

Sansiri

SIRI TB / SIRI.BK

May 19, 2022

Bottomed out in 1Q22; better numbers ahead

In line with our estimate, but below the consensus

SIRI reported a net profit of Bt303m for 1Q22, down by 21% YoY and 12% QoQ. Stripping out a one-off impairment, core earnings would be Bt358m, down by 5% YoY and 18% QoQ (expenses tied to providing the *Moderna* COVID-19 vaccine to staff). The result was in line with our estimate, but was 12% below the street (a lower top-line than the consensus assumption).

Result highlights

The YoY and QoQ core profit decline was mainly due to lower project transference value. Residential sales were Bt4.3bn (80% low-rise, 20% condo), down by 29% YoY and 33% QoQ. Low-rise sales were Bt3.4bn, down by 22% YoY and 34% QoQ. Condo sales were Bt858m, down by 48% YoY and 30% QoQ. Residential GM was 34.8%, up from 29.8% in 1Q21 but down from 36.8% in 4Q21. The SG&A/sales ratio was 24.8%, up 5.5% YoY but down by 4.1% QoQ. Profit-sharing from JV projects totaled Bt69m (excluding a one-off impairment of Bt55m), up 820% YoY but down by 35% from the high base set by 4Q21. Net gearing remained high at 1.7x at end-Mar.

Outlook

Assuming no significant one-time extra expenses in 2Q22, we expect core earnings to decline slightly YoY but recover QoQ from the weak 1Q22 result. Residential sales are likely to drop YoY but rise QoQ (delayed transference from 1Q22). We expect residential GM to be flattish YoY and QoQ. The SG&A/revenue ratio will increase YoY but fall QoQ (a higher top-line). SIRI will start transferring *The Base Phetchaburi-Thonglor* (Bt1.9bn, 55% booked) in 2Q22.

What's changed?

1Q22 core profit comprises only 15% of our full-year forecast (and 16% of the consensus projection), which stands unchanged at Bt2.3bn, up 10% YoY. We assume 2022 residential sales of Bt28bn, up 6% YoY, and a core margin of 7.6%, up 50bps YoY. Net gearing will remain high in the 1.5-1.6x range at YE22. SIRI should pay a DPS for 2022 of Bt0.06 (a 39% payout rate), a 5.5% yield.

Recommendation

We suggest buying on dips, as the market has already anticipated and priced in the weak 1Q22 result—the stock price has dropped 14% YTD. Our BUY call stands to a new YE22 target price of Bt1.50, pegged to a PER of 9.5x (1SD above SIRI's long-term mean in order to factor in its aggressive 2022 business plan).

Sector: Residential Property **NEUTRAL**
Rating: BUY
Target Price: Bt1.50
Price (May 19, 2022): Bt1.10

Key statistics

Market cap	Bt16.4bn	USD0.5bn
12-mth price range	Bt0.9/Bt1.5	
12-mth avg daily volume	Bt357m	USD10.3m
# of shares (m)	14,886	
Est. free float (%)	71.6	
Foreign limit (%)	39.0	

Share price perf. (%)	1M	3M	12M
Relative to SET	(2.7)	(11.9)	5.5
Absolute	(6.0)	(17.3)	8.9

Financial summary

FY Ended 31 Dec	2021	2022E	2023E	2024E
Revenues (Btm)	28,590	30,293	32,240	33,739
Net profit (Btm)	2,017	2,317	2,600	2,720
EPS (Bt)	0.14	0.16	0.17	0.18
EPS growth (%)	+20.4%	+14.9%	+12.2%	+4.6%
Core profit (Btm)	2,097	2,317	2,600	2,720
Core EPS (Bt)	0.14	0.16	0.17	0.18
Core EPS growth (%)	+31.7%	+10.5%	+12.2%	+4.6%
PER (x)	9.1	7.1	6.3	6.0
PBV (x)	0.4	0.4	0.4	0.4
Dividend (Bt)	0.1	0.1	0.1	0.1
Dividend yield (%)	4.9	5.5	6.2	6.5
ROE (%)	5.3	5.8	6.3	6.3

