

March 17, 2023

### LEASING TWO HOTELS TO LHHOTEL

LH notified the SET that it leases two hotels worth not over B9.8bn to LH, 1) Grande Centre Point Hotel Space Pattaya (490 rooms, 28 years and 8 months, worth B6,619m) and 2) Grande Centre Point Hotel Pattaya (96 rooms, 25 years and 13 days, worth B3.18bn. The transaction is expected to be complete by 4Q23

The asset sale transaction is in line with LH's plans. It will unlock value of these assets and provide LH extraordinary profit. The value is expected not lower than B2bn, which will lead to extra dividend payment (not included in forecast). We reiterate BUY. 2023 fair value is B11.50. 2H22 dividend will be paid at B0.35 or 3.7% dividend yield. 2023 dividend yield is expected at 6.6% (not including special dividend from asset sale).

#### KEY FINANCIAL FORECAST

Ending Dec 31	2021	2022	2023F	2024F	2025F
Net Profit	6,936	8,313	8,759	9,586	10,404
Normalized Profit	6,905	8,061	8,759	9,586	10,404
Normalized EPS (B)	0.58	0.67	0.73	0.80	0.87
EPS (B)	0.58	0.70	0.73	0.80	0.87
Normalized PER (x)	16.4	14.1	13.0	11.8	10.9
DPS (B)	0.50	0.60	0.62	0.68	0.74
Dividend Yield (%)	5.3	6.3	6.6	7.2	7.8
BV (B)	4.2	4.3	4.4	4.6	4.7
PBV (x)	2.3	2.2	2.1	2.1	2.0
EV/EBITDA (x)	15.7	13.9	12.9	12.1	11.4
ROE (%)	13.9	16.4	16.7	17.8	18.7

Source: ASPS Research

#### TECHNICAL CHART



Source: ASPS Research

#### TECHNICAL COMMENT

LH Price Trend: Uptrend

Supportive: 8.55 / 9.20

Resistance: 10.10

# LH

**REC.**

**BUY**

Current Price (B)	9.50
Target Price (B)	11.50
Upside (%)	21.10
Dividend yield (%)	6.60

#### ESG RATING

Arabesque S-Ray	47.39
Moody's	-
MSCI	BB
Refinitiv	34.10
S&P	6.92
Source: Settrade	

CG Score	Excellent
Anti-corruption	Certified

#### CONSENSUS ANALYSIS

EPS (B)	ASPS	IAA Cons	% diff
2023F	0.73	0.75	n/a
2024F	0.80	8.27	n/a

Source: ASPS Research / IAA consensus

#### RESEARCH DIVISION

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## EARNINGS RESULTS BY QUARTER

Key Data (Million B)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	% YoY	% QoQ	2022	2021	% YoY
Total Operating Revenue	7,575	8,871	6,909	8,915	7,627	9,280	8,865	9,825	10.2%	10.8%	35,597	32,270	10.3%
Property Sales Revenue	7,140	8,465	6,520	8,336	6,966	8,360	7,505	7,921	-5.0%	5.6%	30,752	30,461	1.0%
Total Operating Cost	5,228	6,150	4,785	5,950	5,151	6,270	6,063	6,493	9.1%	7.1%	23,976	22,113	8.4%
Cost of Property Sales	4,865	5,787	4,430	5,561	4,682	5,555	5,107	5,273	-5.2%	3.3%	20,616	20,642	-0.1%
Gross Profit	2,346	2,721	2,124	2,965	2,476	3,011	2,802	3,332	12.4%	18.9%	11,621	10,157	14.4%
SG&A	963	1,001	934	1,077	1,006	1,221	1,221	1,339	24.4%	9.7%	4,787	3,974	20.4%
Shared Profit from Associates	647	644	466	577	717	651	762	781	35.5%	2.5%	2,911	2,333	24.8%
Net Profit	1,744	1,870	1,308	2,015	1,931	2,139	2,249	1,993	-1.1%	-11.4%	8,313	6,936	19.8%
Normalized Profit	1,673	1,881	1,289	2,061	1,856	1,938	1,860	2,407	16.8%	29.4%	8,061	6,905	16.7%
Normalized EPS (B)	0.14	0.16	0.11	0.17	0.16	0.16	0.16	0.20	16.8%	29.4%	0.67	0.58	16.7%
Avg. Gross Margin (%)	31.0%	30.7%	30.7%	33.3%	32.5%	32.4%	31.6%	33.9%			32.6%	31.5%	
Gross Margin from Property (%)	31.9%	31.6%	32.1%	33.3%	32.8%	33.6%	32.0%	33.4%			33.0%	32.2%	
Normalized Profit Margin (%)	22.1%	21.2%	18.7%	23.1%	24.3%	20.9%	21.0%	24.5%			22.6%	21.4%	

