



# STARK CORPORATION PCL

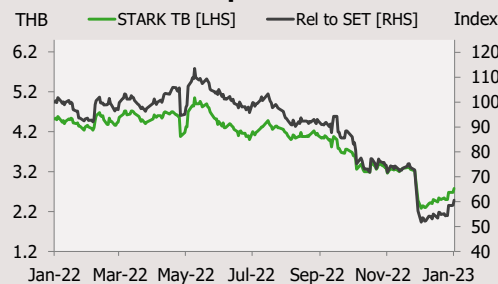
STARK TB **Outperform**

Target Price	Bt	4.50
Price (18/01/2023)	Bt	2.78
Upside	%	61.87
Valuation		PER
Sector	Industrial Materials & Machinery	
Market Cap	Btm	37,270
30-day avg turnover	Btm	274.26
No. of shares on issue	m	13,406
CG Scoring		Good
Anti-Corruption Indicator		N/A

## Investment fundamentals

Year end Dec 31	2021A	2022E	2023E	2024E
<b>Company Financials</b>				
Revenue (Btmn)	27,046	30,000	32,601	35,494
Core profit (Btmn)	2,785	3,060	3,373	3,993
Net profit (Btmn)	2,783	3,087	3,373	3,993
Net EPS (Bt)	0.23	0.23	0.25	0.30
DPS (Bt)	0.00	0.00	0.00	0.00
BVPS (Bt)	0.55	1.13	1.38	1.68
Net EPS growth (%)	83.01	-1.50	9.27	18.38
ROA (%)	8.38	7.12	6.81	7.63
ROE (%)	54.50	28.48	20.01	19.44
Net D/E (x)	1.88	0.32	0.18	0.07
<b>Valuation</b>				
P/E (x)	10.70	10.86	10.73	9.07
P/BV (x)	4.58	2.21	1.95	1.61
EV/EBITDA (x)	9.09	6.64	6.30	5.53
Dividend yield (%)	0.00	0.00	0.00	0.00

## STARK TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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## Analyst

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19 January 2023

Kasikorn Securities Public Company Limited

## A cat that catches mice is a good cat

- **Initiate coverage of STARK with an Outperform call and TP of Bt4.50 on 2024 PER of 15x. We view latest sell-off "a great investment opportunity".**
- **2023-25 earnings drivers include 1) shift to high-margin products; 2) domestic and overseas expansion; 3) new products; and 4) M&A upside.**
- **STARK is trading at a 2023 PER of 10.7x vs. a 3-year (2022-25E) core earnings CAGR of 14.4%, and its peer average of 15x.**

## Investment Highlights

- **Background.** STARK operates a wire and cable business and manpower services business. The wire and cable business accounts for more than 90% of revenue and profit. It is the largest player in ASEAN and ranked No.14 in the world (0.7% share).
- **A great opportunity to invest.** We view STARK as a "defensive growth company" as we expect it can grow revenue even in a difficult economic environment in 2023 due to its focus on the power business. We estimate 10% p.a. top-line growth during 2023-25E, in line with the company's guidance, supported by 1) organic growth in the power cable markets in Thailand and Vietnam; 2) market-share expansion in Thailand, Vietnam, and other countries; 3) new products, and 4) a share shift to high-margin products. The latter strategy implies STARK being able to command higher selling prices and GPM. The high-margin products – medium to extra-high voltage power cables and specialty cables – have throughput margins of 35-45%, while the general products have margins of 5-25%. We estimate that the proportion of high-margin products will rise to 60% of the total by 2025, up from 44% in 2021, which should lead to an increase in GPM up to 24% in 2025E versus 20% in 2021.
- **Expect core profit to grow at 3-year CAGR (2022-25E) of 14.4%.** We expect STARK to deliver a moderate 3-year core profit CAGR of 14.4%. Our fully diluted EPS forecasts are Bt0.23 for 2022, Bt0.25 for 2023, and Bt0.30 for 2024 vs. Bloomberg consensus estimates of Bt0.19 and Bt0.25 for 2022/23, respectively.
- **4Q22 core profit to grow YoY, but drop QoQ.** We expect 4Q22 core profit to grow 15% YoY but drop 4% QoQ to Bt870mn. Factors behind the YoY growth are sales growth of 11% YoY and higher gross profit margin (up to 22.5% vs. 21.3% in 4Q22) on a better product mix. The QoQ decrease should be due mainly to a lower GPM as the company booked a record high GPM of 28% in 3Q22 on a better product mix and lower raw material costs. However, the company recorded hedging losses of Bt569mn from its long position in copper/aluminum (80-90% of COGS) in 3Q22.
- **Stock price performance.** We see a great investment opportunity for investors rather than a crisis from the latest 34% drop in share price since the beginning of 4Q22 to Bt2.78/sh (or to a 2023E PER of 10.7x) as investors decided to vote with their feet, by selling the stock, in response to the company's termination of the LEONI deal just two months after the capital increase for that purpose (11.2% dilution). We expect this overhang to last for some time until the company can rebuild investor confidence by 1) proving that the decision to abandon the deal was right; 2) acquiring other deals to offset the dilution effect from the PP; and 3) delivering strong operating performance. Only time will tell.

## Valuation and Recommendation

- **Outperform.** We initiate coverage of STARK with an Outperform call and an end-2023 target price of Bt4.50 pegged to a forward PER of 15x, in line with its peer average and 0.9SD below its historical mean. Potential rerating catalysts are 1) better than expected GPM from a shift to HVA; 2) new markets and products; 3) M&A; and 4) PER rerating from better growth outlook and ESG fund flows.
- **Risks** to our outperform call include 1) change in government policies or delays on new PPA/infra plans; 2) capacity constraints; and 3) FX and raw material volatility.



