

## Pruksa Real Estate

### 2Q15-4Q15 profit to grow gradually

1H15 presales of B24bn made up 51% of the full-year target, while current backlog is projected to generate at least 70% of the income goal. 2Q15-4Q15 profit is expected to grow gradually owing to condominiums transfer. We reiterate BUY for 42% upside.

#### 1H15 presales meets target

Since there were long holidays in April, PS had fewer visitors, so presales dropped to B2.5bn in April and then rebounded to B4.25bn in May and B4.38bn in June. PS's 2Q15 presales were B11.1bn (dropping 12.4%qoq), B9.48bn (85%) from low-rise projects and B1.7bn (15%) from condominiums. PS launched 13 new projects in 2Q15, 12 low-rise projects valued B7.31bn and one condominium, which is 1,338-unit The Tree Elegance Tiwanon valued B2.7bn; 47% of 480 available-for-sale units were presold already (officially launched in mid-July). 1H15 presales were B24bn, jumping 33.5%yoy and making up 51% of our full-year target of B46.7bn, growing 19.5%yoy (close to the company's target of B47bn).

#### 2Q15-4Q15 profit to grow gradually

PS's profit is projected to grow gradually in 2Q15-4Q15 owing to transfers of 13 new condominiums (see next page). Income from low-rise projects is expected to rise as presales have been high and business cycle has decreased from 87 days in 2014 to about 70 days. We maintain our projection on full-year income from property sales at B46bn, growing 8.2% yoy; current backlog is projected to generate at least 70% of the income goal this year. Normalized profit margin is expected to fall from 15.6% in 2014 to 13.8%, making the year's low at 10.7% in 1Q15 due to clearance discount, and then rebound as transfers of projects would generate more profit in the next quarters. Overall, we estimate PS's FY2015 net profit at B6.39bn.

#### High upside, 4% dividend yield

We maintain FY2015 fair value at B34.46, with 12x P/E ratio and as high as 42% upside. Expected average dividend yield is 4%. As current P/E ratio is 8.4x, we reiterate buying for long-term investment.

#### Key Data

FY: Dec 31	FY13A	FY14A	FY15F	FY16F	FY17F
Sales (Bm)	38,848	42,781	46,307	48,338	49,319
Net Profit (Bm)	5,802	6,655	6,394	6,686	6,852
Norm. Profit (Bm)	5,802	6,655	6,394	6,686	6,852
Norm. EPS (B)	2.61	2.99	2.87	3.00	3.08
PER (x)	9.3	8.1	8.4	8.1	7.9
DPS (B)	0.85	1.00	0.98	1.02	1.05
Dividend Yield (%)	3.5	4.1	4.0	4.2	4.3
BV (B)	11.2	13.3	15.2	17.2	19.3
PBV (x)	2.16	1.81	1.59	1.40	1.26

Source : ASPS Research

PS

Rec. : BUY



Current Price (B): 24.20

Target Price (B): 34.46

Upside : 42.4%

Dividend Yield : 4.0%

Total Return : 46.4%

Market Cap. (Bm) : 53,984

CG Score ▲▲▲▲▲

#### Technical Chart



#### ASPS vs IAA consensus

EPS (B)	ASP	Cons	% diff
2015F	2.87	3.03	-5%
2016F	3.00	3.43	-12%

Source : IAA consensus and ASPS

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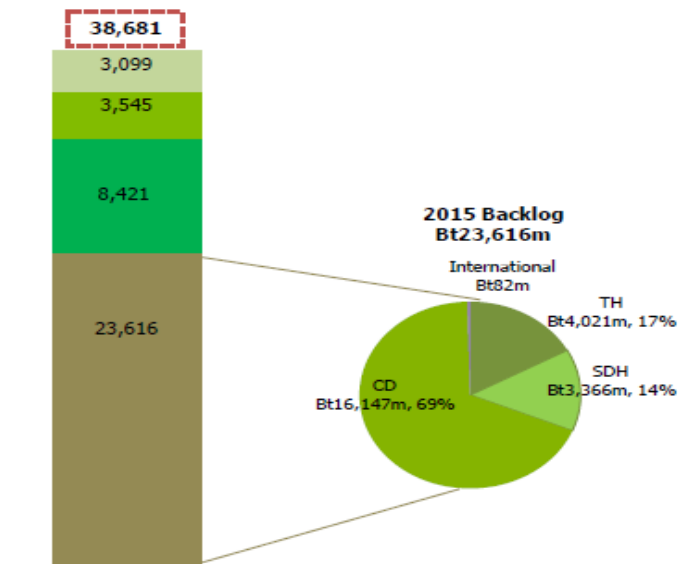
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## Operating Result by Quarter

