

# B.GRIMM POWER BGRIM TB

## THAILAND / UTILITIES

**BUY**

### ปีแห่งการฟื้นตัวของอัตรากำไร

- จากต้นทุนก๊าซที่ลดลงและค่าธรรมเนียมเชื้อเพลิง (Ft) ที่สูงขึ้น เราคาดว่ากำไรปี 2023 จะพลิกฟื้นอย่างมีนัยสำคัญโดยคาดว่ากำไรต่อหุ้นในปี 2024/25 จะโต 18%/8%
- คาดว่านโยบายพลังงานที่ประนีประนอมมากขึ้นของรัฐบาลที่กำลังจะมาถึงใหม่จะเป็นประโยชน์ต่อ BGRIM ซึ่งจะหมายถึงมาตรการแทรกแซงที่น้อยลง
- เริ่ม BGRIM ใหม่ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 45 บาท (DCF)

TARGET PRICE	THB45.00
CLOSE	THB37.75
UP/DOWNSIDE	+19.2%
TP vs CONSENSUS	+1.2%

### อัตรากำไรพลิกฟื้นพร้อมศักยภาพการเติบโตในระดับสูง

BGRIM เป็นหนึ่งในบริษัทโรงไฟฟ้าขนาดเล็ก (SPP) ที่ใหญ่ที่สุดในประเทศไทย บริษัทฯ มี 74% ของกำลังการผลิตติดตั้งรวมมาจากโรงผลิตไฟฟ้าจากก๊าซธรรมชาติซึ่งใช้ราคาเชื้อเพลิงของไทย เพราะฉะนั้นกำไรของบริษัทฯ จึงมีความอ่อนไหวต่อราคาก๊าซและค่า Ft จากแนวโน้มราคาก๊าซขาลงและค่า Ft ที่ค่อนข้างสูง เราคิดว่ากำไรของบริษัทฯ ในปี 2023 จะพลิกฟื้นอย่างมีนัยสำคัญจากที่เคยขาดทุนในปีที่แล้วเป็นมีกำไร 2.6 พัน ลบ. นอกจากนี้ BGRIM ยังมีแผนการเติบโตที่ทะเยอทะยานเมื่อเทียบกับกลุ่มฯ ในการเพิ่มกำลังการผลิตติดตั้งจาก 3.6GW ใน 1Q23 เป็น 10GW ในปี 2030 ซึ่งเราคิดว่าเป็นปัจจัยหนุนกำไรระยะยาวที่สำคัญ เราคาดว่ากำไรเติบโตของกำไรต่อหุ้นจะพลิกจากที่คาดว่าจะขาดทุนในปี 2023 เป็น +18.3% ในปี 2024 และ +7.9% ในปี 2025

### แนวโน้มที่เกือหนุนจากความไม่แน่นอนของการจัดตั้งรัฐบาลใหม่

เราคิดว่าสถานะของพรรคเพื่อไทยในปัจจุบันในฐานะที่เป็นผู้นำในการจัดตั้งรัฐบาลจะเกือหนุน BGRIM เนื่องจากเพื่อไทยน่าจะมียุทธศาสตร์พลังงานเชิงรุกน้อยและจะออกมาตรการกระตุ้นเศรษฐกิจเชิงรุกมากขึ้น เราเชื่อว่าเพื่อไทยจะแทรกแซงการปรับค่า Ft ค่อนข้างน้อยซึ่งจะเป็นประโยชน์ต่อกำไรของ BGRIM นอกจากนี้เราเห็นว่ามาตรการกระตุ้นเศรษฐกิจเชิงรุกอาจเป็นประโยชน์ทางอ้อม BGRIM โดยจะเสริมความต้องการผู้ใช้ประเภทอุตสาหกรรม

### ผลประกอบการ 2Q23 และแนวโน้ม 2H23 น่าจะดีกว่าคาด

เราคาดว่าอัตรากำไรจะฟื้นตัวใน 2Q23 ส่วนมากจากราคาก๊าซที่ลดลง แม้ว่าค่า Ft จะลดลงแล้ว ตัวเลขดังกล่าวยังลดลงในอัตราที่ช้าลงและยังสูงกว่าเมื่อเทียบ y-y ใน 2Q23 กำไรสุทธิน่าจะได้ประโยชน์จากปัจจัยด้านฤดูกาลในธุรกิจโรงไฟฟ้าพลังแสงอาทิตย์ ในขณะที่ผลประกอบการของโรงไฟฟ้าพลังน้ำน่าจะดีขึ้น q-q จากปัจจัยด้านฤดูกาล ในช่วง 2H23 เราคิดว่ากำไรปรับตัวดีขึ้น h-h แม้ว่าค่า Ft จะอยู่ในแนวโน้มขาลงจากการคงอัตรากำไรของผู้ใช้ประเภทอุตสาหกรรมไว้ในระดับสูงและปัจจัยด้านฤดูกาลในธุรกิจโรงไฟฟ้าพลังน้ำ

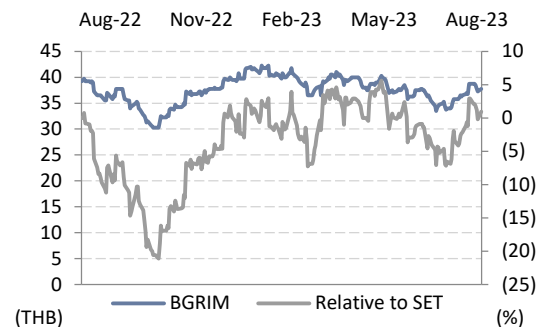
### เริ่มใหม่ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 45 บาท

เราเริ่ม BGRIM ใหม่ด้วยคำแนะนำซื้อที่ราคาเป้าหมาย 45 บาท (DCF) เราใช้ค่า WACC ที่ 5.9% ซึ่งคิดจาก Cost of equity ที่ 12% และ Cost of debt ที่ 4% ราคาเป้าหมายของเราประกอบด้วยค่าประเมินมูลค่าของโครงการทั้งในปัจจุบันและที่อาจเกิดขึ้นในอนาคต เราคิดมูลค่าโครงการในปัจจุบันได้ที่ 34 บาทต่อหุ้นและโครงการที่อาจเกิดขึ้นในอนาคตไว้ที่ 11 บาท การประเมินมูลค่าของเรามีความเสี่ยงประกอบด้วย: 1) ความผันผวนของราคาก๊าซและค่า Ft; 2) การปิดซ่อมบำรุงนอกแผน; และ 3) ความล่าช้าในการพัฒนาโครงการ

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	62,395	59,012	62,261	64,848
Net profit	(1,244)	2,558	3,026	3,265
EPS (THB)	(0.48)	0.98	1.16	1.25
vs Consensus (%)	-	12.5	5.7	(4.1)
EBITDA	8,914	14,242	15,383	16,291
Core net profit	(1,244)	2,558	3,026	3,265
Core EPS (THB)	(0.48)	0.98	1.16	1.25
EPS growth (%)	nm	nm	18.3	7.9

Core P/E (x)	(79.1)	38.5	32.5	30.1
Dividend yield (%)	0.2	1.2	1.4	1.5
EV/EBITDA (x)	22.1	13.0	11.9	11.0
Price/book (x)	3.3	2.6	2.6	2.5
Net debt/Equity (%)	204.3	143.8	129.6	111.6
ROE (%)	(4.2)	7.6	8.0	8.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	11.0	(3.2)	(2.6)
Relative to country (%)	8.0	(3.2)	1.8
Mkt cap (USD m)	2,824		
3m avg. daily turnover (USD m)	7.4		
Free float (%)	31		
Major shareholder	Mr. Harald Link (24%)		
12m high/low (THB)	42.75/30.00		
Issued shares (m)	2,606.90		

**Kwanwaree Apichartsatporn**

Analyst register no. 117055

kwanwaree.a@fssia.com, +66 2646 9968

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

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 8 สิงหาคม 2023



**Kwanwaree Apichartsatporn**

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kwanwaree.a@fssia.com, +66 2646 9968

### Investment thesis

BGRIM is one of the largest small power producers (SPPs) in Thailand with a current installed capacity of 3,568MW. It aims to increase that capacity to 10,000MW in 2030 from both organic and inorganic growth. We think BGRIM is attractive for an earnings turnaround and margin recovery that we project in the next few years. We estimate 2023 net profit to increase to THB2.6b from lower gas costs and a higher fuel tariff (Ft), turning around from a loss of THB1.2b in 2022. We expect EPS to grow by 18.3% in 2024 and 7.9% in 2025.

In addition, we believe the change in the government coalition leader from Move Forward to Pheu Thai will be a key driver for BGRIM. We are safe to assume no government intervention in this Ft round (Sep-Dec 2023). BGRIM could also indirectly benefit from more aggressive stimulus packages from Pheu Thai, which may increase industrial user demand. For 2H23, we believe earnings will continue to improve h-h.

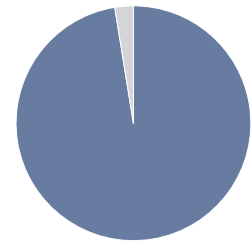
### Company profile

BGRIM is a holding company investing in electricity generating businesses of small power producers with major gas-fired and renewable power assets in Thailand and eight other countries.

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

### Principal activities (revenue, 2022)

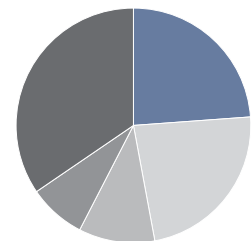
- Electricity generation - 97.5 %
- Others business - 2.5 %



Source: B.Grimm Power

### Major shareholders

- Mr. Harald Link - 23.8 %
- UBS AG Singapore Branch - 23.2 %
- B. Grimm Power (Singapore) Pte Ltd - 10.5 %
- B. Grimm Power Joint Venture Holding - 7.9 %
- Others - 34.5 %



Source: B.Grimm Power

### Catalysts

Key potential catalysts are 1) falling gas prices; 2) a higher-than-expected Ft; 3) potential new industrial user demand; and 4) new M&As.

### Risks to our call

The downside risks to our DCF-based TP include 1) the volatility of gas costs and Ft rates; 2) lower-than-expected industrial user demand; and 3) unplanned shutdowns.

