

Pruksa Real Estate

(PS.BK/PS TB)*

Outperform Maintained

Price as of 15 May 2015	24.40
12M target price (Bt/shr)	31.00
Unchanged / Revised up (down) (%)	(6.1)
Upside/downside (%)	27.0

Key messages

We revised down our 2015 earnings forecast for PS by 8% as we lowered our gross margin assumption due to the company's inventory clearing. However, revenue is still quite secure with 68% of our 2015 forecast secured. Strong revenue recognition is expected in 2Q15 as a large number of condo transfers are on schedule. We maintain a rating of Outperform with a target price of Bt31.00, revised down from Bt33.00 to reflect the earnings revision.

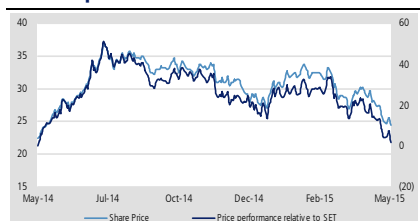
Trading data

Mkt cap (Btbn/US\$m)	54.4/1,625		
Outstanding shares (mn)	2,231		
Foreign ownership (mn)	266		
3M avg. daily trading (mn)	5.14		
52-week trading range (Bt)	22.2-37.00		
Performance (%)	3M	6M	12M
Absolute	-25.5	-21.9	9.9
Relative	-20.4	-18.6	2.1

Quarterly EPS

Bt	Q1	Q2	Q3	Q4
2013	0.35	0.63	0.61	1.02
2014	0.48	0.84	0.83	0.85
2015	0.48	N.A.	N.A.	N.A.

Share price chart



Source: SET

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Adjusted down our margin assumption

Event

We joined PS' analyst meeting to discuss its 1Q15 performance and outlook. Afterward we revised our earnings forecast down by 8% to reflect a lower-than-previously-expected margin.

Impact

Revise earnings down 8% to reflect a lower margin

We revised our 2015 earnings forecast for PS down 8% to Bt6.8bn as we lowered our gross profit margin assumption to 35%, from 36.5%. Margin has been pressured by the company clearing inventory by lowering prices or offering more promotions to close out projects which had only a few units left. Gross profit margin during 1Q15 declined YoY and QoQ to 34.1% as around Bt1bn out of the total revenue recognized of Bt8.3bn in the quarter was from old inventory clearing. We expect a better gross profit margin through the rest of the year as there are not many closing projects left.

Secured 68% of revenue; strong recognition expected in 2Q15 from condos

PS' 1Q15 revenue of Bt8.3bn and its backlog to be recognized this year of Bt23.6bn account for 68% of our revenue forecast of Bt46.8bn. We expect the selling of finished inventories to fill in the gap as PS currently has 177 active projects with an unsold value of Bt82bn. Revenue recognition is expected to be strong in 2Q15 as the company has five condos to be finished and start to transfer in the quarter with total project value of Bt10.4bn, of which Bt8.4bn has already sold.

Valuation & Action

We maintain a rating of Outperform on PS with a target price of Bt31.00, based on target PE of 10.0x (equivalent to average historical trading PE), revised down from Bt33.00 to reflect the lower earnings forecast due to a lower gross margin assumption.

Risks

Economic slowdown and increasing household debt.

