

Thailand Utilities Sector

The positives continue

Sector Valuation			Current	Target	Market	Norm EPS grw		Norm PE		P/BV		Div yield	
Company	BBG Code	Rec.	price (Bt)	price (Bt)	Cap (US\$ m)	2015F (%)	2016F (%)	2015F (x)	2016F (x)	2015F (x)	2016F (x)	2015F (%)	2016F (%)
Glow Energy	GLOW TB	HOLD	90.50	87.00	3,739	(10.9)	7.5	16.3	15.2	2.8	2.6	3.7	4.9
Electricity Gen.	EGCO TB	BUY	155.50	178.00	2,312	(13.1)	20.7	11.7	9.7	1.1	1.0	4.0	4.2
Energy Absolute	EA TB	BUY	24.60	29.00	2,592	82.4	92.1	31.3	16.3	11.0	7.2	1.0	1.8
Ratchaburi Elec.	RATCH TB	BUY	55.75	70.00	2,283	7.2	22.0	14.3	11.7	1.3	1.2	3.4	4.7
Global Power Synergy	GPSC TB	BUY	23.00	32.00	973	(6.1)	8.9	17.3	15.9	0.9	0.9	3.5	4.4
Gunkul Eng.	GUNKUL TB	BUY	23.50	28.00	852	44.5	7.3	36.4	33.9	3.7	3.4	1.0	1.2
SPCG	SPCG TB	BUY	24.10	30.00	629	32.7	7.8	9.9	9.2	3.1	2.7	5.0	5.4
Demco	DEMCO TB	BUY	13.10	15.00	270	7.1	23.8	24.0	19.4	2.4	2.2	1.9	2.3

Source: Thanachart estimates, Based on 20 October 2015 closing prices

We raise our sector call to Overweight as we expect positive developments in 2016. We see at least 700MW of RE capacity being tendered, electricity tariff rises, and EGAT's bid-work value doubling, giving upside to our earnings forecasts. Our top picks remain EA followed by GUNKUL; EGCO is our preferred big-cap.

We foresee positive developments in 2016

We upgrade our sector stance to Overweight (from Underweight). We see the less favorable returns from new renewable (RE) projects and no IPP capacity bids in the next five years as old news while we expect to see positives in 2016. 1) We see at least 700MW of RE capacity being tendered. 2) We expect fuel-adjustment tariffs (Ft) to rise, despite being trimmed next month, as we believe energy prices have already troughed in 2015. Third, we project the government's transmission line bid work value to double in 2016-18. All utilities stocks should benefit from the programs though we leave this as upside to their earnings and TPs.

All should benefit with EA the biggest gainer

Our sensitivity analysis (see Ex 6) shows that a 10MW biomass project would add 1-9% to our stocks' current TPs with DEMCO enjoying the biggest increase if it is awarded one. A rise in Ft tariff would affect the projects under the SPP scheme and RE projects under adder-tariff programs. Every Bt0.10/kWh in Ft would lift our companies' normalized profit by 1-6% in 2016F based on our estimates, with GPSC seeing the biggest increase in earnings, followed by GLOW and EA.

Third Party Access now under study

The government is studying Third Party Access (TPA) to transmission lines to support demand growth from the ASEAN Economic Community (AEC) and as the first development step in the ASEAN Power Grid (APG). We don't know if and when and the TPA will be implemented. But if it proceeds, we see the TPA benefiting the big caps the most as it would allow them to expand their capacity and sell generated power directly to major customers via state power transmission lines. The TPA wouldn't alter the already awarded PPAs of individual projects.

EA remains our top pick, then GUNKUL

EA remains our top pick on 18% potential upside to our DCF-based 12-month TP, the sector's lowest 2016F PEG at 0.4x and strongest earnings growth in 2016F. GUNKUL follows as our next favorite. EGCO is our most preferred big cap for what we see as its earnings rebound story and lowest 2016F PE, on our forecasts. Yet, the planned listing of two power stocks next year should provide more investment choices.

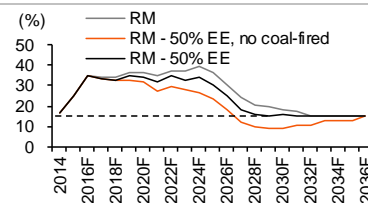


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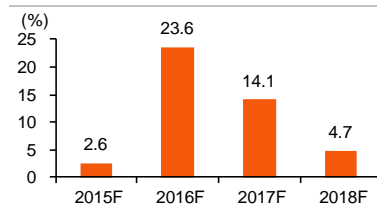
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Reserve Margin To Stay High...



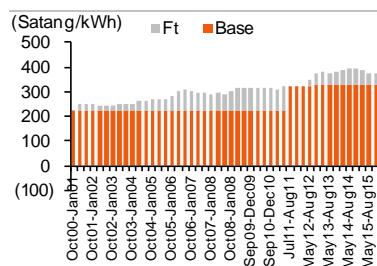
Sources: PDP 2015, Thanachart estimates

...But Strong Earnings Growth



Sources: Company data, Thanachart estimates

Tariff Rise Would Benefit All



Sources: Company data, Thanachart estimates



2015 Power Development Plan

2015 PDP focuses on building energy security, economy and ecology

57GW of new capacity due during 2015-36 and 25GW to be retired

The 2015 Power Development Plan (PDP) which projects the nation's power demand and power supply procurement over the next 20 years (2015-2036) was released on 30 June 2015. This is the first time that the plan has aligned with the Gas Plan and Oil Plan, apart from the Alternative Energy Development Plan (AEDP) and Energy Efficiency Plan (EEP) with a focus on building up energy security, the economy and ecology over the long term.

In summary, the 2015 PDP forecasts Thailand's total installed capacity to reach 70GW by 2036 (from 37.6GW at end 2014). Key assumptions behind the projections are average GDP forecasts of 3.94% p.a., investments in infrastructure projects, and the impact of the ASEAN Economic Community (AEC), due to be launched by the beginning of 2016. The PDP emphasizes the diversification of the fuel mix of the power generation system for power security purposes. The PDP has set a target to reduce the mix of gas-fired generation (more than 60% at end 2014) with increases in renewable, coal-fired and imports from neighboring countries (see Exhibit 1). As such, the forecasted 57MW of new capacity during the next 20 years would see a mix of 59% from fossil fuels and 41% from renewable capacity.

Ex 1: 2015 PDP – Targeted Installed Capacity By 2036

	(MW)
Installed capacity at end 2014	37,612
New capacity	57,459
Retired capacity	(24,736)
Total installed capacity by 2036	70,335

Sources: EPPO, Ministry of Energy

For power security, the PDP is set to reduce the gas-fired mix...

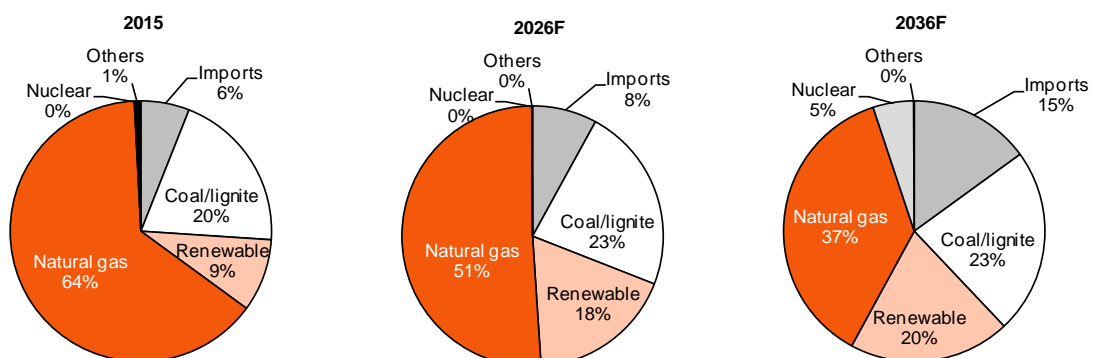
...with increases in renewable, coal and power imports

Ex 2: 2015 PDP – Targeted Fuel Mix Proportions For Power Industry

(%)	End 2014	----- By end of -----	
		2026	2036
Imports from neighboring countries	7	10-15	15-20
Coal-fired	20	20-25	20-25
Renewable (including hydro)	8	10-20	15-20
Gas-fired	64	45-50	30-40
Nuclear	-	-	0-5
Diesel/fuel oil	1	-	-

Sources: EPPO, Ministry of Energy

Ex 3: 2015 PDP – Expansion Opportunities In Power Imports And Renewable Areas



Sources: Company data, Thanachart estimates

The PDP also emphasizes security in the transmission line system

Bt265bn budget for transmission line expansion approved

We project reserve margin to stay at 35-40% in the next 10 years

Even assuming 2.8GW of coal is scrapped and 50% EE plan success...

...reserve margin should still stay above 15% minimum requirement

We are confident there will be no IPP capacity tendered before 2020

Apart from the diversification of the fuel mix, the PDP also focuses on the security of the transmission line capacity and the distribution system, so as to accommodate new power generation from neighboring countries and RE capacity and demand growth from the AEC in the medium term, and preparing to support the APG over the longer term. Recently, the cabinet approved Electricity Generating Authority of Thailand (EGAT)'s a combined Bt123bn budget for the TS12 and TIWS mega-plans for transmission line expansion which comprises 19 projects during 2015-23 to ease the current limited transmission line capacity in the northeastern and the southern parts of Thailand (see Exhibit 14, 15). EGAT would also take up the task of developing the Smart Grid system to manage and smoothen the load system due to the increasing mix of renewable capacity.

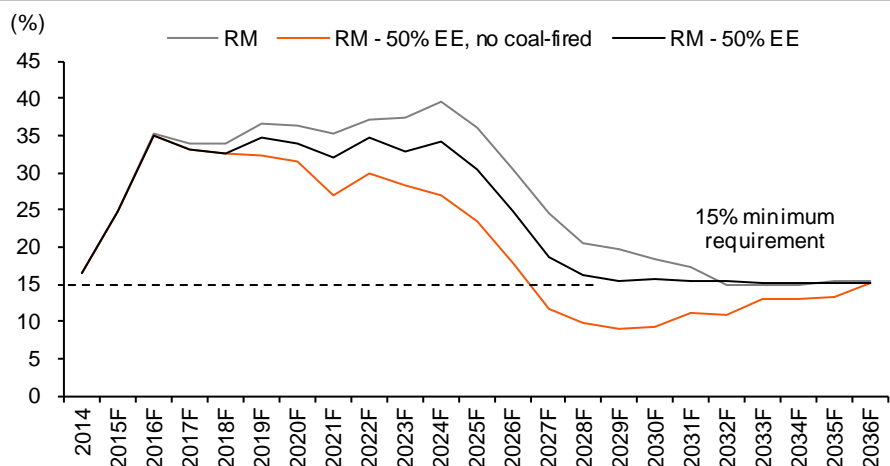
High reserve margin suggests no IPP bid before 2020

We maintain our view that there will be no independent power producer (IPP) capacity tendered before 2020 given the high reserve margin. The PDP projects the reserve margin (dependable capacity over peak demand) to remain high at 35-40% over the next 10 years. Note that dependable capacity incorporates the low dependable capacity factors for renewable energy (i.e. 2% for wind, 35% for solar, 35% for biomass, etc.), with energy saving of 100% for the energy efficiency program (EE), i.e. power consumption savings of 89.6GW or 450MW p.a.

Even if we assume the EE program achieves only a 50% success rate and a combined 2.8GW of three EGAT coal-fired power projects (Krabi and Thepa) is scrapped, we expect the reserve margin to stay above the minimum requirement of 15% until 2026. Meanwhile, we believe the fact that EGAT is considering whether to offer compensation for commercial operation delay of some non-listed IPP projects suggests confirmation of the high reserve margin situation.

In the event that Thailand's GDP grows at a faster rate than the PDP 2015's assumption of an average of 3.94% p.a., we believe EGAT will still have a choice of whether to tender for new capacity from small power producers (SPPs) given the shorter construction periods.

Ex 4: Reserve Margin > 15% Even If 50% EE And 2.8GW Coal-fired Does Not Occur



Sources: EPPO, Ministry of Energy; Thanachart estimates

Ex 5: 2015 PDP's Planned New Capacity During 2015-26

	EGAT projects	(MW)	Private projects	(MW)				
2015F	Others	64	VSPP	2,377				
			SPP	988				
			Gulf JP Utility #1, #2	1,600				
			Hongsa Power #1, #2	982				
			Subtotal	64	5,947			
2016F	North Bangkok	848	VSPP	271				
			Others	22	SPP	1,240		
					Khanom 4 (replaces Khanom 1,2)	930		
					National Power #1, #2	270		
					Hongsa Power #3	491		
Subtotal	871	3,202						
2017F	Others	30	VSPP	283				
			SPP	1,929				
			National Power #3, #4	270				
			Subtotal	30	2,482			
2018F	Mae Moh #4-7 (replacement)	600	VSPP	288				
			Lam Takong #3-4	500	SPP	733		
					Combined capacity	26		
					Subtotal	1,126	1,021	
2019F	Bangpakong #1, #2 (replacement)	1,300	VSPP	330				
			South Bongkot #1-5	1,300	SPP	532		
					Krabi - Coal fired	800	Xe Pian #1	354
							Nam Ngeb #1	269
					Others	29	Xayaburi	1,220
Subtotal	3,429	2,705						
2020F	Others	48	VSPP	358				
			SPP	72				
			Subtotal	48	430			
2021F	Thepa - Coal fired #1	1,000	SPP	228				
			Others	16	VSPP	280		
					Gulf SRC #1 (Mar-Oct)	1,251		
Subtotal	1,016	1,759						
2022F	Mae Moh (replacement #8-#9)	450	VSPP	277				
			South Bongkot #2 (replacement #1,#2)	1,300	SPP	30		
					Others	32	Gulf SRC #2 (Mar-Oct)	1,250
							Subtotal	1,782
2023F	Wang Noi #1-#2	1,300	VSPP	208				
			Others	57	SPP	8		
					Gulf PD #1 (Mar-Oct)	1,250		
Subtotal	1,357	1,466						
2024F	Thepa - Coal fired #2	1,000	VSPP	420				
			Others	12	SPP	126		
					Gulf PD #2	1,250		
Subtotal	1,012	1,796						
2025F	Wang Noi #2	1,300	VSPP	490				
			Others	21	SPP	36		
					Subtotal	1,321	526	
2026F	Chulabhorn Hydro #1-#2	800	VSPP	333				
			Others	3	Imports	700		
					Subtotal	803	1,033	

Source: EPPO

At least 700MW of RE capacity due for tender in 2016

Government plans to tender 700MW of RE capacity in 2016

The government has said it plans to tender a combined 700MW of renewable energy (RE) capacity from two programs. We expect the commercial operation date for the new capacity to likely be after 2018 given the current limitations on transmission capacity and the construction of Phase 1 of TS12 and TIWS scheduled to be completed in 2019. The two programs are:

- 1) 500MW from biomass, biogas and energy plants. Selection process is via bidding – the first time for RE programs. No other details have been released yet. We expect the capacity to be under the very small power producer (VSPP) scheme (with a plant size of below 10MW), and subject to zoning requirements.
- 2) The remaining 200MW of the Government and Co-op Solar-farm Capacity (Round 2) scheme. We expect the selection process to be the same as Round 1 under a first-come, first-served basis and with a lucky draw for application queuing.

In addition, we expect more RE capacity to be put up for tender in 2016-17 from:

- 1) Municipal Solid Waste (MSW) or Waste-to-Energy (WTE) capacity. The development of MSW/WTE has been slow due to legal issues regarding the set-up of Public-Private Projects, zoning plans and waste management rules by village authorities for the procurement and distribution of waste. However, this is the top priority of the government, and we expect to see progress with capacity put up for tender in 2H16.
- 2) Currently, the government has released the feed-in tariff (FiT) for RE under the VSPP scheme (see Exhibit 8). The government plans to release the FiT for RE for the SPP scheme (SPPs with a size of 10-90MW) in 2016. Once the tariff list is released, we expect the government to announce more RE capacity for tender. We foresee the types of RE being bio-mass, bio-gas and wind capacity by end 2016.
- 3) We expect the government to liberalize the solar-rooftop scheme later in 2017.

We believe all including big caps, i.e. EGCO, GLOW, GPSC and RATCH are interested in participating in the RE bidding under the SPP scheme. Some may also join the bid under the VSPP scheme to get auction experience before bidding for capacity under the SPP program.

