

# UBS Investment Research

## Sansiri Public Co Ltd

### Better fundamentals supports re-rating

#### ■ 2005 result reflected better operating performance...

Sansiri (SIRI) posted better-than-expected 2005 pre-ex earnings of Bt625m (+18.5% YoY) compared with our forecast of Bt498m. Although 51% growth in revenue was partially mitigated by an 1.8% drop in EBIT margin, SIRI was able to post favourable operating profit growth of 23%.

#### ■ ...and healthier financial position

SIRI's operating cash flow turned positive in 2005 (Bt0.9bn versus -Bt4.0bn in 2004), as cash inflow from transferred units outstripped cash outflow for land acquisitions and construction. This resulted in a drop in its net gearing ratio from 123% at YE2004 to 87% at YE2005.

#### ■ Modest earnings upgrade

In 2006, SIRI will become more aggressive in new project launches on existing landbank. Sixteen projects are in the pipeline, of which eight will target the low-end housing market. We view this low-end market strategy positively and revise up our EPS forecast 5.7% for 2006 (from Bt0.35 to Bt0.37) and 2.6% for 2007 (from Bt0.40 to Bt0.41).

#### ■ Valuation: Nudged up price target to Bt4.50

To reflect our earnings upgrades, we raise our 12-month price target from Bt4.40 to Bt4.50, which is based on sum-of-the-parts. It reflects SIRI's: 1) Bt6.7bn (Bt3.9/share) of residential development business; and 2) Bt1.0bn (Bt0.6/sh) for other businesses (assuming growth of 0% and WACC of 8.7%).

Highlights (Bt m)	12/04	12/05	12/06E	12/07E	12/08E
Revenues	6,569	9,911	9,363	9,831	10,201
EBIT	658	809	774	860	1,006
Net income (UBS)	528	625	538	598	698
EPS (UBS, Bt)	0.36	0.42	0.37	0.41	0.47
Net DPS (UBS, Bt)	0.15	0.18	0.22	0.22	0.22

Profitability & Valuation	5-yr hist. av.	12/05	12/06E	12/07E	12/08E
EBIT margin %	-19.3	8.2	8.3	8.8	9.9
ROIC (EBIT) %	3.8	5.6	5.8	6.3	7.8
EV/EBITDA x	23.3	12.3	12.0	11.1	9.7
PE (UBS) x	22.3	7.0	9.9	8.9	7.6
Net dividend yield %	0.5	6.0	6.1	6.1	6.1

Source: Company accounts, Thomson Financial, UBS estimates. UBS EPS is stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Bt3.62 on 27 Feb 2006 23:46 HKT

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## Global Equity Research

Thailand

Real Estate

Rating **Buy 2**  
*Unchanged*

Price target **Bt4.50/US\$0.11**  
*Bt4.40/Unchanged*

Price **Bt3.62/US\$0.09**

RIC: SIRI.BK BBG: SIRI TB

28 February 2006

#### Trading data (local/US\$)

52-wk. range	Bt3.88-2.30/US\$0.10-0.06
Market cap.	Bt5.33bn/US\$0.14bn
Shares o/s	1,474m (ORD)
Free float	50%
Avg. daily volume ('000)	6,088
Avg. daily value (Btm)	18.5

#### Balance sheet data 12/06E

Shareholders' equity	Bt7.97bn
P/BV (UBS)	0.7x
Net cash (debt)	(Bt6.71bn)

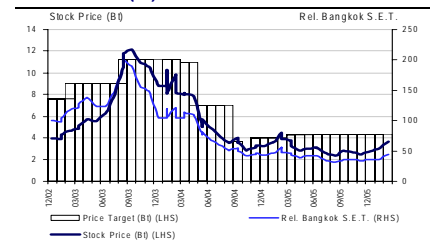
#### Forecast returns

Forecast price appreciation	+24.3%
Forecast dividend yield	6.1%
Forecast stock return	+30.4%
Market return assumption	9.5%
Forecast excess return	+20.9%

#### EPS (UBS, Bt)

	12/06E			12/05
	From	To	Cons.	Actual
Q1E	-	0.08	-	0.09
Q2E	-	0.08	-	0.09
Q3E	-	0.09	-	0.06
Q4E	-	0.12	-	0.18
12/06E	0.35	0.37	0.35	
12/07E	0.40	0.41	0.40	

#### Performance (Bt)



Source: UBS

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This report has been prepared by UBS Securities (Thailand) Ltd.

