



Update

We came out with a slightly positive tone after yesterday analyst meeting on the backs of its “EVERYONE CAN SELL” strategy and presales momentum.

- The YoY drop in 2Q20 profits was caused gross profit margin contraction to 37.9% from 48% in 2Q19 due to change in products mix. Meanwhile, 2Q20 revenue was at Bt3.2bn (+4%YoY) driven by The Origin Saphanmai, Grand Britannia Wongwaen Ramintra and Britannia Saimai.
- We expect a strong earnings recovery in 2H20 driven by a transfer of five key projects with secured backlog worth Bt5bn.
- We still like this stock on the backs of; (1) Secured backlog of Bt19bn to back 2021 earnings recovery; (2) Solid presales momentum; (3) Attractive dividend yield of 4%-6% in 2020E-21E.

We maintain BUY rating after rolled over 2021E target price of Bt9.2 (Previous TP: Bt6.2) based on 7.5xPE'21E, the average of top 10 stocks in the Thai Real Estate sector.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	5.6	6.5	7.1	5.8	5.2
Recurring net profit growth (%)	104	(13.8)	(8.0)	23.5	11.5
Recurring EPS (Bt)	1.26	1.09	1.00	1.23	1.37
Recurring EPS growth (%)	102	(13.8)	(8.0)	23.5	11.5
PBV (x)	2.3	1.8	1.5	1.2	1.1
BVPS (Bt)	3.04	3.94	4.80	5.72	6.72
ROE (%)	53.2	35.4	25.5	25.6	23.9
DPS (Bt)	0.39	0.50	0.25	0.43	0.48
Dividend yield (%)	5.4	7.0	3.5	6.1	6.8
Enterprise value (Bt m)	28,129	32,142	28,426	30,032	31,418
EV-to-EBITDA (x)	6.8	8.2	7.7	6.3	5.7

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Origin Property PCL

Recommendation: BUY

Current price: Bt7.05

Target price: Bt9.2

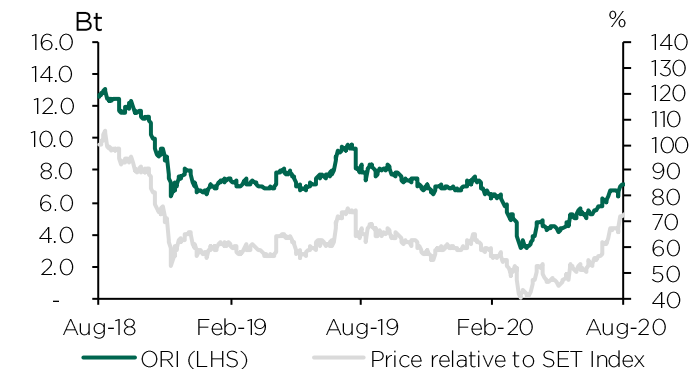
Up/(downside): 30%

IOD: 4 out of 5

CAC: Declared

Stock data

RIC code	ORI.BK
Index	.SETI
SET Index (7 August 2020)	1,324.40
Market cap (Bt m)	17,418
Shares outstanding (million)	2,453
Par (Bt)	0.50



