



輝立証券集團

Phillip Securities Group

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The Platinum Group

Solid rental income, New projects on horizon

THAILAND | SET | PROP | INITIATION OF COVERAGE

BLOOMBERG PLAT TB | REUTERS PLAT.BK

Net profit grows at CAGR of 62.5% in 2012-2014

The Platinum Group is engaging in shopping mall, hotel, and community mall. PLAT thus far opened three projects, comprising the wholesale Platinum Fashion Mall 1 and 2, Novotel Bangkok Platinum Pratunum Hotel, and a community mall The Wharf Samui. PLAT is currently managing 29,194 sq.m. net leasable area and 283 hotel rooms. We believe its experience management team, a very good location of those projects, and niche marketing strategy are key strength that drove net profit to grow at CAGR of 62.5% Bt166.1mn, Bt249.6mn and Bt438.5mn in 2012-2014.

Net profit seen astounding growth of 30.5% next three years on rental rate hikes

We project net profit to grow by a whopping 197.7% from Bt438.5mn in 2014 to Bt1,305.5mn in 2018, calculating to CAGR of 30.5% over the next three years. Our forecast is premised on (1) a potential increase of rental rate by 3%-6% per annum, and (2) an opening of three new projects—The Market by Platinum, Holiday Inn Express, and Holiday Inn Resort—which should increase its net leasable area by 246.4% and hotel rooms by 123.7% in 2018. PLAT also has one pipeline project of wholesale fashion mall at Chalermklarp Pratunum that we have not yet included in our forecast.

'BUY' rating with FY16 target price of Bt7.90

We initiate coverage of PLAT with a 'BUY' rating and a Bt7.90/share target price. With its strong cash flow, we use discounted cash flow valuation model assigning WACC of 10.9% and terminal growth of 4%, a relative level to the industry's listed peers.

02 October 2015

Buy

Closing Price(Bt) 5.15
Target Price(Bt) 7.90 (+53.4%)

COMPANY DATA

O/S Shares (mn) :	2,800
Market Cap. (Btmn) :	14,420
Market Cap. (USDmn) :	396
52-WK Hi/Lo (Bt) :	7.5/4.78
3M Average Daily T/O (mn) :	3.30
Par Value (Bt) :	1.00

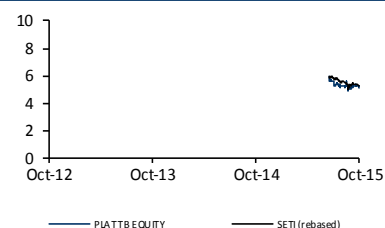
MAJOR SHAREHOLDERS (%) 08 April 2015

1. Mr. Surachai Chotijurangkul	27.6
2. Mrs. Punjaporn Chotijurangkul	17.6
3. Mr. Wuttichai Wijitthanarak	7.0

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	2%	-7%	NA
REL TO SET INDEX	3%	4%	NA

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Sales(Btmn)	1,169	1,445	1,719	1,778
Net Profit(Btmn)	250	438	588	577
EPS (Bt)	0.29	0.22	0.22	0.21
P/E (X)	18.1	23.8	23.1	25.0
BVPS (Bt)	2.53	1.30	2.83	2.95
P/B (X)	2.0	4.0	1.8	1.7
DPS (Bt)	0.29	0.08	0.09	0.08
Dividend Yield (%)	5.5	1.5	1.7	1.6
ROE (%)	11.25	18.06	11.15	7.14
Debt/Equity (X)	0.97	0.56	0.17	0.63

Source: Company, PSR Est.

**Multiples and yields are based on latest closing price

VALUATION METHOD

DCF (WACC: 10.9%; terminal g: 4)

Investment Thesis

Using discounted cash flow valuation method, our FY16 target price for PLAT arrives at Bt7.90/share. We have a 'BUY' call for the stock based on the following premises.

