

SPCG: 2Q20 earnings was Bt663m (+2%YoY, -11% QoQ)



Result

We maintain Neutral rating on SPCG with target price at Bt18.80, derived from a discounted cash flow valuation (WACC 7.3% and terminal growth of 1.0%). This is equivalent to 7.0x PE'20E.

- SPCG posted net profit in 2Q20 of Bt663m (+2%YoY, -11% QoQ)
- 1H20 earnings accounted for 54% of our 2020E forecast. We maintain our projections.
- 2Q20 revenue was Bt1.17bn (-7%YoY, -19%QoQ)
- Gross profit margin was 73.9%, from 70.5% in 2Q19 and 69.1% in 1Q20.
- SG&A to sales was 6.9%, compared to 5.2% in 2Q19 and 5.5% in 1Q20.
- SPCG announced dividend payment of Bt0.55/share, XD on 24-Aug-20.

Seasonally SPCG has high season in the first and the fourth quarters of the year. Meanwhile, the lowest season was the third quarter, as it is raining season.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	6.8	6.7	6.9	6.9	7.9
Recurring net profit growth (%)	3.5	2.1	(2.1)	(1.2)	(12.4)
Recurring EPS (Bt)	2.70	2.74	2.68	2.65	2.32
Recurring EPS growth (%)	(1.2)	1.5	(2.1)	(1.2)	(12.4)
PBV (x)	1.5	1.3	1.2	1.1	1.0
BVPS (Bt)	12.56	14.19	15.53	16.85	18.02
ROE (%)	23.8	20.5	18.1	16.4	13.3
DPS (Bt)	1.20	1.22	1.34	1.33	1.16
Dividend yield (%)	6.5	6.6	7.3	7.2	6.3
Enterprise value (Bt m)	24,196.9	20,640.4	19,224.8	17,357.9	15,232.1
EV-to-EBITDA (x)	5.9	5.1	4.7	4.5	4.5

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Recommendation: HOLD

Current price*: Bt18.40

Target price 2020E: Bt18.80

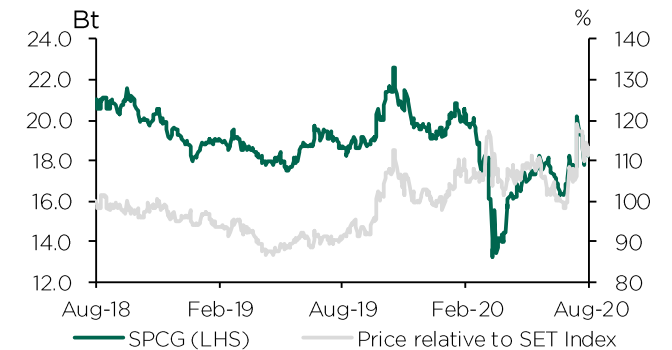
Up/(downside): 2%

IOD: 4/5

CAC: N/A

Stock data

RIC code	SPCG.BK
Index	.SETI
SET Index (7 August 2020)	1,324.40
Market cap (Bt m)	17,921
Shares outstanding (million)	974
Par (Bt)	1.00



