Thanachart Securities

Small Cap Research

BUY (Unchanged)

Change in Numbers

TP: Bt 18.00 **From (Bt 17.00)**

Upside : 59.3% **6 OCTOBER 2021**

WICE Logistics Pcl (WICE TB)

Record earnings continue

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Against share price weakness since September, we expect WICE to post record-high 3Q21 earnings driven by leverage benefits from an export turnaround via volume and pricing. With tight air- and sea-freight markets dragging on, we forecast another 20% EPS growth next year from a new earnings base of 151% growth this year.

Reaffirming our BUY call

We reaffirm our BUY rating on WICE with a new DCF-based 12-month TP (2022F base year) of Bt18 (from Bt17). **First,** 3Q21F results will likely beat our target. We boost our 2021-23F earnings estimates by 15/10/4% on a stronger-than-expected sea-freight rate and an overall export volume turnaround. **Secondly,** as a freight forwarder with sea, air and inland services, WICE is enjoying export volume growth, pricing according to a sea- and air-freight shortage and ramped-up truck-based cross-border (CBS) capacity. We estimate its earnings growth at 151/20/9% over 2021-23F. **Third**, WICE looks inexpensive, in our view, at 13x 2022F PE vs. an average of 20x for its peers.

3Q21F looks likely to beat

Into the high season for exports, we estimate WICE to post record-high earnings of Bt141m in 3Q21, growing by 188% y-y and 35% q-q. This is 23% higher than our previous forecast due to sea freight and CBS. About two-thirds of growth is from its sea-freight business (57% of 2022F operating profit) and the rest mainly from ramped-up CBS capacity (15%). These will likely continue to be the key drivers supporting earnings growth next year of 20%. For air freight (23%), we expect relatively flat growth after a jump from the shortage amid the COVID crisis since 2020.

Sea freight tightness worsening

In 3Q21, WICE has enjoyed high-season export volume growth and a sea freight rate that doubled q-q (+192% YTD). Worsening vessel space shortages and severe port congestions/under capacity in the US, EU and Asia were the key drivers of the freight rate spike. Without trade normalizing, supply debottlenecking will likely remain challenging amid a strong demand recovery, several holidays that will create a seasonal volume rush and demand to rebuild US and EU retail inventories from their lowest levels. We reiterate our view that freight rate and export demand will remain high into next year. WICE's key export route is the US route where demand (eg, auto, electronics) remains very strong. We estimate WICE's sea-freight gross profit to grow 329/15% over 2021-22F on volume growth of 55/15%.

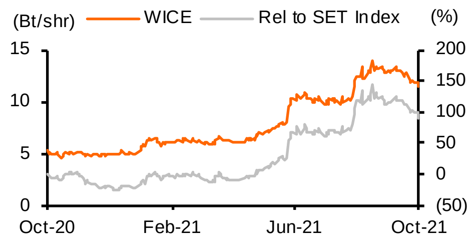
Ramping up cross-border trucking capacity

Strong demand for cross-border trade via its 51%-held ETL trucking business continues. After adding capacity of 67% to 500 containers in 1H21, it plans to add another 10% in 2H21 to support high demand for electronics-related and auto parts within Southeast Asia and China. We project CBS revenue to grow by 146/20% in 2021-22F but expect gross margin to drop from 14% in 2020 to 11.9/13.0% in 2021-22F to reflect falling backhaul utilization, which is normal during expansion.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	3,996	7,088	8,446	8,363
Net profit	201	482	578	629
Consensus NP	—	418	498	606
Diff frm cons (%)	—	*15.6*	*16.1*	*3.7*
Norm profit	192	482	578	629
Prev. Norm profit	—	421	528	606
Chg frm prev (%)	—	*14.7*	*9.6*	*3.7*
Norm EPS (Bt)	0.29	0.74	0.89	1.0
Norm EPS grw (%)	269.5	151.2	19.9	8.7
Norm PE (x)	38.4	15.3	12.7	11.7
EV/EBITDA (x)	18.4	8.8	6.9	5.7
P/BV (x)	8.4	6.1	4.8	3.9
Div yield (%)	1.2	2.9	3.5	3.8
ROE (%)	23.0	46.3	42.1	36.5
Net D/E (%)	(26.7)	(29.6)	(44.1)	(54.5)

