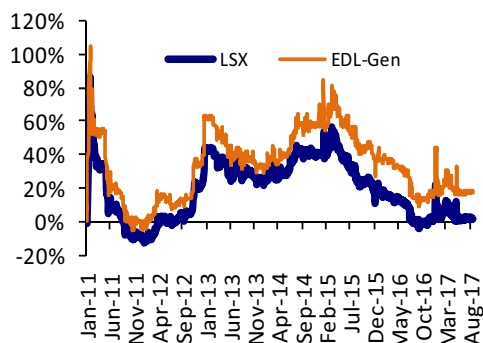


## Stronger core profit in 2Q17 with peak quarter likely in 3Q17; good years ahead

Price Performance (%)



Source: Bloomberg, KT ZMICO Research

|                        | FY17   | FY18   |
|------------------------|--------|--------|
| Consensus EPS (Kip)    | 238.81 | 425.87 |
| KT ZMICO vs. consensus | 0.0    | 0.0    |

### Share data

|                             |                     |  |
|-----------------------------|---------------------|--|
| Reuters / Bloomberg         | EDL.BK/EDL.LS       |  |
| Paid-up Shares (m)          | 1,679.30            |  |
| Par (USD, Kip)              | 0.48 / 4,000        |  |
| Market cap (Kip bn/USDmn)   | 8,480.48 / 1,023.10 |  |
| Foreign limit / actual (%)  | 25.00 / 13.2963     |  |
| 52 week High / Low (Kip)    | 6,200 / 4,700       |  |
| Avg. daily T/O (shares 000) | 68.44               |  |
| Estimated free float (%)    | 11.7037             |  |
| Beta                        | 0.82                |  |
| URL                         | www.edlgen.com.la   |  |

### Note:

BCEL-KT Securities is the underwriter of EDL-Gen. BCEL-KT Securities Co., Ltd. is a joint venture company between BCEL Bank and KT ZMICO Securities (Thailand).

**KT ZMICO is a selling agent of EDL-Gen's capital increase totaling 453.09mn shares through rights offering and public offering with the subscription period during 28 Aug. 2015 – 8 Sept. 2015.**

### Patcharin Karsemarnuntana

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### Seasonal peak in 3Q; positive earnings momentum in years ahead

Given its share price largely pricing in the depressed earnings cycle, which is likely to end in 2017E, followed by positive earnings momentum in the years ahead on the kickoff of new MW additions, making its forward PBV/ROE trade on an undemanding trend at 0.12x in 2018E and below 0.1x from then on (vs. Thailand's medium to large peers at the average of 0.14x 2018E PBV/ROE), against its profit generation of 538mn kip/effective MW in 2018E, equivalent to Bt2.2mn/MW (vs. Thailand's peers at the average of Bt1.9mn/MW), we maintain our Buy call on EDL-Gen, with the rolled-over 2018E TP of LAK8,840/share.

### Stronger 2Q17 NP, particularly on QoQ basis

EDL-Gen delivered stronger NP of 113.5bn kip in 2Q17, gaining sharply by 602% QoQ but down 36% YoY, with operational improvement as the main driver despite the larger forex loss. Its core profit saw visible improvement to 140.7bn kip in 2Q17 (+306% QoQ but -14% YoY), mainly contributed by IPPs to the extent of 104.7bn kip in line with their higher power generation, while the remaining 36bn kip was from HPPs, with higher finance costs at the consolidated line (to 149.1bn kip in the quarter, +64% QoQ and +552% YoY) as the main weakness.

### Announced 1H17 DPS at 110 kip

It announced a 1H17 DPS at 110 kip, implying a dividend yield of 2.2% in the period. It will go XD on 28 Sept., with the payment date on 9 Oct., 2017.

### 2017E earnings maintained; earnings upturn likely to start in 2018E

Given the 1H17 core profit and NP representing 41% and 32% of our full-year forecasts with the seasonal peak quarter likely in 3Q, we maintain our 2017E earnings estimates, which should be another year of low earnings. However, the year 2018E will be the start of its earnings upturn, with higher power generation as the key driver behind our projected 78% growth in NP. Meanwhile, our view on its long-term earnings prospects remains unchanged. We call for NP growth at 30% CAGR during 2018-21E thanks to an increase in the consolidated power generation at a faster rate than finance costs; as a result, profit generation and projected ROE will be on an accelerating trend in the period.

### Capacity growth to be back-end loaded in 2019E and 2023E

The company has planned a capacity addition of 868MW to its portfolio, bringing total capacity to 1,999MW by 2024E (~77% growth from 1,131MW in 2016), with the accelerating pace to be back-end loaded in 2019E and 2023E. Given the uptrend of the CAPEX cycle, its debt-to-equity ratio will continue to climb from 0.98x at end-2Q17 and likely peak at 1.5x in 2019E before entering a declining trend onward.

### Financials and Valuation

| FY Ended 31 Dec     | 2015    | 2016      | 2017E     | 2018E     | 2019E     |
|---------------------|---------|-----------|-----------|-----------|-----------|
| Sales (Kipmn)       | 847,759 | 1,241,181 | 1,344,363 | 1,637,057 | 2,106,281 |
| Net profit (Kipmn)  | 640,839 | 554,349   | 401,028   | 715,163   | 953,426   |
| EPS (Kip) - FD      | 381.61  | 330.11    | 238.81    | 425.87    | 567.75    |
| EPS growth - FD (%) | (48.4)  | (13.5)    | (27.7)    | 78.3      | 33.3      |
| DPS (Kip)           | 260     | 290       | 203       | 256       | 341       |
| BV (Kip)            | 5,421   | 5,472     | 5,508     | 5,678     | 5,905     |

| FY Ended 31 Dec    | 2015 | 2016 | 2017E | 2018E | 2019E |
|--------------------|------|------|-------|-------|-------|
| PER (x)            | 13.2 | 15.3 | 21.1  | 11.9  | 8.9   |
| EV/EBITDA (x)      | 10.1 | 9.5  | 12.3  | 8.3   | 9.5   |
| PBV (x)            | 0.9  | 0.9  | 0.9   | 0.9   | 0.9   |
| Dividend yield (%) | 5.1  | 5.7  | 4.0   | 5.1   | 6.7   |
| ROE (%)            | 8.3  | 6.1  | 4.3   | 7.6   | 9.8   |
| Net gearing (%)    | 13.8 | 30.6 | 89.0  | 69.2  | 139.9 |



### **Stronger 2Q17 NP, particularly on QoQ basis**

EDL-Gen delivered stronger NP of 113.5bn kip in 2Q17, gaining sharply by 602% QoQ from its record low in 1Q17 but down 36% YoY, with operational improvement as the main driver despite the larger forex loss. Stripping out the 27.2bn kip forex loss, its core profit saw visible improvement to 140.7bn kip in 2Q17 (+306% QoQ but -14% YoY), mainly contributed by IPPs to the extent of 104.7bn kip in line with their higher power generation, while the remaining 36bn kip was from HPPs with the higher finance costs at the consolidated line (to 149.1bn kip in the quarter, +64% QoQ and +552% YoY) as the main weakness.

Its HPPs (ten wholly-owned hydropower plants) reported well-ahead-of-plan power generating at 715.2GWh in 2Q17 (~15% above the company's plan of 622.7GWh in the quarter), +37% QoQ and +18% YoY, with greater performances, particularly in the case of Houay Lamphan Ngai, Xeset 1-2, Nam Leuk, and Nam Mang 3, as the main driver, more than offsetting the sustained low power generation at Nam Khan 2 (at 54.9GWh in the quarter, -21% QoQ and -18% YoY, still far short of the plan).

