Thanachart Securities

BUY (Unchanged)

Change in Numbers

TP: Bt 11.00 (Unchanged)

Upside : 29.4%

29 JULY 2022

Land & Houses Pcl (LH TB)

In the BUY zone

We reaffirm BUY on LH seeing it as in the BUY zone at only 10.4x 2023F PE with a far-improved business outlook. After three years of contraction, all three business lines are turning around. At the current price, LH also offers forecast dividend yields of 7.1/8.2% in 2022-23.

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Reaffirming BUY

We reaffirm BUY on LH as a top property pick along with AP (AP TB, BUY, Bt9.75). *First*, after three years of earnings contraction, LH's key earnings sources of property sales, rental income and equity income are turning around and we estimate 22/15/11% earnings growth in 2022-24F. *Second*, LH is trading at what we see as a bargain level of 10.4x 2023F PE against its earnings turnaround trend and 15.1x 10-year average PE. *Lastly*, LH is also a high-yield play with dividend yields of 7.1/8.2% in 2022-23F. We fine-tune our earnings and roll over our SOTP valuation to a 2023F base year, giving a TP of Bt11.0 (unchanged due to the lower investment value of its listed associates).

Residential property remains strong

Despite the COVID crisis and the lower loan-to-value (LTV) regulation from 2Q19 to September 2021, LH grew its residential property sales from Bt25bn in 2019 to Bt27/30bn in 2020-21. LH gained market share with its high mid- to high-end low-rise market exposure (the strong segment during the COVID years). We expect further growth to Bt33bn in 2022F driven by continued low-rise segment demand and condo sales resuming during the economic recovery period. The LTV ratio was lifted to a stimulative level again in October 2021 (see Exhibit 4). We estimate 1H22F sales to reach Bt15.2bn. LH was also able to raise prices to offset rising costs and we expect 1H22F property gross margin to expand by 104bp y-y to 32.8%.

Recovering rental business

LH has 10 rental assets at present (5 hotels, 1 shopping mall, 4 apartments/hotels in the US). They made losses in the COVID years in 2020-21. All assets are seeing both higher occupancy and rental rates and we expect them to contribute 1/7/9% of total profits in 2022-24F. Also helping drive profit are three new assets, i.e., SpringHill by Marriott in Anaheim, California, with its short walk to Disneyland (acquired in 4Q21), GCP Space Pattaya Hotel (due to be opened in August 2022) and Terminal 21 Rama 3 mall (October 2022). Note that LH's business model for rental properties is to sell them when they are mature and recognize capital gains, which are expected to be paid out as dividends.

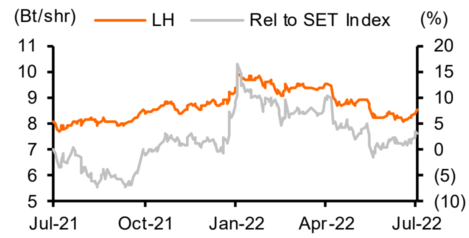
Equity income turning around

Equity income accounted for 43% of LH's profit in 2019 but it fell to 34% in 2021. Key contributors are Home Product Center (HMPRO TB, BUY, Bt13.30), Quality Houses (QH TB, HOLD, Bt2.14), and LH Financial Group (LHFG TB, not rated) and all of them are turning around (see Exhibit 8) from the weak COVID years in 2020-21. We estimate equity income to grow by 28/17/15% in 2022-24F.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Sales	32,270	36,835	40,267	43,075
Net profit	6,936	8,447	9,739	10,824
Consensus NP	—	8,077	8,735	9,517
Diff frm cons (%)	—	*4.6*	*11.5*	*13.7*
Norm profit	6,884	8,447	9,739	10,824
Prev. Norm profit	—	8,460	9,582	10,522
Chg frm prev (%)	—	*(0.2)*	*1.6*	*2.9*
Norm EPS (Bt)	0.6	0.7	0.8	0.9
Norm EPS grw (%)	4.4	22.7	15.3	11.1
Norm PE (x)	14.8	12.0	10.4	9.4
EV/EBITDA (x)	19.4	16.8	15.3	14.3
P/BV (x)	2.0	1.9	1.8	1.8
Div yield (%)	5.9	7.1	8.2	8.8
ROE (%)	13.8	16.4	18.0	19.1
Net D/E (%)	95.1	82.8	82.9	83.5

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 27-Jul-22 (Bt)	8.50
Market Cap (US$ m)	2,759.6
Listed Shares (m shares)	11,949.7
Free Float (%)	64.8
Avg Daily Turnover (US$ m)	10.7
12M Price H/L (Bt)	9.90/7.70
Sector	PROP
Major Shareholder	Asavabhokhin Family 23.93%

Sources: Bloomberg, Company data, Thanachart estimates

Reaffirming BUY as a top pick

Fine-tuning earnings on our new rental income assumptions

We fine-tune our earnings estimates for Land & Houses Pcl (LH) by -0.2/1.6/2.9% in 2022-24F mainly to incorporate our new rental income assumptions as we now expect its two new assets, Grande Centre Point (GCP) Space Pattaya Hotel and the Terminal 21 Rama 3 mall to generate higher revenues than we had forecasted previously. After rolling over our valuation base year to 2023F, our SOTP-derived 12-month TP is unchanged at Bt11/share as we have lowered the investment value of its listed associates to reflect their reduced market prices.

