

BUY (Unchanged)

Company update

TP: Bt 16.00 (Unchanged)

Upside : 26.0%

Stecon Group Pcl. (STECON TB)

Sum of the good parts

Despite its recent share price rally, STECON still looks attractive to us for the sum of its two business parts. Its construction business, which is in an upturn, trades at only 5.5x 2026F PE, while we estimate its investment in GULF is worth Bt7.6 per STECON share at GULF's market price.

Reiterating BUY with a TP of Bt16.0

This is a part of *Construction Sector – In a new earnings cycle*, dated 19 May 2026. We reiterate our BUY call on STECON with an unchanged DCF-derived, SOTP-based 12-month TP (2026F base year) of Bt16.0. **First**, we view it as the best play on Thailand's new construction cycle, given its exposure to all key policy focus areas, including infrastructure, data centers, and renewable power plants. **Second**, we project its construction earnings CAGR (excluding dividend income from its 1.5%-owned Gulf Development [GULF TB, BUY, Bt60,0] and equity loss) at 13% p.a. over 2026-28F. **Third**, its valuation remains attractive, with its construction business trading at 5.5x 2026F PE and its investment in GULF valued at Bt7.6 per STECON share at GULF's market price. Our Bt16.0 TP comprises Bt7.2 for the construction business, Bt8.3 for GULF's fair value, and Bt0.5 for other businesses.

Construction business's EPS CAGR at 13%

We estimate STECON's earnings growth at 57/-11/17% in 2026-28F. Excluding Bt679/271/310m of dividend income and Bt180/130/80m of equity losses, we project its construction earnings to grow 15/12/12% y-y in 2026-28F. Key drivers are higher revenue recognition from its backlog of Bt96bn at end-2025 (3x 2026F revenue), absence of loss contribution from the Pink and Yellow lines due to a change from equity to dividend accounting, Bt45bn-48bn p.a. of estimated new work from Thailand's new construction cycle, and a stable gross margin at a decent 7.3% (vs. 7.8% in 1Q26). Management remains confident in maintaining gross margin above 7.0% despite the impact of the Iran war on oil and raw material prices.

Best play in this cycle, in our view

We view STECON as a key beneficiary of this construction cycle, given its exposure to all key policy focus areas. It is among the limited number of contractors eligible to bid for the government's potential Bt775bn of megaprojects in 2026-28F. It is now working with global hyperscalers on data center projects. The BOI application value of data centers in Thailand rose from Bt243bn in 2024 to Bt739bn in 2025 and Bt874bn in 1Q26. We also expect STECON to secure some of the construction work for renewable power plants from GULF, which won the majority share of the government's Bt362bn worth of renewable project awards in 2023.

Valuation looks inexpensive

Despite its recent share price rally, we still view STECON's valuation as attractive. Excluding dividend income and equity losses, we estimate construction EPS at Bt0.7/0.8/0.9/share in 2026-28F. That implies construction business PEs of only 5.5x/4.9x/4.4x in 2026-28F against a construction earnings CAGR of 13% p.a. STECON's investment in GULF alone is worth Bt7.6 per STECON share at GULF's current price of Bt60.0 or Bt8.3 per STECON share at our TP price for GULF of Bt65.0.


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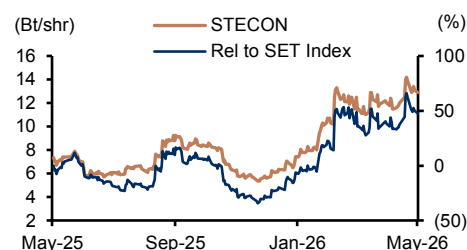
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COMPANY VALUATION

Y/E Dec (Bt m)	2025A	2026F	2027F	2028F
Sales	33,473	35,413	37,811	40,424
Net profit	1,948	1,645	1,287	1,502
Consensus NP	—	1,818	1,544	1,321
Diff frm cons (%)	—	(9.5)	(16.7)	13.7
Norm profit	921	1,445	1,287	1,502
Prev. Norm profit	—	1,445	1,287	1,502
Chg frm prev (%)	—	0.0	0.0	0.0
Norm EPS (Bt)	0.61	0.95	0.85	0.99
Norm EPS grw (%)	na	57.0	(10.9)	16.7
Norm PE (x)	21.0	13.3	15.0	12.8
EV/EBITDA (x)	11.3	10.4	9.3	8.3
P/BV (x)	1.2	1.1	1.1	1.0
Div yield (%)	4.3	3.4	3.0	3.9
ROE (%)	5.4	8.5	7.2	8.1
Net D/E (%)	24.5	20.7	18.7	15.0

