

## Buy

Share price: Bt7.05  
 Target price: Bt8.30

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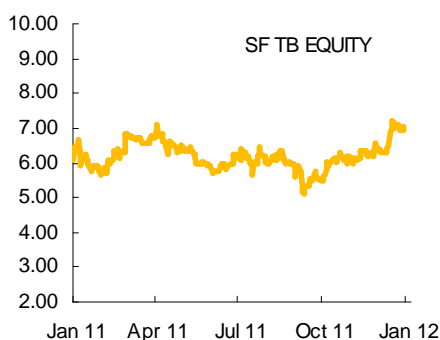
### Stock Information

**Description:** The Company is a shopping center development and management.

**Ticker:** SF  
 Shares Issued (mn): 1,037.86  
 Market Cap (Btmn): 7,316.93  
 3-mth Avg. Daily Volume (mn): 15.78  
 SET Index: 1,062.55  
 Free float (%): 40.37

**Major Shareholders:** %  
 Major Cineplex Group Plc. 22.85  
 Chulangkul Family 13.01

### Historical Chart



### IMPORTANT NOTICE

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# Siam Future Development (SF)

## Mega growth from Mega Bangna

**Investment Thesis.** We are re-initiating coverage of SF with a BUY call and our fair value of Bt8.30. SF enjoys recurring income from existing high occupancy projects and rising annual rental rates. New projects, especially Mega Bangna, open in May, will enhance growth in 2012. The 3-year CAGR is expected at 68% during 2010-2013.

**Mega Bangna to drive growth.** The Mega Bangna project opening in May has a large lease area of 140,000 sqm with 95% expected occupancy. We see this project contributing revenues of Bt1.004bn this year and Bt1.541bn in 2013. SF, with a 49% stake, will realise Bt84mn and Bt151mn in 2012 and 2013, respectively. We should also see a significant earnings increase based on the large gains from the fair value adjustment for investment property of Mega Bangna booked in late 1Q12 to early 2Q12.

**Weaker earnings in 4Q11.** The 4Q11 net profit is forecast to slip 88% yoy and 89% qoq to Bt25mn with no finance lease income or gains from the Suzuki Avenue sale to the MJLF. With the flood impact, SF did reduce rates for some tenants, while five projects, 36% of leasable areas, were temporarily closed. The 2011 norm earnings are projected to surge 106% to Bt182mn (Bt0.18/share), however.

**Expect 67% growth.** SF has recurring income from 30 existing projects with occupancy above 95% and an annual rate hikes by 5%. The rentals are estimated to rise 11% to Bt1,371mn this year, supported by the current projects and the full-year contribution from Nawamin Festival Walk. SF will add three new projects in 2012-2013 with a lease area of 30,000 sqm. We estimate finance lease income at Bt250mn a year. The norm profit is forecast to grow 67% to Bt304mn (Bt0.29/share) this year, with continuing growth of 38% to Bt418mn (Bt0.40/share) in 2013. The financial status remains solid with an expected net debt-to-equity of 0.6x.

**A Buy with a FV Bt8.30.** We expect a 3-year CAGR of 68% during 2010-2013. SF has growth potential driven by new projects and expansion of current projects coupled with property management services in the future. BUY with a fair value of Bt8.30 derived from a PER of 28.4x, a 10% discount from the PER of peer CPN.

### SF – Summary Earnings Table

FYE: Dec 31 (Btmn)	2009	2010	2011F	2012F	2013F
Revenue	1,411	1,980	1,353	1,621	1,820
EBITDA	675	1,101	605	776	851
Recurring Net Profit	115	88	182	304	418
Recurring Basic EPS (Bt)	0.11	0.09	0.18	0.29	0.40
EPS growth (%)	(74.6)	(23.8)	105.0	67.1	37.8
DPS (Bt)	0.12	0.15	0.16	0.17	0.18
PER	62.9	82.6	40.3	24.1	17.5
EV/EBITDA (x)	14.8	8.3	16.7	13.1	12.1
Div Yield (%)	1.7	2.1	2.3	2.4	2.6
P/BV(x)	2.8	2.0	1.9	1.8	1.7
Net Gearing (%)	1.1	0.5	0.6	0.6	0.6
ROE (%)	7.2	14.3	10.6	6.4	8.4
ROA (%)	2.3	5.4	4.5	2.7	3.6

Note : FY2010 and 2011 based on Thai Accounting Standard (TAS 40). Source: Company reports and KELIVE Research estimates.

