



Global Power Synergy

(GPSC.BK/GPSC TB)*

Outperform • Maintained

Price as of 9 Nov 2022	65.25
12M target price (Bt/shr)	74.00
Unchanged/Revised up(down)(%)	Unchanged
Upside/downside (%)	13.40

Key messages

GPSC posted a 3Q22 net profit of Bt330mn (-52% QoQ, -82% YoY) and core profit of Bt845mn (-23% QoQ, -63% YoY) on the absence of gain from transferring its battery business in 2Q22 and weak GPM following a surge in gas and coal prices. We expect 4Q22 net profit to be the highest of 2022, fueled by an insurance claim on GE Phase 5. Still, core profit may remain lackluster. The reversals in energy price, bond yields, and USD/THB would boost GPSC's performance in 2023, on top of investor sentiment. We maintain a rating of Outperform with a target price of Bt74.00. The stock should continue to enjoy positive rerating ahead.

3Q22 earnings review: Energy cost pressure

Event

3Q22 earnings review with a quick conference call.

Impact

3Q22 result – In line for the first time in 2022

GPSC inked a 3Q22 net profit of Bt331mn (-52% QoQ, -82% YoY), in line with estimates. Excluding extra items i) Bt61mn Fx losses; and iii) Bt453mn amortization of Glow acquisition, the core profit was Bt845mn (-23% QoQ, -63% YoY), on the absence of Bt288mn after-tax gain from transferring its battery business in 2Q22 and low GPM of 2.4% (vs. 5.4% in 2Q22). The 9M22 core number accounted for 67% of our 2022 forecast.

Weak bottom line despite peak for hydropower plants

The company's 3Q22 gross profit plunged 45% QoQ on i) swing in gas and coal prices to Bt513/mmbtu (+19% QoQ) and US\$355/ton (+73% QoQ); ii) rainy season; and iii) GHECO-One (17 days) and SRC IPP (26 days) planned and unplanned outage. We saw declines in gross profits for SPPs (-29% QoQ) and IPPs (-6% QoQ) and this could not be offset by dividend income of Bt81mn from RPCL, a 58% QoQ rise in share of profit (solely from a stronger XPCL), and higher average Ft rate of Bt0.4766/kWh (+0.3068). Avaada contributed lower losses due to higher operating capacity (+320MWe) and lower amortization, partly offset by the rainy season and some refinancing fees.

Quick preview of 4Q22F – Sustained operation before sharp rebound in 2023

We expect 4Q22's net profit to be the peak for 2022, fueled by ≥US\$20mn insurance claim on GE Phase 5. Still, core profit may remain lackluster on a continued rise in gas price of 5-10% QoQ and lofty coal price; seasonally higher SG&A and lower utility demand; and weaker result from XPCL. Positive factors that should help offset the former would be a stronger Avaada and higher average Ft rate of Bt0.9343/kWh (+0.46). Every 1 satang/mmbtu change in Ft would lead to a Bt60mn/year change in full-year net profit.

Our ideas in the near term

The reversals in energy price, bond yields, and USD/THB should boost GPSC's performance in 2023, on top of investor sentiment. In November 2022, we continue to see slowdowns for Asia JKM (LNG) and ICE Newcastle (coal) forward curves, implying a fall in the prices of future contracts (Figure 3) and lower than August 2022's data. At the 3Q22 meeting (November 16), management might share the progress on Avaada and new potential growth from Thailand and Vietnam's upcoming PDPs.

Valuation & Action

We maintain our Outperform rating with a 2023 DCF-based target price of Bt74.00. Investors should look towards the earnings recovery in 2023 while the share price has already priced in most of the negatives. With the upcoming PDPs, expected reversal in energy prices, bond yields, and US\$/THB rate, the stock should continue to enjoy positive rerating ahead. We prefer GPSC to B.Grimm Power (BGRIM.BK/BGRIM TB)* due to its laggard momentum and promising outlook from Avaada and coal price.

