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Preuksa Real Estate

Property
(Residential)
Neutral

Record high presales expected for 2Q10

BUALUANG RESEARCH

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BUY (maintained)

Target Price: Bt21.00
Price (15/06/10): Bt16.80
PS TB TB / PS.BK

Financial summary

FY Ended 31 Dec	2009	2010E	2011E	2012E
Revenues (Btm)	18,967	23,930	27,649	33,001
Net profit (Btm)	3,622	4,212	4,706	5,811
EPS (Bt)	1.64	1.91	2.13	2.63
BLS/Consensus (x)	n.m.	1.1L	1.1L	1.29
EPS growth (%)	+51.6%	+16.3%	+11.7%	+23.5%
Core profit (Btm)	3,790	4,212	4,706	5,811
Core EPS (Bt)	1.72	1.91	2.13	2.63
Core EPS growth (%)	+58.6%	+11.1%	+11.7%	+23.5%
PER (x)	102	8.8	7.9	6.4
Core PER (x)	9.8	8.8	7.9	6.4
EV/EBITDA (x)	7.0	6.2	5.2	4.0
PBV (x)	2.8	2.2	1.9	1.5
Dividend (Bt)	0.55	0.65	0.73	0.90
Dividend yield (%)	3.3	3.9	4.3	5.3
ROE (%)	31.3	28.5	25.9	26.6
Net gearing (x)	(0.1)	(0.1)	(0.2)	(0.2)

CG Rating - 2009



QUICK VIEW

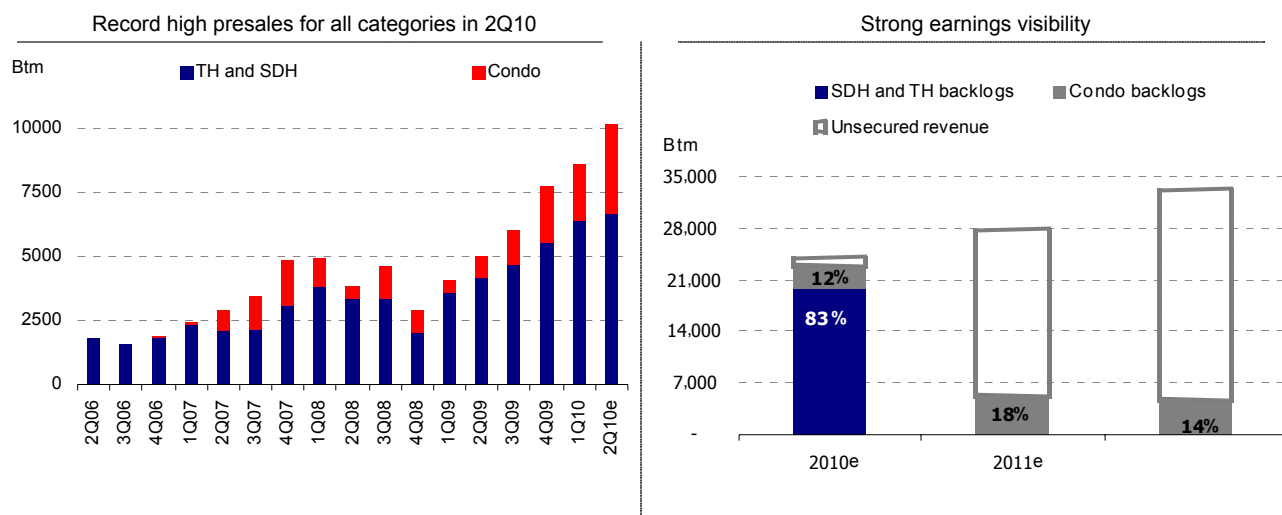
What's new? PS is likely to post record high presales for 2Q10. We conservatively forecast Bt10.5bn, double YoY, up 22% QoQ and its fifth straight quarter of new record bookings. By June 30, PS will have launched 16 projects since April 1 (13 low-rises and 3 condos). We expect record high presales for all categories in 2Q10. Expected presales breakdown: 40% THs, 22% SDHs and 38% condos. PS brought forward launches with the end of the Red Shirt uprising—three big condos (Bt6.1bn in total) and five low-rise projects in June. Thus, June presales in isolation might account for half of 2Q10 presales.

Expected record high condo presales in 2Q10 (low-end to mid-range) are due to June launches: 1) The Seed Atom, Soi Aree, Bt2.2bn, average sales price of Bt70K/sq.m, 72% sold at launch on June 5, 2) The Tree Kiak Kai Station, Bt1.9bn, priced at Bt40K/sq.m, 60% sold at launch on June 5, and 3) unofficial launch of UrbanoAbsolute Sathorn-Taksin Bt2bn, priced at Bt82K/sq.m.

