

ORI: 3Q20 earnings beat consensus



Result

ORI's 3Q20 net profit was at Bt717m (+4%YoY, +1%QoQ), better than our expectation and the street. The 9M20 result accounted to 74% of 2020 forecast.

- A YoY growth in earnings was mainly driven by equity income from JV projects of Bt250m from a loss of Bt111m in 3Q19.
- We expect 4Q20 earnings to grow both YoY and QoQ from secure backlog over Bt7bn which mainly from Knights Bridge Space Ratchayothin (Backlog of Bt2.5bn) and Knightsbridge Space Rama IX (Backlog of Bt1.7bn) and launching new luxury brand (BELGRAVIA), a low-rise project worth Bt1.7bn.
- We still like this stock on the backs of; (1) Secured backlog of Bt38bn support 2021-22 earnings; (2) Solid presales momentum; (3) Attractive dividend yield of 5%-6% in 2020-21E.

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.

Valuation table

Year end Dec	18A	19A	20E	21E	22E
PE (x)	6.5	7.0	7.1	5.8	5.2
Recurring net profit growth (%)	98.5	(7.1)	(0.8)	23.4	11.5
Recurring EPS (Bt)	1.08	1.01	1.00	1.23	1.37
Recurring EPS growth (%)	96.2	(7.1)	(0.9)	23.4	11.5
PBV (x)	2.3	1.8	1.5	1.3	1.1
BVPS (Bt)	3.0	3.9	4.7	5.5	6.4
ROE (%)	53.2	35.4	25.9	26.5	24.9
DPS (Bt)	0.4	0.5	0.4	0.5	0.5
Dividend yield (%)	5.4	7.0	5.6	6.9	7.7
Enterprise value (Bt m)	28,129	32,142	29,690	32,156	34,774
EV-to-EBITDA (x)	6.8	8.2	8.1	6.8	6.4

Thanawich Boonchuwong
Registration No. 110556
thanawich.bo@countrygroup.co.th
+66 2 205 7000 ext. 4403

Origin Property PCL

Recommendation: BUY

Current price: Bt7.1

Target price: Bt9.2

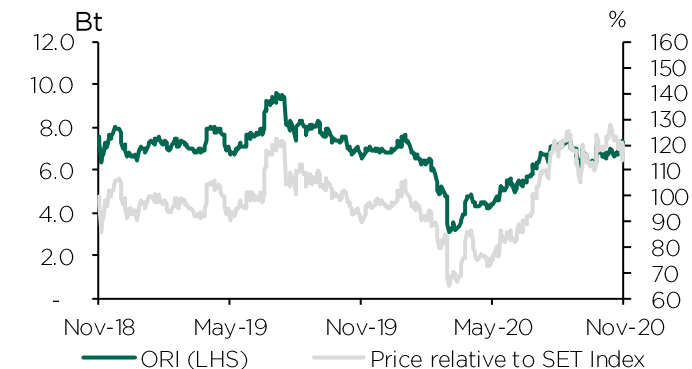
Up/(downside): 30%

IOD: 4 out of 5

CAC: Declared

Stock data

RIC code	ORI.BK
Index	.SETI
SET Index (13 November 2020)	1,346.47
Market cap (Bt m)	17,418
Shares outstanding (million)	2,453
Par (Bt)	0.50



