



## Sansiri PCL

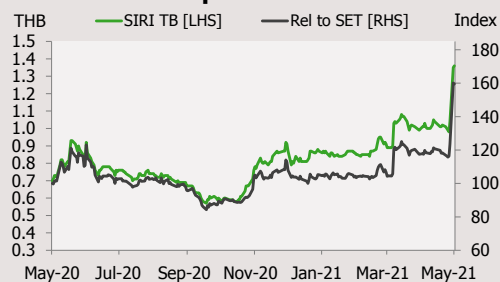
SIRI TB Neutral

Target Price	Bt	1.22
Price (18/05/2021)	Bt	1.36
Downside	%	10.29
Valuation	PER	
Sector	Property Development	
Market Cap	Btm	20,213
30-day avg turnover	Btm	502.90
No. of shares on issue	m	14,863
CG Scoring	Excellent	
Anti-Corruption Indicator	Certified	

### Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
<b>Company Financials</b>				
Revenue (Btmn)	33,833	27,987	30,613	33,206
Core profit (Btmn)	1,595	1,580	2,054	2,471
Net profit (Btmn)	1,673	1,564	2,034	2,451
Net EPS (Bt)	0.11	0.11	0.14	0.16
DPS (Bt)	0.04	0.05	0.07	0.08
BVPS (Bt)	2.51	2.54	2.59	2.66
Net EPS growth (%)	-33.46	-6.53	30.09	20.48
ROA (%)	1.32	1.35	1.79	2.13
ROE (%)	4.90	4.16	5.33	6.28
Net D/E (x)	1.47	1.50	1.43	1.36
<b>Valuation</b>				
P/E (x)	7.20	12.93	9.94	8.25
P/BV (x)	0.32	0.54	0.52	0.51
EV/EBITDA (x)	20.49	21.21	18.17	15.57
Dividend yield (%)	4.94	3.87	5.03	6.06

### SIRI TB rel SET performance



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

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### Analyst

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Kasikorn Securities Public Company Limited

## New investments will take time to harvest

- We reiterate our Neutral rating and TP of Bt1.22 for SIRI. Recovering housing business will remain the key earnings driver for a few years yet.
- Due to the strong response to its low-rise products YTD, SIRI sees 2021 transfers peaking in 2Q21 unless there is a surge of demand in 2H21.
- While investments in warehouses project and XPG will provide potentially gorgeous returns, significant contributions won't be seen until 2023.

