

# Earnings upgrade from presales recovery



Jiraporn Linmaneechote  
Research Analyst  
Phatra Securities  
jiraporn@phatrasecurities.com

+66 2 305 9197

## PO increased; PS is a top pick in the sector

We raised our PO on PS to Bt40.0/share (from Bt34.4/share) to reflect our earnings upgrade. We reiterate our Buy rating on PS and the stock remains one of our top picks for the sector. We like PS on: a) its solid growth profile of over 20% in 2015E, b) strong business platform and c) continued shortening of its business cycle to accelerate transfer/revenue on landed property, which will lead to improving margins, RoAs and RoEs.

## Earnings upgrade

We raised our estimates by 4%-12% for 2014E-2016E to take into account stronger presales and a better revenue forecast. Note that our previous estimates were about 12%-15% below the company's guidelines on presales and revenue target. With the improving presales momentum in June and improving market sentiment for 2H14, we think it is very likely that PS will achieve its presales and revenue target. Note that our estimates are now 6% and 11% above Bloomberg consensus for 2014E and 2015E, respectively.

## Solid growth with limited condo revenue risk

We expect PS to post earnings growth of 24% in 2015E. The growth should be driven by higher condo revenue, which should grow by 61% next year. Note that the condo backlog to be transferred next year has already covered over 90% of our condo revenue forecast next year. Meanwhile, we conservatively forecast landed property presales to grow moderately by 7% next year.

## Solid 2Q14E expected and consensus upgrade is likely

We expect PS to post a strong set of 2Q14 results with net income of Bt1.7bn, up 21% YoY and 60% QoQ. We believe growth will be driven by stronger revenue and higher operating margin. Given that we estimate 1H14 results should represent 49% of Bloomberg consensus and stronger revenue should be expected in 2H14 from more condo transfer, we expect the consensus to raise estimates after the second quarter results announcement.

### Estimates (Dec)

(Bt)	2012A	2013A	2014E	2015E	2016E
Net Income (Adjusted - mn)	3,898	5,800	6,011	7,436	8,355
EPS	1.73	2.55	2.64	3.27	3.67
EPS Change (YoY)	35.1%	47.1%	3.6%	23.7%	12.4%
Dividend / Share	0.502	0.850	0.881	1.09	1.22
Free Cash Flow / Share	1.42	(0.985)	(0.049)	1.78	2.99

### Valuation (Dec)

	2012A	2013A	2014E	2015E	2016E
P/E	19.90x	13.53x	13.06x	10.56x	9.40x
Dividend Yield	1.45%	2.46%	2.55%	3.16%	3.55%
EV / EBITDA*	17.50x	12.52x	11.72x	9.75x	8.89x
Free Cash Flow Yield*	4.11%	-2.88%	-0.144%	5.20%	8.73%

\* For full definitions of *iQmethod*<sup>SM</sup> measures, see page 11.

### Stock Data

Price	Bt34.50
Price Objective	Bt40.00
Date Established	21-Jul-2014
Investment Opinion	C-1-7
Volatility Risk	HIGH
52-Week Range	Bt15.20-Bt35.00
Mrkt Val / Shares Out (mn)	US\$2,369 / 2,206.8
Market Value (mn)	Bt76,135
Average Daily Volume	3,823,910
BofAML Ticker / Exchange	PKARF / SET
Bloomberg / Reuters	PS TB / PS.BK
ROE (2014E)	22.2%
Net Dbl to Eqty (Dec-2013A)	76.6%
Est. 5-Yr EPS / DPS Growth	8.7% / 8.8%
Free Float	26.0%

### Key Changes

(Bt)	Previous	Current
Price Obj.	34.40	40.00
2014E EPS	2.47	2.64
2015E EPS	3.14	3.27
2016E EPS	3.27	3.67
2014E EBITDA (m)	7,605.2	8,324.2
2015E EBITDA (m)	9,440.1	10,014.2
2016E EBITDA (m)	9,689.0	10,975.4

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Refer to important disclosures on page 7 to 8. Analyst Certification on Page 10. Price Objective Basis/Risk on page 10. Link to Definitions on page 10.11408520

22 July 2014

## iQprofile<sup>SM</sup> Pruksa Real Est

Key Income Statement Data (Dec)	2012A	2013A	2014E	2015E	2016E
<b>(Bt Millions)</b>					
Sales	27,023	38,848	41,472	50,104	54,792
Gross Profit	9,133	13,498	14,602	17,664	19,382
Sell General & Admin Expense	(3,925)	(6,077)	(6,720)	(8,099)	(8,862)
Operating Profit	5,208	7,421	7,883	9,565	10,520
Net Interest & Other Income	(187)	(222)	(176)	(134)	10
Associates	NA	NA	NA	NA	NA
Pretax Income	5,021	7,199	7,707	9,431	10,531
Tax (expense) / Benefit	(1,123)	(1,399)	(1,695)	(1,981)	(2,159)
Net Income (Adjusted)	3,898	5,800	6,011	7,436	8,355
Average Fully Diluted Shares Outstanding	2,248	2,274	2,275	2,275	2,275

