

SINO THAI ENGINEERING & CONSTRUCTION

THAILAND / CONSTRUCTION SERVICES

STEC TB

HOLD

Aim to be more than a construction company

- STEC will restructure its business by setting up a holding company to expand its investments into new units to diversify risks, enhance growth potential, and generate recurring income.
- Expect normalized earnings growth of -33% y-y in 2023 before +9% y-y in 2024 due to improved construction business.
- Initiate STEC with a HOLD rating at our TP of THB10 due to its limited upside.

	UNCHANGED
TARGET PRICE	THB10.00
CLOSE	THB9.35
UP/DOWNSIDE	+7.0%
PRIOR TP	THB13.00
CHANGE IN TP	-23.1%
TP vs CONSENSUS	-13.5%

KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	30,326	27,968	30,765	31,970
Net profit	857	554	605	708
EPS (THB)	0.56	0.36	0.40	0.46
vs Consensus (%)	-	(18.9)	(21.9)	(17.7)
EBITDA	1,390	1,147	1,477	1,560
Recurring net profit	821	554	605	708
Core EPS (THB)	0.54	0.36	0.40	0.46
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	18.3	(32.6)	9.4	17.0
Core P/E (x)	17.4	25.8	23.6	20.1
Dividend yield (%)	2.7	1.6	1.7	2.0
EV/EBITDA (x)	5.9	9.1	8.1	7.8
Price/book (x)	0.7	0.8	0.8	0.7
Net debt/Equity (%)	(31.6)	(22.1)	(14.0)	(12.2)
ROE (%)	4.5	2.9	3.3	3.7

A crucial restructuring into a holding company

STEC will establish STECON Group Pcl. as its holding company through a 1:1 share swap with STEC's existing shareholders if over 75% of the shareholders accept its buy offer. After that, it will list STECON Group on the SET and delist STEC from the market. Under this plan, STEC aims to expand its investments into three other industries with its alliances. In the short-to-medium term, we have a neutral view, pending clarity of the investment plan and potential initial loss realization from new businesses. Nevertheless, we view it as positive in the long run since it would help diversify risks and enhance growth potential. Also, the new units, which would generate recurring income, would help stabilize earnings performance and reduce volatility from the dependence solely on its construction unit. STEC has set up a shareholders' meeting to consider the plan on February 15, 2024.

Target to participate in new auctions of over THB330b

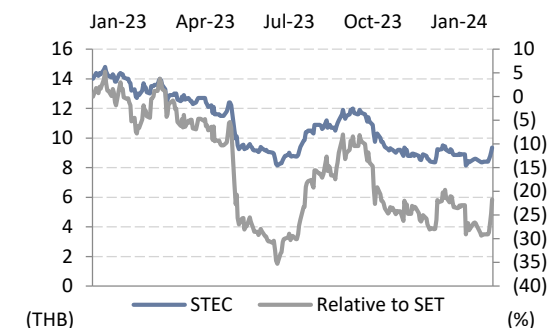
STEC had an expected backlog of THB94b at the end of 2023. Also, it plans to participate in new auctions of THB335b, mainly from the public sector, which should push for more infrastructure projects, such as motorways, expressways, mass transit trains, and double train tracks. In this regard, we expect auctions to take place in 2H24. Other than that, STEC will go after its forte and projects related to its holding company's expansion into new businesses, such as data centers and power plants.

Expect profit growth of -33% y-y in 2023 before +9% y-y in 2024

We expect STEC to post 4Q23 normalized earnings of THB102m (-22% q-q, -63% y-y) due mainly to a higher loss sharing from its associates following the inauguration of the Pink and Yellow lines. Also, construction revenue should decrease, while repair expenses on the Bueng Nong Bon drainage tunnel should pressure the gross margin. Hence, we expect a 2023 core profit of THB554m (-33% y-y). In 2024, the profit should recover 9% y-y to THB605m, supported by an improved construction unit. However, the overall performance should remain under pressure from a full-year realization of the loss sharing from the Pink and Yellow lines.

Initiate with a HOLD rating at our 2024 TP of THB10

We value our 2024 TP at THB10. It assumes a PER of 25x, its five-year historical average -0.50 SD, which reflects a persistently lower profit than 2018-2022. We initiate STEC with a HOLD call since it has an upside of less than 10%. Also, we expect the 4Q23 core profit to decrease q-q and y-y and an unattractive 2024 profit. Valuation-wise, STEC trades on a 2024 PE of 24x, higher than its peers' average of 20x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	5.6	1.1	(31.3)
Relative to country (%)	2.4	2.8	(19.9)
Mkt cap (USD m)	411		
3m avg. daily turnover (USD m)	1.3		
Free float (%)	66		
Major shareholder	Charnvirakul family (24%)		
12m high/low (THB)	14.90/7.95		
Issued shares (m)	1,525.11		

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

STEC's profit should gradually improve from 2024 onwards. Although it would see a drag from a loss-sharing from the Pink and Yellow Lines, its construction unit should improve. Although the restructuring plan lacks clarity in the short-to-medium term, we have a long-term favorable view that it would help diversify dependency risks from its volatile construction unit and stabilize operating performance. We initiate STEC with a HOLD call due to its limited upside and the most demanding valuation among peers.

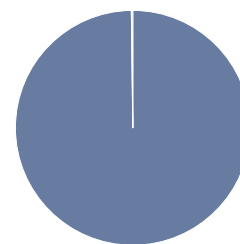
Company profile

Established in 1962, STEC operates mainly a construction business. It has businesses from both the public and private sectors. From mid-to-large-sized projects, STEC divides its business into five categories. They include infrastructure, building, power & energy, industrial, and environment. In 2022, STEC earned 70% of its revenue from the private sector and 30% from the public sector. By category, infrastructure contributed the highest revenue share (56%), followed by power (27%).

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Principal activities (revenue, 2022)

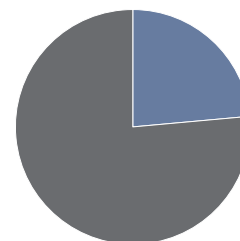
- Construction - 99.8 %
- Sales and service - 0.2 %



Source: Sino Thai Engineering & Construction

Major shareholders

- Charnvirakul family - 23.6 %
- Others - 76.4 %



Source: Sino Thai Engineering & Construction

Catalysts

Potential growth drivers include 1) new auctions, particularly state infrastructure projects, and 2) expansion into new businesses, which we have yet to include in our estimate.

Risks to our call

Downside risks to our TP include 1) volatility of the gross margin, 2) a delay and additional repair expenses on the Bueng Nong Bon drainage tunnel project, 3) a delay in the commencement of its construction of U-Tapao Airport, 4) a delay in new auctions, and 5) a higher-than-expected loss sharing from associates.

