



Update

We maintain Neutral rating on SPCG with new 2020E target price at Bt18.80 (from Bt22.80), 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 1Q20 of Bt749m (+8%YoY, flat QoQ).
- 1Q20 earnings accounted for 29% of our 2020E forecast.
- 1Q20 revenue was Bt1.46bn (+8%YoY and flat QoQ).
- Gross profit margin was 69.1%, maintained from 69.0% in 1Q19 and 69.5% in 4Q19
- SG&A to sales was manageable at 5.5% (+1.0ppts YoY, -1.2ppts QoQ).

We trimmed 2020-21E earning by 3-4%, to reflect our more conservative perspective toward solar roof business growth.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	6.4	6.3	6.4	6.5	7.4
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)	1.4	1.2	1.1	1.0	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 (%)	6.9	7.1	7.8	7.7	6.7
Enterprise value (Bt m)	23,125.5	19,569.0	18,154.0	16,286.7	14,161.0
EV-to-EBITDA (x)	5.5	4.8	4.4	4.2	4.1

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Recommendation: HOLD

Current price*: Bt17.30

Target price 2020E: Bt18.80

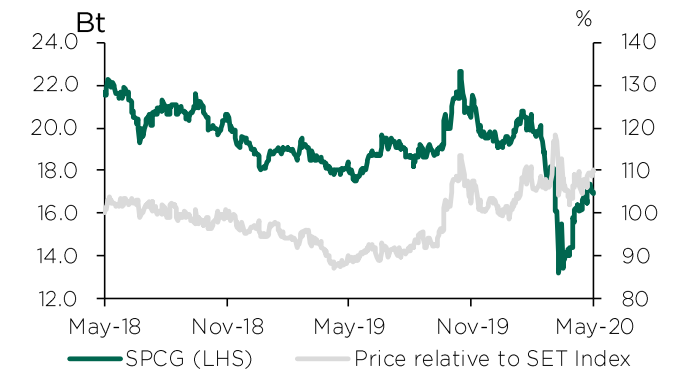
Up/(downside): 9%

IOD: 4/5

CAC: N/A

Stock data

RIC code	SPCG.BK
Index	.SETI
SET Index (8 May 2020)	1,266.02
Market cap (Bt m)	16,558
Shares outstanding (million)	974
Par (Bt)	1.00



SPCG: Stable earnings in 1Q20

(Bt m)	1Q19	2Q19	3Q19	4Q19	1Q20	YoY (%)	3M20	20E	% of 20E
Revenue	1,342	1,265	1,188	1,452	1,455	8.4	1,455	5,263	27.6
Cost of sales	(416)	(374)	(388)	(443)	(449)	8.0	(449)	(1,621)	27.7
Gross profit	926	891	800	1,009	1,005	8.6	1,005	3,641	27.6
SG&A	(61)	(66)	(68)	(98)	(80)	30.8	(80)	(285)	28.0
Other (exp)/inc	21	18	13	24	7	(66.4)	7	80	8.7
EBIT	885	843	745	935	932	5.4	932	3,436	27.1
Finance cost	(96)	(95)	(86)	(83)	(69)	(27.8)	(69)	(284)	24.4
Other inc/(exp)	0	(0)	(0)	0	-	nm	-	2	-
Earnings before taxes	789	748	658	852	863	9.4	863	3,155	27.4
Income tax	(6)	(11)	(10)	(10)	(13)	99.3	(13)	(91)	13.8
Earnings after taxes	783	737	649	843	851	8.7	851	3,063	27.8
Equity income	-	-	-	(0)	0	nm	0	(0)	nm
Minority interest	(89)	(84)	(73)	(96)	(89)	0.2	(89)	(450)	19.7
Earnings from cont. operations	694	653	575	747	762	9.8	762	2,614	29.2
Forex gain/(loss) & unusual items	-	-	-	-	(13)	nm	(13)	-	na
Net profit	694	653	575	747	749	7.9	749	2,614	28.7
Recurring profit	694	653	575	747	762	9.7	762	2,614	29.2
EBITDA	1,053	1,011	911	1,101	1,103	4.7	1,103	4,106	26.9
Recurring EPS (Bt)	0.713	0.671	0.591	0.766	0.782	9.7	0.782	2.683	29.2
Reported EPS (Bt)	0.713	0.671	0.591	0.766	0.770	8.0	0.769	2.683	28.7
Profits (%)	1Q19	2Q19	3Q19	4Q19	1Q20	Diff (%)	3M20	20E	Diff (%)
Gross margin	69.0	70.5	67.4	69.5	69.1	0.1	69.1	69.2	0.1
Operating margin	66.0	66.7	62.7	64.4	64.1	(1.9)	64.1	65.3	1.2
Net margin	51.8	51.6	48.4	51.4	51.5	(0.3)	51.5	49.7	(1.8)

Result summary

- SPCG posted net profit in 1Q20 of Bt749m (+8%YoY, flat QoQ).
- 1Q20 earnings accounted for 29% of our 2020E forecast.
- 1Q20 revenue was Bt1.46bn (+8%YoY and flat QoQ). While solar farm revenue was stable at Bt1.15bn, the group revenue was driven by solar roof business, which booked revenue at Bt258m (+72%YoY, +124%QoQ)
- Gross profit margin was 69.1%, maintained from 69.0% in 1Q19 and 69.5% in 4Q19
- SG&A to sales was manageable at 5.5%, compared to 4.5% in 1Q19 and 6.7% in 4Q19.
- Seasonally SPCG has high season in the first and the fourth quarters of the year.

