

Thai Tap Water Supply Pcl.

January 31, 2025

# TTW

Expect 4Q24 earnings to drop on one-time impact

**OUTPERFORM**

Maintain Rating

**Valuation: SOTP**
**Target Price/Upside:**
**Bt10.30/15.08%**

Maintain Target Price

**Price (Jan 30, 2025)**
**Bt8.95**

Sector: Energy &amp; Utilities

No. of shares on issue:

3,990mn

Market Cap: Bt35,910mn

CG Scoring (IOD-Y2023):

Excellent

30-day avg turnover: Bt18.60mn

Anti-Corruption Indicator:

N/A

## Investment fundamentals

Year end Dec 31	2023A	2024E	2025E	2026E
<b>Company Financials</b>				
Revenue (Btmn)	5,709	4,984	5,078	5,183
Core profit (Btmn)	2,932	2,753	2,994	3,111
Net profit (Btmn)	2,932	2,753	2,994	3,111
Net EPS (Bt)	0.73	0.69	0.75	0.78
DPS (Bt)	0.60	0.60	0.60	0.60
BVPS (Bt)	3.82	3.91	4.06	4.24
Net EPS growth (%)	-1.17	-6.10	8.73	3.93
ROA (%)	14.11	13.52	15.05	16.01
ROE (%)	19.58	17.86	18.83	18.79
Net D/E (x)	0.09	0.03	N/A	N/A
<b>Valuation</b>				
P/E (x)	12.45	13.19	12.13	11.67
P/BV (x)	2.40	2.33	2.24	2.15
EV/EBITDA (x)	8.47	9.79	9.12	8.73
Dividend yield (%)	6.56	6.59	6.59	6.59

## Investment Topics

- **Expect 4Q24 earnings to fall YoY and QoQ.** We expect TTW will report earnings of Bt712mn in 4Q24, down 14% YoY and 22% QoQ. The YoY decrease is mainly due to the absence of a Bt73mn tax benefit from a land transfer to PWA. The QoQ decline is driven by an expected lower profit contribution from its associate, CKP, by Bt203mn, as CKP is likely to report an FX loss in 4Q instead of a gain in 3Q.
- **Expect tap water earnings to be flat YoY, QoQ.** Excluding profit contributions from CKP's operations and tax benefits from land transfers to PWA, earnings are expected to be flat YoY and QoQ at Bt618mn. Sales volume increased significantly by 9% YoY to 79mn CUM. However, earnings remained flat YoY as the average selling price dropped from Bt17.5/CUM to Bt16/CUM following price negotiations with PWA. The expected stable QoQ performance reflects flat sales volume growth, as further expansion is likely limited after the price cut. Note that PTW's market share has already grown from 77% in 2023 to an estimated 86% in 2024.

## Valuation and Recommendation

- **Maintain Outperform rating and TP of Bt10.30 due to attractive dividend.** Our valuation for TTW is based on the dividend discount model, applying a discount rate of 8% that yields a target price of Bt8.3, plus an additional Bt2 for its associate CKP, in which TTW holds a 25% stake. We also expect the company will maintain an annual dividend of Bt0.6, reflecting a 90% payout ratio (excluding profit contributions from CKP), which represents an annual dividend yield of 6-7%.

### Analyst

**Suksit Wongwanich, CFA**

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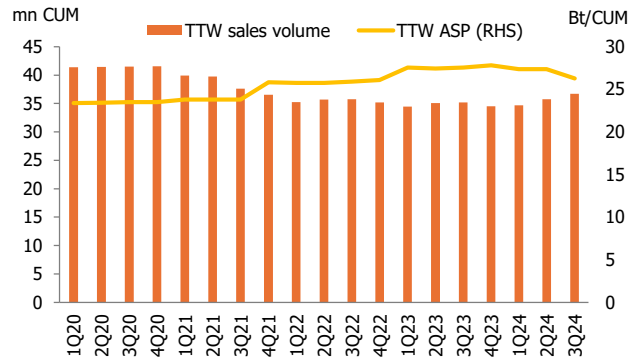
### Assistant Analyst

