

## Earnings outlook already priced in

- Low-rise housing likely to be key revenue driver in 1Q12F
- Expect gross margin improvement on q-q basis
- Presales from low-rise housing not yet back to normal level

### Low-rise housing likely to be key revenue driver in 1Q12F

We expect PS to report a 1Q12F net profit (NP) of THB562.1mn, up 58.5% q-q but down -23.1% y-y. The company's revenue from residential sales in 1Q12F is estimated to amount to THB4,635.0mn, down -0.5% q-q and -14.5% y-y. Revenue from TH is likely to account for 51% of total revenue from residential sales in 1Q12F, followed by 35% from SDH, 9% from condos, and 4% from overseas projects. Note that its condo revenue for the quarter should decline by -74.7% q-q to THB417.2mn, as no condo project was completed and transferred in 1Q12F. Most of its condo revenue should come from the continued transfer of units from its "Ivy Thonglor" and "The Seed Memories Siam" projects. Finally, revenue from PS's overseas business is likely to amount to THB185.4mn and come from its "Coral Ville" condo project in the Maldives.

### Expect gross margin improvement on q-q basis

PS's gross margin from residential sales is expected to increase to 36.7% in 1Q12F when compared to 35.1% in 4Q11, but drop from 39.3% in 1Q11. Note that the company's flood-related costs amounted to approximately THB180mn and about THB70mn were already recorded in 4Q11. The rest will be booked as a cost of goods sold item during 1Q12-2013F. We expect PS's SG&A expenses in 1Q12F to amount to THB979.3mn, down -0.9% q-q and -18.6% y-y. Hence, its SG&A expenses to total revenue ratio in 1Q12F is expected to decline slightly to 21.1% vs. 22.2% in 1Q11 and 21.2% in 4Q11.

### Presales from low-rise housing not yet back to normal level

PS launched six projects in 1Q12 with a total value of THB3,816mn (including four TH, one SDH, and one condo project). Its presales for the quarter amounted to THB5,669mn for a big jump when compared with THB235mn in 4Q11. However, the company's presales for this quarter were still well below its 1Q11 presales of THB8,465mn, as presales for TH and SDH have yet to return to normal. Its presales in April 12 are expected to be soft due to the long holidays. However, PS's presales momentum should improve in 2H12F since it is planning to launch new low-rise housing projects located on land plots with a total of 400 rai on Pattanakarn Road. Two projects will be launched in June 2012. There will be one SDH project with selling prices starting from THB4.0mn/unit and one TH project with selling prices starting from THB2.0mn/unit. We maintain our NEUTRAL rating on PS because we believe that its better earnings prospects for FY12F are already priced in, as suggested by the limited upside potential to our new FY12F TP.

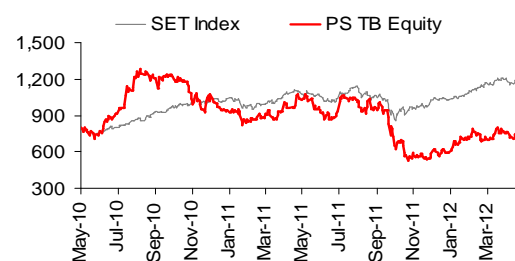
## EARNINGS PREVIEW

Stock Rating	<b>NEUTRAL</b>
Previous	NEUTRAL
Closing price	THB15.40
Fair value 12F (PER)	<b>THB15.57</b>
Consensus Fair value	THB15.79
Sector Rating	<b>BULLISH</b>

### Forecasts and Valuation

31 Dec (THBmn)	2011	2012F	2013F	2014F
Revenue	23,263	26,161	28,628	30,603
EBITDA	4,224	4,692	5,121	5,438
Norm. Profit	2,835	3,307	3,724	3,980
Net Profit	2,835	3,307	3,724	3,980
EPS (THB)	1.28	1.50	1.69	1.80
EPS Growth (%)	(18.8)	16.7	12.6	6.9
PER (x)	12.0	10.3	9.1	8.5
BV/share (THB)	7.7	8.8	10.0	11.3
P/BV (x)	2.0	1.7	1.5	1.4
EV/EBITDA (x)	12.7	11.7	10.7	9.8
DPS (THB)	0.40	0.48	0.56	0.59
Dividend yield (%)	2.6	3.1	3.6	3.9
ROE (%)	17.6	18.1	17.9	16.9
Int. bearing D/E (x)	1.19	1.12	1.02	0.79

### Share Price Performance



**Exhibit 1: PS – 1Q12F preview**

	<b>1Q11</b>	<b>4Q11</b>	<b>1Q12F</b>	<b>q-q</b>	<b>y-y</b>	<b>2012F</b>	<b>% of 12F</b>
Sales & Services	5,422.0	4,658.5	4,635.0	-0.5%	-14.5%	26,160.5	17.7%
Gross Profit	2,133.1	1,633.3	1,701.0	4.1%	-20.3%	9,486.0	17.9%
EBITDA	998.5	742.8	819.4	10.3%	-17.9%	4,691.7	17.5%
Interest Expense	12.7	57.3	58.0	1.2%	358.0%	203.7	28.5%
Corporate Tax	214.1	274.8	140.6	-48.8%	-34.3%	987.8	14.2%
Forex Gain (Loss)	-	-	-	n.a.	n.a.	-	n.a.
Other Extraordinary Items	-	-	-	n.a.	n.a.	-	n.a.
Gn (Ls) from Affiliates	-	-	-	n.a.	n.a.	-	n.a.
Net profit (Loss)	731.4	354.6	562.1	58.5%	-23.1%	3,307.0	17.0%
Normalized Profit (Loss)	731.4	354.6	562.1	58.5%	-23.1%	3,307.0	17.0%
Reported EPS (THB)	0.33	0.16	0.25	58.5%	-23.2%	1.50	17.0%
Gross Margin (%)	39.3%	35.1%	36.7%			36.3%	
EBITDA Margin (%)	18.4%	15.9%	17.7%			17.9%	
Net Margin (%)	13.5%	7.6%	12.1%			12.6%	
Current Ratio (x)	2.4	2.8				3.4	
Interest Coverage (x)	7.0	2.3				4.3	
Debt to Equity (x)	1.0	1.2				1.1	
BV (THB)	7.3	7.7				8.8	
ROE (%)	18.7%	8.4%				18.1%	

Source: PS, CNS estimates

**Explanation of CNS rating system for Thailand companies under coverage:***Stocks:*

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price) / Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

- A "Buy" recommendation indicates that potential upside is 15% or more.
- A "Neutral" recommendation indicates that potential upside is less than 15% or downside is less than 5%.
- A "Reduce" recommendation indicates that potential downside is 5% or more.

*Sectors:*

A "Bullish" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A "Neutral" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A "Bearish" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

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