



JANUARY 19, 2023

Buy

Target price: LAK 2,660

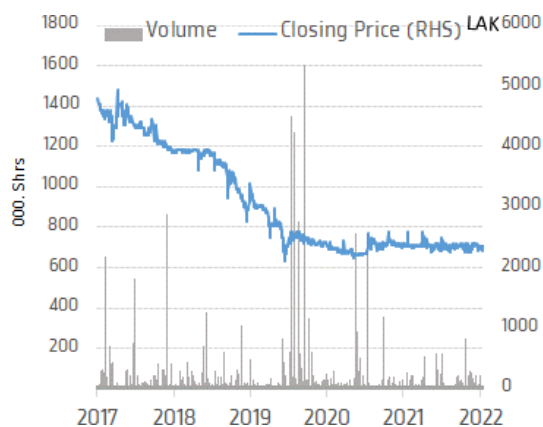
Last price: LAK 2,340 (THB 4.83)

Share data

Reuters/Bloomberg	EDL.O / EDL LS
Exchange	Laos SE
Paid-up shares (mn)	1,679.30
Par (LAK)	4,000
Market cap (LAKmn/ USDmn)	4,013,536 / 231.46
52-week high/low (LAK)	2,720.00 / 2,200.00
30-day avg. daily T/O (mn)	11,250
Inst. owner (%)	n.a.
Free float (%)	12.65
Beta vs. LSX	n.a.
URL	www.edlgen.com.la

Share price performance %	1M	3M	YTD	12M
Absolute	-0.8	1.3	0.0	-0.4
Relative	-7.9	2.9	-10.1	-24.6

	Current	5-yr. avg	Global peers	Market median
Price/earnings (x)	--	199.5	31.4	--
Forward P/E (x)	7.1	--	12.8	--
Price/cash flow (x)	4.4	--	11.9	1.8
Price/FCF (x)	2.3	--	26.0	1.9
Dividend yield (%)	4.3	--	6.3	--
Price/book (x)	0.3	0.6	2.0	0.3
Price/sales (x)	3.3	4.8	111.6	1.1
Return on equity (%)	2.1	2.8	10.4	-0.7
Return on assets (%)	0.8	1.2	4.7	-0.1
Return on CE (%)	2.3	2.4	7.2	--



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If it's raining in Laos, buy EDL-Gen

We reinitiate our coverage on EDL-Gen with a Buy rating, with a sum-of-the-parts fair price of LAK2,660/share, implying an upside return of 21% (including the dividend yield). Our investment recommendation on this stock is underpinned by ample growth opportunities in hydropower production, which will be supported by huge demand from neighboring countries. Another driver will be the potentially significant incremental value from the sale of carbon credits.

Re-entering the equity MW growth mode

After stabilizing over the past three years at 1,682.6MW, EDL-Gen's equity MW will increase annually from 2023E onward to 2,147.6MW in 2025E, up by 27.6%, before rising to 2,451.9MW in 2030E. The capacity transferred from the existing projects with CODs before or in the transfer year will enable the firm to realize revenue and profit sharing immediately in that particular year. Meanwhile, as the firm has already injected capital into almost all power projects, there is neither a burden in regard to funding sources nor any impact on its cash flow.

Huge room for growth from potential power sales to neighboring countries and sales of carbon credits

In our view, the potential growth in EDL-Gen's equity MW will be buoyed by being a subsidiary of EDL, the key power generator in Laos, a country whose hydropower generation will double from the current level to around 26,000MW by 2030E. With hydropower having cheaper selling prices compared to other types of power generation, demand from neighboring countries should double to 18,400MW in the period. There is also a possibility that the firm will generate significant revenue from the sale of carbon credits for the hydropower plants it is holding, along with CDM projects. Note that the current selling price of carbon credits in the spot market of ETS is roughly EUR90/ton.

To turn around from a core loss in 2022E to a core profit in 2023E

We anticipate EDL-Gen's net profit in 2022E at LAK2,667,972mn, up significantly from LAK4,392mn in 2021 due to the booking of other non-cash income. For core earnings, the firm is expected to record a core loss of LAK1,157,648mn. But we project EDL-Gen's core profit to increase significantly starting in 2023E when it begins to realize revenue from the transferred power projects and the profit contributions from the increase in equity MW by around 22% during 2021-23E. We project core profit in 2023E at LAK553,354mn.

Financial Valuation

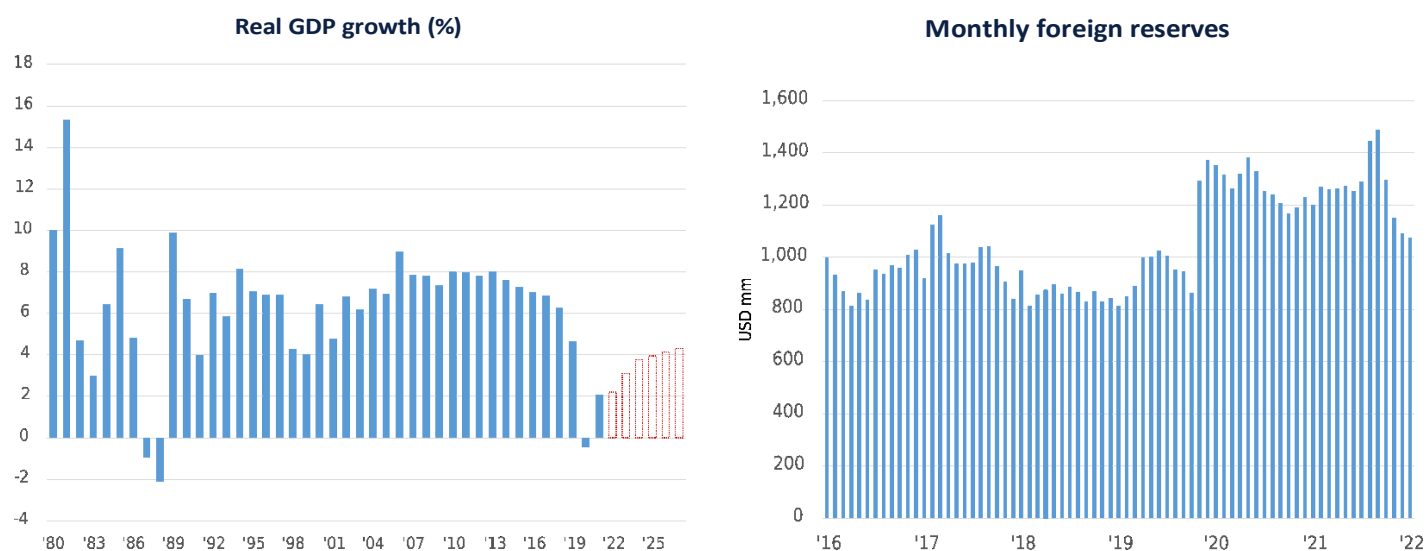
FY Ended 31 Dec	2019	2020	2021	2022E	2023E
Revenues (LAKmn)	1,217,530	1,167,375	1,196,664	1,331,148	1,640,339
Net profit (LAKmn)	193,079	158,642	4,392	2,667,792	553,354
EPS (LAK)	115.00	94.49	2.62	1,589.02	329.57
EPS growth (%)	(59.00)	(18.00)	(97.00)	nm.	(79.00)
Norm. Profit	193,079	158,642	4,392	(1,157,648)	553,354
Norm. EPS (LAK)	115.00	94.49	2.62	(689.49)	329.57
Norm. EPS growth (%)	(59)	(18)	(97)	nm.	nm.
Dividend (LAK)	100	100	100	100	100
Div P/O %	4.3	4.3	4.3	4.3	4.3
BV (LAK)	5,529	5,532	5,494	6,983	7,213
PER (x)	20.4	24.9	896.9	nm.	7.1
EV/EBITDA (x)	18.8	20.2	22.2	17.2	13.0
PBV (x)	0.4	0.4	0.4	0.3	0.3
Dividend yield (%)	4.3	4.3	4.3	4.3	4.3
ROE (%)	2.1	1.7	-	25.5	4.6
Net gearing (%)	138.6	153.8	171.7	150.0	138.1

