27 April 2018

Earnings Preview

ORI (ORI TB)

Origin Property

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	17.70	24.00	+35.6%	N/A	4

Consolidated earnings

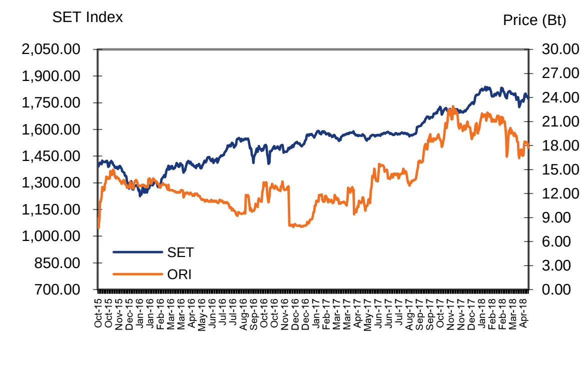
BT (mn)	2016	2017	2018E	2019E
Normalized earnings	638	1,380	2,645	3,759
Net profit	638	2,021	2,645	3,759
Normalized EPS (Bt)	0.58	0.85	1.30	1.85
EPS (Bt)	0.58	1.24	1.30	1.85
% growth	-10.1	114.6	4.7	42.1
Dividend (Bt)	0.18	0.55	0.57	0.74
BV/share (Bt)	1.99	3.15	3.34	4.45
EV/EBITDA (x)	20.8	25.9	16.5	12.2
Normalized PER (x)	27.5	30.6	20.9	13.6
PER (x)	27.5	30.6	14.2	13.6
PBV (x)	6.1	8.9	5.6	5.3
Dividend yield (%)	1.0	1.0	3.4	3.6
ROE (%)	23.2	31.5	32.7	36.3
YE No. of shares (million)	1,101	1,626	2,033	2,033
Par (Bt)	0.50	0.50	0.50	0.50

Source: Company data, FSS estimates

Share data

Sector	Property Development
Close (26/04/2018)	17.70
SET Index	1,773.20
Foreign limit/actual (%)	49.00/7.83
Paid up shares (million)	1,629.21
Free float (%)	21.37
Market cap (Bt m)	28,836.93
Avg daily T/O (Bt m) (2018 YTD)	109.14
hi, lo, avg (Bt) (2018 YTD)	22.50, 16.30, 19.96

Source: Setsmarts



Source: SET

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More superior in terms of growth and secured revenues

Our forecast calls for ORI's 1Q18 normalized earnings to amount to Bt320mn (+86% Y-Y, -53% Q-Q) in line with seasonality. In the January-March quarter, we expect transfer revenues at Bt2bn after ORI's transfer from Park 24 (Phase 1) continued from last year. Moreover, it began to transfer from two new projects with a combined value of Bt2bn. Although the company was hit by the transfer of low-margin Park24 (Phase 1), we believe it's partly offset after the transfer of other projects remained strong. Looking ahead, we expect profit momentum to remain positive in 2Q18 after ORI's transfers from new projects increase, while low-margin project exposure decreases. For 2018, we stand by our normalized earnings estimate. It implies a jump of 92% Y-Y because ORI will realize more than Bt12bn from its backlog this year. We continue to like ORI as a growth stock. We expect its profit to record the largest gain in the property development sector. Moreover, its backlog has already secured 79% of our 2018E revenues, also the highest in the industry. Given that, we retain our BUY rating on ORI at our 2018 TP of Bt24. In the near term, the counter will go XD on its 2017 dividend, implying a yield of 3.1%, on May 8, 2018.

Expect 1Q18 normalized earnings to jump 86% Y-Y

Our forecast calls for ORI's normalized earnings to amount to Bt320mn (+86% Y-Y, -53% Q-Q) in 1Q18. The strong Y-Y gain is likely to be attributed to the followings. First, we expect transfer revenues of Bt2bn (-60% Q-Q, +135% Y-Y) after the company realized from its backlog of Bt1.4bn from its Park24 (Phase 1). Second, ORI began to transfer from new projects, i.e. KnightsBridge Tiwanon (Bt1.2bn, 71% presales) and Britania Srinakarin (Bt800mn, 43% presales), its first low-rise project. Third, we anticipate revenues of Bt350-400mn from its management of project for NRED after a JV project, i.e. KnightsBridge Space Ratchayothin (Bt2.7bn) was launched. The sharp Q-Q loss is likely to be attributed to seasonal factor after ORI expedited transfer in 4Q17. In the January-March quarter, we predict negative impacts from the realization from a low-margin project, i.e. Park24 Phase 1 were partly offset by the margin of other projects which remained wide at 38-45%. Given that, we expect gross margin at 30% (vs. 27.3% in 4Q17 and 46.7% in 1Q17).

