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KEY HIGHLIGHTS

Sector

Utilities, Electric-Generation

Better growth profile with attractive valuation.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,631.92	(14.16)	(0.86)
SET50	986.07	(9.17)	(0.92)
Value (Btm) - SET	55,681		
Top 5 Sector			
BANK	369.68	(3.51)	(0.94)
PETRO	1,088.85	3.14	0.29
PROP	242.95	(1.26)	(0.52)
ENERG	25,458.25	(59.81)	(0.23)
ICT	193.01	(0.89)	(0.46)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
BANPU	13.30	3.10	261,212.9
AOT	68.50	(1.44)	31,021.5
BDMS	25.00	(3.85)	72,255.0
PTTEP	169.00	0.30	9,520.1
KTB	15.60	(0.64)	86,416.7

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
NFC	3.64	30.00	1,335.4
TPP	28.00	29.63	356.3
YUASA	18.40	29.58	7,332.5
CPH	32.00	29.55	30,819.4
CPR	5.50	29.11	15,864.1

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
STOWER	0.04	(20.00)	10,269.0
NEWS	0.04	(20.00)	68,178.3
IT	8.55	(12.31)	13,902.5
PRINC	5.60	(9.68)	21,259.5
ABICO	8.70	(8.90)	6,205.9

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	120.9	9.0	4.7	60.4
Dubai crude*	118.2	7.3	(6.9)	54.6
Baltic Dry Index	2,560.0	(5.8)	8.8	15.5
Gold Spot***	1,851.0	(1.7)	(9.7)	1.2

*(US\$/bb), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(17.6)	(151.4)	4,131.0	8,913.5

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 34.44

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25

SECTOR UPDATE

Utilities, Electric-Generation – Thailand

Better Growth Profile With Attractive Valuation

We upgrade the Thai power sector from **UNDERWEIGHT** to **MARKET WEIGHT** in the short term as we expect margin recovery in 2Q22 after the government approves a hike in tariffs combined with potential announcements of new PDPs in both Thailand and Vietnam. In the longer term, we think the market remains concerned on high energy costs and a rising interest rate trend. We still prefer GULF as our top pick.

WHAT'S NEW

- Sector's share prices underperformed as expected.** Concern over higher energy costs and fear of overly aggressive interest rate hikes caused a ~6% fall ytd in share prices in the Thai power sector, which significantly underperformed the SET index. Share prices of small power producer (SPP) operators – such as Global Power Synergy (GPSC), B.Grimm Power (BGRIM) and WHA Utilities and Power (WHAUP) – have seen significant negative returns of -27%, -17% and -4% respectively as the market was concerned about the direction of earnings after the strong rally in gas costs due to tensions between Russia and Ukraine. We advise investors to reduce weight on the sector after its strong rally since Dec 21.
- Wider margin outlook in the short term for SPPs.** In the last couple of weeks, we met with the managements of several Thai power companies after they announced their 1Q22 results to get updates about their earnings outlook and development. After the soaring energy costs in 1Q22, we expect gas costs to see a gradual decline in 2Q22. The feed-gas cost for SPP should be Bt420-430/mmbtu (million British thermal unit) in 2Q22, which is lower than the Bt441/mmbtu in 1Q22. In addition, the Energy Regulatory Commission (ERC) continued to increase "Fuel Adjustment Charge" (Ft) from May-Sep 22 by Bt0.234/unit (up 16% compared with Jan-Apr 22), and this is likely to rise by an additional Bt0.40/unit in Sep-Dec 22. This would widen margins for SPP operators in 2Q22, especially BGRIM and GPSC, with industrial users (IU) accounting for around 25% of their portfolios.
- New PDP to be announced a positive catalyst.** We also checked with many Thai power companies on the announcement of the Thai New Power Development Plan (PDP 2022) and Vietnam's Power Master Plan #8. We believe the Thai PDP 2022 will be announced in 2H22. The new version aims to increase the proportion of renewable energy in Thailand's power source to 50% within 2030 or add another 9,996MW (mainly from solar and solar rooftop projects) from 37% previously. The new PDP also includes the Pak Beng project, a 897MW hydro power plant in Laos which is 35%-owned by Gulf Energy Development (GULF), and Xekong 4A & 4B hydro power plant in Laos which is 60%-owned by RATCH group (RATCH) and 20%-owned by BGRIM. For the Vietnam power master plan, policymakers aim to support wind farms, solar farms and gas-to-power projects. This would benefit BGRIM and GULF. According to our checks, the Vietnam Power Master Plan will be finalised by mid-22. This will be a key catalyst for the Thai power sector in 2H22.

