



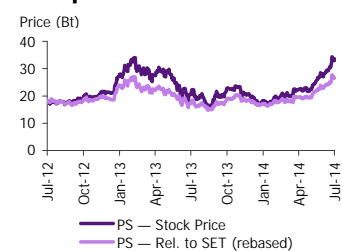
## BUY

## Stock Data

Last close (Jul 18) (Bt)	34.50
12-m target price (Bt)	40.00
Upside (Downside) to TP (%)	15.94
Mkt cap (Btbn)	76.73
Mkt cap (US\$mnn)	2,389

Bloomberg code	PS TB
Reuters code	PS.BK
Risk rating	M
Mkt cap (%) SET	0.56
Sector % SET	6.87
Shares issued (mn)	2,224
Par value (Bt)	1
12-m high / low (Bt)	35 / 15.2
Avg. daily 6m (US\$mnn)	3.15
Foreign limit / actual (%)	40 / 17
Free float (%)	30.4
Dividend policy (%)	≥ 30

## Price performance



Source: SET, SCBS Investment Research

## Share performance

	1M	3M	12M
Absolute	23.2	53.3	54.7
Relative to SET	17.5	40.9	49.5

Source: SET, SCBS Investment Research

## Sirikarn Krisnipat

Securities Fundamental  
Investment Analyst  
(66-2) 949-1020

sirikarn.krisnipat@scb.co.th

## Solid presales in 1H14 lead to forecast raise

- Presales Bt9.7bn in 2Q14 (-6% YoY, +19% QoQ); Bt17.9bn in 1H14 (-21% YoY)
- Raise presales forecast by 17% on better-than-expected 1H14 presales and additional new launches in 2H14
- Earnings raised 11% for 2014, 28% for 2015 and 34% for 2016; PT raised to Bt40; maintain BUY

**Presales beat at Bt9.7bn in 2Q14**, -6% YoY but +19% QoQ, entirely due to the strength of TH presales to a record high of Bt5.6bn (+56% QoQ) backed by demand recovery and more launches (14 projects worth Bt9.9bn in 2Q14 versus only six projects worth Bt2.7bn in 1Q14). This brings total 1H14 presales to Bt17.9bn, -21% YoY solely because of the sharp fall in condos.

**2014F presales raised 17% to Bt40.7bn**, still below the company's guidance of Bt41-45bn, on higher presales than expected in 1H14 plus the addition of new launches. PS may launch 60-70 projects, far more than its original 30-50, after launching 38 worth Bt31bn in 1H14. In 2H14, it will launch four condos worth Bt10bn, bringing total condo launches to 10 projects, above its previous guidance of 5-8 projects. The four projects are at Sapan Kwai, Bang Or, Samakki and Rangsit. We look for strong response to the Sapan Kwai and Bang Or projects as they are located near mass transit stations.

**Growth through new segment.** PS has successfully entered the high-end segment (unit price at Bt9-25mn), with a rapid sale of 25% of *The Palm Pattanakarn*. PS will use this model in new locations, expecting it to be its new near term growth area, though for now it contributes only 3% of presales.

**Earnings raised:** 2014 by 11% to Bt6.3bn (EPS Bt2.8), 2015 by 28% to Bt8.3bn (EPS Bt3.7) and 2016 by 34% to Bt9.4bn (EPS Bt4.2). This implies profit growth of 8% in 2014 rather than the contraction we expected, with a jump of 32% in 2015. Changes include: a) higher low-rise revenue in tandem with higher presales; b) more condo transfers; and c) a higher gross margin, which we raised by 0.9-1.0 pps on better efficiency at precast factories. These factories have reached nearly 100% utilization and defects are fewer, cutting its business cycle to 96 days from 112 days in 1Q14. The two new precast factories coming on steam in 3Q14 will raise capacity by 75% to 1,120 units/mth, supporting our growth forecast. Our forecast beats consensus by 12% for 2014 and 27% for 2015. Backlog is ~Bt48bn, securing 64% of 2014F and 32% of 2015F.

