

# Ananda Development

ANAN TB / ANAN.BK

October 24, 2018

## Big payoff from JV investments

ANAN's share price is at bottom-fishing levels 11% below YE18 BV with a super cheap 2018 PER of 6.7x (1SD below its mean since the IPO in 2012). ANAN will deliver impressive core earnings growth forecast at 68% in 2018 and a moderate 7% in 2019, and for the short term, it will be the sector's 3Q18 earnings growth leader. We have rolled our investment horizon to a YE19 target price of Bt6.20, based on a PER of 9x. Our TRADING BUY rating stands.

### Earnings upgraded; on track with 2018 business plan

We have revised up our core earnings forecast by 8% in 2018 and 6% in 2019 to reflect a positive surprise in the net margin (NM) of JV condos. Modeled profit sharing from equity income (JV condos) has been upgraded by 94% for 2018 and 41% for 2019 to reflect an increase in our NM assumption from 18% to 19%. ANAN's investment in JV condos with its Japanese partner *Mitsui Fudosan* has proven successful, with equity income forecast to turnaround from a loss of Bt342m in 2017 to a positive Bt1.3bn in 2018 and Bt1.4bn in 2019. ANAN's 2018 business plan is focused on easing execution risk. Presales are targeted at Bt35bn, stable on year despite a drop in launch value of 36% to only Bt27bn. Residential revenue in 2018 is expected to drop 10% to Bt8bn (80% secured by backlogs as of end-Sept).

### To be 3Q18 earnings growth champion; strong 4Q18 outlook

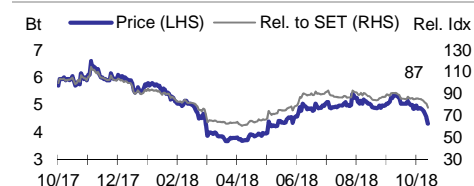
We anticipate 3Q18 core profit of Bt716m, up 408% YoY and 23% QoQ—the highest growth under our ResDev coverage thanks to equity income. A JV condo, *Ideo Sukhumvit 93* (Bt6.2bn, 90% booked) has started to transfer ahead of schedule in 3Q18 (was to start in 4Q18). Coupled with two sizable JV condos (*Ashton Chula-Silom* and *Ashton Asoke*), equity income in 3Q18 is expected to jump 30% QoQ and turnaround from a Bt113m loss in 3Q17. Earnings in 4Q18 will increase YoY and QoQ as three more JV condos are to start transfers: *Ashton Silom* (Bt6.1bn, 67% booked), *Ideo Mobi Sukhumvit 66* (Bt2.4bn, 46% booked) and *Ideo Phaholythin-Chatuchak* (Bt2.6bn, 76% booked).

### Manageable balance sheet with high backlogs for 2019

ANAN is aiming for condo completions in 2019 at a high Bt32bn, so we are forecasting moderate earnings growth despite a very high base in 2018. We anticipate a net gearing ratio of 0.8x at YE18, down slightly on year thanks to the issue of Bt2bn in perpetual debentures (8.5% coupon rate) in Oct and Bt1bn from a new partner, *Thai President Foods Plc* (TF) in Sep. TF invested in three under-construction JV condos: a 51% stake in *Ideo Sukhumvit 36*, 51% in New Rama 9, and 26% in Rangnam. Despite the negative impact on ANAN's earnings from profit sharing (we expect TF's share of the profits to be Bt126m in 2019 and Bt173m in 2020), the deal will boost available funds to Bt4.5bn for new project development to secure long-term earnings growth.

**Sector: Residential Property OVERWEIGHT**
**Rating: TRADING BUY**
**Target Price: Bt6.20**
**Price (October 22, 2018): Bt4.32**

### Price chart

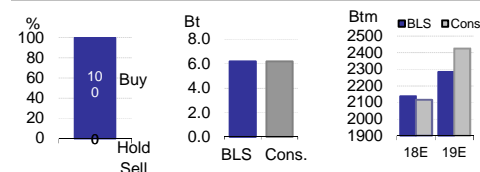


Share price perf. (%)	1M	3M	12M
Relative to SET	(8.1)	(14.3)	(24.9)
Absolute	(13.3)	(15.3)	(27.4)

### Key statistics

Market cap	Bt14.4bn	USD0.4bn
12-mth price range	Bt3.7/Bt6.6	
12-mth avg daily volume	Bt94m	USD2.9m
# of shares (m)	3,333	
Est. free float (%)	47.0	
Foreign limit (%)	49.0	

