

## 4Q beat expectation

### Results better than expectation

SIRI posted a strong quarter with pre-ex net income of Bt1.38bn, up 28% YoY and 75% QoQ. The results were above our expectation and market consensus, driven mainly by lower-than-expected operating expenses. 2014 pre-ex net income was Bt2.7bn, up 40% YoY and the growth was also driven by better cost control. SIRI realized non-recurring losses of Bt154mn in 4Q14, mainly from write-off of goodwill, making reporting profit of Bt1.2bn (up 17% YoY and 55% QoQ) in 4Q14 and Bt3.4bn (up 76% YoY) in 2014. SIRI also announced dividend of Bt0.12/share, which implies a dividend payout of 38%.

### Stronger revenue in 4Q with continued cost control

The earnings improvement was driven by higher housing revenue of Bt10.1bn in 4Q (up 17% YoY and 44% QoQ). Strong housing revenue was mainly derived from condominiums (up 56% QoQ) from better transfer of HQ condo. Meanwhile, the higher revenue resulted in improving operating margin of 18.1% in 4Q14 compared with 14.5% in 3Q14 and 14.9% in 4Q13.

### Sequential momentum in 2015 on presales and revenue

SIRI plans to achieve presales of Bt30bn this year, of which Bt3bn should be achieved from a project developed under its joint venture. Presales momentum on condominiums should commence in 2Q and peak in 4Q given that the majority of condo launches will be in 4Q15. SIRI plans to introduce a new condo brand, The Line, which will have a price of Bt3-6mn/unit. SIRI plans to refocus on its condo in the middle- to high-end market this year, which is its core strength. Meanwhile, SIRI aims to achieve housing revenue of Bt33-34bn. Note that our housing revenue forecast is Bt34.5bn, which is 63%-secured by backlog on hand. The majority of revenue will be concentrated in 2H15. The company expects to lower its operating expenses to sales ratio slightly. However, with more launch activities, the marketing spending to boost presales remains to be seen.

### Operations update

SIRI achieved presales of Bt818mn in the year-to-date, which accounts for 3% of its Bt30bn presales target. We still see condo cancellation of Bt618mn from the cancellation of two condo projects upcountry by SIRI. It is possible to see another condo cancellation on NYX condo, which was launched by SIRI with value of Bt3bn and 13%-sold last year.

Estimates (Dec)	2013A	2014A	2015E	2016E	2017E
Net Income (Bt mn):	1,929	3,393	3,369	3,648	3,523
EPS - fully diluted (Bt):	0.17	0.31	0.24	0.26	0.25
P/E - fully diluted:	12.16	6.66	8.73	8.05	8.34
EPS Change (YoY):	(39.85)	82.47	(23.67)	8.41	(3.43)
EV/EBITDA	17.44	16.15	12.81	11.30	11.44
Price/Book - fully diluted (local):	1.17	0.89	1.10	1.02	0.97
Gross Dividend (Bt):	0.10	0.12	0.12	0.13	0.13
Gross Yield:	4.82	5.93	5.89	6.38	6.16

Source: Company, Phatra Securities estimates

### Earnings review

### Real Estate/Property

### Opinion & Financial Data

## Neutral

Target Price: Bt 2.18

Market Price: Bt 2.08

Date Established :	November 6, 2014
Mkt. Value (mn) :	US\$917/Bt29,676
Shares	14,267
Outstanding (mn):	
Book	
Value/Share:	Bt1.82
(Dec-2014A)	
Debt/Equity:	1.43x
(Dec-2014A)	
RoE 2015E	12.8%
2014E P/E Rel. to	60.9%
Home Mkt:	

### Stock Data

52-Week Range:	Bt1.58 - Bt2.24
Bloomberg /	
Reuters	SIRI TB/SIRI.BK
Current Exchange	
Rate:	THB32.37/US\$
Current Free	
Float:	86.4%
Average Daily	Bt238.62mn/
Turnover:	US\$7.374mn

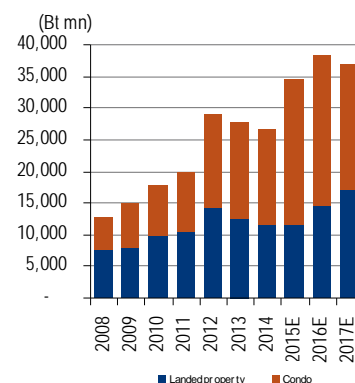
All figures are in local currency (Thai baht) except where otherwise noted.

