



## Origin Property PCL

ORI TB Outperform

Target Price Bt 15.10

Price (27/07/2023) Bt 10.50

Upside % 43.81

Valuation SOTP

Sector Property Development

Market Cap Btm 25,768

30-day avg turnover Btm 55.30

No. of shares on issue m 2,454

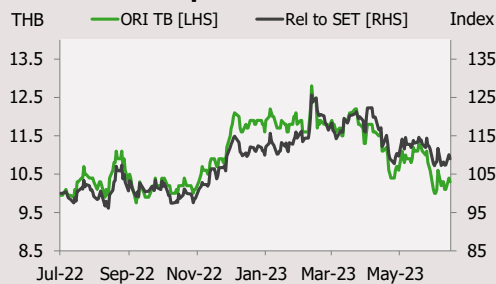
CG Scoring (IOD-Y2022) Excellent

Anti-Corruption Indicator Certified

### Investment fundamentals

Year end Dec 31	2022A	2023E	2024E	2025E
<b>Company Financials</b>				
Revenue (Btmn)	12,732	12,273	15,044	17,154
Core profit (Btmn)	2,845	3,418	3,723	3,917
Net profit (Btmn)	3,775	4,286	4,540	4,734
Net EPS (Bt)	1.54	1.75	1.85	1.93
DPS (Bt)	0.72	0.78	0.83	0.86
BVPS (Bt)	7.39	8.33	9.33	10.37
Net EPS growth (%)	18.12	13.55	5.93	4.27
ROA (%)	10.09	9.96	9.87	9.56
ROE (%)	22.83	22.22	20.94	19.59
Net D/E (x)	0.91	0.92	0.91	0.74
<b>Valuation</b>				
P/E (x)	7.87	6.01	5.68	5.44
P/BV (x)	1.64	1.26	1.13	1.01
EV/EBITDA (x)	11.64	10.12	12.26	11.00
Dividend yield (%)	5.95	7.44	7.88	8.21

### ORI TB rel SET performance



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

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### Analyst

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31 July 2023

Kasikorn Securities Public Company Limited

## Delayed transfers to be offset by new JVs

- We expect ORI to report 2Q23 earnings of Bt814mn, down 29% YoY but up 2% QoQ. Plenty of new JVs will be the key driver, not sales revenue.
- While 1H23E earnings represents just 37% of 2023E earnings, delayed transfer of backlog and numerous new projects to boost 2H23 earnings.
- Maintain Outperform rating and TP of Bt15.1. Better operating outlook in 2H23E, 1H23E DY of about 2% and IPO of One Origin support our call.

### Investment Highlights

- **Expect 2Q23 earnings to fall YoY, rise QoQ.** We expect ORI to post 2Q23 earnings of Bt814mn, down 29% YoY but up 2% QoQ. While we expect 2Q23 sales revenue to decline by 27% YoY and 16% QoQ due to a reduction of low-rise revenue caused by strong competition in the market and new projects launched in 1H23 that were mostly introduced in the last week of June and a slowdown of condo revenue given that the majority of planned condo transfers in 2Q23 comprised JV projects, 25 new JV projects set up in the quarter including 13 condo JVs, 10 low-rise JVs and 2 warehouse JVs should boost project management income and equity income in the quarter dramatically and strongly boost 2Q23 earnings. 1H23E earnings should thus end at Bt1.6bn, accounting for 37% of our 2023 forecast.
- **Unexciting recent performance caused by delayed rights transfers.** While ORI should deliver 2Q23 earnings in the same direction as we earlier expected, it will be slightly below our anticipation. This is because not only due to lower input from low-rise housing projects from a late introduction of new projects but also because some luxury condo projects that are in the rights transfer process, including Park Thonglor and Park Chula-Samyan, faced difficulties in reaching the standard of high-end buyers. We estimate only around Bt1bn will be transferred of each project from backlog ready to transfer in 2Q23 of Bt3.5bn and Bt4.1bn, respectively. We believe it will be a specific issue given a high amount of rights transfers of another luxury condo project, Park Ratchathewi, of about Bt1bn as planned.
- **Stronger 2H23 operating performance expected.** Apart from a much larger value of new projects planned to open in 2H23 of Bt28.7bn vs. Bt21.3bn in 1H23, particularly Bt13.2bn worth of new low-rise projects scheduled to launch in 4Q23 that should help boost presales and sales revenue in 2H23, delayed revenue from the luxury condo projects mentioned earlier and a boost from condo units set to sell to RealX token will leads to 2H23 earnings being much stronger than what we should see in 1H23. Grand Hampton Thonglor (Bt3.0bn), So Origin Lasalle (Bt1.8bn) and So Origin Phuket Phase 2 (Bt1.7bn) will be key new condo projects in 2H23. On top of that, the success of listing One Origin, its subsidiary that focuses on hospitality and recurring income, planned in 4Q23 will add immediate cash inflow used to expand other businesses and reduce its debt burden used to expand this group of businesses. Also, business opportunities will increase after going public.

