

### COMPANY UPDATE

## Land and Houses (LH TB)

Extra Gains To Boost Bottom Line In 4Q24; Residential Segment's Outlook Remains Challenging

We expect extra gains from asset divestment to drive 4Q24 earnings growth, marking the quarterly peak for the year. While 4Q24 presales may improve from a low base, the residential segment remains under pressure due to a low backlog and weak gross margins. Concerns also linger over dividend payment capacity amid cash flow management and vulnerable performances. Maintain HOLD with a target price of Bt6.00.

### WHAT'S NEW

- Analyst meeting after 3Q24 results.** We attended Land and Houses' (LH) analyst meeting to review its 3Q24 results and update its business outlook. The tone of the meeting was negative, as challenges persist in the residential segment, while contributions from the rental business and equity income remain insufficient to offset the decrease in revenue from the residential business.

### STOCK IMPACT

- Expect 4Q24 presales to improve from a low base and new launches.** LH achieved presales of Bt14.7b for 9M24 (+2% yoy), accounting for only 47% of its full-year target. Despite improved condo presales, 9M24 presales in the low-rise segment saw a 13% decrease from the previous year, reflecting weaker demand due to challenging economic conditions and increased competition in the residential market. In 4Q24, presales are expected to improve from a low base, supported by new project launches valued at Bt12.3b. Key projects include Nantawan Pool Villa Rama 9 - New Krungthep Krittha and Mantana 100+ Rama 2 – Bangkhuntian.
- Asset divestment to boost bottom line in 4Q24.** Although we expect normalised profit to remain vulnerable in 4Q24, net profit is likely to reach the highest quarterly level this year, driven by extra gains from asset divestment. In 4Q24, LH divested Terminal 21 Pattaya shopping mall to LH Shopping Centers Leasehold Real Estate Investment, with a transaction value of Bt5.7b. We expect LH to book extra gain of Bt1.5b-1.6b in 4Q24.
- Announced interim dividend despite lower payout ratio.** LH announced an interim dividend of Bt0.15 per share from its operations for Jan-Sep 24 (ex-dividend date: 28 Nov 24). This dividend reflects a payout ratio of 62%, which is below the historical average. The reduced payout ratio is due to weak performance and the company's focus on cash flow management.

### KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net turnover	35,597	26,745	25,291	28,555	32,403
EBITDA	8,501	5,295	3,994	5,465	6,576
Operating profit	6,834	3,418	2,147	3,482	4,559
Net profit (rep./act.)	8,313	7,482	5,010	5,275	6,193
Net profit (adj.)	8,063	5,288	3,728	5,275	6,193
EPS (Bt)	0.7	0.4	0.3	0.4	0.5
PE (x)	7.8	11.9	16.8	11.9	10.1
P/B (x)	1.2	1.2	1.2	1.2	1.2
EV/EBITDA (x)	14.0	22.4	29.7	21.7	18.1
Dividend yield (%)	11.4	9.5	6.4	6.7	7.9
Net margin (%)	23.4	28.0	19.8	18.5	19.1
Net debt/(cash) to equity (%)	96.6	109.9	107.4	106.5	103.3
Interest cover (x)	8.3	3.5	2.0	2.6	3.1
ROE (%)	16.4	14.5	9.7	10.1	11.6
Consensus net profit	-	-	5,694	5,940	6,193
UOBKH/Consensus (x)	-	-	0.65	0.89	1.00

Source: Land and Houses, Bloomberg, UOB Kay Hian

## HOLD

(Maintained)

Share Price	Bt5.25
Target Price	Bt6.00
Upside	+14.3%

### COMPANY DESCRIPTION

LH is the leading property developer in Thailand. The company develops residential projects ranging from single detached houses, townhouses and condominiums. Another source of income is rental income from its serviced apartments and rental properties.

### STOCK DATA

GICS sector	Real Estate
Bloomberg ticker:	LH TB
Shares issued (m):	11,949.7
Market cap (Btm):	62,736.0
Market cap (US\$m):	1,801.1
3-mth avg daily t'over (US\$m):	9.0

### Price Performance (%)

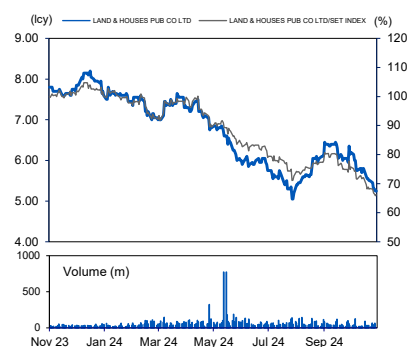
52-week high/low	Bt8.20/Bt4.86			
<b>1mth</b>	<b>3mth</b>	<b>6mth</b>	<b>1yr</b>	<b>YTD</b>
(14.6)	1.0	(22.8)	(31.4)	(35.6)

### Major Shareholders

	%
Mr. Anant Asavabhokhin	23.9
Thai NVDR Company Limited	11.8
Mayland Co.,Ltd.	5.7

