

SEAFCO SEAFCO TB

THAILAND / CONSTRUCTION SERVICES

BUY

After the storm comes the calm

- Management targets revenue above THB1.5b, with a gross margin above 10% in 2023.
- 2023 earnings should turn profitable for the first time in two years.
- Recommend BUY and a TP of THB4.7, based on its earnings recovery momentum.

TARGET PRICE	THB4.70
CLOSE	THB3.70
UP/DOWNSIDE	+27.0%
TP vs CONSENSUS	+6.7%

Top foundation specialist in Thailand

SEAFCO is a contractor undertaking foundation and general civil works tendered from both the government and private sectors. Its core works are divided into three products: bored piling, barrette construction, and diaphragm walls. Most of the contracts the company engages in have a short tenor averaging between 3-5 months per project.

Targeting 2023 revenue growth with margin improvement

We have a positive view from SEAFCO's opportunity day on 28 March. Management is confident in the 2023 outlook, expecting a rebound from the bottom in 2022. The labour shortage that it faced in 2021-22 has eased, with the number of workers increasing to 500 persons currently vs 200-300 during the pandemic. SEAFCO has set its 2023 revenue target above THB1.5b (vs THB781m in 2022), with a gross margin above 10% (vs -7% in 2022). It also aims to submit a bid with a partner as a sub-contractor for subway foundation work in Bangladesh in 2024.

Time for a turnaround in 2023

SEAFCO had a backlog of THB1.5b at the end of 2022, increasing from THB1.1b in 4Q21, which is sufficient to recognise until 4Q23. Of the total, 66% of contracts include labour costs only, which have a higher margin. We expect 1Q23 earnings to recover strongly to THB20m-30m (vs a net profit of THB10m in 4Q22 and a loss of THB43m in 1Q22). This should be driven by the recognition of the progress of ongoing projects, including Highway Route No.82, MRT Purple Line, and North Pole. We forecast a 2023 net profit of THB114m, turning positive from a loss of THB129m in 2022, supported by more workers and a higher equipment utilisation rate.

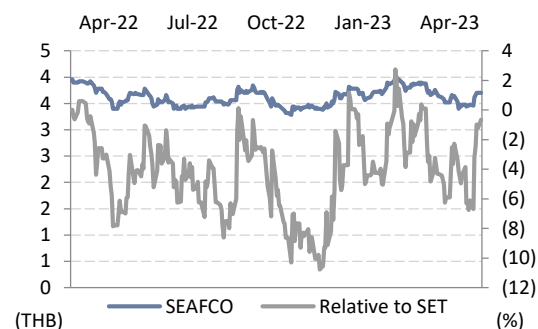
Recommend BUY with a TP of THB4.7

We have a BUY rating on SEAFCO with a TP of THB4.7, based on 2.3x 2023E P/BV. Although its earnings turned around in 4Q22, the current share price is still below the 2Q21-3Q22 levels, when it had poor performance and a low backlog. The main catalyst, in our view, is the turnaround story, as 2023 operations should hit positive territory for the first time in two years. Short-term, we are optimistic about its robust 1Q23E earnings. This report represents a continuation of FSSIA's coverage of SEAFCO, previously published under FSS Research.

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	781	1,742	1,862	1,962
Net profit	(129)	114	157	164
EPS (THB)	(0.18)	0.15	0.21	0.22
vs Consensus (%)	-	(11.8)	(11.0)	(3.1)
EBITDA	19	308	367	399
Core net profit	(133)	114	157	164
Core EPS (THB)	(0.18)	0.15	0.21	0.22
EPS growth (%)	nm	nm	36.9	4.5

Core P/E (x)	(20.5)	23.9	17.5	16.7
Dividend yield (%)	-	2.1	2.9	3.0
EV/EBITDA (x)	155.0	9.6	8.0	7.3
Price/book (x)	1.9	1.8	1.8	1.7
Net debt/Equity (%)	16.4	15.1	11.8	9.8
ROE (%)	(8.9)	7.9	10.3	10.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.1	(1.1)	(8.4)
Relative to country (%)	5.5	3.8	(2.6)
Mkt cap (USD m)	80		
3m avg. daily turnover (USD m)	0.1		
Free float (%)	74		
Major shareholder	Thasnanipan Family (26%)		
12m high/low (THB)	4.10/3.28		
Issued shares (m)	739.71		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

In 2021-22, SEAFco's performance turned loss-making, as it was impacted by the Covid-19 situation. This included the lockdown of construction sites, intense competition, and a labour shortage. Thus, the delivery of works was not punctual as planned.

However, we think that SEAFco is on the road to recovery. In 2023, the impact from the worker shortage has eased, and it had a higher backlog of THB1.5b at end-2022, increasing from THB1.1b in 2021. This is mainly from large projects, including the MRT Purple Line project, North Pole project, and Highway Route No.82. We anticipate that 2023 earnings will turn profitable for the first time in two years, with revenue and margin improvements.

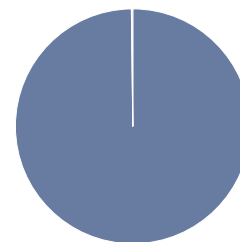
Company profile

SEAFco was established in 1974 as a contractor to undertake foundation and general civil works tendered from both the government and private sectors. Its core works are divided into three products, namely bored piling, barrette construction, and diaphragm walls. SEAFco engages in two types of contracts: 1) contracts that include both the costs of labour and construction materials; and 2) contracts that include the labour cost only, which are mainly from the government sector.

www.seafco.co.th

Principal activities (revenue, 2022)

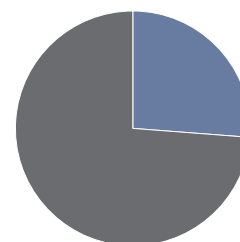
- Hire of work - 99.8 %
- Sales of materials and services - 0.2 %



Source: Seafo

Major shareholders

- Thasnanipan Family - 26.2 %
- Others - 73.8 %



Source: Seafo

Catalysts

Key potential growth drivers include 1) the success of new launches; 2) the recovery of the condominium market; 3) more overseas customers; 4) new business expansion; 5) spinning off its subsidiary; and 6) new JV project developments which leave room for one-time gains on investments.