1. In 2012-2014, revenue and profit showed a good track record of solid growth pace, with CAGR growth of 19.3% and 62.5% respectively. Earnings were largely driven by rental rate from fashion mall and hotel revenue that proved to support each other very well.
2. In 2016-2018, earnings are forecasted to grow at robust rate on estimated CAGR of 30.5% on the back of (i) an increase of rental rate by 3%-6% per annum and (ii) the under-construction three projects—e.g., The Market by Platinum, Holiday Inn Express Samui Hotel, and Holiday Inn Resort Samui,
3. An under-control political situation, together with the government's stimulus packages to spur tourism and spending and a weakening of the baht, should provide support to earnings growth.

Commercial real estate developer

Founding in 2002, The Platinum Group has engaged in developing commercial real estate projects. The company already opened three projects—e.g., Platinum Fashion Mall Tower I & II, Novotel Platinum Pratunum, and Wharf Samui community mall. Net leasable area is 29,194 sq.m. and the hotel has 283 rooms.

Figure 1: PLAT current project details at end-1QFY15

Project	Type of Business	Location	Net Leaseable Area or Number of Room
The Platinum Fashion Mall	Wholesale Mall	Pratunam, Bangkok	5,040 sq.m. for Tower 1 and 18,661 sq.m. for Tower 2
Novotel Bangkok Platinum Pratunam	4 Stars Mall	Pratunam, Bangkok	283 Rooms
The Wharf Samui	Community Mall	Samui Beach	5,493 sq.m.

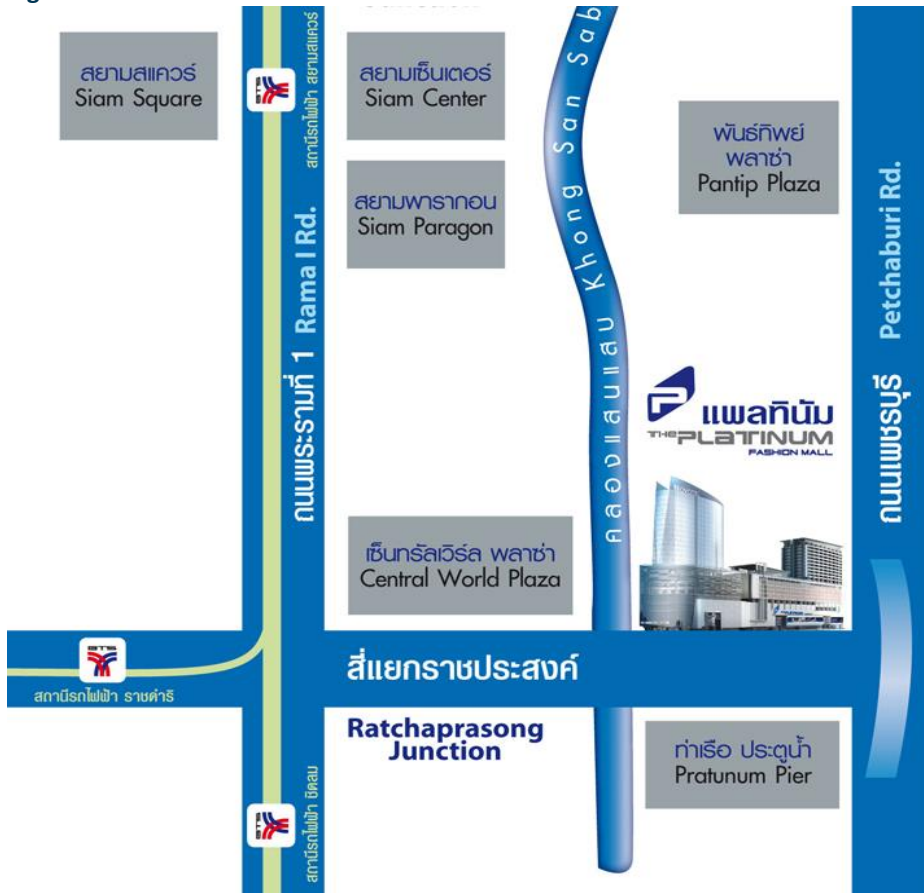
Source: Company

Wholesale Platinum Fashion Mall sees steady growth on easily accessible location and niche marketing strategy

