

14 February 2020

Property | Real Estate

LPN Development (LPN TB)

Sell (Maintained)

Lofty Targets In Business Plan; Still SELL

Target Price (Return): THB4.50 (-14%)
 Price: THB5.25
 Market Cap: USD245m
 Avg Daily Turnover (THB/USD) 22.6m/0.68m

- **Maintain SELL, new THB4.50 TP from THB4.00, 14% downside.** As LPN Development's sole catalyst – its 4Q19 earnings – has taken effect, the focus on its fundamentals should shift back to the weak presales momentum, high inventory of completed condominiums, and dim revenue growth outlook as it is pressured by a currently low orderbook. Compared to other SET-listed residential project developers, its projects mainly focus on the most economically-sensitive segment – low- to mid-end condominiums.
- **Strong 4Q19 earnings, as expected.** LPN's 4Q19 earnings were the only positive factor for the company in the past year. It reported 4Q19 net profit of THB614m (+16% YoY, +431% QoQ), at 4% above our forecast. 4Q19 was also its best quarter, as five completed condominium projects started to be recognised as revenue. 4Q19 revenue surged 245% QoQ to THB3.8bn (-3% YoY). 4Q19 GPM was firm at 30%, on better-than-average GPMs from these five projects – but there was a mix of sales from liquidating aging condominium inventory with price discounts applied. In spite of a solid 4Q19, FY19 earnings declined to THB1.26bn (-8%YoY).
- **Not so easy targets.** Yesterday, management elaborated on its business plan for FY20. It expects to hit THB10bn each in presales and revenue recognition. Meanwhile, the company will increase its focus on launching new low-rise projects – with four new projects (Figure 3) in the pipeline for this year, compared to only one in FY19. In addition, liquidating condominium inventory is still a necessary strategy in order to achieve its annual target, while the company may adopt the yield-guarantee campaign to attract condominium investors.
- **Our view.** Although management has gained more confidence after the abundant transfer of units in 4Q19, we remain unconvinced that the company can either meet or beat its FY20 targets, amidst an unfavourable industry outlook. Our FY20 forecast of THB8.2bn revenue from selling projects is to reflect weak transfers expected to occur in 2Q20 and 3Q20, while our GPM assumptions of below 30% for FY20-21 is to reflect its heavy reliance on selling condominium inventory.
- **Earnings to decline.** Based on Figure 1, we lift earnings for FY20F due to the short-term impact from Bank of Thailand's loosening loan-to-value measure for second-home buyers – since there should be some momentum from transferring five condominium projects in 1Q20. However, the presales momentum will be the key factor affecting our long-term outlook. We expect no significant improvements as this reflects in our expectation of earnings trending south ahead. Our new THB4.50 TP implies 6x P/E, at a discount to the peer average, which we believe is justified.

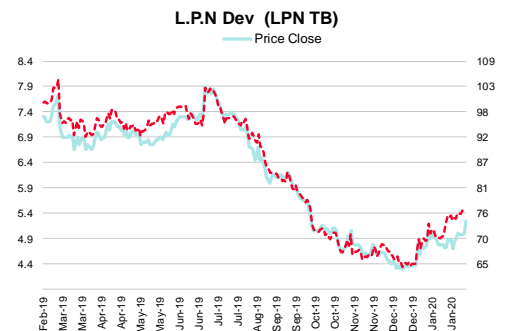
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	19.9	4.0	10.3	(21.1)	(28.1)
Relative	22.4	6.9	15.0	(16.1)	(21.1)
52-wk Price low/high (THB)	4.30 – 7.90				



Source: Bloomberg

Forecasts and Valuation	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Total turnover (THBm)	11,252	9,954	9,651	9,682	8,728
Recurring net profit (THBm)	1,373	1,260	1,126	919	908
Recurring net profit growth (%)	29.7	(8.2)	(10.6)	(18.4)	(1.2)
Recurring EPS (THB)	0.93	0.85	0.76	0.62	0.62
DPS (THB)	0.60	0.60	0.53	0.43	0.42
Recurring P/E (x)	5.64	6.15	6.88	8.43	8.53
P/B (x)	0.60	0.59	0.58	0.57	0.56
Dividend Yield (%)	11.5	11.4	10.0	8.1	8.0
Return on average equity (%)	10.8	9.7	8.5	6.8	6.6
Net debt to equity (%)	37.2	54.1	63.2	81.0	88.5