Ex 6: Renewable Power Schemes Announced in 1H15

Programs	Size (MW)	Application period	Selection Process	COD target	Tariff (Bt/kWh)	Life (years)
1. Leftover solar-farm applications	1,031	31-Mar-15	FC-FS*	31-Dec-15	FiT 5.66	25
2. Leftover solar-rooftop (up to 10kW)	69	30-Jun-15	FC-FS*	31-Dec-15	FiT 6.85	25
3. Government and Co-op solar farm (Round 1)	600	1-10 Nov-15	FC-FS**	30-Sep-16	FiT 5.66	25
4. Three southern provinces	46	Oct-15	FiT bidding	31-Dec-17		

Source: EPPO

Note: * First-come, first-served; ** First-come, first-served with lucky draw in application queuing

Ex 7: New Renewable Power Schemes Planned For Launch In 2H15-2016

Programs	Size (MW)	Application period	Selection process	COD target
1. First-round bid for biomass and bio-gas under VSPP scheme	500	TBA	FiT bidding	Likely after 2018
2. Municipal Solid Waste and Waste-to-Energy	n.a.	TBA	FC-FS	Likely after 2018
3. Government and Co-op solar farm (Round 2)	200	TBA	TBA	Likely after 2018
4. Announcement of FiT for RE under SPP scheme	—	—	—	—

Sources: EPPO, Thanachart estimates

Ex 8: FiT Tariff for VSPP Scheme (Renewable)

Installed capacity (MW)	FIT (Bt/kWh)		FIT	Period (years)	FIT premium	
	FIT _F	FIT _{V,2560}			Biogas (8 years)	In 3 southern provinces
1) WTE with waste management						
- <= 1MW	3.13	3.21	6.34	20.00	0.70	0.50
- > 1-3 MW	2.61	3.21	5.82	20.00	0.70	0.50
- > 3MW	2.39	2.69	5.08	20.00	0.70	0.50
2) Waste (landfill)	5.60	-	5.60	10.00	—	0.50
3) Biomass						
- <= 1MW	3.13	2.21	5.34	20.00	0.50	0.50
- > 1-3 MW	2.61	2.21	4.82	20.00	0.40	0.50
- > 3MW	2.39	1.85	4.24	20.00	0.30	0.50
4) Biogas (waste water)	3.76	—	3.76	20.00	0.50	0.50
5) Biogas (plants)	2.79	2.55	5.34	20.00	0.50	0.50
6) Small hydro	4.90	—	4.90	20.00	—	0.50
7) Wind	6.06	—	6.06	20.00	—	0.50
8) Solar						
- Household rooftop <= 10kv	6.85	—	6.85	25.00	—	0.50
- Solar farm	5.66	—	5.66	25.00	—	0.80

Sources: Company data, Thanachart estimates

Electricity tariff set to rise in 2016

The Energy Regulatory Commission (ERC) recently approved a resetting of the base tariff. The new base tariff which is to be reset every three to five years is a combination of the base tariff and the fuel adjustment tariff (Ft) of the prior month together, with a resetting of the Ft to zero. The new base tariff to be implemented from 1 November (Exhibit 9) was also adjusted by 1.05 satang (1/100th of a baht) due to EGAT's lower-than-planned budget spending and some adjustments. The new base tariff is Bt3.7556/kWh with the Ft at zero.

$$\text{Electricity tariff} = \text{Base tariff} + \text{Fuel adjustment tariff (Ft)}$$

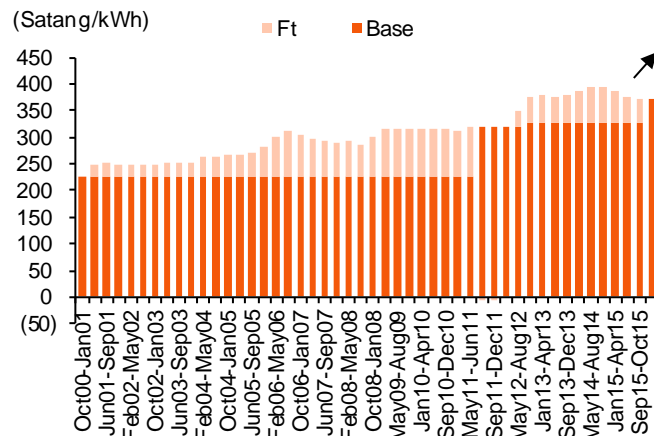
Ex 9: Resetting Of New Base Tariff in November 2015

(Bt/kWh)	Previous	New Base	Nov-Dec
Base tariff	3.2700		3.7556
Ft	0.4961		-0.0323
Total	3.7661	3.7661	3.7233
Adjustment		-0.0105	
Total		3.7556	3.7233

Sources: EGAT

Note: * Ft is adjusted every four months

Ex 10: Last Adjustment Of Base Tariff In 2011



Sources: Company data, Thanachart estimates

Note that the base tariff formula includes the capital investments of three state power enterprises (i.e., generation and transmission lines) and the costs of purchasing IPPs and SPPs' generated power (i.e. investments and fuel costs). The reset of the new base tariff this time has reflected the purchase of a combined 13GW plus of IPPs' and SPPs' capacity scheduled to COD in 2015-17F. However, we believe there is high possibility that the fuel costs are on a rise going forward from trough in 2015.

The rising Ft would benefit the power producers under the SPP scheme, especially renewable power under adder-tariff programs. Among the stocks under our coverage, we see GPSC and GLOW benefiting in that order from a rise in the Ft tariff. We have yet factor in an Ft increase in our earnings forecasts but leave this as upside.

Ex 11: 13GW Plus Of New Combined Contracted Capacity Due to COD in 2015-17



Sources: Company data, Thanachart estimates

Ex 12: Sensitivity Of TPs If 10MW Biomass Capacity Potential Is Added

(Bt/share)	EA	DEMCO	GUNKUL	SPCG	EGCO	GPSC	RATCH	GLOW
DCF-based TP/SOTP-based TP	29.0	15.0	28.0	30.0	178.0	32.0	70.0	87.0
Value of 10MW biomass (WACC 6.4%)	0.3	1.4	0.8	1.1	1.9	0.7	0.7	0.7
Increase (%)	0.9	9.1	2.8	3.6	1.1	2.1	1.0	0.8

Source: Thanachart estimates

Ex 13: Sensitivity Of Norm Earnings If Ft Is Lifted By Bt0.10/kWh

(Bt m)	EA	DEMCO	GUNKUL	SPCG	EGCO	GPSC	RATCH	GLOW
2016F earnings	5,636	494	889	2,418	8,437	2,165	6,908	8,717
Addition	91	5	11	40	137	128	80	320
Increase (%)	1.6	1.0	1.2	1.6	1.6	5.9	1.2	3.7

Source: Thanachart estimates

EGAT's bid value expected to double in 2016-18

We expect 50% of EGAT's Bt123bn budget to be spent in 2016-18

On 19 August, the cabinet approved EGAT's two mega-expansion plans for new transmission lines and substations during 2015-23 with a combined investment budget of Bt123bn. The two plans are TS12, and TIWS. Details are shown in Exhibits 14 and 15 TS12 aims to support new capacity in Thailand's Northeast, North and Central regions and new capacity from neighboring countries. In the PDP 2015, EGAT also has mega-expansion plans for TS13, TS14 and TS16 to serve the APG which is under study.

DEMCO, GUNKUL to benefit as contractors and equipment makers

According to EGAT, a series of bids for the TS12 and TIWS schemes should kick off from 4Q15 with a combined Bt65bn of bidding value planned in 4Q15-2018, or Bt20bn p.a. on average. This would double the Bt7bn-10bn p.a. of work value seen in the past.

The bids for the two phases can be divided into two big groups:

- 1) A 500kV transmission line system which requires advanced power engineering skills. In fact, in this field there are a very limited number of players. Bidders may need foreign power contractors with track records of good performance as their JV partners.
- 2) Substations with smaller-sized 115kV to 230kV transmission lines which DEMCO focuses on. There are also not many local players in this field.

We believe DEMCO stands a strong chance of winning these bids given that it has a good performance track record with its work for EGAT. Meanwhile, GUNKUL says it is interested in tapping this market either via a JV with a company with a track record and/or selling some of its electrical equipment.

Ex 14: EGAT's Approved Budget for Transmission Line Upgrading (TS12)

TS 12*	Period	Value (Bt m)	Total distance (km)
In Northeast, North, Central and Bangkok)	2015-23	60,000	1,323
Phase 1:	COD 2019		348
1.1 Roi Et 2 - Chaiyaphum 2 (double circuit) - 500Kv			168
1.2 Ubon Ratchathani 3 - Roi Et 2 (double circuit) 500Kv			180
Phase 2:	COD 2021		207
1.1 Tha Tako - Samkok (double circuit) - 500Kv			183
1.2 Sainoi - Chaengwatthana (double circuit) 500Kv			24
Phase 3:	COD 2023		768
1.1 Ubon Ratchathani 3 - Korat 3 (double circuit) - 500Kv			355
1.2 Chaiyaphum 2 - Korat 3 (double circuit) - 500Kv			140
1.3 Korat 3 - Klong Mai (double circuit) - 500Kv			254
1.4 Klong Mai - Bangprakong (double circuit) - 500kv			19
Total		60,000	1,323

Sources: EPPO, EGAT

Note: * Comprising 16 projects including transmission lines, seven substations and transformers

Ex 15: EGAT's Approved Budget for Transmission Lines Upgrading (TIWS)

	Period	Value (Bt m)	Total distance (km)
TIWS (In the West and South)	2015-22	63,200	1,093
Phase 1:	COD 2019		
1.1 Jombung - Bangsapan (double circuit) - 500Kv			280
1.2 Bangsapan 2 - Surat Thani 2 (double circuit) - 500Kv			314
1.3 Surat Thani 2 - Phuket 3 (double circuit) - 500Kv			186
Phase 2:	COD 2022		
2.1 Bangsapan 2 – Surat Thani 2 (double circuit, 3-4)			313

Sources: EPPO, EGAT

In addition, on 1 September the cabinet approved the Metropolitan Electricity Authority's (MEA) investment budget of Bt143bn to install underground cables in the Bangkok metropolitan area during 2016-26 (Exhibit 16). Both DEMCO and GUNKUL don't have that much interest in this field given the risk of thin margins due to the difficulty of the work and lengthy construction period (some of the work also has to be carried out at night). However, DEMCO and GUNKUL could still procure some of the equipment.

Less interested in MEA's work, but DEMCO and GUNKUL may still procure some equipment

Ex 16: MEA's Recently Approved Budget For Underground Cables

Projects	Period 2016-26	Value (Bt m)	Distance (km)
Underground cable projects			
Phase 1: 39 routes in Bangkok		48,717	127
Phase 2: To be announced		94,283	134
Total		143,000	262

Source: Metropolitan Electricity Authority

Third Party Access to transmission lines under study

TPA is under study as a step to liberalize the Thai power industry

ASEAN members have agreed to develop transmission line system connections (APG) to increase power trading activity in the region. This aims to reduce overall generation costs or unnecessary investments in the future (given the fact that peak demand levels of member countries are at different times). However, the APG development is taking a long time given the fact that ASEAN countries have different transmission line networks and the only countries with strong networks are Thailand, Malaysia and Singapore.

Along the path to the APG, the Thai government has told EGAT to study the plan for Third Party Access (TPA) within two years as the first step toward power industry liberalization. The TPA would trigger major regulatory changes in Thai power industry as it would allow private producers to expand their capacities and sell generated power directly to customers via state power transmission lines from the current single enhanced buyer system where expansion can be done only when the government tenders for capacity.

We don't know when and if the TPA will be implemented. But if it is, we see the TPA benefiting big caps, i.e. EGCO, GLOW, GPSC and RATCH as it would allow private producers to find future growth from capacity expansion given their advantages in accessing lower-cost financing sources. Note that the TPA wouldn't alter the already awarded PPAs of individual power projects.

EA remains our top pick in the sector

We upgrade our utilities sector rating to Overweight. We see the issue of the less favorable returns of new RE projects and no IPP bids to create potential capacity expansion as being old news. To recap, the government has released a new feed-in tariff (FIT) for new RE projects to replace the adder-tariff. Under the FIT, a project would obtain an EiRR of 12-15% vs. the adder-tariff of at least 25%. We expect several developments as set out in the previous sections of this report to act as catalysts for stocks in the utilities sector. They would also include the announcement of the winner of the 600MW Solar Farm for Government and Co-op (Round 1) project scheduled for December this year. Given the PDP 2015's policy to boost the portion of renewable power in the electricity generating mix along with the global green energy trend, technological development for renewable power storage to be more economically viable could offer catalysts over the long term.

We project the utilities sector's normalized earnings to check in at 24% in 2016 and 14% in 2017. The sector's average 2016F PE seems not expensive at 13.6x with its strong three-year 2015-18F earnings growth of 14% p.a. puts its 2016F PEG at 1x which is lower than the Stock Exchange of Thailand's (SET) SET's 1.2x PEG.

EA remains our top pick in the sector with 18% potential upside to our 12-month DCF-based TP of Bt29.0. Based on our forecasts, the shares offer the lowest 0.4x 2016 PEG and strongest 54% ROE in the same year. We also expect EA's earnings to grow at the strongest clip among peers as a result of a rise in the base tariff.

We also like GUNKUL for its story of new expansion potential. Due to its volume policy, GUNKUL plans to participate in every program in which the government is offering capacity for tender. In addition, GUNKUL, as a manufacturer of electrical equipment and an engineering procurement contractor, would benefit from EGAT's increased bid values for transmission line expansion over the next three years. Yet, we see GUNKUL's valuation as more expensive than EA's at 0.8x 2016F PEG along with having a weaker balance sheet.

For the big caps, all of them are affected by foreign debt given that the Thai baht has weakened by 7.7% so far in 2015 against the US dollar. We therefore forecast them to deliver a strong net profit rebound in 2016 as we expect a smaller exchange rate impact. EGCO is our most preferred big-cap stock as we project a strong normalized earnings turnaround in 2016 while its shares are trading at the lowest 2016F PEG ratio in the sector at 0.7x, followed by GPSC's PEG at 0.9x.

We maintain our HOLD on GLOW as we continue to see its shares as fairly valued, though we believe they would benefit somewhat from an Ft rise. However, the planned listing of two power stocks next year should provide more investment choices.

Ex 17: 2016F PEG Comparison

	CAGR (2015F-18F) (%)	PEG (2015F-18F) (x)	2016F PE (x)	2016F ROE (%)
DEMCO	18.9	1.03	19.4	11.9
EA	40.4	0.40	16.3	53.6
EGCO	13.4	0.73	9.7	11.0
GLOW	2.6	5.80	15.2	17.8
GPSC	17.7	0.90	15.9	5.9
GUNKUL	42.3	0.80	33.9	10.5
RATCH	7.5	1.57	11.7	10.7
SPCG	7.4	1.25	9.2	31.4

Sources: Company data, Thanachart estimates

Risks to our Investment thesis include the government policy on supporting renewable power or a delay in the construction of the transmission line, as this would delay the new growth potential of the stocks. However, we see the risk as low as the government has a clear policy to balance green energy along with the global trend, with an aim to create reasonable returns for private operators.

