



## Sansiri PCL

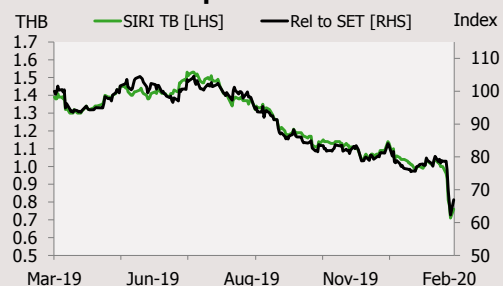
SIRI TB Outperform

Target Price	Bt	1.12
Price (02/03/2020)	Bt	0.76
Upside	%	47.37
Valuation	PER	
Sector	Property Development	
Market Cap	Btm	11,296
30-day avg turnover	Btm	28.14
No. of shares on issue	m	14,863
CG Scoring	Very Good	
Anti-Corruption Indicator	Certified	

### Investment fundamentals

Year end Dec 31	2018A	2019A	2020E	2021E
<b>Company Financials</b>				
Revenue (Btmn)	26,246	24,310	28,323	31,851
Core profit (Btmn)	2,271	2,190	2,226	2,428
Net profit (Btmn)	2,046	2,392	2,098	2,373
Net EPS (Bt)	0.14	0.17	0.14	0.16
DPS (Bt)	0.12	0.08	0.10	0.11
BVPS (Bt)	2.13	2.22	2.19	2.24
Net EPS growth (%)	-25.61	21.49	-17.81	13.08
ROA (%)	2.32	2.23	1.91	2.08
ROE (%)	6.62	7.74	6.61	7.20
Net D/E (x)	1.36	1.78	1.89	1.93
<b>Valuation</b>				
P/E (x)	8.35	6.35	5.38	4.76
P/BV (x)	0.55	0.49	0.35	0.34
EV/EBITDA (x)	18.33	24.35	23.38	20.20
Dividend yield (%)	10.21	7.74	13.54	14.23

### SIRI TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

### Analyst

**Sorapong Jakteerungkul**

Sorapong.j@kasikornsecurities.com

3 March 2020

Kasikorn Securities Public Company Limited

## Focusing on affordable & middle segment

- SIRI will focus new launches on the affordable and mid-range segments in 2020. While launch value will fall 20%, it aims to lift presales by 42%.
- Sales revenue is targeted to grow 25% to offset a lower expected GPM. This strategy will allow SIRI to generate a high DY return, similar to 2019.
- We upgrade SIRI to Outperform with a 2020 TP of Bt1.12. SIRI announced a 2H19 DPS of Bt0.06. XD date is set for Mar. 13.

### Investment highlights

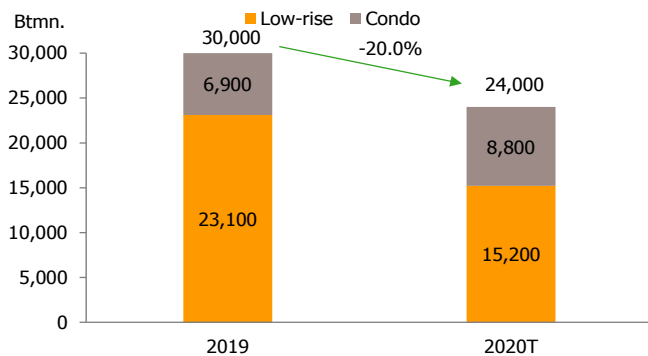
- **2020 business plan.** SIRI accepts that the outlook for overall housing demand will be weak in 2020 due to the poor GDP growth prospects and the impact of the COVID-19 outbreak. SIRI will thus focus on real domestic demand. While its new launch value is scheduled to decline by 20% to Bt24bn in 2020, it is targeting presales to rise 42% to Bt29.0bn. Also, 2020 sales revenue is expected to grow 25% to Bt24bn. Bt89.9bn of existing projects that were carried over to 2020 will thus be the key driver of presales and revenue in 2020. Meanwhile, SIRI will continue to de-emphasize foreign sales, which fell steeply to just below Bt3.0bn in 2019 from Bt14.0bn in 2018. At the same time, it will focus on its foreign backlog, which accounted for 25% of its end-2019 backlog of Bt47.5bn.
- **Key 2020 strategies.** To attract interest from homebuyers in its projects both in the short and long term, SIRI, like other developers, will continue to focus on design, quality, service and branding in 2020. This emphasis will be applied at all its new projects and its previous projects as well. Solar attics, dust-free houses, LIV-24 security, homecare cards, cleaning services and its green mission are all examples of this focus on modern features. In 2020, SIRI will target the "real demand" segment. Its key objective is to win over the mass market. All of its new projects will be in the affordable & mid-range segment covered by brands like Dcondo, TheBase, SIRI Place, Anasiri and Saransiri. In addition to attractive designs and features, SIRI will introduce new projects in new locations such as Prachuthit and Paklok Phuket. At the same time, due to the high competition in the market, it will accept a slightly lower GPM, which it will try to offset with a higher sales volume. SIRI expects to have a higher rejection rate as it moves into the lower-end segment.
- **4Q19 earnings up 77.9% YoY and 177.5% QoQ to Bt1.25bn.** This was 10.4% below our forecast but 13.7% higher than Bloomberg's consensus estimate. Much lower revenue from business management services and a loss from its investment in The Standard hotel brand were the main reasons for the deviation between the actual result and our forecast. This was although SIRI was able to cut SG&A expenses to their lowest level since 1Q17. A gain on the sale of investments in subsidiaries of Bt422.8mn and a gain on a sale of land of Bt25.4mn in 4Q19 were completely offset by a loss from diminution in value of property being developed for sale and land held for development, PP&E, investment in associates and other long-term investments totaling Bt471.2mn. 2019 earnings thus rose 16.9% YoY to Bt2.4bn.

