

## Pruksa Real Estate

### Good profit in 2Q15 and 2H15

PS's profit grew as much as 1.4x qoq to B2.16bn in 2Q15; a continuous growth is foreseen in 2H15 from eight new ready-to-transfer condominium projects. The current backlog accounts for 90% of this year revenue target. The share price still has 43% upside.

#### ■ 2Q15 profit grows 1.4x qoq

PS posted 2Q15 net profit of B2.16bn, growing 1.4x qoq. Revenue from property sales expanded 68.5%qoq to B14bn; B568m of which came from land sales and B13.4bn from property transfer (68% were low-rise projects and 32% were condominium projects). In terms of profitability, average gross margin dropped from 34% in 1Q15 to 32.4% because of price reduction to accelerate closure of outstanding projects. However, SG&A/sales lowered to 13% from increasing revenue base, so normalized profit margin rose to 15.5%. Net gearing decreased to 0.7x.

#### ■ Backlog already accounts for 90% of revenue target

PS has kept its 2015 sales target at B47bn. 1H15 presales made up 51% of the full-year target, in line with our projection. The company also planned to launch 40 more projects, worth of B30bn in total, in 2H15; plus its ready-for-sale inventory of B80bn, PS would be able to achieve presales target easily this year. In addition, revenue target in 2015 is B47bn; the company already has backlog of B36bn and is expecting B20bn revenue in 2H15, accounting for 90% of its revenue target. Consequently, we maintain our forecast, projecting FY2015 profit at B6.39bn.

#### ■ Buy. Good profit to continue in 3Q15-4Q15

We maintain FY2015 fair value at B34.46, which implies 43% upside. Dividend yield can be expected at 4%p.a. on average. We reiterate BUY. PS's profit would remain good in 3Q15 and 4Q15. There would be continuous transfer of condominium units since 2Q15 and five new condominium projects in 3Q15, totaling B6.89bn, while five more condominium projects will be ready for transfer in 4Q15, totaling B12bn.

#### 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)            | 9.2    | 8.1    | 8.4    | 8.0    | 7.8    |
| DPS (B)            | 0.85   | 1.00   | 0.98   | 1.02   | 1.05   |
| Dividend Yield (%) | 3.5    | 4.1    | 4.1    | 4.2    | 4.3    |
| BV (B)             | 11.2   | 13.3   | 15.2   | 17.2   | 19.3   |
| PBV (x)            | 2.15   | 1.81   | 1.58   | 1.40   | 1.25   |

Source : ASPS Research

PS

Rec. : BUY



Current Price (B): 24.10

Target Price (B): 34.46

Upside : 43.0%

Dividend Yield : 4.1%

Total Return : 47.1%

Market Cap. (Bm) : 53,761

CG Score ▲▲▲▲▲

#### Technical Chart



#### ASPS vs IAA consensus

| EPS (B) | ASPS | Cons | %diff |
|---------|------|------|-------|
| 2015F   | 2.87 | 2.95 | -3%   |
| 2016F   | 3.00 | 3.32 | -10%  |

Source: IAA consensus and ASPS

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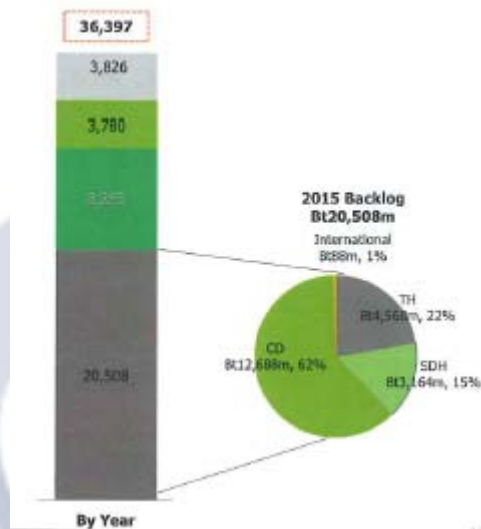
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## Operating Result by Quarter

