

Somboon Advance Tech. (SAT TB) - BUY, Price Bt21.7, TP Bt28.0**Results Comment**

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Strong 2Q21, beat our number

- SAT reported norm profit of Bt235m in 2Q21, growing 36% from 2Q19's level while dropping by 25% q-q on seasonality impact. This was stronger than ours and street's estimate. Key beat to our number was revenue and operating margin.
- While 2Q21 industry auto production achieved 75% of 2Q19's level, SAT registered 2Q21 revenue at 6% higher due to 1) additional revenue from new order for export received since late 2020; and 2) agricultural parts (around 20% of revenue) has continued to see strong growth along with tractor production that surpassed 2Q19 level by 25%.
- Gross margin improved significantly by 224bps comparing to 2Q19's due to operating leverage benefit and improving production line efficiency implemented since last year.
- 6M21 normalized profit accounted for 62% of our number. As we expect improving earnings momentum into 3Q21 due to high seasonality, we see some upside to our earnings projection. Maintain BUY.
- SAT announced to pay an interim dividend of Bt0.4/share (31% payout ratio) for 1H21 operation. XD date is 25 August and payment date is 7 September 2021.

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	754	1,529	1,768	2,208	2,041	Revenue	(8)	171	57	7,410	8,304
Gross profit	(41)	230	366	466	396	Gross profit	(15)	na	59	1,467	1,723
SG&A	120	163	172	197	181	SG&A	(8)	51	50	764	819
Operating profit	(161)	67	194	269	215	Operating profit	(20)	na	69	703	904
EBITDA	(6)	221	349	414	362	EBITDA	(13)	na	58	1,330	1,555
Other income	23	48	40	34	30	Other income	(13)	27	36	178	199
Other expense	0	0	0	0	0	Other expense					
Interest expense	2	1	2	1	2	Interest expense	35	7	46	7	7
Profit before tax	(139)	113	232	302	243	Profit before tax	(19)	na	62	874	1,096
Income tax	(11)	14	13	34	27	Income tax	(22)	na	58	105	137
Equity & invest. income	(23)	(12)	27	47	21	Equity & invest. income	(55)	na	59	117	121
Minority interests	5	(5)	(5)	(0)	(2)	Minority interests	na	na	78	(3)	(3)
Extraordinary items	3	(1)	(1)	6	2	Extraordinary items	(68)	(43)	na	0	0
Net profit	(143)	81	240	321	237	Net profit	(26)	na	63	883	1,077
Normalized profit	(146)	82	241	314	235	Normalized profit	(25)	na	62	883	1,077
EPS (Bt)	(0.34)	0.19	0.57	0.75	0.56	EPS (Bt)	(26)	na	63	2.08	2.53
Normalized EPS (Bt)	(0.34)	0.19	0.57	0.74	0.55	Normalized EPS (Bt)	(25)	na	62	2.08	2.53
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	1,806	2,101	2,331	2,658	3,694	Sales growth	(60.7)	(23.4)	(6.3)	20.6	170.5
A/C receivable	580	1,042	1,206	1,533	1,451	Operating profit growth	na	(67.6)	27.9	53.5	na
Inventory	565	525	565	565	652	EBITDA growth	na	(39.9)	11.6	25.0	na
Other current assets	582	297	305	328	(644)	Norm profit growth	na	(63.7)	15.7	62.7	na
Investment	892	866	894	962	983	Norm EPS growth	na	(63.7)	15.7	62.7	na
Fixed assets	3,480	3,444	3,403	3,346	3,263	Gross margin	(5.4)	15.1	20.7	21.1	19.4
Other assets	283	277	252	244	252	Operating margin	(21.3)	4.4	11.0	12.2	10.5
Total assets	8,188	8,553	8,955	9,637	9,651	EBITDA margin	(0.7)	14.5	19.7	18.8	17.7
S-T debt	92	73	71	86	38	Norm net margin	(19.4)	5.4	13.7	14.2	11.5
A/C payable	398	748	974	1,141	1,165	D/E (x)	0.0	0.0	0.0	0.0	0.0
Other current liabilities	441	473	455	626	650	Net D/E (x)	(0.2)	(0.3)	(0.3)	(0.3)	(0.5)
L-T debt	88	71	59	44	6	Interest coverage (x)	(3.5)	151.5	179.0	327.3	211.3
Other liabilities	348	330	305	312	328	Interest rate	3.4	3.6	5.7	3.9	7.8
Minority interest	38	44	48	49	51	Effective tax rate	8.0	12.0	5.6	11.4	11.0
Shareholders' equity	6,783	6,813	7,042	7,380	7,413	ROA	(6.6)	3.9	11.0	13.5	9.8
Working capital	747	819	797	958	937	ROE	(8.3)	4.8	13.9	17.4	12.7
Total debt	180	144	130	130	44						
Net debt	(1,627)	(1,957)	(2,201)	(2,528)	(3,649)						

Sources: Company data, Thanachart estimates

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