ORI: Updated Scorecard

(Bt m)	3Q19	4Q19	1Q20	2Q20	3Q20	YoY (%)	9M20	20E	% of 20E
Revenue	3,512	3,437	2,121	3,216	2,400	(31.7)	7,738	9,898	78.2
Cost of sales	(1,797)	(1,821)	(1,174)	(1,997)	(1,427)	(20.6)	(4,598)	(5,642)	81.5
Gross profit	1,715	1,616	947	1,220	973	(43.2)	3,140	4,256	73.8
SG&A	(706)	(600)	(475)	(419)	(468)	(33.8)	(1,362)	(1,980)	68.8
Other (exp)/inc	82	115	102	71	135	65.3	308	372	82.7
EBIT	1,090	1,131	574	871	640	(41.3)	2,085	2,649	78.7
Finance cost	(75)	(74)	(74)	(67)	(51)	(31.7)	(193)	(295)	65.2
Other inc/(exp)	(111)	(14)	143	67	4	nm	214	1	nm
Earnings before taxes	905	1,042	643	871	593	(34.4)	2,107	2,355	89.5
Income tax	(206)	(244)	(147)	(164)	(122)	(40.8)	(433)	(541)	80.1
Earnings after taxes	699	798	495	707	471	(32.5)	1,674	1,813	92.3
Equity income	(111)	(14)	139	61	250	nm	451	707	63.8
Minority interest	(46)	(68)	(81)	0	(5)	(90.0)	(85)	(142)	60.1
Earnings from cont. operations	542	716	554	769	717	32.4	2,039	2,379	85.7
Forex gain/(loss) & unusual items	146	166	42	(61)	-	nm	(20)	351	(5.6)
Net profit	687	882	595	707	717	4.3	2,019	2,730	74.0
Recurring profit	570	750	562	756	717	25.8	2,036	2,449	83.1
EBITDA	1,007	1,148	758	968	929	(7.8)	2,655	3,659	72.6
Recurring EPS (Bt)	0.233	0.306	0.229	0.308	0.292	25.7	0.830	0.998	83.1
Reported EPS (Bt)	0.281	0.360	0.243	0.288	0.292	4.2	0.823	1.113	74.0
Profits (%)	3Q19	4Q19	1Q20	2Q20	3Q20	Diff (%)	9M20	20E	Diff (%)
Gross margin	48.8	47.0	44.6	37.9	40.6	(8.3)	40.6	43.0	2.4
Operating margin	31.0	32.9	27.0	27.1	26.7	(4.4)	27.0	26.8	(0.2)
Net margin	19.6	25.7	28.1	22.0	29.9	10.3	26.1	27.6	1.5

Result summary

- ORI's 3Q20 net profit was at Bt717m (+4%YoY, +1%QoQ), better than our expectation and the street. The 9M20 result accounted to 74% of 2020 forecast.
- A YoY growth in earnings was mainly driven by equity income from JV projects of Bt250m from a loss of Bt111m in 3Q19.
- 3Q20 ORI has transferred worth Bt3.9bn comprise of 43% in condominium projects valued Bt1.7bn, 14% in housing projects valued Bt544m, and 43% from JV projects valued Bt1.7bn.
- JV projects transferred mainly from Knightsbridge Collage Ramkhamhaeng, Knightsbridge Prime Ratchayothin and Knightsbridge Prime Onnut.
- 9M20 ORI has presales accounted for 88% of the management target in 2020

