

Sino-Thai Engrg & Construction (STEC TB)

Restructuring amid weak near-term outlook

Trim estimates and TP; reiterate HOLD

STEC is restructuring its business to clearly define its segments and support future growth. However, the near-term outlook appears challenging. The restructuring plan is expected to take time, particularly due to early-stage businesses incurring losses. We trim our FY23/24E profit forecasts by 3%/19%, anticipating a 25.9%/2.2% YoY decrease in profits. Consequently, we cut our FY24E target price to THB9.5 from THB11.5 based on its average PER of 24.0x and maintain our HOLD rating. STEC has cash, financial assets and investments of THB24.6b, surpassing its market value of THB13b and providing a cushion against downside risks. In the construction sector, we prefer CH. Karnchang (CK TB, CP THB20.3, BUY, TP: THB25.4) due to its high growth potential.

Restructuring to support future expansion

STEC is restructuring by establishing Stecon Group PCL as a holding company through a share swap at a 1:1 ratio with STEC. The restructuring involves categorising business types into distinct groups: 1) Construction Contracting, 2) Utilities and Power, 3) Logistics and Transportation, and 4) Other businesses. This strategic segmentation is designed to enhance flexibility in business expansion.

Expected profit decline in FY23-24E

Our FY23E outlook has been hurt by higher-than-estimated costs for the Yellow Line project and Nong Bon tunnel repairs, coupled with a loss from its 15% holding in the Yellow Line project. We trim our FY23E profit forecast down by 3%, expecting core earnings of THB608m, down 25.9% YoY. In FY24E, we anticipate 5% growth in construction contract revenue and an improvement in gross profit margin to 5.0% from 4.2% in FY23E. However, recognising loss sharing from the Yellow and Pink lines leads us to cut FY24E core profit by 19% to THB595m, down 2.2% YoY.

Low ESG score given limited data

Using Maybank's ESG rating system, STEC has a score of 35, below the average of 50. This is primarily attributed to the absence of environmental data, including NOx, SOx, SPM/particulate matter (PM10). Additionally, recently collected data, such as Scope 1 and Scope 2 greenhouse gas emissions for the first year indicate a lack of clarity in STEC's plans to achieve targets (such as carbon neutrality by 2050).

FYE Dec (THB m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	27,675	30,326	29,458	31,065	32,618
EBITDA	1,984	2,042	1,669	1,943	1,976
Core net profit	694	821	608	595	660
Core EPS (THB)	0.46	0.54	0.40	0.39	0.43
Core EPS growth (%)	(20.0)	18.3	(25.9)	(2.2)	10.8
Net DPS (THB)	0.25	0.30	0.21	0.21	0.23
Core P/E (x)	32.3	25.3	21.3	21.8	19.7
P/BV (x)	1.3	1.1	0.7	0.6	0.6
Net dividend yield (%)	1.7	2.2	2.5	2.4	2.7
ROAE (%)	4.5	4.7	3.1	3.0	3.3
ROAA (%)	1.5	1.7	1.2	1.1	1.3
EV/EBITDA (x)	8.2	6.6	3.6	3.1	2.7
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Consensus net profit	-	-	580	672	765
MIBG vs. Consensus (%)	-	-	4.9	(11.5)	(13.8)

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HOLD

Share Price	THB 8.50
12m Price Target	THB 9.50 (+12%)
Previous Price Target	THB 11.50

Company Description

STEC ranks among Thailand's top 3 engineering and civil construction firms. It also has stakes in key infrastructure projects.

Statistics

52w high/low (THB)	14.80/8.15
3m avg turnover (USDm)	1.6
Free float (%)	65.7
Issued shares (m)	1,525
Market capitalisation	THB13.0B
	USD370M

Major shareholders:

CT Venture Co. Ltd.	15.4%
UBS AG Singapore Branch	10.5%
Thai NVDR	6.8%

Price Performance



— Sino-Thai Engineering - (LHS, THB)
— Sino-Thai Engineering / Stock Exchange of Thai Index - (RHS, %)

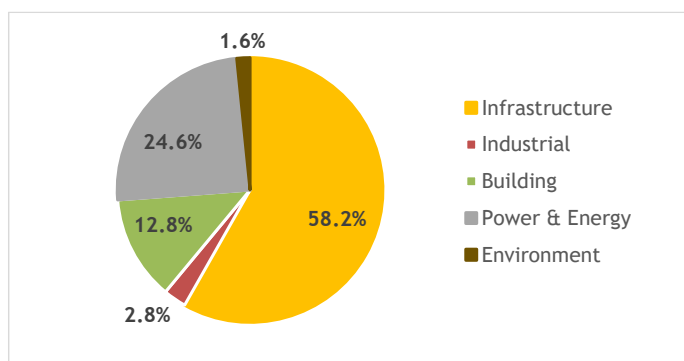
	-1M	-3M	-12M
Absolute (%)	(8)	(22)	(33)
Relative to index (%)	(6)	(15)	(22)

Source: FactSet

Value Proposition

- STEC ranks among the top 3 engineering and construction firms in Thailand, while delivering projects that consistently meet international standards, for sustainable growth.
- High backlog on hand of THB110b. The company targets revenue to grow at an average 5-10% pa in FY22-24.
- STEC maintains awareness of safety, environmental, and societal impacts of its operations.
- STEC invests in the country's leading infrastructure operators, MRTA Pink Line (15%), MRTA Yellow Line (15%), Motorway Bang Pa In - Nakhon Ratchasima & Bang Yai - Kanchanaburi (10%) and U-Tapao Airport Development (20%).