Robust 1Q18 presales outlook supports ORI to achieve target in 2018

ORI's 1Q18 presales are expected at Bt5bn (+18% Q-Q, +248% Y-Y). It's enough to secure 25% of the company's full-year target of Bt20bn (+36% Y-Y). In 1Q18, ORI's new projects are equal to just 20% of its plan for this year. They comprise three KnightsBridge projects, i.e. KnightsBridge Space Rama 9, KnightsBridge Space Ratchayothin, and KnightsBridge Collage Sukhumvit 107. Together they have a combined value of Bt6bn. They were well received with average presales of 72%. Looking ahead, we expect a success from the company's new launches in the rest of year. Together they have a combined value of Bt24bn. This will help support 2018 presales to hit its target. Of all, the spotlight will be on a launch of Park Phayathai in 2Q18 and Park Thonglor in 3Q18. They will be made in a mixed-use format, comprising a luxury condo, an office building, a serviced apartment, and retail space. This will help them appeal to high-end customers, create recurring income that will support revenues to be constant, and diversify risks.

Maintain BUY rating at TP of Bt24

We continue to like ORI on the back of its profit growth, which is the strongest in the industry. To elaborate, we expect 2018-2019 normalized earnings to grow by 67% CAGR. At end-2017, ORI has a backlog of over Bt27bn. It already helps secure 79% of our 2018E revenues and 52% of our 2019E revenues. Given that, downside risk is limited. In the near term, ORI will go XD on its DPS of Bt0.55 implying a dividend yield of 3.1%, on May 8. We retain our BUY rating on ORI at our 2017 TP of Bt24.

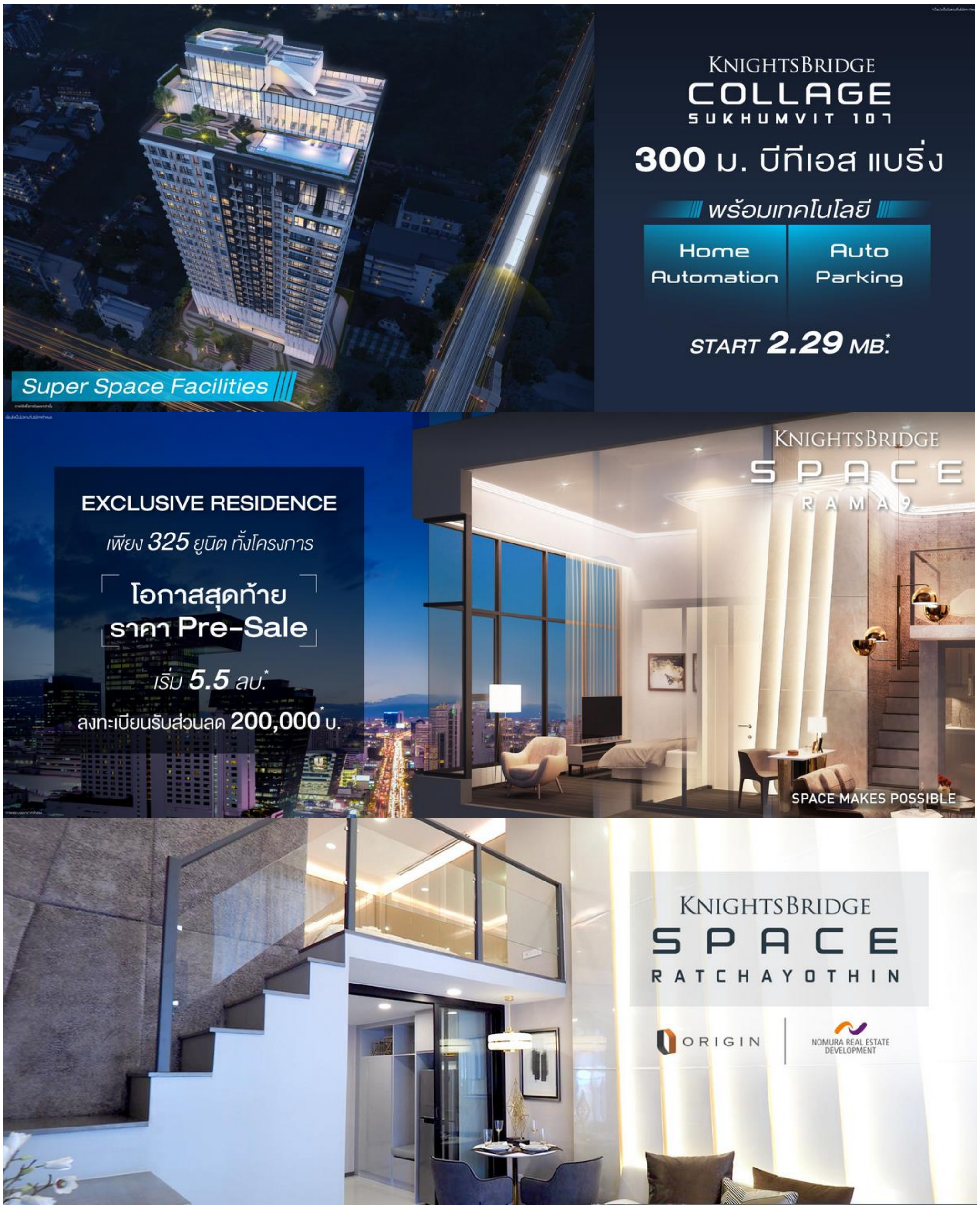
Risks – Weaker-than-expected purchasing power, cancellation of presales, banks' loan rejection, a delay in construction, lower-than-expected presales

