

Thailand Company Guide

Origin Property PCL

Version 5 | Bloomberg: ORI TB | Reuters: ORI.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

15 May 2018

BUY

Last Traded Price (14 May 2018): Bt19.00 (SET : 1,773.10)

Price Target 12-mth: Bt23.40 (23% upside) (Prev Bt22.90)

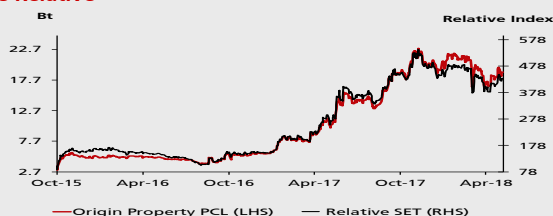
Analyst

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What's New

- 1Q18 profit beat forecasts
- We raise FY18/19F earnings slightly for Park 24's stronger margins
- Earnings expected to grow q-o-q in 2Q-3Q18F
- Introducing two new brands

Price Relative



Forecasts and Valuation

FY Dec (Btm)	2016A	2017A	2018F	2019F
Revenue	3,153	8,765	15,191	17,598
EBITDA	850	2,156	4,952	5,771
Pre-tax Profit	802	2,474	4,592	5,524
Net Profit	638	2,020	3,536	4,319
Net Pft (Pre Ex.)	638	1,507	3,456	3,959
Net Pft Gth (Pre-ex) (%)	65.0	136.4	129.3	14.6
EPS (Bt)	1.01	1.77	2.05	2.24
EPS Pre Ex. (Bt)	1.01	1.32	2.00	2.05
EPS Gth Pre Ex (%)	57	30	52	2
Diluted EPS (Bt)	0.58	1.23	1.73	2.11
Net DPS (Bt)	0.21	0.55	0.77	0.85
BV Per Share (Bt)	3.32	3.15	6.20	8.97
PE (X)	18.8	10.8	9.3	8.5
PE Pre Ex. (X)	18.8	14.4	9.5	9.3
P/Cash Flow (X)	nm	nm	nm	nm
EV/EBITDA (X)	17.0	14.5	8.9	8.9
Net Div Yield (%)	1.1	2.9	4.1	4.5
P/Book Value (X)	5.7	6.0	3.1	2.1
Net Debt/Equity (X)	0.7	1.3	0.8	0.7
ROAE (%)	32.4	55.2	43.0	29.2

Earnings Rev (%):

Consensus EPS (Bt):

Other Broker Recs:

B: 8 S: 0 H: 0

Source of all data on this page: Company, DBSVTH, Bloomberg Finance L.P

Bright prospects

Still our top pick. Although ORI's share price has risen by 16% since 3 April, ORI remains our top pick (Bt23.40 TP) thanks to the bright prospects in the short and long run. 1Q18F profit beat our and the street's forecasts by wide margins, and we decide to raise our FY18/19F earnings by 3%/2%. Earnings are expected to grow strongly in 2Q-3Q18F, and projected core earnings growth are at 129% in FY18F and 15% in FY19F.

1Q18 profit beat forecasts, and we raise earnings forecasts. ORI reported 1Q18 core earnings of Bt489m (+184% y-o-y, -35% q-o-q), 67%/81% higher than our forecast/consensus. This was mainly thanks to the higher-than-expected gross margin of 39.2% (1Q18E: 32.0%). A change in accounting method regarding Purchase Price Allocation and increases in selling prices have led to the strong gross margin at Park 24 – Phase I (Bt5.9bn, 78% sold) in 1Q18 at 27.0%. We raise FY18F Phase I's gross margin from 17.0% to 30.0%, leading to an increase in FY18F residential gross margin from 37.2% to 39.5% and 3% increase in our FY18F earnings.