Overview of Lao PDR's economy

Economy is recovering from COVID-19

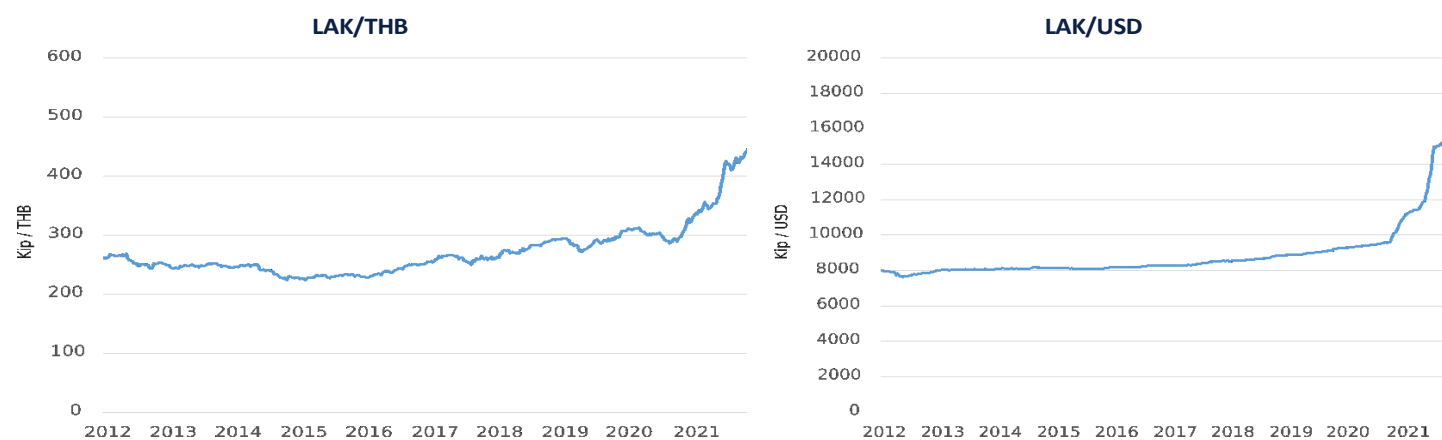
During 2010-19, the GDP growth of Laos was outstanding at a 7% CAGR; however, like other regional economies, the Laotian economy has been hit hard by the COVID-19 pandemic. This caused the country's GDP growth to fall to 0.4% in 2020 before picking up to 2.1% in 2021. In 2022, the IMF projects GDP growth at 2.2% before gradually improving. Laos has also been hurt by double-digit inflation, primarily due to higher prices for energy imports, as well as the depreciation of the kip (LAK) against other currencies, especially the baht and the USD, after the sharp falls in foreign reserves. According to a report from the World Bank released in August 2021, Lao PDR had a public debt of USD13.3bn, accounting for 72% of GDP. A large proportion of debt was from Electricite Du Laos (EDL) at 36%. But Laos reopened the country, with certain conditions, in May 2022. Meanwhile, power sales to neighboring countries are expected to increase, which should lift Lao PDR's foreign reserves and thereby help the kip to appreciate. Figure 1 below shows the GDP growth projections and the country's foreign reserves.

Figure 1: Lao PDR's real GDP growth and foreign reserves



Sources: IMF and Bloomberg

Figure 2: LAK against THB and USD



Source: Bloomberg

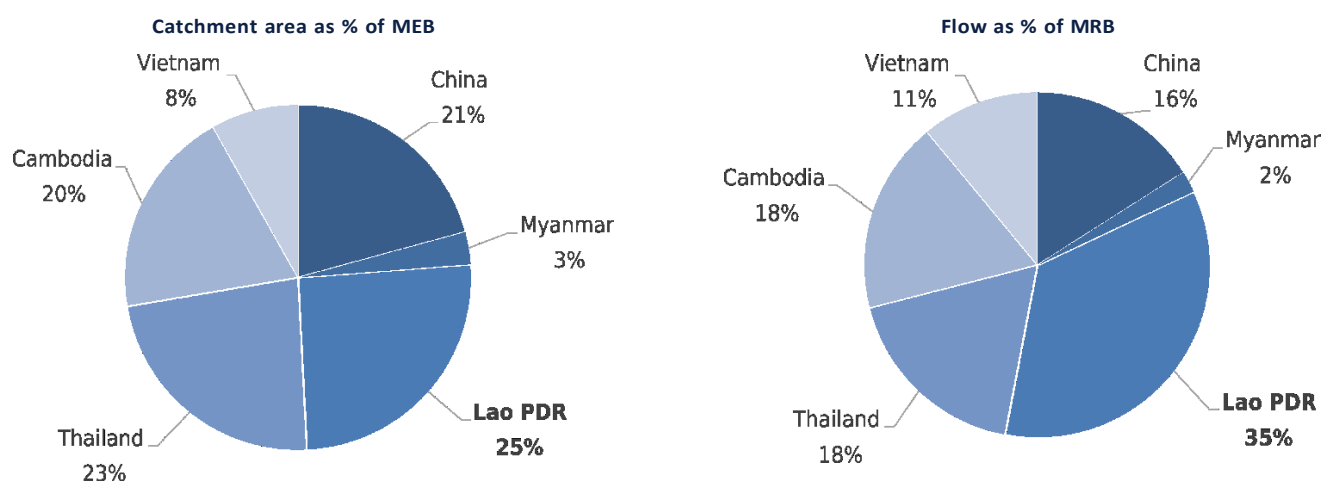
Overview of power generation in Lao PDR

Aiming to become the “battery of ASEAN”

Geographically, Laos is situated in the Mekong River Basin (MRB), and forests make up around three-fourths of the country’s total area. Laos has the biggest catchment area – around 800k square kilometers, making up one-fourth of the country’s total area – among the six countries that the Khong River flows through. Moreover, more than one-third of the water flowing toward the Khong River is from Laos. For these reasons, Laos is a huge power generator and aims to become the “battery of ASEAN.” The country has the potential to generate around 26,000MW of power from hydropower projects. According to statistics from the Power Generation Planning Division, Department of Policy and Energy, Ministry of Energy and Mines in Laos in 2016, the country plans to develop 429 power projects, with an installed capacity of around 29,171MW.

As of the end of 2020, Lao PDR had a total installed capacity of 10,091MW, 80.4% of which was contributed by hydropower projects; 70% of the total capacity was for export. However, Laos does not have an integrated high voltage transmission system, merely a regional transmission network; most transmission lines across the country have a voltage of 115kV and 230kV, while those of neighboring countries are 230kV and 500kV, which limits inter-regional power transmission.

