

Thailand Company Update

Sansiri

Bloomberg: SIRI TB | Reuters: SIRI.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Aug 2021

HOLD

Last Traded Price (17 Aug 2021): Bt1.19 (SET : 1,544.22)
Price Target 12-mth: Bt1.26 (6% upside) (Prev Bt1.11)

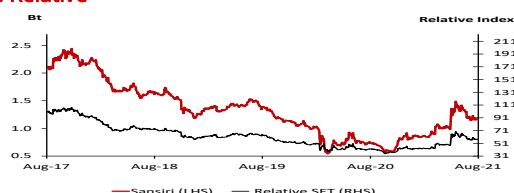
Analyst

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What's New

- 2Q21 normalised net profit came in at Bt662m (+116% y-o-y, +72% q-o-q)
- 2021 plans are still intact
- 3Q21F presales remain decent QTD
- Maintain HOLD with higher TP of Bt1.26

Price Relative



Forecasts and Valuation

FY Dec (Btm)	2019A	2020A	2021F	2022F
Revenue	24,310	33,833	29,768	30,812
EBITDA	2,899	3,195	3,624	4,058
Pre-tax Profit	2,711	2,218	2,512	2,928
Net Profit	2,392	1,694	2,061	2,335
Net Pft (Pre Ex.)	1,648	1,590	2,061	2,335
Net Pft Gth (Pre-ex) (%)	(21.4)	(3.5)	29.6	13.3
EPS (Bt)	0.17	0.12	0.14	0.16
EPS Pre Ex. (Bt)	0.12	0.11	0.14	0.16
EPS Gth Pre Ex (%)	(18)	(3)	23	13
Diluted EPS (Bt)	0.17	0.12	0.14	0.16
Net DPS (Bt)	0.08	0.04	0.06	0.06
BV Per Share (Bt)	2.18	2.64	2.60	2.70
PE (X)	7.1	9.9	8.6	7.6
PE Pre Ex. (X)	10.3	10.6	8.6	7.6
P/Cash Flow (X)	nm	5.9	32.2	10.4
EV/EBITDA (X)	26.9	23.3	21.0	18.7
Net Div Yield (%)	6.4	3.2	4.7	5.3
P/Book Value (X)	0.5	0.5	0.5	0.4
Net Debt/Equity (X)	1.9	1.4	1.4	1.3
ROAE (%)	7.7	5.0	5.4	5.9
Earnings Rev (%):		0	0	0
Consensus EPS (Bt):		N/A	0.12	0.14
Other Broker Recs:		B: 1	S: 6	H: 4

Source of all data on this page: Company, DBSVTH, Bloomberg Finance L.P.

Improving outlook

Investment Thesis:

Diversified business portfolio: SIRI is one of the leading property developers in Thailand. The company offers a diversified residential portfolio comprising single-detached houses (SDH), townhouses (TH) and condominiums, which we believe makes the company resilient amid a slow economy and the COVID-19 pandemic. Additionally, the company has continued to diversify its business to non-residential sectors through hotel management and industrial businesses. Recently, it has just invested in the brokerage business.

Better outlook: Due to less competition and the price-cutting strategy for its residential and hotel management businesses, we expect SIRI to post ongoing improvements in GPM. With that, we expect its earnings to rebound to Bt2.1bn in FY21F (+30% y-o-y) and Bt2.3bn in FY22F (+13% y-o-y).

FY21F yield to remain decent, even without 1H21 dividend: Though there is limited upside to our TP, its yield is expected to come in at 4.7% in FY21F despite omitting its dividend payment for 1H21 performance – this implies a 40% payout ratio that is lower than its historical average.

Valuation:

Maintain HOLD with higher TP of Bt1.26 (from Bt1.11) as we roll over our valuation base to FY22F. Our TP is based on 8.0x FY22F EPS.

Where we differ:

More bullish on transfers and GPM: Our FY21F/FY22F earnings are higher than the street's mainly due to higher revenue and GPM assumptions.

Key Risks to Our View:

Lower-than-expected low-rise presales, and delays in project transfers, especially high-rise projects, may pose risks to our forecasts.

