

AP(Thailand) Pcl (AP TB) - BUY, Price Bt12.00, TP Bt15.00**Results Comment**

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Good 2Q23 results, in line

- AP reported 2Q23 net profit of Bt1.5bn, quite flat y-y and q-q. Excluding Bt181m one-off expenses mainly Bt159m allowance for diminution on land value held for development, normalized profit was Bt1,725m, increasing by 10% y-y and 17% q-q.
- A record-high real estate gross margin of 36.3%, improving from 32.4% in 2Q22 and 35.5% in 1Q23, was key earnings driver y-y and q-q. Low-rise housing gross margin was high at 35.9%, maintaining a high level from 35.2% in 1Q23, lifting base from 30-32% in the past, due to high margin from new projects. AP's condo gross margin was extraordinary high at 48.4% from cost reversal on completed condo projects.
- Real estate sales revenues were Bt9.0bn, down 6% y-y and 1% q-q. Low-rise housing products contributed 97% of sales.
- Equity income from JV condos fell 24% y-y but up 21% q-q to Bt289m. There was no new JV condos completed in 2Q23, most sales recognition was from Rhythm Charoenkrung Pavillion condo finished in 1Q23.
- 1H23 net profit accounted for 48% of our full-year forecast.
- We maintain our BUY call on AP as one of top sector picks (another pick is LH). Amid unfavorable property market, we forecast AP to achieve another record profit this year with an 8% growth y-y.
- We expect stronger momentum in 2H23F vs 1H23 for presales (Bt28.3bn 7M23 presales = 49% of AP's Bt58bn full-year target) on more launches in 2H23F of Bt55.9bn (Bt21.1bn in 1H23) and sales revenues on backlog on hand and higher 2H23F presales.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	9,862	8,982	8,846	9,409	9,282	Revenue	(1)	(6)	43	43,892	48,090
Gross profit	3,313	3,046	3,090	3,445	3,486	Gross profit	1	5	47	14,691	16,166
SG&A	1,715	1,805	2,020	1,853	1,725	SG&A	(7)	1	43	8,255	8,993
Operating profit	1,598	1,241	1,070	1,592	1,761	Operating profit	11	10	52	6,436	7,173
EBITDA	1,671	1,315	1,143	1,663	1,833	EBITDA	10	10	52	6,735	7,481
Other income	18	122	14	33	108	Other income	231	496	76	185	203
Other expense	95	0	(94)	0	181	Other expense	116,390	91	na	0	0
Interest expense	14	18	45	76	81	Interest expense	6	493	82	191	271
Profit before tax	1,508	1,345	1,134	1,549	1,608	Profit before tax	4	7	49	6,429	7,105
Income tax	312	251	267	309	353	Income tax	14	13	51	1,286	1,421
Equity & invest. income	378	324	284	238	289	Equity & invest. income	21	(24)	45	1,177	1,184
Minority interests	0	0	1	0	0	Minority interests	(54)	61	na	0	0
Extraordinary items	0	0	4	0	0	Extraordinary items			na	0	0
Net profit	1,574	1,419	1,155	1,478	1,544	Net profit	4	(2)	48	6,320	6,868
Normalized profit	1,574	1,419	1,151	1,478	1,544	Normalized profit	4	(2)	48	6,320	6,868
EPS (Bt)	0.50	0.45	0.37	0.47	0.49	EPS (Bt)	4	(2)	48	2.01	2.18
Normalized EPS (Bt)	0.50	0.45	0.37	0.47	0.49	Normalized EPS (Bt)	4	(2)	48	2.01	2.18

Balance Sheet (consolidated)						Financial Ratios					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	2,841	1,972	1,650	2,889	2,708	Sales growth	22.7	25.6	17.9	(13.3)	(5.9)
A/C receivable	128	171	104	123	122	Operating profit growth	39.1	44.0	15.0	(16.5)	10.2
Inventory	48,985	50,532	55,261	61,196	65,396	EBITDA growth	37.1	41.0	14.2	(15.9)	9.7
Other current assets	1,003	1,776	1,874	1,494	1,383	Norm profit growth	41.2	37.6	15.9	(14.5)	(1.9)
Investment	6,670	6,383	6,480	6,719	6,903	Norm EPS growth	41.2	37.6	15.9	(14.5)	(1.9)
Fixed assets	364	355	344	332	327	Gross margin	33.6	33.9	34.9	36.6	37.6
Other assets	2,478	2,474	2,513	2,408	2,337	Operating margin	16.2	13.8	12.1	16.9	19.0
Total assets	62,469	63,664	68,227	75,162	79,176	EBITDA margin	16.9	14.6	12.9	17.7	19.8
S-T debt	6,361	6,105	7,714	12,447	12,812	Norm net margin	16.0	15.8	13.0	15.7	16.6
A/C payable	3,371	3,243	3,211	3,678	3,777	D/E (x)	0.6	0.6	0.6	0.7	0.9
Other current liabilities	4,062	3,943	4,614	4,495	4,577	Net D/E (x)	0.5	0.5	0.6	0.7	0.8
L-T debt	13,641	13,899	15,055	15,413	19,330	Interest coverage (x)	123.0	73.7	25.5	21.9	22.8
Other liabilities	878	900	904	921	974	Interest rate	0.3	0.4	0.8	1.2	1.1
Minority interest	(18)	(19)	(19)	(19)	(19)	Effective tax rate	20.7	18.6	23.5	19.9	21.9
Shareholders' equity	34,174	35,592	36,747	38,226	37,725	ROA	10.2	9.0	7.0	8.2	8.0
Working capital	45,742	47,460	52,153	57,641	61,741	ROE	18.4	16.3	12.7	15.8	16.3
Total debt	20,002	20,004	22,770	27,861	32,143						
Net debt	17,162	18,032	21,120	24,971	29,434						

Sources: Company data, Thanachart estimates

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