### Investment Highlights

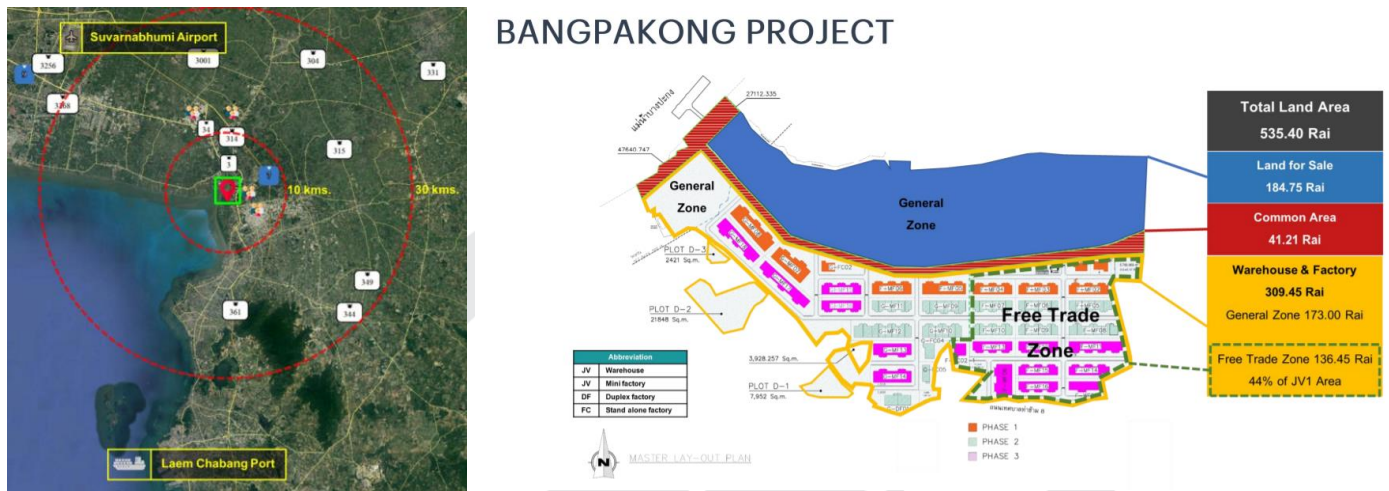
- **A better outlook in 2Q21E.** While SIRI launched zero new projects in 1Q21 and plans to open only 6 new projects worth Bt3.2bn in 2Q21, it has been able to generate YTD presales of above Bt8.5bn, which is higher than 28% of its full-year presales target of Bt30.7bn. Given about three-quarters of these presales were from short-business-cycle low-rise products and as its big condo project, XT Huaykwang (Bt7.4bn, 50% sold), will kick off rights transfer in 2Q21, it is likely SIRI will be able to grow 2Q21 revenue further from the Bt6.0bn booked in 1Q21 to set a peak in 2021 (SIRI expects the amount at Bt7.4bn). Also, XT Huaykwang will help boost its GPM on its higher-than-average profit margin.
- **Attractive new projects to support exciting developments in 2H21-2022.** Apart from the strong demand at existing projects, SIRI plans to add 6 new projects worth Bt3.2bn in 2Q21 (Bugaan Yothinpattana: Bt609mn, SiriPlace Bangna: 518mn, SiriPlace Wongwaen Lumlukka: Bt548mn and three The Muve brand projects in Kaset: Bt505mn, Bangna: Bt595mn and Ram 22: Bt496mn), plus 18 new projects totaling Bt18.3bn in 2H21, mostly in the affordable segment. We see its presales outlook improving further and expect these new projects will play an important role supporting its growth visibility in 2022. Meanwhile, its current backlog of Bt20.3bn, of which Bt11.8bn is planned to transfer in 2021, will be the key revenue and earnings driver this year as its 2021 revenue target of Bt27.6bn is 64.6% secured.
- **New investments to start generating returns from 2023.** SIRI recently disclosed it will invest up to Bt1.2bn in Bangpakong JV project with Prospect Development (50:50), a subsidiary of MK, to develop industrial land for sale and warehouses and factories for rent. The first development on the 535 rai of land will be 20K sq.m. of space for warehouses and factories for rent. It aims to enlarge the rental property to 80K sq.m. before selling to a REIT. This investment cycle will take about 3 years. Based on our assumption on a rental rate of Bt200-250/sq.m./month, the 20K sq.m will create income of Bt48-60mn/year and profit of Bt10-20mn/year. SIRI plans to spend Bt2,057mn by the end of August to be the top shareholder with a 15% stake in XSpring Capital PCL (XPG). However, SIRI is treating this investment as a long-term one given it sees no significant earnings contribution from it until 2023. SIRI will take equity income from this asset. Although XPG is a financial services provider in many key areas including brokerage (KTZMICO), fund management (Innotech), asset management (Lumpini AMC), and digital financial services (SE Digital) having ICO Portal licence, SIRI see the latter two businesses as the key areas to generate a return. SIRI will join hands with Lumpini AMC to bid for NPLs from financial institutions (budget of Bt600mn) in May and aims to grow with the market for digital tokens. ICO fees and trading fees in the secondary market are expected to be the key earnings generator for XPG. After this round of capital increase, XPG will have Bt6.9bn to extend its business in these high-growth areas. Viriya Insurance PCL will hold 10% and one high-net-worth investor will hold a 13.5% stake in XPG.

### Valuation and Recommendation

- We maintain our Neutral rating and mid-2022 TP of Bt1.22. While the new investments will enhance SIRI's value in the long term, they will not show a strong contribution until 2023 and SIRI will still bear all the development risk for the projects before each one reaches the harvest period, similar to what we saw with its hotel business. More details about its development plan from XPG will thus be a key factor to monitor given we may see an accelerated earnings-creation strategy.



