United Paper Pcl (UTP TB) - BUY, Price Bt15.60, TP Bt27.00

Results Comment

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1Q22 marked a strong recovery

- UTP reported net profit of Bt275m (EPS Bt0.42/sh). This was down 5% y-y but up a strong 55% q-q and was the strongest quarter since 1Q21. The result was ahead of our expectation on strong revenue growth.
- Sales revenue grew 34% y-y and 23% q-q to Bt1.49bn. This was a record-high quarter in terms of sales revenue. Management commented that demand for packaging paper was "very strong" and the company was able to increase price to more than compensate for the cost pressure.
- EBITDA margin improved to 24% in 1Q22 from 21% in 4Q21. However, it was down from the very high 34% in 1Q21. In absolute terms, we believe EBITDA per ton has improved to near where it was in 1Q last year.
- Balance sheet was strong with a net cash position (net cash to equity 0.2x).
- Our view: we believe the worst is behind UTP in terms of OCC cost pressure. We look forward to y-y earnings growth in 2Q22F and beyond. The 20% capacity expansion starting up in 3Q22F will further help drive growth in 2H22F and 2023F. BUY

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	1,109	1,108	1,179	1,204	1,486
Gross profit	**339**	**273**	**264**	**214**	**331**
SG&A	17	13	19	15	18
Operating profit	322	260	245	199	313
EBITDA	**375**	**313**	**298**	**252**	**361**
Other income	7	7	4	3	3
Other expense	0	0	0	0	0
Interest expense	0	0	0	0	0
Profit before tax	**329**	**267**	**249**	**203**	**316**
Income tax	40	33	32	25	41
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Net profit	**289**	**234**	**217**	**178**	**275**
Normalized profit	**289**	**234**	**217**	**178**	**275**
EPS (Bt)	0.44	0.36	0.33	0.27	0.42
Normalized EPS (Bt)	0.44	0.36	0.33	0.27	0.42

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	23	34	30	4,980	5,341
Gross profit	**54**	**(2)**	**24**	**1,374**	**1,569**
SG&A	20	8	21	85	91
Operating profit	57	(3)	24	1,289	1,478
EBITDA	**43**	**(4)**	**24**	**1,529**	**1,713**
Other income	(13)	(60)	10	31	34
Other expense			na	0	0
Interest expense	(3)	28	1	7	8
Profit before tax	**56**	**(4)**	**24**	**1,313**	**1,504**
Income tax	64	2	28	144	165
Equity & invest. income			na	0	0
Minority interests			na	0	0
Extraordinary items			na	0	0
Net profit	**55**	**(5)**	**24**	**1,169**	**1,339**
Normalized profit	**55**	**(5)**	**24**	**1,169**	**1,339**
EPS (Bt)	55	(5)	24	1.80	2.06
Normalized EPS (Bt)	55	(5)	24	1.80	2.06

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	791	665	703	644	949
A/C receivable	1,105	1,160	1,229	1,204	1,439
Inventory	447	466	636	621	519
Other current assets	135	147	147	124	130
Investment	0	0	0	0	0
Fixed assets	1,697	1,691	1,658	1,633	1,604
Other assets	51	50	48	51	50
Total assets	**4,226**	**4,179**	**4,421**	**4,277**	**4,692**
S-T debt	0	0	0	0	0
A/C payable	318	332	396	308	406
Other current liabilities	118	75	35	62	103
L-T debt	0	0	0	0	0
Other liabilities	46	47	47	47	48
Minority interest	0	0	0	0	0
Shareholders' equity	**3,745**	**3,725**	**3,942**	**3,861**	**4,135**
Working capital	1,235	1,294	1,469	1,517	1,552
Total debt	0	0	0	0	0
Net debt	**(791)**	**(665)**	**(703)**	**(644)**	**(949)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	18.3	51.7	25.4	25.4	34.0
Operating profit growth	(5.9)	6.0	(9.0)	(24.9)	(2.8)
EBITDA growth	(4.7)	5.1	(7.4)	(20.6)	(3.7)
Norm profit growth	(5.4)	2.6	(9.8)	(25.2)	(4.9)
Norm EPS growth	(5.4)	2.6	(9.8)	(25.2)	(4.9)
Gross margin	30.5	24.6	22.4	17.8	22.3
Operating margin	29.0	23.4	20.8	16.5	21.1
EBITDA margin	33.8	28.2	25.3	20.9	24.3
Norm net margin	26.1	21.1	18.4	14.7	18.5
D/E (x)	-	-	-	-	-
Net D/E (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Interest coverage (x)	11,681.5	9,191.1	6,779.2	5,974.7	8,805.4
Interest rate	na	na	na	na	na
Effective tax rate	12.2	12.2	13.0	12.3	13.0
ROA	28.4	22.3	20.2	16.3	24.5
ROE	32.1	25.1	22.6	18.2	27.5

Sources: Company data, Thanachart estimates

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