

Current BUY	Previous BUY	Close 19.20	2018 TP 25.40	Exp Return +32.3%	THAI CAC N/A	CG 2017 4
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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)	27.8	17.6	11.7	9.4
Normalized PER (x)	33.2	22.6	13.6	10.4
PER (x)	33.2	15.5	13.6	10.4
PBV (x)	9.6	6.1	5.6	4.3
Dividend yield (%)	0.9	3.1	3.4	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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## Profit strong in 2Q18, in line, and will accelerate in 3Q18

### 2Q18 net profit up 109% Q-Q and 327% Y-Y thanks to extra gain

ORI's 2Q18 net profit comes in at about Bt1bn (+109% Q-Q, +327% Y-Y). Excluding extra item, i.e. an extra gain of about Bt312mn from the company's transfer of its right in a contract to buy or sell land, its normalized earnings are equal to Bt707mn (+45% Q-Q, +196% Y-Y), in line with both our estimate and the street forecasts. The sharp Q-Q and Y-Y strengths were supported by transfer revenues which were high at Bt3.6bn (+83% Q-Q, +212% Y-Y) after ORI began to transfer from three new projects, as planned. They have a combined value of Bt3.3bn and average presales of 68%. In addition, the company started to transfer from a large project, i.e. Park 24 (Phase 2) which has project value of Bt11bn and presales of 60%, and transferred from Kensington Kaset Campus, which has project value of Bt1bn and presales of 95%, sooner than expected. In the April-June quarter, the gross margin of its property development business recovered to 41% (vs. 39% in 1Q18). However, it is lower when compared to the 46% in 2Q17 due to its realization from Park 24 (Phase 1), a low-margin project.

### Presales and profit will continue to accelerate in 2H18

ORI's 2Q18 presales amount to Bt6.1bn (+19% Q-Q, +119% Y-Y). Although the company did not introduce any new project, presales remained strong thanks to its aggressive promotional campaign. As a result, ORI's 1H18 presales are already enough to secure 56% of its full-year target of Bt20bn (+36% Y-Y). In 2H18, presales will accelerate thanks to the company's introduction of new projects. They comprise both mixed-use and low-rise projects. Among them, the highlight will be on Park Phayathai in September and Park Thonglor in 4Q18. ORI's 1H18 normalized earnings are equal to Bt1.2bn (+3x Y-Y). It's enough to secure 42% of our full-year estimate. Looking ahead, profit momentum will continue to accelerate thanks to continued transfers from existing projects. In particular, we expect realization of Park 24 (Phase 2) to increase to where it implies a higher exposure in 3Q18. In 4Q18, ORI will begin to transfer two new projects. Currently, the company has a backlog of Bt29bn. Of that, Bt9bn will be realized as revenues in the rest of this year.

### Maintain BUY rating at TP of Bt25.4

We retain our BUY rating on ORI because it's a growth stock. To elaborate, our forecast calls for the company's normalized earnings to amount to Bt2.9bn (+108% Y-Y) in 2018 and Bt3.8bn (+31% Y-Y) in 2019. Such growth rates are the highest in the property development sector. It's supported by ORI's backlog which is already enough to secure 79% and 52% of the company's profit, respectively. What's more, ORI has expanded its portfolio to include recurring income which will provide a constant revenue stream and diversify risks. ORI has announced dividends for its performance in 1H18. They include a 2:1 stock dividend and a cash dividend of Bt0.04 per share. Together, they imply a dividend yield of 1.5%. The counter will go XD on October 16, 2018, and the dividend will be paid on October 31, 2018. After the stock dividend, there will be a dilution effect of 29%, which will slash our TP to Bt18.

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

**2Q18 Earnings Results**

(Bt mn)	2Q18	1Q18	%Q-Q	2Q17	%Y-Y	Comment
Revenue	3,821	2,395	59.5	1,161	229.0	<ul style="list-style-type: none"> <li>▪ In 2Q18, net profit jumped 109% Q-Q and 327% Y-Y. Excluding an extra gain of about Bt312mn, normalized earnings surged 45% Q-Q and 196% Y-Y, in line.</li> <li>▪ Loss contribution from its JV decreased to Bt87mn from the Bt179mn in 1Q18 because its JV did not introduce any new project during the quarter.</li> <li>▪ The GPM of its property development business recovered to 41% from the 39.2% in 1Q18. However, overall GPM was down to 44% from the 49.5% in 1Q18 after revenues from the company's management of its JV projects tumbled 52% Q-Q.</li> </ul>
Costs	2,139	1,209	77.0	626	241.9	
Gross profit	1,682	1,186	41.8	536	213.9	
SG&A costs	599	386	55.1	244	146.2	
Interest charge	57	47	21.3	1	4,338.3	
Norm profit	707	489	44.7	239	196.3	
Net profit	1,019	489	108.5	239	327.0	
Gross margin (%)	44.0	49.5	-5.5	46.1	-2.1	
Norm earnings margin (%)	18.5	20.4	-1.9	20.6	-2.0	
Net profit margin (%)	26.7	20.4	6.3	20.6	6.1	

