

# Thailand Utilities

## Impact from the new electricity price cut

- On 18 Sep 2023, the government announced a further electricity price cut to THB3.99/kWh from THB4.10/kWh, which was formerly announced the week before on 13 Sep 2023.
- We revise down our earnings estimates for utilities companies to reflect the new electricity price.
- Our top pick for the sector is GULF (BUY, TP at THB54.0/share) due to its earnings resiliency and lower sensitivity to current regulatory risks.

### The new Sep-Dec 2023 electricity price is at THB3.99/kWh, down from THB4.45/kWh

On 18 Sep 2023, Thailand's cabinet approved the new electricity price of THB3.99/kWh, further down from the cut the week before to THB4.10/kWh. The new price will be effective in Sep 2023 until Dec 2023. This implies that the new Sep-Dec 2023 Ft is at THB0.21/kWh, down by THB0.45/kWh from the Energy Regulatory Commission (ERC)'s latest official announcement of THB0.6686/kWh, or equal to the electricity price of ~THB4.45/kWh on 27 July 2023. From the ERC's meeting with PTT on 20 Sep 2023 to discuss solutions for the electricity price cut, we can assume that there will be no accumulate factor (AF), which originally was at THB0.38/kWh in the Sep-Dec 2023 Ft, to pay back the Electricity Generating Authority of Thailand (EGAT). Moreover, PTT may have to help subsidise the pool gas price and fix it at THB304.79/mmbtu. This would help alleviate the negative impact on power producers. However, discussions are ongoing as to how and when PTT will reduce the gas price. Thus, we have not included this into our assumptions yet. EGAT's current outstanding debt is >THB100b, and it needs to repay the debt at some point. Thus, we expect further downside for the Ft will be limited in 2024.

### Revised down our earnings to reflect new electricity price

We revise down 2023-25E earnings on the stocks under our coverage to reflect the new electricity price and our gas price assumptions. We cut our 2023-25E earnings for BGRIM, GPSC, and GULF by 13.6%/12.9%/0.2% in 2023, by 26.6%/14.9%/5.3% in 2024 and by 2.8%/11.0%/4.8% in 2025, respectively. The new earnings estimates are based on SPP gas price assumptions of THB405/370/330 per mmbtu in 2023-25. In addition, we revise our Ft forecast for 2023-25 to THB0.89/0.21/0.10 per kWh.

### Our top pick is GULF because of its earnings resiliency

Our top pick for the sector is GULF due to its earnings resiliency and lower sensitivity to regulatory risks. We maintain BUY on GULF and our new 2024 target price is at THB54.0; a 16.1% upside to the current price. For the sector, we have a long-term positive view and believe that small power plant producers' (SPPs, i.e. BGRIM and GPSC) margins will normalise in 2025. Nevertheless, the share prices in the short-term might have an overhang from the uncertainty over the gas price and regulatory risks. A key positive short-term catalyst for the sector would be the finalisation of PTT's subsidisation of the pool gas price. We expect potential 2023 earnings upsides to our estimates on BGRIM, GPSC and GULF by 12%/12%/1%, if the gas price were to be fixed at THB304.79/mmbtu in Sep-Dec 2023.

### FSSIA recommendations

Company	BBG code	share price	Rating		Target Price			
			Current	Previous	Current	Previous	%change	Up/downside
Gulf Energy Development	GULF TB	46.50	BUY	unchanged	54.00	52.30	+3.25%	+16.1%
Global Power Synergy	GPSC TB	48.25	BUY	unchanged	59.00	60.30	-2.16%	+22.3%
B.Grimm Power	BGRIM TB	31.50	BUY	unchanged	37.00	45.00	-17.78%	+17.5%

Note: Priced at close of business 22/09/2023. Share prices and TPs are in listing currency; Source: FSSIA estimates



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The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also BCPG's Independent Director.

## Investment thesis

We have a long-term positive view on the sector and believe the overhang from the uncertainty over government intervention and regulatory risk should be lifted when the gas price normalises by the end of 2024. Hence, the electricity price should be able to reduce or maintain at a reasonable level without any government intervention.

This would provide more flexibility for the ERC to adjust the Ft and return money to EGAT from 2025 onwards, in our view. By doing so, we believe it will benefit the sector, especially SPPs, from higher AF in the Ft, and thus enhance the margins.

For the SPP gas price, we estimate 2023-25 SPP gas prices at THB405/370/330 per mmbtu, respectively. For the Ft, we believe there should be no change on the Ft in 2024, but a THB0.1/kWh drop in 2025 from lower gas costs. Thus, our Ft estimates for 2023-25 are at THB0.89/0.21/0.10 per kWh, respectively.

## Catalyst

Key potential catalysts for the sector are:

- 1.) PTT's subsidisation of the gas price;
- 2.) higher Ft;
- 3.) renewables bidding under PDP2018Rev1 phase 2; and 4.) Thailand's new power development plan (PDP).

## Risk to our call

Downside risks to our call are:

- 1.) government intervention on Ft;
- 2.) volatility of energy price
- 3.) demand risks; and 4.) unplanned shutdowns.

## Contents

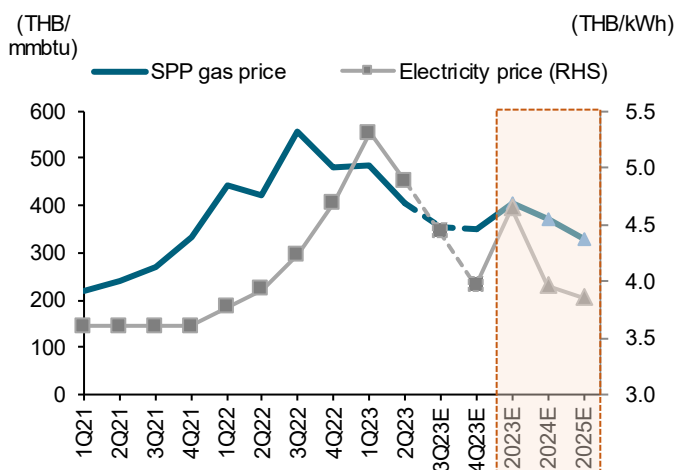
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- GULF ENERGY DEVELOPMENT (GULF TB, BUY TP THB54.00)	
- GLOBAL POWER SYNERGY (GPSC TB, BUY TP THB59.00)	
- B.GRIMM POWER (BGRIM TB, BUY TP THB37.00)	

## Event Calendar

Date	Event
Mid-November	Financial results announcement and analyst meetings for utilities stocks
End-November	Jan-Apr 2024 Ft announcement

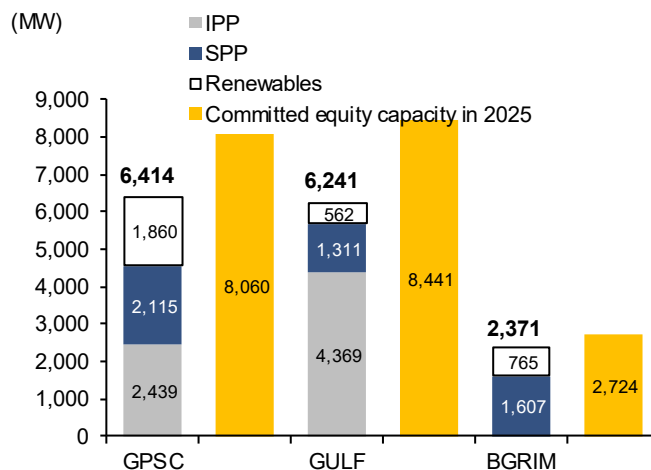
Key charts

Exhibit 1: Historical gas price and Ft



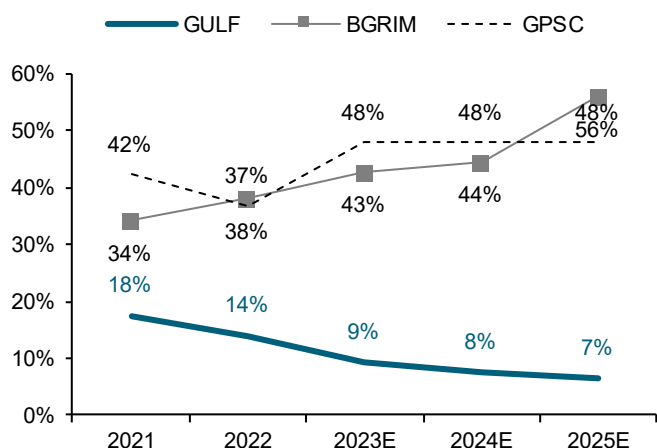
Sources: MEA, company data, FSSIA estimates

Exhibit 2: Operating equity capacity



Source: GULF, BGRIM, GPSC

Exhibit 3: % of industrial user sales volume to IPP+SPP sales volume



Sources: GULF, BGRIM, GPSC, FSSIA estimates; Note: BGRIM only operates SPPs

Exhibit 4: Price performance

Return (%)	1D	1W	1M	3M	6M	12M
BGRIM	(1.8)	0.1	(14.5)	(10.6)	(18.5)	(3.6)
GPSC	(3.0)	(3.7)	(13.6)	(17.5)	(26.6)	(24.1)
GULF	(1.0)	0.4	(6.0)	3.4	(8.5)	(6.9)

Relative to SET (%)	1D	1W	1M	3M	6M	12M
BGRIM	(1.8)	0.1	(14.5)	(10.6)	(18.5)	(3.6)
GPSC	(3.0)	(3.7)	(13.6)	(17.5)	(26.6)	(24.1)
GULF	(1.0)	0.4	(6.0)	3.4	(8.5)	(6.9)

