



Sansiri PCL

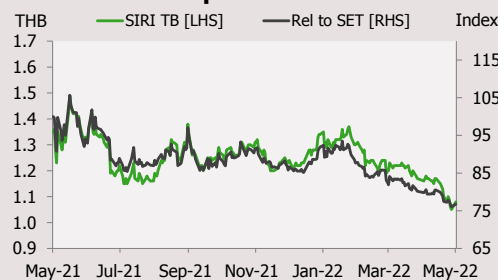
SIRI TB Outperform

Target Price	Bt	1.30
Price (17/05/2022)	Bt	1.08
Upside	%	20.37
Valuation		SOTP
Sector		Property Development
Market Cap	Btm	16,077
30-day avg turnover	Btm	69.51
No. of shares on issue	m	14,886
CG Scoring		Excellent
Anti-Corruption Indicator		Certified

Investment fundamentals

Year end Dec 31	2021A	2022E	2023E	2024E
Company Financials				
Revenue (Btmn)	28,642	28,311	29,766	31,252
Core profit (Btmn)	2,017	1,991	2,180	2,317
Net profit (Btmn)	2,017	2,065	2,164	2,301
Net EPS (Bt)	0.14	0.14	0.15	0.15
DPS (Bt)	0.06	0.06	0.07	0.07
BVPS (Bt)	2.64	2.67	2.73	2.79
Net EPS growth (%)	20.41	2.48	4.81	6.35
ROA (%)	1.69	1.76	1.88	1.96
ROE (%)	5.27	5.23	5.39	5.61
Net D/E (x)	1.57	1.43	1.35	1.40
Valuation				
P/E (x)	9.07	7.78	7.42	6.98
P/BV (x)	0.47	0.40	0.40	0.39
EV/EBITDA (x)	18.39	16.70	15.95	15.97
Dividend yield (%)	4.88	5.75	6.07	6.45

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

1Q22 earnings start year at very low level

- SIRI reported 1Q22 earnings of Bt303mn, down 21% YoY and 12% QoQ. This was in line with our expectations and the consensus estimate.
- 1Q22 earnings fell on a top line dip. Excluding gains from land sales, core earnings fell 46% YoY, 39% QoQ and were equal to 11% of our 2022 call.
- We maintain our OP rating and 2022 TP of Bt1.30. An earnings recovery on higher new launches and backlog transfer should support our call.

Investment Highlights

- **1Q22 earnings fell YoY and QoQ on top-line shortfall.** SIRI reported 1Q22 earnings of Bt303mn, down 21% YoY and 12% QoQ. This was in line with our forecast of Bt312mn and the consensus estimate of Bt289mn. However, after stripping out gains from sales of land of Bt117mn (before tax), its 1Q22 core earnings slid 46% YoY and 39% QoQ, far below our and market expectations. A top line contraction of 26% YoY and 30% QoQ, mainly caused by a slowdown in 1Q22 low-rise presales and a lack of planned condo backlog transfer was the key factor dragging down earnings in the quarter. This was despite 1Q22 GPM improving to 31.7%, its standard level. While 1Q22 NPM of 5.8% remained low compared with the sector average in 2019-21 of 16.2%, it improved modestly from 5.6% in 1Q21 and 4.5% in 4Q21. In our view, this result does not represent a good start to the year given that 1Q22 earnings were equal to only 11% of our 2022E forecast.
- **Key focus moved to profitability.** SIRI disclosed that one of the key reasons for the drop in revenue in 1Q22 was its desire to boost profitability by increasing selling prices. Also, it delayed the launch for four (short-cycle) low-rise projects. While these actions clearly hurt its top line as seen by the drop in 1Q22 low-rise presales of 16% YoY and 6% QoQ, we see a series of new projects that will have new designs and features and pricing that better reflects current cost levels drawing demand to its housing projects. Its top line should thus improve quite well while generating a standard level of margin, unlike what we saw in 1Q20-1Q21 when a heavy pricing strategy applied to boost cash flow pulled down NPM to abnormally low levels of 0.9% and 2.3% in 1Q20 and 2Q20 respectively.
- **Performance of new projects and backlog transfer will be key focus.** In 2Q22, SIRI plans to add 17 new housing projects worth Bt14bn after launching 6 projects valued at Bt9.6bn in 1Q22. This means it will have 23 new projects totaling Bt26.4bn available to open in 2H22 based on its launch plan of 46 projects valued at Bt50.0bn in 2022. Given the new projects will be added in new locations and feature new designs, SIRI believes they will help it to grow quarterly presales continuously over 2022. As most of the new projects are low-rise products that can be transferred in a short period of time (about 2-3 months after launch) and SIRI has more than Bt10bn of backlog (out of about Bt20bn at the end of 1Q22) to be transferred in 2Q-4Q22, we see it still being on pace to enlarge its quarterly earnings continuously in 2022, particularly in 4Q22 when its giant condo project, XT Phayathai (Bt10bn, 50% sold), will start rights transfers.