### Valuation and Recommendation

- We maintain our Outperform rating on ORI and our mid-2024 target price of Bt15.1. We believe the value creation process for ORI that aims to enlarge the group's market capitalization to Bt100bn in 2026 is on the way. After unlocking value of another subsidiary, One Origin, in 4Q23, there will be many more subsidiaries that will go public in the next several years, such as United Project Management in 2024, Alpha Industrial Solutions in 2025 and Origin Healthcare in 2026. In the short term, we estimate a 1H23 DY of 2% to be paid after 2Q23 earnings are released on Aug 15. Progress regarding the ICO of RealX Token will play an important role supporting the share price. Construction difficulties after a number of new projects were introduced will be a key challenge.



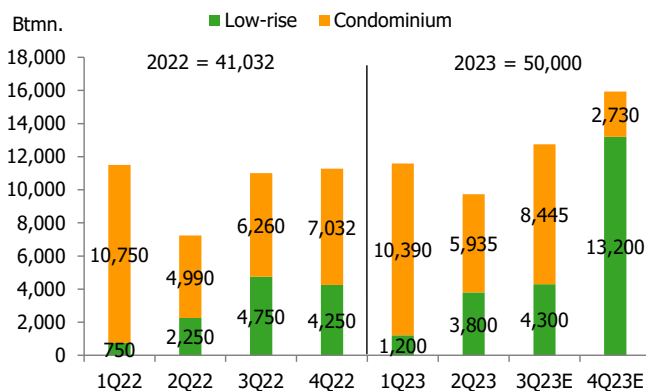
Fig 1 2Q23 performance preview

	2Q22	3Q22	4Q22	1Q23	2Q23E	%YoY	%QoQ	%YTD2023E	2023E
<b>Financials</b>									
Sales (Btmn)	2,914	2,881	3,753	2,528	2,112	-27.5	-16.5	37.8	12,273
EBITDA (Btmn)	968	1,150	1,227	1,277	1,265	30.6	-1.0	53.5	4,752
Operating profit (Btmn)	893	1,073	1,121	1,188	1,179	32.0	-0.8	53.7	4,406
Core profit (Btmn)	667	707	971	700	526	-21.1	-24.8	35.9	3,418
Net profit (Btmn)	1,155	848	1,033	798	814	-29.5	2.1	37.6	4,286
Net EPS (Bt)	0.47	0.35	0.42	0.33	0.33	-29.5	2.1	37.6	1.75
<b>Performance Drivers</b>									
Presales (Btmn)	9,623	11,626	11,634	12,004	12,461	29.5	3.8	51.7	47,340
New launch (Btmn)	7,240	11,010	11,250	11,590	9,735	34.5	-16.0	42.7	50,000
Net D/E (x)	0.9	1.0	0.9	1.0	1.2	26.9	23.8	130.3	0.9
<b>Ratios</b>						<b>Change *</b>		<b>Avg YTD</b>	<b>2023E</b>
Gross margin (%)	36.3	35.9	36.3	35.0	33.5	-2.8	-1.5	34.3	35.0
EBITDA margin (%)	33.2	39.9	32.7	50.5	59.9	26.7	9.4	55.2	38.7
Optg. margin (%)	30.7	37.3	29.9	47.0	55.8	25.2	8.8	51.4	35.9
ROE (%)	29.2	20.8	22.8	16.9	17.8	-11.5	0.9	17.3	22.2

