

19 Nov 2020

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*Jiraporn.Linm@kkpfg.com***Recommendation:****Underperform****Target Price: 0.65**

Price (Bt)	0.78
Market Value (Bt mn)	11,593
Date Established	19 Nov 2020
Average Daily Value (Bt mn)	59.95
Free Float (%)	73.19

Earnings revised, PO increased

We increased 20E by 51% and 21E by 9% on improving gross margin and lower operating costs. However, the 21E impact is offset by expected lower JV income. We increase PO to Bt0.65 (from Bt0.5) on earnings revision and rollover of valuations to 21E. Maintain Underperform on its stretched balance sheet and weak earnings outlook.

3Q – continued margin recovery

Core net profit was Bt765mn (+432% YoY, +140% QoQ). 9M core net profit was Bt1.0bn, +19% YoY and making up 74% of 20E. YoY improvement was from stronger revenue of Bt7.6bn (+87% YoY, -26% QoQ) while QoQ improvement was driven mainly by margin expansion of 780bp QoQ to 28.8%. Note that SIRI had promotions to liquidate stock in 1H20. Hotel operations and the Standard (60% owned by SIRI) still generated losses. 3Q JV income was also small at Bt49mn from smaller transfers.

Operations update

SIRI achieved 3Q presales of Bt3.3bn (+10% YoY, -75% QoQ), totaling Bt22.8bn, up 63% YoY and making up 71% of Bt32bn presales target. There were condo presales cancellations in 3Q and 4Q-to-date, mainly from the Line Sathorn. SIRI achieved 4Q-to-date presales of Bt2.1bn and momentum was strong in landed property. This is supported by more active launches of nine landed property projects with a value of Bt10.8bn in 4Q. We expect to see more operating expenses from employee lay-off in 4Q.

2021 outlook

SIRI plans to emphasize the landed property segment with a continued active launch plan next year. With lower backlog on hand for condo projects for both SIRI and JV, we should see lower condo contributions and weaker JV income in 21E. We should see revenue contributions of landed property increasing to 67% (from 60%) next year. With smaller condo launches, we should see a lower mismatch for revenue and expenses. The hotel business and the Standard should continue to be loss-making in 2021E. In sum, we expect SIRI to see a core earnings contraction of 16% next year.

Recap plan completed

SIRI has a lower end-3Q net D/E of 1.55x from year-end 2019's 1.8x. It issued perpetual bonds worth Bt3.0bn at 8.5% at end-June. Another tranche of perpetual bonds worth Bt2.05bn (from Bt2.5bn previously planned) (7.5% interest rate) with free warrants with a conversion ratio of 1:1 and conversion price of Bt1.1 was issued in 4Q. SIRI already sold its treasury stock to the market. We expect net D/E to decline to 1.3x at end-2021.

Estimates (Dec)

(Bt)	2018A	2019A	2020E	2021E	2022E
Net Income (report - mn)	2,046	2,392	1,464	1,215	1,504
EPS	0.14	0.17	0.10	0.08	0.10
EPS Change (YoY)	-28.9%	22.2%	-40.3%	-18.7%	23.8%
DPS	0.12	0.08	0.04	0.05	0.07

Valuation (Dec)

	2018A	2019A	2020E	2021E	2022E
P/E	5.6	4.6	7.8	9.8	7.8
Dividend Yield	15.4%	10.3%	5.1%	6.4%	9.0%
EV / EBITDA	22.9	38.4	33.8	33.9	29.0
Free Cash Flow Yield	-50.4%	-103.8%	6.2%	-3.0%	23.1%

