

COMPANY RESULTS

Thai Vegetable Oil (TVO TB)

3Q19: Earnings In Line With Expectation

3Q19 earnings came in at Bt377m, declining 18% yoy but increasing 34% qoq. 3Q19 sales dropped yoy and qoq on lower soybean meal and soybean oil ASPs. 3Q19 gross margin came in at 10.3%, declining yoy. 4Q19 earnings should improve yoy and qoq on a wider gross margin. 2020 earnings are expected to grow by more than 20% yoy from a relatively low earnings base in 2019. Upgrade to BUY with a new target price of Bt29.50.

3Q19 RESULTS

Year to 31 Dec (Btm)	3Q18	2Q19	3Q19	yoy % chg	qoq % chg	Remarks
Sales	6,477	5,925	5,788	-11	-2	Sales declined both yoy and qoq from lower ASP of both soybean meal and soybean oil.
Gross profit	852	514	596	-30	16	
SG&A expense	271	205	190	-30	-7	
Other income	-3	54	74	-2429	36	
EBT	577	362	479	-17	32	
EBIT	578	363	480	-17	32	
Net profit	457	280	377	-18	34	
Ratio (%)						
Gross margins	13.16	8.67	10.30			
EBITDA margins	10.20	7.71	9.92			
Net margins	7.05	4.73	6.51			
DE-x	-	-	-			

Source: Thai Vegetable Oil Plc., UOB Kay Hian

RESULTS

- **3Q19 earnings in line with expectation.** 3Q19 earnings came in at Bt377m, declining 18% yoy but surging 34% qoq. The earnings are in line with our expectation and consensus estimates. 3Q19 sales declined 11% yoy and 2% qoq from lower soybean meal and soybean oil ASPs. 3Q19's gross margin reached 10.3%, declining from 13.2% in 3Q18 but improving from 8.7% in 2Q19. 3Q19 cost-to-income ratio was at 3.3%, dropping from 4.2% in 3Q18.

KEY FINANCIALS

Year to 31 Dec (Btm)	2017	2018	2019F	2020F	2021F
Net turnover	24,568	25,077	23,516	25,230	27,789
EBITDA	1,697	2,385	2,013	2,432	2,643
Operating profit	1,347	2,046	1,524	1,914	2,098
Net profit (rep./act.)	1,327	1,867	1,346	1,697	1,863
Net profit (adj.)	1,303	1,783	1,349	1,689	1,855
EPS (Bt)	1.7	2.4	1.8	2.2	2.5
PE (x)	14.4	10.5	13.9	11.1	10.1
P/B (x)	2.3	2.2	2.3	2.1	2.0
EV/EBITDA (x)	12.3	8.7	10.3	8.6	7.9
Dividend yield (%)	5.7	7.6	5.5	6.9	7.6
Net margin (%)	5.4	7.4	5.7	6.7	6.7
Net debt/(cash) to equity (%)	12.2	1.3	2.3	(5.3)	(9.0)
Interest cover (x)	452.5	681.4	681.0	1,155.0	1,255.5
ROE (%)	15.9	22.4	16.1	19.8	20.5
Consensus net profit	-	-	1,534	1,676	1,841
UOBKH/Consensus (x)	-	-	0.88	1.01	1.01

Source: Thai Vegetable Oil Plc., Bloomberg, UOB Kay Hian

BUY

(Upgraded)

Share Price	Bt25.00
Target Price	Bt29.50
Upside	+18.0%
(Previous TP	Bt30.25)

COMPANY DESCRIPTION

Manufacture and distribution of soy meal and soybean oil.

STOCK DATA

GICS sector	Consumer Staples
Bloomberg ticker:	TVO TB
Shares issued (m):	808.6
Market cap (Btm):	20,215.3
Market cap (US\$m):	669.3
3-mth avg daily t'over (US\$m):	0.7

Price Performance (%)

52-week high/low Bt29.75/Bt25.00

1mth	3mth	6mth	1yr	YTD
(1.0)	(8.3)	(7.4)	(12.3)	(5.7)

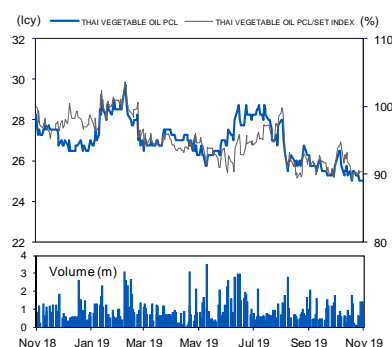
Major Shareholders

Shareholder	%
Miss SUDARATH VITAYATANAGORN	7.2
MR. VICHAI VITAYATHANAGORN	6.6
MRS. RATTANA CHANPITAKSA	5.2

FY19 NAV/Share (Bt) 11.02

FY19 Net Debt/Share (Bt) 0.25

PRICE CHART



Source: Bloomberg

ANALYST(S)

Thunya Sutavepramochoan
+662 659 8031
thunya@uobkayhian.co.th

STOCK IMPACT

- **4Q19 earnings to improve yoy and qoq.** Key drivers are: a) wider gross margin from lower raw material costs; and b) relatively low earnings base in 4Q18. We expect 2019's full year earnings to decline 28% yoy due to the very high earnings base in 2018 from a very strong gross margin at 13%.
- **2020 earnings to grow more than 20% yoy.** TVO targets to achieve 2020 sales growth of 5-10% yoy on the back of: a) higher selling volumes of both soybean meal and soybean oil; and b) slightly higher soybean meal and soybean oil ASPs. If Thailand were to be hit by an African Swine Fever (ASF) outbreak, TVO believes that it would actually provide an opportunity to sell more soybean meal. This is because livestock farmers would buy less imported soybean meal volumes (which normally arrive in bulk) and would turn towards buying more domestic soybean meal instead due to the flexibility of being able to buy in small quantities. Meanwhile, TVO foresees global soybean prices at US\$9.00-9.50 per bushel in 2020, up slightly yoy. This is because the lower global soybean supply projected for 2020 would be partially offset by weaker feed demand from China due to the ASF outbreak. In addition, the company is diversifying towards selling more chicken feed and aqua feed (from existing sale proportion of: swine feed at 50% and chicken feed at 50%).

