

# Thailand Company Update Pruksa Holding Pcl

Bloomberg: PSH TB | Reuters: PSHol.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

18 Nov 2020

## FULLY VALUED

Last Traded Price (17 Nov 2020): Bt11.30 (SET : 1,349.81)

Price Target 12-mth: Bt10.30 (9% downside)

### Analyst

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### What's New

- 3Q20 net profit came in at Bt603m (-34% y-o-y, +45% q-o-q)
- 4Q20F earnings to improve q-o-q but GPM to remain low on inventory clearance strategy
- FY21F earnings to increase 24% y-o-y but downside risk remains from opening of its hospital business
- Maintain FULLY VALUED with TP of Bt10.30

### Price Relative



### Forecasts and Valuation

FY Dec (Btm)	2018A	2019A	2020F	2021F
Revenue	44,901	39,885	28,756	31,581
EBITDA	8,322	7,788	4,628	5,536
Pre-tax Profit	7,686	7,014	3,772	4,655
Net Profit	6,022	5,359	2,877	3,573
Net Pft (Pre Ex.)	6,022	5,359	2,877	3,573
Net Pft Gth (Pre-ex) (%)	10.4	(11.0)	(46.3)	24.2
EPS (Bt)	2.75	2.45	1.31	1.63
EPS Pre Ex. (Bt)	2.75	2.45	1.31	1.63
EPS Gth Pre Ex (%)	10	(11)	(46)	24
Diluted EPS (Bt)	2.75	2.45	1.31	1.63
Net DPS (Bt)	1.55	1.55	0.79	0.98
BV Per Share (Bt)	18.8	19.7	19.7	20.5
PE (X)	4.1	4.6	8.6	6.9
PE Pre Ex. (X)	4.1	4.6	8.6	6.9
P/Cash Flow (X)	16.2	14.5	4.2	9.5
EV/EBITDA (X)	6.1	7.0	11.5	9.7
Net Div Yield (%)	13.7	13.7	7.0	8.7
P/Book Value (X)	0.6	0.6	0.6	0.6
Net Debt/Equity (X)	0.6	0.7	0.6	0.6
ROAE (%)	15.2	12.7	6.7	8.1

Earnings Rev (%):

Consensus EPS (Bt):

Other Broker Recs:

(8)  
1.42  
B: 0 S: 11 H: 9

Source of all data on this page: Company, DBSVTH, Bloomberg Finance L.P.

## Still under pressure

### Investment Thesis:

**Weighed down by mid-range to low-end segments amid weakening economy:** PSH is a leading residential developer with a diversified portfolio, but its emphasis is on townhouses and the mid-range to lower-end segments. As the majority of the company's portfolio is in the mid-range to low-end segments, we believe its recovery is likely to take some time amid a weak overall market.

### Inventory clearance strategy to continue and weigh on margins:

We expect its FY21F GPM to remain under pressure as promotional campaigns to continue, but to be saved by improving sales and lower SG&A expenses, as PSH plans to tighten its cost and use outsourced services more. Nonetheless, we expect FY21F earnings to increase by 24% y-o-y from a low-base in FY20F.

**Downside risk for FY21F earnings from hospital business:** While PSH has guided for FY21F losses of c.Bt300m from the hospital business which is expected to commence operations in May 2021, we have yet to bake in the potential losses into our assumptions

### Valuation:

We maintain our FULLY VALUED rating with TP of Bt10.30, based on 6.3x FY21F EPS.

### Where we differ:

**We are more conservative on GPM in FY20F:** Our FY20F earnings forecasts is 8% lower than the streets on lower GPM. On the other hand, our FY21F earnings is slightly higher than the streets on lower SG&A expenses.

### Key Risks to Our View:

A weak economy, weak presales, delays in securing Environmental Impact Assessment (EIA) approval, and construction delays are key risks for PSH.