Source : LH / ASPS Research

## PROPERTY RENTAL PORTFOLIO



Source : LH

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Source : LH

## NEW PROJECTS IN 2023

No.	Project Name	Location	Type	Size (Rai)	Unit	Unit Price	Project Value	Launch Date
1	inizio	Srinakarin	Semi	27.1	176	5.5	970	Q.1
2	Chaiyapruk 2	Serene Lake	SH	4.1	9	10.4	94	Q.1
3	Chaiyapruk 1	Serene Lake	SH	4.1	10	9.8	98	Q.2
4	Mantana	Kanchana - Bangbon 5	SH	97.8	200	17.0	3,400	Q.2
5	Chaiyapruk	Chaengwattana	SH	74.5	233	11.7	2,730	Q.2
6	Chaiyapruk 3	Serene Lake	SH	10.1	20	10.2	203	Q.3
7	Vive	Krungthep Kritha	SH	19.4	49	41.8	2,050	Q.3
8	Vive	Bangna KM 13	SH	40.4	95	33.2	3,150	Q.3
9	The Key	Srinakarin	CD	12.3	805	8.1	6,500	Q.3
10	Chaiyapruk	Prannok - Sai 2	SH	25.7	56	19.3	1,080	Q.3
11*	Villaggio 3	Srinakarin - Bangna	SH	51.4	204	7.1	1,450	Q.4
	Villaggio 3	Srinakarin - Bangna	TH	14.9	154	3.6	560	
12	Chaiyapruk	Rangsit Klong 4	SH	99.6	324	11.4	3,700	Q.4
13	Chaiyapruk	Phekkasem 69	SH	94.3	219	12.8	2,800	Q.4
14	Chaiyapruk	Bangna KM 13	SH	53.7	170	13.5	2,300	Q.4
15	Pruklada	Pinklao - Salaya	SH	36.7	142	7.2	1,025	Q.4
16	Mantana	Motorway - Rama 9	SH	22.6	52	15.4	800	Q.4
17	Mantana	Maliwan - Khonkaen	SH	66.7	182	11.3	2,050	Q.4
Total				755.4	3,100	11.3	34,960	

Source : LH / ASPS Research

## KEY RISK

1. A key factor that will affect home buying decision is confidence about future income making from the unit bought. If the economy does not rebound as projected, it could depress buyer's confidence.
2. Competition in the property business has become increasingly fierce, so profitability control will be harder.

Source : ASPS Research



## 2022-2024F EARNINGS FORECAST

## Income Statement (Million B)

Ended 31 Dec.	2022	2023F	2024F	2025F
Revenue	35,597	39,391	42,783	46,164
Cost of sales	23,976	26,580	28,802	31,020
<b>Gross profit</b>	<b>11,621</b>	<b>12,811</b>	<b>13,981</b>	<b>15,144</b>
SG&A	4,787	5,121	5,562	6,001
Interest expenses	1,055	1,073	1,136	1,186
Shared profit from associates	2,911	3,113	3,405	3,677
Other incomes	885	895	939	986
Earnings before taxes	9,576	10,626	11,627	12,620
Income taxes	1,508	1,859	2,035	2,208
Minority interest	(6)	(7)	(7)	(7)
Extraordinary items	252	-	-	-
<b>Net Profit</b>	<b>8,313</b>	<b>8,759</b>	<b>9,586</b>	<b>10,404</b>
EPS	<b>0.70</b>	<b>0.73</b>	<b>0.80</b>	<b>0.87</b>
<b>Normalized Profit</b>	<b>8,061</b>	<b>8,759</b>	<b>9,586</b>	<b>10,404</b>
<b>Normalized EPS</b>	<b>0.67</b>	<b>0.73</b>	<b>0.80</b>	<b>0.87</b>

Sales Growth (%)	10.3%	10.7%	8.6%	7.9%
Normalized Profit Growth (%)	16.7%	8.7%	9.4%	8.5%
Gross Profit Margin (%)	32.6%	32.5%	32.7%	32.8%
Normalized Profit Margin (%)	22.6%	22.2%	22.4%	22.5%

## Quarter Income Statement (Million B)

	1Q22	2Q22	3Q22	4Q22
Sales	7,627	9,280	8,865	9,825
Cost of sales	5,151	6,270	6,063	6,493
<b>Gross profit</b>	<b>2,476</b>	<b>3,011</b>	<b>2,802</b>	<b>3,332</b>
SG&A	1,006	1,221	1,221	1,339
Interest expenses	246	254	252	303
Shared profit from associates	717	651	762	781
Other incomes	235	148	242	261
Earnings before taxes	2,176	2,335	2,333	2,732
Income taxes	320	399	469	321
Minority interest	(1)	2	(4)	(4)
Extraordinary items	76	201	389	(414)
<b>Net Profit</b>	<b>1,931</b>	<b>2,139</b>	<b>2,249</b>	<b>1,993</b>
<b>Normalized Profit</b>	<b>1,856</b>	<b>1,938</b>	<b>1,860</b>	<b>2,407</b>

