

COMPANY UPDATE

Energy Absolute (EA TB)

Expect A Positive Outcome From NEX Capital Increase; Share Price Pressured By Stock Price Manipulation

We expect a favorable outcome for EA from the capital increase in NEX. EA is projected to receive net cash of about Bt4.0b, which is expected to strengthen EA's financial status. We are optimistic but cautious about The EV business is expected to see notable improvements from 2024 onwards. The significant drop in share price, attributed to price manipulation, would be an opportunity to accumulate stocks for long-term investment. Maintain BUY. Target price: Bt34.00.

WHAT'S NEW

- **NEX announces capital increase.** Nex Point (NEX), a subsidiary of Energy Absolute (EA), proposed a capital increase from Bt2.0b to Bt10.9b by issuing 8.8b new shares at Bt1.00 each. The new shares will be allocated for: a) private placement to non-related persons, b) exercise of warrants issued to specific persons in a private placement, and c) rights offering to existing shareholders (phase 1: 1 existing share to 1 new share, phase 2: 1 existing share to 1.5 new shares). The capital increase aims to strengthen the company's financial structure and support its future business plan (expansion for OEM products). The EGM is scheduled for 15 Aug 24.
- **In terms of EA,** management has confirmed that the company is ready to increase capital (rights offering) for NEX by the full amount according to rights (EA holds a 33.14% stake in NEX) or about Bt3.0b. The capital increase for NEX is expected to have a positive impact on EA, as NEX will use some of the cash from the capital increase to repay debts. If the capital increase goes as planned, EA is expected to receive net cash of about Bt4.0b, which will strengthen the company's financial status.
- **Management indicates stock price manipulation pressuring EA and NEX.** Although management asserts that both companies remain fundamentally strong, the share prices of EA and NEX declined from their peaks by 81% and 91% respectively. Management alleged that their stock prices have been manipulated through automated trading, short selling, and naked short selling, leading to significant but unjustified declines in stock value. EA and NEX prepare to present evidence to the Securities and Exchange Commission (SEC) and the Department of Special Investigation (DSI). The move aims to restore market confidence. However, it is hard to identify and prosecute those responsible for the stock manipulation.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	25,354.6	30,074.4	32,103.3	41,262.8	50,042.9
EBITDA	10,181.4	12,670.8	12,273.0	12,663.1	12,919.3
Operating profit	6,533.7	8,992.6	8,601.5	8,866.7	8,986.8
Net profit (rep./act.)	7,604.3	7,606.2	7,289.6	7,668.0	7,847.9
Net profit (adj.)	5,659.6	6,781.7	6,609.6	6,948.0	7,087.9
EPS (Bt)	1.5	1.8	1.8	1.9	1.9
PE (x)	13.2	11.1	11.3	10.8	10.6
P/B (x)	1.9	1.8	1.5	1.3	1.2
EV/EBITDA (x)	13.0	10.5	10.8	10.5	10.3
Dividend yield (%)	1.5	1.5	1.5	1.5	1.5
Net margin (%)	30.0	25.3	22.7	18.6	15.7
Net debt/(cash) to equity (%)	127.0	148.4	108.3	92.6	82.7
Interest cover (x)	7.2	5.5	6.0	6.4	6.5
Consensus net profit	-	-	6,316	6,563	7,865
UOBKH/Consensus (x)	-	-	1.05	1.06	0.90

Source: Energy Absolute, Bloomberg, UOB Kay Hian
n.m. : not meaningful; negative P/E, EV/EBITDA reflected as "n.m."

BUY

(Maintained)

Share Price	Bt20.10
Target Price	Bt34.00
Upside	+69.2%

COMPANY DESCRIPTION

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

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	EA TB
Shares issued (m):	3,713.3
Market cap (Btm):	74,638.2
Market cap (US\$m):	2,034.3
3-mth avg daily t'over (US\$m):	16.4

Price Performance (%)

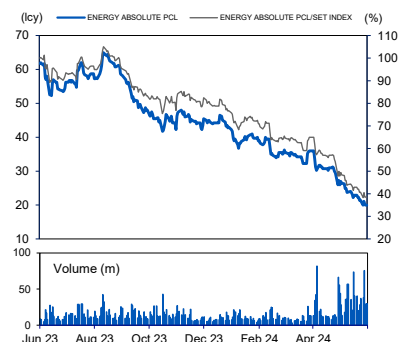
52-week high/low	Bt65.00/Bt20.00			
1mth	3mth	6mth	1yr	YTD
(31.9)	(42.6)	(53.0)	(68.5)	(54.6)

Major Shareholders

SPBL HOLDING CO., LTD.	25.1
UBS AG SINGAPORE BRANCH	24.9
Thai NVDR Company Limited	8.1

FY24 NAV/Share (Bt)	13.85
FY24 Net Debt/Share (Bt)	15.01

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

• **Businesses are moving in a positive direction.** EA's investment projects demonstrate the company's commitment to expanding its capabilities across all its businesses. In 2024, we anticipate a notable improvement in the EV business as EA focuses on selling EV trucks to large corporate groups. The EV charging station service business has already shown promising results, with a positive EBITDA in 1Q24, and is expected to continue improving. In addition, EA plans to diversify its businesses to sizeable markets, such as the sustainable aviation fuels market, waste management, and energy management.

