

BUY (From: SELL)
Change in Recommendation

TP: Bt 160.00 (From: Bt 120.00)
Upside : 28.0%

18 DECEMBER 2023

Electricity Generating (EGCO TB)

Leaning on value

We upgrade EGCO to BUY for stronger-than-expected growth in the US power market and its resiliency to rising local policy risks. Likely peaking interest rates make its stable 5% dividend yield more attractive to us. Our rolled-over TP rises to Bt160 after we factor in recent US gas power acquisitions and an investment in Indonesia.



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Upgrading to BUY

We upgrade EGCO to BUY (from Sell) for three reasons. *First*, we project a better earnings outlook for EGCO at 7% growth p.a. in 2024-25F due to the larger-than-expected size and returns from its acquisition of US gas power plants and its investment in a utility business in Indonesia. *Second*, EGCO has low exposure to the local policy risk of electricity price adjustments since SPPs comprise less than 5% of its earnings. *Lastly*, its 7x PE and 5% dividend yield in 2024F amid a peaking interest rate trend now look attractive to us. We raise our DCF-derived SOTP-based 12-month TP (2024F base year) to Bt160 (from Bt120) after factoring in its recent acquisitions of 1) 652MW of US gas power plants and 2) the utility service business in Indonesia.

Stronger-than-expected US expansion

We lift EGCO's earnings by 4/15% in 2024-25F, mainly due to 1) the larger-than-expected total capacity of US gas power plants acquired, and 2) better-than-expected margins for them. EGCO entered the US power market in 2021, acquiring 28% of the 972MW Linden power project. It secured another two major deals with the "Risecon" project (298MW of equity capacity) and 652MW from 3 power plants under the "Compass portfolio" this year. These bring its total US power market exposure to 1.2GW or 18% of total capacity. Profitability from those plants has been stronger than peers', and we now assume Bt2.5m/MW in annual profit contribution from them (vs. Bt1.5m earlier). We cut our 2023F earnings by 6% due to the near-term impact of interest cost hikes.

Workaround for expiring coal plant

We were concerned about the expiry of EGCO's 460MW Quezon coal energy plant power purchase contract in 2025, as the plant is sizable at 34% of its current earnings base. However, EGCO now has a workaround for the project to sell electricity directly into the pool market in the worst case if its long-term contract is not renewed. We raise the project's value by Bt11/EGCO share, after assuming Quezon operates in the pool market for 10 more years (until 2035) despite having a lower net margin of 18% (vs. 34% under the current contract). Note that this is shorter than the project's expected 15-year remaining useful life since we factor in a risk that coal power plants may be forced to shut down early.

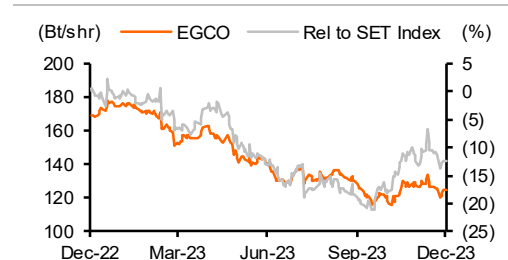
Attractive valuation, in our view

We believe EGCO's share price has been punished enough for its muted growth outlook and sizable exposure to coal at 25% of its 2025F earnings. Its 7x PE in 2024F is now the lowest among its peers, with a resilient 5% yield. Its low exposure to domestic policy risks and peaking global interest rates will likely draw back investor interest and become share price catalysts.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	59,632	50,882	47,321	44,497
Net profit	2,683	9,103	9,775	10,479
Consensus NP	—	8,027	9,337	9,525
Diff frm cons (%)	—	13.4	4.7	10.0
Norm profit	12,677	9,103	9,775	10,479
Prev. Norm profit	—	9,673	9,365	9,085
Chg frm prev (%)	—	(5.9)	4.4	15.3
Norm EPS (Bt)	24.1	17.3	18.6	19.9
Norm EPS grw (%)	23.6	(28.2)	7.4	7.2
Norm PE (x)	5.2	7.2	6.7	6.3
EV/EBITDA (x)	14.8	19.5	19.9	19.1
P/BV (x)	0.5	0.5	0.5	0.5
Div yield (%)	5.2	5.2	5.2	5.2
ROE (%)	10.8	7.4	7.6	7.7
Net D/E (%)	63.9	78.7	69.5	58.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 18-Dec-23 (Bt)	125.00
Market Cap (US\$ m)	1,880.2
Listed Shares (m shares)	526.5
Free Float (%)	44.7
Avg Daily Turnover (US\$ m)	5.4
12M Price H/L (Bt)	178.00/116.00
Sector	Utilities
Major Shareholder	EGAT 25.41%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P8

