TQM Corporation Pcl (TQM TB) - BUY, Price Bt41.50, TP Bt60.00

Results Comment

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Profits were in line

- TQM reported in-line profits of Bt214m, up 6% y-y but down 5% q-q. We expect higher profits in the coming quarters so maintain our earnings projection and re-iterate BUY.
- Revenues grew 6% y-y and 4% q-q. Gross margin improved y-y despite no Covid-19 premium sales.
- SG&A expenses increase on higher staff expenses. But operating margin was still high at 28%.
- Easy lending loans outstanding expanded 45% q-q to Bt171m.
- TQM completed the acquisition of 44.35% of TQR shares in 29 April 2022. The group targets total premium sales of Bt29bn, Bt19bn from organic and Bt10bn from the acquisition.
- Having cash in hand of Bt2.6bn, TQR acquisition won't change TQM's net cash position while it should contribute positively to the group.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	829	836	769	840	876
Gross profit	**427**	**443**	**393**	**466**	**473**
SG&A	190	188	190	213	225
Operating profit	237	255	203	253	248
EBITDA	**273**	**291**	**246**	**308**	**303**
Other income	17	23	19	31	17
Other expense	0	0	0	0	0
Interest expense	0	0	0	0	0
Profit before tax	**254**	**278**	**221**	**283**	**265**
Income tax	52	55	43	56	54
Equity & invest. income	0	(2)	0	0	0
Minority interests	0	1	1	(4)	2
Extraordinary items	0	0	64	0	0
Net profit	**202**	**222**	**243**	**224**	**214**
Normalized profit	**202**	**222**	**179**	**224**	**214**
EPS (Bt)	0.67	0.74	0.81	0.75	0.71
Normalized EPS (Bt)	0.67	0.74	0.60	0.75	0.71

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	4	6	23	3,824	4,343
Gross profit	**2**	**11**	**22**	**2,140**	**2,559**
SG&A	5	18	26	866	908
Operating profit	(2)	5	19	1,274	1,651
EBITDA	**(2)**	**11**	**22**	**1,351**	**1,708**
Other income	(46)	1	24	69	70
Other expense			na	0	0
Interest expense	(3)	(17)	7	6	11
Profit before tax	**(7)**	**4**	**20**	**1,337**	**1,711**
Income tax	(4)	3	20	267	342
Equity & invest. income			na	0	0
Minority interests	na		(3)	(72)	(105)
Extraordinary items			na	0	0
Net profit	**(5)**	**6**	**21**	**997**	**1,263**
Normalized profit	**(5)**	**6**	**21**	**997**	**1,263**
EPS (Bt)	(5)	6	43	1.66	2.11
Normalized EPS (Bt)	(5)	6	43	1.66	2.11

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & equivalent	1,371	1,240	486	804	1,638
A/C receivable	423	302	562	514	328
Personal loans	0	0	0	118	171
Other current assets	581	572	584	552	159
Investment	745	789	875	1,096	987
Fixed assets	92	91	86	79	77
Other assets	614	590	1,312	1,273	1,233
Total assets	**3,826**	**3,584**	**3,905**	**4,436**	**4,593**
S-T debt	9	8	9	15	12
A/C payable	397	345	371	504	395
Other current liabilities	239	187	199	211	367
L-T debt	468	444	422	401	377
Other liabilities	105	114	268	296	278
Minority interest	0	3	319	334	331
Shareholders' equity	**2,608**	**2,483**	**2,318**	**2,676**	**2,832**
Working capital	26	(43)	192	129	104
Total debt	478	452	430	415	390
Net debt	**(894)**	**(788)**	**(56)**	**(389)**	**(1,248)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	1.8	14.7	1.3	7.7	5.7
Operating profit growth	10.2	39.3	4.5	12.3	4.6
EBITDA growth	8.0	31.5	6.8	18.5	10.9
Norm profit growth	12.4	36.1	5.5	18.0	5.9
Norm EPS growth	12.4	36.1	5.5	18.0	5.9
Gross margin	51.5	53.1	51.1	55.4	54.0
Operating margin	28.6	30.6	26.4	30.1	28.3
EBITDA margin	33.0	34.8	32.0	36.7	34.6
Norm net margin	24.3	26.5	23.3	26.7	24.4
D/E (x)	0.2	0.2	0.2	0.1	0.1
Net D/E (x)	(0.3)	(0.3)	(0.0)	(0.1)	(0.4)
Interest coverage (x)	594	665	591	781	791
Interest rate	0.4	0.4	0.4	0.4	0.4
Effective tax rate	20.5	19.9	19.6	19.6	20.2
ROA	21.7	23.9	19.1	21.5	18.9
ROE	32.2	34.8	29.8	35.9	31.0

Sources: Company data, Thanachart estimates

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