### Key Cash Flow Statement Data

Net Income	3,898	5,800	6,011	7,436	8,355
Depreciation & Amortization	368	374	442	449	455
Change in Working Capital	(1,018)	(7,024)	(6,062)	(3,424)	(1,667)
Deferred Taxation Charge	NA	NA	NA	NA	NA
Other Adjustments, Net	0	0	0	0	0
Cash Flow from Operations	3,248	(850)	390	4,461	7,144
Capital Expenditure	(119)	(1,339)	(500)	(500)	(500)
(Acquisition) / Disposal of Investments	NA	NA	NA	NA	NA
Other Cash Inflow / (Outflow)	(14)	(106)	(59)	(32)	(34)
Cash Flow from Investing	(134)	(1,445)	(559)	(532)	(534)
Shares Issue / (Repurchase)	59	152	0	0	0
Cost of Dividends Paid	(884)	(1,110)	(1,889)	(1,958)	(2,422)
Cash Flow from Financing	(3,591)	2,535	(1,444)	(3,928)	(6,610)
Free Cash Flow	3,129	(2,189)	(110)	3,961	6,644
Net Debt	15,961	19,147	21,207	19,237	15,050
Change in Net Debt	(2,290)	3,253	2,058	(1,970)	(4,187)

### Key Balance Sheet Data

Property, Plant & Equipment	2,348	3,313	3,371	3,422	3,467
Other Non-Current Assets	484	590	649	682	716
Trade Receivables	0	0	0	0	0
Cash & Equivalents	1,566	1,815	200	200	200
Other Current Assets	39,423	50,476	56,864	61,753	64,214
Total Assets	43,821	56,194	61,085	66,057	68,597
Long-Term Debt	8,258	14,008	15,973	13,119	7,119
Other Non-Current Liabilities	200	257	257	257	257
Short-Term Debt	9,268	6,955	5,434	6,318	8,131
Other Current Liabilities	6,013	10,042	10,368	11,833	12,627
Total Liabilities	23,739	31,262	32,032	31,527	28,134
Total Equity	20,139	24,982	29,103	34,581	40,514
Total Equity & Liabilities	43,878	56,244	61,136	66,108	68,648

### iQmethod<sup>SM</sup> - Bus Performance\*

Return On Capital Employed	10.7%	14.2%	12.7%	14.4%	15.2%
Return On Equity	21.0%	25.7%	22.2%	23.4%	22.3%
Operating Margin	19.3%	19.1%	19.0%	19.1%	19.2%
EBITDA Margin	20.6%	20.1%	20.1%	20.0%	20.0%

### iQmethod<sup>SM</sup> - Quality of Earnings\*

Cash Realization Ratio	0.8x	-0.1x	0.1x	0.6x	0.9x
Asset Replacement Ratio	0.3x	3.6x	1.1x	1.1x	1.1x
Tax Rate (Reported)	22.4%	19.4%	22.0%	21.0%	20.5%
Net Debt-to-Equity Ratio	79.3%	76.6%	72.9%	55.6%	37.1%
Interest Cover	17.1x	17.9x	21.7x	28.6x	NM

### Key Metrics

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 11.

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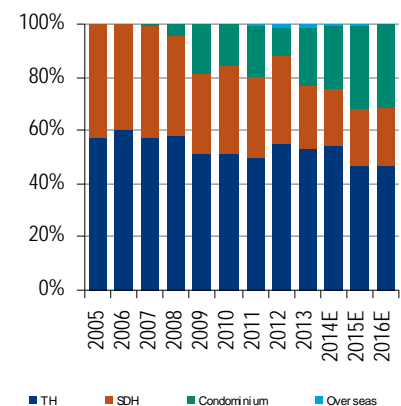
### Company Description

Pruksa Real Estate (PS) is the market leader in the low-end segment with average housing price of Bt1-2mn/unit, the lowest among listed property developers. Some 80% of revenue is derived from projects with average housing price below Bt3mn/unit. PS is a mass-market developer, transferring over 10,000 housing units/year, the highest among property developers. This leads PS to be the dominant player in townhouses, commanding about 40% market share.

### Investment Thesis

Our Buy rating on PS is premised on its solid growth profile, which should be supported by stronger condo revenue base and faster business cycle in the landed property segment. PS has a strong business platform in having a diversified portfolio of product types and price points, together with its own precast concrete factories, which enable PS to have better construction management.