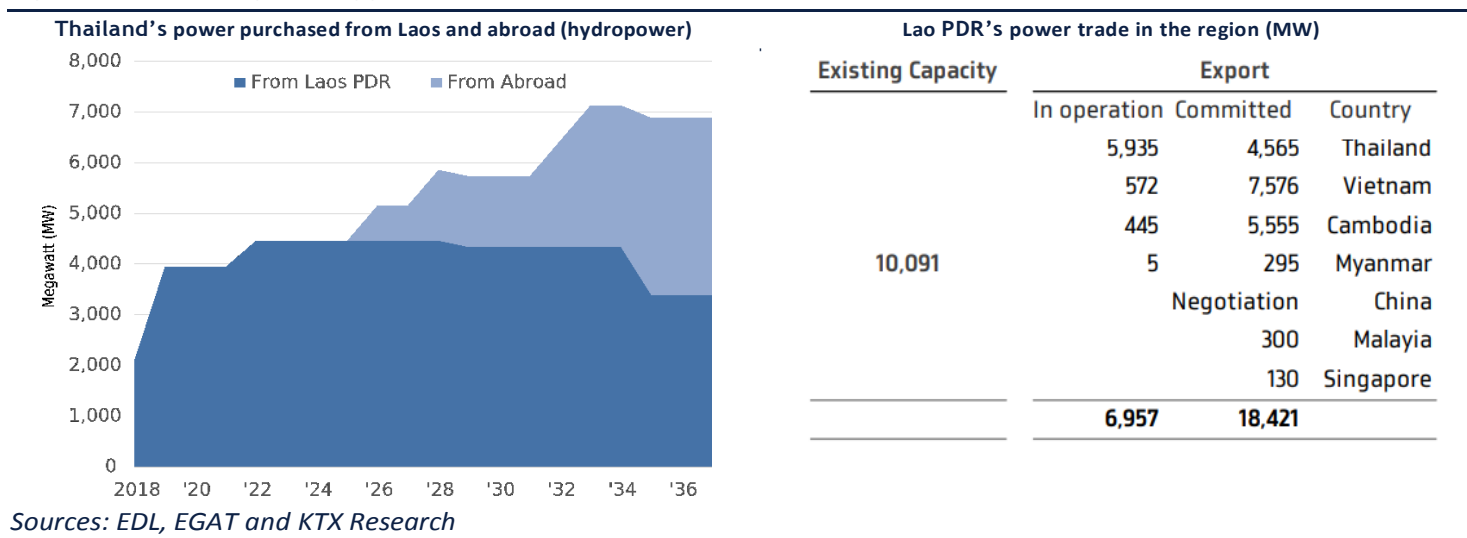
Figure 3: Lao PDR’s hydropower competitiveness



Source: EDL-Gen

More options for electricity sales for Lao PDR

There is high demand for electricity from Lao PDR thanks to lower selling prices from hydropower plants compared to other types of power plants. Thailand has increased the quantity in power purchase agreements with Lao PDR from 9,000MW to 10,500MW, which will narrow the quota for Thailand’s power purchases to 4,565MW. Figure 4 on the left shows the power capacity (from hydropower plants) that Thailand plans to purchase from Lao PDR and neighboring countries, based on the PDP 2018 (revision 1) for 2018-36 (excluding additional purchase agreements). Although the PDP 2018 (revision 1) does not stipulate that Thailand’s power purchases from neighboring countries will be supplied by Laos, the increase in power purchases from Lao PDR (excluding those in the PDP) and the high potential for hydropower generation in the country prompt us to expect that the power Thailand will purchase from neighboring countries will most likely be supplied by hydropower generators in Lao PDR, both from existing projects and committed power purchase plans.

Figure 4: Lao PDR's power opportunities**More alternatives for power sales for Laos thanks to growing demand from neighboring countries**

In addition to power purchases from Thailand, there is also demand from other neighboring countries. For example, Vietnam Electricity (EVN) has signed a power purchase agreement with Lao PDR for a total capacity of 8,000MW by 2030, while Cambodia has signed a power purchase agreement for a total capacity of 6,000MW. Other neighboring countries, such as Myanmar, Malaysia and Singapore, have also shown interest in purchasing power from Laos, with the total demand from neighboring countries (excluding power sold to Thailand) equating to a committed capacity of 14,000MW. More importantly, Lao PDR has collaborated with China Southern Power Grid (CSG), a big Chinese state enterprise, to establish EDL Transmission (EDL-T), with China holding a 90% share and EDL holding 10%. This should pave the way for China to purchase power from Lao PDR in the future.

EDL-Gen — leader in power generation in Lao PDR**Equity capacity growth at a 7% CAGR over the past 10 years**

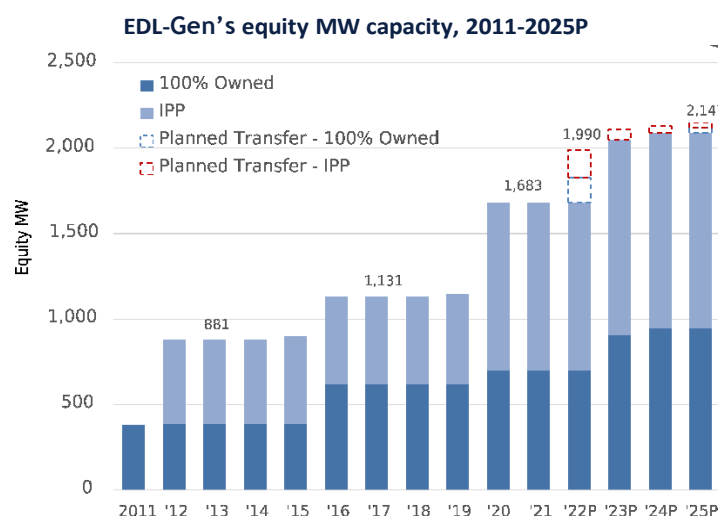
EDL-Gen was listed to the Lao Securities Exchange in 2011. At that time, the firm owned seven hydropower projects with a total installed capacity of 387MW and received investment transfers of four IPPs with an equity capacity of 493.8MW, equating to a total capacity of 881MW. The transfer of power plants and shares in IPPs over the past 10 years raised the firm's total equity capacity to 1,682.6MW as of the end of 2021, which implies a 7% CAGR. Nevertheless, this figure was lower than the firm's target of 2,173MW, which it had expected to receive by 2020. The generating volume of the hydropower plants of EDL-Gen also fell short of the target due to unfavorable weather conditions and the limitations regarding transmission lines. On top of that, demand for power in Lao PDR and neighboring countries has slowed down over the past three years due to COVID-19.

Entering growth cycle of production capacity again

We expect EDL-Gen to return to a growth cycle again, starting in 2023E. EDL-Gen's plans for power plant transfers and investment in IPPs show that equity MW will increase by 465MW during 2022-25, up 27.6% from late 2021. This consists of 275MW of 100%-owned capacity and equity capacity in IPPs of 190MW. Looking ahead, the expected transfers of power projects should enable the firm's equity MW to increase by 769MW from 1,683MW in 2021 to 2,452MW in 2030, up by 46%. As the aforementioned investment transfers of power projects will be funded by the issuances of debentures, the company will not have to bear a significant funding burden. Furthermore, EDL-Gen will realize revenue and profit contributions immediately upon transfer because the projects will commence commercial operations in the same period as the transfers. Further details about the transfer plans and planned investment in IPPs during 2022-30 are shown in Figure 5.