Risks to our call

Downside risks to our P/BV-based TP include 1) fewer new projects than expected; 2) fewer projects up for bidding than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition.

Event calendar

Date	Event
May 2023	1Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Construction revenue (THB m)	1,740	1,860	1,960
GPM (%)	13.0	14.5	14.5
SG&A to sales (%)	6.9	6.5	6.3
New projects sign (THB m)	800	2,000	1,800

Source: FSSIA estimates

Earnings sensitivity

- For every 2% increase in revenue, we estimate 2023 net profit to rise by 4%, and vice versa, all else being equal.
- For every 0.25% increase in GPM, we estimate 2023 net profit to rise by 3.8%, and vice versa, all else being equal.
- For every 2% increase in SG&A, we estimate 2023 net profit to fall by 2.1%, and vice versa, all else being equal.

Source: FSSIA estimates

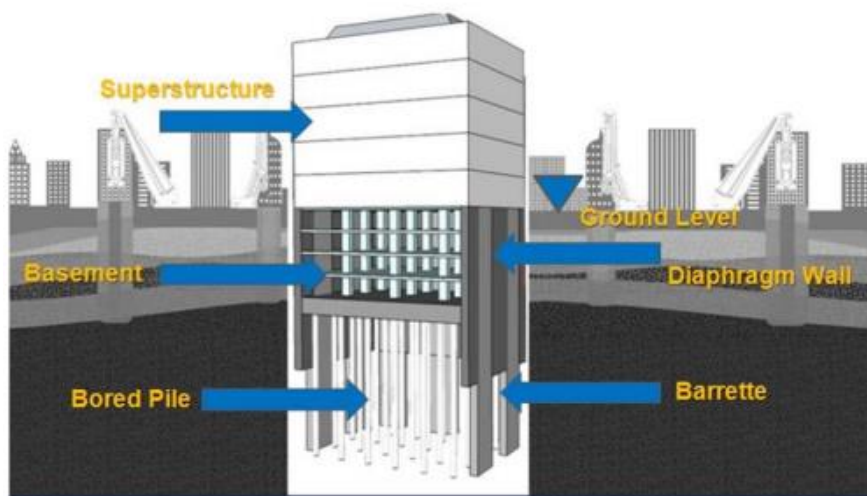
Top foundation specialist in Thailand

Seafo Public Company Limited (SEAFCO) was established in 1974 to be a contractor undertaking foundation and general civil works tendered from both the government and private sectors. The company is capable of handling direct contract works from project owners or sub-contracting from the main contractor. It offers three main products: bored piling, barrette construction, and diaphragm walls. It also provides other services like foundation construction and integrated basement structure work, as well as various testing services.

There are three founders of the company, and two of them are currently retired. The remaining founder is Dr. Narong Thasnaniphan who is a senior professional civil engineer with long experience in the construction industry, particularly underground construction.

With over 49 years of operational experience, the company has a 30% market share – the highest in the bored pile and diaphragm wall market (data from the Ministry of Commerce). Hence, the company is well-known by designers, engineering companies, consultants, and project owners.

Exhibit 1: Foundation works in the construction of a building



Source: SEAFCO

1. **Bored piles:** These are an important in the construction of buildings and infrastructure. They are suitable for areas with soft soil, using piles to support the weight of a structure for stability. They can also make the bores larger to help support the weight of tall buildings or structures without causing the soil to move and push nearby buildings, thereby causing damage.

Exhibit 2: Bored piles



Source: SEAFCO

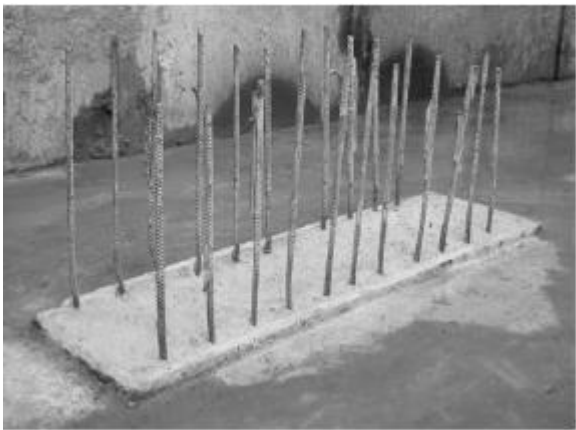
Exhibit 3: Bored piles



Source: SEAFCO

2. **Barrette piles:** Barrettes or strip piles are the best alternative when a single pile with a safe working load in excess of 3000 tonnes is required, or when conventional bored piling is impractical. They provide the foundation for expressways, transmission towers, subway stations, and high-rise buildings.
3. **Diaphragm wall:** Is the technique of making a retaining wall without using a sheet pile. It can prevent underground water seepage and can be adjusted to be used with construction techniques for building underground structures and top-down structures. It provides the foundation for deep basements, underpass tunnels, deep shafts, subway stations, and cut and cover tunnels.

Exhibit 4: Barrette piles



Source: SEAFco

Exhibit 5: Diaphragm wall



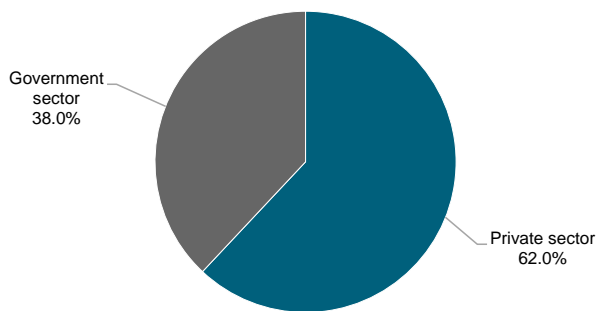
Source: SEAFco

Most of the contracts the company engages in have a short tenor averaging between 3-5 months per project. Revenue from construction services is based on the stage of completion of the contract.