PRICE PERFORMANCE

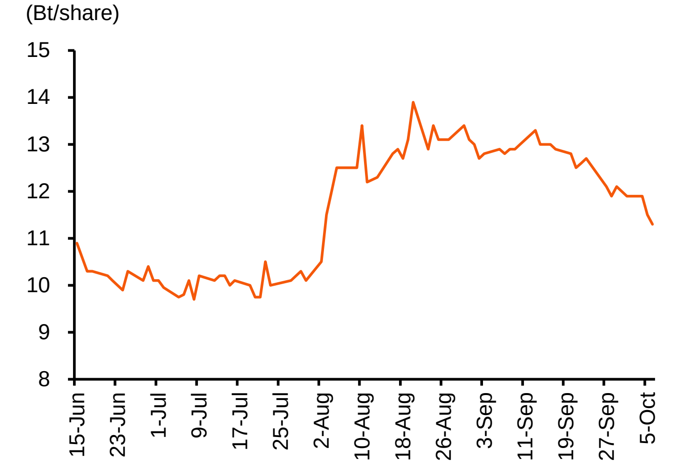


COMPANY INFORMATION

Price *as of* 6-Oct-21 (Bt)	11.30
Market Cap (US$ m)	217.1
Listed Shares (m shares)	651.9
Free Float (%)	41.3
Avg Daily Turnover (US$ m)	5.6
12M Price H/L (Bt)	13.90/4.48
Sector	Transportation
Major Shareholder	Kongsoonthorn Family 41.6%

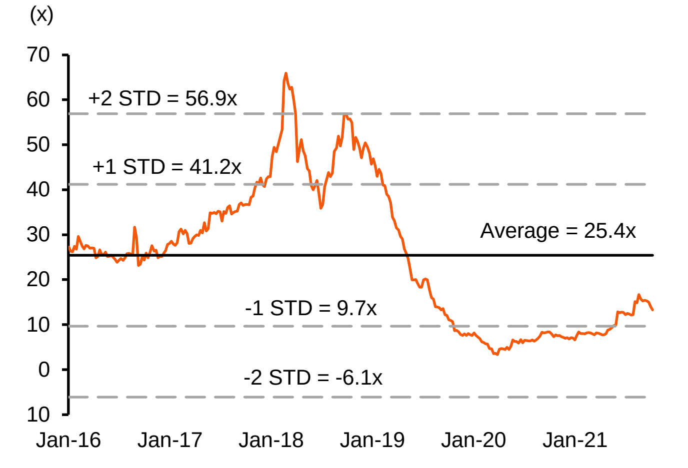
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Share Price Weakness Despite Strong Earnings



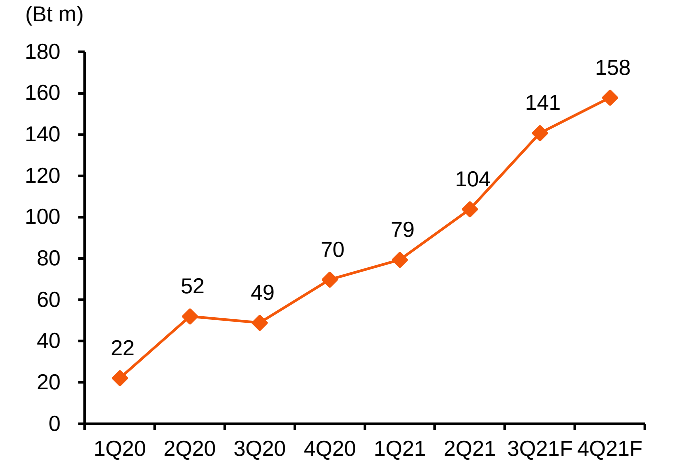
Source: Bloomberg

Ex 2: Trading Well Below Historical PE



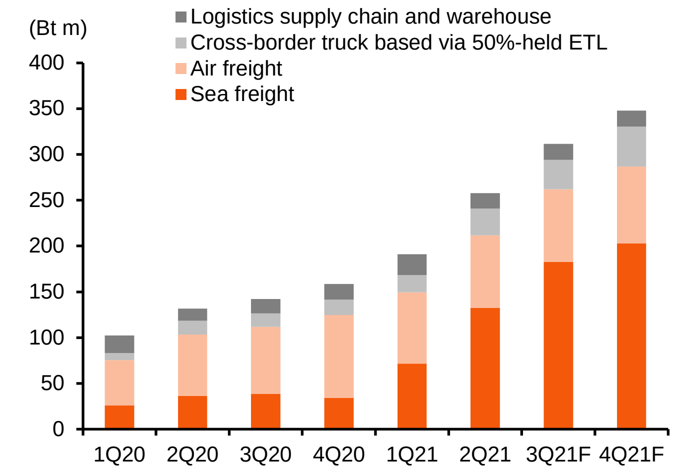
Sources: Bloomberg, Thanachart estimates

