



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

Better outlook, upgrade to Outperform

**Bt16.50**

**Outperform**  
from Neutral

**Earnings preview**  
**Rating upgrade**

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- **Upgrade to Outperform with new target price of Bt20.60, from Bt16.60**
- **2Q12 presales figure back on track**
- **Potential upside to revenue target, revised up 2012-13 earnings by 3.3% and 3.7% respectively**

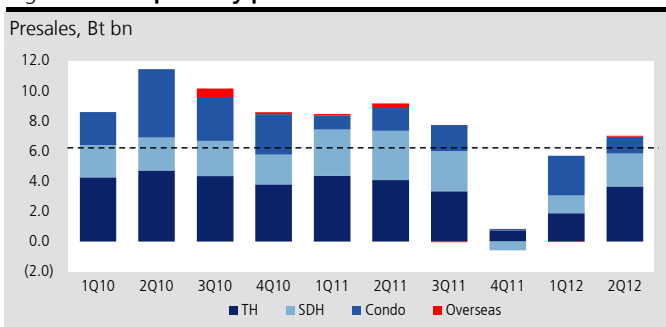
### Upgraded to Outperform with a new target price of Bt20.60

We are more bullish on PS's outlook after it announced surprisingly strong presales for 2Q12, which confirmed its full recovery is on pace. Meanwhile, there is potential upside of 7-10% to its revenue target. We believe this recovery is sustainable, supported by more than 30 projects to be launched in 2H12. Our 2012-13 earnings forecasts were revised up 3.3% and 3.7%, respectively, and our target price was raised to Bt20.60, from Bt16.60, which offers an upside of 25%. We upgrade the counter to Outperform from Neutral.

### 2Q12 presales figure back on track

PS announced 2Q12 presales of Bt7.0bn, down 23.4% YoY but up 23.8% QoQ. Of that, Bt1.1bn is from condominium and Bt5.9bn is from low rise product. This puts its 1H12 presales at Bt12.7bn, or 43.3% of the company's full-year target. Though this is down 28.1% from 1H11, we are more optimistic about its low rise presales, which have returned to pre-flood levels of around Bt6.0bn a quarter. Meanwhile, its condo presales seem to show a poor performance as there were fewer projects to be launched (7 projects in 2011 vs. 4 projects in 2012). However, at the current pace of sales and an aggressive 30 new projects to be launched in 2H12, we believe the company's presales target of Bt29bn is achievable.

Figure 1: PS's quarterly presales



Source: Company data

### Expect to see better earnings in 2Q12

We estimate PS to post 2Q12 earnings of Bt969mn, down 1.9% YoY but up 53.2% QoQ, supported by a recovery in property demand, especially its low rise product. The YoY performance should be flat as higher construction and labor costs could be offset by the lower corporate income tax of 23%, down from 30%. Earnings should

increase QoQ due to higher income from low rise product of Bt6.2bn, improving from Bt3.0bn in 1Q12.

Figure 2: 2Q12 earnings preview

Bt mn	2Q12F	2Q11	YoY (%)	1Q12	QoQ (%)
Sales and services	6,872	6,724	2.2	4,655	47.6
Gross profit	2,405	2,535	(5.1)	1,652	45.6
SG&A	(1,168)	(1,245)	(6.1)	(837)	39.7
EBIT	1,237	1,290	(4.1)	815	51.7
Interest expenses	(62)	(32)	90.6	(61)	1.6
Corporate income tax	(227)	(325)	(30.0)	(142)	60.5
Normalized profit	969	988	(1.9)	632	53.2
Net profit	969	988	(1.9)	632	53.2
EPS (Bt)	0.44	0.45	(1.9)	0.29	53.2
Percent	2Q12F	2Q11	YoY (ppt)	1Q12	QoQ (ppt)
Gross margin	35.0	37.7	(2.7)	35.5	(0.5)
SG&A to sales	17.0	18.5	(1.5)	18.0	(1.0)
Net margin	14.1	14.7	(0.6)	13.6	0.5

Source: Company data; KGI Securities (Thailand) estimates

### Potential upside to company's revenue target

PS has already secured 90% of its revenue target of Bt26bn, as Bt17.4bn of its 1Q12 backlog of Bt34bn is to be transferred in 2012. Combining this with low rise presales of Bt5.9bn in 2Q12, which normally are transferred within 3-6 months, we see upside potential of 7-10% to its current target. Hence, we upgraded our 2012-13 earnings forecasts by 3.3% and 4.3%, respectively.

