SEAFCO Public Co Ltd (SEAFCO TB) - BUY, Price Bt3.54, TP Bt4.80

Results Comment

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Higher-than-expected loss in 2Q22

- SEAFCO reported a normalized loss of Bt52m in 2Q22 versus a normalized profit of Bt1m in 2Q21 and a normalized loss of Bt42m in 1Q22. The loss was higher than what we had expected given its weak revenue and negative gross margin. Including Bt5m expected credit loss of receivable, SEAFCO's net loss was at Bt57m in 2Q22.
- We see a downside risk to our earnings forecast but we maintain our BUY call on SEAFCO as we expect its earnings to recover in 3Q22 onward due to higher revenue recognition from its backlog value, especially from the Rama 2 elevated highway and Central Embassy projects, and economies of scale. the share price also looks priced in bad news at 16x PE in 2023F vs. its pre-COVID avg. PE of 20x in 2015-19.
- SEAFCO's revenue dropped by 52% y-y in 2Q22 due to the slow resumption of the construction work, labor shortage and its low backlog value. We estimate SEAFCO's backlog value of Bt1.1bn as of end 2Q22.
- Given its high operating leverage business, lower utilization rates caused its higher negative gross margin of 16% in 2Q22 vs. a positive 7% in 2Q21. SG&A expenses fell by 19% y-y in 1Q22 following a drop in revenue.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	360	202	285	237	172
Gross profit	**26**	**(29)**	**(23)**	**(30)**	**(28)**
SG&A	33	32	26	28	27
Operating profit	(7)	(62)	(49)	(58)	(55)
EBITDA	**46**	**(9)**	**2**	**(7)**	**(18)**
Other income	9	9	15	9	15
Other expense	0	0	0	0	0
Interest expense	5	5	6	4	3
Profit before tax	**(2)**	**(58)**	**(40)**	**(53)**	**(43)**
Income tax	(3)	(7)	(9)	(10)	3
Equity & invest. income	0	0	0	0	0
Minority interests	0	4	(3)	1	(5)
Extraordinary items	(3)	(11)	12	(2)	(5)
Net profit	**(2)**	**(57)**	**(22)**	**(43)**	**(57)**
Normalized profit	**1**	**(46)**	**(33)**	**(42)**	**(52)**
EPS (Bt)	(0.00)	(0.08)	(0.03)	(0.06)	(0.08)
Normalized EPS (Bt)	0.00	(0.06)	(0.05)	(0.06)	(0.07)

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(28)	(52)	32	1,262	2,151
Gross profit	**na**	**na**	**(92)**	**63**	**323**
SG&A	(3)	(19)	46	120	140
Operating profit	na	na	198	(57)	183
EBITDA	**na**	**na**	**(20)**	**126**	**374**
Other income	69	68	69	35	35
Other expense					
Interest expense	(15)	(27)	45	16	18
Profit before tax	**na**	**na**	**252**	**(38)**	**200**
Income tax	na	na	96	(8)	40
Equity & invest. income					
Minority interests	na	na	(192)	3	4
Extraordinary items	na	na	na	0	0
Net profit	**na**	**na**	**359**	**(28)**	**164**
Normalized profit	**na**	**na**	**335**	**(28)**	**164**
EPS (Bt)	na	na	359	(0.04)	0.22
Normalized EPS (Bt)	na	na	335	(0.04)	0.22

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	53	81	231	165	147
A/C receivable	693	688	372	254	201
Inventory	75	71	65	41	37
Other current assets	326	284	217	297	280
Investment	59	59	57	56	56
Fixed assets	1,206	1,180	1,177	1,151	1,119
Other assets	684	628	593	521	493
Total assets	**3,096**	**2,991**	**2,713**	**2,486**	**2,333**
S-T debt	243	319	311	182	149
A/C payable	675	534	355	356	330
Other current liabilities	199	193	176	158	144
L-T debt	122	164	135	113	97
Other liabilities	227	215	182	166	152
Minority interest	3	(2)	1	(2)	3
Shareholders' equity	**1,628**	**1,568**	**1,553**	**1,514**	**1,457**
Working capital	92	225	83	(60)	(93)
Total debt	365	483	446	295	246
Net debt	**312**	**403**	**215**	**130**	**99**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	(50.9)	(61.6)	(34.2)	(59.8)	(52.3)
Operating profit growth	na	na	na	na	na
EBITDA growth	(64.0)	na	(77.9)	na	na
Norm profit growth	(98.6)	na	na	na	na
Norm EPS growth	(98.6)	na	na	na	na
Gross margin	7.3	(14.6)	(8.0)	(12.6)	(16.4)
Operating margin	(1.9)	(30.7)	(17.1)	(24.3)	(32.1)
EBITDA margin	12.8	(4.5)	0.9	(3.0)	(10.3)
Norm net margin	0.3	(23.0)	(11.7)	(17.7)	(30.1)
D/E (x)	0.2	0.3	0.3	0.2	0.2
Net D/E (x)	0.2	0.3	0.1	0.1	0.1
Interest coverage (x)	9.9	(1.8)	0.4	(1.8)	(5.2)
Interest rate	5.27	4.89	4.95	4.30	4.98
Effective tax rate	129.1	12.9	22.8	19.3	(6.6)
ROA	0.1	(6.1)	(4.7)	(6.4)	(8.6)
ROE	0.3	(11.6)	(8.6)	(10.9)	(13.9)

Sources: Company data, Thanachart estimates

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