Event calendar

Date	Event
February 2024	4Q23 results announcement

Key assumptions

	2023E	2024E	2025E
Revenue (THB m)	27,968	30,765	31,970
GPM (%)	4.2	4.9	5.0
SG&A to revenue (%)	2.5	2.3	2.3
Associates (THB m)	(90)	(320)	(280)

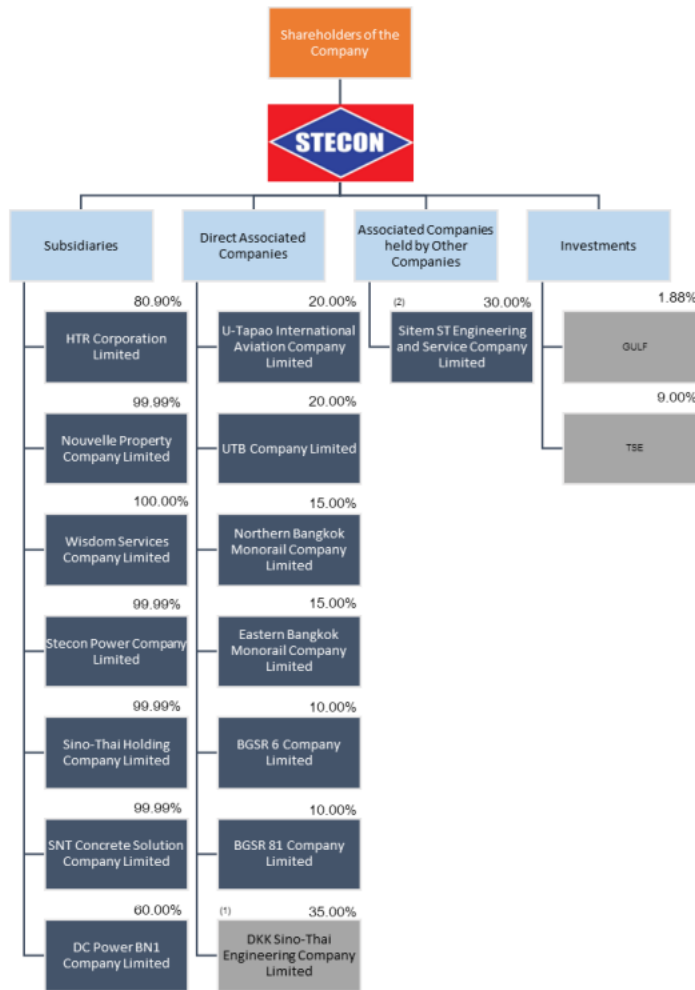
Source: FSSIA estimates

Earnings sensitivity

- For every 5% increase in revenue, we estimate 2024 net profit to rise by 5.4%, and vice versa, all else being equal.
- For every 0.1% increase in GPM, we estimate 2024 net profit to rise by 4.2%, and vice versa, all else being equal.
- For every 0.1% increase in SG&A to revenue, we estimate 2024 net profit to fall by 4.2%, and vice versa, all else being equal

Source: FSSIA estimates

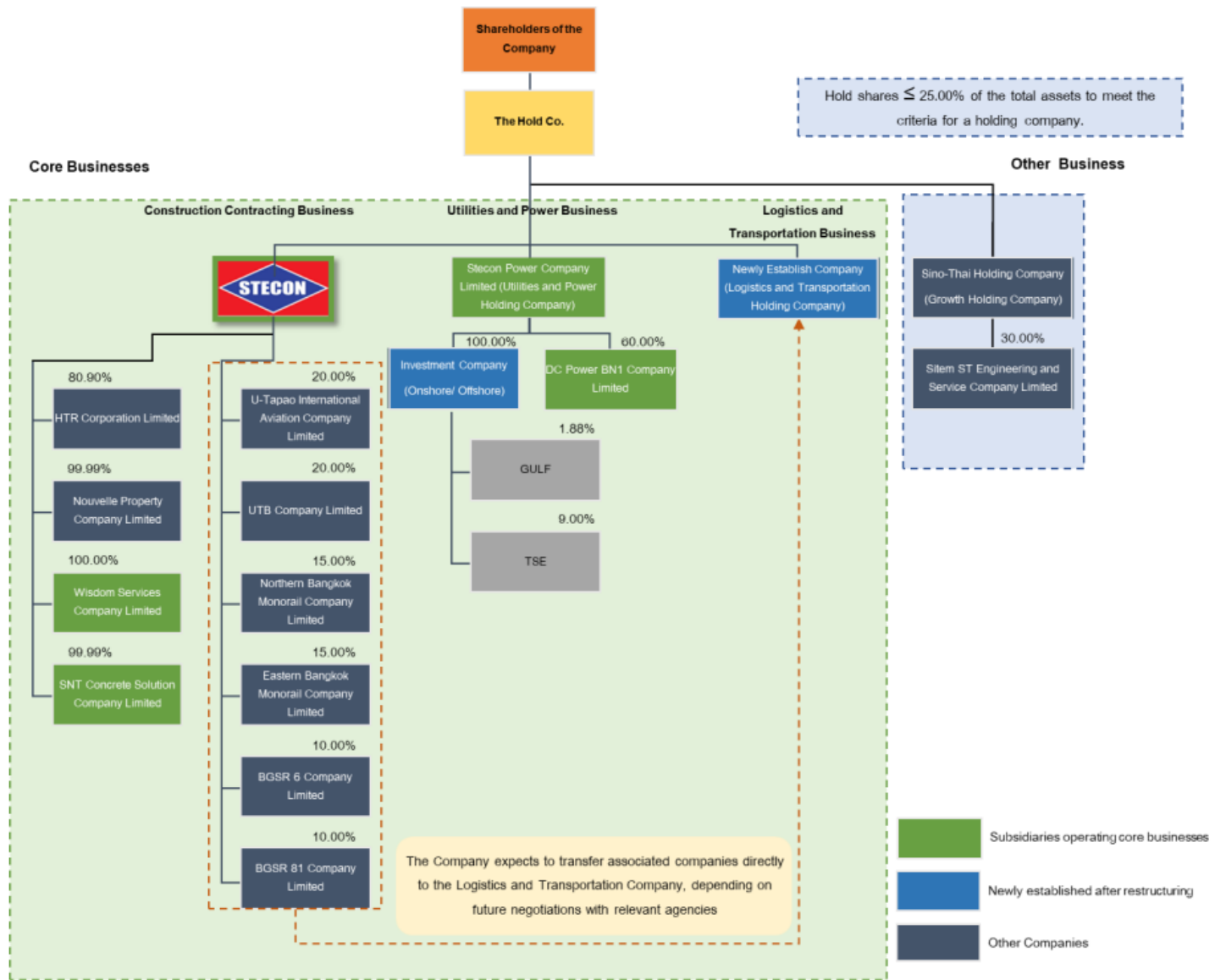
Exhibit 1: Shareholding structure before the implementation of the restructuring plan



