

NOVEMBER 19, 2019

Earnings downgrade

Underperform

2020E TP: Bt1.00

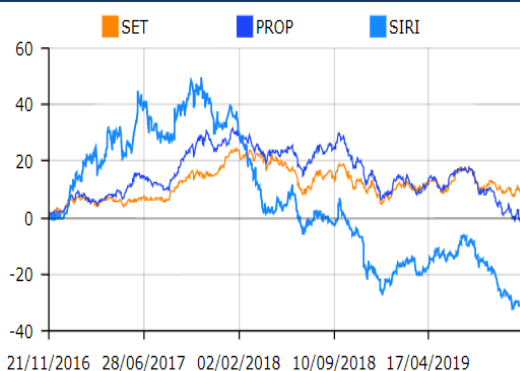
Close Bt1.14

| | FY19 | FY20 |
|------------------------|-------|-------|
| Consensus EPS (Bt) | 0.141 | 0.149 |
| KT ZMICO vs. consensus | -0.7% | -6% |

Share data

| | |
|-----------------------------|---------------------|
| Reuters / Bloomberg | SIRI.BK/SIRI TB |
| Paid-up Shares (m) | 14,862.73 |
| Par (Bt) | 1.07 |
| Market cap (Bt bn / USD m) | 17.00/560.00 |
| Foreign limit / actual (%) | 39.00/19.92 |
| 52 week High / Low (Bt) | 1.55/1.06 |
| Avg. daily T/O (shares 000) | 30,839.00 |
| NVDR (%) | 6.36 |
| Estimated free float (%) | 72.39 |
| Beta | 0.83 |
| URL | www.sansiri.com |
| CGR | ▲▲▲▲▲ |
| Anti-corruption | Level 4 (Certified) |

Price Performance



Source: SET Smart

Worarat Powpaka, no. 17992

Woraratp@ktzmico.com

02-624-6248

Expect soft earnings in 2019-20E

We revised down the 2019E normalized profit by 17.9% on higher-than-expected interest expenses. However, we maintain our forecast for the 2020E normalized profit to decline by 1.9% YoY, leading us to maintain SIRI's 2020E TP at Bt1, based on PER of 7x. We reaffirm an Underperform rating owing to the soft earnings in 2019-20E.

Revised down 2019E presales to Bt23bn on delay of condo launches

SIRI revised down its 2019E presales to Bt23bn (-52.4% YoY) from the Bt30bn targeted in August due to the postponement of four condo projects worth Bt7.6bn to 2020E. Thus, the launch plan is now 20 projects worth Bt29.6bn compared to 24 projects worth Bt37.1bn previously. In the meantime, we foresee SIRI's 2019E presales achieving its new target as the YTD presales (November 10) were Bt17.3bn, accounting for 75% of the new target.

Revise down 2019E normalized profit

We revise down the 2019E normalized profit by 17.9% to Bt2.15bn, mainly owing to the upward revision of interest expenses by 37.5% to Bt903mn from Bt657mn previously. Nonetheless, we maintain our 2020-21E earnings forecasts.

4Q19E earnings to be the peak on heavy condo transfers

Although we trimmed our 2019E forecast, we still expect the 4Q19E earnings to be the peak of the year due to the fact that there will be six new condos worth Bt19.6bn from SIRI and JVs along with completed condos from 3Q19, with an estimated backlog of Bt12.2bn ready to transfer in the quarter.

Financial Valuations

| FY Ended 31 Dec | 2017 | 2018 | 2019E | 2020E | 2021E |
|---------------------|--------|--------|--------|--------|--------|
| Revenues (Btmn) | 30,916 | 26,248 | 24,134 | 26,673 | 26,407 |
| Core profit (Btmn) | 2,958 | 2,132 | 2,154 | 2,113 | 2,230 |
| Net profit (Btmn) | 2,825 | 2,046 | 2,449 | 2,113 | 2,230 |
| Core EPS (Bt) | 0.20 | 0.14 | 0.14 | 0.14 | 0.15 |
| Core EPS growth (%) | (14.3) | (27.9) | 1.0 | (1.9) | 5.6 |
| EPS (Bt) | 0.19 | 0.14 | 0.16 | 0.14 | 0.15 |
| EPS growth (%) | (19.7) | (27.6) | 19.7 | (13.7) | 5.6 |
| Dividend (Bt) | 0.12 | 0.12 | 0.08 | 0.07 | 0.07 |
| BV (Bt) | 2.08 | 2.08 | 2.16 | 2.20 | 2.28 |
| PER (x) | 6.0 | 8.3 | 6.9 | 8.0 | 7.6 |
| EV/EBITDA (x) | 12.5 | 20.3 | 24.1 | 24.3 | 23.8 |
| PBV (x) | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Dividend yield (%) | 10.5 | 10.5 | 6.9 | 6.0 | 6.3 |
| ROE (%) | 9.6 | 6.6 | 7.8 | 6.5 | 6.7 |
| Net gearing (%) | 111.4 | 132.9 | 149.1 | 151.8 | 152.5 |

