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### KEY HIGHLIGHTS

Update

**Energy Absolute (EA TB/BUY/Bt56.25/Target: Bt81.00)**

On the path to achieving new record-high revenue and profit.

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### KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,522.59	8.33	0.55
SET50	933.69	6.17	0.67
Value (Btm) - SET	54,398		
<b>Top 5 Sector</b>			
BANK	390.10	(4.37)	(1.11)
PETRO	739.32	27.23	3.82
PROP	240.83	2.24	0.94
ENERG	21,296.06	117.73	0.56
ICT	164.82	1.86	1.14

Source: Bloomberg

### TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
SCB	103.50	(4.61)	80,860.3
PTT	33.50	0.75	89,497.0
KBANK	126.00	(0.79)	22,931.0
ADVANC	228.00	2.70	10,975.9
BDMS	26.25	(0.94)	71,087.7

### TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
NEWS	0.02	100.00	6,666.6
ROCK	12.20	28.42	42.9
EE	0.39	14.71	153,908.9
NATION	0.09	12.50	137,865.0
JDF	2.66	9.92	8,021.6

### TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
TWZ	0.04	(20.00)	1,589.2
B	0.05	(16.67)	8,789.7
TU-PF	0.59	(13.24)	0.6
NEP	0.21	(8.70)	3,770.8
BAREIT	8.65	(6.99)	6,286.0

### KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	93.6	11.5	26.8	14.0
Dubai crude*	94.6	9.9	23.4	20.2
Baltic Dry Index	1,593.0	47.5	28.5	5.1
Gold Spot***	1,924.1	0.5	0.2	5.5

\*(US\$/bbl), \*\*\* (US\$/toz)

### FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(36.3)	(531.7)	(4,442.8)	(8,719.9)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 35.96

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)\* - MLR = 6.85

### COMPANY UPDATE

## Energy Absolute (EA TB)

On The Path To Achieving New Record-high Revenue And Profit

We reiterate a positive view on earnings, which are expected to hit a new record high in 2023. EA is expected to see minor impacts from the cut in FT rate, 1-2% of our 2023 earnings assumption. Negative operating cash flow is likely to continue till 4Q23 but improve from 1Q24 onwards. 3Q23 earnings are expected to increase yoy and qoq. Maintain BUY. Target price: Bt81.00.

### WHAT'S NEW

- Maintain a positive earnings outlook for 2023.** Energy Absolute's (EA) management remains confident about the revenue outlook that is expected to reach about Bt41b in 2023 (+50% yoy). Gross profit also is forecasted to exceed Bt10b. Revenue growth is expected to be driven by: a) increasing production efficiency and selling price in the renewable power business, b) higher revenue from the battery and EV business following increased EV deliveries, and c) increasing revenue from the biodiesel business (Bio-PCM and green diesel). Following the revenue and gross profit outlook, we remain positive on earnings for 2023, which is expected to hit a new record high.
- Small impact from cut in FT rate.** According to the fuel tariff (FT) rate cut by the Energy Regulatory Commission (ERC) and the Cabinet, the average electricity price will decrease from Bt4.70/unit to Bt3.99/unit, effective Sep-Dec 23. Given the unexpectedly sharp decline in the FT rate, we think that EA should be less affected than other renewable producers. EA still has subsidies in its current tariff (called "Adder"). We estimate minor impacts on our 2023 earnings forecast of 1-2% as our assumptions are too conservative, and the negative impact from the cut in the FT rate should be offset by upside risk from the ramp-up in revenues in the battery and EV business in 2H23.
- Expand investment in waste management business.** EA has won the bid for a community waste disposal center in Koh Larn, under a build operate transfer (BOT) concession agreement for 25 years. The company also sees opportunities for expansion to other islands. In addition, EA also revealed that the investment of Bt2.0b in a waste power plant with an incinerator system of 500 tonnes/day located on Phuket Island, is expected to generate 9.9 MWh. Selling electricity to the Provincial Electricity Authority (PEA) is in a very small power producer (VSPP) format of 8 MWh. Construction is expected to take about three years. The feed-in tariff (FiT) rate will be Bt5.14/unit and a premium of Bt0.70/unit for the first eight years, totalling 5.84 baht/unit. After 20 years of operation, the company will transfer ownership to the Phuket Municipality.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	20,173.8	25,354.6	34,871.7	40,436.2	44,144.9
EBITDA	9,611.1	10,181.4	14,935.3	15,224.6	15,428.8
Operating profit	6,843.1	6,533.7	10,631.9	10,756.7	10,796.4
Net profit (rep./act.)	6,100.1	7,604.3	9,151.7	9,335.7	9,436.4
Net profit (adj.)	6,036.6	7,587.5	9,151.7	9,335.7	9,436.4
EPS (Bt)	1.6	2.0	2.5	2.5	2.5
PE (x)	34.8	27.7	22.9	22.5	22.2
P/B (x)	6.5	5.4	4.5	3.8	3.3
EV/EBITDA (x)	27.3	25.8	17.6	17.3	17.0
Dividend yield (%)	0.5	0.5	0.6	0.6	0.6
Net margin (%)	30.2	30.0	26.2	23.1	21.4
Net debt/(cash) to equity (%)	129.3	127.0	107.8	87.8	69.3
Interest cover (x)	6.9	7.2	8.8	9.3	9.8
Consensus net profit	-	-	8,380	8,598	8,988
UOBKH/Consensus (x)	-	-	1.09	1.09	1.05