Upgrading to BUY

Upgrading to BUY for a more attractive valuation matrix

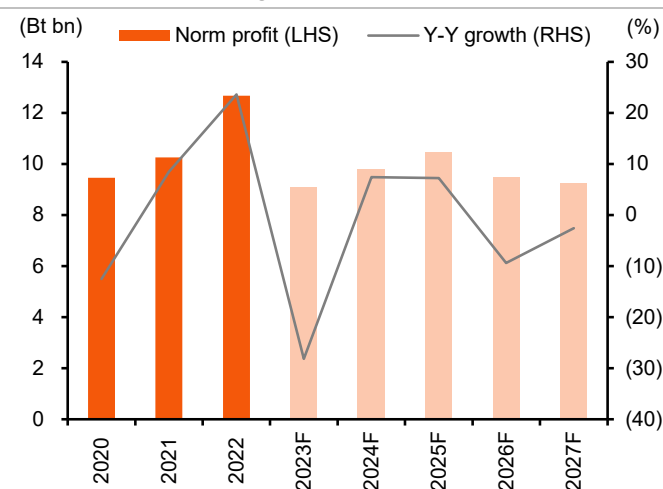
We upgrade our recommendation on shares of Electricity Generating Pcl (EGCO) to BUY (from Sell) based on three supporting reasons:

- *First*, we now expect EGCO's earnings to grow by 7% p.a. in 2024-25F after our earnings upgrades to reflect the larger-than-expected total capacity of gas-fired power plants in the US that EGCO successfully acquired this year and their stronger-than-expected profitability outlook.
- *Second*, EGCO has become a more attractive choice in our view amid rising local policy risk over electricity price adjustments since the small power producer (SPP) business, whose margin fluctuates with the national tariff price against fuel price movements, comprises less than 5% of its earnings base.
- *Third*, we believe its share price has been overly punished, due to its muted earnings growth outlook and sizable earnings exposure to coal-related businesses (25% of total earnings in 2025F). Its 7x PE in 2024F looks attractive to us, while we expect peaking interest rates to drive investor interest back to EGCO's resilient 5% dividend yield.

Our TP rises to Bt160/share after factoring in its recent investments

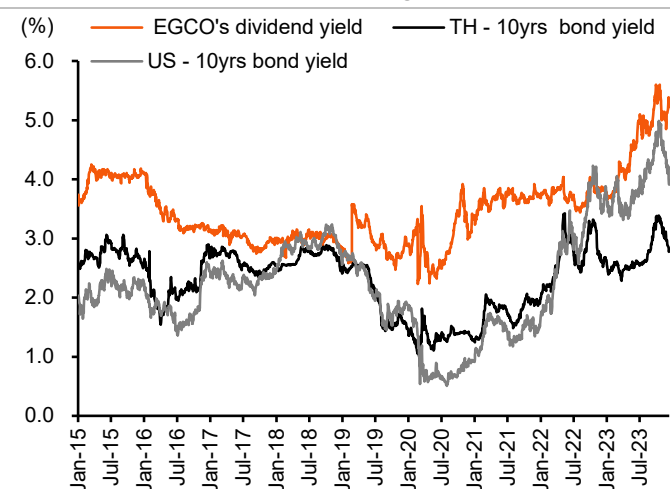
After raising EGCO's earnings by 4/15% in 2024-25F to reflect its stronger-than-expected expansion into the US gas power business, its recent investment in a utility infrastructure business in Indonesia, and our assumption of a longer operating period for its Quezon coal-fired power plant in the Philippines, our rolled-over to 2024F DCF-derived SOTP-based 12-months TP increases to Bt160/share (from Bt120).

