

**RELATIVE VALUATION OF AP (THAILAND)
PUBLIC COMPANY LIMITED**



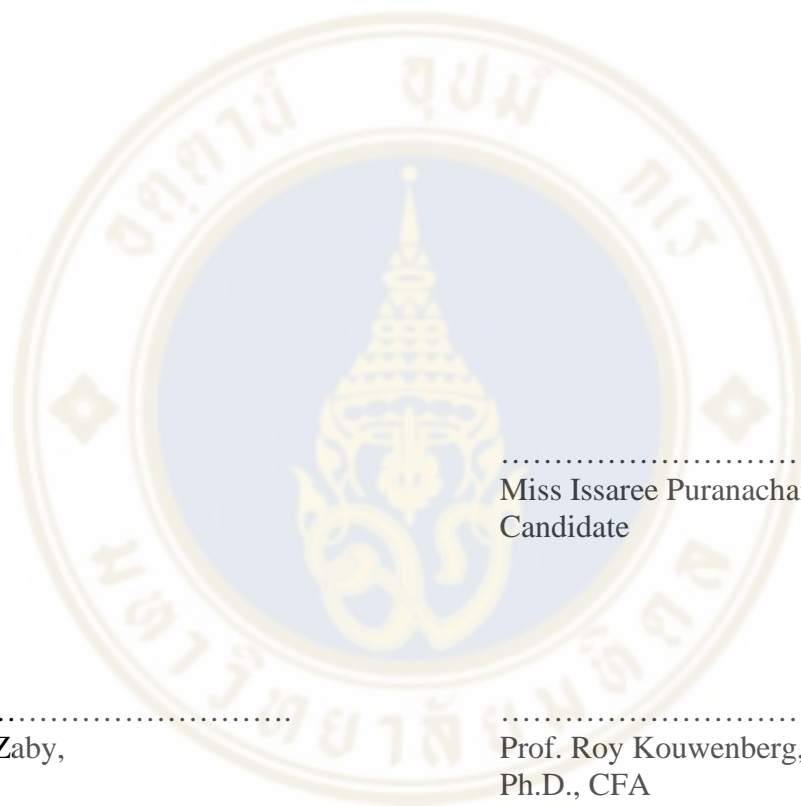
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**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
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COLLEGE OF MANAGEMENT
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entitled
**RELATIVE VALUATION OF ANANDA DEVELOPMENT
PUBLIC COMPANY LIMITED**

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RELATIVE VALUATION OF AP (THAILAND) PUBLIC COMPANY LIMITED

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M.M. (CORPORATE FINANCE)

THEMATIC PAPER ADVISORY COMMITTEE: SIMON ZABY, Ph.D., PROF.
ROY KOUWENBERG, Ph.D., CFA, WORAPONG JANYANGYUEN, D.B.A.**ABSTRACT**

The valuation method applied in this thematic paper is the relative valuation method by selecting AP (Thailand) Public Company Limited (AP) as a representative company to evaluate the value of AP. AP is in the property development sector. The company was founded in 1991 by Mr. Anupong Asavapokin and Mr. Phichet Wiphavasupakorn as major shareholders. The mission of AP is EMPOWER LIVING to create and empower people to live and enjoy their daily lives through valuable and meaningful innovative products and services. AP's core business operates in three segments which are low-rise segment, high-rise, and other segments. AP has three key strategies to drive an organization that has begun to take action since 2017 consist of independently responsible leaders, innovative culture to build a corporate culture, and everything digital which will support rapid technology changes. The purpose of this thematic paper is to provide a valuation of AP.

The concept of relative valuation is to compare the AP's value with the value of related peers in the same industry. The chosen appropriate multiple method for estimating the target price is the trailing P/E multiple. The target price of AP based on the relative valuation method is 14.83 Thai Baht. Therefore, the result of applying relative valuation of AP (Thailand) Public Company Limited with supporting information indicates that the value of AP is undervalued compared to its current stock price. As a result, the recommendation to investors is to BUY the stock.

KEY WORDS: AP/ Relative Valuation/ Real Estate/ P/E Ratio/ Valuation

39 pages

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LIST OF ABBREVIATIONS

AP	AP (Thailand) Public Company Limited
BV	Book Value
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
CAPM	Capital Asset Pricing Model
COGS	Cost of Goods Sold
DCF	Discounted Cash Flow
EPS	Earnings per Share
EBIT	Earning before Interest and Taxes
EBITDA	Earning before Interest, Taxes and Depreciation
EV	Enterprise Value
FCFF	Free Cash Flow to Firm
GDP	Gross Domestic Production
JV	Joint Venture
Kd	Cost of Debt
Ke	Cost of Equity
MRP	Market Risk Premium
NPV	Net Present Value
NOPAT	Net Operating Profit after Taxes
NI	Net Income
P/E	Price to Earnings per Share
P/BV	Price to Book Value
Rf	Risk Free
ROE	Return on Equity
SET	Stock Exchange of Thailand
SG&A	Selling, General and Administrative Expense
WACC	Weighted Average Cost of Capital
Wd	Weight of Debt
We	Weight of Equity

CHAPTER I

INTRODUCTION



Figure 2.1 AP Logo

Source: AP Website

AP (Thailand) Public Company Limited (AP) is a real estate developer in the category of detached houses, townhouses, and condominiums. Each location focuses on urban areas or near the business center which is comfortable for everyday life and emphasizes the residential design to match customer's needs.

The company founded in 1991 by Mr. Anuphong Assavabhokhin and Mr. Pichet Vipavasuphakorn as major shareholders, later in the year 2000 was listed on the Stock Exchange of Thailand (SET), through a merger with the company Prefabricated Floor PCM Public Company Limited. After that it sold all shares in PCM Construction Material Company Limited in 2004 to make business type obviously. Nowadays, it is in the property development sector.

Main revenue comes from sales of real estates, which is 97 percent of total revenue. It can be divided into 2 parts; low rise revenue is 83 percent of sales from real estates and the rest is 17 percent from condominiums based on year 2020. The company has a clear policy that would like to grow sustainably in line with the current economic situation, thus focusing on real demand customers and emphasizing on continuous development of products and services.

CHAPTER II

BUSINESS DESCRIPTION

2.1 Business Overview

AP Thailand is a property development business. The projects include townhouses, single-detached houses and condominiums. The single-detached houses under the brand of Palazzo, Baan Klang Krung, Soul, Classe, Centro, The City and Mind and the townhouse under the brand of District, Pleno, THE SONNE and Baan Klang Muang are focused on Bangkok and surrounding and central business district. Api Town is a new brand in the upcountry. For the single-detached house and townhouse, the target group is a small family up to a large family. The condominiums under the brands of Vittorio, The Address, Rhythm, Life, Aspire and Coo which target customers are urban workers (Figure 2.1 AP Brand Product).



Figure 2.2 AP Brand Product

Source: AP annual report yearly 2020

The company has a wide variety of products to respond to various customer segments, making the AP brand one of the strongest brands in the property developer market. According to Table 2.1 Type of Brand Product, AP has a clear classification of customers with the brands and price.

Table 2.1 Type of Brand Product

Brand	Type	Price range	Target clients
Baan Klang Krung	Townhouse, SDH	Baht 10 million+	35-50 years old
Baan Klang Muang	Townhouse	Baht 4-7 million	28-40 years old
Pleno	Townhouse	Baht 1.8-2.4 million	30-45 years old
BIZTOWN	Home Office	Baht 6 million+	35-50 years old
The Palazzo	SDH	Baht 12-35 million	35-55 years old
Soul	SDH	Baht 12-30 million	35-55 years old
Centro	SDH	Baht 5-8 million	30-45 years old
The City	SDH	Baht 8-15 million	35-55 years old
Galerie	Condominium	Baht 25-100 million	35-50 years old
The Address	Condominium	120,000 Baht/sq.m.+	30-55 years old
Rhythm	Condominium	90,000-120,000 Baht/sq.m.	25-45 years old
Life	Condominium	90,000 Baht/sq.m.	25-45 years old
Aspire	Condominium	48,000-82,000 Baht/sq.m.	23-35 years old
Coo	Condominium	Baht 1.2-1.5 million	23-35 years old

Source: AP annual report yearly 2020

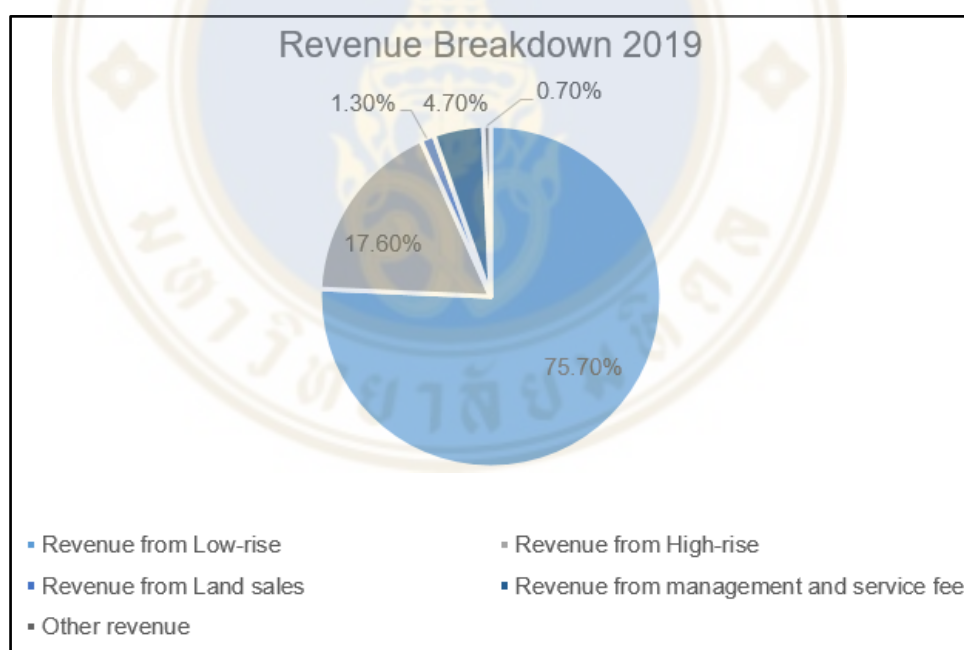
According to the table 2.2 revenue structure, revenue from property development business is the main income source, which is approximately 93 percent in 2019 (Figure 2.2 Revenue Breakdown 2019) and increase to 97 percent of the total in 2020 (Figure 2.3 Revenue Breakdown 2020) following the GDP in real estate sector (Figure 2.4 GDP contribution in real estate sector). The proportion of low-rise income rose significantly from 75.7 percent to 80.2 percent, and the proportion of high-rise income dropped from 17.6 percent to 16.4 percent, in line with the condominium market slowdown.

