

29 January 2018

Property Development

ORI

Origin Property

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	21.40	27.00	+ 26.2%	N/A	4

Consolidated earnings

BT (mn)	2015	2016	2017E	2018E
Normalized earnings	386	638	1,507	3,015
Net profit	386	638	2,112	3,015
EPS (Bt)- Normalized	0.64	0.58	0.93	1.48
EPS (Bt)	0.64	0.58	1.30	1.48
% growth Y-Y	312.0	-10.1	124.3	14.2
Dividend (Bt)	0.17	0.18	0.52	0.59
BV/share (Bt)	2.91	1.99	1.91	2.52
EV/EBITDA (x)	25.0	30.7	17.1	11.9
Normalized PER (x)	33.2	37.0	23.1	14.4
PER (x)	33.2	37.0	16.5	14.4
PBV (x)	7.3	10.7	11.2	8.5
Dividend yield (%)	0.8	0.8	2.4	2.8
ROE (%)	22.1	23.2	57.7	53.2
YE No. of shares (million)	600	1,101	1,626	2,033
Par (Bt)	0.50	0.50	0.50	0.50

Source: Company data, FSS estimates

Share data

Close (26/01/2018)	21.40
SET Index	1,828.88
Foreign limit/actual (%)	49.00/7.28
Paid-up shares (million)	1,626.30
Free float (%)	21.37
Market cap (Bt m)	34,802.76
Avg daily T/O (Bt m) (2018 YTD)	132.70
Hi, lo, avg (Bt) (2018 YTD)	22.50, 19.40, 21.08

Source: Setsmarts

New key player in property development sector

We have a bullish view toward ORI's plan to aggressively launch new projects in 2018. To elaborate, the company said it would launch 14 projects with a combined value of Bt30bn, nearly double Y-Y. Moreover, ORI will turn to focus more on the high-end market in Bangkok's CBD. This will drive presales to jump 36% Y-Y to Bt20bn. This year, the highlight will be launches of three mixed-use projects in Bangkok's downtown. This will help the company's shift to the uptown market and generate recurring income, which will help stabilize revenues and diversify risks. For 2017, we stand by our forecast which calls for net profit to jump 231% Y-Y. In 2018, we expect net profit to continue to surge by 43% Y-Y thanks to the company's high backlog of Bt27bn at end-2017, which already secures 78% of our 2018E revenues. We retain our BUY rating on ORI at our 2018 TP of Bt27 because its profit growth outlook is the strongest in the property development sector. Furthermore, there is near-term catalyst from the prospect that its 4Q17 profit will hit a new high.

Adjust strategy to go after high-end market in CBD area

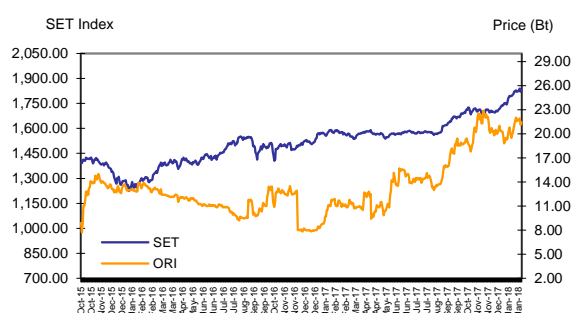
In 2018, ORI plans to launch 14 new projects with a combined value of Bt30bn, nearly double from its eight projects with a combined value of Bt15bn last year. First, the company will focus more on the high-end market in the CBD area. This will be done under Park brand (60%), which has an average selling price of >200,000 per SQM, and Knightsbridge brand (21%), which has an average selling price of 120,000-200,000 per SQM. Second, it will open four new low-rise projects with a combined value of Bt4bn, up by 5x from last year, under Britannia brand in its existing location in the East of Bangkok and Samut Prakarn. They remain a blue ocean with strong local demand. Third, ORI will expand to the EEC, particularly in Laem Chabang - Sriracha. Together they will support presales to grow by 36% Y-Y to Bt20bn, up from Bt14.7bn in 2017, which is above the company's target for last year.