Sources: Bloomberg, FSSIA estimates

Exhibit 5: Key assumptions

Key assumptions	Unit	2023E	2024E	2025E
IPP gas price	(THB/mmbtu)	396	361	321
SPP gas price	(THB/mmbtu)	405	370	330
Ft	(THB/kWh)	0.89	0.21	0.10

Source: FSSIA estimates

Exhibit 6: Earnings changes

Net profit	2023E			2024E			2025E		
	Current (THB m)	Previous (THB m)	EPS change (%)	Current (THB m)	Previous (THB m)	EPS change (%)	Current (THB m)	Previous (THB m)	EPS change (%)
BGRIM	2,210	2,558	(13.60)	2,222	3,026	(26.60)	3,174	3,265	(2.80)
GPSC	3,861	4,434	(12.90)	4,938	5,803	(14.90)	6,866	7,714	(11.00)
GULF	16,381	16,409	(0.20)	18,824	19,874	(5.30)	23,694	24,883	(4.80)

Source: FSSIA estimates

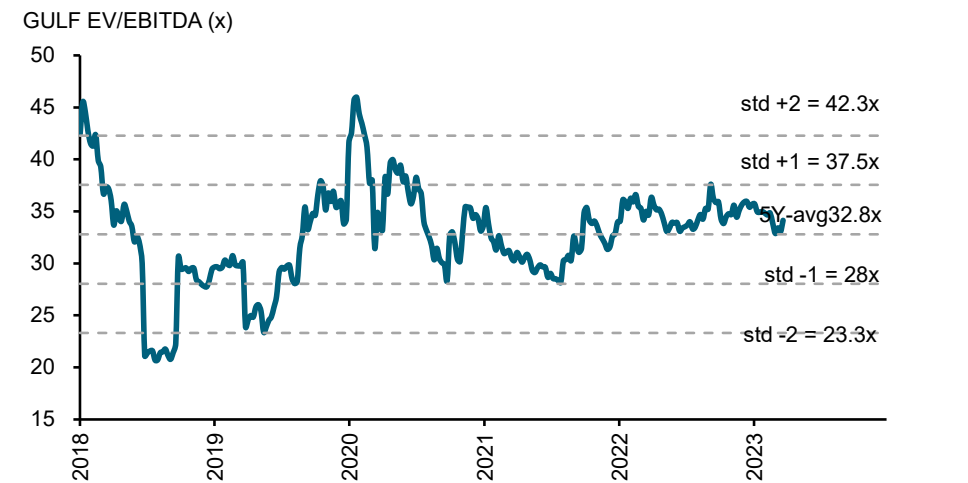
Valuations

Exhibit 7: Key valuations as of 22 Sep 2023

Company	BBG	Rec	Share Price (LCY)	Target price (LCY)	Up side (%)	Market Cap (USD m)	3Y EPS CAGR (%)	PE		ROE		PBV		EV/ EBITDA	
								23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)	23E (x)	24E (x)
<b>Thailand</b>															
Gulf Energy Development	GULF TB	BUY	46.50	54.00	16	15,153	23.3	33.3	29.0	14.2	15.0	4.5	4.2	27.3	25.7
Global Power Synergy	GPSC TB	BUY	48.25	59.00	22	3,779	35.2	35.2	27.6	3.6	4.6	1.3	1.3	15.6	13.7
B Grimm Power	BGRIM TB	BUY	31.50	37.00	17	2,281	(236.4)	37.2	36.9	6.6	6.0	2.2	2.2	12.3	12.1
BCPG	BCPG TB	BUY	10.10	15.10	50	816	1.7	17.0	14.8	5.8	6.5	1.0	0.9	12.6	11.5
Energy Absolute	EA TB	n/a	56.25	n/a	n/a	5,833	13.1	24.9	24.3	18.7	16.7	4.5	3.9	18.8	17.4
Ratch Group	RATCH TB	n/a	32.25	n/a	n/a	1,950	12.3	9.5	8.2	7.1	7.8	0.7	0.6	14.1	13.6
Electricity Generating	EGCO TB	n/a	125.50	n/a	n/a	1,837	22.5	7.1	6.5	7.9	7.6	0.5	0.5	15.5	15.7
Banpu Power	BPP TB	n/a	14.10	n/a	n/a	1,195	(8.2)	11.5	11.1	7.7	7.4	0.9	0.8	24.1	12.0
Gunkul Engineering	GUNKUL TB	n/a	3.42	n/a	n/a	845	23.3	16.4	15.3	12.8	13.2	2.0	1.9	10.4	11.8
CK Power	CKP TB	n/a	3.44	n/a	n/a	778	(6.6)	21.5	17.1	5.2	6.0	1.0	0.9	16.4	15.7
Absolute Clean Energy	ACE TB	n/a	1.63	n/a	n/a	457	17.5	13.6	12.5	8.0	8.0	1.1	1.0	9.3	6.1
<b>Thailand avg</b>						<b>34,923</b>	<b>37.2</b>	<b>20.7</b>	<b>18.5</b>	<b>8.9</b>	<b>9.0</b>	<b>1.8</b>	<b>1.7</b>	<b>16.0</b>	<b>14.1</b>

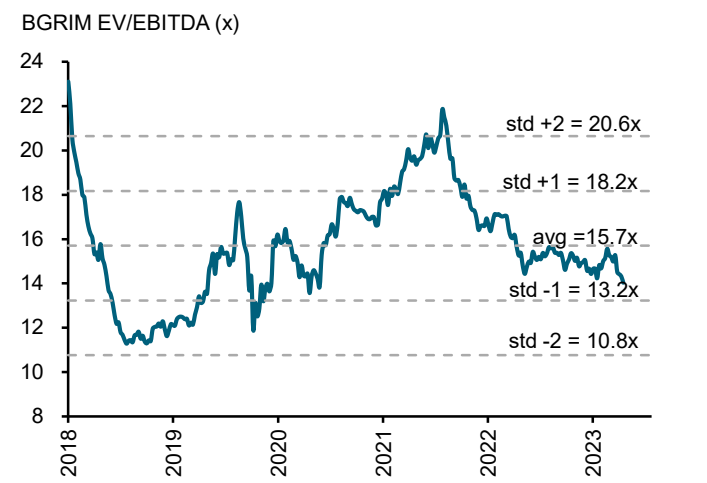
Sources: Bloomberg, FSSIA estimates

Exhibit 8: GULF's EV/EBITDA



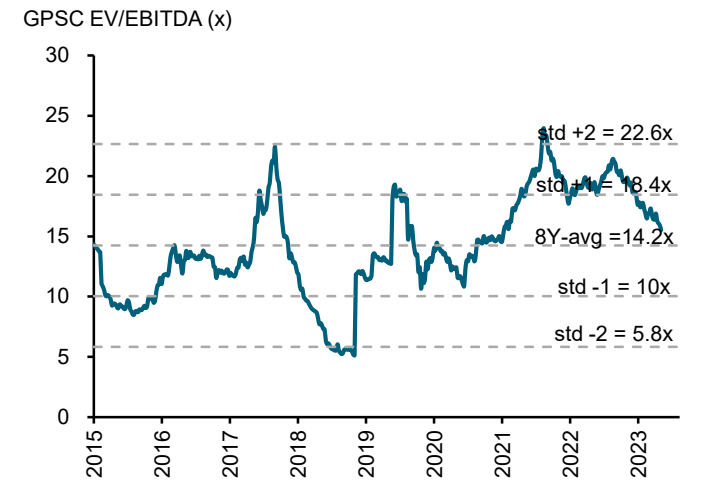
Sources Bloomberg, FSSIA estimates

Exhibit 9: BGRIM's EV/EBITDA



Sources: Bloomberg, FSSIA estimates

Exhibit 10: GPSC's EV/EBITDA



Sources: Bloomberg, FSSIA estimates

# GULF ENERGY DEVELOPMENT

## THAILAND / UTILITIES

# GULF TB

# BUY

UNCHANGED

TARGET PRICE	THB54.00
CLOSE	THB46.50
UP/DOWNSIDE	+16.1%
PRIOR TP	THB52.30
CHANGE IN TP	+3.3%
TP vs CONSENSUS	-7.0%

## Solid earnings despite lower Ft

- We revise down 2024-25E EPS by 5.3%/4.8% and almost no change in 2023E EPS based on new assumptions.
- GULF has the most resilient earnings among peers under our coverage.
- Our new 2024 TP is at THB54.0/share. Maintain BUY on GULF.

### Revised down 2024-25E EPS by 5.3%/4.8% & ~no change in 2023E

According to the cabinet meeting on 18 Sep 2023, the cabinet approved a further Sep-Dec 2023 electricity price cut to THB3.99/kWh, implying an Ft at THB0.21/kWh. This is down from the ERC's latest official Sep-Dec 2023 Ft announcement of THB0.6686/kWh in July 2023. Therefore, we revise down our 2024-25E EPS by 5.3%/4.8% and almost no change in 2023E EPS. The estimates are based on our new gas price and Ft assumptions. We forecast the 2023-25 gas price to be at THB405/370/330 per mmbtu (prev. THB439/390/370 per mmbtu) and forecast the 2023-25 Ft to be at THB0.89/0.21/0.10 per kWh (prev. THB0.89/0.79/0.69 per kWh). We cut our 2023E EPS by only 0.2% because our 2023 Ft assumption already reflects almost all of the current actual 2023. We believe there would be no further change in Sep-Dec 2023 Ft and the Ft would remain at this level throughout 2024.

### Expect resilient 2H23 outlook

Despite the lower Ft in Sep-Dec 2023, we expect 2H23E earnings to still be resilient and grow 43.4% h-h, supported by 1.) COD of GPD phase 2 (IPP, 662MW) in Oct-2023; 2.) a higher share of profit from peak season of wind and higher contribution from PTT NGD from lower gas costs.

