

Hana Microelectronics (HANA TB) - SELL, Price Bt39.0, TP Bt37.0 | Results Comment

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Very strong 3Q22 beat expectation

- Net earnings were Bt417m. Excluding FX losses, norm earnings were Bt843m, grew 20% y-y and 40% q-q. The earnings beat our expectation.
- The strong results were due to: 1) weak baht against US dollar, 2) HANA's new capacity which was locked in with the take-or-pay contract and 3), the rising sales in China.
- We have expected for 1) and 2), but 3) beat our expectation.
- China sales (20% total sales) grew 29% y-y and 38% q-q despite weak demand for electronic products. We suspect this was due to the strong pent up demand after the lockdown in 2Q22.
- Total US dollar sales grew 12% y-y and 9% q-q mainly on new capacity and China's strong sales.
- EBIT margin was stable from last year at 16% but increased from 15% in 2Q22 due to weak baht and operating leverage impact.
- We see upside to earnings due to very strong 3Q22 results but we are cautious on the continuity of the strong performance given the falling demand for electronic products.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	6,241	6,260	6,107	6,390	7,545	Revenue	18	21	75	26,757	27,268
Gross profit	976	673	663	878	1,167	Gross profit	33	20	78	3,450	3,593
SG&A	376	362	381	401	408	SG&A	2	9	79	1,508	1,570
Operating profit	601	311	282	477	759	Operating profit	59	26	78	1,942	2,022
EBITDA	941	639	640	859	1,179	EBITDA	37	25	79	3,401	3,561
Other income	124	94	133	143	133	Other income	(7)	7	100	408	423
Other expense	0	0	0	0	0	Other expense					
Interest expense	2	3	1	3	3	Interest expense	(6)	60	160	4	8
Profit before tax	723	402	414	618	890	Profit before tax	44	23	82	2,346	2,437
Income tax	22	11	15	15	46	Income tax	209	111	143	53	55
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	0	0	0	0	0	Minority interests					
Extraordinary items	(137)	(447)	(34)	(358)	(427)	Extraordinary items	na	na	na	0	0
Net profit	564	(56)	365	245	417	Net profit	70	(26)	45	2,293	2,382
Normalized profit	701	391	399	603	843	Normalized profit	40	20	80	2,293	2,382
EPS (Bt)	0.70	(0.07)	0.45	0.30	0.52	EPS (Bt)	70	(26)	45	2.85	2.96
Normalized EPS (Bt)	0.87	0.49	0.50	0.75	1.05	Normalized EPS (Bt)	40	20	80	2.85	2.96

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	8,514	5,999	5,450	4,831	3,819	Sales grow th	29.7	18.9	17.1	5.4	20.9
A/C receivable	4,441	4,553	4,861	4,846	5,828	Operating profit grow th	135.7	5.5	(8.9)	(25.8)	26.4
Inventory	6,288	6,857	7,408	8,255	9,128	EBITDA grow th	71.5	4.0	1.5	(10.0)	25.3
Other current assets	153	162	170	234	140	Norm profit grow th	91.7	(12.4)	(3.3)	(21.7)	20.3
Investment	72	72	72	72	72	Norm EPS grow th	91.7	(12.4)	(3.3)	(21.7)	20.3
Fixed assets	9,110	9,663	10,023	10,250	10,656	Gross margin	15.6	10.8	10.8	13.7	15.5
Other assets	494	548	541	545	533	Operating margin	9.6	5.0	4.6	7.5	10.1
Total assets	29,073	27,853	28,525	29,033	30,176	EBITDA margin	15.1	10.2	10.5	13.4	15.6
S-T debt	339	334	333	653	379	Norm net margin	11.2	6.2	6.5	9.4	11.2
A/C payable	3,749	3,506	4,020	4,332	4,835	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	284	189	218	272	331	Net D/E (x)	(0.3)	(0.2)	(0.2)	(0.2)	(0.1)
L-T debt	0	0	0	0	0	Interest coverage (x)	598.8	234.2	440.7	322.7	469.0
Other liabilities	792	766	760	830	833	Interest rate	1.90	3.24	1.74	2.16	1.95
Minority interest	0	0	0	0	0	Effective tax rate	3.0	2.8	3.6	2.4	5.2
Shareholders' equity	23,909	23,058	23,194	22,947	23,798	ROA	9.9	5.5	5.7	8.4	11.4
Working capital	6,981	7,903	8,249	8,769	10,121	ROE	12.0	6.7	6.9	10.5	14.4
Total debt	339	334	333	653	379						
Net debt	(8,174)	(5,665)	(5,117)	(4,178)	(3,439)						

Sources: Company data, Thanachart estimates

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