

Wednesday, January 23, 2013

EQUITY TALKS

Share price steps up to fair value. Revise down from "BUY" to "HOLD"

HOLD

- ▶ **2013: good year for PS, marching toward new high**
- ▶ **2014 revenue growth of horizontal projects to get boosted**
- ▶ **Share price rises close to fair value. Revise down from "BUY" to "HOLD"**

▶ **2013: good year for PS, marching toward new high**

Keeping a watchful eye on PS, we're convinced that 2013 would still be a good year for the company. PS would march toward new high for its revenue and net profit. There would be openings of 78 new projects worth of B55bn in total which can be divided into 47 townhouse projects (TH), 16 detached-house projects (SDH), 13 condominium projects and 2 international projects. At present, the company has bought lands in order to prepare for 40 new projects. For projects during development at end-2012, there are 141 projects worth of B49.3bn. Accordingly, PS is projected to make presales worth of B35.4bn or 21% YoY increase, which is considered a record high. In terms of revenue recognition, the management has aimed at B34-36bn for the target in 2013 due to the transfer of 7 newly-finished condominium projects (backlog at year's end is B9.1bn). For the horizontal projects after adoption of REM system, the business cycle of SDH and TH has declined notably to 167 days (counting from trading day until the day of transfer). In terms of PS's profitability, it's projected to increase due to revenue from condominiums that is projected to be recognized by B10bn, which are of projects with the average gross margin over 40% and the average net profit margin at 18.3%. Accordingly, 2013 net profit is estimated to stand at B5.18bn, rising by 32.75% YoY.

▶ **2014 revenue growth of horizontal projects to get boosted**

In 2013, we believe that PS would achieve its goals with no difficulties. For 2014, the company would have to rely on efficient management and planning in order to enhance continuous growth because the backlog of condominium projects at end-2012 for transfer in 2014 that would decline to B7.37bn. If the company aims at 10% growth of revenue, this means that the revenue must be made no less than B38bn. Accordingly, PS would have to make more than B30bn of income in 2014, mostly depending on horizontal projects or condominium development with construction period not over 12 months to help contribute the revenue. Nevertheless, apart from a crucial factor from the management's preparation, investors should keep an eye on the demand in the housing market whether how much it would still have grown.

▶ **Share price rises close to fair value. Revise down from "BUY" to "HOLD"**

After recommending "BUY" for PS in April 2012, investors should have obtained almost 100% of return. However, the current share price has already moved close to the fair value at end-2013 which is 12x PER or B28.08. Combined with the dividend yield that has dropped to only 2.2%, we revise down our recommendation from "BUY" to "HOLD" for PS.




Current price (B)	27.00
Fair Value (B)	28.08
Market cap (B bn)	58.31

CGR 

Comparative of ASP and SAA consensus

EPS (B)	ASP	Cons	%diff
2013F	2.34	2.29	2%
2014F	0.00	2.45	nm.

Source: SAA consensus and ASP


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

Key Data (Bm)					
FY: Dec	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	0.50	0.40	0.62	0.82
Norm PER (x)	16.4	17.1	21.1	15.3	11.5
Div. yield (%)	2.03	1.85	1.47	2.29	3.03
BVS (B)	5.90	6.92	7.69	9.03	10.75
ROE (%)	27.8	22.9	16.7	19.5	21.8

Source: ASP research

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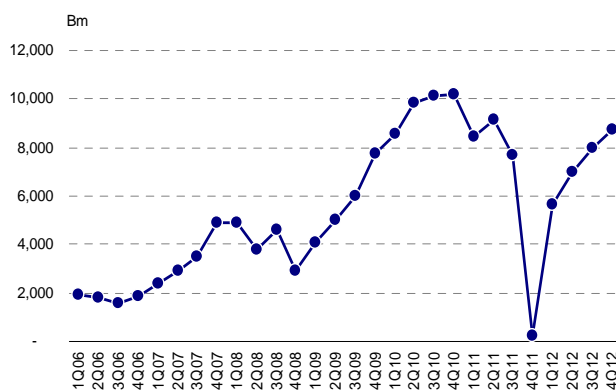
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Quarterly Net Profit Forecast

Key Data (Bm)	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	%QoQ	%YoY	2011	2012E	%YoY
Sales	5,422	6,724	6,458	4,659	4,655	6,814	7,199	6%	11%	23,263	26,997	16.1%
Other income	28	55	35	42	20	54	36	-34%	1%	159	112	-30.0%
Total income	5,450	6,779	6,493	4,700	4,675	6,868	7,234	5%	11%	23,422	27,108	15.7%
Cost of sales	3,289	4,189	4,221	3,025	3,003	4,485	4,744	6%	12%	14,724	17,601	19.5%
Selling & 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%
Income tax	214	325	258	275	142	292	281	-4%	9%	1,071	1,099	2.6%
Norm profit	731	988	761	355	633	1,002	1,000	0%	31%	2,835	3,898	37.5%
Ex-tra item	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 (Bt)	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%	

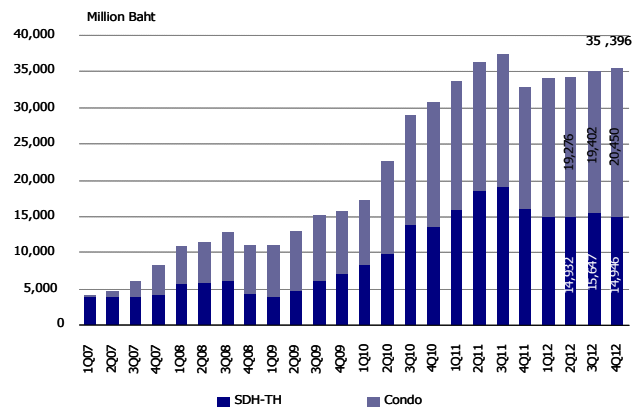
Source : Financial Statement of / ASP Research

Quarter Presale of PS end of 4Q12



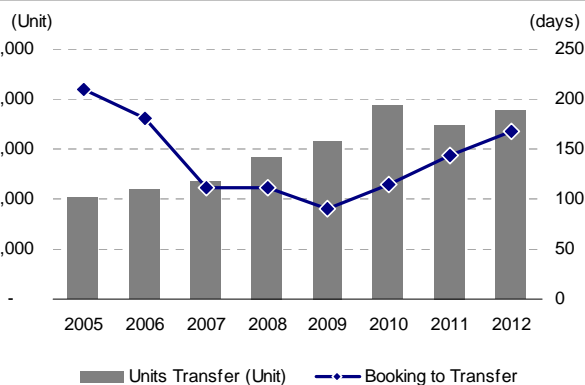
Source : PS

Backlog end of 2012 of PS



Source : PS

Yearly Unit Transfer & Business Cycle Horizontal



Source : PS

Technical Chart of PS



Source : ASP