Figure 1: PS – Revenue breakdown



Source: Company; Phatra Securities estimates

### Stock Data

Price to Book Value 2.6x

## Investment conclusion

### Upgrade PO; PS remains a top pick

We raised our PO on PS to Bt40.0/share (from Bt34.4/share) to reflect our earnings upgrade. We reiterate our Buy recommendation on PS and the stock remains one of our top picks for the sector. We like PS on a) its solid growth profile of over 20% in 2015E, b) strong business platform and c) continued shortening of its business cycle to accelerate transfer/revenue on landed property, which will lead to improving margins, RoAs and RoEs.

### Earnings upgrade

We raised our estimates by 7% for this year, 4% for 2015E and 12% for 2016E. The revision is mainly to take into account stronger presales and better revenue forecast. Note that our previous estimates were about 12%-15% below the company's guidelines on presales and revenue target. With the improving presales momentum seen in June and improving market sentiment for 2H14, we think it is more likely that PS will achieve its presales and revenue target. Note that our estimates are now 6% and 11% above the Bloomberg consensus for 2014E and 2015E, respectively.

Figure 2: PS - Changes in basic assumptions

	2014E	2015E	2016E
<b>Presales (Bt mn)</b>			
Current	42,764	47,306	51,523
Previous	36,419	40,462	44,002
<i>% Change</i>	<i>17.42</i>	<i>16.91</i>	<i>17.09</i>
<b>Revenue (Bt mn)</b>			
Current	41,472	50,104	54,792
Previous	36,924	44,839	46,669
<i>% Change</i>	<i>12.32</i>	<i>11.74</i>	<i>17.40</i>
<b>Gross margin (%)</b>			
Current	35.21	35.25	35.37
Previous	35.18	35.49	35.65
<b>Operating expenses as % of sales</b>			
Current	16.20	16.16	16.17
Previous	15.78	15.44	15.87
<b>Net income (Bt mn)</b>			
Current	6,011	7,436	8,355
Previous	5,617	7,138	7,443
<i>% Change</i>	<i>7.01</i>	<i>4.18</i>	<i>12.26</i>

Source: Phatra Securities estimates

### Solid growth with limited condo revenue risk

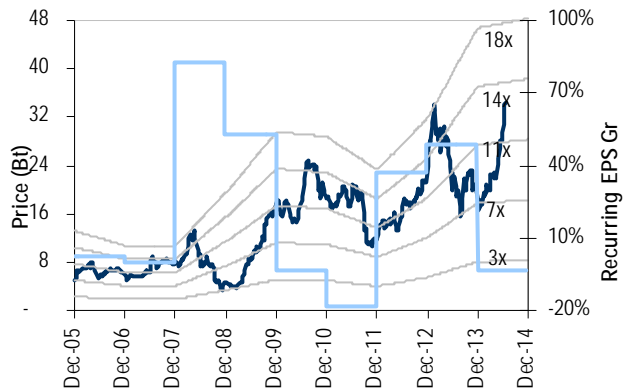
We expect PS to post earnings growth of 24% in 2015E. We believe growth will be driven by higher condo revenue, which should grow by 61% next year on our estimates. Note that the condo backlog to be transferred next year has already covered over 90% of our condo revenue forecast next year. Meanwhile, we conservatively forecast landed property presales to grow moderately by 7% next year.

### A strong 2Q14E to trigger earnings upgrade

We expect PS to post a strong set of 2Q14 results with net income of Bt1.7bn, up 21% YoY and 60% QoQ. The growth should be driven by stronger revenue and higher operating margin. Given that we believe 1H14 results will likely represent 49% of Bloomberg consensus and stronger revenue should be expected in 2H14 from more condo transfer, we expect the consensus to raise estimates after the second quarter results announcement.

