

16 November 2021

Utilities | Power

## ราช กรุ๊ป (RATCH TB)

ถือ (คงคำแนะนำ)

### ไม่มีทางลัดสู่การเติบโต; คงคำแนะนำ “ถือ”

- คงคำแนะนำ “ถือ” และราคาเป้าหมายที่ 48.00 บาท upside 7% และเงินปันผลประมาณ 5% ในปี FY64F ผลประกอบการ 3Q64 ของ RATCH ออกมาต่ำกว่าคาด จากผลขาดทุน FX ที่สูงกว่าคาด ถึงแม้เราจะมองว่ากำไรจะเติบโตใน FY64-66 แต่ RATCH ยังต้องเจอกับ dilution effect จากการเพิ่มทุน ซึ่งส่งผลให้ EPS ลดลงและ ROE พื้นตัวได้ช้า ขณะที่การแข่งขันในตลาดยังสูง เราเชื่อว่านักลงทุนจะมุมมองแบบ wait and see ต่อหุ้น RATCH จนกว่าบริษัทจะได้โครงการที่ได้ขนาดและมีผลตอบแทนที่ดีชัดเจน สำหรับปัจจัยบวกใน 4Q64F ได้แก่ i) กำไรหลักที่กลับมาเป็นบวก QoQ และ ii) การเข้าซื้อกิจการใหม่ ๆ
- ผลประกอบการ 3Q64 ต่ำกว่าคาด กำไรสุทธิ 3Q64 อยู่ที่ 1.44 พลบ. (-32% QoQ, -16% YoY) ต่ำกว่าตลาดคาด หากไม่นับรวมผลขาดทุน FX ที่ยังไม่เกิดขึ้นจริง กำไรหลักอยู่ที่ 1.59 พลบ. (+27% QoQ, +0.5% YoY) กำไรหลัก 9M64 อยู่ที่ 5.6 พลบ. (+37% YoY) คิดเป็น 91% ของประมาณการกำไร FY64F ของเรา
- ส่วนแบ่งกำไรของ RATCH ลดลง 18% QoQ จากกำไรที่ลดลงของโรงไฟฟ้า Hongs (HPC) จากการปิดบำรุงรักษาตามแผน และ An Bihn Energy and Infrastructure Fund (ABEIF) ในเวียดนาม ตามราคาถ่านหินที่สูงขึ้น อย่างไรก็ตาม กำไรที่ลดลงในส่วนนี้ได้ถูกชดเชยบางส่วนจากผลประกอบการโรงไฟฟ้าพลังน้ำ Nan Ngum 2 (NN2) และ Xe-Pian Xe-Namnoy ที่ออกมาดี ขณะที่กำไรสุทธิของผู้ผลิตไฟฟ้าขนาดเล็ก (SPPs) มีผลกำไรสุทธิแตกต่างกันไป แต่โดยสุทธิแล้วขยายตัวขึ้น รายได้หลักเพิ่มขึ้น 6% QoQ จาก i) การขายไฟฟ้าที่สูงขึ้นของโรงไฟฟ้าราชบุรี (RG) และ ii) ผลประกอบการที่ดีขึ้นของ RATCH-Australia Corp (RAC, +38% QoQ) และของ Ratch Cogeneration (RCO, +6% QoQ) ซึ่งส่งผลให้ gross profit เพิ่มขึ้นเป็น 1.1 พลบ. (+11% QoQ, +37% YoY) และ GPM เพิ่มขึ้นเป็น 13.3% (2Q64: 12.7%) (Figure 1)
- เราคาดว่ากำไรหลัก 4Q64 จะทรงตัว QoQ เนื่องจากส่วนแบ่งกำไรที่เพิ่มขึ้นเล็กน้อยของ RATCH จะถูกชดเชยด้วยรายได้หลักที่ลดลง การกลับมาเปิดโรง HPC ส่วนหนึ่งจะถูกจูงใจโดยผลกำไรที่ลดลงของโรงไฟฟ้าพลังน้ำ ขณะที่รายได้หลักจะลดลงจากการปิดบำรุงรักษา RG ตามแผน และ low season ของความเร็วลมสำหรับโครงการของ RAC นอกจากนี้ การก่อสร้างบางโครงการล่าช้า เช่น โครงการใน Riau ประเทศอินโดนีเซีย (เลื่อนไปเดือน พ.ย.-ธ.ค. จากเดิมเดือน ต.ค.) และ Ecowind Wind Farm ในเวียดนาม (เลื่อนไป 2022 จากเดิม 2021)
- เราปรับประมาณการผลกำไร FY64-66F ขึ้น 3-14% เพื่อสะท้อนส่วนแบ่งกำไรที่เพิ่มขึ้น ตามตัวเลขที่ดีขึ้นของ HPC กองทุนรวมโครงสร้างพื้นฐาน ABEIF, RPCL และ NN2 ดังนั้น การเติบโตของกำไร FY64-66F จะมาจากโครงการใน Paiton (+930Mwe ตั้งแต่ 2Q65F) และ Riau (+145Mwe ตั้งแต่ FY65F) ในอินโดนีเซีย และ Fangchenggang Nuclear Power II ในจีน
- คะแนน ESG (ตามวิธีประเมินภายในของ RHB) ของ RATCH อยู่ที่ 3.20 ใกล้เคียง median ของบริษัทไทย เราจึงไม่ได้ให้ premium หรือ discount ราคาเป้าหมายอิงวิธี DCF อยู่ที่ 48.00 บาท สะท้อน P/E ที่ 11.78 เท่า ใกล้เคียงเฉลี่ยย้อนหลัง 5 ปี