### Major improvements from Mega Bangna project

The main growth driver this year will be the Mega Bangna project with 180,000 sqm of leasable area. The project is divided into two main zones; IKEA with 40,000 sqm opened on 3 November 2011 with around 20,000-35,000 customers/day. The retail zone is 140,000 sqm and will open on 5 May 2012 consisting of 60% major anchor tenants and 40% retail tenants. The anchor clients are Major Cineplex, Big C, Robinson, Homepro, Tops Market, B2S, IT City, Office Depot, Power Buy, Supersports, Fitness First, Toys R Us and Chic Republic.

The Mega Bangna project (excluding IKEA) is under SF Development Company Limited (SFD), a joint venture between SF with a 49% stake, IKANO Pte. (owned by the founder of IKEA) with 49% and S.P.S Global Trade Co., Ltd. (supplier to IKEA) with 2%. The contributions from Mega Bangna will be realised as equity gains of 49%.

Currently, the 92% of the space is already leased. The occupancy rate is expected to increase to 95% after the 5 May opening with 100,000 customers/day estimated. Rentals will rise by 5% per year. We expect no further finance lease income from Mega Bangna (excluding IKEA) as the long-term contract will be recognized on a monthly basis, as in a short-term contract. We expect the Mega Bangna project will generate revenues of Bt1.004bn in 2012 and Bt1.541bn in 2013 with an estimated Bt84mn profit gain from SFD in 2012 and Bt151mn in 2013.

Based on the Thai Accounting Standard No. 40 (TAS 40) "Investment property" using fair value instead of cost method, SF is expected to book the large gains from the appraised fair value of the investment property in late 1Q12 to early 2Q12. This will result in significant growth of the bottom line.

**Chart 1 : Mega Bangna Project**



Source: Company reports.

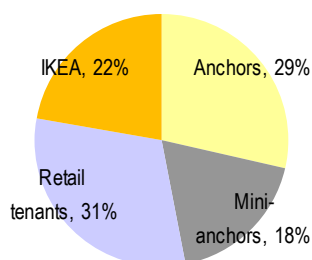
**Chart 3 : Tenant mix at Mega Bangna project**

**Chart 2 : Example of floor plan**

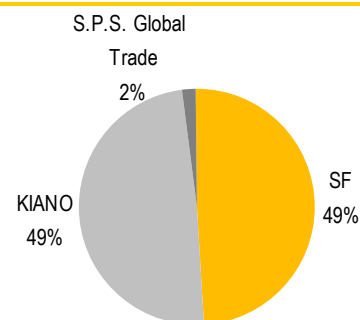


Source: Company reports.

**Chart 4 : Shareholding structure of SFD**



Source: Company reports.



Source: Company reports.

### Weak 4Q11 earnings hurt by floods and lack of new launches

We project the SF 4Q11 net profit will slump by 88% yoy and 89% qoq to Bt25mn with no extra gains, such as, financial leases and equity gains from SFD (IKEA financial lease) in 3Q11, as well as profits from the sale of 11,109 sqm at Suzuki Avenue (total 15,013sqm.) to the MJLF fund in 4Q10. Moreover the floods hurt SF rental revenues with lower rental rates on some projects, coupled the revenue loss on five closed projects, Cheang Wattana, Phetkasem, Nawamin City Avenue, Marketplace Nawamin and Marketplace Bangbon with a total area of 84,083 sqm or 36% of all SF lease areas. However, no building or commercial area received much physical impact as there was only some damage to parking lots. All projects have resumed operations.

For 2011, we project the net profit to drop 9% to Bt472mn due to the high base in 2010 from the Suzuki Avenue revenue before the sale to MJLF on 29 December 2010 (10% of total 2010 revenue). However, the normalised profit (excluding gains from the Suzuki Avenue sale and the fair value adjustment for investment property) is expected to rise by 106% to Bt182mn (Bt0.18/share). This growth is supported by the rising rental rates, the contract renewals with the Jusco supermarket at Marketplace Bangbon and the new project launch of the Nawamin Festival Walk in September 2011 (7,675 sqm).

