WICE: SG&A expenses pressured 4Q19 net profit to fall QoQ and YoY

COUNTRY GROUP SECURITIES

Quality Growth

Result

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The company's 4Q19 net profit was at Bt13m (-22%YoY and -52% QoQ) The company reports 2019 net profit of Bt62m (-36%YoY) while accounts for 99% of our full-year earnings forecast, which is inline with our expectation.

- YoY drop in profit pressured by a decrease in gross profit margin due to changing in service mix toward low margin cross broader unit. QoQ fall was due to seasonal rise in SG&A expenses mainly from cross broader transportation under Euroasia Total Logistics (40% stake).
- Report 2019 net profit at Bt62m (-36%YoY) driven by a deep sink in gross profit margin after ETL commenced. However, Revenue surged to record high.
- Expect 1Q20 net profit to grow QoQ and YoY driven by cross boarder transportation business that started to turn profit and easing concern over trade war dilemma support freight unit.
- Announce Bt0.09 dividend payment or equivalent to 5% yield (XD 12th March)

We maintain our BUY rating with target price of Bt3.20 derived from 0.9xPEG'20E, Asia ex-japan transportation sector or equivalent to 24.4xPE'20E and 40% discount to Thai peers.

Valuation table

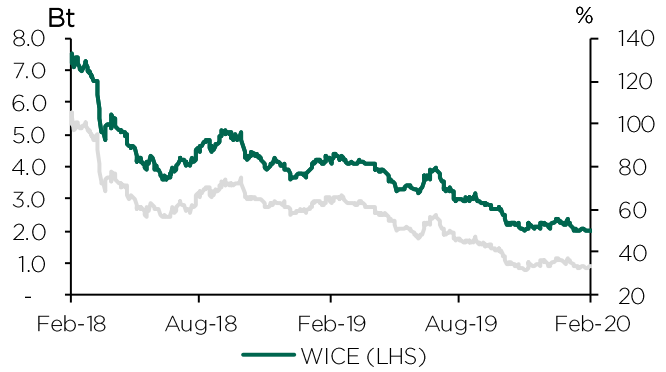
Year end Dec	17A	18A	19A	20E	21E
PE (x)	13.1	12.2	18.9	14.0	10.1
Recurring net profit growth (%)	16.2	7.2	(35.6)	35.0	38.3
Recurring EPS (Bt)	0.14	0.15	0.10	0.13	0.18
Recurring EPS growth (%)	10.5	7.2	(35.6)	35.0	38.3
PBV (x)	1.4	1.4	1.3	1.3	1.2
BVPS (Bt)	1.2	1.3	1.4	1.4	1.5
ROE (%)	11.3	11.7	7.2	9.4	12.5
DPS (Bt)	0.12	0.13	0.09	0.06	0.09
Dividend yield (%)	6.7	7.2	5.0	3.6	4.9
Enterprise value (Bt m)	873	912	1,173	1,145	1,090
EV-to-EBITDA (x)	5.5	5.2	10.3	6.0	4.4

WICE Logistics PCL

Recommendation: BUY
Current price: Bt1.80
Target price 2020: Bt3.20
Up/(downside): 78%
IOD: 4 out of 5
CAC: Declared

Stock data

RIC code	WICE.BK
Index	.SETI
SET Index (21/02/2020)	1,495.09
Market cap (Bt m)	1,317
Shares outstanding (million)	652
Par (Bt)	0.50



RESEARCH FORMAT BY A. Stotz

Sources: CGS Research, company data.
Notes: Price as of 27 February 2020.