Target Price (Return): THB48.00 (+8%)  
 Price (Market Cap): THB44.50 (USD1,966m)  
 ESG score: 3.20 (out of 4)  
 Avg Daily Turnover (THB/USD) 206m/6.22m

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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(16.0)	(3.8)	1.1	(10.6)	(16.0)
Relative	(28.7)	(3.2)	(5.5)	(14.6)	(38.3)
52-wk Price low/high (THB)	42.3 – 57.5				

Ratch Group (RATCH TB)



Source: Bloomberg

#### Overall ESG Score: 3.20 (out of 4)

##### E: ดี

RATCH มีความเสี่ยงจากด้าน E มากกว่าด้านอื่น จากการมีธุรกิจหลักเป็นผู้ผลิตไฟฟ้า RATCH ตั้งเป้าหมายที่จะเพิ่มกำลังการผลิตขึ้นเป็น 10,000MWe ภายในปี 2568 โดยมีพลังงานหมุนเวียนเป็นสัดส่วน 25% RATCH คาดว่าจะลดการปล่อยแก๊สเรือนกระจกลง 1m tCO2e ลดการใช้พลังงาน 500,000 cu m ตามการบริโภคเฉลี่ย 5 ปี และลดขยะมีพิษ

##### S: ดี

RATCH ตั้ง 7 เป้าหมายตาม UNSDG จากทั้งหมด 17 ข้อ การตัดสินใจต่าง ๆ ของ RATCH โดยเฉพาะที่เกี่ยวกับการลงทุนจะเข้าไปเพื่อผลประโยชน์ของผู้มีส่วนได้ส่วนเสียเป็นหลัก ฝ่ายบริหารและพนักงานของ RATCH ทำตามระเบียบข้อบังคับเกี่ยวกับอาชญากรรมและความปลอดภัย ทั้งนี้ RATCH ยังมีภารกิจเริ่มเกี่ยวกับความรับผิดชอบต่อสังคม

##### G: ดีเยี่ยม

RATCH ได้คะแนนการกำกับดูแลกิจการ 5 เต็ม 5 จากสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (IOD) RATCH มีปฏิสัมพันธ์กับผู้มีส่วนได้ส่วนเสียตามช่องทางที่เหมาะสม และตั้งจรรยาบรรณและนโยบายเพื่อเป็นกรอบแนวทางสำหรับผู้มีส่วนได้ส่วนเสียทั้งหมด

Forecasts and Valuation	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Total turnover (THBm)	38,364	34,206	36,955	38,089	38,117
Recurring net profit (THBm)	6,096	5,982	6,991	8,249	9,002
Recurring net profit growth (%)	(5.5)	(1.9)	16.9	18.0	9.1
Recurring P/E (x)	10.59	10.79	9.23	10.94	10.97
P/B (x)	1.1	1.1	1.0	0.9	1.0
P/CF (x)	15.31	11.56	25.41	34.57	37.84
Dividend Yield (%)	5.4	5.4	5.4	5.9	5.4
EV/EBITDA (x)	10.45	13.88	12.07	9.75	11.16
Return on average equity (%)	10.0	10.5	11.2	10.2	9.1
Net debt to equity (%)	44.8	60.7	62.7	47.0	48.3

