

# Sansiri PCL

## When the going gets tough...

### Weak Q413 causes presales miss

Sansiri reported Q413 presales of Bt5.0bn, its weakest quarter since Q411, down 69% YoY and down 42% QoQ, which management attributed to a low number of project launches combined with low consumer confidence due to ongoing political unrest. Sansiri's full-year sales were Bt41.3bn (-1% YoY), below its revised target of Bt45bn.

### Low launches equate to low presales for 2014

Management expects to launch 19 projects in 2014, with a combined expected value of Bt33.3bn, a significant decrease from Bt61.2bn launched in 2013. Due to the decline in the value of launched projects, Sansiri is targeting presales of Bt30bn in 2014, a decrease of 29% on 2013 presales and a decrease from the company's original 2014 target of Bt38bn set on 5 November 2013.

### Upcountry focus remains a priority

Sansiri will not drastically scale back its upcountry operations in 2014 as the company expects 36% of its total presales target and 37% of its revenue target to be derived from markets outside of Bangkok. This is a slight decrease from 2013, when Sansiri achieved 43% (Bt18bn) of total presales from markets outside of Bangkok. Management expects slightly lower sales to be derived from upcountry due to a decrease in condominiums launched in these markets during 2014.

### Valuation: we maintain our Buy rating and price target of Bt2.60

We maintain our price target of Bt2.60 and our Buy rating on Sansiri. We derive our price target from a DCF-based methodology (assuming a WACC of 9.1%) and explicitly forecast long-term valuation drivers using UBS's VCAM tool. Our price target implies 6.8x 2014E PE, compared with an average of 9.2x for other Thai property companies under our coverage.

## Equities

 Thailand  
 Real Estate

**12-month rating** **Buy**
**12m price target** **Bt2.60**
**Price** **Bt1.73**
**RIC:** SIRI.BK **BBG:** SIRI TB

### Trading data and key metrics

<b>52-wk range</b>	Bt5.35-1.67
<b>Market cap.</b>	Bt15.7bn/US\$0.48bn
<b>Shares o/s</b>	9,099m (ORD)
<b>Free float</b>	62%
<b>Avg. daily volume ('000)</b>	57,388
<b>Avg. daily value (m)</b>	Bt119.7
<b>Common s/h equity (12/13E)</b>	Bt17.3bn
<b>P/BV (12/13E)</b>	0.9x
<b>Net debt / EBITDA (12/13E)</b>	6.4x

### EPS (UBS, diluted) (Bt)

	UBS	Cons.
<b>12/13E</b>	0.31	0.28
<b>12/14E</b>	0.38	0.33
<b>12/15E</b>	0.43	0.38

Thomas Philippson, CA

Associate Analyst

thomas.philippson@ubs.com

+662-613 5734

Highlights (Btm)	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
<b>Revenues</b>	18,596	20,542	29,821	30,789	34,494	39,313	42,895	47,671
<b>EBIT (UBS)</b>	2,892	2,978	4,118	3,786	5,071	5,974	6,294	6,992
<b>Net earnings (UBS)</b>	1,941	2,007	2,964	2,735	3,633	4,227	4,425	4,911
<b>EPS (UBS, diluted) (Bt)</b>	0.28	0.27	0.40	0.31	0.38	0.43	0.45	0.50
<b>DPS (Bt)</b>	0.11	0.02	0.14	0.14	0.11	0.15	0.17	0.18
<b>Net (debt) / cash</b>	(12,596)	(16,488)	(20,597)	(26,786)	(30,828)	(36,345)	(38,368)	(46,457)
Profitability/valuation	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
<b>EBIT margin %</b>	15.6	14.5	13.8	12.3	14.7	15.2	14.7	14.7
<b>ROIC (EBIT) %</b>	15.3	12.3	13.4	9.7	10.8	10.9	10.2	10.1
<b>EV/EBITDA (core) x</b>	5.3	6.8	8.0	9.2	8.0	7.6	7.8	7.7
<b>P/E (UBS, diluted) x</b>	4.0	4.5	6.0	5.5	4.6	4.0	3.8	3.4
<b>Equity FCF (UBS) yield %</b>	(50.6)	(40.9)	(26.5)	(37.3)	(24.4)	(26.7)	(1.9)	(39.9)
<b>Net dividend yield %</b>	9.9	2.0	5.7	8.0	6.6	8.6	10.0	10.5

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of Bt1.73 on 07 Jan 2014 22:38 HKT

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# Investment Thesis

## Siri

### Investment case

With the completion of its prefabrication factory (one of only two such factories in Thailand), Sansiri has now expanded into the low-end housing market, while maintaining its high-end exposure. We believe housing demand in Thailand will remain strong into 2014, based on increasing household affordability, a continued low policy rate environment, growing consumer confidence, and UBS's real GDP growth forecast of 4% for 2013. As we expect Sansiri to gain market share and benefit from strong demand, we forecast 15% revenue growth in 2013.

