BUALUANG SECURITIES

EARNINGS RESULTS

Pruksa Real Estate

PS TB / PS.BK

12 November 2013

3Q13 profit was in line with estimate but below the consensus number

In line with our estimate

PS posted a 3Q13 core profit of Bt1.36bn, up 36% YoY but down 4% QoQ. The result was in line with our estimate, but was 6% below the street number, due to SG&A expenses that exceeded the consensus assumption.

Results highlights

The YoY profit growth was driven by 36% residential revenue expansion to Bt9.8bn, a 30 bps GM rise to 34.4% in 3Q13 and a lower effective tax rate (from 21.9% in 3Q12 to 18.5% in 3Q13). PS achieved strong transference across all categories in 3Q13—revenue jumped by 150% YoY for condos, by 20% for THs and by 13% for SDHs. Top-line growth outweighed the effect of an SG&A/sales ratio increase from 15.7% in 3Q12 to 16.5%.

On a QoQ basis, the most negative sign was higher SG&A expenses. The SG&A/sales ratio jumped from 14.4% in 2Q13 to 16.5%. High SG&A expenses caused a QoQ profit contraction, outweighing the effect of 8% QoQ growth in sales and fatter GM (from 33.8% in 2Q13 to 34.4%). The net gearing ratio rose slightly from 0.9x at end-June to 1.0x at end-Sept.

Outlook

PS is expected to post YoY and QoQ earnings growth for 4Q13 (the best quarter of the year). Two condos are scheduled to start transferring during the period—Plum Condo Ladprao 101 (Bt644m) and Condolette Light Convent (Bt651m).

Revenue may potentially beat our current forecast (Bt34bn for FY13). Management guides that the presales backlog at end-Sept due to transfer in 4Q13—assuming that it all the units transferred during the quarter—would put the top-line about 20% above PS's revenue target of Bt34bn. However, rising SG&A expenses are a concern. The cost of promotions may exceed our current assumption.

What's changed?

9M13 core profit represents 66% of our FY13 forecast (68% of the consensus projection), which we maintain unchanged.

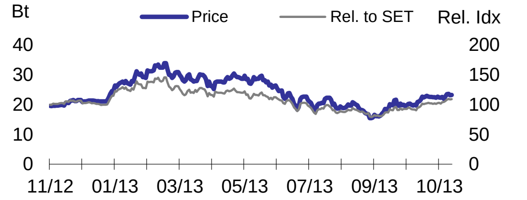
Recommendation

Presales in FY13 will beat the company's target of Bt35bn—9M13 bookings comprise 95% of the target. We assume upside of 15-20%. PS's valuation is not expensive—an FY14 PER of 8.2x, an 11% discount to its FY06-12 mean of 9.2x. We maintain a TRADING BUY rating with a YE14 target price of Bt25, pegged to its long-term mean PER of 9.0x.

Sector: Property (Residential) Neutral

Rating: TRADING BUY
Target Price: 25.00Bt
Price (11 November 2013)**: Bt23.30**

Price chart

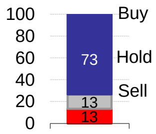


Share price perf. (%)	1M	3M	12M
Relative to SET	14.0	15.7	10.3
Absolute	10.4	12.0	18.9

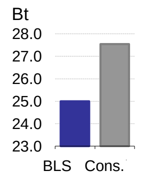
Key statistics

Market cap	Bt51.8bn	USD1.6bn
12-mth price range	Bt15.2/Bt35.5	
12-mth avg daily volume	Bt152m	USD4.8m
# of shares (m)	2,223	
Est. free float (%)	26.1	
Foreign limit (%)	40.0	

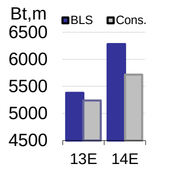
Consensus rating



BLS Target price vs. Consensus



BLS earnings vs. Consensus



Financial summary

FY Ended 31 Dec	2012	2013E	2014E	2015E
Revenues (Btm)	27,023	34,042	40,784	47,142
Net profit (Btm)	3,892	5,378	6,282	7,206
EPS (Bt)	1.76	2.43	2.84	3.26
EPS growth (%)	+38.8%	+38.2%	+16.8%	+14.7%
Core profit (Btm)	3,897	5,378	6,282	7,205
Core EPS (Bt)	1.76	2.43	2.84	3.26
Core EPS growth (%	+32.3%	+38.0%	+16.8%	+14.7%
PER (x)	13.2	9.6	8.2	7.2
PBV (x)	2.6	2.1	1.8	1.5
Dividend (Bt)	0.5	0.7	0.9	1.0
Dividend yield (%)	2.1	3.1	3.7	4.2
ROE (%)	21.0	24.2	23.6	22.8

