

# ORI: 4Q20 earnings came out below expectation



## Result

**ORI's 4Q20 net profit was Bt642m (-27%YoY, -10%QoQ), came out below our expectation. The 2020 net profit was at Bt2.7bn (-5%YoY).**

- The drop in 4Q20 earnings was mainly pressured by decline in revenue (-20%YoY), and equity income (-39%QoQ) due to delay of transfer activities from 2<sup>nd</sup> wave COVID.
- ORI announced an interim dividend payment of Bt0.39 (XD on 7<sup>th</sup> May), which would deliver a yield of 5% based on current share price.
- We expect 2021 earnings to grow YoY from secured backlog of over Bt35bn for the next four years, and 20 new projects launch worth Bt20bn scheduled in 2021 (housing projects 52% of total new projects valued).

**We maintain the 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	20A	21E	22E
PE (x)	5.7	6.6	7.0	5.9	5.3
Recurring net profit growth (%)	104.1	(13.8)	(5.3)	19.7	9.9
Recurring EPS (Bt)	1.26	1.09	1.03	1.23	1.35
Recurring EPS growth (%)	101.8	(13.8)	(5.4)	19.7	9.9
PBV (x)	2.4	1.8	1.6	1.3	1.1
BVPS (Bt)	3.0	3.9	4.6	5.4	6.3
ROE (%)	53.2	35.4	25.3	25.4	23.9
DPS (Bt)	0.4	0.5	0.5	0.5	0.5
Dividend yield (%)	5.4	6.9	6.8	6.8	7.5
Enterprise value (Bt m)	28,375	32,387	39,349	33,286	35,260
EV-to-EBITDA (x)	6.9	8.3	11.0	7.0	6.4

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### Origin Property PCL

**Recommendation: BUY**

**Current price: Bt7.2**

**Target price: Bt9.2**

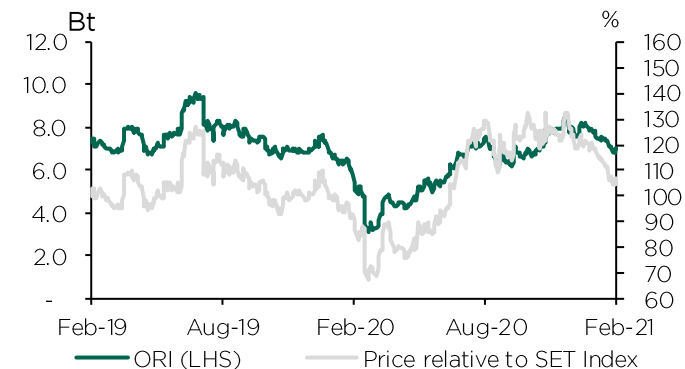
**Up/(downside): 28%**

**IOD: 4 out of 5**

**CAC: Declared**

### Stock data

RIC code	ORI.BK
Index	.SETI
SET Index (26 February 2021)	1,496.78
Market cap (Bt m)	17,663
Shares outstanding (million)	2,453
Par (Bt)	0.50