### Event calendar

Date	Event
11 August 2023	2Q23 financial results announcement
15 August 2023	2Q23 analyst meeting
Mid-November 2023	3Q23 financial results announcement
Mid-November 2023	3Q23 analyst meeting

### Key assumptions

	Unit	2021	2022	2023E	2024E	2025E
SPP gas price	(THB/mmbtu)	266	476	405	370	360
Ft	(THB/kWh)	(0.15)	0.40	1.04	0.60	0.40
<b>Sales volume</b>						
EGAT	(GWh)	9,701	8,888	8,609	9,661	9,634
IU	(GWh)	3,314	3,384	3,675	4,297	5,398
Steam (kt)	(GWh)	989,202	754,215	864,927	971,203	977,563

Source: FSSIA estimates

### Earnings sensitivity

- We estimate that a THB1/mmbtu decrease in the gas price would increase 2023 net profit by THB18m per annum and vice versa, all else being equal.
- We estimate that a THB0.01/kWh decrease in the Ft would decrease 2023 net profit by THB21m per annum and vice versa, all else being equal.

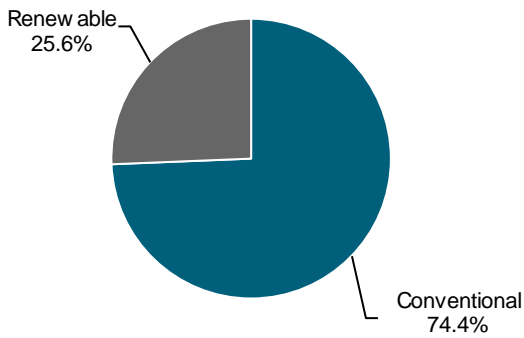
Source: FSSIA estimates



## A leading small power producer in Thailand

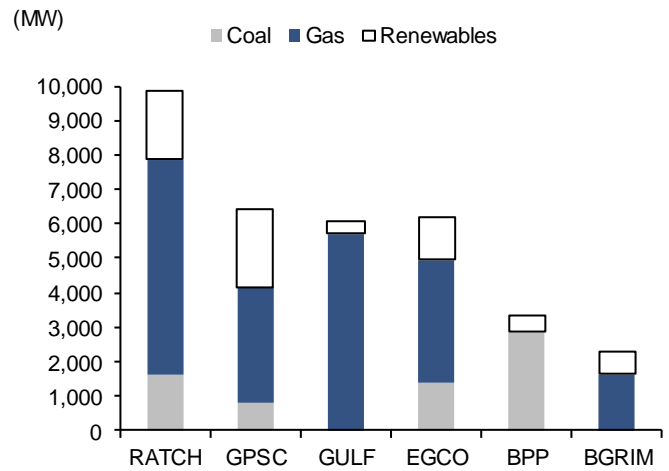
B.Grimm Power is a leading small power producer (SPP) and one of the largest private power producers in Thailand with a current total installed capacity of 3,568MW and a target to increase its capacity to 10,000MW in 2030. The total installed capacity can be broken down into 74% conventional (natural gas powered) and 26% renewable (including solar, wind and hydro).

**Exhibit 1: Capacity breakdown by fuel type**



Source: BGRIM

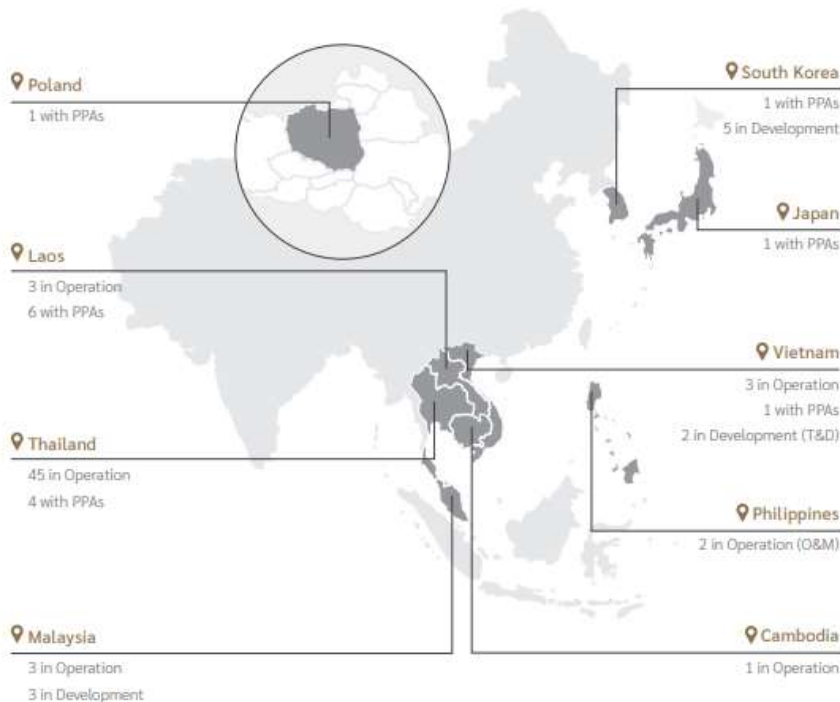
**Exhibit 2: Equity capacity breakdown by fuel type**



Sources: RATCH, GPSC, GULF, EGCO, BPP, BGRIM

The company has a footprint spanning nine countries and aims to explore more opportunities in new regions. Current existing and developing projects are in Thailand, Vietnam, Laos, Malaysia, South Korea, Poland, Japan, Cambodia, and the Philippines. However, the majority of its capacity (78%) is still in Thailand as of April 2023. BGRIM's business portfolio in Thailand consist of SPPs, renewables and rooftop solar power.

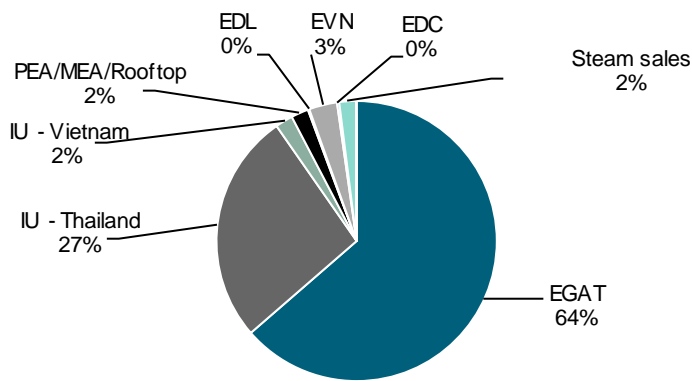
**Exhibit 3: BGRIM's business footprint in different regions**



Source: BGRIM

In terms of revenue structure, there are two main sources of income that account for over 90% of total revenue. The first is revenue from the Electricity Generating Authority of Thailand (EGAT; ~64% of total revenue). In this case, the income is based on a cost-pass through mechanism power purchase agreement (PPA). The second is revenue from industrial users (IUs; ~27% of total revenue). The earnings model is based on a selling price discount to the national grid price. The national grid price varies depending on the fuel tariff (Ft), which is a variable comprised of energy costs and FX and is usually adjusted every four months with some lag time to the actual cost movement. This leads to margin squeezes during energy cost uptrends and margin expansion during cost downtrends, given no government interventions. Therefore, BGRIM's profitability is normally determined by IU performance, which relies heavily on the Ft and gas costs. The remaining revenue is mostly from renewable energy both in Thailand and overseas. This mostly has a fixed price base, and earnings depend on the capacity factors of the plants or seasonality.

**Exhibit 4: Revenue breakdown by customers**



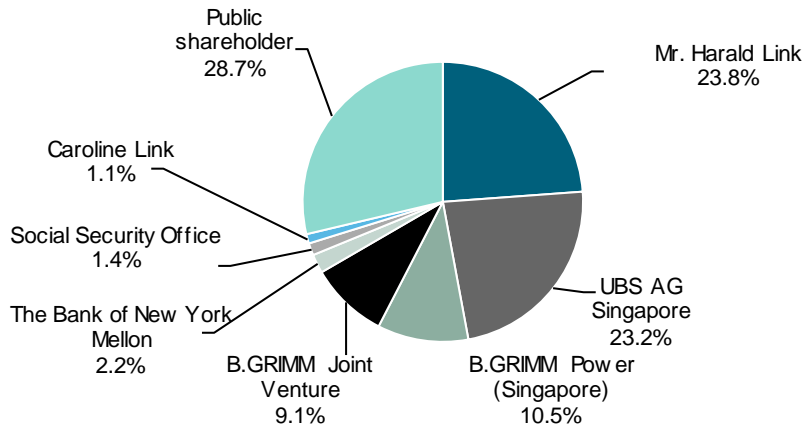
Note: PEA = Provincial Electricity Authority, MEA = Metropolitan Electricity Authority, EDL = Electricite du Laos, EVN = Electricity of Vietnam, and EDC = Electricite du Cambodia  
 Source: BGRIM

### One of Thailand's early private power producers

Founded by Mr. Harald Link in 1993, BGRIM is a pioneer in Thailand's private power generation industry. BGRIM participated in the first SPP scheme in Thailand by setting up Amata B.Grimm Power, a joint venture between B.Grimm Power (51%) and Amata Corporation (49%, a renowned industrial estate company in Thailand), to develop SPPs in industrial estates selling to EGAT and IUs. Since then, the company has been growing and was listed on the Stock Exchange of Thailand (SET) on 19 July 2017.

BGRIM's shares are majority owned by Mr. Harald Link and family, directly and indirectly owning shares of around 68%. The rest are held by public shareholders.

### Exhibit 5: BGRIM's shareholder structure



Source: Stock Exchange of Thailand (SET)

### A part of Thailand's oldest conglomerate

The company is a part of Thailand's oldest conglomerate, B. Grimm Group. The history of the group dates back to 1878 or 145 years ago. The company started as a pharmaceutical company, Siam Dispensary – one of the earliest European Modern Pharmacies. Then, B. Grimm Group evolved itself to become a large conglomerate in Thailand engaging in various businesses including energy (B.Grimm Power), industrial, healthcare, lifestyle, transport and real estate.

### Exhibit 6: History of BGRIM



Source: BGRIM

## Margin turnaround with high potential growth

### Lower gas costs and higher selling prices are key earnings drivers

BGRIM's earnings are highly sensitive to the gas price and Ft. Therefore, based on our forecast of a lower gas price and the higher Ft in 2023, we expect BGRIM's earnings and margin to turn around in 2023. We expect earnings to steadily grow in 2024-25, led by a healthy IU margin, potential capacity growth and normalising gas prices.

Our 2023-25 key earnings assumption highlights are: 1) a gas price which has passed its peak in 2022; 2) a normalising Ft; and 3) a higher sales volume from new IU customers and new capacity.

