Headline	STOCKS IN FOCUS : SIRI "Buy"
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SANSIRI

News Clippings

STOCKS IN FOCUS

Sansiri Public Co Plc (SIRI)

"Buy"

By CIMB Securities (Thailand)

SIRI is likely to post Bt560 million in net profit in the second quarter, up favourably by 24 per cent year on year, after Bt86-million net losses in 1Q13.

Solid sales of detached houses and townhouses, higher condo sales and a narrower mismatch between revenue and SG&A (selling, general and administrative expenses) were probably key drivers.

The second half of the year is even brighter, thanks to solid backlog. First-half net profit is likely to form 12 per cent of our old FY13 estimate. We cut FY13-15 earnings-per-share (EPS) estimates by 6-8 per cent and our target price by 7.7 per cent, still based on 14-times CY14 P/E (2.5sd above the five-year mean).

Reiterate outperform: Valuation is cheap at 7.4x CY14 P/E with an attractive 6-per-cent yield. Catalysts are stronger 2H13 and solid earnings visible for FY14.

We estimate SIRI's 2Q13 net profit rose 24 per cent year on year to Bt560 million, recovering from a net loss of Bt86 million in 1Q13. Key drivers were: (1) buoyant sales driven by both detached houses and townhouses (+29 per cent year on year, +44 per cent quarter on quarter) and condos (+49 per cent year on year, +52 per cent quarter on quarter), (2) a sustainable gross margin in a range of 32-33 per cent, and (3) a narrower revenue-and-SG&A mismatch. If our expectation materialises, 1H13 net profit will be Bt473 million (12 per cent of our old FY13 forecast).

EPS cuts mainly reflect higher-than-expected SG&A and higher interest expense on debenture issues. We continue to like SIRI despite concerns about faltering domestic consumption and its negative impact on transfer targets.

On top of SIRI's rejection rate of 7-10 per cent (after diversification into the lower-end segment in 2011; previously 1-3 per cent), we believe that SIRI's condos are in fairly superior locations. It has reputable quality products and after-sales service and a strong secondary market to support resale prices, which are key supports for SIRI's resilient customer demand.

In 2011, SIRI was the only one among the top seven developers that met its original revenue target for that year; the others fell short. Notably, consumer confidence and affordability were badly hit during the flood crisis that year.

We firmly anticipate a stronger 2H13, underscored by solid quality backlog. Our FY13 revenue is 79 per cent locked-in while FY14 and FY15 is 49 per cent and 28 per cent in the bag respectively.

Downside risk is limited, prompting us to hold the view that its risk-reward justifies long-term investment.

Krungthai Bank

"Trading buy"

By Bualuang Securities

We have cut our FY13 and FY14 earnings forecasts by 11 per cent and 4 per cent respectively to Bt28.5 billion and Bt34.5 billion, as we now expect heavier loan loss provisioning (LLPs) than we did earlier. We have revised up our LLP assumptions by 60 per cent to Bt12 billion for FY13 and by 33 per cent to Bt10 billion for FY14.

Because of our earnings-forecast downgrades, we have cut our YE13 target price by 11 per cent to Bt21, pegged to average ROE (return on equity) of 15.3 per cent and growth of 5 per cent. Our "trading buy" rating stands.

Despite strong 1H13 lending expansion of 7.3 per cent year-to-date, KTB maintains its FY13 target range at 7-10 per cent, due to the negative outlook for 2H13- slowing consumption and delays to groundbreaking for some government projects.

The bank expects corporate-loan demand to remain strong in 2H13, especially related to public infrastructure projects. However, SME (small and medium-

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sized enterprise) and retail lending (such as mortgages and hire-purchase) growth will slow down. Note that 1H13 loan expansion was driven by corporate business, up 12 per cent YTD, followed by retail (up 8 per cent YTD) and SME (up 8 per cent YTD). Lending to state agencies and SOEs (state-owned enterprises) was flat YTD.

Stiffer competition for business and a greater emphasis on corporate lending means little chance for upside to net interest margin, said management. KTB's 1H13 net interest margin was 2.73 per cent, slightly below our FY13 assumption of 2.8 per cent. The bank does not anticipate another cut to the policy interest rate in 2H13. It targets FY13 deposit growth in the range of 7-10 per cent.

Despite its high loan-loss coverage ratio of 108 per cent at end-June, KTB plans to set extra provisions on top of its normal LLPs (Bt1.5 billion per quarter). Management claims that the economic slowdown and the implementation of the Basel III Accord prompted the setting of heavier LLPs than earlier guided. The bank has not yet offered new guidance. In the absence of guidance, we have upped our LLP assumptions by 60 per cent to Bt12 billion for FY13 and by 33 per cent to Bt10 billion for FY14.

The bank posted 1H13 fee-income growth of 20 per cent (driven by banking fees, loan-related fees and bancassurance sales commissions), which was slightly above its guidance for FY13 of 15 per cent. Management aims to sustain fee growth momentum in 2H13. We conservatively maintain our FY13 fee income growth assumption at 12 per cent for the moment.

Home Product Centre

"Buy"

By Asia Plus Securities

Second-quarter profit was as projected, thanks to rising income due to aggressive launching of new branches in 3Q12-2Q13, as well as same-store-sales growth that resumed at 7 per cent. HMPRO's 2Q13 sales rose 22.8 per cent year on year, as well as rental (from increasing rented area) and sponsors from suppliers that rose to 17 per cent year on year.

Gross margin rose significantly from 26.5 per cent in 2Q12 to 27.2 per cent because of high margin products, especially house-brand products, which increased by 1 per cent from 19.5 per cent in 2Q13 to 20.5 per cent. However, these were negated by rising selling and administrative expense from the launchings of new branches, utility costs and recognition of expenses in new Mega Home stores to be opened in late 2013. Therefore, net profit increased at a close rate to sales.

New branches are to be opened in 2H13, negating decreasing purchasing power, boosted by a property fund. Though there is pressure from declining purchasing power, HMPRO is not likely to be pressed severely. Most HMPRO customers are mid- to high-income earners.

More than 55 per cent of HMPRO's income is from provincial customers with high purchasing power, as new stores opened in February and March have already reached break-even point and made profit. Also, seven new stores are planned to be opened in 2H13 (one has been opened).

Including three stores opened in 1H13, there will be a total of 10 new stores at end-2013, likely to boost earnings to new highs quarter on quarter to 4Q13.

However, a factor that might damage the earnings is loss from two Mega Home stores (reduced from three stores) to be opened in late 4Q13, which would not break even in one to two years and might face harsher losses than projected, as well as making HMPRO's profit lower than expected.

However, we maintain our forecast, as extraordinary items from a property fund in Hua Hin at Bt1 billion to Bt2 billion total (with additional earnings per share of Bt0.12-Bt0.24) has not been recognised. It will be clear in late 4Q13 if it will be complete this year or in 2014, which will be reported later.

Profit likely to grow as price has undergone correction, reiterate "buy"

A price that has undergone correction in more than months should have reached the bottom. Profit in the remainder of the year is likely to flourish and become the most outstanding in the sector. Moreover, speculation from property fund might boost the price to outperform. We reiterate "buy" (fair value Bt16.9) as the top pick of the retail sector.