

BUY (Unchanged)
Change in Numbers

TP: Bt 14.00
Upside : 17.6%

(From: Bt 16.50)
22 AUGUST 2023

Small Cap Research

Sino-Thai Eng. & Cons. (STEC TB)

Bottoming out

Though margin pressure on STEC leads us to lower our earnings and TP to Bt14, the 20% plunge in its share price from its peak this year to trade at 26/24x PE in 2024-25F vs. its five-year pre-COVID average of 30x looks overdone to us. With a 44/5% y-y EPS recovery in 2024-25F and its net-cash position, we reaffirm our BUY call.



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A valuation call

We slash our earnings for STEC by 44/31/31% in 2023-25F and our DCF-derived SOTP-based 12-month TP (2024F base year) to Bt14/share (from Bt16.5) to reflect margin pressure from our concern about the cost overruns of the Pink and Yellow lines this year and minimum wage hikes in 2024-25F. But we reaffirm our BUY call as **1)** its share price has fallen by 20% from its peak this year and it trades at the low end of its valuation range at 26/24x PE in 2024-25F vs. its five-year pre-COVID average of 30x, **2)** despite factoring in those negative factors, we still expect its earnings to recover with growth of 44/5% y-y in 2024-25F, driven by revenue growth from its Bt73bn backlog at end-2Q23, and **3)** the reimplementation of new infrastructure projects after the new government is set up should act as a share price catalyst.

Margin trend

After the completion of the loss-making new parliament building, STEC's gross margin recovered from 4.4% in 2020 to 5.1% in 2022 and 5.9% in 1Q23. However, it fell again to 2.1% in 2Q23 due to cost hikes reflecting the cost overrun of the Yellow Line when construction was completed. As we are also worried about cost overruns for the Pink Line, due for completion by year-end, we forecast STEC's gross margin at 4% this year. We expect its gross margin at 5/4.6% in 2024-25F on a margin recovery after completion of the low-margin Pink and Yellow lines though this is weighed down by our house view of 10% p.a. minimum wage hikes. Our earnings estimate then falls by 40% y-y this year before recovering with growth of 44/5% y-y in 2024-25F.

Potential projects

STEC expects ongoing implementation of new infrastructure projects after the new government is set up this year. We estimate Bt37bn of new work in 2024F mainly from the Bt27bn U-Tapao Airport, and Bt25bn in 2025F from parts of the Bt67bn Red Line and Bt128bn of double-track railways. This has yet to include Airports of Thailand's (AOT TB, Bt70.75, BUY) Bt51bn of airport expansions, which are scheduled to open for bidding next year.

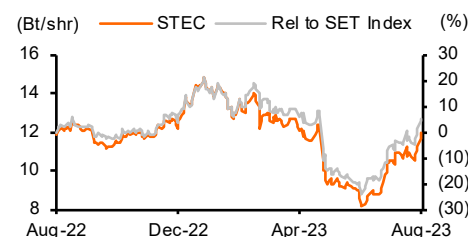
Business diversification

As the construction business is by nature volatile, we like STEC's strategy to diversify its business via investment in infrastructure firms. It holds a 1.9% stake in Gulf Energy Development (GULF TB, Bt50.0, BUY) and gets Bt150m-200m in dividend income a year. With its 20%-owned BBS JV, the concessionaire to operate the U-Tapao Airport, and 10%-owned BGSR JV, the concessionaire to operate the M6 and M81 Intercity Motorways, STEC should receive not only Bt34bn in construction work in total but also more equity and dividend income in the future.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Sales	30,326	27,674	28,470	31,149
Net profit	857	491	709	747
Consensus NP	—	798	1,017	1,093
Diff frm cons (%)	—	(38.5)	(30.3)	(31.6)
Norm profit	821	491	709	747
Prev. Norm profit	—	875	1,022	1,088
Chg frm prev (%)	—	(43.8)	(30.6)	(31.4)
Norm EPS (Bt)	0.5	0.3	0.5	0.5
Norm EPS grw (%)	18.3	(40.2)	44.4	5.3
Norm PE (x)	22.1	37.0	25.6	24.3
EV/EBITDA (x)	5.5	13.7	10.0	9.2
P/BV (x)	0.9	0.9	0.9	0.9
Div yield (%)	2.5	0.8	1.4	1.6
ROE (%)	4.5	2.5	3.6	3.7
Net D/E (%)	(41.7)	(12.7)	(15.5)	(19.4)