### At A Glance

Issued Capital (m shrs)	2,189
Mkt. Cap (Btm/US\$m)	24,730 / 819
Major Shareholders (%)	
Vijitpongpan Family	71.7
Social Security Office	2.9
Thai NDVR	2.1
Free Float (%)	28.3
3m Avg. Daily Val (US\$m)	0.38

GIC Industry : Real Estate / Real Estate Management & Development



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## WHAT'S NEW

### Q-o-q improved from lower SG&A expenses

#### Recap

**3Q20 net profit still down 34% y-o-y but improved 45% q-o-q, as expected:** PSH posted 3Q20 earnings of Bt603m (-34% y-o-y, +45% q-o-q). This came in line with the streets' expectation. The y-o-y drop stemmed from lower revenue and GPM, while the q-o-q improvement was mainly due to lower SG&A expenses.

**Revenue and GPM still have yet to fully recover:** Revenue stood at Bt6.4bn, dropping 25% y-o-y but inching up 3% q-o-q. Only TH and SDH enjoyed rising revenue on a q-o-q basis. Meanwhile, blended GPM dropped to 32.1% in 3Q20 vs. 35.1% in 3Q19 but inched up from 31.9% in 2Q20, due mainly to promotional campaigns.

**Lower SG&A saved 3Q20 performance:** SG&A expenses dropped 34% y-o-y and 14% q-o-q, leading to a drop in SG&A to sales in 3Q20 to 18.2% from 20.6% in 3Q19 and 21.7% in 2Q20. This was mainly due to tighter cost controls.

#### Outlook

**To focus on inventory clearance and "Hero" projects, while PSH plans to launch more in FY21F:** PSH plans to launch only two new low-rise projects in 4Q20F with a combined value of Bt2bn, bringing FY20F new launches to Bt16bn (-62% y-o-y). Nonetheless, besides new launches, PSH still plans to continue executing promotional campaigns to clear its completed inventory and focus on selling its Hero projects. Meanwhile, PSH expect new launches in FY21F to jump to 30-35 new projects with a combined value of Bt30-35bn, of which roughly 25-30 projects will be low-rise projects, and five condominium projects.

**4Q20F earnings to be pressured by weak margins, and the same goes for FY21F:** Despite seeing only a slight improvement in 3Q20 transfers, we expect its transfer to jump q-o-q in 4Q20F on the back of (i) its Hero projects, (ii) new condominium project transfers – namely the Reserve Sukhumvit 61 (Bt2.7bn, 98% sold), (iii) new project transfer continuation for both condominiums and low-rise projects that were rolled out in 9M20, and (iv) promotional campaigns. Nonetheless, the stronger transfers in 4Q20F are expected to come at an expense of GPM, with management guiding for FY20F GPM of c.32% that is lower than its 9M20 GPM of 33.4%. Nonetheless, we still expect earnings to improve q-o-q

and peak in 4Q20F but its y-o-y performance will still contract. At the same time, we expect its FY21F GPM to remain under pressure but to be saved by improving sales and lower SG&A expenses, as PSH plans to tighten its cost and use outsourced services more.

As a result of on-going promotional campaigns and the jump in new launches in FY21F, we nudge down our FY20F earnings by 8%, while maintaining our FY21F earnings on the back of revenue upward revision being offset by GPM downward revision.

**Maintain FULLY VALUED with higher TP of Bt10.30:** So far, residential developers have recovered unevenly, but we note that those that focus on lower-end segments have been hit the hardest, what with the low purchasing power of low-income earners. Additionally, its FY20F net profit is expected to plunge 46% y-o-y before bouncing back by 24% y-o-y in FY21F – with lingering downside risks arising from the debut of its "Vimut" hospital in 2Q21F that we have yet to incorporate into our FY21F assumptions. As a result, we maintain our FULLY VALUED call with a TP of Bt10.30, based on 6.3x FY20F EPS.

#### Company Background

PSH owns 98% of PS, Thailand's leading residential property developer. The company develops townhouses, detached houses and condominiums for low-to-mid income earners. The company has 187 outstanding projects in Thailand worth a combined Bt206.9bn. PS owns seven precast concrete factories, with a total capacity over 640 housing units per month. Its in-house precast manufacturing capability has helped shorten production period, improve quality control and reduce labour cost.

