

Report type: Trade Flash

Company Overview

SIRI is one of Thailand's leading property developers. Its project portfolio consists of single-detached houses, townhouses and condominiums.

- Due to domestic political worries, SIRI sets lower targets for the value of new project launches and presales in CY14.
- Management however expects CY14 earnings to be better than CY13. Current backlog covers nearly 70% of CY14 revenue target. Costs would remain well under control. Marketing expenses would drift lower due to a lower number of new project launches. These factors raise the scope for earnings growth.
- In our view, much of the political risk appears to have already been priced in after a recent sharp retreat in share prices. Valuation-wise, SIRI looks attractive in terms of P/B, PE and dividend yield. We repeat a 'BUY' call on SIRI with a target price of Bt2.50/share.

What is the news?

SIRI has unveiled its business plan for CY14. It sets lower targets for the value and number of new project launches in CY14 due chiefly to domestic political worries. This year SIRI plans to launch 19 new projects worth a total value of Bt33bn against 48 projects worth a total value of Bt61bn last year. The value of new condo and SDH/TH launches this year will be 59% and 28% lower than last year respectively but SIRI has a backlog of up to Bt22bn to be realized as revenue this year. For this reason, management has guided for CY14 revenue of Bt34bn, up from Bt29bn in CY13.

How do we view this?

In our view, its cautious business target is due largely to domestic political concerns. Prolonged political protests would eventually hurt the economy and erode the purchasing power of homebuyers. As a result, management has a bearish view on the outlook for the residential housing market in CY14 compared to CY13. However, SIRI has a backlog of up to Bt22bn to be realized as revenue this year. The backlog covers more than 70% of our CY14 revenue target of Bt31bn for SIRI. The rest 30% or Bt9bn should come from revenue to be realized from SDH/TH presales in CY14. SIRI generated SDH/TH presales of Bt12.6bn in CY13. We assume SIRI will achieve CY14 SDH/TH presales of Bt13bn and realize Bt4bn-Bt5bn from sales of condo inventories in CY14. As it stands, we believe our CY14 revenue target for SIRI is likely to be met.

We estimate SIRI will deliver CY14 earnings growth of 23% y-y on lower operating expenses and revenue growth. The forecast assumes (i) SIRI will achieve CY14 revenue growth of 7% to Bt31bn, (ii) margins will be maintained at 33% against 32% in CY13 as SIRI has already locked in costs for projects to be transferred this year and (iii) marketing expenses will edge lower due to a lower number of new project launches.

Investment Actions?

In our view, much of the political risk appears to have already been priced in after a recent sharp retreat in share prices. Its backlog would also help reduce revenue risk. Valuation-wise, SIRI looks attractive in terms of P/B, PE and dividend yield. SIRI is currently trading at a discount to CY14 BV of Bt2.06/share and sports a CY14 P/E multiple of a mere 6x and a dividend yield of 7%. We repeat a 'BUY' call on SIRI with a target price of Bt2.50/share.

CG Rating - 2013



(Very Good)

Valuation Method

P/E'14 (8x)

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Score Range	Number of Logo
Less than 50	No logo given
50 - 59	
60 - 69	
70 - 79	
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90 - 100	

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