

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 2.60**

(From: Bt 2.40)

**20 OCTOBER 2014****Upside : 27.5%**

# Sansiri Public Co Ltd (SIRI TB)

## Cost cuts bear fruit

**Despite cuts to its 2014 new launches, presales and sales targets, we boost our earnings from 2014F and revise up our TP on SIRI's faster-than-expected net margin improvement from cost savings. The recent move to form a JV with BTS to develop projects near mass transit lines is positive, in our view. Reaffirm BUY.**

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**Thanachart Securities**

### Boosting earnings and TP

Although SIRI has delayed 50% of its planned 2014 new launches to 2015, prompting us to cut our 2014F presales and sales, its cost-cutting efforts should far outweigh the impact and help boost net margin. We lift our normalized profits by 8% p.a. for 2014-15F. We include its first condominium project under the JV with BTS Group Holdings (BTS TB) in our forecast assuming a Bt254m equity income contribution in 2018F. We reiterate our BUY rating on SIRI with a new 12-month DCF-based TP of Bt2.60 for: 1) its 2015F turnaround with 190% presales growth and 24% normalized EPS growth, 2) 2015-16F revenues look largely secured at 68% and 33% of our full-year estimate given it has industry's largest backlog, 3) an undemanding valuation at a 2015F PE multiple of 8.3x with a 4.8% forecast dividend yield. We conducted a sensitivity analysis, and found that if SIRI meets 13% net margin target for 2015F, we estimate normalized EPS growth to come in at 62% and the stock to trade at 6.4x PE.

### SIRI cutting 2014 targets

Delays in getting EIAs for new condos for planned 4Q14 launch have led SIRI to cut 2014 new launch value by 50% to Bt17bn, its presales target by 60% to Bt12bn and its real estate sales target by 16% to Bt27bn. Next year, it targets a jump in new launches, including from the JV, to 19 projects worth Bt33bn, presales of Bt32bn with Bt2bn from the JV, and real estate sales of Bt35bn.

### Net margin starts to improve

While we believe that SIRI is on a recovery path with presales turning around in 2H14F to Bt6.8bn (+58% h-h) and in 2015F to Bt32bn (+190% y-y) and real estate sales in 2H14F of Bt17bn (+70% h-h) and in 2015F of Bt34bn (+26% y-y), we see its cost-cutting initiatives paving the way for higher profitability. Management expects net margin to reach double digits from 3Q14. Its net margin target for 2014 is 12% (from a previous target of 10%) before rising to 13% in 2015.

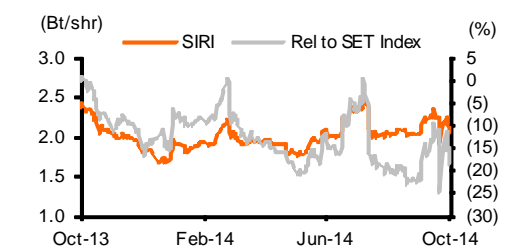
### JV with BTS positive in our view

SIRI plans a 50:50 JV with BTS to develop residential projects within a 500-meter radius from mass transit stations with a minimum project value of Bt3bn each, and up to 10 projects worth Bt30bn in five years. We view this deal as win-win for both firms. Benefits to SIRI are: 1) it would allow project development beyond current capacity amid its current high gearing, 2) it would provide SIRI priority over other developers in developing projects close to existing and future mass transit stations, 3) it would allow use of BTS's resources, i.e. VGI Global Media's (VGI TB) advertising platform and database of BTS's ridership, and 4) there would be management and incentive fees from BTS.

### COMPANY VALUATION

Y/E Dec (Bt m)	2013A	2014F	2015F	2016F
Sales	28,597	27,894	34,950	37,920
Net profit	1,930	3,247	3,495	4,436
Consensus NP	—	3,107	3,166	3,423
Diff frm cons (%)	—	4.5	10.4	29.6
Norm profit	1,912	2,375	3,495	4,436
Prev. Norm profit	—	2,204	3,225	4,336
Chg frm prev (%)	—	7.8	8.4	2.3
Norm EPS (Bt)	0.2	0.2	0.2	0.2
Norm EPS grw (%)	(37.7)	13.4	24.4	0.8
Norm PE (x)	11.7	10.3	8.3	8.2
EV/EBITDA (x)	19.6	17.2	10.3	9.5
P/BV (x)	1.3	1.1	1.0	0.9
Div yield (%)	4.2	4.9	4.8	6.1
ROE (%)	11.8	11.2	11.3	11.7
Net D/E (%)	190.7	144.8	59.2	50.1

### PRICE PERFORMANCE



### COMPANY INFORMATION

Price as of 17-Oct-14 (Bt)	2.04
Market cap (US\$ m)	644.1
Listed shares (m shares)	10,220.0
Free float (%)	86.0
Avg daily turnover (US\$ m)	8.2
12M price H/L (Bt)	2.24/1.49
Sector	Property
Major shareholder	Founder families 13.0%