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## Key takeaways from 2005 result

Sansiri (SIRI) posted a better-than-expected 2005 pre-exceptional net profit of Bt625m (+18.5% YoY) compared with our forecast of Bt498m. Despite a sharp drop in EBIT margin (from 10.0% in the previous year to 8.2%), SIRI managed to post favourable operating profit growth of 23% to Bt809m. This came about from strong growth in recognised housing sales (+51% YoY), boosted mainly by a pick-up in sales of its Baan Sansiri Sukhumvit housing units.

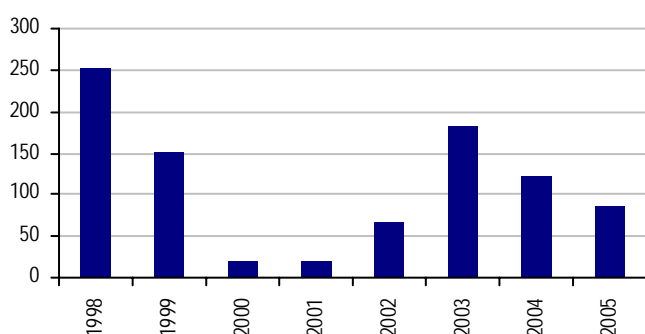
Moreover, SIRI's financial health also improved considerably in 2005. Net gearing ratio fell to 87% at YE2005 compared with 123% at YE2004. Meanwhile, SIRI delivered positive operating cash flow (Bt915m) for the first time since 1998. We attribute this fundamental improvement in its balance sheet to two management initiatives: the sell-down of the Sofitel Silom hotel and less aggressive landbank acquisition.

Table 1: Summary of Q405 result

Bt m	Q405	Q305	QoQ	Q404	YoY	2005	2004	YoY
Sales	3,449	2,693	28%	2,008	72%	9,911	6,569	51%
Gross Profit	866	670	29%	565	53%	2,467	1,980	25%
Operating Profit	370	220	68%	182	104%	809	658	23%
PBT	393	207	90%	152	158%	830	577	44%
PAT (PreEx)	265	91	192%	151	76%	625	527	19%
PAT	203	112	81%	122	66%	904	499	81%
<b>Profitability</b>								
Gross margin	25.1%	24.9%	n/a	24.9%	n/a	24.9%	24.9%	n/a
EBIT margin	10.7%	8.2%	n/a	9.0%	n/a	9.0%	9.0%	n/a
Pre-ex net margin	7.7%	7.7%	n/a	7.7%	n/a	7.7%	7.7%	n/a
ROE	13.6%	5.0%	n/a	8.5%	n/a	8.0%	7.4%	n/a

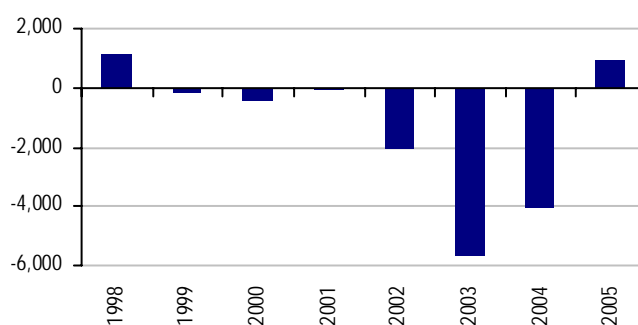
Source: Company data, UBS estimates

Chart 1: SIRI's net gearing ratio (%)



Source: Company data, UBS estimates

Chart 2: SIRI's operating cash flow (Bt m)



Source: Company data, UBS estimates

## Sixteen new projects in 2006

We believe SIRI's favorable housing sales in 2006E would be well supported by management's strategy of increasing the firm's exposure to the low to middle income housing market. This strategy came about because an uptrend in interest rates will negatively affect homebuyers' affordability and could result in strong demand for smaller, cheaper housing units.

