

Sansiri

SIRI.TB / SIRI.BK

August 17, 2021

Strong 2Q21 result; unexciting outlook for 3Q21

In line with our estimate, but above the consensus

SIRI reported a net profit of Bt662m for 2Q21. Excluding a Bt3m reversal of an impairment on a project, core earnings would be Bt659m, up by 107% YoY and 75% QoQ. The core result was in line with our estimate but was 17% ahead of the consensus (core margin was fatter than the street assumption).

Result highlights

The impressive YoY and QoQ core profit growth was driven by YoY and QoQ GM expansion and QoQ sales growth. Residential sales were Bt7.2bn in 2Q21 (61% low-rise, 39% condo), down 30% YoY (in 2Q20, there were heavy inventory clearance sales) but up 20% QoQ. Low-rise sales were Bt4.4bn, down 30% YoY (flat QoQ). Condo sales were Bt2.9bn, down 30% YoY but up 73% QoQ, led by transference of *XT Huay Kwang* (Bt7.4bn project value, 23% transferred). Residential GM was 34.8% (a seven-year high), up from 21% in 2Q20 and 29.8% in 1Q21. The SG&A/sales ratio was 20.1% up by 4.9% YoY and 0.9% QoQ. SIRI marked a Bt35m loss on JV projects, against profits of Bt159m in 2Q20 and Bt7m in 1Q21. End-June net gearing was high at 1.5x.

Outlook

We expect 3Q21 core earnings to decline YoY and QoQ, due to lower transference. Residential GM should be in the 31-33% range, fatter YoY and stable QoQ. The SG&A/revenue ratio is likely to rise YoY (stable QoQ), due to sales slippage. SIRI is scheduled to start transferring *Edge Central Pattaya* (Bt3.2bn, 70% booked) in 3Q21 and *dCondo Hideaway* (Bt1.5bn, 42% booked) in 4Q21.

What's changed?

1H21 core profit comprises 56% of our 2021 forecast of Bt1.86bn (up 17% YoY, driven by a GM recovery), which stands unchanged. SIRI is likely to pay a one-time dividend for 2021 after reporting its 4Q21 result in Feb 2022. We expect a DPS of Bt0.05, pegged to a 40% payout rate assumption, which implies a 4.3% yield. For 2022, our model points to 21% YoY core profit expansion to Bt2.3bn, led by 8% sales growth and 160bps core margin expansion. Six condos with a combined value of Bt19.6bn are slated to start transferring during 2022.

Recommendation

The street-beating 2Q21 result should boost market sentiment toward SIRI. The stock currently trades at a 2022 PER of 7.6x (still below our ResProp coverage mean of 8.1x) and a 48% discount to actual end-June 2021 BV of Bt2.23/share (excluding a Bt5bn perpetual bond). If XPG (in which SIRI holds 14%) were to announce an exciting business plan involving digital assets, we would expect the market to also bid up SIRI. Our BUY call stands to a YE22 target price of Bt1.60, pegged to a PER of 10.5x.

Sector: Residential Property OVERWIEGHT
Rating: BUY
Target Price: Bt1.60
Price (August 16, 2021): Bt1.16

Key statistics

Market cap	Bt17.3bn	USD0.5bn
12-mth price range	Bt0.6/Bt1.5	
12-mth avg daily volume	Bt268m	USD8.0m
# of shares (m)	14,877	
Est. free float (%)	71.1	
Foreign limit (%)	39.0	

Share price perf. (%)	1M	3M	12M
Relative to SET	1.0	(12.9)	40.8
Absolute	(1.7)	(14.1)	56.8

Financial summary

FY Ended 31 Dec	2020	2021E	2022E	2023E
Revenues (Btm)	33,780	28,240	30,291	32,154
Net profit (Btm)	1,673	1,864	2,257	2,633
EPS (Bt)	0.11	0.13	0.15	0.18
EPS growth (%)	-30.1%	+11.4%	+21.1%	+16.7%
Core profit (Btm)	1,590	1,864	2,257	2,633
Core EPS (Bt)	0.11	0.13	0.15	0.18
Core EPS growth (%)	-25.5%	+17.2%	+21.1%	+16.7%
PER (x)	7.2	9.2	7.6	6.5
PBV (x)	0.3	0.4	0.4	0.4
Dividend (Bt)	0.0	0.1	0.1	0.1
Dividend yield (%)	4.9	4.3	5.2	6.1
ROE (%)	4.9	4.9	5.7	6.4