### Consensus rating vs. Consensus



### Financial summary

FY Ended 31 Dec	2017	2018E	2019E	2020E
Revenues (Btm)	12,362	11,629	12,940	13,433
Net profit (Btm)	1,328	2,138	2,283	2,452
EPS (Bt)	0.40	0.64	0.69	0.74
EPS growth (%)	n.a.	n.a.	+6.8%	+7.4%
Core profit (Btm)	1,271	2,138	2,283	2,452
Core EPS (Bt)	0.38	0.64	0.69	0.74
Core EPS growth (%)	-15.3%	+68.1%	+6.8%	+7.4%
PER (x)	15.3	6.7	6.3	5.9
PBV (x)	1.5	0.8	0.8	0.7
Dividend (Bt)	0.1	0.2	0.2	0.2
Dividend yield (%)	2.1	4.6	4.9	5.3
ROE (%)	11.5	15.0	13.5	13.2

### CG/Anti-corruption



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## ANAN: Financial Tables – Year

Btm	2016	2017	2018E	2019E	2020E
Revenue	11,730	12,362	11,629	12,940	13,433
Cost of sales and services	(7,687)	(8,021)	(7,790)	(8,665)	(8,938)
<b>Gross profit</b>	<b>4,043</b>	<b>4,340</b>	<b>3,839</b>	<b>4,275</b>	<b>4,495</b>
SG&A	(2,516)	(2,558)	(2,488)	(2,604)	(2,683)
<b>EBIT</b>	<b>1,527</b>	<b>1,783</b>	<b>1,351</b>	<b>1,672</b>	<b>1,812</b>
Interest expense	(335)	(285)	(462)	(568)	(593)
Other income/exp.	500	474	497	509	522
<b>EBT</b>	<b>1,692</b>	<b>1,972</b>	<b>1,386</b>	<b>1,613</b>	<b>1,741</b>
Corporate tax	(306)	(359)	(534)	(602)	(656)
<b>After-tax net profit (loss)</b>	<b>1,386</b>	<b>1,613</b>	<b>851</b>	<b>1,010</b>	<b>1,085</b>
Minority interest	0	0	0	(126)	(173)
Equity earnings from affiliates	115	(342)	1,286	1,399	1,539
Extra items	0	57	0	0	0
<b>Net profit (loss)</b>	<b>1,501</b>	<b>1,328</b>	<b>2,138</b>	<b>2,283</b>	<b>2,452</b>
Reported EPS	0.45	0.40	0.64	0.69	0.74
<b>Fully diluted EPS</b>	<b>0.45</b>	<b>0.40</b>	<b>0.64</b>	<b>0.69</b>	<b>0.74</b>
<b>Core net profit</b>	<b>1,501</b>	<b>1,271</b>	<b>2,138</b>	<b>2,283</b>	<b>2,452</b>
Core EPS	0.45	0.38	0.64	0.69	0.74
<b>EBITDA</b>	<b>1,622</b>	<b>1,909</b>	<b>1,482</b>	<b>1,831</b>	<b>2,001</b>

### KEY RATIOS

Revenue growth (%)	9.2	5.4	(5.9)	11.3	3.8
Gross margin (%)	34.5	35.1	33.0	33.0	33.5
EBITDA margin (%)	13.8	15.4	12.7	14.2	14.9
Operating margin (%)	13.0	14.4	11.6	12.9	13.5
Net margin (%)	12.8	10.7	18.4	17.6	18.3
Core profit margin (%)	12.8	10.3	18.4	17.6	18.3
ROA (%)	6.6	4.8	6.6	6.3	6.5
ROCE (%)	7.7	5.6	7.5	7.1	7.2
Asset turnover (x)	0.5	0.4	0.4	0.4	0.4
Current ratio (x)	2.0	2.8	2.5	2.2	2.7
Gearing ratio (x)	1.0	0.9	0.8	0.8	0.7
Interest coverage (x)	n.m.	n.m.	n.m.	n.m.	n.m.