Figure 3: Earnings revision

Bt mn	2012F			2013F		
	Revised	Previous	% change	Revised	Previous	% change
Net profit	3,807	3,686	3.3	4,336	4,181	3.7
Key assumptions						
Revenue	27,080	26,038	4.0	30,120	28,878	4.3

Source: Company data; KGI Securities (Thailand) estimates

### Laggard of the sector

The market had been concerned about the slow pace of PS's recovery; so the share price has been underperforming its peers. However, the stellar 2Q12 presales should eliminate this concern and make the stock more attractive. Since 2011, big developers have been outperforming SET, with the exception of PS and Quality Houses (QH.BK/QH TB).

### Valuation and Recommendation

On top of the earnings revisions, we assigned higher PE multiples of 12x (from 10x) which we believe is justified as it implies its average PE of 13EPS. We upgrade the counter to Outperform, from Neutral, with a new target price of Bt20.60, from Bt16.60, which offers an upside of 25%.

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	27,080	16.4	5,201	3,807	1.72	34.3
2013F	30,120	11.2	5,783	4,336	1.97	13.9
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	35.1	5,200.9	1.8	9.6	3.1	20.6
2013F	35.0	5,783.3	1.6	8.4	3.6	20.1
Sector	Property 52-week trading range (Bt)					10.4 - 21
12M target price (Bt/shr)	20.6 Mkt cap-Bt bn/US\$ bn					36.46/0.9
Upside/downside (%)	25.1 Outstanding shares (mn)					2,209.4
The percentile of excess return (%)	77.0 Free floating shares (mn)					474.8
Dividend yield-12/12F (%)	3.1 Foreign ownership (mn)					883.8
Book value/shr-12/12F (Bt)	9.0 3M avg. daily trading (mn)					7.3
P/B-12/12F (x)	1.8 Abs. performance (3,6,12M)(%)					10; 29.9; -19.5
Net debt/equity-12/12F (%)	107.7 Rel. performance (3,6,12M)(%)					8.3; 12; -28.1

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


**Balance Sheet**

As of 31 Dec (Bt mn)	2009	2010	2011	2012F	2013F
<b>Total Assets</b>	<b>18,871</b>	<b>34,091</b>	<b>41,982</b>	<b>48,589</b>	<b>51,080</b>
<b>Current Assets</b>	<b>17,104</b>	<b>31,358</b>	<b>38,916</b>	<b>45,231</b>	<b>47,676</b>
Cash & ST Investments	846	1,439	837	125	125
Inventories	13,202	27,923	36,160	43,346	45,593
Accounts Receivable	60	0	0	0	0
Others	2,996	1,996	1,919	1,760	1,958
<b>Non-current Assets</b>	<b>1,767</b>	<b>2,733</b>	<b>3,066</b>	<b>3,358</b>	<b>3,405</b>
LT Investments	0	0	0	0	0
Net fixed Assets	1,299	2,159	2,469	2,537	2,492
Others	468	574	598	821	913
<b>Total Liabilities</b>	<b>5,848</b>	<b>18,828</b>	<b>24,986</b>	<b>28,637</b>	<b>27,933</b>
<b>Current Liabilities</b>	<b>4,307</b>	<b>9,671</b>	<b>13,827</b>	<b>17,330</b>	<b>16,619</b>
Accounts Payable	799	1,425	396	2,649	2,950
ST Borrowings	600	4,001	9,327	10,374	8,877
Others	2,908	4,245	4,104	4,306	4,791
<b>Long-term Liabilities</b>	<b>1,541</b>	<b>9,157</b>	<b>11,159</b>	<b>11,307</b>	<b>11,315</b>
Long-term Debts	1,500	9,100	10,962	11,241	11,241
Others	41	57	198	66	74
<b>Shareholders' Equity</b>	<b>13,023</b>	<b>15,263</b>	<b>16,996</b>	<b>19,952</b>	<b>23,147</b>
Common Stock	2,207	2,207	2,209	2,209	2,209
Capital Surplus	1,362	1,328	1,328	1,328	1,328
Retained Earnings	9,454	11,728	13,459	16,415	19,610
Preferred Stock	0	0	0	0	0

