Property Sector – Neutral

News Update

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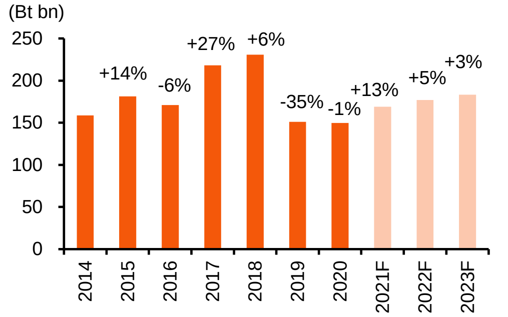
9M21 property recap

- **Presales and transfer hiccups in 3Q21.**
- **The sector's core profit was up 12% y-y in 9M21.**
- **Strong 4Q21F outlook.**
- **NEUTRAL. LH and SPALI are top picks.**

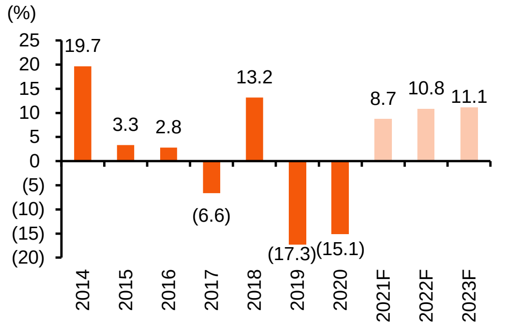
- The lockdown in July and August and the government's order to close construction sites for a month in July had caused a hiccup in property presales (lower customers' visits to projects) and delay in property transfers in 3Q21.
- 3Q21 aggregate presales of 7 developers under our coverage fell by 9% y-y and 16% q-q to Bt36bn (Exhibit 3), while property sales collapsed by 11% y-y and q-q to Bt35bn (Exhibit 6). 3Q21 normalized profit dropped by 18% y-y and q-q to Bt5.3bn (Exhibit 8).
- 9M21 performance was a mixed bag. The sector's core profit increased by 12% y-y (Exhibit 8). Four companies reported profit growth; AP, LH, SIRI and SPALI. SPALI led the growth driven by a jump in condominium revenues as three new condos finished in 2Q-3Q21 as well as decent low-rise housing sales. LPN, PSH and QH posted lower profit y-y as they have been losing market share (LPN and PSH focus on low-end segment which is sensitive to weak economy and strict LTV, QH scaled back new launches over the past few years) while they continue to suffer from weaker gross margin this year (others saw improving gross margin on low base last year).
- 9M21 presales were almost flat y-y (-1%). Again, it was a mixed bag. AP and LH were the most outstanding with 13% and 3% presales growth y-y in 9M21 and both are expected to beat its presales target for this year. AP, boosted by solid low-rise housing presales (AP and SPALI look set to mark a record for low-rise presales this year), has become No 1 by presales amount, surpassing market leaders in the past like PSH and SIRI. LH is expected to be the only developer in which its presales resuming the 2018 level this year on high exposure to low-rise housing segment (only 5% condo exposure) with concentration of mid-end segment and above (a stringent LTV effective April 2019 caused weaker presales since 2019). PSH had 24% presales growth in 9M21 from low base.
- We expect strong 4Q21F for presales, sales revenues and profit on larger number of new project launches, delay of revenues transfers from 3Q21 (construction delay from camp closure) and better industry momentum from LTV relaxation from late October. Despite all these positive factors, only AP and LH will beat their own presales target this year (AP should achieve Bt37-38bn in presales vs its Bt35.5bn target, LH should achieve Bt30bn vs its Bt28bn target). PSH and SIRI have cut its presales target from Bt32bn to Bt28bn and Bt30.7bn to Bt28bn, respectively, partly due to a cut in new project launches particularly in 4Q21 caused by delay in project preparation.

Ex 1: Property Presales



Sources: Company data, Thanachart estimates

Ex 2: Sector's Normalized Profit Growth



Sources: Company data, Thanachart estimates

- We maintain NEUTRAL rating on property sector. Although we have to fine tune this year's profit, the sector's core profit growth won't change much from current 9% growth estimates. As LTV easing lasts until year of next year, we see some upside to our 5% presales growth and 11% profit growth in 2022F. Top picks are LH and SPALI. We also like AP as a next preferred choice.

