

**Sino Thai Eng. & Const. (STEC TB) - BUY, Price Bt11.90, TP Bt16.5****Results Comment**

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**3Q22 earnings in line**

- STEC reported a normalized profit of Bt138m in 3Q22, up 2% y-y but down 20% q-q. The results were in line with what we had expected. 9M22 earnings make up 74% of our full-year earnings forecast.
- We expect STEC to report higher earnings in 4Q22F driven by higher revenue recognition from its high backlog value while the labor shortage problem should get resolved after the government allowed contractors to bring in foreign workers.
- We maintain our BUY call on STEC as 1) we still expect its strong earnings recovery this year with a further growth in 2023-24F driven by higher revenue recognition from its high backlog value and 2) valuation is cheap at PEs of 21/17x in 2023/24F vs. its 34x pre-COVID average in 2015-19.
- STEC's revenues increased by 22% y-y in 3Q22 due to higher revenue recognition from its backlog value and the labor shortage situation getting better. We estimate its backlog value of Bt82bn at end 3Q22. This has yet to include the Bt27bn U-Tapao airport project.
- Its gross margin was flat at 4.4% in 3Q22 versus 4.4% in 3Q21 despite the rising building material prices and labor shortage problems.
- Its SG&A expenses increased 8% y-y following higher 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	6,072	6,982	7,620	6,759	7,437	Revenue	10	22	75	29,206	33,036
<b>Gross profit</b>	<b>267</b>	<b>405</b>	<b>431</b>	<b>276</b>	<b>331</b>	<b>Gross profit</b>	<b>20</b>	<b>24</b>	<b>72</b>	<b>1,432</b>	<b>1,729</b>
SG&A	169	133	182	217	183	SG&A	(15)	8	77	759	826
Operating profit	98	272	249	59	147	Operating profit	149	50	68	673	904
<b>EBITDA</b>	<b>382</b>	<b>562</b>	<b>526</b>	<b>330</b>	<b>410</b>	<b>EBITDA</b>	<b>24</b>	<b>7</b>	<b>72</b>	<b>1,770</b>	<b>1,994</b>
Other income	57	51	34	132	23	Other income	(82)	(59)	86	222	192
Other expense	0	0	0	0	0	Other expense					
Interest expense	7	7	7	5	4	Interest expense	(21)	(41)	66	25	32
<b>Profit before tax</b>	<b>148</b>	<b>316</b>	<b>277</b>	<b>186</b>	<b>167</b>	<b>Profit before tax</b>	<b>(10)</b>	<b>12</b>	<b>72</b>	<b>870</b>	<b>1,063</b>
Income tax	12	78	55	23	37	Income tax	61	210	66	174	213
Equity & invest. income	2	(1)	12	13	11	Equity & invest. income	(12)	380	80	45	45
Minority interests	(2)	(2)	(2)	(2)	(2)	Minority interests	na	na	60	(11)	(12)
Extraordinary items	0	141	0	0	0	Extraordinary items					
<b>Net profit</b>	<b>136</b>	<b>376</b>	<b>232</b>	<b>173</b>	<b>138</b>	<b>Net profit</b>	<b>(20)</b>	<b>2</b>	<b>74</b>	<b>730</b>	<b>883</b>
<b>Normalized profit</b>	<b>136</b>	<b>235</b>	<b>232</b>	<b>173</b>	<b>138</b>	<b>Normalized profit</b>	<b>(20)</b>	<b>2</b>	<b>74</b>	<b>730</b>	<b>883</b>
EPS (Bt)	0.09	0.25	0.15	0.11	0.09	EPS (Bt)	(20)	2	74	0.48	0.58
Normalized EPS (Bt)	0.09	0.15	0.15	0.11	0.09	Normalized EPS (Bt)	(20)	2	74	0.48	0.58
Balance Sheet						Financial Ratios					
(consolidated)						%					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22		3Q21	4Q21	1Q22	2Q22	3Q22
Cash & ST investment	6,988	7,661	10,550	8,566	8,151	Sales growth	(29.5)	(21.4)	0.9	(4.4)	22.5
A/C receivable	7,749	8,180	7,419	8,530	9,228	Operating profit growth	(62.6)	(10.4)	22.6	124.4	50.0
Inventory	2,778	2,745	3,172	2,929	2,873	EBITDA growth	(27.9)	(3.2)	9.8	7.9	7.4
Other current assets	1,400	1,497	1,742	1,924	1,360	Norm profit growth	(42.0)	(3.0)	17.3	38.1	1.6
Investment	5,352	5,391	5,625	5,949	6,022	Norm EPS growth	(42.0)	(3.0)	17.3	38.1	1.6
Fixed assets	5,353	5,431	5,297	5,128	5,064	Gross margin	4.4	5.8	5.7	4.1	4.4
Other assets	14,564	15,716	16,867	15,824	17,150	Operating margin	1.6	3.9	3.3	0.9	2.0
<b>Total assets</b>	<b>44,184</b>	<b>46,622</b>	<b>50,672</b>	<b>48,850</b>	<b>49,848</b>	EBITDA margin	6.3	8.1	6.9	4.9	5.5
S-T debt	0	0	42	0	0	Norm net margin	2.2	3.4	3.0	2.6	1.9
A/C payable	21,552	22,642	25,130	24,661	24,237	D/E (x)	-	-	0.0	-	-
Other current liabilities	3,641	3,549	3,500	3,192	3,043	Net D/E (x)	(0.4)	(0.4)	(0.6)	(0.5)	(0.4)
L-T debt	0	0	0	0	0	Interest coverage (x)	52.3	82.5	80.8	60.1	94.8
Other liabilities	2,821	3,064	3,252	3,004	3,324	Interest rate	na	na	122.56	103.30	na
Minority interest	287	288	290	292	294	Effective tax rate	8.0	24.8	20.0	12.4	22.2
<b>Shareholders' equity</b>	<b>15,882</b>	<b>17,079</b>	<b>18,457</b>	<b>17,700</b>	<b>18,950</b>	ROA	1.2	2.1	1.9	1.4	1.1
Working capital	(11,025)	(11,716)	(14,539)	(13,202)	(12,136)	ROE	3.6	5.7	5.2	3.8	3.0
Total debt	0	0	42	0	0						
<b>Net debt</b>	<b>(6,988)</b>	<b>(7,661)</b>	<b>(10,508)</b>	<b>(8,566)</b>	<b>(8,151)</b>						

Sources: Company data, Thanachart estimates

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