

L.P.N. Development Pcl (LPN TB) - SELL**Analyst Meeting**

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Key takeaways from analyst meeting

- **Aggressive 2022 targets**
 - **Speed is more important than profit**
 - **Gross margin remains under pressure**
 - **Resale of treasury stock by June 3rd.**
- LPN sets aggressive targets of Bt11bn new project launches; four condos and five housing projects (+126% from Bt4.87bn in 2021; one condo and four housing projects), Bt13bn presales (+46% from Bt8.9bn last year) and Bt7.5bn property sales revenues (+85% y-y from Bt4.0bn last year).
 - As inventory aging is rising to an average of 1,300 days and interest expense has jumped from Bt4m in 2019 to Bt98m in 2020 and Bt189m last year, management sees speed of inventory sale is more important than profit amid the buyers' market. Its plan to continue inventory clearance is one of the main reasons for aggressive sales and presales growth target this year.
 - We expect gross margin to remain under pressure this year given its guidance of more than 50% of this year's revenues coming from inventory and at least 5% increase in construction cost. Property gross margin declined from 31.7% in 2019 to 28.6% in 2020 and 23.4% last year. Management guides for a 25% gross margin on four new condos to be completed this year and also 25% gross margin on new housing projects.
 - There will be some selling pressure as the deadline for resale of 21.5m treasury stock is by June 3rd. The company expects to sell over the next two to three weeks.
 - We maintain SELL call on LPN as we don't see catalysts driving demand for budget condos. Its rejection rate last year was high at 50% for condos and 35% for housing projects.

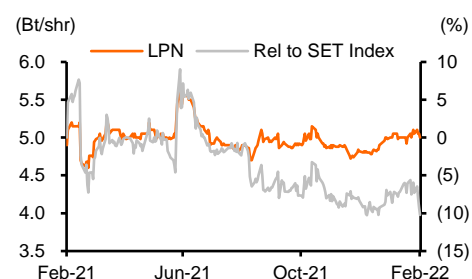
Key Valuations

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Revenue	7,363	5,507	6,072	6,513
Net profit	716	354	396	490
Norm net profit	716	354	396	490
Norm EPS (Bt)	0.5	0.2	0.3	0.3
Norm EPS gr (%)	(43.0)	(50.5)	11.7	23.9
Norm PE (x)	10.3	20.8	18.6	15.1
EV/EBITDA (x)	14.6	23.7	19.8	15.9
P/BV (x)	0.6	0.7	0.7	0.7
Div. yield (%)	28.0	2.9	3.2	4.0
ROE (%)	5.7	3.2	3.9	4.7
Net D/E (%)	66.3	98.2	82.2	65.6

Source: Thanachart estimates

Stock Data

Closing price (Bt)	5.00
Target price (Bt)	3.60
Market cap (US\$ m)	226
Avg daily turnover (US\$ m)	0.7
12M H/L price (Bt)	5.65/4.60

Price Performance

Source: Bloomberg

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