

BUY (Unchanged)

Change in Numbers

TP: Bt 2.20

Upside : 28.7%

(From Bt 2.30)

10 NOVEMBER 2015

Small Cap Research

Sansiri Public Co Ltd (SIRI TB)

Passing on tax incentives

Reacting to the government's property stimulus, SIRI has launched a sales campaign to pass on tax savings to customers, leading us to lift our 2015-16F presales at the expense of gross margin. Our recent site visit reinforces our conviction in SIRI's backlog quality, which should support a 19% CAGR in 2015-18F normalized profit. Reaffirm BUY.



PHANNARAI TIYPITTAYARUT

662 – 617 4900
phannarai.von@thanachartsec.co.th

New campaign, 'The Good Life'

Along with ongoing extensive pricing promotions, SIRI just launched the "Good Life" campaign running until 18 April 2016 to pass on the 1% transfer fee savings to buyers of ready-to-move-in units at up to Bt300,000/unit. Of Bt58bn in its inventory, Bt9bn is finished stock. We raise our presales assumptions by 5-7% in 2015-16F, but lower our property-sales gross margin to 29.6% and 31.5%. Net-net, we fine-tune our normalized profit for 2015-16F and DCF-based 12-month TP to Bt2.20. For SIRI, as noted in our recent sector report, **Property stimulus gets green light** (14 October 2015), we see the government stimulus measures as an opportunity to clear inventory and improve its balance sheet.

Huge backlog should secure growth

Given a strong presales turnaround with 10M15 presales of Bt24.5bn, up 2.8x from Bt8.8bn in 2014, SIRI has a large backlog on hand. Accumulated backlog excluding JVs stands at Bt34.2bn, securing 100% and 41% of our 2015-16F sales. The 3 sold-out condos under SIRI-BTS JVs have contributed to Bt10.6bn in backlog for recognition in 2016-18F. We expect a strong 19% normalized profit CAGR in 2015-18F (or a normalized EPS CAGR of 10% due to dilution from the SIRI-W2 exercise).

Site visit – Sansiri Town Sukhumvit 77

Sansiri Town on Sukhumvit 77 (T77), occupying 41 rai of land, houses six residential projects. With 5,000 households in T77 and Bangkok Prep International School due to be opened in 2017, it is building the "Habito" community mall to serve residents. Besides its attention to details, we are impressed with SIRI's intention to develop a vibrant and convenient community to establish a strong SIRI brand perception in customers' minds and create added value for future projects. It still owns five rai of land for future launches with land plots nearby for possible future acquisition.

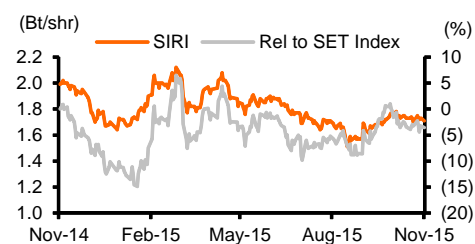
Strong 3Q15F results

We forecast strong 3Q15 normalized profit of Bt889m, rising by 12% y-y and 54% q-q, on higher property sales of Bt10bn, for growth of 42% y-y and 7% q-q, due to strong condominium transfers accounting for 70% of sales, mainly from Nye Wongwienyai, Baan Mai Khao Phuket and Dcondo Campus Bangsaen. We expect gross margin on property sales to remain soft at 30.5%, down y-y from 33.7%, because of aggressive sales campaigns since the beginning of the year but improving from the bottom of 27.6% in 2Q15. We project a Bt70m equity loss on ongoing expenses for The Line Jatuchak-Mochit and marketing costs for The Line Sukhumvit 71. With a Bt220m gain on land sales to JVs (Bt176m after tax), we forecast 3Q15 net profit of Bt1.06bn, up 34% y-y and 18% q-q.

COMPANY VALUATION

Y/E Dec (Bt m)	2014A	2015F	2016F	2017F
Sales	28,093	35,029	34,622	34,732
Net profit	3,393	3,249	3,371	3,815
Consensus NP	—	3,152	3,338	3,674
Diff frm cons (%)	—	3.1	1.0	3.8
Norm profit	2,671	2,632	3,371	3,815
Prev. Norm profit	—	2,666	3,431	4,251
Chg frm prev (%)	—	(1.3)	(1.7)	(10.2)
Norm EPS (Bt)	0.2	0.2	0.2	0.2
Norm EPS grw (%)	30.2	(18.7)	27.2	(8.9)
Norm PE (x)	7.5	9.3	7.3	8.0
EV/EBITDA (x)	13.7	13.8	10.1	9.5
P/BV (x)	1.0	0.9	0.8	0.8
Div yield (%)	6.9	6.6	5.5	6.2
ROE (%)	12.8	10.1	10.4	9.8
Net D/E (%)	137.2	124.5	61.6	43.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 09-Nov-15 (Bt)	1.71
Market cap (US\$ m)	679.6
Listed shares (m shares)	14,285.5
Free float (%)	85.8
Avg daily turnover (US\$ m)	2.6
12M price H/L (Bt)	2.12/1.51
Sector	Property
Major shareholder	Founder families 13.0%