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 22-Aug-23 (Bt)	11.90
Market Cap (US\$ m)	519.3
Listed Shares (m shares)	1,525.1
Free Float (%)	65.7
Avg Daily Turnover (US\$ m)	3.2
12M Price H/L (Bt)	14.80/8.15
Sector	Construction
Major Shareholder	Chanvirakul family 21.7%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P8

Cutting our earnings and TP

STEC's margin is under pressure due to Yellow Line cost overruns...

...causing us to cut our earnings by 31-44% in 2023-25F

Our TP falls to Bt14

Completing the zero-margin new parliament building project in mid-2021 caused Sino-Thai Engineering & Construction Pcl's (STEC) gross margin to recover from 4.4% in 2020 to 4.6% in 2021, 5.1% in 2022, and 5.9% in 1Q23. Unfortunately, the cost adjustment to reflect the cost overrun of the Yellow Line when construction was completed caused its gross margin to fall again to 2.1% in 2Q23. This leads us to:

- 1) Lower our average gross margin assumption to 4% (from 5.2%) in 2023F as we are also worried about cost overruns for the Pink Line, which is scheduled to be completed by the end of this year.
- 2) Lower our average gross margin assumptions to 5% (from 5.5%) in 2024F and 4.6% (from 5.5%) in 2025F as we expect a gross margin recovery after the completion of the low-margin Yellow and Pink lines to partly be weighed down by our house view of 10% p.a. minimum wage hikes in 2024-25F.

As a result, we slash our earnings estimates by 44/31/31% in 2023-25F and our DCF-derived SOTP-based 12-month TP (2024F base year) falls to Bt14/share from Bt16.5. Out of the Bt14 TP, we value its construction business at Bt6/share and its SOTP value (Exhibit 2) at Bt8/share. Please note that we have yet to include the value of its 20% stake in BBS JV, the concessionaire to operate U-Tapao Airport, and leave it a potential upside.

Ex 1: Key Assumption Changes

	2021	2022	2023F	2024F	2025F
New work value (Bt bn)					
New	39.8	27.7	0.0	37.0	25.0
Old			45.6	25.0	25.0
Change (%)			na	48.0	—
Backlog value at year end (Bt bn)					
New	89.0	86.3	58.6	67.2	61.1
Old			100.1	89.5	77.3
Change (%)			(41.5)	(24.9)	(21.0)
Gross margin (%)					
New	4.6	5.1	4.0	5.0	4.6
Old			5.2	5.5	5.5
Change (ppt)			(1.2)	(0.5)	(0.9)
Normalized profit (Bt m)					
New	694	821	491	709	747
Old			875	1,022	1,088
Change (%)			(43.8)	(30.6)	(31.4)

Sources: Company data, Thanachart estimates

Ex 2: Our Sum-of-the-parts Valuation For STEC

BBG code	% holding	Fair value (Bt m)	15% discount (Bt m)	Share price (Bt/share)	Market value (Bt m)
GULF TB	1.9%	12,794	10,875	50.00	11,000
TSE TB	9.0%	381	324	2.10	400
BGSR	10.0%	1,523	1,294	na	na
Total		14,698	12,493		
Per STEC share (Bt)			8.0		
Construction business value (Bt)			6.0		
Our TP (Bt)			14.0		

