

Stecon Group (STECON TB) – BUY, Price Bt7.00, TP Bt9.00**Results Comment**

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Strong 1Q25 profit beat us

- STECON reported a normalized profit of Bt342m in 1Q25, vs. a profit of Bt11m in 1Q24 and a loss of Bt1.2bn in 4Q24. The results were higher than what we had expected. The strong earnings growth was mainly due to higher gross margin after it set provisions for the loss-making projects in 4Q24 and low tax expenses due to it being offset by the loss carryforward.
- We expect STECON's 2Q25F earnings to continue to grow y-y due to sustained high gross margin and no more loss contribution from the Pink and Yellow Lines due to the change in the accounting method. However, it is expected to drop q-q due to no dividend income from GULF.
- We maintain our BUY call on STECON given its strong earnings turnaround this year, attractive valuation at 14/10x PEs in 2025-26F, high backlog of Bt126bn at end 1Q25, and potential new work, especially the U-Tapao Airport project.
- STECON's revenues grew by 1% y-y in 1Q25 mainly as many projects were completed in this quarter while new projects have yet to start construction. STECON expect higher revenue in 2Q25F onward and maintain its revenue target of Bt32bn for the whole year 2025
- Its gross margin improved to 7.6% in 1Q25 vs. 5.9% in 1Q24 due to no loss contribution from the Bueng Nong Bon Drainage project.
- Its other income in 1Q25 improved by 360% y-y due to dividend income from its 1.5%-owned Gulf.
- Its equity loss was at Bt136m in 1Q25 mainly due to the loss contribution from its 15%-owned Yellow and Pink Lines.

Income Statement (consolidated)						Income Statement 3M as					
Yr-end Dec (Bt m)	1Q24	2Q24	3Q24	4Q24	1Q25	(Bt m)	q-q%	y-y%	% 2025F	2025F	2026F
Revenue	6,484	8,457	7,349	7,715	6,526	Revenue	(15)	1	21	31,648	33,682
Gross profit	380	236	272	(1,006)	497	Gross profit	na	31	26	1,893	2,015
SG&A	198	242	214	192	206	SG&A	8	4	23	886	943
Operating profit	182	(6)	58	(1,198)	291	Operating profit	na	60	29	1,007	1,072
EBITDA	370	196	243	(1,018)	466	EBITDA	na	26	26	1,822	1,974
Other income	55	240	22	23	255	Other income	1,016	360	69	372	382
Other expense	0	0	0	0	0	Other expense					
Interest expense	35	32	37	54	61	Interest expense	14	75	30	208	187
Profit before tax	202	202	43	(1,229)	485	Profit before tax	na	140	41	1,172	1,268
Income tax	42	6	19	(135)	3	Income tax	na	(93)	2	176	254
Equity & invest. income	(146)	(166)	(142)	(130)	(136)	Equity & invest. income	na	na	na	(251)	0
Minority interests	(2)	(5)	(4)	42	(4)	Minority interests	na	na	na	32	35
Extraordinary items	0	0	(25)	(1,064)	0	Extraordinary items					
Net profit	11	25	(147)	(2,247)	342	Net profit	na	2,870	44	777	1,049
Normalized profit	11	25	(122)	(1,182)	342	Normalized profit	na	2,870	44	777	1,049
EPS (Bt)	0.01	0.02	(0.10)	(1.47)	0.22	EPS (Bt)	na	2,870	44	0.51	0.69
Normalized EPS (Bt)	0.01	0.02	(0.08)	(0.78)	0.22	Normalized EPS (Bt)	na	2,870	44	0.51	0.69

Balance Sheet (consolidated)						Financial Ratios					
Yr-end Dec (Bt m)	1Q24	2Q24	3Q24	4Q24	1Q25	(%)	1Q24	2Q24	3Q24	4Q24	1Q25
Cash & ST investment	5,244	3,923	2,813	3,425	4,113	Sales growth	0.7	17.0	(6.7)	(4.2)	0.7
A/C receivable	10,865	10,804	10,615	11,559	12,039	Operating profit growth	(2.3)	na	(73.6)	na	59.8
Inventory	3,305	3,487	3,394	3,231	3,998	EBITDA growth	(5.7)	38.2	(42.4)	na	25.9
Other current assets	1,797	1,997	1,823	1,867	2,115	Norm profit growth	(93.3)	(83.6)	na	na	2,870.5
Investment	6,051	5,962	6,315	6,159	6,972	Norm EPS growth	(93.3)	(83.6)	na	na	2,870.5
Fixed assets	4,797	4,902	5,009	5,231	5,588	Gross margin	5.9	2.8	3.7	(13.0)	7.6
Other assets	15,868	15,361	19,184	20,045	18,012	Operating margin	2.8	(0.1)	0.8	(15.5)	4.5
Total assets	47,928	46,436	49,152	51,516	52,838	EBITDA margin	5.7	2.3	3.3	(13.2)	7.1
S-T debt	4,445	4,418	5,981	6,921	7,241	Norm net margin	0.2	0.3	(1.7)	(15.3)	5.2
A/C payable	19,560	19,091	16,814	18,977	21,532	D/E (x)	0.2	0.3	0.3	0.4	0.5
Other current liabilities	3,504	3,407	3,501	4,258	4,192	Net D/E (x)	(0.0)	0.0	0.2	0.2	0.2
L-T debt	0	0	0	438	422	Interest coverage (x)	10.6	6.1	6.5	(18.9)	7.6
Other liabilities	2,592	2,414	3,109	3,080	3,129	Interest rate	3.0	2.9	2.9	3.2	3.3
Minority interest	373	378	382	432	423	Effective tax rate	21.0	3.0	44.0	11.0	0.6
Shareholders' equity	17,453	16,729	19,366	17,411	15,898	ROA	0.1	0.2	(1.0)	(9.4)	2.6
Working capital	(5,391)	(4,801)	(2,805)	(4,187)	(5,495)	ROE	0.3	0.6	(2.7)	(25.7)	8.2
Total debt	4,445	4,418	5,981	7,359	7,663						
Net debt	(799)	495	3,168	3,934	3,550						

Sources: Company data, Thanachart estimates

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