Table 2.2 Revenue Structure

(Unit: million Baht)

Product lines / Business Group	2020		2019		2018 (Restated)	
	Revenue	%	Revenue	%	Revenue	%
1. Revenue from property development business						
▪ Low-rise	24,034.6	80.2	18,144.6	75.7	17,521.4	64.1
▪ High-rise	4,914.4	16.4	4,227.2	17.6	8,678.7	31.8
▪ Land sales	-	-	307.0	1.3	-	-
Total revenue from property development business	28,949.0	96.6	22,678.8	94.6	26,200.1	95.9
2. Revenue from management and service fee	939.4	3.2	1,123.4	4.7	1,070.6	3.9
3. Other revenue	70.1	0.2	164.5	0.7	64.4	0.2
Grand total	29,958.5	100.0	23,966.7	100.0	27,335.1	100.0

Source: AP annual report yearly 2020

**Figure 2.3 Revenue Breakdown 2019**

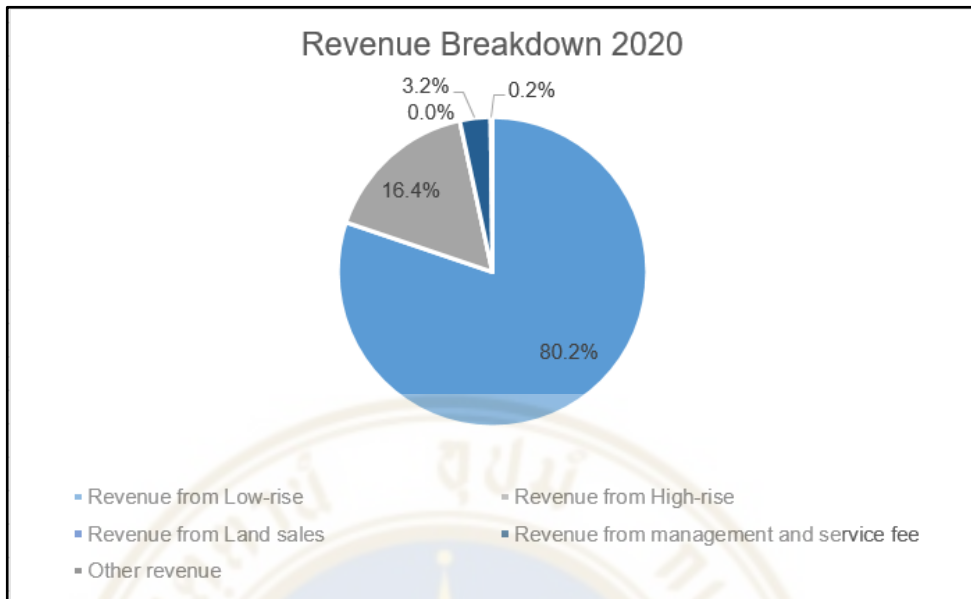


Figure 2.4 Revenue Breakdown 2020

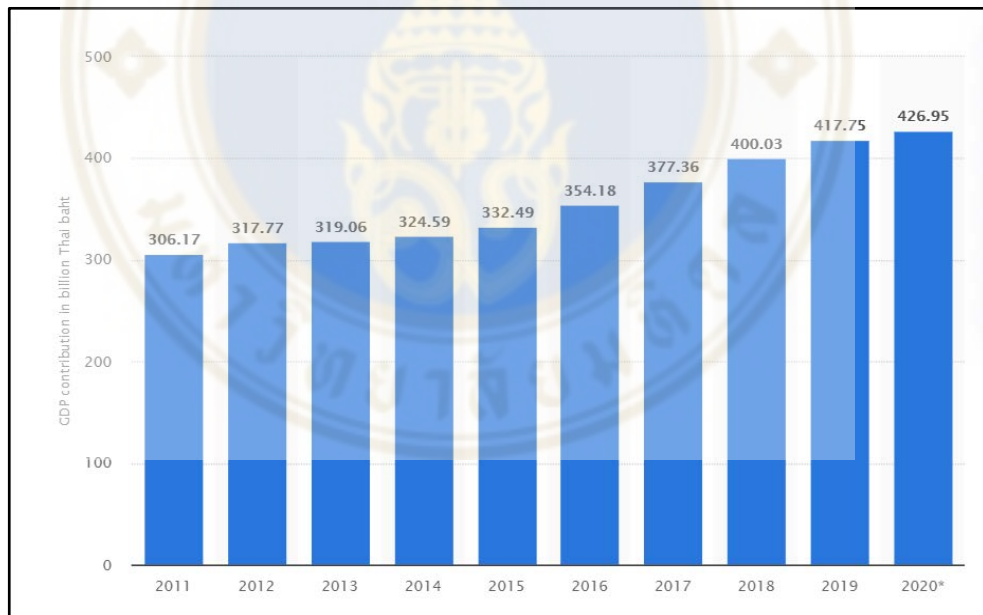


Figure 2.5 GDP contribution in real estate sector

Source: www.statista.com

2.2 Strategies

There are 3 key strategies to drive an organization which has begun to take action with employees at all levels since 2017 consist of independent responsible leaders, innovative culture and everything digital (source: AP annual report yearly 2020).

Firstly, independent responsible leaders increase more competition chances under the framework of responsibility to themselves, customers, vendors and co-worker. The operation focuses on the customer's needs more than the company's requirements. As for the condominium market demand has started to slow down since 2019, both in the part of real demand that was bought for living and in the part of investors. Likewise, purchasing power from foreign countries has also declined, especially purchasing power from China. As a result, the company shifted its strategy to concentrate with real demand from low-rise residents, as evidenced by the increased proportion of low-rise housing revenue to serve customer's needs.

Secondly, innovative culture builds a corporate culture with a DESIGN THINKING system that integrates creative thinking and business thinking for new thing development via YourNextU. This method extends the knowledge and uses it to increase the product design efficiency for customer's needs as much as possible, these processes to ensure that the company has sufficient executives and employees for future business expansion.

Lastly, everything digital supports rapid technology changes. Due to the outbreak of the Covid-19, new-normal lifestyles are expected into permanent behaviors such as reliance on online spending and working from home is spending more time, companies adapt strategies for new lifestyles.

2.3 Management

“EMPOWER LIVING” is the AP's vision. It builds and provides products and services to customers that help people to live a good life in their way. The mission is being an organization that understands unmet customer needs and quickly responds to their needs. The objectives and long-term goals are considered by the vision and mission to create substantial corporate objectives.

The management of AP is led by Mr. Anuphong Assavabhokhin as vice chairman (Table 2.3 Board of Directors) and chief executive officer. He is a major shareholder with the highest number of shares. The other one is Mr. Pichet Vipavasuphakorn as a managing director. Mr. Pichet and his spouse are also a major shareholder of AP (Table 2.4 Major Shareholders).

Table 2.3 Board of Directors

Director	Position	Independent director	Executive director	IOD training course
1. Assoc. Prof. Dr. Naris Chalyasoot	Chairman of the board	/	-	/
2. Mr. Anuphong Assavabhokhin	Vice chairman/Chief executive officer	-	/	/
3. Mr. Pichet Vipavasuphakorn	Director/Managing director	-	/	/
4. Mr. Siripong Sombutsiri	Director	-	/	/
5. Mr. Phanpom Dabbaransi	Chairman of audit committee	/	-	/
6. Mr. Nantachit Tulayanonda	Audit committee member	/	-	/
7. Mr. Kosol Sullyaporn	Audit committee member	/	-	/
8. Mr. Somyod Suteerapornchai	Audit committee member	/	-	/
9. Mr. Yakkorn Tantissawetrat	Director	/	-	/
10. Mr. Paimwut Sorasin	Director	/	-	/
11. Ms. Kittiya Pongpajaneegul	Director	-	/	/
12. Mr. Visanu Suchatlumpong	Director	-	/	/
13. Mr. Wason Nauenatpalsan	Director	-	/	/

Source: AP Annual Report yearly 2020

Table 2.4 Major Shareholders

No.	Name of the shareholder	No. of shares	Percentage
1	Mr. Anuphong Assavabhokhin	670,047,561	21.30
2	Thai NVDR Co., Ltd.	343,241,891	10.91
3	NORTRUST NOMINEES LIMITED-THE NORTHERN TRUST COMPANY RE IEDU UCITS CLIENTS 10 PCT ACCOUNT	191,743,715	6.10
4	State Street Europe Limited	107,434,645	3.42
5	Mr. Pichet Vipavasuphakom*	88,282,879	2.81
6	The Bank of New York Mellon	82,760,030	2.63
7	Krungsi LTF Dividend Stock	73,135,100	2.32
8	South East Asia UK (Type C) Nominees Limited	72,977,064	2.32
9	Mr. Jaroonsak Bantoonrajinda	66,919,000	2.13
10	Mr. Chanchai Krairitthichai	62,000,060	1.97

Source: AP Annual Report yearly 2020

This figure shows the company structure, the board of directors is a group of people who establish and support the implementation of the management policy instead of shareholders.

**Figure 2.6 Organizational Chart**

Source: AP Annual Report yearly 2020

2.4 Corporate Governance

AP (Thailand) get the highest CG score (Figure 2.6 AP Corporate Governance) due to operates its business with integrity, honesty, transparency, fairness and compliance with the law and accountability to society, including all stakeholders in accordance with the principles of good corporate governance, which is the basis of sustainable growth (Source: AP Thailand annual report).

