

10 August 2022

Company Note

Rating

BUY

(Unchanged)

Company

Triple I Logistics

Bloomberg

III TB

SET

III

Exchange

SET

Sector

Thai Transportation

Net profit was in line; Air BU slightly better than expected

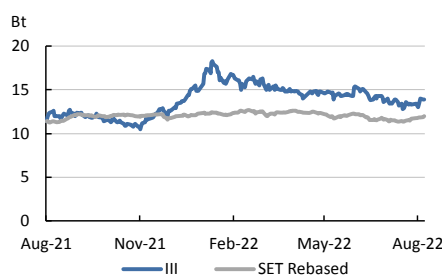
12mth price target (THB) 20.00

Current price (09/08/2022)	13.90
Upside/Downside	44%
CG rating	5
ESG rating	-
Thai CAC	Declared

Share summary

Issued shares:	(m shrs)	640.8
Market capitalization:	(THB bn)	9.8
	(USD bn)	0.3
Avg. Daily Turnover:	(THBm)	134.2
	(USDm)	3.8
Foreign Limit/Actual	(%)	49/11
Free Float:	(%)	50.0
NVDR:	(%)	1.5

Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
III	3.7	-5.4	13.0
SET	5.0	0.9	6.0

Major Shareholders

	%
Mr. Tippi Dalal and family	18.41
Mr. Viraj Nobnomtham	12.45
CGS-CIMB Securities (Singapore) Pte., Ltd.	9.67

Source: SET

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2Q22 net profit of Bt119m (+39% YoY, +6% QoQ) was in line

III's 2Q22 net profit of Bt119m was in line and another record high. Excluding extra items, the company booked a profit of Bt125m (+40% YoY, -8% QoQ). The restructuring of its shareholding in the Drop-off business, specifically the selling of its 43% stake in A.T.P. Friend Services Co., Ltd. (Shipsmile) to Sabuy Speed Co., Ltd. (SBS), was booked in other income vs. our expectation for it to be booked as an extra item. We maintain our 2022-24F revenue and earnings forecasts and Buy call. The company announced an interim dividend of Bt0.15 (XD: 24 Aug.).

Total revenue was a slight miss

Total revenue of Bt722m, up 12.5% YoY but down 3% QoQ, was supported by the sea freight/in-land transportation BU (+16% YoY, -15% QoQ) and logistics BU (+258% YoY, +14% QoQ). While the Air BU fell by 18% YoY and 15% QoQ due to lack of chartered flight revenue, it was still slightly better than expected. Meanwhile, the Chemical and DG warehouse BU saw revenue fall 6% YoY but stay flat QoQ. Blended gross margin narrowed YoY to 20% from 21.4% but rose QoQ from 16.1%. Key factors here were lower GPM in the Air BU (6.6% from 17.7% YoY and flat QoQ) and Sea Freight BU (20% vs. 28.5% YoY and 21% QoQ). SG&A to revenue of 11.8%, which includes an impairment from AirAsiaX, was still down YoY from 13.1% but up QoQ from 10.6%.

2022-24F revenue and earnings forecasts maintained

We maintain our 2022-24F revenue and net profit forecasts. Our 2022-24F GPM and SG&A to revenue assumptions are also unchanged. We have yet to factor in new business impact. Note that Triple I Railgistics previously planned to start in 2Q22 is also expected to be delayed.

Unchanged target price of Bt20.00 is based on 2022F PER of 30.3x

Our TP of Bt20.00 is unchanged, based on a 2022F PER of 30.3x, derived from the 1.5x PEG of the logistics sector and III's 2-year (2021-23F) Cagr of 20.2%. Key risks include heavy reliance on strategic partners/clients, volatility in freight rates, intensified competition, and sudden change in policy.