Source: Company data, RHB

## Financial Exhibits

Asia	Financial summary (THB)	Dec-19	Dec-20	Dec-21F	Dec-22F	Dec-23F
Thailand	Recurring EPS	4.20	4.13	4.82	4.07	4.06
Utilities	DPS	2.40	2.40	2.40	2.63	2.40
<b>Ratch Group</b>	BVPS	40.97	41.74	44.16	47.83	45.34
RATCH TB	Return on average equity (%)	10.0	10.5	11.2	10.2	9.1
Neutral						
	<b>Valuation metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
<b>Valuation basis</b>	Recurring P/E (x)	10.59	10.79	9.23	10.94	10.97
DCF	P/B (x)	1.1	1.1	1.0	0.9	1.0
	FCF Yield (%)	2.7	1.5	(1.6)	(2.6)	(2.0)
<b>Key drivers</b>	Dividend Yield (%)	5.4	5.4	5.4	5.9	5.4
i. New greenfield and brownfield projects;	EV/EBITDA (x)	10.45	13.88	12.07	9.75	11.16
ii. Higher dispatch factors from customers;	EV/EBIT (x)	15.70	24.58	18.35	14.33	16.57
iii. Efficiency improvements via lower heat rates and higher availability factors.						
	<b>Income statement (THBm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
<b>Key risks</b>	Total turnover	38,364	34,206	36,955	38,089	38,117
i. Power plants may face unplanned maintenance;	Gross profit	5,136	3,977	4,811	5,493	5,474
ii. Delays in its projects' construction progress can lead to cost overruns;	EBITDA	5,323	4,208	4,714	5,479	5,506
iii. Fluctuations in FX and interest rates may negatively impact operations.	Depreciation and amortisation	(1,783)	(1,833)	(1,614)	(1,752)	(1,798)
	Operating profit	3,540	2,376	3,100	3,726	3,708
	Net interest	(1,225)	(1,392)	(1,463)	(1,643)	(1,823)
	Pre-tax profit	6,833	6,315	7,630	8,925	9,686
	Taxation	(870)	(28)	(673)	(711)	(721)
	Reported net profit	5,963	6,287	6,991	8,249	9,002
	Recurring net profit	6,096	5,982	6,991	8,249	9,002
	<b>Cash flow (THBm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
<b>Company Profile</b>	Change in working capital	988	2,794	(39)	(515)	(352)
Ratch Group is the largest power producer in Thailand by operating electricity capacity. Electricity Generating Authority of Thailand (EGAT) is a major shareholder of the company, and owns a 45% stake. Ratch Group itself has expertise in both conventional and renewable energy. Current capacities are mainly located in Thailand (c.60%), and the remainder is located in overseas facilities.	Cash flow from operations	4,216	5,582	2,539	2,609	2,610
	Capex	(2,442)	(4,629)	(3,589)	(4,985)	(4,589)
	Cash flow from investing activities	(4,750)	(10,913)	(8,445)	(39,569)	(8,101)
	Dividends paid	(3,480)	(3,480)	(3,480)	(5,326)	(5,326)
	Cash flow from financing activities	(11,928)	11,483	1,125	(326)	(326)
	Cash at beginning of period	11,696	4,917	4,856	6,068	5,624
	Net change in cash	(12,462)	6,152	(4,781)	(37,286)	(5,818)
	Ending balance cash	(951)	11,205	75	(31,218)	(194)
	<b>Balance sheet (THBm)</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Total cash and equivalents	4,917	4,856	6,068	5,624	7,607
	Tangible fixed assets	24,108	29,479	31,454	34,687	37,478
	Total investments	35,541	42,864	47,720	82,304	85,816
	Total assets	100,229	112,132	120,444	158,387	167,030
	Short-term debt	1,091	1,486	1,091	1,091	1,091
	Total long-term debt	30,441	40,106	45,106	50,106	55,106
	Total liabilities	40,816	51,611	56,446	61,501	66,507
	Total equity	59,414	60,521	63,998	96,885	100,524
	Total liabilities & equity	100,229	112,132	120,444	158,387	167,030
	<b>Key metrics</b>	<b>Dec-19</b>	<b>Dec-20</b>	<b>Dec-21F</b>	<b>Dec-22F</b>	<b>Dec-23F</b>
	Revenue growth (%)	(2.9)	(10.8)	8.0	3.1	0.1
	Recurrent EPS growth (%)	(5.5)	(1.9)	16.9	(15.6)	(0.3)
	Gross margin (%)	13.4	11.6	13.0	14.4	14.4
	Operating EBITDA margin (%)	13.9	12.3	12.8	14.4	14.4
	Net profit margin (%)	15.5	18.4	18.9	21.7	23.6
	Dividend payout ratio (%)	58.4	55.4	49.8	64.6	59.2
	Capex/sales (%)	6.4	13.5	9.7	13.1	12.0
	Interest cover (x)	2.48	1.53	1.86	2.02	1.83