Ex 18: New Earnings Forecasts And TPs

Normalized profit	2015F	2016F	2017F	Target Price	Rating
	(Bt m)	(Bt m)	(Bt m)	(Bt)	
Sector					
New	28,844	35,664	40,681		Overweight
Old	29,378	35,980	41,072		Underweight
Change (%)	(1.8)	(0.9)	(1.0)		
DEMCO					
New	397	494	607	15.00	BUY
Old	397	494	607	15.00	BUY
Change (%)	0.0	0.0	0.0	0.0	
EA					
New	2,934	5,636	6,550	29.00	BUY
Old	2,934	5,636	6,550	29.00	BUY
Change (%)	0.0	0.0	0.0	0.0	
EGCO					
New	6,989	8,437	9,153	178.00	BUY
Old	6,989	8,437	9,153	178.00	BUY
Change (%)	0.0	0.0	0.0	0.0	
GLOW					
New	8,108	8,717	8,776	87.00	HOLD
Old	8,125	8,742	8,792	87.00	HOLD
Change (%)	(0.2)	(0.3)	(0.2)	0.0	
GPSC					
New	1,742	2,165	2,774	32.00	BUY
Old	1,742	2,165	2,774	32.00	BUY
Change (%)	(0.0)	(0.0)	0.0	0.0	
GUNKUL					
New	771	889	1,948	28.00	BUY
Old	771	889	1,948	28.00	BUY
Change (%)	0.0	0.0	0.0	0.0	
RATCH					
New	5,662	6,908	8,277	70.00	BUY
Old	6,179	7,199	8,651	73.00	BUY
Change (%)	(8.4)	(4.0)	(4.3)	(4.1)	
SPCG					
New	2,242	2,418	2,596	30.00	BUY
Old	2,242	2,418	2,596	30.00	BUY
Change (%)	0.0	0.0	0.0	0.0	

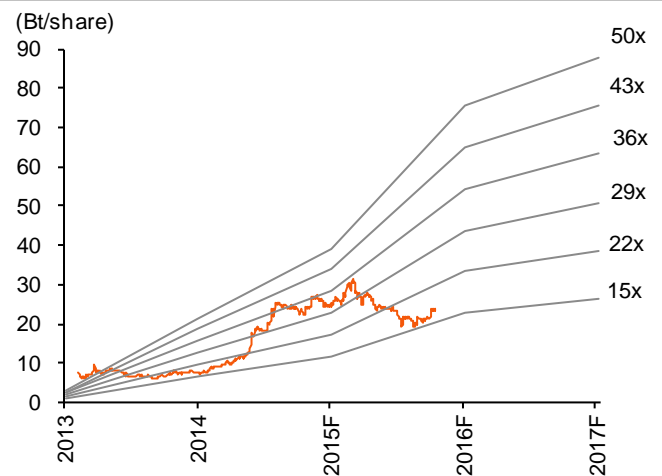
Source: Thanachart estimates

EA: BUY, Price Bt24.6, TP Bt29.0

Ex 19: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	7,583	9,593	14,318	16,878
Net profit	1,608	2,934	5,636	6,550
Norm net profit	1,608	2,934	5,636	6,550
Norm EPS (Bt)	0.4	0.8	1.5	1.8
Norm EPS gr (%)	571.6	82.4	92.1	16.2
Norm PE (x)	57.0	31.3	16.3	14.0
EV/EBITDA (x)	43.7	25.7	14.3	12.5
P/BV (x)	15.6	11.0	7.2	5.3
Div. yield (%)	0.1	1.0	1.8	2.5
ROE (%)	31.4	41.2	53.6	43.7
Net D/E (%)	182.0	227.3	190.4	162.9

Sources: Company data, Thanachart estimates

Ex 20: EA's Forward PE Band Chart

Sources: Bloomberg, Thanachart estimates

- We reaffirm our BUY call on EA with a DCF-based 12-month TP of Bt29.0.
- We forecast a 49% earnings CAGR in 2015-17 and this translates into a 0.3x 2016F PEG. EA offers 40%-plus ROEs in 2015-17F (vs. 12.9% and 14.6% for the SET).
- Despite its heavy capex cycle which looks set to continue into 2018, largely on growth initiatives, we see gearing improving from 2Q16 as capacity comes on stream.
- EA would see the strongest increase in normalized earnings from a base tariff lift.
- We see a risk to our investment case if there are delays to the scheduled CODs of projects under construction which include:
 - 1) 90MW Pitsanulok solar farm targeted for COD in February 2016
 - 2) A wind farm with a combined 126MW of capacity in 1H16
 - 3) A wind farm with a combined 260MW of capacity in 2017-18

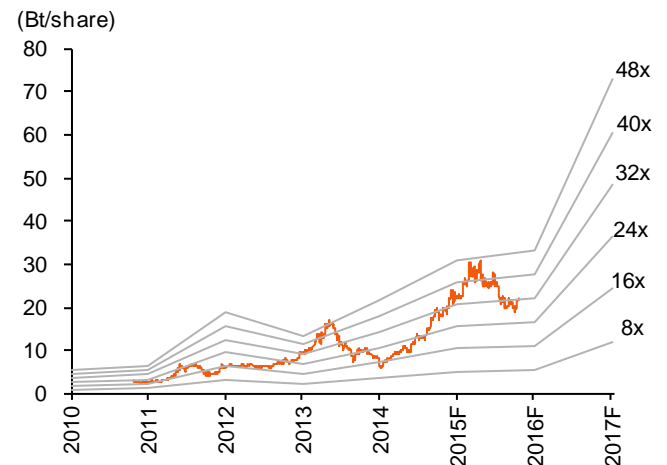
Also, the power generation of wind capacity may differ from our assumptions.

GUNKUL: BUY, Price Bt23.5, TP Bt28.0

Ex 21: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	2,977	5,890	4,239	7,122
Net profit	545	771	889	1,948
Norm net profit	504	771	889	1,948
Norm EPS (Bt)	0.4	0.6	0.7	1.5
Norm EPS gr (%)	58.1	44.5	7.3	119.1
Norm PE (x)	52.6	36.4	33.9	15.5
EV/EBITDA (x)	77.0	50.3	34.8	15.9
P/BV (x)	7.9	3.7	3.4	3.0
Div. yield (%)	0.1	1.0	1.2	2.6
ROE (%)	16.2	13.3	10.5	20.6
Net D/E (%)	22.8	125.1	250.0	262.5

Sources: Company data, Thanachart estimates

Ex 22: GUNKUL's Forward PE Band Chart

Sources: Bloomberg, Thanachart estimates

- We reiterate our BUY call on GUNKUL with an SOTP-based 12-month TP of Bt28.0.
- GUNKUL trades at 0.6x 2016F PEG with a three-year earnings CAGR in 2015-17F of 59% p.a. as we expect legacy capacity to start generating revenue and earnings.
- We believe GUNKUL also offers a capacity expansion potential story as the company has a clear policy to focus on volume expansion with reasonable returns. Apart from secured legacy capacity, GUNKUL may see valuation upside from its planned participation in new RE programs due for tender in 2016.
- After its recent successful capital raising of Bt4bn in 3Q15, we see GUNKUL having more room to breathe for the construction of capacity in hand. We expect GUNKUL's gearing at 2.5-2.6x in 2017-18, though, it would come down slightly if all its warrants issued are exercised in 2016 and 2017 (91.66m shares @ exercise price of Bt27.0).
- We see a risk to our investment case if there are delays to the COD of projects under construction which include:
 - 1) WED's 60MW wind farm with a targeted COD in January 2016
 - 2) GNP's 60MW wind farm in March 17
 - 3) KWE's 50MW wind farm in 1Q18
 - 4) Sendai and Kimitsu solar farms' combined 63MW in mid-2017
 - 5) Additional potential 40MW of solar far for the Government and Co-op scheme

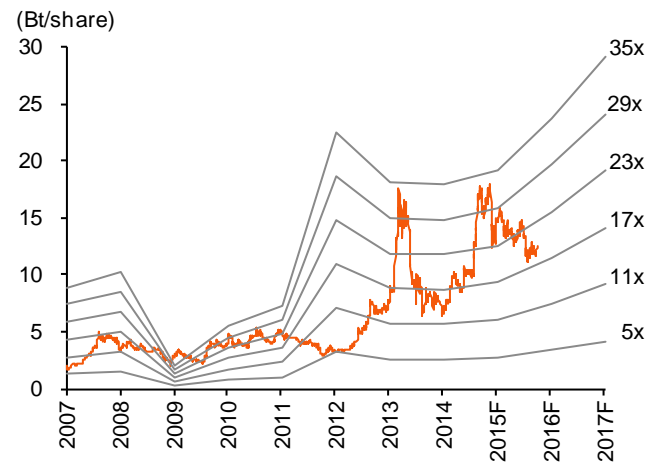
DEMCO: BUY, Price Bt13.1, TP Bt15.0

Ex 23: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	4,915	6,068	8,511	10,967
Net profit	362	397	494	607
Norm net profit	357	397	494	607
Norm EPS (Bt)	0.5	0.5	0.7	0.8
Norm EPS gr (%)	(1.2)	7.1	23.8	22.8
Norm PE (x)	25.7	24.0	19.4	15.8
EV/EBITDA (x)	33.1	28.3	21.2	16.3
P/BV (x)	2.7	2.4	2.2	2.1
Div. yield (%)	2.0	1.9	2.3	3.2
ROE (%)	11.0	10.8	11.9	13.6
Net D/E (%)	30.2	18.9	30.9	43.0

Sources: Company data, Thanachart estimates

Ex 24: DEMCO's Forward PE Band Chart



Sources: Bloomberg, Thanachart estimates

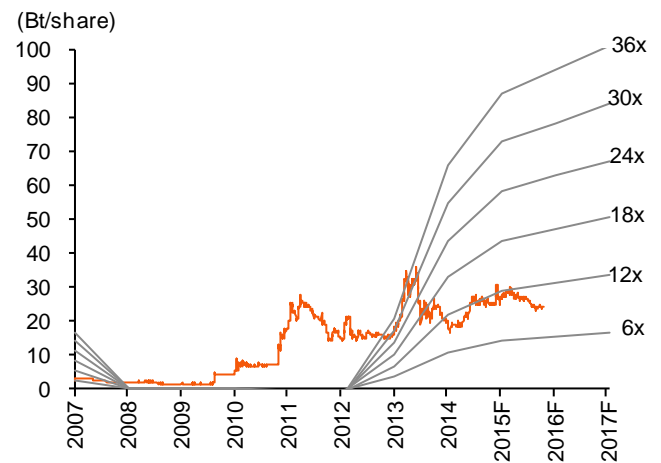
- We maintain our BUY call on DEMCO with a DCF-based 12-month TP of Bt15.0.
- DEMCO trades at 0.8x PEG with a 2015-17F earnings CAGR of 24%.
- We see DEMCO as a clear beneficiary of the recently-announced state-power budget for which we expect the bidding value to double in 2016-18, apart from construction of private renewable power plants. We forecast DEMCO to post 2016-17 EPS growth of 23-24% YoY.
- We see the planned listing of Wind Energy Holdings (WEH) with 507MW of net equity-owned wind power capacity in 2H16 as a positive catalyst for DEMCO's share price as this would allow the company to unlock its 4% investment in WEH.
- DEMCO also plans to participate in waste-to-energy projects. Once the government announces the tendering of capacity, we see this being a catalyst for DEMCO's share price.
- A risk to our investment case would emerge if the government bids are delayed. However, given that the government has committed to speeding up the completion of the transmission line (Phase 1 of TS12 and TIWS) by 2019, we see a low risk of delays. With the bigger pie, we expect DEMCO to win higher work value than in the past few years.

SPCG: BUY, Price Bt24.1, TP Bt30.0

Ex 25: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	4,357	5,219	5,265	5,312
Net profit	1,656	2,242	2,418	2,596
Norm net profit	1,624	2,242	2,418	2,596
Norm EPS (Bt)	1.8	2.4	2.6	2.8
Norm EPS gr (%)	218.1	32.7	7.8	7.4
Norm PE (x)	13.2	9.9	9.2	8.6
EV/EBITDA (x)	10.8	8.3	7.7	7.0
P/BV (x)	3.8	3.1	2.7	2.3
Div. yield (%)	3.5	5.0	5.4	5.8
ROE (%)	38.6	34.9	31.4	28.9
Net D/E (%)	213.8	149.7	104.1	69.2

Sources: Company data, Thanachart estimates

Ex 26: SPCG's Forward PE Band Chart

Sources: Bloomberg, Thanachart estimates

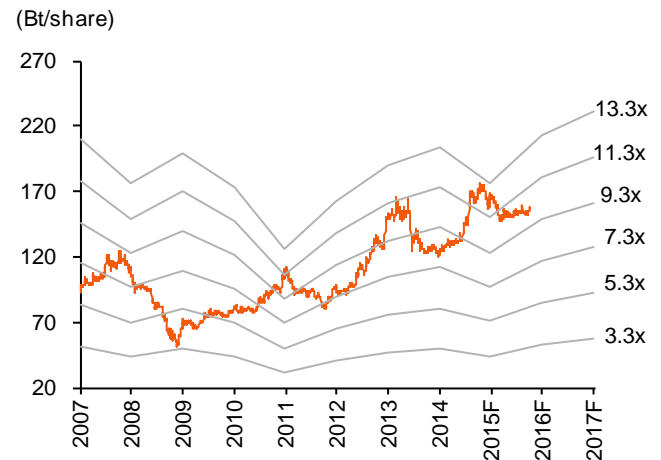
- We reiterate our BUY call on SPCG. The share offers 25% potential upside to our DCF-based 12-month TP of Bt30/share. Based on our 2016F EPS, shares of SPCG trades at 1.2x PEG ratio (7.6% 2015-17F earnings CAGR). SPCG has the strongest balance sheet based on our forecasts as its capex cycle has ended while it offers a 30%-plus ROE in 2016F.
- With no clear expansion plans for power generation, we only expect the share price to move in line with peers' in the next 12 months.
- In fact, SPCG aims to move into the solar rooftop field, which we see as a good idea since the government is considering liberalizing the solar rooftop industry in the future. Having set up a JV with a Japanese leasing company to offer one-stop services, we see this as good preparation. However, we expect development in the retail area to take quite a long time though the barriers to entry might not be that high once the market starts to develop.

EGCO: BUY, Price Bt155.5, TP Bt178.0

Ex 27: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	17,201	18,599	26,581	35,725
Net profit	7,667	4,245	7,737	9,153
Norm net profit	8,039	6,989	8,437	9,153
Norm EPS (Bt)	15.3	13.3	16.0	17.4
Norm EPS gr (%)	7.2	(13.1)	20.7	8.5
Norm PE (x)	10.2	11.7	9.7	8.9
EV/EBITDA (x)	24.8	36.3	35.7	22.6
P/BV (x)	1.1	1.1	1.0	1.0
Div. yield (%)	4.0	4.0	4.2	4.5
ROE (%)	11.3	9.5	11.0	11.2
Net D/E (%)	92.3	115.6	95.2	86.0

Sources: Company data, Thanachart estimates

Ex 28: EGCO's Forward PE Band Chart

Sources: Bloomberg, Thanachart estimates

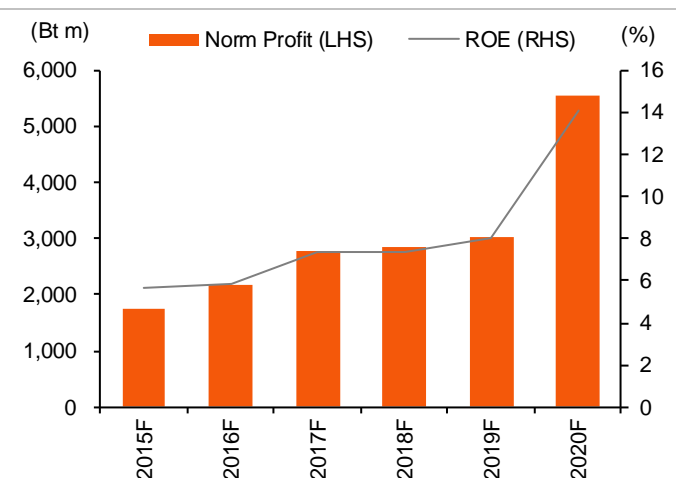
- We reaffirm our BUY call on EGCO with a DCF-based SOTP-derived 12-month TP of Bt178.0/share. EGCO trades at 9.7x 2016F PE and 0.7x PEG with a 14% 2015-17F earnings CAGR.
- We project EGCO to post a strong normalized earnings rebound in 2016. This is because three key projects which generate 60%-plus of total consolidated profit are scheduled to resume full-year operation in 2016 after their planned and unplanned shutdowns in 1H15. Also, its 930MW Khanom (KN4) expansion should come on stream in mid-2016 (with projected normalized profit of Bt1.6bn p.a. to replace the 748MW KEGCO currently generating normalized profit of Bt0.3bn-0.4bn p.a.).
- Apart from KN4, EGCO has another 790MW of combined legacy capacity due to COD in 2017-19 which we see continuing to produce earnings growth after 2016. The line-up of new projects after KN4 is: 1) the 81%-owned Chaiyabhum wind farm in 1Q17, 2) three co-generation power projects with a combined 326MW in 2H17, 3) the 223MW-net San Buana Ventura (SBPL) scheduled for 1Q19 and 4) the 160MW-net Xayaburi due to start up in 4Q19.
- A risk to our investment case would be the delay COD of projects under construction. However, we see the risk of KH4's COD being delayed as low given that the project is now more than 90% complete. However, we believe six months of test runs should be more than enough.

