



Sansiri PCL

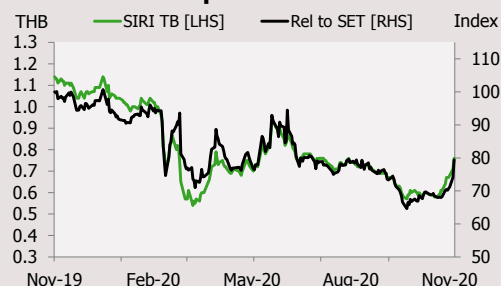
SIRI TB Outperform

Target Price	Bt	0.82
Price (17/11/2020)	Bt	0.76
Upside	%	7.89
Valuation		PER
Sector	Property Development	
Market Cap	Btm	11,296
30-day avg turnover	Btm	39.13
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
Company Financials				
Revenue (Btmn)	24,310	33,106	27,704	30,085
Core profit (Btmn)	2,190	1,466	1,413	1,913
Net profit (Btmn)	2,392	1,559	1,393	1,893
Net EPS (Bt)	0.17	0.10	0.09	0.13
DPS (Bt)	0.08	0.05	0.05	0.06
BVPS (Bt)	2.19	2.57	2.58	2.63
Net EPS growth (%)	20.39	(38.01)	(10.65)	35.92
ROA (%)	2.23	1.24	1.22	1.64
ROE (%)	7.74	4.51	3.64	4.89
Net D/E (x)	1.74	1.34	1.45	1.51
Valuation				
P/E (x)	6.44	7.25	8.11	5.97
P/BV (x)	0.50	0.30	0.29	0.29
EV/EBITDA (x)	23.98	21.72	22.43	18.76
Dividend yield (%)	7.34	6.90	6.16	8.38

SIRI TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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Kasikorn Securities Public Company Limited

Still cautious despite signs of recovery

- We keep our OP rating on SIRI and 2021 TP of Bt0.82. Despite seeing signs of a demand recovery, SIRI will still focus on low-risk low-rises.
- SIRI believes condo supply is still high with a number of newly completed projects in 2H20. Once supply eases it will refocus on this product type.
- Due to the strong response to new low-rise projects and backlog, SIRI's 4Q20 performance should be similar to 3Q20's solid result.

Investment Highlights

- **Recovery signs appear.** The strong recovery in 3Q20 GPM of 4.3ppt YoY and 8.5ppt QoQ to 28.5% indicates further relaxation of SIRI's pricing strategy and lower inventory levels. Also, the great presales response to its low-rise products, which have achieved YTD presales of Bt14.6bn for SDH and Bt2.6bn for THs (equal to 140% and 114% of their 2019 presales, respectively), suggests SIRI is moving in the right direction by adding more low-rise products to its portfolio while freezing condo launches. The four new low-rise projects launched in 4Q20 have generated sound presales in a range of 8-26%. Its YTD condo presales of Bt7.6bn, while not in good shape compared to its traditional strength in this product, is still equivalent to 95% of 2019 condo presales despite the cancellation of Bt2.7bn of bookings at The Line Sathorn due to trouble with construction licenses.
- **More aggressive launch set for 2021.** Initially, while SIRI is still cautious on the outlook for housing demand due to macroeconomic uncertainty, as it will gear more to low-risk low-rise products, the company plans to raise 2021 new launch value to more than the Bt15.4bn planned in 2020 (cut from Bt24bn at the start of the year). Meanwhile, product segmentation will be similar to 2020, with a focus on affordable and medium-end housing. While the value of new condo projects has not been finalized, as the development period from acquiring land to presales is much shorter than for low-rise, launching more of this kind of product once the market situation recovers should be relatively easy for SIRI. Currently, SIRI sees a number of newly completed condo projects being the main contributors to its very conservative targets for this product category in the short term.
- **4Q20 outlook.** On the back of the strong low-rise presales mentioned above and smooth rights transfers of five condominium projects due to be transferred in 4Q20 totaling Bt2.7bn, SIRI believes it is very likely to achieve its 2020 sales revenue target of Bt31bn. This implies its 4Q20 sales revenue will be little changed from 3Q20. Besides, as the transfer process of projects being developed under JVs such as XT Ekkamai should be smooth in the early stage, we expect its 4Q20 equity income will expand strongly from 3Q20. Note that while additional personnel expenses of Bt30mn in 4Q20 will hurt the direction of its SG&A, we see its 4Q20 earnings should stay at a similar high level to what we saw in 3Q20 if the company can hit its sales revenue target.

