

GULF ENERGY DEVELOPMENT

THAILAND / UTILITIES

GULF TB

BUY

Resilient power plant player

- We reinitiate GULF with a BUY rating; TP at THB52.30/shr.
- We think GULF is one of the most resilient power plant players with limited potential impacts from new government policies.
- Growth potential remains intact. Despite 1M share price performance down 19%, we think now is a good time to buy.

TARGET PRICE	THB52.30
CLOSE	THB43.50
UP/DOWNSIDE	+20.2%
TP vs CONSENSUS	-13.7%

Limited impact from the potential new government's policies

Despite investors' concerns about the potential new government (Move Forward party)'s policies calling for lowering the fuel tariff (Ft) and extending soon-to-expire power purchase agreements (PPAs), we think GULF would have a limited impact from a lower Ft and no impact from PPA extensions. As one of the largest independent power producers (IPPs) earning 74% of its revenue from the Electricity Generating Authority of Thailand (EGAT), GULF benefits from cost pass-through PPAs that have long durations remaining. In general, we also think that PPA extensions are unlikely as there may be no benefit to use mature power plants with low efficiency and high energy consumption.

Growth potential should remain intact

We believe GULF's potential growth should remain intact despite Thailand's new government transition. Based on its signed PPAs, GULF's equity installed capacity should record a solid 6.6% CAGR for the next 11 years (2022-2033), as it aims to increase its equity capacity to 10GW in 2033. Most of the new PPAs are for its main power business, which is gas-fired IPP projects (GPD, Hin Kong and BPP) and a hydro project in Laos. However, we expect to see more growth in renewables from the second round of bidding for renewable projects in Thailand and M&As for overseas renewable projects in the US and Europe. As electricity prices rise and the new projects reach their commercial operation dates (COD), we expect EPS to grow by 29.9% in 2023 and 21.4% in 2024.

Synergies from businesses beyond power

In the short to medium term, we expect GULF to benefit from its investment in INTUCH, which provides 1) strategic synergies for both the data centre business and preparation for Thailand's power liberalisation; and 2) an attractive return on investment (dividend income of THB4b-5b/year). In the long term, we think the development of its LNG terminal should enhance its LNG supply chain and its investment in blockchain technology should support the peer-to-peer trading trend in the future.

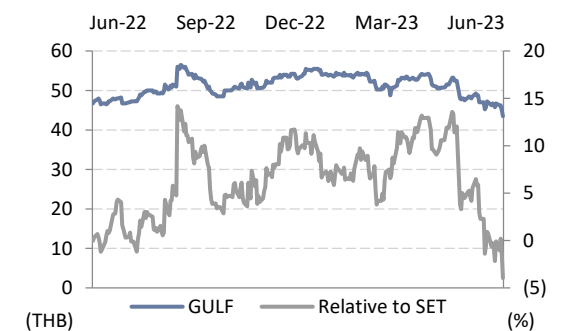
Reinitiate coverage of GULF with a BUY rating; TP at THB52.3/shr

We reinitiate coverage of GULF with a BUY call and an SoTP-based TP at THB52.3/shr. We value most of its projects using the DCF method with a 5.9% WACC. Our TP implies 37.4x 2023E P/E, roughly -1SD below its long-term average. We think its share price – down 19.3% after the election – is unjustified given its intact fundamentals and growth potential.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	94,151	116,330	133,272	143,316
Net profit	11,418	16,409	19,874	24,883
EPS (THB)	0.97	1.40	1.69	2.12
vs Consensus (%)	-	5.3	(0.2)	4.8
EBITDA	22,767	24,792	27,912	34,130
Core net profit	12,637	16,409	19,874	24,883
Core EPS (THB)	1.08	1.40	1.69	2.12
EPS growth (%)	43.4	29.9	21.1	25.2

Core P/E (x)	40.4	31.1	25.7	20.5
Dividend yield (%)	1.4	1.6	1.9	2.4
EV/EBITDA (x)	28.1	25.8	23.1	19.1
Price/book (x)	4.6	4.2	3.9	3.5
Net debt/Equity (%)	77.2	67.8	60.5	54.0
ROE (%)	12.2	14.2	15.8	17.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(9.8)	(17.1)	(7.4)
Relative to country (%)	(8.7)	(13.0)	(4.3)
Mkt cap (USD m)	14,559		
3m avg. daily turnover (USD m)	27.9		
Free float (%)	27		
Major shareholder	Mr. Sarath Ratanavadi (36%)		
12m high/low (THB)	57.25/43.00		
Issued shares (m)	11,733.15		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

As of May 2023, the company had a total gross installed capacity of 11,581 MW, which translates into an equity capacity of 6,088 MW. Independent power producers (IPPs) represent 73% of its capacity, followed by small power producers (SPPs) at 21%, and renewables (6%), which altogether make GULF one of the largest power companies and IPP operators in Thailand.

Consequently, its revenue is highly reliant on EGAT (74% of 2022 total revenue). We view this as GULF's key strength because these earnings are based on energy costs and FX via pass-through PPAs.

Therefore, we believe GULF is the most resilient power plant player among its peers and that it faces limited potential impacts from the new government's policies. We think the recent share price plunge creates an opportunity for investors to accumulate its shares.

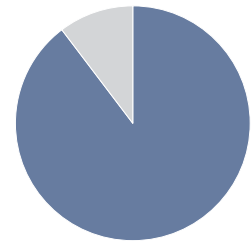
Company profile

GULF is one of the largest power producers in Thailand with expected capacity of over 7.6GW by 2027. It has the largest SPP and IPP portfolio and the strongest earnings growth outlook among the Thai power companies we cover.

www.gulf.co.th

Principal activities (revenue, 2022)

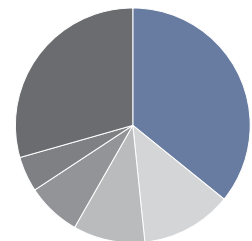
- Power business - 89.7 %
- Consulting business - 10.3 %



Source: Gulf Energy Development

Major shareholders

- Mr. Sarath Ratanavadi - 35.8 %
- UBS AG/Singapore - 12.6 %
- Gulf Capital Holdings Limited - 9.9 %
- Gulf Investment and Trading - 7.5 %
- Gulf Holding - 4.9 %



Source: Gulf Energy Development

Catalysts

Key potential catalysts are 1) the upcoming second round of bidding on 3.6GW in renewable projects; 2) lower energy costs; and 3) new expansion projects and M&As.