Sources: Bloomberg, Company data, Thanachart estimates



New campaign, 'The Good Life'

Passing on tax saving to customers to tap demand amid competitive market

In response to the government's property sector stimulus measures to boost the economy, and amid the very competitive market conditions where developers are offering attractive sales promotions including price cuts, Sansiri Pcl (SIRI) has responded with the launch of a campaign called "The Good Life" to pass on the 1% tax savings on transfer fees to customers of up to Bt300,000/unit. The campaign applies to all ready-to-move-in residential units for buyers with effect from 29 October 2015 to 28 April 2016, matching the period of tax cuts on transfer and mortgage fees. Of Bt58bn in inventory, Bt9bn comprises finished stocks (66% condos, 29% single-detached houses and 5% townhouses).

Due to changes in market competition and the company's strategy, we have made the following adjustments to our assumptions:

Lifting presales by 5-7% in 2015-16F

1) *We raise our presales assumptions* by 5% in 2015F and 7% in 2016F to Bt29.0bn and Bt31.0bn respectively as we expect the additional sales campaign to generate more presales. However, our presales this year are below the company's Bt33bn target since we expect the company to delay some condominium launches in 4Q15 (five have been scheduled but we assume only two launches) and focus on selling finished stocks and low-rise houses to be transferred within six months before the tax break ends.

Raising property sales by 16% in 2015F and 7% in 2016F

2) *We lift our property-sales assumptions* by 16% in 2015F and 7% in 2016F to Bt34.0bn and Bt33.5bn. We raise property sales in 2015F more than the increase to our presales because we lower condo presales from new projects on possible new launch delays, but increase our presales on condo stocks and low-rise houses.

Cutting our property-sales gross margin sharply in 2015-16F

3) *We cut our gross margin on property sales* to 29.6% in 2015F and 31.5% in 2016F, from 31.7% and 32.8% previously, to account for "The Good Life" campaign along with ongoing extensive pricing promotions.

Revising equity income to match JVs' condo recognition

4) *We revise our equity income assumptions* in 2016-19F. For 2016F, we now assume the first condo due to be completed under JVs with BTS, The Line Sukhumvit 71, to start transferring revenues in 4Q16 (from 3Q16 earlier) at 10% of the project (previously 50%). For 2017, we don't expect revenues from The Line Jatuchak-Mochit condo to be recognized from 2H17, but push this out to 2018. The significant upgrade in 2018F is because we assume all units of The Line Jatuchak-Mochit and The Line Ratchathewi condos are realized while in 2019F the hefty increase is because of The Line Phaholyothin Park that may be launched for booking in 4Q15 and finished by 2019.

Reaffirming BUY with a lower TP of Bt2.2/share

Net-net, our 2015-16 normalized profit forecasts are relatively unchanged. Our 10% earnings cut in 2017F is due to our lower assumptions for presales, sales, gross margin and equity income. For SIRI, we see the government's property stimulus measures as an opportunity for the company to clear some inventory and improve its balance sheet, rather than generating additional profit. The earnings downgrade across the board leads to a 4% cut in our 12-month DCF-based TP to Bt2.2/share from Bt2.3 previously. With 29% potential share price upside, we maintain our BUY rating. SIRI's valuation remains attractive, in our view, with the shares trading at 2016F PE of 7.3x vs. 27% normalized EPS growth in 2016F. Dividend yield from its 2015F performance should also be high at 6.6%.

Ex 1: Key Assumption Changes

	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F
Property presales (Bt m)												
New	29,034	31,036	32,166	34,516	36,489	38,212	40,648	41,811	42,576	43,065	43,364	43,533
Old	27,744	29,037	32,410	35,148	36,894	38,471	40,821	41,918	42,643	43,107	43,390	43,549
Change (%)	5	7	(1)	(2)	(1)	(1)	(0)	(0)	(0)	(0)	(0)	(0)
Property sales (Bt m)												
New	34,004	33,511	33,528	33,142	33,558	35,262	37,234	39,541	40,052	41,332	41,843	41,817
Old	29,411	31,230	35,039	34,157	34,469	36,334	37,546	39,722	40,156	41,398	41,882	41,840
Change (%)	16	7	(4)	(3)	(3)	(3)	(1)	(0)	(0)	(0)	(0)	(0)
GP on property sales (%)												
New	29.6	31.5	32.8	32.8	32.8	32.9	32.8	32.9	32.9	32.9	32.9	32.9
Old	31.7	32.8	32.9	32.9	32.8	32.9	32.9	32.9	32.9	32.9	32.9	32.9
Change (pp)	(203)	(129)	(11)	(11)	(3)	(0)	(1)	(1)	(0)	(0)	(0)	(0)
SG&A/sales (%)												
New	18.3	18.0	18.4	18.0	17.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Old	18.4	18.4	18.4	18.0	17.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Change (pp)	(10)	(40)	0	0	0	0	0	0	0	0	0	0
Equity income (Bt m)												
New	(250)	12	108	518	210	0	0	0	0	0	0	0
Old	(250)	57	232	259	84	0	0	0	0	0	0	0
Change (%)	0	(79)	(53)	100	150	0	0	0	0	0	0	0
Normalized profit (Bt m)												
New	2,632	3,371	3,815	4,441	4,531	4,837	5,158	5,526	5,656	5,880	5,984	6,025
Old	2,666	3,431	4,251	4,409	4,551	4,970	5,198	5,558	5,679	5,899	6,000	6,039
Change (%)	(1)	(2)	(10)	1	(0)	(3)	(1)	(1)	(0)	(0)	(0)	(0)
Norm net margin (%)												
New	7.5	9.7	10.7	11.4	12.4	13.1	13.3	13.4	13.5	13.5	13.5	13.6
Old	8.8	10.4	11.1	11.7	12.4	13.1	13.3	13.4	13.5	13.5	13.6	13.6

