

SEAFCO Public Co Ltd (SEAFCO TB) - BUY, Price Bt3.38, TP Bt4.80 | Results Comment

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

Still making a huge loss

- SEAFCO reported a normalized loss of Bt47m in 3Q22 versus a normalized loss of Bt46m in 3Q21 and a normalized loss of Bt52m in 2Q22. The loss was higher than what we had expected given its weak revenue and negative gross margin. Including an Bt8m reversal of expected credit loss of receivable, SEAFCO's net loss was at Bt39m in 3Q22.
- We see a downside risk to our earnings forecast but we maintain our BUY call on SEAFCO as 1) we believe the share price looks priced in bad news and 2) we expect its earnings to start to recover in 4Q22 when it starts the construction of existing projects like the Rama 2 elevated highway and Central Embassy and potential projects like the South Purple and East Orange Lines.
- SEAFCO's revenue fell 28% y-y in 3Q22 due to the slow resumption of the construction work and labor shortage problem. We estimate SEAFCO's backlog value of Bt1.1bn as of end 3Q22.
- Given the high operating leverage business, its low utilization rates and high building material prices caused its negative gross margin of 16% in 3Q22 vs. a negative 15% in 3Q21. SG&A expenses fell by 9% y-y in 3Q22 following a drop in revenue.

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	202	285	237	172	146	Revenue	(15)	(28)	44	1,262	2,151
Gross profit	(29)	(23)	(30)	(28)	(23)	Gross profit	na	na	na	63	323
SG&A	32	26	28	27	30	SG&A	10	(9)	70	120	140
Operating profit	(62)	(49)	(58)	(55)	(52)	Operating profit	na	na	na	(57)	183
EBITDA	(9)	2	(7)	(18)	(16)	EBITDA	na	na	na	126	374
Other income	9	15	9	15	5	Other income	(67)	(47)		35	35
Other expense	0	0	0	0	0	Other expense			na		
Interest expense	5	6	4	3	3	Interest expense	(13)	(44)	63	16	18
Profit before tax	(58)	(40)	(53)	(43)	(50)	Profit before tax	na	na	na	(38)	200
Income tax	(7)	(9)	(10)	3	(3)	Income tax	na	na	na	(8)	40
Equity & invest. income	0	0	0	0	0	Equity & invest. income					
Minority interests	4	(3)	1	(5)	0	Minority interests	na	(92)	na	3	4
Extraordinary items	(11)	12	(2)	(5)	8	Extraordinary items	na	na	na	0	0
Net profit	(57)	(22)	(43)	(57)	(39)	Net profit	na	na	na	(28)	164
Normalized profit	(46)	(33)	(42)	(52)	(47)	Normalized profit	na	na	na	(28)	164
EPS (Bt)	(0.08)	(0.03)	(0.06)	(0.08)	(0.05)	EPS (Bt)	na	na	na	(0.04)	0.22
Normalized EPS (Bt)	(0.06)	(0.05)	(0.06)	(0.07)	(0.06)	Normalized EPS (Bt)	na	na	na	(0.04)	0.22
Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	81	231	165	147	172	Sales growth	(61.6)	(34.2)	(59.8)	(52.3)	(27.8)
A/C receivable	688	372	254	201	158	Operating profit growth	na	na	na	na	na
Inventory	71	65	41	37	39	EBITDA growth	na	(77.9)	na	na	na
Other current assets	284	217	297	280	247	Norm profit growth	na	na	na	na	na
Investment	59	57	56	56	56	Norm EPS growth	na	na	na	na	na
Fixed assets	1,180	1,177	1,151	1,119	1,126	Gross margin	(14.6)	(8.0)	(12.6)	(16.4)	(15.5)
Other assets	628	593	521	493	439	Operating margin	(30.7)	(17.1)	(24.3)	(32.1)	(35.9)
Total assets	2,991	2,713	2,486	2,333	2,237	EBITDA margin	(4.5)	0.9	(3.0)	(10.3)	(11.0)
S-T debt	319	311	182	149	147	Norm net margin	(23.0)	(11.7)	(17.7)	(30.1)	(32.3)
A/C payable	534	355	356	330	257	D/E (x)	0.3	0.3	0.2	0.2	0.2
Other current liabilities	193	176	158	144	130	Net D/E (x)	0.3	0.1	0.1	0.1	0.0
L-T debt	164	135	113	97	80	Interest coverage (x)	(1.8)	0.4	(1.8)	(5.2)	(5.5)
Other liabilities	215	182	166	152	203	Interest rate	4.89	4.95	4.30	4.98	4.95
Minority interest	(2)	1	(2)	3	3	Effective tax rate	12.9	22.8	19.3	(6.6)	5.9
Shareholders' equity	1,568	1,553	1,514	1,457	1,417	ROA	(6.1)	(4.7)	(6.4)	(8.6)	(8.2)
Working capital	225	83	(60)	(93)	(60)	ROE	(11.6)	(8.6)	(10.9)	(13.9)	(13.1)
Total debt	483	446	295	246	227						
Net debt	403	215	130	99	55						

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 88 Derivative Warrants which are ADVANC16C2211A, ADVANC16C2301A, ADVANC16C2302A, AMATA16C2212A, AOT16C2212A, AOT16C2302A, BANPU16C2212A, BANPU16C2302A, BBL16C2212A, BCH16C2211A, BGRIM16C2212A, BGRIM16C2301A, BGRIM16C2302A, BH16C2212A, BH16C2212B, BLA16C2212A, BLA16C2302A, BTS16C2301A, CBG16C2301A, CBG16C2301B, CBG16C2302A, COM716C2211A, COM716C2211B, COM716C2211C, COM716C2302A, CPALL16C2211A, CPN16C2301A, CRC16C2303A, DOHOME16C2301A, DOHOME16C2303A, DTAC16C2212A, EA16C2211A, EA16C2303A, ESSO16C2302A, FORTH16C2211A, GPSC16C2301A, GPSC16C2302A, GULF16C2301A, GULF16C2302A, GULF16C2302B, GUNKUL16C2301A, GUNKUL16C2302A, HANA16C2211A, HANA16C2301A, HANA16C2303A, IVL16C2211A, IVL16C2212A, IVL16C2301A, JMART16C2211A, JMART16C2303A, JMT16C2211A, JMT16C2302A, KBANK16C2211A, KBANK16C2301A, KBANK16C2302A, KCE16C2211A, KCE16C2301A, KCE16C2301B, KCE16C2302A, KTB16C2303A, KTC16C2211A, MINT16C2211A, MINT16C2301A, MINT16C2302A, MTC16C2212A, MTC16C2301A, PSL16C2212A, PTG16C2211A, PTTEP16C2212A, PTTEP16C2303A, SAWAD16C2211A, SAWAD16C2302A, SCB16C2211A, SCB16C2301A, SCGP16C2212A, SCGP16C2303A, SET5016C2212A, SET5016C2212B, SET5016C2212C, SET5016P2212A, SET5016P2212B, SINGER16C2212A, SPRC16C2212A, TIDLOR16C2212A, TOP16C2211A, TRUE16C2212A, TTA16C2211A, VGI16C2301A (underlying securities are (ADVANC, AMATA, AOT, BANPU, BBL, BCH, BGRIM, BH, BLA, BTS, CBG, COM7, CPALL, CPN, CRC, DOHOME, DTAC, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTB, KTC, MINT, MTC, PSL, PTG, PTTEP, SAWAD, SCB, SCGP, SET50, SINGER, SPRC, TIDLOR, TOP, TTA, VGI, TRUE). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.33% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)