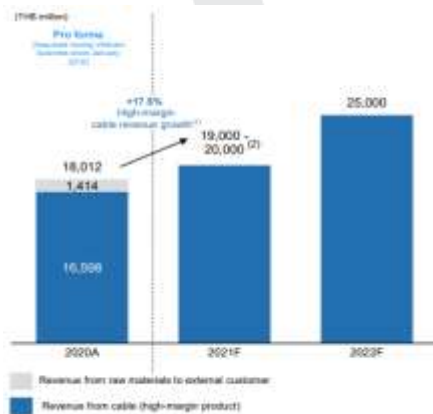
## Company's Growth Engines

### A defensive growth play

STARK operates wire and cable business and manpower services business. The wire and cable business accounts for more than 90% of revenue and profit. Sales revenue from Thailand, Vietnam, and other countries account for 43%, 38%, and 19%, respectively. We view STARK as a "defensive growth company" as we expect it can grow revenue even in a challenging economic environment in 2023 due to its focus on the power business and as safety and track record requirements in this industry create a high barrier to entry. According to company data, the top 5 major enterprises hold a total market share of up to 50-60%, whereas the remainder is held by medium and small electric wire plants, totaling around 20 companies that still currently perform production. In Vietnam, the first 5 major players hold a total market share of up to 85%. This supports the idea of an oligopolistic market structure for the electric wire and cable production and distribution industry.

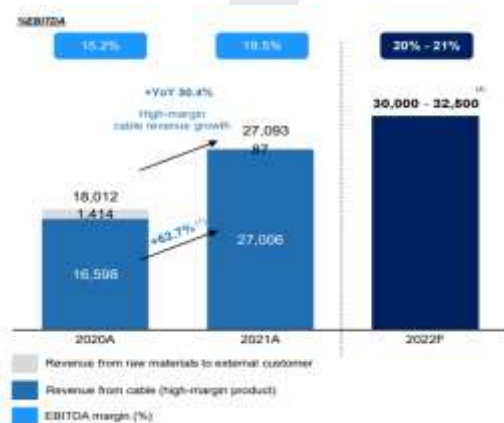
We estimate STARK will post 10% p.a. top-line growth during 2023-25E, in line with company guidance, supported by 1) organic growth in the power cables markets in Thailand and Vietnam; 2) market-share expansion in Thailand, Vietnam, and other countries; 3) new products, and 4) a share shift to high-margin products. Note that our estimate is in line with the company's guidance of 10-15% top-line growth in 2023E and EBITDA margin between 20%-21%. In addition, we found the company has been able to achieve the guidance it provided since 2020. This indicates the company's reliability on financial guidance.

Fig 1 STARK's guidance on top line in 2021



Source: Company data (May 2021)

Fig 2 STARK's guidance on top line in 2022



Source: Company data (Dec 2022)

### #1 Organic growth in power cables market in Thailand and Vietnam

Frost and Sullivan estimate the Thai wire and cable market will grow at 10.6% CAGR from 2020-24, supported by expansion in government and private projects, i.e. MEA Underground Cable for Big Cities (~Bt43 bn over 5 years), PEA's capital spending plan of Bt200bn (~Bt72bn over 5 years), transmission line to accommodate mega projects and power usage in the country, high speed rail, Motorway and EEC, EV car and EV chargers, and renewable energy.

For Vietnam, Frost and Sullivan estimate the wire and cable market will grow at 15.9% CAGR from 2020-24, supported by the North/South Transmission Line Project, underground cable laying for big cities, a new highway, mass rapid transportation, new power plants, and robust growth in the construction sector.

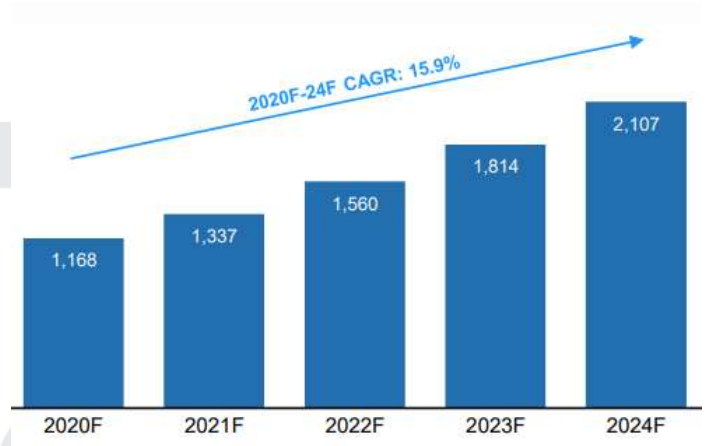


**Fig 3 Thailand wire and cable market to grow at 15.9% CAGR over next 5 years**



Source: Company data

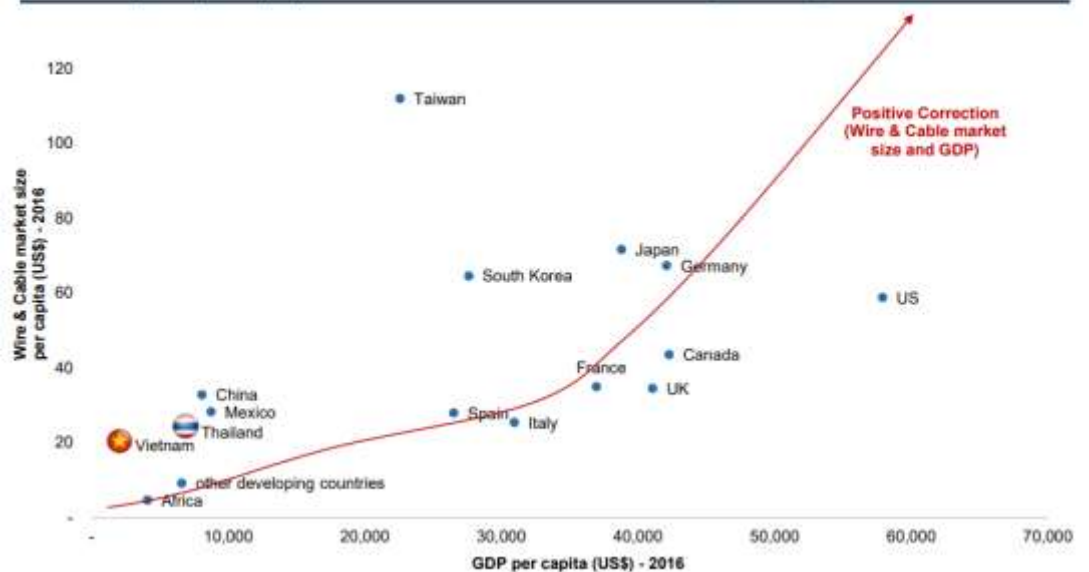
**Fig 4 Vietnam wire and cable market to grow at 15.9% CAGR over next 5 years**



