

Thailand Company Focus

Pruksa Real Estate

Bloomberg: PS TB | Reuters: PS.BK

DBS Group Research . Equity

10 Jul 2012

BUY Bt17.20 SET : 1186.95

Price Target : 12-month Bt 20.00 (Prev Bt 18.70)

Reason for Report : Post-conference note

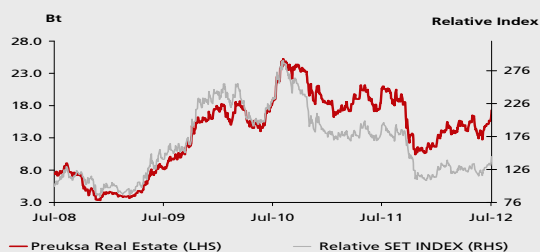
Potential Catalyst: Strong presales and transfers

DBSV vs Consensus: In line

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (Bt m)	2010A	2011A	2012F	2013F
Revenue	23,307	23,263	25,947	30,865
EBITDA	4,850	4,383	4,828	5,553
Pre-tax Profit	4,536	3,906	4,357	5,055
Net Profit	3,488	2,835	3,442	4,144
Net Pft (Pre Ex.)	3,488	2,835	3,442	4,144
EPS (Bt)	1.6	1.3	1.6	1.9
EPS Pre Ex. (Bt)	1.6	1.3	1.6	1.9
EPS Gth (%)	(4)	(19)	21	20
EPS Gth Pre Ex (%)	(4)	(19)	21	20
Diluted EPS (Bt)	1.6	1.3	1.6	1.9
Net DPS (Bt)	0.5	0.4	0.5	0.6
BV Per Share (Bt)	6.9	7.7	8.9	10.3
PE (X)	10.9	13.4	11.0	9.2
PE Pre Ex. (X)	10.9	13.4	11.0	9.2
P/Cash Flow (X)	nm	nm	nm	35.3
EV/EBITDA (X)	10.2	12.8	12.6	11.1
Net Div Yield (%)	2.9	2.3	2.7	3.3
P/Book Value (X)	2.5	2.2	1.9	1.7
Net Debt/Equity (X)	0.8	1.1	1.2	1.1
ROAE (%)	24.7	17.6	18.8	19.6

Earnings Rev (%) :		0.0	0.0
Consensus EPS (Bt) :		1.6	2.0
Other Broker Recs :	B: 14	S: 9	H: 5

ICB Industry : Financials

ICB Sector: Real Estate

Principal Business: Property development

Corporate Governance

CG Rating (2011)



Source of all data: Company, DBS Vickers, Bloomberg

A turnaround story

- **Most popular of six Thai corporates that were at the DBSV POA conference last week**
- **Strong recovery of both presales and transfers, especially for low-rise houses**
- **Reiterate BUY rating; upgrade TP to Bt20 based on 12.8x 2012 PE (+1SD of historical average)**

Positive response from investors. Mr. Edward J. Cooper Jr., Director and Chief Finance & Risk Officer, represented PS at the DBS Vickers Pulse of Asia Conference in Singapore recently. PS had the highest number of meetings among the Thai companies as investors were keen to get post-flood recovery update.

Transfers of low-rise houses hit record high in 2Q12. Management highlighted the strong recovery in both presales and transfers, especially for low-rise houses. Interestingly, PS' transfer of low-rise houses hit a record high in 2Q12. Its new flagship detached house project in Pattanakarn launched recently was a success with all 42 units offered in the first phase valued at Bt300m sold out quickly. It will launch several new phases on such land plot in 2H12.

Re-iterate BUY. We believe the worst is over for PS, and the company should see a turnaround in earnings from this year onwards, with EPS CAGR of 20% during 2011-2013. Current valuation is undemanding at 11.0x FY12 PE and falling to 9.2x on FY13 earnings. Coupled with the current and anticipated strong earnings recovery, we are retaining our BUY rating with a higher TP of Bt20.0 pegged to 12.8x 2012 PE (+1SD of historical average).