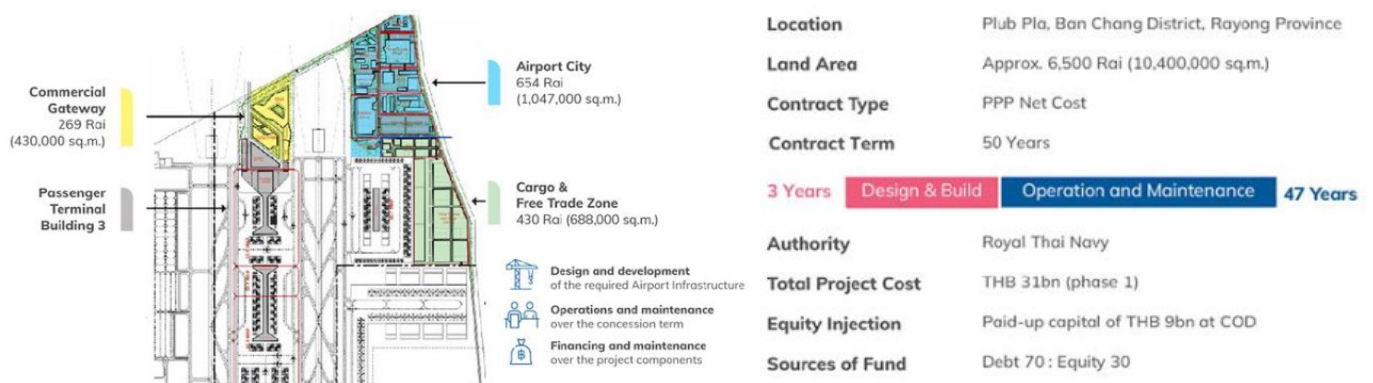
Sources: Company data, Thanachart estimates

Ex 3: 10% Stake In BGSR JV Which Will Operate The M6 And M81 Motorways



Source: BTS Group

Ex 4: 20% Stake In BBS JV Which Will Operate The U-Tapao Airport



Source: BTS Group

But we reaffirm our BUY call

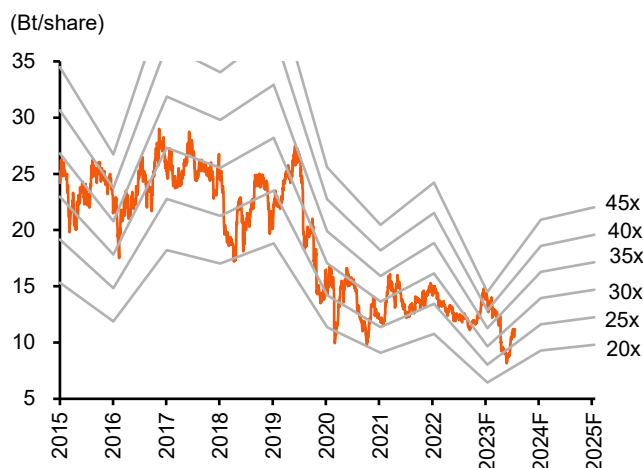
We reaffirm BUY as...

*...the bad news already
looks priced in...*

However, we reaffirm our BUY call on shares of STEC because:

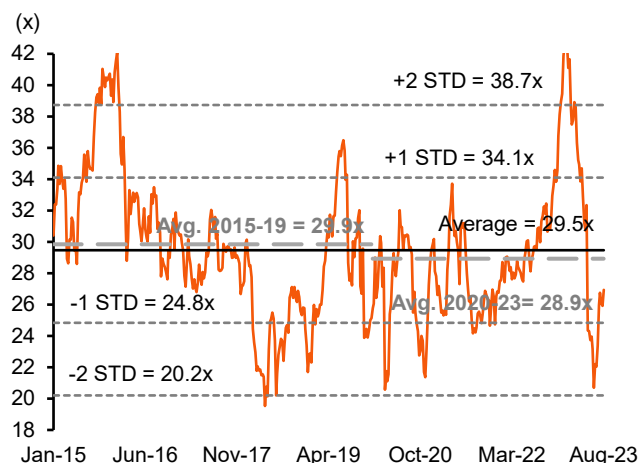
First, the 20% fall in its share price from its peak this year looks to have already priced in the negative news. The shares now trade at the low end of its valuation range of about 1 standard deviation below its eight-year average PE. Its PE multiples of 26x in 2024F and 24x in 2025F are already at hefty discounts compared to its five-year pre-COVID average of 30x.