# ORI: Updated Scorecard

(Bt m)	4Q19	1Q20	2Q20	3Q20	4Q20	YoY (%)	20A	20E	Diff (%)
Revenue	3,437	2,121	3,216	2,400	2,748	(20.0)	10,486	9,898	5.9
Cost of sales	(1,821)	(1,174)	(1,997)	(1,427)	(1,710)	(6.1)	(6,308)	(5,642)	11.8
<b>Gross profit</b>	<b>1,616</b>	<b>947</b>	<b>1,220</b>	<b>973</b>	<b>1,038</b>	<b>(35.8)</b>	<b>4,178</b>	<b>4,256</b>	<b>(1.8)</b>
SG&A	(600)	(475)	(419)	(468)	(460)	(23.4)	(1,822)	(1,980)	(8.0)
Other (exp)/inc	115	102	71	135	140	21.6	448	372	20.3
<b>EBIT</b>	<b>1,131</b>	<b>574</b>	<b>871</b>	<b>640</b>	<b>718</b>	<b>(36.5)</b>	<b>2,803</b>	<b>2,649</b>	<b>5.8</b>
Finance cost	(74)	(74)	(67)	(51)	(71)	(4.7)	(263)	(295)	(10.8)
Other inc/(exp)	1	4	5	4	(13)	nm	-	2	nm
<b>Earnings before taxes</b>	<b>1,057</b>	<b>503</b>	<b>809</b>	<b>593</b>	<b>634</b>	<b>(40.0)</b>	<b>2,540</b>	<b>2,355</b>	<b>7.9</b>
Income tax	(244)	(147)	(164)	(122)	(127)	(48.0)	(560)	(517)	8.4
<b>Earnings after taxes</b>	<b>812</b>	<b>356</b>	<b>646</b>	<b>471</b>	<b>507</b>	<b>(37.6)</b>	<b>1,980</b>	<b>1,838</b>	<b>7.7</b>
Equity income	(14)	139	61	250	153	nm	604	814	(25.8)
Minority interest	(68)	(81)	0	(5)	(17)	(74.7)	(102)	(142)	(28.0)
<b>Earnings from cont. operations</b>	<b>730</b>	<b>414</b>	<b>707</b>	<b>717</b>	<b>642</b>	<b>(12.0)</b>	<b>2,481</b>	<b>2,509</b>	<b>(1.1)</b>
Forex gain/(loss) & unusual items	152	181	-	-	0	(100.0)	181	231	(21.6)
<b>Net profit</b>	<b>882</b>	<b>595</b>	<b>707</b>	<b>717</b>	<b>642</b>	<b>(27.2)</b>	<b>2,662</b>	<b>2,740</b>	<b>(2.9)</b>
Recurring profit	761	453	707	717	642	(15.6)	2,518	2,556	(1.5)
EBITDA	1,148	758	968	929	918	(20.1)	3,572	3,798	(5.9)
Recurring EPS (Bt)	0.310	0.185	0.288	0.292	0.262	(15.5)	1.027	1.042	(1.4)
Reported EPS (Bt)	0.360	0.243	0.288	0.292	0.262	(27.2)	1.085	1.117	(2.9)
<b>Profits (%)</b>	<b>4Q19</b>	<b>1Q20</b>	<b>2Q20</b>	<b>3Q20</b>	<b>4Q20</b>	<b>Diff (%)</b>	<b>20A</b>	<b>20E</b>	<b>Diff (%)</b>
Gross margin	47.0	44.6	37.9	40.6	37.8	(9.2)	39.8	43.0	(3.2)
Operating margin	32.9	27.0	27.1	26.7	26.1	(6.8)	26.7	26.8	(0.0)
Net margin	25.7	28.1	22.0	29.9	23.4	(2.3)	25.4	27.7	(2.3)

## Result summary

- ORI's 4Q20 net profit was Bt642m (-27%YoY, -10%QoQ), came out below our expectation. The 2020 net profit was at Bt2.7bn (-5%YoY),.
- The YoY drop in 4Q20 earnings was mainly pressured by decline in revenue which was at Bt2.7bn (-20%YoY, +14% QoQ), while lower equity income (-39%QoQ) due to transfer activities were delayed from 2nd wave COVID, resulted the QoQ drop.
- 4Q20 gross profit margin contracted to 37.8% mainly from higher contribution from housing projects (GPM of 24%).
- In 2020 ORI has transferred projects worth Bt15bn (+23%YoY), which comprises 50% condominium projects valued Bt7.5bn, 15% housing projects valued Bt2.3bn, and 35% JV projects valued Bt5.2bn.
- The company also has presales of Bt26bn in 2020, from 75% condominium projects and 25% housing projects.

