

18 December 2014

Pruksa Real Estate - PS

Upgrade to ACCUMULATE on more valuation upside

THAILAND | PROP | TRADE FLASH

BLOOMBERG PS TB | REUTERS PS.BK

- PS reported 11MFY15 total presales of only Bt37.2mn against full-year target of Bt43bn. Much would depend largely on Dec to put presales on track to meet the full-year target. Any miss in full-year presales may be blamed on sagging condo bookings while SDH/TH presales appear to have kept growing at a satisfactory pace.
- Backlog and margin would be key revenue and profit drivers for PS respectively in FY14. Our forecast puts FY14 revenue and profit growth for PS at 9% and 9% y-y respectively.
- Looking ahead into FY15, backlog and the prospect of continued positive momentum in SDH/TH presales should be key drivers of strong profit growth for PS.
- Due to more valuation upside from current trading levels after a recent retreat in share prices, we upgrade PS shares to 'ACCUMULATE' with a Bt31.43/share target price.

There is scope for FY14 total presales to fall short of the full-year target as a result of sagging condo bookings.

How we view this

To meet the full-year target, PS needs to generate another Bt5.8bn in total presales in Dec 2014. SDH/TH presales performed well in 9MFY14, up 8% y-y. Its monthly SDH/TH presales averaged Bt2.5bn in 9MFY14. On the downside, condo presales plunged as much as 32% y-y as the condo market remained in the doldrums. Our forecast assumes PS will generate total presales of around Bt4bn in Dec 2014 driven mainly by SDH/TH presales which are estimated to come in at Bt2.5bn while the pace of recovery in condo bookings should be limited. As things stand, full-year total presales are forecast to be Bt41.2bn in FY14, slightly short of the target. However, the recent shift in strategy to focus more on mid-tier SDH/TH market should cushion the impact of a slowdown in low-end market segment hit by slowing economic conditions.

We stick to our forecast that PS will achieve FY14 revenue of Bt40.8bn, up 5% y-y. Current backlog fully covers the above revenue target. Margin tends to be better than a year ago as a recovery in SDH/TH market has left PS some room to raise selling prices. On this basis, we see potential for PS to deliver 9% profit growth in FY14.

There is also scope for the pace of profit growth to accelerate to 24% in FY15 based on assumptions that FY15 revenue will come in higher than FY14 at Bt48bn. Current backlog covers Bt16bn out of the above revenue forecast. To achieve the full-year target, the rest should come from SDH/TH revenue. Our forecast assumes a 5% rise in FY15 SDH/TH presales to Bt31bn on the back of an improving economic outlook. We also assume PS will generate FY15 condo revenue of Bt3bn given that PS could likely manage to achieve condo inventory sales of around Bt4bn-Bt5bn despite sluggish condo market conditions in FY14. Margin should hold steady while revenue growth should bring down some fixed operating expenses. On balance, we estimate PS will deliver FY15 profit growth of 24% y-y to Bt7.9bn on better revenue expansion.

Investment Action

PS shares lost by around 20% over the past month in line with the broader market selloff but its favorable earnings growth prospects remain intact and sliding oil prices should be positive for transportation costs in the development of the projects. Valuation-wise, PS also looks more attractive at the current level of 8x FY15 P/E, which represents a discount to its historical median of 9x. At the end of the day, we upgrade PS shares to 'ACCUMULATE' with a Bt31.43/share target price.



Rating: **Accumulate**

Upgrade from Neutral

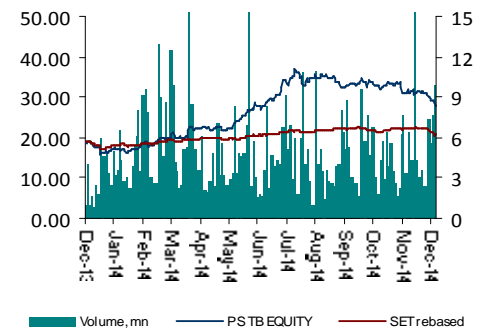
Target Price (Bt)	31.43
Forecast Dividend (Bt)	1.15
Closing Price (Bt)	28.00
Potential Upside	16.4%

Company Description

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 of the low-rise housing markets.

Company Data

Raw Beta (Past 2Yrs weekly data)	1.92
Market Cap. (USDmn / Btmn)	1892 / 62347
Ent. Value (USDmn / Btmn)	2587 / 84893
3MAverage Daily T/O (mn)	4.7
Closing Px in 52 week range	16.10 - 37.00



Major Shareholders as of 14/3/14	(%)
1. Mr.Thongma Vichitpongphant	54.6
2. UBS AG SINGAPORE BRANCH	4.5
3. Mrs.Malinee Vichitpongphant	3.8

CG Report - 2014



(Very Good)

Valuation Method

P/E'15 (9x)

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Industry Group Name	Sector Name	Sector Index
Agro & Food Industry [AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products [CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction [PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	FP&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

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Less than 50	No logo given
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60 - 69	
70 - 79	
80 - 89	
90 - 100	

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