ORI: Presales back to growing phase

Story

Sales

P5F

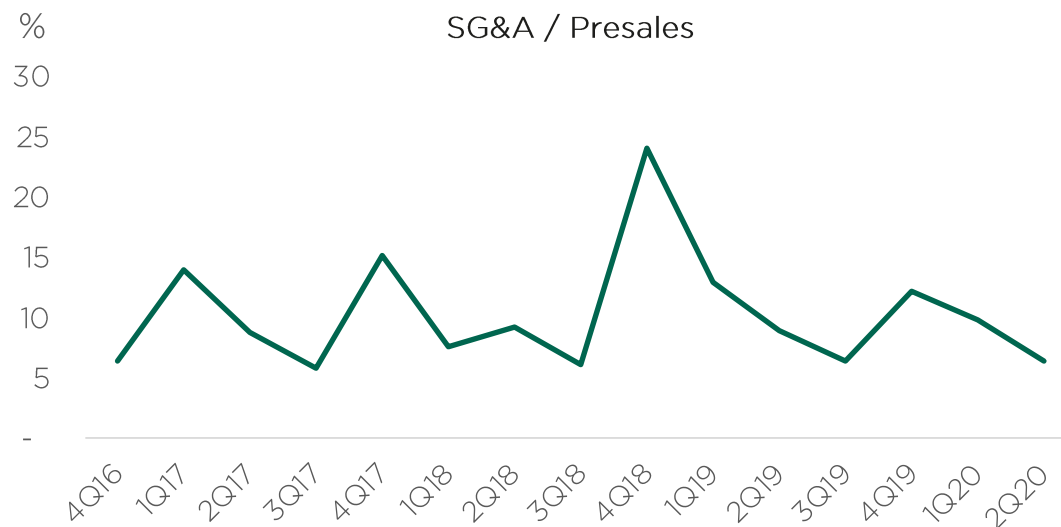
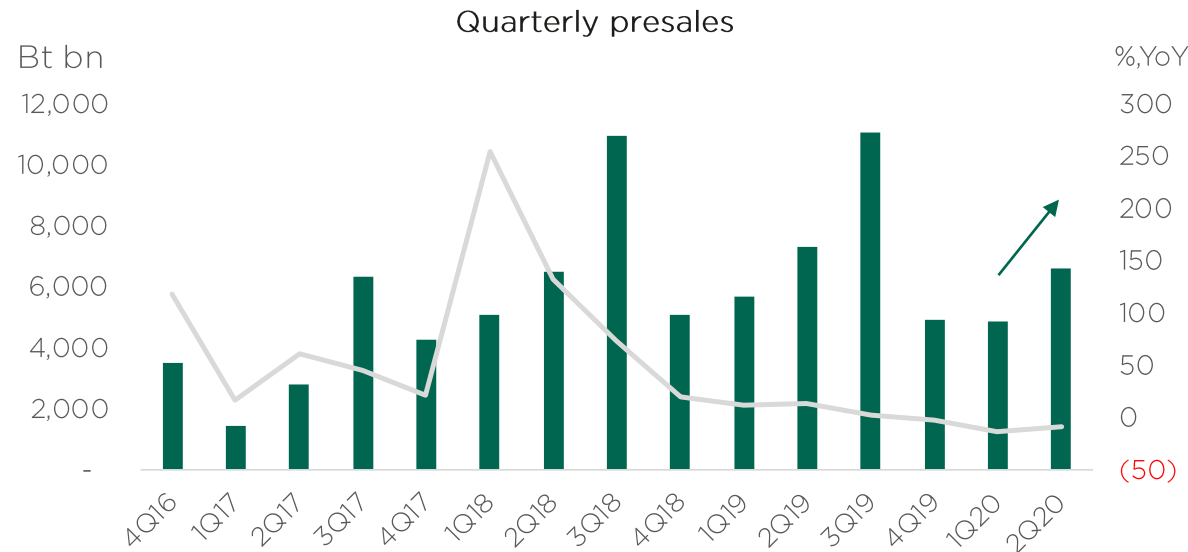
Team

WCB

ESG

Value

Risks



Positive tone from analyst meeting

- ORI has 2Q20 presales of Bt6.6bn (-10%YoY, +36%QoQ), better than market expectation. We foresee presales momentum to speed up in 2H20 through EVERYONE CAN SELL strategy and new twelve projects launch worth Bt16.7bn in 2H20 up from two projects launched worth Bt3.3bn in 1H20. ORI provide an opportunity to their employee to be a sales man by give out commission to their employees who are able to sell ORI products. The strategy contributed 20% of total presales in 2Q20 which is in-line with the management target 20% of total presales in 2020.
- ORI has 2Q20 SG&A/presales ratio of 6.4% down 8.9% in 2Q19 from better cost control. We foresee SG&A/presales ratio at range 6%-10% for normal level. Moreover, the management give a guidance that they can manage cost control more effectively whlie target SG&A to sales ratio to go down to 12% from 20% in 2019.

