

9 November 2022

## Company Note

Rating

**BUY**

(Unchanged)

Company

## Triple I Logistics

Bloomberg

III TB

SET

III

Exchange

SET

Sector

Transportation

## Results impress with record high earnings

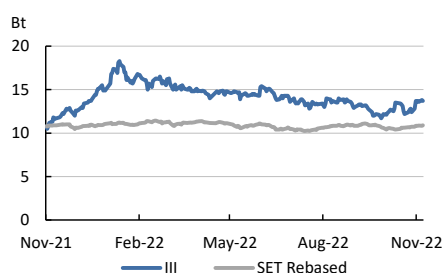
**12mth price target (THB) 17.50**

Current price (01/11/2022)	13.70
Upside/Downside	28%
CG rating	5
ESG rating	-
Thai CAC	Declared

### Share summary

Issued shares :	(m shrs)	640.8
Market capitalization:	(THB bn)	9.7
	(USD bn)	0.3
Avg. Daily Turnover:	(THBm)	116.1
	(USDm)	3.1
Foreign Limit/Actual	(%)	49/10
Free Float:	(%)	50.0
NVDR:	(%)	1.6

### Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
III	10.5	-1.4	25.7
SET	3.3	0.9	0.4

### Major Shareholders

%

Mr. Tipp Dalal and family	18.41
Mr. Viraj Nobnomtham	12.05
CGS-CIMB Securities (Singapore) Pte., Ltd.	9.36

Source: SET

Rasmiman Sermprasert

(ID : 018175)

(66) 2633 6421

rasmiman@tisco.co.th

**Record high 3Q net profit of Bt146m (+46% YoY, +23% QoQ), beating estimates**  
III reported another record high net profit for 3Q22 at Bt146m (+46% YoY, +23% QoQ), surpassing our forecast. Widening of gross margin and fatter-than-expected equity income were the key factors. Still, revenue missed expectation due mainly to a sharp plunge in sea freight rate. We maintain our revenue and earnings forecasts. With freight rate risk declining going forward, we reiterate Buy with an unchanged TP of Bt17.50.

### Total revenue at Bt744m (+23% YoY, +3% QoQ) was below expectation

The company booked total 3Q revenue of Bt744m, up 23% YoY and 3% QoQ. Yet this was still lower than expected due to a sharp plunge in sea freight rate and softer demand on freight volume. Overall revenue was supported by the Air Freight BU, which contributes c50% of total revenue. The BU saw volume growth in line with improved travel sentiment and more international flights while the chemical warehouse BU and logistics BU (related to e-commerce) also grew YoY. Blended gross margin surged to a record high of 24% vs. 19.7% YoY and 20% QoQ, in line with greater aircraft movement (more belly capacity from flights and ground handling at Don Muang Airport and Phuket International Airport). SG&A to revenue of 12%, vs. 13.2% YoY and 11.8% QoQ, was in line while equity income was better than expected (+54% YoY, +3% QoQ), primarily on ANI, DG Packaging, Ecu Worldwide and AOTGA.

### 2023-25F earnings forecasts maintained

Despite the impressive gross margin, we conservatively maintain our revenue and earnings forecasts for 2022-25F as 9M22A contributed 73% of our full-year revenue and 75% of our full-year net profit forecasts.

### Unchanged target price of Bt17.50 is based on 2023F PER of 18.4x

Our TP of Bt17.50 is unchanged and based on a 2023F PER of 18.4x, derived from the 1.1x PEG of the logistics sector and III's 2-year (2023-25F) Cagr of 16.7%. 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	2021	2022F	2023F	2024F	2025F
Revenue (THBm)	2,939	3,044	3,270	3,553	3,637
EBITDA (THBm)	563	742	1,049	1,243	1,405
Net profit (THBm)	377	505	774	900	1,052
Net Profit (% chg from prev)	-	-	-	-	-
EPS (THB)	0.56	0.71	0.95	1.11	1.29
EPS (% YoY)	106.2	26.9	33.3	16.3	16.8
EPS vs Cons (%)	-	1	13	-	-
PER (X)	24.3	19.2	14.4	12.4	10.6
Yield (%)	2.2	1.9	2.5	3.0	3.5
P/BV (X)	5.2	3.6	3.2	2.7	2.4
EV/EBITDA (X)	12.0	13.6	10.2	8.6	6.4
ROE (%)	24.9	23.0	25.2	23.8	23.9

