

# Prukha Holding

PSH TB / PSH.BK

November 17, 2020

## 3Q20 result in line; expect QoQ growth for 4Q20

### In line with our estimate and the street

PSH reported a 3Q20 core profit of Bt603m, down 34% YoY but up 45% QoQ. The result was in line our estimate and the consensus.

### Result highlights

The QoQ earnings recovery was due to a lower SG&A/sales ratio. Earnings dived YoY, led south by lower sales and a slimmer GM. Residential transference was Bt6.35bn in 3Q20 (64% low-rise, 36% condo), down 25% YoY but up 3% QoQ (an eight-year low was marked for 2Q20). Low-rise sales were Bt4bn, down 30% YoY but up 9% QoQ. Condo sales were Bt2.3bn, down by 19% YoY and 8% QoQ. Residential GM was 32.1%, down 310bps YoY (price-cutting) but up 20bps QoQ. The SG&A/sales ratio was 18.2%, down by 2.4% YoY (heavy launch expenses in 3Q19) and 3.5% QoQ (one-time business restructuring costs in 2Q20). Net gearing declined slightly from 0.68x at end-June to 0.65x at end-Sep.

### Outlook

We expect QoQ earnings growth for 4Q20 (but still down YoY), led by sales and GM expansion. Residential sales will rise QoQ, led by the start of transference of *The Reserve Sukhumvit 61* (Bt2.7bn, 98% booked). Residential GM will fatten QoQ (more fat-GM units in the sales mix), but it won't touch the 36.4% GM marked for 4Q19. The SG&A/sales ratio will fall YoY and QoQ. We expect a final DPS of Bt0.6 for 2H20, a 5.4% simple yield (XD Mar 2021, payment May 2021).

### What's changed?

9M20 core profit comprises only 63% of our full-year forecast (61% of the street projection), as revenue recognition is concentrated in 4Q20. 2020 core earnings will dive 43% YoY to a decade-low of Bt3.1bn, according to our model. We assume residential sales of Bt27.8bn (down 30% YoY), 10% below PSH's target of Bt31bn. GM will be squeezed 210bps YoY to 33.3% in 2020. Net gearing will be manageable at 0.6-0.7x at YE20. For 2021, we conservatively assume a 6% core earnings recovery, led by 7% residential sales growth. Core margin is likely to decline 10bps YoY in that year. We expect fatter GM and a lower SG&A/sales ratio to mitigate the effect of the loss tied to start-up costs for *Vimut International Hospital*, which is slated to open in mid-2021.

### Recommendation

This is not a good point in time to take positions in PSH, which has an unexciting outlook, chiefly because of the unfavorable prevailing market dynamics for the low-end to mid-range price segments. And start-up costs for the new hospital may pressure the stock price. However, PSH trades at a low YE20 PBV of 0.6x and there's no risk of it needing a cash call. Furthermore, the dividend yield is good. So, we maintain a HOLD call, with a YE21 target price of Bt11, pegged to a PER of 7.5x (0.5SD below PSH's 2006-19 mean).

Sector: Residential Property **NEUTRAL**

Rating: HOLD

Target Price: Bt11.00

Price (November 16, 2020): Bt11.20

### Key statistics

Market cap	Bt24.5bn	USD0.8bn
12-mth price range	Bt8.3/Bt15.8	
12-mth avg daily volume	Bt24m	USD0.8m
# of shares (m)	2,189	
Est. free float (%)	28.3	
Foreign limit (%)	40.0	

Share price perf. (%)	1M	3M	12M
Relative to SET	1.4	(4.0)	(11.3)
Absolute	10.9	(1.8)	(27.3)

### Financial summary

FY Ended 31 Dec	2019	2020E	2021E	2022E
Revenues (Btm)	39,885	27,755	29,651	30,863
Net profit (Btm)	5,359	3,079	3,252	3,783
EPS (Bt)	2.45	1.41	1.49	1.73
EPS growth (%)	-11.0%	-42.5%	+5.6%	+16.3%
Core profit (Btm)	5,424	3,079	3,252	3,783
Core EPS (Bt)	2.48	1.41	1.49	1.73
Core EPS growth (%)	-9.9%	-43.2%	+5.6%	+16.3%
PER (x)	6.0	8.0	7.5	6.5
PBV (x)	0.7	0.6	0.5	0.5
Dividend (Bt)	1.6	0.9	1.0	1.1
Dividend yield (%)	10.5	8.0	8.5	9.9
ROE (%)	12.7	7.2	7.5	8.4

