

Pruksa Real Estate (PS)

Wednesday, Jan 22, 2011

EQUITY TALKS

4Q13 profit to make new high. Dividend yield of 4.4%. To slow down slightly in 2014

BUY

- ▶ **Income and presales meet target after 4Q13 profit makes new high**
- ▶ **Cut 2014 forecast by 1.8%, down 7.6% from 2013 growth**
- ▶ **Low PER, high dividend yield. 2014 fair value is B24.62**

Current price (B) **18.10**Fair Value (B) **24.62**Market cap (B bn) **40.23**CGR **▲▲▲▲▲**

- ▶ **Income and presales meet target after 4Q13 profit makes new high**

PS's earnings in 2013 could meet the target. Presales are projected to grow 40%yoy to B41.3bn, while income would be recognized at B38bn or the growth of 43%yoy. 4Q13 income is projected as much as B13.7bn from substantial condominium and horizontal project transfers. As a result, the normalized profit would make a historical high of B2.36bn, leaping 74%qoq and 86%yoy. For FY2013, the profit is estimated to expand 51%yoy to B5.9bn. Moreover, due to the cash flow from project transfers, net gearing would drop to 0.84x from 1.03x, which is lower than the sector's average and is sufficient for funding the land purchase budget of B10bn this year and for paying dividend at the beginning of the year with a payout ratio of 30% or B0.8/share. Dividend yield is 4.4% p.a. (paying annually).

- ▶ **Cut 2014 forecast by 1.8%, down 7.6% from 2013 growth**

For 2014, the company has targeted for presales of B41-45bn from launching of 40-50 new projects worth of B40-50bn, down from 60 projects launched last year. The projects would comprise of horizontal projects by 80% and condominiums by 20%. The company has also planned to penetrate condominium markets in new provinces. FY2014 income is expected at B40-42bn. We revise down our profit forecast by 1.8%, based on a conservative assumption of income recognition of B37bn, supported by end-2013 backlog of B37.8bn; B17.5bn of which would be transferred this year, or 47% of the income target. Gross margin is projected to stabilize at 34% because the company could control the cost since launching the projects and raise the selling price along with the market price. Overall, FY2014 profit is projected to decrease 7.6% from 2013 (in which the net profit made a historical high) to B5.45bn, still high though.

- ▶ **Low PER, high dividend yield. 2014 fair value is B24.62**

With its strong horizontal project customer base, the company's competitiveness enhancement through precast factory expansion by 480 units a month to the total capacity of 1,120 units, and adoption of REM system to reduce cost and time for horizontal project construction, the company would be able to keep its top position in the market share in 2014. The current share price has low PER of 7.3x, with attractive dividend yield of 4.4% p.a. We reiterate to buy PS. 2014 fair value at 10x PER is B24.62.

EPS (B)	ASP	Cons	%diff
2014F	2.46	2.54	-3%
2015F	2.69	2.87	-6%

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: Close Dec. 31	FY11A	FY12A	FY13F	FY14F	FY15F
Sales (Bm)	23,263	27,023	38,841	37,202	40,411
Net Profit (Bm)	2,835	3,898	5,898	5,449	5,955
Norm Profit (Bm)	2,835	3,898	5,898	5,449	5,955
Norm EPS (B)	1.28	1.76	2.67	2.46	2.69
PER (X)	14.1	10.3	6.8	7.4	6.7
DPS (B)	0.4	0.5	0.8	0.73	0.8
Dividend Yield (%)	2.2	2.8	4.4	4.1	4.4
BV (B)	7.7	9.1	11.1	12.8	7.9
PBV (X)	2.35	1.99	1.63	1.42	2.3

Source : ASP Research

Weerapon Luengamornchai

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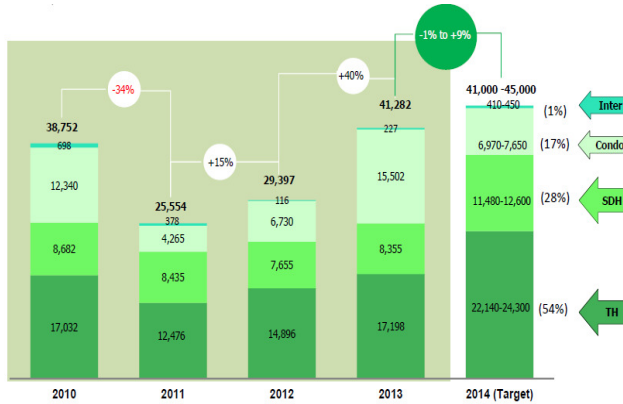
 weerapon@asiaplus.co.th