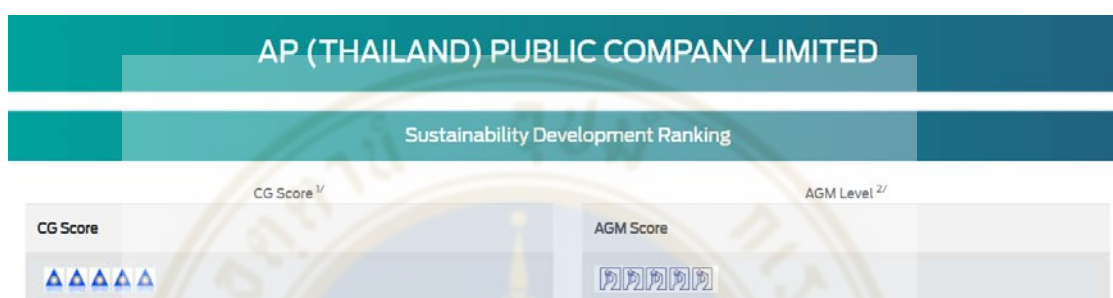



Figure 2.7 AP Corporate Governance

Source: <https://market.sec.or.th/>

The companies that get the same score consist of many leading companies such as AIS, BDMS, BEM (Figure 2.7 AP with Excellent CG Scoring).

Companies with Excellent CG Scoring
by alphabetical order



ข้อมูล ณ วันที่ 19 พฤศจิกายน 2563





























No	Symbol		Public Company Limited	No	Symbol		Public Company Limited
1	AAV		ASIA AVIATION	21	BCPG		BCPG
2	ADVANC		ADVANCED INFO SERVICE	22	BDMS		BANGKOK DUSIT MEDICAL SERVICES
3	AF		AIRA FACTORING	23	BEC		BEC WORLD
4	AIRA		AIRA CAPITAL	24	BEM		BANGKOK EXPRESSWAY AND METRO
5	AKP		AKKHIE PRAKARN	25	BGRIM		B.GRIMM POWER
6	AKR		EKARAT ENGINEERING	26	BIZ		BUSINESS ALIGNMENT
7	ALT		ALT TELECOM	27	BKI		BANGKOK INSURANCE
8	AMA		AMA MARINE	28	BLA		BANGKOK LIFE ASSURANCE
9	AMATA		AMATA CORPORATION	29	BOL		BUSINESS ONLINE
10	AMATAV		AMATA VN	30	BPP		BANPU POWER
11	ANAN		ANANDA DEVELOPMENT	31	BRR		BURIRAM SUGAR
12	AOT		AIRPORTS OF THAILAND	32	BTS		BTS GROUP HOLDINGS
13	AP		AP (THAILAND)	33	BWG		BETTER WORLD GREEN
14	ARIP		ARIP	34	CENTEL		CENTRAL PLAZA HOTEL

Figure 2.8 AP with Excellent CG Scoring

Source: <http://www.thai-iod.com/>

CHAPTER III

INDUSTRY OUTLOOK

3.1 Macroeconomic Analysis

The world and Thailand GDP

The global economy is expected to grow 6 percent in 2021 and 4.9 percent in 2022 after falling 3.2 percent in 2020 due to the COVID-19 pandemic (Source: World Economic Outlook Update, July 2021). While Thailand GDP contracted in 2020 at 6.4 percent, the lowest in 22 years. It is forecast to grow at 2.2 percent annually in 2021, down from previously projected 3.4 percent (Figure 3.1 Thailand GDP).



Figure 3.1 Thailand GDP

The negative factors affecting the GDP change come from the impact of the new wave of Covid-19 outbreak at the end of the second quarter of 2021 and reducing the number of tourists forecast. However, it is still driven by exports that tend to expand in line with economic recovery and world trade volumes, and economic stimulus measures, which would help domestic spending to continue to recover. For example, reducing people's cost of living to stimulate consumption, state enterprise investment budgets, especially infrastructure investment projects, and other financial measures

include low-interest loans to help entrepreneurs that were affected by the COVID-19 epidemic. GDP growth will be 5.1% in 2022 due to accelerating economic recovery, but the outlook is unsure.

The real estate business was sluggish due to the pandemic. Developers delayed the launch of new projects as purchasing power in the country and foreigners has decreased, resulting in the oversupply in the market especially of condominiums. Real demand customers will stimulate the property market rather than speculative investors.

Thailand Unemployment rate and Household Debt

Due to the prolonged outbreak, the unemployment rate of Thai people increased by 1.96 percent (Figure 3.2 Unemployment rate) compared to the previous quarter, or about 760,000 people. At the same time, working hours have also decreased. Salaries, bonuses and OT wages also contracted significantly by 8.8 percent from the same period last year. This was a contraction in all major non-agribusiness sectors. These things in the labor market will continue to affect income and household confidence.

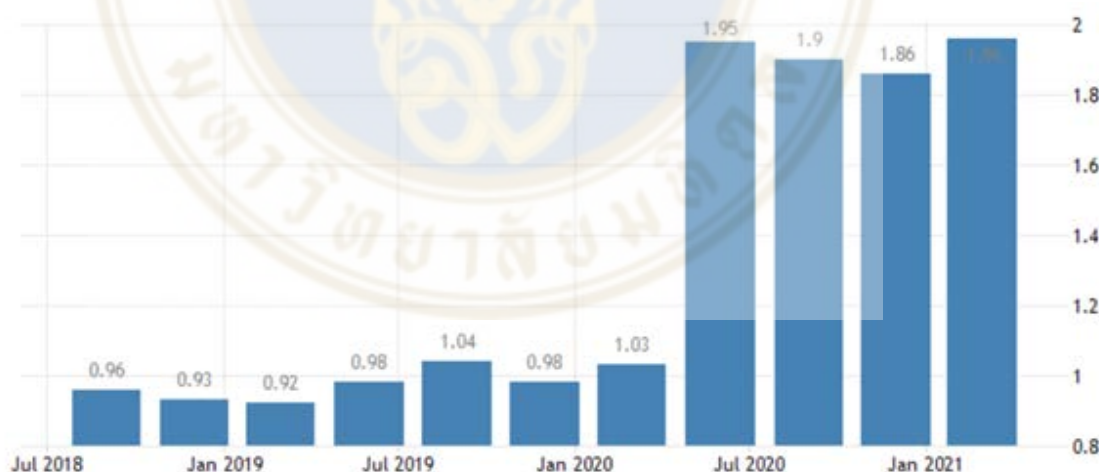


Figure 3.2 Unemployment Rate

Source: <https://tradingeconomics.com/thailand/unemployment-rate>

The household debt to GDP ratio in 2020 rose to 89.3%, compared with 78.4% per GDP and 79.8% per GDP in 2018 and 2019 respectively, as household debt continued to grow even during the period Thai economy contracted by the Covid-19

crisis (Figure 3.3 Household debt to GDP ratio). As the debt growth dimension in 2020, household debt outstanding rose only 3.9%, the lowest growth rate in 4 years and decreased from 5.1% growth in 2019, reflecting both borrowers and lenders are becoming more cautious in making financial transactions. In the first quarter of 2021, the ratio of household debt to GDP in Thailand is expected to increase in line with the shrinking GDP. While incomes did not recover immediately, the debt overhang is a major obstacle to Thailand's economic growth going forward.

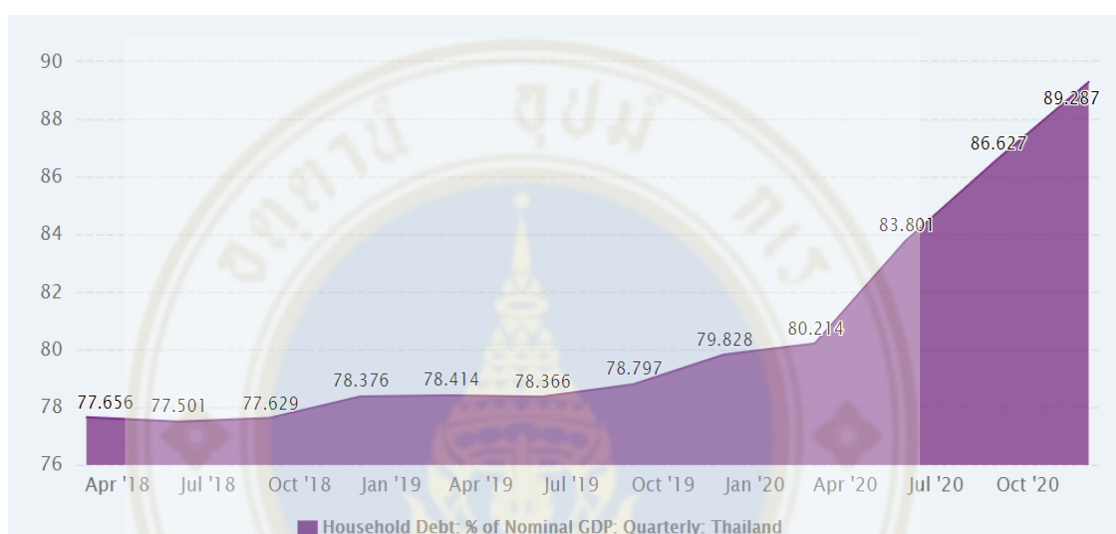


Figure 3.3 Household Debt to GDP Ratio

Source: <https://www.ceicdata.com/en/>

KASIKORN RESEARCH CENTER can divide the objectives of borrowing into 2 groups. The first group is borrowing from households to purchase real estate, residential and cars which are a group with medium to high purchasing power and income is not affected much by the Covid situation. The second group is a group of households that need to borrow for liquidity and working capital for business operations, which is a group with unstable incomes. Therefore, the first group is the developer's target to stimulate sale and inventory liquidity by promotion and special campaign launching.

3.2 Industry Analysis

The overall residence market in Bangkok and its vicinities in the first half of the year was severely affected by the COVID-19 epidemic, resulting in a decline of new projects launched for sale as developers postpone the launch of new projects and accelerate the release of outstanding stocks through various sales strategies such as over-the-counter discounts, etc.

For the whole of 2020, the residential market continued to contract sharply from 2019 as a result of domestic purchasing power tending to stagnate in line with economic conditions, purchasing power for the high rise from foreign customers decelerating in line with the global recession, LTV criteria still strict onwards and the accumulated oversupply was high in many areas.

The residential market in Bangkok and its vicinity over the next three years from 2021 to 2023 is likely to improve. Supporting factors from the economy that is expected to gradually recover is the acceleration of mega projects as well as foreign investment. However, the high residual supply remains a depressing factor for growth.

