

Pruksa Real Estate (PS)

Tuesday, November 13, 2012

EQUITY TALKS

Profit in line with projection. 2013's outlook is bright. Revise up forecast
BUY

- ▶ **3Q12's profit stands at B1bn, up 31%yoy. Financial status is strong**
- ▶ **Up 2013's forecast 15.66% for both income and profit margin**
- ▶ **2013's fair value at 12x PER is B28.08**

- ▶ **3Q12's profit stands at B1bn, up 31%yoy. Financial status is strong**

PS's earnings result in 3Q12 was in line with our projection. Net profit and norm profit stood equally at B1bn close to 2Q12's but increasing 31%yoy. Sales income was recognized at B7.2bn, around B994m of which came from condominium projects while the rest were SDHs and townhouses. In terms of profitability, norm profit margin equated to 13.89%, dropping slightly from 14.71% in the prior quarter, due mainly to selling and administrative expense which increased as a result of new project opening. For financial structure, there were significant changes. Net gearing decreased to 0.85x, lower than the industry's average because of positive cash flow from operation (CFO in 9M12 stood at B4.13bn). In addition, presales in 9M12 grew to B20.7bn, while in October there were additional presales of B3bn, making backlog at end-3Q12 stand at B35bn, B19.4bn are condominium projects while the rest are horizontal projects.

- ▶ **Up 2013's forecast 15.66% for both income and profit margin**

Profit in 9M12 accounts for 67.6% of FY2012's forecast, while we are convinced that in 4Q12 the company would be able to generate profit close to our projection. However, we have changed our assumption for the forecast by decreasing sales income recognition due to the management's strict policy about the quality of the project transferred, making some backlog that has already finished the construction still could not be transferred to customers until they are sure about their quality. At the same time, we revised up our forecast for profitability in 2012 according to situation, so profit in FY2012 did not change significantly from our previous forecast. For 2013, we raised our profit forecast by 15.66% through an increase of income recognition to B34.6bn after believing that PS would be able to transfer 7 condominium projects worth of almost B10bn in total. The condominium projects that will be transferred have gross margin of around 40%, which is higher than the current average gross margin of 34-35% of other projects. After the forecast revision, net profit and norm profit in 2013 is B5.18bn, increasing 32.75%yoy.

- ▶ **2013's fair value at 12x PER is B28.08**

We keep PS fair value at 12x PER, which results in a new 2013's fair value of B28.08. The factor to drive share price is positive development in presales, income recognition, profit, and stronger financial status. Buy.

Key Data (Bm)					
FY: Close Dec. 31	FY09A	FY10A	FY11A	FY12F	FY13F
Sales	18,966	23,307	23,263	26,997	34,584
Net Profit	3,622	3,488	2,835	3,898	5,175
Norm Profit	3,622	3,488	2,835	3,898	5,175
Norm EPS (B)	1.65	1.58	1.28	1.76	2.34
DPS (B)	0.55	0.5	0.4	0.62	0.82
Norm PER (X)	11.8	12.4	15.2	11.1	8.3
Dividend Yield (%)	2.81	2.56	2.04	3.16	4.2
BVS (B)	5.9	6.92	7.69	9.03	10.75
ROE (%)	27.8	22.9	16.7	19.5	21.8

Source : Research ASP

Current price (B) 19.50




2013 Fair Value (B) 28.08

Market cap (B bn) 42.11

CGR 
Comparison ASP & SAA consensus


EPS (B)	ASP	Cons	% diff
2012F	1.76	1.69	4%
2013F	2.34	1.98	18%

Source : ASP & SAA consensus

Symbol	Level	Mean
	90-100	Excellence
	80-89	Very good
	70-79	Good
na.	<70	Not Available

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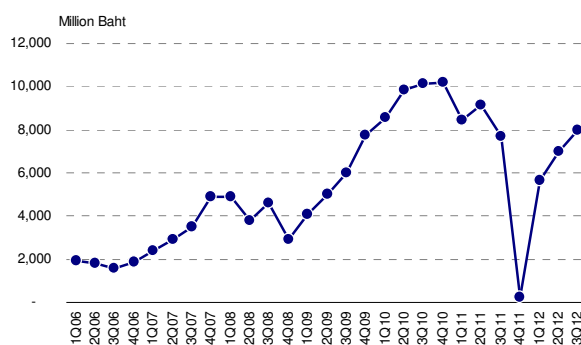
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Quarterly Net Profit Forecast

