



Pruksa Real Estate Plc (PS.BK/PS TB)*

Outlook remains bullish

Bt21.60

Outperform

Company update

Maintained

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- Reiterate Outperform with new target price of Bt27.00
- Mid-to-low-end should be a key driver in 2013
- 2013 revenue expected to be a new record
- Expect earnings growth of 24.6% CAGR for 2012-2014

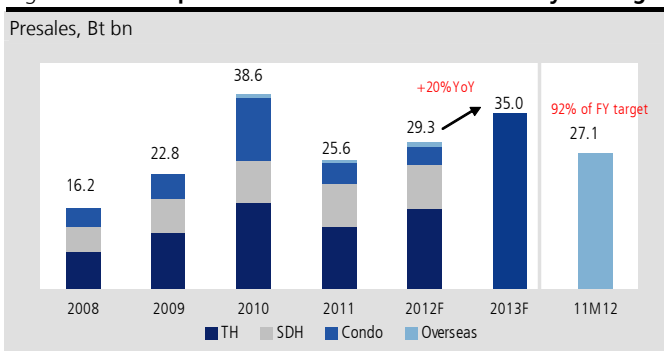
Reiterate Outperform with new target price of Bt27.00

Though PS's share price has risen over the past few months after being hit hard by last year's flood, we believe there is still room to rise as the company's sales have shown strong momentum and fully recovered for the last three months (Sep – Nov 12). Additionally, we raised our 2013 forecast by 14.5% following a 12.2% increase in our revenue forecast to be in-line with the company's guidance of Bt34bn and supportive economic conditions, i.e. low interest rate, accessible mortgages and continued strong demand. We reiterate our rating of Outperform on PS with a new target price to Bt27.00, from Bt23.60.

Strong demand to continue

PS revealed 11M12 presales of Bt27.1bn, accounting for 92.4% of the full-year target. This was mainly from townhouses, which accounted for 49%. We are convinced that the company's presales target of Bt29bn will be achieved. Note that presales over the last three months (Sep-Nov 12) exceeded Bt2.85bn which was the average pre-flooding in 2011 (Jan-Sep 11). Hence, we believe PS's sales performance is already back to normal levels.

Figure 1: 11M12 presales accounted for 92% of full-year target

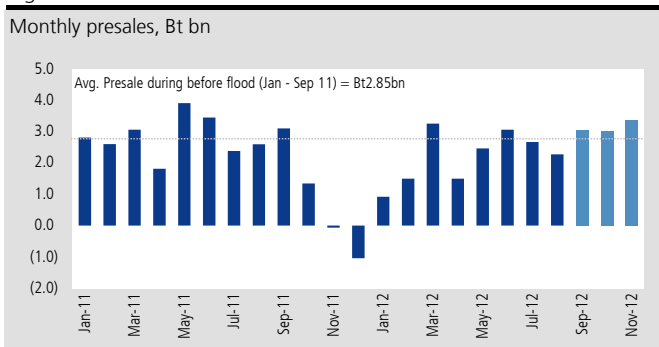


Source: Company data; KGI Security (Thailand)

Demand from mid-to-low-end should be a key driver in 2013

Low interest rates and accessible mortgages are set to continue in 2013 and this should encourage homebuyers in the middle to low end segments which dominate about two-thirds of the market. As middle to low income homebuyers are PS's main customers, it should continue enjoying sales growth next year. The company expects 2013 presales of Bt35bn, up 20% YoY, and plans to launch 34 new projects, worth about Bt24bn.

Figure 2: Presales exceeded Bt3.0bn for three consecutive months



Source: Company data; KGI Security (Thailand)

Expect record revenue in 2013

We raised our 2013 earnings forecast by 14.5% to Bt4.9bn after revising up our revenue forecast by 12.2% to be in-line with the company's revenue target of Bt34bn, which would be a new record high for the company. We estimate PS's current backlog to be about Bt41.4bn which is to be transferred from 4Q12 to 2015 and implies over 50% of our 2013 revenue forecast has been secured.

Figure 3: Earning revision

Bt mn	2012F			2013F		
	Revised	Previous	% change	Revised	Previous	% change
Net profit	3,733	3,840	(2.8)	4,963	4,336	14.5
Key assumptions						
Revenue	26,616	27,022	(1.5)	33,803	30,120	12.2

Source: Company data; KGI Securities (Thailand) estimates

Expect earnings growth of 24.6% CAGR for 2012-2014

We expect PS to report outstanding earnings growth during 2012-2014 of 24.6% CAGR supported by i) huge backlog, ii) shorter business cycle, iii) advantages in securing construction materials, contractors, and relationship with banks as a big developer

Valuation and Recommendation

We rate PS Outperform with a new target price of Bt27.00, from Bt23.60, based on unchanged PE 12.0x of 13EPS. Following our earnings upgrade, the current price offers an attractive upside of 25% with an earnings growth profile of 24.6% 3 year CAGR.