Earnings expected to grow q-o-q into 2Q-3Q18F. Earnings are expected to peak in 3Q18F, thanks to condo completions in late-2Q18 and 3Q18, including Park 24 – Phase II (Bt11.1bn, 59% sold), Notting Hill Praksa (Bt1.4bn, 57% sold) and Notting Hill Laemchabang (Bt1.2bn, 55% sold).

Valuation:

We have an SOP-based TP of Bt23.40, of which Bt19.30 comes from the residential business (FY18F PE of 10x) and Bt4.10 from rental assets; the higher TP is due to 3% increase in FY18F earnings. We assume that half of ORI-W1 will be exercised in FY18F. Our forecast does not include the value of the newly announced mixed-use projects worth Bt70bn.

Key Risks to Our View:

Economic downturn, land scarcity along the mass-transit lines.

At A Glance

Issued Capital (m shrs)	1,629
Mkt. Cap (Btm/US\$m)	30,955 / 970
Major Shareholders (%)	
Jaroon-Ek's family	54.45
Nares Ngam-Apichon	8.85
Thunpeerada Limited	4.73
Free Float (%)	21.37
3m Avg. Daily Val (US\$m)	2.8
ICB Industry : Financials / Real Estate	

WHAT'S NEW

A top pick that delivers

1Q18 profit beat forecasts: ORI reported 1Q18 core earnings of Bt489m (+184% y-o-y, -35% q-o-q) on the back of Bt2.0bn transfers (+130% y-o-y, -61% q-o-q). The earnings were 67%/81% higher than our forecast/consensus, thanks to the higher-than-expected gross margin of 39.2% (1Q18E: 32.0%). A change in accounting method regarding Purchase Price Allocation and increases in selling prices have led to the strong gross margin at Park 24 – Phase I (Bt5.9bn, 78% sold) in 1Q18 at 27.0%. Another factor that helped boost gross margin q-o-q is the lower revenue contribution from Park 24 – Phase I; the project contributed Bt800m revenue in 1Q18 (40% of total) down from Bt3.1bn in 4Q17 (62% of total).

We raise FY18/19F earnings slightly, thanks to Park 24: We raise FY18F Phase I's gross margin from 17.0% to 30.0%; the overall gross margin for Park 24 Phase I + II is also raised from 28% to 32%, leading to an increase in FY18F residential gross margin from 37.2% to 39.5%. Consequently, the gross-margin adjustment has led to 3%/2% increases in our FY18/19F earnings.

Earnings expected to grow into 2Q-3Q18F: Earnings are expected to grow both y-o-y and q-o-q in 2Q18F on the back of continuing transfers of Park 24 Phase I. The bottom line is then expected to peak in 3Q18F, thanks to condo completions in late-2Q18 and 3Q18, including Park 24 – Phase II (Bt11.1bn, 59% sold), Notting Hill Praksa (Bt1.4bn, 57% sold) and Notting Hill Laemchabang (Bt1.2bn, 55% sold).

Introducing two new brands: ORI's super-luxury brand (>Bt200k per sqm) called Park will be rebranded to Park Origin. As a result, Park 24 (Bt17bn, 66% sold) will be called Park Origin Phromphong; the project will be partly renovated and then relaunched along with Origin 24, a mixed-used project, in 3Q18. The developer is also planning to launch Park Origin Phayathai (Bt4.0bn) in 3Q18 and Park Origin Thonglor (Bt12bn) in 4Q18. For the landed-property business, ORI plans to announce a fighting brand that should come with a lower unit price than Britania (<Bt4m); the new brand should be in the same market at GOLD's Golden Town and AP's Pleno.