Ex 1: Key Assumption Changes

	2019	2020	2021	2022F	2023F	2024F
Rental income (Bt m)						
- New	4,907	2,417	1,809	3,793	5,133	5,891
- Old	4,907	2,417	1,809	3,951	4,606	4,987
Change (%)	*0.0*	*0.0*	*0.0*	*(4.0)*	*11.4*	*18.1*
Normalized profit (Bt m)						
- New	7,822	6,597	6,884	8,447	9,739	10,824
- Old	7,822	6,597	6,884	8,460	9,582	10,522
Change (%)	*0.0*	*0.0*	*0.0*	*(0.2)*	*1.6*	*2.9*

Sources: Company data, Thanachart estimates

Ex 2: Our DCF Calculation For LH's Property Development Business

(Bt m)		2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA		8,900	9,757	10,252	10,651	10,969	11,282	11,602	11,930	12,263	12,595	12,931	
Free cash flow		2,411	2,723	4,703	16,273	14,062	12,016	7,801	12,886	11,607	9,163	11,901	173,269
PV of free cash flow		2,405	2,331	3,725	11,926	9,334	7,347	4,394	6,687	5,549	4,035	4,607	67,076
Risk-free rate (%)	2.5												
Market risk premium (%)	8.0												
Beta	1.1												
WACC (%)	8.1												
Terminal growth (%)	2.0												
Enterprise value – property development business	**129,417**												

SOTP Calculation	% holding	(Bt m)
Enterprise value - property development business (plus rental business)		**129,417**
Rental properties		0
Investment in property fund/REITs		1,907
Investment in associates - at a 30% discount		45,187
- Quality Construction Products Plc (QCON)	21	308
- LH Financial Group Plc (LHFG)	22	3,893
- Home Product Center Plc (HMPRO)	30	37,013
- Quality Houses Plc (QH)	25	3,972
Total enterprise value		**176,511**
Less Net debt (end-2022F)		44,349
Less Minority interest		702
Equity value		**131,460**
# of shares (m)		11,950
Equity value/share (Bt)		**11.00**

Sources: Company data, Thanachart estimates

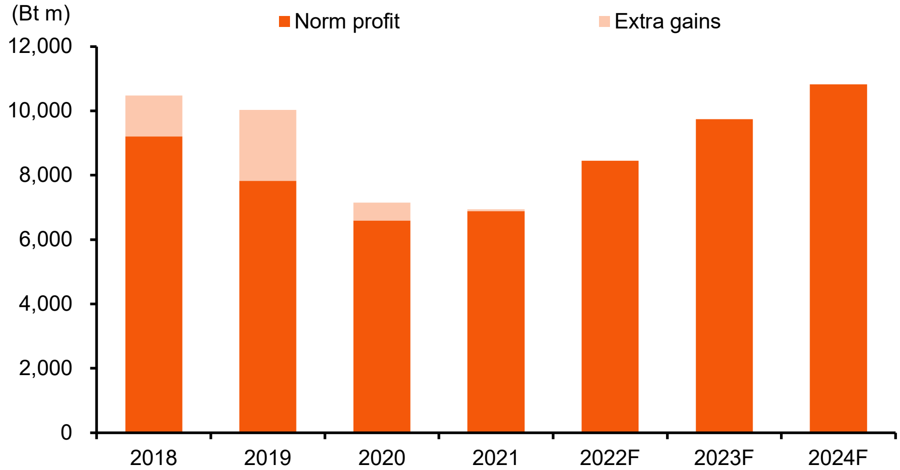
BUY as a top property sector pick

We reaffirm our BUY rating on shares of LH as one of our top property sector picks along with AP (Thailand) (AP TB, BUY, Bt9.75).

1) Resumption of profit growth in 2022-24F

First, after three years of contracting net profit, we expect strong 22/15/11% net profit growth in 2022-24F from a recovery in residential property sales, rental income (hotels, mall, apartments) and equity income (mainly HMPRO, LHFG and QH). Note that LH regularly sells assets to its REITs, LHSC and LHHOTEL, or to a third party every year and recognizes divestment gains. The extra gains in 2018-20 included a Bt935m gain from the sale of the Domain USA apartments in 2018, a Bt1.9bn gain from the divestment of Grande Centre Point (GCP) Sukhumvit 55 Hotel to LHHOTEL in 2019, and a Bt291m gain from the sale of the Mode apartments in the US to a third party in 2020. Given the COVID impact, its planned asset divestments have been delayed. We expect the divestments to resume this year with the potential sale of the Parc apartments in the US in 2H22F, but we have yet to factor this into our projections.

Ex 3: Net Profit Growth Resuming



Sources: Company data, Thanachart estimates

Expecting record property sales and presales this year

Property: Despite the stricter loan-to-value (LTV) policy from 2Q19 to September 2021 and the emergence of the COVID pandemic, LH gained market share as a quality developer with high exposure in the mid- to high-end low-rise housing market which was the strong segment during the COVID years. Its residential property sales grew from Bt25bn in 2019 to Bt27bn in 2020 and Bt30bn in 2021 and we expect further growth to Bt33bn in 2022F, a new record high, driven by continuing strong demand in the low-rise segment and condo sales resuming during the economic recovery period.

