

25 September 2014

Siam Future Development - SF

Extending market presence in upcountry markets



THAILAND | PROP | COMPANY UPDATE

BLOOMBERG SF TB | REUTERS SF.BK

- In an effort to propel long-term growth, SF laid up a 5-year strategy by opening at least two community malls per year in the upcountry. The upcoming Mega Rangsit looks likely to be opened in 2019 while Mega Bangyai has been facing a bump road.
- SF is mulling to either sell or lease the vacant land plot adjacent to Mega Bangna.
- We project pre-ex profit to grow at CAGR of 9.4% over the next five years. Including Mega Rangsit, pre-ex profit would increase at CAGR of 13.8%. We roll forward to FY15 valuation and our price target is Bt10.70 and thus weigh in a 'BUY' rating on SF stocks. Our price target has yet priced in Mega Rangsit, which would add up to Bt4.00.

SF aims to develop at least two community malls per year in the upcountry over the next five years. The size of the mall will be from 10,000 – 25,000 sq.m.

The upcoming Mega family at Rangsit and Bangyai has been underway. Land purchases for Mega Rangsit are nearly completed but Mega Bangyai would be cancelled if IKEA decides to move to other area instead due to too high offering land prices.

Furthermore, SF is mulling to either sell or lease the land plot (50-rai vacant land and 20-rai pathway) adjacent to Mega Bangna.

How we view this

The 5-year plan to expand the market presence into the upcountry will drive leasable area up at CAGR of 6.6% and pre-ex profit at CAGR of 9.4%. Adding Mega Rangsit that is scheduled to open in 2019, leasable area and pre-ex profit will grow at CAGR of 9.8% and 13.8%, respectively.

The following developments will be an upside to our valuation: (1) gains from selling land plot adjacent to Mega Bangna, estimating Bt1,600mn; (2) a projected 20% increase in shopper traffic following a sale or lease of that land plot; and (3) ample gains from selling land plot for building Mega Bangyai (near mass rapid transit station) if IKEA decides to move to other location.

Investment Action

Given stronger performance and new strategy to boost long-term growth, we weigh in a 'BUY' rating on SF with a price target rolled forward to FY15 valuation at Bt10.70 (Bt4.52 from SF and Bt6.18 from Mega Bangna). We have yet priced in Mega Rangsit, which would add Bt4.00 to our valuation.

Key Financial Summary

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Revenue (Btmn)	1,330	1,310	1,340	1,376	1,485
NPAT (Btmn)	709	1,401	512	717	805
NPAT, adj. (Btmn)	557	1,387	667	779	805
EPS (Bt)	0.69	1.20	0.39	0.48	0.54
EPS, adj. (Bt)	0.54	1.19	0.51	0.53	0.54
P/E (X),adj.	13.7	6.2	14.6	14.1	13.6
BVPS (Bt)	4.37	5.05	4.89	4.83	5.35
P/B (X)	1.7	1.5	1.5	1.5	1.4
DPS (Bt)	0.01	0.01	0.01	0.02	0.02
Div. Yield (%)	0.2%	0.2%	0.2%	0.2%	0.2%

Source: Bloomberg, PSR est.

**Multiples and yields are based on latest closing price

Rating: **Buy**
Unchanged

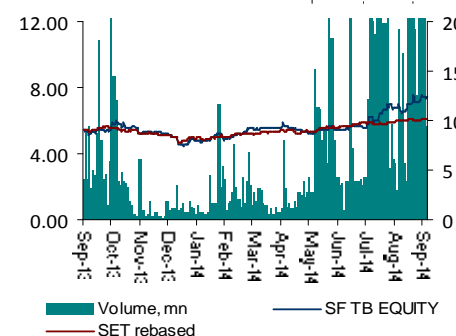
Target Price (Bt) **10.70**
Forecast Dividend (Bt) 0.02
Closing Price (Bt) 7.40
Potential Upside **44.8%**

Company Description

develop and manage open-air shopping center or community mall.

