

PS

Pruksa Real Estate

Current BUY	Previous BUY	Close 24.20	2017 TP 32.00	Exp Return + 32.2%	Anti-corrupt 3A	CGR 2015 5
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## Consolidated earnings

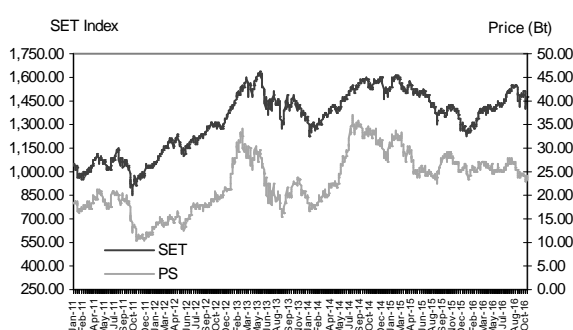
BT (mn)	2014	2015	2016E	2017E
Normalized earnings	6,655	7,680	7,040	7,164
Net profit	6,655	7,680	7,040	7,164
EPS (Bt)- Normalized	2.99	3.44	3.15	3.20
EPS (Bt)	2.99	3.44	3.15	3.20
% growth Y-Y	14.7	15.4	-8.3	1.8
Dividend (Bt)	1.00	1.75	1.57	1.60
BV/share (Bt)	13.35	15.34	16.77	18.39
EV/EBITDA (x)	8.0	6.9	6.9	6.5
PER (x)	8.1	7.0	7.7	7.6
PER (x) - Normalized	8.1	7.0	7.7	7.6
PBV (x)	1.8	1.6	1.4	1.3
Dividend yield (%)	4.1	7.2	6.5	6.6
YE no. of shares (million)	2,225	2,230	2,235	2,240
No. of share - full dilution	2,225	2,230	2,235	2,240
Par (Bt)	1.00	1.00	1.00	1.00

Source: Company data, FSS estimates

## Share data

Close (18/10/2016)	24.20
SET Index	1,477.54
Foreign limit/actual (%)	40.00/11.19
Paid-up shares (million)	2,232.68
Free float (%)	30.58
Market cap (Bt m)	54,030.90
Avg daily T/O (Bt m) (2016 YTD)	125.61
Hi, lo, avg (Bt) (2016 YTD)	28.50, 22.20, 25.58

Source: Setsmarts



Source: SET

Analyst: Jitra Amornthum

Register No.: 014530

Assistant Analyst : Nattawat Kittisommanakun

Tel.: +662 646 9966

email: jitra.a@fnsyrus.com

www.fnsyrus.com

## Profit likely to fall due to low condo presales

Our forecast calls for PS' 3Q16 net profit to plunge 28.6% Q-Q and 18.3% Y-Y because the company's completed project in the period is nearly four times lower than that of 3Q15. Moreover, it is unlikely that low-rise transfer revenue was sufficient to offset losses in condo transfer revenues. Looking ahead, we begin to see risk that PS will miss its presales target by about 10% after the company's figure in 9M16 is sufficient to secure just 68% of its full-year target, even though it has launched aggressive campaign during the quarter. As a result, we cut our net profit estimate by 6% this year and 9% next year. After which, we roll over to our 2017 TP of Bt32. Finally, we retain our BUY rating on PS. The stock currently trades at 2017 PE of only 7.6x and offers expected dividend yield of 6.6% p.a. Note the 1:1 share swap between PS and PSH goes as planned and is expected to be completed in early December.

