Stecon Group (STECON TB)

Entering A New Growth Cycle

Highlights

- We attended STECON's 3Q26 analyst meeting and came away with a slightly positive view.
- STECON expects 5-10% revenue growth in 2027, supported by its existing construction backlog, upcoming government infrastructure projects and increasing contributions from new businesses.
- Maintain BUY with an unchanged target price of Bt26.50.

Analysis

- **Slightly positive tone from the analyst meeting.** We attended Stecon Group's (STECON) 3Q26 analyst meeting and came away with a slightly positive view. Management expects revenue to grow 5-10% yoy in 2027, supported by continued growth in its core construction business and increasing contributions from new businesses. The company maintains its 2026 new contract intake target of Bt50b, supported by potential DC contracts and public projects.
- **4Q26 construction revenue expected to remain resilient.** Management expects construction revenue in 4Q26 to remain comparable to 3Q26, supported by progress in ongoing projects. Full-year revenue is expected to exceed its Bt35b target. Meanwhile, revenue from rental and service businesses continues to grow from the SNT Concrete Solution recorded stronger revenue contributions in 3Q26 and expects further growth in 4Q26. Existing orders extend into 2027, with potential additional contracts. Wisdom Services, the group's machinery rental business, now generates around 50% of its revenue from external customers.
- **New growth cycle supported by project pipeline.** Management sees a clearer construction revenue outlook over the next 1-2 years, supported by existing backlog and potential new DC projects. Upcoming government mega-project tenders should provide additional opportunities to replenish backlog. Meanwhile, the U-Tapao Airport and Eastern Aviation City (UTA) project could become another revenue driver from 2028. The company also plans to diversify its business portfolio in 2027 to reduce reliance on traditional construction activities. Key expansion areas include construction-related services, clean energy, DCs, water supply and logistics. These investments should support recurring income and long-term earnings growth.

Key Financials

Year to 31 Dec (Btm)	2024	2025	2026F	2027F	2028F
Net turnover	30,004.9	33,473.0	41,638.9	40,390.9	42,315.1
EBITDA	(5.2)	2,300.8	3,407.7	2,867.9	3,069.9
Operating profit	(760.7)	1,557.9	2,570.0	2,051.4	2,192.0
Net profit (rep./act.)	(2,357.4)	1,948.1	1,993.0	1,611.4	1,683.8
Net profit (adj.)	(2,357.4)	1,948.1	1,993.0	1,611.4	1,683.8
EPS	(1.6)	1.3	1.3	1.1	1.1
PE (x)	(12.3)	14.9	14.5	18.0	17.2
P/B (x)	1.7	1.7	1.6	1.5	1.5
EV/EBITDA (x)	(6,593.9)	15.1	10.2	12.1	11.3
Dividend yield (%)	0.8	2.9	2.8	2.2	2.3
Net margin (%)	(7.9)	5.8	4.8	4.0	4.0
Net debt/(cash) to equity(%)	29.5	31.6	30.7	28.1	27.5
Interest cover (x)	0.0	9.6	13.5	8.9	8.8
Consensus net profit	n.a	n.a	46.2	41.9	48.9
UOBKH/Consensus (x)	n.a	n.a	43.1	38.4	34.4

Source: Stecon Group, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	Bt17.50
Target Price	Bt26.50
Upside	51.43%

Stock Data

Sector	Industrials
Bloomberg ticker	STECON TB
Shares issued (m)	1,519.1
Market cap (Btm)	27,951.1
Market cap (US$m)	824.6
3-mth avg daily t'over (US$m)	11.1

Price Performance (%)

52-week high/low				Bt19.8/Bt5.4
1mth	3mth	6mth	1yr	YTD
4.6	13.6	41.5	192.1	189.8

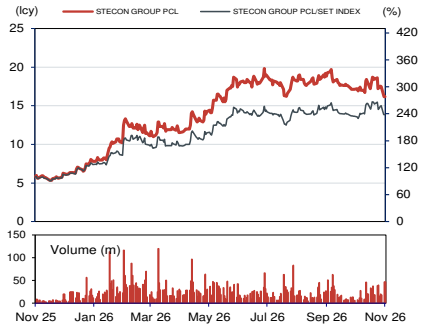
Major Shareholders (%)

C.T. Venture Company Limited	19.62
UBS AG SINGAPORE BRANCH	10.53

Balance Sheet Metrics

FY26 NAV/Share (Bt)	11.8
FY26 Net Debt/Share (Bt)	3.6

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.