Remark: \* = Change in ppt

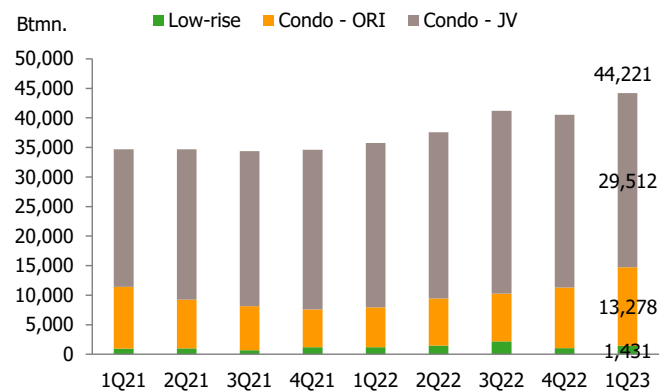
Source: Company data and KS Research

Fig 2 Quarterly new launch plan in 2023



Source: Company data and KS Research

Fig 3 Backlog at the end of 1Q23



Source: Company data and KS Research

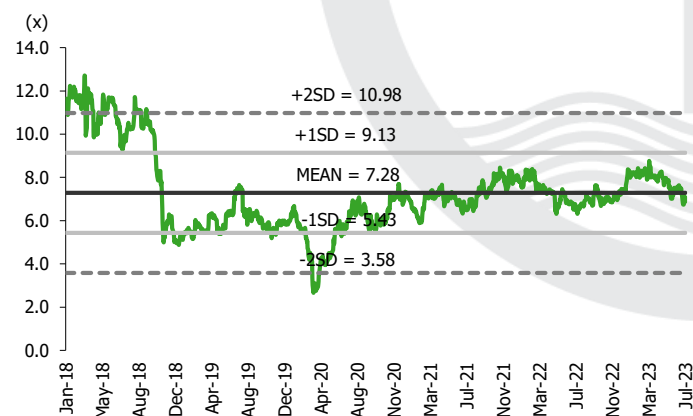


**Fig 4 Medium-term plan for SET listing of ORI's subsidiaries**



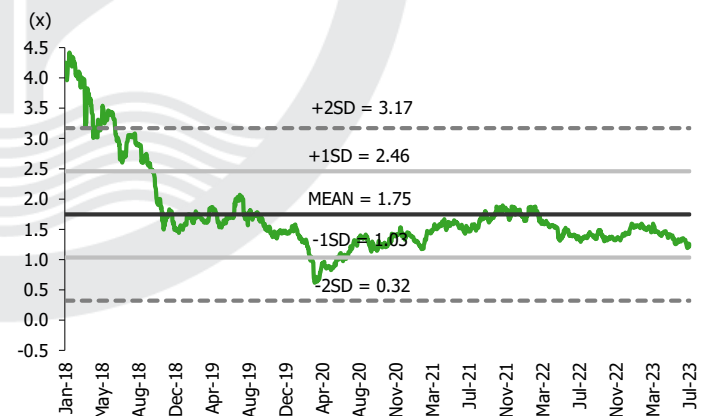
Source: Company data and KS Research

**Fig 5 5-year 12M FWD PER**



Source: Bloomberg and KS Research

**Fig 6 5-year 12M FWD PBV**



Source: Bloomberg and KS Research



Year-end 31 Dec

Income Statement (Btmn)	2021A	2022A	2023E	2024E	2025E
Revenue	13,623	12,732	12,273	15,044	17,154
Cost of sales and services	-9,018	-8,177	-7,979	-9,661	-11,017
<b>Gross Profit</b>	4,605	4,555	4,295	5,383	6,138
SG&A	-2,344	-2,431	-3,252	-3,477	-3,873
Other income	1,644	1,847	3,364	1,821	1,830
<b>EBIT</b>	4,539	5,549	6,306	6,507	6,964
<b>EBITDA</b>	4,087	4,271	4,752	4,084	4,332
Interest expense	-297	-390	-418	-489	-477
Equity earnings	-42	416	815	1,760	1,848
<b>EBT</b>	4,242	5,159	5,888	6,018	6,487
Income tax	-865	-947	-1,031	-849	-1,135
<b>NPAT</b>	3,377	4,212	4,857	5,169	5,352
Minority Interest	-183	-438	-571	-629	-618
<b>Core Profit</b>	2,653	2,845	3,418	3,723	3,917
Extraordinary items	541	930	868	817	817
FX gain (loss)	0	0	0	0	0
<b>Reported net profit</b>	3,194	3,775	4,286	4,540	4,734
Balance Sheet (Btmn)					
Cash & equivalents	1,966	3,183	1,473	1,805	2,059
ST investments	330	1,257	368	451	515
Accounts receivable	1,306	3,360	430	527	600
Inventories	22,846	26,339	32,038	35,819	37,740
Other current assets	1,609	2,178	1,780	2,181	2,487
<b>Total current assets</b>	28,056	36,317	36,089	40,783	43,401
Investment in subs & others	47	40	43	53	60
Fixed assets-net	2,403	2,720	4,180	4,249	4,346
Other assets	4,891	9,014	9,110	10,275	8,829
<b>Total assets</b>	35,398	48,091	49,421	55,360	56,636
Short-term debt	8,482	8,447	7,081	4,960	4,960
Accounts payable	2,219	3,018	2,455	3,009	3,431
Other current liabilities	1,110	1,894	1,745	2,133	2,428
<b>Total current liabilities</b>	11,811	13,359	11,281	10,102	10,820
Long-term debt	7,063	14,204	15,254	19,777	17,690
Other liabilities	584	595	635	778	887
<b>Total liabilities</b>	19,458	28,158	27,170	30,657	29,397
Paid-up capital	1,226	1,227	1,227	1,227	1,227
Share premium	2,337	2,350	2,349	2,349	2,349
Reserves & others, net	1,804	2,609	2,609	2,609	2,609
Retained earnings	9,571	11,946	14,266	16,718	19,254
Minority interests	1,003	1,801	1,801	1,801	1,801
<b>Total shareholders' equity</b>	15,940	19,933	22,252	24,703	27,239
<b>Total equity &amp; liabilities</b>	35,398	48,091	49,421	55,360	56,636

