

AP (THAILAND) AP TB

THAILAND / PROPERTY DEVELOPMENT

BUY

UNCHANGED

| | |
|-----------------|-----------|
| TARGET PRICE | THB14.00 |
| CLOSE | THB12.60 |
| UP/DOWNSIDE | +11.1% |
| PRIOR TP | THB14.00 |
| CHANGE IN TP | UNCHANGED |
| TP vs CONSENSUS | -2.9% |

Expect q-q profit growth in 1Q23

- 1Q23 presales slow, but momentum should rise in 2Q23 onwards.
- Expect 1Q23 net profit to increase 25% q-q but fall 17% y-y due to the high base in 1Q22.
- Retain BUY call and TP of THB14, based on 7x 2023E P/E. We expect 2023 profit to hit a four-year record high.

Soft 1Q23 presales due to fewer new projects

Although 1Q23 presales dipped 15% q-q and y-y to THB11b, we believe AP's presales is still at a healthy level, and that the drop in presales is due to fewer new projects. Only four new low-rise projects worth THB4.2b, with 28% sold on average, were available this quarter (vs THB26b in 4Q22 and THB9b in 1Q22). Of the total, 74% was from low-rise projects and 26% from condos. Low-rise presales decreased to THB8.2b (-19% q-q, -24% y-y) due to fewer new projects. Meanwhile, condo presales amounted to THB2.8b, down 2% q-q but up 32% y-y, supported by inventory sales improvement. 1Q23 presales represent 19% of the company's full-year target of THB58b (+15% y-y).

Expect 1Q23 profit to increase q-q but drop y-y

We anticipate a 1Q23 net profit of THB1.4b (+25% q-q, -17% y-y). The y-y decline is due to the high base in 1Q22 when transfers hit a record high. However, 1Q23 performance should increase q-q as transfers continue to be realised from its backlog, mainly from low-rise projects. Moreover, AP has started to realise two new condos: Aspire Rattanaibet-Weston (THB1.6b, 29% sold) and Rhythm Charoenkrung Pavillion (JV) (THB4.7b, 71% sold). We assume 1Q23 transfers worth THB9.2b (+7% q-q, -13% y-y), comprising 95% low-rise and 5% condo transfers. Property gross margin should rise to 35% (vs 33.7% in 4Q22), the highest in 10 years, driven by low-rise projects launched in 2022.

Numerous new projects in 2Q23 onwards

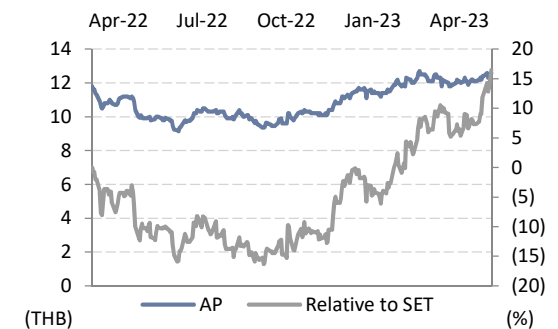
Assuming in-line results, 1Q23 earnings would account for 23% of our 2023E profit. We expect to see healthy earnings in 2Q23 and stronger momentum h-h in 2H23, led by the realisation of its 1Q23E low-rise backlog of THB14b, plus two new condos in 3Q23. Furthermore, AP plans to launch numerous low-rise projects worth THB19b in 2Q23 and THB42b in 2H23 (vs THB4.2b in 1Q23).

Maintain target price and BUY recommendation

We maintain our 2023 net profit forecast of THB6.3b (+7% y-y) – a four-year record high – and our TP of THB14. Short-term, the stock might be supported by a DPS of THB0.65 for its 2H22 performance, implying a dividend yield of 5.2%. The XD date is on 9 May 2023.

KEY STOCK DATA

| YE Dec (THB m) | 2022 | 2023E | 2024E | 2025E |
|----------------------|--------|--------|--------|--------|
| Revenue | 38,539 | 42,223 | 43,979 | 45,724 |
| Net profit | 5,877 | 6,274 | 6,450 | 6,568 |
| EPS (THB) | 1.87 | 1.99 | 2.05 | 2.09 |
| vs Consensus (%) | - | 1.6 | - | 0.0 |
| EBITDA | 6,107 | 6,627 | 6,894 | 7,178 |
| Core net profit | 5,874 | 6,274 | 6,450 | 6,568 |
| Core EPS (THB) | 1.87 | 1.99 | 2.05 | 2.09 |
| Chg. In EPS est. (%) | - | - | - | - |
| EPS growth (%) | 29.3 | 6.8 | 2.8 | 1.8 |
| Core P/E (x) | 6.7 | 6.3 | 6.1 | 6.0 |
| Dividend yield (%) | 5.2 | 5.5 | 5.6 | 5.7 |
| EV/EBITDA (x) | 10.0 | 8.8 | 8.5 | 7.9 |
| Price/book (x) | 1.1 | 1.0 | 0.9 | 0.8 |
| Net debt/Equity (%) | 58.5 | 46.4 | 41.5 | 34.8 |
| ROE (%) | 17.0 | 16.2 | 15.0 | 13.9 |



| Share price performance | 1 Month | 3 Month | 12 Month |
|--------------------------------|----------------------------------|---------|----------|
| Absolute (%) | 3.3 | 8.6 | 5.9 |
| Relative to country (%) | 8.7 | 19.7 | 15.5 |
| Mkt cap (USD m) | | | 1,161 |
| 3m avg. daily turnover (USD m) | | | 7.0 |
| Free float (%) | | | 66 |
| Major shareholder | Mr. Anuphong Assavabhokhin (21%) | | |
| 12m high/low (THB) | 12.80/9.00 | | |
| Issued shares (m) | 3,145.90 | | |