## Expect 3Q16 net profit to decrease both Q-Q and Y-Y

Our forecast calls for PS' 3Q16 net profit to amount to Bt1.3bn. It implies losses of 28.6% Q-Q and 18.3% Y-Y, in line with transfer revenues. During the quarter, the company only completed one condo project, i.e. The Signature by Urbano (Bt2.1bn), and made it ready for transfer, while it completed four condo projects with combined value of Bt8.7bn in 3Q15. Moreover, it is unlikely that low-rise transfer revenue was sufficient to offset losses in condo transfer revenue. In the July-September quarter, we expect gross margin to recover Q-Q. SG&A is expected at Bt1.9bn. It implies a loss of 4.3% Q-Q. However, SG&A expenses-to-revenues ratio is likely to be equal to 18.5% (+3.7% Q-Q) owing to aggressive new launch, Prukha Non-stop campaign and transfer expense which returned to normal level after the government stimulus has ended.

## 9M16 presales improve, but downside starts to be seen

PS' 3Q16 presales were Bt13bn. It implies gains of 10% Q-Q and 25% Y-Y thanks rises in low-rise presales. With that, 9M16 presales were equal to Bt34.6bn. Since it's sufficient to secure just 68% of the company's full-year estimate, we begin to see risk that the company will miss its presales target for this year. YTD, PS' average presales are Bt3.8bn. Hence, the company must make monthly presales of Bt5.5bn in the remaining months in order to hit its target. In this regard, we are looking at downside of 10% to 2016E presales.

## New launch will go as planned after its peak in 3Q16

In 3Q16, PS launched 25 new projects, the highest this year. They comprised 23 low-rise projects with combined value of Bt6.7bn and three condo projects with combined value of Bt5.6bn. In 4Q16, the company plans to launch 13 new projects, which we believe to go as planned because we begin to see ads in its website and mass transit media. They include The Tree - Onnut Station and Chapter One Eco - Ratchada Huaikwang.

## Roll over to 2017 TP of Bt32; maintain BUY rating

We cut our net profit estimate by 6% in 2016 and 9% in 2017. Such downward revision reflects the followings. First is lower-than-expected low-rise transfer. Second is risk that PS will miss its 2016 presales target, which will have negative impact on transfer revenues because low-rise product's business cycle is short. After which, we roll over to our 2017 TP of Bt32. Such TP assumes 2017 EPS of Bt3.2 and P/E target of 10x, its three-year average P/E. Finally, we retain our BUY rating on PS. The counter currently trades at 2017 P/E of just 7.6x. Moreover, it offers attractive dividend yield of 6.6% p.a. Note the 1:1 share swap between PS and PSH goes as planned and is expected to be completed in early December.

**3Q16E Earnings Preview**

(Bt mn)	3Q16E	2Q16	%Q-Q	2016E	%Y-Y
Sales revenue	10,400	13,610	-23.6%	11,421	-8.9%
Cost	7,010	9,285	-24.5%	7,528	-6.9%
Gross profit	3,390	4,325	-21.6%	3,893	-12.9%
SG&A	1,924	2,010	-4.3%	1,816	5.9%
Interest expense	85	81	5.2%	76	12.5%
Net profit	1,337	1,873	-28.6%	1,638	-18.3%
Normalized earnings	1,337	1,873	-28.6%	1,638	-18.3%
EPS (Bt)	0.60	0.84	-28.6%	0.73	-18.4%
Normalized EPS (Bt)	0.60	0.84	-28.6%	0.73	-18.4%
Gross margin (%)	32.6%	31.8%	0.8%	34.1%	-1.5%
SG&A to revenue (%)	18.5%	14.8%	3.7%	15.9%	2.6%
Net margin (%)	12.9%	13.8%	-0.9%	14.3%	-1.5%

Source: FSS Estimates

**Income Statement (Consolidated)**

(Bt mn)	2013	2014	2015	2016E	2017E
Revenue	38,848	42,781	51,240	50,711	51,798
Costs of sales	25,350	27,095	33,984	33,723	34,342
Gross profit	13,498	15,686	17,256	16,988	17,456
SG&A	6,077	7,081	7,661	7,877	8,214
Operating profit	7,421	8,605	9,595	9,111	9,242
Other income	193	246	198	258	268
EBIT	7,614	8,851	9,793	9,369	9,510
EBITDA	8,182	9,445	10,417	10,080	10,248
Interest charge	-415	-376	-328	-279	-259
Tax on income	1,399	1,815	1,798	2,064	2,100
Share from JV	0	-7	3	3	3
Earnings after tax	5,801	6,654	7,670	7,030	7,154
Minority interests	-1	-1	-10	-10	-10
Normalized earnings	5,802	6,655	7,680	7,040	7,164
Extraordinary items	0	0	0	0	0
Net profit	5,802	6,655	7,680	7,040	7,164