Ex 1: Resilient Earnings Outlook



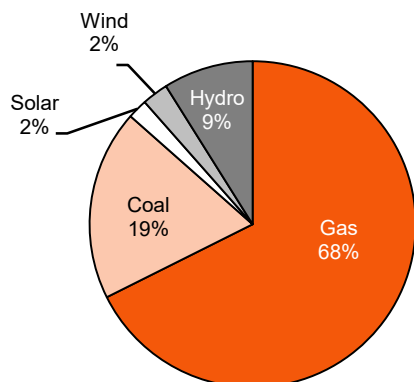
Sources: Company data, Thanachart estimates

Ex 2: More Attractive Amid Peaking Interest Rates



Sources: SET smart, Bloomberg

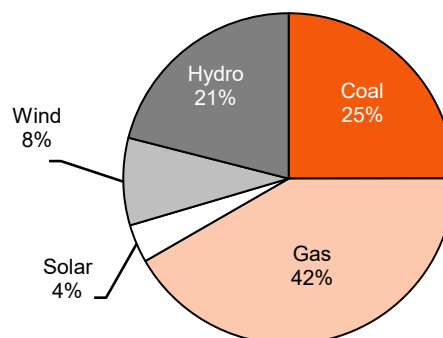
Ex 3: EGCO's Power Plant Capacity Breakdown By Fuel



Sources: Company data, Thanachart estimates

Note: Based on committed projects in 2025F

Ex 4: EGCO's Earnings Breakdown In 2025F



Sources: Thanachart estimates

Strong expansion into the US

Stronger-than-expected expansion into the US gas power market

EGCO has now secured, through three acquisition deals, a total equity capacity of 1.2GW of gas-fired power plants in the US. The company began its investment in the US gas power business back in 2021 when it acquired a 28% stake in the 972MW installed capacity Linden power plant (272MW of equity capacity) in New Jersey. In 2023, it has since made two acquisitions: 1) a 49% stake in the 609MW installed capacity Risec power plant (298MW of equity capacity) and 2) a 50% stake in the "Compass portfolio", which is an entity that owns three gas-fired power plants, namely the 912MW installed capacity Marcus Hook power plant, the 205MW Milford project, and the 187MW Dighton project, or a total of 652MW of equity capacity. EGCO started recognizing profits from Risec from 1Q23 and we expect Compass to begin contributing profits in 1Q24F.

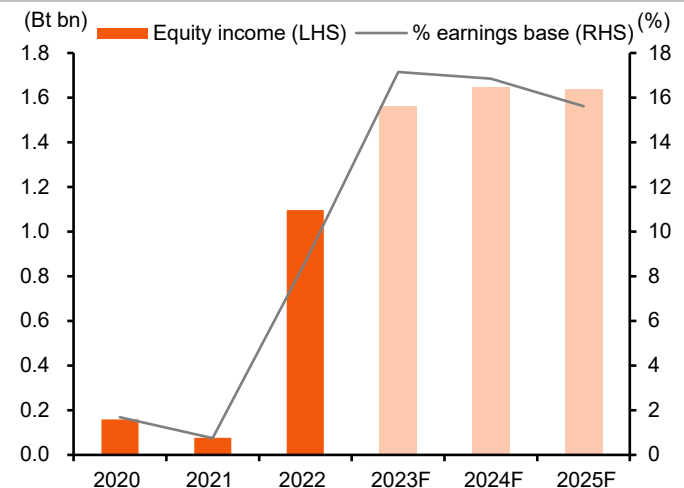
Earnings upgrades on higher-than-expected margins at US gas plants

Our 4/15% earnings hikes in 2024-25F are mainly because we include the power plants in Compass in our forecasts and valuation. The revisions also partially reflect stronger-than-expected profitability from Linden, so we raise our projected average profit contribution from all of EGCO's gas-fired power plants in the US to Bt2.5m/MW (from Bt1.5m earlier). Note that given the free competitive power market in the US, efficient power plants earn higher margins when fuel prices are high since they can save more in value compared to the market's benchmarked generation costs. Spikes in demand during periods of extreme weather conditions, mostly in summer and winter, also have a significant impact on margins as the market bids more aggressively for electricity prices to secure sufficient power, driving the average electricity tariff higher. On the downside, we like the margin cushion in the competitive bidding markets as participants always bid to sell electricity at higher prices than the actual generation costs, unlike in regulated markets where the tariff prices might be intervened in by regulators under high energy price situations. Our projections assume those plants operate under the usual margin trend over their 40-year asset life, and we leave extra margin periods amid the favorable dynamic between electricity prices and natural gas costs as an upside to our forecasts.