By customer type, the company’s 2022 contribution from the government sector accounted for 38% of total revenue, with the private sector accounting for 62%.

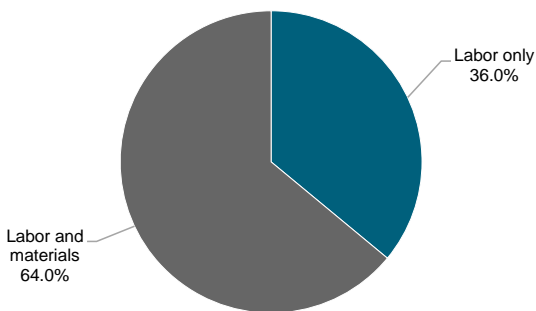
Moreover, there are two types of contracts: 1) contracts that include both the costs of labour and construction materials; and 2) contracts that include the labour cost only, which are mainly from the government sector. By contract type, the company’s 2022 revenue from labour contracts accounted for 36%, and labour and material contracts made up 64% of total revenue.

Exhibit 6: Revenue breakdown by customer type in 2022



Sources: SEAFco; FSSIA’s compilation

Exhibit 7: Revenue breakdown by contracts in 2022



Sources: SEAFco; FSSIA’s compilation

Return to profitability in 4Q22

SEAFCO reported a net profit for the first time in six quarters in 4Q22 at THB10m (vs a net loss of THB39m in 3Q22 and THB22m in 4Q21), beating BBG's consensus estimate of a net loss of THB19m.

SEAFCO's overall 4Q22 operations were supported by the labour shortage easing, since more workers returned after the reopening of cross-border travel. Construction revenue was equal to THB227m (+56% q-q, -20% y-y), mainly from the Tenth Avenue project, North Pole project and Bangkhuntien-Ban Paew highway. Moreover, it began to realise the Southern MRT Purple Line (Tao Pun-Rat Burana). The 4Q22 gross margin turned positive at 11.1% vs -15.5% in 3Q22 and -8% in 4Q21.

On a full-year basis, SEAFCO booked a 2022 net loss of THB129m, weaker than the loss of THB57m in 2021. Performance was mainly pressured by the labour shortage and high market competition. Construction revenue plunged 46% y-y in 2022 to THB781b, and the gross margin turned negative at -7.1% from 2.2% in 2021.

Exhibit 8: 4Q22 results summary

	4Q21	1Q22	2Q22	3Q22	4Q22	Change		2021	2022	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)
Total revenue	285	237	172	146	227	55.7	(20.4)	1,435	781	(45.6)
Cost of sales	308	267	200	168	202	19.8	(34.5)	1,404	837	(40.4)
Gross profit	(23)	(30)	(28)	(23)	25	na	na	31	(56)	na
SG&A	26	28	27	30	24	(17.6)	(5.2)	120	109	(9.4)
Operating profit	(49)	(58)	(55)	(52)	1	na	na	(89)	(164)	na
Interest expense	6	4	3	3	5	62.7	(21.4)	21	15	(29.5)
Tax expense	(9)	(10)	3	(3)	(15)	na	na	(11)	(25)	na
Reported net profit	(22)	(43)	(57)	(39)	10	na	na	(57)	(129)	na
Core profit	(33)	(42)	(52)	(47)	7	na	na	(55)	(133)	na
Key ratios (%)						(ppt)	(ppt)			(ppt)
Gross margin	(8.0)	(12.6)	(16.4)	(15.5)	11.1	26.7	19.2	2.2	(7.1)	(9.3)
SG&A / Sales	9.0	11.7	15.7	20.4	10.8	(9.6)	1.7	8.4	13.9	5.6
Operating margin	(17.1)	(24.3)	(32.1)	(35.9)	0.4	36.3	17.4	(6.2)	(21.0)	(14.8)
Net margin	(7.6)	(18.3)	(33.0)	(26.8)	4.3	31.1	11.8	(3.9)	(16.6)	(12.6)
Norm margin	(11.7)	(17.7)	(30.1)	(32.3)	3.2	35.5	15.0	(3.8)	(17.1)	(13.2)

Sources: SEAFCO; FSSIA's compilation

Targeting 2023 revenue growth with margin improvement

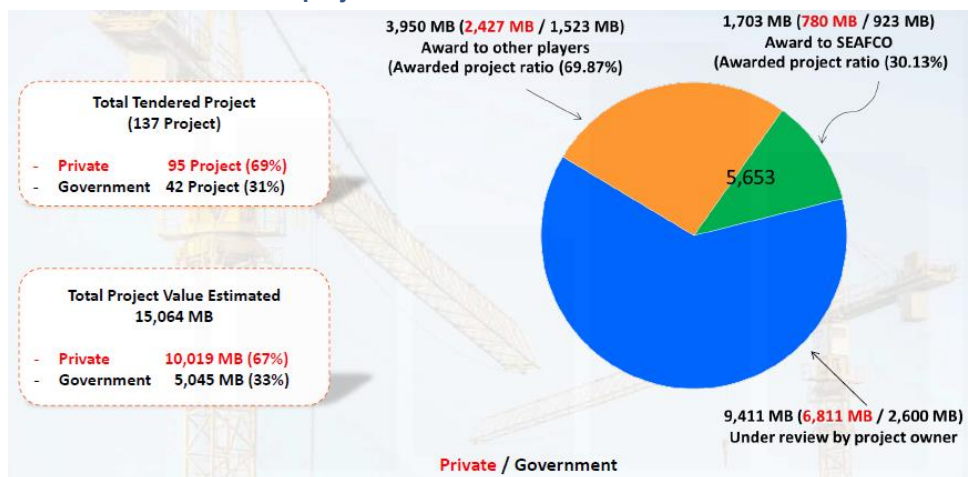
We have a positive view from SEAFCO's opportunity day on 28 March 2023. Management is confident about the recovery outlook this year. The key points are as follows:

- The company has set its revenue target above THB1.5b, surging from THB781m in 2022. It targets a gross margin above 10% vs -7% in 2022.
- The impact from the foreign worker shortage has eased, since the number of workers has increased to 500 persons currently vs 200-300 persons at the Covid level, and 600 persons at the pre-Covid level.
- Management sees no negative impact from rising construction material costs (such as pre-mixed concrete, iron wire, and the diesel price) due to locking in prices and volumes since construction began.
- In 2024, it aims to submit a bid with a partner as a sub-contractor for foundation work on the MRT subway in Bangladesh.

