

# Pruksa Real Estate

## Net profit hit rock bottom in 1QFY15

THAILAND | SET | PROP | TRADE FLASH

BLOOMBERG PS TB | REUTERS PS.BK

21 May 2015

### 1QFY15 net profit likely to hit the bottom of the year

First-quarter net profit fell 16% y-y to Bt891mn. Revenue grew a mere 4% to Bt8.3bn in a lack of revenue recognition from large-scaled condo projects. About 87% of total revenue recognition came from low-rise projects. Gross margin narrowed down to 34% from a year-ago 36%, dragged by (1) a larger proportion of low-margin revenue recognition as PS offered special prices to the projects with take-up rate from 95% up and that allowed PS to close more than 20 projects in the quarter; (2) lower margin from townhouse projects after PS switched focused on the mid-income market, unlike low-end market; and (3) low utilization rate at 70% in pre-cast plant that resulted PS to recorded higher depreciation charges. The weaker profitability was a key reason hampering growth in the first quarter, as a result.

### FY15 presales targeted at Bt47bn (+27%); 4MFY15 presales make up 33% of the target

The four-month presales reached Bt15.3bn—a Bt10bn from low-rise projects accounted for 33% and a Bt4.5bn from high-rise ones represented 33% of the target each.

PS has planned to have launched 70-75 projects, worth a combined Bt55bn-Bt61bn and the developer opened only 14 projects in 1QFY15. The pace of presales is expected to be on par with that of the first four months of the year and then the full-year target should be achievable.

### Revenue on hand of Bt31.9bn makes up 67% of target; Profitability likely to improve and net profit seen 4% growth in 2015

Although disappointing 1QFY15 gross margin is likely to weaken the full-year profitability, there are few reasons not to concern about PS operating performance. For one thing, PS presented a track record of strong revenue and the developer has carried a massive revenue on hand of Bt31.9bn (1QFY15 revenue of Bt8.3bn, backlog to be realized in 2Q-4QFY15 of Bt23.6bn), which accounts for 67% of our FY15 revenue forecast of Bt47.9bn. For another, gross margin looks set to climb as (1) a number of projects that PS will offer buyers special prices in order for PS to close the projects sooner has been relatively low compared to that of the first quarter, (2) higher percentage of revenue recognition from condo project should help drive margin, and (3) utilization rate in pre-cast plant is expected to climb to 80% in 4QFY15, which should reduce fixed-cost. We expect gross margin to shrink to 34% from 36% in 2014 but a notable increase in revenue should offset high marketing expense while SG&A expense is likely to decline to 15% from 16% in 2014. For this reason, net profit is projected to grow 4% in 2015.

### Cheap valuation with stock trading on low PER; Profitability and revenue momentum building up, 'BUY' call for PS with a price target of Bt30.50.

Gross margin and revenue are expected to improve over the rest of the year but shares of PS are trading on undemanding PER of 8x, well below its historical level of 10x. We have a 'BUY' call for PS with a price target of Bt30.50.

### Buy (Maintain)

Closing Price(Bt) 25.00  
Target Price(Bt) 30.50 (+22%)

#### COMPANY DATA

O/S Shares (mn)	2,223
Market Cap. (Btmn)	55,769
Market Cap. (USDmn)	1,661
52-WK Hi/Lo (Bt)	37/21.8
3M Average Daily T/O (mn)	5.34
Par Value (Bt)	1.00

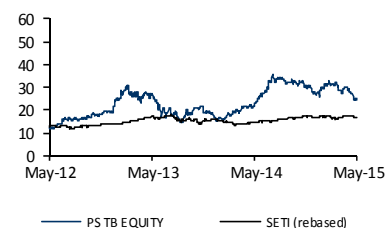
#### MAJOR SHAREHOLDERS (%) 16 March 2015

1. Mr.Thongma Vichitpongphant	54.4
2. UBS AG SINGAPORE BRANCH	4.5
3. Mrs.Malinee Vichitpongphant	3.8

#### PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	-13%	-21%	14%
REL TO SET INDEX	-11%	-16%	4%

#### PRICE VS SET INDEX



Source: Bloomberg, PSR

#### KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Sales(Btmn)	38,848	42,781	47,931	50,431
Net Profit(Btmn)	5,802	6,655	6,923	7,505
EPS (Bt)	2.61	2.99	3.06	3.31
P/E (X)	9.6	8.4	8.2	7.5
BVPS (Bt)	11.28	13.45	15.63	17.99
P/B (X)	2.2	1.9	1.6	1.4
DPS (Bt)	0.85	1.00	1.01	1.09
Dividend Yield (%)	3.4	4.0	4.0	4.4
ROE (%)	25.78	24.36	21.55	20.21
Debt/Equity (X)	1.94	1.53	1.29	1.36

Source: Company, PSR Est.