Source: Company data, RHB

## Results At a Glance

Figure 1: Operational numbers – variables (ex-depreciation & amortisation)

Revenue and cost breakdown (THBm)	3Q20	2Q21	3Q21	% QoQ	% YoY	9M20	9M21	% YoY	9M21 vs 9M20 comments (YoY)
<b>Revenue from sales and rendering of services</b>	<b>7,809</b>	<b>8,150</b>	<b>8,650</b>	<b>6%</b>	<b>11%</b>	<b>24,695</b>	<b>23,377</b>	<b>-5%</b>	
- availability payment (RG)	834	846	837			2,685	2,538		Underwent a maintenance exercise over 3 Jan-18 Feb. The was also a decrease in availability payments in line with the power purchase agreement (PPA). Lower dispatch to EGAT. Higher wind speeds, and new plants commencing operations. Lower, on the planned maintenance exercise over 1-14 Jan.
- energy payment (RG)	5,777	5,900	6,041			18,419	16,503		
- RAC	693	871	1,205			2,015	2,778		
- RCO	505	534	566			1,577	1,558		
<b>Revenue from financial leases</b>	<b>590</b>	<b>500</b>	<b>475</b>			<b>1,995</b>	<b>1,503</b>		
Revenue from rendering of services	17	17	18			46	51		
Management service income	45	54	58			197	165		
Interest income	52	52	53			110	157		
Dividend income		59				61	59		
Other income	85	85	46			126	193		
<b>Total revenue</b>	<b>8,596</b>	<b>8,916</b>	<b>9,300</b>	<b>4%</b>	<b>8%</b>	<b>27,231</b>	<b>25,506</b>	<b>-6%</b>	
<b>Share of profit of associates and JVs</b>	<b>1,139</b>	<b>1,600</b>	<b>1,306</b>	<b>-18%</b>	<b>15%</b>	<b>3,273</b>	<b>4,318</b>	<b>32%</b>	
- IPPs	729	1,218	782			2,326	2,948		Higher, due to strong operations at the Hongsa power plant.
- SPPs	121	114	126			339	380		
- Hydro power plants	144	183	310			134	682		NN2 and XPCL booked stronger performances vs 9M20.
- Renewable power plants	107	51	68			337	230		
- Infrastructure	(6)	(25)	(33)			(9)	(58)		
- Others	44	58	53			145	137		
<b>Cost of sale and rendering of services</b>	<b>6,972</b>	<b>7,118</b>	<b>7,502</b>	<b>5%</b>	<b>8%</b>	<b>22,129</b>	<b>20,366</b>	<b>-8%</b>	
- Fuel costs (RG)	5,748	5,881	5,986			18,313	16,411		Declined, in line with decreased power generation.
- Fuel costs (RCO)	324	343	379			1,040	996		
- Operation & maintenance	395	371	417			1,202	1,149		
- Repairing expenses	225	222	235			749	667		
- Spare parts	73	50	128			213	301		
- Others	207	252	357			612	842		
<b>SG&amp;A</b>	<b>(356)</b>	<b>(367)</b>	<b>(394)</b>	<b>7%</b>	<b>11%</b>	<b>(1,170)</b>	<b>(1,066)</b>	<b>-9%</b>	
<b>Finance costs</b>	<b>(365)</b>	<b>(426)</b>	<b>(465)</b>	<b>9%</b>	<b>27%</b>	<b>(1,155)</b>	<b>(1,302)</b>	<b>13%</b>	
<b>Tax expenses</b>	<b>111</b>	<b>58</b>	<b>(101)</b>	<b>-274%</b>	<b>-191%</b>	<b>(230)</b>	<b>(63)</b>	<b>-72%</b>	Lower, on tax benefit from the sale of Tri Energy power plant whose PPA has expired.

