

Sansiri

SIRI TB / SIRI.BK

November 16, 2021

3Q21 beat the street big-time!

Above our expectation and 33% ahead of the consensus

SIRI reported NPAT of Bt628m for 3Q21, down by 18% YoY and 5% QoQ. The result was 7% above our estimate (a 90bps fatter sales GM than assumed) and 33% ahead of the street (core margin was considerably fatter than the consensus assumption).

Result highlights

The YoY and QoQ profit drop was due to lower sales and net losses marked to JV projects. Residential sales were Bt6.5bn in 3Q21 (57% low-rise, 43% condo), down by 16% YoY and 11% QoQ, due to COVID-19 effects. Low-rise sales were Bt3.7bn, down by 18% YoY and 16% QoQ. Condo sales were Bt2.8bn, down by 12% YoY and 3% QoQ. Residential GM was 33.4%, up from 28.8% in 3Q20 (less price-discounting) but down from 34.8% in 2Q21 (a seven-year high). The SG&A/sales ratio was 19.4%, up 2.0% YoY but down 0.8% QoQ. The loss marked from JV projects was Bt4m (a profit of Bt49m in 3Q20 and a loss of Bt35m in 2Q21). End-Sep net gearing was high at 1.5x.

Outlook

We expect 4Q21 core earnings to rise modestly YoY (flattish QoQ). Residential sales are likely to be flattish YoY but up QoQ, supported by the release of pent-up demand and the easing of loan-to-value rules for home mortgages. As of end-Sep, there was a Bt6.0bn presales backlog scheduled to transfer in 4Q21 (88% of assumed sales). Residential GM should be 31-33%. The SG&A/revenue ratio is expected to drop YoY (a high 4Q20 base of 24.7%) but rise QoQ (eight projects are slated to launch). SIRI will start transferring *The Line Phahonyothin* (Bt3.9bn, 880 units) and *Condo Me Nawanakorn* (Bt200m, 158 units). It plans to pay a one-time dividend for 2021 operations; we expect a DPS of Bt0.06 (a 40% payout rate), implying a 4.6% yield.

What's changed?

Our earnings forecasts upsize by 22% for 2021 to Bt2.3bn (up 36% YoY) and 10% for 2022 to Bt2.5bn (up 9% YoY), as we are now more optimistic about sales and GM. 9M21 core profit comprises 73% of our new 2021 forecast (but 87% of the consensus, which will be subject to projection upgrade flows). Our assumptions for 2022 are 3% sales growth and 20bps core margin expansion. Four condos, together worth Bt17.9bn, are slated to transfer during 2022, against only three in 2021.

Recommendation

The street-beating result is likely to trigger a stock price rally. SIRI currently trades at a 2022 PER of 7.7x and a 44% discount to actual end-Sep BV of Bt2.3/share (excluding a Bt5bn perpetual bond). If XPG (SIRI holds 14%) were to announce any exciting projects related to its digital asset business, we would expect flow-on benefits for SIRI's stock price. Our BUY call stands to a YE22 target price of Bt1.6, pegged to a PER of 9.5x.

Sector: Residential Property OVERWEIGHT

Rating: BUY

Target Price: Bt1.60

Price (November 15, 2021): Bt1.29

Key statistics

Market cap	Bt19.2bn	USD0.6bn
12-mth price range	Bt0.8/Bt1.5	
12-mth avg daily volume	Bt335m	USD10.2m
# of shares (m)	14,881	
Est. free float (%)	71.1	
Foreign limit (%)	39.0	

Share price perf. (%)	1M	3M	12M
Relative to SET	2.4	0.5	42.0
Absolute	2.4	7.5	63.3

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 grow th (%)	-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 grow th (%)	-25.5%	+17.2%	+21.1%	+16.7%
PER (x)	7.2	10.3	8.5	7.3
PBV (x)	0.3	0.5	0.5	0.4
Dividend (Bt)	0.0	0.1	0.1	0.1
Dividend yield (%)	4.9	3.9	4.7	5.5
ROE (%)	4.9	4.9	5.7	6.4

