

SINO THAI ENGINEERING & CONSTRUCTION

THAILAND / CONSTRUCTION SERVICES

STEC TB

HOLD

UNCHANGED

TARGET PRICE	THB10.00
CLOSE	THB9.70
UP/DOWNSIDE	+3.1%
PRIOR TP	THB10.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-10.1%

2024 set to recover from a low base

- STEC sets a 2024 revenue target of THB30-31b, slightly up y-y, in line with our estimate. However, an expected increase in private contracts should support GPM to recover to over 5%.
- STEC targets THB40-50b in additional contracts, signaled by faster budget disbursement.
- Maintain a TP of THB10 (PER 25x) and HOLD rating due to a limited upside.

2024 targets: Modest revenue growth with a GPM recovery

STEC sets a 2024 revenue target of THB30-31b, close to our estimate and slightly up from THB29.6b in 2023. On the negative side, the U-Tapao airport project will begin works later than previously thought in mid-2024, resulting in revenue realization of only THB3b this year since it needs to wait for clarity of the high-speed rail project linking three airports. However, a THB5b solar power plant project would help offset it. STEC targets a gross margin of over 5% from 4.4% in 2023, in line with private contracts. They have higher margins than public ones. It would help offset maintenance expenses on the Bueng Nong Bon drainage tunnel project, which should be close to THB200-300m in 2023. STEC is claiming them back and will reverse them upon receipt from the insurance company.

A bullish outlook from new auctions with a target of THB40-50b additional contracts

STEC currently has a backlog of THB96b, including the THB27b U-Tapao airport project, which does not have a starting date yet. However, the auction outlook improves due to the push on the 2024 fiscal budget. STEC targets THB40-50b additional contracts this year (vs. THB12b in 2023) with 1H24 highlights including the Chatuchote-Lumlukka expressway (THB19b) with expected auctions in April and the Khon Kaen - Nong Khai double-track project (THB29b) with expected auctions in 2Q24. Management anticipates a success rate of 20-25%. In 2H24, it expects progress of several projects, such as double-tracks, expressways, motorways, the Red Line, and private projects, such as a Gulf power plant.

Restructuring to a holding company by 3Q24

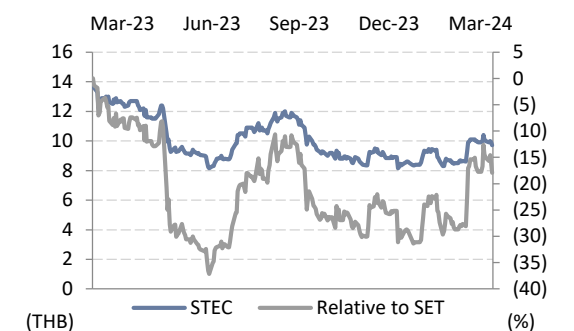
STEC is pressing on with its plan to become more than just a construction company by expanding investments in recurring businesses. It will set up a holding company through a 1:1 share swap with its existing shareholders. They approved the motion on February 15, and STEC should complete the process by 3Q24. It will start by investing in a 60% stake in a data center. STEC is in talks with two potential customers and should begin realizing revenue from January 2026. Besides, it is conducting a feasibility study on a waste-to-energy power plant. However, we believe it needs to wait for clarity from a new investment plan.