At the end of 2022, SEAFCO had a backlog of THB1.5b (excluding the Central Embassy Extension project worth THB700m, whose timeline has been uncertain since June 2020), increasing from THB1.1b at the end of 2021. Of the total, 66% of contracts include labour costs only, while 34% include the material cost as well. By customer, the proportion can be split 66:34 between the government sector and private sector. Major projects include 1) Highway Route No.82, Bangkhuntien-Ban Paew worth THB300m; 2) the MRT Purple Line project worth THB800m, comprising three stations: PP17 (Parliament House station), which started in November 2022, PP18 (Sri Yan station) and PP19 (Vajira Hospital station), which started in March 2023; and 3) the North Pole project (Central Phahonyothin) worth THB500m.

Last Friday, the company announced the signing of five new projects in March worth THB228m, including additional testing work for the MRT Purple Line, a drainage tunnel from Bung Nongbon to Chao Phaya River, Piyavate Prannok hospital, additional bored pile work for the North Pole project, and ROMM Convent. Hence, we think that its current backlog amounts to THB1.3b (after realising 1Q23E revenue), which would be sufficient to recognise until the end of this year. Meanwhile, a new potential backlog should come from tendered projects worth THB9.4b, which are under review by the project owners. These consist of 72% private sector and 28% government sector projects.

Exhibit 9: Total tendered projects



Source: SEAFCO

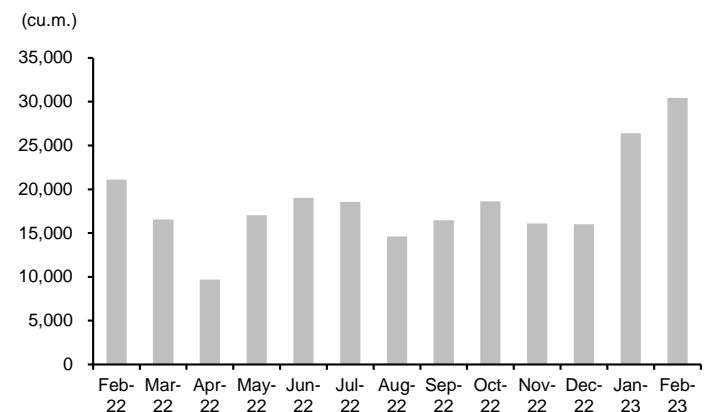
Time for a turnaround

Preliminarily, we expect 1Q23 earnings to post a strong recovery to THB20m-30m from a net profit of THB10m in 4Q22 and a loss of THB43m in 1Q22. This would mainly come from the start of construction on the MRT Purple Line project (PP18, PP19) and the North Pole project at the end of March. Furthermore, we estimate the equipment utilisation rate to increase to 60-70% in 2023 from 30-40% in 2022. We think 1Q23 construction revenue should jump to THB450m (+209% q-q, +58% y-y) and the gross margin could step up from 11.1% in 4Q22 and -12.6% in 1Q22. The earnings momentum should surge y-y in every quarter this year, supported by the continual recognition of the progress of ongoing projects.

Even though we think public investment should be lacklustre for at least six months due to the general election on 14 May, we have seen good signs for the private sector following more condominium and commercial project launches. As a result, this has increased the quantity of main raw materials, including ready-mix concrete and rebar, that SEAFCO used in January-February 2023. We believe that private investment will provide additional projects for the rest of this year and support the company's performance in 2H23. Meanwhile, the potential new backlog should come from the tendered projects worth THB9.4b mentioned above. For the MRT Orange Line project, we think the project's winner will sign an agreement in 3Q23 at the earliest, and we assume the project should begin in 1H24.

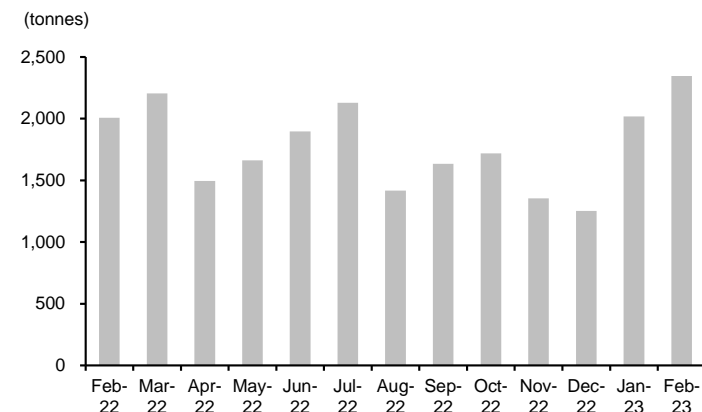
We forecast a 2023 net profit of THB114m, turning positive from a loss of THB129m in 2022. The key drivers for its 2023 operations improvement should come mainly from 1) more workers returning, enhancing its capability to seek new projects; and 2) the gross margin should recover owing to a higher equipment utilisation rate, plus a greater proportion of contracts that include labour costs accounting for only 60% of the total current backlog (vs 10% of total backlog at the end of 2021). Overall, in 2023 we expect revenue growth of 123% to THB1.7b, and the gross margin to be at 13% vs -7% in 2022.

