

**Quality Houses Pcl (QH TB) - BUY, Price Bt1.85, TP Bt2.30****Results Comment**

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**Weaker 3Q24, in line**

- QH reported weaker 2Q24 net profit of Bt573m, down 10% y-y and 8% q-q, in line with our estimates.
- Falling profit y-y was due to property gross margin contraction, lower other income due to the expiration of management contract of Q. House Asoke in December 2023, and lower equity income y-y.
- Property sales revenues were flat y-y and q-q at Bt2.0bn. Low-rise revenues were down 7% y-y to Bt1.65bn. Condominium sales increased by 61% y-y to Bt362m.
- Property gross margin decreased by 177bp y-y (also declining 46bp q-q) to 29.2% caused by lower gross margin on low-rise houses to 29.9% vs 33.7% in 3Q23 and 30.5% in 2Q24, reflecting high competition in the low-rise segment.
- Equity income dropped by 3% y-y and q-q to Bt411m, mainly due to lower shared profit from HMPRO which contributed Bt286m, down from Bt305m in 3Q23 and Bt322m in 2Q24.
- 9M24 net profit made up 68% of our full-year forecast.
- Although 4Q is high season for HMPRO, if QH's property sales don't improve in 4Q24F, we expect around 6% earnings downside to this year's current forecast.

Income Statement (consolidated)						Income Statement 9M as					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24	(Bt m)	q-q%	y-y%	% 2024F	2024F	2025F
Revenue	2,349	2,292	1,735	2,372	2,348	Revenue	(1)	(0)	70	9,240	9,634
<b>Gross profit</b>	<b>766</b>	<b>770</b>	<b>598</b>	<b>757</b>	<b>717</b>	<b>Gross profit</b>	<b>(5)</b>	<b>(6)</b>	<b>69</b>	<b>3,000</b>	<b>3,134</b>
SG&A	499	589	528	500	486	SG&A	(3)	(3)	68	2,218	2,312
Operating profit	267	181	70	257	231	Operating profit	(10)	(14)	71	782	822
<b>EBITDA</b>	<b>345</b>	<b>254</b>	<b>134</b>	<b>324</b>	<b>311</b>	<b>EBITDA</b>	<b>(4)</b>	<b>(10)</b>	<b>89</b>	<b>866</b>	<b>914</b>
Other income	72	60	63	71	54	Other income	(24)	(25)	71	262	274
Other expense	0	0	0	0	0	Other expense					
Interest expense	58	56	55	58	69	Interest expense	20	19	79	230	215
<b>Profit before tax</b>	<b>281</b>	<b>185</b>	<b>78</b>	<b>270</b>	<b>216</b>	<b>Profit before tax</b>	<b>(20)</b>	<b>(23)</b>	<b>69</b>	<b>815</b>	<b>881</b>
Income tax	70	18	33	72	54	Income tax	(25)	(23)	78	204	205
Equity & invest. income	422	440	445	422	411	Equity & invest. income	(3)	(3)	69	1,850	2,022
Minority interests	0	0	0	0	0	Minority interests					
Extraordinary items	0	0	0	0	0	Extraordinary items	26	(32)	na	0	0
<b>Net profit</b>	<b>634</b>	<b>607</b>	<b>490</b>	<b>620</b>	<b>573</b>	<b>Net profit</b>	<b>(8)</b>	<b>(10)</b>	<b>68</b>	<b>2,461</b>	<b>2,698</b>
<b>Normalized profit</b>	<b>633</b>	<b>607</b>	<b>490</b>	<b>620</b>	<b>573</b>	<b>Normalized profit</b>	<b>(8)</b>	<b>(10)</b>	<b>68</b>	<b>2,461</b>	<b>2,698</b>
EPS (Bt)	0.06	0.06	0.05	0.06	0.05	EPS (Bt)	(8)	(10)	68	0.23	0.25
Normalized EPS (Bt)	0.06	0.06	0.05	0.06	0.05	Normalized EPS (Bt)	(8)	(10)	68	0.23	0.25

  

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	3Q23	4Q23	1Q24	2Q24	3Q24		3Q23	4Q23	1Q24	2Q24	3Q24
Cash & ST investment	1,626	1,348	1,357	1,466	1,228	Sales growth	(2.8)	(9.2)	(8.9)	(2.1)	(0.0)
A/C receivable	53	94	78	87	67	Operating profit growth	(15.8)	(44.3)	(61.9)	(15.2)	(13.6)
Inventory	19,630	20,312	20,260	20,671	19,719	EBITDA growth	(15.5)	(38.8)	(49.9)	(16.5)	(10.0)
Other current assets	138	119	191	159	146	Norm profit growth	(1.0)	(7.3)	(17.3)	(7.4)	(9.6)
Investment	11,285	11,695	12,130	11,802	11,937	Norm EPS growth	(1.0)	(7.3)	(17.3)	(7.4)	(9.6)
Fixed assets	1,457	1,435	1,417	1,396	1,383	Gross margin	32.6	33.6	34.5	31.9	30.5
Other assets	8,563	8,439	8,661	8,662	9,809	Operating margin	11.4	7.9	4.0	10.8	9.8
<b>Total assets</b>	<b>42,753</b>	<b>43,442</b>	<b>44,095</b>	<b>44,244</b>	<b>44,290</b>	EBITDA margin	14.7	11.1	7.7	13.7	13.2
S-T debt	5,405	6,288	4,101	4,497	4,096	Norm net margin	27.0	26.5	28.2	26.1	24.4
A/C payable	759	691	632	511	420	D/E (x)	0.4	0.4	0.4	0.4	0.4
Other current liabilities	1,828	1,822	1,880	1,902	1,795	Net D/E (x)	0.3	0.3	0.3	0.4	0.3
L-T debt	5,407	4,697	7,026	7,044	6,876	Interest coverage (x)	5.9	4.5	2.5	5.6	4.5
Other liabilities	1,652	1,571	1,562	1,893	2,207	Interest rate	2.1	2.1	2.0	2.0	2.5
Minority interest	0	0	0	0	0	Effective tax rate	24.9	9.8	42.2	26.6	25.0
<b>Shareholders' equity</b>	<b>27,702</b>	<b>28,373</b>	<b>28,894</b>	<b>28,398</b>	<b>28,896</b>	ROA	5.9	5.6	4.5	5.6	5.2
Working capital	18,924	19,716	19,705	20,248	19,367	ROE	9.1	8.7	6.8	8.7	8.0
Total debt	10,812	10,985	11,127	11,540	10,972						
<b>Net debt</b>	<b>9,186</b>	<b>9,638</b>	<b>9,770</b>	<b>10,074</b>	<b>9,743</b>						

Sources: Company data, Thanachart estimates

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