



Origin Property PCL

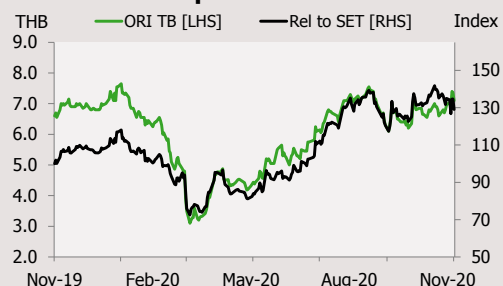
ORI TB Outperform

Target Price	Bt	8.20
Price (13/11/2020)	Bt	7.10
Upside	%	15.49
Valuation	PER	
Sector	Property Development	
Market Cap	Btm	17,415
30-day avg turnover	Btm	68.16
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	11,916	14,363	14,704
Core profit (Btmn)	2,580	2,765	2,991	3,456
Net profit (Btmn)	3,027	2,909	3,231	3,696
Net EPS (Bt)	1.23	1.19	1.32	1.51
DPS (Bt)	0.49	0.50	0.55	0.60
BVPS (Bt)	3.94	4.54	5.27	6.12
Net EPS growth (%)	(9.45)	(3.89)	11.07	14.38
ROA (%)	10.60	9.03	9.05	9.46
ROE (%)	35.42	28.00	26.88	26.46
Net D/E (x)	1.32	1.26	1.12	1.06
Valuation				
P/E (x)	5.67	5.99	5.39	4.71
P/BV (x)	1.78	1.57	1.35	1.16
EV/EBITDA (x)	8.09	10.46	9.21	10.22
Dividend yield (%)	7.06	7.05	7.75	8.49

ORI TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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Analyst

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Kasikorn Securities Public Company Limited

Strong in-line result

- **ORI posted 3Q20 earnings of Bt717mn, up 4.3% YoY and 1.4% QoQ, in line with our forecast. Equity income drove the growth, as expected.**
- **Due to stronger-than-expected YTD presales of Bt22.5bn, ORI decided to cut 2020 new launch value to Bt14bn from Bt20bn. Low-rises in the medium to high segment and mid-range condos will be its focus for now.**
- **Maintain Outperform rating with a 2021 target price of Bt8.20.**

Investment Highlights

Good 3Q20 earnings reported, as expected. ORI reported 3Q20 earnings of Bt717mn, up 4.3% YoY and 1.4% QoQ. This was in line with our forecast of Bt712mn. A surge in equity income to a record high of Bt250mn on the back of a much higher level of rights transfers at its JV condo units, particularly KnightsBridge Prime Onnuch (Bt2.6bn, 89% sold), which was able to transfer more than one-third of its total units in the quarter, was the key growth driver. In addition, abnormally high other income of Bt135mn against Bt82mn in 3Q19 and Bt76mn in 2Q20, which we believe was the result of backlog-clearance activity in the quarter, was another key factor supporting earnings.

- **NPM hit a new high despite slower top-line and margin growth.** ORI reported that 3Q20 NPM hit a new high of 28.2%, clearly owing to the high level of transfers from JV condo backlog. This was although its own operating performance slowed sharply due to 1) a high base for growth and 2) lower profitability due to high competition in the market amid a weak macro-economic environment and efforts by ORI to reduce its financial risk. Its 3Q20 sales revenue fell 30.0% YoY and 28.5% QoQ and its 3Q20 GPM fell 7.6ppt YoY but was flat QoQ. Also, the lower revenue pushed up 3Q20 SG&A-to-sales ratio to 21.2% from 13.6% in 2Q20 on lower economies of scale. 9M20 earnings thus accounted for 70% of our full-year earnings forecast.

- **2020 new-launch value adjusted; initial 2021 growth target is 10%.** ORI's YTD presales of Bt22.5bn have already surpassed its full-year presales target of Bt21.5bn. This strong performance was supported by an inventory liquidation strategy that has generated presales from completed inventory of more than Bt14bn YTD and good responses at most of its newly launched projects, particularly The Origin Onnuch (Bt700mn), which sold out at launch, and KnightsBridge Space Rama 4 (Bt2.3bn), where presales reached 90% within a few months of launch. As a result of these surprisingly strong presales, together with a change in sales strategy to focus more tightly on each customer category, which allows ORI to split sales activity for each of its condo projects into many tranches instead of using broad-based marketing campaigns, the company decided to cut its 2020 new launch value to Bt14bn from Bt20bn. Changes in customer lifestyles, interests and financial abilities as a result of COVID-19 have also prompted ORI to focus on the mid-to-high-segment low-rise products under the Britannia and Grand Britainai brand (while still offering the full range of products: Brighton for low-end and Belgravia for high-end) and mid-end condos under The Origin brand.

