



Sansiri PCL

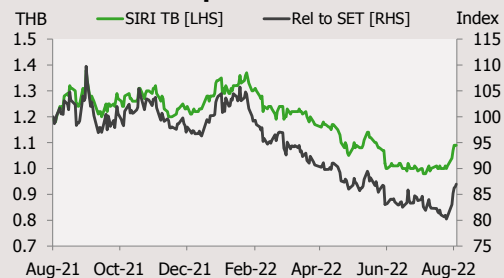
SIRI TB Outperform

Target Price	Bt	1.38
Price (19/08/2022)	Bt	1.09
Upside	%	26.61
Valuation	SOTP	
Sector	Property Development	
Market Cap	Btm	16,226
30-day avg turnover	Btm	53.44
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	30,536	32,836	33,624
Core profit (Btmn)	2,017	2,538	2,735	2,563
Net profit (Btmn)	2,017	2,653	2,719	2,547
Net EPS (Bt)	0.14	0.18	0.18	0.17
DPS (Bt)	0.06	0.08	0.08	0.08
BVPS (Bt)	2.64	2.71	2.78	2.84
Net EPS growth (%)	20.41	31.68	2.49	-6.31
ROA (%)	1.69	2.15	2.17	2.00
ROE (%)	5.27	6.68	6.67	6.09
Net D/E (x)	1.57	1.54	1.53	1.53
Valuation				
P/E (x)	9.07	6.11	5.96	6.36
P/BV (x)	0.47	0.40	0.39	0.38
EV/EBITDA (x)	18.39	17.00	17.11	17.33
Dividend yield (%)	4.88	7.41	7.55	7.08

SIRI TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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Analyst

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22 August 2022

Kasikorn Securities Public Company Limited

Signs of a strong recovery emerge

- ▶ We maintain OP rating for SIRI and raise its TP to Bt1.38 from Bt1.25. This is mainly to reflect our 2022-24E earnings revision of 12-27%.
- ▶ A great response to its new projects, more balanced new launch strategy and interest savings on an accounting adjustment back our call.
- ▶ Big expected increase in its 3Q22 presales and 4Q22 earnings as well as a recovery of its backlog will provide a strong boost to the share price.

Investment Highlights

- ▶ **2022-24E earnings revised up.** We raise our 2022-24 earnings forecasts for SIRI by 26.6%, 26.7% and 11.8% respectively. This adjustment not only reflects its better-than-expected earnings in 2Q22 (see our earnings review published on Aug. 17) but we incorporate the initial success of its new launch strategy in 2H22 to focus on pre-built small-size low-end condo projects and luxury SDH projects, which should allow it to boost presales, revenue and earnings in the short term. In addition, we see its interest expense declining sharply compared with the levels in 2019-21 on its increased ability to capitalize interest expense to assets after utilizing undeveloped land for developing projects. Moreover, the losses at its hotel business should ease on the recovery of the tourism industry globally. Based on our new forecasts, 2022-24 earnings growth will be 31.5%, 2.5% and -6.3%.
- ▶ **Aiming for strong 3Q22 presales, 4Q22 earnings.** We expect SIRI will be able to grow its 3Q22 presales dramatically to more than Bt12bn, up more than 100% YoY and 65% QoQ, thanks to: 1) the higher value of new projects launched, and 2) the great success of its 2 new luxury low-rise projects in its Krungthep Kreetha community – Narasiri (Bt5.8bn, 86 units, 90% sold) and Burasiri (Bt4.9bn, 276 units, 35% sold) – which were launched in July and have generated presales of Bt7.0bn in only 1.5 months. SIRI's YTD presales have thus surged to Bt23.5bn from Bt13.9bn in 1H22. Given these projects will start rights transfers from 4Q22 and SIRI has many ready-built small-size condo projects developed under the Condo Me brand that are due to launch in 2H22 as well as its giant condo project, XT Phayathai (Bt9.8bn, 45% sold), which will start transfers in 4Q22, we see its 4Q22 earnings increasing more than 200% both YoY and QoQ. For the moment, SIRI is maintaining its 2022 presales and transfer targets, both of which are set at Bt35bn.
- ▶ **Backlog turns uptrend. Upper condo segment will be added in 2023.** Due to the improving macro picture that has allowed SIRI to take a more aggressive approach to new developments, we see the company using more undeveloped land for new projects. Not only will this help reduce its interest charge on its P&L, as mentioned earlier, but it should allow SIRI to aggressively boost backlog, starting from 3Q22. In 4Q22, two luxury SDH projects -- Bugaan Krungthep Kreetha (Bt1.4bn, 3-storey SDH) and Narasiri Watcharapol (Bt4.0bn) -- will be its key focus. Looking forward to 2023, SIRI initially plans to launch new projects valued at the same amount as in 2022 at about Bt50bn. However, it will target higher end segments, particularly for its new condos, as it believes demand should improve in line with the macro picture. Luxury condos may thus return. As a result, backlog trend should improve further, which is positive to its medium-term growth outlook.

