



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

Reaffirm our Outperform call

Bt26.50

Outperform

Maintained

**Earnings preview
Company update**

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- **4Q12 earnings to surge 226.8% YoY, 15.9% QoQ**
- **Huge backlog to secure over 70% of 2013 revenue target**
- **Reaffirm Outperform rating with target price of Bt31.0**

Reaffirm Outperform rating with a new target price of Bt31.0

Yesterday, we joined PS's analyst meeting. The management provided us the guidance and its business strategy for 2013. We reiterate our positive view on the company outlook and expect 4Q12 earnings at Bt1.2bn, up 226.8% YoY and 15.9% QoQ. With the management's new guidance, we raised our 2012 - 13 estimates by 1.6% and 14.6% to Bt3.8bn and Bt5.7bn respectively. We derived our target price to Bt31.00 from Bt27.00 based on 12x of 2013PE. We reiterate a rating of Outperform on the counter.

4Q12 earnings to surge 226.8% YoY and 15.9% QoQ

We expect PS to report 4Q12 earning at Bt1.2bn, up 226.8% YoY and 15.9% QoQ. Its improved net profit was owing to i) low base in 4Q11 as a result of severe flood during the period ii) strong presale recovery since flood concern was over and drove 4Q12 revenue to Bt8.4bn, up 79.6%YoY. We thus anticipate 2012 earnings at Bt3.8bn, up 33.8% YoY and 16.3% QoQ, 1.4% above our previous forecast on the back of i) a16.2% increase in revenue at Bt27.0bn. ii) lower SG&A to sale at 16.2% vs 20.0% in 2012.

Figure 1: 4Q12 and 2012 preview

Bt mn	4Q12	4Q11	YoY (%)	3Q12	QoQ (%)	2012F	2011	YoY (%)
Sales and services	8,369	4,659	79.6	7,199	16.3	27,037	23,263	16.2
Gross profit	2,887	1,633	76.8	2,454	17.6	9,322	8,538	9.2
SG&A	(1,381)	(988)	39.7	(1,130)	22.2	(4,370)	(4,654)	(6.1)
EBIT	1,506	645	133.5	1,325	13.7	4,952	3,884	27.5
Interest expenses	(62)	(57)	7.6	(80)	(22.5)	(267)	(137)	94.0
Corporate income tax	(327)	(275)	19.0	(281)	16.5	(1,042)	(1,071)	(2.8)
Normalized profit	1,159	355	226.8	1,000	15.9	3,794	2,835	33.8
Net profit	1,159	355	226.8	1,000	15.9	3,794	2,835	33.8
EPS (Bt)	0.52	0.16	226.8	0.45	15.9	1.72	1.28	33.8
Percent	4Q12	4Q11 YoY (ppts)	3Q12 QoQ (ppts)	2012F	2011 YoY (ppts)			
Gross margin	34.5	35.1	(0.6)	34.1	0.4	34.5	36.7	(2.2)
SG&A to sales	16.5	21.2	(4.7)	15.7	0.8	16.2	20.0	(3.8)
Net margin	13.9	7.6	6.2	13.9	(0.0)	14.0	12.2	1.8

Source: Company data; KGI Securities (Thailand) estimates

Expect strong presales to continue in 2013

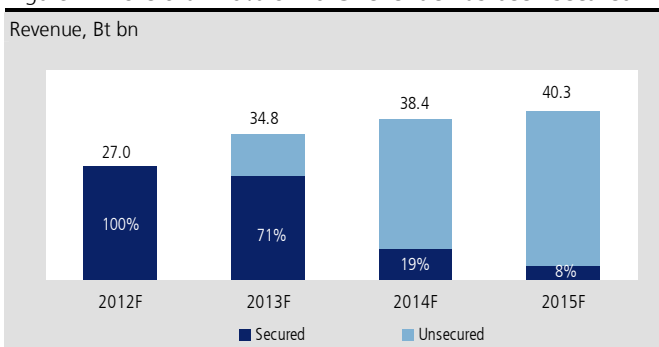
We like PS's strategies of business enhancement. During the meeting, the management revealed that its REM system would be fully implemented this year in order to improve housing quality, construction efficiency and shorten its business cycle. Meanwhile the company plans to launch 78 new projects, worth Bt55bn in 2013 (vs 30 projects, Bt22bn). They plan to expand more condo projects and up-country projects in addition to its core products, townhouse and single detached house. With that, PS expected its 2013 presale target at Bt35bn, up 19%YoY.

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

Huge backlog to secure over 70% of 2013 revenue target

PS revealed its current backlog of Bt35.4bn, of which Bt24.8bn to be realized in 2013 and implies more than 70% of our revenue forecast has been secured. Moreover, they also hinted that condo backlog to be transferred this year should contribute high gross profit margin while a gross margin from low rise product should also improve from 2012 due to the absence of extra cost from flood protection measure and price adjustment. Therefore, we raised our gross margin assumption to 37% in 2013.

