

9 May 2012

Thailand | Property Development

Pruksa Real Estate

SET | Reuters | Bloomberg
PS | PS.BK | PS.TB



CG Rating 2011
5 | Excellent

BUY
(unchanged)

Price (8 May 2012)

Bt16.40

Flash Result

1Q12 EPS better than anticipated

12-month target price

Bt18 (+9.8%)

Expect further improvement in 2H, gradual recovery from floods

We attended an analyst meeting with PS in which management disclosed that they are maintaining their Bt26bn revenue target, up 12% YoY, as well as their presales target of Bt29bn. We anticipate a launch revision by PS in 2H12 if recovery is seen in the TH segment. The company plans to speed up construction from its backlog to meet its 2H12 revenue target. We continue to have a BUY on PS, with an upside of 12.5%.

1Q12 EPS up 78% QoQ, down 13% YoY

Net profit of Bt633m (EPS of Bt0.29) in 1Q12 was 13% better than our and 8% better than the market's expectation. The quarterly net profit accounts for 19% of our 2012F. 1Q12 revenue of Bt4.6bn, flat QoQ but down 14% YoY, was 6% above market expectation. 1Q12 revenue breakdown was 51% TH, 35% SDH, 9% condo and 4% international projects. Gross margin improved in 1Q12 by 40bp to 35.5% from 35.1% as PS recovered from the 4Q11 floods.

Bt5.67bn in 1Q12 net presales; up QoQ, but down 33% YoY

Presales and revenue have recovered from a 4Q11 bottom. During 1Q12 PS launched 7 projects worth Bt5.59bn (4 TH, 1 SDH, 2 Condos) with an average launch price of Bt2.1m. Presales improved in March helping PS achieve its 1Q presales target of 19%. Key highlight is the massive Pattanakarn project located in the northeastern region of Bangkok worth Bt12-15bn, sales for which PS plans to complete within 3 years.

90% of 2012F revenue secured from backlog of Bt33bn

We forecast 5% revenue growth in 2012, rising to Bt24.2bn (6.9% below management guidance of Bt26bn), with a conservative GM of 35.6%, down 110bp from 2011 levels. The company recently proposed an increase of its debt covenant to 2x from 1.5x, although it plans to maintain a D/E below 1.5x for 2012.

Maintain BUY, TP Bt18

We continue to like PS as the stock is trading at a PER of 8.5x 2013F. Our TP is derived from a 2013F PER of 10x (sector average).

CONSOLIDATED FINANCIAL SUMMARY

Year	2009	2010	2011	2012F	2013F	2014F
Sales (Bt, m)	18,966	23,307	23,263	24,212	27,755	32,751
EBITDA (Bt, m)	4,846	4,603	4,044	4,445	5,179	6,078
Net profit, b/f extra. (Bt, m)	3,622	3,488	2,835	3,260	3,958	4,667
Net profit, b/f extra growth (%)	53%	-4%	-19%	15%	21%	18%
Net profit (Bt, m)	3,622	3,488	2,835	3,260	3,958	4,667
Net profit growth (%)	53%	-4%	-19%	15%	21%	18%
EPS before extra (Bt)	1.64	1.58	1.28	1.48	1.79	2.11
EPS before extra growth (%)	53%	-4%	-19%	15%	21%	18%
DPS (Bt)	0.55	0.50	0.40	0.44	0.59	0.84
PER (X)	10.0	10.4	12.8	11.1	9.2	7.8
PCF (X)	18.6	n.a.	n.a.	1,082.4	42.4	24.5
PBV (X)	2.78	2.37	2.13	1.87	1.62	1.41
EV/EBITDA (X)	7.9	10.7	14.0	13.4	12.0	10.4
Yield (%)	3.4	3.0	2.4	2.7	3.6	5.2
ROE (%)	31.31	24.66	17.58	17.93	18.97	19.42
Net D/E (x)	0.1	0.8	1.1	1.2	1.1	1.0

Source: DB TISCO

Note : use average price for historical PER, PBV, Yield

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SHARE SUMMARY

Price:

52-week high	Bt21.00
52-week low	Bt10.40
52-week average	Bt15.52

Stock data:

