

Sansiri PCL (SIRI TB)

Property - Real Estate

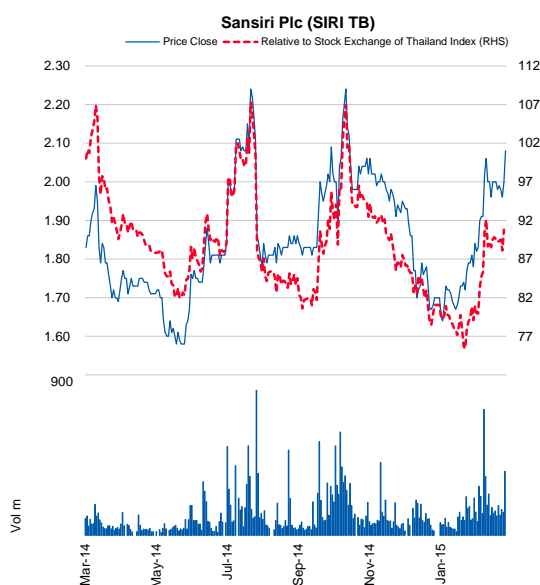
Market Cap: USD918m

Buy (Maintained)

Target Price: THB2.60

Price: THB2.08

Strong Momentum To Continue Into 2015

 Macro ◆◆◆
 Risks ◆◆
 Growth ◆◆
 Value ◆


Source: Bloomberg

Avg Turnover (THB/USD)	228m/6.72m
Cons. Upside (%)	7.7
Upside (%)	25.0
52-wk Price low/high (THB)	1.58 - 2.24
Free float (%)	75
Share outstanding (m)	14,267
Shareholders (%)	
Viriyah Insurance	6.6
Thai NVDR	5.5

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	22.4	16.9	6.7	11.8	14.9
Relative	16.4	16.6	7.1	10.6	(4.8)

Wanida Geisler 66 2862 9748

wanida.ge@rhbgroup.com

Sansiri's exceptional earnings in 2014 were driven by effective cost/expense control, divestment gains and successful financial/business restructuring. Core earnings and bottom line surged by 39% and 76% YoY, respectively. For 2015, Sansiri targets its new launches and presales to grow 107% and 240% respectively with revenue growth of 26%. We maintain BUY with a THB2.60 TP (25% upside) pegged to 10x FY15F P/E (long-term mean).

- ◆ **Impressive 4Q14.** Residential sales came in at THB10bn (+44% QoQ), in line with Sansiri's target. Gross margin was stable at almost 33% but SG&A expense to sales ratio declined to 15%, down from 22.4% in 9m14. EBIT surged 73.5% QoQ to THB2bn. Despite a one-time goodwill write-off worth THB141m, its bottom line came in at THB1.2bn (+55% QoQ).
- ◆ **Strong 2014 from core profit turnaround and divestment gains.** Residential sales were flat YoY at THB27bn (below its guidance of THB29bn) while gross margin was relatively stable at 32.7%. But SG&A expense to sales ratio sharply declined to 19.6% (2013: 23.8%) due to tight expense control. EBIT surged 38% YoY to THB4bn but bottom line jumped faster by 76% to THB3.4bn due to gain on sale of its office building into property fund worth THB767.5bn and gain on sale of raw land worth THB309bn. Proceeds from sale of its assets together with rights issue and the conversion of Sansiri's warrants no. 1 (SIRI-W1) helped to lower its net debt to equity ratio to 1.45x at end-14 (2013: 2x). (Figure 1, 2 and 3)
- ◆ **2015 Guidance.** Sansiri targets its presales at THB30bn (2013: THB8.8bn) given a sharp increase in its new launches from only THB17.6bn to THB36bn (including its first JV condo project with BTS worth THB5-6bn). Also, its target revenue at THB34bn (+26% YoY) of which THB21bn (64%) was already in hand as backlog. Gross margin, SG&A expense to sales ratio, and net margin are set at 33%, 18-19% and 10-11%, respectively. We estimate its core earnings to grow 34.5% in 2015 and 17.6% in 2016. Sansiri's main risk is its exposure to the upcountry market which account for 35-40% of its backlog and value of projects available for sale. We note that Sansiri already cancelled and plans to stop several condominiums with low take-up both in Bangkok and upcountry in order to focus more on profitable projects. (Figure 4, 5)