FY22 construction revenue structure by type of work

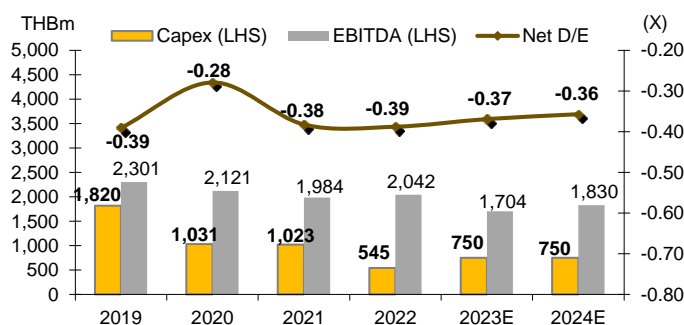


Source: Company

Financial Metrics

- FY22 gross margin of 5.1% improved from lows of 4.4%/4.6% in FY20/FY21 thanks to new projects.
- Strong financial position with high cash on hand and short-term investments of THB2.8b. STEC is in a net cash position.
- FY23E-FY24E EBITDA per year of THB1.7-1.8b is much higher than annual capex.

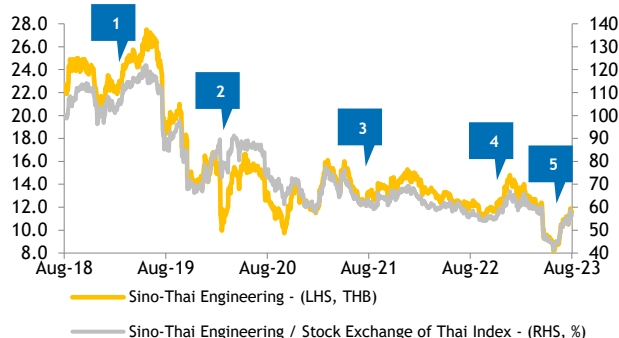
Capex, EDITDA, net D/E



Source: Company

Price Drivers

Historical share price trend



Source: Company, MST

1. Strong earnings due to the recognition of the accelerating Yellow, Pink and Orange electric train projects.
2. Earnings weaker than expected due to cost overrun.
3. Construction site closure after Covid-19 outbreak and weak earnings.
4. Strong 4Q22 earnings recovered from new projects and better gross profit margin
5. Concerns about political party policies on raising minimum wages

Swing Factors

Upside

- Investment companies have projects expansion and new projects, helping STEC to increase its construction backlog, including equity income and dividend income.
- Government's mega-project investments.
- Higher-than-expected gross profit margin after many new project bidding prices are closer to the median prices.

Downside

- Rapidly rising construction material and energy cost can depress gross margins.
- Construction and project delays.
- Changes in government policies. In particular, policies related to labour, such as the supervision of foreign workers and minimum wage adjustments, etc.
- Health and safety issues, and environmental impact.

Risk Rating & Score ¹	33.1 (High Risk - 103/353)
Score Momentum ²	-8.1
Last Updated	29 Nov 2023
Controversy Score ³ (Updated: 29 Nov 2023)	No Evidence

Business Model & Industry Issues

- STEC's vision is to be a leading engineering and construction firm in Thailand and ASEAN by consistently delivering projects that meet the international standards. The company focuses on stable and sustainable growth of the organisation. The company creates new businesses related to its core business in order to expand the income base and reduce risks. The objective is to operate with the highest safety (Loss Time Accident = 0) and has a long-term goal of average revenue growth of 5-10% between FY22-FY24.
- The company is conscious of safety, environment, and social impact. The company has strictly defined policies, guidelines and developed safety, environmental and social knowledge, and training programme for the performance of all duties to comply with the safety and environment standards, including supporting environmental conservation guidelines and reducing environmental and social impacts that may arise from the company's construction works.

Material E issues

- In construction, the company is aware the impact on the environment is important. In addition to operating in accordance with rules and regulations in the conservation of the environment, it prepares measures to mitigate environmental impacts that may occur from its operations, namely air quality, noise and impact on nearby communities.
- The company provides knowledge and training in performing duties in every process to comply with working standards related to safety and the environment.
- The company realises the importance of environmental conservation in order to ensure that its construction projects have the least impact on the environment or are at the accepted standard level by providing measures to prevent and monitor environmental impacts according to the regulations, rules and relevant laws.

Material S issues

- The company attaches importance to education and promotes it through the projects "Sino-Thai Returns Profits to Society" and "Sino-Thai Restores Brightness to Charnvirakul Building" in order to encourage people in society or communities who lack educational opportunities to be able to take care of themselves. Besides, it has supported social contribution activities in order to support social development in various fields continuously.
- The company has established a clear human resource management policy. It specifies the fair treatment of employees, equal respect for the rights of employees under the framework of its regulations, labour laws, good traditions in society and human rights. It provides compensation and welfare appropriately, employment practices and fair employment contracts while knowledge and ability to work in a variety of formats are developed. It has also established a labour skill development centre (career paths) with clear measurement and assessment.

