

Sansiri



A Subsidiary of Phatra Capital

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Big success at Paragon event

Raising PO on valuation rollover

We raised our PO on SIRI to Bt5.55/share from Bt5.0/share as we roll over our valuations to mid-2014 from year-end 2013. We reiterate our Buy on SIRI as we continue to like the company's strong long-term growth outlook and good presales momentum which reflects its healthy brand franchise.

Three-day event at Paragon was a big success

SIRI arranged a three-day marketing event at Siam Paragon under the theme "Life Comes Home" during February 15-17. It drew considerable attention from potential buyers and saw the launch of several new condominium projects including the Edge-Sukumvit 23, Nye, the Base Pattaya and dcondo campus projects. The company achieved strong presales of Bt8bn from the event.

Solid presales thus far in 1Q; backlog boosted

SIRI has achieved presales of Bt14.8bn thus far this year, and we think its quarterly presales target of Bt18bn is achievable. This boosted backlog on hand to Bt54.7bn, excluding 4Q12 revenue. This would serve as a revenue base for 2013E-2016E. With its strong presales, SIRI's business plan for 2013 year is intact.

2013 – another growth year with efficiency gains

SIRI plans to grow its presales to Bt49bn this year, of which 62% should be derived from the condominium segment. The presales target should be achieved by its plan to launch at least 45 new projects with combined value of Bt60.6bn. SIRI targets to achieve housing revenue of Bt34-36bn this year, of which 56% is secured by its backlog on hand. SIRI has been known for having high operating costs on promoting its brand franchise. Despite strong revenue growth, SIRI is committed to lower its operating costs to sales ratio by 100bp in 2013 and 2014. With the smaller mismatch between revenue and presales going forward, we view this as achievable (note that there is upside risk on our 2014 estimates as we factor in only a 30bp decline in operating costs to sales in 2014E).

Key risks/concerns

SIRI revealed that the shortage of labor is the key industry risk. Currently its contractor alliances have been running at full capacity, and therefore the company will need to use more small contractors for expansion going forward. However, SIRI has its own precast concrete factory to alleviate this problem.

PO Change

Opinion & Financial Data

Buy

Target Price : Bt 5.55

Market Price : Bt 4.90

Date Established :	February 18, 2013
Mkt. Value (mn) :	US\$1,373
Shares Outstanding (mn):	7,874
Book Value/Share: (Dec-2011A)	Bt1.61
Debt/Equity: (Sep-2012A)	1.86x
RoE 2012E	18.1%
2012E P/E Rel. to Home Mkt:	103.2%

Stock Data

52-Week Range:	Bt1.82 – Bt4.90
Bloomberg / Reuters	SIRI TB/SIRI.BK
Current Exchange Rate:	Bt29.85/US\$
Current Free Float:	50.89%
Average Daily Turnover:	Bt251.95mn/ US\$8.44mn

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

Estimates (Dec)	2010A	2011A	2012E	2013E	2014E
Net Income (Bt mn):	1,975	2,002	3,002	3,930	4,829
EPS – fully diluted (Bt):	0.22	0.21	0.32	0.39	0.48
P/E – fully diluted:	21.87	22.81	15.52	12.59	10.30
EPS Change (YoY):	53.21	(4.08)	46.91	23.35	22.14
EV/EBITDA	13.86	16.05	13.87	11.53	9.57
Price/Book – fully diluted (local):	3.45	3.24	2.83	2.59	2.24
Gross Dividend (Bt):	0.03	0.15	0.18	0.22	0.28
Gross Yield:	0.61	3.03	3.74	4.58	5.63

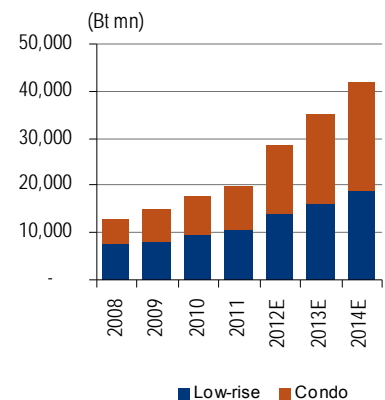
Source: Company, Phatra Securities estimates

