



輝立証券集團

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SC Asset - SC

Cheap valuation, rosy growth outlook for CY14

Bloomberg | Reuters
SC TB | SC.BK

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Report type: Company Update

Company Overview

SC is engaged in the operation of real estate development activities. Its project portfolio comprises property development for sale including single-detached houses, townhouses and condominiums and office buildings for rent.

- SC would speed up new project launches to put 2HCY13 presales on course to meet the target.
- In view of ample backlog to be realized as revenue in CY14 and strong revenue growth prospects for CY14, we expect SC to deliver CY14 profit growth of as much as 65% y-y.
- Based on cheap valuation and rosy growth outlook for CY14, we reiterate a 'BUY' call on SC with a target price of Bt5.30/share.

What is the news?

Management reaffirms its CY13 revenue and presales targets of Bt9.1bn and Bt15bn respectively.

How do we view this?

In our view, SC needs to generate more presales in 2HCY13 than in 1HCY13 to meet the full-year target. We believe the plan to launch eight new SDH/TH projects and ramp up marketing would push 2HCY13 presales higher than 1HCY13.

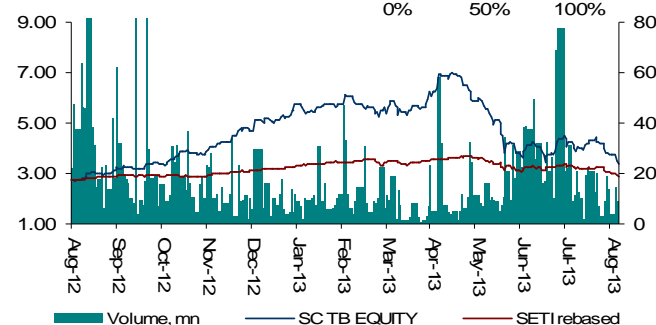
In 1HCY13, SC reported revenue of only Bt4bn against our full-year target of Bt9.1bn. Only Bt591mn of current backlog is scheduled to be realized as revenue in 2HCY13. To meet the target, SC needs to speed up sales and transfers of SDH/TH projects and sales of condo inventories in 2HCY13. There remains scope for SC to achieve CY13 profit growth of 5% y-y. Looking ahead into CY14, revenue is projected to grow as much as 53% y-y to Bt14.2bn. Current backlog covers 37% or Bt5.2bn of our CY14 target. To achieve the target, the rest should come from CY14 SDH/TH presales. We also expect SC to deliver strong profit growth of up to 65% y-y in CY14.

Investment Actions?

Strong growth lies ahead for SC in CY14. Valuation remains too low as the stock is currently trading at a mere 6x CY14 P/E and near CY14 BV. In view of cheap valuation and rosy growth outlook for CY14, we reiterate a 'BUY' call on SC with a target price of Bt5.30/share based on 10x CY14 P/E.

SC Asset Corporation

Rating	1.00	Buy
- Previous Rating	1.00	Buy
Target Price (Bt)	5.30	
- Previous Target Price (Bt)	5.30	
Closing Price (Bt)	3.40	
Expected Capital Gains (%)	55.9%	
Expected Dividend Yield (%)	6.4%	
Expected Total Return (%)	62.3%	
Raw Beta (Past 2yrs weekly data)	1.54	
Market Cap. (USD mn)	391	
Enterprise Value (USD mn)	774	
Market Cap. (Bt mn)	12,623	
Enterprise Value (Bt mn)	23,830	
3M Average Daily T/O (mn)	18.6	
52 week range	2.666667 - 7.25	
Closing Price in 52 w week range		



Major Shareholders

	(%)
1. Ms. Paetongtarn Shinawatra	29.1
2. Ms. Pritongta Shinawatra	28.2
3. Mr. Bhanapong Damapong	4.8

Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (Btmn)	7,371	8,375	10,224	15,129
Net Profit (Btmn)	1,079	1,108	1,224	2,025
EPS (Bt)	0.34	0.33	0.33	0.55
Net Profit, adj. (Btmn)	1,076	1,056	1,224	2,025
EPS, adj. (Bt)	0.34	0.32	0.33	0.55
P/E (X), adj.	10.1	10.7	10.3	6.2
BVPS (Bt)	2.86	3.06	2.88	3.42
P/B (X)	1.2	1.1	1.2	1.0
DPS (Bt)	0.13	0.03	0.13	0.22
Div. Yield (%)	3.8	0.9	3.9	6.4

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

P/E14 (10x)

Analyst

Phillip Research Team

Plan to speed up new project launches to put 2HCY13 presales on course to meet target

In 1HCY13, SC reported total presales of Bt6.8bn, accounting for 45% of our full-year target of Bt15bn. To achieve full-year target, SC needs to generate more presales in 2HCY13. The following are its efforts to drive presales in 2HCY13.