At A Glance

Issued Capital (m shrs)	2,209
Mkt. Cap (Btm/US\$m)	38,002 / 1,197
Major Shareholders	
Vichitrongpan's Family (%)	70.2
Rattana Promsawad (%)	3.7
Thailand Equity Fund (%)	1.4
Free Float (%)	18.1
Avg. Daily Vol.('000)	6,164

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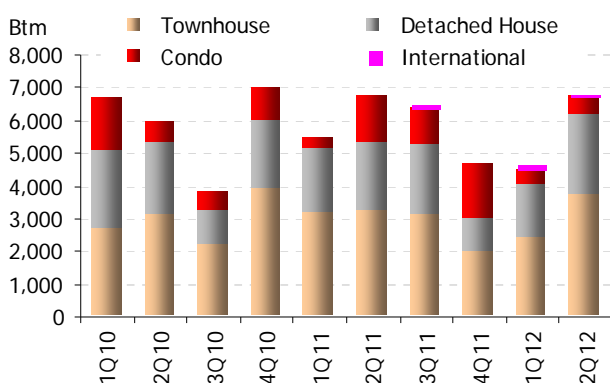
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Pulse of Asia Conference – Key takeaways

Transfers

Low-rise transfers hit record high in 2Q12. PS' transfers jumped 46% q-o-q to Bt6.8bn in the quarter. It was led by all products, as demand staged a strong comeback after the floods. Interestingly, transfers of low-rise houses surged to Bt6.2bn in 2Q12, the highest in its history. Compared to the year-ago quarter, transfers inched up 1% led by low-rise houses.

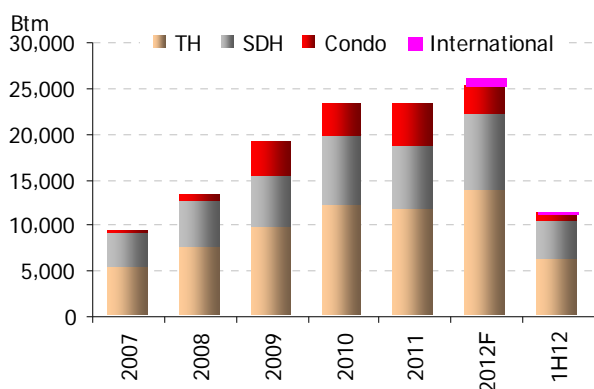
PS: Transfers of low-rise units hit a record high in 2Q12



Source: Company, DBS Vickers

1H12 transfers totaled Bt11.5bn, or 44% of its full-year target. Management is maintaining its Bt26.0bn full-year transfers target as more projects will be completed and transferred in 2H12.