Issued shares:	2,209.4m
Par value:	Bt1.0
Market capitalization:	Bt36.2bn
Market capitalization:	US\$1,168.8m
Avg. Daily Turnover:	Bt110.6m
Avg. Daily Turnover:	US\$3.6m
Foreign Limit:	40.0%
Foreign Ownership:	9.4%
Free Float:	25.8%
NVDR:	2.89%
Beta (3 years)	1.52X

TISCO's forecast vs. consensus

EPS (Bt)	TISCO	Consensus	% Diff.
2012F	1.48	1.52	(2.7)
2013F	1.79	1.96	(8.7)

Major Shareholders (28/03/12)

Vijitpongpun Group	70.2%
Rattana Promsawat	3.7%
Chase Nominees Limited 15	2.7%
Thai NVDR Co Ltd	2.5%
Thailand Equity Fund	1.4%

PRICE / PRICE RELATIVE



Source: Reuters

Performance (%)	-1m	-3m	-12m
PS	9.33	15.49	(22.64)
SET	4.11	12.53	14.79

Results brief

- 1Q12 net profit of Bt633m (EPS Bt0.29), down 13% YoY, up 78% QoQ, was 13% better than our and 8% better than the market's expectation. The quarterly net profit accounts for 19% of our 2012F.
- 1Q12 revenue of Bt4.6bn, flat QoQ, down 14% YoY, was 6% better than market expectation. 1Q12 revenue breakdown includes 51% TH, 35% SDH, 9% condo and 4% international projects. The quarterly revenue accounts for 19% of our 2012F.
- Gross margin improved in 1Q12 by 40bp to 35.5% from 35.1% as PS was one of the companies that suffered the most from floods in 4Q11.
- Since the beginning of 2012 the company has been scaling back its launch plan, resulting in selling and admin expenses as a percentage of sales at 18%, in line with our full year expectation of 18%.
- Corporate tax rate for PS was 18.3%, below the 23% expected, likely due to some Bol tax savings from a few of its projects.

Figure 1. Consolidated results

(Yr to Dec)	1Q12	YoY	QoQ	2012F	1Q % of 2012F
Total Revenue	4,655	-14%	0%	24,212	19%
Total Cost	3,003	-9%	-1%	15,592	19%
Gross Profit	1,652	-23%	1%	8,621	19%
S&A Expenses	837	-30%	-15%	4,358	19%
EBIT	835	-13%	22%	4,445	19%
Interest Expense	61	379%	6%	212	29%
Other Income	20	-29%	-52%	183	11%
Net Profit before Tax	775	-18%	23%	4,234	18%
Income Tax	142	-34%	-48%	974	15%
Net Profit before Extra. Items	633	-13%	78%	3,260	19%
Net Profit	633	-13%	78%	3,260	19%
EPS	0.29			1.48	

(%)	1Q12	1Q11	4Q11	2012F	2011
Gross margin	35.5	39.3	35.1	35.6	36.7
Operating margin	17.5	17.2	13.9	17.6	16.7
Net margin	13.6	13.5	7.6	13.5	12.2
SG&A/sales	18.0	22.2	21.2	18.0	20.0
Effective tax	18.3	22.6	43.6	23.0	27.4
Book value per share	8.0	7.2	7.7	8.8	7.7
Net debt/equity (x)	1.0	0.9	1.1	1.1	1.1

Source: Company data

New launch worth Bt12-15bn

PS plans to launch 3 out of 9 phases of its new project, worth Bt12-15bn, in 2Q12. The project is located at the northeastern section of Bangkok (Pattanakarn soi 32). The company expects to complete this project in 3 years focusing on townhouses and condominiums. The project is located 5km from Thonglor, in the non-flooded zone on a 400 rai land plot.