Forecasts and ratios

Year ended Dec 31	2020	2021	2022F	2023F	2024F
Revenue (THBm)	1,607	2,939	2,740	2,880	3,393
EBITDA (THBm)	306	563	714	861	1,091
Net profit (THBm)	162	377	484	553	688
EPS (THB)	0.27	0.56	0.68	0.73	0.90
EPS (% YoY)	1.1	106.2	20.9	6.5	24.4
EPS vs Cons (%)			(3)	4	-
PER (X)	17.0	24.7	20.4	19.2	15.4
Yield (%)	0.7	2.2	1.8	1.9	2.4
P/BV (X)	6.6	4.8	3.9	3.3	2.9
EV/EBITDA (X)	11.1	12.5	14.4	12.6	9.8
ROE (%)	12.6	23.6	22.0	19.5	20.3

Source: Company data, TISCO Research estimates

Figure 1. III 2Q22

Bt,m	2Q22	2Q21	% YoY	1Q22	% QoQ
Revenue	722	642	12.5%	745	-3.1%
Cost of revenue	577	504	14.5%	625	-7.6%
Gross Profit	145	137	5.3%	120	20.5%
SG&A	85	84	1.9%	79	7.7%
Share of profit of investments in JV	70	47	50.5%	82	-14.9%
EBIT	150	102	46.3%	133	12.5%
EBITDA	160	128	24.8%	160	0.3%
Financial cost	9	7	18.9%	9	2.0%
Net Profit before Tax	141	95	48.4%	124	13.2%
Income tax expenses	16	6	191.1%	9	74.9%
Net profit before extra items	125	89	39.5%	115	8.2%
Extra items	(6)	(4)	n.a.	(2)	n.a.
Net profit	119	86	39.0%	113	5.7%
EPS (Bt)	0.17	0.13	30.9%	0.18	-7.0%
Gross Margin (%)	20.0%	21.4%		16.1%	
SG&A expenses to sales ratio (%)	11.8%	13.1%		10.6%	
Net Profit Margin (%)	16.5%	13.4%		15.1%	

Source: TISCO Research estimates, Company data

Triple I Logistics

Rating : BUY

Bloomberg: III TB

Target price (THB)

20.00

Current Price (THB)

13.90

52-week Range

10.5 - 18.3

Market Capitalization

THBm

9,826

USDm

276

Fiscal year end 31-Dec

2020

2021

2022F

2023F

2024F

Income Statement (THBm)

Revenue from sales and services	1,607	2,939	2,740	2,880	3,393
Cost of sales and services	1,273	2,412	2,242	2,349	2,749
Gross Profit	334	527	498	531	644
S&A Expenses	321	361	338	323	380
Interest Expense	31	28	23	26	26
Net Result of Inv. in Asso.	135	223	394	426	522
Other Income	57	74	20	21	25
Income Tax from Operations	13	62	55	63	78
Net (Profit) Loss of NCI	14	0	(11)	(14)	(19)
Net Profit before Extra. Items	161	373	495	567	706
Extra items	(13)	4	0	0	0
Net Profit	162	377	484	553	688

Cash Flow (THBm)

Net Profit	162	377	484	553	688
Depreciation and Amortization	101	100	140	205	280
Change in working capital	(48)	(121)	11	(30)	(20)
Cash flow from operations (CFO)	215	357	635	728	948
Investment	(476)	(109)	0	0	0
Capex	(27)	(590)	(440)	(705)	(480)
Cash Flows from Investing (CFI)	(503)	(699)	(440)	(705)	(480)
Debt financing	278	92	(250)	0	0
Dividend paid	(91)	(198)	(177)	(202)	(252)
Share capital and premium	(0)	305	305	305	0
Other equity adjustment	(51)	123	0	0	0
Cash Flows from Financing (CFF)	136	322	(123)	102	(252)
Net cash increase/Decrease	(152)	(20)	72	125	216

Balance Sheet (THBm)

Current Assets	585	866	911	1,077	1,323
Current Liabilities	620	848	832	842	852
Total Assets	2,406	3,266	3,612	4,277	4,723
Total Liabilities	1,115	1,366	1,100	1,110	1,120
Minority Interest	0	0	0	0	0
Total Equity	1,291	1,900	2,512	3,167	3,603
Paid-up Capital	305	330	355	381	381
Share Premium	709	709	709	709	709
Retained Earnings	278	458	765	1,115	1,511
Equity Adjustment	(1)	403	683	962	1,002