In 2012-2014, Platinum Pratunum Fashion Mall showed a good track record of steady, solid earnings growth. Average occupancy rate stayed elevated at 99% and rental rate was raised by 5%-10% per annum. Key reasons behind such the robust growth are:-

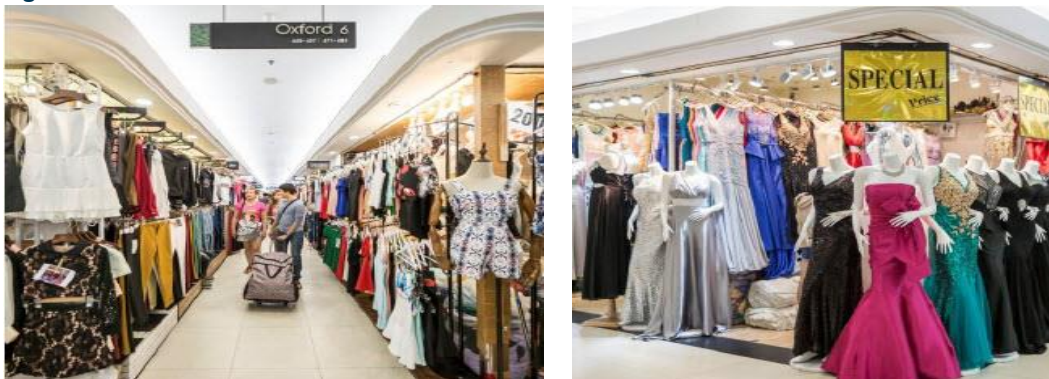
1. **Good location:** Platinum Fashion Mall locates in the heart of Bangkok's shopping center that can easily access by the mass rapid transit (see Figure 2) and the building can accommodate up to 850 vehicles.
2. **Niche marketing strategy:** Platinum Fashion Mall accommodates more than 2,000 retailers and wholesalers, offering street style, office wear, winter outfit, athletic wear, footwear, leather good, accessories. This, together with non-brand affordable prices and air-conditioning shopping mall, can meet various demand from customers.
3. **Convenient accommodation:** Novotel Platinum Pratunum Hotel has proved to support very well the fashion mall business, in term of traffic and sales.

Figure 2: Location of Platinum Fashion Mall



Source: Company

Figure 3: Platinum Fashion Mall



Source: Company

Novotel Platinum Pratunum Hotel seen as very-well support business

Novotel Platinum Pratunum situating from 6th to 25th floor of The Platinum 2 has also a strong record of outstanding performance with occupancy rate at 81%, 88% and 70% in 2012-2014 (political impact in 2014). Novotel Platinum Pratunum can attract tourists from neighboring countries who intend to indulge in shopping spree during the weekend. About 85% of total hotel guests were relaxing visitors and 82% of which were Asian visitors.



Figure 4: Novotel Platinum Pratunum Hotel



Source: Company

Wharf Samui community mall with potential

The Wharf is a single-storey community mall, locating on the beachfront at Koh Samui adjacent to the constructing hotel. The Wharf opened officially on 1st Jan 2015 with occupancy rate of 80%. This community mall can serve as much as 500 vehicles. PLAT has obtained a 10-year leasehold with another five-year extension option.