Source: Company data; KGI Securities (Thailand) estimates

**Key Assumptions & Ratios**

Year to 31 Dec	2009	2010	2011	2012F	2013F
<b>Growth (% YoY)</b>					
Sales	46.2	22.9	(0.2)	16.4	11.2
OP	58.0	(5.8)	(13.7)	24.9	11.7
EBITDA	55.4	(4.9)	(11.1)	23.1	11.2
NP	52.6	(3.7)	(18.7)	34.3	13.9
EPS	52.5	(3.7)	(18.7)	34.3	13.9
<b>Profitability (%)</b>					
Gross Margin	38.1	37.5	36.7	35.1	35.0
Operating Margin	25.2	19.3	16.7	17.9	18.0
EBITDA Margin	26.3	20.4	18.2	19.2	19.2
Net Profit Margin	19.1	15.0	12.2	14.1	14.4
ROAA	20.6	13.2	7.5	8.4	8.7
ROAE	31.3	24.7	17.6	20.6	20.1
<b>Stability</b>					
Gross Debt/Equity (%)	44.9	123.4	147.0	143.5	120.7
Net Debt/Equity (%)	9.2	76.4	114.4	107.7	86.4
Interest Coverage (x)	106.1	70.8	30.7	21.2	22.6
Interest & ST Debt Coverage (x)	7.7	8.4	1.5	1.7	1.9
Cash Flow Interest Coverage (x)	74.4	(178.1)	(27.0)	(4.9)	11.5
Cash Flow/Interest & ST Debt (x)	1.6	(0.9)	(0.2)	(0.1)	0.1
Current Ratio (x)	4.0	3.2	2.8	2.6	2.9
Quick Ratio (x)	0.7	0.2	0.1	0.0	0.0
Net Debt (Bt mn)	1,194	11,662	19,451	21,490	19,993
<b>Per Share Data (Bt)</b>					
EPS	1.6	1.6	1.3	1.7	2.0
CFPS	1.7	1.7	1.4	1.9	2.1
BVPS	5.9	6.9	7.7	9.0	10.5
SPS	8.6	10.6	10.5	12.3	13.6
EBITDA/Share	2.3	2.2	1.9	2.4	2.6
DPS	0.6	0.5	0.4	0.5	0.6
<b>Activity</b>					
Asset Turnover (x)	1.1	0.9	0.6	0.6	0.6
Days Receivables	0.9	0.5	0.0	0.0	0.0
Days Inventory	401.1	515.4	794.3	825.4	829.1
Days Payable	20.7	27.9	22.6	31.6	52.2
Cash Cycle	381.3	488.0	771.7	793.8	776.9

