

## 2014 business plan

### A conservative plan for 2014

SIRI disclosed its 2014 business plan which looks conservative and realistic in our view. The company targets presales of Bt30bn in 2014 (down 29% YoY from 2013). The decline will be mainly seen in the condo segment, which is targeted to drop by 47% YoY. Meanwhile, landed property is targeted to grow by 14% YoY, mainly from expected growth in townhouse products. SIRI also cuts its new launches plan to 19 projects with project value of Bt33bn from 48 projects with value of Bt61bn in 2013. Condo launches value is targeted to decline by 58%. The decline in presales and new launches should be attributed to the change in its business policy to launch condo projects only after EIA permits are approved. Note that SIRI has secured all land plots for this year's launches.

### Lower upcountry exposure

Presales from the provincial market are targeted to decline to 36% this year from 43% last year. Note that the launches upcountry will represent only 11% of new launches value which implies that upcountry presales will be mainly driven by the outstanding portfolio. Meanwhile, SIRI plans to concentrate more on single detached houses upcountry.

### 2013 operations recap

SIRI achieved presales of Bt42bn last year, of which 70% was derived from condominium products. We note that presales in 4Q13 decelerated to only Bt5.0bn, down 42% QoQ and 69% YoY. We expect SIRI to achieve revenue of Bt28bn last year, lower than its target (and our target) of Bt30bn due to negative sentiment which resulted in client delays on transfer especially in the high-end SDH segment as well as the closure of some government offices from political protests, which resulted in delays in getting title deeds for transfer.

### 2014 revenue to grow with lower presales and revenue mismatch

SIRI targets revenue of Bt34bn this year, of which Bt23bn (66%) has been secured by backlog on hand. With a weaker presales target and no big marketing events planned, we should see lower mismatch between presales and revenue. This should lead to lower operating costs to sales ratio in 2014.

### Earnings to be revisited; cash flow an important factor for 2014

We will need to revisit our estimates for 2013E-2015E. We see downside risks on our 2013E from weaker revenue and a lower-than-expected decline in operating costs to sales ratio. However, we still expect a slight increase in net margin this year. SIRI's net gearing should remain high at 1.9x at year-end 2013 and it is likely to increase in the middle of next year to 2x before gradually declining in 2H14 to 1.8x. With SIRI's debt covenant ratio on debt/equity of 2.5x, the cash flow management and gearing will become more important factors to monitor next year.

Estimates (Dec)	2011A	2012A	2013E	2014E	2015E
Net Income (Bt mn):	2,002	2,948	2,567	3,164	4,432
EPS - fully diluted (Bt):	0.21	0.31	0.25	0.30	0.41
P/E - fully diluted:	8.05	5.58	6.86	5.83	4.19
EPS Change (YoY):	(4.08)	44.28	(18.67)	17.68	39.29
EV/EBITDA	9.01	7.97	11.31	9.32	6.77
Price/Book - fully diluted (local):	1.12	0.96	0.95	0.89	0.78
Gross Dividend (Bt):	0.14	0.17	0.12	0.15	0.21
Gross Yield:	8.20	9.83	7.12	8.63	12.09

Source: Company, Phatra Securities estimates

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## Company Update

## Real Estate/Property

## Opinion & Financial Data

## Buy

Target Price: Bt 2.40

Market Price: Bt 1.73

Date Established :	November 6, 2013
Mkt. Value (mn) :	US\$498/Bt16,493
Shares	9,534
Outstanding:	
Book	
Value/Share:	Bt1.88
(Dec-2012A)	
Debt/Equity:	1.38x
(Dec-2012A)	
RoE 2013E	14.8%
2013E P/E Rel. to	
Home Mkt:	54.7%

## Stock Data

52-Week Range:	Bt1.67 - Bt5.35
Bloomberg /	
Reuters	SIRI TB/SIRI.BK
Current Exchange	
Rate:	THB33.11/US\$
Current Free	
Float:	84.3%
Average Daily	Bt501.74mn/
Turnover:	US\$15.16mn

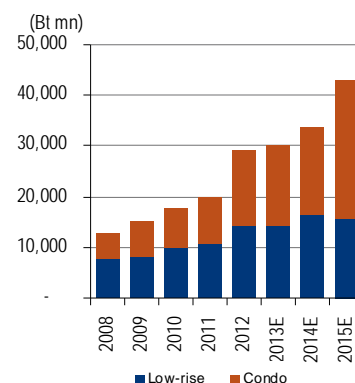
All figures are in local currency (Thai baht) except where otherwise noted.