#### Exhibit 7: Key earnings drivers

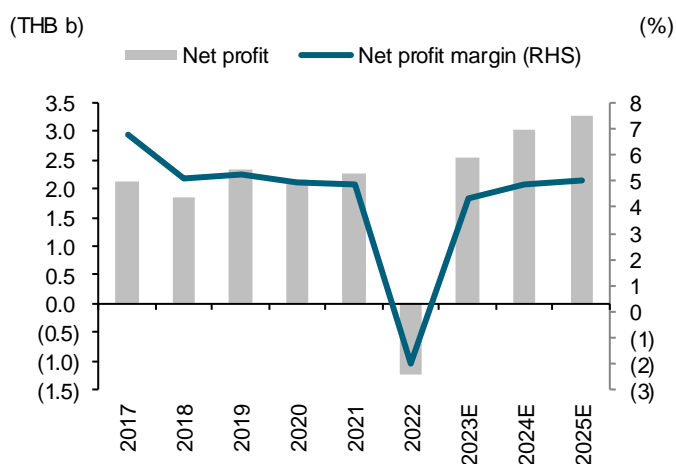
Key earnings drivers	Unit	2020	2021	2022	2023E	2024E	2025E
SPP gas price	(THB/mmbtu)	244	266	476	405	370	360
Ft	(THB/kWh)	(0.12)	(0.15)	0.40	1.04	0.60	0.40
<b>Sales volume</b>							
EGAT	(GWh)	9,714	9,701	8,888	8,609	9,661	9,634
IU	(GWh)	2,821	3,314	3,384	3,675	4,297	5,398
Steam (kt)	(GWh)	907,305	989,202	754,215	864,927	971,203	977,563

Sources: BGRIM, MEA, FSSIA's estimates

We estimate BGRIM's 2023 net profit to significantly turn around from a loss of THB1.2b in 2022 to THB2.6b. This is mainly owing to our assumption of the 2023 average gas price to be at THB405/mmbtu, down by THB71/mmbtu y-y. The actual 2023 average Ft is THB1.04/kWh (+THB0.64/kWh y-y), based on the recent Energy Regulatory Commission (ERC) announcement for the Sep-Dec 2023 Ft to be at THB0.6689/kWh (-THB0.2430/kWh compared to the May-Aug 2023 Ft). Furthermore, there should be additional growth in 2023 from the scheduled commercial operation date (SCOD) of one replacement power plant (BGPM2R, COD in Mar-23) and two new SPPs (BGPAT 2&3, SCOD in 2H23) for consolidated capacity. These would increase the installed capacity by 420MW or an equity capacity of 294MW. Besides this consolidated capacity, there are two additional solar projects (90MW, holding 40.6%) from an acquisition in Malaysia to help support share of profits this year.

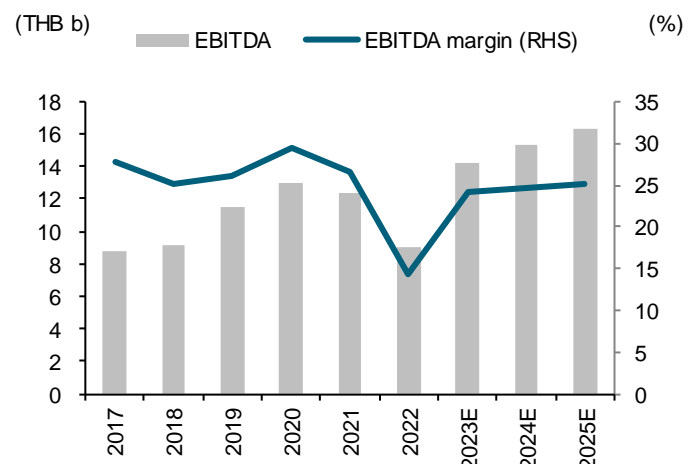
For 2024-25, we expect that BGRIM's earnings will continue to grow from maintaining a healthy IU margin, normalising gas costs, new IU customers and new additional capacity. We estimate 2024-25 EPS growth at 18.3% and 7.9%, respectively.

#### Exhibit 8: Net profit and net profit margin



Sources: BGRIM, FSSIA estimates

#### Exhibit 9: EBITDA and EBITDA margin



Sources: BGRIM, FSSIA estimates

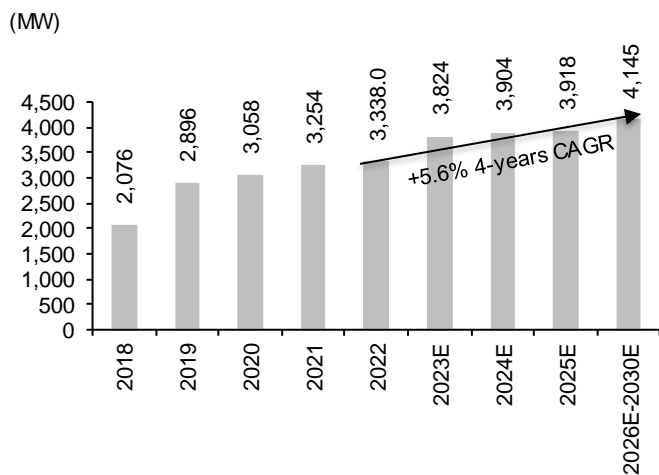


### Potential growth beyond 2023 – 10,000 MW target in 2030, >50% renewable

We believe BGRIM has one of the highest growth opportunities compared to peers with its target to increase its total installed capacity to 10,000MW by 2030, with >50% of the target capacity being renewable. This implies a 15% 8-year CAGR for its potential growth. Consequently, we expect BGRIM to actively seek new M&A opportunities in green field renewable projects. BGRIM’s strategic expansion plan is to look for opportunities both domestically and overseas.

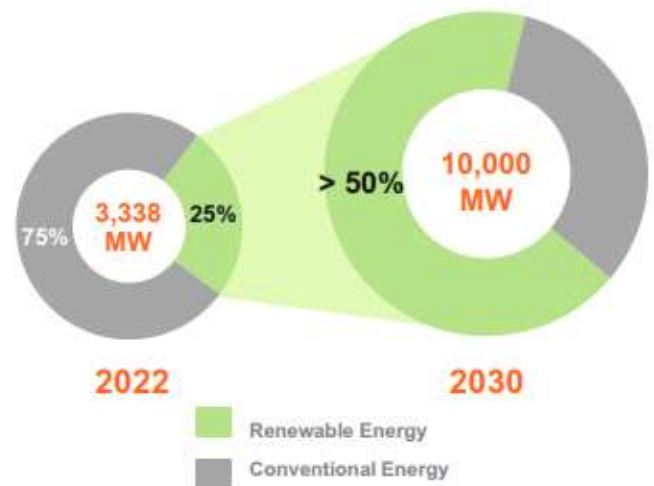
In the near term, BGRIM is awaiting more renewable project capacity to be granted from the second round of bidding offered under Thailand’s Power Development Plan (PDP) 2018Rev1, with a total capacity of 3,668MW – solar 2,632MW, wind 1,000MW, industrial waste 30MW, and biogas 6.5MW. In this phase, the ERC will prioritise applicants which did not pass the qualification criteria in the last round. In the first round – winners announced in April 2023 – BGRIM was awarded 339.3MW, consisting of solar (323.3MW) and wind (16MW), SCOD 2026-30. We expect these projects to contribute a net profit of ~THB0.2b-0.23b annually. However, the awarded projects are a fragment of the total projects that BGRIM has submitted. Therefore, BGRIM is now planning to submit another ~500MW in this round of bidding. We expect to see the result by the end of 2023.

**Exhibit 10: Total installed capacity based on existing PPAs**



Source: BGRIM

**Exhibit 11: Ambitious plan to grow installed capacity to 10GW with >50% of capacity in renewables**



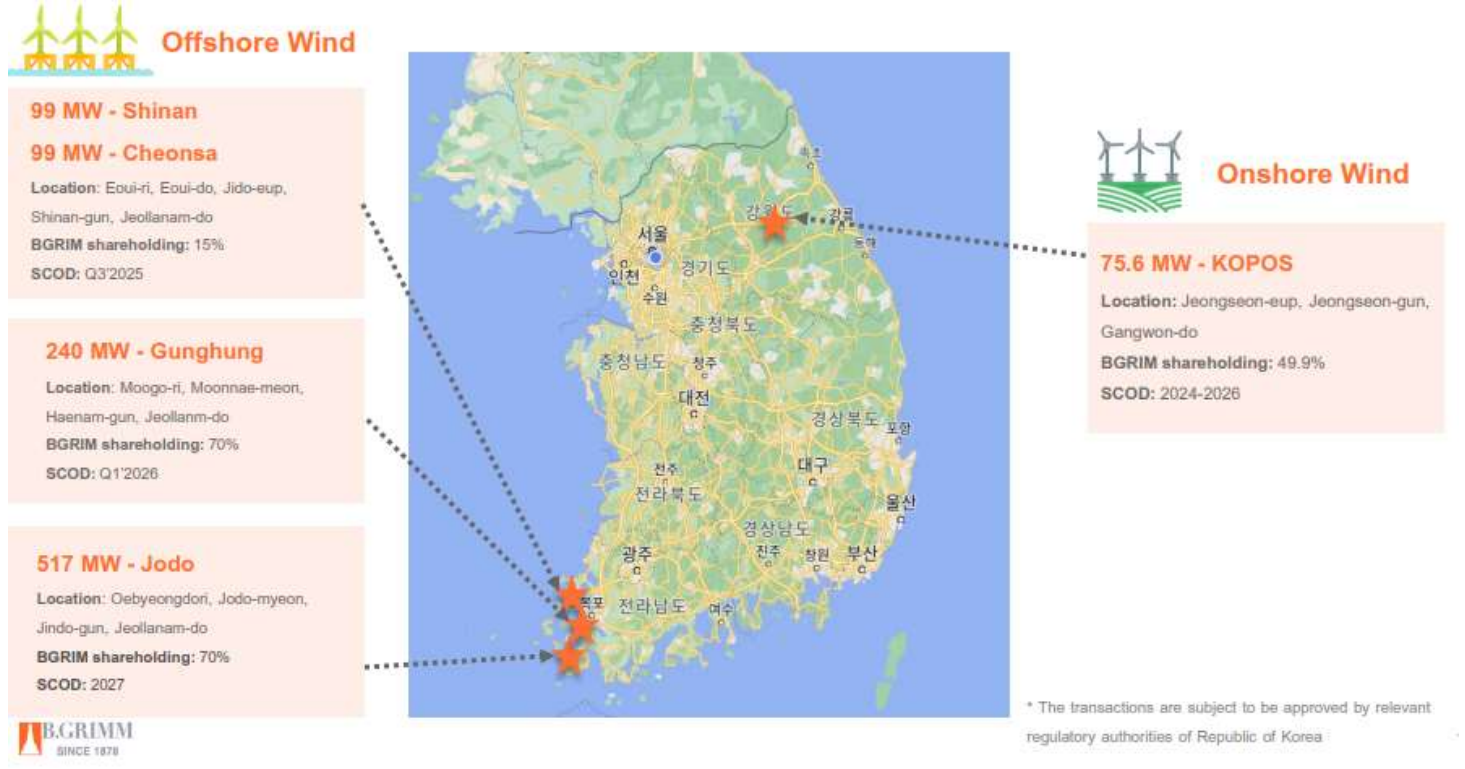
Source: BGRIM

**Exhibit 12: Potential new projects for development**

**Thailand – Awarded 339MW from Thailand’s renewable scheme 2022-30**

Thailand's renewables	Tariff	PPA	2026	2027	2028	2029	2030	Total
	(THB/kWh)	(years)	(MW)	(MW)	(MW)	(MW)	(MW)	(MW)
Wind	3.1014	25	-	-	-	-	16	16
Solar	2.1679	25	10	169	134	-	10	323
<b>Total</b>			<b>10</b>	<b>169</b>	<b>134</b>	<b>-</b>	<b>26</b>	<b>339</b>

