



Pruksa Holding PCL

PSH TB Neutral

Target Price Bt 10.20

Price (16/11/2020) Bt 11.20

Downside % 8.93

Valuation PER

Sector Property Development

Market Cap Btm 24,511

30-day avg turnover Btm 11.21

No. of shares on issue m 2,189

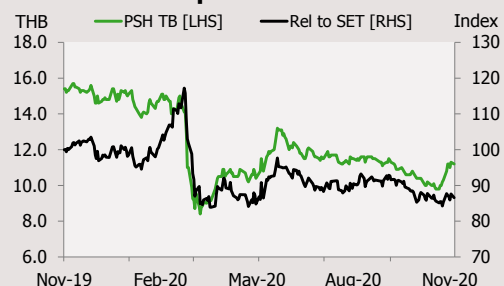
CG Scoring Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2019A	2020E	2021E	2022E
Company Financials				
Revenue (Btmn)	39,885	26,845	28,187	31,627
Core profit (Btmn)	5,359	2,700	2,951	3,574
Net profit (Btmn)	5,359	2,700	2,951	3,574
Net EPS (Bt)	2.45	1.23	1.35	1.63
DPS (Bt)	1.55	0.77	0.84	1.02
BVPS (Bt)	19.67	19.65	20.20	20.92
Net EPS growth (%)	(11.02)	(49.61)	9.30	21.08
ROA (%)	6.47	3.29	3.70	4.30
ROE (%)	12.72	6.28	6.77	7.94
Net D/E (x)	0.67	0.62	0.65	0.59
Valuation				
P/E (x)	6.04	9.08	8.30	6.86
P/BV (x)	0.75	0.57	0.55	0.54
EV/EBITDA (x)	8.02	11.55	11.13	9.18
Dividend yield (%)	10.47	6.90	7.53	9.11

PSH TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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Kasikorn Securities Public Company Limited

3Q20 earnings improved nicely as expected

- PSH reported 3Q20 earnings of Bt603mn, down 34% YoY but up 45% QoQ. This was in line with our expectations and the consensus estimate.
- While sales revenue and GPM improved slightly, although still down sharply YoY, the key earnings growth driver QoQ was a drop in SG&A.
- We maintain our Neutral rating and our 2021 TP of Bt10.20. A more aggressive development plan is required to drive its earnings outlook.

Investment Highlights

- **3Q20 earnings were in line.** PSH reported 3Q20 earnings of Bt603mn, down 34% YoY but up 45% QoQ. This was in line with our forecast of Bt615mn and Bloomberg's consensus estimate of Bt608mn. As expected, the disappearance of one-time personnel expenses seen in 2Q20, which resulted in 3Q20 SG&A expenses falling sharply to Bt1.16bn from Bt1.34bn in 2Q20, was the main earnings growth driver on the QoQ basis. Meanwhile, 3Q20 sales revenue and GPM improved marginally by 3% QoQ to Bt6.3bn and 0.2ppt QoQ to 32.1%. On the YoY basis, big revenue and GPM contractions of 25% and 3.1ppt pulled down earnings significantly, while PSH was able to better manage its SG&A-to-sales ratio, lowering it by 2.4ppt to 18.2%. Even though 3Q20 earnings rebounded nicely QoQ, 9M20 earnings at Bt1.94bn were still 45% below the level achieved in 9M19 of Bt3.53bn.
- **Looking for a further improvement in 4Q20.** We believe PSH's earnings direction will continue to be positive in 4Q20. Apart from more new projects that PSH should roll out in high-demand areas based on its in-house research, the startup of rights transfers at The Reserve Sukhumvit 61 (Bt2.7bn, 98% sold), which carried over a backlog of Bt2.6bn that will start transfers in 4Q20, will play an important role boosting 4Q20 earnings. Additionally, as PSH should still keep SG&A expenses under control, especially marketing and operating expenses, 4Q20 SG&A-to-sales ratio should improve further.
- **More aggressive development plans required.** We see the new CEO, Mr. Piya Prayong, applying a more aggressive development plan for PSH, starting from the beginning of 2021. Due to the overly conservative strategy applied in 2Q20 as PSH focused its sales activity exclusively on moving completed inventory, it missed a big opportunity in customers seeking nearly completed houses in 2Q20 to early 3Q20. In addition to a number of new projects that we expect to see launched in 2021 following a big drop in new projects compared to 2019's level of Bt41.2bn, we expect PSH will introduce new housing designs for which it has collected data about demand from a number of potential customer segments over the past year. These actions, in our view, will be required to offset the incremental loss contributed from its hospital project, which will start operations from 2Q21 given a new hospital normally generates a loss in the first 4-6 years of operation. At the moment, we expect to see moderate earnings growth of 9.3% in 2021.