**Fig 1 Project detail and location of Bangpakong project**



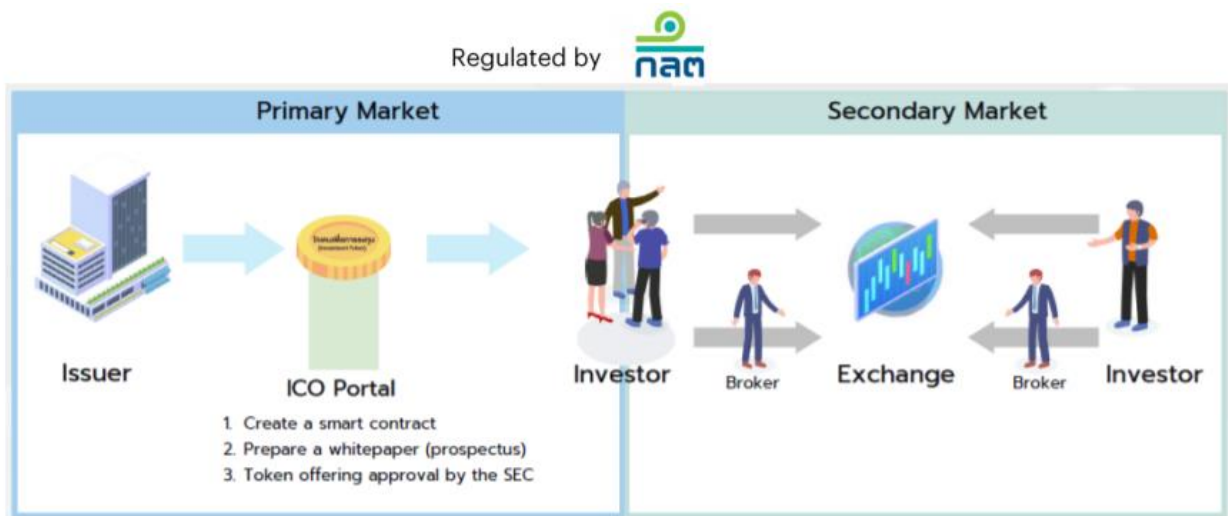
Source: Company data and KS Research

**Fig 2 XSpring's current business status**



Source: Company data and KS Research

**Fig 3 Issuance and offering process of ICO**



Source: Company data and KS Research


**Year-end 31 Dec**

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E
Revenue	24,310	33,833	27,987	30,613	33,206
Cost of sales and services	-18,154	-25,768	-19,780	-21,625	-23,206
<b>Gross Profit</b>	6,156	8,065	8,207	8,988	10,000
SG&A	-4,644	-6,460	-6,131	-6,456	-6,927
Other income	1,050	1,058	836	873	918
<b>EBIT</b>	3,833	3,196	3,020	3,569	4,154
<b>EBITDA</b>	2,991	3,490	3,764	4,299	4,924
Interest expense	-936	-978	-1,028	-963	-1,025
Equity earnings	881	452	125	185	184
<b>EBT</b>	2,897	2,218	1,993	2,606	3,129
Income tax	-622	-760	-455	-535	-641
<b>NPAT</b>	2,275	1,458	1,538	2,071	2,488
Minority Interest	117	215	26	-37	-37
<b>Core Profit</b>	2,190	1,595	1,580	2,054	2,471
Extraordinary items	203	79	-16	-20	-20
FX gain (loss)	0	0	0	0	0
<b>Reported net profit</b>	2,392	1,673	1,564	2,034	2,451

**Balance Sheet (Btmn)**

Cash & equivalents	2,132	3,007	2,519	2,755	2,989
ST investments	341	0	420	459	498
Accounts receivable	1,970	1,667	1,819	1,990	1,992
Inventories	64,157	56,766	58,235	58,433	60,767
Other current assets	5,983	7,470	7,950	7,767	7,710
<b>Total current assets</b>	74,583	68,909	70,943	71,405	73,956
Investment in subs & others	561	172	280	306	332
Fixed assets-net	22,886	38,449	38,444	39,075	37,610
Other assets	10,306	5,103	5,237	5,250	5,314
<b>Total assets</b>	108,336	112,632	114,904	116,036	117,212
Short-term debt	15,807	20,147	21,144	23,021	24,941
Accounts payable	2,193	2,214	2,519	2,755	2,989
Other current liabilities	10,240	8,352	9,096	10,408	11,290
<b>Total current liabilities</b>	28,240	30,713	32,759	36,184	39,219
Long-term debt	42,060	40,500	40,303	36,960	33,865
Other liabilities	6,161	2,222	2,951	3,228	3,501
<b>Total liabilities</b>	76,461	73,435	76,013	76,372	76,585
Paid-up capital	15,903	15,903	15,903	15,903	15,903
Share premium	2,296	2,355	2,355	2,355	2,355
Reserves & others, net	1,116	6,333	6,409	6,409	6,409
Retained earnings	11,628	12,785	13,111	13,884	14,846
Minority interests	931	1,822	1,113	1,113	1,113
<b>Total shareholders' equity</b>	31,875	39,197	38,891	39,664	40,627
<b>Total equity &amp; liabilities</b>	108,336	112,632	114,904	116,036	117,212