CG rating

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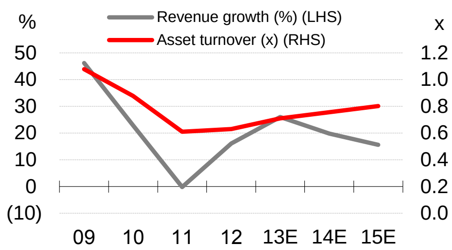
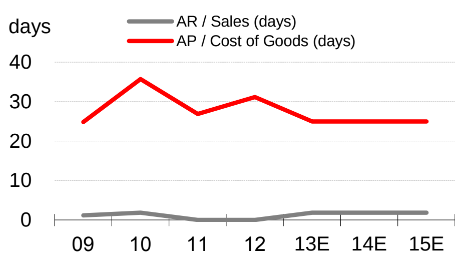
PS : Financial Tables – Year

PROFIT & LOSS (Btm)	2011	2012	2013E	2014E	2015E
Revenue	23,263	27,023	34,042	40,784	47,142
Cost of sales and services	(14,724)	(17,890)	(22,432)	(26,851)	(31,168)
Gross profit	**8,538**	**9,133**	**11,610**	**13,933**	**15,974**
SG&A	(4,578)	(3,925)	(4,848)	(5,987)	(6,722)
EBIT	**3,960**	**5,208**	**6,763**	**7,947**	**9,251**
Interest expense	(137)	(305)	(328)	(400)	(404)
Other income/exp.	159	117	160	160	160
EBT	**3,982**	**5,020**	**6,594**	**7,706**	**9,007**
Corporate tax	(1,041)	(1,123)	(1,216)	(1,424)	(1,801)
After-tax net profit (loss)	**2,941**	**3,898**	**5,378**	**6,283**	**7,206**
Minority interest	(1)	(0)	(0)	(0)	(0)
Equity earnings from affiliates	0	0	0	0	0
Extra items	(142)	(5)	0	0	1
Net profit (loss)	**2,799**	**3,892**	**5,378**	**6,282**	**7,206**
Reported EPS	1.27	1.76	2.43	2.84	3.26
Fully diluted EPS	**1.27**	**1.76**	**2.44**	**2.85**	**3.27**
Core net profit	**2,940**	**3,897**	**5,378**	**6,282**	**7,205**
Core EPS	1.33	1.76	2.43	2.84	3.26
EBITDA	**4,300**	**5,556**	**7,213**	**8,476**	**9,861**
KEY RATIOS					
Revenue growth (%)	(0.2)	16.2	26.0	19.8	15.6
Gross margin (%)	36.7	33.8	34.1	34.2	33.9
EBITDA margin (%)	18.5	20.6	21.2	20.8	20.9
Operating margin (%)	17.0	19.3	19.9	19.5	19.6
Net margin (%)	12.0	14.4	15.8	15.4	15.3
Core profit margin (%)	12.6	14.4	15.8	15.4	15.3
ROA (%)	7.3	9.1	11.2	11.7	12.3
ROCE (%)	8.5	10.4	12.9	13.2	13.9
Asset turnover (x)	0.6	0.6	0.7	0.8	0.8
Current ratio (x)	0.3	0.5	0.5	0.5	0.5
Gearing ratio (x)	1.2	0.9	0.9	0.7	0.6
Interest coverage (x)	28.8	17.1	20.6	19.9	22.9
BALANCE SHEET (Btm)					
Cash & Equivalent	2,031	1,566	1,596	1,663	1,795
Accounts receivable	0	0	175	210	243
Inventory	36,160	37,818	45,089	48,601	53,765
PP&E-net	2,469	2,348	2,898	3,168	3,358
Other assets	1,323	2,090	2,170	2,259	2,356