# ORI: Revenue breakdown

Story

Sales

P5F

Team

WCB

ESG

Value

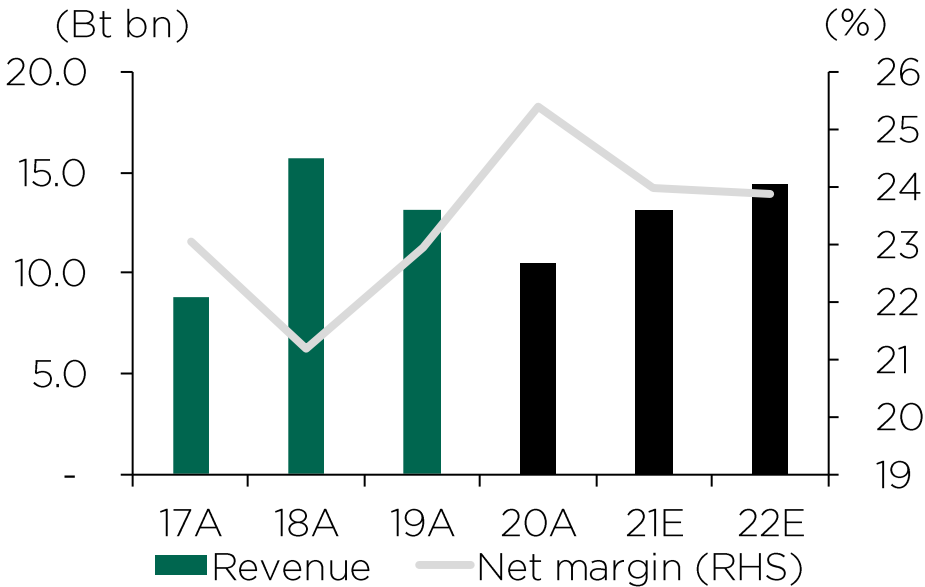
Risks

ORI and its subsidiaries have four core businesses. Condominiums account for 69% 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).

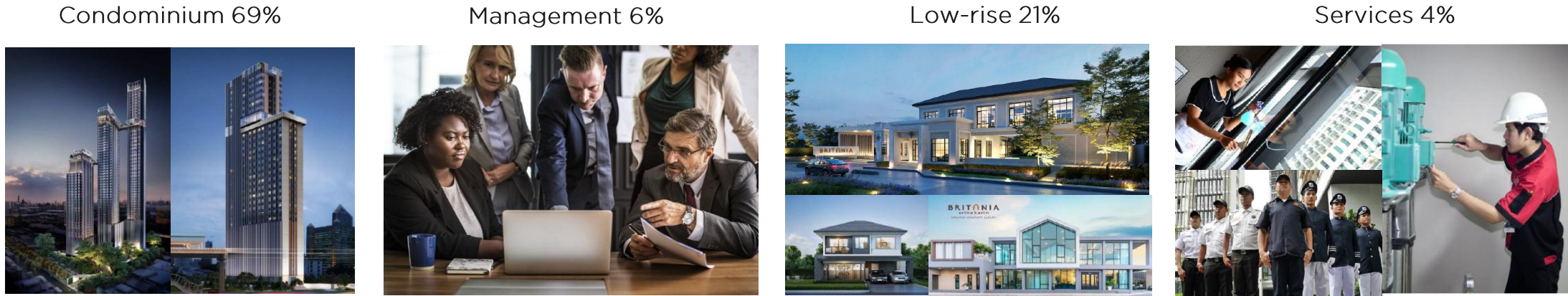
Project management services contribute 6% of total sales. This segment is related to management services provided to other property projects.

The low-rise segment contributes 21% 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 4% of sales.