**Strong 2Q14F** with net profit of Bt1.6bn, +19% YoY and +52% QoQ, backed by higher condo transfers (accounting for 30% of revenue versus 10% in 1Q14), and sustainable gross margin at 36%. Low-margin *Chapter One Modern Dutch* contributed only 5% of revenue. It will release results on August 8.

**Reiterate BUY.** The earnings upgrade and higher RoE prompts us to raise valuation to 2.75X PBV from 2.00X PBV, giving a new PT of Bt40/share. At last close, the stock is trading at PBV of 2.6x and PER of 12.3x of 2014F, but strong earnings growth next year will pull this down to an undemanding 2.2x and 9.3x of 2015F respectively. We BUY.

## Forecasts and valuation

Year to 31 Dec	Unit	2012	2013	2014F	2015F	2016F
Revenue	(Btmn)	27,023	38,848	41,933	51,306	57,164
EBITDA	(Btmn)	5,693	7,989	8,619	11,204	12,766
Core profit	(Btmn)	3,898	5,801	6,259	8,259	9,430
Reported profit	(Btmn)	3,898	5,801	6,259	8,259	9,430
Core EPS	(Bt)	1.76	2.61	2.82	3.72	4.24
DPS	(Bt)	0.50	0.85	0.92	1.21	1.38
P/E, core	(x)	19.6	13.2	12.3	9.3	8.1
EPS growth, core	(%)	37.3	48.2	7.9	31.9	14.2
P/BV, core	(x)	3.8	3.1	2.6	2.2	1.8
ROE	(%)	21.0	25.8	23.1	25.5	24.2
Dividend yield	(%)	1.4	2.5	2.7	3.5	4.0
EV/EBITDA	(x)	17.3	13.3	12.5	9.5	8.4

Source: SCBS Investment Research

### Financial statement

#### Profit and Loss Statement (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Total revenue	27,023	38,848	41,933	51,306	57,164
Cost of goods sold	17,890	25,350	27,176	33,148	36,873
Gross profit	9,133	13,498	14,757	18,157	20,291
SG&A	3,925	6,077	6,606	7,493	8,090
Other income	117	193	148	148	148
Interest expense	305	415	476	489	562
Pre-tax profit	5,020	7,200	7,824	10,323	11,787
Corporate tax	1,123	1,399	1,565	2,065	2,357
Equity a/c profits	0	0	0	0	0
Minority interests	0	0	0	0	0
Core profit	3,898	5,801	6,259	8,259	9,430
Extra-ordinary items	0	0	0	0	0
Net Profit	3,898	5,801	6,259	8,259	9,430
EBITDA	5,693	7,989	8,619	11,204	12,766
Core EPS (Bt)	1.76	2.61	2.82	3.72	4.24
Net EPS (Bt)	1.76	2.61	2.82	3.72	4.24
DPS (Bt)	0.50	0.85	0.92	1.21	1.38

#### Profit and Loss Statement (Btmn)

FY December 31	1Q13	2Q13	3Q13	4Q13	1Q14
Total revenue	6,312	9,058	9,773	13,705	8,018
Cost of goods sold	4,148	5,995	6,408	8,798	5,101
Gross profit	2,164	3,063	3,364	4,907	2,916
SG&A	1,173	1,302	1,609	1,992	1,469
Other income	28	66	27	73	37
Interest expense	85	97	116	117	99
Pre-tax profit	934	1,731	1,666	2,869	1,386
Corporate tax	160	322	309	608	322
Equity a/c profits	0	0	0	0	0
Minority interests	0	0	0	0	0
Core profit	773	1,409	1,357	2,262	1,064
Extra-ordinary items	0	0	0	0	0
Net Profit	773	1,409	1,357	2,262	1,064
EBITDA	1,114	1,930	1,853	3,091	1,579
Core EPS (Bt)	0.35	0.63	0.61	1.02	0.48
Net EPS (Bt)	0.39	0.68	0.64	1.06	0.52