Quarterly / Interim Income Statement (Btm)

FY Dec	1Q2017	4Q2017	1Q2018	% chg yoy	% chg qoq
Revenue	863	5,075	1,987	130.3	(60.9)
Cost of Goods Sold	(459)	(3,691)	(1,209)	163.1	(67.3)
Gross Profit	403	1,384	778	92.9	(43.8)
Other Oper. (Exp)/Inc	(200)	(642)	(386)	93.3	(39.8)
Operating Profit	203	742	391	92.5	(47.3)
Other Non Opg (Exp)/Inc	15.2	523	487	3,100.4	(6.9)
Associates & JV Inc	0.0	(216)	(179)	nm	(17.3)
Net Interest (Exp)/Inc	(0.1)	(47.7)	(47.0)	(76,867.2)	1.7
Exceptional Gain/(Loss)	0.0	299	0.0	nm	(100.0)
Pre-tax Profit	219	1,301	653	198.8	(49.8)
Tax	(46.6)	(248)	(164)	252.7	(33.7)
Minority Interest	0.02	0.15	0.30	1,750.0	96.3
Net Profit	172	1,053	489	184.3	(53.6)
Net profit bef Except.	172	754	489	184.3	(35.2)
EBITDA	239	1,089	740	210.1	(32.1)
Margins (%)					
Gross Margins	46.7	27.3	39.2		
Opg Profit Margins	23.6	14.6	19.7		
Net Profit Margins	19.9	20.8	24.6		

Source of all data: Company, DBSVTH

CRITICAL DATA POINTS TO WATCH

Critical Factors

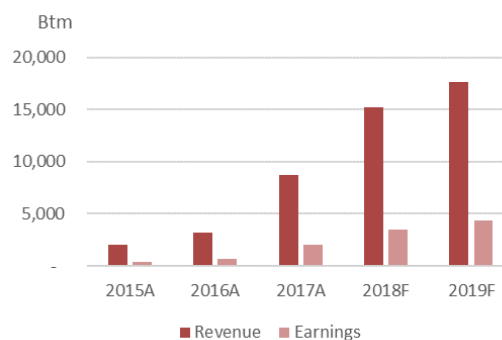
Strong growth in the years to come. We expect ORI to generate earnings of Bt3.5bn (+75%) in FY18F and Bt4.3bn (+22%) in FY19F on the back of Bt15.1bn and Bt17.5bn transfers in those respective years. At the end of 1Q18, the developer had a backlog of Bt27.3bn, of which Bt11.8bn is scheduled to be transferred in FY18F, Bt9.5bn in FY19F, Bt1.4bn in FY20F and the rest in FY21F. This implies that our FY18/19F transfers are already 78%/54% secured by the backlog, representing the highest revenue visibility in the industry. Note that JV condos and recurring income projects will not contribute any revenue until 2020.

Blue Ocean strategy and cluster model. ORI is known for its ability to find new opportunities along the extension of mass-transit lines with hold strong prospects and less keen competition. While most developers are focused on CBD areas, ORI was one of the first listed developers to launch clusters of condos near Udomsuk, Bangna and Bearing Stations (Sukhumvit 101 – 115) from 2010 to 2014, and along the extension of the green line (Mochit station onwards). Also, ORI usually launches projects under different brands in the same area. This model allows for i) continuous expansion as ORI is able to serve several market segments, and ii) economies of scale (better control of SG&A) as the company can share resources.

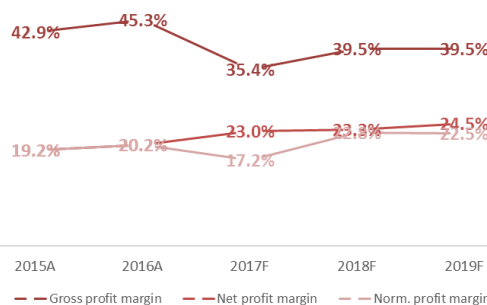
Brands that cover different segments. ORI has a strong footprint in the mid-range and low-end markets with its three main brands, Kensington (low end), Notting Hill (mid-range) and Knightsbridge (upper mid-range to high-end). The developer usually couples its Blue Ocean Strategy with the cluster development model, which entails launching projects with different brands in the same area. It also has the Park brand for condominium projects with a price per unit of above Bt200k per sqm.

