

**Somboon Advance Tech. (SAT TB) - BUY, Price Bt20.4, TP Bt25.0****Results Comment**

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

**3Q22 profits in-line**

- Including FX gain of Bt7m and one-off income compensation on rising steel cost from customers of Bt40m, SAT's 3Q22 net profit was Bt252m, rising 18% y-y and 21% q-q.
- Excluding those extras, SAT's normalized profit was relatively flat y-y and q-q at Bt212m as we expected.
- Key normalized profit growth draggers were weaker equity income, rising effective tax rate and falling other income. This was despite operating profit rising by 15% y-y and q-q.
- Revenue was up 14% y-y and 9% q-q, driven mainly by auto parts (75% of revenue) along with an industry recovery and the full-quarter effect of new parts orders. Operating margin was 10.3% in 3Q22 vs. 10.1/9.7% in 3Q21 and 2Q22.
- Effective tax rate increased y-y and q-q due to expiring investment tax incentives.
- Other income (mainly sales of steel scrap) fall due to falling market steel price.
- Equity income from its associated OEM automotive companies turned to a loss of Bt4m.
- As 9M22 accounted for 80% of our full-year forecast, we maintain our earnings forecast. We still expect SAT to see a weaker margin in 4Q22F before a rebound next year. Reaffirm BUY.

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	2,012	2,338	2,329	2,105	2,297	Revenue	9	14	75	9,009	9,652
<b>Gross profit</b>	<b>371</b>	<b>423</b>	<b>418</b>	<b>369</b>	<b>420</b>	<b>Gross profit</b>	<b>14</b>	<b>13</b>	<b>77</b>	<b>1,572</b>	<b>1,854</b>
SG&A	168	188	186	164	184	SG&A	12	10	71	752	786
Operating profit	203	235	231	205	236	Operating profit	15	16	82	820	1,068
<b>EBITDA</b>	<b>348</b>	<b>369</b>	<b>359</b>	<b>333</b>	<b>365</b>	<b>EBITDA</b>	<b>10</b>	<b>5</b>	<b>75</b>	<b>1,413</b>	<b>1,680</b>
Other income	28	27	43	37	21	Other income	(43)	(27)	79	126	125
Other expense	0	0	0	0	0	Other expense					
Interest expense	2	1	1	1	1	Interest expense	(23)	(71)	279	1	0
<b>Profit before tax</b>	<b>229</b>	<b>261</b>	<b>273</b>	<b>241</b>	<b>256</b>	<b>Profit before tax</b>	<b>7</b>	<b>12</b>	<b>81</b>	<b>945</b>	<b>1,193</b>
Income tax	24	49	26	33	42	Income tax	25	74	71	142	191
Equity & invest. income	8	8	11	1	(4)	Equity & invest. income	na	na	16	50	65
Minority interests	1	(1)	0	0	2	Minority interests		182	na	0	0
Extraordinary items	1	(39)	0	2	47	Extraordinary items	2,517	4,430	na	0	0
<b>Net profit</b>	<b>215</b>	<b>180</b>	<b>259</b>	<b>210</b>	<b>259</b>	<b>Net profit</b>	<b>23</b>	<b>21</b>	<b>85</b>	<b>854</b>	<b>1,067</b>
<b>Normalized profit</b>	<b>214</b>	<b>219</b>	<b>259</b>	<b>208</b>	<b>212</b>	<b>Normalized profit</b>	<b>2</b>	<b>(1)</b>	<b>80</b>	<b>854</b>	<b>1,067</b>
EPS (Bt)	0.50	0.42	0.61	0.49	0.61	EPS (Bt)	23	21	85	2.01	2.51
Normalized EPS (Bt)	0.50	0.52	0.61	0.49	0.50	Normalized EPS (Bt)	2	(1)	80	2.01	2.51

  

Balance Sheet						Financial Ratios					
(consolidated)						(%)					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	3Q21	4Q21	1Q22	2Q22	3Q22	
Cash & ST investment	2,752	2,999	3,547	3,211	2,965	Sales grow th	31.6	32.2	5.5	3.1	14.2
A/C receivable	1,403	1,531	1,578	1,501	1,783	Operating profit grow th	201.5	20.9	(13.9)	(4.7)	16.4
Inventory	759	594	650	754	804	EBITDA grow th	57.6	5.8	(13.3)	(8.0)	4.7
Other current assets	375	420	319	309	308	Norm profit grow th	160.2	(9.2)	(17.6)	(11.6)	(0.8)
Investment	1,024	1,031	1,049	1,050	1,025	Norm EPS grow th	160.2	(9.2)	(17.6)	(11.6)	(0.8)
Fixed assets	3,199	3,069	3,045	3,052	3,085	Gross margin	18.4	18.1	17.9	17.5	18.3
Other assets	262	187	208	216	219	Operating margin	10.1	10.0	9.9	9.7	10.3
<b>Total assets</b>	<b>9,774</b>	<b>9,830</b>	<b>10,395</b>	<b>10,093</b>	<b>10,190</b>	EBITDA margin	17.3	15.8	15.4	15.8	15.9
S-T debt	34	0	0	0	0	Norm net margin	10.6	9.4	11.1	9.9	9.2
A/C payable	1,161	1,228	1,441	1,427	1,364	D/E (x)	0.0	-	-	-	-
Other current liabilities	730	664	744	684	740	Net D/E (x)	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
L-T debt	5	0	0	0	0	Interest coverage (x)	183.1	404.9	584.8	464.2	662.1
Other liabilities	335	296	303	313	321	Interest rate	18.3	18.8	na	na	na
Minority interest	51	0	0	20	18	Effective tax rate	10.5	18.7	9.5	13.9	16.3
<b>Shareholders' equity</b>	<b>7,458</b>	<b>7,642</b>	<b>7,907</b>	<b>7,649</b>	<b>7,746</b>	ROA	8.8	8.9	10.2	8.1	8.4
Working capital	1,001	897	786	829	1,224	ROE	11.5	11.6	13.3	10.7	11.0
Total debt	39	0	0	0	0						
<b>Net debt</b>	<b>(2,713)</b>	<b>(2,999)</b>	<b>(3,547)</b>	<b>(3,211)</b>	<b>(2,965)</b>						

Sources: Company data, Thanachart estimates

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