SPCG: Stable earnings in 1Q20

(Bt m)	2Q19	3Q19	4Q19	1Q20	2Q20	YoY (%)	6M20	20E	% of 20E
Revenue	1,265	1,188	1,452	1,455	1,174	(7.2)	2,629	5,263	50.0
Cost of sales	(374)	(388)	(443)	(449)	(306)	(18.1)	(755)	(1,621)	46.6
Gross profit	891	800	1,009	1,005	868	(2.6)	1,874	3,641	51.5
SG&A	(66)	(68)	(98)	(80)	(82)	23.3	(162)	(285)	56.7
Other (exp)/inc	2	4	7	7	8	275.0	15	33	46.1
EBIT	827	736	918	932	795	(3.9)	1,727	3,389	51.0
Finance cost	(95)	(86)	(83)	(69)	(68)	(29.2)	(137)	(284)	48.2
Other inc/(exp)	16	8	17	(29)	-	nm	(29)	51	(58.2)
Earnings before taxes	748	658	852	834	727	(2.8)	1,561	3,156	49.5
Income tax	(11)	(10)	(10)	(13)	(22)	107.4	(35)	(92)	38.3
Earnings after taxes	737	649	843	821	705	(4.4)	1,526	3,065	49.8
Equity income	-	-	(0)	0	(1)	nm	(1)	(0)	nm
Minority interest	(84)	(73)	(96)	(89)	(83)	(0.7)	(172)	(450)	38.2
Earnings from cont. operations	653	575	747	733	620	(5.0)	1,353	2,614	51.8
Forex gain/(loss) & unusual items	-	-	-	16	43	nm	59	-	na
Net profit	653	575	747	749	663	1.5	1,412	2,614	54.0
Recurring profit	653	575	747	733	622	(4.8)	1,355	2,614	51.8
EBITDA	995	902	1,084	1,103	964	(3.1)	2,067	4,058	50.9
Recurring EPS (Bt)	0.671	0.591	0.766	0.752	0.638	(4.8)	1.391	2.684	51.8
Reported EPS (Bt)	0.671	0.591	0.766	0.769	0.680	1.4	1.450	2.684	54.0
Profits (%)	2Q19	3Q19	4Q19	1Q20	2Q20	Diff (%)	6M20	20E	Diff (%)
Gross margin	70.5	67.4	69.5	69.1	73.9	3.5	71.3	69.2	(2.1)
Operating margin	65.4	62.0	63.2	64.1	67.7	2.3	65.7	64.4	(1.3)
Net margin	51.6	48.4	51.4	51.5	56.5	4.8	53.7	49.7	(4.0)

Result summary

- SPCG posted net profit in 2Q20 of Bt663m (+2%YoY, -11% QoQ).
- Excluding gains from derivatives and financial assets, recurring profit was Bt622m (-5%YoY, -15% QoQ)
- 1H20 earnings accounted for 54% of our 2020E forecast. We maintain our projections.
- 2Q20 revenue was Bt1.17bn (-7%YoY, -19%QoQ), with solar farm revenue at Bt1.09bn (-2%YoY, -6%QoQ). A slight decrease came from an expiration of adders for Solar Power (Korat 1) Co., Ltd.
- Gross profit margin was solid at 73.9%, from 70.5% in 2Q19 and 69.1% in 1Q20.
- SG&A to sales was 6.9%, compared to 5.2% in 2Q19 and 5.5% in 1Q20, on scale effect.
- SPCG announced an interim dividend payment of Bt0.55/share, XD on 24-Aug-20, which equivalent to 3.0% upcoming dividend yield.
- Seasonally SPCG has high season in the first and the fourth quarters of the year. Meanwhile the lowest season was the third quarter, as it is raining season.

We maintain Neutral rating on SPCG with target price at Bt18.80, derived from a DCF valuation. This is equivalent to 7.0x PE'20E.