Retain a TP of THB10 and HOLD rating on a limited upside

We maintain our 2024E profit of THB604m, up 14% y-y due to a low base. It assumes revenue growth of 4% y-y to THB31b, a conservative gross margin of 4.9%, and a more substantial loss sharing from associates after the Yellow and Pink Lines run for the whole year. We retain a TP of THB10 and our HOLD call on a limited upside. Also, we expect the 1Q24 profit to decrease y-y.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Revenue	29,598	30,765	31,970	32,667
Net profit	528	604	694	765
EPS (THB)	0.35	0.40	0.46	0.50
vs Consensus (%)	-	2.0	(1.9)	(9.9)
EBITDA	1,270	1,627	1,694	1,749
Recurring net profit	504	604	694	765
Core EPS (THB)	0.33	0.40	0.46	0.50
Chg. In EPS est. (%)	nm	(0.2)	(2.0)	nm
EPS growth (%)	(38.6)	19.8	14.9	10.2
Core P/E (x)	29.3	24.5	21.3	19.3
Dividend yield (%)	1.8	2.0	2.3	2.6
EV/EBITDA (x)	12.8	11.0	10.6	10.7
Price/book (x)	0.8	0.8	0.8	0.8
Net debt/Equity (%)	6.1	14.7	14.6	18.4
ROE (%)	2.7	3.4	3.8	4.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	11.5	9.6	(30.2)
Relative to country (%)	13.8	10.1	(17.7)
Mkt cap (USD m)	416		
3m avg. daily turnover (USD m)	1.5		
Free float (%)	66		
Major shareholder	Charnvirakul family (24%)		
12m high/low (THB)	14.10/7.95		
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.

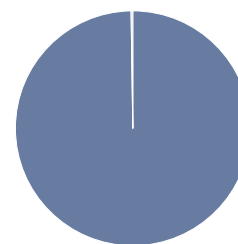
Company profile

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, 2023)

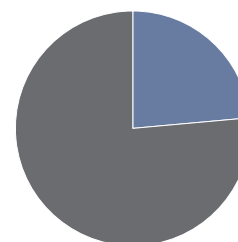
- Construction - 99.8 %
- Sales and service - 0.2 %



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
May 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Revenue (THB m)	30,765	31,970	32,667
GPM (%)	4.9	5.0	5.1
SG&A to revenue (%)	2.3	2.4	2.4
Associates (THB m)	-280	-220	-160

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

Weak 4Q23 profit, pressured by high SG&A

STEC reported a 4Q23 net profit of THB74m (-43% q-q, -77% y-y) due mainly to higher-than-expected SG&A expenses of THB292m (+114% q-q, +48% y-y) from employee bonuses. Excluding an extra gain of THB23m from fair value adjustment of investment properties, the core profit amounted to THB50m (-61% q-q, -82% y-y).

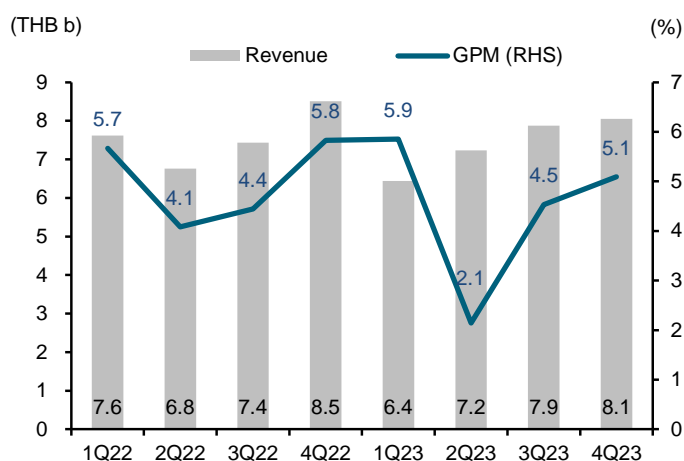
Construction revenue came in at THB8b (+2% q-q, -5% y-y) due mainly to the realization from the South Purple Line, the Sriracha power plant, the Mo Chit complex, and O&M works of motorways. The gross margin recovered to 5.1% from 4.5% in 3Q23 due to a higher revenue mix of high-margin power plant projects but still lower than 5.8% in 4Q22 due to compensation expenses related to an accident at the Bueng Nong Bon drainage tunnel project. Interest expenses jumped to THB22m (from THB9m in 3Q23 and THB4m in 4Q22) following a higher drawdown to support the new investment plan. The loss-sharing from the Pink and Yellow Lines of THB51m was close to 3Q23. For the year ended 2023, the net and core profit amounted to THB528m (-38% y-y) and THB504m (-39% y-y), respectively.