Key Income Statement Data (Dec) (Bt Millions)	2011A	2012A	2013E	2014E	2015E
Sales	20,542	29,821	30,883	34,648	43,773
Gross Profit	7,032	9,944	10,063	11,309	14,448
Total operating expenses	4,166	6,060	6,633	7,082	8,738
Operating Profit	2,867	3,885	3,430	4,227	5,711
Net Interest & Other Income	(85)	(63)	(221)	(272)	(170)
Associates	-	-	-	-	-
Pretax Income	2,781	3,822	3,209	3,955	5,540
Tax (expense) / Benefit	779	874	642	791	1,108
Net Income (Adjusted)	2,002	2,948	2,567	3,164	4,432
Average Fully Diluted Shares Outstanding	9,981	9,897	10,441	10,880	10,880
Key Cash Flow Statement Data					
Net Income	2,002	2,948	2,567	3,164	4,432
Depreciation & Amortization	307	403	496	583	655
Change in Working Capital	(5,291)	(7,167)	(9,425)	(2,024)	(919)
Deferred Taxation Charge					
Other Adjustments, Net					
Cash Flow from Operations	(2,983)	(3,817)	(6,362)	1,724	4,168
Capital Expenditure	(516)	(847)	(954)	(954)	(954)
(Acquisition) / Disposal of Investments	(603)	185	43	-	-
Other Cash Inflow / (Outflow)	(15)	(39)	(40)	(40)	(40)
Cash Flow from Investing	(1,134)	(701)	(951)	(994)	(994)
Shares Issue / (Repurchase)	1,700	1,440	1,300	-	-
Cost of Dividends Paid	(178)	(1,001)	(1,340)	(1,175)	(1,424)
Cash Flow from Financing	3,613	5,010	5,053	(730)	(3,174)
Free Cash Flow	(4,117)	(4,518)	(7,312)	730	3,174
Net Debt	16,383	20,546	27,898	28,343	26,593
Change in Net Debt	3,927	4,163	7,352	445	(1,750)
Key Balance Sheet Data					
Property, Plant & Equipment	2,266	2,710	3,169	3,539	3,838
Other Non-Current Assets	1,258	1,143	1,143	1,143	1,143
Trade Receivables	48	41	41	41	41
Cash & Equivalents	2,968	3,460	1,200	1,200	1,200
Other Current Assets	29,979	38,948	47,960	50,152	51,470
Total Assets	36,518	46,302	53,513	56,076	57,693
Long-Term Debt	9,274	12,419	15,750	13,750	11,750
Other Non-Current Liabilities	724	684	644	604	564
Short-Term Debt	10,077	11,586	13,348	15,793	16,043
Other Current Liabilities	4,791	6,587	6,175	6,342	6,742
Total Liabilities	24,866	31,276	35,917	36,490	35,099
Total Equity	11,652	15,025	17,595	19,585	22,593
Total Equity & Liabilities	36,518	46,302	53,513	56,076	57,693
Bus Performance					
Return On Capital Employed	7.31	8.38	6.01	7.04	9.28
Return On Equity	17.18	19.62	14.59	16.16	19.62
Operating Margin	13.95	13.03	11.11	12.20	13.05
EBITDA Margin	15.45	14.38	12.71	13.88	14.54
Quality of Earnings					
Cash Realization Ratio	(1.48)	(1.26)	(2.44)	0.54	0.94
Asset Replacement Ratio	1.68	2.10	1.93	1.64	1.46
Tax Rate (Reported)	28.00	22.88	20.00	20.00	20.00
Net Debt-to-Equity Ratio	1.41	1.37	1.59	1.45	1.18
Interest Cover	2.97	3.22	2.38	2.70	3.71

## Investment Case

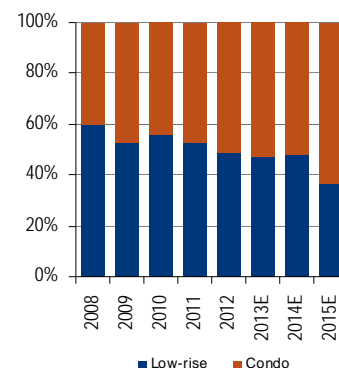
We like SIRI on its diversified product portfolio with a well-balanced mix in each price range and product type. It also has a strong brand franchise with a solid business platform, including integration from having a precast concrete factory and running property brokerage services. The expansion into provincial markets should enable SIRI to post superior growth over the long term.

