

**The Siam Cement Pcl (SCC TB) - SELL, Price Bt345, TP Bt300****Results Comment**

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**4Q22 – weaker profit across the broad**

- **SCC reported 4Q22 net profit of Bt157m (-94% q-q, -98% y-y).** The result is missing our forecast by 84% and consensus by 87%. We see weakness in net profit across key segments and expect profit to continue to be under pressure by weak chemical margin. Maintain SELL
- **Help from dividend income.** We estimate SCC's core profit of Bt1bn (-71% q-q, -87% y-y). The profit was helped by dividend income which normally booked in 4Q22. Chemical and CBM reported loss while packaging profit drop substantially in 4Q22
- **A larger chemical EBITDA loss.** SCC reported EBITDA loss of Bt1.2bn vs Bt1bn in 3Q22. This is given poor margins due to weak demand and supply addition. This has also caused sale volume to plummet 22% q-q and 33% y-y to 331,000 tonnes ROC also have an unplanned shutdown in 4Q22. On top of this, the company booked inventory loss amount Bt500m
- **CBM see cost pressure.** Excluding asset impairment and other extra expense of Bt874m, CBM normalized EBITDA was at Bt1.96bn which declined - 58% y-y and 51% q-q. The contraction is mainly attributed to rising coal cost which led EBITDA margin to drop to 4% from 8% in 3Q22 and 10% in 4Q21. This is despite SCC was able to raise domestic cement price by another Bt50/tonne in 4Q22 Bt2,000-2,050/tonne. According to SCC, domestic cement demand rose 3% y-y due to low base effect. Actual demand tonnage was lower than 3Q22 and 2022 demand was still significantly lower than pre-COVID level
- **Expect 1Q23F to remain weak** given still weak chemical spread QTD. Maintain SELL.

| Income Statement         |               |               |               |               |                | Income Statement         |             |             |           |               |                |
|--------------------------|---------------|---------------|---------------|---------------|----------------|--------------------------|-------------|-------------|-----------|---------------|----------------|
| (consolidated)           |               |               |               |               |                | 12M as                   |             |             |           |               |                |
| Yr-end Dec (Bt m)        | 4Q21          | 1Q22          | 2Q22          | 3Q22          | 4Q22           | (Bt m)                   | q-q%        | y-y%        | % 2022F   | 2022A         | 2023F          |
| Revenue                  | 142,665       | 152,494       | 152,534       | 142,392       | 122,189        | Revenue                  | (14)        | (14)        | 99        | 569,609       | 580,108        |
| <b>Gross profit</b>      | <b>22,356</b> | <b>23,018</b> | <b>23,944</b> | <b>18,671</b> | <b>13,147</b>  | <b>Gross profit</b>      | <b>(30)</b> | <b>(41)</b> | <b>78</b> | <b>78,269</b> | <b>107,510</b> |
| SG&A                     | 16,177        | 17,487        | 17,729        | 17,979        | 16,578         | SG&A                     | (8)         | 2           | 88        | 69,773        | 80,214         |
| Operating profit         | 6,180         | 5,531         | 6,215         | 692           | (3,431)        | Operating profit         | na          | na          | 42        | 8,497         | 27,295         |
| <b>EBITDA</b>            | <b>13,596</b> | <b>12,660</b> | <b>13,488</b> | <b>8,179</b>  | <b>4,140</b>   | <b>EBITDA</b>            | <b>(49)</b> | <b>(70)</b> | <b>74</b> | <b>37,958</b> | <b>59,731</b>  |
| Other income             | 2,942         | 2,686         | 5,307         | 2,101         | 2,589          | Other income             | 23          | (12)        | 99        | 12,684        | 11,860         |
| Other expense            | (111)         | 55            | 1,575         | 78            | (122)          | Other expense            | na          | na          | na        | 1,985         | 0              |
| Interest expense         | 1,691         | 1,647         | 1,715         | 1,899         | 2,262          | Interest expense         | 19          | 34          | 98        | 7,523         | 10,015         |
| <b>Profit before tax</b> | <b>7,543</b>  | <b>6,516</b>  | <b>8,233</b>  | <b>816</b>    | <b>(2,982)</b> | <b>Profit before tax</b> | <b>na</b>   | <b>na</b>   | <b>47</b> | <b>11,672</b> | <b>29,140</b>  |
| Income tax               | 1,757         | 1,625         | 1,946         | 1,154         | (75)           | Income tax               | na          | na          | 85        | 4,650         | 6,281          |
| Equity & invest. income  | 2,248         | 3,419         | 3,349         | 2,064         | 1,871          | Equity & invest. income  | (9)         | (17)        | 98        | 10,703        | 9,580          |
| Minority interests       | (221)         | (546)         | 364           | 1,798         | 2,042          | Minority interests       | 14          | na          | (143)     | 3,658         | (3,511)        |
| Extraordinary items      | 494           | 1,080         | (62)          | (1,080)       | (848)          | Extraordinary items      | na          | na          | na        | 0             | 0              |
| <b>Net profit</b>        | <b>8,307</b>  | <b>8,844</b>  | <b>9,938</b>  | <b>2,444</b>  | <b>157</b>     | <b>Net profit</b>        | <b>(94)</b> | <b>(98)</b> | <b>72</b> | <b>21,382</b> | <b>28,928</b>  |
| <b>Normalized profit</b> | <b>7,813</b>  | <b>7,764</b>  | <b>10,000</b> | <b>3,524</b>  | <b>1,005</b>   | <b>Normalized profit</b> | <b>(71)</b> | <b>(87)</b> | <b>76</b> | <b>22,292</b> | <b>28,928</b>  |
| EPS (Bt)                 | 6.92          | 7.37          | 8.28          | 2.04          | 0.13           | EPS (Bt)                 | (94)        | (98)        | 72        | 17.82         | 24.11          |
| Normalized EPS (Bt)      | 6.51          | 6.47          | 8.33          | 2.94          | 0.84           | Normalized EPS (Bt)      | (71)        | (87)        | 76        | 17.82         | 24.11          |

