Stecon Group (STECON TB)

2Q26 Results Preview: Earnings Supported By GULF Dividend And Improving Construction Activities

HOLD (Maintained)	
Share Price	Bt17.90
Target Price	Bt20.00
Upside	11.75%
Previous TP	Bt10.80

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Highlights

- We expect STECON to post a net profit of Bt896m, rising 74.8% yoy and 155.4% qoq.
- Revenue from construction is likely to continue growing while dividend from GULF should drive the bottom line in 2Q26.
- Maintain BUY with a target price of Bt20.00 (previously Bt10.80).

2Q26 Results Preview

Year to 31 Dec (Btm)	2Q26F	1Q26	2Q25	qoq chg (%)	yoy chg (%)
Revenue from construction	9,172	7,217	8,719	27.1%	5.2%
Total revenue	9,252	7,294	8,789	26.8%	5.3%
Gross profit	675	571	632	18.1%	6.7%
Dividend income	736	0	0		
Equity income	(30)	(30)	(22)	-1.2%	35.4%
Core profit	187	174	104	7.8%	79.6%
Net profit	896	351	512	155.4%	74.8%
Percent	2Q26F	1Q26	2Q25		
Gross margin	7.3%	7.8%	7.2%		
SG&A % to sales	3.4%	4.1%	4.2%		
EBIT margin	3.9%	3.8%	2.9%		
Net profit margin	9.7%	4.8%	5.8%		

Source: STECON, UOB Kay Hian

Analysis

- **Earnings to increase yoy and qoq.** We expect Stecon Group (STECON) to report a net profit of Bt896m, up 74.8% yoy and 155.4% qoq. The increase is mainly driven by dividend income from Gulf Energy Development (GULF), totalling Bt736m. Excluding dividend income and equity income, we expect STECON to report a core profit of Bt187m (+79.6% yoy, +7.8% qoq).
- **Revenue likely to improve yoy and qoq.** Construction revenue is forecast to increase 5.2% yoy and 27.1% qoq, supported by ongoing projects. Meanwhile, revenue from sales and services is expected to reach Bt62m, up 20.0% yoy and 4.0% qoq. Total revenue should come in at Bt9.23b (+5.3% yoy, +26.8% qoq).

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	30,004.9	33,473.0	36,152.5	38,193.9	39,989.4
EBITDA	(5.2)	2,300.8	2,942.2	2,643.9	2,864.4
Operating profit	(760.7)	1,557.9	2,104.5	1,827.4	1,986.4
Net profit (rep./act.)	(2,357.4)	1,948.1	1,616.3	1,382.4	1,474.0
Net profit (adj.)	(1,034.9)	866.5	960.0	1,129.6	1,160.6
EPS	(1.6)	1.3	1.1	0.9	1.0
PE (x)	(11.6)	14.0	16.9	19.8	18.5
P/B (x)	1.6	1.6	1.5	1.4	1.4
EV/EBITDA (x)	(6,273.8)	14.3	11.0	12.4	11.4
Dividend yield (%)	n.a	n.a	n.a	n.a	n.a
Net margin (%)	(7.9)	5.8	4.5	3.6	3.7
Net debt/(cash) to equity(%)	29.5	31.6	26.0	26.4	25.7
Interest cover (x)	0.0	9.6	12.2	10.1	10.0
Consensus net profit	n.a	n.a	1,627.8	1,321.0	1,400.3
UOBKH/Consensus (x)	n.a	n.a	1.0	1.4	1.0

Source: Stecon Group, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Industrials
Bloomberg ticker:	STECON TB
Shares issued (m):	1,519.1
Market cap (Btm):	26,887.7
Market cap (US$m):	813.4
3-mth avg daily t'over (US$m):	12.1

Price Performance (%)