### BALANCE SHEET (Btm)

Cash & Equivalent	2,683	2,063	1,889	1,385	1,341
Accounts receivable	369	1,072	400	449	463
Inventory	12,399	13,174	17,080	17,271	17,038
PP&E-net	1,170	1,170	2,018	2,607	3,168
Other assets	8,745	12,391	13,891	15,391	16,891
<b>Total assets</b>	<b>25,366</b>	<b>29,870</b>	<b>35,277</b>	<b>37,102</b>	<b>38,900</b>
Accounts payable	1,383	1,141	1,108	1,232	1,271
ST debts & current portion	5,999	4,134	6,145	7,145	5,145
Long-term debt	4,939	8,227	8,000	7,000	9,000
Other liabilities	2,291	2,908	2,840	2,921	2,939
<b>Total liabilities</b>	<b>14,612</b>	<b>16,410</b>	<b>18,092</b>	<b>18,298</b>	<b>18,355</b>
Paid-up capital	1,383	1,141	1,108	1,232	1,271
Share premium	5,159	5,150	5,150	5,150	5,150
Retained earnings	3,258	3,909	5,634	7,253	8,995
<b>Shareholders equity</b>	<b>10,754</b>	<b>12,396</b>	<b>16,121</b>	<b>17,740</b>	<b>19,482</b>
Minority interests	0.0	1,063.5	1,063.5	1,063.5	1,063.5
<b>Total Liab.&amp;Shareholders' equity</b>	<b>25,366</b>	<b>29,870</b>	<b>35,277</b>	<b>37,102</b>	<b>38,900</b>

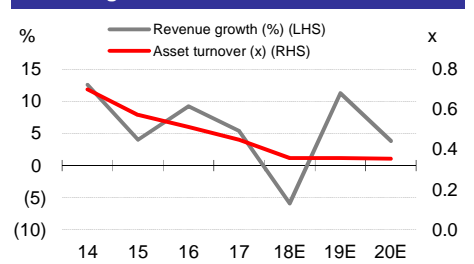
### CASH FLOW (Btm)

Net income	1,501	1,328	2,138	2,283	2,452
Depreciation and amortization	95	127	131	160	189
Change in working capital	(7,459)	(15,504)	(3,035)	(34)	276
FX, non-cash adjustment & others	7,937	8,360	(0)	0	0
<b>Cash flows from operating activities</b>	<b>2,074</b>	<b>(5,689)</b>	<b>(766)</b>	<b>2,409</b>	<b>2,916</b>
Capex (Invest)/Divest	(4,646)	108	(2,479)	(2,249)	(2,250)
Others	0	0	0	0	0
<b>Cash flows from investing activities</b>	<b>(4,646)</b>	<b>108</b>	<b>(2,479)</b>	<b>(2,249)</b>	<b>(2,250)</b>
Debt financing (repayment)	2,256	4,629	1,784	0	0
Equity financing	1,000	2,090	2,000	0	0
Dividend payment	(360)	(718)	(413)	(664)	(710)
Others	0	0	0	0	0
<b>Cash flows from financing activities</b>	<b>2,181</b>	<b>5,161</b>	<b>3,371</b>	<b>(664)</b>	<b>(710)</b>
Net change in cash	(391)	(419)	125	(504)	(43)
<b>Free cash flow (Btm)</b>	<b>(2,572)</b>	<b>(5,580)</b>	<b>(3,246)</b>	<b>160</b>	<b>666</b>
<b>FCF per share (Bt)</b>	<b>(0.77)</b>	<b>(1.67)</b>	<b>(0.97)</b>	<b>0.05</b>	<b>0.20</b>

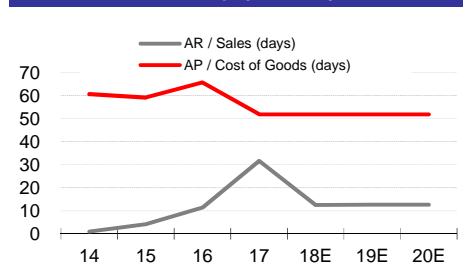
### KEY ASSUMPTIONS

	2016	2017	2018E	2019E	2020E
Residential sales, revenue (Btm)	9,780	8,914	8,000	8,971	9,256
Residential sales growth	2%	-9%	-10%	12%	3%
Residential GM (%)	33.8%	32.0%	31.1%	31.2%	31.8%
Presales backlogs (Btm)	-	-	4,968	2,000	0
% secured housing revenue by backlogs	-	-	62%	22%	0%