(Bt m)	2Q19	3Q19	4Q19	1Q20	2Q20	YoY (%)	6M20	20E	% of 20E
Revenue	3,106	3,512	3,437	2,228	3,216	3.6	5,444	9,898	55.0
Cost of sales	(1,614)	(1,797)	(1,821)	(1,174)	(1,997)	23.7	(3,171)	(5,642)	56.2
Gross profit	1,492	1,715	1,616	1,053	1,220	(18.3)	2,273	4,256	53.4
SG&A	(647)	(706)	(600)	(475)	(419)	(35.2)	(895)	(1,980)	45.2
Other (exp)/inc	172	82	115	(4)	71	(58.8)	67	372	18.0
EBIT	1,017	1,090	1,131	574	871	(14.3)	1,445	2,649	54.6
Finance cost	(64)	(75)	(74)	(74)	(67)	5.7	(141)	(295)	47.8
Other inc/(exp)	0	-	1	4	5	1,990.8	9	1	nm
Earnings before taxes	953	1,015	1,057	503	809	(15.1)	1,313	2,354	55.8
Income tax	(206)	(206)	(244)	(147)	(164)	(20.4)	(311)	(541)	57.5
Earnings after taxes	747	809	812	356	646	(13.6)	1,002	1,813	55.2
Equity income	(69)	(111)	(14)	139	61	nm	201	707	28.4
Minority interest	0	(46)	(68)	(81)	(0)	nm	(81)	(142)	57.0
Earnings from cont. operations	679	652	730	414	707	4.2	1,121	2,379	47.1
Forex gain/(loss) & unusual items	59	35	152	181	-	nm	181	351	51.5
Net profit	737	687	882	595	707	(4.1)	1,302	2,729	47.7
Recurring profit	690	659	761	453	707	2.4	1,160	2,449	47.4
EBITDA	978	1,007	1,148	758	968	(1.0)	1,726	3,692	46.7
Recurring EPS (Bt)	0.28	0.27	0.31	0.18	0.29	2.3	0.47	1.00	47.4
Reported EPS (Bt)	0.30	0.28	0.36	0.24	0.29	(4.2)	0.53	1.11	47.7
Profits (%)	2Q19	3Q19	4Q19	1Q20	2Q20	Diff (%)	6M20	20E	Diff (%)
Gross margin	48.0	48.8	47.0	47.3	37.9	(10.1)	41.8	43.0	1.2
Operating margin	32.7	31.0	32.9	25.8	27.1	(5.6)	26.5	26.8	0.2
Net margin	23.7	19.6	25.7	26.7	22.0	(1.8)	23.9	27.6	3.7

Result summary

- ORI's 2Q20 net profit was at Bt707m (-4%YoY, +19%QoQ), 1H20 was 48% of our 2020E forecast and better than our expectation.
- The fall in 2Q20 profits was pressured by gross profit margin contraction to 37.9% from 48% in 2Q19 due to change in products mix (transfer housing 26% of total sales). Meanwhile, 2Q20 revenue was at Bt3.2bn (+4%YoY) driven by The Origin Saphanmai, Grand Britania Wongwaen Ramintra and Britania Saimai.
- Equity income was Bt61m in 2Q20 from loss of Bt69m in 2Q19 driven by two main key JV projects Knightsbridge Collage Ramkhamhaeng (transferred Bt364m) and Knightsbridge Prime Ratchayothin (transferred Bt410m).

ORI: Revenue breakdown

Story

Sales

P5F

Team

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Value

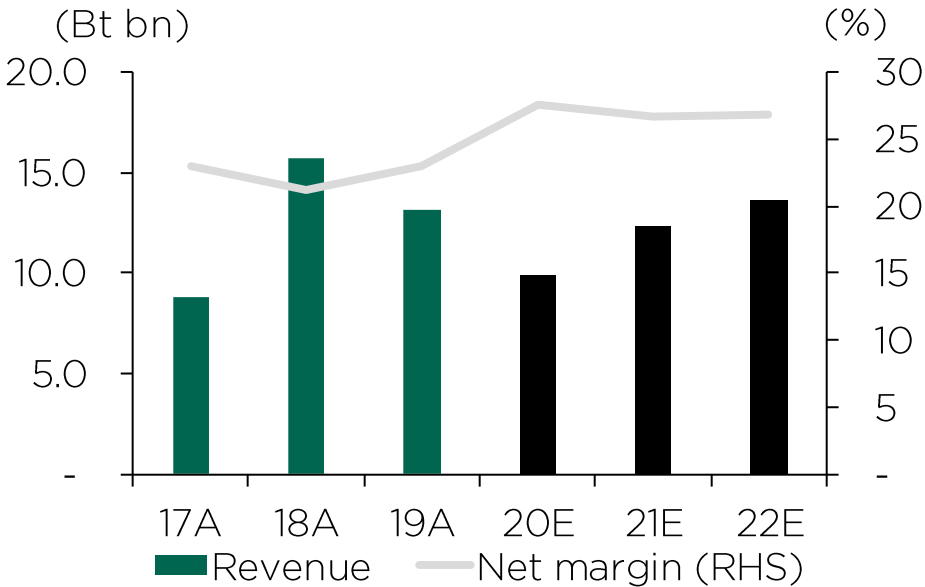
Risks

ORI and its subsidiaries have four core businesses. Condominiums account for 80% of ORI's total sales. The company builds condominiums catering to a wide range of customer demand including its brands Kensington (mid-level), Notting Hill (mid-high level), Knightsbridge (upper mid-high level) and Park (high level).

Project management services contribute 7% of total sales. This segment is related to management services provided to other property projects.

