

**Buy** (unchanged)

CGR Scoring Rating


 Share price: Bt18.10  
 Target price: Bt31.00 (from 31.30)

Termporn Tantivat

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**Stock Information**

**Description** : The Company is a residential developer of townhouses, single detached houses and condominiums for sale.

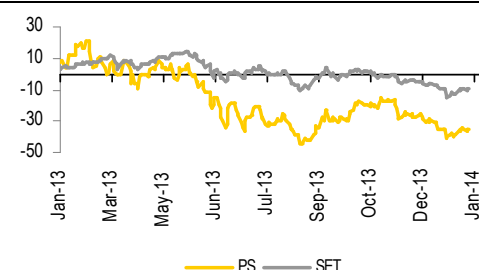
Ticker :	PS
Shares Issued (mn):	2,222.5
Market Cap (Btmn)	51,784
Market Cap (US\$ m)	1,618
3-mth Avg. Daily Turnover (Btmn)	140
SET index	1,405.91
Free float (%)	26.06

**Major Shareholders :**

	%
Vijitpongpun Family	70.25
Mrs. Rattana Promsawat	3.57

**Key Indicators**

ROE – annualised (%)	18.53
Net cash (Btmn):	-108,437
NTA/shr (Bt):	293.9
Interest cover (x):	8.41

**Historic Chart**

**Performance**

52-week High/Low	Bt 35.50/Bt 15.20				
	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	-6.7	-19.9	-16.6	-33.6	-0.5
Relative (%)	-4.3	-9.7	-3.2	-26.0	-0.1

## Pruksa Real Estate PCL (PS)

### Number 1 presales this year

**We maintain our positive view on PS.** Although the net profit and presales growth will not be as impressive as in previous years (record high presales and earnings in 2013), we still like PS from the continuous earnings growth with record high presales value in 2014. We reiterate a Buy call at a 12-month TP of Bt31.00/share, based on a PER of 11.5x.

**Slower growing presales.** With the highest presales in the sector, PS targets 40-50 new projects in 2014 valued at Bt40-50bn, similar to the 2013 value of Bt50.193bn (Figure 1). In 2014, PS will focus on SDH, while reducing townhouses and condo projects with the remaining sufficient inventory. The 2014 low rise : condo ratio is expected at 80 : 20 vs. 60 : 40 in 2013. PS targets presales at Bt41-45bn, growing 0-9% YoY from the record high base in 2013. PS has a conservative target policy and there is still a chance that PS earnings and presales could beat the 2014 target. PS strengths are the highest presales in the sector, gaining more market share and the continuous growth from the new record high in 2013.

**4Q13 net profit to reach a new high.** We are upgrading our 2013 earnings projection by 13% and with the high backlog we project the 4Q13 revenue at Bt12.43bn (+48.8% YoY, +30.6% QoQ) and a net profit of Bt2.105bn (+67% YoY, +53% QoQ). We have raised our 2013 revenue by 7% to Bt37.612bn (+38.1% YoY) and net profit up by 13% to Bt5.66bn (+45% YoY).

**Risks.** The launch plan schedule to achieve presales, condo construction periods and also loan rejection rates for medium-income customers.

**Buy with a 12-month TP of Bt31.00.** We maintain a positive view on PS and we believe presales will continuously grow to reach another new high in 2014. PS has managed costs well and we reiterate a Buy call and a 12-month TP of Bt31.00/share based on a PER of 11.6x (average 7-year 0.5 SD) down from Bt31.30/share (1SD, PER 13.5X). We project the 2013 dividend payout at Bt0.76/share or a 4.2% yield.

**PS – Summary Earnings Table**

FYE: Dec 31 (THB m)	2011	2012	2013F	2014F	2015F
Revenue				39,70	
EBITDA	23,263	27,023	37,312	5	42,739
Recurring Net Profit	4,24	5,576	7,533	7,879	8,305
Net profit	2,835	3,898	5,660	5,916	6,265
EPS (Bt)	2,799	3,893	5,660	5,916	6,265
EPS growth (%)	1.28	1.76	2.56	2.67	2.83
DPS (Bt)	(19.8)	39.09	45.43	4.55	5.90
PER	0.40	0.50	0.76	0.80	0.84
EV/EBITDA (x)	14.33	10.30	7.09	6.78	6.40
Div Yield (%)	12.24	8.51	6.31	5.83	5.56
P/BV(x)	2.23	2.77	4.23	4.43	4.69
Net Gearing (%)	2.34	1.98	1.61	1.38	1.19
ROE (%)	70.4	37.8	31.3	21.0	19.1
ROA (%)	16.5	19.4	22.9	20.5	18.8
Cons. Net Profit (Btmn)	7.4	9.5	12.6	12.5	12.7
	-	-	5,296	5,663	6,327

Source: Company reports and MBKET estimates.

**Current backlog of Bt37.836bn.** At the end of 2013, the PS backlog was Bt37.836bn with Bt20.786 scheduled to be booked in 2014 (townhouses: SDHs: condos 36 : 12 : 51), 35% in 2015 and 10% in 2016.