CG/Anti-corruption

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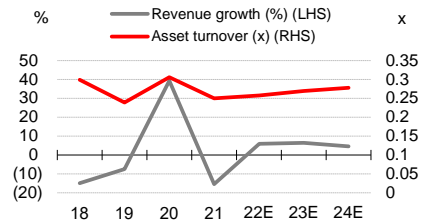
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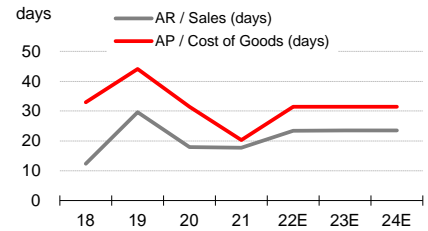
SIRI: Financial Tables – Year

	2020	2021	2022E	2023E	2024E
PROFIT & LOSS (Btm)					
Revenue	33,780	28,590	30,293	32,240	33,739
Cost of sales and services	(25,721)	(19,557)	(20,940)	(22,257)	(23,272)
Gross profit	8,059	9,033	9,353	9,983	10,467
SG&A	(6,460)	(6,275)	(6,590)	(7,020)	(7,351)
EBIT	1,599	2,758	2,763	2,963	3,116
Interest expense	(978)	(1,165)	(1,263)	(1,325)	(1,387)
Other income/exp.	1,064	1,108	1,207	1,268	1,333
EBT	1,685	2,700	2,707	2,907	3,062
Corporate tax	(739)	(757)	(669)	(753)	(789)
After-tax net profit (loss)	946	1,944	2,039	2,154	2,274
Minority interest	215.3	78.7	78.7	78.7	78.7
Equity earnings from affiliates	429	75	200	368	368
Extra items	83	(80)	0	0	0
Net profit (loss)	1,673	2,017	2,317	2,600	2,720
Reported EPS	0.11	0.14	0.16	0.17	0.18
Fully diluted EPS	0.11	0.14	0.16	0.17	0.18
Core net profit	1,590	2,097	2,317	2,600	2,720
Core EPS	0.11	0.14	0.16	0.17	0.18
EBITDA	1,918	3,087	2,878	3,082	3,237
KEY RATIOS					
Revenue growth (%)	39.2	(15.4)	6.0	6.4	4.6
Gross margin (%)	23.9	31.6	30.9	31.0	31.0
EBITDA margin (%)	5.7	10.8	9.5	9.6	9.6
Operating margin (%)	4.7	9.6	9.1	9.2	9.2
Net margin (%)	5.0	7.1	7.6	8.1	8.1
Core profit margin (%)	4.7	7.3	7.6	8.1	8.1
ROA (%)	1.5	1.8	2.0	2.2	2.2
ROCE (%)	1.7	2.0	2.2	2.4	2.5
Asset turnover (x)	0.3	0.2	0.3	0.3	0.3
Current ratio (x)	2.2	1.8	1.8	1.8	1.8
Gearing ratio (x)	1.5	1.6	1.5	1.5	1.4
Interest coverage (x)	1.6	2.4	2.2	2.2	2.2
BALANCE SHEET (Btm)					
Cash & Equivalent	3,007	2,181	(515)	(2,624)	(3,666)
Accounts receivable	1,667	1,385	1,943	2,079	2,183
Inventory	56,081	55,143	59,045	62,152	64,207
PP&E-net	3,546	3,470	3,586	3,894	4,203
Other assets	48,332	54,453	54,653	55,021	55,388
Total assets	112,632	116,632	118,713	120,522	122,315
Accounts payable	2,214	1,084	1,803	1,916	2,004
ST debts & current portion	19,971	30,173	30,173	30,173	30,173
Long-term debt	38,911	34,532	34,532	34,532	34,532
Other liabilities	12,338	9,876	9,876	9,876	9,876
Total liabilities	73,435	75,665	76,384	76,497	76,585
Paid-up capital	15,903	15,925	15,925	15,925	15,925
Share premium	2,355	2,359	2,359	2,359	2,359
Retained earnings	14,491	15,597	16,959	18,655	20,361
Shareholders equity	37,376	39,225	40,587	42,283	43,989
Minority interests	1,822	1,741	1,741	1,741	1,741
Total Liab.&Shareholders' equity	112,632	116,632	118,713	120,522	122,315
CASH FLOW (Btm)					
Net income	1,673	2,017	2,317	2,600	2,720
Depreciation and amortization	318	330	115	118	121
Change in working capital	(23,792)	(24,981)	(3,742)	(3,129)	(2,072)
FX, non-cash adjustment & others	24,631	20,261	(0)	(0)	0
Cash flows from operating activities	2,831	(2,374)	(1,310)	(411)	769
Capex (Invest)/Divest	319	(3,430)	(431)	(794)	(797)
Others	0	0	0	0	0
Cash flows from investing activities	319	(3,430)	(431)	(794)	(797)
Debt financing (repayment)	(4,911)	8,202	0	0	0
Equity financing	0	0	0	0	0
Dividend payment	(976)	1,003	(955)	(904)	(1,014)
Others	0	0	0	0	0
Cash flows from financing activities	(2,302)	4,844	(822)	(904)	(1,014)
Net change in cash	848	(959)	(2,563)	(2,108)	(1,042)
Free cash flow (Btm)	3,150	(5,803)	(1,741)	(1,204)	(28)
FCF per share (Bt)	0.21	(0.39)	(0.12)	(0.08)	(0.00)
KEY ASSUMPTIONS					
Total presales (Btm)	26,156	28,772	31,649	34,814	38,295
YoY change in presales	26%	10%	10%	10%	10%
Housing revenue (Btm)	30,559	26,170	27,761	29,694	31,179
YoY change in housing revenue	60%	-14%	6%	7%	5%
Secured revenue by backlogs (Btm)	-	-	7,664	234	235
% of secured revenue by backlogs	-	-	28%	1%	1%
Housing GM	25.0%	33.8%	32.5%	32.5%	32.5%