(1) At present, DKK Sino-Thai Engineering Company Limited was registered for dissolution on July 6, 2023, but has not yet registered any liquidation
 (2) Sino-Thai Holding Company Limited holds 30% in Sitem ST Engineering and Service Company Limited

Source: STEC

Exhibit 2: Shareholding structure after the implementation of the restructuring plan



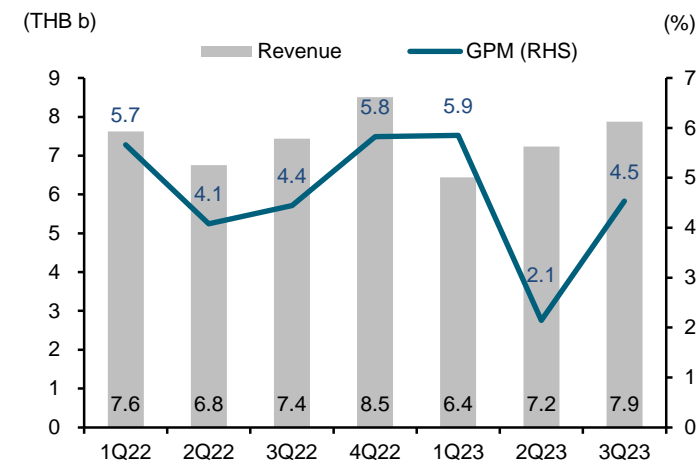
Source: STEC

Exhibit 3: 3Q23 results summary

	3Q22	4Q22	1Q23	2Q23	3Q23	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Total revenue	7,437	8,509	6,438	7,231	7,876	8.9	5.9
Cost of sales	7,106	8,013	6,061	7,076	7,519	6.3	5.8
Gross profit	331	496	377	155	357	129.9	7.9
SG&A	183	197	191	216	137	(36.7)	(25.5)
Operating profit	147	299	186	(60)	220	na	49.4
Other income	23	60	36	179	15	(91.4)	(33.9)
Interest expense	4	4	5	7	9	30.3	111.9
Tax expense	(37)	(72)	(43)	9	(41)	na	na
Associates	11	(2)	(1)	36	(54)	na	na
Reported net profit	138	314	171	154	130	(15.7)	(6.4)
Core profit	138	278	171	154	130	(15.7)	(6.4)
Key ratios (%)						(ppt)	(ppt)
Gross margin	4.4	5.8	5.9	2.1	4.5	2.4	0.1
SG&A / Sales	2.5	2.3	3.0	3.0	1.7	(1.2)	(0.7)
Operating margin	2.0	3.5	2.9	(0.8)	2.8	3.6	0.8
Net margin	1.9	3.7	2.7	2.1	1.6	(0.5)	(0.2)
Norm margin	1.9	3.3	2.7	2.1	1.6	(0.5)	(0.2)