Key G metrics and issues

- As of December 31, 2022, among 11 members of the Board of Directors, 7 are independent directors, representing 64% of the total. The company has 2 directors as representatives of shareholders who are Charnvirakuls and 2 directors came from the management team. Total remuneration for 2022 is THB6.48m, or 0.75% of net profit.
- The company's auditor is EY Office Company Ltd.
- The company realises the importance of good corporate governance. It has formulated good corporate governance policies in 5 areas, namely the rights of shareholders, equitable treatment of shareholders, taking into account stakeholders, disclosure and transparency and responsibilities of the board of directors.
- The company attaches great importance to conducting business with fairness, transparency and accountability, while taking into account the stakeholders through good corporate governance policies and related practices, according to the guidelines of the Securities and Exchange Commission and the Stock Exchange of Thailand.
- The company has established business ethics that include a Code of Conduct for directors, executives and employees, including policy on care and treatment of stakeholders in order for the management system to be efficient, transparent, verifiable and help build confidence among shareholders, stakeholders and all related parties. There are clear guidelines for the departments and related departments to strictly follow and to follow up on the results of operations in order to develop and improve related operations.
- The company recognises the importance of anti-corruption. Anti-corruption policies have been established, with clarifications, knowledge and support for the company's directors, executives and employees to understand and realise the importance of anti-corruption as well as various related practices.

¹**Risk Rating & Score** - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. ²**Score Momentum** - indicates changes to the company's score since the last update - a **negative** integer indicates a company's improving risk score; a **positive** integer indicates a deterioration. ³**Controversy Score** - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).

Quantitative Parameters (Score: 24)						
	Particulars	Unit	2020	2021	2022	CK TB
E	Scope 1 GHG emissions	tCO2e	NA	NA	497	NA
	Scope 2 GHG emissions	tCO2e	NA	NA	344	1,655
	Total	tCO2e	NA	NA	841	1,655
	Scope 3 GHG emissions	tCO2e	NA	NA	NA	NA
	Total	tCO2e	NA	NA	841	1,655
	Greenhouse gas intensity	tCO2e/ton	NA	NA	NA	NA
	Green energy share of power usage	%	NA	NA	NA	NA
	Amount of electricity purchased	kWh	NA	261,642	275,080	2,842,884
	Water recycled as % of usage	%	NA	NA	NA	NA
	Water usage	Cu m	NA	NA	5,221	NA
	% of waste reused/recycled	%	NA	NA	98%	NA
	% of recycled material used	%	NA	NA	NA	NA
	Number of environment impact complaints		NA	NA	NA	NA
	NOx (excluding N2O)	Tons	NA	NA	NA	NA
	SOx	Tons	NA	NA	NA	NA
SPM/particulate matter (PM10)	Tons	NA	NA	NA	NA	
S	% of women in workforce	%	25%	27%	27%	25.6%
	% of women in management roles	%	2.3%	2.1%	2.2%	NA
	Employee training (hours/Person)	hours	6.0	7.0	9.0	7.51
	Lost time injury frequency rate	number	0.24	0.46	0.19	0.01
G	MD/CEO salary as % of net profit	%	NA	NA	NA	NA
	Top 10 employees salary as % of profit	%	5.1%	7.2%	4.1%	13.12%
	Independent director (tenure<10 years) as % of total BoD	%	18%	18%	18%	40%
	Women directors on board	%	9%	9%	9%	10%

Qualitative Parameters (Score: 33)	
a)	Is there an ESG policy in place and is there a standalone ESG committee or is it part of the risk committee? <i>Yes - The Company has strictly defined policies, guidelines monitored and developed safety, environmental and social knowledge, and training program for the performance of all duties to comply with the safety and environment standards.</i>
b)	Is the senior management salary linked to fulfilling ESG targets? <i>No</i>
c)	Does the company follow the task force of climate-related disclosures framework for ESG reporting? <i>No</i>
d)	Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured? <i>No</i>
e)	What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company? <i>1) To keep engines and machinery used in construction sites in a good condition to prevent their emission of soot and particulate. 2) Strictly managed water quality of its construction projects during the construction period in conformity with related laws, rules, or regulations. 3) Installed solar cell panels to generate electricity which can reduce the green gas emission amount 163 tCO2/tear.</i>
f)	Does carbon offset form part of the net zero/carbon neutrality target of the company? <i>No</i>

Target (Score: 57)		
Particulars	Target	Achieved
Reduce greenhouse gas emissions	20-25%	NA
Manage dust diffusion within the construction sites		
Manage noise levels in construction sites		
Good corporate governance by Thai institute of directors	5	5
Training sessions, hours per person per year	>10	9
Carbon neutrality by the year 2050		
Lost time injury frequency rate (LTIFR)	0%	0.2%
Impact		
NA		
Overall Score: 35		
As per our ESG matrix, STEC has an overall score of 35.		

