

COMPANY UPDATE

Ratchaburi Group (RATCH TB)

Earnings To Recover With Strong Growth Pipeline And Tailwinds From Rate Cuts

We expect core earnings to recover strongly in 2H25-2026, supported by seasonal hydro output, stable contributions from HPC and Paiton, and the absence of major planned outages. RATCH has visible long-term growth from new CODs and renewable projects, while upcoming PDP tenders offer additional upside. The company also stands out as a beneficiary of rate cuts and provides an attractive 6.2% dividend yield. Maintain BUY. Target price: Bt35.00.

WHAT'S NEW

- Earnings recovery on stability.** Following our meeting with management on 25 August, we maintain our positive view on Ratchaburi Group's (RATCH) earnings recovery in 2H25-2026. Key drivers include stronger contributions from hydro plants (total capacity of 884MW) during the peak seasons and the absence of scheduled maintenance at the 1,400MW Hin Kong Power Plant (HKP). We also expect robust performances from Paiton (Indonesia) and Hongsa (Laos). Notably, Hongsa, which contributed ~50% of 2Q25 core profit, should maintain an availability factor above 90% in 3Q25 (vs 97% in 2Q25), while Paiton's contribution (~Bt820m in 2Q25) should remain solid on seasonal strength.
- Strong long-term capacity growth.** RATCH is expanding capacity with near-term commercial operation date (COD) from the 30MWe Nava Nakorn Electricity Generating (NNEG) in 4Q25, 12MW Song Giang hydro (4Q25), and a 145MW solar farm in the Philippines. Beyond these, the new Thai Power development plan (PDP) presents opportunities from upcoming independent power producer (IPP) tenders and renewable auctions. RATCH targets to raise its green portfolio to >30% of its total capacity over the next decade, reinforcing long-term growth visibility. Management also stated that RATCH is the process of 1-2 M&A deals, which are expected to conclude in 2025.
- Attractive dividend payment.** Based on its robust 1H25 earnings, RATCH has announced a dividend payment of Bt0.80/share, which implies a 3.0% dividend yield for 1H25.
- Beneficiary of interest rate cuts.** Monetary easing provides both earnings uplift and valuation tailwinds for the Thai power sector, with RATCH being a key beneficiary. Following the BOT's 25bp cut in August and an expected Fed cut next month, RATCH stands to gain from its Bt91.0b interest-bearing debt (net D/E 1.1x). Every 25bp cut should lower finance costs by around Bt50m (~1% of 2025 earnings). Moreover, its 6.2% dividend yield looks increasingly attractive vs the sub-2.5% government bond yields, enhancing its defensive appeal and potential for re-rating.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	51,574	42,227	31,789	31,972	32,324
EBITDA	14,847	15,703	16,385	16,538	16,667
Operating profit	10,782	11,675	12,535	12,738	12,767
Net profit (rep./act.)	5,167	6,127	6,742	7,059	7,074
Net profit (adj.)	5,018	6,127	6,742	7,059	7,074
EPS (Bt)	2.3	2.8	3.1	3.2	3.3
PE (x)	11.6	9.5	8.6	8.2	8.2
P/B (x)	0.6	0.6	0.6	0.6	0.6
EV/EBITDA (x)	8.6	8.1	7.8	7.7	7.7
Dividend yield (%)	6.0	6.0	6.2	6.4	6.5
Net margin (%)	10.0	14.5	21.2	22.1	21.9
Net debt/(cash) to equity (%)	63.7	83.3	63.3	69.2	76.7
Interest cover (x)	3.3	3.5	3.8	4.0	4.0
ROE (%)	5.3	6.3	6.9	7.2	7.4
Consensus net profit (Btm)	-	-	6,984	7,139	7,290
UOBKH/Consensus (x)	-	-	0.97	0.99	0.97

Source: Ratch Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt27.00
Target Price	Bt35.00
Upside	+29.6%

COMPANY DESCRIPTION

RATCH is a leading IPP in Thailand. RATCH has a total equity installed capacity of 7,379MW. Capacity can be broken down into 6,495MW under commercial operations and 884MW under development and construction.

STOCK DATA

GICS sector	Utilities
Bloomberg ticker:	RATCH TB
Shares issued (m):	2,175.0
Market cap (Btm):	76,125.0
Market cap (US\$m):	2,222.0
3-mth avg daily t'over (US\$m):	3.7

Price Performance (%)

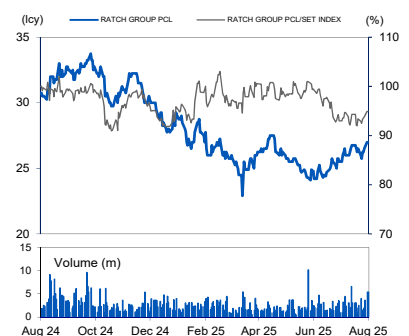
52-week high/low			Bt44.50/Bt35.00	
1mth	3mth	6mth	1yr	YTD
(2.8)	(7.3)	(18.6)	(7.9)	(18.1)

Major Shareholders

EGAT	45.0
Nortrust Nominees Ltd.	9.2
Littledown Nominees Ltd.	6.5

FY23 NAV/Share (Bt)	47.27
FY23 Net Debt/Share (Bt)	44.85

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Continued upside from hereon.** In the near term, we expect RATCH's core earnings to improve qoq in 3Q25 to around Bt2.1b, driven by seasonally stronger operations with the absence of any scheduled maintenance. Despite this, its share price has fallen 11% ytd and has gained only 16% from the SET bottom in April, underperforming peers. We believe this presents an attractive entry point. RATCH offers stable cash flows, high earnings visibility and a solid balance sheet. At just 8.6x 2025F PE with a 6.2% dividend yield, we recommend accumulating. We expect stronger 3Q25 earnings and attractive dividend payments to act as catalysts for renewed investor attention.