Source: Thanachart estimates

Huge backlog should secure growth

Strong presales turnaround in 10M15 lifted backlog to one of industry's highest

We forecast a 19% 2015-18 normalized profit CAGR, or 10% normalized EPS CAGR including SIRI-W2 exercise

In 10M15, SIRI outperformed peers with a very solid presales turnaround, driven by projects under SIRI itself and successful condo JVs between SIRI and BTS (each holding 50%). 10M15 presales totaled Bt24.5bn (Bt10.6bn from JVs), up 2.8x from Bt8.8bn in 2014, giving SIRI one of largest property backlogs on hand in the industry. Accumulated backlog excluding JVs is Bt34.2bn, which should secure 100% and 41% of our 2015-16 sales forecasts. All three sold-out condos under JVs launched in 2Q15, 3Q15 and early 4Q15 contributed to Bt10.6bn in backlog for recognition in 2016-18. We forecast a strong three-year normalized profit CAGR of 19% during 2015-18 (28% in 2016F, 13% in 2017F and 16% in 2018F). With dilution from the SIRI-W2 exercise for which we assume conversion in December 2016 and the dilution impact in 2017F, we forecast a normalized EPS CAGR of 10% over the same period (27% in 2016F, -9% in 2017F and 16% in 2018F).

Ex 2: JV Condo Projects

Condominium project	Project value (Bt m)	% sold	Expected transfer (%)				Expected transfer (Bt m)				Launch	Transfer
			2016F	2017F	2018F	2019F	2016F	2017F	2018F	2019F		
The Line Jatuchak-Mochit	5,727	100			100		0	0	5,727	0	2Q15	1Q18-3Q18
The Line Sukhumvit 71	2,002	100	10	90			200	1,802	0	0	3Q15	4Q16-2017
The Line Ratchathewi	2,900	100			100		0	0	2,900	0	4Q15	May-Jul 2018
The Line Phaholyothin Park	3,500	na				100	0	0	0	3,500	4Q15F	2019
Total	14,129	0					200	1,802	8,627	3,500		
Our assumptions												
JVs' revenues							200	1,802	8,627	3,500		
Revenues (50% owned)							100	901	4,314	1,750		
Equity income (loss)							12	108	518	210		
Net margin (%)							12.0	12.0	12.0	12.0		

Sources: Company data, Thanachart estimates

Site visit – Sansiri Town Sukhumvit 77

We are impressed with SIRI's focus on developing enticing residential projects

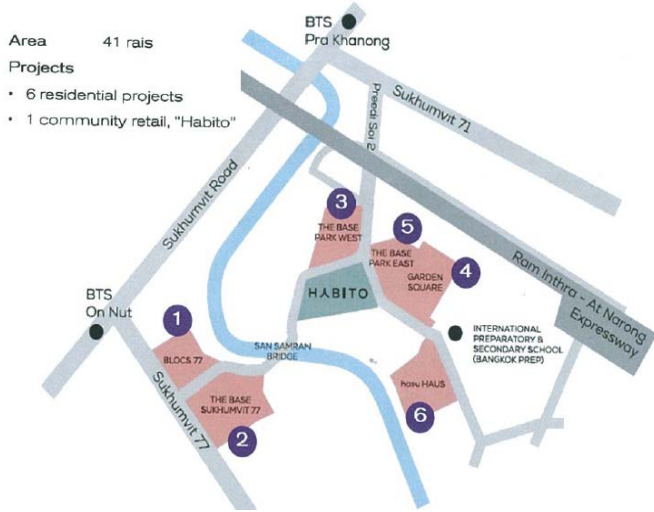
We visited Sansiri Town on Sukhumvit 77 (T77) in Bangkok, located 750 meters from Onnut BTS station, occupying 41 rai of land and housing six residential projects. Five of them are condos: Blocs 77, The Base Sukhumvit 77, The Base Park West, The Base Park East and Hasu Haus. The first four have been 100% sold while Hasu Haus which was launched in October last year has bookings of around 60-70% with the company expecting completion in 1Q16. The Base Park West and Park East are in the process of transferring units to clients with SIRI targeting the last unit transfer for 1Q16. Another project is Garden Square townhouses (Bt378m, 34 units), 50% of which are sold.