**Chitsanupong Chaopaknam**

	4Q23	1Q24	2Q24	3Q24	4Q24E	%YoY	%QoQ	2024E	% change
<b>Financials</b>									
Sales (Btmn)	1,266	1,221	1,248	1,258	1,257	-0.7	-0.1	4,984	-12.7
EBITDA (Btmn)	945	947	930	946	946	0.1	-0.1	3,769	-15.7
Operating profit (Btmn)	800	801	779	797	796	-0.6	-0.1	3,172	-3.6
Core profit (Btmn)	826	503	623	916	712	-13.8	-22.2	2,753	-6.1
Net profit (Btmn)	826	503	623	916	712	-13.8	-22.2	2,753	-6.1
Net EPS (Bt)	0.21	0.13	0.16	0.23	0.18	-13.8	-22.2	0.69	-6.1
<b>Performance Drivers</b>									
Volume-TTW (mn CUM)	35	35	36	37	37	6.9	0.3	144	3.5
Volume-PTW (mn CUM)	36	37	40	40	40	10.8	-0.2	157	12.9
Share of profit (Btmn)	136	-115	18	297	94	-30.5	-68.3	295	-19.2
<b>Ratios</b>									
						Change		2024E	Change
Gross margin (%)	81.1	80.1	78.3	78.2	78.5	-2.6	0.3	78.8	-3.0
EBITDA margin (%)	74.6	77.6	74.5	75.2	75.2	0.6	0.0	75.6	-2.7
Optg. margin (%)	63.2	65.7	62.4	63.3	63.3	0.1	-0.0	63.7	6.0
ROE (%)	22.3	13.0	16.2	24.4	18.5	-3.8	-5.8	17.8	-1.7

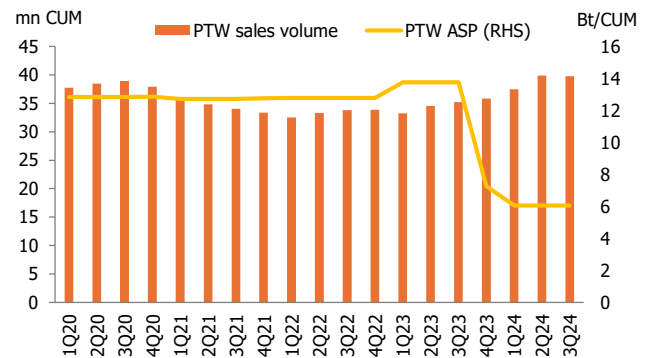
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**Fig 1 TTW's sales volume and average selling price**



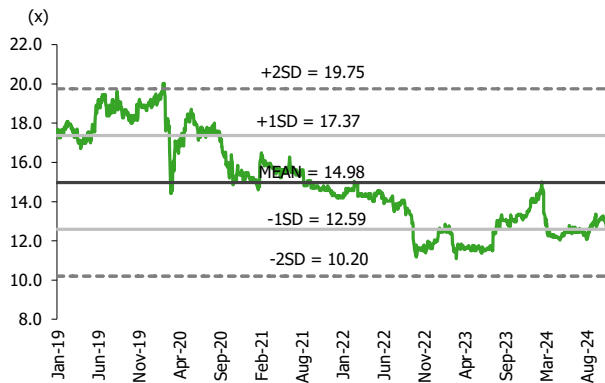
Source: Company Data, KS Research

**Fig 2 PTW's sales volume and average selling price**



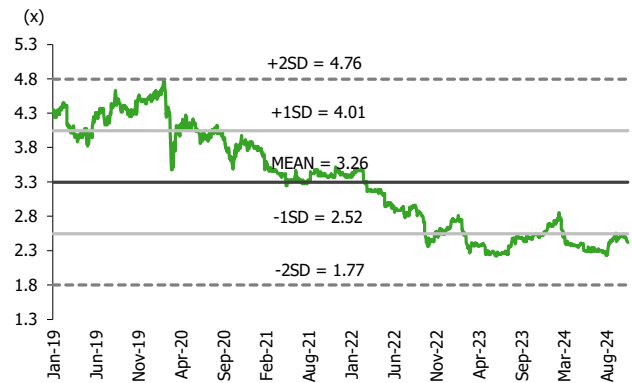
Source: Company Data, KS Research

**Fig 3 PER band**



Source: LSEG

**Fig 4 PBV band**



Source: LSEG

## KS ESG analysis: TTW PCL

**LSEG ESG score:** C Source: LSEG  
**SETESG score:** AA  
**THSI certified:** No  
**DJSI certified:** No

### 2023 Awards

- Sustainability Disclosure Award 2023
- Quality persons of the year 2023
- Certified as a level 3 green industry

### Company overview

- TTW Public Company Limited is a Thailand-based company, which is engaged in the production and sale of treated water to the Provincial Waterworks Authority (PWA) in the vicinity of West Bangkok.

