

## Pruksa Real Estate (PS.BK/PS TB)\*

Slow pace of recovery

**Bt16.50**

**Neutral**  
Maintained

**Earnings preview**

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- **Maintain Neutral on the counter with unchanged target**
- **Expect 1Q12 earnings of Bt632mn, down 13.5% YoY but up 78.3% QoQ**
- **1Q12 presales of Bt5.7bn, down 33%YoY**
- **Expect 2012-13 earnings to grow 30% and 13%, respectively**

### Maintain Neutral on the counter with unchanged target price

We have a neutral view on PS's outlook after talking with its management and we do not see any catalysts that would drive the share price in the near term. For 1Q12, we anticipate earnings of Bt632mn, down 13.5% YoY, but up 78.3% QoQ. Our full-year forecast is maintained at Bt3.7bn, up 30% YoY, as 75% of our revenue forecast has been secured. However, we expect to see more improvement in presales in 2H12. Reiterate Neutral with an unchanged target price of Bt16.60. The current price offers an unattractive upside of 0.6%.

### Expect 1Q12 earnings of Bt632mn, down 13.5% YoY but up 78.3% QoQ

We forecast 1Q12 earnings of Bt632mn, down 13.5% YoY but up 78.3% QoQ. The YoY decrease would be from lower revenue recognition and a lower gross margin in the quarter while the QoQ increase would be due to the absence of flood related expenses and the deferred tax adjustment seen in 4Q12. We estimate 1Q12 revenue of Bt4.6bn, down 15.9% YoY and 2.1% QoQ, of which 90% is expected to be revenue from low rise projects.

Figure 1: 1Q12 earnings preview

Bt mn	1Q12F	1Q11	YoY (%)	4Q11	QoQ (%)
Sales and services	4,558	5,422	(15.9)	4,659	(2.1)
Gross profit	1,595	2,133	(25.2)	1,633	(2.3)
SG&A	(775)	(1,203)	(35.6)	(988)	(21.6)
EBIT	821	930	(11.8)	645	27.2
Interest expenses	(53)	(13)	322.0	(57)	(6.7)
Corporate income tax	(148)	(214)	(30.7)	(275)	(46.0)
Normalized profit	632	731	(13.5)	355	78.3
<b>Net profit</b>	<b>632</b>	<b>731</b>	<b>(13.5)</b>	<b>355</b>	<b>78.3</b>
EPS (Bt)	0.29	0.33	(13.6)	0.16	78.3
Percent	1Q12F	1Q11	YoY (ppts)	4Q11	QoQ (ppts)
Gross margin	35.0	39.3	(4.3)	35.1	(0.1)
SG&A to sales	17.0	22.2	(5.2)	21.2	(4.2)
Net margin	13.9	13.5	0.4	7.6	6.3

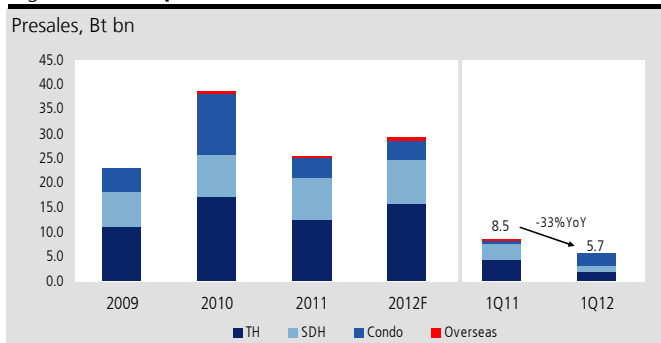
Source: Company data; KGI Securities (Thailand) estimates

### 1Q12 presales of Bt5.7bn, down 33% YoY

PS reported 1Q12 presales of Bt5.7bn, down 33% YoY. Breaking it down, it included 47% from condominium, 33% from townhouse and 20% from single detached house. During the quarter PS launched five low rise projects and one condo project worth Bt3.8bn.

Though the 1Q12 presales accounted for only 19% of PS's full year target, the company maintained its target of Bt29bn supported by another 43 projects worth Bt30bn that are to be launched throughout the year.

Figure 2: 1Q12 presales fell 33% YoY



Source: Company data; KGI Securities (Thailand) estimates

### Expect 2012-13 earnings to grow 30% and 13%, respectively

As there are no new catalysts to impact PS's earnings outlook, we are maintaining our earnings forecasts for 2012 of Bt3.7bn, up 30% YoY, and 2013 of Bt4.2bn, up 13.4% YoY. We believe our estimates are achievable supported by the current backlog of Bt33bn, which implies 75% of our 2012 revenue estimate and 36% of our 2013 revenue estimate have been secured.

### New covenant ratio approved by lenders and bond holders

PS's management mentioned that the company got approval from its lenders and bond holders to expand the covenant ratio, interest bearing debt to equity, to 2:1 from 1.5:1. This could give the company more flexibility to do business and ease concerns about its liquidity management over this tough year.

## Valuation and Recommendation

With the slow pace of recovery, we maintain our Neutral rating on the counter with an unchanged target price of Bt16.60 derived from its average historical PE of 10x 12EPS. The current price implies only 0.6% upside on our target.

Year to Dec	Sales (Bt mn)	Sales growth (%)	EBITDA (Bt mn)	NP (Bt mn)	EPS (Bt)	EPS growth (%)
2009	18,966	46.2	4,994	3,622	1.64	52.5
2010	23,307	22.9	4,750	3,488	1.58	(3.7)
2011	23,263	(0.2)	4,224	2,835	1.28	(18.7)
2012F	26,038	11.9	5,027	3,686	1.67	30.0
2013F	28,878	10.9	5,560	4,181	1.89	13.4
Year to Dec	GM (%)	EV/EBITDA (X)	PBV (X)	PER (X)	Dividend Yield (%)	ROAE (%)
2009	38.1	4,994.3	2.8	10.0	3.3	31.3
2010	37.5	4,749.7	2.4	10.4	2.9	24.7
2011	36.7	4,223.6	2.1	12.8	2.3	17.6
2012F	35.0	5,026.9	1.8	9.9	3.0	20.0
2013F	35.0	5,559.7	1.6	8.7	3.4	19.6
Sector	Property 52-week trading range (Bt)					10.4 - 21.2
12M Target price (Bt/shr)	16.6	Mkt cap-Bt bn/US\$ bn				36.46/0.9
Upside/downside (%)	0.6	Outstanding shares (mn)				2,209.4
The percentile of excess return (%)	36.1	Free floating shares (mn)				474.8
Dividend yield-12/12F (%)	3.0	Foreign ownership (mn)				883.8
Book value/shr-12/12F (Bt)	9.0	3M avg. daily trading (mn)				8.0
P/B-12/12F (x)	1.8	Abs. performance (3,6,12M)(%)				16.2; 48.6; -19.5
Net debt/equity-12/12F (%)	101.7	Rel. performance (3,6,12M)(%)				3; 14.7; -30.3

\*The Company may be issuer of Derivative Warrants on these securities.

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