

**United Paper Pcl (UTP TB) - BUY, Price Bt16.50, TP Bt29.00****Results Comment**

Chak Reungsinpinya | Email: chak.reu@thanachartsec.co.th

**3Q22 a miss on weak revenue**

- UTP reported 3Q22 net profit of Bt198m (EPS Bt0.3/sh), down 9% y-y and 28% q-q. The result was below our expectation due mainly to weak demand.
- Sales revenue: Sales revenue declined 5% y-y, 18% q-q due mainly to weak volume. Management cites weak demand from domestic customers. Sales price also dropped, though we believe it was a small decline.
- EBITDA margin: EBITDA margin fell to 24% in 3Q22 compared to 26% and 25% in 2Q22/3Q21, respectively. We think this is due to weak demand and the lagged impact of cost decrease (typically by about a quarter due to inventories).
- Our view: Given the sharp drop in raw material costs (OCC costs), we expect margin expansion to help drive profit improvement from 4Q22F onwards. We also believe demand will pick up seasonally and following improvements in economic momentum (driven by both domestic consumption and exports). Maintain BUY.

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	1,179	1,204	1,486	1,355	1,115	Revenue	(18)	(5)	67	5,880	6,899
<b>Gross profit</b>	<b>264</b>	<b>214</b>	<b>331</b>	<b>325</b>	<b>238</b>	<b>Gross profit</b>	<b>(27)</b>	<b>(10)</b>	<b>68</b>	<b>1,325</b>	<b>1,602</b>
SG&A	19	15	18	18	17	SG&A	(5)	(6)	68	79	85
Operating profit	245	199	313	307	220	Operating profit	(28)	(10)	67	1,245	1,517
<b>EBITDA</b>	<b>298</b>	<b>252</b>	<b>361</b>	<b>355</b>	<b>267</b>	<b>EBITDA</b>	<b>(25)</b>	<b>(10)</b>	<b>67</b>	<b>1,470</b>	<b>1,744</b>
Other income	4	3	3	4	4	Other income	2	(10)	36	28	33
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	0	0	0	0	0	Interest expense	18	34	74	0	4
<b>Profit before tax</b>	<b>249</b>	<b>203</b>	<b>316</b>	<b>311</b>	<b>224</b>	<b>Profit before tax</b>	<b>(28)</b>	<b>(10)</b>	<b>67</b>	<b>1,273</b>	<b>1,546</b>
Income tax	32	25	41	35	26	Income tax	(27)	(20)	73	140	170
Equity & invest. income	0	0	0	0	0	Equity & invest. income			na	0	0
Minority interests	0	0	0	0	0	Minority interests			na	0	0
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
<b>Net profit</b>	<b>217</b>	<b>178</b>	<b>275</b>	<b>275</b>	<b>198</b>	<b>Net profit</b>	<b>(28)</b>	<b>(9)</b>	<b>66</b>	<b>1,133</b>	<b>1,376</b>
<b>Normalized profit</b>	<b>217</b>	<b>178</b>	<b>275</b>	<b>275</b>	<b>198</b>	<b>Normalized profit</b>	<b>(28)</b>	<b>(9)</b>	<b>66</b>	<b>1,133</b>	<b>1,376</b>
EPS (Bt)	0.33	0.27	0.42	0.42	0.30	EPS (Bt)	(28)	(9)	66	1.74	2.12
Normalized EPS (Bt)	0.33	0.27	0.42	0.42	0.30	Normalized EPS (Bt)	(28)	(9)	66	1.74	2.12
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	703	644	949	884	890	Sales grow th	25.4	25.4	34.0	22.3	(5.4)
A/C receivable	1,229	1,204	1,439	1,418	1,211	Operating profit grow th	(9.0)	(24.9)	(2.8)	18.2	(10.1)
Inventory	636	621	519	629	628	EBITDA grow th	(7.4)	(20.6)	(3.7)	13.3	(10.4)
Other current assets	147	124	130	148	167	Norm profit grow th	(9.8)	(25.2)	(4.9)	17.4	(8.6)
Investment	0	0	0	0	0	Norm EPS grow th	(9.8)	(25.2)	(4.9)	17.4	(8.6)
Fixed assets	1,658	1,633	1,604	1,647	1,622	Gross margin	22.4	17.8	22.3	24.0	21.3
Other assets	48	51	50	49	47	Operating margin	20.8	16.5	21.1	22.7	19.8
<b>Total assets</b>	<b>4,421</b>	<b>4,277</b>	<b>4,692</b>	<b>4,775</b>	<b>4,565</b>	EBITDA margin	25.3	20.9	24.3	26.2	23.9
S-T debt	0	0	0	0	0	Norm net margin	18.4	14.7	18.5	20.3	17.8
A/C payable	396	308	406	437	360	D/E (x)	-	-	-	-	-
Other current liabilities	35	62	103	80	29	Net D/E (x)	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
L-T debt	0	0	0	0	0	Interest coverage (x)	6,779.2	5,974.7	8,805.4	7,084.5	4,527.1
Other liabilities	47	47	48	49	48	Interest rate	na	na	na	na	na
Minority interest	0	0	0	0	0	Effective tax rate	13.0	12.3	13.0	11.4	11.6
<b>Shareholders' equity</b>	<b>3,942</b>	<b>3,861</b>	<b>4,135</b>	<b>4,209</b>	<b>4,128</b>	ROA	20.2	16.3	24.5	23.3	17.0
Working capital	1,469	1,517	1,552	1,610	1,480	ROE	22.6	18.2	27.5	26.4	19.0
Total debt	0	0	0	0	0						
<b>Net debt</b>	<b>(703)</b>	<b>(644)</b>	<b>(949)</b>	<b>(884)</b>	<b>(890)</b>						

