KGI

ALERT Thailand

Somboon Technology Advance

(SAT.BK/SAT TB)

Outperform · Maintained

Price as of 13 May 2021	19.00
12M target price (Bt/shr)	24.50
Unchanged / Revised up (down) (%)	Unchanged
Upside/downside (%)	28.9

Key messages

SAT reported a 1Q21 net profit of Bt321mn (+66% YoY, +33% QoQ). The result was 28% above our expectation due to a higher-than-expected top-line and gross profit margin. Overall, SAT's top-line outperformed the auto industry growth due to new orders received and 20% of revenue being diversified to the resilient agriculture tractor business. We foresee potential upside to our 2021-22F earnings projections. We maintain a rating of Outperform with a target price of Bt24.50.

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1Q21 earnings review: Beat our expectation by 28%

Event

1Q21 earnings review.

Impact

Top-line jumped 21% YoY and 25% QoQ

SAT reported 1Q21 sales of Bt2.2bn (+21% YoY, +25% QoQ). Key supports came from: i) recovery in the automobile industry (Thailand's car production grew 3% YoY in 1Q21 to 465,833 units), and ii) Thailand's agriculture tractor market jumping 53% YoY and 15% QoQ to around 28,000 units. In addition, SAT received additional revenue from axle shaft orders (exporting axle shafts to North America) worth around Bt75mn in 1Q21, which boded well to support the top-line growth prospect.

Net profit in 1Q21 beat our expectation by 28%

SAT reported a 1Q21 net profit of Bt321mn (+66% YoY, +33% QoQ). The result was 28% above our expectation due to a higher-than-expected top-line and gross profit margin.

Key drivers for the performance in 1Q21 came from: i) strong top-line growth, and ii) gross margin hitting a multi-year high of 21.1% (+2.8ppts YoY, +0.4ppts QoQ) due to achieving economies of scale as well as implementing cost saving programs. However, SG&A-to-sales ratio inched up 0.1ppts YoY to 8.9% as several business activities have resumed such as R&D expense. The 1Q21 net profit accounted for 44% of our full-year forecast and we foresee potential upside to our 2021-22F earnings projections.

Valuation & Action

We believe SAT will continue to enjoy the recovery cycle of Thailand's automobile industry. Earnings are likely to have passed the cyclical trough and are on the path to recovery. We maintain a rating of Outperform with a target price of Bt24.50, based on 2022F 11.8x PE or +0.5SD to its long-term mean.

Risks

Weakening economic conditions.

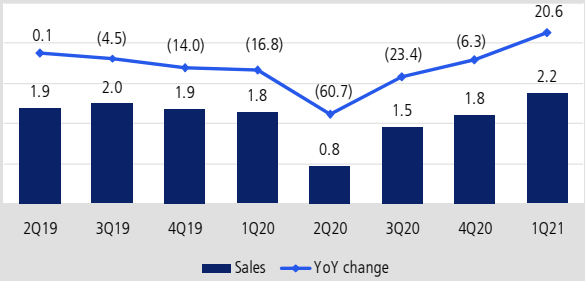
Figure 1: SAT's 1Q21 earnings review

Bt mn	1Q21	1Q20	YoY (%)	4Q20	QoQ (%)	2021F	2020	YoY (%)
Total revenue	2,208	1,831	20.6	1,768	24.9	6,812	5,883	15.8
Gross Profit	466	335	38.8	366	27.3	1,286	891	44.3
SG&A	197	161	22.9	172	14.9	(668)	(615)	8.5
Operating EBIT	303	208	45.9	234	29.4	777	419	85.3
Operating EBITDA	448	364	23.2	389	15.3	1,407	1,039	35.4
Pre-tax Profit	302	205	47.2	232	29.9	773	412	87.7
Net Profit	**321**	**193**	**66.3**	**240**	**33.4**	**720**	**371**	**94.1**
Normalized profit	**314**	**193**	**62.7**	**241**	**30.2**	**720**	**371**	**94.3**
Percent	**1Q21**	**1Q20**	**YoY (ppts)**	**4Q20**	**QoQ (ppts)**	**2021F**	**2020**	**YoY (ppts)**
Total gross margin	21.1	18.3	2.8	20.7	0.4	18.9	15.1	3.7
EBIT margin	13.7	11.3	2.4	13.2	0.5	11.4	7.1	4.3
SG&A/sales	8.9	8.8	0.2	9.7	(0.8)	9.8	10.5	(0.7)

Source: Company data, KGI Research

Figure 2: Quarterly revenue

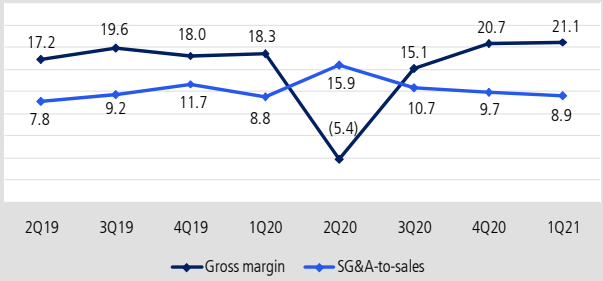
Total revenue, Btbn; YoY change, percent



