



## Sansiri PCL

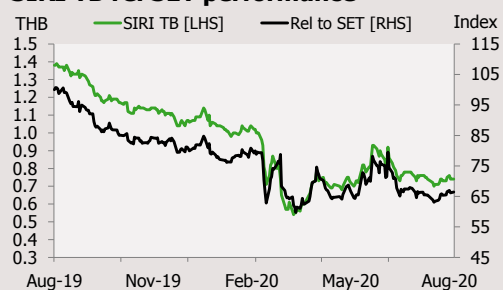
SIRI TB Outperform

Target Price	Bt	0.80
Price (17/08/2020)	Bt	0.74
Upside	%	8.11
Valuation	PER	
Sector	Property Development	
Market Cap	Btm	10,998
30-day avg turnover	Btm	31.02
No. of shares on issue	m	14,863
CG Scoring	Very Good	
Anti-Corruption Indicator	Certified	

### Investment fundamentals

Year end Dec 31	2019A	2020E	2021E	2022E
<b>Company Financials</b>				
Revenue (Btmn)	24,310	32,081	27,924	30,511
Core profit (Btmn)	2,190	1,030	1,455	1,965
Net profit (Btmn)	2,392	1,130	1,455	1,965
Net EPS (Bt)	0.17	0.08	0.10	0.13
DPS (Bt)	0.08	0.04	0.05	0.07
BVPS (Bt)	2.19	2.57	2.60	2.64
Net EPS growth (%)	20.39	-55.05	28.73	35.08
ROA (%)	2.23	0.92	1.29	1.68
ROE (%)	7.74	3.27	3.79	5.05
Net D/E (x)	1.74	1.35	1.47	1.52
<b>Valuation</b>				
P/E (x)	6.44	9.73	7.56	5.60
P/BV (x)	0.50	0.29	0.29	0.28
EV/EBITDA (x)	23.98	26.35	22.21	18.79
Dividend yield (%)	7.34	5.14	6.61	8.93

### SIRI TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

### Analyst

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Kasikorn Securities Public Company Limited

## 2Q20 earnings below expectations

- SIRI reported 2Q20 earnings of Bt258mn, down 9.5% YoY but up 317.6% QoQ. This was 53.2% below our forecast. No interim dividend in 1H20.
- A 12.3ppt drop YoY in 2Q20 GPM wiped out the benefit of top-line growth of 181%. QoQ, top line and GPM expansions boosted earnings.
- We maintain our Outperform rating and mid-2021 TP of Bt0.80. Less aggressive sales promotions will restore its operating outlook in 2H20.

### Investment Highlights

- **2Q20 earnings fell 9.5% YoY but increased 317.6% QoQ to Bt258mn.** This was 53.2% below our forecast of Bt552mn. Much lower equity income of Bt165mn against our forecast of Bt328mn, due to bigger-than-expected price promotions at JV condominium projects, and higher-than-expected interest expense and corporate tax of Bt53mn and Bt164mn respectively were the main factors for the difference between the actual result and our forecast. Sales revenue and GPM were in line with our estimates while SG&A expenses come in much lower than we had forecast.
- **Robust revenue growth offset by inferior profitability, as expected.** In 2Q20, SIRI was able to grow core revenue strongly by 180.8% YoY and 78.1% QoQ to Bt11.1bn. This was largely driven by the success of an aggressive pricing strategy under which SIRI cut selling prices to support the liquidation of unsold but completed inventory as fast as possible. While revenue from the hotel and education businesses fell to nearly zero in the quarter due to the impact of COVID-19, sales revenue grew 309.1% YoY and 91.9% QoQ to Bt10.3bn. However, the excellent revenue involved a trade-off with a sharp drop of GPM to only 20.0%, down sharply by 12.3ppt YoY. While GPM rebounded 4.3ppt QoQ, it remained very low. Furthermore, SIRI booked a provision on diminution in value of investments of Bt67mn at its own level and of Bt205mn at the JV level. 2Q20 NPM thus came in at 2.3%, down from 7.2% in 2Q19 and 1.0% in 1Q20. This was although it was able to cut SG&A-to-sales ratio strongly to 15.2% in 2Q20 from 29.4% in 2Q19 and 20.9% in 1Q20 on the benefit of better economies of scale.
- **Balance sheet strengthened by perpetual debentures.** At the end of 2Q20, SIRI's net IBDE ratio fell to 1.63x from 1.97x at the end of 1Q20. Despite booking a loss of Bt306mn from the resale of treasury stock of 720mn shares in the quarter, which was slightly higher than the reported net earnings of Bt258mn, the successful issuance of subordinated perpetual debentures of Bt2.97bn plus the big reduction in IBD, thanks to the high rate of rights transfer and the low level of capex in the quarter, helped greatly reduce its overall financial risk. In the event it makes no new big investments in the near future plus and given its plan to issue another lot of perpetual debentures of Bt2.5bn, its IBDE in 3Q20 is highly likely to fall further. Note that SIRI announced it would pay no interim dividend from its 1H20 performance to reserve CF as a cushion against the impacts of the COVID-19 epidemic.

