



# Company Update

## Sansiri Plc. (SIRI)

### Property Development

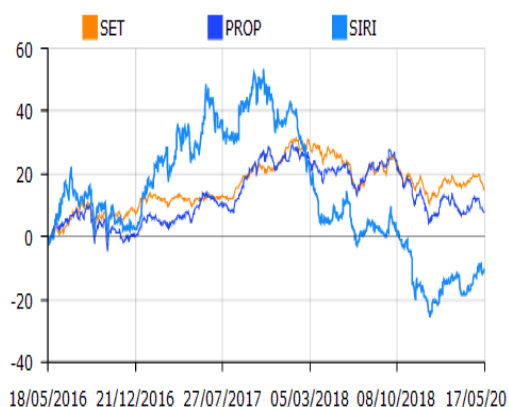
#### Earnings downgrade

#### Outperform

(19E TP Bt1.47)

Close Bt1.42

#### Price Performance (%)



Source: SET Smart

	FY19	FY20
Consensus EPS (Bt)	0.165	0.184
KT ZMICO vs. consensus	-9.1%	-2.2%

#### Share data

Reuters / Bloomberg	SIRI.BK/SIRI TB
Paid-up Shares (m)	14,862.73
Par (Bt)	1.07
Market cap (Bt bn / US\$ m)	21.00/663.00
Foreign limit / actual (%)	39.00/19.19
52 week High / Low (Bt)	1.84/1.17
Avg. daily T/O (shares 000)	54,997.00
NVDR (%)	6.66
Estimated free float (%)	70.89
Beta	0.92
URL	<a href="http://www.sansiri.com">www.sansiri.com</a>
CGR	



Anti-corruption

Level 4 (Certified)

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## Earnings to peak in 4Q19E

### Maintain Outperform with the new 2019E TP of Bt1.47

We maintain an Outperform rating with the new 19E TP at Bt1.47, reduced from Bt1.52, after cutting the 2019E normalized profit by 3.4%. The 2Q19E normalized profit should soften QoQ before improving QoQ in 3Q19E and peaking in 4Q19E, as new condos from both SIRI and JVs will be ready to transfer. Meanwhile, we expect the 2020E normalized profit to grow by 20.2% YoY, backed by new low-rise projects in 2019-20E and 2019E's condo project launches, which will be ready to transfer in 2020E.

### YTD presales were 21% of 2019E target; expected to rise from more project launches

SIRI's YTD presales were Bt7.59bn, -40.6% YoY and securing 21% of the 2019E target at Bt36bn. These comprise low-rise presales of Bt4.57bn (-30.4% YoY) and condo presales of Bt3bn (-51.4% YoY). The decline of presales YoY owed to lower new launches in 1Q19, as only three low-rise projects worth Bt2.7bn were launched in the quarter. However, SIRI has 25 more projects worth Bt43.9bn to be launched in 2Q19-4Q19; thus, presales should improve QoQ from 2Q19-4Q19, in line with the increase in the number of projects as well as project value.

### 2019-20E backlog secures 61% and 36% of 2019-20E transfers forecasts

SIRI had its own backlog of Bt31.2bn and JVs' backlog of Bt22bn (100% basis) as of May 12, 2019. The 2019E backlog of SIRI and JVs has already secured 61% of our 2019E transfers estimate (including 50% of JVs' transfers) of Bt28.1bn; meanwhile, the 2020E backlog of SIRI and JVs secures only 36% of our 2020E transfers estimate (including 50% of JVs' transfers) of Bt32.9bn. The remainder of the 2019E transfers will mainly come from the existing stock of Bt5bn (low-rise: 60%; condos: 40%) and the launches of 13 new low-rise projects worth Bt21bn. The rest of the 2020E transfers should be from continuing low-rise projects from 2019E, new launches in 2020E and two SIRI condos worth Bt3.3bn to be launched in 2Q19E, which will be completed and transferred in 4Q20E.