Exhibit 1: STEC - 4Q23 results summary

	4Q22	1Q23	2Q23	3Q23	4Q23	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	8,053	2.2	(5.4)
Cost of sales	8,013	6,061	7,076	7,519	7,643	1.6	(4.6)
Gross profit	496	377	155	357	410	15.0	(17.3)
SG&A	197	191	216	137	292	113.6	47.9
Operating profit	299	186	(60)	220	118	(46.2)	(60.3)
Other income	60	36	179	15	32	104.8	(46.9)
Interest expense	4	5	7	9	22	136.7	510.4
Tax expense	(72)	(43)	9	(41)	(27)	(33.3)	(62.4)
Associates	(2)	(1)	36	(54)	(51)	na	na
Reported net profit	314	171	154	130	74	(43.2)	(76.6)
Core profit	278	171	154	130	50	(61.2)	(81.9)
Key ratios (%)						(ppt)	(ppt)
Gross margin	5.8	5.9	2.1	4.5	5.1	0.6	(0.7)
SG&A / Sales	2.3	3.0	3.0	1.7	3.6	1.9	1.3
Operating margin	3.5	2.9	(0.8)	2.8	1.5	(1.3)	(2.0)
Net margin	3.7	2.7	2.1	1.6	0.9	(0.7)	(2.8)
Norm margin	3.3	2.7	2.1	1.6	0.6	(1.0)	(2.6)