1. To launch eight new SDH/TH projects in 2HCY13, up from five project launches, comprising four condo projects and one SDH/TH project in 1HCY13.
2. To hold the grand opening for three condo projects worth a combined value of Bt7.8bn after opening for booking in late 2QCY13.
3. To showcase two condo projects, namely The Crest Sukhumvit 24 and The Crest Sukhumvit 49 in China and Singapore.
4. To bump up marketing efforts to boost sales of new SDH/TH projects to be launched in 2HCY13.

Due to the above marketing efforts, we reckon that presales will accelerate in 2HCY13. By our estimate, we expect 2HCY13 SDH/TH presales will pick up to Bt4.6bn from Bt3.2bn in 1HCY13 and 2HCY13 condo presales will come in at Bt3.5bn against Bt3.6bn in 1HCY13 driven largely by the prospect of strong sales momentum from three condo projects, which were launched in late 2QCY13. The above three condo projects worth a combined value of Bt7.8bn have an average take-up rate of 30%, translating into presales of Bt2.3bn. In our view, the condo projects in Ratchadapisek, Aree and Pattaya are likely to generate more presales in 2HCY13. Overall total presales are still likely to meet the full-year target.

Backlog key to profit growth well into CY14

Figure 1 shows that only Bt591mn of current backlog is scheduled to be realized as revenue in 2HCY13. Of the total, Bt105mn comes from SDH/TH presales and the remaining Bt486mn from the backlog of four condo projects. To meet the full-year target, we expect SC to

1. achieve 2HCY13 SDH/TH presales of Bt4.6bn, of which Bt4.3bn would be realized as revenue in 2HCY13.
2. realize presales of another Bt419mn from the above four condo projects, which are scheduled for transfer this year and have remaining sales value of Bt436mn, in 2HCY13.

Based on the above assumptions, we forecast SC to achieve 2HCY13 revenue of Bt5.3bn. In 1HCY13, SC earned revenue of Bt4.02bn. Full-year revenue is expected to hit Bt9.3bn, up 23% y-y. Margins tend to hold steady but SG&A expenses are projected to be 31% higher than a year ago due largely to increasing marketing expenses. Overall, we estimate SC will deliver CY13 profit growth of 10% y-y.

Looking ahead into CY14, we expect its revenue to reach Bt14.2bn, up as much as 52% y-y based on assumptions that (i) there will be a backlog of Bt5.2bn to be realized as revenue in CY14, all of which will come from four condo projects as shown in Figure 1, (ii) SC will realize presales of another Bt1bn from four condo projects, which have remaining sales value of Bt1.4bn, in CY14, (iii) SDH/TH presales in CY14 will rise only 3% y-y to Bt8.07bn based on conservative estimates, (iv) the pre-built approach will allow SC to realize revenue of Bt8.06mn from CY14 SDH/TH presales. Margins should be

stable. SG&A expenses would rise at a slower pace of 25% than CY12's 31%. On this basis, we forecast SC to achieve CY14 profit growth of up to 65% y-y.

'BUY' call based on cheap valuation and rosy growth outlook for CY14

Strong growth lies ahead for SC in CY14. Valuation remains too low as the stock is currently trading at a mere 6x CY14 P/E and near CY14 BV. In view of cheap valuation and rosy growth outlook for CY14, we reiterate a 'BUY' call on SC with a target price of Bt5.30/share based on 10x CY14 P/E.