Risks to our call

The downside risks to our SoTP-based TP for GULF include 1) a lower-than-expected Ft; 2) a higher-than-expected gas cost; and 3) delays in project commercial operation dates.

Event calendar

Date	Event
Early Aug 2023	2Q23 financial results announcement
Early Aug 2023	2Q23 analyst meeting
Early Nov 2023	3Q23 financial results announcement
Early Nov 2023	3Q23 analyst meeting

Key assumptions

	2022 (THB/kWh)	2023E (THB/kWh)	2024E (THB/kWh)	2025E (THB/kWh)
GMP's ASP sold to EGAT	3.87	4.33	4.23	4.14
GMP's ASP sold to IU	5.04	4.93	4.82	4.77
IPD's ASP (IPP)	4.70	3.93	3.62	3.32
Ft	0.40	0.89	0.79	0.69
Gas cost (THB/mmbtu)	439	390	370	350

Source: FSSIA estimates

Earnings sensitivity

- For every 1% increase in gas price, we estimate that 2023 earnings would decline 0.5%, and vice versa, all else being equal.
- For every 1% increase in USD/THB FX rate, we estimate that 2023 earnings would decline 2.8%, and vice versa, all else being equal.
- For every 1% increase in interest rate, we estimate that 2023 earnings would decline 5.9%, and vice versa, all else being equal.

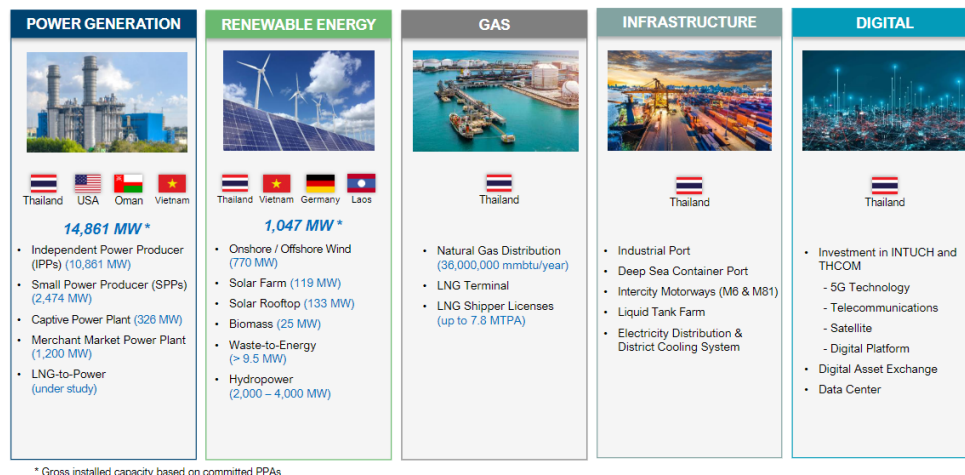
Source: FSSIA estimates

Company profile

Gulf is a holding company with a portfolio of investments in five key businesses including power generation, renewable energy, gas, infrastructure, and digital businesses. However, most of its income comes from gas-fired and renewable power plants that sell electricity to both the public and private sector. GULF actively seeks opportunities to expand both in Thailand and in other countries. The existing overseas projects are in the US, Oman, Vietnam, Germany, and Laos.

The company was founded in 2007 by major shareholder Mr Sarath Ratanavadi, who holds a 71% stake both directly and indirectly. It became a listed company on the Stock Exchange of Thailand on 6 December 2017.

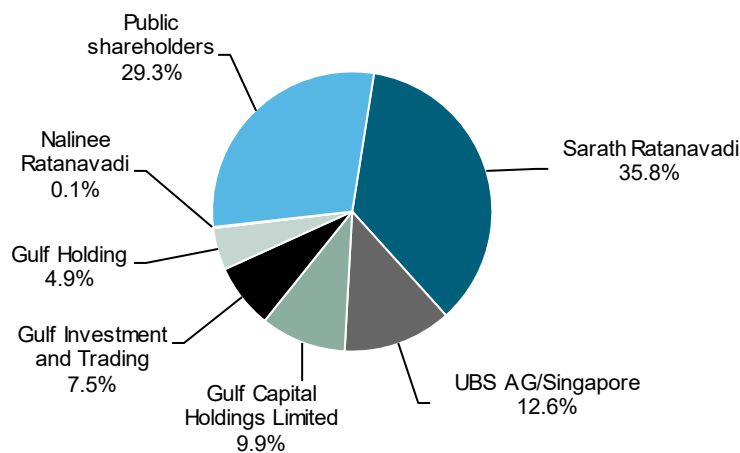
Exhibit 1: Business portfolio



Note: Data as of February 2023

Source: GULF

Exhibit 2: Shareholding structure



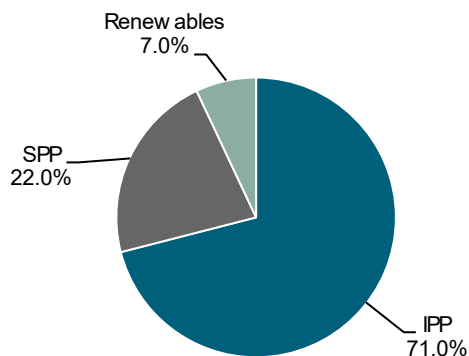
Source: Bloomberg

Resilient power plant player

One of the largest IPPs in Thailand

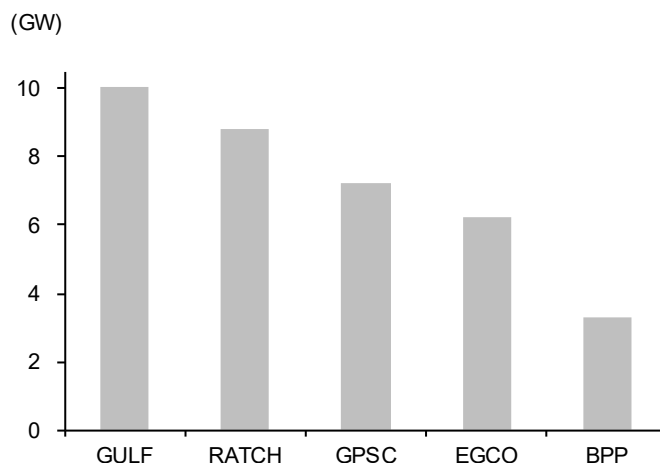
As of May 2023, the company had a total gross installed capacity of 11,581 MW and equity capacity of 6,088 MW. IPPs represent 73% of its capacity, followed by 21% SPPs and 6% renewables, which makes GULF one of the largest power companies and IPPs in Thailand.

