

**RELATIVE VALUATION OF ANANDA DEVELOPMENT
PUBLIC COMPANY LIMITED**

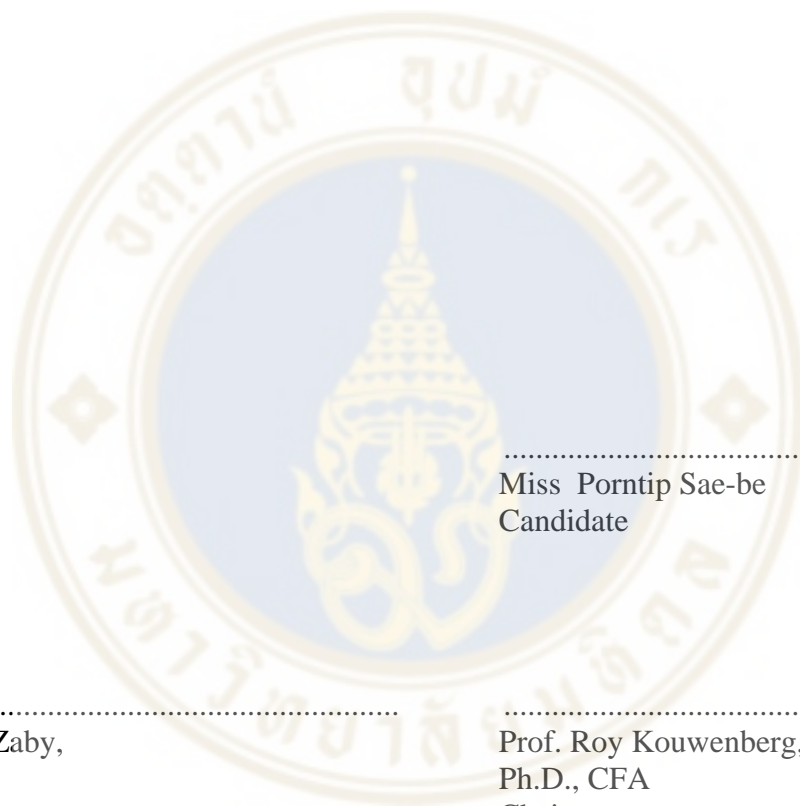


**A THEMATIC PAPER SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF MASTER OF MANAGEMENT
COLLEGE OF MANAGEMENT
MAHIDOL UNIVERSITY
2021**

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Thematic paper
entitled
**RELATIVE VALUATION OF ANANDA DEVELOPMENT
PUBLIC COMPANY LIMITED**

was submitted to the College of Management, Mahidol University
for the degree of Master of Management
on
September 12, 2021



.....
Miss Porntip Sae-be
Candidate

.....
Simon Zaby,
Ph.D.
Advisor

.....
Prof. Roy Kouwenberg,
Ph.D., CFA
Chairperson

.....
Assoc. Prof. Vichita Ractham,
Ph.D.
Dean
College of Management
Mahidol University

.....
Worapong Janyangyuen,
D.B.A.
Committee member

ACKNOWLEDGEMENTS

First of all, I would like to express my sincere gratitude to my advisor Dr. Simon Zaby, for the continuous support and encouragement of my master's degree study and research. Besides my advisor, I would like to thank the committee members, Dr. Roy Kouwenberg, and Dr. Worapong Janyangyuen for their insightful comments and suggestions.

I also would like to give special thanks to my friend, Mr. Sasin Prachanu Wong for his impressive collaboration and knowledge sharing. Without good teamwork, my research paper cannot be completed.

Last but not least, I would like to give all of my success to my family for their endless support during my time here at CMMU. Their kind support influences me to be successful. I hope that this success will make them proud. Without all of the support from these people, this thematic paper could not have been complete.

Porntip Sae-be

RELATIVE VALUATION OF ANANDA DEVELOPMENT PUBLIC COMPANY LIMITED

PORNTIP SAE-BE 6349021

M.M. (CORPORATE FINANCE)

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

Relative valuation is a commonly used tool to value stocks, generally by implementing the average multiple from the peer group in the same industry. The multiple of the five years historical data will tell whether Ananda's current price is overpriced or underpriced. Base on the trailing P/E bands, Ananda's current stock price looks cheap due to the P/E multiple was above the five years average. In comparison with its peers (AP, LH, LPN, SIRI, SPALI, and ORI), Ananda's P/E ratio is the highest and just happened during 2020 due to the significant dropped in the company's earnings. Similarly, if the company's earnings increase up to their normal state, then their P/E ratio would be relatively close to their past performance.

Nevertheless, it is quite challenging for Ananda to reach the target price at 2.11 baht at the end of the year 2021. As of now, the current stock price seems to be unattractive for a value investor due to Ananda's earnings per share are decreased from 0.09 in 2019 to a negative 0.19 in 2020. However, if the company handle the current situation and their management strategy better then there is a possibility that there can reach the target price and looks more attractive from the investor's point of view. The current stock price is overvalued based on the relative valuation approach. There was a negative 65% upside between the current market price and fair price. The recommendation is to "SELL".

KEY WORDS: ANAN/ Real Estate/ Relative Valuation/ Valuation

38 pages

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CHAPTER I

INTRODUCTION

Ananda Development Public Company Limited is one of the top real estate development companies in Thailand which focus on improving urban lifestyle. All of their projects will be in Bangkok and the surrounding area whether the condominium, housing, or townhouse projects. They classify the range of price per unit by using the different brand names for each project such as "Ashton", "Ideo", "Venio" to capture different customer segments. Anyway, all of their projects will aim to create a convenient and comfortable living.

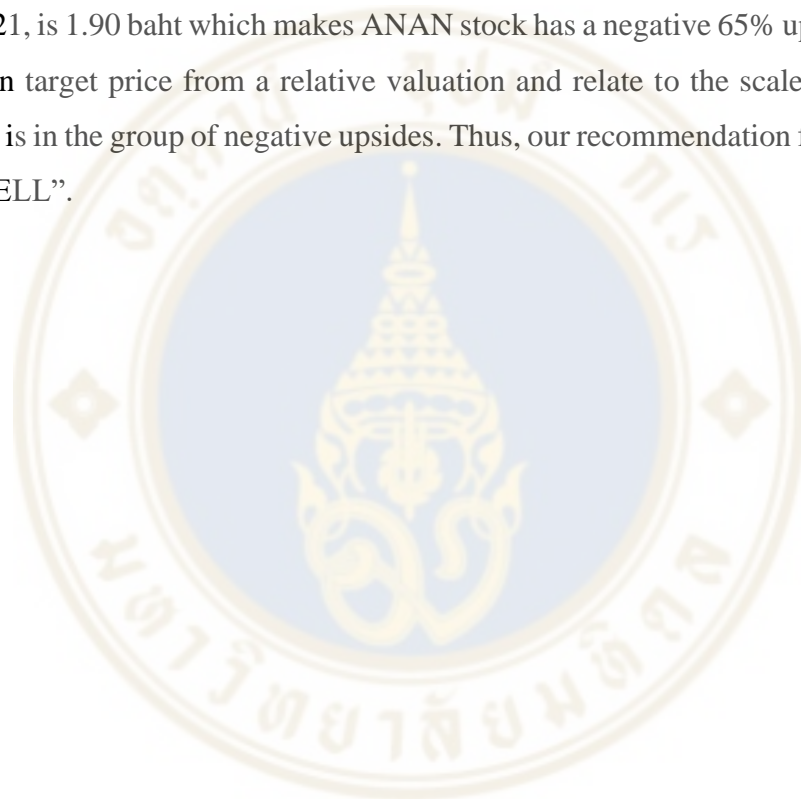
Anan's main source of revenue is a sale from real estate which is approximately 80-85% of total revenue. And the rest which is 15-20% of revenues mostly come from project management fee and commission fee that can generate income after the company already sell the real estate. So, almost all of their revenue depends on sales from real estate. Ananda's strategy is to joint venture with foreign investors. Their main partner is Mitsui Fodosan Co., Ltd which is a real estate development in Japan. They can help Ananda with leading technology about design and construction which create better efficiency and reduce the cost.

During the COVID-19 pandemic in 2020, Ananda's total revenue decreased by 32% compared with total revenue in 2019. However, their expense also decreased by 35% so their profit reduced only 20%. It seems like Ananda can make a profit during the COVID-19 pandemic, unfortunately, there was an extra big amount of loss coming from a discontinued project that made the company lose in 2020. Therefore, their EPS dropped from 0.09 in 2019 to -0.19 in 2020.

According to the relative valuation approach, three different multiples were applied to find the value of Ananda stocks compared with its peers which comprise of price-earnings ratio (P/E), price to book value (P/BV), and enterprise value (EV) to earnings before interest, taxes, depreciation and amortization (EV/EBITDA).

Besides that, we also emphasize how changes in the growth rate of EPS and potential risk would change the value of the stock so we applied sensitivity analysis. The result from trailing P/E shows that Ananda is overvalued.

The target price of Ananda is 1.15 baht while the current market price on 9 July 2021, is 1.90 baht which makes ANAN stock has a negative 65% upside. Therefore, based on target price from a relative valuation and relate to the scale of rating which Ananda is in the group of negative upsides. Thus, our recommendation for Ananda stock is to "SELL".



CHAPTER II

BUSINESS DESCRIPTION

2.1 Overview

Ananda was established in 1999 that mainly engaged in the real estate development business including condominium projects, housing projects, and townhouses in the Bangkok Metropolitan area. The company has developed condominium projects under the concept of convenient and comfortable living for residents so the majority of a project located at the mass transit stations enhance the lives of the owners even more conveniently as well as increase their standard of living. In terms of housing projects and townhouses projects, the focus is on the construction of uniqueness of architectural design to satisfied the need of each customer's segment.

Ananda was founded in 1999 by Chanond Rungkitya. Ananda starts ADO by made a joint venture with Pramerica Financial to develop landed housing projects around Suvarnabhumi Airport during the year 2006. In the following year, the company keeps expanding its capability to develop condominiums close to mass transit stations with Pramerica Financial. Later on, Ananda started acquiring the stake from Pramerica Financial during the year 2010. In 2012, an IPO was issued with raising funds of about 5.6 billion baht. After that, the Japanese developer Mitsui was added as a new joint venture partner that is the largest real estate developer in Japan. The objective of this joint venture is to become the leading developer of residential projects that are close to mass transit stations that satisfied all classes of customers as shown in Figure 2.1.

