United Paper Pcl (UTP TB) - BUY, Price Bt16.30, TP Bt32.00

Results Comment

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Better-than-expected 3Q21

- UTP reported 3Q21 net profit of Bt217m (EPS Bt0.33/sh), down 10% y-y and 8% q-q. The result was slightly ahead of expectation on sales revenue and margins. BUY.
- Sales revenue grew 6% q-q, 25% y-y driven mainly by higher average selling price. Sales volume was likely flat q-q even though 2Q21 saw the company undergoing annual maintenance shutdown. This was because of the negative impact from COVID-19 in 3Q21.
- EBITDA margin contracted to 25% this quarter, down from 28% and 34% in 2Q21 and 3Q20, respectively. We had anticipated a more severe margin contraction given the rapid increases in OCC and coal costs. Management cites relatively robust domestic demand and higher portion of linerboard sales (high margin product) as positive factors.
- Our view: We think the worst is over in terms of both sales volume and margins. We expect strong sequential earnings growths from 4Q21 onwards.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	940	961	1,109	1,108	1,179
Gross profit	**287**	**283**	**339**	**273**	**264**
SG&A	17	18	17	13	19
Operating profit	269	265	322	260	245
EBITDA	**322**	**318**	**375**	**313**	**298**
Other income	9	11	7	7	4
Other expense	0	0	0	0	0
Interest expense	0	0	0	0	0
Profit before tax	**278**	**276**	**329**	**267**	**249**
Income tax	38	38	40	33	32
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Net profit	**240**	**237**	**289**	**234**	**217**
Normalized profit	**240**	**237**	**289**	**234**	**217**
EPS (Bt)	0.37	0.37	0.44	0.36	0.33
Normalized EPS (Bt)	0.37	0.37	0.44	0.36	0.33

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	6	25	77	4,394	4,920
Gross profit	**(3)**	**(8)**	**67**	**1,301**	**1,677**
SG&A	44	7	71	68	85
Operating profit	(6)	(9)	67	1,233	1,592
EBITDA	**(5)**	**(7)**	**68**	**1,446**	**1,832**
Other income	(45)	(57)	40	46	52
Other expense			na	0	0
Interest expense	29	152	119	0	4
Profit before tax	**(7)**	**(11)**	**66**	**1,279**	**1,640**
Income tax	(1)	(16)	75	141	180
Equity & invest. income			na	0	0
Minority interests			na	0	0
Extraordinary items			na	0	0
Net profit	**(8)**	**(10)**	**65**	**1,139**	**1,459**
Normalized profit	**(8)**	**(10)**	**65**	**1,139**	**1,459**
EPS (Bt)	(8)	(10)	65	1.75	2.24
Normalized EPS (Bt)	(8)	(10)	65	1.75	2.24

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	777	668	791	665	703
A/C receivable	835	951	1,105	1,160	1,229
Inventory	329	370	447	466	636
Other current assets	130	133	135	147	147
Investment	0	0	0	0	0
Fixed assets	1,729	1,732	1,697	1,691	1,658
Other assets	51	49	51	50	48
Total assets	**3,851**	**3,904**	**4,226**	**4,179**	**4,421**
S-T debt	0	0	0	0	0
A/C payable	284	328	318	332	396
Other current liabilities	41	78	118	75	35
L-T debt	0	0	0	0	0
Other liabilities	42	42	46	47	47
Minority interest	0	0	0	0	0
Shareholders' equity	**3,484**	**3,456**	**3,745**	**3,725**	**3,942**
Working capital	880	993	1,235	1,294	1,469
Total debt	0	0	0	0	0
Net debt	**(777)**	**(668)**	**(791)**	**(665)**	**(703)**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	13.2	23.1	18.3	51.7	25.4
Operating profit growth	10.9	13.0	(5.9)	6.0	(9.0)
EBITDA growth	9.1	10.4	(4.7)	5.1	(7.4)
Norm profit growth	10.5	11.5	(5.4)	2.6	(9.8)
Norm EPS growth	10.5	11.5	(5.4)	2.6	(9.8)
Gross margin	30.5	29.5	30.5	24.6	22.4
Operating margin	28.6	27.6	29.0	23.4	20.8
EBITDA margin	34.3	33.1	33.8	28.2	25.3
Norm net margin	25.5	24.7	26.1	21.1	18.4
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Interest coverage (x)	18,488.3	12,234.8	11,681.5	9,191.1	6,779.2
Interest rate	na	na	na	na	na
Effective tax rate	13.7	13.8	12.2	12.2	13.0
ROA	25.7	24.5	28.4	22.3	20.2
ROE	28.5	27.4	32.1	25.1	22.6

Sources: Company data, Thanachart estimates

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