

MARCH 3, 2020

## Earnings downgrade

**Hold**

Catalyst: Positive

2020E TP: Bt0.80

Close Bt0.76

## 2H19 dividend yield of 7.9% should support share price

We now forecast a decline in the 2020E normalized profit by 20.4% YoY due to the softer property market, which will require the company to use a promotional pricing strategy to boost revenue. Hence, SIRI's 2020E TP is lowered to Bt0.80 from Bt1 previously (based on PER of 7x). However, we switch to a Hold rating, from Sell previously, as SIRI has a short-term catalyst from the 2H19 dividend yield of 7.9%.

### 4Q19 net profit jumped 77.9% YoY and 177.5% QoQ

SIRI's 4Q19 net profit was in line at Bt1.25bn (+77.9% YoY, +177.5% QoQ).

### 2019 net profit rose 16.9% YoY

The 2019 normalized profit and net profit were Bt2.1bn (-1.5% YoY) and Bt2.4bn (+16.9% YoY), in line with our estimates.

### Announced 2H19 DPS of Bt0.06, implying a dividend yield of 7.9%

SIRI announced a 2H19 DPS of Bt0.06, implying a dividend yield of 7.9%. The stock will go XD on March 13, and the dividend will be paid on May 12, 2020.

### 2020E presales targeted to grow 42.5% YoY

SIRI set its 2020E presales target at Bt29bn, +42.5% YoY from Bt21bn in 2019.

### 2020E transfers target up 24.1% YoY

SIRI's 2020E transfers target is set at Bt23.7bn, +24.1% YoY. The company plans to boost its transfers from ready-to-move-in projects worth Bt12bn using a pricing strategy.

### Revise down 2020-21E normalized profit

We revise down our 2020-21E normalized profit forecasts by 20% and 4% to Bt1.67bn (-20.4% YoY) and Bt2.14bn (+28.2% YoY), respectively.

### Financial Valuations

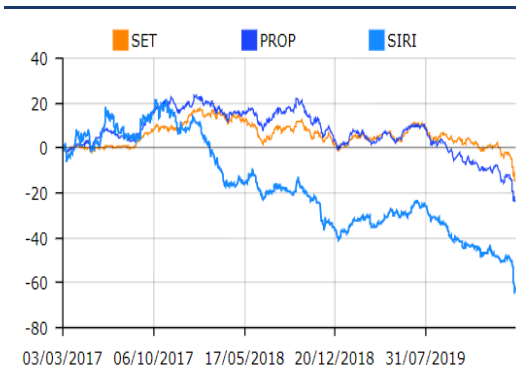
FY Ended 31 Dec	2017	2018	2019	2020E	2021E
Revenues (Btmn)	30,916	26,248	24,310	24,474	25,728
Core profit (Btmn)	2,958	2,132	2,099	1,671	2,143
Net profit (Btmn)	2,825	2,046	2,392	1,671	2,143
Core EPS (Bt)	0.20	0.14	0.14	0.11	0.14
Core EPS growth (%)	(14.3)	(27.9)	(1.5)	(20.4)	28.2
EPS (Bt)	0.19	0.14	0.16	0.11	0.14
EPS growth (%)	(19.7)	(27.6)	16.9	(30.1)	28.2
Dividend (Bt)	0.12	0.12	0.08	0.05	0.07
BV (Bt)	2.08	2.08	2.14	2.19	2.28
PER (x)	4.0	5.5	4.7	6.8	5.3
EV/EBITDA (x)	11.1	18.7	26.5	24.8	21.6
PBV (x)	0.4	0.4	0.4	0.3	0.3
Dividend yield (%)	15.8	15.8	10.5	7.1	9.1
ROE (%)	9.6	6.6	7.6	5.2	6.5
Net gearing (%)	111.4	135.7	178.0	155.2	153.2

	FY20	FY21
Consensus EPS (Bt)	0.135	0.136
KTZ vs. consensus	-18.5%	2.9%

### Share data

Reuters / Bloomberg	SIRI.BK/SIRI TB
Paid-up Shares (m)	14,862.73
Par (Bt)	1.07
Market cap (Bt bn / USD m)	11.00/359.00
Foreign limit / actual (%)	39.00/19.35
52 week High / Low (Bt)	1.55/0.70
Avg. daily T/O (shares 000)	25,473.00
NVDR (%)	6.41
Estimated free float (%)	72.39
Beta	1.33
URL	www.sansiri.com
CGR	▲▲▲▲
Anti-corruption	Level 4 (Certified)

