

**HOLD** (Unchanged) **TP: Bt7.00** (From Bt5.90)Change in Numbers **Downside: -2.78%**

## Siam Future Development (SF TB)

### Valuation just fair

**Mega Bangna's asset revaluation in 1Q-2Q12 will be a short-term share price catalyst but it won't change SF's valuation. Its current price already reflects profit sharing from Mega Bangna and the launch of new projects. Partnering with IKEA for its second and third stores is still very uncertain for SF. SF remains a HOLD and we prefer CPN.**

**SIRIPORN ARUNOTHAI**

662 – 617 4900

siriporn.aru@thanachartsec.co.th

Three new projects are in the price

SF will resume its expansion program with three new projects in 2013 after Mega Bangna opens on 5 May this year. One of these is a greenfield project with total leased space of 15,000 sqm. The other two are expansions of existing projects with expanded leased space of ~7,000 sqm each. Negotiations for all the projects are still under way with landlords and SF expects conclusions next quarter. Including these three projects in our model, our earnings forecasts are lifted by 3%, 12% and 12% in 2012-14 and our new DCF TP is upped to Bt7.00/share (after the ex-stock dividend our TP would be Bt6.20) from Bt5.90.

New IKEA stores still very uncertain for SF

Given its current partnership with the first IKEA store, SF expects to get one of two future stores. But this is far from a sure thing. First, IKEA is negotiating with other developers. Second, if IKEA goes ahead with its new stores quickly, we are uncertain if SF's balance sheet would be able to accommodate it. Although SF's net D/E ratio at only 0.5x implies room for more debt, hefty investment of about Bt2bn for SF's portion versus its equity base of Bt4.1bn means pure debt financing may be too risky. At the same time, SF's projects are all leasehold and thus not easy to structure for a property fund. Mega Bangna is freehold but it may need to operate for two to three years before being injected into a property fund.

Asset revaluation could be a S-T share catalyst

After adopting the TAS 40 accounting method, SF booked a gain from fair value adjustment on assets of Bt83m in 2010 and Bt115m in 2011. SF is reappraising Mega Bangna's value and plans to book a one-time gain in 1Q-2Q12. If the gain is a big one, this may be a short-term catalyst for SF's share price. The gain would add to net profit as a one-off item but SF's cash flow stream would be unchanged. Due to SF's accounting method of asset revaluations every quarter, net profits are volatile depending on the gains (losses). We thus believe that DCF is better than PE methodology to determine SF's intrinsic long-term fundamental value.

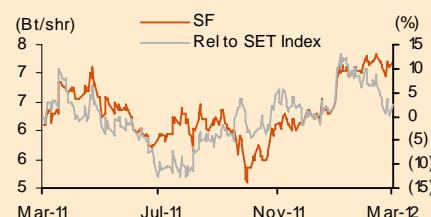
SF is a HOLD, prefer CPN

Central Pattana's (CPN) PE at 29.8x is high versus SF's 15.7x. But there are reasons to support this steep premium. First, CPN has a strong new project line-up with a total value of Bt34bn (53% of existing assets) in 2012-14. Second, CPN offers stronger earnings growth with a three-year EPS CAGR of 37% versus SF's 16%. Third, ~52% of CPN's revenue is generated from freehold assets while SF's projects are leasehold, except for Mega Bangna. As CPN is a Central Group company, financial barriers are far lower than SF's under its aggressive new growth phase.

#### COMPANY VALUATION

Y/E Dec (Bt m)	2011	2012F	2013F	2014F
Sales	1,368	1,465	1,618	1,671
Net profit	709	480	628	688
Consensus NP	—	810	1,425	—
Diff from cons (%)	—	(40.8)	(55.9)	—
Norm profit	439	480	628	688
Prev norm profit	—	468	562	615
Chg from prev (%)	—	2.6	11.8	11.9
Norm EPS (Bt)	0.4	0.5	0.6	0.7
Norm EPS gr (%)	(15.8)	8.8	30.9	9.6
Norm PE (x)	17.1	15.7	12.0	10.9
EV/EBITDA (x)	14.3	14.2	12.5	11.3
P/BV (x)	1.8	1.6	1.5	1.3
Div. yield (%)	0.2	1.9	2.5	2.7
ROE (%)	11.4	10.9	12.9	12.9
Net D/E (%)	46.2	55.3	48.1	36.2

