



ABSOLUTE CLEAN ENERGY PCL

ACE TB Neutral

Target Price Bt 4.12

Price (08/10/2021) Bt 3.66

Upside % 12.57

Valuation DCF

Sector Energy & Utilities

Market Cap Btm 37,244

30-day avg turnover Btm 329.40

No. of shares on issue m 10,176

CG Scoring Very Good

Anti-Corruption Indicator N/A

Investment fundamentals

Year end Dec 31 2020 2021E 2022E 2023E

Company Financials

Revenue (Btmn) 5,858 5,561 7,227 11,413

Core profit (Btmn) 1,344 1,463 2,204 3,698

Net profit (Btmn) 1,505 1,475 2,204 3,698

Net EPS (Bt) 0.15 0.14 0.22 0.36

DPS (Bt) 0.05 0.06 0.09 0.15

BVPS (Bt) 1.18 1.30 1.46 1.73

Net EPS growth (%) 84.65 -2.05 49.50 67.73

ROA (%) 9.85 8.04 8.22 10.36

ROE (%) 13.21 11.68 15.68 22.76

Net D/E (x) 0.29 0.47 1.17 1.06

Valuation

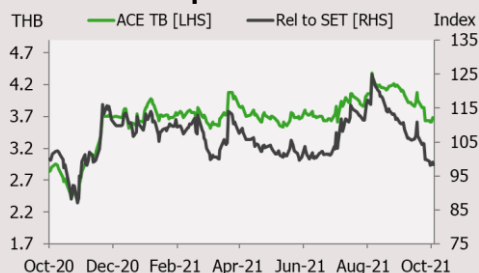
P/E (x) 25.01 25.26 16.90 10.07

P/BV (x) 3.14 2.81 2.51 2.11

EV/EBITDA (x) 20.45 18.98 16.64 9.95

Dividend yield (%) 1.35 1.64 2.46 4.10

ACE TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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Analyst

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11 October 2021

Kasikorn Securities Public Company Limited

Expect 3Q21 NP growth YoY, QoQ

- **Expect 3Q21 NP growth of 3% YoY and 16% QoQ on increased efficiency of biomass power plants and an FX gain from a weaker THB.**
- **PDP revision could give ACE an opportunity to develop renewable power plants. Aims to increase power plant projects in the pipeline to 1,000 MW by 2024 from the current 527 MW.**
- **Reiterate Neutral and target price of Bt4.12.**

Investment Highlights

- **Expect 3Q21 earnings growth on better plant efficiency.** We expect 3Q21 earnings of Bt423mn, or growth of 3% YoY, on improved efficiency of three biomass power plants with capacity of 27 MW acquired in July 2020 via a continued increase in run rates. This should more than offset a lower margin from gas-fired power plants resulting from a surge in price of natural gas, which we expect will result in ACE's gas cost increasing by 12% YoY to Bt261/mmbtu. Note that the price of natural gas in Thailand has a 3-9 month lag time to increases in the price of fuel oil. ACE operated 246 MW as of 3Q21 comprising biomass (47%), natural gas (46%) and WTE & solar (7%) power plants. Biomass plants account for 62% of total gross profit and gas-fired plants 25%. We expect net profit to increase by 16% QoQ on higher power production as there were no maintenance shutdowns in 3Q21 vs. 3 out of 12 biomass power plants that underwent maintenance in 2Q21. We expect an FX gain of Bt71mn resulting from the THB depreciation of Bt1.8 to Bt34/USD in the quarter.
- **Projects under development to drive long-term growth.** ACE has projects under development that will support long-term earnings growth. It has 527 MW in its portfolio, 246 MW of which will be operating in 2021, and the remaining 281 MW is under development and is expected to start up in 2022-24. These are 1) 13 projects with capacity of 179 MW scheduled to start up in 2022 comprising 10 biomass projects with total capacity of 109 MW and 3 SPP hybrid projects with total capacity of 70 MW; 2) 3 projects with capacity of 43 MW scheduled to start up in 2023, comprising 2 WTE projects with total capacity of 20 MW and 1 SPP hybrid project with total capacity of 23 MW; and 3) 18 biogas projects with capacity of 59 MW scheduled to start up in 2023. All of the projects should boost the bottom line from Bt1.5bn in 2021E to Bt3.7bn in 2024, or by a CAGR of 38%.
- **Potential capacity addition from new PDP.** The ERC is reviewing the current PDP2018R1. It plans to revise capacity allocation during 2021-2030 by increasing the proportion of renewable energy to more than 50% from the current 40% to reduce carbon emissions and promote green energy. The revision is expected to be finalized in 4Q21. A change in power allocation could provide power operators an opportunity to develop renewable power plants. ACE plans to increase the number of power plant projects in the pipeline to 1,000 MW by 2024 from the current 527 MW. They eye on develop solar, WTE, biomass and biogas power plants.