**Table 1 : SF 4Q11 preview**

(Btmn)	4Q11F	3Q11	QoQ	4Q10	YoY	2011F	2010	YoY
Sales	313	341	(8%)	1,029	(70%)	1,353	1,980	(32%)
Rental and service income	313	310	1%	345	(9%)	1,238	1,296	(4%)
Finance leases	-	32	N.A.	684	N.A.	115	684	(83%)
Other income	21	15	38%	24	(13%)	80	75	7%
COGS	203	139	46%	400	(49%)	631	785	(20%)
Gross margin (%)	35.2%	59.4%	N.A.	61.1%	N.A.	53.4%	60.4%	N.A.
SG&A	92	41	125%	81	14%	221	192	15%
Interest expenses	34	27	26%	31	8%	113	150	(25%)
Normalised profit	25	43	(42%)	23	7%	182	88	106%
Net profit	25	226	(89%)	201	(88%)	472	518	(9%)
EPS (Bt)	0.03	0.22	(87%)	0.20	(85%)	0.46	0.50	(9%)

Source : Company reports and KELIVE Research estimates.

### Solid growth driven by new and existing projects

SF has recurring income from 30 existing projects with a total lease area of 231,795 sqm with over 95% occupancy. The rental rate increases at around 5% per year by contract. In 2012, we estimate the rental income will surge by 11% to Bt1,371mn, driven by both existing projects and a full-year revenue recognized from the Nawamin Festival Walk.

SF plans to open three new projects in late 2012 and 2013 with a total area of 30,000 sqm. One project of 15,000 sqm will be launched in 4Q12 with an estimated total 'finance leases' of Bt250mn. Another project of 15,000 sqm will be introduced in 3Q13 with Bt250mn in estimated finance leases.

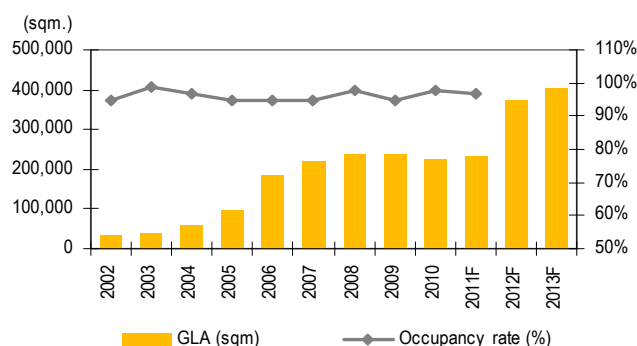
The main profit drivers are not just the new and existing projects, but also include equity from the Mega Bangna project, which should be recognized from 2Q12 onward. We foresee the 2012 profit growing 67% to Bt304mn (Bt0.29/share) with a 38% increase to Bt418mn (Bt0.40/share) in 2013.

**Table 2 : SF shopping centers**

	2010		2011		2012F	
	No. of centers	GLA (sqm)	No. of centers	GLA (sqm)	No. of centers	GLA (sqm)
Neighborhood centers	8	39,807	8	39,807	8	39,807
Convenience centers	4	2,943	4	2,943	4	2,943
Automotive service centers	7	2,588	7	2,588	7	2,588
Lifestyle centers	6	68,324	7	75,999	7	75,999
Power centers	3	67,217	3	67,217	3	67,217
Entertainment centers	1	43,241	1	43,241	1	43,241
Mega Bangna					1	140,000
<b>Total</b>	<b>29</b>	<b>224,120</b>	<b>30</b>	<b>231,795</b>	<b>31</b>	<b>371,795</b>

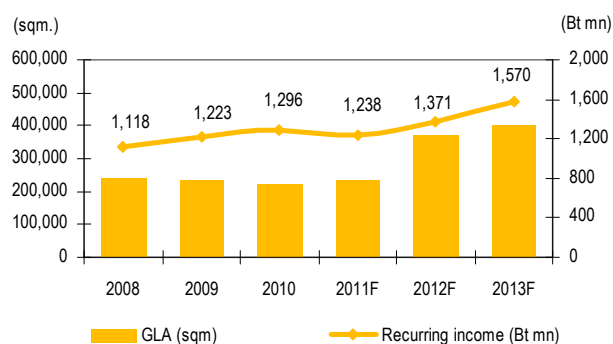
Source : Company reports and KELIVE Research estimates.

