

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	18.20	25.40	+39.6%	N/A	4

Consolidated earnings

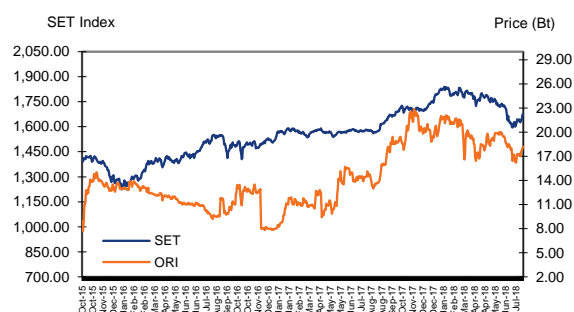
BT (mn)	2016	2017	2018E	2019E
Normalized earnings	638	1,380	2,865	3,759
Net profit	638	2,021	2,865	3,759
Normalized EPS (Bt)	0.58	0.85	1.41	1.85
EPS (Bt)	0.58	1.24	1.41	1.85
% growth	-10.1	114.6	13.4	31.2
Dividend (Bt)	0.18	0.60	0.65	0.74
BV/share (Bt)	1.99	3.15	3.41	4.51
EV/EBITDA (x)	26.5	16.9	11.2	9.0
Normalized PER (x)	31.4	21.5	12.9	9.8
PER (x)	31.4	14.6	12.9	9.8
PBV (x)	9.1	5.8	5.3	4.0
Dividend yield (%)	1.0	3.3	3.6	4.1
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 (23/07/2018)	18.20
SET Index	1,675.75
Foreign limit/actual (%)	49.00/8.38
Paid up shares (million)	1,629.21
Free float (%)	25.66
Market cap (Bt m)	29,651.54
Avg daily T/O (Bt m) (2018 YTD)	84.72
hi, lo, avg (Bt) (2018 YTD)	22.50, 15.90, 19.59

Source: Setsmarts



Source: SET

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2Q18 profit set to record highest gain in sector

Our forecast calls for ORI's 2Q18 normalized earnings to amount to Bt730mn (+49% Q-Q, +206% Y-Y). Such sharp gains should be supported by transfer revenues which are anticipated to hit Bt3.3bn thanks to transfers of four new projects with a combined value of Bt15bn and the success of its promotional campaign. Looking ahead, we expect 2H18 profit to continue to rise owing to transfers of a large condo project, i.e. Park 24 (Phase 2) and transfers of two new condos. We stand by our forecast which calls for 2018 normalized earnings to jump 108% Y-Y to Bt2.9bn, its all-time high. We continue to have ORI as our top pick. The company's growth outlook is the strongest in the industry. In particular, we expect ORI's 2018-2019 normalized earnings to record 69% CAGR. The company's current backlog is already enough to secure 79% of our revenues estimate in 2018 and 52% in 2019. Its valuation is not demanding. The counter currently trades on 2018-2019 PE of 10-13x, lower than its historical average, and prospective PEG of 0.35x. Given that, we retain our BUY rating on ORI at our 2018 TP of Bt25.4.

Expect 2Q18 presales to be positive even without new project

We expect ORI's 2Q18 presales at Bt6bn (+18% Q-Q, +116% Y-Y). Since the company did not launch any new project during the quarter, such presales are satisfactory because it implies that existing projects, particularly the three Knightsbridge projects that were launched in 1Q18 continued to generate strong presales. In addition, ORI benefited from its strategy to launch a promotional campaign. Assuming in-line 2Q18 presales, 1H18 presales are equal to 55% of the company's full-year target of Bt20bn (+36% Y-Y). Looking ahead, ORI plans to aggressively launch new projects in the rest of this year. They comprise a condominium in two mixed-use projects, i.e. Park Phayathai and Thonglor. They have a combined value of Bt1.7bn. Furthermore, ORI will launch three low-rise projects with a combined value of Bt4bn. Together they will make it possible for the company's backlog to continue to increase and support presales to reach its target without difficulty.

2Q18 normalized earnings set to sharply increase both Q-Q and Y-Y

Our forecast calls for ORI's 2Q18 normalized earnings to amount to Bt730mn (+49% Q-Q, +206% Y-Y). Such sharp gains should be supported by transfer revenues which are expected to touch Bt3.3bn (+67% Q-Q, +185% Y-Y) after ORI began to transfer from new condominiums, i.e. Notting Hill Laem Chabang and Notting Hill Praksa. Moreover, two projects were transferred sooner than expected. They included Park 24 (Phase 2) and Kensington Kaset Campus. Together they have a combined value of Bt15bn and 66% presales on average. During the quarter, ORI's units available for sales decreased after its aggressive marketing campaign. The gross margin of the company's property development business is predicted to recover to 40% (vs. 39.2% in 1Q18) after the exposure of low-margin Park 24 (Phase 1) was low. Assuming in-line 2Q18 results, ORI's 1H18 normalized earnings are enough to secure 43% of our full-year estimate of Bt2.9bn (+108% Y-Y). Looking ahead, we anticipate 2H18 profit to accelerate thanks to revenues realization from a large condo project, i.e. Park 24 (Phase 2) which has a project value of Bt11bn and 59% presales. Furthermore, ORI will begin to transfer from two new projects. They have a combined value of Bt3bn and 79% presales on average.

