

4 November 2009

Rojana Industrial Park

Property
(Industrial)
Overweight

To deliver the strongest
performance in the sector

Investment thesis: ROJNA remains our top buy in the Industrial Property sub-sector. Besides gaining from a recovery in industrial land sales, the firm also benefits from having high exposure to the Chinese property market—one of the largest and fastest growing in the world. ROJNA's solid performance will start to manifest in 3Q09 results. We maintain our BUY rating with a YE10 target price of Bt14.40.

Winner in the sector: We expect the firm to deliver the strongest 3Q09 performance among Industrial Property players—net income of Bt428m (EPS Bt0.48), up 174% YoY and 282% QoQ. The impressive bottom-line growth is mainly attributable to the 242-rai land sale to the Thailand Tobacco Monopoly (TTM).

Land sales to jump of 204% YoY: The firm will book all the revenue on the 242-rai land sale to TTM in 3Q09, as the entire plot has already been transferred. Including income realized from the backlog, we expect total land sales revenue of Bt769m in 3Q09, up 204% YoY and 786% QoQ. Gross margin is likely to be posted at above 50%—higher than our previous estimate of 40% because of lower-than-expected land costs. The margin revision prompted us to upgrade our FY09 EPS estimate by 15% to Bt0.92. Looking forward, we expect a sharp QoQ decline in 4Q09 land sales, as the firm might shift some deals into next year. However, profit should remain strong, due to a higher contribution from the condo in China and profit-sharing from TICON.

Condo building momentum: We expect ROJNA to book condo revenue of Bt235m in 3Q09, down 23% YoY but up 4% QoQ. Gross margin is expected to fatten by 1037 bps YoY and 39 bps QoQ to 44.5%, due to a higher proportionate contribution from higher-priced units. We anticipate that the operating profit from residential development will maintain an uptrend in 4Q09 through FY10, thanks to higher sales and margin and the start of revenue-booking for phase 2 in 2H10.

Utility sales also in an uptrend: Electricity and water sales have achieved YoY growth since late 2Q09 and should sustain momentum going forward, driven by higher capacity utilization rates and new customers tying into the system.

BUALUANG RESEARCH

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BUY (maintained)

Target Price: Bt14.40
Price (03/11/09): Bt10.10
ROJNA.TB / ROJNA.BK

Key Ratios & Statistics

Market cap	Bt9.06bn
12-mth price range	Bt2.78/Bt10.90
3-mth avg daily volume	Bt37.33m
# of shares (m)	833.3
Est. free float (%)	33

Share price perf. (%)	1M	3M	12M
Relative to SET	20.4	61.4	12.8
Absolute	13.5	65.6	61.6

Financial summary

FY Ended 31 Dec	2008	2009E	2010E	2011E
Revenues (Btm)	6,506	6,877	8,577	9,631
Net profit (Btm)	602	839	1,152	1,394
EPS (Bt)	0.72	0.92	1.18	1.34
BLS/Consensus (x)	n.m.	1.29	1.24	1.27
EPS growth (%)	-40.4%	+27.2%	+28.5%	+13.7%
Core profit (Btm)	565	823	1,152	1,394
Core EPS (Bt)	0.68	0.90	1.18	1.34
Core EPS growth (%)	-43.8%	+32.9%	+30.9%	+13.7%
PER (x)	14.0	11.0	8.6	7.5
Core PER (x)	14.9	11.2	8.6	7.5
EV/EBITDA (x)	12.2	11.1	9.3	8.3
PBV (x)	1.2	1.3	1.2	1.1
Dividend (Bt)	0.3	0.5	0.8	0.9
Dividend yield (%)	2.5	5.0	7.9	8.9
ROE (%)	12.4	15.6	19.0	20.0
Net gearing (x)	1.7	1.5	1.3	1.2

CG Rating - 2008



Company profile

Rojana Industrial Park (ROJNA) is a leading Thai industrial land developer with one industrial park in Ayudhya, about 70 km north of Bangkok, and one in Rayong, on the Eastern Seaboard. The firm has expanded and diversified its operation to include residential real estate, energy, water and wastewater treatment.

