

Pruksa Real Estate Pcl

Still lukewarm

PS reported its 2Q11 results. Revenue and profit came in below our expectation due to weaker-than-expected revenue from TH and condo. Management toned down its revenue expectation, saying it could miss this year's revenue target of Bt32 billion.

- PS's revenue for 2Q11 was Bt6.7 billion, +24% Q/Q and +14% Y/Y. The growth was solely driven by higher revenue from condo (the transfer of Ivy Thonglor started in Jun10). Revenue from SDH&TH (Bt5.3 billion) was flat Y/Y and up only 4% Y/Y. Overall revenue was 11% below our forecast due to the slower-than-expected transfer of Ivy Thonglor (50% transfer in Jun11 vs our expectation for 75%) as well as lower-than-expected TH revenue (capacity shortage remains the key issue). GPM at 37.7% and SG&A/Sales at 18.5% are stable from last year. Given the revenue miss, NP (at Bt988 million +35% Q/Q +18% Y/Y) was 20% below our expectation.
- Management sees a low probability of achieving its original revenue target of Bt32 billion, believing FY revenue is more likely to be Bt29 billion. Construction delay (capacity shortage and delays in getting title deeds) remains a pressure. Management believes these issues will likely be sorted out before year-end.
- We have a more conservative revenue forecast of Bt27 billion as we expect the construction delays will take time before becoming resolved.
- Net D/E rose further to 1.1x from 0.8x at YE10 (was 0.2x at 2Q10) driven by land acquisition, constructions, and increase in inventory.
- **We maintain UW on PS.** We believe the capacity shortfall will result in continuing revenue lag and hence potential consensus earnings downgrades. Our Jun12 PT is Bt20, which is based on 10x of 12M forward EPS. The target PE is based on long-term PE average. Risks are higher than-expected-condo sales and faster-than-expected asset turnover.

Pruksa Real Estate Pcl (Reuters: PS.BK, Bloomberg: PS TB)

Bt in mn, year-end Dec	FY09A	FY10A	FY11E	FY12E	FY13E
Revenue (Bt mn)	18,966	23,307	26,890	30,206	37,341
Net Profit (Bt mn)	3,621.7	3,488.1	4,124.7	4,521.0	5,437.1
EPS (Bt)	1.65	1.58	1.87	2.05	2.46
DPS (Bt)	0.55	0.50	0.65	0.72	0.86
Revenue growth (%)	46.3%	22.9%	15.4%	12.3%	23.6%
EPS growth (%)	51.7%	-4.0%	18.3%	9.6%	20.3%
ROCE	33.6%	21.2%	19.1%	19.2%	20.0%
ROE	31.3%	24.7%	24.8%	23.3%	24.0%
P/E (x)	11.1	11.6	9.8	8.9	7.4
P/BV (x)	3.1	2.6	2.3	1.9	1.7
EV/EBITDA (x)	7.7	10.7	7.7	7.1	6.3
Dividend Yield	3.0%	2.7%	3.6%	3.9%	4.7%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Underweight

PS.BK, PS TB

Price: Bt18.30

Price Target: Bt20.00

Thailand

Banks, Real Estate

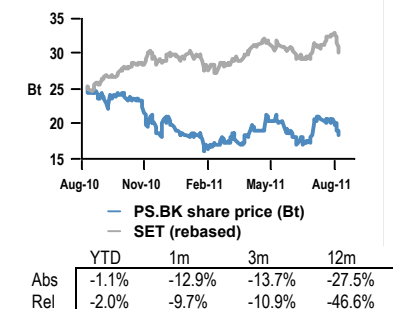
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JPMorgan Securities (Thailand) Limited

Price Performance



Company Data	
Shares O/S (mn)	2,208
Market cap (Bt mn)	40,414
Market cap (\$ mn)	1,350
Price (Bt)	18.30
Date Of Price	11 Aug 11
Free float (%)	26.0%
3Mth Avg daily volume	4,465,780.00
3M - Avg daily Value (Bt mn)	86.83
3M - Avg daily Value (USD)	2.90
(\$ mn)	
SET	1,062
Exchange Rate	29.93
Fiscal Year End	Dec

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Company Description

PS is one of the leading property developers in Thailand. The company focuses in developing residential units for low-mid income people in greater Bangkok. Having its own pre-cast factories, PS has been able to control cost and speed of construction resulting in high revenue growth and profit margin. This is considered unique and being the company's competitive advantage. PS's overall market share is 10-15% with 50% share for TH, 15% for SDH, and 2-3% for condo. PS just started to develop condominium in FY07 and so far has proven to be successful. Looking forward, to sustain long-term revenue growth rate of 25% p.a., PS sets itself to continue expanding and will broaden product categories and brands as well as the locations. PS is moving to develop projects in upcountry areas as well as overseas. Vijitpongpun family, the founder, owns 76% in the company. Mr. Thongma Vijitpongpun is being the company's President & Chief Executive Officer.