Ex 5: Sizable Expansion Into US Power Business

Project	Equity capacity (MW)	Purchase price (US\$ m)	Current asset life (years)	Acquisition date
Linden	272.2	202.0	22.0	2Q21
Risec	298.4	214.9	21.1	1Q23
Marcus Hook	456.0	*300.0	19.0	1Q24F
Milford	102.5	*65.0	19.9	1Q24F
Dighton	93.5	*60.0	25.6	1Q24F
	1,222.6	841.9		

Sources: Company data, *Thanachart estimates

Ex 6: Projected Profit Contribution From US Gas Plants

Sources: Company data, Thanachart estimates

Workaround for expiring coal plant

Quezon power plant has an option to sell electricity to the national pool market

We have learned that EGCO already has an alternative option to sell electricity from its 460MW installed capacity Quezon coal-fired power project in the Philippines directly to the Wholesale Electricity Spot Market (WESM) after its long-term power purchase contract with Manila Electric Company (Meralco) expires in 2025. This is a significant relief to us since we had been concerned about the potential negative impact of Quezon's contract expiry because the profit contribution from the project accounts for 34% of EGCO's current earnings base.

We now assume Quezon operates in the WESM for another 10 years (until 2035F) but with a lower net margin of 18% compared to the 34% net margin from current operations under the power purchase contract with Meralco, based on our expectation of stronger competition in the central electricity spot market versus the much more favorable contract signed 20-plus years back. Note that this 10-year extension of Quezon's operating life in our forecast is shorter than the expected 15-year remaining useful life of the project (until 2040) since we factor in an ESG risk that coal-fired power plants might be forced to shut down early. Quezon is now studying whether to implement ammonia co-firing technology to reduce carbon emissions to mitigate ESG-related risks for the projects.

Ex 7: 12-month SOTP-derived DCF-based TP Calculation Using A Base Year Of 2024F

Projects	Valuation method	WACC	Value (Bt/share)
TH Conventional – IPP			57.4
- BLCP	DCF	0.0%	17.4
- GPG	DCF	7.3%	17.3
- KEGCO	DCF	4.7%	22.8
TH Conventional – SPP			3.8
- BPU	DCF	6.7%	2.7
- KLU	DCF	6.7%	1.1
TH Renewables			25.9
- Roi-et Green	DCF	4.8%	0.2
- GYG	DCF	4.8%	2.1
- NED	DCF	5.2%	2.4
- SPP 2-5	DCF	4.8%	3.2
- GPS	DCF	7.8%	1.9
- Solarco	DCF	4.5%	3.5
- CWF	DCF	4.8%	11.0
- TWF	DCF	5.1%	1.5
Overseas power plants			210.6
- Laos Hydro	DCF	5.8%	60.8
- Australia Wind	DCF	6.3%	8.1
- Philippines Coal	DCF	8.2%	29.5
- Korea Gas	DCF	5.4%	40.8
- Taiwan Wind	DCF	5.8%	8.7
- US Gas	DCF	5.9%	62.8
Subtotal - existing projects			297.6
Other businesses & net debts			(137.6)
Grand total			160.0