Sources: Bloomberg, Company data, Thanachart estimates

## Boosting earnings and TP

**Raising earnings and TP on higher net margin assumption**

Even though Sansiri Pcl (SIRI) has announced postponement of many project launches to next year, leading to cuts in its 2014 presales and sales targets, its cost-cutting efforts initiated since 1H14 should far outweigh the impact and help boost its net margins. Net-net, we revise up our normalized profit forecasts from 2014 and our TP with the following changes to our assumptions:

- 1) We lower our assumption for new project launches to be in line with the company's latest plan of Bt17bn in 2014 and Bt33bn (including a Bt5.3bn condo project under its planned new JV with BTS Group Holdings [BTS TB, Bt10.20, BUY]) in 2015.
- 2) We cut our presales for 2014F by 46% to Bt11.0bn, lower than the company's target of Bt12bn, and in 2015F to Bt32bn, in line with SIRI's target.
- 3) Our real estate sales assumptions are lowered by only 10% and 4% in 2014-15F, backed by property backlog on hand.
- 4) We revise down our SG&A/sales ratio assumptions by 100-210bp p.a. in 2014-25F to reflect its cost-savings program.
- 5) We incorporate equity income contribution from its first JV project of Bt254m in 2018F, assuming a project size of Bt5.3bn, 80% take-up until project completion and a net margin of 12%. Note that we don't assume any equity losses in 2015-17F as operating expenses should be offset by monthly management fees from BTS.

**We lift our TP by 8% to Bt2.60/share**

As a result, we have raised our normalized profit forecasts by 2-15% each year for 2014-25 with net margin increasing from previously by 69-178bp p.a. Our 12-month DCF-based TP is therefore revised up by 8% to Bt2.60/share.

**BUY for 1) turnaround story, 2) secured revenues, and 3) 2015F PE of 8.3x and a 4.8% dividend yield**

We reiterate our BUY call on SIRI for: 1) its turnaround in 2015F with 190% presales growth and 24% normalized EPS growth, 2) revenues look to be highly secured at 94%, 68% and 33% of our 2014-16 estimates with industry's largest backlog, and 3) an undemanding valuation at 2015F PE of 8.3x with a 4.8% forecast dividend yield.

**If it posts 2015 net margin of 13%, normalized EPS growth would be 62%**

While our net margin assumption for 2015F is at 10%, we conducted a sensitivity analysis, and if SIRI meets its 13% net margin target for 2015, we forecast its normalized EPS growth to be the sector's strongest at 62% and the stock should trade at only 6.4x PE.

## Ex 1: Key Assumption Changes

	2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F
<b>New launches (Bt m)</b>												
New	16,669	27,700	33,240	34,902	36,647	37,747	38,879	40,045	41,247	41,247	41,247	41,247
Old	26,075	34,448	36,171	37,256	38,374	39,525	39,525	39,525	39,525	39,525	39,525	39,525
Change (%)	(36.1)	(19.6)	(8.1)	(6.3)	(4.5)	(4.5)	(1.6)	1.3	4.4	4.4	4.4	4.4
<b>New launches (Bt m) - JV</b>	0	5,300	0	0	0	0	0	0	0	0	0	0
<b>Total new launches (Bt m)</b>	16,669	33,000	33,240	34,902	36,647	37,747	38,879	40,045	41,247	41,247	41,247	41,247
<b>Property presales (Bt m)</b>												
New	11,034	30,142	35,373	37,867	39,075	40,039	40,938	41,866	42,862	43,560	43,808	43,836
Old	20,314	35,535	37,619	39,459	41,031	42,026	42,327	42,300	42,150	40,708	40,441	40,388
Change (%)	(45.7)	(15.2)	(6.0)	(4.0)	(4.8)	(4.7)	(3.3)	(1.0)	1.7	7.0	8.3	8.5
<b>Property presales (Bt m) - JV</b>	0	1,855	1,325	1,060	0	0	0	0	0	0	0	0
<b>Total presales (Bt m)</b>	11,034	31,997	36,698	38,927	39,075	40,039	40,938	41,866	42,862	43,560	43,808	43,836
<b>Property sales (Bt m)</b>												
New	27,035	34,034	36,958	36,716	35,893	37,688	38,661	39,539	40,450	41,389	41,792	41,873
Old	30,038	35,567	38,899	38,754	38,681	39,272	39,744	39,896	39,840	39,187	38,532	38,233
Change (%)	(10.0)	(4.3)	(5.0)	(5.3)	(7.2)	(4.0)	(2.7)	(0.9)	1.5	5.6	8.5	9.5
<b>SG&amp;A/sales (%)</b>												
New	20.2	19.0	18.0	17.5	17.0	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Old	22.3	20.5	19.0	19.0	18.5	18.0	18.0	18.0	18.0	18.0	18.0	18.0
Change (bp)	(210)	(150)	(100)	(150)	(150)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
<b>Equity income (Bt m)</b>												
New	0	0	0	0	254	0	0	0	0	0	0	0
Old	0	0	0	0	0	0	0	0	0	0	0	0
<b>Normalized profit (Bt m)</b>												
New	2,375	3,495	4,436	4,652	5,067	5,184	5,349	5,529	5,725	5,896	5,987	6,048
Old	2,204	3,225	4,336	4,474	4,742	5,092	5,183	5,266	5,329	5,288	5,253	5,267
Change (%)	7.8	8.4	2.3	4.0	6.8	1.8	3.2	5.0	7.4	11.5	14.0	14.8
<b>Net margin (%)</b>												
New	11.6	10.0	11.7	12.3	13.7	13.4	13.4	13.6	13.7	13.8	13.9	13.9
Old	10.0	8.8	10.9	11.3	11.9	12.6	12.7	12.8	13.0	13.0	13.1	13.3
Change (bp)	169	116	82	108	178	75	76	76	76	75	71	69
<b>Norm net margin (%)</b>												
New	8.5	10.0	11.7	12.3	13.7	13.4	13.4	13.6	13.7	13.8	13.9	13.9
Old	7.1	8.8	10.9	11.3	11.9	12.6	12.7	12.8	13.0	13.0	13.1	13.3
Change (bp)	138	116	82	108	178	75	76	76	76	75	71	69