**South Korea – Investment in offshore and onshore wind**



Source: BGRIM

**Exhibit 13: Developing projects**

Power plants	Location	Fuel Type	% Ownership	COD	--- Electricity Capacity ---		EGAT/ EDL / EVN /TNB/ PPA	
					Installed	Equity	Contract	Tenor years
			(%)		(MW)	(MW)	(MW)	(years)
BGPAT2	World Food Valley	Gas	70%	2023	140	98	90	25
BGPAT3	World Food Valley	Gas	70%	2023	140	98	90	25
GIFU	Japan	Solar	49%	2024	20	9.8	20 <sup>4)</sup>	17 remaining
U-Tapao (Phase1)	U-Tapao International Airport (Rayong)	Hybrid (Solar+ESS)	100%	2024	18+50MWh	18+50MWh	15+50MWh <sup>1</sup>	25
U-Tapao (Phase2)	U-Tapao International Airport (Rayong)	Hybrid (Gas)	100%	2024	80	80	80 <sup>1)</sup>	25
KOPOS	South Korea	Wind	50%	2024	20	10	20 <sup>5)</sup>	20
Huong Hoa 1	Vietnam	Wind	80%	2025	48	38.4	48	20
Tadsakhoi	Laos	Hydro	70%	2026	30	21	30	25
Nam Khao 1 - 5	Laos	Hydro	72%	2026-2030	68	49	68	25
ZEL1	Poland	Wind	90%	2030	14	13	14 <sup>2)</sup>	10 <sup>3)</sup>

Note:

- 1) PPA contract with Sattahip Electricity Authority, The Royal Thai Navy Welfare Concession (SEA)
- 2) PPA contract with Visa Vento which will then sell to IUs with long-term contracts matching the PPA
- 3) With an option for another 10 years
- 4) PPA contract with Kansai Transmission and Distribution Co.
- 5) PPA contract with Korea Midland Power Limited

Source: BGRIM



## Favourable outlook on uncertainty of Thai government coalition

We believe the longer the uncertainty lasts over the Thai government coalition, the more positive it will be for the power sector, especially for SPPs, as that means no interventions in electricity prices and energy policies. However, it would only be a benefit in the short to medium term, while EGAT still needs to collect the accumulated factor (AF), a component of the Ft representing the difference between the actual Ft (based on actual costs) and the announced Ft, to repay its debt. EGAT has absorbed and subsidised the Ft through AF during the period of high-energy costs from the end of 2021-22 so greatly that its current outstanding debt is >THB100b as of Apr-23. The announced Sep-23 to Dec-23 Ft contains an AF of ~THB0.3831/kWh which has increased from THB0.2782/kWh in Apr-23 to Aug-23. This should help reduce EGAT's debt to THB111.9b by the end of Dec-23. EGAT expects to recover the outstanding debt related to the subsidies by Apr-25. Therefore, less government intervention in Ft adjustments would provide the ERC more authority and flexibility to return money to EGAT. This would in turn benefit SPPs and BGRIM.

### Pheu Thai is now the coalition leader – likely favourable for BGRIM

With Pheu Thai currently being the new government coalition leader, it seems like there will be no Move Forward party in the picture. This is another favourable factor for SPPs and BGRIM, in our view, as Pheu Thai has less aggressive energy policies and more aggressive economic stimulus packages, according to its campaign. We believe Pheu Thai, in forming the government, would undertake relatively mild interventions in electricity prices, following its more compromising energy policy and the falling energy costs.

### Exhibit 14: Pheu Thai party vs Move Forward party – economy and energy policy comparisons

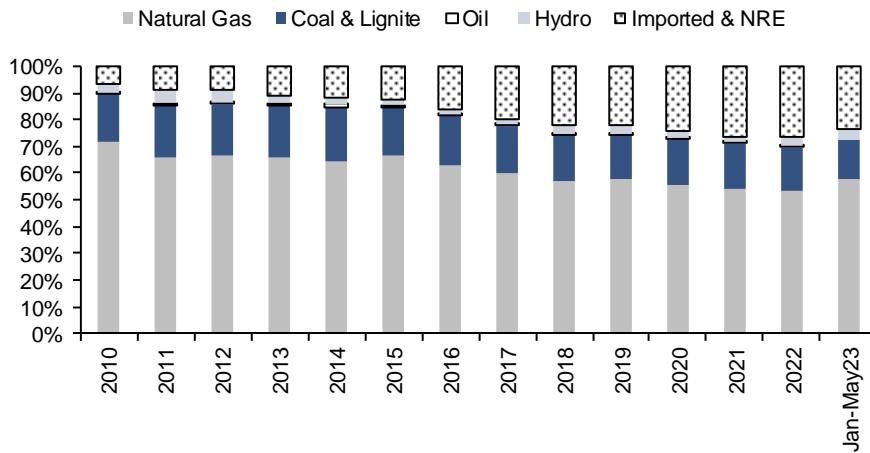
Move Forward Party	Topic	Pheu Thai Party
Immediately raise wages to 450 baht, adjusting for inflation every year.	Economy	Increasing minimum wage to 600 baht per day before 2027.
Issue lottery receipts for Thai SMEs.		Individuals with bachelor's degrees and civil servants minimum starting salary of 25,000 baht.
Reduce Ft by at least 70 satang per unit (average 150 baht per house), with major capital concessions under a new energy sales agreement.	Energy	Adjust the price of oil and electricity immediately.
Prioritise individuals in the local communities over capital groups and minimise gas imports.		Expedite the discussions on overlapping territories, incorporate natural gas production, and boost government revenue.
Liberalise the renewables market to allow the private sector and social initiatives to purchase electricity from renewable energy sources.		Supporting clean energy, reducing dependence on traditional energy sources.

Sources: PPTV, The Standard

### Background on the abnormally high electricity price

Since the end of 2021, several factors have affected global energy prices, especially the gas price (a major source of fuel for power generation, ~58% as of Jan-May 2023). This includes the volatility of 1) LNG spot prices during geopolitical turmoil in 2022; and 2) lower cheap domestic gas production in the Gulf of Thailand during the transition period of the G1/61 petroleum block between Chevron and PTT Exploration and Production (PTTEP TB, NR). This has forced Thailand to increase its proportion of import spot LNG (expensive) to meet the country's demand. This has pressured Thailand's energy pool price, the actual energy price for Thai power plants, on the uptrend during the past year.

**Exhibit 15: Breakdown of Thailand's power generation by fuel type**



Source: Energy Policy and Planning Office (EPPO)

**Exhibit 16: Energy pool price components and pricing formula**

Gas type	Price formula
Gulf gas	Link to fuel oil price adjust every 6 or 12 months based on 6 or 12 months average
Myanmar gas	Link to fuel oil price adjust every 3 months based on LTM
Long-term contract LNG	JCC 3-5 months lag time
Spot LNG	Spot JKM LNG price 45 days lag time

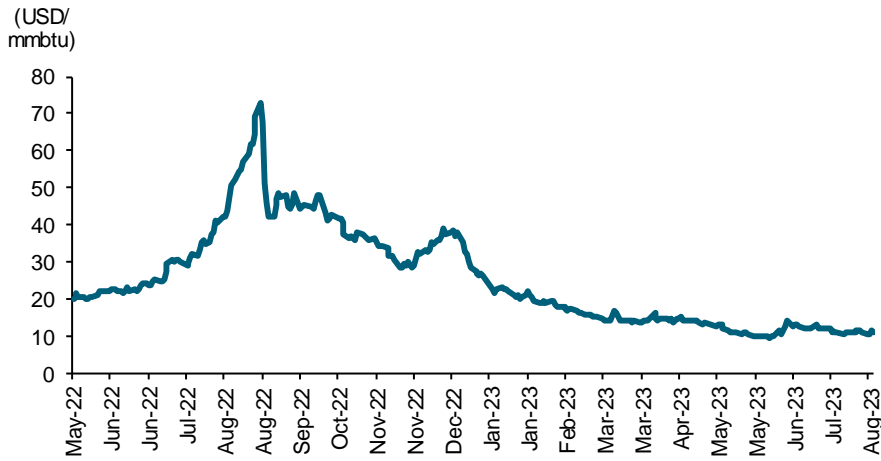
Source: PTT

**Ft could automatically drop in line with falling energy costs, given no government interventions**

However, spot LNG has been normalising. The average MTD benchmark spot LNG price is ~USD11.3/mmbtu, which decreased significantly from the peak last year of over USD70/mmbtu. With PTTEP ramping up production of G1/61 (Erawan), this should help reduce Thailand's energy pool price by adding cheap gulf gas into the pool portion. Therefore, the Ft could automatically drop in line with the lower energy costs without any intervention. This would put less pressure on Pheu Thai to take action on the electricity price.

According to the ERC, for every USD1/mmbtu change in the LNG price, the Ft could change THB0.23-0.30/kWh. Therefore, if we assume an average LNG price of USD14/mmbtu during Sep-Dec 2023, the announced Ft could automatically drop by THB0.3/kWh, assuming that other factors are constant. Hence, the ERC dropped the recently announced Ft by THB0.2430/kWh while increasing the AF to return money to EGAT for this round.