Ex 3: 3Q21 Presales

(Bt m)	3Q21			3Q20			(y-y%)			2Q21			(q-q%)		
	Low-Rise	CD	Total	Low-Rise	CD	Total	*Low-Rise*	*CD*	*Total*	Low-Rise	CD	Total	*Low-Rise*	*CD*	*Total*
AP	8,818	605	9,423	8,094	891	8,985	*9*	*(32)*	*5*	9,137	713	9,850	*(3)*	*(15)*	*(4)*
LH	6,309	273	6,582	7,098	577	7,675	*(11)*	*(53)*	*(14)*	7,378	437	7,815	*(14)*	*(38)*	*(16)*
LPN	648	1,514	2,162	767	1,633	2,400	*(16)*	*(7)*	*(10)*	844	1,178	2,022	*(23)*	*29*	*7*
PSH	4,708	1,194	5,902	4,486	2,098	6,584	*5*	*(43)*	*(10)*	5,903	1,322	7,225	*(20)*	*(10)*	*(18)*
QH	1,308	71	1,379	2,146	216	2,362	*(39)*	*(67)*	*(42)*	1,970	182	2,152	*(34)*	*(61)*	*(36)*
SIRI	4,276	1,857	6,133	3,611	-361	3,250	*18*	*(614)*	*89*	5,843	2,086	7,929	*(27)*	*(11)*	*(23)*
SPALI	3,547	1,001	4,548	4,460	3,887	8,347	*(20)*	*(74)*	*(46)*	4,544	1,232	5,776	*(22)*	*(19)*	*(21)*
Total	**29,614**	**6,515**	**36,129**	**30,662**	**8,941**	**39,603**	***(3)***	***(27)***	***(9)***	**35,619**	**7,150**	**42,769**	***(17)***	***(9)***	***(16)***

Sources: Company data; Thanachart estimates

Ex 4: 9M21 Presales

(Bt m)	9M21			9M20			(y-y%)			2021 target	9M21/2021 target (%)	Our 2021F	9M21/our 2021F (%)
	Low-Rise	CD	Total	Low-Rise	CD	Total	*Low-Rise*	*CD*	*Total*				
AP	25,248	1,992	27,240	20,906	3,164	24,070	*21*	*(37)*	*13*	35,500	77	35,500	77
LH	20,891	1,136	22,027	19,764	1,525	21,289	*6*	*(26)*	*3*	28,000	79	28,399	78
LPN	2,078	4,182	6,260	2,730	5,450	8,180	*(24)*	*(23)*	*(23)*	10,000	63	8,084	77
PSH	16,173	3,894	20,067	11,841	4,319	16,160	*37*	*(10)*	*24*	28,000	72	30,126	67
QH	4,957	334	5,291	6,101	646	6,747	*(19)*	*(48)*	*(22)*	9,200	58	8,901	59
SIRI	14,811	5,291	20,102	15,232	7,559	22,791	*(3)*	*(30)*	*(12)*	28,000	72	30,018	67
SPALI	13,691	3,862	17,553	13,274	7,148	20,422	*3*	*(46)*	*(14)*	27,000	65	28,167	62
Total	**97,849**	**20,691**	**118,540**	**89,848**	**29,811**	**119,659**	***9***	***(31)***	***(1)***	**165,700**	**72**	**169,195**	**70**

Sources: Company data; Thanachart estimates

Ex 5: Presales

Presales (Bt m)	1Q21	2Q21	3Q21	*(y-y%)*	*(q-q%)*	2018	2019	2020	2021F	2022F	*9M21/ 2021F (%)*	9M21	9M20	*(y-y%)*
AP	7,967	9,850	9,423	*5*	*(4)*	41,297	32,856	31,655	35,500	37,275	*77*	27,240	24,070	*13*
LH	7,630	7,815	6,582	*(14)*	*(16)*	28,788	25,356	26,602	28,399	30,135	*78*	22,027	21,289	*3*
LPN	2,076	2,022	2,162	*(10)*	*7*	15,526	6,703	10,339	8,084	8,488	*77*	6,260	8,180	*(23)*
PSH	6,940	7,225	5,902	*(10)*	*(18)*	51,101	35,601	21,968	30,126	31,112	*67*	20,067	16,160	*24*
QH	1,760	2,152	1,379	*(42)*	*(36)*	12,380	7,491	8,667	8,901	9,142	*59*	5,291	6,747	*(22)*
SIRI	6,040	7,929	6,133	*89*	*(23)*	48,344	20,806	26,156	30,018	31,261	*67*	20,102	22,791	*(12)*
SPALI	7,229	5,776	4,548	*(46)*	*(21)*	33,343	22,324	24,376	28,167	29,564	*62*	17,553	20,422	*(14)*
Total	**39,642**	**42,769**	**36,129**	***(9)***	***(16)***	**230,779**	**151,137**	**149,763**	**169,195**	**176,978**	***70***	**118,540**	**119,659**	***(1)***
(y-y%)	**16%**	**(7%)**	**(9%)**				**(35%)**	**(1%)**	**13%**	**5%**				

Sources: Company data; Thanachart estimates

Ex 6: Property Sales

Property sales (Bt m)	1Q21	2Q21	3Q21	(y-y%)	(q-q%)	2019	2020	2021F	2022F	9M21/ 2021F (%)	9M21	9M20	(y-y%)
AP	8,879	7,836	6,916	(22)	(12)	22,679	28,949	29,313	31,873	81	23,630	21,645	9
LH	7,140	8,465	6,520	(14)	(23)	25,151	27,481	29,176	29,765	76	22,126	19,895	11
LPN	1,057	977	814	(19)	(17)	8,717	6,001	6,071	6,237	47	2,848	3,727	(24)
PSH	6,888	6,334	5,970	(6)	(6)	39,885	29,244	30,020	31,305	64	19,193	19,661	(2)
QH	1,868	1,963	1,447	(39)	(26)	9,291	8,503	8,868	9,108	60	5,278	6,233	(15)
SIRI	6,044	7,249	6,451	(16)	(11)	19,126	30,559	25,988	27,108	76	19,745	23,356	(15)
SPALI	3,603	7,075	7,378	27	4	23,224	20,336	26,511	29,217	68	18,055	12,363	46
Total	**35,478**	**39,900**	**35,496**	**(11)**	**(11)**	**148,075**	**151,074**	**155,946**	**164,612**	**71**	**110,874**	**106,880**	**4**
(y-y%)	**20%**	**6%**	**(11%)**				**2%**	**3%**	**6%**				

