

SECTOR UPDATE

Utilities - Power – Thailand

Resilient Growth Ahead Amid Macro Uncertainty

Despite an average 20% ytd correction in Thai power stocks, we believe the market has already priced in major headwinds including regulatory uncertainty and delays in renewable PPAs. Looking ahead, we foresee a sector rebound supported by strong seasonal electricity demand in 2Q25, easing fuel costs and attractive dividend yields. We maintain an **OVERWEIGHT** rating on the sector with **GULF** and **RATCH** as our top picks.

WHAT'S NEW

- **Electricity demand remains robust.** Despite Thailand's weak economic growth and post-EI Niño normalisation, electricity demand has remained firm. Thailand's peak load hit 34,620 MW (down only 6% yoy but still higher than 2023's peak load) in Apr 25, supported by rising EV adoption and strong air-conditioning demand during summer. Additionally, the 90-day tariff pause under US President Trump's policy has encouraged a pick-up in industrial output, indirectly reinforcing power demand of industrial users.
- **Fuel cost tailwinds support 2Q-3Q25 recovery; stronger margins outlook.** We expect Thailand's gas prices to decline in the next two quarters, largely due to falling global oil prices and higher domestic gas production. The reference Dubai crude oil price has dropped from an average of US\$77/barrel in 1Q25 to the current US\$65/barrel, and is expected to remain at this level in 3Q25. As domestic gas contracts in Thailand typically normally lag oil prices by 6-12 months, this translates into a gradual fall in gas costs. Meanwhile, PTTEP has increased production at the Erawan gas field to 800m cubic feet per day in 2025, which improves supply security and reduces expensive imported LNG. The Thai baht's appreciation to about Bt32.60/US\$1 also helps to reduce import costs for LNG in 2Q-3Q25. The average gas price for 2Q25 is expected to fall to Bt320-330/MMBTU, from Bt334/MMBTU in 1Q25 (-4% qoq). This would be beneficial for small power producers (SPP) such as BGRIM and GPSC.
- **Hydro power recovery and upside from US market in 3Q25.** For 2025, the Food and Agriculture Organization of the United Nations (FAO) and global climate agencies expects rainfall in 2025 to be 10–20% above the five-year average due to La Niña. This would boost hydropower output from Laos-based assets, benefitting operators with exposure in Laos such as EGCO, GPSC, CKP and BCPG. Meanwhile, the US Pennsylvania-New Jersey-Maryland Interconnection (PJM) market - the country's largest electricity market - has announced a surge in capacity prices for FY25/26 (Jun 25–May 26) to US\$270/MW-day, up 9x yoy. This surge will likely support earnings for BCPG, EGCO, and GULF, which have direct exposure to the US power market.
- **New S-curve from data centre.** Thailand's data centre demand is projected to exceed 400 MW by end-25, growing ~12% annually. Growth is driven by cloud, hyperscale, and colocation expansion. New facilities are now being designed for 100–200 MW per facility, reflecting a shift toward larger hyperscale and AI-driven operations, which imply strong power demand going forward. Note that, the government is piloting 2,000 MW direct PPAs to support the sector's energy needs.

PEER COMPARISON

Company	Rec.	Last Price (Bt)	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit 2025F (Btm)	2026F (Bt m)	PE 2025F (x)	2026F (x)	Net EPS Growth 2025F (%)	P/B 2025F (x)	Yield 2025F (%)	ROE 2025F (%)
BCPG TB*	BUY	6.05	8.00	32.2	548	1,384	1,703	13.1	10.6	(24.0)	0.6	5.3	4.4
BGRIM TB*	BUY	10.70	18.00	68.2	843	1,914	2,069	14.6	13.5	22.9	0.8	4.0	3.9
BPP TB*	BUY	7.10	9.00	26.8	654	3,871	4,001	5.6	5.4	121.7	0.4	10.6	6.9
EGCO TB	BUY	107.50	115.00	7.0	1,711	8,493	8,296	6.7	6.8	57.0	0.5	6.0	7.9
GPSC TB*	BUY	33.25	45.00	35.3	2,834	4,416	5,674	21.2	16.5	8.7	0.8	3.0	3.7
GULF TB*	BUY	43.75	70.00	60.0	15,518	67,792	24,109	9.1	25.7	209.6	1.9	2.9	25.7
RATCH TB	BUY	25.25	40.00	58.4	1,660	8,294	8,595	6.6	6.4	35.4	0.6	6.5	7.8
Sector					23,768	96,164	54,447	10.4	20.5	148.1	1.5	3.7	18.8

* Coverage on our retail platform, Source: UOB Kay Hian

OVERWEIGHT

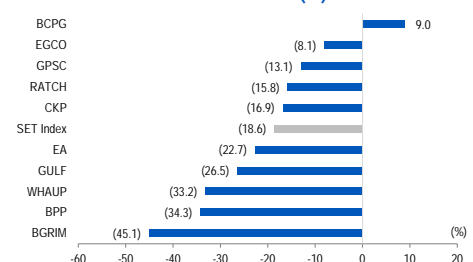
(Maintained)

STOCK PICKS

Company	Rec	Share Price (Bt)	Target Price (Bt)
GULF	BUY	43.75	70.00
RATCH	BUY	25.25	40.00