At A Glance

Issued Capital (m shrs)	14,877
Mkt. Cap (Btm/US\$m)	17,703 / 530
Major Shareholders (%)	
UBS AG Singapore Branch	9.6
Viriyah Insurance	6.5
Srettha Thavisin	4.5
Free Float (%)	71.1
3m Avg. Daily Val (US\$m)	22.7

GIC Industry : Real Estate / Real Estate Management &



Live more, Bank less

WHAT'S NEW

Presales remains decent despite impact from COVID-19

Recap of 2Q21 earnings: SIRI reported a 2Q21 normalised net profit of Bt662m (+116% y-o-y, +72% q-o-q). This came in slightly better than expected on higher-than-expected GPM and higher other income.

Revenue came in at Bt7.8bn (-30% y-o-y; +17% q-o-q). Both housing and condominium transfers dropped y-o-y from a high base, but SDH transfers saw a marginal q-o-q decline.

2Q21 blended GPM jumped to 32.6%, vs. 20.0% in 2Q20 and 28.3% in 1Q21. The stronger blended GPM was supported by a jump in residential GPM to 34.8% in 2Q21, compared with 21.0% in 2Q20 and 29.8% in 1Q21, thanks to new project transfers – namely XT Huaykwang (Bt7.4bn, 44% sold) – and better margins for other projects, as well as lower promotional campaigns.

However, its SG&A to sales ratio rose to 20.0% in 2Q21 from 15.2% in 2Q20 and 18.8% in 1Q21. Other income rose to Bt237m (+47% y-o-y and +45% q-o-q)

Outlook

2021 targets maintained but some new launches are delayed to 4Q21F: SIRI maintains its full-year targets of 24 new project launches, worth Bt21.6bn, and presales and transfer targets of Bt30.7bn and Bt27.6bn, respectively. For new launches, the company launched only four projects in 1H21 worth Bt2.22bn with 20 more projects amounting to Bt19bn slated for 2H21F – with the majority concentrated in 4Q21F on the back of new launches being postponed from 3Q21F due to construction issues as a result of the new wave of COVID-19. Meanwhile, we expect another new brand for affordable condominium to be unveiled in 2H21.

3Q21F presales still decent QTD: On the back of the new wave of COVID-19, we expect 3Q21F presales to slow q-o-q but to improve y-o-y on the back of a low base as a result of the high cancellation rate from the The Line Sathorn due to the ongoing dispute that will lead to delays in project transfers in 3Q20. According to the company, it was still able to secure decent presales QTD (till 8 August) of Bt3.2bn vs. Bt7.9bn in 2Q21 despite the partial lockdown, with all products showing decent presales level so far.

Expect decent performance in 3Q21F: Despite the new wave of COVID-19, the company was still able to transfer its products sold though at a slower pace. While transfers may decelerate, its 3Q21F performance should remain decent supported by continuous and strong low-rise transfers – with the XT Huaykwang project transfer continuation and the transfer of one new condominium called Edge Pattaya to take place in 3Q21F. However, its y-o-y performance may deteriorate from a high base.

Maintain HOLD with higher TP of Bt1.26: SIRI's residential business has continued to do better, supported by its strong low-rise portfolio. Meanwhile, we believe that SIRI's performance has bottomed out and expect its net profit to rise 30% y-o-y in FY21F and 13% y-o-y in FY22F.

Though SIRI omitted its 1H21 performance dividend payment, we expect SIRI to still pay for its FY21F performance, which should offer a decent dividend yield of 4.7% – based on a 40% payout ratio that is lower than its historical average. Nonetheless, due to the limited upside to our TP, a worsening market outlook due to COVID-19, and its higher debt level relative to peers, we maintain our HOLD recommendation with a higher TP of Bt1.26 (from Bt1.11), as we roll over our valuation base to FY22F. Our TP is based on 8.0x PE to FY22F.

Company Background

Sansiri PCL (SIRI) is one of the leading property developers in Thailand. The company offers single-detached houses, townhouses and condominiums. SIRI is collaborating with BTS in a JV (50:50), offering products under the brand "The Line". SIRI has also tied up with Tokyu Corp in a JV (70:30) under which it has three active projects.

