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10 January 2011

## Thailand Property

Reuters PS.BK  
Bloomberg PS TB

### Priced on 10 January 2011

Thai SET @ 1,018.0

**12M hi/lo** Bt25.50/14.00

**12M price target** Bt29.00  
**±% potential** +59%  
**Target set on** 30 Jul 10

**Shares in issue** 2,186.0m  
**Free float (est.)** 22.4%

**Market cap** US\$1,309m

**3M average daily volume**  
Bt152.4m (US\$5.1m)

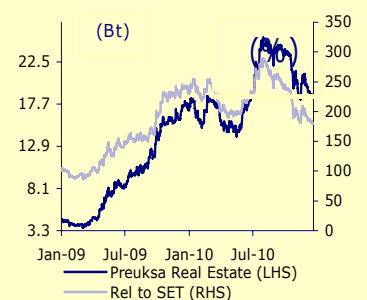
**Foreign s'holding** 11.1%

### Major shareholders

Mr. Thongma Vijitpongpan  
61.9%  
Thailand Equity Fund 4.9%

### Stock performance (%)

	1M	3M	12M
Absolute	(8.5)	(21.9)	7.1
Relative	(8.6)	(27.4)	(23.7)
Abs (US\$)	(10.4)	(23.6)	15.6



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## Shifting gear

**PS expects a condo super cycle to normalize in 2011, leading to a flat growth in the Thai property. However, real demand in landed property should continue to grow with low-end being the strongest. This trend benefits PS as it dominates the low-end townhouses and continues to win share in SDHs. PS conservatively targets 8% presales growth in 2011, but we think there is a good chance that it might surprise on the upside like in 2009-2010, when it over-delivered by 30%. Buy with Bt29 target price.**

### 2011 outlook: normalizing condo

In its 2011 business plan presentation, PS expects a flat growth for the Thai property due to the anticipated normalization of condo's super cycle. But real demand in single detached houses and townhouses should continue to grow with low-end being the strongest albeit competitions are rising as several major developers are entering the segment.

### Focus on deliveries

Unlike in 2010, PS will be less aggressive in 2011 in terms of generating gigantic presales. It plans to launch Bt54bn, a decline from Bt62bn launches in 2010. The target presales growth is only 8% from fewer launches and lower condo presales. But, revenue recognition is targeted to grow at 37%. It seems to us that PS' focus in 2011 will be more on turning its enormous backlogs to cash, given the flat growth expectation on market as well as the massively above-target presales in 2010.

### Revise down earnings in 2010

We revise down PS' 2010 earnings by 15% to reflect the delay in backlog deliveries and higher-than-expected expenses. However, we keep our 2011 projection unchanged since we believe PS is on track to meet our forecast as our 2011 revenue forecasts are already 60% secured.

### Reiterate Buy, target Bt29

Although target presales may not look exciting, this is intended by the company as presales in 2010 alone was almost at the level the company initially aimed for in 2011. The shift of focus to unit deliveries should help raise the quality of its backlogs, which is the main concern on PS after the disappointment in 3Q10 result from the delay in backlog transfers. Also, the company may over-deliver again like it did in 2009-2010. After all, PS is the dominant player in the low-end with cost competitiveness and stand to benefit from the strength in the segment. Buy with Bt29 target price.

### Financials

Year to 31 Dec	08A	09A	10CL	11CL	12CL
Revenue (Btm)	12,969	18,966	23,416	29,623	33,292
Rev forecast change (%)	-	-	(4.4)	0.7	1.8
Net profit (Btm)	2,373	3,622	3,564	4,793	5,474
NP forecast change (%)	-	-	(14.5)	(1.7)	(0.1)
EPS (Bt)	1.1	1.6	1.6	2.2	2.5
CL/consensus (20) (EPS%)	-	-	96	101	97
EPS growth (% YoY)	83.1	52.5	(1.9)	34.9	14.2
PE (x)	16.9	11.1	11.3	8.4	7.3
Dividend yield (%)	1.8	3.0	2.7	3.6	4.1
ROE (%)	25.9	31.3	25.1	27.8	25.9
Net debt/equity (%)	20.5	(8.1)	7.2	7.8	(1.4)