### Price Performance



Source: SET Smart

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### Switch to Hold with the new 2020E TP of Bt0.80

We now forecast a decline in the 2020E normalized profit by 20.4% YoY due to the softer property market, which will force the company to use a promotional pricing strategy to boost revenue. Hence, SIRI's 2020E TP is lowered to Bt0.80 from Bt1 previously (based on PER of 7x). We switch to a Hold, from a Sell previously, as SIRI has a short-term catalyst from the 2H19 dividend yield of 7.9%.

### 4Q19 net profit jumped 77.9% YoY and 177.5% QoQ

SIRI's 4Q19 net profit was in line at Bt1.25bn (+77.9% YoY, +177.5% QoQ). The improvement YoY was mainly owed to lower SG&A expenses and higher shared gain from JVs; meanwhile, the QoQ rise was primarily from higher transfers and shared gain from JVs. Transfers were Bt7.6bn (-4.3% YoY, +87.4% QoQ). The average GPM recorded at 23.0% (4Q18: 29.3%, 3Q19: 24.2%). The SG&A expense-to-revenue ratio was 13.7% (4Q18: 20.4%, 3Q19: 22.7%). Shared gain from JVs and associates posted at Bt670mn, rising 313.0% YoY and 233.5% QoQ. SIRI also booked net extra gain on land sales and sales of investments of Bt88mn in the period.

### 2019 net profit rose 16.9% YoY

The 2019 normalized profit and net profit were Bt2.1bn (-1.5% YoY) and Bt2.4bn (+16.9% YoY), in line with our estimates. The decline in normalized profit YoY was attributable to lower transfers by 11.3% YoY while the rise of net profit YoY was mainly due to net extra gain on land sales and sales of investment properties of Bt479mn. Transfers were Bt19.1bn, -11.3% YoY, thanks to lower condo and low-rise transfers. The average GPM was 25.3%, declining from 29.1% in 2018. The SG&A expense-to-revenue ratio marked at 19.1%, down from 21.2% in 2018. Finally, shared gain from JVs was Bt791mn, rising 160% YoY.

### Announced 2H19 DPS of Bt0.06, implying a dividend yield of 7.9%

SIRI announced a 2H19 DPS of Bt0.06, implying a dividend yield of 7.9%. The stock will go XD on March 13, and the dividend will be paid on May 12, 2020.

### 2020E presales targeted to grow 42.5% YoY

SIRI set its 2020E presales target at Bt29bn, +42.5% YoY from Bt21bn in 2019, comprised of a low-rise presales target of Bt16bn (+24.8% YoY) and a condo presales target of Bt13bn (+72.3% YoY). SIRI plans to launch 18 projects worth Bt24bn, consisting of 12 low-rise projects worth Bt15.2bn and six condo projects worth Bt8.8bn in 2020E. The target group will be the affordable (64%) and medium segments (36%) as SIRI views that these are real-demand customers. Meanwhile, our 2020E presales assumption is more conservative at Bt22.6bn (+11% YoY), 22% below the company's target.

### 2020E transfers target up 24.1% YoY

SIRI's 2020E transfers target is set at Bt23.7bn, +24.1% YoY. The company plans to boost its transfers from ready-to-move-in projects worth Bt12bn by using a pricing strategy. Meanwhile, our new 2020E transfers forecast is Bt20.8bn (+8.8% YoY), 8.4% below our previous forecast at Bt22.7bn to reflect the softer-than-expected property market situation compared to the previous forecast in November 2019.

### Revise down 2020-21E normalized profit

We revise down our 2020-21E normalized profit forecasts by 20%-4%, mainly due to the following: i) lowering 2019-20E transfers by 8.4%-1.6%; ii) cutting the residential GPM from 32% to 29.0%-29.5% for 2020-21E in light of the company's promotional pricing strategy to boost transfers; and iii) increasing 2020-21E interest expenses by 50% and 25%, owing primarily to the postponement of project launches; thus, interest expenses incurred for undeveloped land plots that are still in the design and marketing process cannot be capitalized. Our new 2020-21E normalized profit forecasts are Bt1.67bn (-20.4% YoY) and Bt2.14bn (+28.2% YoY), respectively.

