

23 February 2024

Property | Real Estate

## Pruksa Holding (PSH TB)

**Sell** (Maintained)

### Disappointment At The Low-Ebb Earnings Level; SELL

Target Price (Return):	THB10 (-19.4%)
Price (Market Cap):	THB12.40 (USD758m)
ESG score:	3.3 (out of 4)
Avg Daily Turnover (THB/USD)	6.85m/0.19m

- Maintain SELL and THB10 TP, 19% downside and >7% dividend yield.** Among all key industry players, Pruksa is another developer that showed disappointing 4Q23 and FY23 earnings (that were significantly declining YoY). This was due to the sector-wide negative factors in the low-to-mid segment of the market, ie similar to the industry overall. Although Pruksa's healthcare business has consistently grown YoY, this unit is still at the low-base level and only partly mitigated the slower impact of residential sales. We expect Pruksa to endure a similar industry situation in FY24.
- 4Q24 earnings largely disappointing.** The company booked a 4Q23 net profit of THB123m (-89% YoY, -68% QoQ). This was also 52% lower than our estimate, mainly on lower-than-expected GPM. Similar to other developers focused on the low-to-mid market, Pruksa showed weaker revenue from residential project sales of THB5.4bn (-46% YoY, +1% QoQ) vis-à-vis 4Q22 when there were abundant transfer activities before the expiration of loan-to-value or LTV relaxation measure. On a YoY basis, sales revenue from the townhouse (-22% YoY) and condominium (-75% YoY) segments seemed to be most affected. Therefore, 4Q23 GPM also plunged YoY and QoQ to 26.7%. On a pricing dimension, a <THB5m unit price within its townhouse (40% of project sales revenue) and single detach home or SDH (27%) projects performed worse than others due to: i) Dampened purchasing power amongst the low-end market, ii) high loan rejection rates, and iii) elevated hanging interest rates. However, condominium projects with unit prices of THB2-3m and >THB7m performed better. 4Q23 revenue from the hospital business increased consistently to THB494m (+14% YoY, +4% QoQ), especially from Vimut Hospital, which is gearing towards health check-up services within the final quarter. Finance costs (+72% YoY) also increased significantly.
- FY23 earnings inevitably plunged.** Although Pruksa recorded extra gains of THB692m from a share-swap transaction under its precast business (THB612m) and transfer of Lab Plus One's business operations to InnoQuest Diagnostic One (Thailand) under the hospital unit (THB80m; during 9M23), major pressure on the residential projects business hit FY23 earnings hard (-21% YoY). Based on Pruksa's official targets for FY24, the company will focus on boosting new project launches totalling THB29bn (+104% YoY) and annual presales of THB27bn (+46% YoY). Along with the aim to shift its focus towards >THB7m priced units, we expect FY24 earnings to grow a moderate 12% YoY to THB2.47bn from FY23's low base.
- Maintain TP.** Our ESG score remains unchanged at 3.3. With our country median at 3.2, we maintain Pruksa's TP at THB10 – this is based on an ESG premium of 2% and 8.7x FY24 P/E.

#### Analyst

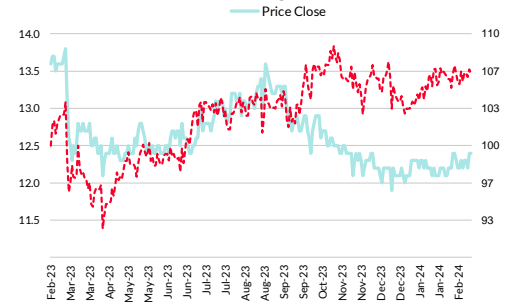
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	2.5	1.6	1.6	(6.8)	(8.8)
Relative	3.5	(0.8)	2.4	2.5	6.7
52-wk Price low/high (THB)	11.9 – 13.8				

Pruksa Holding (PSH TB)



Source: Bloomberg

#### Overall ESG Score: 3.3 (out of 4)

##### E: GOOD

Pruksa is committed to creating an environmental management system. It appointed an environmental committee to: i) Establish environmental policies and programs, ii) set objectives, targets, and environmental programs, iii) generate reports and suggest standards or guidelines, iv) promote environmental activities in the workplace, v) provide training for employees, vi) communicate with employees and related parties, vii) monitor progress of its environmental performance, and viii) provide annual performance reports to senior executives.

##### S: GOOD

Pruksa aims to develop and reinforce good culture and working atmosphere; including promoting teamwork. It has a policy for trade partners to avoid using forced labour.

##### G: EXCELLENT

The company prioritises and follows principles of good CG based on international standards, in compliance with the policies of the SET, and principles of the ASEAN Corporate Governance Scorecard. Pruksa established its "Principles of Good CG" to ensure the ethical conduct of its business. In 2016, the Board of Directors announced the implementation of its CG policy as a guideline for directors, executives, and employees at all levels.

