

COMPANY UPDATE

Land and Houses (LH TB)

Unexciting Presales And Earnings In 2Q23, But This Will Improve In 2H23

In 2Q23, presales are expected to decrease to Bt4.6b (-38% yoy, -4% qoq), due to slowing presales in the low-rise segment. We estimate LH's 2Q23 core profit at Bt1.4b, down yoy but flat qoq due to vulnerable transfers and gross margin. However, performance is expected to improve in 2H23, as there are more upcoming project launches. Furthermore, we expect the scheduled sale of assets in 4Q23 to support earnings. Maintain BUY. Target price: Bt11.10.

WHAT'S NEW

- **Presales for 2Q23 remain weak.** We expect Land and Houses (LH) to report presales of Bt4.6b (-38% yoy, -4% qoq) in 2Q23, with Bt4.2b for the low-rise segment and Bt400m for the high-rise segment. Despite the launch of two projects worth Bt6.1b in 2Q23, presales for the low-rise segment continued to weaken compared with the previous quarter, which is in line with the whole industry which saw a slowdown in demand. Moreover, the projects were launched from the end of May to June. Presales of the high-rise segment could have improved from the previous quarter due to increased sales of condos in Thong Lor, Sukhumvit 38, and Phaya Thai.
- **Expect earnings to decrease yoy but remain flat qoq in 2Q23.** For the residential business, we expect transfers in 2Q23 to improve slightly or remain stable compared with the previous quarter due to increased transfers of condominium projects. However, gross margin is expected to remain under pressure due to the high proportion of fixed costs. We expect revenue from the rental business to increase yoy but remain stable qoq in 2Q23 due to the strong performance of rental properties, both domestically and internationally. We anticipate LH's core profit to hit Bt1.4b in 2Q23, down yoy but flat qoq.

STOCK IMPACT

- **Earnings expected to improve in 2H23.** We expect LH's presales to accelerate in 2H23 due to the launch of projects worth Bt27.5b, which is expected to boost transfers and improve gross margin. Meanwhile, the rental property business and share of profit from associated companies will continue to support LH's profits and reduce the uncertainty of the residential business in 2H23. Furthermore, we expect the scheduled sale of assets in 4Q23 to support 2023 earnings by recording expected extraordinary profits of Bt1b-2b.

KEY FINANCIALS

Year to 31 Dec (Btm)	2021	2022	2023F	2024F	2025F
Net turnover	32,269.9	35,597.0	37,434.4	38,338.9	39,515.5
EBITDA	7,699.5	8,500.7	8,877.3	9,000.3	9,180.2
Operating profit	6,182.6	6,834.0	7,086.9	7,261.7	7,489.8
Net profit (rep./act.)	6,936.1	8,312.5	8,662.0	9,014.9	9,222.1
Net profit (adj.)	6,936.1	8,312.5	8,662.0	9,014.9	9,222.1
EPS (Bt)	0.6	0.7	0.7	0.8	0.8
PE (x)	14.5	12.1	11.6	11.1	10.9
P/B (x)	2.0	1.9	1.9	1.8	1.8
EV/EBITDA (x)	19.6	17.7	17.0	16.7	16.4
Dividend yield (%)	6.0	7.1	7.3	7.6	7.8
Net margin (%)	21.5	23.4	23.1	23.5	23.3
Net debt/(cash) to equity (%)	96.4	96.6	93.3	88.3	83.5
Interest cover (x)	7.2	8.3	8.3	8.5	8.7
ROE (%)	13.9	16.4	16.6	16.8	16.7
Consensus net profit	-	-	8,645	9,323	10,085
UOBKH/Consensus (x)	-	-	1.00	0.97	0.91

Source: Land and Houses, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt8.40
Target Price	Bt11.10
Upside	+32.1%
(Previous TP)	Bt11.50)

COMPANY DESCRIPTION

LH is the leading property developer in Thailand. The company develops residential projects ranging from single detached houses, townhouses and condominiums. Another source of income is rental income from its serviced apartments and rental properties.

STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	LH TB
Shares issued (m):	11,949.7
Market cap (Btm):	100,377.6
Market cap (US\$m):	2,851.5
3-mth avg daily t'over (US\$m):	10.3

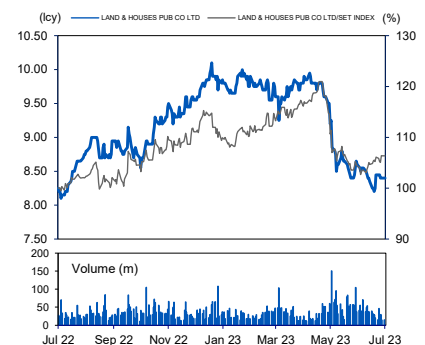
Price Performance (%)

52-week high/low			Bt10.10/Bt8.10	
1mth	3mth	6mth	1yr	YTD
(1.8)	(14.3)	(14.7)	1.2	(15.2)

Major Shareholders

	%
Mr. Anant Asavabhokhin	23.9
Thai NVDR	18.5
Mayland Co.,Ltd.	5.7
FY23 NAV/Share (Bt)	4.43
FY23 Net Debt/Share (Bt)	4.14

PRICE CHART



Source: Bloomberg

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EARNINGS REVISION/RISK

- We have fine-tuned down our earnings assumption by 2-4% for 2023-25 to reflect lower-than-expected presales and transfer momentum. Although we see downside risk to our earnings assumption, LH's asset divestment plan in 4Q23 will help limit the downside.