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	26,616	14.4	5,240	3,733	1.69	31.7
2013F	33,803	27.0	6,615	4,963	2.25	32.9

Year to Dec	GM (%)	EV/EBITDA (x)	PBV (x)	PER (x)	Dividend Yield (%)	ROAE (%)
2009	38.1	4,994.3	3.7	13.2	2.5	31.3
2010	37.5	4,749.7	3.1	13.7	2.3	24.7
2011	36.7	4,223.6	2.8	16.8	1.9	17.6
2012F	34.5	5,239.8	2.4	12.8	2.3	20.3
2013F	35.0	6,615.2	2.0	9.6	3.1	22.8

Sector	Property 52-week trading range (Bt)	11.2 - 21.6	
12M target price (Bt/shr)	27.0	Mkt cap-Bt bn/US\$ bn	47.76/1.2
Upside/downside (%)	25.0	Outstanding shares (mn)	2,211.2
The percentile of excess return (%)	80.0	Free floating shares (mn)	475.2
Dividend yield-12/12F (%)	2.3	Foreign ownership (mn)	884.5
Book value/shr-12/12F (Bt)	9.0	3M avg. daily trading (mn)	6.5
P/B-12/12F (x)	2.4	Abs. performance (3,6,12M)(%)	20; 54.3; 77
Net debt/equity-12/12F (%)	107.3	Rel. performance (3,6,12M)(%)	12; 30.3; 38.3

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


Balance Sheet

As of 31 Dec (Bt mn)	2009	2010	2011	2012F	2013F
Total Assets	18,871	34,091	41,982	48,199	57,006
Current Assets	17,104	31,358	38,916	44,855	53,489
Cash & ST Investments	846	1,439	837	125	125
Sales	13,202	27,923	36,160	43,000	51,167
Accounts Receivable	60	0	0	0	0
Others	2,996	1,996	1,919	1,730	2,197
Non-current Assets	1,767	2,733	3,066	3,344	3,516
LT Investments	0	0	0	0	0
Net fixed Assets	1,299	2,159	2,469	2,537	2,492
Others	468	574	598	806	1,024
Total Liabilities	5,848	18,828	24,986	28,353	33,317
Current Liabilities	4,307	9,671	13,827	17,047	21,993
Accounts Payable	799	1,425	396	2,628	3,311
ST Borrowings	600	4,001	9,327	10,175	13,305
Others	2,908	4,245	4,104	4,243	5,377
Long-term Liabilities	1,541	9,157	11,159	11,306	11,324
Long-term Debts	1,500	9,100	10,962	11,241	11,241
Others	41	57	198	65	83
Shareholders' Equity	13,023	15,263	16,996	19,846	23,689
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	16,309	20,152
Preferred Stock	0	0	0	0	0

Source: Company data; KGI Securities (Thailand) estimates

Key Ratios & Drivers

Year to 31 Dec	2009	2010	2011	2012F	2013F
Growth (% YoY)					
Sales	46.2	22.9	(0.2)	14.4	27.0
OP	58.0	(5.8)	(13.7)	25.5	28.2
EBITDA	55.4	(4.9)	(11.1)	24.1	26.2
NP	52.6	(3.7)	(18.7)	31.7	32.9
EPS	52.5	(3.7)	(18.7)	31.7	32.9
Profitability (%)					
Gross Margin	38.1	37.5	36.7	34.5	35.0
Operating Margin	25.2	19.3	16.7	18.3	18.5
EBITDA Margin	26.3	20.4	18.2	19.7	19.6
Net Profit Margin	19.1	15.0	12.2	14.0	14.7
ROAA	20.6	13.2	7.5	8.3	9.4
ROAE	31.3	24.7	17.6	20.3	22.8
Stability					
Gross Debt/Equity (%)	44.9	123.4	147.0	142.9	140.6
Net Debt/Equity (%)	9.2	76.4	114.4	107.3	103.1
Interest Coverage (x)	106.1	70.8	30.7	19.7	25.9
Interest & ST Debt Coverage (x)	7.7	8.4	1.5	1.7	2.2
Cash Flow Interest Coverage (x)	74.4	(178.1)	(27.0)	(3.6)	(6.7)
Cash Flow/Interest & ST Debt (x)	1.6	(0.9)	(0.2)	(0.0)	(0.1)
Current Ratio (x)	4.0	3.2	2.8	2.6	2.4
Quick Ratio (x)	0.7	0.2	0.1	0.0	0.0
Net Debt (Bt mn)	1194.0	11661.5	19450.7	21291.5	24421.1
Per Share Data (Bt)					
EPS	1.6	1.6	1.3	1.7	2.2
CFPS	1.7	1.7	1.4	1.9	2.4
BVPS	5.9	6.9	7.7	9.0	10.7
SPS	8.6	10.6	10.5	12.0	15.3
EBITDA/Share	2.3	2.2	1.9	2.4	3.0
DPS	0.6	0.5	0.4	0.5	0.7
Activity					
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	828.4	782.2
Days Payable	20.7	27.9	22.6	31.6	49.3
Cash Cycle	381.3	488.0	771.7	796.8	732.8

