

**Pylon Public Co Ltd (PYLON TB) - HOLD, Price Bt4.30, TP Bt4.30****Results Comment**

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**Slightly better-than-expected 3Q results**

- PYLON reported a normalized loss of Bt1m in 3Q21 versus normalized profit of Bt11m in 3Q20 and Bt1m in 2Q21. The results were slightly better than what we had expected. The earnings loss this quarter was mainly due to the impacts from the lockdown measures, especially the closure of construction sites for a month in July.
- As its 9M21 results make up 62% of our full-year earnings forecast. We expect PYLON's earnings to gradually turn around in 4Q21 onward due to the easing of the COVID-19 restrictions. However, valuation looks fair to us at PEs of 27x in 2022F and 18x in 2023F vs. its pre-COVID avg. PE of 22x in 2015-19.
- We maintain our HOLD recommendation on PYLON.
- PYLON's revenue grew by 10% y-y in 3Q21 due to its high backlog value. We estimate its backlog value to remain at around Bt1bn at end 3Q21.
- Given the closure of construction sites in July and its high operating leverage, its gross margin fell to 6% in 3Q21 versus 15% in 3Q20. Its SG&A expenses increased 12% y-y along with an increase in revenue.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	160	262	226	139	175	Revenue	26	10	67	809	1,370
<b>Gross profit</b>	<b>25</b>	<b>54</b>	<b>37</b>	<b>21</b>	<b>11</b>	<b>Gross profit</b>	<b>(49)</b>	<b>(56)</b>	<b>55</b>	<b>125</b>	<b>233</b>
SG&A	15	29	14	21	16	SG&A	(22)	12	60	85	89
Operating profit	10	24	24	0	(6)	Operating profit	na	na	45	40	144
<b>EBITDA</b>	<b>35</b>	<b>49</b>	<b>48</b>	<b>24</b>	<b>19</b>	<b>EBITDA</b>	<b>(20)</b>	<b>(45)</b>	<b>66</b>	<b>136</b>	<b>242</b>
Other income	2	5	2	1	4	Other income	415	96	146	5	8
Other expense	0	0	0	0	0	Other expense					
Interest expense	1	1	1	1	1	Interest expense	(12)	(34)	129	2	2
<b>Profit before tax</b>	<b>11</b>	<b>28</b>	<b>25</b>	<b>0</b>	<b>(2)</b>	<b>Profit before tax</b>	<b>na</b>	<b>na</b>	<b>53</b>	<b>44</b>	<b>150</b>
Income tax	0	1	4	(1)	(1)	Income tax	na	na	15	9	30
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	0	0	0	0	0	Minority interests					
Extraordinary items	2	0	0	0	1	Extraordinary items		(41)	na	0	0
<b>Net profit</b>	<b>13</b>	<b>27</b>	<b>21</b>	<b>1</b>	<b>0</b>	<b>Net profit</b>	<b>(73)</b>	<b>(97)</b>	<b>65</b>	<b>35</b>	<b>120</b>
<b>Normalized profit</b>	<b>11</b>	<b>27</b>	<b>21</b>	<b>1</b>	<b>(1)</b>	<b>Normalized profit</b>	<b>na</b>	<b>na</b>	<b>62</b>	<b>35</b>	<b>120</b>
EPS (Bt)	0.02	0.04	0.03	0.00	0.00	EPS (Bt)	(73)	(97)	65	0.05	0.16
Normalized EPS (Bt)	0.01	0.04	0.03	0.00	(0.00)	Normalized EPS (Bt)	na	na	62	0.05	0.16
Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21		3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	352	343	405	237	280	Sales growth	(40.8)	(56.3)	(69.1)	(47.1)	9.9
A/C receivable	211	329	311	296	274	Operating profit growth	(82.7)	(78.0)	(81.8)	(99.8)	na
Inventory	51	44	41	46	52	EBITDA growth	(56.1)	(63.3)	(69.3)	(65.0)	(44.9)
Other current assets	44	2	7	13	21	Norm profit growth	(76.8)	(70.9)	(80.0)	(96.7)	na
Investment	0	0	0	0	0	Norm EPS growth	(76.8)	(70.9)	(80.0)	(96.7)	na
Fixed assets	523	505	486	502	483	Gross margin	15.4	20.6	16.5	15.2	6.1
Other assets	111	97	93	90	90	Operating margin	6.2	9.3	10.5	0.1	(3.2)
<b>Total assets</b>	<b>1,292</b>	<b>1,321</b>	<b>1,342</b>	<b>1,185</b>	<b>1,199</b>	EBITDA margin	21.6	18.8	21.0	17.2	10.8
S-T debt	49	37	51	62	47	Norm net margin	6.9	10.2	9.3	0.9	(0.3)
A/C payable	110	116	128	80	98	D/E (x)	0.1	0.0	0.1	0.1	0.1
Other current liabilities	35	37	35	31	51	Net D/E (x)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)
L-T debt	19	15	11	7	2	Interest coverage (x)	34.5	53.1	56.0	31.8	28.8
Other liabilities	60	69	50	42	36	Interest rate	6.8	6.2	6.0	4.6	4.5
Minority interest	0	0	0	0	0	Effective tax rate	1.5	4.5	14.8	(482.3)	69.7
<b>Shareholders' equity</b>	<b>1,020</b>	<b>1,047</b>	<b>1,068</b>	<b>964</b>	<b>964</b>	ROA	3.4	8.2	6.3	0.4	(0.2)
Working capital	151	257	223	262	228	ROE	4.3	10.4	7.9	0.5	(0.2)
Total debt	68	52	62	68	50						
<b>Net debt</b>	<b>(284)</b>	<b>(291)</b>	<b>(343)</b>	<b>(169)</b>	<b>(230)</b>						

Sources: Company data, Thanachart estimates

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