

Pruksa Real Estate

2QFY15 profit above forecast

THAILAND | SET | PROP | COMPANY RESULTS

BLOOMBERG PS TB | REUTERS PS.BK

18 August 2015

Buy (Maintain)

Closing Price(Bt) 24.40
Target Price(Bt) 29.40 (+20.49%)

COMPANY DATA

O/S Shares (mn):	2,230
Market Cap. (Btmn):	54,431
Market Cap. (USDmn):	1,539
52-WK Hi/Lo (Bt):	36.25/23.4
3M Average Daily T/O (mn):	4.43
Par Value (Bt):	1.00

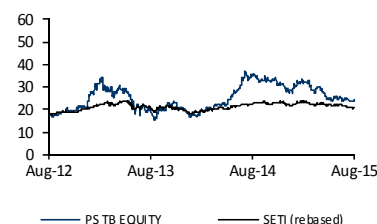
MAJOR SHAREHOLDERS (%) 16 March 2015

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	-2%	0%	-30%
REL TO SET INDEX	3%	7%	-23%

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Sales(Btmn)	38,848	42,781	47,545	52,281
Net Profit(Btmn)	5,802	6,655	6,653	7,464
EPS (Bt)	2.61	2.99	2.94	3.30
P/E (X)	9.3	8.2	8.3	7.4
BVPS (Bt)	11.28	13.45	15.50	17.89
P/B (X)	2.2	1.8	1.6	1.4
DPS (Bt)	0.85	1.00	0.97	1.09
Dividend Yield (%)	3.5	4.1	4.0	4.5
ROE (%)	25.78	24.36	20.80	20.24
Debt/Equity (X)	1.94	1.53	1.41	1.24

Source: Company, PSR Est.

**Multiples and yields are based on latest closing price

VALUATION METHOD

P/E'15 (10x)

Danai Tunyaphisitchai, CFA
Capital Market Investment Analyst #2375
Tel: 66 2 635 1700 #481

2QFY15 net profit up 16% y-y, above forecast on better-than-expected revenue

PS generated a 16% y-y rise in 2QFY15 profit to Bt2.1bn as quarterly revenue swelled 30% y-y to Bt14.03bn driven by the start of ownership transfers from up to five new projects in this period. The results also included the Bt568mn proceeds from the sale of a land plot, which was earlier planned for condo development but a string of project development obstacles however made it decide to sell this land plot. PS booked only a 3% gain from the above land sale. For the quarter, gross profit margins narrowed to 32% from 36% in the same year-ago period as a lack of confidence in the market made it difficult to raise selling prices to offset a steady rise in costs of land. However, solid revenue expansion led PS to eke out profit growth in this period despite margin contraction. Overall 2QFY15 results beat our forecasts on better-than-expected revenue, which eclipsed the impact of slightly softer than expected margins.

Management still confident in FY15 presales and revenue targets, margin weakness seen as main culprit behind flat profit outlook for FY15

PS was among one of the few property developers that generated total presales growth of 33% y-y in 1HFY15, which exceeded 50% of the full-year target. Management has kept intact its plan to launch 70-75 new projects this year, comprising 50-63 SDH/TH projects and 10-12 condo projects. In 1HFY15, 27 new projects were launched, consisting of 25 SDH/TH projects and two condo projects. Management notes that one of its new condo projects planned for 2HFY15 will be located near the Central WestGate worth Bt2bn. In our view, we still see scope for PS to meet the full-year presales target. Management has also reaffirmed its guidance for FY15 revenue of Bt47bn, up 11% y-y. Our forecast suggests PS will currently have approx Bt41bn in revenue on hand, comprising (i) 1HFY15 revenue of Bt21.7bn and (ii) a backlog of Bt20.5bn to be realized as revenue in 2HFY15. To meet the full-year revenue target, the remaining Bt6bn should come from revenue to be realized from SDH/TH presales. We believe 2HFY15 SDH/TH presales would not be much lower than what it achieved in 1HFY15 as PS could reduce its book-to-transfer period to 83 days, which would allow it to realize around 50% of SDH/TH presales in 2HFY15 as revenue within this year. PS generated SDH/TH presales of Bt18bn in 1HFY15, or Bt8bn-Bt9bn a quarter. In our view, the above revenue target is likely to be achieved but we expect 2HFY15 margins will not be better than 1HFY15 as management has guided that the still unfavorable market conditions will clip its wings to raise selling prices. For the year, margins tend to narrow to 33% from 36% a year earlier. On this basis, we expect a flat profit outlook for PS in FY15 as revenue growth would be offset by margin weakness.