Forecasts and Valuation	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Total turnover (THBm)	28,402	24,176	26,966	28,336	29,330
Recurring net profit (THBm)	2,763	1,491	2,475	2,676	2,762
Recurring net profit growth (%)	17.5	(46.1)	66.0	8.1	3.2
Recurring EPS (THB)	1.26	0.68	1.13	1.22	1.26
DPS (THB)	0.96	0.96	0.96	0.96	0.96
Recurring P/E (x)	9.82	18.20	10.97	10.14	9.83
P/B (x)	0.62	0.62	0.61	0.60	0.59
Dividend Yield (%)	7.7	7.7	7.8	7.7	7.7
Return on average equity (%)	6.4	5.0	5.6	6.0	6.1
Net debt to equity (%)	21.7	24.7	25.2	27.4	29.2

Source: Company data, RHB

## Financial Exhibits

Asia	Financial summary (THB)	Dec-22	Dec-23	Dec-24F	Dec-25F	Dec-26F
Thailand	Recurring EPS	1.26	0.68	1.13	1.22	1.26
Property	EPS	1.27	1.01	1.13	1.22	1.26
<b>Pruksa Holding</b>	DPS	0.96	0.96	0.96	0.96	0.96
PSH TB	BVPS	20.09	20.16	20.36	20.65	20.99
Sell	Return on average equity (%)	6.4	5.0	5.6	6.0	6.1
	Return on average assets (%)	3.9	3.2	3.6	3.8	3.7
<b>Valuation basis</b>						
P/E	<b>Valuation metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Recurring P/E (x)	9.82	18.20	10.97	10.14	9.83
	P/B (x)	0.6	0.6	0.6	0.6	0.6
	Dividend Yield (%)	7.7	7.7	7.8	7.7	7.7
	EV/EBITDA (x)	9.25	20.55	10.29	10.02	9.80
<b>Key drivers</b>						
i. Stronger economic growth;						
ii. Higher consumer confidence;						
iii. More relaxed lending measures by commercial banks.						
<b>Key risks</b>						
i. Stronger-than-expected presales for low-rise projects;						
ii. Better performance in liquidating high inventory of condominium units;						
iii. Stronger growth in the hospital business.						
<b>Company Profile</b>						
Pruksa is a holding company that invests in Pruksa Real Estate, which operates a property development business as a core company.						
	<b>Income statement (THBm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total turnover	28,402	24,176	26,966	28,336	29,330
	Gross profit	8,939	7,223	8,588	9,030	9,401
	EBITDA	4,175	1,954	3,955	4,212	4,440
	Depreciation and amortisation	(413)	(342)	(490)	(538)	(592)
	Operating profit	3,762	1,612	3,466	3,674	3,848
	Net interest	(427)	(670)	(362)	(315)	(405)
	Pre-tax profit	3,603	2,910	3,263	3,519	3,632
	Taxation	(768)	(570)	(650)	(701)	(723)
	Reported net profit	2,772	2,205	2,475	2,676	2,762
	Recurring net profit	2,763	1,491	2,475	2,676	2,762
	<b>Cash flow (THBm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Change in working capital	8,628	5,322	494	(1,711)	(1,331)
	Cash flow from operations	11,877	7,099	3,523	1,572	2,095
	Capex	(1,997)	2,297	(2,000)	(1,800)	(1,800)
	Cash flow from investing activities	(4,759)	(6,594)	(1,971)	(947)	(1,314)
	Dividends paid	(2,101)	(2,101)	(2,101)	(2,103)	(2,100)
	Cash flow from financing activities	(6,588)	(413)	(2,210)	(415)	(893)
	Cash at beginning of period	3,348	3,877	3,970	3,312	3,522
	Net change in cash	529	92	(657)	211	(112)
	Ending balance cash	3,877	3,970	3,313	3,523	3,411
	<b>Balance sheet (THBm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total cash and equivalents	3,877	3,970	3,312	3,522	3,410
	Tangible fixed assets	8,007	5,889	7,399	8,661	9,868
	Intangible assets	732	725	(361)	(394)	(428)
	Total other assets	5,803	15,016	15,867	15,047	14,595
	Total assets	68,656	68,548	69,827	72,566	74,797
	Short-term debt	2,753	10,494	7,494	8,494	8,494
	Total long-term debt	11,002	4,780	7,500	8,000	9,000
	Total liabilities	23,078	22,713	23,383	25,292	26,583
	Shareholders' equity	43,971	44,119	44,556	45,197	45,930
	Minority interests	1,607	1,716	1,888	2,076	2,284
	Total equity	45,578	45,835	46,444	47,274	48,215
	Total liabilities & equity	68,656	68,548	69,827	72,566	74,797
	<b>Key metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24F</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Revenue growth (%)	0.3	(14.9)	11.5	5.1	3.5
	Recurring net profit growth (%)	17.5	(46.1)	66.0	8.1	3.2
	Recurrent EPS growth (%)	17.5	(46.1)	66.0	8.1	3.2
	Gross margin (%)	31.5	29.9	31.8	31.9	32.1
	Recurring net profit margin (%)	9.7	6.2	9.2	9.4	9.4
	Dividend payout ratio (%)	75.8	95.3	85.0	78.5	76.0

Source: Company data, RHB

Figure 1: 4Q23 net profit results were disappointing on lower-than-expected GPM – it also marked FY23’s lowest quarter due to YoY slower core revenue, GPM downtrends, and a surge in finance costs