Figure 2: More than 70% of 2013 revenue has been secured



Source: Company data; KGI Securities (Thailand) estimates

Raised target price on 2013 earnings adjustment

With the management guidance and our new assumption, we revised our 2012-2013F forecast by 1.6% and 14.6% to Bt3.8bn and Bt5.7bn respectively.

Figure 3: Earnings Revision

Bt mn	2012F			2013F		
	Revised	Previous	% change	Revised	Previous	% change
Net profit	3,794	3,733	1.6	5,689	4,963	14.6
Key assumptions						
Revenue	27,037	26,616	1.6	34,878	33,803	3.2

Source: Company data; KGI Securities (Thailand) estimates

Valuation and Recommendation

Following our earnings revision, we thus derived a new target price of Bt31.00 (from Bt27.00), based on 12.0x 13PE. We maintain our rating of Outperform on the counter.

Year to Dec	Sales (Bt mn)	Sales growth (%)	EBITDA (Bt mn)	NP (Bt mn)	EPS (Bt)	EPS growth (%)
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	27,037	16.2	5,316	3,794	1.72	33.8
2013F	34,878	29.0	7,512	5,689	2.58	49.9
2014F	38,365	10.0	8,056	6,124	2.77	7.6
Year to Dec	GM (%)	EV/EBITDA (X)	PBV (X)	PER (X)	Dividend Yield (%)	ROAE (%)
2010	37.5	4,749.7	3.8	16.8	1.9	24.7
2011	36.7	4,223.6	3.4	20.6	1.5	17.6
2012F	34.5	5,315.5	2.9	15.4	1.9	20.6
2013F	37.0	7,511.6	2.4	10.3	2.9	25.6
2014F	36.5	8,056.3	2.0	9.6	3.1	23.0
Sector						
12M target price (Bt/shr)	Property 52-week trading range (Bt)					12.7 - 26.5
Upside/downside (%)	31.0 Mkt cap-Bt bn/US\$ bn					58.65/1.5
The percentile of excess return (%)	17.0 Outstanding shares (mn)					2,213.2
Dividend yield-12/12F (%)	74.3 Free floating shares (mn)					475.6
Book value/shr-12/12F (Bt)	1.9 Foreign ownership (mn)					885.3
P/B-12/12F (x)	9.0 3M avg. daily trading (mn)					6.4
Net debt/equity-12/12F (%)	2.9 Abs. performance (3,6,12M)(%)					42.5; 48.9; 96.3
	109.7 Rel. performance (3,6,12M)(%)					29.7; 24.8; 45.2


Balance Sheet

As of 31 Dec (Bt mn)	2010	2011	2012F	2013F	2014F
Total Assets	34,091	41,982	48,918	57,111	62,940
Current Assets	31,358	38,916	45,562	53,562	59,352
Cash & ST Investments	1,439	837	125	125	125
Sales	27,923	36,160	43,679	51,170	56,733
Accounts Receivable	0	0	0	0	0
Others	1,996	1,919	1,757	2,267	2,494
Non-current Assets	2,733	3,066	3,357	3,549	3,588
LT Investments	0	0	0	0	0
Net fixed Assets	2,159	2,469	2,537	2,492	2,425
Others	574	598	819	1,057	1,162
Total Liabilities	18,828	24,986	29,012	32,654	34,066
Current Liabilities	9,671	13,827	17,704	21,327	22,731
Accounts Payable	1,425	396	2,669	3,311	3,671
ST Borrowings	4,001	9,327	10,725	12,516	12,996
Others	4,245	4,104	4,311	5,500	6,064
Long-term Liabilities	9,157	11,159	11,307	11,327	11,335
Long-term Debts	9,100	10,962	11,241	11,241	11,241
Others	57	198	66	85	94
Shareholders' Equity	15,263	16,996	19,907	24,457	28,874
Common Stock	2,207	2,209	2,209	2,209	2,209
Capital Surplus	1,328	1,328	1,328	1,328	1,328
Retained Earnings	11,728	13,459	16,370	20,920	25,337
Preferred Stock	0	0	0	0	0