Nomura Real Estate, a strategic long-term partner. In 3Q17, ORI entered into joint-ventures with Nomura Real Estate, announcing four JVs worth a combined Bt8.6bn, including Knightsbridge Prime Ratchyothin (Bt1.6bn, Bt163k per sqm, 86% sold), Knightsbridge Prime On Nut (Bt2.5bn, 60% sold) and Knightsbridge Kaset Society (Bt1.3bn, 55% sold) and another project to be launched in 2018. The partnership will allow ORI to launch more projects each year, obtain production know-how and increase equity IRR, thanks to the faster cash inflows from selling JV stakes to Nomura. In 2017, ORI launched Bt16bn worth of projects, of which (Bt6.1bn) were JVs with Nomura. This year, ORI plans to launch 30bn new projects, of which Bt20bn will be under the JVs with Nomura.

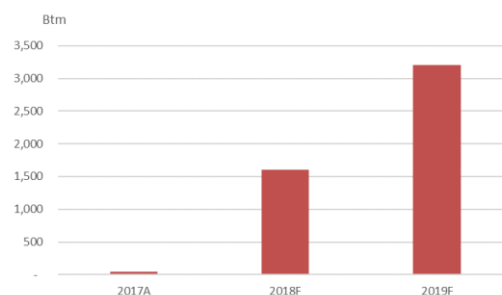
Revenue and earnings





ORI's profitability



Revenue contribution from low-rise projects



ORI's brands

Brand	Average Selling Price
	> Bt200k per sqm
	Bt120-200k per sqm
	Bt80-120k per sqm
	< Bt80k per sqm
Britania (Town, Home, Residence and Villa)	Landed properties (Bt3-5m, Bt5-8m, Bt8-15m, Bt15-25m)

Source: Company, DBSVTH

Origin Property PCL

Balance Sheet:

ORI ended 2017 with 1.3x net gearing. We expect the ratio to decline to 0.8x in FY17-18F thanks to the exercise of ORI-W1, which should bring in Bt8.1bn during the two years.

Share Price Drivers:

In FY18F, we expect 73% transfer growth (vs industry's +10%), 104% core earnings growth (vs industry's +19%), 36% presales growth (vs industry's +4%) and 98% increase in new launches (vs industry's +31%). Except for new launches, all of the numbers imply the strongest growth in the industry. In addition, gross margin is expected to improve in 2H18F as Park 24 Phase I completes its transfer.

Key Risks:

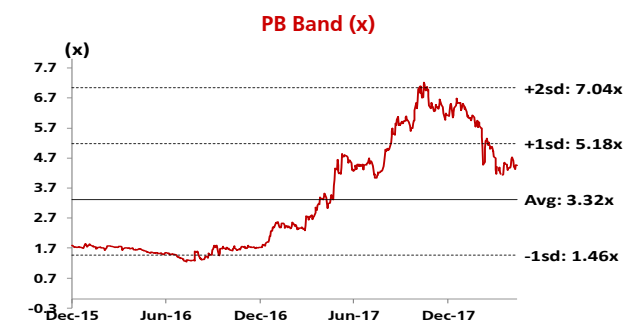
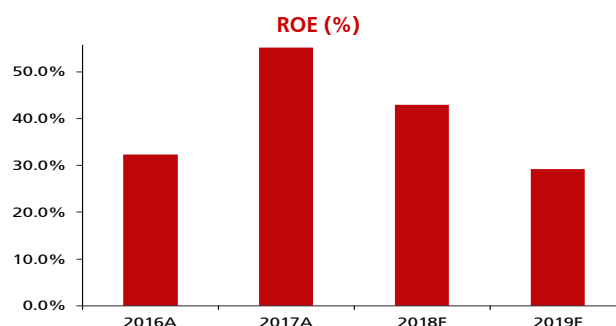
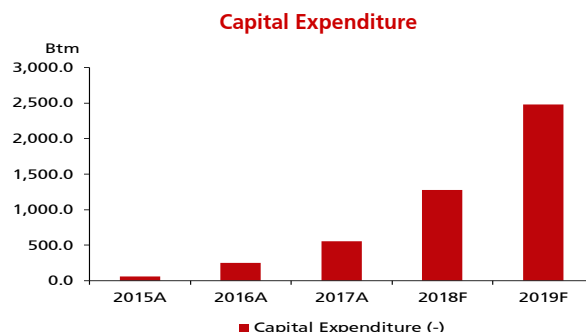
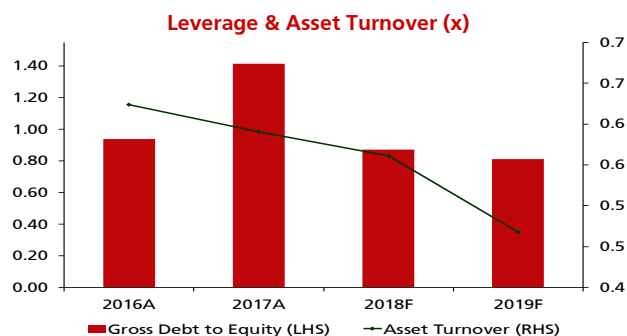
Economic downturn. Property development is a cyclical business, and the sector's new launches and presales are much more volatile than GDP growth.