Ex 5: STEC's PE Band



Sources: Bloomberg, Thanachart estimates

Ex 6: STEC's PE Standard Deviation



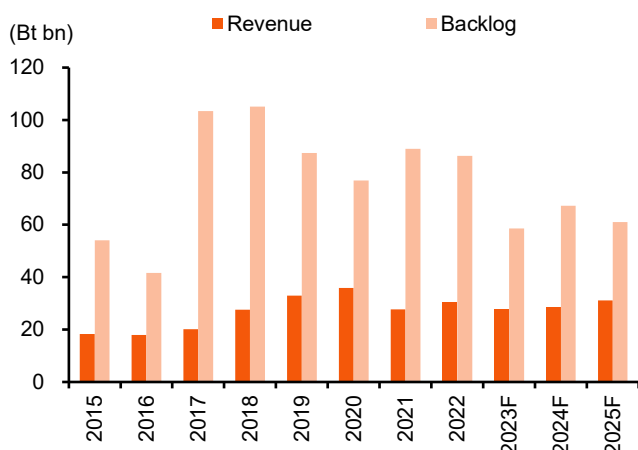
Sources: Bloomberg, Thanachart estimates

*...we expect a strong
earnings recovery, and...*

Second, despite factoring in those negative factors, we still expect STEC's earnings to recover with growth of 44/5% y-y in 2024-25F, driven by:

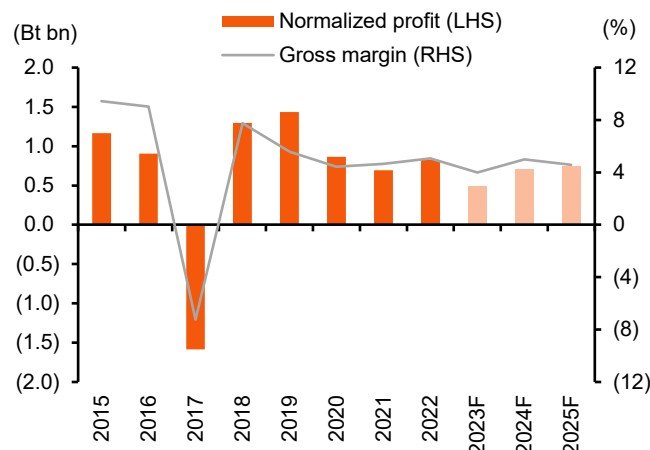
- 1) Revenue growth of 3/9% y-y in 2024-25F from its backlog of Bt59/67/61bn at the end of 2023-25F. We estimate its Bt37bn of new work in 2024F to mainly come from the Bt27bn U-Tapao Airport expansion, Bt25bn in 2025F from parts of the Bt67bn Red Line, and Bt128bn worth of double-track railways.
- 2) A gross margin recovery to 5/4.6% in 2024-25F.

Ex 7: STEC's Revenue & Backlog Value



Sources: Company data, Thanachart estimates

Ex 8: STEC's Earnings & Gross Margin



Sources: Company data, Thanachart estimates

Ex 9: STEC's Potential New Work Value

Projects	Construction Value (Bt bn)	Chance (%)	New work in 2023F (Bt bn)	New work in 2024F (Bt bn)	New work in 2025F (Bt bn)
Backlog value as of end 2022			86		
To-be-signed contracts					
U-Tapao Airport's First Phase	27	100	-	27	-
Potential projects					
Red Line Extension Taling Chan - Salaya	11	25	-	3	-
Red Line Extension Taling Chan - Siriraj Hospital	5	25		1	
Red Line Extension Rangsit - Thammasat	7	25		2	
Red Line Extension Missing Link	44	25			11
Double-track Chira – Ubon	36	5	-	2	-
Double-track Khon Kaen - Nong Khai	29	5	-	2	-
Double-track Paknam Po - Den Chai	63	5	-	-	3
Others			-	-	10
Total new work value			0	37	25
Backlog at year end			59	67	61

Sources: Company data, Thanachart estimates

...we expect a share price catalyst from reimplementation of new infrastructure projects

Third, we expect a share price catalyst from the reimplementation of new infrastructure projects after the new government is set up this year. Those new projects include the Bt67bn Red Line, Bt128bn worth of double-track railways, and Bt51bn worth of airport expansion projects.