EPS: J.P. Morgan vs consensus

	J. P. Morgan	Consensus
FY11E	1.87	1.97
FY12E	2.05	2.31
FY13E	2.46	2.79

Source: Bloomberg and J.P. Morgan estimates.

P&L sensitivity metrics	EBITDA impact (%)	EPS impact (%)
FY11E		
Sales growth assumption (15%)		
Impact of each 5ppts increase	9%	10%
Gross margin assumption (39%)		
Impact of each 1 percentage points increase	5%	5%

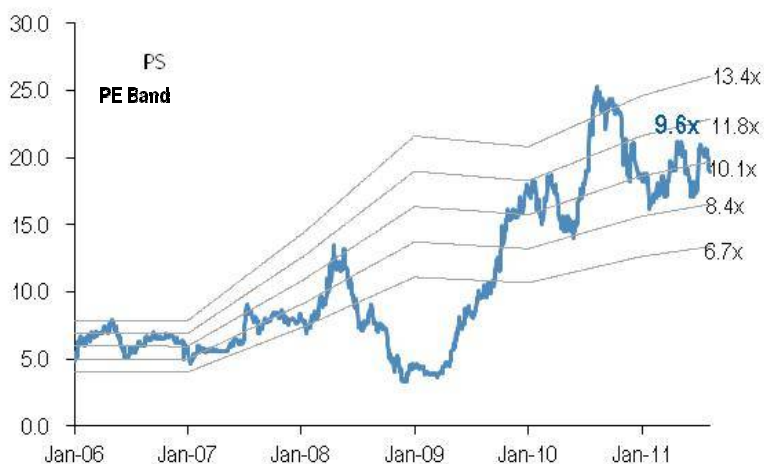
Source: J.P. Morgan estimates.

Price target and valuation analysis

Our Jun12 PT of 20 is based on 10x 12M forward EPS. The target PE is based on an average of PS's long-term PE.

Risks to PT are better-than-expected condo&house delivery could provide upside to earnings.

PE average since FY06	10	12M forward EPS (Bt)	2.0
Fair P/E	10	P/E-based Valuation	20



Source: Bloomberg and J.P. Morgan estimates.

Pruksa Real Estate Pcl: Summary of Financials

Profit and Loss Statement					Cash flow statement				
Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Revenues	23,307	26,890	30,206	37,341	EBIT	4,603	5,478	5,990	7,195
% change Y/Y	22.9%	15.4%	12.3%	23.6%	Depr. & amortization	246	246	246	246
EBIT	4,603	5,478	5,990	7,195	Change in working capital	-14,598	4,368	-3,105	-6,536
% change Y/Y	NM	19.0%	9.4%	20.1%	Others	6,002	5,603	6,118	7,307
EBIT margin (%)	19.8%	20.4%	19.8%	19.3%	Cash flow from operations	-9,648	8,739	1,662	-852
Net Interest	-67	-121	-119	-134	Capex	2,114	0	0	0
Earnings before tax	4,536	5,357	5,871	7,061	Disposal/(purchase)	-	-	-	-
% change Y/Y	-5.5%	18.1%	9.6%	20.3%	Net Interest	-	-	-	-
Tax	-1,048	-1,232	-1,350	-1,624	Free cash flow	-7,534	8,739	1,662	-852
as % of EBT	23.1%	23.0%	23.0%	23.0%	Equity raised/(repaid)	0	0	0	0
Net income (reported)	3,488.1	4,124.7	4,521.0	5,437.1	Debt raised/(repaid)	10,732	-2,000	1,500	1,500
% change Y/Y	-3.7%	18.3%	9.6%	20.3%	Other	-	-	-	-
Core net profit	3,388	4,025	4,421	5,337	Dividends paid	-1,214	-1,444	-1,582	-1,903
% change Y/Y	-4.7%	18.8%	9.9%	20.7%	Beginning cash	846	1,439	6,735	8,314
Shares outstanding	2,207	2,207	2,207	2,207	Ending cash	1,439	6,735	8,314	7,059
EPS (reported)	1.58	1.87	2.05	2.46	DPS	0.50	0.65	0.72	0.86
% change Y/Y	(4.0%)	18.3%	9.6%	20.3%					
DPS	0.50	0.65	0.72	0.86					
% change Y/Y	-9.4%	30.8%	9.6%	20.3%					
Balance sheet					Ratio Analysis				
Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E	Bt in millions, year end Dec	FY10	FY11E	FY12E	FY13E
Cash and cash equivalents	1,439	6,735	8,314	7,059	EBIT Margin	19.8%	20.4%	19.8%	19.3%
Accounts receivable	120	120	120	120	Operating margin	19.3%	20.0%	19.5%	19.0%
Inventories	27,801	23,433	26,538	33,074	Net margin	15.0%	15.3%	15.0%	14.6%
Others	1,805	1,805	1,805	1,805	SG&A/Sales	-	-	-	-
Current assets	31,356	32,284	36,969	42,249	Sales per share growth	22.5%	15.4%	12.3%	23.6%
LT investments	0	0	0	0	Sales growth	22.9%	15.4%	12.3%	23.6%
Net fixed assets	2,855	2,609	2,362	2,116	Net profit growth	-3.7%	18.3%	9.6%	20.3%
Total Assets	34,211	34,892	39,331	44,365	EPS growth	(4.0%)	18.3%	9.6%	20.3%
Liabilities					Interest coverage (x)	72.29	47.29	52.61	55.72
ST Loans	4,004	2,004	3,504	5,004	Net debt to total capital	52.8%	14.5%	13.1%	19.0%
Payables	2,997	2,997	2,997	2,997	Net debt to equity	75.2%	23.3%	19.6%	28.1%
Others	2,790	2,790	2,790	2,790	Sales/assets	0.88	0.78	0.81	0.89
Total current liabilities	9,791	7,791	9,291	10,791	Assets/equity	2.24	1.94	1.88	1.82
Long-term debt	9,100	9,100	9,100	9,100	ROE	24.7%	24.8%	23.3%	24.0%
Other liabilities	57	57	57	57	ROCE	21.2%	19.1%	19.2%	20.0%
Total Liabilities	18,948	16,948	18,448	19,948					
Shareholders' equity	15,263	17,944	20,883	24,417					
BVPS	6.92	8.13	9.46	11.06					