Land scarcity. Most of the land plots in Thailand are still freehold, and some wealthy families with no immediate financial need tend to state lofty asking prices for their land. Also, land plots along the mass-transit lines are highly sought after by all condo developers, so it might become increasingly more difficult for ORI to find Blue Ocean projects in the future.

Ambitious target for landed properties. ORI launched Bt800m worth of landed properties in 2017 and plans to launch B4.0bn in 2018 and Bt6.0bn in 2019. With no prior experience in the market, the targets seem ambitious.

Company Background

Origin Property (ORI) was established in 2009 and listed on the Stock Exchange of Thailand in 2015. ORI has focused on condominium projects that are located near existing or future mass-transit stations. ORI started out as a mid-range to-low-end player and then entered into the high-end market in 2017 via the acquisition of Proud Property, the owner of Park 24 in Soi Sukhumvit 24. It has also entered into joint-ventures deals with Nomura Real Estate, proclaiming that this is a long-term partnership. ORI's main strategy is to develop new projects along the mass-transit stations and near major industrial estates. In 3Q17, ORI is ranked number one in terms of gross profit margin and number two when it comes to net profit margin.



Source: Company, DBSVTH

Key Assumptions

FY Dec	2015A	2016A	2017A	2018F	2019F
Gross profit margin	42.9%	45.3%	35.4%	39.5%	39.5%
Net profit margin	19.2%	20.2%	23.0%	23.3%	24.5%
Norm. profit margin	19.2%	20.2%	17.2%	22.8%	22.5%

Income Statement (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Revenue	2,010	3,153	8,765	15,191	17,598
Cost of Goods Sold	(1,149)	(1,724)	(5,662)	(9,183)	(10,641)
Gross Profit	861	1,429	3,102	6,008	6,957
Other Opng (Exp)/Inc	(404)	(666)	(1,452)	(2,051)	(2,365)
Operating Profit	457	762	1,650	3,956	4,592
Other Non Opg (Exp)/Inc	45.0	46.0	581	1,352	1,496
Associates & JV Inc	0.0	0.0	(218)	(595)	(654)
Net Interest (Exp)/Inc	(17.2)	(6.8)	(51.0)	(201)	(269)
Exceptional Gain/(Loss)	0.0	0.0	513	80.0	359
Pre-tax Profit	485	802	2,474	4,592	5,524
Tax	(98.3)	(162)	(455)	(1,056)	(1,205)
Minority Interest	(0.2)	(2.0)	0.47	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Profit	386	638	2,020	3,536	4,319
Net Profit before Except.	386	638	1,507	3,456	3,959
EBITDA	530	850	2,156	4,952	5,771
Growth					
Revenue Gth (%)	N/A	56.9	178.0	73.3	15.8
EBITDA Gth (%)	nm	60.3	153.7	129.7	16.5
Opg Profit Gth (%)	nm	66.8	116.4	139.8	16.1
Net Profit Gth (Pre-ex) (%)	nm	65.0	136.4	129.3	14.6
Margins & Ratio					
Gross Margins (%)	42.9	45.3	35.4	39.5	39.5
Opg Profit Margin (%)	22.7	24.2	18.8	26.0	26.1
Net Profit Margin (%)	19.2	20.2	23.0	23.3	24.5
ROAE (%)	N/A	32.4	55.2	43.0	29.2
ROA (%)	N/A	12.6	13.6	13.1	11.5
ROCE (%)	N/A	16.2	13.5	16.3	12.5
Div Payout Ratio (%)	25.9	21.5	44.3	40.0	40.0
Net Interest Cover (x)	26.5	112.3	32.4	19.6	17.0