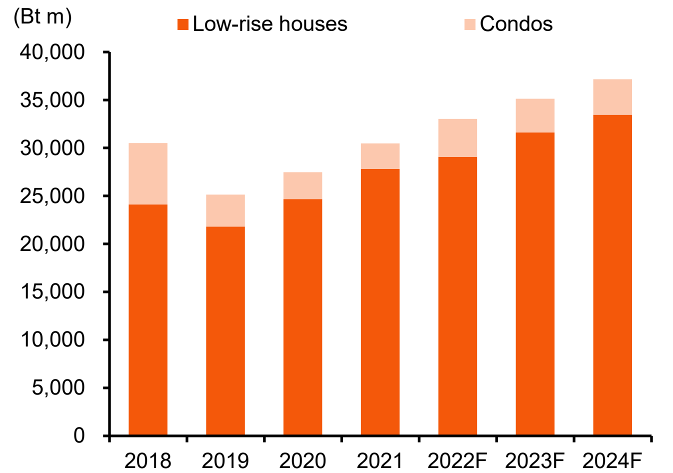
LTV ratio was lifted to a stimulative level of 100% in October 2021 (see Exhibit 4). Before 2Q19, the normal LTV was 95% for low-rise houses and 90% for condominiums. Then it was reduced to 70-90% for second-home mortgage contracts from 2Q19 to 19 October 2021. We estimate 1H22F sales to reach Bt15.2bn on 1H22F presales of Bt15.4bn, already at 50% of LH's 2022 presales target. As there are new project launches this year due in 2H22 (36% 1H22: 64% 2H22F), LH is likely to beat this year's Bt31bn presales target. Our 2022F presales are Bt33.6bn. We expect LH to also have been able to raise prices to offset rising costs and estimate 1H22F property gross margin to expand by 104bp y-y to 32.8%.

Ex 4: LTV Relaxation (Oct 20th, 2021 - Dec 31st, 2022)

House price	Mortgage contract	Collateral	LTV (%)	Special condition
<Bt10m	1st contract	All house types	100	10% top-up loans for furniture and decorations
	2nd contract	All properties (1st contract ≥ 2-year payment)	100	
		All properties (1st contract < 2-year payment)	100	
	3rd contract	All properties	100	
≥Bt10m	1st contract	All properties	100	
	2nd contract	All properties	100	
	3rd contract onwards	All properties	100	

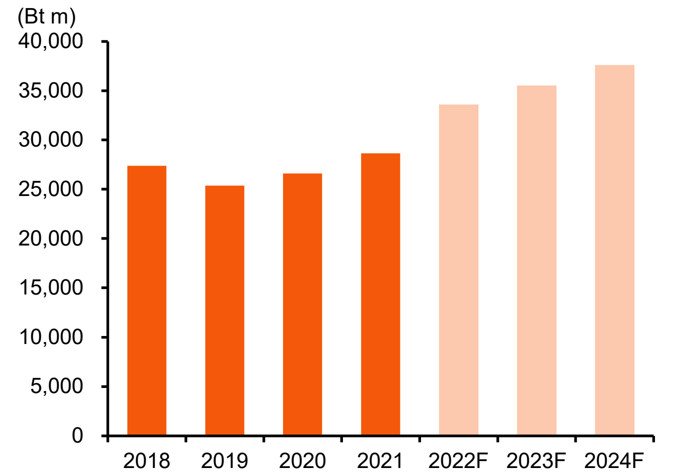
Sources: Company data, Thanachart estimates

Ex 5: Property Sales



Sources: Company data, Thanachart estimates

Ex 6: Property Presales

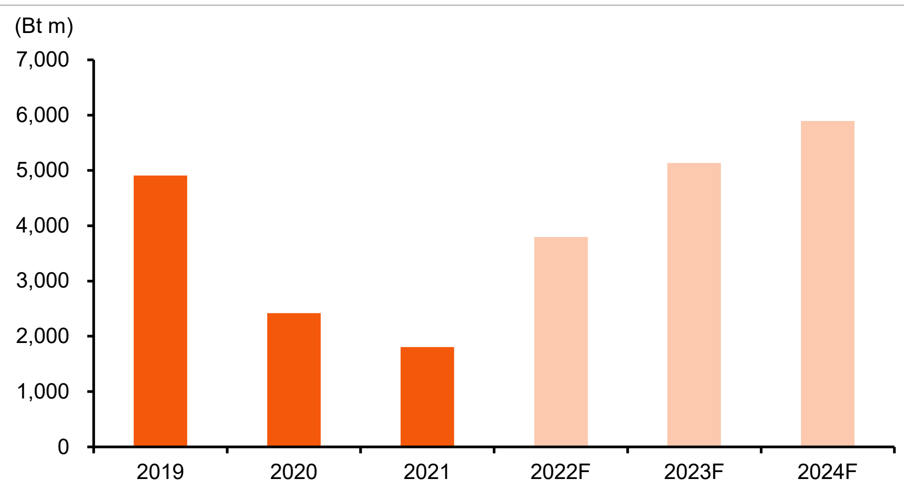


Sources: Company data, Thanachart estimates

Rental business moving toward profits this year

Rental business: LH currently operates 10 rental assets (five hotels, one mall, four US apartments/hotels). Affected by the COVID crisis, they made losses in 2020-21 on rental revenues falling from Bt4.9bn in 2019 to Bt2.4/1.8bn in 2020-21. With improving occupancy, rental and room rates from this year along with domestic travel resuming and country re-openings, we estimate rental assets to resume making profits at 1% of LH's net profit before rising to 7% and 9% in 2023-24F. Besides the recovering performance of existing assets, profit will also likely be driven by contributions from new assets – GCP Space Pattaya Hotel and the Terminal 21 mall on Rama 3 in Bangkok.