CG/Anti-corruption



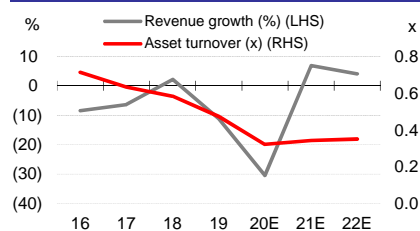
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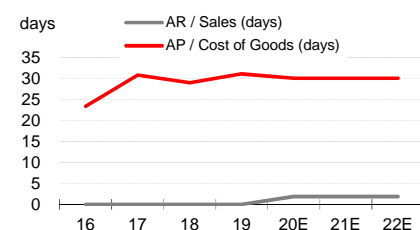
## PSH: Financial Tables – Year

<b>PROFIT &amp; LOSS (Btm)</b>					
Revenue	44,901	39,885	27,755	29,651	30,863
Cost of sales and services	(28,815)	(25,754)	(18,505)	(19,758)	(20,088)
<b>Gross profit</b>	<b>16,086</b>	<b>14,131</b>	<b>9,250</b>	<b>9,893</b>	<b>10,775</b>
SG&A	(8,430)	(6,978)	(5,079)	(5,367)	(5,555)
<b>EBIT</b>	<b>7,656</b>	<b>7,153</b>	<b>4,171</b>	<b>4,526</b>	<b>5,219</b>
Interest expense	(139)	(324)	(443)	(460)	(476)
Other income/exp.	170	267	200	215	215
<b>EBT</b>	<b>7,687</b>	<b>7,096</b>	<b>3,928</b>	<b>4,281</b>	<b>4,958</b>
Corporate tax	(1,556)	(1,571)	(786)	(830)	(965)
<b>After-tax net profit (loss)</b>	<b>6,131</b>	<b>5,525</b>	<b>3,142</b>	<b>3,452</b>	<b>3,993</b>
Minority interest	(108)	(100)	(63)	(66)	(77)
Equity earnings from affiliates	(0)	(0)	0	(133)	(133)
Extra items	0	(66)	0	0	0
<b>Net profit (loss)</b>	<b>6,022</b>	<b>5,359</b>	<b>3,079</b>	<b>3,252</b>	<b>3,783</b>
Reported EPS	2.75	2.45	1.41	1.49	1.73
<b>Fully diluted EPS</b>	<b>2.75</b>	<b>2.45</b>	<b>1.41</b>	<b>1.49</b>	<b>1.73</b>
<b>Core net profit</b>	<b>6,022</b>	<b>5,424</b>	<b>3,079</b>	<b>3,252</b>	<b>3,783</b>
Core EPS	2.75	2.48	1.41	1.49	1.73
<b>EBITDA</b>	<b>8,153</b>	<b>7,604</b>	<b>4,835</b>	<b>5,243</b>	<b>5,989</b>
<b>KEY RATIOS</b>					
Revenue growth (%)	2.2	(11.2)	(30.4)	6.8	4.1
Gross margin (%)	35.8	35.4	33.3	33.4	34.9
EBITDA margin (%)	18.2	19.1	17.4	17.7	19.4
Operating margin (%)	17.1	17.9	15.0	15.3	16.9
Net margin (%)	13.4	13.4	11.1	11.0	12.3
Core profit margin (%)	13.4	13.6	11.1	11.0	12.3
ROA (%)	7.8	6.4	3.6	3.8	4.3
ROCE (%)	9.1	7.5	4.1	4.3	4.9
Asset turnover (x)	0.6	0.5	0.3	0.3	0.4
Current ratio (x)	0.2	0.2	0.2	0.2	0.2
Gearing ratio (x)	0.6	0.7	0.7	0.7	0.7
Interest coverage (x)	55.1	22.1	9.4	9.8	11.0
<b>BALANCE SHEET (Btm)</b>					
Cash & Equivalent	1,445	1,774	1,109	2,111	3,433
Accounts receivable	0	0	143	153	159
Inventory	71,960	76,244	75,871	76,067	76,335
PP&E-net	5,445	5,238	5,062	5,145	5,176
Other assets	2,995	3,525	3,609	3,702	3,804