Valuation and Recommendation

- ▶ We maintain our Outperform rating on SIRI and raise our mid-2023 TP to Bt1.38 from Bt1.25 to reflect our earnings revision. We believe SIRI's operating performance hit bottom in 1Q22 and the strong improvement in its presales and aggressive development strategy going forward will strongly boost its earnings growth outlook. Thanks to our earnings revision, its DY return at the latest closing price increases to over 7%. In the short term, 1H22 DPS of Bt0.04 (XD on Aug. 29) and the positive response at new projects will buoy its share price, in our view.






Fig 1 2022-24E earnings revision

Unit: Btmn.	2022E			2023E			2024E		
Profit and loss statement	New	Previous	% Change	New	Previous	% Change	New	Previous	% Change
Sales revenue	27,744	25,390	9.3%	29,747	26,708	11.4%	30,379	28,178	7.8%
Service revenue	2,792	2,921	-4.4%	3,089	3,058	1.0%	3,244	3,074	5.5%
Total revenue	30,536	28,311	7.9%	32,836	29,766	10.3%	33,624	31,252	7.6%
Cost of sales	18,381	16,855	9.1%	20,113	17,906	12.3%	20,585	18,899	8.9%
Cost of services	2,463	2,324	6.0%	2,652	2,372	11.8%	2,767	2,400	15.3%
Gross profit	9,692	9,132	6.1%	10,071	9,487	6.2%	10,272	9,953	3.2%
SG&A	7,146	6,589	8.5%	7,546	6,931	8.9%	7,667	7,157	7.1%
Other income (operating)	1,355	1,105	22.7%	1,366	1,123	21.6%	1,379	1,145	20.4%
Operating profit	3,901	3,648	6.9%	3,891	3,680	5.7%	3,983	3,941	1.1%
EBITDA	4,771	4,524	5.5%	4,801	4,600	4.4%	4,833	4,801	0.7%
EBIT	4,270	3,872	10.3%	4,140	3,757	10.2%	4,093	3,937	4.0%
Interest expense	997	1,176	-15.2%	857	1,011	-15.2%	985	1,021	-3.5%
Net Profit	2,653	2,096	26.6%	2,719	2,146	26.7%	2,547	2,279	11.8%
Extra-ordinary items	115	74	55.4%	-16	-16	0.0%	-16	-16	0.0%
Core profit	2,538	2,022	25.5%	2,735	2,162	26.5%	2,563	2,295	11.7%
Key assumptions									
New launch (Btmn)	50,000	50,000	0.0%	40,500	40,500	0.0%	44,500	44,500	0.0%
Pre-sales	38,023	29,185	30.3%	36,065	32,978	9.4%	34,411	34,470	-0.2%
Revenue growth (%) *	6.6	-1.2	7.8	7.5	5.1	2.4	2.4	5.0	-2.6
Gross margin (%) *	31.7	32.3	-0.5	30.7	31.9	-1.2	30.6	31.8	-1.3
SG&A to sales (%) *	23.4	23.3	0.1	23.0	23.3	-0.3	22.8	22.9	-0.1

Remark: * = change in ppt

Source: Company data and KS Research

Fig 2 2022 new launch plan

	 SDH & MIX	 TH	 Condo	No. of Project	Project Value (MB)
1Q	1	3	2 ²	6	9,915
2Q	4	4	1	9	8,893
3Q	4 ¹	3	8	12	13,399
4Q	7	2	7	19	17,793
No. of Project	16	12	18	46	
Project Value (MB)	32,520	7,786	9,694		50,000
Proportion	65%	16%	19%	100%	

¹ including 1 JV project with Tokyu Corporation
² including 1 JV project with BTS