### Revise down 2019E normalized profit

We fine-tune the 2019E normalized profit, reducing it by 3.4% from 1) the increase of other income by 27% to Bt448mn as a result of adding incentive income of Bt100mn that SIRI received from JVs owing to the faster-than-expected condo presales and transfer process; and 2) lower shared gain from JVs and associates by 29% to Bt440mn due to higher-than-expected expenses for the operations for both JVs and associated companies.

#### Financial Valuations

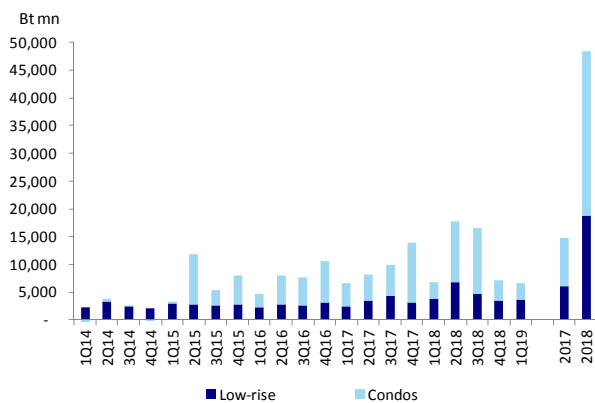
FY Ended 31 Dec	2016	2017	2018	2019E	2020E
Revenues (Btmn)	33,811	30,916	26,248	29,852	32,217
Core profit (Btmn)	3,319	2,958	2,132	2,181	2,620
Net profit (Btmn)	3,380	2,825	2,046	2,181	2,620
Core EPS (Bt)	0.23	0.20	0.14	0.15	0.18
Core EPS growth (%)	15.7	(14.3)	(27.9)	2.3	20.2
EPS (Bt)	0.24	0.19	0.14	0.15	0.18
EPS growth (%)	(3.6)	(19.7)	(27.6)	6.6	20.2
Dividend (Bt)	0.12	0.12	0.12	0.07	0.08
BV (Bt)	1.97	2.08	2.08	2.12	2.23
PER (x)	6.0	7.5	10.4	9.7	8.1
EV/EBITDA (x)	9.7	13.5	22.2	24.5	20.1
PBV (x)	0.7	0.7	0.7	0.7	0.6
Dividend yield (%)	8.4	8.4	8.4	4.9	5.9
ROE (%)	12.2	9.6	6.6	7.0	8.1
Net gearing (%)	103.4	111.4	135.7	146.1	134.8

Figure 1: SIRI's 1Q19 earnings review

Profit and Loss (Btmn)									
Year-end 31 Dec	1Q18	4Q18	1Q19	% YoY	% QoQ	2018	2019E	% YoY	YTD (% 19E)
Revenue	4,990	9,228	6,310	26.4	(31.6)	26,248	29,852	13.7	21.1
<b>Gross profit</b>	<b>1,278</b>	<b>2,592</b>	<b>1,583</b>	<b>23.8</b>	<b>(38.9)</b>	<b>7,668</b>	<b>7,529</b>	<b>(1.8)</b>	<b>21.0</b>
<b>EBITDA</b>	<b>343</b>	<b>1,627</b>	<b>811</b>	<b>136.7</b>	<b>(50.2)</b>	<b>2,850</b>	<b>2,743</b>	<b>(3.8)</b>	<b>29.6</b>
Interest expenses	(113)	(155)	(191)	69.0	23.3	(570)	(551)	(3.3)	34.7
Other income	127	94	222	74.1	135.9	427	448	4.9	49.5
Income tax	(79)	(265)	(133)	67.2	(50.0)	(533)	(490)	(8.1)	27.1
Other extraordinary	44	(155)	22	NM	NM	(64)	0	NM	NM
Gn (Ls) from affiliates	105	99	(120)	(213.8)	(220.9)	305	440	2.3	-27.2
Minority interest	1	1	0	(47.7)	(20.9)	4	3	NM	14.1
<b>Net profit (loss)</b>	<b>307</b>	<b>989</b>	<b>405</b>	<b>32.0</b>	<b>(59.1)</b>	<b>2,046</b>	<b>2,181</b>	<b>6.6</b>	<b>18.6</b>
<b>Core profit (loss)</b>	<b>271</b>	<b>1,147</b>	<b>383</b>	<b>41.6</b>	<b>(66.6)</b>	<b>2,132</b>	<b>2,181</b>	<b>2.3</b>	<b>17.6</b>
<b>Reported EPS (THB)</b>	<b>0.02</b>	<b>0.07</b>	<b>0.03</b>	<b>32.0</b>	<b>(59.1)</b>	<b>0.14</b>	<b>0.15</b>	<b>6.6</b>	<b>18.6</b>
Gross margin (%)	25.6	28.1	25.1			29.2	25.2		
EBITDA margin (%)	6.9	17.6	12.9			10.9	9.2		
Net margin (%)	6.1	10.7	6.4			7.8	7.3		
Current ratio (x)	1.9	2.4	2.8			2.4	2.3		
Interest coverage (x)	2.4	8.8	3.8			4.5	4.4		
Debt / equity (x)	1.7	2.1	2.2			2.1	1.9		
BVPS (Bt)	2.07	2.08	2.08			2.08	2.12		
ROE (%)	8.5	6.7	6.9			6.6	7.0		

