

**TRADING BUY** (unchanged)

## Thai Rung Union Car PCL (TRU) 4Q profit slumped, better outlook in 2015

CGR Scoring Rating 

Share price: THB5.45  
Target price: THB5.80 (from Bt6.50)

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### Stock Information

**Description** : Product design, research and development, Manufacture of dies and jigs, Manufacture of automotive parts and seats, Contract vehicle painting and assembly, vehicle modification

Ticker : TRU  
Shares Issued (m): 591  
Market Cap (THBm) 3,220  
Market Cap (USDm) 97.45  
3-mth Avg. Daily Turnover (THBm) 1.93  
SET index 1,589.33  
Free float (%) 25.95

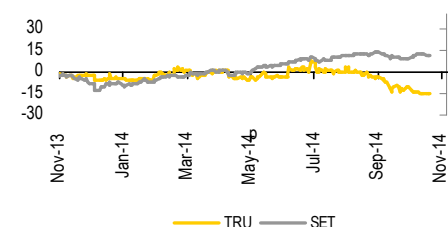
### Major Shareholders :

Phaenchoke Family 73.51 %  
CITIBANK NOMINEES SINGAPORE PTE 4.73 %  
LTD-S.A PBG CLIENTS SG

### Key Indicators

ROE – annualised (%) 8.6  
Net cash (THBm): 374  
NTA/shr (THB): 5.6  
Interest cover (x): nm

### Historic Chart



### Performance

52-week High/Low THB 6.40/THB 4.56

	1-m	3-mth	6-mth	1-yrs	YTD
Absolute (%)	5.8	10.3	-8.4	-0.2	15.5
Relative (%)	5.8	10.4	-10.1	-18.1	8.8

**4Q14 earnings summary.** TRU announced 4Q14 that profit slumped to THB38m (-13% QoQ, +20% YoY). Extra items were -THB30m of written off Nissan expenses and a reversion of the provision of +THB10m. When excluding extra items, normalised profit improved to THB58m (+32% QoQ, +81% YoY). This quarter, auto production improved slightly to 471,467 units (+3% QoQ, -11% YoY) and drove TRU sales up to THB591m (+5% QoQ, -8% YoY). GPM fell to 6.7% from 16.7% last quarter and 11.3% last year, depressed by the THB30m in written off Nissan expenses and depreciation increasing to THB44m (+4%QoQ, +214%YoY) from higher investment assets. SG&A expenses declined to THB66m (-13% QoQ, -32% YoY), thanks to a THB10m gain from a reversion of the provision.

**What's next?** In 2015, sales should improve to 2.1m units (+12%) alongside recovering auto production and also the new TR Transformer Max. In the long term, TRU plans to find partners to establish two JV firms to produce and distribute truck parts and engines, as well as manufacturing and agricultural tractor parts, which will strengthen growth over the long run. We estimate 2015 sales of THB2.458b (+9% YoY) and profit of THB275m (+80% YoY), lower than the 2012-2013 base at THB354-556m

**Recommendation.** TRU has a strong financial position with net cash of THB306m on hand and remains debt-free while continuing to invest. TRU announced a dividend for 2014 earnings of THB0.15 or dividend yield of 2.8%. The current share price has moved down to discount the negative Thai auto industry, which we expect to bottom out at the current level. We recommend a TRADING BUY with a TP of THB5.80 based on a 2015 PER of 12.5x (peer average) down from previous of THB6.5.

**Risks.** Slower auto industry growth and less purchasing power with lower auto parts prices.

### TRU – Summary Earnings Table

FYE: Dec 31 (THB m)	2012	2013	2014	2015F	2016F
Revenue	3,500	3,138	2,255	2,458	2,679
EBITDA	716	475	307	429	459
Recurring Net Profit	556	354	152	275	305
Net profit	556	354	152	275	305
EPS(THB)	1.13	0.60	0.26	0.47	0.52
EPS growth (%)	198.5	(47.0)	(56.9)	80.3	10.9
DPS (THB)	0.60	0.20	0.15	0.23	0.26
PER	4.8	9.1	21.1	11.7	10.6
EV/EBITDA (x)	3.0	6.2	9.6	6.6	6.0
Div Yield (%)	11.0	3.7	2.8	4.3	4.7
P/BV(x)	0.9	1.1	1.0	1.0	0.9
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
ROE (%)	20.0	11.7	4.9	8.6	9.0
ROA (%)	16.2	9.4	4.2	7.3	7.7
Cons. Net Profit (THBm)	-	-	-	-	-

