

Land and Houses

Core profit to return to growth track in FY16

THAILAND | SET | PROP | COMPANY VISIT

BLOOMBERG LH TB | REUTERS LH.BK

Disappointing FY15 numbers

LH reported its total presales plunged 22% y-y to Bt24.7bn in FY15. SDH/TH presales started to pick up in 4QFY15 after steady declines in 9MFY15 in the face of a slowdown in the middle to upper end housing market segments. On the other hand, there were no additional condo presales in 4QFY15 due largely to the absence of new project launches. Based on the above numbers, we expect LH to post a 16% y-y drop in FY15 pre-exceptional profit. The forecast is based on assumptions that (i) full-year revenue fell 6% y-y to Bt24bn, below management's guidance of Bt28bn as much of the revenue in FY15 relied mainly on SDH/TH revenue given that there was a condo backlog of only Bt5bn booked as revenue in FY15 and (ii) margins got squeezed as a result of the difficulty in raising selling prices in an unfavorable market environment. On a net profit basis, we also expect LH to report a 14% y-y drop in FY15 net profit as exceptional gains on disposal of assets in FY15 were lower than what it recorded in FY14.

Management sets FY16 presales and revenue growth targets of 13% and 13%, core profit poised to return to positive growth of 23% in FY16

Management has guided for a flat property market in FY16 as consumer confidence remains in the doldrums. LH also plans to launch 14 new projects worth a combined value of Bt23.5bn, comprising 6 SDH/TH projects, 3 townhouse projects and 5 condo projects. Of the total, 9 projects will be in Bangkok and its outskirts and the remaining 5 projects in the provinces. To this end, LH has set a capex budget of Bt14bn, of which Bt7bn would go towards land bank acquisition and the rest for development or acquisition of rental properties. LH aims for FY16 total presales of Bt28bn, up 13.4% y-y on expectations that average price per unit will inch up to Bt7.1mn/unit in FY16 from Bt7mn/unit in FY15. Management has also set its FY16 revenue target of Bt28bn, up 13% y-y.

With a backlog of only Bt7bn carried forward from FY15, much of the revenue in FY16 would hinge largely on SDH/TH revenue. In our view, we see an improving outlook for its SDH/TH revenue in FY16 helped by the positive effects of the government's property stimulus package including cuts in transfer/mortgage fees in 1HFY16. Condo revenue also tends to be higher than the estimated Bt5bn in FY15 at Bt7.4bn in FY16 as there would be up to four new condo projects ready for transfer in FY16 against three smaller condo projects in FY15. On this basis, we expect LH will see its core profit, excluding ex-items, return to a growth trajectory in FY16. Our forecast puts its FY16 core profit growth at 23% y-y. On a net profit basis, LH is however forecast to see a 1% y-y drop on expectations that there will be no exceptional items in FY16 against one-off gains from the spin-off of assets to REIT and disposal of rental properties in FY15. In our forecast, we assume (i) a 20% y-y rise in FY16 revenue based on assumptions that rental income will grow 27%-28% y-y to Bt2.5bn-Bt2.6bn, (ii) flat margins and (iii) profit improvement at its affiliates (HMPRO, QH and LHBANK).

'BUY' rating with Bt9.50/share target price in view of improving presales momentum and still-low P/E valuation

To reflect the prospect of a revenue beat in FY15 helped by a sharp acceleration of presales in 4QFY15 and expectations of an improvement in SDH/TH presales, we nudge up our FY15-FY16 profit forecasts for LH by 5% and 2% respectively. Valuation-wise, LH also looks inexpensive as it currently trades at a discount to its historical median of 15x. We rate a 'BUY' call on LH shares with a Bt9.50/share target price.

22 January 2016

Buy (Upgraded from Accumulate)

Closing Price(Bt) 8.50
Target Price(Bt) 9.50 (+16.97%)

COMPANY DATA

O/S Shares (mn):	11,747
Market Cap. (Btmn):	99,854
Market Cap. (USDmn):	2,754
52-WK Hi/Lo (Bt):	10.5/7.45
3M Average Daily T/O (mn):	15.95
Par Value (Bt):	1.00

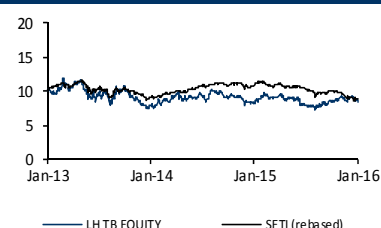
MAJOR SHAREHOLDERS (%) 31 August 2015

1. Anan Asavapokin	24.4
2. Thai NVDR	20.2
3. GIC PRIVATE LIMITED - C	16.6

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	-5%	1%	3%
REL TO SET INDEX	-4%	14%	27%

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY14	FY15E	FY16E	FY17E
Sales(Btmn)	28,387	26,200	29,642	36,256
Net Profit(Btmn)	8,423	7,251	7,188	8,185
EPS (Bt)	0.80	0.64	0.63	0.72
P/E (X)	10.6	13.3	13.4	11.8
BVPS (Bt)	4.03	4.09	4.19	4.90
P/B (X)	2.1	2.1	2.0	1.7
DPS (Bt)	0.65	0.45	0.44	0.50
Dividend Yield (%)	7.6	5.3	5.2	5.9
ROE (%)	22.05	16.35	15.49	16.04
Debt/Equity (X)	1.61	1.37	1.40	1.51

Source: Company, PSR Est.

