

30 July 2020

Property | Real Estate

## Real Estate

## Underweight (Maintained)

### Growth Only Among a Few; Stay UNDERWEIGHT

Stocks Covered 5  
 Rating (Buy/Neutral/Sell): 3 / 0 / 2  
 Last 12m Earnings Revision Trend: Negative

- Maintain UNDERWEIGHT, with Top Picks AP (Thailand) and Land and Houses** for their impressive presales exposure to single detached houses (SDH) and townhouses. With the industry outlook remaining weak, developers are mainly focusing on low-rise projects targeting medium to high-end homebuyers. Meanwhile, the condominium market continues to struggle, thereby exerting pressure on Thai developers' project portfolios without any sign of relenting.
- Solid 2Q20F presales among low-rise project developers.** Thailand's lockdown in April-May boosted presales momentum of low-rise projects as real-demand homebuyers believe the best opportunity to buy a new house is in a time of crisis. As such, low-rise projects have benefited from the shift in market trends, supported by social distancing and work-from-home campaigns. Accompanied by special promotions given to ensure presales momentum during the pandemic, almost all of project developers were able to command strong presales growth of +6% YoY on average, with the exception of Pruksa (-57% YoY).
- Weak condominium market to continue.** Condominium presales saw a reversal during the same period, with all developers reporting >50% decline in project presales. Pruksa was the worst performer while other developers were not spared either, launching only projects that they were confident of having successful presales. The reluctance to boost condominium presales was due to several factors including demand that relied heavily on the economic situation, heightened risk of investing in a condominium, and Bank of Thailand's existing loan-to-value (LTV) measure being more restrictive for second-home condominium units, among others. The only exception was LPN Development – recognised as a low- to mid-end condominium developer. However, its presales growth is susceptible to the risk of cancellations, which normally occurs in the low-end condominium market thereby posing a risk higher than mid to high-end condominiums. As such, we expect a high cancellation rate of 40% for its 2Q20 condominium presales.
- 2Q20F earnings prospects still weak.** On 2Q20F earnings prospects, we expect AP to be the best performer with strong earnings growth (+146% YoY, +94% QoQ) while other large developers, especially Pruksa and LPN, should show weaker earnings YoY and QoQ. In 2Q20, developers that had the ability to reduce inventory of low-rise projects – such as AP and Land and Houses – were at an advantage of boosting their respective core revenue while AP's additional catalyst was the transfer of its best-selling condominium "Life Ladprao" in 2Q20.
- In this situation of a healthy low-rise projects market and slow condominium market,** we maintain UNDERWEIGHT for the sector. We expect this trend to continue for at least another two years.

#### Top Picks

AP (Thailand) (AP TB) - BUY THB7.60  
 Land and Houses (LH TB) - BUY THB9.50

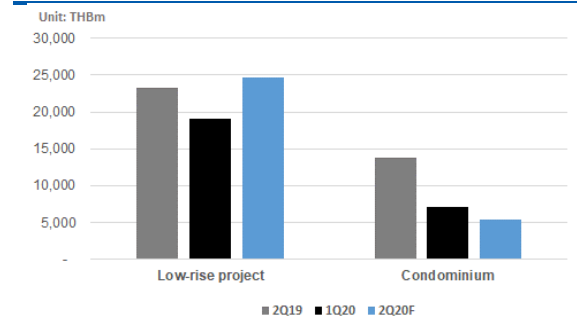
#### Target Price

#### Analyst

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#### Combined presales of five large developers