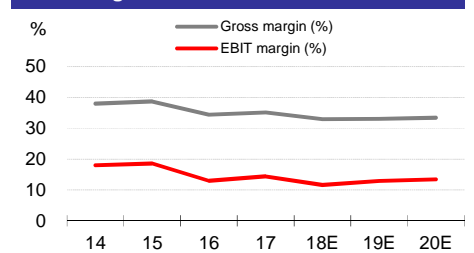
### Revenue growth and asset turnover



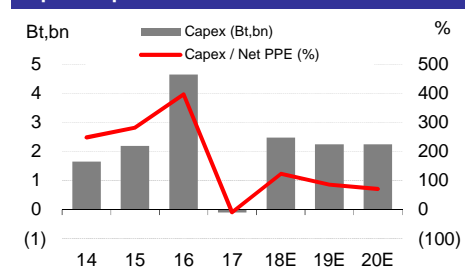
### A/C receivable & A/C payable days



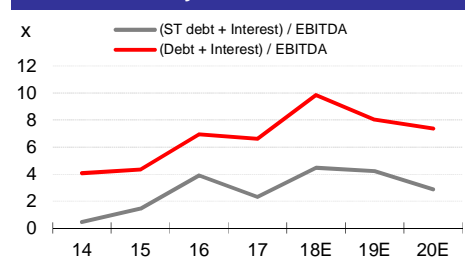
### Profit margins



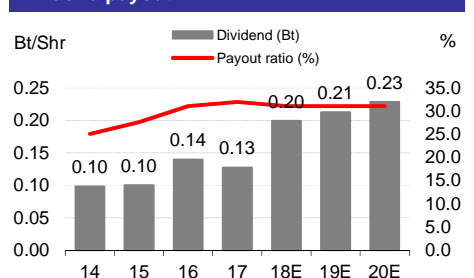
### Capital expenditure



### Debt serviceability



### Dividend payout



## ANAN: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q17	3Q17	4Q17	1Q18	2Q18
Revenue	3,590	2,634	3,955	2,693	2,347
Cost of sales and services	(2,259)	(1,708)	(2,594)	(1,783)	(1,652)
Gross profit	1,331	927	1,361	910	695
SG&A	(674)	(649)	(687)	(685)	(627)
<b>EBIT</b>	<b>657</b>	<b>277</b>	<b>674</b>	<b>225</b>	<b>68</b>
Interest expense	(104)	(89)	(4)	(92)	(91)
Other income/exp.	162	125	128	101	79
<b>EBT</b>	<b>715</b>	<b>313</b>	<b>797</b>	<b>234</b>	<b>56</b>
Corporate tax	(135)	(59)	(159)	(50)	(10)
After-tax net profit (loss)	580	254	638	184	45
Minority interest	0	0	0.00	0	0
Equity earnings from affiliates	(300)	(113)	129	(66)	539
Extra items	0	0	0	26	0
<b>Net profit (loss)</b>	<b>279</b>	<b>141</b>	<b>768</b>	<b>145</b>	<b>584</b>
Reported EPS	0.08	0.04	0.23	0.04	0.17
<b>Fully diluted EPS</b>	<b>0.08</b>	<b>0.04</b>	<b>0.23</b>	<b>0.04</b>	<b>0.17</b>
<b>Core net profit</b>	<b>279</b>	<b>141</b>	<b>768</b>	<b>118</b>	<b>584</b>
Core EPS	0.08	0.04	0.23	0.04	0.17
<b>EBITDA</b>	<b>850</b>	<b>435</b>	<b>835</b>	<b>359</b>	<b>181</b>

### KEY RATIOS

Gross margin (%)	37.1	35.2	34.4	33.8	29.6
EBITDA margin (%)	23.7	16.5	21.1	13.3	7.7
Operating margin (%)	18.3	10.5	17.0	8.4	2.9
Net margin (%)	7.8	5.4	19.4	5.4	24.9
Core profit margin (%)	7.8	5.4	19.4	4.4	24.9
BV (Bt)	3.5	3.6	4.0	4.1	4.1
ROE (%)	9.5	4.8	24.8	4.6	18.3
ROA (%)	4.3	2.1	10.3	1.6	6.6
Current ratio (x)	2.3	2.3	2.8	2.5	2.5
Gearing ratio (x)	0.7	0.6	0.7	1.1	1.2
Interest coverage (x)	6.3	3.1	159.4	2.5	0.7

### QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,842	1,461	2,063	5,239	1,585
Accounts receivable	233	491	1,072	482	499
Inventory	11,697	12,154	13,174	15,549	17,445
PP&E-net	784	284	284	323	320
Other assets	11,590	12,629	13,276	14,134	15,656
<b>Total assets</b>	<b>26,147</b>	<b>27,019</b>	<b>29,870</b>	<b>35,727</b>	<b>35,504</b>
Accounts payable	980	1,006	1,141	1,017	1,095
ST debts & current portion	1,451	857	1,499	3,336	4,631
Long-term debt	6,385	6,403	8,232	11,956	11,951
Other liabilities	5,534	6,775	5,538	5,866	3,965
<b>Total liabilities</b>	<b>14,350</b>	<b>15,041</b>	<b>16,410</b>	<b>22,174</b>	<b>21,642</b>
Paid-up capital	333	333	333	333	333
Share premium	5,159	5,159	301	5,150	5,150
Retained earnings	3,309	3,202	3,879	4,003	4,312
<b>Shareholders equity</b>	<b>11,793</b>	<b>11,686</b>	<b>12,396</b>	<b>12,490</b>	<b>12,799</b>
Minority interests	3.4	292.6	1,063.5	1,063.5	1,063.5
<b>Total Liab.&amp;Shareholders' equity</b>	<b>26,147</b>	<b>27,019</b>	<b>29,870</b>	<b>35,727</b>	<b>35,504</b>

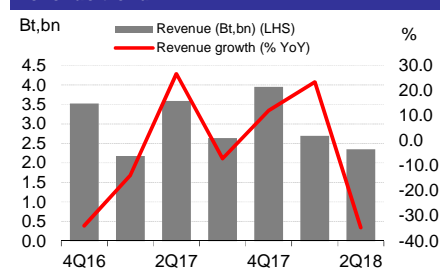
### KEY STATS

Presales (Btm)	6,930	10,013	4,436	11,050	9,645
Resi revenue (Btm)	2,358	2,716	1,577	2,661	1,692
Resi revenue growth (YoY)	5%	-45%	-28%	5%	-28%
Housing GM	39%	37%	35%	35%	30%

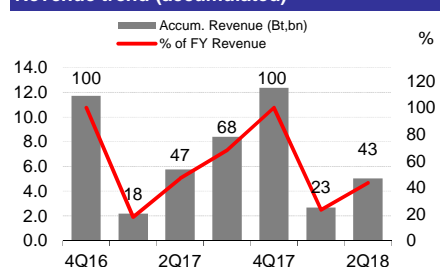
### Company profile

Ananda Development Public Company Limited (ANAN) was founded in 1999 by Chanond Ruangkitya. It has continued to develop its brands and its "Urban Living Solutions" to make it a leading developer of residential projects in close proximity to mass transit stations in Bangkok. Ananda's branded condos, such as IDEO, launched in 2007, and IDEO MOBI, launched in the first quarter of 2012, are stylish and employ modern designs. The top high-end condo brand is ASHTON. The low end of the market is served by the UNIO brand. The firm's products have a strong competitive advantage due to affordable prices and prime locations. Its low-rise business (approximately 20% of ANAN's portfolio) is in an early stage of development under the brands ATOLL, ARDEN, ARTALE and AIRI.

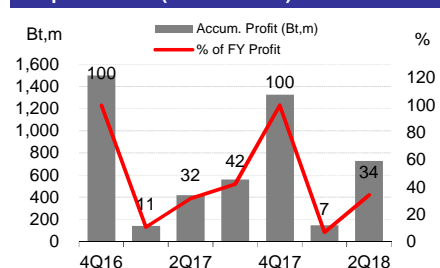
### Revenue trend



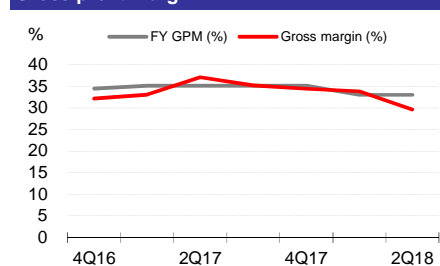
### Revenue trend (accumulated)



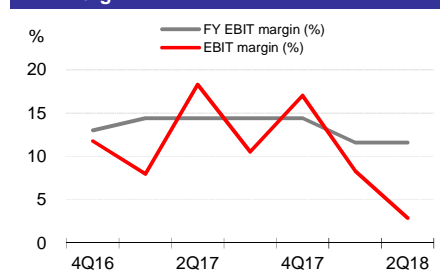
### Net profit trend (accumulated)