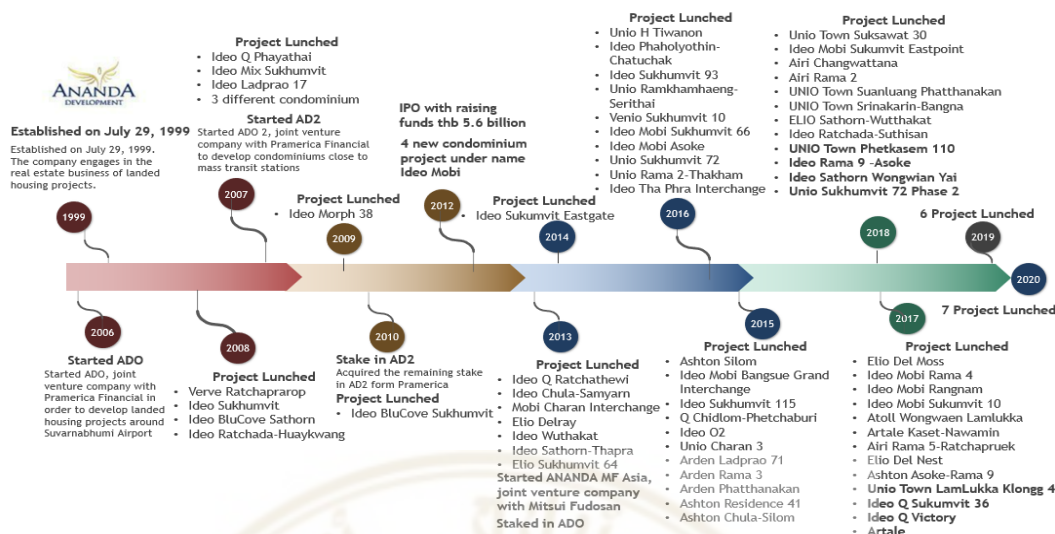


Figure 2.1 ANANDA History Timelines

Source: History | ANANDA DEVELOPMENT (ANAN)

The company has continued to develop condominium projects between 2015 and 2019, and started to lunch a new housing project even with numerous challenges in previous years. In the year 2019 alone, the company was faced with several difficulties as well as opportunities. Low GDP growth contributed to internal and external implications, including the Thai baht's appreciation relative to other currencies. During the recession of the global economy, the appreciated currency adversely influenced the country's exports. The Thai economy was, nevertheless, supported by tourism, steady consumer spending, and government disbursement. The company, therefore, also saw the possibilities of growing its business in the future. However, that was until the end of 2019 that the world faced the spread of the coronavirus.

Notwithstanding the COVID-19 outbreak, Ananda recognised recurring income from two serviced apartments located in Rama 9 and Sukhumvit 8. These serviced apartments were developed in partnership with global partners, including Ascott Limited, which manages a number of luxurious properties worldwide. Consequently, Ananda had intended to diversify its revenue channels through the extension of its portfolios. The company recognised the opportunity to grow its business, which would be the investment that would generate satisfactory revenue in the long term.

Ananda Products

The company's products can be categorized into 3 categories; real estate development business, other business related to real estate development, and lifestyle services. The information of each business segment are as follows:

Real Estate Development Business

There are three key businesses highlighted under this segment. The key businesses comprised (1) condominium projects, (2) landed housing projects, and (3) townhouse projects. Ananda is also focused on joint ventures with key partners in the development of real estate projects.

Condominium Projects

This key business focuses mostly on the development of condominium projects under the concept "Urban Living Solutions", in which the properties are located close to mass transit stations. The purpose of this concept is to serve the people living in Bangkok and traveling often and constantly using public transit systems. The company carries out research and development in conjunction with the analyses of existing consumer needs and lifestyles. Ananda categorized its condominium products depending on the distance from the stations of public transit. Presently, there are three condominium products, including (1) approximately 0-300 meters, (2) 301-600 meters, and (3) more than 600 meters.

Seven distinct condominium brands are developed by the company for different living purposes. Each brand is conceptualized on the target residents' interests, preferences, and purchasing power, which represent various target groups. From inexpensive mass projects through to premium developments for the elite, the spectrum of the company's portfolio spans thoroughly. as illustrated in the figure below.

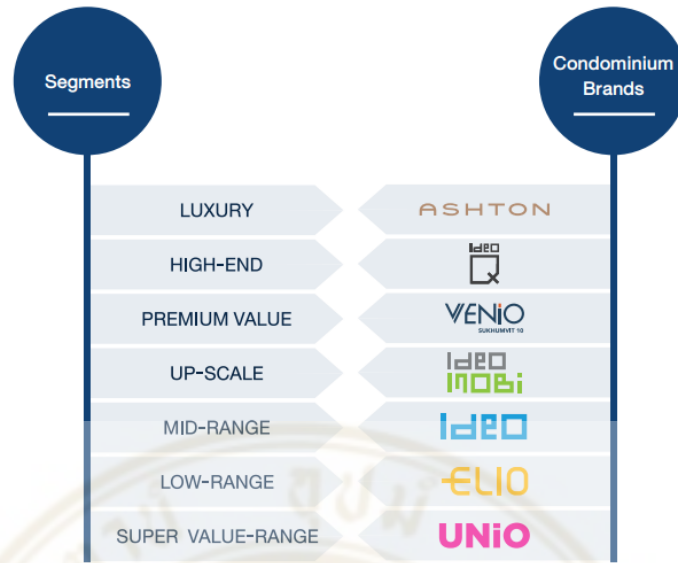


Figure 2.2 Ananda Segments and Condominium Brands

Landed Housing Projects and Townhouses

The company has a variety of low-rise projects to respond to customer demand of each group of customers. The price range of the projects is starting from 2.5 million Baht to 30 million Baht, under “Artale”, “Airi”, “Arden”, “Atoll”, “Urbanio”, and “Unio Town” brands.

In year 2013, a group of landed-housing projects was launched under “Atoll” brand, as the first group, focusing on relaxation with a large clubhouse and a full range of facilities for residents.

In 2015, the company launched “Arden” brand, a townhouse project located in a prime location in Bangkok. Moreover, a luxury landed-housing project under the new brand “Artale” and a landed-housing project under “Airi” brand have been developed. In the same year, Helix Co., Ltd., owned subsidiary of Ananda, developed a new townhouse project with a reasonable price under “Unio Town” brand, which has selling prices starting from approximately 2.5 million Baht.

In 2019, Ananda has launched a new townhouse brand, “Urbanio”. The first project was located in a great potential area, Vibhavadi-Chaengwattana, with a selling price starting from 5 million Baht. Therefore, those mentioning landed housing projects and townhouses targeted a different group of customers as the below pictures.



Figure 2.3 Ananda Landed Housing Projects and Townhouses

Other Businesses Related to Real Estate Development

The other revenues of Ananda's also come from the two sources of the other business related to real estate development including The Agent (Property Expert) Company Limited, a subsidiary of Ananda. To operate as a representative of property agent for the sale/purchase of residential condominium units in the secondary market along with procurement of lessees for the owner of residential condominium units. Besides, The Works Community Management Company Limited was established to operate condominium management services. The Works is committed to maintaining high service standards for its clients, delivering quality services, and allowing residents to be convenient and comfortable in order to maximize satisfaction and trust as shown in Figure 2.4.

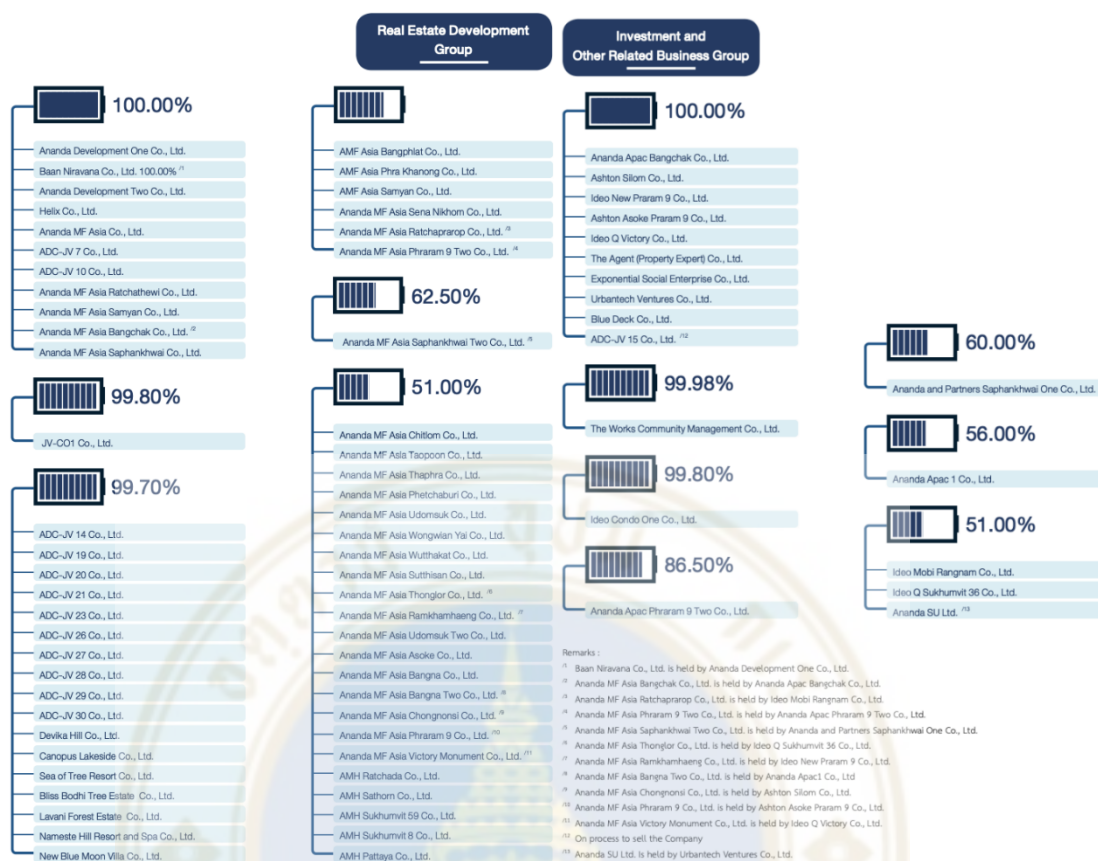


Figure 2.4 Ananda Business Structure

Source: Ananda Annual Report and Financial Statement 2020

2.2 Strategies

Ananda's main objective is to become the leading developer of condominium projects that are close to mass transit stations in Bangkok. The company also plans to maintain its net interest-bearing debt to equity ratio at 1 time in the long term. Throughout the time, with the full efforts of the company that continuously offer urban living solutions to their customer; it makes their business even more successful as several projects have been developed to align with their customer demands in the more sizeable markets. Nevertheless, to makes their operations more efficient and effective; the company has been applied several construction technologies such as BIM, and other leading technologies to improve their cost efficiency with all strategic partners.