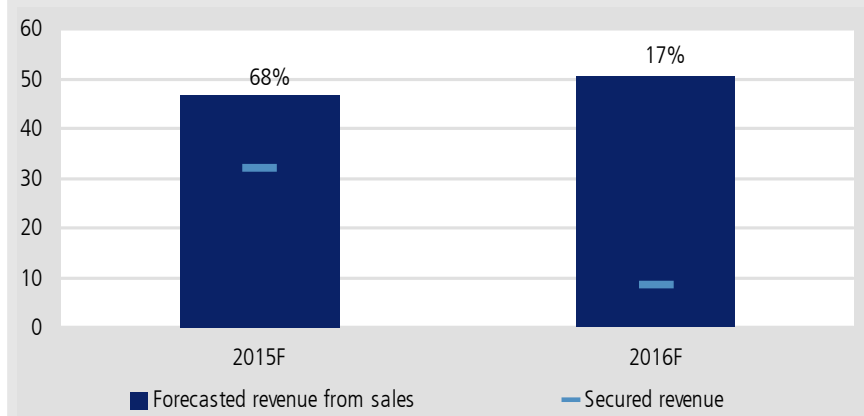
Key financials and valuations

	2012	2013	2014	2015F	2016F
Revenue (Btmn)	27,023	38,848	42,781	46,809	50,553
Gross Profit (Btmn)	9,133	13,498	15,686	16,383	17,946
EBIT (Btmn)	5,208	7,421	8,595	8,753	9,757
Net Profit (Btmn)	3,898	5,802	6,655	6,849	7,742
EPS (Bt)	1.76	2.61	2.99	3.08	3.48
DPS (Bt)	0.50	0.85	1.00	1.02	1.15
EPS Growth (%)	37.5	48.3	14.6	3.1	13.0
P/E (X)	13.9	9.3	8.2	7.9	7.0
P/B (X)	2.7	2.2	1.8	1.6	1.4
EV/EBITDA (X)	13.0	9.8	8.6	8.4	7.1
Net Debt to Equity (%)	79.5	76.8	71.8	61.9	40.7
Dividend Yield (%)	2.0	3.5	4.1	4.2	4.7
Return on Average Equity (%)	21.0	25.8	24.4	21.4	20.9

Source: KGI Research

Figure 1: 68% of 2015 total revenue has been secured

Forecasted revenue and secured revenue from 1Q15 revenue and backlog, Bt bn



Source: Company data; KGI Research estimates

Figure 2: Scheduled condo transfer in 2015 by quarter

	Launch	Transfer	Project value (Bt mn)	Presales (ended 1Q15)	Backlog (Bt mn)
Condolette Pixel Sathorn	Oct-13	2Q15	1,042	67.1%	699
Plum Condo Bangyai	Nov-13	2Q15	2,287	91.8%	2,099
The Editor	May-13	2Q15	1,182	98.2%	1,161
Fuse Chan Sathorn	Mar-13	2Q15	3,911	68.9%	2,695
Chapter One the Campus Kaset	Aug-13	2Q15	2,045	85.3%	1,744
Total 2Q15			10,467		8,398
The Tree Interchange	Sep-11	3Q15	4,517	93.1%	4,205
The Reserve	May-13	3Q15	1,859	76.9%	1,430
Chapter One the Campus Ladprao 1	Mar-14	3Q15	485	85.2%	413
Total 3Q15			6,861		6,048
Fuse Sence Bangkai	Nov-12	4Q15	1,795	50.9%	914
Plum Phaholyothin 89	Mar-13	4Q15	4,613	67.3%	3,105
Plum Park Rangsit	Aug-14	4Q15	3,065	49.5%	1,517
Plum Laem Chabang	Nov-14	4Q15	1,081	35.8%	387
Condolette Midst Rama 9	Jun-13	4Q15	1,854	61.0%	1,131
Total 4Q15			12,408		7,053
Total 2015			29,736		21,500

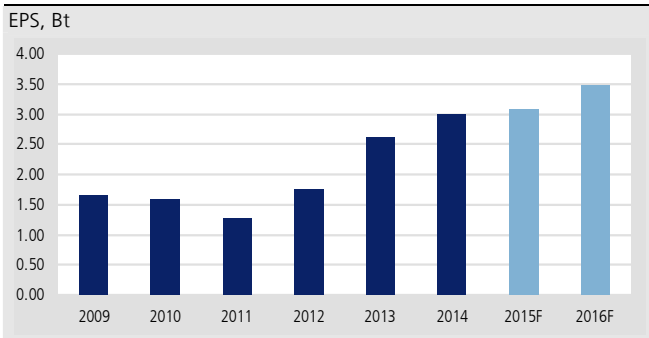
Source: Company data; KGI Research

Figure 3: 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.