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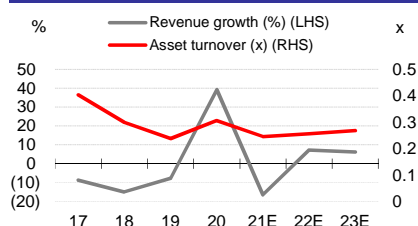
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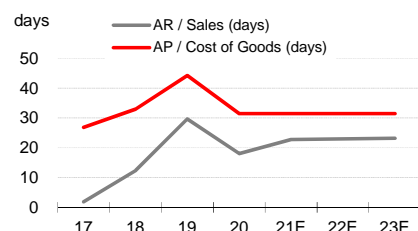
SIRI: Financial Tables – Year

	2019	2020	2021E	2022E	2023E
PROFIT & LOSS (Btm)					
Revenue	24,266	33,780	28,240	30,291	32,154
Cost of sales and services	(18,116)	(25,721)	(20,226)	(21,531)	(22,689)
Gross profit	6,150	8,059	8,014	8,760	9,466
SG&A	(4,591)	(6,460)	(5,433)	(5,685)	(6,042)
EBIT	1,559	1,599	2,580	3,075	3,423
Interest expense	(936)	(978)	(1,201)	(1,308)	(1,374)
Other income/exp.	1,057	1,064	668	690	713
EBT	1,680	1,685	2,047	2,457	2,762
Corporate tax	(455)	(739)	(441)	(539)	(633)
After-tax net profit (loss)	1,225	946	1,606	1,918	2,129
Minority interest	117.0	215.3	100.0	100.0	100.0
Equity earnings from affiliates	791	429	158	239	405
Extra items	260	83	0	0	0
Net profit (loss)	2,392	1,673	1,864	2,257	2,633
Reported EPS	0.16	0.11	0.13	0.15	0.18
Fully diluted EPS	0.16	0.11	0.13	0.15	0.18
Core net profit	2,133	1,590	1,864	2,257	2,633
Core EPS	0.14	0.11	0.13	0.15	0.18
EBITDA	1,791	1,918	2,690	3,190	3,542
KEY RATIOS					
Revenue growth (%)	(7.5)	39.2	(16.4)	7.3	6.2
Gross margin (%)	25.3	23.9	28.4	28.9	29.4
EBITDA margin (%)	7.4	5.7	9.5	10.5	11.0
Operating margin (%)	6.4	4.7	9.1	10.2	10.6
Net margin (%)	9.9	5.0	6.6	7.5	8.2
Core profit margin (%)	8.8	4.7	6.6	7.5	8.2
ROA (%)	2.3	1.5	1.6	1.9	2.2
ROCE (%)	2.7	1.7	1.9	2.2	2.5
Asset turnover (x)	0.2	0.3	0.2	0.3	0.3
Current ratio (x)	2.6	2.2	2.2	2.3	2.3
Gearing ratio (x)	2.0	1.5	1.6	1.5	1.4
Interest coverage (x)	1.7	1.6	2.1	2.4	2.5
BALANCE SHEET (Btm)					
Cash & Equivalent	2,473	3,007	952	2,150	1,488
Accounts receivable	1,970	1,667	1,765	1,908	2,037
Inventory	62,844	56,081	60,901	60,638	62,289
PP&E-net	2,663	3,546	3,278	3,586	3,894
Other assets	38,387	48,332	50,490	50,729	51,134
Total assets	108,336	112,632	117,387	119,011	120,841
Accounts payable	2,193	2,214	1,741	1,854	1,953
ST debts & current portion	17,136	19,971	21,971	21,971	21,971
Long-term debt	46,028	38,911	40,911	40,911	40,911
Other liabilities	11,105	12,338	12,338	12,338	12,338
Total liabilities	76,461	73,435	76,962	77,074	77,174
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
Retained earnings	13,251	14,491	15,719	17,230	18,961
Shareholders' equity	30,943	37,376	38,604	40,115	41,845
Minority interests	931	1,822	1,822	1,822	1,822
Total Liab.&Shareholders' equity	108,336	112,632	117,387	119,011	120,841
CASH FLOW (Btm)					
Net income	2,392	1,673	1,864	2,257	2,633
Depreciation and amortization	232	318	110	115	118
Change in working capital	(24,500)	(23,792)	(5,392)	234	(1,681)
FX, non-cash adjustment & others	14,588	24,631	0	0	(0)
Cash flows from operating activities	(7,287)	2,831	(3,418)	2,605	1,071
Capex (Invest)/Divest	(1,112)	319	(2,001)	(662)	(831)
Others	0	0	0	0	0
Cash flows from investing activities	(1,112)	319	(2,001)	(662)	(831)
Debt financing (repayment)	18,653	(4,911)	4,000	0	0
Equity financing	0	0	0	0	0
Dividend payment	(1,432)	(976)	(636)	(746)	(903)
Others	0	0	0	0	0
Cash flows from financing activities	6,702	(2,302)	3,364	(746)	(903)
Net change in cash	(1,697)	848	(2,054)	1,198	(663)
Free cash flow (Btm)	(8,400)	3,150	(5,418)	1,944	240
FCF per share (Bt)	(0.57)	0.21	(0.36)	0.13	0.02
KEY ASSUMPTIONS					
Total presales (Btm)	20,805	26,156	28,772	31,649	34,814
YoY change in presales	-57%	26%	10%	10%	10%
Housing revenue (Btm)	19,126	30,559	25,216	27,252	29,099
YoY change in housing revenue	-11%	60%	-17%	8%	7%
Secured revenue by backlogs (Btm)	-	-	15,096	7,664	234
% of secured revenue by backlogs	-	-	60%	28%	1%
Housing GM	29.0%	25.0%	30.0%	30.5%	30.9%

