The Siam Cement Pcl (SCC TB) - BUY, Price Bt356, TP Bt490

Results Comment

Yupapan Polpornprasert | Email: yupapan.pol@thanachartsec.co.th

1Q22 weak as expected

- SCC reported 1Q22 net profit of Bt8.8bn (+6% q-q, -41%). Excluding non-operating items, normalized profit was Bt7.76bn (norm EPS Bt6.47/sh), -1% q-q and -48% y-y. Q-Q is steady as weaker chemical profit is offset by dividend income from Kubota and seasonal improvement in cement profit. The result was in line with expectation. BUY
- **Chemical**: Reported chemical profit was Bt3.6bn, down 59% y-y and 20% q-q given lower spreads across its main products (PE, PP, PVC). Despite collapse in product spreads, volume remains steady q-q at 496k tonne.
- **Packaging**: Packaging profit down 22% y-y and q-q. Q-Q drop is mainly from absence of Go-Pak gain. Excluding items, core profit was Bt1.72bn, down 24% y-y but up 27% q-q. The q-q improvement was driven by higher selling price. Margin remains under pressure due to high freight cost and coal price.
- **Cement & building materials (CBM)**: CBM reported a net profit of Bt2.3bn, -18% y-y, but improved by 67% due to seasonality. Y-Y contraction is mainly attributed to rising coal cost which led EBITDA margin to drop to 12% from 14% in 1Q21. Sale revenue grew 10% y-y despite lower domestic demand and still weak non-cement product due to higher selling price. Thailand's cement demand declined 3% y-y vs 5% y-y decline in 4Q21. Average grey cement sales price increased to Bt1,800-1,900/ton, up about Bt50-100/ton q-q. Demand for housing products still contracted 1% y-y (vs 2% y-y contraction in 4Q21) while ceramic tiles sales volume grew 2% y-y.
- **Our view.** While result is weak relative to full year forecast, we see this is well expected by the market. We expect 2Q22 profit to improve as chemical spread rebound as well as booking of seasonal dividend income.

Income Statement (consolidated) Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	122,066	133,555	131,825	142,665	152,494
Gross profit	**30,374**	**32,243**	**25,893**	**22,356**	**23,018**
SG&A	15,040	15,716	15,864	16,177	17,487
Operating profit	15,334	16,527	10,029	6,180	5,531
EBITDA	**22,196**	**23,633**	**17,480**	**13,596**	**12,660**
Other income	1,562	2,861	3,229	2,942	2,686
Other expense	304	75	3,790	(111)	55
Interest expense	1,691	1,694	1,681	1,691	1,647
Profit before tax	**14,901**	**17,619**	**7,786**	**7,543**	**6,516**
Income tax	2,322	2,929	1,893	1,757	1,625
Equity & invest. income	5,697	5,708	3,890	2,248	3,419
Minority interests	(3,363)	(3,261)	(717)	(221)	(546)
Extraordinary items	0	0	(2,249)	494	1,080
Net profit	**14,914**	**17,136**	**6,817**	**8,307**	**8,844**
Normalized profit	**14,914**	**17,136**	**9,066**	**7,813**	**7,764**
EPS (Bt)	12.43	14.28	5.68	6.92	7.37
Normalized EPS (Bt)	12.43	14.28	7.56	6.51	6.47

Income Statement (Bt m)	q-q%	y-y%	3M as % 2022F	2022F	2023F
Revenue	7	25	32	474,865	526,881
Gross profit	**3**	**(24)**	**23**	**101,007**	**93,925**
SG&A	8	16	29	59,699	60,599
Operating profit	(11)	(64)	13	41,308	33,326
EBITDA	**(7)**	**(43)**	**18**	**71,294**	**62,481**
Other income	(9)	72	27	9,770	10,810
Other expense	na	(82)	na	0	0
Interest expense	(3)	(3)	23	7,088	7,584
Profit before tax	**(14)**	**(56)**	**15**	**43,990**	**36,553**
Income tax	(7)	(30)	28	5,719	5,117
Equity & invest. income	52	(40)	24	13,960	14,486
Minority interests	na	na	12	(4,458)	(2,783)
Extraordinary items	119		na	0	0
Net profit	**6**	**(41)**	**19**	**47,773**	**43,138**
Normalized profit	**(1)**	**(48)**	**16**	**47,773**	**43,138**
EPS (Bt)	6	(41)	19	39.81	35.95
Normalized EPS (Bt)	(1)	(48)	16	39.81	35.95