### Valuation and Recommendation

- Due to a big recent share price correction, we upgrade SIRI to Outperform with a 2020 TP of Bt1.12. While we have some concern about its high gearing (net D/E ratio at the end of 2019 rose to 1.78x from 1.36x a year earlier and is likely to rise slightly again in 2020), its strong brand and high quality of product should support solid presales, revenue and earnings. This, in turn, should allow it to generate a high DY return of more than 10% to medium-term investors.

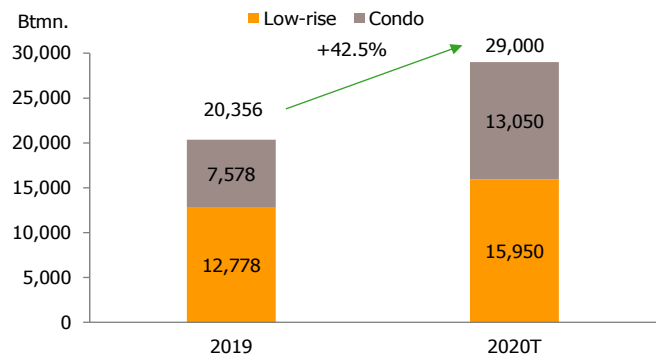


**Fig 1 2020T new-launch value planned to fall 20%**



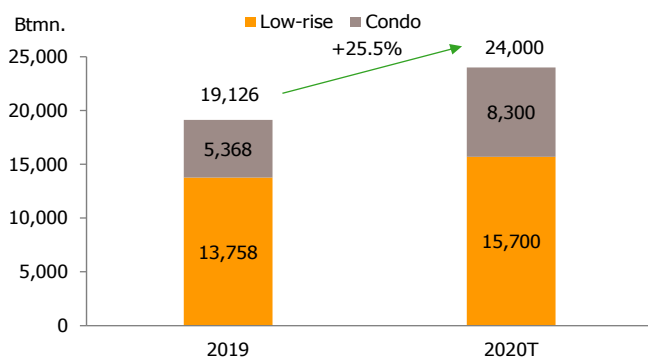
Source: Company data and KS Research

**Fig 2 2020T presales targeted to rise 42.5% YoY**



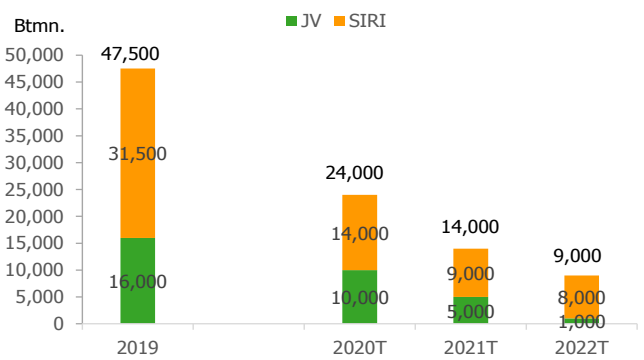
Source: Company data and KS Research

**Fig 3 2020T sales revenue targeted to rise 25.5%**



Source: Company data and KS Research

**Fig 4 2019 backlog of Bt47.5bn to be transferred in 2020-22 at Bt24bn, Bt14bn and Bt9bn respectively**



Source: Company data and KS Research

**Fig 5 4Q19 earnings grew 77.9% YoY and 177.5% QoQ**

	4Q18	1Q19	2Q19	3Q19	4Q19	%YoY	%QoQ	2018	2019	% change
<b>Financials</b>										
Sales (Btmn)	9,326	6,310	3,966	5,302	8,731	-6.4	64.7	26,246	24,310	-7.4
EBITDA (Btmn)	1,115	914	530	399	1,149	3.1	188.3	3,216	2,991	-7.0
Operating profit (Btmn)	1,029	826	436	281	1,020	-0.9	262.8	2,906	2,563	-11.8
Core profit (Btmn)	950	438	373	107	1,272	33.9	1,091.8	2,271	2,190	-3.6
Net profit (Btmn)	703	405	285	451	1,251	77.9	177.5	2,046	2,392	16.9
Net EPS (Bt)	0.05	0.03	0.02	0.03	0.09	84.8	177.5	0.14	0.17	21.5
<b>Performance Drivers</b>										
Presales (Btmn)	7,180	6,628	4,456	2,856	6,416	-10.6	124.6	48,344	20,357	-57.9
New launch (Btmn)	8,231	2,109	10,252	1,602	15,595	89.5	873.5	65,020	29,558	-54.5
Net D/E (x)	1.4	1.4	1.8	1.9	1.8	31.1	-5.8	1.4	1.8	31.1
<b>Ratios</b>										
						<b>Change **</b>		<b>2018</b>	<b>2019</b>	<b>Change **</b>
Gross margin (%)	29.3	25.1	32.3	24.2	23.0	-6.3	-1.2	29.2	25.3	-3.9
EBITDA margin (%)	12.0	14.5	13.4	7.5	13.2	1.2	5.6	12.3	12.3	0.1
Optg. margin (%)	11.0	13.1	11.0	5.3	11.7	0.6	6.4	11.1	10.5	-0.5