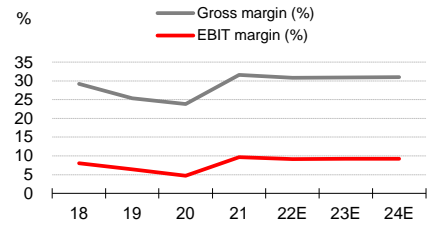
Revenue growth and asset turnover



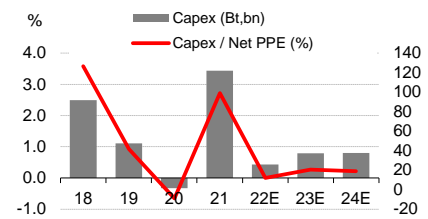
A/C receivable & A/C payable days



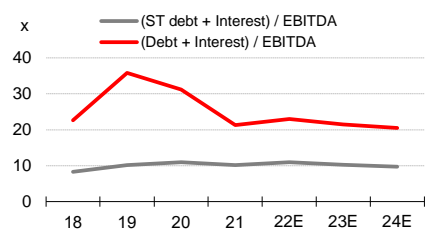
Profit margins



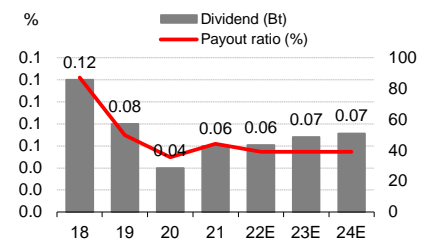
Capital expenditure



Debt serviceability

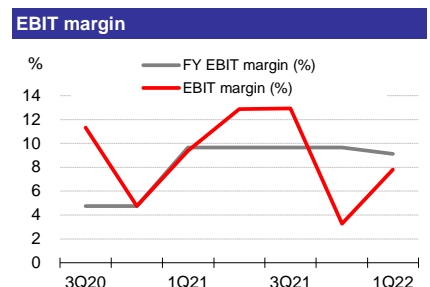
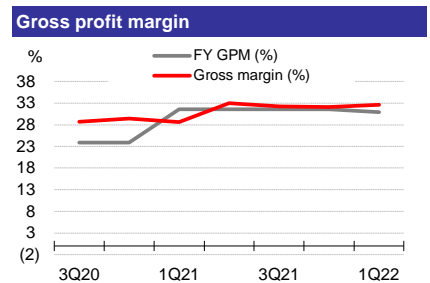
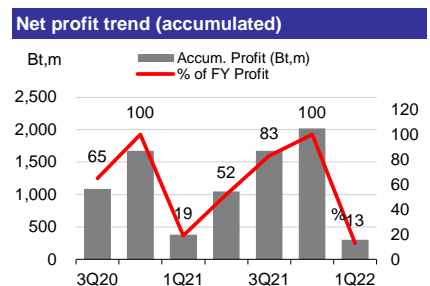
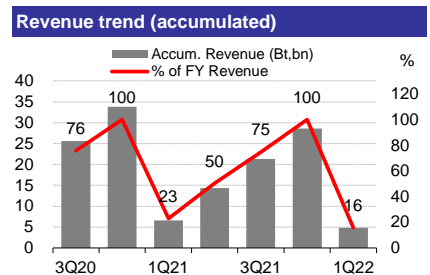
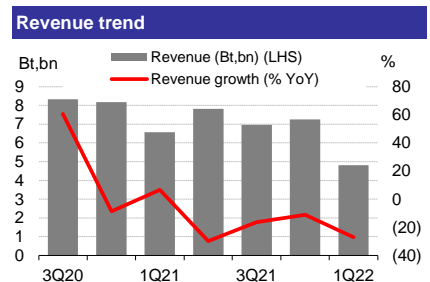


Dividend payout



SIRI: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	1Q21	2Q21	3Q21	4Q21	1Q22
Revenue	6,575	7,803	6,963	7,249	4,806
Cost of sales and services	(4,692)	(5,229)	(4,714)	(4,922)	(3,240)
Gross profit	1,883	2,574	2,249	2,327	1,565
SG&A	(1,265)	(1,570)	(1,349)	(2,091)	(1,190)
EBIT	618	1,004	900	236	375
Interest expense	(306)	(286)	(284)	(290)	(325)
Other income/exp.	184	229	262	433	340
EBT	495	947	879	379	390
Corporate tax	(151)	(273)	(245)	(88)	(130)
After-tax net profit (loss)	344	675	634	291	260
Minority interest	25.3	19.5	(1.9)	37.0	28.7
Equity earnings from affiliates	7	(35)	(4)	106	69
Extra items	7	3	0	(90)	(55)
Net profit (loss)	384	662	628	344	303
Reported EPS	0.03	0.04	0.04	0.02	0.02
Fully diluted EPS	0.03	0.04	0.04	0.02	0.02
Core net profit	377	659	628	434	358
Core EPS	0.03	0.04	0.04	0.03	0.02
EBITDA	801	1,233	1,163	669	715
KEY RATIOS					
Gross margin (%)	28.6	33.0	32.3	32.1	32.6
EBITDA margin (%)	12.2	15.8	16.7	9.2	14.9
Operating margin (%)	9.4	12.9	12.9	3.3	7.8
