The Siam Cement Pcl (SCC TB) - SELL, Price Bt326.00, TP Bt300

Results Comment

Yupapan Polpornprasert | Email: yupapan.pol@thanachartsec.co.th

3Q22 – weak as expected

- SCC reported 3Q22 net profit of Bt2.4bn (-75% q-q, -64% y-y). The result is in-line with our forecast, but 19% below consensus. We see weakness in net profit across key segments and expect profit to continue to be under pressure by weak chemical margin. Maintain SELL.
- **Chemical is making loss at EBITDA level.** SCC reported EBITDA loss of Bt1bn which is the first loss since 2008. This is given poor margins due to weak demand and supply addition. On top of this, the company booked inventory loss amount Bt1bn. Sale volume was flat q-q at 198,000 tonnes despite resume from turnaround in 2Q22 due to weak demand. The volume was 16% lower y-y.
- **CBM see further margin squeeze**. Excluding extra expense of Bt321m, CBM normalized EBITDA was at Bt4,342m which declined - 9% y-y. Y-Y contraction is mainly attributed to rising coal cost which led EBITDA margin to drop to 8% from 10% in 2Q22. This is despite SCC was able to raise domestic cement price by another Bt100/tonne in 3Q22 and it already increased by 11% from 4Q21 to Bt1,950-2,000/tonne. According to SCC, domestic cement demand rose 6% y-y due to lower base effect which saw cement demand dropped by 12% y-y in 3Q21.
- **Expect 4Q22F to remain weak** given still weak chemical spread QTD. Maintain SELL.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Revenue	131,825	142,665	152,494	152,534	142,392
Gross profit	**25,893**	**22,356**	**23,018**	**23,944**	**18,671**
SG&A	15,864	16,177	17,487	17,729	17,979
Operating profit	10,029	6,180	5,531	6,215	692
EBITDA	**17,480**	**13,596**	**12,660**	**13,488**	**8,179**
Other income	3,229	2,942	2,686	5,307	2,101
Other expense	3,790	(111)	55	1,575	78
Interest expense	1,681	1,691	1,647	1,715	1,899
Profit before tax	**7,786**	**7,543**	**6,516**	**8,233**	**816**
Income tax	1,893	1,757	1,625	1,946	1,154
Equity & invest. income	3,890	2,248	3,419	3,349	2,064
Minority interests	(717)	(221)	(546)	364	1,798
Extraordinary items	(2,249)	494	1,080	(62)	(1,080)
Net profit	**6,817**	**8,307**	**8,844**	**9,938**	**2,444**
Normalized profit	**9,066**	**7,813**	**7,764**	**10,000**	**3,524**
EPS (Bt)	5.68	6.92	7.37	8.28	2.04
Normalized EPS (Bt)	7.56	6.51	6.47	8.33	2.94

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	(7)	8	78	573,643	580,108
Gross profit	**(22)**	**(28)**	**65**	**100,539**	**107,510**
SG&A	1	13	67	78,988	80,214
Operating profit	(89)	(93)	58	21,551	27,295
EBITDA	**(39)**	**(53)**	**66**	**51,955**	**59,731**
Other income	(60)	(35)	79	12,769	11,860
Other expense	(95)	(98)	na	0	0
Interest expense	11	13	69	7,662	10,015
Profit before tax	**(90)**	**(90)**	**58**	**26,658**	**29,140**
Income tax	(41)	(39)	86	5,493	6,281
Equity & invest. income	(38)	(47)	81	10,913	9,580
Minority interests	393	na	(63)	(2,557)	(3,511)
Extraordinary items	na	na	na	0	0
Net profit	**(75)**	**(64)**	**72**	**29,521**	**28,928**
Normalized profit	**(65)**	**(61)**	**72**	**29,521**	**28,928**
EPS (Bt)	(75)	(64)	72	24.60	24.11
Normalized EPS (Bt)	(65)	(61)	72	24.60	24.11

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	64,696	67,610	80,525	67,172	66,771
A/C receivable	75,890	78,951	86,504	94,971	85,601
Inventory	78,908	83,121	83,512	86,810	94,625
Other current assets	4,596	3,334	3,876	4,705	3,440
Investment	141,730	137,579	142,064	139,456	144,827
Fixed assets	406,773	410,708	412,204	424,620	441,701
Other assets	77,745	79,799	80,856	85,403	92,965
Total assets	**850,339**	**861,101**	**889,540**	**903,137**	**929,931**
S-T debt	92,169	83,812	101,056	91,418	74,040
A/C payable	79,469	75,026	74,702	76,056	67,280
Other current liabilities	11,649	9,549	24,208	7,580	7,419
L-T debt	187,940	206,291	205,811	222,870	263,023
Other liabilities	35,924	36,415	37,668	37,457	39,095
Minority interest	84,159	84,318	83,295	84,275	83,541
Shareholders' equity	**359,030**	**365,691**	**362,801**	**383,481**	**395,533**
Working capital	75,330	87,047	95,314	105,725	112,946
Total debt	280,109	290,103	306,867	314,288	337,063
Net debt	**215,413**	**222,493**	**226,342**	**247,116**	**270,291**

Financial Ratios					
(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Sales growth	30.6	46.7	24.9	14.2	8.0
Operating profit growth	(11.6)	(20.3)	(63.9)	(62.4)	(93.1)
EBITDA growth	(4.1)	(7.2)	(43.0)	(42.9)	(53.2)
Norm profit growth	(16.2)	(7.5)	(47.9)	(41.6)	(61.1)
Norm EPS growth	(16.2)	(7.5)	(47.9)	(41.6)	(61.1)
Gross margin	19.6	15.7	15.1	15.7	13.1
Operating margin	7.6	4.3	3.6	4.1	0.5
EBITDA margin	13.3	9.5	8.3	8.8	5.7
Norm net margin	6.9	5.5	5.1	6.6	2.5
D/E (x)	0.6	0.6	0.7	0.7	0.7
Net D/E (x)	0.5	0.5	0.5	0.5	0.6
Interest coverage (x)	10.4	8.0	7.7	7.9	4.3
Interest rate	2.5	2.4	2.2	2.2	2.3
Effective tax rate	24.3	23.3	24.9	23.6	141.4
ROA	4.4	3.7	3.5	4.5	1.5
ROE	10.2	8.6	8.5	10.7	3.6

Sources: Company data, Thanachart estimates

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