

8 DECEMBER 2020

THAILAND / REAL ESTATE

# QUALITY HOUSES QH TB

## HOLD

TARGET PRICE	THB2.50
CLOSE	THB2.36
UP/DOWNSIDE	+5.9%
TP vs CONSENSUS	+7.9%

## ปีหน้ายังไม่ใช้ปีที่น่าตื่นเต้น

แนวโน้มธุรกิจอสังหาริมทรัพย์ยังมีความท้าทาย

ราคาหุ้นของ QH ปรับตัวในระดับต่ำกว่าบริษัทอื่นในกลุ่ม เนื่องจากธุรกิจอสังหาริมทรัพย์ของบริษัท มีผลประกอบการที่ไม่สดใส บริษัทฯ วางแผนเปิดโครงการแนวราบ 4-5 โครงการรวมมูลค่า 5-6 พัน ลบ. ในปี 2021 เทียบกับ 4.5 พัน ลบ. ในปี 2020 อย่างไรก็ดี ตัวเลขดังกล่าวนับว่าค่อนข้างต่ำเมื่อเทียบกับค่าเฉลี่ยย้อนหลัง 5 ปีของบริษัทฯ ที่ 8.3 พัน ลบ. QH ไม่ได้เปิดโครงการคอนโดตั้งแต่ปี 2016 ทำให้ยอดขายคอนโดของบริษัทฯ ลดลงต่อเนื่องจาก 3 พัน ลบ. ในปี 2016 เหลือ 700 ลบ. ในประมาณการปี 2020 ณ สิ้นไตรมาส 3Q20 บริษัทฯ มีโครงการคอนโดพร้อมขายรวมมูลค่า 13.6 พัน ลบ. 76% ของตัวเลขดังกล่าวเป็นของโครงการ Q One Sukhumvit (7.8 พัน ลบ.) และโครงการในต่างจังหวัด (2.5 พัน ลบ.) ซึ่งอุปสงค์อ่อนแอ QH ได้จัดรายการส่งเสริมการขายเชิงรุกเพื่อช่วยยอดขายคอนโดของบริษัทฯ ทำให้อัตรากำไรขั้นต้นของคอนโดของบริษัทฯ ลดลงเหลือ 18% ณ สิ้นไตรมาส 3Q20 (ยกเว้นโครงการ Q Sukhumvit ที่อัตรากำไรขั้นต้นอยู่ที่ 36-37%) ในขณะที่ยอดขายโครงการแนวราบเฉลี่ยยังไม่ฟื้นตัว โดยอยู่ที่ประมาณ 2 พัน ลบ. ต่อไตรมาสในช่วง 2 ปีที่ผ่านมา

ยอดขายโครงการไม่ฟื้นตัวในช่วง 1H21 เนื่องจากไม่มีโครงการเปิดใหม่

ในปี 2021 กลยุทธ์ของ QH มุ่งเน้นไปที่ตลาดแนวราบในระดับบน บริษัทฯ วางแผนเปิดตัวโครงการระดับบนประกอบด้วยโครงการลิตเติลและพิกเจอร์กริมย์ในช่วง 2H21 ทำให้แนวโน้มกำไรของบริษัทฯ ไม่ฟื้นตัวในช่วง 1H21 QH ตั้งเป้าให้ได้อัตรากำไรขั้นต้นที่สูงกว่า 35% สำหรับโครงการแนวราบใหม่ของบริษัทฯ (35-40% สำหรับโครงการระดับบนและ 30-35% สำหรับโครงการระดับล่าง) เทียบกับอัตรากำไรขั้นต้นในปัจจุบันที่ต่ำกว่า 30% ซึ่งถูกจุดรั้งโดยโครงการทาวน์เฮ้าส์ที่มีอัตรากำไรต่ำ ในภาพรวมเราคาดว่าอัตรากำไรขั้นต้นของ QH จะดีขึ้นตั้งแต่ช่วง 2H21 เป็นต้นไป

ส่วนแบ่งกำไรจาก HMPRO จะช่วยรองรับความเสี่ยงขาด

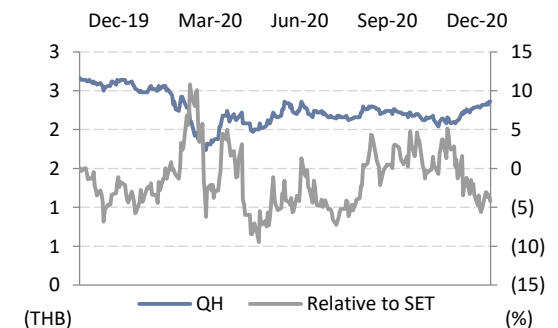
ในปัจจุบันส่วนแบ่งกำไรจาก Home Product Center (HMPRO TB, BUY, TP THB16.5) นับเป็นส่วนสำคัญสำคัญของกำไรของ QH โดยเราคาดว่ากำไรของ HMPRO จะอยู่ที่ 6.2/6.8 พัน ลบ. ในปี 2021/2022 ซึ่งจะคิดเป็น 56%/55% ของกำไรของ QH ในปี 2021/2022 กำไรของ HMPRO ครอบคลุมความยืดหยุ่นสูงที่สุดในการลงทุนของ QH เนื่องจาก HMPRO เป็นผู้นำในตลาดปรับปรุงบ้าน ซึ่งอัตราการเจาะตลาดของช่องทางขายสินค้าสมัยใหม่ยังอยู่ในระดับต่ำ

NAV มีส่วนลดสูง แต่แนวโน้มไม่ฟื้นตัว

เรากลับมาเริ่มรายงาน QH ด้วยคำแนะนำที่ราคาเป้าหมาย 2.5 บาท (SoTP) เราประเมินมูลค่าธุรกิจอสังหาริมทรัพย์ของบริษัทฯ โดยใช้ค่า P/E ที่ 6x และกำหนดส่วนลด 45% สำหรับการลงทุนของบริษัทฯ โดยพิจารณาจากส่วนลดเฉลี่ยย้อนหลัง 3 ปี เราเห็นว่า QH ขาดปัจจัยบวกในระยะสั้น อย่างไรก็ดี การประเมินมูลค่าของบริษัทฯ ที่อยู่ในระดับต่ำและผลตอบแทนในรูปแบบเงินปันผลที่คาดว่าจะอยู่ในระดับที่ดีในปี 2021-22 ที่ 6.6-7.3% ควรช่วยลดทอนความเสี่ยงขาดลงได้