Based on its announced expansion plan, SIRI will launch 16 new projects this year. However, we note that eight will target mainly low-income earners with unit prices ranging between Bt1m-Bt3m. These low-priced housing units will be developed under the Plus Property Partner and Plus Venture brands. We view this strategic shift toward lower-priced units positively as it should enhance the firm's ability to access broader target groups.

**Table 2: Details of 2006 projects**

Brand	Location	Project value (Bt m)	Units	Avg price (Bt m)
Sansiri	Prachacheun	5,174	610	8.5
Sansiri	Ratchapruek	1,492	300	5.0
Sansiri	n/a	2,238	407	5.5
Sansiri	YenAkat-2	246	32	7.7
Rojnarumit	n/a	1,015	519	2.0
Plus Property	n/a	322	172	1.9
Plus Property	n/a	1,528	750	2.0
Plus Property	n/a	479	238	2.0
Plus Property	n/a	610	280	2.2
Plus Property	CondoOne-Siam	406	147	2.8
Plus Venture	CondoOne-LP15	193	119	1.6
Plus Venture	CondoOne-LP18	268	175	1.5
Plus Venture	LaSalle	313	59	5.3
Plus Venture	Chinakhet	262	64	4.1
Plus Property	Chalermprakiat	1,331	313	4.3
Plus Property	n/a	559	122	4.6

Source: Company data, UBS estimates

## Earnings upgrade

Taking into account that SIRI will become more aggressive in launching new projects this year, we revise up our sales and earnings forecasts 5.7% for 2006 (from Bt509m to Bt538m) and 2.6% for 2007 (from Bt583m to Bt598m). Based on our revised projections, we expect a slight drop in recognised housing sales (-6%) in 2006. This is premised on our view that 2005 sales were driven by high revenue recognition from pre-sold condominiums and a pick-up in sales of pre-built luxury houses in Sukhumvit, which appears unlikely to occur this year.

Table 3: Earnings revision

	Bt m		Bt/share	
	2006E	2007E	2006E	2007E
Previous earnings forecast	509	583	0.35	0.40
New earnings forecast	538	598	0.37	0.41
Change	5.7%	2.6%	5.7%	2.6%

Source: UBS estimates

### Nudged up price target to Bt4.50

To reflect our earnings upgrades, we revise up our 12-month price target from Bt4.40 to Bt4.50, using a sum-of-the-parts methodology. Our fair value reflects SIRI's: 1) Bt4.5bn (Bt3.1/share) of existing residential projects; 2) Bt2.2bn (Bt0.8/sh) of future earnings from its residential development business; and 3) Bt1.0bn (Bt0.6/sh) for other businesses (assuming growth of 0% and WACC of 8.7%). At our revised price target, the stock would trade at 12.3x 2006E PE and 0.8x 2006E P/BV. We reiterate our Buy 2 rating on the stock. We believe the share price has yet to fully reflect the company's fundamental improvements.

### ■ Sansiri Public Co Ltd

Set up by the Chutrakul family in 1984 and listed in 1996, Sansiri's original development focus was the luxury condominium market in Bangkok. Sansiri was one of the first developers to clean up its balance sheet in 1998. In 2002, it successfully raised Bt2.5bn in new capital, paving the way for asset acquisition and a pipeline of more than 16 new project launches in 2003. Sansiri recently raised another Bt2.95bn in equity (via a rights offer, 2:3 at Bt5/share) to fund 10 new projects in 2004. The major shareholder is Thai property holding company, Natural Park (24.3%).

### ■ Statement of Risk

We believe there are three potential risks to the housing market and hence our earnings forecasts and price target: 1) consumer confidence; 2) interest rates; and 3) regulatory changes.

We assign a predictability level of 2 to reflect risk of capital raising given its relative high levels of outstanding debt. Sansiri's major shareholder, Natural Park (24.3% stake), is also facing difficulties repaying debt to creditors. This could lead to a sell-down of its stake in listed companies, including Sansiri.