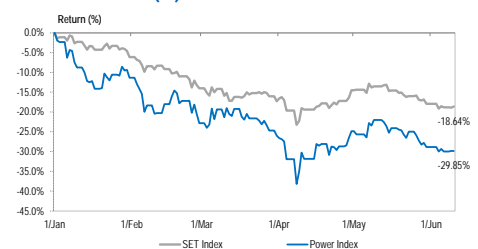
Note: Coverage on our retail platform
Source: UOB Kay Hian

SHARE PRICE PERFORMANCE (%)



Source: UOB Kay Hian

POWER INDEX (%)



Source: UOB Kay Hian

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ACTION

- **Laggard play despite strong earnings.** The Thai power sector's core profit grew 23% yoy and 12% qoq in 1Q25, while the sector has been underperforming the SET Index significantly, weighed by concerns over government intervention in fuel adjustment charge (Ft) and slow progress in renewable power purchase agreements (PPA). We think that the sector's share price already reflects negative news, especially that prices of SPP operators.
- **Earnings turnaround and yield plays.** We expect strong earnings momentum in 2Q25-3Q25. We expect the Thai power sector to remain attractive amid the global macro volatility. In addition, most IPP operators offer 4–6% dividend yields, with further upside from potential M&As, offshore wind, hydrogen, and BESS (battery storage) projects.
- **Maintain OVERWEIGHT on the sector with GULF and RATCH as our top picks.** We favour independent power producers (IPP) given stronger seasonal demand in 2Q25 and limited exposure to potential fuel tariff (Ft) reductions. We prefer GULF and RATCH. GULF stands to benefit from full-year contributions of Hin Kong units I–II, first quarter synergies from the INTUCH merger in 2Q25 and US investments; RATCH offers an attractive 6.0% dividend yield, consistent growth momentum, and has low regulatory risk. We also see short-term trading upside for BGRIM on lower 2Q25 gas costs and positive sentiment from its planned 100 MW data centre investment.

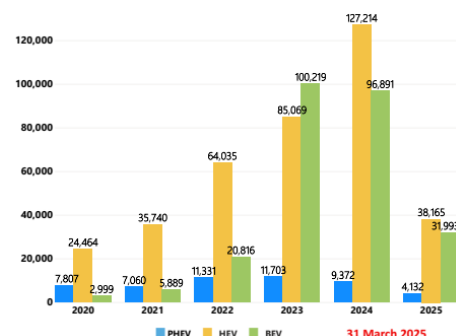
ASSUMPTION CHANGES

- We maintain our core profit forecasts for all power companies under our coverage.
- **Interest rate sensitivity.** Based on our sensitivity analysis, we have identified a negative correlation of 62% between the US 10-year yield and the performance of Thai utilities companies' share prices over the past two years. We foresee limited impact from interest rate adjustments on Thai power companies, with only a 1.0-4.0% impact on core profits, as many Thai power companies have low debt levels (around 1.0x D/E).
- **Ft and gas cost sensitivity.** Overall, the positive impact from lower gas costs will likely outweigh the negative impact from softer Ft charges. We conclude that BGRIM and GPSC are the most affected by fluctuations in gas costs and Ft charges. Every Bt0.01/unit change in Ft charges would impact their earnings by around 0.8% (impact on GULF: around 0.2%) while every Bt1.0/MMBTU change in gas prices would impact BGRIM's and GPSC's earnings by around 0.7% and 0.4% respectively.

SECTOR CATALYSTS

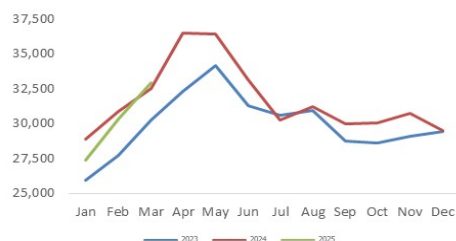
- 2Q25: Strong seasonal demand in Thailand.
- Lower gas costs and Thai baht strength.
- US capacity market gains in FY25/26.
- Strategic M&A and international expansion in 2H25.

NEW EV REGISTRATION IN THAILAND



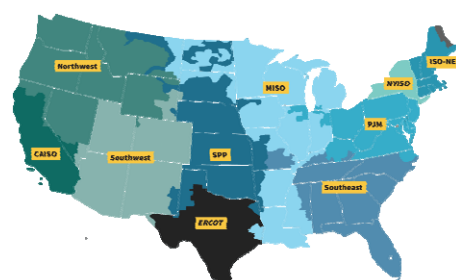
Source: Electric Vehicle Association of Thailand

PEAK DEMAND 2023-25



Source: UOB Kay Hian

US REGIONAL TRANSMISSION ORGANISATIONS



Source: UOB Kay Hian

PJM MARKET STRUCTURE

Market Type	Purpose	Key Components
Energy Market (Free Market)	Short-term buying/selling of electricity	Day-Ahead Market (DAM), Real-Time Market (RTM)
Capacity Market	Long-term reliability (3 years ahead)	Reliability Pricing Model (RPM), Capacity Auctions

Source: UOB Kay Hian

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