<b>Total assets</b>	<b>81,845</b>	<b>86,782</b>	<b>85,794</b>	<b>87,178</b>	<b>88,906</b>
Accounts payable	2,284	2,191	1,521	1,624	1,651
ST debts & current portion	12,000	13,100	13,100	13,100	13,100
Long-term debt	15,100	17,950	17,950	17,950	17,950
Other liabilities	10,587	9,748	9,748	9,748	9,748
<b>Total liabilities</b>	<b>39,971</b>	<b>42,990</b>	<b>42,319</b>	<b>42,422</b>	<b>42,449</b>
Paid-up capital	2,189	2,189	2,189	2,189	2,189
Share premium	2,189	2,189	2,189	2,189	2,189
Retained earnings	37,183	39,101	38,783	40,064	41,766
<b>Shareholders' equity</b>	<b>41,171</b>	<b>43,056</b>	<b>42,738</b>	<b>44,019</b>	<b>45,720</b>
Minority interests	703.5	736.5	736.5	736.5	736.5
<b>Total Liab.&amp;Shareholders' equity</b>	<b>81,845</b>	<b>86,782</b>	<b>85,794</b>	<b>87,178</b>	<b>88,906</b>
<b>CASH FLOW (Btm)</b>					
Net income	6,022	5,359	3,079	3,252	3,783
Depreciation and amortization	497	451	664	717	769
Change in working capital	(6,814)	(6,013)	(524)	(196)	(348)
FX, non-cash adjustment & others	1,819	1,906	0	0	0
<b>Cash flows from operating activities</b>	<b>1,525</b>	<b>1,703</b>	<b>3,219</b>	<b>3,773</b>	<b>4,204</b>
Capex (Invest)/Divest	(596)	(1,028)	(488)	(800)	(800)
Others	0	0	0	0	0
<b>Cash flows from investing activities</b>	<b>(596)</b>	<b>(1,028)</b>	<b>(488)</b>	<b>(800)</b>	<b>(800)</b>
Debt financing (repayment)	2,053	3,225	0	0	0
Equity financing	28	0	0	0	0
Dividend payment	(2,779)	(3,570)	(3,392)	(1,971)	(2,081)
Others	0	0	0	0	0
<b>Cash flows from financing activities</b>	<b>(832)</b>	<b>(345)</b>	<b>(3,397)</b>	<b>(1,971)</b>	<b>(2,081)</b>
Net change in cash	97	330	(665)	1,002	1,322
<b>Free cash flow (Btm)</b>	<b>929</b>	<b>675</b>	<b>2,732</b>	<b>2,973</b>	<b>3,404</b>
<b>FCF per share (Bt)</b>	<b>0.42</b>	<b>0.31</b>	<b>1.25</b>	<b>1.36</b>	<b>1.56</b>
<b>KEY ASSUMPTIONS</b>					
Total presales (Btm)	51,103	35,601	30,000	31,500	33,075
YoY change in presales	8%	-30%	-16%	5%	5%
Housing revenue (Btm)	44,901	39,885	27,755	29,651	30,863
YoY change in housing revenue	2%	-11%	-30%	7%	4%
Secured revenue by backlogs (Btm)	-	-	26,780	9,225	8,184
% of secured revenue by backlogs	-	-	96%	31%	27%