Source: CLSA Asia-Pacific Markets

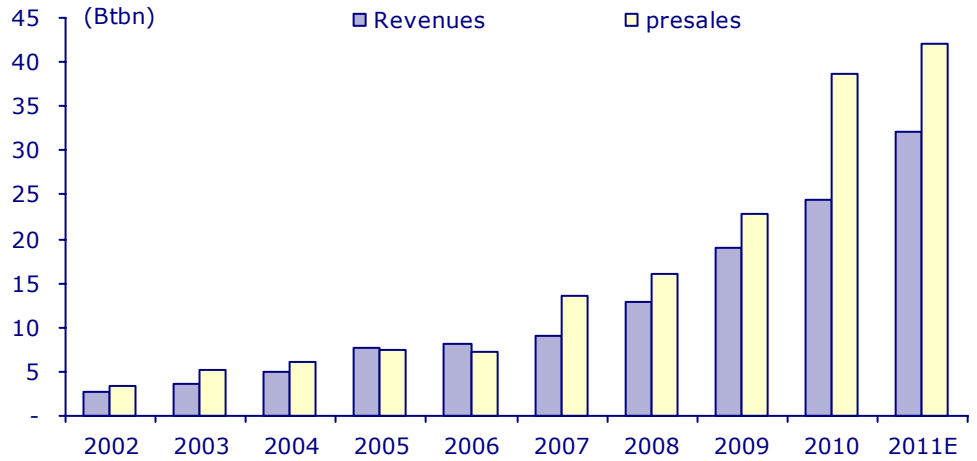
**Expect revenues to catch up with presales in 2011**

