

**Stecon Group (STECON TB) – U.R., Price Bt3.44, TP Bt11.00****Results Comment**

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**Unexpected huge losses**

- STECON reported an unexpected huge normalized loss of Bt1.2bn in 4Q24, vs. a profit of Bt48m in 4Q23 and a loss of Bt122m in 3Q24. The unexpected huge loss was mainly due;
  - additional costs to repair the damages of the Bueng Nong Bon drainage tunnel project. However, STECON said that this additional costs will be able to claim compensation from the insurance company,
  - additional costs for the inspection and improvement of the structure of the Pink and Yellow Lines,
- Including a Bt1bn provision for expected credit losses from TOP's Clean Fuel project, it reported a net loss of Bt2.3bn 4Q24. STECON said that if it exclude these one-time expenses, it would have a gross margin of 6.8% in 2024 (vs. - 0.4%) and a profit of Bt1.4bn.
- However, given the huge unexpected losses, we have to put our earnings forecast, TP and recommendation under review.
- STECON's revenues fell by 4% y-y in 4Q24 mainly due to lower construction revenue from the power plant projects which were close to complete in 4Q24.
- Its gross margin in 4Q24 turned to a negative 13% due to the mentioned additional costs.
- Its equity loss was at Bt130m in 4Q24 due to the loss contribution from its 15%-owned Yellow and Pink Lines which started the operation in 4Q23 and 1Q24, respectively.

Income Statement		(consolidated)				
Yr-end Dec (Bt m)	4Q23	1Q24	2Q24	3Q24	4Q24	
Revenue	8,053	6,484	8,457	7,349	7,715	
<b>Gross profit</b>	<b>410</b>	<b>380</b>	<b>236</b>	<b>272</b>	<b>(1,006)</b>	
SG&A	292	198	242	214	192	
Operating profit	118	182	(6)	58	(1,198)	
<b>EBITDA</b>	<b>313</b>	<b>371</b>	<b>196</b>	<b>243</b>	<b>(1,018)</b>	
Other income	32	55	240	22	23	
Other expense	0	0	0	0	0	
Interest expense	22	35	32	37	54	
<b>Profit before tax</b>	<b>128</b>	<b>203</b>	<b>202</b>	<b>43</b>	<b>(1,229)</b>	
Income tax	27	42	6	19	(135)	
Equity & invest. income	(51)	(146)	(166)	(142)	(130)	
Minority interests	(2)	(2)	(5)	(4)	42	
Extraordinary items	23	0	0	(25)	(1,064)	
<b>Net profit</b>	<b>71</b>	<b>12</b>	<b>25</b>	<b>(147)</b>	<b>(2,247)</b>	
<b>Normalized profit</b>	<b>48</b>	<b>12</b>	<b>25</b>	<b>(122)</b>	<b>(1,183)</b>	
EPS (Bt)	0.05	0.01	0.02	(0.10)	(1.47)	
Normalized EPS (Bt)	0.03	0.01	0.02	(0.08)	(0.78)	

Balance Sheet		(consolidated)				
Yr-end Dec (Bt m)	4Q23	1Q24	2Q24	3Q24	4Q24	
Cash & ST investment	5,310	5,244	3,923	2,813	3,425	
A/C receivable	10,386	10,865	10,804	10,615	11,559	
Inventory	3,274	3,305	3,487	3,394	3,231	
Other current assets	1,665	1,797	1,997	1,823	1,867	
Investment	6,250	6,051	5,962	6,315	6,159	
Fixed assets	4,707	4,797	4,902	5,009	5,231	
Other assets	15,856	15,868	15,361	19,184	20,045	
<b>Total assets</b>	<b>47,449</b>	<b>47,928</b>	<b>46,436</b>	<b>49,152</b>	<b>51,516</b>	
S-T debt	4,745	4,445	4,418	5,981	6,921	
A/C payable	18,506	19,560	19,091	16,814	18,977	
Other current liabilities	3,447	3,504	3,407	3,501	4,258	
L-T debt	0	0	0	0	438	
Other liabilities	2,680	2,592	2,414	3,109	3,080	
Minority interest	441	373	378	382	432	
<b>Shareholders' equity</b>	<b>17,631</b>	<b>17,453</b>	<b>16,729</b>	<b>19,366</b>	<b>17,411</b>	
Working capital	(4,845)	(5,391)	(4,801)	(2,805)	(4,187)	
Total debt	4,745	4,445	4,418	5,981	7,359	
<b>Net debt</b>	<b>(565)</b>	<b>(799)</b>	<b>495</b>	<b>3,168</b>	<b>3,934</b>	

Sources: Company data, Thanachart estimates

Income Statement		12M as				
(Bt m)	q-q%	y-y%	% 2024F	2024A	2025F	
Revenue	5	(4)	101	30,005	30,750	
<b>Gross profit</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(118)</b>	<b>1,533</b>	
SG&A	(10)	(34)	95	846	923	
Operating profit	na	na	na	(964)	611	
<b>EBITDA</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(209)</b>	<b>1,511</b>	
Other income	4	(28)	95	341	393	
Other expense						
Interest expense	44	148	123	158	129	
<b>Profit before tax</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(782)</b>	<b>874</b>	
Income tax	na	na	na	(68)	157	
Equity & invest. income	na	na	na	(584)	(452)	
Minority interests	na	na	(388)	31	(8)	
Extraordinary items	na	na	na	(1,089)	0	
<b>Net profit</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(2,357)</b>	<b>257</b>	
<b>Normalized profit</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>(1,268)</b>	<b>257</b>	
EPS (Bt)	na	na	na	(1.55)	0.17	
Normalized EPS (Bt)	na	na	na	(0.83)	0.17	

Financial Ratios		(%)				
	4Q23	1Q24	2Q24	3Q24	4Q24	
Sales grow th	(5.4)	0.7	17.0	(6.7)	(4.2)	
Operating profit grow th	(60.4)	(2.1)	na	(73.6)	na	
EBITDA grow th	(40.5)	(5.7)	38.2	(42.4)	na	
Norm profit grow th	(82.7)	(93.1)	(83.6)	na	na	
Norm EPS grow th	(82.7)	(93.1)	(83.6)	na	na	
Gross margin	5.1	5.9	2.8	3.7	(13.0)	
Operating margin	1.5	2.8	(0.1)	0.8	(15.5)	
EBITDA margin	3.9	5.7	2.3	3.3	(13.2)	
Norm net margin	0.6	0.2	0.3	(1.7)	(15.3)	
D/E (x)	0.3	0.2	0.3	0.3	0.4	
Net D/E (x)	(0.0)	(0.0)	0.0	0.2	0.2	
Interest coverage (x)	14.4	10.6	6.1	6.5	(18.9)	
Interest rate	2.6	3.0	2.9	2.9	3.2	
Effective tax rate	21.2	20.9	3.0	44.0	11.0	
ROA	0.4	0.1	0.2	(1.0)	(9.4)	
ROE	1.1	0.3	0.6	(2.7)	(25.7)	

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