PEER COMPARISON

Company	Ticker	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	PE			EPS CAGR 2021-23F (%)	PEG 2023F (x)	P/B 2023F (x)	Yield 2023F (%)	ROE 2023F (%)
							2021 (x)	2022F (x)	2023F (x)					
BCPG*	BCPG TB	BUY	11.90	17.00	42.9	1,019	16.7	9.4	16.6	0.2	(0.4)	1.1	4.2	6.7
B.Grimm Power	BGRIM TB	BUY	33.00	38.00	15.2	2,545	37.8	70.9	44.1	(7.5)	0.7	3.0	1.5	5.0
Banpu Power*	BPP TB	BUY	16.00	18.20	13.8	1,443	15.6	7.8	10.2	23.4	(0.4)	1.0	5.0	8.9
Electricity Generating	EGCO TB	BUY	179.00	200.00	11.7	2,788	23.0	9.0	7.8	71.4	0.5	0.7	3.8	9.7
Global Power Synergy*	GPSC TB	HOLD	64.25	70.00	8.9	5,360	24.8	53.1	17.4	19.2	0.1	1.6	2.8	8.8
GULF Energy*	GULF TB	BUY	47.50	55.00	15.8	16,489	72.7	45.5	37.7	38.8	1.8	5.5	1.9	13.3
Ratchaburi Electricity	RATCH TB	BUY	40.50	50.00	23.5	1,737	7.6	9.9	9.4	(10.5)	2.1	0.8	4.3	8.2
Sector						31,381	49.2	40.8	28.6			3.6	2.5	10.8

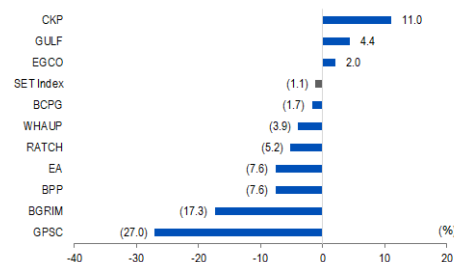
MARKET WEIGHT (Upgraded)

STOCK PICKS

Company	Rec	Share Price (Bt)	Target Price (Bt)
GULF*	BUY	47.50	55.00

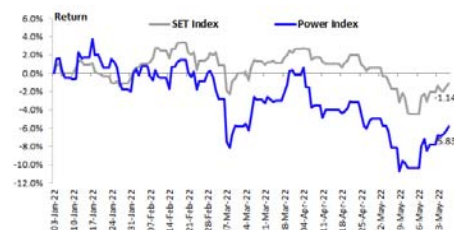
Source: UOB Kay Hian,
* Coverage on our retail platform

YTD SHARE PRICE PERFORMANCE (%)



Source: UOB Kay Hian

POWER INDEX (%)



Source: UOB Kay Hian

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Source: UOB Kay Hian, * Coverage on our retail platform

