



Pruksa Real Estate PS TB

THAILAND / REAL ESTATE

TARGET THB24.00
PRIOR TP THB24.00
CLOSE THB18.10
UP/DOWNSIDE +32.6%

BUY

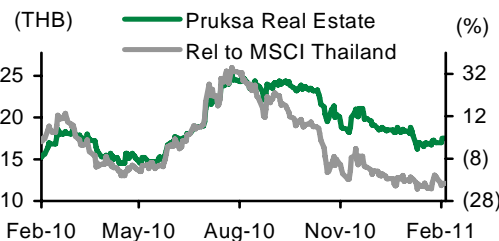
UNCHANGED

HOW WE DIFFER FROM THE STREET

	BNP	Consensus	% Diff
Target Price (THB)	24.00	25.18	(4.7)
EPS 2011 (THB)	1.87	2.00	(5.7)
EPS 2012 (THB)	2.25	2.40	(5.4)
	Positive	Neutral	Negative
Market Recs.	23	3	3

KEY STOCK DATA

YE Dec (THB m)	2011E	2012E	2013E
Revenue	26,868	33,547	38,012
Rec. net profit	4,123	4,972	5,592
Recurring EPS (THB)	1.87	2.25	2.53
Prior rec. EPS (THB)	1.87	2.23	2.51
Chg. In EPS est. (%)	0.1	0.9	0.8
EPS growth (%)	18.2	20.6	12.5
Recurring P/E (x)	9.7	8.0	7.1
Dividend yield (%)	3.3	3.9	4.4
EV/EBITDA (x)	8.4	6.7	5.8
Price/book (x)	2.2	1.9	1.6
Net debt/Equity	50.5	38.8	28.6
ROE (%)	24.8	25.3	24.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(3.3)	(6.4)	13.6
Relative to country (%)	(2.1)	(7.9)	(28.4)

Next results	May 2011
Mkt cap (USD m)	1,307
3m avg daily turnover (USD m)	3.6
Free float (%)	23
Major shareholder	Vijitpongpun family (66%)
12m high/low (THB)	25.25/14.00
3m historic vol. (%)	37.4
ADR ticker	-
ADR closing price (USD)	-

Sources : Bloomberg consensus; BNP Paribas estimates

RECENT COMPANY & SECTOR RESEARCH

Planting seeds for trees	4 Jan 2011
No.1 and aiming for more.....	28 Jan 2010
Oversupply: no, imbalance: yes.....	4 Jan 2011
Sales over policy.....	15 Dec 2010

INDUSTRY OUTLOOK ↑

NEW INFORMATION

Market-share taker

- Strong presales momentum backed by aggressive launches
- Superior profitability despite targeting lower priced segments
- Transforming into a leader across segments
- Top BUY in our sector universe given proactive product strategies

Strong presales momentum

In 2010, Pruksa Real Estate (PS) booked THB38.8b in presales (+70.2%y-y) with THB699m or 2% derived from its international projects. PS's international expansions are still small but are part of management's initiatives to create a new growth platform. The Maldives project (80% JV with Housing Development Corp) will be the first to contribute, as it made up for most international project presales with total value of THB3.5b. Other international projects include: a 100%-owned project in Bangalore, India worth THB1.6b; a 50% JV with SOHAM Group in Mumbai, India worth THB1.5b; and an 85% JV in Vietnam with Hoang Huy Service Investment worth THB3.9b. Contributions from international projects would be around 8% of its 2011 projected sales, according to the company.



Chutima Woramontri
+66 2611 3555
chutima.wor@aclis.co.th

No pull back in launches

In 2010, PS launched 72 projects compared to the 68 projects it guided earlier. This makes PS the most aggressive developer in Thailand and also most successful in terms of presales and profitability. The company plans to launch 78 projects in 2011, of which 42 will be townhouses, 17 single-detached housing, 15 condos and four international projects. 51 of the new projects have been secured in terms of land bank. Pruksa's management expects presales to rise to THB42b (+8%), while guiding for 2011 sales to grow 37%. Our 2011 sales forecast of THB26.9b is 16% below guidance, as we see a possibility of slower sales due to rising market competition. Year to date, PS has launched 15 projects and generated THB5.5b in presales.