Sources: Company data, Thanachart estimates

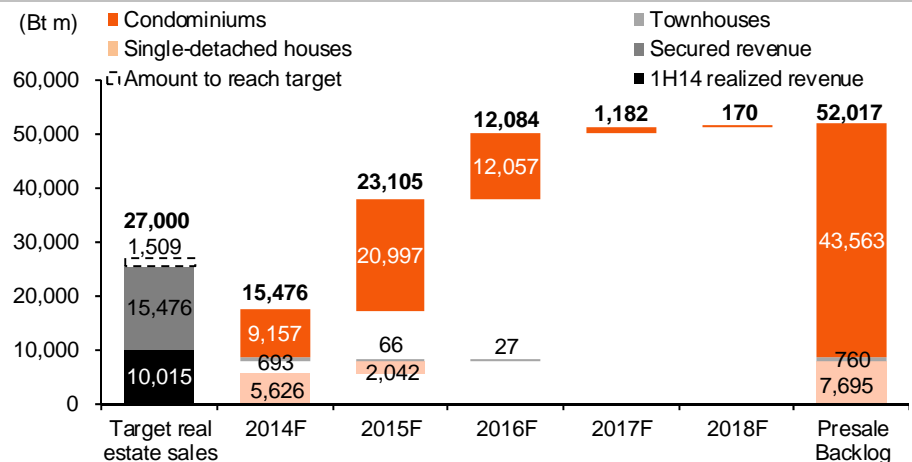
## Ex 2: Sensitivity Analysis With Different 2015F Net Margin

Net margin	10%	11%	12%	13%
2015F normalized profit (Bt m)	3,495	3,844	4,194	4,543
2015F normalized EPS (Bt/share)	0.25	0.27	0.30	0.32
2015F normalized EPS growth (%)	24	37	49	62
2015F PE at current price (x)	8.3	7.5	6.9	6.4
2015F PE at target price (x)	10.6	9.6	8.8	8.1

Sources: Company data, Thanachart estimates

**Backlog secures 94%, 68% and 33% of our real estate sales in 2014-16F**

### Ex 3: Presales Backlog



Sources: Company data, Thanachart estimates

### SIRI cutting 2014 targets

**Due to new launch delays, SIRI has lowered 2014 presales and sales targets**

Delays in obtaining environmental impact assessment (EIA) approval for many of its new condominiums planned for 4Q14 have forced SIRI to reduce its 2014 new launch value by 50% to Bt17bn, its presales target by 60% to Bt12bn and real estate sales target by 16% to Bt27bn. Next year, it targets a jump in new launches, including from the JV with BTS, to 19 projects worth Bt33bn, presales of Bt32bn with Bt2bn from the JV, and real estate sales of Bt35bn.

### Ex 4: 2014F New Launches (Current Plan)

	SDH	TH	Condo	No. of projects	Project value (Bt m)
1Q14	1	0	1	2	4,150
2Q14	3	1	0	4	5,846
3Q14	0	0	0	0	0
4Q14	3	0	1	4	6,673
<b>No. of projects</b>	<b>7</b>	<b>1</b>	<b>2</b>	<b>10</b>	
<b>Project value (Bt m)</b>	<b>11,755</b>	<b>791</b>	<b>4,123</b>	<b>16,669</b>	
<b>(%)</b>	<b>70</b>	<b>5</b>	<b>25</b>	<b>100</b>	

Sources: Company data, Thanachart estimates

### Ex 5: 2014F New Launches (Earlier Plan)

	SDH	TH	Condo	No. of projects	Project value (Bt m)
1Q14	1	0	1	2	4,137
2Q14	3	1	0	4	5,753
3Q14	0	0	0	0	0
4Q14	4	1	8	13	23,554
<b>No. of projects</b>	<b>8</b>	<b>2</b>	<b>9</b>	<b>19</b>	
<b>Project value (Bt m)</b>	<b>14,461</b>	<b>1,249</b>	<b>17,735</b>	<b>33,445</b>	
<b>(%)</b>	<b>43</b>	<b>4</b>	<b>53</b>	<b>100</b>	

