

# SPCG: 3Q20 earnings was Bt685m (+19%YoY, +3% 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 3Q20 of Bt685m (+19%YoY, +3% QoQ).
- 9M20 earnings accounted for 80% of our 2020E forecast. We see upside to our full year forecast.
- 3Q20 revenue was Bt1.18bn (Flat YoY and QoQ).
- GPM was solid at 74.6%, from 67.4% in 3Q19 and 73.9% in 2Q20.
- SG&A to sales was 4.8%, compared to 5.7% in 3Q19 and 6.9% in 2Q20.
- We expect decent QoQ momentum in 4Q20E given the seasonality.

**Bt8/MW Adder of about 19MW and 34MW capacity would expired in 2021E and 2022E, respectively.**

### Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	7.4	7.3	7.4	7.5	8.5
Recurring net profit growth (%)	3.5	2.1	(1.8)	(1.1)	(12.0)
Recurring EPS (Bt)	2.7	2.7	2.7	2.7	2.3
Recurring EPS growth (%)	(1.2)	1.5	(1.8)	(1.1)	(12.0)
PBV (x)	1.6	1.4	1.3	1.2	1.1
BVPS (Bt)	12.6	14.2	15.5	16.9	18.0
ROE (%)	23.8	20.5	18.1	16.4	13.4
DPS (Bt)	1.2	1.2	1.3	1.3	1.2
Dividend yield (%)	6.0	6.1	6.7	6.7	5.9
Enterprise value (Bt m)	25,755.3	22,198.7	20,777.8	18,903.2	16,764.6
EV-to-EBITDA (x)	6.2	5.4	5.0	4.8	4.8

Pathompol Laowirayasak  
Registration no.045337  
Pathompol.la@countrygroup.co.th  
+66 2 205 7000 ext 4406

Voravuth Thanathaveepol  
Assistant analyst

### SPCG Public Company Limited

**Recommendation: HOLD**

**Current price\*: Bt20.00**

**Target price: Bt18.80**

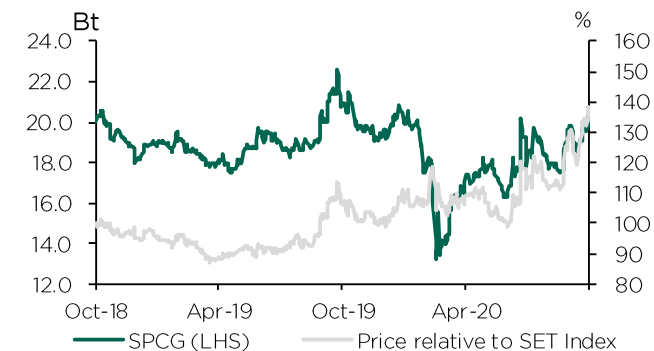
**Up/(downside): (6%)**

**IOD: 4/5**

**CAC: N/A**

### Stock data

RIC code	SPCG.BK
Index	.SETI
SET Index (30 October 2020)	1,194.95
Market cap (Bt m)	19,285
Shares outstanding (million)	974
Par (Bt)	1.00



