

B.GRIMM POWER BGRIM TB

THAILAND / UTILITIES

BUY

UNCHANGED

2Q23 results at first glance

TARGET PRICE	THB45.00
CLOSE	THB36.75
UP/DOWNSIDE	+22.4%
TP vs CONSENSUS	+1.1%

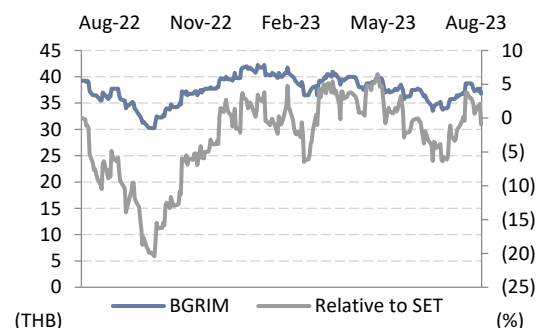
BGRIM 2Q23 results – strong improvement q-q and y-y in line with estimates

Highlights

- 2Q23 net profit was at THB678m, up 70% q-q and turning around from a loss of THB193m in 2Q22 – in line with our estimate.** The strong y-y improvement was due to both a lower gas cost (-4% y-y) and higher y-y industrial user (IU) tariffs (+28% y-y) from the higher Ft. However, there were lower q-q IU tariffs (-9% q-q), following the lower q-q Ft, but the 2Q23 gas price significantly dropped by 16%, or by THB79/mmbtu, to THB404m. Therefore, the IU margin increased in the quarter. This led to improved 2Q23 EBITDA of THB3,714m (+13% q-q and +48% y-y). The EBITDA margin increased from 20.8% in 1Q23 to 24.9% in 2Q23. 1H23 net profit accounts for 42% of our 2023 earnings estimate.
- Electricity selling to EGAT – higher sales volume from the new replacement plant.** The 2Q23 EGAT sales volume rose 7% q-q, mainly from the full-quarter operation of the new replacement Map Ta Phut plant. Although there was a dip in 2Q23 EGAT sales revenue (-5.6% q-q) due to the lower tariff, in line with falling gas costs, EGAT's margin improved from higher availability payments (AP).
- Electricity selling to IUs – key earnings driver this quarter.** There was a dip (-2% q-q) in the IU sales volume due to seasonality in 2Q. Nonetheless, with the significant fall in the gas price (-THB79/mmbtu q-q) and a marginal decrease in the IU tariff (-THB0.44/kWh q-q), the margin significantly improved. In addition, steam sale volume to IUs increased by 12% q-q from new customers.
- Renewables business – increased q-q mainly from solar in Vietnam.** 2Q23 total sales revenue from renewables rose 9.6% q-q in 2Q23. The increase was mainly from a higher contribution from solar in Vietnam due to its peak season. Meanwhile, other renewable plants experienced muted volatility.
- 2H23 outlook.** We estimate that BGRIM will maintain this high margin level throughout 2H23 despite the falling Ft. This is because we expect the gas cost to further decrease in 2H23. Moreover, there are new IU customers, ~30-40MW worth, waiting to integrate in 2H23. Thus, we expect that 2H23 earnings will increase h-h.
- Announced an interim dividend of THB0.18/share, implying a dividend yield of 0.5%.** The ex-dividend date is on 28 Aug 2023 and the payment date is on 8 Sep 2023.
- Maintain BUY on BGRIM with TP of THB45.00/share.**

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 (%)	-	9.7	5.4	(3.7)
EBITDA	8,914	14,242	15,383	16,291
Recurring 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)	(77.0)	37.5	31.7	29.3
Dividend yield (%)	0.2	1.2	1.4	1.5
EV/EBITDA (x)	21.8	12.8	11.7	10.8
Price/book (x)	3.2	2.6	2.5	2.4
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 (%)	8.1	(7.5)	(7.5)
Relative to country (%)	5.5	(5.4)	(2.5)
Mkt cap (USD m)	2,729		
3m avg. daily turnover (USD m)	7.1		
Free float (%)	31		
Major shareholder	Mr. Harald Link (24%)		
12m high/low (THB)	42.75/30.00		
Issued shares (m)	2,606.90		