**Balance Sheet (Consolidated)**

(Bt mn)	2013	2014	2015	2016E	2017E
Cash& equivalents	978	464	1,335	504	598
Current investment	779	448	326	330	518
Account receivable	0	0	0	0	0
Inventory	48,687	53,827	57,590	57,811	59,309
Other current asset	1,763	1,212	1,258	1,318	1,347
Total current asset	52,207	55,950	60,509	59,963	61,772
Investment	691	541	340	345	360
PPE	2,954	4,161	4,185	4,080	3,970
Other asset	338	377	275	274	280
Total assets	56,190	61,029	65,309	64,662	66,381
Short term loans	6,698	2,048	0	0	0
Accounts payable	2,090	2,129	1,576	1,585	1,648
Current maturities	257	3,251	6,001	5,200	4,500
Other current liabilities	7,948	6,548	8,632	8,520	8,702
Total current liabilities	16,993	13,976	16,209	15,305	14,851
Long-term debt	14,008	17,002	14,000	11,000	9,500
Other LT liabilities	257	344	882	862	829
Total LT liabilities	14,265	17,346	14,882	11,862	10,329
Total liabilities	31,258	31,321	31,091	27,167	25,179
Registered capital	2,266	2,270	2,285	2,285	2,285
Paid up capital	2,223	2,227	2,231	2,235	2,240
Share premium	1,594	1,672	1,778	1,853	1,928
Legal reserve	227	227	229	229	230
Retained earnings	20,939	25,702	29,979	33,175	36,800
Others	-51	-122	10	11	12
Minority Interest	2	1	-9	-9	-9
Shareholders' equity	24,933	29,707	34,218	37,495	41,202

Source: Company data, FSS research

**Cash Flow Statement (Consolidated)**

(Bt mn)	2013	2014	2015	2016E	2017E
Net profit	5,801	6,654	7,670	7,030	7,154
Depre. & amortization	374	348	426	453	470
Chg. in working capital	-6,984	-5,902	-1,639	-404	-1,320
Other adjustments	587	927	1,358	0	0
Operating cash flow	-222	2,027	7,815	7,079	6,305
Capital expenditure	-666	-377	724	97	-93
Others	-172	-586	-1,066	0	0
Investing cash flow	-837	-963	-341	97	-93
Free cash flow	-1,060	1,064	7,474	7,176	6,212
Net borrowings	3,436	1,338	-2,300	-3,801	-2,200
Equity capital raised	159	10	232	81	81
Dividends paid	-1,110	-1,890	-3,346	-3,844	-3,539
Others	-1,105	-1,037	-1,190	-443	-460
Financing cash flow	1,380	-1,579	-6,603	-8,007	-6,118
Net change in cash	320	-515	871	-831	93

