



Origin Property PCL

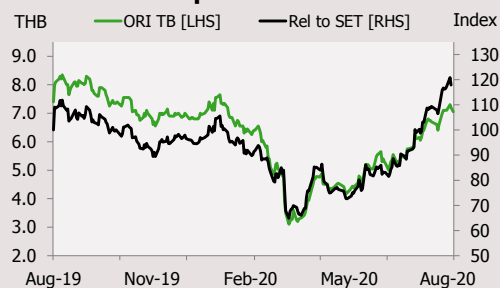
ORI TB Outperform

Target Price	Bt	7.60
Price (13/08/2020)	Bt	7.05
Upside	%	7.80
Valuation	PER	
Sector	Property Development	
Market Cap	Btm	17,293
30-day avg turnover	Btm	83.96
No. of shares on issue	m	2,453
CG Scoring	Very Good	
Anti-Corruption Indicator	Certified	

Investment fundamentals

Year end Dec 31	2019A	2020E	2021E	2022E
Company Financials				
Revenue (Btmn)	12,279	12,287	14,507	14,758
Core profit (Btmn)	2,580	2,664	2,991	3,457
Net profit (Btmn)	3,027	2,904	3,231	3,697
Net EPS (Bt)	1.23	1.18	1.32	1.51
DPS (Bt)	0.49	0.50	0.55	0.60
BVPS (Bt)	3.94	4.53	5.26	6.12
Net EPS growth (%)	-9.45	-4.05	11.24	14.43
ROA (%)	10.60	9.03	9.11	9.56
ROE (%)	35.42	27.96	26.89	26.48
Net D/E (x)	1.32	1.23	1.09	1.04
Valuation				
P/E (x)	5.67	5.95	5.35	4.68
P/BV (x)	1.78	1.56	1.34	1.15
EV/EBITDA (x)	8.09	10.00	9.07	10.17
Dividend yield (%)	7.06	7.09	7.80	8.55

ORI TB rel SET performance



Source: Bloomberg

(all figures in THB unless noted)

Analyst

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Kasikorn Securities Public Company Limited

2Q20 earnings edge our forecast

- ORI reported 2Q20 earnings of Bt707mn, down 4.1% YoY but up 18.8% QoQ. This was 8.9% higher than our forecast. Cost savings were key.
- A number of planned new projects and a sizable 2Q20 backlog of Bt38.5bn suggest an exciting period of business activity awaits ORI in 2H20.
- We maintain our Outperform rating and mid-2021 TP of Bt7.60. Solid earnings and lower IBDE should fully revive investor interest in the stock.

Investment Highlights

- **2Q20 earnings fall 4.1% YoY but rise 18.8% QoQ to Bt707mn.** This was 8.9% higher than our forecast of Bt649mn and 17.1% higher than the consensus estimate of Bt604mn. Stripping out extra items such as gains from the disposal of investments in subsidiaries to JVs, core earnings rose 15.9% YoY and 56.9% QoQ. In addition to an increase in rights transfers that boosted 2Q20 core revenue by 9.3% YoY and 58.2% QoQ, thanks to a successful inventory liquidation strategy, strong internal cost savings that slashed SG&A-to-sales ratio by 9.3ppt YoY and 10.8ppt QoQ supported the growth. This was despite 2Q20 GPM falling 7.5ppt YoY and 4.5ppt QoQ on the impact of sales promotions to clear completed inventory. 1H20 earnings accounted for 44.8% of our full-year earnings forecast.
- **Balance sheet strengthened by capex delay.** At the end of 2Q20, ORI's net IBDE ratio had declined to 1.28x from a peak in this cycle of 1.43x in 1Q20. In addition to a delay in payment of a dividend of Bt0.29 for its 2H19 operating performance from 2Q20 to 3Q20, ORI postponed a number of long-term investments that may not be able to deliver quick returns like hotels and serviced apartments. Also, it shifted its development focus more to low-rise housing products (SDH and THs) that require less capex compared with condos. Finally, the success of the inventory liquidation in 2Q20 strengthened its balance sheet. We see its IBDE ratio declining further over the rest of the year although only be a marginal degree.
- **Exciting period ahead in 2H20.** Due to the easing of the COVID-19 situation and a strong presales response to its latest condo project, "The Origin Onnut: Bt700mn, 399 units), which was sold out on the first day of launch, ORI will add at least 12 new projects worth Bt16.7bn in 2H20 (up from only 2 new projects valued Bt3.3bn in 1H20). These include five condominium projects in key locations that will all have their own differentiated sales strategy. KnightsBridge Space Rama 4 (Bt2.3bn, 381 units) will focus on high-income earners in the area. During the soft launch last week, 40% of its value was booked. Meanwhile, The Origin E22 Station, The Origin Plug&Play Ramintra, Hampton Sriracha and The Origin Ladprao 111 will have unique project concepts and attractive pricing. Also, six to eight low-rise projects will be introduced covering the full market spectrum from low-end to luxury-end. These projects will allow ORI to continue producing solid presales in 2H20. On the revenue side, apart from the 2Q20 backlog of Bt38.5bn, of which of Bt6.0bn is due to transfer in 2H20, indicating its 2020 revenue target of Bt14bn is 79% secured, sales of the new low-rise projects and unsold inventory will add visibility to the revenue target.

