

Pruksa Real Estate (PS)

Tuesday, November 12, 2013

EQUITY TALK

3Q13 profit to make new high from 5 condominium transfers

BUY

- ▶ **3Q13 profit is B1.357bn, growing 36%yoy but falling 12%qoq – below expectation**
- ▶ **Revise down FY2013 profit forecast by 8% from lower-than-expected profit margin**
- ▶ **Reiterate "BUY". FY2014 fair value at 12x PER or B30.09**

Current price (B) 22.30

2014 FV (B) 30.09

Market cap (B bn) 51.35

CGR 

- ▶ **3Q13 profit is B1.357bn, growing 36%yoy but falling 12%qoq – below expectation**

PS's 3Q13 net profit was B1.357bn, growing 36%yoy but falling 4%qoq, 8% below expectation, as booked income was 4% lower than expected, possibly income from condominium projects (condominiums of which the income was booked in 3Q13 are Fuse Mobius, The Seed Mingle and The Tree Bangpho, whereas transfer of Urbano Absolute just started). As selling and administrative cost became higher, SG&A/sales increased to 16.47%, lowering net profit margin to 13.9% (projected at 14.6%). PS's 9M13 net profit was B3.539bn, making up 65% of the previous forecast. For PS's financial structure, end-3Q13 interest bearing debt was B23.313bn with 0.94x net gearing, which was safe. PS's 9M13 total presales were at B33.767bn. During 9M13, 41 new projects were opened at the total value of B39.860bn. Due to high presales, FY2013 presales target was revised up B35.4bn to B39.41bn. In 4Q13, 9-14 new projects are scheduled to be opened, including four condominiums with the total value of B3.85bn.

- ▶ **Revise down FY2013 profit forecast by 8% from lower-than-expected profit margin**

At end-3Q56, PS has 168 total projects that are currently under construction, with remaining value of B57.2bn and total backlog of B44bn. For the projects scheduled to be opened in 2013, total backlog is at B16.1bn (construction of some condominium projects are likely to be delayed, so they would not be fully transfer, e.g. Plum Condominium Ladprao 101). We believe that income booked is likely to be close to our estimation, so we maintain our income forecast. However, in terms of profitability, we expect gross profit margin to drop and predict SG&A/sales ratio to increase. Thus, net profit margin is projected to decline from 15.79% in the previous forecast to 14.51%. Overall, we revise down profit forecast by 8% in 2013 and 10% in 2014.




- ▶ **Reiterate "BUY". FY2014 fair value at 12x PER or B30.09**

We switch to use FY2014 fair value. Under new forecast at 12x PER, which is close to current PER, end-2014 fair value is B30.09. We reiterate "BUY"

Comparative of ASP and SAA consensus

EPS (B)	ASP	Cons	%diff
2013F	2.47	2.32	6%
2014F	2.78	2.55	9%

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	FY10A	FY11A	FY12F	FY13F	FY14F
Sales	23,307	23,263	27,023	34,584	38,034
Net Profit	3,488	2,835	3,898	5,018	5,549
Norm Profit	3,488	2,835	3,898	5,018	5,549
Norm EPS (B)	1.58	1.28	1.76	2.27	2.51
DPS (B)	0.50	0.40	0.62	0.79	0.88
Norm PER (x)	14.7	18.1	13.2	10.2	9.3
Div. yield (%)	2.15	1.72	2.66	3.42	3.78
BVS (B)	6.92	7.69	9.07	10.70	12.41
ROE (%)	22.9	16.7	19.4	21.2	20.2