Ex 3: Record Normalized Earnings Continue



Sources: Company data, Thanachart estimates

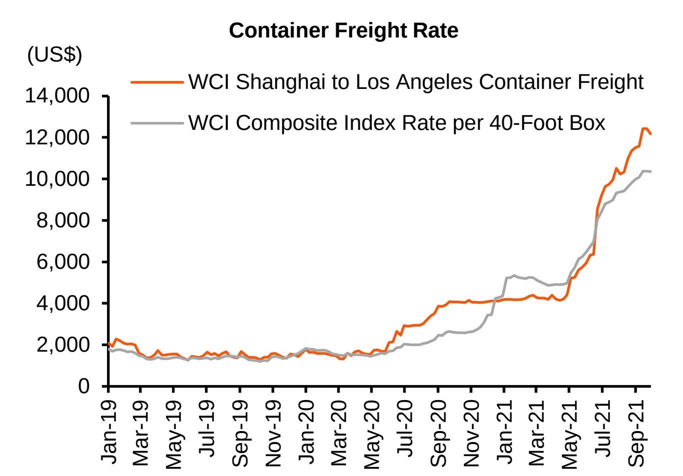
Ex 4: Gross Profit Breakdown Quarterly



Sources: Company data, Thanachart estimates

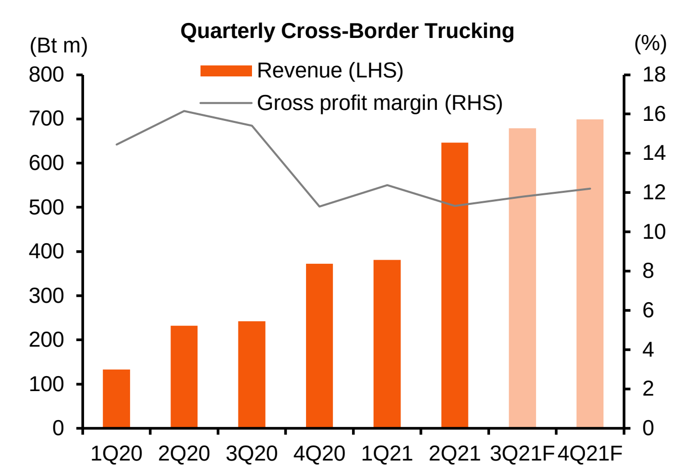
Note: *Supply chain solutions cover customs brokers, domestic transport and warehouse services.

Ex 5: Strong Sea Freight Rate Amid Supply Shortage



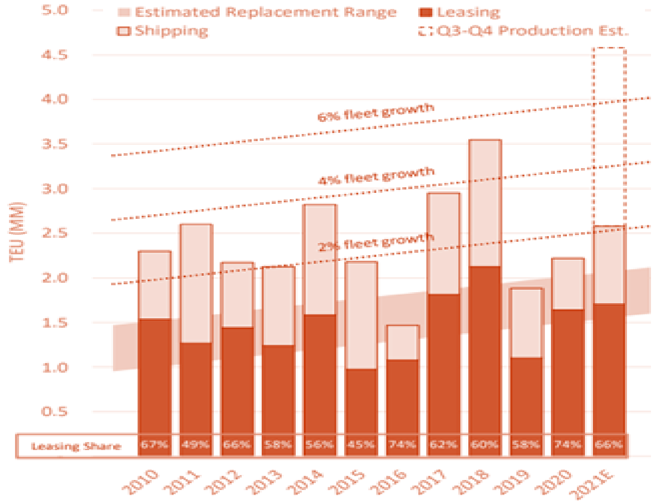
Source: Bloomberg

Ex 6: Adding Another 10% Container Capacity In 2H21



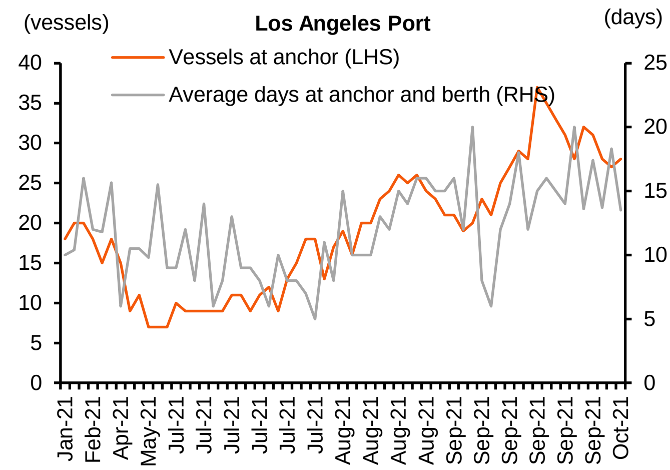
Sources: Company data, Thanachart estimates

