

ORI: Expect flat 3Q20 earnings but strong recovery in 4Q20



Update

We maintain BUY rating with a target price of Bt9.2 based on 7.5xPE'21E, the average of top 10 stocks in the Thai Real Estate sector.

- ORI has 3Q20 presales of Bt7.5bn (+14%QoQ), better than market expectation. We foresee presales momentum to speed up in 4Q20 through aggressive new projects launch in 4Q20.
- We expect 3Q20 earnings to stay flat YoY as there is no transfer of high value projects. However, we expect earnings to grow strongly both YoY and QoQ in 4Q20 driven by (1) revenue recognition from secured backlog over Bt7bn and (2) aggressive launch of new four low-rise projects worth Bt4.9bn.

We still like this stock on the backs of; (1) Secured backlog of Bt20bn to back 2021 earnings recovery; (2) Solid presales momentum; (3) Attractive dividend yield of 4%-6% in 2020E-21E.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	5.4	6.3	6.8	5.5	4.3
Recurring net profit growth (%)	104.1	(13.8)	(8.0)	23.5	28.1
Recurring EPS (Bt)	1.3	1.1	1.0	1.2	1.6
Recurring EPS growth (%)	101.8	(13.8)	(8.0)	23.5	28.1
PBV (x)	2.2	1.7	1.5	1.2	1.0
BVPS (Bt)	3.0	3.9	4.7	5.5	6.6
ROE (%)	53.2	35.4	25.9	26.5	28.1
DPS (Bt)	0.4	0.5	0.4	0.5	0.6
Dividend yield (%)	5.7	7.3	5.9	7.3	9.3
Enterprise value (Bt m)	27,393.4	31,405.8	28,057.8	29,814.9	31,025.1
EV-to-EBITDA (x)	6.6	8.0	7.6	6.2	5.0

Origin Property PCL

Recommendation: BUY

Current price: Bt6.85

Target price: Bt9.2

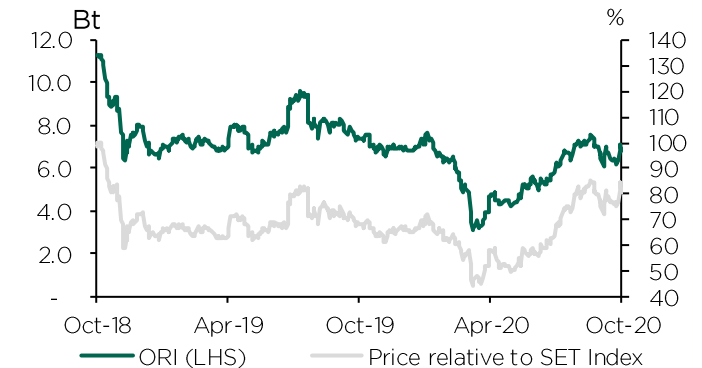
Up/(downside): 34%

IOD: 4 out of 5

CAC: Declared

Stock data

RIC code	ORI.BK
Index	.SETI
SET Index (9 October 2020)	1,267.14
Market cap (Bt m)	16,682
Shares outstanding (million)	2,453
Par (Bt)	0.50



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ORI: Aggressive new projects launch in 4Q20

