

### Trading Buy (from Buy)

#### CGR Scoring Rating



Share price: Bt33.50  
 Target price: Bt35.75 (from Bt31.00)

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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):	2,224
Market Cap (Btmn)	74,511
Market Cap (US\$ m)	2,310
3-mth Avg. Daily Turnover (Btmn)	102.62
SET index	1,535.66
Free float (%)	30.20

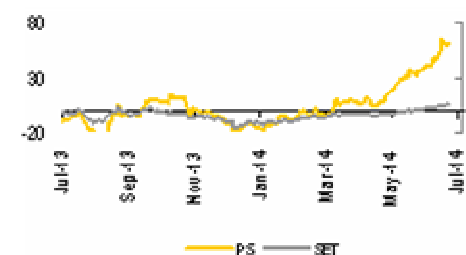
#### Major Shareholders :

Vijitpongpun Family	66.05
UBS AG SINGAPORE BRANCH	4.50

#### Key Indicators

ROE – annualised (%)	24.7
Net cash (Btmn):	18,835
NTA/shr (Bt):	13.3
Interest cover (x):	24.9

#### Historic Chart



#### Performance

52-week High / Low	Bt34.75 / Bt15.20				
	1-mth	3-mth	6-mth	1-yr	Ytd
Absolute (%)	20.7	49.6	85.1	62.6	84.1
Relative (%)	15.7	37.2	56.1	54.4	55.7

## Pruksa Real Estate PCL (PS)

### 2Q14 profit growing both QoQ and YoY

We forecast the PS 2Q14 earnings to strongly expand both QoQ and YoY. Although presales will not grow impressively this year, PS presales are expected to reach a new high and also a sector high. Hence, we have revised the 2014 presales and profit forecast upward. PS has been our top pick since early this year. However, as the PS price has risen over 85%Ytd, upside is now limited, so we have reduced our recommendation to Trading Buy. Investors can accumulate PS on price weakness.

**2Q14 profit to expand both QoQ and YoY.** We project the 2Q14 revenue at Bt10.534bn (+16.3% YoY and 31.4% QoQ), supported by strong presales recognised quickly. The cost controls and REM technology that reduce time and defects will likely drive the gross profit margin to 37% from 33.8% in 2Q13 and 36.4% in 1Q14. Other expenses have been well maintained. We thus project the impressive net profit at Bt1.721bn (+22.1% YoY and +61.7% QoQ).

**Raising presales target by 5-10%.** Although the 1H14 presales dropped 21% YoY to Bt17.937bn, the main pressures were a 58% YoY decline in 1H14 condo project values from 1H13 with a 43% YoY increase in value of low rise projects. This year, PS will launch 50-60 projects with at least Bt55bn in value. The presales in 1H14 were satisfactory in our view and we expect a strong recovery in consumer purchasing confidence in 2H14, especially in the real demand sector. Hence, we have revised our 2014 presales target by 5-10% to Bt43-45bn (+2-8%), a company and sector high.

**Downgrade to Trading Buy with a new TP of Bt35.75.** PS has been our top pick since early this year with a price rise of over 85%Ytd. After our forecast adjustment, the new TP is Bt35.75/share, based on a PER of 13x on an average 1SD of the past 7 years (from 11.5x on 0.5SD). Although PS remains our favourite, we have downgraded our recommendation to Trading Buy due to the now limited upside. Investors can accumulate PS on any price weakness.

#### PS– Summary Earnings Table

FYE: Dec 31 (THB m)	2011	2012	2013	2014F	2015F
Revenue	23,263	27,023	38,848	41,874	45,083
EBITDA	4,224	5,576	7,795	8,586	9,317
Recurring Net Profit	2,835	3,898	5,801	6,409	7,081
Net profit	2,799	3,893	5,801	6,409	7,081
EPS (Bt)	1.28	1.76	2.62	2.90	3.20
EPS growth (%)	(19.8)	39.09	48.99	10.53	10.49
DPS (Bt)	0.40	0.50	0.85	0.86	0.95
PER	26.67	19.18	12.87	11.65	10.54
EV/EBITDA (x)	20.33	14.66	10.78	9.46	8.75
Div Yield (%)	1.20	1.49	2.52	2.58	2.85
P/BV(x)	4.35	3.69	2.97	2.51	2.14
Net Gearing (%)	70.4	37.8	39.7	24.1	21.3
ROE (%)	16.5	19.4	23.3	21.7	20.4
ROA (%)	7.4	9.5	12.0	12.1	13.3
Cons. Net Profit (Btmn)	-	-	5,802	5,664	6,674

Source: Company reports and MBKET estimates.