Maintain BUY rating at TP of Bt25.4

We continue to have ORI as our top pick. The counter is stronger than its peers in terms of the followings. First, the company is in its growth stage. In this regard, we expect its normalized earnings to record 69% CAGR in 2018-2019, higher than the property development sector's average of 20%. Second, ORI has high backlog of Bt29bn. This already helps secure our 2018 and 2019E revenues by 79% and 52%, respectively, which are higher than the sector's average of 20% and 30%, respectively. Third, its profitability is strong. In particular, its property development unit's GPM and ROE of 40% and 35%, respectively are higher than the sector's GPM and ROE of 34% and 16%, respectively. Currently, the counter trades on 2018-2019 PE of 10-13x, respectively. Although it's higher than the sector's average of 10x, it's still below the company's historical average of 14x. Hence, we view that its valuation is not demanding. Assuming an EPS growth rate of 36% in 2018-2019, it's equal to PEG of just 0.35x. Hence, we retain our BUY rating on ORI at our 2018 TP of Bt25.4 (fully diluted after ORI-W1).

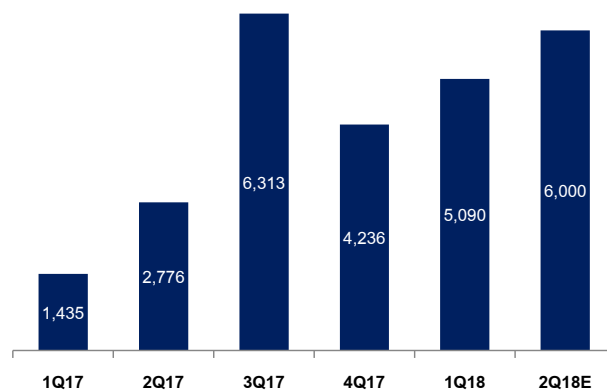
Risks - Weaker-than-expected purchasing power, cancellation of presales, banks' loan rejection, a delay in construction, lower-than-expected presales

2Q18E Earnings Preview

(Bt mn)	2Q18E	1Q18	%Q-Q	2Q17	%Y-Y
Revenue	3,613	2,395	50.8	1,161	211.1
Costs	1,988	1,209	64.4	626	217.7
Gross profit	1,625	1,186	37.0	536	203.3
SG&A costs	542	386	40.2	244	122.5
Interest charge	46	47	-2.0	1.3	3,485.3
Norm profit	730	489	49.4	239	205.8
Net profit	730	489	49.4	239	205.8
Gross margin (%)	45.0	49.5	-4.5	46.1	-1.1
Norm earnings margin (%)	20.2	20.4	-0.2	20.6	-0.3
Net profit margin (%)	20.2	20.4	-0.2	20.6	-0.3

Source: FSS Estimates

Figure 1: Presales (MB)



Source: Company data, FSS Research

Figure 2: Condo projects expected to transfer in 2Q18-4Q18

Project	Value (MB)	% Sale	Transfer
Notting Hill Laemchabang	1,200	55%	2Q18
Notting Hill Praksa	1,400	57%	2Q18
Park 24 Phase 2	11,166	59%	2Q18
Kensington Kaset Campus	1,050	93%	2Q18
Notting Hill Jatujak Interchange	666	91%	4Q18
Notting Hill Sukhumvit 105	2,350	67%	4Q18
Total project value	17,832	70%	

Sources: Company data

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	386	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

Important Ratios (Consolidated)

	2015	2016	2017	2018E	2019E
Growth (%)					
Revenue	265.3	56.9	193.4	68.8	21.3
EBITDA	422.8	60.3	172.8	82.6	24.7
Net profit	449.4	65.0	217.0	41.8	31.2
Normalized earnings	449.4	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	28.3	31.4	14.6	12.9	9.8
Norm P/E	28.3	31.4	21.5	12.9	9.8
P/BV	6.2	9.1	5.8	5.3	4.0
EV/EBITDA	21.3	26.5	16.9	11.2	9.0
Dividend yield (%)	0.9	1.0	3.3	3.6	4.1

Source: Company data, FSS research

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Khonkaen

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Rang sit

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Kukod, Lumlookka
Pratumtanee

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Pattane

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Aumhoe Muang Udon Thani,
Udon Thani

Measai

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Tumbon Maesai,
Aumhoe Muang, Cheangrai

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Aumhoe Hadyai, Songkhla

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.