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3Q12 earning review: As good as expected

What's new

PS reported 3Q12 earnings of Bt1.0bn, up 31.4% YoY and flat QoQ, This was in-line with our estimate and the Bloomberg consensus.

Implications

Revenue improved 11.5% YoY and 5.6% QoQ to Bt7.2bn. The company's revenue has continued to improve quarter by quarter since 4Q11 which was when Bangkok had the major flooding. Despite a 12.5% decrease in revenue from condominiums, townhouses remained a key product with growth of 23.9% YoY.

Gross margin was sustained at 34.1% (vs. 34.6% in 3Q11 and 34.2% in 2Q12). We believe this was thanks to a combination of low cost stock and price adjustment.

SG&A expense dropped 7.3% YoY reflecting the decrease in advertising expense and promotion expense in addition to reducing impairment of land servitude, causing SG&A/sales to drop to 15.7% vs. 18.9% in 3Q11.

PS's 9M12 earnings of Bt2.6bn were equal to 69% of our full-year forecast. We expect 4Q12 earnings to be better than 3Q12 driven by favorable market conditions, i.e. strong property demand, availability of mortgages with low interest rates, and the company's condo backlog. We are maintaining our 2012 forecast of Bt3.8bn, up 35.5% YoY.

Valuation & action

We maintain a rating of Outperform on PS with a target price of Bt23.60, based on 12.0x 13EPS which is its long-term historical PE and on par with its peers' PE multiple.

Figure 1: 3Q12 earnings summary

Bt mn	3Q12	3Q11	YoY (%)	2Q12	QoQ (%)	Comment
Sales and services	7,199	6,458	11.5	6,814	5.6	In-line
Gross profit	2,454	2,237	9.7	2,329	5.4	
SG&A	(1,130)	(1,218)	(7.3)	(1,023)	10.4	
EBIT	1,325	1,019	30.0	1,306	1.5	
Interest expenses	(80)	(35)	126.5	(65)	23.2	
Corporate income tax	(281)	(258)	8.9	(292)	(4.0)	
Normalized profit	1,000	761	31.4	1,002	(0.2)	
Net profit	1,000	761	31.4	1,002	(0.2)	In-line with our estimate and the Bloomberg consensus
EPS (Bt)	0.45	0.34	31.4	0.45	(0.2)	
Percent	3Q12	3Q11	YoY (ppts)	2Q12	QoQ (ppts)	
Gross margin	34.1	34.6	(0.5)	34.2	(0.1)	
SG&A to sales	15.7	18.9	(3.2)	15.0	0.7	
Net margin	13.9	11.8	2.1	14.7	(0.8)	

Source: Company data; KGI Securities (Thailand)

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

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