PRICE PERFORMANCE

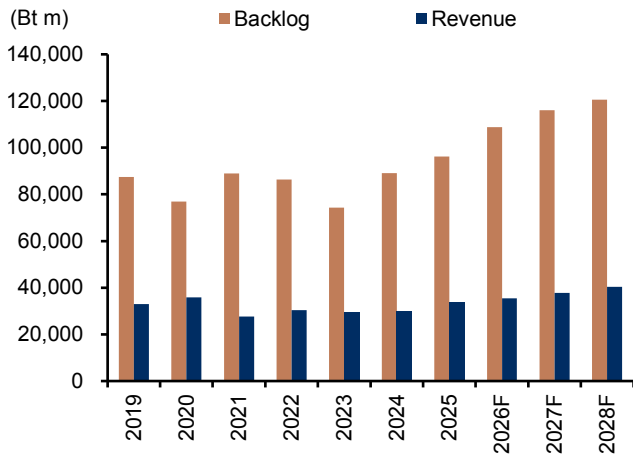


COMPANY INFORMATION

Price as of 18-May-26 (Bt)	12.70
Market Cap (US\$ m)	590.6
Listed Shares (m shares)	1,519.1
Free Float (%)	54.0
Avg. Daily Turnover (US\$ m)	8.2
12M Price H/L (Bt)	14.20/5.35
Sector	Construction
Major Shareholder	C.T.Venture Co.,LTD 19.6%

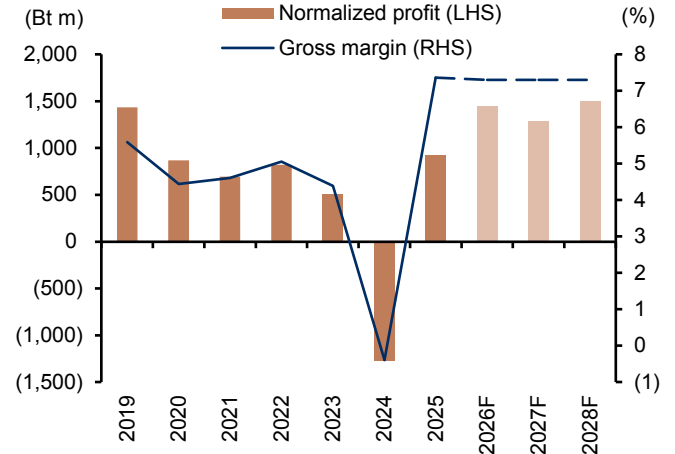
Sources: Bloomberg, Company data, ttb wealth estimates

Ex 1: STECON's Backlog And Revenue



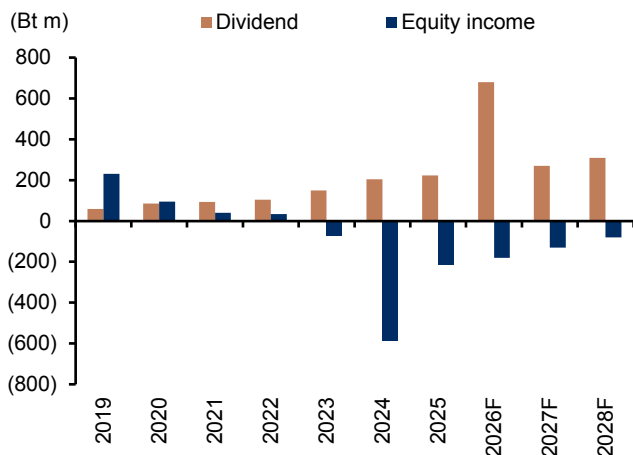
Sources: Company data, ttb wealth estimates