Source: Company data, RHB

Financial Exhibits

Asia	Financial summary (THB)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
Thailand	Recurring EPS	0.93	0.85	0.76	0.62	0.62
Property	EPS	0.93	0.85	0.76	0.62	0.62
LPN Development	DPS	0.60	0.60	0.53	0.43	0.42
LPN TB	BVPS	8.77	8.92	9.08	9.19	9.39
Sell	Return on average equity (%)	10.8	9.7	8.5	6.8	6.6
	Return on average assets (%)	6.5	5.6	4.6	3.4	3.1
Valuation basis						
P/E	Valuation metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Recurring P/E (x)	5.64	6.15	6.88	8.43	8.53
	P/B (x)	0.6	0.6	0.6	0.6	0.6
	Dividend Yield (%)	11.5	11.4	10.0	8.1	8.0
	EV/EBITDA (x)	7.10	9.36	11.44	16.10	17.46
Key drivers						
i. Recovery in project presales;						
ii. Higher consumer confidence;						
iii. Innovative policy in creating new project models.						
Key risks						
i. Stricter lending measures adopted by commercial banks,						
ii. High household debt dampening homebuyer's purchasing powers;						
iii. Fierce competition within the residential market.						
Company Profile						
LPN specialises in low-end condominiums in Bangkok. Lately, it has entered the mid-end to high-end segment and also developed various new products such as landed property and mixed-use projects.						
	Income statement (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total turnover	11,252	9,954	9,651	9,682	8,728
	Gross profit	3,479	3,200	2,699	2,720	2,522
	EBITDA	1,768	1,589	1,417	1,162	1,146
	Depreciation and amortisation	(72)	(84)	(89)	(95)	(96)
	Operating profit	1,696	1,505	1,328	1,067	1,050
	Net interest	(3)	(4)	(3)	(5)	(5)
	Pre-tax profit	1,743	1,581	1,410	1,150	1,137
	Taxation	(370)	(321)	(283)	(231)	(229)
	Reported net profit	1,373	1,260	1,126	919	908
	Recurring net profit	1,373	1,260	1,126	919	908
	Cash flow (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Change in working capital	702	(2,549)	(1,239)	(2,304)	(1,125)
	Cash flow from operations	2,036	(1,481)	(112)	(1,382)	(212)
	Capex	(449)	(71)	(388)	(380)	(480)
	Cash flow from investing activities	(389)	45	(355)	(345)	(443)
	Dividends paid	(811)	(874)	(879)	(776)	(629)
	Cash flow from financing activities	(1,690)	1,515	304	2,116	371
	Cash at beginning of period	465	422	501	338	727
	Net change in cash	(43)	79	(163)	389	(284)
	Ending balance cash	422	501	338	727	443
	Balance sheet (THBm)	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Total cash and equivalents	422	501	338	727	443
	Tangible fixed assets	2,826	2,863	3,177	3,492	3,908
	Total other assets	638	670	704	739	776
	Total assets	21,250	23,473	25,308	28,555	30,071
	Short-term debt	3,246	3,476	4,007	6,200	4,700
	Total long-term debt	1,989	4,148	4,800	5,500	8,000
	Total liabilities	8,315	10,314	11,909	15,004	16,227
	Shareholders' equity	12,935	13,159	13,400	13,550	13,844
	Total equity	12,935	13,159	13,400	13,550	13,844
	Total liabilities & equity	21,250	23,473	25,308	28,555	30,071
	Key metrics	Dec-18	Dec-19	Dec-20F	Dec-21F	Dec-22F
	Revenue growth (%)	17.0	(11.5)	(3.0)	0.3	(9.9)
	Recurring net profit growth (%)	29.7	(8.2)	(10.6)	(18.4)	(1.2)
	Recurrent EPS growth (%)	29.7	(8.2)	(10.6)	(18.4)	(1.2)
	Gross margin (%)	30.9	32.2	28.0	28.1	28.9
	Recurring net profit margin (%)	12.2	12.7	11.7	9.5	10.4
	Dividend payout ratio (%)	59.1	69.3	78.1	84.5	69.3

Source: Company data, RHB

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Property | Real Estate

Figure 1: Revisions to our FY19F-20F estimates

		FY20F			FY21F			FY22F		
		Prev	New	% change	Prev	New	% change	Prev	New	% change
Total revenue	THBm	8,504	9,651	+13.5	9,395	9,682	+3.1	8,728	8,728	-
Gross margin	%	28.4	28.0	-0.4	28.4	28.1	-0.3	28.9	28.9	-
Recurring profit	THBm	1,010	1,126	+11.5	898	919	+2.3	908	908	-
Net profit	THBm	993	1,109	+11.7	878	899	+2.4	886	886	-

