



COMPANY UPDATE

Thailand

Pruksa Real Estate

(PS.BK/PS TB) *

Outperform Maintained

Price as of 10 Apr 2015	30.25
12M target price (Bt/shr)	33.00
Unchanged / Revised up (down) (%)	N.A.
Upside/downside (%)	9.1

Key messages

PS's presales declined 10% YoY and 20% QoQ in March, mainly because there were no condo launches in the month. Cumulative presales for 1Q15 still show positive signs, rising 56% YoY and 65% QoQ. YTD presales account for 27% of the full-year target. We maintain our revenue forecast of Bt46.8bn as the company's backlog already secured 65% of our forecast. We maintain a rating of Outperform with a target price of Bt33.00.

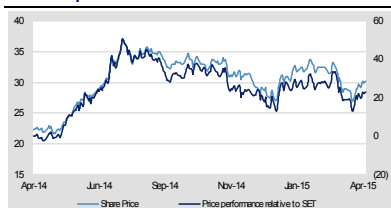
Trading data

Mkt cap (Btbn/US\$mn)	67.5/2,2076		
Outstanding shares (mn)	2,231		
Foreign ownership (mn)	264		
3M avg. daily trading (mn)	4.05		
52-week trading range (Bt)	21.7-37.00		
Performance (%)	3M	6M	12M
Absolute	2.5	-10.4	36.3
Relative	1.3	-10.1	22.4

Quarterly EPS

Bt	Q1	Q2	Q3	Q4
2012	0.29	0.63	0.61	0.22
2013	0.35	0.63	0.61	1.02
2014	0.48	0.84	0.83	0.85

Share price chart



Source: SET

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Promising presales for 1Q15

Event

PS reported presales of Bt4.2bn in March, down 10% YoY and 20% QoQ. Its 1Q15 presales were Bt12.8bn, up 56% YoY and 65% QoQ.

Impact

March presales dropped but YTD presales still showed positive growth

PS reported March presales of Bt4.2bn, down 10% YoY and 20% QoQ as there were no condo launches during the month. Condo presales dropped 52% YoY and 49% MoM while low-rise presales showed positive growth of 11% YoY and 19% MoM. The company's 1Q15 presales remained positive in all segments, totaling Bt12.8bn, up 56% YoY and 64% QoQ.

Full-year forecast maintained; expect strong result in 2H15

YTD presales already accounted for 27% of the full-year target of Bt47bn. The full-year target should be achievable given the strong momentum and new project launches this year worth Bt61bn. Although 1Q15 earnings are expected to soften as there are no condos scheduled to be transferred during the period, we expect a large amount of transfer through the rest of the year as PS has 13 condos scheduled to be completed with a value of Bt30bn. Its current backlog already secures 65% of our full-year revenue forecast of Bt46.8bn and earnings of Bt7.4bn.

Valuation & Action

We maintain a rating of Outperform with a target price of Bt33.00, based on target PE of 10.0x (equivalent to average historical trading PE).

Risks

Economic slowdown and increasing household debt.

Key financials and valuations

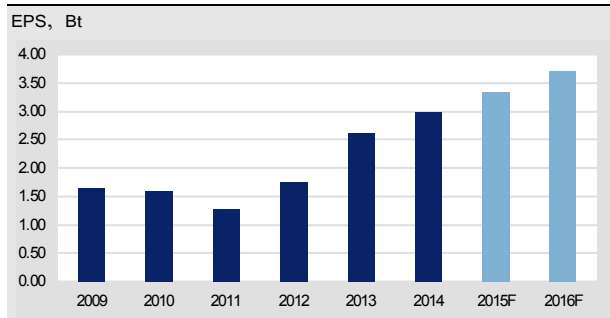
	2012	2013	2014	2015F	2016F
Revenue (Btm)	27,023	38,848	42,781	46,809	51,021
Gross Profit (Btm)	9,133	13,498	15,686	17,085	18,623
EBIT (Btm)	5,208	7,421	8,595	9,455	10,357
Net Profit (Btm)	3,898	5,802	6,655	7,422	8,232
EPS (Bt)	1.76	2.61	2.99	3.34	3.70
DPS (Bt)	0.50	0.85	1.00	1.10	1.22
EPS Growth (%)	37.5	48.3	14.6	11.7	10.9
P/E (X)	17.2	11.6	10.1	9.1	8.2
P/B (X)	3.3	2.7	2.3	1.9	1.7
EV/EBITDA (X)	11.3	8.5	7.5	6.8	5.8
Net Debt to Equity (%)	79.5	76.8	71.8	59.3	38.8
Dividend Yield (%)	1.7	2.8	3.3	3.6	4.0
Return on Average Equity (%)	21.0	25.8	24.4	23.0	21.8