Ex 10: Potential Infrastructure Projects In 2024-25F

Projects	Value (Bt bn)	Status
Double-track railway projects		
Khon Kaen – Nong Khai	29	To submit to the Ministry of Transport
Jira Junction – Ubon Ratchathani	36	To submit to the Ministry of Transport
Pak Nam Pho – Den Chai	63	To submit to the Ministry of Transport
Mass transit projects		
Red Line: Taling Chan – Salaya	11	Cabinet approved
Red Line: Taling Chan – Siriraj	5	Cabinet approved
Red Line: Rangsit – Thammasat	7	Cabinet approved
Red Line: Missing Link	44	Cabinet approved
Airport expansion projects		
Suvarnabhumi Airport expansion	11	Cabinet approved
Don Mueang Airport expansion	40	Cabinet approved

Sources: Company data, Ch. Karnchang, Thanachart estimates

Ex 11: 12-month DCF-derived SOTP-based TP Calculation, Using A 2024F Base Year

(Bt m)												Terminal
	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	2034F	Value
EBITDA	1,495	1,529	1,548	1,492	1,439	1,400	1,411	1,420	1,425	1,467	1,509	—
Free cash flow	480	611	597	646	619	543	533	541	546	588	631	7,738
PV of free cash flow	480	511	457	444	387	309	276	255	235	220	214	2,627
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.0											
WACC (%)	9.3											
Terminal growth (%)	2.0											
Enterprise value - add investments	6,416											
Net debt (2024F)	(3,181)											
Minority interest	319											
Equity value	9,278											
# of shares (m)	1,525											
Equity value/share (Bt)	6											
Sum-of-the-parts calculation								% holding			(Bt m)	
Enterprise value from construction business												6,416
Investment equity value												12,493
TSE								9.00%				324
BSR JV								10.00%				1,294
GULF								1.88%				10,875
Total enterprise value												18,910
(Less) Net debt (2024F)												(3,181)
(Less) Minority interest												319
Total enterprise value												21,771
# of shares (fully diluted) (m shares)												1,525
Sum of the parts (SOTP) (Bt/share)												14

Sources: Company data, Thanachart estimates

Valuation Comparison**Ex 12: Peer Valuation Comparison**

Name	BBG code	Current	EPS growth		— PE —		— P/BV —		EV/EBITDA		— Div yield —	
		Price (Bt)	23F (%)	24F (%)	23F (x)	24F (x)	23F (x)	24F (x)	23F (x)	24F (x)	23F (%)	24F (%)
Pylon Pcl	PYLON TB	2.48	(5.0)	34.2	16.3	12.2	1.7	1.6	5.8	4.9	4.8	5.2
Seafco Pcl	SEAFKO TB	2.96	na	21.5	18.7	15.4	1.4	1.4	7.3	6.0	2.5	3.1
CH Karnchang*	CK TB	23.00	40.9	16.6	31.3	26.9	1.6	1.5	91.2	81.6	1.3	1.5
Sino Thai Eng. & Cons*	STEC TB	11.90	(40.2)	44.4	37.0	25.6	0.9	0.9	13.7	10.0	0.8	1.4
Average			(1.4)	29.2	25.8	20.0	1.4	1.4	29.5	25.6	2.4	2.8

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

Based on 22 August 2023 closing prices

COMPANY DESCRIPTION

Sino-Thai Engineering & Construction Pcl (STECON) is one of the three biggest engineering and construction companies in Thailand, engaged in civil and mechanical work in buildings, infrastructure, energy, environment, and industrial projects. It operates and offers services as a main contractor, sub-contractor, and joint-venture partner to both government and private sector clients. It classifies its construction services into five categories: infrastructure construction, industrial, building construction, power & energy, and environmental projects.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Strongest financial position in the sector, with net cash.
- Class-A contractor able to bid for all construction work.
- Expert in power plant construction.