Next mission: To expand portfolio to cover mixed-use

In 2018, the highlight will be launches of three Park Origin Complex in Bangkok's CBD, i.e. Thonglor, Prompong, and Phayathai. They have a combined value of over Bt70bn. They are mixed-use projects, comprising a luxurious condo, office building, serviced apartment, and retail space. They are expected to be launched in 2Q18-3Q18. In the beginning, ORI will focus on condominium. We view that the shift to mixed-use is a key turning point for ORI to upgrade to the high-end market and create recurring income. Moreover, it will be able to draw traffic and increase selling price more than doing condominium alone. Note Park Thonglor is the fifth project that ORI partners with NRED to produce a project that answers to urban living and reduce limitations on funding.

Expect profit to hit new high in 4Q17 and continue to grow next year

Our forecast calls for ORI's operating performance to hit a new high in 4Q17. Specifically, we expect its net profit to hit a new high of Bt1.2bn (+125% Q-Q, +294% Y-Y). Such sharp gains are likely to be supported by the transfer of Park24 (Phase 1), which is valued at over Bt3bn. In addition, there was extra gain of Bt300mn from sales of shares to NRED. Given that, we expect net profit to jump 231% Y-Y to Bt2.1bn in 2017. In 2018, we expect net profit to continue to grow by 43% Y-Y thanks to the following transfers. First is a transfer of Bt6-7bn from Park 24 (Phase 2). Second is a transfer of nine new condominiums. Third is a transfer from a low-rise condo, i.e. Britannia Srinakarin. Such project has a value of Bt800mn and records presales of over 50% within just two months. Besides transfers, ORI earns revenues from its management of projects for NRED. The company's end-2017 backlog is high at Bt27.4bn. It will be realized as revenues in the next 2-3 years. In 2018, our revenues estimate is already secured by 78%, higher than other developers whose backlog only secures just 20-30% of our revenues estimate on average.



Source: SET

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Maintain BUY rating at TP of Bt27

We like ORI. It's a small-cap counter with the highest growth rate in the property development sector. Moreover, we have a positive view about its strategy to expand its portfolio to have more recurring income. This will help stabilize revenues and diversify risks. ORI has an advantage over other developers because the company is able to find land in potential locations. It is able to efficiently control land and construction costs. Given that, its gross margin is high at about 40-45%. We retain our BUY rating on ORI at our 2018 TP of Bt27, assuming full dilution of ORI-W1. It is based upon prospective PER of 18x, which is equal to prospective PEG of just 0.34x when taking into consideration EPS growth rate of 54% for 2017-2019.

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

Income Statement (Consolidated)

(Bt mn)	2014	2015	2016	2017E	2018E
Revenue	550	2,010	3,153	9,184	15,681
Costs of sales	320	1,149	1,724	5,155	8,624
Gross profit	230	861	1,429	4,029	7,056
SG&A	148	404	666	1,825	2,666
Operating profit	82	457	762	2,204	4,391
Other income	9	45	46	48	51
EBIT	91	502	808	2,252	4,442
EBITDA	101	530	850	2,294	4,520
Interest charge	2	17	7	44	170
Tax on income	18	98	162	589	854
Earnings after tax	70	386	640	1,619	3,417
Minority interests	0	0	2	2	2
Normalized earnings	70	386	638	1,507	3,015
Extraordinary items	0	0	0	605	0
Net profit	70	386	638	2,112	3,015

Cash Flow Statement (Consolidated)

(Bt mn)	2014	2015	2016	2017E	2018E
Net profit	70	386	638	1,507	3,417
Depreciation etc.	10	28	41	42	78
Change in working capital	-588	-840	-2,258	-2,682	-7,888
Other adjustments	0	0	0	0	0
Cash flow from operation	-508	-425	-1,579	-641	-4,794
Capital expenditures	-31	-50	-439	-571	-119
Others	0	0	0	0	0
Cash flow from investing	-31	-50	-439	-571	-119
Free cash flow	-538	-475	-2,018	-1,212	-4,913
Net borrowings	641	-342	1,885	2,726	5,067
Equity capital raised	0	1,326	799	294	203
Dividend paid	-84	-251	-441	-887	-1,206
Others	0	0	0	0	0
Cash flow from financing	556	733	2,243	2,133	4,064
Net Change in cash	18	258	225	921	-849

