

COMPANY UPDATE

**Banpu (BANPU TB)**

Supply Issues Resolved In The Short Term, But Long-Term Needs To Be Monitored Closely

The coal sector is beginning to stabilise as regional demand remains robust. The gas business continues to face challenges due to high inventory levels, leading us to expect a decline in gas selling prices during the winter season. However, we are still cautious about investing in the coal and gas businesses, as supply issues could once again pressure selling prices. Maintain HOLD. Target price: Bt5.10.

WHAT'S NEW

- The tone during BANPU's analyst meeting was neutral.
- The coal market is starting to stabilise.** We expect high calorific value (HCV) coal prices to remain stable yoy in 2025, supported by limitations on HCV coal exports from Australia, while demand from key markets such as Japan, Korea, and Taiwan remains stable. In the low calorific value (LCV) coal market, new supply from Indonesia continues to grow steadily. Despite robust demand from China and India, the marginally higher growth in supply compared with demand is expected to put downward pressure on LCV coal prices in 2025.
- Gas price trends are still concerning.** Henry Hub gas prices continued to decline mom in October and November, even as the winter season approached. ASPs in 4Q24 dropped to US\$1.74/metric million British thermal unit (MMBTU), down 15% qoq and 35% yoy, driven by high inventory levels. We anticipate a recovery in gas selling prices in 2025, supported by ongoing reductions in US gas production. Notably, the Henry Hub price ytd is US\$2.02/MMBTU, the lowest level since 1997. Baker Hughes reported a 29% drop in the number of operating gas rigs in 3Q24 compared with end-23, with projections indicating that this lower level will persist into 2025, potentially reducing US gas inventories. Additionally, we expect US policies to support fossil fuel production and exports after the election to drive infrastructure development, particularly export ports, which will further accelerate the easing of inventory issue, bolstering the recovery of US gas selling prices. However, we remain cautious about US gas supply dynamics. While supportive policies may stimulate production, any significant increase in domestic output could once again exert downward pressure on selling prices in the future.
- BKV's growth will be evident from 2025 onwards.** BKV Corporation's (in which BANPU holds a 76% stake) growth is expected to accelerate after its IPO. This growth will be driven by BKV's planned projects and M&As, supported by its ability to secure its own funding to enhance business operations. In 2026, BKV will start production of its new carbon capture, utilisation, and storage (CCUS) project with a capacity of 45,000 tonnes (BKV currently has a total CCUS capacity of 260,000 tonnes per year). Additionally, BKV has 4-5 projects in the final investment decision (FID), ready to proceed with construction. For 2025, BANPU is projected to receive a contribution of Bt60m-65m from BKV (based on an assumed 50% utilisation rate).

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	272,270	179,619	191,555	195,844	191,340
EBITDA	130,186	42,277	36,674	41,158	37,756
Operating profit	107,979	22,386	17,865	23,318	20,779
Net profit (rep./act.)	40,519	5,434	3,517	5,948	6,437
Net profit (adj.)	75,921	6,935	3,901	5,948	6,437
EPS (Bt)	9.0	0.7	0.4	0.6	0.6
PE (x)	0.6	8.1	14.4	9.4	8.7
P/B (x)	0.3	0.3	0.3	0.3	0.3
EV/EBITDA (x)	1.1	4.3	4.1	3.3	3.2
Dividend yield (%)	21.4	8.0	5.4	5.4	5.8
Net margin (%)	14.9	3.0	1.8	3.0	3.4
Net debt/(cash) to equity (%)	76.5	92.1	69.5	58.2	47.6
Interest cover (x)	13.9	3.2	2.6	3.0	3.0
ROE (%)	30.5	3.9	2.4	4.0	4.2
Consensus net profit	-	-	5,068	6,488	7,319
UOBKH/Consensus (x)	-	-	0.69	0.92	0.88

Source: Banpu, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt5.60
Target Price	Bt5.10
Upside	-8.9%
(Previous TP)	Bt5.60)

COMPANY DESCRIPTION

A regional coal producer with mines in four countries, namely Indonesia (ITMG), Australia (Centennial), Mongolia (Hunnu), and China, commanding total equity reserves of 713mt. Banpu Power (78.7% owned by Banpu) also has power generation capacity (equity basis).