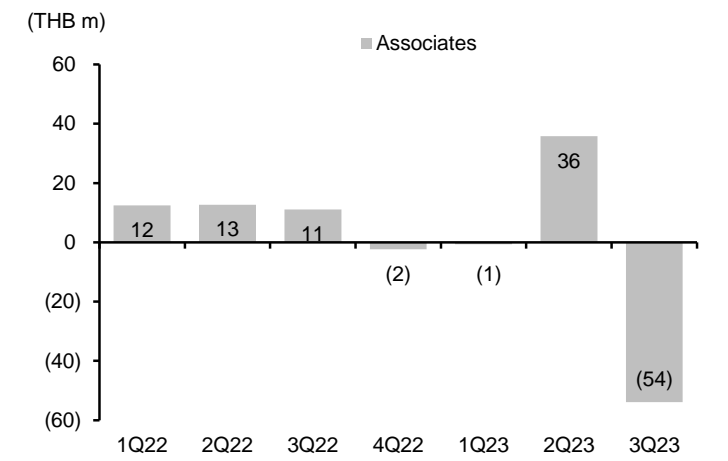
Sources: STEC; FSSIA's compilation

Exhibit 4: Quarterly revenue and GPM



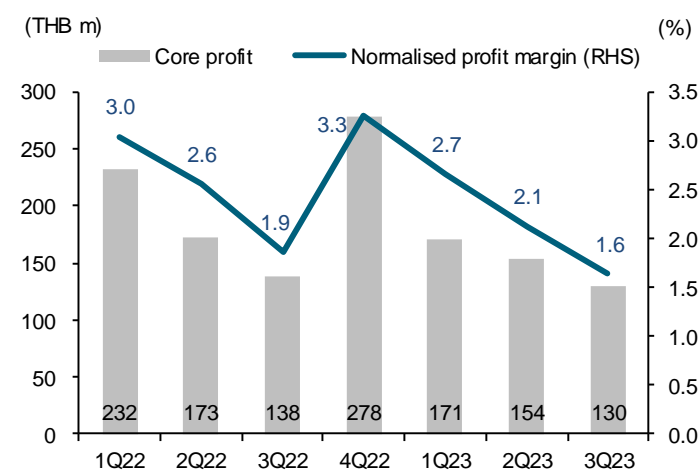
Sources: STEC; FSSIA's compilation

Exhibit 5: Share profit/loss from associates



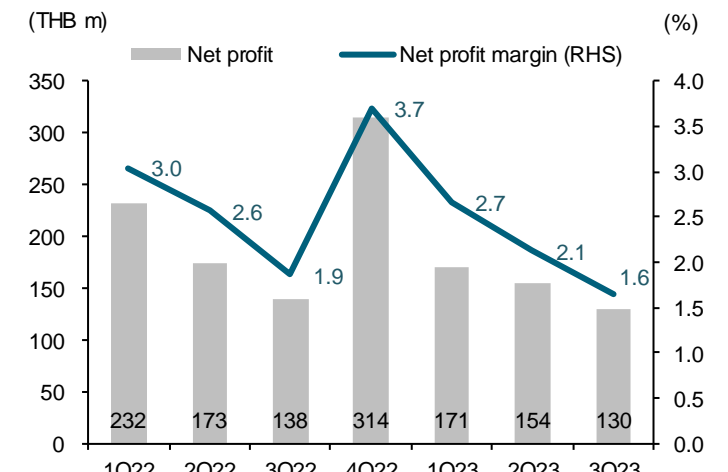
Sources: STEC; FSSIA's compilation

Exhibit 6: Quarterly core profit and norm profit margin



Sources: STEC; FSSIA's compilation

Exhibit 7: Quarterly net profit and net profit margin



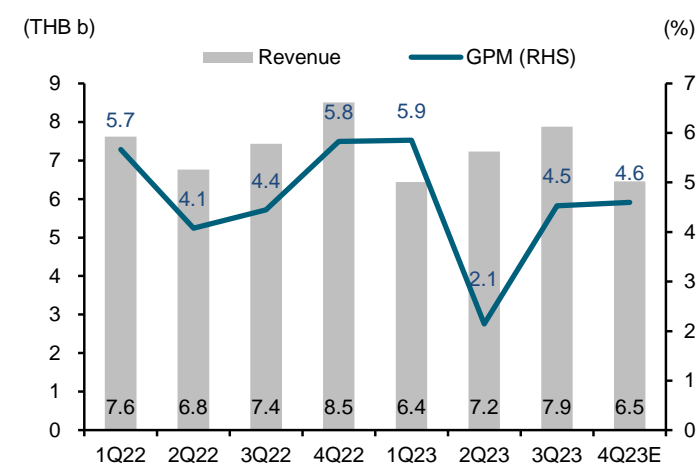
Sources: STEC; FSSIA's compilation

Exhibit 8: 4Q23 results preview

	4Q22	1Q23	2Q23	3Q23	4Q23E	Change	
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)
Total revenue	8,509	6,438	7,231	7,876	6,455	(18.0)	(24.1)
Cost of sales	8,013	6,061	7,076	7,519	6,158	(18.1)	(23.2)
Gross profit	496	377	155	357	297	(16.8)	(40.1)
SG&A	197	191	216	137	145	6.2	(26.5)
Operating profit	299	186	(60)	220	152	(31.0)	(49.1)
Other income	60	36	179	15	55	256.1	(7.7)
Interest expense	4	5	7	9	7	(23.7)	96.9
Tax expense	(72)	(43)	9	(41)	(26)	(36.2)	(64.0)
Associates	(2)	(1)	36	(54)	(70)	na	na
Reported net profit	314	171	154	130	102	(21.6)	(67.7)
Core profit	278	171	154	130	102	(21.6)	(63.4)
Key ratios (%)						(ppt)	(ppt)
Gross margin	5.8	5.9	2.1	4.5	4.6	0.1	(1.2)
SG&A / Sales	2.3	3.0	3.0	1.7	2.2	0.5	(0.1)
Operating margin	3.5	2.9	(0.8)	2.8	2.4	(0.4)	(1.2)
Net margin	3.7	2.7	2.1	1.6	1.6	(0.1)	(2.1)
Norm margin	3.3	2.7	2.1	1.6	1.6	(0.1)	(1.7)

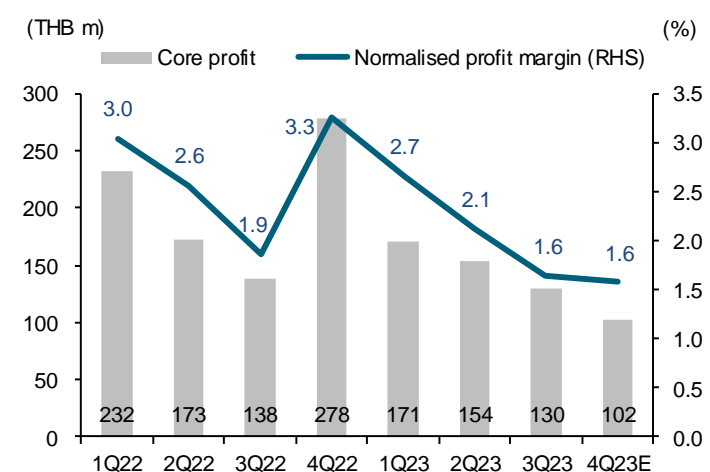
Sources: STEC; FSSIA estimates

Exhibit 9: Quarterly revenue and GPM



Sources: STEC; FSSIA estimates

Exhibit 10: Quarterly core profit and norm profit margin



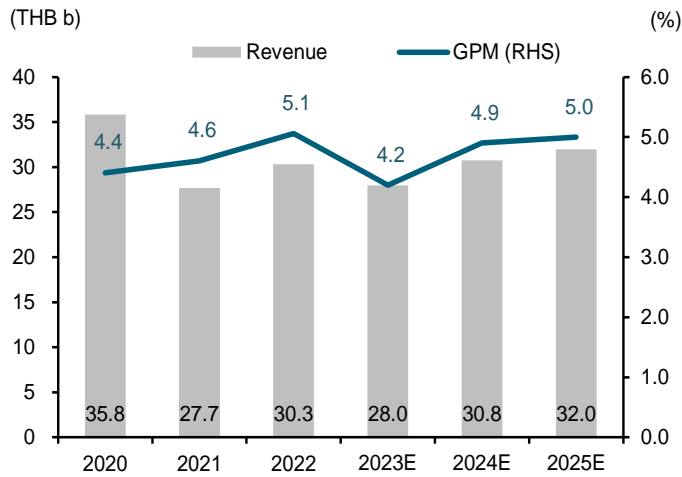
Sources: STEC; FSSIA estimates

Exhibit 11: Key assumptions for STEC

Assumptions	Actual	Forecast			% Growth		
	2022 (THB m)	2023E (THB m)	2024E (THB m)	2025E (THB m)	2023E (%)	2024E (%)	2025E (%)
Revenue	30,326	27,968	30,765	31,970	(7.8)	10.0	3.9
Costs	28,792	26,793	29,257	30,372	(6.9)	9.2	3.8
Gross profit	1,534	1,175	1,507	1,599	(23.4)	28.3	6.0
% Gross margin (%)	5.1	4.2	4.9	5.0	(0.9)	0.7	0.1
SG&A expense	779	684	706	734	(12.3)	3.3	3.9
% SG&A to sale (%)	2.6	2.4	2.3	2.3	(0.1)	(0.1)	0.0
Associates	34	-90	-320	-280	na	na	na
Net profit	857	554	605	708	(35.4)	9.4	17.0
% Net profit margin (%)	2.8	2.0	2.0	2.2	(0.8)	(0.0)	0.2
Core profit	821	554	605	708	(32.6)	9.4	17.0
% Normalised profit margin (%)	2.7	2.0	2.0	2.2	(0.7)	(0.0)	0.2

