

# Thailand Company Update

## Origin Property PCL

Bloomberg: ORI TB | Reuters: ORI.BK

Refer to important disclosures at the end of this report

DBS Group Research . Equity

16 Sep 2020

**BUY** (Upgrade from HOLD)

Last Traded Price (15 Sep 2020): Bt6.30 (SET : 1,286.18)

Price Target 12-mth: Bt7.40 (17% upside)

### Analyst

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### What's New

- Maintain new launch target of Bt20bn for the year
- YTD presales has already made up c.80% of the target
- Performance should gradually improve in 2H20F on the back of new transfers
- Upgrade to BUY from HOLD with unchanged TP of Bt7.40

### Price Relative



### Forecasts and Valuation

FY Dec (Btm)	2018A	2019A	2020F	2021F
Revenue	14,523	12,279	9,503	10,497
EBITDA	4,126	3,921	3,392	3,940
Pre-tax Profit	4,231	3,897	2,971	3,649
Net Profit	3,338	3,027	2,401	2,957
Net Pft (Pre Ex.)	2,837	2,660	2,401	2,957
Net Pft Gth (Pre-ex) (%)	88.1	(6.2)	(9.7)	23.2
EPS (Bt)	1.37	1.24	0.98	1.21
EPS Pre Ex. (Bt)	1.16	1.09	0.98	1.21
EPS Gth Pre Ex (%)	86	(6)	(10)	23
Diluted EPS (Bt)	1.36	1.24	0.98	1.21
Net DPS (Bt)	0.40	0.50	0.29	0.36
BV Per Share (Bt)	3.04	3.94	4.62	5.47
PE (X)	4.6	5.1	6.4	5.2
PE Pre Ex. (X)	5.4	5.8	6.4	5.2
P/Cash Flow (X)	11.1	nm	25.4	7.5
EV/EBITDA (X)	6.7	8.0	9.7	8.3
Net Div Yield (%)	6.3	7.9	4.7	5.7
P/Book Value (X)	2.1	1.6	1.4	1.2
Net Debt/Equity (X)	1.2	1.3	1.3	1.1
ROAE (%)	53.2	35.4	22.9	23.9

Earnings Rev (%): 0 0  
Consensus EPS (Bt): 0.94 1.09  
Other Broker Recs: B: 5 S: 0 H: 3

Source of all data on this page: Company, DBSVTH, Bloomberg Finance L.P.

### Looking attractive

#### Investment Thesis:

**Outlook intact, attractive valuation with decent dividend yield; upgrade to BUY from HOLD:** We see ORI's share price weakness as a good opportunity to accumulate as its outlook remains intact. ORI is currently trading at an attractive valuation of 5x FY21F PE, below its peers and -1SD of its historical average. Meanwhile, ORI's dividend yield also stands at a generous level of 5.7% in FY21F. Therefore, we upgrade ORI to BUY from HOLD with an unchanged TP of Bt7.40, based on 6.1x FY21F EPS.

#### Leading condominium developer with numerous partnerships:

We like ORI for its status as a leading condominium developer. ORI has also successfully and gradually expanded into the landed properties segment. Moreover, ORI has made good effort to find new partners which include Nomura and other leading companies such as DTC, ES-CON, CI:Z, and GS E&C, and formed business ventures to support and diversify its existing businesses.

**High backlog to support transfers:** ORI's end-2Q20 backlog (including JV projects) stood at Bt38.5bn, of which, Bt9.8bn and Bt12.9bn are expected to be transferred in for the rest of FY20F and in FY21F, respectively. This backlog has already accounted for over 100% and 77% of our FY20F and FY21F transfer (including JV) assumptions, respectively.

#### Valuation:

We upgrade ORI to BUY from HOLD with unchanged TP of Bt7.40, based on 6.1x FY21F EPS.