### The most resilient earnings among peers under our coverage

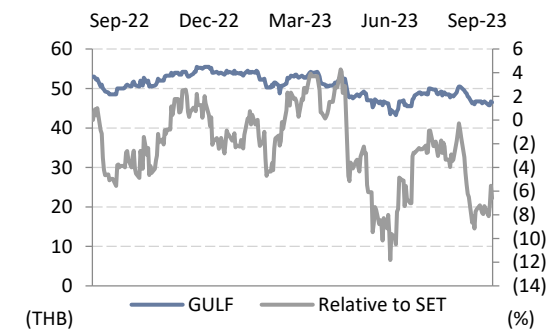
We expect GULF to be the most resilient power player among peers under coverage. This is due to its diversified portfolio and >70% of its revenue is based on cost pass-through PPAs selling to EGAT. GULF just signed a 29-year PPA on a hydro project in Laos (Pak Beng, owns 49%, installed capacity of 912MW and SCOD in 2033) to sell all electricity generated to EGAT on 13 Sep 2023. This has proceeded as planned. Based on the committed PPA, we should see its equity capacity grow at 6.6% CAGR (2022-33). In addition, more M&A focusing on renewables.

### Our new TP is at THB54.0/share, maintain BUY

We maintain BUY on GULF. We roll over our SoTP-TP to 2024 and our new TP is at THB54.0/share (prev. THB52.30/share). We value GULF's power generation, renewables and infrastructure business using a DCF valuation, discounted by 5.9% WACC based on cost of equity of 12% and cost of debt of 4%. We value other businesses using SoTP valuations.

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	94,151	110,420	127,285	131,630
Net profit	11,418	16,381	18,824	23,694
EPS (THB)	0.97	1.40	1.60	2.02
vs Consensus (%)	-	9.8	(0.9)	3.0
EBITDA	22,767	24,754	26,537	32,703
Recurring net profit	12,637	16,381	18,824	23,694
Core EPS (THB)	1.08	1.40	1.60	2.02
Chg. In EPS est. (%)	-	(0.2)	(5.3)	(4.8)
EPS growth (%)	43.4	29.6	14.9	25.9
Core P/E (x)	43.2	33.3	29.0	23.0
Dividend yield (%)	1.3	1.5	1.7	2.2
EV/EBITDA (x)	29.7	27.3	25.7	21.1
Price/book (x)	4.9	4.5	4.2	3.8
Net debt/Equity (%)	77.2	68.5	62.2	56.7
ROE (%)	12.2	14.2	15.0	17.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.0)	6.9	(13.9)
Relative to country (%)	(5.6)	6.0	(6.9)
Mkt cap (USD m)			15,153
3m avg. daily turnover (USD m)			24.6
Free float (%)			27
Major shareholder	Mr. Sarath Ratanavadi (36%)		
12m high/low (THB)	56.25/43.00		
Issued shares (m)	11,733.15		

Sources: Bloomberg consensus; FSSIA estimates


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### Investment thesis

As of August 2023, the company had a total gross installed capacity of 11,736 MW, which translates into an equity capacity of 6,241 MW. Independent power producers (IPPs) represent 70% of its capacity, followed by small power producers (SPPs) at 21%, and renewables at 9%, which altogether make GULF one of the largest power companies and IPP operators in Thailand.

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

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

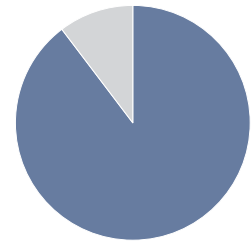
### Company profile

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

[www.gulf.co.th](http://www.gulf.co.th)

### Principal activities (revenue, 2022)

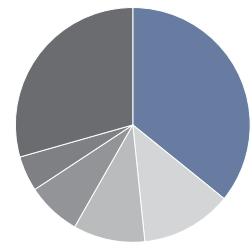
- Power business - 89.7 %
- Consulting business - 10.3 %



Source: Gulf Energy Development

### Major shareholders

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



Source: Gulf Energy Development

### Catalysts

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

### Risks to our call

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

### Event calendar

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

### Key assumptions

(THB/kWh)	2022	2023E	2024E	2025E
GMP's ASP sold to IU	3.87	4.33	3.69	3.59
GMP's ASP sold to EGAT	5.04	4.86	4.78	4.67
IPD's ASP (IPP)	4.70	3.69	3.46	3.04
Ft	0.40	0.89	0.21	0.10
Gas cost (THB/mmbtu)	495	405	370	330

Source: FSSIA estimates

### Earnings sensitivity

- We estimate that a THB1/mmbtu decrease in the gas price would increase net profit by THB12m per annum and vice versa, all else being equal.
- We estimate that a THB0.01/kWh decrease in the Ft would decrease net profit by THB20m per annum and vice versa, all else being equal.

Source: FSSIA estimates

## Key charts

### Exhibit 11: Key earnings assumptions

	Unit	2022	2023E		2024E		2025E	
			New	Old	New	Old	New	Old
GMP's ASP sold to IU	(THB/kWh)	3.87	4.33	4.33	3.69	4.23	3.59	4.14
GMP's ASP sold to EGAT	(THB/kWh)	5.04	4.86	4.93	4.78	4.82	4.67	4.77
IPD's ASP (IPP)	(THB/kWh)	4.70	3.69	3.93	3.46	3.62	3.04	3.32
Ft	(THB/kWh)	0.40	0.89	0.89	0.21	0.79	0.10	0.69
Gas cost	(THB/mmbtu)	495	405	439	370	390	330	370

Sources: GULF, FSSIA's estimates

### Exhibit 12: Sales volume assumptions

Sales volume	Unit	2022	2023E	2024E	2025E
GMP (12 SPPs - 1.6 GW)	(GWh)	9,646	9,886	10,005	10,014
IPD (2 IPPs - 5.3 GW)	(GWh)	7,327	16,151	23,058	28,470
Stream (GMP)	(kt)	682	760	723	740

Sources: GULF, FSSIA's estimates

### Exhibit 13: Target price valuation

SOTP valuation	(THB)	(THB/share)	Comment
Power generation	406,014	34.6	DCF - WACC 5.9%
Renewables	143,298	12.2	DCF - WACC 5.9%
Gas business	2,981	0.3	1x Book value
Infrastructure	41,181	3.5	SoTP
Digital	142,271	12.1	SoTP
Net debt	(102,037)	(8.7)	2024E
<b>Total</b>	<b>633,708</b>	<b>54.0</b>	

Sources: FSSIA's estimates



## Financial Statements

### Gulf Energy Development

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	47,467	94,151	110,420	127,285	131,630
Cost of goods sold	(34,388)	(74,711)	(87,204)	(102,836)	(101,675)
<b>Gross profit</b>	<b>13,079</b>	<b>19,440</b>	<b>23,216</b>	<b>24,449</b>	<b>29,955</b>
Other operating income	-	-	-	-	-
Operating costs	(1,155)	(1,736)	(3,044)	(3,135)	(3,292)
<b>Operating EBITDA</b>	<b>16,913</b>	<b>22,767</b>	<b>24,754</b>	<b>26,537</b>	<b>32,703</b>
Depreciation	(4,989)	(5,063)	(4,582)	(5,222)	(6,039)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>11,924</b>	<b>17,704</b>	<b>20,172</b>	<b>21,314</b>	<b>26,664</b>
Net financing costs	(6,587)	(8,036)	(8,225)	(8,224)	(8,548)
Associates	2,886	6,321	9,160	11,126	12,518
Recurring non-operating income	5,319	7,004	9,259	11,226	12,620
Non-recurring items	(1,142)	(1,219)	0	0	0
<b>Profit before tax</b>	<b>9,514</b>	<b>15,453</b>	<b>21,206</b>	<b>24,317</b>	<b>30,736</b>
Tax	(347)	(1,344)	(964)	(1,055)	(1,457)
<b>Profit after tax</b>	<b>9,167</b>	<b>14,109</b>	<b>20,242</b>	<b>23,261</b>	<b>29,278</b>
Minority interests	(1,497)	(2,691)	(3,861)	(4,437)	(5,585)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>7,670</b>	<b>11,418</b>	<b>16,381</b>	<b>18,824</b>	<b>23,694</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>1,142</b>	<b>1,219</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,812</b>	<b>12,637</b>	<b>16,381</b>	<b>18,824</b>	<b>23,694</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.75	1.08	1.40	1.60	2.02
Reported EPS	0.65	0.97	1.40	1.60	2.02
DPS	0.44	0.60	0.70	0.80	1.01
Diluted shares (used to calculate per share data)	11,733	11,733	11,733	11,733	11,733
<b>Growth</b>					
Revenue (%)	44.6	98.3	17.3	15.3	3.4
Operating EBITDA (%)	58.5	34.6	8.7	7.2	23.2
Operating EBIT (%)	64.7	48.5	13.9	5.7	25.1
Recurring EPS (%)	96.8	43.4	29.6	14.9	25.9
Reported EPS (%)	79.1	48.9	43.5	14.9	25.9
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	27.6	20.6	21.0	19.2	22.8
Gross margin exc. depreciation (%)	38.1	26.0	25.2	23.3	27.3
Operating EBITDA margin (%)	35.6	24.2	22.4	20.8	24.8
Operating EBIT margin (%)	25.1	18.8	18.3	16.7	20.3
Net margin (%)	18.6	13.4	14.8	14.8	18.0
Effective tax rate (%)	5.2	14.7	8.0	8.0	8.0
Dividend payout on recurring profit (%)	58.6	55.7	50.0	50.0	50.0
Interest cover (X)	2.6	3.1	3.6	4.0	4.6
Inventory days	-	-	-	-	-
Debtor days	58.6	55.4	66.5	64.5	69.5
Creditor days	27.5	27.7	36.1	36.2	39.6
Operating ROIC (%)	(1.9)	(3.1)	(3.7)	(3.5)	(22.8)
ROIC (%)	(1.3)	(1.5)	(1.6)	(1.8)	(12.1)
ROE (%)	11.0	12.2	14.2	15.0	17.2
ROA (%)	3.0	3.5	4.5	5.1	4.3