Balance Sheet (Consolidated)

(Bt mn)	2014	2015	2016	2017E	2018E
Cash and equivalents	38	296	521	1,442	593
Accounts receivable	1	6	11	146	157
Inventory	1,672	2,442	4,517	7,858	15,997
Other current asset	111	384	1,119	564	365
Total current assets	1,822	3,128	6,269	10,010	17,112
Investment	9	95	8	120	157
PPE	48	70	367	504	545
Other assets	31	55	114	220	365
Total Assets	1,910	3,347	6,758	10,854	18,179
Short term loan	172	0	198	695	670
Account payable	156	254	529	734	762
Current maturities	515	410	555	1,693	4,167
Other current liabilities	433	653	905	1,154	1,371
Total current liabilities	1,276	1,317	2,188	4,276	6,970
Long term debt	346	281	1,823	2,915	5,533
Other LT liabilities	1	1	4	6	6
Total liabilities	1,623	1,599	4,015	7,197	12,509
Registered capital	302	302	553	1,025	1,025
Paid-up capital	225	300	551	813	1,016
Share Premium	0	1,248	1,254	1,274	1,274
Legal reserve	7	26	55	55	55
Retained earnings	61	197	393	1,013	2,822
Others	1	1	1	1	1
Minority Interest	0	0	550	551	551
Shareholders' equity	287	1,748	2,743	3,657	5,670

Important Ratios (Consolidated)

	2014	2015	2016	2017E	2018E
Growth (%)					
Revenue	33.3	265.3	56.9	191.3	70.7
EBITDA	13.4	422.8	60.3	170.0	97.0
Net profit	9.7	449.4	65.0	231.2	42.8
Normalized earnings	9.7	449.4	65.0	136.3	100.1
Profitability Ratios (%)					
Gross profit margin	41.8	42.9	45.3	43.9	45.0
EBITDA margin	18.4	26.4	27.0	25.0	28.8
EBIT margin	16.6	25.0	25.6	24.5	28.3
Normalized profit margin	12.8	19.2	20.2	16.4	19.2
Net profit margin	12.8	19.2	20.2	23.0	19.2
Normalized ROA	3.7	11.5	9.4	13.9	16.6
Normalize ROE	24.5	22.1	23.2	41.2	53.2
Normalized ROCE	11.1	19.0	13.9	22.9	26.9
Risk (x)					
D/E	5.7	0.9	1.5	2.0	2.2
Net D/E	5.5	0.7	1.2	1.6	2.1
Net debt/EBITDA	15.6	2.5	4.0	2.5	2.6
Per share data (Bt)					
Reported EPS	0.16	0.64	0.58	1.30	1.48
Normalized EPS	0.16	0.64	0.58	0.93	1.48
EBITDA	0.23	0.88	0.77	1.41	2.22
Book value	0.64	2.91	1.99	1.91	2.52
Dividend	0.00	0.17	0.18	0.52	0.59
Par	0.50	0.50	0.50	0.50	0.50
Valuations (x)					
P/E	136.9	33.2	37.0	16.5	14.4
Normalized P/E	136.9	33.2	37.0	23.1	14.4
P/BV	33.6	7.3	10.7	11.2	8.5
EV/EBTDA	104.8	25.0	30.7	17.1	11.9
Dividend yield (%)	0	0.8	0.8	2.4	2.8

Source: Company data, FSS research

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Khonkaen

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Muang
Chiangmai

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Rang sit

1/832 Moo 17
Kukod, Lumlookka
Pratumtanee

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Aumthoe Meung Khonkaen,
Khonkaen

Chiangmai 3

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Tumbon Maehia
Chiangmai

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Phuket

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Khonkaen

Chiangrai

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Aumthoe Muang, Cheangrai

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Aumthoe Hadyai, Songkhla

Pattane

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Tumbon Rusamirae,
Aumthoe Meung, Pattane

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Aumthoe Muang, Nonthaburi

Udonthani

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

Measai

119 Moo 10,
Tumbon Maesai,
Aumthoe Muang, Cheangrai

Hatyai 2

106 Prachathipat Road,
Aumthoe 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.