FYE Dec (THBm)	4Q22	1Q23	2Q23	3Q23	4Q23	QoQ (%)	YoY (%)	2022	2023	YoY (%)
Total turnover	10,415	6,442	6,090	5,779	5,865	1.5	(43.7)	28,402	24,176	(14.9)
Gross profit	3,447	2,111	1,850	1,696	1,566	(7.7)	(54.6)	8,939	7,223	(19.2)
Gross profit margin (%)	33.1	32.8	30.4	29.4	26.7			31.5	29.9	
EBITDA	1,787	1,082	895	739	408	(44.8)	(77.2)	4,501	3,124	(30.6)
EBITDA margin (%)	17.2	16.8	14.7	12.8	7.0			15.8	12.9	
EBIT	1,657	940	814	622	304	(51.1)	(81.7)	3,989	2,679	(32.8)
EBIT margin (%)	15.9	14.6	13.4	10.8	5.2			14.0	11.1	
Interest expense	(112)	(113)	(176)	(189)	(192)	1.5	71.8	(427)	(670)	57.1
Pre-tax profit	1,546	827	638	432	112	(74.2)	(92.8)	3,562	2,009	(43.6)
Pre-tax profit margin (%)	14.8	12.8	10.5	7.5	1.9			12.5	8.3	
Tax	(345)	(189)	(239)	(101)	(41)	(59.3)	(88.1)	(768)	(570)	(25.8)
Net profit	1,171	652	1,038	392	123	(68.5)	(89.5)	2,772	2,205	(20.5)

Source: Company data, RHB

Figure 2: FY24 business targets for the residential project sales business



Source: Company data

Figure 3: FY24 business targets for the healthcare business



Source: Company data

## Emissions And ESG

### Trend analysis

Data released was only for greenhouse gas (GHG) emissions within the company's two precast factories in Lam Luk Ka and Nava Nakorn. Both factories are under an improvement process with regards to PSH's GHG emissions reduction plan.

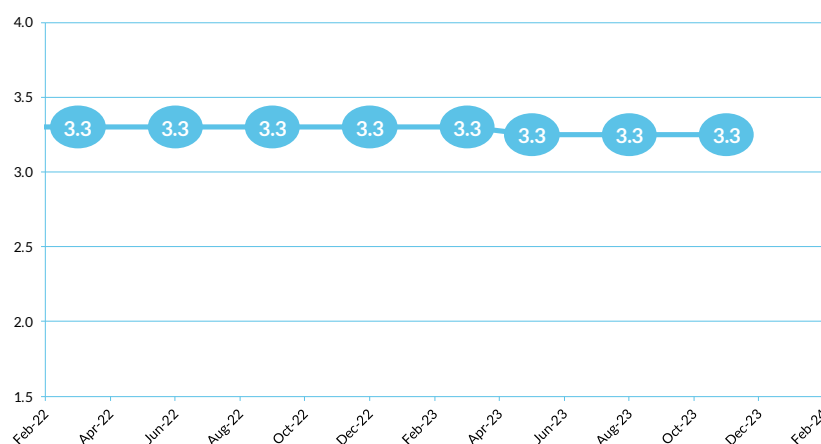
Emissions (tCO2e)	Dec-21	Dec-22	Dec-23
Scope 1	153	124	na
Scope 2	2,713	3,235	na
Scope 3	3,567	5,431	na
Total emissions	6,433	8,790	na

Source: Company data, RHB

## Latest ESG-Related Developments

- The company received awards from international organisers ensuring its performance such as 3G Excellence in Sustainable Development Award 2022 and 3G CSR Leadership Award 2022.
- PSH also received awards from local organisers, such as The National Anti-Corruption Commission's 10th Integrity Awards, Thailand Top Company Awards, BCI Asia Top 10 Developers Awards, and The Finalist from Best Brand Performance On Social Media.
- The company is still proceeding with building sustainability, focused on social and environmental matters. PSH is aiming for a 30% reduction in GHG emissions by FY30 and carbon neutrality by FY50. It has also initiated projects to reduce GHG emissions, and fuel and electrical power consumption, eg solar roofing, passive home designs, Smart Home technologies, house construction using low-carbon precast materials, Smart Offices, and Smart Hospitals.

## ESG Rating History



Source: RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-02-12	Sell	10.0	12.2
2023-11-23	Sell	10.6	12.3
2023-05-17	Sell	11.7	12.4
2023-02-21	Sell	11.5	13.7
2022-02-24	Sell	10.4	14.3
2021-12-09	Sell	10.4	13.1
2021-02-22	Sell	10.2	12.6
2020-06-19	Sell	10.5	12.4
2020-02-24	Sell	13.0	14.7
2019-11-18	Sell	13.5	15.4
2019-09-10	Neutral	20.5	19.2
2019-02-26	Sell	16.8	19.0
2019-02-01	Sell	15.9	18.1
2018-08-14	Sell	na	21.5
2018-08-13	Sell	18.0	21.4

Source: RHB, Bloomberg



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<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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<b>Not Rated:</b>	Stock is not within regular research coverage

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