# TOA Paint (Thailand) (TOA TB) - BUY, Price Bt25.75, TP Bt36.00

Results Comment

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## 1Q22 earnings in line

- TOA posted 1Q22 normalized earnings of Bt447m, down 27% y-y but up 11% q-q. The results were in line with what we had expected. The earnings fall y-y was mainly due to rising raw material costs while its earnings growth q-q was because of its sales recovery from the easing of the COVID-19 lockdown. Its 1Q22 earnings make up 22% of our full-year forecast.
- Including a Bt6m forex loss and Bt31m loss from fair value of financial assets, it reported a Bt410m net profit, down 39% y-y.
- Despite our concerns on rising titanium dioxide and oil costs, we maintain our BUY call on TOA given its dominant 49% market share to pass on rising costs to customers. Its valuation also looks cheap at PEs of 26/22x in 2022-23F vs. its pre-COVID average PE of 36x. Its long-term fundamental is solid with its strong brand perception, solid distribution network, and net cash position.
- TOA's total sales increased 12% y-y in 1Q22 due to higher sales volume after the lockdown of construction sites in 3Q21 and higher average selling price.
- However, the time lag in the selling price adjustment to match with rising titanium dioxide and oil-related raw material costs caused Its gross margin to drop to 29% in 1Q22 from 37% in 1Q21.
- Its SG&A expenses also increased 9% y-y due to higher sales promotion, advertising, and freight expenses.

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Revenue | 4,422 | 4,496 | 3,980 | 4,672 | 4,965 |
| **Gross profit** | **1,613** | **1,520** | **1,203** | **1,412** | **1,455** |
| SG&A | 830 | 906 | 873 | 907 | 901 |
| Operating profit | 783 | 613 | 330 | 505 | 554 |
| **EBITDA** | **919** | **779** | **485** | **663** | **709** |
| Other income | 34 | 41 | 28 | 35 | 32 |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 8 | 8 | 8 | 10 | 9 |
| **Profit before tax** | **809** | **646** | **349** | **531** | **576** |
| Income tax | 202 | 109 | 102 | 115 | 131 |
| Equity & invest. income | 0 | 0 | 0 | 0 | 0 |
| Minority interests | 9 | 7 | 26 | (14) | 2 |
| Extraordinary items | 55 | 0 | (6) | 71 | (37) |
| **Net profit** | **670** | **544** | **268** | **473** | **410** |
| **Normalized profit** | **615** | **544** | **274** | **401** | **447** |
| EPS (Bt) | 0.33 | 0.27 | 0.13 | 0.23 | 0.20 |
| Normalized EPS (Bt) | 0.30 | 0.27 | 0.14 | 0.20 | 0.22 |

| Income Statement | | | 3M as | | |
|---|---|---|---|---|---|
| (Bt m) | q-q% | y-y% | % 2022F | 2022F | 2023F |
| Revenue | 6 | 12 | 26 | 19,130 | 19,415 |
| **Gross profit** | **3** | **(10)** | **24** | **6,045** | **6,579** |
| SG&A | (1) | 9 | 25 | 3,635 | 3,689 |
| Operating profit | 10 | (29) | 23 | 2,410 | 2,890 |
| **EBITDA** | **7** | **(23)** | **23** | **3,050** | **3,564** |
| Other income | (10) | (7) | 23 | 138 | 138 |
| Other expense | | | | | |
| Interest expense | (4) | 12 | 30 | 31 | 42 |
| **Profit before tax** | **9** | **(29)** | **23** | **2,517** | **2,986** |
| Income tax | 14 | (35) | 26 | 503 | 597 |
| Equity & invest. income | | | | | |
| Minority interests | na | (73) | 8 | 31 | 32 |
| Extraordinary items | na | na | na | 0 | 0 |
| **Net profit** | **(13)** | **(39)** | **20** | **2,045** | **2,420** |
| **Normalized profit** | **11** | **(27)** | **22** | **2,045** | **2,420** |
| EPS (Bt) | (13) | (39) | 20 | 1.01 | 1.19 |
| Normalized EPS (Bt) | 11 | (27) | 22 | 1.01 | 1.19 |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| Yr-end Dec (Bt m) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Cash & ST investment | 7,924 | 7,826 | 7,291 | 7,622 | 6,975 |
| A/C receivable | 3,255 | 3,261 | 2,968 | 3,237 | 3,568 |
| Inventory | 2,227 | 2,460 | 2,767 | 2,619 | 2,907 |
| Other current assets | 268 | 257 | 267 | 277 | 275 |
| Investment | 0 | 0 | 0 | 0 | 0 |
| Fixed assets | 2,755 | 2,706 | 2,704 | 2,705 | 3,053 |
| Other assets | 1,880 | 1,875 | 2,052 | 2,037 | 2,434 |
| **Total assets** | **18,308** | **18,384** | **18,050** | **18,497** | **19,211** |
| S-T debt | 349 | 255 | 282 | 297 | 100 |
| A/C payable | 3,638 | 4,023 | 3,981 | 3,831 | 3,912 |
| Other current liabilities | 735 | 571 | 379 | 460 | 563 |
| L-T debt | 0 | 0 | 0 | 0 | 0 |
| Other liabilities | 1,372 | 1,368 | 1,504 | 1,458 | 1,448 |
| Minority interest | 34 | 30 | 4 | 164 | 519 |
| **Shareholders' equity** | **12,180** | **12,137** | **11,900** | **12,287** | **12,669** |
| Working capital | 1,844 | 1,698 | 1,755 | 2,026 | 2,563 |
| Total debt | 349 | 255 | 282 | 297 | 100 |
| **Net debt** | **(7,575)** | **(7,571)** | **(7,010)** | **(7,325)** | **(6,875)** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| (%) | 1Q21 | 2Q21 | 3Q21 | 4Q21 | 1Q22 |
| Sales growth | 7.8 | 12.2 | (1.0) | 12.1 | 12.3 |
| Operating profit growth | 19.9 | (1.5) | (46.6) | (16.5) | (29.3) |
| EBITDA growth | 16.8 | 2.7 | (36.2) | (11.6) | (22.8) |
| Norm profit growth | 21.4 | 3.7 | (46.2) | (19.2) | (27.3) |
| Norm EPS growth | 21.4 | 3.7 | (46.2) | (19.2) | (27.3) |
| Gross margin | 36.5 | 33.8 | 30.2 | 30.2 | 29.3 |
| Operating margin | 17.7 | 13.6 | 8.3 | 10.8 | 11.2 |
| EBITDA margin | 20.8 | 17.3 | 12.2 | 14.2 | 14.3 |
| Norm net margin | 13.9 | 12.1 | 6.9 | 8.6 | 9.0 |
| D/E (x) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net D/E (x) | (0.6) | (0.6) | (0.6) | (0.6) | (0.5) |
| Interest coverage (x) | 109.3 | 96.2 | 57.6 | 67.1 | 75.0 |
| Interest rate | 12.3 | 10.7 | 12.6 | 13.7 | 19.1 |
| Effective tax rate | 25.0 | 16.9 | 29.1 | 21.7 | 22.8 |
| ROA | 14.2 | 11.9 | 6.0 | 8.8 | 9.5 |
| ROE | 20.9 | 17.9 | 9.1 | 13.3 | 14.3 |

Sources: Company data, Thanachart estimates

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