Meanwhile, its five IPPs registered slightly ahead-of-plan (3%) power generation at 644.4GWh in 2Q17 (on an equity basis), sharply expanding by 45% QoQ and 31% YoY, underpinned by the stronger power generation at Theun Hinboun and Houay Ho, against the continuing weak power generation at Nam Ngum 2 and Nam Ngum 5.

### **Larger forex loss behind the reported 1H17 NP of 129.7bn kip**

The company reported 1H17 NP of 129.7bn kip (-48% YoY), including forex loss of 45.6bn kip in the period. At the same time, its core profit amounted to 175.3bn in 1H17 (-25% YoY), for the same reasons as highlighted in 2Q17.

Given the 1H17 core profit and NP representing 41% and 32% of our full-year forecasts with the seasonal peak quarter likely in 3Q, we maintain our 2017E earnings estimates. This should be another year of low earnings given the mismatch of the moderate growth in power generation against the substantial increase in finance costs (to 450.5bn kip in 2017E, +191% YoY, with 1H17 finance costs representing 53% of our forecast) following the new US\$312mn debentures issuance in Sept. 2016 for capacity expansion.

At the same time, our forecasts call for moderate growth in power generation for its HPPs at 2,809Gwh (+7% YoY) in 2017E, with negligible growth in power generation by the existing ten HPPs (~2,696GWh, +2.6% YoY, mainly weighed down by Nam Khan 2 with a transmission line upgrade underway, resulting in a slow ramp up in its power generation), and a small contribution kickoff from Nam San 3A and Nam San 3B on top (likely to firstly contribute in 4Q17E upon the completion of the acquisition transaction). Moreover, its IPPs are projected to deliver moderate growth in power generation to 2,091GWh in the year (+5% YoY), mainly contributed by the existing five IPPs at 2,083GWh in the year (+4.7% YoY following the major overhaul done at Theun Hinboun in 1Q17 and the continued low water inflow at Nam Ngum 2), with a negligible contribution from the new IPPs on top. Note that the power generation reported in 1H17, i.e., 1,238.5GWh from HPPs and 1,089.3GWh from IPPs, is almost halfway to achieving our full-year forecasts (~44% and 52%, respectively).

**Figure 1: EDL-Gen's 2Q17 and 1H17 earnings review**

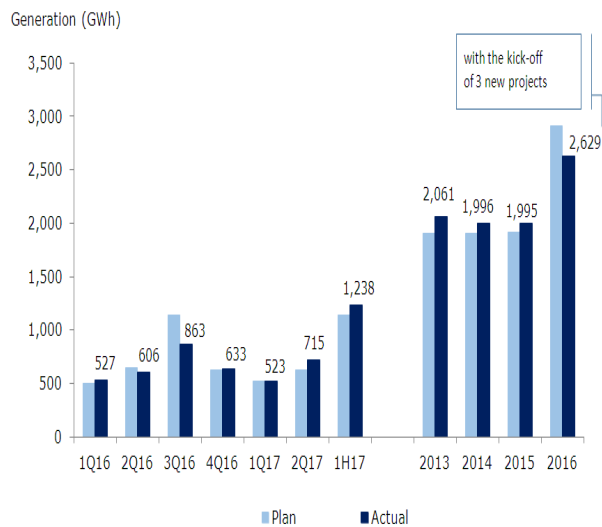
| unit: mnkip                   | 2Q16           | 1Q17           | 2Q17           | % YoY  | % QoQ  | 1H16           | 1H17           | % YoY  | 2016             | 2017E            | % YoY  | YTD (% 17E) |
|-------------------------------|----------------|----------------|----------------|--------|--------|----------------|----------------|--------|------------------|------------------|--------|-------------|
| <b>Electricity sales</b>      | <b>278,678</b> | <b>243,194</b> | <b>331,372</b> | 18.9   | 36.3   | <b>564,996</b> | <b>574,566</b> | 1.7    | <b>1,241,181</b> | <b>1,344,363</b> | 8.3    | 42.7        |
| Cost of sales                 | (114,840)      | (113,694)      | (108,768)      | (5.3)  | (4.3)  | (254,284)      | (222,462)      | (12.5) | (486,391)        | (519,324)        | 6.8    | 42.8        |
| Gross profit                  | 163,838        | 129,500        | 222,604        | 35.9   | 71.9   | 310,712        | 352,104        | 13.3   | 754,790          | 825,039          | 9.3    | 42.7        |
| Profit from associates and JV | 54,894         | 15,919         | 104,674        | 90.7   | 557.5  | 36,029         | 120,593        | 234.7  | 178,051          | 235,664          | 32.4   | 51.2        |
| Other income                  | 1,793          | 5,381          | 7,648          | 326.5  | 42.1   | 5,181          | 13,029         | 151.5  | 11,065           | 11,223           | 1.4    | 116.1       |
| Exchange gain (loss)          | 13,654         | (18,492)       | (27,154)       | nm     | 46.8   | 18,618         | (45,646)       | nm     | (64,800)         | (26,253)         | (59.5) | 173.9       |
| <b>Total revenue</b>          | <b>349,019</b> | <b>246,002</b> | <b>416,540</b> | 19.3   | 69.3   | <b>624,824</b> | <b>662,542</b> | 6.0    | <b>1,365,497</b> | <b>1,564,997</b> | 14.6   | 42.3        |
| Gain before expenses          | 234,179        | 132,308        | 307,772        | 31.4   | 132.6  | 370,540        | 440,080        | 18.8   | 879,106          | 1,045,673        | 18.9   | 42.1        |
| Administrative exp.           | (20,697)       | (21,680)       | (42,983)       | 107.7  | 98.3   | (43,417)       | (64,663)       | 48.9   | (120,729)        | (146,793)        | 21.6   | 44.1        |
| Finance costs                 | (22,862)       | (90,802)       | (149,073)      | 552.1  | 64.2   | (51,339)       | (239,875)      | 367.2  | (154,918)        | (450,487)        | 190.8  | 53.2        |
| Income tax                    | (13,855)       | (3,660)        | (2,692)        | (80.6) | (26.4) | (24,297)       | (6,352)        | (73.9) | (49,110)         | (46,258)         | (5.8)  | 13.7        |
| Minorities interest           |                |                | 473            | nm     | nm     |                | 473            | nm     | 0                | 0                | nm     | nm          |
| <b>Net profit</b>             | <b>176,765</b> | <b>16,166</b>  | <b>113,497</b> | (35.8) | 602.1  | <b>251,487</b> | <b>129,663</b> | (48.4) | <b>554,349</b>   | <b>401,028</b>   | (27.7) | 32.3        |
| <b>Core profit</b>            | <b>163,111</b> | <b>34,658</b>  | <b>140,651</b> | (13.8) | 305.8  | <b>232,869</b> | <b>175,309</b> | (24.7) | <b>619,149</b>   | <b>427,282</b>   | (31.0) | 41.0        |
| <b>EPS (kip)</b>              | <b>105.26</b>  | <b>9.63</b>    | <b>67.59</b>   | (35.8) | 601.9  | 149.76         | 77.22          | (48.4) | 330.11           | 238.81           | (27.7) | 32.3        |
| GP margin (%)*                | 58.8           | 53.2           | 67.2           |        |        | 55.0           | 61.3           |        | 60.8             | 61.4             |        |             |
| EBITDA margin (%)             | 83.7           | 86.9           | 87.8           |        |        | 86.0           | 87.5           |        | 87.3             | 86.8             |        |             |
| NP margin (%)                 | 50.6           | 6.6            | 27.2           |        |        | 40.2           | 19.6           |        | 40.6             | 25.6             |        |             |
| ROE (%)                       | 7.7            | 0.7            | 5.0            |        |        | 5.5            | 2.9            |        | 6.1              | 4.3              |        |             |
| Debt/Equity (x)               | 0.72           | 0.98           | 0.98           |        |        | 0.72           | 0.98           |        | 0.98             | 1.12             |        |             |

