

Sino Thai Eng. & Const. (STEC TB) - BUY, Price Bt10.5, TP Bt16.5**Results Comment**

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Lower-than-expected 2Q23 earnings

- STEC reported a normalized profit of Bt154m in 2Q23, down 11% y-y and 10% q-q. The results were lower than what we had expected. A fall in earnings y-y and q-q were mainly due to lower gross margin.
- As its 6MFY23 earnings make up only 37% of our full-year earnings forecast, we see a downside risk to our projection. Thus, we need to put our recommendation and earnings forecast under review.
- STEC's revenues grew by 7% y-y in 2Q23 due to higher revenue recognition from its backlog value. We estimate its backlog value of Bt73bn at end 2Q23. This has yet to include Bt27bn work for the U-Tapao airport project.
- Its gross margin fell to 2.1% in 2Q23 versus 4.1% in 2Q22. We believe this was due to the acceleration of the construction completion of the Pink and Yellow Lines.
- While its SG&A expenses were flat y-y, its other income in 2Q23 grew by 36% y-y and 400% q-q due to dividend income from its 1.9%-owned Gulf Energy Development (GULF TB, Bt47.75, BUY).

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	6,759	7,437	8,509	6,438	7,231	Revenue	12	7	43	31,818	35,640
Gross profit	276	331	496	377	155	Gross profit	(59)	(44)	32	1,666	1,954
SG&A	217	183	197	191	216	SG&A	13	(0)	49	827	891
Operating profit	59	147	299	186	(60)	Operating profit	na	na	15	838	1,063
EBITDA	330	410	527	393	141	EBITDA	(64)	(57)	27	1,995	2,205
Other income	132	23	60	36	179	Other income	400	36	94	229	196
Other expense	0	0	0	0	0	Other expense					
Interest expense	5	4	4	5	7	Interest expense	35	28	74	17	23
Profit before tax	186	167	355	217	112	Profit before tax	(49)	(40)	31	1,051	1,237
Income tax	23	37	72	43	(9)	Income tax	na	na	16	210	247
Equity & invest. income	13	11	(2)	(1)	36	Equity & invest. income	na	184	78	45	45
Minority interests	(2)	(2)	(3)	(2)	(3)	Minority interests	na	na	na	(11)	(12)
Extraordinary items	0	0	36	0	0	Extraordinary items					
Net profit	173	138	314	171	154	Net profit	(10)	(11)	37	875	1,022
Normalized profit	173	138	278	171	154	Normalized profit	(10)	(11)	37	875	1,022
EPS (Bt)	0.11	0.09	0.21	0.11	0.10	EPS (Bt)	(10)	(11)	37	0.57	0.67
Normalized EPS (Bt)	0.11	0.09	0.18	0.11	0.10	Normalized EPS (Bt)	(10)	(11)	37	0.57	0.67

Balance Sheet						Financial Ratios					
(consolidated)						2022 2023 2024					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	8,566	8,151	8,297	6,047	3,768	Sales grow th	(4.4)	22.5	21.9	(15.5)	7.0
A/C receivable	8,530	9,228	9,772	9,486	9,599	Operating profit grow th	124.4	50.0	9.8	(25.3)	na
Inventory	2,929	2,873	2,728	3,963	3,813	EBITDA grow th	7.9	7.4	(6.3)	(25.3)	(57.1)
Other current assets	1,924	1,360	1,363	1,653	1,509	Norm profit grow th	38.1	1.6	18.2	(26.2)	(11.3)
Investment	5,949	6,022	5,814	5,773	5,873	Norm EPS grow th	38.1	1.6	18.2	(26.2)	(11.3)
Fixed assets	5,128	5,064	4,938	4,797	4,738						
Other assets	15,824	17,150	17,877	17,480	16,122	Gross margin	4.1	4.4	5.8	5.9	2.1
Total assets	48,850	49,848	50,790	49,200	45,421	Operating margin	0.9	2.0	3.5	2.9	(0.8)
S-T debt	0	0	0	0	300	EBITDA margin	4.9	5.5	6.2	6.1	2.0
A/C payable	24,661	24,237	24,511	22,780	20,813	Norm net margin	2.6	1.9	3.3	2.7	2.1
Other current liabilities	3,192	3,043	2,961	2,950	3,064						
L-T debt	0	0	0	605	0	D/E (x)	-	-	-	0.0	0.0
Other liabilities	3,004	3,324	3,428	3,288	2,985	Net D/E (x)	(0.5)	(0.4)	(0.4)	(0.3)	(0.2)
Minority interest	292	294	297	299	302	Interest coverage (x)	60.1	94.8	148.1	75.4	20.1
Shareholders' equity	17,700	18,950	19,592	19,277	17,956	Interest rate	103.3	na	na	6.9	6.2
Working capital	(13,202)	(12,136)	(12,011)	(9,331)	(7,401)	Effective tax rate	12.4	22.2	20.3	19.8	(8.2)
Total debt	0	0	0	605	300	ROA	1.4	1.1	2.2	1.4	1.3
Net debt	(8,566)	(8,151)	(8,297)	(5,442)	(3,468)	ROE	3.8	3.0	5.8	3.5	3.3

Sources: Company data, Thanachart estimates

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