Source: Company reports and J.P. Morgan estimates.

JPM Q-Profile

Pruksa Real Estate PCL (THAILAND / Financials)

As Of: 11-Aug-2011

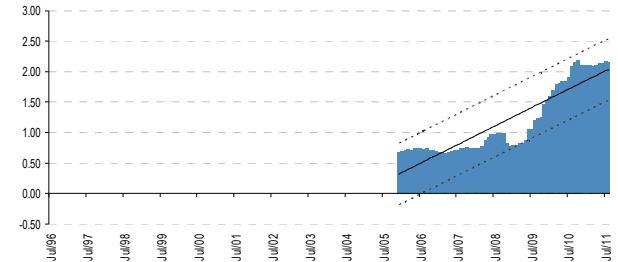
Global Equity Quantitative Analysis

Quant_Strategy@jpmorgan.com

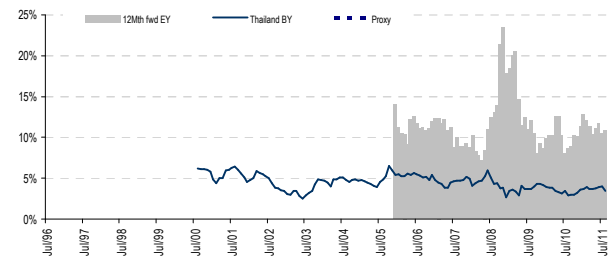
Local Share Price Current: **19.90**



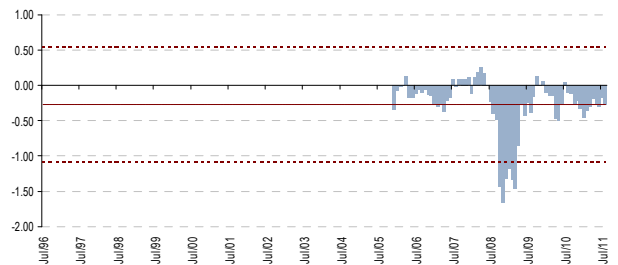
12 Mth Forward EPS Current: **2.16**



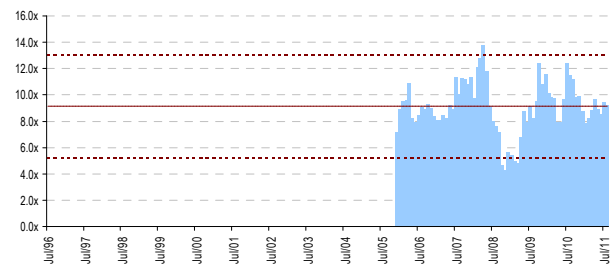
Earnings Yield (& local bond Yield) Current: **11%**



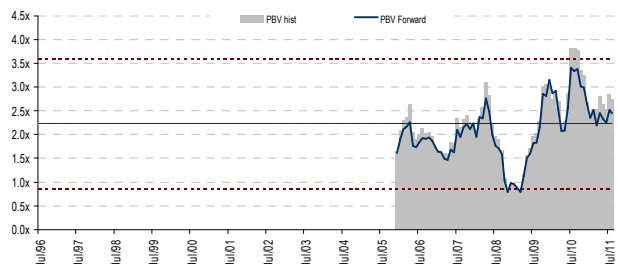
Implied Value Of Growth* Current: **-27.76%**



