

i-Tail Corporation Pcl (ITC TB) - BUY, Price Bt17.10, TP Bt33.00**Results Comment**

Pattadol Bunnak | Email: pattadol.bun@thanachartsec.co.th

Weak 2Q23 results, below expectation

- Norm earnings in 2Q23 were only Bt433m, fell 62% y-y and improved only 5% from the low base last quarter. The shifted in pet owners' behavior toward buying cheaper pet foods was the key weakness.
- Sales fell 43% y-y and 10% q-q due to the reasons above.
- Gross margin fell to 18.4% from 26.3% last year due to the change in product mixed toward lower-margin standardized pet foods. The margin increased slightly from the low base last quarter thanks to falling costs.
- SG&A to sales was 9.2% vs. 5.7% last year and 9.2% in 1Q23 due to the operating leverage impact.
- ITC is seeing resuming orders in 3Q23 but they should still be lower than 3Q22. We see downside to numbers.

| Income Statement | | | | | | Income Statement | | | | | |
|-----------------------------|---------------|-----------------|----------------|----------------|--------------------------|--------------------------|------------|-------------|-----------|--------------|--------------|
| (consolidated) | | | | | | 6M as | | | | | |
| Yr-end Dec (Bt m) | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 | (Bt m) | q-q% | y-y% | % 2023F | 2023F | 2024F |
| Revenue | 5,668 | 6,332 | 5,765 | 3,587 | 3,243 | Revenue | (10) | (43) | 34 | 20,339 | 23,236 |
| Gross profit | 1,490 | 1,634 | 1,269 | 625 | 598 | Gross profit | (4) | (60) | 28 | 4,304 | 5,287 |
| SG&A | 322 | 325 | 337 | 301 | 298 | SG&A | (1) | (8) | 55 | 1,094 | 1,116 |
| Operating profit | 1,167 | 1,310 | 931 | 324 | 300 | Operating profit | (7) | (74) | 19 | 3,210 | 4,171 |
| EBITDA | 1,310 | 1,457 | 1,073 | 458 | 433 | EBITDA | (6) | (67) | 23 | 3,915 | 5,019 |
| Other income | 34 | 58 | 108 | 123 | 130 | Other income | 6 | 287 | 49 | 520 | 520 |
| Other expense | 0 | 0 | 0 | 0 | 0 | Other expense | | | | | |
| Interest expense | 14 | 28 | 34 | 6 | 2 | Interest expense | (70) | (88) | 430 | 2 | 5 |
| Profit before tax | 1,186 | 1,339 | 1,005 | 441 | 429 | Profit before tax | (3) | (64) | 23 | 3,729 | 4,686 |
| Income tax | 46 | 7 | 10 | 26 | (4) | Income tax | na | na | na | 168 | 211 |
| Equity & invest. income | 0 | 0 | 0 | 0 | 0 | Equity & invest. income | | | | | |
| Minority interests | 1 | (1) | 0 | (2) | (0) | Minority interests | na | na | na | 0 | 0 |
| Extraordinary items | 199 | 171 | (321) | 11 | 12 | Extraordinary items | 6 | (94) | na | 0 | 0 |
| Net profit | 1,340 | 1,502 | 675 | 425 | 445 | Net profit | 5 | (67) | 24 | 3,561 | 4,475 |
| Normalized profit | 1,141 | 1,331 | 996 | 414 | 433 | Normalized profit | 5 | (62) | 24 | 3,561 | 4,475 |
| EPS (Bt) | 0.45 | 0.50 | 0.23 | 0.14 | 0.15 | EPS (Bt) | 5 | (67) | 24 | 1.19 | 1.49 |
| Normalized EPS (Bt) | 0.38 | 0.44 | 0.33 | 0.14 | 0.14 | Normalized EPS (Bt) | 5 | (62) | 24 | 1.19 | 1.49 |
| Balance Sheet | | | | | | Financial Ratios | | | | | |
| (consolidated) | | | | | | 6M as | | | | | |
| Yr-end Dec (Bt m) | 3Q22 | 4Q22 | 1Q23 | 2Q23 | | (%) | 2Q22 | 3Q22 | 4Q22 | 1Q23 | 2Q23 |
| Cash & ST investment | 217 | 10,799 | 8,458 | 8,552 | Sales grow th | na | 366.9 | na | (24.7) | (42.8) | |
| A/C receivable | 3,997 | 3,554 | 2,811 | 2,673 | Operating profit grow th | na | na | na | (56.8) | (74.3) | |
| Inventory | 5,169 | 4,457 | 4,717 | 4,685 | EBITDA grow th | na | na | na | (48.4) | (66.9) | |
| Other current assets | 10 | 1,513 | 2,560 | 1,802 | Norm profit grow th | na | na | na | (47.1) | (62.1) | |
| Investment | 0 | 0 | 1,405 | 1,254 | Norm EPS grow th | na | na | na | na | na | |
| Fixed assets | 4,489 | 4,893 | 5,076 | 5,283 | Gross margin | 26.3 | 25.8 | 22.0 | 17.4 | 18.4 | |
| Other assets | 528 | 534 | 430 | 411 | Operating margin | 20.6 | 20.7 | 16.2 | 9.0 | 9.3 | |
| Total assets | 14,410 | 25,750 | 25,457 | 24,660 | EBITDA margin | 23.1 | 23.0 | 18.6 | 12.8 | 13.4 | |
| S-T debt | 6,336 | 0 | 0 | 0 | Norm net margin | 20.1 | 21.0 | 17.3 | 11.5 | 13.4 | |
| A/C payable | 2,686 | 2,355 | 1,768 | 1,473 | D/E (x) | na | 1.8 | - | - | - | |
| Other current liabilities | 1,123 | 172 | 68 | 303 | Net D/E (x) | na | 1.7 | (0.5) | (0.4) | (0.4) | |
| L-T debt | 0 | 0 | 0 | 0 | Interest coverage (x) | 90.5 | 51.4 | 31.9 | 77.1 | 245.4 | |
| Other liabilities | 757 | 616 | 653 | 668 | Interest rate | 2.6 | 3.6 | 4.2 | na | na | |
| Minority interest | (1) | (1) | 1 | 1 | Effective tax rate | 3.9 | 0.5 | 1.0 | 5.8 | (1.0) | |
| Shareholders' equity | 3,508 | 22,607 | 22,967 | 22,215 | ROA | 35.0 | 37.0 | 19.8 | 6.5 | 6.9 | |
| Working capital | 6,480 | 5,656 | 5,759 | 5,886 | ROE | 261.2 | 151.8 | 30.5 | 7.3 | 7.7 | |
| Total debt | 6,336 | 0 | 0 | 0 | | | | | | | |
| Net debt | 6,119 | (10,799) | (8,458) | (8,552) | | | | | | | |

Sources: Company data, Thanachart estimates

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