Supalai Pcl (SPALI TB) - BUY, Price Bt19.90, TP Bt27.00

Results Comment

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

Strong 2Q22, beat us and consensus

- SPALI reported strong 2Q22 net profit of Bt2,075m, an increase of 20% y-y and 76% q-q, 33% above our estimates and 27% higher than consensus.
- A strong beat was due to higher-than-expected property sales revenues at Bt8.1bn, a 15% y-y and 51% q-q growth.
- Low-rise housing revenues were Bt4.5bn (+24% y-y, +49% q-q) and condo revenues were Bt3.7bn (+6% y-y, +55% q-q). This was along with its superb 1H22 presales growth of 40% y-y to Bt18.2bn (65% of its Bt28bn 2022 target).
- Property 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 was at 45% in 2Q22 vs 44% in 1Q22 and 49% in 2Q21.
- Equity income from housing projects in Australia fell y-y to Bt83m due to tax incentives in Australia in 1H21, but rose by 43% q-q.
- 1H22 net profit comprised 50% of our full-year forecast.
- Maintain BUY. 1H22 dividend is Bt0.70/share, XD on Aug 23rd with payment date on Sep 7th.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Revenue	7,131	7,430	10,938	5,433	8,198
Gross profit	**2,844**	**3,001**	**4,409**	**2,129**	**3,231**
SG&A	784	844	1,101	717	940
Operating profit	2,060	2,157	3,307	1,412	2,291
EBITDA	**2,093**	**2,187**	**3,338**	**1,442**	**2,320**
Other income	105	92	187	105	357
Other expense	0	0	0	0	0
Interest expense	68	64	61	59	61
Profit before tax	**2,097**	**2,185**	**3,434**	**1,458**	**2,587**
Income tax	555	456	698	322	564
Equity & invest. income	199	9	169	58	83
Minority interests	(10)	(18)	(25)	(15)	(30)
Extraordinary items	0	0	0	0	0
Net profit	**1,730**	**1,720**	**2,879**	**1,178**	**2,075**
Normalized profit	**1,730**	**1,720**	**2,879**	**1,178**	**2,075**
EPS (Bt)	0.81	0.80	1.34	0.55	0.97
Normalized EPS (Bt)	0.81	0.80	1.34	0.55	0.97

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Revenue	51	15	46	29,537	30,834
Gross profit	**52**	**14**	**46**	**11,536**	**12,006**
SG&A	31	20	44	3,781	3,700
Operating profit	62	11	48	7,756	8,306
EBITDA	**61**	**11**	**48**	**7,877**	**8,427**
Other income	241	240	92	502	517
Other expense			na	0	0
Interest expense	4	(10)	44	275	269
Profit before tax	**77**	**23**	**51**	**7,983**	**8,554**
Income tax	75	2	56	1,597	1,711
Equity & invest. income	43	(58)	56	250	250
Minority interests	na	na	65	(70)	(73)
Extraordinary items			na	0	0
Net profit	**76**	**20**	**50**	**6,566**	**7,020**
Normalized profit	**76**	**20**	**50**	**6,566**	**7,020**
EPS (Bt)	76	20	50	3.06	3.27
Normalized EPS (Bt)	76	20	50	3.06	3.27

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash & ST investment	2,244	1,292	1,626	1,723	2,702
A/C receivable	13	34	51	45	54
Inventory	62,550	62,987	62,104	62,866	66,318
Other current assets	1,124	1,224	1,407	1,445	2,230
Investment	1,211	1,206	1,213	1,243	2,265
Fixed assets	345	347	344	346	346
Other assets	5,446	4,972	4,688	4,810	7,170
Total assets	**72,931**	**72,061**	**71,432**	**72,477**	**81,085**
S-T debt	18,915	19,670	15,913	16,385	24,628
A/C payable	1,964	2,086	2,469	1,822	2,522
Other current liabilities	6,281	5,717	5,435	5,904	5,046
L-T debt	5,959	3,961	3,976	3,459	4,022
Other liabilities	603	644	713	720	715
Minority interest	815	831	857	846	876
Shareholders' equity	**38,393**	**39,154**	**42,070**	**43,341**	**43,276**
Working capital	60,599	60,935	59,686	61,089	63,850
Total debt	24,874	23,630	19,890	19,844	28,650
Net debt	**22,630**	**22,338**	**18,264**	**18,121**	**25,948**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Sales growth	140.9	26.1	36.0	48.4	15.0
Operating profit growth	285.3	44.2	39.7	77.2	11.2
EBITDA growth	271.2	43.4	39.3	74.7	10.9
Norm profit growth	311.9	41.3	54.4	58.9	19.9
Norm EPS growth	311.9	41.3	54.4	58.9	19.9
Gross margin	39.9	40.4	40.3	39.2	39.4
Operating margin	28.9	29.0	30.2	26.0	27.9
EBITDA margin	29.4	29.4	30.5	26.5	28.3
Norm net margin	24.3	23.1	26.3	21.7	25.3
D/E (x)	0.6	0.6	0.5	0.4	0.6
Net D/E (x)	0.6	0.6	0.4	0.4	0.6
Interest coverage (x)	30.7	33.9	54.6	24.4	37.9
Interest rate	1.1	1.1	1.1	1.2	1.0
Effective tax rate	26.5	20.9	20.3	22.1	21.8
ROA	9.6	9.5	16.1	6.5	10.8
ROE	18.2	17.7	28.4	11.0	19.2

Sources: Company data, Thanachart estimates

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