Balance Sheet (consolidated) Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	106,530	88,173	64,696	67,610	80,525
A/C receivable	68,788	74,771	75,890	78,951	86,504
Inventory	58,721	68,825	78,908	83,121	83,512
Other current assets	1,174	3,822	4,596	3,334	3,876
Investment	123,076	122,625	141,730	137,579	142,064
Fixed assets	377,251	387,670	406,773	410,708	412,204
Other assets	65,393	66,165	77,745	79,799	80,856
Total assets	**800,932**	**812,051**	**850,339**	**861,101**	**889,540**
S-T debt	93,443	93,755	92,169	83,812	101,056
A/C payable	72,579	74,831	79,469	75,026	74,702
Other current liabilities	22,976	11,031	11,649	9,549	24,208
L-T debt	167,156	166,381	187,940	206,291	205,811
Other liabilities	33,214	33,946	35,924	36,415	37,668
Minority interest	79,159	80,129	84,159	84,318	83,295
Shareholders' equity	**332,406**	**351,978**	**359,030**	**365,691**	**362,801**
Working capital	54,930	68,765	75,330	87,047	95,314
Total debt	260,598	260,136	280,109	290,103	306,867
Net debt	**154,068**	**171,962**	**215,413**	**222,493**	**226,342**

Financial Ratios (%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	15.4	39.1	30.6	46.7	24.9
Operating profit growth	98.5	64.5	(11.6)	(20.3)	(63.9)
EBITDA growth	53.1	40.1	(4.1)	(7.2)	(43.0)
Norm profit growth	80.2	71.1	(16.2)	(7.5)	(47.9)
Norm EPS growth	80.2	71.1	(16.2)	(7.5)	(47.9)
Gross margin	24.9	24.1	19.6	15.7	15.1
Operating margin	12.6	12.4	7.6	4.3	3.6
EBITDA margin	18.2	17.7	13.3	9.5	8.3
Norm net margin	12.2	12.8	6.9	5.5	5.1
D/E (x)	0.6	0.6	0.6	0.6	0.7
Net D/E (x)	0.4	0.4	0.5	0.5	0.5
Interest coverage (x)	13.1	13.9	10.4	8.0	7.7
Interest rate	2.7	2.6	2.5	2.4	2.2
Effective tax rate	15.6	16.6	24.3	23.3	24.9
ROA	7.7	8.5	4.4	3.7	3.5
ROE	18.3	20.0	10.2	8.6	8.5

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 79 Derivative Warrants which are AMAT16C2206A , AOT16C2204A , AOT16C2206A , AWC16C2207A , BAM16C2204A , BAM16C2206A , BAM16C2207A , BANP16C2204A , BANP16C2205A , BANP16C2207A , BBL16C2204A , BCH16C2207A , BEC16C2204A , BEC16C2207A , BGRI16C2205A , BLA16C2208A, BLA16C2205A , CBG16C2204A , CBG16C2205A , CBG16C2207A , CHG16C2207A , COM716C2208A, COM716C2205A , CPAL16C2204A , CPF16C2205A , CRC16C2204A , DOHO16C2207A , EA16C2205A , EA16C2206A , EA16C2207A , GPSC16C2205A , GPSC16C2206A , GPSC16C2207A , GULF16C2205A , GULF16C2207A , GUNK16C2205A , GUNK16C2206A , GUNK16C2207A , HANA16C2204A , HANA16C2205A , HANA16C2207A , INTU16C2205A , IRPC16C2205A , IVL16C2206A , JMAR16C2205A , JMAR16C2206A , JMT16C2205A , JMT16C2207A , KBAN16C2208A, KBAN16C2204A , KBAN16C2206A , KCE16C2208A, KCE16C2204A , KCE16C2205A , KCE16C2205B , MEGA16C2207A , MINT16C2204A , MINT16C2207A , MTC16C2204A , OR16C2205A , PTT16C2205A , PTTG16C2207A , RCL16C2205A , RS16C2205A , S5016C2206A , S5016P2206A , S5016P2206B , SAWA16C2204A , SAWA16C2205A , SCC16C2204A , STEC16C2204A , SYNE16C2206A , TOP16C2206A , TRUE16C2205A , TRUE16C2205B , TTA16C2208A, TTA16C2207A , TU16C2204A , WHA16C2204A (underlying securities are AMATA , AOT , AWC , BAM , BANPU , BBL , BCH , BEC , BGRIM , BLA , CBG , CHG , COM7 , CPALL , CPF , CRC , DOHOME , EA , GPSC , GULF , GUNKUL , HANA , INTUCH , IRPC , IVL , JMART , JMT , KBANK , KCE , MEGA , MINT , MTC , OR , PTT, PTTGC , RCL , RS , SAWAD , SCC , SET50 , STEC , SYNEX , TOP, TRUE, TTA, TU , WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SCG Packaging Pcl (SCGP TB)