Forecasts and Valuations	Dec-12	Dec-13	Dec-14	Dec-15F	Dec-16F
Total turnover (THBm)	29,820	28,596	28,093	33,988	36,180
Reported net profit (THBm)	2,939	1,929	3,393	3,577	4,205
Recurring net profit (THBm)	2,886	1,914	2,659	3,577	4,205
Recurring net profit growth (%)	43.8	(33.7)	38.9	34.5	17.6
Recurring EPS (THB)	0.39	0.22	0.23	0.26	0.29
DPS (THB)	0.17	0.10	0.12	0.12	0.12
Recurring P/E (x)	5.38	9.46	9.06	8.07	7.24
P/B (x)	1.08	1.16	1.14	1.02	0.93
Dividend Yield (%)	8.2	4.8	5.8	5.8	5.8
Return on average equity (%)	22.1	11.9	16.2	13.3	13.4
Return on average assets (%)	7.1	3.6	5.1	4.7	5.2
Net debt to equity (%)	134.9	190.5	143.0	128.3	107.7
Our vs consensus EPS (adjusted) (%)				22.7	30.7

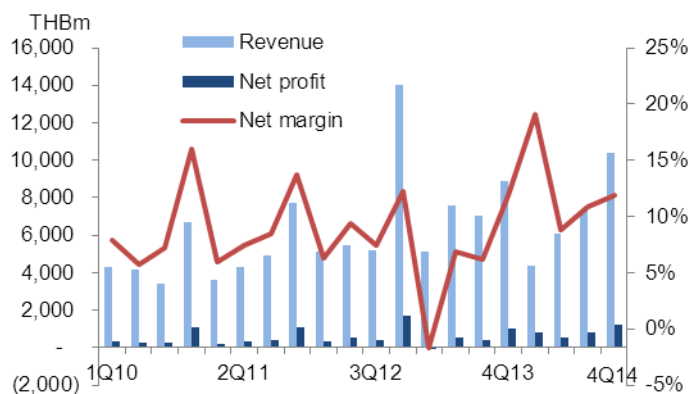
Source: Company data, RHB

Figure 1: Sansiri's 4Q14 and 2014 results

FYE Dec (THBm)	4Q13	3Q14	4Q14	YoY (%)	QoQ (%)	2014	2013	YoY (%)	Remark
Residential sales	8,651	7,035	10,124	17.0	43.9	27,174	27,724	(2.0)	Flat top line at THB27bn, lower than its guidance of THB30bn
Service income	221	251	248	12.2	(1.2)	919	872	5.4	
Total revenue	8,872	7,286	10,372	16.9	42.4	28,093	28,596	(1.8)	
Gross profit	3,034	2,398	3,414	12.5	42.4	9,189	9,329	(1.5)	Flat gross margin
EBIT	1,434	1,153	2,001	39.5	73.5	4,042	2,929	38.0	Boosted by effective expense control
EBIT margin(%)	16.6	16.4	19.8			14.9	10.6		
Interest expense	(180)	(173)	(182)	1.1	5.2	(646)	(616)	4.9	
Pretax profit	1,254	980	1,819	45.1	85.6	3,396	2,313	46.8	
Net profit	1,056	794	1,232	16.7	55.2	3,393	1,929	75.9	Higher than our estimates but in line with the consensus
Gross margin (%)	34.2%	32.9%	32.9%			32.7%	32.6%		
SG&A to sales ratio(%)	19.3%	18.4%	14.8%			19.6%	23.8%		Declined sharply given tight expense control
Net margin (%)	11.9%	10.9%	11.9%			12.1%	6.7%		Net margin (excl. extra gains) was around 10% (2013: 7%)