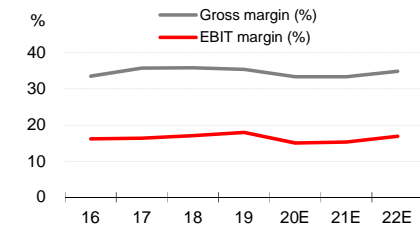
### Revenue growth and asset turnover



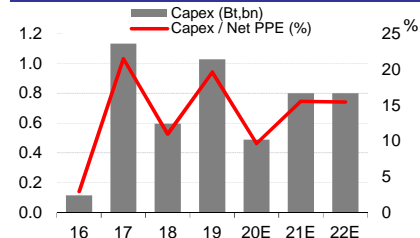
### A/C receivable & A/C payable days



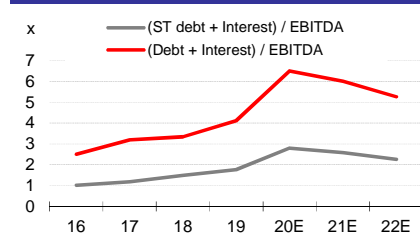
### Profit margins



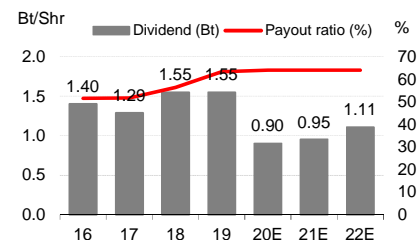
### Capital expenditure



### Debt serviceability



### Dividend payout



## PSH: Financial Tables – Quarter

QUARTERLY PROFIT & LOSS (Btm)	3Q19	4Q19	1Q20	2Q20	3Q20
Revenue	8,517	11,706	7,143	6,166	6,353
Cost of sales and services	(5,525)	(7,442)	(4,582)	(4,200)	(4,315)
Gross profit	2,992	4,264	2,561	1,966	2,038
SG&A	(1,752)	(1,966)	(1,268)	(1,339)	(1,156)
<b>EBIT</b>	<b>1,240</b>	<b>2,297</b>	<b>1,293</b>	<b>626</b>	<b>882</b>
Interest expense	(82)	(106)	(121)	(130)	(112)
Other income/exp.	34	180	33	57	50
<b>EBT</b>	<b>1,193</b>	<b>2,370</b>	<b>1,204</b>	<b>553</b>	<b>820</b>
Corporate tax	(260)	(528)	(264)	(128)	(204)
After-tax net profit (loss)	933	1,843	940	426	616
Minority interest	(17.2)	(17.7)	(18.1)	(8.7)	(12.3)
Equity earnings from affiliates	0	0	0	0	0
Extra items	0	0	0	0	0
<b>Net profit (loss)</b>	<b>916</b>	<b>1,825</b>	<b>922</b>	<b>417</b>	<b>603</b>
Reported EPS	0.42	0.82	0.41	0.19	0.27
<b>Fully diluted EPS</b>	<b>0.41</b>	<b>0.82</b>	<b>0.41</b>	<b>0.19</b>	<b>0.27</b>
<b>Core net profit</b>	<b>916</b>	<b>1,825</b>	<b>922</b>	<b>417</b>	<b>603</b>
Core EPS	0.42	0.82	0.41	0.19	0.27
<b>EBITDA</b>	<b>1,389</b>	<b>2,592</b>	<b>1,446</b>	<b>791</b>	<b>1,046</b>

### KEY RATIOS

Gross margin (%)	35.1	36.4	35.9	31.9	32.1
EBITDA margin (%)	16.3	22.1	20.2	12.8	16.5
Operating margin (%)	14.6	19.6	18.1	10.2	13.9
Net margin (%)	10.8	15.6	12.9	6.8	9.5
Core profit margin (%)	10.8	15.6	12.9	6.8	9.5
BV (Bt)	18.9	19.7	20.1	19.3	19.3
ROE (%)	8.9	17.0	8.4	3.9	5.7
ROA (%)	4.3	8.4	4.0	2.0	2.9
Current ratio (x)	9.2	9.8	8.1	4.5	4.8
Gearing ratio (x)	0.8	0.7	0.8	0.7	0.7
Interest coverage (x)	15.2	21.6	10.7	4.8	7.8

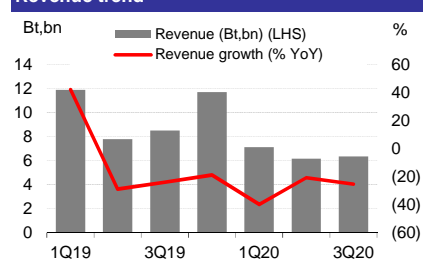
### QUARTERLY BALANCE SHEET (Btm)