The developers have increased the proportion of low-rise houses to maintain profit margins of the business and support the real demand for housing that is likely to grow continuously due to the demand growth from the new normal trend, which has attracted buyers to focus on living space and functions that are more conducive to working at home. For the supply side, they choose to open a low-rise project because the project development model can be phased in the metropolitan area where the land price is not as high as the city center. Moreover, the expansion of mass transit routes helps to create commercial value for the land surrounding the project. It is an opportunity for developers to invest in new projects in the suburbs and gain more profit.

Condominiums are expected to improve in some areas, especially in the city center and some BTS lines. Although the overall new supply of condominiums slows down considerably in 2020.

However, the income of large developers will continue to grow. Meanwhile, small-medium business developers will face intense competition in terms of sales and prices of land that are scarce and expensive.

3.3 Competition Analysis

AP's main competitors in Thailand are Sansiri, Quality Houses, LH, LPN, Pruksa and Supalai. AP has other competitors outside Thailand, which are 8990 Holdings in Philippines and UOA Development in Malaysia. Competitors are chosen from companies that are in the same industry and have similar core businesses, in addition to being similar in size of market capitalization. If you look at the **Figure 3.4** below, it can be seen that LH has the highest market capitalization and LPN has the lowest market capitalization. Other companies will have similar market capitalization.

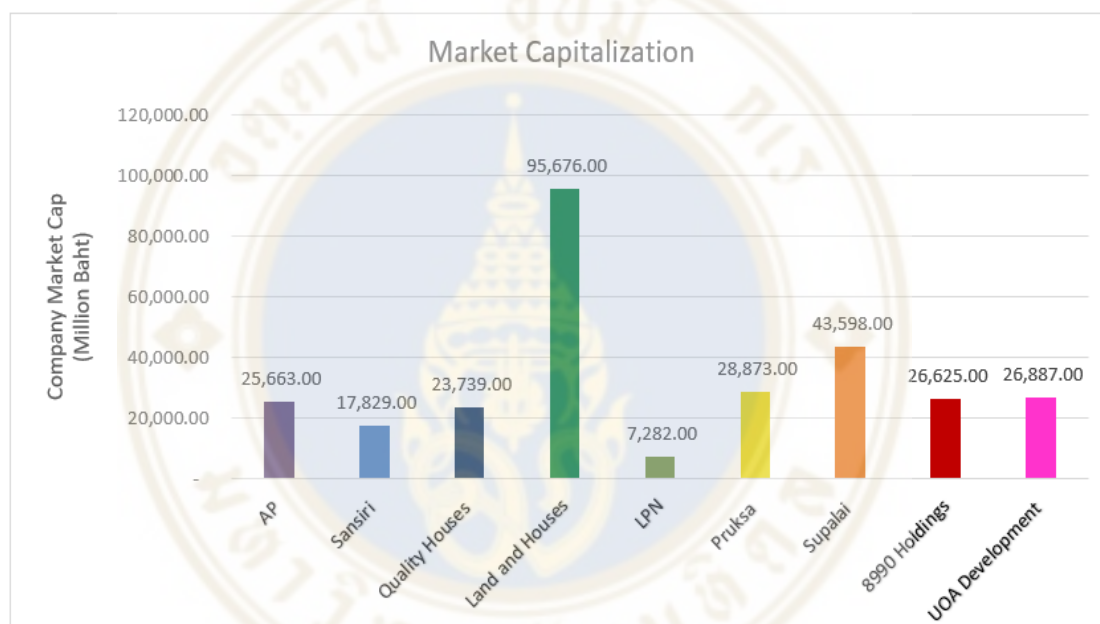


Figure 3.4 Market Capitalization (Million Baht)

Sansiri Public Company Limited (SIRI) is the property development company. The company's core business includes property development, property services, and international investment. For property development business, it consists of for sale includes landed property and high-rise property and for rent includes office buildings and leasehold commercial building.

Quality Houses Public Company Limited (QH) is the company which engages in the residential property development. The company's core business includes sales of land, houses and condominiums, and residential and commercial buildings.

Land and Houses Public Company Limited (LH) is the property development company. LH develops and operates two business segments which are real estate business focusing on the residential development, and rental and service business segment. LH develops detached houses, duplex houses, townhouses, flats, and condominiums in Bangkok and surrounding areas.

LPN Development Public Company Limited (LPN) is the company which engages in the real estate development. The company's core business is to provide products and services for real estate development and real estate management services. The LPN's target group is the middle to lower-middle class, so LPN is the developer of residential condominiums with affordable prices.

Pruksa Holding Public Company Limited (PSH) invests in Pruksa Real Estate Public Company Limited. The company's core business operating in the property development business. PSH develops commercial buildings and residential housing, which are single-detached houses, townhouses, and condominiums.

Supalai Public Company Limited (SPALI) is the company which operates and develops real estate projects. The projects include detached houses, duplex houses, townhouses, and condominiums. Also, including office buildings for rent. SPALI operates in two segments which are real estate business and hotel business.

8990 Holdings, Inc. (HOUSE) divides its operations into two segments which are the construction of low-cost housing, medium-rise condominiums and high-rise condominiums, and hotel operation.

UOA Development (UOAD) has two business segments, real estate development and construction. UOAD focuses on property development on land and construction contracts. The company also operates through its affiliates such as managing and operating hotels and serviced apartments.

AP - Five forces Analysis

Power of Customers: High

In the current competitive situation, the market has an oversupply. This gives customers quite a lot of bargaining power. Customers with high purchasing power have a lot of bargaining power and have a lot of choice in terms of location and price.

Power of Suppliers: Low

Suppliers have very little bargaining power in an economic situation, which is an oversupply of inventories causing developers to choose to postpone the construction of some projects. When construction demand is low, suppliers have less bargaining power.

Threat of New Entrants: Low

Although new small developers have jumped into the business, the smaller developers are at a disadvantage on consumer trust and the company's reputation. The large developers also slow down investments in new projects as well, causing fewer new entrants.

Threat of Substitutes: Medium

Some people choose to wait and see the situation, so they still haven't decided to buy a residence, so they choose to rent instead of buying a property.

Industry Rivalry: High

Oversupply makes price competition war in order to drain the backlog of products. The developer has made a promotion to speed up the product release.

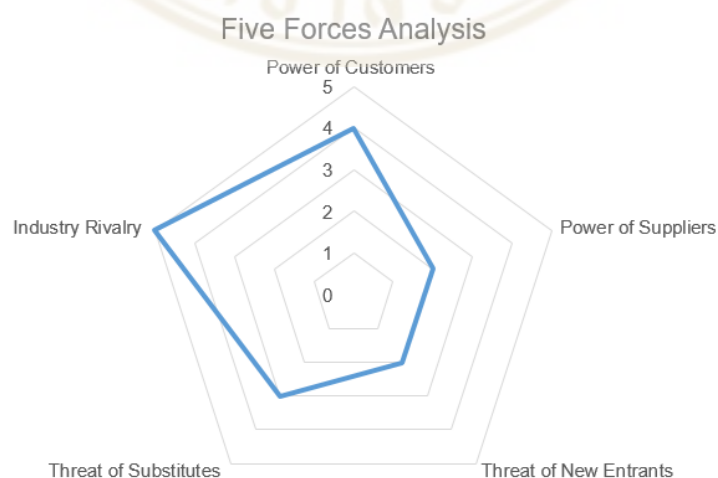


Figure 3.5 AP Five Forces Analysis

AP - SWOT Analysis

Strengths

- Strong brand image: AP is well known as a single-detached house, townhouses and condominiums brands that customers are familiar with, such as condominiums brands under the brand name “Life” and “Aspire” or a single-detached house brand as “Centro”
- Variety of products: There are various products to respond to the needs of various customers.
- Best location: AP focuses its vertical residential projects to be constructed within the range of BTS stations and its horizontal residential projects in the suburban area.
- Online Marketing: AP prefers to advertise via online platforms, so customers can access the projects’ information anywhere and anytime. AP recently launched its latest online platform called ONE CLICK NEW HOW to offer various services for its customers from visiting the model units to booking your future residence.

Weaknesses

- Liquidity Risk: The construction of the house was completed before the sale. Therefore, the company requires a large amount of working capital and the company is at risk if it is unable to sell the completed house.
- High Cost: The company is still unable to produce all construction materials by itself, which makes it costly to purchase construction materials from vendors.

Opportunities

- Rail transport expansion: The expansion of public transport, both sky train and underground rail systems, gives the condo business more opportunities for expansion.
- New Normal life: due to the COVID-19 epidemic, people's lifestyles have begun to change, such as Work from Home, causing people to start looking for a comfortable area to work and live.
- Measures to reduce the transfer and mortgage fees: The government has reduced transfer and mortgage fees to encourage people to buy property to stimulate the economy.

Treats

- Economic contraction: The country's economy is in recession, with GDP in 2020 shrinking 6.1 percent and household debt remains high. Therefore, consumer confidence is fragile, forcing people to be concerned about their purchasing power.
- International demand decline: Condominiums are allowed for foreigners to own, but the international demand dropped over the past one to two years, resulting in a relatively large supply of condominiums.
- Risk from the issuance of new rules: regulations and laws related to business operations, such as the new Land and Construction Tax Act.
- The price of land: land in Bangkok is getting more expensive.



CHAPTER IV

INVESTMENT RISKS & DOWNSIDE POSSIBILITIES

Risk from global economic volatility

In 2020, the overall economic recession is the most severe due to the situation of the outbreak of the COVID-19 virus, affecting all sectors of the economy and society. Especially, property development business, which is directly linked to economic growth, leads to a decrease in purchasing power in the country and the disappearance of foreign customers, which affects the condominium business.

Therefore, the company has adopted a strategy by concentrating on customers who truly need to buy a residence for living. The company focuses on the development of residential projects in urban locations or near public transportation, by considering the types of real estate to suit the location and the customer needs under different brands, both types of residence and prices. In addition, AP Thailand has also expanded the project to the low-rise group in other provinces by focusing on large cities under the Api Town brand.

Risks from purchasing land for property development

Currently, the competition for land in the inner city of the right size and shape is quite competitive including more land problems. For example, the impact on the community during construction, etc., which affects the duration and cost of development is higher. To mitigate the risks, AP Thailand has an agency and committee with expertise in land appraisal and procurement to increase AP Thailand's access to attractive and competitive land in the future.