SPCG: Fine-tuning up 2020-21E earning by 3% and 4%, respectively

Story

Sales

2020-21E earnings revised down by 3-4%

We revised down our 2020-21E net profit forecasts by 3-4%. The trim was mainly contributed from i) 17% and 20% downward revenue adjustment in 2020E and 2021E, respectively, as we toned down solar roof business growth, and ii) SG&A to sales was adjusted up by 0.5ppts to reflect scale effect. However, gross profit margin assumption was raised by 9.0-9.7ppts to 69.2% in 2020E and 67.6% in 2021E, given the lower contribution from solar roof business, which has low margin.

	2020E		Change	2021E		Change
	Revised	Previous	(%)	Revised	Previous	(%)
Financials						
Revenue (Bt mn)	5,263	6,376	(17.5)	5,063	6,350	(20.3)
Gross profit (Bt mn)	3,641	3,841	(5.2)	3,420	3,676	(7.0)
Net profit (Bt mn)	2,614	2,703	(3.3)	2,583	2,682	(3.7)
EPS (Bt/share)	2.7	2.7	(1.3)	2.7	2.7	(1.8)
Key financial ratios						
			Change			Change
Revenue growth (%)	0.3	21.5	(21.2)	(3.8)	(0.4)	(3.4)
Gross profit margin (%)	69.2	60.2	9.0	67.6	57.9	9.7
SG&A to sales (%)	5.4	5.9	(0.5)	5.8	6.3	(0.5)
Net profit growth (%)	(2.1)	1.3	(3.4)	(1.2)	(0.7)	(0.4)
Net profit margin (%)	49.7	42.4	7.3	51.0	42.2	8.8



Background: SPCG Public Company Limited (SPCG), formerly known as Steel Intertech Public Company Limited, merged with Solar Power Company Limited (SPC) in 2011. SPCG and its subsidiaries have three main businesses: solar farms, solar rooftops and engineering, procurement & construction (EPC). SPCG is a pioneer in generating power from solar energy in Thailand. Currently, it has a total of 36 solar farm projects with a total capacity of approximately 260 megawatts. Also, the company is seeking opportunities to spread its wings overseas, especially in Japan.