Ex 7: Rental Income

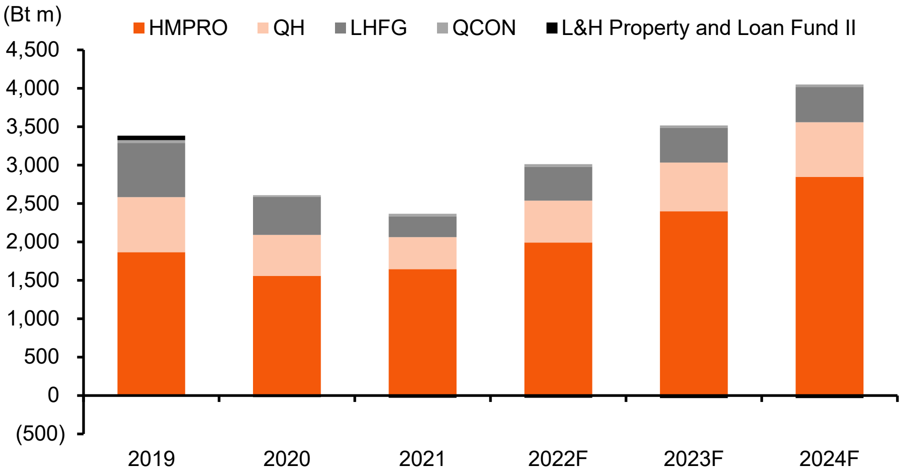


Sources: Company data, Thanachart estimates

Equity income growth resumes driven by HMPRO, QH and LHFG

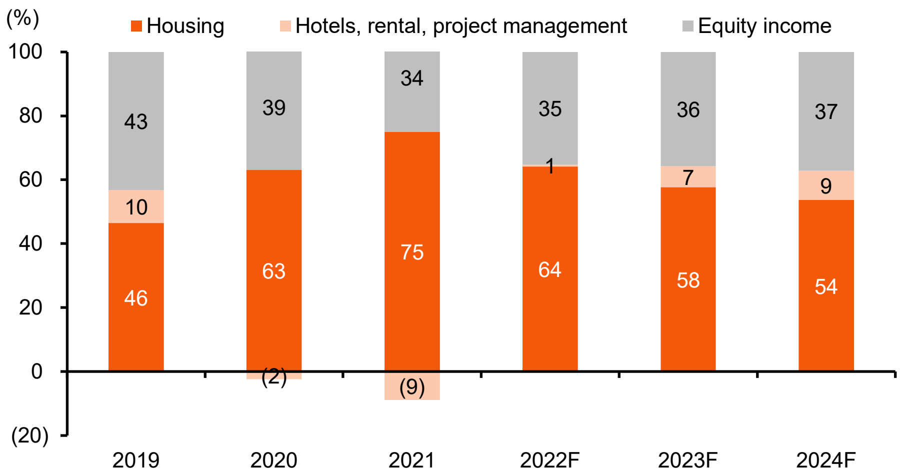
Equity income: Equity income dropped from Bt3.4bn in 2019 to Bt2.3bn in 2021 with the contribution to LH's normalized profit falling from 43% in 2019 to 34% in 2021. Key contributors are Home Product Center (HMPRO TB, BUY, Bt13.30), Quality Houses (QH, HOLD TB, Bt2.14), and LH Financial Group (LHFG TB, not rated) and all of them are turning around (see Exhibit 8) from the weak COVID years in 2020-21. We estimate equity income to grow by 28/17/15% in 2022-24F.

Ex 8: Equity Income



Sources: Company data, Thanachart estimates

Ex 9: Normalized Profit Breakdown

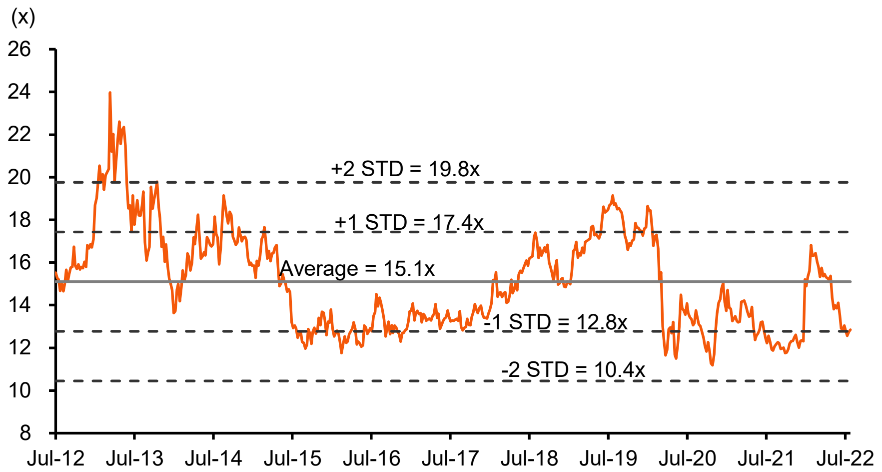


Sources: Company data, Thanachart estimates

A bargain in our view at 10.4x 2023F PE

Second, against its earnings turnaround trend and record-high normalized profit next year, LH is trading as what we regard as a bargain level at 10.4x PE in 2023F, below its 10-year average of 15.1x.