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

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Power business	45,373	84,424	105,159	122,732	130,210
Consulting business	2,094	9,727	5,261	4,553	1,420
Others	-	-	-	-	-

Sources: Gulf Energy Development; FSSIA estimates



## Financial Statements

### Gulf Energy Development

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	8,812	12,637	16,381	18,824	23,694
Depreciation	4,989	5,063	4,582	5,222	6,039
Associates & minorities	2,886	6,321	9,160	11,126	12,518
Other non-cash items	-	-	-	-	-
Change in working capital	1,823	(7,112)	486	413	(2,498)
<b>Cash flow from operations</b>	<b>18,510</b>	<b>16,909</b>	<b>30,609</b>	<b>35,585</b>	<b>39,752</b>
Capex - maintenance	(4,285)	(4,320)	(3,997)	(4,580)	(5,330)
Capex - new investment	(1,114)	(169)	(11,589)	(16,062)	(20,379)
Net acquisitions & disposals	(113,494)	(55,360)	0	0	0
Other investments (net)	55,878	6,937	9,239	11,207	12,600
<b>Cash flow from investing</b>	<b>(63,015)</b>	<b>(52,913)</b>	<b>(6,346)</b>	<b>(9,435)</b>	<b>(13,109)</b>
Dividends paid	(2,933)	(5,163)	(7,040)	(8,191)	(9,412)
Equity finance	0	0	0	0	0
Debt finance	54,256	(7,713)	(22,803)	0	0
Other financing cash flows	(2,874)	68,226	(14,537)	(17,895)	(19,533)
<b>Cash flow from financing</b>	<b>48,449</b>	<b>55,351</b>	<b>(44,380)</b>	<b>(26,086)</b>	<b>(28,945)</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>3,944</b>	<b>19,347</b>	<b>(20,118)</b>	<b>64</b>	<b>(2,301)</b>
Free cash flow to firm (FCFF)	(38,909.14)	(28,352.65)	32,722.78	34,488.28	35,306.09
Free cash flow to equity (FCFE)	6,877.73	24,509.10	(13,077.99)	8,254.38	7,110.87

#### Per share (THB)

FCFF per share	(3.32)	(2.42)	2.79	2.94	3.01
FCFE per share	0.59	2.09	(1.11)	0.70	0.61
Recurring cash flow per share	1.42	2.05	2.57	3.00	3.60

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	144,790	121,811	136,811	156,811	181,811
Less: Accumulated depreciation	(14,662)	(22,256)	(26,253)	(30,833)	(36,164)
<b>Tangible fixed assets (net)</b>	<b>130,128</b>	<b>99,555</b>	<b>110,558</b>	<b>125,978</b>	<b>145,647</b>
<b>Intangible fixed assets (net)</b>	<b>18,964</b>	<b>3,873</b>	<b>3,873</b>	<b>3,873</b>	<b>3,873</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	135,573	160,934	160,934	160,934	160,934
Cash & equivalents	19,847	39,194	19,075	19,139	16,838
A/C receivable	9,569	18,999	21,207	23,753	26,386
Inventories	0	0	0	0	0
Other current assets	9,395	12,057	14,140	16,300	16,856
<b>Current assets</b>	<b>38,811</b>	<b>70,249</b>	<b>54,423</b>	<b>59,192</b>	<b>60,080</b>
Other assets	39,197	83,561	83,561	83,561	83,561
<b>Total assets</b>	<b>362,674</b>	<b>418,172</b>	<b>413,349</b>	<b>433,538</b>	<b>454,095</b>
Common equity	96,596	110,787	120,128	130,762	145,043
Minorities etc.	10,913	25,015	28,876	33,313	38,898
<b>Total shareholders' equity</b>	<b>107,509</b>	<b>135,802</b>	<b>149,004</b>	<b>164,075</b>	<b>183,941</b>
Long term debt	138,761	119,176	119,176	119,176	119,176
Other long-term liabilities	81,387	111,326	111,326	111,326	111,326
<b>Long-term liabilities</b>	<b>220,148</b>	<b>230,502</b>	<b>230,502</b>	<b>230,502</b>	<b>230,502</b>
A/C payable	3,080	7,484	8,878	10,489	10,277
Short term debt	12,931	24,803	2,000	2,000	2,000
Other current liabilities	19,005	19,581	22,964	26,472	27,375
<b>Current liabilities</b>	<b>35,016</b>	<b>51,868</b>	<b>33,843</b>	<b>38,961</b>	<b>39,652</b>
<b>Total liabilities and shareholders' equity</b>	<b>362,674</b>	<b>418,172</b>	<b>413,349</b>	<b>433,538</b>	<b>454,095</b>
Net working capital	(3,121)	3,991	3,505	3,092	5,590
Invested capital	320,742	351,914	362,431	377,438	399,605

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

#### Per share (THB)

Book value per share	8.23	9.44	10.24	11.14	12.36
Tangible book value per share	6.62	9.11	9.91	10.81	12.03

#### Financial strength

Net debt/equity (%)	122.6	77.2	68.5	62.2	56.7
Net debt/total assets (%)	36.4	25.1	24.7	23.5	23.0
Current ratio (x)	1.1	1.4	1.6	1.5	1.5
CF interest cover (x)	2.2	4.1	0.8	4.0	4.2

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>61.9</b>	<b>43.2</b>	<b>33.3</b>	<b>29.0</b>	<b>23.0</b>
<b>Recurring P/E @ target price (x) *</b>	<b>71.9</b>	<b>50.1</b>	<b>38.7</b>	<b>33.7</b>	<b>26.7</b>
Reported P/E (x)	71.1	47.8	33.3	29.0	23.0
Dividend yield (%)	0.9	1.3	1.5	1.7	2.2
Price/book (x)	5.6	4.9	4.5	4.2	3.8
Price/tangible book (x)	7.0	5.1	4.7	4.3	3.9
EV/EBITDA (x) **	40.7	29.7	27.3	25.7	21.1
EV/EBITDA @ target price (x) **	45.9	33.5	30.9	29.0	23.8
EV/invested capital (x)	2.1	1.9	1.9	1.8	1.7

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

Sources: Gulf Energy Development; FSSIA estimates

# GLOBAL POWER SYNERGY

# GPSC TB

THAILAND / UTILITIES

## BUY

UNCHANGED

## Expect overhang to be lifted

- We revised down 2023-2025E EPS by 12.9%/14.9%/11.0%, based on new gas and Ft assumptions.
- Still expect attractive 2023-2025E EPS growth of 38.9%/27.9%/39.0%.
- Cut TP to THB59.0/share and maintain BUY on GPSC.

TARGET PRICE	THB59.00
CLOSE	THB48.25
UP/DOWNSIDE	+22.3%
PRIOR TP	THB60.30
CHANGE IN TP	-2.2%
TP vs CONSENSUS	-14.3%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	123,685	89,040	85,553	79,262
Net profit	891	3,861	4,938	6,866
EPS (THB)	0.32	1.37	1.75	2.43
vs Consensus (%)	-	(18.4)	(23.8)	(6.3)
EBITDA	14,783	15,777	17,416	20,771
Recurring net profit	2,779	3,861	4,938	6,866
Core EPS (THB)	0.99	1.37	1.75	2.43
Chg. In EPS est. (%)	-	(12.9)	(14.9)	(11.0)
EPS growth (%)	(68.8)	38.9	27.9	39.0
Core P/E (x)	48.9	35.2	27.6	19.8
Dividend yield (%)	1.0	2.7	3.1	3.1
EV/EBITDA (x)	16.3	15.6	13.7	11.2
Price/book (x)	1.3	1.3	1.3	1.2
Net debt/Equity (%)	82.7	84.1	76.5	69.2
ROE (%)	2.6	3.6	4.6	6.3

### Revised down 2023-2025E EPS by 12.9%/14.9%/11.0%

According to the cabinet meeting on 18 Sep 2023, the cabinet approved a further Sep-Dec 2023 electricity price cut to THB3.99/kWh, implying an Ft at THB0.21/kWh. This is down from the ERC's latest official Sep-Dec 2023 Ft announcement of THB0.6686/kWh. Thus, we revise down our 2023-2025E EPS by 12.9%/14.9%/11.0%, respectively. The estimates are based on new Ft assumptions while we lower our 2023 and 2025 gas price forecasts to THB430/mmbtu (prev. THB405/mmbtu) and THB360/mmbtu (prev. THB330/mmbtu). We forecast the 2023-2025 Ft to be at THB0.89/0.21/0.10 per kWh, changing from THB1.04/0.60/0.40 per kWh. We expect Ft to remain at the Sep-Dec 2023 level throughout 2024.

### Overhang factor from regulatory risk should be lifted

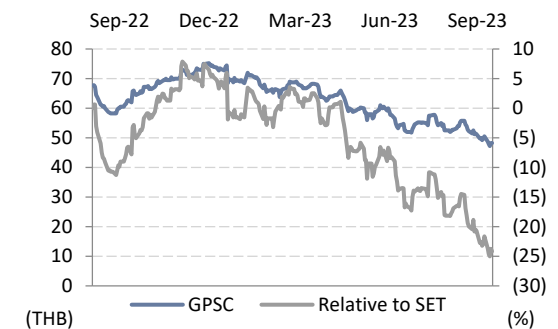
The share price has an overhang recently from regulatory risk. However, we think that this pressure will be lifted once PTT's pool gas price subsidies are finalised in the upcoming month. If the gas price were fixed at THB304.79/mmbtu from the subsidies effective in Sep-Dec 2023, we estimate a 12% upside to our 2023E. Another reason would be no further government intervention in the Ft once the gas price normalises in 2024. This would provide flexibility for ERC to adjust the Ft and return money to EGAT. We have a long-term positive view on GPSC and think its SPP margins could be normalised in 2025.