Risk from customer complaints and nearby communities in the construction area

Although the impact on the environment or the community has been assessed and planned before construction, there is a possibility that the construction may disturb the residential community or the quality of products and services. After the construction, there may be some defects that create dissatisfaction. AP Thailand has a clear policy to take responsibility for this part in order to resolve the issue in a timely manner and to monitor any impacts. The Company provides communication channels for customer complaints, all complaints must be seriously resolved. The communication channels must be easily accessible. The company has set up a specialized unit to serve customers and to deal with the neighboring community if there is a complaint in order to recognize the problem and mitigate various impacts, including closely monitoring the situation and solving problems in time.

Risk from interest rate volatility and financing of investments to maintain liquidity

Although the global and domestic interest rates tend to decrease. But the economic vulnerability and the increase in default on debts of the company. It may affect the financial cost for project development and operation. Therefore, financial planning and strategies must be adjusted to the current economic situation.

Risk from personnel development to support business growth

AP Thailand has introduced new technologies and innovations to drive business, but cannot prepare its personnel to be technologically proficient in time. This may lead to a long-term outcome in achieving the company's goals. The company focuses on developing employees' abilities both hard-side and soft-side through an application. Therefore, employees can learn 24 hours a day to ensure that AP Thailand will be able to expand business operations in the future.

Risk from new rules, regulations and laws related to business operations

The issuance of new rules, regulations or laws affecting the property developer business must be adjusted accordingly.

The imposition of Personal Data Protection Act B.E. 2562 which comes officially on June 1, 2021. Information is a type of asset that all entities use in business

including the personal information of employees, applicants, vendors, and in particular, customers. Without adequate management measures, there may be a risk of violating the Act. AP Thailand has set up a group and expert advisors to create security measures for the protection of personal data, data usage, storage and maintenance of information to not violate the law.

The changes in Land Tax and Building, which are effective in 2020. It affects the cost of developing a residential project in terms of vacant land assets or projects under development. The company has measures to support by adjusting its strategy to minimize inventories in developing projects and not hold the land ownership longer than necessary.

Risk from emerging epidemic diseases, nature and man-made disasters

The Covid-19 epidemic has resulted in the disruption of international travel and disappearance of tourists which is the main source of income. Foreign investors are restricted. If the epidemic situation is protracted, it may affect confidence in domestic consumption and slow down private investment. The unemployment trend is higher in the future. Another event was a political rally and the announcement of a curfew, the shutdown of both BTS and MRT, and the closure of road routes. The incident affected consumer and investor confidence, which influenced the country's economic recovery.

Risk from cyber threat and cyber security

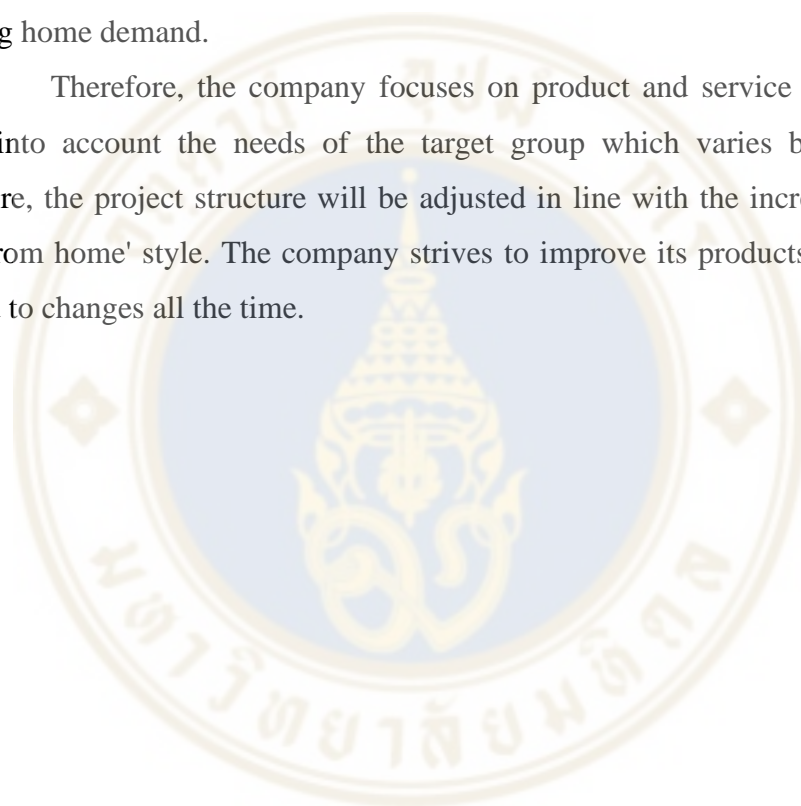
Cyber threats and security risks are likely to increase and cause different kinds of impact. The company now recognizes the importance of using digital technology in its business operations to enhance design, project development, sales development, functional validation, and operational support, etc. This ensures accuracy, accuracy, speed and responsiveness to consumer behavior in the digital era. Increasing use of technology makes companies more vulnerable to cyber threats. Therefore, the company finds ways to prevent and mitigate the impact to control the risk of attack. The Company has implemented BCM which includes business continuity plan and data recovery plans. To avoid the situation in the case of cyber threats, the company also applies for cyber insurance to diversify risk and mitigate potential impacts. The company establishes policies related to the use of technologies such as IT security systems and raises IT Awareness for their employees. The company also uses technology to detect anomalies to ensure adequate protection against cyberattacks.

Risk from changing consumer behavior in the New Normal era

Currently, many countries are entering an aging society. New lifestyles or New Normal lifestyles occur after the outbreak of the Covid-19 virus. These behaviors are expected to become permanently new behaviors. This includes online payments, e-commerce, delivery, and a higher proportion of people working from home.

The fact that one day working from home that has been imposed to prevent and mitigate the spread of COVID-19 may be reduced as the epidemic situation improves. When working from home is no longer popular, there may be a risk of affecting home demand.

Therefore, the company focuses on product and service development by taking into account the needs of the target group which varies by product type. Therefore, the project structure will be adjusted in line with the increasingly popular 'work from home' style. The company strives to improve its products and services to respond to changes all the time.



CHAPTER V

VALUATION

5.1 Financial Analysis

In the property development sector, AP's main competitors are Land and Houses Public Company Limited (LH) and Supalai Public Company Limited (SPALI), which are larger than AP (Thailand) Public Company Limited compared with the market capitalization. LH's and SPALI's market capital are approximately 4 times and 2 times respectively.

For Dupont Analysis of ROE, AP had an average ROE of 15% in the past 6 years and more than LH and SPALI compared with the year 2020. Even though the both companies can get the better profit margin, they have the lower asset turnover that makes them get lower ROE. It is considered a highly profitable stock without the need for a large share of shareholders or simply call it a stock that generates good returns (Table 5.1 Dupont Analysis of ROE).

AP does well compared to larger companies in the revenue part, relatively close to LH and more than SPALI. But compared to Net profit margin that AP can do. It indicates that the profitability is still inferior compared to the two companies, which shows that the cost management is not good enough. In the part of asset turnover, the company can use assets to generate sales very well, the average for 6 years, approximately 0.52 which is greater than the both. Equity multiplier measures the risk of raising funds from debt. The higher the Equity Multiplier, the higher the risk that makes the higher the expected return. For equity multipliers, AP and LH have a close number, higher than SPALI.

Table 5.1 Dupont Analysis of ROE

	AP						LH	SPALI
	2015	2016	2017	2018	2019	2020	2020	2020
Million Baht								
Total Revenue	22,398.00	20,447.56	22,349.36	27,335.11	23,966.66	29,958.50	30,965.09	20,969.29
Net Profit Margin	12.12%	13.75%	14.90%	15.09%	13.51%	14.60%	23.00%	20.64%
Asset Turnover	0.6	0.53	0.52	0.56	0.42	0.49	0.26	0.33
Equity Multiplier	2.14	1.99	1.99	2.02	2.13	2.12	2.33	1.69
ROE By Dupont	15.66%	14.58%	15.34%	17.14%	12.07%	15.21%	13.96%	11.54%

$$\begin{aligned}
 \text{ROE} &= \frac{\text{Net Income}}{\text{Total Equity}} \\
 &= \frac{\text{Net Income}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Equity}} \\
 &= \text{Return on Assets} \times \text{Equity Multiplier} \\
 &= \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Total Assets}} \times \frac{\text{Total Assets}}{\text{Total Equity}} \\
 &= \text{Profit Margin} \times \text{Total Asset Turnover} \times \text{Equity Multiplier} \\
 &= \text{Profit Margin} \times \text{Total Asset Turnover} \times (1 + \text{Debt-equity ratio})
 \end{aligned}$$

Figure 5.1 ROE Formula

Source: <https://learn.lif.co.id/45913/>

This part is growth analysis that is used for forecasting revenue in the future. I use historical data from 2015-2020 to calculate CAGR (Table 5.2 Growth analysis of AP, LH and SPALI).

Firstly, AP revenue has a 5.99% CAGR greater than the competitors, but expense increased higher than revenue with a 7.49% CAGR. It means AP cannot manage expenses very well. However, net income still has satisfactory growth, which is 10% CAGR. While net income of LH and SPALI declined. As of the positive CAGR of net income, EPS has also positive growth. LH and SPALI have a negative CAGR of EPS from net income negative growth. For free cash flow of AP, it gets negative CAGR but has positive free cash flow in 2020.

Table 5.2 Growth analysis of AP, LH and SPALI

Million Baht	AP						CAGR (2015-2020)		
	2015	2016	2017	2018	2019	2020	AP	LH	SPALI
Total Revenue	22,398.00	20,447.56	22,349.36	27,335.11	23,966.66	29,958.50	5.99%	1.30%	-0.52%
Total Expenses	18,555.01	17,308.13	18,813.65	23,697.64	21,082.79	26,623.58	7.49%	3.36%	-0.25%
Net Income	2,623.40	2,702.63	3,148.30	3,952.99	3,063.96	4,225.48	10.00%	-3.79%	-1.29%
EPS	0.83	0.86	1.00	1.26	0.97	1.34	10.00%	-2.18%	-3.38%
Free Cash Flow	-41.87	665.81	-32.65	-102.91	-381.03	2,169.51	-320.23%	-0.10%	39.09%

Sales growth in Q1 2020 of three companies was negative, presumably the reason for real estate to slow down since 2019. It affects the growth of the cost of good sale, revenue, expenses and net income also drop. In Q1 2021, it can be seen in Table 5.3 Growth analysis of AP, LH and SPALI 3M that AP has the highest sales growth 68.68% compared with LH at 28.62% and SPALI at -0.86%. Expense controls in Q1 showed that there was good cost control. Growth of expense lower than sales and total revenue, resulting in net income growth up to 126.8%. It is more than four times LH growth in the period.