Sources: Bloomberg consensus; FSSIA estimates


Kwanwaree Apichartsatporn

Analyst register no. 117055

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

Key charts

Exhibit 1: BGRIM – 2Q23 operations summary

	2Q22	1Q23	2Q23	Change		2023E	1H23 % of 2023E
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(%)
Revenue	14,676	15,750	14,891	(5)	1	59,012	52
Gross profit	1,693	2,349	2,664	13	57	10,357	48
SG&A	(453)	(537)	(471)	(12)	4	(1,989)	51
Operating profit	1,240	1,812	2,193	21	77	8,369	48
Interest expense	(960)	(1,191)	(1,228)	3	28	(4,731)	51
Pretax profit	(127)	807	1,044	29	nm.	4,212	44
Forex gain (loss)	(473)	66	(129)	(295)	nm.	0	nm.
Net profit	(193)	399	678	70	nm.	2,558	42
NNP adjustment	(340)	20	(8)	(138)	(98)	0	nm.
Normalised net profit	147	379	686	81	367	2,558	42
EBITDA	2,516	3,273	3,714	13	48	14,242	46
Key ratio							
Gross profit margin	11.5	14.9	17.9			17.6	
Net profit margin	(1.3)	2.5	4.6			4.3	
NNP margin	1.0	2.4	4.6			4.3	
EBITDA margin	17.1	20.8	24.9			24.1	
Quarterly key earnings drivers							
Sales volume breakdown (GWh)							
EGAT	2,296	2,116	2,270	7	(1)	8,609	52
IUs - Thailand	858	848	833	(2)	(3)	3,675	47
Steam (kt)	192	195	219	12	14	865	50
Revenue and cost drivers							
Electricity to IU - Thailand (Bt/kWh)	3.54	4.96	4.52	(9)	28	4.32	
Steam to IU - Thailand (Bt/tonne)	1,332	1,550	1,444	(7)	8	1,157	
Ft (Bt/kWh)	0.17	1.55	1.12	(27)	562	1.04	
Gas cost (Bt/mmbtu)	422	483	404	(16)	(4)	405	

Sources: BGRIM; FSSIA estimates

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)
Gross profit	8,694	6,329	10,357	11,657	12,323
Other operating income	188	852	220	224	229
Operating costs	(1,673)	(3,253)	(1,989)	(2,077)	(2,144)
Operating EBITDA	12,348	8,914	14,242	15,383	16,291
Depreciation	(5,139)	(4,987)	(5,653)	(5,579)	(5,883)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	7,209	3,927	8,589	9,804	10,408
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
Profit before tax	3,715	(942)	4,138	5,209	5,898
Tax	(298)	44	(309)	(582)	(821)
Profit after tax	3,417	(898)	3,829	4,627	5,077
Minority interests	(1,141)	(346)	(1,271)	(1,600)	(1,812)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	2,276	(1,244)	2,558	3,026	3,265
Non-recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	2,276	(1,244)	2,558	3,026	3,265
Per share (THB)					
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
Growth					
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
Operating performance					
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