Figure 1: SIRI – Revenue breakdown



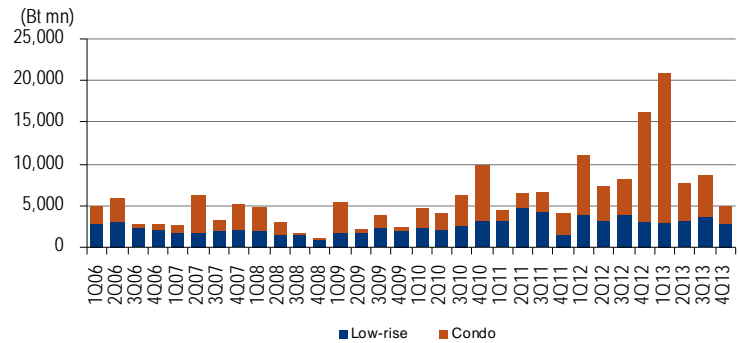
Source: Company, Phatra Securities estimates

Figure 2: SIRI – Revenue breakdown



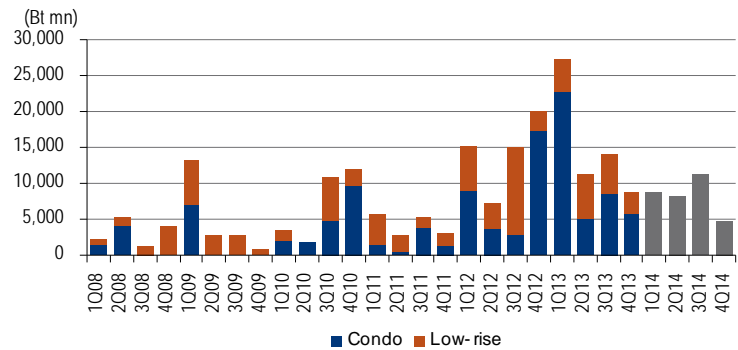
Source: Company, Phatra Securities estimates

Figure 3: SIRI – Quarterly presales



Source: Company; Phatra Securities estimates

Figure 4: SIRI – Quarterly launches



Source: Company; Phatra Securities estimates

Figure 4: SIRI - Business plan summary

(Bt mn)	2014	2013	% YoY
<b>Presales</b>			
SDH	11,852	10,878	9.0
TH	2,682	1,820	47.4
Landed-property	14,534	12,698	14.5
Condo	15,592	29,460	(47.1)
Total presales	30,126	42,158	(28.5)
% from upcountry	36	43	
<b>Launches</b>			
SDH	14,391	17,404	(17.3)
TH	1,249	1,819	(31.3)
Landed-property	15,640	19,223	(18.6)
Condo	17,623	41,978	(58.0)
Total launches	33,263	61,201	(45.6)
% from upcountry	11	51	

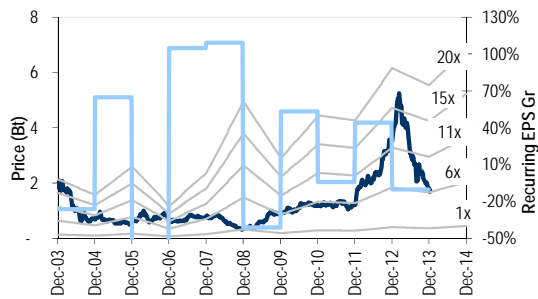
Source: Company; Phatra Securities estimates

Figure 5: Property Comp

	Price	Mkt cap	Core EPS (Bt)			Recurring EPS growth			Core PER (x)			Yield (%)	PBV (x)	ROE (%)	Housing P/E	
	(Bt)	(US\$ mn)	2012A	2013E	2014E	2012A	2013E	2014E	2012A	2013E	2014E	2012E	2012E	2012E	2013E	2014E
LH	8.60	2,608	0.52	0.66	0.77	35.1%	26.5%	18.0%	16.58	13.11	11.11	6.43	2.57	20.3%	7.42	6.14
SPALI	14.60	758	1.60	1.75	2.34	9.1%	9.3%	33.8%	9.13	8.36	6.25	5.03	1.76	22.4%	8.36	6.25
LPN	15.10	674	1.48	1.75	1.96	14.0%	18.4%	12.3%	10.24	8.64	7.70	5.85	2.24	28.0%	8.64	7.70
QH	2.54	705	0.18	0.35	0.37	120.0%	89.4%	6.2%	13.80	7.29	6.86	7.10	1.30	18.9%	2.84	2.88
PS	17.40	1,165	1.74	2.30	2.57	35.8%	32.0%	11.8%	9.98	7.56	6.76	3.81	1.12	23.4%	7.56	6.76
AP	4.34	374	0.78	0.70	0.86	43.6%	-10.2%	22.7%	5.55	6.18	5.04	6.53	0.90	15.3%	6.18	5.04
SIRI	1.73	412	0.31	0.25	0.30	44.3%	-18.7%	17.7%	5.58	6.86	5.83	7.12	0.95	14.8%	6.86	5.83
<b>Average</b>						<b>35.4%</b>	<b>20.2%</b>	<b>17.4%</b>	<b>9.69</b>	<b>7.19</b>	<b>6.40</b>	<b>5.58</b>	<b>1.11</b>	<b>20.3%</b>	<b>6.01</b>	<b>5.34</b>