**Backlogs are accumulating**

**Secured 60% of our 2011 revenues forecast, limiting the downside to some degree**

Figure 1

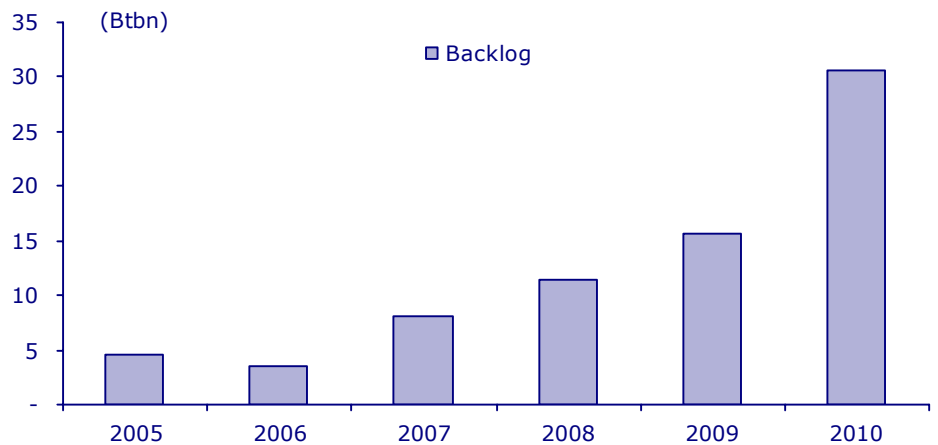
**PS' revenues and presales**



Source: PS

Figure 2

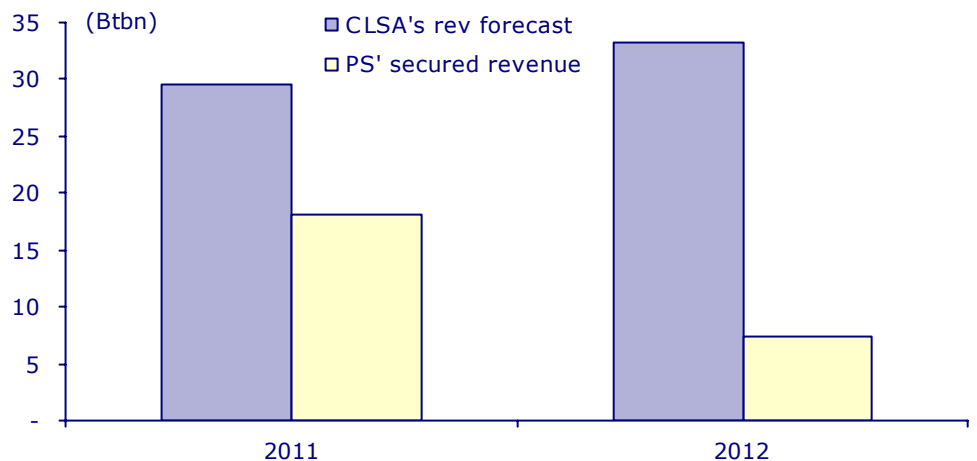
**PS' backlogs**



Source: PS

Figure 3

**PS' revenues forecast and secured revenues**



Source: PS

Figure 4

**PS' earnings revision**

	New			Previous			% change		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
<b>Revenue</b>	<b>23,416</b>	<b>29,623</b>	<b>33,292</b>	<b>24,492</b>	<b>29,422</b>	<b>32,691</b>	<b>(4.4)</b>	<b>0.7</b>	<b>1.8</b>
COGS	(14,713)	(18,809)	(21,038)	(15,255)	(18,304)	(20,273)	(3.6)	2.8	3.8
<b>Gross margin</b>	<b>8,702</b>	<b>10,814</b>	<b>12,254</b>	<b>9,237</b>	<b>11,118</b>	<b>12,418</b>	<b>(5.8)</b>	<b>(2.7)</b>	<b>(1.3)</b>
SG&A	(4,040)	(4,680)	(5,260)	(3,981)	(4,943)	(5,492)	1.5	(5.3)	(4.2)
<b>Operating profit</b>	<b>4,732</b>	<b>6,206</b>	<b>7,070</b>	<b>5,326</b>	<b>6,248</b>	<b>7,002</b>	<b>(11.2)</b>	<b>(0.7)</b>	<b>1.0</b>
Income tax	(1,126)	(1,352)	(1,544)	(1,176)	(1,375)	(1,546)	(4.3)	(1.7)	(0.1)
<b>Net profit</b>	<b>3,564</b>	<b>4,793</b>	<b>5,474</b>	<b>4,169</b>	<b>4,876</b>	<b>5,481</b>	<b>(14.5)</b>	<b>(1.7)</b>	<b>(0.1)</b>
<b>Key assumptions</b>									
Townhouse revenue (Btm)	11,779	15,532	18,600	12,579	15,332	18,000	(6.4)	1.3	3.3
SDH revenue (Btm)	8,107	8,803	7,150	8,382	8,803	7,150	(3.3)	-	-
Condo revenue (Btm)	3,500	5,250	7,500	3,500	5,250	7,500	-	-	-
Gross margin (%)	37.2	36.5	36.8	37.7	37.8	38.0	nm	nm	nm
SG&A/sales (%)	17.3	15.8	15.8	16.3	16.8	16.8	nm	nm	nm