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Bus Performance (Dec)	2018A	2019A	2020E	2021E	2022E
Return on Asset	2.1%	2.2%	1.3%	1.1%	1.4%
Return on Equity	6.6%	7.7%	3.8%	3.1%	3.8%
Operating Margin	8.1%	6.2%	4.7%	5.3%	6.1%
Free Cash Flow (Bt mn)	-5,842	-12,029	716	-343	2,678
Quality of Earnings (Dec)	2018A	2019A	2020E	2021E	2022E
Cash Realization Ratio (x)	-4.2	-3.3	0.7	0.1	1.9
Asset Replacement Ratio (x)	-1.8	-5.3	-0.1	-0.1	-0.1
Net Debt-to-Equity Ratio	1.4	1.8	1.3	1.3	1.2
Interest Cover	2.0	1.0	0.9	0.8	0.9
Income Statement Data (Dec) (Bt Millions)	2018A	2019A	2020E	2021E	2022E
Sales	26,248	24,310	32,981	30,027	31,051
% Change	-15.1%	-7.4%	35.7%	-9.0%	3.4%
EBIT	2,113	1,512	1,555	1,606	1,880
% Change	-39.3%	-28.4%	2.8%	3.3%	17.1%
EBITDA	2,335	1,769	1,809	1,843	2,101
% Change	-36.5%	-24.2%	2.2%	1.9%	14.0%
Net Interest & Other Income	222	115	-196	-344	-349
Net Income (report - mn)	2,046	2,392	1,464	1,215	1,504
% Change	-26.4%	16.9%	-38.8%	-17.0%	23.8%
Free Cash Flow Data (Dec) (Bt Millions)	2018A	2019A	2020E	2021E	2022E
Net Income from Cont Operations (GAAP)	2,046	2,392	1,464	1,215	1,504
Depreciation & Amortization	222	257	254	237	221
Change in Working Capital	-11,026	-10,445	-838	-1,331	1,120
Capital Expenditure	-389	-1,367	-31	-24	-24
Free Cash Flow	-5,842	-12,029	716	-343	2,678
Net Debt	41,878	55,394	48,699	50,058	48,541
Balance Sheet Data (Dec) (Bt Millions)	2018A	2019A	2020E	2021E	2022E
Cash & Equivalents	6,301	2,473	4,000	4,000	4,000
Trade Receivables	889	1,970	1,970	1,970	1,970
Other Current Assets	76,778	88,085	88,847	89,923	88,848
Property, Plant & Equipment	1,975	2,663	2,479	2,313	2,162
Other Non-Current Assets	9,413	13,145	13,349	13,703	13,760
Total Assets	95,357	108,336	110,645	111,909	110,740
Short-Term Debt	18,635	15,807	23,363	34,856	45,339
Other Current Liabilities	10,491	12,433	12,357	12,103	12,148
Long-Term Debt	29,544	42,060	29,336	19,202	7,202
Other Non-Current Liabilities	5,835	6,161	6,121	6,081	6,041
Total Liabilities	64,504	76,461	71,177	72,242	70,729
Minority interest	4	931	781	781	781
Total Equity	30,848	30,943	38,687	38,886	39,229
Total Equity & Liabilities	95,357	108,336	110,645	111,909	110,740

Figure 1: SIRI – Changes in basic assumptions

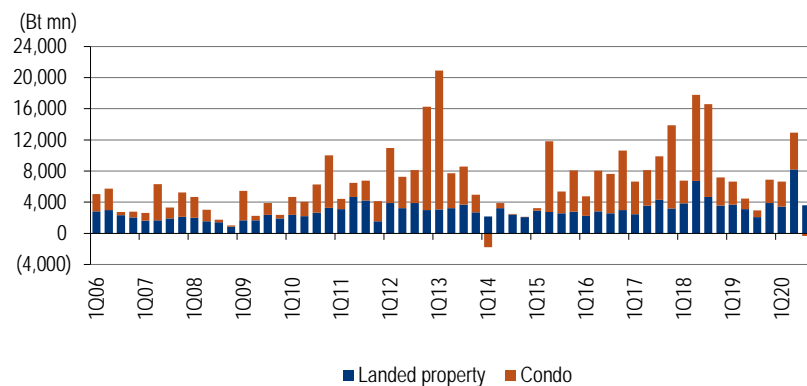
	2020E	2021E	2022E
Housing revenue (Bt mn)			
Current	29,710	26,738	27,719
Previous	29,710	28,180	29,233
% Change	-	(5.12)	(5.18)
Housing gross margin (%)			
Current	24.0%	26.8%	27.4%
Previous	23.3%	26.6%	27.4%
Operating expenses to sales (%)			
Current	18.3%	20.2%	20.2%
Previous	19.3%	20.3%	20.3%
Operating income (Bt mn)			
Current	1,555	1,606	1,880
Previous	837	1,458	1,794
% Change	85.76	10.11	4.84
Equity income / (losses) (Bt mn)			
Current	514	230	279
Previous	586	331	339
% Change	(12.28)	(30.52)	(17.78)
Recurring net income (Bt mn)			
Current	1,411	1,215	1,504
Previous	915	1,111	1,401
% Change	54.30	9.31	7.35
Reporting net income (Bt mn)			
Current	1,464	1,215	1,504
Previous	967	1,111	1,401
% Change	51.37	9.31	7.35

