

MEB Corporation Pcl (MEB TB) - BUY, Price Bt31.75, TP Bt35.00**Results Comment**

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2Q23 earnings in line

- MEB posted 2Q23 normalized earnings of Bt96m, up 18% y-y and 11% q-q. The results were in line with what we had expected. Its strong earnings growth was mainly due to a rise in revenue and gross margin.
- Even though we expect MEB to report slightly softer earnings q-q in 3Q23F due to the low season before it increases in 4Q23F due to the book fair.
- We like MEB and maintain our BUY call as it is enjoying market share gains vs. physical books, allowing it to offer a 12% earnings CAGR in 2023-25F. With an asset-light model, it also offers 50%+ ROE.
- MEB's revenue grew 11% y-y in 2Q23 mainly due to its monthly active user (MAU) growth of 18% y-y. This was despite a fall in its revenue per MAU in 2Q23 by 7% y-y due to the high base last year caused by COVID-19 lockdown benefits.
- Its operating leverage benefits also improved its gross margin to 30% in 2Q23 from 29% in 2Q22.
- Its SG&A expenses in 2Q23 increased by 1% y-y following higher revenue.

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	422	418	460	455	468	Revenue	3	11	49	1,895	2,220
Gross profit	124	127	140	139	142	Gross profit	2	14	49	578	668
SG&A	30	31	31	33	30	SG&A	(9)	1	47	133	162
Operating profit	95	96	109	106	112	Operating profit	5	18	49	446	506
EBITDA	97	97	110	108	113	EBITDA	5	17	49	450	514
Other income	6	2	2	2	4	Other income	89	(28)	na	0	0
Other expense	0	0	0	0	0	Other expense					
Interest expense	0	0	0	0	0	Interest expense	(14)	(12)	5	1	1
Profit before tax	101	98	111	109	116	Profit before tax	7	16	51	445	505
Income tax	20	20	22	22	24	Income tax	11	21	51	89	101
Equity & invest. income	1	0	1	0	4	Equity & invest. income	na	na	na	1	1
Minority interests	(0)	(0)	(0)	(0)	(0)	Minority interests	na	na	na	(0)	(1)
Extraordinary items	0	0	0	0	0	Extraordinary items					
Net profit	81	78	89	87	96	Net profit	11	18	51	357	405
Normalized profit	81	78	89	87	96	Normalized profit	11	18	51	357	405
EPS (Bt)	0.27	0.26	0.30	0.29	0.32	EPS (Bt)	11	18	51	1.19	1.35
Normalized EPS (Bt)	0.27	0.26	0.30	0.29	0.32	Normalized EPS (Bt)	11	18	51	1.19	1.35

Balance Sheet						Financial Ratios					
(consolidated)						2022					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	769	362	482	1,070	1,121	Sales grow th	16.6	17.3	9.1	10.7	10.9
A/C receivable	41	41	45	71	67	Operating profit grow th	11.7	12.2	13.2	7.2	18.4
Inventory	3	3	3	5	3	EBITDA grow th	11.3	12.0	13.1	7.2	17.0
Other current assets	12	14	15	7	14	Norm profit grow th	16.6	8.2	11.7	5.7	17.7
Investment	0	0	0	0	0	Norm EPS grow th	16.6	8.2	11.7	5.7	17.7
Fixed assets	2	2	2	2	2	Gross margin	29.4	30.3	30.4	30.6	30.3
Other assets	14	13	13	12	12	Operating margin	22.4	22.9	23.8	23.4	24.0
Total assets	841	435	561	1,169	1,220	EBITDA margin	22.9	23.2	24.0	23.6	24.2
S-T debt	0	0	0	0	0	Norm net margin	19.3	18.7	19.4	19.0	20.5
A/C payable	115	121	133	141	131	D/E (x)	-	-	-	-	-
Other current liabilities	713	80	235	119	101	Net D/E (x)	na	(1.6)	(2.6)	(1.2)	(1.1)
L-T debt	0	0	0	0	0	Interest coverage (x)	na	na	na	na	na
Other liabilities	6	6	9	10	8	Interest rate	na	na	na	na	na
Minority interest	1	1	1	1	1	Effective tax rate	19.7	20.0	20.2	20.0	20.6
Shareholders' equity	5	227	183	898	978	ROA	38.7	49.0	71.5	40.1	32.1
Working capital	(72)	(78)	(85)	(64)	(61)	ROE	na	268.8	173.7	64.1	40.9
Total debt	0	0	0	0	0						
Net debt	(769)	(362)	(482)	(1,070)	(1,121)						

Sources: Company data, Thanachart estimates

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