Source: Company data; KGI Securities (Thailand) estimates

Profit & Loss

Year to 31 Dec (Bt mn)	2009	2010	2011	2012F	2013F
Sales	18,966	23,307	23,263	26,616	33,803
Cost of Goods Sold	11,749	14,561	14,724	17,439	21,972
Gross Profit	7,217	8,746	8,538	9,177	11,831
Sales	2,438	4,243	4,654	4,301	5,577
Operating Profit	4,779	4,503	3,884	4,877	6,253
Net Interest	-47	-67	-137	-267	-256
Interest Income	0	0	0	0	0
Interest Expense	47	67	137	267	256
Net Investment Income/(Loss)	0	0	0	-1	0
Net other Non-op. Income/(Loss)	67	100	159	149	167
Net Extraordinaries	-0	0	-0	-0	0
Pretax Income	4,799	4,536	3,906	4,758	6,165
Income Taxes	1,177	1,048	1,071	1,025	1,202
Net Profit	3,622	3,488	2,835	3,733	4,963
EBITDA	4,994	4,750	4,224	5,240	6,615
EPS (Bt)	1.64	1.58	1.28	1.69	2.25

Source: Company data; KGI Securities (Thailand) estimates

Cash Flow

Year to 31 Dec (Bt mn)	2009	2010	2011	2012F	2013F
Operating Cash Flow	3,501	-11,945	-3,718	-957	-1,710
Net Profit	3,622	3,488	2,835	3,733	4,963
Depreciation & Amortization	216	246	339	363	362
Sales	-337	-15,680	-6,892	-5,053	-7,034
Others	0	0	0	0	0
Investment Cash Flow	-118	-1,212	-672	-641	-534
Net CAPEX	-9	-1,106	-648	-432	-316
Change in LT Investment	0	0	0	0	0
Change in Other Assets	-109	-106	-24	-209	-218
Free Cash Flow	3,383	-13,157	-4,390	-1,598	-2,244
Financing Cash Flow	-2,110	11,039	5,751	238	2,353
Change in Share Capital	16	0	0	0	0
Net Change in Debt	-1,500	11,001	7,187	1,128	3,130
Change in Other LT Liab.	-627	38	-1,436	-890	-777
Net Cash Flow	1,272	-2,118	1,361	-1,360	109

Source: Company data; KGI Securities (Thailand) estimates

Rates of Return on Invested Capital

Year	1 - $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= Operating Margin
2009	60.8%	1.1%	12.9%	25%
2010	61.4%	1.1%	18.2%	19%
2011	61.8%	1.5%	20.0%	17%
2012F	64.2%	1.4%	16.2%	18%
2013F	63.9%	1.1%	16.5%	19%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= Capital Turnover
2009	0.9	0.1	0.0	1.1
2010	1.3	0.1	0.0	0.7
2011	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	Operating Margin	x $\frac{\text{Capital Turnover}}{\text{Capital Turnover}}$	x $\frac{\text{Cash Tax Rate}}{\text{Cash Tax Rate}}$	= After-tax Return on Inv. Capital
2009	25.2%	1.1	75.5%	20.0%
2010	19.3%	0.7	76.9%	10.6%
2011	16.7%	0.6	72.6%	6.9%
2012F	18.3%	0.6	78.5%	8.0%
2013F	18.5%	0.6	80.5%	8.9%

Source: Company data; KGI Securities (Thailand) estimates

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	Kingpai Koosakulnirund	KK	Soft commodity, hotel, shipping	8857	kingpaik@kgi.co.th
	Phatipak Navawatana	PN	Telecom, media, healthcare	8847	phatipakn@kgi.co.th
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	Outperform (OP)	The stock's excess return* over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Thailand).
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		<i>* Excess return = 12M target price/current price-1</i>
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