Ex 10: LH's 10-Year Historical PE

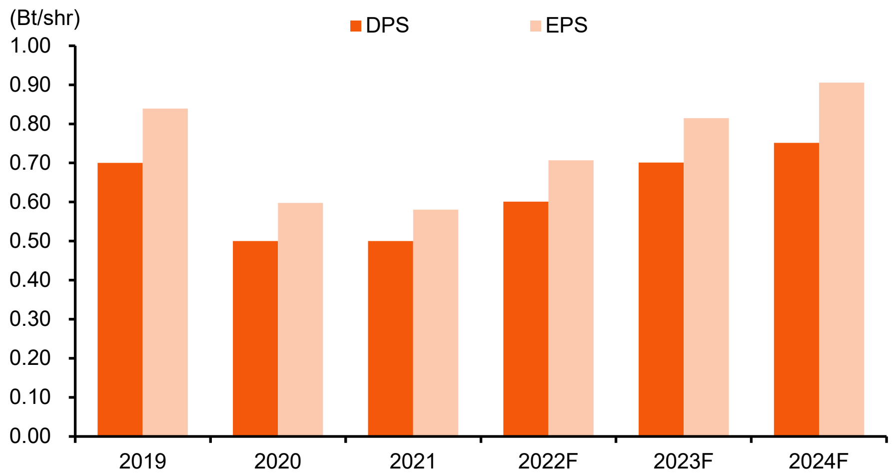


Sources: Bloomberg, Thanachart estimates

Over 7% dividend yields with potential upside from asset sales

Third, LH is a high dividend play with very attractive 7.1/8.2% dividend yields in 2022-23F.

Ex 11: DPS Vs. EPS



Sources: Company data, Thanachart estimates

Three new rental assets

Three new assets to quickly generate profit

With the COVID crisis easing, LH started to add more rental assets to its portfolio. The profit-making SpringHill by Marriott Hotel in Anaheim, California, with its short walk to Disneyland, was acquired for Bt1bn in 4Q21. At the time of the acquisition, the property had an average occupancy rate of 70% and it now has nearly 100% occupancy on weekends. In 2H22, GCP Space Hotel in Pattaya is scheduled to open in August while the Terminal 21 Rama 3 mall is due to open in October. We expect both assets to break even quite quickly from this year as the hotel should have a decent occupancy rate and the average room rate is quite high as it has family and kids' attractions since it is a space-themed hotel while the mall is already 95% pre-leased. Projects in the pipeline for launch from 2023 are GCP Surawongse Hotel (4Q23), the GCP Lumpini mixed-use project (4Q24) and GCP Ratchadamri 2 Hotel (ex-Peninsula Plaza mall).

Ex 12: Rental Property Portfolio

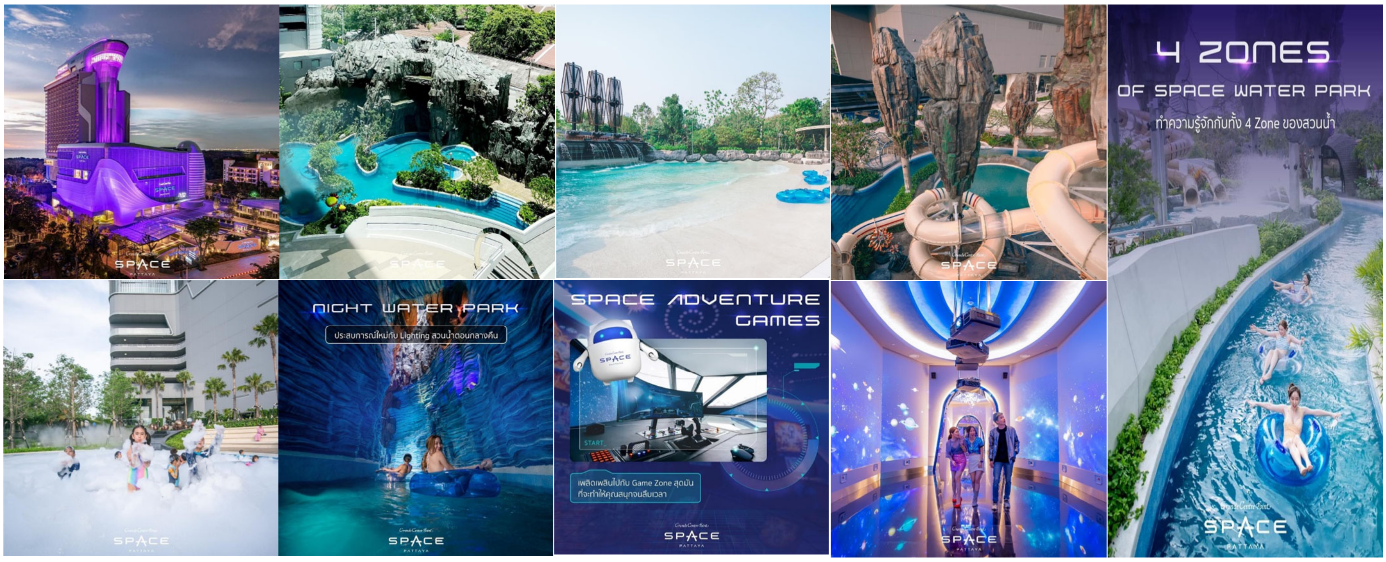
	No	Project	Project Value	Asset Type	Location
	in Thailand		(M.B.)		
Sub-Leased from Prop.Fund	1	GCP Ploenchit	1,525	Hotel	Bangkok
Sub-Leased from REIT	2	GCP Ratchadamri	2,800	Hotel	Bangkok
	3	GCP T.21 Asoke	2,000	Hotel	Bangkok
	4	GCP Suk.55	1,940	Hotel	Bangkok
Owned by LH	5	T.21 Pattaya	3,330	Mall	Pattaya
	6	GCP Pattaya	1,600	Hotel	Pattaya
	7	T.21 Rama 3	4,500	Mall	Bangkok
	8	GCP Space Pattaya	3,400	Hotel	Pattaya
	9	GCP Surawongse	2,260	Hotel	Bangkok
	10	GCP Lumpini	4,830	Mixed-Use	Bangkok
	11	GCP Ratchadamri 2	4,580	Hotel	Bangkok
			32,765		
	in USA		(M.USD)		
Owned by LH	1	Parc	135	Apartment	Campbell CA
	2	Yard	127	Apartment	Portland OR
	3	Revere	119	Apartment	Campbell CA
	4	SpringHill	31	Hotel	Anaheim CA
			412		