# SPCG: Stable earnings in 1Q20

(Bt m)	3Q19	4Q19	1Q20	2Q20	3Q20	YoY (%)	9M20	20E	% of 20E
Revenue	1,188	1,452	1,455	1,174	1,184	(0.3)	3,814	5,263	72.5
Cost of sales	(388)	(443)	(449)	(306)	(301)	(22.3)	(1,057)	(1,621)	65.2
<b>Gross profit</b>	<b>800</b>	<b>1,009</b>	<b>1,005</b>	<b>868</b>	<b>883</b>	<b>10.4</b>	<b>2,757</b>	<b>3,641</b>	<b>75.7</b>
SG&A	(68)	(98)	(80)	(82)	(57)	(16.7)	(219)	(285)	76.6
Other (exp)/inc	13	24	(6)	51	12	(7.1)	57	91	62.2
<b>EBIT</b>	<b>745</b>	<b>935</b>	<b>919</b>	<b>838</b>	<b>838</b>	<b>12.6</b>	<b>2,595</b>	<b>3,447</b>	<b>75.3</b>
Finance cost	(86)	(83)	(69)	(68)	(67)	(22.8)	(203)	(284)	71.7
Other inc/(exp)	(0)	0	13	(43)	-	nm	(30)	2	nm
<b>Earnings before taxes</b>	<b>658</b>	<b>852</b>	<b>863</b>	<b>727</b>	<b>771</b>	<b>17.2</b>	<b>2,362</b>	<b>3,166</b>	<b>74.6</b>
Income tax	(10)	(10)	(13)	(22)	(25)	164.5	(60)	(92)	65.8
<b>Earnings after taxes</b>	<b>649</b>	<b>843</b>	<b>851</b>	<b>705</b>	<b>746</b>	<b>15.0</b>	<b>2,301</b>	<b>3,074</b>	<b>74.9</b>
Equity income	-	(0)	0	(1)	-	nm	(1)	(0)	nm
Minority interest	(73)	(96)	(89)	(83)	(82)	12.3	(254)	(451)	56.3
<b>Earnings from cont. operations</b>	<b>575</b>	<b>747</b>	<b>762</b>	<b>620</b>	<b>664</b>	<b>15.4</b>	<b>2,046</b>	<b>2,623</b>	<b>78.0</b>
Forex gain/(loss) & unusual items	-	-	(13)	43	21	nm	51	-	na
<b>Net profit</b>	<b>575</b>	<b>747</b>	<b>749</b>	<b>663</b>	<b>685</b>	<b>19.1</b>	<b>2,097</b>	<b>2,623</b>	<b>80.0</b>
Recurring profit	575	747	762	622	664	15.5	2,048	2,623	78.1
EBITDA	911	1,101	1,090	1,007	1,008	10.7	3,105	4,117	75.4
Recurring EPS (Bt)	0.591	0.766	0.783	0.637	0.682	15.5	2.103	2.693	78.1
Reported EPS (Bt)	0.591	0.766	0.770	0.680	0.700	18.5	2.153	2.693	80.0
<b>Profits (%)</b>	<b>3Q19</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>Diff (%)</b>	<b>9M20</b>	<b>20E</b>	<b>Diff (%)</b>
Gross margin	67.4	69.5	69.1	73.9	74.6	7.2	72.3	69.2	(3.1)
Operating margin	62.7	64.4	63.2	71.3	70.8	8.1	68.0	65.5	(2.5)
Net margin	48.4	51.4	51.5	56.5	57.8	9.4	55.0	49.8	(5.2)

## Result summary

- SPCG posted net profit in 3Q20 of Bt685m (+19%YoY, +3% QoQ).
- Excluding gains from derivatives and financial assets, recurring profit was Bt664m (+16%YoY, +7% QoQ)
- 9M20 earnings accounted for 80% of our 2020E forecast. We see upside to our full year forecast.
- 3Q20 revenue was Bt1.18bn (Flat YoY and QoQ), with solar farm revenue at Bt1.0bn (Flat %YoY, -7%QoQ) and rooftop sales at 141 (+9%YoY, +177%QoQ).
- Gross profit margin was solid at 74.6%, from 67.4% in 3Q19 and 73.9% in 2Q20.
- SG&A to sales was 4.8%, compared to 5.7% in 3Q19 and 6.9% in 2Q20, thanks to effective cost control.
- Seasonally SPCG has high season in the first and the fourth quarters of the year.
- Bt8/MW Adder of about 19MW and 34MW capacity would expired in 2021E and 2022E, respectively.