#### PRICE PERFORMANCE



#### COMPANY INFORMATION

Price as of 5 Mar 12 (Bt)	7.20
Market cap (US\$ m)	244
Listed shares (m shares)	1,038
Free float (%)	41
Avg daily turnover (US\$ m)	0.62
12M price H/L (Bt)	7.5/5.0
Sector : (SET/Thanachart)	Property/ (Retail)
Major shareholder	Major Cineplex Group 22.9%

Sources: Bloomberg, Company data, Thanachart estimates

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**Ex 1: Changes In Key Assumptions And Earnings Revisions**


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	2012F	2013F	2014F
<b>New project launches</b>			
- New	-	3	-
- Old	-	-	-
- Change	-	3	-
<b>New leased space (sq m)</b>			
- New	-	30,000	-
- Old	-	-	-
- Change	-	30,000	-
<b>Normalized profit (Bt m)</b>			
- New	480	628	688
- Old	468	562	615
- Change (%)	2.6	11.8	11.9

Source: Thanachart estimates

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**Ex 2: New Launches**

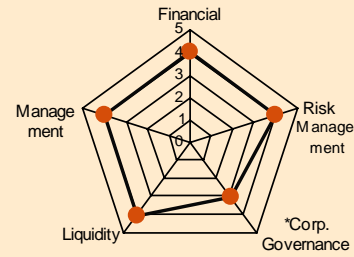

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	CPN			SF	
	Leasable area (sq m)	Timeframe		Leasable area (sq m)	Timeframe
Extension @ Udon Thani	17,700	2Q12F	Mega Bangna (SF's stake = 49%)	140,000	2Q12F
Inject the Offices @ CentralWorld into property fund	Size: Bt4bn-4.5bn	2Q12F	Bangkok vicinity	15,000	2013F
Surat Thani	31,600	Oct12F	Expansion	7,000	2013F
Lampang	25,000	Dec12F	Expansion	7,000	2013F
Ubon Ratchathani	25,000	1Q13F			
Had Yai	45,000	3Q13F			
Chiang Mai 2	46,500	4Q13F			
Upcountry	25,000	2014F			
Bangkok metropolis	50,000	2014F			
Bangkok metropolis	50,000	2015F			

Source: Company data

**COMPANY DESCRIPTION**

SF is an open-air shopping center developer and management service provider. It operates 30 shopping centers with total rental space of 231,795 sqm at end-2011 with properties such as Esplanade, J Avenue - Thonglor 15, Petchkasem Power Center, The Avenue Chaeng Watthana and The Avenue Pattaya, etc. Major Cineplex Group (MAJOR TB) and SF's management team hold 24% and 29% stakes. SF's direct rivals are in two groups. The first group comprises closed shopping center developers and the second open-air shopping center developers.

**COMPANY RATING****Rating Scale**

<b>Very Strong</b>	<b>5</b>
<b>Strong</b>	<b>4</b>
<b>Good</b>	<b>3</b>
<b>Fair</b>	<b>2</b>
<b>Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart

Source: Thanachart; \*CG Awards, no data on CG rating

**THANACHART'S SWOT ANALYSIS****S — Strength**

- One of the big open-air shopping center developers and management service providers.
- The major shareholder, the Poolwaraluck family, has many businesses under its umbrella, mostly entertainment complexes.

**W — Weakness**

- Highly capital-intensive business.
- Long payback period.

**O — Opportunity**

- Expanding in Bangkok and its vicinity.
- Changes in consumer lifestyles.

**T — Threat**

- Indirect competition from hypermarkets, especially upcountry.
- Risk of leasehold projects not being renewed.