Sources: Bloomberg consensus; FSSIA estimates


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Investment thesis

Management has revealed an aggressive 2023 business plan that targets 1) 58 new project launches worth THB77.0b (+21% y-y) comprising 85% low-rise and 15% condos; 2) presales of THB58.0b (+15% y-y), split 78:22 between low-rise and condo projects; and 3) transfer revenue (including 100% JV) of THB56.3b. In particular, AP will focus more on the luxury market. It will also expand to five new provinces by launching five low-rise projects.

AP's strengths are its flexible and well-diversified portfolio. It covers both low-rise and condo projects in every market segment, both in Bangkok and in provinces with high potential growth.

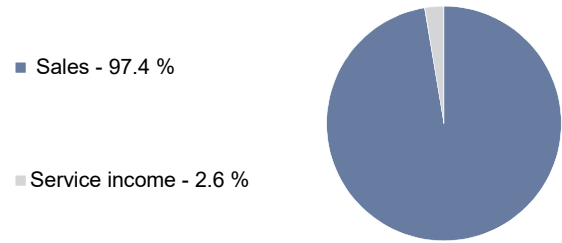
Company profile

Founded by Mr Anuphong Assavabhokhin and Mr Pichet Vipavasuphakorn in 1991, AP was listed in 2000 after being merged with PCM Precast Floors Plc, which was founded by Land & Houses Plc (LH). AP has no cross shareholdings with LH.

AP operates a property development business offering single-detached house (SDH), townhouse, duplex, home, and condominium projects, in residential areas in metropolitan Bangkok and the provinces.

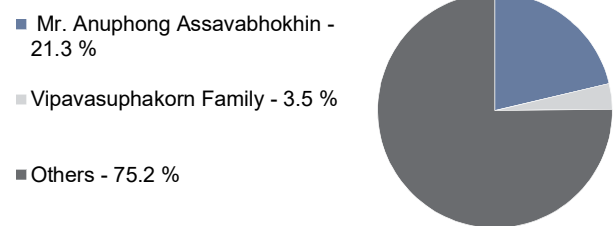
www.apthai.com

Principal activities (revenue, 2022)



Source: AP (Thailand)

Major shareholders



Source: AP (Thailand)

Catalysts

Key potential growth drivers include:

- 1) The success of new launches in the low-rise segment;
- 2) Higher-than-expected take-up rates for new condominiums;
- 3) The potential for provincial projects.

Risks to our call

Downside risks to our P/E-based TP include 1) rising competition in the low-rise market, such that it could hurt take-up rates; 2) weaker-than-expected take-up rates of new launches; 3) construction delays from labour shortages; 4) increasing raw material prices; and 5) the impact of the expiration of the loan-to-value (LTV) limit easing.

Event calendar

| Date | Event |
|------------|---------------------------|
| 9 May 2023 | 1Q23 results announcement |

Key assumptions

| | 2023E | 2024E | 2025E |
|--------------------------|--------|--------|--------|
| Transfer revenue (THB m) | 41,107 | 42,841 | 44,563 |
| Service income (THB m) | 1,116 | 1,138 | 1,161 |
| Property GPM (%) | 32.9 | 32.9 | 32.9 |
| GPM (%) | 34.1 | 34.1 | 34.1 |
| SG&A to sales (%) | 18.8 | 18.8 | 18.8 |

Source: FSSIA estimates

Earnings sensitivity

- For every 5% increase in transfers, we estimate 2023 net profit to rise by 3.7%, and vice versa, all else being equal.
- For every 0.5% increase in property GPM, we estimate 2023 net profit to rise by 2.7%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 2.7%, and vice versa, all else being equal.