SPCG: Revenue breakdown

Story

Sales

P5F

Team

WCB

ESG

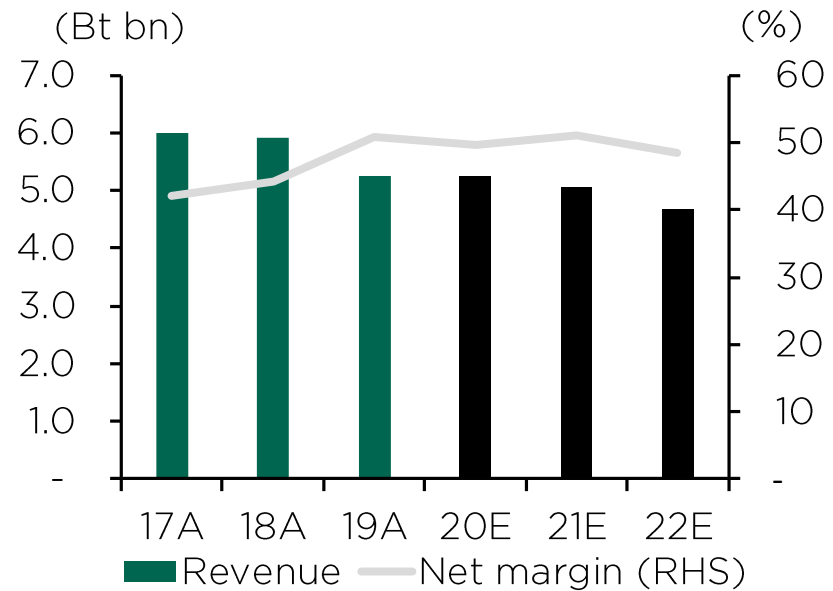
Value

Risks

SPCG has three main businesses. It operates 36 solar farms in Thailand with a total installed capacity of 260 megawatts. They are located in 10 provinces throughout the northeast of Thailand and in Lopburi province with a total land area of about 2,000 acres. This business accounted for 85% of total revenue in 2019.

Solar roofs accounted for 10% of total revenue in 2019. This segment refers to solar roof installation for residential, business buildings, office buildings, and on top of factories.

Engineering, procurement and construction (EPC) accounts for the remaining 5% of SPCG's total sales. This business covers engineering, procurement, construction and maintenance and inspection services for solar farms.



Revenue breakdown by segment 2019

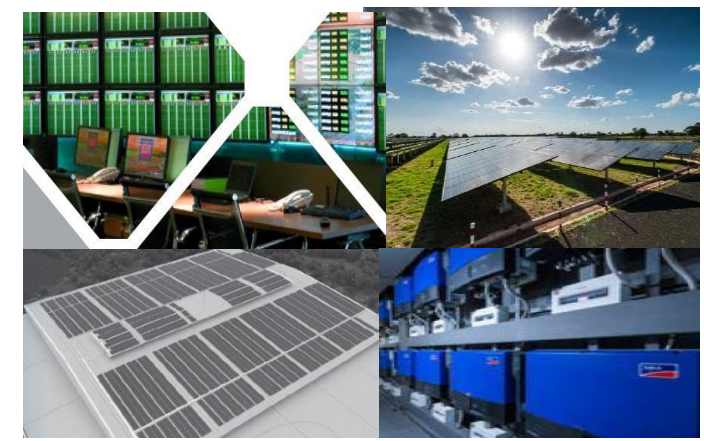
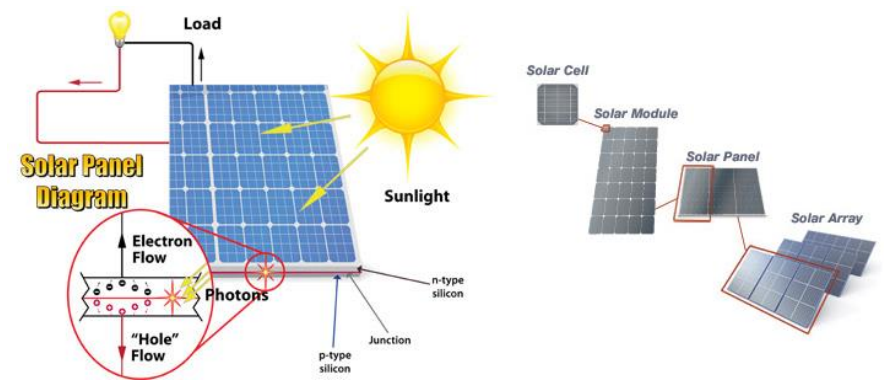
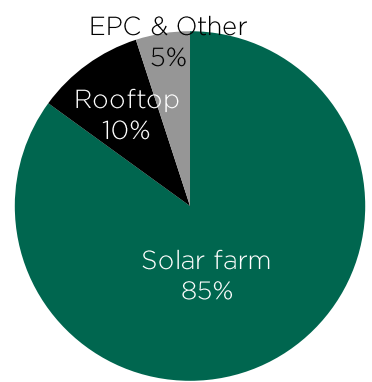