EARNINGS REVISION/RISK

• **Downside risks:** a) delayed EV deliveries, b) weaker-than-expected performance in the renewable power business, and c) lower-than-expected income from the biodiesel business and other businesses.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt34.00.** The target price of Bt34.00 is based on 17x 2024F PE, pegged to 2SD below its 10-year PE average.
- **We are optimistic but cautious about EA.** Although the expiration of government subsidies will challenge EA's earnings outlook, we expect the EV business to see notable improvements from 2024 onwards. In addition, we still believe EA is on the right track with its diversification plan, which is expected to support its growth in the future. We view the considerable decline in share price as an opportunity to accumulate stock for long-term investment.

SHARE PRICE CATALYST

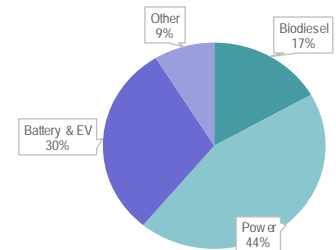
- Higher-than-expected EV deliveries.
- Better-than-expected performance in the biodiesel and power businesses.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5
SET ESG Rating: AA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - EA aims to be a leader in the alternative energy business, by using environmentally friendly technology. The EA group established policies for quality, environment and energy saving, with environmental programmes that focus on continual improvement. • Social <ul style="list-style-type: none"> - Ensures fair treatment and respect for human rights of all workers. Develops employees at all levels through training programmes. Implements a consistent evaluation system. Focuses on community and society development by continuously conducting projects. • Governance <ul style="list-style-type: none"> - EA established a policy and assigned the Corporate Governance Committee to ensure compliance with the Good Corporate Governance standard in Thailand. This standard includes operational assessment and practical enhancements.

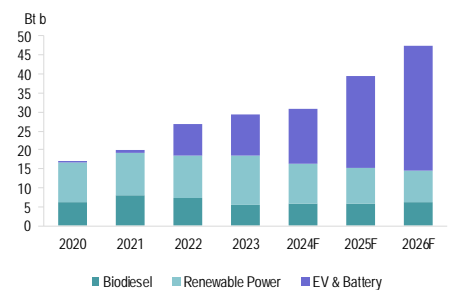
Source: EA, UOB Kay Hian

REVENUE CONTRIBUTION IN 1Q24



Source: EA, UOB Kay Hian

REVENUE OUTLOOK



Source: EA, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	30,074	32,103	41,263	50,043
EBITDA	12,671	12,273	12,663	12,919
Deprec. & amort.	3,678	3,672	3,796	3,933
EBIT	8,993	8,601	8,867	8,987
Total other non-operating income	1,523	500	500	500
Associate contributions	260	350	400	450
Net interest income/(expense)	(2,287)	(2,061)	(1,992)	(1,984)
Pre-tax profit	7,736	7,391	7,774	7,953
Tax	(236)	(211)	(221)	(225)
Minorities	106	110	115	120
Net profit	7,606	7,290	7,668	7,848
Net profit (adj.)	6,782	6,610	6,948	7,088

CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	4,782	9,284	2,851	7,266
Pre-tax profit	7,736	7,391	7,774	7,953
Tax	(236)	(211)	(221)	(225)
Deprec. & amort.	3,678	3,672	3,796	3,933
Working capital changes	(8,830)	(1,167)	(8,132)	(4,237)
Non-cash items	2,434	(400)	(366)	(158)
Other operating cashflows	0	0	0	0
Investing	(12,467)	(6,081)	261	(5,970)
Capex (growth)	(7,697)	(5,500)	(50)	(6,000)
Investments	2,282	(13)	(13)	(14)
Others	(7,052)	(568)	325	44
Financing	6,936	(2,775)	(3,019)	(1,315)
Dividend payments	(1,119)	(1,119)	(1,119)	(1,119)
Issue of shares	(655)	655	0	0
Proceeds from borrowings	11,731	(5,500)	(1,950)	(246)
Others/interest paid	(3,021)	3,189	50	50
Net cash inflow (outflow)	(749)	428	93	(19)
Beginning cash & cash equivalent	3,223	2,474	2,902	2,995
Ending cash & cash equivalent	2,474	2,902	2,995	2,976

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	63,918	65,747	62,000	64,068
Other LT assets	25,870	26,324	26,333	26,417
Cash/ST investment	2,474	2,902	2,995	2,976
Other current assets	21,967	23,756	33,217	38,533
Total assets	114,229	118,729	124,545	131,994
ST debt	21,237	17,687	22,983	16,487
Other current liabilities	3,149	3,371	4,333	5,255
LT debt	43,138	41,188	33,942	40,192
Other LT liabilities	2,695	2,568	2,888	3,003
Shareholders' equity	41,699	51,664	58,213	64,942
Minority interest	2,310	2,250	2,185	2,115
Total liabilities & equity	114,229	118,729	124,545	131,994

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	42.1	38.2	30.7	25.8
Pre-tax margin	25.7	23.0	18.8	15.9
Net margin	25.3	22.7	18.6	15.7
Net profit (adj.)	19.8	(2.5)	5.1	2.0
Leverage				
Debt to total capital	59.4	52.2	48.5	45.8
Debt to equity	154.4	114.0	97.8	87.3
Net debt/(cash) to equity	148.4	108.3	92.6	82.7
Interest cover (x)	5.5	6.0	6.4	6.5

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