With 5,000 households in T77 and Bangkok Prep International School scheduled to be opened in August 2017, SIRI is building the so-called "Habito" community mall to serve residents. The investment cost is Bt320m to build a 10,000 sqm area with 5,500 sqm of rental space. The company's targeted launch date is May 2016. The plan is for the mall to accommodate 32 commercial shops and nine kiosks (the Fudokoto food court would have nine shops and three kiosks) with a shop size from 35-700 sqm and rental fee of Bt750-1,500/sqm/month. So far, 70% of the area has been pre-leased. Some confirmed tenants are Tom N Toms coffee, Chefman, Teien Sushi Bar, Muine Vietnamese restaurant, David's Bakery, SCB, Hubbato working space, AIS, RSM Muay Thai Academy, 7-Eleven and Ochaya. SIRI expects to rental revenue to come to Bt40m/year, implying cost breakeven before year 10.

We expect strong brand recognition for SIRI to be established

Besides SIRI's attention to residential products with grand lobbies and central facilities, i.e. swimming pools and fitness centers, we are impressed with SIRI's intention to develop a vibrant and convenient community atmosphere which we expect to establish a strong brand perception in customers' minds and create added value for future projects. It still owns five rai of land for future launches with some land plots nearby for possible future acquisition.

Ex 3: Sansiri Town Sukhumvit 77 (T77)



Source: Company data

Ex 4: Blocs 77 And The Base Sukhumvit 77



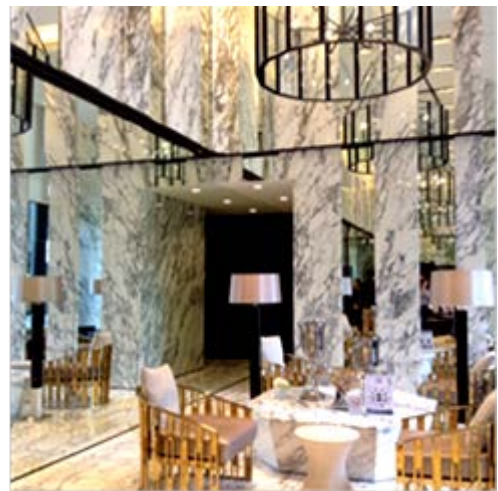
Source: Thanachart

Ex 5: The Base Park West



Source: Thanachart

Ex 6: The Base Park West – Lobby



Source: Thanachart

Ex 7: The Base Park West – Show Unit



Source: Thanachart

Ex 8: The Base Park West – Show Unit



Source: Thanachart

Ex 9: The Base Park East



Source: Thanachart

Ex 10: The Base Park East – Facilities



Source: Thanachart

Ex 11: Garden Square Townhouse



Source: Thanachart

Ex 12: Habito Community Mall



Source: Thanachart

Ex 13: Habito Community Mall – Bird's Eye View



Source: Thanachart

Ex 14: Hasu HAUS



Source: Thanachart

Strong 3Q15F results

**Strong condo sales
revenues should drive
normalized profit**

**On top, we expect a gain
from land sales of Bt176m**

We forecast strong 3Q15 normalized profit of Bt889m, rising by 12% y-y and 54% q-q, on higher property sales of Bt10bn, for growth of 42% y-y and 7% q-q, due to strong condominium transfers accounting for 70% of sales, mainly from Nye Wongwienyai, Baan Mai Khao Phuket and Dcondo Campus Bangsaen. We expect gross margin on property sales to remain soft at 30.5%, down y-y from 33.7%, because of aggressive sales campaigns since the beginning of the year but improving from the bottom of 27.6% in 2Q15. We project a Bt70m equity loss on ongoing expenses for The Line Jatuchak-Mochit and marketing costs for The Line Sukhumvit 71. With a Bt220m gain on land sales to JVs (Bt176m after tax), we forecast 3Q15 net profit of Bt1.06bn, up 34% y-y and 18% q-q.