ROE (%)	9.1	5.2	3.8	6.1	16.2	7.1	10.1	6.6	0.1	-6.5

Remark: \*\* = Change in ppt

Source: Company data and KS Research


**Year-end 31 Dec**

Income Statement (Btmn)	2017A	2018A	2019A	2020E	2021E
Revenue	30,829	26,246	24,310	28,323	31,851
Cost of sales and services	-21,244	-18,577	-18,154	-21,484	-23,882
<b>Gross Profit</b>	9,585	7,669	6,156	6,839	7,969
SG&A	-6,103	-5,555	-4,644	-5,138	-5,679
Other income	588	792	1,050	1,087	1,141
<b>EBIT</b>	4,011	3,145	3,833	3,444	3,813
<b>EBITDA</b>	4,326	3,216	2,991	3,119	3,753
Interest expense	-411	-570	-936	-804	-827
Equity earnings	26	444	881	784	437
<b>EBT</b>	3,601	2,576	2,897	2,640	2,986
Income tax	-819	-533	-622	-542	-613
<b>NPAT</b>	2,782	2,042	2,275	2,098	2,373
Minority Interest	43	4	117	0	0
<b>Core Profit</b>	2,961	2,271	2,190	2,226	2,428
Extraordinary items	-136	-225	203	-128	-55
FX gain (loss)	0	0	0	0	0
<b>Reported net profit</b>	2,825	2,046	2,392	2,098	2,373

Balance Sheet (Btmn)	2017A	2018A	2019A	2020E	2021E
Cash & equivalents	2,978	3,933	2,132	2,832	3,185
ST investments	973	2,369	341	708	796
Accounts receivable	157	122	1,970	2,124	2,389
Inventories	44,740	57,846	64,157	63,250	63,968
Other current assets	5,585	6,473	5,983	6,578	6,866
<b>Total current assets</b>	54,433	70,742	74,583	75,492	77,204
Investment in subs & others	547	726	561	708	796
Fixed assets-net	17,803	16,048	22,886	23,636	26,218
Other assets	7,559	7,841	10,306	11,471	12,900
<b>Total assets</b>	80,341	95,357	108,336	111,307	117,118
Short-term debt	21,540	18,635	17,136	24,724	26,900
Accounts payable	1,563	1,676	2,193	2,124	2,389
Other current liabilities	7,396	8,815	8,912	8,667	9,746
<b>Total current liabilities</b>	30,500	29,125	28,240	35,515	39,035
Long-term debt	17,186	29,544	42,060	40,421	41,582
Other liabilities	1,736	5,835	6,161	2,809	3,163
<b>Total liabilities</b>	49,422	64,504	76,461	78,745	83,781
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	1,298	1,348	1,116	2,051	2,051
Retained earnings	11,452	11,301	11,628	12,310	13,085
Minority interests	-29	4	931	2	2
<b>Total shareholders' equity</b>	30,919	30,852	31,875	32,562	33,337
<b>Total equity &amp; liabilities</b>	80,341	95,357	108,336	111,307	117,118