52-week high/low: Bt19.80/Bt5.25

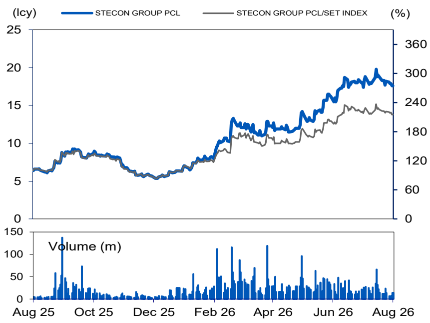
1mth	3mth	6mth	1yr	YTD
(1.7)	26.4	121.2	174.4	178.7

Major Shareholders	%
C.T. Venture Company Limited	19.62
UBS AG SINGAPORE BRANCH	10.53
Thai NVDR Company Limited	5.97

Balance Sheet Metrics

FY26 NAV/Share (Bt)	11.7
FY26 Net Debt/Share (Bt)	3.0

Price Chart



Source: Bloomberg

Company Description

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

- **2Q26 gross margin should remain in line with the target of above 7%.** We expect gross margin to decline qoq to 7.3% in 2Q26, mainly due to the impact of higher fuel prices. Nevertheless, we forecast 2026 gross margin at 7.36%, in line with the company's guidance of no less than 7.0%. Meanwhile, supported by better cost control, we expect SG&A-to-sales to improve to around 3.4%, down from 4.2% in 2Q25 and 4.1% in 1Q26.
- **Dividend from GULF to support earnings.** STECON held approximately 226.54m shares or 1.52% of total GULF shares before the ex-dividend date, ranking as the 13th-largest major shareholder. Based on GULF's dividend of Bt3.25 per share, we foresee STECON recognising dividend income of approximately Bt736m in 2Q26. Meanwhile, equity income is expected to remain relatively stable qoq, with a share of loss of around Bt30m.
- **Good momentum to continue in 2H26.** We expect STECON to remain on track to achieve its new order target of Bt50b, supported by a healthy project pipeline in 2H26. The company remains positive on the outlook, driven by contributions from public sector projects. We believe STECON is well positioned to meet its new order target, with several major projects likely to be put out for bid in 2H26, including the M5 and M9 motorways, the M82 O&M contract, and the Kratu-Patong Expressway, all of which have received cabinet approval, alongside additional bidding opportunities from private sector projects.

Valuation/Recommendation

- **Maintain HOLD with a target price of Bt20.00 (previously Bt10.80).** We assume coverage and change the valuation methodology from P/B to PE to better reflect STECON’s business fundamentals. The target price is based on a 2026F PE of 18.9x, in line with its historical average. Although we have an optimistic view on STECON’s outlook, we believe that its share price has surged 120% since the General Election in Feb 26. At the current price level, we believe STECON’s share price has already reflected the better political environment.

Earnings Revision/Risk

- We assume coverage and revise our assumptions and earnings forecasts. Risks for STECON could rise from: a) delays in construction, b) higher material costs, and c) delayed project biddings.

Share Price Catalyst

- Additional backlog from project biddings.

Environment, Social, Governance (ESG)

CG Report: 5
SET ESG Rating: AAA

Environmental

- STECON follows environmental laws and regulations. The company prioritises reducing gas emissions and using sustainable technology. STECON also trains its employees to participate in environmental operations and conservation.

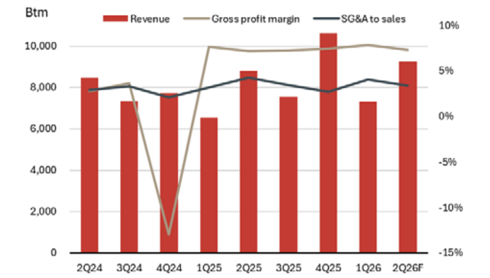
Social

- STECON is committed to social responsibility. The company supports education, disaster relief, community engagement, and environmental conservation.

Governance

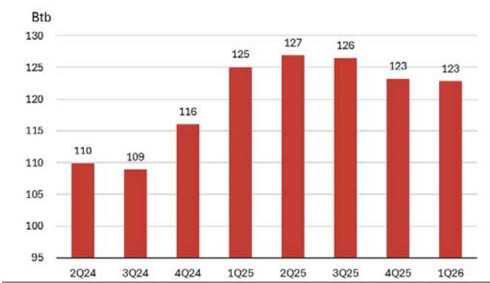
- STECON focuses on enterprise risk management to integrate risk management into strategic planning. STECON follows Thai and international standards for risk management.