### Upside scenario

In our upside scenario, we assume housing demand growth to be 10% above our base-case assumption. If greater demand results in Sansiri's project revenue increasing by 10% above our base-case expectation for 2014, we estimate EPS will rise to Bt0.42 versus a base-case forecast of Bt0.38, with 7.5x forward PE implying a valuation of Bt3.15.

### Downside scenario

In our downside scenario, we assume housing demand falls 10% in 2014, and consequently Sansiri's project sales also fall 10%. With the fall in demand, we assume the company will increase promotions to sustain sales, which would impact gross margin—we assume a 100bp decline in gross margin, yielding EPS of Bt0.31 for the year, with a 6.1x forward PE implying a valuation of Bt1.90.

### Upcoming catalysts

We expect sales to continue to be supported by the BTS build-out, a continued low-rate environment, and improving household affordability, which, coupled with attractive valuations for Sansiri, will act as a share price catalyst going forward.

12-month rating

**Buy**

12m price target

**Bt2.60**

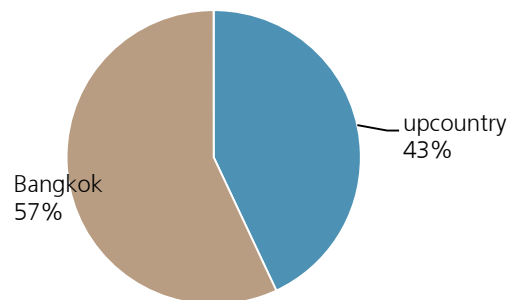
### Business description

Sansiri was listed on the Stock Exchange of Thailand in 1996. Exclusively a condominium developer initially, it has since expanded into the single detached and townhouse segments. Sansiri develops residential units in high population growth areas in Bangkok and the provinces, generating one-third of its annual revenue from developments outside Bangkok. With the completion of its prefabrication factory in 2012, it has expanded into the low-end housing segment.

### Industry outlook

We expect the industry to continue to consolidate in 2014 due to restrictive lending by banks, a sluggish economy and poor consumer confidence.

Figure 1: 2013 Presales by region



Source: Company data

### Revenue by product segment

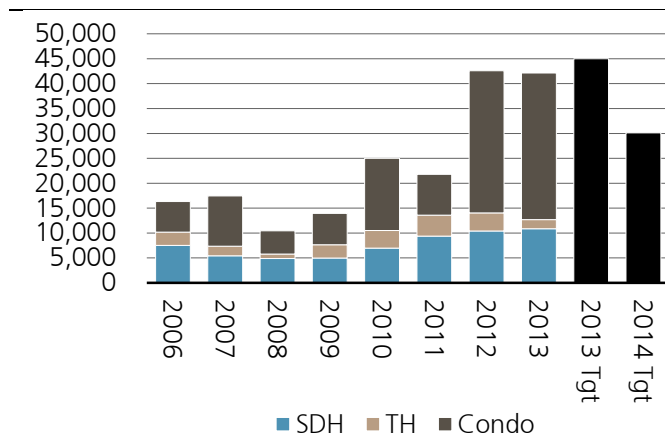
In 2012, Sansiri's breakdown between revenue derived from low-rise units and condominiums was 49% and 51%, respectively. For 2013 we forecast 44% of annual revenue will be derived from low-rise transfers and 56% from condominium transfers.

## 2013 presales miss due to political tension

Sansiri's 2013 presales finished the year at Bt42.1bn (-1% YoY), which was slightly below its revised target of Bt45bn (previously Bt48bn). The company attributed the miss to a weak Q413, the weakest quarter since the Thai floods in 2011, due to only two projects launched (one condo, and one SDH) as well as low consumer confidence due to the ongoing political unrest.

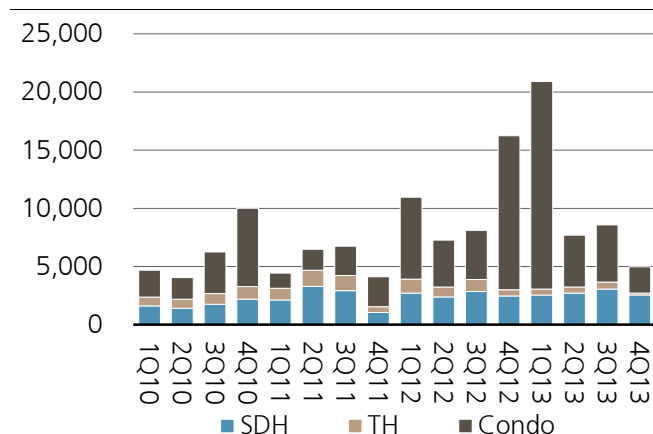
The company also announced that it expects to launch 19 projects in 2014 (nine condo, two townhouse, and eight single detached) with a combined expected value of Bt33.3bn versus Bt61bn launched in 2013. The significant decrease can be attributed to: 1) a difficult operating environment expected in 2014; and 2) Sansiri changing its business model from launching projects before EIA approval is obtained to only launching a project after approval is achieved. Due to the low value of projects expected to be launched in 2014, Sansiri has reduced its presales target for the year from Bt38bn to Bt30bn.