## Quarterly / Interim Income Statement (Btm)

FY Dec	3Q2019	2Q2020	3Q2020	% chg yoy	% chg qoq
Revenue	8,517	6,166	6,353	(25.4)	3.0
Cost of Goods Sold	(5,525)	(4,200)	(4,315)	(21.9)	2.7
<b>Gross Profit</b>	<b>2,992</b>	<b>1,966</b>	<b>2,038</b>	<b>(31.9)</b>	<b>3.7</b>
Other Oper. (Exp)/Inc	(1,752)	(1,339)	(1,156)	(34.0)	(13.7)
<b>Operating Profit</b>	<b>1,240</b>	<b>626</b>	<b>882</b>	<b>(28.9)</b>	<b>40.9</b>
Other Non Opg (Exp)/Inc	34.4	57.3	49.9	45.0	(13.0)
Associates & JV Inc	(0.1)	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(81.7)	(130)	(112)	(37.7)	13.7
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>1,193</b>	<b>553</b>	<b>820</b>	<b>(31.3)</b>	<b>48.1</b>
Tax	(260)	(128)	(204)	(21.7)	59.7
Minority Interest	(17.2)	(8.7)	(12.3)	28.2	41.8
<b>Net Profit</b>	<b>916</b>	<b>417</b>	<b>603</b>	<b>(34.1)</b>	<b>44.7</b>
Net profit bef Except.	916	417	603	(34.1)	44.7
EBITDA	1,275	684	932	(26.9)	36.3
<b>Margins (%)</b>					
Gross Margins	35.1	31.9	32.1		
Opg Profit Margins	14.6	10.2	13.9		
Net Profit Margins	10.7	6.8	9.5		

## Historical PE and PB band



Source: Bloomberg Finance L.P., DBSVTH estimates



Source: Bloomberg Finance L.P., DBSVTH estimates

**Key Assumptions**

FY Dec	2017A	2018A	2019A	2020F	2021F
New launches	59,200	54,353	41,100	15,556	31,619
Total presales	47,536	50,666	35,601	25,861	27,965

**Income Statement (Btm)**

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenue	43,935	44,901	39,885	28,756	31,581
Cost of Goods Sold	(28,222)	(28,815)	(25,754)	(19,376)	(21,214)
<b>Gross Profit</b>	<b>15,713</b>	<b>16,086</b>	<b>14,131</b>	<b>9,380</b>	<b>10,367</b>
Other Opng (Exp)/Inc	(8,537)	(8,430)	(7,060)	(5,447)	(5,577)
<b>Operating Profit</b>	<b>7,176</b>	<b>7,656</b>	<b>7,071</b>	<b>3,933</b>	<b>4,789</b>
Other Non Opg (Exp)/Inc	178	170	267	193	211
Associates & JV Inc	(0.4)	(0.4)	(0.4)	0.0	0.0
Net Interest (Exp)/Inc	(197)	(139)	(324)	(353)	(346)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>7,157</b>	<b>7,686</b>	<b>7,014</b>	<b>3,772</b>	<b>4,655</b>
Tax	(1,582)	(1,556)	(1,555)	(792)	(977)
Minority Interest	(118)	(108)	(100)	(102)	(104)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>5,456</b>	<b>6,022</b>	<b>5,359</b>	<b>2,877</b>	<b>3,573</b>
Net Profit before Except.	5,456	6,022	5,359	2,877	3,573
EBITDA	7,821	8,322	7,788	4,628	5,536
<b>Growth</b>					
Revenue Gth (%)	(6.4)	2.2	(11.2)	(27.9)	9.8
EBITDA Gth (%)	(5.6)	6.4	(6.4)	(40.6)	19.6
Opg Profit Gth (%)	(5.4)	6.7	(7.6)	(44.4)	21.8
Net Profit Gth (Pre-ex) (%)	(8.2)	10.4	(11.0)	(46.3)	24.2
<b>Margins &amp; Ratio</b>					
Gross Margins (%)	35.8	35.8	35.4	32.6	32.8
Opg Profit Margin (%)	16.3	17.1	17.7	13.7	15.2
Net Profit Margin (%)	12.4	13.4	13.4	10.0	11.3
ROAE (%)	14.9	15.2	12.7	6.7	8.1
ROA (%)	7.9	7.8	6.4	3.3	4.1
ROCE (%)	9.0	9.2	7.6	4.2	5.0
Div Payout Ratio (%)	51.7	56.3	63.3	60.0	60.0
Net Interest Cover (x)	36.4	55.1	21.8	11.1	13.8

