

16 July 2013

Property Development

AP
AP (Thailand)

Current	Previous	Close	2013 TP	Exp Return	Support	Resistance	CGR 2012
BUY	BUY	6.10	11.10	+ 82.0%	6-5.80	7-8	

Consolidated earnings

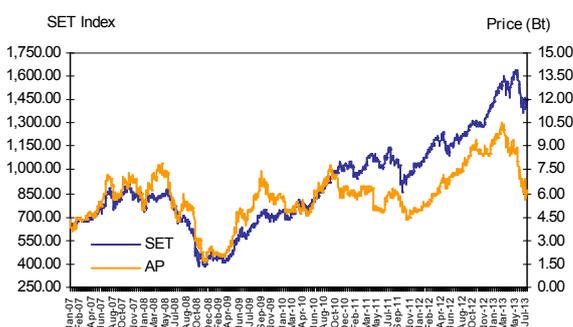
BT (mn)	2011	2012	2013E	2014E
Normalized earnings	1,541	2,208	2,627	3,025
Net profit	1,551	2,329	2,627	3,025
EPS (Bt)	0.55	0.82	0.92	1.06
EPS (Bt) - Normalized	0.55	0.78	0.92	1.06
% growth Y-Y	-39.67	41.92	19.05	15.12
Dividend (Bt)	0.18	0.25	0.30	0.35
BV/share (Bt)	3.78	4.40	5.05	5.81
EV/EBITDA (x)	11.2	9.3	7.8	6.0
PER (x)	11.1	7.5	6.6	5.7
PER (x) - Normalized	11.2	7.9	6.6	5.7
PBV (x)	1.6	1.4	1.2	1.0
Dividend yield (%)	3.0	4.1	4.9	5.7
YE No. of shares (million)	2,822	2,848	2,847	2,847
No. of shares - full dilution	2,822	2,848	2,847	2,847
Par (Bt)	1.00	1.00	1.00	1.00

Source: Company data, FSS estimates

Share data

Close (15/07/2013)	6.10
SET Index	1,455.40
Foreign limit/actual (%)	30.00/21.20
Paid up shares (million)	2,859.92
Free float (%)	60.93
Market cap (Bt mn)	17,445.51
Avg. daily T/O (Bt mn) (2013 YTD)	198.96
hi, lo, avg (Bt) (2013 YTD)	10.70, 5.45, 8.90

Source: Setsmarts



Source: SET

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2Q13 normalized earnings likely to increase Q-Q, but decrease Y-Y

We revise down our 2013E TP to Bt11.10 (PE 12x) after we decrease our 2013-2014E normalized earnings by 5.3% and 6.5% to price in the cuts to our overly high 2013-2014E low-rise transfer revenue by 9.1% and 7.0%, respectively. However, we maintain our BUY rating on AP to bet on the company's 2Q13 normalized earnings (+88.6% Q-Q, -21.8% Y-Y), its rising 2H13 normalized earnings outlook (+H-H), and its solid backlog of Bt32.8bn that is likely to be realized as revenue during 2013-2016.

Expect 2Q13 normalized earnings to rise 88.6% Q-Q, but fall 21.8% Y-Y

Our forecasts call for AP's 2Q13 normalized earnings to rise 88.6% Q-Q, but fall 21.8% Y-Y to Bt420mn. To elaborate, we assume the company's 2Q13 transfer revenues to be equal to Bt4.1bn (+47.0% Q-Q, +8.4% Y-Y), splitting 60:40 between low-rise and condo transfer revenue. Note that there are two condo projects completed and ready for transfers during the quarter, i.e. Rhythm Sukhumvit 50 (Bt2.7bn, 100% sold) and Aspire Rama 4 (Bt2.7bn, 87% sold). Moreover, we expect AP's 2Q13 gross margin to stand at 33%, while its SG&A expenses for the quarter are likely to rise 27.4% Q-Q and 20.8% Y-Y due to an increase in its marketing expenses. Looking ahead, we anticipate that AP's normalized earnings will rise Q-Q in 3Q13 and peak in 4Q13 because we project that two condo projects with a combined value of Bt6.2bn and average sales of 89% will be completed and ready for transfers then.

Revise down 2013-2014E normalized earnings by 5.3% and 6.5%, respectively

We revise down our 2013-2014E normalized earnings by 5.3% to Bt2.6bn (+19% Y-Y) and by 6.5% to Bt3.0bn (+15.1% Y-Y), respectively, to reflect the cuts to our overly high low-rise transfer revenue estimates for those periods. Specifically, we slash our 2013-2014E low-rise transfer revenue by 9.1% to Bt10bn (+7.7% Y-Y) and by 7.0% to Bt11bn (+12.7% Y-Y), respectively.