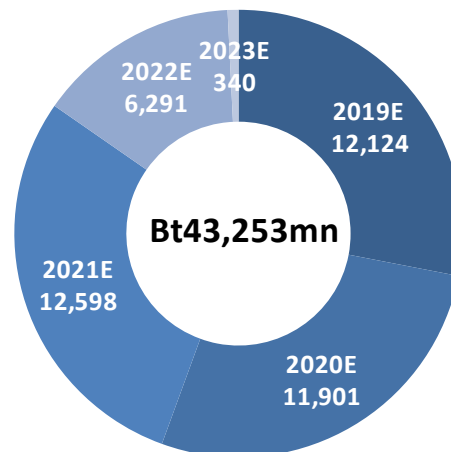
Sources: Company data, KT Zmico Research

Figure 2: SIRI's presales



Sources: Company data, KT Zmico Research

Figure 3: Backlog of SIRI and JVs as of May 12, 2019



Sources: Company data, KT Zmico Research

## Financial Table

PROFIT & LOSS (Btmn)	2016	2017	2018	2019E	2020E
Revenues	33,811	30,916	26,248	29,852	32,217
Cost of sales and service	(23,493)	(21,333)	(18,580)	(22,323)	(23,315)
<b>Gross profit</b>	<b>10,318</b>	<b>9,583</b>	<b>7,668</b>	<b>7,529</b>	<b>8,902</b>
SG&A	(5,828)	(6,103)	(5,555)	(5,549)	(6,298)
<b>EBITDA</b>	<b>5,080</b>	<b>4,111</b>	<b>2,850</b>	<b>2,743</b>	<b>3,280</b>
Depreciation & amortization	258	256	310	315	322
<b>EBIT</b>	<b>4,821</b>	<b>3,855</b>	<b>2,540</b>	<b>2,428</b>	<b>2,959</b>
Interest expense	(615)	(411)	(570)	(551)	(560)
Other income / exp.	332	375	427	448	354
<b>EBT</b>	<b>4,324</b>	<b>3,600</b>	<b>2,576</b>	<b>2,667</b>	<b>3,221</b>
Corporate tax	(944)	(819)	(533)	(490)	(605)
Forex gain (loss)	0	0	0	0	0
Extra Items	91	(83)	(64)	0	0
Gain (loss) from affiliates	(78)	26	305	440	472
Minority interest	0	43	4	3	4
<b>Net profit</b>	<b>3,380</b>	<b>2,825</b>	<b>2,046</b>	<b>2,181</b>	<b>2,620</b>
Reported EPS	0.24	0.19	0.14	0.15	0.18
Fully diluted EPS	0.24	0.19	0.14	0.15	0.18
<b>Core profit</b>	<b>3,319</b>	<b>2,958</b>	<b>2,132</b>	<b>2,181</b>	<b>2,620</b>
Core EPS	0.23	0.20	0.14	0.15	0.18
Dividend (Bt)	0.12	0.12	0.12	0.07	0.08