Ex 7: Still A Shortage Despite Industry's New Containers



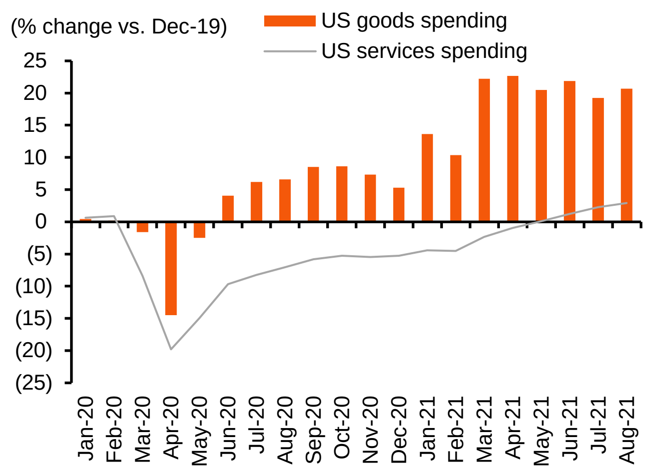
Source: Triton International

Ex 8: Severe Port Congestion



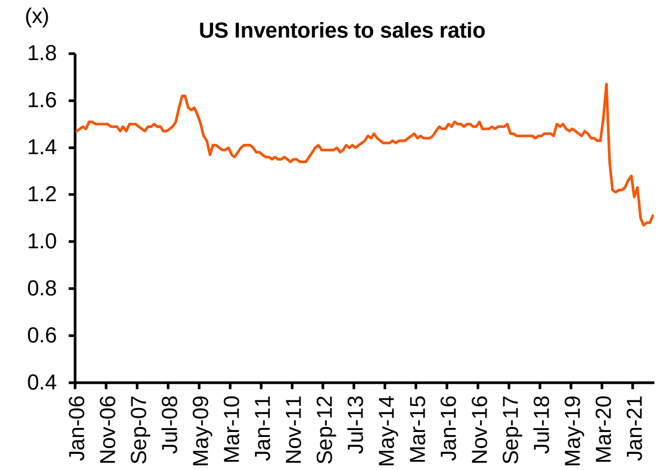
Source: Port Of Los Angeles

Ex 9: Strong Consumption Driving Goods Trade



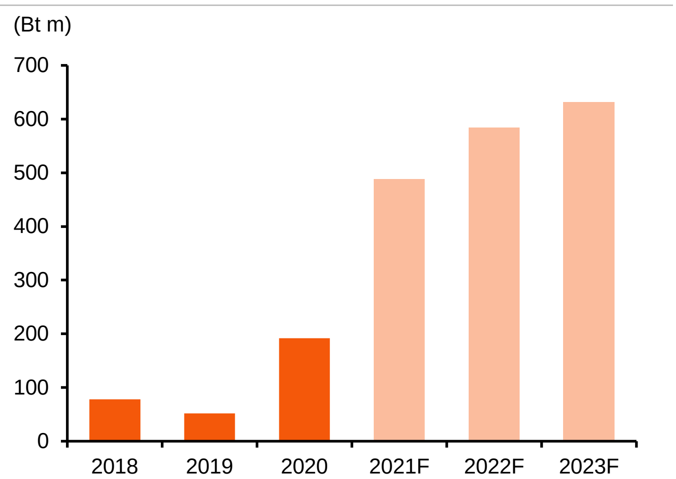
Source: U.S. Bureau of Economic Analysis