Valuation and Recommendation

- We maintain our Outperform rating and 2022 target price of Bt1.30 for SIRI. While the weak 1Q22 earnings may hold back its share price in the short term, we see the improving direction of its quarterly presales and profitability allowing it to grow earnings steadily over 2022 and this will help lift its 2022 earnings moderately from 2021. On top of that, investors may expect a sound 2022E DY of 5.7% from the latest closing price.



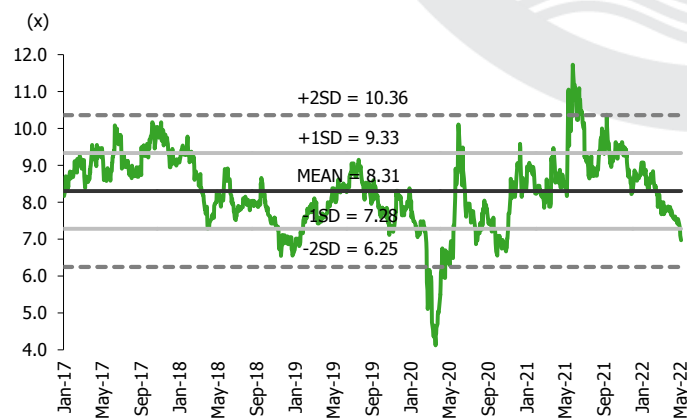
Fig 1 1Q22 earnings review

	1Q21	2Q21	3Q21	4Q21	1Q22	%YoY	%QoQ	%YTD2022E	2022E
Financials									
Sales (Btmn)	6,694	7,845	7,016	7,087	4,939	-26.2	-30.3	17.4	28,311
EBITDA (Btmn)	1,017	1,442	1,361	763	811	-20.2	6.4	17.9	4,524
Operating profit (Btmn)	808	1,236	1,163	559	598	-26.1	7.0	16.4	3,648
Core profit (Btmn)	384	662	628	343	209	-45.6	-39.1	10.5	1,991
Net profit (Btmn)	384	662	628	343	303	-21.2	-11.8	14.7	2,065
Net EPS (Bt)	0.03	0.04	0.04	0.02	0.02	-21.3	-11.8	14.6	0.14
Performance Drivers									
Presales (Btmn)	6,042	7,929	6,133	5,976	5,982	-1.0	0.1	20.5	29,185
New launch (Btmn)	0	2,180	1,273	3,210	9,608	n.m.	199.3	19.2	50,000
Net D/E (x)	1.5	1.5	1.5	1.6	1.6	10.3	3.3	113.3	1.4
Ratios									
						Change *		Avg YTD	2022E
Gross margin (%)	28.3	32.6	32.1	32.9	31.7	3.3	-1.3	31.7	32.3
EBITDA margin (%)	15.2	18.4	19.4	10.8	16.4	1.2	5.7	16.4	16.0
Optg. margin (%)	12.1	15.8	16.6	7.9	12.1	0.0	4.2	12.1	12.9
ROE (%)	4.0	6.9	6.4	3.5	3.1	-1.0	-0.4	3.1	0.1