\*\*Multiples and yields are based on latest closing price

#### VALUATION METHOD

P/E'15 (10x)

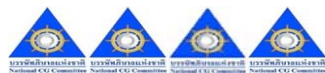
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## Corporate Governance -2014



BAFS	BCP	BTS	CPN	EGCO	GRAMMY	HANA	INTUCH	IRPC	TOP
KBANK	KKP	KTB	MINT	PSL	PTT	PTTEP	PTTGC	SAMART	IVL
SAT	SC	SCB	SE-ED	SIM	SPALI	TISCO	TMB	THCOM	SAMTEL



AAV	ACAP	ADVANC	ANAN	AOT	ASIMAR	ASK	ASP	BANPU	BAY
BBL	BECL	BIGC	BKI	BLA	BMCL	BROOK	CENTEL	CFRESH	CIMBT
CK	CNT	CPF	CSL	DELTA	DRT	DTAC	DTC	EASTW	EE
ERW	GBX	GC	GFPT	GUNKUL	HEMRAJ	HMPRO	ICC	KCE	KSL
LANNA	LH	LHBANK	LOXLEY	LPN	MACO	MC	MCOT	NBC	NCH
NINE	NKI	NMG	NSI	OCC	OFM	PAP	PE	PG	PHOL
PJW	PM	PPS	PR	PRANDA	PS	PT	QH	RATCH	ROBINS
RS	S & J	SAMCO	SCC	SINGER	SIS	SITHAI	SNC	SNP	SPI
SSF	SSI	SSSC	STA	SVI	TCAP	TF	THAI	THANI	TSTE
TIP	TIPCO	TK	TKT	TNITY	TNL	TOG	TRC	TRUE	
TSTH	TTA	TTW	TVO	UAC	VGI	VNT	WACOAL		



2S	AF	AH	AHC	AIT	AJ	AKP	AKR	AMANAHA	AMARIN
AMATA	AP	APCO	APCS	AQUA	ARIP	AS	ASIA	AYUD	BEAUTY
BEC	BFIT	BH	BJC	BJCHI	BOL	BTNC	BWG	CCET	CGD
CGS	CHOW	CI	CKP	CM	CMR	CSC	CSP	CSS	DCC
DEMCO	DNA	EA	ESSO	FE	FORTH	FPI	GENCO	GL	GLOBAL
GLOW	GOLD	HOTPOT	HTC	HTECH	HYDRO	IFS	IHL	INET	IRC
IRCP	ITD	KBS	KGI	KKC	KTC	L&E	LRH	LST	MAJOR
MAKRO	MATCH	MBK	MBKET	MEGA	MFC	MFEC	MJD	MODERN	MONO
MOONG	MPG	MTI	NC	NTV	NUSA	NWR	NYT	OGC	OISHI
PACE	PATO	PB	PDI	PICO	PPM	PPP	PREB	PRG	PRIN
PTG	QLT	QTC	RCL	SABINA	SALEE	SCBLIF	SCCC	SCG	SEAFCO
SEAOIL	SFP	SIAM	SIRI	SKR	SMG	SMK	SMPC	SMT	SOLAR
SPC	SPCG	SPPT	SST	STANLY	STEC	STPI	SUC	SWC	SYMC
SYNEX	SYNTEC	TASCO	TBSP	TEAM	TFD	TFI	THANA	THIP	THREL
TIC	TICON	TIW	TKS	TLUXE	TMI	TMT	TNDT	TPC	TPCORP
TRT	TRU	TSC	TTCL	TUF	TVD	TWFP	UMI	UP	UPF
UPOIC	UT	UV	UWC	VIH	WAVE	WHA	WIN	WINNER	YUASA
ZMICO									

### Results Presentation

#### Score Range

< 50%  
50-59%  
60-60%  
70-79%  
80-89%  
90-100%

#### Number of Logo



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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	PF&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
Technology [TECH]	Transportation & Logistics	TRANS
	Electronic Components	ETRON
	Information & Communication Technology	ICT

## PSR Rating System

Capital Gain	Recommendation
> +10%	Buy
0% to + 10%	Neutral
< 0%	Sell

### Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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Consumer,  
ICT, Energy, Health  
Care  
Construction, Property  
Development  
Agro & Food,  
Electronics  
Transportation, Media  
& Publishing,  
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Materials, Construction

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