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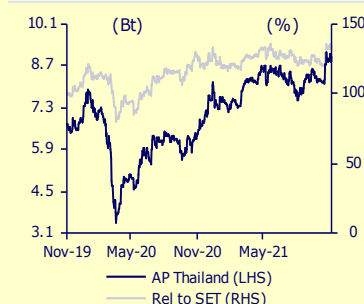
Thailand
Property
Reuters AP.BK
Bloomberg AP TB

Priced on 8 November 2021
 Thai SET @ 1,626.1
12M hi/lo Bt9.15/6.60
12M price target Bt10.90
±% potential +21%
Shares in issue 3,145.9m**Free float (est.)** 52.2%**Market cap** US\$860m**3M ADV** US\$3.8m**Foreign s'holding** 28.8%**Major shareholders**
 Mr. Anuphong Assavabhokhin
 Mr. Pichet Vipavasuphakorn 10.3%
Blended ESG Score (%)***Overall** 78.9**Country average** 67.0**GEM sector average** 67.5

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Stock performance (%)

	1M	3M	12M
Absolute	9.8	19.2	37.4
Relative	10.7	11.6	6.5
Abs (US\$)	12.9	21.1	27.8



Steady 3Q21 results

NP for 3Q21 dropped by only 8% QoQ despite Covid-19 lockdown

While AP felt the impact from a temporary construction halt in 3Q21 like its peers, 3Q21 low-rise housing revenue softened by only 11% QoQ and 5% YoY. As construction activities can now resume, we remain confident in 21CL housing revenue of Bt31.9bn, 6% above AP's target. Gross margin and equity income in 3Q21 also came in line with our expectation, while we see potential upside from SG&A and interest expenses, both of which came out better than our estimates. Thanks to its resilient result, we continue to like AP with Bt10.9 TP and BUY call.

- AP reported 3Q21 net profit of Bt1.0bn, -29% YoY, -8% QoQ. We note that a big YoY decline came mainly from fewer condo transfers according to AP's condo completion schedule, while low-rise business remained highly resilient. Net profit for 9M21 of Bt3.5bn accounted for 86% of 21CL forecast, ahead of our expectation mainly on SG&A and interest expenses.
- Third-quarter housing revenue of Bt6.9bn dropped by 22% YoY and by 12% QoQ. Housing revenue for 9M21 of Bt23.6bn accounted for 79% of AP's Bt30.1bn target and 74% of 21CL Bt31.9bn forecast. This came in line with our expectation.
- Third-quarter low-rise revenue of Bt6.7bn fell by 5% YoY and 11% QoQ, largely due to transfer delays caused by temporary construction halts during the recent Covid-19 outbreak. Nonetheless, 9M21 low-rise revenue of Bt22.2bn already accounted for 79% of AP's FY21 target of Bt28.0bn. As we already expect AP to beat its target, 9M21 low-rise revenue came out largely in line with our expectation of Bt30bn for the year.
- Third-quarter condo revenue (AP only) of Bt0.2bn declined by 87% YoY and 11% QoQ. We note that 3Q20 was a peak condo transfer quarter in 2020 when AP began to transfer its Asoke Ratchada condo project. Condo revenue of Bt1.4bn for 9M21 still accounted for 67% of its FY21 target of Bt2.1bn. However, this came out in line with our Bt1.9bn 21CL condo revenue, which already factored in the downside risks.
- Third-quarter blended gross margin of 29.7% was quite stable on both QoQ and YoY bases. Gross margin of 30.2% for 9M21 was largely in line with 21CL estimate of 30.5%. Third-quarter low-rise gross margin of 30.7% continued to be resilient with QoQ and YoY improvement.
- Third-quarter SG&A rose QoQ to 20.7% of revenue due to lower base effect. SG&A of 18% for 9M21, however, came out better than our 21CL 20% expectation. Although we expect SG&A to rise in 4Q21 as AP will launch two new condos, we believe 2021 SG&A is still likely to come out below out 21CL estimate.
- With close to half of JV condos expected to transfer in 4Q21, we expect JV equity income to peak in 4Q21 and see 9M21 total other income of Bt1.5bn, which accounted for 70% of 21CL estimate, to be in line with our expectation.
- Lastly, due to higher interest expenses for capitalization of low-rise projects and lower debts vs 2020 (as AP still needs to catch up on its land acquisition budget), 9M21 interest expenses of Bt0.2bn only accounted for 54% of 21CL forecast, better than our expectation.