Figure 5: The Wharf Samui

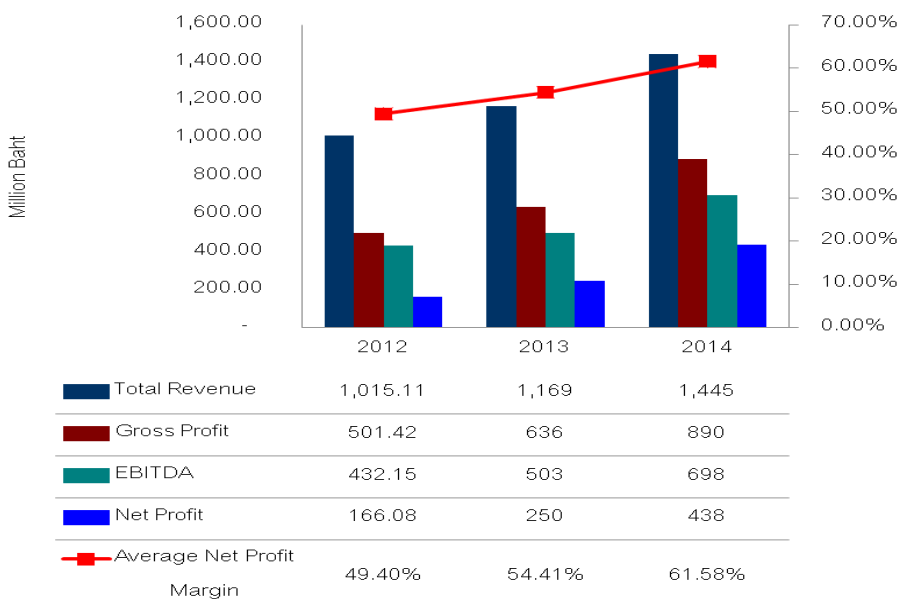


Source: Company

Net profit up at CAGR of 62.5% in past three years

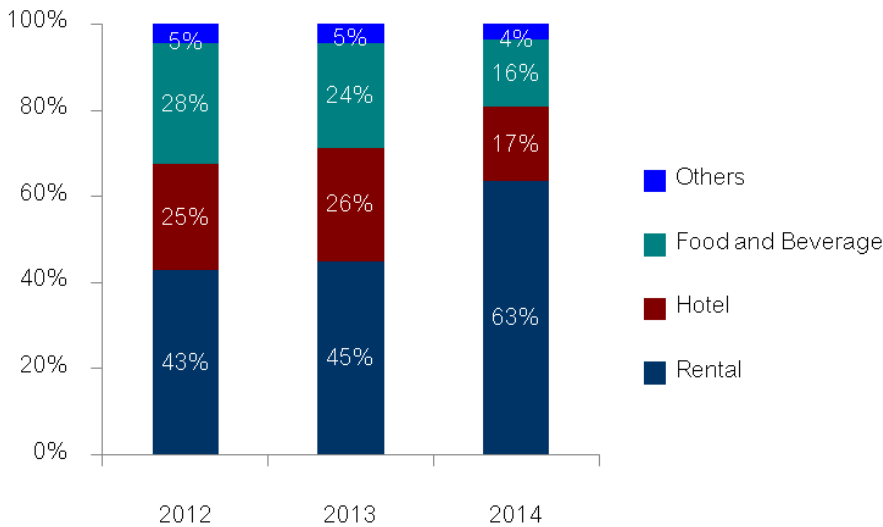
In 2012-2014, PLAT recorded a steady revenue growth at CAGR of 19.3% to Bt1,015.1mn, Bt1,169.1mn and Bt1,445.6mn. Even better, net profit grew at the astounding rate of 62.5% CAGR to Bt166.1mn, Bt249.6mn and Bt438.5mn in 2012 - 2014 as gross margin of both fashion mall and hotel were quite impressive at 70% and 44%, respectively.

