

Supalai Pcl (SPALI TB) - BUY

Phannarai Tiypittayarut | Email: Phannarai.von@thanachartsec.co.th

Earnings Preview**3Q21F earnings preview**

- **A strong 3Q21F profit expected, up 22% y-y to Bt1.5bn.**
 - **Rising condo revenues are a key driver.**
 - **4Q21F will be quarterly best, backed by Bt9.8bn backlog.**
 - **Top pick for solid 2H21F into 2022F, low PE and good yield.**
- 3Q21F preview: we expect a strong 3Q21F profit of Bt1,489m, up 22% y-y on higher property sales. For q-q, it is estimated to fall by 14% on rising SG&A and lower equity income from Australian JVs.
 - 3Q21F property sales are forecasted at Bt7.1bn, up 21% y-y but flat q-q. Driver will be higher condominium revenues of 3.8bn, an increase of 89% y-y and 8% q-q, on continuing unit transfers of two condos finished in 2Q21; Premier Charoen Nakorn (Bt3bn, 97% sold) and Riva Grande (Bt6.8bn, 79% sold), and a new condo project just completed and started transferring in July, Veranda Phasi Charoen Station.
 - Condo revenues will make up 53% of revenues, growing from 49% in 2Q21 and 34% in 3Q20. This will support property gross margin to stay at high level of 40%, flat q-q and up from 36.6% in 3Q20.
 - Low-rise housing revenues are projected at Bt3.3bn, down 13% y-y and 8% q-q, along with soft 3Q21 presales.
 - Australian JVs are expected to contribute lower profit of Bt29m in 3Q21F, down from Bt199m in 2Q21 and Bt90m in 3Q20, as most new projects are finished in 1H21.
 - 4Q21F will be the best quarter of this year given Bt9.8bn (50:50 low-rise and CDs) backlog for booking as revenues.
 - SPALI will have the sector's best EPS growth of 36% this year and another 13% growth in 2022F on property sales growth of 10% to Bt29bn (48% secured by backlog).
 - With temporary LTV relaxation effective Oct 20th this year until end of 2022, SPALI expects rejection rate to improve from 15% in 9M21 (20% in 2020).
 - The stock trades at 8.3x 2021F PE, falling to 7.3x in 2022F. Dividend yield is 4.8% in 2021F and 5.5% in 2022F.

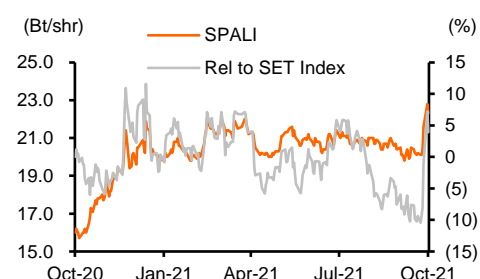
Key Valuations

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	20,588	26,788	29,521	31,042
Net profit	4,251	5,789	6,556	7,024
Norm net profit	4,251	5,789	6,556	7,024
Norm EPS (Bt)	2.0	2.7	3.1	3.3
Norm EPS gr (%)	(21.3)	36.2	13.3	7.1
Norm PE (x)	11.3	8.3	7.3	6.8
EV/EBITDA (x)	12.7	10.0	8.7	7.2
P/BV (x)	1.3	1.2	1.1	1.0
Div. yield (%)	4.5	4.8	5.5	5.9
ROE (%)	11.5	15.1	15.5	15.1
Net D/E (%)	53.5	57.1	50.3	29.9

Source: Thanachart estimates

Stock Data

Closing price (Bt)	22.30
Target price (Bt)	27.00
Market cap (US\$ m)	1,443
Avg daily turnover (US\$ m)	5.2
12M H/L price (Bt)	22.80/15.70

Price Performance

Source: Bloomberg

Ex 1: 3Q21F Earnings Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	3Q20	4Q20	1Q21	2Q21	3Q21F	(q-q%)	(y-y%)
Revenue	5,894	8,041	3,662	7,131	7,124	(0)	21
Gross profit	2,156	3,275	1,389	2,844	2,837	(0)	32
SG&A	660	909	592	784	866	10	31
Operating profit	1,496	2,367	797	2,060	1,971	(4)	32
EBITDA	1,526	2,396	825	2,093	2,004	(4)	31
Other income	110	53	103	105	90	(14)	(18)
Other expense	0	0	0	0	0		
Interest expense	61	57	65	68	68	(0)	11
Profit before tax	1,545	2,363	834	2,097	1,993	(5)	29
Income tax	396	479	235	555	518	(7)	31
Equity & invest. income	90	19	157	199	29	(85)	(68)
Minority interests	(23)	(39)	(15)	(10)	(15)	na	na
Extraordinary items	0	0	0	0	0		
Net profit	1,217	1,865	741	1,730	1,489	(14)	22
Normalized profit	1,217	1,865	741	1,730	1,489	(14)	22

Sources: Company data, Thanachart estimates

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