Story

Sales

P5F

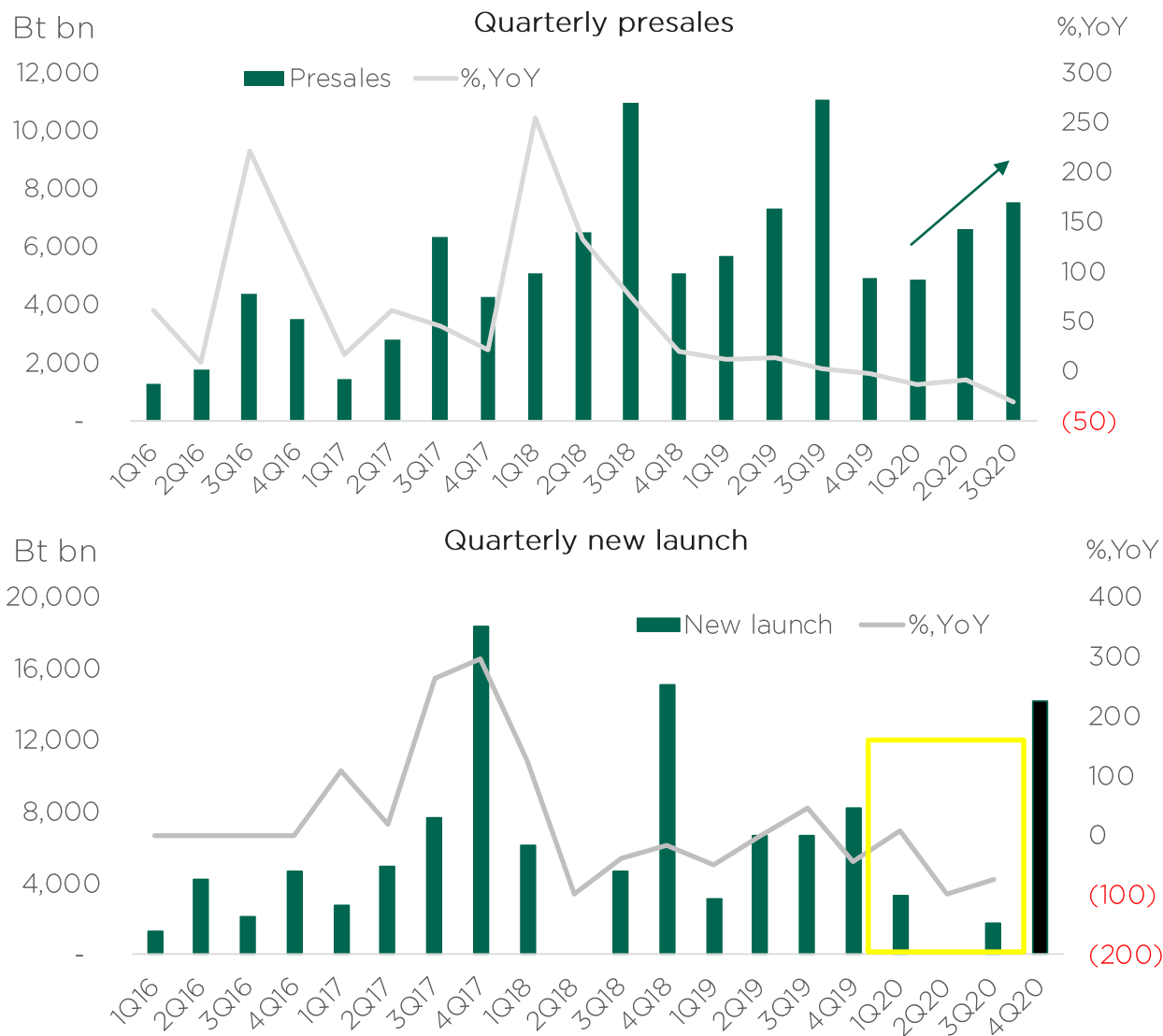
Team

WCB

ESG

Value

Risks



Presales on growing phase

- ORI has 3Q20 presales of Bt7.5bn (-32%YoY, +14%QoQ), better than market expectation. We foresee presales momentum to speed up in 4Q20 through aggressive launch of new nine projects worth Bt14bn in 4Q20 up from two projects launched worth Bt3.3bn in 1H20 and three projects launched worth Bt1.7bn in 3Q20. 9M20 ORI's presales accounted for 88% of the management target in 2020.
- We expect 3Q20 earnings to stay flat YoY as there is no transfer of high value projects. However, we expect earnings to grow strongly both YoY and QoQ in 4Q20 driven by (1) revenue recognition from secured backlog over Bt7bn. This backlog is mainly comprised of Knights Bridge Space Ratchayothin (Bt2.5bn) and Knightsbridge Space Rama IX (Bt1.7bn) and (2) aggressive launch of new four low-rise projects worth Bt4.9bn.
- ORI also has low inventory risk. During 9M20, ORI cleared its old inventory while launched only few new projects.

