# Stark Corporation Pcl (STARK TB) - BUY, Price Bt4.48, TP Bt6.00

Results Comment

Nuttapop Prasitsuksant | Email: nuttapop.pra@thanachartsec.co.th

## 4Q21 strongly beat expectation

- STARK reported Bt739m normalized profit in 4Q21. It grew 218% y-y from higher top-line, but down 31% q-q from a high base last quarter. The result beat our expectation significantly on stronger-than-expected revenues. Full-year profit at Bt2.6bn in 2021 made up 118% of our forecast. Reaffirm BUY.
- Total revenue increased 50% y-y to Bt7.4bn (-24% q-q on high base impact) driven by strong power cable demand, especially high-voltage types. Infrastructure construction was more active in Thailand and Vietnam post Covid lockdown, while exports (to the US and Middle East) continued to grow.
- Gross margin continues its increasing trend to 21.3% in 4Q21, from 19.4% in 3Q21 and 17.3% in 4Q20, despite rising global copper and aluminum prices since STARK can fully pass on those raw material costs via higher selling prices, and higher operating leverage benefits given growing sales.
- SG&A increases 8% y-y and 24% q-q to Bt338m at the high-seasonal quarter. However, thanks to strong sales growth, total SG&A-to-sales ratio fell to 4.6% in 4Q21 (vs. 6.4% in 4Q20).
- We maintain BUY (Bt6.0 TP) as one of our picks in a Utilities-related sector, as we avoid playing into power plant operators those are now pressured by high fuel prices with limited growth outlook in capacity term.
- STARK should see strong momentum of revenue growth continues into 2022F on a recovery of construction activity post Covid lockdown and secular trend of electricity transmission system expansion in Thailand and Vietnam.

| Income Statement | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **4Q20** | **1Q21** | **2Q21** | **3Q21** | **4Q21** |
| Revenue | 4,941 | 4,655 | 5,252 | 9,777 | 7,409 |
| **Gross profit** | **857** | **1,052** | **869** | **1,897** | **1,574** |
| SG&A | 315 | 260 | 258 | 273 | 338 |
| Operating profit | 542 | 792 | 612 | 1,624 | 1,236 |
| **EBITDA** | **640** | **890** | **715** | **1,741** | **1,348** |
| Other income | 3 | 10 | 15 | 20 | (8) |
| Other expense | 0 | 0 | 0 | 0 | 0 |
| Interest expense | 187 | 191 | 213 | 271 | 268 |
| **Profit before tax** | **359** | **611** | **413** | **1,374** | **960** |
| Income tax | 123 | 127 | 97 | 291 | 219 |
| Equity & invest. income | (1) | 0 | (1) | (0) | 1 |
| Minority interests | (2) | (3) | (3) | (3) | (2) |
| Extraordinary items | 205 | (43) | 213 | (167) | 169 |
| **Net profit** | **437** | **438** | **524** | **913** | **908** |
| **Normalized profit** | **233** | **481** | **311** | **1,079** | **739** |
| EPS (Bt) | 0.04 | 0.04 | 0.04 | 0.08 | 0.08 |
| Normalized EPS (Bt) | 0.02 | 0.04 | 0.03 | 0.09 | 0.06 |

| Income Statement | | | 12M as | | |
|---|---|---|---|---|---|
| **(Bt m)** | **q-q%** | **y-y%** | **% 2021F** | **2021A** | **2022F** |
| Revenue | (24) | 50 | 115 | 27,094 | 27,560 |
| **Gross profit** | **(17)** | **84** | **107** | **5,393** | **6,194** |
| SG&A | 24 | 8 | 92 | 1,129 | 1,344 |
| Operating profit | (24) | 128 | 111 | 4,264 | 4,851 |
| **EBITDA** | **(23)** | **111** | **108** | **4,695** | **5,459** |
| Other income | na | na | 60 | 36 | 68 |
| Other expense | | | na | 0 | 0 |
| Interest expense | (1) | 44 | 103 | 943 | 901 |
| **Profit before tax** | **(30)** | **167** | **113** | **3,357** | **4,017** |
| Income tax | (25) | 77 | 99 | 734 | 1,004 |
| Equity & invest. income | na | na | na | (0) | 0 |
| Minority interests | na | na | 81 | 0 | (17) |
| Extraordinary items | na | (18) | na | 172 | 0 |
| **Net profit** | **(0)** | **108** | **126** | **2,795** | **2,996** |
| **Normalized profit** | **(31)** | **218** | **118** | **2,623** | **2,996** |
| EPS (Bt) | (0) | 108 | 168 | 0.18 | 0.19 |
| Normalized EPS (Bt) | (31) | 218 | 157 | 0.17 | 0.19 |

