

# Sansiri

SIRI TB / SIRI.BK

August 18, 2020

## Deep miss! Earnings jump for 3Q20

### Missed our estimate and the consensus

SIRI reported a net profit of Bt258m for 2Q20. Excluding a Bt60m one-time loss from a loan value adjustment and a gain from the reversal of a property value impairment, core earnings would be Bt318m, down 4% YoY (a QoQ turnaround). The core result was 42% below our estimate (lower equity income and heavier tax and interest expenses than we had assumed) and 39% short of the consensus.

### Result highlights

The QoQ core earnings turnaround was driven by residential sales and GM expansion and a lower SG&A/sales ratio. Residential sales hit an eight-year high of Bt10.3bn (61% low-rise, 39% condo), up by 309% YoY and 92% QoQ. Low-rise increased by 194% YoY and 98% QoQ. Condo sales shot up by 950% YoY and 84% QoQ. Residential GM was 21% in 2Q20, down from 32.6% in 2Q19 but up from a deeply low 17.9% in 1Q20, as price-cutting eased. The SG&A/revenue ratio was 15.2%, down by 13.5% YoY and 5.9% QoQ, due to higher revenue. Equity income was Bt159m in 2Q20, up by 304% YoY and 13% QoQ. Net gearing declined from 2.0x at end-March to 1.6x at end-June, as equity increased with the issuance of a new Bt3bn perpetual debenture.

### Outlook

3Q20 core profit will jump YoY (a very low 3Q19 base) and QoQ (a fatter GM). Residential sales will rise by 50-70% YoY (but decline QoQ), led by transference of the low-rise backlog and new condos. Residential GM should fatten YoY and QoQ, as price-cutting has eased and there is a bigger proportion of fat-GM condo units in the sales mix. Three condos will be completed in 3Q20—*Oka Haus* (Bt6.4bn project value, 51% booked), *The Base Central Phuket* (Bt1.7bn, 95%), and *The Base Sapaan Mai* (Bt2.9m, 21%, a JV project).

### What's changed?

We have cut our 2020 core earnings forecast by 13% to Bt1.6bn. Our residential sales assumption is Bt29bn, which is 98% secured by the end-June backlog. Residential GM is conservatively assumed at 24% in 2020, down 5% YoY. GM should recover from just 20% in 1H20 to 27-30% in 2H20. 1H20 profit comprises 17% of our new 2020 forecast (and 19% of the consensus), as SIRI's earnings profile is concentrated in 2H20. We see 10-15% scope for upside to the street earnings forecast if the firm delivers a strong GM recovery in 3Q20. We have factored the issuance of Bt5.5bn in new perpetual bonds this year into our model, so expect net gearing should be manageable at 1.5-1.6x at YE20.

### Recommendation

The stock should rally on proof of a fatter QoQ GM and unsold condo unit inventory falling from Bt10bn at YE19 to Bt3.5bn at end-June. SIRI currently trades at a cheap 2020 PER of 6.9x, below its 2006-19 mean of 7.5x. Our TRADING BUY call stands to a new target price of Bt0.85, pegged to a PER of 8.0x.

**Sector: Residential Property**
**NEUTRAL**
**Rating: TRADING BUY**
**Target Price: Bt0.85**
**Price (August 17, 2020): Bt0.74**

### Key statistics

Market cap	Bt11.0bn	USD0.4bn
12-mth price range	Bt0.5/Bt1.5	
12-mth avg daily volume	Bt43m	USD1.4m
# of shares (m)	14,863	
Est. free float (%)	73.2	
Foreign limit (%)	39.0	

<b>Share price perf. (%)</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Relative to SET	(1.1)	(2.7)	(27.4)
Absolute	(3.9)	-	(46.8)

### Financial summary

FY Ended 31 Dec	2019	2020E	2021E	2022E
Revenues (Btm)	24,266	32,800	29,487	30,116
Net profit (Btm)	2,392	1,641	1,867	2,186
EPS (Bt)	0.16	0.11	0.13	0.15
EPS growth (%)	+16.9%	-31.4%	+13.8%	+17.1%
Core profit (Btm)	2,133	1,589	1,867	2,186
Core EPS (Bt)	0.14	0.11	0.13	0.15
Core EPS growth (%)	+1.7%	-25.5%	+17.5%	+17.1%
PER (x)	4.6	6.7	5.9	5.0
PBV (x)	0.3	0.3	0.3	0.3
Dividend (Bt)	0.1	0.1	0.1	0.1
Dividend yield (%)	10.8	7.9	9.0	10.6
ROE (%)	7.7	4.8	5.0	5.7