Source: Kiatnakin Phatra Securities estimates

Figure 2: SIRI – 3Q20 results review

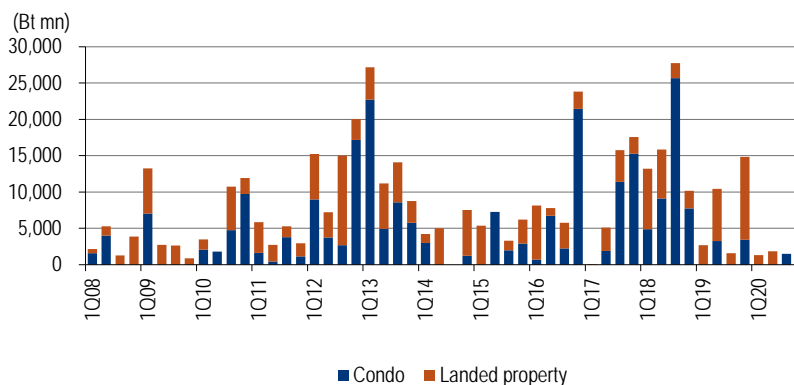
(Bt mn)	3Q20	3Q19	% YoY	2Q20	% QoQ	9M20	9M19	% YoY
Revenue from project sales	7,635	4,074	87.4	10,338	(26.1)	23,356	11,492	103.2
Total revenue	8,408	5,302	58.6	11,138	(24.5)	25,798	15,579	65.6
Cost of project sales	5,438	2,982	82.4	8,169	(33.4)	18,028	8,271	118.0
Total cost of sales	6,008	4,018	49.5	8,909	(32.6)	20,186	11,429	76.6
Gross profit from project sales	2,197	1,092	101.2	2,169	1.3	5,329	3,221	65.4
Total gross profit	2,400	1,285	86.8	2,229	7.7	5,613	4,150	35.3
Total operating expenses	1,435	1,204	19.2	1,696	(15.4)	4,435	3,396	30.6
EBIT	966	81	1,097.1	533	81.2	1,177	754	56.2
Other income	121	105	14.6	88	36.6	410	532	(22.9)
Interest income	53	95	(44.3)	80	(33.4)	229	313	(26.7)
Interest expense	213	282	(24.2)	303	(29.5)	718	631	13.7
EBT	926	(1)	n/a	398	132.6	1,098	967	13.6
Taxes	243	84	190.0	301	(19.5)	569	247	130.6
EAT & before special items	683	(84)	n/a	97	606.6	529	720	(26.5)
Equity income/(loss)	49	201	(75.6)	159	(69.2)	348	121	188.5
CORE profit before extra and FX	765	144	431.5	318	140.2	1,033	869	18.8
Total extraordinary items	-	307	(100.0)	(60)	n/a	52	273	(80.9)
NI	765	451	69.6	258	196.3	1,085	1,142	(5.0)
Gross margin - housing (%)	28.8%	26.8%	n/a	21.0%	n/a	22.8%	28.0%	n/a
Gross margin (%)	28.5%	24.2%	n/a	20.0%	n/a	21.8%	26.6%	n/a
OP margin (%)	11.5%	1.5%	n/a	4.8%	n/a	4.6%	4.8%	n/a
Net D/E	1.55	1.93	n/a	1.62	n/a	1.55	1.93	n/a

Source: Company, Kiatnakin Phatra Securities estimates

Figure 3: SIRI – Quarterly presales

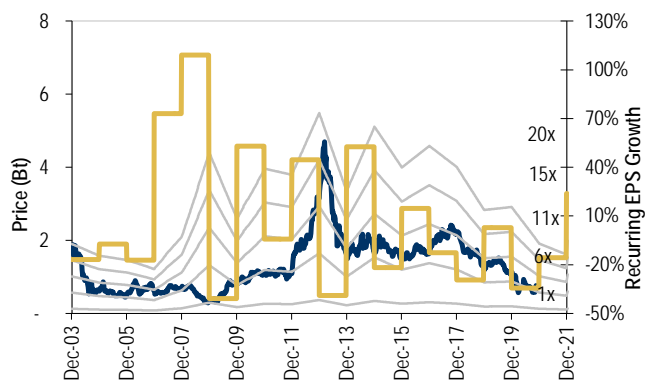
Source: Company, Kiatnakin Phatra Securities estimates