Key Data (Bm)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	%QoQ	%YoY	2011	2012E	%YoY
Revenue from Sale	5,422	6,724	6,458	4,659	4,655	6,814	7,199	6%	11%	23,263	26,997	16.1%
Other Revenue	28	55	35	42	20	54	36	-34%	1%	159	112	-30.0%
Total Revenue	5,450	6,779	6,493	4,700	4,675	6,868	7,234	5%	11%	23,422	27,108	15.7%
Cost of Sell Asset	3,289	4,189	4,221	3,025	3,003	4,485	4,744	6%	12%	14,724	17,601	19.5%
Sale & Admin. Expenses	1,203	1,245	1,218	988	837	1,023	1,130	10%	-7%	4,654	4,329	-7.0%
Total Expenses	4,492	5,434	5,439	4,013	3,840	5,508	5,874	7%	8%	19,379	21,930	13.2%
EBIT	958	1,345	1,054	687	835	1,359	1,360	0%	29%	4,044	5,178	28.1%
Interest Expenses	13	32	35	57	61	65	80	23%	127%	137	181	31.6%
EBT	945	1,312	1,019	629	775	1,295	1,281	-1%	26%	3,906	4,997	27.9%
Corporate Income Tax	214	325	258	275	142	292	281	-4%	9%	1,071	1,099	2.6%
Operation Profit	731	988	761	355	633	1,002	1,000	0%	31%	2,835	3,898	37.5%
Extraordinary Items	0	0	0	0	0	0	0	NM	NM	0	0	NM
Net Profit	731	988	761	355	633	1,002	1,000	0%	31%	2,835	3,898	37.5%
EPS (B/share)	0.33	0.45	0.34	0.16	0.29	0.45	0.45	0%	31%	1.28	1.76	37.4%
Norm Margin	13.5%	14.7%	11.8%	7.6%	13.6%	14.7%	13.9%			12.2%	14.4%	
Gross Margin	39.3%	37.7%	34.6%	35.1%	35.5%	34.2%	34.1%			36.7%	34.8%	
SG&A/Sale	22.2%	18.5%	18.9%	21.2%	18.0%	15.0%	15.7%			20.0%	16.0%	

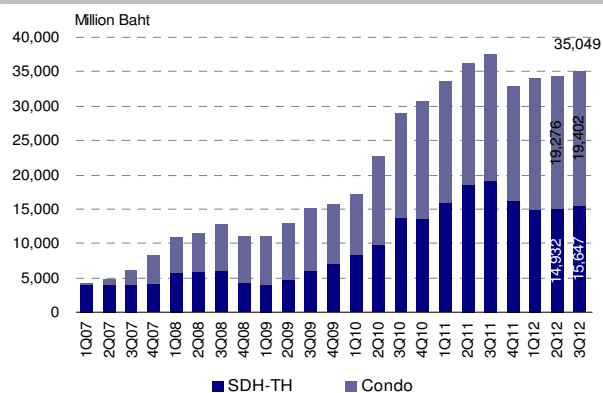
Source : Financial Statement of / ASP Research

Quarter Presale of PS



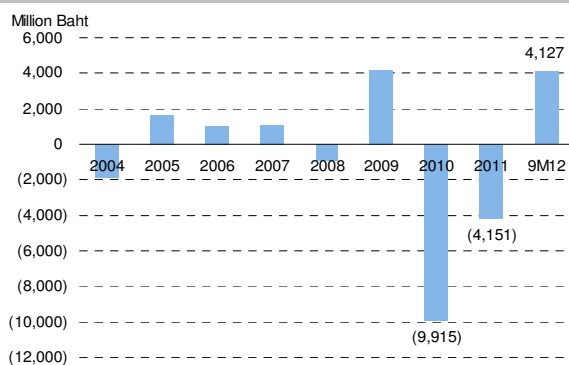
Source : PS

Backlog end of 2Q12 of PS



Source : PS

CFO of PS



Source : PS

Technical Chart of PS



Source : PS