### Gross profit margin



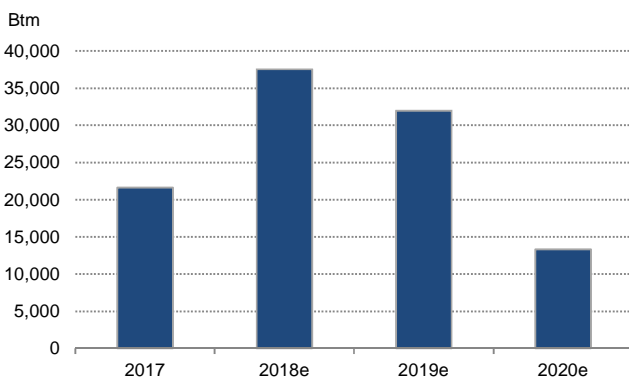
### EBIT margin



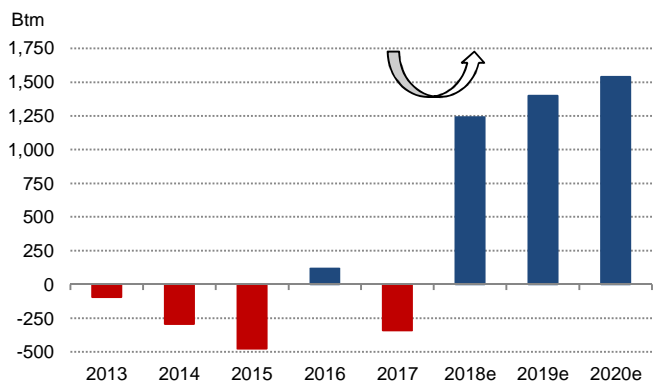
**Figure 1 : Forecast changes**

	2018e			2019e		
	Old	New	Chg.	Old	New	Chg.
Core profit (Btm)	1,986	2,138	8%	2,160	2,283	6%
Core EPS (Bt)	0.60	0.64	8%	0.65	0.69	6%
DPS (Bt)	0.19	0.20	8%	0.20	0.21	6%
Dividend yield	4.3%	4.6%	0.3%	4.7%	4.9%	0.3%
Total revenue (Btm)	12,131	11,629	-4%	12,990	12,940	0%
Residential revenue	8,099	8,000	-1%	8,914	8,914	0%
Equity income (Btm)	665	1,286	94%	993	1,399	41%
Gross margin	32.2%	31.1%	-3.2%	32.3%	31.2%	-3.2%
SG&A/Revenue	20.3%	21.4%	1.1%	21.0%	20.1%	-0.9%
Core margin	16.4%	18.4%	2.0%	16.6%	17.6%	1.0%
Debt to equity (x)	1.3	1.1	-17.4%	1.2	1.0	-14.5%
ROE	14.2%	13.3%	-1.0%	13.9%	12.9%	-1.1%

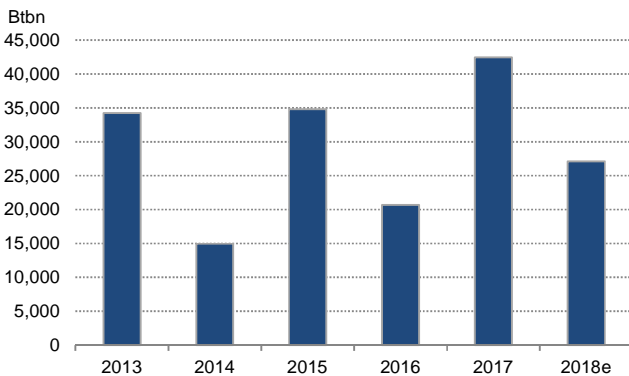
**Figure 2 : Condo completion schedule including JV condos**



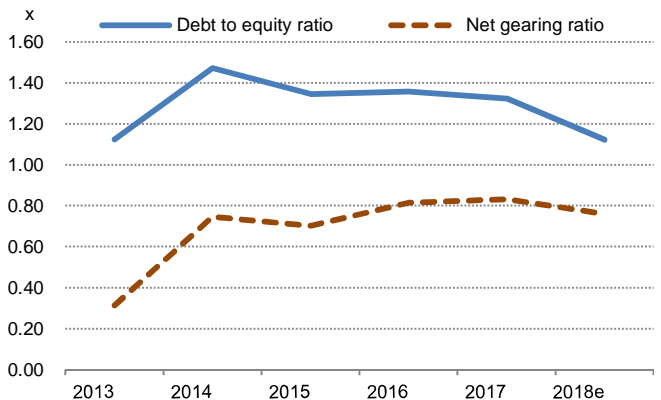
**Figure 3 : Equity income from JV condos**