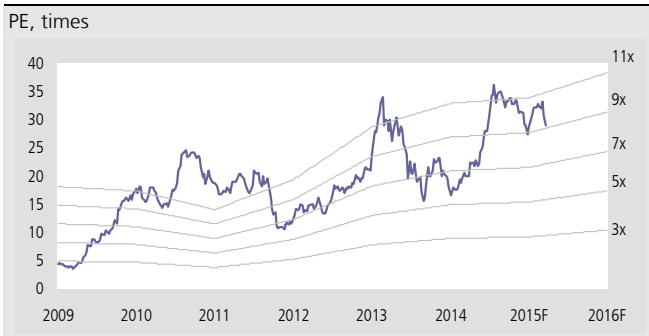
Source: Company data; KGI Research

Figure 5: EPS



Source: Company data; KGI Research

Figure 7: PE band



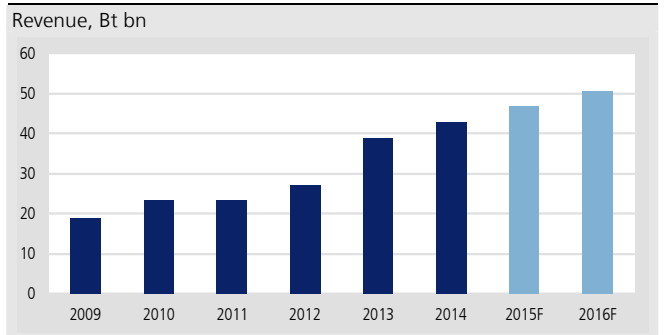
Source: SET; KGI Research

Figure 9: PBV band



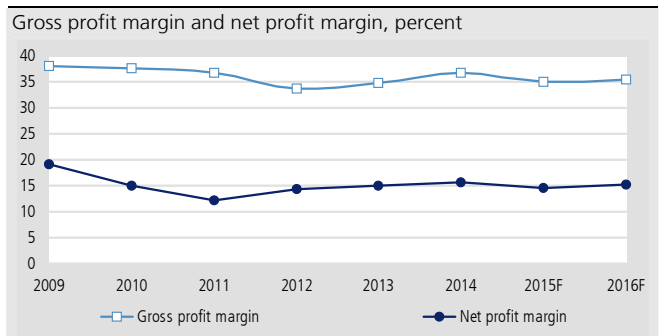
Source: SET; KGI Research

Figure 4: Revenue



Source: Company data; KGI Research

Figure 6: Gross profit margin and net profit margin



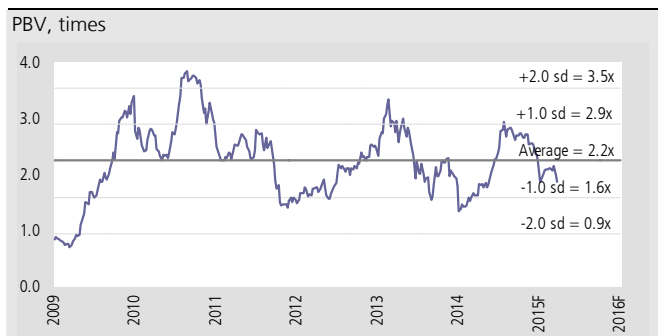
Source: Company data; KGI Research

Figure 8: Historical trading PE



Source: SET; KGI Research

Figure 10: Historical trading PBV



Source: SET; KGI Research

Quarterly Income Statement

(Bt mn)	Mar-13A	Jun-13A	Sep13A	Dec13A	Mar-14A	Jun-14A	Sep-14A	Dec-14A	Mar-15A
Sales	6,312	9,058	9,773	13,705	8,018	10,812	11,586	12,366	8,326
Cost of Goods Sold	4,148	5,995	6,408	8,798	5,101	6,833	7,327	7,833	5,484
Gross Profit	2,164	3,063	3,364	4,907	2,916	3,978	4,259	4,532	2,843
Other Operating Income	0	0	0	0	0	0	0	0	0
Operating Expenses	1,173	1,302	1,609	1,992	1,469	1,613	1,853	2,156	1,674
Operating EBIT	990	1,761	1,755	2,914	1,447	2,365	2,406	2,376	1,169
Depreciation and Amortisation	96	103	84	92	94	84	63	108	95
Operating EBITDA	1,086	1,864	1,839	3,006	1,542	2,449	2,469	2,484	1,264
Non-Operating Income	28	66	27	73	37	53	35	121	25
Interest Income	0	0	0	0	0	0	0	0	0
Other Non-op Income	28	66	27	73	37	53	35	121	25
Non-Operating Expenses	85	97	116	117	99	91	97	89	77
Interest Expenses	85	97	116	117	99	91	97	89	77
Other Non-op Expenses	0	0	0	0	0	0	0	0	0
Net Investment Income/(Loss)	0	0	0	0	0	0	0	0	(0)
