

## Earnings fine-tuned, PO maintained

We fine-tuned our estimates and maintained our PO of Bt9.1/share. We see a stronger momentum for AP in 2H. We like AP on its diversified portfolio, strong landed property momentum, high backlog at the JV level and its undemanding valuations based on our 2020/21E.

## Operations update

AP's business strategy has proven successful in expanding its portfolio by having Mitsubishi as its key JV partner for most of its condo projects and growing landed property in a diversified segment. This was reflected in strong presales momentum of Bt20.8bn in 1H (up 20% YoY) and YTD presales of Bt26bn, which accounts for 67% of its Bt39bn presales target. Landed property presales remained firm at Bt522mn/week in 3Q-to-date. If we assume a 15% cancellation rate, the figure remains high at Bt444mn/week, up by 14% from 2Q.

## Strong presales and earnings in 4Q

We expect presales momentum to remain firm in 2H as AP will launch 17 landed property projects and two condo projects in 2H. AP's 2019 new launches will total 35 projects valued at Bt57bn. The Life Sathorn Sierra (Bt6.3bn) condo will be launched this weekend but we don't expect presales to be exciting. We should see stronger presales in 4Q with more launches of landed property and Rhythm Chaorenkrung (Bt4.7bn). While 3Q revenue should pick up QoQ, 4Q revenue should be the strongest quarter this year. This is supported by its high landed property backlog and transfers of condo projects. Note that AP has secured 90% of our 2019 revenue forecast.

## Solid growth in 2020E with high JV backlog

We expect pre-ex NI in 2019E to contract by 6%, however, there could be earnings upside from stronger transfers of condo under JV, Life One Wireless. A stronger growth of 20% is expected in 2020E, derived by higher equity income. AP has a high condo backlog for JV projects, which has secured over 95% for our JV revenue forecast for 2019E-2020E.

### Estimates (Dec)

(Bt)	2017A	2018A	2019E	2020E	2021E
Net Income (Adjusted - mn)	3,157	3,865	3,619	4,367	5,054
EPS	1.00	1.23	1.15	1.39	1.61
EPS Change (YoY)	16.8%	22.4%	-6.4%	20.6%	15.7%
Dividend / Share	0.350	0.442	0.414	0.500	0.578
Free Cash Flow / Share	(0.622)	(0.759)	(0.593)	0.166	0.298

### Valuation (Dec)

	2017A	2018A	2019E	2020E	2021E
P/E	7.27x	5.94x	6.35x	5.26x	4.54x
Dividend Yield	4.79%	6.06%	5.67%	6.85%	7.92%
EV / EBITDA*	16.13x	14.25x	14.30x	12.38x	10.94x
Free Cash Flow Yield*	-8.56%	-10.44%	-8.15%	2.28%	4.10%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

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**Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

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### Key Changes

(Bt)	Previous	Current
2019E EPS	1.17	1.15
2020E EPS	1.36	1.39
2021E EPS	1.62	1.61
2019E EBITDA (m)	3,362.8	3,208.8
2020E EBITDA (m)	3,727.3	3,706.9
2021E EBITDA (m)	4,147.5	4,194.8

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### Stock Data

Price	7.30 THB
Price Objective	9.10 THB
Date Established	28-Mar-2019
Investment Opinion	B-1-7
52-Week Range	5.80 THB-9.55 THB
Mrkt Val / Shares Out (mn)	747 USD / 3,133.1
Market Value (mn)	22,872 THB
Average Daily Value (mn)	2.24 USD
Free Float	52.5%
BofAML Ticker / Exchange	XPPKF / SET
Bloomberg / Reuters	AP TB / AP.BK
ROE (2019E)	14.1%
Net Dbt to Eqty (Dec-2018A)	78.9%