Source: Company data and KS Research



Fig 3 Narasiri Krungthep Kreetha



Source: Company data and KS Research

Fig 4 Burasiri Krungthep Kreetha



Source: Company data and KS Research

Fig 5 Examples of pre-built condos due to open in 2H22



Source: Company data and KS Research

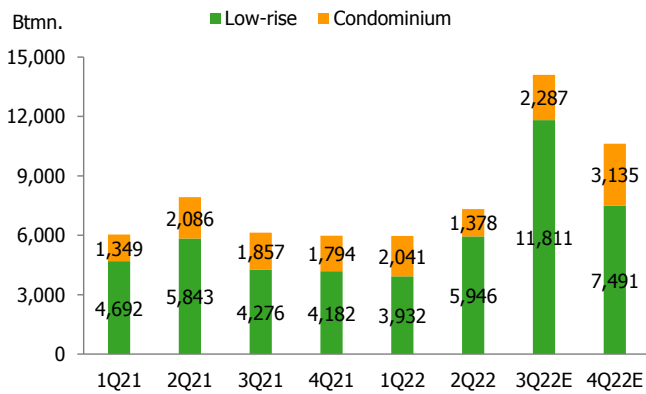
Fig 6 XT Phayathai to start rights transfers from 4Q22



Source: Company data and KS Research

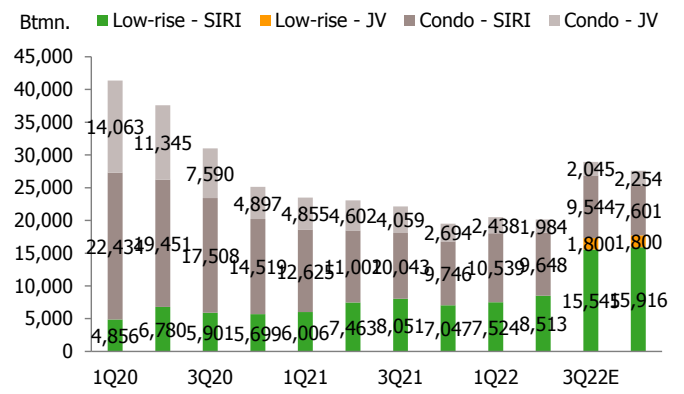


Fig 7 Quarterly presales



Source: Company data and KS Research

Fig 8 Backlog direction moving up, starting from 3Q22



Source: Company data and KS Research

Fig 9 Narasiri Phahol-Watcharapol



Source: Company data and KS Research



Year-end 31 Dec

Income Statement (Btmn)	2020A	2021A	2022E	2023E	2024E
Revenue	33,833	28,642	30,536	32,836	33,624
Cost of sales and services	-25,768	-19,607	-20,844	-22,765	-23,352
Gross Profit	8,065	9,035	9,692	10,071	10,272
SG&A	-6,460	-6,375	-7,146	-7,546	-7,667
Other income	1,058	1,106	1,355	1,366	1,379
EBIT	3,196	3,841	4,270	4,140	4,093
EBITDA	3,490	4,583	4,771	4,801	4,833
Interest expense	-978	-1,165	-997	-857	-985
Equity earnings	452	75	218	265	126
EBT	2,218	2,675	3,274	3,283	3,108
Income tax	-760	-737	-746	-673	-638
NPAT	1,458	1,939	2,528	2,610	2,470
Minority Interest	215	79	125	109	77
Core Profit	1,595	2,017	2,538	2,735	2,563
Extraordinary items	79	-0	115	-16	-16
FX gain (loss)	0	0	0	0	0
Reported net profit	1,673	2,017	2,653	2,719	2,547
Balance Sheet (Btmn)					
Cash & equivalents	3,007	2,181	2,748	2,955	3,026
ST investments	0	0	458	493	504
Accounts receivable	1,667	1,385	1,221	1,313	1,345
Inventories	56,766	55,691	63,277	63,045	64,558
Other current assets	7,470	6,782	5,835	6,168	6,281
Total current assets	68,909	66,039	73,540	73,974	75,715
Investment in subs & others	172	444	534	575	588
Fixed assets-net	38,449	42,645	34,992	37,040	37,992
Other assets	5,103	7,504	9,594	10,207	10,431
Total assets	112,632	116,632	118,660	121,796	124,726
Short-term debt	20,147	30,352	34,034	35,662	32,506
Accounts payable	2,214	1,084	1,527	1,642	1,681
Other current liabilities	8,352	6,209	6,535	7,027	7,196
Total current liabilities	30,713	37,645	42,096	44,331	41,383
Long-term debt	40,500	36,063	32,977	32,603	37,483
Other liabilities	2,222	1,957	2,245	2,421	2,479
Total liabilities	73,435	75,665	77,319	79,355	81,344
Paid-up capital	15,903	15,925	15,903	15,903	15,903
Share premium	2,355	2,359	2,355	2,355	2,355
Reserves & others, net	6,333	7,151	7,228	7,228	7,228
Retained earnings	12,785	13,790	14,743	15,842	16,783
Minority interests	1,822	1,741	1,113	1,113	1,113
Total shareholders' equity	39,197	40,967	41,342	42,441	43,382
Total equity & liabilities	112,632	116,632	118,660	121,796	124,726
Key Assumptions					
New launch (Btmn)	15,441	6,700	50,000	40,500	44,500
Pre-sales	26,325	26,081	38,023	36,065	34,411
Revenue growth (%)	39.17	-15.34	6.61	7.53	2.40
Gross margin (%)	23.84	31.55	31.74	30.67	30.55
SG&A to sales (%)	19.09	22.26	23.40	22.98	22.80