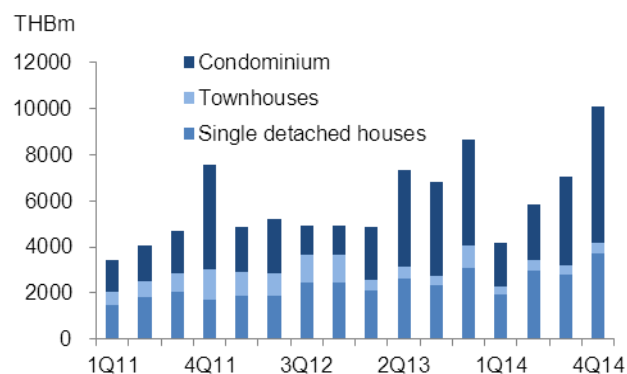
Source: Company data, RHB

Figure 2: Quarterly revenue, net profit and margins



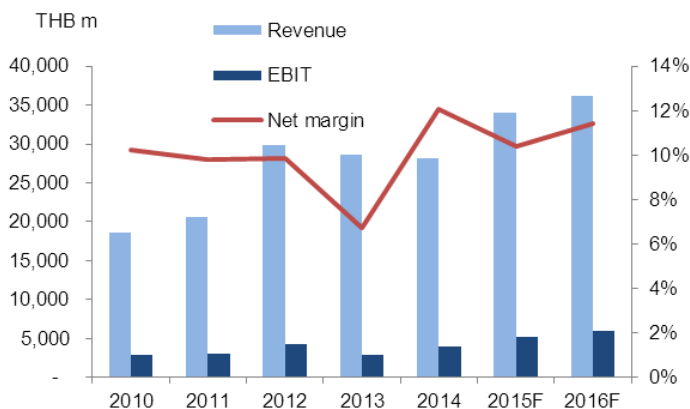
Source: Company data

Figure 3: Quarterly residential sales breakdown



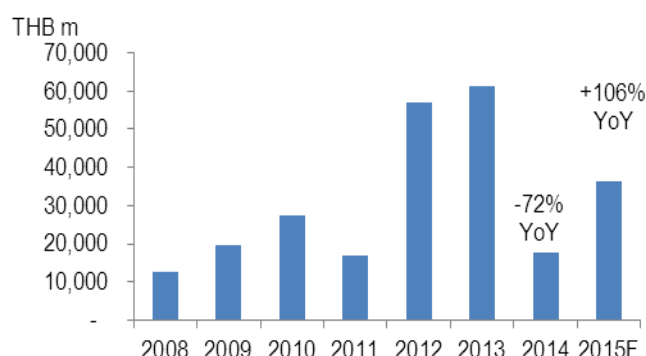
Source: Company data

Figure 4: Revenue, EBIT, net margin



Source: Company data, RHB

Figure 5: New Launches



Source: Company data, RHB

Financial Exhibits

Profit & Loss (THBm)	Dec-12	Dec-13	Dec-14	Dec-15F	Dec-16F
Total turnover	29,820	28,596	28,093	33,988	36,180
Cost of sales	(19,903)	(19,268)	(18,905)	(22,740)	(24,139)
Gross profit	9,917	9,328	9,188	11,248	12,041
Other operating costs	(6,033)	(6,807)	(5,506)	(6,458)	(6,512)
Operating profit	3,884	2,521	3,682	4,791	5,529
Operating EBITDA	4,207	2,801	4,151	5,133	5,940
Depreciation of fixed assets	(323)	(280)	(330)	(343)	(411)
Amortisation of intangible assets	-	-	(139)	-	-
Operating EBIT	3,884	2,521	3,682	4,791	5,529
Other recurring income	267	390	357	393	412
Interest expense	(328)	(616)	(646)	(712)	(685)
Exceptional income - net	70	18	937	-	-
Pre-tax profit	3,893	2,313	4,330	4,471	5,256
Taxation	(954)	(384)	(937)	(894)	(1,051)
Profit after tax & minorities	2,939	1,929	3,393	3,577	4,205
Reported net profit	2,939	1,929	3,393	3,577	4,205
Recurring net profit	2,886	1,914	2,659	3,577	4,205