Key Income Statement Data (Dec)	2017A	2018A	2019E	2020E	2021E
<b>(Bt Millions)</b>					
Sales	21,595	27,219	26,754	27,769	30,259
Gross Profit	7,333	8,880	8,703	9,290	10,219
Sell General & Admin Expense	(4,543)	(5,731)	(5,582)	(5,680)	(6,130)
Operating Profit	2,790	3,150	3,121	3,609	4,089
Net Interest & Other Income	509	353	572	458	395
Associates	NA	NA	NA	NA	NA
Pretax Income	3,300	3,503	3,693	4,068	4,484
Tax (expense) / Benefit	(722)	(777)	(739)	(814)	(897)
Net Income (Adjusted)	3,157	3,865	3,619	4,367	5,054
Average Fully Diluted Shares Outstanding	3,146	3,146	3,146	3,146	3,146
<b>Key Cash Flow Statement Data</b>					
Net Income	3,089	3,861	3,619	4,367	5,054
Depreciation & Amortization	54	70	88	98	106
Change in Working Capital	(4,453)	(4,990)	(4,778)	(2,703)	(2,632)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	(424)	(1,111)	(643)	(1,089)	(1,441)
Cash Flow from Operations	(1,735)	(2,170)	(1,715)	672	1,087
Capital Expenditure	(222)	(217)	(150)	(150)	(150)
(Acquisition) / Disposal of Investments	(766)	1,424	0	0	0
Other Cash Inflow / (Outflow)	(14)	5	(10)	(10)	(10)
Cash Flow from Investing	(1,002)	1,212	(160)	(160)	(160)
Shares Issue / (Repurchase)	0	0	0	0	0
Cost of Dividends Paid	(944)	(1,101)	(1,392)	(1,303)	(1,572)
Cash Flow from Financing	2,704	855	1,424	(512)	(927)
Free Cash Flow	(1,957)	(2,387)	(1,865)	522	937
Net Debt	17,348	19,323	22,587	23,389	24,047
Change in Net Debt	3,694	1,976	3,264	803	658
<b>Key Balance Sheet Data</b>					
Property, Plant & Equipment	336	483	545	597	641
Other Non-Current Assets	5,205	4,947	5,611	6,722	8,186
Trade Receivables	390	383	376	391	426
Cash & Equivalents	1,054	951	500	500	500
Other Current Assets	36,951	42,631	47,180	50,112	53,041
Total Assets	43,936	49,395	54,213	58,321	62,794
Long-Term Debt	9,440	13,240	11,672	7,072	3,072
Other Non-Current Liabilities	372	417	417	417	417
Short-Term Debt	8,962	7,035	11,415	16,817	21,475
Other Current Liabilities	3,530	4,212	3,977	4,219	4,552
Total Liabilities	22,303	24,904	27,481	28,526	29,516
Total Equity	21,633	24,491	26,732	29,795	33,278
Total Equity & Liabilities	43,936	49,395	54,213	58,321	62,794
<b>iQmethod<sup>SM</sup> - Bus Performance*</b>					
Return On Capital Employed	5.8%	5.7%	5.2%	5.5%	5.8%
Return On Equity	15.4%	16.8%	14.1%	15.4%	16.0%
Operating Margin	13.2%	11.8%	12.0%	13.3%	13.9%
EBITDA Margin	13.2%	11.8%	12.0%	13.3%	13.9%
<b>iQmethod<sup>SM</sup> - Quality of Earnings*</b>					
Cash Realization Ratio	-0.5x	-0.6x	-0.5x	0.2x	0.2x
Asset Replacement Ratio	4.1x	3.1x	1.7x	1.5x	1.4x
Tax Rate (Reported)	21.9%	22.2%	20.0%	20.0%	20.0%
Net Debt-to-Equity Ratio	80.2%	78.9%	84.5%	78.5%	72.3%
Interest Cover	18.5x	25.6x	13.2x	12.0x	11.1x

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

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## Company Sector

Real Estate/Property

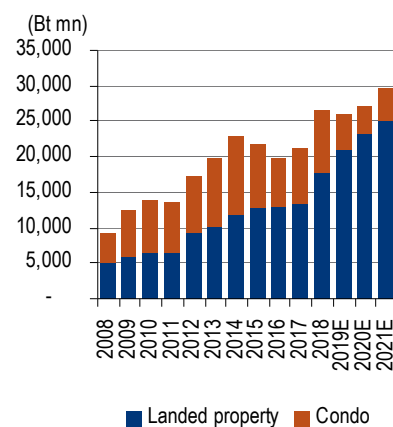
## Company Description

AP is one of the top seven residential developers in Thailand. Its concentration is mainly in Bangkok Metropolitan Area. AP's brand names are well-recognized among homebuyers. Its strategy is to acquire land only when it plans to develop a new project within a year. Economic condition and political stability are key concerns since they affect demand/ presales. No ADRs