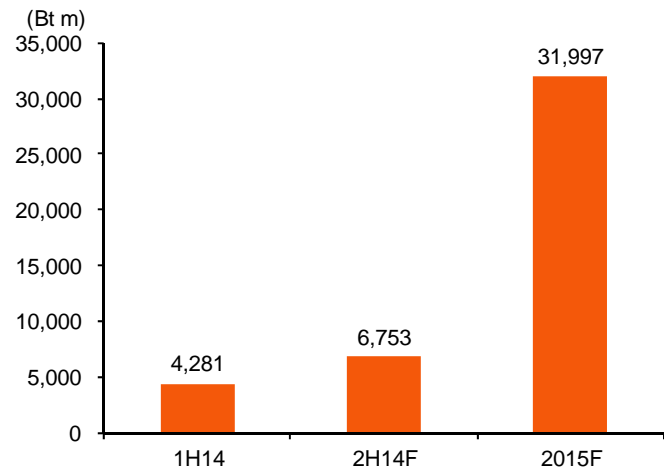
Sources: Company data, Thanachart estimates

### Net margin starting to improve

**SIRI expects net margin of 12% in 2014 (from 10% earlier) and 13% in 2015**

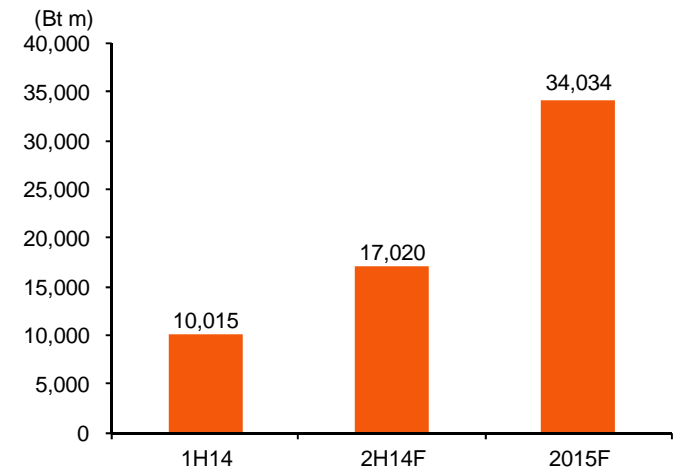
While we believe SIRI is on a recovery path with presales turning around in 2H14F to Bt6.8bn (+58% h-h) and in 2015F to Bt32bn (+190% y-y) and real estate sales in 2H14F of Bt17bn (+70% h-h) and in 2015F of Bt34bn (+26% y-y), we see its cost-cutting initiatives paving the way for higher profitability. Management expects net margin to reach double digits from 3Q14. Its net margin target for 2014 is 12% (from a previous target of 10%) before rising to 13% in 2015.

**Ex 6: Presales**



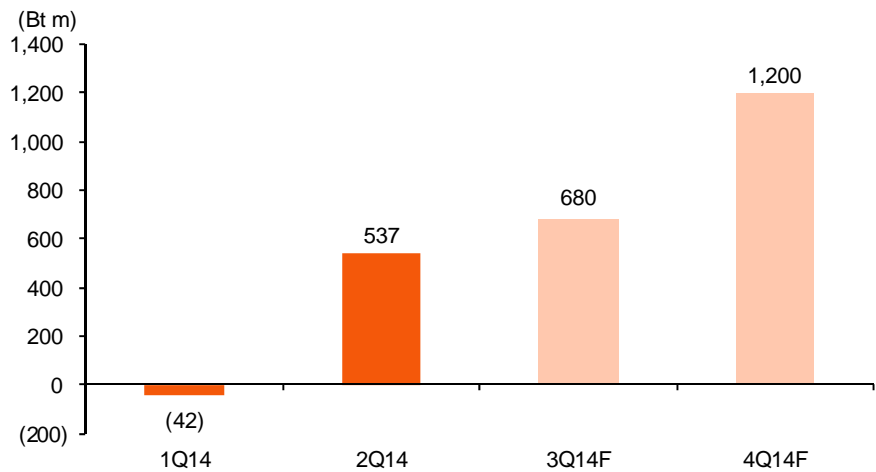
Sources: Company data, Thanachart estimates

**Ex 7: Real Estate Sales**



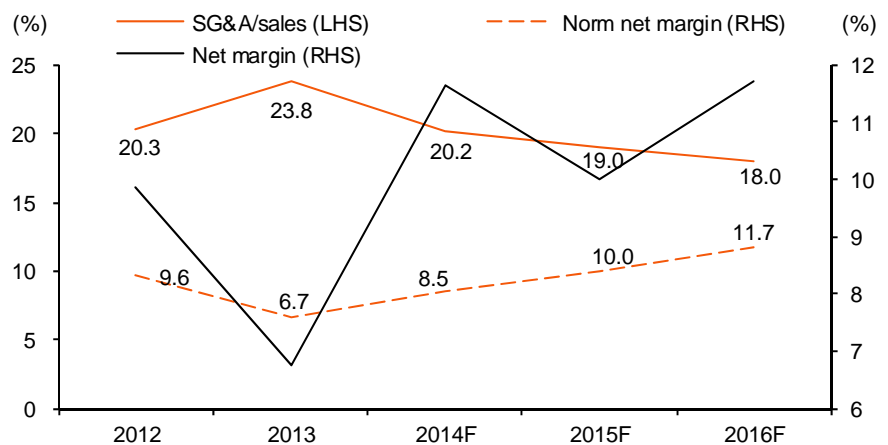
Sources: Company data, Thanachart estimates