Exhibit 3: Gross installed capacity by plant type



Note: Data as of May 2023
Source: GULF

Exhibit 4: GULF has the highest committed equity capacity



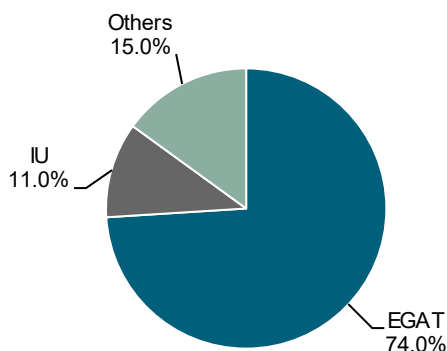
Source: GULF, RATCH, GPSC, EGCO, BPP

74% of revenue from EGAT means energy costs can be passed through

GULF's revenue is highly reliant on EGAT (74% of 2022 total). We view this as its key strength as most of its earnings are based on PPAs which take into account energy costs and FX.

In addition, 11% of revenue in 2022 was from industrial users (IUs) which sell through its 19 SPPs, and selling prices are based on a discounted formula linked to the national grid price, which in turn depends on volatility in the Ft – a variable comprised of energy costs and FX. As movements in the Ft usually lag the actual change in energy costs, this leads to margin squeezes during energy cost uptrends and margin expansion during energy cost downtrends.

Exhibit 5: Revenue breakdown by customers in 2022



Sources: GULF, FSSIA estimates

Limited impact from the new government's policies

Investors wary of post-election uncertainty

Since the election on 14 May 2023, most utility stocks have gone down, including GULF (-19.3% as of 22 June 2023), due to concerns that the new government's policies might impact the sector's earnings and growth potential.

The Move Forward-led coalition has proposed 1) a THB0.7/kWh reduction in the Ft, the formula that determines the cost of electricity that consumers pay which is comprised of variable factors such as energy costs and inflation; 2) renegotiation of PPAs, and potentially extending soon-to-expire PPAs held by IPPs to reduce availability payments; and 3) breaking up business monopolies in the country.

However, we think GULF will see limited impacts and its earnings will remain resilient relative to its peers. As we mentioned earlier, GULF is one of the largest IPPs in Thailand with 74% of its revenue based on PPAs that allow energy costs to pass through. Thus, even if the Ft is reduced, we expect the company to maintain sturdy earnings.

In addition, a recent report from Green News Agency alleges that Thailand's high electricity prices are in part due to the country's high electricity reserve margin, which results in high availability payments for IPPs that EGAT must pay whether they produce electricity or not. Therefore, the potential new government has pledged to renegotiate the PPAs, presumably to extend the contract years of those soon to expire to reduce EGAT's availability payment obligations. However, we think this is likely unfeasible because given the recent advances in power generation technology, there may be no benefit to extending the lifespans of mature power plants with low efficiency and high energy consumption. We note that all of GULF's IPPs and SPPs have long durations before their PPAs expire (roughly 15-25 years for projects in operations). This means extending GULF's PPAs would be even more unlikely because it would involve renegotiating with both domestic and international financial institutions.

Exhibit 6: GULF's Thailand IPPs and SPPs COD schedule and estimated expiration year

Project	Equity interest (%)	Installed capacity (MW)	Equity capacity (MW)	COD/SCOD	Estimated expiration year
GJP group					
2 IPPs	40	3,421	1,368	2014-2015	2039-2040
7 SPPs	30-40	888	343	2013	2038
GMP group					
12 SPPs	52.5-70	1,586	923	2017-2019	2042-2044
GSRC					
IPP	70	2,650	1,855	2021-2022	2046-2047
GPD					
IPP	70	2,650	1,855	2023-2024	2048-2049
Hin Kong Power					
IPP	49	1,540	755	2024-2025	2049-2050
Burapa Power					
IPP	35	600	210	2027	2052
Hydro power in Laos					
Pak Lay	40	770	308	2032	2057
Pak Beng	49	912	447	2033	2058
Luang Prabang	20	1,460	292	2030	2055

Sources: GULF, FSSIA's estimates

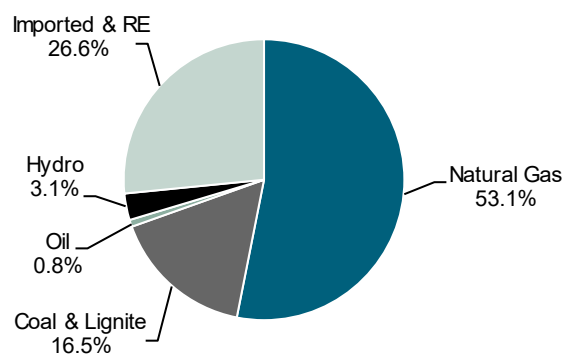
Furthermore, Thailand's current electricity reserve margin is at 36%. As Exhibit 6 shows, compared to other countries, this is within the standard range. A higher reserve margin is necessary for countries with a high proportion of renewable capacity due to the intermittent nature of renewable energy sources. Moreover, the current availability payment factored into the electricity price amounts to only THB0.70/kWh out of the current electricity price of ~THB4.67/kWh. In Exhibit 6, we can see that the key factor behind Thailand's high electricity price is mainly from the Ft or energy costs. Hence, availability payments are relatively insignificant compared to other factors when trying to reduce electricity prices.