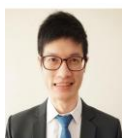
## KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Revenue	10,680	8,410	8,829	9,249
Net profit	2,854	1,976	2,220	2,468
EPS (THB)	0.27	0.18	0.21	0.23
vs Consensus (%)	-	(10.9)	(10.6)	(4.6)
EBITDA	1,564	1,078	1,246	1,409
Core net profit	2,854	1,976	2,220	2,468
Core EPS (THB)	0.27	0.18	0.21	0.23
Chg. In EPS est. (%)	nm	nm	nm	nm
EPS growth (%)	(24.9)	(30.7)	12.4	11.1
Core P/E (x)	8.9	12.8	11.4	10.2
Dividend yield (%)	8.5	5.9	6.6	7.3
EV/EBITDA (x)	27.9	41.6	37.2	34.1
Price/book (x)	0.9	0.9	0.9	0.9
Net debt/Equity (%)	68.4	71.7	75.7	79.6
ROE (%)	10.7	7.3	8.0	8.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	12.4	5.4	(11.3)
Relative to country (%)	(5.2)	(4.7)	(4.2)
Mkt cap (USD m)	839		
3m avg. daily turnover (USD m)	1.9		
Free float (%)	63		
Major shareholder	Land & Houses (25%)		
12m high/low (THB)	2.68/1.72		
Issued shares (m)	10,714.08		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 8 ธันวาคม 2020

## Investment thesis

We believe QH is appropriate for value investors who are seeking dividend stocks, as it offers a decent dividend yield. Moreover, it is currently trading at a deep discount to its investment value (20% stake in Home Product Center, (HMPRO TB, BUY, TP THB16.5), 14% stake in LH Financial Group, (LHFG TB, not rated), 31% stake in Quality Houses Hotel and Residence Freehold and Leasehold Property Fund, (QHHR TB, not rated), and a 26% stake in Quality Houses Leasehold Property Fund, (QHLPF TB, not rated)). However, we think the stock may be overlooked by investors, as its core property business remains sluggish.

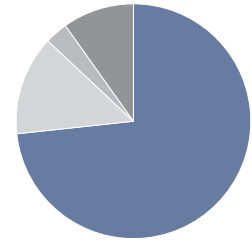
## Company profile

Quality Houses, known for developing super high-end, low-rise residences, was founded by Mr. Anant Asavabhokhin. QH has expanded into offerings for lower income groups under different brands. QH also runs commercial properties, which help to generate recurring incomes.

[www.qh.co.th](http://www.qh.co.th)

## Principal activities (revenue, 2019)

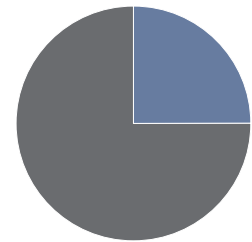
- Land and houses - 73.3 %
- Residential condominium - 13.7 %
- Rental and service of office - 3.2 %
- Rental and service of residential buildings - 9.8 %



Source: Quality Houses

## Major shareholders

- Land & Houses - 25.0 %
- Others - 75.0 %



Source: Quality Houses

## Catalyst

Potential catalysts to drive QH's share price include:

- 1) Aggressive launches of new residential projects after the slowdown since 2016;
- 2) A higher-than-expected absorption rate from existing inventory;
- 3) Economic conditions improving, such as lower household debt or higher consumer confidence.

## Risk to our call

Key downside risks to our call are delays in new launches, poor demand for new launches, rising competition, residential supply and a lower-than-expected gross profit margin. Key upside risks are a better-than-expected take-up rate of new launches, profitability expansions and faster-than-expected asset turnovers.

## Event calendar

Date	Event
February 2021	4Q20 results announcement

## Key assumptions

	2019	2020E	2021E	2022E
	(%)	(%)	(%)	(%)
Residential sales (THB m)	9,291	7,370	7,717	8,081
Residential sales growth	(33.4)	(20.7)	4.7	4.7
Low-rise GPM	33.8	33.0	33.5	33.8
High-rise GPM	31.8	24.0	25.0	25.2
SG&A to sales	17.0	17.2	17.1	16.9

Source: FSSIA estimates

## Earnings sensitivity

- For every 1% increase in residential revenue, we project 2021 earnings to rise by 0.3%, and vice versa, all else being equal.
- For every 1% increase in GPM, we project 2021 earnings to rise by 3.3%, and vice versa, all else being equal.
- For every 1% increase in SG&A to sales, we project 2021 earnings to drop by 3.1%, and vice versa, all else being equal.

Source: FSSIA estimates

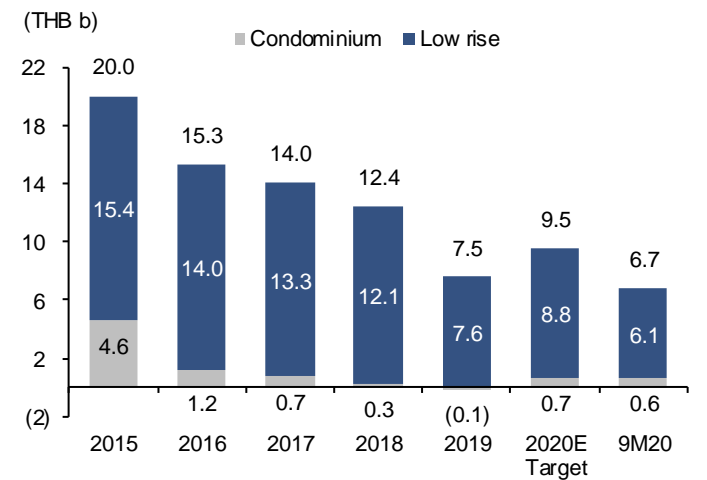


**Exhibit 1: SoTP valuation**

SoTP valuation	Stake (%)	Total shares (m)	Price (THB/share)	Value (THB m)	Remark
QHPF	26	797	9.7	2,031	Market price
QHHR	31	336	6.0	620	Market price
Home Product Center	20	13,151	16.5	43,399	Target price (THB16.5)
LH Bank	14	21,184	1.0	3,202	Market price
<b>Total NAV</b>				<b>49,251</b>	
<b>NAV @50% holding discount</b>				<b>24,626</b>	
QH's share fully-diluted (m)				10,714	
NAV of its investment				2.3	
Profit from property business				417	
EPS for property business				0.04	
Assumed 6x PE	6.0			0.23	
<b>Total NAV/share</b>				<b>2.50</b>	