**Ex 8: Quarterly Normalized Profit**



Sources: Company data, Thanachart estimates

**Ex 9: On Its Way To Higher Profitability**



Sources: Company data, Thanachart estimates

## JV with BTS positive in our view

***JV with BTS is positive in our view, though no major contribution until 2018F***

SIRI plans a 50:50 JV with BTS to develop residential projects within a 500-meter radius from mass transit stations with a minimum project value of Bt3bn each, and up to 10 projects worth Bt30bn in five years. We view this deal as win-win for both firms. We see the benefits to SIRI as follows: 1) it would allow project development beyond current capacity amid its current high gearing, 2) it would give SIRI priority over other developers in developing projects close to existing and future mass transit stations, 3) it would allow the use of BTS's resources, i.e. VGI Global Media's (VGI TB, Bt13.10, SELL) advertising platform and database of BTS's ridership, and 4) there would be management and incentive fees from BTS.

However, we don't expect significant contributions from this JV over the short term and we factor in only one JV project into our projections. The capital structure of the JV is planned to be 70% debt and 30% equity. Since SIRI would be in charge of project development including marketing and sales activity, it would receive a monthly management fee (total fee at around 5% of project value) from BTS during the sales and construction period of the first project of three years, which we expect would offset any operating expenses in 2015-17. Along with equity income contribution in 2018, SIRI would also get an incentive fee which we are yet to factor in.

### Ex 10: Details Of The First JV Project With BTS

#### Details Of The First JV Project With BTS

Project	High-rise condominium project with panoramic view of 700-rai park
Location	5 rai of land at interchange of BTS Mor Chit and MRT Chatuchak park
Project size	Bt5.3bn (43 floors, 873 units)
Target launch	March 2015
Construction	Aug 2015 - Dec 2017
Completion	March 2018

Sources: Company data, Thanachart estimates

### Ex 11: 12-month DCF-based TP Calculation

(Bt m)		2014F	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	2025F	Terminal Value
EBITDA		3,547	4,901	5,886	6,118	6,168	6,476	6,612	6,765	6,924	7,087	7,163	7,189	
Free cash flow		(9,142)	7,726	3,836	6,218	15,739	4,330	4,616	7,866	5,833	4,434	4,950	5,886	90,960
PV of free cash flow			7,705	3,252	4,855	11,315	2,866	2,813	4,414	3,014	2,110	2,168	2,374	36,688
Risk-free rate (%)	4.5													
Market risk premium (%)	7.5													
Beta	1.0													
WACC (%)	8.6													
Terminal growth (%)	2.0													
Enterprise value - add investments	83,575													
Net debt (2014F)	36,439													
Minority interest	(0)													
Equity value	47,136													
# of shares (m)	17,818													
<b>Equity value/share (Bt)</b>	<b>2.60</b>													

