Quality Houses Pcl (QH TB) - HOLD, Price Bt2.14, TP Bt2.50

Results Comment

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Good 1Q22 results, in line

- QH reported a good 1Q22 net profit of Bt585m, up 36% y-y and 18% q-q, driven by improving property gross margin and equity income.
- Property sales revenues hovered around Bt2bn which was at Bt1,915m in 1Q22, grew by 2% y-y from Bt1,868m in 1Q21 but fell 14% q-q from Bt2,224m in 4Q21.
- Property gross margin seen a big improvement to 34.0% vs 29.9% in 1Q21 and 30.7% in 4Q21, boosted by transfers of large houses in high-end segment under the brand Prukpirom.
- Equity income of Bt399m also drove both y-y and q-q performance. Higher equity income q-q was due to shared profit of Bt70m from LHFG vs Bt51m shared loss in 4Q21 from provision booking. The y-y increase was from Bt300m shared profit from HMPRO that rose by 11% y-y from Bt271m in 1Q21.
- 1Q22 net profit accounted for 26% of our full-year forecast.
- We maintain our earnings projection and HOLD call to Bt2.50 TP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Revenue	2,032	2,106	1,588	2,394	2,091
Gross profit	**580**	**629**	**461**	**748**	**719**
SG&A	466	447	428	475	450
Operating profit	113	183	33	272	269
EBITDA	**208**	**278**	**126**	**365**	**359**
Other income	62	60	57	55	51
Other expense	0	0	0	0	0
Interest expense	84	82	84	80	71
Profit before tax	**92**	**161**	**6**	**248**	**249**
Income tax	48	61	31	81	64
Equity & invest. income	387	381	288	326	399
Minority interests	0	0	0	0	0
Extraordinary items	1	0	0	0	0
Net profit	**431**	**482**	**263**	**494**	**585**
Normalized profit	**431**	**481**	**263**	**494**	**584**
EPS (Bt)	0.04	0.04	0.02	0.05	0.05
Normalized EPS (Bt)	0.04	0.04	0.02	0.05	0.05

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Revenue	(13)	3	22	9,444	10,028
Gross profit	**(4)**	**24**	**27**	**2,696**	**2,976**
SG&A	(5)	(3)	22	2,078	2,206
Operating profit	(1)	137	43	619	770
EBITDA	**(2)**	**73**	**42**	**849**	**1,009**
Other income	(8)	(18)	19	273	290
Other expense			na	0	0
Interest expense	(11)	(16)	18	386	431
Profit before tax	**1**	**171**	**49**	**505**	**629**
Income tax	(20)	34	63	101	130
Equity & invest. income	22	3	22	1,816	2,084
Minority interests			na	0	0
Extraordinary items	17	(18)	na	0	0
Net profit	**18**	**36**	**26**	**2,220**	**2,583**
Normalized profit	**18**	**36**	**26**	**2,220**	**2,583**
EPS (Bt)	18	36	26	0.21	0.24
Normalized EPS (Bt)	18	36	26	0.21	0.24

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash & ST investment	3,109	2,952	2,921	3,206	3,858
A/C receivable	43	54	44	26	37
Inventory	21,659	21,597	21,049	19,987	20,107
Other current assets	158	150	156	145	211
Investment	11,684	11,440	11,217	11,524	11,885
Fixed assets	8,877	8,047	8,674	1,546	1,518
Other assets	2,166	2,119	2,367	9,801	9,035
Total assets	**47,696**	**46,358**	**46,427**	**46,236**	**46,651**
S-T debt	3,599	5,199	5,400	9,100	9,100
A/C payable	543	426	487	556	602
Other current liabilities	1,749	1,711	1,690	1,666	1,898
L-T debt	13,236	10,836	10,437	6,038	5,639
Other liabilities	1,664	1,616	1,960	1,890	1,854
Minority interest	0	0	0	0	0
Shareholders' equity	**26,905**	**26,570**	**26,454**	**26,985**	**27,558**
Working capital	21,160	21,224	20,606	19,457	19,542
Total debt	16,835	16,034	15,836	15,138	14,739
Net debt	**13,726**	**13,082**	**12,915**	**11,932**	**10,881**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Sales growth	7.5	(9.8)	(36.2)	(1.2)	2.9
Operating profit growth	(31.2)	(27.0)	(87.6)	(21.1)	137.0
EBITDA growth	(20.9)	(20.1)	(65.5)	(17.5)	72.6
Norm profit growth	(15.7)	5.4	(54.3)	(14.8)	35.7
Norm EPS growth	(15.7)	5.4	(54.3)	(14.8)	35.7
Gross margin	28.5	29.9	29.0	31.2	34.4
Operating margin	5.6	8.7	2.1	11.4	12.9
EBITDA margin	10.2	13.2	8.0	15.2	17.2
Norm net margin	21.2	22.9	16.5	20.6	28.0
D/E (x)	0.6	0.6	0.6	0.6	0.5
Net D/E (x)	0.5	0.5	0.5	0.4	0.4
Interest coverage (x)	2.5	3.4	1.5	4.6	5.1
Interest rate	2.0	2.0	2.1	2.1	1.9
Effective tax rate	52.2	37.8	508.1	32.6	25.8
ROA	3.6	4.1	2.3	4.3	5.0
ROE	6.4	7.2	4.0	7.4	8.6

Sources: Company data, Thanachart estimates

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