Source: RHB

### Revisions to our forecasts

We raise our FY21-23F earnings by 3-14% to reflect a higher share of profits following the stronger performance of HPC, ABPIF, Ratchaburi Power Company, and NN2. As such, earnings growth in FY21-23F should be backed by the Paiton (+930MWe from 2Q22), Riau (+145MWe from FY22), and Fangchenggang II Nuclear (+236MWe from FY22) power plants.

Figure 2: RATCH – revisions to our forecasts

FYE Dec	Net profit (THBm)			EPS (THB)			DPS (THBm)		
	Previous	Revised	% Chg	Previous	Revised	% Chg	Previous	Revised	% Chg
2021F	6,155	6,991	14%	4.24	4.82	14%	2.40	2.40	0%
2022F	7,729	8,249	7%	3.81	4.07	7%	2.40	2.40	0%
2023F	8,705	9,002	3%	3.92	4.06	3%	2.40	2.40	0%

Source: RHB

### Valuation

Our DCF-based intrinsic value remains at THB48.00. With our ESG score (based on RHB's proprietary rating) of 3.20 for RATCH being in line with the country median, no premium or discount has been applied. As such, our TP remains at THB48.00, which implies 11.78x P/E, or near its 5-year historical mean.

Figure 3: Summary of our DCF valuation

	THB/Share	Valuation method and assumptions
Power projects in Thailand and Laos	28	
IPP	19	DCF, WACC 5.6%
SPP	4	DCF, WACC 5.6%
RE	5	DCF, WACC 5.6%
Power projects in Indonesia	18	DCF, WACC 6.6%
Power projects in China	5	DCF, WACC 6.6%
Power projects in Australia	10	DCF, WACC 5.1%
Infrastructure projects	6	
<b>Total DCF projects on hand</b>	<b>68</b>	
Cash	3	
Debt	(23)	
Minorities	0	
<b>Intrinsic value</b>	<b>48</b>	ESG premium/(discount) (%)
ESG premium/(discount)	0	0.00
<b>TP (rounded)</b>	<b>48</b>	

Source: RHB

Figure 4: RATCH's implied P/E at different SD levels

	-2SD	-1SD	Mean	+1SD	+2SD
P/E (x)	9.2	10.6	12.1	13.5	15.0
Implied valuation (THB/share)	37.4	43.1	49.2	54.9	61.0

Source: RHB

Figure 5: RATCH's forward P/E and SD levels

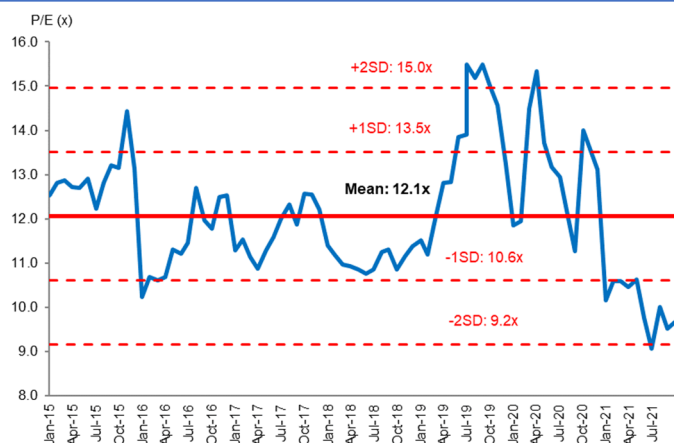
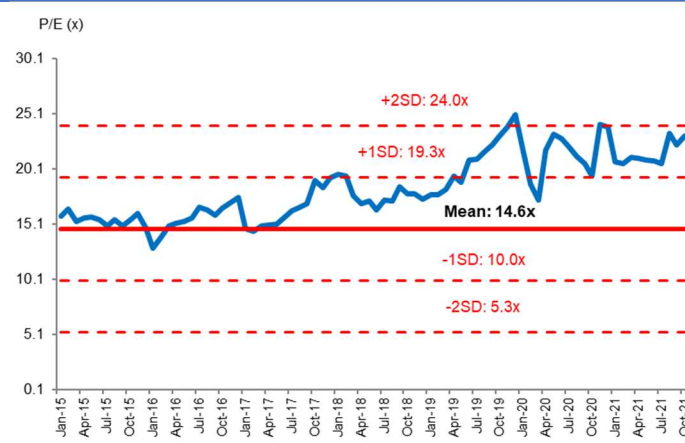