Note: \*GP margin = gross profit from operation / electricity sales

Source: KT ZMICO Research

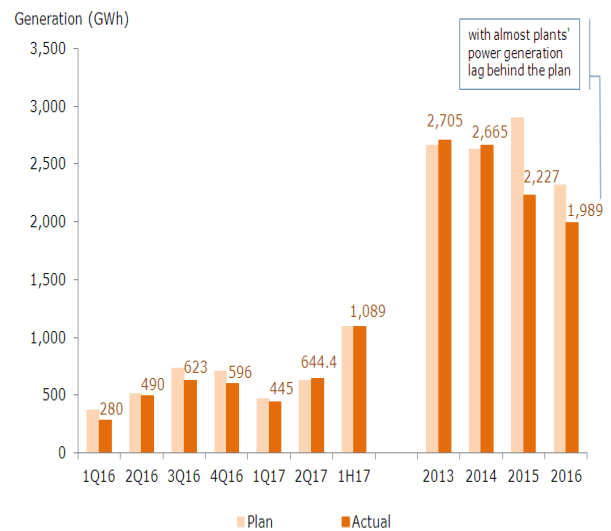
**Figure 2: Power generation of EDL-Gen's wholly-owned HPPs and IPPs**

**A) Power generation of its 10 wholly-owned hydropower projects**



Source: Company, KT ZMICO Research

**B) Power generation of its IPPs (on an equity basis)**

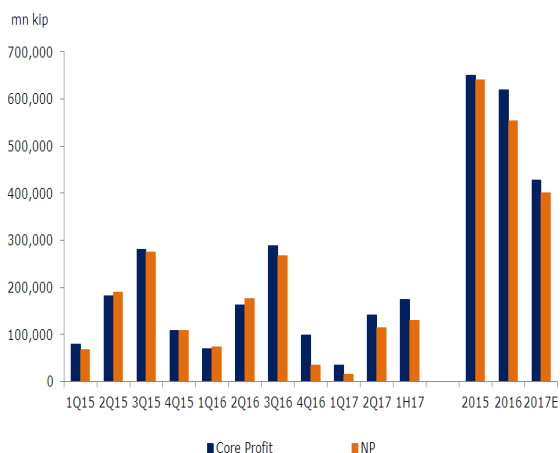


Source: Company, KT ZMICO Research

Note: Power generation of the IPPs shown is on an equity basis, with the Nam Ngum 2's power generation including only Primary Energy (PE)

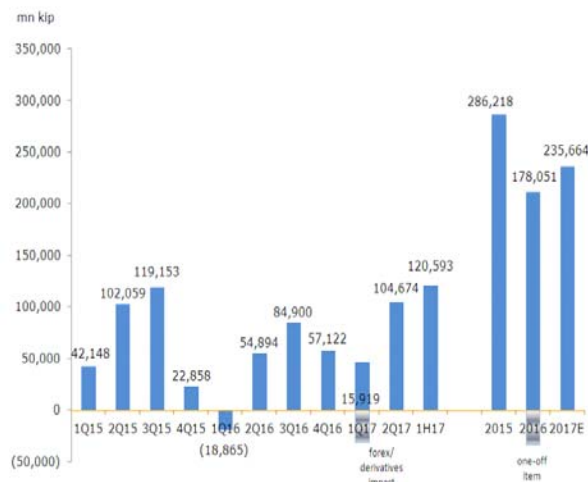
**Figure 3: EDL-Gen’s reported earnings performance**

**A) EDL-Gen’s core profit and NP**



Source: Company, KT ZMICO Research

**B) Profit contribution from IPPs**



Source: Company, KT ZMICO Research

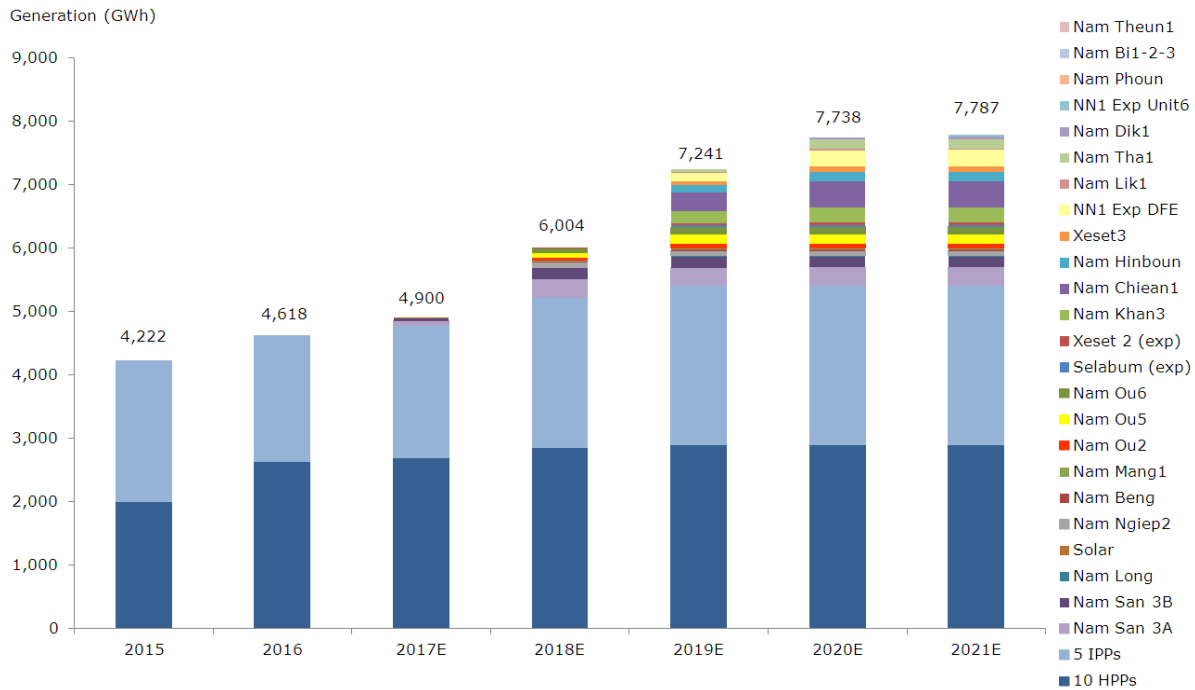
**Earnings upturn likely to start in 2018E**

We believe the year 2018E will be the start of the company’s earnings upturn, with significant 78% growth in NP in line with higher power generation. The ramp up of power generation at Nam Khan 2 to the economic level (with projected power generation of 512GWh in the year) as well as the first full-year contribution of Nam San 3A and Nam San 3B will be the key catalysts behind HPPs, while the larger power generation at Theun Hinboun and the new capacity addition will be the growth stories behind IPPs.

We keep our long-term forecasts unchanged, calling for the company’s 2018-21E NP growth at 30% CAGR thanks to the increase in consolidated power generation (driven by the existing projects and the successive new capacity additions from the power assets/stakes transferred from EDL) at a faster rate than finance costs.