Valuation and Recommendation

- We maintain our Outperform rating on ORI with an unchanged mid-2021 TP of Bt7.60. On the back of its business plan and substantial backlog, which give us more confidence in our forecasts, the lower financial risk from the modification of its investment strategy should result in a re-rating by the market in the future.
- In addition to the positive earnings outlook, which we see continuing in 2H20 and 2021, new projects like an office building in the Sanampao area will enhance ORI's business platform and long-term value. While details have yet to be disclosed as it is under study, we see the project being planned not to hurt CF or its balance sheet.



Fig 1 2Q20 earnings fell 4.1% YoY but increased 18.8% QoQ

	2Q19	3Q19	4Q19	1Q20	2Q20	%YoY	%QoQ	%YTD2020E	2020E
Financials									
Sales (Btmn)	2,826	3,154	3,299	1,953	3,088	9.3	58.2	41.0	12,287
EBITDA (Btmn)	947	1,118	1,162	622	912	-3.7	46.5	45.4	3,382
Operating profit (Btmn)	917	1,090	1,131	578	877	-4.4	51.7	44.8	3,247
Core profit (Btmn)	610	659	760	451	707	15.9	56.9	43.5	2,664
Net profit (Btmn)	737	687	882	595	707	-4.1	18.8	44.8	2,904
Net EPS (Bt)	0.30	0.28	0.36	0.24	0.29	-4.2	18.8	44.8	1.18
Performance Drivers									
Presales (Btmn)	7,290	10,188	6,122	4,582	6,400	-12.2	39.7	49.1	22,377
New launch (Btmn)	4,600	6,350	8,150	3,300	0	-100.0	-100.0	16.5	20,000
Net D/E (x)	1.3	1.4	1.32	1.43	1.28	-0.5	-10.4	104.0	1.2
Ratios									
						Change **	Avg YTD	2020E	
Gross margin (%)	42.9	43.0	44.8	39.9	35.4	-7.5	-4.5	37.6	36.9
EBITDA margin (%)	33.5	35.5	35.2	31.9	29.5	-4.0	-2.4	30.7	27.5
Optg. margin (%)	32.4	34.6	34.3	29.6	28.4	-4.1	-1.2	29.0	26.4
ROE (%)	34.5	31.4	36.5	23.2	25.8	-8.7	2.6	24.5	28.0