Key Income Statement Data (Dec) (Bt Millions)	2010A	2011A	2012E	2013E	2014E
Sales	18,596	20,542	29,582	35,700	42,654
Gross Profit	6,055	7,032	10,017	12,020	14,342
Total operating expenses	3,291	4,166	6,000	6,891	8,111
Operating Profit	2,763	2,867	4,017	5,130	6,231
Net Interest & Other Income	(86)	(85)	(119)	(217)	(195)
Associates	-	-	-	-	-
Pretax Income	2,677	2,781	3,899	4,912	6,036
Tax (expense) / Benefit	702	779	897	982	1,207
Net Income (Adjusted)	1,975	2,002	3,002	3,930	4,829
Average Fully Diluted Shares Outstanding	9,343	9,981	9,897	10,414	10,414
Key Cash Flow Statement Data					
Net Income	1,975	2,002	3,002	3,930	4,829
Depreciation & Amortization	244	307	370	392	411
Change in Working Capital	(6,805)	(5,291)	(8,634)	(5,312)	(2,875)
Deferred Taxation Charge					
Other Adjustments, Net					
Cash Flow from Operations	(4,587)	(2,983)	(5,263)	(990)	2,365
Capital Expenditure	(1,220)	(516)	(454)	(454)	(454)
(Acquisition) / Disposal of Investments	1,112	(323)	-	-	-
Other Cash Inflow / (Outflow)	(26)	(21)	(40)	(40)	(40)
Cash Flow from Investing	(134)	(860)	(494)	(494)	(494)
Shares Issue / (Repurchase)	90	1,700	921	-	-
Cost of Dividends Paid	(766)	(178)	(987)	(1,351)	(1,768)
Cash Flow from Financing	4,710	3,339	3,988	1,484	(1,871)
Free Cash Flow	(4,722)	(3,843)	(5,757)	(1,484)	1,871
Net Debt	12,456	16,383	22,206	25,041	24,938
Change in Net Debt	5,422	3,927	5,823	2,835	(103)
Key Balance Sheet Data					
Property, Plant & Equipment	2,056	2,266	2,350	2,411	2,454
Other Non-Current Assets	642	978	978	978	978
Trade Receivables	50	48	48	48	48
Cash & Equivalents	3,472	2,968	1,200	1,200	1,200
Other Current Assets	24,970	29,979	38,943	44,529	47,713
Total Assets	31,190	36,238	43,518	49,166	52,392
Long-Term Debt	10,258	9,274	9,750	6,750	5,750
Other Non-Current Liabilities	739	718	678	638	598
Short-Term Debt	5,670	10,077	13,655	19,491	20,388
Other Current Liabilities	5,077	4,791	5,121	5,395	5,704
Total Liabilities	21,743	24,860	29,204	32,274	32,440
Total Equity	9,448	11,377	14,313	16,892	19,952
Total Equity & Liabilities	31,190	36,238	43,518	49,166	52,392
Bus Performance					
Return On Capital Employed	9.11	7.31	8.37	9.70	11.02
Return On Equity	20.90	17.60	20.97	23.26	24.20
Operating Margin	14.86	13.95	13.58	14.37	14.61
EBITDA Margin	16.17	15.45	14.83	15.47	15.57
Quality of Earnings					
Cash Realization Ratio	(2.42)	(1.48)	(1.75)	(0.25)	0.49
Asset Replacement Ratio	5.01	1.68	1.23	1.16	1.10
Tax Rate (Reported)	26.23	28.00	23.00	20.00	20.00
Net Debt-to-Equity Ratio	1.32	1.44	1.55	1.48	1.25
Interest Cover	4.72	2.97	3.35	3.73	4.34

Investment Case

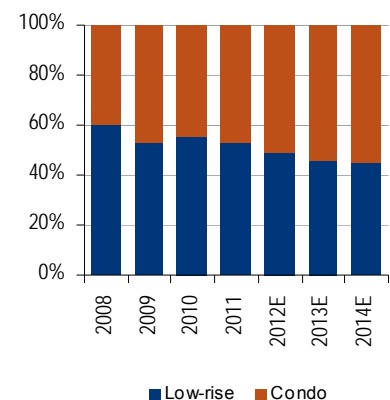
We like SIRI on its diversified product portfolio with a well-balanced mix in each price range and product type. It also has a strong brand franchise with a solid business platform, including integration from having a precast concrete factory and running property brokerage services. The expansion into 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: SRI – PO calculation