Superior profitability despite targeting lower ends

In 2010, PS's gross profit margin was 37.5%, higher than our 36.4% estimate, although the company targeted low-end segments. PS's average per-unit price in 2010 was around THB1.8m, while cheaper townhouses contributed 51% of total sales. Its relatively higher operating expenses of 18% in 2010 is not a major concern, as PS spent more in advertising new launches that were larger than its previous plan.

Our top choice for Thai property sector

We reiterate our BUY call with a DCF-based target price of THB24, offering 32.6% upside potential. The stock trades on 9.6x 2011E P/E with 3% yield. Key risks to target price are poor response to launches and cost inflation, both of which could lead to margin contraction. However, these possible risks are not of immediate concern given the limited asset-price bubbles in Thailand and PS's sustained positive profitability trend.

RISK EXPERTS



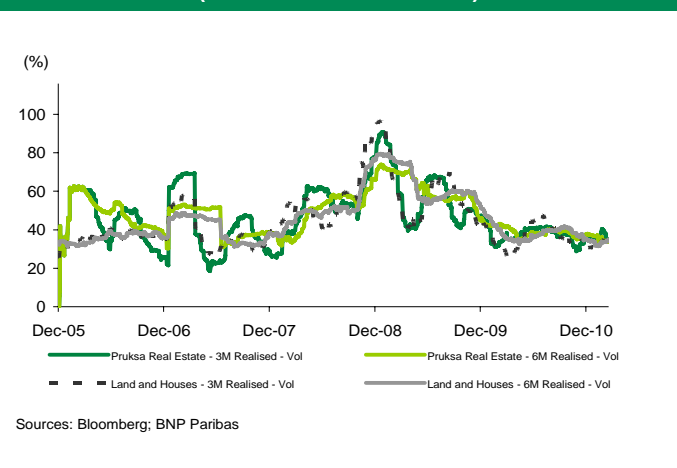
Key earnings drivers & sensitivity

- We are convinced that PS can outperform the industry with a 38% top-line CAGR over 2007-10E. With a very large portfolio, there is a possibility that some projects may not be as successful as others. Our projections take into account the possibility of some product risks.
- PS's rising profitability trend has been impressive. We think PS has outperformed peers despite a large proportion of its sales being derived from the low-priced townhouse products.

Year-end 31 Dec	Base		Best		Worst	
	2011E	2012E	2011E	2012E	2011E	2012E
Sales growth (%)	7	25	25	30	5	10
EPS (THB)	1.87	2.25	2.02	2.52	1.79	1.95
Change (%)			8.1	11.8	(4.2)	(13.5)
Gross profit margin (%)	36.4	35.6	37.4	36.6	35.4	34.6
EPS (THB)	1.87	2.25	1.96	2.35	1.77	2.12
Change (%)			4.9	4.3	(5.3)	(5.9)

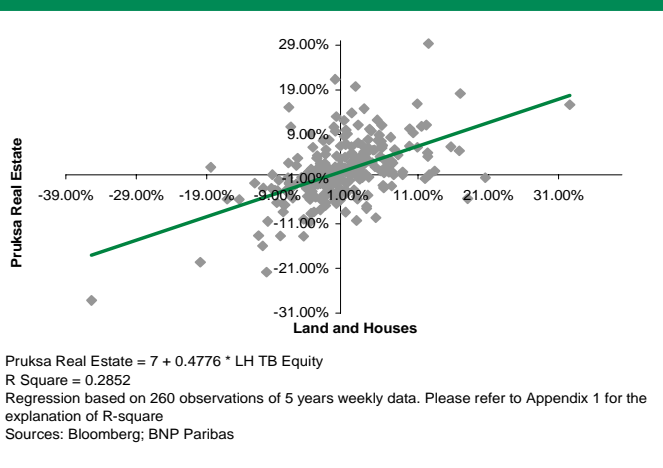
Source: ACL estimates

Pruksa Real Estate and Land and Houses (3M And 6M realised-vol)

