

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	19.50	25.40	+30.3%	N/A	4

Consolidated earnings

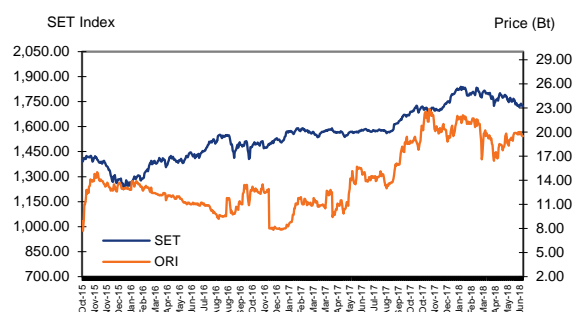
BT (mn)	2016	2017	2018E	2019E
Normalized earnings	638	1,380	2,865	3,759
Net profit	638	2,021	2,865	3,759
Normalized EPS (Bt)	0.58	0.85	1.41	1.85
EPS (Bt)	0.58	1.24	1.41	1.85
% growth	-10.1	114.6	13.4	31.2
Dividend (Bt)	0.18	0.55	0.69	0.74
BV/share (Bt)	1.99	3.15	3.41	4.51
EV/EBITDA (x)	28.2	17.8	11.8	9.5
Normalized PER (x)	33.7	23.0	13.8	10.5
PER (x)	33.7	15.7	13.8	10.5
PBV (x)	9.8	6.2	5.7	4.3
Dividend yield (%)	0.9	3.1	3.3	3.8
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

Share data

Sector	Property Development
Close (11/06/2018)	19.50
SET Index	1,723.11
Foreign limit/actual (%)	49.00/8.21
Paid up shares (million)	1,629.21
Free float (%)	25.66
Market cap (Bt m)	31,769.50
Avg daily T/O (Bt m) (2018 YTD)	96.52
hi, lo, avg (Bt) (2018 YTD)	22.50, 16.30, 19.86

Source: Setsmarts



Source: SET

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Complete jigsaw with One Origin

We have positive view about ORI's strategy to expand its portfolio to include recurring income through One Origin. To elaborate, the said company plans to develop three main businesses, i.e. hotels (70%), office buildings (20%), and restaurants (10%) with a combined value of over Bt25bn in Bangkok, the EEC and key provinces with high potential. One Origin will begin to realize revenues from 4Q19. This will help generate constant revenues in the mid to long run and diversify risks. What's more, there is a chance for additional revenues from sales of assets to an REIT in the future. In 2Q18, our forecast calls for ORI's net profit to continue to accelerate both Q-Q and Y-Y after the company begins to transfer from four new projects and books extra gain of Bt59mn from sales of shares to NRED. We maintain our forecast which calls for ORI's 2018 normalized earnings to jump 107% Y-Y, the highest in the property development sector, and retain our BUY rating on ORI at our TP of Bt25.4 (PE 18x).

Continue to expand portfolio to cover recurring income

Yesterday, we attended a meeting to disclose One Origin's business plan and the company's CEO, i.e. Mrs. Kamonwan Wipulakorn, ERW's ex-executive who has extensive experience in the hotel business. One Origin aims to become a leader in total service developer through its five-year investment plan for 2018-2022. The plan which calls for 23 projects with a combined value of over Bt25bn comprises hotels (70%), office buildings (20%) and restaurants (10%) in Bangkok, the EEC, and provinces with high potential, i.e. Pataya, Phuket, and Chiangmai. Currently, One Origin is developing 13 projects with a combined value of Bt11bn. It will start to realize from such projects from 4Q19 onward, the first of which will be Staybridge Suites Bangkok Hotel, Thonglor. Furthermore, we expect revenues from One Origin to be significant from 2022 onward, while there is a chance for additional revenues from sales of assets to an REIT in the future. We have a positive view about ORI's strategy to expand its portfolio to include recurring income because it will help provide constant revenues stream and diversify risks. The company has strengths over its competitors in terms of land cost, efficient construction, as well as strategic partners, i.e. IHG and NRED.

2Q18 normalized earnings set to continue to accelerate

In 2Q18, our forecast calls for ORI's operating performance to grow Q-Q and Y-Y thanks to transfers of new condos, i.e. Notting Hill Laem Chabang (Bt1.2bn, 55% sold) and Notting Hill Preaksa (Bt1.4bn, 57% sold). Moreover, it will begin to transfer two more condos that are sooner than planned by one quarter, i.e. Kensington Kaset Campus (Bt1bn, 93% sold) and Park 24 Phase 2 (Bt11bn, 59% sold). Finally, ORI will book extra gain of about Bt59mn from sales of its share in Origin 24 to NRED. In this quarter, the company adopts a strategy to clear out its inventory without reducing its selling price. To elaborate, it has launched a campaign where customers can make a monthly installment of Bt999 for three years on units in one of its 11 condos. Such program is well received, resulting in a decline in units available for sales by Bt1.5bn to Bt3bn.

Maintain BUY rating at TP of Bt25.4

We stand by our forecast which calls for 2018 normalized earnings to jump 107% Y-Y to Bt2.8bn. It assumes transfer revenues of Bt15bn (+71% Y-Y). Of that, ORI's backlog is already enough to secure 79% of our estimate, sharply higher than other developers' which is sufficient to secure just 20 - 30%. Finally, we retain our BUY rating on ORI at our 2018 TP of Bt25.4. ORI is a safe growth stock. In the long run, it is backed by One Origin's recurring income, which will ease volatility in its property development business.

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

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

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

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

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	30.3	33.7	15.7	13.8	10.5
Norm P/E	30.3	33.7	23.0	13.8	10.5
P/BV	6.7	9.8	6.2	5.7	4.3
EV/EBITDA	22.8	28.2	17.8	11.8	9.5
Dividend yield (%)	0.9	0.9	3.1	3.3	3.8

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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.