EARNINGS REVISION/RISK

- We revise our 2019-20 earnings projections as 4Q19 raw material cost would be lower than we had expected. While we trim our 2020 earnings projection due to a more cautious view on gross margin.

EARNINGS REVISION TABLE

	2017	2018	----- 2019F -----		----- 2020F -----	
			Old	New	Old	New
Net profit (Btm)	1,327	1,867	1,258	1,346	1,746	1,697
%chg.			0.0	7.0	0.0	(2.8)
%yoy	(51.8)	40.8	(32.6)	(27.9)	38.8	26.0
Gross margin (%)	10.8	13.1	10.6	10.4	12.6	12.1
Sales growth (%)	(13.0)	2.1	(2.0)	(6.2)	6.7	7.3

Source: UOB Kay Hian

VALUATION/RECOMMENDATION

- We upgrade to BUY with a new target price at Bt29.50, pegged at 14x 2020F PE or +0.5SD to its 5-year mean. 2020 earnings should grow by more than 20% yoy and 2020 dividend yield at 6.9% is attractive.

SHARE PRICE CATALYST

- Strong demand for soybean imports from China.

TVO PE BAND CHART



Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Net turnover	25,077	23,516	25,230	27,789
EBITDA	2,385	2,013	2,432	2,643
Deprec. & amort.	339	489	517	545
EBIT	2,046	1,524	1,914	2,098
Total other non-operating income	160	204	214	235
Net interest income/(expense)	(3.5)	(3.0)	(2.1)	(2.1)
Pre-tax profit	2,202	1,725	2,126	2,331
Tax	(398)	(329)	(407)	(446)
Minorities	(39)	(47)	(32)	(32)
Net profit	1,867	1,346	1,697	1,863
Net profit (adj.)	1,783	1,349	1,689	1,855

BALANCE SHEET

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Fixed assets	2,791	2,778	2,761	2,715
Other LT assets	143	287	150	109
Cash/ST investment	214	513	469	845
Other current assets	7,889	8,039	8,416	8,972
Total assets	11,038	11,618	11,796	12,641
ST debt	326	700	0.0	0.0
Other current liabilities	1,747	2,094	2,349	2,693
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	120	120	120	120
Shareholders' equity	8,469	8,281	8,872	9,341
Minority interest	377	423	455	487
Total liabilities & equity	11,038	11,618	11,796	12,641

CASH FLOW

Year to 31 Dec (Btm)	2018	2019F	2020F	2021F
Operating	3,652	2,213	2,230	2,072
Pre-tax profit	2,202	1,725	2,126	2,331
Tax	(398)	(329)	(407)	(446)
Deprec. & amort.	339	489	517	545
Working capital changes	1,093	48	(392)	(782)
Non-cash items	0.2	0.0	0.0	0.0
Other operating cashflows	416	280	385	424
Investing	(1,149)	(800)	(500)	(334)
Capex (growth)	(440)	(800)	(500)	(500)
Investments	(771)	0.0	0.0	166
Others	62	0.0	0.0	0.0
Financing	(2,491)	(1,114)	(1,774)	(1,362)
Dividend payments	(1,576)	(1,534)	(1,106)	(1,394)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	n.a.	n.a.	n.a.	n.a.
Loan repayment	0.0	700	(700)	0.0
Others/interest paid	(915)	(279)	32	32
Net cash inflow (outflow)	12	299	(44)	376
Beginning cash & cash equivalent	202	214	513	469
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	214	513	469	845

KEY METRICS

Year to 31 Dec (%)	2018	2019F	2020F	2021F
Profitability				
EBITDA margin	9.5	8.6	9.6	9.5
Pre-tax margin	8.8	7.3	8.4	8.4
Net margin	7.4	5.7	6.7	6.7
ROA	16.5	11.9	14.5	15.2
ROE	22.4	16.1	19.8	20.5
Growth				
Turnover	2.1	(6.2)	7.3	10.1
EBITDA	40.6	(15.6)	20.8	8.7
Pre-tax profit	41.8	(21.7)	23.3	9.6
Net profit	40.8	(27.9)	26.0	9.8
Net profit (adj.)	36.8	(24.4)	25.2	9.8
EPS	36.8	(24.4)	25.2	9.8
Leverage				
Debt to total capital	3.6	7.4	0.0	0.0
Debt to equity	3.9	8.5	0.0	0.0
Net debt/(cash) to equity	1.3	2.3	(5.3)	(9.0)
Interest cover (x)	681.4	681.0	1,155.0	1,255.5

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2019, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W

Research Talent Development Grant Scheme

Reports indicated as such are prepared under the Research Talent Development Grant Scheme where MAS provides co-funding to groom research talent to initiate research coverage primarily of mid-small cap SGX listed companies.