



# Sansiri PCL

## News Flag

SIRI TB Outperform

Target Price Bt 1.98

Close Price (17/08/2018) Bt 1.64

Upside % 20.73

Valuation PER

Sector Property Development

Market Cap Btm 24,375

30-day avg turnover Btm 123.28

No. of shares on issue m 14,863

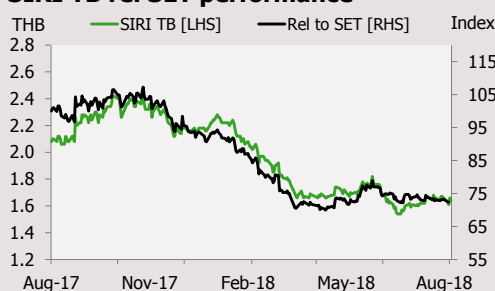
CG Scoring Very Good

Anti-Corruption Indicator Certified

### Investment fundamentals

Year end Dec 31	2017A	2018E	2019E	2020E
<b>Company Financials</b>				
Revenue (Btmn)	30,829	28,348	31,297	32,706
Core profit (Btmn)	2,961	2,291	3,361	3,786
Net profit (Btmn)	2,825	2,301	3,361	3,786
Net EPS (Bt)	0.19	0.15	0.23	0.25
DPS (Bt)	0.12	0.08	0.11	0.13
BVPS (Bt)	2.05	2.11	2.25	2.38
Net EPS growth (%)	-19.68	-18.55	46.06	12.67
ROA (%)	3.64	2.79	3.89	4.23
ROE (%)	9.64	7.44	10.37	11.00
Net D/E (x)	1.14	1.19	1.17	1.08
<b>Valuation</b>				
P/E (x)	11.47	10.59	7.25	6.44
P/BV (x)	1.06	0.78	0.73	0.69
EV/EBITDA (x)	15.52	19.24	15.31	14.87
Dividend yield (%)	5.42	4.72	6.89	7.77

### SIRI TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

### Analyst

**Sorapong Jakteerungkul**

Sorapong.j@kasikornsecurities.com

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Kasikorn Securities Public Company Limited

## Presales-related costs to hurt short-term earnings

### What's going on?

- ▶ On the back of strong housing demand, SIRI has raised its 2018 new launch value to Bt72.8bn, up 15% from its initial target. As many of its new projects have received a stronger-than-expected response from homebuyers, its presales through Aug. 15 surged to Bt34.2bn. This is equivalent to 76% of its 2018 presales target of Bt45.0bn and 89% of 2017 presales of Bt38.6bn.
- ▶ SIRI enjoyed strong success at many of its low-rise projects in 1H18 including townhouse projects under the "SIRI Place" brand — some of which sold out in a few months — and its luxury "Baan Sansiri Pattanakarn" (Bt65mn-240mn per unit) — whose presales reached 65% in a few months. Additionally, in 3Q18 the launch of three new condominium projects under the XT concept located in Ekkamai (Bt3.6bn, 67% sold), Huai Khwang (Bt7.5bn, 38% sold) and Phayathai (Bt10.1bn, 13% sold) all contributed strong presales to its portfolio.
- ▶ Another two condominium projects are planned to open in 3Q18: The Base Saphanmai (Bt2.7bn), a JV project with BTS, and The Base Sukhumvit 50 (Bt1.6bn), a JV project with Tokyu Corporation. It is therefore highly likely that presales in 3Q18 will be comparable to 2Q18's Bt17.8bn. Based on this and nine new projects planned to open in 4Q18 totaling Bt15.8bn (5 low-rise projects and 4 condominium projects), we see upside risk to the 2018 presales target.
- ▶ However, as SIRI posted better-than-expected presales at many of its condominium projects, while presales from overseas buyers YTD of Bt9.2bn (71% of its full-year target of Bt13.0bn) were much higher than it expected, it is likely to see another revenue and expenses mismatch in 2018. Marketing expenses are expected to be considerable in 2018 in order to generate presales and backlog, while revenue from these projects will be realized in 2019 (for low-rise condominium projects like DCondo brand) and in 2020 onward (from medium-to-high-rise condominium projects), while XT Phayathai is expected to see revenue realized in 2023. SIRI has thus cut its estimated NPM in 2018 to 8-9% from above 10%.

### Impacts

- ▶ Given the incremental expenses will support larger-than-expected presales, we see negative short-term sentiment toward the stock price on a potential earnings revision of Bloomberg's consensus 2018 earnings forecast of B2.9bn. Meanwhile, our current 2018 earnings forecast, which is 22% below the consensus number, takes into account these costs to a certain degree.
- ▶ In terms of 3Q18 earnings, we expect revenue to rise on the back of increased TH revenue from presales made in 2Q18, as well as the startup of rights transfers at DCondo Ping Chiangmai (Bt1.8bn, 100% sold). However, this will be pressured by higher SG&A expenses for both SIRI and JV projects. Thus, 3Q18 earnings are unlikely to show much improvement from 2Q18 and will fall from 3Q17.
- ▶ Quarterly earnings in 2018 will peak in 4Q18. In addition to an expanded top line on higher low-rise revenue and lower marketing expenses, equity income should rise strongly on the startup of rights transfers at The Line Ratchada-Asoke (Bt2.9bn, 100% sold) and The Base Garden Rama 9 (Bt2.3bn, 92% sold).

### Recommendations

- ▶ We maintain our Outperform rating for SIRI with an unchanged mid-2019 TP of Bt1.98. While its share price in the short term may be hurt by a weak earnings outlook, the rising backlog trend will allow it to grow strongly in the long term. Also, a DPS of Bt0.04 and an Aug. 28 XD date will provide support for its share price.



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Neutral : Expected total return between -10% and 10% within a 12-month period  
Underperform : Expected total return of -10% or worse within a 12-month period

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