Supalai Pcl (SPALI TB) - BUY

Analyst Meeting

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2Q22F Earnings Preview

- **We forecast Bt1.56bn profit, up 32% q-q but down 10% y-y.**
- **A y-y fall will be due to lower condo transfers.**
- **1H22F gross margin stays strong.**
- **Expecting stronger 2H22F along with condo completions.**

- We joined SPALI's analyst meeting on 2Q22F earnings preview and forecast it to deliver Bt1,558m net profit, up 32% q-q but down 10% y-y.
- 2Q22F performance will be in line with property sales revenues that we expect it at Bt6.82bn, increasing by 27% q-q driven by both low-rise houses and condos and falling by 4% y-y on lower condo revenues.
- 1H22F property sales revenues are expected at Bt12.2bn, improving by 14% y-y. This is along with its superb 1H22 presales growth of 40% y-y to Bt18.2bn (65% of its Bt28bn 2022 target), so this year's presales likely beat the target this year.
- Selling-well products are ready-to-transfer condominiums including its high-end Sukhumvit 39 project and large-sized houses and houses with new designs. It plans to launch more higher-priced SDH with a target to increase houses with the price range of Bt10-20m/unit to 10% of portfolio. For condos, it still focuses on mid-end segment (Bt70-80k/sqm) in a high-demand location.
- 2Q22F gross margin stays strong at 39.5%, better than 39.3% in 1Q22 but lower than 40% in 2Q21. Condos have higher gross margin than low-rise houses and condo sales mix is expected at 45% in 2Q22F vs 44% in 1Q22 and 49% in 2Q21. SPALI hasn't yet felt the impact from rising cost in 1H22 (39.4% in 1H22F vs 39.3% in 1H21), but more impact should be seen from 2H22F.
- Equity income from housing projects in Australia in 2Q22F is forecasted to drop y-y to Bt70m due to tax incentives in Australia in 1H21. For full year, it targets equity income to maintain from Bt533m in 2021. It just invested to develop a new housing project (12th project) with an expected revenue transfer from 2023F. This investment will push its net D/E up from 0.42x in 1Q22 to 0.6x this year end. Cost of debt looks to increase from 1.57% in 2Q22F to around 2%, which is still low.
- We expect stronger 2H22F profit on more condo transfers. Based on our forecast, 1H22F: 2H22F profit will be 42%: 58%. However, we estimate 2H22F profit to fall 17% y-y and 2022F profit declining by 7% y-y on lower condominium sales revenues.
- We maintain our BUY rating for its solid presales growth, cheap PE at 6.1x and 5.7x in 2022-23F and a high dividend yield of 6.6% and 7.0% in 2022-23F.

Key Valuations

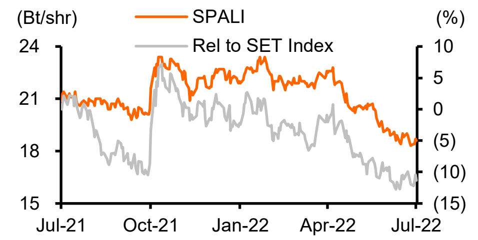
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	29,160	29,537	30,834	31,080
Net profit	7,070	6,566	7,020	7,148
Norm net profit	7,070	6,566	7,020	7,148
Norm EPS (Bt)	3.3	3.1	3.3	3.3
Norm EPS gr (%)	66.3	(7.1)	6.9	1.8
Norm PE (x)	5.6	6.1	5.7	5.6
EV/EBITDA (x)	6.9	7.5	6.7	5.9
P/BV (x)	0.9	0.9	0.8	0.7
Div. yield (%)	6.7	6.6	7.0	7.2
ROE (%)	18.0	14.9	14.6	13.6
Net D/E (%)	42.5	41.2	32.8	18.1

Source: Thanachart estimates

Stock Data

Closing price (Bt)	18.60
Target price (Bt)	27.00
Market cap (US$ m)	1,081
Avg daily turnover (US$ m)	4.5
12M H/L price (Bt)	23.40/18.30

Price Performance



Source: Bloomberg

Ex 1: 2Q22F Earnings Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	2Q21	3Q21	4Q21	1Q22	2Q22F	(q-q%)	(y-y%)
Revenue	7,131	7,430	10,938	5,433	6,880	27	(4)
Gross profit	**2,844**	**3,001**	**4,409**	**2,129**	**2,713**	**27**	**(5)**
SG&A	784	844	1,101	717	826	15	5
Operating profit	2,060	2,157	3,307	1,412	1,887	34	(8)
EBITDA	**2,093**	**2,187**	**3,338**	**1,442**	**1,920**	**33**	**(8)**
Other income	105	92	187	105	105	0	0
Other expense	0	0	0	0	0		
Interest expense	68	64	61	59	65	10	(5)
Profit before tax	**2,097**	**2,185**	**3,434**	**1,458**	**1,927**	**32**	**(8)**
Income tax	555	456	698	322	424	32	(24)
Equity & invest. income	199	9	169	58	70	21	(65)
Minority interests	(10)	(18)	(25)	(15)	(15)	na	na
Extraordinary items	0	0	0	0	0		
Net profit	**1,730**	**1,720**	**2,879**	**1,178**	**1,558**	**32**	**(10)**
Normalized profit	**1,730**	**1,720**	**2,879**	**1,178**	**1,558**	**32**	**(10)**

Sources: Company data, Thanachart estimates

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