Exhibit 7: Reserve margin vs % of renewables by country

Country	Reserve margin (%)	% of renewables (%)
Spain	180	45
Italy	136	45
Portugal	130	64
Denmark	130	52
Germany	111	50
Netherlands	93	21
Switzerland	92	78
China	91	33
Australia	65	26
Sweden	57	69
Malaysia	51	26
Thailand	36	30

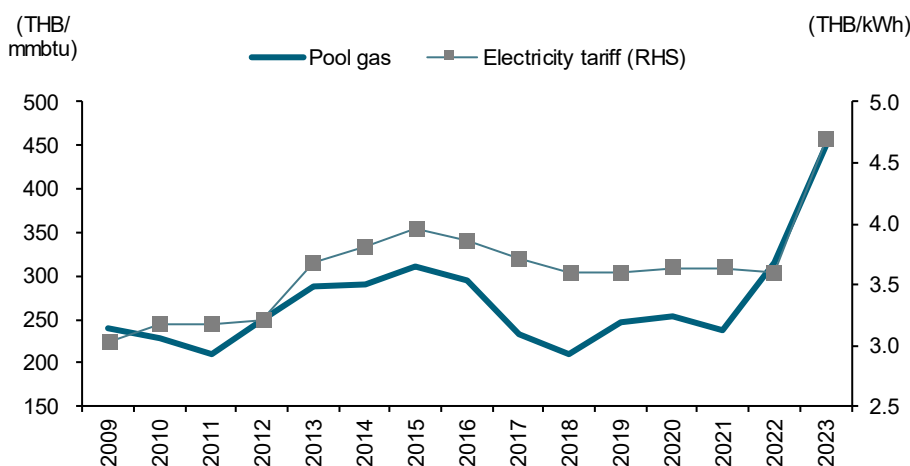
Sources: EGAT, GULF

Exhibit 8: Electricity capacity by energy type in 2022



Source: Energy Policy and Planning Office (EPPPO)

Exhibit 9: Pool gas price vs electricity tariff



Sources: EPPPO, GULF

Recent negative investor sentiment may also be related to GULF’s power market dominance, as the Move Forward party has pledged to end monopolies and level the playing field for businesses. Nevertheless, we believe it is too soon to estimate the potential impacts – if any – as this policy is unclear. Moreover, power generation is an open sector with many players, and most projects are awarded following a competitive bidding process.

New growth projects likely to remain intact

Expect projects in the pipeline to proceed unhindered

GULF has a solid growth plan over the next decade, which we believe will be unaffected by the change in Thailand’s government. Most of its under-development projects have signed PPAs, with the majority of the new capacity coming from gas-fired IPP projects (GPF, Hin Kong, and BPP) and hydropower in Laos. Based on its committed PPAs, GULF’s equity installed capacity should record a solid 6.6% CAGR over the next 11 years (2022-2033) as it aims to increase its capacity to 10 GW in 2033.

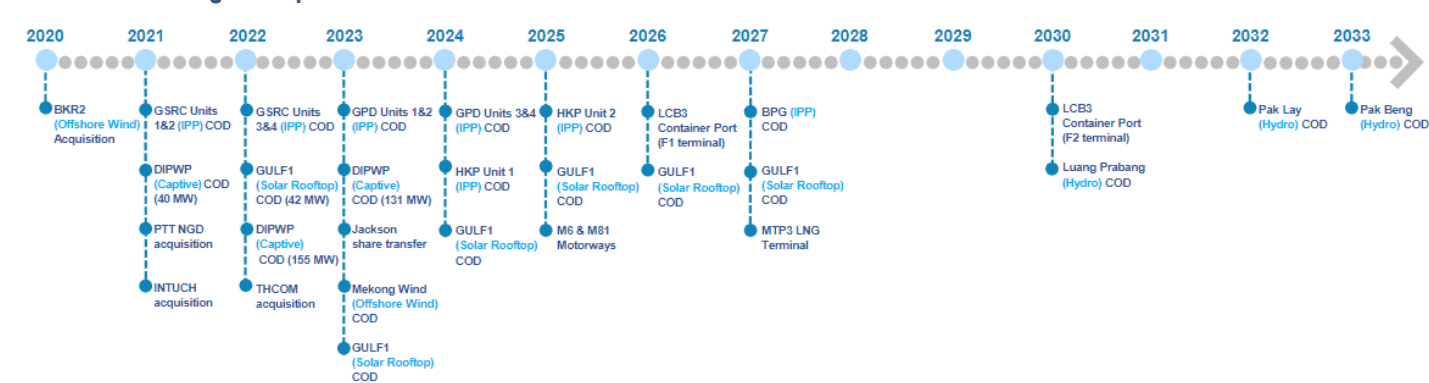
However, the company is also expanding into infrastructure businesses, including motorways, LNG terminals, container ports and digital infrastructure such as telecommunications, data centres and digital assets (Exhibit 9).

Exhibit 10: Key revenue drivers in 2023

New capacity in 2023		
Projects	Power plant type	Additional capacity (MW)
GPD	IPP	1,325
Jackson	Merchant plant	1,200
DIPWP	Captive	131
Mekong	Offshore wind	124
GULF 1	Solar roof	91
Total		2,871
Full year project contribution		
Projects		
GSRC Unit 1-4 (2,650MW)	Revenue and profit contribution	
Gulf Gunkul Corporation (177.5 MW)	Share of profit contribution	
Thai Tank Terminal	Share of profit contribution	
THCOM	Revenue and profit contribution	

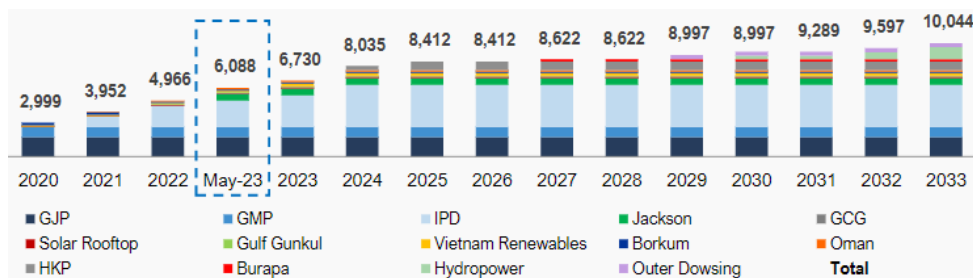
Source: GULF

Exhibit 11: Solid growth plan over the next decade



Source: GULF

Exhibit 12: Equity installed capacity rising at a 6.6% CAGR (2022-2033) based on committed PPAs



