Land And Houses Pcl (LH TB) - BUY, Price Bt8.60, TP Bt10.50

Results Comment

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Softer 3Q21, in line

- LH reported weaker net profit in 3Q21 of Bt1.3bn, down 36% y-y and 30% q-q, in line with us and consensus.
- Softer performance was from lower property sales (caused by government's lockdown and one-month construction site closure) and falling equity income mainly lower profit from HMPRO from temporary store closure during lockdown.
- Real estate sales growth declined by 14% y-y and 23% q-q to Bt6.5bn (81% SDH, 12% TH, 7% CD). Real estate gross margin was quite stable at 32.1% vs 32.8% in 3Q20 and 31.6% in 2Q21.
- Equity income decreased by 32% y-y and 28% q-q to Bt466m, mainly from lower profit contribution of HMPRO (Bt263m, down from Bt423m in 3Q20 and Bt433m in 2Q21). Other associates; LHFG contributed Bt140m, Bt66m from QH and Bt5m from QCON. LH Property & Loan Fund II contributed Bt8m loss.
- 9M21 net profit accounted for 66% of 2021F.
- We maintain BUY to Bt10.50 TP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	8,161	8,146	7,575	8,871	6,909
Gross profit	**2,582**	**2,621**	**2,346**	**2,721**	**2,124**
SG&A	1,001	1,015	963	1,001	934
Operating profit	1,581	1,606	1,384	1,720	1,191
EBITDA	**1,807**	**1,813**	**1,759**	**2,101**	**1,583**
Other income	197	170	164	130	152
Other expense	0	0	0	0	0
Interest expense	216	234	259	293	285
Profit before tax	**1,562**	**1,542**	**1,288**	**1,557**	**1,058**
Income tax	512	231	284	326	229
Equity & invest. income	685	656	647	644	466
Minority interests	7	2	2	6	(6)
Extraordinary items	307	388	92	(12)	19
Net profit	**2,049**	**2,357**	**1,744**	**1,870**	**1,308**
Normalized profit	**1,742**	**1,969**	**1,652**	**1,881**	**1,289**
EPS (Bt)	0.17	0.20	0.15	0.16	0.11
Normalized EPS (Bt)	0.15	0.16	0.14	0.16	0.11

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(22)	(15)	72	32,521	33,932
Gross profit	**(22)**	**(18)**	**72**	**10,048**	**10,915**
SG&A	(7)	(7)	69	4,228	4,411
Operating profit	(31)	(25)	74	5,820	6,504
EBITDA	**(25)**	**(12)**	**78**	**7,007**	**7,806**
Other income	17	(23)	53	839	849
Other expense			na	0	0
Interest expense	(3)	32	93	898	896
Profit before tax	**(32)**	**(32)**	**68**	**5,761**	**6,457**
Income tax	(30)	(55)	73	1,152	1,291
Equity & invest. income	(28)	(32)	63	2,786	3,127
Minority interests	na	na	7	25	26
Extraordinary items	na	(94)	na	0	0
Net profit	**(30)**	**(36)**	**66**	**7,420**	**8,318**
Normalized profit	**(31)**	**(26)**	**65**	**7,420**	**8,318**
EPS (Bt)	(30)	(36)	66	0.62	0.70
Normalized EPS (Bt)	(31)	(26)	65	0.62	0.70

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	4,057	7,113	9,398	12,845	5,506
A/C receivable	186	187	174	161	125
Inventory	55,835	52,893	53,793	53,155	51,868
Other current assets	1,876	3,162	2,480	2,613	2,389
Investment	23,360	23,964	24,437	23,920	23,583
Fixed assets	13,702	10,961	11,359	11,542	12,129
Other assets	22,616	24,292	23,766	24,002	23,977
Total assets	**121,632**	**122,571**	**125,407**	**128,238**	**119,577**
S-T debt	20,157	18,071	17,966	23,479	17,511
A/C payable	3,105	3,140	2,817	3,173	2,747
Other current liabilities	4,059	3,880	4,065	3,987	4,137
L-T debt	36,216	37,384	39,194	38,108	37,712
Other liabilities	9,815	9,495	9,297	8,947	8,803
Minority interest	700	697	695	689	695
Shareholders' equity	**47,581**	**49,904**	**51,372**	**49,855**	**47,972**
Working capital	52,916	49,940	51,150	50,143	49,245
Total debt	56,373	55,455	57,160	61,587	55,223
Net debt	**52,316**	**48,342**	**47,762**	**48,742**	**49,717**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	7.4	4.3	25.5	17.4	(15.3)
Operating profit growth	8.2	7.3	65.4	40.2	(24.7)
EBITDA growth	9.5	8.5	51.2	48.1	(12.4)
Norm profit growth	(9.4)	(11.1)	7.8	39.1	(26.0)
Norm EPS growth	(9.4)	(11.1)	7.8	39.1	(26.0)
Gross margin	31.6	32.2	31.0	30.7	30.7
Operating margin	19.4	19.7	18.3	19.4	17.2
EBITDA margin	22.1	22.3	23.2	23.7	22.9
Norm net margin	21.3	24.2	21.8	21.2	18.7
D/E (x)	1.2	1.1	1.1	1.2	1.2
Net D/E (x)	1.1	1.0	0.9	1.0	1.0
Interest coverage (x)	8.4	7.8	6.8	7.2	5.6
Interest rate	1.6	1.7	1.8	2.0	1.9
Effective tax rate	32.8	15.0	22.1	21.0	21.6
ROA	5.8	6.5	5.3	5.9	4.2
ROE	14.5	16.2	13.1	14.9	10.5

Sources: Company data, Thanachart estimates

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