

Preuksa Real Estate - PS

SDH/TH market in focus for 2014

Report type: Trade Flash

Company Overview

PS is one of Thailand's biggest property developers. Its project portfolio includes townhouses, single-detached houses and condominiums but it largely focuses on middle to low end segments.

- PS target 2014 presales and revenue to grow 13% and 9%, anticipating bullish SDH/TH presales.
- In our view, the company's growth targets look doubtful if they are able to be achieved, given the current political and economic conditions. Conservatively, we expect CY14 revenue to stay flat but operating expense would increase further, driving net profit lower by 10% y-y.
- PS looks compelling as the stock is currently trading on compelling P/E of 8x and offers dividend yield of 3.7%. We weigh in an 'ACCUMULATE' rating on the stock with a target price of Bt20.90.

What is the news?

PS unveiled its 2014 business strategy targeting to boost presales and revenue by 9% and 13% y-y, respectively, while SDH/TH presales are expected to be the key growth driver. The company plans to open up to 40-50 projects worth a combined Bt50bn, similar to the prior year's 60 projects valued Bt50bn.

How do we view this?

According to management's guidance, total presales are forecast to grow 9% y-y in 2014. Despite the projected moderate growth pace, the targeted 50% and 41% y-y growth for SDH and townhouse seems overly elevated, compared to the prior year's 9% and 15% growth, given the political unrest and lukewarm economic outlook. The current climate has forced PS to delay the opening of few condo projects to some time in 2HCY14. A number of high-rise projects to be opened this year appear to be fewer than those of 2013 as a result, and condo presales would decline by approx 50%. Based on the scenario, we think PS presales growth target for SDH/TH is overly optimistic and thus we forecast a mere 5% growth for SDH/TH presales in 2014.

Regarding the top-line growth, PS targets CY14 revenue growth of 13% while our forecast shows a mere 1% growth, based on a relatively small amount of Bt17bn backlog to be realized as revenue. Most of contributions to revenue growth will derive from SDH/TH presales and the standing condo inventories that the current political and economic conditions don't bode well to bullish growth outlook. Gross margin would slightly narrow down dragged by the tepid increases of costs in building materials and land plots. In the midst of gloomy property market, we don't think the company will be able to raise the selling price to pass on the higher cost to homebuyers, unlike the prior year.

Investment Actions?

While perceiving the gloomy growth driver and doubting over the company's growth targets, PS looks compelling as the stock dropped drastically to trade on undemanding P/E of 8x and offers dividend yield of 3.7%. Thus, we weigh in an 'ACCUMULATE' rating on the stock with a target price of Bt20.90.

CG Rating - 2013



(Excellent)

Valuation Method

P/E'14 (10x)

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Less than 50	No logo given
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