Source: KGI Research

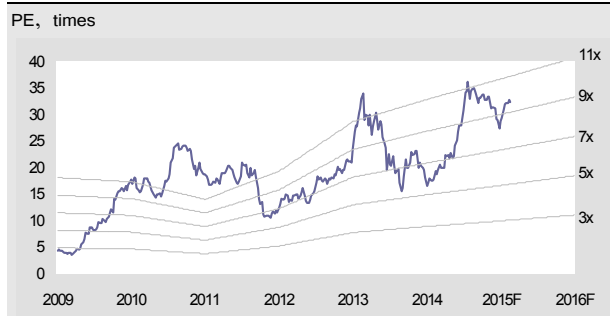
Figure 1: Company overview

Pruksa Real Estate (PS) is a property developer covering all types of product; townhouse, single-detached house (SDH) and condominium. The majority of its projects are townhouses. Prices range in the mid-to-low segment in Bangkok and its vicinity. PS is an early adopter of precast technology and all of its low-rise projects use the precast method.

Source: Company data; KGI Research

Figure 3: EPS


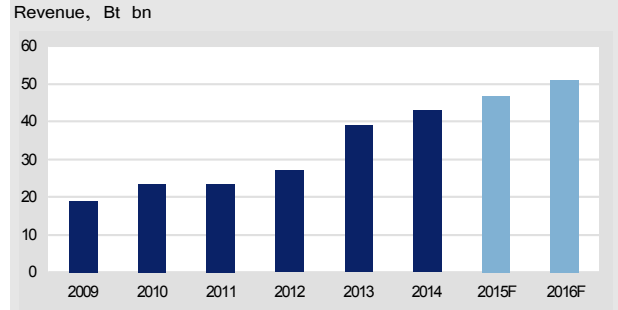
Source: Company data; KGI Research

Figure 5: PE band


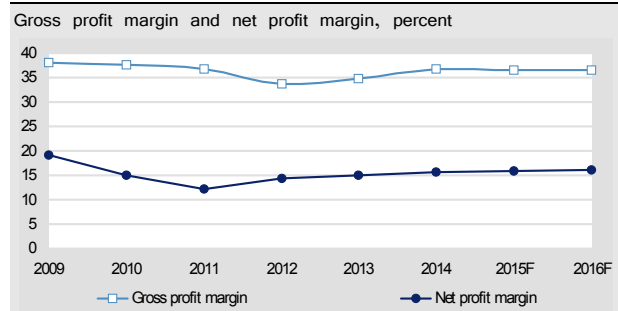
Source: SET; KGI Research

Figure 7: PBV band


Source: SET; KGI Research

Figure 2: Revenue


Source: Company data; KGI Research

Figure 4: Gross profit margin and net profit margin


Source: Company data; KGI Research

Figure 6: Historical trading PE


Source: SET; KGI Research

Figure 8: Historical trading PBV


Source: SET; KGI Research

Quarterly Income Statement

(Bt mn)	Mar-12A	Jun-12A	Sep12A	Dec12A	Mar-13A	Jun-13A	Sep13A	Dec13A	Mar-14A	Jun-14A	Sep-14A	Dec-14A
Sales	4,655	9,058	9,773	3,537	6,312	9,058	9,773	13,705	8,018	10,812	11,586	12,366
Cost of Goods Sold	3,003	5,995	6,408	2,484	4,148	5,995	6,408	8,798	5,101	6,833	7,327	7,833
Gross Profit	1,652	3,063	3,364	1,054	2,164	3,063	3,364	4,907	2,916	3,978	4,259	4,532
Other Operating Income	0	0	0	0	0	0	0	0	0	0	0	0
Operating Expenses	837	1,302	1,609	177	1,173	1,302	1,609	1,992	1,469	1,613	1,853	2,156
Operating EBIT	815	1,761	1,755	876	990	1,761	1,755	2,914	1,447	2,365	2,406	2,376
Depreciation and Amortisation	94	105	84	86	96	103	84	92	94	84	63	108
Operating EBITDA	909	1,866	1,839	962	1,086	1,864	1,839	3,006	1,542	2,449	2,469	2,484
Non-Operating Income	20	66	27	5	28	66	27	73	37	53	35	121
Interest Income	0	0	0	0	0	0	0	0	0	0	0	0
Other Non-op Income	20	66	27	5	28	66	27	73	37	53	35	121
Non-Operating Expenses	61	97	116	31	85	97	116	117	99	91	97	89
Interest Expenses	61	97	116	31	85	97	116	117	99	91	97	89
Other Non-op Expenses	0	0	0	0	0	0	0	0	0	0	0	0
Net Investment Income/(Loss)	0	0	0	0	0	0	0	0	0	0	0	0