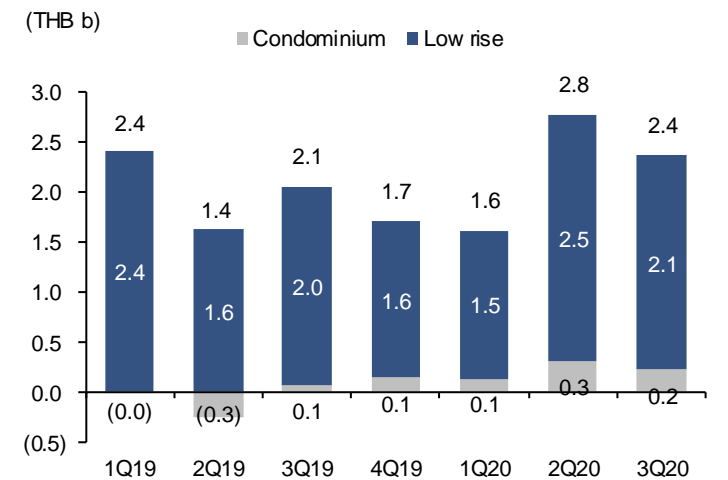
Source: FSSIA estimates

**Exhibit 2: Yearly presales and target**



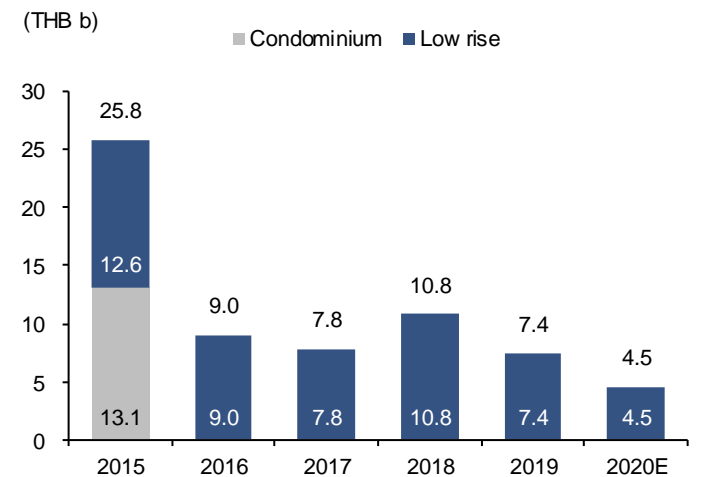
Sources: QH; FSSIA's compilation

**Exhibit 3: Quarterly presales**



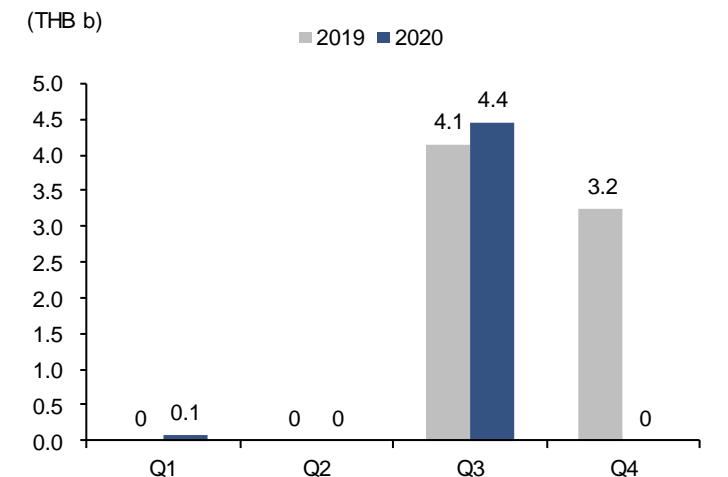
Sources: QH; FSSIA's compilation

**Exhibit 4: New launches have declined over the past five years**



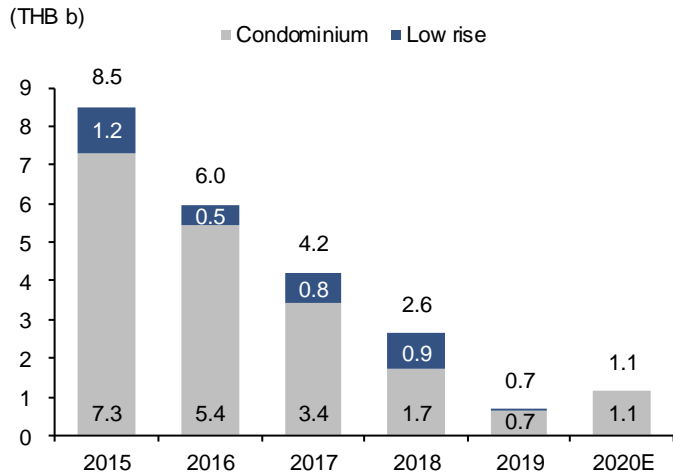
Sources: QH; FSSIA estimates

**Exhibit 5: Launch plan by quarter**



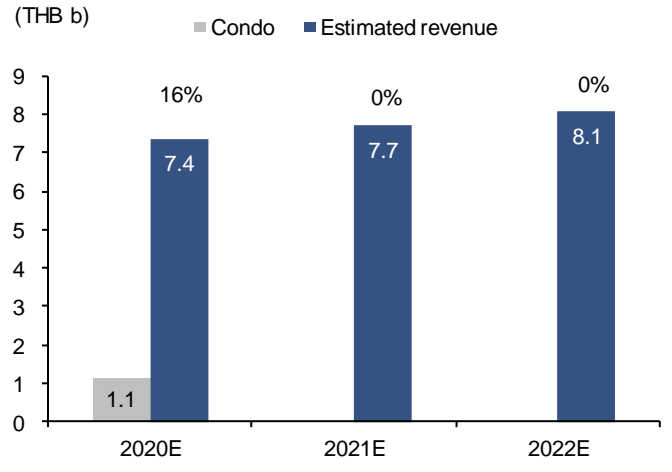
Sources: QH; FSSIA's compilation

**Exhibit 6: Backlog**



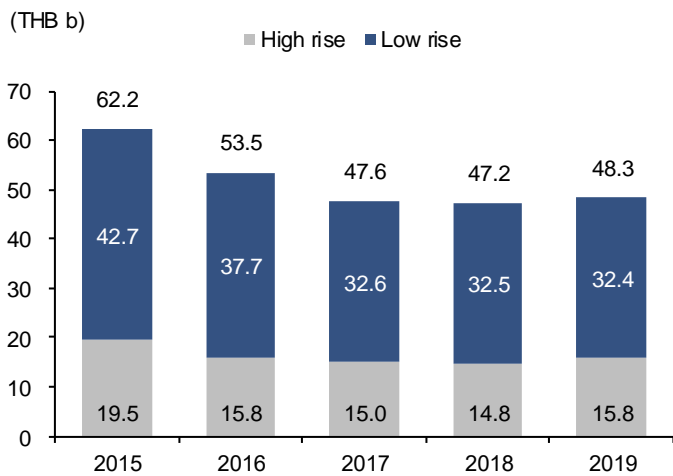
Source: QH estimates

**Exhibit 7: Condo backlog transfer schedule vs revenue forecast**



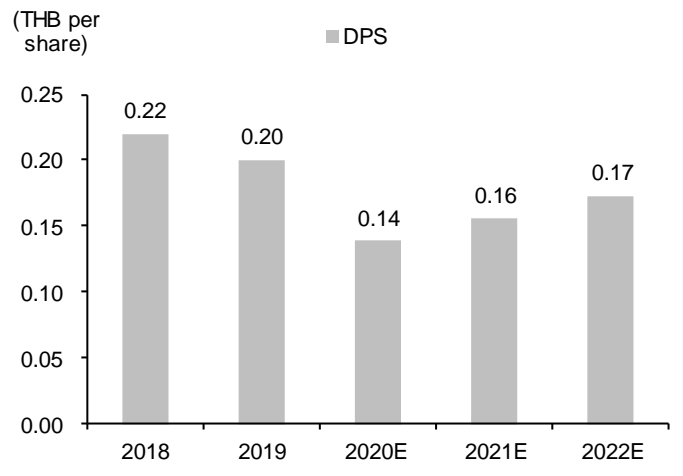
Sources: QH; FSSIA estimates

**Exhibit 8: Inventory**



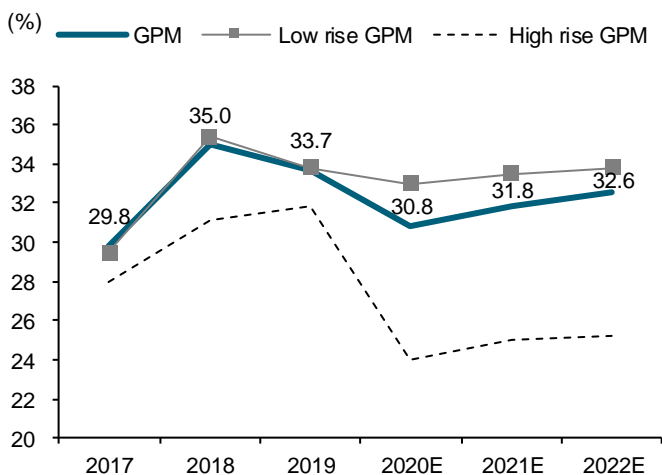
Sources: QH; FSSIA's compilation

**Exhibit 9: Dividend per share**



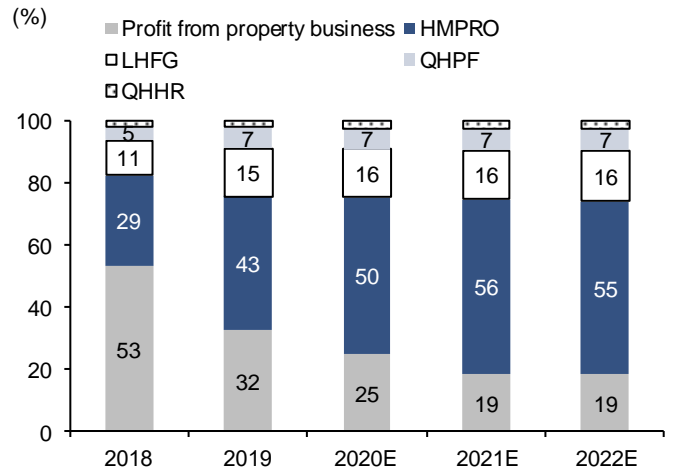
Sources: QH; FSSIA estimates

**Exhibit 10: Property sales' GPM**



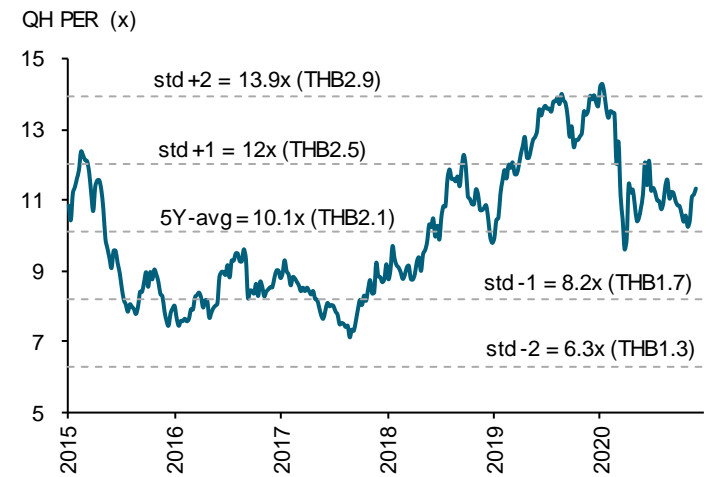
Sources: QH; FSSIA estimates

**Exhibit 11: Net profit contribution breakdown**



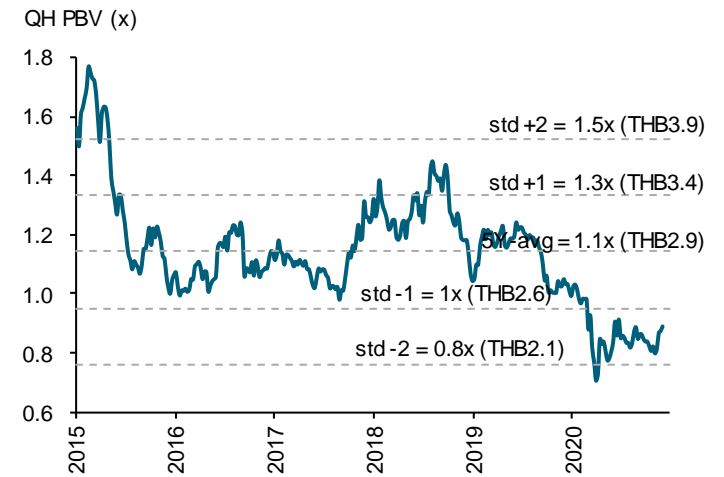
Sources: QH; FSSIA estimates

Exhibit 12: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Details of new launch projects

2020 new projects	Location	Type	Launch period	Total (units)	Project value (THB m)
Q Kaset - Navamintr	Bangkok	DH	1Q20	1	80
<b>Total projects to be launched in 1Q20</b>				<b>1</b>	<b>80</b>
Q Prime Sukhumvit 77	Bangkok	TH	3Q20	272	1,470
Vararom Watcharapol - Permsin	Bangkok	DH	3Q20	339	2,264