**Exhibit 17: LNG price**



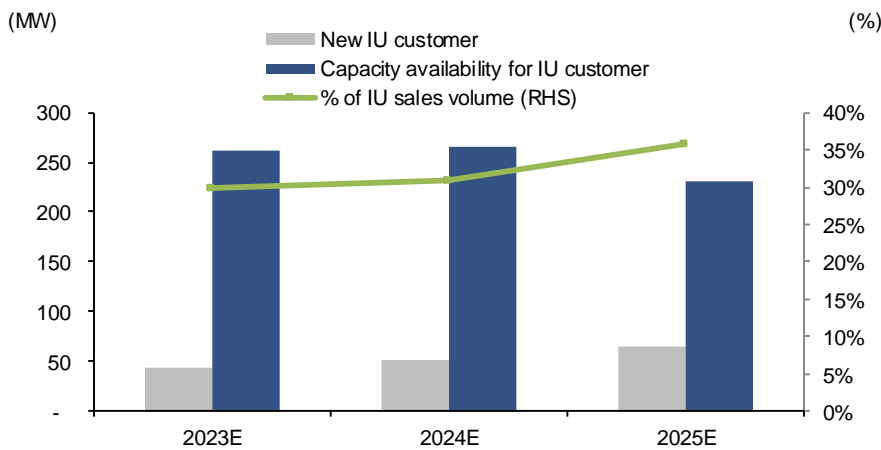
Source: Bloomberg

**Indirect benefit for BGRIM through Pheu Thai’s aggressive economic stimulus packages**

On top of policies or factors related to energy prices, we believe Pheu Thai, as a renowned political party for solving economic problems, will put its priority on implementing its aggressive economic stimulus packages. These could indirectly benefit BGRIM by increasing new IU demand and enhancing the utilisation of its existing IU customers, in our view.

BGRIM currently has significant room to expand to new IU customers from its five new replacement plants and two new SPPs because of additional capacity and less EGAT contracted capacity. We estimate that BGRIM’s capacity availability for new IU customers would be 260MW, once all the replacement and new SPP plants are in place. The availability would mainly come from the replacement plant BGPM 1&2 (Asia Industrial Estate in Map Ta Phut, Capacity 280MW from 124MW) and the new SPP plants BGAT 2&3 (World Food Valley in Anghong, Capacity 280MW), which all have SCOD in 2023. BGRIM estimates that 50-60MW of new IU customer capacity will be added this year.

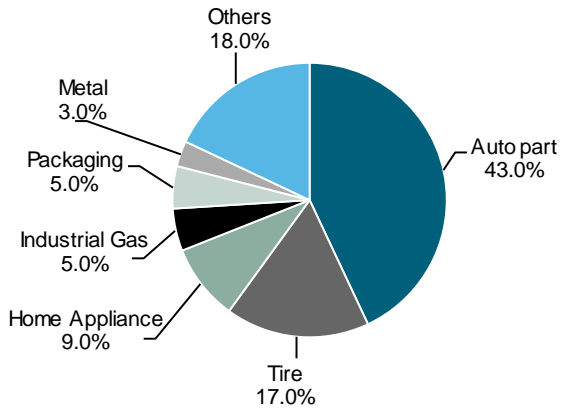
**Exhibit 18: BGRIM’s capacity availability for new IU customers vs our estimates for additional IU customers**



Source: FSSIA estimates

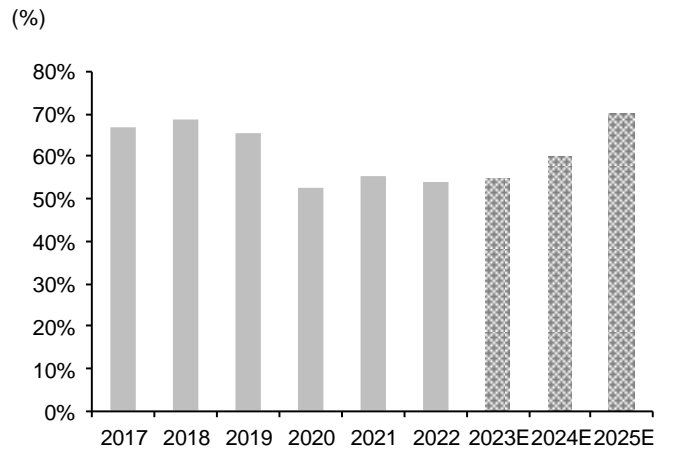
Moreover, on the utilisation of its existing IU customers, BGRIM’s IU PPAs are based on a take-or-pay mechanism, with most having a minimum take of ~65%. However, there were some shortfalls during the Covid-19 period. We expect this IU capacity factor will gradually increase along with the domestic and global economic recovery, and could potentially accelerate even higher from the new government’s economic stimulus packages.

**Exhibit 19: IU volume breakdown by sector**



Source: BGRIM

**Exhibit 20: IU capacity factor – still has room to grow**



Sources: BGRIM, FSSIA estimates

## Better 2Q23E with improvements expected h-h in 2H23

### 2Q23 net profit to improve q-q and y-y to THB0.68b from higher margins

We expect BGRIM to report an improved net profit of THB0.68b, increasing 71% q-q and turning around from a loss of THB0.19b in 2Q22. Key improvements in this quarter would mainly come from higher IU and EGAT margins, while other businesses should see mixed performances (i.e. solar, wind and hydro). The increased margin would mainly come from the lower gas cost, while the Ft declined at a slower rate. We expect the 2Q23 gas price to be at THB403/mmbtu, decreasing both q-q and y-y from THB483/mmbtu in 1Q23 and from THB422/mmbtu in 2Q22. Meanwhile, the 2Q23 average Ft dropped by THB0.43/kWh q-q but increased almost THB1/kWh y-y. If we exclude unrealised FX losses and other adjustments, 2Q23E core profit would be at THB0.69b (+83% q-q and +373% y-y). 2Q23E EBITDA is at THB3.63b (+11% q-q and +44% y-y) and we expect the EBITDA margin to improve from 21% in 1Q23 to 23% in 2Q23. 1H23E earnings account for 42% of our 2023E net profit.

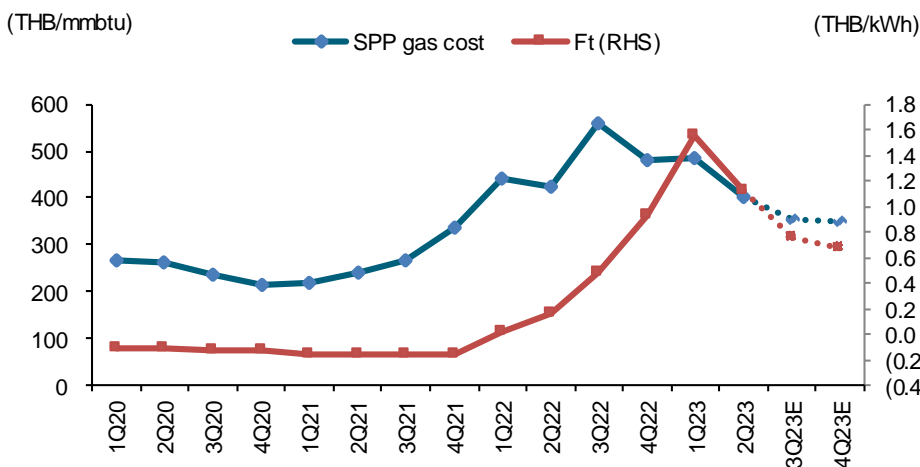
### Revenue to be flat q-q despite lower electricity price due to higher sales volume

2Q23 revenue should remain flat q-q at THB15.8b, while the average electricity price would be lower due to the declining Ft. We expect to see a higher q-q EGAT sales volume (+7% q-q) from the full-quarter sales volume contribution of the Map Ta Phut replacement power plant that just started commercial operations in Mar-23. Meanwhile, we expect the IU sales volume to dip 2% q-q in 2Q23 from seasonality. Therefore, the 2Q23E total sales volume would moderately increase q-q to offset the lower average selling price. However, 2Q23E revenue from other businesses (i.e Thai solar, Vietnam solar, and Laos hydro) should show mix performances from seasonality, but fully offset one another to remain flat q-q.

### 2H23 outlook – maintaining a healthy margin, net profit to improve h-h

We expect the 2H23 SPP gas price to be THB353/mmbtu, decreasing from 1H23E by ~THB90/mmbtu h-h. Simultaneously, the average 2H23 Ft would be down by THB0.6273/kWh h-h to THB0.7094/kWh, based on ERC’s recent announcement of the Sep-Dec 2023 Ft at THB0.6689/kWh (lower by THB0.2430/kWh from the May-Aug 2023 Ft). According to the company’s guidance on gas price and Ft earnings sensitivity, a THB1/mmbtu decrease in the gas price would increase net profit by THB0.018b, and a THB0.01/kWh decrease in the Ft would decrease net profit by THB0.021b, per annum. This can imply that BGRIM could carry its healthy margin in 2Q23E on to 2H23, despite falling electricity selling prices. Therefore, we expect 2H23 net profit to increase h-h. In addition, there are new IU customers with ~30-40MW of capacity waiting to integrate in 2H23. This should marginally help drive IU performance.

### Exhibit 21: Gas price vs Ft – lower gas price and Ft in 2H23



Sources: BGRIM, MEA, FSSIA estimates



## Exhibit 22: 2Q23 results preview

	2Q23E	2Q22	Change	1Q23	Change	2023E	% of 23
	(THB m)	(THB m)	(y-y %)	(THB m)	(q-q %)	(THB m)	(%)
Revenue	15,817	14,676	8	15,750	0	59,012	53
Gross profit	2,768	1,693	64	2,349	18	10,357	49
SG&A	(460)	(453)	2	(537)	(14)	(1,989)	50
Operating profit	2,308	1,240	86	1,812	27	8,369	49
Interest expense	(1,167)	(960)	22	(1,191)	(2)	(4,731)	50
Pretax profit	1,261	(127)	n.m.	807	56	4,212	49
Forex gain(loss)	(110)	(473)	n.m.	66	(266)	0	n.m.
Net profit	681	(193)	n.m.	399	71	2,558	42
NNP adjustment	(14)	(340)	(96)	20	(172)	0	n.m.
Normalised net profit	695	147	373	379	83	2,558	42
EBITDA	3,625	2,516	44	3,273	11	14,242	47
<b>Margin (%)</b>							
Gross profit margin	17.5	11.5		14.9		17.6	
Net profit margin	4.3	(1.3)		2.5		4.3	
NNP margin	4.4	1.0		2.4		4.3	
EBITDA margin	22.9	17.1		20.8		24.1	
<b>Sales volume breakdown (GWh)</b>							
EGAT	2,266	2,296	(1)	2,116	7	8,609	52
IUs - Thailand	833	858	(3)	848	(2)	3,675	47
Steam (kt)	218	192	13	195	12	865	50
<b>Profit drivers</b>							
Electricity to IU - Thailand (THB/kWh)	4.54	3.54	28	4.96	(9)	4.32	
Steam to IU - Thailand (THB/tonne)	1,473	1,332	11	1,550	(5)	1,157	
Ft (THB/kWh)	1.12	0.17	562	1.55	(27)	1.04	
Gas cost (THB/mmbtu)	403	422	(4)	483	(17)	405	

Sources: BGRIM, FSSIA's estimates

## Valuations

We reinitiate coverage of BGRIM with a BUY rating. Our TP is at 45/share, based on a DCF valuation, providing an upside of 19.2%. Our TP implies a 12-month forward P/E of 37.9x, slightly below its long-term average level. We use a WACC discount rate of 5.9%, calculated from 12% cost of equity and 4% cost of debt. Our TP includes valuations of both existing and future potential projects. We value existing projects at THB34/share and future potential projects at THB11/share.

