

# Pruksa Real Estate

## 8MFY15 total presales reach 66% of full-year target

THAILAND | SET | PROP | COMPANY VISIT

BLOOMBERG PS TB | REUTERS PS.BK

18 September 2015

### Brisk presales momentum

PS reported its total presales came in at Bt31.1bn in 8MFY15, covering 66% of its full-year target of Bt47bn. A breakdown by product showed SDH/TH presales performed well to reach Bt22.6bn in the year to Aug 2015, up 10% y-y despite a slowdown in the aftermath of the Bangkok's Erawan Shine bomb attack which sapped homebuyer confidence in 3QFY15. The 8MFY15 SDH/TH presales accounted for 70% of its full-year target of Bt32.6bn. Management has also kept intact its plan to launch 60 new SDH/TH projects but it is currently awaiting more clarity from the government on property stimulus measures which focus on houses priced below Bt2mn/unit. It seems to us that PS will likely be the biggest beneficiary of the government's property stimulus measures as SDH/TH projects with a price tag of less than Bt2mn/unit make up 26% of its portfolio. On the high-rise front, condo presales clocked in at Bt8.4bn in 8MFY15. Up to Bt4.5bn of the condo presales largely came from the newly launched projects this year as follows:

- The Bt1.8bn *Chapter One Midtown*, which was launched in 1QFY15 was 92% sold out, translating into presales of Bt1.7bn.
- The *Tree Elegance Tiwanon*, which was put up for sale in 2QFY15 had a take-up rate of only 20%, translating into presales of Bt538mn as this project is located a bit far from BTS skytrain station. For this project, presales are expected to rise at a measured pace before momentum accelerates when the project is about to be transferred as its target clients are real-demand buyers.
- The Bt2.3bn Plum Condo Central Station Bang Yai, which was recently launched in early 3QFY15 achieved a strong take-up rate of up to 89%, translating into presales of Bt2.2bn thanks to its prime location close to Central WestGate shopping complex in Bangyai.

The 8MFY15 condo presales made up 59% of its full-year target of Bt14.4bn. However, management still frets about persistently sluggish condo market conditions as a result of still-low homebuyer confidence, which may prompt it to cut by half the number of new condo launches planned for this year to 5-6 projects from the previous 10-12 projects. In our view, continued strong momentum in SDH/TH presales still provides scope for PS to meet its full-year total presales target this year.

### Flat profit expected for FY15 as margins seen dragged down by unfavorable market conditions but full-year revenue target now fully covered by backlog; brisk presales momentum raises scope for return to growth in FY16

We expect a flat profit for PS this year as the current inability to raise selling prices in the face of unfavorable market conditions would squeeze margins though full-year revenue target is now fully covered by its current backlog of Bt25bn to be realized as revenue in 2HFY15. PS earned revenue of Bt22.3bn in 1HFY15. Our forecast assumes that (i) FY15 revenue will rise 11% y-y to Bt47.5bn and (ii) margins will narrow to 33% this year from 36% last year. Looking ahead into next year, we see scope for PS to return to profit growth of 6% in view of brisk presales momentum. Our forecast puts FY16 revenue growth at 10% based on assumptions that (i) PS has a condo backlog of around Bt8.2bn carried forward to FY16, (ii) there would be a SDH/TH backlog of another Bt10bn carried forward to FY16 on expectations that SDH/TH presales in the last four months of FY15 would be realized as revenue in FY16, (iii) it would realize revenue of around Bt24bn from the estimated FY16 SDH/TH presales of Bt34bn and (iv) it would realize revenue of another Bt10bn from sales of existing condo inventories in FY16.

### 'BUY' rating in view of some valuation upside in P/E terms

We keep a 'BUY' rating on PS shares but we raise our target price to Bt31.20/share as we roll forward our valuation to 10x FY16 P/E. The 'BUY' rating reflects some valuation upside in terms of FY16 P/E. Its FY15 P/E valuation is currently near its historical P/E averages but in terms of FY16 P/E PS is however trading below 10x.

### Buy (Maintain)

Closing Price(Bt) 28.25  
Target Price(Bt) 31.20 (+10.44%)

#### COMPANY DATA

O/S Shares (mn) :	2,230
Market Cap. (Btmn) :	63,022
Market Cap. (USDmn) :	1,763
52-WK Hi/Lo (Bt) :	35.25/22.5
3M Average Daily T/O (mn) :	4.29
Par Value (Bt) :	1.00

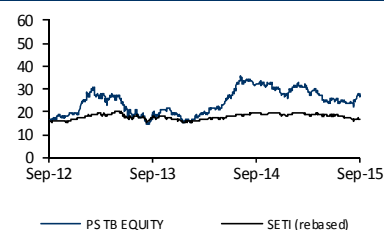
#### MAJOR SHAREHOLDERS (%) 16 March 2015

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	16%	10%	-12%
REL TO SET INDEX	17%	20%	0%

#### 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	7,046
EPS (Bt)	2.61	2.99	2.94	3.11
P/E (X)	10.8	9.4	9.6	9.1
BVPS (Bt)	11.28	13.45	15.50	17.70
P/B (X)	2.5	2.1	1.8	1.6
DPS (Bt)	0.85	1.00	0.97	1.03
Dividend Yield (%)	3.0	3.5	3.4	3.6
ROE (%)	25.78	24.36	20.80	19.21
Debt/Equity (X)	1.94	1.53	1.41	1.25

Source: Company, PSR Est.

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

#### VALUATION METHOD

P/E'16 (10x)

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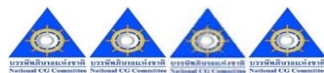
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BAFS	BCP	BTS	CPN	EGCO	GRAMMY	HANA	INTUCH	IRPC	TOP
KBANK	KKP	KTB	MINT	PSL	PTT	PTTEP	PTTGC	SAMART	IVL
SAT	SC	SCB	SE-ED	SIM	SPALI	TISCO	TMB	THCOM	SAMTEL



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	AMANAH	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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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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