Figure 5: EDL-Gen's planned transfers of equity MW

Planned transfers of equity MW					
	HPP	Capacity (MW)	% Owned	Equity MW	Scheduled Transfer Year
1	Xeset 2 Ext.	10	100	10	2022
2	Selabam Ext.	8	100	8	2022
3	Xeset 3	23	100	23	2022
4	Nam Khan 3	60	100	60	2023
5	Nam Chiane	104	100	104	2022
6	Nam Ngum 1 Ex-Unit 6	40	100	40	2024
7	Nam Hinboun	30	100	30	2025
8	Lower Huay Lamphanh	15	60	9	2022
9	Nam Dik 1	15	70	11	2025
10	Nam Phoun	45	51	23	2026
11	Nam Thuen 1	650	15	98	2022
12	Nam Bi 1, 2, 3	135	80	108	2028
13	Nam Ngiep 2	180	10	18	2022
14	Xekaman 3	250	15	38	2022
15	Nam Dik 2-3	25	70	18	2025
16	Pak Beng	912	19	173	2030
Total Equity MW				769	



Sources: EDL-Gen and KTX Research

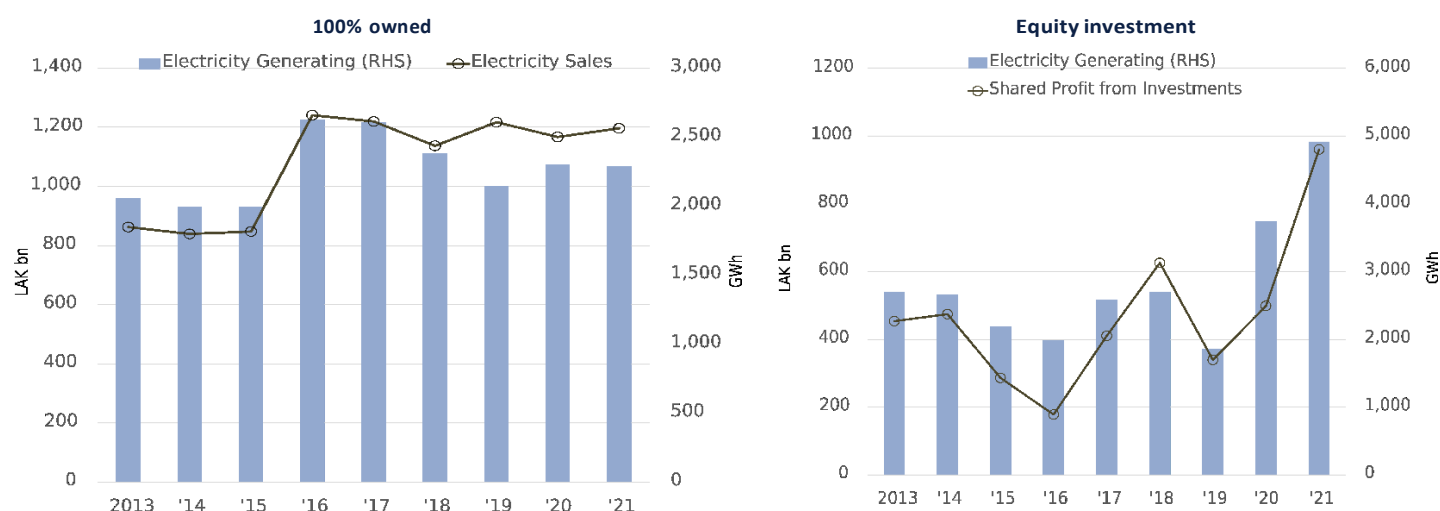
Ample growth opportunities in the future

We view that the potential growth in the equity capacity of EDL-Gen will be partially fueled by its parent company, EDL – the key power generator in Lao PDR – as it has to collaborate with the former in accordance with the country's planned power development. It should also be noted that Lao PDR has the potential to develop hydropower plants that would lift capacity to 26,000MW from the current capacity of over 10,000MW. There is also committed demand from neighboring countries, e.g., Thailand, Vietnam and Malaysia, for 14,000MW. EDL-Gen's market share of 17% of the country's total installed capacity (based on the average during 2014-20) implies the potential to increase equity MW by 2,700MW, or up 60% from 2021.

Earnings performance and outlook

Earnings performance varies in accordance with hydropower generation, which depends on weather conditions

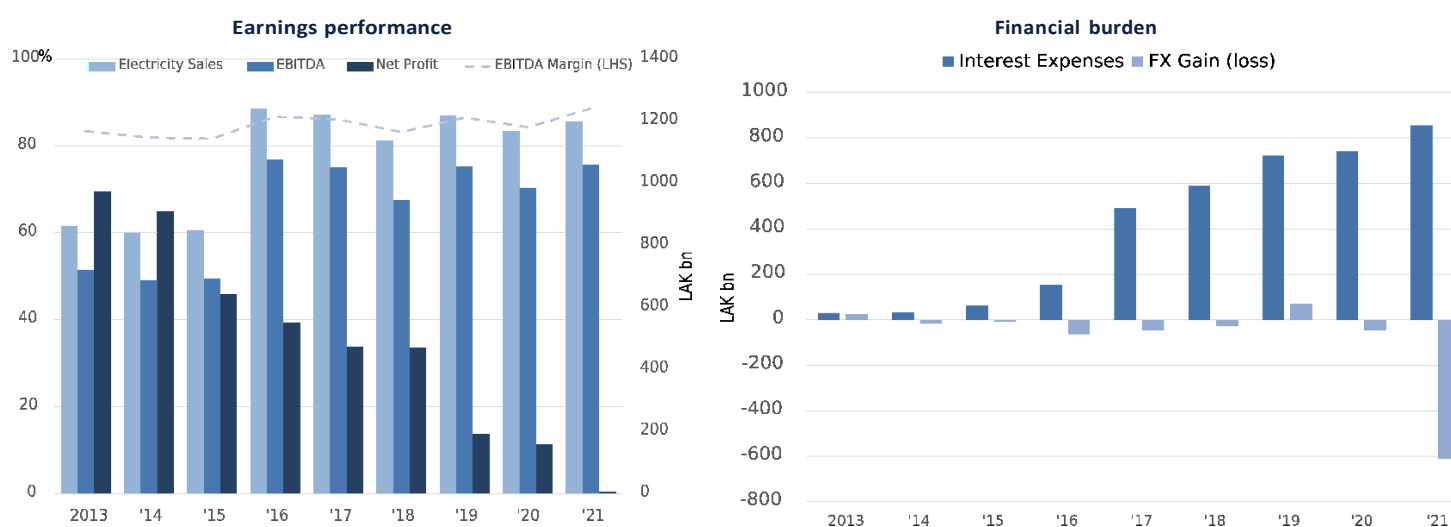
EDL-Gen's financial statements from 2013-21 show that earnings were rather volatile. The firm's revenue was generated from two key sources: i) revenue from power sales from EDL-GEN's wholly owned power projects; and ii) the earnings contributions from investment in IPPs. Power sales revenue and the earnings contributions vary in accordance with hydropower generation volume each year (see Figure 6) – this depends largely on water flows in the dam, which is largely the result of the quantity of rainfall and water in reservoirs.

Figure 6: Revenue, shared profit and electricity generation in 2013-21

Sources: EDL-Gen and KTX Research

Volatile net profit due to financial expenses and FX impacts

The power sales revenue from EDL-Gen's own power projects and the IPPs it is holding is stated in the power purchase agreements, with the tariffs linked with the FX rates of the LAK, THB and USD at different extents according to the conditions stated in the PPA for each project. Fluctuations in net profit are due mainly to financial expenses and FX gains (losses) from EDL-Gen's issuances of debentures to fund the transfers and purchases of power plants as well as investment in IPPs. As most of these power plants are under construction, the firm has to bear an interest expense burden for the time being; but after the projects are finished and completely transferred to EDL-Gen, it will begin realizing revenue. Meanwhile, the significant gains in debentures in the THB and USD against the LAK since 2021 have caused the firm to book FX losses when paying interest and the mature debentures are redeemed. Figure 7 on the left demonstrates that the firm's EBITDA, which varies in accordance with sales revenue and net profit, has weakened since 2013 due to interest expenses and FX impacts (figure on the right).