PS: 1H12 transfers is 44% of full-year target

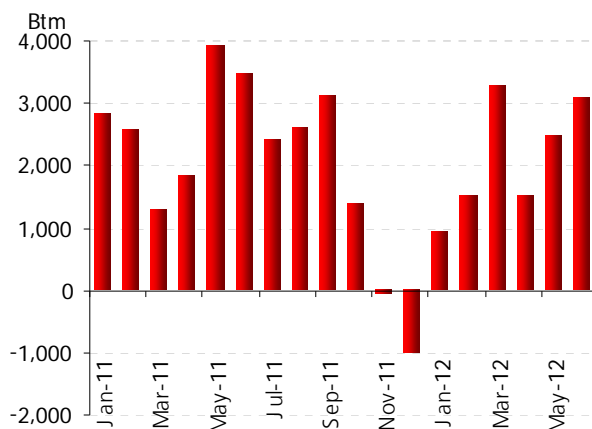


Source: Company, DBS Vickers

Presales

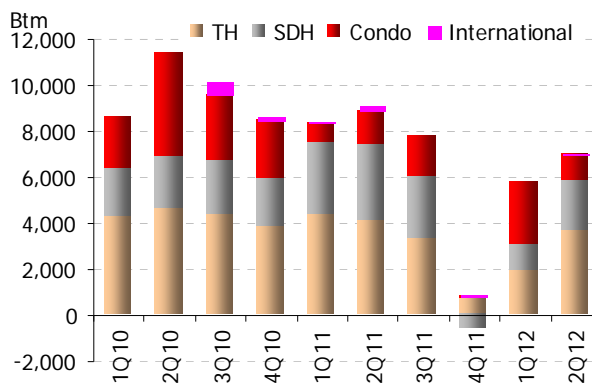
2Q12 presales continue to recover. PS' presales grew 24% q-o-q to Bt7.0bn in 2Q12. Growth was led by detached and town houses, which presales are almost back to pre-flood levels. In 2Q12, low-rise houses made up 83% of PS' total presales, while 16% were from condominiums and 1% from international business. PS launched seven new projects in 2Q12, all low-rise projects.

PS: Monthly presales improving steadily



Source: Company, DBS Vickers

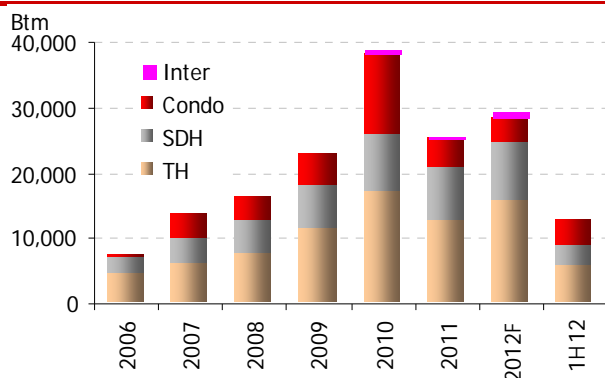
PS: Presales almost back to normal



Source: Company, DBS Vickers

1H12 presales totaled Bt12.7bn, or 43% of full-year target. Management is maintaining its full-year presales target at Bt29.3bn, as more projects will be launched in 2H12.

PS: 1H12 presales is 43% of full-year target



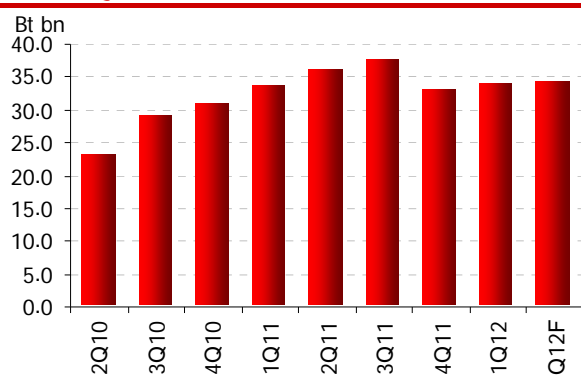
Source: Company, DBS Vickers

Backlog

Large backlog to ensure revenue stream. PS' backlog amounted to Bt34bn at end-1Q12. Of the total, Bt18.7bn will be realised in 2012, Bt5.6bn in 2013, Bt5.2bn in 2014 and Bt4.4bn in 2015. This suggests PS has secured 90% of the company's and 100% of our full-year revenue forecasts as at end-1Q12.

Has secured 100% of our 2012 revenue forecast. We have not received the official backlog figure for end-2Q12. But if we add 2Q12 presales of low-rise houses that will be recognised this year, PS should have secured 100% of our 2012 revenue forecast as at end-2Q12.

PS: Backlog

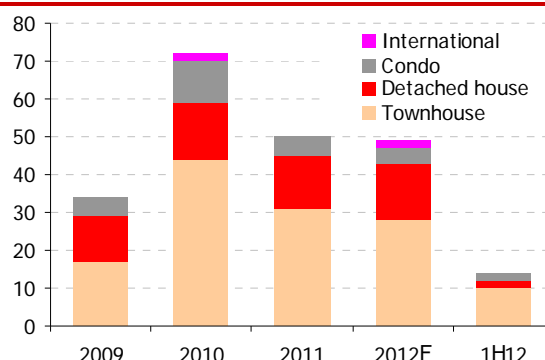


Source: Company, DBS Vickers

New launches

More launches in 2H12. PS plans to launch 49 new projects this year vs 50 last year. In 1H12, it launched 14 new projects comprising 12 low-rise and two condo projects. This suggests 35 new projects to be launched in 2H12 - we believe most will be low-rise except perhaps for two condo projects.