Pretax Income	934	1,731	1,666	2,869	1,386	2,327	2,344	2,408	1,117
Current Taxation	160	322	309	608	322	457	507	526	226
Minorities	0	(0)	(0)	(1)	(1)	(0)	(1)	2	0
Extraordinary items	0	0	0	0	0	0	0	0	0
Net Profit	773	1,409	1,357	2,262	1,065	1,871	1,838	1,881	891
EPS (Bt)	0.35	0.63	0.61	1.02	0.48	0.84	0.83	0.85	0.48
Margins									
Gross profit margin	34.3%	33.8%	34.4%	35.8%	36.4%	36.8%	36.8%	36.7%	34.1%
Operating EBIT margin	15.7%	19.4%	18.0%	21.3%	18.1%	21.9%	20.8%	19.2%	14.0%
Operating EBITDA margin	17.2%	20.6%	18.8%	21.9%	19.2%	22.7%	21.3%	20.1%	15.2%
Net profit margin	12.3%	15.6%	13.9%	16.5%	13.3%	17.3%	15.9%	15.2%	10.7%
Growth									
Revenue growth	35.6%	0.0%	0.0%	287.4%	27.0%	19.4%	18.6%	-9.8%	3.9%
Operating EBIT growth	21.5%	0.0%	0.0%	232.5%	46.2%	34.3%	37.1%	-18.5%	-19.2%
Operating EBITDA growth	19.4%	-0.1%	0.0%	212.4%	42.0%	31.4%	34.3%	-17.4%	-18.0%
Net profit growth	22.1%	0.0%	0.0%	353.6%	37.7%	32.7%	35.4%	-16.9%	-16.3%

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*	OP	4.2	3.6	16.7	0.39	0.34	0.47	(12.8)	38.2	10.6	7.7	1.6	1.4	1.9	14.0
AP*	N	6.9	6.9	0.7	0.83	0.87	0.96	4.4	10.6	7.9	7.1	1.2	1.1	4.4	16.3
LH*	NR	10.0	9.2	8.5	0.80	0.63	0.72	(21.3)	14.3	14.6	12.8	2.4	2.2	5.6	18.3
LPN*	N	18.0	16.4	9.8	1.37	1.91	2.09	39.4	9.5	8.6	7.8	2.0	1.8	5.8	25.2
PACE	OP	5.2	3.0	74.5	(0.20)	0.14	0.45	171.7	211.7	20.8	6.7	1.6	1.3	0.0	9.6
PS*	OP	31.0	24.4	27.0	2.99	3.08	3.48	3.1	13.0	7.9	7.0	1.6	1.4	4.2	21.4
QH*	NR	4.1	2.8	46.0	0.36	0.39	0.43	8.3	10.3	7.1	6.5	1.2	1.1	6.9	18.6
SPALI*	OP	24.5	19.0	28.9	2.61	2.88	2.96	10.4	2.6	6.6	6.4	1.5	1.3	5.3	25.2
Sector	Neutral							12.0	13.1	10.5	7.7	1.6	1.4	4.3	18.6

