

ORI: Solid 2Q21 earnings supported by gains from share premiums



Update

ORI's 2Q21 net profit was at Bt852m (+21%YoY, +3%QoQ), the highest level in six quarters. The 1H21 result was in-line with our expectation.

- Excluding gains from share premium on two JV projects, the operating profit was at Bt609m (-14%YoY, -13%QoQ) caused by lower transfer activities due to ORI has only two new completed construction projects valued Bt1.5bn.
- We foresee 2H21 core earnings to increase 14%HoH from 1H21 supported by higher transfer activities from three new completed construction projects valued Bt17.8bn (mostly from Park Origin Thonglor) and backlog from low-rise projects valued Bt5.7bn.
- We still like this stock on the back of; (1) Secured backlog of Bt35bn that will support 2021-23 earnings recovery; (2) Solid presales momentum; (3) Attractive dividend yield of 6%-7% in 2021-22E; and (4) ORI diversifies its portfolio to more on recurring income assets.

We maintain BUY rating with a target price of Bt10.3 based on 7.5xPE'22E, the average of top 10 stocks in the Thai Real Estate sector. Our target price has excluded upside from new business.

Valuation table

Year end Dec	19A	20A	21E	22E	23E
PE (x)	8.5	9.0	8.0	6.8	6.4
Recurring net profit growth (%)	(13.8)	(5.3)	13.2	17.7	5.6
Recurring EPS (Bt)	1.09	1.03	1.16	1.37	1.44
Recurring EPS growth (%)	(13.8)	(5.4)	13.2	17.7	5.6
PBV (x)	2.3	2.0	1.7	1.5	1.3
BVPS (Bt)	3.9	4.6	5.4	6.2	7.0
ROE (%)	35.4	25.3	25.6	24.3	22.5
DPS (Bt)	0.5	0.5	0.5	0.6	0.7
Dividend yield (%)	5.4	5.3	5.8	6.8	7.2
Enterprise value (Bt m)	37,413	38,499	35,938	37,907	38,712
EV-to-EBITDA (x)	9.6	10.8	8.6	7.7	7.4

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Origin Property PCL

Recommendation: BUY

Current price: Bt9.25

Target price: Bt10.3

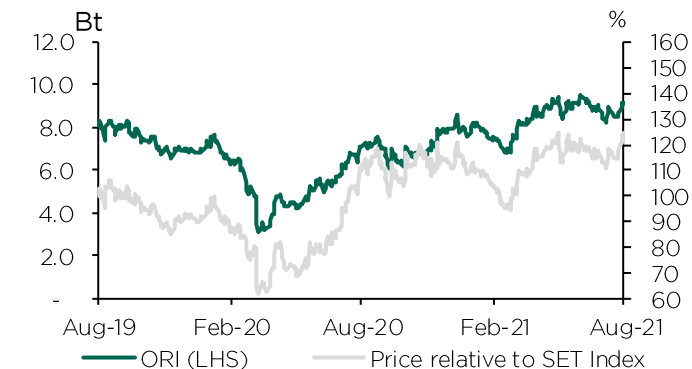
Up/(downside): 11%

IOD: 4 out of 5

CAC: Declared

Stock data

RIC code	ORI.BK
Index	.SETI
SET Index (6 August 2021)	1,521.72
Market cap (Bt m)	22,689
Shares outstanding (million)	2,453
Par (Bt)	0.50