## Investment Rationale

Our view on AP is premised on expected sustainable growth profile, which is supported by the contributions from its joint venture investment. AP continued to show strong presales, which can be attributed to its successful strategy in growing its portfolio in landed property with more diversified locations. AP's valuations are also not demanding on our 2020/21 estimates.

**Figure 1: AP – Revenue breakdown**

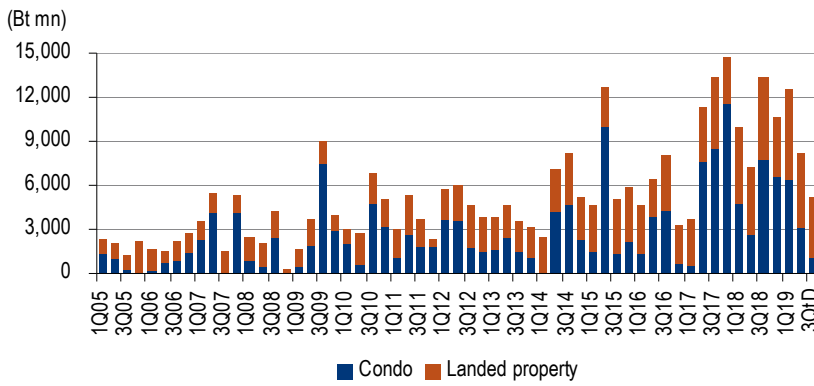


Source: Company, Phatra Securities estimates

## Stock Data

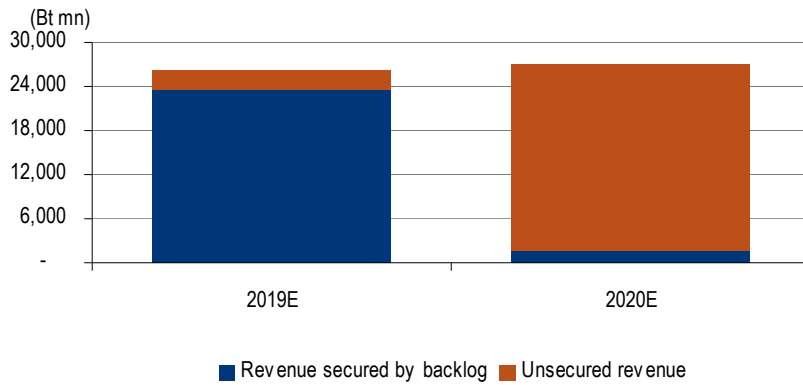
Price to Book Value 0.9x

**Figure 2: AP - Quarterly presales**



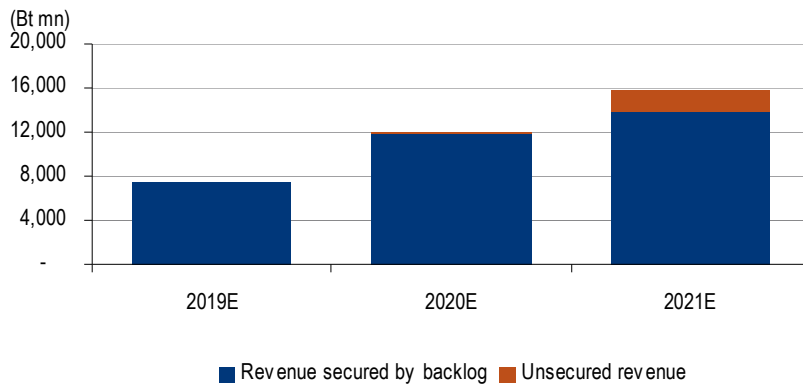
Source: Company, Phatra Securities estimates