Sources: Company data, Thanachart estimates

## Valuation Comparison

## Ex 12: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		EV/EBITDA		Div yield	
			14F (%)	15F (%)	14F (x)	15F (x)	14F (x)	15F (x)	14F (x)	15F (x)	14F (%)	15F (%)
Poly Real Estate Group	600048 CH	China	23.5	20.2	4.6	3.8	0.9	0.8	7.7	6.4	4.3	5.2
Agile Property Holdings	3383 HK	China	(18.8)	(0.3)	3.1	3.1	0.4	0.3	5.7	5.5	8.3	8.5
Country Garden Holdings	2007 HK	China	13.8	11.5	5.4	4.9	1.0	0.9	5.8	5.0	6.6	7.3
China Overseas Land & Invest	688 HK	Hong Kong	0.1	14.6	7.5	6.5	1.3	1.1	6.7	5.8	2.6	3.0
China Resources Land	1109 HK	Hong Kong	(21.7)	17.3	9.0	7.7	1.1	1.0	8.1	6.9	2.9	3.3
Hang Lung Properties	101 HK	Hong Kong	(18.1)	6.0	17.3	16.3	0.8	0.8	14.1	13.4	3.3	3.4
Henderson Land Development	12 HK	Hong Kong	(41.5)	(0.7)	16.3	16.4	0.6	0.6	26.9	26.4	2.1	2.1
Shimao Property Holdings	813 HK	Hong Kong	19.6	14.2	6.2	5.4	1.1	1.0	6.1	5.2	4.9	5.5
Sun Hung Kai Properties	16 HK	Hong Kong	(35.4)	(4.9)	14.1	14.8	0.8	0.7	13.3	12.9	3.0	3.0
Sino Land	83 HK	Hong Kong	(45.8)	10.4	15.3	13.9	0.7	0.7	17.0	16.2	4.0	4.1
Bakrieland Development	ELTY IJ	Indonesia	na	na	na	na	na	na	na	na	na	na
Ciputra Property	CTRP IJ	Indonesia	(44.6)	86.0	19.4	10.4	na	na	12.7	9.4	na	na
Intiland Development	DILD IJ	Indonesia	39.6	29.0	13.6	10.6	1.4	1.3	10.5	9.1	1.4	1.8
CapitaLand	CAPL SP	Singapore	(22.0)	10.3	19.0	17.2	0.8	0.7	20.5	19.1	2.7	2.8
City Developments	CIT SP	Singapore	(8.5)	10.1	13.8	12.5	1.0	1.0	14.1	12.8	1.4	1.4
Guocoland	GUOL SP	Singapore	(47.2)	(28.6)	13.8	19.4	na	na	na	17.9	na	na
Keppel Land	KPLD SP	Singapore	(53.9)	8.7	12.1	11.1	0.7	0.6	20.7	19.9	3.6	3.3
Asian Property Devt *	AP TB	Thailand	1.1	9.2	9.5	8.7	1.3	1.2	12.3	11.0	3.1	3.4
Land and Houses *	LH TB	Thailand	6.0	10.9	16.2	14.6	2.7	2.5	21.1	19.2	4.1	5.1
LPN Development *	LPN TB	Thailand	(9.9)	54.8	15.8	10.2	3.2	2.6	13.4	8.8	3.2	4.9
Pruksa Real Estate *	PS TB	Thailand	11.1	12.8	11.3	10.0	2.5	2.1	11.0	9.5	2.7	3.0
Quality Houses *	QH TB	Thailand	3.5	21.1	11.2	9.3	2.0	1.7	18.1	14.7	4.0	4.9
Sansiri *	SIRI TB	Thailand	13.4	24.4	10.3	8.3	1.1	1.0	17.2	10.3	4.9	4.8
Supalai *	SPALI TB	Thailand	49.5	22.0	9.9	8.1	2.5	2.0	9.2	7.3	4.0	4.9
<b>Average</b>			<b>(8.1)</b>	<b>15.6</b>	<b>11.9</b>	<b>10.6</b>	<b>1.3</b>	<b>1.2</b>	<b>13.3</b>	<b>11.9</b>	<b>3.7</b>	<b>4.1</b>

Sources: Bloomberg, Thanachart estimates

Note: \* Thanachart estimates, using normalized EPS

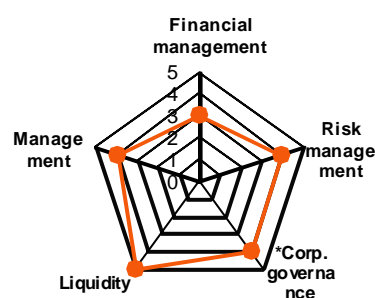
Based on 17 October 2014 closing prices

## COMPANY DESCRIPTION

SIRI runs a real estate business developing property for sale and rent and also providing other property services such as brokerage, sales management and consultancy. While more than 95% of total revenues are from project sales of single-detached houses (SDH), townhouses (TH) and condominiums, it operates two office buildings in Bangkok (Siripinyo building on Sri Ayudhya Road and Bhakdi building on Wireless Road), a leasehold commercial building (Sun Square Silom), a leasehold residential building (Baan Sansiri), a hotel in Hua Hin (Casa del Mare) and a medical spa under the brand "S Medical Spa". It was listed on the SET in 1996.

Source: Thanachart

## COMPANY RATING



### Rating Scale

Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

Source: Thanachart; \*CG Awards

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Strong brand reputation in all segments with a good track record for its past projects.
- Diversified portfolio allowing flexibility to alter business strategy.
- Economies of scale benefits.
- JV with BTS to develop projects near mass transit lines.

### O — Opportunity

- Greater penetration of the mid- to low-end segments.
- Still plenty of opportunities in provincial markets.

### W — Weakness

- High leverage.
- High marketing costs for building and maintaining brand awareness.

### T — Threat

- Regulatory risks over zoning and EIA.
- Fluctuations in raw material prices.
- Labor shortages.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	1.93	2.60	35%
Net profit 14F (Bt m)	3,107	3,247	4%
Net profit 15F (Bt m)	3,166	3,495	10%
Consensus REC	BUY: 9	HOLD: 4	SELL: 7

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our net-profit forecasts are significantly above the Street's from 2015 onwards on higher net margin assumptions as we expect its cost-saving plans to improve profitability.
- Our TP is therefore higher than the Bloomberg consensus.

## RISKS TO OUR INVESTMENT CASE

- Economic/property shocks.
- Unexpected rise in construction costs/lower-than-expected ability to pass on higher costs.
- Fierce-than-expected market competition.

