

Kerry Express Thailand (KEX TB) - SELL, Price Bt8.60, TP Bt9.00**Results Comment**

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Larger loss than expected in 2Q23

- KEX reported a net loss of Bt1,048m in 2Q23 vs. a Bt732m net loss in 2Q22 and a B787m net loss in 1Q23. This was weaker-than-expected due to increase costs. We see downside risk to our projection.
- 2Q23 revenue dropped 32% y-y and 7% q-q. Volume dropped 3% q-q in the quarter due mostly to continue drop in demand from e-commerce platforms.
- Operating margin was -46% in 2Q23 vs. -31% in 1Q23 vs. -22% in 2Q22. Despite a slight drop in fuel cost, outsourced transport and agent commission costs remained challenges due to labor shortage caused by recovery of tourism and service industries. There was also higher costs from IT system implementation and marketing expenses.
- KEX expects volume to recover in 2H23 driven by high season effect of 11/11 and 12/12 campaign periods and recovery of private consumption. The company maintains a profit turnaround in 2024.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Revenue	4,283	4,219	4,085	3,131	2,923
Gross profit	(500)	(447)	(520)	(594)	(891)
SG&A	459	452	655	388	449
Operating profit	(959)	(899)	(1,176)	(981)	(1,340)
EBITDA	(340)	(289)	(586)	(410)	(783)
Other income	40	60	3	15	25
Other expense	0	0	0	0	0
Interest expense	18	18	17	15	15
Profit before tax	(937)	(858)	(1,190)	(981)	(1,331)
Income tax	(199)	(178)	(252)	(188)	(277)
Equity & invest. income	0	0	0	0	(0)
Minority interests	6	5	6	6	6
Extraordinary items	0	0	0	0	0
Net profit	(732)	(675)	(932)	(787)	(1,048)
Normalized profit	(732)	(675)	(932)	(787)	(1,048)
EPS (Bt)	(0.42)	(0.39)	(0.54)	(0.45)	(0.60)
Normalized EPS (Bt)	(0.42)	(0.39)	(0.54)	(0.45)	(0.60)

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	2,443	1,990	2,332	1,532	692
A/C receivable	2,005	1,789	1,852	1,586	1,496
Inventory	163	124	123	112	85
Other current assets	78	115	100	114	107
Investment	0	0	0	0	0
Fixed assets	2,220	2,521	2,490	2,370	2,157
Other assets	7,132	6,709	5,195	4,671	4,427
Total assets	14,042	13,249	12,093	10,386	8,965
S-T debt	0	0	9	8	11
A/C payable	1,884	2,320	2,510	1,917	1,829
Other current liabilities	2,384	2,289	1,898	1,603	1,582
L-T debt	0	18	29	41	35
Other liabilities	1,727	1,259	1,149	1,098	838
Minority interest	9	4	(2)	4	(2)
Shareholders' equity	8,037	7,359	6,500	5,716	4,672
Working capital	283	(407)	(534)	(219)	(248)
Total debt	0	18	38	49	46
Net debt	(2,443)	(1,972)	(2,294)	(1,483)	(646)

Sources: Company data, Thanachart estimates

Income Statement 6M as					
(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	(7)	(32)	46	13,296	14,626
Gross profit	na	na	na	(1,197)	424
SG&A	16	(2)	48	1,756	1,552
Operating profit	na	na	na	(2,952)	(1,128)
EBITDA	na	na	na	(806)	1,573
Other income	66	(38)	33	120	132
Other expense				0	0
Interest expense	1	(17)	26	115	168
Profit before tax	na	na	na	(2,947)	(1,165)
Income tax	na	na	na	(589)	(233)
Equity & invest. income					
Minority interests	2	5	59	20	22
Extraordinary items					
Net profit	na	na	na	(2,338)	(910)
Normalized profit	na	na	na	(2,338)	(910)
EPS (Bt)	na	na	na	(1.34)	(0.52)
Normalized EPS (Bt)	na	na	na	(1.34)	(0.52)

Financial Ratios (%)					
	2Q22	3Q22	4Q22	1Q23	2Q23
Sales grow th	(6.9)	(20.9)	(13.1)	(29.1)	(31.7)
Operating profit grow th	na	na	na	na	na
EBITDA grow th	na	na	na	na	na
Norm profit grow th	na	na	na	na	na
Norm EPS grow th	na	na	na	na	na
Gross margin	(11.7)	(10.6)	(12.7)	(19.0)	(30.5)
Operating margin	(22.4)	(21.3)	(28.8)	(31.3)	(45.8)
EBITDA margin	(7.9)	(6.9)	(14.4)	(13.1)	(26.8)
Norm net margin	(17.1)	(16.0)	(22.8)	(25.2)	(35.8)
D/E (x)	-	0.0	0.0	0.0	0.0
Net D/E (x)	(0.3)	(0.3)	(0.4)	(0.3)	(0.1)
Interest coverage (x)	(18.9)	(15.9)	(34.2)	(27.7)	(52.2)
Interest rate	na	821.9	245.1	135.5	125.8
Effective tax rate	21.2	20.7	21.2	19.1	20.8
ROA	(20.0)	(19.8)	(29.4)	(28.0)	(43.3)
ROE	(34.8)	(35.1)	(53.8)	(51.6)	(80.7)

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