Source: Company data

**Fig 5 Wire and cable market size directly linked to GDP which correlates to greater energy consumption per capita**

Attractive long-term growth prospects for Thailand and Vietnam which have strong economic growth outlooks

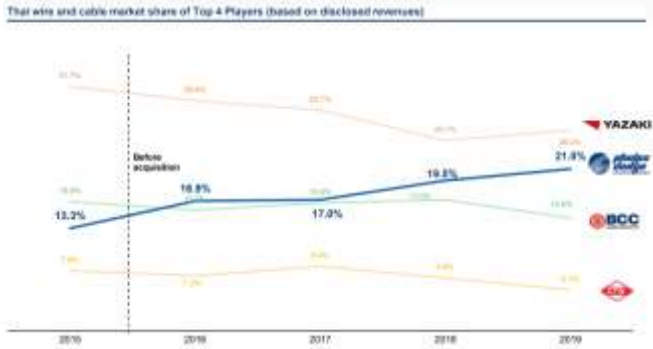


Source: World Bank, International Cablemakers Federation (ICF), and Company data

## #2 Market-share expansion in Thailand, Vietnam, and other countries

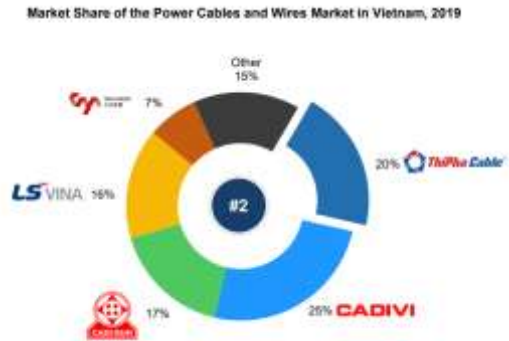
STARK's core subsidiary, Phelps Dodge International (Thailand), or PDITL, is a qualified supplier to the world's leading international contractors with its products accepted for use in many large critical infrastructure projects globally. STARK has won trust as a business partner with Thailand and Vietnam government agencies (EGAT, PEA, MEA, and EVN), and leading companies in Thailand and overseas, i.e. PTT, AOT, CENTRAL, SCG, MRTA, Siemens, Alstom, and ABB. This is due to the company's long operating track record as it was founded in Thailand in 1968. PDITL offers a complete range of electric cables in Thailand from building wires, bare conductors, low-voltage wires, and medium to extra-high voltage wires and cables. It is currently the #2 wire and cable player in Thailand with a 21% market share.

**Fig 6 STARK is the No. 2 wire and cable manufacturer in Thailand**



Source: Company data (May 2021)

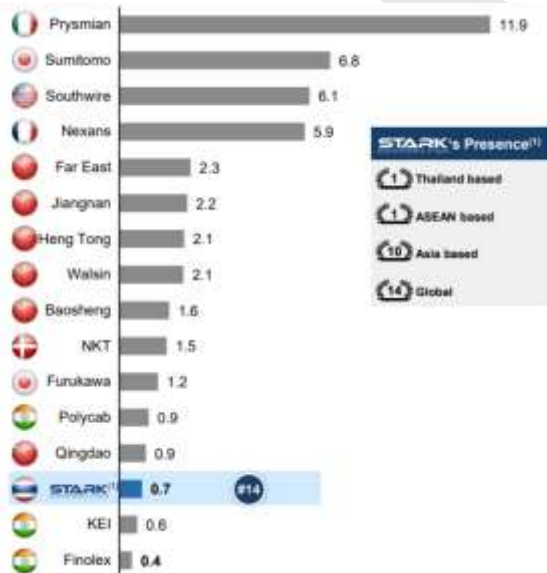
**Fig 7 STARK is the No. 2 wire and cable manufacturer in Vietnam**



Source: Company data

In March 2020, STARK acquired all the shares in Thipha Cables and Dovina, which manufactures electric wires and cables in Vietnam. Thipha Cables and Dovina has a market share of 20% and is the No. 2 wire and cable manufacturer in Vietnam. The acquisition helped the company to expand its operation into Vietnam to achieve revenue and cost synergies and to leverage FTA export opportunities from Vietnam. Note that Vietnam has FTA agreements with more than 50 countries vs. Thailand's 23-24 countries. STARK aims to increase its exports with a target to export to up from 40 to 50 countries by 2022. Combining its plants in Thailand and Vietnam, STARK is currently the leading power cable manufacturer in ASEAN and the world's 14<sup>th</sup>-largest wire and cable manufacturer with a 0.7% market share. STARK is aiming to be the world's 10<sup>th</sup>-largest wire and cable manufacturer. To achieve this goal, it would need to double its market share.

**Fig 8 Global revenue ranking in 2019**



Source: Frost & Sullivan and Company data

**Fig 9 Revenue and cost synergies from M&A in 2020**



Source: Company data



**Fig 10 Expanded export market to 50 countries in 2022**



Source: Company data

**Fig 11 STARK's certifications and track record**



Source: Company data

### #3 New products

STARK plans to launch 65 new products under 49 local and international certifications, which should support its growth target in 2023E. These include submarine cables, HVDC, floating cables/underwater cables, and underground EHV cable.

