RS Public Co Ltd (RS TB) - BUY, Price Bt15.60, TP Bt20.00

Results Comment

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Weaker-than-expected 2Q22 profit

- RS reported net profit of Bt13m. Excluding one-time consulting fee, normalized profit would be Bt18m falling 67% y-y and 68% q-q. This was weaker than expectation due to its existing commerce business.
- Commerce business (48% of total revenue): despite having contribution from newly acquired direct business Ulife from May 2022, total commerce revenue still dropped 17% y-y and 2% q-q to Bt828m.
- Excluding Ulife, we calculate commerce revenue from existing platforms falling by 47% y-y and 30% q-q due to weak purchasing power and RS's strategy to focus more on owned high-margin products. Gross profit dropped by 48% y-y and 24% q-q.
- Media business (52% of total revenue): revenue was flat y-y and increased slightly 3% q-q to Bt429m in 2Q22. Gross margin dropped to 31.8% in 2Q22 vs. 40.0/38.2% in 2Q21 and 1Q22.
- Overall operating margin dropped to 3.1% in 2Q22 vs. 6.5/7.4% in 2Q21 and 1Q22.
- Equity income, contributed by debt collection and an asset management company Chase Asia, was Bt9m in 2Q22, down 14% y-y and 63% q-q.
- 1H22 accounted for 26% of our earnings forecast. We see downside to our earnings forecast.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	992	852	736	845	828
Gross profit	**521**	**404**	**284**	**412**	**400**
SG&A	457	431	402	350	374
Operating profit	65	(27)	(118)	63	26
EBITDA	**215**	**118**	**26**	**221**	**202**
Other income	2	1	10	3	4
Other expense	0	0	1	0	1
Interest expense	16	16	16	16	23
Profit before tax	**51**	**(42)**	**(126)**	**49**	**5**
Income tax	8	(11)	(24)	14	1
Equity & invest. income	10	29	34	24	9
Minority interests	(0)	1	2	(4)	4
Extraordinary items	0	0	0	0	(4)
Net profit	**54**	**(0)**	**(66)**	**55**	**13**
Normalized profit	**54**	**(0)**	**(66)**	**55**	**18**
EPS (Bt)	0.06	(0.00)	(0.07)	0.06	0.01
Normalized EPS (Bt)	0.06	(0.00)	(0.07)	0.06	0.02

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(2)	(17)	44	3,778	4,119
Gross profit	**(3)**	**(23)**	**45**	**1,793**	**2,016**
SG&A	7	(18)	46	1,579	1,580
Operating profit	(59)	(61)	41	214	436
EBITDA	**(8)**	**(6)**	**52**	**818**	**1,315**
Other income	63	99	48	15	16
Other expense	537	177	84	2	2
Interest expense	43	48	51	77	87
Profit before tax	**(89)**	**(90)**	**36**	**150**	**364**
Income tax	(95)	(91)	49	30	73
Equity & invest. income	(63)	(14)	21	157	205
Minority interests	na	na	na	0	0
Extraordinary items					
Net profit	**(76)**	**(76)**	**25**	**277**	**496**
Normalized profit	**(68)**	**(67)**	**26**	**277**	**496**
EPS (Bt)	(76)	(76)	25	0.28	0.51
Normalized EPS (Bt)	(68)	(67)	26	0.28	0.51

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	202	145	141	100	174
A/C receivable	937	892	553	724	764
Inventory	325	328	337	288	258
Other current assets	58	59	60	49	131
Investment	974	130	1,063	1,087	1,070
Fixed assets	605	583	567	547	536
Other assets	2,972	4,009	3,082	3,249	4,361
Total assets	**6,074**	**6,146**	**5,803**	**6,043**	**7,294**
S-T debt	931	1,037	1,115	1,275	1,826
A/C payable	1,171	1,170	882	971	1,020
Other current liabilities	219	214	201	147	208
L-T debt	1,013	983	952	922	1,790
Other liabilities	541	544	515	531	580
Minority interest	3	2	1	4	0
Shareholders' equity	**2,196**	**2,195**	**2,138**	**2,193**	**1,871**
Working capital	91	49	7	40	2
Total debt	1,944	2,020	2,067	2,197	3,615
Net debt	**1,742**	**1,876**	**1,926**	**2,098**	**3,442**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	19.1	(9.2)	(27.7)	(14.9)	(16.6)
Operating profit growth	(55.6)	na	na	(63.8)	(60.6)
EBITDA growth	(20.4)	(61.3)	(91.2)	(28.1)	(5.8)
Norm profit growth	(50.6)	na	na	(60.8)	(67.3)
Norm EPS growth	(50.6)	na	na	(60.8)	(67.3)
Gross margin	52.5	47.3	38.5	48.8	48.3
Operating margin	6.5	(3.2)	(16.1)	7.4	3.1
EBITDA margin	21.7	13.9	3.5	26.1	24.5
Norm net margin	5.4	(0.0)	(9.0)	6.5	2.1
D/E (x)	0.9	0.9	1.0	1.0	1.9
Net D/E (x)	0.8	0.9	0.9	1.0	1.8
Interest coverage (x)	13.6	7.4	1.6	13.5	8.7
Interest rate	3.37	3.21	3.18	3.05	3.21
Effective tax rate	14.9	27.0	19.1	28.9	12.3
ROA	3.6	(0.0)	(4.4)	3.7	1.1
ROE	9.9	(0.1)	(12.2)	10.2	3.4

Sources: Company data, Thanachart estimates

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