Osotspa Public Co. Ltd. (OSP TB) - SELL, Price Bt33.5, TP Bt31.0

Results Comment

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In-line 1Q22 results

- OSP's norm earnings came in at Bt750m, down 25% y-y and 12% q-q. Excluding the dividend income of Bt300m from its subsidiary came in 1Q21, earnings grew 8% y-y. The results were in-line with our expectation
- Note that the dividend income this year is scheduled to come in other quarter against in 1Q21 last year.
- Domestic energy drink grew 3.6% y-y. We suspect it was mainly due to distributors having stocked up OSP's products before it raised price in March. Also, the higher selling price helped.
- Export energy drink grew 19% y-y. All markets saw strong orders.
- Personal care sales grew 11% from the low base in 1Q21 due to the COVID.
- Gross margin fell to 31.7% from 33.2% in 1Q21 and 34.8% in 4Q21 despite higher sales due to rising raw material and other costs.
- SG&A to sales fell to 21.1% from 22.0% in 1Q21 and 21.4% in 4Q21 on operating leverage impact and OSP's cost saving strategy.

Income Statement (consolidated)

Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	6,776	6,913	6,121	6,952	7,472
Gross profit	**2,252**	**2,509**	**2,052**	**2,423**	**2,372**
SG&A	1,494	1,612	1,349	1,487	1,580
Operating profit	759	896	703	936	792
EBITDA	**1,096**	**1,250**	**1,078**	**1,341**	**1,186**
Other income	346	51	50	69	46
Other expense	0	0	0	0	0
Interest expense	28	24	22	22	21
Profit before tax	**1,077**	**923**	**730**	**983**	**817**
Income tax	163	191	122	188	151
Equity & invest. income	73	66	81	42	85
Minority interests	17	21	19	14	(1)
Extraordinary items	0	0	(128)	0	0
Net profit	**1,004**	**820**	**580**	**851**	**750**
Normalized profit	**1,004**	**820**	**708**	**851**	**750**
EPS (Bt)	0.33	0.27	0.19	0.28	0.25
Normalized EPS (Bt)	0.33	0.27	0.24	0.28	0.25

Income Statement

(Bt m)	q-q%	y-y%	3M as % 2022F	2022F	2023F
Revenue	7	10	26	28,708	30,883
Gross profit	**(2)**	**5**	**24**	**9,935**	**10,749**
SG&A	6	6	25	6,385	6,790
Operating profit	(15)	4	22	3,550	3,958
EBITDA	**(12)**	**8**	**23**	**5,166**	**5,690**
Other income	(34)	(87)	8	560	602
Other expense					
Interest expense	(3)	(25)	27	78	91
Profit before tax	**(17)**	**(24)**	**20**	**4,033**	**4,470**
Income tax	(20)	(7)	21	706	783
Equity & invest. income	100	16	28	297	353
Minority interests	na	na	(1)	68	(30)
Extraordinary items					
Net profit	**(12)**	**(25)**	**20**	**3,691**	**4,010**
Normalized profit	**(12)**	**(25)**	**20**	**3,691**	**4,010**
EPS (Bt)	(12)	(25)	20	1.23	1.34
Normalized EPS (Bt)	(12)	(25)	20	1.23	1.34

Balance Sheet (consolidated)

Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	4,612	2,958	1,979	2,493	3,826
A/C receivable	3,846	3,726	3,525	3,660	4,147
Inventory	2,075	2,229	2,549	2,658	2,667
Other current assets	58	16	15	16	17
Investment	3,930	3,691	3,724	3,817	3,910
Fixed assets	13,040	13,162	13,391	13,730	13,755
Other assets	1,552	1,380	1,275	767	853
Total assets	**29,113**	**27,162**	**26,458**	**27,142**	**29,174**
S-T debt	132	334	891	308	357
A/C payable	5,296	4,836	4,604	4,822	6,059
Other current liabilities	525	438	264	400	482
L-T debt	680	421	335	473	420
Other liabilities	1,283	1,271	1,270	1,236	1,214
Minority interest	84	40	13	19	20
Shareholders' equity	**21,114**	**19,821**	**19,082**	**19,884**	**20,623**
Working capital	625	1,119	1,470	1,496	754
Total debt	812	755	1,226	780	776
Net debt	**(3,800)**	**(2,204)**	**(754)**	**(1,713)**	**(3,049)**

Financial Ratios

(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	1.3	17.0	(7.3)	8.9	10.3
Operating profit growth	(8.6)	39.4	(22.9)	0.1	4.4
EBITDA growth	(0.7)	34.3	(13.3)	4.3	8.2
Norm profit growth	20.0	1.9	(23.3)	0.0	(25.3)
Norm EPS growth	20.0	1.9	(23.3)	0.0	(25.3)
Gross margin	33.2	36.3	33.5	34.8	31.7
Operating margin	11.2	13.0	11.5	13.5	10.6
EBITDA margin	16.2	18.1	17.6	19.3	15.9
Norm net margin	14.8	11.9	11.6	12.2	10.0
D/E (x)	0.0	0.0	0.1	0.0	0.0
Net D/E (x)	(0.2)	(0.1)	(0.0)	(0.1)	(0.1)
Interest coverage (x)	39.3	52.5	48.6	61.9	56.6
Interest rate	12.9	12.2	9.0	8.6	10.8
Effective tax rate	15.1	20.7	16.7	19.2	18.4
ROA	14.6	11.7	10.6	12.7	10.7
ROE	19.9	16.0	14.6	17.5	14.8

Sources: Company data, Thanachart estimates

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