CG/Anti-corruption



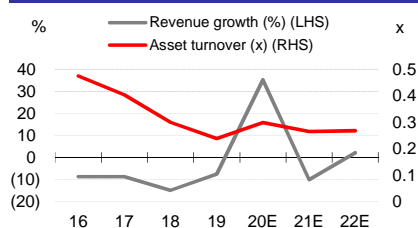
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 Phoowadol Phoosodngern  
 Securities Fundamental Investment Analyst  
 Phoowadol.pho@bualuang.co.th  
 +66 2 618 1338

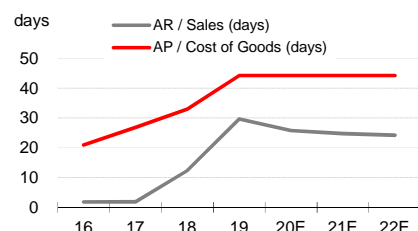
## SIRI: Financial Tables – Year

PROFIT & LOSS (Btm)	2018	2019	2020E	2021E	2022E
Revenue	26,246	24,266	32,800	29,487	30,116
Cost of sales and services	(18,577)	(18,116)	(25,356)	(22,320)	(22,351)
<b>Gross profit</b>	<b>7,669</b>	<b>6,150</b>	<b>7,443</b>	<b>7,167</b>	<b>7,765</b>
SG&A	(5,555)	(4,591)	(5,839)	(5,351)	(5,442)
<b>EBIT</b>	<b>2,114</b>	<b>1,559</b>	<b>1,604</b>	<b>1,816</b>	<b>2,323</b>
Interest expense	(570)	(936)	(1,057)	(946)	(1,010)
Other income/exp.	791	1,057	889	939	994
<b>EBT</b>	<b>2,335</b>	<b>1,680</b>	<b>1,436</b>	<b>1,809</b>	<b>2,307</b>
Corporate tax	(546)	(455)	(587)	(407)	(486)
<b>After-tax net profit (loss)</b>	<b>1,789</b>	<b>1,225</b>	<b>849</b>	<b>1,402</b>	<b>1,821</b>
Minority interest	3.5	117.0	240.0	240.0	240.0
Equity earnings from affiliates	305	791	500	225	125
Extra items	(52)	260	52	0	0
<b>Net profit (loss)</b>	<b>2,046</b>	<b>2,392</b>	<b>1,641</b>	<b>1,867</b>	<b>2,186</b>
Reported EPS	0.14	0.16	0.11	0.13	0.15
<b>Fully diluted EPS</b>	<b>0.14</b>	<b>0.16</b>	<b>0.11</b>	<b>0.13</b>	<b>0.15</b>
<b>Core net profit</b>	<b>2,098</b>	<b>2,133</b>	<b>1,589</b>	<b>1,867</b>	<b>2,186</b>
Core EPS	0.14	0.14	0.11	0.13	0.15
<b>EBITDA</b>	<b>2,318</b>	<b>1,791</b>	<b>1,708</b>	<b>1,926</b>	<b>2,438</b>
<b>KEY RATIOS</b>					
Revenue growth (%)	(14.9)	(7.5)	35.2	(10.1)	2.1
Gross margin (%)	29.2	25.3	22.7	24.3	25.8
EBITDA margin (%)	8.8	7.4	5.2	6.5	8.1
Operating margin (%)	8.1	6.4	4.9	6.2	7.7
Net margin (%)	7.8	9.9	5.0	6.3	7.3
Core profit margin (%)	8.0	8.8	4.8	6.3	7.3
ROA (%)	2.3	2.3	1.5	1.7	1.9
ROCE (%)	2.7	2.7	1.7	1.9	2.2
Asset turnover (x)	0.3	0.2	0.3	0.3	0.3
Current ratio (x)	2.4	2.6	3.0	3.1	3.1
Gearing ratio (x)	1.7	2.0	1.6	1.5	1.5
Interest coverage (x)	3.7	1.7	1.5	1.9	2.3
<b>BALANCE SHEET (Btm)</b>					
Cash & Equivalent	6,301	2,473	2,150	2,832	2,645
Accounts receivable	889	1,970	2,320	2,000	2,000
Inventory	56,305	62,844	65,018	64,750	65,700
PP&E-net	1,975	2,663	2,970	3,278	3,586
Other assets	29,886	38,387	38,887	39,112	39,237