The main target group of Ananda is “Generation C” based on people’s way of life including work and off work without classified by age. The potential in this target group is explained by its specific and clear career goals, as well as solid financial and career plans. The company sees a sustainable opportunity for this generation as it can make their business keep growing in the long run. Ananda has been classified people in GEN C into six following qualifications;

- (i) Convenience: thrive on making their lives more easily manageable.
- (ii) Control: being goal-oriented, know smart ways to make life easier.
- (iii) Casual: spare enough time for a life-enriching experience.
- (iv) Cash Smart: purchase things that have a better value in the future.
- (v) Connect: constantly connected to the virtual world both at work and off work.
- (vi) Creativity: love uniqueness and creativity. They spend time and energy innovating.

The company’s strategy is to invest in projects that are close to the mass transit stations and offering a variety of choices/brands that meet customer’s demands. For example, the Ashton, Ideo Q, Ideo Mobi, and Ideo with the distance of equal to or less than 300 meters from the mass transit station. For the Elio brand, its distance from the mass transit station is in a range of 301-600 meters, as well as Unio Brand which has a distance from the mass transit station of more than 600 meters as shown in Figure 2.5.



Figures 2.5 Ananda Strategies

In the year 2019, the company launched residential condominium projects next to mass transit stations; Ideo Chula-Samyarn and Ideo Charan 70-Riverview achieved positive responses from the customer with sales over 70 percent lunch in November 2019. Therefore, Ananda's strategies and plan during the year 2019; from the annual report 2020 of Ananda's, the increase of overall revenues from sales of real estate about 7 percent from 55.9 percent to 62.9 percent which is a good signal for the company to continuously developed residential projects that would eventually increase in their profit margin.

Ananda prepared itself to manage uncontrollable factors that might happen during a global pandemic. Moreover, still looking for an opportunity to expand their businesses. The company continues to operate and manage its business under the Blue Ocean strategy to be the leading developer in the real estate sector.

2.3 Revenue Structure

Ananda's major revenue source is real estate development (51%). The company also derives revenue from rental and services (24%), revenue from land sourcing, and other income (25%) as shown in Table 2.1.

Table 2.1 Revenue Breakdown in THB and Percentage

Statement of Comprehensive Income	For the Year-Ended 31 December (Consolidate Financial Statement)									
	2020		2019		2018		2017		2016	
	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%	Million Baht	%
Revenues										
Revenues from Sales of Real Estate	2,695.3	51.4%	4,847.4	62.9%	5,904.7	55.9%	8,931.9	69.0%	9,780.4	80.0%
Revenues from Project Management	1,237.7	23.6%	1,879.8	24.4%	2,079.7	19.7%	2,060.7	15.9%	1,242.8	10.2%
Service Income and Commission Income										
Other Income	1,310.2	25.0%	984.1	12.8%	2,570.4	24.4%	1,957.5	15.1%	1,206.6	9.9%
Total revenues	5,243.2	100%	7,711.3	100%	10,554.8	100%	12,950.2	100%	12,229.8	100%

Referring to the above table, revenue from project management tends to increase every year due to the company started to has The Work Community Management as a subsidiary of the company in 2016 which mainly providing a better before-and-after service to customers so during that period it makes the company generate more revenues.


In 2020, the overall total revenue of Ananda from many sources has been slightly decreased due to recently the company has been developing many projects through its joint venture companies.

2.4 Management and Governance

Ananda's entire business management and operations are well constructed in line with the specific requirements to foster efficiency and sustainable growth, which ultimately lead to higher value for its stakeholders, including the partners, the employees, and other stakeholders. The particular requirements for good governance in Ananda's corporate governance acknowledge the importance and rights of all shareholders. Those involved in awareness of all shareholder's rules, and regulation disclosure, equal shareholder treatment, information and transparency disclosure, integrity in a constructive manner as well as disclosure of the Board of Director's responsibility.

In addition, Ananda and its subsidiaries have operated their businesses through the promotion of the well-being of both internal and external organizations and environmental protection communities and societies. The company's responsibility covers the environment, society, and stakeholders, in accordance with environmental care, anti-corruption policies, fair employee treatment, and responsibility to consumers.

The company also developed a project called "Green Taskforce", under a partnership with Kasetsart University. This project is aimed at transforming every urban area into green space while inspiring all Ananda projects, both existing and future projects, to function as city gardens or lungs for the Bangkok people. This project will contribute to the increase of oxygen in the environment alongside the reduction of carbon dioxide and the reduction of PM 2.5 pollution. This project also helps to enhance the efficiency of people's living and sustainable plant growth. Currently, Ananda's CG score from SET is 5 as shown in Figure 2.6.

ANAN ANANDA DEVELOPMENT PUBLIC COMPANY LIMITED
 Property & Construction/Property Development
 sSET
 CG Report: 

Data as of 08 Jul 2021

Figure 2.6 Ananda CG Score from SET

CHAPTER III

EXTERNAL ANALYSIS

3.1 Macroeconomic Analysis

3.1.1 The world and the country's GDP

On 27 July 2021, IMF has announced the expected global GDP to grow at 6% for 2021. (Figure 3.1) The forecast is still unchanged from April 2021. However, it looks like every country can make a positive GDP in 2021, Thailand is underperformed most of the countries in the world which IMF forecast Thailand's GDP to grow just 2.6%, (Figure 3.2) moreover Monetary Policy Committee in Thailand has forecast Thailand GDP to grow just 0.7% and if COVID-19 pandemic could not get better until the end of 2021, Thailand GDP in 2021 could be minus. Due to the COVID-19 pandemic, the demand for foreign customers almost goes down to zero.

Latest World Economic Outlook Update Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2020	2021	2022
World Output	-3.2	6.0	4.9
Advanced Economies	-4.6	5.6	4.4
United States	-3.5	7.0	4.9
Euro Area	-6.5	4.6	4.3
Germany	-4.8	3.6	4.1
France	-8.0	5.8	4.2
Italy	-8.9	4.9	4.2
Spain	-10.8	6.2	5.8
Japan	-4.7	2.8	3.0
United Kingdom	-9.8	7.0	4.8
Canada	-5.3	6.3	4.5
Other Advanced Economies	-2.0	4.9	3.6
Emerging Market and Developing Economies	-2.1	6.3	5.2
Emerging and Developing Asia	-0.9	7.5	6.4
China	2.3	8.1	5.7
India	-7.3	9.5	8.5
ASEAN-5	-3.4	4.3	6.3
Emerging and Developing Europe	-2.0	4.9	3.6
Russia	-3.0	4.4	3.1
Latin America and the Caribbean	-7.0	5.8	3.2
Brazil	-4.1	5.3	1.9
Mexico	-8.3	6.3	4.2
Middle East and Central Asia	-2.6	4.0	3.7
Saudi Arabia	-4.1	2.4	4.8
Sub-Saharan Africa	-1.8	3.4	4.1
Nigeria	-1.8	2.5	2.6
South Africa	-7.0	4.0	2.2
Memorandum			
Emerging Market and Middle-Income Economies	-2.3	6.5	5.2
Low-Income Developing Countries	0.2	3.9	5.5

Figure 3.1 The world GDP

Source: IMF



Figure 3.2 Thailand GDP by IMF

Source: IMF

As a result of COVID-19, most of the businesses cannot expect to use the demand from foreign countries and the domestic demand also have a problem because all banks increase their lending strictness which is the main source of fund. Most of the businesses cannot operate normally due to government policies for preventing COVID-19. Many businesses have to close down permanently because of liquidity problems. The unemployment rate in Q1 2021 also increased to 1.96% from 1.83% in Q4 2020. The number of infected people still increase, what can actually help now could be an efficient vaccine which expects to come in Q4 2021.

Obviously, all of these factors have a negative impact to the real estate sector. The market is in a situation similar to a person with a broken leg, unable to continue walking. Buyers have to rely on loans from the banking sector while entrepreneurs also had to rely on loans from land purchase project development, but financial institutions almost never approved new loans, and for foreign customers who have the power of purchasing to buy real estate also cannot come to Thailand.

3.1.2 Interest rate and Inflation rate

Interest rate have a significant impact to economy as it relates to people saving and spending behaviors. Low-interest rate attracts people to spend money as it is not attractive to hold money in their account getting a small amount of interest and low-interest rate also makes the cost of lending money cheap. However, when the interest rate is too low or stays at low rate for long period of time, it can create inflation. And after the inflation occurs, the government will have to issue some monetary policies to control such as increase the interest rate and the currency will appreciate as a result of increasing interest rate. It is the kind of cycle that the Bank of Thailand and the government has to manage to control.

From Figure 3.3, it shows that the interest rate of Thailand is the lowest of 10 years period and then look at Figure 3.4, there is a signal that the inflation rate is going to be an uptrend as a result of the low-interest rate. And to prevent inflation, the government may need to increase the interest rate, but in COVID-19 situation that most of the businesses have faced a liquidity problem, the government cannot easily increase the interest rate otherwise it will heavily damage local business by increasing interest burden. Increasing interest rate also has a direct impact to real estate buyers as it is necessary for them to lend a money from banks. So, this is a very difficult situation for the government and businesses.

