

TQM Corporation Pcl (TQM TB) - BUY, Price Bt45.75, TP Bt65.00

Results Comment

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Slightly better than expected profits

- TQM reported net profits Bt224m, up 18% y-y but down 8% q-q. The results were slightly better than our expectation and we believe this is due to contribution of its new subsidiary, Easy Lending.
- 2021's net profits came in Bt890m, grew 27% y-y. Excluding revaluation gains of Bt64m, normalized profits were Bt827m, rising 18% y-y and made up 102% of our projection.
- TQM declared final dividend of Bt0.5 per share. XD and payment dates are set on 10 March and 12 May 2022.
- Revenues grew 8% y-y and 8% q-q in 4Q21 with gross margin improving to 55% in 4Q21 from 51% in 3Q21.
- Other income rose 164% y-y and 67% q-q in 4Q21. This item also grew 377% from last year in 2022. They extra items were gains from rent concession and reversal of account payable and other income.
- Established in late last year, Easy Lending extended Bt118m personal loans to support insurance installment sales.
- We would have to re-visit Easy lending as it seems to contribute larger profits than we had thought.
- We rate TQM as a BUY to a Bt65 TP.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	780	829	836	769	840	Revenue	9	8	99	3,274	3,857
Gross profit	412	427	443	393	466	Gross profit	18	13	99	1,729	2,168
SG&A	187	190	188	190	213	SG&A	12	14	100	781	852
Operating profit	225	237	255	203	253	Operating profit	24	12	99	948	1,315
EBITDA	260	273	291	246	308	EBITDA	25	18	105	1,119	1,424
Other income	12	17	23	19	31	Other income	67	164	137	90	59
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	1	0	0	0	0	Interest expense	(5)	(63)	23	2	6
Profit before tax	236	254	278	221	283	Profit before tax	28	20	102	1,036	1,368
Income tax	46	52	55	43	56	Income tax	28	21	102	206	274
Equity & invest. income	1	0	(2)	0	0	Equity & invest. income			na	(2)	0
Minority interests	(0)	0	1	1	(4)	Minority interests	na	na	na	(1)	(74)
Extraordinary items	0	0	0	64	0	Extraordinary items			100	64	0
Net profit	190	202	222	243	224	Net profit	(8)	18	102	890	1,021
Normalized profit	190	202	222	179	224	Normalized profit	25	18	102	827	1,021
EPS (Bt)	0.63	0.67	0.74	0.81	0.75	EPS (Bt)	(8)	18	203	1.48	1.70
Normalized EPS (Bt)	0.63	0.67	0.74	0.60	0.75	Normalized EPS (Bt)	25	18	203	1.38	1.70

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & equivalent	1,110	1,371	1,240	486	804	Sales grow th	8.7	1.8	14.7	1.3	7.7
A/C receivable	425	423	302	562	514	Operating profit grow th	35.1	10.2	39.3	4.5	12.3
Inventory	0	0	0	0	0	EBITDA grow th	47.7	8.0	31.5	6.8	18.5
Other current assets	595	581	572	584	671	Norm profit grow th	25.9	12.4	36.1	5.5	18.0
Investment	736	745	789	875	1,096	Norm EPS grow th	25.9	12.4	36.1	5.5	18.0
Fixed assets	94	92	91	86	79	Gross margin	52.8	51.5	53.1	51.1	55.4
Other assets	647	614	590	1,312	1,273	Operating margin	28.8	28.6	30.6	26.4	30.1
Total assets	3,607	3,826	3,584	3,905	4,436	EBITDA margin	33.4	33.0	34.8	32.0	36.7
S-T debt	11	9	8	9	15	Norm net margin	24.4	24.3	26.5	23.3	26.7
A/C payable	393	397	345	371	504	D/E (x)	0.2	0.2	0.2	0.2	0.1
Other current liabilities	207	239	187	199	211	Net D/E (x)	(0.3)	(0.3)	(0.3)	(0.0)	(0.1)
L-T debt	494	468	444	422	401	Interest coverage (x)	245	594	665	591	781
Other liabilities	102	105	114	268	296	Interest rate	0.8	0.4	0.4	0.4	0.4
Minority interest	0	0	3	319	334	Effective tax rate	19.6	20.5	19.9	19.6	19.6
Shareholders' equity	2,400	2,608	2,483	2,318	2,676	ROA	18.7	21.7	23.9	19.1	21.5
Working capital	32	26	(43)	192	10	ROE	33.1	32.2	34.8	29.8	35.9
Total debt	505	478	452	430	415						
Net debt	(605)	(894)	(788)	(56)	(389)						

Sources: Company data, Thanachart estimates

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