	(275)	(549)	(634)	(658)	(657)
Associates	0	86	0	0	0
Recurring non-operating income	(16)	124	0	0	0
Non-recurring items	12	277	0	0	0
<b>Profit before tax</b>	<b>965</b>	<b>1,381</b>	<b>1,336</b>	<b>1,571</b>	<b>1,361</b>
Tax	(65)	(40)	(84)	(92)	(83)
<b>Profit after tax</b>	<b>899</b>	<b>1,341</b>	<b>1,252</b>	<b>1,479</b>	<b>1,279</b>
Minority interests	(40)	(39)	(84)	(83)	(96)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>859</b>	<b>1,302</b>	<b>1,168</b>	<b>1,396</b>	<b>1,182</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(12)</b>	<b>(277)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>847</b>	<b>1,025</b>	<b>1,168</b>	<b>1,396</b>	<b>1,182</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.83	0.82	0.85	1.02	0.86
Reported EPS	0.84	1.05	0.88	1.02	0.86
DPS	0.01	0.26	0.17	0.20	0.17
Diluted shares (used to calculate per share data)	1,022	1,243	1,374	1,374	1,374
<b>Growth</b>					
Revenue (%)	19.6	33.8	12.0	12.6	(11.2)
Operating EBITDA (%)	25.6	22.8	19.0	10.5	(8.5)
Operating EBIT (%)	17.8	23.0	28.8	13.2	(9.4)
Recurring EPS (%)	9.8	(0.6)	3.2	19.5	(15.3)
Reported EPS (%)	5.7	24.1	(15.6)	15.0	(15.3)
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	57.1	53.1	59.8	60.0	61.1
Gross margin of key business (%)	57.6	61.1	59.8	60.0	61.1
Operating EBITDA margin (%)	76.6	70.3	74.7	73.3	75.6
Operating EBIT margin (%)	47.8	43.9	50.5	50.7	51.8
Net margin (%)	32.5	29.4	29.9	31.8	30.3
Effective tax rate (%)	6.8	3.1	6.3	5.9	6.1
Dividend payout on recurring profit (%)	1.3	31.7	20.0	20.0	20.0
Interest cover (X)	4.5	3.0	3.1	3.4	3.1
Inventory days	-	-	-	-	-
Debtor days	79.5	74.2	67.0	60.3	68.8
Creditor days	1,658.6	876.2	158.3	169.3	213.9
Operating ROIC (%)	(2.0)	(2.2)	(2.8)	(3.2)	(17.8)
ROIC (%)	(1.5)	(1.9)	(2.2)	(2.5)	(13.9)
ROE (%)	16.8	15.0	14.0	14.8	11.3
ROA (%)	4.1	4.2	5.1	5.7	2.0

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

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Electricity sales	2,603	3,483	3,902	4,394	3,901
Subsidy for adder	0	0	0	0	0
Construction service	0	0	0	0	0