Total assets	**41,982**	**43,821**	**51,928**	**55,901**	**61,517**
Accounts payable	1,083	1,527	1,536	1,839	2,135
ST debts & current portion	9,327	9,258	3,800	2,801	2,801
Long-term debt	10,962	8,250	17,600	17,600	17,600
Other liabilities	3,615	4,704	4,704	4,704	4,704
Total liabilities	**24,986**	**23,739**	**27,640**	**26,944**	**27,240**
Paid-up capital	2,209	2,213	2,213	2,213	2,213
Share premium	2,209	2,213	2,213	2,213	2,213
Retained earnings	13,459	16,474	20,680	25,349	30,670
Shareholders equity	**16,996**	**20,081**	**24,287**	**28,956**	**34,277**
Minority interests	0.5	0.4	0.4	0.4	0.4
Total Liab.&Shareholders' equity	**41,982**	**43,821**	**51,928**	**55,901**	**61,517**
CASH FLOW (Btm)					
Net income	2,799	3,892	5,378	6,282	7,206
Depreciation and amortization	339	348	450	530	610
Change in working capital	(8,790)	(1,182)	(7,517)	(3,333)	(4,998)
FX, non-cash adjustment & others	1,502	1,139	0	0	(1)
Cash flows from operating activities	**(4,151)**	**4,197**	**(1,689)**	**3,480**	**2,817**
Capex (Invest)/Divest	(1,708)	270	(1,000)	(800)	(800)
Others	0	(38)	0	0	0
Cash flows from investing activities	**(1,708)**	**231**	**(1,000)**	**(800)**	**(800)**
Debt financing (repayment)	6,322	(2,780)	3,892	(999)	0
Equity financing	38	56	0	0	0
Dividend payment	(1,104)	(884)	(1,168)	(1,613)	(1,885)
Others	0	(38)	0	0	0
Cash flows from financing activities	**5,256**	**(4,550)**	**2,720**	**(2,612)**	**(1,885)**
Net change in cash	(602)	(122)	30	67	132
Free cash flow (Btm)	**(5,858)**	**4,467**	**(2,690)**	**2,680**	**2,017**
FCF per share (Bt)	**(2.65)**	**2.02**	**(1.22)**	**1.21**	**0.91**
KEY ASSUMPTIONS	**2011**	**2012**	**2013E**	**2014E**	**2015E**
Total presales (Btm)	25,553	29,000	31,320	33,826	36,532
YoY change in presales	-34%	13%	8%	8%	8%
Housing revenue (Btm)	23,263	27,023	34,042	40,784	47,142
YoY change in housing revenue	0%	16%	26%	20%	16%
Secured revenue by backlogs (Btm)	-	-	37,218	15,676	11,500
% of secured revenue by backlogs	-	-	109%	38%	24%