Maintain Underperform with the 2020E TP of Bt1

We revised down the 2019E normalized profit by 17.9% on higher-than-expected interest expenses. However, we maintain our forecast of a decline in the 2020E normalized profit by 1.9% YoY, due to the softer property market and the lower contribution from JVs after speedy transfers in 2019E. Hence, SIRI's 2020E TP is maintained at Bt1, based on PER of 7x. We also reaffirm an Underperform rating owing to the soft earnings in 2019-20E.

Revised down 2019E presales to Bt23bn due to the delay of condo launches

SIRI revised down its 2019E presales to Bt23bn (-52.4% YoY), from the Bt30bn targeted in August, on account of the postponement of four condo projects worth Bt7.6bn to 2020E. Thus, the launch plan is now 20 projects worth Bt29.6bn from 24 projects worth Bt37.1bn formerly. In the meantime, we foresee SIRI's 2019E presales achieving its new target as the YTD presales (November 10) were Bt17.3bn, accounting for 75% of the company's new target. SIRI has a heavy launch plan of four single-detached houses (mid-to-high segment) worth Bt7.9bn, four townhouse projects (affordable segment) worth Bt3.5bn, and two SIRI condo projects, i.e., The Base Petchaburi Thonglor (Bt2.6bn, 50% sold) and dcondo Bliss Sriracha (prebuilt, Bt836mn, 20% sold).

Revise down 2019E normalized profit

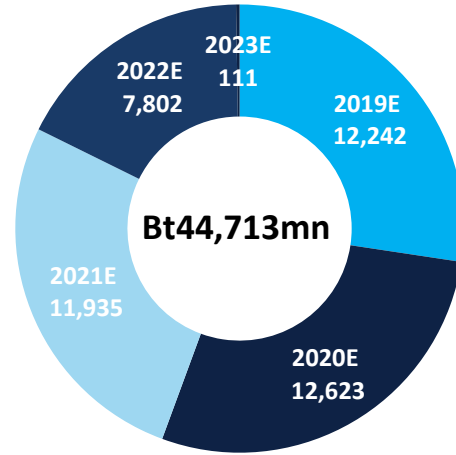
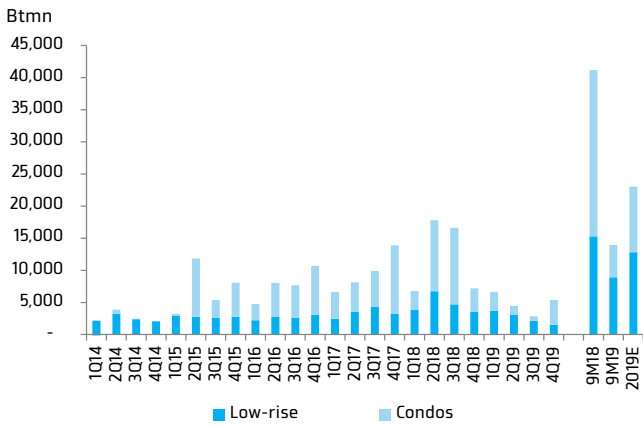
We revise down the 2019E normalized profit by 17.9% to Bt2.15bn, mainly owing to the upward revision of interest expenses by 37.5% to Bt903mn from Bt657mn previously. The increase came after the postponement of four condo projects to 2020E, causing the company to incur interest expenses for the undeveloped land plots, which could not be capitalized because they were still in the design and marketing process. However, we maintain our 2020-21E earnings forecasts.

4Q19E earnings to be the peak on heavy condo transfers

Although we trimmed our 2019E earnings, we still expect the 4Q19E earnings to be the peak of the year on the strength of six new condos worth Bt19.6bn from SIRI and JVs along with completed condos from 3Q19, with an estimated backlog of Bt12.2bn to be ready to transfer in the quarter. The newly completed condos in 4Q19E will consist of La Casita Hua Hin (Bt2.38bn, 90% sold) and dcondo Rangsit (Bt946mn, 97% sold) from SIRI and the following JV condos: The Base Sukhumvit 50 (SIRI-Tokyu, worth Bt1.57bn, 35% sold); Khun by Yoo (SIRI-BTS, worth Bt4.07bn, 70% sold); The Line Sukhumvit 101 (SIRI-BTS, worth Bt4.65bn, 60% sold); and The Line Phahon-Pradipat (SIRI-BTS, worth Bt5.9bn, 70% sold).