STOCK DATA

GICS sector	Energy
Bloomberg ticker:	BANPU TB
Shares issued (m):	10,018.9
Market cap (Btm):	46,087.0
Market cap (US\$m):	1,306.5
3-mth avg daily t'over (US\$m):	12.6

Price Performance (%)

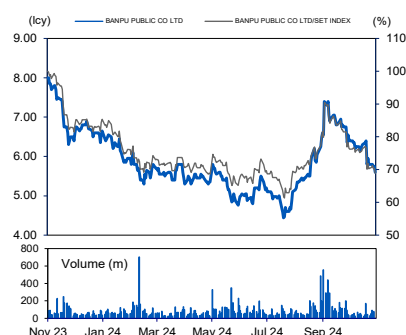
52-week high/low	Bt9.25/Bt4.44			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(16.4)	(15.6)	(21.4)	(50.8)	(32.4)

Major Shareholders

	%
Vongkusolkij family	17.0
NVDR	16.0
State Street Bank Europe Ltd.	6.7

FY24 NAV/Share (Bt)	18.63
FY24 Net Debt/Share (Bt)	11.31

PRICE CHART



Source: Bloomberg

ANALYST(S)

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STOCK IMPACT

• **We expect 4Q24 net profit to recover qoq and yoy.** The recovery of the coal business's gross profit margin is a key positive factor, driven by improved ASP and reduced production costs, particularly through the implementation of a cost reduction plan focused on lowering the stripping ratio of coal operations. Positive signs of this recovery were evident in 3Q24. BANPU's cost reduction initiatives are expected to have a significant impact on performance in 4Q24 and throughout 2025. Additionally, the depreciation of the Thai baht in 4Q24 will help mitigate foreign exchange losses, which were a significant issue in 3Q24.

EARNINGS REVISION/RISK

• **Cut 2024-25 net profit forecasts.** We cut our 2024-25 net profit forecasts by 47% and 31%, respectively, as we assume lower sales volume and ASP for both the coal and gas businesses. We now expect 2024 net profit to be Bt3.5b, down 35% yoy, and 2025 net profit to be Bt6.0b, up 71% yoy.

KEY ASSUMPTION

	2024F			2025F		
	Old	New	%Chg.	Old	New	%Chg.
SG&A/Sales	10%	11%		10%	11%	
<b>Coal Business</b>						
<b>Indonesia Mines</b>						
Sales Volume (mTons)	26.1	24.8	-5%	26.0	25.0	-4%
Average selling price (US\$/Ton)	105	95	-10%	100	90	-10%
Average cost of sales (US\$/Ton)	60	58	-3%	55	55	0%
<b>Australia Mines</b>						
Sales Volume (mTons)	8.8	8.1	-8%	8.8	8.1	-8%
Average selling price (AUD\$/Ton)	180	170	-6%	180	170	-6%
Average cost of sales (AUD\$/Ton)	165	160	-3%	160	160	0%
<b>Gas Business</b>						
Sales Volume (Bcf)	332	300	-10%	335	300	-10%
Average selling price (US\$/Mcf)	2.3	2.0	-13%	2.5	2.2	-12%
Average cost of sales (US\$/Mcf)	1.5	1.4	-5%	1.5	1.5	0%
<b>Earnings Forecast</b>						
Core Profit	6,644	3,901	-41%	8,765	6,011	-31%
Net Profit	6,644	3,517	-47%	8,765	6,011	-31%

Source: Banpu, Bloomberg, UOB Kay Hian

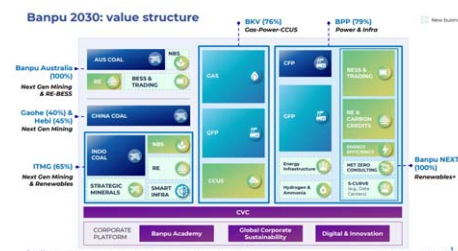
VALUATION/RECOMMENDATION

• **Maintain HOLD with a lower target price of Bt5.10**, based on a coal regional core PE mean of 8.5x. We remain cautious about investing in the coal and gas businesses, although in the short term we are starting to see positive signs in the coal business due to the high season and a slightly positive outlook from the US election results. However, in the long term, we remain concerned about the increase in supply from the US fossil fuel policy and Indonesia's accelerated coal production.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

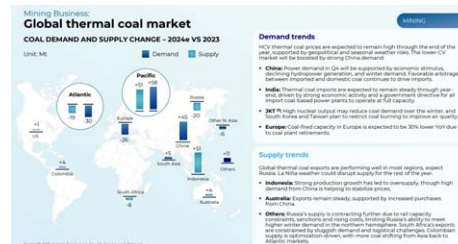
<b>CG Report: 5</b>
<b>SET ESG Rating: AAA</b>
<b>Environmental</b>
- Greener & smarter strategies to respond to climate change, including reducing greenhouse gas emissions. Investing in renewable energy and cleaner fuels by increasing renewable energy capacity to more than 1.1 gigawatts by 2025 and reducing greenhouse gas emissions by 7% compared with business as usual for the mining business and 20% for the electricity business.
<b>Social</b>
- Initiatives focusing on community relations and development include: a) promoting and enhancing communities neighbouring mines in Indonesia, b) developing communities surrounding solar power plants in China, c) managing community relations for its subsidiary in Australia, and d) formulating community relation plans for business operations in Vietnam and the US.
<b>Governance</b>
- Addressing sustainable corporate governance encompasses business ethics, partner and contractor management, business continuity management, and the oversight of data privacy and cybersecurity concerns.
- To enhance ESG responsibility within the supply chain, the company has integrated it into supplier management processes. It utilises the ESG Audit Performance system to evaluate potential business partners and contractors prior to procurement, as well as to assess existing partners.