Figure 2: Annual presales and company targets



Source: Company data

Figure 3: Quarterly presales

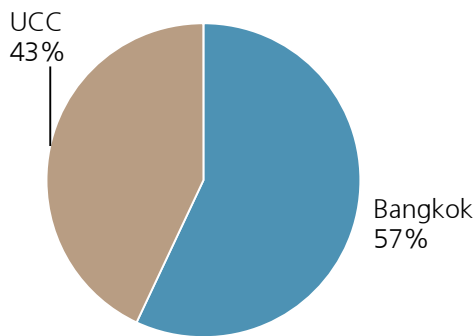


Source: Company data

## Bullish on upcountry markets

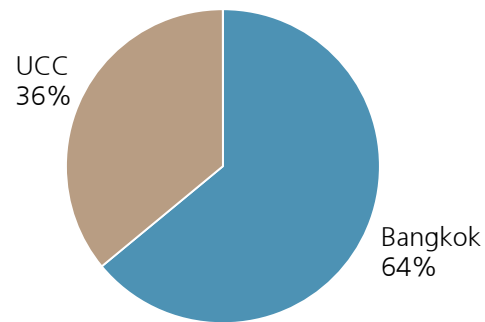
Sansiri expects to maintain its industry-leading upcountry presence, with 51% of the company's total 2013 project launches dedicated to these markets. Due to the large amount of projects launched upcountry, Sansiri derived 43% of total presales during 2013 from upcountry sales. The company expects the mix of presales to change slightly in 2014 as management expects just 36% of the company's annual sales to be derived from upcountry markets, which is due to fewer condo projects being launched outside of Bangkok in 2014. Management believes its first-mover advantage into new provinces will insulate it against the oversupply experienced by other developers in these markets.

**Figure 4: 2013 presales breakdown by location**



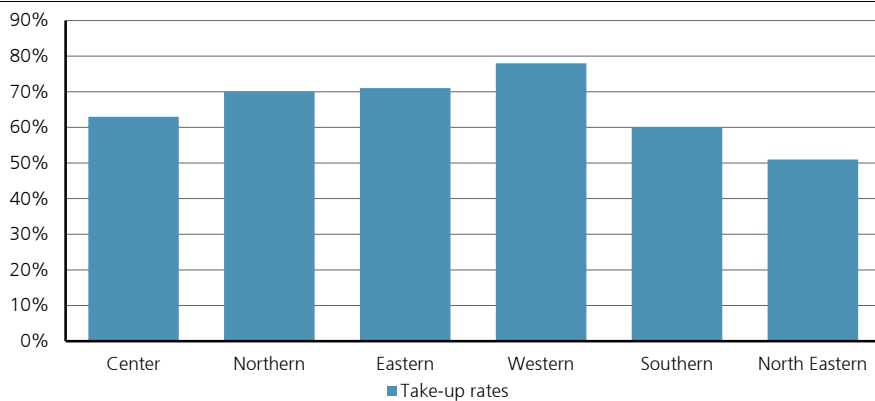
Source: Company data

**Figure 5: 2014 expected presales breakdown by location**



Source: Company data

**Figure 6: Sales performance in upcountry markets**



Source: Company data

## All other targets maintained

Sansiri is maintaining all other previous targets, which include:

- 1) 2014 revenue from real estate sales of Bt34.3bn (we currently forecast Bt33.5bn), of which the company has secured 66% in its existing backlog. Sansiri management expects 63% of 2014 revenue to be derived from Bangkok projects and 37% from projects upcountry.
- 2) The grand opening of Sansiri's "Escape Khao Yai" hotel in February 2014, which is approximately 50 keys in size.
- 3) To launch 19 projects with a total expected value of Bt33.3bn—Bt8.8bn to be launched in Q114, Bt8.4bn in Q214, Bt11.3bn in Q314, and Bt4.8bn in Q414.