Source: GULF

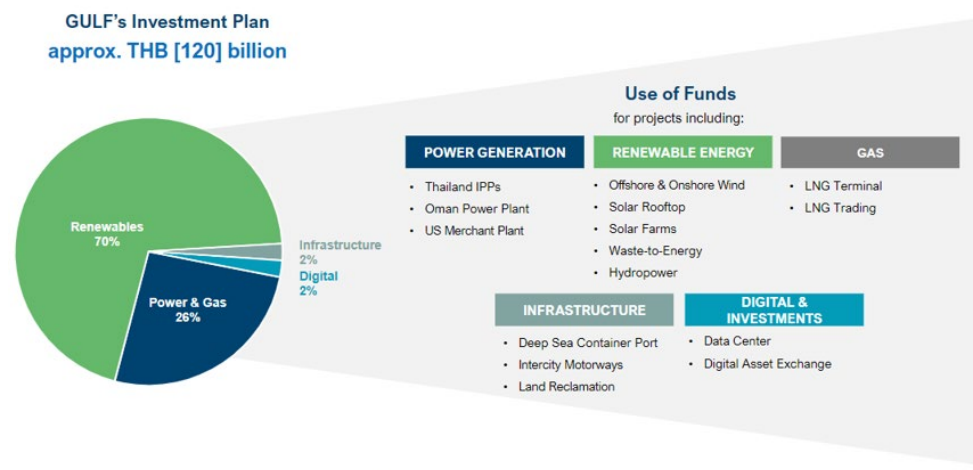
Recently, the company won 1.7MW worth of renewable projects (solar, solar+ESS, and wind) in the first round of bidding offered under Thailand’s Power Development Plan (PDP) 2018Rev1. These projects are set to COD from 2024-2030. Projects with expected CODs in 2024-2025 must sign PPAs in July 2023, while the projects scheduled to COD in 2026-2030 must sign PPAs within two years after the announcement in April 2023. We expect these projects can proceed without disruption as the feed-in tariffs (FiT) are fixed at competitive prices (FiT for solar+ESS = THB2.8331/kWh, solar = THB2.1679/kWh, and wind = THB3.1014/kWh) compared to the current electricity price of ~THB4.67/kWh. While no further details on the COD schedules for each project are currently available, we assume the solar projects will roll out between 2024-2030 and the wind projects should commence from 2025-2030. We expect the new projects to contribute a net profit of THB0.3b in 2024 and THB0.7b in 2025, and gradually increase at the same rate until 2030.

More M&As focusing on renewable investments in the next five years

According to GULF’s five-year investment plan worth THB120b, its key expansion focus remains the power business with 96% of the budget (70% renewables + 26% gas-fired power plants).

As for renewables in the short term, we expect GULF to add more projects in Thailand from the second round of bidding (total capacity of 3.7GW) regarding PDP2018Rev1. Although we have not included this in our estimates, we think GULF will mostly focus on bidding for solar and wind projects. The results of this new round of bidding should be announced by the end of 2023. Moreover, in the medium to long-term the company is looking for new M&A opportunities for offshore and onshore wind farm projects overseas, mostly in the US and Europe. The budget is also expected to be used for 3.1GW of hydro projects in Laos (Luang Prabang, Pak Lay, and Pak Beng), which are set to COD in May 2030, Mar 2032, and Jan 2033, respectively.

Exhibit 13: Five-year investment plan (2023-2027)



Source: GULF

Exhibit 14: Thailand renewables: Bidding phase 2 based on PDP2018Rev1

COD	2026	2027	2028	2029	2030	Total
	(MW)	(MW)	(MW)	(MW)	(MW)	(MW)
Solar	232	200	600	800	800	2,632
Wind			200	400	400	1,000
Biogas	7					7
WTE	30					30
Total	269	200	800	1,200	1,200	3,669

Source: Energy Regulatory Commission

Developments beyond power business

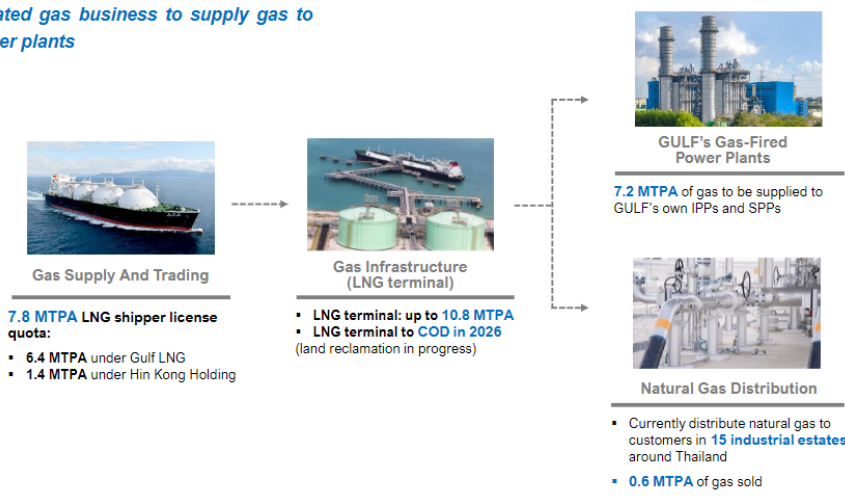
GULF’s key investments outside the power business are targeting the infrastructure and digital businesses. Although the company’s five-year business plan (2023-2027) has set aside just 4% of the total budget (THB4.8b) for infrastructure (2%) and digital business (2%), it currently has sizeable existing and developing projects already underway. For infrastructure projects, these include investments in Thai Tank Terminal (not listed; share acquisition in Dec 2022), Map Ta Phut Port Phase 3 (MTP3, SCOD in 2027), Motorways (M6 and M81, SCOD 2025), and Laem Chabang Port Phase 3 (SCODs in 2026 and 2030). Existing or developing digital-related investments include a 46% stake in Intouch Holdings (INTUCH TB, BUY, TP THB83.50), a major shareholder in AIS – Thailand’s largest mobile operator, a 41% stake in Thaicom (THCOM TB, NR), Thailand’s only satellite operator, a small stake (0.4%) in Binance US, and a 51% stake in GULF Binance, a JV with Binance Capital Management to establish a digital currency exchange in Thailand.