FY24 NAV/Share (Bt)	4.31
FY24 Net Debt/Share (Bt)	4.63

### PRICE CHART



Source: Bloomberg

### ANALYST(S)

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### 3Q24 RESULTS

Year to 31 Dec (Btm)	3Q23	2Q24	3Q24	yoy %	qoq %	9M23	9M24	yoy %
Sales and services	6,423	6,600	5,809	(9.6)	(12.0)	20,018	19,075	(4.7)
Operating EBIT	767	656	410	(46.5)	(37.5)	2,623	1,786	(31.9)
Equity income	805	843	811	0.7	(3.8)	2,470	2,490	0.8
Core profit	268	113	(124)	(146.3)	(209.9)	1,174	156	(86.8)
Normal profit	1,226	1,065	859	(30.0)	(19.4)	4,160	3,118	(25.0)
Net profit	1,185	1,017	650	(45.2)	(36.1)	3,989	2,898	(27.4)
Percent	3Q23	2Q24	3Q24	yoy ppt	qoq ppt	9M23	9M24	yoy %
Gross margin	29.5	28.4	26.1	(3.4)	(2.3)	30.5	28.1	(2.4)
SG&A to sales	17.5	18.5	19.0	1.5	0.5	3.2	3.0	(0.1)
EBIT margin	11.9	9.9	7.1	(4.9)	(2.9)	13.1	9.4	(3.7)
Net margin	18.5	15.4	11.2	(7.3)	(4.2)	19.9	15.2	(4.7)

Source: Land and Houses, UOB Kay Hian

- **Disappointing results in 3Q24.** LH reported a net profit of Bt650m in 3Q24 (-45% yoy, -36% qoq), 29% below our estimate. Excluding non-recurring items (forex loss), normalised profit was Bt859m (-30% yoy, -19% qoq), which was 7% below our expectation, reflecting lower-than-expected revenue and gross margin.
- In 3Q24, revenue from ownership transfers came in at Bt3.4b, down 23% yoy and 21% qoq, due to fewer presales in the low-rise segment as well as low condo backlogs. In contrast, revenue from rental properties reached Bt2.37b, increasing 20% yoy and 6% qoq, driven by new properties and improved hotel performances in both domestic markets and the US. Overall gross margin declined to 26.1%, down from 29.5% in 3Q23 and 28.4% in 2Q24. The decrease was due to reduced transfers and high fixed costs. Additionally, the company sold single-detached houses with furniture during the quarter, which yielded lower gross margins. It booked a share profit from investments of Bt811m (+1% yoy, -4% qoq). The qoq drop was due to a weaker performance at Home Product Center.

### EARNINGS REVISION/RISK

- **Risks.** a) Lower-than-expected presales, transfers and gross margins, b) tightening bank policy, and c) slower-than-expected economic recovery.

### VALUATION/RECOMMENDATION

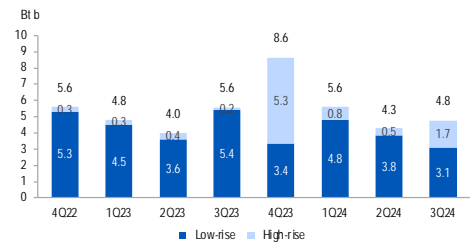
- **Maintain HOLD with a target price of Bt6.00.** Our SOTP-based target price values: a) the core business at Bt1.30/share, based on 13x 2025F PE, or its mean historical PE, and b) affiliated companies at Bt4.70/share. While 4Q24 earnings may expand from extra gains, the residential segment faces challenges through 1H25 due to market share losses, increased competition and low backlogs. Additionally, we expect LH to reduce project launches in 2025 as management focuses on inventory reduction and cash flow management, highlighting pressure on dividend payments.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<b>CG Report: 5</b>
<b>SET ESG Rating: A</b>
<b>• Environmental</b>
- LH successfully extended the scope for GHG emission management and reduced GHG emissions by 15.52 tonnes of carbon dioxide equivalent through energy-saving tools, renewable energy, and electric scooters, which helped save energy costs.
<b>• Social</b>
- The company is committed to improving the quality of life and being responsible for all stakeholders. LH conducted safety supervision for employees and engaged in a charity project that donates proceeds to patients in need.
<b>• Governance</b>
- LH announced its plan to combat corruption by partnering with the Thai private sector and revising its complaint management process. It also emphasises supply chain management to mitigate risks from suppliers.