Source: Company data, RHB

Cash flow (THBm)	Dec-12	Dec-13	Dec-14	Dec-15F	Dec-16F
Operating profit	3,884	2,521	3,682	4,791	5,529
Depreciation & amortisation	323	280	469	343	411
Change in working capital	(7,720)	(12,494)	(10,663)	(5,587)	(4,023)
Other operating cash flow	1,012	(1,236)	2,582	234	303
Operating cash flow	(2,501)	(10,929)	(3,930)	(219)	2,221
Interest paid	(328)	(616)	(646)	(712)	(685)
Tax paid	(890)	(645)	(626)	(790)	(1,013)
Cash flow from operations	(3,719)	(12,190)	(5,202)	(1,721)	523
Capex	(577)	338	2,325	(486)	(571)
Other investing cash flow	(593)	(1,071)	(1,508)	-	-
Cash flow from investing activities	(1,170)	(733)	817	(486)	(571)
Dividends paid	(1,001)	(1,425)	(956)	(1,665)	(1,755)
Proceeds from issue of shares	921	1,840	5,194	2,250	2,500
Increase in debt	5,514	11,220	204	445	(1,500)
Other financing cash flow	-	-	874	-	-
Cash flow from financing activities	5,434	11,635	5,316	1,030	(755)
Cash at beginning of period	2,863	3,408	2,120	3,051	1,879
Total cash generated	545	(1,288)	931	(1,178)	(804)
Implied cash at end of period	3,408	2,120	3,051	1,873	1,075

Source: Company data, RHB

Financial Exhibits

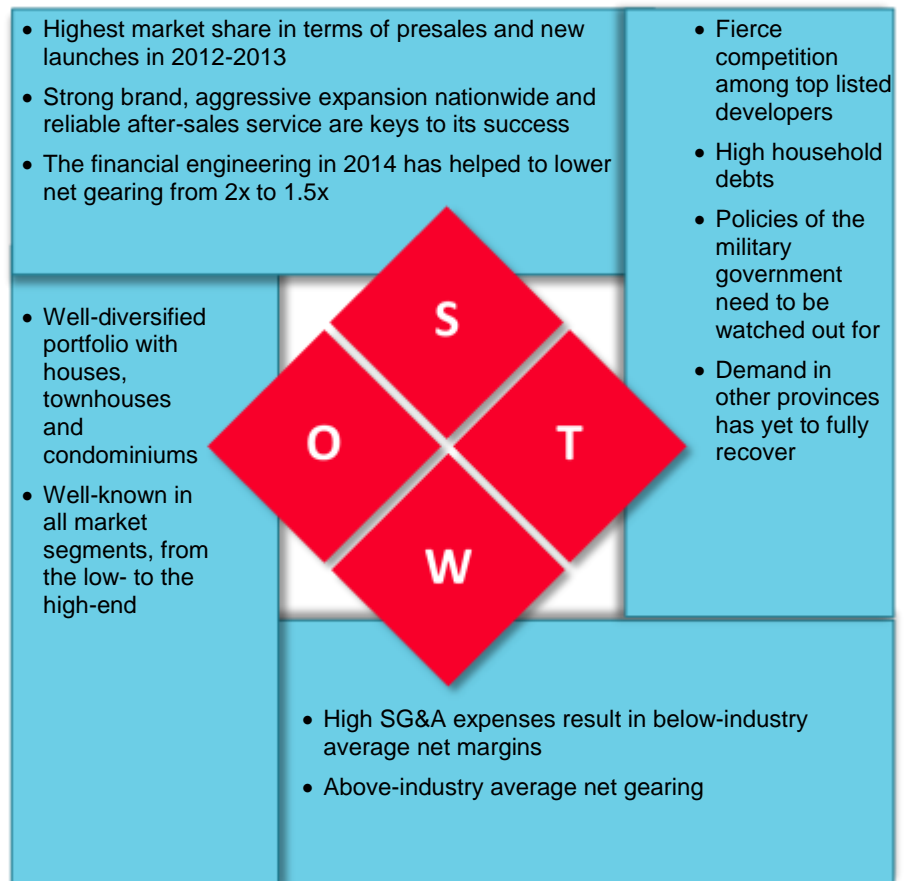
Balance Sheet (THBm)	Dec-12	Dec-13	Dec-14	Dec-15F	Dec-16F
Total cash and equivalents	3,459	2,156	3,607	2,435	1,632
Accounts receivable	41	44	51	62	66
Other current assets	37,573	50,757	61,622	68,211	72,991
Total current assets	41,073	52,957	65,280	70,707	74,688
Total investments	636	597	97	87	82
Tangible fixed assets	3,731	5,124	5,839	5,988	6,153
Intangible assets	549	601	447	447	447
Total other assets	506	761	1,484	1,484	1,484
Total non-current assets	5,422	7,083	7,867	8,006	8,166
Total assets	46,495	60,040	73,147	78,713	82,854
Short-term debt	11,586	11,853	19,117	17,541	16,041
Accounts payable	1,800	2,251	2,009	2,431	2,587
Other current liabilities	4,787	5,284	6,442	7,033	7,638
Total current liabilities	18,173	19,388	27,568	27,005	26,266
Total long-term debt	12,419	22,816	19,979	22,000	22,000
Other liabilities	678	768	784	784	784
Total non-current liabilities	13,097	23,584	20,763	22,784	22,784
Total liabilities	31,270	42,972	48,331	49,789	49,050
Share capital	8,434	10,201	14,582	15,116	16,186
Retained earnings reserve	5,705	6,173	8,610	10,469	12,849
Other reserves	1,086	694	1,623	3,339	4,769
Shareholders' equity	15,225	17,068	24,815	28,924	33,804
Minority interests	(0)	(0)	1	(0)	(0)
Other equity	(0)	(0)	(0)	(0)	(0)
Total equity	15,225	17,068	24,816	28,924	33,804
Total liabilities & equity	46,495	60,040	73,147	78,713	82,854