Remark: * = Change in ppt

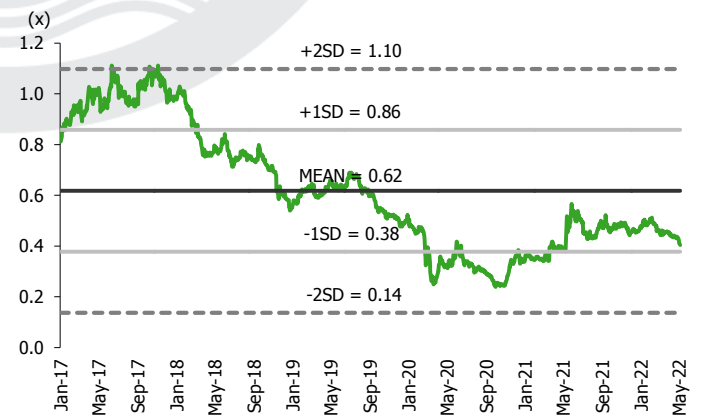
Source: Company data and KS Research

Fig 2 5-year 12M Fwd PER



Source: Bloomberg and KS Research

Fig 3 5-year 12M Fwd PBV



Source: Bloomberg and KS Research


Year-end 31 Dec

Income Statement (Btmn)						Cashflow (Btmn)					
	2020A	2021A	2022E	2023E	2024E		2020A	2021A	2022E	2023E	2024E
Revenue	33,833	28,642	28,311	29,766	31,252	Net profit	1,458	1,939	2,065	2,201	2,340
Cost of sales and services	-25,768	-19,607	-19,179	-20,278	-21,299	Depreciation & amortization	827	817	876	920	860
Gross Profit	8,065	9,035	9,132	9,487	9,953	Change in working capital	-23,079	-24,275	3,296	3,158	-2,306
SG&A	-6,460	-6,375	-6,589	-6,931	-7,157	Others	23,625	19,146	-224	-77	4
Other income	1,058	1,106	1,105	1,123	1,145	CF from operation activities	2,831	-2,374	6,013	6,202	898
EBIT	3,196	3,841	3,872	3,757	3,937	Capital expenditure	-4,365	-702	-111	-790	-776
EBITDA	3,490	4,583	4,524	4,600	4,801	Investment in subs and affiliates	-200	-220	160	-51	-53
Interest expense	-978	-1,165	-1,215	-989	-993	Others	4,884	-2,508	519	-1,847	-1,975
Equity earnings	452	75	127	93	12	CF from investing activities	319	-3,430	569	-2,688	-2,804
EBT	2,218	2,675	2,657	2,768	2,944	Cash dividend	-848	-594	-1,203	-938	-994
Income tax	-760	-737	-592	-567	-604	Net proceeds from debt	-7,133	5,825	-4,025	-2,037	3,443
NPAT	1,458	1,939	2,065	2,201	2,340	Capital raising	0	0	-26	0	0
Minority Interest	215	79	-0	-37	-39	Others	5,706	-253	-961	-409	-409
Core Profit	1,595	2,017	1,991	2,180	2,317	CF from financing activities	-2,275	4,977	-6,215	-3,383	2,040
Extraordinary items	79	-0	74	-16	-16	Net change in cash	875	-826	367	131	134
FX gain (loss)	0	0	0	0	0						
Reported net profit	1,673	2,017	2,065	2,164	2,301						
Balance Sheet (Btmn)						Key Statistics & Ratios					
Cash & equivalents	3,007	2,181	2,548	2,679	2,813	Per share (Bt)					
ST investments	0	0	425	446	469	Reported EPS	0.11	0.14	0.14	0.15	0.15
Accounts receivable	1,667	1,385	1,840	1,786	1,875	Core EPS	0.11	0.14	0.13	0.15	0.16
Inventories	56,766	55,691	56,657	54,471	57,191	DPS	0.04	0.06	0.06	0.07	0.07
Other current assets	7,470	6,782	7,659	7,459	7,690	BV	2.51	2.64	2.67	2.73	2.79
Total current assets	68,909	66,039	69,129	66,842	70,038	EV	4.81	5.66	5.08	4.94	5.16
Investment in subs & others	172	444	283	298	313	Free Cash Flow	-0.10	-0.21	0.40	0.36	0.01
Fixed assets-net	38,449	42,645	42,985	44,885	46,807	Valuation analysis					