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
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)
Cash flow from operations	4,976	3,908	8,882	9,779	10,333
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
Cash flow from investing	(12,273)	(21,648)	(947)	(4,076)	(1,914)
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
Cash flow from financing	14,682	20,967	9,260	(1,582)	(8,940)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	7,385	3,226	17,195	4,121	(521)
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)	2021	2022	2023E	2024E	2025E
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)
Tangible fixed assets (net)	84,804	95,988	97,135	95,856	92,173
Intangible fixed assets (net)	13,587	13,351	13,351	13,351	13,351
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
Current assets	41,058	48,803	60,359	64,788	64,703
Other assets	6,849	8,376	6,577	6,581	6,590
Total assets	149,198	170,651	181,678	184,961	181,332
Common equity	29,471	29,728	37,229	38,320	39,480
Minorities etc.	11,344	12,440	13,711	15,312	17,124
Total shareholders' equity	40,816	42,168	50,940	53,632	56,604
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
Long-term liabilities	95,658	108,859	113,137	113,504	107,386
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
Current liabilities	12,724	19,624	17,601	17,825	17,342
Total liabilities and shareholders' equity	149,198	170,651	181,678	184,961	181,332
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)	2021	2022	2023E	2024E	2025E
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	2021	2022	2023E	2024E	2025E
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
Recurring P/E (x) *	42.1	(77.0)	37.5	31.7	29.3
Recurring P/E @ target price (x) *	51.5	(94.3)	45.9	38.8	35.9
Reported P/E (x)	42.1	(77.0)	37.5	31.7	29.3
Dividend yield (%)	1.1	0.2	1.2	1.4	1.5
Price/book (x)	3.3	3.2	2.6	2.5	2.4
Price/tangible book (x)	6.0	5.9	4.0	3.8	3.7
EV/EBITDA (x) **	14.3	21.8	12.8	11.7	10.8
EV/EBITDA @ target price (x) **	16.1	24.2	14.3	13.1	12.1
EV/invested capital (x)	1.5	1.5	1.4	1.4	1.4

* 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)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).

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.

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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 **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 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.

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Kwanwaree Apichartsatporn FSS International Investment Advisory Securities Co., Ltd

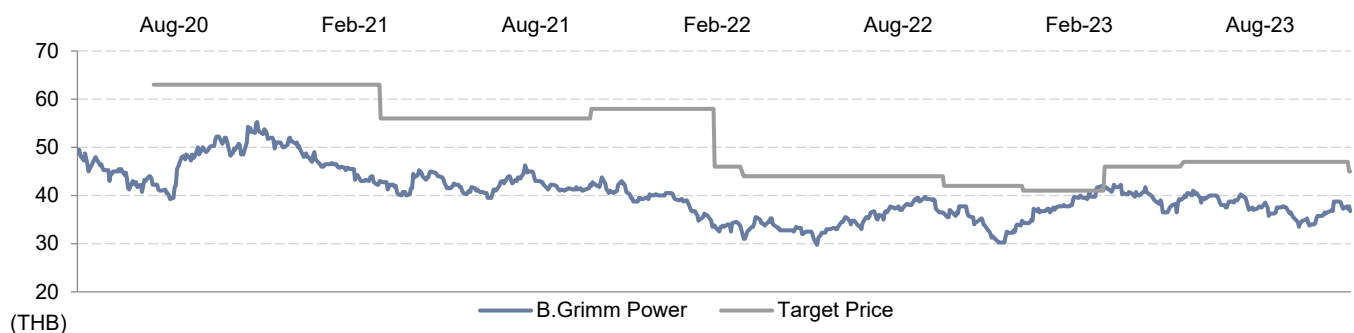
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History of change in investment rating and/or target price

B.Grimm Power (BGRIM TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Oct-2020	BUY	63.00	04-Mar-2022	BUY	44.00	17-Mar-2023	BUY	47.00
28-Apr-2021	BUY	56.00	25-Aug-2022	BUY	42.00	08-Aug-2023	BUY	45.00
26-Oct-2021	BUY	58.00	01-Nov-2022	BUY	41.00			
09-Feb-2022	BUY	46.00	10-Jan-2023	BUY	46.00			

Kwanwaree Apichartsatporn started covering this stock from 08-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
B.Grimm Power	BGRIM TB	THB 36.75	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.

Source: FSSIA estimates

Additional Disclosures

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

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

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