Valuation and Recommendation

- We maintain our Outperform rating on SIRI with an unchanged 2021 target price of Bt0.82. While the strong rally in its share price of 30% over the past 15 days has narrowed the upside to our TP to 8% and may encourage profit-taking in the short term, SIRI's fast business strategy adjustments and its strong brand should ensure it will be one of the market share gainers in the highly competitive housing market. Despite trading at a 2021 PER of 8.1x, which is not cheap, in terms of 2021 PBV, its valuation at 0.29x is not demanding. The decline in its net gearing ratio to 1.54x from 1.97x at the end of 1Q20 will also help reduce the investment risk in the stock.


Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	26,246	24,310	33,106	27,704	30,085
Cost of sales and services	-18,577	-18,154	-25,596	-20,365	-21,845
Gross Profit	7,669	6,156	7,510	7,339	8,240
SG&A	-5,555	-4,644	-5,898	-5,621	-5,817
Other income	792	1,050	815	958	990
EBIT	3,145	3,833	3,029	2,714	3,443
EBITDA	3,216	2,991	3,000	3,113	3,892
Interest expense	-570	-936	-972	-961	-1,015
Equity earnings	444	881	495	57	49
EBT	2,576	2,897	2,057	1,752	2,428
Income tax	-533	-622	-681	-360	-498
NPAT	2,042	2,275	1,376	1,393	1,930
Minority Interest	4	117	183	0	-37
Core Profit	2,271	2,190	1,466	1,413	1,913
Extraordinary items	-225	203	92	-20	-20
FX gain (loss)	0	0	0	0	0
Reported net profit	2,046	2,392	1,559	1,393	1,893

Balance Sheet (Btmn)	2018A	2019A	2020E	2021E	2022E
Cash & equivalents	3,933	2,132	2,980	2,493	2,708
ST investments	2,369	341	497	416	451
Accounts receivable	122	1,970	2,152	1,801	1,956
Inventories	57,846	64,157	65,614	72,565	74,098
Other current assets	6,473	5,983	6,504	5,707	6,059
Total current assets	70,742	74,583	77,746	82,982	85,271
Investment in subs & others	726	561	745	623	677
Fixed assets-net	16,048	22,886	23,986	22,025	24,322
Other assets	7,841	10,306	11,008	9,212	10,003
Total assets	95,357	108,336	113,485	114,842	120,273
Short-term debt	18,635	15,807	18,373	21,576	23,444
Accounts payable	1,676	2,193	2,980	2,493	2,708
Other current liabilities	8,815	10,240	11,504	9,627	10,455
Total current liabilities	29,125	28,240	32,857	33,697	36,606
Long-term debt	29,544	42,060	37,857	38,755	40,316
Other liabilities	5,835	6,161	3,517	2,907	3,154
Total liabilities	64,504	76,461	74,230	75,358	80,076
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	7,101	7,101	7,101
Retained earnings	11,301	11,628	12,841	13,071	13,783
Minority interests	4	931	1,113	1,113	1,113
Total shareholders' equity	30,852	31,875	39,255	39,484	40,197
Total equity & liabilities	95,357	108,336	113,485	114,842	120,273

