Hana Microelectronics (HANA TB) - BUY, Price Bt72.25, TP Bt50.3

Results Comment

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Very strong 2Q21 beat expectation

- HANA reported very strong norm earnings in 2Q21 of Bt770m, increased 61% y-y and 87% q-q. The results beat our expectation by 28% and consensus' by 40%. Positive surprise was on the revenue level.
- US dollar sales increased 35% y-y and 15% q-q. HANA's end products that were hit by the Covid-19 before, e.g., cars, industrial and hospitality-related, recovered faster than expected, while other Covid beneficiary products, e.g, computers, smartphones and consumer electronics, remained strong.
- Gross margin jumped to 17% in 2Q21 from 15% in 2Q21 and 12% in 1Q21. Operating leverage was key.
- SG&A to sales fell to 6.2% in 2Q21 from 7.1% in 2Q20 also due to operating leverage impact.
- We see upside to both our and consensus' numbers.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Revenue	4,592	4,814	5,267	5,214	6,065
Gross profit	**703**	**572**	**565**	**621**	**1,016**
SG&A	326	317	270	312	373
Operating profit	377	255	295	309	643
EBITDA	**665**	**548**	**614**	**631**	**955**
Other income	136	143	133	107	146
Other expense	0	0	0	0	0
Interest expense	2	1	(0)	1	2
Profit before tax	**511**	**397**	**429**	**414**	**788**
Income tax	33	31	(17)	2	18
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	205	(46)	256	(111)	(33)
Net profit	**682**	**320**	**702**	**301**	**737**
Normalized profit	**478**	**366**	**446**	**413**	**770**
EPS (Bt)	0.85	0.40	0.87	0.37	0.92
Normalized EPS (Bt)	0.59	0.45	0.55	0.51	0.96

Income Statement			6M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	16	32	53	21,277	21,940
Gross profit	**64**	**44**	**64**	**2,558**	**2,964**
SG&A	20	15	54	1,276	1,438
Operating profit	108	70	74	1,281	1,526
EBITDA	**51**	**44**	**63**	**2,508**	**2,725**
Other income	37	8	40	627	633
Other expense					
Interest expense	23	(29)	24	13	19
Profit before tax	**90**	**54**	**63**	**1,895**	**2,140**
Income tax	869	(46)	32	61	69
Equity & invest. income					
Minority interests					
Extraordinary items					
Net profit	**145**	**8**	**57**	**1,834**	**2,071**
Normalized profit	**87**	**61**	**64**	**1,834**	**2,071**
EPS (Bt)	145	8	57	2.28	2.57
Normalized EPS (Bt)	87	61	64	2.28	2.57

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Cash & ST investment	9,041	9,797	9,667	9,801	9,094
A/C receivable	3,051	3,230	3,461	4,048	4,249
Inventory	5,227	5,027	4,496	4,764	5,465
Other current assets	63	59	96	104	136
Investment	72	72	72	72	72
Fixed assets	6,874	6,881	6,938	7,297	8,178
Other assets	440	470	450	553	523
Total assets	**24,768**	**25,536**	**25,180**	**26,639**	**27,717**
S-T debt	309	317	300	313	321
A/C payable	2,455	2,399	2,355	2,979	3,615
Other current liabilities	137	159	151	259	228
L-T debt	0	0	0	0	0
Other liabilities	737	750	760	782	777
Minority interest	0	0	0	0	0
Shareholders' equity	**21,130**	**21,911**	**21,614**	**22,306**	**22,776**
Working capital	5,823	5,858	5,602	5,832	6,100
Total debt	309	317	300	313	321
Net debt	**(8,732)**	**(9,480)**	**(9,367)**	**(9,488)**	**(8,773)**

Financial Ratios					
(%)	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**
Sales growth	(11.0)	(6.9)	7.0	13.1	32.1
Operating profit growth	4.4	(13.5)	(16.0)	(24.6)	70.4
EBITDA growth	2.5	(5.0)	(2.6)	(8.9)	43.6
Norm profit growth	4.3	(6.4)	(2.2)	(18.9)	61.2
Norm EPS growth	4.3	(6.4)	(2.2)	(18.9)	61.2
Gross margin	15.3	11.9	10.7	11.9	16.8
Operating margin	8.2	5.3	5.6	5.9	10.6
EBITDA margin	14.5	11.4	11.7	12.1	15.7
Norm net margin	10.4	7.6	8.5	7.9	12.7
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
Interest coverage (x)	267.9	372.0	(1,307.4)	440.1	543.1
Interest rate	3.1	1.9	(0.6)	1.9	2.2
Effective tax rate	6.5	7.8	(4.1)	0.4	2.2
ROA	7.7	5.8	7.0	6.4	11.3
ROE	9.0	6.8	8.2	7.5	13.7

Sources: Company data, Thanachart estimates

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