PS: New launch plan



Source: Company, DBS Vickers

PS: New launches in 1H12

Project	Location	Units	Value (Btm)	ASP (Btm)
Launched in 1Q12				
Pruksa Town (next 2)	Petchkasem 81	494	1,025	2.07
Baan Pruksa 58/2	Samutprakarn	216	276	1.28
Pruksa Ville 54	Rama V	156	335	2.15
The Connect 23	Rattanaithibet	198	752	3.80
Total TH		1,064	2,388	9.30
Pruksa Gallery	Nakornpathom	180	869	4.83
Total DH		180	869	4.83
PLUM	Ladprao 101	712	644	0.90
Tree Interchange	Pracharat 2	639	1,700	2.66
Total CD		1,351	2,344	1.74
Total 1Q12		2,595	5,601	2.16
Launched in 2Q12				
The Connect 19/2	Chaengwattana	223	693	3.11
Baan Pruksa 76	Bangyai	447	605	1.35
Baan Pruksa 64/1	Klong 3	494	562	1.14
Baan Pruksa 74	Srinakarin	362	393	1.09
Pruksa Ville 42	Tert Thai	317	781	2.46
The Plant Citi	Nawamin 86	396	1,219	3.08
Total TH		2,239	4,253	1.90
The Plant	Pattanakarn	166	1,159	6.98
Total DH		166	1,159	6.98
Total 2Q12		2,405	5,412	2.25

Source: Company, DBS Vickers

New flagship project at Pattanakarn

Phase 1 detached houses launch a success. PS recently launched the first phase of its flagship project on Pattanakarn Road. All the 42 detached house units - valued at a total of Bt300m - were sold out quickly because of its superb location and attractive pricing at about Bt7m/unit. These units will be completed and transferred in 2H12, and boost the company's average selling price from only Bt2m+ currently.

Plans to launch 3-5 low-rise projects on this land in 2H12. PS bought this 400 rai (160 acre) land from TAMC in 2010 for only Bt2bn. The company plans to develop nine projects on this land, with total project value of Bt12-15bn.

PS: New flagship low-rise projects at Pattanakarn



Source: Company, DBS Vickers

International business

To focus on domestic business. PS will continue to focus more on its business in Thailand, both in Bangkok and upcountry provinces where there is still room to grow. Upcountry, it has expanded into Ayutthaya, Khon Kaen, Nakornpathom, Samutsakorn, Chonburi and Phuket, where there is strong demand for housing.

Overseas contribution still negligible. PS targets its international businesses to contribute only 3% of presales and transfers in 2012.

Maldives: All projects to be completed by end 2012. PS entered into a JV with HDC (80:20) to develop 5-storey condominium blocks in Hulhumale. All 180 units (9 blocks) valued at Bt480m have been booked. Up to 1Q12, 77 units had been transferred. Management expects the remaining units to be completed and ready for transfer by year end, and PS will then leave.

Bangalore: Looking to acquire another land plot. PS' first detached house & townhouse project in Bangalore was quite a success with 85% of the launched units sold. The company targets Bt600m revenue from the project this year. Following such success, PS is looking to acquire another land plot in Bangalore to develop such project.

Vietnam: Still awaiting approval. PS entered into an 85:15 JV agreement with Hoang Huy Service Investment Co. to develop a condominium project in Hai Phong. It is still awaiting approval for the JV to acquire the land.