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 8: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		EV/EBITDA		Div yield	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
			(%)	(%)	(x)	(x)	(x)	(x)	(x)	(x)	(%)	(%)
Cheung Kong Infrastructure	1038 HK	Hong Kong	(15.7)	6.9	13.8	12.9	0.9	0.9	45.0	43.3	5.9	6.0
China Power Int'l	2380 HK	Hong Kong	63.2	43.2	8.9	6.2	0.7	0.7	8.9	6.8	4.9	6.5
China Resources Power	836 HK	Hong Kong	54.0	15.3	5.7	4.9	0.8	0.8	6.3	5.4	7.5	8.2
CLP Holdings	2 HK	Hong Kong	69.6	15.8	15.6	13.5	1.5	1.4	10.3	9.3	5.0	5.1
Hongkong Electric Holdings	6 HK	Hong Kong	(12.2)	4.0	16.2	15.6	1.1	1.1	75.8	74.9	6.3	6.3
Huaneng Power	902 HK	Hong Kong	na	3.5	4.6	4.5	0.7	0.6	8.9	8.2	9.2	9.3
Tata Power	TPWR IN	India	81.0	0.2	30.2	30.1	4.2	3.4	18.6	14.1	0.6	0.7
Tenaga Nasional	TNB MK	Malaysia	(14.9)	16.0	15.0	12.9	1.0	0.9	6.9	6.8	4.1	4.6
YTL Corp	YTL MK	Malaysia	na	132.9	25.5	10.9	1.5	1.3	11.3	6.5	1.8	4.5
YTL Power	YTLP MK	Malaysia	na	107.1	14.3	6.9	1.3	1.1	10.1	6.7	2.4	3.0
Manila Electric	MER PM	Philippines	33.4	(1.4)	12.0	12.1	3.3	3.1	8.7	8.3	5.5	6.0
BCPG Pcl *	BCPG TB	Thailand	(29.7)	34.2	17.4	13.0	0.8	0.8	13.3	13.3	4.2	4.2
B.Grimm Power Pcl *	BGRIM TB	Thailand	na	(36.2)	52.1	81.7	1.9	1.9	11.4	11.6	0.8	0.5
Banpu Power Pcl *	BPP TB	Thailand	54.6	12.2	12.8	11.4	0.9	0.8	32.3	23.7	4.9	4.9
CK Power Pcl *	CKP TB	Thailand	(47.5)	31.5	20.5	15.6	1.0	1.0	10.8	10.5	2.7	2.7
EA Pcl*	EA TB	Thailand	55.2	2.6	18.8	18.3	3.7	3.2	14.8	14.2	1.6	1.6
Electricity Generating *	EGCO TB	Thailand	(28.2)	7.4	7.2	6.7	0.5	0.5	19.5	19.9	5.2	5.2
Global Power Synergy *	GPSC TB	Thailand	1,728.1	(25.9)	34.4	46.3	1.3	1.3	14.9	17.0	1.6	1.3
Gulf Energy Dev. Pcl *	GULF TB	Thailand	40.0	30.5	33.3	25.5	4.6	4.3	28.2	23.2	1.8	2.4
Gunkul Engineering *	GUNKUL TB	Thailand	47.8	9.2	12.7	11.6	1.5	1.4	13.3	11.7	3.2	3.4
RATCH Group *	RATCH TB	Thailand	0.7	33.0	9.8	7.4	0.7	0.6	17.2	16.0	4.6	6.1
Average			22.0	23.4	17.3	16.1	1.6	1.5	18.6	16.7	4.1	4.6

Sources: Bloomberg, * Thanachart estimates

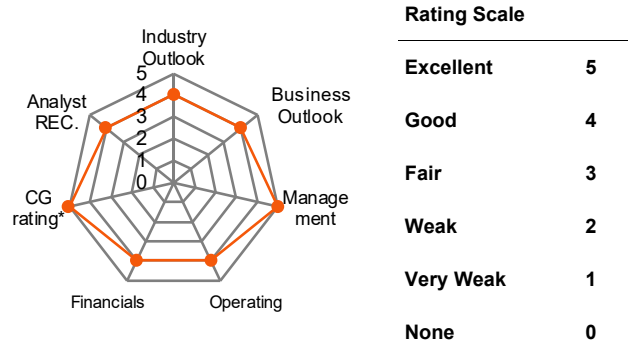
Based on 18 December 2023 closing prices

COMPANY DESCRIPTION

Electricity Generating Pcl (EGCO) operates and invests in power plants globally with diversified fuel types, i.e., natural gas, coal, solar, wind, and hydropower. Its total equity-owned power capacity stands at 6.8GW, as of 2023F, with targeted capacity growth of 1.0GW per year. EGCO is also providing operation and maintenance (O&M) and engineering construction services to power and oil & gas industries. The company is also setting up energy technology businesses with one of its major shareholders, the Electricity Generating Authority of Thailand (EGAT), to enhance the country's electricity grid efficiency.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Operationally defensive. Predetermined tariffs over power plants' lives in PPAs generate fixed revenues and returns.
- Access to cheap financing sources due to low business risk and trustworthy and well-known shareholders.

O — Opportunity

- Large power-expansion projects in Asian countries, both conventional and renewable power capacities.
- Diversification opportunities for LNG imports in ASEAN.

W — Weakness

- Increased competition from new power plants may affect dispatched capacities and increase O&M costs.
- Lower tariffs from new projects given the global trend.
- Slow decision making process as the state-owned enterprise being one of its major shareholders.