Source: Company, DBSVTH

## Quarterly Income Statement (Btm)

FY Dec	3Q2019	4Q2019	1Q2020	2Q2020	3Q2020
Revenue	8,517	11,706	7,143	6,166	6,353
Cost of Goods Sold	(5,525)	(7,442)	(4,582)	(4,200)	(4,315)
<b>Gross Profit</b>	<b>2,992</b>	<b>4,264</b>	<b>2,561</b>	<b>1,966</b>	<b>2,038</b>
Other Oper. (Exp)/Inc	(1,752)	(1,966)	(1,268)	(1,339)	(1,156)
<b>Operating Profit</b>	<b>1,240</b>	<b>2,297</b>	<b>1,293</b>	<b>626</b>	<b>882</b>
Other Non Opg (Exp)/Inc	34.4	180	33.0	57.3	49.9
Associates & JV Inc	(0.1)	(0.1)	0.0	0.0	0.0
Net Interest (Exp)/Inc	(81.7)	(106)	(121)	(130)	(112)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>1,193</b>	<b>2,370</b>	<b>1,204</b>	<b>553</b>	<b>820</b>
Tax	(260)	(511)	(264)	(128)	(204)
Minority Interest	(17.2)	(34.0)	(18.1)	(8.7)	(12.3)
<b>Net Profit</b>	<b>916</b>	<b>1,825</b>	<b>922</b>	<b>417</b>	<b>603</b>
Net profit bef Except.	916	1,825	922	417	603
EBITDA	1,275	2,477	1,326	684	932

## Growth

Revenue Gth (%)	9.5	37.4	(39.0)	(13.7)	3.0
EBITDA Gth (%)	(2.8)	94.3	(46.5)	(48.4)	36.3
Opg Profit Gth (%)	(3.6)	85.2	(43.7)	(51.6)	40.9
Net Profit Gth (Pre-ex) (%)	(1.8)	99.4	(49.5)	(54.8)	44.7

## Margins

Gross Margins (%)	35.1	36.4	35.9	31.9	32.1
Opg Profit Margins (%)	14.6	19.6	18.1	10.2	13.9
Net Profit Margins (%)	10.7	15.6	12.9	6.8	9.5

## Balance Sheet (Btm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Net Fixed Assets	4,633	4,739	5,238	6,035	6,300
Invts in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other LT Assets	1,382	1,438	1,787	1,966	2,025
Cash & ST Invts	1,348	1,445	1,774	1,622	1,976
Inventory	63,791	71,960	76,244	73,522	75,762
Debtors	0.0	0.0	0.0	0.0	0.0
Other Current Assets	1,090	2,263	1,737	1,911	1,911
<b>Total Assets</b>	<b>72,244</b>	<b>81,845</b>	<b>86,782</b>	<b>85,057</b>	<b>87,975</b>
ST Debt	8,800	12,000	13,150	13,350	13,350
Creditor	2,379	2,284	2,191	1,523	1,667
Other Current Liab	6,460	10,090	9,233	9,694	10,179
LT Debt	15,500	15,100	17,950	16,000	16,500
Other LT Liabilities	445	497	466	466	466
Shareholder's Equity	37,909	41,171	43,056	43,186	44,871
Minority Interests	750	704	736	839	943
<b>Total Cap. &amp; Liab.</b>	<b>72,244</b>	<b>81,845</b>	<b>86,782</b>	<b>85,057</b>	<b>87,975</b>
Non-Cash Wkg. Capital	56,042	61,849	66,558	64,216	65,827
Net Cash/(Debt)	(22,952)	(25,655)	(29,326)	(27,728)	(27,874)
Debtors Turn (avg days)	N/A	N/A	N/A	N/A	N/A
Creditors Turn (avg days)	28.8	30.0	32.3	35.9	28.1
Inventory Turn (avg days)	812.9	874.9	1,068.9	1,448.2	1,317.5
Asset Turnover (x)	0.6	0.6	0.5	0.3	0.4
Current Ratio (x)	3.8	3.1	3.2	3.1	3.2
Quick Ratio (x)	0.1	0.1	0.1	0.1	0.1
Net Debt/Equity (X)	0.6	0.6	0.7	0.6	0.6
Net Debt/Equity ex MI (X)	0.6	0.6	0.7	0.6	0.6
Capex to Debt (%)	5.9	2.2	2.9	4.4	2.7
Z-Score (X)	2.9	2.6	2.5	2.3	2.3