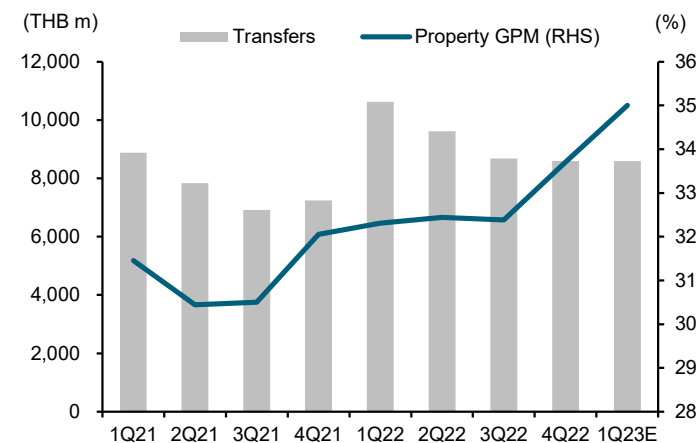
Source: FSSIA estimates

Exhibit 1: 1Q23 results preview

| | 1Q22 | 2Q22 | 3Q22 | 4Q22 | 1Q23E | Change | |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|---------------|---------------|
| | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) |
| Total revenue | 10,849 | 9,862 | 8,982 | 8,846 | 9,450 | 7 | (13) |
| Gross profit | 3,616 | 3,313 | 3,046 | 3,090 | 3,410 | 10 | (6) |
| SG&A | (1,709) | (1,715) | (1,805) | (2,020) | (1,852) | n/a | n/a |
| Operating profit | 1,907 | 1,598 | 1,241 | 1,070 | 1,558 | 46 | (18) |
| Other income | 9 | 18 | 122 | 14 | 10 | (31) | 8 |
| Interest expense | (28) | (14) | (18) | (45) | (40) | n/a | n/a |
| Profit before tax | 1,883 | 1,508 | 1,345 | 1,134 | 1,528 | 35 | (19) |
| Tax | (400) | (312) | (251) | (267) | (321) | n/a | n/a |
| Associates | 247 | 378 | 324 | 284 | 234 | (17) | (5) |
| Reported net profit | 1,730 | 1,574 | 1,419 | 1,155 | 1,441 | 25 | (17) |
| Normalised profit | 1,730 | 1,574 | 1,419 | 1,151 | 1,441 | 25 | (17) |
| Key ratios (%) | (%) | (%) | (%) | (%) | (%) | (ppt) | (ppt) |
| Property gross margin | 32.3 | 32.4 | 32.4 | 33.7 | 35.0 | 1.3 | 2.7 |
| Gross margin | 33.3 | 33.6 | 33.9 | 34.9 | 36.1 | 1.2 | 2.8 |
| Operating margin | 17.6 | 16.2 | 13.8 | 12.1 | 16.5 | 4.4 | (1.1) |
| Net profit margin | 15.9 | 16.0 | 15.8 | 13.1 | 15.3 | 2.2 | (0.7) |
| Normalised profit margin | 15.9 | 16.0 | 15.8 | 13.0 | 15.3 | 2.2 | (0.7) |
| Operating statistics | (THB m) | (THB m) | (THB m) | (THB m) | (THB m) | (q-q%) | (y-y%) |
| Property transfers | 10,621 | 9,620 | 8,689 | 8,592 | 9,200 | 7 | (13) |
| -- Low-rise | 9,768 | 9,139 | 8,384 | 8,314 | 8,740 | 5 | (11) |
| -- High-rise | 853 | 481 | 305 | 278 | 460 | 65 | (46) |
| Presales | 12,959 | 12,572 | 11,924 | 12,960 | 11,016 | (15) | (15) |
| -- Low-rise | 10,798 | 9,774 | 8,354 | 10,049 | 8,172 | (19) | (24) |
| -- High-rise | 2,161 | 2,798 | 3,570 | 2,911 | 2,844 | (2) | 32 |