Gusto Suksawat - Pracha Uthit	Bangkok	TH	3Q20	290	712
<b>Total projects to be launched in 3Q20</b>				<b>901</b>	<b>4,446</b>
<b>Grand total</b>				<b>902</b>	<b>4,526</b>

Sources: QH; FSSIA's compilation

Exhibit 15: Details of low-rise projects

As of 3Q20 Low-rise	No. of projects (no.)	-----Project-----		-----Available for sale-----		
		unit (unit)	value (THB m)	unit (unit)	value (THB m)	(%)
<b>Bangkok &amp; greater Bangkok</b>						
<b>Detached houses</b>	<b>34</b>	<b>6,923</b>	<b>57,080</b>	<b>2,402</b>	<b>17,842</b>	<b>31</b>
QH	2	214	7,464	34	1,020	14
Prukpirom	1	83	3,330	10	342	10
Laddarom	4	553	7,103	277	3,380	48
Vararom	2	570	4,201	333	2,195	52
CASA	23	4,927	32,788	1,709	10,742	33
The Trust	2	576	2,193	39	162	7
<b>Townhouses</b>	<b>20</b>	<b>6,673</b>	<b>22,833</b>	<b>2,677</b>	<b>10,368</b>	<b>45</b>
CASA	12	3,539	13,516	1,974	8,121	60
Gusto	8	3,134	9,318	703	2,247	24
<b>Total low-rise projects in BKK and greater BKK</b>						
	<b>54</b>	<b>13,596</b>	<b>79,914</b>	<b>5,079</b>	<b>28,210</b>	<b>35</b>
<b>Provinces (Chiang Mai, Rayong, Petchaburi: Cha Am, Chonburi: Sriracha, Chachoengsao)</b>						
<b>Detached houses</b>	<b>10</b>	<b>1,561</b>	<b>7,213</b>	<b>673</b>	<b>3,482</b>	<b>48</b>
QH	1	37	365	18	172	47
Laddarom	1	119	1,156	92	845	73
Vararom	2	324	1,744	201	1,166	67
CASA	5	815	3,084	333	1,207	39
The Trust	1	266	864	29	91	11
<b>Total low-rise projects in provinces</b>						
	<b>10</b>	<b>1,561</b>	<b>7,213</b>	<b>673</b>	<b>3,482</b>	<b>48</b>
<b>Total low-rise projects</b>						
	<b>64</b>	<b>15,157</b>	<b>87,127</b>	<b>5,752</b>	<b>31,692</b>	<b>36</b>