Net margin (%)	5.8	8.5	9.0	4.7	6.3
Core profit margin (%)	5.7	8.4	9.0	6.0	7.4
BV (Bt)	2.7	2.7	2.8	2.8	2.8
ROE (%)	4.0	6.9	6.4	3.5	3.1
ROA (%)	1.3	2.3	2.2	1.2	1.0
Current ratio (x)	2.0	2.0	1.9	1.8	1.7
Gearing ratio (x)	1.5	1.5	1.5	1.7	1.6
Interest coverage (x)	2.0	3.5	3.2	0.8	1.2
QUARTERLY BALANCE SHEET (Btm)					
Cash & Equivalent	2,729	3,477	2,844	2,181	2,186
Accounts receivable	1,429	1,598	1,447	1,385	1,220
Inventory	57,170	57,390	57,785	55,143	57,056
PP&E-net	29,297	29,366	28,852	33,936	33,103
Other assets	23,837	23,414	25,486	23,988	25,975
Total assets	114,462	115,245	116,413	116,632	119,540
Accounts payable	2,393	2,632	2,476	1,084	1,187
ST debts & current portion	3,021	3,994	6,943	9,874	9,919
Long-term debt	56,651	56,995	55,995	58,057	57,860
Other liabilities	12,585	11,639	10,094	6,651	9,453
Total liabilities	74,650	75,259	75,508	75,665	78,419
Paid-up capital	15,903	15,903	15,918	15,925	15,928
Share premium	2,355	2,355	2,358	2,359	2,360
Retained earnings	14,793	14,779	15,336	15,597	15,822
Shareholders' equity	38,017	38,210	39,130	39,225	39,410
Minority interests	1,795.8	1,775.6	1,775.4	1,741.2	1,710.2
Total Liab.&Shareholders' equity	114,462	115,245	116,413	116,632	119,540
KEY STATS					
Total presales (Btm)	6,041	7,929	6,133	5,976	5,982
YoY change in presales	-9%	-39%	89%	79%	-1%
Resi revenue (Btm)	6,044	7,249	6,451	6,425	4,288
YoY change in resi revenue	12%	-30%	-16%	-11%	-29%
Resi GM	29.8%	34.8%	33.4%	36.8%	34.8%
Rental revenue (Btm)	531	553	511	824	518