GPSC: BUY, Price Bt23.0, TP Bt32.0

Ex 29: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	23,755	23,368	24,365	28,580
Net profit	1,581	1,742	2,165	2,774
Norm net profit	1,588	1,742	2,165	2,774
Norm EPS (Bt)	1.4	1.3	1.4	1.9
Norm EPS gr (%)	25.9	(6.1)	8.9	28.2
Norm PE (x)	16.3	17.3	15.9	12.4
EV/EBITDA (x)	13.0	12.5	12.2	8.8
P/BV (x)	1.0	0.9	0.9	0.9
Div. yield (%)	0.0	3.5	4.4	5.6
ROE (%)	6.5	5.6	5.9	7.3
Net D/E (%)	36.9	10.2	26.0	33.1

Sources: Company data, Thanachart estimates

Ex 30: GPSC's Forward PE Band Chart

Sources: Company data, Thanachart estimates

- We maintain our BUY call on GPSC as we see it offering the highest potential upside in the sector of 39% to our DCF-based 12-month TP of Bt32.0.
- GPSC now trades at 16x 2016F PE and 0.6x PEG with a 26% 2015-17F earnings CAGR. Due to its lowest forecast ROE of 6% in 2016, we don't expect GPSC to outperform its peers over the next 12 months, despite it having the strongest potential upside to its cash flow value
- We see GPSC offering a long-term growth story when all 597MW of secured capacity in hand comes on stream, scheduled for 2019 (45% of current operational capacity of 1.3GW). GPSC also says it is targeting another 0.6-1.0GW of capacity by 2020.
- Key risks: If the commercial operation dates (CODs) of new plants are delayed from our current assumptions or if capex required for expansion and potential new projects is higher than we anticipate at the moment.

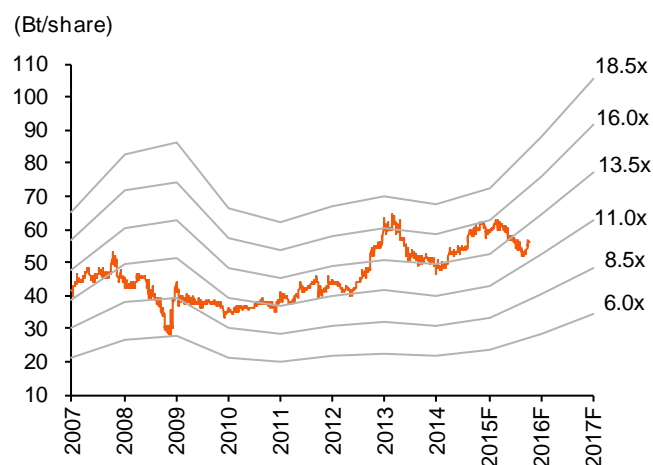
RATCH: BUY, Price Bt55.75, new TP Bt70.0 (from Bt73.0)

Ex 31: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	54,970	50,915	48,786	49,407
Net profit	6,279	4,949	6,908	8,277
Norm net profit	5,281	5,662	6,908	8,277
Norm EPS (Bt)	3.6	3.9	4.8	5.7
Norm EPS gr (%)	(3.5)	7.2	22.0	19.8
Norm PE (x)	15.3	14.3	11.7	9.8
EV/EBITDA (x)	13.7	13.2	15.5	13.4
P/BV (x)	1.3	1.3	1.2	1.1
Div. yield (%)	4.1	3.4	4.7	5.6
ROE (%)	8.9	9.2	10.7	12.1
Net D/E (%)	19.1	5.2	5.9	1.3

Sources: Company data, Thanachart estimates

Ex 32: RATCH's Forward PE Band Chart



Sources: Bloomberg, Thanachart estimates

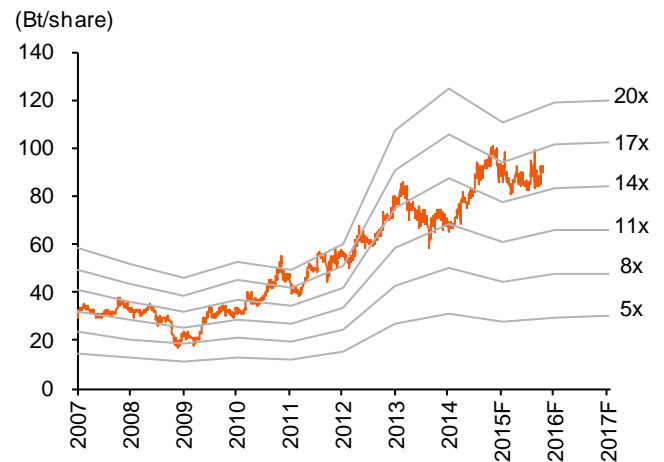
- We retain our BUY call on RATCH as we see 26% potential upside to our new DCF-based SOTP-derived 12-month TP of Bt70.0 (from Bt73.0). RATCH trades at 12x 2016PE with norm earning growth of 22% and 20% in 2016-17F. RATCH also has quite a strong balance sheet.
- Note that we cut RATCH's 2015F normalized earnings by 8% to reflect higher-than-expected tax expenses in 2Q15 due to adjustment of the income tax for its RATCH-Australia subsidiary. Also, the weakening baht should have a translation loss impact. We also fine-tune 2016-17F normalized earnings down by 4%.
- Its 40% investment in the 1.8GW Hongsa Power project should help boost its 2016F earnings as the project is scheduled to be fully operational next year (Hongsa reported a loss in 1H15 due to some uncapitalized costs).
- RATCH is looking to expand in Myanmar (a 600MW coal-fired mine mouth project in Chieng Tung, and a 2,600MW coal-fired project in Myeik for which the company has signed MOUs to study the development). Progress may be seen after the Myanmar election. This could be a catalyst for RATCH's share price.
- A risk to our investment case would be a delay to Hongsa's Phase 3. However, we see this risk as low because the project is nearly complete.

GLOW: HOLD, Price Bt90.5, TP Bt87.0

Ex 33: Key Financials

Y/E Dec (Bt m)	2014	2015F	2016F	2017F
Revenue	72,991	67,720	71,607	73,353
Net profit	9,139	7,076	8,717	8,776
Norm net profit	9,102	8,108	8,717	8,776
Norm EPS (Bt)	6.2	5.5	6.0	6.0
Norm EPS gr (%)	16.4	(10.9)	7.5	0.7
Norm PE (x)	14.5	16.3	15.2	15.1
EV/EBITDA (x)	9.7	10.0	9.8	9.5
P/BV (x)	2.9	2.8	2.6	2.5
Div. yield (%)	4.2	3.7	4.9	5.0
ROE (%)	21.2	17.4	17.8	17.0
Net D/E (%)	99.1	81.7	70.3	60.5

Sources: Company data, Thanachart estimates

Ex 34: GLOW's Forward PE Band Chart

Sources: Bloomberg, Thanachart estimates

- We maintain our HOLD recommendation for GLOW with a 12-month DCF-based TP of Bt87.0 as we now see it as only fairly valued.
- GLOW trades at 15x 2016F PE with 8% norm earnings growth in 2016 and almost no growth going forward, based on our estimates. The stock offers decent forecast dividend yields of 4.8% in 2016.
- GLOW was late in the game in entering the renewable market. However, with its shareholder Engie's (formerly Suez) having recently announced a policy to gear itself toward renewable power, GLOW may now start to look aggressively for opportunities.
- Though GLOW would benefit from a Ft rise as its SPP projects account for 62% of total capacity, we see GLOW's negotiations to extend the lives of four SPP projects as an overhang given that EGAT wants to buy the power at the lowest tariff rate as EGAT already shoulders a high reserve margin burden.

Ex 35: Sector Valuation Comparison

		DEMCO	EA	EGCO	GLOW	GPSC	GUNKUL	RATCH	SPCG	Average
Rating		BUY	BUY	BUY	HOLD	BUY	BUY	BUY	BUY	
Target price	Thanachart	15.00	29.00	178.00	87.00	32.00	28.00	70.00	30.00	
	Consensus	15.67	24.35	173.38	95.04	31.00	27.08	61.94	28.19	
Consensus rec.	Buy	9.0	2.0	10.0	5.0	4.0	9.0	8.0	6.0	
	Hold	0.0	4.0	3.0	6.0	2.0	2.0	2.0	3.0	
	Sell	1.0	2.0	1.0	6.0	0.0	1.0	3.0	0.0	
Sales (Bt m)	2014	4,915	7,583	17,201	72,991	23,755	2,977	54,970	4,357	188,749
	2015F	6,068	9,593	18,599	67,720	23,368	5,890	50,915	5,219	187,372
	2016F	8,511	14,318	26,581	71,607	24,365	4,239	48,786	5,265	203,672
	2017F	10,967	16,878	35,725	73,353	28,580	7,122	49,407	5,312	227,344
Norm profits (Bt m)	2014	357	1,608	8,039	9,102	1,588	504	5,281	1,624	28,105
	2015F	397	2,934	6,989	8,108	1,742	771	5,662	2,242	28,844
	2016F	494	5,636	8,437	8,717	2,165	889	6,908	2,418	35,664
	2017F	607	6,550	9,153	8,776	2,774	1,948	8,277	2,596	40,681
Sales growth (%)	2014	(11.3)	92.6	(1.5)	5.5	(7.6)	45.6	12.1	76.2	7.6
	2015F	23.4	26.5	8.1	(7.2)	(1.6)	97.9	(7.4)	19.8	(0.7)
	2016F	40.3	49.3	42.9	5.7	4.3	(28.0)	(4.2)	0.9	8.7
	2017F	28.9	17.9	34.4	2.4	17.3	68.0	1.3	0.9	11.6
Norm EPS growth (%)	2014	(1.2)	571.6	7.2	16.4	25.9	58.1	(3.5)	218.1	19.9
	2015F	7.1	82.4	(13.1)	(10.9)	(6.1)	44.5	7.2	32.7	2.6
	2016F	23.8	92.1	20.7	7.5	8.9	7.3	22.0	7.8	23.6
	2017F	22.8	16.2	8.5	0.7	28.2	119.1	19.8	7.4	14.1
Operating margin (%)	2014	5.8	25.6	22.9	20.5	7.1	11.0	10.0	64.4	20.9
	2015F	5.6	37.8	14.6	19.3	6.7	12.5	10.1	66.2	21.6
	2016F	5.8	47.2	8.0	18.4	8.9	27.2	8.8	66.7	23.9
	2017F	6.3	47.4	11.5	18.1	12.9	38.4	9.9	67.4	26.5
ROE (%)	2014	11.0	31.4	11.3	21.2	6.5	16.2	8.9	38.6	18.1
	2015F	10.8	41.2	9.5	17.4	5.6	13.3	9.2	34.9	17.7
	2016F	11.9	53.6	11.0	17.8	5.9	10.5	10.7	31.4	19.1
	2017F	13.6	43.7	11.2	17.0	7.3	20.6	12.1	28.9	19.3
Dividend yield (%)	2014	2.0	0.1	4.0	4.2	0.0	0.1	4.1	3.5	2.2
	2015F	1.9	1.0	4.0	3.7	3.5	1.0	3.4	5.0	2.9
	2016F	2.3	1.8	4.2	4.9	4.4	1.2	4.7	5.4	3.6
	2017F	3.2	2.5	4.5	5.0	5.6	2.6	5.6	5.8	4.4
P/BV (x)	2014	2.7	15.6	1.1	2.9	1.0	7.9	1.3	3.8	4.6
	2015F	2.4	11.0	1.1	2.8	0.9	3.7	1.3	3.1	3.3
	2016F	2.2	7.2	1.0	2.6	0.9	3.4	1.2	2.7	2.7
	2017F	2.1	5.3	1.0	2.5	0.9	3.0	1.1	2.3	2.3
Norm PE (x)	2014	25.7	57.0	10.2	14.5	16.3	52.6	15.3	13.2	17.2
	2015F	24.0	31.3	11.7	16.3	17.3	36.4	14.3	9.9	16.8
	2016F	19.4	16.3	9.7	15.2	15.9	33.9	11.7	9.2	13.6
	2017F	15.8	14.0	8.9	15.1	12.4	15.5	9.8	8.6	11.9
EV/EBITDA (x)	2014	33.1	43.7	24.8	9.7	13.0	77.0	13.7	10.8	28.2
	2015F	28.3	25.7	36.3	10.0	12.5	50.3	13.2	8.3	23.1
	2016F	21.2	14.3	35.7	9.8	12.2	34.8	15.5	7.7	18.9
	2017F	16.3	12.5	22.6	9.5	8.8	15.9	13.4	7.0	13.2
Net D/E (x)	2014	0.3	1.8	0.9	1.0	0.4	0.2	0.2	2.1	0.9
	2015F	0.2	2.3	1.2	0.8	0.1	1.3	0.1	1.5	0.9
	2016F	0.3	1.9	1.0	0.7	0.3	2.5	0.1	1.0	1.0
	2017F	0.4	1.6	0.9	0.6	0.3	2.6	0.0	0.7	0.9

Sources: Company data; Thanachart estimates

Valuation Comparison

Ex 36: Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		—EV/EBITDA—		— Div yield —	
			15F (%)	16F (%)	15F (x)	16F (x)	15F (x)	16F (x)	15F (x)	16F (x)	15F (%)	16F (%)
Datang International Power	991 HK	China	137.7	15.2	10.1	8.8	0.9	0.9	9.5	9.2	4.3	5.1
Huadian Power	1071 HK	China	2.3	(2.0)	8.6	8.8	1.5	1.4	7.4	7.1	4.5	4.5
Huaneng Power	600011 CH	China	36.6	(4.9)	9.2	9.7	1.8	1.6	7.1	7.2	5.4	5.1
Cheung Kong Infrastructure	1038 HK	Hong Kong	(68.1)	2.2	17.0	16.6	1.7	1.6	83.3	85.2	3.1	3.3
China Power Int'l	2380 HK	Hong Kong	27.4	(10.1)	9.8	10.9	1.5	1.4	7.9	7.8	4.3	3.9
China Resources Power	836 HK	Hong Kong	38.2	(1.4)	7.3	7.4	1.2	1.1	6.4	6.3	4.7	4.8
CLP Holdings	2 HK	Hong Kong	(1.4)	4.5	15.6	14.9	1.8	1.7	11.1	10.7	3.9	4.0
Hongkong Electric Holdings	6 HK	Hong Kong	(87.2)	3.2	20.8	20.1	1.3	1.3	90.5	84.3	3.6	3.6
Huaneng Power	902 HK	Hong Kong	32.9	(6.1)	9.4	10.0	1.7	1.6	7.0	7.2	5.4	5.1
KSK Energy Ventures	532997 IN	India	(10.7)	(0.7)	(5.6)	(5.6)	0.5	0.5	26.8	11.3	na	0.0
Reliance Infrastructure	RELI IN	India	(3.2)	2.3	5.8	5.7	0.4	0.4	10.6	9.1	2.0	2.1
Reliance Power	RPWR IN	India	(4.3)	41.2	14.5	10.3	0.7	0.6	16.3	9.8	0.0	0.4
Tata Power	TPWR IN	India	na	59.7	26.9	16.8	1.4	1.3	8.8	8.1	1.6	1.9
Torrent Power	532779 IN	India	(30.4)	118.9	35.6	16.3	1.4	1.3	8.1	5.5	1.5	0.7
Tenaga Nasional	TNB MK	Malaysia	0.8	2.2	11.1	10.9	1.5	1.4	7.1	6.8	2.5	2.6
YTL Corp	YTL MK	Malaysia	20.7	0.0	12.2	12.2	1.1	1.0	10.2	10.3	5.8	5.4
YTL Power	YTLP MK	Malaysia	1.2	(3.8)	11.8	12.2	1.0	1.0	8.5	8.8	3.5	4.8
First Philippine Holdings Corp.	FPH PM	Philippines	(7.9)	35.2	7.6	5.6	0.6	0.5	6.5	5.5	2.8	2.8
Manila Electric	MER PM	Philippines	1.4	(5.2)	19.2	20.3	4.3	4.2	10.2	10.9	4.5	4.4
Demco Pcl *	DEMCO TB	Thailand	7.1	23.8	24.0	19.4	2.4	2.2	28.5	21.2	1.9	2.3
EA Pcl*	EA TB	Thailand	82.4	92.1	31.3	16.3	11.0	7.2	25.7	14.3	1.0	1.8
Electricity Generating *	EGCO TB	Thailand	(13.1)	20.7	11.7	9.7	1.1	1.0	36.3	35.7	4.0	4.2
Glow Energy *	GLOW TB	Thailand	(10.9)	7.5	16.3	15.2	2.8	2.6	10.0	9.8	3.7	4.9
Global Power Synergy *	GPSC TB	Thailand	(6.1)	8.9	17.3	15.9	0.9	0.9	14.1	12.2	3.5	4.4
Gunkul Engineering *	GUNKUL TB	Thailand	44.5	7.3	36.4	33.9	3.7	3.4	53.1	34.8	1.0	1.2
Ratchaburi Electricity *	RATCH TB	Thailand	7.2	22.0	14.3	11.7	1.3	1.2	13.2	15.5	3.4	4.7
SPCG Pcl*	SPCG TB	Thailand	32.7	7.8	9.9	9.2	3.1	2.7	8.3	7.7	5.0	5.4
Average			7.9	16.6	15.3	12.8	1.9	1.7	20.2	17.5	3.3	3.4

Sources: Bloomberg, * Thanachart estimates

Based on 20 October 2015 closing prices

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STOCK PERFORMANCE

	Absolute (%)				Rel SET (%)			
	1M	3M	12M	YTD	1M	3M	12M	YTD
SET INDEX	2.8	(2.0)	(7.0)	(5.3)	—	—	—	—
Energy Sector	5.0	(10.0)	(20.2)	(11.4)	2.1	(8.0)	(13.1)	(6.1)
DEMCO	5.6	(0.8)	(13.2)	2.3	2.8	1.2	(6.2)	7.6
EA	17.1	28.8	9.3	(1.6)	14.3	30.8	16.4	3.7
EGCO	1.3	0.6	(8.3)	(7.2)	(1.5)	2.6	(1.2)	(1.9)
GLOW	6.8	9.7	(4.2)	1.4	3.9	11.7	2.8	6.7
GPSC	0.9	(3.4)	—	—	(2.0)	(1.4)	—	—
GUNKUL	14.1	0.9	30.6	3.1	11.2	2.8	37.6	8.3
RATCH	5.7	1.4	(7.1)	(5.1)	2.8	3.4	(0.0)	0.2
SPCG	(0.8)	(3.2)	(5.5)	(10.7)	(3.7)	(1.2)	1.6	(5.5)

Source: Bloomberg

SECTOR - SWOT ANALYSIS

S — Strength

- Defensive as agreed revenues on PPAs are predetermined.
- Changes in fuel prices are passed through via PPAs for IPPs and mostly by formulae adjustments for SPPs.