	2013E	2014E
10.5x P/E	4.09	4.99
20% discount on DCF	5.98	7.17
Average	5.00	6.10
Average	5.55	

Source: Phatra Securities estimates

Figure 4: SRI – strong interest at “Life Comes Home” in 2013



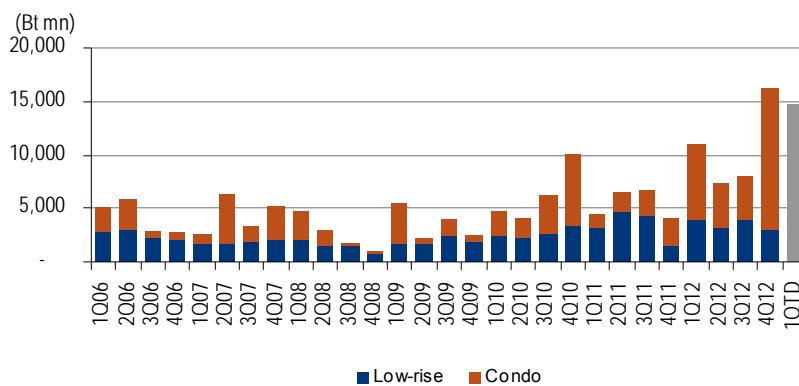
Source: Company

Figure 5: SRI – strong interest at “Life Comes Home” in 2013



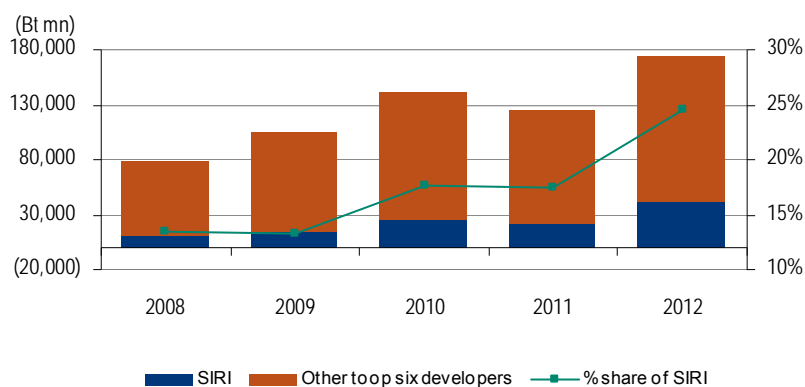
Source: Company

Figure 6: Quarterly presales



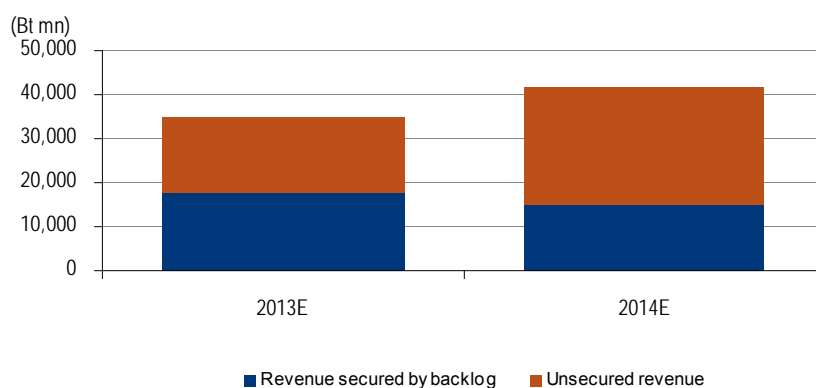
Source: Company; Phatra Securities estimates

Figure 7: SIRI is gaining market share on presales



Source: Companies, Phatra Securities estimates

Figure 8: SIRI – Revenue secured by backlog on hand (as of year-end 2012)