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

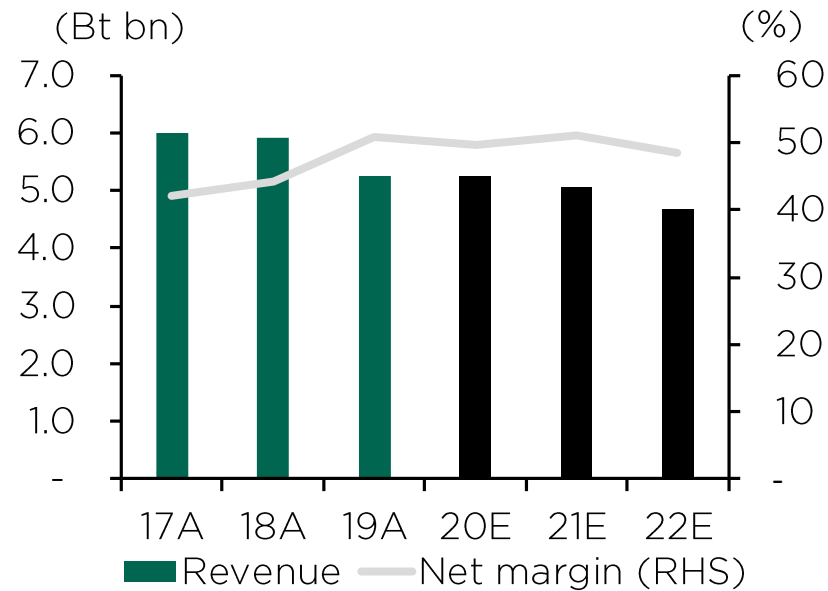
Value

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

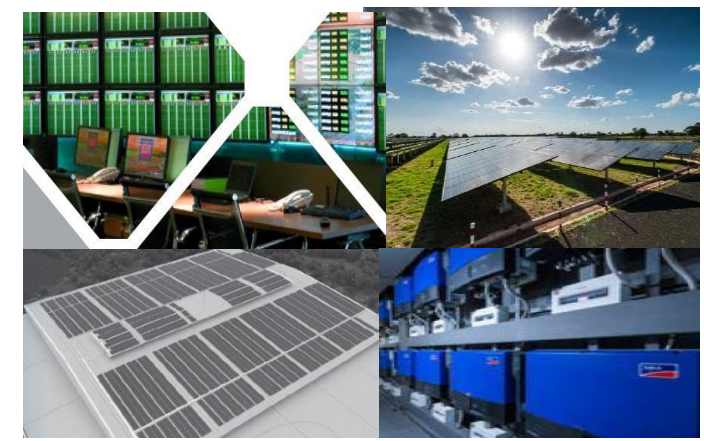
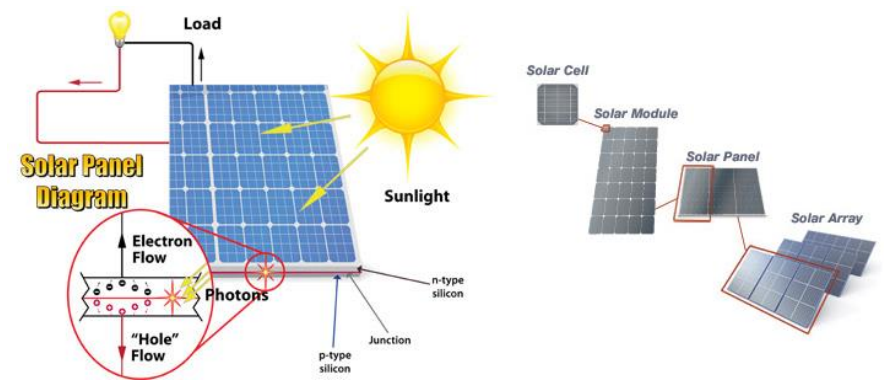
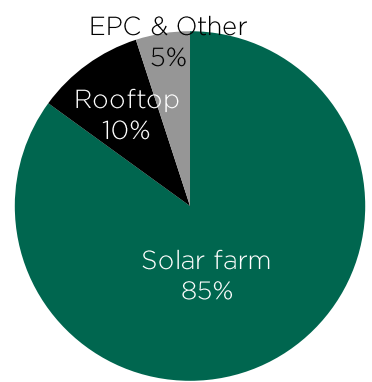