**CONSENSUS COMPARISON**

	Consensus	Thanachart	Diff
Target price (Bt)	8.30	7.00	-16%
Net profit 12F (Bt m)	810	480	-41%
Net profit 13F (Bt m)	1,425	628	-56%
Consensus REC	<b>BUY: 2</b>	<b>HOLD: 2</b>	<b>SELL: 0</b>

**RISKS TO OUR INVESTMENT CASE**

- More or less new leaseable space.
- Economic growth.

**HOW ARE WE DIFFERENT FROM THE STREET?**

- We are less bullish on profit sharing from the Mega Bangna project.

Sources: Bloomberg consensus, Thanachart

Source: Thanachart

Income Statement						Quarterly Earnings					
(consolidated)						(consolidated)					
Yr-end Dec (Bt m)	2010	2011	2012F	2013F	2014F	4Q10	1Q11	2Q11	3Q11	4Q11	
Sales	2,027	1,368	1,465	1,618	1,671	Sales	1,041	408	324	353	283
Cost of sales	785	533	570	626	627	Cost of sales	400	164	126	139	105
<b>Gross profit</b>	<b>1,242</b>	<b>835</b>	<b>895</b>	<b>992</b>	<b>1,045</b>	<b>Gross profit</b>	<b>640</b>	<b>244</b>	<b>198</b>	<b>214</b>	<b>179</b>
SG&A	192	183	187	198	205	SG&A	74	46	41	41	55
<b>Operating profit</b>	<b>1,050</b>	<b>652</b>	<b>708</b>	<b>794</b>	<b>840</b>	<b>Operating profit</b>	<b>566</b>	<b>198</b>	<b>157</b>	<b>173</b>	<b>124</b>
Depre & amortization	0	17	18	20	20	Depre & amortization	5	4	4	4	0
<b>EBITDA</b>	<b>1,050</b>	<b>669</b>	<b>727</b>	<b>813</b>	<b>860</b>	<b>EBITDA</b>	<b>571</b>	<b>202</b>	<b>162</b>	<b>178</b>	<b>124</b>
Other income	111	170	29	33	34	Other income	(16)	12	31	162	(34)
Other expenses	0	0	0	0	0	Other expenses	0	0	0	0	0
Interest expense	150	106	101	116	115	Interest expense	31	27	26	27	27
Pre-tax profit	1,010	716	636	710	758	Pre-tax profit	519	183	162	309	62
Income tax	291	238	153	142	152	Income tax	156	52	57	100	28
After-tax profit	719	478	484	568	607	After-tax profit	363	131	105	208	34
Equity income	0	28	41	109	133	Equity income	0	0	17	24	(13)
Minority interests	(202)	(67)	(45)	(50)	(51)	Minority interests	(161)	(11)	(8)	(7)	(41)
Extraordinary items	0	270	0	0	0	Extraordinary items	0	0	0	0	270
<b>NET PROFIT</b>	<b>518</b>	<b>709</b>	<b>480</b>	<b>628</b>	<b>688</b>	<b>NET PROFIT</b>	<b>201</b>	<b>120</b>	<b>113</b>	<b>226</b>	<b>250</b>
<b>Normalized profit</b>	<b>518</b>	<b>439</b>	<b>480</b>	<b>628</b>	<b>688</b>	<b>Normalized profit</b>	<b>201</b>	<b>120</b>	<b>113</b>	<b>226</b>	<b>(20)</b>
EPS (Bt)	0.5	0.7	0.5	0.6	0.7	EPS (Bt)	0.2	0.1	0.1	0.2	0.2
Normalized EPS (Bt)	0.5	0.4	0.5	0.6	0.7	Normalized EPS (Bt)	0.2	0.1	0.1	0.2	(0.0)
Year End Shares (m)	1,030	1,045	1,045	1,045	1,045						

