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KEY HIGHLIGHTS

Initiate Coverage

Energy Absolute (EA TB/BUY/Bt87.50/Target: Bt100.00)

Thailand's leading alternative energy company with new EV business.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,570.57	(9.09)	(0.58)
SET50	940.62	(5.89)	(0.62)
Value (Btm) - SET	49,152		
Top 5 Sector			
BANK	370.63	(1.80)	(0.48)
PETRO	907.01	(8.92)	(0.97)
PROP	244.61	(1.63)	(0.66)
ENERG	24,162.20	(119.66)	(0.49)
ICT	163.86	(1.32)	(0.80)

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
PTT	34.50	0.00	87,348.0
CPALL	55.75	3.72	53,350.2
BANPU	12.60	2.44	114,463.3
DELTA	662.00	0.61	2,147.2
PTTEP	170.50	0.29	7,800.9

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
TMC	1.93	14.20	84,911.1
TKT	3.76	13.94	174,518.7
UMI	2.08	12.43	60,047.5
TC	12.90	8.40	3,876.1
MAKRO	35.50	7.58	33,983.2

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
UPA	0.22	(8.33)	24,650.1
NCH	1.53	(7.83)	7,609.2
CHAYO	8.30	(7.78)	9,166.8
RBF	10.80	(7.69)	9,290.1
ATP30	1.51	(7.36)	5,559.6

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	95.7	4.4	(2.8)	30.5
Dubai crude*	96.7	6.8	(10.6)	26.4
Baltic Dry Index	1,961.0	61.7	(5.8)	(11.5)
Gold Spot***	1,670.3	(2.7)	(3.7)	(8.7)

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

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(91.8)	(124.3)	4,393.2	6,762.7

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 38.00

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

Thai Lending Rate (%)* - MLR = 5.25

INITIATE COVERAGE

Energy Absolute (EA TB)

Thailand's Leading Alternative Energy Company With New EV Business

EA is Thailand's leading alternative energy company operating in the biodiesel and renewable power plant spaces. We expect a healthy earnings CAGR of 14% in 2022-24, underpinned by the more robust performance of its EV business. We like EA for its positive earnings growth outlook and the high growth potential of its EV business. Initiate coverage with BUY and a target price of Bt100.00.

INVESTMENT HIGHLIGHTS

- Leading domestic alternative energy company.** Energy Absolute (EA) is Thailand's leading alternative energy company that operates a biodiesel business and a renewable power plant business. In addition, EA intends to enter the battery and electric vehicle (EV) markets so as to ride on the global trends of clean energy and decarbonisation by opening the first operational gigafactory in ASEAN with a total capacity of 1 GWh/year and penetrating the commercial EV market.
- Positive earnings outlook driven by EV business.** We estimate three-year earnings CAGR at 14% over 2022-24. Demand for EV buses is likely to increase given the trend of replacing traditional buses with EV buses. As a result, the battery and EV businesses are expected to play a vital role in driving EA's earnings growth. We expect EA's EV revenue to improve strikingly in 2H22 as the company has begun to deliver more EV buses from 3Q22 onwards. EA also plans to expand its battery capacity to 2 GWh/year by 2022 and 4 GWh/year by 2023 to tap the increasing demand.

Meanwhile, existing businesses are expected to be healthy. We expect its renewable power plants to generate solid revenue until 2023 due to robust revenue from subsidies for adders (feed-in tariffs) at its solar and wind power plants, until revenue falls off when the subsidy agreement eventually expires. In addition, we foresee potential upside for our assumptions for its renewable power plant business in view of a new round of renewable energy tender for 5,203 MW. We see EA as one of the companies with the potential to win the tender.

Click [here](#) for Blue Top dated 10 Oct 22

KEY FINANCIALS

Year to 31 Dec (Btm)	2020	2021	2022F	2023F	2024F
Net turnover	17,079.6	20,173.8	29,726.5	35,870.7	43,125.5
EBITDA	9,260.1	9,611.1	11,052.7	12,015.5	13,231.4
Operating profit	6,529.7	6,843.1	7,394.5	8,249.2	9,357.2
Net profit (rep./act.)	5,204.6	6,100.1	6,953.8	7,811.8	8,922.6
Net profit (adj.)	5,142.4	6,036.6	6,889.8	7,747.8	8,858.6
EPS (Bt)	1.4	1.6	1.8	2.1	2.4
PE (x)	63.8	54.4	47.6	42.4	37.1
P/B (x)	11.1	9.4	8.0	7.0	6.0
EV/EBITDA (x)	39.7	38.2	33.3	30.6	27.8
Dividend yield (%)	0.3	0.3	0.4	0.5	0.5
Net margin (%)	30.5	30.2	23.4	21.8	20.7
Net debt/(cash) to equity (%)	141.5	119.7	97.6	76.3	57.7
Interest cover (x)	5.7	6.9	7.7	8.4	9.3
Consensus net profit	-	-	8,299	8,952	10,722
UOBKH/Consensus (x)	-	-	0.83	0.87	0.83