<b>Total assets</b>	<b>95,357</b>	<b>108,336</b>	<b>111,345</b>	<b>111,972</b>	<b>113,168</b>
Accounts payable	1,676	2,193	3,069	2,701	2,705
ST debts & current portion	18,635	17,136	13,238	13,238	13,238
Long-term debt	33,272	46,028	46,028	46,028	46,028
Other liabilities	10,922	11,105	11,105	11,105	11,105
<b>Total liabilities</b>	<b>64,504</b>	<b>76,461</b>	<b>73,440</b>	<b>73,073</b>	<b>73,076</b>
Paid-up capital	15,903	15,903	15,903	15,903	15,903
Share premium	2,296	2,296	2,296	2,296	2,296
Retained earnings	12,869	13,251	13,620	14,614	15,807
<b>Shareholders' equity</b>	<b>30,848</b>	<b>30,943</b>	<b>36,812</b>	<b>37,807</b>	<b>38,999</b>
Minority interests	4	931	1,092	1,092	1,092
<b>Total Liab.&amp;Shareholders' equity</b>	<b>95,357</b>	<b>108,336</b>	<b>111,345</b>	<b>111,972</b>	<b>113,168</b>
<b>CASH FLOW (Btm)</b>					
Net income	2,046	2,392	1,641	1,867	2,186
Depreciation and amortization	204	232	104	110	115
Change in working capital	(23,836)	(24,500)	(1,648)	221	(946)
FX, non-cash adjustment & others	15,779	14,588	0	(0)	(0)
<b>Cash flows from operating activities</b>	<b>(5,807)</b>	<b>(7,287)</b>	<b>97</b>	<b>2,197</b>	<b>1,354</b>
Capex (Invest)/Divest	(2,496)	(1,112)	(911)	(643)	(548)
Others	0	0	161	0	0
<b>Cash flows from investing activities</b>	<b>(2,496)</b>	<b>(1,112)</b>	<b>(750)</b>	<b>(643)</b>	<b>(548)</b>
Debt financing (repayment)	13,163	18,653	(3,897)	0	0
Equity financing	0	0	5,500	0	0
Dividend payment	(1,634)	(1,432)	(1,272)	(873)	(993)
Others	0	0	161	0	0
<b>Cash flows from financing activities</b>	<b>9,333</b>	<b>6,702</b>	<b>331</b>	<b>(873)</b>	<b>(993)</b>
Net change in cash	1,030	(1,697)	(322)	682	(187)
<b>Free cash flow (Btm)</b>	<b>(8,303)</b>	<b>(8,400)</b>	<b>(814)</b>	<b>1,555</b>	<b>806</b>
<b>FCF per share (Bt)</b>	<b>(0.56)</b>	<b>(0.57)</b>	<b>(0.05)</b>	<b>0.10</b>	<b>0.05</b>
<b>KEY ASSUMPTIONS</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021E</b>	<b>2022E</b>
Total presales (Btm)	48,500	20,356	32,000	32,000	33,600
YoY change in presales	26%	-58%	57%	0%	5%
Housing revenue (Btm)	21,552	19,126	29,000	25,000	25,000
YoY change in housing revenue	-17%	-11%	52%	-14%	0%
Secured revenue by backlogs (Btm)	-	-	28,460	8,704	6,416
% of secured revenue by backlogs	-	-	98%	35%	26%
Housing GM	32.1%	29.0%	24.0%	26.0%	28.0%