#### Where we differ:

**More conservative on FY20F transfer:** Our FY20F earnings is 10% below the street, mainly on lower transfer assumption. On the other hand, our FY21F earnings is on par with the street.

#### Key Risks to Our View:

Economic downturn, land scarcity along the mass-transit lines, and rising competition.

#### At A Glance

Issued Capital (m shrs)	2,453
Mkt. Cap (Btm/US\$m)	15,453 / 495
Major Shareholders (%)	
Jaroon-Ek's family	55.6
Mr. Sompong Chonecadeedumrongkul	5.5
Peerada Capital Co., Ltd	4.7
Free Float (%)	30.8
3m Avg. Daily Val (US\$m)	2.4
GIC Industry : Real Estate / Real Estate Management & Development	



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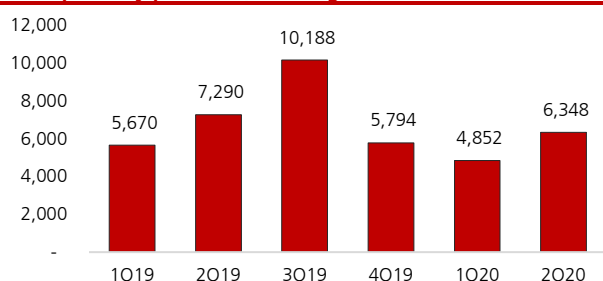
## WHAT'S NEW

### Plans are on track with improving performance in 2H20F

**Maintain new launch target of Bt20bn for the year:** Recap that in 1H20, ORI launched a total of only two low-rise projects, due to economic uncertainties and COVID-19. In 3Q20F, we expect three high-rise projects to be launched (four previously): (i) The Origin Onnut (Bt700m, already sold out), (ii) KnightBridge Space Rama 4 (JV project worth Bt2.3bn), and (iii) the Origin E22 station (Bt1.6bn), and two low-rise projects under brand "Brighton". Meanwhile, the new low-rise luxury project under brand Belgravia, that was previously planned to be launched in 3Q20F will be launched in 4Q20F instead. Nonetheless, despite expectations of some delays in new launches in 3Q20F, ORI still maintains its new launch target for the year of Bt20bn.

**Upside risk to 2020 presales target:** As ORI resumed its new launches after no launches in 2Q20, we expect ORI presales to improve q-o-q but may drop y-o-y as a result of a high-base. Nonetheless, we see upside potential to both ORI's 2020 presales target and our 2020 presales forecast. Based on channel checks, ORI has so far achieved c.80% of its presales target of Bt21.5bn already, comprising 80% high-rise presales and 20% low-rise presales, thanks to its effective promotional campaign that was introduced in 2Q20 and new launches with decent take-up rates in 3Q20F so far. Meanwhile, the company expects to continue to achieve decent take-up rate for upcoming new high-rise launches as well, with an average take-up of c.60%.

#### ORI's quarterly presales (including JV)



Source: Company, DBS estimates

**Expect improving performance in 2H20F on the back of completed projects:** Thanks to eight new high-rise projects worth c.Bt12bn that are expected to be completed and start transferring in 2H20F, we expect its 2H20F performance to

improve from 1H20. Additionally, from our channel checks, ORI's rejection and cancellation rates have remained stable.

**Upgrade to BUY from HOLD with unchanged TP of Bt7.40:** We like ORI not only for its status as a leading condominium developer but also its continuous efforts in finding new partners, business ventures, and ability to expand into low-rise projects. Meanwhile, ORI also has high backlog level. We expect its performance to bounce back in FY21F from a low base in FY20F, supported by continuous new project transfers from ORI's own projects and JVs. Meanwhile, ORI is trading at an attractive valuation of 5x FY21F PE, below its peers and -1SD of its historical average. Meanwhile, ORI's dividend yield also stands at a generous level of 5.7% in FY21F. As a result, we raise our recommendation to BUY from HOLD with unchanged TP of Bt7.40, based on 6.1x FY21F EPS.