- **Limited expected impact from US AI chip restrictions.** Management expects limited direct impact from the new US restrictions on advanced AI chip exports. Based on discussions with customers, US DC operators are expected to face limited exposure. Meanwhile, some Chinese customers primarily operate data storage facilities that do not require advanced AI chips. Their exposure to the new restrictions should therefore be relatively limited. Nevertheless, the impact on individual projects will depend on their computing requirements and end users. Meanwhile, STECON plans to undertake more mechanical, electrical, and plumbing (MEP) works internally as it gains experience, although the near-term contribution is expected to remain limited.
- **DC bidding remains on track despite US policy uncertainty.** Following US President Donald Trump's comments on 20 Nov 26 regarding potential restrictions or additional taxes on US companies investing in overseas DCs, STECON expects no impact on its ongoing DC construction projects. The company has discussed the issue with both US and non-US DC customers and continues to expect DC bidding activity in 4Q26 to remain on track (total value of Bt55b). Management will continue to monitor policy developments and prepare for any changes in regulatory requirements.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of Bt26.50,** based on 25x 2027F PE, +1 SD above its historical average.
- We maintain base-case assumptions despite potential DC risks. The proposed US measures targeting overseas DC investments could create near-term uncertainty for STECON, given its exposure to DC investments through both construction contracts and new businesses. However, the policy remains at an early stage with no clear implementation details. We maintain our earnings forecasts and target price pending greater policy clarity.
- If the measures are implemented, new DC investments by US operators could face delays or cancellations. This could reduce potential construction contract wins and delay contributions from DC-related investments, posing downside risks to our earnings forecasts and valuation. Existing projects under construction should face relatively limited impact.

Earnings Revision/Risk

- No earnings revision.

Share Price Catalyst

- Additional backlog from both private and 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.

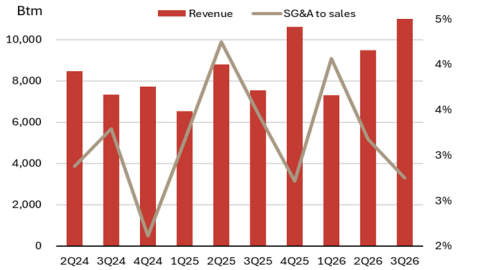
Social

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

Governance

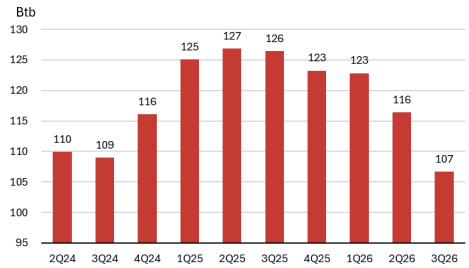
- STECON focuses on enterprise risk management to integrate risk management into strategic planning. STECON follows Thai and international standards for risk management.

Revenue, Gross Margin, and SG&A to Sales



Source: STECON, UOB Kay Hian

Backlog



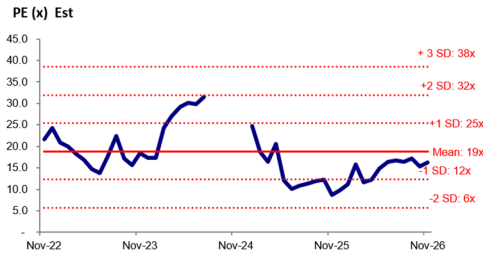
Source: STECON, UOB Kay Hian

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**	**41,639**	**40,391**	**42,315**
EBITDA	2,301	3,408	2,868	3,070
Deprec. & amort.	743	838	817	878
EBIT	1,558	2,570	2,051	2,192
Total other non-operating income	96	113	116	118
Associate contributions	(212)	(110)	0	0
Net interest income/(expense)	(240)	(252)	(321)	(350)
Pre-tax profit	**2,229**	**2,321**	**1,847**	**1,960**
Tax	(282)	(353)	(254)	(291)
Minorities	1	25	19	15
Net profit	**1,948**	**1,993**	**1,611**	**1,684**
Net profit (adj.)	867	1,993	1,171	1,684

Balance Sheet

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Fixed assets	11,457	11,639	12,600	13,429
Other LT assets	20,170	20,170	20,170	20,170
Cash/ST investment	4,119	4,756	5,766	6,473
Other current assets	20,503	24,991	24,305	25,362
Total assets	**56,249**	**61,555**	**62,841**	**65,434**
ST debt	8,284	8,253	8,258	8,265
Other current liabilities	27,042	30,189	29,712	30,445
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	17,937	18,904	19,914
Minority interest	417	392	373	358
Total liabilities & equity	**56,249**	**61,555**	**62,841**	**65,434**

Cash Flow

Year to 31 Dec (Btm)	2025	2026F	2027F	2028F
Operating	**3,609**	**1,508**	**2,615**	**2,210**
Pre-tax profit	2,229	2,321	1,847	1,960
Tax	(282)	(353)	(254)	(291)
Deprec. & amort.	743	838	817	878
Working capital changes	(180)	(1,340)	208	(324)
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)**	**(690)**	**(645)**	**(674)**
Dividend payments	(6)	(797)	(645)	(674)
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**	**637**	**1,010**	**707**
Beginning cash & cash equivalent	**2,723**	**4,119**	**4,756**	**5,766**
Ending cash & cash equivalent	**4,119**	**4,756**	**5,766**	**6,473**

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	6.9	8.2	7.1	7.2
Pre-tax margin	6.7	5.6	4.6	4.6
Net margin	5.8	4.8	4.0	4.0
Growth				
Net profit (adj.)	0.0	130.0	(41.2)	43.8
Leverage				
Debt to total capital	55.0	56.0	57.5	58.9
Debt to equity	56.4	57.2	58.6	60.0
Net debt/(cash) to equity	31.6	30.7	28.1	27.5
Interest cover	9.6	13.5	8.9	8.8

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