Source: Energy Absolute, Bloomberg, UOB Kay Hian

BUY

Share Price	Bt87.50
Target Price	Bt100.00
Upside	+14.3%

COMPANY DESCRIPTION

EA and its subsidiaries operate three businesses: a) biodiesel, b) renewable power plants, and c) batteries and electric vehicles.

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	EA TB
Shares issued (m):	3,730.0
Market cap (Btm):	326,375.0
Market cap (US\$m):	8,743.0
3-mth avg daily t'over (US\$m):	24.2

Price Performance (%)

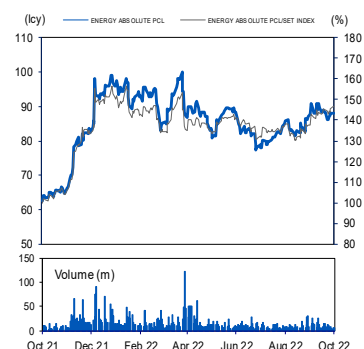
52-week high/low	Bt100.00/Bt62.50			
1mth	3mth	6mth	1yr	YTD
1.2	13.3	(7.2)	44.6	(8.9)

Major Shareholders

UBS AG SINGAPORE BRANCH	32.9
MR. SOMPHOTE AHUNAI	11.1
SOTUS & FAITH # 1 LIMITED	8.0

FY22 NAV/Share (Bt)	10.94
FY22 Net Debt/Share (Bt)	10.68

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Time for EV business to shine from 3Q22 onwards.** We expect EA to post a net profit of Bt2.3b for 3Q22, up 43% yoy and 112% qoq, buoyed by a more robust performance from the battery and EV businesses. We expect about 700 buses to be delivered in 3Q22. Total revenue for 3Q22 is estimated at Bt10.4b, up 107% and 93% qoq. Overall gross margin in 3Q22 is expected to decrease 13.3ppt yoy to 29.1% due to expansion into new businesses.

3Q22 RESULTS PREVIEW

Year to 31 Dec (Btm)	3Q21	2Q22	3Q22F	yoy %	qoq %
Total revenue	5,040	5,396	10,437	107.1	93.4
Total cost of revenue	2,902	3,709	7,402	155.1	99.6
Operating EBIT	1,772	1,236	2,451	38.3	98.3
Net profit	1,616	1,095	2,318	43.4	111.6
Percent	3Q21	3Q21	3Q22F	yoy ppt	qoq ppt
Gross margin	42.4	31.3	29.1	(13.3)	(2.2)
SG&A to sales	7.3	8.4	5.6	(1.7)	(2.8)
EBIT margin	35.2	22.9	23.5	(11.7)	0.6
Net margin	32.1	20.3	22.2	(9.9)	1.9

Source: EA, UOB Kay Hian

- **Penetrating mass transport market in Malaysia.** EA Mobility Holding, a subsidiary of EA, signed a Heads of Agreement (HOA) with Computer Forms (Malaysia) in Sep 22 to help Malaysia become a zero-carbon society. In the initial phase, a HOA was signed to buy 200 electric buses for Gemilang International (GML) from EA, including ultra-fast charging stations. The second phase involves expanding the market throughout Malaysia with EA's products, including electric buses, boats, and trucks.
- **New round of renewable energy bidding.** The Energy Regulatory Commission (ERC) has issued new regulations for the procurement of renewable electricity generated by the private sector. Bidding for the 5,203 MW of renewable electricity, including 335 MW for biogas, 1,500 MW for wind, 2,368 MW for ground-mounted solar, and 1,000 MW for Solar+BESS (commercial operation date: 2024-30), is slated for end-22. We believe EA stands a chance to win wind energy projects and ground-mounted solar projects due to its experience in both wind and solar systems; moreover, it runs its own battery factory.

VALUATION/RECOMMENDATION

- **Initiate coverage with BUY and SOTP-based target price of Bt100.00.** We value EA's renewable power plant business at Bt37.40/share, based on DCF. The cash flow is discounted to 2023. We value the biodiesel business at Bt1.40/share, assuming 20x 2023F PE. In addition, the new businesses are valued at Bt61.70/share - Bt36.00/share for the EV business and Bt25.70/share for the battery business, assuming WACC of 9%, risk-free rate of 3.5%, equity risk premium of 8.0%, and terminal growth rate of 3%.