PS still best choice in property space , we retain a 'BUY' call on PS shares with a Bt29.40/share target price.

Against the backdrop of a relentless slowdown in the housing market, we still like PS as it could manage to generate brisk presales which have exceeded 50% of the full-year target and its revenue has also kept growing. Current backlog covers nearly 87% of the full-year revenue target while its inventory carrying burden is low with debt to equity ratio below 1x. Its flat profit outlook this year is not a big disadvantage given that profits of the other four listed property developers under our coverage including AP, PS, SPALI and SC are expected to be flat or up slightly. Moreover, its current valuation looks compelling at 8x P/E, a discount to historical average of 10x with an estimated dividend yield of roughly 4%. On balance, we retain a 'BUY' call on PS shares with a Bt29.40/share target price.

Ref. No.: CO2015_0575

Income Statement

Btmn	2Q15	1Q15	2Q14	q-q+/-	y-y+/-	6M15	6M14	y-y+/-
Sales and services	14,031	8,326	10,812	69%	30%	22,358	18,829	19%
Costs of sales	9,492	5,484	6,833	73%	39%	14,976	11,935	25%
Gross profit	4,539	2,843	3,978	60%	14%	7,382	6,895	7%
Selling expenses	982	801	767	23%	28%	1,783	1,423	25%
Administrative expenses	825	873	846	-5%	-2%	1,698	1,653	3%
Operating profit	2,732	1,169	2,365	134%	15%	3,901	3,819	2%
Other income	33	25	53	32%	-37%	59	90	-35%
Gain/loss from affiliates	-1	0	0	-272%	n.m.	-2	-3	44%
Other expense	0	0	0	n.m.	n.m.	0	0	n.m.
EBIT	2,764	1,194	2,418	132%	14%	3,958	3,906	1%
Interest expense	78	77	91	2%	-14%	155	190	-19%
EBT	2,686	1,117	2,327	140%	15%	3,803	3,716	2%
Taxation	520	226	457	130%	14%	746	782	-5%
EAT	2,166	891	1,870	143%	16%	3,058	2,934	4%
Minority	-2	0	0	-979%	-842%	-2	-1	-56%
Net profit before extra	2,168	891	1,871	143%	16%	3,059	2,935	4%
Extraordinary items	0	0	0	n.m.	n.m.	0	0	n.m.
Net profit	2,168	891	1,871	143%	16%	3,059	2,935	4%
EPS (Bt)	0.97	0.40	0.83	143%	17%	1.37	1.32	4%

Key Financial Ratio

%	2Q15	1Q15	2Q14	q-q+/-	y-y+/-	6M15	6M14	y-y+/-
Cost of sales/sales	67.65%	65.86%	63.20%	3%	7%	66.98%	63.38%	6%
SG&A exp/sales	12.88%	20.10%	14.92%	-36%	-14%	15.57%	16.34%	-5%
Gross margin	32.35%	34.14%	36.80%	-5%	-12%	33.02%	36.62%	-10%
Operating profit margin	19.47%	14.04%	21.88%	39%	-11%	17.45%	20.28%	-14%
Net profit margin	15.45%	10.70%	17.30%	44%	-11%	13.68%	15.59%	-12%