Company Data

Raw Beta (Past 2yrs weekly data) 1.22
Market Cap. (USDmn / Btmn) 340 / 10956
Ent. Value (USDmn / Btmn) 455 / 14689
3MAverage Daily T/O (mn) 13.1
Closing Px in 52 week range 4.44 - 7.95



Major Shareholders as of 3/4/14 (%)
1. MAJOR CINEPLEX GROUP 23.5
2. LUCKY SECURITIES, INC. 8.1
3. Nopporn Witoonchart 6.2

CG Report - 2013

(Good)

Valuation Method

DCF (WACC: 9.0%; terminal g: 4%)

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Assistant Analyst

Revamping strategies to spur growth

SF laid out its five-year strategy aiming to build a community-mall platform at least two locations per year in the upcountry, the vicinity for a start. The size of the community mall will be approximately 10,000-25,000 sq.m. and supermarket will be an anchor tenant. Investment budget is estimated Bt300mn-Bt400mn each. SF has been discussed lease terms with land owners and it expects to launch two projects by late 2015.

Mega Rangsit on track

The purchases of land plot for building Mega Rangsit are nearly completed. Although few land plots are still needed, the project schedule looks likely to be on track since the entrances/exits of the community mall already acquired. SF expects to begin soil covering by late 2016 and thereafter construction would take up around two years. We expect Mega Rangsit to be opened sometime in 2019, which would generate recurring profit approximately Bt100mn that year, based on SF shares holding of 49%.

Shopper traffic in Mega Bangna to ramp up

SF is mulling to sell or lease its vacant land plot adjacent to Mega Bangna. Either ways will benefit Mega Bangna in term of shopper traffic, which would increase to 30mn from 25mn per year, as SF should sell/lease that land plot to developers who will build an office building, or residential building, or hotel, or complex building, and this should increase ground traffic during the weekdays.

The said land plot comprises of 50-rai land and 20-rai pathway. If SF sells the whole 70-rai land plot, we expect the company to gain at least Bt1,600mn, based on the median price of Bt40mn-Bt50mn per rai and SF average cost of Bt17mn per rail.

Mega Bangyai project on bumpy road, decision is largely on IKEA

SF is still unable to acquire the land that will be plotted as the entrances/exit of the mall because of too high offered prices. IKEA as the anchor tenant is pondering whether to change location or give the bidding prices up. If IKEA decides not to invest in high land price, it is highly likely for SF to sell out the previously purchased land plots as well and we believe SF will enjoy the substantial gains as that land plots are only 500 meters away from the mass rapid transit station. SF invested up to Bt100mn for purchasing land plots.

Further development in existing projects

In addition to the opening of new malls, the major revamps of several existing malls have been underway.

1. All opened-air areas of its all existing malls will be air conditioning to make shoppers comfortable.
2. The new tenant "Premium Outlet" at The Avenue Pattaya will be opened in October.
3. Revenue recognition of LPN Rangsit looks likely to be delayed from 1QFY15 to sometime in 2016.

4. A replacement of California Wow, which was previously closed, at The Avenue Chaengwattana would be quite challenging as the lease will meet its term in five years. Certain areas will reach the due in February 2019 and the remaining area in December 2019. The contract renewal isn't likely, though.
5. For Mega Bangna, we foresee a continued improvement in earnings performance as evidenced by a notable increase in profit even in the low-season period in August, rising by two-folds from the shopping season in December 2013.

Pre-ex profit seen growth at CAGR of 9.4% in five years

Based on SF 5-year plan to expand its market presences into the upcountry by opening two malls per year, we expect leasable area to increase by 30,000 sq.m. per year, calculating to the growth at CAGR of 6.6% over the next five years. And thus pre-ex profit would grow at CAGR of 9.4% during the same period. In 2019, we project pre-ex profit at Bt1,146mn, assuming leasable area rising to 511,000 sq.m.

Including the estimated leasable area at Mega Rangsit of 140,000 sq.m., total leasable area will reach 651,000 sq.m. in 2019, growing at a 5-year CAGR of 9.8%, which would generate profit of Bt1,446mn, calculating to CAGR growth of 13.8%

'BUY' maintained

Given stronger performance and new strategy to boost long-term growth, we weigh in a 'BUY' rating on SF with a price target rolled forward to FY15 valuation at Bt10.70 (Bt4.52 from SF and Bt6.18 from Mega Bangna). We have yet priced in Mega Rangsit, which would add Bt4.00 to our valuation.

