RS Public Co Ltd (RS TB) - BUY, Price Bt18.00, TP Bt29.00

Results Comment

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Weaker-than-expected 3Q21 result

- RS's 3Q21 turned to a slight loss of Bt0.3m, from profit of Bt131m in 3Q20 and Bt54m in 2Q21. This was weaker than ours and consensus estimate of Bt17-21m profit. Excluding equity income contributed from an asset management company Chase Asia of Bt29m, RS's core business made a Bt30m loss in 3Q21.
- 9M21 profit accounts for 75% of our full-year forecast. While we see 5-8% downside risk to our 2021F full year forecast, we expect 3Q21 to be the bottom with improving momentum into 4Q21, as lockdown already eased. Reaffirm BUY.
- In 3Q21, hitting by hiccups from the third COVID wave and the lockdown, total revenue dropped 9% y-y and 14% q-q in 3Q21, dragged by RS's commerce sales and media businesses. Meanwhile, SG&A/sales rose to 51% in 3Q21 from 35% in 3Q20 and 47% in 2Q21 because new products' marketing expenses were already committed in 2Q-3Q21.
- Commerce revenue (64% of total revenue) was at Bt542m in 3Q21, down 4% y-y and 16% q-q. The existing products via existing platforms (online, Ch.8 and call centers) and two new mass-target products relying on offline channels were affected by weaker purchasing power and lockdown curbs. Gross margin dropped to 59% in 3Q21 from 67% in 3Q20 and 64% in 2Q21 due to more promotions and higher portion of lower margin of partners' products and mass-target products.
- Media business (36% of 3Q21) revenue dropped 27% q-q due to weak ad spending hitting TV, radio and showbiz businesses but up 6% y-y from low base. RS's media business is to support its eco-system of entertainmerce (media + commerce) business model.
- In 4Q21, RS plans to launch pet food products (50+ SKUs) and hemp seed oil related products. It also plans to introduce "Digital Entertainmerce" with more details to follow.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Revenue	938	1,018	992	992	852
Gross profit	**498**	**488**	**560**	**534**	**404**
SG&A	326	354	387	469	431
Operating profit	172	134	173	65	(27)
EBITDA	**305**	**290**	**307**	**215**	**118**
Other income	3	8	3	2	1
Other expense	1	1	0	0	0
Interest expense	9	9	11	16	16
Profit before tax	**164**	**132**	**164**	**51**	**(42)**
Income tax	34	30	34	8	(11)
Equity & invest. income	0	0	9	10	29
Minority interests	0	(0)	(0)	(0)	1
Extraordinary items	0	0	0	0	0
Net profit	**131**	**103**	**140**	**54**	**(0)**
Normalized profit	**131**	**103**	**140**	**54**	**(0)**
EPS (Bt)	0.13	0.11	0.14	0.06	(0.00)
Normalized EPS (Bt)	0.13	0.11	0.14	0.06	(0.00)

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	(14)	(9)	78	3,643	4,651
Gross profit	**(24)**	**(19)**	**75**	**1,996**	**2,374**
SG&A	(8)	32	74	1,728	1,733
Operating profit	na	na	79	268	641
EBITDA	**(45)**	**(61)**	**86**	**741**	**1,247**
Other income	(34)	(51)	44	15	19
Other expense	(95)	(98)	na	0	0
Interest expense	0	76	71	60	90
Profit before tax	**na**	**na**	**78**	**222**	**569**
Income tax	na	na	67	44	114
Equity & invest. income	180		60	82	183
Minority interests	na	2,100	na	0	0
Extraordinary items					
Net profit	**na**	**na**	**75**	**260**	**639**
Normalized profit	**na**	**na**	**75**	**260**	**639**
EPS (Bt)	na	na	75	0.27	0.66
Normalized EPS (Bt)	na	na	75	0.27	0.66

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash & ST investment	151	200	258	202	145
A/C receivable	592	711	819	937	892
Inventory	256	229	237	325	328
Other current assets	31	33	44	58	59
Investment	4	4	964	974	130
Fixed assets	646	642	627	605	583
Other assets	2,606	2,697	2,845	2,972	4,009
Total assets	**4,286**	**4,516**	**5,794**	**6,074**	**6,146**
S-T debt	560	620	755	931	1,037
A/C payable	966	1,016	1,086	1,171	1,170
Other current liabilities	147	178	221	219	214
L-T debt	176	156	1,042	1,013	983
Other liabilities	535	543	546	541	544
Minority interest	2	2	2	3	2
Shareholders' equity	**1,899**	**2,002**	**2,142**	**2,196**	**2,195**
Working capital	(118)	(76)	(31)	91	49
Total debt	736	776	1,797	1,944	2,020
Net debt	**585**	**576**	**1,538**	**1,742**	**1,876**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Sales growth	5.8	13.7	0.8	19.1	(9.2)
Operating profit growth	35.2	61.1	(27.3)	(55.5)	na
EBITDA growth	13.4	35.5	(14.2)	(20.4)	(61.3)
Norm profit growth	41.4	56.2	(24.8)	(50.6)	na
Norm EPS growth	41.4	56.2	(24.8)	(50.6)	na
Gross margin	53.1	47.9	56.5	53.8	47.3
Operating margin	18.3	13.1	17.4	6.5	(3.2)
EBITDA margin	32.5	28.5	30.9	21.7	13.9
Norm net margin	13.9	10.1	14.1	5.4	(0.0)
D/E (x)	0.4	0.4	0.8	0.9	0.9
Net D/E (x)	0.3	0.3	0.7	0.8	0.9
Interest coverage (x)	33.8	32.8	27.6	13.6	7.4
Interest rate	4.9	4.7	3.5	3.4	3.2
Effective tax rate	20.6	22.4	20.4	14.9	27.0
ROA	12.1	9.3	10.9	3.6	(0.0)
ROE	28.5	21.0	27.1	9.9	(0.1)

Sources: Company data, Thanachart estimates

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