Source: Company, DBSVTH

Origin Property PCL

Quarterly / Interim Income Statement (Btm)

FY Dec	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018
Revenue	863	1,161	1,665	5,075	1,987
Cost of Goods Sold	(459)	(626)	(886)	(3,691)	(1,209)
Gross Profit	403	536	779	1,384	778
Other Oper. (Exp)/Inc	(200)	(244)	(367)	(642)	(386)
Operating Profit	203	292	412	742	391
Other Non Opg (Exp)/Inc	15.2	14.9	27.5	523	487
Associates & JV Inc	0.0	0.0	(2.5)	(216)	(179)
Net Interest (Exp)/Inc	(0.1)	(1.3)	(1.9)	(47.7)	(47.0)
Exceptional Gain/(Loss)	0.0	0.0	214	299	0.0
Pre-tax Profit	219	306	649	1,301	653
Tax	(46.6)	(67.4)	(93.1)	(248)	(164)
Minority Interest	0.02	0.18	0.13	0.15	0.30
Net Profit	172	239	556	1,053	489
Net profit bef Except.	172	239	342	754	489
EBITDA	239	337	477	1,089	740

Growth

Revenue Gth (%)	(32.9)	34.6	43.4	204.8	(60.9)
EBITDA Gth (%)	(42.0)	41.3	41.5	128.3	(32.1)
Opg Profit Gth (%)	(48.2)	43.7	41.1	80.0	(47.3)
Net Profit Gth (Pre-ex) (%)	(45.9)	38.9	43.4	120.2	(35.2)

Margins

Gross Margins (%)	46.7	46.1	46.8	27.3	39.2
Opg Profit Margins (%)	23.6	25.2	24.8	14.6	19.7
Net Profit Margins (%)	19.9	20.6	33.4	20.8	24.6

Balance Sheet (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	164	373	898	1,940	4,083
Invt in Associates & JVs	0.0	0.0	928	1,258	1,529
Other LT Assets	55.5	117	640	726	803
Cash & ST Invt	296	621	830	1,079	2,678
Inventory	2,756	5,416	18,918	25,397	33,940
Debtors	5.95	11.2	294	54.0	62.5
Other Current Assets	69.9	221	419	796	922
Total Assets	3,347	6,758	22,925	31,250	44,018
ST Debt	410	753	5,243	5,243	5,243
Creditor	254	529	3,544	2,621	2,923
Other Current Liab	653	905	3,119	4,861	5,631
LT Debt	281	1,823	3,823	5,826	10,626
Other LT Liabilities	0.98	3.94	784	21.0	24.3
Shareholder's Equity	1,748	2,193	5,123	11,341	18,233
Minority Interests	0.28	550	1,290	1,337	1,337
Total Cap. & Liab.	3,347	6,758	22,925	31,250	44,018
Non-Cash Wkg. Capital	1,925	4,214	12,967	18,766	26,370
Net Cash/(Debt)	(395)	(1,956)	(8,236)	(9,990)	(13,191)
Debtors Turn (avg days)	N/A	1.0	6.3	4.2	1.2
Creditors Turn (avg days)	N/A	84.9	134.7	125.8	98.2
Inventory Turn (avg days)	N/A	886.2	804.7	904.2	1,050.9
Asset Turnover (x)	NM	0.6	0.6	0.6	0.5
Current Ratio (x)	2.4	2.9	1.7	2.1	2.7
Quick Ratio (x)	0.2	0.3	0.1	0.1	0.2
Net Debt/Equity (X)	0.2	0.7	1.3	0.8	0.7
Net Debt/Equity ex MI (X)	0.2	0.9	1.6	0.9	0.7
Capex to Debt (%)	8.2	9.9	6.1	11.6	15.6
Z-Score (X)	6.2	3.6	2.1	2.1	2.8