Source: Company data, RHB

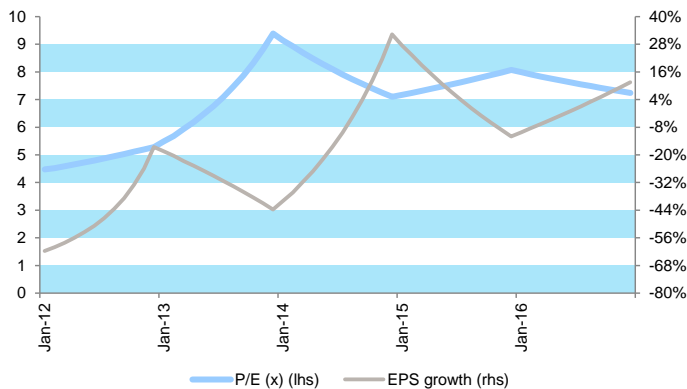
Key Ratios (THB)	Dec-12	Dec-13	Dec-14	Dec-15F	Dec-16F
Revenue growth (%)	45.2	(4.1)	(1.8)	21.0	6.4
Operating profit growth (%)	35.5	(35.1)	46.1	30.1	15.4
Net profit growth (%)	45.9	(34.4)	75.9	5.4	17.6
EPS growth (%)	(16.6)	(43.7)	32.3	(12.0)	11.5
Bv per share growth (%)	19.7	(7.3)	1.7	12.4	9.1
Operating margin (%)	13.0	8.8	13.1	14.1	15.3
Net profit margin (%)	9.9	6.7	12.1	10.5	11.6
Return on average assets (%)	7.1	3.6	5.1	4.7	5.2
Return on average equity (%)	22.1	11.9	16.2	13.3	13.4
Net debt to equity (%)	134.9	190.5	143.0	128.3	107.7
DPS	0.17	0.10	0.12	0.12	0.12
Recurrent cash flow per share	(0.50)	(1.40)	(0.45)	(0.12)	0.04