**Chart 5 : Gross lease area (GLA) and occupancy**



Source: Company reports and KELIVE Research estimates.

**Chart 6 : Gross lease area (GLA) and rental income**



Source: Company reports and KELIVE Research estimates.

### MBKET fair value of Bt8.30

We value SF by comparison with another similar operator, CPN, with major revenue from rentals in shopping centers. CPN has a larger base in terms of assets, revenues, profits and market cap. However, SF is expected to show a higher growth rate. During 2010-2013, the 3-year CAGR is projected at 68%, compared to 29% for CPN. Based on a 10% discount from 31.5x PER of CPN, we apply a PER of 28.4x to SF and derive a fair value estimate of Bt8.30.

**INCOME STATEMENT (Btmn)**

FY December	2010	2011F	2012F	2013F
Revenue	1,980	1,353	1,621	1,820
EBITDA	1,101	605	776	851
Depreciation & Amortisation	24	23	323	344
<b>Operating Profit (EBIT)</b>	<b>1,077</b>	<b>581</b>	<b>453</b>	<b>507</b>
Interest (Exp) / Inc	150	113	117	121
Associates	0	30	84	151
One-offs	430	291	0	0
<b>Pre-Tax Profit</b>	<b>927</b>	<b>468</b>	<b>336</b>	<b>386</b>
Tax	291	281	77	77
Minority Interest	202	36	39	42
<b>Net Profit</b>	<b>518</b>	<b>472</b>	<b>304</b>	<b>418</b>
<b>Recurring Net Profit</b>	<b>88</b>	<b>182</b>	<b>304</b>	<b>418</b>
Revenue Growth %	40.4	(31.7)	19.8	12.3
EBITDA Growth (%)	63.1	(45.1)	28.4	9.6
EBIT Growth (%)	162.1	(46.0)	(22.1)	12.0
Net Profit Growth (%)	182.9	(8.8)	(35.7)	37.8
Recurring Net Profit Growth (%)	(23.5)	106.3	67.3	37.8
Tax Rate %	31.4	30.0	23.0	20.0

**BALANCE SHEET (Btmn)**

FY December	2010	2011F	2012F	2013F
Fixed Assets	6,944	7,621	8,157	8,214
Other LT Assets	2,524	2,554	2,638	2,789
Cash/ST Investments	365	99	77	88
Other Current Assets	652	463	548	616
<b>Total Assets</b>	<b>10,485</b>	<b>10,737</b>	<b>11,420</b>	<b>11,706</b>
ST Debt	287	362	374	389
Other Current Liabilities	494	555	565	648
LT Debt	1,985	2,503	2,587	2,688
Other LT Liabilities	3,449	2,667	3,058	2,862
Minority Interest	704	741	779	821
Shareholders' Equity	3,565	3,910	4,056	4,298
<b>Total Liabilities-Capital</b>	<b>10,485</b>	<b>10,737</b>	<b>11,420</b>	<b>11,706</b>
Share Capital (mn)	1,030	1,036	1,038	1,038
Gross Debt / (Cash)	2,272	2,865	2,962	3,077
Net Debt / (Cash)	1,907	2,766	2,885	2,989
Working Capital	166	(72)	(3)	(15)