| Balance Sheet | | | | | (consolidated) |
|---|---|---|---|---|---|
| **Yr-end Dec (Bt m)** | **4Q20** | **1Q21** | **2Q21** | **3Q21** | **4Q21** |
| Cash & ST investment | 1,214 | 732 | 879 | 1,135 | 1,029 |
| A/C receivable | 6,042 | 7,093 | 8,613 | 14,064 | 15,571 |
| Inventory | 8,618 | 10,359 | 11,292 | 10,978 | 10,487 |
| Other current assets | 457 | 571 | 790 | 1,025 | 875 |
| Investment | 344 | 338 | 328 | 319 | 329 |
| Fixed assets | 4,417 | 4,487 | 4,502 | 4,508 | 4,413 |
| Other assets | 6,266 | 6,340 | 6,368 | 6,474 | 6,438 |
| **Total assets** | **27,358** | **29,920** | **32,773** | **38,502** | **39,142** |
| S-T debt | 8,818 | 4,330 | 4,473 | 4,761 | 5,742 |
| A/C payable | 10,248 | 12,989 | 15,330 | 17,637 | 17,093 |
| Other current liabilities | 583 | 658 | 511 | 687 | 714 |
| L-T debt | 3,310 | 7,027 | 6,976 | 8,878 | 8,347 |
| Other liabilities | 723 | 720 | 717 | 668 | 655 |
| Minority interest | 55 | 58 | 62 | 65 | 87 |
| **Shareholders' equity** | **3,621** | **4,137** | **4,705** | **5,807** | **6,505** |
| Working capital | 4,412 | 4,463 | 4,576 | 7,404 | 8,965 |
| Total debt | 12,128 | 11,357 | 11,448 | 13,639 | 14,089 |
| **Net debt** | **10,914** | **10,626** | **10,569** | **12,504** | **13,060** |

| Financial Ratios | | | | | |
|---|---|---|---|---|---|
| **(%)** | **4Q20** | **1Q21** | **2Q21** | **3Q21** | **4Q21** |
| Sales growth | 66.6 | 54.1 | 23.9 | 110.0 | 49.9 |
| Operating profit growth | 218.9 | 145.1 | 27.0 | 142.5 | 127.9 |
| EBITDA growth | 192.2 | 134.8 | 21.7 | 125.0 | 110.8 |
| Norm profit growth | 698.3 | 218.5 | 53.7 | 156.2 | 217.9 |
| Norm EPS growth | 1,496.7 | 218.5 | 53.7 | 156.2 | 217.9 |
| Gross margin | 17.3 | 22.6 | 16.6 | 19.4 | 21.3 |
| Operating margin | 11.0 | 17.0 | 11.6 | 16.6 | 16.7 |
| EBITDA margin | 12.9 | 19.1 | 13.6 | 17.8 | 18.2 |
| Norm net margin | 4.7 | 10.3 | 5.9 | 11.0 | 10.0 |
| D/E (x) | 3.3 | 2.7 | 2.4 | 2.3 | 2.1 |
| Net D/E (x) | 3.0 | 2.5 | 2.2 | 2.1 | 2.0 |
| Interest coverage (x) | 3.4 | 4.7 | 3.4 | 6.4 | 5.0 |
| Interest rate | 6.0 | 6.5 | 7.5 | 8.6 | 7.7 |
| Effective tax rate | 34.4 | 20.7 | 23.6 | 21.2 | 22.8 |
| ROA | 3.5 | 6.7 | 4.0 | 12.1 | 7.6 |
| ROE | 26.7 | 49.6 | 28.2 | 82.1 | 48.0 |

Sources: Company data, Thanachart estimates

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