

23 June 2011

Pruksa Real Estate

Property
(Residential)
Neutral

New prefab plant will super-charge 2H11 revenue

QUICK VIEW

What's new? Last week, we visited PS's new TH prefabrication plant (Plant#5) at Lamlukka, Pathum Thani, adjacent to the firm's existing TH plant (Plant#1; Note that Plants #2, 3 and 4 make parts for SDHs and condos). Plant#5 has a capacity of 500 units/month (Plant#1's capacity is only 260 units/ month).

Comment: The new facility not only triples TH production capacity, it is technologically superior to Plant#1. It is fully automated, so requires a smaller labor force and makes fewer production errors than the first plant. Most importantly, Plant#5 breaks even at a utilization rate of only 56%—much lower than the break-even run rate of 92% for Plant#1.

PS plans to increase average TH production from 346 units/month in 1H11 to 617 units/month in 2H11. As such, TH revenue (almost half of total revenue in FY11) should almost double HoH in 2H11.

PS's earnings bottomed out in 1Q11. We expect QoQ bottom-line expansion in each of the remaining three quarters of the year.

Action: PS's share price has underperformed the SET, June-to-date. The market has become concerned about earnings risk for the following reasons: 1) problems at overseas projects—income from the Maldives condo project has been delayed, due to regulatory issues (PS previously expected a contribution from the Maldives in 2Q11)—and 2) execution risk—presales have been good but capacity constraints have made for lagging revenue recognition.

Plant#5 will enable much swifter TH transference in 2H11—problem solved. The missing international income is small, so doesn't count for much with regard to FY11 revenues or earnings. Thus, the share price dip presents an opportunity to BUY. PS has the best FY11 earnings growth profile in the Residential Developer sector (95% of our revenue forecast is guaranteed by the current presales backlog). The stock trades at an undemanding FY11 PER of 8.6x, a 10% discount to its FY06-10 mean of 9.6x.

BUALUANG RESEARCH

Narumon Ekasamut
narumon.e@bualuang.co.th
+66 2 618 1345

BUY

 (maintained)