Sansiri

Quarterly / Interim Income Statement (Btm)

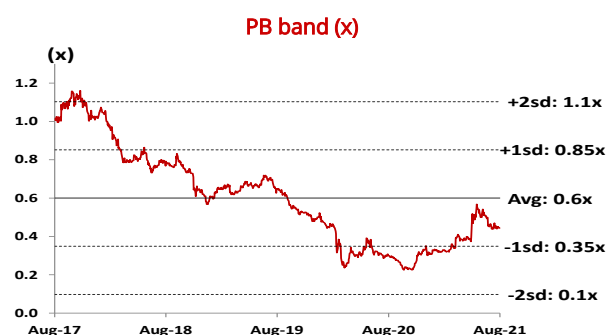
FY Dec	2Q2020	1Q2021	2Q2021	% chg yoy	% chg qoq
Revenue	11,138	6,694	7,845	(29.6)	17.2
Cost of Goods Sold	(8,909)	(4,797)	(5,289)	(40.6)	10.2
Gross Profit	2,229	1,897	2,556	14.7	34.8
Other Oper. (Exp)/Inc	(1,696)	(1,258)	(1,567)	(7.6)	24.6
Operating Profit	533	639	989	85.7	54.9
Other Non Opg (Exp)/Inc	88.3	133	197	122.8	48.1
Associates & JV Inc	159	7.46	(34.9)	nm	(566.9)
Net Interest (Exp)/Inc	(223)	(269)	(235)	(5.6)	12.6
Exceptional Gain/(Loss)	(60.3)	0.0	0.0	nm	nm
Pre-tax Profit	497	510	915	84.3	79.6
Tax	(313)	(151)	(273)	(12.9)	81.0
Minority Interest	62.7	25.3	19.5	(69.0)	(23.1)
Net Profit	246	384	662	168.9	72.3
Net profit bef Except.	306	384	662	116.0	72.3
EBITDA	780	779	1,151	47.5	47.8
Margins (%)					
Gross Margins	20.0	28.3	32.6		
Opg Profit Margins	4.8	9.5	12.6		
Net Profit Margins	2.2	5.7	8.4		

Source of all data: Company, DBSVTH

PE and PB band



Source: Bloomberg Finance L.P., DBSVTH estimates



Source: Bloomberg Finance L.P., DBSVTH estimates

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Key Assumptions

FY Dec	2018A	2019A	2020A	2021F	2022F
Total launches	65,200	30,000	14,929	25,939	30,658
Total presales	48,324	20,356	26,325	29,817	29,991

Segmental Breakdown

FY Dec	2018A	2019A	2020A	2021F	2022F
Revenues (Btm)					
Real estate	21,552	19,126	30,559	27,514	28,794
Sales of construction	2.13	44.2	53.0	55.7	58.4
Hotel and management	0.0	145	139	167	201
Business management	4,311	4,601	2,751	1,651	1,321
Others	382	393	331	380	438
Total	26,248	24,310	33,833	29,768	30,812

Income Statement (Btm)

FY Dec	2018A	2019A	2020A	2021F	2022F
Revenue	26,248	24,310	33,833	29,768	30,812
Cost of Goods Sold	(18,580)	(18,552)	(25,768)	(21,202)	(21,704)
Gross Profit	7,668	5,759	8,065	8,566	9,108
Other Opng (Exp)/Inc	(5,555)	(4,697)	(6,460)	(5,886)	(6,106)
Operating Profit	2,113	1,061	1,605	2,679	3,001
Other Non Opng (Exp)/Inc	427	619	770	424	466
Associates & JV Inc	305	791	429	108	156
Net Interest (Exp)/Inc	(204)	(504)	(690)	(699)	(695)
Exceptional Gain/(Loss)	(51.6)	744	104	0.0	0.0
Pre-tax Profit	2,588	2,711	2,218	2,512	2,928
Tax	(546)	(436)	(739)	(601)	(693)
Minority Interest	3.50	117	215	150	100
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	2,046	2,392	1,694	2,061	2,335
Net Profit before Except.	2,098	1,648	1,590	2,061	2,335
EBITDA	3,155	2,899	3,195	3,624	4,058
Growth					
Revenue Gth (%)	(15.1)	(7.4)	39.2	(12.0)	3.5
EBITDA Gth (%)	(23.8)	(8.1)	10.2	13.4	12.0
Opg Profit Gth (%)	(39.3)	(49.8)	51.3	67.0	12.0
Net Profit Gth (Pre-ex) (%)	(27.4)	(21.4)	(3.5)	29.6	13.3
Margins & Ratio					
Gross Margins (%)	29.2	23.7	23.8	28.8	29.6
Opg Profit Margin (%)	8.1	4.4	4.7	9.0	9.7
Net Profit Margin (%)	7.8	9.8	5.0	6.9	7.6
ROAE (%)	6.7	7.7	5.0	5.4	5.9
ROA (%)	2.3	2.3	1.5	1.8	2.0
ROCE (%)	2.4	1.3	0.9	1.3	1.6
Div Payout Ratio (%)	87.0	47.5	33.4	40.0	40.0
Net Interest Cover (x)	10.3	2.1	2.3	3.8	4.3