Financials

Year to 31 December	19A	20A	21CL	22CL	23CL
Revenue (Btm)	22,679	28,949	31,902	33,497	35,172
Net profit (Btm)	3,068	4,227	4,130	4,427	4,652
EPS (Bt)	1.0	1.3	1.3	1.4	1.5
CL/consensus (14) (EPS%)	-	-	99	100	103
EPS growth (% YoY)	(22.6)	37.8	(2.3)	7.2	5.1
PE (x)	9.2	6.7	6.9	6.4	6.1
Dividend yield (%)	4.4	4.4	4.7	5.5	5.8
FCF yield (%)	(35.6)	25.6	1.2	5.4	8.1
PB (x)	1.1	1.0	0.9	0.8	0.7
ROE (%)	12.1	15.2	13.4	13.1	12.6
Net debt/equity (%)	102.8	69.0	66.1	60.3	54.1

Source: www.clsa.com

Figure 1

AP's financial results												
	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	%QoQ	%YoY	9M21	2021CL	% of FY21CL
Revenue (Housing only)	5,162	7,583	8,900	7,304	8,879	7,836	6,916	(12%)	(22%)	23,630	31,902	74%
Cost of sales	(3,537)	(5,487)	(6,281)	(5,154)	(6,139)	(5,494)	(4,861)	(12%)	(23%)	(16,493)	(22,172)	74%
Gross profit	1,625	2,096	2,620	2,150	2,740	2,342	2,055	(12%)	(22%)	7,137	9,730	73%
Other income (exp) incl equity and service income	358	885	1,050	658	519	408	621	52%	(41%)	1,548	2,198	70%
SG&A	(1,147)	(1,516)	(1,918)	(1,579)	(1,425)	(1,392)	(1,430)	3%	(25%)	(4,247)	(6,380)	67%
Operating profit	836	1,466	1,752	1,228	1,835	1,358	1,246	(8%)	(29%)	4,438	5,547	80%
Interest expense	(75)	(101)	(96)	(95)	(102)	(79)	(48)	(39%)	(50%)	(230)	(424)	54%
EBT	761	1,365	1,656	1,133	1,732	1,278	1,198	(6%)	(28%)	4,208	5,123	82%
Income tax	(143)	(150)	(205)	(191)	(329)	(163)	(167)	2%	(19%)	(659)	(993)	66%
Reported Net Profit	618	1,215	1,450	942	1,403	1,115	1,031	(8%)	(29%)	3,549	4,130	86%
Gross Margin	31.5%	27.6%	29.4%	29.4%	30.9%	29.9%	29.7%			30.2%	30.5%	
% SG&A	22.2%	20.0%	21.5%	21.6%	16.0%	17.8%	20.7%			18.0%	20.0%	
Effective tax rate	18.8%	11.0%	12.4%	16.8%	19.0%	12.8%	13.9%			15.7%	19.4%	
Net profit margin	12.0%	16.0%	16.3%	12.9%	15.8%	14.2%	14.9%			15.0%	12.9%	

Source: CLSA, AP

Valuation details

We base our Bt10.90 target price on 7.75x 22CL PE. This is slightly higher than the peer group average and is justified by the company's consistently strong low-rise performance. Thai housing developers do not own large landbanks and view themselves more as housing manufacturers. As a result, they need to replenish landbanks every year and, without knowing their new launch plans, earnings visibility is limited. The market, consequently, looks at Thai property valuations on a YoY basis.

Investment risks

Like the property sector in other countries, Thailand's real estate is cyclical, going through boom and bust periods. Political events and economic crises (including Covid-19's impact) can also affect housing demand - especially for condos - since the market for low-rise units includes more real demand and can be more resilient. As AP has successfully grown its low-rise portfolio in recent years, it is less impacted by the recent condo oversupply than other players. Nonetheless, we acknowledge the significant impact of the Covid-19 pandemic, which hit the Thai economy and hence housing affordability and market sentiment very hard.



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Companies mentioned

AP Thailand (AP TB - BT9.00 - BUY)

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Important disclosures

Recommendation history of AP Thailand PCL AP TB



Date	Rec	Target	Date	Rec	Target
19 Aug 2021	BUY	10.90	24 Apr 2020	BUY	6.30
15 Jul 2021	BUY	10.40	15 Jan 2020	O-PF	8.20
25 Jan 2021	BUY	8.80	06 Jan 2020	O-PF	8.50
18 Nov 2020	BUY	7.80	10 Oct 2019	BUY	8.50
19 Oct 2020	BUY	7.50	19 Jul 2019	BUY	9.40
24 Jul 2020	BUY	7.10	19 Dec 2018	BUY	8.50
10 Jun 2020	O-PF	6.30			

Source: CLSA

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