ESG score	Weights	Scores	Final Score
Quantitative	50%	24	12
Qualitative	25%	33	8
Target	25%	57	14
Total			35

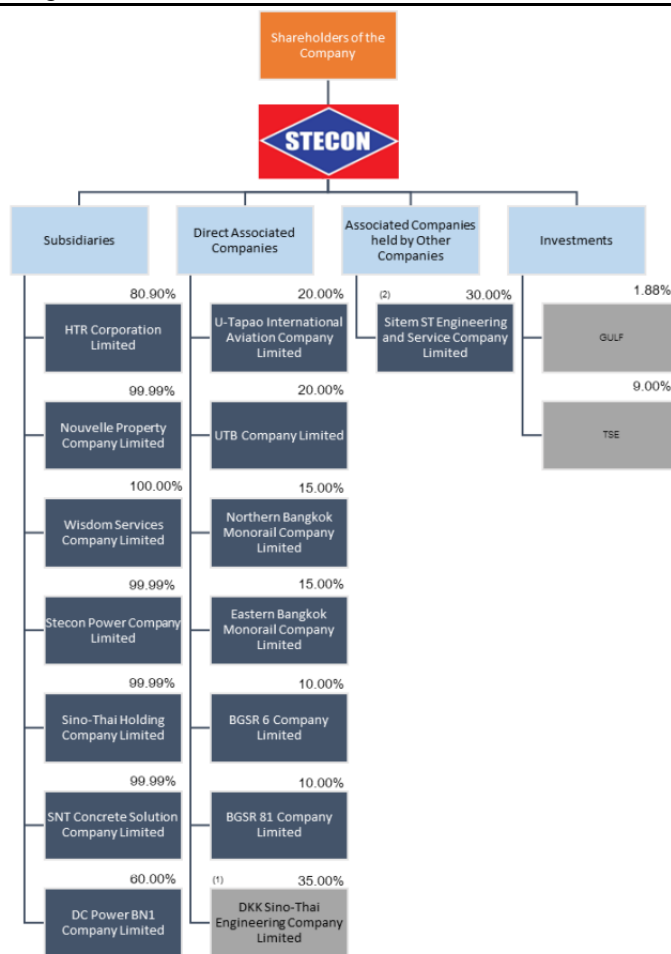
As per our ESG assessment, STEC maintains awareness of safety, environmental, and societal impacts of its operations. STEC's overall ESG score is 35, which makes its ESG rating below average in our view (average ESG rating = 50).

1. Restructuring for future growth

STEC has officially communicated to the Stock Exchange of Thailand that the Board of Directors has given approval for the company's business restructuring plan. This involves establishing Stecon Group Public Company Limited, a holding company with a registered capital of THB1.525b (par value 1 baht), equivalent to Sino-Thai Engineering Public Company Limited and Construction (STEC). The restructuring will be achieved through a share swap at a rate of 1:1. Following this, Sino-Thai Engineering and Construction Public Company Limited (STEC) will be delisted from the market and re-registered as Stecon Group Public Company Limited, the new holding company. The completion of this process is anticipated in August 2024.

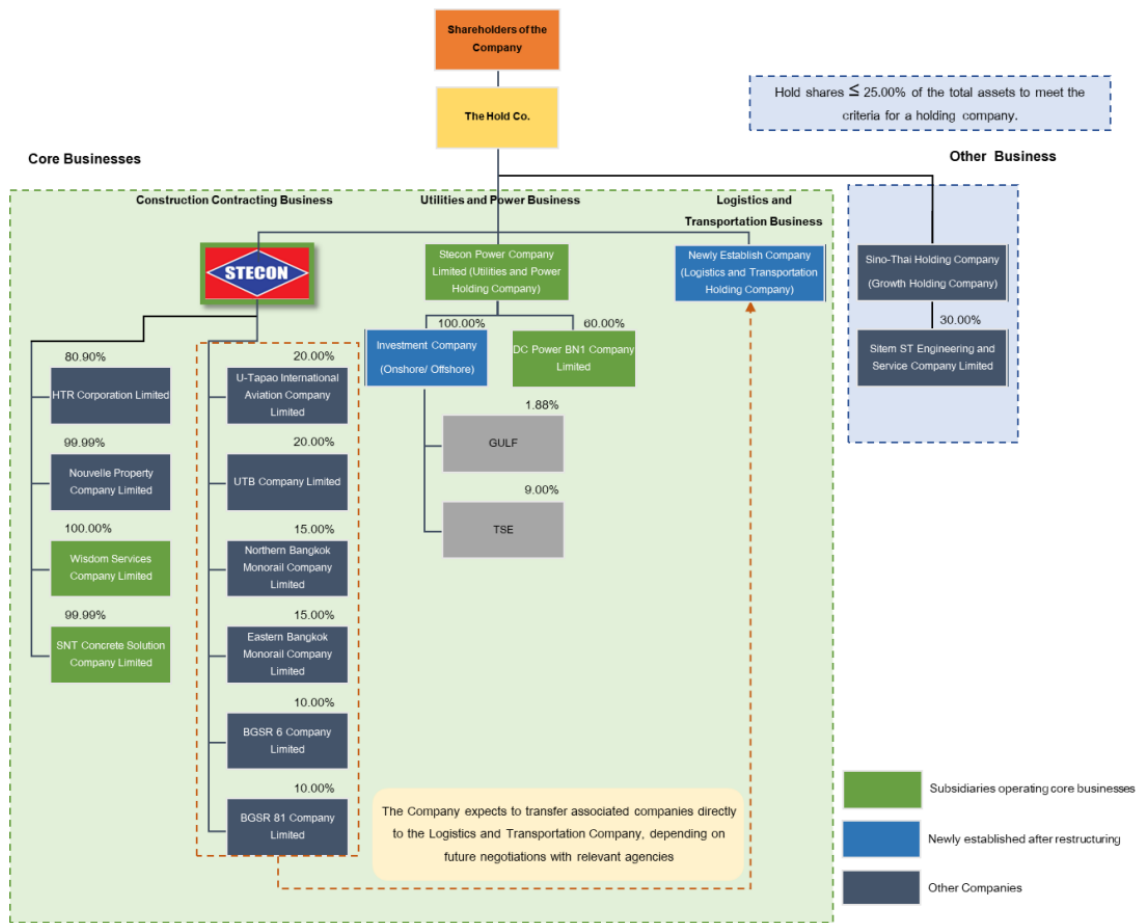
The ongoing restructuring of its business to Stecon Group Public Company Limited, a holding company, aims to establish clear divisions for different business segments, including: 1) The Construction Contracting Business, 2) The Utilities and Power Business, 3) The Logistics and Transportation Business, and 4) The Other Businesses. This strategic reorganisation is designed to create flexibility for business expansion and risk diversification across each business. Additionally, it seeks to enhance the efficiency and agility of its group's management, ensuring optimal performance tailored to the specific needs of each business segment.