1H13 presales sufficient to secure 38% of AP's 2013E presales, 2H13 presales likely to rise H-H

AP's 2Q13 presales stood at Bt4.6bn (+20.3% Q-Q, -22.5% Y-Y). Of this figure, Bt2.1bn (-4.0% Q-Q, -11.5% Y-Y) came from low-rise projects, while Bt2.5bn (+53.3% Q-Q, -30.0% Y-Y) was from condo projects. Given the company's 2Q13 presales, its 1H13 presales amounted to Bt8.4bn (i.e. low-rise projects at Bt4.3bn and condo projects at Bt4.1bn) which was sufficient to secure just 38% of AP's 2013E presales of Bt22bn (+8.7% Y-Y). Looking ahead, we anticipate that the company's 2H13 presales will rise H-H because AP plans to launch 16 new projects for a combined value of Bt14.8bn during the period (vs. nine projects for a combined value of Bt15bn in 1H13). Moreover, the company still has 53 projects available for sales which have a combined value of Bt35.6bn.

2Q13 backlog stood at Bt32.8bn, to be realized as revenue in 2013-2016

AP's 2Q13 backlog stood at Bt32.8bn (i.e. low-rise projects at Bt5.3bn and condo projects at Bt27.5bn). Of which, Bt14bn is likely to be realized as revenue in 2013. Combining this estimate with AP's 1Q13 transfer revenues, this would be sufficient to secure 84% of the company's 2013E transfer revenues. Moreover, Bt9bn is likely to be realized as revenue in 2014, which would be sufficient to secure 40% of AP's 2014E transfer revenues. Finally, Bt10bn is likely to be realized as revenue in 2015-2016.

Lower 2013E TP to Bt11.10 (PE 12x), maintain BUY rating

Likewise, we also lower our 2013E TP from Bt11.70 to Bt11.10 (PE 12x). Finally, we maintain our BUY rating on AP. Even though AP's 1H13 presales and normalized earnings are likely to be unimpressive, we expect the company's 2H13 presales and normalized earnings to rise H-H, in line with our sharply higher 2H13E condo transfer revenue.

Income Statement (Consolidated)					
(Bt mn)	2010	2011	2012	2013E	2014E
Revenue	13,840	13,639	17,310	20,348	22,925
Cost of sales	8,602	8,434	11,273	13,492	15,200
Gross profit	5,238	5,205	6,036	6,857	7,725
SG&A costs	2,125	2,695	3,128	3,431	3,811
Operating profit	3,113	2,509	2,908	3,426	3,913
Other income	76	53	55	60	68
EBIT	3,181	2,560	2,952	3,486	3,982
EBITDA	3,359	2,756	3,104	3,586	4,031
Interest charge	103	191	213	200	198
Tax on income	977	844	548	658	758
Earnings after tax	4,183	3,240	3,425	3,949	4,546
Minority interests	-2	-0	-0	-5	-6
Normalized earnings	2,122	1,541	2,208	2,627	3,025
Extraordinary items	106	9	121	0	0
Net profit	2,228	1,551	2,329	2,627	3,025

Cash Flow Statement (Consolidated)					
(Bt mn)	2010	2011	2012	2013E	2014E
Net profit	2,228	1,551	2,329	2,627	3,025
Depreciation etc.	178	196	152	100	50
Change in working capital	-3,833	-4,455	726	-748	1,249
Other adjustments	-107	6	-107	0	0
Cash flow from operations	-1,534	-2,702	3,101	1,979	4,324
Capital expenditure	-95	-71	-53	50	50
Others	-787	0	0	0	0
Cash flow from investing	-882	-71	-53	50	50
Free cash flow	-2,416	-2,772	3,048	2,029	4,374
Net borrowings	2,034	3,603	-1,893	-4,059	-8,515
Equity capital raised	9	479	26	-1	0
Dividends paid	-747	-422	-509	-712	-854
Others	-234	-805	-367	2,608	6,043
Cash flow from financing	1,062	2,855	-2,742	-2,165	-3,325
Net change in cash	-1,353	82	306	-130	1,055