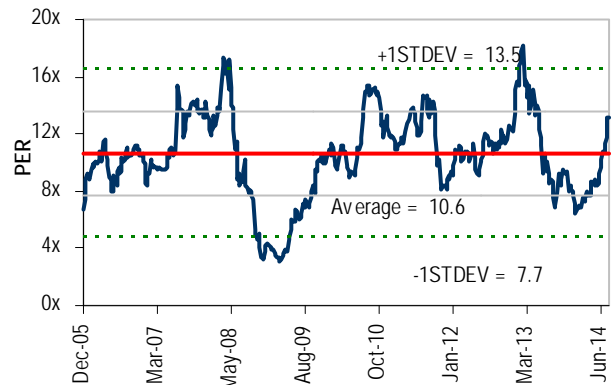
22 July 2014

Figure 3: PS - PER Band



Source: SET; Phatra Securities estimates

Figure 4: PS - Trailing P/E



Source: SET; Phatra Securities estimates

Figure 5: Property Comp

	Price (Bt)	Mkt cap (US\$ mn)	Core EPS (Bt)			Recurring EPS growth			Core PER (x)			Yield (%)	PBV (x)	ROE (%)	Housing P/E	
			2013A	2014E	2015E	2013A	2014E	2015E	2013A	2014E	2015E	2014E	2014E	2014E	2014E	2015E
SPALI	24.50	1,310	1.68	2.17	2.82	5.1%	29.4%	29.6%	14.59	11.28	8.70	3.73	2.53	24.2%	11.28	8.70
PS	34.50	2,388	2.57	2.66	3.28	47.5%	3.4%	23.6%	13.42	12.99	10.51	2.55	1.85	22.3%	12.99	10.51
LH	10.20	3,184	0.57	0.56	0.67	23.7%	-2.2%	19.2%	17.85	18.24	15.30	5.27	2.88	18.8%	11.58	9.59
LPN	22.10	1,016	1.58	1.41	2.16	6.2%	-10.6%	53.2%	14.01	15.67	10.23	3.40	3.12	20.7%	15.67	10.23
QH	4.14	1,184	0.36	0.34	0.38	85.9%	-4.9%	11.8%	11.66	12.26	10.96	4.08	2.01	17.1%	9.30	8.48
AP	6.70	597	0.70	0.74	0.86	-4.8%	6.0%	17.2%	9.62	9.08	7.75	4.45	1.24	14.5%	9.08	7.75
SIRI	2.32	689	0.19	0.21	0.32	-39.0%	10.5%	52.8%	12.25	11.08	7.25	4.49	1.27	12.0%	11.08	7.25
<b>Average</b>						<b>18.2%</b>	<b>4.4%</b>	<b>26.6%</b>	<b>14.49</b>	<b>14.21</b>	<b>11.40</b>	<b>4.03</b>	<b>2.32</b>	<b>20.0%</b>	<b>11.83</b>	<b>9.36</b>

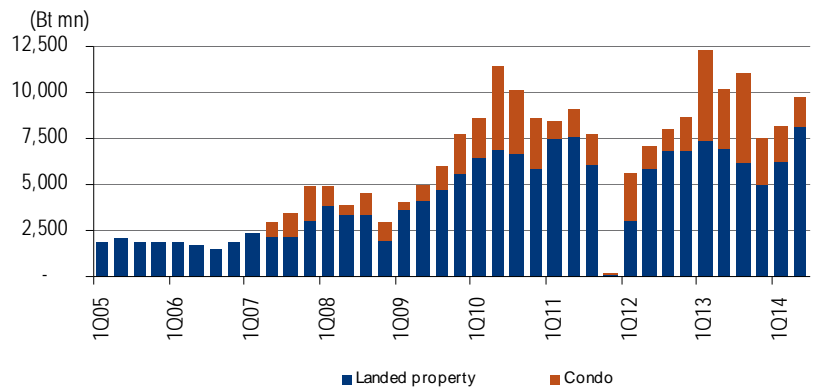
Source: Companies, Phatra Securities estimates

## Operations update

### Record-high landed property presales in 2Q14

PS achieved presales of Bt9.7bn in 2Q14 (up 19% QoQ but down 6% YoY) and this was dominated by the landed property segment, which accounted for 84% of 2Q14 presales. While the condo presales remained soft due to the delay of condo launches to 2H14, PS showed record-high presales for the landed-property segment in 2Q14 at Bt8.2bn (up 17% YoY and 33% QoQ).

Figure 6: PS - Quarterly presales breakdown



Source: Company; Phatra Securities estimates

**Lower risks in meeting 2014 presales target**

1H14 presales were Bt17.9bn (down 21% YoY) from the weaker condo presales and this accounted for 40%-44% of its Bt41-45bn presales target. With improving momentum in 2H14, we see limited risk for PS to achieve its presales target.

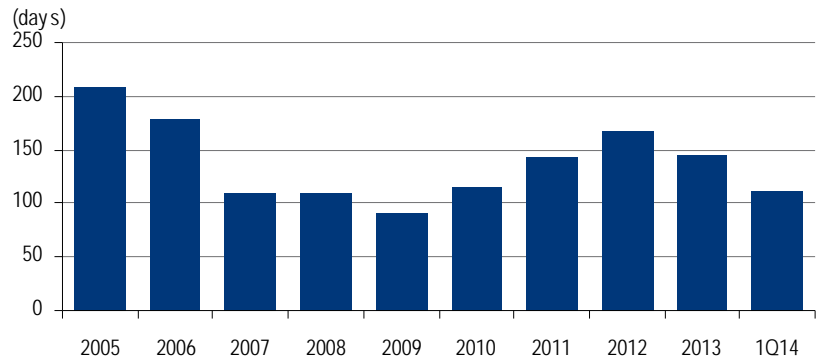
**Business cycle continued to shorten - positive for revenue**

PS has shortened its business cycle from booking to transfer of landed property products to less than 150 days in 2013, 112 days in 1Q14 and below 100 days in 2Q14. This should lead PS to be able to convert presales/backlog into revenue faster than last year.