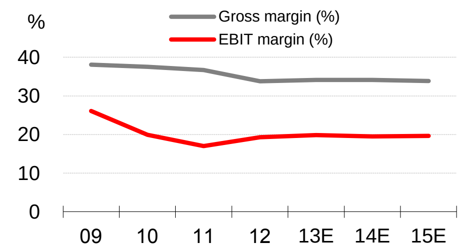
Revenue growth and asset turnover



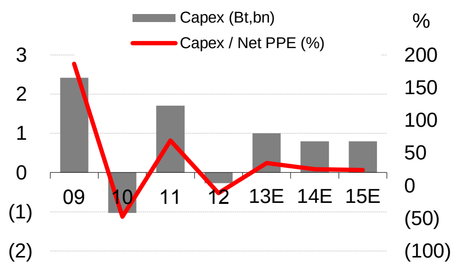
A/C receivable & A/C payable days



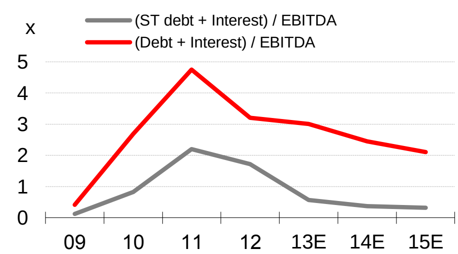
Profit margins



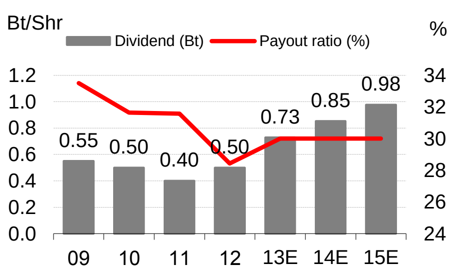
Capital expenditure



Debt serviceability



Dividend payout



PS : Financial Tables – Quarter

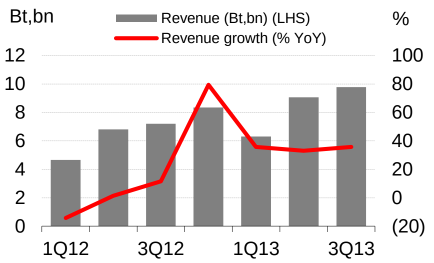
QUARTERLY PROFIT & LOSS (Btm)	3Q12	4Q12	1Q13	2Q13	3Q13
Revenue	7,201	8,358	6,316	9,063	9,779
Cost of sales and services	(4,744)	(5,658)	(4,148)	(5,995)	(6,408)
Gross profit	2,456	2,700	2,168	3,068	3,370
SG&A	(1,130)	(936)	(1,173)	(1,302)	(1,609)
EBIT	**1,327**	**1,765**	**994**	**1,766**	**1,761**
Interest expense	(80)	(100)	(85)	(97)	(116)
Other income/exp.	34	5	24	61	21
EBT	**1,281**	**1,670**	**934**	**1,731**	**1,666**
Corporate tax	(281)	(408)	(160)	(322)	(309)
After-tax net profit (loss)	1,000	1,262	773	1,409	1,357
Minority interest	(0.0)	(0.3)	0.0	(0.0)	(0.3)
Equity earnings from affiliates	0	0	0	0	0
Extra items	4	(11)	(15)	6	(17)
Net profit (loss)	**1,004**	**1,250**	**758**	**1,415**	**1,339**
Reported EPS	0.45	0.56	0.34	0.64	0.60
Fully diluted EPS	**0.46**	**0.57**	**0.34**	**0.64**	**0.61**
Core net profit	**1,000**	**1,262**	**773**	**1,409**	**1,357**
Core EPS	0.45	0.57	0.35	0.63	0.61
EBITDA	**1,453**	**1,840**	**1,114**	**1,930**	**1,866**

KEY RATIOS					
Gross margin (%)	34.1	32.3	34.3	33.9	34.5
EBITDA margin (%)	20.2	22.0	17.6	21.3	19.1
Operating margin (%)	18.4	21.1	15.7	19.5	18.0
Net margin (%)	13.9	15.0	12.0	15.6	13.7
Core profit margin (%)	13.9	15.1	12.2	15.5	13.9
BV (Bt)	8.5	9.1	9.5	9.6	10.2
ROE (%)	21.4	24.9	14.5	26.6	23.7
ROA (%)	9.7	11.4	6.2	10.9	9.7
Current ratio (x)	6.6	6.8	7.7	7.4	9.0
Gearing ratio (x)	0.9	0.9	0.9	1.0	1.0
Interest coverage (x)	16.7	17.7	11.7	18.3	15.2

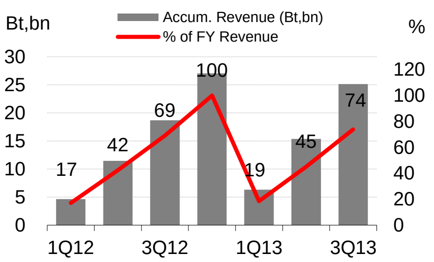
QUARTERLY BALANCE SHEET (Btm)					
Cash & Equivalent	1,728	1,566	2,356	2,155	1,964
Accounts receivabme	0	0	0	0	0
Inventory	35,550	37,818	41,797	44,487	48,227
PP&E-net	2,267	2,220	2,139	2,088	2,125
Other assets	2,043	2,217	2,396	2,997	3,134
Total assets	**41,588**	**43,821**	**48,688**	**51,727**	**55,452**
Accounts payabme	1,783	1,995	3,338	4,712	4,787
ST debts & current portion	5,774	9,258	11,731	7,137	9,313
Long-term debt	11,702	8,253	8,129	14,005	14,006
Other liabilities	3,531	4,233	4,528	4,588	4,715
Total liabilities	**22,790**	**23,739**	**27,726**	**30,442**	**32,820**
Paid-up capital	2,211	2,213	2,221	2,222	2,223
Share premium	1,422	1,452	1,572	1,588	1,589
Retained earnings	15,211	16,474	17,247	17,546	18,903
Shareholders equity	**18,797**	**20,081**	**20,961**	**21,285**	**22,629**
Minority interests	0.4	0.4	0.4	0.4	2.5
Total Liab.&Shareholders' equity	**41,588**	**43,821**	**48,688**	**51,727**	**55,452**