1Q18E Earnings Preview

(Bt mn)	1Q18E	4Q17	%Q-Q	1Q17	%Y-Y
Revenue	2,030	5,075	-60.0	863	135.3
Costs	1,421	3,691	-61.5	459	209.3
Gross profit	609	1,384	-56.0	403	51.0
SG&A costs	365	642	-43.1	200	82.8
Interest charge	15	48	-68.6	0.1	n/a
Norm profit	320	680	-53.0	172	85.9
Net profit	320	1,054	-69.7	172	85.9
Gross margin (%)	30.0	27.3	2.7	46.7	-16.7
Norm earnings margin (%)	15.7	13.4	2.3	19.9	-4.2
Net profit margin (%)	15.7	20.8	-5.0	19.9	-4.2

Source: FSS Estimates

Figure 1: 3 KnightsBridge launched in 1Q18



Source: Company Website

Income Statement (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Revenue	2,010	3,153	8,765	15,065	18,341
Cost of sales	1,149	1,724	5,662	9,642	11,005
Gross profit	861	1,429	3,102	5,423	7,337
SG&A	404	666	1,452	2,335	2,843
Operating profit	457	762	1,650	3,088	4,494
Other income	45	46	582	605	660
EBIT	502	808	2,232	3,693	5,154
EBITDA	530	850	2,318	3,769	5,245
Interest charge	17	7	51	75	80
Tax on income	98	162	583	724	1,015
Earnings after tax	386	640	1,598	2,895	4,059
Minority Interests	0	2	0	0	0
Norm profit	386	638	1,380	2,645	3,759
Extraordinary items	0	0	641	0	0
Net profit	386	638	2,021	2,645	3,759

Cash Flow Statement (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Net profit	386	638	1,380	2,895	4,059
Depreciation etc.	28	41	87	75	92
Change in working capital	-840	-2,258	-8,372	-2,986	-2,220
Other adjustments	0	0	0	0	0
Cash flow from operation	-425	-1,579	-6,483	-266	1,631
Capital expenditures	-50	-439	-1,577	814	-280
Others	0	0	0	0	0
Cash flow from investing	-50	-439	-1,577	814	-280
Free cash flow	-475	-2,018	-8,060	548	1,351
Net borrowings	-342	1,885	6,494	299	480
Equity capital raised	1,326	799	1,994	195	0
Dividend paid	-251	-441	-125	-1,164	-1,504
Others	0	0	-3	0	0
Cash flow from financing	733	2,243	8,359	-670	-1,024
Net Change in cash	258	225	299	-121	327

Balance Sheet (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Cash and equivalent	296	521	820	699	1,026
Current Investment	6	11	294	452	550
Accounts receivable	2,442	4,517	18,209	19,283	22,010
Inventory	384	1,119	1,127	1,205	1,376
Other current asset	3,128	6,269	20,460	21,640	24,962
Total current assets	95	8	1,049	151	183
Investment	70	367	1,021	1,069	1,257
PPE	55	114	396	450	547
Other non- assets	3,347	6,758	22,925	23,308	26,949
Total Assets	0	198	695	670	650
Short-term loans	254	529	3,544	3,596	4,013
Account payable	410	555	4,548	3,677	3,922
Other current liabilities	653	905	3,119	2,248	2,736
Total current liabilities	1,317	2,188	11,906	10,191	11,321
Long-term debt	281	1,823	3,827	5,022	5,277
Other LT liabilities	1	4	780	6	6
Total liabilities	1,599	4,015	16,513	15,219	16,604
Registered capital	302	553	1,025	1,025	1,025
Paid-up capital	300	551	813	1,016	1,016
Share Premium	1,248	1,254	2,234	2,234	2,234
Legal reserve	26	55	102	102	102
Retained earnings	197	393	2,068	3,549	5,805
Others	1	1	1	1	1
Minority Interest	0	550	1290	1290	1290
Shareholders' equity	1,748	2,743	6,412	8,089	10,345