Management aims to cut the business cycle time to 90 days in the medium term. However, it admits that PS still needs to work on reducing business cycle time on condominium products, which was higher in 2014 due to the larger size of condo projects.

The sales of completed units are a factor supporting the business cycle to continue to shorten further. PS had completed units on hand worth close to Bt7bn at end-1Q14, of which about 70% are in townhouses products. PS plans to bring down the stock on hand of townhouses to Bt3bn and this should lower its business cycle further in the near term.

**Figure 7: PS - Business cycle of landed property products (from presales to revenue)**

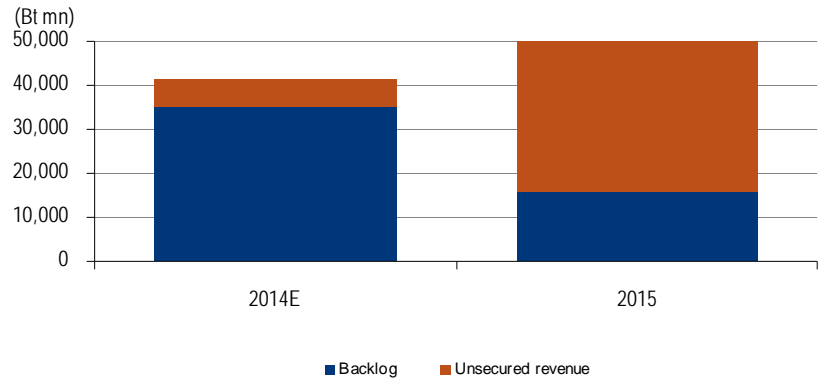


Source: Company; Phatra Securities estimates

**Sizable backlog + shorten cycle to boost revenue**

We expect PS to have backlog on hand worth Bt48bn (including 2Q14 revenue) as of June. With a short business cycle for landed property, we expect all landed property presales to be recognized this year. This suggests to us that PS has already secured 85% and 32% of our 2014 and 2015 revenue target, respectively. Note that 2015 revenue can be achieved by the sales of some inventory units of condominium together with the new presales of landed property in 4Q14 and the presales of landed property in 9M15, which can be supported by its fast business cycle.

Figure 8: PS - Revenue secured by backlog on hand

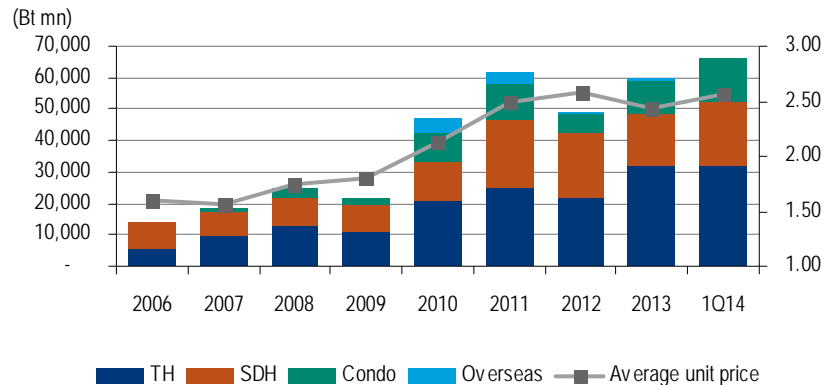


Source: Phatra Securities estimates

### Expanding portfolio into non-TH and middle-market segment

PS has been the market leader for townhouses, especially in the low-end market segment. The company has successfully diversified its product portfolio into single-detached houses and condos and has expanded into the middle and high-end segments.

Figure 9: PS - Outstanding portfolio breakdown



Source: Company; Phatra Securities estimates

### Moving towards high end SDH show positive response

PS recently launched a high-end single detached housing (SDH) project, The Palm Pattanakrn. The project has 179 units with project value of Bt1.95bn and average unit price of Bt10mn/unit in March. It has received a positive response from the launches. Note that PS has launched two phases of the Palm projects with 43 units and all units were taken up, implying 24% of the total project sold.

Figure 10: PS - Tha Palm, PS's high-end SDH project at Pattanakarn



Company: Phatra Securities

PS plans to close down this project in two years. Note that the Palm is one project out of nine PS projects in the Pattanakarn area. Given that PS has secured the land plot years ago, this project should also generate high gross margins of 36%-40%.

## Outlook

### Higher launch value planned in 2H14

PS has launched 38 projects with combined project value of Bt31bn in 1H14. This includes 32 projects in landed property with combined project value of Bt24bn and six condo projects with combined value of Bt7bn. Note that PS has postponed a few condo projects launched into 2H14. With improving market sentiment, we expect to see more launches value in 2H14.