Source: Company data; KGI Securities (Thailand) estimates

Key Ratios & Drivers

Year to 31 Dec	2010	2011	2012F	2013F	2014F
Growth (% YoY)					
Sales	22.9	(0.2)	16.2	29.0	10.0
OP	(5.8)	(13.7)	27.5	44.4	7.3
EBITDA	(4.9)	(11.1)	25.9	41.3	7.3
NP	(3.7)	(18.7)	33.8	49.9	7.6
EPS	(3.7)	(18.7)	33.8	49.9	7.6
Profitability (%)					
Gross Margin	37.5	36.7	34.5	37.0	36.5
Operating Margin	19.3	16.7	18.3	20.5	20.0
EBITDA Margin	20.4	18.2	19.7	21.5	21.0
Net Profit Margin	15.0	12.2	14.0	16.3	16.0
ROAA	13.2	7.5	8.3	10.7	10.2
ROAE	24.7	17.6	20.6	25.6	23.0
Stability					
Gross Debt/Equity (%)	123.4	147.0	145.7	133.5	118.0
Net Debt/Equity (%)	76.4	114.4	109.7	96.6	83.5
Interest Coverage (x)	70.8	30.7	19.9	29.4	31.5
Interest & ST Debt Coverage (x)	8.4	1.5	1.7	2.5	2.6
Cash Flow Interest Coverage (x)	(178.1)	(27.0)	(5.7)	(1.2)	6.0
Cash Flow/Interest & ST Debt (x)	(0.9)	(0.2)	(0.1)	(0.0)	0.1
Current Ratio (x)	3.2	2.8	2.6	2.5	2.6
Quick Ratio (x)	0.2	0.1	0.0	0.0	0.0
Net Debt (Bt mn)	11661.5	19450.7	21840.6	23631.8	24112.3
Per Share Data (Bt)					
EPS	1.6	1.3	1.7	2.6	2.8
CFPS	1.7	1.4	1.9	2.7	2.9
BVPS	6.9	7.7	9.0	11.1	13.1
SPS	10.6	10.5	12.2	15.8	17.4
EBITDA/Share	2.2	1.9	2.4	3.4	3.7
DPS	0.5	0.4	0.5	0.8	0.8
Activity					
Asset Turnover (x)	0.9	0.6	0.6	0.7	0.6
Days Receivables	0.5	0.0	0.0	0.0	0.0
Days Inventory	515.4	794.3	822.5	787.8	808.3
Days Payable	27.9	22.6	31.6	49.7	52.3
Cash Cycle	488.0	771.7	791.0	738.1	756.0

Source: Company data; KGI Securities (Thailand) estimates

Profit & Loss

Year to 31 Dec (Bt mn)	2010	2011	2012F	2013F	2014F
Sales	23,307	23,263	27,037	34,878	38,365
Cost of Goods Sold	14,561	14,724	17,714	21,973	24,362
Gross Profit	8,746	8,538	9,322	12,905	14,003
Sales	4,243	4,654	4,370	5,755	6,330
Operating Profit	4,503	3,884	4,952	7,150	7,673
Net Interest	-67	-137	-267	-256	-256
Interest Income	0	0	0	0	0
Interest Expense	67	137	267	256	256
Net Investment Income/(Loss)	0	0	-1	0	0
Net other Non-op. Income/(Loss)	100	159	151	172	190
Net Extraordinaries	0	-0	-0	0	0
Pretax Income	4,536	3,906	4,836	7,067	7,607
Income Taxes	1,048	1,071	1,042	1,378	1,483
Net Profit	3,488	2,835	3,794	5,689	6,124
EBITDA	4,750	4,224	5,316	7,512	8,056
EPS (Bt)	1.58	1.28	1.72	2.58	2.77

Source: Company data; KGI Securities (Thailand) estimates

Cash Flow

Year to 31 Dec (Bt mn)	2010	2011	2012F	2013F	2014F
Operating Cash Flow	-11,945	-3,718	-1,508	-308	1,521
Net Profit	3,488	2,835	3,794	5,689	6,124
Depreciation & Amortization	246	339	363	362	383
Sales	-15,680	-6,892	-5,665	-6,358	-4,986
Others	0	0	0	0	0
Investment Cash Flow	-1,212	-672	-654	-554	-422
Net CAPEX	-1,106	-648	-432	-316	-316
Change in LT Investment	0	0	0	0	0
Change in Other Assets	-106	-24	-222	-238	-106
Free Cash Flow	-13,157	-4,390	-2,161	-862	1,099
Financing Cash Flow	11,039	5,751	807	979	-1,038
Change in Share Capital	0	0	0	0	0
Net Change in Debt	11,001	7,187	1,677	1,791	481
Change in Other LT Liab.	38	-1,436	-870	-812	-1,519
Net Cash Flow	-2,118	1,361	-1,354	117	61

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
2010	61.4%	1.1%	18.2%	19%
2011	61.8%	1.5%	20.0%	17%
2012F	64.2%	1.3%	16.2%	18%
2013F	62.0%	1.0%	16.5%	21%
2014F	62.5%	1.0%	16.5%	20%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= Capital Turnover
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	1.5	0.1	0.0	0.6
2014F	1.5	0.1	0.0	0.6
Year	Operating Margin	x Capital Turnover	x Cash Tax Rate	= After-tax Return on Inv. Capital
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	20.5%	0.6	80.5%	10.1%
2014F	20.0%	0.6	80.5%	9.8%

Source: Company data; KGI Securities (Thailand) estimates

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

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	Neutral (N)	The stock's excess return* over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Thailand).
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	Not Rated (NR)	The stock is not rated by KGI Securities.
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		<i>* Excess return = 12M target price/current price-1</i>
	Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.
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