O — Opportunity

- Huge investment potential in neighboring countries.
- Government supports and subsidizes renewable energy.

W — Weakness

- Most IPPs set their tariff as front end loaded, so tariffs for ageing plants, especially ones approaching expiry, are set to fall drastically.
- There is sometimes intervention in the Ft adjustment.

T — Threat

- Local communities may protest against new projects.
- Increased regulatory risk on environmental concerns.

REGIONAL COMPARISON

Name	EPS growth		— PE —		— P/BV —		— EV/EBITDA —		— Div. Yield —	
	15F	16F	15F	16F	15F	16F	15F	16F	15F	16F
China	58.9	2.8	9.3	9.1	1.4	1.3	8.0	7.8	4.7	4.9
Hong Kong	(9.7)	(1.3)	13.3	13.3	1.5	1.4	34.4	33.6	4.2	4.1
India	(12.2)	44.3	15.4	8.7	0.9	0.8	14.1	8.8	1.3	1.0
Malaysia	7.6	(0.6)	11.7	11.8	1.2	1.1	8.6	8.7	3.9	4.3
Philippines	(3.3)	15.0	13.4	12.9	2.5	2.4	8.3	8.2	3.7	3.6
Thailand	2.6	23.6	16.8	13.6	3.3	2.7	23.1	18.9	2.9	3.6
Average	7.3	14.0	13.3	11.6	1.8	1.6	16.1	14.3	3.4	3.6
DEMCO	7.1	23.8	24.0	19.4	2.4	2.2	28.3	21.2	1.9	2.3
EA	82.4	92.1	31.3	16.3	11.0	7.2	25.7	14.3	1.0	1.8
EGCO	(13.1)	20.7	11.7	9.7	1.1	1.0	36.3	35.7	4.0	4.2
GLOW	(10.9)	7.5	16.3	15.2	2.8	2.6	10.0	9.8	3.7	4.9
GPSC	(6.1)	8.9	17.3	15.9	0.9	0.9	12.5	12.2	3.5	4.4
GUNKUL	44.5	7.3	36.4	33.9	3.7	3.4	50.3	34.8	1.0	1.2
RATCH	7.2	22.0	14.3	11.7	1.3	1.2	13.2	15.5	3.4	4.7
SPCG	32.7	7.8	9.9	9.2	3.1	2.7	8.3	7.7	5.0	5.4
Average *- Thailand	2.6	23.6	16.8	13.6	3.3	2.7	23.1	18.9	2.9	3.6

Sources: Bloomberg Consensus

Note: * Thanachart estimate – using normalized EPS

Demco Pcl

INCOME STATEMENT

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Sales	5,541	4,915	6,068	8,511	10,967
Cost of sales	4,831	4,330	5,395	7,644	9,782
Gross profit	710	585	673	866	1,185
% gross margin	12.8%	11.9%	11.1%	10.2%	10.8%
Selling & administration expenses	389	300	332	375	499
Operating profit	322	285	341	491	686
% operating margin	5.8%	5.8%	5.6%	5.8%	6.3%
Depreciation & amortization	22	22	22	24	25
EBITDA	344	307	363	515	712
% EBITDA margin	6.2%	6.3%	6.0%	6.1%	6.5%
Non-operating income	0	0	26	45	50
Non-operating expenses	(13)	(2)	(17)	(24)	(31)
Interest expense	(78)	(70)	(80)	(96)	(138)
Pre-tax profit	231	213	270	416	567
Income tax	53	37	53	82	113
After-tax profit	178	176	216	334	454
% net margin	3.2%	3.6%	3.6%	3.9%	4.1%
Shares in affiliates' Earnings	169	181	181	185	185
Minority interests	3	1	0	(25)	(32)
Extraordinary items	9	5	0	0	0
NET PROFIT	358	362	397	494	607
Normalized profit	349	357	397	494	607
EPS (Bt)	0.5	0.5	0.5	0.7	0.8
Normalized EPS (Bt)	0.5	0.5	0.5	0.7	0.8

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	3,213	3,573	4,057	5,418	6,954
Cash & cash equivalent	370	628	800	950	1,200
Account receivables	928	1,011	1,247	1,749	2,253
Inventories	252	328	340	377	482
Others	1,664	1,606	1,670	2,342	3,018
Investments & loans	1,444	1,404	1,691	1,691	1,691
Net fixed assets	267	286	296	330	336
Other assets	954	979	1,100	1,350	1,740
Total assets	5,879	6,241	7,143	8,788	10,721
LIABILITIES:					
Current liabilities:	2,689	2,791	3,040	4,364	5,883
Account payables	1,003	685	887	1,257	1,608
Bank overdraft & ST loans	838	1,453	1,401	2,122	2,989
Current LT debt	302	135	132	136	191
Others current liabilities	547	518	620	850	1,095
Total LT debt	10	50	23	24	34
Others LT liabilities	45	54	67	94	121
Total liabilities	2,744	2,895	3,130	4,482	6,038
Minority interest	1	(1)	(1)	(1)	32
Preferreds shares	0	0	0	0	0
Paid-up capital	693	693	730	730	730
Share premium	1,502	1,502	1,914	1,914	1,914
Warrants	0	0	0	0	0
Surplus	158	164	164	164	164
Retained earnings	781	987	1,205	1,499	1,843
Shareholders' equity	3,134	3,346	4,013	4,307	4,651
Liabilities & equity	5,879	6,241	7,143	8,788	10,721

Sources: Company data, Thanachart estimates

Demco Pcl

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	231	213	270	416	567
Tax paid	(53)	(37)	(53)	(82)	(113)
Depreciation & amortization	22	22	22	24	25
Chg In working capital	578	(477)	(46)	(169)	(259)
Chg In other CA & CL / minorities	(206)	211	212	(282)	(245)
Cash flow from operations	572	(68)	405	(94)	(25)
Capex	28	(38)	(30)	(55)	(30)
ST loans & investments	(4)	(3)	7	0	0
LT loans & investments	(270)	40	(287)	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(775)	(13)	(111)	(225)	(365)
Cash flow from investments	(1,022)	(13)	(421)	(280)	(395)
Debt financing	(431)	489	(81)	725	933
Capital increase	986	0	449	0	0
Dividends paid	(148)	(156)	(179)	(201)	(263)
Warrants & other surplus	208	6	0	0	0
Cash flow from financing	616	339	189	524	670
Free cash flow	600	(106)	375	(149)	(55)

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	25.4	25.7	24.0	19.4	15.8
Normalized PE - at target price (x)	29.0	29.4	27.4	22.2	18.1
PE (x)	24.7	25.3	24.0	19.4	15.8
PE - at target price (x)	28.3	29.0	27.4	22.2	18.1
EV/EBITDA (x)	28.0	33.1	28.3	21.2	16.3
EV/EBITDA - at target price (x)	31.7	37.5	32.1	23.9	18.2
P/BV (x)	2.9	2.7	2.4	2.2	2.1
P/BV - at target price (x)	3.4	3.1	2.7	2.5	2.4
P/CFO (x)	15.5	(135.3)	23.5	(101.9)	(383.0)
Price/sales (x)	1.7	1.9	1.6	1.1	0.9
Dividend yield (%)	1.1	2.0	1.9	2.3	3.2
FCF Yield (%)	6.8	(1.2)	3.9	(1.6)	(0.6)
(Bt)					
Normalized EPS	0.5	0.5	0.5	0.7	0.8
EPS	0.5	0.5	0.5	0.7	0.8
DPS	0.1	0.3	0.2	0.3	0.4
BV/share	4.5	4.8	5.5	5.9	6.4
CFO/share	0.8	(0.1)	0.6	(0.1)	(0.0)
FCF/share	0.9	(0.2)	0.5	(0.2)	(0.1)

Sources: Company data, Thanachart estimates

Demco Pcl

FINANCIAL RATIOS

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	(7.8)	(11.3)	23.4	40.3	28.9
Net profit (%)	(8.8)	1.1	9.7	24.4	22.8
EPS (%)	(17.4)	(2.5)	5.7	23.8	22.8
Normalized profit (%)	(11.0)	2.3	11.1	24.4	22.8
Normalized EPS (%)	(19.4)	(1.2)	7.1	23.8	22.8
Dividend payout ratio (%)	29.0	49.8	45.0	45.0	50.0
Operating performance					
Gross margin (%)	12.8	11.9	11.1	10.2	10.8
Operating margin (%)	5.8	5.8	5.6	5.8	6.3
EBITDA margin (%)	6.2	6.3	6.0	6.1	6.5
Net margin (%)	3.2	3.6	3.6	3.9	4.1
D/E (incl. minor) (x)	0.4	0.5	0.4	0.5	0.7
Net D/E (incl. minor) (x)	0.2	0.3	0.2	0.3	0.4
Interest coverage - EBIT (x)	4.1	4.1	4.3	5.1	5.0
Interest coverage - EBITDA (x)	4.4	4.4	4.5	5.3	5.2
ROA - using norm profit (%)	6.8	5.9	5.9	6.2	6.2
ROE - using norm profit (%)	14.4	11.0	10.8	11.9	13.6
DuPont					
ROE - using after tax profit (%)	7.3	5.4	5.9	8.0	10.1
- asset turnover (x)	1.1	0.8	0.9	1.1	1.1
- operating margin (%)	5.6	5.8	5.8	6.0	6.4
- leverage (x)	2.1	1.9	1.8	1.9	2.2
- interest burden (%)	74.9	75.3	77.1	81.2	80.4
- tax burden (%)	76.9	82.4	80.2	80.2	80.0
WACC (%)	8.0	8.0	8.0	8.0	8.0
ROIC (%)	8.0	6.0	6.3	8.3	9.7
NOPAT (Bt m)	247	235	273	394	549

Sources: Company data, Thanachart estimates

Energy Absolute

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Sales	3,936	7,583	9,593	14,318	16,878
Cost of sales	3,458	5,346	5,537	6,942	8,156
Gross profit	479	2,237	4,055	7,376	8,721
% gross margin	12.2%	29.5%	42.3%	51.5%	51.7%
Selling & administration expenses	197	297	429	624	729
Operating profit	281	1,939	3,626	6,752	7,992
% operating margin	7.1%	25.6%	37.8%	47.2%	47.4%
Depreciation & amortization	125	404	691	1,367	1,628
EBITDA	407	2,343	4,317	8,119	9,619
% EBITDA margin	10.3%	30.9%	45.0%	56.7%	57.0%
Non-operating income	27	18	47	76	99
Non-operating expenses	0	0	0	0	0
Interest expense	(62)	(328)	(698)	(1,142)	(1,488)
Pre-tax profit	247	1,630	2,975	5,685	6,602
Income tax	8	20	41	49	52
After-tax profit	239	1,609	2,934	5,636	6,550
% net margin	6.1%	21.2%	30.6%	39.4%	38.8%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(1)	(1)	0	0	0
Extraordinary items	29	0	0	0	0
NET PROFIT	267	1,608	2,934	5,636	6,550
Normalized profit	238	1,608	2,934	5,636	6,550
EPS (Bt)	0.1	0.4	0.8	1.5	1.8
Normalized EPS (Bt)	0.1	0.4	0.8	1.5	1.8

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	2,402	2,270	4,774	9,074	12,926
Cash & cash equivalent	1,572	1,268	3,476	7,106	10,611
Account receivables	526	836	1,051	1,569	1,850
Inventories	220	147	228	380	447
Others	83	19	19	19	19
Investments & loans	0	0	0	0	0
Net fixed assets	8,093	16,184	27,014	36,103	44,586
Other assets	971	873	1,104	1,648	1,943
Total assets	11,466	19,327	32,892	46,826	59,455
LIABILITIES:					
Current liabilities:	1,877	2,621	5,291	6,069	10,335
Account payables	151	207	243	304	358
Bank overdraft & ST loans	580	716	2,145	1,868	3,874
Current LT debt	272	480	1,070	1,377	3,005
Others current liabilities	873	1,218	1,834	2,519	3,098
Total LT debt	5,225	10,805	19,247	28,052	31,858
Others LT liabilities	0	0	0	0	0
Total liabilities	7,103	13,429	24,539	34,121	42,192
Minority interest	3	4	4	4	4
Preferreds shares	0	0	0	0	0
Paid-up capital	373	373	373	373	373
Share premium	3,681	3,681	3,681	3,681	3,681
Warrants	0	0	0	0	0
Surplus	(47)	(47)	(47)	(47)	(47)
Retained earnings	353	1,887	4,343	8,694	13,252
Shareholders' equity	4,360	5,893	8,350	12,700	17,258
Liabilities & equity	11,466	19,327	32,892	46,826	59,455

Sources: Company data, Thanachart estimates

Energy Absolute

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	247	1,630	2,975	5,685	6,602
Tax paid	(8)	(20)	(41)	(49)	(52)
Depreciation & amortization	125	404	691	1,367	1,628
Chg In working capital	(334)	(181)	(260)	(609)	(294)
Chg In other CA & CL / minorities	669	311	538	483	317
Cash flow from operations	699	2,143	3,903	6,877	8,200
Capex	(6,321)	(8,495)	(11,521)	(10,456)	(10,110)
ST loans & investments	(17)	20	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(690)	178	(157)	(342)	(32)
Cash flow from investments	(7,028)	(8,297)	(11,678)	(10,798)	(10,142)
Debt financing	4,881	5,924	10,460	8,836	7,438
Capital increase	2,991	0	0	0	0
Dividends paid	(37)	(75)	(477)	(1,285)	(1,992)
Warrants & other surplus	0	0	0	0	0
Cash flow from financing	7,834	5,850	9,983	7,551	5,447
Free cash flow	(5,622)	(6,352)	(7,618)	(3,578)	(1,910)