Key Income Statement Data (Dec) (Bt Millions)	2013A	2014A	2015E	2016E	2017E
Sales	28,597	28,093	35,487	39,256	38,006
Gross Profit	9,329	9,188	11,722	12,921	12,461
Total operating expenses	6,808	5,506	7,197	7,964	7,706
Operating Profit	2,522	3,682	4,525	4,957	4,755
Net Interest & Other Income	(226)	(289)	(313)	(397)	(352)
Associates	-	-	-	-	-
Pretax Income	2,295	3,393	4,212	4,560	4,403
Tax (expense) / Benefit	(384)	(722)	(842)	(912)	(881)
Net Income (Adjusted)	1,929	3,393	3,369	3,648	3,523
Average Fully Diluted Shares Outstanding	10,412	10,939	14,243	14,243	14,243
Key Cash Flow Statement Data					
Net Income	1,929	3,393	3,369	3,648	3,523
Depreciation & Amortization	480	271	368	372	376
Change in Working Capital	(14,665)	(10,934)	(321)	498	(164)
Deferred Taxation Charge					
Other Adjustments, Net					
Cash Flow from Operations	(12,273)	(7,991)	3,416	4,518	3,735
Capital Expenditure	(838)	(839)	(354)	(354)	(354)
(Acquisition) / Disposal of Investments	751	623	-	-	-
Other Cash Inflow / (Outflow)	90	15	(40)	(40)	(40)
Cash Flow from Investing	3	(201)	(394)	(394)	(394)
Shares Issue / (Repurchase)	1,352	5,329	-	-	-
Cost of Dividends Paid	(1,425)	(956)	(1,682)	(1,670)	(1,808)
Cash Flow from Financing	10,966	8,783	(5,263)	(4,124)	(3,341)
Free Cash Flow	(12,270)	(8,192)	3,022	4,124	3,341
Net Debt	32,513	35,489	34,316	31,862	30,329
Change in Net Debt	11,968	2,975	(1,173)	(2,454)	(1,533)
Key Balance Sheet Data					
Property, Plant & Equipment	3,068	2,774	2,760	2,742	2,720
Other Non-Current Assets	1,589	1,688	1,688	1,688	1,688
Trade Receivables	45	51	51	51	51
Cash & Equivalents	2,156	3,608	1,200	1,200	1,200
Other Current Assets	53,182	65,026	64,922	64,596	64,707
Total Assets	60,040	73,147	70,622	70,277	70,366
Long-Term Debt	22,816	19,980	14,824	12,824	6,824
Other Non-Current Liabilities	768	783	743	703	663
Short-Term Debt	11,854	19,117	20,692	20,238	24,705
Other Current Liabilities	7,535	8,451	8,026	8,197	8,145
Total Liabilities	42,972	48,331	44,285	41,962	40,337
Total Equity	17,067	24,815	26,336	28,314	30,028
Total Equity & Liabilities	60,040	73,147	70,622	70,277	70,366
Bus Performance					
Return On Capital Employed	4.25	4.95	6.05	6.68	6.40
Return On Equity	11.20	10.77	12.79	12.89	11.73
Operating Margin	8.82	13.11	12.75	12.63	12.51
EBITDA Margin	10.50	14.07	13.79	13.58	13.50
Quality of Earnings					
Cash Realization Ratio	(6.36)	(2.35)	1.01	1.24	1.06
Asset Replacement Ratio	1.75	3.09	0.96	0.95	0.94
Tax Rate (Reported)	16.73	20.00	20.00	20.00	20.00
Net Debt-to-Equity Ratio	1.91	1.43	1.30	1.13	1.01
Interest Cover	1.66	2.51	2.64	2.49	2.57

## Investment Case

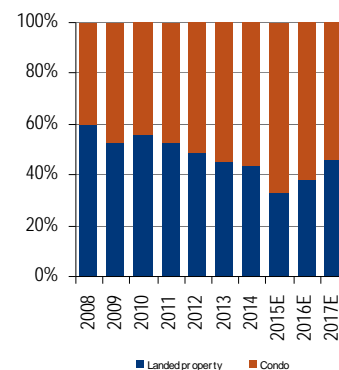
We like SIRI on its strong product franchise and diversified product portfolio with a well-balanced mix in each price range and product type. However, SIRI's high net gearing would pose high balance sheet risk under the current fragile economic conditions. In addition, negative sentiment may result in client delays on transfer, which may lead to downside risk on revenue. Although earnings growth should recover in 2014 and 2015, the risk-reward profile looks unjustified in our view.