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Income Statement (Btmn)					
Revenue	1,330	1,310	1,340	1,376	1,485
EBITDA	631	431	580	594	629
Depreciation & Amortisation	17	14	11	11	10
EBIT	614	417	568	583	619
Net Finance (Expense)/Inc	(50)	(65)	(77)	(75)	(99)
Other items	0	0	0	0	0
Associates & JVs	28	1,081	292	403	420
Exceptional items	152	14	(155)	(62)	0
Profit Before Tax	564	352	491	508	520
Taxation	(32)	42	84	101	104
Profit After Tax	596	310	407	408	416
Non-controlling Interest	67	4	32	32	31
Net Income, reported	709	1,401	512	717	805
Net Income, adj.	557	1,387	667	779	805

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Per share data (Bt)					
EPS, reported	0.69	1.20	0.39	0.48	0.54
EPS, adj.	0.54	1.19	0.51	0.53	0.54
DPS	0.01	0.01	0.01	0.02	0.02
BVPS	4.37	5.05	4.89	4.83	5.35

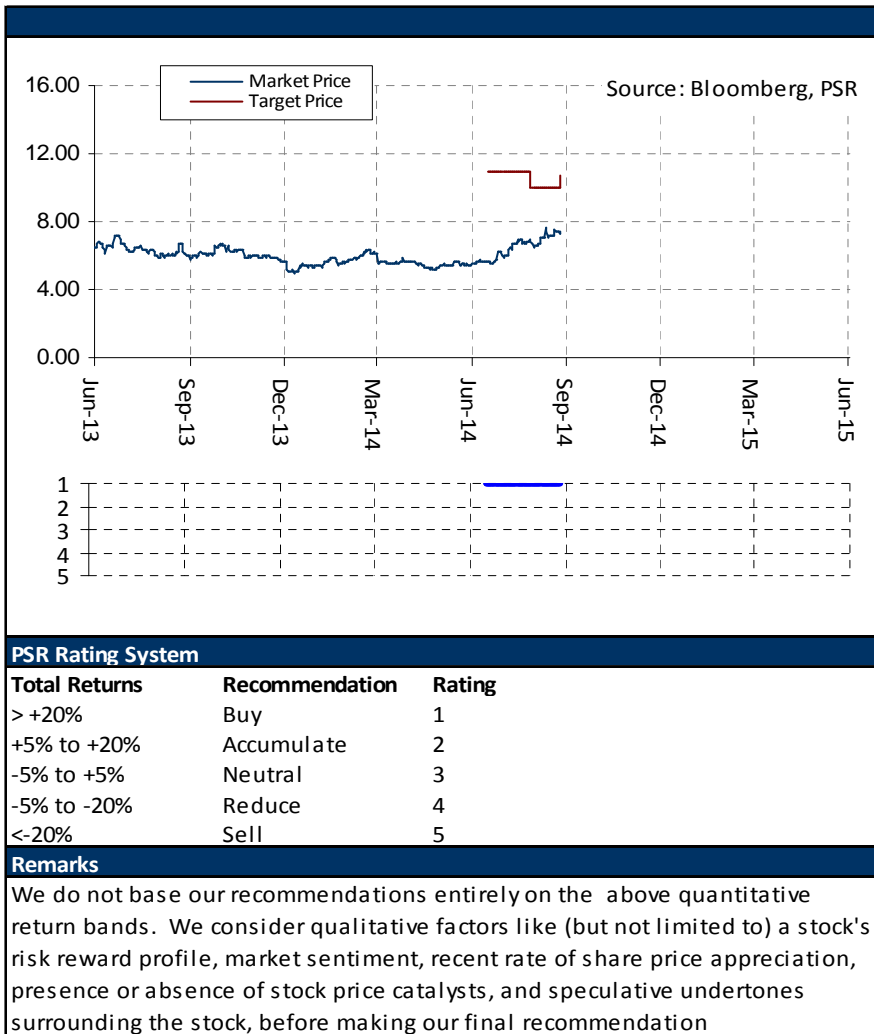
FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Cashflow Statements (Btmn)					
CFO					
PBT	744	1,447	628	834	909
Adjustments	(146)	(956)	(162)	(377)	(460)
WC changes	(10)	(191)	(259)	(14)	15
Cash generated from ops	588	300	207	443	463
Others	(124)	(128)	(53)	(111)	(131)
Cashflow from ops	464	172	154	332	333
CFI					
CAPEX, net	(168)	(74)	(42)	(267)	(1,212)
Others	448	32	(323)	99	207
Cashflow from investments	281	(42)	(366)	(169)	(1,005)
CFF					
Share issuance	29	15	0	(0)	(0)
Loans, net of repayments	(165)	(157)	191	(140)	691
Dividends	(576)	(14)	(16)	(18)	(23)
Others	0	0	0	0	0
Cashflow from financing	(712)	(156)	175	(158)	668
Net change in cash	33	(27)	(37)	5	(4)
Effects of exchange rates	0	0	0	0	0
CCE, end	87	61	23	28	24