Image source: etap

SPCG: Summary financials

Story

Sales

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Revenue	5,928	5,247	5,263	5,063	4,678	1,265	1,188	1,452	1,455	1,174
Cost of goods sold	(2,223)	(1,621)	(1,621)	(1,642)	(1,662)	(374)	(388)	(443)	(449)	(306)
Gross profit	3,706	3,626	3,641	3,420	3,016	891	800	1,009	1,005	868
SG&A	(336)	(294)	(285)	(292)	(299)	(66)	(68)	(98)	(80)	(82)
Other (exp)/inc	70	27	33	36	41	2	4	7	7	8
Operating profit	3,440	3,359	3,389	3,164	2,758	827	736	918	932	795
Finance cost	(503)	(360)	(284)	(217)	(167)	(95)	(86)	(83)	(69)	(68)
Other inc/(exp)	48	49	51	51	54	16	8	17	(29)	-
Earnings before taxes	2,985	3,048	3,156	2,998	2,645	748	658	852	834	727
Income tax	(61)	(37)	(92)	(96)	(93)	(11)	(10)	(10)	(13)	(22)
After-tax profit	2,924	3,011	3,065	2,902	2,552	737	649	843	821	705
Equity income	(0)	(0)	(0)	(0)	(16)	-	-	(0)	0	(1)
Minorities	(310)	(342)	(450)	(319)	(274)	(84)	(73)	(96)	(89)	(83)
Earnings from cont. operations	2,614	2,669	2,614	2,583	2,263	653	575	747	733	620
Forex gain/(loss) & unusual items	-	-	-	-	-	-	-	-	16	43
Net income	2,614	2,669	2,614	2,583	2,263	653	575	747	749	663
Recurring EPS (Bt)	2.70	2.74	2.68	2.65	2.32	0.67	0.59	0.77	0.75	0.64
Weighted average shares (m)	968	974	974	974	974	974	974	974	974	974
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Assets	22,798	21,903	22,115	22,692	23,304	22,762	23,047	21,903	22,858	22,627
Liabilities	8,917	6,299	4,754	3,720	2,927	8,084	8,237	6,299	7,277	6,353
Equity	12,236	13,817	15,124	16,415	17,547	12,968	13,068	13,817	13,774	14,438
Invested capital	18,968	18,086	17,628	16,972	16,267	18,483	18,225	18,086	17,052	17,634
Growth (YoY, %)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Revenue	(1.3)	(11.5)	0.3	(3.8)	(7.6)	(17.9)	(2.5)	(12.2)	8.4	(7.2)
Operating income	1.2	(2.3)	0.9	(6.6)	(12.8)	(4.8)	2.5	(1.6)	6.2	(3.9)
Recurring EPS	(1.2)	1.5	(2.1)	(1.2)	(12.4)	(1.0)	8.3	3.5	5.5	(4.8)
Assets	(1.0)	(3.9)	1.0	2.6	2.7	(8.9)	(6.5)	(3.9)	(2.5)	(0.6)
Liabilities	(24.6)	(29.4)	(24.5)	(21.7)	(21.3)	(32.0)	(28.6)	(29.4)	(17.1)	(21.4)
Equity	25.9	12.9	9.5	8.5	6.9	12.6	13.6	12.9	6.5	11.3
Profits (%)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Gross margin	62.5	69.1	69.2	67.6	64.5	70.5	67.4	69.5	69.1	73.9
Operating margin	58.0	64.0	64.4	62.5	59.0	65.4	62.0	63.2	64.1	67.7
Net margin	44.1	50.9	49.7	51.0	48.4	51.6	48.4	51.4	51.5	56.5
ROE	23.8	20.5	18.1	16.4	13.3	20.2	17.7	22.2	21.7	18.8
ROIC	17.6	17.9	18.4	17.7	16.0	17.5	15.8	20.0	20.9	17.8

Disclaimer

Investment ratings

- BUY:** Expected return excluding dividends of more than 10% within the next 12 months.
HOLD: Expected return excluding dividends between -10% and 10% within the next 12 months.
SELL: Expected return excluding dividends of less than -10% within the next 12 months.
NR: Not Rated- Stock is not in our research coverage.

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