Figure 2. Pattanakarn project location map



Source: Company data

CONSOLIDATED INCOME STATEMENT (Bt, m)

	<u>Year Ended December 31,</u>				
	<u>2010</u>	<u>2011</u>	<u>2012F</u>	<u>2013F</u>	<u>2014F</u>
Total Revenue	23,307	23,263	24,212	27,755	32,751
Total Cost	14,561	14,724	15,592	17,763	20,961
Gross Profit	8,746	8,538	8,621	9,992	11,790
S&A Expenses	4,243	4,654	4,358	4,996	5,895
EBIT	4,603	4,044	4,445	5,179	6,078
Interest Expense	67	137	212	232	244
Net Result of Inv. In Asso.	0	0	0	0	0
Other Income	100	159	183	183	183
Net Profit before Tax	4,536	3,906	4,234	4,947	5,834
Income Tax	1,048	1,071	974	989	1,167
Net (Profit) Loss of M.I.	0	0	0	0	0
Net Profit before Extra. Items	3,488	2,835	3,260	3,958	4,667
Gain/(Loss) from FX	0	0	0	0	0
Other Gain/(Loss)	0	0	0	0	0
Gain from Sales of Investments	0	0	0	0	0
Net Profit	3,488	2,835	3,260	3,958	4,667
Revenue Growth (%)	22.9	(0.2)	4.1	14.6	18.0
Gross Margin (%)	37.5	36.7	35.6	36.0	36.0
Net Profit Margin (%)	15.0	12.2	13.5	14.3	14.3
Net Profit Growth (%)	(3.7)	(18.7)	15.0	21.4	17.9

CONSOLIDATED QUARTERLY RESULTS (Bt, m)

	<u>1Q11</u>	<u>2Q11</u>	<u>3Q11</u>	<u>4Q11</u>	<u>1Q12</u>
	Total Revenue	5,422	6,724	6,458	4,659
Total Cost	3,289	4,189	4,221	3,025	3,003
Gross Profit	2,133	2,535	2,237	1,633	1,652
S&A Expenses	1,203	1,245	1,218	988	837
EBIT	958	1,345	1,054	687	835
Interest Expense	13	32	35	57	61
Net Result of Inv. In Asso.	0	0	0	0	0
Other Income	28	55	35	42	20
Net Profit before Tax	945	1,312	1,019	630	775
Income Tax	214	325	258	275	142
Net (Profit) Loss of M.I.	0	0	0	0	0
Net Profit before Extra. Items	731	987	761	355	633
Gain/(Loss) from FX	0	0	0	0	0
Other Gain/(Loss)	0	0	0	0	0
Gain from Sales of Investments	0	0	0	0	0
Net Profit	731	987	761	355	633
Revenue Growth (YoY %)	(18.5)	13.7	71.7	(33.2)	(14.1)
Gross Margin (%)	39.3	37.7	34.6	35.1	35.5
Net Profit Margin (%)	13.5	14.7	11.8	7.6	13.6
Net Profit Growth (YoY %)	(40.5)	17.5	111.9	(66.5)	(13.4)

KEY FINANCIAL RATIOS

	<u>2010</u>	<u>2011</u>	<u>2012F</u>	<u>2013F</u>	<u>2014F</u>
Other Incomes to Total Revenue (%)	0.4	0.7	0.8	0.7	0.6
S&A to Sales (%)	18.2	20.0	18.0	18.0	18.0
Current (Times)	3.2	2.4	2.7	2.7	0.0
Quick (Times)	0.4	0.2	0.2	0.2	0.2
A/R Turnover (Days)	0.5	0.0	0.0	0.0	0.0
A/P Turnover (Days)	47.6	55.5	35.6	34.4	33.9
Debt to Equity (Times)	1.2	1.5	1.5	1.4	1.3
Net Debt to Equity (Times)	0.8	1.1	1.1	1.0	1.0
Gearing (Times)	0.9	1.2	1.2	1.2	1.1
Interest Coverage (Times)	72.1	31.1	22.2	23.5	26.1
Return on Avg. Assets (%)	13.2	7.5	7.3	7.8	8.3
Return on Avg. Equity (%)	24.7	17.6	17.9	19.0	19.4

CONSOLIDATED CASHFLOW STATEMENT (Bt, m)