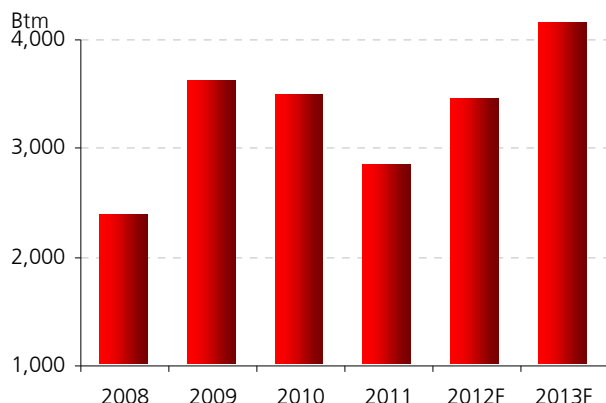
Financials

Trying to reduce capex and investment outflow. PS plans to spend Bt6bn on land acquisition this year vs Bt7.3bn last year. However, its construction bill will be higher this year at Bt18bn vs Bt15.4bn last year, to complete condominium projects that had been presold. In terms of capex, it plans to spend only Bt250m vs Bt617m in 2011 and Bt1,084m in 2010 because it has completed most of its major outlays. Its pre-fabrication plants are now running at 50% capacity, which suggests no urgent need for capex in the near future.

Net gearing eased further in 2Q12. PS' net gearing has dropped further to 1.05x at end-2Q12 vs 1.08x at end-1Q12 and 1.19x at end-2011. This was despite paying out dividend in the quarter, thanks to its effective inventory management. We estimate PS' net gearing will peak at 1.16x at end-2012 before coming down to 1.05x at end-2013.

Strong earnings growth outlook. We believe the worst is over for PS and we see strong earnings momentum ahead. Based on our forecasts, PS's earnings should grow 21% this year and 20% next year, on the back of strong recovery in transfer and the cut in corporate income tax rate to 23% in 2012 and 20% in 2013, from 30% in 2011.

PS: Earnings on the rise

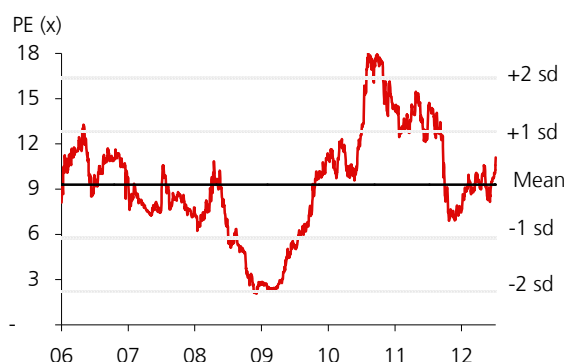


Source: Company, DBS Vickers

Valuation

Re-iterate BUY. We believe the worst is over for PS, and the company should see a turnaround in earnings from this year onwards, with EPS CAGR of 20% during 2011-2013. Current valuation is undemanding at 11.0x FY12 PE and falling to 9.2x on FY13 earnings. Coupled with the current and anticipated strong earnings recovery, we are retaining our BUY rating with a higher TP of Bt20.0 pegged to 12.8x 2012 PE (+1SD of historical average).