| Key Data (Bm)            | 4Q56   | 1Q14  | 2Q14   | 3Q14   | 4Q14   | 1Q15  | 2Q15   | % QoQ  | % YoY | 1H15   | 1H14   | % YoY |
|--------------------------|--------|-------|--------|--------|--------|-------|--------|--------|-------|--------|--------|-------|
| Core business            | 13,705 | 8,018 | 10,812 | 11,586 | 12,366 | 8,326 | 14,031 | 68.5%  | 29.8% | 22,358 | 18,829 | 18.7% |
| Cost of Sales            | 8,798  | 5,101 | 6,833  | 7,327  | 7,833  | 5,484 | 9,492  | 73.1%  | 38.9% | 14,976 | 11,935 | 25.5% |
| Gross Profit             | 4,907  | 2,916 | 3,978  | 4,259  | 4,532  | 2,843 | 4,539  | 59.7%  | 14.1% | 7,382  | 6,895  | 7.1%  |
| Selling & Admin expenses | 1,992  | 1,467 | 1,608  | 1,853  | 2,162  | 1,674 | 1,807  | 8.0%   | 12.4% | 3,481  | 3,076  | 13.2% |
| EBITDA                   | 3,078  | 1,583 | 2,500  | 2,505  | 2,602  | 1,289 | 2,866  | 122.3% | 14.6% | 4,155  | 4,084  | 1.7%  |
| Net Profit               | 2,263  | 1,065 | 1,871  | 1,838  | 1,881  | 891   | 2,168  | 143.3% | 15.9% | 3,059  | 2,935  | 4.2%  |
| Norm Profit              | 2,263  | 1,065 | 1,871  | 1,838  | 1,881  | 891   | 2,168  | 143.3% | 15.9% | 3,059  | 2,935  | 4.2%  |
| Norm EPS                 | 1.02   | 0.48  | 0.84   | 0.83   | 0.85   | 0.40  | 0.97   | 143.3% | 15.6% | 1.371  | 1.320  | 3.9%  |
| Gross Margin (%)         | 35.8%  | 36.4% | 36.8%  | 36.8%  | 36.7%  | 34.1% | 32.4%  |        |       | 33.0%  | 36.6%  |       |
| Norm Profit Margin (%)   | 16.5%  | 13.3% | 17.3%  | 15.9%  | 15.2%  | 10.7% | 15.5%  |        |       | 13.7%  | 15.6%  |       |

Source : Financial Statement / ASPS Research

## B38.6bn End-2Q15 Backlog



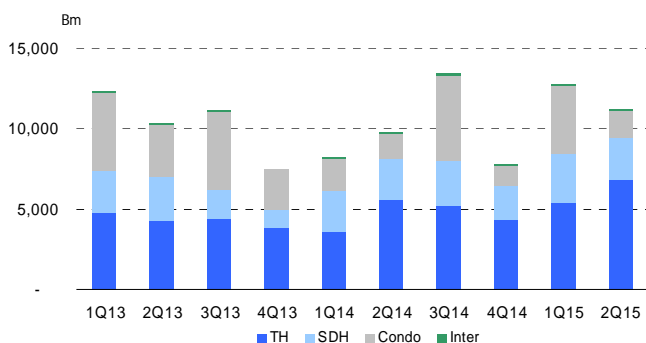
Source : PS

## Condominiums Complete in 2H15

| Projects                          | Value (Bm)    | Ready for Sales | Presale end of 2Q15 | Backlog       |
|-----------------------------------|---------------|-----------------|---------------------|---------------|
| The Tree Interchange              | 4,531         | 3Q58            | 92%                 | 4,169         |
| The Reserve (Kasemsan 3)          | 1,874         | 3Q58            | 77%                 | 1,443         |
| Chapter One The Campus ลาดพร้าว 1 | 486           | 3Q58            | 89%                 | 433           |
| Fuse Sense บางแค                  | 1,795         | 4Q58            | 52%                 | 933           |
| Plum พหลโยธิน 89 (เฟส 1-5)        | 4,702         | 4Q58            | 63%                 | 2,962         |
| Plum Park รังสิต                  | 3,070         | 4Q58            | 56%                 | 1,719         |
| Plum แหยมฉะเชิงเทรา               | 1,088         | 4Q58            | 41%                 | 446           |
| Condolette Midst พระราม 9         | 1,874         | 4Q58            | 64%                 | 1,199         |
| <b>Total</b>                      | <b>19,420</b> |                 | <b>69%</b>          | <b>13,304</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