**CASH FLOW (Btmn)**

FY December	2010	2011F	2012F	2013F
Profit before taxation	927	468	336	386
Depreciation	24	23	323	344
Net interest receipts / (payments)	150	113	117	121
Working capital change	(238)	239	(69)	12
Cash tax paid	(291)	(281)	(77)	(77)
Others (exceptional items)	(352)	(149)	(156)	(162)
<b>Cash flow from operations</b>	<b>220</b>	<b>413</b>	<b>474</b>	<b>624</b>
Capex	(1,812)	(700)	(860)	(400)
Disposals / (purchases)	0	0	0	0
Others	169	310	0	0
<b>Cash flow from investing</b>	<b>(1,643)</b>	<b>(390)</b>	<b>(860)</b>	<b>(400)</b>
Debt raised / (repaid)	1,714	(525)	408	(204)
Equity raised / (repaid)	405	63	46	42
Dividends (paid)	(123)	(155)	(165)	(176)
Interest payments	150	113	117	121
Others	(150)	(113)	(117)	(121)
<b>Cash flow from financing</b>	<b>1,997</b>	<b>(616)</b>	<b>289</b>	<b>(338)</b>
Change in cash	573	(592)	(97)	(115)

**RATES & RATIOS**

FY December	2010	2011F	2012F	2013F
EBITDA Margin %	53.6	42.2	45.5	44.5
Op. Profit Margin %	52.4	40.6	26.5	26.5
Net Profit Margin %	25.2	33.0	17.8	21.9
ROE %	14.3	10.6	6.4	8.4
ROA %	5.4	4.5	2.7	3.6
Net Margin Ex. EI %	21.1	12.7	17.8	21.9
Dividend Cover (x)	3.3	2.9	1.7	2.2
Interest Cover (x)	7.2	5.1	3.9	4.2
Asset Turnover (x)	0.2	0.1	0.1	0.2
Asset / Debt (x)	1.7	1.8	1.7	1.8
Debtors Turn (days)	17.4	22.0	18.0	18.0
Creditors Turn (days)	3.2	4.0	4.0	4.0
Inventory Turn (days)	0.0	0.0	0.0	0.0
Net Gearing %	0.5	0.6	0.6	0.6
Debt / EBITDA (x)	5.6	10.1	8.5	7.7
Debt / Market Cap (x)	0.9	0.8	0.9	0.9

Note : FY 2010 and 2011 are based on Thai Accounting Standard (TAS 40), Investment Property. Source: Company reports and KELIVE Research

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## Definition of Ratings

Kim Eng Research uses the following rating system:

<b>BUY</b>	Total return is expected to be above 15% in the next 12 months
<b>HOLD</b>	Total return is expected to be between -15% to +15% in the next 12 months
<b>SELL</b>	Total return is expected to be below -15% in the next 12 months

## Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

## Some common terms abbreviated in this report (where they appear):

Adex = Advertising Expenditure	FCF = Free Cashflow	PE = Price Earnings
BV = Book Value	FV = Fair Value	PEG = PE Ratio To Growth
CAGR = Compounded Annual Growth Rate	FY = Financial Year	PER = PE Ratio
Capex = Capital Expenditure	FYE = Financial Year End	QoQ = Quarter-On-Quarter
CY = Calendar Year	MoM = Month-On-Month	ROA = Return On Asset
DCF = Discounted Cashflow	NAV = Net Asset Value	ROE = Return On Equity
DPS = Dividend Per Share	NTA = Net Tangible Asset	ROSF = Return On Shareholders' Funds
EBIT = Earnings Before Interest And Tax	P = Price	WACC = Weighted Average Cost Of Capital
EBITDA = EBIT, Depreciation And Amortisation	P.A. = Per Annum	YoY = Year-On-Year
EPS = Earnings Per Share	PAT = Profit After Tax	YTD = Year-To-Date
EV = Enterprise Value	PBT = Profit Before Tax	

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## APPENDIX I

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**THAI INSTITUTE OF DIRECTORS ASSOCIATION (IOD) CORPORATE GOVERNANCE REPORT RATING 2011**