KEY STATS	3Q12	4Q12	1Q13	2Q13	3Q13
Total presales (Btm)	7,994	8,714	12,329	10,341	11,096
YoY change in presales	4%	3608%	117%	47%	39%
Housing revenue (Btm)	7,199	8,355	6,312	9,058	9,773
YoY change in housing revenue	11%	79%	36%	33%	36%
Housing GM	34%	32%	34%	34%	34%

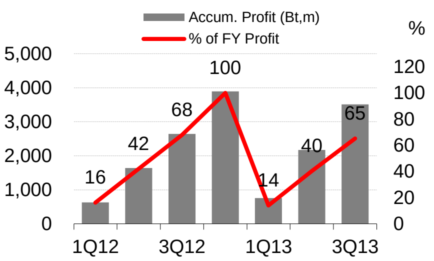
Revenue trend



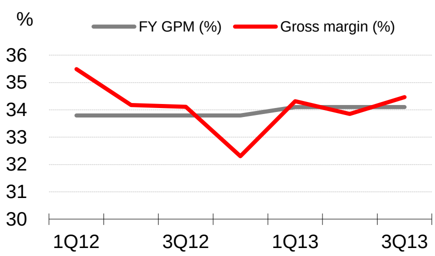
Revenue trend (accumulated)



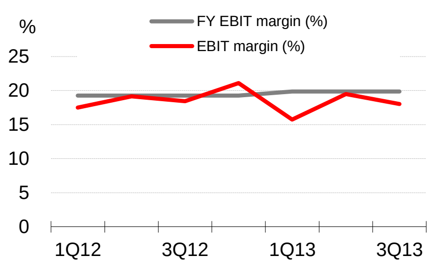
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Company profile

Preuksa Real Estate Plc (PS) is the biggest residential developer in Thailand. It focuses on the low- to mid-income segments in Bangkok. Its business model is unique—the firm owns pre-cast concrete factories that make many component parts for detached houses, THs and condos.

Figure 1 : 3Q13 results

FY Ended 31 Dec (Btm)	3Q13	3Q12	YoY %	2Q13	QoQ %	9M13	9M12	YoY %	9M13 vs. FY13E
Income Statement									
Revenue	9,779	7,201	*36*	9,063	*8*	25,158	18,670	*35*	74
Cost of sales and services	(6,408)	(4,744)	*35*	(5,995)	*7*	(16,552)	(12,233)	*35*	74
EBITDA	1,866	1,453	*28*	1,930		4,910	3,833		
EBIT	1,761	1,327	*33*	1,766	*(0)*	4,522	3,448	*31*	67
Interest expense	(116)	(80)	*46*	(97)	*20*	(298)	(205)	*45*	91
Other income/exp.	21	34	*(39)*	61	*(66)*	106	107	*(1)*	66
Equity earnings from affiliates	0	0	*0*	0	*0*	0	0	*0*	0
Extra items	(17)	4	*n.m.*	6	*(408)*	(27)	7	*n.m.*	
EBT	**1,666**	**1,281**	*30*	**1,731**	*(4)*	**4,330**	**3,350**	*29*	66
Corporate tax	(309)	(281)	*10*	(322)	*(4)*	(791)	(715)	*11*	
Minority interest	(0)	(0)	*0*	(0)	*0*	(0)	(0)	*0*	
Net profit (loss)	**1,339**	**1,004**	*33*	**1,415**	*(5)*	**3,512**	**2,642**	*33*	65
Reported EPS	0.60	0.45	*33*	0.64	*(5)*	1.58	1.20	*32*	
Core net profit	**1,357**	**1,000**	*36*	**1,409**	*(4)*	**3,539**	**2,636**	*34*	66
Key ratios									
Gross margin (%)	34.5	34.1		33.9		34.2	34.5		
EBITDA margin (%)	19.1	20.2		21.3		19.5	20.5		
EBIT margin (%)	18.0	18.4		19.5		18.0	18.5		
Tax rate (%)	18.5	21.9		18.6		18.3	21.3		
Net margin (%)	13.7	13.9		15.6		14.0	14.2		
Current ratio (x)	9.0	6.6		7.4		9.0	6.6		
Gearing ratio (x)	1.0	0.9		1.0		1.0	0.9		
Interest coverage (x)	15.2	16.7		18.3		15.2	16.8		
Balance Sheet									
Cash & Equivalent	1,964	1,728	14	2,155	(9)				
Total assets	55,452	41,588	33	51,727	7				
ST debts & current portion	9,313	5,774	61	7,137	30				
Long-term debt	14,006	11,702	20	14,005	0				
Total liabilities	32,820	22,790	44	30,442	8				
Retained earnings	18,903	15,211	24	17,546	8				
Shareholders equity	22,629	18,797	20	21,285	6				
Minority interests	3	0	0	0	0				
BV (Bt)	10.2	8.5	20	9.6	6				