Source: ASP research

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Quarterly Net Profit

Key Data (Bm)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	%QoQ	%YoY	2012	2013E	%YoY
Sales	4,655	6,814	7,199	8,356	6,312	9,058	9,773	8%	36%	27,023	34,584	28.0%
Other Income	20	54	36	8	28	66	27	-60%	-25%	117	147	25.0%
Total Revenue	4,675	6,868	7,234	8,364	6,340	9,125	9,799	7%	35%	27,141	34,731	28.0%
Cost of Sales	3,003	4,485	4,744	5,658	4,148	5,995	6,408	7%	35%	17,890	22,767	27.3%
Selling & Admin. Expenses	837	1,023	1,130	936	1,173	1,302	1,609	24%	42%	3,925	5,324	35.7%
Total Expenses	3,840	5,508	5,874	6,593	5,322	7,297	8,017	10%	36%	21,815	28,091	28.8%
EBIT	835	1,359	1,360	1,770	1,018	1,827	1,782	-2%	31%	5,326	6,640	24.7%
Interest Expenses	61	65	80	100	85	97	116	20%	46%	305	367	20.6%
EBT	775	1,295	1,281	1,671	934	1,731	1,666	-4%	30%	5,021	6,273	24.9%
Income Tax	142	292	281	408	160	322	309	-4%	10%	1,123	1,255	11.7%
Norm Profit	633	1,002	1,000	1,263	773	1,409	1,357	-4%	36%	3,898	5,018	28.7%
Extra-item	0	0	0	0	0	0	0	NM	NM	0	0	NM
Net Profit	633	1,002	1,000	1,263	773	1,409	1,357	-4%	36%	3,898	5,018	28.7%
EPS (B)	0.29	0.45	0.45	0.57	0.35	0.63	0.61	-4%	35%	1.76	2.27	28.6%
Norm Margin	13.6%	14.7%	13.9%	15.1%	12.3%	15.6%	13.9%			14.4%	14.5%	
Gross Margin	35.5%	34.2%	34.1%	32.3%	34.3%	33.8%	34.4%			33.8%	34.2%	
SG&A/Sale	18.0%	15.0%	15.7%	11.2%	18.6%	14.4%	16.5%			14.5%	15.4%	

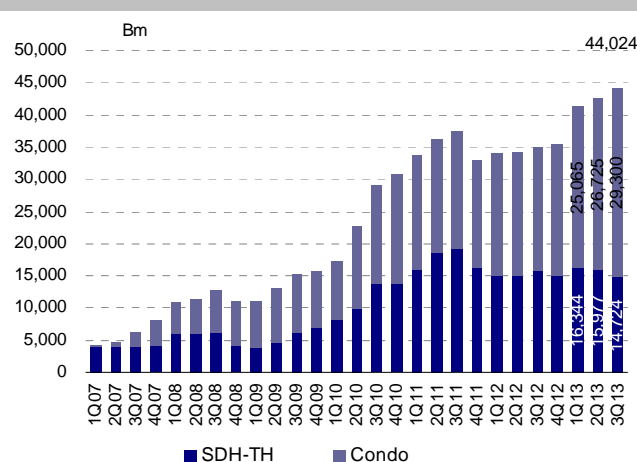
Source : Financial Statement of / ASP Research

Backlog 2Q13 to transfer in 2013

Finished Condominium in 2013	Backlog 2Q13	Start Transfer	Unsold Stock
Condolette Light	478	Nov	172
Plum (Navamin)	244	Apr	3
The Seed Mingle	920	Apr	20
Urbano Absolute	2,482	Aug	234
The Tree (Bang Pho)	1,358	Aug	47
Fuse (Mobius)	2,268	June	347
Plum (Lad Prao 101)	510	Oct	134
Value (Bm)	8,260		957

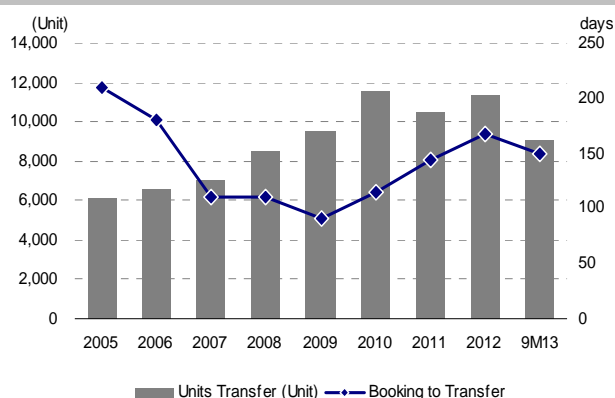
Source : PS end of 1Q13

Quarter Presale of PS end of 3Q13



Source : PS

Yearly Unit Transfer & Business Cycle Horizontal



Source : PS

Earning Revision

	New		Previous	
	13F	14F	13F	14F
Norm Profit (Bm)	5,018	5,549	5,462	6,163
EPS (B)	2.27	2.51	2.47	2.78
Payout Ratio	35.0%	35.0%	35.0%	35%
DPS (B)	0.79	0.88	0.86	0.97
Fair value (P/E X)			12.00	12.00
Fair value (B)			30.09	33.42
Key Assumption				
Presale in the period	31,544	34,490	31,544	34,490
Sales	34,584	38,034	34,584	38,034
Gross Margin	34.2%	34.2%	35.4%	35.8%
SG&A/Sale	15.4%	15.4%	15.2%	15.2%
Effective Tax Rate	20.0%	20.0%	20.0%	20.0%

Source : ASP