COMPANY UPDATE

Stecon Group (STECON TB)

On Track To Achieve New Orders, Optimistic About Core Operations In 2H25

STECON remains on track to achieve its 2025 new order target of Bt50b. Management also maintains revenue growth guidance and its gross margin target for the year. We are optimistic about the core operations, with the 2H25 outlook expected to outpace that of 2H24. We have revised up our 2025 earnings forecast by 49% to reflect the insurance claim booked in 2Q25. Maintain BUY. Target price: Bt9.00.

WHAT'S NEW

- **Analyst meeting after 2Q25 results.** We attended Stecon Group's (STECON) analyst meeting to review its 2Q25 results and update its business outlook.

STOCK IMPACT

- **On track for Bt50b in new orders.** The company remains on track to achieve its Bt50b new order target for 2025, with about Bt26b already secured. The company continues to focus on both private and public projects. Management expects to secure new orders from private sector worth Bt31b, of which two data centre projects worth Bt26b which are expected to be finalised in 4Q25. The private projects are expected to offset delayed project biddings in public projects.

- **Management reaffirms 2025 targets.** Management maintains revenue growth guidance of 5-10% yoy and a gross margin target of 7%. In 2H25, construction progress is expected to accelerate from 1H25, supported by ongoing projects such as solar power plants, the MRT Orange Line (West), MRT Purple Line, Double Track (Denchai–Chiang Khong), and data centres.

- **Expect 2H25 earnings to increase yoy.** 2H25 earnings are expected to improve yoy and recover from a net loss in the prior year, supported by a solid outlook for the construction business, as well as the absence of share losses from the Yellow and Pink Lines and additional costs. However, the earnings are expected to decline hoh, given the high base in 1H25 from dividend income and an insurance claim.

- **Update on U-Tapao Airport project (UTA).** The project is awaiting cabinet approval of the Eastern Economic Corridor (EEC) board to negotiate a contract adjustment related to the three-airport high-speed train project, scheduled for 26 Aug 25 before the deadline of 29 Aug 25. If the deadline is missed, UTA does not intend to extend it and will seek compensation for project delays of about Bt5b. Excluding the Bt27b UTA project, STECON's backlog is expected to remain above Bt100b in 2025.

KEY FINANCIALS

Year to 31 Dec (Btm)	2023	2024	2025F	2026F	2027F
Net turnover	29,598	30,005	33,357	34,359	35,392
EBITDA	1,419	(5)	2,638	2,308	2,370
Operating profit	614	(761)	1,994	1,644	1,686
Net profit (rep./act.)	528	(2,357)	1,380	1,174	1,210
Net profit (adj.)	504	(1,268)	980	1,174	1,210
EPS (Bt)	0.3	(0.8)	0.6	0.8	0.8
PE (x)	18.4	n.a.	9.5	7.9	7.7
P/B (x)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (x)	8.8	n.a.	4.7	5.4	5.3
Dividend yield (%)	4.9	0.0	4.9	4.9	4.9
Net margin (%)	1.8	(7.9)	4.1	3.4	3.4
Net debt/(cash) to equity (%)	3.7	28.3	16.4	19.5	12.0
Interest cover (x)	1,308.5	(0.0)	11.2	9.8	10.0
ROE (%)	2.8	(13.4)	7.9	6.6	6.5
Consensus net profit	-	-	1,002	1,095	1,115
UOBKH/Consensus (x)	-	-	0.98	1.07	1.09

Source: Sino-Thai Engineering & Construction, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt6.10
Target Price	Bt9.00
Upside	+47.5%

COMPANY DESCRIPTION

STECON operates as a holding company with core businesses in construction contracting, utilities and power, and logistics and transportation.

STOCK DATA

GICS sector	Industrials
Bloomberg ticker:	STECON TB
Shares issued (m):	1,502.1
Market cap (Btm):	9,162.7
Market cap (US$m):	281.0
3-mth avg daily t'over (US$m):	1.2

Price Performance (%)

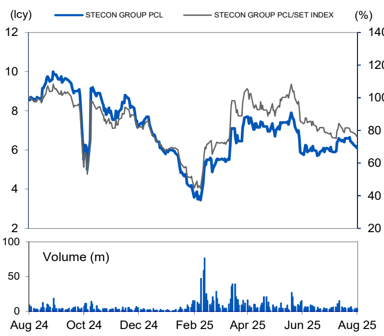
52-week high/low Bt10.20/Bt3.38

1mth	3mth	6mth	1yr	YTD
0.8	(12.9)	45.2	(27.4)	(20.8)