**Upgraded 2014 earnings 7.5%.** After raising the presales target with a strong Bt19bn backlog awaiting recognition in 2H14 and the declining turnover rate down to 103 days from 112 in 1Q14, we have raised our 2014 revenue forecast by 5.5% to Bt41.874bn (+7.8% YoY) with 89% secured revenue. Hence, the net profit rises by 7.5% to Bt6.409bn (+10.5%YoY), a firm record high.

**Table 1 : PS 2Q14 earnings result**

(Btmn)	2Q14F	1Q14	QoQ	2Q13	YoY	1H13	1H14F	Change
Sales	10,534	8,018	31.4%	9,058	16.3%	15,370	18,552	20.7%
Costs of Sales	(6,636)	(5,101)	30.1%	(5,995)	10.7%	(10,144)	(11,737)	15.7%
Gross Profit	3,898	2,916	33.7%	3,063	27.3%	5,227	6,815	30.4%
SG&A expenses	(1,685)	(1,469)	14.7%	(1,302)	29.5%	(2,475)	(3,154)	27.4%
EBIT	2,213	1,447	52.9%	1,761	25.6%	2,752	3,660	33.0%
Depreciation	71	94	-25.3%	103	-31.4%	199	165	-16.9%
EBITDA	2,283	1,542	48.1%	1,864	22.5%	2,950	3,825	29.7%
Interest expenses	(82)	(99)	-17.1%	(97)	-15.1%	(182)	(181)	-0.3%
Other Income (expenses)	34	37	-9.0%	66	-49.0%	94	71	-25.0%
Pre-tax Profit	2,164	1,386	56.2%	1,731	25.0%	2,664	3,550	33.2%
Corporate Tax	(444)	(322)	37.9%	(322)	37.9%	(482)	(765)	58.8%
Pre-exceptional Profit	1,721	1,064	61.7%	1,409	22.1%	2,182	2,785	27.6%
Extraordinary Items	0	0	0.0%	0	0.0%	0	0	0.0%
Minority Interest	0	0	0.0%	0	0.0%	0	0	0.0%
Net Profit	1,721	1,064	61.7%	1,409	22.1%	2,182	2,785	27.6%
Normalised Profit (exc. FX & extra)	1,721	1,064	61.7%	1,409	22.1%	2,182	2,785	27.6%
EPS (Bt)	0.77	0.48	61.7%	0.63	22.1%	0.98	1.25	27.6%
<b>Financial Ratios</b>								
Gross Margin (%)	37.0%	36.4%		33.8%				
EBIT Margin (%)	21.0%	18.1%		19.4%				
EBITDA Margin (%)	21.7%	19.2%		20.6%				
Net Margin (%)	16.3%	13.3%		15.6%				

Source: Company reports and MBKET estimates.

**INCOME STATEMENT (Btmn)**

FY December	2012	2013	2014F	2015F
Revenue	27,023	38,848	41,874	45,083
EBITDA	5,576	7,795	8,586	9,317
Depreciation & Amortisation	368	374	306	282
<b>Operating Profit (EBIT)</b>	<b>5,208</b>	<b>7,421</b>	<b>8,280</b>	<b>9,035</b>
Interest (Exp) / Inc	(305)	(415)	(345)	(328)
Associates	0	0	0	0
One-offs	0	0	0	0
<b>Pre-Tax Profit</b>	<b>3,898</b>	<b>5,801</b>	<b>6,409</b>	<b>7,081</b>
Tax	(1,123)	(1,399)	(1,672)	(1,771)
Minority Interest	0	0	0	0
<b>Net Profit</b>	<b>3,893</b>	<b>5,801</b>	<b>6,409</b>	<b>7,081</b>
<b>Recurring Net Profit</b>	<b>3,898</b>	<b>5,801</b>	<b>6,409</b>	<b>7,081</b>
Revenue Growth %	16.2	43.8	7.8	7.7
EBITDA Growth (%)	32.0	39.8	10.2	8.5
EBIT Growth (%)	34.1	42.5	11.6	9.1
Net Profit Growth (%)	39.1	49.0	10.5	10.5
Recurring Net Profit Growth (%)	34.1	42.5	11.6	9.1
Tax Rate %	22.4	19.4	20.7	20.0