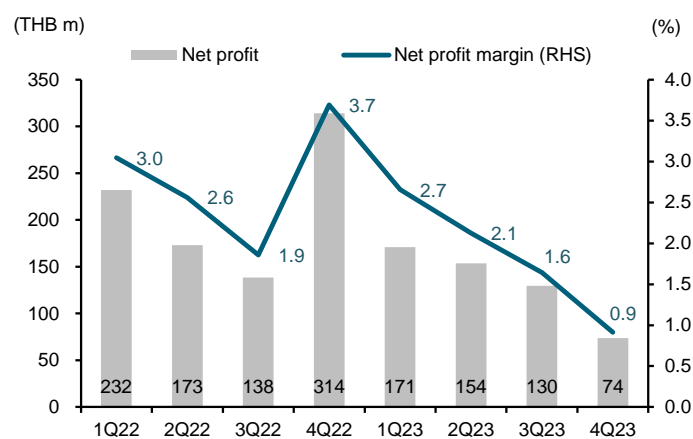
Sources: STEC; FSSIA's compilation

Exhibit 2: Quarterly revenue and GPM



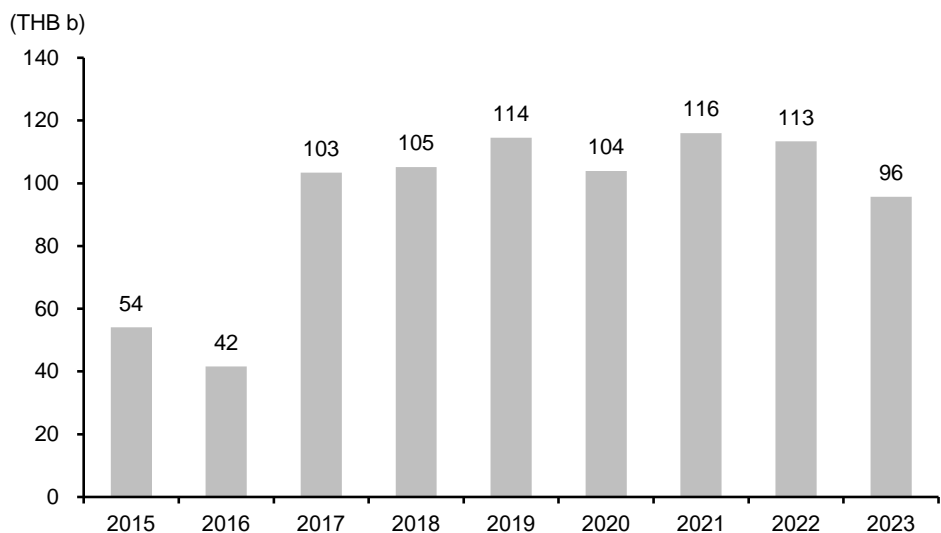
Sources: STEC; FSSIA's compilation

Exhibit 3: Quarterly net profit and net profit margin



Sources: STEC; FSSIA's compilation

Exhibit 4: Backlog



Sources: STEC; FSSIA's compilation

Exhibit 5: Targeted projects total THB368b

Type of work	Project	Project owner	Contract value (THB m)	Project status
Motorway	Utraphimuk Elevated, Rangsit-Bang Pa-In (M5)	DOH	28,360	Proposing the Cabinet and expect to open for bidding in 2024
	The Intercity Motorway No.7-Extension to U-Tapao Airport (M7)	DOH	4,508	
	Bang Khun Thian-Bang Bua Thong (M9)	DOH	56,035	
Expressway	Expressway N2 (Prasertmanukit-Outer Ring Road East section)	EXAT	16,960	Further studying and plan to open for bidding in 2024
	Expressway Chatuchote-Lam Luk Ka	EXAT	19,000	Expect to open for bidding in April 2024
Electrified Train	Brown Line : Khae Rai-Lumsalee	MRTA	41,720	Expect to propose to the Cabinet in 2Q25
	Orange Line West : BangKhonnon-Minburi	MRTA	85,200	Bidding in progress
	Dark Red Line : Thammasart-Mahachai	SRT	6,468	Proposing the Cabinet and expect to open for bidding in 2024
	Light Red Line : Salaya-Hua Mark	SRT	15,364	
Double Track Railway	Khon Kaen-Nong Khai section	SRT	29,748	Approved by the Cabinet
	Jira Junction-Ubonratchathani	SRT	37,527	Expect to open for bidding in 2024
Building	Data Center	DC Power BN1	7,200	Expect 1 st phase in 2H24
	Others	Various	14,000	Expect to bid in 2024
Power & Energy	Renewable Energy Power Plants	Various	6,000	Expect to bid in 1H24