Balance Sheet (Consolidated)					
(Bt mn)	2010	2011	2012	2013E	2014E
Cash	355	438	744	614	1,668
Accounts receivable	55	69	108	83	93
Inventory	21,347	26,616	26,490	27,518	26,541
Other current assets	1,463	1,477	1,411	1,651	1,860
Total current assets	23,221	28,599	28,753	29,865	30,162
Investments	127	135	0	141	144
Plant, property & equipment	258	268	262	279	278
Other assets	508	372	297	180	187
Total assets	24,114	29,375	29,312	30,466	30,771
Short-term loans	1,634	3,629	1,659	100	100
Accounts payable	711	575	777	924	1,041
Current maturities	2,226	2,293	2,550	2,700	2,450
Other current liabilities	2,938	3,570	3,410	3,604	4,061
Total current liabilities	7,509	10,066	8,396	7,329	7,652
Long-term debt	6,807	8,302	8,073	8,315	6,065
Other LT liabilities	285	345	323	446	502
Total non-current liabilities	7,092	8,647	8,396	8,761	6,566
Total liabilities	14,600	18,714	16,792	16,089	14,218
Registered capital	2,383	2,860	2,860	2,860	2,860
Paid-up capital	2,343	2,822	2,848	2,847	2,847
Share premium	17	33	72	61	61
Legal reserve	239	286	286	233	233
Retained earnings	6,903	7,493	9,313	11,229	13,400
Others	11	27	0	0	0
Minority Interests	0	0	0	6	12
Shareholders' equity	9,514	10,661	12,520	14,376	16,553

Important Ratios (Consolidated)					
	2010	2011	2012	2013E	2014E
Growth (%)					
Revenue	9.6	-1.5	26.9	17.6	12.7
EBITDA	14.7	-17.9	12.6	15.5	12.4
Net profit	15.6	-30.4	50.2	12.8	15.1
Normalized earnings	10.1	-27.3	43.2	19.0	15.1
Profitability Ratios (%)					
Gross profit margin	37.8	38.2	34.9	33.7	33.7
EBITDA margin	24.3	20.2	17.9	17.6	17.6
EBIT margin	23.0	18.8	17.1	17.1	17.4
Normalized profit margin	15.3	11.3	12.8	12.9	13.2
Net profit margin	16.1	11.4	13.5	12.9	13.2
Normalized ROA	8.8	5.2	7.5	8.6	9.8
Normalize ROE	22.3	14.5	17.6	18.3	18.3
Normalized ROCE	19.2	13.3	14.1	15.1	17.2
Risk (x)					
D/E	1.53	1.76	1.34	1.12	0.86
Net D/E	1.08	1.29	0.92	0.73	0.42
Net debt/EBITDA	3.07	5.00	3.72	2.93	1.72
Per share data (Bt)					
Reported EPS	0.95	0.55	0.82	0.92	1.06
Normalized EPS	0.91	0.55	0.78	0.92	1.06
EBITDA	1.43	0.98	1.09	1.26	1.42
FCF	-1.03	-0.98	1.07	0.71	1.54
Book value	4.06	3.78	4.40	5.05	5.81
Dividend	0.38	0.18	0.25	0.30	0.35
Par	1.0	1.0	1.0	1.0	1.0
Valuations (x)					
P/E	6.4	11.1	7.5	6.6	5.7
Normalized P/E	6.7	11.2	7.9	6.6	5.7
P/BV	1.5	1.6	1.4	1.2	1.0
EV/EBTDA	7.3	11.2	9.3	7.8	6.0
Dividend yield (%)	6.2	3.0	4.1	4.9	5.7

Source: Company data, FSS research

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Pinklao 3

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Nonthaburi

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Prachachuen

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Meungsamutsakorn, Samutsakorn

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Muang, Chachoengsao

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Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2

310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Khonkaen 1

311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumphoe Meung,
Khonkaen

Khonkaen 2

26/9 Moo 7 2nd Floor,
Srijan new Road, Tumbon
Nai Meung, Aumphoe Meung,
Khonkaen

Measai

119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

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Aumphoe Hadyai, Songkhla

Hatyai 2

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Aumphoe Hadyai, Songkhla

Hatyai 3

200/222, 200/224, 200/226
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Building, Niphath Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Phuket

22/18 Vanish Plaza Shopping
Mall, Luangporwatchalong Road,
Tumbon Talad Yai,
Aumphoe Meung, Phuket

Suratthani

173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumphoe Mueang, Suratthani

Krabi

223/20 Mharaj Road,
Tumbon Paknam,
Aumphoe Meung, Krabi

Pattane

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Tumbon Ruramirae,
Aumphoe Meung, Pattane

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Udon Thani

Khonkaen

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Aumphoe Meung Khonkaen,
Khonkaen

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Natapon	Khamthakreaau	Derivatives	0-2646-9820	natapon.k@fnsyrus.com

Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average

Note: The expected return may change as market risks increase or decline.

Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2012


ADVANC	BCP	DRT	IRPC	NOBLE	QH	SC	SYMC	TOP
AOT	BECL	EASTW	KBANK	PHOL	RATCH	SCB	THAI	TSTE
ASIMAR	BKI	EGCO	KK	PS	ROBINS	SCC	TIP	TTA
BAFS	BMCL	ERW	KTB	PSL	RS	SE-ED	TIPCO	
BANPU	BTS	GRAMMY	LPN	PTT	SAMART	SIM	TISCO	
BAY	CPN	HEMRAJ	MCOT	PTTTP	SAMTEL	SIS	TKT	
BBL	CSL	ICC	NKI	PTTGC	SAT	SNC	TMB	

Score Range

Description

100-90	Excellent
80-89	Very Good
70-79	Good
60-69	Satisfactory
50-59	Pass
<50	n/a



2S	BROOK	DTAC	HMPRO	MACO	OFM	S & J	SSSC	THRE	TSC
ACAP	BWG	DTC	HTC	MAKRO	OGC	S&P	STANLY	TIC	TSTH
AF	CENTEL	ECL	IFEC	MBK	OSIHI	SABINA	STEC	TICON	TTW
AIT	CFRESH	EE	INTUCH	MBKET	PAP	SAMCO	SUC	TIW	TUF
AKR	CGS	EIC	ITD	MFC	PDI	SCCC	SUSCO	TK	TVO
AMATA	CHOW	ESSO	IVL	MFEC	PE	SCG	SVI	TLUXE	UAC
AP	CIMBT	FE	JAS	MINT	PG	SCSMG	SYNTEC	TMT	UMI
ASK	CK	FORTH	KCE	MODERN	PHATRA***	SFP	TASCO	TNITY	UP
ASP	CM	GBX	KGI	MTI	PJW	SITHAI	TCAP	TNL	UPOIC
AYUD	CPALL	GC	KSL	NBC	PM	SMT	TCP	TOG	UV
BEC	CPF	GFPT	L&E	NCH	PR	SPALI	TFD	TPC	VIBHA
BFIT	CSC	GL	LANNA	NINE	PRANDA	SPCG	TFI	TRC	VNT
BH	DCC	GLOW	LH	NMG	PRG	SPI	THANA	TRT	WACOAL
BIGC	DELTA	GUNKUL	LRH	NSI	PT	SPPT	THCOM	TRU	YUASA
BJC	DEMCO	HANA	LST	OCC	PYLON	SSF	THIP	TRUE	ZMICO

***PHATRA was voluntarily delisted from the Stock Exchange of Thailand effectively on September 25, 2012.



AEONTS	BGT	CMO	GENCO	JTS	LHBANK	NC	PTL	SGP	SWC	TPAC	UT
AFC	BLA	CNS	GFM	JUBILE	LHK	NNCL	Q-CON	SIAM	SYNEX	TPCORP	VARO
AGE	BNC	CNT	GLOBAL	JUTHA	LIVE	NTV	QLT	SIMAT	TBSP	TPIPL	WAVE
AH	BOL	CPL	GOLD	KASET	LOXLEY	OSK	QTC	SINGER	TCB	TPP	WG
AHC	BROCK	CRANE	HFT	KBS	MAJOR	PAE	RASA	SIRI	TEAM	TR	WIN
AI	BSBM	CSP	HTECH	KC	MATCH	PATO	RCL	SKR	TF	TTCL	WORK
AJ	BTNC	CSR	HYDRO	KDH	MATI	PB	RICH	SMIT	TGCI	TWFP	
ALUCON	BUI	CTW	IFS	KIAT	MBAX	PICO	ROJNA	SMK	THANI	TYCN	
AMANAH	CCET	DRACO	IHL	KKC	M-CHAI	PL	RPC	SOLAR	TKS	UBIS	
APCO	CEN	EASON	ILINK	KTC	MDX	POST	SAM	SPC	TMD	UEC	
APCS	CHUO	EMC	INET	KWC	MJD	PPM	SCBLIF	SPG	TMI	UIC	
APRINT	CI	EPCO	IRC	KWH	MK	PREB	SCP	SSC	TNH	UMS	
ARIP	CIG	FNS	IRCP	KYE	MOONG	PRECHA	SEAFCO	SST	TNPC	UOBKH	
AS	CIMBI***	FOCUS	IT	LALIN	MPIC	PRIN	SENA	STA	TOPP	UPF	
ASIA	CITY	FSS	JMART	LEE	MSC	PSAAP	SF	SVOA	TPA	US	

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