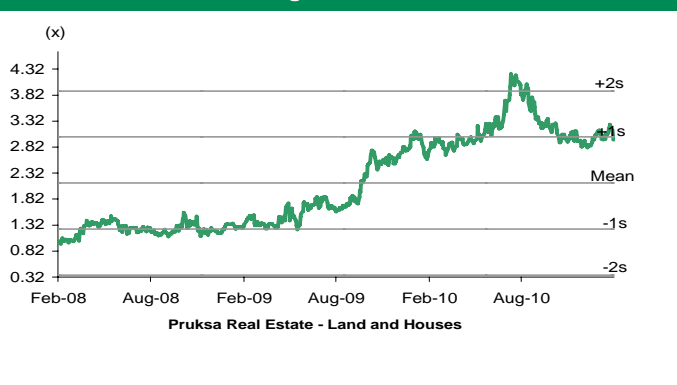


Source: BNP Paribas Sector Strategy

Regression – Pruksa Real Estate to Land and Houses



Long/short chart



The risk experts

The risk experts

- Our starting point for this page is a recognition of the macro factors that can have a significant impact on stock-price performance, sometimes independently of bottom-up factors.
- With our Risk Expert page, we identify the key macro risks that can impact stock performance.
- This analysis enhances the fundamental work laid out in the rest of this report, giving investors yet another resource to use in their decision-making process.

FINANCIAL STATEMENTS

Pruksa Real Estate

Profit and Loss (THB m)					
Year Ending Dec	2009A	2010A	2011E	2012E	2013E
Revenue	18,966	23,307	26,868	33,547	38,012
Cost of sales ex depreciation	(11,533)	(14,315)	(16,768)	(21,179)	(23,949)
Gross profit ex depreciation	7,433	8,993	10,100	12,368	14,063
Other operating income	0	0	0	0	0
Operating costs	(2,438)	(4,243)	(4,299)	(5,368)	(6,082)
Operating EBITDA	4,994	4,750	5,801	7,001	7,981
Depreciation	(216)	(246)	(320)	(425)	(531)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	4,779	4,503	5,481	6,575	7,450
Net financing costs	(47)	(67)	(145)	(147)	(222)
Associates	0	0	0	0	0
Recurring non operating income	67	100	161	201	228
Non recurring items	0	0	0	0	0
Profit before tax	4,799	4,536	5,497	6,630	7,456
Tax	(1,177)	(1,048)	(1,374)	(1,657)	(1,864)
Profit after tax	3,622	3,488	4,123	4,972	5,592
Minority interests	0	0	0	0	0
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	3,622	3,488	4,123	4,972	5,592
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	3,622	3,488	4,123	4,972	5,592
Per share (THB)					
Recurring EPS *	1.64	1.58	1.87	2.25	2.53
Reported EPS	1.64	1.58	1.87	2.25	2.53
DPS	0.55	0.50	0.59	0.71	0.80
Growth					
Revenue (%)	46.2	22.9	15.3	24.9	13.3
Operating EBITDA (%)	55.4	(4.9)	22.1	20.7	14.0
Operating EBIT (%)	58.0	(5.8)	21.7	20.0	13.3
Recurring EPS (%)	52.5	(3.7)	18.2	20.6	12.5
Reported EPS (%)	52.5	(3.7)	18.2	20.6	12.5
Operating performance					
Gross margin inc depreciation (%)	38.1	37.5	36.4	35.6	35.6
Operating EBITDA margin (%)	26.3	20.4	21.6	20.9	21.0
Operating EBIT margin (%)	25.2	19.3	20.4	19.6	19.6
Net margin (%)	19.1	15.0	15.3	14.8	14.7
Effective tax rate (%)	24.5	23.1	25.0	25.0	25.0
Dividend payout on recurring profit (%)	33.5	31.6	31.6	31.6	31.6
Interest cover (x)	103.0	68.6	38.9	46.1	34.6
Inventory days	408.6	522.8	608.3	507.3	490.1
Debtor days	0.9	1.4	1.8	1.7	1.8
Creditor days	31.4	52.9	70.9	68.6	72.3
Operating ROIC (%)	30.8	18.4	15.7	18.0	18.7
Operating ROIC – WACC (%)	22.9	10.5	7.8	10.1	10.8
ROIC (%)	30.2	18.2	15.7	17.9	18.6
ROIC – WACC (%)	22.3	10.3	7.8	10.0	10.7
ROE (%)	31.3	24.7	24.8	25.3	24.2
ROA (%)	20.8	13.3	11.7	12.5	12.4