**BALANCE SHEET (Btmn)**

FY December	2012	2013	2014F	2015F
Fixed Assets	2,832	3,903	3,373	3,045
Other LT Assets	484	590	846	910
Cash / ST Investments	716	1,036	1,064	1,274
Other Current Assets	801	1,227	1,466	1,465
<b>Total Assets</b>	<b>43,821</b>	<b>56,194</b>	<b>52,892</b>	<b>56,335</b>
ST Debt	1,529	6,698	125	125
Other Current Liabilities	1,990	5,550	2,512	2,705
LT Debt	23,739	31,262	23,384	21,669
Other LT Liabilities	208	265	356	383
Minority Interest	0	0	0	0
Shareholders' Equity	20,081	24,931	29,506	34,664
<b>Total Liabilities-Capital</b>	<b>43,821</b>	<b>56,194</b>	<b>52,892</b>	<b>56,335</b>
Share Capital (mn)	2,213	2,223	2,223	2,223
Gross Debt / (Cash)	8,309	10,942	8,184	8,668
Net Debt / (Cash)	(18,630)	(21,895)	(18,835)	(14,763)
Working Capital	25,708	35,294	41,627	43,569
BVPS	9.07	11.26	13.33	15.66

**CASH FLOW (Btmn)**

FY December	2012	2013F	2014F	2015F
Profit before taxation	3,898	5,801	6,409	7,081
Depreciation	368	374	306	282
Net interest receipts / (payments)	(305)	(415)	(345)	(328)
Working capital change	(1,017)	(7,556)	(1,810)	(1,432)
Cash tax paid	(1,123)	(1,399)	(1,672)	(1,771)
Others (inc. exceptional items)	1,418	1,814	2,017	2,099
<b>Cash flow from operations</b>	<b>3,239</b>	<b>(1,381)</b>	<b>4,905</b>	<b>5,930</b>
Capex	(119)	(856)	99	129
Disposals / (purchases)	0	0	0	0
Others	343	71	(58)	(64)
<b>Cash flow from investing</b>	<b>224</b>	<b>(785)</b>	<b>41</b>	<b>65</b>
Debt raised / (repaid)	1,183	(7,732)	7,488	(1,862)
Equity raised / (repaid)	6	10	0	0
Dividends (paid)	(896)	(1,110)	(1,885)	(1,923)
Interest payments	(305)	(415)	(345)	(328)
Others	(3,573)	11,734	(10,176)	(1,672)
<b>Cash flow from financing</b>	<b>(3,585)</b>	<b>2,486</b>	<b>(4,918)</b>	<b>(5,785)</b>
Change in cash	(122)	320	27	210

**RATES & RATIOS**

FY December	2012	2013F	2014F	2015F
Gross margin %	33.8	34.7	35.8	35.3
EBITDA Margin %	20.6	20.1	20.5	20.7
Op. Profit Margin %	19.3	19.1	19.8	20.0
Net Profit Margin %	14.4	14.9	15.3	15.7
ROE %	19.3	19.1	19.8	20.0
ROA %	9.5	12.0	12.1	13.3
Net Margin Ex. EI %	14.4	14.9	15.3	15.7
Dividend Cover (x)	3.51	3.08	3.33	3.33
Interest Cover (x)	18.3	18.8	24.9	28.4
Asset Turnover (x)	0.63	0.78	0.77	0.83
Asset / Debt (x)	2.50	2.68	2.96	4.02
Debtors Turn (days)	30.7	26.0	21.9	15.0
Creditors Turn (days)	0.0	0.0	0.2	0.5
Inventory Turn (days)	754.6	622.8	637.4	587.3
Net Gearing %	37.81	39.73	24.13	21.33
Debt / EBITDA (x)	4.26	4.01	2.72	2.33
Debt / Market Cap (x)	7.92	9.47	8.07	6.33

Source: Company reports and MBKET estimates.