Source: CLSA Asia-Pacific Markets

## Summary financials

Year to 31 December	2008A	2009A	2010CL	2011CL	2012CL
<b>Summary P&amp;L forecast (Btm)</b>					
<b>Revenue</b>	<b>12,969</b>	<b>18,966</b>	<b>23,416</b>	<b>29,623</b>	<b>33,292</b>
Op Ebitda	3,251	5,062	4,924	6,414	7,295
Op Ebit	3,061	4,846	4,732	6,206	7,070
Interest income	0	0	0	0	0
Interest expense	(28)	(47)	(42)	(62)	(51)
Other items	0	0	0	0	0
<b>Profit before tax</b>	<b>3,033</b>	<b>4,799</b>	<b>4,690</b>	<b>6,144</b>	<b>7,018</b>
Taxation	(659)	(1,177)	(1,126)	(1,352)	(1,544)
Minorities/Pref divs	0	0	0	0	0
<b>Net profit</b>	<b>2,373</b>	<b>3,622</b>	<b>3,564</b>	<b>4,793</b>	<b>5,474</b>
<b>Summary cashflow forecast (Btm)</b>					
<b>Operating profit</b>	<b>3,061</b>	<b>4,846</b>	<b>4,732</b>	<b>6,206</b>	<b>7,070</b>
Operating adjustments	0	0	0	0	0
Depreciation/amortisation	190	216	192	208	225
Working capital changes	(4,345)	(1,063)	(4,528)	(4,133)	(2,230)
Net interest/taxes/other	107	176	(1,168)	(1,414)	(1,595)
<b>Net operating cashflow</b>	<b>(987)</b>	<b>4,175</b>	<b>(772)</b>	<b>867</b>	<b>3,469</b>
Capital expenditure	(372)	(158)	(164)	(181)	(200)
<b>Free cashflow</b>	<b>(1,359)</b>	<b>4,017</b>	<b>(935)</b>	<b>686</b>	<b>3,269</b>
Acq/inv/disposals	0	0	0	0	0
Int, invt & associate div	51	(2,301)	(9)	(10)	(10)
<b>Net investing cashflow</b>	<b>(321)</b>	<b>(2,458)</b>	<b>(173)</b>	<b>(190)</b>	<b>(210)</b>
Increase in loans	2,380	(1,500)	1,930	(30)	(1,500)
Dividends	(481)	(725)	(1,210)	(1,069)	(1,438)
Net equity raised/other	(93)	(172)	0	0	0
<b>Net financing cashflow</b>	<b>1,807</b>	<b>(2,396)</b>	<b>720</b>	<b>(1,099)</b>	<b>(2,938)</b>
<b>Incr/(decr) in net cash</b>	<b>499</b>	<b>(680)</b>	<b>(224)</b>	<b>(422)</b>	<b>322</b>
Exch rate movements	(51)	2,301	0	0	0
<b>Opening cash</b>	<b>1,082</b>	<b>1,530</b>	<b>3,151</b>	<b>2,927</b>	<b>2,504</b>
<b>Closing cash</b>	<b>1,530</b>	<b>3,151</b>	<b>2,927</b>	<b>2,504</b>	<b>2,826</b>
<b>Summary balance sheet forecast (Btm)</b>					
Cash & equivalents	1,530	3,151	2,927	2,504	2,826
Debtors	38	60	65	82	92
Inventories	12,622	13,202	17,166	21,944	24,545
Other current assets	237	691	468	592	666
Fixed assets	1,506	1,299	1,270	1,243	1,218
Intangible assets	0	0	0	0	0
Other term assets	359	468	477	487	497
<b>Total assets</b>	<b>16,292</b>	<b>18,871</b>	<b>22,373</b>	<b>26,853</b>	<b>29,844</b>
Short-term debt	2,393	600	30	1,500	2,500
Creditors	536	799	817	1,045	1,169
Other current liabs	2,016	2,908	2,107	2,666	2,996
Long-term debt/CBs	1,207	1,500	4,000	2,500	0
Provisions/other LT liabs	31	41	41	41	41
Minorities/other equity	0	0	0	0	0
Shareholder funds	10,110	13,023	15,378	19,101	23,137
<b>Total liabs &amp; equity</b>	<b>16,292</b>	<b>18,871</b>	<b>22,373</b>	<b>26,853</b>	<b>29,844</b>
<b>Ratio analysis</b>					
Revenue growth (% YoY)	43.2	46.2	23.5	26.5	12.4
Ebitda growth (% YoY)	80.7	55.7	(2.7)	30.3	13.7
Ebitda margin (%)	25.1	26.7	21.0	21.7	21.9
Net profit margin (%)	18.3	19.1	15.2	16.2	16.4
Dividend payout (%)	30.6	33.3	30.1	30.0	30.0
Effective tax rate (%)	21.7	24.5	24.0	22.0	22.0
Ebitda/net int exp (x)	115.3	107.6	116.8	103.7	141.9
Net debt/equity (%)	20.5	(8.1)	7.2	7.8	(1.4)
ROE (%)	25.9	31.3	25.1	27.8	25.9
ROIC (%)	23.3	30.2	25.2	26.1	25.4
EVA@/IC (%)	11.6	18.5	13.5	14.3	13.6

Source: CLSA Asia-Pacific Markets

**Recommendation history - Preuksa Real Estate PS TB**

Date	Rec level	Closing price	Target
30 July 2010	BUY	22.30	29.00
27 October 2009	U-PF	15.40	15.00
03 August 2009	U-PF	9.60	10.00
28 May 2009	U-PF	7.65	7.70
12 January 2009	U-PF	4.58	4.50

Source: CLSA Asia-Pacific Markets

**Key to CLSA investment rankings:** **BUY** = Expected to outperform the local market by >10%; **O-PF** = Expected to outperform the local market by 0-10%; **U-PF** = Expected to underperform the local market by 0-10%; **SELL** = Expected to underperform the local market by >10%. Performance is defined as 12-month total return (including dividends).

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**Note: In the interests of timeliness, this document has not been edited.**

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