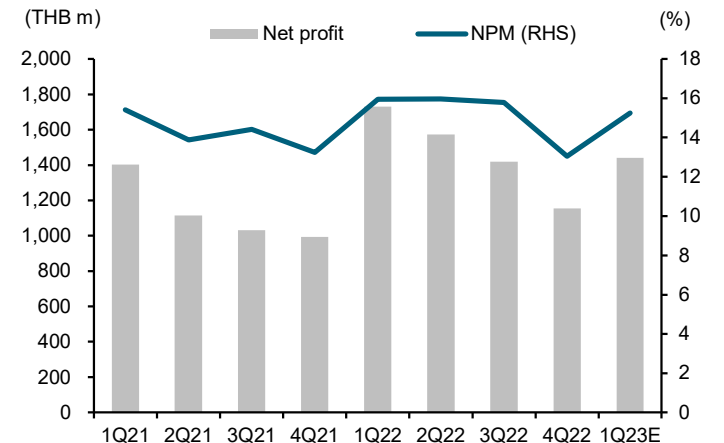
Sources: AP; FSSIA estimates

Exhibit 2: Quarterly transfers and property GPM



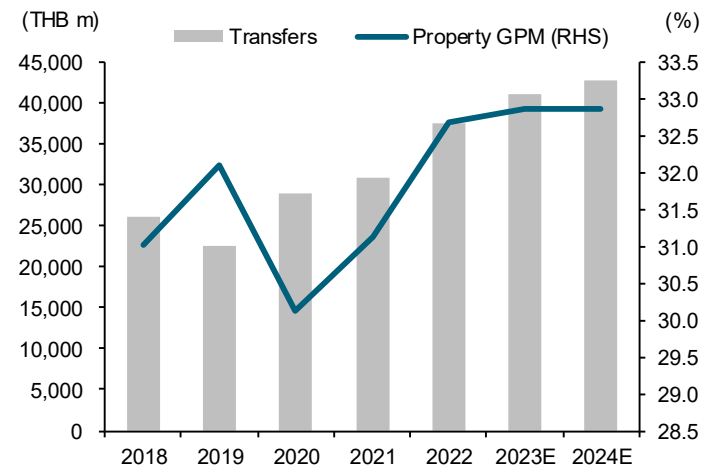
Sources: AP; FSSIA estimates

Exhibit 3: Quarterly net profit and NPM



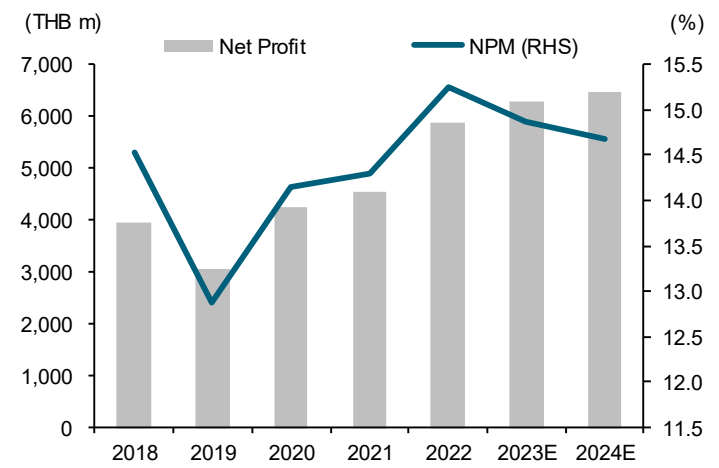
Sources: AP; FSSIA estimates

Exhibit 4: Yearly transfers and property GPM



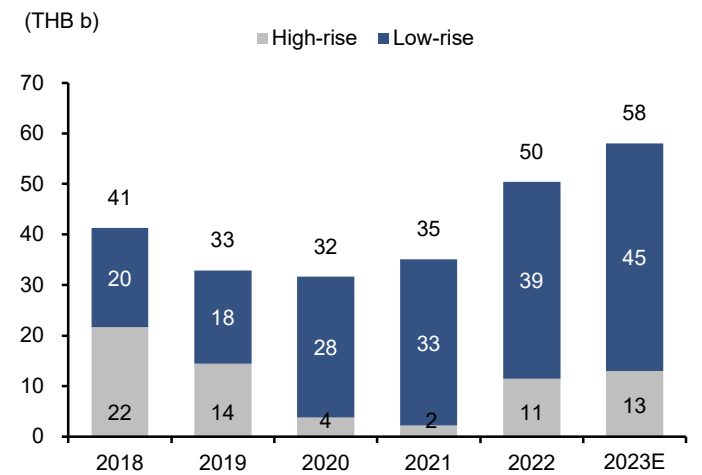
Sources: AP; FSSIA estimates

Exhibit 5: Yearly net profit and NPM



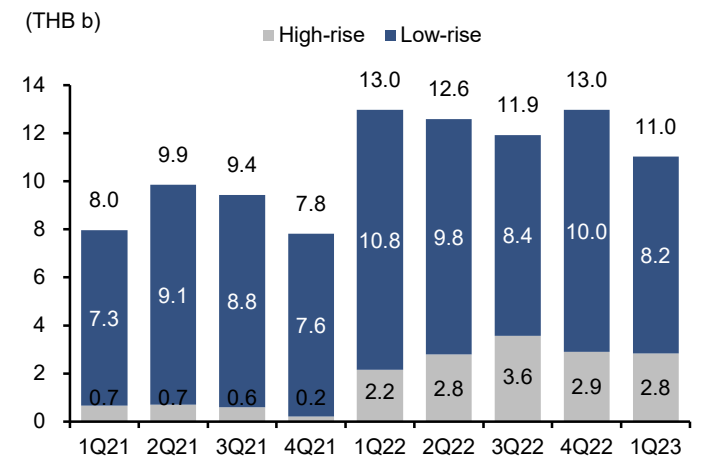
Sources: AP; FSSIA estimates

Exhibit 6: Yearly presales and 2023 target



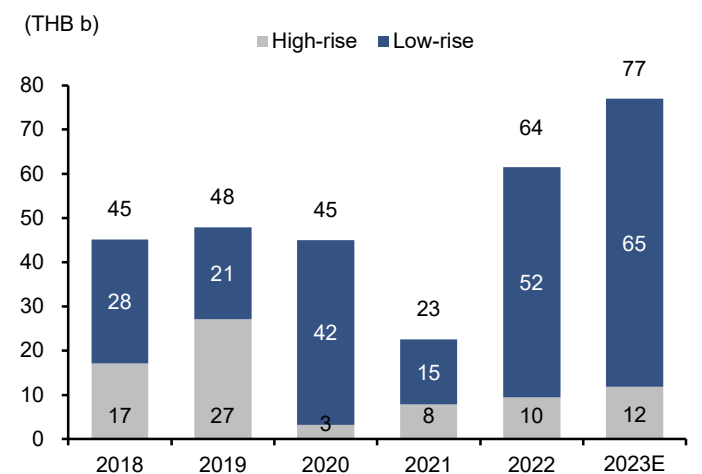
Sources: AP; FSSIA's compilation

Exhibit 7: Quarterly presales



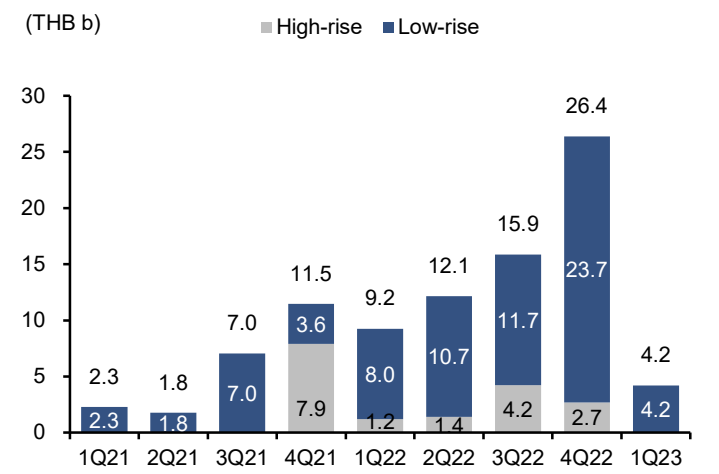
Sources: AP; FSSIA's compilation

Exhibit 8: Yearly planned new launches



Sources: AP; FSSIA's compilation

Exhibit 9: Quarterly new launches



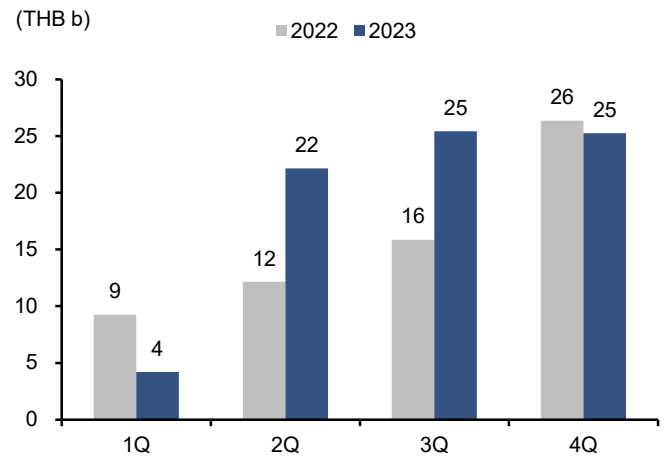
Sources: AP; FSSIA's compilation

Exhibit 10: New projects in 1Q23



Source: AP

Exhibit 11: New launch plans by quarter



Sources: AP; FSSIA's compilation

Exhibit 12: New condos in 2023



Source: AP

Exhibit 13: Historical P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Historical P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 15: Peer comparisons as of 28 April 2023

| Company | BBG | Rec | Market Cap (USD m) | 3Y EPS CAGR (%) | PE | | DivYld | | ROE | | PBV | |