Key Data (Bm)	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14	1Q15	% QoQ	% YoY	2014	2013	% YoY
Core Business	9,773	13,705	8,018	10,812	11,586	12,366	8,326	-32.7%	3.9%	42,781	38,848	10.1%
Cost of Sales	6,408	8,798	5,101	6,833	7,327	7,833	5,484	-30.0%	7.5%	27,095	25,350	6.9%
Gross Profit	3,364	4,907	2,916	3,978	4,259	4,532	2,843	-37.3%	-2.5%	15,686	13,498	16.2%
SG&A	1,609	1,992	1,467	1,613	1,853	2,157	1,674	-22.4%	14.1%	7,091	6,077	16.7%
EBITDA	1,866	3,078	1,583	2,500	2,505	2,602	1,289	-50.4%	-18.6%	9,190	7,988	15.0%
Net Profit	1,357	2,263	1,065	1,871	1,838	1,881	891	-52.6%	-16.3%	6,655	5,802	14.7%
Norm Profit	1,357	2,263	1,065	1,871	1,838	1,881	891	-52.6%	-16.3%	6,655	5,802	14.7%
Norm EPS	0.61	1.02	0.48	0.84	0.83	0.84	0.40	-52.5%	-16.3%	2.99	2.61	14.5%
Gross Margin (%)	34.4%	35.8%	36.4%	36.8%	36.8%	36.7%	34.1%			36.7%	34.7%	
Norm Profit Margin (%)	13.8%	16.4%	13.2%	17.2%	15.8%	15.1%	10.7%			15.5%	14.9%	

Source : Financial Statement / ASPS Research

## B38.6bn End-1Q15 Backlog



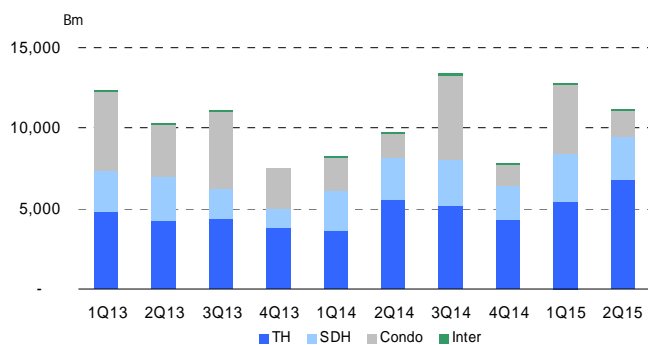
Source : PS

## Condominiums Complete in 2015

Projects	Value (Bm)	Ready for End-1Q15		
		Sales	Presales	Backlog
Condolette Pixel Sathorn	1,042	2Q15	67%	699
Plum Condo Bang Yai	2,287	2Q15	92%	2,099
The Editor	1,182	2Q15	98%	1,161
Fuse Chan Sathorn	3,911	2Q15	69%	4,156
Chapter One The Campus Kaset	2,045	2Q15	85%	1,744
The Tree Interchange	4,517	3Q15	93%	4,205
The Reserve (Kasemsan 3)	1,859	3Q15	77%	1,430
Chapter One The Campus Ladprao 1	485	3Q15	85%	413
Fuse Sense Bangkai	1,795	4Q15	51%	914
Plum Phaholyothin 89 (Phase 1-5)	4,613	4Q15	67%	3,105
Plum Park Rangsit	3,065	4Q15	50%	1,517
Plum Laemchabang	1,081	4Q15	36%	387
Condolette Midst Rama 9	1,854	4Q15	61%	1,131
<b>Total</b>	<b>29,736</b>		<b>77%</b>	<b>22,961</b>

Source : PS

## Quarterly Presales



Source : ASPS Research

## Key Risks

1. Since PS focuses on middle- and low-income customers that depend on housing loans from commercial banks, increasing household debt may result in higher rejection rate.
2. Compared with 2015, PS's backlog would generate weaker income in 2016, so PS's profit is not likely to grow significantly in 2016.

