

Land & House (LH)

Thursday, November 15, 2012

EQUITY TALKS

Presales, income, and gross margin better than expected. Up forecast
HOLD

- ▶ **3Q12's profit and presales grow from SDHs and condominiums**
- ▶ **Increase 2012's forecast 15% due to surprising income and gross margin**
- ▶ **Fair value, using SOTP, is B9.40. 3Q12's div yield is B0.1/share**

Current price (B) 9.00
Fair Value (B) 9.40
Market cap (B bn) 90.23
CGR ▲▲▲▲

- ▶ **3Q12's profit and presales grow from SDHs and condominiums**

LH declared 3Q12's net profit and norm profit at B1.5bn, rising 33.5%qoq and 66.6%yoy. The contributing factor was income recognition from property sale at B6.3bn, increasing 16.6%qoq thanks to horizontal projects of B4.9bn and condominium projects of B1.36bn (from a transfer of 53% of a B1.86bn-worth The Key Chaengwattana). At the same time, gross margin has increased to 35.1% from 33.3% in 2Q12 due to a hike of selling price at a higher rate than the cost for pre-built houses which reflected improving demands for horizontal projects. In addition, share of profit from subsidiaries enlarged to B528m because QH could book profit from a service apartment sale. At the same time, presales in 3Q12 stood at B7.46bn, increasing 14%qoq from medium-class SDHs that showed larger sales, 3 new condominium projects opening in 2Q12 that have been sold rapidly by 70-90%, and a B400m-worth new condominium project North 8 Chiangmai which has been sold by 90%.

- ▶ **Increase 2012's forecast 15% due to surprising income and gross margin**

Presales and income recognition in 9M12 were better than expected and likely above our target for the full year. Presales in 9M12 stood at B19.2bn, compared with the target of B22bn for FY2012. Income recognition in 9M12 stood at B15.9bn, compared with the target of B20bn for FY2012. Consequently, we revise up our forecast for income recognition and gross margin to be in line with LH's better performance. As a result, new norm profit forecast for 2012 is projected at B4.7bn, up 15% from previously. Additionally, in 2013 the company would expand its projects to other provinces including Chiangrai, Udon Thani, and Samut Sakhon, emphasizing on horizontal projects in order to increase the portion of provincial projects from only 15% of total projects at present. At the same time, for Bangkok, the company would increase the portion of medium-class townhouses and condominiums as well as high-end projects. All these would make profit in 2013 grow to B5.25bn. At end-3Q12, LH's backlog equates to B7.7bn (B2.5bn are horizontal projects and B5.2bn are condominium projects).

- ▶ **Fair value, using SOTP, is B9.40. 3Q12's div yield is B0.1/share**

2013's fair value, using sum of the parts, is B9.40. We recommend "hold to receive dividend". The company has announced an interim dividend for 3Q12 at B0.1/share. XD date is on 23 November, while payment date is on 12 December 2012.

Key Data (Bm)					
FY: Close Dec. 31	FY09A	FY10A	FY11A	FY12F	FY13F
Saels (Bm)	17,656	16,896	19,229	23,300	26,412
Net Profit (Bm)	3,908	3,971	5,609	5,247	5,255
Norm Profit (Bm)	3,939	3,653	3,819	4,704	5,255
Norm EPS (B)	0.39	0.36	0.38	0.47	0.52
PER (X)	22.9	24.7	23.6	19.2	17.2
DPS (B)	0.34	0.34	0.4	0.4	0.42
Dividend Yield (%)	3.8	3.8	4.4	4.4	4.7
BV (B)	2.6	2.7	2.9	3	3.1
PBV (X)	3.4	3.3	3.1	3	2.9

Source : Research ASP

Comparison ASP & SAA consensus

EPS (B)	ASP	Cons	% diff
2012F	0.47	0.51	-8%
2013F	0.52	0.53	-2%

Source : ASP & SAA consensus

Symbol	Level	Mean
▲▲▲▲▲	90-100	Excellence
▲▲▲▲	80-89	Very good
▲▲▲	70-79	Good
na.	<70	Not Available