Key Assumptions	2017A	2018A	2019A	2020E	2021E
New launch (Btmn)	37,239	65,020	29,558	37,474	41,474
Pre-sales	38,565	48,344	20,357	31,772	37,257
Revenue growth (%)	-8.67	-14.87	-7.37	16.51	12.46
Gross margin (%)	31.09	29.22	25.32	24.15	25.02
SG&A to sales (%)	19.80	21.17	19.10	18.14	17.83

Cashflow (Btmn)	2017A	2018A	2019A	2020E	2021E
Net profit	2,782	2,042	2,275	2,098	2,373
Depreciation & amortization	256	310	429	330	323
Change in working capital	-19,092	-23,065	-23,661	-3,405	410
Others	17,991	14,905	13,669	-656	-382
<b>CF from operation activities</b>	1,936	-5,807	-7,287	-1,632	2,723
Capital expenditure	-202	-639	-2,131	-488	-556
Investment in subs and affiliates	-86	-175	180	-147	-88
Others	-3,733	-1,682	838	-1,483	-3,289
<b>CF from investing activities</b>	-4,021	-2,496	-1,112	-2,117	-3,934
Cash dividend	-1,857	-1,634	-1,432	-1,416	-1,598
Net proceeds from debt	1,932	11,359	8,359	5,862	3,161
Capital raising	1,443	0	0	935	0
Others	3	-466	-328	-930	0
<b>CF from financing activities</b>	1,522	9,258	6,599	4,450	1,563
<b>Net change in cash</b>	-563	955	-1,801	700	353

Key Statistics & Ratios	2017A	2018A	2019A	2020E	2021E
<b>Per share (Bt)</b>					
Reported EPS	0.19	0.14	0.17	0.14	0.16
Core EPS	0.20	0.16	0.16	0.15	0.16
DPS	0.12	0.12	0.08	0.10	0.11
BV	2.08	2.13	2.22	2.19	2.24
EV	4.52	4.07	5.23	4.91	5.10
Free Cash Flow	0.12	-0.45	-0.68	-0.14	0.15
<b>Valuation analysis</b>					
Reported P/E (x)	11.47	8.35	6.35	5.38	4.76
Core P/E (x)	10.94	7.52	6.93	5.07	4.65
P/BV (x)	1.05	0.55	0.49	0.35	0.34
EV/EBITDA (x)	15.52	18.33	24.35	23.38	20.20
Price/Cash flow (x)	16.73	-2.94	-2.08	-6.92	4.15
Dividend yield (%)	5.41	10.21	7.74	13.54	14.23
<b>Profitability ratios</b>					
Gross margin (%)	31.09	29.22	25.32	24.15	25.02
EBITDA margin (%)	14.03	12.25	12.31	11.01	11.78
EBIT margin (%)	13.01	11.98	15.77	12.16	11.97
Net profit margin (%)	9.02	7.78	9.36	7.41	7.45
ROA (%)	3.63	2.32	2.23	1.91	2.08
ROE (%)	9.57	6.62	7.74	6.61	7.20
<b>Liquidity ratios</b>					
Current ratio (x)	1.78	2.43	2.64	2.13	1.98
Quick ratio (x)	0.13	0.22	0.16	0.16	0.16
<b>Leverage Ratios</b>					
Liabilities/Equity ratio (x)	1.60	2.09	2.40	2.42	2.51
Net debt/EBITDA (x)	8.04	13.02	18.96	19.75	17.19
Net debt/equity (x)	1.12	1.36	1.78	1.89	1.93
Int. coverage ratio (x)	9.77	5.52	4.10	4.28	4.61
<b>Growth</b>					
Revenue (%)	-8.67	-14.87	-7.37	16.51	12.46
EBITDA (%)	-16.28	-25.67	-6.97	4.26	20.35
Reported net profit (%)	-16.44	-27.57	16.93	-12.29	13.08
Reported EPS (%)	-19.68	-25.61	21.49	-17.81	13.08
Core profit (%)	-10.34	-23.29	-3.59	1.67	9.05
Core EPS (%)	-13.82	-21.21	0.17	-4.72	9.05

Source: Company, KS estimate



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Outperform : Expected total return of 10% or more within a 12-month period  
Neutral : Expected total return between -10% and 10% within a 12-month period  
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