## Valuation: maintain Buy rating and PT of Bt2.60

We maintain our Buy rating and price target of Bt2.60 on Sansiri, which implies 6.8x 2014E earnings. Sansiri is currently the cheapest Thai property developer

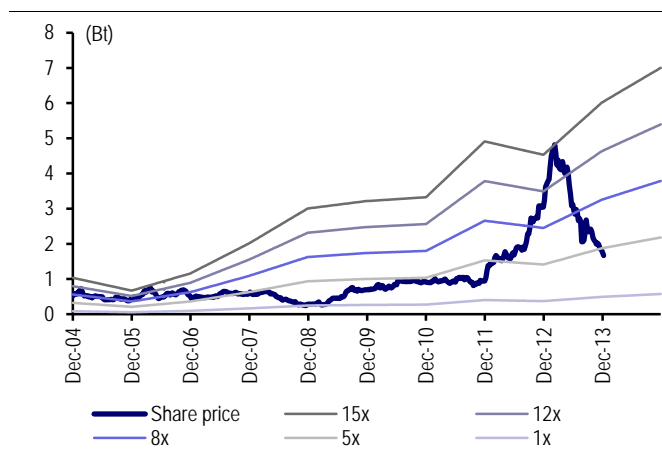
under UBS coverage, trading at 4.4x 2014E earnings versus a UBS residential developer average of 7.2x. Our Buy rating is due to the growth potential of Sansiri coupled with the cheap valuations, as of end-2013 Sansiri's backlog was Bt63bn, which we forecast to equate to a three-year net profit CAGR of 17%.

**Figure 7: Comparison table**

Company Name	PE (x)			EPS growth			Dividend Yield		ROE (%)			P/BV (x)		
	2013E	2014E	2015E	2013E	2014E	2015E	2014E	2015E	2013E	2014E	2015E	2013E	2014E	2015E
AP Thailand	5.4	5.0	4.4	-4.8%	8.7%	12.5%	5.1%	7.8%	16.7	16.2	16.3	0.73	0.65	0.71
Land & Houses	13.9	12.6	10.9	13.0%	10.6%	15.5%	5.6%	6.2%	18.2	18.4	20.0	2.44	2.32	2.18
LPN Development	7.9	6.9	5.9	29.5%	15.1%	16.4%	6.6%	7.6%	30.7	29.8	29.5	2.23	1.89	1.61
Quality House	7.6	7.0	6.4	95.5%	7.9%	9.7%	6.6%	6.8%	17.8	17.2	17.2	1.22	1.11	1.10
Pruksa	7.0	6.1	5.7	38.3%	15.1%	7.2%	4.2%	4.8%	22.4	20.7	19.7	1.36	1.21	1.07
Sansiri	5.3	4.4	3.9	-22.2%	21.0%	14.4%	6.6%	8.6%	17.2	19.1	19.0	0.88	0.80	0.71
Supalai	7.5	5.7	4.9	17.8%	32.8%	15.7%	5.8%	7.7%	22.6	25.7	25.3	1.64	1.38	1.18
<b>Average (excluding Siri)</b>	<b>8.2</b>	<b>7.2</b>	<b>6.4</b>	<b>31.6%</b>	<b>15.0%</b>	<b>12.8%</b>	<b>5.6%</b>	<b>6.8%</b>	<b>21.4</b>	<b>21.3</b>	<b>21.3</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>