Figure 1: 3Q09 earnings preview

(Btm)	3Q09E	3Q08	%YoY	2Q09	%QoQ	9M09E	9M08	%YoY	9M09E/FY09E
Revenue	2,300	1,774	+29.7	1,478	+55.6	5,123	4,861	+5.4	74.5%
Cost of sales and services	(1,575)	(1,318)	+19.5	(1,145)	+37.5	(3,759)	(3,515)	+6.9	73.9%
Gross profit	726	456	+59.2	333	+118.1	1,364	1,346	+1.4	76.1%
SG&A	(129)	(85)	+51.2	(90)	+42.8	(304)	(293)	+3.7	72.1%
EBIT	596	370	+61.0	242	+146.2	1,060	1,053	+0.7	77.3%
Interest expenses	(117)	(130)	-10.7	(127)	-8.5	(373)	(376)	-0.7	77.8%
Other income/exp.	3	0	+542.0	9	-67.8	13	14	-7.3	129.3%
EBT	483	240	+100.8	124	+288.6	700	691	+1.3	77.6%
Corporate tax	(39)	(48)	-17.7	(28)	+38.7	(88)	(151)	-41.7	79.1%
After-tax net profit (loss)	444	193	+130.2	96	+362.4	612	540	+13.3	77.4%
Minority interests	(32)	(49)	-34.7	(23)	+43.0	(72)	(179)	-59.9	66.5%
Equity earnings from affiliates	17	13	+31.7	23	-25.9	58	46	+26.7	41.6%
Net profit (loss)	428	156	+174.3	112	+282.1	614	455	+34.9	73.2%
EPS	0.48	0.19	+154.8	0.12	+282.1	0.68	0.55	+25.2	74.5%
Fully diluted EPS	0.35	0.17	+103.7	0.09	+282.1	0.51	0.51	+0.2	73.2%
Core net profit	428	156	+174.2	96	+345.2	598	407	+34.9	72.7%
Core EPS	0.48	0.19	+154.7	0.11	+345.2	0.67	0.49	+36.5	74.0%
EBITDA	728	481	+51.3	378	+92.6	1,445	1,369	+0.2	80.4%

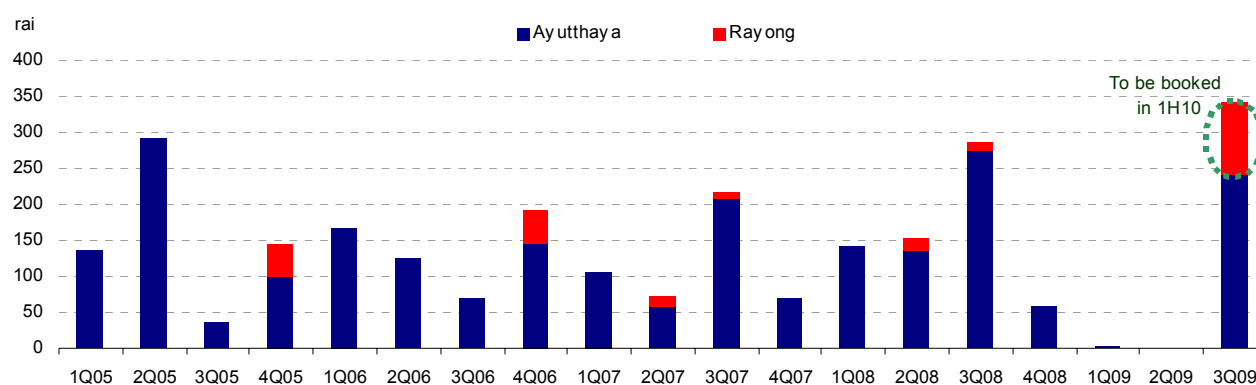
Sources: Company data, Bualuang Research estimates

Figure 2: Revenue breakdown

(Btm)	3Q09E	3Q08	%YoY	2Q09	%QoQ	9M09E	9M08	%YoY
Land	769	253	+203.6	87	+785.6	996	1,051	-5.3
Condominium	235	306	-23.2	225	+4.4	633	358	+76.9
Electricity	1,185	1,097	+8.0	1,063	+11.4	3,186	3,110	+2.4
Service	95	101	-6.0	86	+9.5	259	291	-11.0
Rental	17	17	0.0	16	+5.3	50	50	-0.6