Source: RHB

Figure 2: 4Q19 earnings are slightly above our forecast

FYE Dec (THBm)	4Q18	1Q19	2Q19	3Q19	4Q19F	QoQ (%)	YoY (%)
Total turnover	4,178	2,790	1,673	1,405	4,086	190.8	-2.2
Gross profit	1,325	951	546	476	1,227	157.9	-7.4
Gross profit margin (%)	31.7	34.1	32.6	33.9	30.0		
EBITDA	690	471	244	165	791	379.6	14.7
EBITDA margin (%)	16.5	16.9	14.6	11.7	19.6		
EBIT	669	451	224	143	773	440.8	15.6
EBIT margin (%)	16.0	16.2	13.4	10.2	18.9		
Interest expense	(1)	(1)	(0)	(0)	(2)	572.3	148.7
Pre-tax profit	668	450	224	143	771	440.5	15.4
Pre-tax profit margin (%)	16.0	16.1	13.4	10.2	18.9		
Tax	(140)	(97)	(43)	(26)	(155)	494.7	10.4
Minority interest	(1)	(3)	(4)	(1)	4	NM	NM
Net profit	527	350	177	116	614	430.9	16.5
EPS (THB)	0.36	0.24	0.12	0.08	0.42	430.9	16.5

Source: Company data, RHB

Figure 3: New projects to be launched in FY20

	Project value (THBm)	No. of unit	Launch
Condominiums			
Lumpini Place Taopoon Interchange	1,900	736	1Q20
Lumpini Jaransanitwong 65	1,000	400	2Q20
Lumpini Chaengwattana 17/1	1,600	719	2Q20
Lumpini Ekkachai 48	2,500	2,293	2Q20
Lumpini Mixx Narathiwat-Ratchada	2,500	369	3Q20
Total	9,500	4,517	
Low-rise projects			
Baan Lumpini Town Place Sukhumvit – Srinakarin	750	133	2020
Baan Lumpini Town Ville Phahonyothin – Saphanmai	9,000	262	2020
Baan Lumpini Town Ville Latkrabang – Suvannabhumi	1,250	334	2020
Baan 365 Muangthong – Chaengwattana	2,500	190	2020
Total	5,400	919	

Source: Company data, RHB

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2020-01-10	Sell	4.00	4.76
2019-11-08	Sell	4.00	4.78
2019-09-11	Sell	5.70	6.10
2019-02-01	Sell	6.00	7.20

Source: RHB, Bloomberg

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90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

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ทั้งนี้บริษัทหลักทรัพย์ อาร์เอชบี (ประเทศไทย) จำกัด (มหาชน) มิได้ยืนยันหรือรับรองถึงความครบถ้วนและถูกต้องของผลสำรวจดังกล่าวแต่อย่างใด

ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนาธรรม CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIJK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQU	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TIPIP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนาธรรมนี้เข้าร่วม CAC
- ได้รับการรับรอง CAC

การเปิดเผยการประเมินดัชนีชี้วัดความคืบหน้าการป้องกันกรมีส่วนเกี่ยวข้องกับการทุจริตคอร์รัปชัน (Anti-Corruption Progress Indicators) ของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยที่จัดทำโดยสถาบันที่เกี่ยวข้องซึ่งมีการเปิดเผยโดยสำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์นี้เป็นการดำเนินการตามนโยบายและตามแผนพัฒนาความยั่งยืนสำหรับบริษัทจดทะเบียนโดยผลการประเมินดังกล่าว สถาบันที่เกี่ยวข้องอาศัยข้อมูลที่ได้รับจากบริษัทจดทะเบียนตามที่บริษัทจดทะเบียนได้ระบุในแบบแสดงข้อมูลเพื่อการประเมิน Anti-Corruption ซึ่งอ้างอิงข้อมูลมาจากแบบแสดงรายงานข้อมูลประจำปี แบบ (56-1) รายงานประจำปีแบบ (56-2) หรือในเอกสารหรือรายงานอื่นที่เกี่ยวข้องซึ่งเป็นบุคคลภายนอก โดยมีได้เป็นการประเมินการปฏิบัติของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยและมิได้ใช้ข้อมูลภายในเพื่อการประเมิน เนื่องจากผลการประเมินดังกล่าวเป็นเพียงผลการประเมิน ณ วันที่ ปรากฏในผลการประเมินเท่านั้น ดังนั้นผลการประเมินจึงอาจเปลี่ยนแปลงได้ภายหลังวันดังกล่าว หรือรับรองความถูกต้องครบถ้วนของผลประเมินดังกล่าวได้อย่างใด