Other assets	5,103	7,504	4,968	4,901	4,907	Reported P/E (x)	7.20	9.07	7.78	7.42	6.98
Total assets	112,632	116,632	117,365	116,926	122,064	Core P/E (x)	7.55	9.07	8.06	7.36	6.93
Short-term debt	20,147	30,352	30,270	31,664	28,223	P/BV (x)	0.32	0.47	0.40	0.40	0.39
Accounts payable	2,214	1,084	2,548	2,679	2,813	P/BV (x) - excluding perp bond	0.37	0.53	0.46	0.45	0.44
Other current assets	8,352	6,209	9,626	10,120	10,626	EV/EBITDA (x)	20.49	18.39	16.70	15.95	15.97
Total current liabilities	30,713	37,645	42,444	44,463	41,661	Price/Cash flow (x)	4.25	-7.71	2.67	2.59	17.87
Long-term debt	40,500	36,063	31,109	27,678	34,563	Dividend yield (%)	4.94	4.88	5.75	6.07	6.45
Other liabilities	2,222	1,957	2,971	3,126	3,284	Profitability ratios					
Total liabilities	73,435	75,665	76,523	75,268	79,507	Gross margin (%)	23.84	31.55	32.26	31.87	31.85
Paid-up capital	15,903	15,925	15,903	15,903	15,903	EBITDA margin (%)	10.31	16.00	15.98	15.46	15.36
Share premium	2,355	2,359	2,355	2,355	2,355	EBIT margin (%)	9.45	13.41	13.68	12.62	12.60
Reserves & others, net	6,333	7,151	7,228	7,228	7,228	Net profit margin (%)	4.31	6.77	7.29	7.39	7.49
Retained earnings	12,785	13,790	14,243	15,060	15,958	ROA (%)	1.32	1.69	1.76	1.88	1.96
Minority interests	1,822	1,741	1,113	1,113	1,113	ROE (%)	4.90	5.27	5.23	5.39	5.61
Total shareholders' equity	39,197	40,967	40,842	41,659	42,557	Liquidity ratios					
Total equity & liabilities	112,632	116,632	117,365	116,926	122,064	Current ratio (x)	2.24	1.75	1.63	1.50	1.68
						Quick ratio (x)	0.15	0.09	0.11	0.11	0.12
Key Assumptions						Leverage Ratios					
New launch (Btmn)	15,441	6,700	50,000	40,500	44,500	Liabilities/Equity ratio (x)	1.87	1.85	1.87	1.81	1.87
Pre-sales	26,325	26,081	29,185	32,978	34,470	Net debt/EBITDA (x)	16.52	14.02	12.91	12.22	12.39
Revenue growth (%)	39.17	-15.34	-1.15	5.14	4.99	Net debt/equity (x)	1.47	1.57	1.43	1.35	1.40
Gross margin (%)	23.84	31.55	32.26	31.87	31.85	Int. coverage ratio (x)	3.27	3.30	3.19	3.80	3.96
SG&A to sales (%)	19.09	22.26	23.27	23.28	22.90	Growth					
						Revenue (%)	39.17	-15.34	-1.15	5.14	4.99
						EBITDA (%)	16.66	31.32	-1.28	1.69	4.36
						Reported net profit (%)	-30.07	20.57	2.34	4.81	6.35
						Reported EPS (%)	-33.46	20.41	2.48	4.81	6.35
						Core profit (%)	-27.18	26.52	-1.32	9.51	6.30
						Core EPS (%)	-30.71	26.35	-1.19	9.51	6.30

Source: Company, KS estimates



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