ORI: Revenue breakdown

Story

Sales

P5F

Team

WCB

ESG

Value

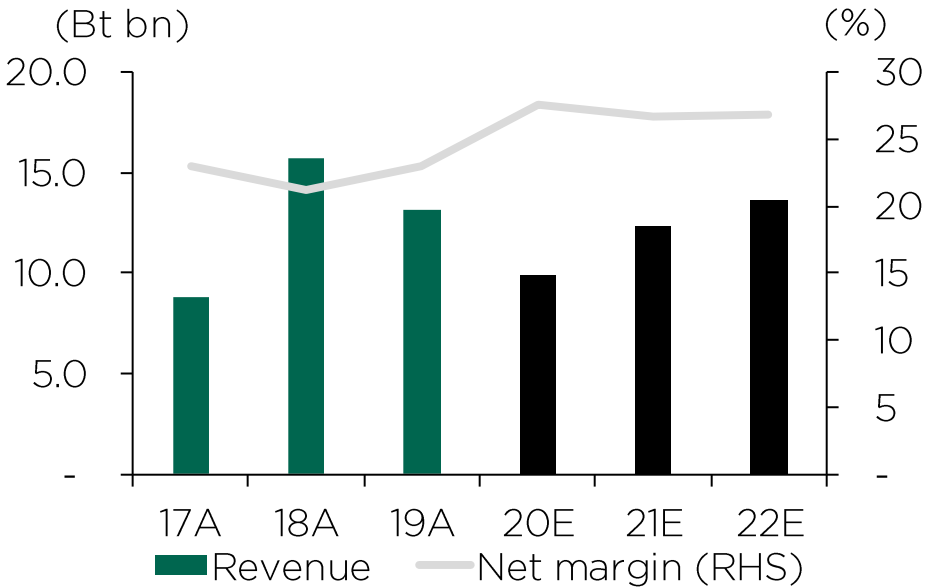
Risks

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

P5F

Team

WCB

ESG

Value

Risks

Profit & loss (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	15,749	13,197	9,898	12,373	13,610	3,512	3,437	2,121	3,216	2,400
Cost of goods sold	(8,611)	(6,934)	(5,642)	(7,176)	(7,894)	(1,797)	(1,821)	(1,174)	(1,997)	(1,427)
Gross profit	7,138	6,263	4,256	5,197	5,716	1,715	1,616	947	1,220	973
SG&A	(2,872)	(2,687)	(1,980)	(2,475)	(2,722)	(706)	(600)	(475)	(419)	(468)
Other (exp)/inc	262	465	372	383	387	82	115	102	71	135
Operating profit	4,528	4,041	2,649	3,105	3,381	1,090	1,131	574	871	640
Finance cost	(262)	(273)	(295)	(292)	(283)	(75)	(74)	(74)	(67)	(51)
Other inc/(exp)	(224)	(238)	1	1	1	(111)	(14)	143	67	4
Earnings before taxes	4,042	3,530	2,355	2,815	3,100	905	1,042	643	871	593
Income tax	(981)	(848)	(541)	(633)	(690)	(206)	(244)	(147)	(164)	(122)
After-tax profit	3,061	2,682	1,813	2,182	2,410	699	798	495	707	471
Equity income	(536)	(239)	707	1,059	1,210	(111)	(14)	139	61	250
Minorities	(38)	(114)	(142)	(287)	(318)	(46)	(68)	(81)	0	(5)
Earnings from cont. operations	2,487	2,330	2,379	2,953	3,302	542	716	554	769	717
Forex gain/(loss) & unusual items	851	698	351	351	351	146	166	42	(61)	-
Net income	3,338	3,027	2,730	3,304	3,653	687	882	595	707	717
Recurring EPS (Bt)	1.08	1.01	1.00	1.23	1.37	0.23	0.31	0.23	0.31	0.29
Weighted average shares (m)	2,450	2,451	2,453	2,453	2,453	2,451	2,454	2,453	2,453	2,453
Balance sheet (Bt m)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Assets	27,203	32,079	31,375	35,025	40,395	30,576	32,079	32,601	33,915	33,762
Liabilities	18,402	21,146	18,549	19,817	22,565	20,602	21,146	21,732	22,336	22,171
Equity	7,437	9,657	11,407	13,502	15,806	8,765	9,657	10,256	10,966	10,974
Invested capital	17,724	22,984	21,718	25,507	29,537	21,650	22,984	23,738	23,508	33,762
Growth (YoY, %)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Revenue	79.7	(16.2)	(25.0)	25.0	10.0	(4.0)	(41.5)	(32.5)	3.6	(31.7)
Operating income	102.9	(10.8)	(34.5)	17.2	8.9	(3.8)	(18.3)	(28.6)	(14.3)	(41.3)
Recurring EPS	96.2	(7.1)	(0.9)	23.4	11.5	15.3	(13.8)	9.2	18.8	25.7
Assets	18.7	17.9	(2.2)	11.6	15.3	14.3	17.9	18.5	18.7	10.4
Liabilities	11.4	14.9	(12.3)	6.8	13.9	12.4	14.9	23.6	18.4	7.6
Equity	45.2	29.8	18.1	18.4	17.1	30.7	29.8	19.6	28.3	25.2
Profits (%)	18A	19A	20E	21E	22E	Sep '19	Dec '19	Mar '20	Jun '20	Sep '20
Gross margin	45.3	47.5	43.0	42.0	42.0	48.8	47.0	44.6	37.9	40.6
Operating margin	28.8	30.6	26.8	25.1	24.8	31.0	32.9	27.0	27.1	26.7
Net margin	21.2	22.9	27.6	26.7	26.8	19.6	25.7	28.1	22.0	29.9
ROE	53.2	35.4	25.9	26.5	24.9	31.8	38.3	23.9	26.7	26.1

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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