**Figure 3: AP - Revenue secured by backlog on hand**



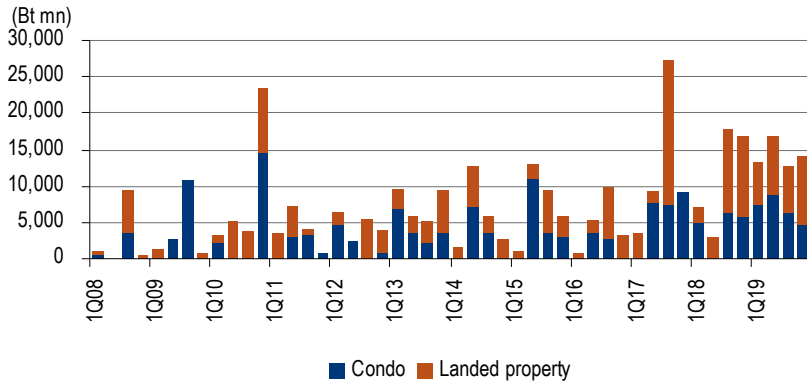
Source: Company, Phatra Securities estimates

**Figure 4: AP - JV revenue is highly secured by backlog on hand**



Source: Company, Phatra Securities estimates

**Figure 5: AP - Quarterly launches**



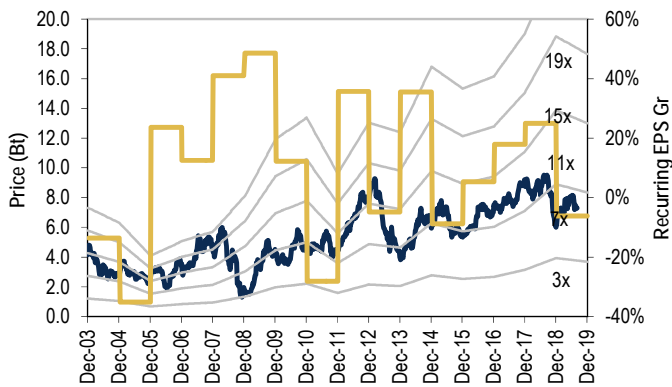
Source: Company, Phatra Securities estimates

**Figure 6: Property Comp**

		Price (Bt)	Market cap (US\$ mn)	Core EPS growth			Core PER (x)			Yield (%)			PBV (x)		ROE		Housing P/E	
				2018A	2019E	2020E	2018A	2019E	2020E	2018A	2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E
AP Thailand	AP	7.30	750	25.0%	-6.3%	20.6%	5.95	6.35	5.26	6.06	5.67	6.85	0.86	14.1%	15.4%	6.35	5.26	
Supalai	SPALI	19.70	1,379	-9.5%	9.4%	13.0%	7.32	6.69	5.91	4.86	5.38	6.09	1.11	17.6%	17.8%	6.69	5.91	
Land and Houses	LH	10.80	4,217	1.9%	-5.8%	14.4%	13.78	14.63	12.79	6.94	6.86	6.65	2.50	17.4%	19.3%	3.34	2.81	
Quality Houses	QH	2.94	1,029	14.4%	-8.8%	4.9%	8.30	9.10	8.68	7.48	6.74	7.14	1.15	12.9%	12.9%	(15.59)	(12.61)	
LPN Develop	LPN	6.15	294	28.7%	-0.8%	0.7%	6.64	6.69	6.64	9.76	9.55	9.75	0.68	10.3%	10.0%	6.69	6.64	
Pruksa Holding	PSH	19.40	1,387	10.2%	-10.2%	0.5%	7.04	7.84	7.81	7.99	7.12	7.20	0.98	12.8%	12.2%	7.84	7.81	
Sansiri*	SIRI	1.38	649	-29.5%	-2.3%	2.8%	9.63	9.86	9.59	7.12	6.50	6.26	0.66	6.7%	6.7%	9.86	9.59	
Ananda Develop*	ANAN	3.24	353	111.2%	-30.7%	22.4%	4.51	6.52	5.32	5.63	6.72	5.91	0.65	10.1%	11.7%	6.52	5.32	
SC Asset*	SC	2.64	361	31.8%	0.7%	21.6%	6.19	6.14	5.06	6.06	6.51	7.91	0.64	11.3%	11.1%	6.14	5.06	
Average				7.4%	-5.4%	11.2%	9.89	10.44	9.37	6.81	6.64	6.79	1.57	13.3%	14.0%	3.44	3.23	