Source: Company, DBSVTH

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Quarterly Income Statement (Btm)

FY Dec	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021
Revenue	11,138	8,408	8,035	6,694	7,845
Cost of Goods Sold	(8,909)	(6,008)	(5,583)	(4,797)	(5,289)
Gross Profit	2,229	2,400	2,452	1,897	2,556
Other Oper. (Exp)/Inc	(1,696)	(1,435)	(2,025)	(1,258)	(1,567)
Operating Profit	533	966	428	639	989
Other Non Opg (Exp)/Inc	88.3	121	361	133	197
Associates & JV Inc	159	49.0	81.0	7.46	(34.9)
Net Interest (Exp)/Inc	(223)	(160)	(201)	(269)	(235)
Exceptional Gain/(Loss)	(60.3)	0.0	0.0	0.0	0.0
Pre-tax Profit	497	975	668	510	915
Tax	(313)	(243)	(169)	(151)	(273)
Minority Interest	62.7	32.7	60.2	25.3	19.5
Net Profit	246	765	559	384	662
Net profit bef Except.	306	765	559	384	662
EBITDA	780	1,135	869	779	1,151

Growth

Revenue Gth (%)	78.1	(24.5)	(4.4)	(16.7)	17.2
EBITDA Gth (%)	3,785.2	45.5	(23.4)	(10.4)	47.8
Opg Profit Gth (%)	(265.9)	81.2	(55.7)	49.3	54.9
Net Profit Gth (Pre-ex) (%)	(869.6)	149.7	(27.0)	(31.2)	72.3

Margins

Gross Margins (%)	20.0	28.5	30.5	28.3	32.6
Opg Profit Margins (%)	4.8	11.5	5.3	9.5	12.6
Net Profit Margins (%)	2.2	9.1	7.0	5.7	8.4

Balance Sheet (Btm)

FY Dec	2018A	2019A	2020A	2021F	2022E
Net Fixed Assets	2,264	2,988	6,257	6,045	5,810
Invt in Associates & JVs	726	561	172	222	322
Other LT Assets	21,625	30,204	37,294	37,545	37,809
Cash & ST Invt	6,301	2,473	3,007	3,300	3,941
Inventory	56,305	62,844	56,081	57,720	58,640
Debtors	889	1,970	1,667	55.3	57.2
Other Current Assets	7,246	7,297	8,155	8,424	8,716
Total Assets	95,357	108,336	112,632	113,311	115,295
ST Debt	18,635	17,136	19,973	20,042	20,242
Creditor	1,676	2,193	2,214	1,725	1,766
Other Current Liab	8,815	8,912	8,526	7,496	7,755
LT Debt	33,272	45,476	38,911	40,000	40,000
Other LT Liabilities	2,107	2,745	3,810	3,609	3,609
Shareholder's Equity	30,848	30,943	37,376	38,618	40,101
Minority Interests	4.06	931	1,822	1,822	1,822
Total Cap. & Liab.	95,357	108,336	112,632	113,311	115,295
Non-Cash Wkg. Capital	53,950	61,006	55,162	56,978	57,893
Net Cash/(Debt)	(45,606)	(60,139)	(55,878)	(56,742)	(56,302)
Debtors Turn (avg days)	7.3	21.5	19.6	10.6	0.7
Creditors Turn (avg days)	32.4	39.0	31.7	34.6	30.0
Inventory Turn (avg days)	995.8	1,199.9	855.2	999.0	998.4
Asset Turnover (x)	0.3	0.2	0.3	0.3	0.3
Current Ratio (x)	2.4	2.6	2.2	2.4	2.4
Quick Ratio (x)	0.2	0.2	0.2	0.1	0.1
Net Debt/Equity (X)	1.5	1.9	1.4	1.4	1.3
Net Debt/Equity ex MI (X)	1.5	1.9	1.5	1.5	1.4
Capex to Debt (%)	1.1	2.2	3.3	0.3	0.3
Z-Score (X)	1.2	1.1	1.1	1.1	1.1