#### Balance Sheet (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Total current assets	40,989	52,291	57,627	62,144	69,232
Total fixed assets	2,832	3,903	4,583	5,191	5,774
Total assets	43,821	56,194	62,211	67,335	75,006
Total loans	17,509	20,948	22,600	21,500	22,500
Total current liabilities	15,282	16,997	19,144	24,048	28,979
Total long-term liabilities	8,458	14,265	13,765	7,765	3,765
Total liabilities	23,740	31,262	32,909	31,813	32,744
Paid-up capital	2,213	2,223	2,223	2,223	2,223
Total equity	20,081	24,931	29,301	35,521	42,261
BVPS (Bt)	9.07	11.22	13.18	15.98	19.01

#### Balance Sheet (Btmn)

FY December 31	1Q13	2Q13	3Q13	4Q13	1Q14
Total current assets	45,886	48,633	52,070	52,291	55,342
Total fixed assets	2,802	3,095	3,381	3,903	3,918
Total assets	48,688	51,727	55,452	56,194	59,259
Total Loans	19,856	21,137	23,313	20,948	22,884
Total current liabilities	19,392	16,225	18,555	16,997	16,846
Total long-term liabilities	8,335	14,217	14,265	14,265	16,389
Total liabilities	27,726	30,442	32,820	31,262	33,236
Paid-up capital	2,221	2,222	2,223	2,223	2,224
Total equity	20,961	21,285	22,632	24,931	26,022
BVPS (Bt)	9.44	9.58	10.18	11.22	11.70

#### Cash Flow Statement (Btmn)

FY December 31	2012	2013	2014F	2015F	2016F
Core Profit	3,898	5,801	6,259	8,259	9,430
Depreciation and amortization	368	374	320	392	417
Operating cash flow	4,197	-222	1,464	3,955	2,736
Investing cash flow	231	-837	-1,000	-1,000	-1,000
Financing cash flow	-4,550	1,380	-237	-3,139	-1,690
Net cash flow	-122	320	227	-184	46

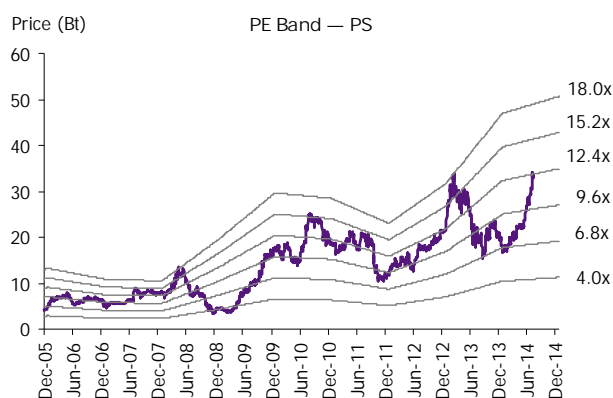
#### Main Assumptions

	2012	2013	2014F	2015F	2016F
TH revenue (Btmn)	14,908	20,669	22,837	23,843	25,311
SDH revenue (Btmn)	8,775	9,195	10,632	12,118	14,155
Condo revenue (Btmn)	2,836	8,450	8,064	15,016	17,288
Oversea revenue (Btmn)	429	497	400	328	410
S&A/Revenue (%)	14.5	15.6	15.8	14.6	14.2
Effective tax rate (%)	22.4	19.4	20.0	20.0	20.0