Exhibit 10: Quantity of use of ready-mix concrete



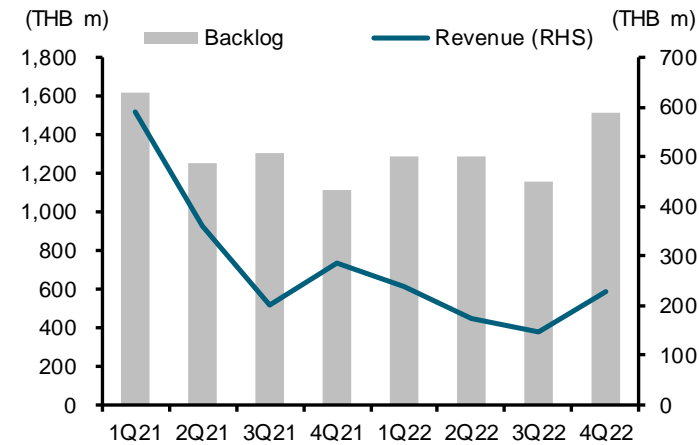
Source: SEAFCO

Exhibit 11: Quantity of use of rebar



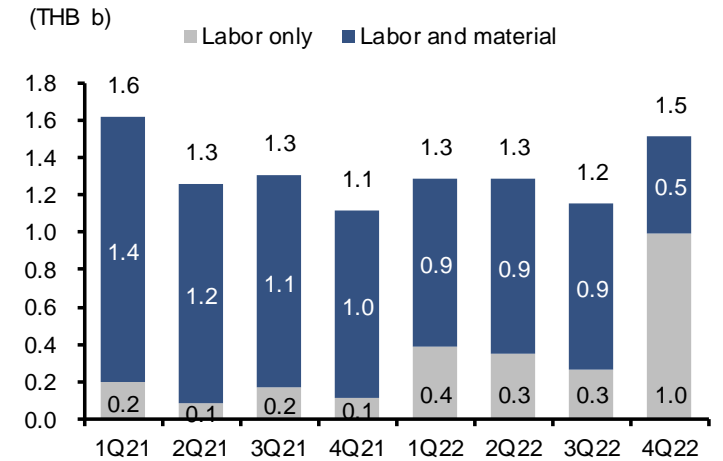
Source: SEAFCO

Exhibit 12: Quarterly backlog and revenue



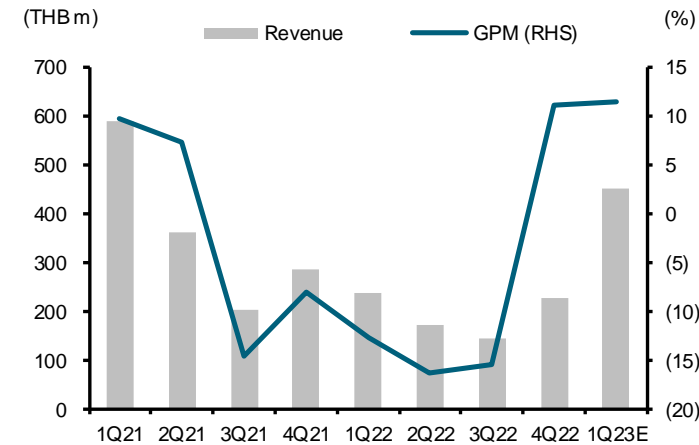
Source: SEAFCO; FSSIA's compilation

Exhibit 13: Quarterly backlog breakdown by contract



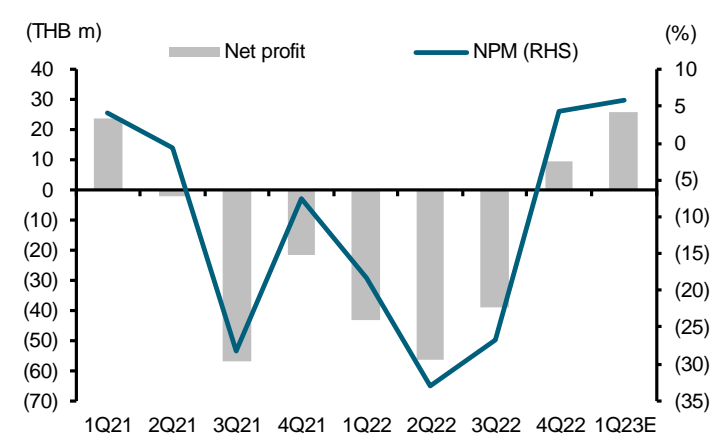
Source: SEAFCO; FSSIA's compilation

Exhibit 14: Quarterly revenue and GPM



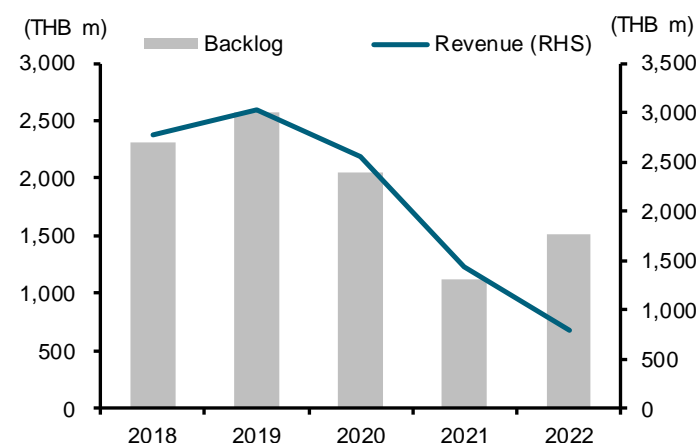
Sources: SEAFCO; FSSIA's compilation

Exhibit 15: Quarterly net profit and NPM



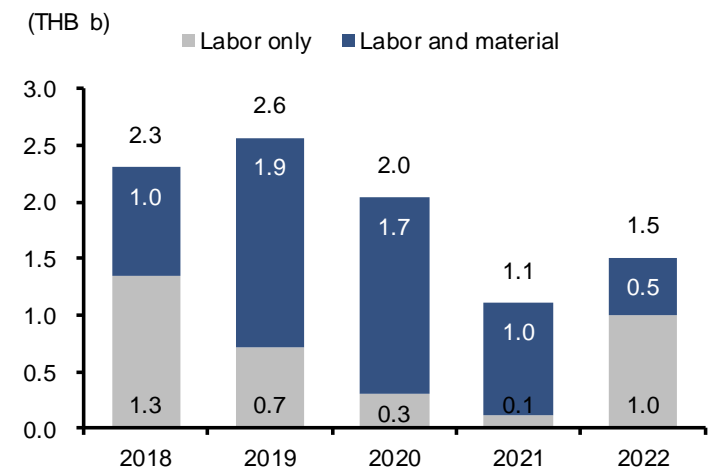
Sources: SEAFCO; FSSIA's compilation

Exhibit 16: Yearly backlog and revenue



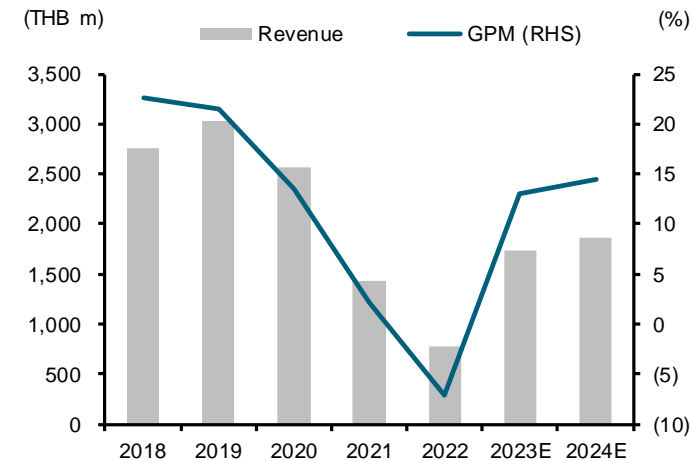
Sources: SEAFCO; FSSIA's compilation

Exhibit 17: Yearly backlog breakdown by contract



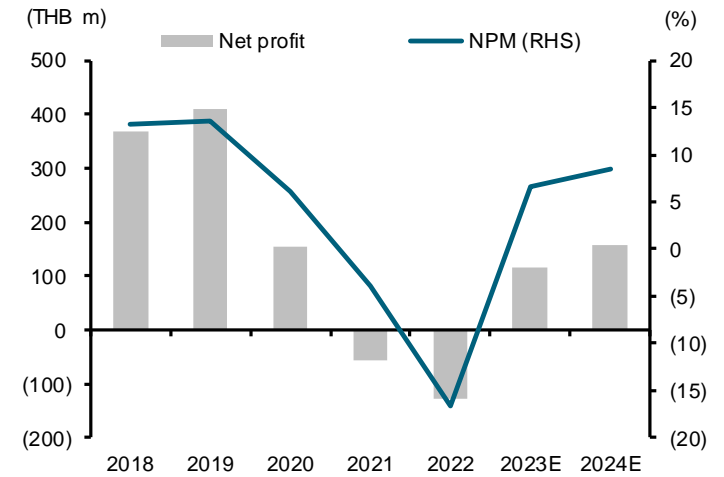