Valuation and Recommendation

- We maintain our Outperform rating on ORI with a 2021 target price of Bt8.20. In addition to the sound upside of 15.5% from the latest closing price to our TP, the potential DY return of more than 7.0% is still attractive. We expect ORI to announce a 1H20 dividend in December. Moreover, as it is in the process building more recurring-income businesses like hotels and rental property, a re-rating story may emerge to drive its share price to the next level once they prove their success. In the short term, a number of newly completed condominium projects being solely developed by the company and under the JV format, such as Kensington Rayong, KnightsBridge Space Ratchayothin and KnightsBridge Kaset Society will help lift 4Q20 earnings further from 3Q20.



Fig 1 3Q20 earnings rose 4.3% YoY and 1.4% QoQ

	3Q19	4Q19	1Q20	2Q20	3Q20	%YoY	%QoQ	%YTD2020E	2020E
Financials									
Sales (Btmn)	3,154	3,299	1,953	3,088	2,207	-30.0	-28.5	60.8	11,916
EBITDA (Btmn)	1,118	1,162	622	912	683	-38.9	-25.1	67.5	3,282
Operating profit (Btmn)	1,090	1,131	578	877	645	-40.9	-26.5	66.9	3,137
Core profit (Btmn)	659	760	451	707	717	8.8	1.4	67.8	2,765
Net profit (Btmn)	687	882	595	707	717	4.3	1.4	69.4	2,909
Net EPS (Bt)	0.28	0.36	0.24	0.29	0.29	4.2	1.4	69.4	1.19
Performance Drivers									
Presales (Btmn)	10,188	6,122	4,852	6,578	7,500	-26.4	14.0	78.0	24,258
New launch (Btmn)	6,350	8,150	3,300	0	1,700	-73.2	n.m.	35.7	14,000
Net D/E (x)	1.4	1.32	1.43	1.28	1.37	-3.5	6.6	108.3	1.26
Ratios									
						Change **		Avg YTD	2020E
Gross margin (%)	43.0	44.8	39.9	35.4	35.4	-7.6	0.0	36.9	36.7
EBITDA margin (%)	35.5	35.2	31.9	29.5	30.9	-4.5	1.4	30.8	27.5
Optg. margin (%)	34.6	34.3	29.6	28.4	29.2	-5.4	0.8	29.1	26.3
ROE (%)	31.4	36.5	23.2	25.8	26.1	-5.2	0.3	25.0	28.0

Remark: ** = Change in ppt

Source: Company data and KS Research



Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E
Revenue	14,523	12,279	11,916	14,363	14,704
Cost of sales and services	-8,611	-6,934	-7,538	-9,073	-9,310
Gross Profit	5,912	5,344	4,378	5,290	5,394
SG&A	-2,872	-2,687	-2,252	-2,680	-2,956
Other income	1,488	1,284	1,011	1,028	967
EBIT	4,619	4,262	3,890	4,311	4,756
EBITDA	4,662	4,060	3,282	3,752	3,525
Interest expense	-262	-273	-271	-368	-401
Equity earnings	-536	-239	572	373	1,052
EBT	4,356	3,989	3,619	3,944	4,354
Income tax	-981	-848	-624	-712	-658
NPAT	3,376	3,141	2,995	3,231	3,696
Minority Interest	-38	-114	-85	0	0
Core Profit	2,837	2,580	2,765	2,991	3,456
Extraordinary items	501	447	145	240	240
FX gain (loss)	0	0	0	0	0
Reported net profit	3,338	3,027	2,909	3,231	3,696

Balance Sheet (Btmn)