Table 5.3 Growth analysis of AP, LH and SPALI 3M

Growth Rate (%)	AP		LH		SPALI	
	3M/2021	3M/2020	3M/2021	3M/2020	3M/2021	3M/2020
Sales Growth	68.66	-29.47	28.62	-14.1	-0.86	-41.79
COGs Growth	73.55	-32.36	22.67	-9.85	-2.91	-38.21
Total Revenue Growth	70.47	-30.61	23.55	-12.1	-1.74	-40.28
Total Expense Growth	61.49	-30.51	23.59	-8.78	0.69	-35.97
Net Profit Growth	126.81	-42.64	29.79	-26.39	-1.18	-50.9

Source: <https://www.set.or.th/set/>

AP operation is in the real estate activity sector. So, I use Table 5.4 to see the relationship between the real estate sector and Thailand's GDP.

Table 5.4 Real estate activity sector

	2015	2016	2017	2018	2019	2020	CAGR
Thailand GDP	9,521.40	9,848.50	10,259.90	10,689.80	10,932.10	10,265.30	1.52%
Real estate activity sector	332.49	354.18	377.36	400.03	417.75	426.95	5.13%
% Real estate activity sector	3.49%	3.60%	3.68%	3.74%	3.82%	4.16%	
	Average						3.75%

There are three valuation ratios that are used to calculate relative valuation measures, which are Price-to-Earnings per share (P/E), Enterprise Value to EBITDA (EV/EBITDA), and Price-to-Book Value (P/BV).

The relative valuation method can analyze by using six multiples which are Trailing P/E, Forward P/E, Trailing P/BV, Forward P/BV, Trailing EV/EBITDA, and Forward EV/EBITDA. All of the multiples allow us to know the target prices to see if a stock should be bought or sold. This method is used to analyze the historical data and forward data of each key ratio to compare with competitors in the same industry. It is important to select competitors in the real estate industry with similar products and services because AP's main product is horizontal housing. Secondary products are condominiums. In addition to selecting competitors based on key products, another selection was based on marketing capital to best align with the target company, which will refer to marketing capital from AP Thailand.

5.2.1 Relative Valuation Bands

First, plot Trailing and Forward P/E Bands, Trailing and Forward EV/EBITDA Bands, Trailing and Forward P/BV Bands. These bands are created based on the last 5 years of data that we got from the Thomson Reuter website. In relation to itself, it can be seen from the bands that AP is undervalued by all of the bands. It means from all multiple bands show that the recent price is lower than the average five years.



Figure 5.2 Trailing P/E Band

The AP's current trailing P/E as of 30 June 2021 is equal to 5.242 (Figure 5.2 Trailing P/E Band), which is below than minus one standard deviation which is equal to 5.7049 and lower than its five-year P/E average, which is equal to 7.4466. In conclusion, in relation to itself, based on trailing P/E, the AP's firm is undervalued.

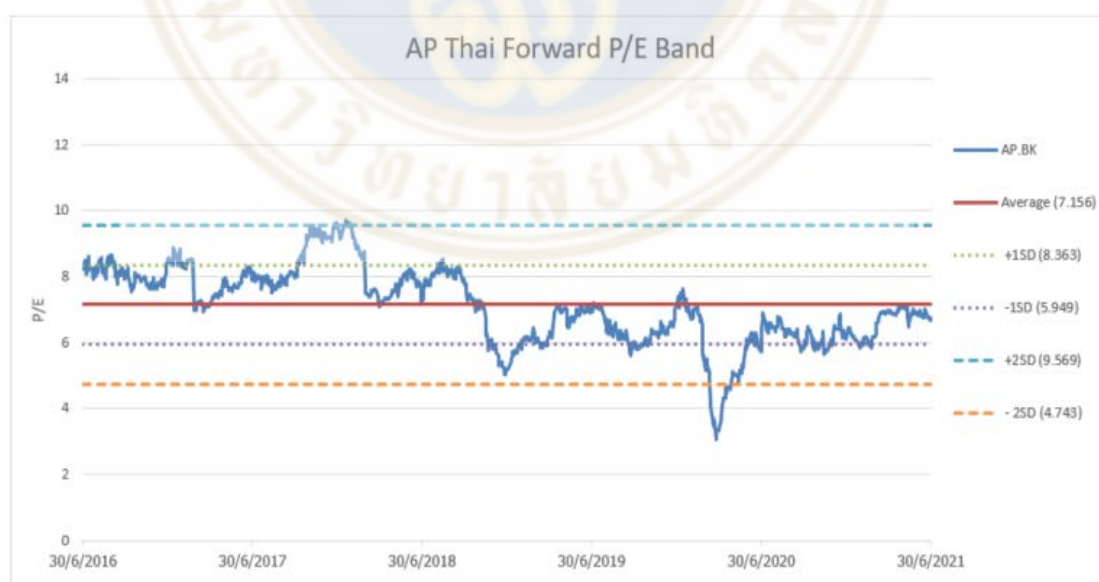


Figure 5.3 Forward P/E Band

The AP's forward P/E as of 30 June 2021 is equal to 6.745 (Figure 5.3 Forward P/E Band), which is above the minus one standard deviation band, its value is 5.9492 and lower than its five-year P/E average, which is equal to 7.1559. In conclusion, in relation to itself, based on forward P/E, the AP's firm is undervalued.

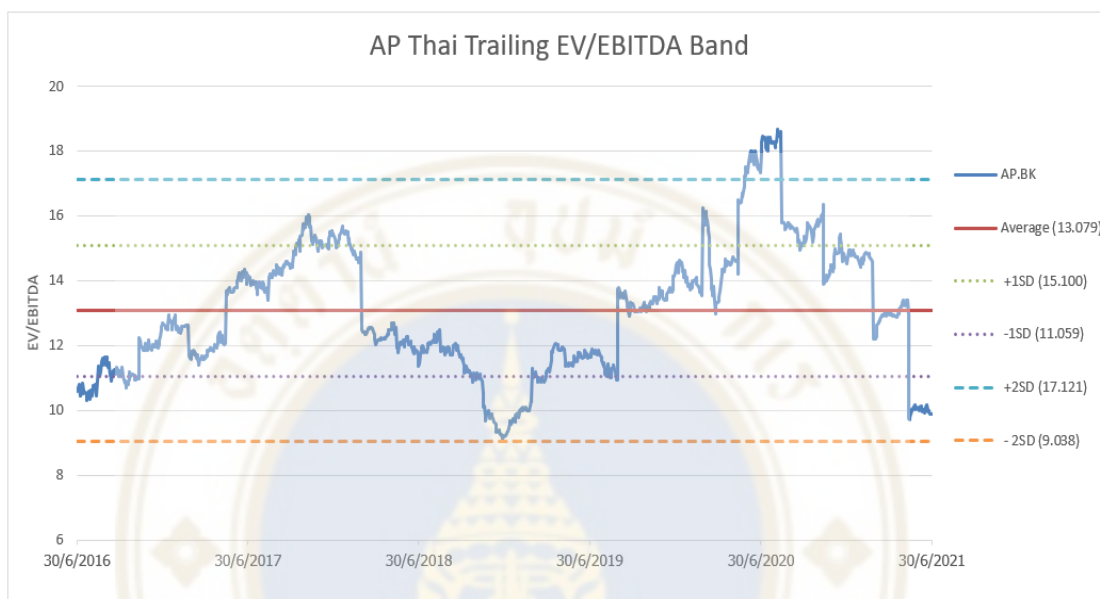


Figure 5.4 Trailing EV/EBITDA Band

The AP's trailing EV/EBITDA as of 30 June 2021 is equal to 9.9116 (Figure 5.4 Trailing EV/EBITDA Band), which is lower than the minus one standard deviation band, its value is 11.05892 and lower than its five-year EV/EBITDA average which is equal to 13.0796. Therefore, in relation to itself, the firm is undervalued.

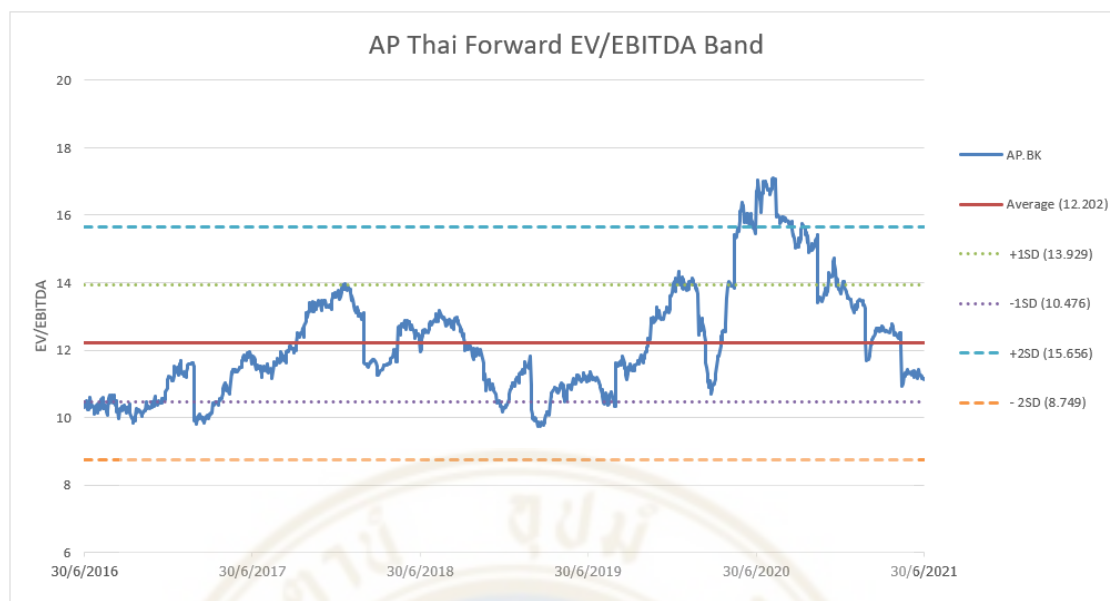


Figure 5.5 Forward EV/EBITDA Band

The AP's Forward EV/EBITDA as of 30 June 2021 is equal to 11.151 (Figure 5.5 Forward EV/EBITDA Band), which is greater than plus one standard deviation band, its value is 10.4758 but it is lower than its five-year EV/EBITDA average which is equal to 12.2024. Therefore, in relation to itself, the firm is undervalued.

