

10 September 2012

Pruksa Real Estate

Property
(Residential)
Overweight

S-T presales hiccup, but L-T fundamentals unchanged

QUICK VIEW

What's new? PS announced presales of Bt4.9bn for July-Aug 2012 (Bt2.7bn in July and 2.3bn in Aug), of which 81% was low-rise. Low-rise presales totaled Bt2.1bn in July (down 20% MoM) and Bt1.9bn in Aug (down 8% MoM).

Disappointing July-Aug low-rise bookings: The weak presales constituted a negative surprise. Low-rise bookings for the last two months dropped below the pre-flooding level—a Bt2bn/month average for July-Aug versus a mean of Bt2.4bn/month for Jan-Sept 2011 (and significantly less than the Bt2.4bn/month posted for May-June 2012, when presales normalized). We think the low bookings are due to seasonality and launch delays at Pattanakarn.

Four new projects at Pattanakarn in Nov: PS plans to develop nine projects at a big land plot it has at Pattanakarn—five will launch this year. The first project, *The Plant* (SDH; Bt7m/unit) started in April and has a 70% take-up rate. PS has paused *The Plant* and postponed four launches at Pattanakarn from June to Nov, as it is waiting on the site entrance to be completed. So we expect strong low-rise presales to resume in 4Q12.

Downside risk to FY12 presales target: 8M12 low-rise presales hit Bt13bn, 52% of PS's FY12 target of Bt25bn. If we assume normalized low-rise presales in 4Q12, we see 3-5% downside risk to PS's FY12 total presales target of Bt29bn.

No impact on revenue recognition: PS's Bt34bn presales backlog at end-June—of which Bt18bn is scheduled to transfer in 2H12—fully secures our FY12 revenue forecast of Bt26bn (also PS's target). Furthermore Bt8.8bn in condo bookings will transfer in FY13, guaranteeing 29% our revenue projection.

Action: Slow QTD presales and downside risk to the FY12 presales target will generate negative sentiment toward the stock in the short-term. We anticipate a short-term price correction in the range of 5-7%, as PS's multiples are moderate. The stock currently trades at an FY12 PER of 10.4x, slightly above its 10.2x long-term mean.

BUALUANG RESEARCH

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BUY (maintained)

Target Price: Bt20.00
Price (07/09/12): Bt18.00
PS TB / PS.BK

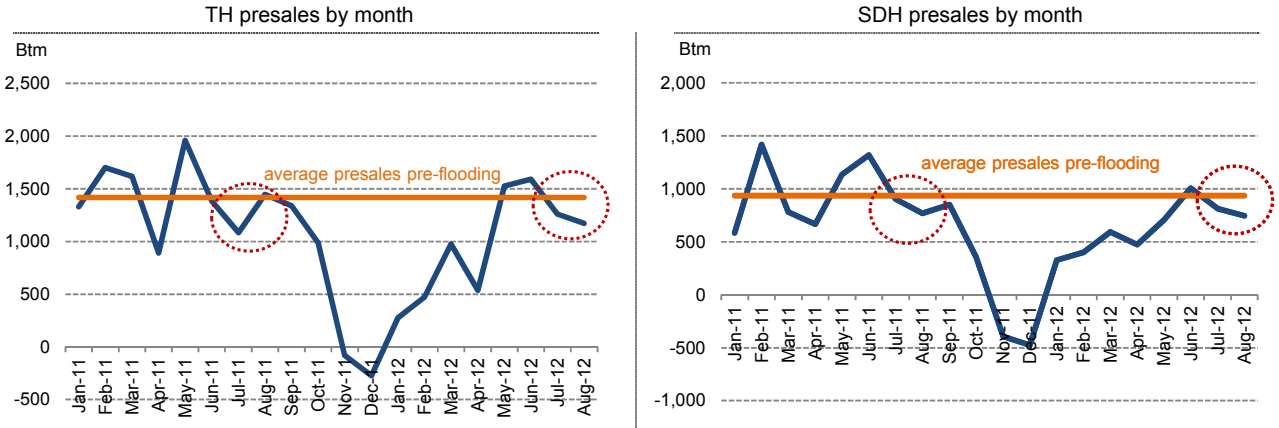
Financial summary

FY Ended 31 Dec	2011	2012E	2013E	2014E
Revenues (Btm)	23,263	26,097	30,042	32,784
Net profit (Btm)	2,799	3,818	4,549	4,943
EPS (Bt)	1.27	1.73	2.06	2.24
BLS/Consensus (x)	n.m.	1.02	1.29	1.12
EPS growth (%)	-19.9%	+36.4%	+19.1%	+8.7%
Core profit (Btm)	2,940	3,818	4,549	4,943
Core EPS (Bt)	1.33	1.73	2.06	2.24
Core EPS growth (%)	-19.1%	+29.9%	+19.1%	+8.7%
PER (x)	14.2	10.4	8.7	8.0
Core PER (x)	13.5	10.4	8.7	8.0
EV/EBITDA (x)	13.5	11.3	9.5	8.5
PBV (x)	2.3	2.0	1.7	1.5
Dividend (Bt)	0.40	0.52	0.62	0.67
Dividend yield (%)	2.2	2.9	3.4	3.7
ROE (%)	17.4	20.8	21.2	19.9
Net gearing (x)	1.1	1.0	0.8	0.7

