Sansiri Plc. (SIRI.BK/SIRI TB)

SIRI-W1 to be listed on SET today

Bt4.56	Neutral Maintained	Company update Earnings preview

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- **SIRI-W1 to be listed on SET today**
- **Capital increase still an overhang**
- **Expect 4Q09 earnings of Bt541mn, up YoY and QoQ**
- **Maintain Neutral with a target price of Bt5.40**

SIRI-W1 to be listed on SET today

On February 1, 2010, the Stock Exchange of Thailand (SET) granted the listing and trading of SIRI-W1 commencing from February 3, 2010 onward. Recall that at the Extraordinary Meeting of Shareholders (EGM) on November 6, 2009, SIRI granted 736.8mn units of free warrants representing the right to purchase ordinary shares of the company No.1 (SIRI-W1) to its existing shareholders at the ratio of 2 existing ordinary shares to 1 unit of the warrant. Terms of the warrants are five years from the issuance date (January 20, 2010), and the exercise period is the last business date of every quarter of each calendar year after the second anniversary of the issuance date. The exercise ratio is 1 unit of warrant for 1 ordinary share, and the exercise price is Bt5.20/share. The free warrants are in fact part of its capital raising plan.

Capital increase still an overhang

SIRI plans to issue and offer 1,473mn new ordinary shares on a Private Placement (PP) basis at a price not less than Bt4.28/share (its par value) and not less than 90.0% of the market price (to be determined). The PP will have to be made within one year after being approved at the EGM (November 6, 2009), and it will be made in whole at one time, while the remaining (unsubscribed) shares, if any, will be cancelled to avoid overhang that would affect share price performance. The company expects the capital increase to be completed in 1Q10.

Should the PP be successful, SIRI will receive at least Bt6.3bn in new capital, based on a minimum price of Bt4.28/share, and its debt-to-equity ratio (DE) could fall below 1.0x, compared with 1.61x as of 3Q09. With the new capital base, the company aims at an aggressive revenue growth target of 25.0% p.a. during 2011-14, after some 9.0% growth expected in 2010. Nonetheless, based on our current projection, the dilution to 2010F EPS will be 50.0% after the PP if all new shares are fully subscribed.

At this point, as the success of the company's capital increase is still uncertain, we maintain our current projections and target price until the PP goes through.

Expect 4Q09 earnings of Bt541mn, up YoY and QoQ

We expect SIRI to continue to report a nice operating performance of Bt541mn, up 13.7% YoY and 7.8% QoQ, in 4Q09. The better performance YoY and QoQ would be thanks to strong top line growth of 20.3% YoY and 33.2% QoQ. We expect SIRI's full-year 2009 earnings to be Bt1.5bn, up 69.6% YoY.

Figure 1: **Expect 4Q09 earnings to rise 13.7% YoY and 7.8% QoQ**

Bt mn	4Q09F	4Q08	YoY (%)	3Q09	QoQ (%)	2009F	2008	YoY (%)
Sales and services	5,977	4,970	20.3	4,486	33.2	16,983	15,037	12.9
Cost of sales	(4,132)	(3,296)	25.4	(3,087)	33.9	(11,871)	(10,441)	13.7
Gross profit	1,845	1,674	10.2	1,399	31.8	5,112	4,596	11.2
SG&A	(1,051)	(773)	36.0	(596)	76.5	(2,741)	(2,453)	11.7
Extraordinary items	0	10	N.A.	(48)	N.A.	(60)	(429)	(86.1)
Normalized profit	541	469	15.4	536	1.1	1,591	1,214	31.1
Net profit	541	476	13.7	502	7.8	1,549	914	69.6
EPS (Bt)	0.37	0.32	13.7	0.34	7.8	1.05	0.62	69.6
Percent	**4Q09F**	**4Q08**	**YoY (ppts)**	**3Q09**	**QoQ (ppts)**	**2009F**	**2008**	**YoY (ppts)**
Gross margin	30.9	33.7	(2.8)	31.2	(0.3)	30.1	30.6	(0.5)
SG&A to sales	17.6	15.6	2.0	13.3	4.3	16.1	16.3	(0.2)
EBIT margin	13.3	18.1	(4.8)	17.9	(4.6)	14.0	14.3	(0.3)
Net margin	9.1	9.6	(0.5)	11.2	(2.1)	9.1	6.1	3.0

Source: Company data; KGI Securities (Thailand) estimates

Twelve new projects planned for 2010

Without new capital, the company plans to open 12 new projects, i.e. six single-detached houses (SDH), one townhouse (TH), and five condominiums, worth Bt15.7bn combined, in 2010, with presales and revenue targets set at Bt17.5bn and Bt18.4bn, respectively. However, should the PP be completed, one more TH and five more condos, worth a combined Bt6.1bn, will be added to the initial plan, and its presales target would be raised to Bt20bn.

Current backlog has secured 46.2% of its revenue target

The company's current backlog stood at Bt15.8bn, of which Bt8.5bn is expected to be realized as revenue during 2010. This has already secured 46.2% of SIRI's 2010 revenue target.

Valuation and Recommendation

In the long-run, SIRI's capital call should be viewed positively, as it would help strengthen the company's financial position and propel its growth engine; however, it would take time for the company to prove itself in terms of profitability improvement and sustainability. Maintain Neutral on the counter with a target price of Bt5.40.

Year to Dec	Sales (Bt mn)	Sales growth (%)	EBITDA (Bt mn)	NP (Bt mn)	EPS (Bt)	EPS growth (%)
2007	13,550	19.5	1,173	708	0.48	75.1
2008	15,037	11.0	2,344	914	0.62	29.1
2009F	16,983	12.9	2,588	1,549	1.05	69.6
2010F	18,137	6.8	2,222	1,444	0.98	(6.8)
2011F	19,868	9.5	2,374	1,599	1.09	10.8
Year to Dec	**GM (%)**	**EV/EBITDA (X)**	**PBV (X)**	**PER (X)**	**Dividend Yield (%)**	**ROAE (%)**
2007	29.2	9.8	0.8	9.5	4.5	8.8
2008	30.6	5.9	0.8	7.4	5.8	10.6
2009F	30.1	6.0	0.7	4.3	9.8	16.2
2010F	31.3	7.1	0.6	4.7	9.1	13.7
2011F	31.8	7.1	0.6	4.2	10.1	14.0

Sector	**Property**	52-week trading range (Bt)	1.6 - 4.8
12M target price (Bt/shr)	5.40	Mkt cap-Bt bn/US$ bn	6.72/0.17
Upside/downside (%)	18.4	Outstanding shares (mn)	1,473.6
The percentile of excess return (%)	41.9	Free floating shares (mn)	960.4
Dividend yield-12/09E (%)	9.8	Foreign ownership (mn)	574.7
Book value/shr-12/09E (Bt)	6.9	3M avg. daily trading (mn)	3.7
P/B-12/09E (x)	0.7	Abs. performance (3,6,12M)(%)	7; 50; 156.2
Net debt/equity-12/09E (%)	85.8	Rel. performance (3,6,12M)(%)	5.8; 38.4; 60