Source: Company Data, PSR est

**Based on latest closing price

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Balance Sheet (Btmn)					
Cash	87	61	23	28	24
Investments	55	25	49	60	60
Accounts Receivables	122	87	95	100	107
Inventories	0	0	0	0	0
Others	147	216	222	228	228
Total current assets	412	388	390	416	418
PPE	35	30	28	38	40
Intangibles	25	23	22	21	21
Associates & JVs	1,487	2,569	3,159	3,478	3,717
Investments	7,349	7,607	7,611	7,840	9,040
Others	1,109	813	793	763	743
Total non-current assets	10,006	11,042	11,613	12,139	13,560
Total Assets	10,418	11,430	12,003	12,555	13,979
Short term loans	155	91	200	60	0
Accounts Payables	8	9	10	10	11
Others	604	1,762	959	948	1,199
Total current liabilities	766	1,862	1,169	1,018	1,210
Long term loans	1,861	573	1,448	1,448	1,948
Others	3,292	3,092	2,956	2,943	2,893
Total non-current liabilities	5,153	3,665	4,403	4,392	4,842
Non-controlling interest	5,919	5,527	5,572	5,409	6,052
Shareholder Equity	4,498	5,903	6,430	7,146	7,927

FYE Dec	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.**	13.7	6.2	14.6	14.1	13.6
P/B (X), adj.**	1.7	1.5	1.5	1.5	1.4
EV/EBITDA (X), adj.	13.4	20.5	15.6	20.9	20.5
Dividend Yield (%)	0.2%	0.2%	0.2%	0.2%	0.2%
Growth & Margins (%)					
Growth					
Revenue	-33.7%	-1.5%	2.3%	2.6%	8.0%
EBITDA	-40.7%	-31.7%	34.3%	2.4%	6.0%
EBIT	-41.0%	-32.1%	36.2%	2.7%	6.2%
Net Income, adj.	28.2%	149.1%	-51.9%	16.8%	3.3%
Margins					
EBITDA margin	47.5%	32.9%	43.2%	43.2%	42.3%
EBIT margin	46.2%	31.9%	42.4%	42.4%	41.7%
Net Profit Margin	44.8%	23.7%	30.3%	29.6%	28.0%
Key Ratios					
ROE (%)	16.2%	26.9%	8.3%	10.6%	10.7%
ROA (%)	6.8%	12.8%	4.4%	5.8%	6.1%
Net Debt/(Cash)	1,929	603	1,624	1,480	1,924
Net Gearing (X)	0.56	0.48	0.46	0.43	0.43



Industry Group Name	Sector Name	Sector Index
Agro & Food Industry [AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products [CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction [PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	FP&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HEALTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

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Name	Analyst Reg No.	Tel	Sector
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Danai Tunyaphisitchai, CFA	Capital Market Investment Analyst #2375	662 635 1700#481	Construction Materials, Property Development
Naree Apisawaittakan	Securities Investment Analyst #17971	662 635 1700#484	Agro & Food, Electronics
Siam Tiyanont	Securities Investment Analyst #17970	662 635 1700#483	Transportation, Media & Publishing, Tourism
Ornmongkol Tantitanatorn	Capital Market Investment Analyst #34100	662 635 1700#491	Automotive, Energy, Packaging
Adisorn Muangparnchon	Securities Investment Analyst #18577	662 635 1700#497	Banking, Securities & Finance, Insurance
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Results Presentation

Score Range	Number of Logo
Less than 50	No logo given
50 - 59	
60 - 69	
70 - 79	
80 - 89	
90 - 100	

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