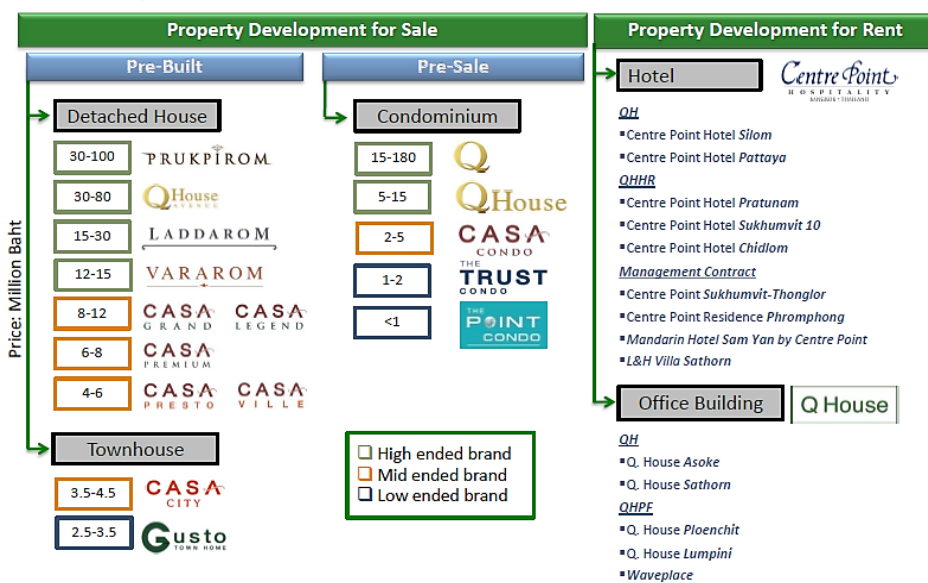
Sources: QH; FSSIA's compilation

**Exhibit 16: Details of high-rise projects**

Projects	Launch period	----- Project ----- (THB m)	(Units)	-- Accumulated sales --* (THB m)	(%)	Accumulated transfers* (THB m)	--- Remaining value ---* (THB m)	(%)
<b>Hi-end</b>		<b>12,039</b>	<b>828</b>	<b>3,132</b>	<b>26</b>	<b>3,131</b>	<b>8,907</b>	<b>74</b>
Q1 Sukhumvit	1Q15	9,948	273	2,101	21	2,101	7,847	79
Q.House Condo Phahonyotin - Chiangrai	3Q14	567	348	540	95	538	27	5
Q Seaside Hua Hin	2Q14	1,524	207	491	32	491	1,033	68
<b>Mid-end</b>		<b>2,372</b>	<b>1,121</b>	<b>1,186</b>	<b>50</b>	<b>1,181</b>	<b>1,186</b>	<b>50</b>
Casa Condo @MRT Samyak Bangyai	2Q15	1,617	847	836	52	835	781	48
Casa Condo Sriracha	2Q15	482	140	118	24	118	364	76
Casa Condo @CMU	2Q14	273	134	232	85	228	41	15
<b>Low-end</b>		<b>10,343</b>	<b>6,557</b>	<b>6,830</b>	<b>66</b>	<b>6,785</b>	<b>3,513</b>	<b>34</b>
The Trust Condo Ngamwongwan	1Q13	2,154	1,280	1,827	85	1,816	327	15
The Trust Condo @BTS Erawan	4Q14	3,328	1,570	1,446	43	1,434	1,882	57
The Trust Condo Amata Nakorn	1Q14	735	518	397	54	396	338	46
The Trust Condo Nakhon Prathom	3Q13	558	405	394	71	390	164	29
The Trust Condo South Pattaya	1Q13	983	609	930	95	926	52	5
The Trust Condo Hua Hin	4Q12	1,355	671	1,261	93	1,256	93	7
The Point Condo Rangsit Klong 6	1Q15	688	821	460	67	454	228	33
The Point Condo Laem Chabang 1	1Q15	542	683	115	21	113	428	79
<b>Total high-rise projects (14 projects)</b>		<b>24,753</b>	<b>8,506</b>	<b>11,148</b>	<b>45</b>	<b>11,097</b>	<b>13,606</b>	<b>55</b>

\*Note: As of 30 Sep 2020  
Sources: QH; FSSIA's compilation

**Exhibit 17: QH's business model**



Source: QH

**Exhibit 18: Key valuations of companies under coverage**

	BBG	Rec	---Share price ---		Up(down) side	Market Cap	EPS growth		--- PE ---		-- DivYld --		--- ROE ---		--- PBV ---	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (%)	22E (%)	21E (%)	22E (%)	21E (x)	22E (x)
AP (Thailand)	AP TB	BUY	7.70	9.50	23	803	(1.1)	9.6	6.1	5.6	5.8	6.3	13.1	13.2	0.8	0.7
Land and Houses	LH TB	BUY	8.20	9.60	17	3,250	17.4	12.2	13.2	11.8	6.3	7.1	13.4	14.5	1.7	1.7
LPN Development	LPN TB	HOLD	4.94	4.70	(5)	238	2.0	4.9	9.5	9.1	5.3	5.5	6.4	6.5	0.6	0.6
Pruksa Holding	PSH TB	HOLD	12.70	12.90	2	922	11.8	11.7	8.1	7.3	7.4	8.2	7.6	8.2	0.6	0.6
Quality Houses	QH TB	HOLD	2.36	2.50	6	839	12.4	11.1	11.4	10.2	6.6	7.3	8.0	8.7	0.9	0.9
Supalai	SPALI TB	BUY	18.80	21.00	12	1,215	21.5	9.8	8.1	7.4	5.9	6.1	12.4	12.7	1.0	0.9
<b>Coverage</b>						<b>7,266</b>	<b>12.6</b>	<b>10.8</b>	<b>9.8</b>	<b>8.8</b>	<b>6.3</b>	<b>6.9</b>	<b>10.8</b>	<b>11.5</b>	<b>1.0</b>	<b>1.0</b>

Share prices as of 4 December 2020  
Source: FSSIA estimates

