SEAFCO Public Co Ltd (SEAFCO TB) - BUY, Price Bt3.50, TP Bt5.00

Results Comment

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Weaker-than-expected 1Q22 earnings

- SEAFCO reported a normalized loss of Bt42m in 1Q22 versus a normalized profit of Bt24m in 1Q21 and a normalized loss of Bt33m in 4Q21. The loss was higher than what we had expected given its weak revenue and low gross margin. Including Bt2m expected credit loss of receivable, SEAFCO's net loss was at Bt43m in 1Q22.
- We see a downside risk to our earnings forecast but we maintain our BUY call on SEAFCO as we expect its earnings to recover gradually in 2Q22 onward due to the resumption of construction work after the construction site lockdown in 3Q21. A sharp fall in the share price also looks priced in bad news. The share trades at 12x in 2023F vs. its pre-COVID avg. PE of 20x in 2015-19.
- SEAFCO's revenue fell by 60% y-y in 1Q22 due to the slow resumption of the construction work after the closure of construction sites in 3Q21 and its low backlog value. We estimate SEAFCO's backlog value of Bt1.2bn as of end 1Q22.
- Given its high operating leverage business, lower utilization rates caused its negative gross margin of 13% in 1Q22 vs. a negative 10% in 1Q21. SG&A expenses fell by 4% y-y in 1Q22 following a drop in revenue.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	589	360	202	285	237
Gross profit	**57**	**26**	**(29)**	**(23)**	**(30)**
SG&A	29	33	32	26	28
Operating profit	28	(7)	(62)	(49)	(58)
EBITDA	**81**	**46**	**(9)**	**2**	**(7)**
Other income	8	9	9	15	9
Other expense	0	0	0	0	0
Interest expense	5	5	5	6	4
Profit before tax	**32**	**(2)**	**(58)**	**(40)**	**(53)**
Income tax	9	(3)	(7)	(9)	(10)
Equity & invest. income	0	0	0	0	0
Minority interests	1	0	4	(3)	1
Extraordinary items	(0)	(3)	(11)	12	(2)
Net profit	**24**	**(2)**	**(57)**	**(22)**	**(43)**
Normalized profit	**24**	**1**	**(46)**	**(33)**	**(42)**
EPS (Bt)	0.03	(0.00)	(0.08)	(0.03)	(0.06)
Normalized EPS (Bt)	0.03	0.00	(0.06)	(0.05)	(0.06)

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(17)	(60)	17	1,360	2,154
Gross profit	**na**	**na**	**na**	**177**	**388**
SG&A	7	(4)	23	122	140
Operating profit	na	na	na	54	248
EBITDA	**na**	**na**	**na**	**248**	**451**
Other income	(39)	6	26	35	35
Other expense					
Interest expense	(31)	(24)	21	19	20
Profit before tax	**na**	**na**	**na**	**70**	**263**
Income tax	na	na	na	14	53
Equity & invest. income					
Minority interests	na	(53)	21	3	5
Extraordinary items	na	na	na	0	0
Net profit	**na**	**na**	**na**	**59**	**215**
Normalized profit	**na**	**na**	**na**	**59**	**215**
EPS (Bt)	na	na	na	0.08	0.29
Normalized EPS (Bt)	na	na	na	0.08	0.29

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	92	53	81	231	165
A/C receivable	440	693	688	372	254
Inventory	78	75	71	65	41
Other current assets	426	326	284	217	297
Investment	60	59	59	57	56
Fixed assets	1,250	1,206	1,180	1,177	1,151
Other assets	759	684	628	593	521
Total assets	**3,104**	**3,096**	**2,991**	**2,713**	**2,486**
S-T debt	182	243	319	311	182
A/C payable	626	675	534	355	356
Other current liabilities	255	199	193	176	158
L-T debt	159	122	164	135	113
Other liabilities	246	227	215	182	166
Minority interest	4	3	(2)	1	(2)
Shareholders' equity	**1,633**	**1,628**	**1,568**	**1,553**	**1,514**
Working capital	(108)	92	225	83	(60)
Total debt	341	365	483	446	295
Net debt	**249**	**312**	**403**	**215**	**130**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(32.2)	(50.9)	(61.6)	(34.2)	(59.8)
Operating profit growth	(76.2)	na	na	na	na
EBITDA growth	(59.5)	(64.0)	na	(77.9)	na
Norm profit growth	(72.9)	(98.6)	na	na	na
Norm EPS growth	(72.9)	(98.6)	na	na	na
Gross margin	9.7	7.3	(14.6)	(8.0)	(12.6)
Operating margin	4.8	(1.9)	(30.7)	(17.1)	(24.3)
EBITDA margin	13.7	12.8	(4.5)	0.9	(3.0)
Norm net margin	4.1	0.3	(23.0)	(11.7)	(17.7)
D/E (x)	0.2	0.2	0.3	0.3	0.2
Net D/E (x)	0.2	0.2	0.3	0.1	0.1
Interest coverage (x)	15.4	9.9	(1.8)	0.4	(1.8)
Interest rate	5.7	5.3	4.9	5.0	4.3
Effective tax rate	28.4	129.1	12.9	22.8	19.3
ROA	3.1	0.1	(6.1)	(4.7)	(6.4)
ROE	5.9	0.3	(11.6)	(8.6)	(10.9)

Sources: Company data, Thanachart estimates

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