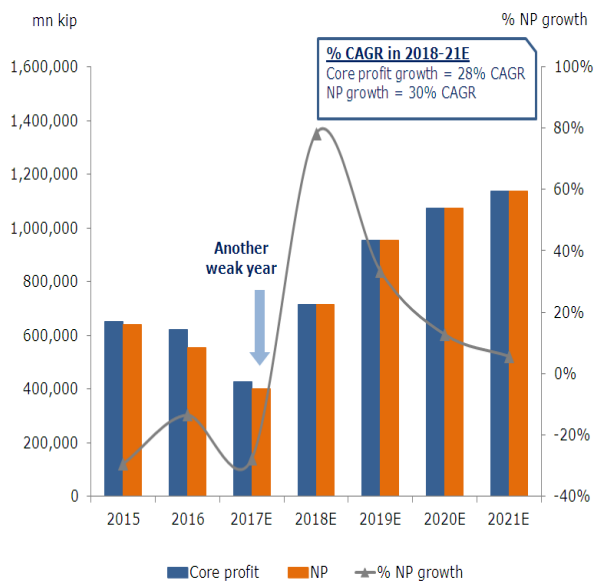
The mismatch of the company’s new project contributions and the accelerating finance costs to fund its investment expansion largely falls in 2017E and will subsequently improve from 2018E onwards. From that point, its profit contribution per effective MW will continue on an uptrend cycle and exceed 800mn kip/effective MW given all projects in the pipeline to be fully felt in 2024E; meanwhile, its ROE will improve as well to nearly 14% in 2024E.

**Figure 4: EDL-Gen’s consolidated power generation (HPPs & IPPs)**



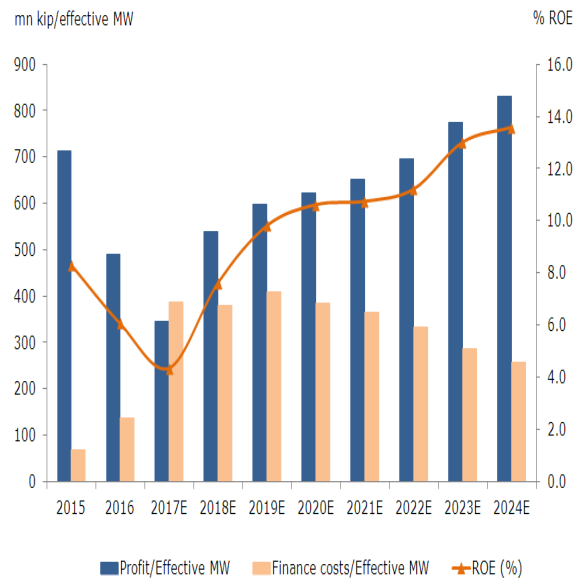
Source: KT ZMICO Research

**Figure 5: EDL-Gen’s earnings forecasts and % growth**



Source: KT ZMICO Research

**Figure 6: EDL-Gen’s projected finance costs and profit contribution per effective capacity, along with ROE improvement**



Source: KT ZMICO Research

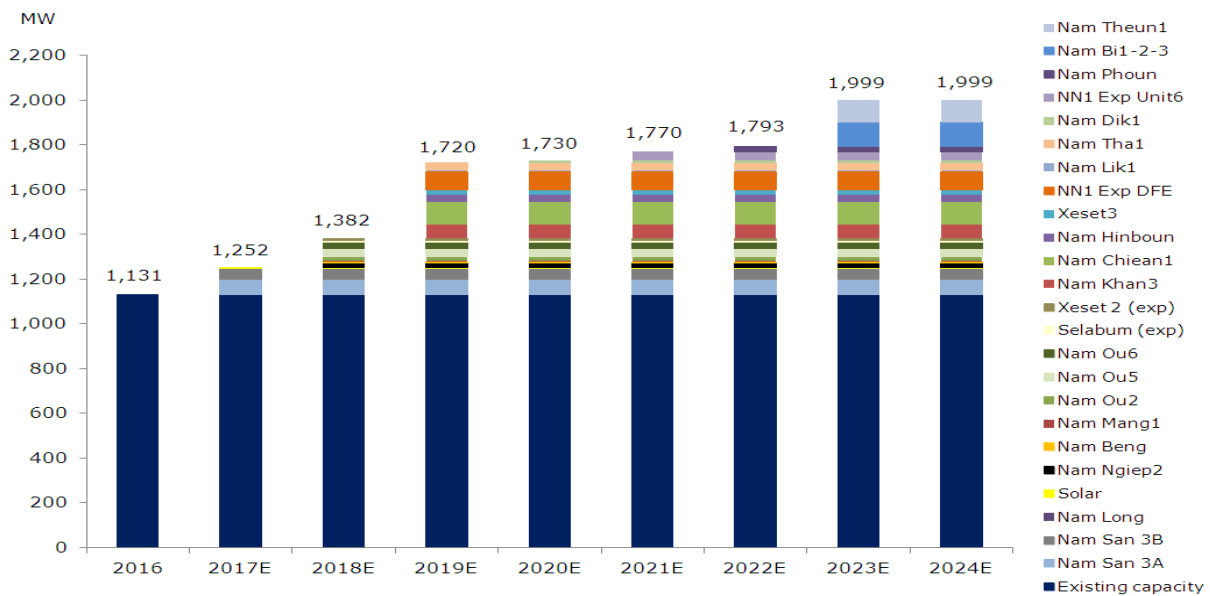
### Capacity growth to be back-end loaded in 2019E and 2023E

Despite EDL-Gen’s exciting growth story with the planned 868MW capacity expansion in the pipeline to enable its total power portfolio to achieve 1,999MW by 2024E, implying soaring 77% growth from 1,131MW in 2016, we see moderate growth of the company’s capacity expansion in 2017-18E before accelerating in 2019E and 2023E.

In 2017E, there will only be a small capacity addition if EDL-Gen doesn’t acquire new operating assets, namely Nam San 3A and Nam San 3B, with combined 114MW installed capacity. The transaction and their contributions are likely to kick off in 4Q17E. The same growth momentum is likely to continue in 2018E with a new 130MW addition mostly from the group of IPP projects. Meanwhile, the accelerating development of capacity growth is visibly back-end loaded with combined 338MW equity capacity in 2019E, mostly driven by its large-scale wholly-owned hydropower plants (HPPs), namely, Nam Chiean 1, Nam Ngum 1 Expansion DFE, and Nam Khan 3, followed in 2023E by combined 206MW equity capacity with Nam Bi 1-2-3 and the new potential Nam Theun 1 as the growth catalysts. Note that their first contribution is based on the transfer schedule guided by the company plus our conservative call for another 6-12 month lag time due to a possible delay on the assets/stakes transfer from Electricite Du Laos (EDL) to EDL-Gen.

Given the uptrend of the CAPEX cycle, its debt-to-equity ratio will continue to climb from 0.98x at end-2Q17 and then likely peak at 1.5x in 2019E (vs. its threshold policy of 1.6x) before entering a declining trend onward.

**Figure 7: EDL-Gen’s capacity growth roadmap**



Source: KT ZMICO Research

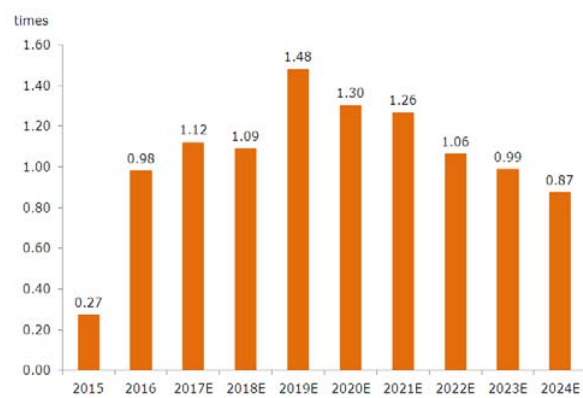
Note: The kickoff of new capacity is based on the company’s guidance plus KT Zmico Research’s adjusted 6-12 month lag time for a possible delay on assets/stakes transfer from Electricite Du Laos (EDL) to EDL-Gen.