## Financial Statements

### Quality Houses

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Revenue	15,888	10,680	8,410	8,829	9,249
Cost of goods sold	(10,162)	(6,861)	(5,585)	(5,768)	(5,958)
<b>Gross profit</b>	<b>5,726</b>	<b>3,819</b>	<b>2,825</b>	<b>3,061</b>	<b>3,291</b>
Other operating income	0	0	0	0	0
Operating costs	(2,896)	(2,255)	(1,747)	(1,815)	(1,883)
<b>Operating EBITDA</b>	<b>2,830</b>	<b>1,564</b>	<b>1,078</b>	<b>1,246</b>	<b>1,409</b>
Depreciation	(173)	(223)	(232)	(251)	(278)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,657</b>	<b>1,341</b>	<b>846</b>	<b>995</b>	<b>1,130</b>
Net financing costs	(341)	(375)	(399)	(435)	(443)
Associates	1,776	1,927	1,478	1,596	1,724
Recurring non operating income	2,022	2,181	1,678	1,817	1,955
Non recurring items	0	0	0	0	0
<b>Profit before tax</b>	<b>4,338</b>	<b>3,148</b>	<b>2,125</b>	<b>2,376</b>	<b>2,642</b>
Tax	(540)	(294)	(149)	(156)	(174)
<b>Profit after tax</b>	<b>3,798</b>	<b>2,854</b>	<b>1,976</b>	<b>2,220</b>	<b>2,468</b>
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
<b>Reported net profit</b>	<b>3,798</b>	<b>2,854</b>	<b>1,976</b>	<b>2,220</b>	<b>2,468</b>
<b>Non recurring items &amp; goodwill (net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>3,798</b>	<b>2,854</b>	<b>1,976</b>	<b>2,220</b>	<b>2,468</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.35	0.27	0.18	0.21	0.23
Reported EPS	0.35	0.27	0.18	0.21	0.23
DPS	0.22	0.20	0.14	0.16	0.17
Diluted shares (used to calculate per share data)	10,714	10,714	10,714	10,714	10,714
<b>Growth</b>					
Revenue (%)	(7.1)	(32.8)	(21.3)	5.0	4.8
Operating EBITDA (%)	34.3	(44.7)	(31.0)	15.5	13.0
Operating EBIT (%)	38.1	(49.5)	(36.9)	17.5	13.6
Recurring EPS (%)	20.6	(24.9)	(30.7)	12.4	11.1
Reported EPS (%)	9.7	(24.9)	(30.7)	12.4	11.1
<b>Operating performance</b>					
Gross margin inc depreciation (%)	35.0	33.7	30.8	31.8	32.6
Gross margin of key business (%)	35.0	33.7	30.8	31.8	32.6
Operating EBITDA margin (%)	17.8	14.6	12.8	14.1	15.2
Operating EBIT margin (%)	16.7	12.6	10.1	11.3	12.2
Net margin (%)	23.9	26.7	23.5	25.1	26.7
Effective tax rate (%)	21.1	24.1	23.0	20.0	19.0
Dividend payout on recurring profit (%)	62.1	75.1	75.1	75.1	75.1
Interest cover (X)	13.7	9.4	6.3	6.5	7.0
Inventory days	922.3	1,352.6	1,625.7	1,585.5	1,579.1
Debtor days	1.3	2.7	3.8	3.3	3.3
Creditor days	40.9	48.1	37.5	33.3	33.4
Operating ROIC (%)	9.0	4.2	2.6	3.1	3.5
ROIC (%)	8.0	5.8	4.1	4.6	4.9
ROE (%)	14.9	10.7	7.3	8.0	8.7
ROA (%)	7.6	6.0	4.5	4.9	5.1
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue By Division (THB m)</b>					
Land and houses	12,653	7,827	6,653	6,986	7,335
Residential condominium	1,946	1,464	717	732	746
Rental and service of office	384	337	303	324	340
Rental and service of residential buildings	905	1,052	736	788	827