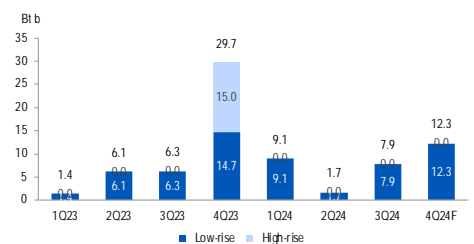
Source: LH, UOB Kay Hian

### QUARTERLY PRESALES



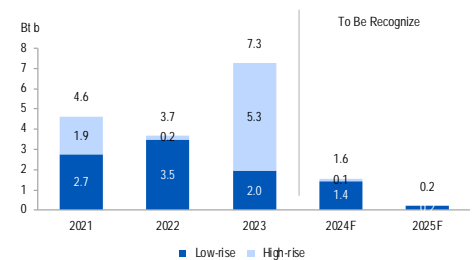
Source: LH, UOB Kay Hian

### QUARTERLY PRESALES



Source: LH, UOB Kay Hian

### BACKLOG AS OF 30 SEP 24



Source: LH, UOB Kay Hian

### PE BAND



Source: Bloomberg, UOB Kay Hian

### PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Net turnover	26,745	25,291	28,555	32,403
EBITDA	5,295	3,994	5,465	6,576
Deprec. & amort.	1,878	1,847	1,983	2,017
EBIT	3,418	2,147	3,482	4,559
Total other non-operating income	3,068	2,017	850	850
Associate contributions	3,300	3,320	3,486	3,591
Net interest income/(expense)	(1,500)	(2,032)	(2,076)	(2,134)
<b>Pre-tax profit</b>	<b>8,286</b>	<b>5,452</b>	<b>5,743</b>	<b>6,865</b>
Tax	(791)	(426)	(451)	(655)
Minorities	(13)	(16)	(17)	(17)
<b>Net profit</b>	<b>7,482</b>	<b>5,010</b>	<b>5,275</b>	<b>6,193</b>
Net profit (adj.)	5,288	3,728	5,275	6,193

### CASH FLOW

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
<b>Operating (BTm)</b>	<b>(90)</b>	<b>8,914</b>	<b>6,830</b>	<b>5,380</b>
Pre-tax profit	8,286	5,452	5,743	6,865
Tax	(791)	(426)	(451)	(655)
Deprec. & amort.	1,878	1,847	1,983	2,017
Working capital changes	(8,081)	3,262	(2,240)	(3,136)
Non-cash items	(1,381)	278	296	289
Other operating cashflows	3,300	3,320	3,486	3,591
<b>Investing</b>	<b>834</b>	<b>(4,130)</b>	<b>(2,037)</b>	<b>(746)</b>
Capex (growth)	(625)	(1,051)	(2,252)	(1,052)
Investments	(2,375)	172	(349)	(359)
Others	3,834	(3,251)	564	665
<b>Financing</b>	<b>(1,233)</b>	<b>(5,049)</b>	<b>(4,080)</b>	<b>(4,541)</b>
Dividend payments	(6,572)	(4,991)	(4,114)	(4,587)
Issue of shares	0	0	0	0
Proceeds from borrowings	6,314	0	0	0
Others/interest paid	(975)	0	0	0
<b>Net cash inflow (outflow)</b>	<b>(489)</b>	<b>1,292</b>	<b>(821)</b>	<b>47</b>
Beginning cash & cash equivalent	4,826	4,337	5,629	4,808
Ending cash & cash equivalent	4,337	5,629	4,808	4,855

### BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Fixed assets	37,186	36,390	36,659	35,694
Other LT assets	31,582	31,205	32,041	32,974
Cash/ST investment	4,337	5,629	4,808	4,855
Other current assets	58,815	54,818	57,625	61,489
<b>Total assets</b>	<b>131,920</b>	<b>128,042</b>	<b>131,133</b>	<b>135,012</b>
ST debt	22,493	19,693	17,593	7,293
Other current liabilities	7,137	6,681	7,544	8,560
LT debt	38,458	41,258	43,358	53,658
Other LT liabilities	11,599	8,143	9,194	10,433
Shareholders' equity	51,513	51,531	52,692	54,298
Minority interest	720	736	753	770
<b>Total liabilities &amp; equity</b>	<b>131,920</b>	<b>128,042</b>	<b>131,133</b>	<b>135,012</b>

### KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
<b>Profitability</b>				
EBITDA margin	19.8	15.8	19.1	20.3
Pre-tax margin	31.0	21.6	20.1	21.2
Net margin	28.0	19.8	18.5	19.1
ROA	5.8	3.9	4.1	4.7
ROE	14.5	9.7	10.1	11.6
<b>Growth</b>				
Turnover	(24.9)	(5.4)	12.9	13.5
EBITDA	(37.7)	(24.6)	36.8	20.3
Pre-tax profit	(15.7)	(34.2)	5.3	19.5
Net profit	(10.0)	(33.0)	5.3	17.4
Net profit (adj.)	(34.4)	(29.5)	41.5	17.4
EPS	(34.4)	(29.5)	41.5	17.4
<b>Leverage</b>				
Debt to total capital	53.9	53.8	53.3	52.5
Debt to equity	118.3	118.3	115.7	112.3
Net debt/(cash) to equity	109.9	107.4	106.5	103.3
Interest cover (x)	3.5	2.0	2.6	3.1