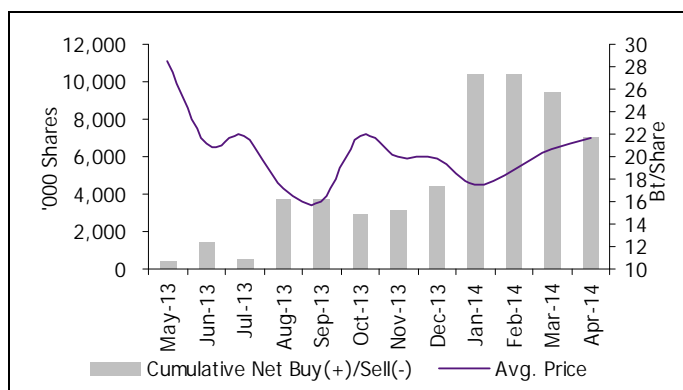
#### Key Financial Ratios

	2012	2013	2014F	2015F	2016F
Gross margin (%)	33.8	34.7	35.2	35.4	35.5
Operating margin (%)	19.3	19.1	19.4	20.8	21.3
EBITDA margin (%)	21.1	20.6	20.6	21.8	22.3
EBIT margin (%)	19.7	19.6	19.8	21.1	21.6
Net profit margin (%)	14.4	14.9	14.9	16.1	16.5
ROE (%)	21.0	25.8	23.1	25.5	24.2
ROA (%)	9.1	11.6	10.6	12.8	13.2
Net gearing (x)	0.8	0.8	0.7	0.6	0.5
Debt service cover (x)	0.6	0.8	1.2	1.2	0.9
Payout Ratio (%)	28.4	32.6	32.6	32.6	32.6

