

TTW Pcl.

March 28, 2025

TTW

LPCL deal to have limited impact on valuation

OUTPERFORM

Maintain Rating

Valuation: SOTP
Target Price/Upside:

Maintain Target Price

Price (Mar 27, 2025)
Bt9.80/10.73%
Bt8.85

Sector: Energy & Utilities

Market Cap: Bt35,312mn

30-day avg turnover: Bt18.92mn

No. of shares on issue:

CG Scoring (IOD-Y2023):

Anti-Corruption Indicator:

3,990mn

Excellent

N/A



Highlights

- ▶ TTW will acquire a 10% stake of LPCL from CK with a Bt2.8bn payment for the stock and a Bt1.8bn equity injection during construction until 2029.
- ▶ We are neutral on the deal due to potential additional interest expense of Bt105mn vs. annual dividend income of Bt150mn (early phase) to Bt475mn (2H of project life). We estimate a project value of Bt3.0bn.
- ▶ Maintain Outperform with TP of Bt9.80 with a stable dividend of Bt0.6/share. Additional value from LPCL (Bt0.1/share) to be upside due to the small impact and risks related to the project.

Investment Highlights

- ▶ **Event.** TTW reported to SET that the company plans to acquire a 10% stake of Luang Prabang Power Co., Ltd. (LPCL), operator of the Luang Prabang hydroelectric power plant, from CK pending approval on April 10 AGM at which at least 75% of eligible shareholders must agree.
- ▶ **Details of the deal.** The total transaction value will not exceed Bt4.6bn, comprising 1) payment of Bt2.8bn to CK to acquire a 10% stake on Sept 30, 2025, and an equity injection of Bt1.8bn in LPCL until construction is complete in 2029. TTW also has a commitment to provide a loan not exceeding Bt1.1bn to LPCL if the project incurs a cost overrun.
- ▶ **Project valuation.** The hydropower project has a 35-year PPA with EGAT. As of January 2025, construction was 44% complete and is expected to be finished in 2029. We estimate its fair value at Bt3bn, slightly above the Bt2.8bn purchase price, implying a project IRR of 12%. Independent financial advisor CapAd values the project at Bt3.0-Bt3.4bn.
- ▶ **Our view.** We believe the investment will be neutral for TTW, as it will incur additional interest expense of Bt105mn/year (3.5% rate) from debt used to purchase the 10% stake. However, it will generate a long-term dividend stream of Bt150mn-Bt475mn per year after TTW's tap water concession ends in 2034. The company remains confident it can secure loans to finance the acquisition due to its low net D/E ratio of 0.2x in 2024, which will rise to 0.3x after the project is completed in 2030. We estimate TTW will receive dividends of Bt150mn/year from LPCL starting in 2031 and increase to Bt475mn/year after it repays the principal on its loans.

Investment Fundamentals

Year end Dec 31	2024A	2025E	2026E	2027E
Company Financials				
Revenue (Btmn)	4,984	5,078	5,183	5,283
Core profit (Btmn)	2,790	2,978	3,095	3,205
Net profit (Btmn)	2,790	2,978	3,095	3,205
Net EPS (Bt)	0.70	0.75	0.78	0.80
DPS (Bt)	0.60	0.60	0.60	0.60
BVPS (Bt)	3.93	4.07	4.24	4.45
Net EPS growth (%)	-4.84	6.71	3.95	3.56
ROA (%)	13.83	15.10	15.75	15.83
ROE (%)	18.05	18.66	18.66	18.48
Net D/E (x)	0.22	0.08	0.02	N/A
Valuation				
P/E (x)	13.01	12.06	11.60	11.20
P/BV (x)	2.32	2.21	2.12	2.02
EV/EBITDA (x)	10.57	9.66	9.22	8.92
Dividend yield (%)	6.59	6.67	6.67	6.67

