

## Jump in condo revenue to help drive earnings in 2Q11F

- Higher revenue growth to drive 2Q11F NP
- Expect decline in SG&A expenses as percent of revenue
- Maintain BUY rating on accelerating earnings in 2H11F

### Higher revenue growth to drive 2Q11F NP

PS's 2Q11F net profit is likely to increase by 22.6% q-q and 6.7% y-y to THB896.8mn due to strong revenue growth. We expect the company's revenue from real estate sales in 2Q11F to increase by 26.3% y-y and 15.8% q-q to THB6,850mn and for this growth to be driven by higher revenue from its low-rise housing and condo projects. Revenue from low-rise housing should account for 82.8% of its total revenue from real estate sales. Meanwhile, PS's revenue from condos is likely to rise sharply to THB1,180mn from THB290mn in 1Q11 owing to the transfer of units from its "Ivy Thonglor" project that was completed in June 2011. Note that we expect revenue recognition from the company's "Ivy Thonglor" project to amount to approximately THB1,000mn in 2Q11F vs. its total value of THB2,736mn.

### Expect decline in SG&A expenses as percent of revenue

PS's 2Q11F gross margin for 2Q11F is likely to decline slightly to 38% from 39.3% in 1Q11, but improve when compared with its 2Q10 gross margin of 37.3%. We expect PS's SG&A expenses to increase by 15.1% q-q and 23.8% y-y to THB1,384.6mn as a result of a higher revenue base and the expiration of incentives on transfer fees on 30 June 2010. This implies that the company's SG&A expenses in 2Q11F should account for 20.2% of its total revenue compared to 22.2% in 1Q11.

### Maintain BUY on prospects for faster earnings growth in 2H11F

We reaffirm our BUY rating on PS because we expect the company's earnings to accelerate in 2H11F due to higher revenue from its low-rise housing and condo projects, as well as the anticipated contribution from its overseas business. PS is planning to launch 40 projects in 2H11F with a combined value of approximately THB28,000mn, up from THB21,767mn in 1H11. Note that the company's presales in 2Q11 increased by 8.3% q-q to THB9,170mn from THB8,465mn in 1Q11, while its presales in 1H11 amounted to THB17,635mn to account for 42% of our presales target for full-year FY11F. We expect the company's new project launches to boost the company's presales momentum in 2H11F. According to the recent update provided by management, PS stands by its presales target for FY11F of THB42,000mn, including THB32,500mn from low-rise housing and THB9,500mn from condos. Finally, management expects the company's total revenue in FY11F to range between THB31,000-32,000mn, which is slightly better than our forecast of THB29,876.7mn.

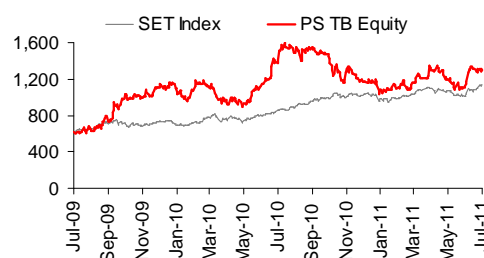
## EARNINGS PREVIEW

Stock Rating	<b>BUY</b>
Previous	BUY
Closing price	THB20.60
Target price 11F (PER)	<b>THB23.50</b>
Consensus Fair value	THB24.24
Sector Rating	<b>NEUTRAL</b>

### Forecasts and Valuation

31 Dec (THBmn)	2010	2011F	2012F	2013F
Revenue	23,307	29,877	35,517	40,947
EBITDA	4,750	5,913	7,159	8,257
Norm. Profit	3,488	4,176	4,992	5,654
Net Profit	3,488	4,176	4,992	5,654
EPS (THB)	1.58	1.89	2.26	2.56
EPS Growth (%)	(3.7)	19.7	19.5	13.3
PER (x)	13.0	10.9	9.1	8.0
BV/share (THB)	6.9	8.3	10.0	11.8
P/BV (x)	3.0	2.5	2.1	1.7
EV/EBITDA (x)	12.0	10.5	8.9	7.9
DPS (THB)	0.50	0.61	0.72	0.85
Dividend yield (%)	2.4	2.9	3.5	4.1
ROE (%)	24.7	24.8	24.7	23.5
Int. bearing D/E (x)	0.86	0.97	0.87	0.78

