AP(Thailand) Pcl (AP TB) - BUY, Price Bt8.90, TP Bt10.00

Results Comment

Phannarai Tiyapittayarut | Email: phannarai.von@thanachartsec.co.th

In-line 3Q21 results

- AP reported weaker 3Q21 net profit of Bt1,031m, down 29% y-y and 8% q-q, in line with consensus estimates.
- Property revenues decreased by 22% y-y and 12% q-q to Bt6.9bn. Low-rise housing revenues fell by 5% y-y and 11% y-y to Bt6.67bn despite strong presales and large backlog on hand, due to some transfer delays from a one-month closure of construction camp. Condo revenues were down by 87% y-y and 24% q-q to Bt246m given no new AP condos completed which also leaded to soft condo gross margin of 24.3% (normal 31-32%).
- Property gross margin improved by 51bp y-y and 7bp q-q to 30.5%, driven by strong low-rise gross margin of 30.7% (+100bp y-y, +40bp q-q).
- Equity income from JV condo projects dropped by 53% y-y but increased by 102% q-q to Bt366m. There was one JV condo completed and started to transfer from July, Bt6.5bn Life Ladprao Valley (68% sold, 25% transferred).
- 9M21 net profit already made up 94% of our full-year forecast. We have to revise up our earnings on stronger-than-expected low-rise housing revenues (Bt22.2bn in 9M21, +23% y-y, at 82% of our 2021F) along with solid low-rise housing presales (Bt28.6bn in 10M21, +21% y-y, at 99% of our 2021F) and its ability to control SG&A very well (17.5% SG&A/sales ratio in 9M21 vs 20.5% in 9M20 vs our 20.0% for 2021F).
- Maintain BUY to Bt10 TP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Revenue	9,150	7,547	9,106	8,035	7,152
Gross profit	**2,870**	**2,393**	**2,967**	**2,542**	**2,292**
SG&A	1,918	1,579	1,425	1,392	1,430
Operating profit	952	814	1,542	1,149	862
EBITDA	**1,019**	**884**	**1,611**	**1,218**	**933**
Other income	25	16	120	28	18
Other expense	1	(1)	2	1	0
Interest expense	96	95	102	79	48
Profit before tax	**880**	**735**	**1,558**	**1,097**	**831**
Income tax	205	191	329	163	167
Equity & invest. income	776	398	175	181	366
Minority interests	(0)	(0)	(0)	0	0
Extraordinary items	0	0	0	0	0
Net profit	**1,450**	**942**	**1,403**	**1,115**	**1,031**
Normalized profit	**1,450**	**942**	**1,403**	**1,115**	**1,031**
EPS (Bt)	0.46	0.30	0.45	0.35	0.33
Normalized EPS (Bt)	0.46	0.30	0.45	0.35	0.33

Income Statement			9M as		
(Bt m)	**q-q%**	**y-y%**	**% 2021F**	**2021F**	**2022F**
Revenue	(11)	(22)	80	30,272	32,686
Gross profit	**(10)**	**(20)**	**79**	**9,858**	**10,701**
SG&A	3	(25)	70	6,054	6,537
Operating profit	(25)	(9)	93	3,803	4,164
EBITDA	**(23)**	**(8)**	**94**	**4,010**	**4,392**
Other income	(37)	(28)	87	191	73
Other expense	(84)	(74)	na	0	0
Interest expense	(39)	(50)	58	395	445
Profit before tax	**(24)**	**(6)**	**97**	**3,599**	**3,792**
Income tax	2	(19)	87	756	796
Equity & invest. income	102	(53)	76	947	930
Minority interests	(6)	na	na	0	0
Extraordinary items			na	0	0
Net profit	**(8)**	**(29)**	**94**	**3,790**	**3,926**
Normalized profit	**(8)**	**(29)**	**94**	**3,790**	**3,926**
EPS (Bt)	(7)	(29)	94	1.20	1.25
Normalized EPS (Bt)	(7)	(29)	94	1.20	1.25

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Cash & ST investment	2,188	2,740	3,954	2,948	3,455
A/C receivable	121	80	77	92	117
Inventory	46,966	46,140	45,746	45,124	44,081
Other current assets	907	938	798	941	1,580
Investment	6,638	6,462	6,182	6,142	6,507
Fixed assets	430	409	391	376	367
Other assets	1,978	1,955	1,940	2,476	2,464
Total assets	**59,228**	**58,724**	**59,089**	**58,099**	**58,571**
S-T debt	8,509	7,713	6,099	5,100	5,500
A/C payable	1,856	1,824	2,145	2,312	2,455
Other current liabilities	3,213	3,719	3,207	3,339	3,308
L-T debt	16,330	15,221	16,017	16,017	14,997
Other liabilities	999	983	922	934	882
Minority interest	(18)	(18)	(18)	(18)	(18)
Shareholders' equity	**28,339**	**29,281**	**30,717**	**30,416**	**31,448**
Working capital	45,232	44,395	43,679	42,905	41,743
Total debt	24,839	22,934	22,116	21,116	20,497
Net debt	**22,652**	**20,194**	**18,162**	**18,169**	**17,043**