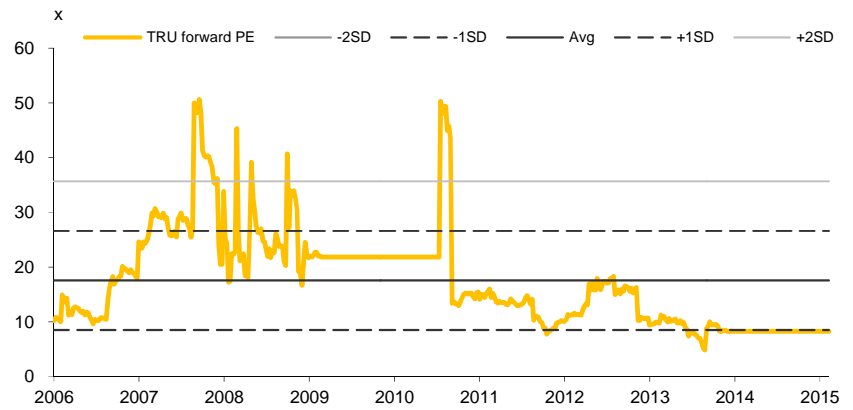
Source: Company reports and MBKET.

Figure 1 : Quarterly earnings (THBm)

	4Q14	3Q14	%QoQ	4Q13	%YoY	2014	2013	%YoY
Sales	591	563	5%	644	-8%	2,255	3,138	-28%
Other Income	57	29	93%	47	20%	160	181	-11%
COGS	507	427	19%	558	-9%	1,820	2,519	-28%
Depreciation & amortisation	44	42	4%	14	214%	163	111	47%
Gross profit	40	94	-58%	73	-45%	272	508	-47%
Gross margin (%)	6.7%	16.7%	-	11.3%	-	12.0%	16.2%	-
SG&A	66	76	-13%	97	-32%	288	325	-11%
SG&A/sales (%)	11%	14%	-	15%	-	13%	10%	-
EBITDA	74	90	-17%	37	102%	307	475	-35%
EBITDA margin (%)	13%	16%	-	6%	-	14%	15%	-
Interest expenses	0	0	-24%	0	-45%	1	1	2%
Equity income	38	44	-13%	32	20%	152	354	-57%
Net profit	0.06	0.07	-13%	0.05	20%	0.26	0.60	-57%
EPS (THB)	0.07	0.03	139%	0.12	-39%	0.19	-64%	69%

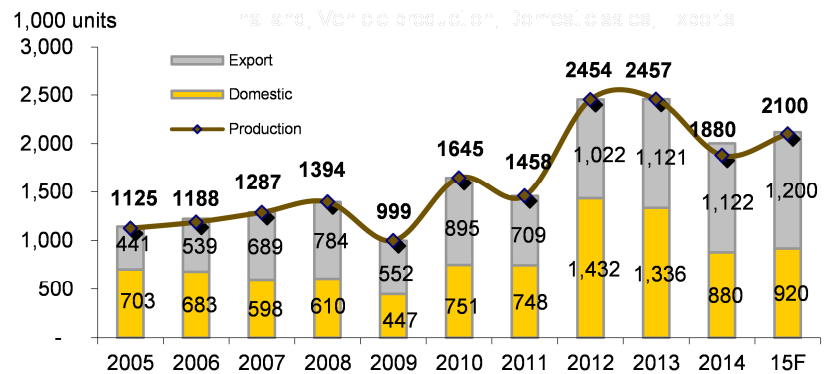
Source: Company reports and MBKET estimates.

Figure 2: TRU forward PER



Source: Bloomberg

Figure 3: Thai vehicle production, domestic sales and exports



Source: The Federation of Thai Industries / MBKET estimates.

Figure 4: Revised earning forecasts

	Revision		Original		%Chg	
	2015F	2016F	2015F	2016F	2015F	2016F
Sales (THBm)	2,458	2,679	2,552	2,782	-4%	-4%
Net Profit (THBm)	275	305	321	369	-14%	-17%
EPS (THB)	0.47	0.52	0.54	0.62	-14%	-17%