O — Opportunity

- Thailand is in an infrastructure investment cycle.
- Concerns about electricity shortages are also driving investments in power-plant projects.

W — Weakness

- The majority of STEC's revenues are based on projects it has to bid for, and there are no guarantees it will win these bidding contests.
- The construction business is labor-intensive. Thus, there are risks from higher labor costs and labor shortages.

T — Threat

- Covid-19 impacts and the government's time-consuming implementation processes could cause delays to Thailand's infrastructure investment.
- Volatility in building material prices is a major risk that we expect to increase this year.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	13.13	14.00	7%
Net profit 23F (Bt m)	798	491	-38%
Net profit 24F (Bt m)	1,017	709	-30%
Consensus REC	BUY: 11	HOLD: 3	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profits for 2023-24F are 30-38% below the Bloomberg consensus numbers, which we believe is due to us having more conservative gross margin assumptions.
- However, our TP is higher than other brokers', likely as we have a higher SOTP value and roll over the valuation base year in our model to 2024F.

Sources: Bloomberg consensus, Thanachart estimates

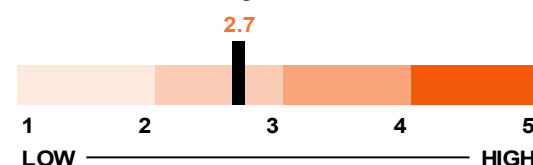
RISKS TO OUR INVESTMENT CASE

- The key downside risk to our call would be if the implementation of infrastructure projects occurs more slowly than we currently expect. This would likely prompt us to lower our new work value assumptions and earnings forecasts.
- Building material expenses account for 50-60% of STEC's total costs. Therefore, higher prices present a downside risk to our earnings forecasts.
- A weaker-than-expected economic recovery could also have a significant negative impact upon people's confidence and new construction projects.

Source: Thanachart

STEC is one of Thailand's three biggest engineering and construction companies, engaging in civil and mechanical work in infrastructure, building, and power plant projects. Its work releases some pollutants, and it implements measures to mitigate the effects in compliance with relevant laws. Our ESG score of 2.7 is moderate to reflect its standardized approach to environmental management.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
STEC	-	-	-	BBB	63.01	37.04	11.00	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- STEC's environmental policies and managements comply with relevant laws and regulations. It monitors air quality at its construction sites by measuring PM10, PM2.5, carbon monoxide, and nitrogen dioxide levels, and wind speed and direction. Most of the values have been within the standard announced by the National Environment Board.
- Noise is also measured for the 24-hour average sound level pressure, maximum sound level, and noise annoyance level, while water quality is measured for pH, BOD, suspended solids, sulfides, total dissolved solids, etc. Most of the values have been within the standard.
- STEC has been preparing and examining information to begin collecting greenhouse gas (GHG) emission data from its operations to establish policies and plans to reduce GHG in the future.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- STEC assigns importance to the Occupational Safety, Health, and Environment Act B.E. 2554. It provides training in safety at work for all workers before entering the workplace, changing jobs, changing workplaces, or changing machinery or equipment.
- It received awards for zero lost-time incidents for workers and employees who completed 650,000 man-hours at the Mor Chit Complex project, 1,000,000 man-hours at the Gulf Pluak Daeng Power Plant, and 18,000,000 man-hours at the Gulf Siracha Power Plant.
- It started the "Sino-Thai Payback to Society" project in 2002 by constructing school buildings, library buildings, and multi-purpose buildings and by offering scholarships and educational materials.

GOVERNANCE & SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- STEC has an 11-member board of directors (BOD), of whom seven are independent directors. There is one female board member. Two members have a stake in STEC and two members are from the management team.
- In 2021, it received the "Excellent" level of recognition by the Corporate Governance Report of Thai Listed Companies.
- STEC's audit committee consists of three independent directors for the review of financial statements, its internal control system, risk management, compliance with the law and government regulations, and its self-performance appraisal.
- It has appointed EY Office Limited as the independent auditor for the group.

