

Supalai Pcl (SPALI TB) - BUY

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Analyst Meeting**Improving industry landscape**

- **Strong 3Q24F from condo transfers and 3Q23 low base.**
 - **Strong 4Q24F presales from four new CD launches.**
 - **Easing factors, rate cut, less CD supply, no contractor issue**
 - **A new Australian JV will be concluded likely next week.**
- **3Q24F preview:** We estimate 3Q24F net profit of Bt1,858m, up 56% y-y and 16% q-q. This will be along with growing property sales revenues of 41% y-y and 27% q-q to Bt9.98bn, driven by higher condo revenues from one new condo project completed in 3Q24; Supalai Loft Phasicharoen Station (Bt1.1bn, 96% sold, 83% transfer), and continuing transfers of three condos completed in 2Q24. Due to higher condo sales mix of 45% in 3Q24F vs 38% in 3Q23 and 31% in 2Q24, property gross margin is expected to be higher y-y and q-q to 37.0% vs 36.6% in 3Q23 and 36.1% in 2Q24. However, equity income from Australian JVs is forecasted at Bt20m, down q-q from Bt237m in 2Q24 but increase y-y from Bt4m in 3Q23 owing to lower transfers as the fiscal year ended of Australian JVs is in June so the most of the transfers were rushed in 2Q.
- Management shared view that low-rise housing demand has been weaker-than-expected YTD and will continue to be weak as new supply outweighed demand since 2022. Price discounts are offered particularly in the high-end segment. Condo demand has been falling y-y YTD, but due to limited new supply, ready-to-move-in projects are selling well and big developers with no financial difficulties are launching new condos to gain market share in a tough market.
- SPALI, with no condo launches in 9M24, will launch four new condos in 4Q24F totaling Bt5.8bn, namely Supalai Tyme Charoen Nakhon (Bt2.1bn, 461 units, starts Bt2.59m, avg Bt80-90k/sqm), Supalai Blu Sathorn-Ratchaphruek (Bt2.4bn, 771 units, starts Bt1.89/unit, avg Bt70-80k/sqm), Supalai Sense Khao Rang Phuket (Bt800m, 221 units, starts Bt2.69m/unit, avg Bt70k/sqm) and Supalai Kram Khao Tao (Bt480m, 84 units, starts Bt3.59m/unit, avg Bt70k/sqm), and expects 30-40% take-up rates on these projects this year. We thus forecast 4Q24F presales of Bt9.9bn, up from Bt6.4-6.9bn/quarter in 1Q-3Q24. We standby our Bt30bn presales assumption for this year, +4% y-y.
- Management believes rate cut will help lifting home buyers' affordability, but a high rejection rate is still a problem for property industry. Fortunately, the easing factors this year for developers are cheaper land cost as landlords fear of paying land and building tax at a full rate and availability of contractors. These two factors enable SPALI to set the selling price of new projects as low as pre-COVID period.
- **Update on investment in a new Australian JV:** To recap, SPALI's board in December last year, approved an AUD\$530m investment in a new 49.9%:50.1% JV, SSRCP HoldCo Pty Ltd, between SPALI and Australian developer Stockland to acquire another 12 land-subdivision projects. The deal has not concluded awaiting for Anti-Trust decision whether its JV partner

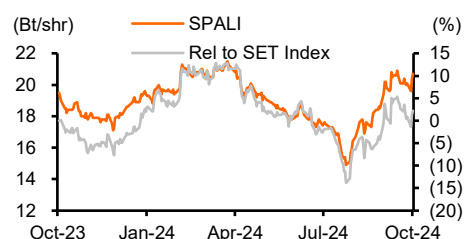
Key Valuations

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	31,177	29,281	27,061	29,800
Net profit	5,989	5,881	5,361	6,014
Norm net profit	5,989	5,881	5,361	6,014
Norm EPS (Bt)	3.1	3.0	2.7	3.1
Norm EPS gr (%)	(26.7)	(1.8)	(8.9)	12.2
Norm PE (x)	6.7	6.9	7.5	6.7
EV/EBITDA (x)	8.5	10.0	10.7	9.0
P/BV (x)	0.8	0.8	0.7	0.7
Div. yield (%)	7.0	5.1	4.7	5.4
ROE (%)	12.4	11.3	9.7	10.2
Net D/E (%)	43.6	54.2	48.2	39.0

Source: Thanachart estimates

Stock Data

Closing price (Bt)	20.70
Target price (Bt)	25.00
Market cap (US\$ m)	1,217
Avg daily turnover (US\$ m)	3.6
12M H/L price (Bt)	21.50/14.90

Price Performance

Source: Bloomberg

will have market dominant position in some areas post project acquisitions. The company now expects it to be finalized next week with JV revenues contribution from these 12 projects from November. Since some units were sold during January-October this year, the acquisition price will be lower by around 10%. With this new JV, SPALI expects equity income from JVs to double from next year onwards from Bt300m in 2024F.

- **Update on Supalai Icon Sathorn mixed-use project:** As the project finished in 2Q24, its condominium's take-up rate increased from 25% as of 2Q24 to 30% as of 3Q24. Of total 720 units, it decided to convert 105 units into serviced apartments with about 50% occupancy in 3Q24. As of the 19,000-sqm office, current occupancy is less than 10%. It recently sold a 1,000-sqm office space for Bt200m with revenues to be booked as property revenues in 4Q24F. Therefore, the condo project value increased from Bt12.3bn to Bt12.5bn.

Ex 1: 3Q24F Preview

Yr-end Dec (Bt m)	Income Statement					Change	
	3Q23	4Q23	1Q24	2Q24	3Q24F	(q-q%)	(y-y%)
Revenue	7,166	10,111	4,580	7,942	10,076	27	41
Gross profit	2,620	3,531	1,661	2,870	3,737	30	43
SG&A	982	1,103	781	1,008	1,360	35	39
Operating profit	1,638	2,428	880	1,862	2,377	28	45
EBITDA	1,671	2,463	916	1,901	2,417	27	45
Other income	26	169	94	191	170	(11)	554
Other expenses	0	0	0	0	0		
Interest expenses	137	132	145	158	171	8	25
Profit before tax	1,527	2,465	829	1,895	2,376	25	56
Income tax	327	459	199	510	523	3	60
Equity & invest. Income	4	49	0	237	20	(92)	412
Minority interest	(13)	(38)	(17)	(23)	(15)	na	na
Extraordinary items	0	0	0	0	0		
Net profit	1,191	2,018	614	1,599	1,858	16	56
Normalized profit	1,191	2,018	614	1,599	1,858	16	56

Sources: Company data, Thanachart estimates

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