Target Price: Bt27.00

Price (22/06/11): Bt17.30

PS TB / PS.BK

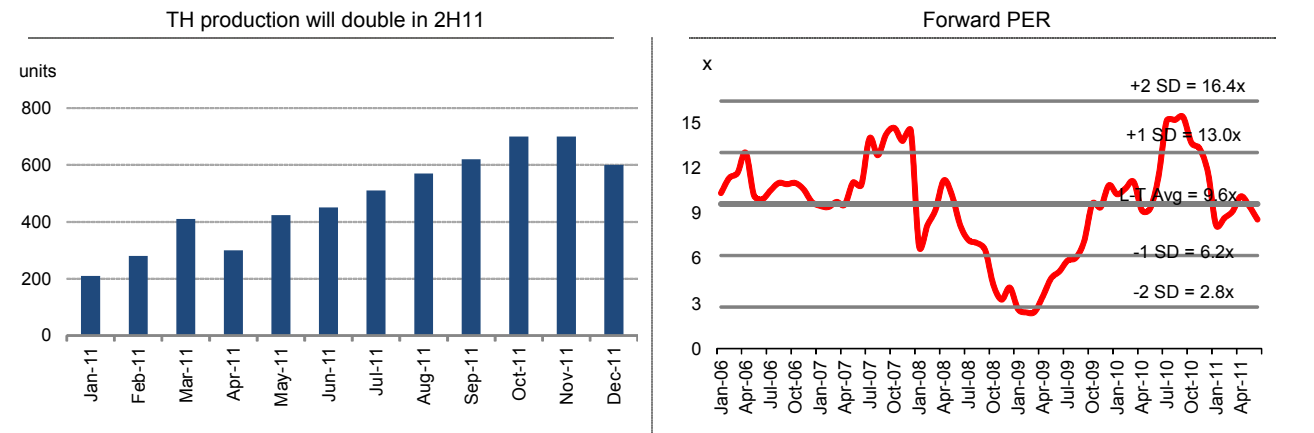
Financial summary

FY Ended 31 Dec	2010	2011E	2012E	2013E
Revenues (Btm)	23,307	30,026	37,605	44,070
Net profit (Btm)	3,488	4,453	5,578	6,676
EPS (Bt)	1.58	2.02	2.53	3.03
BLS/Consensus (x)	0.96	1.02	1.10	1.08
EPS growth (%)	-3.7%	+27.7%	+25.3%	+19.7%
Core profit (Btm)	3,628	4,453	5,578	6,676
Core EPS (Bt)	1.64	2.02	2.53	3.03
Core EPS growth (%)	-4.3%	+22.7%	+25.3%	+19.7%
PER (x)	10.9	8.6	6.8	5.7
Core PER (x)	10.5	8.6	6.8	5.7
EV/EBITDA (x)	10.2	8.0	6.7	5.7
PBV (x)	2.5	2.0	1.7	1.4
Dividend (Bt)	0.47	0.61	0.76	0.91
Dividend yield (%)	2.7	3.5	4.4	5.2
ROE (%)	24.7	26.2	26.8	26.3
Net gearing (x)	0.8	0.8	0.7	0.6

CG Rating - 2010



Figure 1: The capacity expansion will boost 2H11 earnings and could lead to a re-rating



Sources: Company data, SETSMART, Bualuang Research

BUALUANG SECURITIES PUBLIC COMPANY LIMITED – DISCLAIMER

BUALUANG SECURITIES PUBLIC COMPANY LIMITED (BLS) is a subsidiary of BANGKOK BANK PUBLIC COMPANY LIMITED (BBL). This document is produced based upon sources believed to be reliable but their accuracy, completeness or correctness is not guaranteed. The statements or expressions of opinion herein were arrived at after due and careful consideration to use as information for investment. Expressions of opinion contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information shall be at the sole discretion and risk of the user.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED MAY BE IN RELATIONSHIP WITH THE SECURITIES IN THIS REPORT. "Opinions, projections and other information contained in this report are based upon sources believed to be accurate including the draft prospectus, but no responsibility is accepted for any loss occasioned by reliance placed upon the contents hereof. Bualuang Securities Public Company Limited may from time to time perform investment, advisory or other services for companies mentioned in this report, as well as dealing (as principal or otherwise) in, or otherwise being interested in, any securities mentioned herein. This report does not constitute a solicitation to buy or sell any securities". Investors should carefully read details in the prospectus before making investment decision.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED IS A CO-MANAGER IN RESPECT OF THE INITIAL PUBLIC OFFERING "IPO" OF SECURITIES OF KHONBURI SUGAR PUBLIC COMPANY LIMITED (KBS). "Opinions, projections and other information contained in this report are based upon sources believed to be accurate including the draft prospectus, but no responsibility is accepted for any loss occasioned by reliance placed upon the contents hereof. Bualuang Securities Public Company Limited may from time to time perform investment, advisory or other services for companies mentioned in this report, as well as dealing (as principal or otherwise) in, or otherwise being interested in, any securities mentioned herein. This report does not constitute a solicitation to buy or sell any securities". Investors should carefully read details in the prospectus before making investment decision.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF BANPU DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF BAY DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF CPALL DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF CPF DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF IVL DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF LH DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF PTT DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF THAI DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF TRUE DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF SCC DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF STA DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.






BUALUANG SECURITIES PUBLIC COMPANY LIMITED ACTS AS MARKET MAKER AND ISSUER OF SSI DERIVATIVE WARRANTS. Investors should carefully read the details of the derivative warrants in the prospectus before making investment decisions.

This research report was prepared by Bualuang Securities Public Company Limited and refers to research prepared by Morgan Stanley. Morgan Stanley does not warrant or guarantee the accuracy or completeness of its research reports. Morgan Stanley reserves copyright and other proprietary rights in the material reproduced in this report. Morgan Stanley is under no obligation to inform Bualuang Securities or you if the views or information referred to or reproduced in this research report change.

Corporate Governance Report disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not base on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. Bualuang Securities Public Company Limited does not conform nor certify the accuracy of such survey result.

Score Range	Number of Logo	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

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.

SECTOR RECOMMENDATIONS

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.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

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