Figure 7: Earnings performance and financial burden in 2013-21

Sources: EDL-Gen and KTX Research

9M22 net profit increased eightfold thanks to other revenue

In 9M22, EDL-Gen generated revenue of LAK1,042,521mn, up 13% YoY, driven mainly by higher power sales volume by 28% YoY to 2,297GWh. Meanwhile, almost 90% of the total cost of sales was from depreciation and amortization expenses, which increased by 5% YoY. EDL-Gen's gross profit in 9M22 rose by 21% YoY to LAK581,727mn. The firm also booked a profit contribution from IPPs of LAK1,138,450mn, increasing by 44% YoY. However, other expenses jumped markedly due to FX losses, as the firm paid interest and repaid debentures in 9M22 in the amount of LAK2,556,702mn (vs. FX losses of LAK275,719mn in 9M21). Net profit in 9M22 marked at LAK2,340,983mn, up eightfold, as the firm booked other revenue at LAK4,050,114mn (mostly non-cash items), rising significantly from LAK19,597mn in 9M21.

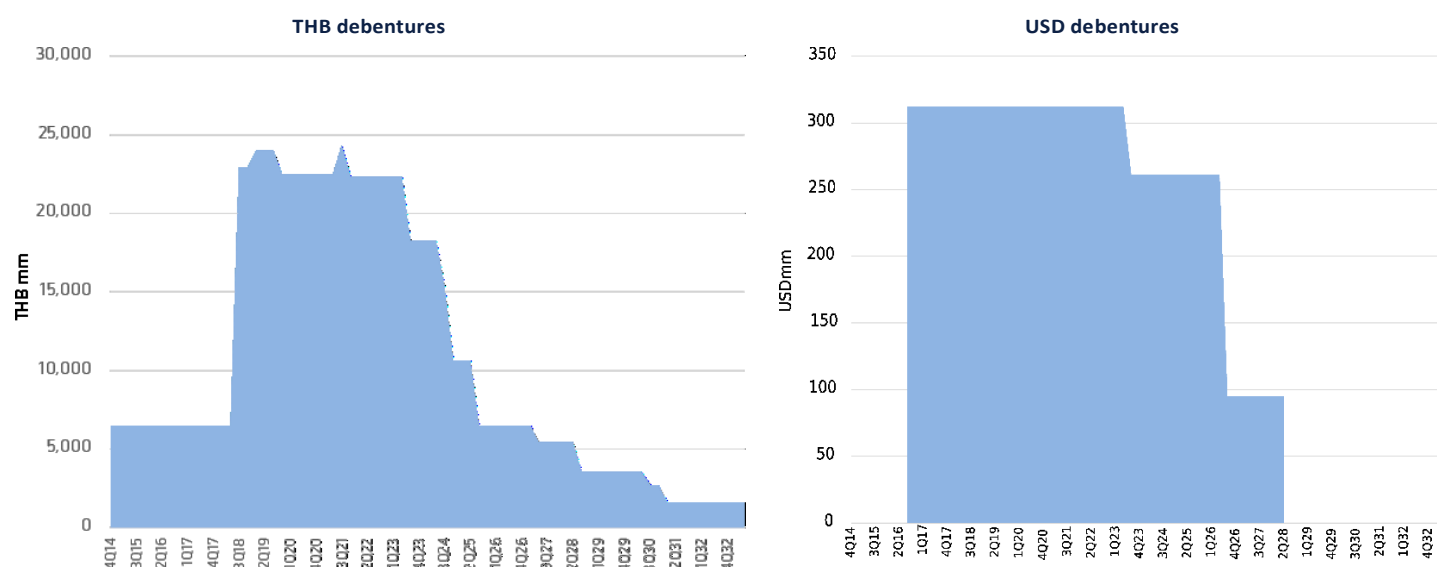
Core earnings to turn around from a loss in 2022E to a profit in 2023E

We project EDL-Gen's net profit in 2022E at LAK2,667,972mn, leaping from LAK4,392mn in 2021. But the firm is expected to mark a core loss of LAK1,157,648mn. Looking ahead, we expect EDL-Gen's core profit to increase significantly starting from 2023E, when the firm will begin to realize revenue from the transferred power projects as well as profit contributions from incremental equity MW by 46%. We project the firm's 2023E core profit at LAK553,354mn.

Potential compensation for FX impact and power generation shortfall

EDL-Gen may potentially receive compensation for the impact of the shortfall of power generation volume as well as FX impact. It is stated in the PPAs of the seven transferred hydropower plants that they must offer equity IRR at 15% and a capacity factor (CF - utilization rate) of not less than 56.6%. Furthermore, the PPAs also state that if the exchange rate between LAK/USD fluctuates at an extent greater than 10% from the specified rate at LAK8,000/USD, both EDL-Gen and EDL are entitled to consider revising the power tariffs. Meanwhile, the three IPP projects owned by the firm earn revenue in USD terms, meaning that there is a lesser impact. We calculate that the power projects owned by EDL-Gen saw a CF below 56.6% during 2017-21, while the LAK/USD exchange rate has exceeded LAK8,000 since 2014. However, for the PPAs of the IPPs in which the firm holds some shares, the tariff structure is mainly linked to the baht and USD and the CF for these projects is higher, offsetting the aforementioned impacts to a certain degree.

Figure 8: EDL-Gen's debentures' profiles



Sources: EDL-Gen and KTX Research

Refinancing program will mitigate FX losses

As of the end of 3Q22, EDL-Gen had total liabilities of LAK15trn (or USD866mn) and net debt to equity at around 1.3x, (lower than the threshold of 2x), down from 1.9x as of the end of 2021. During 2023-26, debentures worth a total of USD679mn will reach maturity (consisting of those in baht terms at Bt16bn and USD terms at USD217mn). The firm plans to issue a new tranche of debentures as well as borrow from financial institutions in an amount not exceeding USD500mn, which will be used to refinance debentures reaching maturity. In our view, while the refinancing program will raise the debt and financial costs of EDL-Gen when they are converted to the kip, this will be offset by the revenue and profit contributions from the power projects that will begin to be transferred from 2022 onward. Moreover, the refinancing program should also help mitigate the FX impacts of the debentures that reach maturity and offset interest expenses in each period because the new debentures will better reflect the current FX rates.

Valuation

SOTP-based fair price at LAK2,660/share

We derived a fair value for EDL-Gen by means of the sum-of-the-parts method. We employ the discounted cash flow (DCF) for the firm's own hydropower projects and use the relative valuation of the IPPs in which the firm holds shares, based on the multiples of power stocks in regional securities markets, especially Vietnam, where there are a number of listed hydropower stocks. We use free cash flow to the firm (FCFF), which EDL-Gen will receive from its own hydropower projects, both existing and potential ones that have been disclosed to the public. Then, we calculate the equity capacity that will be transferred until the quota of 2,452MW is reached in 2030. We then make a projection that covers the remaining lives of PPAs, under the assumption that there is no 10-year extension, despite the PPAs stating that extensions can be negotiated. Meanwhile, the discount rate is based on the weighted average cost of capital (WACC).

