Quality Houses Pcl (QH TB) - HOLD, Price Bt2.34, TP Bt2.50

Results Comment

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

Weak 4Q21, missed us and consensus

- QH reported 4Q21 net profit of Bt494m, down 15% y-y. A miss was on high SG&A and lower-than-expected equity income.
- Property business was in line with property sales revenues of Bt2,224m, down 2% y-y but up 54% q-q. Property gross margin stood at 30.7%, down from 32.9% in 4Q20 but improved from 29.0% in 3Q21.
- Equity income fell by 14% y-y to Bt326m. Disappointments were shared loss from LHFG by Bt51m and loss of Bt10m from QHHR. HMPRO contributed majority of equity income at Bt352m, up 14% y-y and 104% q-q.
- 2021 net profit came to 88% of our full-year forecast. A miss was mainly on equity income which declined by 10% y-y to Bt1,382m from lower shared profit from LHFG (Bt170m, down from Bt311m), QHPF (Bt148m, down from Bt167m) and shared loss of Bt17m from QHHR (Bt32m shared profit in 2020).
- 2021 net profit was Bt1.67bn, down 21% y-y. In addition to falling equity income, property sales revenues decreased by 12% to bt7,502m on a 13% decline in property presales to Bt7,497m last year. Property gross margin also dropped to 30.3% from 32.1% in 2020, low-rise housing gross margin fell to 31.0% (33.1% in 2020) condo gross margin fell to 21.8% (22.7% in 2020).
- 2H21 DPS is Bt0.07/share, XD on Apr 28th, to be paid on May 18th.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Revenue	2,422	2,032	2,106	1,588	2,394
Gross profit	**758**	**580**	**629**	**461**	**748**
SG&A	412	466	447	428	475
Operating profit	345	113	183	33	272
EBITDA	**442**	**208**	**278**	**126**	**365**
Other income	63	62	60	57	55
Other expense	0	0	0	0	0
Interest expense	93	84	82	84	80
Profit before tax	**315**	**92**	**161**	**6**	**248**
Income tax	115	48	61	31	81
Equity & invest. income	379	387	381	288	326
Minority interests	0	0	0	0	0
Extraordinary items	0	1	0	0	0
Net profit	**580**	**431**	**482**	**263**	**494**
Normalized profit	**579**	**431**	**481**	**263**	**494**
EPS (Bt)	0.05	0.04	0.04	0.02	0.05
Normalized EPS (Bt)	0.05	0.04	0.04	0.02	0.05

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Revenue	51	(1)	97	8,120	9,444
Gross profit	**62**	**(1)**	**100**	**2,418**	**2,696**
SG&A	11	15	98	1,816	2,078
Operating profit	716	(21)	106	602	619
EBITDA	**188**	**(17)**	**124**	**977**	**849**
Other income	(3)	(12)	97	234	273
Other expense			na	0	0
Interest expense	(5)	(14)	86	330	386
Profit before tax	**3,973**	**(21)**	**119**	**507**	**505**
Income tax	161	(30)	207	220	101
Equity & invest. income	14	(14)	88	1,382	1,816
Minority interests			na	0	0
Extraordinary items	38	(2)	na	1	0
Net profit	**88**	**(15)**	**88**	**1,670**	**2,220**
Normalized profit	**88**	**(15)**	**88**	**1,668**	**2,220**
EPS (Bt)	88	(15)	88	0.16	0.21
Normalized EPS (Bt)	88	(15)	88	0.16	0.21

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash & ST investment	2,510	3,109	2,952	2,921	3,206
A/C receivable	37	43	54	44	26
Inventory	22,545	21,659	21,597	21,049	19,987
Other current assets	136	158	150	156	145
Investment	11,425	11,684	11,440	11,217	11,524
Fixed assets	8,805	8,877	8,047	8,674	1,546
Other assets	2,210	2,166	2,119	2,367	9,801
Total assets	**47,667**	**47,696**	**46,358**	**46,427**	**46,236**
S-T debt	6,398	3,599	5,199	5,400	9,100
A/C payable	502	543	426	487	556
Other current liabilities	1,762	1,749	1,711	1,690	1,666
L-T debt	10,639	13,236	10,836	10,437	6,038
Other liabilities	1,797	1,664	1,616	1,960	1,890
Minority interest	0	0	0	0	0
Shareholders' equity	**26,568**	**26,905**	**26,570**	**26,454**	**26,985**
Working capital	22,080	21,160	21,224	20,606	19,457
Total debt	17,037	16,835	16,034	15,836	15,138
Net debt	**14,528**	**13,726**	**13,082**	**12,915**	**11,932**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Sales growth	5.3	7.5	(9.8)	(36.2)	(1.2)
Operating profit growth	40.5	(31.2)	(27.0)	(87.6)	(21.1)
EBITDA growth	59.1	(20.9)	(20.1)	(65.5)	(17.5)
Norm profit growth	(13.5)	(15.7)	5.4	(54.3)	(14.8)
Norm EPS growth	(13.5)	(15.7)	5.4	(54.3)	(14.8)
Gross margin	31.3	28.5	29.9	29.0	31.2
Operating margin	14.3	5.6	8.7	2.1	11.4
EBITDA margin	18.2	10.2	13.2	8.0	15.2
Norm net margin	23.9	21.2	22.9	16.5	20.6
D/E (x)	0.6	0.6	0.6	0.6	0.6
Net D/E (x)	0.5	0.5	0.5	0.5	0.4
Interest coverage (x)	4.8	2.5	3.4	1.5	4.6
Interest rate	2.0	2.0	2.0	2.1	2.1
Effective tax rate	36.6	52.2	37.8	508.1	32.6
ROA	4.8	3.6	4.1	2.3	4.3
ROE	8.8	6.4	7.2	4.0	7.4