At present, PDITL and TPC are developing submarine cables in Vietnam to replace imported products from Europe. This would help the company to access and capture a share of this high-margin market (more than 50% through-put margin) with a size of up to 17,660 MW, especially for wind farm projects in Vietnam. The construction permit application process is underway as planned, while machine orders have already been placed with manufacturers. This project is expected to begin commercial operations in mid-2024.

For floating cables, PDITL is the only player producing floating cable and underwater cables in Thailand. PDITL is a sole supplier of floating cables to the first floating solar farm at Sirindhorn Dam with a capacity of 45 MW. Per the Power Development Plan B.E. 2561-2580 (PDP2018), EGAT will increase the proportion of renewable energy by developing 16 hydro-floating solar hybrid projects in 9 EGAT dams with a total capacity of 2,725 MW.

High Voltage Direct Current (HVDC) systems utilize power electronic technology to convert AC and DC voltage and are ideal for supporting existing systems or building new power highways. Open opportunities for export market to global EPCs. The company is waiting for approval of certification and expects this project to begin commercial operations in 2023.

PDITL is the only domestic producer of insulated Extra High Voltage (EHV) cables (>230kv) in Thailand. Underground cables are priority projects in major cities to create security in electricity and lives.



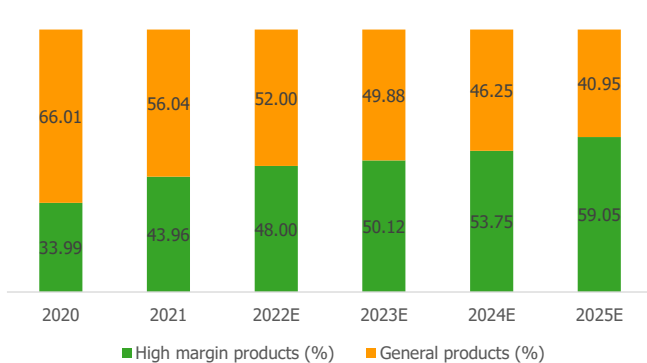
**Fig 12 Shift to high-margin products with certification line-up to support product portfolio adjustment**



#### #4 Shift to high-margin products strategy

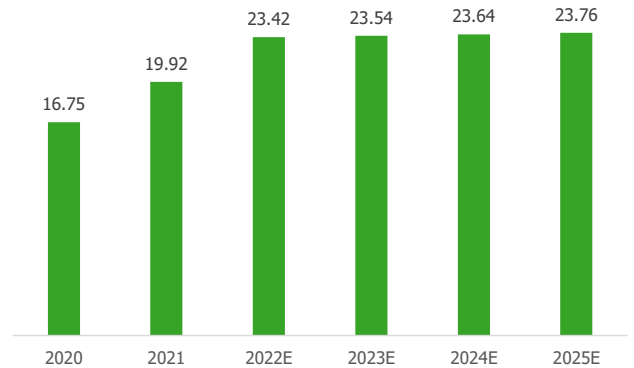
The shift to a high-margin products strategy will help STARK command higher selling prices and GPM. The high-margin products – medium to extra-high voltage power cables and specialty cables – have throughput margins of 35-45%, while the general products – low-voltage and building wires and bare conductors – have margins of 5-25%. We estimate that the proportion of high-margin products will rise to 60% of the total by 2025, up from 44% in 2021, which should lead to an increase in GPM up to 24% in 2025E versus 20% in 2021.

**Fig 13 STARK's Shift to high-margin products strategy**



Source: Company data and KS

**Fig 14 STARK's GPM from sales (%)**



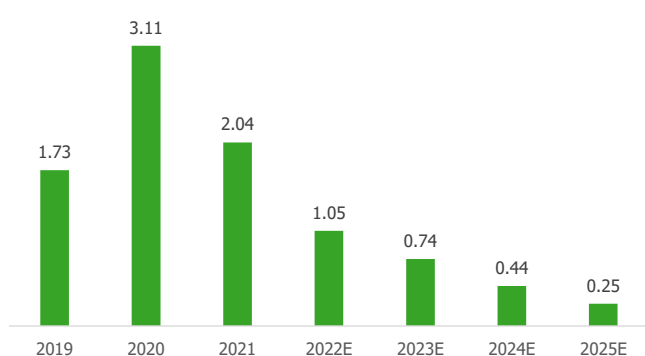
Source: Company data and KS



## #5 M&A

We see potential upside from a M&A due to the company's debt financing capacity of Bt15bn, based on its net IBD/E of 1.05x (including new proceeds of Bt5.6bn from the proposed private placement). This is within its internal debt covenant of 2.0x. However, if we include the adjustments from the Bt10,542mn rights offering, the net IBD/E should be 0.62x (including new proceeds of Bt5.6bn from the proposed private placement), which is within the debenture covenant of 3.5x. Following the termination of the LEONI deal, its board of directors is considering the new use of funds from the capital increase to maximize the benefit of the company and its shareholders. The outcome of this consideration will be presented at the shareholders meeting.

Fig 15 STARK's IBD/E



Source: Company data

Fig 16 STARK's balance sheet summary

Unit: Million Baht	Q3/2022	Q2/2021
Total Assets	47,097	45,473
Net interest-bearing debt <sup>(1)</sup>	15,395	15,522
Equities	8,734	7,718
Total Equities (Equities - Adjusted) <sup>(2)</sup>	19,276	18,260
Net Debt / Equity (Adjusted)	0.80x	0.85x
Net Debt / EBITDA	2.5x <sup>(3)</sup>	2.4x <sup>(3)</sup>

Remark: (1) Comprised of short-term loan, financial lease, long term loan, etc.

(2) Comprised of equities plus Reverse Take Over (RTO) adjustment (amount Baht: 10,542 million)

(3) Annualized of EBITDA last 12 months

Source: Company data

## 4Q22 Preview

### Expect 4Q22E core profit of Bt870mn (-4.2% YoY, -38% QoQ).

We expect 4Q22 core profit to grow 15% YoY, but drop 4% QoQ to Bt870mn. We expect the YoY growth to be driven by an 11% YoY increase in sales and a higher GPM of 22.5% compared to 21.3% in 4Q21, due to a better product mix. The QoQ decrease is mainly attributed to a lower GPM since the company booked a record high GPM of 28% in 3Q22 due to a better product mix and lower raw material costs. However, the company incurred hedging losses of Bt569mn from its long position in copper/aluminum (80-90% of COGS) in 3Q22. Investors should note that we have yet to include the USD6mn expense related to the termination of the LEONI deal, which the company plans to book in 4Q22 or 1Q23.