Sources: SEAFCO; FSSIA's compilation

Exhibit 18: Yearly revenue and GPM



Sources: SEAFco; FSSIA estimates

Exhibit 19: Yearly net profit and NPM



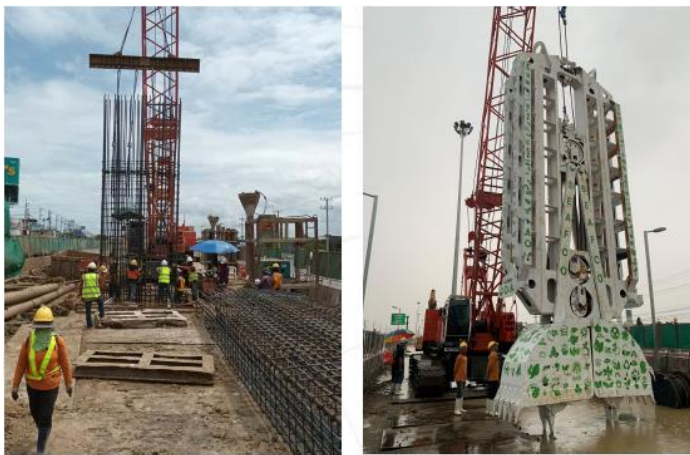
Sources: SEAFco; FSSIA estimates

Exhibit 20: Major current projects in 1Q23

Project	Complete
Highway Route No.82, Bangkhuntien-Ban Paew	4Q23
MRT Purple Line (Tao Pun-Rat Burana)	4Q23
Tenth Avenue	1Q23
North Pole	3Q23
KnightsBridge Space Rayong	1Q23
Piyavate Hospital Prannok	2Q23

Sources: SEAFco; FSSIA estimates

Exhibit 21: Highway Route No.82 project



Source: SEAFco

Exhibit 22: North Pole project



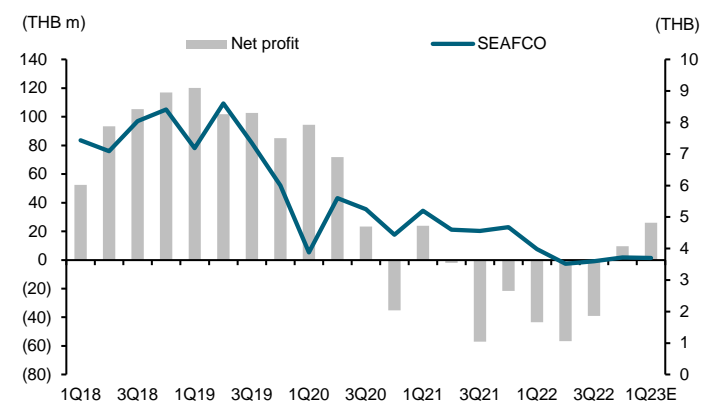
Source: SEAFco

Valuation and recommendation

Our 2023 TP at THB4.7 assumes a P/BV ratio of 2.3x, 0.75 SD below its historical average. We derive our TP based on a P/BV valuation since its 2023 earnings should still be at a low base and are on the path to recovery. We have a BUY rating on SEAFco.