Figure 1: SIRI's 4Q19 earnings review

Profit and Loss								
FY Ended 31 Dec	4Q18	3Q19	4Q19	% YoY	% QoQ	2018	2019	% YoY
Revenue	9,328	5,302	8,731	(6.4)	64.7	26,248	24,310	(7.4)
<b>Gross profit</b>	<b>2,730</b>	<b>1,285</b>	<b>2,007</b>	<b>(26.5)</b>	<b>56.2</b>	<b>7,668</b>	<b>6,156</b>	<b>(19.7)</b>
<b>EBITDA</b>	<b>1,192</b>	<b>303</b>	<b>1,033</b>	<b>(13.3)</b>	<b>240.5</b>	<b>2,850</b>	<b>2,563</b>	<b>(10.1)</b>
Interest expenses	(155)	(282)	(304)	96.2	8.0	(570)	(936)	64.2
Other income	94	105	87	(7.4)	(17.3)	427	619	45.0
Income tax	(178)	(160)	(312)	75.0	94.2	(533)	(622)	16.6
Other extraordinary	(155)	384	88	NM	NM	(64)	479	NM
Gn (Ls) from affiliates	162	201	670	NM	233.5	305	791	(1.5)
Minority interest	1	27	89	NM	227.6	4	117	NM
<b>Net profit (loss)</b>	<b>703</b>	<b>451</b>	<b>1,251</b>	<b>77.9</b>	<b>177.5</b>	<b>2,046</b>	<b>2,392</b>	<b>16.9</b>
<b>Core net profit (loss)</b>	<b>862</b>	<b>163</b>	<b>1,253</b>	<b>45.4</b>	<b>669.0</b>	<b>2,132</b>	<b>2,099</b>	<b>(1.5)</b>
<b>Reported EPS (THB)</b>	<b>0.05</b>	<b>0.03</b>	<b>0.16</b>	<b>244.2</b>	<b>436.8</b>	<b>0.14</b>	<b>0.16</b>	<b>16.9</b>
Gross margin (%)	29.3	24.2	23.0			29.2	25.3	
EBITDA margin (%)	12.8	5.7	11.8			10.9	10.5	
Net margin (%)	7.5	8.5	14.3			7.8	9.8	
Current ratio (x)	2.4	2.6	2.6			2.4	2.6	
Interest coverage (x)	6.0	0.7	3.0			4.5	2.3	
Debt / equity (x)	2.1	2.6	2.4			2.1	2.4	
BVPS (Bt)	2.08	2.05	4.15			2.08	2.14	
ROE (%)	6.7	6.1	7.7			6.6	7.6	

Sources: Company data, KTZ Research

Figure 2: SIRI's 2020E targets as of March 2020

	2019	2020	% change
<b>Number of project launches</b>	<b>20</b>	<b>18</b>	<b>(10.0)</b>
<b>Launch value</b>	<b>29,558</b>	<b>24,000</b>	<b>(18.8)</b>
<b>Presales targets</b>	<b>20,356</b>	<b>29,000</b>	<b>42.5</b>
Low-rise	12,780	15,950	24.8
Condos	7,576	13,050	72.3
<b>Transfers targets</b>	<b>19,126</b>	<b>23,730</b>	<b>24.1</b>
Low-rise	13,758	8,220	(40.3)
Condos	5,368	15,510	188.9
<b>JV transfers</b>	<b>10,000</b>	<b>9,270</b>	<b>(7.3)</b>

Sources: Company data, KTZ Research

Figure 3: Major forecast revisions

Btmn	2020E Previous	2020E New	% Change	2021E Previous	2021E New	% Change
Residential sales	22,730	20,811	(8.4)	24,911	24,512	(1.6)
Low-rise	14,362	14,116	(1.7)	15,080	14,681	(2.6)
Condos	8,369	6,695	(20.0)	9,831	9,831	0.0
Gross margin	32.0	29.0	(9.4)	32.0	29.5	(7.8)
SG&A expenses	5,619	5,023	(10.6)	6,000	5,369	(10.5)
% SG&A to revenue	21.1	20.5	(2.6)	22.7	20.9	(8.2)
Interest expenses	639	959	50.0	616	770	25.0
<b>Norm. profit</b>	<b>2,113</b>	<b>1,671</b>	<b>(20.9)</b>	<b>2,230</b>	<b>2,143</b>	<b>(3.9)</b>

