

**TOA Paint Thailand Pcl (TOA TB) - BUY****Analyst Meeting**

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**Positive messages from the analyst meeting**

- **TOA expect a strong earnings recovery in 4Q22F onward given...**
  - **...higher demand from high season and new project launches...**
  - **...higher margin from economies of scales and material price falls.**
  - **We maintain our BUY call.**
- After weak results in 3Q22 due to the low season, flood and building material price hike, TOA has seen an improvement in 4Q22F onward.
  - TOA expects a rise in revenue in 4Q22F driven by a volume growth from the high season, home improvement after flood and a rise in the new project launches. It also targets the revenue growth of at least 10% y-y in 2023F driven by a volume growth and a full-year effect of the price hike (vs. our sales growth forecast of 2% y-y).
  - Gross margin is expected to recover in 4Q22F from 28% in 3Q22 and get back to 31-32% in 2023F, driven by a gradual decline in material prices and economies of scale (vs. our gross margin forecast of 34%). Titanium dioxide (TiO<sub>2</sub>) price (20% of the total costs) is expected to sustain high but oil-related raw material prices (18% of the total costs) have started to stabilize and some have started to fall.
  - As the TiO<sub>2</sub> price from China (around US\$2,200-2,300/ton) is much cheaper than the TiO<sub>2</sub> price from Europe (US\$3,200-3,300/ton), TOA is trying to increase the use of the TiO<sub>2</sub> from China. However, as the quality of the TiO<sub>2</sub> from China is low, TOA can use it for only the low-end products and not more than 10% of TOA's total TiO<sub>2</sub> usage (vs. 6-7% at present).
  - TOA's major concern is on the hyperinflation and rising interest rates which may have a negative impact on the economy and purchasing power. TOA still see a strong demand from the Thai market (83% of the total sales) but sales in the oversea countries such as Vietnam (9%) and Indonesia seem to slow down.
  - Besides an earnings recovery, we have a BUY call on TOA given its strong brand perception in the Thai market, high profitability business, solid distribution network and net cash position.

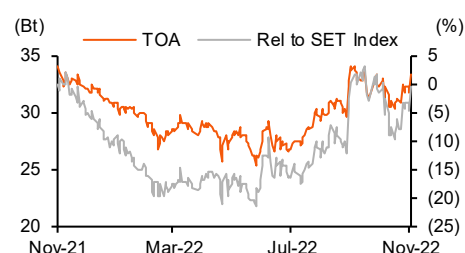
**Key Valuations**

Y/E Dec (Bt m)	2021	2022F	2023F	2024F
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)	36.8	33.0	27.9	24.4
EV/EBITDA (x)	21.1	19.5	16.3	14.1
P/BV (x)	5.5	5.1	4.6	4.2
Div. yield (%)	1.5	1.5	1.8	2.1
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)	33.25
Target price (Bt)	36.00
Market cap (US\$ m)	1,860
Avg daily turnover (US\$ m)	1.1
12M H/L price (Bt)	34.00/25.25

**Price Performance**

Source: Bloomberg

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