Figure 4: SIRI – Quarterly launches



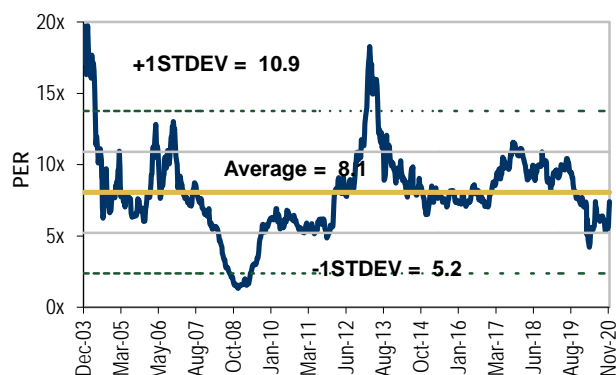
Source: Company, Kiatnakin Phatra Securities estimates

Figure 5: SIRI – P/E Band



Source: SET, Kiatnakin Phatra Securities estimates

Figure 6: SIRI – Trailing P/E



Source: SET, Kiatnakin Phatra Securities estimates

Figure 7: Property Comp

	Price (Bt)	Market cap (US\$ mn)	Recurring EPS growth			Core PER (x)			Yield (%)			PBV (x)		ROE (%)		Housing P/E	
			19A	20E	21E	19A	20E	21E	19A	20E	21E	20E	21E	20E	21E		
AP	6.85	714	-24.1%	32.6%	-18.9%	7.17	5.41	6.66	5.84	6.84	5.55	0.74	14.4%	10.8%	5.41	6.66	
SPALI	17.80	1,149	-6.4%	-26.2%	50.3%	7.06	9.57	6.37	5.10	3.68	5.65	0.96	9.9%	14.3%	9.57	6.37	
LH	7.75	3,069	-15.4%	-17.0%	13.6%	12.04	14.50	12.76	9.03	6.65	6.66	1.77	12.2%	13.7%	(2.35)	(1.36)	
QH	2.26	802	-23.7%	-25.8%	10.0%	8.38	11.28	10.26	8.85	6.65	6.82	0.90	8.0%	8.7%	-	-	
LPN	4.42	214	-5.4%	-42.0%	2.1%	5.08	8.75	8.57	13.57	30.62	8.09	0.56	6.0%	6.5%	8.75	8.57	
PSH	11.20	812	-10.7%	-47.4%	-1.0%	4.55	8.64	8.73	13.84	7.30	7.22	0.58	6.6%	6.5%	8.64	8.73	
ANAN	1.71	189	-77.1%	-178.2%	243.6%	11.06	-	9.85	6.87	0.85	5.84	0.35	-2.5%	3.6%	-	9.85	
SC	2.46	341	6.3%	1.3%	-15.9%	5.37	5.30	6.30	7.72	7.54	6.35	0.55	10.7%	8.6%	5.30	6.30	
SIRI	0.78	384	2.9%	-34.4%	-15.7%	5.28	8.05	9.55	10.26	5.24	6.49	0.30	4.1%	3.1%	8.05	9.55	
Average			-16.5%	-23.8%	11.4%	8.81	10.71	9.91	8.71	6.79	6.48	1.14	8.5%	9.1%	2.79	3.19	

Source: Companies, KKPS estimates

Price objective basis and risk

Our 12-month price objective of Bt0.65/share is based on our fair value at end-2021. This is based on P/E of 8.0x, which is the mid-value of the average P/E and one-standard deviation below the average P/E to reflect its stretched balance sheet and more investment in the non-housing business. The downside risks to achieving our price objective are weaker-than-expected economic conditions, a tighter credit market for developers, higher-than-expected competition among developers, rising construction cost, a stronger-than-expected increase in interest rates, tighter mortgage financing policy from commercial banks, weaker presales from soft demand or higher competition and slower-than-expected recovery of the provincial market economy. Meanwhile, the upside risks to our price objective are better-than-expected revenue/transfers and presales momentum.

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