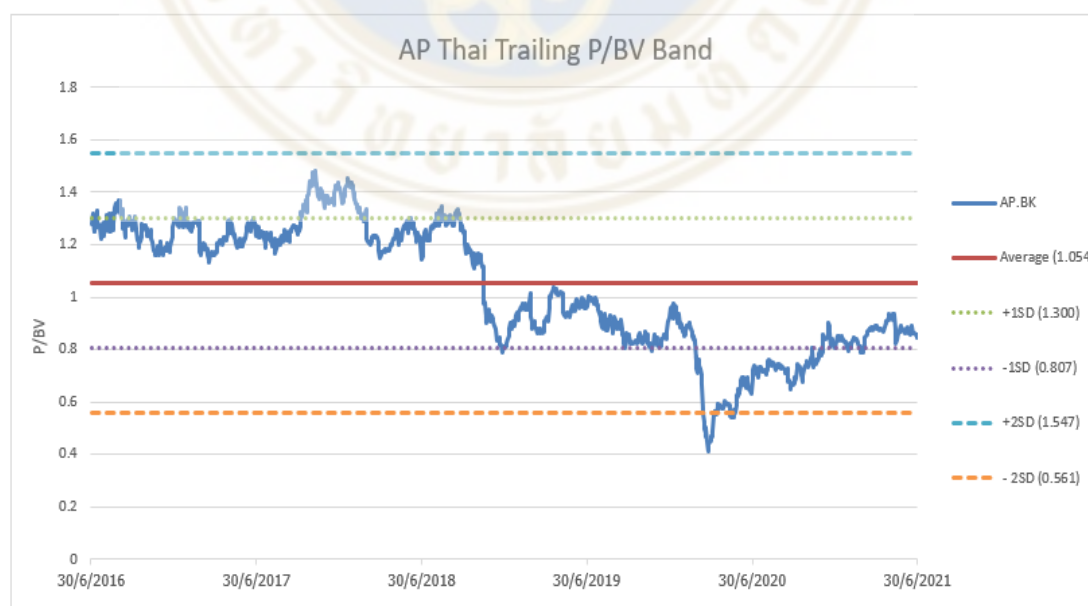


Figure 5.6 Trailing P/BV Band

For AP's Trailing P/BV as of 30 June 2021 is equal to 0.8551 (Figure 5.6 Trailing P/BV Band), which is slightly above the minus one standard deviation band, its value is 0.8074 but it is lower than its five-year Trailing P/BV average which is equal to 1.0538. Therefore, in relation to itself, the AP's firm is undervalued.

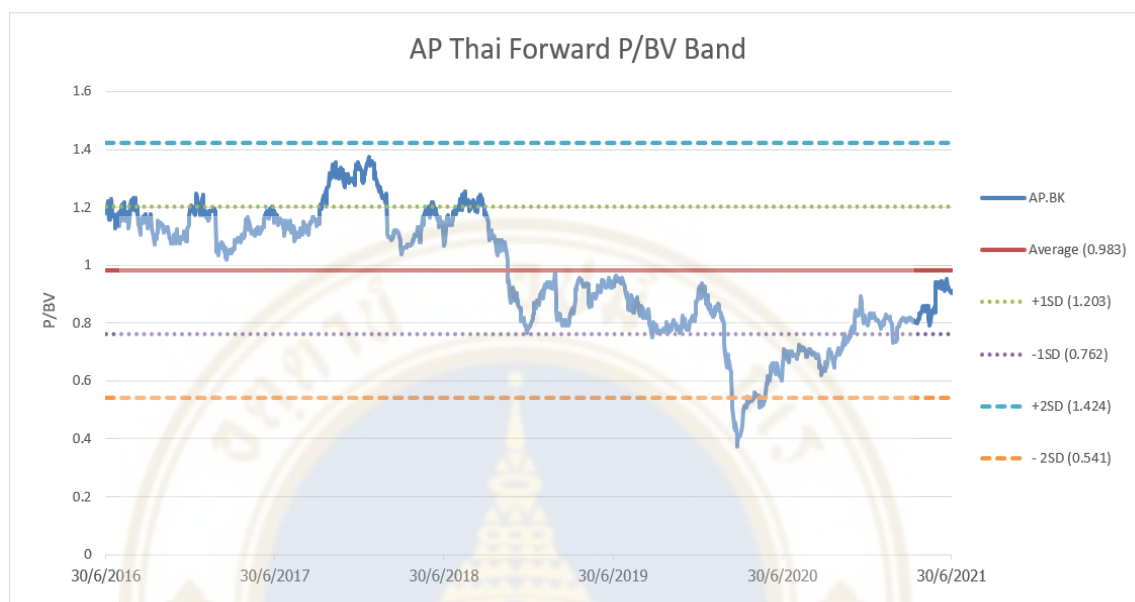


Figure 5.7 Forward P/BV Band

The last one, AP's Forward P/BV band as of 30 June 2021 is equal to 0.913 (Figure 5.7 Forward P/BV Band), which is higher than the minus one standard deviation band, which is equal to 0.7619 and lower than five-year P/BV average, its value is 0.9825. Therefore, in relation to itself, the AP's firm is undervalued.

5.2.2 Peer Group Multiples

There are eight comparable companies that are a group of peers in the same industry as the AP Thailand from the Thomson Reuters in real estate industry, based on their business, products, services, and market capitalization that quite similar to AP Thailand. The peers are Siri, QH, LH, LPN, PSH and SPALI, all companies are based in Thailand. For HOUSE is based in Philippines and UOAD is based in Malaysia. LH or Land and Houses is the largest market value among peers. LH has a market capital value around 95,000 million Baht at 30 June 2021. LH also operates a rental and service business. Other companies have the market value more than 10,000 million Baht, except

LPN that is a developer of residential condominiums. We collected the data of peer companies from Thomson Reuters as of 30 June 2021. For trailing P/E, forward P/E, trailing EV/EBITDA, and forward EV/EBITDA ratios, AP's value is below the average and the median of peers. AP has the lowest trailing P/E and forward P/E ratio, it can be assumed that the AP has the cheapest stock price based on this method of measurement. For forward P/BV ratio, AP's value is above the average P/BV of peers. LH has the highest trailing PE ratio and P/BV ratio. Therefore, LH's stock is relatively expensive. Afterward, we calculated the peer maximum and minimum, peer average, and peer median as a benchmark both Trailing Multiples (Table 5.5 AP and Peer Group of Trailing Multiples) and Forward Multiple (Table 5.6 AP and Peer Group of Forward Multiple).

Table 5.5 AP and Peer Group of Trailing Multiples

Peers Analysis								
No.	Companies	Identifier	Country	Market Cap (THB)	Price (THB)	Trailing P/E	Trailing EV/EBITDA	Trailing P/BV
1	Sansiri PCL	SIRL.BK	Thailand	19,767,436,645.60	1.33	9.86	19.65	0.52
2	Quality Houses PCL	QH.BK	Thailand	24,375,502,044.94	2.28	11.96	25.52	0.91
3	Land and Houses PCL	LH.BK	Thailand	94,792,989,603.28	7.95	12.59	21.70	1.85
4	LPN Development PCL	LPN.BK	Thailand	7,583,270,612.01	5.15	12.03	15.43	0.66
5	8990 Holdings Inc	HOUSE.PS	Philippines	26,625,245,680.32	4.80	7.80	11.71	0.93
6	Pruksa Holding PCL	PSH.BK	Thailand	30,135,487,719.34	13.80	12.31	13.00	0.69
7	Supalai PCL	SPALL.BK	Thailand	44,051,132,534.12	20.6	9.47	11.96	1.07
8	UOA Development Bhd	UOAD.KL	Malaysia	26,887,883,502.48	12.65	11.09	7.86	0.64
9	AP Thailand PCL	AP.BK	Thailand	26,210,960,120.90	8.35	5.24	9.91	0.86
			Peer Average		8.57	10.89	15.85	0.91
			Peer Median		6.55	11.52	14.21	0.80
			Max		20.60	12.59	25.52	1.85
			MIN		1.33	7.80	7.86	0.52

Source: www.thomsonreuters.com

Table 5.6 AP and Peer Group of Forward Multiple

Peers Analysis								
No.	Companies	Identifier	Country	Market Cap (THB)	Price (THB)	Forward P/E	Forward EV/EBITDA	Forward P/BV
1	Sansiri PCL	SIRL.BK	Thailand	19,767,436,645.60	1.33	11.84	26.36	0.50
2	Quality Houses PCL	QH.BK	Thailand	24,375,502,044.94	2.28	10.38	22.60	0.87
3	Land and Houses PCL	LH.BK	Thailand	94,792,989,603.28	7.95	12.85	19.37	1.81
4	LPN Development PCL	LPN.BK	Thailand	7,583,270,612.01	5.15	10.36	14.68	0.65
5	8990 Holdings Inc	HOUSE.PS	Philippines	26,625,245,680.32	4.80	8.41	13.61	0.95
6	Pruksa Holding PCL	PSH.BK	Thailand	30,135,487,719.34	13.80	10.46	11.59	0.69
7	Supalai PCL	SPALL.BK	Thailand	44,051,132,534.12	20.6	7.53	9.16	1.04
8	UOA Development Bhd	UOAD.KL	Malaysia	26,887,883,502.48	12.65	16.24	6.47	0.62
9	AP Thailand PCL	AP.BK	Thailand	26,210,960,120.90	8.35	6.75	11.15	0.91
			Peer Average		8.57	11.01	15.48	0.89
			Peer Median		6.55	10.42	14.14	0.78
			Max		20.60	16.24	26.36	1.81
			MIN		1.33	7.53	6.47	0.50

Source: www.thomsonreuters.com

5.2.3 Prices from Multiples

For target price calculation, we calculated by use peer's median from Trailing P/E, Forward P/E, Trailing EV/EBITDA, Forward EV/EBITDA, Trailing P/BV and Forward P/BV as multiple factors. We multiply all of the multiple factors with the financial data of AP (Table 5.7 AP Financial Data), then, we got the AP's target price (Table 5.8 Target Prices from Relative Valuation).