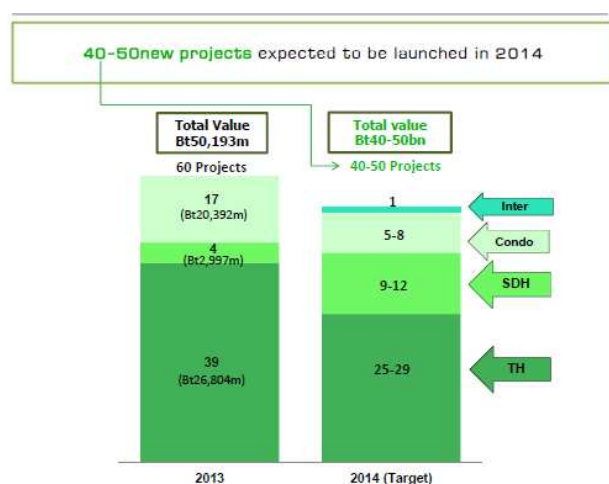
**Maintain 2014 revenue with delays priced in.** We have cut the SG&A expense from fewer project launches and we have maintained the PS 2014 revenue at Bt39.705bn (+6.4% YoY). Our forecast has priced in any delay in revenue recognition by 15%. The remaining backlog of 85% will secure 45% of the revenue. We have also cut the SG&A expenses to 14.9% from 15.7% with fewer new projects this year than last year, especially condos, with high marketing expenses. We thus project the net profit at Bt5.916bn (+5% YoY).

**Table 1 : PS 4Q13 earnings preview**

(Btmn)	4Q13F	3Q13	QoQ	4Q12	YoY
Sales	12,430	9,514	30.6%	8,356	48.8%
Costs of Sales	(8,141)	(6,317)	28.9%	(5,658)	43.9%
Gross Profit	4,289	3,197	34.1%	2,698	59.0%
SG&A Expense	(1,616)	(1,427)	13.2%	(936)	72.7%
EBIT	2,673	1,770	51.0%	1,762	51.7%
Depreciation Expense	71	71	0.0%	90	-21.6%
EBITDA	2,743	1,841	49.0%	1,852	48.1%
Interest Expense	(82)	(82)	0.0%	(100)	-17.8%
Other Income (Expense)	40	30	30.6%	8	408.3%
Pre-tax Profit	2,631	1,719	53.1%	1,670	57.5%
Corporate Tax	(526)	(344)	53.1%	(408)	28.9%
Pre-exceptional Profit	2,105	1,375	53.1%	1,262	66.7%
Extraordinary Items	0	0	0.0%	(5)	0.0%
Minority Interest	0	0	0.0%	(0)	0.0%
Net Profit	2,105	1,375	53.1%	1,257	67.4%
Normalized Profit (excl.FX&extra)	2,105	1,375	53.1%	1,262	66.8%
EPS (Bt)	0.94	0.62	53.1%	0.56	37.5%
<b>Financial Ratio</b>					
Gross Margin (%)	34.5%	33.6%		32.3%	
EBIT Margin (%)	21.5%	18.6%		21.1%	
EBITDA Margin (%)	22.1%	19.3%		22.2%	
Net Margin (%)	16.9%	14.5%		15.0%	

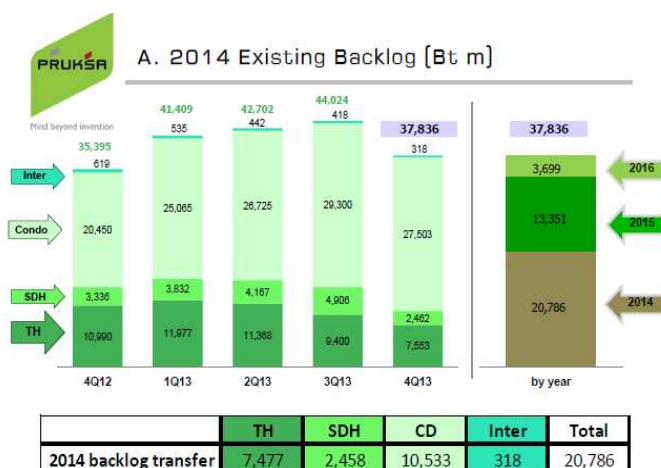
Source: Company reports and KELIVE Research estimates.