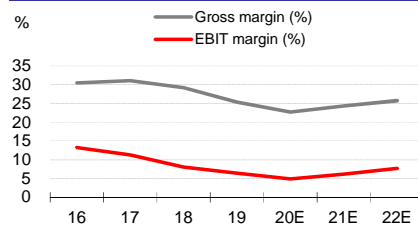
### Revenue growth and asset turnover



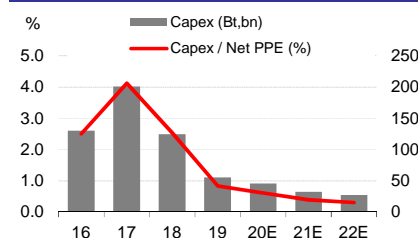
### A/C receivable & A/C payable days



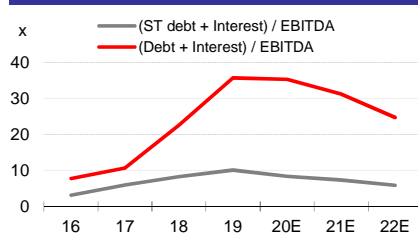
### Profit margins



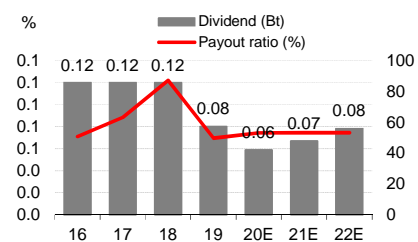
### Capital expenditure



### Debt serviceability



### Dividend payout



## SIRI: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q19	3Q19	4Q19	1Q20	2Q20
Revenue	3,909	5,183	8,942	6,169	11,127
Cost of sales and services	(2,602)	(3,906)	(6,964)	(5,185)	(8,842)
Gross profit	1,307	1,276	1,978	984	2,285
SG&A	(1,122)	(1,204)	(1,183)	(1,305)	(1,696)
<b>EBIT</b>	<b>185</b>	<b>72</b>	<b>795</b>	<b>(321)</b>	<b>589</b>
Interest expense	(158)	(282)	(304)	(202)	(303)
Other income/exp.	294	209	235	298	112
<b>EBT</b>	<b>320</b>	<b>(1)</b>	<b>726</b>	<b>(225)</b>	<b>398</b>
Corporate tax	(28)	(65)	(231)	(25)	(301)
After-tax net profit (loss)	293	(65)	495	(250)	97
Minority interest	0.7	27.1	88.8	59.6	62.7
Equity earnings from affiliates	39	201	670	140	159
Extra items	(47)	288	(2)	112	(60)
<b>Net profit (loss)</b>	<b>285</b>	<b>451</b>	<b>1,252</b>	<b>62</b>	<b>258</b>
Reported EPS	0.02	0.03	0.08	0.00	0.02
<b>Fully diluted EPS</b>	<b>0.02</b>	<b>0.03</b>	<b>0.08</b>	<b>0.00</b>	<b>0.02</b>
<b>Core net profit</b>	<b>333</b>	<b>163</b>	<b>1,254</b>	<b>(51)</b>	<b>318</b>
Core EPS	0.02	0.01	0.08	(0.00)	0.02
<b>EBITDA</b>	<b>580</b>	<b>323</b>	<b>1,037</b>	<b>(24)</b>	<b>701</b>

### KEY RATIOS

Gross margin (%)	33.4	24.6	22.1	15.9	20.5
EBITDA margin (%)	14.8	6.2	11.6	(0.4)	6.3
Operating margin (%)	4.7	1.4	8.9	(5.2)	5.3
Net margin (%)	7.3	8.7	14.0	1.0	2.3
Core profit margin (%)	8.5	3.1	14.0	(0.8)	2.9
BV (Bt)	2.0	2.0	2.1	2.2	2.4
ROE (%)	3.8	6.0	16.2	0.8	3.0
ROA (%)	1.1	2.0	4.6	0.2	0.9
Current ratio (x)	2.4	2.2	2.6	2.6	3.3
Gearing ratio (x)	2.2	1.7	2.0	2.1	1.7
Interest coverage (x)	1.2	0.3	2.6	n.m.	1.9