Valuation and Recommendation

- **Reiterate Neutral rating and target price of Bt4.12.** We maintain our Neutral call on ACE with an unchanged target price of Bt4.12. Capacity addition could provide upside risk to our neutral call.

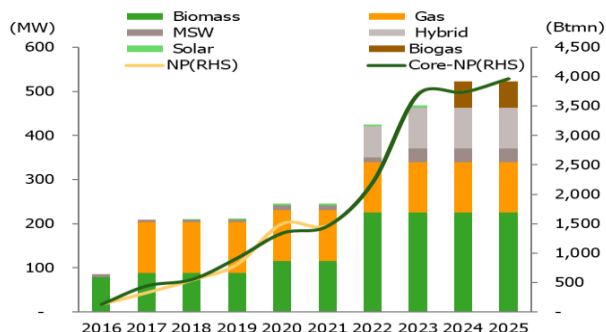


Fig 1 3Q21 earnings preview

	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	%YoY	%QoQ	%YTD2021E	2021E
Financials											
Sales (Btmn)	1,348	1,640	1,501	1,369	1,314	1,386	1,400	-6.7	1.0	73.7	5,561
EBITDA (Btmn)	474	502	538	496	519	554	402	-25.4	-27.5	64.4	2,289
Operating profit (Btmn)	340	370	399	360	357	389	402	0.7	3.3	69.5	1,650
Core profit (Btmn)	304	349	349	342	296	332	353	1.0	6.3	67.1	1,463
Net profit (Btmn)	594	250	410	254	360	366	423	3.2	15.5	78.0	1,475
Net EPS (Bt)	0.06	0.02	0.04	0.02	0.04	0.04	0.04	3.2	15.5	78.0	0.14
Performance Drivers											
Operating capacity(MW)	212	214	241	246	246	246	246	2.1	0.0	100.0	246
Financial cost(Btmn)	26	25	28	27	34	36	36	28.4	0.0	76.4	138
FX gain/loss(Btmn)	112	(59)	38	(72)	55	31	71	NM	NM	NM	12
Ratios								Change		Avg YTD	2021E
Gross margin (%)	31.7	27.2	30.9	33.2	33.4	33.6	33.8	2.9	0.2	33.6	35.6
EBITDA margin (%)	35.2	30.6	35.9	36.2	39.5	40.0	28.7	(7.2)	(11.3)	36.0	41.2
Optg. margin (%)	25.3	22.5	26.6	26.3	27.1	28.0	28.7	2.1	0.6	28.0	29.7
ROE (%)	21.4	8.8	14.2	8.6	11.8	11.8	13.5	(0.7)	1.7	12.4	11.7

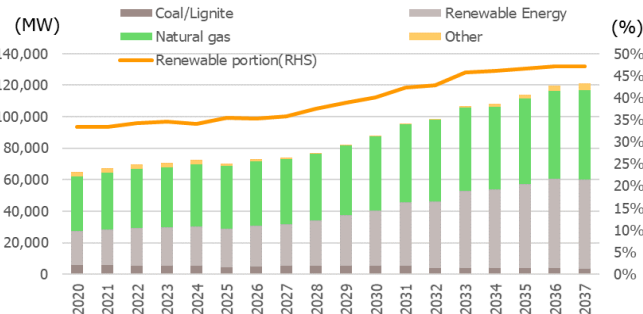
Source: KS research

Fig 2 Capacity breakdown by fuel type



Source: KS research

Fig 3 Capacity allocation under PDP2018R1



Source: MOE, ERC



Year-end 31 Dec

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E
Revenue	5,055	5,858	5,561	7,227	11,413
Cost of sales and services	-3,429	-4,067	-3,582	-4,388	-6,624
Gross Profit	1,626	1,791	1,980	2,839	4,789
SG&A	-330	-322	-336	-378	-475
Other income	33	0	7	6	8
EBIT	1,225	1,654	1,662	2,467	4,322
EBITDA	1,856	2,010	2,289	3,286	5,625
Interest expense	-413	-106	-138	-185	-534
Equity earnings	0	0	0	0	0
EBT	812	1,548	1,524	2,282	3,788
Income tax	3	-43	-50	-78	-91
NPAT	815	1,505	1,475	2,204	3,698
Minority Interest	0	0	0	0	0
Core Profit	919	1,344	1,463	2,204	3,698
Extraordinary items	0	143	0	0	0
FX gain (loss)	-104	19	12	0	0
Reported net profit	815	1,505	1,475	2,204	3,698