|-------------------|----------|-----|--------------------------|-----------------------|------------|------------|------------|------------|-------------|-------------|------------|------------|
| | | | | | 23E (x) | 24E (x) | 23E (%) | 24E (%) | 23E (x) | 24E (x) | 23E (x) | 24E (x) |
| Thailand | | | | | | | | | | | | |
| Assetwise | ASW TB | BUY | 198 | 18 | 6.6 | 6.3 | 6.8 | 7.1 | 17.6 | 17.5 | 1.1 | 1.1 |
| Noble Development | NOBLE TB | BUY | 197 | 59 | 6.3 | 5.9 | 9.5 | 10.2 | 17.3 | 17.3 | 1.1 | 1.0 |
| SC Asset Corp | SC TB | BUY | 542 | 2 | 6.9 | 6.7 | 5.8 | 5.9 | 11.7 | 11.3 | 0.8 | 0.7 |
| Supalai | SPALI TB | BUY | 1,213 | (5) | 5.8 | 5.6 | 6.8 | 6.9 | 14.7 | 13.9 | 0.8 | 0.7 |
| Sansiri | SIRI TB | BUY | 882 | (0) | 7.2 | 7.1 | 7.2 | 7.3 | 10.1 | 9.7 | 0.7 | 0.7 |
| AP Thailand | AP TB | BUY | 1,161 | 4 | 6.3 | 6.1 | 5.5 | 5.6 | 16.2 | 15.0 | 1.0 | 0.9 |
| Britania | BRI TB | BUY | 290 | 20 | 6.7 | 6.1 | 6.3 | 6.9 | 28.1 | 26.2 | 1.7 | 1.5 |
| Origin Property | ORI TB | BUY | 860 | 13 | 8.7 | 7.8 | 6.3 | 6.4 | 17.5 | 18.0 | 1.5 | 1.3 |
| Land & Houses | LH TB | n/a | 3,432 | 9 | 13.0 | 12.3 | 6.5 | 6.9 | 17.0 | 17.4 | 2.2 | 2.1 |
| LPN Development | LPN TB | n/a | 195 | 30 | 11.5 | 10.3 | 5.1 | 5.7 | 4.9 | 5.5 | 0.5 | 0.5 |
| Pruksa Holding | PSH TB | n/a | 795 | 6 | 9.7 | 9.7 | 7.4 | 7.5 | 6.3 | 6.2 | 0.6 | 0.6 |
| Quality Houses | QH TB | n/a | 741 | 16 | 10.3 | 9.4 | 6.3 | 6.7 | 8.8 | 9.1 | 0.9 | 0.8 |
| Average | | | 10,506 | 7 | 8.3 | 7.8 | 6.6 | 6.9 | 14.2 | 13.9 | 1.1 | 1.0 |