Sources: Thanachart, Company data

INCOME STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Sales	27,675	30,326	27,674	28,470	31,149
Cost of sales	26,400	28,792	26,569	27,051	29,725
Gross profit	1,275	1,534	1,104	1,420	1,424
% gross margin	4.6%	5.1%	4.0%	5.0%	4.6%
Selling & administration expenses	675	779	803	826	841
Operating profit	600	754	302	594	583
% operating margin	2.2%	2.5%	1.1%	2.1%	1.9%
Depreciation & amortization	1,129	1,038	841	901	946
EBITDA	1,729	1,793	1,143	1,495	1,529
% EBITDA margin	6.2%	5.9%	4.1%	5.3%	4.9%
Non-operating income	255	249	247	267	326
Non-operating expenses	0	0	0	0	0
Interest expense	(33)	(20)	(17)	(23)	(23)
Pre-tax profit	822	984	532	838	886
Income tax	158	187	80	168	177
After-tax profit	664	797	452	671	709
% net margin	2.4%	2.6%	1.6%	2.4%	2.3%
Shares in affiliates' Earnings	40	34	50	50	50
Minority interests	(10)	(9)	(11)	(11)	(12)
Extraordinary items	17	36	0	0	0
NET PROFIT	711	857	491	709	747
Normalized profit	694	821	491	709	747
EPS (Bt)	0.5	0.6	0.3	0.5	0.5
Normalized EPS (Bt)	0.5	0.5	0.3	0.5	0.5

BALANCE SHEET

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	20,084	22,160	15,586	16,578	18,737
Cash & cash equivalent	7,661	8,297	2,555	3,200	4,090
Account receivables	8,180	9,772	7,961	8,190	8,961
Inventories	2,745	2,728	2,548	2,594	2,850
Others	1,497	1,363	2,522	2,594	2,836
Investments & loans	21,033	23,473	25,073	25,073	25,073
Net fixed assets	3,285	3,442	4,100	4,699	5,252
Other assets	2,221	1,715	1,706	1,722	1,751
Total assets	46,622	50,790	46,464	48,071	50,813
LIABILITIES:					
Current liabilities:	26,191	27,472	23,136	24,096	26,095
Account payables	22,642	24,511	19,872	20,751	22,477
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	0	11	10	9
Others current liabilities	3,549	2,961	3,252	3,336	3,610
Total LT debt	0	0	11	10	9
Others LT liabilities	3,064	3,428	3,386	3,460	3,693
Total liabilities	29,255	30,900	26,533	27,566	29,797
Minority interest	288	297	308	319	332
Preferreds shares	0	0	0	0	0
Paid-up capital	1,525	1,525	1,525	1,525	1,525
Share premium	2,097	2,097	2,097	2,097	2,097
Warrants	0	0	0	0	0
Surplus	4,657	6,694	6,694	6,694	6,694
Retained earnings	8,800	9,276	9,307	9,869	10,368
Shareholders' equity	17,079	19,592	19,624	20,186	20,684
Liabilities & equity	46,622	50,790	46,464	48,071	50,813

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	822	984	532	838	886
Tax paid	(158)	(187)	(80)	(168)	(177)
Depreciation & amortization	1,129	1,038	841	901	946
Chg In working capital	3,175	295	(2,647)	603	699
Chg In other CA & CL / minorities	(402)	(412)	(818)	62	82
Cash flow from operations	4,566	1,718	(2,172)	2,237	2,436
Capex	(1,191)	(1,195)	(1,500)	(1,500)	(1,500)
Right of use	167	650	(10)	(10)	(10)
ST loans & investments	58	11	0	0	0
LT loans & investments	(3,707)	(2,440)	(1,600)	0	0
Adj for asset revaluation	2,392	2,037	0	0	0
Chg In other assets & liabilities	337	236	(23)	68	213
Cash flow from investments	(1,943)	(700)	(3,133)	(1,442)	(1,297)
Debt financing	(1,000)	0	22	(3)	(1)
Capital increase	0	0	0	0	0
Dividends paid	(457)	(381)	(460)	(147)	(248)
Warrants & other surplus	0	0	(0)	0	0
Cash flow from financing	(1,457)	(381)	(437)	(150)	(250)
Free cash flow	3,375	522	(3,672)	737	936