VALUE STRUCTURE (2030)



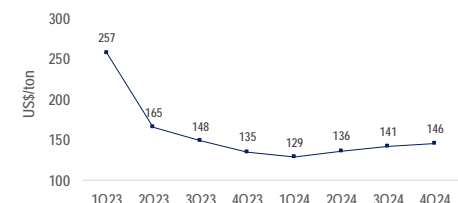
Source: Banpu, UOB Kay Hian

GLOBAL THERMAL COAL MARKET



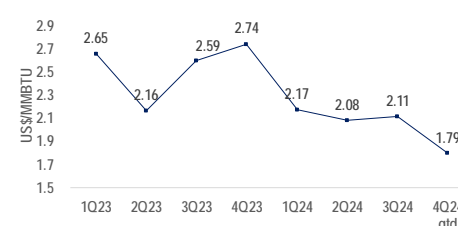
Source: Banpu, UOB Kay Hian

THE NEWCASTLE EXPORT INDEX



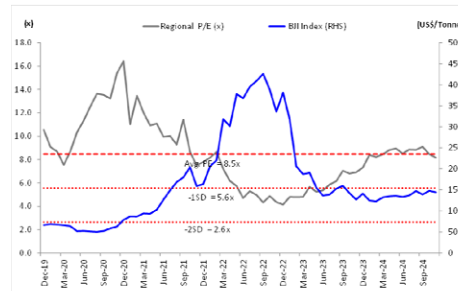
Source: Banpu, UOB Kay Hian

HENRY HUB GAS PRICES



Source: Banpu, UOB Kay Hian

REGIONAL PE MEAN AND BJI INDEX



Source: Banpu, Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	179,619	191,555	195,844	191,340
EBITDA	42,277	36,674	41,158	37,756
Deprec. & amort.	19,891	18,809	17,840	16,977
EBIT	22,386	17,865	23,318	20,779
Associate contributions	9,297	8,058	7,786	7,684
Net interest income/(expense)	-13,387	-14,087	-13,747	-12,397
Pre-tax profit	18,296	11,837	17,358	16,066
Tax	-4,032	-3,436	-5,207	-4,820
Minorities	-7,328	-4,500	-6,202	-4,809
Net profit	5,434	3,517	5,948	6,437
Net profit (adj.)	6,935	3,901	5,948	6,437

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Operating	4,139	56,100	30,638	27,683
Pre-tax profit	18,296	11,837	17,358	16,066
Tax	-4,032	-3,436	-5,207	-4,820
Deprec. & amort.	19,891	18,809	17,840	16,977
Working capital changes	-11,745	22,328	585	-604
Other operating cashflows	-18,271	6,563	63	63
Investing	-31,908	-19,229	-12,076	-7,820
Investments	-28,968	-13,500	-10,000	-10,000
Others	-2,940	-5,729	-2,076	2,180
Financing	8,752	-59,675	-18,006	-18,006
Dividend payments	-8,449	-4,509	-3,006	-3,006
Proceeds from borrowings	17,201	-55,166	-15,000	-15,000
Net cash inflow (outflow)	-19,018	-22,803	556	1,857
Beginning cash & cash equivalent	74,448	53,900	31,097	31,653
Changes due to forex impact	-1,530	0	0	0
Ending cash & cash equivalent	53,900	31,097	31,653	33,511

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	157,487	152,179	144,339	137,362
Other LT assets	182,174	165,952	168,096	165,844
Cash/ST investment	53,900	31,097	31,653	33,511
Other current assets	51,351	39,294	39,659	39,261
Total assets	444,913	388,522	383,748	375,977
ST debt	55,166	15,000	15,000	15,000
Other current liabilities	39,267	49,538	50,488	49,486
LT debt	160,240	145,240	130,240	115,240
Other LT liabilities	25,016	3,065	3,134	3,061
Shareholders' equity	175,372	185,827	195,035	203,339
Total liabilities & equity	444,913	388,522	383,748	375,977

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	23.5	19.1	21.0	19.7
Pre-tax margin	10.2	6.2	8.9	8.4
Net margin	3.0	1.8	3.0	3.4
ROA	1.6	1.1	1.9	2.1
ROE	3.9	2.4	4.0	4.2
<b>Growth</b>				
Turnover	-34.0	6.6	2.2	-2.3
EBITDA	-73.6	-15.4	11.1	-8.3
Pre-tax profit	-83.5	-35.3	46.6	-7.4
Net profit	-86.6	-35.3	69.1	8.2
Net profit (adj.)	-90.9	-43.8	52.5	8.2
EPS	-92.3	-43.8	52.5	8.2
<b>Leverage</b>				
Debt to total capital	65.2	45.6	39.3	33.7
Debt to equity	122.8	86.2	74.5	64.1
Net debt/(cash) to equity	92.1	69.5	58.2	47.6
Interest cover (x)	3.2	2.6	3.0	3.0