

Quality Houses Pcl (QH TB) - HOLD, Price Bt2.16, TP Bt2.50**Results Comment**

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Soft 4Q23, in line

- QH reported a softer 4Q23 net profit of Bt607m, down 7% y-y and 4% q-q. 2023 net profit came in line at 99% of our forecast.
- Weaker 4Q23 was due to falling real estate sales by 13% y-y and 4% q-q to Bt1.9bn. Revenues from rental offices also decreased by 46% y-y and 8% q-q at Bt32m as the land lease of Q House Asoke office expired in November 2022.
- Hotel revenues increased by 30% y-y and 7% q-q to Bt345m boosted by increasing Thai and international tourists.
- Real estate sales gross margin weakened y-y to 31.6% (33.0% in 4Q22) but improved q-q from 31.0% (low condo gross margin of 9.1% in 3Q23) in 3Q23.
- Equity income rose by 6% y-y and 4% q-q to Bt440m (73% of net profit) on higher profit contribution from all four associates. HMPRO contributed the most for Bt333m (+Bt5m y-y), followed by LHFG of Bt49m (+Bt1m y-y), QHPF of Bt30m (+Bt2m y-y) and QHHR of Bt29m (+Bt15m y-y).
- 2023 net profit increased by 4% y-y to Bt2.5bn, driven by an 11% equity income growth to Bt1.7bn (70% of total profit). Property business was weaker with lower property sales of 7% y-y to Bt7.6bn and property gross margin contracting to 31.9% from 33.3% in 2022.
- 2H23 DPS is Bt0.1/share, XD on Apr 25th, payment date is May 16th 2024.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q22	1Q23	2Q23	3Q23	4Q23	(Bt m)	q-q%	y-y%	% 2023F	2023A	2024F
Revenue	2,524	1,903	2,424	2,349	2,292	Revenue	(2)	(9)	92	8,968	10,153
Gross profit	862	666	803	766	770	Gross profit	1	(11)	94	3,006	3,446
SG&A	538	482	501	499	589	SG&A	18	10	93	2,071	2,335
Operating profit	325	184	303	267	181	Operating profit	(32)	(44)	97	935	1,111
EBITDA	415	268	388	345	385	EBITDA	11	(7)	111	1,255	1,402
Other income	48	62	78	72	60	Other income	(16)	26	117	271	243
Other expense	0	0	0	0	0	Other expense			na	0	0
Interest expense	64	61	63	58	56	Interest expense	(3)	(12)	86	238	370
Profit before tax	309	185	318	281	185	Profit before tax	(34)	(40)	105	968	984
Income tax	70	45	87	70	18	Income tax	(74)	(74)	96	220	231
Equity & invest. income	417	452	438	422	440	Equity & invest. income	4	6	95	1,753	2,094
Minority interests	0	0	0	0	0	Minority interests			na	0	0
Extraordinary items	1	0	0	0	0	Extraordinary items	(18)	(59)	na	1	0
Net profit	655	592	669	634	607	Net profit	(4)	(7)	99	2,503	2,847
Normalized profit	655	592	669	633	607	Normalized profit	(4)	(7)	99	2,501	2,847
EPS (Bt)	0.06	0.06	0.06	0.06	0.06	EPS (Bt)	(4)	(7)	99	0.23	0.27
Normalized EPS (Bt)	0.06	0.06	0.06	0.06	0.06	Normalized EPS (Bt)	(4)	(7)	99	0.23	0.27

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q22	1Q23	2Q23	3Q23	4Q23	(%)	4Q22	1Q23	2Q23	3Q23	4Q23
Cash & ST investment	1,530	1,516	1,986	1,626	1,348	Sales growth	5.4	(9.0)	10.4	(2.8)	(9.2)
A/C receivable	42	70	49	53	94	Operating profit growth	19.2	(31.7)	35.7	(15.8)	(44.3)
Inventory	19,267	19,579	19,062	19,630	20,312	EBITDA growth	13.8	(25.4)	23.7	(15.5)	(7.3)
Other current assets	134	209	167	138	119	Norm profit growth	32.6	1.3	29.9	(1.0)	(7.3)
Investment	11,590	11,884	11,613	11,285	11,695	Norm EPS growth	32.6	1.3	29.9	(1.0)	(7.3)
Fixed assets	1,533	1,504	1,477	1,457	1,435	Gross margin	34.2	35.0	33.1	32.6	33.6
Other assets	9,529	9,119	9,296	8,563	8,439	Operating margin	12.9	9.7	12.5	11.4	7.9
Total assets	43,626	43,881	43,651	42,753	43,442	EBITDA margin	16.4	14.1	16.0	14.7	16.8
S-T debt	2,919	5,094	5,993	5,405	6,288	Norm net margin	25.9	31.1	27.6	27.0	26.5
A/C payable	673	597	751	759	691	D/E (x)	0.4	0.4	0.4	0.4	0.4
Other current liabilities	1,890	2,077	1,812	1,828	1,822	Net D/E (x)	0.4	0.3	0.3	0.3	0.3
L-T debt	8,504	6,054	5,574	5,407	4,697	Interest coverage (x)	6.5	4.4	6.2	5.9	6.9
Other liabilities	1,807	1,746	1,706	1,652	1,571	Interest rate	2.1	2.1	2.2	2.1	2.1
Minority interest	0	0	0	0	0	Effective tax rate	22.8	24.4	27.4	24.9	9.8
Shareholders' equity	27,833	28,313	27,815	27,702	28,373	ROA	6.0	5.4	6.1	5.9	5.6
Working capital	18,636	19,052	18,360	18,924	19,716	ROE	9.5	8.4	9.5	9.1	8.7
Total debt	11,423	11,148	11,567	10,812	10,985						
Net debt	9,893	9,632	9,581	9,186	9,638						

Sources: Company data, Thanachart estimates

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