Sources: Company data; Thanachart estimates

Ex 7: Property Gross Margin

Property GP (%)	1Q21	2Q21	3Q21	(y-y%) (bp)	(q-q%) (bp)	2019	2020	2021F	2022F	9M21	9M20	(y-y%)
AP	31.5	30.4	30.5	51	7	32.1	30.1	31.2	31.7	30.8	30.3	50
LH	31.9	31.6	32.1	(71)	42	32.4	31.7	32.0	33.0	31.9	31.1	77
LPN	25.6	25.8	20.9	(651)	(484)	31.7	28.6	26.3	27.7	24.1	29.0	(492)
PSH	26.7	29.2	29.8	(231)	56	35.4	32.0	29.6	30.8	28.5	33.3	(473)
QH	29.9	31.4	29.0	(179)	(239)	33.5	32.1	30.2	30.7	30.1	32.0	(186)
SIRI	29.8	34.8	33.4	467	(140)	26.9	25.0	30.0	30.2	32.7	22.5	1,017
SPALI	38.0	40.0	40.5	392	54	39.4	38.1	39.3	39.7	39.5	36.3	318
Total	**30.5**	**31.9**	**30.9**	**(31)**	**(101)**	**33.1**	**31.1**	**31.2**	**32.0**	**31.1**	**30.6**	**44**
(y-y%) (bp)	**(41)**	**206**	**(31)**				**(196)**	**13**	**74**			

Sources: Company data; Thanachart estimates

Ex 8: Normalized Profit

Norm profit (Bt m)	1Q21	2Q21	3Q21	(y-y%)	(q-q%)	2019	2020	2021F	2022F	9M21/ 2021F (%)	9M21	9M20	(y-y%)
AP	1,403	1,115	1,031	(29)	(8)	3,006	4,227	3,790	3,926	94	3,549	3,284	8
LH	1,652	1,881	1,289	(26)	(31)	7,822	6,597	7,420	8,318	65	4,823	4,627	4
LPN	123	121	23	(77)	(81)	1,256	716	631	727	42	267	473	(44)
PSH	606	427	331	(45)	(23)	5,359	2,771	2,781	3,144	49	1,364	1,942	(30)
QH	431	481	263	(54)	(45)	2,847	2,121	2,185	2,391	54	1,175	1,542	(24)
SIRI	384	680	628	(18)	(8)	1,462	1,569	1,599	1,755	106	1,693	1,018	66
SPALI	741	1,730	1,720	41	(1)	5,403	4,251	5,789	6,556	72	4,191	2,387	76
Total	**5,340**	**6,437**	**5,285**	**(18)**	**(18)**	**27,154**	**22,252**	**24,195**	**26,818**	**71**	**17,062**	**15,273**	**12**
(y-y%)	**19%**	**49%**	**(18%)**				**(18%)**	**9%**	**11%**				

Sources: Company data; Thanachart estimates

Ex 9: Sector Valuation

Stock	REC	Current price (Bt)	Target price (Bt)	Up/ Downside (%)	Market Cap (US$ m)	Norm EPS grw 2021F (%)	Norm EPS grw 2022F (%)	— Norm PE — 2021F (x)	— Norm PE — 2022F (x)	— P/BV — 2021F (x)	— P/BV — 2022F (x)	— Div yield — 2021F (%)	— Div yield — 2022F (%)
AP	BUY	9.25	10.00	8.1	890	(10.3)	3.6	7.7	7.4	0.9	0.8	4.6	4.7
LH	BUY	8.85	10.50	18.6	3,234	12.5	12.1	14.3	12.7	2.1	2.0	6.1	6.7
LPN	SELL	4.88	3.90	(20.1)	220	(11.9)	15.2	11.4	9.9	0.7	0.7	5.3	6.1
PSH	SELL	13.70	11.00	(19.7)	917	0.4	13.0	10.8	9.5	0.7	0.7	5.6	6.3
QH	HOLD	2.28	2.40	5.3	747	3.0	9.4	11.2	10.2	0.9	0.8	5.4	5.9
SIRI	SELL	1.31	0.88	(32.8)	596	(11.6)	12.3	15.3	13.6	0.6	0.6	2.6	2.9
SPALI	BUY	23.00	27.00	17.4	1,507	36.2	13.3	8.5	7.5	1.2	1.1	4.7	5.3

Source: Thanachart estimates based on 17 November 2021 closing prices.

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