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

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 117 Derivative Warrants which are ACE16C2202A, ADVA16C2202A, ADVA16C2203A, AMAT16C2206A, AOT16C2202A, AOT16C2204A, BAM16C2206A, BAM16C2204A, BANP16C2205A, BANP16C2202A, BANP16C2204A, BBL16C2203A, BBL16C2204A, BCH16C2203A, BEC16C2202A, BEC16C2204A, BGRI16C2203A, BGRI16C2205A, BLA16C2205A, CBG16C2202A, CBG16C2204A, CBG16C2205A, CHG16C2202A, COM716C2203A, COM716C2205A, CPAL16C2203A, CPAL16C2204A, CPF16C2205A, CPN16C2202A, CRC16C2204A, DELT16C2202A, DELT16C2203A, DOHO16C2202A, DTAC16C2203A, EA16C2206A, EA16C2203A, EA16C2205A, ESSO16C2202A, GLOB16C2203A, GPSC16C2206A, GPSC16C2203A, GPSC16C2205A, GULF16C2202A, GULF16C2203A, GULF16C2205A, GUNK16C2206A, GUNK16C2203A, GUNK16C2205A, HANA16C2202A, HANA16C2204A, HANA16C2205A, HMPR16C2202A, INTU16C2202A, INTU16C2205A, IRPC16C2205A, IVL16C2202A, IVL16C2203A, JAS16C2202A, JMAR16C2206A, JMAR16C2202A, JMAR16C2205A, JMT16C2203A, JMT16C2205A, KBAN16C2206A, KBAN16C2202A, KBAN16C2204A, KCE16C2204A, KCE16C2205A, KCE16C2205B, KTC16C2202A, LH16C2202A, MINT16C2203A, MINT16C2204A, MTC16C2202A, MTC16C2204A, OR16C2202A, OR16C2203A, OR16C2205A, PTG16C2202A, PTG16C2203A, PTL16C2202A, PTL16C2202B, PTT16C2203A, PTT16C2205A, PTTE16C2203A, RBF16C2202A, RCL16C2205A, RS16C2205A, S5016P2206B, S5016C2203A, S5016C2203B, S5016C2206A, S5016P2203A, S5016P2203B, S5016P2206A, SAWA16C2202A, SAWA16C2204A, SAWA16C2205A, SCB16C2202A, SCC16C2204A, SCGP16C2202A, SPAL16C2202A, STA16C2203A, STEC16C2204A, STGT16C2202A, SYNE16C2202A, TOP16C2206A, TOP16C2202A, TRUE16C2205B, TRUE16C2205A, TRUE16C2202A, TRUE16C2203A, TRUE16C2203B, TU16C2202A, TU16C2204A, WHA16C2202A, WHA16C2204A (underlying securities are ACE, ADVANC, AMATA, AOT, BAM, BANPU, BBL, BCH, BEC, BGRIM, BLA, CBG, CHG, COM7, CPALL, CPF, CPN, CRC, DELTA, DOHOME, DTAC, EA, ESSO, GLOBAL, GPSC, GULF, GUNKUL, HANA, HMPRO, INTUCH, IRPC, IVL, JAS, JMART, JMT, KBANK, KCE, KTC, LH, MINT, MTC, OR, PTG, PTL, PTT, PTTEP, RBF, RCL, RS, SAWAD, SCB, SCC, SCGP, SET50, SPALI, STA, STEC, STGT, SYNEX, TOP, TU, WHA, TRUE). 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 21.2% 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), SCG Packaging Pcl (SCGP TB)