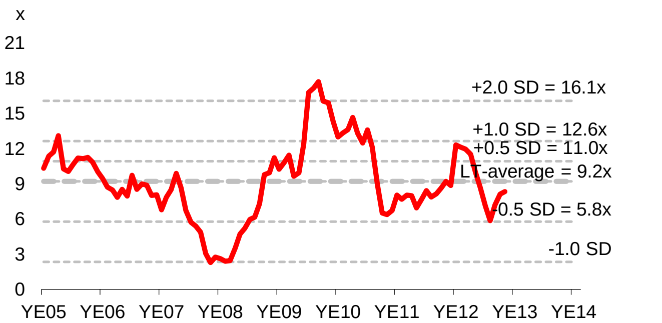
- 3Q13 core profit growth rose YoY but declined QoQ
- 3Q13 revenue grew across all categories—condo, TH and SDH
- Revenue expanded both YoY and QoQ in 3Q13
- Housing GM improved by 0.3% YoY and 0.6% QoQ to 34.4% in 3Q13
- The good GM was boosted by fat condo GM
- The SG&A/sales jumped by 0.8% YoY and 2.1% QoQ to 16.5% in 3Q13
- The efffective tax rate was 19% in 3Q13 (against 21% in 3Q12)
- Net gearing rose from 0.9x at end-June to 1.0x at end-Sept