**Multiples and yields are based on latest closing price

VALUATION METHOD

P/E'16 (15x)

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ADVANC	BAFS	BCP	BIGC	BTS	CK	CPN	DRT	DTAC	DTC
EASTW	EGCO	GRAMMY	HANA	HMPRO	INTUCH	IRPC	IVL	KBANK	KCE
KKP	KTB	LHBANK	LPN	MCOT	MIINT	MONO	NKI	PHOL	PPS
PS	PSL	PTT	PTTEP	PTTGC	QTC	RATCH	ROBINS	SAMART	SAMTEL
SAT	SC	SCB	SCC	SE-ED	SIM	SNC	SPALI	THCOM	TISCO
TKT	TMB	TOP	VGI	WACOAL					



AAV	ACAP	AGE	AHC	AKP	AMATA	ANAN	AOT	APCS	ARIP
ASIMAR	ASK	ASP	BANPU	BAY	BBL	BDMS	BECL	BKI	BLA
BMCL	BOL	BROOK	BWG	CENDEL	CFRESH	CHO	CIMBT	CM	CNT
COL	CPF	CPI	CSL	DCC	DELTA	DEMCO	ECF	EE	ERW
GBX	GC	GFPT	GLOBAL	GUNKUL	HEMRAJ	HOTPOT	HYDRO	ICC	ICHI
INET	IRC	KSL	KTC	LANNA	LH	LOXLEY	LRH	MACO	MBK
MC	MEGA	MFEC	NBC	NCH	NINE	NSI	NTV	OCC	OGC
OISHI	OTO	PAP	PDI	PE	PG	PJW	PM	PPP	PR
PRANDA	PREB	PT	PTG	Q-CON	QH	RS	S & J	SABINA	SAMCO
SCG	SEAFCO	SFP	SIAM	SINGER	SIS	SITHAI	SMK	SMPC	SMT
SNP	SPI	SSF	SSI	SSSC	SST	STA	STEC	SVI	SWC
SYMC	SYNTEC	TASCO	TBSP	TCAP	TF	TGCI	THAI	THANA	THANI
THIP	THRE	THREL	TICON	TIP	TIPCO	TK	TKS	TMI	TMILL
TMT	TNDT	TNITY	TNL	TOG	TPC	TPCORP	TRC	TRU	TRUE
TSC	TSTE	TSTH	TTA	TTCL	TTW	TU	TVD	TVO	TWFP
TWS	UAC	UT	UV	VNT	WAVE	WINNER	YUASA	ZMICO	



2S	AEC	AEONTS	AF	AH	AIRA	AIT	AJ	AKR	AMANAH
AMARIN	AP	APCO	AQUA	AS	ASIA	AUCT	AYUD	BA	BEAUTY
BEC	BFIT	BH	BIG	BJC	BJCHI	BKD	BTNC	CBG	CGD
CHG	CHOW	CI	CITY	CKP	CNS	CPALL	CPL	CSC	CSP
CSS	CTW	DNA	EARTH	EASON	ECL	EFORL	ESSO	FE	FIRE
FOCUS	FORTH	FPI	FSMART	FSS	FVC	GCAP	GENCO	GL	GLAND
GLOW	GOLD	GYT	HTC	HTECH	IEC	IFEC	IFS	IHL	IRCP
ITD	JSP	JTS	JUBILE	KASET	KBS	KCAR	KGI	KKC	KTIS
KWC	KYE	L&E	LALIN	LHK	LIT	LIVE	LST	M	MAJOR
MAKRO	MATCH	MATI	MBKET	M-CHAI	MFC	MILL	MJD	MK	MODERN
MOONG	MPG	MSC	MTI	MTLS	NC	NOK	NUSA	NWR	NYT
OCEAN	PACE	PATO	PB	PCA	PCSGH	PDG	PF	PICO	PL
PLANB	PLAT	PPM	PRG	PRIN	PSTC	PTL	PYLON	QLT	RCI
RCL	RICHY	RML	RPC	S	SALEE	SAPPE	SAWAD	SCCC	SCN
SCP	SEAOL	SIRI	SKR	SMG	SOLAR	SORKON	SPA	SPC	SPCG
SPPT	SPVI	SRICHA	SSC	STANLY	STPI	SUC	SUSCO	SUTHA	SYNEX
TAE	TAKUNI	TCC	TCCC	TCJ	TEAM	TFD	TFI	TIC	TIW
TLUXE	TMC	TMD	TOPP	TPCH	TPIPL	TRT	TSE	TSR	UMI
UP	UPF	UPOIC	UREKA	UWC	VIBHA	VIH	VPO	WHA	WIN
XO									

Results Presentation

Score Range

- < 50%
- 50-59%
- 60-69%
- 70-79%
- 80-89%
- 90-100%

Number of Logo

No logo given



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Industry Group

Name	Sector Name	Sector Index
Agro & Food Industry[AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products[CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction[PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	PF&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

PSR Rating System

Capital Gain	Recommendation
> 15%	BUY
> 5% - 15%	ACCUMULATE / TRADING BUY
> 0% - 5%	NEUTRAL
0 <=	SELL

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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