Image source: etap

# SPCG: Summary financials

Story

Sales

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	5,928	5,247	5,263	5,063	4,678	1,188	1,452	1,455	1,174	1,184
Cost of goods sold	(2,223)	(1,621)	(1,621)	(1,642)	(1,662)	(388)	(443)	(449)	(306)	(301)
<b>Gross profit</b>	<b>3,706</b>	<b>3,626</b>	<b>3,641</b>	<b>3,420</b>	<b>3,016</b>	<b>800</b>	<b>1,009</b>	<b>1,005</b>	<b>868</b>	<b>883</b>
SG&A	(336)	(294)	(285)	(292)	(299)	(68)	(98)	(80)	(82)	(57)
Other (exp)/inc	118	76	91	99	113	13	24	(6)	51	12
<b>Operating profit</b>	<b>3,488</b>	<b>3,408</b>	<b>3,447</b>	<b>3,227</b>	<b>2,831</b>	<b>745</b>	<b>935</b>	<b>919</b>	<b>838</b>	<b>838</b>
Finance cost	(503)	(360)	(284)	(217)	(167)	(86)	(83)	(69)	(68)	(67)
Other inc/(exp)	(0)	0	2	2	5	(0)	0	13	(43)	-
<b>Earnings before taxes</b>	<b>2,985</b>	<b>3,048</b>	<b>3,166</b>	<b>3,012</b>	<b>2,669</b>	<b>658</b>	<b>852</b>	<b>863</b>	<b>727</b>	<b>771</b>
Income tax	(61)	(37)	(92)	(96)	(93)	(10)	(10)	(13)	(22)	(25)
<b>After-tax profit</b>	<b>2,924</b>	<b>3,011</b>	<b>3,074</b>	<b>2,916</b>	<b>2,575</b>	<b>649</b>	<b>843</b>	<b>851</b>	<b>705</b>	<b>746</b>
Equity income	(0)	(0)	(0)	(0)	(16)	-	(0)	0	(1)	-
Minorities	(310)	(342)	(451)	(321)	(276)	(73)	(96)	(89)	(83)	(82)
<b>Earnings from cont. operations</b>	<b>2,614</b>	<b>2,669</b>	<b>2,623</b>	<b>2,595</b>	<b>2,283</b>	<b>575</b>	<b>747</b>	<b>762</b>	<b>620</b>	<b>664</b>
Forex gain/(loss) & unusual items	-	-	-	-	-	-	-	(13)	43	21
<b>Net income</b>	<b>2,614</b>	<b>2,669</b>	<b>2,623</b>	<b>2,595</b>	<b>2,283</b>	<b>575</b>	<b>747</b>	<b>749</b>	<b>663</b>	<b>685</b>
Recurring EPS (Bt)	2.70	2.74	2.69	2.66	2.34	0.59	0.77	0.78	0.64	0.68
Weighted average shares (m)	968	974	974	974	974	974	974	973	975	974
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Assets	22,798	21,903	22,121	22,705	23,330	23,047	21,903	22,858	22,627	22,800
Liabilities	8,917	6,299	4,754	3,720	2,927	8,237	6,299	7,277	6,353	6,364
Equity	12,236	13,817	15,128	16,426	17,567	13,068	13,817	13,774	14,438	14,587
Invested capital	18,968	18,086	17,628	16,972	16,267	18,225	18,086	17,052	17,634	17,368
Growth (YoY, %)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	(1.3)	(11.5)	0.3	(3.8)	(7.6)	(2.5)	(12.2)	8.4	(7.2)	(0.3)
Operating income	(0.5)	(2.3)	1.2	(6.4)	(12.3)	1.9	(0.7)	3.9	(0.7)	12.6
Recurring EPS	(1.2)	1.5	(1.8)	(1.1)	(12.0)	8.3	3.5	9.9	(5.0)	15.5
Assets	(1.0)	(3.9)	1.0	2.6	2.8	(6.5)	(3.9)	(2.5)	(0.6)	(1.1)
Liabilities	(24.6)	(29.4)	(24.5)	(21.7)	(21.3)	(28.6)	(29.4)	(17.1)	(21.4)	(22.7)
Equity	25.9	12.9	9.5	8.6	7.0	13.6	12.9	6.5	11.3	11.6
Profits (%)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Gross margin	62.5	69.1	69.2	67.6	64.5	67.4	69.5	69.1	73.9	74.6
Operating margin	58.8	65.0	65.5	63.7	60.5	62.7	64.4	63.2	71.3	70.8
Net margin	44.1	50.9	49.8	51.3	48.8	48.4	51.4	51.5	56.5	57.8
ROE	23.8	20.5	18.1	16.4	13.4	17.7	22.2	21.7	18.8	18.9
ROIC	17.9	18.2	18.7	18.1	16.4	16.0	20.4	20.6	18.7	18.5

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- 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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