Figure 1: SIRI's presales

Figure 2: Backlog of SIRI and JVs as of Nov. 10, 2019



Source: Company data

Sources: Company data, KT Zmico Research

Figure 3: SIRI's revision of the 2019E targets as of November 2019

| | Previous | New | % change |
|-----------------------------------|---------------|---------------|---------------|
| Number of project launches | 24 | 20 | (16.7) |
| Launch value | 37,146 | 29,558 | (20.4) |
| Presales target | 30,000 | 23,000 | (23.3) |
| Low-rise | 12,800 | 12,800 | 0.0 |
| Condos | 17,200 | 10,200 | (40.7) |
| Transfers target | 21,000 | 22,000 | 4.8 |
| Low-rise | 6,300 | 6,600 | 4.8 |
| Condos | 14,700 | 15,400 | 4.8 |
| JV transfers | 11,000 | 12,000 | 9.1 |

Sources: Company data, KT ZMICO Research

Financial Table

| PROFIT & LOSS (Btmn) | 2017 | 2018 | 2019E | 2020E | 2021E |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenues | 30,916 | 26,248 | 24,134 | 26,673 | 26,407 |
| Cost of sales and service | (21,333) | (18,580) | (17,107) | (19,199) | (18,430) |
| Gross profit | 9,583 | 7,668 | 7,028 | 7,474 | 7,976 |
| SG&A | (6,103) | (5,555) | (5,208) | (5,619) | (6,000) |
| EBITDA | 4,111 | 2,850 | 2,689 | 2,742 | 2,883 |
| Depreciation & amortization | 256 | 310 | 315 | 322 | 329 |
| EBIT | 3,855 | 2,540 | 2,375 | 2,421 | 2,553 |
| Interest expenses | (411) | (570) | (903) | (639) | (616) |
| Other income / exp. | 375 | 427 | 555 | 566 | 577 |
| EBT | 3,600 | 2,576 | 2,943 | 2,590 | 2,741 |
| Corporate tax | (819) | (533) | (498) | (480) | (514) |
| Forex gain (loss) | 0 | 0 | 0 | 0 | 0 |
| Extra Items | (83) | (64) | 391 | 0 | 0 |
| Gain (loss) from affiliates | 26 | 305 | 680 | 408 | 404 |
| Minority interest | 43 | 4 | 4 | 3 | 3 |
| Net profit | 2,825 | 2,046 | 2,449 | 2,113 | 2,230 |
| Reported EPS | 0.19 | 0.14 | 0.16 | 0.14 | 0.15 |
| Fully diluted EPS | 0.19 | 0.14 | 0.16 | 0.14 | 0.15 |
| Core profit | 2,958 | 2,132 | 2,154 | 2,113 | 2,230 |
| Core EPS | 0.20 | 0.14 | 0.14 | 0.14 | 0.15 |
| Dividend (Bt) | 0.12 | 0.12 | 0.08 | 0.07 | 0.07 |

| BALANCE SHEET (Btmn) | 2017 | 2018 | 2019E | 2020E | 2021E |
|---|---------------|---------------|---------------|---------------|---------------|
| Cash and equivalents | 4,274 | 7,190 | 1,982 | 500 | 500 |
| Accounts receivable | 157 | 0 | 112 | 124 | 123 |
| Inventories | 43,384 | 56,305 | 60,101 | 63,165 | 66,090 |
| PP&E-net | 17,384 | 15,490 | 15,463 | 15,386 | 15,301 |
| Other assets | 6,618 | 7,246 | 3,886 | 4,081 | 4,040 |
| Total assets | 80,341 | 95,357 | 91,778 | 93,533 | 96,375 |
| ST debt & current portion | 21,540 | 18,635 | 17,476 | 18,674 | 25,148 |
| Long-term debt | 17,186 | 29,544 | 32,344 | 31,480 | 27,098 |
| Total liabilities | 49,422 | 64,504 | 59,703 | 60,821 | 62,450 |
| Paid-up shares | 15,903 | 15,903 | 15,903 | 15,903 | 15,903 |
| Shareholder equity | 30,919 | 30,852 | 32,075 | 32,713 | 33,925 |
| Minority interest | (29) | 4 | 0 | (3) | (6) |
| Total liab. & shareholder equity | 80,341 | 95,357 | 91,778 | 93,533 | 96,375 |

