

TOA Paint (Thailand) (TOA TB) - BUY, Price Bt26.25, TP Bt38.00**Results Comment**

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Strong 2Q earnings beat our forecast

- TOA posted 2Q23 normalized earnings of Bt694m, up 48% y-y and 7% q-q. The results were stronger than what we had expected. The strong earnings growth was mainly due to higher sales higher gross margin from lower raw material costs. Including Bt49m forex gain and Bt2m loss from fair value of financial assets, TOA reported a net profit of Bt694m.
- We maintain our BUY call on TOA as 1) we expect its strong earnings growth this year driven by lower oil-related raw material prices, 2) its valuation looks cheap at PEs of 23/20x in 2023-24F vs. its pre-COVID average PE of 36x, and 3) its long-term fundamental is solid with strong brand perception, solid distribution network, and net cash position.
- TOA's total sales increased 5% y-y in 2Q23 due to an increase in decorative and non-decorative product sales from higher sales volume (due to resumption of construction activities) and average selling price.
- Its gross margin improved to 35% in 2Q23 from 30% in 2Q22 due to higher average selling price but lower raw material costs.
- Its SG&A expenses slightly increased 3% y-y in 2Q23 due to higher employee costs, commissions and incentives, and freight expenses.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	5,201	5,038	5,445	5,654	5,458	Revenue	(3)	5	50	22,381	23,691
Gross profit	1,553	1,407	1,590	1,859	1,885	Gross profit	1	21	53	7,048	7,756
SG&A	999	1,009	1,092	1,040	1,025	SG&A	(1)	3	48	4,320	4,525
Operating profit	554	398	498	819	860	Operating profit	5	55	62	2,729	3,231
EBITDA	724	556	684	1,002	1,024	EBITDA	2	41	59	3,450	3,971
Other income	34	67	44	51	50	Other income	(3)	48	62	162	132
Other expense	0	0	0	0	0	Other expense					
Interest expense	10	10	9	17	4	Interest expense	(77)	(59)	83	26	27
Profit before tax	578	455	533	853	906	Profit before tax	6	57	61	2,865	3,336
Income tax	112	113	97	190	193	Income tax	2	73	67	573	667
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	4	11	(34)	(11)	(18)	Minority interests	na	na	na	(18)	(19)
Extraordinary items	(105)	1	(113)	(19)	47	Extraordinary items	na	na	na	0	0
Net profit	365	354	290	632	741	Net profit	17	103	60	2,274	2,649
Normalized profit	470	353	402	651	694	Normalized profit	7	48	59	2,274	2,649
EPS (Bt)	0.18	0.17	0.14	0.31	0.37	EPS (Bt)	17	103	60	1.12	1.31
Normalized EPS (Bt)	0.23	0.17	0.20	0.32	0.34	Normalized EPS (Bt)	7	48	59	1.12	1.31

Balance Sheet (consolidated)						Financial Ratios					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	6,860	6,279	6,323	7,477	7,481	Sales grow th	15.7	26.6	16.6	13.9	4.9
A/C receivable	3,631	3,645	3,640	3,867	3,700	Operating profit grow th	(9.6)	20.5	(1.3)	48.2	55.2
Inventory	3,282	3,778	3,293	2,997	3,016	EBITDA grow th	(7.1)	14.6	3.1	41.3	41.5
Other current assets	293	302	275	296	314	Norm profit grow th	(13.5)	28.6	0.3	45.8	47.6
Investment	0	0	0	0	0	Norm EPS grow th	(13.5)	28.6	0.3	45.8	47.6
Fixed assets	3,143	3,216	3,522	3,417	3,682	Gross margin	29.9	27.9	29.2	32.9	34.5
Other assets	2,427	2,555	2,300	2,361	2,819	Operating margin	10.7	7.9	9.2	14.5	15.8
Total assets	19,637	19,776	19,352	20,414	21,012	EBITDA margin	13.9	11.0	12.6	17.7	18.8
S-T debt	109	114	109	92	140	Norm net margin	9.0	7.0	7.4	11.5	12.7
A/C payable	4,395	4,665	3,882	4,077	4,223	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	498	407	458	643	657	Net D/E (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
L-T debt	0	41	50	65	132	Interest coverage (x)	75.3	57.2	72.8	58.1	259.5
Other liabilities	1,417	1,398	1,364	1,401	1,453	Interest rate	36.8	29.6	24.0	43.8	7.4
Minority interest	516	512	698	703	708	Effective tax rate	19.3	24.9	18.1	22.3	21.4
Shareholders' equity	12,702	12,639	12,792	13,434	13,700	ROA	9.7	7.2	8.2	13.1	13.4
Working capital	2,518	2,758	3,051	2,787	2,494	ROE	14.8	11.1	12.7	19.9	20.5
Total debt	109	154	158	157	272						
Net debt	(6,752)	(6,125)	(6,164)	(7,320)	(7,209)						

Sources: Company data, Thanachart estimates

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