* Pre exceptional, pre-goodwill and fully diluted

Sources: Pruksa Real Estate; ACLS estimates

PS remains the most aggressive developer in the industry with its new launches

Pruksa Real Estate

Cash Flow (THB m)	2009A	2010A	2011E	2012E	2013E
Year Ending Dec					
Recurring net profit	3,622	3,488	4,123	4,972	5,592
Depreciation	216	246	320	425	531
Associates & minorities	0	0	0	0	0
Other non-cash items	0	0	0	0	0
Recurring cash flow	3,837	3,734	4,443	5,398	6,123
Change in working capital	(289)	(12,811)	212	(1,793)	(2,186)
Capex - maintenance	(9)	(1,106)	(1,106)	(1,106)	(1,106)
Capex – new investment	0	0	0	0	0
Free cash flow to equity	3,540	(10,184)	3,549	2,498	2,830
Net acquisitions & disposals	0	0	0	0	0
Dividends paid	(1,214)	(1,103)	(1,304)	(1,573)	(1,769)
Non recurring cash flows	779	(1,238)	146	(88)	45
Net cash flow	3,106	(12,525)	2,391	837	1,107
Equity finance	15	0	0	0	0
Debt finance	(1,500)	11,004	169	163	893
Movement in cash	1,621	(1,521)	2,561	1,000	2,000

Per share (THB)

Recurring cash flow per share	1.74	1.69	2.01	2.45	2.77
FCF to equity per share	1.60	(4.61)	1.61	1.13	1.28

Balance Sheet (THB m)

Year Ending Dec	2009A	2010A	2011E	2012E	2013E
Working capital assets	13,953	29,726	30,310	33,550	36,674
Working capital liabilities	(3,707)	(5,787)	(6,937)	(8,590)	(9,805)
Net working capital	10,246	23,939	23,373	24,961	26,869
Tangible fixed assets	1,299	2,159	2,946	3,627	4,203
Operating invested capital	11,545	26,099	26,319	28,588	31,072
Goodwill	0	0	0	0	0
Other intangible assets	0	0	0	0	0
Investments	0	0	0	0	0
Other assets	468	695	802	1,001	1,134
Invested capital	12,013	26,794	27,120	29,589	32,206
Cash & equivalents	(3,151)	(1,630)	(4,191)	(5,191)	(7,191)
Short term debt	600	4,004	4,056	4,105	4,378
Long term debt *	1,500	9,100	9,218	9,331	9,951
Net debt	(1,051)	11,474	9,083	8,246	7,139
Deferred tax	0	0	0	0	0
Other liabilities	0	7	8	10	11
Total equity	13,023	15,263	17,972	21,261	24,974
Minority interests	0	0	0	0	0
Invested capital	12,013	26,794	27,120	29,589	32,206

* includes convertibles and preferred stock which is being treated as debt

Per share (THB)

Book value per share	5.90	6.92	8.14	9.63	11.32
Tangible book value per share	5.90	6.92	8.14	9.63	11.32

Financial strength

Net debt/equity (%)	(8.1)	75.2	50.5	38.8	28.6
Net debt/total assets (%)	(5.6)	33.5	23.7	19.0	14.5
Current ratio (x)	4.0	3.2	3.1	3.1	3.1
CF interest cover (x)	76.2	(150.8)	25.5	18.0	13.7

