BANPU (BANPU TB)

Announcement Of Amalgamation Between BANPU And BPP

Highlights

- We have a slightly positive view on the announced amalgamation.
- The initial swap ratio is 1 BANPU share for approximately 0.35575 NewCo shares and 1 BPP share for approximately 0.74615 NewCo shares.
- Upon completion of the amalgamation, the merged entity will retain the name BANPU.

Analysis

- **The tone at BANPU's analyst meeting yesterday was slightly positive.**
- **BANPU announced its amalgamation.** Yesterday, BANPU informed the Stock Exchange of Thailand about the amalgamation of BANPU and BANPU Power (BPP) to a new company (NewCo). The initial swap ratio is 1 BANPU share for ~0.35575 shares of the NewCo and 1 BPP share for ~0.74615 shares of the NewCo. The final swap ratio will be adjusted after the tender offer. NewCo will have a total registered and paid-up capital of Bt40.5b (equivalent to 4,050m shares with a par value of Bt10.0/share), equal to the combined capital of BANPU and BPP after the BPP capital reduction and BANPU's capital increase to balance the number of shares of the NewCo. Therefore, BANPU's capital will be increased by another Bt5.00 (issuing 5 additional shares at a value of Bt1.00) without any significant impact on the price and earnings dilution. However, after the amalgamation is completed, NewCo will use the name BANPU, with the entire process expected to be completed within 2026.
- **BPP will be restructured before the amalgamation and transformed into Power+.** Under this plan, a) sell BPP's 25% stake in the JV BKV-BPP Power, which operates power plants in the US, to Banpu Kalnin Ventures (BKV), and b) conduct a tender offer for BPP shareholders who do not approve of the amalgamation.

Key Financials

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	179,619	181,549	193,457	191,340	186,544
EBITDA	40,936	39,663	48,442	49,313	46,564
Operating profit	21,044	18,320	25,632	28,382	27,237
Net profit (rep./act.)	5,434	-682	5,885	6,374	7,151
Net profit (adj.)	5,594	2,120	5,885	6,374	7,151
EPS	0.6	0.2	0.6	0.6	0.7
PE	9.0	23.6	8.5	7.9	7.0
P/B	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	4.4	4.4	2.9	2.5	2.2
Dividend yield	9.0	9.0	5.9	6.4	7.1
Net margin	3.0	(0.4)	3.0	3.3	3.8
Net debt/(cash) to equity	92.1	90.0	69.8	55.6	43.8
Interest cover	3.1	2.8	3.7	3.7	3.5
Consensus net profit	-	-	5,464	6,487	5,549
UOBKH/Consensus (x)	-	-	1.08	0.98	1.29

Source: Bloomberg, OR, UOB Kay Hian

HOLD (Maintained)

Share Price	Bt5.00
Target Price	Bt5.30
Upside	6.00%
(Previously	*Bt4.80)*

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Stock Data

GICS Sector	Energy
Bloomberg ticker	BANPU TB
Shares issued (m)	10,018.90
Market cap (Btm)	43,081.28
Market cap (US$m)	1,479.71
3-mth avg daily t'over (US$m)	5.9

Price Performance (%)

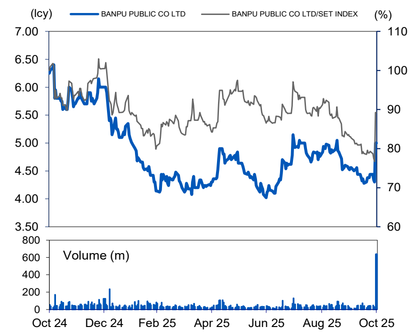
52-week high/low: CurrBt17.00/Bt10.10

1mth	3mth	6mth	1yr	YTD
(6.1)	+1.42	(12.2)	(16.1)	(28.33)

Major Shareholders

	%
Mitr phol sugar	8.26%
Thai NVDR	7.46%
SOUTH EAST ASIA UK (TYPE C)	2.82%

Price Chart



Source: Bloomberg

Company Description

A regional coal producer with mines in four countries, namely Indonesia (ITMG), Australia (Centennial), Mongolia (Hunnu), and China, commanding total equity reserves of 713mt. Banpu Power (78.7% owned by Banpu) also has power generation capacity (equity basis).