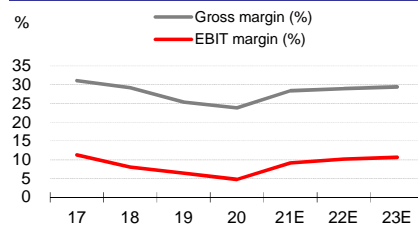
Revenue growth and asset turnover



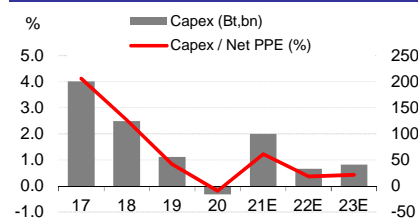
A/C receivable & A/C payable days



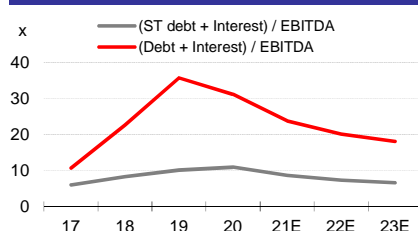
Profit margins



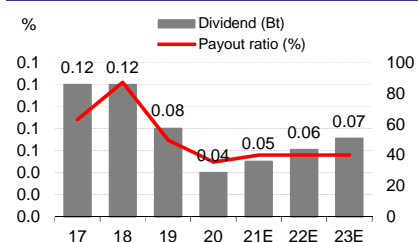
Capital expenditure



Debt serviceability



Dividend payout



SIRI: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	2Q20	3Q20	4Q20	1Q21	2Q21
Revenue	11,127	8,316	8,168	6,575	7,803
Cost of sales and services	(8,842)	(5,932)	(5,762)	(4,692)	(5,229)
Gross profit	2,285	2,384	2,406	1,883	2,574
SG&A	(1,696)	(1,442)	(2,017)	(1,265)	(1,570)
EBIT	589	942	389	618	1,004
Interest expense	(303)	(213)	(260)	(306)	(286)
Other income/exp.	112	190	464	184	229
EBT	398	918	594	495	947
Corporate tax	(301)	(243)	(171)	(151)	(273)
After-tax net profit (loss)	97	675	423	344	675
Minority interest	62.7	32.7	61.4	25.3	19.5
Equity earnings from affiliates	159	49	81	7	(35)
Extra items	(60)	8	23	7	3
Net profit (loss)	258	765	588	384	662
Reported EPS	0.02	0.05	0.04	0.03	0.04
Fully diluted EPS	0.02	0.05	0.04	0.03	0.04
Core net profit	318	757	565	377	659
Core EPS	0.02	0.05	0.04	0.03	0.04
EBITDA	701	1,131	853	801	1,233