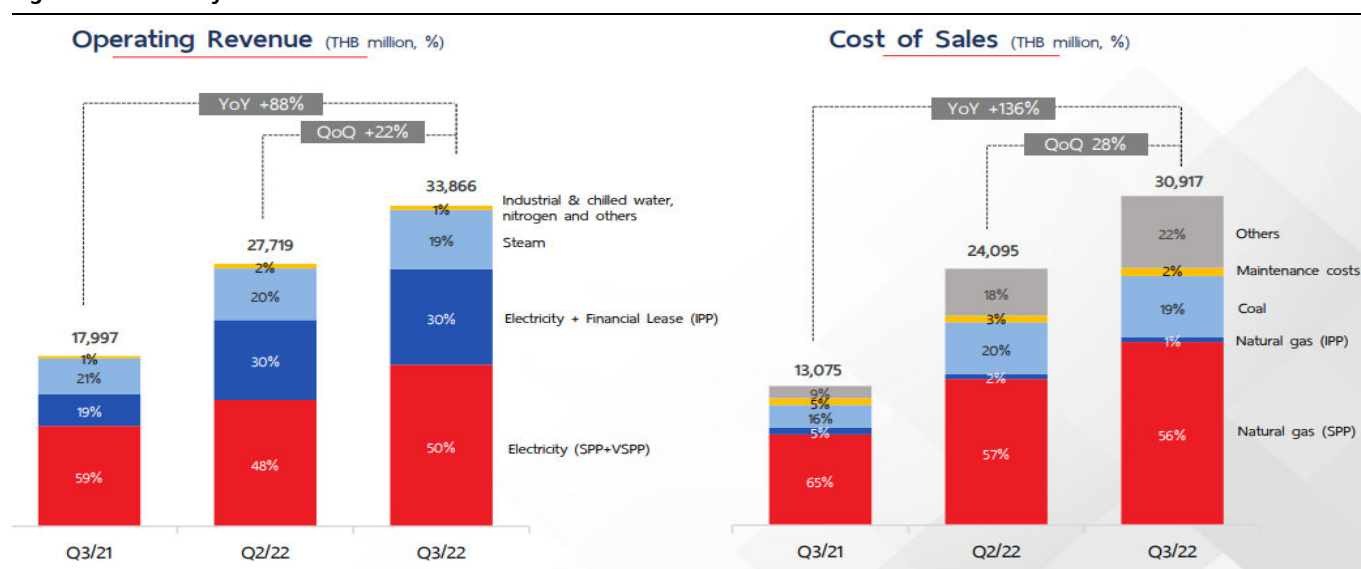
Risks

Unplanned maintenance, cost overruns, and fluctuations in FX and interest rates.