Valuation	2009A	2010A	2011E	2012E	2013E
Recurring P/E (x) *	11.0	11.5	9.7	8.0	7.1
Recurring P/E @ target price (x) *	14.6	15.2	12.8	10.7	9.5
Reported P/E (x)	11.0	11.5	9.7	8.0	7.1
Dividend yield (%)	3.0	2.8	3.3	3.9	4.4
P/CF (x)	10.4	10.7	9.0	7.4	6.5
P/FCF (x)	11.3	(3.9)	11.3	16.0	14.1
Price/book (x)	3.1	2.6	2.2	1.9	1.6
Price/tangible book (x)	3.1	2.6	2.2	1.9	1.6
EV/EBITDA (x) **	8.0	9.3	8.4	6.7	5.8
EV/EBITDA @ target price (x) **	10.6	12.0	10.6	8.6	7.4
EV/invested capital (x)	3.2	1.9	1.8	1.6	1.5

* Pre exceptional, pre-goodwill and fully diluted

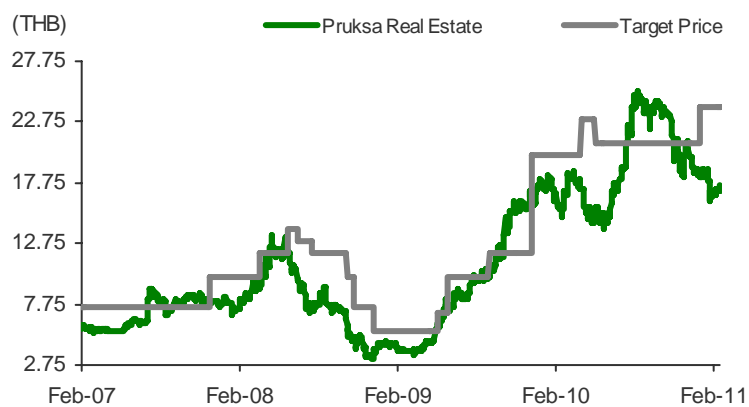
** EBITDA includes associate income and recurring non-operating income

Sources: Pruksa Real Estate; ACLS estimates

PS is gearing up in order to improve returns to its shareholders

HISTORY OF CHANGE IN INVESTMENT RATING AND/OR TARGET PRICE

Pruksa Real Estate (PS TB)



Date	Reco	TP
1-Feb-07	BUY	7.50

Chutima Woramontri started covering this stock from 4 January 2011
 Price and TP are in local currency

Valuation and risks: Key risks to our DCF-based target price are poor response to launches and cost inflation, both of which could lead to margin contraction

Sources: Bloomberg, ACLS

DISCLAIMERS & DISCLOSURES

ANALYST(S)

Chutima Woramontri, ACL Securities Co. Ltd., +66 2611 3555, chutima.wor@acsls.co.th.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal views of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report; (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed herein; and (iii) is not aware of any other actual or material conflicts of interest concerning any of the subject securities and companies referenced herein as of the time of publication of the research report.

Disclaimers

This report was produced pursuant to an arrangement between a member company of the BNP Paribas Group ("Group")¹ and ACL Securities Co., Ltd., which is solely responsible for its contents and which is unaffiliated with the Group. This report is being distributed outside Thailand by members of the Group. It is for the use of intended recipients only and may not be reproduced (in whole or in part) or delivered or transmitted to any other person without our prior written consent. By accepting this report, the recipient agrees to be bound by the terms and limitations set out herein. The information contained in this report has been obtained from public sources believed to be reliable and the opinions contained herein are expressions of belief based on such information. No representation or warranty, express or implied, is made that such information or opinions is accurate, complete or verified and it should not be relied upon as such. This report does not constitute a prospectus or other offering document or an offer or solicitation to buy or sell any securities or other investments. Information and opinions contained in this report are published for reference of the recipients and are not to be relied upon as authoritative or without the recipient's own independent verification or taken in substitution for the exercise of judgement by the recipient. All opinions contained herein constitute the views of the analyst(s) named in this report, they are subject to change without notice and are not intended to provide the sole basis of any evaluation of the subject securities and companies mentioned in this report. Any reference to past performance should not be taken as an indication of future performance. Neither ACL Securities Co., Ltd. nor any member company of the Group accepts any liability whatsoever for any direct or consequential loss arising from any use of the materials contained in this report.