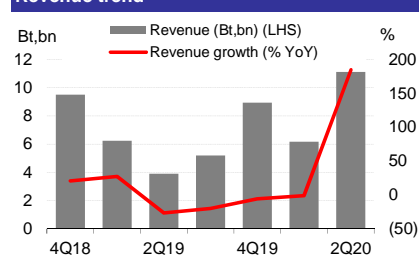
### QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	5,787	5,013	2,473	3,288	3,806
Accounts receivable	2,128	141	1,970	1,973	1,966
Inventory	65,016	54,804	62,844	66,443	64,101
PP&E-net	16,979	17,263	20,608	21,202	20,911
Other assets	17,179	14,699	20,442	22,293	20,740
<b>Total assets</b>	<b>107,088</b>	<b>91,919</b>	<b>108,336</b>	<b>115,199</b>	<b>111,524</b>
Accounts payable	1,643	1,584	2,193	2,271	2,846
ST debts & current portion	11,655	11,178	6,897	6,715	3,338
Long-term debt	54,323	39,984	58,197	61,536	58,379
Other liabilities	9,780	9,336	9,174	11,601	11,267
<b>Total liabilities</b>	<b>77,402</b>	<b>62,082</b>	<b>76,461</b>	<b>82,123</b>	<b>75,829</b>
Paid-up capital	15,903	15,903	15,903	15,903	15,903
Share premium	2,296	2,296	2,296	2,296	0
Retained earnings	11,867	11,812	13,251	13,211	13,249
<b>Shareholders' equity</b>	<b>29,683</b>	<b>29,832</b>	<b>30,943</b>	<b>31,984</b>	<b>34,672</b>
Minority interests	2.9	4.6	931.5	1,092.3	1,022.9
<b>Total Liab.&amp;Shareholders' equity</b>	<b>107,088</b>	<b>91,919</b>	<b>108,336</b>	<b>115,199</b>	<b>111,524</b>

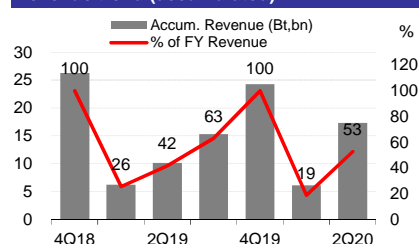
### KEY STATS

Total presales (Btm)	4,456	2,856	6,416	6,652	12,909
YoY change in presales	-75%	-83%	-10%	0%	190%
Resi revenue (Btm)	2,525	4,074	7,634	5,383	10,338
YoY change in resi revenue	-41%	-24%	-4%	10%	309%
Resi GM	32.6%	26.8%	30.5%	17.9%	21.0%
Rental revenue (Btm)	1,384	1,109	1,307	786	788

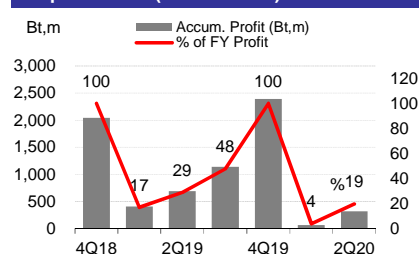
### Revenue trend



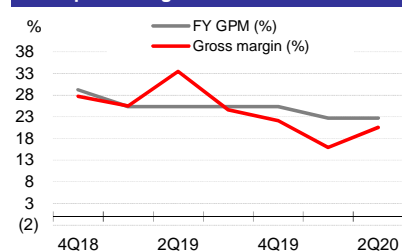
### Revenue trend (accumulated)



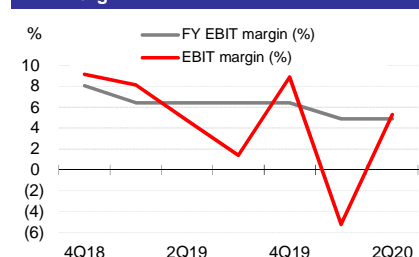
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



## Company profile

Sansiri Plc (SIRI) builds single-detached housing, townhouses and condos using a presales model. The company had earlier focused on the upper-mid to high-end of the market. In 2H10, the company expanded to the low-end segment, particularly for condos. SIRI also owns Plus Property Co Ltd, a property and asset management, brokerage service, and property sales management firm. The core revenue generator is residential sales. Its residential presales breakdown is typically 60% condo and 40% low-rise. In 2015, SIRI started a JV with BTS Group, to develop condos near mass transit stations.