SHARE PRICE CATALYST

- Better-than-expected EV bus deliveries.
- New incentive policy for electric vehicles.

BATTERY AND ENERGY STORAGE



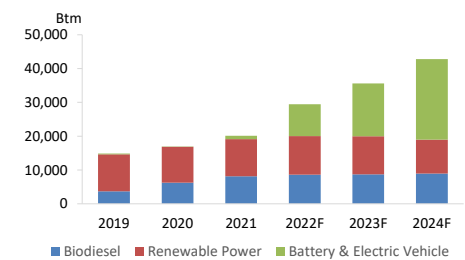
Source: EA

EV PRODUCTS



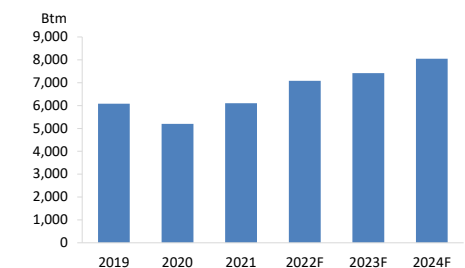
Source: EA

REVENUE OUTLOOK



Source: EA, UOB Kay Hian

NET PROFIT OUTLOOK



Source: EA, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Net turnover	20,174	29,726	35,871	43,125
EBITDA	9,611	11,053	12,015	13,231
Deprec. & amort.	2,768	3,658	3,766	3,874
EBIT	6,843	7,394	8,249	9,357
Total other non-operating income	384	380	380	380
Associate contributions	14	20	20	20
Net interest income/(expense)	(1,388)	(1,433)	(1,430)	(1,427)
Pre-tax profit	5,933	6,441	7,299	8,410
Tax	(3)	(6)	(7)	(8)
Minorities	171	519	520	521
Net profit	6,100	6,954	7,812	8,923
Net profit (adj.)	6,037	6,890	7,748	8,859

CASH FLOW

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Operating	6,130	7,433	9,362	10,274
Pre-tax profit	5,933	6,441	7,299	8,410
Tax	(3)	(6)	(7)	(8)
Deprec. & amort.	2,768	3,658	3,766	3,874
Working capital changes	(1,834)	(2,284)	(1,456)	(1,719)
Non-cash items	(733)	(377)	(240)	(283)
Other operating cashflows	0	0	0	0
Investing	(5,791)	(4,017)	(3,995)	(4,012)
Capex (growth)	(5,399)	(3,900)	(3,900)	(3,900)
Investments	408	32	(3)	(3)
Others	(800)	(150)	(92)	(109)
Financing	(358)	1,563	(1,577)	(1,773)
Dividend payments	(1,119)	(1,255)	(1,477)	(1,673)
Issue of shares	0	0	0	0
Proceeds from borrowings	96	2,798	(100)	(100)
Others/interest paid	664	19	0	0
Net cash inflow (outflow)	(19)	4,978	3,790	4,488
Beginning cash & cash equivalent	2,962	2,944	7,922	11,712
Ending cash & cash equivalent	2,944	7,922	11,712	16,200

BALANCE SHEET

Year to 31 Dec (Btm)	2021	2022F	2023F	2024F
Fixed assets	64,463	64,705	64,838	64,864
Other LT assets	9,364	10,544	11,321	12,238
Cash/ST investment	2,944	7,922	11,712	16,200
Other current assets	8,706	12,842	15,496	18,630
Total assets	85,476	96,012	103,368	111,933
ST debt	9,514	14,296	14,196	14,096
Other current liabilities	3,162	4,637	5,596	6,728
LT debt	35,462	33,477	33,477	33,477
Other LT liabilities	2,237	3,300	3,982	4,787
Shareholders' equity	35,102	40,820	47,156	54,405
Minority interest	0	(519)	(1,039)	(1,560)
Total liabilities & equity	85,476	96,012	103,368	111,933

KEY METRICS

Year to 31 Dec (%)	2021	2022F	2023F	2024F
Profitability				
EBITDA margin	47.6	37.2	33.5	30.7
Pre-tax margin	29.4	21.7	20.3	19.5
Net margin	30.2	23.4	21.8	20.7
Net profit (adj.)	17.4	14.1	12.5	14.3
Leverage				
Debt to total capital	56.2	54.2	50.8	47.4
Debt to equity	128.1	117.0	101.1	87.4
Net debt/(cash) to equity	119.7	97.6	76.3	57.7
Interest cover (x)	6.9	7.7	8.4	9.3

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