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	383.1	57.0	31.3	16.3	14.0
Normalized PE - at target price (x)	451.6	67.3	36.9	19.2	16.5
PE (x)	341.9	57.0	31.3	16.3	14.0
PE - at target price (x)	403.0	67.3	36.9	19.2	16.5
EV/EBITDA (x)	235.4	43.7	25.7	14.3	12.5
EV/EBITDA - at target price (x)	275.5	50.7	29.5	16.3	14.2
P/BV (x)	21.0	15.6	11.0	7.2	5.3
P/BV - at target price (x)	24.8	18.4	13.0	8.5	6.3
P/CFO (x)	130.5	42.8	23.5	13.3	11.2
Price/sales (x)	23.3	12.1	9.6	6.4	5.4
Dividend yield (%)	0.1	0.1	1.0	1.8	2.5
FCF Yield (%)	(6.2)	(6.9)	(8.3)	(3.9)	(2.1)
(Bt)					
Normalized EPS	0.1	0.4	0.8	1.5	1.8
EPS	0.1	0.4	0.8	1.5	1.8
DPS	0.0	0.0	0.2	0.5	0.6
BV/share	1.2	1.6	2.2	3.4	4.6
CFO/share	0.2	0.6	1.0	1.8	2.2
FCF/share	(1.5)	(1.7)	(2.0)	(1.0)	(0.5)

Sources: Company data, Thanachart estimates

Energy Absolute

FINANCIAL RATIOS

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	(11.8)	92.6	26.5	49.3	17.9
Net profit (%)	149.2	503.0	82.4	92.1	16.2
EPS (%)	109.8	499.3	82.4	92.1	16.2
Normalized profit (%)	122.4	575.7	82.4	92.1	16.2
Normalized EPS (%)	87.2	571.6	82.4	92.1	16.2
Dividend payout ratio (%)	28.0	4.6	30.0	30.0	35.0
Operating performance					
Gross margin (%)	12.2	29.5	42.3	51.5	51.7
Operating margin (%)	7.1	25.6	37.8	47.2	47.4
EBITDA margin (%)	10.3	30.9	45.0	56.7	57.0
Net margin (%)	6.1	21.2	30.6	39.4	38.8
D/E (incl. minor) (x)	1.4	2.0	2.7	2.5	2.2
Net D/E (incl. minor) (x)	1.0	1.8	2.3	1.9	1.6
Interest coverage - EBIT (x)	4.6	5.9	5.2	5.9	5.4
Interest coverage - EBITDA (x)	6.6	7.1	6.2	7.1	6.5
ROA - using norm profit (%)	3.4	10.4	11.2	14.1	12.3
ROE - using norm profit (%)	8.7	31.4	41.2	53.6	43.7
DuPont					
ROE - using after tax profit (%)	8.7	31.4	41.2	53.6	43.7
- asset turnover (x)	0.6	0.5	0.4	0.4	0.3
- operating margin (%)	7.8	25.8	38.3	47.7	47.9
- leverage (x)	2.5	3.0	3.7	3.8	3.5
- interest burden (%)	80.0	83.3	81.0	83.3	81.6
- tax burden (%)	96.9	98.7	98.6	99.1	99.2
WACC (%)	5.9	5.9	5.9	5.9	5.9
ROIC (%)	12.0	21.6	21.5	24.5	21.5
NOPAT (Bt m)	273	1,915	3,576	6,693	7,928

Sources: Company data, Thanachart estimates

Electricity Generating

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Sales	17,458	17,201	18,599	26,581	35,725
Cost of sales	10,396	10,310	13,314	20,718	27,401
Gross profit	7,062	6,891	5,285	5,863	8,324
% gross margin	40.5%	40.1%	28.4%	22.1%	23.3%
Selling & administration expenses	2,849	2,956	2,577	3,725	4,227
Operating profit	4,213	3,935	2,708	2,138	4,098
% operating margin	24.1%	22.9%	14.6%	8.0%	11.5%
Depreciation & amortization	1,724	2,134	1,944	2,284	2,791
EBITDA	5,937	6,069	4,652	4,422	6,889
% EBITDA margin	34.0%	35.3%	25.0%	16.6%	19.3%
Non-operating income	983	1,809	2,100	2,678	2,662
Non-operating expenses	0	0	0	0	0
Interest expense	(1,645)	(2,093)	(2,321)	(2,320)	(2,718)
Pre-tax profit	3,551	3,651	2,487	2,496	4,042
Income tax	1,247	1,073	746	499	687
After-tax profit	2,303	2,578	1,741	1,997	3,355
% net margin	13.2%	15.0%	9.4%	7.5%	9.4%
Shares in affiliates' Earnings	5,360	5,601	5,399	6,656	6,088
Minority interests	(164)	(140)	(151)	(216)	(290)
Extraordinary items	(335)	(372)	(2,744)	(700)	0
NET PROFIT	7,164	7,667	4,245	7,737	9,153
Normalized profit	7,500	8,039	6,989	8,437	9,153
EPS (Bt)	13.6	14.6	8.1	14.7	17.4
Normalized EPS (Bt)	14.2	15.3	13.3	16.0	17.4

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	24,038	23,328	20,690	26,160	33,850
Cash & cash equivalent	6,984	6,859	5,000	5,000	5,000
Account receivables	2,764	2,534	2,803	4,005	5,873
Inventories	3,017	2,603	3,465	3,689	4,880
Others	11,273	11,331	9,422	13,466	18,098
Investments & loans	37,863	52,289	52,926	54,006	55,223
Net fixed assets	44,521	55,275	65,619	78,242	77,157
Other assets	24,699	29,795	40,638	20,461	22,461
Total assets	131,120	160,687	179,873	178,870	188,692
LIABILITIES:					
Current liabilities:	10,788	18,734	35,265	19,684	17,367
Account payables	1,260	791	1,204	1,873	2,477
Bank overdraft & ST loans	1,800	10,048	27,621	12,158	7,881
Current LT debt	5,191	5,633	3,867	2,067	2,128
Others current liabilities	2,536	2,261	2,574	3,586	4,882
Total LT debt	42,238	59,686	60,581	66,828	68,798
Others LT liabilities	7,842	8,048	8,703	12,437	16,716
Total liabilities	60,868	86,468	104,549	98,949	102,881
Minority interest	910	955	1,106	1,322	1,613
Preferreds shares	0	0	0	0	0
Paid-up capital	5,265	5,265	5,265	5,265	5,265
Share premium	8,601	8,601	8,601	8,601	8,601
Warrants	0	0	0	0	0
Surplus	1,840	1,384	1,384	1,384	1,384
Retained earnings	53,637	58,014	58,968	63,349	68,948
Shareholders' equity	69,343	73,264	74,218	78,599	84,198
Liabilities & equity	131,120	160,687	179,873	178,870	188,692

Sources: Company data, Thanachart estimates

Electricity Generating

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	3,551	3,651	2,487	2,496	4,042
Tax paid	(1,247)	(1,073)	(746)	(499)	(687)
Depreciation & amortization	1,724	2,134	1,944	2,284	2,791
Chg In working capital	(120)	174	(718)	(758)	(2,453)
Chg In other CA & CL / minorities	5,942	5,242	4,100	2,483	2,072
Cash flow from operations	9,849	10,128	7,067	6,006	5,764
Capex	(7,689)	(12,888)	(12,288)	(14,907)	(1,706)
ST loans & investments	(1,726)	(70)	2,618	0	0
LT loans & investments	(1,915)	(14,426)	(637)	(1,081)	(1,217)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(7,944)	(5,266)	(10,148)	25,054	2,958
Cash flow from investments	(19,273)	(32,650)	(20,455)	9,066	36
Debt financing	13,446	26,283	14,819	(11,717)	(2,246)
Capital increase	0	0	0	0	0
Dividends paid	(3,288)	(3,471)	(3,290)	(3,356)	(3,554)
Warrants & other surplus	1,306	(275)	0	0	0
Cash flow from financing	11,464	22,537	11,529	(15,073)	(5,800)
Free cash flow	2,161	(2,760)	(5,221)	(8,901)	4,059

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	10.9	10.2	11.7	9.7	8.9
Normalized PE - at target price (x)	12.5	11.7	13.4	11.1	10.2
PE (x)	11.4	10.7	19.3	10.6	8.9
PE - at target price (x)	13.1	12.2	22.1	12.1	10.2
EV/EBITDA (x)	20.9	24.8	36.3	35.7	22.6
EV/EBITDA - at target price (x)	22.9	26.7	38.9	38.4	24.3
P/BV (x)	1.2	1.1	1.1	1.0	1.0
P/BV - at target price (x)	1.4	1.3	1.3	1.2	1.1
P/CFO (x)	8.3	8.1	11.6	13.6	14.2
Price/sales (x)	4.7	4.8	4.4	3.1	2.3
Dividend yield (%)	3.9	4.0	4.0	4.2	4.5
FCF Yield (%)	2.6	(3.4)	(6.4)	(10.9)	5.0
(Bt)					
Normalized EPS	14.2	15.3	13.3	16.0	17.4
EPS	13.6	14.6	8.1	14.7	17.4
DPS	6.0	6.3	6.3	6.5	7.0
BV/share	131.7	139.2	141.0	149.3	159.9
CFO/share	18.7	19.2	13.4	11.4	10.9
FCF/share	4.1	(5.2)	(9.9)	(16.9)	7.7

Sources: Company data, Thanachart estimates

Electricity Generating**FINANCIAL RATIOS**

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	27.1	(1.5)	8.1	42.9	34.4
Net profit (%)	(36.3)	7.0	(44.6)	82.3	18.3
EPS (%)	(36.3)	7.0	(44.6)	82.3	18.3
Normalized profit (%)	16.2	7.2	(13.1)	20.7	8.5
Normalized EPS (%)	16.2	7.2	(13.1)	20.7	8.5
Dividend payout ratio (%)	44.1	42.9	77.5	44.2	40.3
Operating performance					
Gross margin (%)	40.5	40.1	28.4	22.1	23.3
Operating margin (%)	24.1	22.9	14.6	8.0	11.5
EBITDA margin (%)	34.0	35.3	25.0	16.6	19.3
Net margin (%)	13.2	15.0	9.4	7.5	9.4
D/E (incl. minor) (x)	0.7	1.0	1.2	1.0	0.9
Net D/E (incl. minor) (x)	0.6	0.9	1.2	1.0	0.9
Interest coverage - EBIT (x)	2.6	1.9	1.2	0.9	1.5
Interest coverage - EBITDA (x)	3.6	2.9	2.0	1.9	2.5
ROA - using norm profit (%)	6.2	5.5	4.1	4.7	5.0
ROE - using norm profit (%)	11.2	11.3	9.5	11.0	11.2
DuPont					
ROE - using after tax profit (%)	3.5	3.6	2.4	2.6	4.1
- asset turnover (x)	0.1	0.1	0.1	0.1	0.2
- operating margin (%)	29.8	33.4	25.8	18.1	18.9
- leverage (x)	1.8	2.0	2.3	2.3	2.3
- interest burden (%)	68.3	63.6	51.7	51.8	59.8
- tax burden (%)	64.9	70.6	70.0	80.0	83.0
WACC (%)	5.7	5.7	5.7	5.7	5.7
ROIC (%)	2.8	2.5	1.3	1.1	2.2
NOPAT (Bt m)	2,733	2,779	1,895	1,711	3,401

Sources: Company data, Thanachart estimates

Glow Energy

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Sales	69,207	72,991	67,720	71,607	73,353
Cost of sales	55,693	57,256	53,939	57,745	59,310
Gross profit	13,514	15,735	13,782	13,861	14,043
% gross margin	19.5%	21.6%	20.4%	19.4%	19.1%
Selling & administration expenses	769	779	745	716	734
Operating profit	12,745	14,956	13,037	13,145	13,309
% operating margin	18.4%	20.5%	19.3%	18.4%	18.1%
Depreciation & amortization	4,869	4,054	4,777	4,739	4,763
EBITDA	17,614	19,010	17,814	17,884	18,072
% EBITDA margin	25.5%	26.0%	26.3%	25.0%	24.6%
Non-operating income	268	234	222	263	319
Non-operating expenses	0	0	0	0	0
Interest expense	(3,389)	(3,386)	(2,608)	(2,085)	(2,150)
Pre-tax profit	9,624	11,804	10,651	11,324	11,478
Income tax	1,132	1,005	1,065	1,132	1,148
After-tax profit	8,492	10,799	9,586	10,192	10,331
% net margin	12.3%	14.8%	14.2%	14.2%	14.1%
Shares in affiliates' Earnings	(0)	(0)	0	0	0
Minority interests	(672)	(1,697)	(1,478)	(1,475)	(1,555)
Extraordinary items	(606)	37	(1,032)	0	0
NET PROFIT	7,214	9,139	7,076	8,717	8,776
Normalized profit	7,820	9,102	8,108	8,717	8,776
EPS (Bt)	4.9	6.2	4.8	6.0	6.0
Normalized EPS (Bt)	5.3	6.2	5.5	6.0	6.0

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	25,446	25,196	25,303	30,392	35,868
Cash & cash equivalent	4,871	4,364	6,000	10,000	15,000
Account receivables	12,999	13,501	12,060	12,752	13,063
Inventories	5,522	4,892	4,877	5,221	5,362
Others	2,055	2,438	2,366	2,419	2,443
Investments & loans	2	2	2	2	2
Net fixed assets	97,301	87,193	86,216	86,577	86,314
Other assets	2,257	7,932	8,058	8,520	8,728
Total assets	125,006	120,322	119,578	125,491	130,912
LIABILITIES:					
Current liabilities:	21,548	20,195	19,439	19,660	20,129
Account payables	9,858	8,460	8,571	9,176	9,425
Bank overdraft & ST loans	1,433	1,783	1,643	1,666	1,708
Current LT debt	9,278	8,974	8,292	7,845	7,994
Others current liabilities	979	978	933	973	1,003
Total LT debt	54,573	45,681	42,069	43,215	44,350
Others LT liabilities	1,625	1,875	1,740	1,840	1,885
Total liabilities	77,746	67,752	63,247	64,714	66,364
Minority interest	6,683	7,241	8,719	10,194	11,749
Preferreds shares	0	0	0	0	0
Paid-up capital	14,629	14,629	14,629	14,629	14,629
Share premium	2,935	2,935	2,935	2,935	2,935
Warrants	0	0	0	0	0
Surplus	(501)	(493)	0	0	0
Retained earnings	23,514	28,258	30,048	33,019	35,235
Shareholders' equity	40,576	45,330	47,612	50,583	52,799
Liabilities & equity	125,006	120,322	119,578	125,491	130,912

Sources: Company data, Thanachart estimates

Glow Energy

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	9,624	11,804	10,651	11,324	11,478
Tax paid	(1,121)	(917)	(1,125)	(1,097)	(1,149)
Depreciation & amortization	4,869	4,054	4,777	4,739	4,763
Chg In working capital	(5,391)	(1,271)	1,568	(431)	(204)
Chg In other CA & CL / minorities	(378)	(1,049)	86	(48)	8
Cash flow from operations	7,603	12,621	15,957	14,486	14,896
Capex	(1,401)	6,054	(3,800)	(5,100)	(4,500)
ST loans & investments	245	(554)	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	55	(5,334)	(262)	(363)	(163)
Cash flow from investments	(1,100)	166	(4,062)	(5,463)	(4,663)
Debt financing	(10,418)	(8,908)	(5,466)	722	1,326
Capital increase	0	0	0	0	0
Dividends paid	(3,148)	(4,394)	(5,286)	(5,745)	(6,560)
Warrants & other surplus	72	9	493	0	0
Cash flow from financing	(13,494)	(13,293)	(10,260)	(5,024)	(5,233)
Free cash flow	6,203	18,674	12,157	9,386	10,396

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	16.9	14.5	16.3	15.2	15.1
Normalized PE - at target price (x)	16.3	14.0	15.7	14.6	14.5
PE (x)	18.4	14.5	18.7	15.2	15.1
PE - at target price (x)	17.6	13.9	18.0	14.6	14.5
EV/EBITDA (x)	10.9	9.7	10.0	9.8	9.5
EV/EBITDA - at target price (x)	10.7	9.4	9.7	9.5	9.2
P/BV (x)	3.3	2.9	2.8	2.6	2.5
P/BV - at target price (x)	3.1	2.8	2.7	2.5	2.4
P/CFO (x)	17.4	10.5	8.3	9.1	8.9
Price/sales (x)	1.9	1.8	2.0	1.8	1.8
Dividend yield (%)	3.0	4.2	3.7	4.9	5.0
FCF Yield (%)	4.7	14.1	9.2	7.1	7.9
(Bt)					
Normalized EPS	5.3	6.2	5.5	6.0	6.0
EPS	4.9	6.2	4.8	6.0	6.0
DPS	2.8	3.8	3.4	4.5	4.5
BV/share	27.7	31.0	32.5	34.6	36.1
CFO/share	5.2	8.6	10.9	9.9	10.2
FCF/share	4.2	12.8	8.3	6.4	7.1