Source: Energy Absolute, Bloomberg, UOB Kay Hian

## BUY

(Maintained)

Share Price	Bt56.25
Target Price	Bt81.00
Upside	+44.0%

### COMPANY DESCRIPTION

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

### STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	EA TB
Shares issued (m):	3,730.0
Market cap (Btm):	209,812.5
Market cap (US\$m):	5,825.2
3-mth avg daily t'over (US\$m):	23.7

### Price Performance (%)

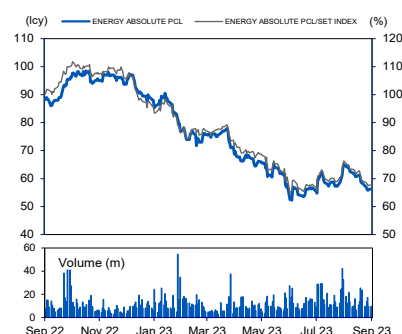
52-week high/low	Bt98.50/Bt52.25			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(5.9)	(1.3)	(26.0)	(38.0)	(42.0)

### Major Shareholders

	%
UBS AG SINGAPORE BRANCH	32.9
MR. SOMPHOTE AHUNAI	11.1
SOTUS & FAITH # 1 LIMITED	8.0

FY23 NAV/Share (Bt)	12.60
FY23 Net Debt/Share (Bt)	13.59

### PRICE CHART



Source: Bloomberg

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## STOCK IMPACT

- Operating cash flow issue prolonged till 4Q23.** Negative operating cash flow is expected to continue till 4Q23 due to still having EV bus deliveries to Thai Smile Bus (TSB) in 2H23. However, operating cash flow is likely to improve from 1Q24 onwards due to the delivery of buses to TSB in full, along with a reduction in financial support for TSB, as it expects higher revenue from bus operations and advertising. In addition, EA plans to issue financial instruments (digitalised assets) in 1Q24, which would be positive for its financial statement.
- 3Q23 earnings expected to increase yoy and qoq.** We expect net profit to increase yoy and qoq in 3Q23, at Bt2.4b-Bt2.5b. The accelerated delivery of EV vehicles would drive this improvement as we expect EV deliveries of 800-900 units (vs 3Q22: 251 units, 2Q23: 655 units). Meanwhile, revenue from the renewable power plant business is expected to improve yoy on expected solid performance in solar power plants after solar panels replacement.

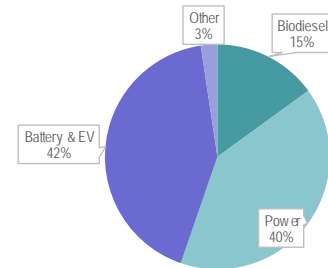
## EARNINGS REVISION

- None.

## VALUATION/RECOMMENDATION

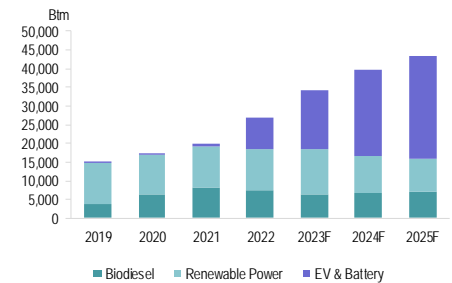
- Maintain BUY with a target price of Bt81.00.** We value EA's renewable power plant business at Bt40.10/share, based on DCF. The cash flow is discounted to 2023. We value the biodiesel business at Bt1.00/share, assuming 20x 2023F PE. In addition, the battery and EV business is valued at Bt39.60/share.
- We remain positive on EA's earnings outlook on the back of its accelerating battery and EV business. We still like EA as the market leader, enjoying benefits from incentives and having the potential to gain new EV orders from both domestic and overseas markets. In addition, EA is trading at an undemanding valuation.