Source: Company data, TISCO Research estimates

Figure 1. Flash Result: III 3Q22

Bt,m	3Q22	3Q22	% YoY	2Q22	% QoQ	9M22	9M21	% YoY
Revenue	744	606	22.9%	722	3.1%	2,210	1,880	17.6%
Cost of revenue	565	486	16.3%	577	-2.0%	1,767	1,507	17.3%
Gross Profit	179	119	49.7%	145	23.5%	443	374	18.7%
SG&A	89	80	11.2%	85	4.5%	254	249	1.7%
Share of profit of investments in JV	72	47	54.4%	70	2.7%	225	147	53.2%
EBIT	168	140	19.9%	150	12.3%	451	332	36.1%
EBITDA	190	166	14.8%	166	14.5%	516	409	26.1%
Financial cost	8	7	14.4%	9	-7.2%	26	22	19.0%
Net Profit before Tax	160	133	20.2%	141	13.6%	425	310	37.3%
Income tax expenses	18	39	-53.0%	16	11.9%	44	52	-15.9%
Net profit before extra items	142	94	50.3%	125	13.8%	382	258	48.0%
Extra items	4	6	n.a.	(6)	n.a.	(4)	6	n.a.
<b>Net profit</b>	<b>146</b>	<b>100</b>	<b>45.9%</b>	<b>119</b>	<b>22.8%</b>	<b>378</b>	<b>263</b>	<b>43.5%</b>
EPS (Bt)	0.21	0.15	37.2%	0.17	22.6%	0.56	0.40	37.7%
Gross Margin (%)	24.0%	19.7%		20.0%		20.1%	19.9%	
SG&A expenses to sales ratio (%)	12.0%	13.2%		11.8%		11.5%	13.3%	
Net Profit Margin (%)	19.7%	16.6%		16.5%		17.1%	14.0%	

Source: SET, Company data

## Triple I Logistics

Rating : BUY

<b>Bloomberg: III TB</b>	<b>Target price (THB)</b>	<b>17.50</b>
	<b>Current Price (THB)</b>	<b>13.70</b>
	<b>52-week Range</b>	<b>10.5 - 18.3</b>

<b>Market Capitalization</b>	
<b>THBm</b>	<b>9,740</b>
<b>USDm</b>	<b>259</b>

Fiscal year end 31-Dec

	2021	2022F	2023F	2024F	2025F
<b>Income Statement (THBm)</b>					
Revenue from sales and services	2,939	3,044	3,270	3,553	3,637
Cost of sales and services	2,412	2,522	2,687	2,920	2,983
Gross Profit	527	522	583	633	654
S&A Expenses	361	349	375	408	417
Interest Expense	28	55	26	26	21
Net Result of Inv. in Asso.	223	394	651	777	927
Other Income	74	50	40	40	41
Income Tax from Operations	62	56	87	102	118
Net (Profit) Loss of NCI	0	0	(11)	(14)	(14)
Net Profit before Extra. Items	373	505	785	914	1,066
Extra items	4	0	0	0	0
Net Profit	377	505	774	900	1,052

<b>Cash Flow (THBm)</b>					
Net Profit	377	505	774	900	1,052
Depreciation and Amortization	100	125	150	200	200
Change in working capital	(159)	12	(15)	(25)	(18)
<b>Cash flow from operations (CFO)</b>	<b>319</b>	<b>642</b>	<b>909</b>	<b>1,075</b>	<b>1,234</b>
Investment	(121)	(387)	0	0	0
Capex	(89)	(625)	(150)	(700)	800
<b>Cash Flows from Investing (CFI)</b>	<b>(210)</b>	<b>(1,012)</b>	<b>(150)</b>	<b>(700)</b>	<b>800</b>
Debt financing	(116)	304	(484)	0	0
Dividend paid	(121)	(185)	(283)	(329)	(385)
Share capital and premium	68	584	350	0	0
Other equity adjustment	117	6	0	0	0
<b>Cash Flows from Financing (CFF)</b>	<b>(51)</b>	<b>708</b>	<b>(417)</b>	<b>(329)</b>	<b>(385)</b>
<b>Net cash increase/Decrease</b>	<b>58</b>	<b>339</b>	<b>342</b>	<b>46</b>	<b>1,649</b>