The fact that the fixed income market and stock exchange of Lao PDR are under development places limitations on the data that can be used for establishing parameters, especially for the calculation of the risk premium. Therefore, we use the country's risk premium from the sovereign rating instead. Moody's Investor Service downgraded the sovereign rating for Lao PDR to Caa3, with a negative outlook, in mid-2022 – this sovereign rating translates to a risk premium of 19.99%.* As the credit rating of EDL-Gen is the same as EDL's, which is also equivalent to the sovereign rating for Lao PDR, we use the same risk premium. In addition, as the Laotian fixed income market has low liquidity, there is no data on the 30Y government bond yield. We therefore project the risk-free rate (Rf) based on the data of several series of debentures issued by EDL-Gen, ranging from 3 to 15 years. We then did bootstrapping, resulting in a Rf of 10.9%. Hence, the required return for shareholders is 30.86%. At the target D/E ratio of 2x, the WACC is calculated at 14.62%. We derive the fair value of the IPPs the firm is holding based on the projected profit contributions from investment that will be booked in 2023E, employing a PER at 7.4x, equivalent to the average PER of hydropower stocks listed in the Ho Chi Minh Stock Exchange (HOSE). We then deduct the combined fair value of these two parts from net debt, resulting in a fair value for EDL-Gen at LAK2,660/share. Figure 9 demonstrates the sum-of-the-parts valuation of EDL-Gen and the key parameters used for deriving the fair value.

Figure 9: Sum-of-the-parts valuation for EDL-Gen

Value of power plant			Key parameters	
	LAKmn	%		
100%-owned (FCFF)	10,377,445	49	Risk-free rate	10.87%
IPPs (7.4x PER)	10,807,764	51	Risk premium*	19.99%
			Beta	1.0
			Cost of equity	30.86%
			Cost of debt	6.50%
			D/E ratio	2:1
			Tax rate	0.00%
			WACC	14.62%
Total firm value	21,185,210			
Net debt	16,704,123			
Total equity value	4,461,106			
Per share (LAK)	2,660			

Sources: EDL-Gen and KTX Research

*<https://pages.stern.nyu.edu/~adamodar/pc/datasets/ctrypremJuly22.xlsx>

Cheap valuation compared to average multiples of regional power firms

At present, EDL-Gen has a market capitalization of approximately LAK4.0trn (USD231mn), making it the biggest firm listed to the Lao Securities Exchange. At present, the share price is trading at a 12M PER of 7.1x. The price is cheap relative to the multiples of other hydropower stocks listed to the HOSE. EDL-Gen also has more room to grow thanks to potential capacity expansion and surging demand from neighboring countries, making it deserving of a valuation re-rating. Figure 10 below demonstrates the valuation matrix for EDL-Gen and hydropower peers in the HOSE.

Figure 10: Valuation matrix: peer comparison

Ticker	Company	PER x	Fw PER x	PCF x	P/FCF x	Div Yield %	PBV x	PS x	ROE %	ROA %
EDL GEN	EDL-Generation PCL	n.m.	7.1	4.4	2.3	4.3	0.4	3.3	n.m.	n.m.
TMP	Thac Mo Hydropower JSC	6.5	--	7.1	--	1.6	2.3	3.4	24.56	17.59
CHP	Central Hydropower JSC	6.2	--	4.8	--	5.2	1.7	3.0	12.78	7.11
SHP	Southern Hydropower JSC	7.7	--	6.3	--	3.6	2.0	3.6	20.94	14.50
TBC	Thac Ba HydroPower JSC	7.1	--	5.6	5.7	9.9	1.7	3.0	16.90	10.63
S4A	Se San 4A Hydropower JSC	9.3	--	7.0	7.0	8.7	2.4	4.6	25.41	13.99
SJD	Can Don HydropowerJSC	5.4	--	6.7	6.8	8.7	1.0	2.1	17.58	11.86
DRL	HydropowerJSC - Power No. 3	9.5	--	9.5	10.0	18.6	4.7	5.3	40.82	39.90
Average		7.4	na.	6.7	7.4	8.0	2.2	3.5	22.7	16.5

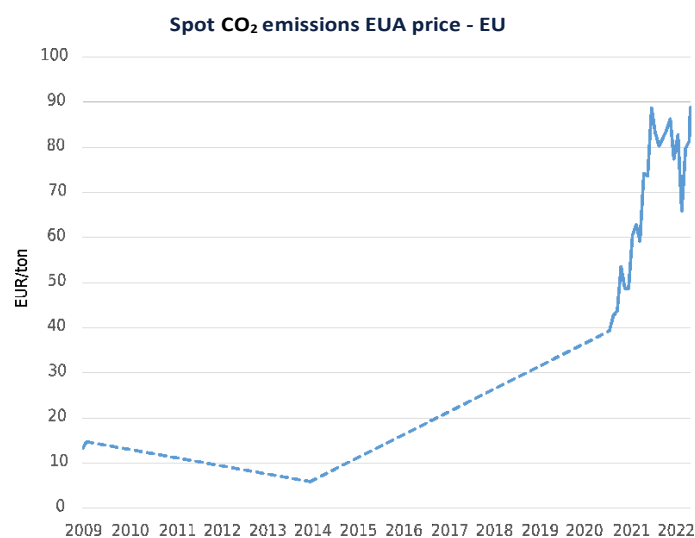
Sources: Bloomberg and KTX Research, data as of January 12, 2023

Potential sources of revenue and additional value from carbon credits

In addition to the growth potential from power sales, EDL-Gen is also likely to generate revenue and gain incremental value from the sale of carbon credits. Since hydropower plants do not use fossil fuels, no greenhouse gases are emitted, which can be calculated as a reduction to CO₂ and converted to carbon credits. With major listed firms around the globe being committed to net zero greenhouse gas emissions by 2050, demand for carbon credits is expected to jump significantly over the next ten years. According to a report by McKinsey, demand in the voluntary carbon market (VCM) is forecast to increase 15x from 2021 to 1.5-2.0 gigatonnes (Gt - equivalent to a billion tons)/year of CO₂ in 2030, and it is expected to rise by 100x to 3-4 GtCO₂ in 2050. McKinsey projects the value of global carbon credit markets to reach USD50bn in 2030. Figure 11 on the right shows the movement of the spot price of carbon credits in the EU, and the figure on the left shows the valuation of EDL-Gen's carbon credits, with details on the annual carbon reduction contributions from each project. Our projection shows that the power projects that EDL-Gen owns and holds shares in can reduce greenhouse gas emission by around 3.36mn tons of CO₂ per year, with the company's portion at 1.1mn tons of CO₂ per year. Meanwhile, the selling price of carbon credits in the spot markets in the European Union's Emissions Trading System (ETS) has doubled since 2020, standing at around EUR90/ton. We believe EDL-Gen's remaining projects, both operating ones and those under construction, will also be eligible to be CDM projects.