Sources: Company data, Thanachart estimates

Glow Energy

FINANCIAL RATIOS

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	21.0	5.5	(7.2)	5.7	2.4
Net profit (%)	33.2	26.7	(22.6)	23.2	0.7
EPS (%)	33.2	26.7	(22.6)	23.2	0.7
Normalized profit (%)	77.2	16.4	(10.9)	7.5	0.7
Normalized EPS (%)	77.2	16.4	(10.9)	7.5	0.7
Dividend payout ratio (%)	55.9	61.5	70.0	75.0	75.0
Operating performance					
Gross margin (%)	19.5	21.6	20.4	19.4	19.1
Operating margin (%)	18.4	20.5	19.3	18.4	18.1
EBITDA margin (%)	25.5	26.0	26.3	25.0	24.6
Net margin (%)	12.3	14.8	14.2	14.2	14.1
D/E (incl. minor) (x)	1.4	1.1	0.9	0.9	0.8
Net D/E (incl. minor) (x)	1.3	1.0	0.8	0.7	0.6
Interest coverage - EBIT (x)	3.8	4.4	5.0	6.3	6.2
Interest coverage - EBITDA (x)	5.2	5.6	6.8	8.6	8.4
ROA - using norm profit (%)	6.1	7.4	6.8	7.1	6.8
ROE - using norm profit (%)	20.3	21.2	17.4	17.8	17.0
DuPont					
ROE - using after tax profit (%)	22.1	25.1	20.6	20.8	20.0
- asset turnover (x)	0.5	0.6	0.6	0.6	0.6
- operating margin (%)	18.8	20.8	19.6	18.7	18.6
- leverage (x)	3.3	2.9	2.6	2.5	2.5
- interest burden (%)	74.0	77.7	80.3	84.5	84.2
- tax burden (%)	88.2	91.5	90.0	90.0	90.0
WACC (%)	5.3	5.3	5.3	5.3	5.3
ROIC (%)	11.3	13.5	12.0	12.6	12.8
NOPAT (Bt m)	11,247	13,682	11,733	11,831	11,978

Sources: Company data, Thanachart estimates

Global Power Synergy

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Sales	25,703	23,755	23,368	24,365	28,580
Cost of sales	23,750	21,665	21,280	21,621	24,179
Gross profit	1,953	2,090	2,088	2,744	4,401
% gross margin	0	0	0	0	0
Selling & administration expenses	281	410	526	568	711
Operating profit	1,672	1,680	1,562	2,176	3,690
% operating margin	0	0	0	0	0
Depreciation & amortization	991	1,043	1,149	1,465	1,733
EBITDA	2,663	2,722	2,711	3,641	5,423
% EBITDA margin	0	0	0	0	0
Non-operating income	185	135	360	571	536
Non-operating expenses	0	0	0	0	0
Interest expense	(601)	(470)	(472)	(647)	(825)
Pre-tax profit	1,256	1,345	1,450	2,100	3,402
Income tax	2	27	44	63	170
After-tax profit	1,254	1,317	1,407	2,037	3,231
% net margin	0	0	0	0	0
Shares in affiliates' Earnings	2	268	298	322	347
Minority interests	5	3	37	(195)	(804)
Extraordinary items	(113)	(8)	0	0	0
NET PROFIT	1,148	1,581	1,742	2,165	2,774
Normalized profit	1,261	1,588	1,742	2,165	2,774
EPS (Bt)	1.0	1.4	1.3	1.4	1.9
Normalized EPS (Bt)	1.1	1.4	1.3	1.4	1.9

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	14,493	8,146	14,559	14,244	12,545
Cash & cash equivalent	6,471	3,603	10,000	9,500	7,000
Account receivables	6,502	3,941	3,969	4,139	4,855
Inventories	389	359	350	355	397
Others	1,131	243	239	250	293
Investments & loans	2,884	7,342	8,332	9,560	10,978
Net fixed assets	18,178	20,048	24,745	30,074	32,295
Other assets	7,789	7,396	7,276	7,587	8,899
Total assets	43,344	42,932	54,912	61,465	64,717
LIABILITIES:					
Current liabilities:	8,056	5,203	5,438	6,057	6,690
Account payables	4,740	3,468	3,381	3,436	3,842
Bank overdraft & ST loans	360	0	0	0	0
Current LT debt	2,254	1,595	1,669	2,347	2,450
Others current liabilities	702	140	388	274	398
Total LT debt	10,827	11,603	12,141	17,078	17,828
Others LT liabilities	100	108	106	111	130
Total liabilities	18,983	16,914	17,685	23,245	24,648
Minority interest	434	733	696	891	1,695
Preferreds shares	0	0	0	0	0
Paid-up capital	11,237	11,237	14,983	14,983	14,983
Share premium	3,393	3,393	9,761	9,761	9,761
Warrants	0	0	0	0	0
Surplus	(1,086)	(1,197)	(1,197)	(1,197)	(1,197)
Retained earnings	10,383	11,852	12,984	13,781	14,827
Shareholders' equity	23,927	25,285	36,531	37,328	38,374
Liabilities & equity	43,344	42,932	54,912	61,465	64,717

Sources: Company data, Thanachart estimates

Global Power Synergy

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	1,256	1,345	1,450	2,100	3,402
Tax paid	(6)	(42)	(37)	(65)	(165)
Depreciation & amortization	991	1,043	1,149	1,465	1,733
Chg In working capital	(95)	1,319	(106)	(121)	(351)
Chg In other CA & CL / minorities	848	85	519	201	422
Cash flow from operations	2,994	3,749	2,974	3,579	5,040
Capex	(2,273)	(2,913)	(5,846)	(6,793)	(3,954)
ST loans & investments	(746)	825	0	0	0
LT loans & investments	(2,883)	(4,458)	(991)	(1,228)	(1,418)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	270	401	144	(306)	(1,293)
Cash flow from investments	(5,632)	(6,144)	(6,693)	(8,327)	(6,665)
Debt financing	(1,692)	(251)	612	5,615	854
Capital increase	6,000	0	10,114	0	0
Dividends paid	0	(112)	(610)	(1,367)	(1,729)
Warrants & other surplus	586	(110)	0	0	0
Cash flow from financing	4,893	(474)	10,116	4,247	(875)
Free cash flow	721	837	(2,872)	(3,214)	1,086

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	20.5	16.3	17.3	15.9	12.4
Normalized PE - at target price (x)	28.5	22.6	24.1	22.1	17.3
PE (x)	22.5	16.4	17.3	15.9	12.4
PE - at target price (x)	31.3	22.8	24.1	22.1	17.3
EV/EBITDA (x)	12.3	13.0	12.5	12.2	8.8
EV/EBITDA - at target price (x)	16.1	16.7	16.9	15.9	11.3
P/BV (x)	1.1	1.0	0.9	0.9	0.9
P/BV - at target price (x)	1.5	1.4	1.3	1.3	1.2
P/CFO (x)	8.6	6.9	10.2	9.6	6.8
Price/sales (x)	1.3	1.5	1.5	1.4	1.2
Dividend yield (%)	0.0	0.0	3.5	4.4	5.6
FCF Yield (%)	2.8	3.2	(9.5)	(9.3)	3.2
(Bt)					
Normalized EPS	1.1	1.4	1.3	1.4	1.9
EPS	1.0	1.4	1.3	1.4	1.9
DPS	0.0	0.0	0.8	1.0	1.3
BV/share	21.3	22.5	24.4	24.9	25.6
CFO/share	2.7	3.3	2.3	2.4	3.4
FCF/share	0.6	0.7	(2.2)	(2.1)	0.7

Sources: Company data, Thanachart estimates

Global Power Synergy

FINANCIAL RATIOS

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	4.0	(7.6)	(1.6)	4.3	17.3
Net profit (%)	(7.5)	37.6	10.2	24.2	28.2
EPS (%)	(7.5)	37.6	(5.6)	8.9	28.2
Normalized profit (%)	4.1	25.9	9.7	24.2	28.2
Normalized EPS (%)	4.1	25.9	(6.1)	8.9	28.2
Dividend payout ratio (%)	0.0	0.0	70.0	70.0	70.0
Operating performance					
Gross margin (%)	7.6	8.8	8.9	11.3	15.4
Operating margin (%)	6.5	7.1	6.7	8.9	12.9
EBITDA margin (%)	10.4	11.5	11.6	14.9	19.0
Net margin (%)	4.9	5.5	6.0	8.4	11.3
D/E (incl. minor) (x)	0.6	0.5	0.4	0.5	0.5
Net D/E (incl. minor) (x)	0.3	0.4	0.1	0.3	0.3
Interest coverage - EBIT (x)	2.8	3.6	3.3	3.4	4.5
Interest coverage - EBITDA (x)	4.4	5.8	5.7	5.6	6.6
ROA - using norm profit (%)	3.2	3.7	3.6	3.7	4.4
ROE - using norm profit (%)	6.0	6.5	5.6	5.9	7.3
DuPont					
ROE - using after tax profit (%)	6.0	5.4	4.6	5.5	8.5
- asset turnover (x)	0.7	0.6	0.5	0.4	0.5
- operating margin (%)	7.2	7.6	8.2	11.3	14.8
- leverage (x)	1.9	1.8	1.6	1.6	1.7
- interest burden (%)	67.6	74.1	75.4	76.5	80.5
- tax burden (%)	99.9	98.0	97.0	97.0	95.0
WACC (%)	7.5	7.5	7.5	7.5	7.5
ROIC (%)	5.8	5.3	4.3	5.2	7.4
NOPAT (Bt m)	1,670	1,645	1,516	2,111	3,506

Sources: Company data, Thanachart estimates

Gunkul Engineering

INCOME STATEMENT

FY ending #N/A Field Not Appli	2013A	2014A	2015F	2016F	2017F
Sales	2,045	2,977	5,890	4,239	7,122
Cost of sales	1,586	2,253	4,598	2,689	3,828
Gross profit	458	723	1,292	1,550	3,294
% gross margin	22.4%	24.3%	21.9%	36.6%	46.3%
Selling & administration expenses	325	395	558	399	557
Operating profit	133	328	734	1,151	2,737
% operating margin	6.5%	11.0%	12.5%	27.2%	38.4%
Depreciation & amortization	18	26	34	364	878
EBITDA	150	354	768	1,515	3,615
% EBITDA margin	7.4%	11.9%	13.0%	35.7%	50.8%
Non-operating income	36	58	79	71	86
Non-operating expenses	0	0	0	0	0
Interest expense	(47)	(58)	(190)	(504)	(1,019)
Pre-tax profit	122	328	623	718	1,803
Income tax	(32)	97	120	115	156
After-tax profit	154	231	503	603	1,647
% net margin	7.5%	7.8%	8.5%	14.2%	23.1%
Shares in affiliates' Earnings	150	269	263	281	296
Minority interests	15	4	5	5	5
Extraordinary items	564	41	0	0	0
NET PROFIT	883	545	771	889	1,948
Normalized profit	319	504	771	889	1,948
EPS (Bt)	0.8	0.5	0.6	0.7	1.5
Normalized EPS (Bt)	0.3	0.4	0.6	0.7	1.5

BALANCE SHEET

FY ending #N/A Field Not Appli	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	1,323	2,605	6,150	6,962	6,162
Cash & cash equivalent	225	1,509	4,000	5,500	3,800
Account receivables	497	719	1,420	1,022	1,717
Inventories	448	304	630	368	524
Others	154	74	100	72	121
Investments & loans	1,078	1,173	1,496	1,566	1,566
Net fixed assets	658	913	15,838	28,866	34,094
Other assets	1,521	2,567	2,600	1,871	3,144
Total assets	4,580	7,259	26,084	39,266	44,967
LIABILITIES:					
Current liabilities:	1,069	3,433	9,056	10,611	12,431
Account payables	270	346	705	413	587
Bank overdraft & ST loans	242	2,110	5,842	7,021	7,782
Current LT debt	164	165	1,139	2,106	2,335
Others current liabilities	393	811	1,369	1,071	1,727
Total LT debt	157	0	7,624	18,958	21,011
Others LT liabilities	234	467	923	665	1,116
Total liabilities	1,459	3,900	17,603	30,233	34,558
Minority interest	272	3	266	261	256
Preferreds shares	0	0	0	0	0
Paid-up capital	660	880	1,283	1,283	1,283
Share premium	519	519	4,368	4,368	4,368
Warrants	0	0	0	0	0
Surplus	0	(0)	(0)	(0)	(0)
Retained earnings	1,670	1,958	2,563	3,120	4,501
Shareholders' equity	2,849	3,357	8,214	8,772	10,152
Liabilities & equity	4,580	7,259	26,084	39,266	44,967

Sources: Company data, Thanachart estimates

Gunkul Engineering

CASH FLOW STATEMENT

FY ending #N/A Field Not Appli	2013A	2014A	2015F	2016F	2017F
Earnings before tax	122	328	623	718	1,803
Tax paid	(72)	(72)	(106)	(121)	(133)
Depreciation & amortization	18	26	34	364	878
Chg In working capital	169	(2)	(668)	367	(676)
Chg In other CA & CL / minorities	296	478	970	(392)	551
Cash flow from operations	532	757	854	936	2,423
Capex	2,073	(282)	(14,959)	(13,393)	(6,106)
ST loans & investments	0	0	0	0	0
LT loans & investments	(725)	(95)	(323)	(70)	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	409	(800)	503	879	(491)
Cash flow from investments	1,757	(1,177)	(14,779)	(12,584)	(6,597)
Debt financing	(2,619)	1,740	12,330	13,480	3,042
Capital increase	220	220	4,253	0	0
Dividends paid	(26)	(25)	(166)	(332)	(567)
Other surplus	(220)	(232)	0	0	0
Cash flow from financing	(2,646)	1,704	16,417	13,148	2,474
Free cash flow	2,605	476	(14,105)	(12,457)	(3,683)

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	83.2	52.6	36.4	33.9	15.5
Normalized PE - at target price (x)	99.1	62.7	43.4	40.4	18.4
PE (x)	30.0	48.6	36.4	33.9	15.5
PE - at target price (x)	35.8	57.9	43.4	40.4	18.4
EV/EBITDA (x)	178.5	77.0	50.3	34.8	15.9
EV/EBITDA - at target price (x)	212.2	91.3	57.3	38.6	17.5
P/BV (x)	9.3	7.9	3.7	3.4	3.0
P/BV - at target price (x)	11.1	9.4	4.4	4.1	3.5
P/CFO (x)	49.8	35.0	32.9	32.2	12.4
Price/sales (x)	14.7	10.1	5.1	7.1	4.2
Dividend yield (%)	0.1	0.1	1.0	1.2	2.6
FCF Yield (%)	9.8	1.8	(50.3)	(41.3)	(12.2)
(Bt)					
Normalized EPS	0.3	0.4	0.6	0.7	1.5
EPS	0.8	0.5	0.6	0.7	1.5
DPS	0.0	0.0	0.2	0.3	0.6
BV/share	2.5	3.0	6.4	6.8	7.9
CFO/share	0.5	0.7	0.7	0.7	1.9
FCF/share	2.3	0.4	(11.8)	(9.7)	(2.9)

Sources: Company data, Thanachart estimates

Gunkul Engineering**FINANCIAL RATIOS**

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	(52.5)	45.6	97.9	(28.0)	68.0
Net profit (%)	13.5	(38.3)	41.3	15.4	119.1
EPS (%)	13.5	(38.3)	33.6	7.3	119.1
Normalized profit (%)	(28.3)	58.1	52.9	15.4	119.1
Normalized EPS (%)	(28.3)	58.1	44.5	7.3	119.1
Dividend payout ratio (%)	2.8	4.5	40.0	40.0	40.0
Operating performance					
Gross margin (%)	22.4	24.3	21.9	36.6	46.3
Operating margin (%)	6.5	11.0	12.5	27.2	38.4
EBITDA margin (%)	7.4	11.9	13.0	35.7	50.8
Net margin (%)	7.5	7.8	8.5	14.2	23.1
D/E (incl. minor) (x)	0.2	0.7	1.7	3.1	3.0
Net D/E (incl. minor) (x)	0.1	0.2	1.3	2.5	2.6
Interest coverage - EBIT (x)	2.8	5.7	3.9	2.3	2.7
Interest coverage - EBITDA (x)	3.2	6.1	4.0	3.0	3.5
ROA - using norm profit (%)	5.4	8.5	4.6	2.7	4.6
ROE - using norm profit (%)	13.2	16.2	13.3	10.5	20.6
DuPont					
ROE - using after tax profit (%)	6.3	7.4	8.7	7.1	17.4
- asset turnover (x)	0.3	0.5	0.4	0.1	0.2
- operating margin (%)	8.3	13.0	13.8	28.8	39.6
- leverage (x)	2.4	1.9	2.9	3.8	4.5
- interest burden (%)	72.0	85.0	76.6	58.8	63.9
- tax burden (%)	126.4	70.3	80.7	84.0	91.3
WACC (%)	7.7	7.7	7.7	7.7	7.7
ROIC (%)	3.7	7.2	14.4	5.1	8.0
NOPAT (Bt m)	168	231	592	967	2,500