Figure 6: Key earnings performance, 2012-2014



Source: Company

Figure 7: Revenue by business type



Source: Company

Three projects underway, net leasable areas and number of hotel rooms likely to increase 246.4% and 123.7% in next three years

PLAT is developing three projects, which are The Market by Platinum, Holiday Inn Express Samui Hotel, Holiday Inn Resort Samui. These projects are scheduled to open in 2018. By then, net leasable area is expected to increase by 246.4% and a number of hotel rooms should rise by 123.7% from currently. Furthermore, PLAT has a plan to develop one wholesale fashion mall in Pratunum area, not far from Platinum Pratunum Fashion Mall. Note that we do not include that project in our forecast.

The Market by Platinum

The Market by Platinum will locate near the downtown shopping Ratchaprasong junction. PLAT aims to develop The Market as an air-conditioning shopping center that will house Thailand’s well-known traditional shopping centers, such as Ratchadamnern floating market, (in-Thai) Aor-Tor-Kor food market that sells a good quality of food products, Jatujak weekend market. The Market will also offer Thai traditional food, desserts, souvenirs. With the large area of 64,740 sq.m. net leasable, The Market can accommodate more than 3,000 tenants—28% of which will reserve for fashion style and leather goods, 25% of food shops, 12% of souvenirs and decorative shops, 10% of outlets, and others such as desserts, snacks, banks, mobile phone kiosks. Car park can hold more than 2,200 vehicles and opening hours are from 11.00am to 11.00pm, which is slightly later than the nearby department stores in order to serve late-night visitors. PLAT set investment budget of Bt7,200mn while the project would officially launch in late 2017. The company is currently asking for construction permit.

Figure 8: The Market by Platinum



Source: Company

Holiday Inn Express and Holiday Inn Resort

PLAT has planned to invest Bt1,250mn to build two hotels, Holiday Inn Express and Holiday Inn Resort situated in the same beachfront area of The Wharf community mall. The projects are awaiting EIA approval. PLAT plans to hire InterContinental Hotels to manage both hotels. Holiday Inn Express will likely undertake 3-star hotel with 200 rooms. The hotel would begin services in early 2018. Holiday Inn resort will undertake 4-star services with 150 rooms, which will be officially opened in the second half of 2018.



Figure 9: Holiday Inn Express and Holiday Inn Resort

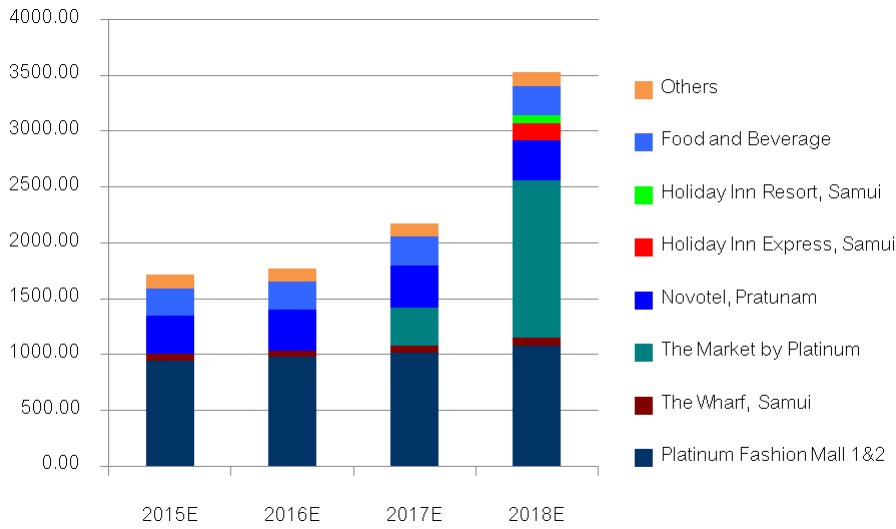
Source: Company

Net profit likely to grow at CAGR of 30.5% next three years on steady rise of rental rates and new three projects

We project net profit to grow at CAGR of 30.5% over the next three years to Bt587.9mn, Bt577.3mn and Bt1,305.5mn in 2015-2017. Our forecast is premised on the following assumptions.

