

TOA Paint Thailand Pcl (TOA TB) - BUY

Saksid Phadthananarak | Email: saksid.pha@thanachartsec.co.th

Analyst Meeting**Key takeaways from the analyst meeting**

- **Strong sales are expected to maintain in 2H23F, making...**
 - **...its target sales growth of 8-10% easily achievable.**
 - **Gross margin should sustain at around 34-35% this year.**
 - **Cheap valuation at 21/18x PE in 2024-25F.**
- TOA see strong sales to continue in 2H23. Even though 3Q23 is low season, there are still demand from hotels and resorts' renovation while 4Q23 is high season. Thus, its target sales growth of 8-10% this year (vs. 9% y-y growth in 1H23 and our sales growth forecast of 8% y-y) should be easily achievable.
 - While sales in Thailand (85% of total sales) grew 8.5% y-y in 2Q23, sales in Vietnam (9% of total sales) fell by 14% y-y. TOA doesn't expect sales in Vietnam to recover back to the 2022 level this year as the property market in Vietnam is still weak, causing intense competition in the retail market in Vietnam.
 - Even though oil prices have rebound recently, TOA targets its gross margin of around 34-35% this year (vs. 33% in 1Q23 and 35% in 2Q23 and our gross margin forecast of 31.5%) as TiO2 prices in Europe are expected to fall in 4Q23 and TOA has used more TiO2 from China which the price is cheaper. The usage of TiO2 from China is now about 30% of the total and the price is about 20-30% cheaper than TiO2 price from Europe. Packaging costs are also decreasing.
 - We maintain our BUY call on TOA as;
 - 1) We expect its strong earnings growth this year driven by its gross margin recovery from lower raw material costs.
 - 2) Its valuation looks cheap at PEs of 21/18x in 2024/25F vs. its pre-COVID average PE of 35x.
 - 3) its long-term fundamental is solid with strong brand perception, solid distribution network, and net cash position.

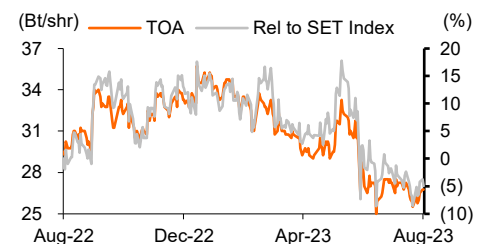
Key Valuations

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Revenue	20,649	22,381	23,691	25,061
Net profit	1,418	2,274	2,649	2,981
Norm net profit	1,672	2,274	2,649	2,981
Norm EPS (Bt)	0.8	1.1	1.3	1.5
Norm EPS gr (%)	(8.9)	36.0	16.5	12.5
Norm PE (x)	32.5	23.9	20.5	18.2
EV/EBITDA (x)	18.0	13.5	11.4	10.0
P/BV (x)	4.2	4.0	3.8	3.6
Div. yield (%)	1.9	2.9	3.4	3.8
ROE (%)	13.3	17.3	19.1	20.3
Net D/E (%)	(45.7)	(55.3)	(58.8)	(62.6)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	26.75
Target price (Bt)	38.00
Market cap (US\$ m)	1,553
Avg daily turnover (US\$ m)	1.7
12M H/L price (Bt)	35.75/25.00

Price Performance

Source: Bloomberg

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 25 Derivative Warrants which are CPALL16C2310A, DELTA16C2309A, EA16C2311A, EA16C2309A, GULF16C2311A, GULF16C2309A, HANA16C2312A, HANA16C2309A, HANA16C2308A, JMT16C2311A, JMART16C2310A, JMART16C2308A, KBANK16C2312A, KBANK16C2310A, KCE16C2309A, PTTEP16C2311A, SAWAD16C2312A, SAWAD16C2309A, SCB16C2311A, SET5016C2312A, SET5016P2312A, SET5016C2309B, SET5016C2309A, SET5016P2309A, TIDLOR16C2311A (underlying securities are (CPALL, DELTA, EA, GULF, HANA, JMART, JMT, KBANK, KCE, PTTEP, SAWAD, SCB, SET50, TIDLOR). 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: Moshi Moshi Retail Corporation Pcl. (MOSHI TB)