Quarterly Net Profit Forecast

Key Data (Bm)	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13F	% QoQ	% YoY	2013F	2012	% YoY
Revenue from Business	4,655	6,814	7,199	8,356	6,312	9,058	9,773	13,698	40.2%	63.9%	38,841	27,023	43.7%
Cost of Sales	3,003	4,485	4,744	5,658	4,148	5,995	6,408	9,005	40.5%	59.2%	25,557	17,890	42.9%
Gross Profit	1,652	2,329	2,454	2,698	2,164	3,063	3,364	4,693	39.5%	73.9%	13,284	9,133	45.4%
Sale & Admin. Expenses	837	1,023	1,130	936	1,173	1,302	1,609	1,742	8.2%	86.2%	5,826	3,925	48.4%
EBITDA	929	1,451	1,453	1,860	1,114	1,930	1,866	3,069	64.5%	65.0%	7,981	5,694	40.2%
Net Profit	633	1,002	1,000	1,262	773	1,409	1,357	2,359	73.9%	86.9%	5,898	3,898	51.3%
Norm Profit	633	1,002	1,000	1,262	773	1,409	1,357	2,359	73.9%	86.9%	5,898	3,898	51.3%
Norm EPS	0.29	0.45	0.45	0.57	0.35	0.63	0.61	1.06	73.9%	85.9%	2.67	1.76	51.3%
Gross Margin (%)	35.5%	34.2%	34.1%	32.3%	34.3%	33.8%	34.4%	34.3%			34.2%	33.8%	
Norm Profit Margin (%)	13.5%	14.6%	13.8%	15.1%	12.2%	15.4%	13.8%	17.2%			15.1%	14.4%	

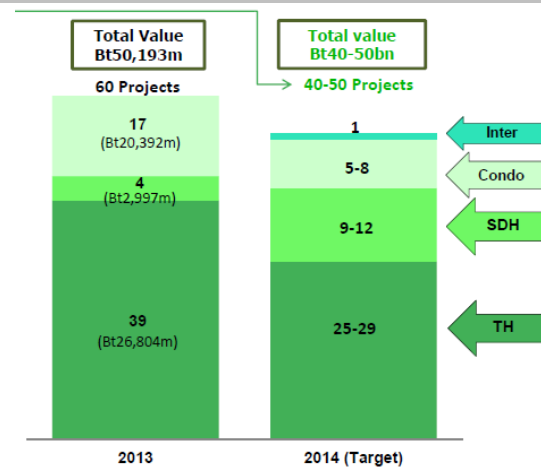
Source : Financial Statement of / ASP Research

Yearly Presale



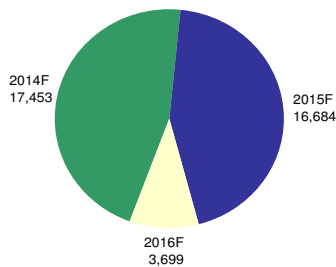
Source : PS end of 1Q13

Project Open Plan In 2014



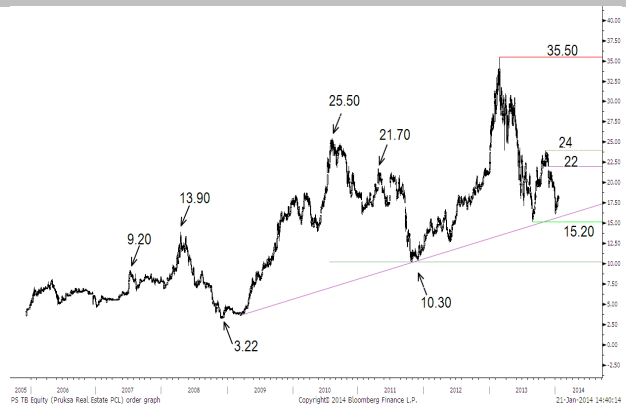
Source : PS

Backlog to Transfer in 2014-16



Source : PS

Technical Graph



Source : ASP