## REVENUE CONTRIBUTION (2023)



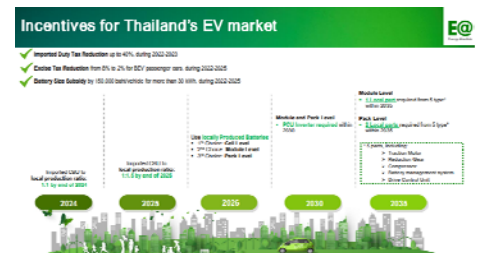
Source: EA, UOB Kay Hian

## REVENUE OUTLOOK



Source: EA, UOB Kay Hian

## REVENUE OUTLOOK



Source: EA, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
<b>Net turnover</b>	<b>25,355</b>	<b>34,872</b>	<b>40,436</b>	<b>44,145</b>
EBITDA	10,181	14,935	15,225	15,429
Deprec. & amort.	3,648	4,303	4,468	4,632
EBIT	6,534	10,632	10,757	10,796
Total other non-operating income	2,192	200	200	200
Associate contributions	218	0	0	0
Net interest income/(expense)	(1,413)	(1,698)	(1,635)	(1,572)
<b>Pre-tax profit</b>	<b>7,552</b>	<b>9,134</b>	<b>9,322</b>	<b>9,425</b>
Tax	(145)	(183)	(186)	(188)
Minorities	198	200	200	200
<b>Net profit</b>	<b>7,604</b>	<b>9,152</b>	<b>9,336</b>	<b>9,436</b>
Net profit (adj.)	7,588	9,152	9,336	9,436

### CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
<b>Operating</b>	<b>4,176</b>	<b>7,230</b>	<b>10,256</b>	<b>12,311</b>
Pre-tax profit	7,552	9,134	9,322	9,425
Tax	(145)	(183)	(186)	(188)
Deprec. & amort.	3,648	4,303	4,468	4,632
Working capital changes	(2,898)	(4,197)	(2,296)	(857)
Non-cash items	(3,980)	(1,828)	(1,052)	(701)
Other operating cashflows	(1)	0	0	0
<b>Investing</b>	<b>(10,362)</b>	<b>(7,441)</b>	<b>(6,813)</b>	<b>(6,554)</b>
Capex (growth)	916	(4,400)	(4,400)	(4,400)
Investments	(7,316)	(1,022)	(1,007)	(1,008)
Others	(3,962)	(2,019)	(1,406)	(1,146)
<b>Financing</b>	<b>6,465</b>	<b>2,872</b>	<b>(3,293)</b>	<b>(3,325)</b>
Dividend payments	(1,118)	(1,145)	(1,193)	(1,225)
Issue of shares	0	0	0	0
Proceeds from borrowings	7,668	3,939	(2,100)	(2,100)
Others/interest paid	(85)	77	0	0
<b>Net cash inflow (outflow)</b>	<b>279</b>	<b>2,661</b>	<b>150</b>	<b>2,433</b>
Beginning cash & cash equivalent	2,944	3,223	5,883	6,033
Ending cash & cash equivalent	3,223	5,883	6,033	8,466

### BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
<b>Fixed assets</b>	<b>59,899</b>	<b>59,996</b>	<b>59,928</b>	<b>59,695</b>
Other LT assets	20,938	24,584	27,094	29,103
Cash/ST investment	3,223	5,883	6,033	8,466
Other current assets	19,305	24,061	27,497	29,577
<b>Total assets</b>	<b>103,364</b>	<b>114,524</b>	<b>120,551</b>	<b>126,841</b>
ST debt	19,592	21,776	19,676	17,576
Other current liabilities	6,883	5,614	5,702	6,224
LT debt	33,052	34,807	34,807	34,807
Other LT liabilities	2,533	3,138	3,235	3,090
Shareholders' equity	38,929	47,013	55,156	63,368
Minority interest	2,375	2,175	1,975	1,775
<b>Total liabilities &amp; equity</b>	<b>103,364</b>	<b>114,524</b>	<b>120,551</b>	<b>126,841</b>

### KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
<b>Profitability</b>				
EBITDA margin	40.2	42.8	37.7	35.0
Pre-tax margin	29.8	26.2	23.1	21.3
Net margin	30.0	26.2	23.1	21.4
Net profit (adj.)	25.7	20.6	2.0	1.1
<b>Leverage</b>				
Debt to total capital	56.0	53.5	48.8	44.6
Debt to equity	135.2	120.4	98.8	82.7
Net debt/(cash) to equity	127.0	107.8	87.8	69.3
Interest cover (x)	7.2	8.8	9.3	9.8

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