CG Rating - 2011

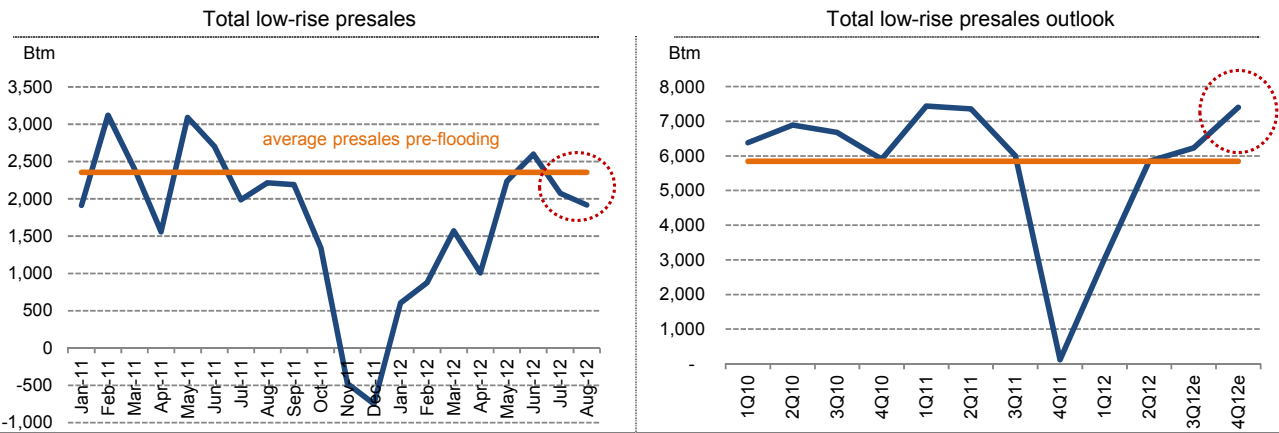


Figure 1: PS's TH and SDH presales were slow in July-August 2012



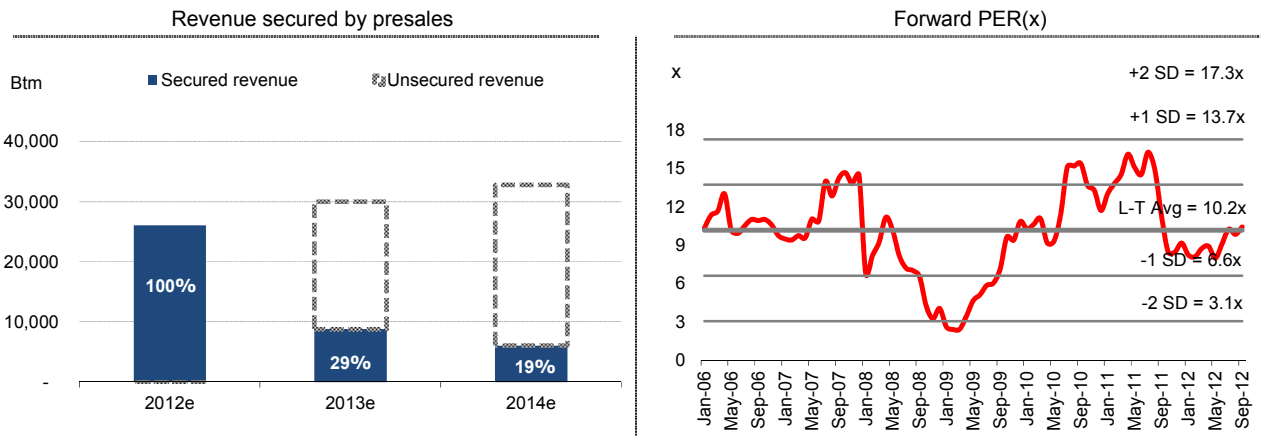
Sources: Company data, Bualuang Research

Figure 2: PS's low-rise presales and forecasts



Sources: Company data, Bualuang Research

Figure 3: Earnings visibility and valuation



Sources: SETSMART, Company data, Bualuang Research

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90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

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