  

| Balance Sheet               |                |                |                |                |                | Financial Ratios         |        |        |        |        |        |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|--------------------------|--------|--------|--------|--------|--------|
| (consolidated)              |                |                |                |                |                | 12M as                   |        |        |        |        |        |
| Yr-end Dec (Bt m)           | 4Q21           | 1Q22           | 2Q22           | 3Q22           | 4Q22           | (%)                      | 4Q21   | 1Q22   | 2Q22   | 3Q22   | 4Q22   |
| Cash & ST investment        | 67,610         | 80,525         | 67,172         | 66,771         | 89,859         | Sales grow th            | 46.7   | 24.9   | 14.2   | 8.0    | (14.4) |
| A/C receivable              | 78,951         | 86,504         | 94,971         | 85,601         | 74,459         | Operating profit grow th | (20.3) | (63.9) | (62.4) | (93.1) | na     |
| Inventory                   | 83,121         | 83,512         | 86,810         | 94,625         | 83,162         | EBITDA grow th           | (7.2)  | (43.0) | (42.9) | (53.2) | (69.5) |
| Other current assets        | 3,334          | 3,876          | 4,705          | 3,440          | 2,570          | Norm profit grow th      | (7.5)  | (47.9) | (41.6) | (61.1) | (87.1) |
| Investment                  | 137,579        | 142,064        | 139,456        | 144,827        | 141,915        | Norm EPS grow th         | (7.5)  | (47.9) | (41.6) | (61.1) | (87.1) |
| Fixed assets                | 410,708        | 412,204        | 424,620        | 441,701        | 425,052        | Gross margin             | 15.7   | 15.1   | 15.7   | 13.1   | 10.8   |
| Other assets                | 79,799         | 80,856         | 85,403         | 92,965         | 89,474         | Operating margin         | 4.3    | 3.6    | 4.1    | 0.5    | (2.8)  |
| <b>Total assets</b>         | <b>861,101</b> | <b>889,540</b> | <b>903,137</b> | <b>929,931</b> | <b>906,490</b> | EBITDA margin            | 9.5    | 8.3    | 8.8    | 5.7    | 3.4    |
| S-T debt                    | 83,812         | 101,056        | 91,418         | 74,040         | 65,675         | Norm net margin          | 5.5    | 5.1    | 6.6    | 2.5    | 0.8    |
| A/C payable                 | 75,026         | 74,702         | 76,056         | 67,280         | 59,783         | D/E (x)                  | 0.6    | 0.7    | 0.7    | 0.7    | 0.8    |
| Other current liabilities   | 9,549          | 24,208         | 7,580          | 7,419          | 6,858          | Net D/E (x)              | 0.5    | 0.5    | 0.5    | 0.6    | 0.6    |
| L-T debt                    | 206,291        | 205,811        | 222,870        | 263,023        | 284,661        | Interest coverage (x)    | 8.0    | 7.7    | 7.9    | 4.3    | 1.8    |
| Other liabilities           | 36,415         | 37,668         | 37,457         | 39,095         | 37,088         | Interest rate            | 2.4    | 2.2    | 2.2    | 2.3    | 2.6    |
| Minority interest           | 84,318         | 83,295         | 84,275         | 83,541         | 78,169         | Effective tax rate       | 23.3   | 24.9   | 23.6   | 141.4  | 2.5    |
| <b>Shareholders' equity</b> | <b>365,691</b> | <b>362,801</b> | <b>383,481</b> | <b>395,533</b> | <b>374,255</b> | ROA                      | 3.7    | 3.5    | 4.5    | 1.5    | 0.4    |
| Working capital             | 87,047         | 95,314         | 105,725        | 112,946        | 97,838         | ROE                      | 8.6    | 8.5    | 10.7   | 3.6    | 1.0    |
| Total debt                  | 290,103        | 306,867        | 314,288        | 337,063        | 350,336        |                          |        |        |        |        |        |
| <b>Net debt</b>             | <b>222,493</b> | <b>226,342</b> | <b>247,116</b> | <b>270,291</b> | <b>260,477</b> |                          |        |        |        |        |        |

Sources: Company data, Thanachart estimates

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