## ■ Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

# Sansiri Public Co Ltd

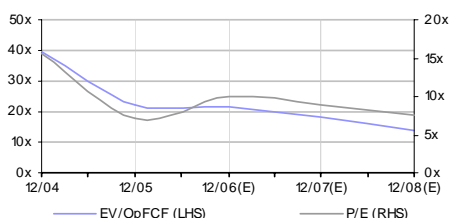
Income statement (Bt m)	12/01	12/02	12/03	12/04	12/05	12/06E	% ch	12/07E	% ch	12/08E	% ch
Revenue	511	1,273	3,580	6,569	9,911	9,363	-5.5	9,831	5.0	10,201	3.8
Operating expenses (ex deprecn)	(500)	(1,129)	(2,856)	(5,692)	(8,960)	(8,402)	-6.2	(8,768)	4.4	(8,978)	2.4
EBITDA (UBS)	11	144	724	877	951	961	1.1	1,063	10.6	1,223	15.1
Depreciation	(59)	(94)	(215)	(219)	(141)	(187)	32.1	(202)	8.4	(217)	7.4
Operating income (EBIT, UBS)	(48)	50	510	658	809	774	-4.3	860	11.1	1,006	16.9
Other income and associates	15	38	80	40	150	55	-63.2	55	0.1	53	-3.4
Net interest	(27)	(43)	(77)	(121)	(129)	(112)	-13.1	(117)	3.8	(108)	-7.8
Abnormal items (pre-tax)	0	0	0	0	0	0		0		0	
Profit before tax	(59)	45	513	578	830	717	-13.6	799	11.4	952	19.1
Tax	(1)	(5)	(81)	(64)	(232)	(203)	-12.8	(227)	12.1	(285)	25.6
Profit after tax	(61)	40	432	513	598	515	-13.9	572	11.1	666	16.5
Abnormal items (post-tax)	(35)	0	270	(35)	279	0		0		0	
Minorities / pref dividends	3	9	(122)	14	27	24	-13.6	26	11.4	31	19.1
Net income (local GAAP)	(93)	49	580	493	904	538	-40.4	598	11.2	698	16.6
Net income (UBS)	(58)	49	310	528	625	538	-13.9	598	11.2	698	16.6
Tax rate (%)	-	10	16	11	28	28	0.9	28	0.6	30	5.5
Pre-abnormal tax rate (%)	-	10	16	11	28	28	0.9	28	0.6	30	5.5
Per share (Bt)	12/01	12/02	12/03	12/04	12/05	12/06E	% ch	12/07E	% ch	12/08E	% ch
EPS (local GAAP)	(0.26)	0.04	0.50	0.33	0.61	0.37	-40.4	0.41	11.2	0.47	16.6
EPS (UBS)	(0.16)	0.04	0.26	0.36	0.42	0.37	-13.9	0.41	11.2	0.47	16.6
Net DPS	0.00	0.00	0.00	0.15	0.18	0.22	22.6	0.22	0.0	0.22	0.0
Cash EPS	0.00	0.12	0.45	0.51	0.52	0.49	-5.4	0.54	10.4	0.62	14.3
BVPS	1.61	2.81	3.34	4.84	5.29	5.41	2.2	5.62	4.0	5.87	4.5
Balance sheet (Bt m)	12/01	12/02	12/03	12/04	12/05	12/06E	% ch	12/07E	% ch	12/08E	% ch
Net tangible fixed assets	1,044	3,107	3,121	3,510	1,912	1,975	3.3	2,023	2.4	2,056	1.6
Net intangible fixed assets	0	0	0	0	0	0		0		0	
Net working capital	369	3,010	8,683	13,444	12,915	12,961	0.4	12,513	-3.5	11,406	-8.8
Other liabilities	(750)	(750)	(857)	(929)	(1,740)	(1,100)	-36.8	(1,100)	0.0	(1,100)	0.0
Operating invested capital	663	5,367	10,946	16,025	13,087	13,837	5.7	13,435	-2.9	12,362	-8.0
Investments / other assets	97	368	141	96	210	807	283.9	808	0.2	804	-0.6
Total capital employed	759	5,735	11,087	16,121	13,297	14,644	10.1	14,244	-2.7	13,165	-7.6
Shareholders' equity	586	3,224	3,906	7,127	7,793	7,965	2.2	8,282	4.0	8,656	4.5
Minority interests	0	64	99	2	(50)	(30)	-39.0	(100)	229.2	(131)	31.5
Total equity	586	3,288	4,005	7,128	7,743	7,935	2.5	8,183	3.1	8,525	4.2
Net debt/(cash)	174	2,447	7,083	8,993	5,554	6,708	20.8	6,061	-9.7	4,641	-23.4
Debt deemed provisions	0	0	0	0	0	0		0		0	
Total capital employed	759	5,735	11,087	16,121	13,297	14,644	10.1	14,244	-2.7	13,165	-7.6
Cash flow (Bt m)	12/01	12/02	12/03	12/04	12/05	12/06E	% ch	12/07E	% ch	12/08E	% ch
Operating income (EBIT, UBS)	(48)	50	510	658	809	774	-4.3	860	11.1	1,006	16.9
Depreciation	59	94	215	219	141	187	32.1	202	8.4	217	7.4
Net change in working capital	(48)	(2,641)	(5,672)	(4,761)	529	(47)		449		1,106	146.5
Other (operating)	(28)	(0)	107	72	811	(640)		0		0	
Operating cash flow	(64)	(2,497)	(4,841)	(3,812)	2,291	274	-88.0	1,512	450.9	2,329	54.1
Net interest received / (paid)	(27)	(83)	(217)	(384)	(423)	(428)	1.2	(437)	2.1	(409)	-6.5
Dividends paid	0	0	0	(221)	(265)	(324)	22.6	(324)	0.0	(324)	0.0
Tax paid	(1)	(5)	(81)	(64)	(232)	(203)	-12.8	(227)	12.1	(285)	25.6
Capital expenditure	(45)	(96)	(14)	(518)	(1,623)	(250)	-84.6	(250)	0.0	(250)	0.0
Net acquisitions / disposals	0	0	0	0	1,099	0		0		0	
Other	81	(722)	148	(7)	996	0		0		0	
Share issues	0	2,586	96	2,949	0	0		0		0	
Cash flow (inc)/dec in net debt	(63)	(272)	(5,424)	(1,816)	1,122	76	-93.2	648	746.8	1,420	119.3
FX / non cash items	138	(2,001)	788	(94)	2,317	(1,231)		0		0	
Balance sheet (inc)/dec in net debt	74	(2,273)	(4,636)	(1,910)	3,439	(1,155)		648		1,420	119.3
Core EBITDA	11	144	724	877	951	961	1.1	1,063	10.6	1,223	15.1
Maintenance capital expenditure	(21)	(62)	(62)	(70)	(38)	(40)	3.3	(40)	2.4	(41)	1.6
Maintenance net working capital	(11)	(90)	(260)	(403)	(387)	(389)	0.4	(375)	-3.5	(342)	-8.8
Operating free cash flow, pre-tax	(21)	(8)	401	404	525	533	1.4	647	21.5	840	29.8