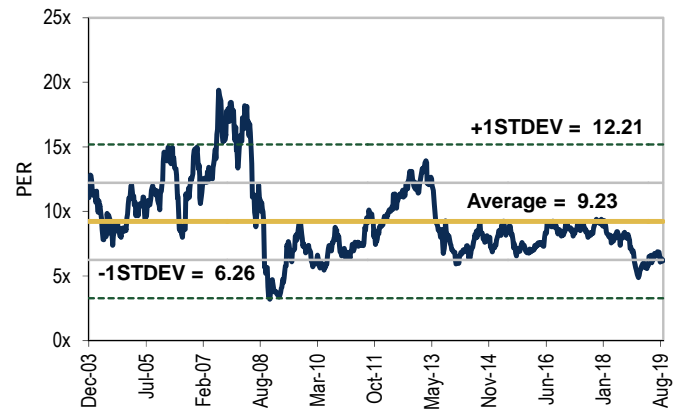
Source: Companies, Phatra Securities estimates (\*Bloomberg consensus for non-rated stocks)

**Figure 7: AP - P/E Band**



Source: SET, Phatra Securities estimates

**Figure 8: AP - Trailing P/E**



Source: SET, Phatra Securities estimates

## Price objective basis & risk

### AP (Thailand) (XPPKF)

Our 12-month price objective (PO) of Bt9.1/share is based on the average valuations of 1) FY19 P/E of 8.0x, which is a 7% discount to peers and 15% discount of the 10-year trailing P/E of mid-cap property companies - we think this is justified by its current weaker revenue visibility and earnings contraction in 2019E. and 2) the sum of discounted cash flow (DCF) valuation and value of joint venture investment at book value. Note that we apply 20% on DCF valuations to reflect sector headwinds. We use discount rate of 9.0%, which already factored in 20% premium on market risk premium and terminal growth rate of 2%. While the P/E target will usually focus more on short-term earnings, we also use a DCF to reflect the backlog on hand for future revenue.

Downside risks to our PO are worse-than-expected presales momentum, weaker-than-expected GDP growth, higher-than-expected competition among developers, lower-than-expected presales, tighter mortgage financing policy from commercial banks, rising construction cost and a stronger-than-expected increase in interest rates.

## Analyst Certification

I, Jiraporn Linmaneechote, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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**ASEAN - Property Coverage Cluster**

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	AP (Thailand)	XPPKF	AP TB	Jiraporn Linmaneechote
	Ascendas REIT	ACDSF	AREIT SP	Donald Chua
	Ayala Land, Inc.	AYAAF	ALI PM	Ping Javier, CFA
	Bumi Serpong Damai	BSPDF	BSDE IJ	Donald Chua
	Capitaland	CLLDF	CAPL SP	Donald Chua
	CapitaLand Commercial Trust	CMIAF	CCT SP	Donald Chua
	CapitaLand Mall Trust	CPAMF	CT SP	Donald Chua
	Central Pattana Public Co., Ltd.	XENRF	CPN TB	Jiraporn Linmaneechote
	Frasers Centrepoint Trust	FRZCF	FCT SP	Donald Chua
	Land & Houses	LDXHF	LH TB	Jiraporn Linmaneechote
	Land & Houses -F	LDHOF	LH/F TB	Jiraporn Linmaneechote
	Megaworld Corporation	MGAWF	MEG PM	Ping Javier, CFA
	Quality Houses	QHPSF	QH TB	Jiraporn Linmaneechote
	Robinsons Land Corporation	RBLAF	RLC PM	Ping Javier, CFA
	Summarecon Agung TBK PT	PSAHF	SMRA IJ	Donald Chua
	Supalai	XPAYF	SPALI TB	Jiraporn Linmaneechote
	UOL Group	UOLGF	UOL SP	Donald Chua
<b>NEUTRAL</b>				
	Mapletree Commercial Trust	MPCMF	MCT SP	Donald Chua
	Mapletree Logistics Trust	MAPGF	MLT SP	Donald Chua
	Prime US REIT	XPURF	PRIME SP	Donald Chua
	Siam City	SAMUF	SCCC TB	Jiraporn Linmaneechote
	Tesco Lotus Retail Growth Property Fund	XXZLF	TLGF TB	Sirichai Chalokepunrat
<b>UNDERPERFORM</b>				
	Alam Sutera Realty TBK PT	XUSTF	ASRI IJ	Donald Chua
	Ciputra Development TBK PT	PTCDF	CTRA IJ	Donald Chua
	Frasers Property Ltd	FSRPF	FPL SP	Donald Chua
	Keppel REIT	KREVF	KREIT SP	Donald Chua
	LPN Devp Pub Co	LDVPF	LPN TB	Jiraporn Linmaneechote
	Mapletree Industrial Trust	MAPIF	MINT SP	Donald Chua
	Pruksa Holding Pcl.	PKARF	PSH TB	Jiraporn Linmaneechote
	SM Prime Holdings, Inc.	SPHXF	SMPH PM	Ping Javier, CFA
	Suntec REIT	SURVF	SUN SP	Donald Chua
<b>RSTR</b>				
	CDL Hospitality Trusts	CDHSF	CDREIT SP	Donald Chua
	City Developments	CDEVF	CIT SP	Donald Chua

