

# Company Update

Wednesday, April 17, 2024



I V Global Securities Public Company Limited

## Siam Cement Plc (SCC)

Rating: HOLD

Fair price: Bt308

Close price: Bt259

### 1Q24F on a profit

#### Company Information

Ticker:	SCC TB
Sector:	Construction
Shares outstanding (m):	1,200.00
Market capitalization (Btm):	310,800.00
Trading vol/day (Btm):	529.87
Free float (%):	66.23
Beta:	0.62

#### Major Shareholders

HM King Maha Vajiralongkorn	33.64%
Thai NVDR	8.82%

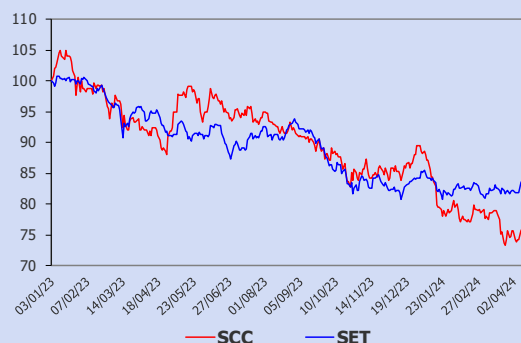
#### Consensus Bloomberg

2024 EPS (Bt):	19.89
Target price (Bt):	310.00

#### Price Performance

52 Wk high/low:	340 / 249
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	1M	3M	1Y	YTD
Absolute (%)	-3.7	-10.4	-17.0	-15.4
Relative (%)	-4.9	-9.5	-4.4	-14.0



- We estimate SCC's 1Q24F bottom-line net profit to fall YoY but improve QoQ from a loss in 4Q23 to Bt2.3bn. Core profit will likely drop YoY (from Bt4.57bn in 1Q23) but improve QoQ (from Bt502m) to Bt2.0bn for 1Q24F. The YoY worsening of SCC's operating performance is primarily due to weak chemical spreads and softening construction activities depressing cement and building materials business. An inventory gain is expected during 1Q24. The QoQ improvement is thanks largely to improving packaging business.
- The soft global consumption has hit chemical spreads. The average industry price gap in 1Q to date is low at US\$349/ton versus US\$363/ton in the previous quarter and US\$396/ton a year ago. The PP-naphtha spread remained weak at US\$309/ton, down from US\$380/ton in 1Q23 but improved from US\$291/ton in 4Q23. HDPE is largely used in consumer products, while PP is mainly used for durable goods such as auto parts and electrical appliances.
- SCC has decided to shut down Rayong Olefin Plant (ROC) for scheduled maintenance since mid-November amid demand softness until end-March 2024. The operation is expected to resume normal from 2Q24 onward. SCC has focused on new green product following the global trend with decent margins from the green products.
- In terms of LSP operation, SCC decided to delay start-up of LSP full complex in Vietnam to 2H24 due to unexpected technical problem which requires to install new equipment with insurance coverage on damage. The capex and investment for the project is unchanged. In terms of P&L impact, additional fixed costs from LSP is estimated at Bt500-600m a month in 2024F, lower than Bt600-800m a month last year. LSP incurred net loss of Bt2.5bn in 4Q23.
- The CBM (cement and building materials) unit has seen a slow demand during 1Q24 with no major catalysts from government infrastructure projects. Regional cement demand (in Vietnam, Cambodia, and Indonesia) remains soft. However, the CBM should see gradual improving outlook from 2Q24 following the recent approval of the government's infrastructure spending.
- For the packaging operation, we estimate SCGP's 1Q24F operating performance to increase by 25% YoY and QoQ to Bt1.5bn. The key earnings catalyst is improving sales volume and selling prices, which reflect higher sales and EBITDA margins as the selling price appreciation is larger than product cost increases.
- Maintain HOLD.** We decide to cut our earnings estimates by 25% and 21% during 2024-25F, respectively, to reflect lower-than-expected profit margin assumptions and high operating losses from LSP. We prefer to maintain our HOLD rating on the stock with a price target of Bt308, based on 15x 2025F P/E. Downside risks to our earnings lie with slower-than-expected global economic activity, falling chemical spreads, and rising energy costs.

#### Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Sales (Btm)	530,112	569,609	499,646	519,458	560,438	610,380
Change (%)	32.5	7.5	-12.3	4.0	7.9	8.9
Net profit (Btm)	47,174	21,382	25,915	19,713	24,655	28,781
Change (%)	38.2	-54.7	21.2	-23.9	25.1	16.7
Core profit	46,719	23,270	13,307	19,713	24,655	28,781
Change (%)	28.6	-50.2	-42.8	48.1	25.1	16.7
EPS (Bt)	39.31	17.82	21.60	16.43	20.55	23.98
Change (%)	38.2	-54.7	21.2	-23.9	25.1	16.7
P/E (x)	6.6	14.5	12.0	15.8	12.6	10.8
EV/EBITDA (x)	5.9	9.5	10.8	9.1	7.9	7.7
DPS (Bt)	18.50	8.00	6.00	7.39	9.25	10.79
Yield (%)	7.1	3.1	2.3	2.9	3.6	4.2
BVPS (Bt)	304.74	311.88	303.30	305.73	312.27	322.26
P/BV (x)	0.8	0.8	0.9	0.8	0.8	0.8
ROE (%)	13.7	5.8	7.0	5.4	6.6	7.6
ROA (%)	5.9	2.4	2.9	2.3	2.9	3.4
Net D/E ratio (%)	52.3	60.6	62.0	62.9	64.1	62.7