The share price is now trading at P/E and EV/EBITDA multiples below its long-term averages. We think that with a brighter earnings outlook going forward (2H23-2025E) and easing political concerns, the share price has an upside to increase further.

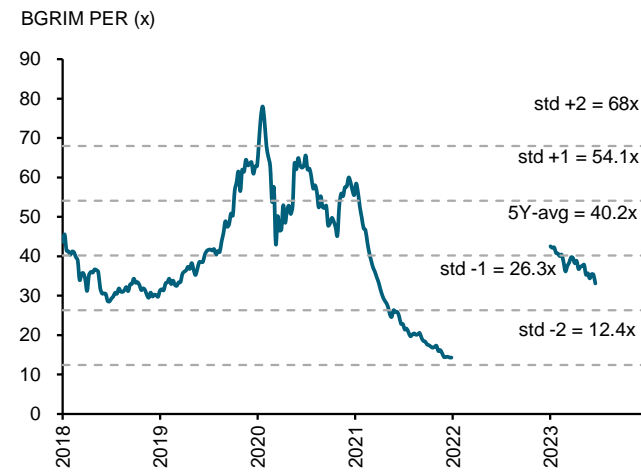
Risks to our valuation include: 1) the volatility of gas prices and the Ft; 2) unplanned shutdowns; and 3) project development delays.

### Exhibit 23: Cost of equity assumptions

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		

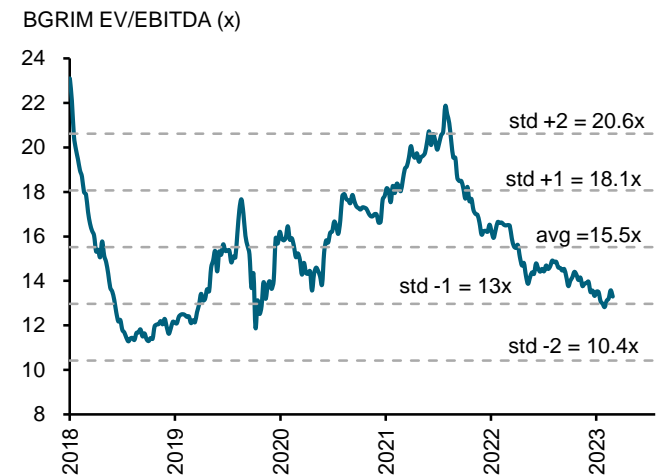
Source: FSSIA estimates

### Exhibit 24: 12-month forward P/E band



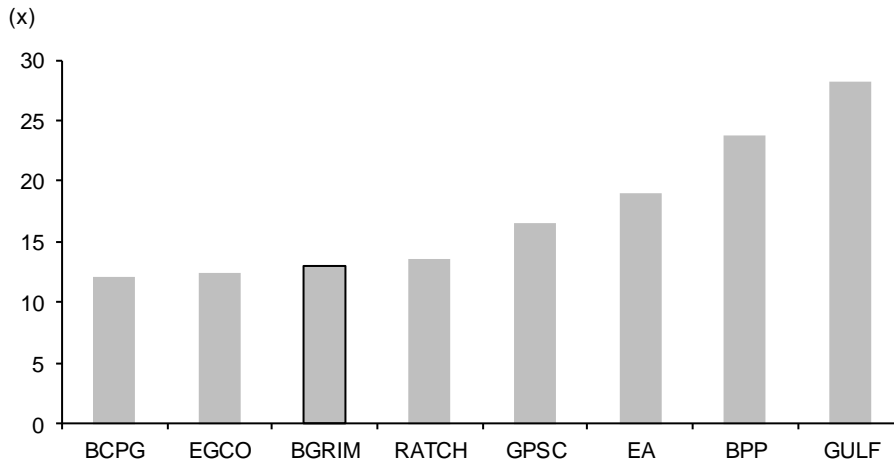
Sources: Bloomberg, FSSIA estimates

### Exhibit 25: EV/EBITDA band



Sources: Bloomberg, FSSIA estimates

## Exhibit 26: 2023E EV/EBITDA comparison



Sources: Bloomberg, FSSIA estimates

## Exhibit 27: Key valuations as of 7 Aug-23

Company	BBG	Rec	Share		Up	Market	3Y EPS	PE		ROE		PBV		EV/EBITDA	
			Price	Target				23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(USD m)	(%)	(x)	(x)	(%)	(%)	(x)	(x)	(x)	(x)
<b>Thailand</b>															
Gulf Energy Development	GULF TB	BUY	49.25	52.30	6	16,583	25.3	35.2	29.1	14.2	15.8	4.8	4.4	28.6	25.5
BCPG	BCPG TB	BUY	9.50	15.10	59	793	1.7	16.0	13.9	5.8	6.5	0.9	0.9	12.2	11.2
B Grimm Power	BGRIM TB	BUY	37.75	45.00	19	2,824	(237.7)	38.5	32.5	7.6	8.0	2.6	2.6	13.0	11.9
Energy Absolute	EA TB	n/a	58.00	n/a	n/a	6,203	15.3	25.2	23.7	18.4	16.9	4.6	4.0	18.9	17.4
Global Power Synergy	GPSC TB	n/a	55.00	n/a	n/a	4,426	271.2	28.1	22.2	4.9	6.1	1.4	1.4	16.6	14.0
Ratch Group	RATCH TB	n/a	35.75	n/a	n/a	2,245	13.2	10.0	8.8	7.5	8.1	0.7	0.7	13.7	13.4
Electricity Generating	EGCO TB	n/a	131.50	n/a	n/a	1,985	21.6	6.9	6.8	8.2	7.6	0.5	0.5	12.5	12.9
Banpu Power	BPP TB	n/a	14.40	n/a	n/a	1,258	(8.6)	11.3	11.3	7.7	7.4	0.9	0.8	23.7	11.8
CK Power	CKP TB	n/a	3.32	n/a	n/a	778	(5.0)	19.6	15.9	5.4	6.1	1.0	0.9	15.7	15.2
Gunkul Engineering	GUNKUL TB	n/a	3.34	n/a	n/a	851	15.1	16.7	15.2	12.3	13.2	2.0	1.9	10.1	11.8
Absolute Clean Energy	ACE TB	n/a	1.81	n/a	n/a	523	21.4	15.1	10.6	9.0	11.0	1.2	1.1	10.3	6.1
<b>Thailand avg</b>						<b>38,470</b>	<b>22.3</b>	<b>20.2</b>	<b>17.3</b>	<b>9.2</b>	<b>9.7</b>	<b>1.9</b>	<b>1.7</b>	<b>15.9</b>	<b>13.7</b>

Sources: Bloomberg, FSSIA estimates

## Risks

### Demand risk

BGRIM's revenue is based on two main customers which are EGAT (64%) and IUs (27%). Revenue from EGAT is based on a long-term PPA; however, the committed capacity from EGAT is decreasing from the new replacement plants. This has left BGRIM to rely more on IU customers. Although IUs contribute a higher profit margin than EGAT, the demand is more varied. This might lead to more fluctuating sales volumes in the future. Moreover, 42% of BGRIM's IU sales volume is from the auto sector. Given the upcoming electric vehicle (EV) trend and the fact that EVs contain significantly fewer auto components, we think this could potentially disrupt BGRIM's customers, and hence impact the company's future demand.

### Supply risk

BGRIM engages in both gas-fired power plants and renewables. However, 74% of its capacity is from gas-fired power plants. According to the gas business structure in Thailand, PTT is the sole gas supplier in the country. Therefore, BGRIM fully relies on PTT's ability to deliver and transport gas. Any disruption in gas deliveries would prevent the plants from generating electricity and steam to meet the PPAs.

However, BGLNG, a subsidiary, was granted a license for LNG imports by the ERC in 2020 under Thailand's gas liberalisation plan, second phase. This could help optimise its cost management in the future. As of now, the government is still reviewing the plan. Therefore, we believe BGRIM will still have to depend on PTT for some time.

### Gas price and electricity price risk

BGRIM's profit drivers are mainly the gas price (primary source of fuel) and the Ft (benchmark for its IU selling price). Owing to the fixed margin mechanism for selling to EGAT and renewable plants, the company's extra margin is dependent on IU profits. The selling price is discounted to the national grid price (electricity base rate + Ft) and the cost is dependent on the gas price. In the event that the Ft cannot be adjusted during periods of high gas costs, this would impact the company's earnings performance. The Ft is usually adjusted with some lag time to the actual costs and sometimes faces government intervention during energy cost increases.

### Efficiency of operating power plants

Any short fall in power generation or the efficiency of the plants (i.e. heat rate) would cause higher production costs for BGRIM and impact financial performance.

### Projects under construction and development

BGRIM's 2023-30 expansion plan implies a 15% 8-year CAGR or a target of 10,000MW installed capacity in 2030. Currently, there are >500MW under development. The success of project developments relates to various risk factors and parties, such as natural disasters, regulatory risks, technical issues, etc. The disruption of construction or the development process would cause an inability to start commercial operations as specified in the PPAs. Hence, it would affect the company's earnings growth and potentially increase the investment cost from the cost overrun.

### Exchange rate risk

BGRIM borrows in two main currencies, which are THB and USD. Moreover, with businesses operating in different countries, its partial revenue is based on various foreign currencies such as USD, Lao Kip and Vietnam Dong. Therefore, the movement of foreign exchange rates could influence its financial performance through mark-to-market of unrealised and realised FX gains/losses every quarter.