Figure 6: Thai Utilities Index's forward P/E and SD levels



Source: Bloomberg, RHB

Source: Bloomberg, RHB

Figure 7: Peer comparison

Company	P/E (x)		P/BV (x)		EV/EBITDA (x)		Div yield (%)		ROE (%)		ROA (%)	
	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F	2021F	2022F
Gulf Energy	61.67	41.25	6.43	5.95	39.42	30.55	0.94	1.27	11.07	14.39	3.10	4.15
Electricity Generating	9.28	7.58	0.86	0.80	16.03	14.98	3.95	4.10	8.76	10.79	4.23	5.90
Ratch Group	9.46	10.39	1.01	0.96	12.59	10.46	5.87	5.60	10.77	10.40	6.01	5.05
Banpu Power	12.03	10.04	1.20	1.12	58.53	32.16	3.98	4.61	10.10	12.18	8.52	10.14
WHA Utilities & Power	14.77	12.40	1.31	1.28	37.10	22.78	5.61	6.20	9.07	10.26	4.07	5.44
Global Power Synergy	25.01	22.14	1.90	1.82	14.84	14.39	2.15	2.32	7.68	8.19	3.23	3.53
B Grimm Power	37.44	29.95	3.59	3.23	13.87	12.54	1.19	1.40	9.56	10.74	2.25	2.51
CK Power	18.09	16.09	1.45	1.37	15.93	15.63	2.59	3.00	7.82	8.55	4.04	4.53
TPC Power Holdings	20.18	9.18	1.45	1.30	11.47	8.35	2.41	3.57	7.28	14.57	4.18	7.72
Energy Absolute	39.00	32.00	7.33	6.13	26.24	22.15	0.65	0.77	20.37	20.83	7.47	8.97
BCPG	15.62	15.81	1.44	1.40	14.24	12.97	4.06	4.06	9.63	8.86	4.72	4.64
SPCG	7.54	7.27	1.04	0.96	6.25	5.16	5.30	5.52	15.06	13.71	11.25	8.75
Gunkul Engineering	18.29	14.52	3.07	2.71	16.49	13.75	2.39	3.35	16.76	20.26	5.05	6.64
<b>Industry average (Thailand ex-GULF)</b>	<b>18.89</b>	<b>15.61</b>	<b>2.14</b>	<b>1.92</b>	<b>20.30</b>	<b>15.44</b>	<b>3.35</b>	<b>3.71</b>	<b>11.07</b>	<b>12.44</b>	<b>5.42</b>	<b>6.15</b>
<b>Industry average (Thailand)</b>	<b>22.18</b>	<b>17.59</b>	<b>2.47</b>	<b>2.23</b>	<b>21.77</b>	<b>16.61</b>	<b>3.16</b>	<b>3.52</b>	<b>11.07</b>	<b>12.59</b>	<b>5.24</b>	<b>6.00</b>

Source: Bloomberg / RHB

## Recommendation Chart

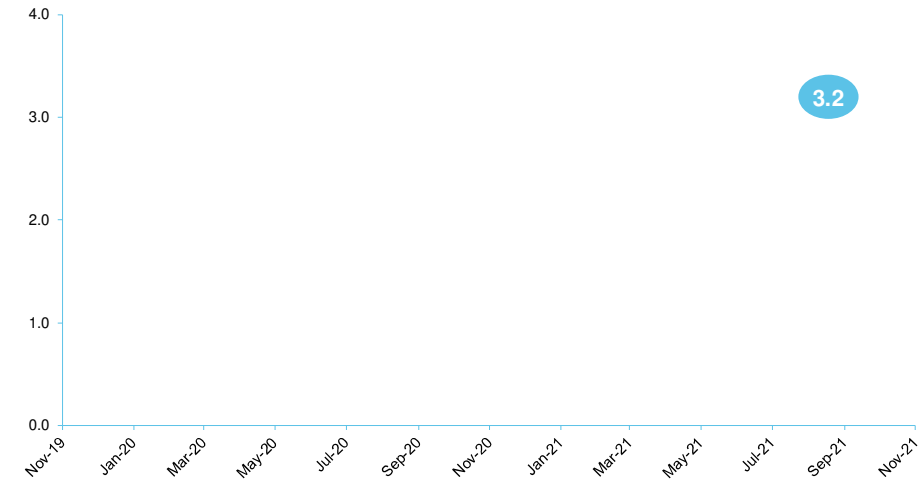


Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2021-08-17	Neutral	48.0	44.3
2020-12-17	Buy	68.0	56.0
2019-09-17	Neutral	75.0	73.3

Source: RHB, Bloomberg

## ESG Rating History



Source: RHB

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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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