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 : 1Q22 results

FY Ended 31 Dec (Btm)	1Q22	1Q21	YoY %	4Q21	QoQ %	3M22	3M21	YoY %	3M22 vs.
Income Statement									
Revenue	4,806	6,575	(27)	7,249	(34)	4,806	6,575	(27)	16
Cost of sales and services	(3,240)	(4,692)	(31)	(4,922)	(34)	(3,240)	(4,692)	(31)	15
EBITDA	715	801	(11)	669	7	715	801	(11)	25
EBIT	375	618	(39)	236	59	375	618	(39)	14
Interest expense	(325)	(306)	6	(290)	12	(325)	(306)	6	26
Other income/exp.	340	184	85	433	(22)	340	184	85	28
Equity earnings from affiliates	69	7	0	106	0	69	7	0	0
Extra items	(55)	7	(855)	(90)	nm	(55)	7	(855)	
EBT	390	495	(21)	379	3	390	495	(21)	14
Corporate tax	(130)	(151)	nm	(88)	nm	(130)	(151)	nm	
Minority interest	28.7	25.3	100	37.0	100	28.7	25.3	100	
Net profit (loss)	303	384	(21)	344	(12)	303	384	(21)	13
Reported EPS	0.02	0.03	(21)	0.02	(12)	0.02	0.03	(21)	
Core net profit	358	377	(5)	434	(18)	358	377	(5)	15
Key ratios									
Gross margin (%)	32.6	28.6		32.1		32.6	28.6		
EBITDA margin (%)	14.9	12.2		9.2		14.9	12.2		
EBIT margin (%)	7.8	9.4		3.3		7.8	9.4		
Tax rate (%)	33.2	30.5		23.2		33.2	30.5		
Net margin (%)	6.3	5.8		4.7		6.3	5.8		
Current ratio (x)	1.7	2.0		1.8		1.7	2.0		
Gearing ratio (x)	1.6	1.5		1.7		1.6	1.5		
Interest coverage (x)	1.2	2.0		0.8		1.2	2.0		
Balance Sheet									
Cash & Equivalent	2,186	2,729	(20)	2,181	0				
Total assets	119,540	114,462	4	116,632	2				
ST debts & current portion	9,919	3,021	228	9,874	0				
Long-term debt	57,860	56,651	2	58,057	(0)				
Total liabilities	78,419	74,650	5	75,665	4				
Retained earnings	15,822	14,793	7	15,597	1				
Shareholders equity	39,410	38,017	4	39,225	0				
Minority interests	1,710	1,796	(5)	1,741	(2)				
BV (Bt)	2.8	2.7	3	2.8	0				

- Residential sales slumped by 29% YoY and 33% QoQ
- Residential GM fattened 4.9% YoY but declined 2.0% QoQ
- The SG&A/sales ratio rose 5.5% YoY but slipped 4.1% QoQ
- A big YoY jump in equity-sharing income (down QoQ)
- Core profit was in line with our estimate, but missed the consensus projection
- Net gearing remained high at end-Mar

Sources: Company data, Bualuang Research estimates

Bualuang Securities Public Company Limited

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
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DOHOME	JMT	CHG	TMB	BAM	BCP	BCPG	AP	KTB	BPP	KKP	OR	BEM	GUNKUL	LH
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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

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