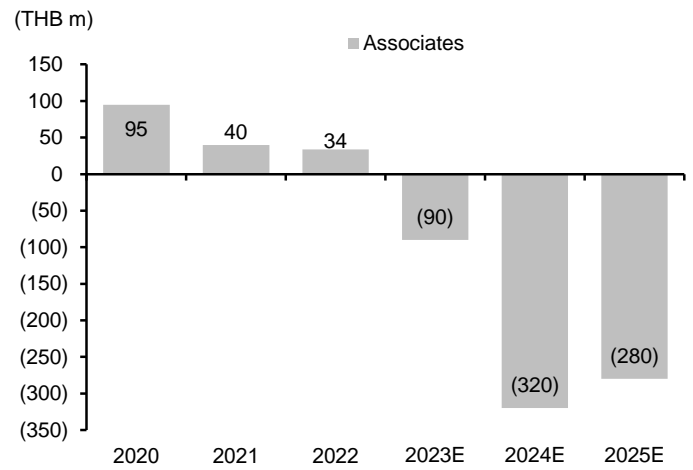
Source: FSSIA estimates

Exhibit 12: Yearly revenue and GPM



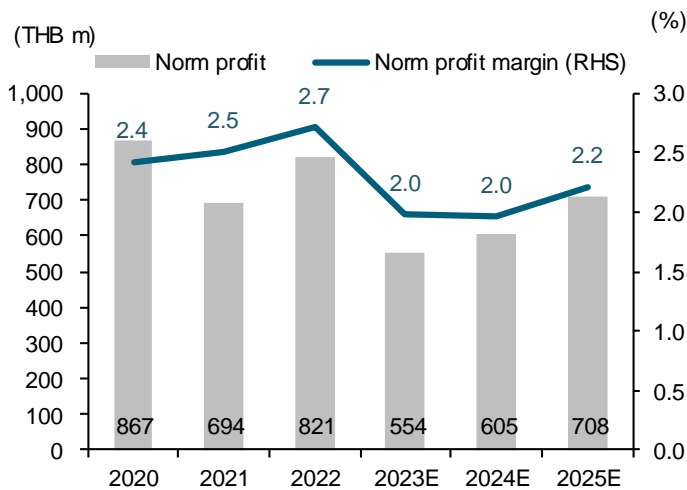
Sources: STEC; FSSIA estimates

Exhibit 13: Yearly share profit/loss from associates



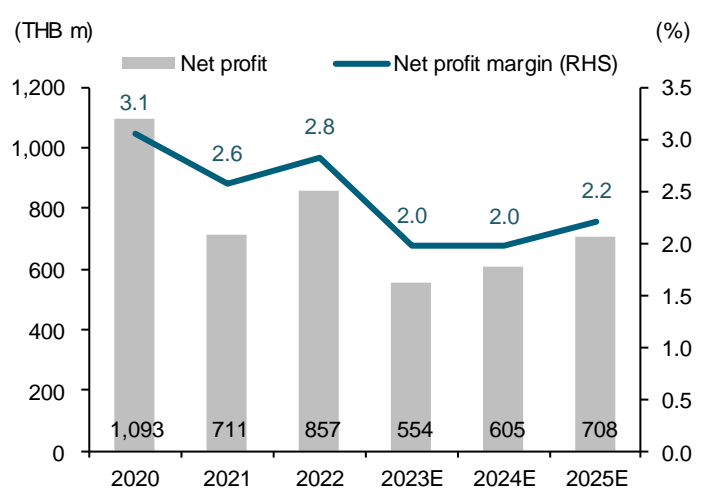
Sources: STEC; FSSIA estimates

Exhibit 14: Yearly norm profit and norm profit margin



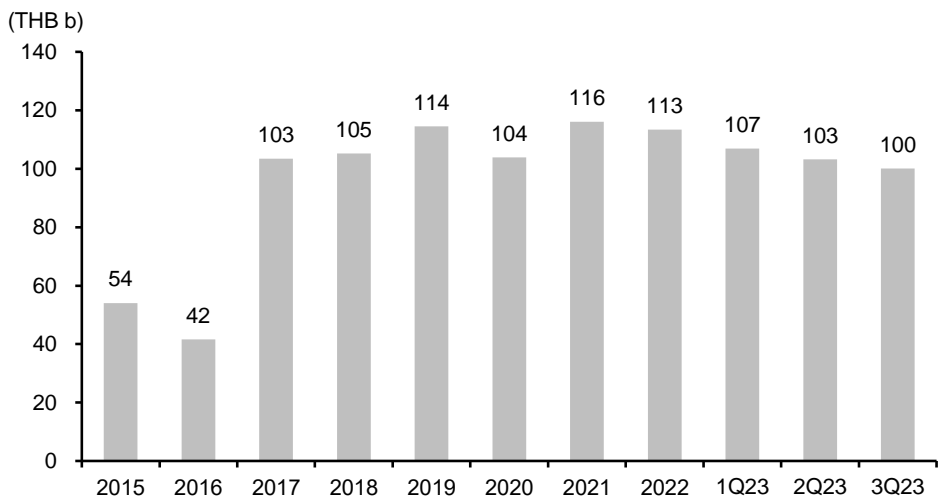
Sources: STEC; FSSIA estimates

Exhibit 15: Yearly net profit and net profit margin



Sources: STEC; FSSIA estimates

Exhibit 16: Backlog



Sources: STEC; FSSIA's compilation

Exhibit 17: Major projects in current backlog

Project	Project value (THB m)
Yellow line, EBM	22,017
Pink line, NBM	21,927
Double track Denchai 2,3	17,370
Purple Line Contract 1&2, MRTA	14,202
Pluakdaeng power plant, GULF	9,481
Morchit complex	8,553
Hinkong power plant	9,826
Double track Nongplalai-Huahin,SRT	7,028
Manhole and ductbank – Pink, Yellow, MEA	6,818
O&M Motorway M6, M81	6,459
Government center zone C, Dhanarak	5,837
Cable conversion for Pink, Yellow II, MEA	7,942
Cable conversion for Pink, Yellow I, MEA	7,103
Ayudhaya diversion canal, RID	3,429
Thai Oil clean fuel	2,441