**Figure 1: Project launch plan 2014**



Source: PS and MBKET

**Figure 2: Backlog on hands**



Source: PS and MBKET

**INCOME STATEMENT (Btmn)**

FY December	2012	2013F	2014F	2015F
Revenue	27,023	37,312	39,705	42,739
EBITDA	5,576	7,533	7,879	8,305
Depreciation & Amortisation	368	340	282	282
<b>Operating Profit (EBIT)</b>	<b>5,208</b>	<b>7,193</b>	<b>7,597</b>	<b>8,023</b>
Interest (Exp) / Inc	(305)	(345)	(328)	(328)
Associates	0	0	0	0
One-offs	0	0	0	0
<b>Pre-Tax Profit</b>	<b>3,898</b>	<b>5,660</b>	<b>5,916</b>	<b>6,265</b>
Tax	(1,123)	(1,352)	(1,480)	(1,567)
Minority Interest	0	0	0	0
<b>Net Profit</b>	<b>3,893</b>	<b>5,660</b>	<b>5,916</b>	<b>6,265</b>
<b>Recurring Net Profit</b>	<b>3,898</b>	<b>5,660</b>	<b>5,916</b>	<b>6,265</b>
Revenue Growth %	16.2	38.1	6.4	7.6
EBITDA Growth (%)	32.0	35.1	4.6	5.4
EBIT Growth (%)	34.1	38.1	5.6	5.6
Net Profit Growth (%)	39.1	45.4	4.5	5.9
Recurring Net Profit Growth (%)	34.1	38.1	5.6	5.6
Tax Rate %	22.4	19.3	20.0	20.0

**BALANCE SHEET (Btmn)**

FY December	2012	2013F	2014F	2015F
Fixed Assets	2,832	3,101	2,900	2,715
Other LT Assets	484	753	802	863
Cash / ST Investments	716	632	978	1,324
Other Current Assets	801	840	893	962
<b>Total Assets</b>	<b>43,821</b>	<b>48,546</b>	<b>49,067</b>	<b>52,651</b>
ST Debt	1,529	125	125	125
Other Current Liabilities	1,990	2,239	2,382	2,564
LT Debt	23,739	23,856	20,159	19,254
Other LT Liabilities	208	317	338	363
Minority Interest	0	0	0	0
Shareholders' Equity	20,081	24,689	28,907	33,397
<b>Total Liabilities-Capital</b>	<b>43,821</b>	<b>48,546</b>	<b>49,067</b>	<b>52,651</b>
Share Capital (mn)	2,213	2,213	2,213	2,213
Gross Debt / (Cash)	8,309	8,350	7,056	7,701
Net Debt / (Cash)	(18,630)	(17,999)	(15,777)	(12,568)
Working Capital	25,708	35,624	38,482	40,611
BVPS	9.07	11.16	13.06	15.09

**CASH FLOW (Btmn)**

FY December	2012	2013F	2014F	2015F
Profit before taxation	3,898	5,660	5,916	6,265
Depreciation	368	340	282	282
Net interest receipts / (payments)	(305)	(345)	(328)	(328)
Working capital change	(1,017)	(4,101)	(2,211)	(1,483)
Cash tax paid	(1,123)	(1,352)	(1,480)	(1,567)
Others (inc. exceptional items)	1,418	1,697	1,808	1,895
<b>Cash flow from operations</b>	<b>3,239</b>	<b>1,898</b>	<b>3,987</b>	<b>5,064</b>
Capex	(119)	(262)	(19)	(19)
Disposals / (purchases)	0	0	0	0
Others	343	104	(48)	(61)
<b>Cash flow from investing</b>	<b>224</b>	<b>(158)</b>	<b>(67)</b>	<b>(80)</b>
Debt raised / (repaid)	1,183	632	(876)	(1,862)
Equity raised / (repaid)	6	0	0	0
Dividends (paid)	(896)	(1,110)	(1,698)	(1,775)
Interest payments	(305)	(345)	(328)	(328)
Others	(3,530)	(1,058)	(672)	(672)
<b>Cash flow from financing</b>	<b>(3,542)</b>	<b>(1,881)</b>	<b>(3,575)</b>	<b>(4,637)</b>
Change in cash	(122)	(83)	345	347

**RATES & RATIOS**

FY December	2012	2013F	2014F	2015F
Gross margin %	33.8	34.1	34.0	34.0
EBITDA Margin %	20.6	20.2	19.8	19.4
Op. Profit Margin %	19.3	19.3	19.1	18.8
Net Profit Margin %	14.4	15.2	14.9	14.7
ROE %	19.4	22.9	20.5	18.8
ROA %	9.5	12.6	12.5	12.7
Net Margin Ex. EI %	14.4	15.2	14.9	14.7
Dividend Cover (x)	3.51	3.33	3.33	3.33
Interest Cover (x)	18.3	21.8	24.0	25.3
Asset Turnover (x)	0.63	0.81	0.81	0.84
Asset / Debt (x)	2.50	2.90	3.30	4.38
Debtors Turn (days)	30.7	24.1	20.0	15.0
Creditors Turn (days)	0.0	0.2	0.4	0.5
Inventory Turn (days)	754.6	595.4	592.6	572.8
Net Gearing %	37.81	31.26	21.03	19.09
Debt / EBITDA (x)	4.26	3.17	2.56	2.32
Debt / Market Cap (x)	7.92	7.57	6.72	5.43

Source: Company reports and MBKET estimates.

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CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
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