Pretax Income	775	1,731	1,666	850	934	1,731	1,666	2,869	1,386	2,327	2,344	2,408
Current Taxation	142	322	309	351	160	322	309	608	322	457	507	526
Minorities	(0)	(0)	(0)	0	0	(0)	(0)	(1)	(1)	(0)	(1)	2
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0
Net Profit	633	1,409	1,357	499	773	1,409	1,357	2,262	1,065	1,871	1,838	1,881
EPS(Bt)	0.29	0.63	0.61	0.22	0.35	0.63	0.61	1.02	0.48	0.84	0.83	0.85
Margins												
Gross profit margin	35.5%	33.8%	34.4%	29.8%	34.3%	33.8%	34.4%	35.8%	36.4%	36.8%	36.8%	36.7%
Operating EBIT margin	17.5%	19.4%	18.0%	24.8%	15.7%	19.4%	18.0%	21.3%	18.1%	21.9%	20.8%	19.2%
Operating EBITDA margin	19.5%	20.6%	18.8%	27.2%	17.2%	20.6%	18.8%	21.9%	19.2%	22.7%	21.3%	20.1%
Net profit margin	13.6%	15.6%	13.9%	14.1%	12.3%	15.6%	13.9%	16.5%	13.3%	17.3%	15.9%	15.2%
Growth												
Revenue growth	N/A	N/A	N/A	N/A	35.6%	0.0%	0.0%	287.4%	27.0%	19.4%	18.6%	-9.8%
Operating EBIT growth	N/A	N/A	N/A	N/A	21.5%	0.0%	0.0%	232.5%	46.2%	34.3%	37.1%	-18.5%
Operating EBITDA growth	N/A	N/A	N/A	N/A	19.4%	-0.1%	0.0%	212.4%	42.0%	31.4%	34.3%	-17.4%
Net profit growth	N/A	N/A	N/A	N/A	22.1%	0.0%	0.0%	353.6%	37.7%	32.7%	35.4%	-16.9%

Source: Company data; KGI Research

Peer comparison - Key valuation stats

	Rating	Target price (Bt)	Current price (Bt)	Upside (%)	14 EPS (Bt)	15F EPS (Bt)	16F EPS (Bt)	15F EPS growth (%)	16F EPS growth (%)	15F PER (x)	16F PER (x)	15F PBV (X)	16F PBV (X)	15F Div Yield (%)	15F ROAE (%)
ANAN*	N	3.9	3.8	1.6	0.39	0.26	0.43	(33.3)	65.4	14.8	8.9	1.7	1.5	1.8	12.0
AP*	N	6.9	7.6	(8.6)	0.83	0.87	0.96	4.4	10.6	8.7	7.9	1.3	1.2	4.0	16.3
LH*	NR	10.7	9.9	8.2	0.80	0.63	0.72	(21.3)	14.3	15.7	13.8	2.6	2.4	5.2	18.3
LRN*	N	18.0	18.9	(4.8)	1.37	1.91	2.09	39.4	9.5	9.9	9.0	2.3	2.1	5.1	25.2
PACE	OP	5.2	3.8	37.6	(0.20)	0.14	0.45	171.7	211.7	26.4	8.5	2.0	1.6	0.0	9.6
PS*	OP	33.0	30.3	9.1	2.99	3.34	3.70	11.7	10.9	9.1	8.2	1.9	1.7	3.6	23.0
QH*	NR	4.9	3.9	24.9	0.36	0.39	0.43	8.3	10.3	10.0	9.1	1.7	1.5	4.9	18.6
SPAU*	OP	26.0	22.1	17.6	2.61	3.08	3.06	17.8	(0.5)	7.2	7.2	1.8	1.5	5.6	26.8
Sector	Neutral							15.1	14.6	12.7	9.1	1.9	1.7	3.8	18.7