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	67,044	68,342
Current Assets	40,989	52,291	56,028	62,091	63,498
Cash & ST Investments	1,566	1,815	971	1,239	1,317
Inventories	37,818	48,687	53,827	59,447	60,664
Accounts Receivable	0	0	0	0	0
Others	1,605	1,789	1,230	1,404	1,517
Non-current Assets	2,832	3,903	5,005	4,953	4,845
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	506
Total Liabilities	23,739	31,262	31,326	32,710	28,527
Current Liabilities	15,281	16,997	13,977	18,334	18,121
Accounts Payable	1,995	5,288	4,223	4,681	5,055
ST Borrowings	9,268	6,955	5,299	8,504	7,504
Others	4,018	4,754	4,454	5,149	5,561
Long-term Liabilities	8,458	14,265	17,350	14,376	10,406
Long-term Debts	8,258	14,008	17,002	14,002	10,002
Others	200	257	348	374	404
Shareholders' Equity	20,082	24,933	29,707	34,333	39,815
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	30,434	35,916
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	8.0
OP	34.1	42.5	15.8	1.8	11.5
EBITDA	32.0	39.8	14.7	2.8	10.9
NP	37.5	48.8	14.7	2.9	13.0
EPS	37.5	48.3	14.6	3.1	13.0
Profitability (%)					
Gross Margin	33.8	34.7	36.7	35.0	35.5
Operating Margin	19.3	19.1	20.1	18.7	19.3
EBITDA Margin	20.6	20.1	20.9	19.6	20.2
Net Profit Margin	14.4	14.9	15.6	14.6	15.3
ROAA	9.6	12.3	11.9	11.3	11.9
ROAE	21.0	25.8	24.4	21.4	20.9
Stability					
Gross Debt/Equity (%)	87.3	84.1	75.1	65.6	44.0
Net Debt/Equity (%)	79.5	76.8	71.8	61.9	40.7
Interest Coverage (x)	17.1	17.9	22.9	19.4	27.9
Interest & ST Debt Coverage (x)	0.5	1.0	1.5	1.0	1.2
Cash Flow Interest Coverage (x)	10.3	(5.4)	(0.8)	5.1	21.0
Cash Flow/Interest & ST Debt (x)	0.3	(0.3)	(0.1)	0.3	0.9
Current Ratio (x)	2.7	3.1	4.0	3.4	3.5
Quick Ratio (x)	0.2	0.2	0.2	0.1	0.2
Net Debt (Bt mn)	15,961	19,147	21,330	21,267	16,189
Per Share Data (Bt)					
EPS	1.8	2.6	3.0	3.1	3.5
CFPS	1.4	(1.0)	(0.1)	1.0	3.3
BVPS	9.1	11.2	13.4	15.4	17.9
SPS	12.2	17.5	19.2	21.1	22.7
EBITDA/Share	2.5	3.5	4.0	4.1	4.6
DPS	0.5	0.9	1.0	1.0	1.1
Activity					
Asset Turnover (x)	0.6	0.8	0.7	0.7	0.7
Days Receivables	0.0	0.0	0.0	0.0	0.0
Days Inventory	754.6	622.8	690.5	679.4	672.3
Days Payable	35.4	52.4	64.1	53.4	54.5
Cash Cycle	719.2	570.3	626.4	626.0	617.8