T — Threat

- Regulatory risks and stricter environmental requirements, especially increased expansion overseas.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	158.00	160.00	1%
Net profit 23F (Bt m)	8,027	9,103	13%
Net profit 24F (Bt m)	9,337	9,775	5%
Consensus REC	BUY: 4	HOLD: 4	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2023-24F earnings estimates are 13/5% higher than the Bloomberg consensus numbers, which we believe is due to us being earlier in factoring in its recent acquisitions and investments.
- However, our TP is in line with the Street's.

Sources: Bloomberg consensus, Thanachart estimates

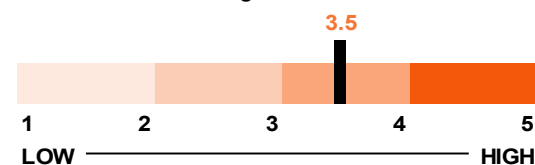
RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected electricity demand in the countries where EGCO's major power plants are located, i.e., the US, the Philippines, and South Korea, and thus lower profitability from the plants, is a downside risk to our earnings forecasts.
- Fuel price spikes may lead to a margin contraction at some of its projects, which is another downside risk to our numbers.
- A faster- or larger-than-expected rise in global interest rates would likely pressure returns from EGCO's future investments, and therefore pose another downside risk to our valuations.

Source: Thanachart

EGCO is a power plant operator with a total 6.8GW of capacity as of 2023F, of which 63% is gas-based, 20% coal, and 17% renewables. Only 46% of the capacity is domestic projects, while another 54% are overseas (Laos, Philippines, Korea, US, etc.). We assign an ESG score of 3.5 to reflect its clear targets and focus on innovative energy technology to reduce emissions from gas-fired power plants and sizable exposure to coal power, and its intensive social responsibility activities.

Thanachart ESG Rating



	SETTHSI Index	SET ESG (BBB-AAA)	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
EGCO	YES	AA	YES	BB	49.29	63.72	85.00	-	5.0

Sources: SETTRADE, SETTHSI Index, SET ESG Rating, The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors
Our Comments
ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- EGCO has set clear targets for environmental aspects. It aims to have 30% of its power generated from renewable energy (18% as of 2022) by 2030, which should reduce its carbon emission intensity by 10% from 2022's baseline. Long term, it aims to achieve carbon neutrality by 2050 and net-zero carbon emissions by 2065.
- EGCO emitted 0.49 tonnes of CO2 equivalent per MWh of electricity generation in 2022, which was stable from the previous year but beat its target of 0.503 tonnes.
- EGCO implements the "3Rs" principle (reduce, reuse, and recycle) to preserve water supplies for its own operations and prevent unfavorable impacts on the surrounding environment. These same procedures extend to its fuel-management approach to ensure sufficient fuel supplies for its electricity generation.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- EGCO is committed to the UN Guiding Principles (UNGP) on human rights to protect its employees from discrimination and harassment, especially child labor and human trafficking. The policies extend to its suppliers and all stakeholders.
- EGCO has formed a solid long-term target for its employee management scheme. It plans a 100% employee succession planning program to ensure operational sustainability. It also aims to add more female employees to make up 30% of its total employees by 2025.
- EGCO is 25% owned by the state-owned enterprise, Electricity Generating Authority of Thailand (EGAT). It thus works closely with its parent to minimize the effects of its operations on the community. It has set up initiatives to support local employment, develop skills, educate children in the community, and improve the quality of life of local residents.

**GOVERNANCE &
SUSTAINABILITY**

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- EGCO's board of directors comprises 15 members, which looks too large in our view. Moreover, most of them are representatives from its major shareholders, leaving room for only six independent directors.
- EGCO communicates its investment plans clearly to the public. However, it is difficult to closely track each project's performance from its financial report as it uses off-balance sheet accounting for most of them.
- We like EGCO's well-diversified power generation portfolio, both in terms of fuel type and generating technology and its geographical diversification across developed and developing countries.
- We also like its initiative to leverage on its healthy balance sheet with resilient generating cash flow from operating power plants to invest in innovative energy solutions technology for its long-term business sustainability. It is now strongly committed to introducing hydrogen fuel into the power generation industry to help cut Thailand carbon emissions.