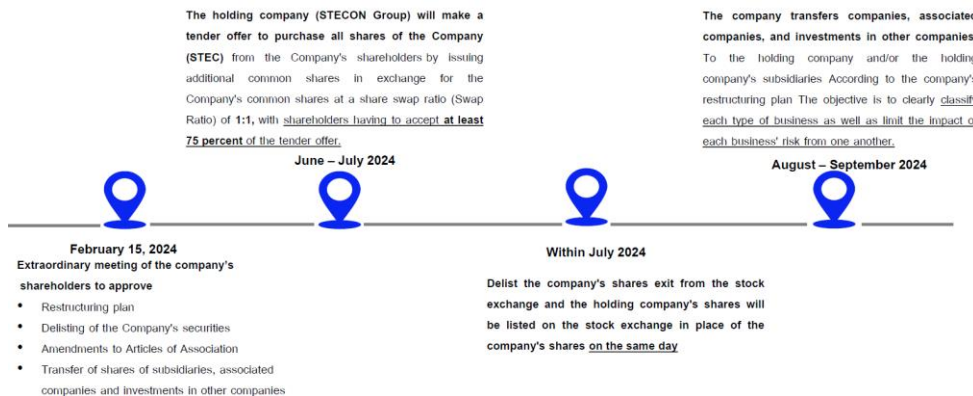
Sources: STEC; FSSIA's compilation

Exhibit 6: Structure after the implementation of the restructuring plan



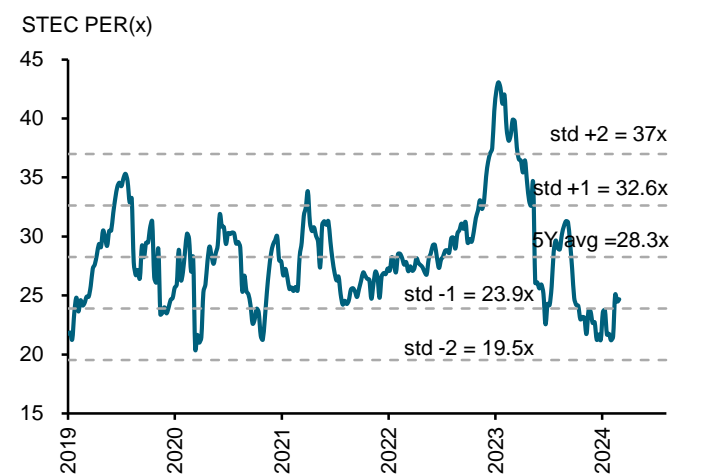
Source: STEC

Exhibit 7: Restructuring timeline



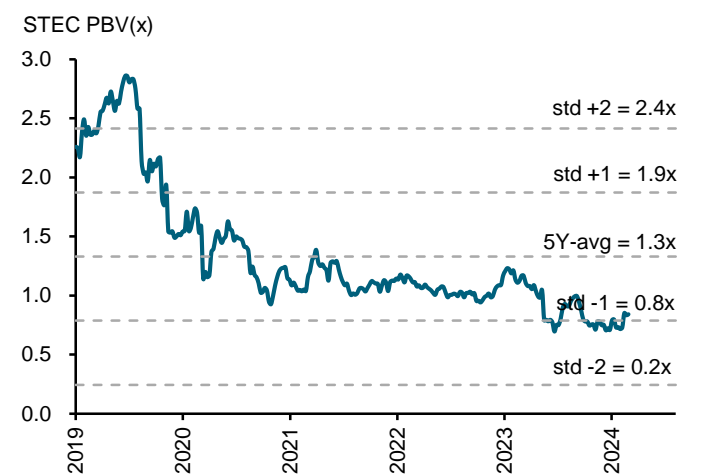
Source: STEC

Exhibit 8: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Sino Thai Engineering & Construction

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Revenue	30,326	29,598	30,765	31,970	32,667
Cost of goods sold	(28,792)	(28,299)	(29,257)	(30,372)	(31,001)
Gross profit	1,534	1,299	1,507	1,599	1,666
Other operating income	-	-	-	-	-
Operating costs	(779)	(834)	(706)	(750)	(782)
Operating EBITDA	1,793	1,270	1,627	1,694	1,749
Depreciation	(1,038)	(805)	(825)	(845)	(865)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	754	464	801	849	884
Net financing costs	19	(1)	(38)	(37)	(38)
Associates	34	(70)	(280)	(220)	(160)
Recurring non-operating income	244	151	(27)	36	99
Non-recurring items	36	23	0	0	0
Profit before tax	1,054	637	736	848	945
Tax	(187)	(102)	(122)	(144)	(170)
Profit after tax	867	536	614	704	775
Minority interests	(9)	(8)	(10)	(10)	(10)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	857	528	604	694	765
Non-recurring items & goodwill (net)	(36)	(23)	0	0	0
Recurring net profit	821	504	604	694	765
Per share (THB)					
Recurring EPS *	0.54	0.33	0.40	0.46	0.50
Reported EPS	0.56	0.35	0.40	0.46	0.50
DPS	0.30	0.17	0.20	0.23	0.25
Diluted shares (used to calculate per share data)	1,525	1,525	1,525	1,525	1,525
Growth					
Revenue (%)	9.6	(2.4)	3.9	3.9	2.2
Operating EBITDA (%)	47.5	(29.2)	28.1	4.1	3.3
Operating EBIT (%)	25.7	(38.4)	72.6	5.9	4.2
Recurring EPS (%)	18.3	(38.6)	19.8	14.9	10.2
Reported EPS (%)	20.6	(38.5)	14.5	14.9	10.2
Operating performance					
Gross margin inc. depreciation (%)	5.1	4.4	4.9	5.0	5.1
Gross margin exc. depreciation (%)	8.5	7.1	7.6	7.6	7.7
Operating EBITDA margin (%)	5.9	4.3	5.3	5.3	5.4
Operating EBIT margin (%)	2.5	1.6	2.6	2.7	2.7
Net margin (%)	2.7	1.7	2.0	2.2	2.3
Effective tax rate (%)	17.8	16.0	16.6	17.0	18.0
Dividend payout on recurring profit (%)	55.7	52.3	50.0	50.0	50.0
Interest cover (X)	(52.8)	566.9	20.4	24.2	25.9
Inventory days	5.2	7.4	9.0	8.9	9.0
Debtor days	108.0	124.3	125.5	121.7	119.2
Creditor days	341.6	319.5	278.5	279.2	281.8
Operating ROIC (%)	(10.8)	(9.8)	(114.5)	(73.6)	14.8
ROIC (%)	4.7	2.6	2.7	3.0	(0.8)
ROE (%)	4.5	2.7	3.4	3.8	4.1
ROA (%)	1.7	1.0	1.3	1.5	1.5
* Pre-exceptional, pre-goodwill and fully diluted					
Revenue by Division (THB m)					
Construction	30,265	29,527	30,695	31,900	32,577
Sales and service	61	71	70	70	90