Fig 1: The shareholding structure before the implementation of the Restructuring Plan



Source: Company

Fig 2: The shareholding structure after the implementation of the Restructuring Plan



Source: Company

In the event that the holding company successfully acquires 100% of the shares of STEC through a tender offer for all issued and outstanding shares, there will be no impact on shareholders of the holding company. This includes the financial position and operating results of the holding company, which will mirror the financial position and operating results of STEC before the restructuring in all aspects.

STEC is a construction company that has cash on hand, financial assets and investments of as much as THB24.602b. They include: 1) cash on hand of THB2.799b; 2) investments in stocks like GULF TB (CP THB45.75, BUY, TP56.25) and TSE TB (CP THB1.73, not rated), valued at THB10.401b; 3) investments in joint-venture companies: 3.1) Yellow Line (owns 15% stake), Pink Line electric train (owns 15% stake) 3.2) U-Tapao Airport (owns 20% stake) 3.3) Bang Pa-in-Nakhon Ratchasima and Bang Yai-Kanchanaburi Motorways (owns 10% share), totalling THB6.457b; and 4) investment properties of THB4.944b, while it has only THB2b of interest-bearing debt.

Fig 3: Concession projects

				
	MRT Yellow Line	MRT Pink Line	Motorways (M6 & M81)	U-Tapao Airport
Joint venture	BSR (BTS 75%, STEC 15%, RATCH 10%)	BSR (BTS 75%, STEC 15%, RATCH 10%)	BGSR (BTS40%, GULF 40%, STEC 10%, RATCH 10%)	UTA (BTS 55%, BA 25%, STEC 20%)
Concession period	2023-2053 (30 Yrs.)	30 Yrs. after commercial operation (Expected to operate beginning of 2024)	30 Yrs. after commercial operation (Expected to operate in 2025)	50 Yrs. (3 Yrs. Design & Build 47 Yrs. O&M)
Contract type	PPP Net Cost (with subsidy first 10 yrs.)	PPP Net Cost (with subsidy first 10 yrs.)	PPP Gross Cost	PPP Net Cost
Regulator	MRTA	MRTA	Department of highways	Royal Thai Navy

Source: Company, MST

Companies mentioned : BTS TB (CP THB7.20, not rated) ; RATCH TB (CP THB30.75, not rated) ; GULF TB (CP THB45.75, BUY, TP THB56.25) ; BA TB (CP THB14.30, not rated)

2. Anticipating improved 4Q23 performance QoQ but still weak

We project a 19% QoQ recovery in core profits for 4Q23, reaching THB154m. However, despite this improvement, the 4Q performance remains weak with an anticipated 44% YoY decline. The positive QoQ trend is expected to be driven by increased other income in 4Q. Total revenue from construction work and gross profit margin are projected to be flat QoQ. The YoY decline in operating results is attributed to the acceleration of construction work in 4Q22, resulting in high construction income and favourable gross profit margins. Additionally, 4Q23 is expected to incur loss-sharing of approximately THB50m from the Yellow Line project.

For FY23E, we project construction revenue of THB29.458b, reflecting a 3% YoY decrease. Gross profit margin is estimated at 4.2%, a decrease from FY22 of 5.1%. We anticipate a core profit of THB608m, representing a 25.9% YoY decrease and a reduction from the original estimate by 3%.

STEC currently holds an order backlog of approximately THB100b, inclusive of the U-Tapao Airport project where STEC holds a 20% stake. The first phase of this project, valued at THB27.043b, is pending contract signing with ongoing delays. We anticipate the contract to be finalised, and construction to commence around mid-2024, contributing an annual construction income of approximately THB4-5b.

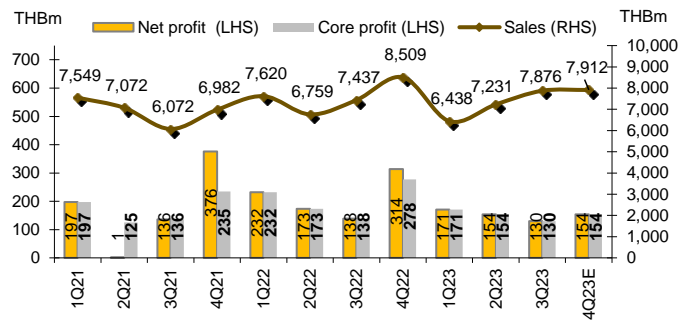
Outlook for FY24E: We forecast realised construction revenue to reach THB31.065b, reflecting growth of 5.5%. Anticipating the realisation of some portions of the U-Tapao Airport project, valued at approximately THB2b, the gross profit margin is expected to improve to 5%. However, we project a drop in core profit to THB595m (-2.2% YoY), declining from the original estimate by 19%. This is attributed to the recognition of sharing losses from the Yellow and Pink Lines for the entire year.