Valuation and Recommendation

- We maintain our Neutral rating on PSH with a 2021 target price of Bt10.20. Trading at a 2021 PER of 8.3x, which is at about +0.5SDV of its 5-year 12M Fwd PER, PSH is not cheap compared to its moderate current growth outlook in 2021. However, a sound DY return of more than 7% for a one-year holding period will provide support to our recommendation.



Fig 1 3Q20 earnings down 34% YoY but up 45% QoQ

	3Q19	4Q19	1Q20	2Q20	3Q20	%YoY	%QoQ	%YTD2020E	2020E
Financials									
Sales (Btmn)	8,517	11,706	7,143	6,166	6,353	-25.4	3.0	73.2	26,845
EBITDA (Btmn)	1,389	2,592	1,446	791	1,046	-24.7	32.2	72.6	4,521
Operating profit (Btmn)	1,275	2,477	1,326	684	932	-26.9	36.3	72.6	4,053
Core profit (Btmn)	916	1,825	922	417	603	-34.1	44.7	71.9	2,700
Net profit (Btmn)	916	1,825	922	417	603	-34.1	44.7	71.9	2,700
Net EPS (Bt)	0.42	0.83	0.42	0.19	0.28	-34.1	44.7	71.9	1.23
Performance Drivers									
Presales (Btmn)	14,113	-1,966	6,071	3,507	6,584	-53.3	87.7	69.5	23,258
New launch (Btmn)	15,396	5,300	5,330	0	8,290	-46.2	n.m.	47.1	28,900
Net D/E (x)	0.7	0.7	0.7	0.7	0.7	-9.3	-5.3	106.6	0.6
Ratios									
						Change **	Avg YTD	2020E	
Gross margin (%)	35.1	36.4	35.9	31.9	32.1	-3.1	0.2	33.3	32.8
EBITDA margin (%)	16.3	22.1	20.2	12.8	16.5	0.2	3.6	16.5	16.8
Optg. margin (%)	15.0	21.2	18.6	11.1	14.7	-0.3	3.6	14.8	15.1
ROE (%)	8.9	17.0	8.4	3.9	5.7	-3.2	1.8	6.0	6.3

Remark: ** = Change in ppt

Source: Company data and KS Research



Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	44,901	39,885	26,845	28,187	31,627
Cost of sales and services	-28,815	-25,754	-18,033	-19,111	-21,349
Gross Profit	16,086	14,131	8,812	9,076	10,279
SG&A	-8,430	-7,060	-4,989	-4,934	-5,294
Other income	170	267	230	202	214
EBIT	7,825	7,338	4,053	4,344	5,199
EBITDA	8,323	7,789	4,521	4,875	5,761
Interest expense	-139	-324	-465	-430	-494
Equity earnings	-0	-0	0	0	0
EBT	7,686	7,014	3,587	3,914	4,704
Income tax	-1,556	-1,555	-798	-783	-941
NPAT	6,131	5,459	2,790	3,131	3,764
Minority Interest	-108	-100	-89	-180	-190
Core Profit	6,022	5,359	2,700	2,951	3,574
Extraordinary items	0	0	0	0	0
FX gain (loss)	0	0	0	0	0
Reported net profit	6,022	5,359	2,700	2,951	3,574

Balance Sheet (Btmn)	2018A	2019A	2020E	2021E	2022E
Cash & equivalents	1,445	1,774	805	846	949
ST investments	0	0	268	282	316
Accounts receivable	0	0	0	0	0
Inventories	71,960	76,244	71,139	74,695	75,906
Other current assets	2,263	1,737	1,678	1,762	1,977
Total current assets	75,668	79,756	73,891	77,584	79,148
Investment in subs & others	108	108	108	108	108
Fixed assets-net	5,445	5,950	7,912	8,002	8,121
Other assets	625	969	899	944	1,060
Total assets	81,845	86,782	82,810	86,637	88,436
Short-term debt	12,000	13,150	11,450	13,700	4,700
Accounts payable	5,038	3,855	3,624	3,805	4,270
Other current liabilities	7,335	7,569	7,248	7,610	8,539
Total current liabilities	24,374	24,574	22,322	25,116	17,509
Long-term debt	15,100	17,950	16,591	16,417	24,228
Other liabilities	497	466	161	169	190
Total liabilities	39,971	42,990	39,075	41,701	41,927
Paid-up capital	2,189	2,189	2,189	2,189	2,189
Share premium	1,873	1,873	1,873	1,873	1,873
Reserves & others, net	150	118	118	118	118
Retained earnings	36,960	38,877	38,820	40,021	41,594
Minority interests	704	736	736	736	736
Total shareholders' equity	41,874	43,792	43,735	44,936	46,509
Total equity & liabilities	81,845	86,782	82,810	86,637	88,436

