

**United Paper Pcl (UTP TB) - BUY, Price Bt17.10, TP Bt27.00****Results Comment**

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**Weak 4Q21 but likely a bottom quarter**

- UTP reported 4Q21 net profit of Bt178m (EPS Bt0.27/sh), down 25% y-y and 18% q-q. The result fell short of our expectation due to low margins. Still, we think the worst of COVID impacts on packaging paper demand and OCC cost is behind us. We expect sequential earnings recovery in 1Q-2Q22F with growth potentially picking up further in 3Q22F due to capacity expansion. BUY.
- Sales revenue grew 2% q-q, 25% y-y driven mainly by higher average selling price. Note that 4Q is seasonally the softest quarter for UTP and the sales volume may have declined slightly q-q. Management comments that almost all sales were in Thailand and portion of linerboard sales continue to increase.
- EBITDA margin contracted further to 21%, down from 25% and 33% in 3Q21 and 4Q20, respectively. Margin was softer than expected though we had already anticipated a margin contraction as the cost of OCC peaked in late 3Q21 (which is reflected in 4Q21 COGS). High coal price has likely weighed further on margins.
- Balance sheet remains strong with net cash to equity of 0.2x.
- Management has declared dividend per share of Bt0.31/sh for 2H21 performance. Ex-dividend date is 8 March 2022.

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	961	1,109	1,108	1,179	1,204	Revenue	2	25	102	4,601	4,980
<b>Gross profit</b>	<b>283</b>	<b>339</b>	<b>273</b>	<b>264</b>	<b>214</b>	<b>Gross profit</b>	<b>(19)</b>	<b>(24)</b>	<b>96</b>	<b>1,089</b>	<b>1,374</b>
SG&A	18	17	13	19	15	SG&A	(19)	(15)	94	64	85
Operating profit	265	322	260	245	199	Operating profit	(19)	(25)	96	1,026	1,289
<b>EBITDA</b>	<b>318</b>	<b>375</b>	<b>313</b>	<b>298</b>	<b>252</b>	<b>EBITDA</b>	<b>(15)</b>	<b>(21)</b>	<b>97</b>	<b>1,238</b>	<b>1,529</b>
Other income	11	7	7	4	3	Other income	(13)	(67)	77	22	31
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	0	0	0	0	0	Interest expense	(4)	63	165	0	7
<b>Profit before tax</b>	<b>276</b>	<b>329</b>	<b>267</b>	<b>249</b>	<b>203</b>	<b>Profit before tax</b>	<b>(19)</b>	<b>(27)</b>	<b>96</b>	<b>1,048</b>	<b>1,313</b>
Income tax	38	40	33	32	25	Income tax	(23)	(35)	108	130	144
Equity & invest. income	0	0	0	0	0	Equity & invest. income			na	0	0
Minority interests	0	0	0	0	0	Minority interests			na	0	0
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
<b>Net profit</b>	<b>237</b>	<b>289</b>	<b>234</b>	<b>217</b>	<b>178</b>	<b>Net profit</b>	<b>(18)</b>	<b>(25)</b>	<b>94</b>	<b>917</b>	<b>1,169</b>
<b>Normalized profit</b>	<b>237</b>	<b>289</b>	<b>234</b>	<b>217</b>	<b>178</b>	<b>Normalized profit</b>	<b>(18)</b>	<b>(25)</b>	<b>94</b>	<b>917</b>	<b>1,169</b>
EPS (Bt)	0.37	0.44	0.36	0.33	0.27	EPS (Bt)	(18)	(25)	94	1.41	1.80
Normalized EPS (Bt)	0.37	0.44	0.36	0.33	0.27	Normalized EPS (Bt)	(18)	(25)	94	1.41	1.80

  

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	668	791	665	703	644	Sales growth	23.1	18.3	51.7	25.4	25.4
A/C receivable	951	1,105	1,160	1,229	1,204	Operating profit growth	13.0	(5.9)	6.0	(9.0)	(24.9)
Inventory	370	447	466	636	621	EBITDA growth	10.4	(4.7)	5.1	(7.4)	(20.6)
Other current assets	133	135	147	147	124	Norm profit growth	11.5	(5.4)	2.6	(9.8)	(25.2)
Investment	0	0	0	0	0	Norm EPS growth	11.5	(5.4)	2.6	(9.8)	(25.2)
Fixed assets	1,732	1,697	1,691	1,658	1,633	Gross margin	29.5	30.5	24.6	22.4	17.8
Other assets	49	51	50	48	51	Operating margin	27.6	29.0	23.4	20.8	16.5
<b>Total assets</b>	<b>3,904</b>	<b>4,226</b>	<b>4,179</b>	<b>4,421</b>	<b>4,277</b>	EBITDA margin	33.1	33.8	28.2	25.3	20.9
S-T debt	0	0	0	0	0	Norm net margin	24.7	26.1	21.1	18.4	14.7
A/C payable	328	318	332	396	308	D/E (x)	-	-	-	-	-
Other current liabilities	78	118	75	35	62	Net D/E (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
L-T debt	0	0	0	0	0	Interest coverage (x)	12,234.8	11,681.5	9,191.1	6,779.2	5,974.7
Other liabilities	42	46	47	47	47	Interest rate	na	na	na	na	na
Minority interest	0	0	0	0	0	Effective tax rate	13.8	12.2	12.2	13.0	12.3
<b>Shareholders' equity</b>	<b>3,456</b>	<b>3,745</b>	<b>3,725</b>	<b>3,942</b>	<b>3,861</b>	ROA	24.5	28.4	22.3	20.2	16.3
Working capital	993	1,235	1,294	1,469	1,517	ROE	27.4	32.1	25.1	22.6	18.2
Total debt	0	0	0	0	0						
<b>Net debt</b>	<b>(668)</b>	<b>(791)</b>	<b>(665)</b>	<b>(703)</b>	<b>(644)</b>						

Sources: Company data, Thanachart estimates

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