

Quality Houses Pcl (QH TB) - HOLD, Price Bt2.30, TP Bt2.40

Results Comment

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Weak 3Q21, in line

- QH reported weak 3Q21 net profit of Bt263m, down 54% y-y and 45% q-q, in line with us and consensus.
- Falling profit y-y and q-q was due to lower property sales along with soft presales, property gross margin contraction and lower equity income.
- Total revenues fell by 36% y-y and 25% q-q to Bt1.6bn. Property sales declined by 39% y-y and 26% q-q to Bt1,447m. Low-rise housing revenues were down 35% y-y and 26% q-q to Bt1,375m while condo sales fell by 73% y-y and 36% q-q to Bt72m.
- Real estate gross margin was 29.0%, down y-y from 30.8% in 3Q20 and q-q from 31.4% in 2Q21. Both low-rise houses and condominiums had declining gross margin to 29.7% and 16.4% respectively.
- Equity income decreased by 30% y-y and 25% q-q to Bt288m, mainly from lower profit contribution of HMPRO caused by temporary store closure during partial lockdown (Bt173m, down from Bt278m in 3Q20 and Bt285m in 2Q21). Other associates; LHFG contributed Bt87m, Bt35m from QHPF, Bt8m loss from QHHR.
- 9M21 profit (down 24% y-y) accounted for 54% of our 2021F. There is earnings downside as 9M21 property sales (-15% y-y) and presales (-22% y-y) were still behind at 60% and 59% of our 2021F sales and presales.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Revenue	2,490	2,422	2,032	2,106	1,588	Revenue	(25)	(36)	59	9,695	10,135
Gross profit	725	758	580	629	461	Gross profit	(27)	(36)	60	2,796	2,965
SG&A	456	412	466	447	428	SG&A	(4)	(6)	69	1,939	2,128
Operating profit	269	345	113	183	33	Operating profit	(82)	(88)	38	857	837
EBITDA	367	442	208	278	126	EBITDA	(55)	(66)	57	1,078	1,067
Other income	59	63	62	60	57	Other income	(4)	(4)	71	252	264
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	98	93	84	82	84	Interest expense	4	(14)	60	417	434
Profit before tax	231	315	92	161	6	Profit before tax	(96)	(97)	37	692	667
Income tax	66	115	48	61	31	Income tax	(49)	(53)	81	173	138
Equity & invest. income	409	379	387	381	288	Equity & invest. income	(25)	(30)	63	1,666	1,863
Minority interests	0	0	0	0	0	Minority interests			na	0	0
Extraordinary items	1	0	1	0	0	Extraordinary items	5	(60)	na	0	0
Net profit	575	580	431	482	263	Net profit	(45)	(54)	54	2,185	2,391
Normalized profit	574	579	431	481	263	Normalized profit	(45)	(54)	54	2,185	2,391
EPS (Bt)	0.05	0.05	0.04	0.04	0.02	EPS (Bt)	(45)	(54)	54	0.20	0.22
Normalized EPS (Bt)	0.05	0.05	0.04	0.04	0.02	Normalized EPS (Bt)	(45)	(54)	54	0.20	0.22

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21	(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash & ST investment	3,629	2,510	3,109	2,952	2,921	Sales growth	(5.5)	5.3	7.5	(9.8)	(36.2)
A/C receivable	42	37	43	54	44	Operating profit growth	(21.4)	40.5	(31.2)	(27.0)	(87.6)
Inventory	23,738	22,545	21,659	21,597	21,049	EBITDA growth	(1.8)	59.1	(20.9)	(20.1)	(65.5)
Other current assets	150	136	158	150	156	Norm profit growth	(19.7)	(13.5)	(15.7)	5.4	(54.3)
Investment	11,138	11,425	11,684	11,440	11,217	Norm EPS growth	(19.7)	(13.5)	(15.7)	5.4	(54.3)
Fixed assets	8,728	8,805	8,877	8,047	8,674	Gross margin	29.1	31.3	28.5	29.9	29.0
Other assets	2,260	2,210	2,166	2,119	2,367	Operating margin	10.8	14.3	5.6	8.7	2.1
Total assets	49,685	47,667	47,696	46,358	46,427	EBITDA margin	14.7	18.2	10.2	13.2	8.0
S-T debt	9,973	6,398	3,599	5,199	5,400	Norm net margin	23.1	23.9	21.2	22.9	16.5
A/C payable	475	502	543	426	487	D/E (x)	0.8	0.6	0.6	0.6	0.6
Other current liabilities	1,796	1,762	1,749	1,711	1,690	Net D/E (x)	0.6	0.5	0.5	0.5	0.5
L-T debt	9,580	10,639	13,236	10,836	10,437	Interest coverage (x)	3.8	4.8	2.5	3.4	1.5
Other liabilities	1,838	1,797	1,664	1,616	1,960	Interest rate	2.0	2.0	2.0	2.0	2.1
Minority interest	0	0	0	0	0	Effective tax rate	28.5	36.6	52.2	37.8	508.1
Shareholders' equity	26,022	26,568	26,905	26,570	26,454	ROA	4.6	4.8	3.6	4.1	2.3
Working capital	23,305	22,080	21,160	21,224	20,606	ROE	8.8	8.8	6.4	7.2	4.0
Total debt	19,553	17,037	16,835	16,034	15,836						
Net debt	15,924	14,528	13,726	13,082	12,915						

Sources: Company data, Thanachart estimates

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