Fig 17 4Q22 preview

	4Q21	1Q22	2Q22	3Q22	4Q22E	%YoY	%QoQ	2022E
<b>Financials</b>								
Sales (Btmn)	7,396	6,162	7,319	8,334	8,185	10.7	-1.8	30,000
EBITDA (Btmn)	1,335	940	1,291	2,031	1,356	1.6	-33.2	5,801
Operating profit (Btmn)	1,223	832	1,149	1,949	1,356	10.9	-30.4	5,286
Core profit (Btmn)	754	368	412	1,410	870	15.3	-38.3	3,060
Net profit (Btmn)	908	570	691	956	870	-4.2	-9.0	3,087
Net EPS (Bt)	0.03	0.02	0.03	0.04	0.03	-4.2	-9.0	0.23
<b>Performance Drivers</b>								
Revenue from sales (THB m)	6,886	5,727	6,492	7,814	7,671	11.4	-1.8	27,705
High margin products (%)	44	48	48	48	48	9.2	0.0	48
General products (%)	56	52	52	52	52	-7.2	0.0	52
Service revenue (THB m)	510	435	827	520	514	0.7	-1.3	2,295
GPM from sales	21	19	22	28	23	5.5	-19.9	23
GPM from services	17.9	21.6	17.6	21.3	19.1	6.9	-10.0	19.5
<b>Ratios</b>								
Gross margin (%)	21.3	19.1	21.8	27.9	22.5	1.2	-5.4	23.1
EBITDA margin (%)	18.1	15.3	17.6	24.4	16.6	-1.5	-7.8	19.3
Optg. margin (%)	16.5	13.5	15.7	23.4	16.6	0.0	-6.8	17.6
ROE (%)	14.8	8.4	9.4	11.8	7.3	-7.4	-4.5	28.5

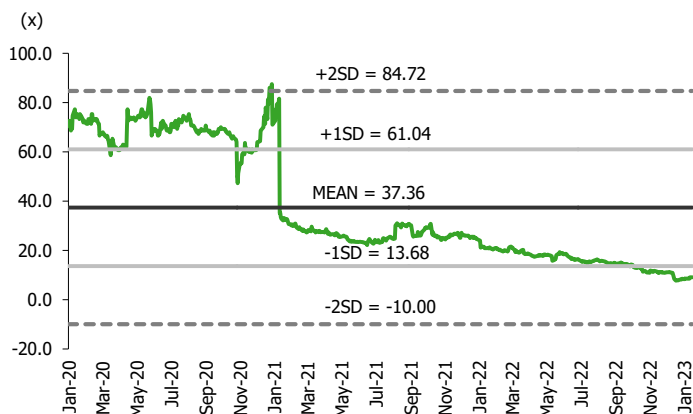
Source: Company data, KS Research

## Valuation and Recommendation

We initiate coverage of STARK with an Outperform call and an end-2023 target price of Bt4.50 pegged to a forward PER of 15x, in line with its peer average and 0.9SD below its historical mean. Potential rerating catalysts are 1) better-than-expected GPM from a shift to HVA; 2) new markets and products; 3) M&A given ; and 4) PER rerating from better growth outlook and ESG fund flows.

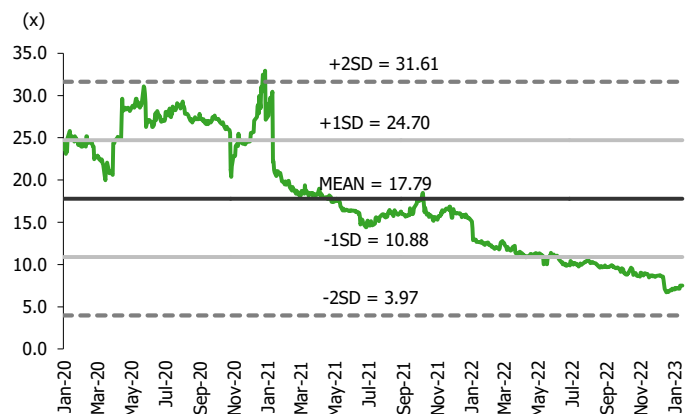
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Fig 18 12M forward PER