2022: Q1 Q2 Q3 Q4 | 2023: Q1 Q2 Q3 Q4 | 2024: Q1 Q2 Q3 Q4

Construction Operation

Source: Company data

Ex 13: Grande Centre Point Space Pattaya Hotel



Source: Company data

Valuation Comparison

Ex 14: Valuation Comparison With Regional Peers

			EPS growth		—— PE ——		— P/BV —		EV/EBITDA		Div yield	
Name	**BBG Code**	**Country**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**
			(%)	**(%)**	**(x)**	**(x)**	**(x)**	**(x)**	**(x)**	**(x)**	**(%)**	**(%)**
Poly Real Estate Group	600048 CH	China	(0.5)	6.1	7.3	6.9	1.0	0.9	10.7	10.3	3.9	3.8
Agile Property Holdings	3383 HK	China	(36.1)	(5.3)	2.0	2.1	0.2	0.2	7.0	7.2	22.5	3.2
Country Garden Holdings	2007 HK	China	(22.6)	4.2	2.7	2.6	0.3	0.3	5.3	5.3	14.1	9.3
China Overseas Land & Invest	688 HK	Hong Kong	(4.6)	5.4	6.3	5.9	0.6	0.6	6.1	5.8	4.9	4.9
China Resources Land	1109 HK	Hong Kong	9.1	12.3	8.2	7.3	1.0	0.9	6.6	6.0	4.1	4.4
Hang Lung Properties	101 HK	Hong Kong	6.6	21.3	12.9	10.6	0.4	0.4	14.5	12.0	5.5	5.6
Henderson Land Development	12 HK	Hong Kong	(3.8)	6.1	9.6	9.0	0.4	0.4	18.8	17.1	6.6	6.6
Shimao Property Holdings	813 HK	Hong Kong	2.5	3.5	1.3	1.3	0.1	0.1	5.4	5.4	21.7	24.4
Sun Hung Kai Properties	16 HK	Hong Kong	(2.4)	5.4	9.1	8.6	0.4	0.4	9.2	8.9	5.4	5.3
Sino Land	83 HK	Hong Kong	(32.1)	(2.6)	12.6	13.0	0.5	0.5	7.1	8.0	5.6	4.9
CapitaLand	CAPL SP	Singapore	11.2	6.3	na	na	na	na	na	na	na	na
City Developments	CIT SP	Singapore	172.0	(5.7)	12.8	13.6	0.8	0.8	18.5	17.3	1.7	2.0
Asian Property Devt *	AP TB	Thailand	5.9	18.1	6.4	5.4	0.9	0.8	10.7	9.7	5.5	6.5
Land and Houses *	LH TB	Thailand	22.7	15.3	12.0	10.4	1.9	1.8	16.8	15.3	7.1	8.2
LPN Development *	LPN TB	Thailand	30.9	23.9	16.4	13.2	0.6	0.6	18.7	14.9	3.7	4.5
Pruksa Holding *	PSH TB	Thailand	8.6	1.2	10.6	10.5	0.6	0.6	10.5	10.2	5.7	5.7
Quality Houses *	QH TB	Thailand	33.1	16.3	10.3	8.9	0.8	0.8	46.1	39.9	5.8	6.8
Sansiri *	SIRI TB	Thailand	(24.3)	3.4	10.4	10.1	0.4	0.4	21.3	20.3	3.8	4.0
Supalai *	SPALI TB	Thailand	(7.1)	6.9	6.3	5.9	0.9	0.8	7.7	6.9	6.3	6.7
Average			**8.9**	**7.5**	**8.7**	**8.1**	**0.7**	**0.6**	**13.4**	**12.3**	**7.4**	**6.5**

Sources: Bloomberg consensus, *Thanachart estimates

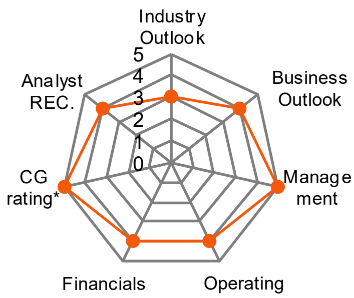
Based on 27 July 2022 closing prices

COMPANY DESCRIPTION

Land & Houses Pcl (LH) develops real-estate projects, i.e. single-detached houses, townhouses and condominiums. To date almost all its developments have been in Greater Bangkok and its vicinity and in other major cities in Thailand: Chiang Mai, Nakorn Ratchasima, Khon Kaen and Phuket. It also earns rental income from Grande Centre Point hotels and serviced apartments in the US. The company receives equity income from four associates: HMPRO (30.23%), LHBANK (22.16%), QH (24.98%), and QCON (21.16%).