Sources: Company data, Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	35,903	59,632	50,882	47,321	44,497
Cost of sales	27,560	50,512	42,162	39,359	36,926
Gross profit	8,343	9,120	8,720	7,962	7,572
% gross margin	23.2%	15.3%	17.1%	16.8%	17.0%
Selling & administration expenses	2,646	2,754	3,428	3,308	3,192
Operating profit	5,697	6,366	5,292	4,654	4,379
% operating margin	15.9%	10.7%	10.4%	9.8%	9.8%
Depreciation & amortization	3,124	3,285	3,205	3,291	3,330
EBITDA	8,821	9,651	8,497	7,945	7,709
% EBITDA margin	24.6%	16.2%	16.7%	16.8%	17.3%
Non-operating income	2,234	2,093	2,876	2,028	1,813
Non-operating expenses	0	0	0	0	0
Interest expense	(3,714)	(4,019)	(7,133)	(7,612)	(7,205)
Pre-tax profit	4,216	4,440	1,035	(930)	(1,012)
Income tax	818	1,120	207	0	0
After-tax profit	3,398	3,320	828	(930)	(1,012)
% net margin	9.5%	5.6%	1.6%	-2.0%	-2.3%
Shares in affiliates' Earnings	6,873	9,300	8,285	10,714	11,500
Minority interests	(13)	57	(10)	(9)	(9)
Extraordinary items	(6,154)	(9,994)	0	0	0
NET PROFIT	4,104	2,683	9,103	9,775	10,479
Normalized profit	10,258	12,677	9,103	9,775	10,479
EPS (Bt)	7.8	5.1	17.3	18.6	19.9
Normalized EPS (Bt)	19.5	24.1	17.3	18.6	19.9

Earnings base more
stable after recent
acquisitions

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	38,495	61,649	63,638	59,308	63,878
Cash & cash equivalent	17,898	37,458	35,000	30,000	35,000
Account receivables	7,060	10,123	7,667	7,779	7,315
Inventories	2,947	4,180	4,621	4,852	4,552
Others	10,591	9,888	16,350	16,677	17,011
Investments & loans	124,462	113,899	137,336	137,955	137,955
Net fixed assets	49,597	48,160	47,958	46,170	43,343
Other assets	29,377	30,335	29,859	29,427	29,035
Total assets	241,932	254,043	278,791	272,860	274,211
LIABILITIES:					
Current liabilities:	27,019	31,373	29,942	27,857	26,798
Account payables	4,380	6,322	5,198	4,852	4,552
Bank overdraft & ST loans	0	56	0	0	0
Current LT debt	19,670	20,528	20,180	18,345	17,489
Others current liabilities	2,970	4,467	4,564	4,659	4,757
Total LT debt	89,747	94,026	114,355	103,955	99,106
Others LT liabilities	11,129	7,847	8,006	8,197	8,390
Total liabilities	127,895	133,246	152,303	140,008	134,294
Minority interest	596	303	313	323	331
Preferreds shares	0	0	0	0	0
Paid-up capital	5,265	5,265	5,265	5,265	5,265
Share premium	8,601	8,601	8,601	8,601	8,601
Warrants	0	0	0	0	0
Surplus	(3,702)	4,038	4,038	4,038	4,038
Retained earnings	103,277	102,590	108,271	114,625	121,681
Shareholders' equity	113,441	120,494	126,175	132,528	139,585
Liabilities & equity	241,932	254,043	278,791	272,860	274,211

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	4,216	4,440	1,035	(930)	(1,012)
Tax paid	(818)	(1,120)	(207)	0	0
Depreciation & amortization	3,124	3,285	3,205	3,291	3,330
Chg In working capital	(565)	(2,355)	891	(689)	464
Chg In other CA & CL / minorities	6,826	9,473	2,089	10,510	11,291
Cash flow from operations	12,782	13,723	7,014	12,182	14,073
Capex	(2,971)	(1,847)	(3,000)	(1,500)	(500)
Right of use	(71)	40	(50)	(50)	(50)
ST loans & investments	(91)	1,779	(170)	(27)	(28)
LT loans & investments	(26,559)	10,563	(23,438)	(619)	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(5,685)	(12,457)	681	670	632
Cash flow from investments	(35,377)	(1,922)	(25,976)	(1,525)	54
Debt financing	16,162	3,390	19,926	(12,235)	(5,705)
Capital increase	0	0	0	0	0
Dividends paid	(3,565)	(3,422)	(3,422)	(3,422)	(3,422)
Warrants & other surplus	10,659	7,793	0	0	0
Cash flow from financing	23,255	7,760	16,504	(15,657)	(9,127)
Free cash flow	9,811	11,875	4,014	10,682	13,573