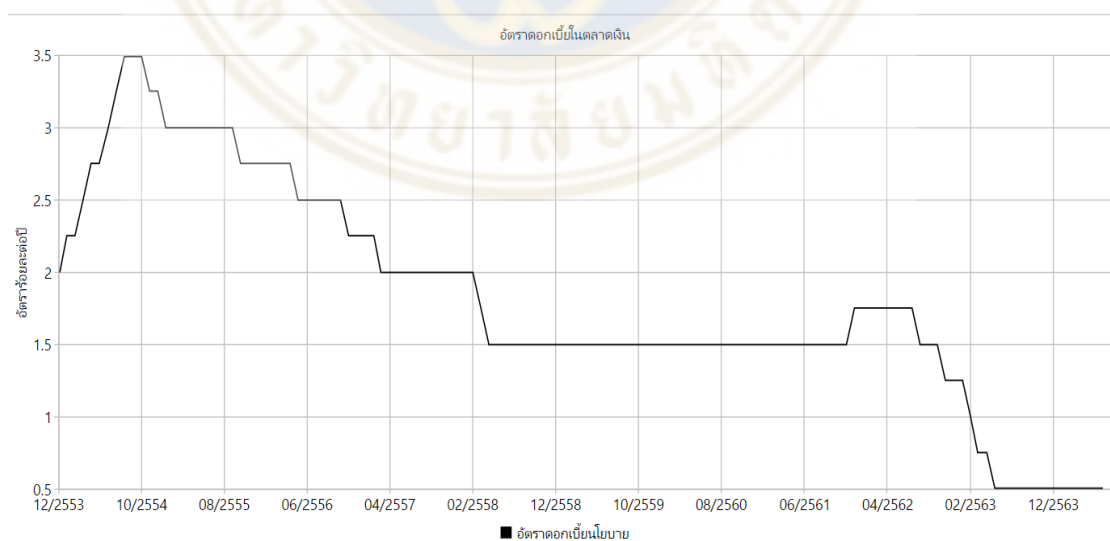


Figure 3.3 Interest rate of Thailand

Source: www.bot.or.th



Figure 3.4 Inflation rate of Thailand

Source: www.tradingeconomics.com

From management of discussion and analysis quarter 1 ending 31 March 2021, Ananda has adapted its operation to face the decreasing of demand in 2021 by reducing its administrative expenses by 6% and selling expenses by 44% compared with the same quarter in 2020 and because of this the company managed to make a profit of 70 million baht. Even in the situation that many businesses have a liquidity problem, Ananda still manages to makes its debt-to-equity ratio constant at 1.65 the same as quarter 1 in 2020. The company still has inventory on hand that can generate cash flow without using more money, so it seems like Ananda is still in a good shape and could manage to pass through this crisis.

3.2 Industry Analysis

In 2021, residential real estate business in Bangkok and its vicinities tends to be stable as a result of covid-19 pandemic. There are some factors that slow the recovery of this sector such as the high rate of household debt, it directly affects the power of purchasing and tightening of credit expansion of financial institution. Anyway, this market will have a better direction in 2022-2023 which is supported by;

- Thai economy is expected to grow at an average of 3-4% per year after this pandemic.

- The government's real estate stimulus policy.
- The demand for housing from foreign customers that come to invest or work in Thailand.

Sales of new projects during 2021-2023 tend to increase by an average 4.7%. Condominiums are expected to have the same proportion of new projects launched as low-rise houses. The proportion of low-rise homes will gradually increase to accommodate the growing demand for real living. It is expected that entrepreneurs tend to develop projects to meet different type of customers. Accordingly, in conditions of very low market interest rates and the government extending the period of measures to stimulate the real estate sector by reducing the transfer of ownership and mortgage fees for new-build homes for a price of not more than 3 million baht until the end of 2021, the postponement of the announcement of the new land and building tax rate to 2022, the reduction of the land and building tax rate to 10 percent which is a measure to reduce the burden of buyers and property developers is an important positive factor.

However, in 2021, there are still various risk factors that need to be monitored such as uncertainty of the COVID-19 pandemic situation, the delay in vaccine distribution, uncertainty in vaccine efficiency, delaying economic recovery, etc., which is a negative factor on the purchasing power of people's housing and on the housing market throughout the country.

To conclude, we think that the sale for real estate will gradually increase from a contraction of 36% in 2020 as high-end home buyers still have purchasing power. In addition, government measures have helped boost domestic purchasing. The transfer of ownership is expected to shrink by 1.5-2.0%, mainly due to transfers from Thai buyers because for foreigners, there are restrictions on international travel.

3.3 Competition Analysis

The porter's five forces analysis is used in competition analysis of Ananda shown in Figure 3.5

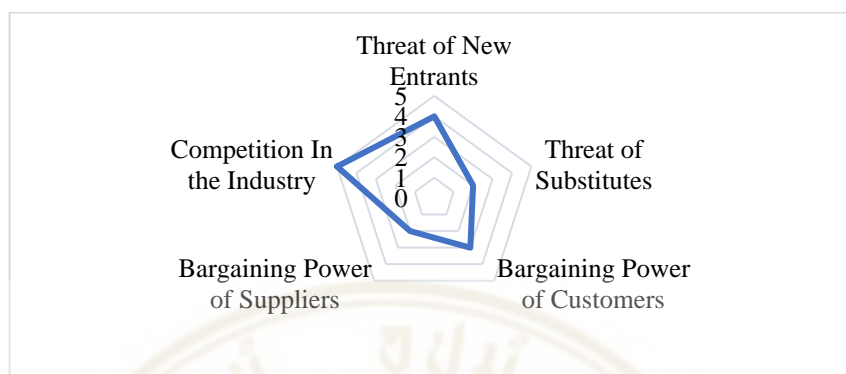


Figure 3.5 The Porter's 5 Force Analysis for Ananda

Threats of New Entrances: High

The threat of new entrants is high since there are no strong laws and regulations to enter into this segment with fewer requirements so it becomes easier to enter into this industry. Many real estate developers tried to access the same distribution channel to compete with Ananda. This is a serious threat that reduces the market share of the business. To reach more consumers and build customer loyalty, the company tried to differentiate themselves by offering a product uniqueness to suited all of their customer target. Ananda has a good economy of scale as the more the production of the condominium project, the lower the fixed cost per unit. Recently, Ananda has launched seven projects and still planning for a more upcoming project.

Threats of Substitutes: Low

Ananda's core product is residential condominium projects that are specially located close to the mass transit network in Bangkok. Many real estate developers cannot compete with Ananda near this premium location. To be more specific, it is not easy to substitute a condominium that closes to a mass transit network due to many real estate competitors cannot offer such a great location. Ananda creates and offers a greater value to customers in many senses. For example, location; the value of those land slightly increases every year, and customers can speculate and gain advantages from it.

Bargaining Power of Customers: Medium

Recently, many real estate developers have been increased a lot compare to the past which means that the more the developers in this industry, the higher the customer bargaining power. The reasons are that customers have many choices to select the most satisfying condominium and houses that suit their needs based on their preference. For example, customer lifestyles, prices range of the projects, down payment, emotional status, quality, and location. If those mentioned are better-suited customers need then customers can have a really big impact to bargain with the company. Due to they find out that the competitors offer a better deal in comparison to Ananda's itself. Especially, when the switching cost is low, customers can easily switch to other brands.

Bargaining Power of Suppliers: Low

Ananda has been contributing a great relationship with its business partner as having their own construction company as their subsidiary, Helix which supplied Anand project approximately 30 percent of the total project. This business contribution with the construction company can lower the risk of volatility on the price of construction cost and lower the bargaining power of suppliers respectively.

Competition in the Industry: High

Rivalry in the existing real estate industry is high due to the nature of the business as the more the developed project, the more the revenue can be generated. When the new projects came out with an attractive promotion and price it can attract more customers which in the end leads to price-cutting. The condominium market is highly competitive as most of the top players have their superior locations nearby the city such as close to BTS and MRT. Despite that, Ananda also tried to differentiate themselves to run their business in Blue Ocean strategy to avoid unnecessary competition to stay competitive in the market. However, when the industry itself tends to have a high potential growth rate then it will directly affect the competition, and the price of land will suddenly be high and those mentioned can hurt the old players and the new players.

Ananda Competitors are listed below.

3.3.1 AP

AP Thailand Public Company Limited (AP) is involved in real estate development activities in Thailand and operate their business with its affiliated company. The core products of the company are single-ditched houses, townhouses, and condominiums. These can be categorized into three categories; Low-Rise, Hight-Rise, and others. Furthermore, AP Thailand also provides after-sales services, construction services, property management services, and brokerage services to its customers. In addition, the education and training services are also provided by the company itself.

3.3.2 LH

Land and Houses Public Company Limited (LH) was established in 1973. The company's core business is operated under two segments, (1) real estate business including development and sells single-detached houses, townhouses, and residential condominium projects, and (2) rental and service business engaged in the rental of shopping malls, hotels, and apartments. Apart from this, Land and Houses also provide project administration and management as well as advisory services of investment.

3.3.3 LPN

LPN Development Public Company Limited (LPN) is actively engaged in the development of residential and non-residential condominiums. The company develops real estate properties in cooperation with its subsidiaries. Additionally, the official community management services and residential condominiums were provided by LPN Development. For example, consultancy services, building engineering services, condominium units, and office space brokerage services, etc.

3.3.4 SIRI

Sansiri Public Company Limited (SIRI) was established in 1984. There are four segments of the company's core business, (1) property development, (2) building management, and project management and real estate brokerage, (3) hotel management, and (4) other. For the property development sector, the company emphasizes on develops land and housing projects along with residential condominium projects, and rents serviced apartments and office buildings. The other segment is engaged in the hotel and education businesses. In addition, the event management, restaurant club management, administration services, e-commerce, and retail businesses, and distributes standard branded products were provided by the company. Sansiri is also in cooperation with its subsidiaries.

3.3.5 SPALI

Supalai Public Company Limited (SPALI) is involved in the development of real estate projects for a living and commercial purposes in Thailand, the Philippines, and Australia. The company is mainly operating in the real estate business including the hotel business and management segment. Supalai owns and housing projects such as single-detached houses, duplex houses, townhouses, and condominiums. Furthermore, the company also engages in the development of hotels and resorts, rents office buildings, and provides real estate project management. Those services were offered under the Supalai brand.