Balance Sheet

Btmn	2Q15	1Q15	2Q14	q-q+/-	y-y+/-	6M15	6M14	y-y+/-
Assets	63,398	63,490	59,259	0%	7%	63,398	59,259	7%
Liabilities	32,740	32,771	33,254	0%	-2%	32,740	33,254	-2%
Paid-up (mn shrs) - Par Bt1	2,231	2,231	2,224	0%	0%	2,231	2,224	0%
Equities	30,657	30,719	26,023	0%	18%	30,657	26,023	18%
BVPS (Bt)	13.74	13.77	11.70	0%	17%	13.74	11.70	17%
Debt/equity (x)	1.1	1.1	1.3	0%	-16%	1.1	1.3	-16%

Source: Company, PSR

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

No logo given



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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
	Transportation & Logistics	TRANS
Technology [TECH]	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

Research Team

Fundamental	Analyst Reg No.	Tel	Sector
Sasikorn Charoensuwan, CFA, CAIA	Capital Market Investment Analyst #9744	662 635 1700 Ext 480	Consumer, Commerce
Rutsada Tweesaengsakulthai	Securities Investment Analyst #17972	662 635 1700 Ext 482	ICT, Energy, Health Care
Danai Tunyaphisitchai, CFA	Capital Market Investment Analyst #2375	662 635 1700 Ext 481	Construction Materials, Property Development
Naree Apisawaittakan	Securities Investment Analyst #17971	662 635 1700 Ext 484	Agro & Food, Electronics
Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700 Ext 483	Transportation, Media & Publishing
Ornmongkol Tantitanatorn	Capital Market Investment Analyst #34100	662 635 1700 Ext 491	Automotive, Energy, Packaging
Adisorn Muangparnchon	Securities Investment Analyst #18577	662 635 1700 Ext 497	Banking, Securities & Finance, Insurance
Vichuda Siriployprakray	Securities Investment Analyst #55956	662 635 1700 Ext 525	Commerce, Food & Beverages, Tourism
Suthanuch Chaisumrej	Securities Investment Analyst #61708	662 635 1700 Ext 528	Construction Materials, Property Development
Chitphan Kwanchit	Assistant Analyst		
Hathaichanoke Moonwong	Assistant Analyst		
Strategy			
Teerada Charnyingyong	Securities Investment Analyst #9501	662 635 1700 Ext 487	
Chutikarn Santimetvirul	Derivatives Investment Analyst #37928	662 635 1700 Ext 491	
Werajak Jungkiatkajorn	Capital Market Investment Analyst #28087	662 635 1700 Ext 495	
Rittiporn Songsermsawad	Securities Investment Analyst #39756	662 635 1700 Ext 527	
Phoobate Wiriyayuttama	Assistant Analyst		
Technical			
Sasima Hattakitnikorn	Securities Investment Analyst #8328	662 635 1700 Ext 490	
Kanoksak Vutipan	Capital Market Investment Analyst #32423	662 635 1700 Ext 485	
Database & Production			
Manunpat Yuenyongwatanakorn			
Sutiporn Oupkaew			
Sornsawan Chimklin			
Translation			
Chaiyot Ingkhasorarat			
Naowarat Angurasuchon			

Bangkok Offices

Head Office	15th Fl., Vorawat Bldg. Tel : 0 2635 1700 , 0 2268 0999
Srinakarindr	17th Fl., Modernform Tower Tel : 0 2722 8344-53
Viphavadi	15th Fl., Lao Peng Nguan Tower 1 Tel : 0 2618 8400
Yaowarat	19th Fl., Kanchanadhat Bldg. Tel : 0 2622 7833
Bangkapi 1	8th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3263
Bangkapi 2	9th Fl., The Mall Office Tower-Bangkapi Tel : 0 2363 3269
Hua Lumphong	4th Fl., Tang Hua Pak Bldg., 320 Rama 4 Rd. Tel : 0 2639 1200
Rangsit	G Fl., Room#PLZ.G.SHP065A Future Park Rangsit Tel : 0 2958 5040
Sindhorn	19th Fl., Sindhorn Tower 3 Building, Tel : 0 2650 9717
Siam Discovery	11st Floor, Unit A2, Siam Tower, Tel : 02 658 0776
CentralWorld Branch	999/9 The Offices at CentralWorld, 17 FL. Unit ML 1707, Rama 1 Rd, Patumwan Bangkok 10330