Key Assumptions	2018A	2019A	2020E	2021E	2022E
New launch (Btmn)	66,700	41,170	28,900	33,235	34,897
Pre-sales	50,666	35,601	23,258	25,560	26,724
- Low-rise	33,599	22,437	16,866	18,159	18,613
- Condominium	17,067	13,164	6,392	7,401	8,111
Projects sales revenue	44,465	39,885	26,845	28,187	31,627
- Low-rise	31,215	25,663	16,966	17,657	18,546
- Condominium	13,250	14,222	9,879	10,529	13,082
Revenue growth (%)	2.20	-11.17	-32.69	5.00	12.21
Gross margin (%)	35.83	35.43	32.82	32.20	32.50
SG&A to sales (%)	18.78	17.70	18.58	17.50	16.74

Source: Company, KS estimates

Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Net profit	6,131	5,459	2,790	3,131	3,764
Depreciation & amortization	497	451	468	531	563
Change in working capital	-5,638	-4,351	4,353	-3,113	-76
Others	535	144	-89	-180	-190
CF from operation activities	1,525	1,703	7,521	369	4,061
Capital expenditure	-596	-1,028	-2,406	-641	-734
Investment in subs and affiliates	0	0	0	0	0
Others	0	0	-268	-13	-34
CF from investing activities	-596	-1,028	-2,674	-654	-768
Cash dividend	-2,779	-3,502	-2,758	-1,750	-2,000
Net proceeds from debt	2,800	4,000	-3,059	2,075	-1,189
Capital raising	28	0	0	0	0
Others	-880	-843	0	0	0
CF from financing activities	-832	-345	-5,816	325	-3,189
Net change in cash	97	330	-969	40	103

Key Statistics & Ratios

Per share (Bt)	2018A	2019A	2020E	2021E	2022E
Reported EPS	2.75	2.45	1.23	1.35	1.63
Core EPS	2.75	2.45	1.23	1.35	1.63
DPS	1.55	1.55	0.77	0.84	1.02
BV	18.81	19.67	19.65	20.20	20.92
EV	29.34	28.54	23.86	24.78	24.18
Free Cash Flow	0.42	0.31	2.34	-0.12	1.52
Valuation analysis					
Reported P/E (x)	6.29	6.04	9.08	8.30	6.86
Core P/E (x)	6.29	6.04	9.08	8.30	6.86
P/BV (x)	0.92	0.75	0.57	0.55	0.54
EV/EBITDA (x)	7.72	8.02	11.55	11.13	9.18
Price/Cash flow (x)	24.82	19.02	3.26	66.35	6.04
Dividend yield (%)	8.96	10.47	6.90	7.53	9.11
Profitability ratios					
Gross margin (%)	35.83	35.43	32.82	32.20	32.50
EBITDA margin (%)	18.54	19.53	16.84	17.29	18.22
EBIT margin (%)	17.43	18.40	15.10	15.41	16.44
Net profit margin (%)	13.65	13.69	10.39	11.11	11.90
ROA (%)	7.96	6.47	3.29	3.70	4.30
ROE (%)	15.23	12.72	6.28	6.77	7.94
Liquidity ratios					
Current ratio (x)	3.10	3.25	3.31	3.09	4.52
Quick ratio (x)	0.06	0.07	0.05	0.04	0.07
Leverage Ratios					
Liabilities/Equity ratio (x)	0.95	0.98	0.89	0.93	0.90
Net debt/EBITDA (x)	3.08	3.77	5.97	5.95	4.80
Net debt/equity (x)	0.61	0.67	0.62	0.65	0.59
Int. coverage ratio (x)	56.36	22.66	8.71	10.10	10.52
Growth					
Revenue (%)	2.20	-11.17	-32.69	5.00	12.21
EBITDA (%)	6.41	-6.42	-41.96	7.84	18.19
Reported net profit (%)	10.37	-11.02	-49.61	9.30	21.08
Reported EPS (%)	10.29	-11.02	-49.61	9.30	21.08
Core profit (%)	10.37	-11.02	-49.61	9.30	21.08
Core EPS (%)	10.29	-11.02	-49.61	9.30	21.08



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