Sources: Bloomberg; FSSIA estimates

Financial Statements

AP (Thailand)

| Profit and Loss (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|
| Revenue | 31,794 | 38,539 | 42,223 | 43,979 | 45,724 |
| Cost of goods sold | (21,204) | (25,184) | (27,658) | (28,817) | (29,950) |
| Gross profit | 10,590 | 13,355 | 14,565 | 15,162 | 15,774 |
| Other operating income | 0 | 0 | 0 | 0 | 0 |
| Operating costs | (5,828) | (7,248) | (7,938) | (8,268) | (8,596) |
| Operating EBITDA | 4,763 | 6,107 | 6,627 | 6,894 | 7,178 |
| Depreciation | (279) | (291) | (168) | (185) | (202) |
| Goodwill amortisation | 0 | 0 | 0 | 0 | 0 |
| Operating EBIT | 4,484 | 5,816 | 6,458 | 6,709 | 6,976 |
| Net financing costs | (248) | (99) | (115) | (136) | (128) |
| Associates | 999 | 1,233 | 1,151 | 1,130 | 1,024 |
| Recurring non-operating income | 1,175 | 1,385 | 1,211 | 1,208 | 1,106 |
| Non-recurring items | 0 | 4 | 0 | 0 | 0 |
| Profit before tax | 5,411 | 7,106 | 7,555 | 7,780 | 7,954 |
| Tax | (869) | (1,230) | (1,281) | (1,330) | (1,386) |
| Profit after tax | 4,542 | 5,876 | 6,274 | 6,450 | 6,568 |
| Minority interests | 0 | 1 | 0 | 0 | 0 |
| Preferred dividends | 0 | 0 | 0 | 0 | 0 |
| Other items | 0 | 0 | 0 | 0 | 0 |
| Reported net profit | 4,542 | 5,877 | 6,274 | 6,450 | 6,568 |
| Non-recurring items & goodwill (net) | 0 | (4) | 0 | 0 | 0 |
| Recurring net profit | 4,542 | 5,874 | 6,274 | 6,450 | 6,568 |
| Per share (THB) | | | | | |
| Recurring EPS * | 1.44 | 1.87 | 1.99 | 2.05 | 2.09 |
| Reported EPS | 1.44 | 1.87 | 1.99 | 2.05 | 2.09 |
| DPS | 0.50 | 0.65 | 0.70 | 0.71 | 0.72 |
| Diluted shares (used to calculate per share data) | 3,146 | 3,146 | 3,146 | 3,146 | 3,146 |
| Growth | | | | | |
| Revenue (%) | 6.4 | 21.2 | 9.6 | 4.2 | 4.0 |
| Operating EBITDA (%) | 34.6 | 28.2 | 8.5 | 4.0 | 4.1 |
| Operating EBIT (%) | 37.1 | 29.7 | 11.0 | 3.9 | 4.0 |
| Recurring EPS (%) | 7.5 | 29.3 | 6.8 | 2.8 | 1.8 |
| Reported EPS (%) | 7.5 | 29.4 | 6.7 | 2.8 | 1.8 |
| Operating performance | | | | | |
| Gross margin inc. depreciation (%) | 32.4 | 33.9 | 34.1 | 34.1 | 34.1 |
| Gross margin of key business (%) | 31.1 | 32.7 | 32.9 | 32.9 | 32.9 |
| Operating EBITDA margin (%) | 15.0 | 15.8 | 15.7 | 15.7 | 15.7 |
| Operating EBIT margin (%) | 14.1 | 15.1 | 15.3 | 15.3 | 15.3 |
| Net margin (%) | 14.3 | 15.2 | 14.9 | 14.7 | 14.4 |
| Effective tax rate (%) | 19.7 | 20.2 | 20.0 | 20.0 | 20.0 |
| Dividend payout on recurring profit (%) | 34.6 | 34.8 | 35.0 | 34.5 | 34.5 |
| Interest cover (X) | 22.8 | 72.7 | 66.9 | 58.2 | 63.2 |
| Inventory days | 804.9 | 743.8 | 724.4 | 714.3 | 725.9 |
| Debtor days | 1.1 | 1.1 | 1.2 | 1.4 | 1.4 |
| Creditor days | 36.8 | 41.0 | 41.4 | 39.6 | 39.7 |
| Operating ROIC (%) | 8.3 | 9.7 | 10.2 | 10.3 | 10.1 |
| ROIC (%) | 8.8 | 10.3 | 10.3 | 10.2 | 9.8 |
| ROE (%) | 14.7 | 17.0 | 16.2 | 15.0 | 13.9 |
| ROA (%) | 8.0 | 9.3 | 9.2 | 9.1 | 8.8 |
| * Pre-exceptional, pre-goodwill and fully diluted | | | | | |
| Revenue by Division (THB m) | | | | | |
| Sales | 30,879 | 37,522 | 41,107 | 42,841 | 44,563 |
| Service income | 915 | 1,017 | 1,116 | 1,138 | 1,161 |