Ex 15: 3Q15F Earnings Preview

Income statement						Change	
	Yr-end Dec (Bt m)	3Q14	4Q14	1Q15	2Q15	3Q15F	(q-q%)
Revenue	7,285	10,373	6,488	9,809	10,230	4	40
Gross profit	2,398	3,413	1,926	2,681	3,078	15	28
SG&A	1,342	1,535	1,312	1,693	1,765	4	31
Operating profit	1,055	1,878	615	988	1,314	33	24
EBITDA	1,121	1,943	671	1,045	1,374	32	23
Other income	95	123	80	97	80	(18)	(16)
Other expense	0	0	0	0	0		
Interest expense	173	181	188	213	180	(16)	4
Profit before tax	978	1,820	507	872	1,214	39	24
Income tax	186	435	81	224	255	14	37
Equity & invest. income	0	(0)	(0)	(72)	(70)	na	
Minority interest	0	0	0	0	0		
Extraordinary items	3	(153)	115	325	176	(46)	6,457
Net profit	794	1,232	541	902	1,065	18	34
Normalized profit	791	1,384	426	576	889	54	12
EPS (Bt)	0.08	0.13	0.06	0.09	0.11	18	34
Normalized EPS (Bt)	0.08	0.14	0.04	0.06	0.09	54	12

Sources: Company data, Thanachart estimates

Ex 16: 12-month DCF-based TP Calculation

(Bt m)	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	2026F	Terminal Value
EBITDA	4,214	4,736	5,035	5,113	5,379	5,852	6,111	6,498	6,584	6,804	6,895	6,897	
Free cash flow	1,489	3,153	7,705	10,612	9,871	7,160	3,213	6,363	5,948	3,928	4,638	5,741	80,431
PV of free cash flow		3,153	6,452	8,131	6,922	4,593	1,886	3,418	2,924	1,766	1,909	2,162	30,287
Risk-free rate (%)	4.5												
Market risk premium (%)	7.5												
Beta	1.0												
WACC (%)	9.3												
Terminal growth (%)	2.0												
Enterprise value - add investments	73,604												
Net debt (2015F)	33,776												
Minority interest	1												
Equity value	39,827												
# of shares (m)*	17,812												
Equity value/share (Bt)	2.20												

Sources: Company data, Thanachart estimates

*Share count includes conversion of warrants

Valuation Comparison

Ex 17: Valuation Comparison With Regional Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div yield	
			15F (%)	16F (%)	15F (x)	16F (x)	15F (x)	16F (x)	15F (x)	16F (x)	15F (%)	16F (%)
Poly Real Estate Group	600048 CH	China	17.0	16.0	7.0	6.1	1.4	1.1	8.0	7.1	2.7	3.0
Agile Property Holdings	3383 HK	China	(29.3)	5.6	5.1	4.8	0.4	0.4	6.5	6.2	5.3	5.7
Country Garden Holdings	2007 HK	China	(15.1)	11.7	6.6	5.9	1.0	0.9	6.5	5.7	4.7	5.3
China Overseas Land & Invest	688 HK	Hong Kong	(8.8)	16.9	8.6	7.4	1.3	1.2	6.6	5.5	2.3	2.7
China Resources Land	1109 HK	Hong Kong	(15.7)	13.7	10.2	8.9	1.2	1.0	7.8	6.6	2.5	2.9
Hang Lung Properties	101 HK	Hong Kong	(46.9)	(2.6)	13.4	13.8	0.6	0.6	11.0	11.5	4.1	4.2
Henderson Land Development	12 HK	Hong Kong	(39.6)	1.7	15.7	15.4	0.6	0.6	24.7	24.6	2.3	2.3
Shimao Property Holdings	813 HK	Hong Kong	2.3	9.3	5.6	5.2	0.9	0.8	6.4	5.7	5.4	5.9
Sun Hung Kai Properties	16 HK	Hong Kong	(33.6)	18.0	13.3	11.3	0.6	0.6	13.0	10.2	3.4	3.7
Sino Land	83 HK	Hong Kong	(45.2)	9.0	13.5	12.4	0.6	0.6	13.3	11.7	4.4	4.4
Bakrieland Development	ELTY IJ	Indonesia	na	na	na	na	na	na	na	na	na	na
Ciputra Property	CTRP IJ	Indonesia	(30.4)	68.9	11.4	6.8	0.7	0.6	8.2	6.1	1.2	1.3
Intiland Development	DILD IJ	Indonesia	(3.5)	20.9	12.3	10.2	1.1	1.0	12.8	10.8	1.8	1.9
CapitaLand	CAPL SP	Singapore	(41.8)	10.1	19.7	17.9	0.8	0.8	21.4	19.7	2.9	2.9
City Developments	CIT SP	Singapore	(20.0)	5.7	11.9	11.2	0.8	0.8	11.3	10.6	1.8	1.7
Guocoland	GUOL SP	Singapore	(43.6)	(18.2)	16.8	20.5	0.7	0.6	15.0	22.9	2.9	3.5
Keppel Land	KPLD SP	Singapore	(40.9)	2.4	na	na	na	na	na	na	na	na
Asian Property Devt *	AP TB	Thailand	(4.0)	14.6	7.4	6.5	1.0	0.9	8.5	8.1	4.3	4.6
Land and Houses *	LH TB	Thailand	(15.9)	21.3	17.4	14.3	2.3	2.2	24.0	20.1	4.4	5.6
LPN Development *	LPN TB	Thailand	32.2	(0.9)	9.7	9.8	2.2	2.0	9.7	8.6	5.2	5.1
Pruksa Real Estate *	PS TB	Thailand	0.0	14.0	9.1	8.0	1.8	1.5	9.3	8.2	3.3	3.8
Quality Houses *	QH TB	Thailand	(7.5)	11.5	8.3	7.4	1.2	1.1	17.2	14.6	5.3	6.0
Sansiri *	SIRI TB	Thailand	(18.7)	27.2	9.3	7.3	0.9	0.8	13.8	10.1	6.6	5.5
Supalai *	SPALI TB	Thailand	1.3	1.3	7.2	7.1	1.6	1.4	6.7	6.4	4.9	4.9
Average			(17.7)	12.1	10.9	9.9	1.1	1.0	11.9	11.0	3.7	4.0