### Share Price Performance



**Exhibit 1: PS – 2Q11F Preview**

(THB mn)	2Q10	1Q11	2Q11F	q-q	y-y	2011F	% of 11F
Sales & Services	5,916.0	5,422.0	6,850.0	26.3%	15.8%	29,876.7	22.9%
Gross Profit	2,204.8	2,133.1	2,603.0	22.0%	18.1%	10,938.3	23.8%
EBITDA	1,143.8	998.5	1,286.8	28.9%	12.5%	5,913.4	21.8%
Interest Expense	9.0	12.7	18.0	42.1%	100.9%	160.6	11.2%
Corporate Tax	265.1	214.1	331.7	54.9%	25.1%	1,392.2	23.8%
Forex Gain (Loss)	-	-	-	n.a.	n.a.	-	n.a.
Other Extraordinary Items	-	-	-	n.a.	n.a.	-	n.a.
Gn (Ls) from Affiliates	-	-	-	n.a.	n.a.	-	n.a.
Net profit (Loss)	840.4	731.4	896.8	22.6%	6.7%	4,176.5	21.5%
Normalized Profit (Loss)	840.4	731.4	896.8	22.6%	6.7%	4,176.5	21.5%
Reported EPS (THB)	0.38	0.33	0.41	22.6%	6.7%	1.89	21.5%
Gross Margin (%)	37.3%	39.3%	38.0%			36.6%	
EBITDA Margin (%)	19.3%	18.4%	18.8%			19.8%	
Net Margin (%)	14.2%	13.5%	13.1%			14.0%	
Current Ratio (x)	3.6	2.4				3.7	
Interest Coverage (x)	36.8	7.0				8.7	
Debt to Equity (x)	0.4	1.0				1.0	
BV (THB)	6.3	7.3				8.3	
ROE (%)	23.9%	18.7%				24.8%	

Source: PS, CNS estimates

**Exhibit 2: PS – Newly launched projects in 1H11**

Project	Type	Unit	Value (THB mn)	Launch period
Baan Preuksa 67	TH	490	679	Jan 11
Preuksa Ville 44	TH	405	748	Jan 11
Baan Preuksa 40/2	TH	217	203	Jan 11
Preuksa Ville 43	TH	244	415	Feb 11
Preuksa Ville 49	TH	497	854	Feb 11
The Reno Nawamin	TH	129	204	Feb 11
Preuksa Town Next Tiwanon-Rama 5	TH	244	550	Feb 11
Preuksa Town Next Pinklao-Buddhamonthon	TH	465	865	Feb 11
Preuksa Town Next Prayasurane	TH	247	554	Feb 11
Preuksa Ville 47/1	TH	36	69	Feb 11
Preuksa Ville 50/1	TH	466	926	Feb 11
Preuksa Ville 40	TH	292	468	Feb 11
Baan Preuksa 69	TH	236	266	Mar 11
Preuksa Ville 52	TH	226	471	Mar 11
Baan Preuksa 61	TH	395	674	Jun 11
Baan Preuksa 66	TH	338	472	May 11
Baan Preuksa 70	TH	380	480	Apr 11
Baan Preuksa 71	TH	393	499	Jun 11
Baan Preuksa 72	TH	411	498	Jun 11
Preuksa Ville 47/2	TH	324	618	Apr 11
Preuksa Town Next Bangna km. 5	TH	465	898	May 11
The Connect 11/2	TH	185	478	Jun 11
The Connect 15/1	TH	258	544	Jun 11
<b>Total 23 TH projects</b>		<b>5,840</b>	<b>9,679</b>	
Preuksa Puri - PP0010 (Kingkaew 37)	SDH	247	849	Jan 11
Preuksa Puri - PP0020 (Suwintawong)	SDH	189	917	Jan 11
Preuksa Puri - PP0030 (Bangnatrad km.5)	SDH	180	720	Jan 11
Baan Passorn 28 (Nam Daeng)	SDH	244	800	Jan 11
The Plant Rama 9-Ring Road 2	SDH	210	917	Jan 11
Baan Passorn 27 (Ring Road - On Nut)	SDH	146	310	Feb 11
The Plant Bangkai	SDH	263	1,413	Feb 11
The Plant Light (Bang Kra Dee)	SDH	210	1,346	Feb 11
Preuksa Village 34	SDH	187	858	Mar 11
The Plant (Chaengwattana)	SDH	328	1,808	Jun 11

Preuksa Village 32	SDH	235	837	Jun 11
<b>Total 11 SDH projects</b>		<b>2,176</b>	<b>9,362</b>	
Condolette Ratchada 36	CD	486	703	Mar 11
IvyAmpio	CD	322	1,470	Mar 11
PlumNawamin	CD	690	553	Mar 11
<b>Total3 condo projects</b>		<b>1,498</b>	<b>2,726</b>	

Source: PS

#### Explanation of CNS rating system for Thailand companies under coverage:

##### Stocks:

Stock recommendations are based on absolute valuation upside (downside), which is defined as (Fair Value - Current Price) / Current Price, subject to limited management discretion. In most cases, the Fair Value will equal the analyst's assessment of the current intrinsic fair value of the stock using an appropriate valuation methodology such as Discounted Cash Flow or Multiple analysis etc. However, if the analyst doesn't think the market will revalue the stock over the specified time horizon due to a lack of events or catalysts, then the fair value may differ from the intrinsic fair value. In most cases, therefore, our recommendation is an assessment of the difference between current market price and our estimate of current intrinsic fair value. Recommendations are set with a 6-12 month horizon unless specified otherwise. Accordingly, within this horizon, price volatility may cause the actual upside or downside based on the prevailing market price to differ from the upside or downside implied by the recommendation.

- A "Buy" recommendation indicates that potential upside is 15% or more.
- A "Neutral" recommendation indicates that potential upside is less than 15% or downside is less than 5%.
- A "Reduce" recommendation indicates that potential downside is 5% or more.

##### Sectors:

A "Bullish" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a positive absolute recommendation.

A "Neutral" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a neutral absolute recommendation.

A "Bearish" rating means most stocks in the sector have (or the weighted average recommendation of the stocks under coverage is) a negative absolute recommendation.

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