Source: Bloomberg, KS Research

Fig 19 12M forward EV/EBITDA



Source: Bloomberg, KS Research





Fig 20 Peers comparison

Stock	Market Cap (USD mn)	Basic EPS growth (%)			Basic P/E (x)			P/BV (x)			DPS (Local)			Div. Yield (%)			ROE (%)		
		22E	23E	24E	22E	23E	24E	22E	23E	24E	22E	23E	24E	22E	23E	24E	22E	23E	24E
STARK Corp PCL	1,084	-1.5	9.3	18.4	11.6	10.7	9.0	2.4	1.9	1.6	0.0	0.0	0.0	0.0	0.0	0.0	28.5	20.0	19.4
<b>Stocks Selected Peers</b>																			
Precise Corp PCL	127	3.3	37.8	9.5	15.0	10.9	10.0	1.4	1.3	1.3	0.2	0.3	0.3	5.3	7.3	8.0	11.0	12.5	13.2
Gunkul Engineering PCL *	1,354	2.4	8.6	11.5	19.7	18.2	16.3	3.2	3.0	2.6	0.2	0.2	0.2	3.1	3.2	3.2	16.4	16.7	17.5
JRW Utility PCL *	161	34.5	17.9	n.a.	17.9	15.2	n.a.	2.9	2.6	n.a.	0.2	0.2	n.a.	2.9	3.3	n.a.	17.2	18.1	n.a.
Prsymian SpA *	10,316	100.6	-13.5	8.6	15.2	17.5	16.1	2.8	2.5	2.3	0.7	0.7	0.7	1.9	1.9	2.0	21.7	16.1	15.6
Hengtong Optic-electric Co Ltd *	5,690	43.6	32.1	21.5	17.9	13.5	11.1	1.6	1.5	1.3	0.1	0.1	0.2	0.7	0.8	1.0	9.1	10.8	11.7
Nexans SA *	4,460	58.2	-12.3	23.1	15.8	18.1	14.7	2.5	2.2	2.0	1.4	1.4	1.6	1.5	1.5	1.7	16.6	13.7	14.5
Furukawa Electric Co Ltd *	1,303	1.1	93.2	-12.5	16.6	8.6	9.8	0.6	0.6	0.5	60.0	60.0	69.1	2.5	2.5	2.9	3.7	6.7	5.5
Polycab India Ltd *	4,976	2.8	23.9	19.7	44.6	36.0	30.1	7.3	6.3	5.4	10.0	16.3	20.1	0.4	0.6	0.7	17.6	18.6	19.3
<b>Simple average</b>		<b>30.8</b>	<b>23.5</b>	<b>11.6</b>	<b>20.3</b>	<b>17.3</b>	<b>15.4</b>	<b>2.8</b>	<b>2.5</b>	<b>2.2</b>	<b>9.1</b>	<b>9.9</b>	<b>13.2</b>	<b>2.3</b>	<b>2.6</b>	<b>2.8</b>	<b>14.2</b>	<b>14.2</b>	<b>13.9</b>

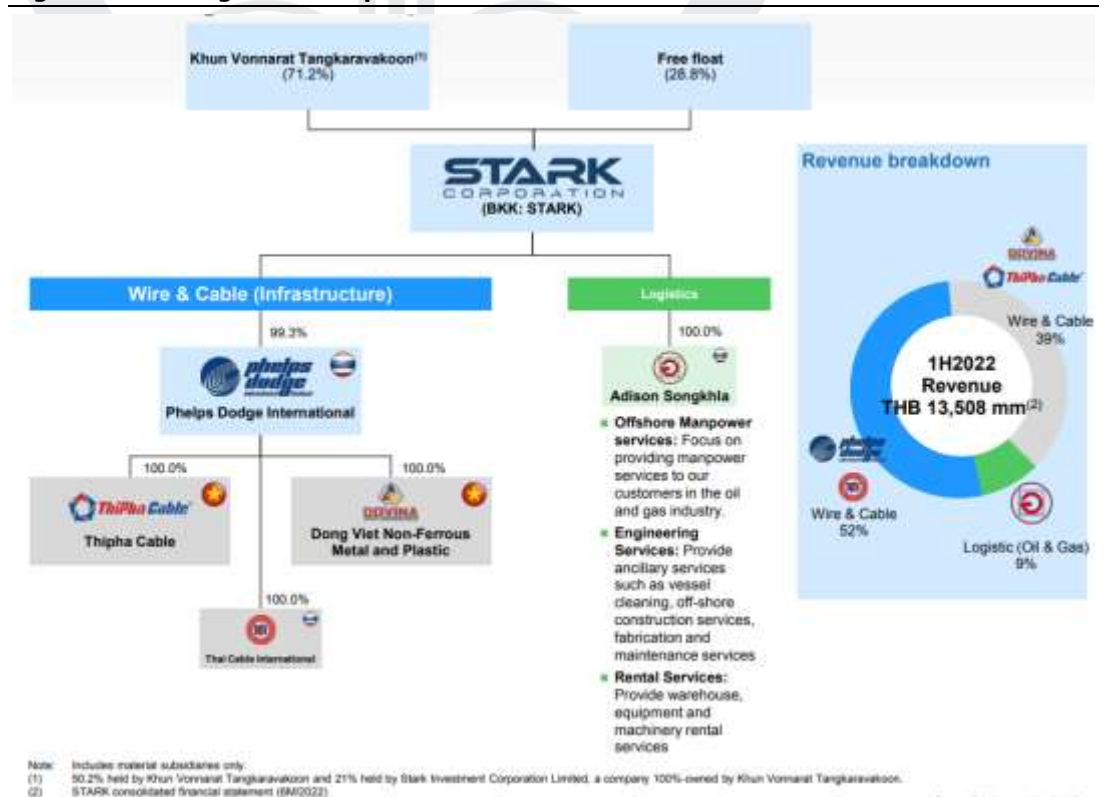
Source: Company data, KS Research

## Company Background

### Company Profile

STARK operates wire and cable business and manpower services business. The wire and cable business accounts for more than 90% of revenue and profit. It is the largest player in ASEAN and ranked No.14 in the world (0.7% share).