Sources: Bloomberg, Thanachart estimates

Note: * Thanachart estimates, using normalized EPS

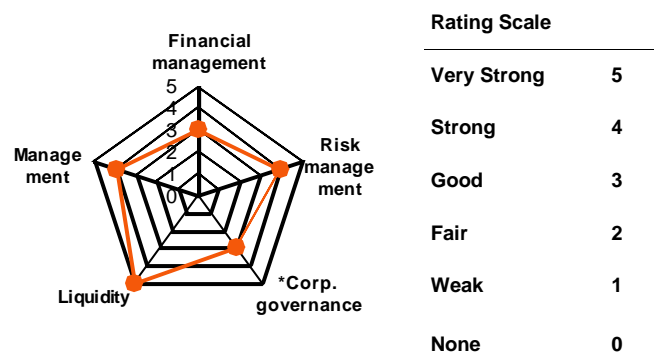
Based on 9 November 2015 closing prices

COMPANY DESCRIPTION

Sansiri Pcl (SIRI) runs a real estate business, developing property for sale and rent and also providing other property services such as brokerage, sales management and consultancy. While more than 95% of total revenues are from project sales of single-detached houses (SDH), townhouses (TH) and condominiums, it operates two office buildings in Bangkok (the Siripinyo building on Sri Ayudhya Road and the Bhakdi building on Wireless Road), a leasehold commercial building (Sun Square Silom), a leasehold residential building (Baan Sansiri), and two hotels in Hua Hin and Khao Yai (Escape). It was listed on the SET in 1996.

Source: Thanachart

COMPANY RATING



Source: Thanachart; *CG Awards

THANACHART'S SWOT ANALYSIS

S — Strength

- Strong brand reputation in all segments with a good track record for its past projects.
- Diversified portfolio allowing flexibility to alter business strategy.
- Economies of scale benefits.
- JVs with BTS to develop projects near mass transit lines.

O — Opportunity

- Greater penetration of the mid- to low-end segments.
- Expansion of the mass transit network.

W — Weakness

- High leverage.
- High marketing costs for building and maintaining brand awareness.

T — Threat

- Regulatory risks over zoning and EIA.
- Land price increases.
- Labor shortages.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	1.91	2.20	15%
Net profit 15F (Bt m)	3,152	3,249	3%
Net profit 16F (Bt m)	3,338	3,371	1%
Consensus REC	BUY: 6	HOLD: 6	SELL: 2

HOW ARE WE DIFFERENT FROM THE STREET?

- Our net profit in 2015F is 3% above consensus which we attribute to us incorporating an extra gain from land sales.
- Our TP is 15% higher than the Street's, which we attribute to SIRI's improving presales momentum and highly successful condos under JVs.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Economic/property shocks.
- Unexpected rise in construction costs/lower-than-expected ability to pass on higher costs.
- Fiercer-than-expected market competition.

Source: Thanachart

INCOME STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Sales	28,597	28,093	35,029	34,622	34,732
Cost of sales	19,268	18,905	24,634	23,899	23,566
Gross profit	9,329	9,188	10,394	10,723	11,166
% gross margin	32.6%	32.7%	29.7%	31.0%	32.1%
Selling & administration expenses	6,808	5,506	6,410	6,232	6,391
Operating profit	2,522	3,682	3,984	4,491	4,775
% operating margin	8.8%	13.1%	11.4%	13.0%	13.7%
Depreciation & amortization	281	271	230	245	260
EBITDA	2,803	3,953	4,214	4,736	5,035
% EBITDA margin	9.8%	14.1%	12.0%	13.7%	14.5%
Non-operating income	390	357	399	429	473
Non-operating expenses	0	0	0	0	0
Interest expense	(616)	(646)	(781)	(721)	(614)
Pre-tax profit	2,295	3,393	3,602	4,199	4,633
Income tax	384	722	720	840	927
After-tax profit	1,911	2,671	2,882	3,359	3,707
% net margin	6.7%	9.5%	8.2%	9.7%	10.7%
Shares in affiliates' Earnings	0	(0)	(250)	12	108
Minority interests	1	0	0	0	0
Extraordinary items	18	722	617	0	0
NET PROFIT	1,930	3,393	3,249	3,371	3,815
Normalized profit	1,912	2,671	2,632	3,371	3,815
EPS (Bt)	0.2	0.3	0.2	0.2	0.2
Normalized EPS (Bt)	0.2	0.2	0.2	0.2	0.2

We forecast weak gross margin, equity loss to pressure profit in 2015

Presales turnaround from this year and equity income from 2016F...