Major Shareholders	%
C.T.Venture Company Limited	19.3
UBS AG SINGAPORE BRANCH	10.6
P.P. GLOBAL WEALTH	5.08

FY25 NAV/Share (Bt)	11.42
FY25 Net Cash/Share (Bt)	1.87

PRICE CHART



Source: Bloomberg

ANALYST(S)

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2Q25 RESULTS RECAP

Year to 31 Dec (Btm)	2Q24	1Q25	2Q25	yoy %	qoq %	1H24	1H25	yoy %
Revenue	8,457	6,526	8,789	3.9	34.7	14,941	15,316	2.5
Operating EBIT	197	513	659	234.5	28.6	379	1,172	209.1
Equity income	-166	-136	-22	86.9	84.0	312	158	(49.4)
Core profit	139	273	116	(16.9)	(57.5)	268	388	44.9
Net profit	25	342	512	n.a.	49.9	37	854	n.a.
Percent	2Q24	1Q25	2Q25	yoy ppt	qoq ppt	1H24	1H25	yoy %
Gross margin	2.8	7.6	11.7	9.0	4.1	4.1	10.0	5.9
SG&A to sales	2.9	3.2	4.2	1.4	1.1	0.6	0.4	(0.3)
EBIT margin	2.3	7.9	7.5	5.2	(0.4)	2.5	7.7	5.1
Net margin	0.3	5.2	5.8	5.5	0.6	0.2	5.6	5.3

Source: STECON, UOB Kay Hian

- **2Q25 earnings in line with our expectations.** STECON posted a net profit of Bt512m in 2Q25 (2Q24: Bt25m; 1Q25: Bt342m), in line with our expectations and consensus forecasts. Revenue rose by 4% yoy and 35% qoq, driven by construction progress in ongoing projects such as solar power plant projects and MRT Orange Line (West). Gross margin remained healthy at 7.2%, above the company's target. However, SG&A expenses increased significantly due to higher costs in a JV project and employee expenses. Another key earnings driver was the Bt400m insurance claim received from the Bueng Nong Bon Drainage Tunnel project. In addition, share of loss narrowed to Bt22m (vs -Bt136m in 1Q25), mainly due to accounting changes in Yellow and Pink Line projects, with equity investments measured at fair value through Other Comprehensive Income (OCI).

EARNINGS REVISION/RISK

- **We have revised up our 2025 earnings forecast** by 49% to reflect the insurance claim booked in 2Q25, and normalised profit by 6% to reflect changes in assumptions due to better-than-expected gross margin.
- **Risks:** Lower-than-expected margins, construction delays.

VALUATION/RECOMMENDATION

- **Maintain BUY with a target price of Bt9.00.** The target price is based on a forward P/B multiple of 0.8x or -1SD from its five-year mean. We are optimistic about core operations in 2H25, with earnings expected to improve yoy. We continue to like STECON for its potential to secure new orders and achieve its target, supporting earnings visibility.

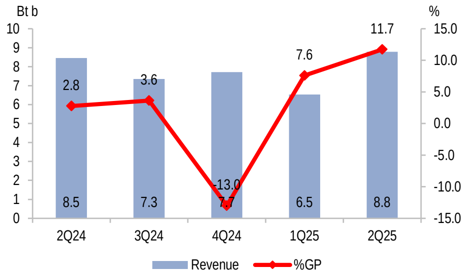
SHARE PRICE CATALYST

- New project bidding and additional backlog from winning new projects.
- Progress on mega projects by government.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

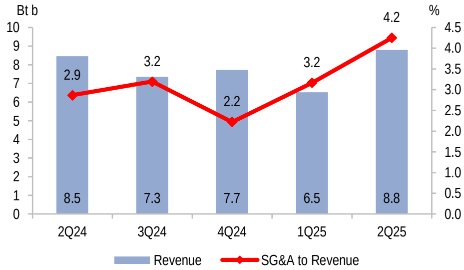
CG Report: 5 **SET ESG Rating: AA**
• **Environmental**
– STECON follows environmental laws and regulations. The company prioritises reducing greenhouse gas emissions and using sustainable environmental technology. STECON also trains its employees to participate in environmental operations and conservation.
• **Social**
– STECON is committed to social responsibility. The company supports education, disaster relief, community engagement, and environmental conservation.
• **Governance**
– STECON focuses on enterprise risk management to integrate risk management into strategic planning. STECON follows Thai and international standards for risk management in governance, strategy, performance, review, and information communication.