Fig 21 Stark at a glance – corporate structure



Source: Company data

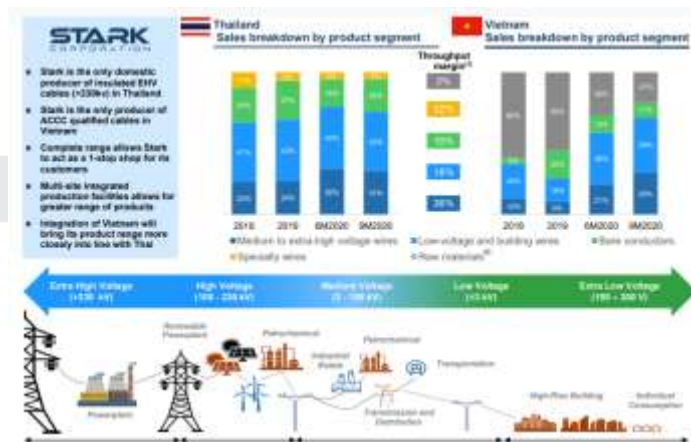


**Fig 22 Stark is #1 ASEAN wire and cable company**



Source: Company data

**Fig 23 STARK has widest range of products in Thailand**



Source: Company data

**Fig 24 Cable and wire production process overview**



Source: Company data

**Fig 25 Selected power cable and wire product categories**

Category	Description	Application
<b>Extra High Voltage Cables (EHV)</b>	Used for transmission of high-voltage electrical power. Include voltage range greater than 230kV.	I. Transmission (overhead, underground and sub-sea)
<b>High Voltage Cables (HV)</b>	Used for the sub-transmission and transmission of electrical power. Typical voltage range includes 130kV to 220kV.	I. Transmission (overhead, underground and sub-sea)
<b>Medium Voltage Cables (MV)</b>	Used for supply of medium-voltage power in various applications. Include voltage range from 3kV to 100 kV.	I. Railway and Rolling Stock II. Distribution III. Oil and Gas IV. Power Plants V. Industrial
<b>Low Voltage Cables (LV)</b>	Used for the distribution of power to the end customer. Voltage rating for LV cables covered in the scope of the study is less than 3 kV.	I. Distribution II. Railway and Rolling Stock III. Buildings (CBR) IV. Industrial V. Oil and Gas VI. Power Plants VII. Others

Source: Company data

## Key Risks

### 1) Risk due to change in government policies or delays on new PPA/infra plans

This could impact future revenue, planned construction permitting, and may delay the COD of new products. We believe the expansion into new markets and products will help diversify this risk for the company.

### 2) Risk due to constrained capacity to fulfill customers' needs

As the plant in Thailand is running near full capacity at 75-80% utilization, the company plans to de-bottleneck and improve efficiency to increase output. In addition, it will use capacity at its Vietnam production base to support Thailand's market demands.



**Fig 26 STARK's max capacity and utilization rate**

	2019	2020	2021	2022E	2023E	2024E	2025E
<b>Max Capacity by product (tons)</b>	<b>201,600</b>	<b>222,600</b>	<b>222,600</b>	<b>222,600</b>	<b>222,600</b>	<b>222,600</b>	<b>222,600</b>
Total production (tons)	99,010	128,100	128,118	129,108	135,786	142,464	149,142
Production growth (%-y-y growth)	29.38	0.01	0.77	5.17	4.92	4.69	
Utilization (%)	49.11	57.55	57.56	58.00	61.00	64.00	67.00
Copper production capacity	110,400	131,400	131,400	131,400	131,400	131,400	131,400
Copper actual production	69,300	89,000	89,021	89,709	94,349	98,989	103,629
Utilization rate (%)	62.77	67.73	67.75	68.27	71.80	75.33	78.87
Aluminium production capacity	91,200	91,200	91,200	91,200	91,200	91,200	91,200
Aluminium actual production	29,710	39,100	39,097	39,399	41,437	43,475	45,513
Utilization rate (%)	32.58	42.87	42.87	43.20	45.44	47.67	49.90
Cost mixed (%)							
Copper	70.0	69.5	69.5	69.5	69.5	69.5	69.5
Aluminium	30.0	30.5	30.5	30.5	30.5	30.5	30.5
<b>Max Capacity by location (tons)</b>			<b>222,600</b>	<b>222,600</b>	<b>222,600</b>	<b>222,600</b>	<b>222,600</b>
<b>Thailand</b>			<b>72,200</b>	<b>72,200</b>	<b>72,200</b>	<b>72,200</b>	<b>72,200</b>
Bangplee			38,000				
Rayong			24,600				
Samutsakorn			9,600				
<b>Vietnam</b>			<b>150,400</b>	<b>150,400</b>	<b>150,400</b>	<b>150,400</b>	<b>150,400</b>

Source: Company data

### 3) Risk due to FX volatility

Foreign exchange gains/losses are considered as part of STARK's normal operation and primarily due to expenses in US dollars. However, based on the accounting standard, the foreign exchange gain/loss cannot be included in COGS, but it will be presented as a separate item. STARK is to adjust only the "Realized gain/loss" to reflect the actual performance. STARK to provide the "Realized gain / loss" and adjusted the EBITDA and net profit in MD&A. Realized gain will be deducted from gross profit / EBITDA / net profit.

**Fig 27 Impact of FX gain/loss**



Source: Company data

### 4) Risk due to raw material price volatility

STARK needs to import copper and aluminum for the production of its wire and cable products. To mitigate the impact of raw material price fluctuations, the company has implemented a "Cost Plus Strategy", "Made-to-Order Strategy", and "No Mark-to-Market Strategy". Under the Cost Plus Strategy, any raw material price changes are passed on to the customer. Around 80%-90% of STARK's total revenue is derived from Made-to-Order (MTO) sales, which involve customers providing specific design requirements. Inventories and raw materials are simply booked at cost and not marked-to-market.



**Fig 28 Impact from surge of raw material**



In conclusion, the company fixes the prices of raw materials and exchange rates at the outset. As a result, the impact of any price or rate fluctuations is minimized. This policy and practice is designed to prevent any speculation on raw material prices and exchange rates from both buyers and sellers.