## Management team

### Exhibit 28: Management team details

Name	Position	Education	Years	Position in
Mr. Harald Link	Director / President	Honorary Doctor of Business Administration (Management), Rajamangala University of Technology Srivijaya  Master of Business Administration, University of St. Gallen Switzerland	2020 - Present	President, Chairman of Management Committee and Chairman of Risk Management Committee, B.Grimm Power Public Company Limited
			2016 - Present	Director, B.Grimm Power Public Company Limited
			2016 - 2022	Chairman, B.Grimm Power Public Company Limited
			2018 - 2020	Member of Nomination and Compensation Committee, B.Grimm Power Public Company Limited
			Present	Director, B.Grimm Power Public Company Limited's Affiliates: 57 companies
Mr. Peradach Patanachan	Senior Executive Vice President - Corporate Legal and North Asia Plus Region, the Philippines, and Cambodia Business	Master of Laws, Chulalongkorn University  Bachelor of Laws, Thammasat University	Present	Senior Executive Vice President - Corporate Legal and North Asia Plus Region, the Philippines, and Cambodia Business, B.Grimm Power Public Company Limited
				Director, B.Grimm Power Public Company Limited's Affiliates: 56 companies
			2007 - 2021	Senior Executive Vice President - Legal Counsellor, Business & Project Development (Renewable & Hybrid Projects) and Solar Rooftop, B.Grimm Power Public Company Limited
			2016 - 2019	Company Secretary, B.Grimm Power Public Company Limited
Mr. Nopadej Karnasuta	Senior Executive Vice President - Investment, Innovation and Sustainability, and Thailand and Malaysia Region Business	Master of Arts in Economics, University of Texas, Arlington, USA  Bachelor of Arts in Economics, University of Maryland at College Park, USA	Present	Senior Executive Vice President - Investment, Innovation and Sustainability, and Thailand and Malaysia Region Business, B.Grimm Power Public Company Limited
				Director, B.Grimm Power Public Company Limited's Affiliates: 66 companies
			2021 - 2022	Senior Executive Vice President - Finance and Accounting and M&A, B.Grimm Power Public Company Limited
			2013 - 2021	Chief Financial Officer, B.Grimm Power Public Company Limited
Mr. Arunphun Pootong	Executive Vice President - Engineering, Middle East Region and LNG Business	Master of Business Administration (Executive Program), Thammasat University  Bachelor of Engineering (Mechanical), Chiang Mai University	Present	Executive Vice President - Engineering, Middle East Region and LNG Business, B.Grimm Power Public Company Limited
				Director, B.Grimm Power Public Company Limited's Affiliates: 48 companies
			2019 - 2021	Executive Vice President - Business and Project Development (Conventional) / Commercial and Procurement, B.Grimm Power Public Company Limited
Mr. Cherdchai Yiwlek	Executive Vice President – Business Service and Project Development	Bachelor of Science (B.Sc.) (Mechanical Engineering), Faculty of Engineering, Prince of Songkla University	2021 - Present	Executive Vice President - Business Service and Project Development, B.Grimm Power Public Company Limited
				Director, B.Grimm Power Public Company Limited's Affiliates: 19 companies
			2018 - 2021	Executive Vice President, B.Grimm Power Public Company Limited
			2017 - 2021	Managing Director, Amata City Chonburi Power Plant, B.Grimm Power Public Company Limited
			2011 - 2017	Managing Director, Amata B.Grimm Power (Rayong) 1-2 Company Limited

Source: BGRIM

**Exhibit 29: Management team details (cont.)**

Name	Position	Education	Years	Position in		
Mr. Don Tayatan	Executive Vice President - Customer Relations and Operation Management 2	Master of Business Administration (MBA) (International Program), Graduate School of Commerce, Burapha University  Bachelor of Science (B.Sc.) (Electrical Engineering), Faculty of Engineering, Prince of Songkla University	2021 - Present	Executive Vice President - Customer Relations and Operation Management 2, B.Grimm Power Public Company Limited  Director, B.Grimm Power Public Company Limited's Affiliates: 5 companies		
			2018 - 2021	Executive Vice President, B.Grimm Power Public Company Limited		
			2017 - 2021	Managing Director, Laem Chabang and Bowin Power Plant, B.Grimm Power Public Company Limited		
			2013 - 2017	Managing Director, Amata B.Grimm Power 1-3 Company Limited		
Ms. Siriwong Borvornboonrutai	Executive Vice President – Finance and Accounting	Master of Science in Finance (Academic Excellent), University of Illinois at Urbana-Champaign, USA  Master of Accounting Science, University of Illinois at Urbana-Champaign, USA  Bachelor of Business Administration in Accounting (Honors), Thammasat Business School (International Program), Thammasat University	2021 - Present	Executive Vice President - Finance and Accounting B.Grimm Power Public Company Limited		
			2016 - Present	Deputy Chief Financial Officer, Amata B.Grimm Power Limited  Director, B.Grimm Power Public Company Limited's Affiliates: 29 companies		
			2016 - 2021	Deputy Chief Financial Officer and Executive Vice President-Finance, B.Grimm Power Public Company Limited		
			2013 - 2016	Senior Assistant Vice President - Finance, Amata B.Grimm Power Limited		
Mr. Saroche Arunpairojkul	Executive Vice President - Customer Relations and Operation Management 1	Bachelor of Engineering (Production Engineering: PE), King Mongkut's University of Technology Thonburi	2023 - Present	Executive Vice President - Customer Relations and Operation Management 1, B.Grimm Power Public Company Limited  Director, B.Grimm Power Public Company Limited's Affiliates: 16 companies  Managing Director, Amata B.Grimm Power Group, Amata City Chonburi Industrial Estate  Managing Director, solar PV power plants: 15 projects		
				2022	Senior Assistant Managing Director, Customer Relations and Operation Management 1, B.Grimm Power Public Company Limited  Managing Director, Amata B.Grimm Power Group, Amata City Chonburi Industrial Estate  Managing Director, solar PV power plants: 15 projects	
					2021 - 2022	Senior Assistant Managing Director, B.Grimm Power Public Company Limited  Managing Director, Amata B.Grimm Power Group, Amata City Chonburi Industrial Estate
						2019 - 2021

Source: BGRIM

## Financial Statements

B.Grimm Power

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	46,628	62,395	59,012	62,261	64,848
Cost of goods sold	(37,935)	(56,067)	(48,655)	(50,604)	(52,526)
<b>Gross profit</b>	<b>8,694</b>	<b>6,329</b>	<b>10,357</b>	<b>11,657</b>	<b>12,323</b>
Other operating income	188	852	220	224	229
Operating costs	(1,673)	(3,253)	(1,989)	(2,077)	(2,144)
<b>Operating EBITDA</b>	<b>12,348</b>	<b>8,914</b>	<b>14,242</b>	<b>15,383</b>	<b>16,291</b>
Depreciation	(5,139)	(4,987)	(5,653)	(5,579)	(5,883)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>7,209</b>	<b>3,927</b>	<b>8,589</b>	<b>9,804</b>	<b>10,408</b>
Net financing costs	(2,704)	(3,975)	(4,731)	(4,950)	(4,935)
Associates	44	(172)	280	355	425
Recurring non-operating income	(789)	(894)	280	355	425
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>3,715</b>	<b>(942)</b>	<b>4,138</b>	<b>5,209</b>	<b>5,898</b>
Tax	(298)	44	(309)	(582)	(821)
<b>Profit after tax</b>	<b>3,417</b>	<b>(898)</b>	<b>3,829</b>	<b>4,627</b>	<b>5,077</b>
Minority interests	(1,141)	(346)	(1,271)	(1,600)	(1,812)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,276</b>	<b>(1,244)</b>	<b>2,558</b>	<b>3,026</b>	<b>3,265</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>2,276</b>	<b>(1,244)</b>	<b>2,558</b>	<b>3,026</b>	<b>3,265</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.87	(0.48)	0.98	1.16	1.25
Reported EPS	0.87	(0.48)	0.98	1.16	1.25
DPS	0.42	0.07	0.44	0.52	0.56
Diluted shares (used to calculate per share data)	2,607	2,607	2,607	2,607	2,607
<b>Growth</b>					
Revenue (%)	5.8	33.8	(5.4)	5.5	4.2
Operating EBITDA (%)	(4.6)	(27.8)	59.8	8.0	5.9
Operating EBIT (%)	(3.2)	(45.5)	118.7	14.2	6.2
Recurring EPS (%)	4.6	nm	nm	18.3	7.9
Reported EPS (%)	4.6	nm	nm	18.3	7.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	18.6	10.1	17.6	18.7	19.0
Gross margin exc. depreciation (%)	29.7	18.1	27.1	27.7	28.1
Operating EBITDA margin (%)	26.5	14.3	24.1	24.7	25.1
Operating EBIT margin (%)	15.5	6.3	14.6	15.7	16.0
Net margin (%)	4.9	(2.0)	4.3	4.9	5.0
Effective tax rate (%)	-	-	-	-	-
Dividend payout on recurring profit (%)	48.1	(13.6)	45.0	45.0	45.0
Interest cover (X)	2.4	0.8	1.9	2.1	2.2
Inventory days	11.2	6.4	10.2	12.5	11.9
Debtor days	61.8	53.3	56.1	52.8	52.7
Creditor days	63.1	48.9	59.2	49.1	49.3
Operating ROIC (%)	6.6	3.2	6.6	7.7	8.3
ROIC (%)	4.7	2.0	5.5	6.4	7.0
ROE (%)	8.0	(4.2)	7.6	8.0	8.4
ROA (%)	4.0	1.4	4.3	4.7	4.9
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Electricity generation	45,555	60,806	57,666	60,789	63,398
Others business	1,073	1,590	1,346	1,472	1,451

Sources: B.Grimm Power; FSSIA estimates

## Financial Statements

B.Grimm Power

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	2,276	(1,244)	2,558	3,026	3,265
Depreciation	5,139	4,987	5,653	5,579	5,883
Associates & minorities	1,097	518	991	1,245	1,387
Other non-cash items	0	0	0	0	0
Change in working capital	(3,536)	(353)	(321)	(72)	(202)
<b>Cash flow from operations</b>	<b>4,976</b>	<b>3,908</b>	<b>8,882</b>	<b>9,779</b>	<b>10,333</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(9,643)	(16,172)	(6,800)	(4,300)	(2,200)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(2,630)	(5,477)	5,853	224	286
<b>Cash flow from investing</b>	<b>(12,273)</b>	<b>(21,648)</b>	<b>(947)</b>	<b>(4,076)</b>	<b>(1,914)</b>
Dividends paid	(1,748)	(1,072)	(1,052)	(1,935)	(2,105)
Equity finance	0	0	6,000	0	0
Debt finance	16,587	18,716	4,317	353	(6,835)
Other financing cash flows	(157)	3,322	(5)	0	0
<b>Cash flow from financing</b>	<b>14,682</b>	<b>20,967</b>	<b>9,260</b>	<b>(1,582)</b>	<b>(8,940)</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>7,385</b>	<b>3,226</b>	<b>17,195</b>	<b>4,121</b>	<b>(521)</b>
Free cash flow to firm (FCFF)	(3,836.10)	(13,684.48)	12,666.08	10,653.07	13,353.90
Free cash flow to equity (FCFE)	9,133.52	4,298.06	12,246.97	6,056.36	1,583.69