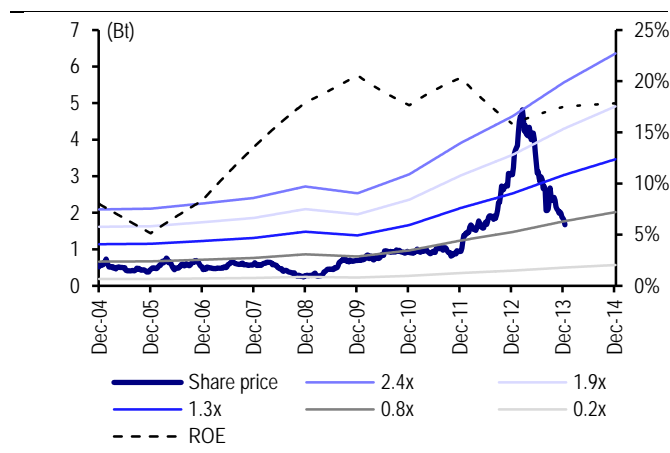
Source: Bloomberg, UBS estimates

**Figure 8: Forward PE bands**



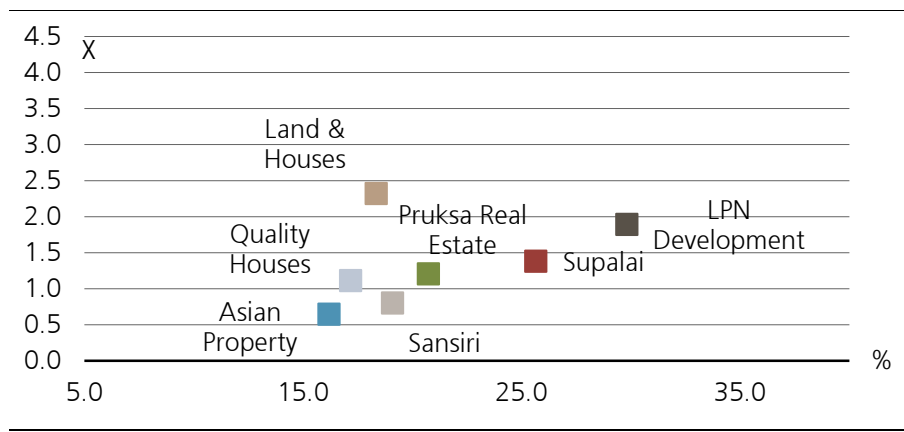
Source: Reuters, UBS estimates

**Figure 9: Forward P/BV bands**



Source: Reuters, UBS estimates

**Figure 10: 2014E P/BV versus ROE**



Source: UBS estimates

## Sansiri PCL (SIRI.BK)

	12/10	12/11	12/12	12/13E	% ch	12/14E	% ch	12/15E	12/16E	12/17E
<b>Income statement (Btm)</b>										
<b>Revenues</b>	<b>18,596</b>	<b>20,542</b>	<b>29,821</b>	<b>30,789</b>	<b>3.2</b>	<b>34,494</b>	<b>12.0</b>	<b>39,313</b>	<b>42,895</b>	<b>47,671</b>
Gross profit	6,055	7,032	9,944	10,252	3.1	11,694	14.1	13,522	14,315	15,907
<b>EBITDA (UBS)</b>	<b>3,146</b>	<b>3,291</b>	<b>4,442</b>	<b>4,188</b>	<b>-5.7</b>	<b>5,487</b>	<b>31.0</b>	<b>6,402</b>	<b>6,732</b>	<b>7,439</b>
Depreciation & amortisation	(254)	(313)	(324)	(402)	23.9	(416)	3.5	(428)	(438)	(447)
<b>EBIT (UBS)</b>	<b>2,892</b>	<b>2,978</b>	<b>4,118</b>	<b>3,786</b>	<b>-8.1</b>	<b>5,071</b>	<b>33.9</b>	<b>5,974</b>	<b>6,294</b>	<b>6,992</b>
Associates & investment income	7	2	1	1	0.0	1	0.0	1	1	1
Other non-operating income	(15)	0	0	0	-	0	-	0	0	0
Net interest	(222)	(197)	(296)	(368)	-24.2	(530)	-44.0	(691)	(762)	(853)
Exceptionals (incl goodwill)	0	0	0	0	-	0	-	0	0	0
<b>Profit before tax</b>	<b>2,662</b>	<b>2,783</b>	<b>3,823</b>	<b>3,419</b>	<b>-10.6</b>	<b>4,542</b>	<b>32.9</b>	<b>5,284</b>	<b>5,533</b>	<b>6,140</b>
Tax	(721)	(775)	(858)	(684)	20.3	(908)	-32.9	(1,057)	(1,107)	(1,228)
<b>Profit after tax</b>	<b>1,941</b>	<b>2,008</b>	<b>2,965</b>	<b>2,735</b>	<b>-7.7</b>	<b>3,634</b>	<b>32.9</b>	<b>4,227</b>	<b>4,426</b>	<b>4,912</b>
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	0	(1)	(1)	(1)	0.00	(1)	0.00	(1)	(1)	(1)
Extraordinary items	(43)	8	54	0	-	0	-	0	0	0
<b>Net earnings (local GAAP)</b>	<b>1,898</b>	<b>2,015</b>	<b>3,018</b>	<b>2,735</b>	<b>-9.4</b>	<b>3,633</b>	<b>32.9</b>	<b>4,227</b>	<b>4,425</b>	<b>4,911</b>
<b>Net earnings (UBS)</b>	<b>1,941</b>	<b>2,007</b>	<b>2,964</b>	<b>2,735</b>	<b>-7.7</b>	<b>3,633</b>	<b>32.9</b>	<b>4,227</b>	<b>4,425</b>	<b>4,911</b>
Tax rate (%)	27.1	27.9	22.4	20.0	-10.9	20.0	0.0	20.0	20.0	20.0
<b>Per share (Bt)</b>										
EPS (UBS, diluted)	0.28	0.27	0.40	0.31	-22.2	0.38	21.0	0.43	0.45	0.50
EPS (local GAAP, diluted)	0.27	0.27	0.41	0.31	-23.6	0.38	21.0	0.43	0.45	0.50
EPS (UBS, basic)	0.28	0.27	0.40	0.31	-22.2	0.38	21.0	0.43	0.45	0.50
Net DPS (Bt)	0.11	0.02	0.14	0.14	1.7	0.11	-17.5	0.15	0.17	0.18
Cash EPS (UBS, diluted) <sup>1</sup>	0.31	0.32	0.45	0.36	-19.6	0.42	17.5	0.48	0.50	0.55
Book value per share	1.35	1.61	1.85	1.98	6.7	2.16	9.3	2.43	2.71	3.03
Average shares (diluted)	6,970.77	7,346.34	7,373.33	8,744.61	18.6	9,604.53	9.8	9,768.85	9,768.85	9,768.85
<b>Balance sheet (Btm)</b>										
Cash and equivalents	3,331	2,863	3,408	2,134	-37.4	2,498	17.1	2,633	2,236	1,755
Other current assets	24,218	29,325	37,614	45,625	21.3	54,571	19.6	62,811	69,010	80,097
<b>Total current assets</b>	<b>27,549</b>	<b>32,188</b>	<b>41,022</b>	<b>47,759</b>	<b>16.4</b>	<b>57,069</b>	<b>19.5</b>	<b>65,445</b>	<b>71,246</b>	<b>81,852</b>