Ex 2: STECON's Gross Margin And Earnings



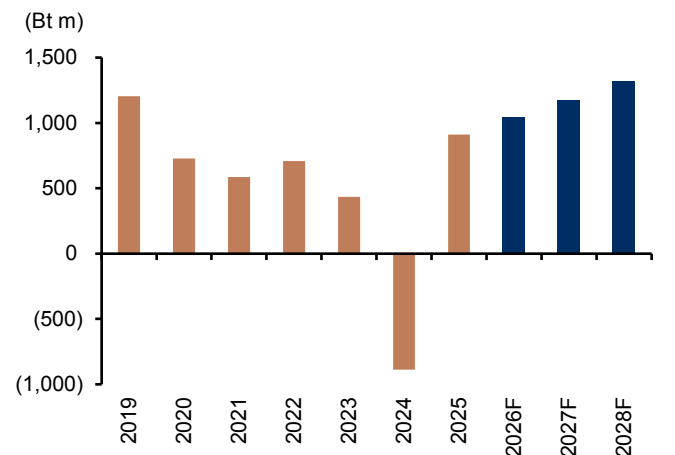
Sources: Company data, ttb wealth estimates

Ex 3: Excluding Dividend Income And Equity Loss...



Sources: Company data, ttb wealth estimates

Ex 4: ...STECON's Construction Earnings CAGR Is 13%



Sources: Company data, ttb wealth estimates

Ex 5: STECON's SOTP Value

	% holding	Fair value (Bt m)	15% discount (Bt m)	Share price (Bt/share)	Market value (Bt m)
GULF	1.5%	14,761	12,547	60.0	13,625
TSE	9.0%	76	65	0.8	154
BGSR	10.0%	402	342	na	na
Pink & Yellow lines	15.0%	1,106	940	na	na
Total		16,345	13,893		13,780
Per STECON share (Bt)			8.8		9.1
Construction business value (Bt)			7.2		
Our TP (Bt)			16.0		

Sources: Company data, ttb wealth estimates

Ex 6: Our New Work Assumptions

(Bt bn)	2025	2026F	2027F
Beginning backlog	89.1	96.3	108.9
New work			
U-Tapao Airport expansion project		27.0	
High-speed railway projects			24.0
Double-track railway projects			4.0
Data center and other projects	40.7	21.0	17.0
Realized revenue	(33.5)	(35.4)	(37.8)
Ending backlog	96.3	108.9	116.0

Sources: Company data, ttb wealth estimates

COMPANY DESCRIPTION

STECON Group Pcl (STECON) is one of the three largest engineering and construction companies in Thailand, engaged in civil and mechanical work across buildings, infrastructure, energy, environmental, and industrial projects. It operates and provides services as a main contractor, subcontractor, 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: ttb wealth

TTB WEALTH'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.

CONSENSUS COMPARISON

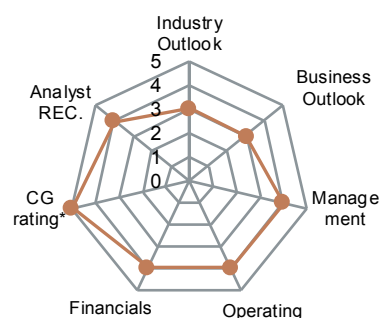
	Consensus	ttb wealth	Diff
Target price (Bt)	14.06	16.00	14%
Net profit 26F (Bt m)	1,818	1,645	-9%
Net profit 27F (Bt m)	1,544	1,287	-17%
Consensus REC	BUY: 9	HOLD: 6	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profits for 2026-27F are 9-17% lower than the Bloomberg consensus numbers, which we believe is mainly due to us factoring in more conservative gross margin assumptions and lower dividend income from GULF in 2027F.
- Our TP is 14% higher than other brokers', likely as we are more aggressive on its long-term earnings growth and SOTP value.

Sources: Bloomberg consensus, ttb wealth estimates

COMPANY RATING



Source: ttb wealth; *CG Rating

Rating Scale

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

W — Weakness

- The majority of STECON'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

- 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.

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 STECON'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 on people's confidence regarding new construction projects.