In the short to medium term, we expect GULF’s investment in INTUCH to provide 1) strategic synergies for both its data centre business and preparation for Thailand’s power liberalisation; and 2) attractive investment returns based on its high dividend yield (dividend income THB4b-5b/year). As GULF indirectly owns AIS, we think it could leverage the benefit from AIS’s extensive fibre and 5G network to develop its data centre business and strengthen the company’s preparations for power liberalisation by supporting new technology in the power business (i.e. smart metering).

In the long term, we expect the LNG terminal at MTP3 to enhance its LNG supply chain and support its current LNG import license of 7.8mt. Moreover, with peer-to-peer power trading an undeniable future trend, the company expects its investments in blockchain platforms (Binance) to help the company gain familiarity with this emerging technology.

Exhibit 15: Gas infrastructure business

Fully integrated gas business to supply gas to GULF’s power plants



Source: GULF

Exhibit 16: Infrastructure projects



Map Ta Phut Port Phase 3

- Land reclamation in progress: **SCOD in 2024**
- LNG terminal: **SCOD in 2027**



Motorways (M6 and M81)

- O&M of motorways
 - M6: Bang Pa-In - Nakhon Ratchasima (196 km)
 - M81: Bang Yai - Kanchanaburi (96 km)
- Expected **SCOD in 2025**



Laem Chabang Port Phase 3

- Design, build, and O&M of F1 and F2 Terminals
- Deep-sea container port: **>4,000,000 TEU/yr**
- Expected **SCOD in 2026 (F1) and 2030 (F2)**



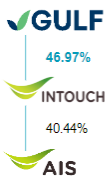
Thai Tank Terminal

- O&M of terminals and liquid tank farm, and provide public port services for storing and handling liquid products
- Liquid storage tank capacity: **722,800 m³**
- Share acquisition in **Dec 2022**

Source: GULF

Exhibit 17: Digital business projects

Investment in INTUCH



- Estimated profit sharing from INTUCH: **THB 5,000 – 5,500 mn/yr**
- Dividend forecast: **THB 4,000 – 5,000 mn/yr**
- Potential synergy benefit:
 - Data center / Cloud computing
 - Blockchain technology
 - Virtual banking

Investment in THCOM



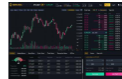
- Satellite business with 2 new orbital slots (**119.5E & 78.5E**)
- Potential opportunities in New Space Economy:
 - Natural resource management
 - Carbon footprint monitoring
 - Low Earth orbit (LEO) satellites
 - Drone technology

Data Center



- JV between GULF (40%), Singtel (35%) and AIS (25%)
- Tier 3+ data center in Thailand
- Provide clean energy and data storage to hyperscalers and enterprise customers
- Construction expected to start in mid-2023
- Expected COD in **2025**

Digital Asset Exchange



- JV between GULF (51%) and Binance (49%)
- SEC-regulated digital asset exchange and broker
- Exchange and brokerage licenses expected to be granted in **June 2023**
- Expected to start trading at **end of 2023**

Source: GULF

Valuation

We reinitiate coverage of GULF with a BUY rating and an SoTP-based target price at THB52.3/shr. We value most of its projects via DCF method with a WACC of 5.9%, based on a 2.7% risk-free rate, risk premium at 8%, and cost of debt at 4%. We have included the market's concerns about rising interest rates with a premium cost of debt from its current rate of 3.8%. FSSIA's target price implies 37.4x 2023E P/E, which is roughly -1SD below its long-term average.

Power and renewable businesses, including both existing projects and those in the pipeline, account for 87% of our target price due to their dominant role in the company's valuation. However, we estimate more upside in the future from infrastructure (i.e. the LNG terminal) and digital businesses (i.e. data centre and blockchain) once the future projects start to generate revenue and unveil potential synergies.

In summary, we believe that GULF faces only limited effects relative to its rivals and that its recent share price activity – down 19.3% – is unjustified based on its intact fundamentals and growth potential. Therefore, we think this creates a buying opportunity.

Exhibit 18: SoTP valuation

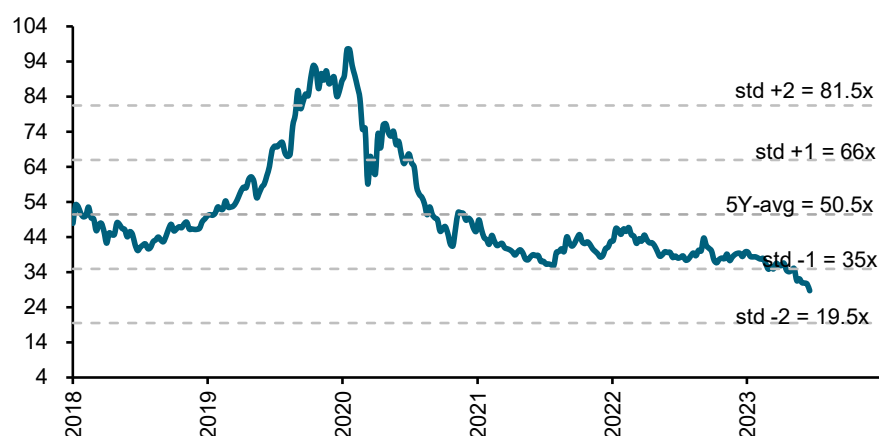
Cost of equity assumptions	(%)	Cost of debt assumptions	(%)
Risk-free rate	2.7	Pretax cost of debt	4.0
Market risk premium	8.0	Marginal tax rate	20
Stock beta	1.18		
Cost of equity	12	Net cost of debt	3
Weight applied	30	Weight applied	70
WACC (%)	5.9		

SOTP valuation	(THB m)	(THB/share)	Comment
Power generation	395,166	33.7	DCF - WACC 5.9%
Renewables	137,325	11.7	DCF - WACC 5.9%
Gas business	2,981	0.3	1x Book value
Infrastructure	38,655	3.3	DCF - WACC 5.9% and 1x Book value
Digital	140,793	12.0	SoTP
Net debt (2023E)	(101,081)	(8.6)	
Total	613,839	52.3	

Source: FSSIA estimates

Exhibit 19: GULF's P/E band – currently trading below -1SD

GULF PER (x)