### Estimate 2023-2025 EPS growth of 38.9%/27.9%/39.0%

Though revising down our 2023-2025E, we still expect attractive EPS growth for GPSC at 38.9%/27.9%/39.0%, respectively. This implies 2H23E EPS growth of 70.5% h-h, despite the lower Ft. Key earnings catalysts for 2024-2025E are 1.) lower energy prices, 2.) a higher profit contribution from AEPL from losses due to high interest costs in 2021-22; 3.) the full SCOD of CFXD, wind in Taiwan, in 1Q24; and 4.) better power plant efficiency from Glow SPP phase 5 and GHECO-One IPP.

### Cut TP to THB59.0/share, maintain BUY on GPSC

We maintain BUY on GPSC. However, we cut our DCF-based TP from THB60.30/share to THB59.0/share, mainly revising down the earnings and rolling over our TP to 2024E. Our TP calculation uses 5.9% WACC, which was calculation from 12% cost of equity and 4% cost of debt.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.6)	(16.5)	(29.8)
Relative to country (%)	(9.3)	(17.2)	(24.2)
Mkt cap (USD m)	3,779		
3m avg. daily turnover (USD m)	13.7		
Free float (%)	25		
Major shareholder	PTT Plc (47%)		
12m high/low (THB)	75.50/46.50		
Issued shares (m)	2,819.73		

Sources: Bloomberg consensus; FSSIA estimates


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### Investment thesis

We have a BUY rating on GPSC and think that it is a good time to accumulate the stock because of its lagging share price despite having a relatively high EPS growth outlook compared to peers. The company’s financial performance in 2023-2025E should be supported by energy price normalisation, the profit turnaround of its flagship solar business in India (AEPL), the full COD of wind in Taiwan (CFXD) and other expansion projects in the pipeline.

GPSC was established as a power investment arm of PTT Group – Thailand’s leading energy company. GPSC has long leveraged its solid ties with the group to expand its electricity generation capacity growth and capture domestic and international opportunities. Currently, GPSC generates electricity mainly from natural gas (52%), and most of its capacity is aimed at supporting PTT Group companies, including PTT (PTT TB, NR), PTT Global Chemical (PTTGC TB, NR), Thai Oil (TOP TB, BUY, TP THB56.80) and IRPC (IRPC TB, NR).

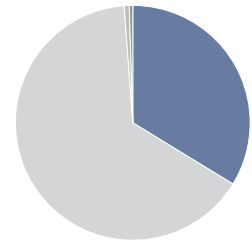
### Company profile

GPSC is a power flagship company of PTT Group and is one of the largest power producer in Thailand. Its business portfolio includes gas-fired power plant, coal-fired power plant, renewables, and battery busienss. The company has footprints in Thailand, Laos, India, Taiwan and China.

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

### Principal activities (revenue, 2022)

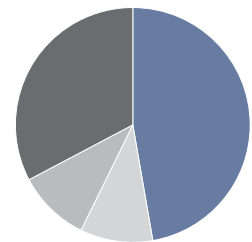
- Independent power producer - 33.7 %
- Small power producer - 65.1 %
- Very small power producer - 0.7 %
- Others - 0.5 %



Source: Global Power Synergy

### Major shareholders

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



Source: Global Power Synergy

### Catalysts

Key potential catalysts are 1) falling energy prices (i.e. gas and coal); 2) higher Ft; 3) new M&As; and 4) the start-up of the GHECO-One power plant.

### Risks to our call

The downside risks to our DCF-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) higher-than-expected energy price (i.e. coal and gas); and 3) lower-than-expected demand from industrial users.

### Event calendar

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

### Key assumptions

Key assumptions	2021	2022	2023E	2024E	2025E
IPP gas price (THB/mmbtu)	257	465	396	361	321
SPP gas price (THB/mmbtu)	266	478	405	370	330
Coal price (USD/tonne)	80	192	210	150	100
Ft (THB/kWh)	(0.15)	0.40	0.89	0.21	0.10

Source: FSSIA estimates

### Earnings sensitivity

- We estimate that a THB1/mmbtu decrease in the gas price would increase net profit by THB30m per annum and vice versa, all else being equal.
- We estimate that a THB0.01/kWh decrease in the Ft would decrease net profit by THB60m per annum and vice versa, all else being equal.

Source: FSSIA estimates

## Key charts

### Exhibit 14: Key earnings assumptions

Key assumptions	Unit	2021	2022	2023E		2024E		2025E	
				New	Old	New	Old	New	Old
IPP gas price	(THB/mmbtu)	257	465	396	460	361	No chg.	321	351
SPP gas price	(THB/mmbtu)	266	478	405	405	370	No chg.	330	360
Coal price	(USD/tonne)	80	192	210	No chg.	150	No chg.	100	No chg.
Ft	(THB/kWh)	(0.15)	0.40	0.89	1.04	0.21	0.60	0.10	0.40

Sources: GPSC, FSSIA estimates

### Exhibit 15: IPP and SPP performance assumptions

IPP	Unit	2021	2022	2023E	2024E	2025E
<b>Availability</b>						
Sriracha Power Plant	(%)	91%	75%	95%	95%	95%
GIPP	(%)	92%	97%	97%	97%	97%
GHECO-One	(%)	75%	83%	83%	83%	83%
<b>SPP</b>						
SPP sales volume	(GWh)	13,313	13,148	13,276	13,557	12,270
Steam sales volume	(kt)	15,090	14,509	14,792	14,833	13,377

Sources: GPSC, FSSIA estimates

### Exhibit 16: WACC calculations

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, Ke	12	Net cost of debt, Kd	3
Weight applied	30	Weight applied	70
WACC (%)	5.9		

Source: FSSIA's estimates

### Exhibit 17: DCF-based target price valuation

DCF valuation	(THB)	(THB/share)
Operating assets	192,403	68.2
ERU	2,445	0.9
Investment in associates and JVs	62,716	22.2
Net debt	(91,092)	(32.3)
<b>Total</b>	<b>166,471</b>	<b>59.0</b>

Source: FSSIA's estimates

## Financial Statements

### Global Power Synergy

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	74,874	123,685	89,040	85,553	79,262
Cost of goods sold	(63,736)	(120,324)	(81,359)	(77,287)	(68,032)
<b>Gross profit</b>	<b>11,138</b>	<b>3,361</b>	<b>7,681</b>	<b>8,267</b>	<b>11,231</b>
Other operating income	3,236	2,731	1,301	1,497	1,796
Operating costs	(1,374)	(422)	(2,137)	(2,180)	(2,223)
<b>Operating EBITDA</b>	<b>22,231</b>	<b>14,783</b>	<b>15,777</b>	<b>17,416</b>	<b>20,771</b>
Depreciation	(9,232)	(9,113)	(8,932)	(9,832)	(9,968)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>13,000</b>	<b>5,670</b>	<b>6,845</b>	<b>7,584</b>	<b>10,803</b>
Net financing costs	(3,915)	(4,240)	(4,475)	(4,575)	(5,719)
Associates	1,536	1,539	2,311	2,978	3,335
Recurring non-operating income	1,536	1,539	2,311	2,978	3,335
Non-recurring items	(1,588)	(1,888)	0	0	0
<b>Profit before tax</b>	<b>9,032</b>	<b>1,081</b>	<b>4,681</b>	<b>5,986</b>	<b>8,419</b>
Tax	(1,192)	376	(316)	(402)	(655)
<b>Profit after tax</b>	<b>7,840</b>	<b>1,457</b>	<b>4,366</b>	<b>5,584</b>	<b>7,764</b>
Minority interests	(522)	(566)	(505)	(646)	(898)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>7,319</b>	<b>891</b>	<b>3,861</b>	<b>4,938</b>	<b>6,866</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>1,588</b>	<b>1,888</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>8,907</b>	<b>2,779</b>	<b>3,861</b>	<b>4,938</b>	<b>6,866</b>
<b>Per share (THB)</b>					
Recurring EPS *	3.16	0.99	1.37	1.75	2.43
Reported EPS	2.60	0.32	1.37	1.75	2.43
DPS	1.50	0.50	1.30	1.50	1.50
Diluted shares (used to calculate per share data)	2,820	2,820	2,820	2,820	2,820
<b>Growth</b>					
Revenue (%)	7.6	65.2	(28.0)	(3.9)	(7.4)
Operating EBITDA (%)	(2.2)	(33.5)	6.7	10.4	19.3
Operating EBIT (%)	(7.4)	(56.4)	20.7	10.8	42.5
Recurring EPS (%)	(0.6)	(68.8)	38.9	27.9	39.0
Reported EPS (%)	(2.5)	(87.8)	333.1	27.9	39.0
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	14.9	2.7	8.6	9.7	14.2
Gross margin exc. depreciation (%)	27.2	10.1	18.7	21.2	26.7
Operating EBITDA margin (%)	29.7	12.0	17.7	20.4	26.2
Operating EBIT margin (%)	17.4	4.6	7.7	8.9	13.6
Net margin (%)	11.9	2.2	4.3	5.8	8.7
Effective tax rate (%)	15.9	82.2	13.3	13.4	12.9
Dividend payout on recurring profit (%)	47.5	50.7	94.9	85.7	61.6
Interest cover (X)	3.7	1.7	2.0	2.3	2.5
Inventory days	44.2	30.9	49.6	44.2	52.6
Debtor days	54.9	49.6	92.7	98.1	87.7
Creditor days	34.7	28.4	45.3	48.6	68.4
Operating ROIC (%)	(2.3)	(1.0)	(7.1)	(7.7)	(20.8)
ROIC (%)	(1.2)	(0.6)	(4.3)	(4.9)	(12.3)
ROE (%)	8.4	2.6	3.6	4.6	6.3
ROA (%)	3.3	0.9	(0.3)	0.0	(1.6)
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Independent power producer	17,558	41,724	13,863	20,507	17,713
Small power producer	55,889	80,519	74,012	63,913	56,678
Very small power producer	689	843	563	561	4,328
Others	738	599	602	572	543

