RS Public Co Ltd (RS TB) - BUY, Price Bt17.50, TP Bt35.00

Results Comment

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Weaker-than-expected 2Q21 results

- RS reported a profit of Bt54m in 2Q21, down 51% y-y and 62% q-q. This was lower than our and Street's expectation by 45% due mainly to higher-than-expected marketing expense related new product launches under commerce business.
- Commerce revenue (57% of total revenue) was at Bt565m in 2Q21, down 4% y-y and 15% q-q. The drop was seen in all product categories, especially in health and beauty segment which was affected by weak consumer spending. The sales of functional drink CAMU C (launched in 2Q21) is still under target due to a fall of foot traffic to convenience stores during Covid-19 semi-lockdown.
- Media revenue (39% of total revenue), comprising digital TV, satellite TV and radio, was at Bt383m in 2Q21, up 73% y-y and 50% q-q. The increase was due to higher content sales and advertising income as a result of media spending recovery and RS's improving TV rating.
- Operating margin in 2Q21 dropped y-y and q-q to 6.5%.
- 6M21 accounts for 34% of our 2021 earnings projection. As 3Q21 is likely to continue its weak earnings trend amid severe Covid-19 outbreak, we see potential downside risk to our number. Share price has come down significantly. Maintain BUY for strong growth next year.
- RS announced to invest 33%-stake in Specialty Holding company, a specialist in R&D and manufacturing of herbal dietary supplement, including hemp. The purchase value is Bt645m, financed by bank loan. This implies PE 18x, an undemanding valuation in our view.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	833	938	1,018	992	992
Gross profit	**455**	**484**	**502**	**560**	**534**
SG&A	309	312	368	387	469
Operating profit	146	172	134	173	65
EBITDA	**270**	**305**	**290**	**307**	**215**
Other income	0	3	8	3	2
Other expense	0	1	1	0	0
Interest expense	10	9	9	11	16
Profit before tax	**137**	**164**	**132**	**164**	**51**
Income tax	28	34	30	34	8
Equity & invest. income	0	0	0	9	10
Minority interests	(0)	0	(0)	(0)	(0)
Extraordinary items	0	0	0	0	0
Net profit	**109**	**131**	**103**	**140**	**54**
Normalized profit	**109**	**131**	**103**	**140**	**54**
EPS (Bt)	0.11	0.13	0.11	0.14	0.06
Normalized EPS (Bt)	0.11	0.13	0.11	0.14	0.06

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	0	19	47	4,220	5,134
Gross profit	**(5)**	**17**	**49**	**2,244**	**2,602**
SG&A	21	52	51	1,665	1,593
Operating profit	(63)	(56)	41	579	1,009
EBITDA	**(30)**	**(20)**	**38**	**1,384**	**1,975**
Other income	(15)	413	29	17	10
Other expense	823	283	na	0	0
Interest expense	42	67	60	45	53
Profit before tax	**(69)**	**(63)**	**39**	**551**	**965**
Income tax	(77)	(73)	56	73	193
Equity & invest. income	11	na	21	96	117
Minority interests					
Extraordinary items					
Net profit	**(62)**	**(51)**	**34**	**574**	**889**
Normalized profit	**(62)**	**(51)**	**34**	**574**	**889**
EPS (Bt)	(62)	(51)	34	0.59	0.91
Normalized EPS (Bt)	(62)	(51)	34	0.59	0.91

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	181	151	200	258	202
A/C receivable	651	592	711	819	937
Inventory	250	256	229	237	325
Other current assets	30	31	33	44	58
Investment	4	4	4	964	974
Fixed assets	656	646	642	627	605
Other assets	2,553	2,606	2,697	2,845	2,972
Total assets	**4,325**	**4,286**	**4,516**	**5,794**	**6,074**
S-T debt	550	560	620	755	931
A/C payable	1,104	966	1,016	1,086	1,171
Other current liabilities	155	147	178	221	219
L-T debt	196	176	156	1,042	1,013
Other liabilities	549	535	543	546	541
Minority interest	2	2	2	2	3
Shareholders' equity	**1,769**	**1,899**	**2,002**	**2,142**	**2,196**
Working capital	(203)	(118)	(76)	(31)	91
Total debt	746	736	776	1,797	1,944
Net debt	**565**	**585**	**576**	**1,538**	**1,742**

Financial Ratios					
(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Sales growth	(7.5)	5.8	13.7	0.8	19.1
Operating profit growth	(2.8)	35.2	61.1	(27.3)	(55.5)
EBITDA growth	(5.7)	13.4	35.5	(14.2)	(20.4)
Norm profit growth	(6.7)	41.4	56.2	(24.8)	(50.6)
Norm EPS growth	(6.7)	41.4	56.2	(24.8)	(50.6)
Gross margin	54.6	51.6	49.3	56.5	53.8
Operating margin	17.5	18.3	13.1	17.4	6.5
EBITDA margin	32.4	32.5	28.5	30.9	21.7
Norm net margin	13.0	13.9	10.1	14.1	5.4
D/E (x)	0.4	0.4	0.4	0.8	0.9
Net D/E (x)	0.3	0.3	0.3	0.7	0.8
Interest coverage (x)	28.4	33.8	32.8	27.6	13.6
Interest rate	5.1	4.9	4.7	3.5	3.4
Effective tax rate	20.5	20.6	22.4	20.4	14.9
ROA	10.2	12.1	9.3	10.9	3.6
ROE	24.7	28.5	21.0	27.1	9.9

Sources: Company data, Thanachart estimates

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