### Valuation and Recommendation

- We maintain our Outperform rating and mid-2021 TP of Bt0.80 for SIRI. While profit margin in 2Q20 was very thin, SIRI showed an ability to liquidate inventory quickly, thanks to its strong brand. This helped reduce its financial risk dramatically. Although DE ratio remains high, a shift in focus to profitability will gradually strengthen its financial status and should attract attention from investors unless it aggressively invests in new long-term projects that cannot generate returns in a short period of time.



Fig 1 2Q20 earnings fell 9.5% YoY but up 317.6% QoQ

	2Q19	3Q19	4Q19	1Q20	2Q20	%YoY	%QoQ	%YTD2020E	2020E
<b>Financials</b>									
Sales (Btmn)	3,966	5,302	8,731	6,252	11,138	180.8	78.1	54.2	32,081
EBITDA (Btmn)	530	399	1,149	163	917	73.0	462.6	43.8	2,468
Operating profit (Btmn)	436	281	1,020	-24	701	60.9	3,080.6	34.6	1,959
Core profit (Btmn)	373	107	1,272	-36	256	-31.4	819.9	21.4	1,030
Net profit (Btmn)	285	451	1,251	62	258	-9.5	317.6	28.3	1,130
Net EPS (Bt)	0.02	0.03	0.09	0.00	0.02	-13.9	297.3	28.6	0.08
<b>Performance Drivers</b>									
Presales (Btmn)	4,456	2,856	6,416	6,652	12,909	189.7	94.1	61.7	31,683
New launch (Btmn)	10,252	1,602	15,595	1,317	1,817	-82.3	38.0	16.3	19,200
Net D/E (x)	1.81	1.89	1.89	1.97	1.63	-10.0	-17.1	121.2	1.3
<b>Ratios</b>									
						<b>Change **</b>		<b>Avg YTD</b>	<b>2020E</b>
Gross margin (%)	32.3	24.2	23.0	15.7	20.0	-12.3	4.3	17.9	21.5
EBITDA margin (%)	13.4	7.5	13.2	2.6	8.2	-5.1	5.6	5.4	7.7
Optg. margin (%)	11.0	5.3	11.7	-0.4	6.3	-4.7	6.7	3.0	6.1
ROE (%)	3.8	6.1	16.2	0.8	3.0	-0.9	2.2	1.9	0.0

Remark: \*\* = Change in ppt

Source: Company data and KS Research


**Year-end 31 Dec**

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	26,246	24,310	32,081	27,924	30,511
Cost of sales and services	-18,577	-18,154	-25,198	-20,650	-22,350
<b>Gross Profit</b>	7,669	6,156	6,883	7,274	8,161
SG&A	-5,555	-4,644	-5,885	-5,655	-5,881
Other income	792	1,050	961	1,102	1,142
<b>EBIT</b>	3,145	3,833	2,529	2,769	3,471
<b>EBITDA</b>	3,216	2,991	2,468	3,166	3,907
Interest expense	-570	-936	-976	-907	-963
Equity earnings	444	881	455	48	49
<b>EBT</b>	2,576	2,897	1,554	1,862	2,508
Income tax	-533	-622	-536	-382	-515
<b>NPAT</b>	2,042	2,275	1,018	1,480	1,993
Minority Interest	4	117	112	-25	-28
<b>Core Profit</b>	2,271	2,190	1,030	1,455	1,965
Extraordinary items	-225	203	100	0	0
FX gain (loss)	0	0	0	0	0
<b>Reported net profit</b>	2,046	2,392	1,130	1,455	1,965

Balance Sheet (Btmn)	2018A	2019A	2020E	2021E	2022E
Cash & equivalents	3,933	2,132	2,887	2,513	2,746
ST investments	2,369	341	481	419	458
Accounts receivable	122	1,970	2,085	1,815	1,983
Inventories	57,846	64,157	66,395	73,442	74,776
Other current assets	6,473	5,983	6,353	5,740	6,122
<b>Total current assets</b>	70,742	74,583	78,202	83,929	86,084
Investment in subs & others	726	561	722	628	687
Fixed assets-net	16,048	22,886	23,422	22,146	24,556
Other assets	7,841	10,306	10,667	9,285	10,145
<b>Total assets</b>	95,357	108,336	113,013	115,987	121,472
Short-term debt	18,635	15,807	19,051	22,254	24,122
Accounts payable	1,676	2,193	2,887	2,513	2,746
Other current liabilities	8,815	10,240	11,148	9,703	10,603
<b>Total current liabilities</b>	29,125	28,240	33,086	34,471	37,470
Long-term debt	29,544	42,060	37,218	38,888	40,383
Other liabilities	5,835	6,161	3,406	2,927	3,198
<b>Total liabilities</b>	64,504	76,461	73,710	76,286	81,052
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
Reserves & others, net	1,348	1,116	7,551	7,551	7,551
Retained earnings	11,301	11,628	12,439	12,837	13,556
Minority interests	4	931	1,113	1,113	1,113
<b>Total shareholders' equity</b>	30,852	31,875	39,302	39,701	40,419
<b>Total equity &amp; liabilities</b>	95,357	108,336	113,013	115,987	121,472