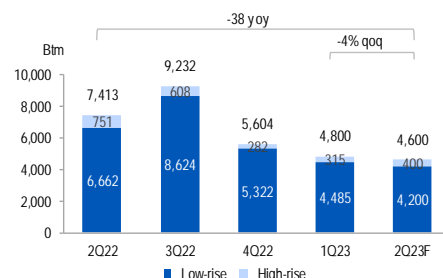
VALUATION/RECOMMENDATION

- **Maintain BUY with a new target price of Bt11.10.** Our SOTP-based target price values: a) the residential business at Bt5.20/share, based on 12.8x 2023F PE, or its mean historical PE, and b) affiliated companies (LHFG, Q-CON, HMPRO, QH, LHPF II) at Bt5.90/share.
- We recommend Trading BUY for LH as its share price is undemanding, trading at -1SD 2023F PE. We expect earnings to improve from 3Q23 onwards. Although we see downside risk on presales and transfer assumption, asset divestment in 4Q23 would help limit the downside. In addition, LH also offers an attractive dividend yield of about 7%.

SHARE PRICE CATALYST

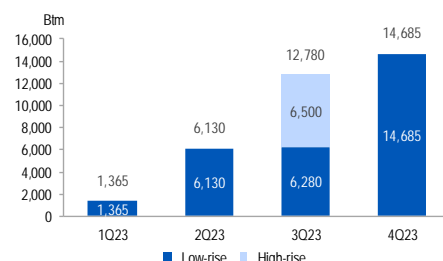
- a) Better-than-expected presales and faster-than-expected transfers, and b) improvement in gross margin, SG&A-to-sales ratio, and the sale of assets going according to plan.

QUARTERLY PRESALES



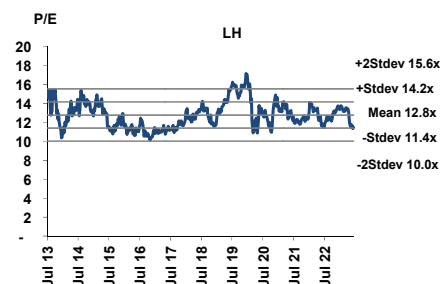
Source: LH, UOB Kay Hian

LAUNCH PLAN



Source: LH

PE BAND



Source: Bloomberg, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Net turnover	35,597	37,434	38,339	39,516
EBITDA	8,501	8,877	9,000	9,180
Deprec. & amort.	1,667	1,790	1,739	1,690
EBIT	6,834	7,087	7,262	7,490
Total other non-operating income	857	857	883	909
Associate contributions	2,911	3,196	3,388	3,391
Net interest income/(expense)	(1,021)	(1,066)	(1,064)	(1,061)
Pre-tax profit	9,830	10,074	10,469	10,729
Tax	(1,511)	(1,396)	(1,437)	(1,490)
Minorities	(6)	(16)	(16)	(17)
Net profit	8,313	8,662	9,015	9,222
Net profit (adj.)	8,313	8,662	9,015	9,222

CASH FLOW

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Operating	10,227	10,652	10,598	10,899
Pre-tax profit	9,830	10,074	10,469	10,729
Tax	(1,511)	(1,396)	(1,437)	(1,490)
Deprec. & amort.	1,667	1,790	1,739	1,690
Working capital changes	(924)	746	(307)	(187)
Non-cash items	1,165	(562)	134	156
Other operating cashflows	0	0	0	0
Investing	(5,192)	(3,021)	(1,760)	(1,749)
Capex (growth)	(4,444)	(450)	(451)	(452)
Investments	(970)	(686)	(1,355)	(1,356)
Others	221	(1,884)	46	60
Financing	(11,134)	(7,266)	(7,513)	(7,751)
Dividend payments	(5,975)	(7,266)	(7,513)	(7,751)
Issue of shares	0	0	0	0
Proceeds from borrowings	(4,454)	0	0	0
Others/interest paid	(706)	0	0	0
Net cash inflow (outflow)	(6,100)	365	1,325	1,400
Beginning cash & cash equivalent	10,926	4,826	5,191	6,516
Ending cash & cash equivalent	4,826	5,191	6,516	7,915

BALANCE SHEET

Year to 31 Dec (Btm)	2022	2023F	2024F	2025F
Fixed assets	38,438	37,098	35,810	34,572
Other LT assets	30,049	31,499	32,990	34,521
Cash/ST investment	4,826	5,191	6,516	7,915
Other current assets	50,636	50,247	50,618	50,906
Total assets	123,949	124,035	125,933	127,915
ST debt	16,479	16,479	16,479	16,479
Other current liabilities	8,421	8,215	8,413	8,672
LT debt	38,158	38,158	38,158	38,158
Other LT liabilities	8,606	7,487	7,668	7,903
Shareholders' equity	51,579	52,975	54,477	55,948
Minority interest	706	722	738	755
Total liabilities & equity	123,949	124,035	125,933	127,915

KEY METRICS

Year to 31 Dec (%)	2022	2023F	2024F	2025F
Profitability				
EBITDA margin	23.9	23.7	23.5	23.2
Pre-tax margin	27.6	26.9	27.3	27.2
Net margin	23.4	23.1	23.5	23.3
ROA	6.7	7.0	7.2	7.3
ROE	16.4	16.6	16.8	16.7
Growth				
Turnover	10.3	5.2	2.4	3.1
EBITDA	10.4	4.4	1.4	2.0
Pre-tax profit	19.6	2.5	3.9	2.5
Net profit	19.8	4.2	4.1	2.3
Net profit (adj.)	19.8	4.2	4.1	2.3
EPS	19.8	4.2	4.1	2.3
Leverage				
Debt to total capital	51.1	50.4	49.7	49.1
Debt to equity	105.9	103.1	100.3	97.7
Net debt/(cash) to equity	96.6	93.3	88.3	83.5
Interest cover (x)	8.3	8.3	8.5	8.7

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