### Company Background

Origin Property (ORI) was established in 2009 and listed on the Stock Exchange of Thailand in 2015. ORI has focused on condominium projects that are located near existing or future mass-transit stations. ORI started out as a mid-range to-low-end player and entered the high-end market in 2017 via the acquisition of Proud Property, the owner of Park 24 in Soi Sukhumvit 24. It has also entered into joint venture deals with Nomura Real Estate, proclaiming that this is a long-term partnership. ORI's main strategy is to develop new projects along the mass-transit stations and near major industrial estates. Later in 2019, ORI also partnered-up with ES-CON and CZ:I (both are Japanese companies), GS E&C, and Dusit International to develop high-rise residential projects and hotels.

The Origin Empire now comprises three groups of businesses. These include (i) Origin Property Plc. (ORI) which focuses on residential property development, (ii) One Origin Co., Ltd. which will concentrate on recurring-income businesses, and (iii) Primo Property Solutions Co., Ltd. which offers property management, housekeeping, realtor and digital butler services.

Historical PE and PB band



Source: Bloomberg Finance L.P., DBSVTH estimates



Source: Bloomberg Finance L.P., DBSVTH estimates

## Origin Property PCL

## Key Assumptions

FY Dec	2017A	2018A	2019A	2020F	2021F
Total launches	15,150	25,500	24,200	20,000	23,000
Total presales	14,757	27,552	28,942	20,196	19,589
Total transfer	8,765	14,452	11,636	14,823	16,837

## Income Statement (Btm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Revenue	8,765	14,523	12,279	9,503	10,497
Cost of Goods Sold	(5,662)	(8,611)	(6,934)	(6,090)	(6,678)
<b>Gross Profit</b>	<b>3,102</b>	<b>5,912</b>	<b>5,344</b>	<b>3,413</b>	<b>3,819</b>
Other Opng (Exp)/Inc	(1,452)	(2,872)	(2,687)	(1,813)	(2,001)
<b>Operating Profit</b>	<b>1,650</b>	<b>3,040</b>	<b>2,657</b>	<b>1,600</b>	<b>1,818</b>
Other Non Opg (Exp)/Inc	582	1,488	1,384	1,318	1,722
Associates & JV Inc	(218)	(536)	(239)	332	400
Net Interest (Exp)/Inc	(51.0)	(262)	(273)	(279)	(291)
Exceptional Gain/(Loss)	513	501	367	0.0	0.0
<b>Pre-tax Profit</b>	<b>2,475</b>	<b>4,231</b>	<b>3,897</b>	<b>2,971</b>	<b>3,649</b>
Tax	(455)	(855)	(756)	(530)	(652)
Minority Interest	0.47	(37.8)	(114)	(40.0)	(40.0)
Preference Dividend	0.0	0.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>2,021</b>	<b>3,338</b>	<b>3,027</b>	<b>2,401</b>	<b>2,957</b>
Net Profit before Except.	1,508	2,837	2,660	2,401	2,957
EBITDA	2,100	4,126	3,921	3,392	3,940

## Growth

Revenue Gth (%)	178.0	65.7	(15.5)	(22.6)	10.5
EBITDA Gth (%)	147.1	96.5	(5.0)	(13.5)	16.1
Opg Profit Gth (%)	116.4	84.3	(12.6)	(39.8)	13.6
Net Profit Gth (Pre-ex) (%)	136.5	88.1	(6.2)	(9.7)	23.2

## Margins &amp; Ratio

Gross Margins (%)	35.4	40.7	43.5	35.9	36.4
Opg Profit Margin (%)	18.8	20.9	21.6	16.8	17.3
Net Profit Margin (%)	23.1	23.0	24.7	25.3	28.2
ROAE (%)	55.2	53.2	35.4	22.9	23.9
ROA (%)	13.6	13.3	10.2	7.2	8.2
ROCE (%)	13.5	13.4	9.6	7.3	8.4
Div Payout Ratio (%)	66.4	29.3	40.1	30.0	30.0
Net Interest Cover (x)	32.4	11.6	9.7	5.7	6.3