Figure 1: SIRI – Revenue breakdown



Source: Company, Phatra Securities estimates

Figure 2: SIRI – Revenue breakdown



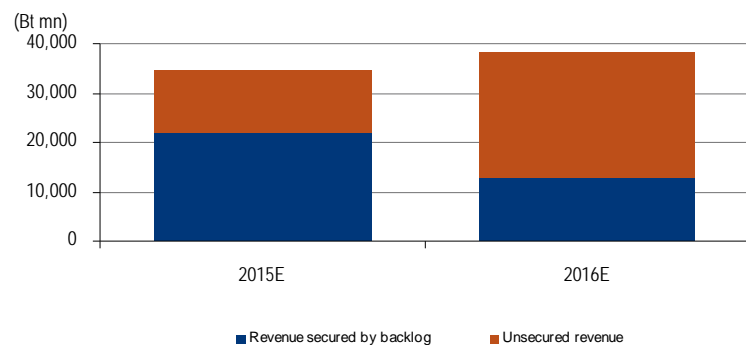
Source: Company, Phatra Securities estimates

Figure 3: SIRI 4Q14 Earnings review

(Bt mn)	4Q14	4Q13	% YoY	3Q14	% QoQ	2014	2013	% YoY
Revenue from project sales	10,124	8,651	17.0	7,035	43.9	27,174	27,724	(2.0)
Total revenue	10,373	8,873	16.9	7,285	42.4	28,093	28,597	(1.8)
Cost of project sales	6,726	5,629	19.5	4,662	44.3	18,056	18,565	(2.7)
Total cost of sales	6,959	5,838	19.2	4,888	42.4	18,905	19,268	(1.9)
Gross profit from project sales	3,399	3,023	12.5	2,373	43.3	9,119	9,159	(0.4)
Total gross profit	3,413	3,035	12.5	2,398	42.4	9,188	9,329	(1.5)
Total operating expenses	1,535	1,712	(10.3)	1,342	14.4	5,506	6,808	(19.1)
<b>EBIT</b>	<b>1,878</b>	<b>1,323</b>	<b>42.0</b>	<b>1,055</b>	<b>77.9</b>	<b>3,682</b>	<b>2,522</b>	<b>46.0</b>
Other income	115	86	34.1	95	21.7	342	369	(7.3)
Interest income	8	8	(5.6)	1	1,305.8	15	21	(28.5)
Interest expense	181	179	0.9	173	4.6	646	616	4.8
EBT	1,820	1,237	47.1	978	86.2	3,393	2,295	47.8
Taxes	435	157	177.5	186	133.6	722	384	88.0
EAT & before special items	1,384	1,080	28.1	791	75.0	2,671	1,911	39.8
<b>CORE profit before extra and FX</b>	<b>1,384</b>	<b>1,080</b>	<b>28.1</b>	<b>791</b>	<b>75.0</b>	<b>2,671</b>	<b>1,911</b>	<b>39.8</b>
Total extraordinary items	(153)	(24)	n/a	3	(5,789.2)	722	18	3,988.8
NI	1,232	1,057	16.6	794	55.2	3,393	1,929	75.9
Gross margin - housing (%)	33.6%	34.9%	n/a	33.7%	n/a	33.6%	33.0%	n/a
Gross margin (%)	32.9%	34.2%	n/a	32.9%	n/a	32.7%	32.6%	n/a
OP margin (%)	18.1%	14.9%	n/a	14.5%	n/a	13.1%	8.8%	n/a
Net D/E (x)	1.43	1.91	n/a	2.06	n/a	1.43	1.91	n/a