Source: KTZ Research

## Financial Table

PROFIT & LOSS (Btmn)	2017	2018	2019	2020E	2021E
Revenues	30,916	26,248	24,310	24,474	25,728
Cost of sales and service	(21,333)	(18,580)	(18,154)	(17,907)	(18,407)
<b>Gross profit</b>	<b>9,583</b>	<b>7,668</b>	<b>6,156</b>	<b>6,567</b>	<b>7,321</b>
SG&A	(6,103)	(5,555)	(4,644)	(5,023)	(5,369)
<b>EBITDA</b>	<b>4,111</b>	<b>2,850</b>	<b>2,563</b>	<b>2,497</b>	<b>2,925</b>
Depreciation & amortization	256	310	432	322	329
<b>EBIT</b>	<b>3,855</b>	<b>2,540</b>	<b>2,131</b>	<b>2,175</b>	<b>2,596</b>
Interest expenses	(411)	(570)	(936)	(959)	(770)
Other income / exp.	375	427	619	631	644
<b>EBT</b>	<b>3,600</b>	<b>2,576</b>	<b>2,897</b>	<b>2,025</b>	<b>2,629</b>
Corporate tax	(819)	(533)	(622)	(356)	(490)
Forex gain (loss)	0	0	0	0	0
Extra Items	(83)	(64)	479	0	0
Gain (loss) from affiliates	26	305	791	408	404
Minority interest	43	4	117	3	3
<b>Net profit</b>	<b>2,825</b>	<b>2,046</b>	<b>2,392</b>	<b>1,671</b>	<b>2,143</b>
Reported EPS	0.19	0.14	0.16	0.11	0.14
Fully diluted EPS	0.19	0.14	0.16	0.11	0.14
<b>Core profit</b>	<b>2,958</b>	<b>2,132</b>	<b>2,099</b>	<b>1,671</b>	<b>2,143</b>
Core EPS	0.20	0.14	0.14	0.11	0.14
Dividend (Bt)	0.12	0.12	0.08	0.05	0.07

BALANCE SHEET (Btmn)	2017	2018	2019	2020E	2021E
Cash and equivalents	4,274	6,301	2,473	500	500
Accounts receivable	157	889	1,970	114	120
Inventories	43,384	56,305	62,844	63,611	66,229
PP&E-net	17,384	15,490	20,933	15,386	15,301
Other assets	6,618	7,246	7,297	3,745	3,936
<b>Total assets</b>	<b>80,341</b>	<b>95,357</b>	<b>108,336</b>	<b>93,527</b>	<b>96,374</b>
ST debt & current portion	21,540	18,635	17,136	19,530	25,310
Long-term debt	17,186	29,544	42,060	31,480	27,098
<b>Total liabilities</b>	<b>49,422</b>	<b>64,504</b>	<b>76,461</b>	<b>60,973</b>	<b>62,483</b>
Paid-up shares	15,903	15,903	15,903	15,903	15,903
<b>Shareholder equity</b>	<b>30,919</b>	<b>30,852</b>	<b>31,875</b>	<b>32,554</b>	<b>33,891</b>
Minority interest	(29)	4	931	929	926
<b>Total liab. &amp; shareholder equity</b>	<b>80,341</b>	<b>95,357</b>	<b>108,336</b>	<b>93,527</b>	<b>96,374</b>