						Score Range	Number of Logo	Description	
▲▲▲▲▲	ADVANC	BMCL	ICC	PS	ROBINS	THRE	90-100	▲▲▲▲▲	Excellent
	AOT	CNP	IRPC	PSL	RS	TIP	80-89	▲▲▲▲▲	Very Good
	BAFS	CSL	KBANK	PTT	SAT	TIPCO	70-79	▲▲▲▲▲	Good
	BANPU	EASTW	KK	PTTAR ***	SC	TISCO	60-69	▲▲▲▲▲	Satisfactory
	BAY	EGCO	KTB	PTTCH ***	SCB	TKT	50-59	▲▲▲▲▲	Pass
	BBL	ERW	LPN	PTTEP	SCC	TMB	Lower than 50	▲▲▲▲▲	N/A
	BCP	GRAMMY	MCOT	QH	SE-ED	TOP	*** PTTAR and PTTCH are now PTTGC		
	BKI	HEMRAJ	NMG	RATCH	SIS		No logo given		
▲▲▲▲▲	ACAP	BWG	GC	LANNA	NINE	S&P	SPPT	THCOM	TSTH
	AF	CENDEL	GFPT	LH	NKI	SABINA	SSF	THIP	TTA
	AMANAH	CGS	GLOW	LOXLEY	NOBLE	SAMCO	SSSC	TIC	TTW
	AMATA	CIMBT	HANA	LRH	OCC	SCCC	STA	TK	TUF
	AP	CK	HMPRO	LST	OGC	SCG	STANLY	TMT	TVO
	ASIMAR	CM	HTC	MA CO	OISHI	SCSMG	STEC	TNITY	TYM
	ASP	CPALL	IFEC	MAJOR	PB	SEAFCO	SUSCO	TNL	UAC
	AYUD	CPF	INET	MAKRO	PG	SPF	SVI	TOG	UMI
	BEC	CSC	INTUCH	MBK	PHATRA	SICCO *	SYMC	TPC	UP
	BECL	DELTA	IVL	MFC	PM	SINGER	SYNTEC	TRC	UPOIC
	BFIT	DEMCO	JAS	MFEC	PR	SIRI	TASCO	TRT	UV
	BH	DRT	KCE	MILL	PRANDA	SITHAI	TCAP	TRU	VNT
	BIGC	DTAC	KEST **	MINT	PRG	SMT	TFD	TRUE	WACOAL
	BJC	DTC	KGI	MK	PT	SNC	TFI	TSC	WAVE
	BLA	ECL	KSL	MTI	PYLON	SPALI	THAI	TS TE	ZMICO
	BROOK	FORTH	KWC	NBC	S&J	SPI			
	BTS	GBX	L&E	NCH	** KEST is now MBKET, * SICCO has been delisted				
▲▲▲▲▲	2S	BOL	DCC	IRC	MBAX	PHOL	SENA	TCP	TR
	A	BROCK	DRACO	IRCP	M-CHAI	PICO	SHANG	TEAM	TTCL
	AEONTS	BSBM	EASON	IT	MCS	PL	SIAM	TF	TTI
	AFC	BTNC	EIC	ITD	MDX	POST	SIMAT	TGCI	TWFP
	AGE	CCET	ESSO	JTS	MJD	PPM	SKR	THANA	TWZ
	AH	CFRESH	FE	JUTHA	MOONG	PREB	SMIT	THANI	TYCN
	AHC	CHARAN	FOCUS	KASET	MPIC	PRECHA	SMK	TICON	UBIS
	AI	CI	FSS	KDH	MSC	PRIN	SMM	TIW	UEC
	AIT	CITY	GENCO	KH	NC	PTL	SPC	TKS	UOBKH
	AJ	CMO	GFM	KKC	NEP	Q-CON	SPG	TLUXE	UPF
	AKR	CMR	GL	KMC	NNCL	QLT	SST	TMD	US
	APRINT	CNS	GLAND	KTC	NSI	RASA	STAR	TNH	UT
	APURE	CNT	GOLD	KWH	NTV	RCI	SUC	TNPC	UVAN
	AS	CPI	GUNKUL	KYE	NWR	RCL	SVOA	TOPP	VARO
	ASK	CPL	GYT	LALIN	OFM	ROJNA	SWC	TPA	VIBHA
	BAT-3K	CRANE	HFT	LEE	PAF	RPC	SYNEX	TPAC	VNG
	BGT	CSP	HTECH	LHK	PAP	SAUCE	TBSP	TPCORP	WG
	BLAND	CSR	IFS	MATCH	PATO	SCBLIF	TCB	TIPL	WORK
	BNC	CTW	ILINK	MATI	PDI	SCP	TCC	TPP	YUASA

Source: Thai Institute of Directors (IOD)

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