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LH Earnings by Quarter

Key Data (Bm)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	% QoQ	% YoY	9M12	9M11	% YoY	2012F	2011	% YoY
Income	3,739	4,730	5,034	5,726	4,635	5,801	6,743	16.2%	34.0%	17,179	13,503	27.2%	23,300	19,229	21.2%
Cost of Sales	2,515	3,200	3,407	3,860	3,113	3,859	4,347	12.7%	27.6%	11,320	9,122	24.1%	15,485	12,981	19.3%
Gross profit	1,224	1,530	1,627	1,866	1,522	1,942	2,396	23.4%	47.3%	5,859	4,382	33.7%	7,815	6,248	25.1%
Sell & Admin. Expenses	590	671	749	1,052	728	872	988	13.4%	32.0%	2,588	2,010	28.7%	3,612	3,062	17.9%
EBITDA	1,075	1,321	1,323	1,257	1,379	1,624	2,173	33.8%	64.2%	5,177	3,719	39.2%	6,230	4,976	25.2%
Net Profit	2,028	1,042	905	813	1,463	1,129	1,508	33.6%	66.6%	4,099	3,975	3.1%	5,247	5,609	-6.4%
Norm Profit	721	905	905	466	919	1,130	1,508	33.5%	66.6%	3,557	2,532	40.5%	4,704	3,819	23.2%
Norm EPS	0.07	0.09	0.09	0.05	0.09	0.11	0.15	33.5%	66.6%	0.35	0.25	40.5%	0.47	0.38	23.2%
Gross Margin (%)	32.7%	32.4%	32.3%	32.6%	32.8%	33.5%	35.5%			34.1%	32.4%		33.5%	32.5%	
Norm Profit Margin (%)	17.6%	17.7%	16.8%	7.7%	18.0%	18.1%	20.4%			20.7%	18.8%		18.7%	18.5%	

Source : LH / ASP Research

Estimate Adjust

	ใหม่		เดิม	
	55F	56F	55F	56F
Norm Profit (ลบ.)	4,704	5,255	4,085	4,448
Norm EPS (บาท)	0.47	0.52	0.41	0.44
Fair Value PER (X)		SOTP		SOTP
Fair Value (บาท)		9.40		8.09
รายละเอียดประมาณการ				
Presale ระหว่างงวด	24,500	28,850	22,000	22,000
การบันทึกรายได้จากการขาย	21,500	24,432	20,659	21,320
Gross Margin	33.5%	33.1%	31.1%	31.1%
SG&A/Sale	15.5%	14.0%	13.0%	13.0%
Effective Tax Rate	18.0%	20.0%	23.0%	20.0%

Source : LH / ASP Research

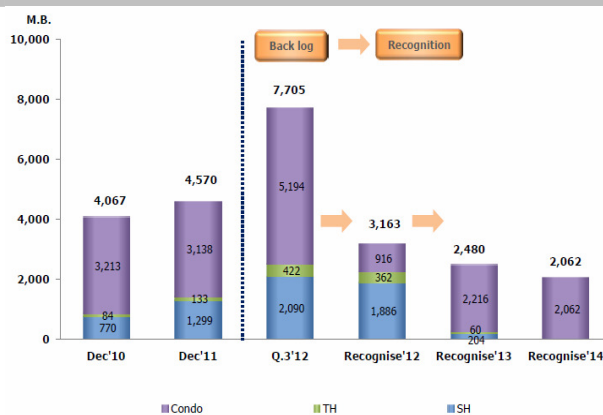
Condominium construction and transfer timeframe

No	Project	2012				2013				2014						
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4			
1	The Room-Sathorn Taksin															
2	The Room-Suk.21															
3	Ocas-Hua Hin															
4	The Key-Phahon Yothin															
5	The Key-Prachachuen															
6	The Key-Chaeng Wattana															
7	The Key - Sathorn Rajapruk															
8	The Room - Suk.40															
9	The Room - BTS wongwiengyai															
10	North 8 - Chiang Mai															

Construction period
 Transfer

Source : LH / ASP Research

Backlog Recognized Each Year



Source : LH / ASP Research

Technical Graph



Source : LH / ASP Research