Source: Bloomberg; KGI Research estimates

Balance Sheet

As of 31 Dec (Bt mn)	2012	2013	2014	2015F	2016F
Total Assets	43,821	56,194	61,033	66,917	68,718
Current Assets	40,989	52,291	56,028	61,964	63,869
Cash & ST Investments	1,566	1,815	971	1,112	1,113
Inventories	37,818	48,687	53,827	59,447	61,226
Accounts Receivable	0	0	0	0	0
Others	1,605	1,789	1,230	1,404	1,531
Non-current Assets	2,832	3,903	5,005	4,953	4,849
LT Investments	0	0	0	0	0
Net fixed Assets	2,535	3,565	4,628	4,485	4,339
Others	297	338	377	468	510
Total Liabilities	23,739	31,262	31,326	32,010	28,029
Current Liabilities	15,281	16,997	13,977	17,634	16,619
Accounts Payable	1,995	5,288	4,223	4,681	5,102
ST Borrowings	9,268	6,955	5,299	7,804	5,904
Others	4,018	4,754	4,454	5,149	5,612
Long-term Liabilities	8,458	14,265	17,350	14,376	11,410
Long-term Debts	8,258	14,008	17,002	14,002	11,002
Others	200	257	348	374	408
Shareholders' Equity	20,082	24,933	29,707	34,906	40,689
Common Stock	2,213	2,223	2,227	2,227	2,227
Capital Surplus	1,452	1,594	1,672	1,672	1,672
Retained Earnings	16,417	21,116	25,808	31,007	36,790
Preferred Stock	0	0	0	0	0

Source: Company data; KGI Research

Key Ratios

Year to 31 Dec	2012	2013	2014	2015F	2016F
Growth (% YoY)					
Sales	16.2	43.8	10.1	9.4	9.0
CP	34.1	42.5	15.8	10.0	9.5
EBITDA	32.0	39.8	14.7	10.7	9.1
NP	37.5	48.8	14.7	11.5	10.9
EPS	37.5	48.3	14.6	11.7	10.9
Profitability (%)					
Gross Margin	33.8	34.7	36.7	36.5	36.5
Operating Margin	19.3	19.1	20.1	20.2	20.3
EBITDA Margin	20.6	20.1	20.9	21.1	21.2
Net Profit Margin	14.4	14.9	15.6	15.9	16.1
ROAA	9.6	12.3	11.9	12.1	12.5
ROAE	21.0	25.8	24.4	23.0	21.8
Stability					
Gross Debt/Equity (%)	87.3	84.1	75.1	62.5	41.5
Net Debt/Equity (%)	79.5	76.8	71.8	59.3	38.8
Interest Coverage (x)	17.1	17.9	22.9	21.7	30.6
Interest & ST Debt Coverage (x)	0.5	1.0	1.5	1.1	1.7
Cash Flow Interest Coverage (x)	10.3	(5.4)	(0.8)	6.6	21.7
Cash Flow/Interest & ST Debt (x)	0.3	(0.3)	(0.1)	0.3	1.2
Current Ratio (x)	2.7	3.1	4.0	3.5	3.8
Quick Ratio (x)	0.2	0.2	0.2	0.1	0.2
Net Debt (Bt mn)	15,961	19,147	21,330	20,694	15,794
Per Share Data (Bt)					
EPS	1.8	2.6	3.0	3.3	3.7
CFPS	1.4	(1.0)	(0.1)	1.3	3.3
BM/PS	9.1	11.2	13.4	15.7	18.3
SPS	12.2	17.5	19.2	21.1	23.0
EBITDA/Share	2.5	3.5	4.0	4.5	4.9
DPS	0.5	0.9	1.0	1.1	1.2
Activity					
Asset Turnover (x)	0.6	0.8	0.7	0.7	0.8
Days Receivables	0.0	0.0	0.0	0.0	0.0
Days Inventory	754.6	622.8	690.5	695.5	679.7
Days Payable	35.4	52.4	64.1	54.7	55.1
Cash Cycle	719.2	570.3	626.4	640.8	624.6