PS: PE Band



Source: Company, DBS Vickers

Peer Comparison

Bloomberg Code	Mkt Cap (US\$m)	Price 9 Jul (Bt)	Target Price (Bt)	Upside	PE (x)		PBV (x)	EV/EBITDA (x)	Div Yield (%)	ROE (x)	Rcmd
					12F	13F					
Large & Mid-cap											
AP TB	648	7.25	8.70	20%	10.0	7.4	1.7	12.0	4.0	17.9	B
LH TB	2,477	7.85	8.00	2%	18.3	17.8	2.6	17.1	4.6	14.4	B
LPN TB	804	17.30	18.10	5%	11.4	9.8	3.2	8.7	4.4	29.4	H
PS TB	1,196	17.20	20.00	16%	11.0	9.2	1.9	12.6	2.7	18.8	B
QH TB	503	1.74	2.21	27%	6.8	9.7	1.0	19.5	7.3	16.0	B
SPALI TB	935	17.30	20.30	17%	10.2	9.1	2.4	8.3	4.4	25.0	B
Small-cap											
MJD TB	41	1.86	1.20	-35%	10.9	9.9	0.7	9.7	4.3	7.0	FV
MK TB	73	2.70	3.13	16%	5.2	4.9	0.5	6.4	8.7	9.0	B
NOBLE TB	81	5.65	5.35	-5%	7.4	7.1	0.6	16.0	5.4	8.8	FV
PF TB	168	1.13	1.84	63%	6.5	5.8	0.7	9.6	6.9	12.3	B
SC TB	308	14.90	16.35	10%	8.3	9.1	1.0	9.2	5.5	13.7	B
PRIN TB	59	1.54	1.65	7%	6.7	6.4	0.5	12.0	6.0	7.9	B
RAIMON TB	177	1.57	2.26	44%	4.9	2.9	2.5	5.9	4.1	82.1	B
SIRI TB	503	2.20	2.67	21%	8.3	6.7	1.4	8.0	6.1	19.7	B
Average					9.0	8.3	1.5	11.1	5.3	20.1	

Source: Company, DBS Vickers

Key Assumptions

FY Dec	2009A	2010A	2011A	2012F	2013F
Sales Growth	46%	23%	0%	12%	19%
Gross Margin	38.1%	37.5%	36.7%	35.5%	35.0%
SGA/Sales	12.9%	18.2%	20.0%	18.7%	18.6%
Tax Rate	24.5%	23.1%	27.4%	21.0%	18.0%
Div. Payout	34%	32%	31%	30%	30%

Sensitivity Analysis

	2012
Gross Margin +/-	Net Profit +/-
1.0%	5.9%

Affected by heavy flooding in 4Q11.

Segmental Breakdown

FY Dec	2009A	2010A	2011A	2012F	2013F
Revenues (Bt m)					
Detached House	5,627	7,723	7,139	8,210	9,031
Townhouse	9,743	11,949	11,503	13,804	15,184
Condominium	3,596	3,608	4,487	3,038	5,650
Overseas		127	100	896	1,000
Total	18,966	23,407	23,229	25,947	30,865

Strong demand recovery in 2012, especially in low-rise segment.

Sales Breakdown

Detached House	30%	33%	31%	32%	29%
Townhouse	51%	51%	50%	53%	49%
Condominium	19%	15%	19%	12%	18%
Overseas		1%	0%	3%	3%
Total	100%	100%	100%	100%	100%

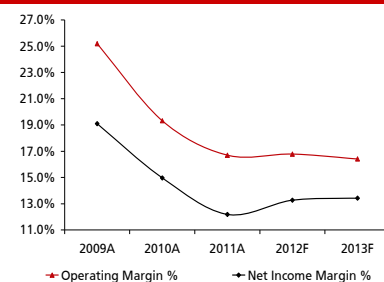
Sales Growth

Detached House	16%	37%	-8%	15%	10%
Townhouse	29%	23%	-4%	20%	10%
Condominium	537%	0%	24%	-32%	86%
Overseas		n.m.	n.m.	796%	12%
Total	46%	23%	-1%	12%	19%

Income Statement (Bt m)

FY Dec	2009A	2010A	2011A	2012F	2013F
Revenue	18,966	23,307	23,263	25,947	30,865
Cost of Goods Sold	(11,749)	(14,561)	(14,724)	(16,736)	(20,062)
Gross Profit	7,217	8,746	8,538	9,211	10,803
Other Opng (Exp)/Inc	(2,438)	(4,243)	(4,654)	(4,857)	(5,738)
Operating Profit	4,779	4,503	3,884	4,354	5,064
Other Non Opg (Exp)/Inc	67	100	159	148	153
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(47)	(67)	(137)	(145)	(163)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	4,799	4,536	3,906	4,357	5,055
Tax	(1,177)	(1,048)	(1,071)	(915)	(910)
Minority Interest	0	0	0	0	0
Preference Dividend	0	0	0	0	1
Net Profit	3,622	3,488	2,835	3,442	4,144
Net Profit before Except.	3,622	3,488	2,835	3,442	4,147
EBITDA	5,062	4,850	4,383	4,828	5,553

Margins Trend



Strong earnings jump, supported by a recovery in transfers, and lower corporate tax rate.