**Figure 8: EDL-Gen's equity capacity breakdown between HPPs and IPPs**



Source: KT ZMICO Research

**Figure 9: EDL-Gen's projected debt to equity ratio**



Source: KT ZMICO Research

**Roll over to the 2018E TP at 8,840 kip**

We roll over our EDL-Gen 2018E TP to 8,840 kip. Our valuation counts the combined 1,999MW equity capacity in the company's power portfolio, including new capacity additions totaling 868MW in the pipeline with back-end loaded kickoffs in 2019E and 2023E.

Given its share price largely pricing in the depressed earnings cycle, which is likely to end in 2017E, followed by positive earnings momentum in the years ahead on the kickoff of new MW additions, making its forward PBV/ROE trade on an undemanding trend at 0.12x in 2018E and below 0.1x from then on (vs. Thailand's medium to large peers at the average of 0.14x 2018E PBV/ROE), against its profit generation of 538mn kip/effective MW in 2018E, equivalent to Bt2.2mn/MW (vs. Thailand's peers at the average of Bt1.9mn/MW), we maintain our Buy call on EDL-Gen.

**Figure 10: Summary of EDL-Gen's 2018E TP valuation**

|                                 | Existing              |        | Project in the pipeline |               |                |         |                |                  | New Acquisition |               |
|---------------------------------|-----------------------|--------|-------------------------|---------------|----------------|---------|----------------|------------------|-----------------|---------------|
|                                 | 10 HPPs<br>100%-owned | 5 IPPs | 100%-owned              |               |                |         |                |                  | Nam<br>San 3A   | Nam<br>San 3B |
|                                 |                       |        | Nam<br>Khan3            | Nam<br>Chiean | Nam<br>Hinboun | Xeset 3 | NN1<br>Exp DFE | NN1<br>Exp Unit6 |                 |               |
| Installed capacity (MW)         | 619                   | 1,485  | 60.0                    | 104.0         | 30.0           | 24.0    | 80.0           | 40.0             | 69.0            | 45.0          |
| Equity capacity by EDL-Gen (MW) | 619                   | 512    | 60.0                    | 104.0         | 30.0           | 24.0    | 80.0           | 40.0             | 69.0            | 45.0          |
| EDL-Gen's expected stake (%)    |                       |        | 100%                    | 100%          | 100%           | 100%    | 100%           | 100%             | 100%            | 100%          |
| 2018E Equity value (kip/share)  | 4,002                 | 2,965  | 98                      | 297           | 105            | 69      | 150            | 23               | 114             | 122           |
| Estimated Equity IRR (%)        |                       |        | 11.1%                   | 12.9%         | 11.3%          | 12.8%   | 11.6%          | 10.1%            | 7.5%            | 9.3%          |

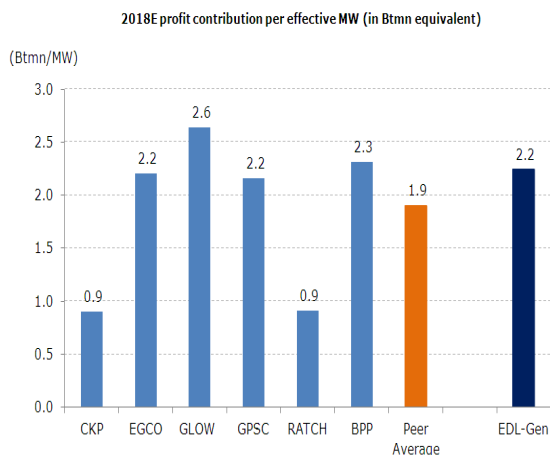
|                                 | IPPs        |            |            |            |               |             |             |              |             |              | Self-developed  |  |  |
|---------------------------------|-------------|------------|------------|------------|---------------|-------------|-------------|--------------|-------------|--------------|-----------------|--|--|
|                                 | Nam<br>Long | Nam<br>Ou2 | Nam<br>Ou5 | Nam<br>Ou6 | Nam<br>Ngiep2 | Nam<br>Beng | Nam<br>Lik1 | Nam<br>Mang1 | Nam<br>Tha1 | Nam<br>Phoun | Nam<br>Bi 1-2-3 |  |  |
| Installed capacity (MW)         | 5.0         | 120.0      | 240.0      | 180.0      | 180.0         | 34.0        | 60.0        | 64.0         | 168.0       | 45.0         | 135.0           |  |  |
| Equity capacity by EDL-Gen (MW) | 1.0         | 18.0       | 36.0       | 27.0       | 18.0          | 6.8         | 6.0         | 6.4          | 33.6        | 23.0         | 108.0           |  |  |
| EDL-Gen's expected stake (%)    | 20%         | 15%        | 15%        | 15%        | 10%           | 20%         | 10%         | 10%          | 20%         | 51%          | 80%             |  |  |
| 2018E Equity value (kip/share)  | 11          | 61         | 260        | 108        | 66            | 21          | 16          | 20           | 34          | 14           | 106             |  |  |
| Estimated Equity IRR (%)        | 19.8%       | 10.9%      | 22.0%      | 13.9%      | 13.8%         | 11.4%       | 14.0%       | 14.2%        | 10.6%       | 12.5%        | 13.8%           |  |  |

|                                 | New Potential Projects |                  |                |             |       | Total |
|---------------------------------|------------------------|------------------|----------------|-------------|-------|-------|
|                                 | Selabum<br>(Exp)       | Xeset 2<br>(Exp) | Nam<br>Theun 1 | Nam<br>Dik1 | Solar |       |
| Installed capacity (MW)         | 8.0                    | 10.0             | 650.0          | 15.0        | 10.0  | 4,480 |
| Equity capacity by EDL-Gen (MW) | 8.0                    | 10.0             | 97.5           | 10.5        | 6.0   | 1,999 |
| EDL-Gen's expected stake (%)    | 100%                   | 100%             | 15%            | 70%         | 60%   |       |
| 2018E Equity value (kip/share)  | 4                      | 21               | 125            | 8           | 20    | 8,840 |
| Estimated Equity IRR (%)        | 8.2%                   | 8.4%             | 14.4%          | 11.3%       | 10.5% |       |

