L.P.N. Development Pcl (LPN TB) - SELL, Price Bt4.90, TP Bt3.90

Results Comment

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

Weak 3Q21 profit, a big miss

- LPN reported very weak 3Q21 net profit of Bt26m, down 74% y-y and 78% q-q, massively missed Bt76m consensus on falling sales revenues and gross margin at a record low.
- Property sales decreased by 19% y-y and 17% q-q to Bt814m (70% from condos and 30% from low-rise houses). Condominium revenues dropped by 22% y-y to Bt567m. Low-rise housing sales revenues also fell by 11% y-y to Bt247m.
- Falling revenues were in line with 9M21 presales that dropped by 23% y-y to Bt6.3bn, still pretty much behind the company's Bt10bn presales target for 2021F.
- Property gross margin was surprisingly low, a record low level, at 20.9% vs 27.4% in 3Q20 and 25.8% in 2Q21, on aggressive promotional campaigns due to weak demand for budget condos.
- 9M21 net profit was Bt270m (down 43% y-y), accounted for only 43% of our full-year forecast. We see earnings downside from weaker-than-expected sales revenues and gross margin. Though 4Q21F momentum is improving from LTV relaxation, we expect 4Q21F to remain weak given no new projects will be finished.
- We maintain our SELL call to Bt3.90 TP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	1,354	2,649	1,423	1,361	1,183
Gross profit	**411**	**745**	**448**	**431**	**328**
SG&A	261	411	250	235	253
Operating profit	150	335	198	196	75
EBITDA	**174**	**361**	**225**	**223**	**102**
Other income	16	24	4	8	4
Other expense	0	0	0	0	0
Interest expense	25	34	46	54	47
Profit before tax	**141**	**324**	**157**	**151**	**33**
Income tax	37	80	33	29	8
Equity & invest. income	(1)	(1)	(1)	(1)	(1)
Minority interests	(0)	0	(0)	(0)	(0)
Extraordinary items	0	0	0	0	3
Net profit	**103**	**243**	**123**	**121**	**26**
Normalized profit	**103**	**243**	**123**	**121**	**23**
EPS (Bt)	0.07	0.16	0.08	0.08	0.02
Normalized EPS (Bt)	0.07	0.16	0.08	0.08	0.02

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	(13)	(13)	53	7,534	7,744
Gross profit	**(24)**	**(20)**	**54**	**2,253**	**2,402**
SG&A	8	(3)	54	1,356	1,394
Operating profit	(62)	(50)	52	897	1,008
EBITDA	**(54)**	**(41)**	**54**	**1,019**	**1,141**
Other income	(50)	(73)	19	84	86
Other expense			na	0	0
Interest expense	(13)	90	81	180	171
Profit before tax	**(78)**	**(77)**	**42**	**801**	**922**
Income tax	(72)	(79)	41	168	194
Equity & invest. income	na	na	na	0	0
Minority interests	na	na	2	(1)	(1)
Extraordinary items			na	0	0
Net profit	**(78)**	**(74)**	**43**	**631**	**727**
Normalized profit	**(81)**	**(77)**	**42**	**631**	**727**
EPS (Bt)	(78)	(74)	43	0.43	0.49
Normalized EPS (Bt)	(81)	(77)	42	0.43	0.49

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	785	917	1,463	785	967
A/C receivable	405	357	290	465	431
Inventory	17,836	17,166	17,316	17,359	18,264
Other current assets	119	125	150	200	211
Investment	0	0	0	0	0
Fixed assets	277	291	290	286	283
Other assets	4,719	4,763	4,825	4,631	4,193
Total assets	**24,142**	**23,619**	**24,333**	**23,726**	**24,349**
S-T debt	6,497	6,581	7,244	6,818	6,798
A/C payable	1,424	1,267	1,751	1,084	1,040
Other current liabilities	46	99	113	96	9
L-T debt	3,211	2,168	2,181	2,544	3,431
Other liabilities	1,385	1,682	1,681	1,701	1,705
Minority interest	(0)	0	0	0	0
Shareholders' equity	**11,579**	**11,822**	**11,363**	**11,484**	**11,365**
Working capital	16,817	16,256	15,856	16,740	17,655
Total debt	9,709	8,749	9,425	9,362	10,229
Net debt	**8,924**	**7,833**	**7,962**	**8,577**	**9,263**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Sales growth	(3.6)	(35.1)	(21.9)	(11.5)	(12.7)
Operating profit growth	11.5	(56.1)	(23.6)	(2.6)	(50.0)
EBITDA growth	(1.0)	(52.8)	(20.1)	0.1	(41.3)
Norm profit growth	(11.5)	(60.3)	(43.3)	(21.2)	(77.3)
Norm EPS growth	(11.5)	(60.3)	(43.3)	(21.2)	(77.3)
Gross margin	30.4	28.1	31.5	31.7	27.8
Operating margin	11.1	12.6	13.9	14.4	6.3
EBITDA margin	12.9	13.6	15.8	16.4	8.6
Norm net margin	7.6	9.2	8.6	8.9	2.0
D/E (x)	0.8	0.7	0.8	0.8	0.9
Net D/E (x)	0.8	0.7	0.7	0.7	0.8
Interest coverage (x)	7.1	10.6	4.9	4.2	2.2
Interest rate	1.0	1.5	2.0	2.3	1.9
Effective tax rate	26.5	24.7	20.8	19.1	24.4
ROA	1.7	4.1	2.0	2.0	0.4
ROE	3.6	8.3	4.2	4.2	0.8

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

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 136 Derivative Warrants which are ACE16C2111A, ACE16C2201A, ACE16C2202A, ADVA16C2110A, ADVA16C2201A, ADVA16C2202A, AEON16C2201A, AEON16C2201B, AMAT16C2112A, AOT16C2112A, AOT16C2202A, BAM16C2110A, BAM16C2112A, BANP16C2110A, BANP16C2112A, BANP16C2201A, BBL16C2201A, BCH16C2111A, BCH16C2111B, BCH16C2201A, 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, GPSC16C2110A, GPSC16C2201A, GPSC16C2201B, GULF16C2112A, GULF16C2202A, GUNK16C2110A, GUNK16C2112A, GUNK16C2201A, HANA16C2112A, HANA16C2202A, HMPR16C2202A, INTU16C2201A, INTU16C2202A, IRPC16C2110A, IRPC16C2112A, IVL16C2110A, IVL16C2111A, IVL16C2202A, JAS16C2202A, JMAR16C2111A, JMAR16C2201A, JMT16C2110A, JMT16C2201A, KBAN16C2111A, KBAN16C2111B, KBAN16C2201A, KBAN16C2202A, KCE16C2110A, KCE16C2201A, KTC16C2110A, KTC16C2110B, KTC16C2112A, KTC16C2202A, LH16C2202A, MAJO16C2201A, MEGA16C2112A, MINT16C2112A, MTC16C2112A, MTC16C2202A, OR16C2112A, OR16C2202A, PTG16C2201A, PTG16C2202A, PTL16C2201A, PTL16C2202A, PTL16C2202B, PTT16C2112A, PTT16C2201A, PTTE16C2112A, PTTG16C2110A, PTTG16C2111A, RBF16C2110A, RBF16C2112A, RBF16C2202A, RS16C2112A, RS16C2201A, S5016C2112A, S5016C2112A, S5016C2112B, S5016C2112C, S5016P2112C, S5016P2112A, S5016P2112B, S5016C2203A, S5016P2203A, 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)