Growth

Revenue Gth (%)	46.2	22.9	(0.2)	11.5	19.0
EBITDA Gth (%)	55.7	(4.2)	(9.6)	10.1	15.0
Opg Profit Gth (%)	59.5	(5.8)	(13.7)	12.1	16.3
Net Profit Gth (%)	52.6	(3.7)	(18.7)	21.4	20.4

Margins & Ratio

Gross Margins (%)	38.1	37.5	36.7	35.5	35.0
Opg Profit Margin (%)	25.2	19.3	16.7	16.8	16.4
Net Profit Margin (%)	19.1	15.0	12.2	13.3	13.4
ROAE (%)	31.3	24.7	17.6	18.8	19.6
ROA (%)	20.6	13.2	7.5	7.6	8.2
ROCE (%)	25.0	15.9	8.6	8.5	9.1
Div Payout Ratio (%)	33.5	31.6	31.2	30.0	30.0
Net Interest Cover (x)	101.6	67.1	28.3	30.1	31.0

Source: Company, DBS Vickers

Quarterly / Interim Income Statement (Bt m)

FY Dec	1Q2011	2Q2011	3Q2011	4Q2011	1Q2012
Revenue	5,422	6,724	6,458	4,659	4,655
Cost of Goods Sold	(3,289)	(4,189)	(4,221)	(3,025)	(3,003)
Gross Profit	2,133	2,535	2,237	1,633	1,652
Other Oper. (Exp)/Inc	(1,203)	(1,245)	(1,218)	(988)	(837)
Operating Profit	930	1,290	1,019	645	815
Other Non Opg (Exp)/Inc	28	55	35	42	20
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(13)	(32)	(35)	(57)	(61)
Exceptional Gain/(Loss)	0	0	0	0	0
Pre-tax Profit	945	1,312	1,019	629	775
Tax	(214)	(325)	(258)	(275)	(142)
Minority Interest	0	0	0	0	0
Net Profit	731	988	761	355	633
Net profit bef Except.	731	988	761	355	633
EBITDA	1,027	1,420	1,152	732	929
Growth					
Revenue Gth (%)	(22.3)	24.0	(4.0)	(27.9)	(0.1)
EBITDA Gth (%)	(28.7)	38.3	(18.9)	(36.5)	26.9
Opg Profit Gth (%)	(31.4)	38.7	(21.0)	(36.7)	26.4
Net Profit Gth (%)	(30.9)	35.0	(22.9)	(53.4)	78.5
Margins					
Gross Margins (%)	39.3	37.7	34.6	35.1	35.5
Opg Profit Margins (%)	17.2	19.2	15.8	13.8	17.5
Net Profit Margins (%)	13.5	14.7	11.8	7.6	13.6

Source: Company, DBS Vickers

Revenue Trend

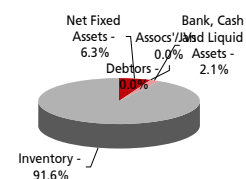


Heavy flooding resulted in weak transfers and higher SGA expenses

Balance Sheet (Bt m)