CG/Anti-corruption



Certified

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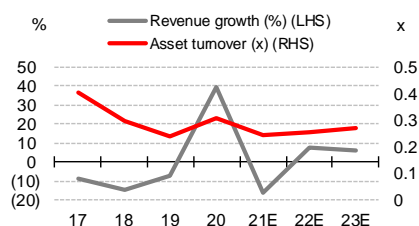
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 Analyst Assistant

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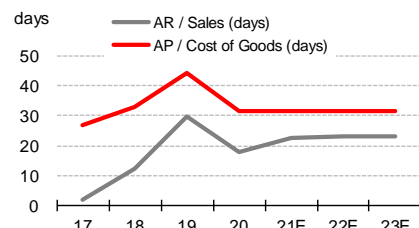
SIRI: Financial Tables – Year

	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%

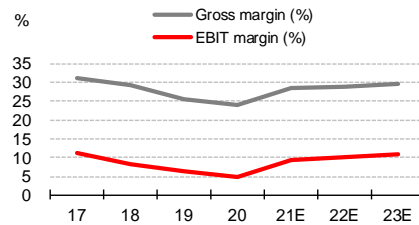
Revenue growth and asset turnover



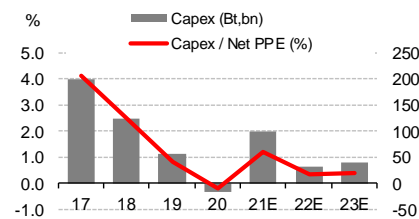
A/C receivable & A/C payable days



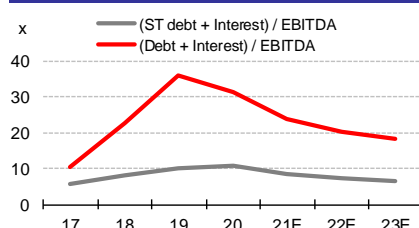
Profit margins



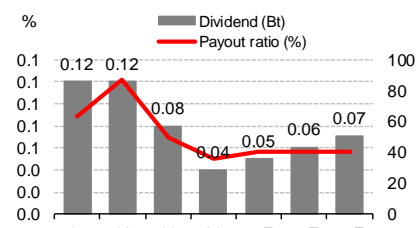
Capital expenditure



Debt serviceability



Dividend payout



SIRI: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q20	4Q20	1Q21	2Q21	3Q21
Revenue	8,316	8,168	6,575	7,803	6,963
Cost of sales and services	(5,932)	(5,762)	(4,692)	(5,229)	(4,714)
Gross profit	2,384	2,406	1,883	2,574	2,249
SG&A	(1,442)	(2,017)	(1,265)	(1,570)	(1,349)
EBIT	942	389	618	1,004	900
Interest expense	(213)	(260)	(306)	(286)	(284)
Other income/exp.	190	464	184	229	262
EBT	918	594	495	947	879
Corporate tax	(243)	(171)	(151)	(273)	(245)
After-tax net profit (loss)	675	423	344	675	634
Minority interest	32.7	61.4	25.3	19.5	(1.9)
Equity earnings from affiliates	49	81	7	(35)	(4)
Extra items	8	23	7	3	0
Net profit (loss)	765	588	384	662	628
Reported EPS	0.05	0.04	0.03	0.04	0.04
Fully diluted EPS	0.05	0.04	0.03	0.04	0.04
Core net profit	757	565	377	659	628
Core EPS	0.05	0.04	0.03	0.04	0.04
EBITDA	1,131	853	801	1,233	1,163

KEY RATIOS

Gross margin (%)	28.7	29.5	28.6	33.0	32.3
EBITDA margin (%)	13.6	10.4	12.2	15.8	16.7
Operating margin (%)	11.3	4.8	9.4	12.9	12.9
Net margin (%)	9.2	7.2	5.8	8.5	9.0
Core profit margin (%)	9.1	6.9	5.7	8.4	9.0
BV (Bt)	2.5	2.6	2.7	2.7	2.8
ROE (%)	8.6	6.3	4.0	6.9	6.4
ROA (%)	2.8	2.1	1.3	2.3	2.2
Current ratio (x)	2.7	2.2	2.0	2.0	1.9
Gearing ratio (x)	1.6	1.6	1.5	1.5	1.5
Interest coverage (x)	4.4	1.5	2.0	3.5	3.2