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; *CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Very strong product franchise.
- Leader in the SDH market.
- High housing quality standards.
- High volume gives good economies of scale.

W — Weakness

- High proportion of prebuilt houses which requires substantial capital.

O — Opportunity

- Expanding beyond core products into the condo segment and the mid-to-low end SDH and TH segments.
- Growing rental income from rental properties in its portfolio.
- Hidden value from investments in affiliates.

T — Threat

- Rising land prices.
- Fierce competition in the low-end segment.
- Imposition of new land and building tax.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	10.37	11.00	6%
Net profit 22F (Bt m)	8,077	8,447	5%
Net profit 23F (Bt m)	8,735	9,739	11%
Consensus REC	**BUY: 19**	**HOLD: 3**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022-23F net profit estimates are 5% and 11% above the Bloomberg consensus numbers, which we attribute to us factoring in higher presales assumptions.
- Meanwhile, our SOTP-based TP is 6% above other brokers', which we believe is mainly a result of us having higher long-term presales and sales assumptions.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Weaker-than-expected economic growth would impact housing demand, so our sales and presales assumptions might not be met. This is the key downside risk to our call.
- There would be downside risk to our earnings if new rental properties are not successful, as opposed to our current expectations.

Source: Thanachart

A well-diversified business (property development, rental income and equity income)

We project a 16% three-year EPS CAGR over 2021-24F

We see hidden asset value in LH's landbank and rental properties

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Sales	29,898	32,270	36,835	40,267	43,075
Cost of sales	20,744	22,113	25,112	27,165	28,872
Gross profit	**9,154**	**10,157**	**11,723**	**13,101**	**14,202**
% gross margin	30.6%	31.5%	31.8%	32.5%	33.0%
Selling & administration expenses	3,904	3,974	4,678	5,114	5,470
Operating profit	**5,250**	**6,183**	**7,045**	**7,987**	**8,732**
% operating margin	17.6%	19.2%	19.1%	19.8%	20.3%
Depreciation & amortization	951	1,517	1,665	1,715	1,828
EBITDA	**6,202**	**7,699**	**8,710**	**9,702**	**10,560**
% EBITDA margin	20.7%	23.9%	23.6%	24.1%	24.5%
Non-operating income	718	762	949	1,008	1,080
Non-operating expenses	0	0	0	0	0
Interest expense	(888)	(1,112)	(1,155)	(1,173)	(1,298)
Pre-tax profit	**5,080**	**5,832**	**6,838**	**7,821**	**8,514**
Income tax	1,095	1,279	1,368	1,564	1,703
After-tax profit	**3,985**	**4,553**	**5,471**	**6,257**	**6,811**
% net margin	13.3%	14.1%	14.9%	15.5%	15.8%
Shares in affiliates' Earnings	2,588	2,333	2,979	3,485	4,016
Minority interests	23	(2)	(3)	(3)	(3)
Extraordinary items	548	52	0	0	0
NET PROFIT	**7,145**	**6,936**	**8,447**	**9,739**	**10,824**
Normalized profit	**6,597**	**6,884**	**8,447**	**9,739**	**10,824**
EPS (Bt)	0.6	0.6	0.7	0.8	0.9
Normalized EPS (Bt)	0.6	0.6	0.7	0.8	0.9

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	63,355	60,464	63,770	67,568	71,674
Cash & cash equivalent	7,113	10,926	7,500	8,900	9,300
Account receivables	187	170	194	212	227
Inventories	52,893	47,256	53,665	55,819	59,327
Others	3,162	2,113	2,412	2,636	2,820
Investments & loans	23,964	24,227	24,227	24,227	24,227
Net fixed assets	11,562	13,450	15,586	17,673	18,647
Other assets	23,690	27,057	27,772	28,069	28,167
Total assets	**122,571**	**125,198**	**131,354**	**137,536**	**142,714**
LIABILITIES:					
Current liabilities:	25,091	28,122	27,397	29,163	30,630
Account payables	3,140	3,184	3,440	3,721	3,955
Bank overdraft & ST loans	6,845	2,469	10,370	11,092	11,645
Current LT debt	11,226	18,572	8,296	8,874	9,316
Others current liabilities	3,880	3,898	5,291	5,476	5,714
Total LT debt	**37,384**	**38,050**	**33,183**	**35,496**	**37,263**
Others LT liabilities	9,495	8,379	17,189	16,730	16,223
Total liabilities	**71,970**	**74,552**	**77,769**	**81,389**	**84,115**
Minority interest	697	699	702	705	709
Preferreds shares	0	0	0	0	0
Paid-up capital	11,950	11,950	11,950	11,950	11,950
Share premium	15,453	15,453	15,453	15,453	15,453
Warrants	0	0	0	0	0
Surplus	(189)	(464)	0	0	0
Retained earnings	**22,690**	**23,008**	**25,480**	**28,039**	**30,488**
Shareholders' equity	49,904	49,947	52,883	55,442	57,891
Liabilities & equity	**122,571**	**125,198**	**131,354**	**137,536**	**142,714**

