

The Siam Cement Pcl (scc tb) - BUY

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Earnings Preview

Continued core profit recovery in 2Q23F

- **Expect 2Q23F core profit up 43% q-q to Bt6.5bn**
- **Lower coal cost lead to better CBM margin**
- **Chemical profit is dragged by stock loss**
- **LSP start up delay**

Following SCC's company update meeting, we expect 2Q23F profit of Bt4.9bn (-70% q-q and 50% y-y). The lower profit q-q is mainly due to absence of the one-time gain from fair value adjustment following SCGJWD logistic merger transaction. However, core profit continues to improve q-q due to higher chemical sale volume and seasonal dividend income. We think SCC is on track to meet our full year profit with 1H23F accounts 77% of our 2023F profit and 67% of BBG's consensus.

- **Improving operating profit q-q.** Stripping out extra items, we estimate core profit of Bt6.5bn (+43% q-q, -42% y-y). This is driven by higher chemical profit and seasonal dividend income.
- **Lower coal cost lead to better CBM margin.** We expect CBM core profit to trend lower q-q due to low season. However, margin should continue to improve as coal cost trended lower. SCC guided that domestic cement demand marginally improved by 1% y-y driving by government sector.
- **Chemical sale volume improves.** We forecast SCC's chemical profit to be Bt0.7bn, lower by 50% q-q due to potential stock loss of Bt1.5bn vs loss of only Bt51m in 1Q23. Stripping out inventory loss, core profit improved 61% q-q due to higher sale volume given full quarter contribution from ROC plants which was re-started in Feb 2023.
- **LSP start up delay.** SCC has delayed start-up of LSP to September from initial expectation of mid-2023F. According to SCC, this is due to safety reason. We currently assume the plant to contribute near-break even in 2023F as we expect full ramp up in 4Q23F. We estimate potential downside to our 2023F profit of 7%.

We reaffirm our BUY call on SCC for its earnings turnaround in 2024F its petrochemical business' 47% capacity increase and a spread recovery.

Key Valuations

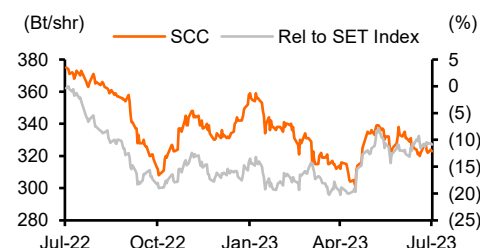
Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Revenue	569,609	602,121	702,703	728,452
Net profit	21,382	27,313	42,858	56,677
Norm net profit	21,382	27,313	42,858	56,677
Norm EPS (Bt)	17.8	22.8	35.7	47.2
Norm EPS gr (%)	(54.5)	27.7	56.9	32.2
Norm PE (x)	18.1	14.2	9.0	6.8
EV/EBITDA (x)	17.1	10.6	7.7	6.0
P/BV (x)	1.0	1.0	0.9	0.9
Div. yield (%)	2.5	3.5	5.5	7.3
ROE (%)	5.8	7.1	10.6	13.1
Net D/E (%)	57.6	58.4	55.7	46.5

Source: Thanachart estimates

Stock Data

Closing price (Bt)	323.00
Target price (Bt)	410.00
Market cap (US\$ m)	11,132
Avg daily turnover (US\$ m)	18.8
12M H/L price (Bt)	379.00/301.00

Price Performance



Source: Bloomberg

Ex 1: 2Q23F preview

(Bt m)	2Q22	1Q23	2Q23F	(q-q%)	(y-y%)
Net sales	152,534	128,748	132,477	3	(13)
Cost of Sales	(129,630)	(108,859)	(114,862)	6	(11)
Gross margin	22,904	19,889	17,615	(11)	(23)
Operating exp	(18,325)	(17,029)	(17,426)	2	(5)
Interest exp	(1,715)	(2,241)	(1,781)	(21)	4
Other income	5,307	17,045	4,259	(75)	(20)
EBT	8,171	17,664	2,667	(85)	(67)
Income tax	(1,946)	(4,320)	(480)	(89)	(75)
MI	363	517	27	(95)	(93)
Equities income	3,349	2,665	2,747	3	(18)
Net income	9,937	16,526	4,961	(70)	(50)
Non-recurring					
Inventory Gain (Loss)	(1,040)	(51)	(1,500)		
Impairments & Others	(249)	12,061	0		
Total non-recurring items	(1,289)	12,010	(1,500)		
Core profit	11,226	4,516	6,461	43	(42)

Sources: Company data, Thanachart estimates

Ex 2: Key chemical spreads

(US\$/tonne)	2Q22	1Q23	2Q23	(q-q%)	(y-y%)
HDPE-naphtha	468	396	434	10	(7)
PP-naphtha	445	380	865	128	94
PVC-EDC/C2	530	449	317	(29)	(40)
MMA-naphtha	1,293	841	974	16	(25)
BD-naphtha	558	388	242	(38)	(57)

Source: Bloomberg

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