### Analyst opinion

- TTW has shown fair governance but still has areas to improve in both environmental and social aspects. The company does well in water management but needs to get better at managing energy use and reducing greenhouse gas emissions. On the social side, the company takes good care of its employees, with no injuries causing lost time and more money spent on employee training.

### Environmental

(LSEG E score: C-)

	unit	2022	2023
1. Water passed standard	%	100	100
2. Water recycling	mn.m3	6.66	7.46
3. Energy intensity	kWH/m3	0.52	0.61
4. Violated of environmental laws	case	0	0
5. Greenhouse gas emission	tCO2e	83,229	92,965

### Analyst comment

- TTW has proven to be a reliable water producer, with 100% of its water meeting quality standards and no violations of environmental laws. The company has increased water recycling by almost 15% in 2023, which not only demonstrates environmental responsibility but also boosts revenue through its water treatment operations. However, the company has faced challenges with worsening energy intensity and higher greenhouse gas emissions.

### Social

(LSEG S score: C)

	unit	2022	2023
1. Staff age > 50 years	%	3	4
2. Employee turnover rate	%	0	0
3. Gender diversity	% female	17	17
4. Permanent employees	%	100	100
5. Employee investment	k.baht/person	512	546

### Analyst comment

- The percentage of aging employees is relatively low compared to other companies. Gender diversity is around one-fifth, which is consistent with the nature of the business. The company employs 100% permanent staff, helping to stabilize employee income. Additionally, it continues to increase investment in employee training.

### Governance

(LSEG G score: B-)

	unit	2022	2023
1. % of independent directors	%	33	33
2. Lost time injury workforce	cases/mn work h	0	0
3. CEO duality		FALSE	FALSE
4. Data breach	case	0	0
5. CGR rating		Excellence	Excellence

### Analyst comment

- The company has a low proportion of independent board members. However, it strictly complies with all relevant laws and regulations, as evidenced by its record of zero data breaches. Lost-time injury cases have remained at zero. Furthermore, the CEO does not hold the position of chairman of the board, helping to reduce potential conflicts of interest.