### Look for sequential earnings improvement in 2H14

We expect earnings to show sequential improvement in 2H14 with 4Q14 being the best quarter for this year. This should be driven by more condo transfers given that seven condo projects are scheduled to be completed in 2H14.

### New precast concrete factory to support construction capacity

PS has applied precast concrete technology and tunnel formed technology in its construction method, which has improved its construction speed. PS currently has five precast concrete factories with combined production capacity of 640 units per month. The plants are now running at over 100% utilization and this leads to very low fixed cost on the construction.

PS plans to add two more factories with additional capacity of 480 units per month. The new capacity will start commissioning at end-3Q14. The new capacity will support its construction base for its growth in 2015E.



#### **Less reliance on tunnel formed technology to boost utilization of new factory**

The new capacity could be ramped up to 40%-50% utilization by year-end 2014. PS plans to lessen the use of tunnel formed technology next year to boost the utilization of new plants, which should lower the fixed costs of its plant in the construction costs. The use of more precast concrete should also lessen the problem of rising labor cost and lack of skilled labor from the use of tunnel formed technology.

#### **Prefabricated bathroom – another step to hasten cycle**

PS has adopted prefabricated bathroom innovations by completing bathroom assembly at plants and delivering the bathroom units to project sites. This has improved construction quality and reduced construction time for both landed property and condominium products. Management revealed that the construction time for condos is reduced by 1-2 months from this application.

#### **Target 20%-25% revenue growth in three years**

PS targets to grow revenue by 20%-25% over the next three years. The company aims to maintain its condominium exposure at 20%-25% of total portfolio. PS may consider increasing condominium exposure when the company can improve ROA on its condominium products.



## 2Q14 earnings preview

### A strong quarter expected in 2Q14E

PS should post its 2Q14 results on August 13. We expect a strong set of earnings with net income of Bt1.7bn, up 21% YoY and 60% QoQ. 1H14 results should total Bt2.8bn, up 27% YoY and this should account for 46% of our 2014E.

Figure 11: PS - 2Q14 earnings preview

(Bt mn)	2Q14E	2Q13	% YoY	1Q14	% QoQ	1H14E	1H13	% YoY
Sales of real estate	10,400	9,058	14.8	8,018	29.7	18,418	15,370	19.8
Cost of real estate sales	6,500	5,995	8.4	5,101	27.4	11,601	10,144	14.4
Gross Profit	3,900	3,063	27.3	2,916	33.7	6,816	5,227	30.4
<i>Gross margin (%)</i>	<i>37.5</i>	<i>33.8</i>		<i>36.4</i>		<i>37.0</i>	<i>34.0</i>	
Operating expenses	1,622	1,302	24.6	1,469	10.4	3,091	2,475	24.9
<i>OPEX as % of sales</i>	<i>15.6</i>	<i>14.4</i>		<i>18.3</i>		<i>16.8</i>	<i>16.1</i>	
EBIT	2,278	1,761	29.3	1,447	57.4	3,725	2,752	35.4
<i>Operating margin (%)</i>	<i>21.9</i>	<i>19.4</i>		<i>18.1</i>		<i>20.2</i>	<i>17.9</i>	
Other income	37	66	(44.0)	37	(0.1)	74	94	(21.5)
Interest expenses	102	97	5.7	99	3.1	201	182	10.7
EBT	2,213	1,731	27.8	1,386	59.7	3,599	2,664	35.1
Income tax expenses	509	322	58.2	322	58.2	831	482	72.3
<b>Net Income</b>	<b>1,704</b>	<b>1,409</b>	<b>20.9</b>	<b>1,064</b>	<b>60.2</b>	<b>2,768</b>	<b>2,182</b>	<b>26.8</b>
EPS weighted average (Bt)	0.77	0.63	20.8	0.48	60.1	1.24	0.98	26.6

Source: Company; Phatra Securities estimates

### Stronger revenue...

The YoY and QoQ growth should be derived mainly by expected higher revenue of Bt10.4bn, up 15% YoY and 30% QoQ. We expect the majority of revenue to be driven by landed property, which should be supported by backlog and shorter business cycle. Condo revenue should represent about 20% of total revenue in 2Q14.

### ... and higher operating margin should be key

We expect gross margin to pick up by 110bp QoQ to 37.5% in 2Q14 from better utilization of the precast concrete factories. Operating margin is also expected to improve to 21.9% in 2Q14 from 18.1% in 1Q14 from weaker expenses due to small condo launches in 2Q14.