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	26.2	22.1	37.0	25.6	24.3
Normalized PE - at target price (x)	30.8	26.0	43.5	30.1	28.6
PE (x)	25.5	21.2	37.0	25.6	24.3
PE - at target price (x)	30.0	24.9	43.5	30.1	28.6
EV/EBITDA (x)	6.1	5.5	13.7	10.0	9.2
EV/EBITDA - at target price (x)	7.9	7.3	16.5	12.2	11.3
P/BV (x)	1.1	0.9	0.9	0.9	0.9
P/BV - at target price (x)	1.3	1.1	1.1	1.1	1.0
P/CFO (x)	4.0	10.6	(8.4)	8.1	7.4
Price/sales (x)	0.7	0.6	0.7	0.6	0.6
Dividend yield (%)	2.5	2.5	0.8	1.4	1.6
FCF Yield (%)	18.6	2.9	(20.2)	4.1	5.2
(Bt)					
Normalized EPS	0.5	0.5	0.3	0.5	0.5
EPS	0.5	0.6	0.3	0.5	0.5
DPS	0.3	0.3	0.1	0.2	0.2
BV/share	11.2	12.8	12.9	13.2	13.6
CFO/share	3.0	1.1	(1.4)	1.5	1.6
FCF/share	2.2	0.3	(2.4)	0.5	0.6

Sources: Company data, Thanachart estimates

STEC's valuation looks
attractive to us at 26/24x
PE in 2024-25F...

....vs. its 30x PE during
pre-COVID 2015-19
average

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Sales (%)	(22.8)	9.6	(8.7)	2.9	9.4
Net profit (%)	(35.0)	20.6	(42.7)	44.4	5.3
EPS (%)	(35.0)	20.6	(42.7)	44.4	5.3
Normalized profit (%)	(20.0)	18.3	(40.2)	44.4	5.3
Normalized EPS (%)	(20.0)	18.3	(40.2)	44.4	5.3
Dividend payout ratio (%)	64.7	53.6	30.0	35.0	40.0
Operating performance					
Gross margin (%)	4.6	5.1	4.0	5.0	4.6
Operating margin (%)	2.2	2.5	1.1	2.1	1.9
EBITDA margin (%)	6.2	5.9	4.1	5.3	4.9
Net margin (%)	2.4	2.6	1.6	2.4	2.3
D/E (incl. minor) (x)	0.0	0.0	0.0	0.0	0.0
Net D/E (incl. minor) (x)	(0.4)	(0.4)	(0.1)	(0.2)	(0.2)
Interest coverage - EBIT (x)	17.9	38.0	18.2	26.2	25.5
Interest coverage - EBITDA (x)	51.7	90.2	69.1	65.9	67.0
ROA - using norm profit (%)	1.5	1.7	1.0	1.5	1.5
ROE - using norm profit (%)	4.4	4.5	2.5	3.6	3.7
DuPont					
ROE - using after tax profit (%)	4.2	4.3	2.3	3.4	3.5
- asset turnover (x)	0.6	0.6	0.6	0.6	0.6
- operating margin (%)	3.1	3.3	2.0	3.0	2.9
- leverage (x)	2.9	2.7	2.5	2.4	2.4
- interest burden (%)	96.1	98.0	97.0	97.4	97.5
- tax burden (%)	80.8	81.0	85.0	80.0	80.0
WACC (%)	9.3	9.3	9.3	9.3	9.3
ROIC (%)	5.4	6.5	2.3	2.8	2.7
NOPAT (Bt m)	485	611	256	475	466
invested capital (Bt m)	9,418	11,295	17,091	17,005	16,612

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

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