

The Siam Cement Pcl (SCC TB) - BUY, Price Bt410, TP Bt460**Results Comment**

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2Q21 results a strong beat on chemical, investment income

- SCC reported 2Q21 net profit of Bt17.1bn (EPS Bt14.3/sh), up 83% y-y and 15% q-q. The result was well ahead of our expectation on strong chemical business and high dividend income. BUY.
- Profit breakdown: Chemical 58%, cement and building materials 14%, packaging 13% and others 15%.
- **Cement and building materials (CBM)** was Bt2.47bn, up 27% y-y (impairment in 2Q20) but down 12% q-q (normal seasonality). Cement sales in Thailand dropped 2% y-y partly due to high base effect (no Songkran holidays last year). Government sector demand increased 2% but commercial and residential demand fell 5% and 4% y-y, respectively. Building material sales fared better with ceramic tiles growing 10% y-y and housing products increasing by 1% y-y.
- **Chemical:** Chemical profit was Bt10.4bn, increasing by over 100% y-y and 18% q-q. The q-q growth was due mostly to PVC whose spread increased by \$166/ton q-q to \$700/ton. Another strong contributor was butadiene whose spread increased 28% q-q to \$452/ton. HDPE and PP spreads over naphtha, on the other hand, were both down slightly q-q. Sales volume increased marginally q-q
- **Packaging** profit was Bt2.3bn, up 19% y-y and 6% q-q. The q-q movement was due to slightly weaker packaging profit and offset by higher fibrous chain profit..
- **Others:** Other income, comprising mostly of dividends from several companies, reached Bt2.68bn (+173% y-y and 54% q-q). This was a much higher than expected number likely due to strong results at Toyota Motors Thailand and Kubota Thailand.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	96,010	100,938	97,250	122,066	133,555	Revenue	9	39	59	432,022	434,168
Gross profit	22,495	24,810	21,116	30,374	32,243	Gross profit	6	43	65	95,704	89,460
SG&A	12,451	13,465	13,361	15,040	15,716	SG&A	4	26	61	50,093	50,772
Operating profit	10,044	11,345	7,755	15,334	16,527	Operating profit	8	65	70	45,610	38,688
EBITDA	16,873	18,233	14,644	22,196	23,633	EBITDA	6	40	60	75,934	68,674
Other income	2,046	1,589	1,583	1,562	2,861	Other income	83	40	52	8,429	8,956
Other expense	515	0	(515)	304	75	Other expense	(75)	(85)	na	0	0
Interest expense	647	2,024	1,299	1,691	1,694	Interest expense	0	162	45	7,536	6,620
Profit before tax	10,929	10,910	8,554	14,901	17,619	Profit before tax	18	61	70	46,503	41,024
Income tax	1,338	1,802	2,058	2,322	2,929	Income tax	26	119	94	5,580	5,333
Equity & invest. income	1,705	3,041	3,465	5,697	5,708	Equity & invest. income	0	235	78	14,537	13,960
Minority interests	(1,282)	(1,330)	(1,514)	(3,363)	(3,261)	Minority interests	na	na	76	(8,679)	(6,897)
Extraordinary items	(630)	(1,077)	(400)	0	0	Extraordinary items			na	0	0
Net profit	9,384	9,741	8,047	14,914	17,136	Net profit	15	83	69	46,781	42,753
Normalized profit	10,014	10,818	8,447	14,914	17,136	Normalized profit	15	71	69	46,781	42,753
EPS (Bt)	7.82	8.12	6.71	12.43	14.28	EPS (Bt)	15	83	69	38.98	35.63
Normalized EPS (Bt)	8.34	9.02	7.04	12.43	14.28	Normalized EPS (Bt)	15	71	69	38.98	35.63

Balance Sheet						Financial Ratios					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(%)	2Q20	3Q20	4Q20	1Q21	2Q21
Cash & ST investment	87,367	84,138	102,981	106,530	88,173	Sales growth	(12.0)	(8.5)	(8.4)	15.4	39.1
A/C receivable	59,512	61,243	54,842	68,788	74,771	Operating profit growth	53.1	27.8	34.1	98.5	64.5
Inventory	50,926	52,278	54,654	58,721	68,825	EBITDA growth	35.5	22.2	22.3	53.1	40.1
Other current assets	1,232	1,225	1,540	1,174	3,822	Norm profit growth	0.1	37.3	(0.6)	80.2	71.1
Investment	106,584	111,472	114,808	123,076	122,625	Norm EPS growth	0.1	37.3	(0.6)	80.2	71.1
Fixed assets	341,360	354,104	363,425	377,251	387,670	Gross margin	23.4	24.6	21.7	24.9	24.1
Other assets	59,671	58,688	57,130	65,393	66,165	Operating margin	10.5	11.2	8.0	12.6	12.4
Total assets	706,652	723,147	749,381	800,932	812,051	EBITDA margin	17.6	18.1	15.1	18.2	17.7
S-T debt	103,683	103,274	88,092	93,443	93,755	Norm net margin	10.4	10.7	8.7	12.2	12.8
A/C payable	60,584	69,129	65,273	72,579	74,831	D/E (x)	0.8	0.8	0.6	0.6	0.6
Other current liabilities	9,073	6,525	8,055	22,976	11,031	Net D/E (x)	0.5	0.5	0.4	0.4	0.4
L-T debt	158,420	162,052	160,553	167,156	166,381	Interest coverage (x)	26.1	9.0	11.3	13.1	13.9
Other liabilities	30,942	31,037	31,281	33,214	33,946	Interest rate	1.0	3.1	2.0	2.7	2.6
Minority interest	47,467	48,381	75,154	79,159	80,129	Effective tax rate	12.2	16.5	24.1	15.6	16.6
Shareholders' equity	296,485	302,749	320,972	332,406	351,978	ROA	5.7	6.1	4.6	7.7	8.5
Working capital	49,854	44,392	44,223	54,930	68,765	ROE	13.6	14.4	10.8	18.3	20.0
Total debt	262,102	265,326	248,645	260,598	260,136						
Net debt	174,735	181,188	145,664	154,068	171,962						

Sources: Company data, Thanachart estimates

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