EARNINGS REVISION/RISK

- None.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt35.00**, based on the DCF valuation of all projects (WACC of 6.5% to reflect the higher market risk in 2025). We still like RATCH for its impressive growth outlook with potential upside from M&A.

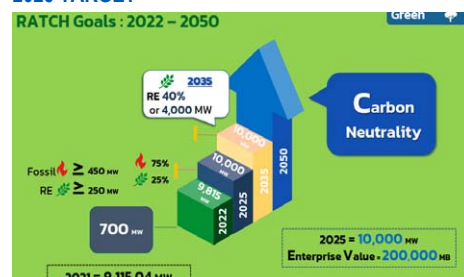
SHARE PRICE CATALYST

- 3Q25: High water flow which will benefit hydro power plants.
- 2 Sep 25: Ex-dividend date (Bt0.80) with an impressive yield of 3% for 1H25.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> • CG Report: 5 • SET ESG Rating: AA
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> • RATCH is committed to reducing GHG emissions by 20% in 2030 from the base year 2020 (0.8% per annum) and is targeting net zero emissions in 2050. The company is also focused on clean energy development, with a plan to increase the proportion of renewable energy from 15% to 25% by 2025, and to 40% by 2035.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> • RATCH is committed to promoting health and safety in a good working environment, while also encouraging all stakeholder groups to work together to develop communities and society, as well as respecting human rights and treating workers fairly.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> • RATCH received an "Excellent - 5 Star" CG score by the Thai Institute of Directors.

2025 TARGET



Source: RATCH

NNEG PROJECT



Source: RATCH

SONG GIANG PROJECTS



Source: RATCH

PROFIT & LOSS

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	42,227	64,747	63,260	57,762
EBITDA	15,703	18,140	18,400	17,920
Deprec. & amort.	4,028	4,150	4,200	4,280
EBIT	11,675	13,990	14,200	13,640
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	(4,447)	(4,230)	(4,150)	(4,150)
Pre-tax profit	7,228	9,760	10,050	9,490
Tax	(907)	(976)	(1,005)	(949)
Minorities	(195)	(490)	(450)	(470)

CASH FLOW

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	(13,957)	35,544	11,839	12,095
Pre-tax profit	7,228	9,760	10,050	9,490
Tax	(907)	(976)	(1,005)	(949)
Deprec. & amort.	4,028	4,150	4,200	4,280
Associates	0	0	0	0
Working capital changes	(1,353)	4,301	154	(256)
Non-cash items	0	0	0	0
Other operating cashflows	(22,953)	18,308	(1,560)	(470)
Investing	2,156	(6,812)	(7,495)	(7,342)
Capex (growth)	879	(5,000)	(5,000)	(5,001)
Investment	89,310	70,210	71,250	71,250
Others	(88,033)	(72,022)	(73,745)	(73,591)
Financing	(2,833)	(13,470)	(13,684)	(13,134)
Dividend payments	(3,480)	(6,235)	(7,685)	(9,135)
Issue of shares	0	0	0	0
Loan repayment	647	(7,235)	(5,999)	(3,999)
Others/interest paid	0	0	0	0
Net cash inflow (outflow)	(14,634)	15,261	(9,340)	(8,381)
Beginning cash & cash equivalent	23,563	8,930	24,191	14,851
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	8,930	24,191	14,851	6,470

BALANCE SHEET

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	46,585	47,435	48,235	48,956
Other LT assets	141,708	124,420	127,955	130,296
Cash/ST investment	8,930	24,191	14,851	6,470
Other current assets	17,115	19,237	20,299	22,054
Total assets	214,337	215,282	211,340	207,775
ST debt	17,589	17,845	18,845	19,845
Other current liabilities	5,452	9,750	9,901	10,400
LT debt	72,495	66,495	59,495	54,495
Other LT liabilities	12,427	14,250	15,245	16,245
Shareholders' equity	97,382	99,441	100,351	99,287
Minority interest	8,992	7,501	7,502	7,503
Total liabilities & equity	214,337	215,282	211,340	207,775

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	37.2	28.0	29.1	31.0
Pre-tax margin	17.1	15.1	15.9	16.4
Net margin	14.5	12.8	13.6	14.0
ROA	2.9	3.9	4.0	3.9
ROE	6.3	8.4	8.6	8.1
Growth				
Turnover	(18.1)	53.3	(2.3)	(8.7)
EBITDA	5.8	15.5	1.4	(2.6)
Pre-tax profit	14.0	35.0	3.0	(5.6)
Net profit	18.6	35.4	3.6	(6.1)
Net profit (adj.)	22.1	35.4	3.6	(6.1)
EPS	22.1	35.4	3.6	(6.1)
Leverage				
Debt to total capital	45.9	44.1	42.1	41.0
Debt to equity	92.5	84.8	78.1	74.9
Net debt/(cash) to equity	83.3	60.5	63.3	68.4
Interest cover (x)	3.5	4.3	4.4	4.3

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