



Sansiri PCL

News Flag

SIRI TB Neutral

Target Price Bt 1.12

Price (18/11/2019) Bt 1.14

Downside % 1.75

Valuation PER

Sector Property Development

Market Cap Btm 16,944

30-day avg turnover Btm 17.01

No. of shares on issue m 14,863

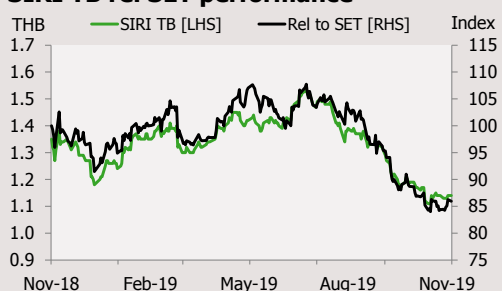
CG Scoring Very Good

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2018A	2019E	2020E	2021E
Company Financials				
Revenue (Btmn)	26,246	24,498	27,744	31,779
Core profit (Btmn)	2,271	1,976	2,226	2,428
Net profit (Btmn)	2,046	2,154	2,098	2,373
Net EPS (Bt)	0.14	0.14	0.14	0.16
DPS (Bt)	0.12	0.12	0.11	0.11
BVPS (Bt)	2.13	2.12	2.15	2.20
Net EPS growth (%)	-25.61	2.49	-2.56	13.09
ROA (%)	2.32	2.17	2.06	2.26
ROE (%)	6.62	6.90	6.61	7.35
Net D/E (x)	1.36	1.80	1.80	1.78
Valuation				
P/E (x)	8.35	7.87	8.07	7.14
P/BV (x)	0.55	0.54	0.53	0.52
EV/EBITDA (x)	18.33	24.98	23.63	20.62
Dividend yield (%)	10.17	10.93	9.34	9.48

SIRI TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

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Kasikorn Securities Public Company Limited

Earnings, CF and balance sheet to get boost in 4Q19

What's going on?

- ▶ We came back from SIRI's analyst meeting with a positive view of its short-term business outlook. A sizable rights transfers amount scheduled for 4Q19 will not only boost 4Q19 earnings but also enlarge cash inflow and lower its DE ratio.
- ▶ SIRI is still confident of meeting its 2019 sales revenue target of Bt22bn despite achieving only 52.4% of the figure in 9M19. A backlog of Bt8.0bn (Bt3.8bn from SDHs, Bt0.75bn from THs and Bt3.5bn from condos) that is scheduled to be transferred in 4Q19 and which has raised the ratio of secured revenue to its 2019 target to 89% will be the key driver.
- ▶ In addition to two condominium projects developed by SIRI itself, La Casita (Bt2.4bn) and DCondo Campus Resort (Bt0.95bn), which will drive 4Q19 revenue and earnings, SIRI will start rights transfers at four condominium projects developed under JVs with BTS and Tokyu Construction: The Line Sukhumvit 101 (Bt4.6bn), The Line Pradipat (Bt6.0bn), Khun by Yoo (Bt4.0bn) and The Base Sukhumvit 50 (Bt1.5bn). Its 4Q19 equity income will thus rise strongly. Clearly these factors will help drive 4Q19 earnings to their highest level since 4Q16.
- ▶ Apart from earnings, the large amount of rights transfers in 4Q19 will help boost cash inflow and lower SIRI's net IBDE ratio from a high of 1.9x in 3Q19 to 1.6-1.7x at the end of 2019. In addition to easing the financial pressure on SIRI, this will allow the stock to pay another high dividend similar to the Bt0.12/per share disbursed in 2018.
- ▶ For its luxury condominium project, The Monument Thonglor, which SIRI bought back from a JV for Bt3.7bn, it recently sold about 15% of the value to end users and a further block of about 15% to long-term investors with a buyback option. Some units of this project will be rented out. These transactions will further enhance SIRI's liquidity, earnings and balance sheet.
- ▶ However, looking forward to 2020, we see SIRI facing a big challenge in delivering positive earnings growth. Due to the slowdown in condominium demand, SIRI decided to delay most of its planned new condominium projects for 4Q19 to 2020. This pulled down its 2019 new launch value to Bt29.6bn from Bt37.1bn, which had already been revised down from the initial target of Bt46.6bn. Meanwhile, it is maintaining its 2019 new launch value for low-rise products.
- ▶ This means management fee and sales fees from JV projects will decline by almost half in 2020 to Bt2.5bn from Bt4.0bn in 2019. Together with the smaller JV backlog scheduled to transfer in 2020 of Bt5.8bn on the faster-than-expected startup of rights transfers at The Line Pradipat and The Line Sukhumvit 50 from 2020 to 4Q19, equity income in 2020 will likely decline sharply YoY (in 4Q19 alone SIRI plans to transfer Bt7.9bn of JV backlog). This is despite SIRI planning to extend more of its development scope in 2020 to short-cycle products like low-rises. On top of this, its investment in The Standard will generate more losses next year on the much higher number of hotels under development before it can turn a profit in 2H21E.

Impact

- ▶ We see the developments boosting trading sentiment in SIRI in the short term given the market had been concerned about SIRI's earnings outlook in 4Q19 as well as its weak balance sheet after its 3Q19 financial status was released. Also, the strong 2019 earnings will add visibility to its potentially high DPS payout.
- ▶ However, its earnings outlook in 2020 will be very challenging and it will be difficult for SIRI to grow earnings further from 2019. Its share price thus will come under pressure once the market's focus turns to its 2020 operation. We therefore maintain our conservative view on SIRI.

Recommendation

- ▶ Neutral rating maintained with an unchanged 2020 TP of Bt1.12.



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Neutral : Expected total return between -10% and 10% within a 12-month period
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