

RS Public Co Ltd (RS TB) - BUY, Price Bt15.80, TP Bt20.00**Results Comment**

Rata Limsuthiwanpoom | Email: rata.lim@thanachartsec.co.th

Slower-than-expected recovery

- RS's 3Q22 profit has recovered slower-than-expected to Bt82m in 3Q22, up from Bt18m in 2Q22 and no profit in 3Q21.
- Commerce business (50% of total revenue): gross profit rose by 8% y-y and 27% q-q. Thanks to RS's strategy to increase high-margin owned-brand, gross margin increased from 61.8% in 3Q21 and 66.1% in 2Q22 to 70.2% in 3Q22. This was despite revenue falling 12% y-y (but up by 20% due to Ulife contribution)
- Note that contribution from newly acquired direct business Ulife started from May 2022. Looking at RS's existing commerce business alone, we estimate revenue to be flat q-q and dropped 36% y-y.
- Media business (50% of total revenue): revenue increased 51% y-y and 9% q-q to Bt469m in 3Q22, due to rising TV content sales and music and event businesses. Gross margin increased to 38.2% in 3Q22 vs 26.4/31.8% in 3Q21 and 2Q22, respectively.
- Overall operating margin was 12% in 3Q22 vs. -3.2%/3.1% in 3Q21 and 2Q22.
- Equity income, contributed by debt collection and an asset management company Chase Asia, was Bt6m in 2Q22, down 81% y-y and 38% q-q.
- 9M22 accounted for 56% of our earnings forecast. We see downside to our earnings forecast.

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	852	736	845	828	947	Revenue	14	11	69	3,778	4,119
Gross profit	393	295	412	400	514	Gross profit	29	31	74	1,793	2,016
SG&A	420	413	350	374	401	SG&A	7	(4)	71	1,579	1,580
Operating profit	(27)	(118)	63	26	113	Operating profit	344	na	94	214	436
EBITDA	118	26	221	202	298	EBITDA	47	153	88	818	1,315
Other income	1	10	3	4	5	Other income	6	218	79	15	16
Other expense	0	1	0	1	0	Other expense	(88)	534	93	2	2
Interest expense	16	16	16	23	28	Interest expense	20	75	87	77	87
Profit before tax	(42)	(125)	49	5	90	Profit before tax	1,594	na	96	150	364
Income tax	(11)	(24)	14	1	17	Income tax	2,513	na	106	30	73
Equity & invest. income	29	34	24	9	6	Equity & invest. income	(38)	(81)	24	157	205
Minority interests	1	2	(4)	4	3	Minority interests	(15)	429	na	0	0
Extraordinary items	0	0	0	(4)	0	Extraordinary items					
Net profit	(0)	(66)	55	13	82	Net profit	525	na	54	277	496
Normalized profit	(0)	(66)	55	18	82	Normalized profit	366	na	56	277	496
EPS (Bt)	(0.00)	(0.07)	0.06	0.01	0.08	EPS (Bt)	525	na	54	0.28	0.51
Normalized EPS (Bt)	(0.00)	(0.07)	0.06	0.02	0.08	Normalized EPS (Bt)	366	na	56	0.28	0.51

