Sino Thai Eng. & Const. (STEC TB) - BUY, Price Bt14.1, TP Bt17.5

Results Comment

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Higher-than-expected 4Q results

- STEC reported a normalized profit of Bt235m in 4Q21, down 3% y-y but up 73% q-q. The results were higher than what we had expected. Its earnings recovery quarter on quarter was due to a resumption of the operation after the lockdown of the construction sites in 3Q21 while its earnings fall year on year was because of lower revenue.
- We maintain a BUY rating on STEC as 1) we expect its strong earnings growth this year year driven by no more lockdown of the construction sites and higher revenue recognition from its high backlog value and 2) valuation is not too demanding at PEs of 24x in 2022F versus its 34x pre-COVID average in 2015-19.
- Despite its high backlog value, STEC's revenues decreased by 21% y-y in 4Q21 due to the gradual resumption of the operation while the new projects have yet to get started. We estimate its backlog value of Bt96bn at end 4Q21. This has yet to include the Bt27bn U-tapao and the Bt17bn South Purple Line which are expected to sign the contracts this year.
- Its gross margin improved to 5.8% in 4Q21 versus 5.2% in 4Q20 after the completion of the zero-margin new parliament building project while its SG&A also decreased by 15% y-y.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Revenue	8,888	7,549	7,072	6,072	6,982
Gross profit	**459**	**385**	**230**	**267**	**405**
SG&A	156	182	203	169	133
Operating profit	304	203	26	98	272
EBITDA	**580**	**479**	**306**	**382**	**562**
Other income	28	36	111	57	51
Other expense	0	0	0	0	0
Interest expense	15	11	8	7	7
Profit before tax	**317**	**228**	**129**	**148**	**316**
Income tax	95	46	21	12	78
Equity & invest. income	23	18	20	2	(1)
Minority interests	(3)	(3)	(3)	(2)	(2)
Extraordinary items	226	0	(124)	0	141
Net profit	**468**	**197**	**1**	**136**	**376**
Normalized profit	**242**	**197**	**125**	**136**	**235**
EPS (Bt)	0.31	0.13	0.00	0.09	0.25
Normalized EPS (Bt)	0.16	0.13	0.08	0.09	0.15

Income Statement			12M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021A**	**2022F**
Revenue	15	(21)	100	27,675	30,082
Gross profit	**52**	**(12)**	**106**	**1,287**	**1,661**
SG&A	(21)	(15)	96	687	752
Operating profit	177	(10)	120	600	908
EBITDA	**47**	**(3)**	**107**	**1,729**	**2,048**
Other income	(11)	79	113	255	201
Other expense					
Interest expense	(7)	(53)	90	33	44
Profit before tax	**113**	**(0)**	**120**	**822**	**1,065**
Income tax	558	(18)	127	158	213
Equity & invest. income	na	na	88	40	45
Minority interests	na	na	88	(10)	(12)
Extraordinary items		(38)	na		
Net profit	**176**	**(20)**	**119**	**711**	**885**
Normalized profit	**73**	**(3)**	**116**	**694**	**885**
EPS (Bt)	176	(20)	119	0.47	0.58
Normalized EPS (Bt)	73	(3)	116	0.46	0.58

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Cash & ST investment	6,496	7,915	7,784	6,988	6,228
A/C receivable	9,905	8,811	7,975	7,749	8,180
Inventory	3,227	3,002	2,750	2,778	2,745
Other current assets	1,468	1,721	1,787	1,400	2,930
Investment	4,291	4,603	4,521	5,352	5,391
Fixed assets	5,537	5,840	5,330	5,353	5,431
Other assets	13,110	12,486	13,135	14,564	15,716
Total assets	**44,033**	**44,377**	**43,282**	**44,184**	**46,622**
S-T debt	1,000	0	0	0	0
A/C payable	21,673	22,662	22,135	21,552	22,642
Other current liabilities	3,921	3,997	3,838	3,641	3,549
L-T debt	0	0	0	0	0
Other liabilities	2,727	2,613	2,564	2,821	3,064
Minority interest	279	282	284	287	288
Shareholders' equity	**14,433**	**14,824**	**14,461**	**15,882**	**17,079**
Working capital	(8,541)	(10,849)	(11,410)	(11,025)	(11,716)
Total debt	1,000	0	0	0	0
Net debt	**(5,496)**	**(7,915)**	**(7,784)**	**(6,988)**	**(6,228)**

Financial Ratios					
(%)	**4Q20**	**1Q21**	**2Q21**	**3Q21**	**4Q21**
Sales growth	(2.9)	(19.1)	(21.6)	(29.5)	(21.4)
Operating profit growth	(3.9)	(17.7)	(71.4)	(62.6)	(10.4)
EBITDA growth	11.5	(0.8)	(15.7)	(27.9)	(3.2)
Norm profit growth	(50.1)	(5.7)	(30.7)	(42.0)	(3.0)
Norm EPS growth	(50.1)	(5.7)	(30.7)	(42.0)	(3.0)
Gross margin	5.2	5.1	3.2	4.4	5.8
Operating margin	3.4	2.7	0.4	1.6	3.9
EBITDA margin	6.5	6.3	4.3	6.3	8.1
Norm net margin	2.7	2.6	1.8	2.2	3.4
D/E (x)	0.1	-	-	-	-
Net D/E (x)	(0.4)	(0.5)	(0.5)	(0.4)	(0.4)
Interest coverage (x)	39.9	42.8	37.6	52.3	82.5
Interest rate	11.6	9.0	na	na	na
Effective tax rate	30.1	20.3	16.4	8.0	24.8
ROA	2.2	1.8	1.1	1.2	2.1
ROE	7.0	5.4	3.4	3.6	5.7

Sources: Company data, Thanachart estimates

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