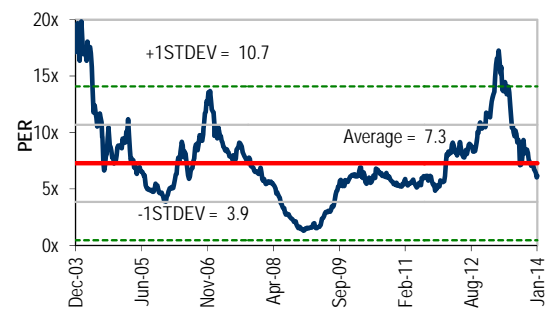
Source: Companies, Phatra Securities estimates

Figure 6: SIRI – P/E Band



Source: SET; Phatra Securities estimates

Figure 7: SIRI – Trailing P/E



Source: SET; Phatra Securities estimates

## **Company background**

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Sansiri (SIRI TB) is one of the top seven residential developers in Thailand. The company was established in September 1984 and was listed on the SET in 1996. Its major business is residential property development, which accounts for more than 90% of total revenue. SIRI has a strong position in the mid- to high-end market segment in both low-rise and high-rise products and has diversified to add more products in the low-end segment.

## **Price objective basis & risk**

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Our 12-month price objective of Bt2.40/share is based on our fair value at mid- 2014. This is based on the average of a) P/E of 7.6x, which is the 10-year average trailing PE and the one standard deviation below its mid-cap peers to reflect a weak earnings growth outlook and weak balance sheet profile, and b) a 20% discount to our DCF valuations. We incorporate DCF valuations to take into account its backlog on hand which has secured part of revenue during 2013E-2016E. The DCF valuation is based on a discount rate of 9.5% and terminal growth rate of 2%. Downside risks to achieving our price objective are a tighter credit market for developers, higher-than-expected competition among developers, rising construction cost, a stronger-than-expected increase in interest rates, tighter mortgage financing policy from commercial banks and weaker presales from soft demand or higher competition. Meanwhile upside risks to our price objective are better-than-expected revenue/transfer and presales momentum.

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# Corporate Governance Report of Thai Listed Companies 2013

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### Companies with Excellent CG Scoring by alphabetical order under Phatra’s Coverage

Advanced Info Service	Airports of Thailand	Banpu	Bangkok Bank	Bangchak Petroleum
BTS Group Holdings	LPN Property Development	Charoen Pokphand Foods	Hemaraj Land and Development	Total Access Communication
Electricity Generating	The Erawan Group	Central Pattana	INTUCH	IRPC
Indorama Ventures	Kasikornbank	Krung Thai Bank	Ch. Karnchang	MCOT
Minor International	Preuksa Real Estate	PTT	PTT Exploration	PTT Global Chemical
Quality Houses	Ratchaburi Electricity Generating	Robinson Department Store	Thai Airways International	Siam Cement
Supalai	Thanachart Capital	Siam Commercial Bank	Thaicom	Tisco Bank
Thai Military Bank	Thai Oil	True Corporation	Thai Vegetable Oil	



### Companies with Very Good CG Scoring by alphabetical order under Phatra’s Coverage

Amata Corporation	BEC World	Bumrungrad Hospital	Big C Supercenter	Berli Jucker
Central Plaza Hotel	CP All	ESSO (Thailand)	GFPT	Glow Energy
Home Product Center	Land & Houses	Major Cineplex Group	Siam City Cement	Sansiri
Asian Property Development	Sino Thai Engineering and Construction	Ticon Industrial Connection	Thai Union Frozen Product	



### Companies with Good CG Scoring by alphabetical order under Phatra’s Coverage

Asia Aviation	Bangkok Chain Hospital	Siam Global House		
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## N/A

### Companies without survey result available by alphabetical order under Phatra’s Coverage

MK Restaurant	Thai Beverage	Bangkok Dusit Medical Services	Tesco Lotus Retail Growth Property Fund	BTS Growth Infrastructure Fund
Nok Airlines				