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	145	141	100	174	114	Sales grow th	(9.2)	(27.7)	(14.9)	(16.6)	11.0
A/C receivable	892	553	724	764	737	Operating profit grow th	na	na	(63.8)	(60.6)	na
Inventory	328	337	288	258	310	EBITDA grow th	(61.3)	(91.2)	(28.1)	(5.8)	152.7
Other current assets	59	60	49	131	79	Norm profit grow th	na	na	(60.8)	(67.3)	na
Investment	130	1,063	1,087	1,070	1,076	Norm EPS grow th	na	na	(60.8)	(67.3)	na
Fixed assets	583	567	547	536	521	Gross margin	46.1	40.0	48.8	48.3	54.3
Other assets	4,009	3,082	3,249	4,361	4,526	Operating margin	(3.2)	(16.1)	7.4	3.1	12.0
Total assets	6,146	5,803	6,043	7,294	7,363	EBITDA margin	13.8	3.5	26.1	24.5	31.5
S-T debt	1,037	1,115	1,275	1,826	1,793	Norm net margin	(0.0)	(9.0)	6.5	2.1	8.6
A/C payable	1,170	882	971	1,020	1,039	D/E (x)	0.9	1.0	1.0	1.9	1.8
Other current liabilities	214	201	147	208	205	Net D/E (x)	0.9	0.9	1.0	1.8	1.7
L-T debt	983	952	922	1,790	1,753	Interest coverage (x)	7.4	1.6	13.5	8.7	10.7
Other liabilities	544	515	531	580	577	Interest rate	3.21	3.18	3.05	3.21	3.11
Minority interest	2	1	4	0	(3)	Effective tax rate	27.0	19.1	28.9	12.3	19.0
Shareholders' equity	2,195	2,138	2,193	1,871	2,000	ROA	(0.0)	(4.4)	3.7	1.1	4.5
Working capital	49	7	40	2	8	ROE	(0.1)	(12.2)	10.2	3.4	16.9
Total debt	2,020	2,067	2,197	3,615	3,546						
Net debt	1,876	1,926	2,098	3,442	3,431						

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 88 Derivative Warrants which are ADVANC16C2211A, ADVANC16C2301A, ADVANC16C2302A, AMATA16C2212A, AOT16C2212A, AOT16C2302A, BANPU16C2212A, BANPU16C2302A, BBL16C2212A, BCH16C2211A, BGRIM16C2212A, BGRIM16C2301A, BGRIM16C2302A, BH16C2212A, BH16C2212B, BLA16C2212A, BLA16C2302A, BTS16C2301A, CBG16C2301A, CBG16C2301B, CBG16C2302A, COM716C2211A, COM716C2211B, COM716C2211C, COM716C2302A, CPALL16C2211A, CPN16C2301A, CRC16C2303A, DOHOME16C2301A, DOHOME16C2303A, DTAC16C2212A, EA16C2211A, EA16C2303A, ESSO16C2302A, FORTH16C2211A, GPSC16C2301A, GPSC16C2302A, GULF16C2301A, GULF16C2302A, GULF16C2302B, GUNKUL16C2301A, GUNKUL16C2302A, HANA16C2211A, HANA16C2301A, HANA16C2303A, IVL16C2211A, IVL16C2212A, IVL16C2301A, JMART16C2211A, JMART16C2303A, JMT16C2211A, JMT16C2302A, KBANK16C2211A, KBANK16C2301A, KBANK16C2302A, KCE16C2211A, KCE16C2301A, KCE16C2301B, KCE16C2302A, KTB16C2303A, KTC16C2211A, MINT16C2211A, MINT16C2301A, MINT16C2302A, MTC16C2212A, MTC16C2301A, PSL16C2212A, PTG16C2211A, PTTEP16C2212A, PTTEP16C2303A, SAWAD16C2211A, SAWAD16C2302A, SCB16C2211A, SCB16C2301A, SCGP16C2212A, SCGP16C2303A, SET5016C2212A, SET5016C2212B, SET5016C2212C, SET5016P2212A, SET5016P2212B, SINGER16C2212A, SPRC16C2212A, TIDLOR16C2212A, TOP16C2211A, TRUE16C2212A, TTA16C2211A, VGI16C2301A (underlying securities are (ADVANC, AMATA, AOT, BANPU, BBL, BCH, BGRIM, BH, BLA, BTS, CBG, COM7, CPALL, CPN, CRC, DOHOME, DTAC, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTB, KTC, MINT, MTC, PSL, PTG, PTTEP, SAWAD, SCB, SCGP, SET50, SINGER, SPRC, TIDLOR, TOP, TTA, VGI, TRUE). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)