...should drive a strong 19% normalized profit CAGR in 2015-18F

BALANCE SHEET

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
ASSETS:					
Current assets:	52,957	65,281	66,687	67,131	63,101
Cash & cash equivalent	2,120	3,051	2,200	2,500	2,500
Account receivables	45	51	64	63	63
Inventories	45,621	57,049	58,718	58,928	54,881
Others	5,172	5,129	5,706	5,640	5,658
Investments & loans	7	50	350	455	545
Net fixed assets	3,665	2,871	2,941	2,996	3,036
Other assets	3,410	4,946	6,167	6,095	6,114
Total assets	60,040	73,147	76,145	76,677	72,796
LIABILITIES:					
Current liabilities:	19,388	27,568	25,011	21,548	19,199
Account payables	2,251	2,010	2,362	2,292	2,260
Bank overdraft & ST loans	6,033	7,076	7,195	5,146	3,955
Current LT debt	5,820	10,043	5,756	4,117	3,164
Others current liabilities	5,284	8,440	9,698	9,993	9,820
Total LT debt	22,816	19,980	23,024	16,468	12,655
Others LT liabilities	768	783	976	965	968
Total liabilities	42,972	48,331	49,012	38,982	32,822
Minority interest	0	1	1	1	1
Preferreds shares	0	0	0	0	0
Paid-up capital	10,201	14,582	15,285	19,059	19,123
Share premium	657	1,470	1,470	6,513	6,598
Warrants	0	0	0	0	0
Surplus	37	153	153	153	153
Retained earnings	6,173	8,610	10,223	11,970	14,100
Shareholders' equity	17,067	24,815	27,132	37,694	39,974
Liabilities & equity	60,040	73,147	76,145	76,677	72,796

Sources: Company data, Thanachart estimates

Equity base is enlarged via a rights offering in late 2014, with future proceeds from SIRI-W2 exercise

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2013A	2014A	2015F	2016F	2017F
Earnings before tax	2,295	3,393	3,602	4,199	4,633
Tax paid	(645)	(411)	(794)	(748)	(974)
Depreciation & amortization	281	271	230	245	260
Chg In working capital	(10,908)	(11,676)	(1,328)	(280)	4,015
Chg In other CA & CL / minorities	(1,846)	2,355	(1,021)	(618)	(650)
Cash flow from operations	(10,822)	(6,067)	689	2,798	7,285
Capex	(558)	523	(300)	(300)	(300)
ST loans & investments	15	(520)	552	0	0
LT loans & investments	2	(43)	(300)	(105)	(90)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(503)	255	563	960	598
Cash flow from investments	(1,044)	214	515	555	208
Debt financing	10,664	2,430	(1,123)	(10,244)	(5,958)
Capital increase	1,839	5,195	704	8,816	150
Dividends paid	(1,425)	(956)	(1,635)	(1,624)	(1,686)
Warrants & other surplus	(500)	116	0	0	0
Cash flow from financing	10,578	6,784	(2,055)	(3,052)	(7,493)
Free cash flow	(11,381)	(5,544)	389	2,498	6,985

VALUATION

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Normalized PE (x)	9.8	7.5	9.3	7.3	8.0
Normalized PE - at target price (x)	12.6	9.7	11.9	9.4	10.3
PE (x)	9.7	5.9	7.5	7.3	8.0
PE - at target price (x)	12.5	7.6	9.7	9.4	10.3
EV/EBITDA (x)	18.3	13.7	13.8	10.1	9.5
EV/EBITDA - at target price (x)	20.2	15.2	15.5	11.6	11.2
P/BV (x)	1.1	1.0	0.9	0.8	0.8
P/BV - at target price (x)	1.4	1.2	1.2	1.0	1.0
P/CFO (x)	(1.7)	(3.3)	35.4	8.8	4.2
Price/sales (x)	0.9	0.9	0.7	0.7	0.7
Dividend yield (%)	5.0	6.9	6.6	5.5	6.2
FCF Yield (%)	(60.7)	(27.6)	1.6	10.2	22.9
(Bt)					
Normalized EPS	0.2	0.2	0.2	0.2	0.2
EPS	0.2	0.3	0.2	0.2	0.2
DPS	0.1	0.1	0.1	0.1	0.1
BV/share	1.5	1.8	1.9	2.1	2.2
CFO/share	(1.0)	(0.5)	0.0	0.2	0.4
FCF/share	(1.0)	(0.5)	0.0	0.2	0.4