Figure 11: Valuation of EDL-Gen's carbon credits

Valuation of EDL-Gen's carbon credits				
HPP	Capacity	% Owned	Est. Annual Reduction Contribution	
	(MW)		in CO2	to EDL-Gen
1 Xeset 2	76	100	155,983	155,983
2 Nam Sana	14	100	25,335	25,335
3 Houay Lamphan Gna	88	100	245,328	245,328
4 Nam Khan 2	130	100	239,214	239,214
5 Nam Hinboun	30	100	86,851	86,851
6 Nam Lik 1-2	100	10	207,512	20,751
7 Nam Ngum 5	120	15	248,501	37,275
8 Nam Long	5	20	24,035	4,807
9 Nam Ou 2	120	15	219,891	32,984
10 Nam Ou 5	240	15	515,132	77,270
11 Nam Ou 6	180	15	388,343	58,251
12 Nam Lik 1	60	10	122,145	12,215
13 Nam Ngiep 2	180	10	387,174	38,717
14 Xekaman 3	250	15	499,481	74,922
Total (ton)			3,364,925	1,109,903
Euromn@ EUR 90/ton				98.65
LAKmn				1,795,397
Per Share EDL-Gen (LAK)				1,069



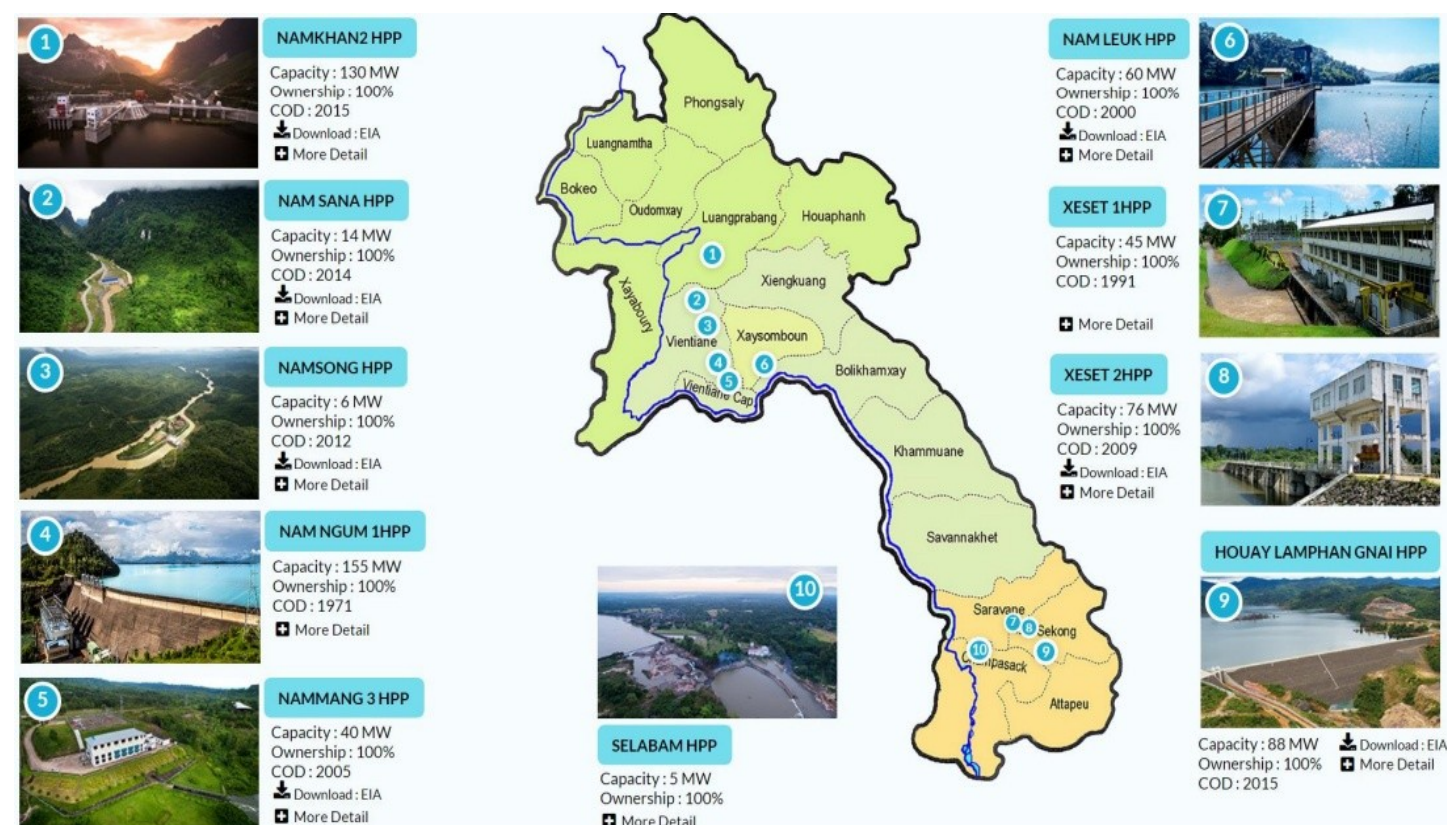
Sources: EDL-Gen, CDM, ETS and KTX Research

Company Profile

EDL-Gen is a key power generation firm in Lao PDR

Electricite Du Laos-Generation Plc. (EDL-Gen) is a power generation firm in Lao PDR. It was established in 2010 as part of the adjustment to the country's power structure. The firm received the transfers of hydropower projects from Electricite Du Laos (EDL), EDL-Gen's major shareholder at 51%. The firm was listed to Lao Securities Exchanges in 2011. As of the end of 3Q22, EDL-Gen owned 10 hydropower projects, with a total capacity of 699MW.

