

Company Update

Friday, April 26, 2024



I V Global Securities Public Company Limited

Siam Cement Plc (SCC)

Rating: HOLD

Fair price: Bt308

Close price: Bt250

1Q24 on track

Company Information

Ticker:	SCC TB
Sector:	Construction
Shares outstanding (m):	1,200.00
Market capitalization (Btm):	300,000.00
Trading vol/day (Btm):	525.20
Free float (%):	66.23
Beta:	0.69

Major Shareholders

HM King Maha Vajiralongkorn	33.64%
Thai NVDR	8.99%

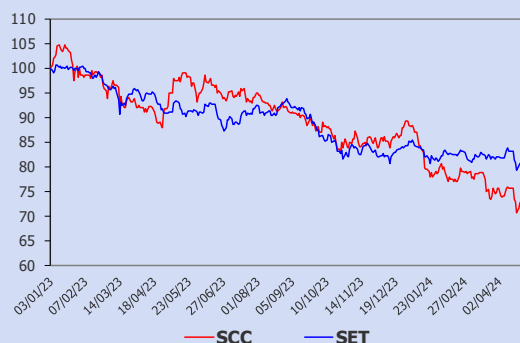
Consensus Bloomberg

2024 EPS (Bt):	18.36
Target price (Bt):	302.55

Price Performance

52 Wk high/low:	340 / 241
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	1M	3M	1Y	YTD
Absolute (%)	-0.4	-6.4	-17.5	-18.3
Relative (%)	0.2	-5.5	-6.1	-14.7



- SCC reported a net profit of Bt2.4bn for 1Q24, compared with a net profit of Bt16.5bn a year ago and a loss of Bt1.1bn for 4Q23. Excluding non-recurring items, core profit came in at Bt2.4bn (-47% YoY and up 383% QoQ), better than our estimate and the Bloomberg consensus projection of Bt2.2bn. In summary, 1Q24 sales declined by 3.5% YoY and rose 3% QoQ to Bt124bn. EBITDA, including dividends, grew by 3.7% YoY and 15.6% QoQ to Bt12.6bn. 1Q24 was supported by an improving packaging paper business (+41% YoY in profit) and better business at SCG Décor.
- During 1Q24, consolidated sales fell by 3.5% YoY, mainly on a decline in sales from cement and building materials and lower sales volume from the chemical business. The QoQ increase in sales was primarily due to improvements at all business units except chemical sales (down 2% QoQ).
- Equity income declined 33% YoY and rose 11% QoQ to Bt1.8bn. The contribution included Bt458m from the chemical business, accounting for 26% of the total, with the balance of 74% from non-chemical businesses.
- For the chemical business, the company booked a net loss of Bt1.87bn during 1Q24 (or a core loss of Bt2.8bn excluding an inventory gain of Bt959m) due to declining sales volume (-12% QoQ and -22% YoY to 306k tons) following its ROC olefin plant shutdown, and start-up expenses from the Long Son petrochemical complex. The HDPE-naphtha price gap fell by 2% QoQ to US\$354/ton, while the PP-naphtha price gap rose by 12% QoQ to US\$326/ton from improving prices of PP on delayed new plant start-ups, mainly in China. The vinyl chain also saw a decline in margin on rising EDC costs due to limited supply from Middle East producers.
- Revenue from the cement and green solutions business fell 6% YoY on lower volume, while EBITDA grew 14% YoY from green initiatives and rising sales of low-carbon cement. Domestic grey cement demand fell by 10.4% YoY. The average grey cement price was stable QoQ at Bt2,050-2,100/ton. Meanwhile, sales of smart living and distribution units registered a 3% YoY decline.
- Net debt/EBITDA ratio stood at 5.2x at end-1Q24 and net D/E ratio was stable at 0.6x. SCC spent Bt9.4bn on capex and investments (60% for chemicals, 19% for CBM, 16% for packaging paper, and 5% for others). The full-year budget is Bt40bn.
- **Maintain HOLD.** We prefer to maintain our HOLD rating on the stock with a price target of Bt308, based on 15x 2025F P/E. Slower-than-expected global economic activity, falling chemical spreads, and rising energy costs pose downside risks to our earnings.

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)	6.4	14.0	11.6	15.2	12.2	10.4
EV/EBITDA (x)	5.8	9.3	10.6	8.9	7.8	7.5
DPS (Bt)	18.50	8.00	6.00	7.39	9.25	10.79
Yield (%)	7.4	3.2	2.4	3.0	3.7	4.3
BVPS (Bt)	304.74	311.88	303.30	305.73	312.27	322.26
P/BV (x)	0.8	0.8	0.8	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

(Btm)	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Sales	124,266	128,748	(3.5)	120,618	3.0	499,646	569,609	(12.3)
Gross profit	18,615	19,890	(6.4)	15,316	21.5	73,447	78,269	(6.2)
EBITDA inc dividends	12,623	12,170	3.7	10,924	15.6	54,143	61,912	(12.5)
Associate income	1,787	2,665	(33.0)	1,612	10.8	8,419	10,703	(21.3)
Net profit	2,425	16,526	(85.3)	(1,134)	(313.7)	25,915	21,382	21.2
EPS (Bt)	2.02	13.77	(85.3)	(0.95)	(313.7)	21.60	17.82	21.2

Source: Company and IVG estimates

Financial ratios

%	1Q23	2Q23	3Q23	4Q23	1Q24
Sales growth YoY	(15.6)	(18.3)	(11.8)	(1.3)	(3.5)
Sales growth QoQ	5.4	(3.2)	0.8	(4.0)	3.0
Gross margin	15.4	15.3	15.2	12.7	15.0
EBITDA margin	9.4	11.2	8.7	7.5	10.1
Net margin	12.8	6.5	1.9	(0.9)	2.0
Net D/E ratio	59.4	61.0	51.7	62.0	63.6
Net profit growth YoY	86.9	(18.7)	(0.1)	(821.2)	(85.3)
Net profit growth QoQ	10,405.8	(51.1)	(69.8)	(146.5)	313.7

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

SCC

E: Environmental

Climate change has brought about environmental crises and impacted to business and industry. SCC remains firmly committed to its 2050 Net Zero emission goal by prioritizing clean energy sourcing to substitute fossil fuels, develop energy efficiency technology, reduce GHG emissions while implementing climate resilience strategy by joining the Science Based Target initiative (SBTi) to ensure meeting the target on the principle of public-private sector collaboration for monitoring and evaluation of possible risks.

S: Social

SCC continues with its social development projects focusing on the areas of economy, education and health, with the goal of nurturing a more inclusive society. The aim is to create communities where people thrive in safety, experience secured livelihoods, achieve self-sufficiency, and become a role model for replication in other regions. Embedded in these projects are efforts to cultivate a shared awareness of coexistence with the environment and transitioning to a decarbonized society.

G: Governance

SCC has committed to its long-standing business philosophy and believes that organizational management with responsibility, fairness, and transparency according to the principles of corporate governance constitutes the foundation of the creation of long-term returns and value, promotes competitiveness and growth, and fosters confidence among all stakeholders, with the Board of Directors serving as governance champions

Comment

SCC has been awarded a SET ESG rating of AAA, indicating a strong commitment to Environmental, Social, and Governance (ESG) practices, as well as clear long-term objectives in this regard. Furthermore, the company demonstrates the ability to execute short-term goals effectively.

Source: Company and IVG estimates

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

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	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.)
Level 3 Established	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)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	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."

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, I V Global Securities Plc. (IVG) does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

