Somboon Advance Tech. (SAT TB) - BUY, Price Bt17.3, TP Bt25.0

Results Comment

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

2Q22 beat on SG&A, other income

- SAT reported norm profit of Bt208m in 2Q22, falling 12% y-y and 20% q-q. This beat our expectation on SG&A and other income (mainly selling of steel scrap) items. Note 2Q is the normal low season quarter.
- Revenue was up 3% y-y but decreased 10% q-q. Due to rising steel cost from a low base since early 2021, gross margin was hit drastically to 17.5% in 2Q22 from 19.4% in 2Q21 and 17.9% 1Q22.
- 6M22 accounted for 55% of our full-year forecast. We see some upside to our earnings projection and reaffirm BUY.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	2,041	2,012	2,338	2,329	2,105
Gross profit	**396**	**371**	**423**	**418**	**369**
SG&A	181	168	188	186	164
Operating profit	215	203	235	231	205
EBITDA	**362**	**348**	**369**	**359**	**333**
Other income	30	28	27	43	37
Other expense	0	0	0	0	0
Interest expense	2	2	1	1	1
Profit before tax	**243**	**229**	**261**	**273**	**241**
Income tax	27	24	49	26	33
Equity & invest. income	21	8	8	11	1
Minority interests	(2)	1	(1)	0	0
Extraordinary items	2	1	(39)	0	2
Net profit	**237**	**215**	**180**	**259**	**210**
Normalized profit	**235**	**214**	**219**	**259**	**208**
EPS (Bt)	0.56	0.50	0.42	0.61	0.49
Normalized EPS (Bt)	0.55	0.50	0.52	0.61	0.49

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(10)	3	50	8,946	9,959
Gross profit	**(12)**	**(7)**	**49**	**1,591**	**1,934**
SG&A	(12)	(9)	46	770	825
Operating profit	(12)	(5)	53	821	1,109
EBITDA	**(7)**	**(8)**	**49**	**1,414**	**1,721**
Other income	(14)	22	63	125	129
Other expense					
Interest expense	17	(58)	221	1	0
Profit before tax	**(12)**	**(1)**	**54**	**946**	**1,239**
Income tax	29	24	42	142	198
Equity & invest. income	(92)	(96)	25	50	65
Minority interests					
Extraordinary items	343	(7)	na	0	0
Net profit	**(19)**	**(12)**	**55**	**854**	**1,105**
Normalized profit	**(20)**	**(12)**	**55**	**854**	**1,105**
EPS (Bt)	(19)	(12)	55	2.01	2.60
Normalized EPS (Bt)	(20)	(12)	55	2.01	2.60

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	2,511	2,752	2,999	3,547	3,211
A/C receivable	1,451	1,403	1,531	1,578	1,501
Inventory	652	759	594	650	754
Other current assets	539	375	420	319	309
Investment	983	1,024	1,031	1,049	1,050
Fixed assets	3,263	3,199	3,069	3,045	3,052
Other assets	252	262	187	208	216
Total assets	**9,651**	**9,774**	**9,830**	**10,395**	**10,093**
S-T debt	38	34	0	0	0
A/C payable	1,165	1,161	1,228	1,441	1,427
Other current liabilities	650	730	664	744	684
L-T debt	6	5	0	0	0
Other liabilities	328	335	296	303	313
Minority interest	51	51	0	0	20
Shareholders' equity	**7,413**	**7,458**	**7,642**	**7,907**	**7,649**
Working capital	937	1,001	897	786	829
Total debt	44	39	0	0	0
Net debt	**(2,467)**	**(2,713)**	**(2,999)**	**(3,547)**	**(3,211)**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	170.5	31.6	32.2	5.5	3.1
Operating profit growth	na	201.5	20.9	(13.9)	(4.7)
EBITDA growth	na	57.6	5.8	(13.3)	(8.0)
Norm profit growth	na	160.2	(9.2)	(17.6)	(11.6)
Norm EPS growth	na	160.2	(9.2)	(17.6)	(11.6)
Gross margin	19.4	18.4	18.1	17.9	17.5
Operating margin	10.5	10.1	10.0	9.9	9.7
EBITDA margin	17.7	17.3	15.8	15.4	15.8
Norm net margin	11.5	10.6	9.4	11.1	9.9
D/E (x)	0.0	0.0	-	-	-
Net D/E (x)	(0.3)	(0.4)	(0.4)	(0.4)	(0.4)
Interest coverage (x)	211.3	183.1	404.9	584.8	464.2
Interest rate	7.8	18.3	18.8	na	na
Effective tax rate	11.0	10.5	18.7	9.5	13.9
ROA	9.8	8.8	8.9	10.2	8.1
ROE	12.7	11.5	11.6	13.3	10.7

Sources: Company data, Thanachart estimates

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