RS Public Co Ltd (RS TB) - BUY, Price Bt15.70, TP Bt20.00

Results Comment

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Better-than-expected 1Q22 profit

- RS reported a profit turnaround to Bt55m in 1Q22 from a loss of Bt66m in 4Q21, though still falling 61% y-y. This was better than ours and street's expectation.
- Key beat to our number is media business which has picked up y-y and q-q, and it was the key earnings turnaround from 4Q21. The key dragger for y-y profit was due to commerce business that revenue and gross margin remained weak.
- Media business (49% of 1Q22 total revenue): revenue grew 26% y-y and 75% q-q to Bt418m in 1Q22 driven by higher content sales and improving TV ad income. With strong operating leverage, gross margin recovered to 38% in 1Q22 vs. -2% in 4Q21 and 37% in 1Q21.
- Commerce business (51% of total revenue): revenue was Bt427m in 1Q22, down 35% y-y and 14% q-q due to weak purchasing power and call center work disruption with the high COVID infection period. Gross margin however improved 380bps q-q to 59.2% in 1Q22, though still lower than 1Q21 of 66.3%. This was due to RS redefining its strategy by lifting the portion of high-margin owned products on existing platforms.
- SG&A expense dropped 10% q-q and 10% y-y due to falling committed marketing cost. Equity income, contributed by debt collection and an asset management company Chase Asia acquired late 1Q21 was Bt24m in 4Q21, down 29% q-q.
- 1Q22 accounted for 20% of our earnings forecast. We maintain our forecast as we would like to see performance of new acquisition of ULife, a direct sales business. Reaffirm BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	992	992	852	736	845
Gross profit	**560**	**534**	**404**	**271**	**412**
SG&A	387	469	431	390	350
Operating profit	173	65	(27)	(118)	63
EBITDA	**307**	**215**	**118**	**25**	**221**
Other income	3	2	1	10	3
Other expense	0	0	0	1	0
Interest expense	11	16	16	16	16
Profit before tax	**164**	**51**	**(42)**	**(126)**	**49**
Income tax	34	8	(11)	(24)	14
Equity & invest. income	9	10	29	34	24
Minority interests	(0)	(0)	1	2	(4)
Extraordinary items	0	0	0	0	0
Net profit	**140**	**54**	**(0)**	**(66)**	**55**
Normalized profit	**140**	**54**	**(0)**	**(66)**	**55**
EPS (Bt)	0.14	0.06	(0.00)	(0.07)	0.06
Normalized EPS (Bt)	0.14	0.06	(0.00)	(0.07)	0.06

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	15	(15)	22	3,778	4,119
Gross profit	**52**	**(26)**	**23**	**1,793**	**2,016**
SG&A	(10)	(10)	22	1,579	1,580
Operating profit	na	(64)	29	214	436
EBITDA	**766**	**(28)**	**27**	**818**	**1,315**
Other income	(73)	3	18	15	16
Other expense	(82)	302	11	2	2
Interest expense	1	46	21	77	87
Profit before tax	**na**	**(70)**	**33**	**150**	**364**
Income tax	na	(58)	47	30	73
Equity & invest. income	(29)	154	15	157	205
Minority interests	na	na	na	0	0
Extraordinary items					
Net profit	**na**	**(61)**	**20**	**277**	**496**
Normalized profit	**na**	**(61)**	**20**	**277**	**496**
EPS (Bt)	na	(61)	20	0.28	0.51
Normalized EPS (Bt)	na	(61)	20	0.28	0.51

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	258	202	145	141	100
A/C receivable	819	937	892	553	724
Inventory	237	325	328	337	288
Other current assets	44	58	59	60	49
Investment	964	974	130	1,063	1,087
Fixed assets	627	605	583	567	547
Other assets	2,845	2,972	4,009	3,082	3,249
Total assets	**5,794**	**6,074**	**6,146**	**5,803**	**6,043**
S-T debt	755	931	1,037	1,115	1,275
A/C payable	1,086	1,171	1,170	882	971
Other current liabilities	221	219	214	201	147
L-T debt	1,042	1,013	983	952	922
Other liabilities	546	541	544	515	531
Minority interest	2	3	2	1	4
Shareholders' equity	**2,142**	**2,196**	**2,195**	**2,138**	**2,193**
Working capital	(31)	91	49	7	40
Total debt	1,797	1,944	2,020	2,067	2,197
Net debt	**1,538**	**1,742**	**1,876**	**1,926**	**2,098**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	0.8	19.1	(9.2)	(27.7)	(14.9)
Operating profit growth	(27.3)	(55.5)	na	na	(63.8)
EBITDA growth	(14.2)	(20.4)	(61.3)	(91.2)	(28.1)
Norm profit growth	(24.8)	(50.6)	na	na	(60.8)
Norm EPS growth	(24.8)	(50.6)	na	na	(60.8)
Gross margin	56.5	53.8	47.3	36.8	48.8
Operating margin	17.4	6.5	(3.2)	(16.1)	7.4
EBITDA margin	30.9	21.7	13.9	3.5	26.1
Norm net margin	14.1	5.4	(0.0)	(9.0)	6.5
D/E (x)	0.8	0.9	0.9	1.0	1.0
Net D/E (x)	0.7	0.8	0.9	0.9	1.0
Interest coverage (x)	27.6	13.6	7.4	1.6	13.5
Interest rate	3.5	3.4	3.2	3.2	3.1
Effective tax rate	20.4	14.9	27.0	19.1	28.9
ROA	10.9	3.6	(0.0)	(4.4)	3.7
ROE	27.1	9.9	(0.1)	(12.2)	10.2

Sources: Company data, Thanachart estimates

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