Hana Microelectronics (HANA TB) - SELL, Price Bt44.0, TP Bt52.0

Results Comment

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Weaker-than-expected 1Q22 results

- Earnings in 1Q22 came in at Bt399m in 1Q22, fell 3% y-y but increased 2% q-q. Earnings were weaker than expected on revenues level.
- US$ sales of 185m, + 7% y-y but fell 2% q-q. The revenues were still 4% below the peak in 2Q21 despite HANA has resolved the COVID hiccup at its factories during 2H21. We suspect this was due to its clients' lower orders amid soften demand for electronic products and the industry's supply chain disruption caused by the Russia-Ukraine conflict.
- Gross margin was 11% vs. 12% in 1Q21 and 11% in 4Q21. HANA book Bt89m loss from its new chip-making business in this quarter. Without the loss, gross margin was 12% during the quarter.
- SG&A to sales was 6.2% vs. 6.0% in 1Q21 and 5.8% in 4Q21. An increased was from higher expenses from the new chip-making business and higher salary expenses in China operations.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	5,214	6,065	6,241	6,260	6,107
Gross profit	**621**	**1,016**	**976**	**673**	**663**
SG&A	312	373	376	362	381
Operating profit	309	643	601	311	282
EBITDA	**631**	**955**	**941**	**639**	**640**
Other income	107	146	124	94	133
Other expense	0	0	0	0	0
Interest expense	1	2	2	3	1
Profit before tax	**414**	**788**	**723**	**402**	**414**
Income tax	2	18	22	11	15
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	(111)	(33)	(137)	(447)	(34)
Net profit	**301**	**737**	**564**	**(56)**	**365**
Normalized profit	**413**	**770**	**701**	**391**	**399**
EPS (Bt)	0.37	0.92	0.70	(0.07)	0.45
Normalized EPS (Bt)	0.51	0.96	0.87	0.49	0.50

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(2)	17	22	27,701	29,008
Gross profit	**(2)**	**7**	**18**	**3,582**	**3,828**
SG&A	5	22	25	1,508	1,570
Operating profit	(9)	(9)	14	2,074	2,258
EBITDA	**0**	**1**	**18**	**3,532**	**3,796**
Other income	42	25	32	420	444
Other expense					
Interest expense	(47)	1	30	5	10
Profit before tax	**3**	**(0)**	**17**	**2,489**	**2,691**
Income tax	30	706	26	56	61
Equity & invest. income					
Minority interests					
Extraordinary items					
Net profit	**na**	**21**	**15**	**2,433**	**2,630**
Normalized profit	**2**	**(3)**	**16**	**2,433**	**2,630**
EPS (Bt)	na	21	15	3.02	3.27
Normalized EPS (Bt)	2	(3)	16	3.02	3.27

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	9,801	9,094	8,514	5,999	5,450
A/C receivable	4,048	4,249	4,441	4,553	4,861
Inventory	4,764	5,465	6,288	6,857	7,408
Other current assets	104	136	153	162	170
Investment	72	72	72	72	72
Fixed assets	7,297	8,178	9,110	9,663	10,023
Other assets	553	523	494	548	541
Total assets	**26,639**	**27,717**	**29,073**	**27,853**	**28,525**
S-T debt	313	321	339	334	333
A/C payable	2,979	3,615	3,749	3,506	4,020
Other current liabilities	259	228	284	189	218
L-T debt	0	0	0	0	0
Other liabilities	782	777	792	766	760
Minority interest	0	0	0	0	0
Shareholders' equity	**22,306**	**22,776**	**23,909**	**23,058**	**23,194**
Working capital	5,832	6,100	6,981	7,903	8,249
Total debt	313	321	339	334	333
Net debt	**(9,488)**	**(8,773)**	**(8,174)**	**(5,665)**	**(5,117)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	13.1	32.1	29.7	18.9	17.1
Operating profit growth	(24.6)	70.4	135.7	5.5	(8.9)
EBITDA growth	(8.9)	43.6	71.5	4.0	1.5
Norm profit growth	(18.9)	61.2	91.7	(12.4)	(3.3)
Norm EPS growth	(18.9)	61.2	91.7	(12.4)	(3.3)
Gross margin	11.9	16.8	15.6	10.8	10.8
Operating margin	5.9	10.6	9.6	5.0	4.6
EBITDA margin	12.1	15.7	15.1	10.2	10.5
Norm net margin	7.9	12.7	11.2	6.2	6.5
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.4)	(0.4)	(0.3)	(0.2)	(0.2)
Interest coverage (x)	440.1	543.1	598.8	234.2	440.7
Interest rate	1.9	2.2	1.9	3.2	1.7
Effective tax rate	0.4	2.2	3.0	2.8	3.6
ROA	6.4	11.3	9.9	5.5	5.7
ROE	7.5	13.7	12.0	6.7	6.9

Sources: Company data, Thanachart estimates

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