Key Company Metrics

Revenue growth (%)	(40.7)	82.9	(6.8)	5.1	17.8
Net Profit growth (%)	(1.2)	132.2	28.4	14.1	24.4
Gross Margin (%)	20.8	17.9	18.2	18.4	19.0
SG&A to sale (%)	20.0	12.3	12.3	11.2	11.2
EBITDA Margin (%)	19.1	19.2	26.1	29.9	32.2
Net Margin (%)	10.1	12.8	17.7	19.2	20.3
ROE (%)	12.6	23.6	22.0	19.5	20.3
ROA (%)	7.0	13.3	14.1	14.0	15.3
Net debt/equity (x)	0.5	0.4	0.2	0.1	0.0
Net interest cover (x)	9.7	20.1	30.7	32.9	41.7

Key Assumptions

Revenue growth by key business (%)					
- Air freight	(58.8)	79.8	(13.1)	1.6	20.0
- Sea freight	(42.6)	118.3	145.5	23.6	24.4
- Chemical and dangerous goods	(0.7)	46.5	(9.2)	4.3	15.2
- Logistics	(3.0)	175.3	(31.0)	7.4	9.1

Quarterly Results (THBm)

	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue from sales and services	642	606	1,059	745	722
Cost of sales and services	504	486	905	625	577
Gross Profit	137	119	154	120	145
S&A Expenses	84	80	112	79	85
Interest Expense	7	7	6	9	9
Net Result of Inv. in Asso.	47	47	77	82	70
Other Income	2	55	13	10	20
Income Tax from Operations	6	39	10	9	16
Net (Profit) Loss of NCI	0	0	0	0	0
Net Profit before Extra. Items	89	94	115	115	125
Extra items	(4)	6	(1)	(2)	(6)
Net Profit	86	100	114	113	119

Source: Company data, TISCO Research estimates

Company profile

III has operated as a logistics services provider for more than 30 years and is currently one of the leading integrated logistics service providers in Thailand. The company's key business units consist of 1) air freight forwarder, Cargo General Sales Agent (GSA) and air cargo terminal services, 2) sea freight forwarder and inland transport, 3) logistics management, and 4) chemical and specialty logistics, packaging and warehouse services.

Valuation

Our target price is based on a 2022F PER of 30.3x. This is derived from the logistics sector PEG of 1.5x and III's projected 2-year (2021-23F) Cagr of 20.2%.

Risk

Key risks include heavy reliance on strategic partners/clients, volatility in freight rates, intensified competition in the fragmented logistics sector, damage or delays, contract termination, and sudden change in policy.

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 Corporate Governance Report of Thai Listed Companies 2021	Score Range	Level	Description
	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
	50 - 59	1	Pass
	< 50	n.a.	n.a.
		N/R	Does not appear in the CGR report

Anti-Corruption Progress Indicator :	
Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 26, 2021) are categorised into :	
Certified :	Companies certified by CAC.
Declared :	Companies that have declared their intention to join CAC.
Ensure its compliance by parent company	Ensure its compliance by parent company The company declares that its parent company is under the Bribery Act or other similar laws that required parent company to be responsible for bribery act of its overseas subsidiaries. Such responsibilities shall include the establishment of policy, practices and investigation and ensure that its subsidiaries regularly comply with the policy and practices.
n.a.	Not intention to join CAC. / no policy
Disclaimer The disclosure of the Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of October 26, 2021) Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, TISCO Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.	

ESG Rating
The Thaipat ESG Index is designed to represent the performance of the selected Thai listed companies that are constituents of the ESG100 Universe, the 100 outstanding performers in terms of Environmental, Social and Governance (ESG) listed in Thai stock market (Both SET and mai), assessed by ESG Rating company, a whole subsidiary of Thaipat Institute.

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