Sources: Bloomberg consensus, Thanachart estimates

Source: Thanachart



## INCOME STATEMENT

FY ending Dec (Bt m)	2012A	2013A	2014F	2015F	2016F
Sales	29,821	28,597	27,894	34,950	37,920
Cost of sales	19,877	19,268	18,984	23,684	25,498
<b>Gross profit</b>	<b>9,944</b>	<b>9,329</b>	<b>8,911</b>	<b>11,266</b>	<b>12,422</b>
% gross margin	33.3%	32.6%	31.9%	32.2%	32.8%
Selling & administration expenses	6,060	6,808	5,635	6,640	6,826
<b>Operating profit</b>	<b>3,885</b>	<b>2,522</b>	<b>3,276</b>	<b>4,625</b>	<b>5,596</b>
% operating margin	13.0%	8.8%	11.7%	13.2%	14.8%
Depreciation & amortization	324	281	271	276	289
<b>EBITDA</b>	<b>4,209</b>	<b>2,803</b>	<b>3,547</b>	<b>4,901</b>	<b>5,886</b>
% EBITDA margin	14.1%	9.8%	12.7%	14.0%	15.5%
Non-operating income	265	390	403	448	540
Non-operating expenses	0	0	0	0	0
Interest expense	(328)	(616)	(635)	(593)	(450)
<b>Pre-tax profit</b>	<b>3,822</b>	<b>2,295</b>	<b>3,044</b>	<b>4,480</b>	<b>5,686</b>
Income tax	954	384	670	986	1,251
<b>After-tax profit</b>	<b>2,868</b>	<b>1,911</b>	<b>2,375</b>	<b>3,495</b>	<b>4,435</b>
% net margin	9.6%	6.7%	8.5%	10.0%	11.7%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	(0)	1	1	1	1
Extraordinary items	71	18	872	0	0
<b>NET PROFIT</b>	<b>2,938</b>	<b>1,930</b>	<b>3,247</b>	<b>3,495</b>	<b>4,436</b>
<b>Normalized profit</b>	<b>2,867</b>	<b>1,912</b>	<b>2,375</b>	<b>3,495</b>	<b>4,436</b>
EPS (Bt)	0.3	0.2	0.3	0.2	0.2
Normalized EPS (Bt)	0.3	0.2	0.2	0.2	0.2

*We expect backlog to support revenue growth over 2014-16F ...*

*... despite a sharp presales contraction forecast this year*

## BALANCE SHEET

FY ending Dec (Bt m)	2012A	2013A	2014F	2015F	2016F
<b>ASSETS:</b>					
Current assets:	41,073	52,957	64,469	62,044	63,165
Cash & cash equivalent	3,408	2,120	2,200	2,500	2,500
Account receivables	41	45	43	54	59
Inventories	34,267	45,621	57,211	53,208	53,791
Others	3,357	5,172	5,014	6,281	6,815
Investments & loans	9	7	57	357	462
Net fixed assets	3,346	3,665	3,335	3,401	3,453
Other assets	2,066	3,410	3,327	4,168	4,522
<b>Total assets</b>	<b>46,495</b>	<b>60,040</b>	<b>71,188</b>	<b>69,970</b>	<b>71,602</b>
<b>LIABILITIES:</b>					
Current liabilities:	18,173	19,388	20,546	17,182	17,097
Account payables	1,800	2,251	1,820	2,271	2,445
Bank overdraft & ST loans	4,212	6,033	7,728	4,814	4,439
Current LT debt	7,375	5,820	6,182	3,851	3,551
Others current liabilities	4,787	5,284	4,816	6,246	6,662
<b>Total LT debt</b>	<b>12,419</b>	<b>22,816</b>	<b>24,729</b>	<b>15,405</b>	<b>14,205</b>
Others LT liabilities	678	768	749	939	1,019
<b>Total liabilities</b>	<b>31,270</b>	<b>42,972</b>	<b>46,024</b>	<b>33,527</b>	<b>32,322</b>
Minority interest	1	0	(0)	(1)	(2)
Preferreds shares	0	0	0	0	0
Paid-up capital	8,434	10,201	15,133	19,065	19,129
Share premium	584	657	1,530	6,785	6,871
Warrants	0	0	0	0	0
Surplus	501	37	37	37	37
<b>Retained earnings</b>	<b>5,704</b>	<b>6,173</b>	<b>8,464</b>	<b>10,558</b>	<b>13,246</b>
Shareholders' equity	15,224	17,067	25,164	36,445	39,283
<b>Liabilities &amp; equity</b>	<b>46,495</b>	<b>60,040</b>	<b>71,188</b>	<b>69,970</b>	<b>71,602</b>