### Per share (THB)

FCFF per share	(1.47)	(5.25)	4.86	4.09	5.12
FCFE per share	3.50	1.65	4.70	2.32	0.61
Recurring cash flow per share	3.27	1.63	3.53	3.78	4.04

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	124,553	139,834	145,487	151,066	156,950
Less: Accumulated depreciation	(39,749)	(43,846)	(48,352)	(55,210)	(64,777)
<b>Tangible fixed assets (net)</b>	<b>84,804</b>	<b>95,988</b>	<b>97,135</b>	<b>95,856</b>	<b>92,173</b>
<b>Intangible fixed assets (net)</b>	<b>13,587</b>	<b>13,351</b>	<b>13,351</b>	<b>13,351</b>	<b>13,351</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	2,899	4,132	4,256	4,384	4,515
Cash & equivalents	27,774	31,000	48,195	52,316	51,795
A/C receivable	8,983	9,254	8,871	9,137	9,577
Inventories	971	833	1,578	1,496	1,554
Other current assets	3,330	7,717	1,715	1,840	1,777
<b>Current assets</b>	<b>41,058</b>	<b>48,803</b>	<b>60,359</b>	<b>64,788</b>	<b>64,703</b>
Other assets	6,849	8,376	6,577	6,581	6,590
<b>Total assets</b>	<b>149,198</b>	<b>170,651</b>	<b>181,678</b>	<b>184,961</b>	<b>181,332</b>
Common equity	29,471	29,728	37,229	38,320	39,480
Minorities etc.	11,344	12,440	13,711	15,312	17,124
<b>Total shareholders' equity</b>	<b>40,816</b>	<b>42,168</b>	<b>50,940</b>	<b>53,632</b>	<b>56,604</b>
Long term debt	90,839	106,038	110,316	110,684	104,566
Other long-term liabilities	4,820	2,821	2,821	2,821	2,821
<b>Long-term liabilities</b>	<b>95,658</b>	<b>108,859</b>	<b>113,137</b>	<b>113,504</b>	<b>107,386</b>
A/C payable	5,691	8,005	5,942	6,180	6,415
Short term debt	6,529	11,117	11,156	11,142	10,425
Other current liabilities	504	502	502	502	502
<b>Current liabilities</b>	<b>12,724</b>	<b>19,624</b>	<b>17,601</b>	<b>17,825</b>	<b>17,342</b>
<b>Total liabilities and shareholders' equity</b>	<b>149,198</b>	<b>170,651</b>	<b>181,678</b>	<b>184,961</b>	<b>181,332</b>
Net working capital	7,090	9,297	5,719	5,790	5,990
Invested capital	115,229	131,144	127,038	125,962	122,620

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

### Per share (THB)

Book value per share	11.31	11.40	14.28	14.70	15.14
Tangible book value per share	6.09	6.28	9.16	9.58	10.02

### Financial strength

Net debt/equity (%)	170.5	204.3	143.8	129.6	111.6
Net debt/total assets (%)	46.6	50.5	40.3	37.6	34.9
Current ratio (x)	3.2	2.5	3.4	3.6	3.7
CF interest cover (x)	7.9	6.1	5.0	3.1	1.8

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>43.2</b>	<b>(79.1)</b>	<b>38.5</b>	<b>32.5</b>	<b>30.1</b>
<b>Recurring P/E @ target price (x) *</b>	<b>51.5</b>	<b>(94.3)</b>	<b>45.9</b>	<b>38.8</b>	<b>35.9</b>
Reported P/E (x)	43.2	(79.1)	38.5	32.5	30.1
Dividend yield (%)	1.1	0.2	1.2	1.4	1.5
Price/book (x)	3.3	3.3	2.6	2.6	2.5
Price/tangible book (x)	6.2	6.0	4.1	3.9	3.8
EV/EBITDA (x) **	14.5	22.1	13.0	11.9	11.0
EV/EBITDA @ target price (x) **	16.1	24.2	14.3	13.1	12.1
EV/invested capital (x)	1.6	1.5	1.5	1.5	1.5

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

Sources: B.Grimm Power; 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).

### Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

### 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**

Kwanwaree Apichartsatoporn FSS International Investment Advisory Securities Co., Ltd

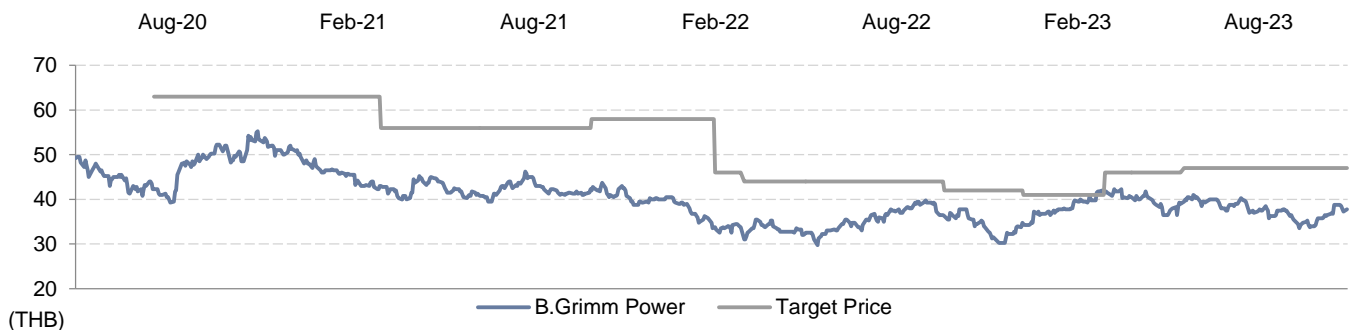
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

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

**B.Grimm Power (BGRIM TB)**



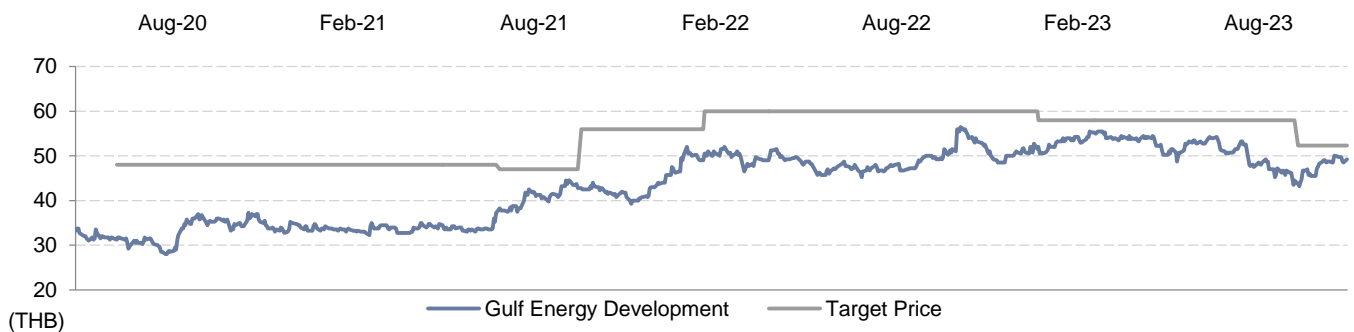
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Oct-2020	BUY	63.00	09-Feb-2022	BUY	46.00	01-Nov-2022	BUY	41.00
28-Apr-2021	BUY	56.00	04-Mar-2022	BUY	44.00	10-Jan-2023	BUY	46.00
26-Oct-2021	BUY	58.00	25-Aug-2022	BUY	42.00	17-Mar-2023	BUY	47.00

Kwanwaree Apichartsatoporn started covering this stock from 8-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

**Gulf Energy Development (GULF TB)**



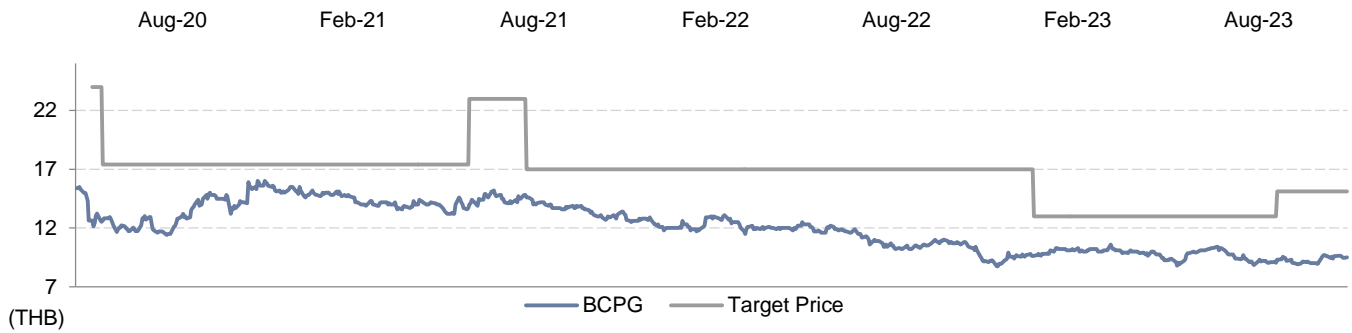
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
11-Sep-2020	BUY	48.00	15-Oct-2021	BUY	56.00	14-Nov-2022	BUY	58.00
06-Aug-2021	BUY	47.00	31-Jan-2022	BUY	60.00	23-Jun-2023	BUY	52.30

Kwanwaree Apichartsatoporn started covering this stock from 23-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

## BCPG (BCPG TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
21-Aug-2020	BUY	24.00	13-Jul-2021	BUY	23.00	10-Nov-2022	BUY	13.00
01-Sep-2020	BUY	17.40	31-Aug-2021	BUY	17.00	07-Jun-2023	BUY	15.10

Kwanwaree Apichartsatoporn started covering this stock from 7-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
B.Grimm Power	BGRIM TB	THB 37.75	BUY	The downside risks to our DCF-based TP include 1) the volatility of gas costs and Ft rates; 2) lower-than-expected industrial user demand; and 3) unplanned shutdowns.
Gulf Energy Development	GULF TB	THB 49.25	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 9.50	BUY	The downside risks to our SoTP-based TP include: 1) lower-than-expected demand for electricity in Thailand and the Philippines; and 2) government intervention by way of electricity tariff subsidies; 3) lower-than-expected gas prices for gas-fired plants in the US and; 4) abnormal solar and wind factors.

Source: FSSIA estimates

### Additional Disclosures

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

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

All share prices are as at market close on 07-Aug-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.