Source: KT ZMICO Research



**Figure 11: Comparison of 2018E profit contribution per effective MW (in Btmn equivalent)**



Source: KT ZMICO Research

**Figure 12: 2018E PBV/ROE comparison between EDL-Gen and Thailand peers**



Source: KT ZMICO Research

**Figure 13: EDL-Gen's valuation comparison with regional peers**

| Name                         | Mkt Cap<br>(USDmn) | PER (x)     |             | PBV (x)    |            | EV/EBITDA (x) |             | YLD (%)    |            | ROE (%)     |             | PBV/ROE (x) |             |
|------------------------------|--------------------|-------------|-------------|------------|------------|---------------|-------------|------------|------------|-------------|-------------|-------------|-------------|
|                              |                    | 17E         | 18E         | 17E        | 18E        | 17E           | 18E         | 17E        | 18E        | 17E         | 18E         | 17E         | 18E         |
| CLP HOLDINGS LTD             | 31,079             | 16.1        | 15.6        | 2.0        | 1.8        | 11.1          | 10.8        | 3.5        | 3.6        | 12.6        | 12.3        | 0.16        | 0.15        |
| DATANG INTL POWER GEN CO-H   | 9,825              | 13.1        | 7.7         | 0.8        | 0.8        | 10.3          | 8.4         | 1.3        | 4.8        | 6.1         | 8.6         | 0.13        | 0.09        |
| HUANENG POWER INTL INC-H     | 16,954             | 20.7        | 9.9         | 0.9        | 0.9        | 11.7          | 9.0         | 2.2        | 4.5        | 4.5         | 8.2         | 0.21        | 0.11        |
| HUADIAN POWER INTL CORP-H    | 7,542              | 16.2        | 8.5         | 0.7        | 0.7        | 9.3           | 7.3         | 1.8        | 4.1        | 3.4         | 8.6         | 0.21        | 0.08        |
| CHINA POWER INTERNATIONAL    | 2,857              | 8.9         | 7.4         | 0.7        | 0.6        | 10.4          | 8.1         | 3.7        | 5.7        | 6.4         | 8.5         | 0.11        | 0.08        |
| CHINA RESOURCES POWER        | 10,459             | 12.2        | 8.8         | 1.0        | 1.0        | 7.8           | 6.5         | 6.0        | 6.0        | 7.9         | 11.1        | 0.13        | 0.09        |
| <b>Hong Kong</b>             |                    | <b>14.5</b> | <b>9.6</b>  | <b>1.0</b> | <b>1.0</b> | <b>10.1</b>   | <b>8.4</b>  | <b>3.1</b> | <b>4.8</b> | <b>6.8</b>  | <b>9.5</b>  | <b>0.16</b> | <b>0.10</b> |
| KOREA ELECTRIC POWER CORP    | 25,419             | 6.7         | 5.6         | 0.4        | 0.4        | 4.8           | 4.4         | 3.3        | 3.9        | 5.8         | 6.5         | 0.07        | 0.06        |
| <b>S. Korea</b>              |                    | <b>6.7</b>  | <b>5.6</b>  | <b>0.4</b> | <b>0.4</b> | <b>4.8</b>    | <b>4.4</b>  | <b>3.3</b> | <b>3.9</b> | <b>5.8</b>  | <b>6.5</b>  | <b>0.07</b> | <b>0.06</b> |
| TENAGA NASIONAL BHD          | 19,018             | 10.7        | 10.9        | 1.4        | 1.3        | 6.7           | 6.8         | 3.6        | 3.7        | 13.6        | 12.6        | 0.11        | 0.11        |
| YTL POWER INTERNATIONAL BHD  | 2,582              | 15.3        | 13.3        | 0.9        | 0.9        | 10.8          | 10.0        | 5.7        | 5.9        | 6.0         | 7.3         | 0.15        | 0.12        |
| PETRONAS GAS BHD             | 8,700              | 21.0        | 19.6        | 3.0        | 2.8        | 11.9          | 11.1        | 3.3        | 3.6        | 14.4        | 14.7        | 0.21        | 0.19        |
| <b>Malaysia</b>              |                    | <b>15.6</b> | <b>14.6</b> | <b>1.8</b> | <b>1.7</b> | <b>9.8</b>    | <b>9.3</b>  | <b>4.2</b> | <b>4.4</b> | <b>11.4</b> | <b>11.5</b> | <b>0.15</b> | <b>0.14</b> |
| NTPC LTD                     | 22,372             | 12.6        | 10.6        | 1.4        | 1.3        | 9.9           | 8.2         | 2.8        | 3.1        | 10.9        | 12.2        | 0.12        | 0.10        |
| TATA POWER CO LTD            | 3,340              | 13.4        | 11.6        | 1.5        | 1.4        | 10.3          | 9.2         | 1.8        | 2.0        | 11.2        | 11.7        | 0.13        | 0.12        |
| POWER GRID CORP OF INDIA LTD | 17,859             | 12.3        | 10.5        | 2.1        | 1.9        | 8.2           | 7.0         | 2.3        | 2.6        | 16.8        | 17.4        | 0.13        | 0.11        |
| RELIANCE POWER LTD           | 1,763              | 8.1         | 7.6         | 0.5        | 0.5        | 7.8           | 7.8         | 2.5        | 2.9        | 6.2         | 6.2         | 0.08        | 0.07        |
| <b>India</b>                 |                    | <b>11.6</b> | <b>10.1</b> | <b>1.4</b> | <b>1.2</b> | <b>9.0</b>    | <b>8.1</b>  | <b>2.4</b> | <b>2.7</b> | <b>11.3</b> | <b>11.9</b> | <b>0.12</b> | <b>0.10</b> |
| MANILA ELECTRIC COMPANY      | 5,977              | 15.8        | 16.8        | 4.1        | 4.0        | 8.6           | 8.5         | 5.7        | 5.7        | 26.0        | 24.8        | 0.16        | 0.16        |
| <b>Philippines</b>           |                    | <b>15.8</b> | <b>16.8</b> | <b>4.1</b> | <b>4.0</b> | <b>8.6</b>    | <b>8.5</b>  | <b>5.7</b> | <b>5.7</b> | <b>26.0</b> | <b>24.8</b> | <b>0.16</b> | <b>0.16</b> |
| ELECTRICITY GENERATING PCL   | 3,614              | 12.8        | 12.2        | 1.4        | 1.3        | 20.9          | 18.5        | 2.8        | 2.9        | 11.2        | 11.0        | 0.12        | 0.12        |
| RATCHABURI ELEC GEN HODG     | 2,423              | 14.0        | 13.3        | 1.3        | 1.2        | 16.7          | 16.4        | 4.3        | 4.5        | 9.2         | 9.2         | 0.14        | 0.13        |
| GLOW ENERGY PCL              | 3,656              | 15.6        | 16.6        | 2.5        | 2.4        | 8.4           | 8.4         | 4.4        | 4.7        | 16.2        | 14.8        | 0.15        | 0.16        |
| CK POWER PCL                 | 737                | 97.9        | 64.5        | 1.4        | 1.4        | 12.7          | 10.6        | 0.9        | 1.3        | 1.4         | 2.2         | 0.99        | 0.64        |
| GLOBAL POWER SYNERGY PCL     | 1,726              | 18.6        | 16.9        | 1.5        | 1.4        | 15.0          | 12.6        | 3.2        | 3.6        | 8.2         | 8.7         | 0.18        | 0.17        |
| BANPU POWER PCL              | 2,455              | 18.0        | 14.8        | 2.0        | 1.8        | 29.7          | 27.6        | 2.8        | 3.4        | 11.7        | 12.8        | 0.17        | 0.14        |
| BCPG PCL                     | 935                | 14.1        | 11.0        | 2.2        | 2.0        | 16.5          | 16.1        | 4.2        | 5.4        | 15.8        | 18.9        | 0.14        | 0.11        |
| <b>Thailand</b>              |                    | <b>15.5</b> | <b>14.1</b> | <b>1.7</b> | <b>1.7</b> | <b>17.1</b>   | <b>15.7</b> | <b>3.2</b> | <b>3.7</b> | <b>10.5</b> | <b>11.1</b> | <b>0.15</b> | <b>0.14</b> |
| EDL-GENERATION PCL           | 1,022              | 21.1        | 11.9        | 0.9        | 0.9        | 12.3          | 8.3         | 4.0        | 5.1        | 4.3         | 7.6         | 0.21        | 0.12        |
| <b>Lao PDR</b>               |                    | <b>21.1</b> | <b>11.9</b> | <b>0.9</b> | <b>0.9</b> | <b>12.3</b>   | <b>8.3</b>  | <b>4.0</b> | <b>5.1</b> | <b>4.3</b>  | <b>7.6</b>  | <b>0.21</b> | <b>0.12</b> |
| <b>AVERAGE</b>               |                    | <b>14.4</b> | <b>11.8</b> | <b>1.6</b> | <b>1.5</b> | <b>10.3</b>   | <b>9.0</b>  | <b>3.7</b> | <b>4.3</b> | <b>10.9</b> | <b>11.9</b> | <b>0.14</b> | <b>0.12</b> |