SPCG: Revenue breakdown

Story

Sales

P5F

Team

WCB

ESG

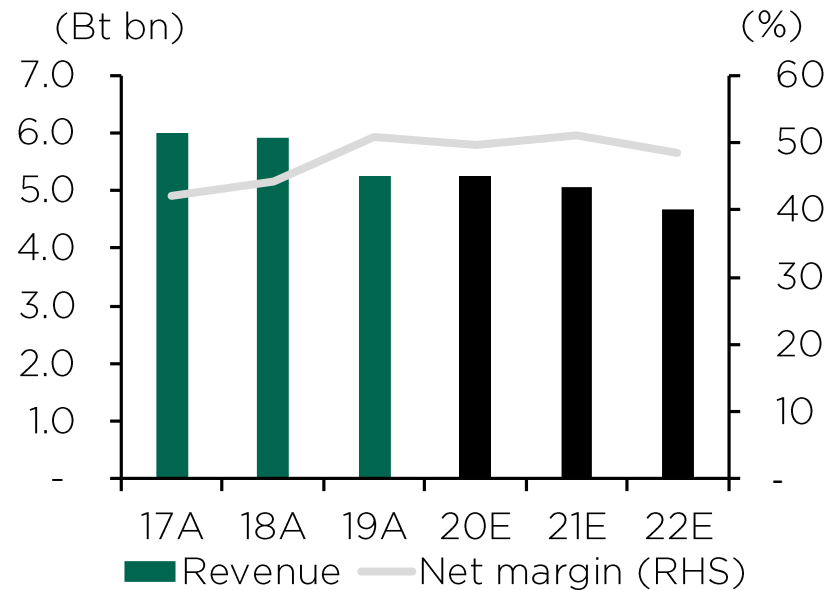
Value

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

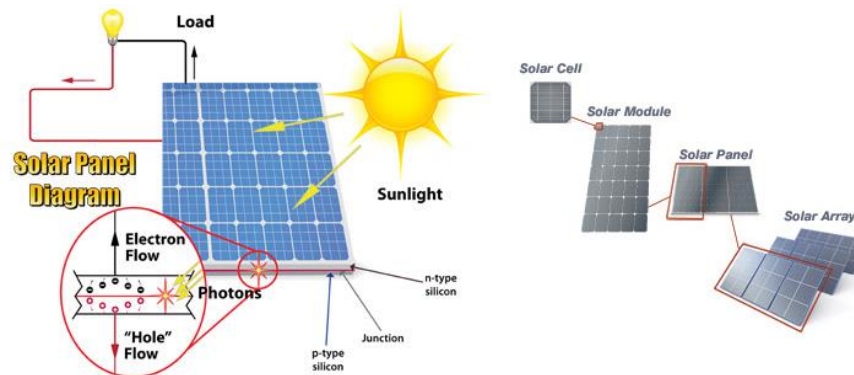
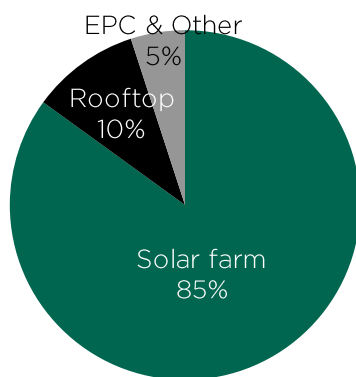


Image source: etap



SPCG: Summary financials

Story

Sales

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Revenue	5,928	5,247	5,263	5,063	4,678	1,342	1,265	1,188	1,452	1,455
Cost of goods sold	(2,223)	(1,621)	(1,621)	(1,642)	(1,662)	(416)	(374)	(388)	(443)	(449)
Gross profit	3,706	3,626	3,641	3,420	3,016	926	891	800	1,009	1,005
SG&A	(336)	(294)	(285)	(292)	(299)	(61)	(66)	(68)	(98)	(80)
Other (exp)/inc	118	76	80	85	89	21	18	13	24	7
Operating profit	3,488	3,408	3,436	3,213	2,807	885	843	745	935	932
Finance cost	(503)	(360)	(284)	(217)	(167)	(96)	(95)	(86)	(83)	(69)
Other inc/(exp)	0	0	2	2	5	0	(0)	(0)	0	-
Earnings before taxes	2,985	3,048	3,155	2,999	2,645	789	748	658	852	863
Income tax	(61)	(37)	(91)	(96)	(93)	(6)	(11)	(10)	(10)	(13)
After-tax profit	2,924	3,011	3,063	2,903	2,552	783	737	649	843	851
Equity income	(0)	(0)	(0)	(0)	(16)	-	-	-	(0)	0
Minorities	(310)	(342)	(450)	(319)	(274)	(89)	(84)	(73)	(96)	(89)
Earnings from cont. operations	2,614	2,669	2,614	2,583	2,263	694	653	575	747	762
Forex gain/(loss) & unusual item:	-	-	-	-	-	-	-	-	-	(13)
Net income	2,614	2,669	2,614	2,583	2,263	694	653	575	747	749
Recurring EPS (Bt)	2.70	2.74	2.68	2.65	2.32	0.71	0.67	0.59	0.77	0.78
Weighted average shares (m)	968	974	974	974	974	974	974	974	974	974
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Assets	22,798	21,903	22,115	22,692	23,303	23,450	22,762	23,047	21,903	22,858
Liabilities	8,917	6,299	4,754	3,720	2,927	8,777	8,084	8,237	6,299	7,277
Equity	12,236	13,817	15,124	16,415	17,547	12,939	12,968	13,068	13,817	13,774
Invested capital	18,968	18,086	17,628	16,972	16,267	18,727	18,483	18,225	18,086	17,052
Growth (YoY, %)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Revenue	(1.3)	(11.5)	0.3	(3.8)	(7.6)	(11.5)	(17.9)	(2.5)	(12.2)	8.4
Operating income	(0.5)	(2.3)	0.8	(6.5)	(12.7)	(4.9)	(4.7)	1.9	(0.7)	5.4
Recurring EPS	(1.2)	1.5	(2.1)	(1.2)	(12.4)	(3.5)	(1.0)	8.3	3.5	9.7
Assets	(1.0)	(3.9)	1.0	2.6	2.7	(8.3)	(8.9)	(6.5)	(3.9)	(2.5)
Liabilities	(24.6)	(29.4)	(24.5)	(21.7)	(21.3)	(29.8)	(32.0)	(28.6)	(29.4)	(17.1)
Equity	25.9	12.9	9.5	8.5	6.9	12.5	12.6	13.6	12.9	6.5
Profits (%)	18A	19A	20E	21E	22E	Mar '19	Jun '19	Sep '19	Dec '19	Mar '20
Gross margin	62.5	69.1	69.2	67.6	64.5	69.0	70.5	67.4	69.5	69.1
Operating margin	58.8	65.0	65.3	63.5	60.0	66.0	66.7	62.7	64.4	64.1
Net margin	44.1	50.9	49.7	51.0	48.4	51.8	51.6	48.4	51.4	51.5
ROE	23.8	20.5	18.1	16.4	13.3	22.1	20.2	17.7	22.2	21.7
ROIC	17.9	18.2	18.7	18.0	16.3	18.6	17.9	16.0	20.4	20.9

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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