3.3.6 ORI

Origin Property Public Company Limited (ORI) develops residential condominium units and sells houses and land, together with its subsidiary company. The company also provides a variety of interior decoration, asset management, property management, health, and real estate sales agency and related services. Moreover, Origin Property is also involved in F&B and electric power businesses.

CHAPTER IV

VALUATION

4.1 Financial Analysis

For this section, we analyzed Dupont ROE, the growth rate of the past five years, and the specific financial ratio of the industry. The major competitors of Ananda are LPN Development Public Company Limited (LPN) and AP Thailand Public Company Limited (AP). The size of LPN is similar to Ananda but the company size of AP is about four times larger than Ananda. However, the selected peers are based on similar products and markets.

The formula used to calculate the Dupont ROE is shown below. Table 4.1 shows the Dupont ROE of Ananda, LPN, and AP of the last five years. In 2018, the ROE of Ananda's increases a lot due to good operation efficiency and the highest net profit margin. This is because the overall profit suddenly increases from investment in joint ventures projects with partners, Mitsui Fudosan. Recently, the continuous decrease of transfer of joint venture projects had an impact on the net profit of the company from 2019 to 2020. Thus, the ROE of 2020 is turning negative due to a loss from discontinued operations, especially construction services. That has an impact on their net profit margin even though Ananda's try to minimize cost and improving the operation efficiency of its core business.

$$\text{ROE} = \text{Net Profit Margin} \times \text{AT} \times \text{EM}$$

where:

$$\text{Net Profit Margin} = \text{Net Income} / \text{Sales}$$

$$\text{Asset Turnover (AT)} = \text{Sales} / \text{Average Total Assets}$$

$$\text{Equity Multiplier (EM)} = \text{Average Total Assets} / \text{Average Shareholders' Equity}$$

Table 4.1 Dupont Analysis of ROE

Dupont Analysis	2016	2017	2018	2019	2020	2020	2020
					ANAN	LPN	AP
Revenue (Million Baht)	12,230	12,879	10,522	9,203	4,887	7,450	29,986
Net Profit Margin	12.28%	10.31%	22.79%	9.27%	-0.96%	9.63%	14.09%
Asset Turnover	0.53	0.47	0.29	0.20	0.11	0.32	0.51
Equity Multiplier	2.35	2.39	2.52	2.77	2.84	1.89	2.11
Dupont ROE	15.41%	11.48%	16.91%	5.23%	-0.29%	5.75%	15.20%

When looks at the historical growth rate of a particular company, we can see the trend and this can be used in our valuation to predict the future growth rate of the company. The historical data from 2015 to 2019 are used in this valuation. The result from Table 4.2 shows that Ananda's expenses (+0.49%) are increasing faster than the revenues which can somehow reduce the net income of the company. On the contrary, AP has maintained their earnings very well while the peers are underperforming their historical growth rate.

Table 4.2 Growth Analysis of ANAN, LPN, and AP

	ANAN					CAGR (2015-2019)		
	2015	2016	2017	2018	2019	ANAN	LPN	AP
Total Revenues	11,025	12,230	12,879	10,522	9,203	-4.42%	-11.93%	1.82%
Total Expenses	8,748	10,203	10,622	10,035	8,920	0.49%	-11.12%	3.24%
Net Income	1,207	1,501	1,328	2,398	853	-8.31%	-15.00%	3.96%
EPS	0.36	0.42	0.34	0.65	0.09	-29.29%	-14.77%	3.98%

The covid-19 pandemic started at the end of the year 2019 and has a big impact on the early beginning of 2020 in Thailand. Thus, it is necessary to compare between the first quarter of 2020 and 2021 to be more useful in our analysis. To summarize from Table 4.3, incredibly that AP has a positive EPS and net income during the rough time. Unfortunately, Ananda's earnings dropped a lot compared to the same period of the previous year and some project has to stop in the middle of construction. This can conclude that the full effect of covid-19 is one of the company's concerns. However, Ananda and LPN tend to manage their expense very carefully during this time.

Table 4.3 Growth Analysis for the years 2020 and 2021

	ANAN			LPN			AP		
	Q1 2020	Q1 2021	Growth	Q1 2020	Q1 2021	Growth	Q1 2020	Q1 2021	Growth
Total Revenues	1,858	1,047	-43.67%	1,850	1,427	-22.87%	5,412	9,226	70.47%
Total Expenses	1,651	1,015	-38.54%	1,561	1,225	-21.56%	4,685	7,566	61.49%
Net Income	170	70	-58.62%	218	123	-43.70%	617.6	1,403	127.16%
EPS	0.02	-0.03	-300.00%	0.15	0.08	-43.35%	0.197	0.4459	126.35%

Moreover, the forecasted GDP of Thailand will drop about 7.78% by the National Economic and Social Development Council of Thailand (NESDC). The average range of Thailand's GDP and the real estate sector is 2.49%. The real estate sector will decline approximately 3.88% as shown in Table 4.4.

Table 4.4 GDP Real Estate Sector

	2015	2016	2017	2018	2019	2020	CAGR 5Y	2021F	Growth
Thailand GDP	13,743,480	14,590,337	15,488,664	16,368,705	16,898,086	15,698,286	2.70%	14,477,416	-7.78%
Real Estate Sector GDP	332,116	353,842	377,004	399,736	417,542	426,781	5.14%	410,224	-3.88%
% Real Estate Sector	2.42%	2.43%	2.43%	2.44%	2.47%	2.72%			
					Average	2.49%			

4.2 Relative Valuation

The relative valuation is to value stocks based on how similar stocks are currently priced by the market as well as what might be the factors that affect the overvaluation and undervaluation of stock. The price of comparable assets is used as the variable to appraise the value of assets.

4.2.1 Historical Multiple Bands

For this section, several financial information has been gathered to evaluate the value of Ananda stock which comprise price performance, last 12 months trailing earnings per share, next 12 months forward earnings per share, last 12 months trailing book value, next 12 months forward book value, enterprise value, last 12 months trailing EBITDA, and next 12 months forward EBITDA. The five years data from Thomson Reuters has been applied to monitor the historical trend and average of the stock valuation to find whether the firm is overvalued or undervalued.

Price to earnings per share

The P/E ratio is one of the commonly used tools that measure whether the stock is overpriced or underpriced. Several factors need to be considered; potential growth in the business, profitability, and industry sectors comparison.

The price to earnings per share of the real estate industry is relatively low because the company tends to have a stable growth on sales, continuously developing projects and lands. On the contrary, if the company develop many projects, then the earning will be exponentially high.

The recent data of Ananda P/E ratio of trailing twelve months from Thomson Reuters source is 268.64x with the current price of 1.90 baht. From Figure 4.1, the trailing P/E ratio is higher than the forward P/E ratio due to the forward earnings were higher than the trailing earnings. The current P/E ratio is higher than the 5 years average (20.60) and above the +2SD band (110.56) which was the highest point during 5 years. The negative profit of Ananda makes the large outliers of P/E during this current period. So, the price to earnings per share is the most fluctuates comparing to the past. Due to economic downside risk, COVID-19 pandemic, and unable to launch the projects according to the plans which directly affects Ananda earnings. Thus, it is obvious that the current price of Ananda is overvalued.

However, due to many uncertainties and ambiguity of demands so their P/E is temporarily high and it should be normal in the future. Before the global crisis, Ananda tends to perform better and within the range from the historical pattern of the P/E ratio. Therefore, the P/E multiple is considered to be an appropriate method to value Ananda.

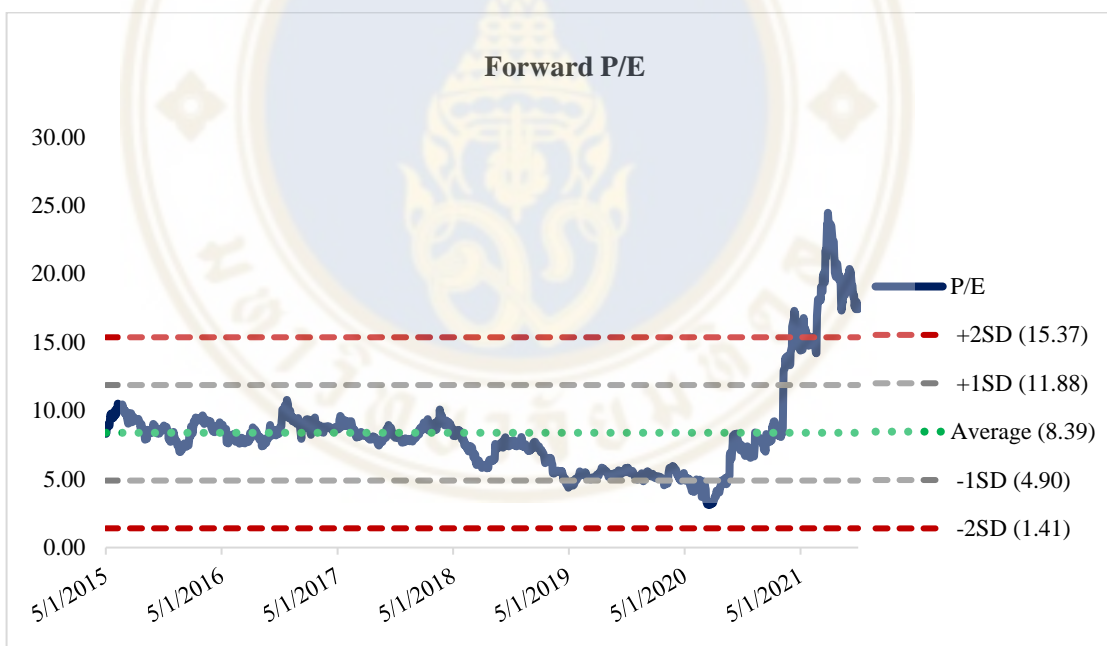
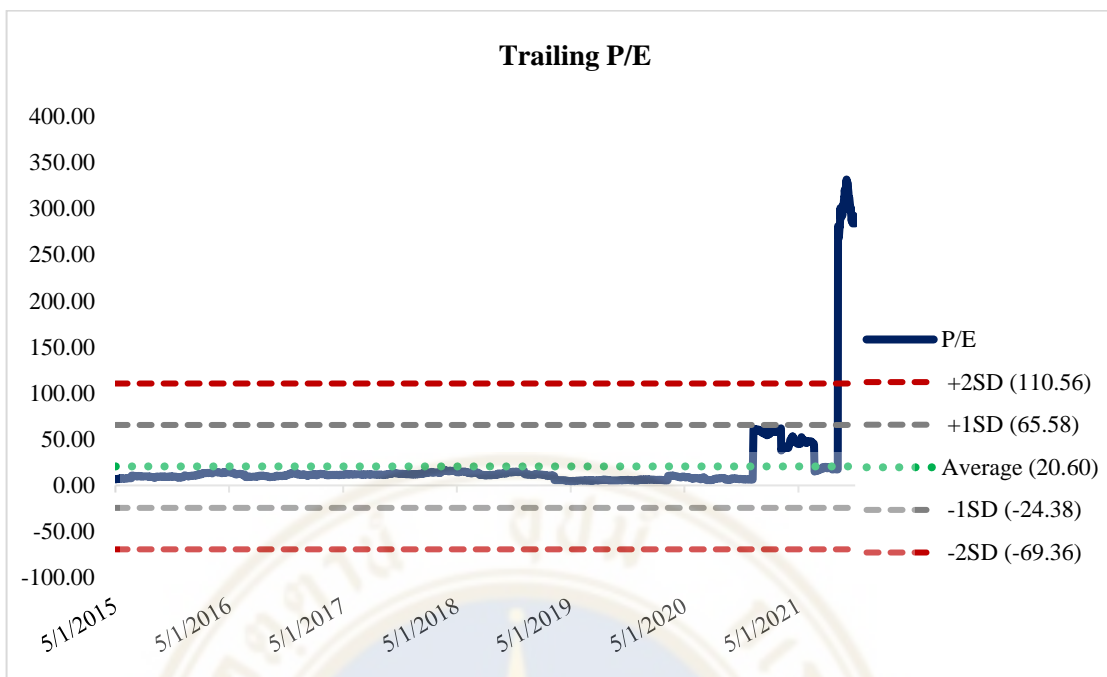