ORI: List of major project launch in 4Q20

Story

Sales

P5F

Team

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Value

Risks



PROJECTS TRANSFER 2020			
Q1'2020	Q2'2020	Q3'2020	Q4'2020
KNIGHTSBRIDGE COLLAGE RAMKHAMHAENG KNIGHTSBRIDGE PRIME RATCHAYOTHIN BRITANIA Bangna KM.42 BRITANIA Khukhot Station	KNIGHTSBRIDGE COLLAGE RAMKHAMHAENG KNIGHTSBRIDGE PRIME RATCHAYOTHIN THE ORIGIN PHAHOL - SAPHANMAI GRAND BRITANIA Wongwan Ramintra BRITANIA Salmal	KNIGHTSBRIDGE PRIME ONNUT BACKLOG : 2,314 MB KNIGHTSBRIDGE COLLAGE SUKHUMVIT 107 BACKLOG : 898 MB THE ORIGIN PHAHOL - SAPHANMAI BACKLOG : 340 MB BRITANIA Salmal BACKLOG : 218 MB GRAND BRITANIA Wongwan Ramintra BACKLOG : 185 MB	KNIGHTSBRIDGE SPACE RATCHAYOTHIN BACKLOG : 2,515 MB KNIGHTSBRIDGE KASET SOCIETY BACKLOG : 973 MB KensingtonN RAYONG 1 BACKLOG : 276 MB BRIGHTON BANGNA KM.26 PRESALE Q3 2020 GRAND BRITANIA BANGNA KM.12 PRESALE Q4 2020 KNIGHTSBRIDGE SPACE RAMA 9 - KASAT BACKLOG : 1,669 MB THE ORIGIN SUKHUMVIT 105 BACKLOG : 1,202 MB KensingtonN RAYONG 2 BACKLOG : 286 MB BELGRAVIA EXCLUSIVE POOL VILLA BANGNA-RAMA 9 PRESALE Q3 2020 GRAND BRITANIA Ratchaphruek Rama 5 PRESALE Q4 2020

JV PROJECT
REMARK : BACKLOG AS OF JUNE 2020

ORI: Revenue breakdown

Story

Sales

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Value

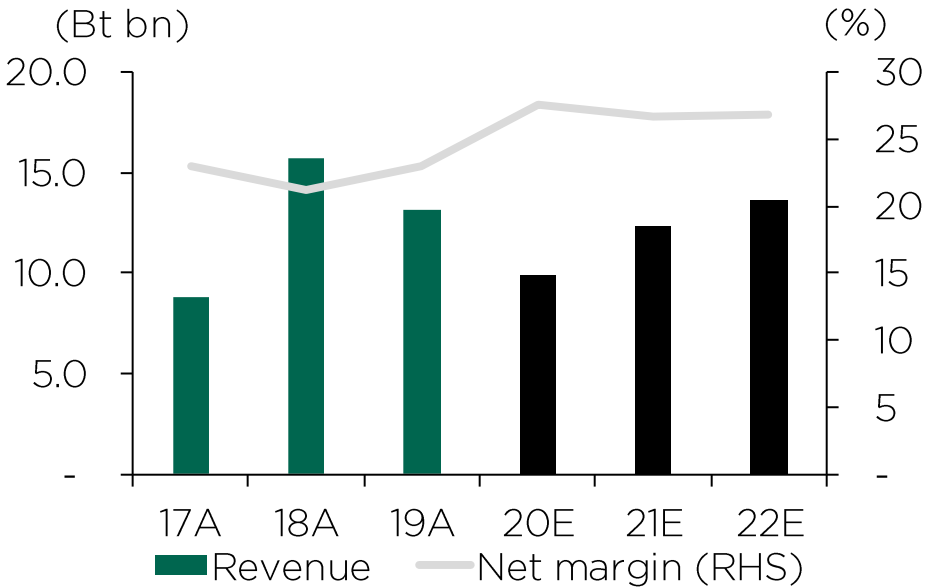
Risks

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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Value

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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