Sources: Company data, Thanachart estimates

Despite EPS dilution from the capital call, we regard SIRI's PE as undemanding

FINANCIAL RATIOS

*Gearing should fall
sharply post capital call
and no longer be a worry*

FY ending Dec	2013A	2014A	2015F	2016F	2017F
Growth Rate					
Sales (%)	(4.1)	(1.8)	24.7	(1.2)	0.3
Net profit (%)	(34.3)	75.8	(4.3)	3.8	13.2
EPS (%)	(38.7)	63.9	(21.0)	3.0	(8.9)
Normalized profit (%)	(33.3)	39.7	(1.5)	28.1	13.2
Normalized EPS (%)	(37.7)	30.2	(18.7)	27.2	(8.9)
Dividend payout ratio (%)	49.6	48.2	50.0	50.0	50.0
Operating performance					
Gross margin (%)	32.6	32.7	29.7	31.0	32.1
Operating margin (%)	8.8	13.1	11.4	13.0	13.7
EBITDA margin (%)	9.8	14.1	12.0	13.7	14.5
Net margin (%)	6.7	9.5	8.2	9.7	10.7
D/E (incl. minor) (x)	2.0	1.5	1.3	0.7	0.5
Net D/E (incl. minor) (x)	1.9	1.4	1.2	0.6	0.4
Interest coverage - EBIT (x)	4.1	5.7	5.1	6.2	7.8
Interest coverage - EBITDA (x)	4.5	6.1	5.4	6.6	8.2
ROA - using norm profit (%)	3.6	4.0	3.5	4.4	5.1
ROE - using norm profit (%)	11.8	12.8	10.1	10.4	9.8
DuPont					
ROE - using after tax profit (%)	11.8	12.8	11.1	10.4	9.5
- asset turnover (x)	0.5	0.4	0.5	0.5	0.5
- operating margin (%)	10.2	14.4	12.5	14.2	15.1
- leverage (x)	3.3	3.2	2.9	2.4	1.9
- interest burden (%)	78.8	84.0	82.2	85.3	88.3
- tax burden (%)	83.3	78.7	80.0	80.0	80.0
WACC (%)	9.3	9.3	9.3	9.3	9.3
ROIC (%)	5.9	5.8	5.4	5.9	6.3
NOPAT (Bt m)	2,100	2,899	3,187	3,593	3,820

Sources: Company data, Thanachart estimates

Important Disclosures and General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, we look at two areas, ie, the sector outlook and the sector weighting. For the sector outlook, an arrow pointing up, or the word "Positive", is used when we see the industry trend improving. An arrow pointing down, or the word "Negative", is used when we see the industry trend deteriorating. A double-tipped horizontal arrow, or the word "Unchanged", is used when the industry trend does not look as if it will alter. The industry trend view is our top-down perspective on the industry rather than a bottom-up interpretation from the stocks we cover. An "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

Thanachart Securities Pcl.

Research Team
28 Floor, Siam Tower Unit A1
989 Rama 1, Pathumwan Road, Bangkok 10330
Tel: 662 - 617 4900
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA

Head of Research
Economics & Strategy
pimpaka.nic@thanachartsec.co.th

Kalvatee Thongsomaung

Food, Hotel, Media
kalvatee.tho@thanachartsec.co.th

Rata Limsuthiwanpoom

Industrial Estate, Property Fund, REITs
rata.lim@thanachartsec.co.th

Siriporn Arunothai

Small Cap Research, Healthcare
siriporn.aru@thanachartsec.co.th

Witchanan Tambamroong

Technical Analyst
witchanan.tam@thanachartsec.co.th

Chalida Tantriyonont

Assistant Analyst
chalida.tan@thanachartsec.co.th

Adisak Phupiphathirungul, CFA

Retail Market Strategy
adisak.phu@thanachartsec.co.th

Pattarawan Wangmingmat

Senior Technical Analyst
pattarawan.wan@thanachartsec.co.th

Saksid Phadthanarak

Construction, Transportation
saksid.pha@thanachartsec.co.th

Supanna Suwankird

Energy, Utilities
supanna.suw@thanachartsec.co.th

Chatchawin Lertapiruk

Assistant Analyst
chatchawin.ler@thanachartsec.co.th

Chak Reungsinpinya

Energy, Electronics, Petrochemical
chak.reu@thanachartsec.co.th

Phannarai Tiyapittayarut

Property, Retail
phannarai.von@thanachartsec.co.th

Sarachada Sornsong

Bank, Financial, Telecom
sarachada.sor@thanachartsec.co.th

Wichaya Wongpanuwich, CFA, FRM

Analyst, Retail Market
wichaya.won@thanachartsec.co.th

Sittichet Rungrassameephat

Assistant Analyst, Quantitative
sittichet.run@thanachart.co.th