Source: Company, DBSVTH

## Origin Property PCL

## Quarterly Income Statement (Btm)

FY Dec	2Q2019	3Q2019	4Q2019	1Q2020	2Q2020
Revenue	2,826	3,154	3,299	1,953	3,089
Cost of Goods Sold	(1,614)	(1,797)	(1,821)	(1,174)	(1,997)
<b>Gross Profit</b>	<b>1,212</b>	<b>1,356</b>	<b>1,478</b>	<b>778</b>	<b>1,092</b>
Other Oper. (Exp)/Inc	(647)	(706)	(600)	(475)	(419)
<b>Operating Profit</b>	<b>565</b>	<b>650</b>	<b>878</b>	<b>303</b>	<b>673</b>
Other Non Opg (Exp)/Inc	452	440	253	275	204
Associates & JV Inc	(69.1)	(111)	(14.2)	139	61.4
Net Interest (Exp)/Inc	(63.5)	(74.9)	(74.4)	(74.2)	(67.1)
Exceptional Gain/(Loss)	47.0	28.0	122	145	0.0
<b>Pre-tax Profit</b>	<b>931</b>	<b>933</b>	<b>1,163</b>	<b>787</b>	<b>871</b>
Tax	(194)	(199)	(214)	(111)	(164)
Minority Interest	0.13	(46.2)	(67.8)	(80.8)	0.10
<b>Net Profit</b>	<b>737</b>	<b>687</b>	<b>882</b>	<b>595</b>	<b>707</b>
Net profit bef Except.	690	659	760	451	707
EBITDA	948	980	1,116	717	938

## Growth

Revenue Gth (%)	(5.8)	11.6	4.6	(40.8)	58.2
EBITDA Gth (%)	24.9	3.4	13.9	(35.8)	30.8
Opg Profit Gth (%)	0.1	15.1	34.9	(65.5)	122.2
Net Profit Gth (Pre-ex) (%)	25.5	(4.5)	15.3	(40.7)	57.0

## Margins

Gross Margins (%)	42.9	43.0	44.8	39.9	35.4
Opg Profit Margins (%)	20.0	20.6	26.6	15.5	21.8
Net Profit Margins (%)	26.1	21.8	26.7	30.5	22.9

## Balance Sheet (Btm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Net Fixed Assets	898	1,167	2,149	2,356	2,706
Invts in Associates & JVs	928	1,780	2,666	3,997	4,898
Other LT Assets	640	751	784	801	818
Cash & ST Invts	830	1,819	1,330	886	1,611
Inventory	18,917	21,161	23,453	25,254	25,350
Debtors	294	135	531	584	642
Other Current Assets	419	390	1,167	1,203	1,239
<b>Total Assets</b>	<b>22,925</b>	<b>27,203</b>	<b>32,079</b>	<b>35,081</b>	<b>37,263</b>
ST Debt	5,243	8,014	6,444	7,000	7,400
Creditor	3,544	2,603	2,574	2,703	2,838
Other Current Liab	3,119	2,567	1,804	1,921	1,436
LT Debt	3,823	4,513	9,606	10,064	10,064
Other LT Liabilities	784	706	717	739	761
Shareholder's Equity	5,123	7,437	9,657	11,337	13,407
Minority Interests	1,290	1,364	1,277	1,317	1,357
<b>Total Cap. &amp; Liab.</b>	<b>22,925</b>	<b>27,203</b>	<b>32,079</b>	<b>35,081</b>	<b>37,263</b>
Non-Cash Wkg. Capital	12,967	16,516	20,773	22,416	22,957
Net Cash/(Debt)	(8,236)	(10,707)	(14,721)	(16,177)	(15,853)
Debtors Turn (avg days)	6.3	5.4	9.9	21.4	21.3
Creditors Turn (avg days)	133.3	132.3	138.6	162.0	151.4
Inventory Turn (avg days)	796.4	862.8	1,194.6	1,494.7	1,383.0
Asset Turnover (x)	0.6	0.6	0.4	0.3	0.3
Current Ratio (x)	1.7	1.8	2.4	2.4	2.5
Quick Ratio (x)	0.1	0.1	0.2	0.1	0.2
Net Debt/Equity (X)	1.3	1.2	1.3	1.3	1.1
Net Debt/Equity ex MI (X)	1.6	1.4	1.5	1.4	1.2
Capex to Debt (%)	4.4	4.6	7.5	2.1	2.0
Z-Score (X)	0.0	2.3	2.2	1.9	2.0

