

Trading Buy (unchanged)

Pruksa Real Estate PCL (PS)

Profit beating estimate by 8.6%

 CGR Scoring Rating 

 Share price: Bt33.50
 Target price: Bt 38.00 (from Bt35.75)

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Stock Information

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

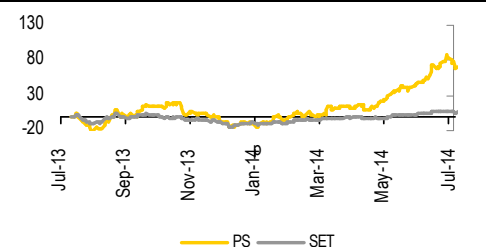
Ticker :	PS
Shares Issued (mn):	2,224
Market Cap (Btmn)	76,735
Market Cap (US\$ m)	2,400
3-mth Avg. Daily Turnover (Btmn)	119.67
SET index	1,520.31
Free float (%)	30.20

Major Shareholders :	%
Vijitpongpun Family	66.05
UBS AG SINGAPORE BRANCH	4.50

Key Indicators

ROE – annualised (%)	21.7
Net cash (Btmn):	18,835
NTA/shr (Bt):	13.3
Interest cover (x):	24.9

Historic Chart



Performance

52-week High/Low	Bt 37.00/Bt 15.20				
	1-mth	3-mth	6-mth	1-yrs	YTD
Absolute (%)	9.5	58.3	87.5	71.6	89.6
Relative (%)	8.6	43.4	59.2	63.4	61.9

Earnings expanding both QoQ and YoY and beating our estimate by 8.6%: PS posted the 2Q14 revenue at Bt10.812bn (+19.4% YoY and +34.8%QoQ), inline with our estimate of Bt10.534bn, supported by the strong 1H14 presales and the fast revenue recognition. The efficient cost control and the REM technology that reduces construction time and defect rate resulted in a healthy GPM at 36.8% (vs our estimate of 37%), improving from 33.8% in 2Q13 and 36.4% in 1Q14. With better-than-estimate SG&A expenses and other incomes, the net profit beaten our estimate by 8.6% to Bt1.87bn (+32.7% YoY and +75.8% QoQ).

Earnings to grow 10.5%YoY to new high in 2014: PS has over Bt16.1bn+/- backlog awaiting to be booked in 2H14. With improving turnover days at 103 days vs 112 days in 1Q14, we believe the low rise revenue recognition in 2H14 will be smooth and efficient. We have thus maintained the 2014 revenue at Bt41.874bn (+7.8%YoY) with 83% secured revenue. Meanwhile, the net profit is projected at Bt6.409bn (+10.5%YoY), a record high.

Presales in 7M14 reaching 49% of our forecast.. High chance for a new high: PS reported the July presales at Bt3.899bn (-9% MoM but +78% YoY), bringing the 7M14 presales up to Bt21.836bn (-12%YoY) and accounting for 49% of our yearly forecast of Bt45bn (+10%YoY), which is a record high. We believe PS presales should achieve the target, supported by recovering consumer confidence and new projects that will be launched in 2H14.

Roll over the TP to the next 12 month to Bt38/share: Based on a average PER in past 7 years of 12.6x (+0.9SD), the TP in the next 12 month is Bt38.00/ share. Although we still like PS, we reiterate a Trading Buy due to limited upside.

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	5,758	6,834

Source: Company reports and MBKET estimates.

Table 1 : PS 2Q14 earnings result

(Btmn)	2Q14	1Q14	QoQ	2Q13	YoY	1H13	1H14	Change
Sales	10,812	8,018	34.8%	9,058	19.4%	15,370	18,829	22.5%
Costs of Sales	(6,833)	(5,101)	34.0%	(5,995)	14.0%	(10,144)	(11,935)	17.7%
Gross Profit	3,978	2,916	36.4%	3,063	29.9%	5,227	6,895	31.9%
SG&A expenses	(1,613)	(1,469)	9.8%	(1,302)	23.9%	(2,475)	(3,082)	24.5%
EBIT	2,365	1,447	63.4%	1,761	34.3%	2,752	3,813	38.6%
Depreciation	84	94	-11.5%	103	-18.7%	199	178	-10.4%
EBITDA	2,449	1,542	58.8%	1,864	31.4%	2,950	3,991	35.3%
Interest expenses	(91)	(99)	-8.0%	(97)	-5.7%	(182)	(190)	4.7%
Other Income (expenses)	53	37	42.9%	66	-19.9%	94	90	-4.5%
Pre-tax Profit	2,327	1,386	68.0%	1,731	34.5%	2,664	3,713	39.3%
Corporate Tax	(457)	(322)	42.0%	(322)	42.0%	(482)	(779)	61.5%
Pre-exceptional Profit	1,870	1,064	75.8%	1,409	32.7%	2,182	2,934	34.5%
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	1,870	1,064	75.8%	1,409	32.7%	2,182	2,934	34.5%
Normalised Profit (exc. FX & extra)	1,870	1,064	75.8%	1,409	32.7%	2,182	2,934	34.5%
EPS (Bt)	0.84	0.48	75.8%	0.63	32.7%	0.98	1.32	34.5%
Financial Ratios								
Gross Margin (%)	36.8%	36.4%		33.8%				
EBIT Margin (%)	21.9%	18.1%		19.4%				
EBITDA Margin (%)	22.7%	19.2%		20.6%				
Net Margin (%)	17.3%	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
Operating Profit (EBIT)	5,208	7,421	8,280	9,035
Interest (Exp) / Inc	(305)	(415)	(345)	(328)
Associates	0	0	0	0
One-offs	0	0	0	0
Pre-Tax Profit	3,898	5,801	6,409	7,081
Tax	(1,123)	(1,399)	(1,672)	(1,771)
Minority Interest	0	0	0	0
Net Profit	3,893	5,801	6,409	7,081
Recurring Net Profit	3,898	5,801	6,409	7,081
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
Total Assets	43,821	56,194	52,892	56,335
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
Total Liabilities-Capital	43,821	56,194	52,892	56,335
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
Cash flow from operations	3,239	(1,381)	4,905	5,930
Capex	(119)	(856)	99	129
Disposals / (purchases)	0	0	0	0
Others	343	71	(58)	(64)
Cash flow from investing	224	(785)	41	65
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)
Cash flow from financing	(3,585)	2,486	(4,918)	(5,785)
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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THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2014

▲▲▲▲▲ 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	SVA	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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