Net tangible fixed assets	1,390	1,881	2,099	2,499	19.1	2,624	5.0	2,734	2,829	2,913
Net intangible fixed assets	848	565	549	504	-8.2	463	-8.2	425	391	360
Investments / other assets	1,404	1,603	2,179	2,216	1.7	2,256	1.8	2,297	2,341	2,380
<b>Total assets</b>	<b>31,190</b>	<b>36,238</b>	<b>45,849</b>	<b>52,978</b>	<b>15.5</b>	<b>62,412</b>	<b>17.8</b>	<b>70,901</b>	<b>76,808</b>	<b>87,505</b>
Trade payables & other ST liabilities	5,077	4,791	6,587	6,059	-8.0	7,592	25.3	7,443	8,950	8,864
Short term debt	5,670	10,077	11,586	11,396	-1.65	11,458	0.55	12,805	11,651	14,824
<b>Total current liabilities</b>	<b>10,747</b>	<b>14,868</b>	<b>18,173</b>	<b>17,455</b>	<b>-4.0</b>	<b>19,050</b>	<b>9.1</b>	<b>20,248</b>	<b>20,601</b>	<b>23,688</b>
Long term debt	10,258	9,274	12,419	17,524	41.1	21,867	24.8	26,173	28,953	33,387
Other long term liabilities	739	718	678	712	5.0	748	5.0	785	825	866
Preferred shares	0	0	0	0	-	0	-	0	0	0
<b>Total liabilities (incl pref shares)</b>	<b>21,743</b>	<b>24,860</b>	<b>31,270</b>	<b>35,692</b>	<b>14.1</b>	<b>41,666</b>	<b>16.7</b>	<b>47,206</b>	<b>50,378</b>	<b>57,941</b>
Common s/h equity	9,448	11,377	14,578	17,286	18.6	20,745	20.0	23,694	26,429	29,564
Minority interests	0	0	1	1	0.0	1	0.0	1	1	1
<b>Total liabilities &amp; equity</b>	<b>31,190</b>	<b>36,238</b>	<b>45,849</b>	<b>52,978</b>	<b>15.5</b>	<b>62,412</b>	<b>17.8</b>	<b>70,901</b>	<b>76,808</b>	<b>87,505</b>
<b>Cash flow (Btm)</b>										
Net income (before pref divs)	1,898	2,015	3,018	2,735	-9.4	3,633	32.9	4,227	4,425	4,911
Depreciation & amortisation	254	313	324	402	23.9	416	3.5	428	438	447
Net change in working capital	(6,076)	(3,506)	(7,166)	(8,482)	-18.4	(7,186)	15.3	(8,116)	(4,434)	(10,888)
Other operating	29	(34)	(85)	0	-	0	0.0	0	0	0
<b>Operating cash flow</b>	<b>(3,895)</b>	<b>(1,212)</b>	<b>(3,909)</b>	<b>(5,346)</b>	<b>-36.8</b>	<b>(3,137)</b>	<b>41.3</b>	<b>(3,461)</b>	<b>429</b>	<b>(5,530)</b>
Tangible capital expenditure	0	(2,294)	(808)	(527)	34.8	(696)	-32.1	(743)	(724)	(749)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	482	0	0	0	-	0	-	0	0	0
Other investing	0	0	0	(32)	-	(34)	-	(36)	(37)	(39)
<b>Investing cash flow</b>	<b>482</b>	<b>(2,294)</b>	<b>(808)</b>	<b>(559)</b>	<b>30.8</b>	<b>(730)</b>	<b>-30.6</b>	<b>(778)</b>	<b>(761)</b>	<b>(789)</b>
Equity dividends paid	(766)	(178)	(1,001)	(1,207)	-20.6	(1,094)	9.4	(1,453)	(1,691)	(1,770)
Share issues / (buybacks)	(1,808)	93	1,441	923	-35.9	920	-0.3	176	0	0
Other financing	0	0	0	0	-	0	-	0	0	0
Change in debt & pref shares	6,192	3,424	5,653	4,915	-13.06	4,405	-10.36	5,653	1,625	7,608
<b>Financing cash flow</b>	<b>3,618</b>	<b>3,339</b>	<b>6,092</b>	<b>4,630</b>	<b>-24.0</b>	<b>4,232</b>	<b>-8.6</b>	<b>4,375</b>	<b>(65)</b>	<b>5,838</b>
<b>Cash flow inc/(dec) in cash</b>	<b>205</b>	<b>(168)</b>	<b>1,376</b>	<b>(1,274)</b>	<b>-</b>	<b>364</b>	<b>-</b>	<b>136</b>	<b>(397)</b>	<b>(481)</b>
FX / non cash items	(276)	(300)	(831)	0	100.0	0	0.0	0	0	0
<b>Balance sheet inc/(dec) in cash</b>	<b>(71)</b>	<b>(468)</b>	<b>545</b>	<b>(1,275)</b>	<b>-</b>	<b>364</b>	<b>-</b>	<b>136</b>	<b>(398)</b>	<b>(481)</b>