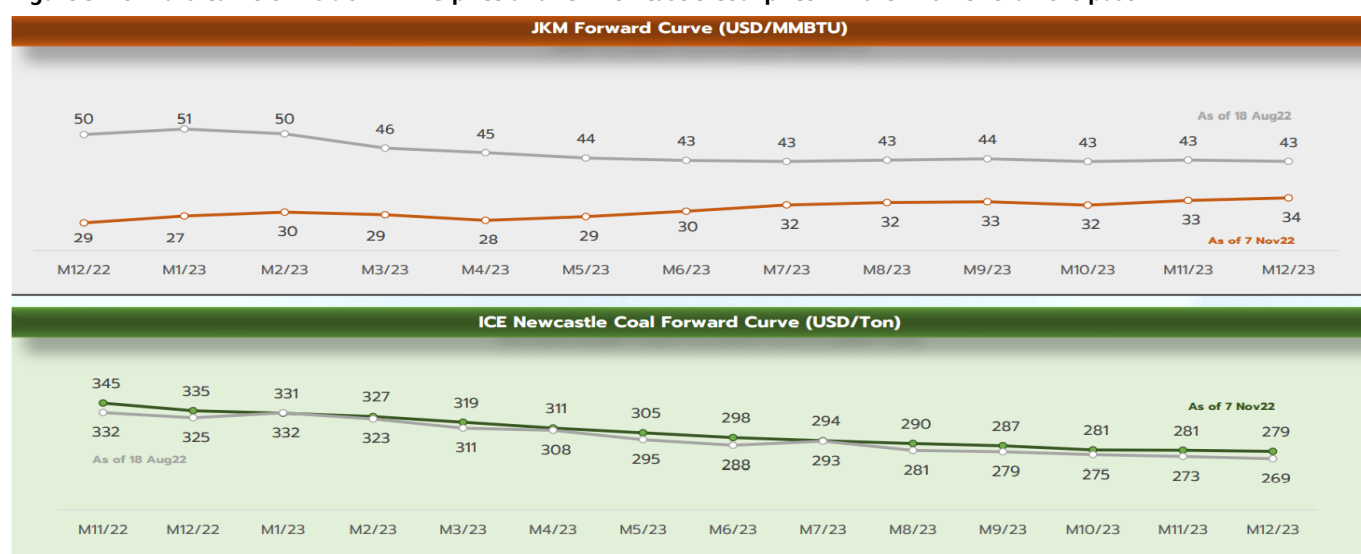
Figure 1: GPSC's 3Q22 earnings review

Bt mn	3Q22	3Q21	YoY (%)	2Q22	QoQ (%)	9M22	9M21	YoY (%)	Comments (9M22 vs 9M21)
Revenue	33,866	17,996	88.2	27,719	22.2	88,846	52,855	68.1	(+) pass-through energy prices and THB depreciation, despite slightly higher electricity volume sales from IPPs
Gross Profit	820	2,742	(70.1)	1,489	(44.9)	3,010	9,391	(67.9)	(-) a spike in energy costs (gas and coal prices)
SG&A	422	474	(10.9)	457	(7.8)	1,300	1,479	(12.1)	(+) lower investment related expenses and keen cost reduction
Operating EBITDA	2,980	4,966	(40.0)	3,952	(24.6)	10,412	16,083	(35.3)	
Non-Operating Inc./(Exp.)	78	(477.0)	116.3	(112)	169.5	31	(1,347)	102.3	(+) i) gains from sales of Ichinoseki and transferring battery business; ii) amortisation of GLOW; iii) unrelaxed Fx losses; and iv) Bt288mn after-tax gain from transferring its battery business
Equity Income/(Loss)	683	690	(1.0)	432	58.0	1,258	1,416	(11.2)	(-) grave operation of SPPs and Avaada, despite stronger Xayaburi's contribution
Interest expense	1,069	998	7.1	1,046	2.1	3,089	2,959	4.4	
Net Profit	331	1,875	(82.4)	684	(51.6)	1,328	6,150	(78.4)	
Normalized profit	845	2,265	(62.7)	1,100	(23.2)	2,192	6,986	(68.6)	
EPS (Bt)	0.12	0.66	(82.4)	0.24	(51.6)	0.47	2.18	(78.4)	
Normalized EPS (Bt)	0.30	0.80	(62.7)	0.39	(23.2)	0.78	2.48	(68.6)	
Percent	3Q22	3Q21	YoY (ppts)	2Q22	QoQ (ppts)	9M22	9M21	YoY (ppts)	
Gross margin	2.4	15.2	(12.8)	5.4	(2.9)	3.4	17.8	(14.4)	
EBITDA margin	8.8	27.6	(18.8)	14.3	(5.5)	0.0	0.0	0.0	
SG&A/sales	1.2	2.6	(1.4)	1.7	(0.4)	1.5	2.8	(1.3)	

Source: Company data, KGI Securities Research

Figure 2: GPSC's key financial statistics


Source: Company data, KGI Securities Research

Figure 3: Forward curve of Asia JKM LNG price and ICE Newcastle Coal price in 2023 – lower than the past


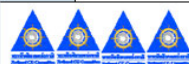
Source: Company data, KGI Securities Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	EGCO	ELECTRICITY GENERATING	PTTEP	PTT EXPLORATION AND PRODUCTION
ADVANC	ADVANCED INFO SERVICE	GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL
AMA	AMA MARINE	GGC	GLOBAL GREEN CHEMICALS	PYLON	PYLON
AMATA	AMATA CORPORATION	GPSC	GLOBAL POWER SYNERGY	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	HANA	HANA MICROELECTRONICS	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
AOT	AIRPORTS OF THAILAND	HMPRO	HOME PRODUCT CENTER	RS	RS
AP	ASIAN PROPERTY DEVELOPMENT	INTUCH	SHIN CORPORATION	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	IRPC	IRPC	SCC	THE SIAM CEMENT
BCP	THE BANGCHAK PETROLEUM	IVL	INDORAMA VENTURES	SCCC	SIAM CITY CEMENT
BCPG	BCPG	KBANK	KASIKORNBANK	SEAFCO	SEAFCO
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KCE	KCE ELECTRONICS	SMPC	SAHAMITR PRESSURE CONTAINER
BEC	BEC WORLD	KKP	KIATNAKIN BANK	SPALI	SUPALAI
BEM	BANGKOK EXPRESSWAY AND METRO	KTG	KRUNG THAI BANK	SPRC	STAR PETROLEUM REFINING
BGRIM	B. GRIMM POWER	KTC	KRUNGTHAI CARD	SVI	SVI
BPP	BANPU POWER	LH	LAND AND HOUSES	TACC	T.A.C. CONSUMER
BTS	BTS GROUP HOLDINGS	LPN	L.P.N. DEVELOPMENT	TCAP	THANACHART CAPITAL
CENDEL	CENTRAL PLAZA HOTEL	MAKRO	SIAM MAKRO	THCOM	THAICOM
CK	CH. KARNCHANG	MBK	MBK	TISCO	TISCO FINANCIAL GROUP
CKP	CK POWER	MINT	MINOR INTERNATIONAL	TOP	THAI OIL
CPALL	CP ALL	MTC	MUANGTHAI CAPITAL	TRUE	TRUE CORPORATION
CPF	CHARDEN POKPHAND FOODS	PLANB	PLAN B MEDIA	TTB	TMBTHANACHART BANK
CPN	CENTRAL PATTANA	PSH	PRUKSA HOLDING	VGI	VGI GLOBAL MEDIA
DELTA	DELTA ELECTRONICS (THAILAND)	PTG	PTG ENERGY	WHA	WHA CORPORATION
DTAC	TOTAL ACCESS COMMUNICATION	PTT	PTT	WHAUP	