**Key Assumptions**

New launch (Btmn)	29,558	15,441	21,568	30,000	32,000
Pre-sales	20,337	26,325	27,437	27,589	30,868
Revenue growth (%)	-7.37	39.17	-17.28	9.38	8.47
Gross margin (%)	25.32	23.84	29.33	29.36	30.11
SG&A to sales (%)	19.10	19.09	21.91	21.09	20.86

Cashflow (Btmn)	2019A	2020A	2021E	2022E	2023E
Net profit	2,275	1,458	1,538	2,071	2,488
Depreciation & amortization	429	827	852	895	934
Change in working capital	-23,661	-23,079	-3,796	1,599	-1,001
Others	13,669	23,625	-108	-165	-164
<b>CF from operation activities</b>	-7,287	2,831	-1,516	4,400	2,257
Capital expenditure	-2,131	-4,365	-46	-768	-790
Investment in subs and affiliates	180	-200	-82	-63	-63
Others	838	4,884	-1,139	-605	1,492
<b>CF from investing activities</b>	-1,112	319	-1,267	-1,435	640
Cash dividend	-1,432	-848	-829	-853	-1,080
Net proceeds from debt	8,359	-7,133	4,164	-1,467	-1,175
Capital raising	0	0	0	0	0
Others	-328	5,706	-1,041	-409	-409
<b>CF from financing activities</b>	6,599	-2,275	2,294	-2,728	-2,663
<b>Net change in cash</b>	-1,801	875	-488	236	233

**Key Statistics & Ratios**
**Per share (Bt)**

Reported EPS	0.17	0.11	0.11	0.14	0.16
Core EPS	0.15	0.11	0.11	0.14	0.17
DPS	0.08	0.04	0.05	0.07	0.08
BV	2.19	2.51	2.54	2.59	2.66
EV	5.07	4.81	5.37	5.25	5.16
Free Cash Flow	-0.67	-0.10	-0.11	0.24	0.10

**Valuation analysis**

Reported P/E (x)	6.44	7.20	12.93	9.94	8.25
Core P/E (x)	7.04	7.55	12.79	9.84	8.18
P/BV (x)	0.50	0.32	0.54	0.52	0.51
P/BV (x) - excluding perp bond	0.50	0.37	0.62	0.60	0.59
EV/EBITDA (x)	23.98	20.49	21.21	18.17	15.57
Price/Cash flow (x)	-2.12	4.25	-13.34	4.59	8.96
Dividend yield (%)	7.34	4.94	3.87	5.03	6.06

**Profitability ratios**

Gross margin (%)	25.32	23.84	29.33	29.36	30.11
EBITDA margin (%)	12.31	10.31	13.45	14.04	14.83
EBIT margin (%)	15.77	9.45	10.79	11.66	12.51
Net profit margin (%)	9.36	4.31	5.49	6.77	7.49
ROA (%)	2.23	1.32	1.35	1.79	2.13
ROE (%)	7.74	4.90	4.16	5.33	6.28

**Liquidity ratios**

Current ratio (x)	2.64	2.24	2.17	1.97	1.89
Quick ratio (x)	0.16	0.15	0.15	0.14	0.14

**Leverage Ratios**

Liabilities/Equity ratio (x)	2.40	1.87	1.95	1.93	1.89
Net debt/EBITDA (x)	18.52	16.52	15.55	13.20	11.23
Net debt/equity (x)	1.74	1.47	1.50	1.43	1.36
Int. coverage ratio (x)	4.10	3.27	2.94	3.71	4.05

**Growth**

Revenue (%)	-7.37	39.17	-17.28	9.38	8.47
EBITDA (%)	-6.97	16.66	7.86	14.22	14.54
Reported net profit (%)	16.93	-30.07	-6.53	30.09	20.48
Reported EPS (%)	20.39	-33.46	-6.53	30.09	20.48
Core profit (%)	-3.59	-27.18	-0.91	30.02	20.28
Core EPS (%)	-0.74	-30.71	-0.91	30.02	20.28

Source: Company, KS estimates



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