The low-rise segment contributes 12% of total sales. (The company also develops low-rise properties under the Britania brand.)

Through a subsidiary, ORI also provides services related to the real estate business such as housekeeping services, handyman services and laundry services. This division contributes 1% of sales.



Revenue by segment 2019

Condominium 80%



Management 7%



Low-rise 12%



Services 1%



ORI: Summary financials

Story

Sales

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Risks

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Revenue	15,749	13,197	9,898	12,373	13,610	3,106	3,512	3,437	2,228	3,216
Cost of goods sold	(8,611)	(6,934)	(5,642)	(7,176)	(7,894)	(1,614)	(1,797)	(1,821)	(1,174)	(1,997)
Gross profit	7,138	6,263	4,256	5,197	5,716	1,492	1,715	1,616	1,053	1,220
SG&A	(2,872)	(2,687)	(1,980)	(2,475)	(2,722)	(647)	(706)	(600)	(475)	(419)
Other (exp)/inc	262	465	372	383	387	172	82	115	(4)	71
Operating profit	4,528	4,041	2,649	3,105	3,381	1,017	1,090	1,131	574	871
Finance cost	(262)	(273)	(295)	(292)	(283)	(64)	(75)	(74)	(74)	(67)
Other inc/(exp)	312	1	1	1	1	0	-	1	4	5
Earnings before taxes	4,578	3,769	2,354	2,814	3,099	953	1,015	1,057	503	809
Income tax	(981)	(848)	(541)	(633)	(690)	(206)	(206)	(244)	(147)	(164)
After-tax profit	3,597	2,921	1,813	2,181	2,409	747	809	812	356	646
Equity income	(536)	(239)	707	1,060	1,211	(69)	(111)	(14)	139	61
Minorities	(38)	(114)	(142)	(287)	(318)	0	(46)	(68)	(81)	(0)
Earnings from cont. operations	3,023	2,569	2,379	2,954	3,302	679	652	730	414	707
Forex gain/(loss) & unusual items	315	459	351	351	351	59	35	152	181	-
Net income	3,338	3,027	2,729	3,304	3,653	737	687	882	595	707
Recurring EPS (Bt)	1.26	1.09	1.00	1.23	1.37	0.28	0.27	0.31	0.18	0.29
Weighted average shares (m)	2,450	2,451	2,453	2,453	2,453	2,450	2,451	2,454	2,453	2,453
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Assets	27,203	32,079	31,742	35,543	37,726	28,575	30,576	32,079	32,601	33,915
Liabilities	18,402	21,146	18,549	19,817	19,209	18,866	#####	21,146	21,732	22,336
Equity	7,437	9,657	11,774	14,020	16,493	8,547	8,765	9,657	10,256	10,966
Invested capital	17,352	22,582	20,418	23,498	26,464	19,637	21,284	22,582	23,343	27,088
Growth (YoY, %)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Revenue	79.7	(16.2)	(25.0)	25.0	10.0	(18.7)	(4.0)	(41.5)	(29.1)	3.6
Operating income	102.9	(10.8)	(34.5)	17.2	8.9	(10.3)	(3.8)	(18.3)	(28.6)	(14.3)
Recurring EPS	101.8	(13.8)	(8.0)	23.5	11.5	(32.2)	2.6	(18.9)	(17.7)	2.3
Assets	18.7	17.9	(1.1)	12.0	6.1	8.6	14.3	17.9	18.5	18.7
Liabilities	11.4	14.9	(12.3)	6.8	(3.1)	0.1	12.4	14.9	23.6	18.4
Equity	45.2	29.8	21.9	19.1	17.6	48.3	30.7	29.8	19.6	28.3
Profits (%)	18A	19A	20E	21E	22E	Jun '19	Sep '19	Dec '19	Mar '20	Jun '20
Gross margin	45.3	47.5	43.0	42.0	42.0	48.0	48.8	47.0	47.3	37.9
Operating margin	28.8	30.6	26.8	25.1	24.8	32.7	31.0	32.9	25.8	27.1
Net margin	21.2	22.9	27.6	26.7	26.8	23.7	19.6	25.7	26.7	22.0
ROE	53.2	35.4	25.5	25.6	23.9	34.5	31.8	38.3	23.9	26.7

Disclaimer

Investment ratings

BUY:	Expected return excluding dividends of more than 10% within the next 12 months.
HOLD:	Expected return excluding dividends between -10% and 10% within the next 12 months.
SELL:	Expected return excluding dividends of less than -10% within the next 12 months.
NR:	Not Rated- Stock is not in our research coverage.

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