**iQmethod<sup>SM</sup> Measures Definitions**

	Numerator	Denominator
<b>Business Performance</b>		
Return On Capital Employed	NOPAT = (EBIT + Interest Income) * (1 - Tax Rate) + Goodwill Amortization	Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill Amortization
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	EV = Current Share Price * Current Shares + Minority Equity + Net Debt + Other LT Liabilities	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

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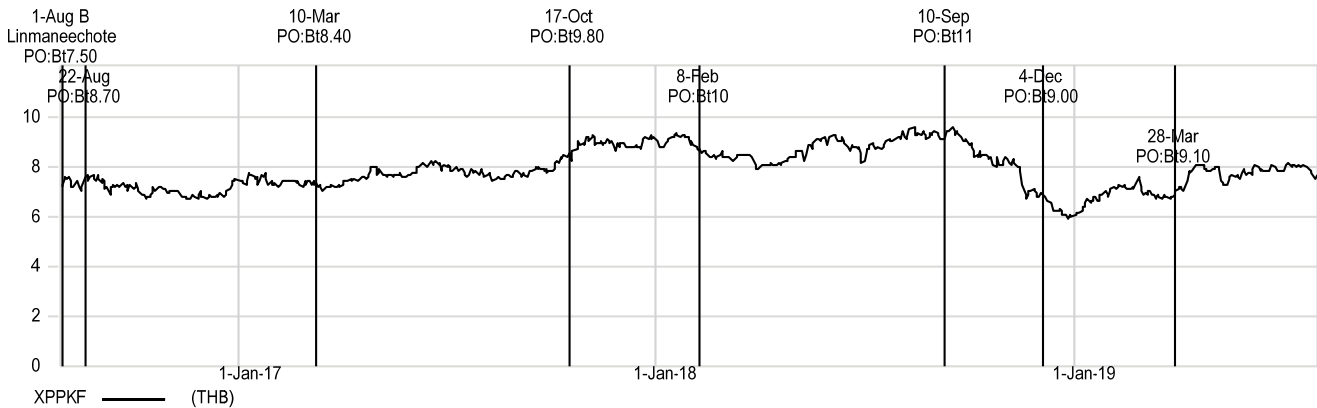
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# Disclosures

## Important Disclosures

### XPPKF Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of July 31, 2019 or such later date as indicated.

### Equity Investment Rating Distribution: Real Estate/Property Group (as of 30 Jun 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	47	55.29%	Buy	19	40.43%
Hold	15	17.65%	Hold	5	33.33%
Sell	23	27.06%	Sell	3	13.04%

### Equity Investment Rating Distribution: Global Group (as of 30 Jun 2019)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1516	51.23%	Buy	942	62.14%
Hold	687	23.22%	Hold	431	62.74%
Sell	756	25.55%	Sell	380	50.26%

\* Issuers that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

\* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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