Source: KT ZMICO Research, Bloomberg



## Financial tables

| Financial Summary                            |                   |                   |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| unit : mkip                                  | 2015              | 2016              | 2017E             | 2018E             | 2019E             | 2020E             | 2021E             |
| <b>Consolidated Income Statement</b>         |                   |                   |                   |                   |                   |                   |                   |
| <b>Electricity sales</b>                     | <b>847,759</b>    | <b>1,241,181</b>  | <b>1,344,363</b>  | <b>1,637,057</b>  | <b>2,106,281</b>  | <b>2,299,116</b>  | <b>2,324,198</b>  |
| Cost of sales                                | (276,443)         | (486,391)         | (519,324)         | (604,743)         | (773,520)         | (840,600)         | (846,942)         |
| Gross profit                                 | 571,316           | 754,790           | 825,039           | 1,032,314         | 1,332,760         | 1,458,516         | 1,477,256         |
| Profit from associates and JV                | 286,218           | 178,051           | 235,664           | 398,233           | 525,988           | 556,608           | 583,986           |
| Other income                                 | 16,198            | 11,065            | 11,223            | 11,223            | 11,223            | 11,223            | 11,223            |
| Currency exchange gains (losses)             | (9,975)           | (64,800)          | (26,253)          | 0                 | 0                 | 0                 | 0                 |
| <b>Total revenue</b>                         | <b>1,140,200</b>  | <b>1,365,497</b>  | <b>1,564,997</b>  | <b>2,046,513</b>  | <b>2,643,492</b>  | <b>2,866,948</b>  | <b>2,919,408</b>  |
| Gain before expenses                         | 863,757           | 879,106           | 1,045,673         | 1,441,770         | 1,869,971         | 2,026,348         | 2,072,466         |
| Administrative expenses                      | (121,027)         | (120,729)         | (146,793)         | (162,916)         | (195,272)         | (211,652)         | (217,766)         |
| <b>Profit before financial costs and tax</b> | <b>742,730</b>    | <b>758,377</b>    | <b>898,880</b>    | <b>1,278,854</b>  | <b>1,674,699</b>  | <b>1,814,696</b>  | <b>1,854,699</b>  |
| Finance costs                                | (61,937)          | (154,918)         | (450,487)         | (506,217)         | (651,940)         | (662,671)         | (636,111)         |
| Income tax                                   | (39,954)          | (49,110)          | (46,258)          | (53,046)          | (64,905)          | (72,933)          | (79,036)          |
| <b>Net profit</b>                            | <b>640,839</b>    | <b>554,349</b>    | <b>401,028</b>    | <b>715,163</b>    | <b>953,426</b>    | <b>1,074,664</b>  | <b>1,135,125</b>  |
| <b>Core profit</b>                           | <b>650,814</b>    | <b>619,149</b>    | <b>427,282</b>    | <b>715,163</b>    | <b>953,426</b>    | <b>1,074,664</b>  | <b>1,135,125</b>  |
| EPS (weighted)                               | 456.44            | 330.11            | 238.81            | 425.87            | 567.75            | 639.95            | 675.95            |
| EPS (FD)                                     | 381.61            | 330.11            | 238.81            | 425.87            | 567.75            | 639.95            | 675.95            |
| <b>Consolidated Balance Sheets</b>           |                   |                   |                   |                   |                   |                   |                   |
| Cash and cash equivalents                    | 1,213,770         | 2,235,280         | 2,112,935         | 3,794,977         | 800,179           | 3,215,614         | 3,581,015         |
| Current assets                               | 1,549,030         | 3,658,943         | 3,394,521         | 5,045,499         | 2,119,520         | 4,517,055         | 4,816,476         |
| Advance payment for investments              | 3,690,647         | 3,133,596         | 2,349,545         | 406,848           | 2,759,532         | 23,752            | 397,180           |
| Property, plant and equipment-Net            | 4,343,130         | 9,412,504         | 11,562,999        | 11,480,522        | 16,308,524        | 15,585,148        | 15,322,745        |
| Investment in subsidiaries                   | 0                 | 81,260            | 0                 | 0                 | 0                 | 0                 | 0                 |
| Investment in JV and affiliates              | 2,268,922         | 2,297,166         | 2,406,645         | 3,151,277         | 3,624,370         | 3,929,740         | 4,164,564         |
| Non-current assets                           | 116,643           | 153,707           | 161,392           | 169,462           | 177,935           | 186,832           | 196,173           |
| <b>Total assets</b>                          | <b>11,968,372</b> | <b>18,737,176</b> | <b>19,875,102</b> | <b>20,253,607</b> | <b>24,989,881</b> | <b>24,242,527</b> | <b>24,897,139</b> |
| Payables for assets under concession         |                   | 3,957,400         | 0                 | 0                 | 0                 | 0                 | 0                 |
| Total current liabilities                    | 409,127           | 4,572,115         | 597,498           | 716,617           | 1,238,803         | 1,153,714         | 1,592,914         |
| Long term loans                              | 2,293,620         | 4,830,235         | 10,028,300        | 10,001,621        | 13,834,338        | 12,742,208        | 12,503,569        |
| Non-current liabilities                      | 161,397           | 145,676           | 0                 | 0                 | 0                 | 0                 | 0                 |
| <b>Total liabilities</b>                     | <b>2,864,144</b>  | <b>9,548,026</b>  | <b>10,625,798</b> | <b>10,718,238</b> | <b>15,073,141</b> | <b>13,895,922</b> | <b>14,096,483</b> |
| Paid up capital                              | 6,717,215         | 6,717,215         | 6,717,215         | 6,717,215         | 6,717,215         | 6,717,215         | 6,717,215         |
| Retained earnings                            | 1,042,217         | 1,070,927         | 1,131,081         | 1,345,630         | 1,631,658         | 1,954,057         | 2,294,595         |
| <b>Total equities</b>                        | <b>9,104,228</b>  | <b>9,189,150</b>  | <b>9,249,304</b>  | <b>9,535,369</b>  | <b>9,916,740</b>  | <b>10,346,605</b> | <b>10,800,656</b> |
| <b>Consolidated Cash flow</b>                |                   |                   |                   |                   |                   |                   |                   |
| Net earnings                                 | 640,839           | 554,349           | 401,028           | 715,163           | 953,426           | 1,074,664         | 1,135,125         |
| DD&A   | 225,442           | 434,047           | 460,111           | 534,529           | 691,063           | 753,066           | 758,877           |
| Unrealized FX Gain (Loss)                    | 9,975             | 64,800            | 26,253            | 0                 | 0                 | 0                 | 0                 |
| Change in working capital                    | 116,009           | (919,292)         | 23,050            | 71,196            | 12,063            | 49,993            | 68,947            |
| Capex  | (422,721)         | (5,503,421)       | (2,610,605)       | (452,053)         | (5,519,065)       | (29,690)          | (496,475)         |
| Investments in affiliates                    | (85,755)          | 35,281            | (15,082)          | (575,966)         | (236,855)         | (48,347)          | 39,283            |
| Free cash flows                              | (2,616,812)       | (4,959,034)       | (952,017)         | 2,058,832         | (6,696,764)       | 4,269,546         | 848,881           |
| Debt Financing                               | 287,008           | 2,508,292         | 5,273,622         | 52,308            | 4,274,021         | (1,209,313)       | 197,595           |
| Dividend paid                                | (436,619)         | (486,998)         | (340,874)         | (429,098)         | (572,056)         | (644,798)         | (681,075)         |
| Capital increase                             | 2,655,740         | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Others                                       | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |
| Net cash flows                               | (110,683)         | (2,937,740)       | 3,980,731         | 1,682,042         | (2,994,799)       | 2,415,435         | 365,401           |
| Cash equivalents -beginning                  | 1,251,534         | 1,213,770         | 2,235,280         | 2,112,935         | 3,794,977         | 800,179           | 3,215,614         |
| Cash equivalents -ending                     | 1,213,770         | 2,235,280         | 2,112,935         | 3,794,977         | 800,179           | 3,215,614         | 3,581,015         |