Source: Company data; KGI Research

Profit & Loss

Year to 31 Dec (Bt mn)	2012	2013	2014	2015F	2016F
Sales	27,023	38,848	42,781	46,809	51,021
Cost of Goods Sold	17,890	25,350	27,095	29,723	32,399
Gross Profit	9,133	13,498	15,686	17,085	18,623
Other Operating Income	0	0	0	0	0
Operating Expenses	3,925	6,077	7,091	7,630	8,265
Operating EBIT	5,208	7,421	8,595	9,455	10,357
Depreciation and Amortisation	368	374	349	443	446
Operating EBITDA	5,576	7,795	8,944	9,898	10,803
Non-Operating Income	117	193	246	258	271
Interest Income	0	0	0	0	0
Other Non-op Income	117	193	246	258	271
Non-Operating Expenses	305	415	376	436	338
Interest Expenses	305	415	376	436	338
Other Non-op Expenses	0	0	0	0	0
Net Investment Income/(Loss)	0	0	0	0	0
Pretax Income	5,021	7,199	8,466	9,277	10,290
Current Taxation	1,123	1,399	1,812	1,855	2,058
Minorities	(0)	(1)	(1)	0	0
Extraordinary items	0	0	0	0	0
Net Profit	3,898	5,802	6,655	7,422	8,232
EPS (Bt)	1.76	2.61	2.99	3.34	3.70

Source: Company data; KGI Research

Cash Flow

Year to 31 Dec (Bt mn)	2012	2013	2014	2015F	2016F
Operating Cash Flow	3,249	(848)	1,058	3,223	7,658
Net Profit	3,898	5,802	6,655	7,422	8,232
Depreciation & Amortization	368	374	349	443	446
Change in Working Capital	(1,142)	(7,576)	(6,205)	(5,163)	(1,357)
Others	124	553	259	521	337
Investment Cash Flow	(120)	(1,388)	(1,360)	(364)	(308)
Net CAPEX	(134)	(1,405)	(1,412)	(300)	(300)
Change in LT Investment	0	0	0	0	0
Change in Other Assets	14	17	52	(65)	(8)
Free Cash Flow	3,128	(2,236)	(302)	2,858	7,350
Financing Cash Flow	(3,593)	2,485	(542)	(2,717)	(7,349)
Change in Share Capital	59	152	82	0	0
Net Change in Debt	(2,780)	3,436	1,338	(495)	(4,900)
Change in Other LT Liab.	(872)	(1,103)	(1,962)	(2,223)	(2,449)
Net Cash Flow	(465)	249	(844)	141	0

Source: Company data; KGI Research

Rates of Return on Invested Capital

Year	1- $\frac{\text{COGS}}{\text{Revenue}}$	+ $\frac{\text{Depreciation}}{\text{Revenue}}$	+ $\frac{\text{Operating Exp.}}{\text{Revenue}}$	= $\frac{\text{Operating Margin}}{\text{Revenue}}$
2012	66.1%	1.4%	13.3%	19.3%
2013	65.2%	1.0%	14.8%	19.1%
2014	63.3%	0.8%	15.8%	20.1%
2015F	63.4%	0.9%	15.4%	20.2%
2016F	63.4%	0.9%	15.4%	20.3%
Year	1/ $\frac{\text{Working Capital}}{\text{Revenue}}$	+ $\frac{\text{Net PPE}}{\text{Revenue}}$	+ $\frac{\text{Other Assets}}{\text{Revenue}}$	= $\frac{\text{Capital Turnover}}{\text{Revenue}}$
2012	1.2	0.1	0.0	0.7
2013	1.0	0.1	0.0	0.9
2014	1.1	0.1	0.0	0.8
2015F	1.1	0.1	0.0	0.8
2016F	1.0	0.1	0.0	0.9
Year	Operating Margin	x $\frac{\text{Capital Turnover}}{\text{Revenue}}$	x $\frac{\text{Cash Tax Rate}}{\text{Revenue}}$	= $\frac{\text{After-tax Return on Inv. Capital}}{\text{Revenue}}$
2012	19.3%	0.7	77.6%	11.2%
2013	19.1%	0.9	80.6%	13.6%
2014	20.1%	0.8	78.6%	13.2%
2015F	20.2%	0.8	80.0%	13.6%
2016F	20.3%	0.9	80.0%	14.7%

Source: Company data; KGI Research

Pruksa Real Estate - Recommendation & target price history



Date	Rating	Target	Price
24-Feb-15	Outperform	40.00	32.50
25-Mar-15	Outperform	33.00	28.25

Source: SET; KGI Research

KGI Locations

China	Shanghai	Room 1907-1909 , Tower A, No. 100 Zunyi Road, Shanghai, PRC 200051
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014

KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return* over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Neutral (N)	The stock's excess return* over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).1.3
Under perform (U)	The stock's excess return* over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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