Ex 10: Retail Inventories Have Remained Low



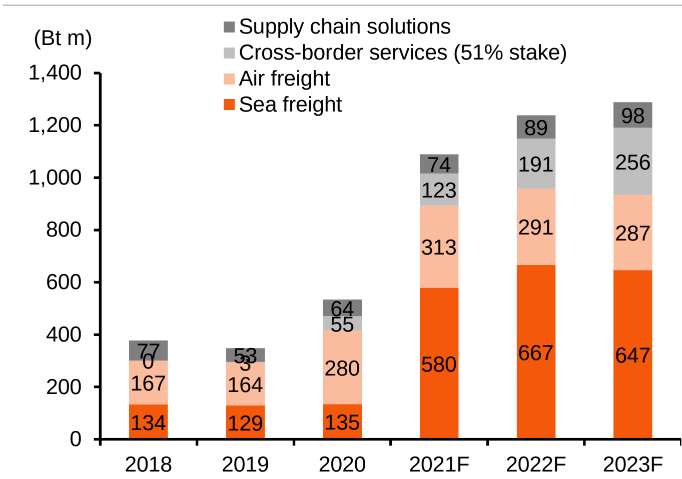
Source: Federal Reserve Economic Data

Ex 11: Strong Earnings Growth In 2021-22F



Sources: Company data, Thanachart estimates

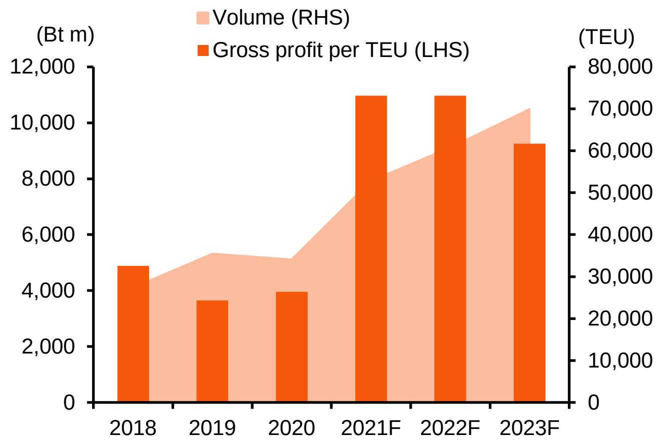
Ex 12: Gross Profit Forecasts



Sources: Company data, Thanachart estimates

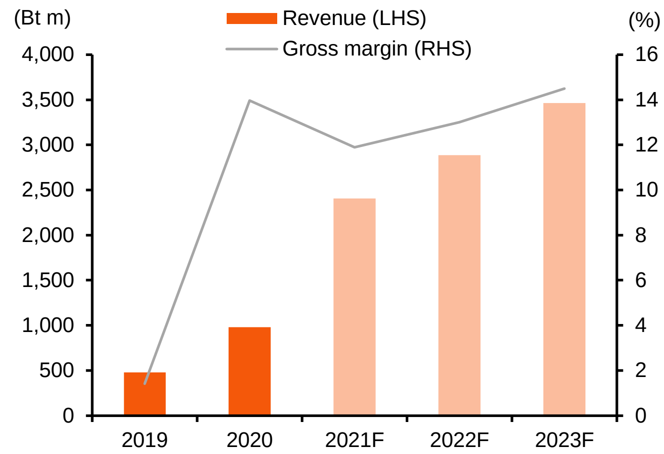
Note: *Supply chain solutions cover customs brokers, domestic transport and warehouse services.

Ex 13: Sea Freight Forecasts



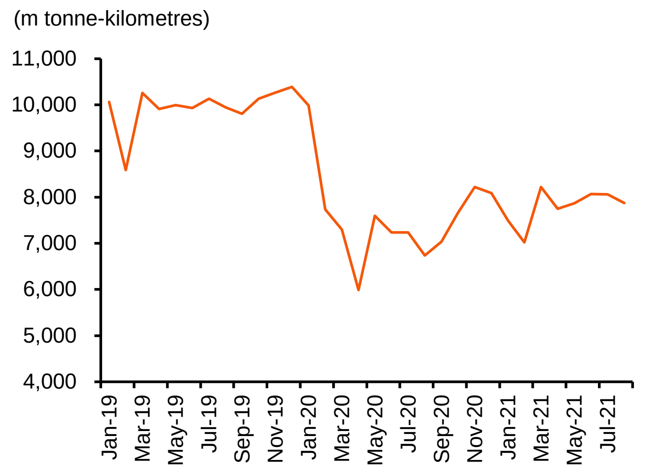
Sources: Company data, Thanachart estimates