| CASH FLOW (Btmn) | 2017 | 2018 | 2019E | 2020E | 2021E |
|---|-----------------|-----------------|----------------|----------------|----------------|
| Net income | 2,825 | 2,046 | 2,449 | 2,113 | 2,230 |
| Forex and other extraordinary adjustments | 549 | 389 | (922) | (520) | (418) |
| Depreciation & amortization | 256 | 310 | 315 | 322 | 329 |
| Change in working capital | (1,693) | (8,552) | 9,445 | 11,473 | 12,151 |
| Cash flow from operations | 1,936 | (5,807) | 11,286 | 13,387 | 14,292 |
| Capex (Invest)/Divest | (1,655) | (1,324) | (1,999) | (141) | (141) |
| Others | (2,366) | (1,020) | 0 | 0 | 0 |
| Cash flow from investing | (4,021) | (2,344) | (1,999) | (141) | (141) |
| Debt financing (repayment) | 3,250 | 13,159 | (3,362) | 335 | (2,843) |
| Equity financing | 1,456 | 0 | (4) | (3) | (3) |
| Dividend payment | (1,857) | (1,634) | (1,486) | (1,473) | (1,014) |
| Others | (1,317) | (1,800) | (978) | (1,358) | (1,309) |
| Cash flow from financing | 1,531 | 9,725 | (5,831) | (2,498) | (5,169) |
| Net change in cash | (554) | 1,574 | 3,456 | 10,748 | 8,982 |
| Free cash flow | (15,226) | (20,395) | (920) | (677) | (1,107) |
| FCF per share (Bt) | (1.02) | (1.37) | (0.06) | (0.05) | (0.07) |

| PROFITABILITY | 2017 | 2018 | 2019E | 2020E | 2021E |
|------------------------|--------|--------|-------|--------|-------|
| Revenue growth (%) | (8.6) | (15.1) | (8.1) | 10.5 | (1.0) |
| EBITDA growth (%) | (19.1) | (30.7) | (5.6) | 2.0 | 5.1 |
| EPS growth (%) | (19.7) | (27.6) | 19.7 | (13.7) | 5.6 |
| Gross margin (%) | 31.0 | 29.2 | 29.1 | 28.0 | 30.2 |
| EBITDA margin (%) | 13.3 | 10.9 | 11.1 | 10.3 | 10.9 |
| Operating margin (%) | 12.5 | 9.7 | 9.8 | 9.1 | 9.7 |
| Net margin (%) | 9.1 | 7.8 | 10.1 | 7.9 | 8.4 |
| Core profit margin (%) | 9.6 | 8.1 | 8.9 | 7.9 | 8.4 |
| Effective tax rate (%) | 22.7 | 20.7 | 16.9 | 18.5 | 18.8 |






Note:

KT ZMICO has two major shareholders, Krungthai Bank PLC (KTB) and Seamico Securities PLC (ZMICO). Therefore, prior to making investments in the securities of KTB and ZMICO, investors should consider the risk factors carefully.

An executive of KT ZMICO Securities is also a board member of BCP, KBS, MAJOR, MK, PSL, SVH, VNG, ZMICO, PACE, TFG and JKN.

A management member of KT ZMICO Securities is also a board member of NFC.

KT ZMICO is a financial advisor for ZMICO, POMPUI, JKN, BRR, SUN, CRANE, META, SCN, AH, SIRI, U and SUPER.

| Corporate Governance Report (CGR) | | Source: Sec, Thai Institute of Directors Association (IOD) | |
|---|--|--|--|
|  Excellent (scores: 90-100) |  Satisfactory (scores: 60 – 69) | | |
|  Very Good (scores: 80 – 89) |  Pass (scores: 50 – 59) | | |
|  Good (scores: 70 – 79) | No Logo N/A (scores: below 50) | | |

Anti-corruption Progress Indicator
 Source: Sec, Thailand’s Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

- **Level 1 (Committed):** Organization’s statement or board’s resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared):** Public declaration statement to participate in Thailand’s private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established):** Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified):** Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended):** Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

Disclaimer

This document is produced using open sources believed to be reliable. However, their accuracy and completeness cannot be guaranteed. The statements and opinions herein were formed after due and careful consideration for use as information for the purposes of investment. The opinions contained herein are subject to change without notice. This document is not, and should not be construed as, an offer or the solicitation of an offer to buy or sell any securities. The use of any information contained in this document shall be at the sole discretion and risk of the user. KT ZMICO RESEARCH – RECOMMENDATION DEFINITIONS

KT Zmico Research – Recommendation Definitions

Stock Recommendations

- BUY:** Expecting positive total returns of 15% or more over the next 12 months
- OUTPERFORM:** Expecting total returns between -10% to +15%; returns expected to exceed market returns over a six-month period due to specific catalysts
- UNDERPERFORM:** Expecting total returns between -10% to +15%; returns expected to be below market returns over a six-month period due to specific catalysts
- SELL:** Expecting negative total returns of 10% or more over the next 12 months

Sector Recommendations

- OVERWEIGHT:** The industry, as defined by the analyst’s coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.
- NEUTRAL:** The industry, as defined by the analyst’s coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
- UNDERWEIGHT:** The industry, as defined by the analyst’s coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.