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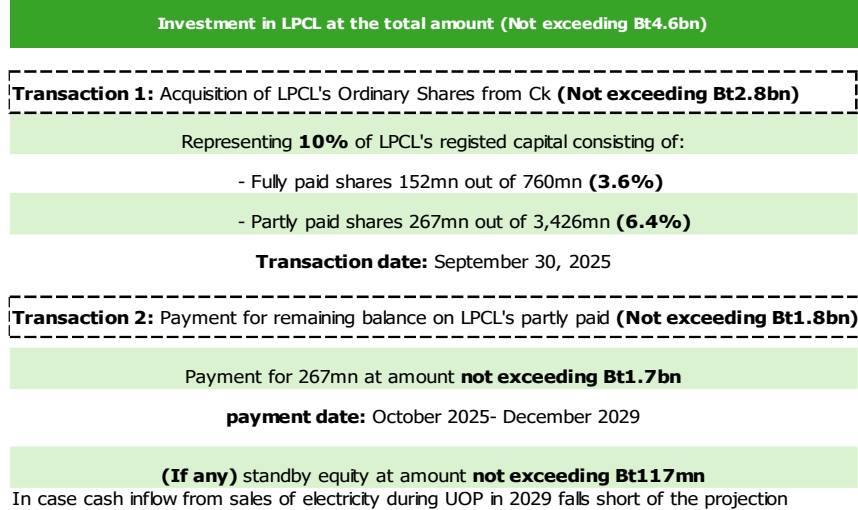
Valuation and Recommendation

- ▶ **Maintain Outperform rating and target price of Bt9.80.** Our target price based on the dividend discount model remains unchanged with a cost of equity of 8.3%. We expect TTW will maintain its dividend of Bt0.6/share (Bt2.4bn) based on its payout ratio of 86%. We view additional value from LPCL (Bt0.1/share) as upside given its small impact and project-related risks.
- ▶ **Risks** include potential cost overruns, which could reduce the project value by Bt1.1bn or Bt0.3/share and failure to secure debt financing, which may lead to lower dividend payments.

About TTW: TTW Public Company Limited is a Thailand-based company engaged in the production and sale of treated water to the Provincial Waterworks Authority (PWA) in the vicinity of West Bangkok.

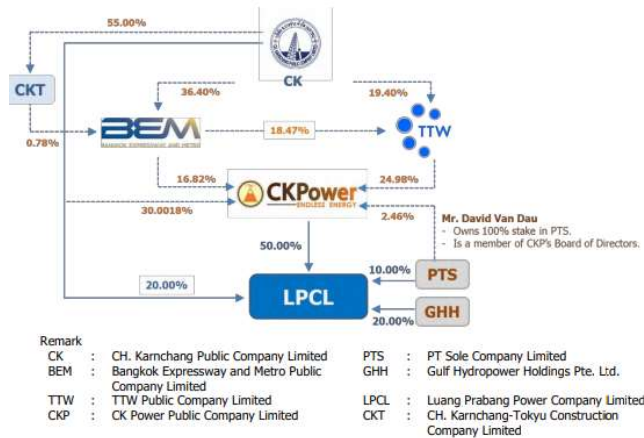
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Fig 1 Details of the acquisition of LPCL



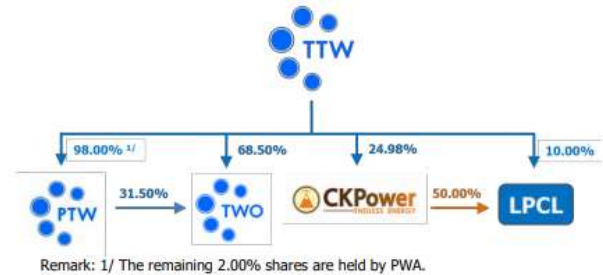
Source: Company data, KS Research

Fig 2 CK group shareholder structure (pre-acquisition)



Source: Company data, KS Research

Fig 3 CK group shareholder structure (post-acquisition)



Source: Company data, KS Research

Fig 4 The two largest shareholders hold over 50% of votable shares (75% required)

Rank	Shareholders	# Shares (Shares)	% Shares
1	บริษัท มิตรชัย วอเตอร์ โฮลดิ้งส์ (ประเทศไทย) จำกัด	1,036,500,000	25.98
2	บริษัท ข.การช่าง จำกัด (มหาชน)	774,077,400	19.4
3	บริษัท ทางด่วนและรถไฟฟ้ากรุงเทพ จำกัด (มหาชน)	736,900,000	18.47
4	บริษัท ไทยเอ็นวีดีอาร์ จำกัด	161,022,439	4.04
5	นาย ปริญญ์ เชื้อขาว	90,000,000	2.26
6	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	47,879,400	1.2
7	บริษัท กรุงเทพประกันชีวิต จำกัด (มหาชน)	42,715,500	1.07
8	นาย ธนภัทร ขาดพิทักษ์	30,000,000	0.75
9	นาย ไพศาล ขาดพิทักษ์	30,000,000	0.75
10	บริษัท อาคเนย์ประกันชีวิต จำกัด (มหาชน)	25,706,000	0.64
11	บริษัท ทิพยประกันภัย จำกัด (มหาชน)	24,360,700	0.61