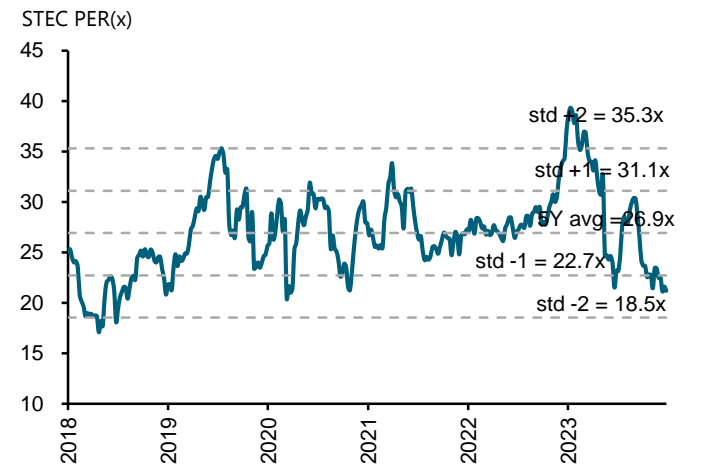
Sources: STEC; FSSIA's compilation

Exhibit 18: Targeted projects

Type of work	Project	Project owner	Contract value (THB m)	Project status
Motorway	Utraphimuk Elevated, Rangsit-Bang Pa-In (M5)	DOH	28,360	Propose the Cabinet in 1H24
	Srinakarin Elevated-Suvarnabhumi (M7)	DOH	4,508	Propose MOT in 1H24
	Bang Khun Thian-Bang Bua Thong (M9)	DOH	56,035	Propose the Cabinet in 1H24
Expressway	Expressway N2 (Prasertmanukit-Outer Ring Road East section)	EXAT	16,960	Propose the Cabinet in 1Q24
Electrified Train	Brown Line : Khae Rai-Lumsalee	MRTA	41,720	Propose the Cabinet in 1Q24
	Orange Line West : BangKhonnon-Minburi	MRTA	85,200	Bidding in progress
	Dark Red Line : Thammasart-Mahachai	SRT	6,468	Propose the Cabinet in 1Q24
	Light Red Line : Salaya-Hua Mark	SRT	15,364	Propose the Cabinet in 1Q24
Double Track Railway	Khon Kaen-Nong Khai section	SRT	29,748	Approved by the Cabinet
	Jira Junction-Ubonratchathani	SRT	37,527	Propose MOT in 1H24
Building	Data Center	Sino Thai Holding	1,800/Building	Expect to construct in beginning of 2024
	Others	Various	14,000	Expect to bid in 2024
Power & Energy	Renewable Energy Power Plants	Various	6,500	Expect to bid in 2024
Total			335,190	

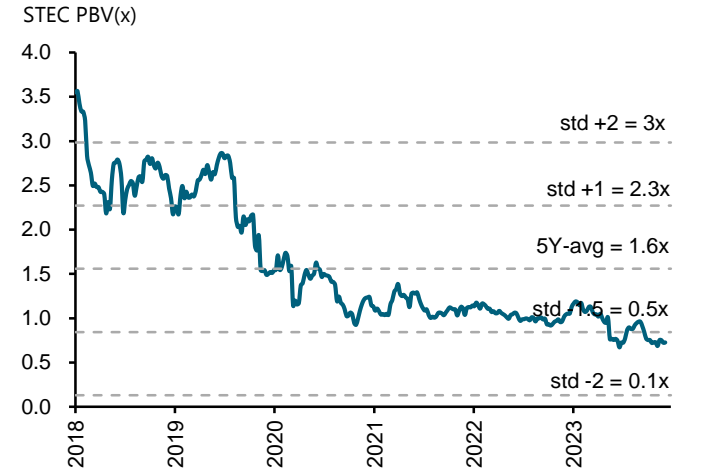
Sources: STEC; FSSIA's compilation

Exhibit 19: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 20: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 21: Peer comparisons as of 5 Jan 2024

Company	BBG	Rec	Rec profit growth		PE		DivYld		ROE		PBV		PE 5Y-avg
			23E (%)	24E (%)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)			
CH Karnchang	CK TB	BUY	62.7	29.7	26.5	20.5	1.6	2.0	5.9	7.3	1.5	1.5	64.4
Sino-Thai Engineering	STEC TB	HOLD	(32.6)	9.4	25.8	23.6	1.6	1.7	2.9	3.3	0.8	0.8	30.6
Pylon	PYLON TB	HOLD	(15.2)	3.1	21.9	21.3	4.2	3.8	8.9	9.1	1.9	1.9	30.6
Seafco	SEAFKO TB	BUY	(212.7)	4.5	13.5	12.9	4.2	3.9	10.2	10.1	1.3	1.3	19.2
Average			33	22	21.9	19.5	2.9	2.8	7.0	7.4	1.4	1.4	36.2

Source: FSSIA estimates

Financial Statements

Sino Thai Engineering & Construction

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	27,675	30,326	27,968	30,765	31,970
Cost of goods sold	(26,400)	(28,792)	(26,793)	(29,257)	(30,372)
Gross profit	1,275	1,534	1,175	1,507	1,599
Other operating income	-	-	-	-	-
Operating costs	(675)	(779)	(684)	(706)	(734)
Operating EBITDA	1,215	1,390	1,147	1,477	1,560
Depreciation	(615)	(635)	(655)	(675)	(695)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	600	754	491	801	865
Net financing costs	10	19	12	15	18
Associates	40	34	(90)	(320)	(280)
Recurring non-operating income	252	244	160	(66)	(2)
Non-recurring items	17	36	0	0	0
Profit before tax	878	1,054	663	750	881
Tax	(158)	(187)	(99)	(135)	(163)
Profit after tax	721	867	564	615	718
Minority interests	(10)	(9)	(10)	(10)	(10)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	711	857	554	605	708
Non-recurring items & goodwill (net)	(17)	(36)	0	0	0
Recurring net profit	694	821	554	605	708
Per share (THB)					
Recurring EPS *	0.46	0.54	0.36	0.40	0.46
Reported EPS	0.47	0.56	0.36	0.40	0.46
DPS	0.30	0.25	0.15	0.16	0.19
Diluted shares (used to calculate per share data)	1,525	1,525	1,525	1,525	1,525
Growth					
Revenue (%)	(22.8)	9.6	(7.8)	10.0	3.9
Operating EBITDA (%)	(19.0)	14.4	(17.5)	28.8	5.6
Operating EBIT (%)	(33.7)	25.7	(34.9)	63.2	7.9
Recurring EPS (%)	(20.0)	18.3	(32.6)	9.4	17.0
Reported EPS (%)	(35.0)	20.6	(35.4)	9.4	17.0
Operating performance					
Gross margin inc. depreciation (%)	4.6	5.1	4.2	4.9	5.0
Gross margin exc. depreciation (%)	6.8	7.2	6.5	7.1	7.2
Operating EBITDA margin (%)	4.4	4.6	4.1	4.8	4.9
Operating EBIT margin (%)	2.2	2.5	1.8	2.6	2.7
Net margin (%)	2.5	2.7	2.0	2.0	2.2
Effective tax rate (%)	18.0	17.8	15.0	18.0	18.5
Dividend payout on recurring profit (%)	65.9	46.4	40.0	40.0	40.0
Interest cover (X)	(86.3)	(52.8)	(54.3)	(49.0)	(46.9)
Inventory days	6.7	5.2	5.7	5.3	5.4
Debtor days	119.3	108.0	122.2	111.5	114.6
Creditor days	348.9	336.7	353.8	324.7	339.5
Operating ROIC (%)	(16.4)	(10.8)	(7.0)	(12.8)	(11.8)
ROIC (%)	4.2	4.7	3.1	3.3	3.5
ROE (%)	4.4	4.5	2.9	3.3	3.7
ROA (%)	1.5	1.7	1.1	1.3	1.4
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Construction	27,613	30,265	27,903	30,695	31,900
Sales and service	62	61	65	70	70

