

Land And Houses Pcl (LH TB) - BUY, Price Bt8.40, TP Bt10.50**Results Comment**

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Weaker-than-expected 2Q23

- LH's 2Q23 results came in weaker than expected with Bt1,450m net profit. Excluding non-recurring items, normalized profit was Bt1,461m, down 25% y-y and 1% q-q.
- A continued weak performance in 2Q23 was along with soft property presales in the quarter which we estimate at Bt4bn, falling from Bt4.8bn in 1Q23, due to long holidays and only two new project launches.
- Real estate sales revenues fell by 40% y-y but up 4% q-q to Bt5.0bn (86% SDH, 6% TH, 8% CD).
- Given a much lower real estate sales, real estate gross margin decreased by 453bp y-y but up 34bp q-q to 29.0% as most indirect cost (booked under cost of goods sold) was fixed and didn't drop along with declining sales.
- Rental assets showed strong performance. With the launches of two new assets last year; Space Pattaya hotel and Terminal Rama 3 mall, Hotel revenues rose strongly by 124% y-y to Bt1.2bn and mall income grew by 83% y-y to Bt555m.
- Equity income rose by 25% y-y to Bt817m. For y-y basis, all associates contributed higher profit mainly from LHFG of Bt116m (+Bt65m y-y), QH of Bt167m (+Bt39m y-y), and HMPRO of Bt490m (+Bt30m y-y).
- 1H23 net profit made up 33% of our 2023F. Though more projects will be launched in 2H23F (80% of 2023F launches), we think it likely misses Bt35bn presales target this year. However, earnings downside from property business will be more than offset by gain from divestment of two hotels to REIT.
- 1H23 DPS is Bt0.2/share, XD on Aug 24th with payment date on Sep 8th.

Income Statement						Income Statement					
(consolidated)						6M as					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(Bt m)	q-q%	y-y%	% 2023F	2023F	2024F
Revenue	9,280	8,865	9,825	6,707	6,888	Revenue	3	(26)	41	33,334	36,359
Gross profit	3,011	2,802	3,332	2,070	2,139	Gross profit	3	(29)	39	10,932	12,414
SG&A	1,221	1,221	1,339	1,244	1,109	SG&A	(11)	(9)	54	4,333	4,727
Operating profit	1,790	1,581	1,993	826	1,030	Operating profit	25	(42)	28	6,598	7,688
EBITDA	2,172	2,021	2,460	1,290	1,502	EBITDA	16	(31)	33	8,426	9,563
Other income	148	242	261	236	205	Other income	(13)	39	48	925	903
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	254	252	303	288	392	Interest expense	36	54	56	1,219	1,352
Profit before tax	1,684	1,571	1,951	774	843	Profit before tax	9	(50)	26	6,304	7,239
Income tax	399	469	324	147	198	Income tax	35	(50)	27	1,261	1,448
Equity & invest. income	651	762	781	848	817	Equity & invest. income	(4)	25	50	3,362	3,823
Minority interests	2	(4)	(4)	(2)	(1)	Minority interests	na	na	42	(6)	(6)
Extraordinary items	201	389	(411)	(118)	(12)	Extraordinary items	na	na	na	0	0
Net profit	2,139	2,249	1,993	1,354	1,450	Net profit	7	(32)	33	8,399	9,607
Normalized profit	1,938	1,860	2,404	1,472	1,461	Normalized profit	(1)	(25)	35	8,399	9,607
EPS (Bt)	0.18	0.19	0.17	0.11	0.12	EPS (Bt)	7	(32)	33	0.70	0.80
Normalized EPS (Bt)	0.16	0.16	0.20	0.12	0.12	Normalized EPS (Bt)	(1)	(25)	35	0.70	0.80

Balance Sheet						Financial Ratios					
(consolidated)						2022					
Yr-end Dec (Bt m)	2Q22	3Q22	4Q22	1Q23	2Q23	(%)	2Q22	3Q22	4Q22	1Q23	2Q23
Cash & ST investment	4,816	6,527	4,799	3,842	5,354	Sales growth	4.6	28.3	10.2	(12.1)	(25.8)
A/C receivable	168	202	249	357	311	Operating profit growth	4.0	32.8	5.5	(43.8)	(42.5)
Inventory	48,316	47,441	48,558	50,623	51,951	EBITDA growth	3.4	27.6	9.0	(30.2)	(30.8)
Other current assets	1,946	2,539	1,856	2,345	1,872	Norm profit growth	3.0	44.3	16.7	(20.7)	(24.6)
Investment	23,998	23,669	24,619	25,152	24,645	Norm EPS growth	3.0	44.3	16.7	(20.7)	(24.6)
Fixed assets	12,392	15,229	13,940	13,685	14,139	Gross margin	32.4	31.6	33.9	30.9	31.0
Other assets	29,625	27,968	29,928	30,327	30,149	Operating margin	19.3	17.8	20.3	12.3	14.9
Total assets	121,261	123,575	123,949	126,331	128,422	EBITDA margin	23.4	22.8	25.0	19.2	21.8
S-T debt	16,168	18,169	16,479	18,119	20,231	Norm net margin	20.9	21.0	24.5	22.0	21.2
A/C payable	3,215	3,564	3,641	3,200	3,324	D/E (x)	1.1	1.1	1.0	1.1	1.3
Other current liabilities	3,939	4,066	4,780	3,615	3,235	Net D/E (x)	1.0	1.0	1.0	1.0	1.1
L-T debt	38,595	39,166	38,158	39,487	42,747	Interest coverage (x)	8.6	8.0	8.1	4.5	3.8
Other liabilities	8,201	8,292	8,606	8,450	8,539	Interest rate	1.8	1.8	2.2	2.1	2.6
Minority interest	698	702	706	708	708	Effective tax rate	23.7	29.9	16.6	19.0	23.5
Shareholders' equity	50,444	49,615	51,579	52,752	49,639	ROA	6.3	6.1	7.8	4.7	4.6
Working capital	45,269	44,079	45,166	47,779	48,939	ROE	15.2	14.9	19.0	11.3	11.4
Total debt	54,763	57,335	54,637	57,606	62,977						
Net debt	49,947	50,808	49,837	53,764	57,623						

Sources: Company data, Thanachart estimates

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