CASH FLOW (Btmn)	2017	2018	2019	2020E	2021E
Net income	2,825	2,046	2,392	1,671	2,143
Forex and other extraordinary adjustments	549	389	(299)	(520)	(418)
Depreciation & amortization	256	310	432	322	329
Change in working capital	(1,693)	(8,552)	6,902	14,800	13,075
<b>Cash flow from operations</b>	<b>1,936</b>	<b>(5,807)</b>	<b>9,427</b>	<b>16,273</b>	<b>15,130</b>
Capex (Invest)/Divest	(1,655)	(1,324)	(293)	(1,848)	(141)
Others	(2,366)	(1,020)	0	0	0
<b>Cash flow from investing</b>	<b>(4,021)</b>	<b>(2,344)</b>	<b>(293)</b>	<b>(1,848)</b>	<b>(141)</b>
Debt financing (repayment)	3,250	13,159	(504)	(1,667)	(3,536)
Equity financing	1,456	0	(117)	(3)	(3)
Dividend payment	(1,857)	(1,634)	(1,486)	(1,486)	(802)
Others	(1,317)	(1,800)	(946)	(1,038)	(1,155)
<b>Cash flow from financing</b>	<b>1,531</b>	<b>9,725</b>	<b>(3,053)</b>	<b>(4,194)</b>	<b>(5,497)</b>
Net change in cash	(554)	1,574	6,081	10,231	9,492
<b>Free cash flow</b>	<b>(15,226)</b>	<b>(20,395)</b>	<b>(4,795)</b>	<b>2,823</b>	<b>(576)</b>
<b>FCF per share (Bt)</b>	<b>(1.02)</b>	<b>(1.37)</b>	<b>(0.32)</b>	<b>0.19</b>	<b>(0.04)</b>

PROFITABILITY	2017	2018	2019	2020E	2021E
Revenue growth (%)	(8.6)	(15.1)	(7.4)	0.7	5.1
EBITDA growth (%)	(19.1)	(30.7)	(10.1)	(2.6)	17.1
EPS growth (%)	(19.7)	(27.6)	16.9	(30.1)	28.2
Gross margin (%)	31.0	29.2	25.3	26.8	28.5
EBITDA margin (%)	13.3	10.9	10.5	10.2	11.4
Operating margin (%)	12.5	9.7	8.8	8.9	10.1
Net margin (%)	9.1	7.8	9.8	6.8	8.3
Core profit margin (%)	9.6	8.1	8.6	6.8	8.3
Effective tax rate (%)	22.7	20.7	21.5	17.6	18.6

**Note:**






**Krungthai Zmico** has two major shareholders, Krungthai Bank PLC (KTB) and Seamico Securities PLC (ZMICO). Therefore, prior to making investments in the securities of KTB and ZMICO, investors should consider the risk factors carefully. An executive of Krungthai Zmico is also a board member of BCP, KBS, MAJOR, MK, PSL, SVH, VNG, ZMICO, PACE, TFG and JKN.

A management member of Krungthai Zmico is also a board member of NFC.

Krungthai Zmico is a financial advisor for ZMICO, JKN, META and TSE.

**Corporate Governance Report (CGR)**

Source: Sec, Thai Institute of Directors Association (IOD)

 Excellent (scores: 90-100)	 Satisfactory (scores: 60 – 69)
 Very Good (scores: 80 – 89)	 Pass (scores: 50 – 59)
 Good (scores: 70 – 79)	No Logo N/A (scores: below 50)

**Anti-corruption Progress Indicator**

Source: Sec, Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

- **Level 1 (Committed):** Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws.
- **Level 2 (Declared):** Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
- **Level 3 (Established):** Public out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes
- **Level 4 (Certified):** Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
- **Level 5 (Extended):** Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
- **Insufficient or not clearly defined policy**
- **Data not available / no policy**

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**KTZ Research – Recommendation Definitions****Stock Recommendations**

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

**HOLD:** Expecting total returns between < 15% to -10% over the next 12 months

**SELL:** Expecting negative total returns more than -10% over the next 12 months  
Total return is defined as the summation of percentage difference between the year-end target price and the current price and the expected annualized dividend yield of the stock

KTZ's catalyst rating indicates our view regarding specific events or news that are capable to lead share price movement upwards or downwards in a short time period (not over six months), sometime significantly, over the short term (3-6 months). **Catalysts fall into three categories: Positive, Negative and Neutral.**

**Positive** means that there will be favorable event to push share price up

**Negative** means that there will be unfavorable event to push share price down and

**Neutral** means there will be no near term catalyst

Catalysts may include company earnings releases, analyst revisions, significant corporate actions, management transition, product launches, lawsuits and investigations, merger and acquisitions, etc

**Sector Recommendations**

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% 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.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.



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