Ex 14: Cross-Border Service Revenue And Gross Margin



Sources: Company data, Thanachart estimates

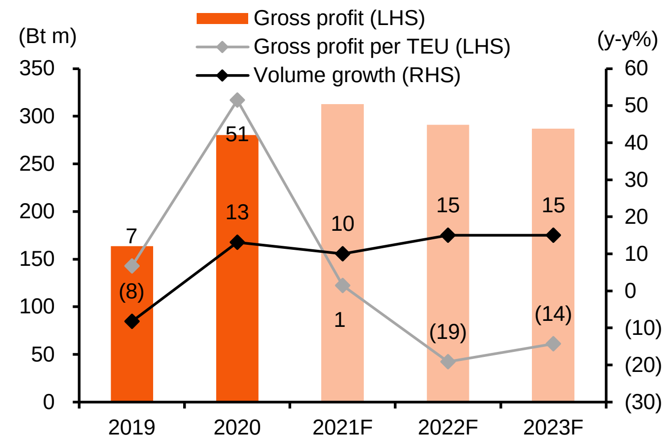
Ex 15: Air Cargo Capacity Remains Low



Source: Association of Asia Pacific Airlines

Note: data derived from 36 Asia Pacific based carriers

Ex 16: We Estimate Relatively Flat Air Freight Earnings



Sources: Company data, Thanachart estimates

Ex 17: Key Earnings Revisions

	2019	2020	2021F	2022F	2023F
Sea freight revenue (Bt m)					
New	650	656	3,150	4,166	3,593
Old			2,390	3,107	2,718
Change (%)			*31.8*	*34.1*	*32.2*
Cross border gross margin (%)					
New	19.9	20.6	18.4	16.0	18.0
Old			16.0	16.0	19.0
Change (pp)			*2.4*	*-*	*(1.0)*
Sea freight gross profit (Bt m)					
New	129	135	580	667	647
Old			382	497	516
Change (%)			*51.6*	*34.1*	*25.2*
Sea freight volume (TEU)					
New	35,482	34,104	52,861	60,790	69,909
Old			46,040	59,853	74,816
Change (%)			*14.8*	*1.6*	*(6.6)*
Cross border revenue (Bt m)					
New	479	979	2,406	2,887	3,465
Old			1,743	2,350	2,820
Change (%)			*38.1*	*22.9*	*22.9*
Cross border gross margin (%)					
New	1.4	14.0	11.9	13.0	14.5
Old	1.4	14.0	12.6	13.0	13.8
Change (pp)			*(0.7)*	*-*	*0.7*
Normalized profit (Bt m)					
New	52	192	482	578	629
Old			421	528	606
Change (%)			*14.7*	*9.6*	*3.7*

Sources: Company data, Thanachart estimates

Ex 18: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)		2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA		956	1,084	1,040	1,231	1,394	1,548	1,709	1,892	2,165	2,397	2,641	—
Free cash flow		564	715	749	808	905	1,034	1,164	1,260	1,490	1,688	1,884	18,849
PV of free cash flow		562	578	545	528	521	532	537	520	551	558	531	5,314
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.2												
WACC (%)	11.2												
Terminal growth (%)	2.0												
Enterprise value - add investments	11,275												
Net debt (2021F)	(368)												
Minority interest	39												
Equity value	11,605												
# of shares (m)	652												
Equity value/share (Bt)	**18.0**												

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 19: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
Expeditors Int'l	EXPD US	US	67.9	(20.2)	16.9	21.1	5.7	5.0	11.2	14.0	1.0	1.0
CH Robinson Worldwide	CHRW US	US	46.9	(3.8)	16.0	16.6	6.2	5.3	11.9	12.3	2.4	2.5
Echo Global Logistics	ECHO US	US	108.3	(12.4)	17.3	19.8	2.6	2.3	10.5	12.4	na	na
LEO Global Logistics	LEO TB	Thailand	79.9	15.7	23.8	20.6	5.1	4.5	20.8	17.3	2.0	2.3
Triple I Logistics	III TB	Thailand	101.3	5.9	20.7	19.6	4.3	3.8	27.8	25.4	2.6	2.7
Wice Logistics	WICE TB	Thailand	151.2	19.9	15.3	12.7	6.1	4.8	8.8	6.9	2.9	3.5
Average			**97.5**	**0.9**	**18.3**	**18.4**	**5.0**	**4.3**	**15.2**	**14.7**	**2.2**	**2.4**

Sources: Company data, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

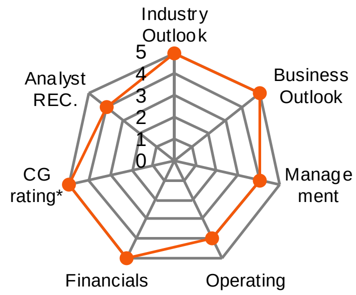
Based on 6-Oct-21 closing prices

COMPANY DESCRIPTION

The Company and its subsidiary are international freight forwarders (non-vessel operation common carrier) both import and export by sea freight (Full and Less Container Loading) and air freight and cross-border business. Its main focus is electronics-related products in Asia.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Long experience in freight forwarding business with main focus in Asia.
- Its niche position in intra-region road cross-border between southeast Asia and China

W — Weakness

- Highly sensitive to economic conditions.

