The Siam Cement Pcl (SCC TB) - BUY, Price Bt373, TP Bt440

Results Comment

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2Q22 – beat on dividend income

- SCC reported 2Q22 net profit of Bt9.9bn (+12% q-q, -42%). The result is 10% ahead our forecast. We believe this is mainly due to higher-than-expected dividend income from automotive subsidiary. Income from "other" segment reported at Bt4.3bn, up by 61% y-y and 141%. We see weakness in net profit across key segments, however, we think this is well expected by the market. We expect strong profit turnaround in 2023F. BUY.
- **Chemical**: Reported chemical profit was Bt3.7bn, down 64% y-y and but up 3% q-q. The company booked inventory loss of Bt1bn but offset by Bt978m gain from the sale of land. Overall product spreads broadly improve q-q. However, with planned turnaround, new capacity addition and weak demand from China, polyolefin products (PE and PP) sale volume dropped by 14% q-q and 13% y-y to 426k tonne
- **Cement & building materials (CBM)**: CBM reported a net profit of Bt1.7bn, -32% y-y and -28%. Y-Y contraction is mainly attributed to rising coal cost which led EBITDA margin to drop to 10% from 12% in 1Q22 and 13% in 2Q21. Sale revenue grew 14% y-y despite domestic cement demand dropped by 7% y-y. According to SCC, demand trended lower across all segments. However, average grey cement sales price increased to Bt1,850-1,950/ton, up about Bt50/ton q-q. Demand for housing products still contracted 2% y-y (vs 1% y-y contraction in 1Q22) while ceramic tiles sales volume grew 1% y-y.
- **Packaging**: Profit down 18% y-y, but up 12% q-q to Bt1.8bn. EBITDA margin was 14%, roughly unchanged from 1Q22 but down from 19% a year ago. We think this was due mainly to the impact of cost increases and partially offset by rising ASP

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	133,555	131,825	142,665	152,494	152,534
Gross profit	**32,243**	**25,893**	**22,356**	**23,018**	**22,904**
SG&A	15,716	15,864	16,177	17,487	17,729
Operating profit	16,527	10,029	6,180	5,531	5,175
EBITDA	**23,633**	**17,480**	**13,596**	**12,660**	**12,448**
Other income	2,861	3,229	2,942	2,686	5,307
Other expense	75	3,790	(111)	55	597
Interest expense	1,694	1,681	1,691	1,647	1,715
Profit before tax	**17,619**	**7,786**	**7,543**	**6,516**	**8,171**
Income tax	2,929	1,893	1,757	1,625	1,946
Equity & invest. income	5,708	3,890	2,248	3,419	3,349
Minority interests	(3,261)	(717)	(221)	(546)	364
Extraordinary items	0	(2,249)	494	1,080	0
Net profit	**17,136**	**6,817**	**8,307**	**8,844**	**9,938**
Normalized profit	**17,136**	**9,066**	**7,813**	**7,764**	**9,938**
EPS (Bt)	14.28	5.68	6.92	7.37	8.28
Normalized EPS (Bt)	14.28	7.56	6.51	6.47	8.28

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	0	14	58	529,641	558,767
Gross profit	**(0)**	**(29)**	**47**	**98,630**	**126,617**
SG&A	1	13	50	70,663	78,141
Operating profit	(6)	(69)	38	27,967	48,476
EBITDA	**(2)**	**(47)**	**43**	**58,371**	**80,913**
Other income	98	85	62	12,858	12,917
Other expense	993	694	na	0	0
Interest expense	4	1	45	7,410	9,353
Profit before tax	**25**	**(54)**	**44**	**33,415**	**52,040**
Income tax	20	(34)	59	6,094	9,353
Equity & invest. income	(2)	(41)	57	11,866	12,156
Minority interests	na	na	5	(3,572)	(6,753)
Extraordinary items			na	0	0
Net profit	**12**	**(42)**	**53**	**35,615**	**48,090**
Normalized profit	**28**	**(42)**	**50**	**35,615**	**48,090**
EPS (Bt)	12	(42)	53	29.68	40.07
Normalized EPS (Bt)	28	(42)	50	29.68	40.07

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	88,173	64,696	67,610	80,525	67,172
A/C receivable	74,771	75,890	78,951	86,504	94,971
Inventory	68,825	78,908	83,121	83,512	86,810
Other current assets	3,822	4,596	3,334	3,876	4,705
Investment	122,625	141,730	137,579	142,064	139,456
Fixed assets	387,670	406,773	410,708	412,204	424,620
Other assets	66,165	77,745	79,799	80,856	85,403
Total assets	**812,051**	**850,339**	**861,101**	**889,540**	**903,137**
S-T debt	93,755	92,169	83,812	101,056	91,418
A/C payable	74,831	79,469	75,026	74,702	76,056
Other current liabilities	11,031	11,649	9,549	24,208	7,580
L-T debt	166,381	187,940	206,291	205,811	222,870
Other liabilities	33,946	35,924	36,415	37,668	37,457
Minority interest	80,129	84,159	84,318	83,295	84,275
Shareholders' equity	**351,978**	**359,030**	**365,691**	**362,801**	**383,481**
Working capital	68,765	75,330	87,047	95,314	105,725
Total debt	260,136	280,109	290,103	306,867	314,288
Net debt	**171,962**	**215,413**	**222,493**	**226,342**	**247,116**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	39.1	30.6	46.7	24.9	14.2
Operating profit growth	64.5	(11.6)	(20.3)	(63.9)	(68.7)
EBITDA growth	40.1	(4.1)	(7.2)	(43.0)	(47.3)
Norm profit growth	71.1	(16.2)	(7.5)	(47.9)	(42.0)
Norm EPS growth	71.1	(16.2)	(7.5)	(47.9)	(42.0)
Gross margin	24.1	19.6	15.7	15.1	15.0
Operating margin	12.4	7.6	4.3	3.6	3.4
EBITDA margin	17.7	13.3	9.5	8.3	8.2
Norm net margin	12.8	6.9	5.5	5.1	6.5
D/E (x)	0.6	0.6	0.6	0.7	0.7
Net D/E (x)	0.4	0.5	0.5	0.5	0.5
Interest coverage (x)	13.9	10.4	8.0	7.7	7.3
Interest rate	2.6	2.5	2.4	2.2	2.2
Effective tax rate	16.6	24.3	23.3	24.9	23.8
ROA	8.5	4.4	3.7	3.5	4.4
ROE	20.0	10.2	8.6	8.5	10.7

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