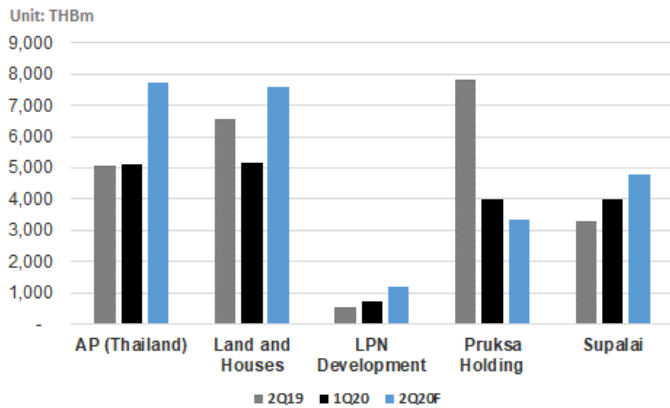


Source: Company data, RHB

Company Name	Rating	Target Price(THB)	% Upside (Downside)	P/E (x) Dec-20F	P/B (x) Dec-20F	Yield (%) Dec-20F
AP (Thailand)	BUY	THB7.60	23.6	6.2	0.7	6.6
Land and Houses	BUY	THB9.50	25.8	11.4	1.7	7.5
Supalai	BUY	THB16.90	1.8	7.9	0.9	5.1
LPN Development	SELL	THB3.00	(39.5)	9.9	0.6	25.2
Pruksa Real Estate	SELL	THB10.50	(10.3)	7.3	0.6	8.2

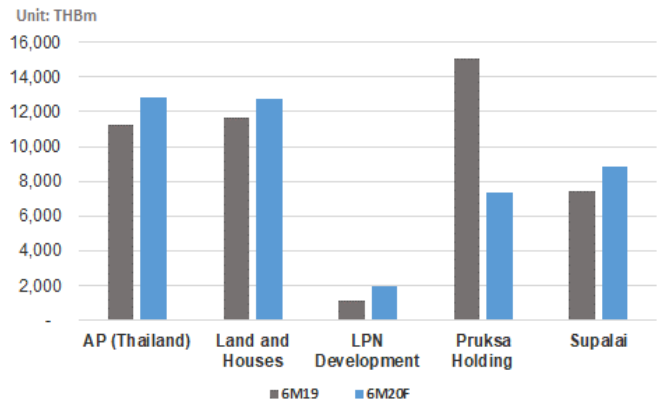
Source: Company data, RHB

**Figure 1: AP, LH, and SPALI are expected to see an impressive increase in presales of low-rise projects in 2Q20**



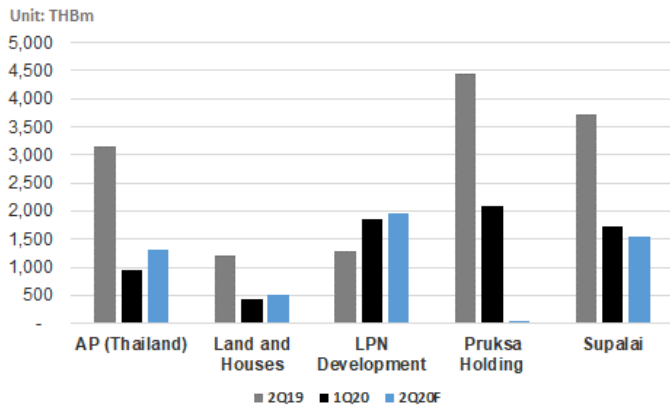
Source: Company data

**Figure 2: The lockdown provided an opportunity for developers to boost 6M20 presales of their low-rise projects**



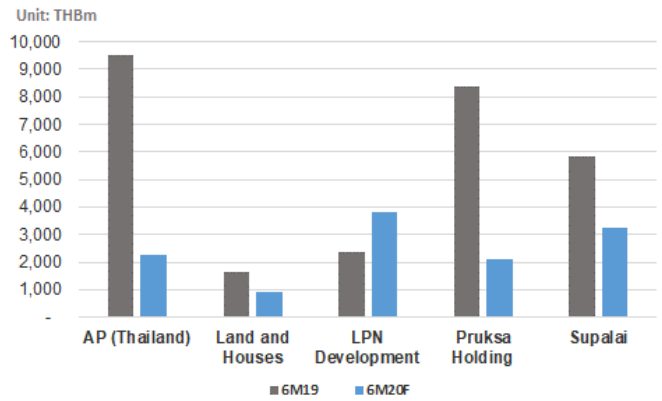
Source: Company data

**Figure 3: 2Q20 condominium presales of all developers were weak**



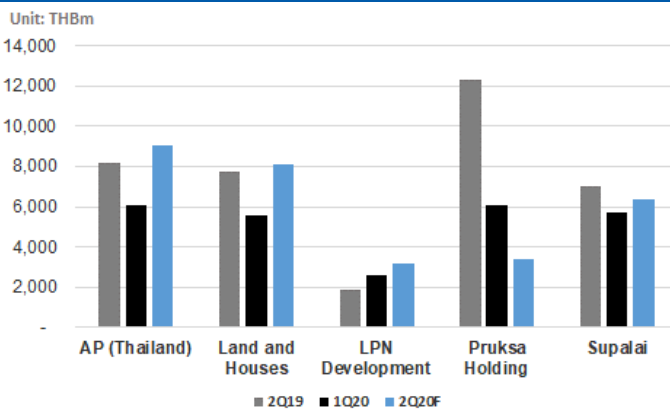
Source: Company data

**Figure 4: Weak condominium market in 1H20 resulted in low presales level while low-end condominium market is still facing a high rate of rejected loans**