Revenue by segment 2019



# ORI: Summary financials

Story

Sales

P5F

Team

WCB

ESG

Value

Risks

Profit & loss (Bt m)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Revenue	15,749	13,197	10,486	13,108	14,418	3,437	2,121	3,216	2,400	2,748
Cost of goods sold	(8,611)	(6,934)	(6,308)	(7,956)	(8,795)	(1,821)	(1,174)	(1,997)	(1,427)	(1,710)
Gross profit	7,138	6,263	4,178	5,151	5,623	1,616	947	1,220	973	1,038
SG&A	(2,872)	(2,687)	(1,822)	(2,490)	(2,595)	(600)	(475)	(419)	(468)	(460)
Other (exp)/inc	262	465	448	409	414	115	102	71	135	140
Operating profit	4,528	4,041	2,803	3,070	3,441	1,131	574	871	640	718
Finance cost	(262)	(273)	(263)	(284)	(287)	(74)	(74)	(67)	(51)	(71)
Other inc/(exp)	312	1	-	2	2	1	4	5	4	(13)
Earnings before taxes	4,578	3,769	2,540	2,788	3,156	1,057	503	809	593	634
Income tax	(981)	(848)	(560)	(590)	(664)	(244)	(147)	(164)	(122)	(127)
After-tax profit	3,597	2,921	1,980	2,198	2,493	812	356	646	471	507
Equity income	(536)	(239)	604	1,058	1,089	(14)	139	61	250	153
Minorities	(38)	(114)	(102)	(273)	(299)	(68)	(81)	0	(5)	(17)
Earnings from cont. operations	3,023	2,569	2,481	2,983	3,282	730	414	707	717	642
Forex gain/(loss) & unusual items	315	459	181	161	161	152	181	-	-	0
Net income	3,338	3,027	2,662	3,144	3,443	882	595	707	717	642
Recurring EPS (Bt)	1.26	1.09	1.03	1.23	1.35	0.31	0.18	0.29	0.29	0.26
Weighted average shares (m)	2,450	2,451	2,453	2,453	2,453	2,454	2,453	2,453	2,453	2,453
Balance sheet (Bt m)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Assets	27,203	32,079	33,694	35,694	40,569	32,079	32,601	33,915	33,762	33,694
Liabilities	18,402	21,146	21,686	20,662	23,119	21,146	21,732	22,336	22,171	21,686
Equity	7,437	9,657	11,373	13,336	15,454	9,657	10,256	10,966	10,974	11,373
Invested capital	17,352	22,582	26,503	25,708	29,010	22,582	23,343	23,113	23,457	26,503
Growth (YoY, %)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Revenue	79.7	(16.2)	(20.5)	25.0	10.0	(41.5)	(32.5)	3.6	(31.7)	(20.0)
Operating income	102.9	(10.8)	(30.6)	9.5	12.1	(18.3)	(28.6)	(14.3)	(41.3)	(36.5)
Recurring EPS	101.8	(13.8)	(5.4)	19.7	9.9	(18.9)	(17.7)	2.3	8.7	(15.5)
Assets	18.7	17.9	5.0	5.9	13.7	17.9	18.5	18.7	10.4	5.0
Liabilities	11.4	14.9	2.6	(4.7)	11.9	14.9	23.6	18.4	7.6	2.6
Equity	45.2	29.8	17.8	17.3	15.9	29.8	19.6	28.3	25.2	17.8
Profits (%)	18A	19A	20A	21E	22E	Dec '19	Mar '20	Jun '20	Sep '20	Dec '20
Gross margin	45.3	47.5	39.8	39.3	39.0	47.0	44.6	37.9	40.6	37.8
Operating margin	28.8	30.6	26.7	23.4	23.9	32.9	27.0	27.1	26.7	26.1
Net margin	21.2	22.9	25.4	24.0	23.9	25.7	28.1	22.0	29.9	23.4
ROE	53.2	35.4	25.3	25.4	23.9	38.3	23.9	26.7	26.1	23.0

# Disclaimer

## Investment ratings

<b>BUY:</b>	Expected return excluding dividends of more than 10% within the next 12 months.
<b>HOLD:</b>	Expected return excluding dividends between -10% and 10% within the next 12 months.
<b>SELL:</b>	Expected return excluding dividends of less than -10% within the next 12 months.
<b>NR:</b>	Not Rated- Stock is not in our research coverage.

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