Source: Company data, KGI Research

Figure 3: Quarterly margins

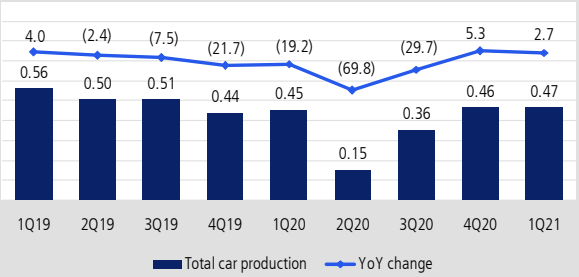
Percent



Source: Company data, KGI Research

Figure 4: Thailand's total car production

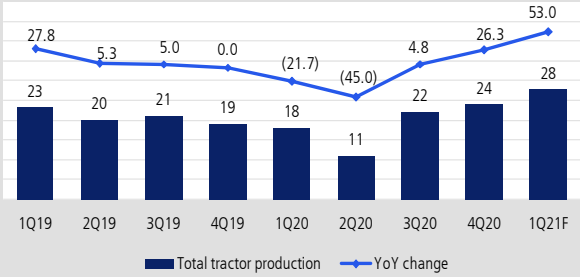
Total car production, mn; YoY change, percent



Source: Company data, KGI Research

Figure 5: Thailand's argriculture tractor production

Tractor production, thousands; YoY change, percent



Source: Company data, KGI Research

Corporate Governance Report of Thai Listed Companies

Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	INTUCH	SHIN CORPORATION	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
ADVANC	ADVANCED INFO SERVICE	IRPC	IRPC	ROBINS	ROBINSON DEPARTMENT STORE
AMA	AMA MARINE	IVL	INDORAMA VENTURES	RS	RS
AMATA	AMATA CORPORATION	KBANK	KASIKORNBANK	SCB	THE SIAM COMMERCIAL BANK
ANAN	ANANDA DEVELOPMENT	KCE	KCE ELECTRONICS	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	KKP	KIATNAKIN BANK	SCCC	SIAM CITY CEMENT
AP	ASIAN PROPERTY DEVELOPMENT	KTB	KRUNG THAI BANK	SCN	SCAN INTER
BANPU	BANPU	KTC	KRUNGTHAI CARD	SEAFCO	SEAFCO
BCP	THE BANGCHAK PETROLEUM	LH	LAND AND HOUSES	SPALI	SUPALAI
BCPG	BCPG	LPN	L.P.N. DEVELOPMENT	SPRC	STAR PETROLEUM REFINING
BTS	BTS GROUP HOLDINGS	MAKRO	SIAM MAKRO	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CK	CH. KARNCHANG	MBK	MBK	SVI	SVI
CKP	CK POWER	MINT	MINOR INTERNATIONAL	TCAP	THANACHART CAPITAL
CPALL	CP ALL	MONO	MONO TECHNOLOGY	THAI	THAI AIRWAYS INTERNATIONAL
CPN	CENTRAL PATTANA	MTC	MUANGTHAI CAPITAL	THCOM	THAICOM
DELTA	DELTA ELECTRONICS (THAILAND)	NYT	NAMYONG TERMINAL	TISCO	TISCO FINANCIAL GROUP
DTAC	TOTAL ACCESS COMMUNICATION	PLANB	PLAN B MEDIA	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	PSH	PRUKSA HOLDING	TOA	TOA PAINT (THAILAND)
GFPT	GFPT	PTT	PTT	TOP	THAI OIL
GPSC	GLOBAL POWER SYNERGY	PTTEP	PTT EXPLORATION AND PRODUCTION	TRUE	TRUE CORPORATION
GUNKUL	GUNKUL ENGINEERING	PTTGC	PTT GLOBAL CHEMICAL	WHA	WHA CORPORATION
HANA	HANA MICROELECTRONICS	PYLON	PYLON	WHAUP	WHA UTILITIES AND POWER
HMPRO	HOME PRODUCT CENTER	QH	QUALITY HOUSES		

Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
BA	BANGKOK AIRWAYS	COM7	COM7	MEGA	MEGA LIFESCIENCES
BBL	BANGKOK BANK	DCC	DYNASTY CERAMIC	NOK	NOK AIRLINES
BDMS	BANGKOK DUSIT MEDICAL SERVICES	EPG	EASTERN POLYMER GROUP	OSP	OSOTSPA
BEC	BEC WORLD	ERW	THE ERAWAN GROUP	SAPPE	SAPPE
BEM	BANGKOK EXPRESSWAY AND METRO	FPT	FRASERS PROPERTY (THAILAND)	SAWAD	SRISAWAD POWER 1979
BGRIM	B.GRIMM POWER	GLOBAL	SIAM GLOBAL HOUSE	SIRI	SANSIRI
BPP	BANPU POWER	GLOW	GLOW ENERGY	TFG	THAIFOODS GROUP
CBG	CARABAO GROUP	GULF	GULF ENERGY DEVELOPMENT	TKN	TAOKAENOI FOOD & MARKETING
CENTEL	CENTRAL PLAZA HOTEL	M	MK RESTAURANT GROUP	TWPC	THAI WAH
CHG	CHULARAT HOSPITAL	MAJOR	MAJOR CINEPLEX GROUP		

Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	ESSO	ESSO (THAILAND)	TPCH	TPC POWER HOLDING
BH	BUMRUNGRAD HOSPITAL	LPH	LADPRAO GENERAL HOSPITAL	WORK	WORKPOINT ENTERTAINMENT
CMAN	CHEMEMAN	SF	SIAM FUTURE DEVELOPMENT		
EKH	EKACHAI MEDICAL CARE	SQ	SAHAKOL EQUIPMENT		

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
UNIQ	UNIQUE ENGINEERING AND CONSTRUCTION	ZEN	ZEN CORPORATION GROUP		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	GLOBAL	SIAM GLOBAL HOUSE	QH	QUALITY HOUSES
ANAN	ANANDA DEVELOPMENT	GPSC	GLOBAL POWER SYNERGY	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BBL	BANGKOK BANK	HMPRO	HOME PRODUCT CENTER	ROBINS	ROBINSON DEPARTMENT STORE
BCH	BANGKOK CHAIN HOSPITAL	IRPC	IRPC	SCC	THE SIAM CEMENT
BDMS	BANGKOK DUSIT MEDICAL SERVICES	KBANK	KASIKORNBANK	SIRI	SANSIRI
BIGC	BIG C SUPERCENTER	KCE	KCE ELECTRONICS	SPALI	SUPALAI
CK	CH. KARNCHANG	KKP	KIATNAKIN BANK	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
DCC	DYNASTY CERAMIC	KTB	KRUNG THAI BANK	TCAP	THANACHART CAPITAL
DELTA	DELTA ELECTRONICS (THAILAND)	LPH	LADPRAO GENERAL HOSPITAL	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	PACE	PACE DEVELOPMENT CORPORATION	TMT	THAI METAL TRADE
EGCO	ELECTRICITY GENERATING	PTT	PTT	TOP	THAI OIL
GFPT	GFPT	PTTGC	PTT GLOBAL CHEMICAL		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	ERW	THE ERAWAN GROUP	SAPPE	SAPPE
AP	ASIAN PROPERTY DEVELOPMENT	GLOW	GLOW ENERGY	SAWAD	SRISAWAD POWER 1979
BA	BANGKOK AIRWAYS	GUNKUL	GUNKUL ENGINEERING	SCB	THE SIAM COMMERCIAL BANK
BANPU	BANPU	ILINK	INTERLINK COMMUNICATION	SCN	SCAN INTER
BCP	THE BANGCHAK PETROLEUM	KTC	KRUNGTHAI CARD	SEAFCO	SEAFCO
BH	BUMRUNGRAD HOSPITAL	LH	LAND AND HOUSES	SVI	SVI
BJCHI	BJC HEAVY INDUSTRIES	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CBG	CARABAO GROUP	MAKRO	SIAM MAKRO	TKN	TAOKAENOI FOOD & MARKETING
CENTEL	CENTRAL PLAZA HOTEL	MALEE	MALEE SAMPRAN	TMB	TMB BANK
CHG	CHULARAT HOSPITAL	MINT	MINOR INTERNATIONAL	TRT	TIRATHAI
CKP	CK POWER	MODERN	MODERNFORM GROUP	TRUE	TRUE CORPORATION
CPF	CHAROEN POKPHAND FOODS	NOK	NOK AIRLINES	TVO	THAI VEGETABLE OIL
CPN	CENTRAL PATTANA	PTTEP	PTT EXPLORATION AND PRODUCTION		
DTAC	TOTAL ACCESS COMMUNICATION	PYLON	PYLON		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
BEM	BANGKOK EXPRESSWAY AND METRO	MTLS	MUANGTHAI LEASING	SPRC	STAR PETROLEUM REFINING
CPALL	CP ALL	SCI	SCI ELECTRIC		

No progress

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	BPP	BANPU POWER	FN	FN FACTORY OUTLET
BCPG	BCPG	BTS	BTS GROUP HOLDINGS	TPCH	TPC POWER HOLDING

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company . The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

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KGI's Ratings

Rating	**Definition**
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. *Excess return = 12M target price/current price-*
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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