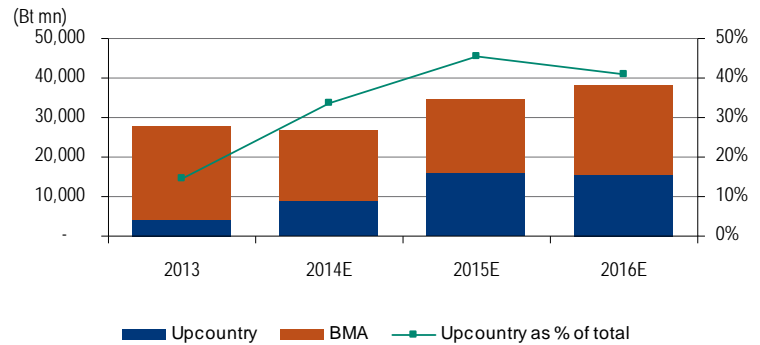
Source: Company; Phatra Securities estimates

Figure 4: SIRI – Revenue secured by backlog on hand



Source: Company; Phatra Securities estimates

Figure 5: SIRI – Revenue breakdown by location



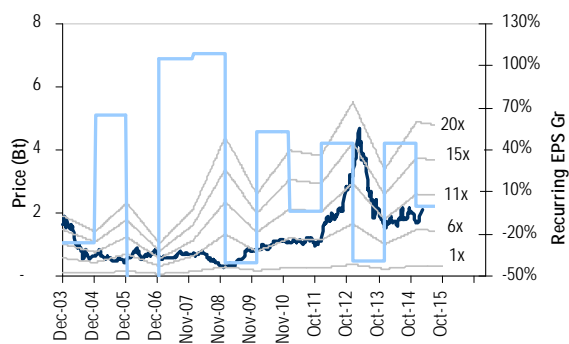
Source: Company; Phatra Securities estimates

Figure 6: Property Comp

	Mkt		Core EPS (Bt)			Recurring EPS growth			Core PER (x)			Yield (%)	PBV (x)	ROE (%)	Housing P/E	
	Price (Bt)	cap (US\$ mn)	2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2016E	2014E	2015E	2015E	2015E	2016E
SPALI	23.40	1,243	2.66	3.09	3.42	58.5%	16.2%	10.8%	8.79	7.57	6.83	5.55	1.94	27.7%	7.57	6.83
PS	31.50	2,171	2.94	3.33	3.88	14.4%	13.4%	16.5%	10.71	9.45	8.11	3.61	1.49	23.4%	9.45	8.11
LH	10.20	3,468	0.62	0.64	0.75	8.2%	4.1%	17.3%	16.49	15.84	13.51	5.64	2.52	17.5%	11.50	9.55
LPN	19.50	891	1.37	2.07	2.43	-13.2%	50.8%	17.4%	14.24	9.44	8.04	5.83	2.34	26.9%	9.44	8.04
QH	4.06	1,154	0.38	0.41	0.43	7.1%	8.1%	5.3%	10.68	9.88	9.38	5.06	1.75	18.6%	6.13	6.09
AP	6.85	667	0.79	0.85	0.83	25.3%	7.6%	-2.5%	8.63	8.02	8.23	5.04	1.23	16.3%	8.02	8.23
SIRI	2.08	877	0.20	0.23	0.26	16.7%	17.3%	11.6%	10.52	8.97	8.04	5.20	1.10	12.4%	8.97	8.04
<b>Average</b>						<b>15.5%</b>	<b>13.5%</b>	<b>12.5%</b>	<b>12.54</b>	<b>11.26</b>	<b>9.88</b>	<b>5.09</b>	<b>1.94</b>	<b>19.7%</b>	<b>9.41</b>	<b>8.21</b>

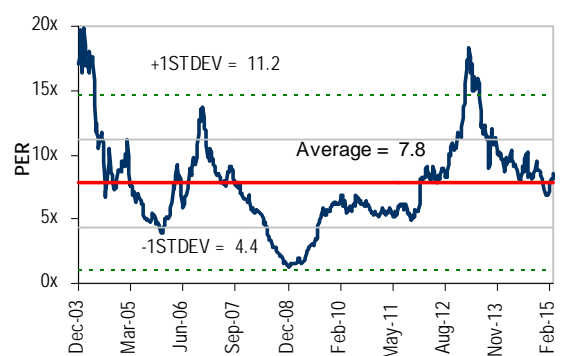
Source: Companies, Phatra Securities estimates

Figure 7: SIRI – P/E Band



Source: SET; Phatra Securities estimates

Figure 8: SIRI – Trailing P/E



Source: SET; Phatra Securities estimates

## **Company background**

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Sansiri (SIRI TB) is one of the top seven residential developers in Thailand. The company was established in September, 1984 and was listed on the SET in 1996. Its major business is residential property development, which accounted for more than 90% of total revenue. SIRI has a strong position in the mid- to high-end market segment in both low-rise and high-rise products and has diversified to add more products in the low-end segment.