Sources: Company data, Bualuang Research estimates

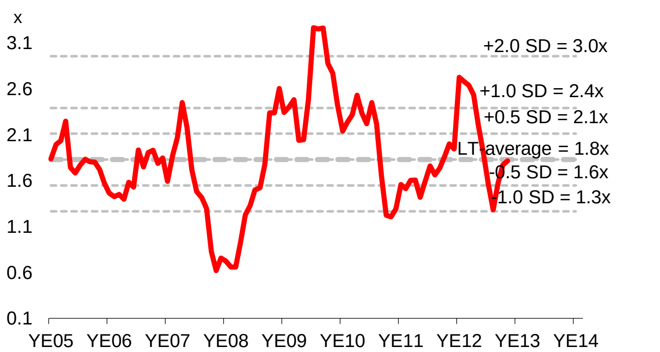
Sector Comparisons

	Bloomberg Code	Price (local curr.)	Market Cap (US$ equivalent)	PER (x) 2013E	PER (x) 2014E	EPS Growth (%) 2013E	EPS Growth (%) 2014E	PBV (x) 2013E	PBV (x) 2014E	ROE (%) 2013E	ROE (%) 2014E	Div Yield (%) 2013E	Div Yield (%) 2014E
Ananda Development	ANAN TB	THB2.12	223	5.4	4.3	n.m.	24.3	1.1	0.9	22.9	23.1	3.7	4.6
AP (Thailand)	AP TB	THB5.30	479	6.7	5.8	-2.1	15.4	1.1	0.9	17.0	17.4	4.8	5.6
Land and Houses	LH TB	THB10.10	3,199	16.1	13.0	14.3	24.0	3.0	2.8	19.8	22.9	5.0	6.2
L.P.N. Development	LPN TB	THB20.00	933	11.6	9.9	14.6	17.4	3.0	2.6	28.0	28.0	4.6	5.4
Pruksa Real Estate	PS TB	THB23.30	1,636	9.6	8.2	38.2	16.8	2.1	1.8	24.2	23.6	3.1	3.7
Quality Houses	QH TB	THB2.80	812	7.9	6.9	35.2	14.5	1.5	1.3	19.6	19.9	6.3	7.2
SC Asset Corporation	SC TB	THB3.64	427	9.4	7.7	20.5	21.8	1.2	1.1	13.4	14.7	4.2	5.2
Sansiri	SIRI TB	THB2.08	627	6.4	5.4	-15.4	18.3	1.2	1.0	20.8	20.4	8.1	9.6
Supalai	SPALI TB	THB17.30	938	9.6	7.8	13.2	23.2	2.0	1.7	23.1	24.3	4.4	5.4
Simple average				**9.2**	**7.7**	**14.8**	**19.5**	**1.8**	**1.6**	**21.0**	**21.6**	**4.9**	**5.9**

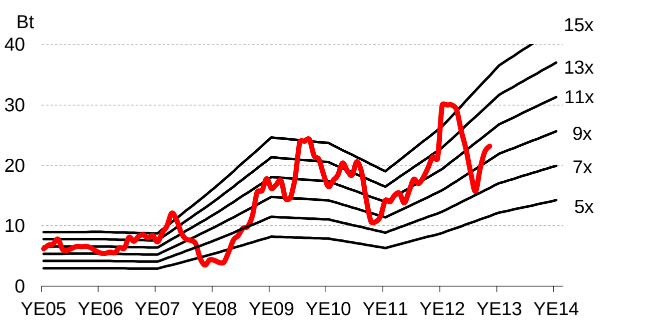
PER band versus SD (next 12 months)



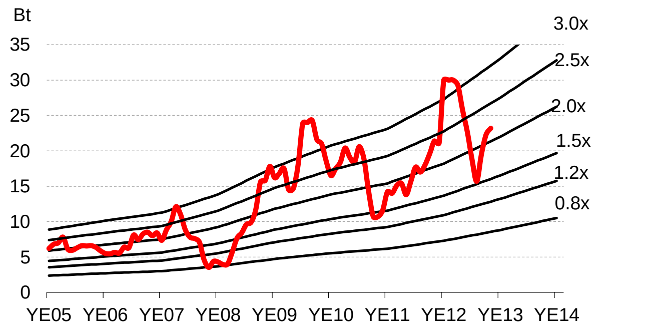
PBV band versus SD (next 12 months)



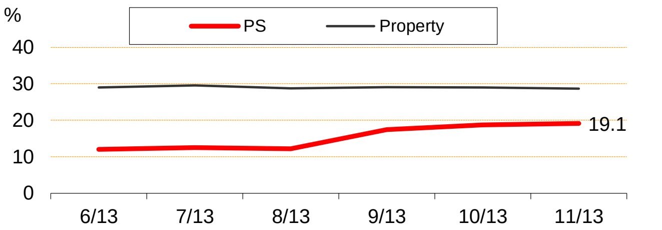
PER band and share price



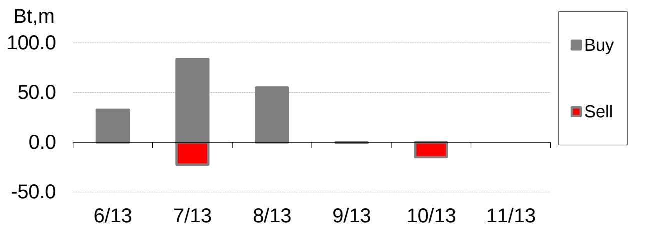
PBV band and share price



Foreign holding



Management trading activities during past six months



BUALUANG SECURITIES

Bualuang Securities Public Company Limited

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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
	BJCHI, ICHI, MEGA, NYT, PCSGH

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

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BUY: Expected positive total returns of 15% or more over the next 12 months.
HOLD: Expected total returns of between -15% and +15% over the next 12 months.
SELL: Expected negative total returns of 15% or more over the next 12 months.
TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.