**Important Ratios (Consolidated)**

	2013	2014	2015	2016E	2017E
Growth (%)					
Revenue	43.8	10.1	19.8	-1.0	2.1
EBITDA	40.8	15.4	10.3	-3.2	1.7
Net profit	48.8	14.7	15.4	-8.3	1.8
Normalized earnings	48.8	14.7	15.4	-8.3	1.8
Profitability Ratios (%)					
Gross profit margin	34.7	36.7	33.7	33.5	33.7
EBITDA margin	21.1	22.1	20.3	19.9	19.8
EBIT margin	19.6	20.7	19.1	18.5	18.4
Normalized profit margin	14.9	15.6	15.0	13.9	13.8
Net profit margin	14.9	15.6	15.0	13.9	13.8
Normalized ROA	10.3	10.9	11.8	10.9	10.8
Normalize ROE	23.3	22.4	22.4	18.8	17.4
Normalized ROCE	19.4	18.8	19.9	19.0	18.5
Risk (x)					
D/E	1.3	1.1	0.9	0.7	0.6
Net D/E	0.8	0.7	0.5	0.4	0.3
Net debt/EBITDA	2.3	2.3	1.8	1.5	1.3
Per share data (Bt)					
Reported EPS	2.61	2.99	3.44	3.15	3.20
Normalized EPS	2.61	2.99	3.44	3.15	3.20
EBITDA	3.68	4.25	4.67	4.51	4.58
FCF	-0.48	0.48	3.35	3.21	2.77
Book value	11.23	13.35	15.34	16.77	18.39
Dividend	0.85	1.00	1.75	1.57	1.60
Par	1.00	1.00	1.00	1.00	1.00
Valuations (x)					
P/E	9.3	8.1	7.0	7.7	7.6
Normalized P/E	9.3	8.1	7.0	7.7	7.6
P/BV	2.2	1.8	1.6	1.4	1.3
EV/EBTDA	8.9	8.0	6.9	6.9	6.5
Dividend yield (%)	3.5	4.1	7.2	6.5	6.6

## Finansia Syrus Securities Public Company Limited

### Head Office

999/9 The offices at Central World  
18th, 25th Fl.,  
Rama 1 Rd., Patumwan,  
Bangkok

### Bangkapi

3105 N Mark Building, 3rd Floor,  
Room A3 R02, Ladprao Road,  
Klongjan, Bangkapi, Bangkok

### Ladprao

555 Rasa Tower 2, 11st Floor,  
Unit 1106, Phaholyothin Road,  
Chatuchak, Bangkok

### Sriracha

135/99 (G fl.) Sukumvit Road,  
Tumbon Sriracha  
Aumphoe Sriracha, Chonburi

### Chiangmai 2

310 Chiang Mai Land,  
Chang Klan R., Chang Klan  
Muang  
Chiangmai

### Samutsakorn

1045/16-17 Vichienchodok,  
Tumbon Mhachai, Aumphoe  
Meungsamutsakorn, Samutsakorn

### Hatyai 3

200/222, 200/224, 200/226  
Juldis Hadyai Plaza, 2nd Floor,  
Building, Niphat Uthit 3 Road,  
Aumphoe Hadyai, Songkhla

### Thaisummit Tower

1768 Thaisammit Tower Building,  
5<sup>th</sup>, 31<sup>th</sup> Fl., New Petchburi Road,  
Bangkapi, Huaykwang,  
Bangkok

### Bangna

1093 Tower 1 Office, 19th Floor,  
Room 1093/105 Moo 12,  
Bangna-Trad Road, Bangna,  
Bangkok

### Prachachuen

105/1 B Building, 4th Floor,  
Thessabansongkhrao Road,  
Ladyao, Jutajak, Bangkok

### Khonkaen 1

311/16 2nd Floor, Klangmeung  
Road, Tumbon Nai Meung,  
Aumphoe Meung,  
Khonkaen

### Chiangmai 3

Maliplace Building 32/4 moo 2  
1 fl., B1-1, B1-2 room  
Tumbon Maehia  
Chiangmai

### Nakornpathom

28/16-17 Yingpao Road,  
Tumbon Sanamjan,  
Aumphoe Muang, Nakornpathom

### Krabi

223/20 Mharaj Road,  
Tumbon Paknam,  
Aumphoe Meung, Krabi

### Alma Link

9th, 14th, 15th Fl.,  
Alma Link Building 25  
Soi Chidlom, Ploenchit, Lumpini,  
Patumwan, Bangkok

### Sindhorn 1

140/1 Kian Gwan House II  
18th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