Source: ttb wealth

INCOME STATEMENT

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
Sales	30,005	33,473	35,413	37,811	40,424
Cost of sales	30,123	31,009	32,828	35,050	37,473
Gross profit	(118)	2,464	2,585	2,760	2,951
% gross margin	-0.4%	7.4%	7.3%	7.3%	7.3%
Selling & administration expenses	846	1,129	1,133	1,172	1,213
Operating profit	(964)	1,335	1,452	1,588	1,738
% operating margin	-3.2%	4.0%	4.1%	4.2%	4.3%
Depreciation & amortization	755	743	759	849	939
EBITDA	(209)	2,078	2,211	2,437	2,677
% EBITDA margin	-0.7%	6.2%	6.2%	6.4%	6.6%
Non-operating income	341	346	806	393	432
Non-operating expenses	0	0	0	0	0
Interest expense	(158)	(268)	(272)	(249)	(237)
Pre-tax profit	(782)	1,414	1,986	1,732	1,933
Income tax	(68)	282	357	312	348
After-tax profit	(714)	1,132	1,628	1,420	1,585
% net margin	-2.4%	3.4%	4.6%	3.8%	3.9%
Shares in affiliates' Earnings	(584)	(212)	(180)	(130)	(80)
Minority interests	31	1	(3)	(3)	(3)
Extraordinary items	(1,089)	1,028	200	0	0
NET PROFIT	(2,357)	1,948	1,645	1,287	1,502
Normalized profit	(1,268)	921	1,445	1,287	1,502
EPS (Bt)	(1.55)	1.28	1.08	0.85	0.99
Normalized EPS (Bt)	(0.83)	0.61	0.95	0.85	0.99

We expect strong earnings growth in 2026F, mainly driven by...

...revenue growth from high backlog, higher dividend income, and lower equity losses

BALANCE SHEET

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
ASSETS:					
Current assets:	20,082	24,622	23,702	25,093	26,608
Cash & cash equivalent	3,425	4,216	3,000	3,000	3,000
Account receivables	11,559	14,524	14,553	15,539	16,612
Inventories	3,231	3,886	4,047	4,321	4,620
Others	1,867	1,996	2,102	2,233	2,375
Investments & loans	24,531	22,418	22,418	22,418	22,418
Net fixed assets	4,683	5,041	5,783	6,434	6,995
Other assets	2,221	4,168	4,346	4,564	4,800
Total assets	51,516	56,249	56,249	58,509	60,822
LIABILITIES:					
Current liabilities:	30,156	35,325	34,275	35,710	36,903
Account payables	18,977	23,774	24,014	25,448	26,898
Bank overdraft & ST loans	6,921	7,903	6,303	6,069	5,556
Current LT debt	146	68	56	54	49
Others current liabilities	4,112	3,580	3,903	4,141	4,399
Total LT debt	438	425	347	334	306
Others LT liabilities	3,080	3,448	3,763	3,968	4,191
Total liabilities	33,673	39,198	38,385	40,013	41,400
Minority interest	432	417	420	423	426
Preferreds shares	0	0	0	0	0
Paid-up capital	1,519	1,519	1,519	1,519	1,519
Share premium	2,089	2,089	2,089	2,089	2,089
Warrants	0	0	0	0	0
Surplus	7,056	4,364	4,364	4,364	4,364
Retained earnings	6,747	8,662	9,472	10,101	11,023
Shareholders' equity	17,411	16,634	17,444	18,073	18,996
Liabilities & equity	51,516	56,249	56,249	58,509	60,822

Sources: Company data, ttb wealth estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2024A	2025A	2026F	2027F	2028F
Earnings before tax	(782)	1,414	1,986	1,732	1,933
Tax paid	68	(282)	(357)	(312)	(348)
Depreciation & amortization	755	743	759	849	939
Chg In working capital	(658)	1,177	49	174	78
Chg In other CA & CL / minorities	96	(870)	38	(23)	36
Cash flow from operations	(521)	2,181	2,473	2,420	2,638
Capex	(1,488)	(1,101)	(1,500)	(1,500)	(1,500)
Right of use	209	(719)	(10)	(10)	(10)
ST loans & investments	(77)	(17)	0	0	0
LT loans & investments	(3,135)	2,113	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(1,652)	167	347	(3)	(4)
Cash flow from investments	(6,143)	443	(1,163)	(1,513)	(1,514)
Debt financing	2,642	891	(1,690)	(249)	(545)
Capital increase	(0)	0	0	0	0
Dividends paid	(229)	(6)	(836)	(658)	(579)
Warrants & other surplus	2,366	(2,719)	0	0	0
Cash flow from financing	4,780	(1,834)	(2,526)	(908)	(1,124)
Free cash flow	(6,665)	2,625	1,310	908	1,124