- **BANPU has an option for BPP shareholders.** BANPU has set a general offer price of Bt13.00/share from 1-23 December for BPP shareholders who do not agree with the amalgamation. However, if BPP shareholders do not participate in the tender offer during the specified period, BANPU will have its subsidiary, Banpu Mineral (BMC), purchase BPP shares based on the closing price on 28 January — the last trading day before the shareholders' meeting on 29 January. The tender offer will impact the initial swap ratio, and BANPU will announce the final swap ratio after the tender offer is completed.
- **Moving forward with the Energy Symphonics plan.** The amalgamation between BANPU and BPP is part of BANPU's Energy Symphonics strategy, which is aimed at: a) unlocking value within the BANPU business, b) streamlining the group structure into a single listed company, c) strengthening growth potential in the energy transition era by focusing on clean energy businesses, and d) increasing flexibility in fundraising and capital management through a centralised structure. Under the Energy Symphonics plan, BANPU targets a 1.5x increase in EBITDA from 2025 and aims for more than 50% of EBITDA to come from non-coal businesses within 2030.

Valuation/Recommendation

- **Maintain HOLD with a new 2026 target price of Bt5.30 (previously Bt4.80).** We have rolled over our target price to 2026, based on an average five-year regional forward PE of 8.3x (previously based on an average five-year regional forward PE of 9.0x).

Earnings Revision/Risk

- None.

Environment, Social, Governance (ESG) Updates

Environmental

- Greener and smarter strategies to respond to climate change, including reducing greenhouse gas emissions. Investing in renewable energy and cleaner fuels by increasing renewable energy capacity to more than 1.1 gigawatts by 2025 and reducing greenhouse gas emissions by 7% compared with business as usual for the mining business and 20% for the electricity business.

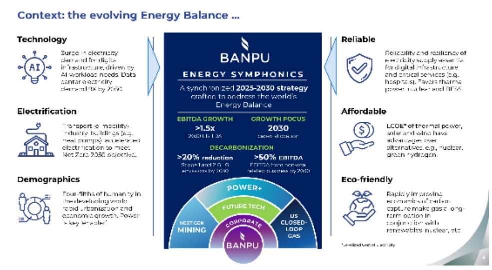
Social

- Initiatives focusing on community relations and development include a) promoting and enhancing communities neighbouring mines in Indonesia, b) developing communities surrounding solar power plants in China, c) managing community relations for its subsidiary in Australia, and d) formulating community relation plans for business operations in Vietnam and the US.

Governance

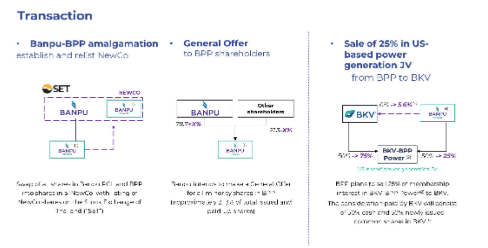
- Addressing sustainable corporate governance encompasses business ethics, partner and contractor management, business continuity management, and the oversight of data privacy and cybersecurity concerns.
- To enhance ESG responsibility within the supply chain, the company has integrated it into supplier management processes. It utilises the ESG Audit Performance system to evaluate potential business partners and contractors prior to procurement, as well as to assess existing partners.

BANPU Strategy: Energy Symphonics



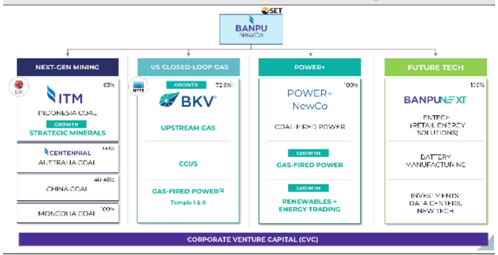
Source: Oil fuel fund office (EFFO), UOB Kay Hian

Transaction



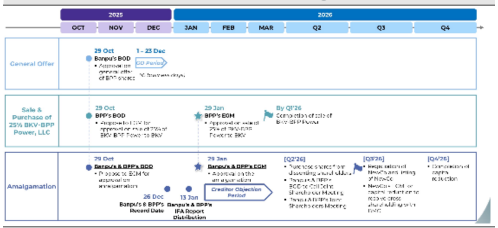
Source: Energy policy and planning office (EPPO), UOB Kay Hian