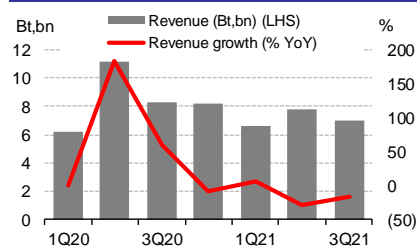
QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	2,425	3,007	2,729	3,477	2,844
Accounts receivable	2,031	1,667	1,429	1,598	1,447
Inventories	63,303	56,081	57,170	57,390	57,785
PP&E-net	20,846	31,156	29,297	29,366	28,852
Other assets	21,897	20,722	23,837	23,414	25,486
Total assets	110,502	112,632	114,462	115,245	116,413
Accounts payable	2,356	2,214	2,393	2,632	2,476
ST debts & current portion	2,786	4,042	3,021	3,994	6,943
Long-term debt	56,976	58,388	56,651	56,995	55,995
Other liabilities	11,025	8,790	12,585	11,639	10,094
Total liabilities	73,143	73,435	74,650	75,259	75,508
Paid-up capital	15,903	15,903	15,903	15,903	15,918
Share premium	2,296	2,355	2,355	2,355	2,358
Retained earnings	13,962	14,491	14,793	14,779	15,336
Shareholders equity	35,432	37,376	38,017	38,210	39,130
Minority interests	1,928.1	1,821.7	1,795.8	1,775.6	1,775.4
Total Liab.&Shareholders' equity	110,502	112,632	114,462	115,245	116,413

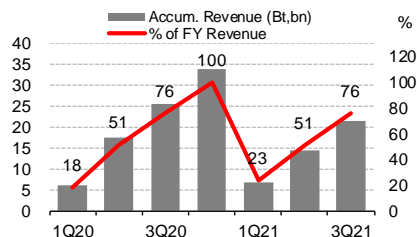
KEY STATS

Total presales (Btm)	3,250	3,339	6,041	7,929	6,157
YoY change in presales	14%	-51%	-9%	-39%	89%
Resi revenue (Btm)	7,635	7,203	6,044	7,249	6,451
YoY change in resi revenue	87%	-6%	12%	-30%	-16%
Resi GM	28.8%	32.2%	29.8%	34.8%	33.4%
Rental revenue (Btm)	681	965	531	553	511

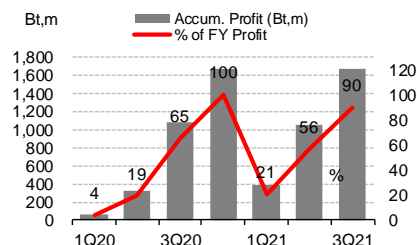
Revenue trend



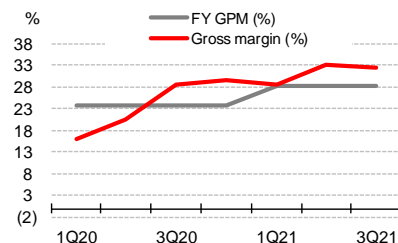
Revenue trend (accumulated)



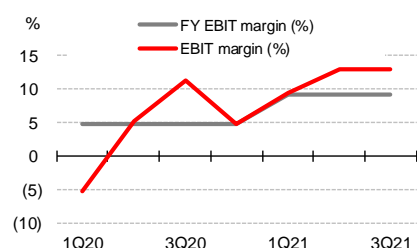
Net profit trend (accumulated)