VALUATION

FY ending Dec	2024A	2025A	2026F	2027F	2028F
Normalized PE (x)	na	21.0	13.3	15.0	12.8
Normalized PE - at target price (x)	na	26.4	16.8	18.9	16.2
PE (x)	na	9.90	11.7	15.0	12.8
PE - at target price (x)	na	12.48	14.8	18.9	16.2
EV/EBITDA (x)	na	11.3	10.4	9.3	8.3
EV/EBITDA - at target price (x)	na	13.7	12.7	11.4	10.2
P/BV (x)	1.1	1.2	1.1	1.1	1.0
P/BV - at target price (x)	1.4	1.5	1.4	1.3	1.3
P/CFO (x)	(37.0)	8.8	7.8	8.0	7.3
Price/sales (x)	0.6	0.6	0.5	0.5	0.5
Dividend yield (%)	0.0	4.3	3.4	3.0	3.9
FCF Yield (%)	(34.5)	13.6	6.8	4.7	5.8
(Bt)					
Normalized EPS	(0.83)	0.61	0.95	0.85	0.99
EPS	(1.55)	1.28	1.08	0.85	0.99
DPS	0.00	0.55	0.43	0.38	0.49
BV/share	11.46	10.95	11.48	11.90	12.50
CFO/share	(0.34)	1.44	1.63	1.59	1.74
FCF/share	(4.39)	1.73	0.86	0.60	0.74

Sources: Company data, ttb wealth estimates

Valuation looks attractive to us with construction business PEs of only 5.5x/4.9x in 2026-27F

FINANCIAL RATIOS

FY ending Dec	2024A	2025A	2026F	2027F	2028F
Growth Rate					
Sales (%)	1.4	11.6	5.8	6.8	6.9
Net profit (%)	na	na	(15.5)	(21.8)	16.7
EPS (%)	na	na	(15.5)	(21.8)	16.7
Normalized profit (%)	na	na	57.0	(10.9)	16.7
Normalized EPS (%)	na	na	57.0	(10.9)	16.7
Dividend payout ratio (%)	0.0	42.9	40.0	45.0	50.0
Operating performance					
Gross margin (%)	(0.4)	7.4	7.3	7.3	7.3
Operating margin (%)	(3.2)	4.0	4.1	4.2	4.3
EBITDA margin (%)	(0.7)	6.2	6.2	6.4	6.6
Net margin (%)	(2.4)	3.4	4.6	3.8	3.9
D/E (incl. minor) (x)	0.4	0.5	0.4	0.3	0.3
Net D/E (incl. minor) (x)	0.2	0.2	0.2	0.2	0.1
Interest coverage - EBIT (x)	na	5.0	5.3	6.4	7.3
Interest coverage - EBITDA (x)	na	7.8	8.1	9.8	11.3
ROA - using norm profit (%)	na	1.7	2.6	2.2	2.5
ROE - using norm profit (%)	na	5.4	8.5	7.2	8.1
DuPont					
ROE - using after tax profit (%)	na	6.6	9.6	8.0	8.6
- asset turnover (x)	0.6	0.6	0.6	0.7	0.7
- operating margin (%)	na	5.0	6.4	5.2	5.4
- leverage (x)	2.8	3.2	3.3	3.2	3.2
- interest burden (%)	125.4	84.1	88.0	87.4	89.1
- tax burden (%)	na	80.0	82.0	82.0	82.0
WACC (%)	9.3	9.3	9.3	9.3	9.3
ROIC (%)	(5.6)	5.0	5.7	6.2	6.6
NOPAT (Bt m)	(964)	1,069	1,191	1,302	1,425
invested capital (Bt m)	21,491	20,814	21,150	21,529	21,906

Sources: Company data, ttb wealth estimates

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