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	50,553
Cost of Goods Sold	17,890	25,350	27,095	30,426	32,607
Gross Profit	9,133	13,498	15,686	16,383	17,946
Other Operating Income	0	0	0	0	0
Operating Expenses	3,925	6,077	7,091	7,630	8,190
Operating EBIT	5,208	7,421	8,595	8,753	9,757
Depreciation and Amortisation	368	374	349	443	446
Operating EBITDA	5,576	7,795	8,944	9,196	10,203
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	450	350
Interest Expenses	305	415	376	450	350
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	8,561	9,678
Current Taxation	1,123	1,399	1,812	1,712	1,936
Minorities	(0)	(1)	(1)	0	0
Extraordinary items	0	0	0	0	0
Net Profit	3,898	5,802	6,655	6,849	7,742
EPS (Bt)	1.76	2.61	2.99	3.08	3.48

Source: Company data; KGI Research

Cash Flow

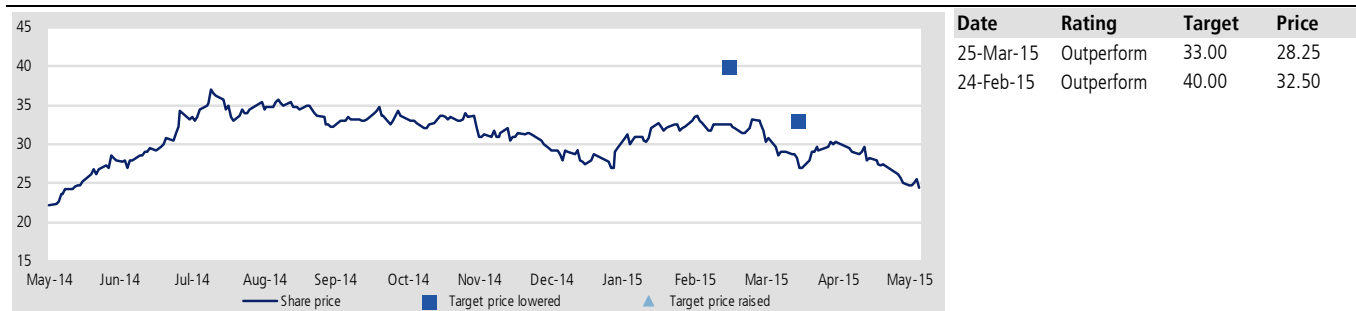
Year to 31 Dec (Bt mn)	2012	2013	2014	2015F	2016F
Operating Cash Flow	3,249	(848)	1,058	2,650	7,645
Net Profit	3,898	5,802	6,655	6,849	7,742
Depreciation & Amortization	368	374	349	443	446
Change in Working Capital	(1,142)	(7,576)	(6,205)	(5,163)	(843)
Others	124	553	259	521	300
Investment Cash Flow	(120)	(1,388)	(1,360)	(364)	(307)
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)	(7)
Free Cash Flow	3,128	(2,236)	(302)	2,286	7,338
Financing Cash Flow	(3,593)	2,485	(542)	(2,017)	(7,260)
Change in Share Capital	59	152	82	0	0
Net Change in Debt	(2,780)	3,436	1,338	205	(5,000)
Change in Other LT Liab.	(872)	(1,103)	(1,962)	(2,223)	(2,260)
Net Cash Flow	(465)	249	(844)	268	78

Source: Company data; KGI Research

Rates of Return on Invested Capital

Year	1- Revenue	+ COGS	+ Depreciation Revenue	+ Operating Exp. Revenue	= Operating Margin	
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	64.9%		0.9%	15.4%	18.7%	
2016F	64.4%		0.9%	15.4%	19.3%	
Year	1/ Revenue	+ Working Capital	+ Net PPE Revenue	+ Other Assets Revenue	= Capital Turnover	
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	Capital Turnover	x	Cash Tax Rate	= After-tax Return on Inv. Capital
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	18.7%		0.8		80.0%	12.6%
2016F	19.3%		0.9		80.0%	13.9%

Source: Company data; KGI Research

Pruksa Real Estate – Recommendation & target price history


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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