Sources: Bloomberg, FSSIA estimates

Exhibit 20: Key valuations of utilities sector companies as of 22 June 2023

Company	BBG	Rec	Share	Target	Up	Market	3Y EPS	----- PE -----		---- ROE ----		---- PBV ----		- EV/ EBITDA -	
			Price	price	side	Cap	CAGR	23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
Thailand															
Gulf Energy Development	GULF TB	BUY	43.50	52.30	20	14,559	25.3	31.1	25.7	14.2	15.8	4.2	3.9	25.8	23.1
BCPG	BCPG TB	BUY	9.00	15.10	68	747	1.7	15.1	13.2	5.8	6.5	0.9	0.8	11.9	10.9
Energy Absolute	EA TB	BUY	57.00	108.00	89	6,065	25.2	21.6	19.3	22.7	20.9	4.5	3.7	19.6	17.9
Global Power Synergy	GPSC TB	BUY	57.75	76.00	32	4,645	37.5	28.2	22.7	5.5	6.7	1.5	1.5	14.0	13.2
B Grimm Power	BGRIM TB	BUY	35.50	47.00	32	2,640	104.2	34.0	28.2	8.8	9.9	2.9	2.7	10.6	10.3
Ratch Group	RATCH TB	BUY	36.50	57.00	56	2,265	21.7	5.2	4.8	10.0	10.1	0.5	0.5	8.2	7.8
Electricity Generating	EGCO TB	BUY	135.50	200.00	48	2,035	(100.0)	5.8	5.9	9.9	9.1	0.6	0.5	18.4	18.2
Banpu Power	BPP TB	BUY	14.40	18.00	25	1,252	(2.1)	7.3	7.2	11.9	11.2	0.8	0.8	18.4	13.1
CK Power	CKP TB	BUY	3.32	6.50	96	770	10.6	9.8	8.2	10.0	11.1	0.9	0.9	10.0	8.6
Gunkul Engineering	GUNKUL TB	n/a	3.10	n/a	n/a	792	15.1	15.9	15.3	12.2	12.3	1.9	1.8	11.1	11.4
Absolute Clean Energy	ACE TB	n/a	1.91	n/a	n/a	541	33.4	15.1	9.9	9.1	12.2	1.3	1.2	10.6	6.5
Thailand Avg.						36,310	(11.9)	17.2	14.6	10.9	11.4	1.8	1.7	14.4	12.8

Sources: Bloomberg, FSSIA estimates

Key risks

Key risks for the company are 1) efficiency of its power plants; 2) volatility in energy costs; 3) regulatory risks such as government intervention in electricity prices; and 4) FX volatility.

Financial Statements

Gulf Energy Development

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	47,467	94,151	116,330	133,272	143,316
Cost of goods sold	(34,388)	(74,711)	(93,076)	(107,448)	(111,934)
Gross profit	13,079	19,440	23,254	25,824	31,382
Other operating income	-	-	-	-	-
Operating costs	(1,155)	(1,736)	(3,044)	(3,135)	(3,292)
Operating EBITDA	16,913	22,767	24,792	27,912	34,130
Depreciation	(4,989)	(5,063)	(4,582)	(5,222)	(6,039)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	11,924	17,704	20,210	22,689	28,090
Net financing costs	(6,587)	(8,036)	(8,225)	(8,218)	(8,535)
Associates	2,886	6,321	9,160	11,152	12,663
Recurring non-operating income	5,319	7,004	9,259	11,253	12,766
Non-recurring items	(1,142)	(1,219)	0	0	0
Profit before tax	9,514	15,453	21,244	25,725	32,321
Tax	(347)	(1,344)	(967)	(1,166)	(1,573)
Profit after tax	9,167	14,109	20,277	24,559	30,748
Minority interests	(1,497)	(2,691)	(3,868)	(4,685)	(5,865)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	7,670	11,418	16,409	19,874	24,883
Non-recurring items & goodwill (net)	1,142	1,219	0	0	0
Recurring net profit	8,812	12,637	16,409	19,874	24,883
Per share (THB)					
Recurring EPS *	0.75	1.08	1.40	1.69	2.12
Reported EPS	0.65	0.97	1.40	1.69	2.12
DPS	0.44	0.60	0.70	0.85	1.06
Diluted shares (used to calculate per share data)	11,733	11,733	11,733	11,733	11,733
Growth					
Revenue (%)	44.6	98.3	23.6	14.6	7.5
Operating EBITDA (%)	58.5	34.6	8.9	12.6	22.3
Operating EBIT (%)	64.7	48.5	14.2	12.3	23.8
Recurring EPS (%)	96.8	43.4	29.9	21.1	25.2
Reported EPS (%)	79.1	48.9	43.7	21.1	25.2
Operating performance					
Gross margin inc. depreciation (%)	27.6	20.6	20.0	19.4	21.9
Gross margin exc. depreciation (%)	38.1	26.0	23.9	23.3	26.1
Operating EBITDA margin (%)	35.6	24.2	21.3	20.9	23.8
Operating EBIT margin (%)	25.1	18.8	17.4	17.0	19.6
Net margin (%)	18.6	13.4	14.1	14.9	17.4
Effective tax rate (%)	5.2	14.7	8.0	8.0	8.0
Dividend payout on recurring profit (%)	58.6	55.7	50.0	50.0	50.0
Interest cover (X)	2.6	3.1	3.6	4.1	4.8
Inventory days	-	-	-	-	-
Debtor days	58.6	55.4	63.3	62.1	64.8
Creditor days	27.5	27.7	35.0	36.6	38.5
Operating ROIC (%)	(1.9)	(3.1)	(3.7)	(3.8)	(24.3)
ROIC (%)	(1.3)	(1.5)	(1.7)	(1.8)	(12.7)
ROE (%)	11.0	12.2	14.2	15.8	17.9
ROA (%)	3.0	3.5	4.5	5.4	4.6
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Power business	45,373	84,424	111,069	128,719	141,896
Consulting business	2,094	9,727	5,261	4,553	1,420
Others	-	-	-	-	-

