Pylon Public Co Ltd (PYLON TB) - BUY, Price Bt5.05, TP Bt5.20

Results Comment

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Higher-than-expected 4Q21 results

- PYLON reported a normalized profit of Bt17m in 4Q21, down 38% y-y but it recovered from a normalized loss of Bt1m in 3Q21. The results were stronger than what we had expected. The earnings recovery quarter on quarter was mainly due to the construction site reopening after the lockdown.
- We expect PYLON's earnings to turn around further in 1Q22 onward, driven by higher revenue recognition from its high backlog value and no more construction's COVID shutdown in our assumption.
- We maintain our BUY recommendation on PYLON.
- PYLON's revenue dropped by 7% y-y in 4Q21 given a gradual reopening of the construction sites after the lockdown. We estimate its backlog value to remain at around Bt1.5bn at end 4Q21.
- Given the high operating leverage business, its gross margin of 16% in 4Q21 was still lower than 21% in 4Q20 but it improved from 6% in 3Q21. Its SG&A expenses also fell by 25% y-y in 4Q21 along with lower revenue.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	262	226	139	175	244
Gross profit	**55**	**37**	**21**	**11**	**40**
SG&A	29	14	21	16	22
Operating profit	25	24	0	(6)	18
EBITDA	**50**	**48**	**24**	**19**	**42**
Other income	4	2	1	4	2
Other expense	0	0	0	0	0
Interest expense	1	1	1	1	1
Profit before tax	**28**	**25**	**0**	**(2)**	**19**
Income tax	1	4	(1)	(1)	3
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	1	1
Net profit	**27**	**21**	**1**	**0**	**17**
Normalized profit	**27**	**21**	**1**	**(1)**	**17**
EPS (Bt)	0.04	0.03	0.00	0.00	0.02
Normalized EPS (Bt)	0.04	0.03	0.00	(0.00)	0.02

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	39	(7)	105	785	1,531
Gross profit	**269**	**(27)**	**104**	**109**	**260**
SG&A	33	(25)	103	73	77
Operating profit	na	(30)	107	36	184
EBITDA	**121**	**(16)**	**103**	**133**	**280**
Other income	(49)	(40)	104	9	9
Other expense					
Interest expense	(14)	(39)	219	3	1
Profit before tax	**na**	**(31)**	**102**	**42**	**192**
Income tax	na	118	66	4	38
Equity & invest. income					
Minority interests					
Extraordinary items	(39)	572	na	1	0
Net profit	**4,996**	**(36)**	**113**	**40**	**154**
Normalized profit	**na**	**(38)**	**109**	**38**	**154**
EPS (Bt)	4,996	(36)	113	0.05	0.20
Normalized EPS (Bt)	na	(38)	109	0.05	0.20

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	343	405	237	280	418
A/C receivable	329	311	296	274	177
Inventory	44	41	46	52	41
Other current assets	2	7	13	21	28
Investment	0	0	0	0	0
Fixed assets	505	486	502	483	465
Other assets	97	93	90	90	83
Total assets	**1,321**	**1,342**	**1,185**	**1,199**	**1,212**
S-T debt	37	51	62	47	47
A/C payable	117	128	80	98	124
Other current liabilities	36	35	31	51	28
L-T debt	15	11	7	2	0
Other liabilities	69	50	42	36	36
Minority interest	0	0	0	0	0
Shareholders' equity	**1,047**	**1,068**	**964**	**964**	**978**
Working capital	256	223	262	228	95
Total debt	52	62	68	50	47
Net debt	**(291)**	**(343)**	**(169)**	**(230)**	**(371)**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	(56.1)	(69.1)	(47.1)	9.9	(7.0)
Operating profit growth	(77.2)	(81.8)	(99.8)	na	(29.9)
EBITDA growth	(62.6)	(69.3)	(65.0)	(44.9)	(15.8)
Norm profit growth	(70.9)	(80.0)	(96.7)	na	(38.0)
Norm EPS growth	(70.9)	(80.0)	(96.7)	na	(38.0)
Gross margin	20.8	16.5	15.2	6.1	16.2
Operating margin	9.6	10.5	0.1	(3.2)	7.3
EBITDA margin	19.1	21.0	17.2	10.8	17.3
Norm net margin	10.2	9.3	0.9	(0.3)	6.8
D/E (x)	0.0	0.1	0.1	0.1	0.0
Net D/E (x)	(0.3)	(0.3)	(0.2)	(0.2)	(0.4)
Interest coverage (x)	54.0	56.0	31.8	28.8	74.1
Interest rate	6.2	6.0	4.6	4.5	4.7
Effective tax rate	4.5	14.8	(482.3)	69.7	14.3
ROA	8.2	6.3	0.4	(0.2)	5.5
ROE	10.4	7.9	0.5	(0.2)	6.8

Sources: Company data, Thanachart estimates

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