Sources: Company data, Thanachart estimates

Ratchaburi Electricity Generating

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Sales	49,020	54,970	50,915	48,786	49,407
Cost of sales	41,060	47,914	44,395	43,052	43,018
Gross profit	7,960	7,056	6,520	5,735	6,389
% gross margin	16.2%	12.8%	12.8%	11.8%	12.9%
Selling & administration expenses	1,381	1,563	1,375	1,464	1,482
Operating profit	6,579	5,493	5,145	4,271	4,907
% operating margin	13.4%	10.0%	10.1%	8.8%	9.9%
Depreciation & amortization	1,433	1,275	1,217	1,212	1,180
EBITDA	8,012	6,769	6,362	5,483	6,087
% EBITDA margin	16.3%	12.3%	12.5%	11.2%	12.3%
Non-operating income	869	792	791	796	853
Non-operating expenses	99	111	111	117	123
Interest expense	(1,633)	(1,518)	(1,188)	(948)	(1,003)
Pre-tax profit	5,914	4,878	4,859	4,236	4,880
Income tax	1,173	1,020	1,215	847	976
After-tax profit	4,741	3,858	3,644	3,388	3,904
% net margin	9.7%	7.0%	7.2%	6.9%	7.9%
Shares in affiliates' Earnings	728	1,285	1,858	3,702	4,557
Minority interests	5	139	160	(182)	(184)
Extraordinary items	1,041	998	(713)	0	0
NET PROFIT	6,514	6,279	4,949	6,908	8,277
Normalized profit	5,473	5,281	5,662	6,908	8,277
EPS (Bt)	4.5	4.3	3.4	4.8	5.7
Normalized EPS (Bt)	3.8	3.6	3.9	4.8	5.7

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	24,375	31,408	30,814	30,309	34,433
Cash & cash equivalent	7,438	10,623	11,000	11,000	15,000
Account receivables	8,501	10,495	9,765	9,356	9,475
Inventories	2,541	2,629	2,433	2,359	2,357
Others	5,895	7,661	7,617	7,594	7,601
Investments & loans	15,797	15,603	11,239	16,986	17,567
Net fixed assets	15,695	14,480	14,377	14,641	14,870
Other assets	38,007	34,744	32,182	30,836	31,228
Total assets	93,874	96,235	88,612	92,773	98,098
LIABILITIES:					
Current liabilities:	22,951	16,050	11,392	11,248	11,380
Account payables	6,969	8,860	7,906	7,667	7,661
Bank overdraft & ST loans	9,774	4,800	713	746	797
Current LT debt	4,962	723	1,354	1,417	1,515
Others current liabilities	1,246	1,667	1,419	1,419	1,407
Total LT debt	7,725	16,773	12,188	12,749	13,633
Others LT liabilities	4,072	2,213	2,050	1,964	1,989
Total liabilities	34,748	35,036	25,630	25,962	27,002
Minority interest	838	418	258	440	624
Preferreds shares	0	0	0	0	0
Paid-up capital	14,500	14,500	14,500	14,500	14,500
Share premium	1,532	1,532	1,532	1,532	1,532
Warrants	0	0	0	0	0
Surplus	(810)	(1,305)	(1,305)	(1,305)	(1,305)
Retained earnings	43,067	46,055	47,997	51,644	55,745
Shareholders' equity	58,289	60,782	62,724	66,372	70,472
Liabilities & equity	93,874	96,235	88,612	92,773	98,098

Sources: Company data, Thanachart estimates

Ratchaburi Electricity Generating

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	5,914	4,878	4,859	4,236	4,880
Tax paid	(1,264)	(896)	(1,285)	(837)	(983)
Depreciation & amortization	1,433	1,275	1,217	1,212	1,180
Chg In working capital	(4,756)	(191)	(27)	243	(123)
Chg In other CA & CL / minorities	813	1,261	1,724	3,715	4,545
Cash flow from operations	2,140	6,328	6,488	8,568	9,499
Capex	29,407	138	(915)	(1,272)	(1,200)
ST loans & investments	392	(1,628)	0	0	0
LT loans & investments	4,861	194	4,364	(5,747)	(581)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(27,654)	1,826	2,200	1,056	(575)
Cash flow from investments	7,006	531	5,649	(5,963)	(2,356)
Debt financing	(8,777)	113	(8,753)	656	1,034
Capital increase	0	0	0	0	0
Dividends paid	(3,291)	(3,290)	(3,007)	(3,261)	(4,176)
Warrants & other surplus	2,099	(496)	0	0	0
Cash flow from financing	(9,969)	(3,673)	(11,760)	(2,605)	(3,142)
Free cash flow	31,547	6,466	5,573	7,296	8,299

VALUATION

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	14.8	15.3	14.3	11.7	9.8
Normalized PE - at target price (x)	18.5	19.2	17.9	14.7	12.3
PE (x)	12.4	12.9	16.3	11.7	9.8
PE - at target price (x)	15.6	16.2	20.5	14.7	12.3
EV/EBITDA (x)	12.0	13.7	13.2	15.5	13.4
EV/EBITDA - at target price (x)	14.5	16.7	16.5	19.2	16.8
P/BV (x)	1.4	1.3	1.3	1.2	1.1
P/BV - at target price (x)	1.7	1.7	1.6	1.5	1.4
P/CFO (x)	37.8	12.8	12.5	9.4	8.5
Price/sales (x)	1.6	1.5	1.6	1.7	1.6
Dividend yield (%)	4.1	4.1	3.4	4.7	5.6
FCF Yield (%)	39.0	8.0	6.9	9.0	10.3
(Bt)					
Normalized EPS	3.8	3.6	3.9	4.8	5.7
EPS	4.5	4.3	3.4	4.8	5.7
DPS	2.3	2.3	1.9	2.6	3.1
BV/share	40.2	41.9	43.3	45.8	48.6
CFO/share	1.5	4.4	4.5	5.9	6.6
FCF/share	21.8	4.5	3.8	5.0	5.7

Sources: Company data, Thanachart estimates

Ratchaburi Electricity Generating

FINANCIAL RATIOS

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	(11.5)	12.1	(7.4)	(4.2)	1.3
Net profit (%)	(15.7)	(3.6)	(21.2)	39.6	19.8
EPS (%)	(15.7)	(3.6)	(21.2)	39.6	19.8
Normalized profit (%)	4.1	(3.5)	7.2	22.0	19.8
Normalized EPS (%)	4.1	(3.5)	7.2	22.0	19.8
Dividend payout ratio (%)	50.5	52.4	55.0	55.0	55.0
Operating performance					
Gross margin (%)	16.2	12.8	12.8	11.8	12.9
Operating margin (%)	13.4	10.0	10.1	8.8	9.9
EBITDA margin (%)	16.3	12.3	12.5	11.2	12.3
Net margin (%)	9.7	7.0	7.2	6.9	7.9
D/E (incl. minor) (x)	0.4	0.4	0.2	0.2	0.2
Net D/E (incl. minor) (x)	0.3	0.2	0.1	0.1	0.0
Interest coverage - EBIT (x)	4.0	3.6	4.3	4.5	4.9
Interest coverage - EBITDA (x)	4.9	4.5	5.4	5.8	6.1
ROA - using norm profit (%)	5.7	5.6	6.1	7.6	8.7
ROE - using norm profit (%)	9.8	8.9	9.2	10.7	12.1
DuPont					
ROE - using after tax profit (%)	8.5	6.5	5.9	5.2	5.7
- asset turnover (x)	0.5	0.6	0.6	0.5	0.5
- operating margin (%)	15.4	11.6	11.9	10.6	11.9
- leverage (x)	1.7	1.6	1.5	1.4	1.4
- interest burden (%)	78.4	76.3	80.4	81.7	83.0
- tax burden (%)	80.2	79.1	75.0	80.0	80.0
WACC (%)	6.5	6.5	6.5	6.5	6.5
ROIC (%)	6.9	5.9	5.3	5.2	5.6
NOPAT (Bt m)	5,274	4,345	3,859	3,417	3,926

Sources: Company data, Thanachart estimates

SPCG Pcl

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Sales	2,473	4,357	5,219	5,265	5,312
Cost of sales	806	1,167	1,405	1,403	1,374
Gross profit	1,667	3,190	3,813	3,862	3,939
% gross margin	67.4%	73.2%	73.1%	73.4%	74.1%
Selling & administration expenses	403	384	357	350	359
Operating profit	1,263	2,806	3,456	3,512	3,580
% operating margin	51.1%	64.4%	66.2%	66.7%	67.4%
Depreciation & amortization	346	566	779	779	779
EBITDA	1,609	3,373	4,236	4,292	4,359
% EBITDA margin	65.1%	77.4%	81.2%	81.5%	82.1%
Non-operating income	18	22	35	33	33
Non-operating expenses	0	0	0	0	0
Interest expense	(605)	(979)	(939)	(804)	(689)
Pre-tax profit	676	1,850	2,552	2,741	2,924
Income tax	64	(10)	0	0	0
After-tax profit	612	1,859	2,552	2,741	2,924
% net margin	24.7%	42.7%	48.9%	52.1%	55.0%
Shares in affiliates' Earnings	19	(1)	0	0	9
Minority interests	(145)	(234)	(310)	(323)	(336)
Extraordinary items	(13)	31	0	0	0
NET PROFIT	472	1,656	2,242	2,418	2,596
Normalized profit	486	1,624	2,242	2,418	2,596
EPS (Bt)	0.6	1.9	2.4	2.6	2.8
Normalized EPS (Bt)	0.6	1.8	2.4	2.6	2.8

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	2,188	4,767	4,607	4,621	4,629
Cash & cash equivalent	289	2,834	2,500	2,500	2,500
Account receivables	621	1,022	1,144	1,154	1,164
Inventories	667	428	385	384	376
Others	612	483	578	583	588
Investments & loans	8	19	19	19	19
Net fixed assets	18,937	18,779	18,000	17,220	16,441
Other assets	1,368	2,006	2,100	2,118	2,138
Total assets	22,501	25,571	24,725	23,979	23,226
LIABILITIES:					
Current liabilities:	3,658	2,817	2,473	2,281	1,925
Account payables	2,104	266	270	269	263
Bank overdraft & ST loans	0	3	776	660	539
Current LT debt	1,485	2,470	1,327	1,254	1,023
Others current liabilities	68	78	100	98	100
Total LT debt	15,161	15,542	13,419	11,287	9,210
Others LT liabilities	169	112	134	135	137
Total liabilities	18,988	18,470	16,026	13,704	11,272
Minority interest	874	1,314	1,625	1,948	2,284
Preferreds shares	0	0	0	0	0
Paid-up capital	840	924	924	924	924
Share premium	1,252	3,010	3,010	3,010	3,010
Warrants	0	0	0	0	0
Surplus	0	19	19	19	19
Retained earnings	548	1,834	3,122	4,375	5,718
Shareholders' equity	2,639	5,786	7,075	8,327	9,670
Liabilities & equity	22,501	25,571	24,725	23,979	23,226

Sources: Company data, Thanachart estimates

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CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	676	1,850	2,552	2,741	2,924
Tax paid	(64)	10	0	0	0
Depreciation & amortization	346	566	779	779	779
Chg In working capital	(578)	(1,999)	(76)	(10)	(8)
Chg In other CA & CL / minorities	(87)	336	(73)	(8)	6
Cash flow from operations	292	762	3,182	3,503	3,701
Capex	(8,135)	(408)	(0)	0	(0)
ST loans & investments	50	0	0	0	0
LT loans & investments	100	(11)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(868)	(679)	(71)	(17)	(18)
Cash flow from investments	(8,853)	(1,099)	(71)	(17)	(18)
Debt financing	8,475	1,391	(2,492)	(2,321)	(2,430)
Capital increase	280	1,842	0	0	0
Dividends paid	(105)	(72)	(953)	(1,165)	(1,254)
Warrants & other surplus	127	(279)	0	0	0
Cash flow from financing	8,777	2,882	(3,445)	(3,486)	(3,683)
Free cash flow	(7,843)	354	3,182	3,503	3,701

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	41.9	13.2	9.9	9.2	8.6
Normalized PE - at target price (x)	52.2	16.4	12.4	11.5	10.7
PE (x)	43.1	12.9	9.9	9.2	8.6
PE - at target price (x)	53.7	16.1	12.4	11.5	10.7
EV/EBITDA (x)	22.8	10.8	8.3	7.7	7.0
EV/EBITDA - at target price (x)	25.9	12.4	9.6	9.0	8.3
P/BV (x)	7.8	3.8	3.1	2.7	2.3
P/BV - at target price (x)	9.7	4.8	3.9	3.3	2.9
P/CFO (x)	69.7	28.1	7.0	6.4	6.0
Price/sales (x)	9.0	5.1	4.3	4.2	4.2
Dividend yield (%)	0.0	3.5	5.0	5.4	5.8
FCF Yield (%)	(38.5)	1.7	14.3	15.7	16.6
(Bt)					
Normalized EPS	0.6	1.8	2.4	2.6	2.8
EPS	0.6	1.9	2.4	2.6	2.8
DPS	0.0	0.9	1.2	1.3	1.4
BV/share	3.1	6.3	7.7	9.0	10.5
CFO/share	0.3	0.9	3.4	3.8	4.0
FCF/share	(9.3)	0.4	3.4	3.8	4.0

Sources: Company data, Thanachart estimates

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FINANCIAL RATIOS

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	123.8	76.2	19.8	0.9	0.9
Net profit (%)	na	250.5	35.4	7.8	7.4
EPS (%)	na	233.4	30.2	7.8	7.4
Normalized profit (%)	na	234.3	38.0	7.8	7.4
Normalized EPS (%)	na	218.1	32.7	7.8	7.4
Dividend payout ratio (%)	0.0	47.4	50.0	50.0	50.0
Operating performance					
Gross margin (%)	67.4	73.2	73.1	73.4	74.1
Operating margin (%)	51.1	64.4	66.2	66.7	67.4
EBITDA margin (%)	65.1	77.4	81.2	81.5	82.1
Net margin (%)	24.7	42.7	48.9	52.1	55.0
D/E (incl. minor) (x)	4.7	2.5	1.8	1.3	0.9
Net D/E (incl. minor) (x)	4.7	2.1	1.5	1.0	0.7
Interest coverage - EBIT (x)	2.1	2.9	3.7	4.4	5.2
Interest coverage - EBITDA (x)	2.7	3.4	4.5	5.3	6.3
ROA - using norm profit (%)	2.7	6.8	8.9	9.9	11.0
ROE - using norm profit (%)	21.6	38.6	34.9	31.4	28.9
DuPont					
ROE - using after tax profit (%)	27.2	44.1	39.7	35.6	32.5
- asset turnover (x)	0.1	0.2	0.2	0.2	0.2
- operating margin (%)	51.8	64.9	66.9	67.3	68.0
- leverage (x)	7.9	5.7	3.9	3.2	2.6
- interest burden (%)	52.8	65.4	73.1	77.3	80.9
- tax burden (%)	90.5	100.5	100.0	100.0	100.0
WACC (%)	6.5	6.5	6.5	6.5	6.5
ROIC (%)	11.5	14.8	16.5	17.5	18.8
NOPAT (Bt m)	1,143	2,821	3,456	3,512	3,580

Sources: Company data, Thanachart estimates

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- In addition to the purchase price of a financial instrument, we will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction.
- In some cases, we may also charge a maximum of ¥2 million (including tax) per year as a standing proxy fee for our deposit of your securities, if you are a non-resident of Japan.
- For derivative and margin transactions etc., we may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by us.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with us.

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Financial instruments firm: chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan

Japan Investment Advisers Association

Type II Financial Instruments Firms Association

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