TTW Public Co Ltd (TTW TB) - SELL, Price Bt10.90, TP Bt10.00

Results Comment

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1Q22 earnings in line

- TTW posted 1Q22 earnings of Bt613m, down 13% y-y and flat q-q. The results were in line with what we had expected. The earnings fall year on year was due to lower sales. Equity income from its 25%-owned CK Power (CKP TB, Bt5.15, BUY) was also low due to seasonal effect.
- Even though TTW's 1Q22 earnings make up 20% of our full-year forecast, we expect TTW to report stronger earnings in 2Q-3Q22F when CKP contribute more earnings.
- We have a SELL rating on TTW given a risk of PWA reducing tap water purchase, three consecutive earnings fall in 2022-24F, and an end of PTW's concession in October 2023, which contributes 35% of TTW's total earnings.
- TTW's sales in 1Q22 fell by 4% y-y. Despite the average price hike by 3% y-y following the inflation, its sales volume fell by 12% y-y at TTW plant and 9% y-y at PTW plant due to PWA's policy to lower tap water purchase from TTW.
- Its gross margin dropped to 67% in 1Q22 versus 69% in 1Q21 while SG&A expenses increased 10% y-y mainly due to CSR expenses.
- Its equity income was at Bt10m in 1Q22 vs. Bt29m in 1Q21 due to lower earnings contribution from CKP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	1,468	1,475	1,441	1,421	1,405
Gross profit	**1,019**	**1,024**	**976**	**941**	**947**
SG&A	117	113	130	142	129
Operating profit	902	911	847	799	818
EBITDA	**1,175**	**1,202**	**1,178**	**1,135**	**1,144**
Other income	5	3	4	5	3
Other expense	0	0	0	0	0
Interest expense	64	63	62	61	49
Profit before tax	**843**	**852**	**788**	**743**	**772**
Income tax	165	167	162	156	166
Equity & invest. income	29	177	309	31	10
Minority interests	(5)	(5)	(4)	(3)	(3)
Extraordinary items	0	0	0	0	0
Net profit	**702**	**856**	**931**	**615**	**613**
Normalized profit	**702**	**856**	**931**	**615**	**613**
EPS (Bt)	0.18	0.21	0.23	0.15	0.15
Normalized EPS (Bt)	0.18	0.21	0.23	0.15	0.15

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(1)	(4)	25	5,531	5,349
Gross profit	**1**	**(7)**	**25**	**3,752**	**3,549**
SG&A	(9)	10	26	498	508
Operating profit	2	(9)	25	3,254	3,041
EBITDA	**1**	**(3)**	**25**	**4,493**	**4,284**
Other income	(31)	(31)	18	19	19
Other expense					
Interest expense	(19)	(23)	26	190	154
Profit before tax	**4**	**(8)**	**25**	**3,083**	**2,905**
Income tax	6	0	27	617	581
Equity & invest. income	(68)	(66)	2	552	551
Minority interests	na	na	20	(15)	(15)
Extraordinary items					
Net profit	**(0)**	**(13)**	**20**	**3,003**	**2,861**
Normalized profit	**(0)**	**(13)**	**20**	**3,003**	**2,861**
EPS (Bt)	(0)	(13)	20	0.75	0.72
Normalized EPS (Bt)	(0)	(13)	20	0.75	0.72

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	4,143	3,632	2,965	3,664	2,542
A/C receivable	543	526	508	514	524
Inventory	25	26	26	25	26
Other current assets	46	49	46	26	65
Investment	5,904	5,977	6,153	6,224	6,274
Fixed assets	8,846	8,724	8,633	8,590	8,483
Other assets	3,851	3,715	3,563	3,461	3,248
Total assets	**23,359**	**22,648**	**21,894**	**22,504**	**21,160**
S-T debt	2,685	2,610	2,535	2,460	2,460
A/C payable	170	151	131	130	136
Other current liabilities	560	440	299	432	(454)
L-T debt	5,383	5,268	5,153	5,038	3,923
Other liabilities	244	244	246	249	250
Minority interest	39	44	38	41	38
Shareholders' equity	**14,278**	**13,892**	**13,493**	**14,154**	**14,807**
Working capital	398	401	403	410	414
Total debt	8,068	7,878	7,688	7,498	6,383
Net debt	**3,925**	**4,246**	**4,722**	**3,834**	**3,842**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(4.3)	(4.6)	(7.4)	(7.9)	(4.3)
Operating profit growth	(6.8)	(5.0)	(12.1)	(12.8)	(9.3)
EBITDA growth	(6.4)	(4.2)	(6.4)	(5.9)	(2.6)
Norm profit growth	10.0	23.4	0.2	(10.9)	(12.6)
Norm EPS growth	10.0	23.4	0.2	(10.9)	(12.6)
Gross margin	69.4	69.4	67.7	66.3	67.4
Operating margin	61.4	61.8	58.7	56.3	58.2
EBITDA margin	80.0	81.5	81.7	79.9	81.4
Norm net margin	47.8	58.0	64.6	43.3	43.6
D/E (x)	0.6	0.6	0.6	0.5	0.4
Net D/E (x)	0.3	0.3	0.3	0.3	0.3
Interest coverage (x)	18.4	19.2	19.0	18.6	23.2
Interest rate	3.1	3.1	3.2	3.2	2.8
Effective tax rate	19.6	19.6	20.6	21.0	21.5
ROA	12.2	14.9	16.7	11.1	11.2
ROE	20.1	24.3	27.2	17.8	16.9

Sources: Company data, Thanachart estimates

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