Sources: Gulf Energy Development; FSSIA estimates

Financial Statements

Gulf Energy Development

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	8,812	12,637	16,409	19,874	24,883
Depreciation	4,989	5,063	4,582	5,222	6,039
Associates & minorities	2,886	6,321	9,160	11,152	12,663
Other non-cash items	-	-	-	-	-
Change in working capital	1,823	(7,112)	1,471	164	(1,669)
Cash flow from operations	18,510	16,909	31,622	36,413	41,916
Capex - maintenance	(4,285)	(4,320)	(3,997)	(4,580)	(5,330)
Capex - new investment	(1,114)	(169)	(11,589)	(16,062)	(20,379)
Net acquisitions & disposals	(113,494)	(55,360)	0	0	0
Other investments (net)	55,878	6,937	9,239	11,233	12,746
Cash flow from investing	(63,015)	(52,913)	(6,346)	(9,409)	(12,963)
Dividends paid	(2,933)	(5,163)	(7,040)	(8,205)	(9,937)
Equity finance	0	0	0	0	0
Debt finance	54,256	(7,713)	(22,803)	0	0
Other financing cash flows	(2,874)	68,226	(14,531)	(17,701)	(19,544)
Cash flow from financing	48,449	55,351	(44,374)	(25,906)	(29,481)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	3,944	19,347	(19,099)	1,098	(528)
Free cash flow to firm (FCFF)	(38,909.14)	(28,352.65)	33,735.91	35,342.68	37,615.51
Free cash flow to equity (FCFE)	6,877.73	24,509.10	(12,058.86)	9,302.86	9,409.45

Per share (THB)

FCFF per share	(3.32)	(2.42)	2.88	3.01	3.21
FCFE per share	0.59	2.09	(1.03)	0.79	0.80
Recurring cash flow per share	1.42	2.05	2.57	3.09	3.71

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	144,790	121,811	136,811	156,811	181,811
Less: Accumulated depreciation	(14,662)	(22,256)	(26,253)	(30,833)	(36,164)
Tangible fixed assets (net)	130,128	99,555	110,558	125,978	145,647
Intangible fixed assets (net)	18,964	3,873	3,873	3,873	3,873
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	135,573	160,934	160,934	160,934	160,934
Cash & equivalents	19,847	39,194	20,095	21,194	20,666
A/C receivable	9,569	18,999	21,325	23,991	26,857
Inventories	0	0	0	0	0
Other current assets	9,395	12,057	14,897	17,067	18,353
Current assets	38,811	70,249	56,318	62,251	65,876
Other assets	39,197	83,561	83,561	83,561	83,561
Total assets	362,674	418,172	415,244	436,597	459,891
Common equity	96,596	110,787	120,156	131,826	146,772
Minorities etc.	10,913	25,015	28,882	33,567	39,432
Total shareholders' equity	107,509	135,802	149,039	165,393	186,204
Long term debt	138,761	119,176	119,176	119,176	119,176
Other long-term liabilities	81,387	111,326	111,326	111,326	111,326
Long-term liabilities	220,148	230,502	230,502	230,502	230,502
A/C payable	3,080	7,484	9,509	10,985	11,379
Short term debt	12,931	24,803	2,000	2,000	2,000
Other current liabilities	19,005	19,581	24,193	27,717	29,806
Current liabilities	35,016	51,868	35,703	40,702	43,185
Total liabilities and shareholders' equity	362,674	418,172	415,244	436,597	459,891
Net working capital	(3,121)	3,991	2,520	2,356	4,025
Invested capital	320,742	351,914	361,446	376,701	398,041

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

Per share (THB)

Book value per share	8.23	9.44	10.24	11.24	12.51
Tangible book value per share	6.62	9.11	9.91	10.91	12.18

Financial strength

Net debt/equity (%)	122.6	77.2	67.8	60.5	54.0
Net debt/total assets (%)	36.4	25.1	24.3	22.9	21.9
Current ratio (x)	1.1	1.4	1.6	1.5	1.5
CF interest cover (x)	2.2	4.1	0.9	4.1	4.5

Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	57.9	40.4	31.1	25.7	20.5
Recurring P/E @ target price (x) *	69.6	48.6	37.4	30.9	24.7
Reported P/E (x)	66.5	44.7	31.1	25.7	20.5
Dividend yield (%)	1.0	1.4	1.6	1.9	2.4
Price/book (x)	5.3	4.6	4.2	3.9	3.5
Price/tangible book (x)	6.6	4.8	4.4	4.0	3.6
EV/EBITDA (x) **	38.6	28.1	25.8	23.1	19.1
EV/EBITDA @ target price (x) **	44.7	32.7	30.0	26.8	22.1
EV/invested capital (x)	2.0	1.8	1.8	1.7	1.6

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

Sources: Gulf Energy Development; 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)¹

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)²

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)³

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)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment ([THSI](#)) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. 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: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (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 Indices⁵ (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:

¹ 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.

² 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.

³ 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.

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

⁵ 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****Kwanwaree Apichartsatoporn 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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Company	Ticker	Price	Rating	Valuation & Risks
Gulf Energy Development	GULF TB	THB 43.50	BUY	The downside risks to our SoTP-based TP for GULF include 1) a lower-than-expected Ft; 2) a higher-than-expected gas cost; and 3) delays in project commercial operation dates.
BCPG	BCPG TB	THB 9.00	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand and the Philippines; 2) government intervention; 3) lower-than-expected gas prices in the US and; 4) abnormal solar and wind factors.
Energy Absolute	EA TB	THB 57.00	BUY	Downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand; 2) lower crude prices; and 3) lower-than-expected demand for batteries.
Global Power Synergy	GPSC TB	THB 57.75	BUY	The downside risks to our SoTP-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) a lower crude price; and 3) lower-than-expected demand from industrial users.
B.Grimm Power	BGRIM TB	THB 35.50	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand, 2) a lower crude price, and 3) unplanned shutdowns of its SPPs.
Ratch Group	RATCH TB	THB 36.50	BUY	The downside risks to our SoTP-based TP include 1) lower-than-expected demand for electricity in Thailand; 2) lower crude price; and 3) delays in starting new projects.
Electricity Generating	EGCO TB	THB 135.50	BUY	Downside risks to our SoTP-based TP include 1) lower-than expected demand for electricity in Thailand; 2) delays in project commencement or commercial operation dates (COD); and 3) government intervention in electricity tariff subsidies.
Banpu Power	BPP TB	THB 14.40	BUY	Downside risks to our SOTP valuation are the start-up delays of its new projects and government intervention in the electricity tariff.
CK Power	CKP TB	THB 3.32	BUY	The downside risks to our SoTP-based TP include lower-than-expected demand for electricity in Thailand and lower-than-expected water supply for hydro projects.

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 22-Jun-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.