Sales Growth (qoq)	-14.5%	21.7%	-4.5%	10.8%
Gross Profit Margin (%)	32.5%	32.4%	31.6%	33.9%
Normalized Profit Growth (qoq)	-10.0%	4.5%	-4.1%	29.4%

## Financial Ratio

Ended 31 Dec.	2022	2023F	2024F	2025F
Current Ratio (X)	2.23	1.85	2.02	3.22
Quick Ratio (X)	0.28	0.23	0.26	0.41
A/C Receivable Turnover (X)	170.11	137.64	126.69	126.29
Inventory Turnover (X)	0.50	0.54	0.58	0.61
A/C Payable Turnover (X)	7.03	6.95	6.90	6.88
Debt to Equity (X)	1.39	1.41	1.42	1.43
Net gearing (X)	1.12	1.14	1.15	1.16
ROAA (%)	6.7%	6.9%	7.3%	7.6%
ROAE (%)	16.4%	16.7%	17.8%	18.7%

Source : ASPS Research



## 2022-2024F EARNINGS FORECAST (CONT.)

## Cash Flows Statement (Million B)

Ended 31 Dec.	2022	2023F	2024F	2025F
Net Profit	8,313	8,759	9,586	10,404
Adjustments for :	22,351	2,939	3,178	3,401
Depreciation and amortisation	1,667	1,750	1,838	1,929
Unrealized Fx gain (loss)	(158)	-	-	-
Shared profit from associates	(2,911)	(3,113)	(3,405)	(3,677)
Increase / Decrease in operating activities	(21,111)	(5,364)	(5,692)	(6,028)
<b>Net Cash flows from operating activities</b>	<b>8,150</b>	<b>4,971</b>	<b>5,504</b>	<b>6,031</b>
Increase / Decrease in short term investment	(5)	-	-	-
Increase / Decrease in other assets	(467)	1,557	1,703	1,838
Increase / Decrease in fixed assets	(609)	(1,883)	(2,071)	(2,278)
<b>Net cash flows from investing activities</b>	<b>(1,081)</b>	<b>(326)</b>	<b>(368)</b>	<b>(440)</b>
Increase / Decrease in loans	(7,770)	2,825	2,856	2,985
Increase / Decrease from capital & share premium	2,607	-	-	-
Others	(1,288)	-	-	-
Dividends paid	(5,975)	(7,308)	(7,797)	(8,496)
<b>Net cash flows from financing activities</b>	<b>(12,425)</b>	<b>(4,483)</b>	<b>(4,941)</b>	<b>(5,511)</b>
<b>Increase / Decrease in net cash</b>	<b>(5,532)</b>	<b>162</b>	<b>195</b>	<b>80</b>

## Balance Sheet (Million B)

Ended 31 Dec.	2022	2023F	2024F	2025F
Cash and cash equivalents	4,799	4,962	5,156	5,236
Trade and other receivables	249	324	352	379
Inventories	48,558	49,529	50,520	51,530
Current assets	1,856	1,856	1,856	1,856
Long-term investment	24,635	26,192	27,895	29,733
Net PP&E	18,828	20,710	22,781	25,059
<b>Total assets</b>	<b>123,949</b>	<b>128,597</b>	<b>133,583</b>	<b>138,818</b>
Trade payables	3,641	4,005	4,340	4,674
Short-term (one-year) loans	18,372	23,715	21,359	10,790
Other current liabilities	2,887	2,887	2,887	2,887
Long-term loans/bonds	44,215	41,697	46,909	60,463
<b>Total liabilities</b>	<b>71,664</b>	<b>74,853</b>	<b>78,044</b>	<b>81,363</b>
Paid-up share capital	11,950	11,950	11,950	11,950
Share premium	15,453	15,453	15,453	15,453
Retained earnings	25,355	26,807	28,596	30,504
<b>Total shareholders' equity</b>	<b>51,579</b>	<b>53,031</b>	<b>54,820</b>	<b>56,728</b>
Minority shareholders' equity	706	713	720	727
<b>Total liabilities and shareholders' equity</b>	<b>123,949</b>	<b>128,597</b>	<b>133,583</b>	<b>138,818</b>

## Financial Assumption

Ended 31 Dec.	2022	2023F	2024F	2025F
Interim presales	30,244	34,020	35,656	37,942
Income from property sales	30,752	32,544	34,815	37,399
Rental & service income	4,845	6,847	7,968	8,765
Avg. Gross Margin (%)	33.0%	32.6%	32.6%	32.6%
Normalized Profit Margin (%)	22.6%	22.2%	22.4%	22.5%
SG&A/Sales (%)	13.4%	13.0%	13.0%	13.0%
Effective Tax Rate (%)	15.8%	17.5%	17.5%	17.5%

Source : ASPS Research