Figure 1: Backlog and revenue visibility timing

รูปที่ 1: Backlog และกำหนดการรับรู้รายได้

Btm as of 2QCY13	Backlog	Launch	2QCY13 Value	2QCY13 Sold%	2QCY13 Trans%	Remaining Value	Realized 2HCY13F	Realized CY14F
SDH/TH Condo	105						105	
Centric Ratchada Suttisan	921	11-2010	921	100%	99%	0	9	0
The Crest Pahol 11	893	11-2010	930	96%	86%	37	93	0
The Crest Sukhumvit 49	273	10-2011	470	58%	53%	197	24	0
The Crest Sukhumvit 24	518	10-2011	720	72%	22%	202	360	0
Centric Tawanon	2,646	11-2011	2,700	98%	0%	54	0	2,646
The Crest Santora Hua Hin	710	3-2012	1,650	43%	0%	941	0	710
The Crest Sukhumvit 34	2,100	7-2012	2,500	84%	0%	400	0	0
Centric Sathon St. Louis	1,638	7-2012	1,800	91%	0%	162	0	1,638
Chamber Ramindra	207	3-2013	460	45%	0%	253	0	207
Centric Ari Station	1,416	6-2013	2,400	59%	0%	984	0	0
Centric Huaykwang Station	624	6-2013	2,600	24%	0%	1,976	0	0
Centric Sea Pattaya	353	6-2013	2,800	13%	0%	2,447	0	0
Total	10,284		19,951			7,652	591	5,201

Source: Company, PSR

FYDec	CY10	CY11	CY12	CY13F	CY14F
Valuation Ratios					
P/E (X), adj.	9.4	10.1	10.7	10.3	6.2
P/B (X)	1.3	1.2	1.1	1.2	1.0
EV/EBITDA (X), adj.	14.3	15.3	16.7	15.1	9.0
Dividend Yield (%)	4.1	3.8	0.9	3.9	6.4
Per share data (Bt)					
EPS, reported	0.36	0.34	0.33	0.33	0.55
EPS, adj.	0.36	0.34	0.32	0.33	0.55
DPS	0.14	0.13	0.03	0.13	0.22
BVPS	2.71	2.86	3.06	2.88	3.42
Growth & Margins (%)					
Growth					
Revenue	40.4	10.6	13.6	22.1	48.0
EBITDA	23.5	-6.5	-8.1	10.0	69.1
EBIT	42.2	-6.8	-8.4	9.0	71.1
Net Income, adj.	43.2	-7.8	-1.8	15.9	65.5
Margins					
EBITDA margin	25.0	21.1	17.1	15.4	17.6
EBIT margin	24.6	20.8	16.7	15.0	17.3
Net Profit Margin	17.5	14.6	13.2	12.0	13.4
Key Ratios					
ROE (%)	10.3	12.9	11.1	10.7	10.5
ROA (%)	6.1	7.2	5.2	4.2	3.8
Net Debt-Cash	3,025	6,402	9,888	15,621	17,596
Net Gearing(X)	0.3	0.7	1.0	1.5	1.4
Income Statement (Bt mn)					
Revenue	6,666	7,371	8,375	10,224	15,129
EBITDA	1,665	1,556	1,431	1,573	2,661
Depreciation & Amortisation	22	25	29	45	45
EBIT	1,643	1,531	1,402	1,529	2,616
Net Finance (Expense)/Income	(63)	(38)	(56)	(82)	(84)
Other items	(1)	3	52	0	0
Associates & JVs	0	0	0	0	0
Profit Before Tax	1,579	1,496	1,398	1,446	2,532
Taxation	(413)	(417)	(290)	(223)	(506)
Profit After Tax	1,166	1,079	1,108	1,224	2,025
Non-controlling Interest	0	0	0	0	0
Net Income, reported	1,166	1,079	1,108	1,224	2,025
Net Income, adj.	1,167	1,076	1,056	1,224	2,025

Source: PSR est.