Source: Company accounts, Thomson Financial, UBS estimates. UBS EPS is stated before goodwill, exceptionals and other special items. Note: For some companies, the data represents an extract of the full company accounts.

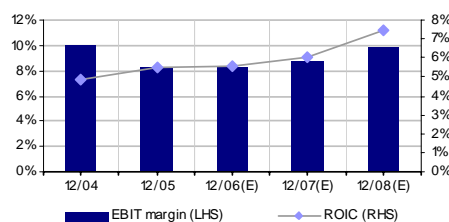
Company profile

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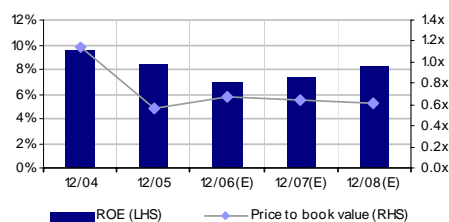
Value (EV/OpFCF & P/E)



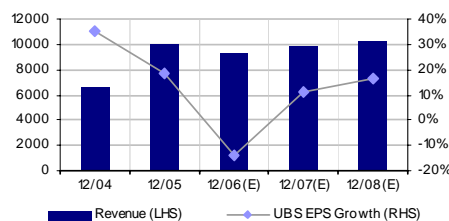
Profitability



ROE v Price to book value



Growth (UBS EPS)