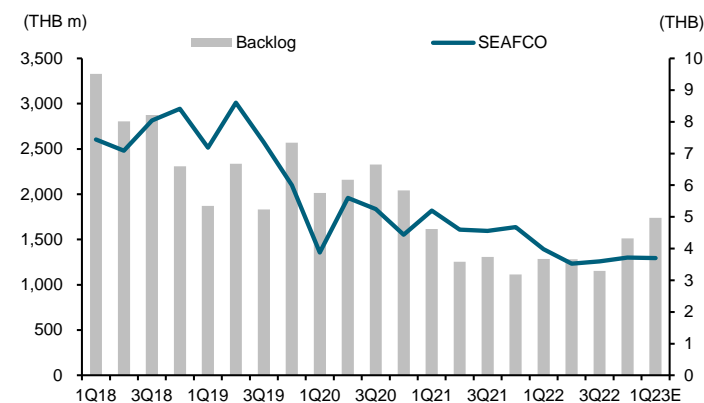
Although its earnings have turned around since 4Q22, the current share price is still below the level in 2Q21-3Q22, when the company's performance was negative and it had a low backlog of THB1.1b-1.3b. Currently, its share price trades at 23.9x 2023E P/E and 1.8x 2023E P/BV, with an upside potential of 27%. The main catalyst for the stock, in our view, is the turnaround story, as we expect the company's 2023 operations to rebound and reach positive territory for the first time in two years. In the short run, we are optimistic about its robust 1Q23E earnings.

Exhibit 23: Quarterly net profit and share price



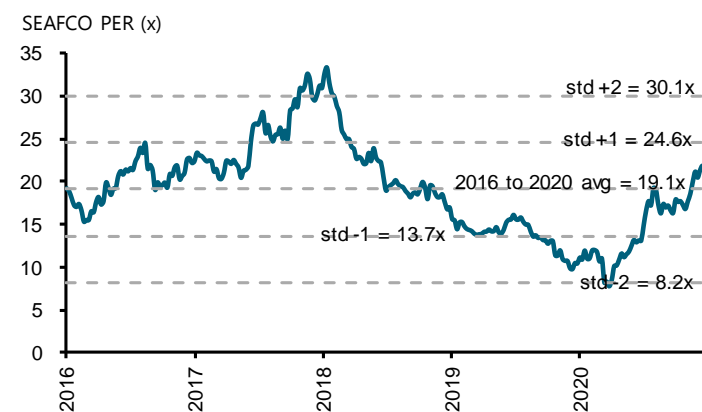
Sources: Bloomberg; FSSIA estimates

Exhibit 24: Quarterly backlog and share price



Sources: Bloomberg; FSSIA estimates

Exhibit 25: Historical P/E band



Sources: : Bloomberg; FSSIA estimates

Exhibit 26: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 27: Peer comparisons as of 3 April 2023

Company	BBG	Rec	Share price			Market Cap	PE		DivYld		ROE		PBV	
			Current	Target	Upside		23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)		(USD m)	(x)	(x)	(%)	(%)	(x)	(x)	(x)
Thailand														
Seafo	SEAFco TB	BUY	3.70	4.70	24	80	23.9	17.5	2.1	2.9	7.9	10.3	1.8	1.8
CH Karnchang	CK TB	n/a	20.60	n/a	n/a	988	21.1	14.1	2.1	2.9	6.3	9.1	1.3	1.3
Sino-Thai Engineering	STEC TB	n/a	12.70	n/a	n/a	561	17.7	15.2	2.6	3.6	6.0	6.6	1.0	1.0
Pylon	PYLON TB	n/a	4.24	n/a	n/a	93	15.2	13.9	3.3	3.6	17.1	18.7	2.7	2.8
Average						1,721	19.5	15.2	2.5	3.2	9.3	11.2	1.7	1.7

Sources: Bloomberg; FSSIA estimates

Financial Statements

Seafoo

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	1,435	781	1,742	1,862	1,962
Cost of goods sold	(1,196)	(678)	(1,340)	(1,399)	(1,465)
Gross profit	240	103	402	463	497
Other operating income	41	25	25	25	25
Operating costs	(120)	(109)	(120)	(121)	(123)
Operating EBITDA	161	19	308	367	399
Depreciation	(209)	(158)	(174)	(192)	(211)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	(48)	(139)	134	175	188
Net financing costs	(21)	(15)	(15)	(15)	(15)
Associates	-	-	-	-	-
Recurring non-operating income	0	0	0	0	0
Non-recurring items	(2)	4	0	0	0
Profit before tax	(70)	(150)	118	161	174
Tax	11	25	0	0	(6)
Profit after tax	(60)	(125)	118	161	168
Minority interests	3	(5)	(4)	(4)	(4)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	(57)	(129)	114	157	164
Non-recurring items & goodwill (net)	2	(4)	0	0	0
Recurring net profit	(55)	(133)	114	157	164
Per share (THB)					
Recurring EPS *	(0.07)	(0.18)	0.15	0.21	0.22
Reported EPS	(0.08)	(0.18)	0.15	0.21	0.22
DPS	0.00	0.00	0.08	0.11	0.11
Diluted shares (used to calculate per share data)	740	740	740	740	740
Growth					
Revenue (%)	(43.9)	(45.6)	123.0	6.9	5.4
Operating EBITDA (%)	(62.8)	(88.1)	1,504.0	19.2	8.7
Operating EBIT (%)	nm	nm	nm	31.3	7.3
Recurring EPS (%)	nm	nm	nm	36.9	4.5
Reported EPS (%)	nm	nm	nm	36.9	4.5
Operating performance					
Gross margin inc. depreciation (%)	2.2	(7.1)	13.1	14.6	14.6
Gross margin of key business (%)	2.2	(7.1)	13.0	14.5	14.5
Operating EBITDA margin (%)	11.2	2.5	17.7	19.7	20.3
Operating EBIT margin (%)	(3.3)	(17.8)	7.7	9.4	9.6
Net margin (%)	(3.8)	(17.1)	6.6	8.4	8.3
Effective tax rate (%)	15.2	17.0	0.0	0.0	3.3
Dividend payout on recurring profit (%)	-	-	50.0	50.0	50.0
Interest cover (X)	(2.3)	(9.5)	8.8	11.9	12.8
Inventory days	22.4	31.4	17.9	20.9	19.9
Debtor days	170.4	214.9	96.2	117.6	118.4
Creditor days	161.5	188.1	111.7	140.9	142.7
Operating ROIC (%)	(2.7)	(8.4)	8.5	10.8	11.1
ROIC (%)	(1.8)	(6.0)	6.1	7.8	8.1
ROE (%)	(3.5)	(8.9)	7.9	10.3	10.2
ROA (%)	(1.4)	(4.8)	5.6	6.7	6.7