Source : ASPS Research

## 2015-2017 Earnings Forecast

Income Statement (Bm)					Cash Flows Statement (Bm)				
Ended 31 Dec.	2014	2015F	2016F	2017F	Ended 31 Dec.	2014	2015F	2016F	2017F
Sales	42,781	46,307	48,338	49,319					
Cost of sales	27,095	30,794	32,145	32,797	Net Profit	6,655	6,394	6,686	6,852
<b>Gross profit</b>	<b>15,686</b>	<b>15,513</b>	<b>16,193</b>	<b>16,522</b>	Adjustments for :	2,283	1,961	2,007	2,025
SG&A	7,091	7,409	7,734	7,891	Depreciation and amortisation	349	349	349	349
Interest expenses	376	363	336	313	Unrealized (gain) loss on exchange rate	-	-	-	-
Shared profit	-	-	-	-	Shared profit	-	-	-	-
Other incomes	246	251	233	247	Changes in operating assets and liabilities	(7,257)	(4,599)	(5,070)	(5,205)
Profit before income taxes	8,466	7,992	8,357	8,565	<b>Net Cash flows from operating activities</b>	<b>2,029</b>	<b>4,104</b>	<b>3,971</b>	<b>4,021</b>
Income taxes	1,812	1,598	1,671	1,713					
Minority interest	1	-	-	-	Increase / Decrease in short term investment	336	-	-	-
Extraordinary items	-	-	-	-	Increase / Decrease in other investment	-	-	-	-
<b>Net Profit</b>	<b>6,655</b>	<b>6,394</b>	<b>6,686</b>	<b>6,852</b>	Increase / Decrease from fixed assets	(1,299)	(218)	(229)	(240)
EPS	<b>2.99</b>	<b>2.87</b>	<b>3.00</b>	<b>3.08</b>	<b>Net cash flows from investing activities</b>	<b>(963)</b>	<b>(218)</b>	<b>(229)</b>	<b>(240)</b>
<b>Norm. profit</b>	<b>6,655</b>	<b>6,394</b>	<b>6,686</b>	<b>6,852</b>					
<b>Norm. EPS</b>	<b>2.99</b>	<b>2.87</b>	<b>3.00</b>	<b>3.08</b>	Increase (decrease) in loans	1,347	(1,910)	(1,311)	(1,396)
					Proceeds from capital & share premium	69	-	-	-
Sales Growth (%)	10.1%	8.2%	4.4%	2.0%	Others	(1,105)	-	-	-
Norm. Profit Growth (%)	-15%	4%	-5%	-2%	Dividend paid	(1,890)	(2,200)	(2,224)	(2,301)
Gross Profit Margin (%)	36.7%	33.5%	33.5%	33.5%	<b>Net cash flows from financing activities</b>	<b>(1,579)</b>	<b>(4,110)</b>	<b>(3,534)</b>	<b>(3,697)</b>
Norm. Profit Margin (%)	15.6%	13.8%	13.8%	13.9%	<b>Net increase in cash and cash equivalents</b>	<b>(512)</b>	<b>(223)</b>	<b>208</b>	<b>83</b>
Quarter Income Statement (Bm)					Balance Sheet (Bm)				
	2Q14	3Q14	4Q14	1Q15	Ended 31 Dec.	2014	2015F	2016F	2017F
Sales	10,812	11,586	12,366	8,326	Cash and cash equivalents	524	300	508	592
Cost of sales	6,833	7,327	7,833	5,484	Trade and other receivables	-	-	-	-
<b>Gross profit</b>	<b>3,978</b>	<b>4,259</b>	<b>4,532</b>	<b>2,843</b>	Inventories	53,827	56,518	59,344	62,311
SG&A	1,613	1,853	2,157	1,674	Current assets	1,230	1,230	1,230	1,230
Interest expenses	91	97	89	77	Long-term investment	-	-	-	-
Shared profit	-	-	-	(0)	PP&E	4,357	4,575	4,804	5,044
Other incomes	53	35	121	25	<b>Total assets</b>	<b>61,033</b>	<b>63,719</b>	<b>66,982</b>	<b>70,273</b>
Profit before income taxes	2,327	2,344	2,407	1,117	Trade and other payables	2,129	2,531	2,642	2,778
Income taxes	457	507	523	226	Short-term (one-year) loans	5,299	9,051	10,510	7,544
Minority interest	0	1	(2)	(0)	Other current liabilities	6,549	6,549	6,549	6,549
Extraordinary items	-	-	-	-	Long-term loans/ bonds	17,002	11,340	8,570	10,141
<b>Net Profit</b>	<b>1,871</b>	<b>1,838</b>	<b>1,882</b>	<b>891</b>	<b>Total liabilities</b>	<b>31,326</b>	<b>29,819</b>	<b>28,619</b>	<b>27,359</b>
<b>Norm. profit</b>	<b>1,871</b>	<b>1,838</b>	<b>1,882</b>	<b>891</b>	Paid-up share capital	2,227	2,227	2,227	2,227
					Share premium	1,672	1,672	1,672	1,672
					Retained earnings	25,929	30,123	34,585	39,136
Sales Growth (QoQ)	34.8%	7.2%	6.7%	-32.7%	<b>Total shareholders' equity</b>	<b>29,706</b>	<b>33,900</b>	<b>38,362</b>	<b>42,912</b>
Gross Profit Margin (%)	36.8%	36.8%	36.7%	34.1%	<b>Minority interest</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>
Norm. Profit Margin (QoQ)	75.7%	-1.7%	2.4%	-52.7%	<b>Total liabilities and shareholders' equity</b>	<b>61,033</b>	<b>63,719</b>	<b>66,982</b>	<b>70,273</b>
Financial Ratio					Financial Assumption				
Ended 31 Dec.	2014	2015F	2016F	2017F	Ended 31 Dec.	2014	2015F	2016F	2017F
Current Ratio (X)	4.01	3.23	3.12	3.83	Interim presales	39,090	46,703	48,305	49,986
Inventory Turnover (X)	0.53	0.56	0.55	0.54	Income from property sales	42,781	46,307	48,338	49,319
A/C Payable Turnover (X)	12.84	13.22	12.43	12.10	Gross Margin (%)	36.7%	33.5%	33.5%	33.5%
Debt to Equity (X)	1.05	0.88	0.75	0.64	Norm Profit Margin (%)	15.6%	13.8%	13.8%	13.9%
ROA (%)	11.4%	10.3%	10.2%	10.0%	SG&A/Sale	16.0%	16.0%	16.0%	16.0%
ROE (%)	24.4%	20.1%	18.5%	16.9%	Effective Tax Rate	20.0%	20.0%	20.0%	20.0%

Source : Financial Statement / ASPS Research