The Siam Cement Pcl (SCC TB) - BUY, Price Bt397, TP Bt460

Results Comment

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3Q21 a big miss

- SCC reported 3Q21 net profit of Bt6.82bn (EPS Bt5.68/sh). Excluding non-operating items (which were significant this quarter), normalized profit would have been Bt9.1bn (norm EPS Bt7.56/sh), -47% q-q and -16% y-y. The result was well below our expectation due to big misses at cement unit and lower-than-expected chemical profit.
- **Cement & building materials (CBM)**: CBM reported a net loss of Bt2.4bn, primarily a result of impairment charge for a cement plant in Myanmar. Excluding this item, norm profit would have been Bt1.2bn, still down 47% y-y. The weakness here was due to lockdown impacts, resulting in 12% y-y and 7% y-y declines in cement and non-cement sales, respectively.
- **Chemical**: Reported chemical profit was Bt5.2bn, down 5% y-y and 50% q-q mainly as a result of lower spreads across all main products (PE, PP, PVC) and higher costs. Despite the lockdown impacts, sales volume remain strong at 505k tons (+3% q-q) for PE and PP and 213k tons for PVC (+5% q-q).
- **Packaging**: Packaging profit declined 21% q-q as a result of higher costs (OCC, coal) and lockdown impacts.
- **Our view**: While 3Q21 was well below our previewed number, we still see limited downside risks for 2022-23F forecasts as we have already factored in declining chemical spreads for these years. Recovery in chemical spreads and regional cement sales post lockdowns remain positive drivers. Still a BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Revenue	100,938	97,250	122,066	133,555	131,825
Gross profit	**24,810**	**21,116**	**30,374**	**32,243**	**25,893**
SG&A	13,465	13,361	15,040	15,716	15,864
Operating profit	11,345	7,755	15,334	16,527	10,029
EBITDA	**18,233**	**14,644**	**22,196**	**23,633**	**17,480**
Other income	1,589	1,583	1,562	2,861	3,229
Other expense	0	(515)	304	75	3,790
Interest expense	2,024	1,299	1,691	1,694	1,681
Profit before tax	**10,910**	**8,554**	**14,901**	**17,619**	**7,786**
Income tax	1,802	2,058	2,322	2,929	1,893
Equity & invest. income	3,041	3,465	5,697	5,708	3,890
Minority interests	(1,330)	(1,514)	(3,363)	(3,261)	(717)
Extraordinary items	(1,077)	(400)	0	0	(2,249)
Net profit	**9,741**	**8,047**	**14,914**	**17,136**	**6,817**
Normalized profit	**10,818**	**8,447**	**14,914**	**17,136**	**9,066**
EPS (Bt)	8.12	6.71	12.43	14.28	5.68
Normalized EPS (Bt)	9.02	7.04	12.43	14.28	7.56

Income Statement			**9M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	(1)	31	90	432,022	434,168
Gross profit	**(20)**	**4**	**92**	**95,704**	**89,460**
SG&A	1	18	93	50,093	50,772
Operating profit	(39)	(12)	92	45,610	38,688
EBITDA	**(26)**	**(4)**	**83**	**75,934**	**68,674**
Other income	13	103	91	8,429	8,956
Other expense	4,943		na	0	0
Interest expense	(1)	(17)	67	7,536	6,620
Profit before tax	**(56)**	**(29)**	**87**	**46,503**	**41,024**
Income tax	(35)	5	128	5,580	5,333
Equity & invest. income	(32)	28	105	14,537	13,960
Minority interests	na	na	85	(8,679)	(6,897)
Extraordinary items		na	na	0	0
Net profit	**(60)**	**(30)**	**83**	**46,781**	**42,753**
Normalized profit	**(47)**	**(16)**	**88**	**46,781**	**42,753**
EPS (Bt)	(60)	(30)	83	38.98	35.63
Normalized EPS (Bt)	(47)	(16)	88	38.98	35.63

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash & ST investment	84,138	102,981	106,530	88,173	64,696
A/C receivable	61,243	54,842	68,788	74,771	75,890
Inventory	52,278	54,654	58,721	68,825	78,908
Other current assets	1,225	1,540	1,174	3,822	4,596
Investment	111,472	114,808	123,076	122,625	141,730
Fixed assets	354,104	363,425	377,251	387,670	406,773
Other assets	58,688	57,130	65,393	66,165	77,745
Total assets	**723,147**	**749,381**	**800,932**	**812,051**	**850,339**
S-T debt	103,274	88,092	93,443	93,755	92,169
A/C payable	69,129	65,273	72,579	74,831	79,469
Other current liabilities	6,525	8,055	22,976	11,031	11,649
L-T debt	162,052	160,553	167,156	166,381	187,940
Other liabilities	31,037	31,281	33,214	33,946	35,924
Minority interest	48,381	75,154	79,159	80,129	84,159
Shareholders' equity	**302,749**	**320,972**	**332,406**	**351,978**	**359,030**
Working capital	44,392	44,223	54,930	68,765	75,330
Total debt	265,326	248,645	260,598	260,136	280,109
Net debt	**181,188**	**145,664**	**154,068**	**171,962**	**215,413**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Sales growth	(8.5)	(8.4)	15.4	39.1	30.6
Operating profit growth	27.8	34.1	98.5	64.5	(11.6)
EBITDA growth	22.2	22.3	53.1	40.1	(4.1)
Norm profit growth	37.3	(0.6)	80.2	71.1	(16.2)
Norm EPS growth	37.3	(0.6)	80.2	71.1	(16.2)
Gross margin	24.6	21.7	24.9	24.1	19.6
Operating margin	11.2	8.0	12.6	12.4	7.6
EBITDA margin	18.1	15.1	18.2	17.7	13.3
Norm net margin	10.7	8.7	12.2	12.8	6.9
D/E (x)	0.8	0.6	0.6	0.6	0.6
Net D/E (x)	0.5	0.4	0.4	0.4	0.5
Interest coverage (x)	9.0	11.3	13.1	13.9	10.4
Interest rate	3.1	2.0	2.7	2.6	2.5
Effective tax rate	16.5	24.1	15.6	16.6	24.3
ROA	6.1	4.6	7.7	8.5	4.4
ROE	14.4	10.8	18.3	20.0	10.2

Sources: Company data, Thanachart estimates

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