Sources: Sernsang Power Corp; FSSIA estimates

## Financial Statements

### Sernsang Power Corp

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	847	1,025	1,168	1,396	1,182
Depreciation	751	920	945	992	930
Associates & minorities	0	0	2,000	2,000	2,000
Other non-cash items	-	-	-	-	-
Change in working capital	2,559	(2,704)	51	19	(56)
<b>Cash flow from operations</b>	<b>4,157</b>	<b>(759)</b>	<b>4,165</b>	<b>4,408</b>	<b>4,056</b>
Capex - maintenance	(836)	(837)	(800)	(800)	(800)
Capex - new investment	(4,843)	(2,190)	(2,000)	(2,000)	(2,000)
Net acquisitions & disposals	0	0	2,000	2,000	2,000
Other investments (net)	(1,242)	(430)	(125)	0	0
<b>Cash flow from investing</b>	<b>(6,921)</b>	<b>(3,457)</b>	<b>(925)</b>	<b>(800)</b>	<b>(800)</b>
Dividends paid	(12)	(76)	(76)	(234)	(279)
Equity finance	0	0	0	0	0
Debt finance	3,904	(1,606)	223	228	232
Other financing cash flows	1,088	5,547	(1,791)	(1,917)	(1,904)
<b>Cash flow from financing</b>	<b>4,980</b>	<b>3,864</b>	<b>(1,644)</b>	<b>(1,924)</b>	<b>(1,951)</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>2,216</b>	<b>(352)</b>	<b>1,595</b>	<b>1,684</b>	<b>1,306</b>
Free cash flow to firm (FCFF)	(2,408.10)	(3,655.04)	3,873.40	4,265.80	3,913.77
Free cash flow to equity (FCFE)	2,227.56	(275.71)	1,671.57	1,918.13	1,585.01
<b>Per share (THB)</b>					
FCFF per share	(1.75)	(2.66)	2.82	3.11	2.85
FCFE per share	1.62	(0.20)	1.22	1.40	1.15
Recurring cash flow per share	1.57	1.57	3.11	3.19	2.99
Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	17,525	15,667	16,467	17,267	18,067
Less: Accumulated depreciation	(2,003)	(2,418)	(3,363)	(4,355)	(5,285)
<b>Tangible fixed assets (net)</b>	<b>15,522</b>	<b>13,249</b>	<b>13,104</b>	<b>12,912</b>	<b>12,782</b>
<b>Intangible fixed assets (net)</b>	<b>1,232</b>	<b>970</b>	<b>970</b>	<b>970</b>	<b>970</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	-	-	-	-	-
Cash & equivalents	3,580	3,228	4,823	6,507	7,813
A/C receivable	704	712	720	730	739
Inventories	0	0	0	0	0
Other current assets	643	330	370	417	370
<b>Current assets</b>	<b>4,927</b>	<b>4,269</b>	<b>5,913</b>	<b>7,654</b>	<b>8,922</b>
Other assets	2,382	2,803	2,803	2,803	2,803
<b>Total assets</b>	<b>24,063</b>	<b>21,292</b>	<b>22,791</b>	<b>24,340</b>	<b>25,478</b>
Common equity	5,884	7,776	8,868	10,031	10,933
Minorities etc.	490	501	585	668	764
<b>Total shareholders' equity</b>	<b>6,374</b>	<b>8,277</b>	<b>9,453</b>	<b>10,699</b>	<b>11,698</b>
Long term debt	10,862	11,155	11,378	11,605	11,837
Other long-term liabilities	745	687	687	687	687
<b>Long-term liabilities</b>	<b>11,608</b>	<b>11,842</b>	<b>12,065</b>	<b>12,292</b>	<b>12,524</b>
A/C payable	3,201	223	318	390	301
Short term debt	2,818	919	919	919	919
Other current liabilities	63	31	35	40	35
<b>Current liabilities</b>	<b>6,082</b>	<b>1,173</b>	<b>1,273</b>	<b>1,349</b>	<b>1,255</b>
<b>Total liabilities and shareholders' equity</b>	<b>24,063</b>	<b>21,292</b>	<b>22,791</b>	<b>24,340</b>	<b>25,478</b>
Net working capital	(1,916)	788	737	717	773
Invested capital	17,220	17,811	17,614	17,403	17,329
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	5.49	6.23	6.45	7.30	7.96
Tangible book value per share	4.34	5.45	5.75	6.60	7.25
<b>Financial strength</b>					
Net debt/equity (%)	158.5	106.9	79.1	56.2	42.3
Net debt/total assets (%)	42.0	41.5	32.8	24.7	19.4
Current ratio (x)	0.8	3.6	4.6	5.7	7.1
CF interest cover (x)	26.7	4.5	6.8	7.0	6.5
Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>11.4</b>	<b>11.5</b>	<b>11.1</b>	<b>9.3</b>	<b>11.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>13.0</b>	<b>13.1</b>	<b>12.7</b>	<b>10.6</b>	<b>12.6</b>
Reported P/E (x)	11.2	9.0	10.7	9.3	11.0
Dividend yield (%)	0.1	2.8	1.8	2.2	1.8
Price/book (x)	1.7	1.5	1.5	1.3	1.2
Price/tangible book (x)	2.2	1.7	1.6	1.4	1.3
EV/EBITDA (x) **	10.4	8.6	7.2	6.1	6.3
EV/EBITDA @ target price (x) **	11.1	9.3	7.9	6.7	7.0
EV/invested capital (x)	1.2	1.2	1.2	1.1	1.1
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Sernsang Power Corp; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"** by the Thai Institute of Directors Association (Thai IOD); 2) **"AGM Checklist"** by the Thai Investors Association (TIA), a **"CAC certified member"** of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The **"AGM Checklist"** quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Siriluck Pinthusoonthorn FSS International Investment Advisory Securities Co., Ltd

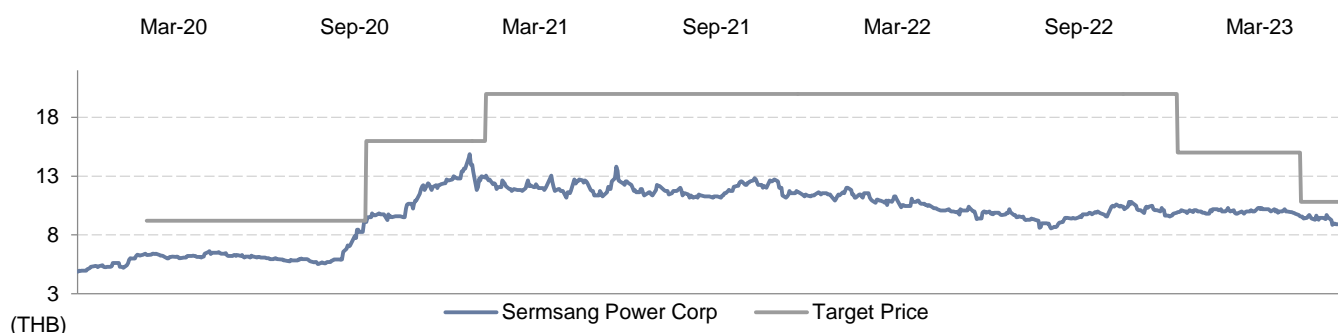
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#### History of change in investment rating and/or target price

#### Sernsang Power Corp (SSP TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
27-May-2020	BUY	9.20	15-Mar-2021	BUY	20.00	14-Feb-2023	BUY	10.80
02-Dec-2020	BUY	16.00	31-Oct-2022	BUY	15.00			

Siriluck Pinthusoonthorn started covering this stock from 15-Nov-2022

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sernsang Power Corp	SSP TB	THB 9.45	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

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All share prices are as at market close on 29-Mar-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.