Sources: Quality Houses; FSSIA estimates



## Financial Statements

### Quality Houses

Cash Flow (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Recurring net profit	3,798	2,854	1,976	2,220	2,468
Depreciation	173	223	232	251	278
Associates & minorities	0	0	0	0	0
Other non-cash items	(403)	(220)	(542)	(944)	(1,007)
Change in working capital	164	(716)	(74)	(629)	(659)
<b>Cash flow from operations</b>	<b>3,731</b>	<b>2,141</b>	<b>1,592</b>	<b>899</b>	<b>1,080</b>
Capex - maintenance	(1,239)	(87)	(536)	(536)	(536)
Capex - new investment	0	0	0	0	0
Net acquisitions & disposals	89	793	(1,340)	(1,167)	(1,278)
Other investments (net)	248	220	542	944	1,007
<b>Cash flow from investing</b>	<b>(903)</b>	<b>925</b>	<b>(1,334)</b>	<b>(759)</b>	<b>(807)</b>
Dividends paid	(2,357)	(2,143)	(1,484)	(1,667)	(1,853)
Equity finance	43	(134)	0	0	0
Debt finance	(503)	(2,399)	766	1,580	1,635
Other financing cash flows	0	0	0	0	0
<b>Cash flow from Financing</b>	<b>(2,817)</b>	<b>(4,676)</b>	<b>(718)</b>	<b>(87)</b>	<b>(218)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>12</b>	<b>(1,609)</b>	<b>(460)</b>	<b>53</b>	<b>54</b>
Free cash flow to firm (FCFF)	3,184.90	3,456.44	667.88	584.11	724.86
Free cash flow to equity (FCFE)	2,325.87	667.07	1,024.70	1,719.76	1,906.96

#### Per share (THB)

FCFF per share	0.30	0.32	0.06	0.05	0.07
FCFE per share	0.22	0.06	0.10	0.16	0.18
Recurring cash flow per share	0.33	0.27	0.16	0.14	0.16

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Tangible fixed asset (gross)	2,322	2,322	2,858	3,394	3,930
Less: Accumulated depreciation	(671)	(712)	(850)	(1,007)	(1,190)
<b>Tangible fixed assets (Net)</b>	<b>1,651</b>	<b>1,610</b>	<b>2,008</b>	<b>2,388</b>	<b>2,740</b>
<b>Intangible fixed assets (Net)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Long-term financial assets	0	0	0	0	0
Invest. In associates & subsidiaries	11,198	11,647	11,647	11,647	11,647
Cash & equivalents	3,821	2,212	1,752	1,805	1,859
A/C receivable	58	98	77	81	85
Inventories	25,805	25,040	24,707	25,403	26,145
Other current assets	182	157	123	130	136
<b>Current assets</b>	<b>29,865</b>	<b>27,507</b>	<b>26,660</b>	<b>27,418</b>	<b>28,224</b>
Other assets	11,450	10,138	11,152	12,267	13,494
<b>Total assets</b>	<b>54,164</b>	<b>50,902</b>	<b>51,467</b>	<b>53,720</b>	<b>56,105</b>
Common equity	26,286	26,863	27,356	27,909	28,524
Minorities etc.	0	0	0	0	0
<b>Total Shareholders' equity</b>	<b>26,286</b>	<b>26,863</b>	<b>27,356</b>	<b>27,909</b>	<b>28,524</b>
Long term debt	12,590	12,088	12,538	13,465	14,425
Other long-term liabilities	1,066	1,090	858	901	944
<b>Long-term liabilities</b>	<b>13,656</b>	<b>13,178</b>	<b>13,396</b>	<b>14,367</b>	<b>15,369</b>
A/C payable	1,179	630	518	536	555
Short term debt	10,397	8,500	8,816	9,468	10,143
Other current liabilities	2,646	1,730	1,381	1,440	1,514
<b>Current liabilities</b>	<b>14,223</b>	<b>10,860</b>	<b>10,715</b>	<b>11,445</b>	<b>12,212</b>
<b>Total liabilities and shareholders' equity</b>	<b>54,164</b>	<b>50,902</b>	<b>51,467</b>	<b>53,720</b>	<b>56,105</b>
Net working capital	22,219	22,935	23,009	23,638	24,297
Invested capital	46,518	46,330	47,816	49,939	52,177

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	2.45	2.51	2.55	2.60	2.66
Tangible book value per share	2.45	2.51	2.55	2.60	2.66