- Waiting for LNG shipment.** To reduce the impact from higher gas costs, the ERC awarded LNG shipper licences to GULF, BGRIM, Electricity Generating PCL (EGCO TB) and RATCH which are aiming to import LNG as fuel to supply their power plants and for trading. We believe the first LNG shipment from private companies (BGRIM, GULF, EGCO and RATCH) for their power plants will start from 2023 (after completing the gas purchasing deal in 2021). This would relax concerns on high gas prices next year.
- Power demand to recover strongly.** According to the Energy Policy and Planning Office (EPPO), Thailand's electricity demand showed strong recovery in 1Q22. The strong demand is from industrial users (+4% yoy in 1Q22) due to stronger exports growth, commercial sector (+7% yoy in 1Q22) and household (+10% yoy in 1Q22). We still expect outlook for domestic electricity consumption to improve significantly in 2Q22 due to seasonal factors and economic recovery. Note that power demand in 1Q22 was ~5% higher than in the same period in 2019 (before the COVID-19 outbreak).
- Earnings already bottomed out.** With higher tariff rate, stable gas cost, strong power demand and absence of unplanned shutdowns, we believe core earnings on Thai power sector have bottomed out in 1Q22. We see modest recovery in 2Q-3Q22. Note that the Thai power sector posted 1Q22 core profit that was 23% higher than estimates due to higher-than-expected margin of IPPs operators and strong profit contribution from overseas power plants.
- Expect M&A activities in 2H22.** After M&A deals were delayed due to the COVID-19 outbreak in 2021, these deals are now expected to be sealed in 2H22 after the global lockdown is lifted. We expect GULF, BGRIM, BCPG and CK Power (CKP TB) to announce overseas M&A activities in 2H22 (focusing on Vietnam, Laos and Europe). This would also be a key catalyst for all Thai power companies from 2H22 onwards.

ACTION

- Upgrade the sector to MARKET WEIGHT.** Since Dec 21, we had advised investors to reduce weight on Thai power sector after their strong rally. Now, we see positive catalysts in the short term which may lead to potential share price recovery despite the continued concerns on higher gas cost and the interest rate trend. We upgrade the sector to MARKET WEIGHT.
- GULF is only our pick.** We like GULF for its healthy core profit in 2022, on the back of: a) full-year contribution from Intouch Holdings after GULF acquired a 42.25% stake in 3Q21, b) commercial operation date of 1,300MW of Gulf Si Racha (GSRC) power plant in the pipeline, and c) potential upside from M&As.

ASSUMPTION CHANGES

- We maintain our core profit forecasts for all power companies under our coverage.

EARNINGS SENSITIVITY

	% of industrial customers	Impact for every Bt0.01 tariff to 2022 earnings forecast	Impact for every Bt1/MMBTU gas cost up
BGRIM*	25%	0.4%	0.3%
GPSC*	63%	0.5%	0.3%
GULF*	21%	0.3%	0.1%

*Coverage under our retail platform
Source: UOB Kay Hian

- Interest rate sensitivity.** Every 1% increase in interest rate assumption will decrease our 2022 core net profit forecasts by 10-15% for each power stock. Note that Thai power stocks have exposure with floating interest rate debt of only 15-20%.

SECTOR CATALYSTS

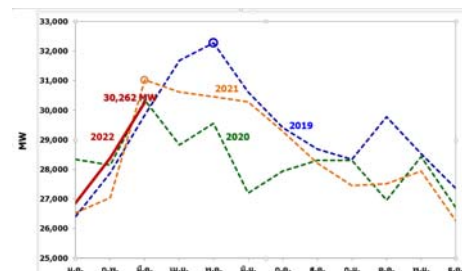
- 2Q22: Higher power tariffs.
- 2H22: Announcement of new PDPs in Thailand and Vietnam.

FT CHARGE AND GAS COST



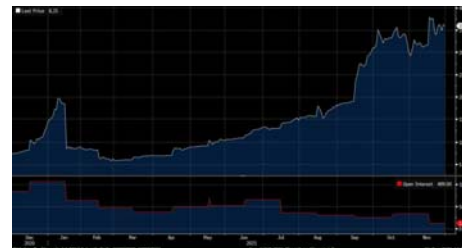
Source: BGRIM, UOB Kay Hian

THAI POWER DEMAND



Source: EPPO

LNG PRICE



Source: UOB Kay Hian

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