Sources: Company data, Thanachart estimates

LH has consistently paid dividends at 83-89% payout ratios

10.4x 2023F PE, much cheaper than its 15.1x 10-year average

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	5,080	5,832	6,838	7,821	8,514
Tax paid	(1,092)	(1,201)	(1,308)	(1,493)	(1,660)
Depreciation & amortization	951	1,517	1,665	1,715	1,828
Chg In w orking capital	(148)	5,698	(6,177)	(1,891)	(3,288)
Chg In other CA & CL / minorities	1,072	2,144	2,419	1,613	2,082
Cash flow from operations	**5,863**	**13,990**	**3,437**	**7,766**	**7,475**
Capex	1,798	(3,405)	(3,000)	(3,000)	(2,000)
Right of use	(14,911)	(1,822)	(55)	(2)	(2)
ST loans & investments	0	0	0	0	0
LT loans & investments	6,479	(263)	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	7,456	(1,908)	8,945	203	541
Cash flow from investments	**823**	**(7,397)**	**5,890**	**(2,799)**	**(1,461)**
Debt financing	5,562	4,113	(7,242)	3,613	2,761
Capital increase	0	0	0	0	0
Dividends paid	(7,170)	(6,572)	(5,975)	(7,180)	(8,375)
Warrants & other surplus	(2,535)	(321)	464	0	0
Cash flow from financing	**(4,143)**	**(2,780)**	**(12,753)**	**(3,567)**	**(5,614)**
Free cash flow	**7,662**	**10,585**	**437**	**4,766**	**5,475**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	15.4	14.8	12.0	10.4	9.4
Normalized PE - at target price (x)	19.9	19.1	15.6	13.5	12.1
PE (x)	14.2	14.6	12.0	10.4	9.4
PE - at target price (x)	18.4	19.0	15.6	13.5	12.1
EV/EBITDA (x)	24.2	19.4	16.8	15.3	14.3
EV/EBITDA - at target price (x)	29.0	23.3	20.2	18.3	17.1
P/BV (x)	2.0	2.0	1.9	1.8	1.8
P/BV - at target price (x)	2.6	2.6	2.5	2.4	2.3
P/CFO (x)	17.3	7.3	29.6	13.1	13.6
Price/sales (x)	3.4	3.1	2.8	2.5	2.4
Dividend yield (%)	5.9	5.9	7.1	8.2	8.8
FCF Yield (%)	7.5	10.4	0.4	4.7	5.4
(Bt)					
Normalized EPS	0.6	0.6	0.7	0.8	0.9
EPS	0.6	0.6	0.7	0.8	0.9
DPS	0.5	0.5	0.6	0.7	0.8
BV/share	4.2	4.2	4.4	4.6	4.8
CFO/share	0.5	1.2	0.3	0.6	0.6
FCF/share	0.6	0.9	0.0	0.4	0.5

Sources: Company data, Thanachart estimates

ROE is the sector's best and we foresee it trending up

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Sales (%)	(0.5)	7.9	14.1	9.3	7.0
Net profit (%)	(28.7)	(2.9)	21.8	15.3	11.1
EPS (%)	(28.7)	(2.9)	21.8	15.3	11.1
Normalized profit (%)	(15.7)	4.4	22.7	15.3	11.1
Normalized EPS (%)	(15.7)	4.4	22.7	15.3	11.1
Dividend payout ratio (%)	83.6	86.1	85.0	86.0	83.0
Operating performance					
Gross margin (%)	30.6	31.5	31.8	32.5	33.0
Operating margin (%)	17.6	19.2	19.1	19.8	20.3
EBITDA margin (%)	20.7	23.9	23.6	24.1	24.5
Net margin (%)	13.3	14.1	14.9	15.5	15.8
D/E (incl. minor) (x)	1.1	1.2	1.0	1.0	1.0
Net D/E (incl. minor) (x)	1.0	1.0	0.8	0.8	0.8
Interest coverage - EBIT (x)	5.9	5.6	6.1	6.8	6.7
Interest coverage - EBITDA (x)	7.0	6.9	7.5	8.3	8.1
ROA - using norm profit (%)	5.6	5.6	6.6	7.2	7.7
ROE - using norm profit (%)	12.9	13.8	16.4	18.0	19.1
DuPont					
ROE - using after tax profit (%)	7.8	9.1	10.6	11.6	12.0
- asset turnover (x)	0.3	0.3	0.3	0.3	0.3
- operating margin (%)	20.0	21.5	21.7	22.3	22.8
- leverage (x)	2.3	2.5	2.5	2.5	2.5
- interest burden (%)	85.1	84.0	85.5	87.0	86.8
- tax burden (%)	78.5	78.1	80.0	80.0	80.0
WACC (%)	8.1	8.1	8.1	8.1	8.1
ROIC (%)	4.2	4.9	5.7	6.6	6.8
NOPAT (Bt m)	4,119	4,826	5,636	6,390	6,985
invested capital (Bt m)	98,246	98,112	97,232	102,004	106,814

Sources: Company data, Thanachart estimates

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