### Rang sit

1/832 Phaholyothin 60  
Kukod, Lumlookka  
Pratumtanee

### Khonkaen 3

311/1  
Khang Meung Road,  
Tumbon Nai Meung,  
Aumphoe Meung Khonkaen,  
Khonkaen

### Chiangrai

353/15 Moo 4,  
Tumbon Rimkok  
Aumphoe Muang, Cheangrai

### Phuket

22/18 Vanish Plaza Shopping  
Mall, Luangporwatchalong Road,  
Tumbon Talad Yai,

### Trang

59/28 Huaiyod Road,  
Tumbon Thaptieng,  
Aumphoe Meungtrang, Trang

### Amarin Tower

496-502 Amarin Tower  
20th Floor, Pleonchit,  
Lumpini, Pathumwan,  
Bangkok

### Sindhorn 2

130-132 Sindhorn Building 3,  
24th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

### Thaisummit Tower

1768 Thaisammit Tower Building,  
2nd Floor, New Petchburi Road  
Bangkapi, Huaykwang,  
Bangkok

### Udonthani

104/6, 2 fl., ICBC Bank Tower  
Udon Dusadee Road,  
Tumbon Mak Khaeng,  
Aumphoe Muang Udon Thani,  
Udon Thani

### Measai

119 Moo 10,  
Tumbon Maesai,  
Aumphoe Muang, Cheangrai

### Hatyai 1

200/222, 200/224, 200/226  
Juldis Hadyai Plaza, 2nd Floor,  
Building, Niphat Uthit 3 Road,  
Aumphoe Hadyai, Songkhla

### Suratthani

173/83-84 Moo 1  
Watpho-Bangyai Road.,  
Tumbon Makamtia,  
Aumphoe Mueang, Suratthani

### Central Pinklao 1

7/129-221 Central Pinklao Office  
Building, Room 1404, 14th Fl.,  
Baromratchonnane Road,  
Arunamarin, Bangkoknoi, Bangkok

### Sindhorn 3

130-132 Sindhorn Building 3,  
19th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

### Rattanatibet

68/127 Moo 8 Rattanatibet Road,  
Tumbon Banggrasor,  
Aumphoe Muang,  
Nonthaburi

### Chiangmai 1

308 Chiang Mai Land,  
Chang Klan R., Chang Klan  
Muang  
Chiangmai

### Nakornratchasima

1242/2 A3 room, 7 fl.,  
The Mall Ratchasima  
Mittraphap rood Tumbon Nai Muang  
Aumphoe Muang Nakornratchasima  
Nakornratchasima

### Hatyai 2

106 Prachathipat Road,  
Aumphoe Hadyai, Songkhla

### Pattane

300/69-70 Moo 4,  
Tumbon Rusamirae,  
Aumphoe Meung, Pattane

## Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average






*Note: The expected return may change as market risks increase or decline.*

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## Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2015

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

### IOD (IOD Disclaimer)

The Corporate Governance Report (CGR) of Thai listed Companies is based on a survey and assessment of information which companies listed on the Stock Exchange of Thailand and the Market for Alternative Investment ("**listed companies**") disclose to the public. The CGR is a presentation of information from the perspective of outsiders on the standards of corporate governance of listed companies. It is not any assessment of the actual practices of the listed companies, and the CGR does not use any non-public information. The CGR is not therefore an endorsement of the practices of the listed companies. It is not a recommendation for investment in any securities of any listed companies or any recommendation whatsoever. Investors should exercise their own judgment to analyze and consider any information relating to the listed companies presented in this CGR report. No representation or warranty is made by the Institute of Directors or any of its personnel as to the completeness or accuracy of the CGR report or the information used.

### Anti-corruption Progress Indicator

Level 5	Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4	Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3	Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
	- Level 3A	Established by Declaration of Intent
	- Level 3B	Established by Internal Commitment and Policy
Level 2	Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1	Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws

*Anti-corruption Progress Indicator from Thaipat Institute (as of November 6, 2015)*