Sources: Company data, Bualuang Research estimates

Figure 3: Land sales



Sources: Company data, Bualuang Research

Financial tables

	2007	2008	2009E	2010E	2011E
PROFIT & LOSS (Btm)					
Revenue	6,180	6,506	6,877	8,577	9,631
Cost of sales and services	(4,456)	(4,914)	(5,083)	(6,204)	(6,830)
Gross profit	1,724	1,592	1,794	2,373	2,801
SG&A	(424)	(360)	(422)	(609)	(693)
EBIT	1,300	1,232	1,372	1,764	2,108
Interest expense	(493)	(506)	(480)	(466)	(469)
Other income/exp.	(23)	13	10	10	10
EBT	784	739	902	1,308	1,649
Corporate tax	(71)	(183)	(111)	(169)	(244)
After-tax net profit (loss)	714	556	791	1,139	1,405
Minority interest	(161)	(137)	(108)	(183)	(217)
Equity earnings from affiliates	368	146	140	195	206
Extra items	9	37	16	0	0
Net profit (loss)	929	602	839	1,152	1,394
Reported EPS	1.21	0.72	0.92	1.18	1.34
Fully diluted EPS	1.03	0.72	0.69	0.95	1.15
Core net profit	920	565	823	1,152	1,394
Core EPS	1.21	0.68	0.90	1.18	1.34
EBITDA	1,677	1,645	1,797	2,195	2,558
KEY RATIOS					
Revenue growth (%)	(3.1)	5.3	5.7	24.7	12.3
Gross margin (%)	27.9	24.5	26.1	27.7	29.1
EBITDA margin (%)	27.1	25.3	26.1	25.6	26.6
Operating margin (%)	21.0	18.9	19.9	20.6	21.9
Net margin (%)	15.0	9.3	12.2	13.4	14.5
Core profit margin (%)	14.9	8.7	12.0	13.4	14.5
ROA (%)	5.3	3.0	4.0	5.5	6.4
ROCE (%)	5.9	3.3	4.5	6.1	7.0
Asset turnover (x)	0.4	0.3	0.3	0.4	0.4
Current ratio (x)	1.0	1.3	1.3	1.5	1.6
Gearing ratio (x)	1.9	1.8	1.5	1.3	1.2
Interest coverage (x)	2.6	2.4	2.9	3.8	4.5
BALANCE SHEET (Btm)					
Cash & Equivalent	1,321	562	468	544	568
Accounts receivable	2,442	1,509	1,547	1,572	1,586
Inventory	2,636	4,732	4,703	5,292	5,359
PP&E-net	8,927	9,969	9,851	9,941	10,511
Other assets	4,391	4,134	4,140	4,184	4,238
Total assets	19,718	20,906	20,710	21,533	22,262
Accounts payable	1,001	622	574	631	634
ST debts & current portion	4,399	3,706	3,059	2,791	3,115
Long-term debt	6,934	8,481	8,107	8,211	8,192
Other liabilities	1,388	1,218	1,693	1,640	1,151
Total liabilities	13,723	14,027	13,433	13,272	13,092
Paid-up capital	764	833	913	976	1,039
Share premium	944	1,081	1,251	1,440	1,629
Retained earnings	2,609	2,783	3,413	4,109	4,722
Shareholders equity	4,495	5,202	5,578	6,525	7,390
Minority interests	1,500	1,678	1,699	1,736	1,779
Total Liab.&Shareholders' equity	19,718	20,906	20,710	21,533	22,262
CASH FLOW (Btm)					
Net income	929	602	839	1,152	1,394
Depreciation and amortization	405	401	415	420	440
Change in working capital	995	(19)	925	770	1,058
FX, non-cash adjustment & others	(1,084)	(839)	(1,032)	(1,340)	(1,625)
Cash flows from operating activities	1,245	146	1,147	1,002	1,267
Capex (Invest)/Divest	(1,577)	(1,691)	(310)	(510)	(1,010)
Others	(829)	769	156	102	142
Cash flows from investing activities	(2,406)	(923)	(154)	(408)	(868)
Debt financing (repayment)	2,354	849	(986)	(164)	304
Equity financing	258	390	250	252	252
Dividend payment	(830)	(500)	(308)	(606)	(931)
Cash flows from financing activities	1,782	739	(1,044)	(518)	(375)
Net change in cash	621	(37)	(52)	76	24
Free cash flow (Btm)	(332)	(1,545)	837	492	257
FCF per share (Bt)	(0.44)	(1.85)	0.92	0.50	0.25