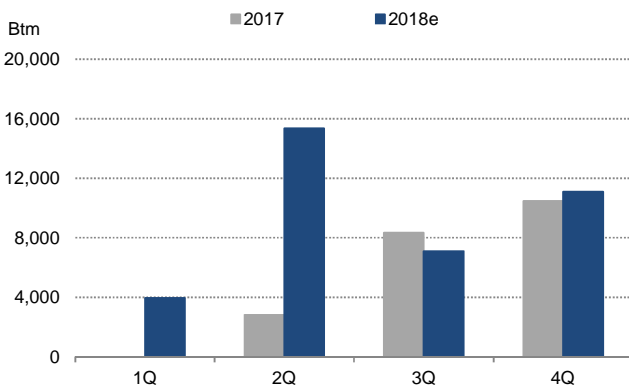
**Figure 4 : New launch profile in 2018**



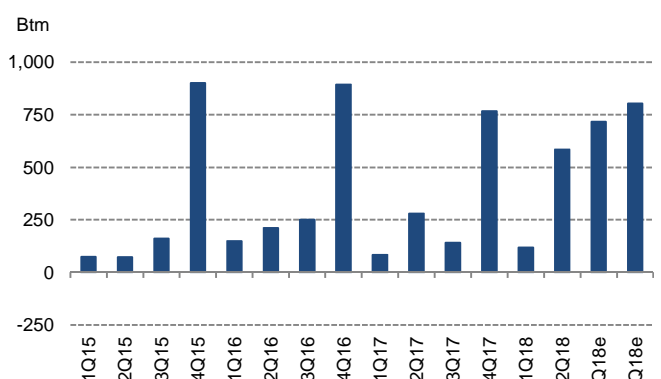
**Figure 5 : Leverage ratios**



**Figure 6 : Condo completion schedule and start of transfers, by quarter**



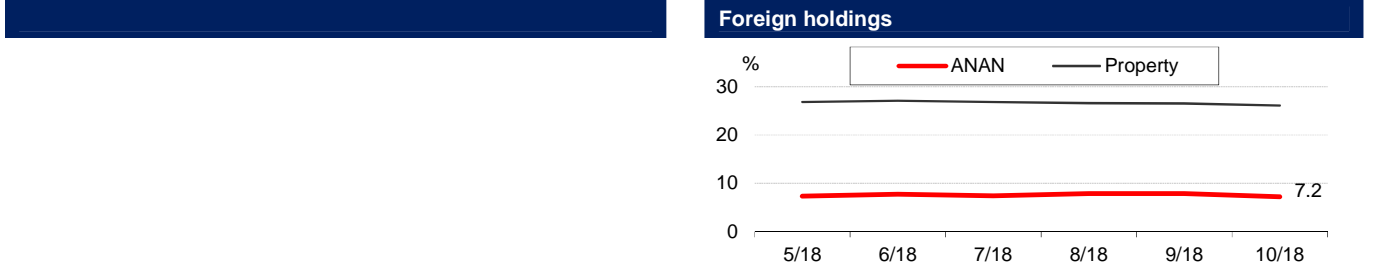
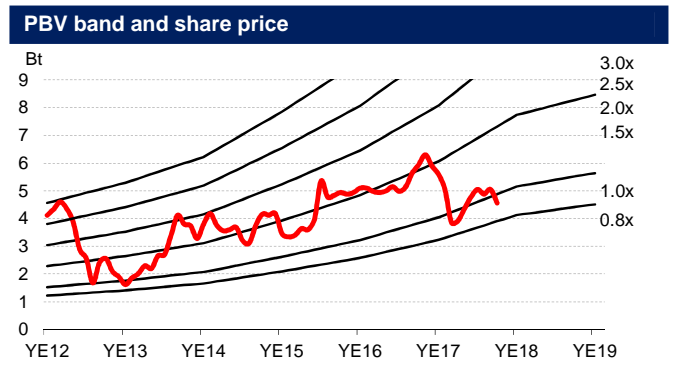
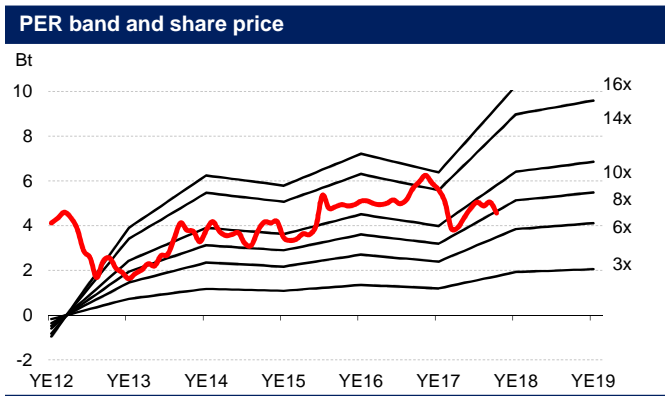
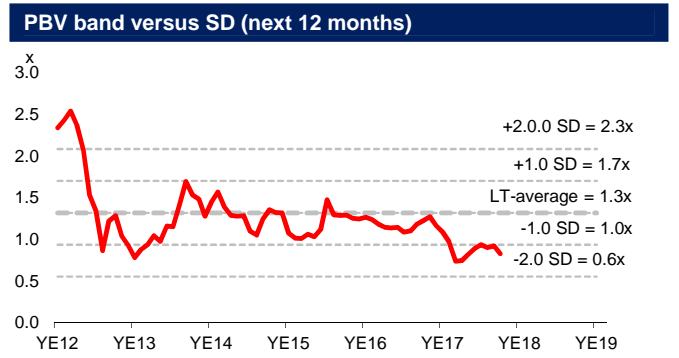
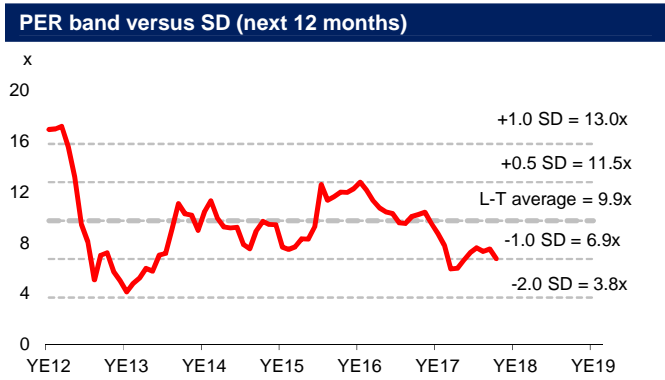
**Figure 7 : Quarterly core earnings**