Sources: AP (Thailand); FSSIA estimates

Financial Statements

AP (Thailand)

| Cash Flow (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|-----------------------------------|----------------|--------------|----------------|----------------|-----------------|
| Recurring net profit | 4,542 | 5,874 | 6,274 | 6,450 | 6,568 |
| Depreciation | 279 | 291 | 168 | 185 | 202 |
| Associates & minorities | - | - | - | - | - |
| Other non-cash items | 0 | 4 | 0 | 0 | 0 |
| Change in working capital | (1,046) | (6,585) | 93 | (3,544) | (2,405) |
| Cash flow from operations | 3,775 | (417) | 6,535 | 3,092 | 4,365 |
| Capex - maintenance | 0 | 0 | 0 | 0 | 0 |
| Capex - new investment | (941) | (179) | (1,805) | (592) | (606) |
| Net acquisitions & disposals | - | - | - | - | - |
| Other investments (net) | - | - | - | - | - |
| Cash flow from investing | (941) | (179) | (1,805) | (592) | (606) |
| Dividends paid | (1,382) | (1,572) | (2,196) | (2,225) | (2,266) |
| Equity finance | 0 | 0 | 0 | 0 | 0 |
| Debt finance | (2,122) | 1,749 | (1,915) | 17 | (1,332) |
| Other financing cash flows | 0 | (1) | 0 | 0 | 0 |
| Cash flow from financing | (3,504) | 176 | (4,111) | (2,209) | (3,598) |
| Non-recurring cash flows | - | - | - | - | - |
| Other adjustments | 0 | 0 | 0 | 0 | 0 |
| Net other adjustments | 0 | 0 | 0 | 0 | 0 |
| Movement in cash | (670) | (420) | 620 | 291 | 160 |
| Free cash flow to firm (FCFF) | 3,088.77 | (491.91) | 4,847.51 | 2,637.76 | 3,888.07 |
| Free cash flow to equity (FCFE) | 711.53 | 1,152.31 | 2,815.93 | 2,516.51 | 2,426.31 |

Per share (THB)

| | | | | | |
|-------------------------------|------|--------|------|------|------|
| FCFF per share | 0.98 | (0.16) | 1.54 | 0.84 | 1.24 |
| FCFE per share | 0.23 | 0.37 | 0.90 | 0.80 | 0.77 |
| Recurring cash flow per share | 1.53 | 1.96 | 2.05 | 2.11 | 2.15 |

| Balance Sheet (THB m) Year Ending Dec | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---------------|---------------|---------------|---------------|---------------|
| Tangible fixed assets (gross) | 1,841 | 1,904 | 1,455 | 1,527 | 1,599 |
| Less: Accumulated depreciation | (279) | (291) | (168) | (185) | (202) |
| Tangible fixed assets (net) | 1,562 | 1,614 | 1,286 | 1,341 | 1,396 |
| Intangible fixed assets (net) | 0 | 0 | 0 | 0 | 0 |
| Long-term financial assets | 0 | 0 | 0 | 0 | 1 |
| Invest. in associates & subsidiaries | 6,645 | 6,481 | 8,445 | 8,796 | 9,145 |
| Cash & equivalents | 2,070 | 1,650 | 2,270 | 2,561 | 2,722 |
| A/C receivable | 118 | 104 | 169 | 176 | 183 |
| Inventories | 47,379 | 55,261 | 54,527 | 58,264 | 60,855 |
| Other current assets | 1,386 | 1,874 | 1,689 | 1,759 | 1,829 |
| Current assets | 50,953 | 58,889 | 58,655 | 62,760 | 65,589 |
| Other assets | 1,250 | 1,243 | 1,478 | 1,539 | 1,600 |
| Total assets | 60,409 | 68,227 | 69,863 | 74,437 | 77,731 |
| Common equity | 32,442 | 36,747 | 40,825 | 45,050 | 49,353 |
| Minorities etc. | (18) | (19) | (19) | (19) | (19) |
| Total shareholders' equity | 32,423 | 36,728 | 40,806 | 45,031 | 49,334 |
| Long term debt | 15,024 | 15,284 | 15,805 | 9,564 | 8,919 |
| Other long-term liabilities | 523 | 675 | 612 | 638 | 663 |
| Long-term liabilities | 15,546 | 15,959 | 16,418 | 10,202 | 9,582 |
| A/C payable | 2,449 | 3,211 | 3,061 | 3,190 | 3,317 |
| Short term debt | 6,352 | 7,841 | 5,405 | 11,663 | 10,976 |
| Other current liabilities | 3,637 | 4,487 | 4,174 | 4,350 | 4,523 |
| Current liabilities | 12,439 | 15,539 | 12,640 | 19,204 | 18,815 |
| Total liabilities and shareholders' equity | 60,409 | 68,227 | 69,863 | 74,437 | 77,731 |
| Net working capital | 42,796 | 49,540 | 49,150 | 52,658 | 55,028 |
| Invested capital | 52,253 | 58,878 | 60,358 | 64,335 | 67,170 |

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

Per share (THB)

| | | | | | |
|-------------------------------|-------|-------|-------|-------|-------|
| Book value per share | 10.31 | 11.68 | 12.98 | 14.32 | 15.69 |
| Tangible book value per share | 10.31 | 11.68 | 12.98 | 14.32 | 15.69 |