Balance Sheet						Financial Ratios And Valuations					
(consolidated)											
Yr-end Dec (Bt m)	2010	2011	2012F	2013F	2014F	2010	2011	2012F	2013F	2014F	
Cash & equivalent	55	87	60	60	60	Norm profit (y-y%)	182.9	(15.2)	9.3	30.9	9.6
A/C receivables	86	76	80	89	92	Norm EPS (y-y%)	147.6	(15.8)	8.8	30.9	9.6
Inventories	0	0	0	0	0	Net profit (y-y%)	182.9	37.0	(32.3)	30.9	9.6
Other current assets	876	249	338	359	367	EPS (y-y%)	147.6	36.1	(32.6)	30.9	9.6
Investment	1,459	1,487	1,487	1,487	1,487	Dividend payout (%)	29.9	2.0	30.0	30.0	30.0
Fixed assets	6,944	7,384	7,846	8,306	8,336	Gross margin (%)	61.3	61.1	61.1	61.3	62.5
Other assets	1,065	1,134	1,215	1,341	1,386	Operating margin (%)	51.8	47.6	48.3	49.1	50.3
<b>Total assets</b>	<b>10,485</b>	<b>10,418</b>	<b>11,026</b>	<b>11,643</b>	<b>11,727</b>	EBITDA margin (%)	51.8	48.9	49.6	50.3	51.5
S-T debt	364	303	487	470	390	Net margin (%)	35.5	34.9	33.0	35.1	36.3
A/C payables	6	8	8	9	9	ROA (%)	5.4	4.2	4.5	5.5	5.9
Other current liabilities	411	456	392	486	475	ROE (%)	16.7	11.4	10.9	12.9	12.9
L-T debt	2,583	2,422	2,346	2,261	1,876	Net D/E (x)	0.5	0.5	0.6	0.5	0.4
Other liabilities	1,189	1,115	1,194	1,318	1,362	Norm PE (x)	14.4	17.1	15.7	12.0	10.9
<b>Total liabilities</b>	<b>6,215</b>	<b>5,919</b>	<b>6,011</b>	<b>6,094</b>	<b>5,628</b>	Norm PE at TP (x)	14.0	16.6	15.2	11.6	10.6
Minority interest	704	350	395	445	496	PE (x)	14.4	10.6	15.7	12.0	10.9
<b>Shareholders' equity</b>	<b>3,565</b>	<b>4,148</b>	<b>4,620</b>	<b>5,104</b>	<b>5,604</b>	EV/EBITDA (x)	9.3	14.3	14.2	12.5	11.3
Working capital	80	68	72	80	83	P/BV (x)	2.1	1.8	1.6	1.5	1.3
Total debt	2,947	2,724	2,833	2,731	2,265	Dividend yield (%)	2.1	0.2	1.9	2.5	2.7
Net debt	2,892	2,637	2,773	2,671	2,205	DPS (Bt)	0.1	0.0	0.1	0.2	0.2
						BV/share (Bt)	3.4	4.0	4.4	4.9	5.4

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**Thanachart Securities Pcl.**  
**Research Team**  
28 Floor, Siam Tower Unit A1  
989 Rama 1, Pathumwan Road, Bangkok 10330  
Tel: 662 617-4900

**Pimpaka Nichgaroon, CFA**  
Head of Research  
Economics & Strategy  
pimpaka.nic@thanachartsec.co.th

**Sarachada Sornsong**  
Banks, Telecom  
sarachada.sor@thanachartsec.co.th

**Phannarai Tiyapittayarut**  
Property, Retail  
phannarai.von@thanachartsec.co.th

**Youssef Abboud**  
Cement, Energy, Shipping  
youssef.abb@thanachartsec.co.th

**Supanna Suwankird**  
Energy, Utilities  
supanna.suw@thanachartsec.co.th

**Saksid Phadthananarak**  
Construction, Transportation  
saksid.pha@thanachartsec.co.th

**Aungkana Tatiyakavee, CFA**  
Auto, Electronics, Food  
aungkana.tun@thanachartsec.co.th

**Kalvalee Thongsomaung**  
Assistant Analyst, Media  
kalvalee.tho@thanachartsec.co.th

**Siriporn Arunothai**  
Ad Hoc Research, Healthcare  
siriporn.aru@thanachartsec.co.th

**Noppadol Priyawut**  
Senior Technical Analyst  
noppadol.pri@thanachartsec.co.th