Sources: Global Power Synergy; FSSIA estimates

## Financial Statements

### Global Power Synergy

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	8,907	2,779	3,861	4,938	6,866
Depreciation	9,232	9,113	8,932	9,832	9,968
Associates & minorities	1,536	1,539	2,311	2,978	3,335
Other non-cash items	1,318	1,318	1,319	1,319	1,320
Change in working capital	(4,686)	(68)	(5,431)	8,725	4,695
<b>Cash flow from operations</b>	<b>16,307</b>	<b>14,681</b>	<b>10,993</b>	<b>27,792</b>	<b>26,184</b>
Capex - maintenance	(6,208)	(6,237)	(8,932)	(9,832)	(9,968)
Capex - new investment	(11,042)	(12,414)	(23,931)	(21,831)	(21,966)
Net acquisitions & disposals	(28,951)	(29,145)	(17,864)	(19,664)	(19,935)
Other investments (net)	0	0	0	0	0
<b>Cash flow from investing</b>	<b>(46,201)</b>	<b>(47,797)</b>	<b>(50,727)</b>	<b>(51,327)</b>	<b>(51,869)</b>
Dividends paid	0	0	(1,692)	(4,230)	(4,230)
Equity finance	0	0	0	0	0
Debt finance	(2,683)	7,782	5,000	0	0
Other financing cash flows	26,081	25,777	37,601	35,675	36,111
<b>Cash flow from financing</b>	<b>23,398</b>	<b>33,559</b>	<b>40,909</b>	<b>31,445</b>	<b>31,881</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>(6,496)</b>	<b>444</b>	<b>1,175</b>	<b>7,911</b>	<b>6,196</b>
Free cash flow to firm (FCFF)	(26,034.15)	(28,816.56)	(35,259.03)	(18,959.66)	(19,965.55)
Free cash flow to equity (FCFE)	(6,496.03)	443.57	2,866.90	12,140.27	10,426.06
<b>Per share (THB)</b>					
FCFF per share	(9.23)	(10.22)	(12.50)	(6.72)	(7.08)
FCFE per share	(2.30)	0.16	1.02	4.31	3.70
Recurring cash flow per share	7.45	5.23	5.82	6.76	7.62
<b>Balance Sheet (THB m) Year Ending Dec</b>					
Tangible fixed assets (gross)	165,325	168,236	183,236	195,236	207,236
Less: Accumulated depreciation	(69,744)	(75,589)	(84,521)	(94,353)	(104,321)
<b>Tangible fixed assets (net)</b>	<b>95,581</b>	<b>92,647</b>	<b>98,715</b>	<b>100,883</b>	<b>102,915</b>
<b>Intangible fixed assets (net)</b>	<b>5,116</b>	<b>3,817</b>	<b>3,817</b>	<b>3,818</b>	<b>3,819</b>
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	27,700	44,372	44,372	44,372	44,372
Cash & equivalents	13,793	14,236	15,411	23,322	29,518
A/C receivable	13,441	20,178	25,027	20,944	17,161
Inventories	6,938	11,915	7,760	8,587	8,136
Other current assets	11,318	6,494	4,675	4,492	4,161
<b>Current assets</b>	<b>45,490</b>	<b>52,822</b>	<b>52,873</b>	<b>57,345</b>	<b>58,977</b>
Other assets	96,492	95,152	90,152	90,152	90,152
<b>Total assets</b>	<b>270,379</b>	<b>288,810</b>	<b>289,929</b>	<b>296,569</b>	<b>300,235</b>
Common equity	108,334	104,730	106,899	107,608	110,244
Minorities etc.	9,413	10,370	10,875	11,521	12,420
<b>Total shareholders' equity</b>	<b>117,748</b>	<b>115,100</b>	<b>117,774</b>	<b>119,129</b>	<b>122,663</b>
Long term debt	92,511	97,957	102,957	102,957	102,957
Other long-term liabilities	37,084	43,560	43,560	43,560	43,560
<b>Long-term liabilities</b>	<b>129,595</b>	<b>141,516</b>	<b>146,516</b>	<b>146,516</b>	<b>146,516</b>
A/C payable	6,407	10,887	7,090	10,887	10,887
Short term debt	9,121	11,457	11,457	11,457	11,457
Other current liabilities	7,508	9,849	7,090	8,579	8,711
<b>Current liabilities</b>	<b>23,036</b>	<b>32,193</b>	<b>25,638</b>	<b>30,924</b>	<b>31,055</b>
<b>Total liabilities and shareholders' equity</b>	<b>270,379</b>	<b>288,810</b>	<b>289,929</b>	<b>296,569</b>	<b>300,235</b>
Net working capital	17,782	17,850	23,281	14,556	9,861
Invested capital	242,671	253,838	260,337	253,781	251,119
* Includes convertibles and preferred stock which is being treated as debt					
<b>Per share (THB)</b>					
Book value per share	38.42	37.14	37.91	38.16	39.10
Tangible book value per share	36.61	35.79	36.56	36.81	37.74
<b>Financial strength</b>					
Net debt/equity (%)	74.6	82.7	84.1	76.5	69.2
Net debt/total assets (%)	32.5	33.0	34.1	30.7	28.3
Current ratio (x)	2.0	1.6	2.1	1.9	1.9
CF interest cover (x)	2.2	4.0	7.0	8.4	6.7
<b>Valuation</b>					
<b>Recurring P/E (x) *</b>	<b>15.3</b>	<b>48.9</b>	<b>35.2</b>	<b>27.6</b>	<b>19.8</b>
<b>Recurring P/E @ target price (x) *</b>	<b>18.7</b>	<b>59.9</b>	<b>43.1</b>	<b>33.7</b>	<b>24.2</b>
Reported P/E (x)	18.6	152.6	35.2	27.6	19.8
Dividend yield (%)	3.1	1.0	2.7	3.1	3.1
Price/book (x)	1.3	1.3	1.3	1.3	1.2
Price/tangible book (x)	1.3	1.3	1.3	1.3	1.3
EV/EBITDA (x) **	10.5	16.3	15.6	13.7	11.2
EV/EBITDA @ target price (x) **	11.9	18.4	17.5	15.4	12.7
EV/invested capital (x)	1.0	1.0	0.9	0.9	0.9
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Global Power Synergy; FSSIA estimates



# B.GRIMM POWER BGRIM TB

THAILAND / UTILITIES

## BUY

UNCHANGED

## Margin to normalise in 2025E onward

- We revise down BGRIM's 2023-2025E EPS by 13.6%/26.6%/2.8 to reflect our new Ft and gas price assumptions.
- Expect SPP margins to normalise in 2025 onward.
- We cut our TP to THB37.0/share from THB45.0/share. Maintain BUY on BGRIM.

TARGET PRICE	THB37.00
CLOSE	THB31.50
UP/DOWNSIDE	+17.5%
PRIOR TP	THB45.00
CHANGE IN TP	-17.8%
TP vs CONSENSUS	-15.9%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	62,395	58,506	60,753	59,436
Net profit	(1,244)	2,210	2,222	3,174
EPS (THB)	(0.48)	0.85	0.85	1.22
vs Consensus (%)	-	(6.7)	(24.4)	(5.1)
EBITDA	8,914	13,736	13,874	15,558
Recurring net profit	(1,244)	2,210	2,222	3,174
Core EPS (THB)	(0.48)	0.85	0.85	1.22
Chg. In EPS est. (%)	nm	(13.6)	(26.6)	(2.8)
EPS growth (%)	nm	nm	0.6	42.8
Core P/E (x)	(66.0)	37.2	36.9	25.9
Dividend yield (%)	0.2	1.2	1.2	1.7
EV/EBITDA (x)	20.3	12.3	12.1	10.5
Price/book (x)	2.8	2.2	2.2	2.1
Net debt/Equity (%)	204.3	146.0	135.7	117.8
ROE (%)	(4.2)	6.6	6.0	8.3

### Revised down 2023-2025E EPS by 13.6%/26.6%/2.8%

According to the cabinet meeting on 18 Sep 2023, the cabinet approved a further Sep-Dec 2023 electricity price cut to THB3.99/kWh, implying an Ft at THB0.21/kWh. This is down from the ERC's latest official Sep-Dec 2023 Ft announcement of THB0.6686/kWh. Therefore, we revise down our 2023-2025E EPS by 13.6%/26.6%/2.8%, respectively. The estimates are based on our new Ft assumptions, while our gas price assumption remains the same for BGRIM. We forecast the 2023-2025 Ft to be at THB0.89/0.21/0.10 per kWh, changing from THB1.04/0.60/0.40 per kWh. We estimate there would be no further change in the Sep-Dec 2023 Ft and the Ft should remain at this level throughout 2024.