Key Assumptions	2018A	2019A	2020E	2021E	2022E
New launch (Btmn)	65,020	29,558	17,180	29,000	32,000
Pre-sales	48,344	20,337	26,864	23,588	25,889
Revenue growth (%)	-14.87	-7.37	36.18	-16.32	8.59
Gross margin (%)	29.22	25.32	22.69	26.49	27.39
SG&A to sales (%)	21.17	19.10	17.82	20.29	19.33

Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Net profit	2,042	2,275	1,376	1,393	1,930
Depreciation & amortization	310	429	572	437	478
Change in working capital	-23,065	-23,661	-2,756	-8,534	-856
Others	14,905	13,669	-602	-37	-29
CF from operation activities	-5,807	-7,287	-1,410	-6,742	1,522
Capital expenditure	-639	-2,131	-1,410	-1,407	-1,456
Investment in subs and affiliates	-175	180	-1	122	-90
Others	-1,682	838	-515	4,603	-2,011
CF from investing activities	-2,496	-1,112	-1,926	3,317	-3,557
Cash dividend	-1,634	-1,432	-1,082	-754	-771
Net proceeds from debt	11,359	8,359	-1,638	4,102	3,429
Capital raising	0	0	0	0	0
Others	-466	-328	6,904	-409	-409
CF from financing activities	9,258	6,599	4,183	2,939	2,249
Net change in cash	955	-1,801	848	-486	214

Key Statistics & Ratios	2018A	2019A	2020E	2021E	2022E
Per share (Bt)					
Reported EPS	0.14	0.17	0.10	0.09	0.13
Core EPS	0.16	0.15	0.10	0.10	0.13
DPS	0.12	0.08	0.05	0.05	0.06
BV	2.12	2.19	2.57	2.58	2.63
EV	4.06	5.07	4.38	4.70	4.91
Free Cash Flow	-0.44	-0.67	-0.19	-0.55	0.00
Valuation analysis					
Reported P/E (x)	8.40	6.44	7.25	8.11	5.97
Core P/E (x)	7.56	7.04	7.70	8.00	5.91
P/BV (x)	0.56	0.50	0.30	0.29	0.29
P/BV (x) - excluding perp bond	0.56	0.50	0.34	0.34	0.33
EV/EBITDA (x)	18.37	23.98	21.72	22.43	18.76
Price/Cash flow (x)	-2.96	-2.12	-8.01	-1.68	7.42
Dividend yield (%)	10.15	7.34	6.90	6.16	8.38
Profitability ratios					
Gross margin (%)	29.22	25.32	22.69	26.49	27.39
EBITDA margin (%)	12.25	12.31	9.06	11.24	12.94
EBIT margin (%)	11.98	15.77	9.15	9.80	11.44
Net profit margin (%)	7.78	9.36	4.15	5.03	6.41
ROA (%)	2.32	2.23	1.24	1.22	1.64
ROE (%)	6.62	7.74	4.51	3.64	4.89
Liquidity ratios					
Current ratio (x)	2.43	2.64	2.37	2.46	2.33
Quick ratio (x)	0.22	0.16	0.17	0.14	0.14
Leverage Ratios					
Liabilities/Equity ratio (x)	2.09	2.40	1.89	1.91	1.99
Net debt/EBITDA (x)	13.02	18.52	17.59	18.44	15.57
Net debt/equity (x)	1.36	1.74	1.34	1.45	1.51
Int. coverage ratio (x)	5.52	4.10	3.12	2.82	3.39
Growth					
Revenue (%)	-14.87	-7.37	36.18	-16.32	8.59
EBITDA (%)	-25.67	-6.97	0.27	3.79	25.00
Reported net profit (%)	-27.57	16.93	-34.85	-10.65	35.92
Reported EPS (%)	-26.07	20.39	-38.01	-10.65	35.92
Core profit (%)	-23.29	-3.59	-33.04	-3.67	35.41
Core EPS (%)	-21.70	-0.74	-36.28	-3.67	35.41

Source: Company, KS estimates



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