O — Opportunity

- Growing intra-Asean and China trade.
- Regional expansion with strong partners

T — Threat

- A weakening global economy and sluggish growth in global trade.
- Competition from other freight forwarders.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	15.30	18.00	18%
Net profit 21F (Bt m)	418	482	16%
Net profit 22F (Bt m)	498	578	16%
Consensus REC	**BUY: 3**	**HOLD: 1**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2021-22F earnings are higher than the Bloomberg consensus numbers which we believe is due to us having a more bullish view on its sea freight and cross-border service.
- Our TP is therefore 18% above the Street's.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If the global economy were to recover slower than our expectations, this would result in the key downside risk to demand for transportation.
- If air and sea freight rates were to fall sharper than we presently expect.
- If revenue and gross margin expansion for cross-border service were to come in lower than we currently anticipate.

Source: Thanachart

Sea freight and CBS should drive earnings growth in 2021-23F

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	2,221	3,996	7,088	8,446	8,363
Cost of sales	1,869	3,378	5,836	7,024	6,829
Gross profit	**352**	**617**	**1,253**	**1,422**	**1,534**
% gross margin	15.9%	15.5%	17.7%	16.8%	18.3%
Selling & administration expenses	291	293	532	559	565
Operating profit	**62**	**325**	**721**	**863**	**969**
% operating margin	2.8%	8.1%	10.2%	10.2%	11.6%
Depreciation & amortization	42	61	71	93	116
EBITDA	**104**	**386**	**791**	**956**	**1,084**
% EBITDA margin	4.7%	9.7%	11.2%	11.3%	13.0%
Non-operating income	0	0	0	0	0
Non-operating expenses	0	0	0	0	0
Interest expense	(7)	(10)	(19)	(16)	(10)
Pre-tax profit	**55**	**315**	**702**	**847**	**958**
Income tax	21	48	140	169	192
After-tax profit	**34**	**267**	**561**	**677**	**767**
% net margin	1.5%	6.7%	7.9%	8.0%	9.2%
Shares in affiliates' Earnings	(0)	(1)	0	0	0
Minority interests	18	(74)	(79)	(99)	(138)
Extraordinary items	10	9	0	0	0
NET PROFIT	**62**	**201**	**482**	**578**	**629**
Normalized profit	**52**	**192**	**482**	**578**	**629**
EPS (Bt)	0.1	0.3	0.7	0.9	1.0
Normalized EPS (Bt)	0.1	0.3	0.7	0.9	1.0

Net cash position

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	934	1,402	2,369	3,001	3,360
Cash & cash equivalent	302	408	587	879	1,259
Account receivables	596	953	1,709	2,036	2,016
Inventories	0	0	0	0	0
Others	36	41	72	86	85
Investments & loans	0	0	0	0	0
Net fixed assets	230	208	287	344	378
Other assets	410	436	443	451	459
Total assets	**1,574**	**2,046**	**3,099**	**3,796**	**4,198**
LIABILITIES:					
Current liabilities:	528	845	1,420	1,696	1,644
Account payables	464	727	1,279	1,539	1,497
Bank overdraft & ST loans	12	14	20	13	7
Current LT debt	14	32	0	0	0
Others current liabilities	38	72	120	144	141
Total LT debt	**48**	**102**	**199**	**124**	**67**
Others LT liabilities	111	123	236	293	309
Total liabilities	**687**	**1,070**	**1,855**	**2,114**	**2,020**
Minority interest	93	99	39	138	276
Preferreds shares	0	0	0	0	0
Paid-up capital	326	326	326	326	326
Share premium	348	348	348	348	348
Warrants	0	0	0	0	0
Surplus	(8)	(68)	(68)	(68)	(68)
Retained earnings	**128**	**271**	**600**	**939**	**1,296**
Shareholders' equity	794	877	1,205	1,545	1,902
Liabilities & equity	**1,574**	**2,046**	**3,099**	**3,796**	**4,198**