Source: Company data, KS Research

Fig 5 Valuation summary

Calculation of WACC	Average
Cost of debt	6.80
Average tax rate	11.00
After tax cost of debt	6.05
Debt as a % of total capital	75.0
Cost of equity	11.0
Equity value as a % of total capital	25.0
Weighted average cost of capital	7.29

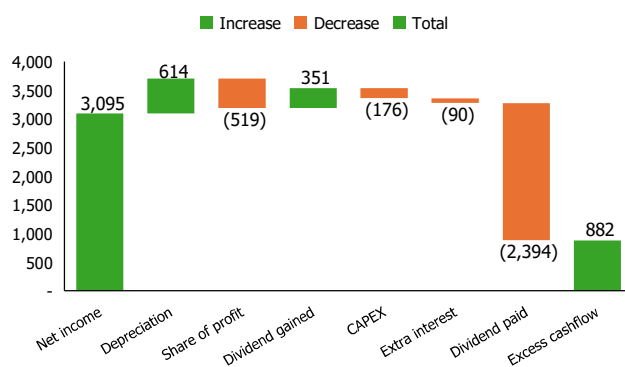
LPCL valuation	FCFF
PV of construction period	(51,160)
PV of cashflow in years 2030-2065	127,541
Less: Total debt	(53,073)
Shareholder value	23,308
Number of full paid-up capital	760
Number of partial paid-up capital	3,426

Source: KS Research

Fig 6 Value comparison Xayaburi vs. Luang Prabang

Plants	Type	Location	COD/SCOD	PPA (Years)	Installed Capacity (MW)	Value COD year 1	Value COD year 2	Value COD year 3	Value COD year 4	Value COD year 5	Value COD year 6
Xayaburi (XPCL)	Hydro	Lao PDR	Oct 19	29	1285	50,730	51,889	52,246	54,528	57,048	58,740
Luang Prabang(LPHPP)	Hydro	Lao PDR	2030	35	1460	50,550	53,210	56,058	59,107	62,370	66,658

Source: Company data, KS Research

Fig 7 TTW's expected excess cash flow in 2026


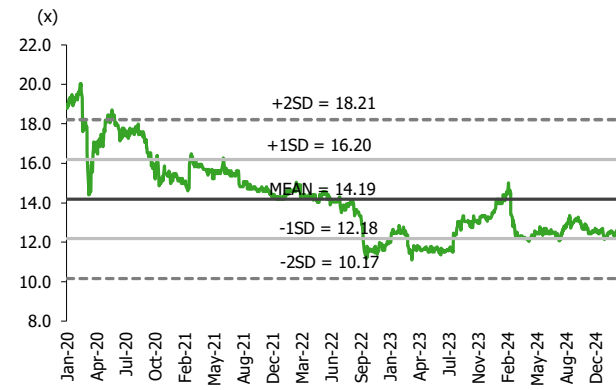
Source: Company data, KS Research

Fig 8 TTW's cost of debt assumption

Calculation of TTW's cost of debt	
Government bond yield (10-year)	2.11%
Corporate bond (AA avg. spread)	1.07%
Additional: Premium	0.50%
Est. cost of debt	3.68%

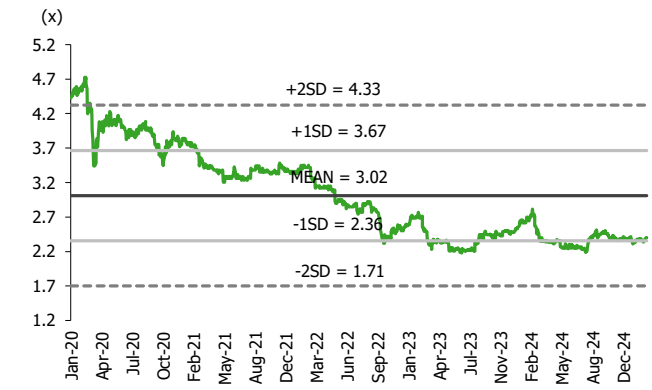
Source: Company data, KS Research

Fig 9 PER band



Source: LSEG

Fig 10 PBV band



Source: LSEG

KS ESG analysis: TTW PCL

LSEG ESG score: C Source: LSEG
SETESG score: AA
THSI certified: No
DJSI certified: No

2023 Awards

- Sustainability Disclosure Award 2023
- Quality persons of the year 2023
- Certified as a level 3 green industry

Company overview

- TTW Public Company Limited is a Thailand-based company, which is engaged in the production and sale of treated water to the Provincial Waterworks Authority (PWA) in the vicinity of West Bangkok.