Revenue, Gross Margin, and SG&A to sales



Source: STECON, UOB Kay Hian

Backlog



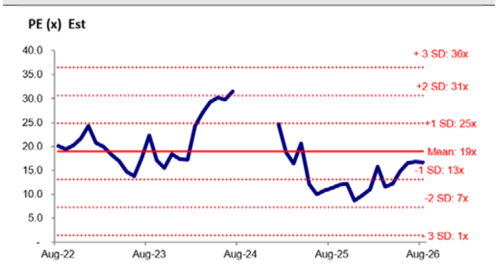
Source: STECON, UOB Kay Hian

2026 Company Target

	2026 Target	2025 Actual	2025 Target
Revenue	>Bt35b	33.47	>Bt32b
GPM	>7%	7.36%	7%
New backlog	Bt50b	40,251	Bt50b
Backlog	>Bt100b	123,264	>Bt100b
NPM	at least 4%	5.8%	

Source: STECON, UOB Kay Hian

PE



Source: STECON, UOB Kay Hian

Profit & Loss

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Net turnover	33,473	36,152	38,194	39,989
EBITDA	2,301	2,942	2,644	2,864
Deprec. & amort.	743	838	817	878
EBIT	1,558	2,104	1,827	1,986
Total other non-operating income	96	86	107	106
Associate contributions	(212)	(118)	(80)	(80)
Net interest income/(expense)	(240)	(240)	(263)	(287)
Pre-tax profit	2,229	1,832	1,591	1,725
Tax	(282)	(231)	(224)	(262)
Minorities	1	14	15	10
Net profit	1,948	1,616	1,382	1,474
Net profit (adj.)	1,558	1,616	1,827	1,474

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	11,457	11,639	12,600	13,429
Other LT assets	18,583	19,581	20,170	20,170
Cash/ST investment	4,119	5,613	6,095	6,843
Other current assets	22,090	22,565	23,099	24,264
Total assets	56,249	59,398	61,964	64,526
ST debt	8,284	8,253	8,258	8,265
Other current liabilities	27,042	28,087	28,886	29,561
LT debt	1,100	2,010	2,820	3,678
Other LT liabilities	2,773	2,773	2,773	2,773
Shareholders' equity	16,634	17,873	18,841	19,872
Minority interest	417	402	387	376
Total liabilities & equity	56,249	59,398	61,964	64,526

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	3,609	2,053	1,857	2,019
Pre-tax profit	2,229	1,832	1,591	1,725
Tax	(282)	(231)	(224)	(262)
Deprec. & amort.	743	838	817	878
Working capital changes	(180)	(429)	(324)	(310)
Non-cash items	1,099	42	(2)	(13)
Investing	(338)	(182)	(961)	(829)
Capex (growth)	(1,165)	(182)	(961)	(829)
Investments	1,060	0	0	0
Others	(232)	0	0	0
Financing	(1,875)	(378)	(415)	(442)
Dividend payments	(6)	(485)	(415)	(442)
Issue of shares	(107)	107	0	0
Proceeds from borrowings	847	0	0	0
Others/interest paid	(2,609)	0	0	0
Net cash inflow (outflow)	1,396	1,494	482	748
Beginning cash & cash equivalent	2,723	4,119	5,613	6,095
Ending cash & cash equivalent	4,119	5,613	6,095	6,843

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.9	8.1	6.9	7.2
Pre-tax margin	6.7	5.1	4.2	4.3
Net margin	5.8	4.5	3.6	3.7
Growth				
Net profit (adj.)	0.0	3.8	13.1	(19.3)
Leverage				
Debt to total capital	55.0	56.2	57.6	59.0
Debt to equity	56.4	57.4	58.8	60.1
Net debt/(cash) to equity	31.6	26.0	26.4	25.7
Interest cover	9.6	12.2	10.1	10.0