<b>Balance Sheet (THBm)</b>					
Current Assets	1,038	1,167	1,542	1,638	3,323
Current Liabilities	830	740	758	783	802
Total Assets	2,946	3,961	4,335	4,931	5,617
Total Liabilities	1,205	1,307	840	866	885
Minority Interest	0	0	0	0	0
Total Equity	1,742	2,654	3,495	4,066	4,732
Paid-up Capital	310	336	406	406	406
Share Premium	771	1,330	1,609	1,609	1,609
Retained Earnings	538	858	1,349	1,880	2,546
Equity Adjustment	122	130	130	171	171

<b>Key Company Metrics</b>					
Revenue growth (%)	82.9	3.6	7.4	8.7	2.4
Net Profit growth (%)	132.2	33.9	53.2	16.3	16.8
Gross Margin (%)	17.9	17.2	17.8	17.8	18.0
SG&A to sale (%)	12.3	11.5	11.5	11.5	11.5
EBITDA Margin (%)	19.2	24.4	32.1	35.0	38.6
Net Margin (%)	12.8	16.6	23.7	25.3	28.9
ROE (%)	24.9	23.0	25.2	23.8	23.9
ROA (%)	14.1	14.6	18.7	19.4	19.9
Net debt/equity (x)	0.3	0.2	(0.1)	(0.1)	(0.4)
Net interest cover (x)	20.1	13.4	39.9	47.3	67.6

<b>Key Assumptions</b>					
Revenue growth by key business (%)					
- Air freight	79.8	(13.4)	1.6	5.0	3.0
- Sea freight	118.3	31.0	107.6	21.1	(3.7)
- Chemical and dangerous goods	46.5	(9.2)	4.3	4.4	3.0
- Logistics	175.3	57.9	2.8	14.9	3.0

<b>Quarterly Results (THBm)</b>	<b>3Q21</b>	<b>4Q21</b>	<b>1Q22</b>	<b>2Q22</b>	<b>3Q22</b>
Revenue from sales and services	606	1,059	745	722	744
Cost of sales and services	486	905	625	577	565
Gross Profit	119	154	120	145	179
S&A Expenses	80	112	79	85	89
Interest Expense	7	6	9	9	8
Net Result of Inv. in Asso.	47	77	82	70	72
Other Income	55	13	10	20	7
Income Tax from Operations	39	10	9	16	18
Net (Profit) Loss of NCI	0	0	0	0	0
Net Profit before Extra. Items	94	115	115	125	142
Extra items	6	(1)	(2)	(6)	4
Net Profit	100	114	113	119	146

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 2023F PER of 18.4x. This is derived from the logistics sector PEG of 1.1x and III's projected 2-year (2023-25F) Cagr of 16.7%.

### 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.

**Rasmiman Sermprasert**  
+66 (2) 633 6421  
rasmiman@tisco.co.th

# TISCO Securities Company Limited

www.tiscosec.com

## Bangkok

48/8 TISCO Tower 4th Floor, North Sathorn Road,  
Bangkok 10500, Thailand  
Tel : (66) 2633 6000 Ext.5 Fax : (66) 2633 6490, (66) 2633 6660

## Nakhon Pathom

386, 388 Petchkasem Road, Prapatone, Muang District,  
Nakhon Pathom 73000  
Tel: 0 3414 2000 Fax: 0 3425 1676

## Udon Thani


227/1 Soi Udondussadee 3, Udondussadee Road,  
Muang District, Udon Thani 41000  
Tel: 0 4224 6888 Fax: 0 4224 5793

## Chiang Mai

275/4, 2nd Floor, Chang Phuak Road, Chang Phuak,  
Muang District, Chiang Mai 50300  
Tel. 0 5322 4722 Fax. 0 5322 4711

## Nakhon Ratchasima

1936/3 Zone A, Mittraphap Road, Naimuang,  
Muang District, Nakhon Ratchasima 30000  
Tel: 0 4425 7752 Fax: 0 4425 3752

 <b>Corporate Governance Report of Thai Listed Companies 2021</b>	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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