Source: Company data, RHB

SWOT Analysis

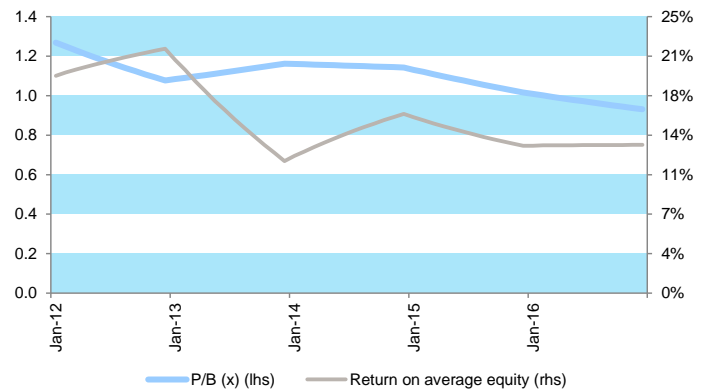


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

Sansiri is one of Thailand's top residential developers with a well-diversified product portfolio including single detached houses, townhouses and condominiums targeting every market except the low-end segment.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2014-11-25	Buy	2.60	1.95
2014-10-20	Buy	2.50	1.98
2014-08-15	Trading Buy	2.34	1.84
2014-07-30	Trading Buy	2.34	1.84
2014-07-16	Trading Buy	2.70	2.09
2014-05-16	Neutral	2.10	1.62
2014-05-02	Neutral	2.30	1.72
2014-03-06	Sell	1.55	1.90
2013-11-15	Neutral	2.00	1.84
2013-11-06	Neutral	2.32	1.92

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

- Buy:** Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
Take Profit: Target price has been attained. Look to accumulate at lower levels
Sell: Share price may fall by more than 10% over the next 12 months
Not Rated: Stock is not within regular research coverage

Disclosure & Disclaimer

All research is based on material compiled from data considered to be reliable at the time of writing, but RHB does not make any representation or warranty, express or implied, as to its accuracy, completeness or correctness. No part of this report is to be construed as an offer or solicitation of an offer to transact any securities or financial instruments whether referred to herein or otherwise. This report is general in nature and has been prepared for information purposes only. It is intended for circulation to the clients of RHB and its related companies. Any recommendation contained in this report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This report is for the information of addressees only and is not to be taken in substitution for the exercise of judgment by addressees, who should obtain separate legal or financial advice to independently evaluate the particular investments and strategies.

This report may further consist of, whether in whole or in part, summaries, research, compilations, extracts or analysis that has been prepared by RHB's strategic, joint venture and/or business partners. No representation or warranty (express or implied) is given as to the accuracy or completeness of such information and accordingly investors should make their own informed decisions before relying on the same.

RHB, its affiliates and related companies, their respective directors, associates, connected parties and/or employees may own or have positions in securities of the company(ies) covered in this research report or any securities related thereto, and may from time to time add to, or dispose off, or may be materially interested in any such securities. Further, RHB, its affiliates and related companies do and seek to do business with the company(ies) covered in this research report and may from time to time act as market maker or have assumed an underwriting commitment in securities of such company(ies), may sell them or buy them from customers on a principal basis and may also perform or seek to perform significant investment banking, advisory or underwriting services for or relating to such company(ies), as well as solicit such investment, advisory or other services from any entity mentioned in this research report.

RHB and its employees and/or agents do not accept any liability, be it directly, indirectly or consequential losses, loss of profits or damages that may arise from any reliance based on this report or further communication given in relation to this report, including where such losses, loss of profits or damages are alleged to have arisen due to the contents of such report or communication being perceived as defamatory in nature.

The term "RHB" shall denote where applicable, the relevant entity distributing the report in the particular jurisdiction mentioned specifically herein below and shall refer to RHB Research Institute Sdn Bhd, its holding company, affiliates, subsidiaries and related companies.

All Rights Reserved. This report is for the use of intended recipients only and may not be reproduced, distributed or published for any purpose without prior consent of RHB and RHB accepts no liability whatsoever for the actions of third parties in this respect.

Malaysia

This report is published and distributed in Malaysia by RHB Research Institute Sdn Bhd (233327-M), Level 11, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, a wholly-owned subsidiary of RHB Investment Bank Berhad (RHBIB), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Singapore

This report is published and distributed in Singapore by DMG & Partners Research Pte Ltd (Reg. No. 200808705N), a wholly-owned subsidiary of DMG & Partners Securities Pte Ltd, a joint venture between Deutsche Asia Pacific Holdings Pte Ltd (a subsidiary of Deutsche Bank Group) and OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB", which in turn is a wholly-owned subsidiary of RHB Capital Berhad). DMG & Partners Securities Pte Ltd is a Member of the Singapore Exchange Securities Trading Limited. DMG & Partners Securities Pte Ltd may have received compensation from the company covered in this report for its corporate finance or its dealing activities; this report is therefore classified as a non-independent report.