Financial Ratios					
(%)	**3Q20**	**4Q20**	**1Q21**	**2Q21**	**3Q21**
Sales growth	55.4	40.7	68.7	3.1	(21.8)
Operating profit growth	16.4	99.9	115.7	45.6	(9.5)
EBITDA growth	19.9	100.7	106.2	42.5	(8.5)
Norm profit growth	148.1	7.4	126.8	(8.3)	(28.9)
Norm EPS growth	148.1	7.4	126.8	(8.3)	(28.9)
Gross margin	31.4	31.7	32.6	31.6	32.0
Operating margin	10.4	10.8	16.9	14.3	12.1
EBITDA margin	11.1	11.7	17.7	15.2	13.0
Norm net margin	15.9	12.5	15.4	13.9	14.4
D/E (x)	0.9	0.8	0.7	0.7	0.7
Net D/E (x)	0.8	0.7	0.6	0.6	0.5
Interest coverage (x)	10.6	9.3	15.7	15.4	19.4
Interest rate	1.4	1.6	1.8	1.5	0.9
Effective tax rate	23.3	26.0	21.1	14.9	20.0
ROA	9.5	6.4	9.5	7.6	7.1
ROE	21.0	13.1	18.7	14.6	13.3

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 143 Derivative Warrants which are ACE16C2111A, ACE16C2201A, ACE16C2202A, ADVA16C2110A, ADVA16C2201A, ADVA16C2202A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2112A, AOT16C2202A, BAM16C2110A, BAM16C2112A, BANP16C2110A, BANP16C2112A, BANP16C2201A, BANP16C2202A, BBL16C2201A, BCH16C2111A, BCH16C2111B, BCH16C2201A, BCH16C2203A, BCPG16C2111A, BEC16C2202A, BGRI16C2110A, BGRI16C2112A, CBG16C2201A, CBG16C2202A, CHG16C2111A, CHG16C2112A, CHG16C2202A, COM716C2110A, COM716C2112A, CPAL16C2111A, CPAL16C2112A, CPF16C2112A, CPN16C2202A, DELT16C2112A, DELT16C2202A, DOHO16C2111A, DOHO16C2112A, DOHO16C2202A, DTAC16C2112A, EA16C2110A, EA16C2201A, EGCO16C2110A, ESSO16C2202A, GLOB16C2201A, GLOB16C2203A, GPSC16C2110A, GPSC16C2201A, GPSC16C2201B, GULF16C2112A, GULF16C2202A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IRPC16C2110A, IRPC16C2112A, IVL16C2110A, IVL16C2111A, IVL16C2202A, JAS16C2202A, JMAR16C2111A, JMAR16C2201A, JMAR16C2202A, JMT16C2110A, JMT16C2201A, KBAN16C2111A, KBAN16C2111B, KBAN16C2201A, KBAN16C2202A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, KTC16C2202A, LH16C2202A, MAJO16C2201A, MEGA16C2112A, MINT16C2112A, MTC16C2112A, MTC16C2202A, OR16C2112A, OR16C2202A, PTG16C2201A, PTG16C2202A, PTG16C2203A, PTL16C2201A, PTL16C2202A, PTL16C2202B, PTT16C2112A, PTT16C2201A, PTTE16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RBF16C2202A, RS16C2112A, RS16C2201A, S5016C2112A, S5016C2112A, S5016C2112B, S5016C2112C, S5016P2112C, S5016P2112A, S5016P2112B, S5016C2203A, S5016P2203A, S5016C2112D, S5016P2112D, SAWA16C2112A, SAWA16C2202A, SCB16C2111A, SCB16C2112A, SCB16C2201A, SCB16C2202A, SCC16C2112A, SCGP16C2202A, SCGP16C2201A, SPAL16C2202A, SPRC16C2201A, STA16C2112A, STA16C2201A, STEC16C2110A, STEC16C2201A, STGT16C2111A, STGT16C2202A, SYNE16C2202A, TASC16C2201A, TOP16C2112A, TOP16C2202A, TRUE16C2202A, TU16C2110A, TU16C2111A, TU16C2202A, WHA16C2202A (underlying securities are ACE, ADVANC, AEONTS, AMATA, AOT, BAM, BANPU, BBL, BCH, BCPG, BEC, BGRIM, CBG, CHG, COM7, CPALL, CPF, CPN, DELTA, DOHOME, DTAC, EA, EGCO, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MAJOR, MEGA, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, PTTGC, RBF, RS, SAWAD, SCB, SCC, SCGP, SPALI, SPRC, SET50, STA, STEC, STGT, SYNTEC, TASCO, TOP, TRUE, TU, WHA) . Since TNS covers those underlying securities in research report, consequently TNS incurs conflicts of interest. Moreover, Investors are advised to carefully review the details and information in the prospectus before making investment decisions.

Note: Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 20.1% of the shareholding in TMBThanachart Bank Pcl.

Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Saksiam Leasing Pcl. (SAK TB)