Sources: Company data, Bualuang Research estimates

Financial tables

QUARTERLY PROFIT& LOSS (Btm)	2Q08	3Q08	4Q08	1Q09	2Q09
Revenue	1,523	1,774	1,645	1,345	1,478
Cost of sales and services	(1,109)	(1,318)	(1,399)	(1,039)	(1,145)
Gross profit	413	456	246	306	333
SG&A	(102)	(85)	(67)	(84)	(90)
EBIT	311	370	179	222	242
Interest expense	(125)	(130)	(130)	(129)	(127)
Other income/exp.	8	0	(1)	1	9
EBT	194	240	47	93	124
Corporate tax	(51)	(48)	(32)	(21)	(28)
After-tax net profit (loss)	143	193	16	72	96
Minority interest	(62)	(49)	42	(17)	(23)
Equity earnings from affiliates	18	13	100	19	23
Extra items	0	(0)	(11)	0	16
Net profit (loss)	99	156	147	74	112
Reported EPS	0.12	0.19	0.18	0.08	0.12
Fully diluted EPS	0.11	0.17	0.16	0.06	0.09
Core net profit	99	156	158	74	96
Core EPS	0.12	0.19	0.19	0.08	0.11
EBITDA	415	481	276	339	378
KEY RATIOS	2Q08	3Q08	4Q08	1Q09	2Q09
Gross margin (%)	27.1	25.7	14.9	22.8	22.5
EBITDA margin (%)	27.3	27.1	16.8	25.2	25.6
Operating margin (%)	20.4	20.9	10.9	16.5	16.4
Net margin (%)	6.5	8.8	8.9	5.5	7.6
Core profit margin (%)	6.5	8.8	9.6	5.5	6.5
BV (Bt)	7.61	7.88	8.26	7.78	7.78
ROE (%)	8.3	13.1	11.7	5.6	8.6
ROA (%)	2.0	3.1	2.9	1.4	2.2
Current ratio (x)	1.1	1.3	1.3	1.2	1.2
Gearing ratio (x)	1.9	1.8	1.8	1.7	1.7
Interest coverage (x)	2.5	2.8	1.4	1.7	1.9
QUARTERLY BALANCE SHEET(Btm)	2Q08	3Q08	4Q08	1Q09	2Q09
Cash & Equivalent	381	306	562	435	425
Accounts receivable	1,922	1,704	1,509	1,568	1,216
Inventory	2,492	3,333	4,732	4,913	4,868
PP&E-net	9,607	9,848	9,969	9,981	9,895
Other assets	5,806	5,111	4,134	4,171	4,083
Total assets	20,207	20,301	20,906	21,068	20,487
Accounts payable	475	574	622	661	438
ST debts & current portion	3,945	3,451	3,651	3,912	3,842
Long-term debt	8,151	8,523	8,481	8,066	7,800
Other liabilities	1,300	1,188	1,274	1,453	1,423
Total liabilities	13,871	13,735	14,027	14,092	13,502
Paid-up capital	833	833	833	897	897
Share premium	1,080	1,081	1,081	1,204	1,204
Retained earnings	2,480	2,636	2,783	2,857	2,745
Shareholders equity	4,665	4,846	5,202	5,281	5,119
Minority interests	1,671	1,720	1,678	1,695	1,865
Total Liab.&Shareholders' equity	20,207	20,301	20,906	21,068	20,487

Sources: Company data, Bualuang Research

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80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

BUALUANG RESEARCH – RECOMMENDATION FRAMEWORK

STOCK RECOMMENDATIONS

BUY: Expected positive total returns of 15% or more over the next 12 months.

HOLD: Expected total returns of between -15% and +15% over the next 12 months.

SELL: Expected negative total returns of 15% or more over the next 12 months.

TRADING BUY: Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.