## Price objective basis & risk

### Pruksa Real Est (PKARF)

Our 12-month price objective of Bt40.0/share is based on our valuation at year-end 2015E, which is based on 1) P/E of 9.60x, which is the average P/E of mid-cap peers and 2) our DCF valuation. The DCF valuation, based on a discount rate of 10.8% and terminal growth rate of 2%, is applied to take into account the company's backlog, which has already secured revenue for 2015E-2017E period. Note that we discount our DCF valuations by 30% to reflect a possible higher rejection rate as PS has high exposure to the low-end market segment.

Downside risks to achieving our price objective are political turmoil, weaker-than-expected economic conditions, higher-than-expected competition among developers, slower-than-expected permits approval by the authorities, rising construction cost, stronger-than-expected increase in interest rates, tighter mortgage financing policy from commercial banks and weaker presales from soft demand or higher competition. Meanwhile, the upside risk to our PO is better-than-expected presales momentum.

## Link to Definitions

### Financials

Click [here](#) for definitions of commonly used terms.

## Analyst Certification

I, Jiraporn Linmaneechote, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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22 July 2014

## ASEAN - Property Coverage Cluster

Investment rating	Company	BofA Merrill Lynch ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Ayala Land, Inc.	AYAAF	ALI PM	Jidgette Velasco
	Central Pattana Public Co., Ltd.	XENRF	CPN TB	Jiraporn Linmaneechote
	Land & Houses	LDHXF	LH TB	Jiraporn Linmaneechote
	Land & Houses -F	LDHOF	LH/F TB	Jiraporn Linmaneechote
	LPN Devp Pub Co	LDVPP	LPN TB	Jiraporn Linmaneechote
	Megaworld Corporation	MGAWF	MEG PM	Jidgette Velasco
	Pruksa Real Est	PKARF	PS TB	Jiraporn Linmaneechote
	Robinsons Land Corporation	RBLAF	RLC PM	Jidgette Velasco
	SM Prime Holdings, Inc.	SPHXF	SMPH PM	Jidgette Velasco
	Supalai	XPAYF	SPALI TB	Jiraporn Linmaneechote
	Tesco Lotus Retail Growth Property Fund	XXZLF	TLGF TB	Sirichai Chalokepunrat
<b>NEUTRAL</b>				
	AP (Thailand)	XPPKF	AP TB	Jiraporn Linmaneechote
	Quality Houses	QHPSF	QH TB	Jiraporn Linmaneechote
<b>UNDERPERFORM</b>				
	Siam City	SAMUF	SCCC TB	Jiraporn Linmaneechote

*iQmethod*<sup>SM</sup> Measures Definitions

Business Performance	Numerator	Denominator
Return On Capital Employed	$\text{NOPAT} = (\text{EBIT} + \text{Interest Income}) * (1 - \text{Tax Rate}) + \text{Goodwill Amortization}$	$\text{Total Assets} - \text{Current Liabilities} + \text{ST Debt} + \text{Accumulated Goodwill}$
Return On Equity	Net Income	Shareholders' Equity
Operating Margin	Operating Profit	Sales
Earnings Growth	Expected 5-Year CAGR From Latest Actual	N/A
Free Cash Flow	Cash Flow From Operations – Total Capex	N/A
<b>Quality of Earnings</b>		
Cash Realization Ratio	Cash Flow From Operations	Net Income
Asset Replacement Ratio	Capex	Depreciation
Tax Rate	Tax Charge	Pre-Tax Income
Net Debt-To-Equity Ratio	Net Debt = Total Debt, Less Cash & Equivalents	Total Equity
Interest Cover	EBIT	Interest Expense
<b>Valuation Toolkit</b>		
Price / Earnings Ratio	Current Share Price	Diluted Earnings Per Share (Basis As Specified)
Price / Book Value	Current Share Price	Shareholders' Equity / Current Basic Shares
Dividend Yield	Annualised Declared Cash Dividend	Current Share Price
Free Cash Flow Yield	Cash Flow From Operations – Total Capex	Market Cap. = Current Share Price * Current Basic Shares
Enterprise Value / Sales	$\text{EV} = \text{Current Share Price} * \text{Current Shares} + \text{Minority Equity} + \text{Net Debt} + \text{Other LT Liabilities}$	Sales
EV / EBITDA	Enterprise Value	Basic EBIT + Depreciation + Amortization

