TOA Paint (Thailand) (TOA TB) - BUY, Price Bt16.60, TP Bt16.00

Results Comment

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Flat 2Q26 earnings beat forecast

- TOA posted 2Q26 normalized earnings of Bt794m, up 3% y-y but down 13% q-q, exceeding our expectations. The y-y growth was mainly driven by higher sales from price increases and sustained high gross margins, while the q-q decline reflected higher SG&A expenses. Including a Bt88m forex loss and Bt12m fair-value gain on financial assets, reported net profit was Bt794m in 2Q26.
- Despite concerns over rising oil prices, which could increase costs for oil-related raw materials and TiO_2 in 2H26F, TOA's 1H26 earnings account for 59% of our full-year forecast. We thus see potential upside to our estimates.
- We view TOA's fundamentals as strong, supported by its dominant 50% market share, 17–19% ROE, 5% dividend yield, and net cash position. However, with the share price now above our TP, we put our BUY call under review.
- Total sales increased by 4% y-y in 2Q26, driven by;
  1) 6% y-y increase in domestic sales (85% of total revenue) from retailers' inventory stockpiling and price hikes in March 2026
  2) 8% y-y drop in overseas sales (15% of total) mainly due to lower sales in Myanmar from stricter import controls on raw material and finished goods
- Gross margin improved to 40% in 2Q26 from 38% in 2Q25, as selling price hikes and efficient cost management more than offset higher raw material costs.
- SG&A expenses rose 8% y-y, mainly due to higher commissions, transportation, and sales and marketing staff costs.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Revenue	5,367	5,265	5,532	5,625	5,581
Gross profit	**2,037**	**1,997**	**2,236**	**2,272**	**2,235**
SG&A	1,127	1,129	1,170	1,143	1,213
Operating profit	910	867	1,066	1,129	1,022
EBITDA	**1,093**	**1,059**	**1,251**	**1,317**	**1,208**
Other income	56	39	53	56	63
Other expense	0	0	0	0	0
Interest expense	11	11	10	9	9
Profit before tax	**956**	**896**	**1,109**	**1,176**	**1,076**
Income tax	173	158	178	247	264
Equity & invest. income	0	0	0	0	0
Minority interests	(11)	(7)	(5)	(17)	(18)
Extraordinary items	(121)	(44)	(82)	41	(76)
Net profit	**652**	**688**	**844**	**953**	**718**
Normalized profit	**773**	**731**	**926**	**912**	**794**
EPS (Bt)	0.32	0.34	0.42	0.47	0.35
Normalized EPS (Bt)	0.38	0.36	0.46	0.45	0.39

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2026F	2026F	2027F
Revenue	(1)	4	49	22,934	23,553
Gross profit	**(2)**	**10**	**55**	**8,263**	**8,499**
SG&A	6	8	50	4,747	4,875
Operating profit	(10)	12	61	3,516	3,624
EBITDA	**(8)**	**11**	**59**	**4,285**	**4,457**
Other income	12	12	58	205	205
Other expense					
Interest expense	(4)	(18)	40	45	46
Profit before tax	**(9)**	**13**	**61**	**3,676**	**3,782**
Income tax	7	53	69	735	756
Equity & invest. income					
Minority interests	na	na	na	(60)	(62)
Extraordinary items	na	na	na	0	0
Net profit	**(25)**	**10**	**58**	**2,881**	**2,964**
Normalized profit	**(13)**	**3**	**59**	**2,881**	**2,964**
EPS (Bt)	(25)	10	58	1.42	1.46
Normalized EPS (Bt)	(13)	3	59	1.42	1.46

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Cash & ST investment	7,601	7,431	8,632	9,700	9,744
A/C receivable	3,187	3,089	3,212	3,397	3,216
Inventory	3,213	3,200	2,901	2,943	3,709
Other current assets	525	416	402	432	425
Investment	0	0	0	0	0
Fixed assets	4,172	4,282	4,283	4,297	4,287
Other assets	2,244	2,197	2,094	2,095	2,093
Total assets	**20,942**	**20,615**	**21,524**	**22,863**	**23,474**
S-T debt	186	234	193	193	186
A/C payable	4,199	4,013	4,173	4,254	5,002
Other current liabilities	662	521	634	872	786
L-T debt	181	146	112	64	28
Other liabilities	1,321	1,305	1,223	1,259	1,244
Minority interest	677	684	690	705	722
Shareholders' equity	**13,716**	**13,712**	**14,499**	**15,516**	**15,504**
Working capital	2,201	2,277	1,940	2,085	1,923
Total debt	367	380	304	257	215
Net debt	**(7,234)**	**(7,050)**	**(8,328)**	**(9,443)**	**(9,529)**

Financial Ratios					
(%)	2Q25	3Q25	4Q25	1Q26	2Q26
Sales growth	(0.6)	3.8	5.7	3.7	4.0
Operating profit growth	24.3	41.3	75.9	17.3	12.2
EBITDA growth	17.7	31.8	57.1	14.8	10.5
Norm profit growth	30.1	33.0	89.5	14.5	2.7
Norm EPS growth	30.1	33.0	89.5	14.5	2.7
Gross margin	38.0	37.9	40.4	40.4	40.1
Operating margin	17.0	16.5	19.3	20.1	18.3
EBITDA margin	20.4	20.1	22.6	23.4	21.6
Norm net margin	14.4	13.9	16.7	16.2	14.2
D/E (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (x)	(0.5)	(0.5)	(0.5)	(0.6)	(0.6)
Interest coverage (x)	101.3	100.5	127.3	142.1	136.1
Interest rate	12.1	11.3	11.5	13.2	15.1
Effective tax rate	18.1	17.6	16.0	21.0	24.5
ROA	14.8	14.1	17.6	16.4	13.7
ROE	22.5	21.3	26.3	24.3	20.5

Sources: Company data, ttb wealth estimates

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