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

**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
<b>Growth (%)</b>					
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
<b>Profitability (%)</b>					
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
<b>Risk (x)</b>					
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
<b>Per share data (Bt)</b>					
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
<b>Valuations (x)</b>					
P/E	29.8	33.2	15.5	13.6	10.4
Norm P/E	29.8	33.2	22.6	13.6	10.4
P/BV	6.6	9.6	6.1	5.6	4.3
EV/EBITDA	22.5	27.8	17.6	11.7	9.4
Dividend yield (%)	0.9	0.9	3.1	3.4	3.9

## Finansia Syrus Securities Public Company Limited

### Head Office

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### Chiangmai 1

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Chiangmai

### Nakornratchasima

1242/2 Room A3, 7 fl.,  
The Mall Ratchasima  
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Aumhoe Muang Nakornratchasima  
Nakornratchasima

### Hatyai 3

200/222, 200/224, 200/226  
Juldis Hadyai Plaza, 2rd Floor,  
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Aumhoe Hadyai, Songkhla

### Thaisummit Tower

1768 Thaisammit Tower Building,  
5<sup>th</sup>, 31<sup>th</sup> Fl., New Petchburi Road,  
Bangkapi, Huaykwang,  
Bangkok

### Bangna

589 Tower 1 Office, 19th Floor,  
Room 589/105 Moo 12,  
Bangna-Trad Road, Bangna,  
Bangkok

### Prachachuen

105/1 B Building, 4th Floor,  
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Ladyao, Jutujak, Bangkok

### Khonkaen 1

311/16 2nd Floor, Klangmeung  
Road, Tumbon Nai Meung,  
Aumhoe Meung,  
Khonkaen

### Chiangmai 2

310 Chiang Mai Land,  
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Muang  
Chiangmai

### Samutsakorn

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

### Trang

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

### Alma Link

9th, 14th, 15th Fl.,  
Alma Link Building 25  
Soi Chidlom, Ploenchit, Lumpini,  
Patumwan, Bangkok

### Sindhorn 1

130-132 Sindhorn Building 1,  
2rd Floor, Wireless Road,  
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Bangkok

### Rang sit

1/832 Moo 17  
Kukod, Lumlookka  
Pratumtanee

### Khonkaen 2

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Tumbon Nai Meung,  
Aumhoe Meung Khonkaen,  
Khonkaen

### Chiangmai 3

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1 fl., Room B1-1, B1-2  
Tumbon Maehia  
Chiangmai

### Phuket

22/18 Luangporwatchalong Road,  
Tumbon Talad Yai,  
Amphoe Muang Phuket,  
Phuket

### Suratthani

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

### Amarin Tower

496-502 Amarin Tower  
20th Floor, Pleonchit,  
Lumpini, Pathumwan,  
Bangkok

### Kian Gwan (Sindhorn 2)

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18th Floor, Wireless Road,  
Lumpini, Pathumwan,  
Bangkok

### Abdulrahim

990, Abdulrahim Place, 12nd Fl.,  
Room 1210, Rama IV Road,  
Silom, Bangrak, Bangkok

### Khonkaen 3

311/1  
Khang Meung Road,  
Tumbon Nai Meung,  
Aumhoe Meung Khonkaen,  
Khonkaen

### Chiangrai

353/15 Moo 4,  
Tumbon Rimkok  
Aumhoe Muang, Cheangrai

### Hatyai 1

200/221, 200/223  
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Aumhoe Hadyai, Songkhla

### Pattane

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

### Central Pinklao 1

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### Sindhorn 3

130-132 Sindhorn Building 3,  
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Bangkok

### Rattanatibet

576 Rattanatibet Road,  
Tumbon Banggrasor,  
Aumhoe Muang, Nonthaburi

### Udonthani

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

### Measai

119 Moo 10,  
Tumbon Maesai,  
Aumhoe Muang, Cheangrai

### Hatyai 2

106 Prachathipat Road,  
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.