#### PE Band Chart

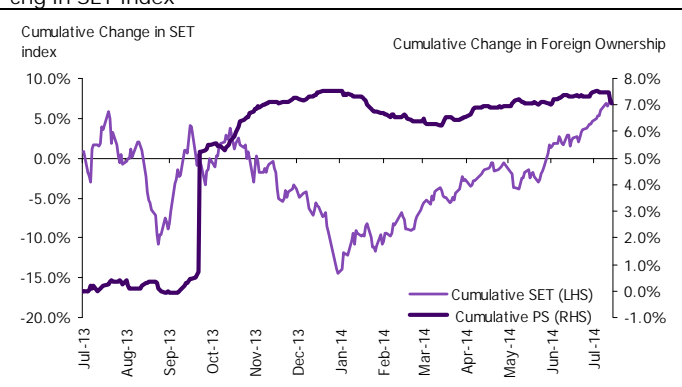


#### 12-Month Cumulative directors trade



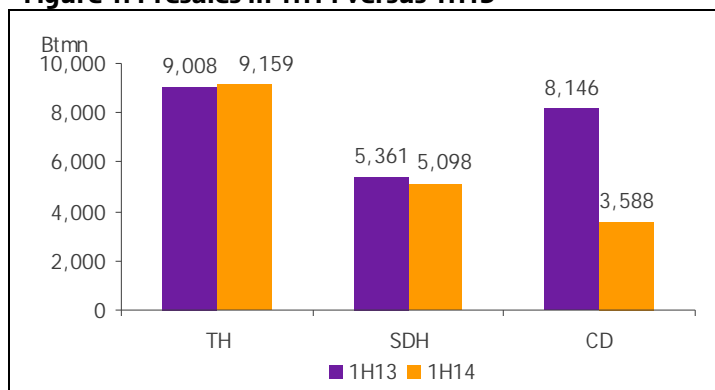
Source: SEC

#### 12 Month cumulative chg in foreign ownership versus cumulative chg in SET index



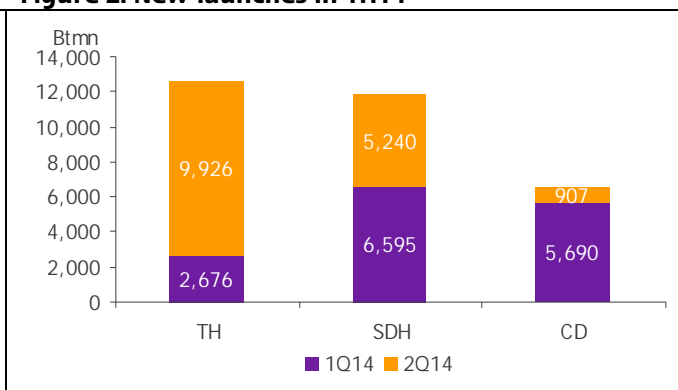
Source: SET, SCBS Investment Research

**Figure 1: Presales in 1H14 versus 1H13**



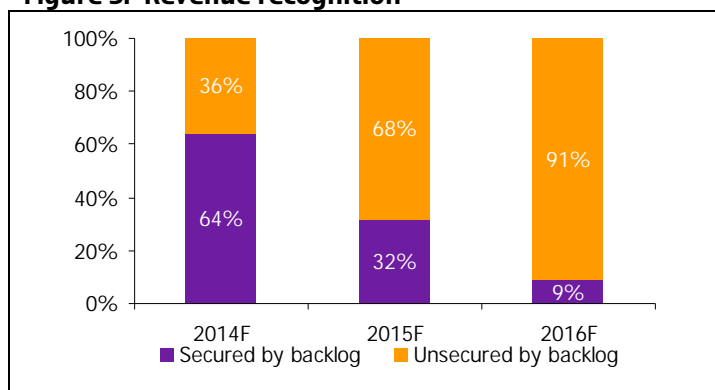
Source: PS

**Figure 2: New launches in 1H14**



Source: PS

**Figure 3: Revenue recognition**



Source: PS, SCBS Investment Research

**Figure 4: The Palm Pattanakarn**



Source: PS

**Figure 7: Earnings revision**

	Unit	NP 2014F			NP 2015F			NP 2016F		
		Previous	Current	% chg.	Previous	Current	% chg.	Previous	Current	% chg.
Net profit	(Btmn)	5,659	6,259	10.6	6,454	8,259	28.0	7,017	9,430	34.4
DPS	(Bt/Sh)	0.83	0.92	10.6	0.95	1.21	28.0	1.03	1.38	34.4
<i>Assumptions</i>										
Presales	(Btmn)	34,741	40,682	17.1	36,832	48,073	30.5	39,066	54,009	38.3
Low-rise revenue	(Btmn)	31,480	33,469	6.3	30,721	35,962	17.1	30,919	39,466	27.6
Condo revenue	(Btmn)	7,468	8,064	8.0	12,021	15,016	24.9	14,496	17,288	19.3
Overseas revenue	(Btmn)	400	400	0.0	328	328	0.0	410	410	0.0
Gross margin	(%)	34.3	35.2	0.9	34.5	35.4	0.9	34.5	35.5	1.0
Net profit margin	(%)	14.4	14.9	0.5	15.0	16.1	1.1	15.3	16.5	1.2

Source: SCBS Investment Research

**Figure x: Valuation summary** (price as of Jul 18, 2014)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)			EV/EBITDA (x)		
					13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F	13A	14F	15F
AP	Buy	6.70	8.5	31.1	9.5	7.8	7.0	(4.5)	21.8	11.1	1.37	1.22	1.09	15.1	16.4	16.3	3.7	4.2	4.7	13.4	11.5	10.2
LH	Buy	10.20	11.5	18.2	15.8	14.7	13.0	23.5	7.0	13.3	3.05	2.80	2.64	19.9	19.8	20.9	3.9	5.4	6.1	16.2	14.8	13.6
LPN	Buy	22.10	27.0	25.9	14.0	15.9	10.2	6.8	(12.2)	56.2	3.39	3.13	2.63	26.3	20.4	28.0	3.8	3.8	4.9	13.1	15.3	9.9
PS	Buy	34.50	40.0	18.6	13.2	12.3	9.3	48.2	7.9	31.9	3.08	2.62	2.16	25.8	23.1	25.5	2.5	2.7	3.5	13.3	12.5	9.5
QH	Buy	4.14	5.0	24.6	11.7	12.2	10.7	86.2	(4.1)	14.7	2.20	2.01	1.80	19.6	17.1	17.8	3.9	3.8	4.3	14.6	15.8	13.7
SIRI	Buy	2.32	2.9	31.5	11.6	9.4	8.2	(51.0)	23.0	14.6	1.30	1.16	1.09	11.8	13.0	13.7	4.3	6.5	6.0	19.5	15.9	14.6
SPALI	Buy	24.50	30.0	26.9	14.6	9.4	8.4	5.0	55.9	11.0	2.95	2.49	2.13	21.6	28.9	27.2	2.9	4.5	4.9	14.8	9.7	8.5
Average					12.9	11.7	9.6	16.3	14.2	21.8	2.48	2.20	1.93	20.0	19.8	21.3	3.6	4.4	4.9	15.0	13.6	11.4

Source: SCBS Investment Research

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