Fig 4: Quarterly earnings

(THB m)	4Q22	1Q23	2Q23	3Q23	4Q23E	%YoY	%QoQ	FY23E	%YoY
Revenues	8,509	6,438	7,231	7,876	7,912	-7%	0%	29,458	-3%
COGs	7,785	5,855	6,874	7,317	7,335	-6%	0%	27,382	-1%
Depreciation	228	207	202	202	222	-2%	10%	832	-20%
Gross profits	496	377	155	357	355	-28%	-1%	1,244	-19%
Other income	60	36	179	15	55	-9%	257%	285	14%
SG&A	197	191	216	137	150	-24%	10%	692	-11%
EBITDA	586	429	321	438	482	-18%	10%	1,669	-18%
Interest expense	4	5	7	9	6	55%	-40%	27	36%
Equity income	(2)	(1)	36	(54)	(50)	nm.	nm.	(69)	nm.
Core profit	278	171	154	130	154	-44%	19%	608	-26%
Extra items	36	-	-	-	-	nm.	nm.	-	nm.
Net profit	314	171	154	130	154	-51%	19%	608	-29%
Core EPS (THB)	0.18	0.11	0.10	0.08	0.10	-44%	19%	0.40	-26%
EPS (THB)	0.21	0.11	0.10	0.08	0.10	-51%	19%	0.40	-29%
Ratios									
Gross margin	5.8%	5.9%	2.1%	4.5%	4.5%			4.2%	
SG&A/Sales	2.3%	3.0%	3.0%	1.7%	1.9%			2.4%	
EBITDA margin	6.9%	6.7%	4.4%	5.6%	6.1%			5.7%	
Core profit margin	3.3%	2.7%	2.1%	1.6%	1.9%			2.1%	
Net profit margin	3.7%	2.7%	2.1%	1.6%	1.9%			2.1%	

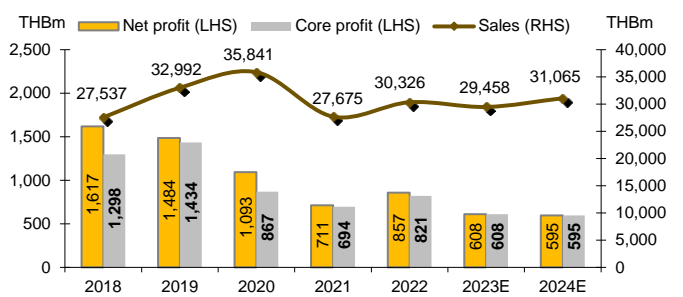
Source: Company, MST

Fig 5: 4Q23E earnings will recover QoQ but decline YoY



Source: Company, MST

Fig 6: FY23/24E core earnings may fall 26%/2%



Source: Company, MST

Fig 7: Revised earnings forecasts

	Revisions		Previous		% Chg	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Revenue (THBm)	29,458	31,065	27,700	29,085	6%	7%
Gross profit margin (%)	4.20%	5.00%	4.30%	4.70%		
Equity income (THBm)	-69	-272	61	62	nm	nm
Core profit (THBm)	608	595	627	731	-3%	-19%
Core EPS (THB)	0.4	0.39	0.41	0.48	-3%	-19%

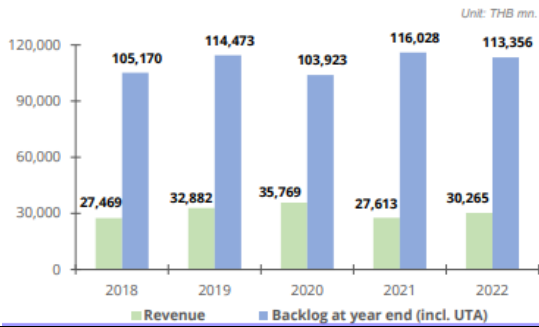
Source: Company, MST

Fig 8: Historically it had a large backlog of orders

Order Book

Starting contract value (as of 1 Jan.23)	86,313
Value of contract signed and VO	5,355 ⁽¹⁾
Others	550
Total	92,218
Deduct Value of contract realized	(21,496)
Add To be signed contract	29,389
Total order book	100,111

Unit: THB mn.



Newly signed contract (2023)

(THBmn.)

- VO & Others 5,905

Active Major Projects

(THBmn.)

- Yellow line, EBM 22,017
- Pink line, NBM 21,927
- Double track Denchai 2,3 17,370
- Purple line Contract 1&2, MRTA 14,202
- Pluakdaeng power plant, GULF 9,481
- Morchit complex 8,553
- Hinkong power plant 9,826
- Double track Nongplalai-Huahin, SRT 7,028
- Manhole and ductbank - Pink, Yellow, MEA 6,818
- O&M Motorway M6, M81 6,459
- Govt. center zone C, Dhanarak 5,837
- Cable conversion for Pink, Yellow II, MEA 7,942
- Cable conversion for Pink, Yellow I, MEA 7,103
- Ayudhaya diversion canal, RID 3,429
- Thai Oil clean fuel 2,441

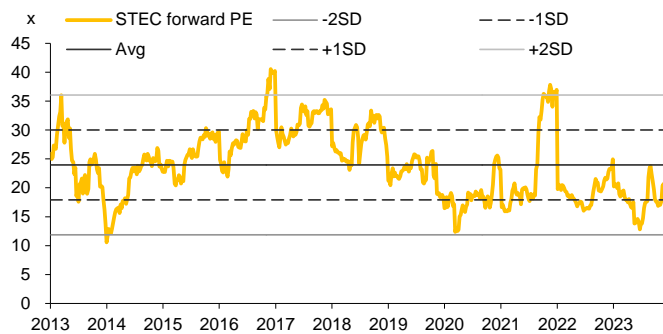
To be signed contracts

(THBmn.)

