Somboon Advance Tech. (SAT TB) - BUY, Price Bt17.6, TP Bt27.0

Results Comment

Rata Limsuthiwanpoom | Email: rata.lim@thanachartsec.co.th

1Q22, beat on tax item

- SAT reported normalized earnings of Bt259m, falling 18% y-y but up 18% q-q. This was stronger than our number and street's by 16% and 21% respectively.
- Key items that beat our bottom-line earnings projection were higher other income from selling steel scrap at good price and lower effective tax rate, and they are the key drivers for q-q growth.
- Looking at operating profit level, SAT reported a drop of 14% y-y and 1% q-q in 1Q22 due to higher costs and softer sales growth given supply-chain constraints. This was as expected.
- Sales grew by 6% y-y and flat q-q, and much of the growth came from low-margin products. Also, there is a high-base effect from 1Q21, when margins were high due to low steel prices. Gross margin dropped to 17.9% in 1Q22 from 22.1% in 1Q21 and 18.1% in 4Q21.
- 1Q22 accounts for 25% of our full year number. We expect SAT's earnings to turn around in 2H22 driven by stronger auto parts orders and better margin after price adjustments for rising costs. We maintain our earnings projection and reaffirm BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	2,208	2,041	2,012	2,338	2,329
Gross profit	**466**	**396**	**371**	**423**	**418**
SG&A	197	181	168	188	186
Operating profit	269	215	203	235	231
EBITDA	**414**	**362**	**348**	**369**	**359**
Other income	34	30	28	27	43
Other expense	0	0	0	0	0
Interest expense	1	2	2	1	1
Profit before tax	**302**	**243**	**229**	**261**	**273**
Income tax	34	27	24	49	26
Equity & invest. income	47	21	8	8	11
Minority interests	(0)	(2)	1	(1)	0
Extraordinary items	6	2	1	(39)	0
Net profit	**321**	**237**	**215**	**180**	**259**
Normalized profit	**314**	**235**	**214**	**219**	**259**
EPS (Bt)	0.75	0.56	0.50	0.42	0.61
Normalized EPS (Bt)	0.74	0.55	0.50	0.52	0.61

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(0)	6	25	9,286	10,767
Gross profit	**(1)**	**(10)**	**24**	**1,761**	**2,150**
SG&A	(1)	(6)	24	778	832
Operating profit	(1)	(14)	24	983	1,318
EBITDA	**(3)**	**(13)**	**23**	**1,576**	**1,930**
Other income	58	25	33	129	140
Other expense					
Interest expense	(33)	(51)	69	1	2
Profit before tax	**5**	**(9)**	**25**	**1,111**	**1,456**
Income tax	(47)	(25)	16	167	233
Equity & invest. income	49	(76)	11	100	120
Minority interests			-	(3)	(3)
Extraordinary items	na	(93)	na	0	0
Net profit	**44**	**(19)**	**25**	**1,042**	**1,340**
Normalized profit	**18**	**(18)**	**25**	**1,042**	**1,340**
EPS (Bt)	44	(19)	25	2.45	3.15
Normalized EPS (Bt)	18	(18)	25	2.45	3.15

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	2,658	2,511	2,752	2,999	3,547
A/C receivable	1,533	1,451	1,403	1,531	1,578
Inventory	565	652	759	594	650
Other current assets	328	539	375	420	319
Investment	962	983	1,024	1,031	1,049
Fixed assets	3,346	3,263	3,199	3,069	3,045
Other assets	244	252	262	187	208
Total assets	**9,637**	**9,651**	**9,774**	**9,830**	**10,395**
S-T debt	86	38	34	0	0
A/C payable	1,141	1,165	1,161	1,228	1,441
Other current liabilities	626	650	730	664	744
L-T debt	44	6	5	0	0
Other liabilities	312	328	335	296	303
Minority interest	49	51	51	0	0
Shareholders' equity	**7,380**	**7,413**	**7,458**	**7,642**	**7,907**
Working capital	958	937	1,001	897	786
Total debt	130	44	39	0	0
Net debt	**(2,528)**	**(2,467)**	**(2,713)**	**(2,999)**	**(3,547)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	20.6	170.5	31.6	32.2	5.5
Operating profit growth	53.5	na	201.5	20.9	(13.9)
EBITDA growth	25.0	na	57.6	5.8	(13.3)
Norm profit growth	62.7	na	160.2	(9.2)	(17.6)
Norm EPS growth	62.7	na	160.2	(9.2)	(17.6)
Gross margin	21.1	19.4	18.4	18.1	17.9
Operating margin	12.2	10.5	10.1	10.0	9.9
EBITDA margin	18.8	17.7	17.3	15.8	15.4
Norm net margin	14.2	11.5	10.6	9.4	11.1
D/E (x)	0.0	0.0	0.0	-	-
Net D/E (x)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
Interest coverage (x)	327.3	211.3	183.1	404.9	584.8
Interest rate	3.9	7.8	18.3	18.8	na
Effective tax rate	11.4	11.0	10.5	18.7	9.5
ROA	13.5	9.8	8.8	8.9	10.2
ROE	17.4	12.7	11.5	11.6	13.3

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies.

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 76 Derivative Warrants which are AMAT16C2206A, AOT16C2206A, AWC16C2207A, BAM16C2206A, BAM16C2207A, BANP16C2205A, BANP16C2207A, BCH16C2207A, BEC16C2207A, BGRI16C2205A, BLA16C2205A, BLA16C2208A, CBG16C2205A, CBG16C2207A, CHG16C2207A, COM716C2205A, COM716C2208A, COM716C2209A, CPF16C2205A, DOHO16C2207A, EA16C2205A, EA16C2206A, EA16C2207A, EA16C2209A, GPSC16C2205A, GPSC16C2206A, GPSC16C2207A, GPSC16C2209A, GULF16C2205A, GULF16C2207A, GUNK16C2205A, GUNK16C2206A, GUNK16C2207A, GUNK16C2209A, HANA16C2205A, HANA16C2207A, HANA16C2209A, INTU16C2205A, IRPC16C2205A, IVL16C2206A, JMAR16C2205A, JMAR16C2206A, JMT16C2205A, JMT16C2207A, KBAN16C2206A, KBAN16C2208A, KBAN16C2209A, KCE16C2205A, KCE16C2205B, KCE16C2208A, KCE16C2209A, MEGA16C2207A, MINT16C2207A, OR16C2205A, PTG16C2209A, PTT16C2205A, PTTE16C2209A, PTTG16C2207A, RBF16C2209A, RCL16C2205A, RCL16C2208A, RS16C2205A, S5016C2206A, S5016C2209A, S5016P2206A, S5016P2206B, S5016P2209A, SAWA16C2205A, SCB16C2208A, SPRC16C2209A, SYNE16C2206A, TOP16C2206A, TRUE16C2205A, TRUE16C2205B, TTA16C2207A, TTA16C2208A (underlying securities are AMATA, AOT, AWC, BAM, BANPU, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPF, DOHOME, EA, GPSC, GULF, GUNKUL, HANA, INTUCH, IRPC, IVL, JMART, JMT, KBANK, KCE, MEGA, MINT, OR, PTG, PTT, PTTEP, PTTGC, RBF, RCL, RS, SET50, SAWAD, SCB, SPRC, SYNEX, TOP, TRUE, TTA). 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)