## **Price objective basis & risk**

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Our 12-month price objective of Bt2.18/share is based on our fair value at year-end 2015. This is based on the average of a) P/E of 8.6x, which is 10% below the average P/E of mid-cap peers and b) our DCF valuations. We incorporate DCF valuations to take into account its backlog on hand which has secured part of revenue during 2016E-2017E. The DCF valuation is based on a discount rate of 10.1% and terminal growth rate of 2%. Downside risks to achieving our price objective are weaker-than-expected economic conditions, a tighter credit market for developers, higher-than-expected competition among developers, rising construction cost, a stronger-than-expected increase in interest rates, tighter mortgage financing policy from commercial banks, weaker presales from soft demand or higher competition and slower-than-expected recovery of the provincial market economy. Meanwhile upside risks to our price objective are better-than-expected revenue/transfer and presales momentum.

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# Corporate Governance Report of Thai Listed Companies 2014

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### Companies with Excellent CG Scoring by alphabetical order under Phatra’s Coverage

BTS GROUP HOLDINGS	CENTRAL PATTANA	PRECIOUS SHIPPING	INTOUCH HOLDINGS	SUPALAI
IRPC	INDORAMA VENTURES	KASIKORNBANK	KRUNG THAI BANK	MINOR INTERNATIONAL
ELECTRICITY GENERATING	TISCO FINANCIAL GROUP	PTT EXPLORATION AND PRODUCTION	THE BANGCHAK PETROLEUM	THE SIAM COMMERCIAL BANK
PTT GLOBAL CHEMICAL	PTT	TMB Bank	THAICOM	THAI OIL



### Companies with Very Good CG Scoring by alphabetical order under Phatra’s Coverage

ASIA AVIATION	THE ERAWAN GROUP	GFPT	BANPU	THE SIAM CEMENT
BANGKOK BANK	BIG C SUPERCENTER	CENTRAL PLAZA HOTEL	CH. KARNCHANG	BANK OF AYUDHYA
TOTAL ACCESS COMMUNICATION	ADVANCED INFO SERVICE	AIRPORTS OF THAILAND	HEMARAJ LAND AND DEVELOPMENT	HOME PRODUCT CENTER
LAND AND HOUSES	L.P.N. DEVELOPMENT	MCOT	PRUKSA REAL ESTATE	QUALITY HOUSES
RATCHABURI ELECTRICITY GENERATING HOLDING		ROBINSON DEPARTMENT STORE	CHAROEN POKPHAND FOODS	THAI AIRWAYS INTERNATIONAL
TRUE CORPORATION	THAI VEGETABLE OIL	VGI GLOBAL MEDIA	THANACHART CAPITAL	



### Companies with Good CG Scoring by alphabetical order under Phatra’s Coverage

AMATA CORPORATION	MAJOR CINEPLEX GROUP	BUMRUNGRAD HOSPITAL	TICON INDUSTRIAL CONNECTION	TOYO-THAI CORPORATION
ESSO (THAILAND)	SIAM GLOBAL HOUSE	GLOW ENERGY	AP (THAILAND)	SIAM CITY CEMENT
SANSIRI	STP&I	BERLI JUCKER	BEC WORLD	
THAI UNION FROZEN PRODUCTS		SINO-THAI ENGINEERING AND CONSTRUCTION		

## N/A

### Companies without survey result available by alphabetical order under Phatra’s Coverage

MK RESTAURANT	THAI BEVERAGE	CP ALL	TRUEGIF	NOK AIRLINES
BANGKOK CHAIN HOSPITAL	UNIQUE ENGINEERING AND CONSTRUCTION	TESCO LOTUS RETAIL GROWTH PROPERTY FUND	BTS GROWTH INFRASTRUCTURE FUND	BANGKOK DUSIT MEDICAL SERVICES