	<u>Year Ended December 31,</u>				
	<u>2010</u>	<u>2011</u>	<u>2012F</u>	<u>2013F</u>	<u>2014F</u>
Cash Flows from Operations (CFO)					
Net Income	3,488	2,835	3,260	3,958	4,667
Adjusting Items Not Affecting Cash					
Depreciation and Amortization	235	235	255	275	295
Unrealized FX Loss (Gain)	0	0	0	0	0
Others	0	0	0	0	0
+ (-) in Working Capital	(13,815)	(8,331)	(3,481)	(3,378)	(3,482)
Net CFO	(10,092)	(5,262)	33	854	1,480
Cash Flows from Investing Activities (CFI)					
- (+) in Short-term Investment	0	0	0	0	0
- (+) in Investment in Affiliates	0	0	0	0	0
- (+) in Fixed Assets	(1,201)	(568)	(2,000)	(2,000)	(2,000)
Net CFI	(1,201)	(568)	(2,000)	(2,000)	(2,000)
Cash Flows from Financing Activities (CFF)					
+ (-) in Debt Financing	11,004	7,191	3,205	2,250	1,400
+ (-) in Other Long-Term Liabilities	0	0	0	0	0
+ (-) in Share Capital and Premium	(0)	37	0	0	0
+ (-) in Warrant	0	0	0	0	0
+ (-) in Equity Adjustment	0	0	0	0	0
- Cash Dividend Paid	(1,232)	(1,232)	(884)	(978)	(1,306)
Net CFF	9,772	5,997	2,321	1,272	94
Net Cash Increase (Decrease)	(1,521)	167	355	126	(426)

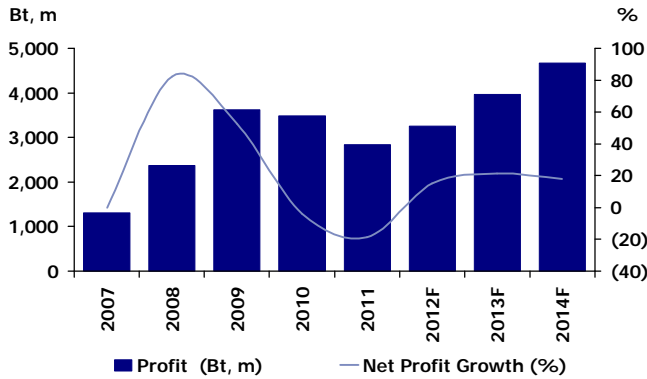
CONSOLIDATED BALANCE SHEET (Bt, m)

	<u>As of December 31,</u>				
	<u>2010</u>	<u>2011</u>	<u>2012F</u>	<u>2013F</u>	<u>2014F</u>
Current Assets	31,358	38,916	42,962	47,144	51,168
Current Liabilities	9,671	13,827	16,203	16,130	19,999
Total Assets	34,091	41,982	47,774	53,680	59,410
Total Liabilities	18,828	24,986	28,401	31,328	33,697
Minority Interest	0	0	0	0	0
Total Equity	15,263	16,996	19,373	22,352	25,713
Paid-up Capital	2,229	2,209	2,209	2,209	2,209
Share Premium	2,207	1,396	1,396	1,396	1,396
Warrant	0	0	0	0	0
Retained Earnings	11,695	13,391	15,767	18,747	22,108
Equity Adjustment	0	0	0	0	0
1Q12					
Market Cap (Bt, m)					36,234
Cash&cash equivalent (Bt, m)					1,030
Borrowings (Bt, m)					18,985
Gearing (X)					1.1

FORECAST ASSUMPTIONS

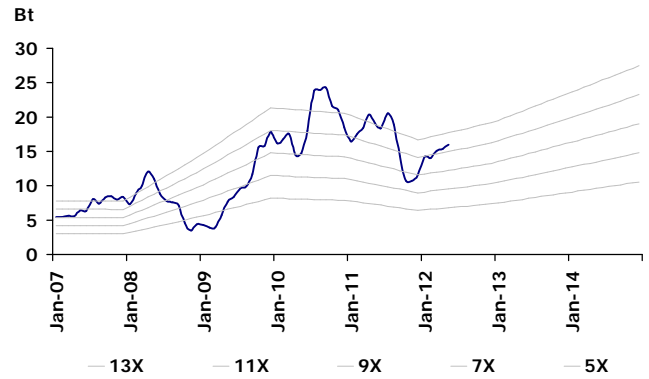
	<u>2010</u>	<u>2011</u>	<u>2012F</u>	<u>2013F</u>	<u>2014F</u>
Revenue growth (%)	22.9	(0.2)	4.1	14.6	18.0
Gross margin	37.5	36.7	35.6	36.0	36.0
SGA/sales (%)	18.2	20.0	18.0	18.0	18.0