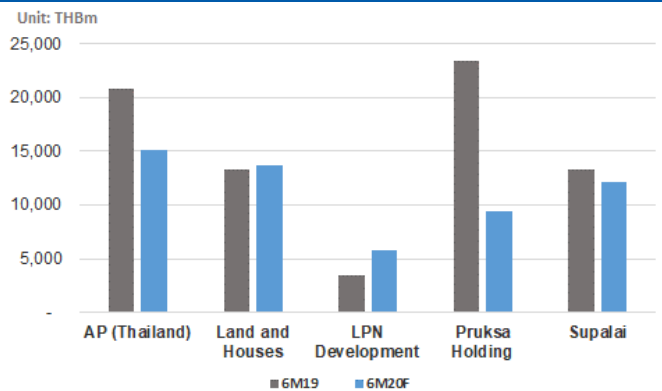
Source: Company data

**Figure 5: Strong presales of low-rise projects and low condominium presales led to 2Q20 overall presales growth almost stagnating YoY**



Source: Company data

**Figure 6: The postponement of new condominium launches was another reason for overall sluggish presales in 6M20**



Source: Company data

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**Figure 7: AP's 2Q20F net profit – the best among large developers – is expected to be driven by the transfer of its best-selling condominium project**

FYE Dec (THBm)	2Q19	3Q19	4Q19	1Q20	2Q20F	QoQ (%)	YoY (%)	1H19	1H20	YoY (%)
<b>Total turnover</b>	<b>4,762</b>	<b>5,886</b>	<b>5,364</b>	<b>5,399</b>	<b>7,715</b>	<b>42.9</b>	<b>62.0</b>	<b>12,552</b>	<b>13,114</b>	<b>4.5</b>
<b>Gross profit</b>	<b>1,585</b>	<b>2,068</b>	<b>1,962</b>	<b>1,862</b>	<b>2,363</b>	<b>26.9</b>	<b>49.1</b>	<b>4,146</b>	<b>4,225</b>	<b>1.9</b>
<i>Gross profit margin (%)</i>	33.3	35.1	36.6	34.5	30.6			33.0	32.2	
<b>EBITDA</b>	<b>489</b>	<b>878</b>	<b>475</b>	<b>793</b>	<b>1,046</b>	<b>31.9</b>	<b>114.0</b>	<b>2,749</b>	<b>2,450</b>	<b>(10.9)</b>
<i>EBITDA margin (%)</i>	10.3	14.9	8.9	14.7	13.6			21.9	18.7	
<b>EBIT</b>	<b>461</b>	<b>846</b>	<b>442</b>	<b>727</b>	<b>978</b>	<b>34.5</b>	<b>112.1</b>	<b>1,519</b>	<b>1,705</b>	<b>12.2</b>
<i>EBIT margin (%)</i>	9.7	14.4	8.2	13.5	12.7			12.1	13.0	
Interest expense	(80)	(66)	(56)	(75)	(79)	5.4	(0.9)	(125)	(154)	23.6
<b>Pre-tax profit</b>	<b>381</b>	<b>780</b>	<b>386</b>	<b>652</b>	<b>899</b>	<b>37.8</b>	<b>135.9</b>	<b>1,394</b>	<b>1,551</b>	<b>11.2</b>
<i>Pre-tax profit margin (%)</i>	8.0	13.3	7.2	12.1	11.6			11.1	11.8	
Tax	(88)	(178)	(87)	(143)	(198)	38.3	125.4	(316)	(342)	8.2
Minority interest	1	1	2	1	0	NM	NM	1	1	NM
<b>Net profit</b>	<b>488</b>	<b>620</b>	<b>882</b>	<b>618</b>	<b>1,199</b>	<b>93.8</b>	<b>145.6</b>	<b>1,556</b>	<b>1,817</b>	<b>16.0</b>

