

The Siam Cement Pcl (SCC TB) - BUY, Price Bt318, TP Bt410

Results Comment

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2Q23 – beat from fair value adjustment

- SCC reported 2Q23 profit of Bt8bn (-51% q-q and -19% 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, this is higher than our and consensus estimate of Bt4.8-4.9bn due to gain from fair value adjustment amount Bt2.8bn.
- **Higher core profit q-q.** We estimate core profit of Bt6.7bn, up 45% q-q, but still down 33% y-y due to the booking of seasonal dividend income and higher profit contribution from packaging paper.
- **Better chemical sale volume.** Chemical profit dropped 45% q-q due to booking of Bt1.8bn inventory loss. However, EBITDA from operation up 14% q-q from higher sale volume from ROC restart and better chemical spread. Polyolefin sale volume up 7% q-q, but down 2% y-y to 417,000 tonnes.
- **CBM drag by weak regional demand.** CBM profit dropped 91% q-q due to absence of fair value adjustment of SCGJWD. However, EBITDA from operation still show a drop 9% q-q due to weak regional demand. Cement operation remains resilient. Domestic cement and green sale EBITDA flat y-y and only drop by 3% q-q. EBITDA margin was steady at 14% in 2Q23
- **Outlook.** We expect 3Q23F profit to remain weak amid drop in chemical spread QTD. However, we think further downside is limited and reaffirm our BUY call on SCC for its earnings turnaround in 2024F its petrochemical business' 47% capacity increase and a spread recovery.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	152,534	142,392	122,189	128,748	124,631	Revenue	(3)	(18)	42	602,121	702,703
Gross profit	23,944	18,671	13,147	19,890	20,595	Gross profit	4	(14)	38	106,295	136,891
SG&A	17,729	17,979	16,578	16,811	15,905	SG&A	(5)	(10)	43	75,376	83,419
Operating profit	6,215	692	(3,431)	3,079	4,690	Operating profit	52	(25)	25	30,919	53,472
EBITDA	13,488	8,179	4,140	10,201	11,869	EBITDA	16	(12)	35	62,312	86,352
Other income	5,307	2,101	2,589	5,140	3,695	Other income	(28)	(30)	162	5,440	7,459
Other expense	1,575	78	(122)	219	153	Other expense	(30)	(90)	na	0	0
Interest expense	1,715	1,899	2,262	2,241	2,378	Interest expense	6	39	49	9,414	13,151
Profit before tax	8,233	816	(2,982)	5,759	5,854	Profit before tax	2	(29)	43	26,945	47,781
Income tax	1,946	1,154	(75)	4,320	1,068	Income tax	(75)	(45)	106	5,067	8,586
Equity & invest. income	3,349	2,064	1,871	2,665	2,023	Equity & invest. income	(24)	(40)	57	8,187	8,975
Minority interests	364	1,798	2,042	517	(121)	Minority interests	na	na	(14)	(2,751)	(5,312)
Extraordinary items	(62)	(1,080)	(848)	11,905	1,393	Extraordinary items	(88)	na	na	0	0
Net profit	9,938	2,444	157	16,526	8,082	Net profit	(51)	(19)	90	27,313	42,858
Normalized profit	10,000	3,524	1,005	4,621	6,689	Normalized profit	45	(33)	41	27,313	42,858
EPS (Bt)	8.28	2.04	0.13	13.77	6.74	EPS (Bt)	(51)	(19)	90	22.76	35.72
Normalized EPS (Bt)	8.33	2.94	0.84	3.85	5.57	Normalized EPS (Bt)	45	(33)	41	22.76	35.72

Balance Sheet (consolidated)						Financial Ratios					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	67,172	66,771	89,859	85,973	85,603	Sales growth	14.2	8.0	(14.4)	(15.6)	(18.3)
A/C receivable	94,971	85,601	74,459	78,790	79,246	Operating profit growth	(62.4)	(93.1)	na	(44.3)	(24.5)
Inventory	86,810	94,625	83,162	81,624	83,407	EBITDA growth	(42.9)	(53.2)	(69.5)	(19.4)	(12.0)
Other current assets	4,705	3,440	2,570	2,355	3,652	Norm profit growth	(41.6)	(61.1)	(87.1)	(40.5)	(33.1)
Investment	139,456	144,827	141,915	166,125	166,309	Norm EPS growth	(41.6)	(61.1)	(87.1)	(40.5)	(33.1)
Fixed assets	424,620	441,701	425,052	419,233	430,672	Gross margin	15.7	13.1	10.8	15.4	16.5
Other assets	85,403	92,965	89,474	89,625	93,129	Operating margin	4.1	0.5	(2.8)	2.4	3.8
Total assets	903,137	929,931	906,490	923,725	942,018	EBITDA margin	8.8	5.7	3.4	7.9	9.5
S-T debt	91,418	74,040	65,675	68,331	82,040	Norm net margin	6.6	2.5	0.8	3.6	5.4
A/C payable	76,056	67,280	59,783	61,664	61,724	D/E (x)	0.7	0.7	0.8	0.8	0.8
Other current liabilities	7,580	7,419	6,858	10,740	30,077	Net D/E (x)	0.5	0.6	0.6	0.6	0.6
L-T debt	222,870	263,023	284,661	280,419	269,869	Interest coverage (x)	7.9	4.3	1.8	4.6	5.0
Other liabilities	37,457	39,095	37,088	38,842	39,570	Interest rate	2.2	2.3	2.6	2.6	2.7
Minority interest	84,275	83,541	78,169	76,283	77,867	Effective tax rate	23.6	141.4	2.5	75.0	18.2
Shareholders' equity	383,481	395,533	374,255	387,446	380,871	ROA	4.5	1.5	0.4	2.0	2.9
Working capital	105,725	112,946	97,838	98,750	100,930	ROE	10.7	3.6	1.0	4.9	7.0
Total debt	314,288	337,063	350,336	348,750	351,909						
Net debt	247,116	270,291	260,477	262,778	266,306						

Sources: Company data, Thanachart estimates

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