Figure 4.1 P/E Bands

Source: Reuters

Price to book value

The ratio that is used to measure the market stock price over its book value of equity is Price to book value (P/BV). For trailing P/BV and forward P/BV, it is obvious that both are undervalued as the value is below the 5-years average and the band stays between -2SD (0.03 to 0.08) and -1SD (0.57 to 0.58). Both bands have similar patterns and trends as the book value does not vary or change that often as shown in Figure 4.2.

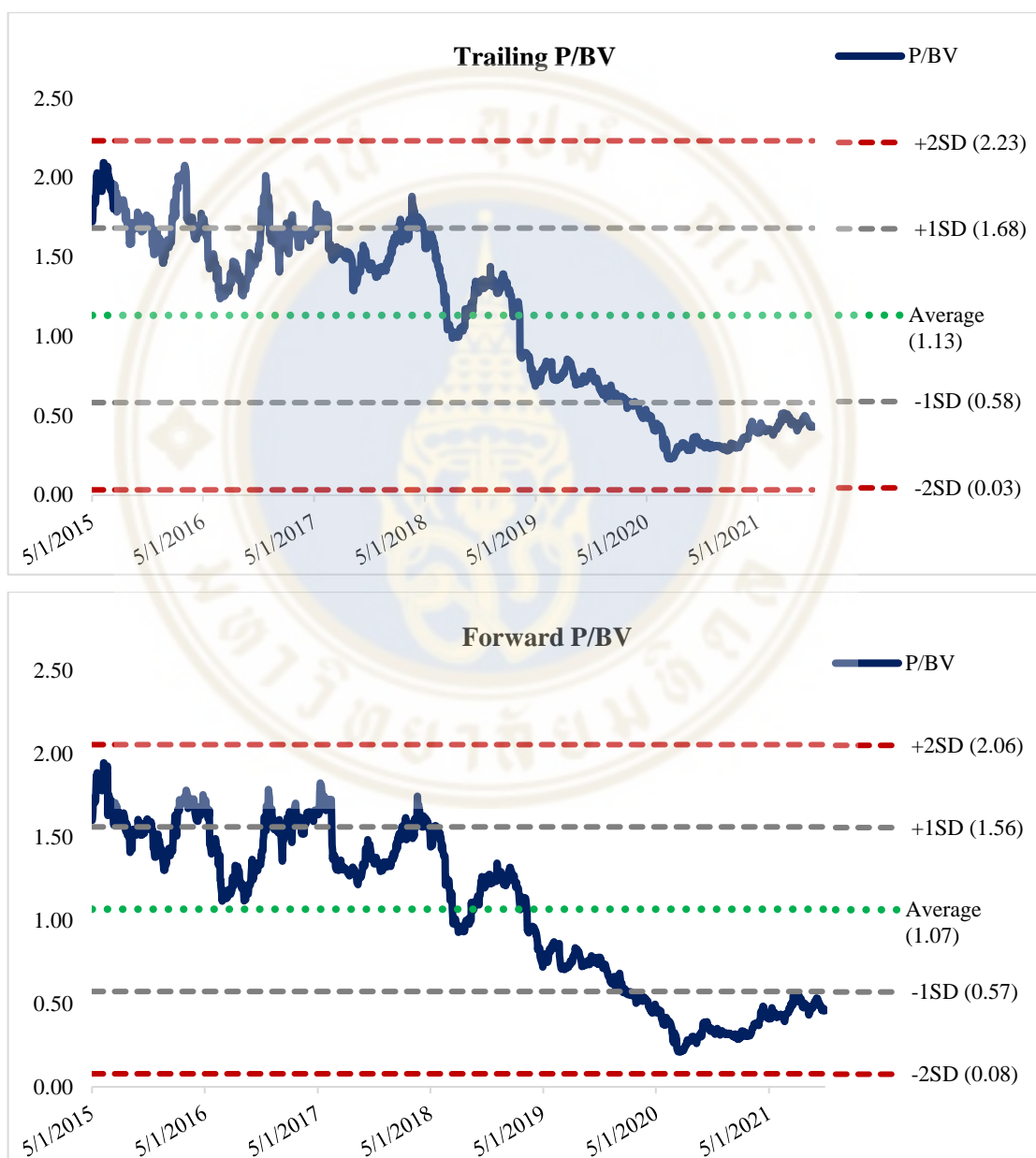


Figure 4.2 P/BV Bands

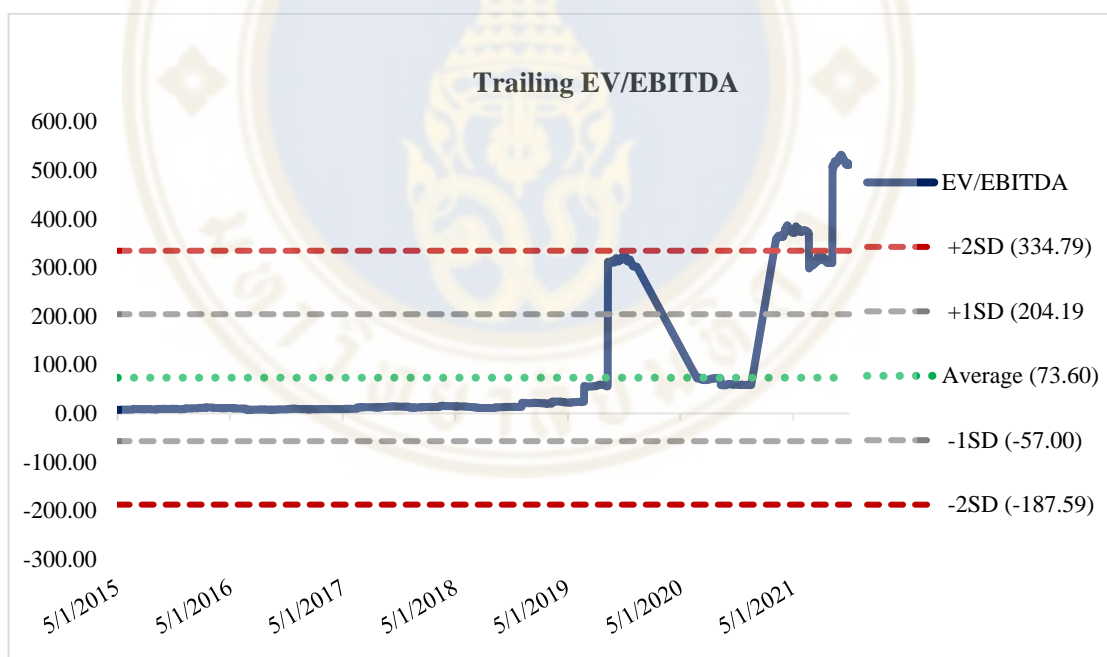
Source: Reuters

The factor that could change the patterns of the book value is the high liabilities of the company. Despite that, Ananda tried to maintain their net interest-bearing debt to equity ratio not exceed than 1 time to be more sustainable in long run.

Enterprise value to EBITDA

Enterprise Value (EV) is normally used to measure the company's total market value. It is a summation of market capitalization and outstanding debts. EBITDA or earnings before interest, taxes, depreciation, and amortization measured the company's profitability and overall financial performance.

According to the below graph, EV/EBITDA shows that the recent prices of the company in comparison for the last 5 years is cheap as the EV/EBITDA was below the average and just above +2SD for the trailing. The forward in comparison to the trailing EV/EBITDA is lower because peoples, investors, and analysts speculate and expect that Ananda EV/EBITDA will grow in the future.