Source: Company data, RHB

**Figure 8: Land and Houses' 2Q20F net profit is expected to fall due to by its rental business and weaker earnings contribution by associates**

FYE Dec (THBm)	2Q19	3Q19	4Q19	1Q20	2Q20F	QoQ (%)	YoY (%)	1H19	1H20	YoY (%)
<b>Total turnover</b>	<b>7,700</b>	<b>7,597</b>	<b>7,811</b>	<b>6,035</b>	<b>7,287</b>	<b>20.7</b>	<b>(5.4)</b>	<b>14,649</b>	<b>13,322</b>	<b>(9.1)</b>
<b>Gross profit</b>	<b>2,434</b>	<b>2,497</b>	<b>2,550</b>	<b>1,773</b>	<b>2,049</b>	<b>15.5</b>	<b>(15.8)</b>	<b>4,655</b>	<b>3,822</b>	<b>(17.9)</b>
<i>Gross profit margin (%)</i>	31.6	32.9	32.6	29.4	28.1			31.8	28.7	
<b>EBITDA</b>	<b>1,770</b>	<b>1,846</b>	<b>1,975</b>	<b>1,391</b>	<b>1,562</b>	<b>12.3</b>	<b>(11.8)</b>	<b>3,380</b>	<b>2,953</b>	<b>(12.6)</b>
<i>EBITDA margin (%)</i>	23.0	24.3	25.3	23.1	21.4			23.1	22.2	
<b>EBIT</b>	<b>1,580</b>	<b>1,657</b>	<b>1,799</b>	<b>1,065</b>	<b>1,212</b>	<b>13.8</b>	<b>(23.3)</b>	<b>3,006</b>	<b>2,276</b>	<b>(24.3)</b>
<i>EBIT margin (%)</i>	24.2	26.1	27.4	21.1	17.3			24.6	18.9	
Interest expense	(228)	(207)	(224)	(182)	(194)	6.4	(15.1)	(405)	(375)	(7.2)
<b>Pre-tax profit</b>	<b>1,352</b>	<b>1,450</b>	<b>1,575</b>	<b>883</b>	<b>1,018</b>	<b>15.3</b>	<b>(24.7)</b>	<b>2,602</b>	<b>1,901</b>	<b>(26.9)</b>
<i>Pre-tax profit margin (%)</i>	17.6	19.1	20.2	14.6	14.0			17.8	14.3	
Tax	(289)	(403)	(750)	(91)	(158)	73.4	(45.3)	(566)	(250)	(55.9)
Minority interest	(2)	(15)	(1)	5	(25)	NM	NM	(7)	(20)	NM
<b>Net profit</b>	<b>1,852</b>	<b>2,201</b>	<b>4,145</b>	<b>1,344</b>	<b>1,237</b>	<b>(8.0)</b>	<b>(33.2)</b>	<b>3,678</b>	<b>2,581</b>	<b>(29.8)</b>

Source: Company data, RHB

**Figure 9: LPN's 2Q20F net profit is expected to remain in the doldrums**

FYE Dec (THBm)	2Q19	3Q19	4Q19	1Q20	2Q20F	QoQ (%)	YoY (%)	1H19	1H20	YoY (%)
<b>Total turnover</b>	<b>1,673</b>	<b>1,405</b>	<b>4,086</b>	<b>1,821</b>	<b>1,516</b>	<b>(16.8)</b>	<b>(9.4)</b>	<b>4,463</b>	<b>3,336</b>	<b>(25.2)</b>
<b>Gross profit</b>	<b>546</b>	<b>476</b>	<b>1,227</b>	<b>576</b>	<b>427</b>	<b>(25.9)</b>	<b>(21.8)</b>	<b>1,497</b>	<b>1,003</b>	<b>(33.0)</b>
<i>Gross profit margin (%)</i>	32.6	33.9	30.0	31.7	28.2			33.5	30.1	
<b>EBITDA</b>	<b>244</b>	<b>165</b>	<b>791</b>	<b>310</b>	<b>184</b>	<b>(40.6)</b>	<b>(24.5)</b>	<b>715</b>	<b>494</b>	<b>(30.9)</b>
<i>EBITDA margin (%)</i>	14.6	11.7	19.4	17.0	12.1			16.0	14.8	
<b>EBIT</b>	<b>224</b>	<b>143</b>	<b>773</b>	<b>288</b>	<b>161</b>	<b>(44.2)</b>	<b>(28.2)</b>	<b>675</b>	<b>449</b>	<b>(33.5)</b>
<i>EBIT margin (%)</i>	13.4	10.2	18.9	15.8	10.6			15.1	13.5	
Interest expense	(0)	(0)	(2)	(9)	(10)	11.9	2,126.8	(1)	(19)	1,226.7
<b>Pre-tax profit</b>	<b>224</b>	<b>143</b>	<b>771</b>	<b>279</b>	<b>151</b>	<b>(46.0)</b>	<b>(32.6)</b>	<b>674</b>	<b>430</b>	<b>(36.2)</b>
<i>Pre-tax profit margin (%)</i>	13.4	10.2	18.9	15.3	9.9			15.1	12.9	
Tax	(43)	(26)	(155)	(57)	(25)	(55.5)	(41.3)	(140)	(82)	(41.5)
Minority interest	(4)	(1)	4	(1)	(2)	NM	NM	(7)	(4)	NM
<b>Net profit</b>	<b>177</b>	<b>116</b>	<b>614</b>	<b>217</b>	<b>117</b>	<b>(46.0)</b>	<b>(33.6)</b>	<b>526</b>	<b>334</b>	<b>(36.5)</b>