| Financial Summary                         |         |         |         |         |          |          |          |
|---|---------|---------|---------|---------|----------|----------|----------|
|   | 2015    | 2016    | 2017E   | 2018E   | 2019E    | 2020E    | 2021E    |
| <b>Per share data and financial ratio</b> |         |         |         |         |          |          |          |
| EV - fully diluted                        | 5,799.0 | 6,723.0 | 9,951.8 | 8,981.3 | 13,309.8 | 11,151.3 | 11,051.4 |
| EPS - fully diluted                       | 381.6   | 330.1   | 238.8   | 425.9   | 567.8    | 639.9    | 675.9    |
| EPS - weighted                            | 456.4   | 330.1   | 238.8   | 425.9   | 567.8    | 639.9    | 675.9    |
| DPS                                       | 260.0   | 290.0   | 203.0   | 255.5   | 340.7    | 384.0    | 405.6    |
| BV  | 5,421.4 | 5,472.0 | 5,507.8 | 5,678.2 | 5,905.3  | 6,161.2  | 6,431.6  |
| PER (x)                                   | 13.2    | 15.3    | 21.1    | 11.9    | 8.9      | 7.9      | 7.5      |
| PBV (x)                                   | 0.9     | 0.9     | 0.9     | 0.9     | 0.9      | 0.8      | 0.8      |
| EV/EBITDA (x)                             | 10.1    | 9.5     | 12.3    | 8.3     | 9.5      | 7.3      | 7.1      |
| Div. yield (%)                            | 5.1     | 5.7     | 4.0     | 5.1     | 6.7      | 7.6      | 8.0      |
| Div. payout ratio (%)                     | 57.0    | 87.9    | 85.0    | 60.0    | 60.0     | 60.0     | 60.0     |
| <b>Percentage Growth (%)</b>              |         |         |         |         |          |          |          |
| Sales Growth                              | 1.0     | 46.4    | 8.3     | 21.8    | 28.7     | 9.2      | 1.1      |
| Core Profit Growth                        | (29.7)  | (4.9)   | (31.0)  | 67.4    | 33.3     | 12.7     | 5.6      |
| Net Profit Growth                         | (29.4)  | (13.5)  | (27.7)  | 78.3    | 33.3     | 12.7     | 5.6      |
| EPS growth - FD (%)                       | (48.4)  | (13.5)  | (27.7)  | 78.3    | 33.3     | 12.7     | 5.6      |
| EBITDA Growth                             | (15.3)  | 23.2    | 13.9    | 33.2    | 30.5     | 8.6      | 1.8      |
| <b>Profitability Ratio (%)</b>            |         |         |         |         |          |          |          |
| Gross profit margin                       | 67.4    | 60.8    | 61.4    | 63.1    | 63.3     | 63.4     | 63.6     |
| EBIT margin                               | 65.1    | 55.5    | 57.4    | 62.3    | 63.2     | 63.1     | 63.4     |
| EBITDA margin                             | 84.9    | 87.3    | 86.8    | 88.4    | 89.3     | 89.4     | 89.4     |
| Depreciation expense                      |         |         |         |         |          |          |          |
| Net profit margin                         | 56.2    | 40.6    | 25.6    | 34.9    | 36.1     | 37.5     | 38.9     |
| ROE                                       | 8.3     | 6.1     | 4.3     | 7.6     | 9.8      | 10.6     | 10.7     |
| ROA                                       | 6.2     | 3.6     | 2.1     | 3.6     | 4.2      | 4.4      | 4.6      |
| ROCE                                      | 6.4     | 4.3     | 2.4     | 3.7     | 4.4      | 4.6      | 4.9      |
| <b>LIQUIDITY RATIOS</b>                   |         |         |         |         |          |          |          |
| Current ratio                             | 3.8     | 0.8     | 5.7     | 7.0     | 1.7      | 3.9      | 3.0      |
| Quick ratio                               | 3.8     | 0.8     | 5.7     | 7.0     | 1.7      | 3.9      | 3.0      |
| Cash ratio                                | 3.0     | 0.5     | 3.5     | 5.3     | 0.6      | 2.8      | 2.2      |
| Net working capital to total assets       | 0.1     | (0.05)  | 0.1     | 0.2     | 0.0      | 0.1      | 0.1      |
| <b>FINANCIAL LEVERAGE RATIOS</b>          |         |         |         |         |          |          |          |
| Total debt/Equity ratio                   | 0.3     | 1.0     | 1.1     | 1.1     | 1.5      | 1.3      | 1.3      |
| Interest bearing debt/Equity ratio        | 0.3     | 1.0     | 1.1     | 1.1     | 1.5      | 1.3      | 1.3      |
| Interest coverage ratio                   | 12.0    | 4.9     | 2.0     | 2.5     | 2.6      | 2.7      | 2.9      |
| Debt service coverage ratio               | 4.0     | 3.2     | 1.8     | 2.0     | 1.6      | 1.9      | 1.5      |
| Asset/Equity (Equity multiplier)          | 1.3     | 2.0     | 2.1     | 2.1     | 2.5      | 2.3      | 2.3      |
| Net debt/Equity                           | 0.1     | 0.3     | 0.9     | 0.7     | 1.4      | 1.0      | 0.9      |
| Net debt/EBITDA                           | 1.3     | 2.4     | 6.1     | 3.6     | 5.9      | 4.0      | 3.9      |

**Note:**






KT ZMICO has two major shareholders, Krungthai Bank PLC (KTB) and Seamico Securities PLC (ZMICO). Therefore, prior to making investments in the securities of KTB and ZMICO, investors should consider the risk factors carefully.

An executive of KT ZMICO Securities is also a board member of BCP, BTC, CI, CPI, KBS, MAJOR, MK, PACE, PSL, SVH, VNG, ZMICO, SAWAD, TFG.

A management member of KT ZMICO Securities is also a board member of BTC and NFC.

KT ZMICO is a financial advisor for U, LOXLEY, ZMICO, MAKRO, CPALL, SAFARI, M-CHAI, POMPU, TTL, NMG, SAWAD.

**Corporate Governance Report (CGR)** Source: Sec, Thai Institute of Directors

| Association (IOD)   |                                |
|---|--------------------------------|
|  | Excellent (scores: 90 - 100)   |
|  | Very Good (scores: 80 – 89)    |
|  | Good (scores: 70 – 79)         |
|  | Satisfactory (scores: 60 – 69) |
|  | Pass (scores: 50 – 59)         |
| No Logo   | N/A (scores: below 50)         |

**Anti-corruption Progress Indicator**

Source: Sec, Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

- **Level 1 (Committed)** : Organization’s statement or board's resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared)** : Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established)** : Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified)** : Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended)** : Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

**DISCLAIMER**

This document is produced using open sources believed to be reliable. However, their accuracy and completeness cannot be guaranteed. The statements and opinions herein were formed after due and careful consideration for use as information for the purposes of investment. The opinions contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information contained in this document shall be at the sole discretion and risk of the user.

**KT ZMICO RESEARCH – RECOMMENDATION DEFINITIONS**

**STOCK RECOMMENDATIONS**

- BUY:** Expecting positive total returns of 15% or more over the next 12 months
- OUTPERFORM:** Expecting total returns between -10% to +15%; returns expected to exceed market returns over a six-month period due to specific catalysts
- UNDERPERFORM:** Expecting total returns between -10% to +15%; returns expected to be below market returns over a six-month period due to specific catalysts
- SELL:** Expecting negative total returns of 10% or more over the next 12 months

**SECTOR RECOMMENDATIONS**

- OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.
- NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
- UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.