FY Dec	2009A	2010A	2011A	2012F	2013F
Net Fixed Assets	1,299	2,159	2,469	2,394	2,310
Invt in Associates & JVs	0	0	0	0	0
Invt & Devt Properties	0	0	0	0	0
Other LT Assets	468	574	598	598	598
Cash & ST Invt	3,151	1,630	2,031	1,003	1,203
Dev Props held for sale	0	0	0	0	0
Inventory	13,202	27,923	36,160	43,432	48,351
Debtors	0	0	0	0	1
Other Current Assets	751	1,805	726	726	726
Total Assets	18,871	34,091	41,982	48,152	53,187
ST Debt	600	4,004	9,333	5,600	7,100
Other Current Liab	3,707	5,667	4,493	4,812	5,235
LT Debt	1,500	9,107	10,973	18,000	18,000
Other LT Liabilities	41	50	186	186	186
Shareholder's Equity	13,023	15,263	16,996	19,554	22,666
Minority Interests	0	0	0	0	0
Total Cap. & Liab.	18,871	34,091	41,982	48,152	53,188
Non-Cash Wkg. Capital	10,246	24,061	32,392	39,346	43,842
Net Cash/(Debt)	1,051	(11,481)	(18,276)	(22,597)	(23,897)
Debtors Turn (avg days)	N/A	N/A	N/A	N/A	0.0
Creditors Turn (avg days)	21.1	28.4	31.8	25.7	25.0
Inventory Turn (avg days)	408.6	524.3	813.0	885.1	849.1
Asset Turnover (x)	1.1	0.9	0.6	0.6	0.6
Current Ratio (x)	4.0	3.2	2.8	4.3	4.1
Quick Ratio (x)	0.7	0.2	0.1	0.1	0.1
Net Debt/Equity (X)	CASH	0.8	1.1	1.2	1.1
Net Debt/Equity ex MI (X)	(0.1)	0.8	0.1	1.2	1.1
Capex to Debt (%)	7.5	10.6	3.1	1.1	1.0
Z-Score (X)	NA	2.9	2.6	2.9	2.8

Asset Breakdown (2011)

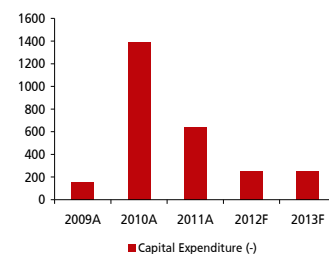


Net gearing to peak this year before coming down next year.

Cash Flow Statement (Bt m)

FY Dec	2009A	2010A	2011A	2012F	2013F
Pre-Tax Profit	4,799	4,536	3,906	4,357	5,055
Dep. & Amort.	216	246	339	325	335
Tax Paid	(1,177)	(1,048)	(1,071)	(915)	(910)
Assoc. & JV Inc/(loss)	0	0	0	0	0
Chg in Wkg.Cap.	1	(13,912)	(8,219)	(6,953)	(4,495)
Other Operating CF	335	529	817	964	1,093
Net Operating CF	4,174	(9,648)	(4,228)	(2,222)	1,078
Capital Exp.(net)	(157)	(1,391)	(635)	(250)	(250)
Other Invt.(net)	(2,301)	2,114	(1,003)	1,003	0
Invt in Assoc. & JV	0	0	0	0	1
Div from Assoc & JV	0	0	0	0	0
Other Investing CF	0	0	0	0	0
Net Investing CF	(2,458)	723	(1,638)	753	(249)
Div Paid	(725)	(1,214)	(1,104)	(884)	(1,033)
Chg in Gross Debt	(1,500)	11,001	7,196	3,293	1,500
Capital Issues	15	0	37	0	0
Other Financing CF	(187)	(269)	(865)	(966)	(1,096)
Net Financing CF	(2,396)	9,518	5,265	1,444	(628)
Currency Adjustments	0	0	0	0	1
Chg in Cash	(680)	593	(601)	(26)	201
Opg CFPS (Bt)	1.9	1.9	1.8	2.1	2.5
Free CFPS (Bt)	1.8	(5.0)	(2.2)	(1.1)	0.4

Capital Expenditure



Source: Company, DBS Vickers

DBSV recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10 to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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Score Range	Number of Logo	Description	Disclaimer & Disclosure
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80-89		Very Good	
70-79		Good	
60-69		Satisfactory	
50-59		Pass	
>50	N/A	N/A	