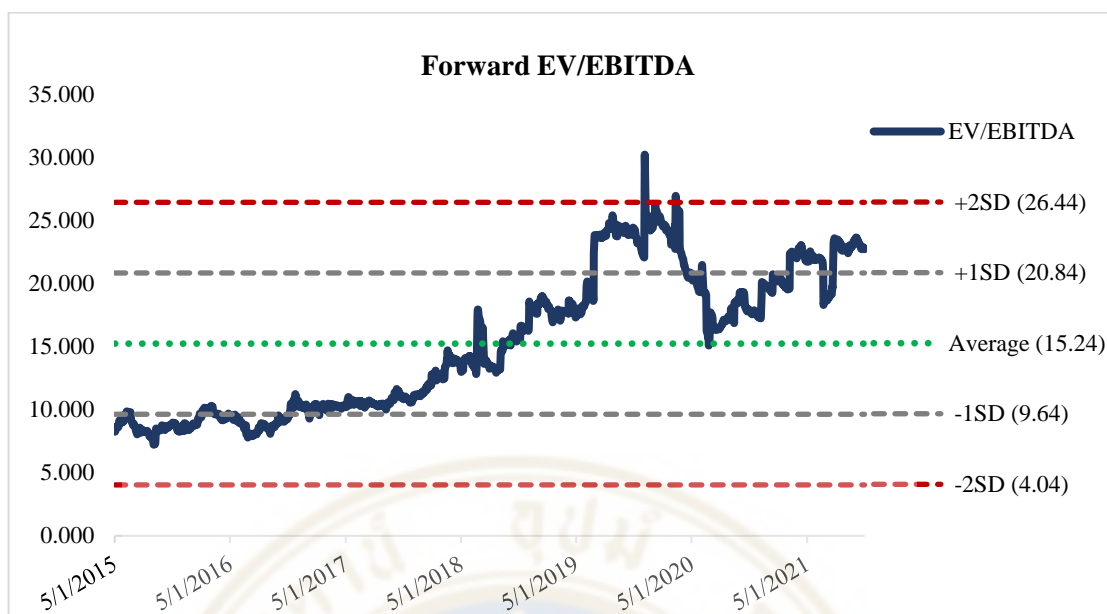


Figure 4.3 EV/EBITDA Bands

Source: Reuters

4.2.2 Peer Group Multiples

The selection of the peer in the real estate sector is based on similar products such as condominiums, and land and house. The data of each company was conducted through Thomson Reuter. The peer benchmark is including AP, LH, LPN, SIRI, SPALI, and ORI, and all of the companies are based in Thailand and the data were collected on July 9, 2021. The largest company among peers is Land and Houses with a market capital of 94.34 million baht as in the same sector of Ananda, property development. Land and Houses operates its business in two segments include real estate business and rental and business service business. The company develops and sells single houses, townhouses, and residential condominium projects as well as the rental and service business involved in the rental of department stores, hotels, and apartments. SPALI, AP, ORI, and SIRI all are in the medium-size business as their market capitalization is over 10.00 million baht which is rank respectively.

From the below table, it is obvious that SIRI has the lowest P/E ratio and lowest P/BV which means that SIRI is the cheapest stock based on this scope of measurement, and its P/E ratio and P/BV ratio are below the peer average. For the stock that has the highest P/E ratio, P/BV ratio, and EV/EBITDA is LH so the stock is relatively expensive compare to the peers in the same industry. To compared with a peer in the real estate industry, the value of Ananda trailing P/E and trailing EV/EBITDA are above the average. That is captured in table 4.5 and 4.6, which show trailing and forward multiple bands of real estate industry peers.

Table 4.5 12 months trailing multiple real estate industry peers

STOCK	Company Name	Country	Market Capital (MB)	Closing Price (09/07/2021)	Trailing P/E	Trailing P/BV	Trailing EV/EBITDA	
AP	AP Thailand PCL	Thailand	25.47B	8.10	5.09	0.83	9.75	
LH	Land and Houses PCL	Thailand	94.34B	7.95	12.51	1.84	21.62	
LPN	LPN Development PCL	Thailand	7.26B	4.90	11.50	0.63	15.09	
SIRI	SANSIRI PCL	Thailand	17.85B	1.19	8.89	0.47	19.17	
SPALI	SUPALAI PCL	Thailand	43.69B	20.20	9.38	1.06	11.89	
ORI	Origin Property PCL	Thailand	20.71B	8.45	7.17	1.70	11.03	
ANAN	Ananda Development PCL	Thailand	6.36B	1.90	268.64	0.41	504.53	
					Peer Average	9.09	1.09	14.76
					Peer Median	9.13	0.95	13.49
					Max	12.51	1.84	21.62
					Min	5.09	0.47	9.75

Source: www.thomsonreuters.com

Table 4.6 12 months forward multiple real estate industry peers

STOCK	Company Name	Country	Market Capital (MB)	Closing Price (09/07/2021)	Forward P/E	Forward P/BV	Forward EV/EBITDA	
AP	AP Thailand PCL	Thailand	25.47B	8.10	6.32	0.79	10.40	
LH	Land and Houses PCL	Thailand	94.34B	7.95	11.94	1.76	18.11	
LPN	LPN Development PCL	Thailand	7.26B	4.90	9.22	0.61	13.42	
SIRI	SANSIRI PCL	Thailand	17.85B	1.19	10.17	0.44	24.10	
SPALI	SUPALAI PCL	Thailand	43.69B	20.20	7.25	0.99	8.76	
ORI	Origin Property PCL	Thailand	20.71B	8.45	6.24	1.46	8.47	
ANAN	Ananda Development PCL	Thailand	6.36B	1.90	14.91	0.43	22.42	
					Peer Average	8.52	1.01	13.88
					Peer Median	8.24	0.89	11.91
					Max	11.94	1.76	24.10
					Min	6.24	0.44	8.47

Source: www.thomsonreuters.com

4.2.3 Peer Group Comparison

It is crucial to make a value judgment based on many factors that need to be considered apart from the biases about the companies. For this reason, it is necessary to understand more about the peer group performance of the real estate industry. The financial ratio is taken into consideration such as ROE, D/E ratio, Payout ratio, net profit margin, five years historical EPS growth, dividend yield, and beta.

To illustrate, Ananda is riskier than the peer because the beta is 1.60 which is higher than the market average (1.33). The return on equity is also below the average. The debt ratio is very high in comparison across companies as the average is approximately 1 while Ananda's debt ratio is 2.25. SPALAI is the first rank for payout ratio while Ananda is the last rank because they do not pay a dividend during 2020. Three companies that have a positive five years historical EPS growth rate which is AP, LH, and ORI.

Table 4.7 Peer Group Financial Ratios

Stock	Beta	ROE (%)	Debt Ratio	Payout Ratio	Dividend Yield (LTM)	Net Profit Margin	EPS GROWTH (2016-2020)
AP	1.47	15.21	0.80	0.34	5.32	14.14	10.01%
LH	1.01	13.72	1.26	0.30	6.61	24.00	2.47%
LPN	1.30	5.16	0.76	0.40	15.54	9.75	-21.34%
SIRI	1.75	4.10	1.62	0.04	3.61	4.31	-14.07%
SPALAI	0.65	11.50	0.58	0.60	5.36	21.02	-3.35%
ORI	1.77	24.10	1.46	0.10	6.07	26.36	39.39%
ANAN	1.60	5.43	2.25	-	1.42	23.77	-19.50%
Peer Average	1.33	12.30	1.08	0.30	7.09	16.60	2.19%
Peer Median	1.39	12.61	1.03	0.32	5.72	17.58	-0.44%

Source: www.thomsonreuters.com

4.2.4 Expected Prices from Relative Valuation

All of the above ratio bands can be used to forecast the share price of Ananda stock based on the past performance and also combine the discounted cash flow method to be used in this calculation as shown in Table 4.8.

Table 4.8 Estimated Price from Relative Valuation

	2021F	2022F	2023F
Listed Share	3,333,000,000	3,333,000,000	3,333,000,000
EBIT	1,664,139,017	1,802,400,325	1,980,467,023
Depreciation	279,336,128	329,548,870	388,787,726
Income for the year	410,112,472	865,462,660	1,007,916,018
Total Assets	44,187,329,553	45,094,756,654	46,020,818,597
Total Liabilities	24,194,533,995	26,524,353,194	29,078,522,964
EPS	0.12	0.26	0.30
Book Value	6.00	5.57	5.08
EBITDA	0.58	0.64	0.71

	2021F	2022F	2023F
Relative Valuation	Target Price	Target Price	Target Price
Trailing P/E	1.15	2.44	2.84
Trailing P/BV	4.98	4.62	4.22
Trailing EV/EBITDA	8.80	9.65	10.73
Average	4.98	5.57	5.93

	2021F	2022F	2023F
Relative Valuation	Target Price	Target Price	Target Price
Forward P/E	1.13	2.39	2.79
Forward P/BV	4.74	4.40	4.02
Forward EV/EBITDA	7.83	8.58	9.54
Average	4.57	5.13	5.45

First of all, the value of all multiple is from Reuters for the P/E, P/BV, and EV/EBITDA of the last twelve-month as well as P/E, P/BV, and EV/EBITDA of the next twelve months. To calculate the target price of trailing P/E, we calculate the annual EPS of the next twelve months by using our forecast of net income from the Pro-forma statement divided by listed share then we get the EPS value of the next twelve months. Once we get it, we multiply it by the P/E of the last twelve months then we get the share price of 1.15 in 2021F.

We did the same for the rest of the bands. There are some differences when finding the book value, we calculated each book value by using total asset minus total liabilities and then divided by listed share. Once we get the book value then we multiply with P/BV of the last twelve months then we get the share price of 4.98 in 2021F.

To get the share price of EV to EBITDA, we calculate the value of EBITDA first by using the summation of EBIT plus depreciation and divided by listed share. After we get the value EBITDA at 0.58, we multiply with trailing EV/EBITDA in 2021F. The estimated share price will be 8.80.

All of the above information is calculated from our Pro-forma statement that links to the DCF method. This combination would be very useful to predict the future price of the stocks based on several factors. For example, consideration about the historical growth rate before the full impact of the crisis as we believe that after the covid crisis, our domestic economy will start to slowly recover. So, we have been gathering the most relevant information to be used in our estimation to predict the share price of Ananda.

Therefore, the estimated share price at the end of the year 2021 based on trailing P/E is 1.15. This is slightly higher than the forward P/E of the 2021 year ended where the predicted forward P/E is 1.13. This indicates that earnings per share are expected to grow as the forward P/E ratio is lower than the trailing P/E. The differences in the estimated share price of both methods reflect Ananda's long-term growth prospects and financial stability.

However, the predicted share price (1.15 baht per share) is still lower than the current price (1.90 baht per share) which affirms that the stock price as of July 9, 2021, is overvalued.