#### Financial strength

Net debt/Equity (%)	72.9	68.4	71.7	75.7	79.6
Net debt/total assets (%)	35.4	36.1	38.1	39.3	40.5
Current ratio (x)	2.1	2.5	2.5	2.4	2.3
CF interest cover (x)	7.8	2.8	3.6	5.0	5.3

Valuation	2018	2019	2020E	2021E	2022E
<b>Recurring P/E (x) *</b>	<b>6.7</b>	<b>8.9</b>	<b>12.8</b>	<b>11.4</b>	<b>10.2</b>
<b>Recurring P/E @ target price (x) *</b>	<b>7.1</b>	<b>9.4</b>	<b>13.6</b>	<b>12.1</b>	<b>10.9</b>
Reported P/E (x)	6.7	8.9	12.8	11.4	10.2
Dividend yield (%)	9.3	8.5	5.9	6.6	7.3
Price/book (x)	1.0	0.9	0.9	0.9	0.9
Price/tangible book (x)	1.0	0.9	0.9	0.9	0.9
EV/EBITDA (x) **	15.7	27.9	41.6	37.2	34.1
EV/EBITDA @ target price (x) **	16.2	28.9	43.0	38.5	35.1
EV/invested capital (x)	1.0	0.9	0.9	0.9	0.9

\* Pre-exceptional & pre-goodwill are fully diluted \*\* EBITDA includes associate income and recurring non operating income

Sources: Quality Houses; FSSIA estimates

## Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANA
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PNR	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMP	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range	Number of Logo					Description				
90-100						Excellent				
80-89						Very Good				
70-79						Good				
60-69						Satisfactory				
50-59						Pass				
Less than 50	No logo given					-				

**Disclaimer:**

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANAHA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

### Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

Karun Intrachai FSS International Investment Advisory Securities Co., Ltd

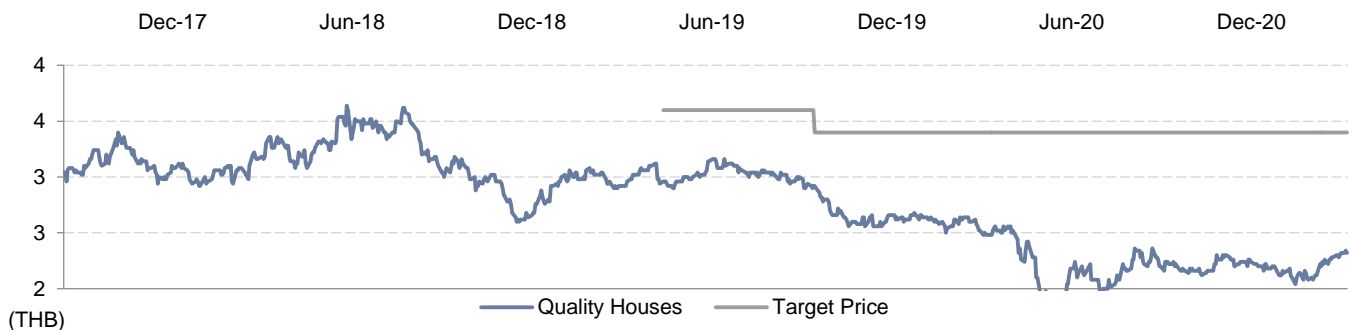
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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### History of change in investment rating and/or target price

#### Quality Houses (QH TB)



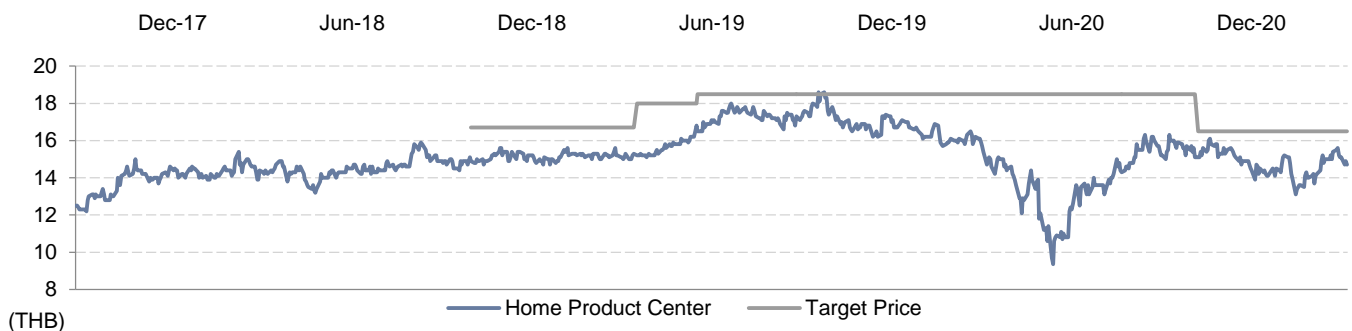
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
29-Apr-2019	BUY	3.60	05-Sep-2019	BUY	3.40	-	-	-

Karun Intrachai Started covering this stock from 08-Dec-2020

Price and TP are in local currency

Source: FSSIA estimates

#### Home Product Center (HMPRO TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
09-Nov-2018	BUY	16.70	02-Apr-2020	BUY	18.50	27-Oct-2020	BUY	16.50
01-Apr-2019	BUY	18.00	24-Jul-2020	HOLD	16.50			
23-May-2019	BUY	18.50	06-Aug-2020	HOLD	16.50			

Karun Intrachai Started covering this stock from 24-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Quality Houses	QH TB	THB 2.36	HOLD	Key downside risks to our call are delays in new launches, poor demand for new launches, rising competition, residential supply and a lower-than-expected gross profit margin. Key upside risks are a better-than-expected take-up rate of new launches, profitability expansions and faster-than-expected asset turnovers.
Home Product Center	HMPRO TB	THB 14.70	BUY	The key downside risks to our DCF-based TP include: 1) lower-than-expected SSSG; 2) the slow recovery of tourist numbers; and 3) operating losses from its overseas business.

Source: FSSIA estimates

**Additional Disclosures**

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 04-Dec-2020 unless otherwise stated.

**RECOMMENDATION STRUCTURE****Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

**Industry Recommendations**

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

**Country (Strategy) Recommendations**

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.