TOA Paint Thailand Pcl (TOA TB) - BUY

Analyst Meeting

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Recovery on track

- **2H22F earnings looks stronger than 1H22 earnings due to…**
- **…further sales growth from a demand recovery and...**
- **…improving margin from lower oil-related material prices.**
- **Cheap PEs at 25/21x in 2023-24F vs. 36x 5-year average.**

- The key takeaways from TOA's analyst meeting are as the following.
- TOA expects its earnings in 2H22 to be stronger than those in 1H22 driven by;

  1) sales growth from the full-quarter effect of the ASP hike in 2Q22 and demand recovery in construction materials in both Thailand and Vietnam markets. TOA expects its sales growth of around 14% y-y this year (vs. our forecast of 9% y-y).

  2) improving gross margin from lower oil-related raw material prices (12% of TOA's total costs and oil price now fell by 10% from its peak this year) and the economies of scale. Titanium dioxide price (14% of TOA's total costs) is still high but a degree of the price increase is slower. It expects its average gross margin of 31% this year (vs. our forecast of 32%).

- TOA believe that, despite the ASP hike, it still gained market share from Vietnam market (sales in Vietnam in 2Q22 grew 52% y-y and 39% q-q given more aggressive strategies and management) and in non-decorative market (non-decorative sales in 2Q22 grew 25% y-y and 12% q-q given TOA's more focus to penetrate the construction chemical and material markets). While the decorative sales offer an organic growth, TOA expect sales in Vietnam and non-decorative sales to continue their strong growth next year.
- However, there is a concern about the gas shortage in Europe as TOA needs to import some raw materials from petrochemical plants there. To reduce a risk, TOA is now stocking up on inventory.
- we reaffirm our BUY call on TOA as 1) we expect its strong earnings recovery in 2H22F with a further growth in 2023F driven by both its sales growth and gross margin recovery, 2) despite the the impact from the COVID-19 crisis and rising costs, its ROE is still decent at 16-18% in 2022-24F and ROA at 11-12%, 3) balance sheet is also solid with a net cash position, and 4) Its valuation looks cheap at PE multiples of 29/25/21x in 2022-24F vs. its five-year average of 36x.

Key Valuations

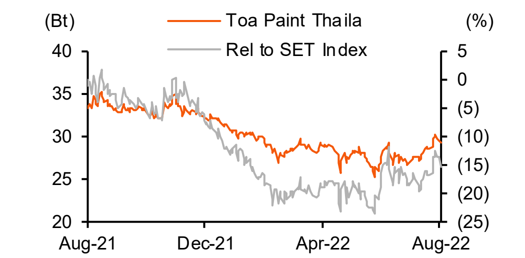
Y/E Dec (Bt m)	2015	2016F	2017F	2018F
Revenue	17,570	19,130	19,415	20,288
Net profit	1,955	2,045	2,420	2,767
Norm net profit	1,835	2,045	2,420	2,767
Norm EPS (Bt)	0.9	1.0	1.2	1.4
Norm EPS gr (%)	(10.0)	11.4	18.4	14.3
Norm PE (x)	32.3	29.0	24.5	21.4
EV/EBITDA (x)	20.8	19.5	16.7	14.7
P/BV (x)	4.8	4.5	4.1	3.7
Div. yield (%)	1.7	1.7	2.0	2.3
ROE (%)	15.5	16.0	17.4	18.2
Net D/E (%)	(58.8)	(60.3)	(63.9)	(67.5)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	29.25
Target price (Bt)	36.00
Market cap (US$ m)	1,642
Avg daily turnover (US$ m)	0.8
12M H/L price (Bt)	35.25/25.25

Price Performance



Source: Bloomberg

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