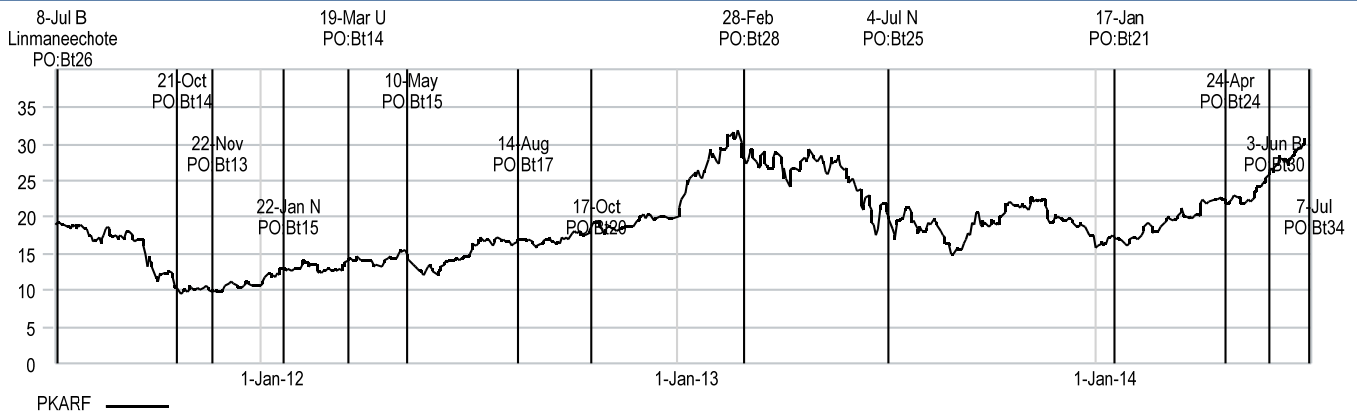
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*iQdatabase*<sup>®</sup> is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Merrill Lynch.

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## Important Disclosures

### PKARF Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of June 30, 2014 or such later date as indicated.

### Investment Rating Distribution: Real Estate/Property Group (as of 30 Jun 2014)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	55	57.89%	Buy	32	58.18%
Neutral	27	28.42%	Neutral	20	74.07%
Sell	13	13.68%	Sell	3	23.08%

### Investment Rating Distribution: Global Group (as of 30 Jun 2014)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1696	51.39%	Buy	1275	75.18%
Neutral	837	25.36%	Neutral	619	73.95%
Sell	767	23.24%	Sell	489	63.75%

\* Companies that were investment banking clients of BofA Merrill Lynch or one of its affiliates within the past 12 months. For purposes of this distribution, a stock rated Underperform is included as a Sell.

**FUNDAMENTAL EQUITY OPINION KEY:** Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of a stock's: (i) absolute total return potential and (ii) attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster*
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

\* Ratings dispersions may vary from time to time where BofA Merrill Lynch Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

**INCOME RATINGS**, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. *Coverage Cluster* is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Merrill Lynch Comment referencing the stock.

For the report jointly responsible for covering the securities by ML analyst, ML analyst receives compensation based upon, among other factors, the overall profitability of Merrill Lynch, including profits derived from investment banking revenues.

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# Corporate Governance Report of Thai Listed Companies 2013

## Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. Phatra Securities Public Company Limited (“Phatra”) does not confirm nor certify the accuracy of such survey result. In addition, the list only includes companies under Phatra’s coverage except those specified.



### Companies with Excellent CG Scoring by alphabetical order under Phatra’s Coverage

Advanced Info Service	Airports of Thailand	Banpu	Bangkok Bank	Bangchak Petroleum
BTS Group Holdings	LPN Property Development	Charoen Pokphand Foods	Hemaraj Land and Development	Total Access Communication
Electricity Generating	The Erawan Group	Central Pattana	INTUCH	IRPC
Indorama Ventures	Kasikornbank	Krung Thai Bank	Ch. Karnchang	MCOT
Minor International	Preuksa Real Estate	PTT	PTT Exploration	PTT Global Chemical
Quality Houses	Ratchaburi Electricity Generating	Robinson Department Store	Thai Airways International	Siam Cement
Supalai	Thanachart Capital	Siam Commercial Bank	Thaicom	Tisco Bank
Thai Military Bank	Thai Oil	True Corporation	Thai Vegetable Oil	VGI Global Media
Precious Shipping				



### Companies with Very Good CG Scoring by alphabetical order under Phatra’s Coverage

Amata Corporation	BEC World	Bumrungrad Hospital	Big C Supercenter	Berli Jucker
Central Plaza Hotel	CP All	ESSO (Thailand)	GFPT	Glow Energy
Home Product Center	Land & Houses	Major Cineplex Group	Siam City Cement	Sansiri
Asian Property Development	Sino Thai Engineering and Construction	Ticon Industrial Connection	Thai Union Frozen Product	Toyo-Thai Corporation



### Companies with Good CG Scoring by alphabetical order under Phatra’s Coverage

Asia Aviation	Bangkok Chain Hospital	Siam Global House		
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## N/A

### Companies without survey result available by alphabetical order under Phatra’s Coverage

MK Restaurant	Thai Beverage	Bangkok Dusit Medical Services	Tesco Lotus Retail Growth Property Fund	BTS Growth Infrastructure Fund
Nok Airlines	STP&I			