Hana Microelectronics (HANA TB) - BUY, Price Bt86.5, TP Bt90.0

Results Comment

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Decent, in-line 3Q21 earnings

- HANA reported 3Q21 normalized earnings of Bt701m, increased 92% y-y but fell 9% q-q. Earnings significantly increased y-y, despite 3Q20 wasn't a low base quarter, thanks to a strong electronic industry and HANA's market share gain. Earnings fell q-q due to the COVID infection at its factories and chip shortages.
- US dollar sales increased 23% y-y but fell 2% q-q. Reasons were stated above.
- Gross margin increased to 15.6% from 11.9% in 3Q20 but fell from 16.8% in 2Q21. Operating leverage and changes in product mixed were main factors.
- SG&A to sales fell to 6.0% from 6.6% in 3Q20 and 6.2% in 2Q21 due mainly to operating leverage impact and HANA's cost saving strategies.
- We expect for HANA's stronger 4Q21F as its factories are now back to near-full operation while the chip shortage situation is starting to improve.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	4,814	5,267	5,214	6,065	6,241
Gross profit	**572**	**565**	**621**	**1,016**	**976**
SG&A	317	270	312	373	376
Operating profit	255	295	309	643	601
EBITDA	**548**	**614**	**631**	**955**	**941**
Other income	143	133	107	146	124
Other expense	0	0	0	0	0
Interest expense	1	(0)	1	2	2
Profit before tax	**397**	**429**	**414**	**788**	**723**
Income tax	31	(17)	2	18	22
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	(46)	256	(111)	(33)	(137)
Net profit	**320**	**702**	**301**	**737**	**564**
Normalized profit	**366**	**446**	**413**	**770**	**701**
EPS (Bt)	0.40	0.87	0.37	0.92	0.70
Normalized EPS (Bt)	0.45	0.55	0.51	0.96	0.87

Income Statement				9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	3	30	75	23,441	27,114
Gross profit	**(4)**	**71**	**70**	**3,724**	**4,700**
SG&A	1	19	74	1,428	1,552
Operating profit	(7)	136	68	2,297	3,149
EBITDA	**(1)**	**72**	**71**	**3,556**	**4,494**
Other income	(15)	(14)	80	470	497
Other expense					
Interest expense	(11)	7	71	7	7
Profit before tax	**(8)**	**82**	**70**	**2,760**	**3,639**
Income tax	24	(29)	46	89	118
Equity & invest. income					
Minority interests					
Extraordinary items	na	na	na	0	0
Net profit	**(23)**	**76**	**60**	**2,670**	**3,522**
Normalized profit	**(9)**	**92**	**71**	**2,670**	**3,522**
EPS (Bt)	(23)	76	60	3.32	4.38
Normalized EPS (Bt)	(9)	92	71	3.32	4.38

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	9,797	9,667	9,801	9,094	8,514
A/C receivable	3,230	3,461	4,048	4,249	4,441
Inventory	5,027	4,496	4,764	5,465	6,288
Other current assets	59	96	104	136	153
Investment	72	72	72	72	72
Fixed assets	6,881	6,938	7,297	8,178	9,110
Other assets	470	450	553	523	494
Total assets	**25,536**	**25,180**	**26,639**	**27,717**	**29,073**
S-T debt	317	300	313	321	339
A/C payable	2,399	2,355	2,979	3,615	3,749
Other current liabilities	159	151	259	228	284
L-T debt	0	0	0	0	0
Other liabilities	750	760	782	777	792
Minority interest	0	0	0	0	0
Shareholders' equity	**21,911**	**21,614**	**22,306**	**22,776**	**23,909**
Working capital	5,858	5,602	5,832	6,100	6,981
Total debt	317	300	313	321	339
Net debt	**(9,480)**	**(9,367)**	**(9,488)**	**(8,773)**	**(8,174)**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(6.9)	7.0	13.1	32.1	29.7
Operating profit growth	(13.5)	(16.0)	(24.6)	70.4	135.7
EBITDA growth	(5.0)	(2.6)	(8.9)	43.6	71.5
Norm profit growth	(6.4)	(2.2)	(18.9)	61.2	91.7
Norm EPS growth	(6.4)	(2.2)	(18.9)	61.2	91.7
Gross margin	11.9	10.7	11.9	16.8	15.6
Operating margin	5.3	5.6	5.9	10.6	9.6
EBITDA margin	11.4	11.7	12.1	15.7	15.1
Norm net margin	7.6	8.5	7.9	12.7	11.2
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)	(0.3)
Interest coverage (x)	372.0	(1,307.4)	440.1	543.1	598.8
Interest rate	1.9	(0.6)	1.9	2.2	1.9
Effective tax rate	7.8	(4.1)	0.4	2.2	3.0
ROA	5.8	7.0	6.4	11.3	9.9
ROE	6.8	8.2	7.5	13.7	12.0

Sources: Company data, Thanachart estimates

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