Sources: Sino Thai Engineering & Construction; FSSIA estimates

Financial Statements

Sino Thai Engineering & Construction

Cash Flow (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Recurring net profit	821	504	604	694	765
Depreciation	1,038	805	825	845	865
Associates & minorities	-	-	-	-	-
Other non-cash items	36	23	0	0	0
Change in working capital	2,140	(2,001)	744	1,382	675
Cash flow from operations	4,036	(668)	2,173	2,921	2,306
Capex - maintenance	-	-	-	-	-
Capex - new investment	(545)	(574)	(1,060)	(1,092)	(1,125)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	(2,584)	1,585	(2,170)	(1,205)	(1,251)
Cash flow from investing	(3,129)	1,011	(3,230)	(2,297)	(2,375)
Dividends paid	(343)	(211)	(242)	(278)	(306)
Equity finance	0	0	0	0	0
Debt finance	(105)	(111)	13	14	15
Other financing cash flows	2,477	(2,771)	118	109	67
Cash flow from financing	2,029	(3,093)	(110)	(155)	(224)
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
Net other adjustments	0	0	0	0	0
Movement in cash	2,935	(2,751)	(1,167)	469	(294)
Free cash flow to firm (FCFF)	926.01	385.82	(975.00)	708.36	18.33
Free cash flow to equity (FCFE)	3,278.39	(2,539.46)	(925.84)	746.10	12.08
Per share (THB)					
FCFF per share	0.61	0.25	(0.64)	0.46	0.01
FCFE per share	2.15	(1.67)	(0.61)	0.49	0.01
Recurring cash flow per share	1.24	0.87	0.94	1.01	1.07
Balance Sheet (THB m) Year Ending Dec					
Tangible fixed assets (gross)	9,689	10,174	10,683	11,217	11,778
Less: Accumulated depreciation	(4,751)	(5,467)	(5,740)	(6,027)	(6,328)
Tangible fixed assets (net)	4,938	4,707	4,942	5,190	5,449
Intangible fixed assets (net)	0	0	0	0	0
Long-term financial assets	0	0	0	0	0
Invest. in associates & subsidiaries	23,370	21,342	23,476	24,650	25,882
Cash & equivalents	6,993	4,242	3,075	3,543	3,249
A/C receivable	9,772	10,386	10,768	10,550	10,780
Inventories	421	698	708	735	751
Other current assets	4,975	5,309	5,538	5,755	5,880
Current assets	22,160	20,636	20,088	20,583	20,661
Other assets	321	764	800	831	849
Total assets	50,790	47,449	49,306	51,254	52,841
Common equity	19,592	17,701	18,064	18,480	18,939
Minorities etc.	297	371	381	391	401
Total shareholders' equity	19,889	18,072	18,445	18,871	19,340
Long term debt	376	265	278	292	307
Other long-term liabilities	3,052	2,415	2,523	2,622	2,679
Long-term liabilities	3,428	2,680	2,801	2,914	2,985
A/C payable	26,895	21,244	22,151	23,018	23,520
Short term debt	324	5,082	5,500	6,000	6,500
Other current liabilities	253	373	410	451	496
Current liabilities	27,472	26,698	28,060	29,469	30,516
Total liabilities and shareholders' equity	50,790	47,449	49,306	51,254	52,841
Net working capital	(11,981)	(5,222)	(5,548)	(6,429)	(6,605)
Invested capital	16,649	21,591	23,671	24,241	25,576
* Includes convertibles and preferred stock which is being treated as debt					
Per share (THB)					
Book value per share	12.85	11.61	11.84	12.12	12.42
Tangible book value per share	12.85	11.61	11.84	12.12	12.42
Financial strength					
Net debt/equity (%)	(31.6)	6.1	14.7	14.6	18.4
Net debt/total assets (%)	(12.4)	2.3	5.5	5.4	6.7
Current ratio (x)	0.8	0.8	0.7	0.7	0.7
CF interest cover (x)	(201.2)	(1,810.8)	4.5	51.2	30.9
Valuation					
Recurring P/E (x) *	18.0	29.3	24.5	21.3	19.3
Recurring P/E @ target price (x) *	18.6	30.2	25.2	22.0	19.9
Reported P/E (x)	17.3	28.0	24.5	21.3	19.3
Dividend yield (%)	3.1	1.8	2.0	2.3	2.6
Price/book (x)	0.8	0.8	0.8	0.8	0.8
Price/tangible book (x)	0.8	0.8	0.8	0.8	0.8
EV/EBITDA (x) **	4.9	12.8	11.0	10.6	10.7
EV/EBITDA @ target price (x) **	5.2	13.2	11.3	10.9	11.0
EV/invested capital (x)	0.5	0.8	0.8	0.7	0.7
* 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 10: 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 11: 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 12: 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 13: 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 (50-59), 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 Sustainability	The Sustainability's 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.																				
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.	<table border="1"> <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> <p>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.</p>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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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"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">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> </tr> <tr> <td>B</td> <td>1.429-2.856</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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