KEY RATIOS

Gross margin (%)	20.5	28.7	29.5	28.6	33.0
EBITDA margin (%)	6.3	13.6	10.4	12.2	15.8
Operating margin (%)	5.3	11.3	4.8	9.4	12.9
Net margin (%)	2.3	9.2	7.2	5.8	8.5
Core profit margin (%)	2.9	9.1	6.9	5.7	8.4
BV (Bt)	2.4	2.5	2.6	2.7	2.7
ROE (%)	3.0	8.6	6.3	4.0	6.9
ROA (%)	0.9	2.8	2.1	1.3	2.3
Current ratio (x)	3.3	2.7	2.2	2.0	2.0
Gearing ratio (x)	1.7	1.6	1.6	1.5	1.5
Interest coverage (x)	1.9	4.4	1.5	2.0	3.5

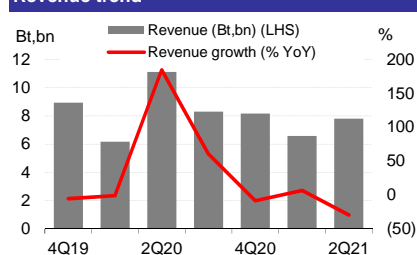
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	3,806	2,425	3,007	2,729	3,477
Accounts receivable	1,966	2,031	1,667	1,429	1,598
Inventories	64,101	63,303	56,081	57,170	57,390
PP&E-net	20,911	20,846	31,156	29,297	29,366
Other assets	20,740	21,897	20,722	23,837	23,414
Total assets	111,524	110,502	112,632	114,462	115,245
Accounts payable	2,846	2,356	2,214	2,393	2,632
ST debts & current portion	3,338	2,786	4,042	3,021	3,994
Long-term debt	58,379	56,976	58,388	56,651	56,995
Other liabilities	11,267	11,025	8,790	12,585	11,639
Total liabilities	75,829	73,143	73,435	74,650	75,259
Paid-up capital	15,903	15,903	15,903	15,903	15,903
Share premium	2,296	2,296	2,355	2,355	2,355
Retained earnings	13,249	13,962	14,491	14,793	14,779
Shareholders' equity	34,672	35,432	37,376	38,017	38,210
Minority interests	1,022.9	1,928.1	1,821.7	1,795.8	1,775.6
Total Liab.&Shareholders' equity	111,524	110,502	112,632	114,462	115,245

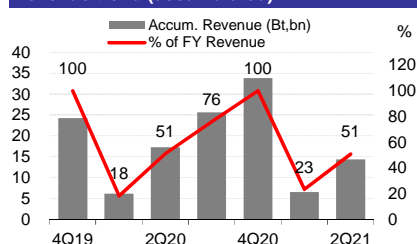
KEY STATS

Total presales (Btm)	12,915	3,250	3,339	6,041	7,922
YoY change in presales	190%	14%	-51%	-9%	-39%
Resi revenue (Btm)	10,338	7,635	7,203	6,044	7,249
YoY change in resi revenue	309%	87%	-6%	12%	-30%
Resi GM	21.0%	28.8%	32.2%	29.8%	34.8%
Rental revenue (Btm)	788	681	965	531	553

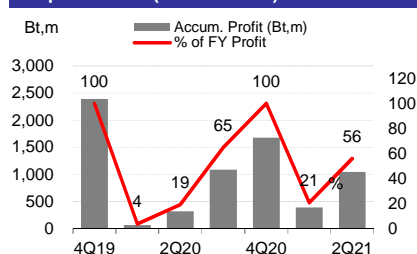
Revenue trend



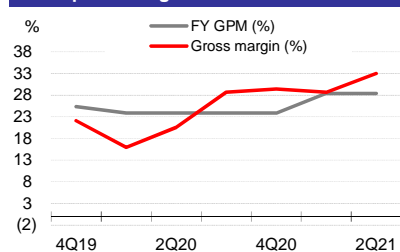
Revenue trend (accumulated)



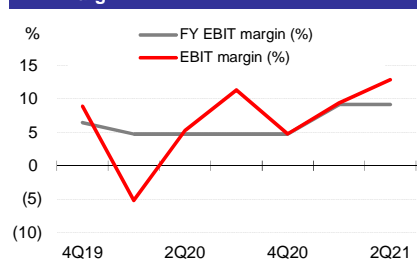
Net profit trend (accumulated)