Source: Company reports and MBKET

**INCOME STATEMENT (THBm)**

FY December	2013	2014	2015F	2016F
Revenue	3,138	2,255	2,458	2,679
EBITDA	475	307	429	459
Depreciation & Amortisation	111	163	165	166
<b>Operating Profit (EBIT)</b>	<b>364</b>	<b>143</b>	<b>264</b>	<b>293</b>
Interest (Exp) / Inc	1	1	0	0
Associates	56	35	65	72
One-offs	0	0	0	0
<b>Pre-Tax Profit</b>	<b>418</b>	<b>177</b>	<b>329</b>	<b>364</b>
Tax	54	18	48	53
Minority Interest	11	7	7	7
<b>Net Profit</b>	<b>354</b>	<b>152</b>	<b>275</b>	<b>305</b>
<b>Recurring Net Profit</b>	<b>354</b>	<b>152</b>	<b>275</b>	<b>305</b>
Revenue Growth %	(10.3)	(28.1)	9.0	9.0
EBITDA Growth (%)	(33.7)	(35.4)	39.9	6.9
EBIT Growth (%)	(39.9)	(60.6)	84.4	10.8
Net Profit Growth (%)	(36.4)	(56.9)	80.3	10.9
Recurring Net Profit Growth (%)	(36.4)	(56.9)	80.3	10.9
Tax Rate %	14.8	12.3	18.0	18.0

**BALANCE SHEET (THBm)**

FY December	2013	2014	2015F	2016F
Fixed Assets	1,821	1,837	1,851	1,865
Other LT Assets	724	734	799	871
Cash / ST Investments	298	306	382	370
Other Current Assets	790	759	885	912
<b>Total Assets</b>	<b>3,632</b>	<b>3,636</b>	<b>3,917</b>	<b>4,017</b>
ST Debt	10	10	5	(53)
Other Current Liabilities	396	347	430	444
LT Debt	14	5	3	(27)
Other LT Liabilities	60	62	62	62
Minority Interest	100	105	112	119
Shareholders' Equity	3,053	3,107	3,305	3,473
<b>Total Liabilities-Capital</b>	<b>3,632</b>	<b>3,636</b>	<b>3,917</b>	<b>4,017</b>
Share Capital (m)	492	591	591	591
Gross Debt / (Cash)	23	16	8	(80)
Net Debt / (Cash)	(275)	(290)	(374)	(450)
Working Capital	394	412	455	468
BVPS	5.17	5.26	5.59	5.88

**CASH FLOW (THBm)**

FY December	2013	2014	2015F	2016F
Profit before taxation	418	177	329	364
Depreciation	111	163	165	166
Net interest receipts / (payments)	1	1	0	0
Working capital change	122	(19)	(42)	(13)
Cash tax paid	(54)	(18)	(48)	(53)
Others (inc. exceptional items)	(33)	(140)	(72)	(79)
<b>Cash flow from operations</b>	<b>566</b>	<b>165</b>	<b>332</b>	<b>385</b>
Capex	(521)	(50)	(179)	(179)
Disposals / (purchases)	0	0	0	0
Others	14	(105)	0	0
<b>Cash flow from investing</b>	<b>(507)</b>	<b>(155)</b>	<b>(179)</b>	<b>(179)</b>
Debt raised / (repaid)	20	(7)	(8)	(88)
Equity raised / (repaid)	(17)	103	7	7
Dividends (paid)	(295)	(98)	(76)	(137)
Interest payments	1	1	0	0
Others	0	0	0	0
<b>Cash flow from financing</b>	<b>(292)</b>	<b>(2)</b>	<b>(77)</b>	<b>(219)</b>
Change in cash	(233)	8	76	(12)

**RATES & RATIOS**

FY December	2013	2014	2015F	2016F
Gross margin %	16.2	12.0	14.4	15.2
EBITDA Margin %	14.3	12.7	16.2	16.0
Op. Profit Margin %	11.0	5.9	10.0	10.2
Net Profit Margin %	10.7	6.3	10.4	10.6
ROE %	11.7	4.9	8.6	9.0
ROA %	9.4	4.2	7.3	7.7
Net Margin Ex. EI %	10.7	6.3	10.4	10.6
Dividend Cover (x)	3.6	2.0	2.0	2.0
Interest Cover (x)	301.5	116.5	nm	nm
Asset Turnover (x)	0.9	0.6	0.6	0.7
Asset / Debt (x)	7.6	8.6	7.8	9.4
Debtors Turn (days)	92.3	90.9	89.6	92.6
Creditors Turn (days)	77.7	74.4	73.1	75.8
Inventory Turn (days)	32.0	42.7	41.1	37.9
Net Gearing %	Net cash	Net cash	Net cash	Net cash
Debt / EBITDA (x)	0.0	0.1	0.0	(0.2)
Debt / Market Cap (x)	0.0	0.0	0.0	(0.0)

Source: Company reports and MBKET estimates.