- U-Tapao airport, UTA 27,043
- Senior complex, DAD 1,110
- Aerial to underground electricity, MEA 1,236

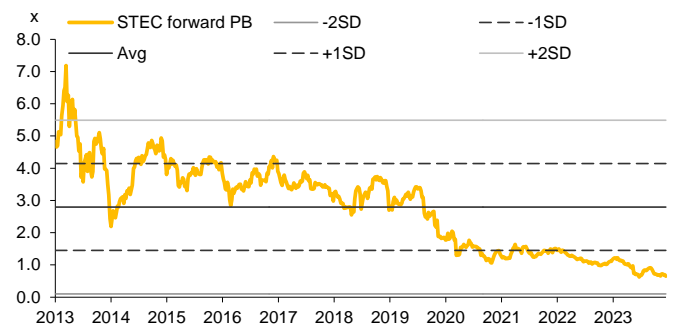
Source: Company

Fig 9: STEC forward PER band



Source: Bloomberg

Fig 10: STEC forward PBV band



Source: Bloomberg

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	29.2	22.9	21.3	21.8	19.7
Core P/E (x)	32.3	25.3	21.3	21.8	19.7
P/BV (x)	1.3	1.1	0.7	0.6	0.6
P/NTA (x)	1.3	1.1	0.7	0.6	0.6
Net dividend yield (%)	1.7	2.2	2.5	2.4	2.7
FCF yield (%)	29.1	18.5	6.2	7.8	14.1
EV/EBITDA (x)	8.2	6.6	3.6	3.1	2.7
EV/EBIT (x)	18.9	13.4	7.2	5.5	4.6

INCOME STATEMENT (THB m)

Revenue	27,674.9	30,325.6	29,457.7	31,064.8	32,618.1
EBITDA	1,984.2	2,042.0	1,668.9	1,942.7	1,976.0
EBIT	855.1	1,003.7	836.4	1,112.1	1,158.2
Net interest income / (exp)	(33.4)	(19.9)	(27.0)	(26.7)	(18.1)
Associates & JV	39.7	33.7	(68.7)	(272.0)	(252.0)
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Pretax profit	861.4	1,017.6	740.7	813.4	888.1
Income tax	(157.7)	(187.3)	(121.4)	(206.2)	(216.6)
Minorities	(9.7)	(9.3)	(11.0)	(12.0)	(12.0)
Discontinued operations	16.9	36.5	0.0	0.0	0.0
Reported net profit	710.9	857.4	608.3	595.1	659.5
Core net profit	693.9	820.9	608.3	595.1	659.5

BALANCE SHEET (THB m)

Cash & Short Term Investments	7,661.0	8,296.9	8,350.0	8,450.0	8,550.0
Accounts receivable	8,180.4	9,771.9	9,869.6	9,968.3	10,068.0
Inventory	2,745.3	2,728.1	2,755.4	2,783.0	2,810.8
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	5,431.1	4,938.2	4,855.7	4,775.0	4,707.2
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	15,967.0	18,425.4	19,106.7	19,584.7	20,082.7
Other assets	6,637.2	6,629.1	6,715.8	6,794.9	6,871.4
Total assets	46,622.1	50,789.6	51,653.2	52,355.9	53,090.0
ST interest bearing debt	650.1	324.3	516.3	573.7	251.1
Accounts payable	5,431.6	8,117.8	8,401.9	8,695.9	8,782.9
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	480.2	375.7	598.2	664.7	290.9
Other liabilities	22,694.0	22,083.0	22,083.0	22,083.0	23,070.0
Total Liabilities	29,255.4	30,900.3	31,599.0	32,017.0	32,395.0
Shareholders Equity	17,078.8	19,592.3	19,746.1	20,018.9	20,362.9
Minority Interest	287.9	297.0	308.0	320.0	332.0
Total shareholder equity	17,366.7	19,889.3	20,054.1	20,338.9	20,695.0
Total liabilities and equity	46,622.1	50,789.6	51,653.2	52,355.9	53,090.0

CASH FLOW (THB m)

Pretax profit	861.4	1,017.6	740.7	813.4	888.1
Depreciation & amortisation	1,129.1	1,038.3	832.5	830.7	817.8
Adj net interest (income)/exp	33.4	19.9	27.0	26.7	18.1
Change in working capital	2,843.5	166.2	72.4	88.7	870.6
Cash taxes paid	(157.7)	(187.3)	(121.4)	(206.2)	(216.6)
Other operating cash flow	0.0	0.0	0.0	0.0	0.0
Cash flow from operations	7,608.5	4,514.3	1,554.9	1,759.8	2,581.9
Capex	(1,078.6)	(671.2)	(750.0)	(750.0)	(750.0)
Free cash flow	6,529.9	3,843.2	804.9	1,009.8	1,831.9
Dividends paid	(457.5)	(381.3)	(454.4)	(322.4)	(315.4)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(1,338.1)	(430.4)	414.6	123.9	(696.5)
Other invest/financing cash flow	(3,568.8)	(2,395.6)	(712.0)	(711.3)	(719.9)
Effect of exch rate changes	0.0	0.0	0.0	0.0	0.0
Net cash flow	1,165.4	635.9	53.1	100.0	100.0

FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	(22.8)	9.6	(2.9)	5.5	5.0
EBITDA growth	(6.5)	2.9	(18.3)	16.4	1.7
EBIT growth	(20.2)	17.4	(16.7)	33.0	4.1
Pretax growth	(22.6)	18.1	(27.2)	9.8	9.2
Reported net profit growth	(35.0)	20.6	(29.1)	(2.2)	10.8
Core net profit growth	(20.0)	18.3	(25.9)	(2.2)	10.8
Profitability ratios (%)					
EBITDA margin	7.2	6.7	5.7	6.3	6.1
EBIT margin	3.1	3.3	2.8	3.6	3.6
Pretax profit margin	3.1	3.4	2.5	2.6	2.7
Payout ratio	53.6	53.0	53.0	53.0	53.0
DuPont analysis					
Net profit margin (%)	2.6	2.8	2.1	1.9	2.0
Revenue/Assets (x)	0.6	0.6	0.6	0.6	0.6
Assets/Equity (x)	2.7	2.6	2.6	2.6	2.6
ROAE (%)	4.5	4.7	3.1	3.0	3.3
ROAA (%)	1.5	1.7	1.2	1.1	1.3
Liquidity & Efficiency					
Cash conversion cycle	71.9	56.1	49.6	44.4	41.5
Days receivable outstanding	117.6	106.6	120.0	114.9	110.6
Days inventory outstanding	40.7	34.2	35.0	33.8	32.5
Days payables outstanding	86.5	84.7	105.4	104.3	101.5
Dividend cover (x)	1.9	1.9	1.9	1.9	1.9
Current ratio (x)	0.8	0.8	0.8	0.8	0.8
Leverage & Expense Analysis					
Asset/Liability (x)	1.6	1.6	1.6	1.6	1.6
Net gearing (%) (incl perps)	net cash	net cash	net cash	net cash	net cash
Net gearing (%) (excl. perps)	net cash	net cash	net cash	net cash	net cash
Net interest cover (x)	25.6	50.5	31.0	41.6	64.1
Debt/EBITDA (x)	0.6	0.3	0.7	0.6	0.3
Capex/revenue (%)	3.9	2.2	2.5	2.4	2.3
Net debt/ (net cash)	(6,530.7)	(7,597.0)	(7,235.5)	(7,211.6)	(8,008.1)

Source: Company; Maybank IBG Research

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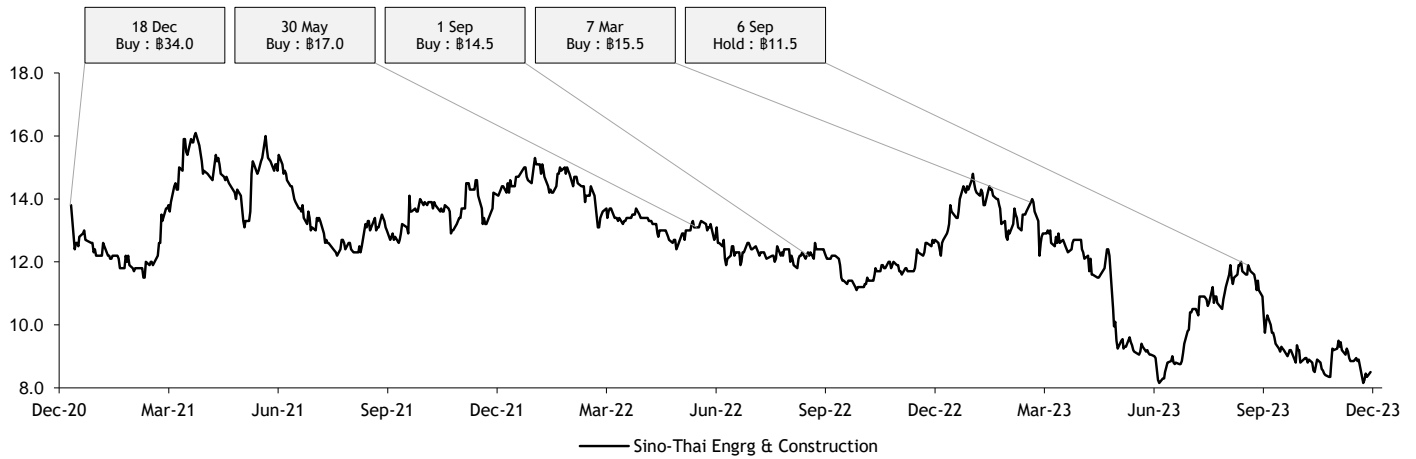
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Historical recommendations and target price: Sino-Thai Engrg & Construction (STEC TB)



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Maybank IBG Research uses the following rating system

- BUY** Return is expected to be above 10% in the next 12 months (including dividends)
HOLD Return is expected to be between 0% to 10% in the next 12 months (including dividends)
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