Valuation (x)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
P/E (local GAAP)	22.8	16.6	4.9	9.9	8.9	7.6
P/E (UBS)	22.3	15.5	7.0	9.9	8.9	7.6
P/CEPS	NM	10.9	5.7	7.4	6.7	5.8
Net dividend yield (%)	0.5	2.7	6.0	6.1	6.1	6.1
P/BV	1.8	1.1	0.6	0.7	0.6	0.6
EV/revenue (core)	3.1	2.4	1.2	1.2	1.2	1.2
EV/EBITDA (core)	23.3	18.2	12.3	12.0	11.1	9.7
EV/EBIT (core)	NM	24.3	14.4	14.9	13.7	11.8
EV/OpFCF (core)	NM	NM	22.2	21.6	18.2	14.1
EV/op. invested capital	1.2	1.2	0.8	0.9	0.9	0.9

Enterprise value (Bt m)	12/04	12/05	12/06E	12/07E	12/08E
Average market cap	7,872	4,384	5,335	5,335	5,335
+ minority interests	50	24	40	65	115
+ average net debt (cash)	8,038	7,273	6,131	6,385	6,385
+ pension obligations and other	0	0	0	0	0
- non-core asset value	0	0	0	0	0
Core enterprise value	15,960	11,681	11,506	11,784	11,834

Growth (%)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
Revenue	146.0	83.5	50.9	-5.5	5.0	3.8
EBITDA (UBS)	-	21.1	8.4	1.1	10.6	15.1
EBIT (UBS)	-	29.1	23.0	-4.3	11.1	16.9
EPS (UBS)	-	35.1	18.5	-13.9	11.2	16.6
Cash EPS	-	13.0	2.6	-5.4	10.4	14.3
DPS Net	-	-	20.0	22.6	0.0	0.0
BVPS	26.8	44.9	9.3	2.2	4.0	4.5

Margins (%)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
EBITDA / revenue	NM	13.4	9.6	10.3	10.8	12.0
EBIT / revenue	NM	10.0	8.2	8.3	8.8	9.9
Net profit (UBS) / revenue	NM	8.0	6.3	5.7	6.1	6.8

Return on capital (%)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
EBIT ROIC (UBS)	3.8	4.9	5.6	5.8	6.3	7.8
ROIC post tax	-	4.3	4.0	4.1	4.5	5.5
Net ROE	NM	9.6	8.4	6.8	7.4	8.2

Coverage ratios (x)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
EBIT / net interest	-	5.5	6.3	6.9	7.4	9.4
Dividend cover (UBS EPS)	-	2.4	2.4	1.7	1.8	2.2
Div. payout ratio (% UBS EPS)	-	41.8	42.3	60.2	54.2	46.5
Net debt / EBITDA	NM	NM	5.8	7.0	5.7	3.8

Efficiency ratios (x)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
Revenue / op. invested capital	NM	0.5	0.7	0.7	0.7	0.8
Revenue / fixed assets	1.2	2.0	3.7	4.8	4.9	5.0
Revenue / net working capital	NM	0.6	0.8	0.7	0.8	0.9

Investment ratios (x)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
OpFCF / EBIT	0.6	0.6	0.6	0.7	0.8	0.8
Capex / revenue (%)	NM	7.9	16.4	2.7	2.5	2.5
Capex / depreciation	1.1	2.4	NM	1.3	1.2	1.2

Capital structure (%)	5Yr Avg	12/04	12/05	12/06E	12/07E	12/08E
Net debt / total equity	NM	NM	71.3	84.2	73.2	53.6
Net debt / (net debt + equity)	55.0	55.8	41.6	45.7	42.3	34.9
Net debt (core) / EV	40.1	50.4	62.3	53.3	54.2	53.9

Source: Company accounts, Thomson Financial, UBS estimates. UBS EPS is stated before goodwill, exceptionals and other special items. Valuations: based on an average share price that year, (E): based on a share price of Bt3.62 on 27 Feb 2006 23:46 HKT; Market cap (E) may include forecast share issues/buybacks.

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