

TOA Paint (Thailand) (TOA TB) - BUY, Price Bt10.10, TP Bt15.00**Results Comment**

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

Strong 1Q25 earnings beat us

- TOA posted 1Q25 normalized earnings of Bt797m, up 22% y-y and 63% q-q. The results were higher than what we had expected. Its strong earnings growth was mainly due to higher gross margin from lower oil-related raw material costs. Including a Bt73m forex loss and Bt9m gain from fair value of financial assets, it reported a net profit of Bt733m in 1Q25.
- Even though its 1Q25 earnings beat our expectation, we maintain our full-year earnings forecast as we expect a recent rebound in oil prices to lower its gross margin in 2Q25F.
- Even though we forecast TOA's earnings to continue to fall 8% y-y this year due to the weak property market and domestic economy, we have a BUY call on TOA as we believe a significant fall in its share prices has already factored in those concerns. The share now trades at a 10x PE this year and next year.
- TOA's total sales were flat y-y as a fall in its domestic sales due to the weak domestic economy and property market was offset by an increase in its oversea sales mainly in Myanmar and Vietnam.
- A fall in oil-related material costs along with efficient raw material cost management allowed its gross margin in 1Q25 to improve to 37% vs. 36% in 1Q24.
- Its SG&A expenses in 1Q25 also fell by 2% y-y due to a decrease in allowance for doubtful accounts and employee expenses.

Income Statement (consolidated)					
Yr-end Dec (Bt m)	1Q24	2Q24	3Q24	4Q24	1Q25
Revenue	5,435	5,401	5,072	5,232	5,425
Gross profit	1,946	1,856	1,723	1,780	2,016
SG&A	1,075	1,123	1,109	1,173	1,053
Operating profit	871	733	614	606	963
EBITDA	1,062	929	804	796	1,147
Other income	50	55	52	60	42
Other expense	0	0	0	0	0
Interest expense	15	14	13	13	12
Profit before tax	907	774	653	653	993
Income tax	234	168	88	154	189
Equity & invest. income	0	0	0	0	0
Minority interests	(18)	(12)	(15)	(10)	(7)
Extraordinary items	150	(117)	(362)	(38)	(64)
Net profit	804	477	188	451	733
Normalized profit	654	594	550	489	797
EPS (Bt)	0.40	0.24	0.09	0.22	0.36
Normalized EPS (Bt)	0.32	0.29	0.27	0.24	0.39

Balance Sheet (consolidated)					
Yr-end Dec (Bt m)	1Q24	2Q24	3Q24	4Q24	1Q25
Cash & ST investment	8,718	7,313	6,746	7,304	7,440
A/C receivable	3,793	3,669	3,201	3,212	3,257
Inventory	3,411	3,338	3,384	3,171	3,095
Other current assets	429	482	430	432	511
Investment	0	0	0	0	0
Fixed assets	4,103	4,155	4,098	4,183	4,147
Other assets	2,419	2,374	2,320	2,453	2,310
Total assets	22,874	21,332	20,179	20,756	20,759
S-T debt	187	219	175	189	174
A/C payable	4,603	4,179	4,157	4,192	3,920
Other current liabilities	842	680	403	541	756
L-T debt	189	155	125	107	175
Other liabilities	1,331	1,295	1,266	1,356	1,325
Minority interest	760	772	705	709	663
Shareholders' equity	14,962	14,032	13,348	13,661	13,747
Working capital	2,602	2,829	2,427	2,191	2,432
Total debt	376	374	300	296	348
Net debt	(8,342)	(6,939)	(6,446)	(7,008)	(7,092)

Sources: Company data, Thanachart estimates

Income Statement 3M as					
(Bt m)	q-q%	y-y%	% 2025F	2025F	2026F
Revenue	4	(0)	27	20,233	20,859
Gross profit	13	4	29	6,934	7,069
SG&A	(10)	(2)	24	4,350	4,485
Operating profit	59	10	37	2,584	2,584
EBITDA	44	8	34	3,414	3,470
Other income	(29)	(15)	21	205	205
Other expense					
Interest expense	(7)	(19)	22	55	57
Profit before tax	52	10	36	2,734	2,732
Income tax	23	(19)	33	574	574
Equity & invest. income					
Minority interests	na	na	na	(60)	(62)
Extraordinary items	na	na	na	0	0
Net profit	63	(9)	35	2,100	2,097
Normalized profit	63	22	38	2,100	2,097
EPS (Bt)	63	(9)	35	1.04	1.03
Normalized EPS (Bt)	63	22	38	1.04	1.03

Financial Ratios (%)					
	1Q24	2Q24	3Q24	4Q24	1Q25
Sales grow th	(3.9)	(1.1)	(5.7)	(9.5)	(0.2)
Operating profit grow th	6.5	(15.3)	(16.7)	(24.4)	10.5
EBITDA grow th	6.0	(9.6)	(12.6)	(19.8)	8.0
Norm profit grow th	0.6	(14.4)	(7.4)	(28.1)	21.8
Norm EPS grow th	0.6	(14.4)	(7.4)	(28.1)	21.8
Gross margin	35.8	34.4	34.0	34.0	37.2
Operating margin	16.0	13.6	12.1	11.6	17.7
EBITDA margin	19.5	17.2	15.8	15.2	21.1
Norm net margin	12.0	11.0	10.8	9.3	14.7
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Interest coverage (x)	71.7	65.7	59.7	61.9	95.8
Interest rate	16.8	15.1	16.0	17.2	14.9
Effective tax rate	25.8	21.7	13.4	23.6	19.0
ROA	11.9	10.7	10.6	9.6	15.4
ROE	18.0	16.4	16.1	14.5	23.3

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