

AUCT: A margin contraction pressured 1Q20 earnings



Result

AUCT's 1Q20 net profit was at Bt52m (-13%YoY, -30%QoQ), which accounted for 20% of our 2020E forecast and lower than our forecast due to impact from the adoption of TFRS16.

- The fall in 1Q20 earnings was primarily pressured by gross profit margin contraction to 49.2% from 54.6% in 1Q19 due to an increase in depreciation charge (+108%YoY) to Bt35m from the adoption of TFRS16.
- Meanwhile, revenue grew at Bt233m (+18%YoY, +3%QoQ), driven by higher vehicle units that entered the auction. EBITDA also surged by 27%YoY to Bt109m, the record level.
- Expect 2Q20 performance to soft QoQ and should be the bottom quarter due to low seasonality and expected drop in auction volume caused by temporary closure of auction yard in April-May under government orders. However, any price weakness should provide an opportunity to accumulate for 7% dividend yield.

We maintain our BUY rating with a target price of Bt9.6 based on 20xPE'20, the Thai consumer discretionary sector.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	19.8	14.5	12.8	12.8	15.1
Recurring net profit growth (%)	65.5	36.9	12.7	(0.0)	(14.9)
Recurring EPS (Bt)	0.31	0.42	0.48	0.48	0.41
Recurring EPS growth (%)	65.5	36.9	12.7	(0.0)	(14.9)
PBV (x)	7.1	6.5	6.3	6.2	6.0
BVPS (Bt)	0.9	0.9	1.0	1.0	1.0
ROE (%)	36.9	47.2	50.2	48.7	40.4
DPS (Bt)	0.30	0.40	0.45	0.45	0.38
Dividend yield (%)	4.9	6.5	7.3	7.3	6.2
Enterprise value (Bt m)	3,045	2,990	2,923	2,752	2,707
EV-to-EBITDA (x)	11.7	8.8	7.6	7.2	8.0

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Recommendation: BUY

Current price*: Bt7.15

Target price: Bt9.6

Up/(downside): 34%

IOD: 4 out of 5

CAC: N/A

Stock data

RIC code	AUCTm.BK
Index	.SETI
SET Index (8 May 2020)	1,266.02
Market cap (Bt m)	3,383
Shares outstanding (million)	550
Par (Bt)	0.25