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
BAM	BANGKOK COMMERCIAL ASSET MANAGEMENT	GULF	GULF ENERGY DEVELOPMENT	SAPPE	SAPPE
BBL	BANGKOK BANK	JMT	JMT NETWORK SERVICES	SAWAD	SRI SAWAD POWER 1979
CBG	CARABAO GROUP	LPH	LADPRAO GENERAL HOSPITAL	SINGER	SINGER THAILAND
CHG	CHULARAT HOSPITAL	M	MK RESTAURANT GROUP	SPA	SIAM WELLNESS GROUP
COM7	COM7	MAJOR	MAJOR CINEPLEX GROUP	TFG	THAIFOODS GROUP
DOHOME	DOHOME	MEGA	MEGA LIFESCIENCES	TKN	TAOKAENOI FOOD & MARKETING
ERW	THE ERAWAN GROUP	NETBAY	NETBAY	ZEN	ZEN CORPORATION GROUP
GLOBAL	SIAM GLOBAL HOUSE	OSP	OSOTSPA		



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	ESSO	ESSO (THAILAND)	SF	SIAM FUTURE DEVELOPMENT
BH	BUMRUNGRAD HOSPITAL	HUMAN	HUMANICA	SISB	SISB
EKH	EKACHAI MEDICAL CARE	RBF	R&B FOOD SUPPLY	TPCH	TPC POWER HOLDING

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
IIG	I&I GROUP	OR	PTT OIL AND RETAIL BUSINESS	STGT	SRI TRANG GLOVES (THAILAND)
KEX	KERRY EXPRESS (THAILAND)	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	GLOBAL	SIAM GLOBAL HOUSE	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	GPSC	GLOBAL POWER SYNERGY	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BBL	BANGKOK BANK	HMPRO	HOME PRODUCT CENTER	ROBINS	ROBINSON DEPARTMENT STORE
BCH	BANGKOK CHAIN HOSPITAL	IRPC	IRPC	SCC	THE SIAM CEMENT
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KBANK	KASIKORN BANK	SIRI	SANSIRI
BIGC	BIG C SUPERCENTER	KCE	KCE ELECTRONICS	SPALI	SUPALAI
CK	CH. KARNCHANG	KKP	KIATNAKIN BANK	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DCC	DYNASTY CERAMIC	KTG	KRUNG THAI BANK	TCAP	THANACHART CAPITAL
DELTA	DELTA ELECTRONICS (THAILAND)	LPH	LADPRAO GENERAL HOSPITAL	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	PACE	PACE DEVELOPMENT CORPORATION	TMT	THAI METAL TRADE
EGCO	ELECTRICITY GENERATING	PTT	PTT	TOP	THAI OIL
GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERWAN GROUP	SAPPE	SAPPE
AP	ASIAN PROPERTY DEVELOPMENT	GLOW	GLOW ENERGY	SAWAD	SRI SAWAD POWER 1979
BA	BANGKOK AIRWAYS	GUNKUL	GUNKUL ENGINEERING	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	ILINK	INTERLINK COMMUNICATION	SCN	SCAN INTER
BCP	THE BANGCHAK PETROLEUM	KTC	KRUNGTHAI CARD	SEAFICO	SEAFICO
BH	BUMRUNGRAD HOSPITAL	LH	LAND AND HOUSES	SVI	SVI
BJCHI	BJC HEAVY INDUSTRIES	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CBG	CARABAO GROUP	MAKRO	SIAM MAKRO	TKN	TAOKAENOI FOOD & MARKETING
CENDEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TMB	TMB BANK
CHG	CHULARAT HOSPITAL	MINT	MINOR INTERNATIONAL	TRT	TIRATHAI
CKP	CK POWER	MODERN	MODERN FORM GROUP	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
CPN	CENTRAL PATTANA	PTTEP	PTT EXPLORATION AND PRODUCTION		
DTAC	TOTAL ACCESS COMMUNICATION	PYLON	PYLON		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
BEM	BANGKOK EXPRESSWAY AND METRO	MTLS	MUANGTHAI LEASING	SPRC	STAR PETROLEUM REFINING
CPALL	CP ALL	SCI	SCI ELECTRIC		

No progress

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	BPP	BANPU POWER	FN	FN FACTORY OUTLET
BCPG	BCPG	BTS	BTS GROUP HOLDINGS	TPCH	TPC POWER HOLDING

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

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KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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