Provincial Offices

Chaing Mai	313/15 Moo6 Chaing Mai – Lamphun Nong Hoi, Tel 053-141969
Khon Kaen	4th Fl., Kow Yoo Hah Bldg. Tel : 0 4332 5044-8
Khon Kaen - Rim Bueng	3rd Fl., Arokaya Bldg., Tel : 0 4322 6026
Phisanulok	2nd Fl., Thai Sivarat Bldg., Tel : 0 5524 3646
Had Yai	4th Fl., Southland Rubber Bldg., Tel : 0 7423 4095-99110
Had Yai - Petkasem	3rd Fl., Unit 3D, Redar Group Bldg., Tel : 0 7422 3044
Suratthan	62/9 Donnok Rd., Tel : 077 206 131
Chumporn Investor Center	25/45 Krom Luang Chumporn Rd., Tel : 0 7757 0652-3

Overseas Offices

SINGAPORE	Phillip Securities Pte Ltd Raffles City Tower Tel : (65) 6533 6001 www.poems.com.sg
HONG KONG	Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway, Tel (852) 22776600 www.phillip.com.hk
MALAYSIA	Phillip Capital Management Sdn Bhd, Block B Level 3 Megan Avenue II Tel (603) 21628841 www.poems.com.my
JAPAN	Phillip Securities Japan, Ltd 4-2 Nihonbashi Kabuto-cho, Chuo-ku, Tokyo Tel (81-3) 36662101
INDONESIA	PT Phillip Securities Indonesia ANZ Tower Level 23B, Tel (62-21) 57900800 www.phillip.co.id
CHINA	Phillip Financial Advisory (Shanghai) Co. Ltd Ocean Tower Unit 2318 Tel (86-21) 51699200 www.phillip.com.cn
FRANCE	King & Shaxson Capital Limited 3rd Flr, 35 Rue de la Bienfaisance Tel (33-1) 45633100 www.kingandshaxson.com
UNITED KINGDOM	King & Shaxson Capital Limited 6th Flr, Candlewick House, Tel (44-20) 7426 5950 www.kingandshaxson.com
UNITED STATES	Phillip Futures Inc The Chicago Board of Trade Building Tel +1.312.356.9000
AUSTRALIA	PhillipCapital Australia Level 37, Collins Street, Melbourne, Tel (613) 96298380 www.phillipcapital.com.au
SRI LANKA	Asha Phillip Securities Ltd Level 4, Millennium House, Tel: (+94) 11 2429 100 apsl@ashaphillip.net
TURKEY	Hak Menkul Kıymetler A.Ş. Dr.Cemil Bengü Cad. Tel: (+90) (212) 296 84 84 (pbx) hakmenkul@hakmenkul.com.tr
INDIA	PhillipCapital (India) Private Limited No. 1, C - Block, 2nd Floor, Modern Center , Jacob Circle, K. K. Marg, Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
DUBAI	PhillipCapital (India) Pvt Ltd.601, White Crown Building Plot no 58, Sheikh Zayed Road P.O, Box 21229 Dubai UAE. Mahalaxmi Mumbai 400011 Tel: (9122) 2300 2999 Website: www.phillipcapital.in
CAMBODIA	Building No71, St 163, Sangkat Toul Svay Prey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia Tel: (855) 23 217 942 Website: www.kredit.com.kh

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Registered office: 15^F/ Vorawat Building, 849 Silom Road, Bangrak, Bangkok 10500 Thailand