Table 5.7 AP Financial Data

	2021F	2022F	2023F
Number of shares	3,145,899,495	3,145,899,495	3,145,899,495
Net Income (M.Baht)	4,049.59	4,203.48	4,419.25
EBIT	3,890.80	3,990.55	4,477.63
Depreciation & Amortization	203.65	223.35	206.94
EBITDA	4,094.45	4,213.90	4,684.57
Cash	3,953.90	3,953.90	3,953.90
Total Liability	22,651.50	22,651.50	22,651.50
EPS	1.29	1.34	1.40
EBITDA	1.30	1.34	1.49
Book Value / Share	10.14	10.97	11.87

Source: www.capitaliq.com

Table 5.8 Target Prices from Relative Valuation

Target Price (Trailing)	2021F	2022F	2023F
Trailing P/E	14.83	15.40	16.19
Trailing EV/EBITDA	12.55	13.09	15.22
Trailing P/BV	8.11	8.77	9.49
Average	11.83	12.42	13.63

Target Price (Forward)	2021F	2022F	2023F
Forward P/E	13.41	13.92	14.64
Forward EV/EBITDA	12.46	13.00	15.12
Forward P/BV	7.91	8.56	9.26
Average	11.26	11.83	13.01

To calculate target price with P/E Method, we take forecasting EPS for 2021 which approximately equal to 1.29. Then, multiplied by the median P/E of peer group both trailing P/E and forward P/E. It can be estimated that the target share price of the trailing P/E method should be at 14.83 Thai Baht and the forward P/E method should be at 13.41 Thai Baht.

The second method is to use EV/EBITDA method to find the target price. It starts by finding the peer group's median of trailing EV/EBITDA and forward EV/EBITDA, which is 14.21 and 14.14 respectively, then multiplying by the forecasted EBITDA in 2021 which is approximately 4,094.45 million Baht, so, we got the enterprise value. Then, we find the market capitalization by subtracting the enterprise value with the debt and adding cash to get the market capitalization. After that we divided the market capitalization by the number of shares which is 3,145,899,495 shares, resulting in a target price from trailing EV/EBITDA at 12.55 Thai Baht and forward EV/EBITDA at 12.46 Thai Baht.

Another method is to use P/BV Method to find target price. We take the peer median of the trailing P/BV and forward P/BV from the peer group, which is equal to 0.80 times and 0.78 times respectively. Then, multiply with the forecasted book value per share from 2021. Therefore, we get the target price at 2021 that should be 8.11 Thai Baht per share for trailing P/BV and 7.91 Thai Baht per share for forward P/BV.

5.2.4 Recommendation Criteria

We will look at the three criteria (Table 5.9 Recommendation Criteria) to provide the recommendation on target stock price whether it should be bought, hold or sold, by using upside and downside of 10% from comparable with current market price and valuation target price, with the AP current closing price on 14 July 2021 equal to 8.20 Thai Baht. First criteria, if the target price is more than 10% above the current market price, it is advisable to BUY. Second, if the target price is within the scope of +10% or -10% of the current market price, HOLD is recommended. Third, if the target price is below -10% of the current market price, SELL is recommended.

Table 5.9 Recommendation Criteria

Recommendation	Criteria
BUY	Greater than 10% Upside
HOLD	Between lower than 10% Upside and greater than 10% Downside
SELL	Lower than 10% Downside

5.2.5 Sensitivity Analysis

For calculating the sensitivity analysis in Table 5.10 below, the key variables are the median of trailing P/E ratio and earnings per share. This analysis provides a scenario that shows the sensitivity of variables affecting stock prices, Median P/E and EPS, by $\pm 10\%$, $\pm 20\%$, and $\pm 30\%$, respectively to key variable to monitor the impact of the stock price.

Table 5.10 Sensitivity Analysis of Median P/E and Earnings Per Share

		Median P/E							
		-30%	-20%	-10%	0%	10%	20%	30%	
		14.83	8.07	9.22	10.37	11.52	12.68	13.83	14.98
EPS	-30%	0.90	7.27	8.31	9.35	10.38	11.42	12.46	13.50
	-20%	1.03	8.31	9.49	10.68	11.87	13.05	14.24	15.43
	-10%	1.16	9.35	10.68	12.02	13.35	14.69	16.02	17.36
	0%	1.29	10.38	11.87	13.35	14.83	16.32	17.80	19.29
	10%	1.42	11.42	13.05	14.69	16.32	17.95	19.58	21.21
	20%	1.54	12.46	14.24	16.02	17.80	19.58	21.36	23.14
	30%	1.67	13.50	15.43	17.36	19.29	21.21	23.14	25.07

From the table above, we can see that the change between Median P/E and EPS has an impact on the stock price. If one of the two factors is decreased to -20% and the other factor is also decreased to -30% from the estimate price, the recommendation will change from BUY to HOLD the stock. If all factors are decreased to -30% from the estimated price, the recommendation will change from BUY to SELL the stock.

5.3 Valuation Recommendation

The recommendation for AP based on relative valuation, we selected Trailing P/E multiples to determine AP's target price and also determine whether we should buy, hold or sell stocks. Due to the AP and peers tend to have a stable profit based on historical data and future predictions. AP has stable profits and its price does not fluctuate too much. Therefore, the trailing P/E multiple is appropriate to use for AP stock valuation. Based on Trailing P/E multiple of year end 2021, the target price is 14.83 Thai Baht. While the current closing price on 14 July 2021 is 8.20 Thai Baht per share. From this price we can assume that the target price is more than 10% upside from current market price for year-end 2021 based on closing price. Therefore, we would recommend the investors should BUY the stock.

Table 5.11 Target Prices from Analysts

No.	Broker	EPS (Baht)				P/E	P/BV	DIV (%)	Target	Rec	Last
		2021F	%Change	2022F	%Change						
1	PST	1.49	39.2	1.46	-2.0	5.1	0.7	6.6	9.00	Buy	03/08/21
2	CNS	1.22	-9.0	1.37	12.3	6.2	0.8	6.0	10.50	Buy	28/07/21
3	TISCO	1.23	18.3	1.25	1.6	6.1	0.8	5.7	9.10	Buy	27/07/21
4	YUANTA	1.36	3.8	1.34	-1.5	5.6	0.7	6.6	10.90	Buy	23/07/21
5	SCBS	1.24	0.8	1.24	-	6.1	0.8	5.7	8.80	Neutral	22/07/21
6	ASPS	1.38	16.0	1.44	4.4	5.5	0.7	6.4	10.80	Buy	22/07/21
7	KS	1.41	10.2	1.47	4.3	5.4	0.7	6.4	10.30	Outperform Market	19/07/21
8	TNS	1.20	20.0	1.25	4.2	6.3	0.8	5.6	10.00	Buy	15/07/21
9	CGS-CIMB	1.33	-0.8	1.42	6.8	5.7	0.7	6.2	9.62	Buy	15/07/21
10	DBSV	1.29	2.4	1.41	9.3	5.8	0.8	5.7	10.00	Buy	09/07/21
11	TRINITY	1.17	-4.1	1.46	24.8	6.4	0.8	6.8	8.80	Buy	08/07/21
Average		1.30	8.8	1.37	6.4	5.8	0.7	6.1	9.80		
High		1.49	39.2	1.47	24.8	6.4	0.8	6.8	10.90		
Low		1.17	-9.0	1.24	-2.0	5.1	0.7	5.6	8.80		
Median		1.29	3.8	1.41	4.3	5.8	0.8	6.2	10.00		

Source: www.settrade.com

From the Table 5.11 above, the prices between the targeted price and the bank's predicted price shows that they both suggest buying. Even though the targeted price is 14.83 Thai Baht while the bank's predicted price is around 10.00 Thai Baht which is slightly different, the targeted price is considered possible with some time to climb up to that point since we aim that AP has a growth potential from new opening projects in 2021. Besides, AP's profit expectation also tends to increase continuously as well. Therefore, we might conclude that this stock is appealing and attractive enough for investors to 'BUY'.



CHARTER VI

CONCLUSION

AP (Thailand) Public Company Limited (AP) is currently one of the Thai companies that is listed in the SET100. It is a Thailand-based company engaged in the property development industry, including the development of single-detached houses, townhouses, and condominiums. Its core business is operating in three segments which are the low-rise segment, high-rise segment, and other segments consists of provides consultancy services, after-sales services, and construction services. There are three key strategies to drive an organization, which has begun to take action with employees at all levels since 2017 consist of independently responsible leaders, innovative culture, and everything digital. The management of AP is led by Mr. Anuphong Assavabhokhin as vice chairman and chief executive officer. The other one is Mr. Pichet Vipavasuphakorn as a managing director. AP (Thailand) operates its business with integrity, honesty, transparency, fairness, and compliance with the law and accountability to society, including all stakeholders in accordance with the principles of good corporate governance, which is the basis of sustainable growth.

In this thematic paper, AP is evaluated by Relative Valuation, which uses P/E, P/BV, and EV/EBITDA method to determine the value of AP. Trailing P/E multiple is selected as the most appropriate multiple for AP's valuation. The Trailing P/E method is suitable because the AP tends to have a stable profit based on historical data and future predictions. AP has stable profits and its price does not fluctuate too much. AP also has a positive EPS. The trailing P/E of AP is lower than its peer average and median. In the analysis, I use the median of trailing P/E of peer group which is about 11.52x and multiple by 2021's earnings per share forecast of AP from the S&P Capital IQ website. Based on the relative valuation method, the AP target price is 14.83 Thai Baht per share. Moreover, I use the sensitivity analysis based on the two key factors which are median trailing P/E and the EPS. As a result, if one of the two factors is decreased to -20% and the other factor is also decreased to -30% from the estimated

price, the recommendation is to HOLD the stock. If all factors are decreased to -30% from the estimated price, the recommendation is to SELL the stock.

The recommendation for AP stock is should BUY with a target price is 14.83 Thai Baht by using the relative valuation method with more than 10% upside if comparing to its closing price at 8.20 Thai Baht as of 14 July 2021, it is upside 81%. Therefore, the current price of AP is undervalued.



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