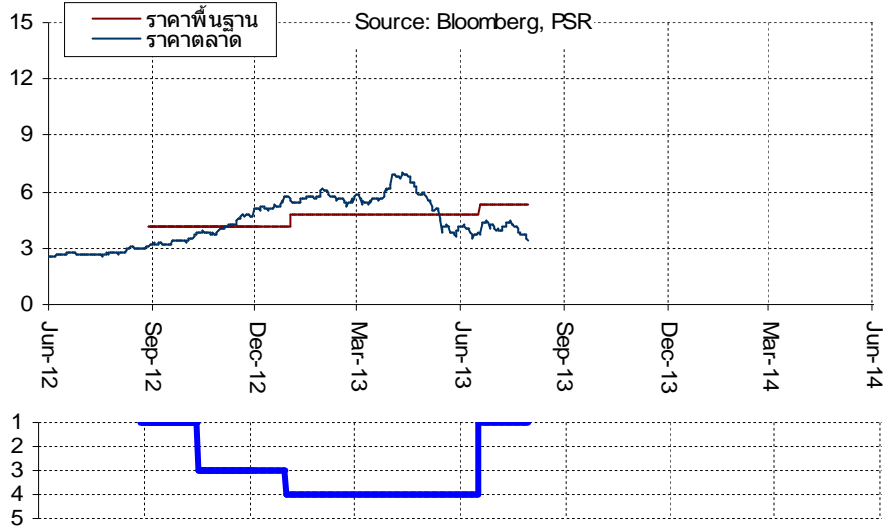
FYDec	CY10	CY11	CY12	CY13F	CY14F
Balance Sheet (Bt mn)					
Cash	694	1,173	750	506	1,251
ST Investments	0	0	210	0	0
Accounts Receivables	64	64	64	105	108
Inventories	7,116	10,567	14,641	21,997	26,008
Others	21	187	532	458	458
Total current assets	7,896	11,991	16,197	23,066	27,825
PPE	99	87	874	850	821
Property Investments	5,736	5,781	5,074	5,080	5,080
Associates & JVs	0	0	0	0	0
Investments	370	449	488	494	494
Others	82	112	119	182	182
Total non-current assets	6,287	6,429	6,554	6,607	6,578
Total Assets	14,183	18,421	22,751	29,673	34,402
Short term loans	2,984	5,061	6,716	9,403	9,803
Accounts Payables	533	276	356	518	519
Others	821	821	1,286	1,438	1,438
Total current liabilities	4,338	6,159	8,358	11,358	11,759
Long term loans	735	2,514	3,923	6,724	9,044
Others	392	361	400	920	904
Total liabilities	5,465	9,033	12,681	19,003	21,708
Non-controlling interest	0	0	0	0	0
Shareholder Equity	8,718	9,387	10,071	10,669	12,695

Cashflow Statements (Bt mn)

CFO					
Net Income	1,565	1,496	1,398	1,446	2,532
Adjustments	42	23	4	116	113
Cash from ops before WC changes	1,607	1,519	1,402	1,562	2,645
WC changes	(1,792)	(3,709)	(3,430)	(6,687)	(4,014)
Cash generated from ops	(184)	(2,190)	(2,027)	(5,125)	(1,369)
Taxes paid, net	(374)	(491)	(283)	(372)	(506)
Interest paid	(156)	(274)	(492)	(332)	(84)
Cashflow from ops	(714)	(2,955)	(2,802)	(5,829)	(1,959)
CFI	0	0	0	0	0
CAPEX, net	(92)	(53)	(49)	(27)	(16)
Dividends from associates & JVs	0	0	0	0	0
Dividends/Interest from Investments	0	0	0	0	0
Purchase/sale of investments	0	0	(210)	210	0
Investments in subs & associates	0	0	0	0	0
Others	0	0	0	0	0
Cashflow from investments	(92)	(53)	(259)	183	(16)
CFF	0	0	0	0	0
Share issuance	11	87	9	9	0
Purchase of treasury shares	0	0	0	0	0
Loans, net of repayments	1,046	3,854	3,064	5,500	2,720
Dividends to minority interests	0	0	0	0	0
Dividends to shareholders & capital reduction	(421)	(454)	(434)	(107)	0
Others	0	0	0	0	0
Cashflow from financing	636	3,486	2,639	5,402	2,720
Net change in cash	(171)	478	(422)	(244)	745
Effects of exchange rates	0	0	0	0	0
CCE, end	694	1,173	750	506	1,251

Source: PSR est.

Ratings History



Phillip Group Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate/Trading Buy	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce/Trading Sell	4
> -20%	Sell	5

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Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within \pm 5% from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

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