Pylon Public Co Ltd (PYLON TB) - BUY, Price Bt4.16, TP Bt5.20

Results Comment

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Slight earnings miss in 1Q22

- PYLON reported a normalized profit of Bt21m in 1Q22, up 2% y-y and 28% q-q. The results were slightly lower than what we had expected. The earnings growth was mainly due to a ramp-up of construction work after the construction site lockdown in 3Q21.
- Despite lower-than-expected 1Q22 earnings, we maintain our forecast as we expect PYLON's earnings to continue to improve for the rest of the year, driven by higher revenue recognition from its high backlog value and benefits from economies of scale.
- We maintain our BUY call on PYLON.
- PYLON's revenue increased by 26% y-y in 1Q22 given higher revenue recognition from its high backlog value. We estimate its backlog value to remain at around Bt1.2bn at end 1Q22F.
- However, its gross margin remained low at 16% in 1Q22 vs. 17% in 1Q21 due to intense bidding competition to get new work last year. Its SG&A expenses also increased by 45% y-y in 1Q22 along with higher revenue.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	226	139	175	244	284
Gross profit	**37**	**21**	**11**	**40**	**44**
SG&A	14	21	16	22	20
Operating profit	24	0	(6)	18	24
EBITDA	**48**	**24**	**19**	**42**	**47**
Other income	2	1	4	2	2
Other expense	0	0	0	0	0
Interest expense	1	1	1	1	0
Profit before tax	**25**	**0**	**(2)**	**19**	**26**
Income tax	4	(1)	(1)	3	4
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	0	1	1	0
Net profit	**21**	**1**	**0**	**17**	**21**
Normalized profit	**21**	**1**	**(1)**	**17**	**21**
EPS (Bt)	0.03	0.00	0.00	0.02	0.03
Normalized EPS (Bt)	0.03	0.00	(0.00)	0.02	0.03

Income Statement			**3M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	17	26	19	1,531	1,650
Gross profit	**11**	**18**	**17**	**260**	**347**
SG&A	(9)	45	26	77	83
Operating profit	36	2	13	184	264
EBITDA	**12**	**(1)**	**17**	**280**	**363**
Other income	(5)	22	23	9	10
Other expense					
Interest expense	(13)	(42)	65	1	1
Profit before tax	**33**	**5**	**13**	**192**	**273**
Income tax	61	21	12	38	55
Equity & invest. income					
Minority interests					
Extraordinary items	(94)	na	na	0	0
Net profit	**24**	**2**	**14**	**154**	**218**
Normalized profit	**28**	**2**	**14**	**154**	**218**
EPS (Bt)	24	2	14	0.20	0.29
Normalized EPS (Bt)	28	2	14	0.20	0.29

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	405	237	280	418	340
A/C receivable	311	296	274	177	291
Inventory	41	46	52	41	61
Other current assets	7	13	21	28	125
Investment	0	0	0	0	0
Fixed assets	486	502	483	465	455
Other assets	93	90	90	83	75
Total assets	**1,342**	**1,185**	**1,199**	**1,212**	**1,347**
S-T debt	51	62	47	47	64
A/C payable	128	80	98	124	217
Other current liabilities	35	31	51	28	32
L-T debt	11	7	2	0	0
Other liabilities	50	42	36	36	35
Minority interest	0	0	0	0	0
Shareholders' equity	**1,068**	**964**	**964**	**978**	**999**
Working capital	223	262	228	95	135
Total debt	62	68	50	47	64
Net debt	**(343)**	**(169)**	**(230)**	**(371)**	**(275)**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	(69.1)	(47.1)	9.9	(7.0)	25.7
Operating profit growth	(81.8)	(99.8)	na	(29.9)	1.7
EBITDA growth	(69.3)	(65.0)	(44.9)	(15.8)	(0.6)
Norm profit growth	(80.0)	(96.7)	na	(38.0)	1.7
Norm EPS growth	(80.0)	(96.7)	na	(38.0)	1.7
Gross margin	16.5	15.2	6.1	16.2	15.5
Operating margin	10.5	0.1	(3.2)	7.3	8.5
EBITDA margin	21.0	17.2	10.8	17.3	16.6
Norm net margin	9.3	0.9	(0.3)	6.8	7.5
D/E (x)	0.1	0.1	0.1	0.0	0.1
Net D/E (x)	(0.3)	(0.2)	(0.2)	(0.4)	(0.3)
Interest coverage (x)	56.0	31.8	28.8	74.1	95.4
Interest rate	6.0	4.6	4.5	4.7	3.6
Effective tax rate	14.8	(482.3)	69.7	14.3	17.2
ROA	6.3	0.4	(0.2)	5.5	6.7
ROE	7.9	0.5	(0.2)	6.8	8.6

Sources: Company data, Thanachart estimates

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