Cashflow (Btmn)	2020A	2021A	2022E	2023E	2024E
Net profit	1,458	1,939	2,528	2,610	2,470
Depreciation & amortization	827	817	869	910	850
Change in working capital	-23,079	-24,275	-7,802	449	-1,440
Others	23,625	19,146	-369	-249	-110
CF from operation activities	2,831	-2,374	-4,773	3,720	1,771
Capital expenditure	-4,365	-702	-1,876	-909	-872
Investment in subs and affiliates	-200	-220	34	69	63
Others	4,884	-2,508	7,852	-2,308	-1,008
CF from investing activities	319	-3,430	6,010	-3,148	-1,817
Cash dividend	-848	-594	-1,291	-1,210	-1,198
Net proceeds from debt	-7,133	5,825	1,608	1,254	1,724
Capital raising	0	0	-26	0	0
Others	5,706	-253	-961	-409	-409
CF from financing activities	-2,275	4,977	-670	-365	117
Net change in cash	875	-826	567	207	71

Key Statistics & Ratios

Per share (Bt)					
Reported EPS	0.11	0.14	0.18	0.18	0.17
Core EPS	0.11	0.14	0.17	0.18	0.17
DPS	0.04	0.06	0.08	0.08	0.08
BV	2.51	2.64	2.71	2.78	2.84
EV	4.81	5.66	5.46	5.53	5.64
Free Cash Flow	-0.10	-0.21	-0.45	0.19	0.06
Valuation analysis					
Reported P/E (x)	7.20	9.07	6.11	5.96	6.36
Core P/E (x)	7.55	9.07	6.38	5.92	6.32
P/BV (x)	0.32	0.47	0.40	0.39	0.38
P/BV (x) - excluding perp bond	0.37	0.53	0.46	0.45	0.44
EV/EBITDA (x)	20.49	18.39	17.00	17.11	17.33
Price/Cash flow (x)	4.25	-7.71	-3.39	4.35	9.15
Dividend yield (%)	4.94	4.88	7.41	7.55	7.08
Profitability ratios					
Gross margin (%)	23.84	31.55	31.74	30.67	30.55
EBITDA margin (%)	10.31	16.00	15.62	14.62	14.38
EBIT margin (%)	9.45	13.41	13.98	12.61	12.17
Net profit margin (%)	4.31	6.77	8.28	7.95	7.35
ROA (%)	1.32	1.69	2.15	2.17	2.00
ROE (%)	4.90	5.27	6.68	6.67	6.09
Liquidity ratios					
Current ratio (x)	2.24	1.75	1.75	1.67	1.83
Quick ratio (x)	0.15	0.09	0.11	0.11	0.12
Leverage Ratios					
Liabilities/Equity ratio (x)	1.87	1.85	1.87	1.87	1.88
Net debt/EBITDA (x)	16.52	14.02	13.37	13.50	13.75
Net debt/equity (x)	1.47	1.57	1.54	1.53	1.53
Int. coverage ratio (x)	3.27	3.30	4.29	4.83	4.16
Growth					
Revenue (%)	39.17	-15.34	6.61	7.53	2.40
EBITDA (%)	16.66	31.32	4.10	0.63	0.68
Reported net profit (%)	-30.07	20.57	31.50	2.49	-6.31
Reported EPS (%)	-33.46	20.41	31.68	2.49	-6.31
Core profit (%)	-27.18	26.52	25.80	7.76	-6.27
Core EPS (%)	-30.71	26.35	25.97	7.76	-6.27

Source: Company, KS estimates



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