

Gunkul Engineering (GUNKUL TB) - BUY, Price Bt6.60, TP Bt5.75**Results Comment**

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Weaker-than-expected profit in 4Q21

- GUNKUL reported Bt591m normalized profit (excluding impact from FX, hedging, and other one-off items) in 4Q21, grew 8% y-y and 33% q-q. This missed our forecast due to a surge in operating costs, while we expected GUNKUL to book some profits from hemp business, but it got delayed.
- Full-year profit grew strongly 42% y-y on much stronger output from wind power and full-year profit recognition from power plants acquired in 4Q20. However, it misses our forecast by 13% and is 5% below Bloomberg consensus' number.
- Gross profit, including adders, grew 10% y-y and 16% q-q to Bt1.1bn in 4Q21, driven by stronger profit from engineering and construction business after an ease of Covid-19 lockdown and higher electricity output from wind farms, which more than offset q-q weakened output from solar plants seasonally.
- Total SG&A expenses rose significantly to Bt325m, up 14% y-y and 43% q-q, much higher than we expected. SG&A-to-sales ratio thus surged to 14.4%, from 10.6% in 3Q21 and 12.9% in 4Q20. EBITDA margin fell to 31.5% (vs. 35.9% and 27.2%)
- GUNKUL announces Bt0.12/share final dividend payment with an XD date on 5 May and a payment date on 23 May 2022. This combines as a full-year dividend of Bt0.18/share, or a 72% dividend payout from its net profit in 2021.
- Due to an earnings miss this quarter and its share price has run much above our TP, we turn more bearish on GUNKUL despite revenue recognition from its hemp business is soon to begin.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	2,207	1,740	1,814	2,137	2,254	Revenue	5	2	99	7,945	9,088
Gross profit	535	551	578	603	640	Gross profit	6	20	94	2,372	3,237
SG&A	285	211	209	227	325	SG&A	43	14	104	972	1,013
Operating profit	250	340	369	375	315	Operating profit	(16)	26	87	1,400	2,224
EBITDA	600	716	750	767	709	EBITDA	(8)	18	92	2,942	3,840
Other income	503	324	292	357	473	Other income	32	(6)	92	1,446	1,622
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	235	242	240	243	246	Interest expense	1	5	102	971	879
Profit before tax	518	423	421	489	542	Profit before tax	11	5	85	1,875	2,967
Income tax	70	33	6	106	43	Income tax	(59)	(39)	85	188	356
Equity & invest. income	100	86	105	70	96	Equity & invest. income	38	(4)	102	357	359
Minority interests	(2)	(5)	(5)	(9)	(4)	Minority interests	na	na	186	(22)	(12)
Extraordinary items	1,147	138	9	144	(83)	Extraordinary items	na	na	na	208	0
Net profit	1,694	609	524	589	508	Net profit	(14)	(70)	96	2,229	2,958
Normalized profit	547	471	515	445	591	Normalized profit	33	8	87	2,022	2,958
EPS (Bt)	0.19	0.07	0.06	0.07	0.06	EPS (Bt)	(14)	(70)	96	0.25	0.33
Normalized EPS (Bt)	0.06	0.05	0.06	0.05	0.07	Normalized EPS (Bt)	33	8	87	0.23	0.33

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	6,279	3,920	3,811	3,960	1,729	Sales growth	40.0	32.4	22.2	(7.5)	2.1
A/C receivable	2,864	2,625	2,894	1,468	1,466	Operating profit growth	(1.1)	109.3	35.7	103.2	26.1
Inventory	637	746	793	872	809	EBITDA growth	9.7	45.9	23.3	46.4	18.2
Other current assets	2,003	1,891	1,365	1,032	3,563	Norm profit growth	4.8	38.9	62.0	126.1	8.2
Investment	1,566	1,618	1,646	1,657	1,833	Norm EPS growth	4.8	38.9	62.0	126.1	8.2
Fixed assets	26,943	26,602	26,789	26,905	26,536	Gross margin	24.2	31.7	31.8	28.2	28.4
Other assets	5,741	5,908	6,041	6,628	6,550	Operating margin	11.3	19.6	20.3	17.6	14.0
Total assets	46,032	43,310	43,339	42,522	42,485	EBITDA margin	27.2	41.1	41.3	35.9	31.5
S-T debt	7,975	5,622	4,818	6,240	6,114	Norm net margin	24.8	27.1	28.4	20.8	26.2
A/C payable	2,404	2,006	1,828	1,449	1,681	D/E (x)	2.2	1.8	2.0	2.0	1.9
Other current liabilities	2,604	2,512	2,466	1,074	1,258	Net D/E (x)	1.7	1.5	1.7	1.7	1.8
L-T debt	18,793	18,439	19,974	19,185	18,630	Interest coverage (x)	2.6	3.0	3.1	3.2	2.9
Other liabilities	1,781	1,566	1,631	1,559	1,518	Interest rate	3.7	3.8	3.9	3.9	3.9
Minority interest	125	148	152	159	162	Effective tax rate	13.5	7.7	1.5	21.6	7.9
Shareholders' equity	12,350	13,015	12,470	12,857	13,122	ROA	5.0	4.2	4.8	4.1	5.6
Working capital	1,097	1,365	1,860	891	593	ROE	18.8	14.9	16.2	14.0	18.2
Total debt	26,768	24,062	24,793	25,424	24,744						
Net debt	20,489	20,142	20,982	21,464	23,015						

Sources: Company data, Thanachart estimates

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