Net profit



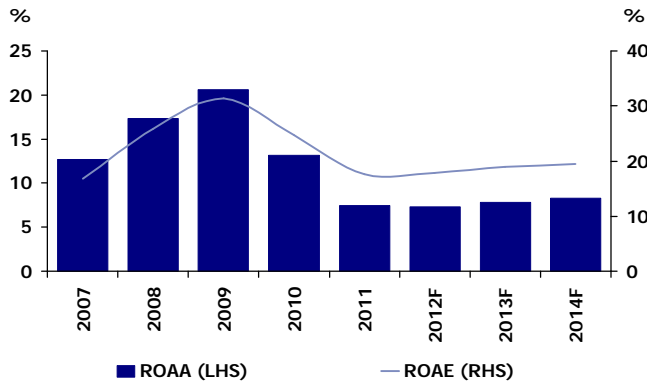
Sources : Company data, TISCO Research

PE Band



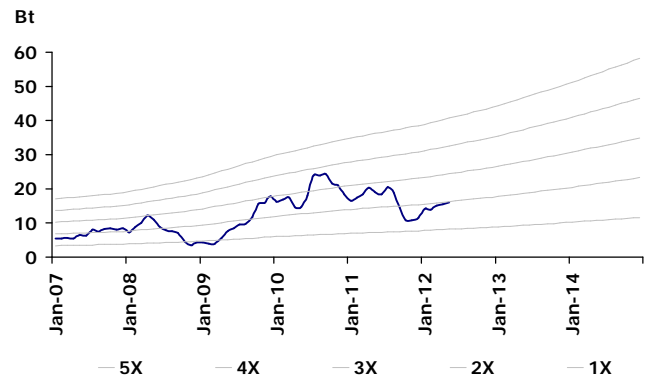
Sources : Company data, TISCO Research

ROAA, ROAE



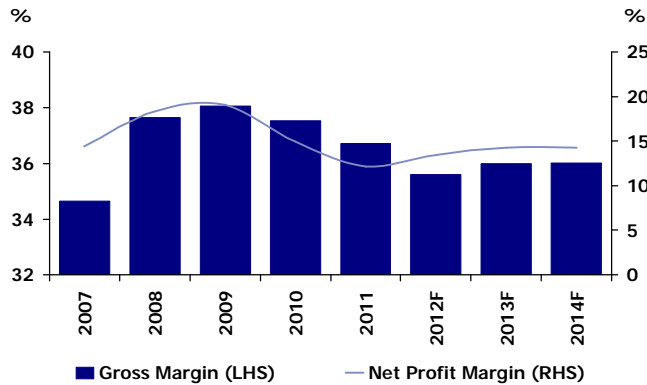
Sources : Company data, TISCO Research

PBV Band



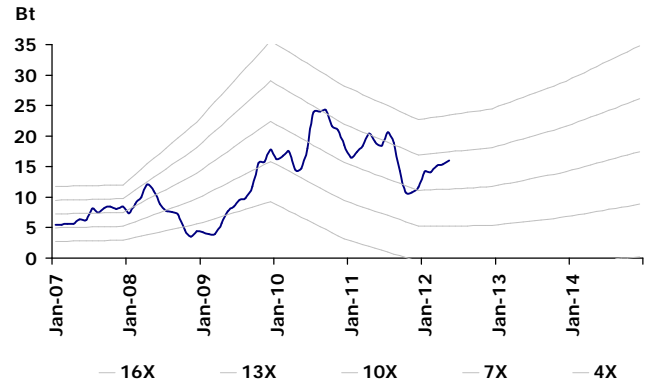
Sources : Company data, TISCO Research

Profit margin



Sources : Company data, TISCO Research

EV/EBITDA Band



Sources : Company data, TISCO Research

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	Score Range	Level	Description
 Corporate Governance Report of Thai Listed Companies 2011	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
	50 - 59	1	Pass
	< 50	n.a.	n.a.
		N/R	Does not appear in the CGR report

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