Remark: ** = Change in ppt

Source: Company data and KS Research

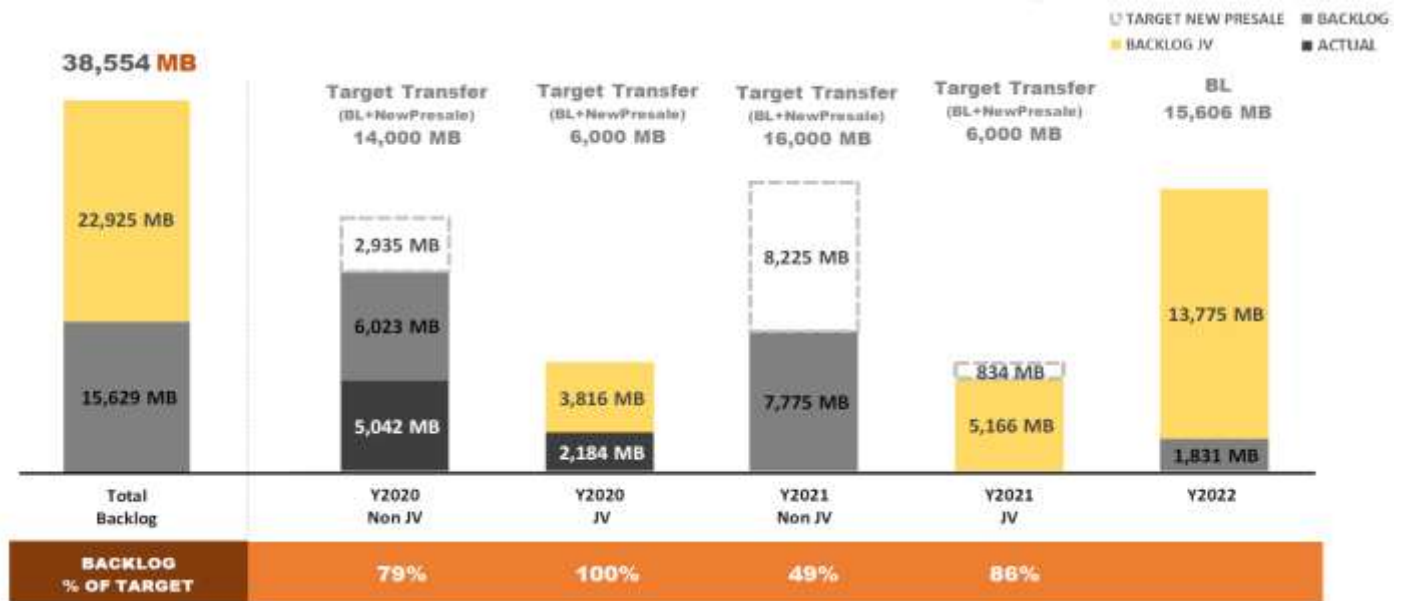
Fig 2 A number of new are projects planned for 2H20



Source: Company data and KS Research



Fig 3 2Q20 backlog of Bt38.5bn indicates 2020 and 2021 revenue targets are 79% and 49% secured



Source: Company data and KS Research



Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	14,523	12,279	12,287	14,507	14,758
Cost of sales and services	-8,611	-6,934	-7,757	-9,153	-9,353
Gross Profit	5,912	5,344	4,530	5,354	5,405
SG&A	-2,872	-2,687	-2,309	-2,742	-3,011
Other income	1,488	1,284	1,026	1,027	970
EBIT	4,619	4,262	3,943	4,304	4,741
EBITDA	4,662	4,060	3,382	3,753	3,486
Interest expense	-262	-273	-296	-359	-392
Equity earnings	-536	-239	395	366	1,076
EBT	4,356	3,989	3,647	3,945	4,350
Income tax	-981	-848	-661	-714	-653
NPAT	3,376	3,141	2,985	3,231	3,697
Minority Interest	-38	-114	-81	0	0
Core Profit	2,837	2,580	2,664	2,991	3,457
Extraordinary items	501	447	241	240	240
FX gain (loss)	0	0	0	0	0
Reported net profit	3,338	3,027	2,904	3,231	3,697

Balance Sheet (Btmn)

Cash & equivalents	1,819	1,330	983	1,161	1,181
ST investments	7	308	369	435	443
Accounts receivable	135	531	430	508	517
Inventories	20,151	22,582	24,190	25,807	28,839
Other current assets	1,392	1,731	1,782	2,104	2,140
Total current assets	23,505	26,481	27,753	30,014	33,119
Investment in subs & others	0	0	0	0	0
Fixed assets-net	1,167	2,149	2,180	2,241	2,314
Other assets	2,531	3,450	4,134	4,600	5,067
Total assets	27,203	32,079	34,067	36,854	40,500
Short-term debt	8,017	6,447	6,473	4,448	4,448
Accounts payable	2,603	2,574	2,457	2,539	2,583
Other current liabilities	2,563	1,800	1,904	2,249	2,287
Total current liabilities	13,183	10,822	10,835	9,236	9,319
Long-term debt	4,513	9,606	10,140	12,610	14,053
Other liabilities	705	717	694	820	834
Total liabilities	18,402	21,146	21,669	22,666	24,205
Paid-up capital	1,225	1,226	1,226	1,226	1,226
Share premium	2,299	2,337	2,337	2,337	2,337
Reserves & others, net	180	159	159	159	159
Retained earnings	3,734	5,935	7,399	9,189	11,296
Minority interests	1,364	1,277	1,277	1,277	1,277
Total shareholders' equity	8,801	10,934	12,398	14,189	16,295
Total equity & liabilities	27,203	32,079	34,067	36,854	40,500