Source: Company data; KGI Securities (Thailand) estimates

**Profit & Loss**

Year to 31 Dec (Bt mn)	2009	2010	2011	2012F	2013F
<b>Sales</b>	<b>18,966</b>	<b>23,307</b>	<b>23,263</b>	<b>27,080</b>	<b>30,120</b>
Cost of Goods Sold	11,749	14,561	14,724	17,579	19,578
<b>Gross Profit</b>	<b>7,217</b>	<b>8,746</b>	<b>8,538</b>	<b>9,501</b>	<b>10,542</b>
Operating Expenses	2,438	4,243	4,654	4,649	5,120
<b>Operating Profit</b>	<b>4,779</b>	<b>4,503</b>	<b>3,884</b>	<b>4,852</b>	<b>5,422</b>
Net Interest	(47)	(67)	(137)	(246)	(256)
Interest Income	0	0	0	0	0
Interest Expense	47	67	137	246	256
Net Investment Income/(Loss)	0	0	0	(1)	0
Net other Non-op. Income/(Loss)	67	100	159	87	90
Net Extraordinaries	(0)	0	(0)	(0)	0
Pretax Income	4,799	4,536	3,906	4,693	5,256
Income Taxes	1,177	1,048	1,071	886	920
<b>Net Profit</b>	<b>3,622</b>	<b>3,488</b>	<b>2,835</b>	<b>3,807</b>	<b>4,336</b>
EBITDA	4,994	4,750	4,224	5,201	5,783
<b>EPS (Bt)</b>	<b>1.64</b>	<b>1.58</b>	<b>1.28</b>	<b>1.72</b>	<b>1.97</b>

Source: Company data; KGI Securities (Thailand) estimates

**Cash Flow**

Year to 31 Dec (Bt mn)	2009	2010	2011	2012F	2013F
<b>Operating Cash Flow</b>	<b>3,501</b>	<b>(11,945)</b>	<b>(3,718)</b>	<b>(1,194)</b>	<b>2,943</b>
Net Profit	3,622	3,488	2,835	3,807	4,336
Depreciation & Amortization	216	246	339	349	362
Change in Working Capital	(337)	(15,680)	(6,892)	(5,349)	(1,755)
Others	0	0	0	0	0
<b>Investment Cash Flow</b>	<b>(118)</b>	<b>(1,212)</b>	<b>(672)</b>	<b>(641)</b>	<b>(409)</b>
Net CAPEX	(9)	(1,106)	(648)	(418)	(316)
Change in LT Investment	0	0	0	0	0
Change in Other Assets	(109)	(106)	(24)	(23)	(92)
<b>Free Cash Flow</b>	<b>3,383</b>	<b>(13,157)</b>	<b>(4,390)</b>	<b>(1,835)</b>	<b>2,534</b>
<b>Financing Cash Flow</b>	<b>(2,110)</b>	<b>11,039</b>	<b>5,808</b>	<b>481</b>	<b>(2,480)</b>
Change in Share Capital	16	0	0	0	0
Net Change in Debt	(1,500)	11,001	7,187	1,327	(1,497)
Change in Other LT Liab.	(627)	38	(1,379)	(846)	(982)
<b>Net Cash Flow</b>	<b>1,272</b>	<b>(2,118)</b>	<b>1,418</b>	<b>(1,354)</b>	<b>55</b>

Source: Company data; KGI Securities (Thailand) estimates

**Rates of Return on Invested Capital**

Year	1- $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= $\frac{\text{Operating Margin}}{\text{Revenue}}$
2009	60.8%	1.1%	12.9%	25%
2010	61.4%	1.1%	18.2%	19%
2011F	61.8%	1.5%	20.0%	17%
2012F	63.6%	1.3%	17.2%	18%
2013F	63.8%	1.2%	17.0%	18%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= $\frac{\text{Capital Turnover}}{\text{Revenue}}$
2009	0.9	0.1	0.0	1.1
2010	1.3	0.1	0.0	0.7
2011F	1.6	0.1	0.0	0.6
2012F	1.7	0.1	0.0	0.6
2013F	1.6	0.1	0.0	0.6
Year	$\frac{\text{Operating Margin}}{\text{Revenue}}$	x $\frac{\text{Capital Turnover}}{\text{Revenue}}$	x $\frac{\text{Cash Tax Rate}}{\text{Revenue}}$	= $\frac{\text{After-tax Return on Inv. Capital}}{\text{Revenue}}$
2009	25.2%	1.1	75.5%	20.0%
2010	19.3%	0.7	76.9%	10.6%
2011F	16.7%	0.6	72.6%	6.9%
2012F	17.9%	0.6	81.1%	8.1%
2013F	18.0%	0.6	82.5%	8.8%

Source: Company data; KGI Securities (Thailand) estimates

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

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

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		<i>* Excess return = 12M target price/current price-1</i>
	Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.
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