Financial strength

| | | | | | |
|---------------------------|------|------|------|------|------|
| Net debt/equity (%) | 59.5 | 58.5 | 46.4 | 41.5 | 34.8 |
| Net debt/total assets (%) | 32.0 | 31.5 | 27.1 | 25.1 | 22.1 |
| Current ratio (x) | 4.1 | 3.8 | 4.6 | 3.3 | 3.5 |
| CF interest cover (x) | 7.7 | 14.4 | 41.3 | 23.9 | 24.7 |

| Valuation | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|------------|------------|------------|------------|------------|
| Recurring P/E (x) * | 8.7 | 6.7 | 6.3 | 6.1 | 6.0 |
| Recurring P/E @ target price (x) * | 9.7 | 7.5 | 7.0 | 6.8 | 6.7 |
| Reported P/E (x) | 8.7 | 6.7 | 6.3 | 6.1 | 6.0 |
| Dividend yield (%) | 4.0 | 5.2 | 5.5 | 5.6 | 5.7 |
| Price/book (x) | 1.2 | 1.1 | 1.0 | 0.9 | 0.8 |
| Price/tangible book (x) | 1.2 | 1.1 | 1.0 | 0.9 | 0.8 |
| EV/EBITDA (x) ** | 12.4 | 10.0 | 8.8 | 8.5 | 7.9 |
| EV/EBITDA @ target price (x) ** | 13.3 | 10.7 | 9.5 | 9.1 | 8.5 |
| EV/invested capital (x) | 1.1 | 1.0 | 1.0 | 0.9 | 0.8 |

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

Sources: AP (Thailand); FSSIA estimates

Public disclosures related to sustainable development evaluation of Thai listed companies

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

CG Score by the Thai Institute of Directors Association (Thai IOD)¹

The CG Score indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the Thai IOD website in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The five underlying categories and weighting used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

AGM Checklist by the Thai Investors Association (TIA)²

The "AGM Checklist" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The Checklist contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)³

A CAC certified member is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member start with by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the CAC Council for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

Sustainability Investment (THSI)⁴ by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (THSI) quantifies responsibility in Environmental, and Social issues, by managing business with transparency in Governance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: Economic (CG, risk management, customer relation management, supply chain management, and innovation); Environmental (environmental management, eco-efficiency, and climate risk); Social (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices⁵ (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the THSI list, the SET further developed a sustainability SETTHSI Index in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: SEC; Thai IOD; Thai CAC; SET; FSSIA's compilation

Disclaimer:

¹ Thai Institute of Directors Association (Thai IOD) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

² Thai Investors Association (TIA) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

³ Thai Private Sector Collective Action against Corruption (CAC) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

⁴ Sustainability Investment List (THSI), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

⁵ Dow Jones Sustainability Indices – Wikipedia – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Thanyatorn Songwutti 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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| Company | Ticker | Price | Rating | Valuation & Risks |
|----------------------|----------|-----------|--------|--|
| AP (Thailand) | AP TB | THB 12.60 | BUY | Downside risks to our P/E-based TP include 1) rising competition in the low-rise market, such that it could hurt take-up rates; 2) weaker-than-expected take-up rates of new launches; 3) construction delays from labour shortages; 4) increasing raw material prices; and 5) the impact of the expiration of the loan-to-value (LTV) limit easing. |
| Assetwise | ASW TB | THB 7.90 | BUY | Downside risks to our P/E-based TP include 1) weaker than expected consumer purchasing power; 2) cancellation of presales; 3) customer loan rejections; 4) delays in construction; 5) intense competition; and 6) rising construction costs. |
| Noble Development | NOBLE TB | THB 4.90 | BUY | Downside risks to our P/E-based TP include 1) weaker-than-expected purchasing power; 2) cancellation of presales; 3) bank loan rejections; 4) delays in construction work and transfers; and 5) fierce competition. |
| SC Asset Corporation | SC TB | THB 4.34 | BUY | Downside risks to our P/E-based TP include 1) weaker-than-expected take-up rates of new launches; 2) weak purchasing power; 3) cancellation of presales; 4) bank loan rejections; and 5) construction delays. |
| Supalai | SPALI TB | THB 21.20 | BUY | Downside risks to our P/E derived TP are cost overruns; delays or poor receptions for new launches; presale cancellations; inability of homebuyers to obtain mortgage financing; and weak take-up rates and reduced pricing power from rising competition. |
| Sansiri | SIRI TB | THB 1.90 | BUY | Downside risks to our P/E-based TP include 1) weaker-than-expected take-up rates of new launches; 2) rising competition; 3) construction delays and increasing raw material prices; 4) the impact of the expiration of loan-to-value (LTV) limit easing; and 5) a high level of IBD/E. |
| Britania | BRI TB | THB 11.60 | BUY | Downside risks to our P/E-based TP include 1) weaker-than-expected take-up rates of new launches; 2) a slower-than-expected economic recovery and weak purchasing power; 3) intense competition; 4) construction delays and labour shortages; 5) an increase in raw material costs; and 6) challenging new launches in the upcountry market. |
| Origin Property | ORI TB | THB 11.80 | BUY | Downside risks to our SoTP-based TP include 1) a slower-than-expected economic recovery; 2) weaker-than-expected presales; 3) a high cancellation rate of presales and rejections from banks; 4) delays in construction and/or a labour shortage; 5) intense competition and an increase in raw material costs; and 6) lower-than-expected performance for its subsidiaries. |

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 28-Apr-2023 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.