Cash & equivalents	1,819	1,330	953	1,149	1,176
ST investments	7	308	357	431	441
Accounts receivable	135	531	417	503	515
Inventories	20,151	22,582	24,409	26,106	29,181
Other current assets	1,392	1,731	1,728	2,083	2,132
Total current assets	23,505	26,481	27,865	30,271	33,445
Investment in subs & others	0	0	0	0	0
Fixed assets-net	1,167	2,149	2,179	2,241	2,314
Other assets	2,531	3,450	4,202	4,684	5,165
Total assets	27,203	32,079	34,246	37,196	40,925
Short-term debt	8,017	6,447	6,473	4,448	4,448
Accounts payable	2,603	2,574	2,383	2,513	2,573
Other current liabilities	2,563	1,800	1,847	2,226	2,279
Total current liabilities	13,183	10,822	10,703	9,188	9,301
Long-term debt	4,513	9,606	10,468	13,005	14,496
Other liabilities	705	717	673	811	831
Total liabilities	18,402	21,146	21,844	23,004	24,627
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	7,403	9,193	11,298
Minority interests	1,364	1,277	1,277	1,277	1,277
Total shareholders' equity	8,801	10,934	12,402	14,192	16,297
Total equity & liabilities	27,203	32,079	34,246	37,196	40,925

Key Assumptions

New launch (Btmn)	25,500	24,200	14,000	20,000	24,000
Pre-sales	27,552	28,942	24,258	23,220	24,542
Revenue growth (%)	65.70	-15.45	-2.96	20.54	2.38
Gross margin (%)	40.71	43.53	36.74	36.83	36.68
SG&A to sales (%)	19.77	21.89	18.90	18.66	20.10

Cashflow (Btmn)	2018A	2019A	2020E	2021E	2022E
Net profit	3,376	3,141	2,995	3,231	3,696
Depreciation & amortization	134	119	145	114	121
Change in working capital	-3,630	-3,949	-1,883	-1,542	-2,995
Others	-186	0	-85	0	0
CF from operation activities	-306	-690	1,172	1,804	822
Capital expenditure	-496	-1,100	-174	-170	-194
Investment in subs and affiliates	0	0	0	0	0
Others	-858	-1,214	-820	-509	-501
CF from investing activities	-1,354	-2,314	-994	-679	-695
Cash dividend	-1,516	-1,237	-1,293	-1,293	-1,442
Net proceeds from debt	3,460	3,523	887	512	1,491
Capital raising	477	39	0	0	0
Others	92	-108	0	0	0
CF from financing activities	2,659	2,515	-554	-929	-100
Net change in cash	999	-489	-376	196	27

Key Statistics & Ratios

Per share (Bt)

Reported EPS	1.36	1.23	1.19	1.32	1.51
Core EPS	1.16	1.05	1.13	1.22	1.41
DPS	0.65	0.49	0.50	0.55	0.60
BV	3.04	3.94	4.54	5.27	6.12
EV	11.53	13.40	13.99	14.09	14.68
Free Cash Flow	-0.33	-0.73	0.41	0.67	0.26

Valuation analysis

Reported P/E (x)	4.84	5.67	5.99	5.39	4.71
Core P/E (x)	5.70	6.66	6.30	5.82	5.04
P/BV (x)	2.17	1.78	1.57	1.35	1.16
EV/EBITDA (x)	6.06	8.09	10.46	9.21	10.22
Price/Cash flow (x)	-52.80	-24.89	14.86	9.65	21.20
Dividend yield (%)	9.85	7.06	7.05	7.75	8.49

Profitability ratios

Gross margin (%)	40.71	43.53	36.74	36.83	36.68
EBITDA margin (%)	32.10	33.07	27.55	26.13	23.97
EBIT margin (%)	31.80	34.71	32.65	30.02	32.34
Net profit margin (%)	23.24	25.58	25.13	22.50	25.14
ROA (%)	13.47	10.60	9.03	9.05	9.46
ROE (%)	53.15	35.42	28.00	26.88	26.46

Liquidity ratios

Current ratio (x)	1.78	2.45	2.60	3.29	3.60
Quick ratio (x)	0.15	0.20	0.16	0.23	0.23

Leverage Ratios

Liabilities/Equity ratio (x)	2.09	1.93	1.76	1.62	1.51
Net debt/EBITDA (x)	2.30	3.55	4.76	4.23	4.92
Net debt/equity (x)	1.22	1.32	1.26	1.12	1.06
Int. coverage ratio (x)	17.60	15.62	14.36	11.72	11.85

Growth

Revenue (%)	65.70	-15.45	-2.96	20.54	2.38
EBITDA (%)	101.11	-12.92	-19.16	14.32	-6.05
Reported net profit (%)	65.17	-9.31	-3.89	11.07	14.38
Reported EPS (%)	9.68	-9.45	-3.89	11.07	14.38
Core profit (%)	88.09	-9.05	7.17	8.20	15.53
Core EPS (%)	24.90	-9.19	7.17	8.20	15.53

Source: Company, KS estimates



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