BALANCE SHEET (Btmn)	2016	2017	2018	2019E	2020E
Cash and equivalents	3,541	4,274	6,301	1,880	500
Accounts receivable	170	157	122	139	150
Inventories	49,057	43,384	56,305	58,722	59,242
PP&E-net	9,435	17,384	15,490	15,463	15,386
Other assets	4,521	6,618	8,014	4,806	4,929
<b>Total assets</b>	<b>72,774</b>	<b>80,341</b>	<b>95,357</b>	<b>91,578</b>	<b>90,934</b>
ST debt & current portion	14,092	21,540	18,635	17,476	18,510
Long-term debt	18,499	17,186	29,544	30,440	26,577
<b>Total liabilities</b>	<b>44,678</b>	<b>49,422</b>	<b>64,504</b>	<b>60,068</b>	<b>57,853</b>
Paid-up shares	15,285	15,903	15,903	15,903	15,903
<b>Shareholder equity</b>	<b>28,096</b>	<b>30,919</b>	<b>30,852</b>	<b>31,511</b>	<b>33,080</b>
Minority interest	1	(29)	4	1	(3)
<b>Total liab. &amp; shareholder equity</b>	<b>72,774</b>	<b>80,341</b>	<b>95,357</b>	<b>91,578</b>	<b>90,934</b>

CASH FLOW (Btmn)	2016	2017	2018	2019E	2020E
Net income	3,380	2,825	2,046	2,181	2,620
Forex and other extraordinary adjustments	974	549	389	(522)	(520)
Depreciation & amortization	258	256	310	315	322
Change in working capital	3,899	(1,693)	(8,552)	13,183	16,547
<b>Cash flow from operations</b>	<b>8,511</b>	<b>1,936</b>	<b>(5,807)</b>	<b>15,156</b>	<b>18,968</b>
Capex (Invest)/Divest	35	(1,655)	(1,324)	(1,999)	(141)
Others	(2,634)	(2,366)	(1,020)	0	0
<b>Cash flow from investing</b>	<b>(2,599)</b>	<b>(4,021)</b>	<b>(2,344)</b>	<b>(1,999)</b>	<b>(141)</b>
Debt financing (repayment)	(1,115)	3,250	13,159	(5,266)	(2,829)
Equity financing	0	1,456	0	(3)	(4)
Dividend payment	(2,286)	(1,857)	(1,634)	(1,784)	(1,047)
Others	(1,425)	(1,317)	(1,800)	(1,285)	(1,306)
<b>Cash flow from financing</b>	<b>(4,826)</b>	<b>1,531</b>	<b>9,725</b>	<b>(8,338)</b>	<b>(5,185)</b>
Net change in cash	1,087	(554)	1,574	4,819	13,642
<b>Free cash flow</b>	<b>(12,055)</b>	<b>(15,226)</b>	<b>(20,395)</b>	<b>1,571</b>	<b>2,359</b>
<b>FCF per share (Bt)</b>	<b>(0.84)</b>	<b>(1.02)</b>	<b>(1.37)</b>	<b>0.11</b>	<b>0.16</b>

PROFITABILITY	2016	2017	2018	2019E	2020E
Revenue growth (%)	(8.5)	(8.6)	(15.1)	13.7	7.9
EBITDA growth (%)	(0.3)	(19.1)	(30.7)	(3.8)	19.6
EPS growth (%)	(3.6)	(19.7)	(27.6)	6.6	20.2
Gross margin (%)	30.5	31.0	29.2	25.2	27.6
EBITDA margin (%)	15.0	13.3	10.9	9.2	10.2
Operating margin (%)	14.3	12.5	9.7	8.1	9.2
Net margin (%)	10.0	9.1	7.8	7.3	8.1
Core profit margin (%)	9.8	9.6	8.1	7.3	8.1
Effective tax rate (%)	21.8	22.7	20.7	18.4	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.

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

KT ZMICO is a financial advisor for ZMICO, POMPUI, JKN, BRR, SUN, CRANE, META and NUSA.

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**

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**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.