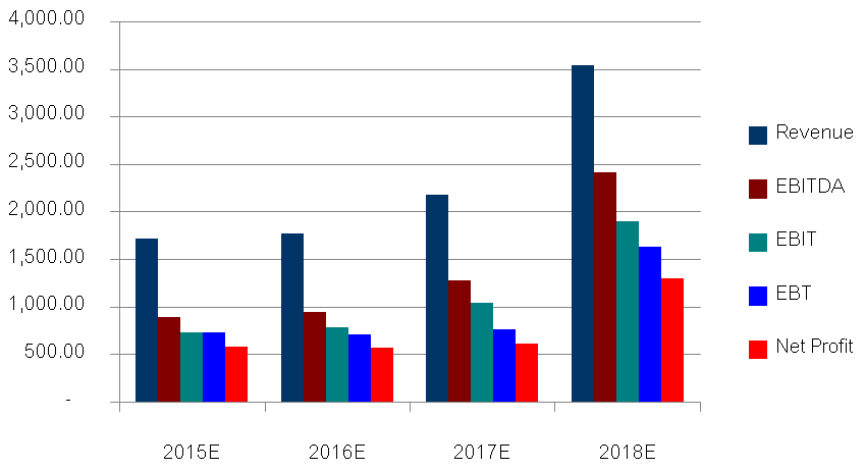
1. Revenue is forecast to grow by 27.2% per annum, based on assumptions that
 - 1.1. Rental rate for Platinum Fashion Mall would increase by an average of 6% annually and that of The Wharf Samui would rise by 3% per annum, while room rate for Novotel Platinum Pratunum would increase by 5% on a yearly basis.
 - 1.2. If the work-in-progress projects open as scheduled, net leasable area and a number of hotel rooms will increase notably by 246.6% and 123.7% in 2018 from the current levels. Furthermore, an increase in both rental rates and room rates of these new projects should boost the top line to meet our forecast.
2. Operating profit margin for retail lease business is projected at 75% and 75.3% in 2015-2016 but it would narrow down slightly to 73.5% and 73.3% in 2017-2018 due to higher depreciation charges from new project launches. However, margin is expected to return to its normal level of 75% in 2020. Similarly, operating margin in hotel business would pick up from 44.5% in 2015 to 46.8% and 48.6% in 2016-2017 but it would contract to 33.6% in 2018 due to higher depreciation expenses for an opening of new projects.
3. With massive investment on horizon, PLAT is likely to finance its projects to raise funds approximately Bt1bn from late 2016. The move definitely will drive interest expense sharply higher, which could put a dent on earnings performance over the next two years. However, we expect to see an astounding improvement once the projects are launched.

Figure 10: Revenue forecast by project, 2015-2018



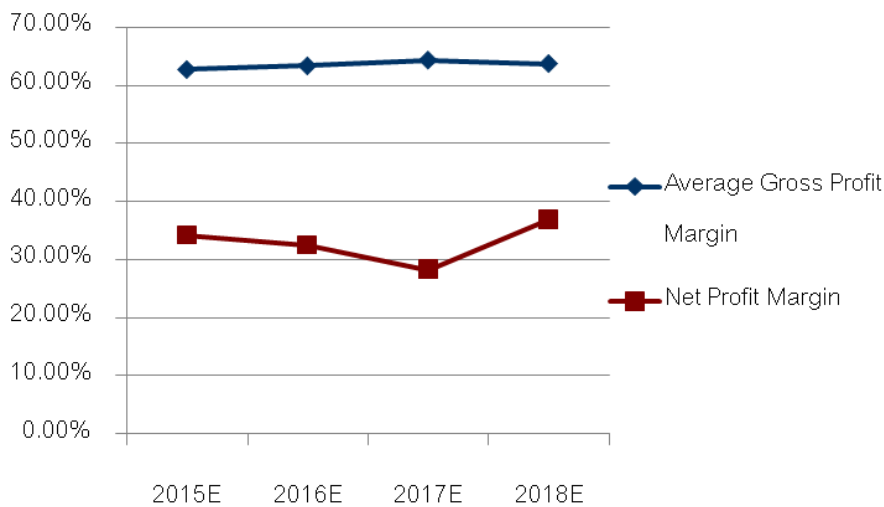
Source: PhillipCapital Thailand Research

