FINANSIA
ALWAYS A STEP AHEAD

15 May 2018

Earnings Results

ORI (ORI TB)

Origin Property

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	19.00	25.40	+33.7%	N/A	4

Consolidated earnings

BT (mn)	2016	2017	2018E	2019E
Normalized earnings	638	1,380	2,865	3,759
Net profit	638	2,021	2,865	3,759
EPS (Bt) - Norm	0.58	0.85	1.41	1.85
EPS (Bt)	0.58	1.24	1.41	1.85
% growth	-10.1	114.6	13.4	31.2
Dividend (Bt)	0.18	0.60	0.69	0.74
BV/share (Bt)	1.99	3.15	3.41	4.51
EV/EBITDA (x)	27.6	17.4	11.6	9.3
Normalized PER (x)	32.8	22.4	13.5	10.3
PER (x)	32.8	15.3	13.5	10.3
PBV (x)	9.5	6.0	5.6	4.2
Dividend yield (%)	1.0	3.2	3.6	3.9
ROE (%)	23.2	31.5	34.9	35.9
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

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1Q18 profit blows past estimates, raise full-year forecast

1Q18 normalized earnings down 28$% Q-Q and 184% Y-Y

ORI's 1Q18 normalized earnings come in at Bt489mn. It drops 28% Q-Q due to seasonal factor but jumps 184% Y-Y. It blows past our estimate by 53% and the consensus forecast by 82% thanks to the GPM of its property development business which is higher than our estimate. In particular, it stood at 39.2% (vs. 33.6% in 4Q17) thanks to a rise in the GPM of Park24 Phase 1. Moreover, transfer revenues touched Bt2bn (-60% Q-Q, +130% Y-Y), in line, supported by continued transfers of Bt800mn from Park24 Phase 1 and transfers of a new condo, i.e. KnightsBridge Tivanont (Bt1.2bn, 72% presales). Moreover, ORI booked management fee of Bt408mn from NRED after KnightsBridge Space Ratchayothin (Bt2.7bn) was introduced. In the January-March quarter, presales amounted to Bt5.1bn (+20% Q-Q, +255% Y-Y). It's enough to secure 25% of the company's target of Bt20bn (+36% Y-Y).

Earnings momentum remains strong

Looking ahead, ORI's profit momentum to remain strong. Specifically, we expect profit to continue to rise in the remaining quarters of this year thanks to its backlog; Bt10bn of which will be realized this year. In addition, ORI plans to open three more low-rise projects with a combined value of Bt3bn. They are anticipated to be well received as its first, i.e. Britania Srinakarin which recorded presales of 65% within four months. In 2Q18, the company's profit looks set to increase both Q-Q and Y-Y thanks to transfers of two new condos, i.e. Notting Hill Laem Chabang (Bt1.2bn, 55% presales) and Notting Hill Praksa (Bt1.4bn, 57% presales). Besides that, there is chance ORI will begin to transfer from Kensington Kaset Campus (Bt1bn, 93% presales) and Park 24 Phase 2 (Bt11bn, 59% presales) in 2Q18, which is sooner than planned.

Raise profit estimate by 8% to factor in above-estimate GPM

We have increased our 2018E normalized earnings by 8% to factor in a rise in the GPM of ORI's property development business from 36% to 39%. Such gain reflects the higher-than-expected GPM in 1Q18. Moreover, other projects than Park 24 Phase 1&2 have a high GPM of 38-46%. We maintain our view that 2018 normalized earnings will hit a new high and jump 108% Y-Y, the largest growth rate in the property development sector, to Bt2.9bn. After which, ORI's 1Q18 normalized earnings are enough to secure 17% of our new 2018 estimate. This year, the highlight is on the company's launch of two condos, i.e. Park Phayathai (Bt4.5bn) and Park Thonglor (Bt12bn) in 2H18, which are anticipated to help drive 2018 presales to reach its target.

Increase 2018 TP to Bt25.4, maintain BUY rating

Similarly, we have raised our 2018 TP from Bt24 to Bt25.4 (PER 18x, maintained). Finally, we retain our BUY rating on ORI and continue to have it as our top pick in the property development sector. The company is in its growth stage. This reflects in its profit growth which is predicted to be the highest in this space. In particular, we estimate its 2018-2019 normalized earnings to grow by 69% CAGR. What's more, the company's current backlog is already enough to secure 79% and 52% of our revenues estimate for 2018 and 2019, respectively, also the largest in the industry. Last but not least, ORI has expanded its portfolio to a business that generates constant recurring income, which will help diversify risks over the long run.