Source: Company, DBSVTH

Cash Flow Statement (Btm)

FY Dec	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	485	802	2,474	4,592	5,524
Dep. & Amort.	28.0	41.4	144	238	336
Tax Paid	(76.4)	(118)	(303)	(1,076)	(1,295)
Assoc. & JV Inc/(loss)	0.0	0.0	218	595	654
Chg in Wkg.Cap.	(698)	(2,311)	(7,996)	(6,647)	(7,678)
Other Operating CF	(69.7)	(80.2)	(119)	20.0	89.8
Net Operating CF	(321)	(1,660)	(6,223)	(2,278)	(2,369)
Capital Exp.(net)	(57.0)	(254)	(556)	(1,280)	(2,480)
Other Invt.(net)	(86.5)	(103)	72.8	0.0	0.0
Invt in Assoc. & JV	0.0	0.0	(385)	(925)	(925)
Div from Assoc & JV	2.37	2.24	0.0	0.0	0.0
Other Investing CF	0.0	3.35	0.0	0.0	0.0
Net Investing CF	(141)	(352)	(868)	(2,205)	(3,405)
Div Paid	0.0	0.0	0.0	0.0	0.0
Chg in Gross Debt	(346)	1,888	6,489	2,003	4,800
Capital Issues	1,317	0.0	1,022	0.0	0.0
Other Financing CF	(251)	348	(121)	2,729	2,573
Net Financing CF	720	2,236	7,390	4,732	7,373
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	258	225	300	249	1,599
Opg CFPS (Bt)	0.63	1.03	1.55	2.53	2.75
Free CFPS (Bt)	(0.6)	(3.0)	(5.9)	(2.1)	(2.5)

Source: Company, DBSVTH

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	15 Dec 17	21.00	24.90	BUY
2:	10 Jan 18	19.80	24.90	BUY
3:	29 Jan 18	22.10	25.50	BUY
4:	02 Mar 18	21.10	22.50	HOLD
5:	07 Mar 18	20.00	22.90	HOLD
6:	14 Mar 18	19.80	22.90	BUY
7:	23 Apr 18	18.40	22.90	BUY
8:	03 May 18	19.50	22.90	BUY

Note : Share price and Target price are adjusted for corporate actions.

Source: DBSVTH

Analyst: Wasu MATTANAPOTCHANART

THAI-CAC

Corporate Governance CG Rating (as of Feb 2018)

n/a



THAI-CAC is Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of Feb 2018) are categorised into:

Score	Description
Declared	Companies that have declared their intention to join CAC
Certified	Companies certified by CAC.

Corporate Governance CG Rating is based on Thai Institute of Directors (IOD)'s annual assessment of corporate governance practices of listed companies. The assessment covers 235 criteria in five categories including board responsibilities (35% weighting), disclosure and transparency (20%), role of stakeholders (20%), equitable treatment of shareholders (10%) and rights of shareholders (15%). The IOD then assigns numbers of logos to each company based on their scoring as follows:

Score	Range Number of Logo	Description
90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	No logo given	N/A

DBSVTH recommendations are based on Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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Sources for all charts and tables are DBSVTH unless otherwise specified.

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