Comment: The implications of record high presales in 2Q10 are: 1) PS potentially beating its FY10 presales target (66% of its Bt29bn full-year target is likely to be achieved in 1H10), 2) higher earnings visibility—its Bt6.6bn in low-rises presales adds another 27% to secure our FY10 revenue forecast, which means that 95% of our FY10 projection would be secured (2Q10 condo presales should secure 14% of our FY12 revenue forecast), and 3) a valuation re-rating, due to the close correlation between presales and PS's share price/valuation. Historically, presales have led PS's share price by a month with a 72% correlation and led its one-year forward PER with a 74% correlation (see Figure 2).

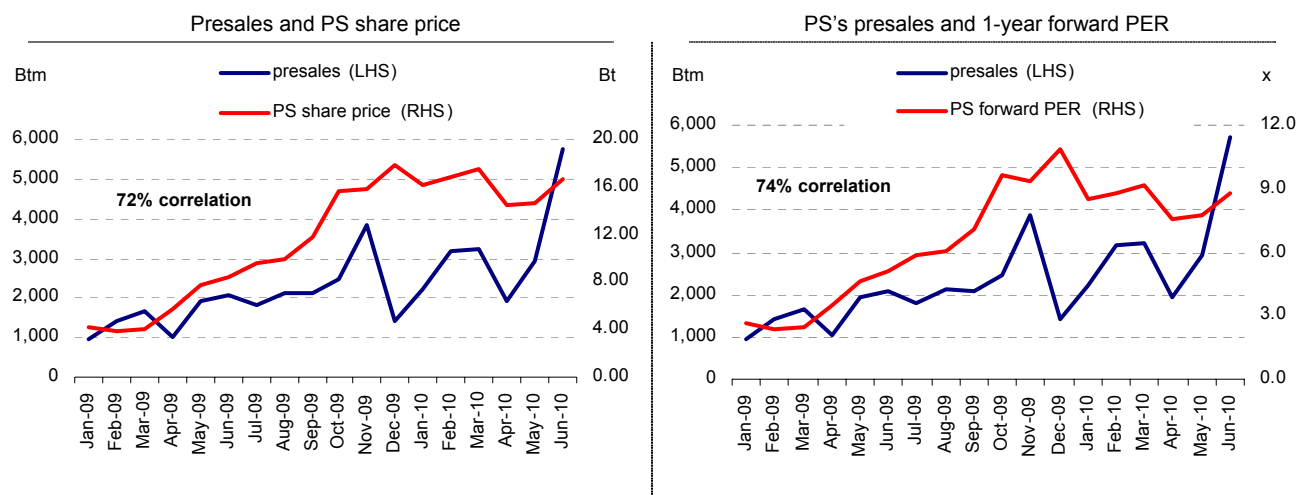
Action: PS's multiples are undemanding, given anticipation of record high profits in FY10-11. The firm trades at respective FY10-11 PERs of 8.8x and 7.9x (its mean is 8.9x). Our profit forecast is 11% ahead of the consensus, so we expect earnings upgrades from the street. Offshore presales should start in July—the next catalyst. PS is one of our top picks (YE10 target price of Bt21, pegged to a PER of 11x (20% above its mean FY06-09 PER).

Figure 1: PS reaffirms residential leadership to post record high presales (>Bt10bn) in 2Q10



Sources: Company data, Bualuang Research

Figure 2: Presales leads PS's share price by a month



Sources: Company data, Bualuang Research

Figure 3: Launches in 1H10

1Q10	Type	Project value (Btm)	Launch
Bann Prukka 49	TH	442	Jan-10
Bann Prukka 50	TH	390	Jan-10
Prukka Ville 30	TH	468	Jan-10
Prukka Ville 28	TH	491	Jan-10
Prukka Town	TH	248	Jan-10
Prukka Town	SDH	573	Feb-10
Chapter One	Condo	4,182	Feb-10
Condolette	Condo	445	Feb-10
Total		7,239	
2Q10			
Baan Prukka 40/1	TH	168	Apr-10
Baan Prukka 47/2	TH	335	May-10
Baan Prukka 48/2	TH	326	May-10
Baan Prukka 45/2	TH	223	May-10
Prukka Ville 26/1	TH	223	May-10
Prukka 33	TH	701	May-10
Prukka 36	TH	617	May-10
Prukka Village	SDH	1,253	May-10
The Seed Atom	Condo	2,192	Jun-10
Tree Kiak Kai	Condo	1,900	Jun-10
Urbano Sathorn Taksin	Condo	2,000	Jun-10
Five low-rise projects	TH, SDH	n.a.	Jun-10
Total*		9,938	

* Excluding five low-rise projects, Sources: Company data, Bualuang Research

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70 – 79		Good
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50 – 59		Pass
Below 50	No logo given	N/A

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BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

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OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

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