Osotspa Public Co. Ltd. (OSP TB) - SELL, Price Bt31.75, TP Bt30.0 | Results Comment

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Missed 2Q22 results

- OSP's net earnings came in at Bt604m in 2Q22. Excluding the one-time dividend income, core earnings were Bt583m, fell 29% y-y and 22% q-q. Earnings were lower than expected on gross margin level.
- Domestic total beverage sales fell 3.4% y-y. While C-vitt sales were growing well, energy drink sales dropped as OSP's lost market share. High selling price was more than offset by falling volumes.
- Energy drink export grew 6% y-y as Myanmar was enjoying the country reopening.
- Personal care sales increased 22% y-y from the low base during the COVID year in 2021.
- Gross margin fell to 31.2% from 35.8% in 2Q21 and 31.7% in 1Q22. Rising raw material costs amid inflation and lower contribution of high-margin domestic energy drinks were key reasons.
- SG&A to sales fell was 23.0% vs. 22.9% in 2Q21 and 21.1% in 1Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	6,913	6,121	6,952	7,472	7,183
Gross profit	**2,478**	**2,052**	**2,453**	**2,372**	**2,244**
SG&A	1,582	1,349	1,517	1,580	1,650
Operating profit	896	703	936	792	593
EBITDA	**1,250**	**1,078**	**1,341**	**1,186**	**986**
Other income	51	50	69	46	78
Other expense	0	0	0	0	0
Interest expense	24	22	22	21	21
Profit before tax	**923**	**730**	**983**	**817**	**651**
Income tax	191	122	188	151	134
Equity & invest. income	66	81	42	85	90
Minority interests	21	19	14	(1)	(4)
Extraordinary items	0	(128)	0	0	0
Net profit	**820**	**580**	**851**	**750**	**604**
Normalized profit	**820**	**708**	**851**	**750**	**604**
EPS (Bt)	0.27	0.19	0.28	0.25	0.20
Normalized EPS (Bt)	0.27	0.24	0.28	0.25	0.20

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(4)	4	53	27,736	29,875
Gross profit	**(5)**	**(9)**	**52**	**8,922**	**9,827**
SG&A	4	4	52	6,165	6,565
Operating profit	(25)	(34)	50	2,757	3,262
EBITDA	**(17)**	**(21)**	**50**	**4,373**	**4,993**
Other income	71	55	23	541	583
Other expense					
Interest expense	(0)	(12)	49	85	105
Profit before tax	**(20)**	**(29)**	**46**	**3,213**	**3,739**
Income tax	(11)	(30)	51	563	655
Equity & invest. income	7	36	59	297	353
Minority interests	na	na	(7)	68	(30)
Extraordinary items					
Net profit	**(19)**	**(26)**	**45**	**3,015**	**3,407**
Normalized profit	**(19)**	**(26)**	**45**	**3,015**	**3,407**
EPS (Bt)	(19)	(26)	45	1.00	1.13
Normalized EPS (Bt)	(19)	(26)	45	1.00	1.13

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	2,958	1,979	2,493	3,826	1,707
A/C receivable	3,726	3,525	3,660	4,147	4,337
Inventory	2,229	2,549	2,658	2,667	2,901
Other current assets	16	15	16	17	17
Investment	3,691	3,724	3,817	3,910	3,935
Fixed assets	13,162	13,391	13,730	13,755	13,735
Other assets	1,380	1,275	767	853	704
Total assets	**27,162**	**26,458**	**27,142**	**29,174**	**27,337**
S-T debt	334	891	308	357	775
A/C payable	4,836	4,604	4,822	6,059	5,282
Other current liabilities	438	264	400	482	329
L-T debt	421	335	473	420	377
Other liabilities	1,271	1,270	1,236	1,214	1,286
Minority interest	40	13	19	20	26
Shareholders' equity	**19,821**	**19,082**	**19,884**	**20,623**	**19,261**
Working capital	1,119	1,470	1,496	754	1,956
Total debt	755	1,226	780	776	1,152
Net debt	**(2,204)**	**(754)**	**(1,713)**	**(3,049)**	**(555)**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	17.0	(7.3)	8.9	10.3	3.9
Operating profit growth	39.4	(22.9)	0.1	4.4	(33.8)
EBITDA growth	34.3	(13.3)	4.3	8.2	(21.1)
Norm profit growth	1.9	(23.3)	0.0	(25.3)	(26.4)
Norm EPS growth	1.9	(23.3)	0.0	(25.3)	(26.4)
Gross margin	35.8	33.5	35.3	31.7	31.2
Operating margin	13.0	11.5	13.5	10.6	8.3
EBITDA margin	18.1	17.6	19.3	15.9	13.7
Norm net margin	11.9	11.6	12.2	10.0	8.4
D/E (x)	0.0	0.1	0.0	0.0	0.1
Net D/E (x)	(0.1)	(0.0)	(0.1)	(0.1)	(0.0)
Interest coverage (x)	52.5	48.6	61.9	56.6	47.3
Interest rate	12.2	9.0	8.6	10.8	8.7
Effective tax rate	20.7	16.7	19.2	18.4	20.5
ROA	11.7	10.6	12.7	10.7	8.5
ROE	16.0	14.6	17.5	14.8	12.1

Sources: Company data, Thanachart estimates

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