Key Assumptions

New launch (Btmn)	25,500	24,200	20,000	25,000	28,000
Pre-sales	27,552	28,942	22,377	23,135	24,336
Revenue growth (%)	65.70	-15.45	0.07	18.07	1.73
Gross margin (%)	40.71	43.53	36.87	36.90	36.63
SG&A to sales (%)	19.77	21.89	18.79	18.90	20.40

Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Net profit	3,376	3,141	2,985	3,231	3,697
Depreciation & amortization	134	119	134	114	121
Change in working capital	-3,630	-3,949	-1,589	-1,511	-2,969
Others	-186	0	0	0	0
CF from operation activities	-306	-690	1,531	1,835	849
Capital expenditure	-496	-1,100	-163	-170	-194
Investment in subs and affiliates	0	0	0	0	0
Others	-858	-1,214	-753	-493	-487
CF from investing activities	-1,354	-2,314	-916	-663	-681
Cash dividend	-1,516	-1,237	-1,292	-1,292	-1,442
Net proceeds from debt	3,460	3,523	559	445	1,442
Capital raising	477	39	0	0	0
Others	92	-108	0	0	0
CF from financing activities	2,512	2,218	-733	-846	-0
Net change in cash	852	-786	-118	326	168

Key Statistics & Ratios

Per share (Bt)

Reported EPS	1.36	1.23	1.18	1.32	1.51
Core EPS	1.16	1.05	1.09	1.22	1.41
DPS	0.65	0.49	0.50	0.55	0.60
BV	3.04	3.94	4.53	5.26	6.12
EV	11.53	13.35	13.79	13.87	14.45
Free Cash Flow	-0.33	-0.73	0.56	0.68	0.27

Valuation analysis

Reported P/E (x)	4.84	5.63	5.95	5.35	4.68
Core P/E (x)	5.70	6.61	6.49	5.78	5.00
P/BV (x)	2.17	1.77	1.56	1.34	1.15
EV/EBITDA (x)	6.06	8.06	10.00	9.07	10.17
Price/Cash flow (x)	-52.80	-24.71	11.30	9.43	20.36
Dividend yield (%)	9.85	7.11	7.09	7.80	8.55

Profitability ratios

Gross margin (%)	40.71	43.53	36.87	36.90	36.63
EBITDA margin (%)	32.10	33.07	27.52	25.87	23.62
EBIT margin (%)	31.80	34.71	32.09	29.67	32.13
Net profit margin (%)	23.24	25.58	24.30	22.27	25.05
ROA (%)	13.47	10.60	9.03	9.11	9.56
ROE (%)	53.15	35.42	27.96	26.89	26.48

Liquidity ratios

Current ratio (x)	1.78	2.45	2.56	3.25	3.55
Quick ratio (x)	0.15	0.20	0.16	0.23	0.23

Leverage Ratios

Liabilities/Equity ratio (x)	2.09	1.93	1.75	1.60	1.49
Net debt/EBITDA (x)	2.30	3.55	4.51	4.12	4.84
Net debt/equity (x)	1.22	1.32	1.23	1.09	1.04
Int. coverage ratio (x)	17.60	15.62	13.31	11.98	12.11

Growth

Revenue (%)	65.70	-15.45	0.07	18.07	1.73
EBITDA (%)	101.11	-12.92	-16.71	10.97	-7.11
Reported net profit (%)	65.17	-9.31	-4.05	11.24	14.43
Reported EPS (%)	9.68	-9.45	-4.05	11.24	14.43
Core profit (%)	88.09	-9.05	3.26	12.28	15.59
Core EPS (%)	24.90	-9.19	3.26	12.28	15.59

Source: Company, KS estimate



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