Sources: Company data, Thanachart estimates

*Enlarging its equity base via a rights offering and warrant exercise*

**CASH FLOW STATEMENT**

<b>FY ending Dec (Bt m)</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Earnings before tax	3,822	2,295	3,044	4,480	5,686
Tax paid	(890)	(645)	(556)	(984)	(1,185)
Depreciation & amortization	324	281	271	276	289
Chg In working capital	(7,819)	(10,908)	(12,019)	4,443	(414)
Chg In other CA & CL / minorities	554	(1,846)	(1,585)	(892)	(983)
<b>Cash flow from operations</b>	<b>(4,009)</b>	<b>(10,822)</b>	<b>(10,844)</b>	<b>7,322</b>	<b>3,394</b>
Capex	(687)	(558)	100	(300)	(300)
ST loans & investments	54	15	31	0	0
LT loans & investments	42	2	(50)	(300)	(105)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(419)	(503)	2,024	361	484
<b>Cash flow from investments</b>	<b>(1,010)</b>	<b>(1,044)</b>	<b>2,105</b>	<b>(239)</b>	<b>79</b>
Debt financing	4,655	10,664	3,970	(14,568)	(1,875)
Capital increase	921	1,839	5,806	9,186	150
Dividends paid	(1,001)	(1,425)	(956)	(1,401)	(1,748)
Warrants & other surplus	988	(500)	0	0	0
<b>Cash flow from financing</b>	<b>5,563</b>	<b>10,578</b>	<b>8,819</b>	<b>(6,783)</b>	<b>(3,472)</b>
<b>Free cash flow</b>	<b>(4,695)</b>	<b>(11,381)</b>	<b>(10,744)</b>	<b>7,022</b>	<b>3,094</b>

**VALUATION**

<b>FY ending Dec</b>	<b>2012A</b>	<b>2013A</b>	<b>2014F</b>	<b>2015F</b>	<b>2016F</b>
Normalized PE (x)	7.3	11.7	10.3	8.3	8.2
Normalized PE - at target price (x)	9.3	14.9	13.1	10.5	10.5
PE (x)	7.1	11.6	7.5	8.3	8.2
PE - at target price (x)	9.0	14.7	9.6	10.5	10.5
EV/EBITDA (x)	9.8	19.6	17.2	10.3	9.5
EV/EBITDA - at target price (x)	11.2	21.8	19.1	11.9	11.2
P/BV (x)	1.4	1.3	1.1	1.0	0.9
P/BV - at target price (x)	1.8	1.7	1.5	1.3	1.2
P/CFO (x)	(5.2)	(2.1)	(2.3)	4.0	10.7
Price/sales (x)	0.7	0.7	0.7	0.6	0.5
Dividend yield (%)	6.2	4.2	4.9	4.8	6.1
FCF Yield (%)	(22.5)	(51.0)	(43.9)	24.3	8.5
<b>(Bt)</b>					
Normalized EPS	0.3	0.2	0.2	0.2	0.2
EPS	0.3	0.2	0.3	0.2	0.2
DPS	0.1	0.1	0.1	0.1	0.1
BV/share	1.4	1.5	1.8	2.0	2.2
CFO/share	(0.4)	(1.0)	(0.9)	0.5	0.2
FCF/share	(0.5)	(1.0)	(0.9)	0.5	0.2

Sources: Company data, Thanachart estimates

*Despite EPS dilution from the capital call, we regard its PE as undemanding*

## FINANCIAL RATIOS

FY ending Dec	2012A	2013A	2014F	2015F	2016F
<b>Growth Rate</b>					
Sales (%)	45.2	(4.1)	(2.5)	25.3	8.5
Net profit (%)	45.8	(34.3)	68.3	7.7	26.9
EPS (%)	43.4	(38.7)	53.6	(9.0)	0.8
Normalized profit (%)	43.2	(33.3)	24.2	47.2	26.9
Normalized EPS (%)	40.8	(37.7)	13.4	24.4	0.8
Dividend payout ratio (%)	45.6	49.6	43.2	50.0	50.0
<b>Operating performance</b>					
Gross margin (%)	33.3	32.6	31.9	32.2	32.8
Operating margin (%)	13.0	8.8	11.7	13.2	14.8
EBITDA margin (%)	14.1	9.8	12.7	14.0	15.5
Net margin (%)	9.6	6.7	8.5	10.0	11.7
D/E (incl. minor) (x)	1.6	2.0	1.5	0.7	0.6
Net D/E (incl. minor) (x)	1.4	1.9	1.4	0.6	0.5
Interest coverage - EBIT (x)	11.9	4.1	5.2	7.8	12.4
Interest coverage - EBITDA (x)	12.8	4.5	5.6	8.3	13.1
ROA - using norm profit (%)	6.9	3.6	3.6	5.0	6.3
ROE - using norm profit (%)	21.6	11.8	11.2	11.3	11.7
<b>DuPont</b>					
ROE - using after tax profit (%)	21.6	11.8	11.2	11.3	11.7
- asset turnover (x)	0.7	0.5	0.4	0.5	0.5
- operating margin (%)	13.9	10.2	13.2	14.5	16.2
- leverage (x)	3.1	3.3	3.1	2.3	1.9
- interest burden (%)	92.1	78.8	82.7	88.3	92.7
- tax burden (%)	75.0	83.3	78.0	78.0	78.0
WACC (%)	8.6	8.6	8.6	8.6	8.6
ROIC (%)	10.5	5.9	5.2	5.9	7.5
NOPAT (Bt m)	2,915	2,100	2,555	3,608	4,365

Sources: Company data, Thanachart estimates

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