Cash & Equivalent	1,287	1,774	5,953	1,216	796
Accounts receivable	0	0	0	0	0
Inventory	74,857	76,244	76,916	74,007	71,222
PP&E-net	5,483	5,238	5,311	5,620	5,822
Other assets	3,692	3,525	4,431	4,239	4,310
<b>Total assets</b>	<b>85,320</b>	<b>86,782</b>	<b>92,611</b>	<b>85,082</b>	<b>82,150</b>
Accounts payable	3,988	3,855	4,020	3,129	2,911
ST debts & current portion	17,700	13,100	18,900	17,000	13,950
Long-term debt	14,030	17,981	15,981	13,182	14,240
Other liabilities	7,645	8,054	8,971	8,782	8,123
<b>Total liabilities</b>	<b>43,363</b>	<b>42,990</b>	<b>47,871</b>	<b>42,093</b>	<b>39,224</b>
Paid-up capital	2,189	2,189	2,189	2,189	2,189
Share premium	1,873	1,873	1,873	0	1,873
Retained earnings	37,292	39,101	40,022	38,319	38,244
<b>Shareholders equity</b>	<b>41,255</b>	<b>43,056</b>	<b>43,985</b>	<b>42,265</b>	<b>42,204</b>
Minority interests	701.3	736.5	754.7	723.6	722.7
<b>Total Liab.&amp;Shareholders' equity</b>	<b>85,320</b>	<b>86,782</b>	<b>92,611</b>	<b>85,082</b>	<b>82,150</b>

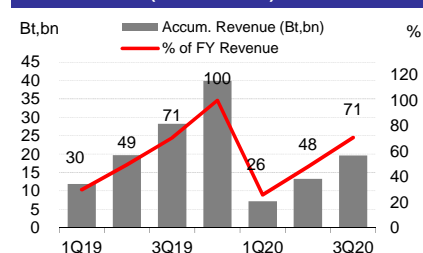
### KEY STATS

Total presales (Btm)	14,113	(1,879)	6,069	3,507	6,584
YoY change in presales	-5%	-116%	-45%	-71%	-53%
Housing revenue (Btm)	8,517	11,706	7,143	6,166	6,353
YoY change in housing revenue	-24%	-19%	-40%	-21%	-25%
Housing GM	35%	36%	36%	32%	32%

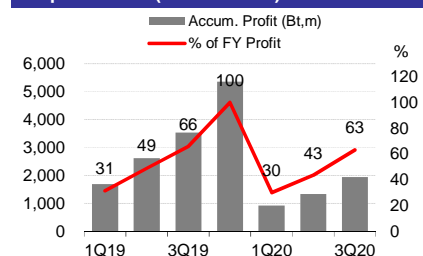
### Revenue trend



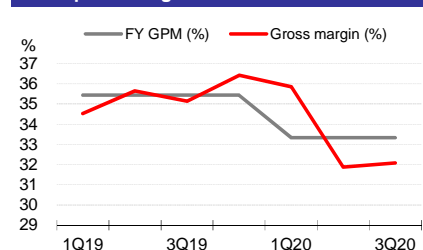
### Revenue trend (accumulated)



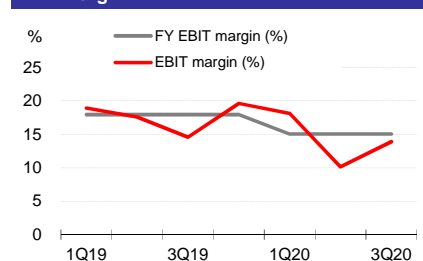
### Net profit trend (accumulated)



### Gross profit margin



### EBIT margin



## Company profile

Pruksa Holding Plc (PSH), formerly Pruksa Real Estate Plc (PS), is the biggest residential developer in Thailand. The main contributor to PSH's earnings is PS, which was delisted in Dec 2016. PS, 98%-owned by PSH, has expertise in the low- to mid-income segments in Bangkok and the vicinity, but is diversifying into premium condos and low rises. The firm owns precast concrete factories that make many component parts for its detached houses, townhouses and condos. PSH will be opening a new business, a hospital, but it may not be operational until 2020.