**Year-end 31 Dec**

Income Statement (Btmn)	2020A	2021A	2022E	2023E	2024E	Cashflow (Btmn)	2020A	2021A	2022E	2023E	2024E
Revenue	16,815	27,046	30,000	32,601	35,494	Net profit	1,521	2,783	3,087	3,373	3,993
Cost of sales and services	-13,947	-21,666	-23,064	-25,021	-27,201	Depreciation & amortization	363	430	515	544	569
<b>Gross Profit</b>	2,869	5,380	6,936	7,579	8,294	Change in working capital	-2,064	-4,553	-927	-1,601	-1,901
SG&A	-894	-1,163	-1,650	-1,826	-2,023	Others	3,183	114	18	18	18
Other income	0	0	0	0	0	<b>CF from operation activities</b>	3,004	-1,225	2,693	2,333	2,679
<b>EBIT</b>	2,093	4,474	5,336	5,836	6,353	Capital expenditure	-2,245	-1,095	-800	-800	-800
<b>EBITDA</b>	2,337	4,647	5,801	6,297	6,840	Investment in subs and affiliates	-44	15	-7	-7	-7
Interest expense	-660	-943	-1,199	-1,293	-1,087	Others	-4,243	674	0	0	0
Equity earnings	1	-0	0	0	0	<b>CF from investing activities</b>	-6,532	-406	-807	-807	-807
<b>EBT</b>	1,433	3,531	4,137	4,544	5,267	Cash dividend	0	0	0	0	0
Income tax	-401	-734	-1,057	-1,151	-1,254	Net proceeds from debt	7,701	1,725	2,671	-2,243	-3,849
<b>NPAT</b>	1,032	2,797	3,080	3,393	4,013	Capital raising	-2,143	0	5,580	0	0
Minority Interest	-10	-12	-20	-20	-20	Others	-2,285	-164	0	0	0
<b>Core Profit</b>	1,022	2,785	3,060	3,373	3,993	<b>CF from financing activities</b>	3,273	1,561	8,251	-2,243	-3,849
Extraordinary items	-147	413	-455	0	0	<b>Net change in cash</b>	-255	-71	10,137	-716	-1,977
FX gain (loss)	645	-415	481	0	0	<b>Key Statistics &amp; Ratios</b>					
<b>Reported net profit</b>	1,521	2,783	3,087	3,373	3,993	<b>Per share (Bt)</b>					
<b>Balance Sheet (Btmn)</b>						Reported EPS	0.13	0.23	0.23	0.25	0.30
Cash & equivalents	1,156	1,029	11,166	10,450	8,473	Core EPS	0.09	0.23	0.23	0.25	0.30
ST investments	58	0	0	0	0	DPS	0.00	0.00	0.00	0.00	0.00
Accounts receivable	6,042	15,571	16,438	16,115	19,143	BV	0.31	0.55	1.13	1.38	1.68
Inventories	8,618	10,487	7,592	12,269	12,666	EV	5.63	3.55	2.87	2.96	2.82
Other current assets	457	875	892	910	928	Free Cash Flow	0.06	-0.19	0.14	0.11	0.14
<b>Total current assets</b>	16,331	27,962	36,089	39,744	41,210	<b>Valuation analysis</b>					
Investment in subs & others	344	329	336	343	349	Reported P/E (x)	37.11	10.70	10.86	10.73	9.07
Fixed assets-net	4,486	5,151	5,436	5,692	5,923	Core P/E (x)	55.22	10.69	10.95	10.73	9.07
Other assets	6,155	5,700	5,706	5,711	5,717	P/BV (x)	15.22	4.58	2.21	1.95	1.61
<b>Total assets</b>	27,316	39,142	47,566	51,490	53,199	EV/EBITDA (x)	28.65	9.09	6.64	6.30	5.53
Short-term debt	8,230	4,959	9,469	10,830	8,004	Price/Cash flow (x)	18.79	-24.29	12.45	15.52	13.51
Accounts payable	10,248	17,093	14,138	16,891	18,414	Dividend yield (%)	0.00	0.00	0.00	0.00	0.00
Other current liabilities	1,171	1,497	1,527	1,558	1,589	<b>Profitability ratios</b>					
<b>Total current liabilities</b>	19,649	23,548	25,134	29,278	28,007	Gross margin (%)	17.06	19.89	23.12	23.25	23.37
Long-term debt	3,469	8,466	6,627	3,023	2,000	EBITDA margin (%)	13.90	17.18	19.34	19.32	19.27
Other liabilities	434	536	547	558	569	EBIT margin (%)	12.45	16.54	17.79	17.90	17.90
<b>Total liabilities</b>	23,553	32,551	32,308	32,859	30,576	Net profit margin (%)	9.04	10.29	10.29	10.35	11.25
Paid-up capital	11,906	11,906	13,406	13,406	13,406	ROA (%)	7.61	8.38	7.12	6.81	7.63
Share premium	-10,542	-10,542	-6,462	-6,462	-6,462	ROE (%)	50.89	54.50	28.48	20.01	19.44
Reserves & others, net	-591	-493	-493	-493	-493	<b>Liquidity ratios</b>					
Retained earnings	2,935	5,633	8,720	12,093	16,085	Current ratio (x)	0.83	1.19	1.44	1.36	1.47
Minority interests	55	87	87	87	87	Quick ratio (x)	0.37	0.70	1.10	0.91	0.99
<b>Total shareholders' equity</b>	3,764	6,591	15,258	18,631	22,623	<b>Leverage Ratios</b>					
<b>Total equity &amp; liabilities</b>	27,316	39,142	47,566	51,490	53,199	Liabilities/Equity ratio (x)	6.26	4.94	2.12	1.76	1.35
<b>Key Assumptions</b>	<b>2020A</b>	<b>2021A</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>	Net debt/EBITDA (x)	4.49	2.67	0.85	0.54	0.22
Revenue from sales (THB m)	15,071	25,217	27,705	30,259	33,106	Net debt/equity (x)	2.79	1.88	0.32	0.18	0.07
High margin products (%)	34.0	44.0	48.0	50.1	53.8	Int. coverage ratio (x)	3.17	4.74	4.45	4.51	5.85
General products (%)	66.0	56.0	52.0	49.9	46.2	<b>Growth</b>					
Service revenue (THB m)	1,744.5	1,828.9	2,295.4	2,341.3	2,388.1	Revenue (%)	46.47	60.84	10.92	8.67	8.88
GPM from sales	16.8	19.9	23.4	23.5	23.6	EBITDA (%)	142.77	98.82	24.83	8.54	8.62
GPM from services	19.7	19.5	19.5	19.5	19.5	Reported net profit (%)	n.a.	83.01	10.91	9.27	18.38
						Reported EPS (%)	n.a.	83.01	-1.50	9.27	18.38
						Core profit (%)	n.a.	172.48	9.87	10.23	18.38
						Core EPS (%)	n.a.	172.48	-2.42	10.23	18.38

Source: Company, KS estimates



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