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.<sup>1</sup>Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

## Sansiri PCL (SIRI.BK)

	12/10	12/11	12/12	12/13E	12/14E	12/15E	12/16E	12/17E
<b>Valuation (x)</b>								
P/E (local GAAP, diluted)	4.1	4.4	5.9	5.5	4.6	4.0	3.8	3.4
P/E (UBS, diluted)	4.0	4.5	6.0	5.5	4.6	4.0	3.8	3.4
P/CEPS	3.5	3.9	5.4	4.8	4.1	3.6	3.5	3.2
Equity FCF (UBS) yield %	(50.6)	(40.9)	(26.5)	(37.3)	(24.4)	(26.7)	(1.9)	(39.9)
Net dividend yield (%)	9.9	2.0	5.7	8.0	6.6	8.6	10.0	10.5
P/BV x	0.8	0.8	1.3	0.9	0.8	0.7	0.6	0.6
EV/revenues (core)	0.9	1.1	1.2	1.3	1.3	1.2	1.2	1.2
EV/EBITDA (core)	5.3	6.8	8.0	9.2	8.0	7.6	7.8	7.7
EV/EBIT (core)	5.8	7.5	8.7	10.2	8.6	8.1	8.3	8.2
EV/OpFCF (core)	6.1	7.9	9.5	11.1	9.3	8.8	9.1	9.0
EV/op. invested capital	0.9	0.9	1.2	1.0	0.9	0.9	0.8	0.8
<b>Enterprise value (Btm)</b>								
Market cap.	7,704	8,572	17,787	15,742	15,742	15,742	15,742	15,742
Net debt (cash)	9,465	14,542	18,542	23,692	28,807	33,586	37,356	42,412
Buy out of minorities	3	0	1	1	1	1	1	1
Pension provisions/other	0	0	0	0	0	0	0	0
<b>Total enterprise value</b>	<b>17,172</b>	<b>23,115</b>	<b>36,330</b>	<b>39,434</b>	<b>44,549</b>	<b>49,329</b>	<b>53,099</b>	<b>58,155</b>
Non core assets	(506)	(833)	(697)	(729)	(763)	(798)	(836)	(875)
<b>Core enterprise value</b>	<b>16,666</b>	<b>22,282</b>	<b>35,634</b>	<b>38,705</b>	<b>43,787</b>	<b>48,530</b>	<b>52,263</b>	<b>57,279</b>
<b>Growth (%)</b>								
Revenue	7.2	10.5	45.2	3.2	12.0	14.0	9.1	11.1
EBITDA (UBS)	-1.0	4.6	35.0	-5.7	31.0	16.7	5.2	10.5
EBIT (UBS)	-2.1	3.0	38.3	-8.1	33.9	17.8	5.4	11.1
EPS (UBS, diluted)	7.1	-1.9	47.1	-22.2	21.0	14.4	4.7	11.0
Net DPS	73.3	-78.0	NM	1.7	-17.5	30.6	16.3	4.7
<b>Margins &amp; Profitability (%)</b>								
Gross profit margin	32.6	34.2	33.3	33.3	33.9	34.4	33.4	33.4
EBITDA margin	16.9	16.0	14.9	13.6	15.9	16.3	15.7	15.6
EBIT margin	15.6	14.5	13.8	12.3	14.7	15.2	14.7	14.7
Net earnings (UBS) margin	10.4	9.8	9.9	8.9	10.5	10.8	10.3	10.3
ROIC (EBIT)	15.3	12.3	13.4	9.7	10.8	10.9	10.2	10.1
ROIC post tax	11.2	8.8	10.4	7.8	8.6	8.7	8.2	8.0
ROE (UBS)	19.8	19.3	22.8	17.2	19.1	19.0	17.7	17.5
<b>Capital structure &amp; Coverage (x)</b>								
Net debt / EBITDA	4.0	5.0	4.6	6.4	5.6	5.7	5.7	6.2
Net debt / total equity	NM	NM	NM	NM	NM	NM	NM	NM
Net debt / (net debt + total equity)	57.1	59.2	58.6	60.8	59.8	60.5	59.2	61.1
Net debt/EV	75.6	74.0	57.8	69.2	70.4	74.9	73.4	81.1
Capex / depreciation %	0.0	NM	NM	131.2	167.5	173.7	165.3	167.7
Capex / revenue %	0.0	11.2	2.7	1.7	2.0	1.9	1.7	1.6
EBIT / net interest	13.0	15.2	13.9	10.3	9.6	8.6	8.3	8.2
Dividend cover (UBS)	2.5	11.3	3.0	2.3	3.3	2.9	2.6	2.8
Div. payout ratio (UBS) %	39.5	8.9	33.8	44.1	30.1	34.4	38.2	36.0
<b>Revenues by division (Btm)</b>								
Others	18,596	20,542	29,821	30,789	34,494	39,313	42,895	47,671
<b>Total</b>	<b>18,596</b>	<b>20,542</b>	<b>29,821</b>	<b>30,789</b>	<b>34,494</b>	<b>39,313</b>	<b>42,895</b>	<b>47,671</b>
<b>EBIT (UBS) by division (Btm)</b>								
Others	2,892	2,978	4,118	3,786	5,071	5,974	6,294	6,992
<b>Total</b>	<b>2,892</b>	<b>2,978</b>	<b>4,118</b>	<b>3,786</b>	<b>5,071</b>	<b>5,974</b>	<b>6,294</b>	<b>6,992</b>

