SiS Distribution (TH) (SIS TB) - BUY, Price Bt28.75, TP Bt37.00

Results Comment

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In-line decent 2Q22 earnings

- Net earnings were Bt184m. Norm earnings were Bt198m, increased 17% y-y and 11% q-q. Non-core items were -Bt10m financial impairment of old Bitkub investment, around Bt15m jumped in inventory provision and Bt22m FX gain.
- Sales fell 5% y-y. Total low value business (phones, computers) fell 10% y-y. High value infrastructure-based IT products (cyber security and private and public cloud) grew 21%.
- Gross margin increased to 6.5% from 5.7% from 2Q21 on higher mixed of high value products.
- SG&A to sales increased to 3.4% from 3.1% in 2Q21. This was mainly due to rising inventory provision of very weak demand products
- SIS expects a stronger 3Q22F performance. Aside from the continued increasing demand of high value infrastructure IT products, it expects for much lower inventory provision after having depleted most of weak demand products in 2Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	7,863	8,458	8,606	8,076	7,501
Gross profit	**451**	**470**	**521**	**483**	**490**
SG&A	241	243	302	252	258
Operating profit	210	227	219	231	232
EBITDA	**235**	**253**	**245**	**257**	**259**
Other income	18	5	6	10	11
Other expense	0	0	0	0	0
Interest expense	9	8	10	14	11
Profit before tax	**219**	**224**	**215**	**227**	**231**
Income tax	50	51	48	48	48
Equity & invest. income	1	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	27	42	22	15	11
Net profit	**197**	**215**	**189**	**194**	**194**
Normalized profit	**170**	**173**	**167**	**179**	**184**
EPS (Bt)	0.56	0.61	0.54	0.55	0.56
Normalized EPS (Bt)	0.49	0.49	0.48	0.51	0.52

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(7)	(5)	48	32,586	34,878
Gross profit	**1**	**9**	**46**	**2,106**	**2,303**
SG&A	3	7	45	1,125	1,171
Operating profit	0	10	47	981	1,132
EBITDA	**1**	**10**	**47**	**1,104**	**1,279**
Other income	15	(38)	47	43	43
Other expense					
Interest expense	(17)	32	87	28	26
Profit before tax	**2**	**5**	**46**	**996**	**1,150**
Income tax	(1)	(5)	42	227	263
Equity & invest. income					
Minority interests					
Extraordinary items	(29)	(61)	na	0	0
Net profit	**0**	**(1)**	**51**	**769**	**887**
Normalized profit	**3**	**8**	**47**	**769**	**887**
EPS (Bt)	0	(1)	51	2.20	2.53
Normalized EPS (Bt)	3	8	47	2.20	2.53

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	496	385	420	316	362
A/C receivable	4,029	4,657	4,897	4,509	4,682
Inventory	3,135	3,546	5,347	4,843	4,287
Other current assets	577	946	581	418	532
Investment	54	55	0	0	0
Fixed assets	149	148	154	155	162
Other assets	578	589	580	580	638
Total assets	**9,018**	**10,326**	**11,979**	**10,822**	**10,663**
S-T debt	2,357	3,007	4,458	3,920	3,711
A/C payable	3,478	3,964	3,953	3,114	3,439
Other current liabilities	144	107	138	166	120
L-T debt	0	0	0	0	0
Other liabilities	192	185	178	178	174
Minority interest	0	0	0	0	0
Shareholders' equity	**2,847**	**3,062**	**3,251**	**3,445**	**3,219**
Working capital	3,685	4,239	6,291	6,239	5,530
Total debt	2,357	3,007	4,458	3,920	3,711
Net debt	**1,861**	**2,622**	**4,038**	**3,604**	**3,349**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	28.8	28.2	48.6	9.6	(4.6)
Operating profit growth	(3.4)	27.3	25.4	19.9	10.2
EBITDA growth	(2.8)	24.1	22.6	18.1	10.0
Norm profit growth	(20.0)	7.1	(3.5)	16.0	8.1
Norm EPS growth	(20.0)	7.1	(3.5)	16.0	8.1
Gross margin	5.7	5.6	6.1	6.0	6.5
Operating margin	2.7	2.7	2.5	2.9	3.1
EBITDA margin	3.0	3.0	2.8	3.2	3.4
Norm net margin	2.2	2.0	1.9	2.2	2.5
D/E (x)	0.8	1.0	1.4	1.1	1.2
Net D/E (x)	0.7	0.9	1.2	1.0	1.0
Interest coverage (x)	27.6	30.2	24.5	18.9	23.0
Interest rate	1.3	1.3	1.1	1.3	1.2
Effective tax rate	22.7	23.0	22.5	21.1	20.5
ROA	7.2	7.2	6.0	6.3	6.8
ROE	23.3	23.4	21.1	21.4	22.1

Sources: Company data, Thanachart estimates

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