BANPU Group Post-restructuring



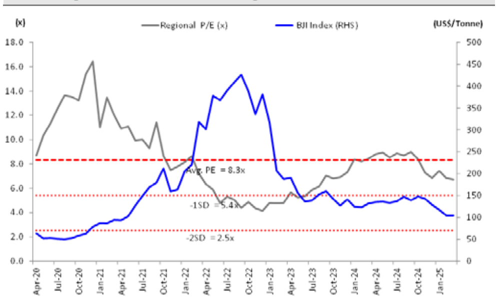
Source: Oil fuel fund office (EFFO), UOB Kay Hian

BANPU Group Restructuring Timeline



Source: Energy policy and planning office (EPPO), UOB Kay Hian

Average Five-Year Regional Forward PE



Source: OR, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	181,549	193,457	191,340	186,544
EBITDA	39,663	48,442	49,313	46,564
Deprec. & amort.	21,343	22,810	20,931	19,327
EBIT	18,320	25,632	28,382	27,237
Associate contributions	6,930	7,786	7,684	7,242
Net interest income/(expense)	-14,166	-13,257	-13,257	-13,257
Pre-tax profit	11,083	20,161	22,809	21,222
Tax	-4,221	-10,276	-11,626	-10,817
Minorities	-4,742	-4,000	-4,809	-3,254
Net profit	-682	5,885	6,374	7,151
Net profit (adj.)	2,120	5,885	6,374	7,151

Balance Sheet

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	145,492	132,682	121,751	112,423
Other LT assets	182,451	168,896	167,838	165,440
Cash/ST investment	51,003	26,253	36,496	45,059
Other current assets	42,480	38,803	38,138	37,223
Total assets	421,427	366,635	364,223	360,145
ST debt	55,332	10,000	10,000	10,000
Other current liabilities	36,305	49,758	49,139	47,919
LT debt	148,618	138,618	128,618	118,618
Other LT liabilities	21,385	3,095	3,061	2,985
Shareholders' equity	169,936	175,312	183,553	190,771
Total liabilities & equity	421,427	366,636	364,225	360,148

Cash Flow

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	19,064	49,825	32,160	29,429
Pre-tax profit	11,083	20,161	22,809	21,222
Tax	-4,221	-10,276	-11,626	-10,817
Deprec. & amort.	21,343	22,810	20,931	19,327
Working capital changes	-1,605	17,130	46	-303
Other operating cashflows	-7,537	0	0	0
Investing	-3,871	-14,734	-8,975	-7,679
Investments	-18,577	-10,000	-10,000	-10,000
Others	14,706	-4,734	1,025	2,321
Financing	-12,984	-59,841	-12,942	-13,187
Dividend payments	-3,806	-4,509	-2,942	-3,187
Proceeds from borrowings	-9,177	-55,332	-10,000	-10,000
Net cash inflow (outflow)	2,209	-24,750	10,242	8,563
Beginning cash & cash equivalent	53,900	51,003	26,253	36,496
Changes due to forex impact	-5,107	0	0	0
Ending cash & cash equivalent Operating	51,003	26,253	36,496	45,059

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	21.8	25.0	25.8	25.0
Pre-tax margin	6.1	10.4	11.9	11.4
Net margin	-0.4	3.0	3.3	3.8
ROA	-0.2	1.9	2.1	2.3
ROE	-0.5	4.2	4.4	4.9
Growth				
Turnover	1.1	6.6	-1.1	-2.5
EBITDA	3.3	14.1	1.8	-5.6
Pre-tax profit	-34.6	81.9	13.1	-7.0
Net profit	-112.6	-962.4	8.3	12.2
Net profit (adj.)	-62.1	177.6	8.3	12.2
EPS	-62.1	177.6	8.3	12.2
Leverage				
Debt to total capital	63.8	45.0	40.0	35.6
Debt to equity	120.0	84.8	75.5	67.4
Net debt/(cash) to equity	90.0	69.8	55.6	43.8
Interest cover (x)	2.8	3.7	3.7	3.5

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