ORI: Updated Scorecard

(Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	%QoQ	%YoY
Revenue	3,216	2,400	2,748	3,630	3,405	(6.2)	5.9
Cost of sales	(1,997)	(1,427)	(1,710)	(2,206)	(2,043)	(7.4)	2.3
Gross profit	1,220	973	1,038	1,424	1,362	(4.4)	11.7
SG&A	(419)	(468)	(460)	(575)	(540)	(6.1)	28.7
Other (exp)/inc	71	135	124	112	152	35.8	115.1
EBIT	871	640	702	962	975	1.3	11.9
Finance cost	(67)	(51)	(71)	(67)	(76)	12.6	13.2
Other inc/(exp)	5	4	3	2	1	(36.8)	(79.5)
Earnings before taxes	809	593	634	896	900	0.4	11.2
Income tax	(164)	(122)	(127)	(202)	(238)	18.0	45.3
Earnings after taxes	646	471	507	694	662	(4.7)	2.5
Equity income	61	250	153	48	4	(92.4)	(94.0)
Minority interest	0	(5)	(17)	(43)	(57)	33.0	#####
Earnings from cont. operations	707	717	642	700	609	(13.0)	(14.0)
Forex gain/(loss) & unusual items	-	-	0	125	243	94.3	nm
Net profit	707	717	642	825	852	3.3	20.5
EBITDA	968	929	902	1,055	1,021	(3.2)	5.5
Recurring EPS (Bt)	0.29	0.29	0.26	0.30	0.27	(9.0)	(6.8)
Reported EPS (Bt)	0.29	0.29	0.26	0.34	0.35	3.3	20.5
Profits (%)	2Q20	3Q20	4Q20	1Q21	2Q21	chg QoQ	chg YoY
Gross margin	37.9	40.6	37.8	39.2	40.0	0.8	2.1
Operating margin	27.1	26.7	25.5	26.5	28.6	2.1	1.5
Net margin	22.0	29.9	23.4	22.7	25.0	2.3	3.0

Result summary

- ORI's 2Q21 net profit was at Bt852m (+21%YoY, +3%QoQ), the highest level in six quarters. The 1H21 result was in-line with our expectation.
- Excluding gains from share premium on two JV projects, the operating profit was at Bt609m (-14%YoY, -13%QoQ) caused by lower transfer activities due to ORI has only two new completed construction projects valued Bt1.5bn.
- In 2Q21, ORI has transferred activities (Non JV + JV projects) worth Bt4bn (+3%YoY, -10%QoQ),
- 2Q21 gross profit margin increased to 40% from 37.9% in 2Q20.
- In 2Q21, the company also has presales of Bt8bn (+22%YoY, +4.2%QoQ).