Key Assumptions	2018A	2019A	2020E	2021E	2022E
New launch (Btmn)	65,020	29,558	19,200	29,000	32,000
Pre-sales	48,344	20,337	31,683	25,748	26,781
Revenue growth (%)	-14.87	-7.37	31.97	-12.96	9.27
Gross margin (%)	29.22	25.32	21.46	26.05	26.75
SG&A to sales (%)	21.17	19.10	18.35	20.25	19.28

Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Net profit	2,042	2,275	1,018	1,480	1,993
Depreciation & amortization	310	429	509	444	485
Change in working capital	-23,065	-23,661	-3,833	-8,274	-596
Others	14,905	13,669	-570	-48	-49
<b>CF from operation activities</b>	-5,807	-7,287	-2,876	-6,397	1,833
Capital expenditure	-639	-2,131	-1,389	-1,414	-1,463
Investment in subs and affiliates	-175	180	-49	68	-86
Others	-1,682	838	370	3,552	-2,167
<b>CF from investing activities</b>	-2,496	-1,112	-1,068	2,206	-3,716
Cash dividend	-1,634	-1,432	-1,018	-614	-804
Net proceeds from debt	11,359	8,359	-1,598	4,874	3,362
Capital raising	0	0	0	0	0
Others	-466	-328	7,315	-443	-443
<b>CF from financing activities</b>	9,258	6,599	4,699	3,817	2,116
<b>Net change in cash</b>	955	-1,801	755	-374	233

Key Statistics & Ratios	2018A	2019A	2020E	2021E	2022E
<b>Per share (Bt)</b>					
Reported EPS	0.14	0.17	0.08	0.10	0.13
Core EPS	0.16	0.15	0.07	0.10	0.13
DPS	0.12	0.08	0.04	0.05	0.07
BV	2.12	2.19	2.57	2.60	2.64
EV	4.06	5.07	4.37	4.73	4.94
Free Cash Flow	-0.44	-0.67	-0.29	-0.53	0.02
<b>Valuation analysis</b>					
Reported P/E (x)	8.40	6.44	9.73	7.56	5.60
Core P/E (x)	7.56	7.04	10.68	7.56	5.60
P/BV (x)	0.56	0.50	0.29	0.29	0.28
EV/EBITDA (x)	18.37	23.98	26.35	22.21	18.79
Price/Cash flow (x)	-2.96	-2.12	-3.82	-1.72	6.00
Dividend yield (%)	10.15	7.34	5.14	6.61	8.93
<b>Profitability ratios</b>					
Gross margin (%)	29.22	25.32	21.46	26.05	26.75
EBITDA margin (%)	12.25	12.31	7.69	11.34	12.80
EBIT margin (%)	11.98	15.77	7.88	9.92	11.37
Net profit margin (%)	7.78	9.36	3.17	5.30	6.53
ROA (%)	2.32	2.23	0.92	1.29	1.68
ROE (%)	6.62	7.74	3.27	3.79	5.05
<b>Liquidity ratios</b>					
Current ratio (x)	2.43	2.64	2.36	2.43	2.30
Quick ratio (x)	0.22	0.16	0.16	0.14	0.14
<b>Leverage Ratios</b>					
Liabilities/Equity ratio (x)	2.09	2.40	1.88	1.92	2.01
Net debt/EBITDA (x)	13.02	18.52	21.44	18.39	15.69
Net debt/equity (x)	1.36	1.74	1.35	1.47	1.52
Int. coverage ratio (x)	5.52	4.10	2.59	3.05	3.61
<b>Growth</b>					
Revenue (%)	-14.87	-7.37	31.97	-12.96	9.27
EBITDA (%)	-25.67	-6.97	-17.51	28.28	23.41
Reported net profit (%)	-27.57	16.93	-52.76	28.73	35.08
Reported EPS (%)	-26.07	20.39	-55.05	28.73	35.08
Core profit (%)	-23.29	-3.59	-52.95	41.21	35.08
Core EPS (%)	-21.70	-0.74	-55.23	41.21	35.08

Source: Company, KS estimate



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