Pylon Public Co Ltd (PYLON TB) - BUY, Price Bt4.52, TP Bt5.50

Results Comment

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2Q22 results in line

- PYLON reported a normalized profit of Bt54m in 2Q22, up 4,256% y-y and 153% q-q. The results were in line with what we had expected. The earnings growth was mainly due to higher revenue recognition from its high backlog value and economies of scale.
- We expect PYLON's earnings to remain solid in 2H22, driven by revenue recognition from its high backlog value, potential new work from both high-rise building and infrastructure projects, and benefits from economies of scale. We thus maintain our BUY call on PYLON.
- PYLON's revenue increased by 218% y-y in 2Q22 given higher revenue recognition from its high backlog value. We estimate its backlog value to remain at around Bt1bn as of end 2Q22F.
- Given the high operating leverage business, its gross margin improved to 19% in 2Q22 vs. 15% in 2Q21 and its SG&A expenses slightly fell by 2% y-y.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	139	175	244	284	442
Gross profit	**21**	**11**	**40**	**44**	**85**
SG&A	21	16	22	20	21
Operating profit	0	(6)	18	24	65
EBITDA	**24**	**19**	**42**	**47**	**88**
Other income	1	4	2	2	3
Other expense	0	0	0	0	0
Interest expense	1	1	1	0	0
Profit before tax	**0**	**(2)**	**19**	**26**	**67**
Income tax	(1)	(1)	3	4	13
Equity & invest. income	0	0	0	0	0
Minority interests	0	0	0	0	0
Extraordinary items	0	1	1	0	0
Net profit	**1**	**0**	**17**	**21**	**54**
Normalized profit	**1**	**(1)**	**17**	**21**	**54**
EPS (Bt)	0.00	0.00	0.02	0.03	0.07
Normalized EPS (Bt)	0.00	(0.00)	0.02	0.03	0.07

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	55	218	46	1,584	1,736
Gross profit	**94**	**304**	**47**	**277**	**365**
SG&A	3	(2)	46	87	95
Operating profit	168	na	47	190	270
EBITDA	**87**	**269**	**47**	**289**	**373**
Other income	18	192	52	9	10
Other expense					
Interest expense	(34)	(57)	49	2	2
Profit before tax	**160**	**na**	**47**	**197**	**279**
Income tax	190	na	44	39	56
Equity & invest. income					
Minority interests					
Extraordinary items	(12)	na	na	0	0
Net profit	**153**	**4,258**	**48**	**158**	**223**
Normalized profit	**153**	**4,256**	**48**	**158**	**223**
EPS (Bt)	153	4,258	48	0.21	0.30
Normalized EPS (Bt)	153	4,256	48	0.21	0.30

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	237	280	418	340	191
A/C receivable	296	274	177	291	611
Inventory	46	52	41	61	52
Other current assets	13	21	28	125	28
Investment	0	0	0	0	0
Fixed assets	502	483	465	455	439
Other assets	90	90	83	75	71
Total assets	**1,185**	**1,199**	**1,212**	**1,347**	**1,393**
S-T debt	62	47	47	64	35
A/C payable	80	98	124	217	275
Other current liabilities	31	51	28	32	40
L-T debt	7	2	0	0	0
Other liabilities	42	36	36	35	35
Minority interest	0	0	0	0	0
Shareholders' equity	**964**	**964**	**978**	**999**	**1,008**
Working capital	262	228	95	135	389
Total debt	68	50	47	64	35
Net debt	**(169)**	**(230)**	**(371)**	**(275)**	**(156)**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	(47.1)	9.9	(7.0)	25.7	218.3
Operating profit growth	(99.8)	na	(29.9)	1.7	63,821.4
EBITDA growth	(65.0)	(44.9)	(15.8)	(0.6)	269.4
Norm profit growth	(96.7)	na	(38.0)	1.7	4,255.9
Norm EPS growth	(96.7)	na	(38.0)	1.7	4,255.9
Gross margin	15.2	6.1	16.2	15.5	19.3
Operating margin	0.1	(3.2)	7.3	8.5	14.7
EBITDA margin	17.2	10.8	17.3	16.6	20.0
Norm net margin	0.9	(0.3)	6.8	7.5	12.2
D/E (x)	0.1	0.1	0.0	0.1	0.0
Net D/E (x)	(0.2)	(0.2)	(0.4)	(0.3)	(0.2)
Interest coverage (x)	31.8	28.8	74.1	95.4	271.3
Interest rate	4.6	4.5	4.7	3.6	2.6
Effective tax rate	(482.3)	69.7	14.3	17.2	19.2
ROA	0.4	(0.2)	5.5	6.7	15.8
ROE	0.5	(0.2)	6.8	8.6	21.6

Sources: Company data, Thanachart estimates

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