As of 1 March 2015, DMG & Partners Securities Pte Ltd and its subsidiaries, including DMG & Partners Research Pte Ltd do not have proprietary positions in the securities covered in this report, except for:

a) -

As of 1 March 2015, none of the analysts who covered the securities in this report has an interest in such securities, except for:

a) -

Special Distribution by RHB

Where the research report is produced by an RHB entity (excluding DMG & Partners Research Pte Ltd) and distributed in Singapore, it is only distributed to "Institutional Investors", "Expert Investors" or "Accredited Investors" as defined in the Securities and Futures Act, CAP. 289 of Singapore. If you are not an "Institutional Investor", "Expert Investor" or "Accredited Investor", this research report is not intended for you and you should disregard this research report in its entirety. In respect of any matters arising from, or in connection with this research report, you are to contact our Singapore Office, DMG & Partners Securities Pte Ltd

Hong Kong

This report is published and distributed in Hong Kong by RHB OSK Securities Hong Kong Limited ("RHBCHK") (formerly known as OSK Securities Hong Kong Limited), a subsidiary of OSK Investment Bank Berhad, Malaysia which have since merged into RHB Investment Bank Berhad (the merged entity is referred to as "RHBIB"), which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

RHBSHK, RHBIB and/or other affiliates may beneficially own a total of 1% or more of any class of common equity securities of the subject company. RHBSHK, RHBIB and/or other affiliates may, within the past 12 months, have received compensation and/or within the next 3 months seek to obtain compensation for investment banking services from the subject company.

Risk Disclosure Statements

The prices of securities fluctuate, sometimes dramatically. The price of a security may move up or down, and may become valueless. It is as likely that losses will be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. RHBSHK does not maintain a predetermined schedule for publication of research and will not necessarily update this report

Indonesia

This report is published and distributed in Indonesia by PT RHB OSK Securities Indonesia (formerly known as PT OSK Nusadana Securities Indonesia), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Thailand

This report is published and distributed in Thailand by RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL), a subsidiary of OSK Investment Bank Berhad, Malaysia, which have since merged into RHB Investment Bank Berhad, which in turn is a wholly-owned subsidiary of RHB Capital Berhad.

Other Jurisdictions

In any other jurisdictions, this report is intended to be distributed to qualified, accredited and professional investors, in compliance with the law and regulations of the jurisdictions.

Kuala Lumpur	Hong Kong	Singapore
<p>Malaysia Research Office RHB Research Institute Sdn Bhd Level 11, Tower One, RHB Centre Jalan Tun Razak Kuala Lumpur Malaysia Tel : +(60) 3 9280 2185 Fax : +(60) 3 9284 8693</p>	<p>RHB OSK Securities Hong Kong Ltd. (formerly known as OSK Securities Hong Kong Ltd.) 12th Floor World-Wide House 19 Des Voeux Road Central, Hong Kong Tel : +(852) 2525 1118 Fax : +(852) 2810 0908</p>	<p>DMG & Partners Securities Pte. Ltd. 10 Collyer Quay #09-08 Ocean Financial Centre Singapore 049315 Tel : +(65) 6533 1818 Fax : +(65) 6532 6211</p>
Jakarta	Shanghai	Phnom Penh
<p>RHB OSK Securities Indonesia Wisma Mulia Building, 20th Floor, Jl. Jenderal Gatot Subroto No. 42, Jakarta 12710, Indonesia Tel : +(6221) 2783 0888 Fax : +(6221) 2783 0777</p>	<p>RHB OSK (China) Investment Advisory Co. Ltd. (formerly known as OSK (China) Investment Advisory Co. Ltd.) Suite 4005, CITIC Square 1168 Nanjing West Road Shanghai 20041 China Tel : +(8621) 6288 9611 Fax : +(8621) 6288 9633</p>	<p>RHB OSK Indochina Securities Limited (formerly known as OSK Indochina Securities Limited) No. 1-3, Street 271 Sangkat Toeuk Thla, Khan Sen Sok Phnom Penh Cambodia Tel: +(855) 23 969 161 Fax: +(855) 23 969 171</p>
Bangkok		
<p>RHB OSK Securities (Thailand) PCL (formerly known as OSK Securities (Thailand) PCL) 10th Floor, Sathorn Square Office Tower 98, North Sathorn Road, Silom Bangrak, Bangkok 10500 Thailand Tel: +(66) 2 862 9999 Fax: +(66) 2 108 0999</p>		