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Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
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
EV = Enterprise Value	PBT = Profit Before Tax	

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▲▲▲▲▲ Excellent		HEMKAJ	PAP	RS	SNC			
Score Range	Number of Logo	Description						
90-100	▲▲▲▲▲	ADVANC CIMBT	ICC	PG	S&J	SPALI		Excellent
80-89	▲▲▲▲	AOT CK	INTUCH	PHOL	SAMART	SPI		Very Good
70-79	▲▲▲	ASIMAR CPF	IRPC	PR	SAMTEL	SSI		Good
60-69	▲▲	BAFS CPN	IVL	PRANDA	SAT	SSSC		Satisfactory
50-59	▲	BANPU CSL	KBANK	PS	SC	SM		Pass
Lower than 50	No logo given	BAY DRT	KKP	PSL	SCB	SYMC		N/A
		BBL DTAC	KTB	PTT	SCC	TCAP		
		BCP EASTW	LPN	PTTEP	SCSMG	THAI		
		BECL EGCO	MCOT	PTTGC	SE-ED	THCOM	TIT	TRC UV
		BKI ERW	MINT	QH	SIM	THRE	TMB	TRUE VGI
		BROOK GRAMMY	NKI	RATCH	SIS	TIP	TNITY	TTW WACOAL
		BTS HANA	NOBLE	ROBINS	SITHAI	TISCO	TOP	TVO
▲▲▲▲ Very Good		ECL	JAS	MAKRO	PE	SINGER	THANI	TTCL
2S	BH	EE	JUBILE	MBK	PF	SIRI	THIP	TUF
ACAP	BIGC	EIC	KBS	MBKET	PJW	SKR	TICON	TWFP
AF	BJC	ESSO	KCE	MFC	PM	SMT	TIPCO	TYM
AHC	BLA	FE	KGI	MFEC	PPM	SNP	TK	UAC
AIT	BMCL	FORTH	KKC	MODERN	PPP	SPCG	TLUXE	UMI
AKP	BWG	GBX	KSL	MTI	PREB	SPPT	TMILL	UMS
AMANAH	CCET	GC	KWC	NBC	PRG	SSF	TMT	UP
AMARIN	CENDEL	GFPT	L&E	NCH	PT	STANLY	TNL	UPOIC
AMATA	CFRESH	GL	LANNA	NINE	PYLON	STEC	TOG	UT
AP	CGS	GLOW	LH	NMG	QTC	SUC	TPC	VBHA
APCO	CHOW	GOLD	LHBANK	NSI	RASA	SUSCO	TPCORP	VH
APCS	CM	GSTEL	LHK	NWR	SABINA	SYNTEC	TPIPL	VNG
ASIA	CNT	GUNKUL	LIVE	OCC	SAMCO	TASCO	TRT	VNT
ASK	CPALL	HMPRO	LOXLEY	OFM	SCCC	TCP	TRU	YUASA
ASP	CSC	HTC	LRH	OGC	SCG	TF	TSC	ZMICO
AYUD	DCC	IFEC	LST	OISHI	SEAFCD	TFD	TSTE	
BEC	DELTA	INET	MACO	PB	SFP	TFI	TSTH	
BFIT	DTC	ITD	MAJOR	PDI	SIAM	THANA	TTA	
▲▲▲ Good		DEMCO	HTECH	KWH	PAE	SIMAT	TIC	UEC
A	BGT	DNA	HYDRO	LALIN	PATO	SLC	TIES	UOBKH
AAV	BLAND	DRACO	IFS	LEE	PICO	SMT	TIW	UPF
AEC	BOL	EA	IHL	MATCH	PL	SMK	TKS	UWC
AEONTS	BROCK	EARTH	ILINK	MATI	POST	SOLAR	TMC	VARO
AFC	BSBM	EASON	INOX	MBAX	PRECHA	SPC	TMD	VTE
AGE	CHARAN	EMC	IRC	MDX	PRIN	SPG	TMI	WAVE
AH	CHUO	EPCO	IRCP	PRINC	Q-CON	SRICHA	TNDT	WIG
AI	CI	F&D	IT	MJD	QLT	SSC	TNCP	WIN
AJ	CIG	FNS	JMART	MK	RCI	STA	TOPP	WORK
AKR	CITY	FOCUS	JMT	MOONG	RCL	SUPER	TPA	
ALUCON	CMR	FPI	JTS	MPIC	ROJNA	SODA	TPP	
ANAN	CNS	FSS	JUTHA	MSC	RPC	SWC	TR	
ARIP	CPL	GENCO	KASET	NC	SCBLIF	SYNEK	TTI	
AS	CRANE	GFM	KC	NIPPON	SCP	TBSP	TVD	
BAT-3K	CSP	GJS	KCAR	NNCL	SENA	TCCC	TM	
BCH	CSR	GLOBAL	KDH	NTV	SF	TEAM	TWZ	
BEAUTY	CTW	HFT	KTC	OSK	SGP	TGCI	UBIS	

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