

TOA Paint (Thailand) (TOA TB) - BUY, Price Bt33.50, TP Bt39.00**Results Comment**

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3Q21 results in line

- TOA posted 3Q21 normalized earnings of Bt274m, down 46% y-y and 50% q-q. The results were in line with what we had expected. The earnings fall year on year and quarter on quarter was mainly due to rising raw material costs.
- Its 9M21 earnings make up 76% of our full-year earnings forecast. We expect TOA's earnings recovery in 4Q21 onward due to the easing of the lockdown measures, especially the reopening of construction sites in both Thailand and Vietnam.
- We maintain a BUY on TOA as we see its valuation is cheap at PEs of 30x in 2022F and 26x in 2023F versus its pre-COVID average PE of 36x. Its long-term fundamental is still solid with its strong brand perception, high profitability, solid distribution network, and net cash position.
- TOA's total sales increased by 1% y-y in 3Q21. A decrease in sales volume from decorative products was mainly due to the lockdown measures. However, it was partly offset by an increase in sales volume of non-decorative products.
- However, higher titanium dioxide and oil-related raw material prices in 3Q21 caused its gross margin to drop to 30% in 3Q21 from 37% in 3Q20. Its SG&A expenses slightly decreased by 1% y-y.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	4,021	4,167	4,422	4,496	3,980	Revenue	(11)	(1)	75	17,114	18,638
Gross profit	1,496	1,504	1,613	1,520	1,203	Gross profit	(21)	(20)	77	5,646	6,257
SG&A	878	899	830	906	873	SG&A	(4)	(1)	76	3,423	3,541
Operating profit	618	605	783	613	330	Operating profit	(46)	(47)	78	2,223	2,715
EBITDA	760	750	919	779	485	EBITDA	(38)	(36)	77	2,840	3,360
Other income	39	34	34	41	28	Other income	(31)	(28)	72	142	142
Other expense	0	0	0	0	0	Other expense					
Interest expense	9	8	8	8	8	Interest expense	4	(11)	92	27	34
Profit before tax	647	630	809	646	349	Profit before tax	(46)	(46)	77	2,338	2,823
Income tax	137	141	202	109	102	Income tax	(7)	(26)	88	468	565
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	(0)	7	9	7	26	Minority interests	260	na	630	7	7
Extraordinary items	13	(4)	55	0	(6)	Extraordinary items	na	na	na	0	0
Net profit	524	493	670	544	268	Net profit	(51)	(49)	79	1,877	2,266
Normalized profit	510	497	615	544	274	Normalized profit	(50)	(46)	76	1,877	2,266
EPS (Bt)	0.26	0.24	0.33	0.27	0.13	EPS (Bt)	(51)	(49)	79	0.93	1.12
Normalized EPS (Bt)	0.25	0.24	0.30	0.27	0.14	Normalized EPS (Bt)	(50)	(46)	76	0.93	1.12
Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	6,365	6,644	7,924	7,826	7,291	Sales growth	(1.0)	(5.7)	7.8	12.2	(1.0)
A/C receivable	2,796	2,913	3,255	3,261	2,968	Operating profit growth	(3.0)	(2.2)	19.9	(1.5)	(46.6)
Inventory	2,343	2,163	2,227	2,460	2,767	EBITDA growth	4.2	5.3	16.8	2.7	(36.2)
Other current assets	224	267	268	257	267	Norm profit growth	(5.8)	(8.5)	21.4	3.7	(46.2)
Investment	6	6	0	0	0	Norm EPS growth	(5.8)	(8.5)	21.4	3.7	(46.2)
Fixed assets	2,786	2,691	2,755	2,706	2,704	Gross margin	37.2	36.1	36.5	33.8	30.2
Other assets	1,846	1,803	1,880	1,875	2,052	Operating margin	15.4	14.5	17.7	13.6	8.3
Total assets	16,365	16,486	18,308	18,384	18,050	EBITDA margin	18.9	18.0	20.8	17.3	12.2
S-T debt	200	200	349	255	282	Norm net margin	12.7	11.9	13.9	12.1	6.9
A/C payable	3,296	2,975	3,638	4,023	3,981	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	397	515	735	571	379	Net D/E (x)	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
L-T debt	0	0	0	0	0	Interest coverage (x)	80.3	88.4	109.3	96.2	57.6
Other liabilities	1,436	1,391	1,372	1,368	1,504	Interest rate	10.8	17.0	12.3	10.7	12.6
Minority interest	(2)	(9)	34	30	4	Effective tax rate	21.1	22.3	25.0	16.9	29.1
Shareholders' equity	11,038	11,414	12,180	12,137	11,900	ROA	12.3	12.1	14.2	11.9	6.0
Working capital	1,843	2,100	1,844	1,698	1,755	ROE	18.5	17.7	20.9	17.9	9.1
Total debt	200	200	349	255	282						
Net debt	(6,165)	(6,444)	(7,575)	(7,571)	(7,010)						

Sources: Company data, Thanachart estimates

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