Sources: Company data, Thanachart estimates

We forecast sustainable cash inflow streams

We assume rising CAPEX to finance growing CBS business

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	55	315	702	847	958
Tax paid	(17)	(20)	(115)	(148)	(196)
Depreciation & amortization	42	61	71	93	116
Chg In working capital	(16)	(94)	(204)	(67)	(23)
Chg In other CA & CL / minorities	(9)	(70)	(147)	(11)	2
Cash flow from operations	**55**	**193**	**306**	**714**	**857**
Capex	(48)	(39)	(150)	(150)	(150)
Right of use	0	(40)	0	0	0
ST loans & investments	6	3	0	0	0
LT loans & investments	0	0	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(12)	24	106	49	8
Cash flow from investments	**(54)**	**(52)**	**(44)**	**(101)**	**(142)**
Debt financing	84	83	72	(82)	(64)
Capital increase	0	0	0	0	0
Dividends paid	(99)	(77)	(154)	(239)	(272)
Warrants & other surplus	7	(40)	0	0	0
Cash flow from financing	**(8)**	**(34)**	**(83)**	**(321)**	**(335)**
Free cash flow	**6**	**153**	**156**	**564**	**707**

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	141.7	38.4	15.3	12.7	11.7
Normalized PE - at target price (x)	225.8	61.1	24.3	20.3	18.7
PE (x)	118.9	36.6	15.3	12.7	11.7
PE - at target price (x)	189.3	58.4	24.3	20.3	18.7
EV/EBITDA (x)	68.7	18.4	8.8	6.9	5.7
EV/EBITDA - at target price (x)	110.8	29.7	14.4	11.5	9.7
P/BV (x)	9.3	8.4	6.1	4.8	3.9
P/BV - at target price (x)	14.8	13.4	9.7	7.6	6.2
P/CFO (x)	135.1	38.2	24.1	10.3	8.6
Price/sales (x)	3.3	1.8	1.0	0.9	0.9
Dividend yield (%)	0.8	1.2	2.9	3.5	3.8
FCF Yield (%)	0.1	2.1	2.1	7.7	9.6
(Bt)					
Normalized EPS	0.1	0.3	0.7	0.9	1.0
EPS	0.1	0.3	0.7	0.9	1.0
DPS	0.1	0.1	0.3	0.4	0.4
BV/share	1.2	1.3	1.8	2.4	2.9
CFO/share	0.1	0.3	0.5	1.1	1.3
FCF/share	0.0	0.2	0.2	0.9	1.1

Sources: Company data, Thanachart estimates

Rising ROE on margin expansion driven by growing CBS business

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	21.2	79.9	77.4	19.1	(1.0)
Net profit (%)	(35.6)	224.5	139.9	19.9	8.7
EPS (%)	(35.6)	224.5	139.9	19.9	8.7
Normalized profit (%)	(33.5)	269.5	151.2	19.9	8.7
Normalized EPS (%)	(33.5)	269.5	151.2	19.9	8.7
Dividend payout ratio (%)	94.7	45.4	45.0	45.0	45.0
Operating performance					
Gross margin (%)	15.9	15.5	17.7	16.8	18.3
Operating margin (%)	2.8	8.1	10.2	10.2	11.6
EBITDA margin (%)	4.7	9.7	11.2	11.3	13.0
Net margin (%)	1.5	6.7	7.9	8.0	9.2
D/E (incl. minor) (x)	0.1	0.2	0.2	0.1	0.0
Net D/E (incl. minor) (x)	(0.3)	(0.3)	(0.3)	(0.4)	(0.5)
Interest coverage - EBIT (x)	9.2	33.1	38.3	53.5	94.1
Interest coverage - EBITDA (x)	15.4	39.4	42.0	59.3	105.4
ROA - using norm profit (%)	3.5	10.6	18.8	16.8	15.7
ROE - using norm profit (%)	6.4	23.0	46.3	42.1	36.5
DuPont					
ROE - using after tax profit (%)	4.2	32.0	53.9	49.2	44.5
- asset turnover (x)	1.5	2.2	2.8	2.4	2.1
- operating margin (%)	2.8	8.1	10.2	10.2	11.6
- leverage (x)	1.9	2.2	2.5	2.5	2.3
- interest burden (%)	89.1	97.0	97.4	98.1	98.9
- tax burden (%)	62.2	84.6	80.0	80.0	80.0
WACC (%)	11.2	11.2	11.2	11.2	11.2
ROIC (%)	7.5	48.6	93.5	82.4	96.5
NOPAT (Bt m)	38	275	577	690	775
invested capital (Bt m)	566	617	837	803	716

Sources: Company data, Thanachart estimates

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