Source: Company update and Bualuang research

## Sector Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US\$ equivalent)	PER (x)		EPS Growth (%)		PBV (x)		ROE (%)		Div Yield (%)	
				2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
Ananda Development	ANAN TB	THB4.32	439	6.7	6.3	60.9	6.8	0.8	0.8	15.0	13.5	4.6	4.9
AP (Thailand)	AP TB	THB8.05	772	7.3	6.7	10.1	9.3	1.1	1.0	15.2	15.0	4.8	5.2
Golden Land Property Development	GOLD TB	THB8.85	627	10.7	9.4	75.1	13.9	1.3	1.2	12.5	13.1	4.7	5.3
Land and Houses	LH TB	THB10.50	3,826	12.0	12.5	0.4	-4.0	2.4	2.4	20.7	19.4	7.5	7.2
L.P.N. Development	LPN TB	THB9.65	434	8.9	7.4	50.8	20.4	1.1	1.0	12.5	14.0	6.2	7.2
Prukha Holding	PSH TB	THB20.30	1,355	7.4	6.8	9.6	9.8	1.1	1.0	15.1	15.3	6.9	7.5
Origin Property	ORI TB	THB10.00	747	5.7	5.2	77.7	9.5	1.9	1.5	57.9	46.5	8.8	9.7
Quality Houses	QH TB	THB3.04	993	8.2	7.4	14.5	11.3	1.2	1.1	15.4	16.0	7.5	8.4
Raimon Land	RML TB	THB1.30	142	73.8	69.8	5.8	5.8	0.8	0.8	1.4	1.4	0.0	0.0
SC Asset Corporation	SC TB	THB3.42	436	7.4	6.5	42.0	13.7	0.9	0.8	12.4	13.1	5.4	6.2
Sansiri	SIRI TB	THB1.53	693	7.7	6.7	4.2	14.6	0.7	0.7	9.4	10.1	5.1	5.8
Supalai	SPALI TB	THB22.20	1,418	8.0	7.3	-18.4	10.4	1.3	1.2	18.8	17.5	5.0	5.5
<b>Simple average</b>				<b>13.7</b>	<b>12.7</b>	<b>27.7</b>	<b>10.1</b>	<b>1.2</b>	<b>1.1</b>	<b>17.2</b>	<b>16.2</b>	<b>5.5</b>	<b>6.1</b>



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OSP	OSP, BGC, PR9

**CG Rating**

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 00359		Pass
Below 50	No logo given	N/A

**Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors**

- companies that have **declared** their intention to join CAC, and
- companies **certified** by CAC.

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## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.