Sources: Sino Thai Engineering & Construction; FSSIA estimates

Financial Statements

Sino Thai Engineering & Construction

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	694	821	554	605	708
Depreciation	615	635	655	675	695
Associates & minorities	-	-	-	-	-
Other non-cash items	17	36	0	0	0
Change in working capital	1,149	2,140	(2,587)	1,835	429
Cash flow from operations	2,476	3,633	(1,378)	3,116	1,833
Capex - maintenance	-	-	-	-	-
Capex - new investment	(510)	(143)	(902)	(935)	(968)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(3,706)	(2,584)	2,435	(3,664)	(976)
Cash flow from investing	(4,216)	(2,727)	1,533	(4,598)	(1,944)
Dividends paid	(284)	(343)	(221)	(242)	(283)
Equity finance	0	0	0	0	0
Debt finance	(268)	(105)	19	20	21
Other financing cash flows	2,834	2,477	(2,131)	262	118
Cash flow from financing	2,281	2,029	(2,334)	39	(144)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	541	2,935	(2,179)	(1,444)	(255)
Free cash flow to firm (FCFF)	(1,706.71)	926.01	182.92	(1,453.90)	(81.27)
Free cash flow to equity (FCFE)	825.40	3,278.39	(1,957.41)	(1,201.47)	27.92
Per share (THB)					
FCFF per share	(1.12)	0.61	0.12	(0.95)	(0.05)
FCFE per share	0.54	2.15	(1.28)	(0.79)	0.02
Recurring cash flow per share	0.87	0.98	0.79	0.84	0.92
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	9,228	9,689	10,174	10,683	11,217
Less: Accumulated depreciation	(3,797)	(4,751)	(4,989)	(5,238)	(5,500)
Tangible fixed assets (net)	5,431	4,938	5,185	5,444	5,717
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	20,876	23,370	20,976	24,612	25,576
Cash & equivalents	4,057	6,993	4,814	3,370	3,115
A/C receivable	8,180	9,772	8,950	9,845	10,230
Inventories	374	421	392	431	448
Other current assets	7,472	4,975	5,314	5,845	6,074
Current assets	20,084	22,160	19,469	19,491	19,867
Other assets	231	321	280	308	320
Total assets	46,622	50,790	45,910	49,855	51,480
Common equity	17,079	19,592	18,319	18,682	19,107
Minorities etc.	288	297	307	317	327
Total shareholders' equity	17,367	19,889	18,626	18,999	19,434
Long term debt	480	376	394	414	435
Other long-term liabilities	2,584	3,052	2,517	2,769	2,877
Long-term liabilities	3,064	3,428	2,912	3,183	3,312
A/C payable	25,053	26,895	23,773	27,073	28,134
Short term debt	650	324	300	300	300
Other current liabilities	489	253	300	300	300
Current liabilities	26,191	27,472	24,373	27,673	28,734
Total liabilities and shareholders' equity	46,622	50,790	45,910	49,855	51,480
Net working capital	(9,515)	(11,981)	(9,418)	(11,252)	(11,681)
Invested capital	17,023	16,649	17,023	19,112	19,931
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	11.20	12.85	12.01	12.25	12.53
Tangible book value per share	11.20	12.85	12.01	12.25	12.53
Financial strength					
Net debt/equity (%)	(16.9)	(31.6)	(22.1)	(14.0)	(12.2)
Net debt/total assets (%)	(6.3)	(12.4)	(9.0)	(5.3)	(4.6)
Current ratio (x)	0.8	0.8	0.8	0.7	0.7
CF interest cover (x)	(134.4)	(179.9)	88.9	18.8	(53.1)
Valuation					
Recurring P/E (x) *	20.5	17.4	25.8	23.6	20.1
Recurring P/E @ target price (x) *	22.0	18.6	27.5	25.2	21.5
Reported P/E (x)	20.1	16.6	25.8	23.6	20.1
Dividend yield (%)	3.2	2.7	1.6	1.7	2.0
Price/book (x)	0.8	0.7	0.8	0.8	0.7
Price/tangible book (x)	0.8	0.7	0.8	0.8	0.7
EV/EBITDA (x) **	9.6	5.9	9.1	8.1	7.8
EV/EBITDA @ target price (x) **	10.4	6.7	10.0	8.7	8.5
EV/invested capital (x)	0.7	0.5	0.6	0.6	0.6
* Pre-exceptional, pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non-operating income					

Sources: Sino Thai Engineering & Construction; FSSIA estimates

Sino-Thai Engineering & Construction (STEC TB)