Analyst opinion

- TTW has shown fair governance but still has areas to improve in both environmental and social aspects. The company does well in water management but needs to get better at managing energy use and reducing greenhouse gas emissions. On the social side, the company takes good care of its employees, with no injuries causing lost time and more money spent on employee training.

Environmental (LSEG E score: C-)

	unit	2022	2023
1. Water passed standard	%	100	100
2. Water recycling	mn.m3	6.66	7.46
3. Energy intensity	kWH/m3	0.52	0.61
4. Violated of environmental laws	case	0	0
5. Greenhouse gas emission	tCO2e	83,229	92,965

Analyst comment

- TTW has proven to be a reliable water producer, with 100% of its water meeting quality standards and no violations of environmental laws. The company has increased water recycling by almost 15% in 2023, which not only demonstrates environmental responsibility but also boosts revenue through its water treatment operations. However, the company has faced challenges with worsening energy intensity and higher greenhouse gas emissions.

Social (LSEG S score: C)

	unit	2022	2023
1. Staff age > 50 years	%	3	4
2. Employee turnover rate	%	0	0
3. Gender diversity	% female	17	17
4. Permanent employees	%	100	100
5. Employee investment	k.baht/person	512	546

Analyst comment

- The percentage of aging employees is relatively low compared to other companies. Gender diversity is around one-fifth, which is consistent with the nature of the business. The company employs 100% permanent staff, helping to stabilize employee income. Additionally, it continues to increase investment in employee training.

Governance (LSEG G score: B-)

	unit	2022	2023
1. % of independent directors	%	33	33
2. Lost time injury workforce	cases/mn work l	0	0
3. CEO duality		FALSE	FALSE
4. Data breach	case	0	0
5. CGR rating		Excellence	Excellence

Analyst comment

- The company has a low proportion of independent board members. However, it strictly complies with all relevant laws and regulations, as evidenced by its record of zero data breaches. Lost-time injury cases have remained at zero. Furthermore, the CEO does not hold the position of chairman of the board, helping to reduce potential conflicts of interest.