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 111 Derivative Warrants which are ADVANC16C2302A, ADVANC16C2301A, ADVANC16C2211A, AMATA16C2212A, AMAT16C2209A, AOT16C2302A, AOT16C2212A, AOT16C2209A, BANPU16C2302A, BANPU16C2212A, BBL16C2212A, BCH16C2211A, BH16C2212B, BH16C2212A, BGRIM16C2302A, BGRIM16C2301A, BGRIM16C2212A, BGRI16C2209A, BLA16C2302A, BLA16C2212A, BLA16C2209A, BTS16C2301A, CBG16C2302A, CBG16C2301B, CBG16C2301A, CENTEL16C2209A, COM716C2302A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, CPN16C2301A, DTAC16C2212A, DOHOME16C2301A, EA16C2303A, EA16C2209A, EA16C2211A, ESSO16C2302A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2302A, GPSC16C2301A, GPSC16C2209A, GULF16C2302B, GULF16C2302A, GULF16C2301A, GUNKUL16C2302A, GUNKUL16C2301A, GUNK16C2209A, HANA16C2301A, HANA16C2209A, HANA16C2211A, IVL16C2301A, IVL16C2212A, IVL16C2209A, IVL16C2211A, JMART16C2211A, JMT16C2302A, JMT16C2211A, KBANK16C2302A, KBANK16C2301A, KBAN16C2209A, KBANK16C2211A, KCE16C2302A, KCE16C2301B, KCE16C2301A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2302A, MINT16C2301A, MINT16C2211A, MTC16C2301A, MTC16C2212A, MTC16C2209A, PSL16C2212A, PTG16C2211A, PTG16C2209A, PTTEP16C2303A, PTTEP16C2212A, PTTE16C2209A, RBF16C2209A, SAWAD16C2211A, S5016C2209A, S5016P2209A, SAWAD16C2302A, SAWA16C2209A, SCB16C2301A, SCB16C2211A, SCGP16C2303A, SCGP16C2212A, SET5016P2212B, SET5016C2212C, SET5016C2212B, SET5016P2212A, SET5016C2209B, SET5016C2212A, SET5016P2209B, SINGER16C2212A, SPRC16C2212A, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TRUE16C2212A, TTA16C2211A, VGI16C2301A, WHA16C2209A (underlying securities are (ADVANC, AMATA, AOT, BANPU, BBL, BCH, BGRIM, BH, BLA, BTS, CBG, CENTEL, COM7, CPALL, CPN, DOHOME, DTAC, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PSL, PTG, PTTEP, RBF, SAWAD, SCB, SET50, SCGP, SINGER, SPRC, STEC, TIDLOR, TOP, TRUE, TTA, VGI, WHA) 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)