Gross profit margin



EBIT margin



Company profile

Sansiri Plc (SIRI) builds single-detached housing, townhouses and condos using a presales model. The company had earlier focused on the upper-mid to high-end of the market. In 2H10, the company expanded to the low-end segment, particularly for condos. SIRI also owns Plus Property Co Ltd, a property and asset management, brokerage service, and property sales management firm. The core revenue generator is residential sales. Its residential presales breakdown is typically 60% condo and 40% low-rise. In 2015, SIRI started a JV with BTS Group, to develop condos near mass transit stations.

Figure 1 : 2Q21 results

FY Ended 31 Dec (Btm)	2Q21	2Q20	YoY %	1Q21	QoQ %	6M21	6M20	YoY %	6M21 vs. FY21E
Income Statement									
Revenue	7,803	11,127	(30)	6,575	19	14,377	17,295	(17)	51
Cost of sales and services	(5,229)	(8,842)	(41)	(4,692)	11	(9,921)	(14,027)	(29)	49
EBITDA	1,233	701	76	801	54	2,034	677	200	76
EBIT	1,004	589	70	618	63	1,621	268	506	63
Interest expense	(286)	(303)	(6)	(306)	(7)	(592)	(505)	17	49
Other income/exp.	229	112	105	184	25	413	410	1	62
Equity earnings from affiliates	(35)	159	0	7	0	(27)	299	0	0
Extra items	3	(60)	nm	7	(63)	10	52	(81)	
EBT	947	398	138	495	91	1,442	173	736	70
Corporate tax	(273)	(301)	nm	(151)	nm	(424)	(326)	nm	
Minority interest	19.5	62.7	100	25.3	100	44.8	122.3	100	
Net profit (loss)	662	258	156	384	72	1,046	320	227	56
Reported EPS	0.04	0.02	156	0.03	72	0.07	0.02	227	
Core net profit	659	318	107	377	75	1,036	268	287	56
Key ratios									
Gross margin (%)	33.0	20.5		28.6		31.0	18.9		
EBITDA margin (%)	15.8	6.3		12.2		14.1	3.9		
EBIT margin (%)	12.9	5.3		9.4		11.3	1.5		
Tax rate (%)	28.8	75.7		30.5		29.4	189.1		
Net margin (%)	8.5	2.3		5.8		7.3	1.9		
Current ratio (x)	2.0	3.3		2.0		2.0	3.3		
Gearing ratio (x)	1.5	1.7		1.5		1.5	1.7		
Interest coverage (x)	3.5	1.9		2.0		2.7	0.5		
Balance Sheet									
Cash & Equivalent	3,477	3,806	(9)	2,729	27				
Total assets	115,245	111,524	3	114,462	1				
ST debts & current portion	3,994	3,338	20	3,021	32				
Long-term debt	56,995	58,379	(2)	56,651	1				
Total liabilities	75,259	75,829	(1)	74,650	1				
Retained earnings	14,779	13,249	12	14,793	(0)				
Shareholders equity	38,210	34,672	10	38,017	1				
Minority interests	1,776	1,023	74	1,796	(1)				
BV (Bt)	2.7	2.4	12	2.7	0				

- Residential sales dived 30% YoY but rose 20% QoQ
- Residential GM fattened by 13.9% YoY and 5.0% QoQ
- The SG&A/sales ratio rose by 4.9% YoY and 0.9% QoQ
- Loss recognition from JV projects
- Core profit was in line with our estimate, but beat the consensus
- Net gearing remains high

Sources: Company data, Bualuang Research estimates

Bualuang Securities Public Company Limited

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STA	BGRIM	GULF	MTC	AWC	TCAP	CRC	CPF	CPN	HANA	HMPRO	IVL	OSP	SAWAD	THANI
BANPU	BCH	BTS	CK	SCC	STEC	TISCO	TRUE	TU	INTUCH	RATCH	VGI	PRM	SCGP	TQM
COM7	DOHOME	JMT	CHG	TMB	BAM	BCP	BCPG	AP	KTB	BPP	KKP	OR	BEM	GUNKUL
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90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK**STOCK RECOMMENDATIONS**

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index 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 over the next 12 months.

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