### Potential 2023E earnings upside from PTT's gas subsidies

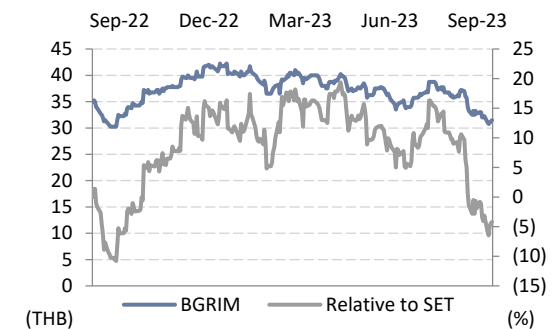
On 20Sep2023, ERC hosted a meeting with PTT to discuss solutions for the electricity price cut. From the discussion, PTT might have to help subsidise and fix the pool gas price at THB304.79/mmbtu to help alleviate the negative impact on power producers. We have not included this into our estimates. However, if the terms were to be finalized and effective in Sep-Dec2023, it would benefit BGRIM and provide a 12% upside to our 2023E.

### Expect margin normalisation in 2025E onwards

We believe SPP margins will start to normalise in 2025 onward, given potentially less pressure from government intervention on the Ft due to gas price normalisation. In addition, with the significant interest bearing debt amount that EGAT is absorbing, we think this will cap the downside of the Ft in 2024 onward. We expect ERC would have more flexibility to increase the AF (accumulate factor) to return money back to EGAT.

### Maintain BUY on BGRIM, our new target price is at THB37.0/share

We cut our DCF-based target price to THB37.0/share to reflect to the new assumptions and roll over to 2024E TP. Our TP was calculated based on 5.9% WACC, which was derived from 12% cost of equity and 4% cost of debt. We think the share price might have an overhang from the uncertainty of regulatory risk in the short-term. However, we view BGRIM positively long-term and maintain BUY. We think share price could be lifted once there is more clarity on PTT gas subsidies.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(13.1)	(11.3)	(8.7)
Relative to country (%)	(11.8)	(12.0)	(1.3)
Mkt cap (USD m)	2,281		
3m avg. daily turnover (USD m)	9.6		
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


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## Investment thesis

BGRIM is one of the largest small power producers (SPPs) in Thailand with a current installed capacity of 3,690MW. 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 THB2.2b 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 0.6% in 2024 and 42.8% in 2025.

In 2H23, we estimate earnings growth of 7.5% h-h, supported by a lower gas price, the high season of hydro, and contributions from renewables in South Korea.

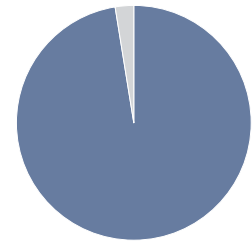
## Company profile

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.bgrimpower.com](http://www.bgrimpower.com)

## Principal activities (revenue, 2022)

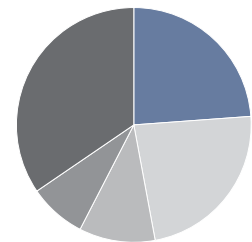
- Electricity generation - 97.5 %
- Others business - 2.5 %



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
Early Nov 2023	3Q23 financial results announcement
Mid Nov 2023	3Q23 analyst meeting

## Key assumptions

	2021	2022	2023E	2024E	2025E
SPP gas price (THB/mmbtu)	266	476	405	370	330
Ft (THB/kWh)	(0.15)	0.40	0.89	0.21	0.10
<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	4,898
Steam (kt)	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 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 net profit by THB21m per annum and vice versa, all else being equal.

Source: FSSIA estimates

## Key charts

### Exhibit 18: Key earnings assumptions

	Unit	2021	2022	2023E		2024E		2025E	
				New	old	New	old	New	old
SPP gas price	(THB/mmbtu)	266	476	405	<i>no chg.</i>	370	<i>no chg.</i>	330	<i>no chg.</i>
Ft	(THB/kWh)	(0.15)	0.40	0.89	<i>1.04</i>	0.21	<i>0.60</i>	0.10	<i>0.40</i>

Sources: BGRIM, FSSIA estimates

### Exhibit 19: Sales volume assumptions

Sales volume	unit	2021	2022	2023E	2024E	2025E
EGAT	(GWh)	9,701	8,888	8,609	9,661	9,634
IU	(GWh)	3,314	3,384	3,675	4,297	4,898
Steam	(kt)	989,202	754,215	864,927	971,203	977,563

Sources: BGRIM, FSSIA estimates

### Exhibit 20: DCF-based target price valuation

DCF valuation	(THB)	(THB/share)	Comment
Operating asset	129,686	49.7	DCF, WACC 5.9%
New opportunities	29,883	11.5	Assume achieve 50% of capacity growth target, IRR 9%
Investment in associates and JVs	9,109	3.5	20x P/E
Net debt	(72,092)	(27.7)	2024E
<b>Total</b>	<b>96,585</b>	<b>37.0</b>	

Source: FSSIA's estimates

## Financial Statements

B.Grimm Power

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	46,628	62,395	58,506	60,753	59,436
Cost of goods sold	(37,935)	(56,067)	(48,671)	(50,620)	(47,384)
<b>Gross profit</b>	<b>8,694</b>	<b>6,329</b>	<b>9,835</b>	<b>10,133</b>	<b>12,051</b>
Other operating income	188	852	220	224	229
Operating costs	(1,673)	(3,253)	(1,989)	(2,078)	(2,129)
<b>Operating EBITDA</b>	<b>12,348</b>	<b>8,914</b>	<b>13,736</b>	<b>13,874</b>	<b>15,558</b>
Depreciation	(5,139)	(4,987)	(5,670)	(5,595)	(5,408)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>7,209</b>	<b>3,927</b>	<b>8,066</b>	<b>8,279</b>	<b>10,151</b>
Net financing costs	(2,704)	(3,975)	(4,731)	(4,950)	(4,935)
Associates	44	(172)	240	455	495
Recurring non-operating income	(789)	(894)	240	455	495
Non-recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>3,715</b>	<b>(942)</b>	<b>3,575</b>	<b>3,785</b>	<b>5,711</b>
Tax	(298)	44	(267)	(400)	(782)
<b>Profit after tax</b>	<b>3,417</b>	<b>(898)</b>	<b>3,308</b>	<b>3,385</b>	<b>4,928</b>
Minority interests	(1,141)	(346)	(1,098)	(1,163)	(1,754)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,276</b>	<b>(1,244)</b>	<b>2,210</b>	<b>2,222</b>	<b>3,174</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>2,210</b>	<b>2,222</b>	<b>3,174</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.87	(0.48)	0.85	0.85	1.22
Reported EPS	0.87	(0.48)	0.85	0.85	1.22
DPS	0.42	0.07	0.38	0.38	0.55
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	(6.2)	3.8	(2.2)
Operating EBITDA (%)	(4.6)	(27.8)	54.1	1.0	12.1
Operating EBIT (%)	(3.2)	(45.5)	105.4	2.7	22.6
Recurring EPS (%)	4.6	nm	nm	0.6	42.8
Reported EPS (%)	4.6	nm	nm	0.6	42.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	18.6	10.1	16.8	16.7	20.3
Gross margin exc. depreciation (%)	29.7	18.1	26.5	25.9	29.4
Operating EBITDA margin (%)	26.5	14.3	23.5	22.8	26.2
Operating EBIT margin (%)	15.5	6.3	13.8	13.6	17.1
Net margin (%)	4.9	(2.0)	3.8	3.7	5.3
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	1.8	1.8	2.2
Inventory days	11.2	6.4	10.2	12.5	12.9
Debtor days	61.8	53.3	56.4	53.5	55.4
Creditor days	63.1	48.9	59.2	49.2	52.0
Operating ROIC (%)	6.6	3.2	6.2	6.5	8.1
ROIC (%)	4.7	2.0	5.1	5.5	6.8
ROE (%)	8.0	(4.2)	6.6	6.0	8.3
ROA (%)	4.0	1.4	4.0	4.0	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	57,160	59,281	58,069
Others business	1,073	1,590	1,346	1,472	1,367

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)	2,210	2,222	3,174
Depreciation	5,139	4,987	5,670	5,595	5,408
Associates & minorities	1,097	518	858	707	1,260
Other non-cash items	0	0	0	0	0
Change in working capital	(3,536)	(353)	(282)	43	(385)
<b>Cash flow from operations</b>	<b>4,976</b>	<b>3,908</b>	<b>8,457</b>	<b>8,567</b>	<b>9,456</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)	5,813	324	356
<b>Cash flow from investing</b>	<b>(12,273)</b>	<b>(21,648)</b>	<b>(987)</b>	<b>(3,976)</b>	<b>(1,844)</b>
Dividends paid	(1,748)	(1,072)	(989)	(1,697)	(1,871)
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>9,323</b>	<b>(1,343)</b>	<b>(8,707)</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>16,793</b>	<b>3,249</b>	<b>(1,095)</b>
Free cash flow to firm (FCFF)	(3,836.10)	(13,684.48)	12,200.75	9,541.88	12,546.90
Free cash flow to equity (FCFE)	9,133.52	4,298.06	11,781.65	4,945.17	776.69

#### Per share (THB)

FCFF per share	(1.47)	(5.25)	4.68	3.66	4.81
FCFE per share	3.50	1.65	4.52	1.90	0.30
Recurring cash flow per share	3.27	1.63	3.35	3.27	3.78

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	124,553	139,834	145,505	151,099	156,507
Less: Accumulated depreciation	(39,749)	(43,846)	(48,387)	(55,276)	(63,892)
<b>Tangible fixed assets (net)</b>	<b>84,804</b>	<b>95,988</b>	<b>97,118</b>	<b>95,823</b>	<b>92,615</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	47,793	51,041	49,946
A/C receivable	8,983	9,254	8,834	8,985	9,055
Inventories	971	833	1,578	1,496	1,477
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>59,920</b>	<b>63,362</b>	<b>62,256</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>181,221</b>	<b>183,501</b>	<b>179,327</b>
Common equity	29,471	29,728	36,943	37,469	38,771
Minorities etc.	11,344	12,440	13,538	14,701	16,456
<b>Total shareholders' equity</b>	<b>40,816</b>	<b>42,168</b>	<b>50,482</b>	<b>52,170</b>	<b>55,227</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	5,944	6,182	5,787
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>17,603</b>	<b>17,827</b>	<b>16,714</b>
<b>Total liabilities and shareholders' equity</b>	<b>149,198</b>	<b>170,651</b>	<b>181,221</b>	<b>183,501</b>	<b>179,327</b>
Net working capital	7,090	9,297	5,681	5,636	6,020
Invested capital	115,229	131,144	126,982	125,776	123,092

