Delta Electronics (DELTA TB) - SELL, Price Bt666, TP Bt490

Results Comment

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Missed 3Q22 results

- DELTA's net earnings in 3Q22 were Bt4.1bn. Excluding FX gain, earnings were Bt3.9bn. Although earnings growing from the low base last year by 222%, they fell 1% q-q. Earnings came in below our expectation on the gross margin level.
- Revenues increased 47% y-y and 12% q-q. Gross was seen across the businesses, especially from cloud and EV.
- Gross margin was 23.3%, increased from 19.2% in 3Q21 due to operating leverage impact. However, the figure fell from 25.1% from 2Q22 which we suspect due to increased raw material costs. We also suspect the change in sale mixed toward the loss-making EV business was the factor as well.
- SG&A to sales was relatively flat at 11.2%
- We forecast for 9% EPS growth in 2023F but now see downside to our numbers. Our 2023F numbers already imply DELTA is trading on 46x PE.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Revenue	21,320	23,320	24,623	28,004	31,324
Gross profit	**4,103**	**4,693**	**5,137**	**7,016**	**7,298**
SG&A	2,793	2,781	2,943	3,152	3,524
Operating profit	1,310	1,913	2,194	3,864	3,774
EBITDA	**1,970**	**2,567**	**2,912**	**4,613**	**4,603**
Other income	57	75	115	112	204
Other expense	196	20	17	6	16
Interest expense	1	2	3	4	0
Profit before tax	**1,170**	**1,966**	**2,288**	**3,966**	**3,961**
Income tax	(45)	38	39	48	65
Equity & invest. income	0	0	0	0	0
Minority interests	(5)	0	0	0	0
Extraordinary items	(18)	168	531	346	215
Net profit	**1,191**	**2,096**	**2,780**	**4,263**	**4,110**
Normalized profit	**1,209**	**1,928**	**2,249**	**3,918**	**3,895**
EPS (Bt)	0.96	1.68	2.23	3.42	3.29
Normalized EPS (Bt)	0.97	1.55	1.80	3.14	3.12

Income Statement			**9M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	12	47	73	114,758	121,494
Gross profit	**4**	**78**	**66**	**29,449**	**32,249**
SG&A	12	26	73	13,265	14,609
Operating profit	(2)	188	61	16,184	17,639
EBITDA	**(0)**	**134**	**64**	**19,074**	**20,975**
Other income	82	256	72	594	646
Other expense	155	(92)	80	50	50
Interest expense	(96)	(82)	47	16	10
Profit before tax	**(0)**	**239**	**61**	**16,712**	**18,225**
Income tax	35	na	58	264	288
Equity & invest. income					
Minority interests	na	na	na	(6)	(6)
Extraordinary items	(38)	na	na	0	0
Net profit	**(4)**	**245**	**68**	**16,442**	**17,931**
Normalized profit	**(1)**	**222**	**61**	**16,442**	**17,931**
EPS (Bt)	(4)	245	68	13.06	14.24
Normalized EPS (Bt)	(1)	222	62	13.06	14.24

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Cash & ST investment	7,365	6,604	6,639	8,156	11,332
A/C receivable	18,267	20,593	20,654	23,354	25,779
Inventory	19,213	19,581	19,617	20,811	23,624
Other current assets	1,987	1,986	2,451	1,690	1,787
Investment	0	0	0	0	0
Fixed assets	17,414	18,583	19,090	20,015	21,716
Other assets	2,006	1,991	1,848	2,338	2,325
Total assets	**66,251**	**69,338**	**70,299**	**76,363**	**86,563**
S-T debt	103	1,692	379	590	602
A/C payable	22,366	22,049	21,884	25,162	29,646
Other current liabilities	924	994	884	968	1,380
L-T debt	934	913	911	983	1,205
Other liabilities	2,263	2,286	2,297	2,305	2,255
Minority interest	0	0	0	0	0
Shareholders' equity	**39,660**	**41,404**	**43,944**	**46,354**	**51,474**
Working capital	15,113	18,125	18,387	19,003	19,756
Total debt	1,037	2,605	1,290	1,574	1,807
Net debt	**(6,327)**	**(3,999)**	**(5,348)**	**(6,582)**	**(9,524)**

Financial Ratios					
(%)	**3Q21**	**4Q21**	**1Q22**	**2Q22**	**3Q22**
Sales growth	21.0	26.6	29.3	35.7	46.9
Operating profit growth	(45.5)	19.2	59.9	190.9	188.2
EBITDA growth	(33.7)	20.5	50.4	139.0	133.7
Norm profit growth	(52.3)	20.0	49.4	173.5	222.1
Norm EPS growth	(52.3)	20.0	49.4	173.5	222.1
Gross margin	19.2	20.1	20.9	25.1	23.3
Operating margin	6.1	8.2	8.9	13.8	12.0
EBITDA margin	9.2	11.0	11.8	16.5	14.7
Norm net margin	5.7	8.3	9.1	14.0	12.4
D/E (x)	0.0	0.1	0.0	0.0	0.0
Net D/E (x)	(0.2)	(0.1)	(0.1)	(0.1)	(0.2)
Interest coverage (x)	2,230.5	1,573.4	877.8	1,163.1	28,770.1
Interest rate	0.35	0.36	0.68	1.11	0.04
Effective tax rate	(3.8)	2.0	1.7	1.2	1.7
ROA	7.5	11.4	12.9	21.4	19.1
ROE	12.5	19.0	21.1	34.7	31.9

Sources: Company data, Thanachart estimates

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