ORI: Revenue breakdown

Story

Sales

P5F

Team

WCB

ESG

Value

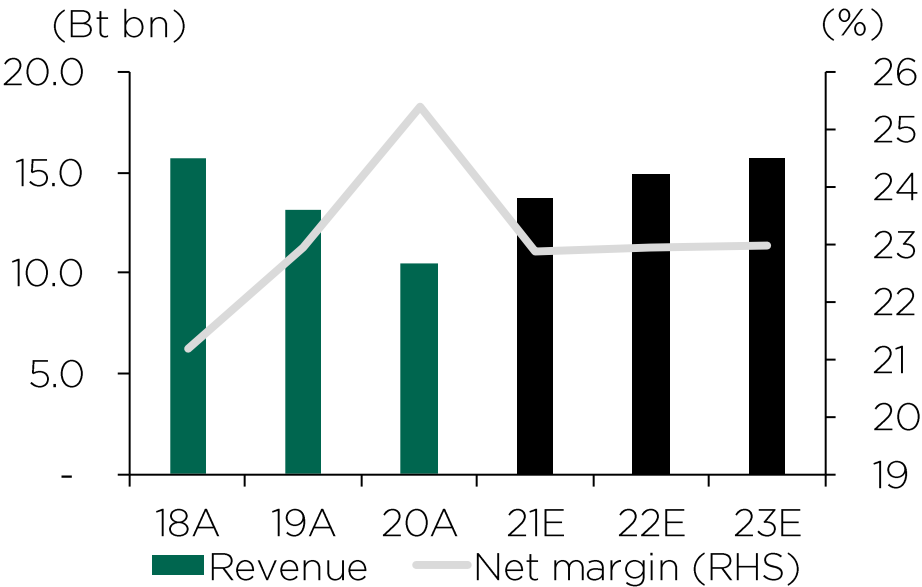
Risks

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)	19A	20A	21E	22E	23E	Jun '20	Sep '20	Dec '20	Mar '21	Jun '21
Revenue	13,197	10,486	13,736	14,973	15,721	3,216	2,400	2,748	3,630	3,405
Cost of goods sold	(6,934)	(6,308)	(8,338)	(9,358)	(9,826)	(1,997)	(1,427)	(1,710)	(2,206)	(2,043)
Gross profit	6,263	4,178	5,398	5,615	5,895	1,220	973	1,038	1,424	1,362
SG&A	(2,687)	(1,822)	(2,431)	(2,695)	(2,751)	(419)	(468)	(460)	(575)	(540)
Other (exp)/inc	455	432	460	460	460	71	135	124	112	152
Operating profit	4,031	2,787	3,427	3,380	3,604	871	640	702	962	975
Finance cost	(273)	(263)	(274)	(276)	(290)	(67)	(51)	(71)	(67)	(76)
Other inc/(exp)	11	16	4	8	4	5	4	3	2	1
Earnings before taxes	3,769	2,540	3,158	3,112	3,319	809	593	634	896	900
Income tax	(848)	(560)	(705)	(643)	(684)	(164)	(122)	(127)	(202)	(238)
After-tax profit	2,921	1,980	2,453	2,469	2,635	646	471	507	694	662
Equity income	(239)	604	490	1,200	1,200	61	250	153	48	4
Minorities	(114)	(102)	(166)	(336)	(315)	0	(5)	(17)	(43)	(57)
Earnings from cont. operations	2,569	2,481	2,776	3,333	3,520	707	717	642	700	609
Forex gain/(loss) & unusual items	459	181	368	101	101	-	-	0	125	243
Net income	3,027	2,662	3,144	3,434	3,621	707	717	642	825	852
Recurring EPS (Bt)	1.09	1.03	1.16	1.37	1.44	0.29	0.29	0.26	0.30	0.27
Weighted average shares (m)	2,451	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453	2,453
Balance sheet (Bt m)	19A	20A	21E	22E	23E	Jun '20	Sep '20	Dec '20	Mar '21	Jun '21
Assets	32,079	33,694	37,415	41,108	44,633	33,915	33,762	33,694	34,963	33,004
Liabilities	21,146	21,686	23,408	24,873	26,091	22,336	22,171	21,686	22,107	20,296
Equity	9,657	11,373	13,207	15,098	17,091	10,966	10,974	11,373	12,200	12,095
Invested capital	22,582	23,668	22,616	25,613	27,526	23,113	23,457	23,668	23,655	33,004
Growth (YoY, %)	19A	20A	21E	22E	23E	Jun '20	Sep '20	Dec '20	Mar '21	Jun '21
Revenue	(16.2)	(20.5)	31.0	9.0	5.0	3.6	(31.7)	(20.0)	71.1	5.9
Operating income	(11.0)	(30.8)	23.0	(1.4)	6.6	(14.0)	(41.2)	(37.7)	67.6	11.9
Recurring EPS	(13.8)	(5.4)	13.2	17.7	5.6	2.3	8.7	(15.5)	59.8	(6.8)
Assets	17.9	5.0	11.0	9.9	8.6	18.7	10.4	5.0	7.2	(2.7)
Liabilities	14.9	2.6	7.9	6.3	4.9	18.4	7.6	2.6	1.7	(9.1)
Equity	29.8	17.8	16.1	14.3	13.2	28.3	25.2	17.8	18.9	10.3
Profits (%)	19A	20A	21E	22E	23E	Jun '20	Sep '20	Dec '20	Mar '21	Jun '21
Gross margin	47.5	39.8	39.3	37.5	37.5	37.9	40.6	37.8	39.2	40.0
Operating margin	30.5	26.6	25.0	22.6	22.9	27.1	26.7	25.5	26.5	28.6
Net margin	22.9	25.4	22.9	22.9	23.0	22.0	29.9	23.4	22.7	25.0
ROE	35.4	25.3	25.6	24.3	22.5	26.7	26.1	23.0	28.0	28.1

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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