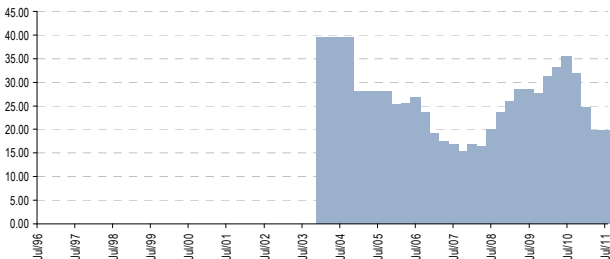
PE (1Yr Forward) Current: **9.2x**



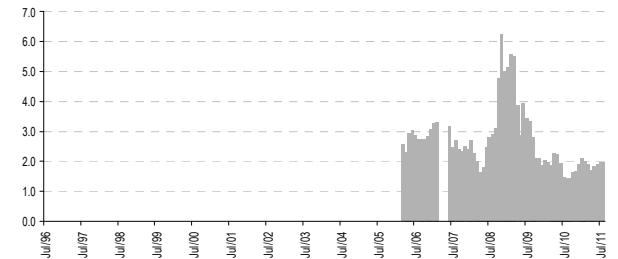
Price/Book Value Current: **2.7x**



ROE (Trailing) Current: **19.76**



Dividend Yield (Trailing) Current: **1.96**



Summary

Pruksa Real Estate PCL		SEDOL		B0R8BF8		As Of: 11-Aug-11					
THAILAND						Local Price: 19.90					
Financials						EPS: 2.16					
	Latest	Min	Max	Median	Average	2 S.D.+	2 S.D. -	% to Min	% to Max	% to Med	% to Avg
12mth Forward PE	9.21x	4.26	13.80	9.08	9.13	13.03	5.23	-54%	50%	-1%	-1%
P/BV (Trailing)	2.75x	0.81	3.82	2.24	2.23	3.60	0.86	-70%	39%	-18%	-19%
Dividend Yield (Trailing)	1.96	0.00	6.25	2.35	2.46	5.00	-0.07	-100%	219%	20%	26%
ROE (Trailing)	19.76	15.40	39.64	26.76	26.60	40.99	12.20	-22%	101%	35%	35%
Implied Value of Growth	-27.8%	-1.66	0.26	-0.17	-0.27	0.54	-1.08	-497%	192%	37%	4%

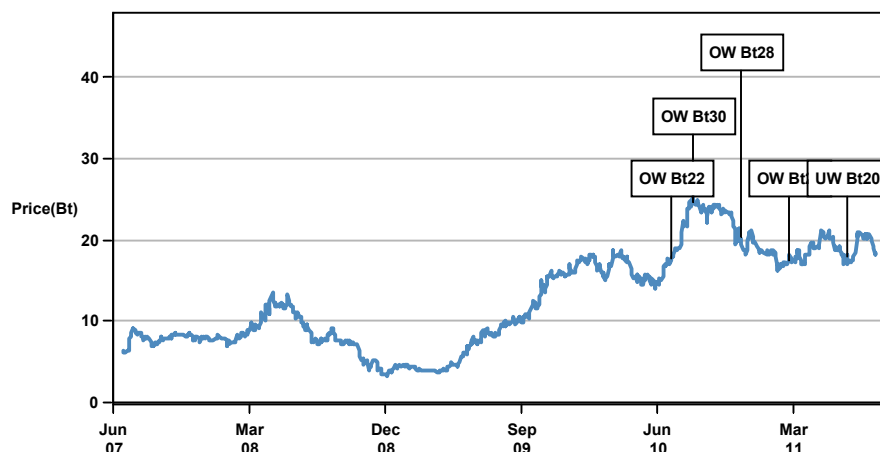
Source: Bloomberg, Reuters Global Fundamentals, IBES CONSENSUS, J.P. Morgan Calcs

* Implied Value Of Growth = (1 - EY/Cost of equity) where cost of equity = Bond Yield + 5.0% (ERP)

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Pruksa Real Estate Pcl (PS.BK) Price Chart



Date	Rating	Share Price (Bt)	Price Target (Bt)
28-Jun-10	OW	17.70	22.00
11-Aug-10	OW	24.50	30.00
15-Nov-10	OW	20.40	28.00
21-Feb-11	OW	17.50	25.00
17-Jun-11	UW	18.00	20.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Jun 28, 2010.

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IB clients*	70%	64%	52%

*Percentage of investment banking clients in each rating category.

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