**Figure 1 : 3Q20 results**

FY Ended 31 Dec (Btm)	3Q20	3Q19	YoY %	2Q20	QoQ %	9M20	9M19	YoY %
<b>Income Statement</b>								
Revenue	6,353	8,517	(25)	6,166	3	19,661	28,179	(30)
Cost of sales and services	(4,315)	(5,525)	(22)	(4,200)	3	(13,096)	(18,312)	(28)
EBITDA	1,046	1,389	(25)	791	32	3,284	5,279	(38)
EBIT	882	1,240	(29)	626	41	2,801	4,856	(42)
Interest expense	(112)	(82)	38	(130)	(14)	(364)	(217)	67
Other income/exp.	50	34	45	57	(13)	140	87	60
Equity earnings from affiliates	0	0	nm	0	0	0	(0)	nm
Extra items	0	0	0	0	0	0	(66)	100
<b>EBT</b>	<b>820</b>	<b>1,193</b>	<b>(31)</b>	<b>553</b>	<b>48</b>	<b>2,577</b>	<b>4,726</b>	<b>(45)</b>
Corporate tax	(204)	(260)	(22)	(128)	60	(596)	(1,043)	(43)
Minority interest	(12)	(17)	0	(9)	0	(39)	(83)	0
<b>Net profit (loss)</b>	<b>603</b>	<b>916</b>	<b>(34)</b>	<b>417</b>	<b>45</b>	<b>1,942</b>	<b>3,534</b>	<b>(45)</b>
Reported EPS	0.27	0.42	(35)	0.19	45	0.87	1.61	(46)
<b>Core net profit</b>	<b>603</b>	<b>916</b>	<b>(34)</b>	<b>417</b>	<b>45</b>	<b>1,942</b>	<b>3,600</b>	<b>(46)</b>
<b>Key ratios</b>								
Gross margin (%)	32.1	35.1		31.9		33.4	35.0	
EBITDA margin (%)	16.5	16.3		12.8		16.7	18.7	
EBIT margin (%)	13.9	14.6		10.2		14.2	17.2	
Tax rate (%)	24.9	21.8		23.1		23.1	22.1	
Net margin (%)	9.5	10.8		6.8		9.9	12.5	
Current ratio (x)	4.8	9.2		4.5		4.8	9.2	
Gearing ratio (x)	0.7	0.8		0.7		0.7	0.8	
Interest coverage (x)	7.8	15.2		4.8		7.7	22.3	
<b>Balance Sheet</b>								
Cash & Equivalent	796	1,287	(38)	1,216	(35)			
<b>Total assets</b>	<b>82,150</b>	<b>85,320</b>	<b>(4)</b>	<b>85,082</b>	<b>(3)</b>			
ST debts & current portion	13,950	17,700	(21)	17,000	(18)			
Long-term debt	14,240	14,030	1	13,182	8			
<b>Total liabilities</b>	<b>39,224</b>	<b>43,363</b>	<b>(10)</b>	<b>42,093</b>	<b>(7)</b>			
Retained earnings	38,244	37,292	3	38,319	(0)			
<b>Shareholders equity</b>	<b>42,204</b>	<b>41,255</b>	<b>2</b>	<b>42,265</b>	<b>(0)</b>			
Minority interests	723	701	0	724	0			
BV (Bt)	19.3	18.9	2	19.3	(0)			
<b>Revenue breakdown</b>								
Townhouse	5,480	6,789	(19)	5,539	(1)			
Single-detached house	1,899	2,227	(15)	2,299	(17)			
<b>Low-rise</b>	<b>7,379</b>	<b>9,016</b>	<b>(18)</b>	<b>7,838</b>	<b>(6)</b>			
Condominium	6,734	5,728	18	4,438	52			
<b>Total</b>	<b>14,113</b>	<b>14,744</b>	<b>(4)</b>	<b>12,276</b>	<b>15</b>			

- Residential revenue plunged 25% YoY but inched up 3% QoQ
- Residential GM was squeezed YoY but fattened QoQ
- The SG&A/sales ratio declined YoY and QoQ
- Low net gearing of 0.65x
- Net profit was in line our estimate and the consensus

Sources: Company data, Bualuang Research estimates

## Bualuang Securities Public Company Limited

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CKP	STA	BGRIM	GULF	MTC	AWC	TCAP	CRC	AP	CPF	CPN	GUNKUL	HANA	HMPRO	I/L
OSP	SAWAD	THANI	BANPU	BCH	BEM	BTS	CK	SCC	STEC	TISCO	TRUE	TU	INTUCH	LH
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### CG Rating

Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 00359		Pass
Below 50	No logo given	N/A

### Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors

- companies that have **declared** their intention to join CAC, and
- companies **certified** by CAC.

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## BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

### STOCK RECOMMENDATIONS

**BUY:** Expected positive total returns of 15% or more over the next 12 months.

**HOLD:** Expected total returns of between -15% and +15% over the next 12 months.

**SELL:** Expected negative total returns of 15% or more over the next 12 months.

**TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

### SECTOR RECOMMENDATIONS

**OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

**NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

**UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.