TTW Public Co Ltd (TTW TB) - BUY, Price Bt11.70, TP Bt14.00

Results Comment

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3Q results in line

- TTW posted 3Q21 earnings of Bt931m, flat year on year and up 9% q-q. The results were in line with what we had expected. A strong earnings growth year on year and quarter on quarter was mainly due to higher equity income from its 25%-owned CK Power (CKP TB, Bt5.65, BUY)'s strong earnings growth.
- Even though TTW's 9M21 earnings make up 79% of our full-year earnings forecast, we maintain our full-year earnings forecast as we expect TTW to report lower earnings in 4Q21F due to a fall in its tap water sales and lower earnings contribution from CKP.
- We have a BUY on TTW for its cash cow business with high EBITDA margin and ROE while net D/E ratio is low. Dividend yield is also decent at 5-6%.
- Even though TTW's sales volume fell by 9% y-y at the TTW plant in 3Q21 and 13% y-y at PTW plant, its revenue dropped by only 7% y-y. This was because the sales volume that was above the MOQ was sold at a 58% discount.
- Its gross margin dropped to 67.7% in 3Q21 versus 69.5% in 3Q20 due to higher depreciation expenses while SG&A expenses increased 10% y-y mainly due to CSR expenses.
- Its equity income jumped by 49% y-y in 3Q21 due to CKP's strong earnings growth.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	1,556	1,542	1,468	1,475	1,441
Gross profit	**1,081**	**1,054**	**1,019**	**1,024**	**976**
SG&A	118	138	117	113	130
Operating profit	963	917	902	911	847
EBITDA	**1,259**	**1,206**	**1,175**	**1,202**	**1,178**
Other income	4	5	5	3	4
Other expense	0	0	0	0	0
Interest expense	66	65	64	63	62
Profit before tax	**901**	**856**	**843**	**852**	**788**
Income tax	174	163	165	167	162
Equity & invest. income	208	2	29	177	309
Minority interests	(5)	(5)	(5)	(5)	(4)
Extraordinary items	0	0	0	0	0
Net profit	**929**	**690**	**702**	**856**	**931**
Normalized profit	**929**	**690**	**702**	**856**	**931**
EPS (Bt)	0.23	0.17	0.18	0.21	0.23
Normalized EPS (Bt)	0.23	0.17	0.18	0.21	0.23

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(2)	(7)	74	5,938	6,063
Gross profit	**(5)**	**(10)**	**74**	**4,101**	**4,199**
SG&A	15	10	71	505	515
Operating profit	(7)	(12)	74	3,597	3,683
EBITDA	**(2)**	**(6)**	**74**	**4,771**	**4,859**
Other income	35	(3)	41	28	29
Other expense					
Interest expense	(1)	(6)	73	257	189
Profit before tax	**(7)**	**(12)**	**74**	**3,367**	**3,524**
Income tax	(3)	(7)	74	673	705
Equity & invest. income	75	49	104	494	522
Minority interests	na	na	66	(20)	(20)
Extraordinary items					
Net profit	**9**	**0**	**79**	**3,167**	**3,321**
Normalized profit	**9**	**0**	**79**	**3,167**	**3,321**
EPS (Bt)	9	0	79	0.79	0.83
Normalized EPS (Bt)	9	0	79	0.79	0.83

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	1,851	3,404	4,143	3,632	2,965
A/C receivable	552	558	543	526	508
Inventory	26	26	25	26	26
Other current assets	659	29	46	49	46
Investment	5,838	5,968	5,904	5,977	6,153
Fixed assets	11,305	8,965	8,846	8,724	8,633
Other assets	1,767	3,892	3,851	3,715	3,563
Total assets	**21,998**	**22,842**	**23,359**	**22,648**	**21,894**
S-T debt	712	760	2,685	2,610	2,535
A/C payable	193	205	170	151	131
Other current liabilities	288	441	560	440	299
L-T debt	7,686	7,497	5,383	5,268	5,153
Other liabilities	229	240	244	244	246
Minority interest	39	44	39	44	38
Shareholders' equity	**12,850**	**13,655**	**14,278**	**13,892**	**13,493**
Working capital	385	379	398	401	403
Total debt	8,398	8,257	8,068	7,878	7,688
Net debt	**6,547**	**4,853**	**3,925**	**4,246**	**4,722**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	0.7	0.3	(4.3)	(4.6)	(7.4)
Operating profit growth	(0.5)	(2.7)	(6.8)	(5.0)	(12.1)
EBITDA growth	0.5	(1.6)	(6.4)	(4.2)	(6.4)
Norm profit growth	28.1	(26.2)	10.0	23.4	0.2
Norm EPS growth	28.1	(26.2)	10.0	23.4	0.2
Gross margin	69.5	68.4	69.4	69.4	67.7
Operating margin	61.9	59.4	61.4	61.8	58.7
EBITDA margin	80.9	78.2	80.0	81.5	81.7
Norm net margin	59.7	44.7	47.8	58.0	64.6
D/E (x)	0.7	0.6	0.6	0.6	0.6
Net D/E (x)	0.5	0.4	0.3	0.3	0.3
Interest coverage (x)	19.2	18.5	18.4	19.2	19.0
Interest rate	3.1	3.1	3.1	3.1	3.2
Effective tax rate	19.3	19.1	19.6	19.6	20.6
ROA	16.7	12.3	12.2	14.9	16.7
ROE	28.6	20.8	20.1	24.3	27.2

Sources: Company data, Thanachart estimates

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