*Significant debt
headroom to gear up for
more investments*

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	6.4	5.2	7.2	6.7	6.3
Normalized PE - at target price (x)	8.2	6.6	9.3	8.6	8.0
PE (x)	16.0	24.5	7.2	6.7	6.3
PE - at target price (x)	20.5	31.4	9.3	8.6	8.0
EV/EBITDA (x)	17.8	14.8	19.5	19.9	19.1
EV/EBITDA - at target price (x)	19.9	16.7	21.6	22.2	21.5
P/BV (x)	0.6	0.5	0.5	0.5	0.5
P/BV - at target price (x)	0.7	0.7	0.7	0.6	0.6
P/CFO (x)	5.1	4.8	9.4	5.4	4.7
Price/sales (x)	1.8	1.1	1.3	1.4	1.5
Dividend yield (%)	5.2	5.2	5.2	5.2	5.2
FCF Yield (%)	14.9	18.0	6.1	16.2	20.6
(Bt)					
Normalized EPS	19.5	24.1	17.3	18.6	19.9
EPS	7.8	5.1	17.3	18.6	19.9
DPS	6.5	6.5	6.5	6.5	6.5
BV/share	215.5	228.9	239.7	251.7	265.1
CFO/share	24.3	26.1	13.3	23.1	26.7
FCF/share	18.6	22.6	7.6	20.3	25.8

Sources: Company data, Thanachart estimates

*EGCO's valuations now
look attractive, in our
view*

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	6.9	66.1	(14.7)	(7.0)	(6.0)
Net profit (%)	(53.0)	(34.6)	239.3	7.4	7.2
EPS (%)	(53.0)	(34.6)	239.3	7.4	7.2
Normalized profit (%)	8.4	23.6	(28.2)	7.4	7.2
Normalized EPS (%)	8.4	23.6	(28.2)	7.4	7.2
Dividend payout ratio (%)	83.4	127.5	37.6	35.0	32.7
Operating performance					
Gross margin (%)	23.2	15.3	17.1	16.8	17.0
Operating margin (%)	15.9	10.7	10.4	9.8	9.8
EBITDA margin (%)	24.6	16.2	16.7	16.8	17.3
Net margin (%)	9.5	5.6	1.6	(2.0)	(2.3)
D/E (incl. minor) (x)	1.0	0.9	1.1	0.9	0.8
Net D/E (incl. minor) (x)	0.8	0.6	0.8	0.7	0.6
Interest coverage - EBIT (x)	1.5	1.6	0.7	0.6	0.6
Interest coverage - EBITDA (x)	2.4	2.4	1.2	1.0	1.1
ROA - using norm profit (%)	4.5	5.1	3.4	3.5	3.8
ROE - using norm profit (%)	9.5	10.8	7.4	7.6	7.7
DuPont					
ROE - using after tax profit (%)	3.2	2.8	0.7	na	na
- asset turnover (x)	0.2	0.2	0.2	0.2	0.2
- operating margin (%)	22.1	14.2	16.1	na	na
- leverage (x)	2.1	2.1	2.2	2.1	2.0
- interest burden (%)	53.2	52.5	12.7	(13.9)	(16.3)
- tax burden (%)	80.6	74.8	80.0	na	na
WACC (%)	7.2	7.2	7.2	7.2	7.2
ROIC (%)	2.6	2.3	2.1	1.6	1.6
NOPAT (Bt m)	4,591	4,760	4,234	3,723	3,503
invested capital (Bt m)	204,960	197,645	225,710	224,829	221,180

Sources: Company data, Thanachart estimates

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As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

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Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Note: Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of Muangthai Capital Pcl (MTC) No. 7/2023 (B.E. 2566) tranche 1-3”, therefore investors need to be aware that there could be conflicts of interest in this research.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Moshi Moshi Retail Corporation Pcl. (MOSHI TB) and Euroasia Total Logistics Pcl (ETL TB).

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. 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 the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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