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.



## Forecast returns

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Forecast price appreciation	+50.3%
Forecast dividend yield	6.6%
Forecast stock return	+56.9%
Market return assumption	9.0%
Forecast excess return	+47.9%

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## Statement of Risk

We believe the risks for Sansiri are: 1) gearing: Sansiri's gearing at end-Q313 was 2.1x, the highest for Thai property companies under our coverage; 2) speculative buying: due to higher condominium prices in 2013 there is a risk of increasing speculative buying in the market; 3) political instability: any political instability could adversely affect the Thai property market, and the stock market; and 4) labour shortages: Thailand's unemployment rate is 0.7% and labour is scarce.

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UBS 12-Month Rating	Definition	Coverage <sup>1</sup>	IB Services <sup>2</sup>
Buy	FSR is > 6% above the MRA.	44%	36%
Neutral	FSR is between -6% and 6% of the MRA.	45%	35%
Sell	FSR is > 6% below the MRA.	11%	23%
UBS Short-Term Rating	Definition	Coverage <sup>3</sup>	IB Services <sup>4</sup>
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2013.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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## Company Disclosures

Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Sansiri PCL <sup>5</sup>	SIRI.BK	Buy	N/A	Bt1.73	07 Jan 2014

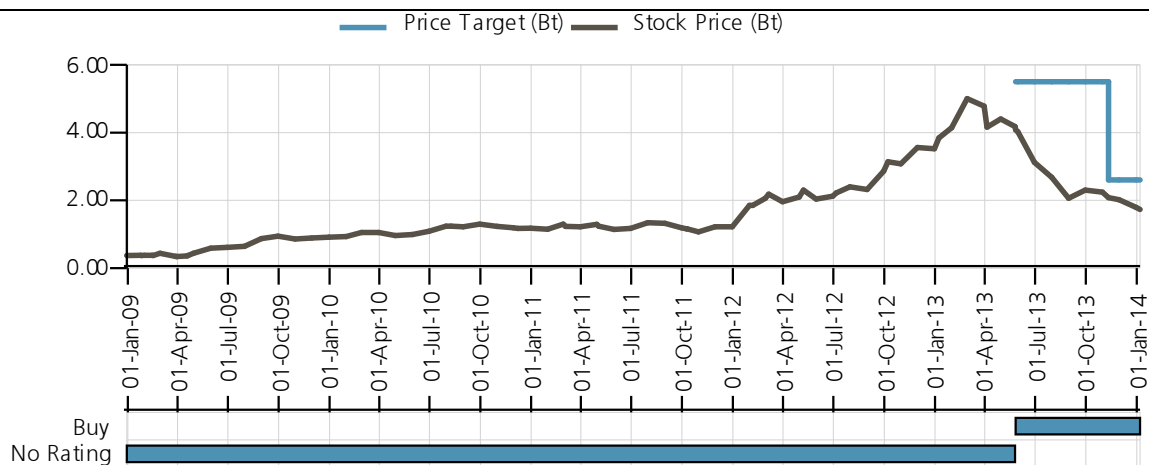
Source: UBS. All prices as of local market close.

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### Sansiri PCL (Bt)



Source: UBS; as of 07 Jan 2014

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