Source: Company and IVG estimates

#### Analyst

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Rating	CGR	Thai CAC	SET ESG
SCC		Certified	AAA

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## Results preview

(Btm)	1Q24F	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Sales	130,293	128,748	1.2	120,618	8.0	499,646	569,609	(12.3)
Gross profit	16,938	19,890	(14.8)	15,316	10.6	73,447	78,269	(6.2)
EBITDA inc dividends	12,170	12,170	0.0	10,924	11.4	54,143	61,912	(12.5)
Associate income	2,200	2,665	(17.5)	1,612	36.4	8,419	10,703	(21.3)
Net profit	2,320	16,526	(86.0)	(1,134)	304.5	25,915	21,382	21.2
EPS (Bt)	1.93	13.77	(86.0)	(0.95)	304.5	21.60	17.82	21.2

Source: Company and IVG estimates

## Financial ratios

%	4Q22	1Q23	2Q23	3Q23	4Q23
Sales growth YoY	(14.4)	(15.6)	(18.3)	(11.8)	(1.3)
Sales growth QoQ	(14.2)	5.4	(3.2)	0.8	(4.0)
Gross margin	11.2	15.4	15.3	15.2	12.7
EBITDA margin	4.9	9.4	11.2	8.7	7.5
Net margin	0.1	12.8	6.5	1.9	(0.9)
Net D/E ratio	60.6	59.4	61.0	51.7	62.0
Net profit growth YoY	(98.1)	86.9	(18.7)	(0.1)	(821.2)
Net profit growth QoQ	(93.6)	10,405.8	(51.1)	(69.8)	(146.5)

Source: Company and IVG estimates

## Quarterly performance

(Btm)	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
Sales	152,494	152,534	142,392	122,189	128,748	124,631	125,649	120,618
Gross profit	24,098	22,904	17,591	13,677	19,890	19,122	19,118	15,316
EBITDA inc. dividend	17,622	24,846	9,322	10,122	12,170	19,953	11,096	10,924
Associate income	3,419	3,349	2,064	1,871	2,665	2,023	2,118	1,612
Net profit	8,844	9,938	2,444	157	16,526	8,082	2,441	(1,134)
EPS (Bt)	7.37	8.28	2.04	0.13	13.77	6.74	2.03	(0.95)

Source: Company and IVG estimates

## Financial ratios

%	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Sales growth YoY	24.9	14.2	8.0	(14.4)	32.5	7.5	(12.3)
Sales growth QoQ	6.9	0.0	(6.6)	(14.2)	0.0	0.0	0.0
Gross margin	15.8	15.0	12.4	11.2	20.6	13.7	14.7
EBITDA margin	10.7	11.2	6.4	4.9	15.4	8.5	9.2
Net margin	5.8	6.5	1.7	0.1	8.9	3.8	5.2
Net D/E ratio	53.8	55.7	49.1	60.6	52.3	60.6	62.0
Net profit growth YoY	(40.7)	(42.0)	(64.1)	(98.1)	38.2	(54.7)	21.2
Net profit growth QoQ	6.5	12.4	(75.4)	(93.6)	0.0	0.0	0.0

Source: Company and IVG estimates



<b>SCC</b> <b>IVG ESG Rating: GOOD</b>	<b>83%</b>
<b>E: Environmental</b>	<b>25%</b>
Energy Efficiency Management	100%
Climate-Related Management	100%
Sustainable Water Management	50%
Sustainable Waste Management	50%
<b>S: Social</b>	<b>25%</b>
Human Rights Management	50%
Education and Training Policy	50%
Occupational Health and Safety Policy	100%
Corporate Social Responsibility Policy	100%
<b>G: Governance</b>	<b>33%</b>
Corporate Governance Rating (CGR)	100%
Employees Trained on Anti-Corruption	100%
Risk and Crisis Management	100%
Cybersecurity and Customer Data Privacy Protection	100%
Digitalization and Innovation	100%
Customer Relationship Management	100%

CONS sector	Scores	Weights	SCC
E: Environmental	8	33%	25%
S: Social	8	33%	25%
G: Governance	10	33%	33%
<b>Total</b>	<b>26</b>	<b>100%</b>	<b>83%</b>

Company ESG Policy Priorities		
POOR	MEDIUM	GOOD
1-50%	>50 - 70%	>70 - 100%

Source: Sustainability report from company 2022 and Criteria by IVG

## I V Global Investment Research – Recommendation Definitions

### Sector Recommendations

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

### Stock Recommendations

**BUY:** Expecting positive total returns of 15% or more over the next 12 months.

**HOLD:** Expecting total returns of not more than -10% to +10% over the next 3 months.

**SELL:** Expecting negative total returns of 15% or more over the next 12 months

## Anti-corruption Progress Indicator Definitions

<b>Level 5 Extended</b>	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
<b>Level 4 Certified</b>	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
<b>Level 3 Established</b>	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
<b>Level 2 Declared</b>	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
<b>Level 1 Committed</b>	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
<b>Partially progress</b>	Insufficient or not clearly defined policy
<b>No progress</b>	Data not available / no policy

## Corporate Governance Report (CGR)



Excellent



Very good



Good

## Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

Nevertheless, the survey or assessment result is made from the perspective of the IOD or Thaipat Institute that are the third party only. It is not an assessment of operation of the listed company and is not based on any inside information."

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