Balance Sheet (Btmn)	2019A	2020A	2021E	2022E	2023E
Cash & equivalents	72	483	266	521	847
ST investments	0	0	0	0	0
Accounts receivable	96	93	174	181	188
Inventories	185	402	430	527	795
Other current assets	1,081	863	1,035	1,335	2,088
Total current assets	1,435	1,841	1,905	2,564	3,919
Investment in subs & others	124	145	145	145	145
Fixed assets-net	9,072	10,875	13,601	25,806	28,743
Other assets	3,514	3,568	4,584	4,884	5,184
Total assets	14,145	16,430	20,235	33,399	37,990
Short-term debt	1,084	842	1,797	2,545	1,137
Accounts payable	249	269	289	359	551
Other current liabilities	40	102	102	102	102
Total current liabilities	1,373	1,213	2,187	3,006	1,790
Long-term debt	1,911	3,106	4,667	15,417	18,443
Other liabilities	67	118	118	118	118
Total liabilities	3,352	4,437	6,971	18,541	20,351
Paid-up capital	5,088	5,088	5,088	5,088	5,088
Share premium	3,896	3,896	3,896	3,896	3,896
Reserves & others, net	-23	3	3	3	3
Retained earnings	1,832	3,006	4,277	5,871	8,652
Minority interests	0	0	0	0	0
Total shareholders' equity	10,793	11,993	13,264	14,858	17,640
Total equity & liabilities	14,145	16,430	20,235	33,399	37,990

Key Assumptions	2019A	2020A	2021E	2022E	2023E
THB/USD-Average	31.2	31.5	30.4	30.5	30.5
THB/USD-Ending	30.3	30.2	30.5	30.5	30.5
Electricity tariff (Bt/kWh)	3.0	3.0	3.0	3.0	3.0
Gas cost (Bt/mmBTU)	249	248	247	253	251
Effective capacity (MWe)	212	246	246	425	468
Electricity sales volume (mn unit)	1,254	1,324	1,401	2,349	2,845

Cashflow (Btmn)	2019A	2020A	2021E	2022E	2023E
Net profit	815	1,505	1,475	2,204	3,698
Depreciation & amortization	527	541	638	819	1,303
Change in working capital	-245	-313	-261	-333	-836
Others	521	161	138	185	534
CF from operation activities	1,619	1,895	1,990	2,875	4,698
Capital expenditure	-654	-1,552	-3,364	-13,024	-4,240
Investment in subs and affiliates	0	-349	0	0	0
Others	-173	257	-1,016	-300	-300
CF from investing activities	-826	-1,644	-4,380	-13,324	-4,540
Cash dividend	0	0	-204	-611	-916
Net proceeds from debt	-5,230	160	2,377	11,314	1,083
Capital raising	4,405	0	0	0	0
Others	0	0	0	0	0
CF from financing activities	-825	160	2,173	10,704	167
Net change in cash	-33	410	-217	255	326

Key Statistics & Ratios	2019A	2020A	2021E	2022E	2023E
Per share (Bt)					
Reported EPS	0.08	0.15	0.14	0.22	0.36
Core EPS	0.09	0.13	0.14	0.22	0.36
DPS	0.00	0.05	0.06	0.09	0.15
BV	1.06	1.18	1.30	1.46	1.73
EV	4.51	4.04	4.27	5.37	5.50
Free Cash Flow	0.09	0.03	-0.14	-1.00	0.05
Valuation analysis					
Reported P/E (x)	52.67	25.01	25.26	16.90	10.07
Core P/E (x)	46.74	28.02	25.46	16.90	10.07
P/BV (x)	3.98	3.14	2.81	2.51	2.11
EV/EBITDA (x)	24.72	20.45	18.98	16.64	9.95
Price/Cash flow (x)	26.53	19.87	18.71	12.96	7.93
Dividend yield (%)	0.00	1.35	1.64	2.46	4.10
Profitability ratios					
Gross margin (%)	32.16	30.58	35.59	39.28	41.96
EBITDA margin (%)	36.71	34.32	41.15	45.47	49.29
EBIT margin (%)	24.23	28.24	29.89	34.14	37.87
Net profit margin (%)	16.13	25.70	26.51	30.50	32.40
ROA (%)	5.82	9.85	8.04	8.22	10.36
ROE (%)	9.96	13.21	11.68	15.68	22.76
Liquidity ratios					
Current ratio (x)	1.04	1.52	0.87	0.85	2.19
Quick ratio (x)	0.12	0.48	0.20	0.23	0.58
Leverage Ratios					
Liabilities/Equity ratio (x)	0.31	0.37	0.53	1.25	1.15
Net debt/EBITDA (x)	1.58	1.72	2.71	5.31	3.33
Net debt/equity (x)	0.27	0.29	0.47	1.17	1.06
Int. coverage ratio (x)	2.97	15.56	12.03	13.33	8.10
Growth					
Revenue (%)	4.59	15.88	-5.07	29.95	57.92
EBITDA (%)	16.98	8.35	13.83	43.58	71.20
Reported net profit (%)	49.17	84.65	-2.05	49.50	67.73
Reported EPS (%)	34.25	84.65	-2.05	49.50	67.73
Core profit (%)	65.17	46.25	8.84	50.72	67.73
Core EPS (%)	48.65	46.25	8.84	50.72	67.73

Source: Company, KS estimates



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