**Figure 1 : 2Q20 results**

FY Ended 31 Dec (Btm)	2Q20	2Q19	YoY %	1Q20	QoQ %	6M20	6M19	YoY %	6M20 vs.
<b>Income Statement</b>									
Revenue	11,127	3,909	185	6,169	80	17,295	10,141	71	53
Cost of sales and services	(8,842)	(2,602)	240	(5,185)	71	(14,027)	(7,246)	94	55
EBITDA	701	580	21	(24)	nm	677	1,487	(54)	40
EBIT	589	185	218	(321)	nm	268	691	(61)	17
Interest expense	(303)	(158)	91	(202)	50	(505)	(350)	44	48
Other income/exp.	112	294	(62)	298	(62)	410	613	(33)	46
Equity earnings from affiliates	159	39	0	140	0	299	(80)	0	0
Extra items	(60)	(47)	nm	112	(154)	52	(26)	nm	nm
<b>EBT</b>	<b>398</b>	<b>320</b>	<b>24</b>	<b>(225)</b>	<b>nm</b>	<b>173</b>	<b>955</b>	<b>(82)</b>	<b>12</b>
Corporate tax	(301)	(28)	nm	(25)	nm	(326)	(160)	nm	nm
Minority interest	62.7	0.7	100	59.6	100	122.3	1.1	100	100
<b>Net profit (loss)</b>	<b>258</b>	<b>285</b>	<b>(9)</b>	<b>62</b>	<b>317</b>	<b>320</b>	<b>690</b>	<b>(54)</b>	<b>19</b>
Reported EPS	0.02	0.02	(9)	0.00	317	0.02	0.05	(54)	17
<b>Core net profit</b>	<b>318</b>	<b>333</b>	<b>(4)</b>	<b>(51)</b>	<b>nm</b>	<b>268</b>	<b>716</b>	<b>(63)</b>	<b>17</b>
<b>Key ratios</b>									
Gross margin (%)	20.5	33.4		15.9		18.9	28.5		
EBITDA margin (%)	6.3	14.8		(0.4)		3.9	14.7		
EBIT margin (%)	5.3	4.7		(5.2)		1.5	6.8		
Tax rate (%)	75.7	8.6		(11.1)		189.1	16.7		
Net margin (%)	2.3	7.3		1.0		1.9	6.8		
Current ratio (x)	3.3	2.4		2.6		3.3	2.4		
Gearing ratio (x)	1.7	2.2		2.1		1.7	2.2		
Interest coverage (x)	1.9	1.2		n.m.		0.5	2.0		
<b>Balance Sheet</b>									
Cash & Equivalent	3,806	5,787	(34)	3,288	16				
<b>Total assets</b>	<b>111,524</b>	<b>107,088</b>	<b>4</b>	<b>115,199</b>	<b>(3)</b>				
ST debts & current portion	3,338	11,655	(71)	6,715	(50)				
Long-term debt	58,379	54,323	7	61,536	(5)				
<b>Total liabilities</b>	<b>75,829</b>	<b>77,402</b>	<b>(2)</b>	<b>82,123</b>	<b>(8)</b>				
Retained earnings	13,249	11,867	12	13,211	0				
<b>Shareholders equity</b>	<b>34,672</b>	<b>29,683</b>	<b>17</b>	<b>31,984</b>	<b>8</b>				
Minority interests	1,023	3	nm	1,092	(6)				
BV (Bt)	2.4	2.0	20	2.2	8				

- Residential revenue jumped by 309% YoY and 92% QoQ, with strong sales growth across both low-rise and condo
- Residential GM fattened QoQ from a deeply low 1Q20 number (but was down YoY)
- The SG&A/sales ratio declined YoY and QoQ
- Core earnings missed our estimate by 42% and the consensus by 39%
- Net gearing declined from 2.0x at end-March to 1.6x at end-June, due to the issuance of a Bt3bn perpetual bond

Sources: Company data, Bualuang Research estimates

**Figure 2 : Forecast changes**

Btm	Old	New	Chg.	Old	New	Chg.
Core profit	1,834	1,589	-13%	2,057	1,867	-9%
Core EPS (Bt)	0.12	0.11	-13%	0.14	0.13	-9%
DPS(Bt)	0.07	0.06	-16%	0.07	0.07	-9%
Dividend yield	9.4%	7.9%	-15%	9.9%	9.0%	-9%
Total revenue	32,374	32,800	1%	30,374	29,487	-3%
Residential revenue	28,000	29,000	4%	26,000	25,000	-4%
Residential GM	25.0%	24.0%	-10%	27.0%	26.0%	-10%
SG&A/Sale	18.5%	17.8%	-0.7%	18.4%	18.1%	-0.3%
Equity income	475	500	5%	225	225	0%
Core margin	5.7%	4.8%	-0.8%	6.8%	6.3%	-0.4%

Sources: Company data and Bualuang Securities Research

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Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 00359		Pass
Below 50	No logo given	N/A

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- companies that have **declared** their intention to join CAC, and
- companies **certified** by CAC.

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**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

**SECTOR RECOMMENDATIONS**

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index 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.

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