### Materiality assessment



## Year-end 31 Dec

Income Statement (Btmn)						Cashflow (Btmn)					
	2022A	2023A	2024E	2025E	2026E		2022A	2023A	2024E	2025E	2026E
Revenue	5,575	5,709	4,984	5,078	5,183	Net profit	2,967	2,932	2,753	2,994	3,111
Cost of sales and services	-901	-1,040	-1,059	-1,053	-1,076	Depreciation & amortization	1,320	1,177	596	599	614
<b>Gross Profit</b>	4,674	4,670	3,925	4,025	4,106	Change in working capital	-448	519	38	-5	-6
SG&A	-289	-318	-290	-286	-292	Others	296	868	-24	-25	-25
Other income	117	118	133	116	117	<b>CF from operation activities</b>	4,135	5,497	3,363	3,563	3,695
<b>EBIT</b>	3,804	3,689	3,510	3,765	3,855	Capital expenditure	286	-525	-109	-176	-176
<b>EBITDA</b>	4,502	4,469	3,769	3,856	3,932	Investment in subs and affiliates	-429	-179	-122	-287	-316
Interest expense	-169	-147	-134	-127	-77	Others	-	-	-	-	-
Equity earnings	609	365	295	490	519	<b>CF from investing activities</b>	-142	-703	-232	-463	-492
<b>EBT</b>	3,635	3,542	3,376	3,638	3,778	Cash dividend	-2,394	-2,394	-2,394	-2,394	-2,394
Income tax	-657	-596	-614	-629	-652	Net proceeds from debt	-1,565	-1,666	-49	-1,775	-451
<b>NPAT</b>	2,979	2,946	2,762	3,008	3,126	Capital raising	-	-	-	-	-
Minority Interest	-12	-14	-9	-15	-15	Others	-	-	-	-	-
<b>Core Profit</b>	2,967	2,932	2,753	2,994	3,111	<b>CF from financing activities</b>	-3,959	-4,060	-2,443	-4,169	-2,845
Extraordinary items	-	-	-	-	-	<b>Net change in cash</b>	34	734	688	-1,069	358
FX gain (loss)	-	-	-	-	-	<b>Key Statistics &amp; Ratios</b>					
<b>Reported net profit</b>	2,967	2,932	2,753	2,994	3,111	<b>Per share (Bt)</b>					
Balance Sheet (Btmn)						Reported EPS	0.74	0.73	0.69	0.75	0.78
Cash & equivalents	62	595	1,282	213	571	Core EPS	0.74	0.73	0.69	0.75	0.78
Accounts receivable	512	467	408	415	424	DPS	0.60	0.60	0.60	0.60	0.60
Inventories	28	30	27	27	27	BV	3.69	3.82	3.91	4.06	4.24
<b>Total current assets</b>	4,392	3,545	4,200	3,164	3,555	EV	9.67	9.49	9.25	8.81	8.60
Investment in subs & others	6,648	6,827	6,949	7,236	7,552	Free Cash Flow	0.01	0.18	0.17	-0.27	0.09
Fixed assets-net	10,440	9,788	9,301	8,878	8,439	<b>Valuation analysis</b>					
<b>Total assets</b>	21,490	20,277	20,568	19,395	19,664	Reported P/E (x)	12.10	12.45	13.19	12.13	11.67
Short-term debt	1,671	673	2,087	451	1,054	Core P/E (x)	8.38	8.88	10.84	10.11	9.75
Accounts payable	146	153	134	137	139	P/BV (x)	2.44	2.40	2.33	2.24	2.15
<b>Total current liabilities</b>	2,200	1,115	2,510	877	1,482	EV/EBITDA (x)	8.57	8.47	9.79	9.12	8.73
Long-term debt	4,324	3,657	2,193	1,054	0	Price/Cash flow (x)	1,063	49.77	52.81	-33.97	101.44
<b>Total liabilities</b>	6,740	4,996	4,927	3,154	2,706	Dividend yield (%)	6.67	6.56	6.59	6.59	6.59
Paid-up capital	3,990	3,990	3,990	3,990	3,990	<b>Profitability ratios</b>					
Share premium	2,638	2,638	2,638	2,638	2,638	Gross margin (%)	83.85	81.79	78.76	79.27	79.23
Retained earnings	8,812	9,356	9,715	10,315	11,032	EBITDA margin (%)	80.75	78.28	75.62	75.93	75.87
Minority interests	41	42	42	42	42	EBIT margin (%)	68.23	64.61	70.41	74.14	74.38
<b>Total shareholders' equity</b>	14,750	15,282	15,641	16,241	16,958	Net profit margin (%)	53.43	51.61	55.42	59.24	60.32
<b>Total equity &amp; liabilities</b>	21,490	20,277	20,568	19,395	19,664	ROA (%)	13.54	14.11	13.52	15.05	16.01
Key Assumptions						ROE (%)	20.56	19.58	17.86	18.83	18.79
<b>Tap Water Production</b>						<b>Liquidity ratios</b>					
Capacity- Water (k CUM/day)	1,094	1,094	1,094	1,094	1,094	Current ratio (x)	2.00	3.18	1.67	3.61	2.40
Volume-water (k CUM/day)	776	783	846	861	874	Quick ratio (x)	1.76	3.13	1.65	3.55	2.36
Utilization rate (%)	70.95	71.54	77.30	78.66	79.87	<b>Leverage Ratios</b>					
<b>Average Selling Price (Bt/CUM)</b>						D/E ratio (x)	0.46	0.33	0.31	0.19	0.16
- TTW	25.87	27.59	26.74	26.70	26.94	Net debt/EBITDA (x)	0.18	0.09	0.03	N/A	N/A
- PTW	12.79	12.09	6.06	6.11	6.15	Net debt/equity (x)	0.58	0.29	0.14	N/A	N/A
- BIE	24.75	24.75	24.93	24.93	24.93	Int. coverage ratio (x)	22.55	25.13	26.28	29.59	50.20
						<b>Growth</b>					
						Revenue (%)	-1.89	2.41	-12.70	1.88	2.06
						EBITDA (%)	-3.97	-0.73	-15.67	2.31	1.98
						Reported net profit (%)	-4.41	-1.17	-6.10	8.73	3.93
						Reported EPS (%)	-4.41	-1.17	-6.10	8.73	3.93
						Core profit (%)	-4.41	-1.17	-6.10	8.73	3.93
						Core EPS (%)	-4.41	-1.17	-6.10	8.73	3.93

Source: Company, KS estimates

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Neutral: Expected total return between -10% and 10% within a 12-month period

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