FSSIA ESG rating

★ ★ ★

39.73 /100

Exhibit 22: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 23: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
CK	38.06	--	--	--	5.00	4.00	--	High	50.15	BB	--	43.93	22.00	2.13	43.16
ITD	14.63	--	--	--	4.00	4.00	--	Severe	--	--	--	--	13.00	--	--
STEC	39.73	--	--	--	5.00	5.00	--	Severe	62.52	BBB	--	36.51	22.00	1.64	37.87
SYNTEC	36.38	--	--	Y	5.00	5.00	Certified	--	53.14	--	--	37.86	--	--	--
NWR	24.97	--	--	--	4.00	5.00	Certified	--	47.79	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 24: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.38	1.44	1.46	1.40	1.39	1.45	1.64	1.64
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.00	0.00	0.40	0.40
BESG social pillar score	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
BESG governance pillar score	3.66	3.99	4.09	3.77	3.72	4.05	3.75	3.77
ESG disclosure score	31.84	31.84	31.84	31.84	33.23	34.06	37.88	37.87
Environmental disclosure score	0.00	0.00	0.00	0.00	0.00	0.00	1.66	1.66
Social disclosure score	14.24	14.24	14.24	14.24	18.41	18.41	19.44	19.41
Governance disclosure score	81.10	81.10	81.10	81.10	81.10	83.59	92.35	92.35
Environmental								
Emissions reduction initiatives	No	No	No	No	No	No	No	No
Climate change policy	No	No	No	No	No	No	No	No
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	No	Yes	Yes
GHG scope 1	—	—	—	—	—	—	—	—
GHG scope 2 location-based	—	—	—	—	—	—	—	—
GHG Scope 3	—	—	—	—	—	—	—	—
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	No	No	No	No	No	No	No	No
Total energy consumption	—	—	—	—	—	—	—	—
Renewable energy use	—	—	—	—	—	—	—	—
Electricity used	—	—	—	—	—	—	—	—
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 25: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	No	No	No	No	No	No	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	—	—	—	—	—	—	—	—
Waste recycled	—	—	—	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No	No	No	No
Water policy	No	No	No	No	No	No	Yes	Yes
Water consumption	—	—	—	—	—	—	—	—
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	No	No	No
Quality assurance and recall policy	No	No	No	No	No	No	Yes	Yes
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	—	—	—	—	—	—	—	36
Pct disabled in workforce	—	—	—	—	—	—	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	—
Total recordable incident rate - employees	—	—	—	—	—	—	—	—
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	1,287	1,231	1,377	1,513	1,652	1,754	1,720	1,665
Employee turnover pct	—	—	—	—	—	—	—	—
Total hours spent by firm - employee training	29,963	31,138	41,280	49,015	54,589	7,708	33,490	29,664
Social supply chain management	No	No	No	No	No	No	No	No
Governance								
Board size	12	12	12	12	11	11	11	11
No. of independent directors (ID)	7	7	7	7	6	7	7	7
No. of women on board	1	1	1	1	1	1	1	1
No. of non-executive directors on board	8	8	8	8	8	8	8	8
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	4	5	7	5	10	8	7	4
Board meeting attendance pct	96	100	98	98	89	100	99	100
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	39	40	41	42	43	44	45	51
Age of the oldest director	71	72	73	75	76	77	77	78
No. of executives / company managers	20	20	21	20	17	20	20	20
No. of female executives	4	4	5	5	4	5	5	5
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	5	6	7	5	8	8	11	5
Audit meeting attendance %	100	100	100	100	97	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	2	2	2	2	2	2	2	2
No. of compensation committee meetings	3	2	3	2	2	3	3	3
Compensation meeting attendance %	100	100	100	100	100	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	3	2	3	2	2	3	3	3
Nomination meeting attendance %	100	100	100	100	100	100	100	100
Sustainability governance								
Verification type	No	No	No	No	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > 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.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating 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.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td>Leader:</td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td>Average:</td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570			A	5.714-7.142			BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285			B	1.429-2.856			CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

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**"; 2) "**AGM Level**"; 3) "**Thai CAC**"; and 4) "**THSI**". The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.
Source: FSSIA's compilation

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Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

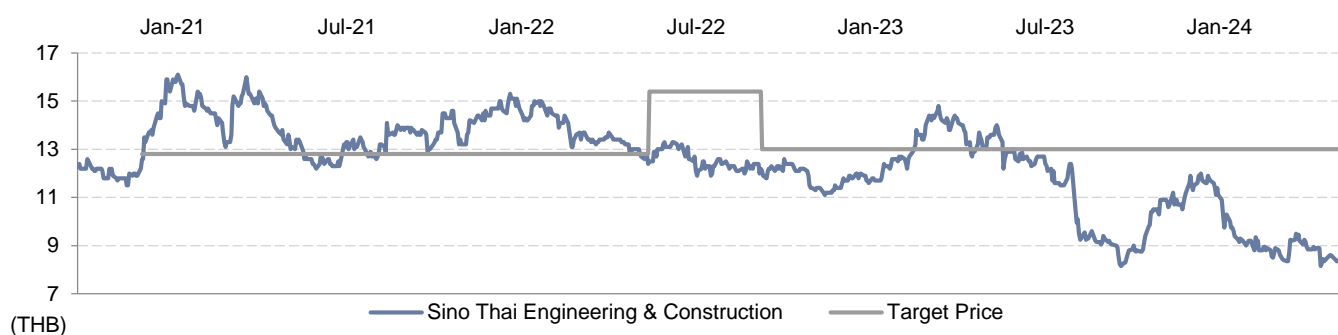
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History of change in investment rating and/or target price

Sino Thai Engineering & Construction (STEC TB)



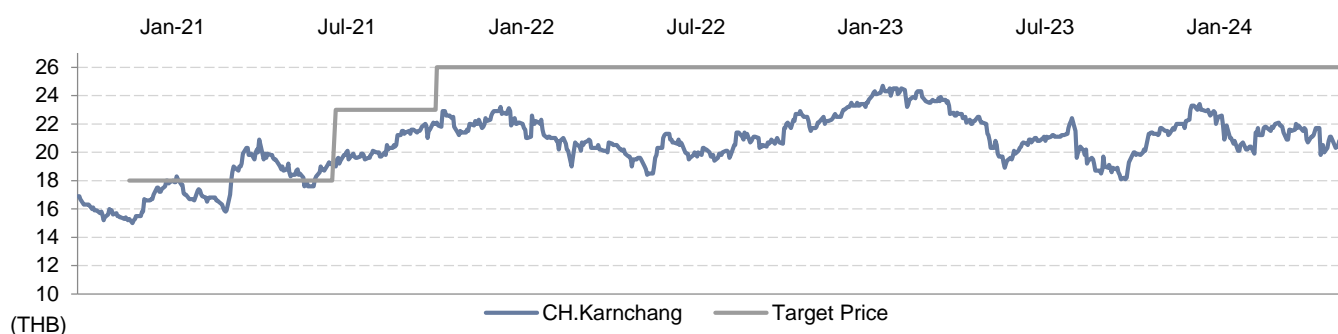
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
01-Mar-2021	HOLD	12.80	12-May-2022	BUY	15.40	17-Aug-2022	HOLD	13.00

Thanyatorn Songwutti started covering this stock from 05-Jan-2024

Price and TP are in local currency

Source: FSSIA estimates

CH.Karnchang (CK TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
18-Feb-2021	BUY	18.00	13-Aug-2021	BUY	23.00	10-Nov-2021	BUY	26.00

Thanyatorn Songwutti started covering this stock from 11-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

Pylon (PYLON TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
14-Jun-2023	HOLD	3.80	27-Nov-2023	HOLD	2.70	-	-	-

Thanyatorn Songwutti started covering this stock from 14-Jun-2023

Price and TP are in local currency

Source: FSSIA estimates

Seafoo (SEAFKO TB)

Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
04-Apr-2023	BUY	4.70	04-Dec-2023	BUY	3.80	-	-	-

Thanyatorn Songwutti started covering this stock from 04-Apr-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating
Sino Thai Engineering & Construction	STEC TB	THB 9.35	HOLD
CH.Karnchang	CK TB	THB 22.50	BUY
Pylon	PYLON TB	THB 2.76	HOLD
Seafoo	SEAFKO TB	THB 2.74	BUY

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.

All share prices are as at market close on 05-Jan-2024 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.