* Pre-exceptional, pre-goodwill and fully diluted

Revenue by Division (THB m)	2021	2022	2023E	2024E	2025E
Hire of work	1,434	780	1,740	1,860	1,960
Sales of materials and services	1	2	2	2	2

Sources: Seafoo; FSSIA estimates

Financial Statements

Seafco

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	(55)	(133)	114	157	164
Depreciation	209	158	174	192	211
Associates & minorities	(3)	5	4	4	4
Other non-cash items	-	-	-	-	-
Change in working capital	45	194	(42)	11	(8)
Cash flow from operations	196	224	250	363	371
Capex - maintenance	-	-	-	-	-
Capex - new investment	(44)	(93)	(179)	(242)	(261)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
Cash flow from investing	(44)	(93)	(179)	(242)	(261)
Dividends paid	0	0	(61)	(82)	(86)
Equity finance	(9)	1	0	0	0
Debt finance	(31)	(254)	32	(29)	0
Other financing cash flows	8	4	0	0	0
Cash flow from financing	(32)	(249)	(30)	(112)	(86)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	121	(118)	41	10	24
Free cash flow to firm (FCFF)	173.16	145.01	86.00	136.66	124.90
Free cash flow to equity (FCFE)	130.13	(119.44)	102.44	92.66	110.20
Per share (THB)					
FCFF per share	0.23	0.20	0.12	0.18	0.17
FCFE per share	0.18	(0.16)	0.14	0.13	0.15
Recurring cash flow per share	0.20	0.04	0.40	0.48	0.51
Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	2,567	2,494	2,504	2,554	2,604
Less: Accumulated depreciation	(1,390)	(1,390)	(1,390)	(1,390)	(1,390)
Tangible fixed assets (net)	1,177	1,104	1,114	1,164	1,214
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	76	85	80	80	80
Cash & equivalents	231	113	154	165	189
A/C receivable	582	338	580	620	653
Inventories	65	52	80	80	80
Other current assets	73	78	78	78	78
Current assets	952	581	893	943	1,001
Other assets	508	395	415	425	435
Total assets	2,713	2,164	2,501	2,611	2,729
Common equity	1,553	1,428	1,485	1,564	1,646
Minorities etc.	1	2	2	2	2
Total shareholders' equity	1,553	1,430	1,488	1,566	1,648
Long term debt	235	210	125	156	156
Other long-term liabilities	82	41	60	80	80
Long-term liabilities	317	251	185	236	236
A/C payable	402	298	522	558	588
Short term debt	366	138	254	194	194
Other current liabilities	75	47	52	57	63
Current liabilities	842	483	828	809	845
Total liabilities and shareholders' equity	2,713	2,164	2,501	2,611	2,729
Net working capital	244	123	164	163	161
Invested capital	2,005	1,706	1,773	1,831	1,889
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	2.10	1.93	2.01	2.11	2.22
Tangible book value per share	2.10	1.93	2.01	2.11	2.22
Financial strength					
Net debt/equity (%)	23.8	16.4	15.1	11.8	9.8
Net debt/total assets (%)	13.6	10.8	9.0	7.1	5.9
Current ratio (x)	1.1	1.2	1.1	1.2	1.2
CF interest cover (x)	9.4	(0.8)	19.6	23.7	26.2
Valuation	2021	2022	2023E	2024E	2025E
Recurring P/E (x) *	(50.0)	(20.5)	23.9	17.5	16.7
Recurring P/E @ target price (x) *	(63.5)	(26.1)	30.4	22.2	21.2
Reported P/E (x)	(48.3)	(21.1)	23.9	17.5	16.7
Dividend yield (%)	-	-	2.1	2.9	3.0
Price/book (x)	1.8	1.9	1.8	1.8	1.7
Price/tangible book (x)	1.8	1.9	1.8	1.8	1.7
EV/EBITDA (x) **	19.3	155.0	9.6	8.0	7.3
EV/EBITDA @ target price (x) **	23.9	193.6	12.0	10.0	9.1
EV/invested capital (x)	1.5	1.7	1.7	1.6	1.5
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Seafco; FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

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Thanyatarn Songwutti FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Seafo	SEAFco TB	THB 3.70	BUY	Downside risks to our P/BV-based TP include 1) fewer new projects than expected; 2) fewer projects up for bidding than expected; 3) political uncertainty; 4) delays in construction; 5) labour shortages; 6) higher raw material and labour costs; and 7) intense competition.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

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All share prices are as at market close on 03-Apr-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.