4.2.5 Sensitivity Analysis

To deeply understand how changes in earnings, risk, and potential growth rate would affect the value of Ananda we must do the sensitivity analysis. The purpose is to ensure a better valuation result. The three years forecasted earnings and P/E ratio are applied in this calculation.

The different situations would explain the sensitivity of the price from different assumptions. In this case, we assume that the probability that the worst case would occur is approximately 20%. The probability that would happen on the base case is about 50% and the rest is for the best case. From the below table, the average fair price (1.60 baht per share) is lower than the current price (1.90 baht per share) which reflects the margin level of safety.

To provide an illustration, the investor who owns this stock and holding for three years can make a loss of about 15.6%. Investors will gain a profit of approximately 11.3% only when the economy is in a good condition and the company has the best performance. Then the price of the best case would be 2.11. When comparing the current price with the average fair price, it is confirming that the current stock price is overvalued.

Table 4.9 Sensitivity Analysis EPS of Ananda's trailing P/E

Fair Price (Baht/Share)		EPS (Baht/Share)			
		Worst	Base	Best	
		0.12	0.16	0.20	
P/E	Worst	8.42	1.01	1.35	1.68
	Base	9.58	1.15	1.53	1.92
	Best	10.57	1.27	1.69	2.11

% Upside (from current stock price)		EPS (Baht/Share)		
		Worst	Base	Best
P/E	Worst	-46.8%	-29.1%	-11.4%
	Base	-39.5%	-19.3%	0.8%
	Best	-33.2%	-11.0%	11.3%

(Worst Case)	20%
(Base Case)	50%
(Best Case)	30%

Average Fair Price (calculation based on probability)	1.60
% Upside Average (from current price)	-15.6%

Source: www.thomsonreuters.com

4.3 Valuation Recommendation

The range of the prices is compared by using the football field. The current price of Ananda (1.90 baht) is relatively expensive compare to the forecasted target price from the different analysts. That is because the current price is higher than the analyst predicted as shown in Table 4.10.

The recommendation based on relative valuation using the trailing P/E multiple is SELL. The trailing P/E multiple-based price forecast is 1.15 baht for year-end 2021. That is 65% below the closing price of 1.90 baht on July 9, 2021. In this paper, P/E bands based on the historical multiple are selected to evaluate the target value of Ananda as shown in Figure 4.4.

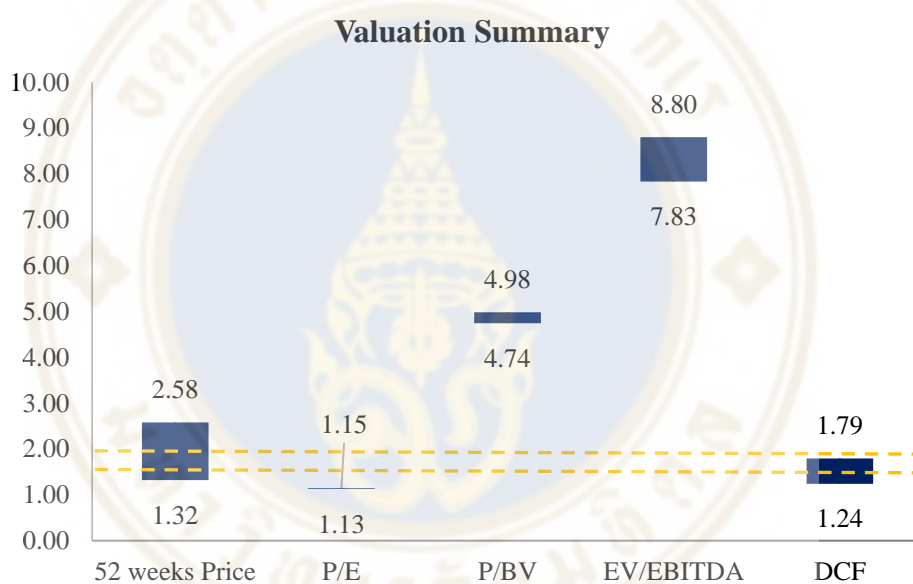


Figure 4.4 Football Field for Ananda

However, Ananda strategies are (1) maintain a proportion of debt to not exceed 2 to be seen as less risky and the long-term debt will be lower, (2) cost reduction in 2020 to deal with the covid-19 situations to increase the profit, and (3) continue to develop and expand the projects according to the plans. This positive stock outlook is very attractive for an investor to invest in Ananda and hold the stock for the long term. In fact, the primary of the investor they do not hold an investment for a longer time.

From my perspective, *“Ananda may not be a good stock for an active investor who looks for a greater return and the best stock’s performance. The current price is cheap compared with the peers but the fair price is lower than the current price so, this stock is overvalued based on Ananda’s historical P/E valuation.”*

Table 4.10 Target Prices from Analysts

No.	Broker	EPS (Baht)				P/E		DIV (%)	Target Price	Rec	Last Update
		2021F	%Change	2022F	%Change	2021F	2021F				
1	TISCO	0.12	192.3	0.17	41.7	13.3	0.3	3.1	0.90	Sell	02/08/21
2	ASPS	0.14	333.3	0.16	14.3	11.4	0.3	2.5	1.14	Sell	02/08/21
3	KS	0.13 ▼	333.3	0.24	84.6	12.3 ▲	0.3	2.5	1.63	Underperform Market	27/07/21
4	CNS	-0.06	-	0.02	133.3	-26.7	0.5	-	1.75	Reduce	19/07/21
Average		0.08	286.3	0.15	68.5	19.4	0.4	2.7	1.36		
High		0.14	333.3	0.24	133.3	13.3	0.5	3.1	1.75		
Low		-0.06	192.3	0.02	14.3	-26.7	0.3	2.5	0.90		
Median		0.12	333.3	0.16	63.1	11.9	0.3	2.5	1.38		

Source: www.settrade.com

CHAPTER V

INVESTMENT RISKS AND DOWNSIDE POSSIBILITIES

In this chapter, we will talk about risk factors that may occur and affect the company's business operations are as follows;

1. Risk arising from the pandemic situation of the COVID-19

The coronavirus disease 2019 pandemic situation is a sudden crisis that no other country in the world has anticipated and prepared the health system to deal with the situation. It greatly affects the economy and society to countries around the world including Thailand. It is a risk that affects the entire market (Systematic risk) which every business cannot avoid. The pandemic has forced executives and entrepreneurs to adapt quickly and make important decisions in a short time. This may affect the business in the long term in ways that we cannot predict. The pandemic situation of coronavirus disease 2019 is a major risk factor affecting core businesses and businesses under development according to the Company's strategic plans, such as serviced apartment business, etc. Company real estate and revenue of service business apartment drop both incomes from domestic customers and income from foreign customers. The main reason why domestic customers postpone or cancel the deal is because of the uncertainty of their job due to COVID-19 pandemic. As for foreign customers, international travel restrictions prevent customers from traveling.

To deal with this, the company has adjusted the business plan, marketing, and sales strategy. Both marketing, sales, and transfer of ownership processes. Emphasis is placed on digital or online channels, such as organizing marketing activities and selling via online channels. including more social media channels to reach as many customers, both Thai and foreign customers as possible. Using virtual reality technology to enable customers to view the project or check out the suite without having to travel. and improving the process of transferring ownership for foreign customers. by a various tool that the company has made is aimed to encourage customers to make the purchase decision and transfer the ownership as much as possible without traveling.

2. Financial Risk

Financial risk is a significant risk to the company. The main risk factors are cash flow and risk of cash flow for financing business operations which is mainly caused by the COVID-19. It caused the rate of real estate sales to decrease and affect the revenue and cash flow of the company. These affect the difficulty of raising funds, issue debentures, and also increase the financial cost.

The company manages this risk by maintaining financial discipline with the maximum debt to equity ratio at 2 times. Moreover, the company also changed its sales strategy by focusing on selling inventory, postpone investment in new projects and partner with strong financial institutes.

3. Compliance risk with applicable laws, rules, and regulations

There are many kinds of laws and regulations for this kind of business. The company can be easily sued by local people or else and can affect the financial situation and also brand image of the company.

To reduce this kind of risk, Ananda gives most priority to follow the rule and regulations since day 1 of planning any new projects. It is also including the upcoming law that has to be in consideration. And to avoid the problem with local residents, the company will avoid the sensitive area and in the construction process, they will have a team to often talk with local residents.

4. Risk from investing in new businesses

Investing in new businesses in which the company is not expertise such as IT business, invest in a countryside project. To invest in this kind of thing, it has a high chance that the result will not be as we have planned. But with the company strategy that want to have sustainable growth, so to invest in innovative technology is inevitable. It needs to seek investment opportunities in new businesses, both in the expansion of investments in core businesses and other businesses which is a high-risk business.

To deal with this risk, most of the time, the company will invest by the partner with the expertise company. In addition, during the investment period the company will consistently check the project to be on track and also monitors any change in risk factors that can occur in order to fix it on time.

CHAPTER VI

CONCLUSION

In this research paper, the relative valuation method is used to appraise the appropriate target price of Ananda Development Public Company Limited (ANAN). The three main multiples that are used to estimate the value of Ananda comprise P/E, P/BV, and EV/EBITDA. The most appropriate multiple to determine the value of Ananda is the price to earnings. Recently, the P/E of Ananda is the highest among peers so the current price looks cheap. The comparable firm is in the real estate sector and their core products are condominium, housing, and town housing projects. The selection of the peer benchmark is based on a variety of market capitalization, beta, return on equity, debt ratio, EPS growth rate, and dividend yield. This diversification would allow us to see things in a greater picture and not be a subjective judgment.

We would recommend selling this stock based on the relative valuation approach. The estimated target price of the 2021 year ended is 1.15 baht which is 65% below the current price as of July 9, 2021. Ananda's stock price is overvalued based on its historical P/E band. However, there is a possibility that the company can generate more profit in the future because the economy is expected to recover and the demands for housing should slightly increase as well.

The limitations of the valuation are difficult to find the most appropriate peer to evaluate the value of the stock. The used of the historical data of the past performance may not reflect the future performance of the company. Due to there is high uncertainty about those fundamentals such as risk, growth rate, and vice versa. Moreover, we do not know whether Ananda will outperform its peers. In brief, the relative valuation approach has its own limitations.

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