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

#### Per share (THB)

Book value per share	11.31	11.40	14.17	14.37	14.87
Tangible book value per share	6.09	6.28	9.05	9.25	9.75

#### Financial strength

Net debt/equity (%)	170.5	204.3	146.0	135.7	117.8
Net debt/total assets (%)	46.6	50.5	40.7	38.6	36.3
Current ratio (x)	3.2	2.5	3.4	3.6	3.7
CF interest cover (x)	7.9	6.1	4.9	2.9	1.6

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>36.1</b>	<b>(66.0)</b>	<b>37.2</b>	<b>36.9</b>	<b>25.9</b>
<b>Recurring P/E @ target price (x) *</b>	<b>42.4</b>	<b>(77.5)</b>	<b>43.7</b>	<b>43.4</b>	<b>30.4</b>
Reported P/E (x)	36.1	(66.0)	37.2	36.9	25.9
Dividend yield (%)	1.3	0.2	1.2	1.2	1.7
Price/book (x)	2.8	2.8	2.2	2.2	2.1
Price/tangible book (x)	5.2	5.0	3.5	3.4	3.2
EV/EBITDA (x) **	13.2	20.3	12.3	12.1	10.5
EV/EBITDA @ target price (x) **	14.4	21.9	13.4	13.1	11.4
EV/invested capital (x)	1.4	1.4	1.3	1.3	1.3

\* 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 **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

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

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability 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

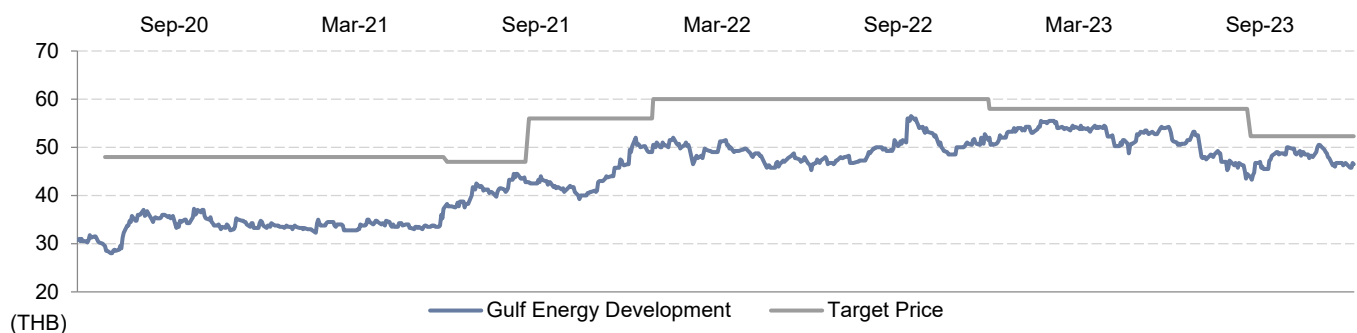
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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

#### Gulf Energy Development (GULF TB)



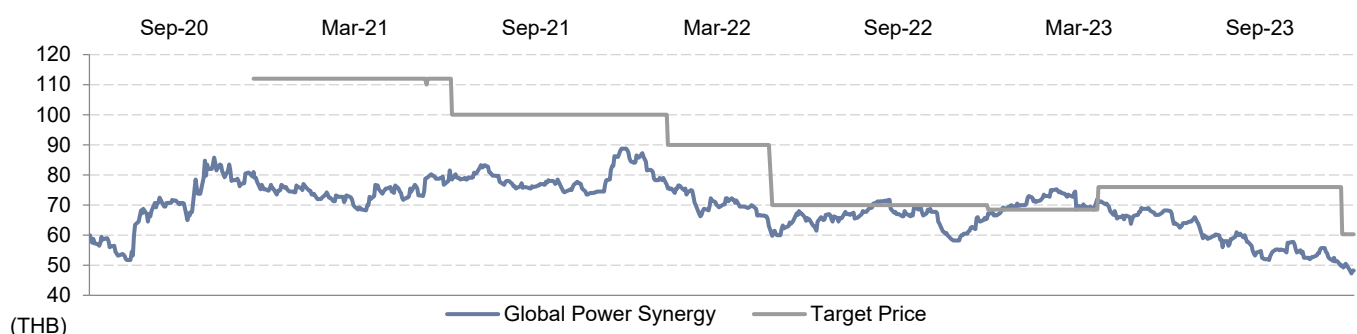
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
20-Oct-2020	BUY	48.00	15-Oct-2021	BUY	56.00	14-Nov-2022	BUY	58.00
06-Aug-2021	BUY	47.00	31-Jan-2022	BUY	60.00	23-Jun-2023	BUY	52.30

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

Price and TP are in local currency

Source: FSSIA estimates

#### Global Power Synergy (GPSC TB)

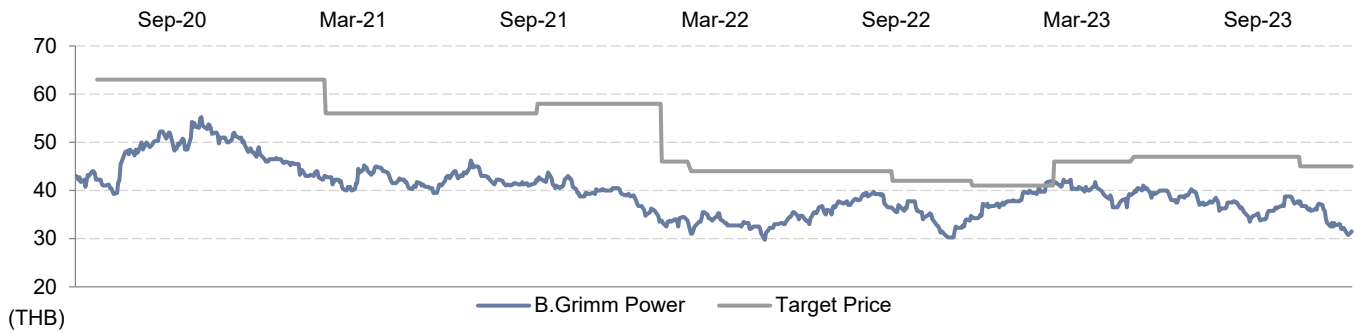


Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
15-Feb-2021	BUY	112.00	05-Aug-2021	BUY	100.00	10-Nov-2022	HOLD	68.50
14-Jul-2021	BUY	110.00	07-Feb-2022	BUY	90.00	13-Feb-2023	BUY	76.00
15-Jul-2021	BUY	112.00	06-May-2022	HOLD	70.00	11-Sep-2023	BUY	60.30

Kwanwaree Apichartsatoporn started covering this stock from 11-Sep-2023

Price and TP are in local currency

Source: FSSIA estimates

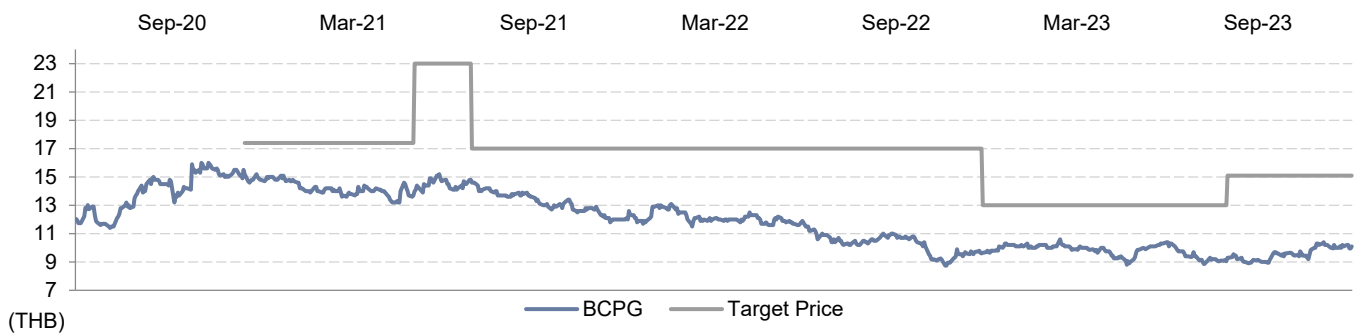
**B.Grimm Power (BGRIM TB)**

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 Apichartsatoporn started covering this stock from 08-Aug-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
18-Feb-2021	BUY	17.40	31-Aug-2021	BUY	17.00	07-Jun-2023	BUY	15.10
13-Jul-2021	BUY	23.00	10-Nov-2022	BUY	13.00			

Kwanwaree Apichartsatoporn started covering this stock from 07-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Gulf Energy Development	GULF TB	THB 46.50	BUY	The downside risks to our SoTP-based TP for GULF include 1) a lower-than-expected Ft; 2) a higher-than-expected gas cost; and 3) delays in project commercial operation dates.
Global Power Synergy	GPSC TB	THB 48.25	BUY	The downside risks to our DCF-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) higher-than-expected energy price (i.e. coal and gas); and 3) lower-than-expected demand from industrial users.
B.Grimm Power	BGRIM TB	THB 31.50	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.
BCPG	BCPG TB	THB 10.10	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 Finasia Syrus Securities Public Company Limited

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

All share prices are as at market close on 22-Sep-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.