Source: Company, DBSVTH

## Origin Property PCL

## Cash Flow Statement (Btm)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Profit	2,475	4,231	3,897	2,971	3,649
Dep. & Amort.	86.6	134	119	143	0.0
Tax Paid	0.0	0.0	0.0	0.0	0.0
Assoc. & JV Inc/(loss)	(218)	(536)	(239)	332	400
Chg in Wkg.Cap.	(1,202)	(83.7)	(6,052)	(1,603)	(500)
Other Operating CF	(1,219)	(2,360)	570	(1,233)	(1,493)
<b>Net Operating CF</b>	<b>(77.8)</b>	<b>1,385</b>	<b>(1,705)</b>	<b>609</b>	<b>2,057</b>
Capital Exp.(net)	(402)	(574)	(1,201)	(350)	(350)
Other Invt.(net)	0.0	0.0	0.0	0.0	0.0
Invt in Assoc. & JV	0.0	(1,177)	(568)	(1,000)	(500)
Div from Assoc & JV	0.0	0.0	0.0	0.0	0.0
Other Investing CF	(1,168)	(1,805)	261	(16.5)	(17.0)
<b>Net Investing CF</b>	<b>(1,571)</b>	<b>(3,556)</b>	<b>(1,507)</b>	<b>(1,366)</b>	<b>(867)</b>
Div Paid	(125)	(961)	(1,384)	(720)	(887)
Chg in Gross Debt	664	3,461	3,524	1,013	400
Capital Issues	1,409	3,691	0.0	0.0	0.0
Other Financing CF	0.0	(3,021)	583	21.5	22.2
<b>Net Financing CF</b>	<b>1,948</b>	<b>3,170</b>	<b>2,723</b>	<b>314</b>	<b>(465)</b>
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	300	999	(489)	(443)	725
Opg CFPS (Bt)	0.47	0.60	1.77	0.90	1.04
Free CFPS (Bt)	(0.2)	0.33	(1.2)	0.11	0.70

Source: Company, DBSVTH

## Target Price &amp; Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	09 Oct 19	7.35	9.60	BUY
2:	04 Nov 19	6.85	8.00	BUY
3:	13 Nov 19	6.60	8.00	BUY
4:	05 Mar 20	5.25	5.80	HOLD
5:	20 May 20	4.74	5.20	HOLD
6:	22 Jul 20	6.75	6.90	HOLD
7:	29 Jul 20	6.60	6.90	HOLD
8:	14 Aug 20	7.15	7.40	HOLD

Note: Share price and Target price are adjusted for corporate actions.

Source: DBSVTH

Analyst: Thailand Research Team

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THAI-CAC (as of Jun 2019)

Corporate Governance CG Rating (as of Oct 2019)






Certified



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Score	Description
Declared	Companies that have declared their intention to join CAC
Certified	Companies certified by CAC.

Score	Range Number of Logo	Description
90-100		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	No logo given	N/A

DBSVTH recommendations are based on an Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return, i.e., > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

\*Share price appreciation + dividends

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