This report is prepared for professional investors and is being distributed in Hong Kong by BNP Paribas Securities (Asia) Limited to persons whose business involves the acquisition, disposal or holding of securities, whether as principal or agent. BNP Paribas Securities (Asia) Limited, a subsidiary of BNP Paribas, is regulated by the Securities and Futures Commission for the conduct of dealing in securities, advising on securities and providing automated trading services.

This report is being distributed in the United Kingdom by BNP Paribas London Branch to persons who are not private customers as defined under U.K. securities regulations. BNP Paribas London Branch, a branch of BNP Paribas, is regulated by the Financial Services Authority for the conduct of its designated investment business in the U.K.

This report may be distributed in the United States by BNP PARIBAS SECURITIES ASIA or by BNP Paribas Securities Corp. Where this report has been distributed by BNP PARIBAS SECURITIES ASIA it is intended for distribution in the United States only to "major institutional investors" (as such term is defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) and is not intended for the use of any person or entity that is not a major institutional investor. Where this report has been distributed by BNP Paribas Securities Corp, a U.S. broker dealer, it will have been reviewed by a FINRA S16 qualified registered supervisory analyst or a S24 qualified and authorized person, in accordance with FINRA requirements concerning third party affiliated research.

All U.S. institutional investors receiving this report should effect transactions in securities discussed in the report through BNP Paribas Securities Corp. BNP Paribas Securities Corp. is a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Reproduction, distribution or publication of this report in any other places or to persons to whom such distribution or publication is not permitted under the applicable laws or regulations of such places is strictly prohibited.

Information on Taiwan listed stocks is distributed in Taiwan by BNP Paribas Securities (Taiwan) Co., Ltd.

Distribution or publication of this report in any other places to persons which are not permitted under the applicable laws or regulations of such places is strictly prohibited.

¹ No portion of this report was prepared by BNP Paribas Securities Corp personnel.

Disclosures

For a complete set of required disclosures relating to the companies that are the subject of this report, please mail a request to BNP Paribas Compliance Department, 787 Seventh Avenue, New York, NY 10019.

BNP Paribas represents that:

Within the next three months, BNPP or its affiliates may receive or seek compensation in connection with an investment banking relationship with one or more of the companies referenced herein.

The analyst(s) named in this report certifies that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities and companies mentioned in this report; (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed herein; and (iii) BNPP is not aware of any other actual or material conflicts of interest concerning any of the subject securities and companies referenced herein as of the time of publication of the research report.

A detailed discussion of the valuation methodologies used to derive our target prices and the risks that could impede their achievement for stocks recommended in the report is available on request from the analyst(s) named in this report.

Recommendation structure

All share prices are as at market close on 21 February 2011 unless otherwise stated. Stock recommendations are based on absolute upside (downside), which we define as (target price* - current price) / current price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is REDUCE. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. In addition, we have key buy and key sell lists in each market, which are our most commercial and/or actionable BUY and REDUCE calls and are limited to at most five key buys and five key sells in each market at any point in time.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

*In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Rating distribution (as at 21 February 2011)

Out of 538 rated stocks in the BNP Paribas coverage universe, 346 have BUY ratings, 135 are rated HOLD and 57 are rated REDUCE. Within these rating categories, 6.07% of the BUY-rated companies either currently are or have been BNP Paribas clients in the past 12 months, 5.93% of the HOLD-rated companies are or have been clients in the past 12 months, and 3.51% of the REDUCE-rated companies are or have been clients in the past 12 months.

Should you require additional information please contact the relevant BNP Paribas Securities research team or the author(s) of this report.

© 2011 ACL Securities Co., Ltd. and BNP Paribas Group