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 : 3Q21 results

FY Ended 31 Dec (Btm)	3Q21	3Q20	YoY %	2Q21	QoQ %	9M21	9M20	YoY %
Income Statement								
Revenue	6,963	8,316	(16)	7,803	(11)	21,340	25,611	(17)
Cost of sales and services	(4,714)	(5,932)	(21)	(5,229)	(10)	(14,635)	(19,959)	(27)
EBITDA	1,163	1,131	3	1,233	(6)	3,197	1,809	77
EBIT	900	942	(4)	1,004	(10)	2,521	1,209	109
Interest expense	(284)	(213)	33	(286)	(1)	(876)	(718)	22
Other income/exp.	262	190	38	229	14	676	599	13
Equity earnings from affiliates	(4)	49	0	(35)	0	(31)	348	0
Extra items	0	8	(100)	3	(100)	10	60	(83)
EBT	879	918	(4)	947	(7)	2,321	1,090	113
Corporate tax	(245)	(243)	nm	(273)	nm	(669)	(569)	nm
Minority interest	(1.9)	32.7	100	19.5	100	42.9	155.0	100
Net profit (loss)	628	765	(18)	662	(5)	1,674	1,085	54
Reported EPS	0.04	0.05	(18)	0.04	(5)	0.11	0.07	54
Core net profit	628	757	(17)	659	(5)	1,664	1,025	62
Key ratios								
Gross margin (%)	32.3	28.7		33.0		31.4	22.1	
EBITDA margin (%)	16.7	13.6		15.8		15.0	7.1	
EBIT margin (%)	12.9	11.3		12.9		11.8	4.7	
Tax rate (%)	27.9	26.4		28.8		28.8	52.2	
Net margin (%)	9.0	9.2		8.5		7.8	4.2	
Current ratio (x)	1.9	2.7		2.0		1.9	2.7	
Gearing ratio (x)	1.5	1.6		1.5		1.5	1.6	
Interest coverage (x)	3.2	4.4		3.5		2.9	1.7	
Balance Sheet								
Cash & Equivalent	2,844	2,425	17	3,477	(18)			
Total assets	116,413	110,502	5	115,245	1			
ST debts & current portion	6,943	2,786	149	3,994	74			
Long-term debt	55,995	56,976	(2)	56,995	(2)			
Total liabilities	75,508	73,143	3	75,259	0			
Retained earnings	15,336	13,962	10	14,779	4			
Shareholders equity	39,130	35,432	10	38,210	2			
Minority interests	1,775	1,928	(8)	1,776	(0)			
BV (Bt)	2.8	2.5	9	2.7	2			

• Residential sales declined by 18% YoY and 5% QoQ

• Residential GM fattened 4.7% YoY but slimmed back 1.4% QoQ

• The SG&A/sales ratio rose 2.0% YoY but declined 0.8% QoQ

• A shallow loss was marked on JV projects

• Core earnings beat our estimate modestly and beat the street by a mile

• Net gearing remains high

Sources: Company data, Bualuang Research estimates

Figure 2 : Forecast changes

Btm	Old	2021E		Chg.	2022E		Chg.
		Old	New		Old	New	
Core profit	1,864		2,281	22%	2,257	2,477	10%
Core EPS (Bt)	0.13		0.15	22%	0.15	0.17	10%
DPS(Bt)	0.05		0.06	22%	0.06	0.07	10%
Dividend yield	4.3%		4.8%	0.5%	5.1%	5.2%	0.0%
Total revenue	28,240		28,773	2%	30,291	30,134	-1%
Residential revenue	25,216		26,645	6%	27,252	27,571	1%
Residential GM	30.0%		32.9%	2.9%	30.5%	33.1%	2.6%
SG&A/Sale	19.2%		20.5%	1.2%	18.8%	20.7%	1.9%
Equity income	158		18	-89%	239	239	0%
Core margin	6.6%		7.9%	1.3%	7.5%	8.2%	0.8%

Sources: Company data and Bualuang Securities Research

Bualuang Securities Public Company Limited

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KBANK	KCE	KTC	MINT	PTG	PTT	PTTEP	PITGC	SCB	SPRC	TASCO	TOP	WHA	ESSO	CKP
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
LH	EA	SPALI	RBF	EPG	ICHI	PTL	STGT	TKN	DELTA	MAJOR	MEGA	ACE	JMART	BEC
SYNEX	QH													

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Financial Advisor	Lead underwriter/ Underwriter/ Co-underwriter
TFM	HENG, TFM

CG Rating

Score Range

90 – 100
80 – 89
70 – 79
60 – 69
50 – 00359
Below 50

Score Range



No logo given

Description

Excellent
Very Good
Good
Satisfactory
Pass
N/A

Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors

- companies that have **declared** their intention to join CAC, and
- companies **certified** by CAC.

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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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