Figure 12: EDL-Gen's wholly owned businesses

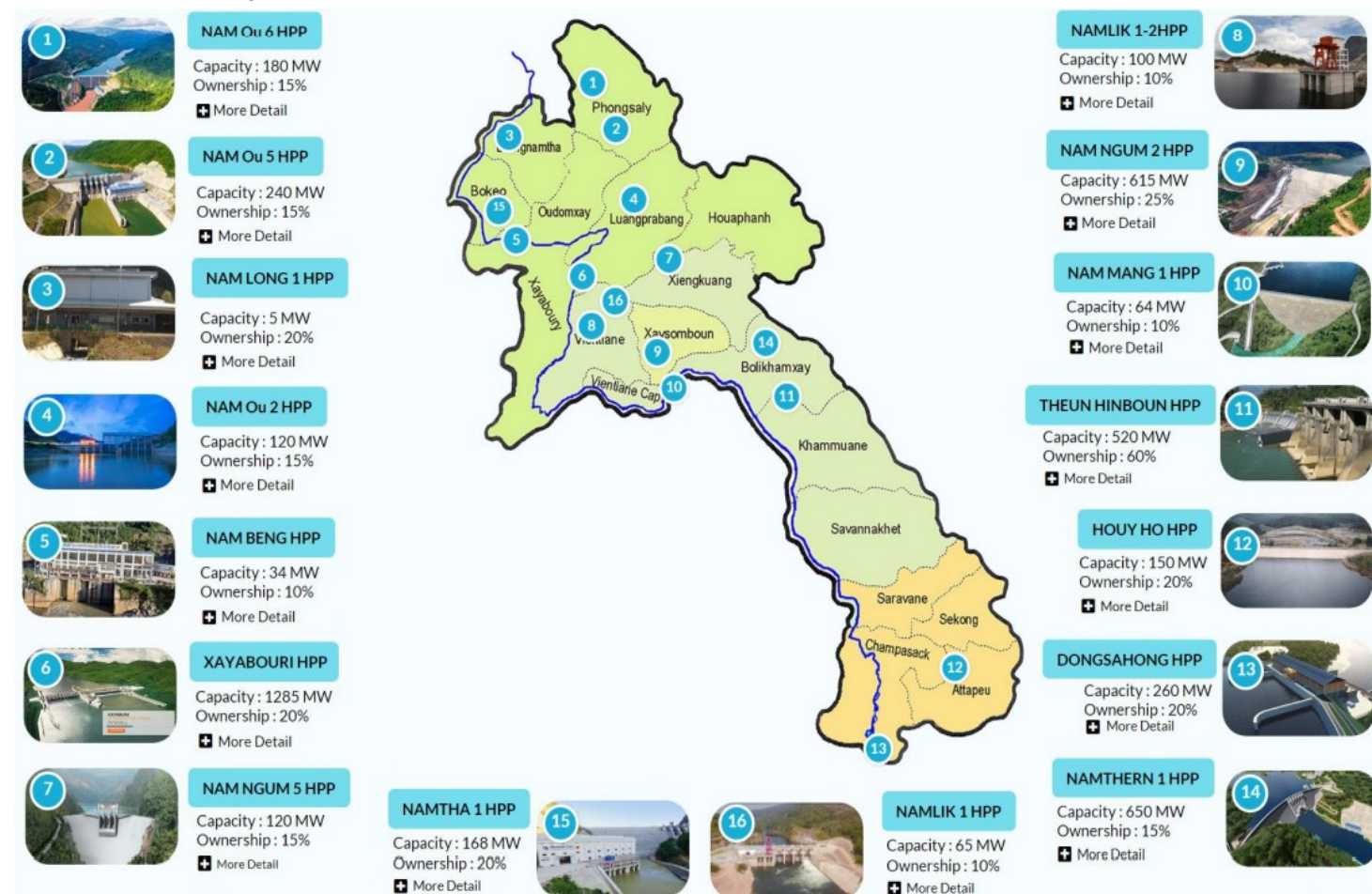


Source: EDL-Gen

Investment in hydroelectric IPPs

EDL-Gen has also invested in hydroelectric IPPs, which were originally held by EDL and subsequently transferred to EDL-Gen. As of the end of 3Q22, EDL-Gen had invested in 16 IPPs projects (including one solar project), with the shareholding ranging from 10% to 60% and total equity MW of 984MW.

Figure 13: EDL-Gen's joint ventures



Source: EDL-Gen

Financial Table

unit: LAKmn	2018	2019	2020	2021	2022E	2023E
Consolidated Income Statement						
Electricity sales	1,137,430	1,217,530	1,167,375	1,196,664	1,331,146	1,640,539
Cost of sales	(532,735)	(582,870)	(567,894)	(585,971)	(630,900)	(744,187)
Gross profit	604,695	634,660	599,481	610,693	700,246	896,352
Administrative expenses	(169,215)	(154,849)	(198,319)	(154,090)	(172,838)	(169,295)
Operating profit	435,480	479,811	401,162	456,603	527,408	727,057
Finance costs	(588,553)	(724,366)	(741,125)	(855,815)	(849,603)	(857,779)
Dividend income	-	-	-	-	-	-
Other income	26,476	31,270	44,092	55,292	4,058,272	75,801
Income tax	-	-	-	-	-	-
Currency exchange gains (loss)	(29,050)	71,524	(45,389)	(612,913)	(2,556,702)	(852,234)
Profit from affiliates and JV	626,001	339,377	498,703	960,715	1,460,509	1,460,509
Minorities interest	(899)	(4,537)	1,199	510	(117)	-
Net profit	469,455	193,079	158,642	4,392	2,667,972	553,354
Core profit	498,505	121,555	204,031	617,305	(1,157,649)	553,354
EPS (weighted)	279.60	115.00	94.50	2.62	1,589.02	329.57
EPS (FD)	279.60	115.00	94.50	2.62	1,589.02	329.57
Consolidated Balance Sheets						
Cash and cash equivalents	753,100	1,006,378	293,394	236,074	183,139	1,329,334
Current assets	2,217,781	3,369,417	4,404,427	6,426,838	7,206,298	8,352,493
Advance payment for investments	6,298,672	2,217,880	1,973,406	1,973,406	1,993,815	1,995,968
Property, plant and equipment-Net	9,735,008	9,841,857	9,436,044	8,975,510	8,454,188	8,472,960
Investment in subsidiaries	-	-	-	-	-	-
Investment in JV and interests in associates	3,809,274	7,590,592	8,200,868	8,416,286	6,116,734	6,118,887
Non-current assets	492,436	635,769	687,668	760,127	6,553,263	6,555,632
Total assets	22,553,171	23,656,378	24,702,826	26,552,167	30,326,668	31,495,940
Payables for assets under concessions	-	-	-	-	-	-
Total current liabilities	1,988,236	1,634,140	3,944,216	3,392,350	6,491,737	6,822,763
Long term loans	11,211,066	12,731,833	11,464,890	13,929,223	121,123,611	125,651,833
Non-current liabilities	-	-	-	-	-	-
Total liabilities	13,199,302	14,365,973	15,409,106	17,321,573	18,604,098	19,387,947
Paid up capital	6,717,215	6,717,215	6,717,215	6,717,215	6,717,215	6,717,215
Retained earnings	1,637,746	1,562,136	1,552,848	1,389,310	3,889,352	4,274,776
Minorities interest	676	5,213	4,014	3,504	(4,563)	(4,563)
Total equities	9,353,869	9,290,405	9,293,720	9,230,594	11,722,569	12,107,993
Cash flow						
Net earnings	469,455	193,079	158,642	4,392	2,667,972	553,354
DD&A	483,929	541,644	515,932	520,357	553,083	691,551
Other non-cash charges	(236,388)	146,332	(66,365)	(107,850)	(4,281,153)	96,309
Change in working capital	(412,822)	(4,392)	(814,445)	(4,574)	(136,492)	(136,492)
Capital expenditures	(226,917)	(142,711)	(98,009)	(87,526)	(18,772)	(18,772)
Investments in affiliates	(332,282)	(124,766)	(7,837)	(4,941)	(2,153)	(2,153)
Free cash flows	77,257	93,091	(304,245)	333,947	2,969,645	996,830
Debt Financing	2,254,658	548,754	(345,304)	(266,402)	(23,887)	452,823
Dividend paid	(486,998)	(268,689)	(167,930)	(167,930)	(167,930)	(167,930)
Capital increase	-	-	-	-	-	-
Others	-	-	-	-	-	-
Net cash flows	(114,632)	337,668	(714,220)	(62,969)	2,691,360	1,279,570

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Note:

Krungthai XSpring has two major shareholders, Krungthai Bank Plc. (KTB) and XSpring Capital Plc. (XPG). Therefore, prior to making investment in the securities of KTB and XPG, investors should consider the risk factors carefully.

An executive of Krungthai Xspring is also a board member of VNG, SVH, PACE, MAJOR, KBS, XPG, NVD, KTC, IVL, SAWAD, CI and SABUY.

A management member of Krungthai Xspring is also a board member of NFC.

Krungthai Xspring is a financial advisor for XPG, TSE, STOWER, NVD, BTS, AHC, THCOM and MASTER.

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KTX Research - Recommendation Definitions**KTX's fair value**

Our fair value is calculated by the 12-month rolling EPS estimate divided by the required rate of return based on the Capital Asset Pricing Model (CAPM).

Stock Recommendations

In determining our recommendations for each stock, we combine the fundamental value and the tactical trading overlay to factor in the anticipated market trend. The fundamental value takes into account both the current fair value as mentioned above and the valuation trend over the next 24 months, incorporating the future performance. Each of the three aforementioned criteria is assigned a score in the range of -5 to +5, evaluated against our benchmark. The equally weighted scores are then summed into a single score, which is used to assign stock recommendations.

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.