Quality Houses Pcl (QH TB) - HOLD, Price Bt2.20, TP Bt2.50

Results Comment

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Good 2Q22, in line

- QH reported good 2Q22 net profit of Bt515m, up 7% y-y but down 12% q-q, in line with our estimates.
- The y-y growth was from improving hotel business and higher property gross margin. Earnings decline q-q was due to rising SG&A (recognition of impairment loss on assets and increase in property tax) and lower equity income.
- Property sales revenues were flat y-y but up slightly by 3% q-q to Bt1.97bn.
- Hotel revenues increased to Bt149m (Bt65m in 2Q21, Bt101m in 1Q22) from country reopening and easing travel restrictions. It made gross profit from hotel business since 4Q21.
- Property gross margin stayed high for two consecutive quarters at 34.0% (31.4% in 2Q21) on better gross margin on both low-rise houses (34.7% vs 32.3% in 2Q21 vs 34.6% in 1Q22) and condos (30.1% vs 17.5% in 2Q21 vs 16.5% in 1Q22).
- Equity income fell by 5% y-y and 9% q-q to Bt363m on lower profit contribution from LHFG and QHPF. HMPRO contributed higher profit of Bt302m, increasing from Bt285m in 2Q21 and Bt300m in 1Q22.
- 1H22 net profit accounted for 50% of our full-year forecast.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	2,106	1,588	2,394	2,091	2,195
Gross profit	**629**	**461**	**748**	**719**	**754**
SG&A	447	428	475	450	531
Operating profit	183	33	272	269	223
EBITDA	**278**	**126**	**365**	**359**	**314**
Other income	60	57	55	51	64
Other expense	0	0	0	0	0
Interest expense	82	84	80	71	62
Profit before tax	**161**	**6**	**248**	**249**	**225**
Income tax	61	31	81	64	73
Equity & invest. income	381	288	326	399	363
Minority interests	0	0	0	0	0
Extraordinary items	0	0	0	0	0
Net profit	**482**	**263**	**494**	**585**	**515**
Normalized profit	**481**	**263**	**494**	**584**	**515**
EPS (Bt)	0.04	0.02	0.05	0.05	0.05
Normalized EPS (Bt)	0.04	0.02	0.05	0.05	0.05

Income Statement				6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	5	4	47	9,181	9,680
Gross profit	**5**	**20**	**54**	**2,709**	**2,975**
SG&A	18	19	49	2,020	2,130
Operating profit	(17)	22	71	689	845
EBITDA	**(13)**	**13**	**67**	**1,002**	**1,167**
Other income	26	8	44	265	279
Other expense			na	0	0
Interest expense	(12)	(24)	38	350	445
Profit before tax	**(10)**	**40**	**79**	**604**	**679**
Income tax	14	21	91	151	155
Equity & invest. income	(9)	(5)	44	1,727	2,007
Minority interests			na	0	0
Extraordinary items	(43)	(4)	na	0	0
Net profit	**(12)**	**7**	**50**	**2,180**	**2,531**
Normalized profit	**(12)**	**7**	**50**	**2,180**	**2,531**
EPS (Bt)	(12)	7	50	0.20	0.24
Normalized EPS (Bt)	(12)	7	50	0.20	0.24

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	2,952	2,921	3,206	3,858	1,429
A/C receivable	54	44	26	37	48
Inventory	21,597	21,049	19,987	20,107	19,722
Other current assets	150	156	145	211	216
Investment	11,440	11,217	11,524	11,885	11,388
Fixed assets	8,047	8,674	1,546	1,518	1,494
Other assets	2,119	2,367	9,801	9,035	9,184
Total assets	**46,358**	**46,427**	**46,236**	**46,651**	**43,481**
S-T debt	5,199	5,400	9,100	9,100	6,100
A/C payable	426	487	556	602	591
Other current liabilities	1,711	1,690	1,666	1,898	1,780
L-T debt	10,836	10,437	6,038	5,639	6,164
Other liabilities	1,616	1,960	1,890	1,854	1,806
Minority interest	0	0	0	0	0
Shareholders' equity	**26,570**	**26,454**	**26,985**	**27,558**	**27,041**
Working capital	21,224	20,606	19,457	19,542	19,178
Total debt	16,034	15,836	15,138	14,739	12,264
Net debt	**13,082**	**12,915**	**11,932**	**10,881**	**10,834**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	(9.8)	(36.2)	(1.2)	2.9	4.2
Operating profit growth	(27.0)	(87.6)	(21.1)	137.0	22.1
EBITDA growth	(20.1)	(65.5)	(17.5)	72.6	12.9
Norm profit growth	5.4	(54.3)	(14.8)	35.7	7.0
Norm EPS growth	5.4	(54.3)	(14.8)	35.7	7.0
Gross margin	29.9	29.0	31.2	34.4	34.3
Operating margin	8.7	2.1	11.4	12.9	10.2
EBITDA margin	13.2	8.0	15.2	17.2	14.3
Norm net margin	22.9	16.5	20.6	28.0	23.5
D/E (x)	0.6	0.6	0.6	0.5	0.5
Net D/E (x)	0.5	0.5	0.4	0.4	0.4
Interest coverage (x)	3.4	1.5	4.6	5.1	5.0
Interest rate	2.0	2.1	2.1	1.9	1.8
Effective tax rate	37.8	508.1	32.6	25.8	32.6
ROA	4.1	2.3	4.3	5.0	4.6
ROE	7.2	4.0	7.4	8.6	7.5

Sources: Company data, Thanachart estimates

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