Sino Thai Eng. & Const. (STEC TB) - BUY, Price Bt12.9, TP Bt17.5

Results Comment

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1Q22 results in line

- STEC reported a normalized profit of Bt232m in 1Q22, up 17% y-y but down 1% q-q. The results were in line with what we had expected. Its earnings growth year on year was mainly due to higher gross margin. Its 1Q22 profit makes up 26% of our full-year forecast.
- We maintain our BUY rating on STEC given 1) its strong earnings recovery this year driven by low earnings base last year due to the construction site lockdown and higher revenue recognition from its high backlog value, 2) its potential new work this year, especially the Bt27bn U-tapao Airport project, and 2) cheap valuation at PEs of 22x in 2022F versus its 34x pre-COVID average PE in 2015-19.
- STEC's revenues grew by 1% y-y in 1Q22 due to a gradual resumption of its construction work after the construction site lockdown in 3Q21 while its new projects have yet to get started. We estimate its backlog value to remain at Bt98bn at end 1Q22.
- Its gross margin improved to 5.7% in 1Q22 versus 5.1% in 1Q21 after the completion of the zero-margin new parliament building project while its SG&A expenses were flat y-y.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	7,549	7,072	6,072	6,982	7,620
Gross profit	**385**	**230**	**267**	**405**	**431**
SG&A	182	203	169	133	182
Operating profit	203	26	98	272	249
EBITDA	**479**	**306**	**382**	**562**	**526**
Other income	36	111	57	51	34
Other expense	0	0	0	0	0
Interest expense	11	8	7	7	7
Profit before tax	**228**	**129**	**148**	**316**	**277**
Income tax	46	21	12	78	55
Equity & invest. income	18	20	2	(1)	12
Minority interests	(3)	(3)	(2)	(2)	(2)
Extraordinary items	0	(124)	0	141	0
Net profit	**197**	**1**	**136**	**376**	**232**
Normalized profit	**197**	**125**	**136**	**235**	**232**
EPS (Bt)	0.13	0.00	0.09	0.25	0.15
Normalized EPS (Bt)	0.13	0.08	0.09	0.15	0.15

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	9	1	25	30,082	34,292
Gross profit	**7**	**12**	**26**	**1,661**	**1,937**
SG&A	37	0	24	752	789
Operating profit	(8)	23	27	908	1,149
EBITDA	**(6)**	**10**	**26**	**2,048**	**2,304**
Other income	(33)	(6)	17	201	207
Other expense					
Interest expense	(4)	(42)	15	44	43
Profit before tax	**(12)**	**21**	**26**	**1,065**	**1,313**
Income tax	(29)	19	26	213	263
Equity & invest. income	na	(33)	28	45	45
Minority interests	na	na	18	(12)	(14)
Extraordinary items					
Net profit	**(38)**	**17**	**26**	**885**	**1,082**
Normalized profit	**(1)**	**17**	**26**	**885**	**1,082**
EPS (Bt)	(38)	17	26	0.58	0.71
Normalized EPS (Bt)	(1)	17	26	0.58	0.71

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	7,915	7,784	6,988	7,661	10,550
A/C receivable	8,811	7,975	7,749	8,180	7,419
Inventory	3,002	2,750	2,778	2,745	3,172
Other current assets	1,721	1,787	1,400	1,497	1,742
Investment	4,603	4,521	5,352	5,391	5,625
Fixed assets	5,840	5,330	5,353	5,431	5,297
Other assets	12,486	13,135	14,564	15,716	16,867
Total assets	**44,377**	**43,282**	**44,184**	**46,622**	**50,672**
S-T debt	0	0	0	0	42
A/C payable	22,662	22,135	21,552	22,642	25,130
Other current liabilities	3,997	3,838	3,641	3,549	3,500
L-T debt	0	0	0	0	0
Other liabilities	2,613	2,564	2,821	3,064	3,252
Minority interest	282	284	287	288	290
Shareholders' equity	**14,824**	**14,461**	**15,882**	**17,079**	**18,457**
Working capital	(10,849)	(11,410)	(11,025)	(11,716)	(14,539)
Total debt	0	0	0	0	42
Net debt	**(7,915)**	**(7,784)**	**(6,988)**	**(7,661)**	**(10,508)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Sales growth	(19.1)	(21.6)	(29.5)	(21.4)	0.9
Operating profit growth	(17.7)	(71.4)	(62.6)	(10.4)	22.6
EBITDA growth	(0.8)	(15.7)	(27.9)	(3.2)	9.8
Norm profit growth	(5.7)	(30.7)	(42.0)	(3.0)	17.3
Norm EPS growth	(5.7)	(30.7)	(42.0)	(3.0)	17.3
Gross margin	5.1	3.2	4.4	5.8	5.7
Operating margin	2.7	0.4	1.6	3.9	3.3
EBITDA margin	6.3	4.3	6.3	8.1	6.9
Norm net margin	2.6	1.8	2.2	3.4	3.0
D/E (x)	-	-	-	-	0.0
Net D/E (x)	(0.5)	(0.5)	(0.4)	(0.4)	(0.6)
Interest coverage (x)	42.8	37.6	52.3	82.5	80.8
Interest rate	9.0	na	na	na	122.6
Effective tax rate	20.3	16.4	8.0	24.8	20.0
ROA	1.8	1.1	1.2	2.1	1.9
ROE	5.4	3.4	3.6	5.7	5.2

Sources: Company data, Thanachart estimates

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