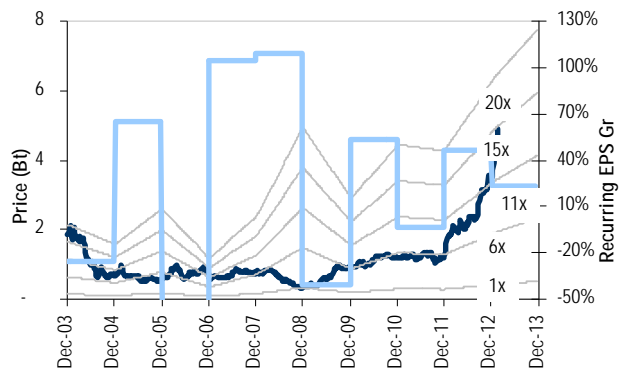
Source: Company, Phatra Securities estimates

Figure 9: Property Comp

	Price		Core EPS (Bt)			Recurring EPS growth			Core PER (x)			Yield (%)	PBV (x)	ROE (%)	Housing P/E	
	(Bt)	(US\$ mn)	2011A	2012E	2013E	2011A	2012E	2013E	2011A	2012E	2013E	2012E	2012E	2012E	2012E	2013E
QH	3.44	1,059	0.19	0.25	0.27	127.6%	29.0%	11.4%	18.08	14.02	12.58	3.77	2.04	12.2%	8.20	5.93
LH	11.20	3,763	0.49	0.63	0.74	27.8%	28.0%	18.3%	22.82	17.83	15.08	4.12	3.50	16.0%	14.21	11.01
AP	9.85	932	0.81	1.00	1.15	49.8%	23.9%	14.3%	12.18	9.83	8.60	3.36	2.22	19.9%	12.18	9.83
SPALI	19.60	1,127	1.76	2.04	2.59	17.4%	16.0%	27.3%	11.16	9.63	7.56	3.76	2.69	25.9%	11.16	9.63
LPN	24.00	1,187	1.48	1.87	2.20	14.0%	26.5%	17.9%	16.27	12.86	10.91	3.17	4.23	28.1%	16.27	12.86
SIRI	4.90	1,294	0.32	0.39	0.48	46.9%	23.3%	22.1%	15.52	12.59	10.30	3.74	2.83	21.0%	15.52	12.59
PS	33.00	2,445	1.70	1.89	2.18	32.5%	10.8%	15.7%	19.39	17.50	15.13	1.65	2.74	20.6%	19.39	17.50
Average						35.6%	23.0%	18.7%	18.27	14.93	12.69	3.34	3.03	19.5%	14.64	12.03

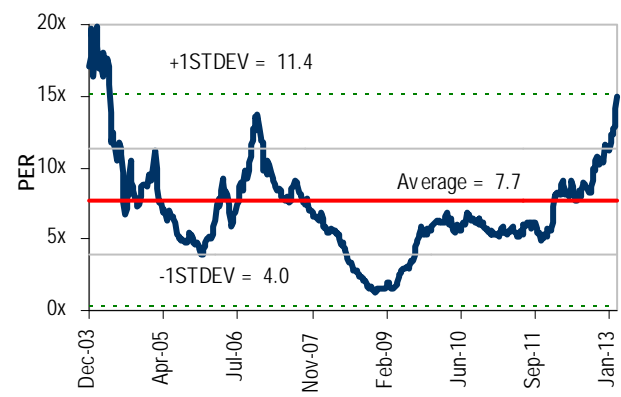
Source: Bloomberg, companies, Phatra Securities estimates

Figure 10: SRI - P/E Band



Source: SET; Phatra Securities estimates

Figure 11: SRI - Trailing P/E



Source: SET; Phatra Securities estimates

Company background

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 July, 1996. Its major business is residential property development, which accounted for more than 90% of total revenue. SIRI has strong position in mid to high end market segment in both low-rise and high-rise products and has diversified to add more products in low-end segment.

Price objective basis & risk

Our 12-month price objective of Bt5.55/share is based on the average of a) P/E of 10.5x, which is par to its mid-cap peers and b) a 20% discount to our DCF valuations. We incorporate the 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 10.0% and terminal growth rate of 2%. 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.

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