

Pylon Public Co Ltd (PYLON TB) - BUY, Price Bt4.22, TP Bt5.50**Results Comment**

Saksid Phadthanarak | Email: saksid.pha@thanachartsec.co.th

Slightly lower-than-expected 3Q results

- PYLON reported a normalized profit of Bt41m in 3Q22, up from a normalized loss of Bt1m in 3Q21 but down 24% q-q. The results were slightly lower than what we had expected. The earnings growth year on year was due to higher revenue and gross margin from its higher backlog value and improving economies of scale. However, its earnings fall quarter on quarter was because of the completion of the existing projects while the new work has yet to get started. Its high-speed train project linking the three airports is also delayed to next year.
- 9M22 earnings make up 74% of our full-year earnings forecast.
- We still expect PYLON's earnings growth of 41% y-y driven by its existing backlog and new potential work such as the South Purple and West Orange Lines. We thus maintain our BUY call on PYLON.
- PYLON's revenue increased 49% y-y in 3Q22 driven by its high backlog value and the low base last year from the construction site lockdown during the COVID-19 crisis. We estimate PYLON's backlog to remain at around Bt1bn as of end 3Q22F.
- Given the high operating leverage business and its high efficiency, its gross margin improved to 25% in 2Q22 vs. 6% in 3Q21 while its SG&A expenses slightly increased 3% y-y.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	175	244	284	442	262	Revenue	(41)	49	62	1,584	1,736
Gross profit	11	40	44	85	64	Gross profit	(25)	499	70	277	365
SG&A	16	22	20	21	17	SG&A	(17)	3	66	87	95
Operating profit	(6)	18	24	65	47	Operating profit	(27)	na	72	190	270
EBITDA	19	42	47	88	71	EBITDA	(19)	274	72	289	373
Other income	4	2	2	3	4	Other income	60	(9)	97	9	10
Other expense	0	0	0	0	0	Other expense					
Interest expense	1	1	0	0	0	Interest expense	(18)	(60)	65	2	2
Profit before tax	(2)	19	26	67	51	Profit before tax	(24)	na	73	197	279
Income tax	(1)	3	4	13	10	Income tax	(24)	na	69	39	56
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	0	0	0	0	0	Minority interests					
Extraordinary items	1	1	0	0	0	Extraordinary items		na	na	0	0
Net profit	0	17	21	54	41	Net profit	(24)	12,125	74	158	223
Normalized profit	(1)	17	21	54	41	Normalized profit	(24)	na	74	158	223
EPS (Bt)	0.00	0.02	0.03	0.07	0.05	EPS (Bt)	(24)	12,125	74	0.21	0.30
Normalized EPS (Bt)	(0.00)	0.02	0.03	0.07	0.05	Normalized EPS (Bt)	(24)	na	74	0.21	0.30
Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	280	418	340	191	140	Sales growth	9.9	(7.0)	25.7	218.3	49.3
A/C receivable	274	177	291	611	605	Operating profit growth	na	(29.9)	1.7	63,821.4	na
Inventory	52	41	61	52	43	EBITDA growth	(44.9)	(15.8)	(0.6)	269.4	274.4
Other current assets	21	28	125	28	28	Norm profit growth	na	(38.0)	1.7	4,255.9	na
Investment	0	0	0	0	0	Norm EPS growth	na	(38.0)	1.7	4,255.9	na
Fixed assets	483	465	455	439	432	Gross margin	6.1	16.2	15.5	19.3	24.5
Other assets	90	83	75	71	56	Operating margin	(3.2)	7.3	8.5	14.7	18.0
Total assets	1,199	1,212	1,347	1,393	1,305	EBITDA margin	10.8	17.3	16.6	20.0	27.2
S-T debt	47	47	64	35	16	Norm net margin	(0.3)	6.8	7.5	12.2	15.7
A/C payable	98	124	217	275	162	D/E (x)	0.1	0.0	0.1	0.0	0.0
Other current liabilities	51	28	32	40	41	Net D/E (x)	(0.2)	(0.4)	(0.3)	(0.2)	(0.1)
L-T debt	2	0	0	0	0	Interest coverage (x)	28.8	74.1	95.4	271.3	267.0
Other liabilities	36	36	35	35	37	Interest rate	4.5	4.7	3.6	2.6	4.2
Minority interest	0	0	0	0	0	Effective tax rate	69.7	14.3	17.2	19.2	19.2
Shareholders' equity	964	978	999	1,008	1,049	ROA	(0.2)	5.5	6.7	15.8	12.2
Working capital	228	95	135	389	486	ROE	(0.2)	6.8	8.6	21.6	16.0
Total debt	50	47	64	35	16						
Net debt	(230)	(371)	(275)	(156)	(124)						

Sources: Company data, Thanachart estimates

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