Stecon Group Pcl (STECON TB) - BUY, Price Bt16.60, TP Bt21.00

Results Comment

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Strong 2Q26 earnings beat our forecast

- STECON reported normalized profit of Bt910m in 2Q26, up 78% y-y and 160% q-q, exceeding our expectations. The strong growth y-y and q-q was driven by construction business growth and dividend income from GULF. Even excluding dividend and equity income, construction earnings rose 67% y-y, supported by higher construction revenue, stable gross margin, and economies of scale.
- We expect construction earnings to be stronger in 2H26F than in 1H26, driven by a backloaded revenue schedule.
- We reiterate our BUY call on STECON, our top sector pick. We view it as a key beneficiary of the upcoming construction cycle, driven by the government's infrastructure projects, and investment in data centers, and renewable power plants.
- STECON's revenue grew 8% y-y in 2Q26, mainly driven by higher revenue recognition from its Bt123bn backlog at end-1Q26. Key contributors included the Orange Line, Purple Line, double-track railway, data center, and clean energy projects.
- Despite higher building material prices, gross margin improved to 7.4% in 2Q26 vs. 7.2% in 2Q25. We believe this was supported by low-cost material inventory and efficient cost management.
- SG&A expenses fell by 19% y-y while other income rose 3,314% due to dividend income from GULF.
- Its equity loss was at 29m in 2Q26 mainly due to the loss contribution from its 20%-owned U-Tapao International Aviation (UTA, not listed).

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Revenue	8,789	7,533	10,624	7,294	9,494
Gross profit	**632**	**543**	**791**	**571**	**700**
SG&A	373	261	288	296	301
Operating profit	259	283	503	275	398
EBITDA	**407**	**504**	**702**	**479**	**608**
Other income	23	5	63	30	775
Other expense	0	0	0	0	0
Interest expense	63	70	73	73	80
Profit before tax	**219**	**218**	**493**	**231**	**1,094**
Income tax	30	50	199	51	154
Equity & invest. income	(22)	(10)	(45)	(30)	(29)
Minority interests	(5)	5	5	4	(1)
Extraordinary items	350	0	678	196	1
Net profit	**512**	**163**	**931**	**351**	**911**
Normalized profit	**162**	**163**	**253**	**154**	**910**
EPS (Bt)	0.34	0.11	0.61	0.23	0.60
Normalized EPS (Bt)	0.11	0.11	0.17	0.10	0.60

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2026F	2026F	2027F
Revenue	30	8	47	35,789	39,628
Gross profit	**22**	**11**	**49**	**2,613**	**2,893**
SG&A	2	(19)	51	1,181	1,308
Operating profit	45	54	47	1,432	1,585
EBITDA	**27**	**50**	**50**	**2,190**	**2,434**
Other income	2,506	3,314	100	806	393
Other expense					
Interest expense	9	26	57	267	239
Profit before tax	**373**	**401**	**67**	**1,970**	**1,739**
Income tax	199	418	52	394	348
Equity & invest. income	na	na	na	(150)	(110)
Minority interests	na	na	18	20	22
Extraordinary items	(100)	(100)	98	200	0
Net profit	**160**	**78**	**77**	**1,646**	**1,303**
Normalized profit	**489**	**461**	**74**	**1,446**	**1,303**
EPS (Bt)	160	78	76	1.08	0.86
Normalized EPS (Bt)	489	461	73	0.95	0.86

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q25	3Q25	4Q25	1Q26	2Q26
Cash & ST investment	3,728	2,958	4,216	4,825	5,570
A/C receivable	12,438	12,368	14,524	14,294	15,293
Inventory	3,803	4,157	3,886	4,352	4,712
Other current assets	1,757	1,929	1,996	2,324	1,875
Investment	3,129	3,117	8,318	8,313	8,353
Fixed assets	5,865	6,185	6,307	6,456	6,560
Other assets	20,180	22,129	17,002	20,994	21,128
Total assets	**50,901**	**52,844**	**56,249**	**61,559**	**63,490**
S-T debt	7,328	7,179	7,903	8,341	8,143
A/C payable	21,382	22,353	23,774	24,547	24,768
Other current liabilities	3,659	3,521	3,648	3,418	3,359
L-T debt	408	385	425	406	1,579
Other liabilities	2,736	2,979	3,448	4,252	4,231
Minority interest	422	422	417	425	428
Shareholders' equity	**14,967**	**16,005**	**16,634**	**20,172**	**20,982**
Working capital	(5,141)	(5,828)	(5,364)	(5,901)	(4,763)
Total debt	7,735	7,563	8,328	8,746	9,722
Net debt	**4,007**	**4,605**	**4,112**	**3,921**	**4,152**

Financial Ratios					
(%)	2Q25	3Q25	4Q25	1Q26	2Q26
Sales growth	3.9	2.5	37.7	11.8	8.0
Operating profit growth	na	456.4	na	(5.5)	53.6
EBITDA growth	108.8	113.6	na	2.7	49.7
Norm profit growth	568.9	na	na	(54.8)	460.5
Norm EPS growth	568.9	na	na	(54.8)	460.5
Gross margin	7.2	7.2	7.4	7.8	7.4
Operating margin	2.9	3.8	4.7	3.8	4.2
EBITDA margin	4.6	6.7	6.6	6.6	6.4
Norm net margin	1.8	2.2	2.4	2.1	9.6
D/E (x)	0.5	0.5	0.5	0.4	0.5
Net D/E (x)	0.3	0.3	0.2	0.2	0.2
Interest coverage (x)	6.4	7.2	9.6	6.6	7.6
Interest rate	3.3	3.7	3.7	3.4	3.4
Effective tax rate	13.6	23.0	40.4	22.2	14.1
ROA	1.3	1.3	1.9	1.0	5.8
ROE	4.2	4.2	6.2	3.4	17.7

Sources: Company data, ttb wealth estimates

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