Materiality assessment



Year-end 31 Dec

Income Statement (Btmn)						Cashflow (Btmn)					
	2023A	2024A	2025E	2026E	2027E		2023A	2024A	2025E	2026E	2027E
Revenue	5,709	4,984	5,078	5,183	5,283	Net profit	2,932	2,790	2,978	3,095	3,205
Cost of sales and services	-1,040	-1,043	-1,053	-1,076	-1,097	Depreciation & amortization	1,177	643	599	614	629
Gross Profit	4,670	3,941	4,025	4,106	4,185	Change in working capital	519	81	-48	-6	-5
SG&A	-318	-302	-286	-292	-297	Others	868	-123	74	-25	-25
Other income	118	128	116	117	119	CF from operation activities	5,497	3,392	3,602	3,679	3,804
EBIT	3,689	3,547	3,765	3,855	3,961	Capital expenditure	-525	-549	217	-176	-176
EBITDA	4,469	3,767	3,856	3,932	4,007	Investment in subs and affiliates	365	295	490	519	565
Interest expense	-147	-131	-147	-97	-76	Others	-	-	-	-	-
Equity earnings	365	336	490	519	565	CF from investing activities	-160	-254	707	343	389
EBT	3,542	3,415	3,618	3,758	3,885	Cash dividend	-2,394	-2,394	-2,394	-2,394	-2,394
Income tax	-596	-616	-625	-648	-664	Net proceeds from debt	-1,666	-669	-755	-451	-254
NPAT	2,946	2,799	2,992	3,110	3,221	Capital raising	-	-	-	-	-
Minority Interest	-14	-9	-15	-15	-15	Others	-	-	-	-	-
Core Profit	2,932	2,790	2,978	3,095	3,205	CF from financing activities	-4,060	-3,063	-3,149	-2,845	-2,648
Extraordinary items	-	-	-	-	-	Net change in cash	1,277	74	1,160	1,176	1,545
FX gain (loss)	-	-	-	-	-	Key Statistics & Ratios					
Reported net profit	2,932	2,790	2,978	3,095	3,205	Per share (Bt)					
Balance Sheet (Btmn)						Reported EPS	0.73	0.70	0.75	0.78	0.80
Cash & equivalents	595	197	209	761	1,222	Core EPS	0.73	0.70	0.75	0.78	0.80
Accounts receivable	467	492	415	424	432	DPS	0.60	0.60	0.60	0.60	0.60
Inventories	30	28	27	27	27	BV	3.82	3.93	4.07	4.24	4.45
Total current assets	3,545	3,297	3,160	3,744	4,239	EV	10.10	9.98	9.34	9.08	8.95
Investment in subs & others	6,827	7,025	7,277	7,767	8,286	Free Cash Flow	0.32	0.02	0.29	0.29	0.39
Fixed assets-net	9,788	9,693	8,878	8,439	7,986	Valuation analysis					
Total assets	20,277	20,201	19,432	20,069	20,629	Reported P/E (x)	12.45	13.01	12.06	11.60	11.20
Short-term debt	673	2,073	451	1,054	1,000	Core P/E (x)	8.88	10.57	10.04	9.68	9.36
Accounts payable	153	261	137	139	142	P/BV (x)	2.40	2.32	2.21	2.12	2.02
Total current liabilities	1,115	2,670	877	1,482	1,431	EV/EBITDA (x)	9.01	10.57	9.66	9.22	8.92
Long-term debt	3,657	1,587	1,054	0	0	Price/Cash flow (x)	28.58	488.24	30.95	30.53	23.24
Total liabilities	4,996	4,490	3,154	3,090	2,839	Dividend yield (%)	6.56	6.59	6.67	6.67	6.67
Paid-up capital	3,990	3,990	3,990	3,990	3,990	Profitability ratios					
Share premium	2,638	2,638	2,638	2,638	2,638	Gross margin (%)	81.79	79.08	79.27	79.23	79.23
Retained earnings	9,356	9,753	10,352	11,053	11,865	EBITDA margin (%)	78.28	75.58	75.93	75.87	75.85
Minority interests	42	40	42	42	42	EBIT margin (%)	64.61	71.16	74.14	74.38	74.97
Total shareholders' equity	15,282	15,711	16,278	16,979	17,790	Net profit margin (%)	51.61	56.16	58.92	60.01	60.97
Total equity & liabilities	20,277	20,201	19,432	20,069	20,629	ROA (%)	14.11	13.83	15.10	15.75	15.83
Key Assumptions						ROE (%)	19.58	18.05	18.66	18.66	18.48
Tap Water Production						Liquidity ratios					
Capacity- Water (k CUM/day)	1,094	1,094	1,094	1,094	1,094	Current ratio (x)	3.18	1.23	3.60	2.53	2.96
Volume-water (k CUM/day)	783	846	861	874	887	Quick ratio (x)	3.13	1.22	3.54	2.49	2.93
Utilization rate (%)	71.54	77.30	78.66	79.87	81.10	Leverage Ratios					
Average Selling Price (Bt/CUM)						D/E ratio (x)	0.33	0.29	0.19	0.18	0.16
- TTW	27.59	26.64	26.70	26.94	27.18	Net debt/EBITDA (x)	0.24	0.22	0.08	0.02	N/A
- PTW	12.09	6.06	6.11	6.15	6.15	Net debt/equity (x)	0.84	0.92	0.34	0.07	N/A
- BIE	24.75	24.93	24.93	24.93	24.93	Int. coverage ratio (x)	25.13	27.04	25.57	39.82	52.10
						Growth					
						Revenue (%)	2.41	-12.70	1.88	2.06	1.93
						EBITDA (%)	-0.73	-15.71	2.36	1.98	1.90
						Reported net profit (%)	-1.17	-4.84	6.71	3.95	3.56
						Reported EPS (%)	-1.17	-4.84	6.71	3.95	3.56
						Core profit (%)	-1.17	-4.84	6.71	3.95	3.56
						Core EPS (%)	-1.17	-4.84	6.71	3.95	3.56

Source: Company, KS estimates

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Neutral: Expected total return between -10% and 10% within a 12-month period

Underperform: Expected total return of -10% or worse within a 12-month period

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