Source: Company data, FSS research

Important Ratios (Consolidated)

	2015	2016	2017	2018E	2019E
Growth (%)					
Revenue	265.3	56.9	178.0	71.9	21.7
EBITDA	422.8	60.3	172.8	62.6	39.2
Net profit	449.4	65.0	217.0	30.9	42.1
Normalized earnings	449.4	65.0	116.4	91.7	42.1
Profitability (%)					
Gross profit margin	42.9	45.3	35.4	36.0	40.0
EBITDA margin	26.4	27.0	26.5	25.0	28.6
EBIT margin	25.0	25.6	25.5	24.5	28.1
Normalized profit margin	19.2	20.2	15.7	17.6	20.5
Net profit margin	19.2	20.2	23.1	17.6	20.5
Normalized ROA	11.5	9.4	6.0	11.3	13.9
Normalize ROE	22.1	23.2	21.5	32.7	36.3
Normalized ROCE	19.0	13.9	12.5	20.2	24.1
Risk (x)					
D/E	0.9	1.5	2.6	1.9	1.6
Net D/E	0.7	1.2	2.4	1.8	1.5
Net debt/EBITDA	2.5	4.0	6.8	3.9	3.0
Per share data (Bt)					
Reported EPS	0.64	0.58	1.24	1.30	1.85
Normalized EPS	0.64	0.58	0.85	1.30	1.85
EBITDA	0.88	0.77	1.43	1.85	2.58
Book value	2.91	1.99	3.15	3.34	4.45
Dividend	0.17	0.18	0.55	0.57	0.74
Par	0.50	0.50	0.50	0.50	0.50
Valuations (x)					
P/E	27.5	30.6	14.2	13.6	9.6
Norm P/E	27.5	30.6	20.9	13.6	9.6
P/BV	6.1	8.9	5.6	5.3	4.0
EV/EBITDA	20.8	25.9	16.5	12.2	8.8
Dividend yield (%)	1.0	1.0	3.4	3.6	4.2

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Patumwan, Bangkok

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Pratumtanee

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Tumbon Sriracha
Aumphoe Sriracha, Chonburi

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Road, Tumbon Nai Meung,
Aumphoe Meung,
Khonkaen

Khonkaen 2
26/9 Moo 7, 2nd Floor
Sri Chant Mai Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Khonkaen 3
311/1
Khang Meung Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Udonthani
197/29, 213/3
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumphoe Muang Udon Thani,
Udon Thani

Chiangmai 1
308 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2
310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 3
Maliplace Building 32/4 moo 2
1 fll., Room B1-1, B1-2
Tumbon Maehia
Chiangmai

Chiangrai
353/15 Moo 4,
Tumbon Rimkok
Aumphoe Muang, Cheangrai

Measai
119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Nakornratchasima
1242/2 Room A3, 7 fl.,
The Mall Ratchasima
Mittraphap rood Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

Samutsakorn
813/30 Norrasing Road,
Tumbon Maha Chai,
Aumphoe Meungsamutsakorn,
Samutsakorn

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Amphoe Muang Phuket,
Phuket

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Aumphoe Hadyai, Songkhla

Hatyai 2
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Aumphoe Hadyai, Songkhla

Hatyai 3
200/222, 200/224, 200/226
Juldis Hadyai Plaza, 2rd Floor,
Building, Niphat Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Trang
59/28 Huaiyod Road,
Tumbon Thaptieng,
Aumphoe Meungtrang, Trang

Suratthani
173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumphoe Mueang, Suratthani

Pattane
300/69-70 Moo 4,
Tumbon Rusamirae,
Aumphoe Meung, Pattane

Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average

Note: The expected return may change as market risks increase or decline.

Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2017

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

IOD (IOD Disclaimer)

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Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

1 CG Score 2017 from Thai Institute of Directors Association (IOD)

2 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of July 31, 2017) are categorised into:

- companies that have declared their intention to join CAC, and
- companies certified by CAC.