1Q18 Earnings Results

(Bt mn)	1Q18	4Q17	%Q-Q	1Q17	%Y-Y
Revenue	2,395	6,049	-60.4	863	177.6
Costs	1,209	3,691	-67.3	459	163.1
Gross profit	1,186	2,358	-49.7	403	194.2
SG&A costs	386	642	-39.8	200	93.3
Interest charge	47	48	-1.7	0	n/a
Norm profit	489	680	-28.1	172	184.3
Net profit	489	1,054	-53.6	172	184.3
Gross margin (%)	49.5	39.0	10.6	46.7	2.8
Norm earnings margin (%)	20.4	11.2	9.2	19.9	0.5
Net profit margin (%)	20.4	17.4	3.0	19.9	0.5

Comment

- In 1Q18, ORI's net profit jumps 184% Y-Y but drops 54% Q-Q. Excluding an extra item, i.e. an extra gain of Bt374mn from sales of share in 4Q17, normalized earnings are down by 28% Q-Q.
- Revenues surged 178% Y-Y thanks to transfer revenues which soared 130% Y-Y. Moreover, ORI booked management fee from its JV.
- The GPM of its property development business was above our estimate. It came in at 39.2%, down from the 46.7% in 1Q17. However, overall GPM was up to 49.5% (vs. 46.7% in 1Q17) because there was no O&M revenue in 1Q17.

Source: Company and FSS Research

Income Statement (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Revenue	2,010	3,153	9,252	15,615	18,941
Cost of sales	1,149	1,724	5,662	9,190	11,005
Gross profit	861	1,429	3,589	6,425	7,937
SG&A	404	666	1,452	2,350	2,843
Operating profit	457	762	2,137	4,075	5,094
Other income	45	46	95	80	90
EBIT	502	808	2,232	4,155	5,184
EBITDA	530	850	2,318	4,233	5,278
Interest charge	17	7	51	75	80
Tax on income	98	162	583	816	1,021
Earnings after tax	387	640	1,598	3,264	4,083
Minority Interests	0	2	0	0	0
Norm profit	386	638	1,380	2,865	3,759
Extraordinary items	0	0	641	0	0
Net profit	386	638	2,021	2,865	3,759

Cash Flow Statement (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Net profit	386	638	1,380	3,264	4,083
Depreciation etc.	28	41	87	78	95
Change in working capital	-840	-2,258	-8,372	-3,584	-2,217
Other adjustments	0	0	0	0	0
Cash flow from operation	-425	-1,579	-6,483	-641	1,637
Capital expenditures	-50	-439	-1,577	812	-283
Others	0	0	0	0	0
Cash flow from investing	-50	-439	-1,577	812	-283
Free cash flow	-475	-2,018	-8,060	171	1,355
Net borrowings	-342	1,885	6,494	299	480
Equity capital raised	1,326	799	1,994	195	0
Dividend paid	-251	-441	-125	-1,260	-1,504
Others	0	0	-3	0	0
Cash flow from financing	733	2,243	8,359	-766	-1,024
Net Change in cash	258	225	299	-596	331

Balance Sheet (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Cash and equivalent	296	521	820	225	556
Current Investment	6	11	294	301	379
Accounts receivable	2,442	4,517	18,209	19,987	22,730
Inventory	384	1,119	1,127	1,249	1,421
Other current asset	3,128	6,269	20,460	21,763	25,085
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	23,431	27,072
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	3,672	5,928
Others	1	1	1	1	1
Minority Interest	0	550	1290	1290	1290
Shareholders' equity	1,748	2,743	6,412	8,212	10,468

Source: Company data, FSS research

Important Ratios (Consolidated)

	2015	2016	2017	2018E	2019E
Growth (%)					
Revenue	265.3	56.9	193.4	68.8	21.3
EBITDA	422.7	60.3	172.8	82.6	24.7
Net profit	449.3	65.0	217.0	41.8	31.2
Normalized earnings	449.3	65.0	116.4	107.6	31.2
Profitability (%)					
Gross profit margin	42.9	45.3	38.8	41.1	41.9
EBITDA margin	26.4	27.0	25.1	27.1	27.9
EBIT margin	25.0	25.6	24.1	26.6	27.4
Normalized profit margin	19.2	20.2	14.9	18.3	19.8
Net profit margin	19.2	20.2	21.8	18.3	19.8
Normalized ROA	11.5	9.4	6.0	12.2	13.9
Normalize ROE	22.1	23.2	21.5	34.9	35.9
Normalized ROCE	19.0	13.9	12.5	21.6	23.9
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	3.5	3.0
Per share data (Bt)					
Reported EPS	0.64	0.58	1.24	1.41	1.85
Normalized EPS	0.64	0.58	0.85	1.41	1.85
EBITDA	0.88	0.77	1.43	2.08	2.60
Book value	2.91	1.99	3.15	3.41	4.51
Dividend	0.17	0.18	0.60	0.65	0.74
Par	0.50	0.50	0.50	0.50	0.50
Valuations (x)					
P/E	29.5	32.8	15.3	13.5	10.3
Norm P/E	29.5	32.8	22.4	13.5	10.3
P/BV	6.5	9.5	6.0	5.6	4.2
EV/EBITDA	22.3	27.6	17.4	11.6	9.3
Dividend yield (%)	0.9	1.0	3.2	3.4	3.9

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Muang
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Chiangmai 3
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Tumbon Maehia
Chiangmai

Chiangrai
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Tumbon Rimkok
Aumphoe Muang, Cheangrai

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Pattane
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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.

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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

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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.