Figure 11: Earnings estimate, 2015-2018



Source: PhillipCapital Thailand Research

Figure 12: Gross margin and net profit margin estimate, 2015-2018



Source: PhillipCapital Thailand Research

'BUY' rating with FY16 target price of Bt7.90

We initiate coverage on The Platinum Group with a 'BUY' rating and price target of Bt7.90/share, based on discounted cash flow valuation using WACC of 10.9% that we arrive at this figure by utilizing the CAPM model using similar beta and terminal growth of 4% to the industry's listed peers (CPN, SF).

Figure 13: Beta

	Beta
CPN unlevered beta	0.6718
SF unlevered beta	0.9779
average unlevered beta	0.8249
PLAT levered beta	1.0014

Source: PhillipCapital Thailand Research, Bloomberg

Risk factors

Project delay: The Market by Platinum is awaiting construction permit from the Bangkok Metropolitan Administration while Holiday Inn Express and Holiday Inn Resort projects are under EIA studies. The launches of those projects would be delayed.

Revenue relying on rental income: Top-line growth is largely depending on retail rental income. The company should be prompt to seek new tenants to fill any vacant space.

Political unrest and sluggish economy: Uncertainty about domestic politic and sluggish market sentiment would dampen the company's earnings growth.

Financials

Income Statement

FYE Dec, Btmn	FY13	FY14	FY15E	FY16E
Revenue	1,169	1,445	1,719	1,778
EBITDA	503	698	894	953
Depreciation & Amortisation	150	134	159	161
EBIT	353	565	735	793
Net Finance (Expense)/Inc	(42)	(15)	(0)	(71)
Other items	0	0	0	0
Associates & JVs	0	0	0	0
Exceptional items	0	0	0	0
Profit Before Tax	310	550	735	722
Taxation	65	113	147	144
Profit After Tax	245	436	588	577
Non-controlling Interest	(4)	(2)	0	0
Net Income, reported	250	438	588	577
Net Income, adj.	250	438	588	577

Per share data

FYE Dec, Bt	FY13	FY14	FY15E	FY16E
EPS, reported	0.29	0.22	0.22	0.21
EPS, adj.	0.29	0.22	0.22	0.21

Cash Flow

FYE Dec, Btmn	FY13	FY14	FY15E	FY16E
CFO				
PBT	310	550	735	722
Adjustments	(51)	(3)	75	163
WC changes	178	45	32	35
Cash generated from ops	438	592	842	919
Others	(81)	(98)	(158)	(144)
Cashflow from ops	356	494	684	775
CFI				
CAPEX, net	(123)	(139)	(55)	(4,690)
Others	(288)	27	(4,996)	0
Cashflow from investments	(410)	(112)	(5,051)	(4,690)
CFF				
Share issuance	1,075	154	0	0
Loans, net of repayments	(824)	(560)	0	1,800
Dividends	(249)	(153)	(250)	(231)
Others	0	(1)	0	0
Cashflow from financing	1	(561)	(250)	1,569
Net change in cash	(53)	(179)	(4,617)	(2,345)
Effects of exchange rates	0	0	0	0

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
Property & Construction[PROPCON]	Steel	STEEL
	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
Resources [RESOURC]	Property Fund & REITs	PF&REIT
	Energy & Utilities	ENERG
Services [SERVICE]	Mining	MINE
	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

PSR Rating System

Capital Gain	Recommendation
> +10%	Buy
0% to + 10%	Neutral
< 0%	Sell

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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PHILLIP RESEARCH STOCK SELECTION SYSTEMS

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

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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