Source: Company, DBSVTH

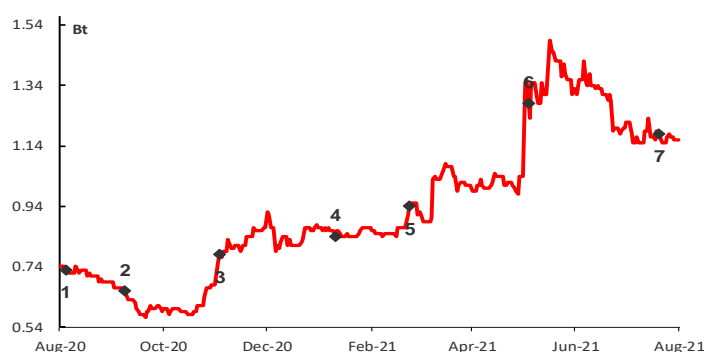
Sansiri

Cash Flow Statement (Btm)

FY Dec	2018A	2019A	2020A	2021F	2022F
Pre-Tax Profit	2,640	1,966	2,114	2,512	2,928
Dep. & Amort.	310	429	391	413	435
Tax Paid	0.0	0.0	0.0	0.0	0.0
Assoc. & JV Inc/(loss)	(305)	(791)	(429)	(108)	(156)
Chg in Wkg.Cap.	(7,859)	(9,318)	1,196	(1,816)	(914)
Other Operating CF	(594)	426	(441)	(451)	(593)
Net Operating CF	(5,807)	(7,287)	2,831	550	1,700
Capital Exp.(net)	(553)	(1,396)	(1,931)	(200)	(200)
Other Invs.(net)	0.0	0.0	0.0	0.0	0.0
Invs in Assoc. & JV	(127)	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(1,816)	283	2,250	(395)	(208)
Net Investing CF	(2,496)	(1,112)	319	(595)	(408)
Div Paid	(1,634)	(1,432)	(848)	(772)	(852)
Chg in Gross Debt	13,307	10,080	(4,169)	1,158	200
Capital Issues	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(2,415)	(2,049)	2,742	(47.2)	0.0
Net Financing CF	9,258	6,599	(2,275)	339	(652)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	955	(1,801)	875	294	640
Opg CFPS (Bt)	0.14	0.14	0.12	0.16	0.18
Free CFPS (Bt)	(0.4)	(0.6)	0.06	0.02	0.10

Source: Company, DBSVTH

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	19 Aug 20	0.73	0.61	FULLY VALUED
2:	23 Sep 20	0.66	0.61	FULLY VALUED
3:	18 Nov 20	0.78	0.63	FULLY VALUED
4:	25 Jan 21	0.84	0.63	FULLY VALUED
5:	10 Mar 21	0.94	0.76	FULLY VALUED
6:	19 May 21	1.28	1.03	FULLY VALUED
7:	04 Aug 21	1.18	1.11	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: DBSVTH

Analyst: Thailand Research Team

Thaninee SATIRAREUNGCHAI, CFA

THAI-CAC (as of Jun 2020)

Corporate Governance CG Rating (as of Oct 2019)






THAI-CAC is Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of May 2018) are categorised into:

Corporate Governance CG Rating is based on Thai Institute of Directors (IOD)'s annual assessment of corporate governance practices of listed companies. The assessment covers 235 criteria in five categories including board responsibilities (35% weighting), disclosure and transparency (20%), role of stakeholders (20%), equitable treatment of shareholders (10%) and rights of shareholders (15%). The IOD then assigns numbers of logos to each company based on their scoring as follows:

Certified



Score	Description
Declared	Companies that have declared their intention to join CAC
Certified	Companies certified by CAC.

Score	Range Number of Logo	Description
90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	No logo given	N/A

DBSVTH recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 17 Aug 2021 21:33:13 (THA)

Dissemination Date: 18 Aug 2021 09:19:23 (THA)

Sources for all charts and tables are DBSVTH unless otherwise specified.

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