Source: Company, DBSVTH

## Cash Flow Statement (Btm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Profit	7,157	7,686	7,014	3,772	4,655
Dep. & Amort.	467	497	451	503	535
Tax Paid	0.0	0.0	0.0	0.0	0.0
Assoc. & JV Inc/(loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(4,770)	(5,103)	(4,207)	2,341	(1,611)
Other Operating CF	(2,205)	(1,556)	(1,555)	(792)	(977)
<b>Net Operating CF</b>	<b>649</b>	<b>1,525</b>	<b>1,703</b>	<b>5,824</b>	<b>2,601</b>
Capital Exp.(net)	(1,445)	(596)	(887)	(1,300)	(800)
Other Invt.(net)	7.83	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	246	0.03	(141)	(179)	(59.0)
<b>Net Investing CF</b>	<b>(1,190)</b>	<b>(596)</b>	<b>(1,028)</b>	<b>(1,479)</b>	<b>(859)</b>
Div Paid	(2,996)	(2,779)	(3,502)	(2,747)	(1,888)
Chg in Gross Debt	4,402	2,800	4,000	(1,750)	500
Capital Issues	15.3	0.0	0.0	0.0	0.0
Other Financing CF	(118)	(852)	(843)	0.0	0.0
<b>Net Financing CF</b>	<b>1,303</b>	<b>(832)</b>	<b>(345)</b>	<b>(4,497)</b>	<b>(1,388)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	762	97.0	330	(152)	354
Opg CFPS (Bt)	2.48	3.03	2.70	1.59	1.92
Free CFPS (Bt)	(0.4)	0.42	0.37	2.07	0.82

Source: Company, DBSVTH

## Target Price &amp; Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	24 Feb 20	14.70	15.60	HOLD
2:	15 May 20	10.40	9.50	FULLY VALUED
3:	17 Aug 20	11.40	10.30	FULLY VALUED

Note: Share price and Target price are adjusted for corporate actions.

Source: DBSVTH

Analyst: Thailand Research Team

Thaninee SATIRAREUNGCHAI, CFA

THAI-CAC (as of Jun 2019)






Corporate Governance CG Rating (as of Oct 2019)

Certified



**THAI-CAC** is Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of May 2018) are categorised into:

**Corporate Governance CG Rating** is based on Thai Institute of Directors (IOD)'s annual assessment of corporate governance practices of listed companies. The assessment covers 235 criteria in five categories including board responsibilities (35% weighting), disclosure and transparency (20%), role of stakeholders (20%), equitable treatment of shareholders (10%) and rights of shareholders (15%). The IOD then assigns numbers of logos to each company based on their scoring as follows:

Score	Description	
Declared	Companies that have declared their intention to join CAC	
Certified	Companies certified by CAC.	
Score	Range Number of Logo	Description
90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	No logo given	N/A

DBSVTH recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

*\*Share price appreciation + dividends*

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Sources for all charts and tables are DBSVTH unless otherwise specified.

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