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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▲▲▲▲▲ Excellent		▲▲▲▲ Good		▲▲▲ Good		▲▲ Good		
ADVANC	CIMBT	HEMKAJ	PAP	KS	SNC			
AOT	CK	ICC	PG	S&J	SPALI	Score Range	Number of Logo	Description
ASIMAR	CPF	INTUCH	PHOL	SAMART	SPI	90-100	▲▲▲▲▲	Excellent
BAFS	CPN	IRPC	PR	SAMTEL	SSI	80-89	▲▲▲▲	Very Good
BANPU	CSL	IVL	PRANDA	SAT	SSSC	70-79	▲▲▲	Good
BAY	DRT	KBANK	PS	SC	SVI	60-69	▲▲	Satisfactory
BBL	DTAC	KKP	PSL	SCB	SYMC	50-59	▲	Pass
BCP	EASTW	KTB	PTT	SCC	TCAP	Lower than 50	No logo given	N/A
BECL	EASTW	LPN	PTTEP	SCSMG	THAI			
BK1	EGCO	MCOT	PTTGC	SE-ED	THCOM	TKT	TRC	UV
BROOK	ERW	MINT	QH	SIM	THRE	TM6	TRUE	VGI
BTS	GRAMMY	NKI	RATCH	SIS	TIP	TMTY	TTW	WACOAL
	HANA	NOBLE	ROBINS	SITHAI	TISCO	TOP	TVO	
▲▲▲▲▲ Very Good								
ZS	BH	ECL	JAS	MAKRO	PE	SINGER	THANI	TTCL
ACAP	BIGC	EE	JUBILE	MBK	PF	SIRI	THIP	TUF
AF	BJC	EIC	KBS	MBKET	PJW	SKR	TICON	TWFP
AHC	BLA	ESSO	KCE	MFC	PM	SMT	TIPCO	TYM
AIT	BLA	FE	KGI	MFEC	PPM	SNP	TK	UAC
AKP	BMCL	FORTH	KKC	MODERN	PPP	SPCG	TLUXE	UMI
AMANAHAH	BWG	GBX	KSL	MTI	PREB	SPPT	TMILL	UMS
AMARIN	CCEET	GC	KWC	NBC	PRG	SSF	TMT	UP
AMATA	CENDEL	GFPT	L&E	NCH	PT	STANLY	TNL	UPOIC
AP	CFRESH	GL	LANNA	NINE	PYLON	STEC	TOG	UT
APCO	CGS	GLOWW	LH	NMG	QTC	SUC	TPC	VIBHA
APCS	CHOW	GOLD	LHBANK	NSI	RASA	SUSCO	TPCORP	VH
ASIA	CM	GSTEL	LHK	NWR	SABINA	SYNTEC	TPIPL	VNG
ASK	CNT	GUNKUL	LIVE	OCC	SAMCO	TASCO	TRT	VNT
ASP	CPALL	HMPRO	LOXLEY	OFM	SCCC	TCP	TRU	YUASA
AYUD	CSC	HTC	LRH	OGC	SCG	TF	TSC	ZMICO
BEC	DCC	IFEC	LST	OISHI	SEAFCO	TFD	TSTE	
BFIT	DELTA	INET	MACO	PB	SFP	TFI	TSTH	
	DTC	ITD	MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good								
A	BGT	DEMCO	HTECH	KWH	PAE	SIMAT	TIC	UEC
AAV	BLAND	DNA	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AEC	BOL	DRACO	IFS	LEE	PICO	SMT	TIW	UPF
AEONTS	BROCK	EA	IHL	MATCH	PL	SMK	TKS	UWC
AFC	BSBM	EARTH	ILINK	MATI	POST	SOLAR	TMC	VARO
AGE	CHARAN	EASON	INOX	MBAX	PRECHA	SPC	TMD	VTE
AH	CHUO	BMC	IRC	MDX	PRIN	SPG	TMI	WAVE
AJ	CI	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT	WG
AJ	CIG	F&D	IT	MJD	QLT	SSC	TNPC	WIN
AKR	CITY	FNS	JMART	MK	RCI	STA	TOPP	WORK
ALUCON	CMR	FOCUS	JMT	MOONG	RCL	SUPER	TPA	
ANAN	CNS	FPI	JTS	MPIC	ROJNA	SVOA	TPP	
ARIP	CPL	FSS	JUTHA	MSC	RPC	SWC	TR	
AS	CRANE	GENCO	KASET	NC	SCBLIF	SYNEX	TTI	
BAT-3K	CSP	GFM	KC	NIPPON	SCP	TBSP	TVD	
BCH	CSR	GJS	KCAR	NNCL	SENA	TCCC	TM	
BEAUTY	CTW	GLOBAL	KDH	NTV	SF	TEAM	TWZ	
		HFT	KTC	OSK	SGP	TGCI	UBIS	

Source: Thai Institute of Directors (IOD)

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