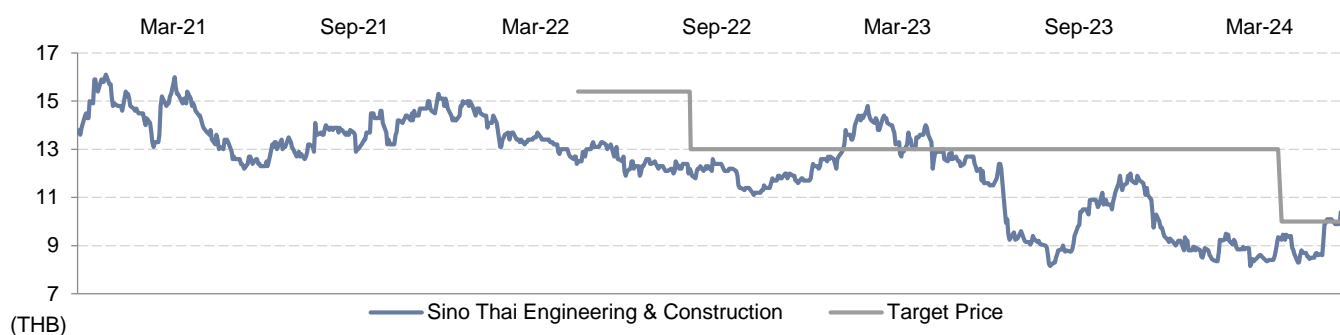
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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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
12-May-2022	BUY	15.40	17-Aug-2022	HOLD	13.00	05-Jan-2024	HOLD	10.00

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

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Sino Thai Engineering & Construction	STEC TB	THB 9.70	HOLD	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.

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 07-Mar-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.