Source: Company data, RHB

Figure 10: Pruksa is expected to report the worst 2Q20F earnings among large developers

FYE Dec (THBm)	2Q19	3Q19	4Q19	1Q20	2Q20F	QoQ (%)	YoY (%)	1H19	1H20	YoY (%)
<b>Total turnover</b>	<b>7,781</b>	<b>8,517</b>	<b>11,706</b>	<b>7,143</b>	<b>6,012</b>	<b>(15.8)</b>	<b>(22.7)</b>	<b>19,662</b>	<b>13,155</b>	<b>(33.1)</b>
<b>Gross profit</b>	<b>2,774</b>	<b>2,992</b>	<b>4,264</b>	<b>2,561</b>	<b>1,956</b>	<b>(23.6)</b>	<b>(29.5)</b>	<b>6,875</b>	<b>4,517</b>	<b>(34.3)</b>
<i>Gross profit margin (%)</i>	35.7	35.1	36.4	35.9	32.5			35.0		<b>34.3</b>
<b>EBITDA</b>	<b>1,412</b>	<b>1,389</b>	<b>2,593</b>	<b>1,446</b>	<b>794</b>	<b>(45.1)</b>	<b>(43.8)</b>	<b>3,807</b>	<b>2,240</b>	<b>(41.2)</b>
<i>EBITDA margin (%)</i>	18.1	16.3	22.2	20.2	13.2			19.4	17.0	
<b>EBIT</b>	<b>1,312</b>	<b>1,274</b>	<b>2,478</b>	<b>1,326</b>	<b>674</b>	<b>(49.2)</b>	<b>(48.6)</b>	<b>3,586</b>	<b>1,999</b>	<b>(44.2)</b>
<i>EBIT margin (%)</i>	16.9	15.0	21.2	18.6	11.2			18.2	15.2	
Interest expense	(79)	(82)	(107)	(121)	(125)	3.3	58.4	(135)	(246)	82.4
<b>Pre-tax profit</b>	<b>1,233</b>	<b>1,192</b>	<b>2,371</b>	<b>1,204</b>	<b>549</b>	<b>(54.4)</b>	<b>(55.5)</b>	<b>3,451</b>	<b>1,753</b>	<b>(49.2)</b>
Pre-tax profit margin (%)	15.8	14.0	20.3	16.9	9.1			17.6	13.3	
Tax	(282)	(260)	(512)	(264)	(111)	(57.9)	(60.6)	(783)	(376)	(52.0)
Minority interest	(18)	(17)	(34)	(18)	(15)	NM	NM	(49)	(33)	NM
<b>Net profit</b>	<b>933</b>	<b>915</b>	<b>1,825</b>	<b>922</b>	<b>422</b>	<b>(54.2)</b>	<b>(54.7)</b>	<b>2,619</b>	<b>1,344</b>	<b>(48.7)</b>

Source: Company data, RHB

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Analyst	Company
-	-

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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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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	TIPIPP	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

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- ได้ประกาศเจตนาธรรมนี้เข้าร่วม CAC
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