REVENUE AND GROSS PROFIT MARGIN



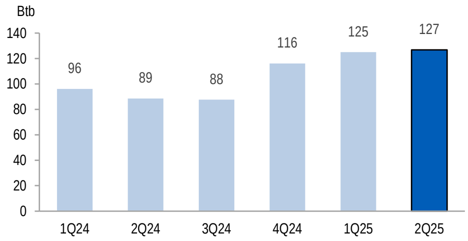
Source: STECON, UOB Kay Hian

REVENUE AND SG&A-TO-REVENUE



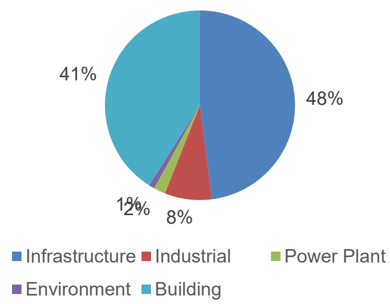
Source: STECON, UOB Kay Hian

STEC BACKLOG



Source: STECON, UOB Kay Hian

BACKLOG BY TYPE OF WORK



Source: STECON, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Net turnover	30,005	33,357	34,359	35,392
EBITDA	(5)	2,638	2,308	2,370
Deprec. & amort.	755	644	663	683
EBIT	(761)	1,994	1,644	1,686
Total other non-operating income	(986)	130	100	100
Associate contributions	(584)	(204)	(88)	(88)
Net interest income/(expense)	(125)	(236)	(236)	(236)
Pre-tax profit	(2,456)	1,683	1,420	1,462
Tax	68	(283)	(226)	(233)
Minorities	31	(20)	(20)	(20)
Net profit	(2,357)	1,380	1,174	1,210
Net profit (adj.)	(1,268)	980	1,174	1,210

BALANCE SHEET

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Fixed assets	10,292	11,157	11,314	11,475
Other LT assets	21,143	18,198	19,785	25,922
Cash/ST investment	2,591	4,496	3,777	5,079
Other current assets	17,490	19,778	20,372	20,502
Total assets	51,516	53,629	55,248	62,978
ST debt	6,908	6,908	6,908	6,908
Other current liabilities	23,247	25,844	26,461	33,540
LT debt	610	438	438	438
Other LT liabilities	2,908	2,562	2,639	2,719
Shareholders' equity	17,411	17,424	18,329	18,881
Minority interest	432	452	472	492
Total liabilities & equity	51,516	53,629	55,248	62,978

CASH FLOW

Year to 31 Dec (Btm)	2024	2025F	2026F	2027F
Operating	(1,494)	2,254	1,680	8,661
Pre-tax profit	(2,456)	1,683	1,420	1,462
Tax	68	(283)	(226)	(233)
Deprec. & amort.	755	644	663	683
Working capital changes	(249)	(579)	(173)	304
Non-cash items	332	889	196	6,645
Other operating cashflows	(529)	(304)	(288)	(288)
Investing	(4,884)	1,090	(2,330)	(6,902)
Capex (growth)	(1,372)	(1,509)	(820)	(844)
Investments	(3,078)	3,134	(3,105)	(6,126)
Others	(434)	(535)	1,594	68
Financing	4,720	(1,439)	(69)	(458)
Dividend payments	(229)	(229)	(458)	(458)
Proceeds from borrowings	2,617	(172)	0	0
Others/interest paid	2,332	(1,038)	389	0
Net cash inflow (outflow)	(1,658)	1,905	(719)	1,302
Beginning cash & cash equivalent	4,249	2,591	4,496	3,777
Ending cash & cash equivalent	2,591	4,496	3,777	5,079

KEY METRICS

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	(0.0)	7.9	6.7	6.7
Pre-tax margin	(8.2)	5.0	4.1	4.1
Net margin	(7.9)	4.1	3.4	3.4
ROA	(4.8)	2.6	2.2	2.0
ROE	(13.4)	7.9	6.6	6.5
Growth				
Turnover	1.4	11.2	3.0	3.0
EBITDA	n.a.	n.a.	(12.5)	2.7
Pre-tax profit	n.a.	n.a.	(15.6)	3.0
Net profit	n.a.	n.a.	(15.0)	3.1
Net profit (adj.)	n.a.	n.a.	19.8	3.1
EPS	n.a.	n.a.	19.8	3.1
Leverage				
Debt to total capital	29.6	29.1	28.1	27.5
Debt to equity	43.2	42.2	40.1	38.9
Net debt/(cash) to equity	28.3	16.4	19.5	12.0
Interest cover (x)	(0.0)	11.2	9.8	10.0

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