Key Assumptions

New launch (Btmn)	17,725	41,000	50,000	55,000	60,000
Pre-sales	30,250	41,026	47,340	49,717	56,728
Revenue growth (%)	38.02	-6.54	-3.60	22.57	14.03
Gross margin (%)	33.80	35.78	34.99	35.78	35.78
SG&A to sales (%)	17.21	19.10	26.50	23.11	22.57

Cashflow (Btmn)	2021A	2022A	2023E	2024E	2025E
Net profit	3,377	4,212	4,857	5,169	5,352
Depreciation & amortization	183	300	345	357	237
Change in working capital	-1,200	-5,781	-1,909	-3,256	-1,518
Others	-183	-438	-571	-629	-618
<b>CF from operation activities</b>	2,176	-1,706	2,722	1,641	3,453
Capital expenditure	169	-623	-1,797	-419	-329
Investment in subs and affiliates	-47	7	-3	-10	-7
Others	-833	-3,952	-183	-1,193	1,421
<b>CF from investing activities</b>	-711	-4,568	-1,982	-1,622	1,085
Cash dividend	-1,251	-1,399	-1,817	-1,941	-2,049
Net proceeds from debt	-1,046	7,272	-482	2,402	-2,087
Capital raising	0	15	-2	0	0
Others	1,992	1,603	0	0	0
<b>CF from financing activities</b>	-308	7,491	-2,450	313	-4,284
<b>Net change in cash</b>	1,158	1,217	-1,710	332	253

Key Statistics & Ratios

Per share (Bt)					
Reported EPS	1.30	1.54	1.75	1.85	1.93
Core EPS	1.08	1.16	1.39	1.52	1.60
DPS	0.54	0.72	0.78	0.83	0.86
BV	6.09	7.39	8.33	9.33	10.37
EV	17.11	20.25	19.58	20.39	19.42
Free Cash Flow	0.96	-0.95	0.38	0.50	1.27
Valuation analysis					
Reported P/E (x)	8.68	7.87	6.01	5.68	5.44
Core P/E (x)	10.45	10.44	7.54	6.92	6.58
P/BV (x)	1.86	1.64	1.26	1.13	1.01
EV/EBITDA (x)	10.27	11.64	10.12	12.26	11.00
Price/Cash flow (x)	12.74	-17.40	9.47	15.70	7.46
Dividend yield (%)	4.79	5.95	7.44	7.88	8.21
Profitability ratios					
Gross margin (%)	33.80	35.78	34.99	35.78	35.78
EBITDA margin (%)	30.00	33.54	38.71	27.15	25.25
EBIT margin (%)	33.32	43.58	51.38	43.26	40.60
Net profit margin (%)	24.79	33.08	39.57	34.36	31.20
ROA (%)	9.78	10.09	9.96	9.87	9.56
ROE (%)	24.28	22.83	22.22	20.94	19.59
Liquidity ratios					
Current ratio (x)	2.38	2.72	3.20	4.04	4.01
Quick ratio (x)	0.30	0.58	0.20	0.28	0.29
Leverage Ratios					
Liabilities/Equity ratio (x)	1.22	1.41	1.22	1.24	1.08
Net debt/EBITDA (x)	3.24	4.26	4.31	5.51	4.63
Net debt/equity (x)	0.83	0.91	0.92	0.91	0.74
Int. coverage ratio (x)	15.30	14.24	15.09	13.30	14.59
Growth					
Revenue (%)	38.02	-6.54	-3.60	22.57	14.03
EBITDA (%)	37.69	4.50	11.26	-14.06	6.08
Reported net profit (%)	19.99	18.18	13.55	5.93	4.27
Reported EPS (%)	19.99	18.12	13.55	5.93	4.27
Core profit (%)	5.40	7.23	20.15	8.91	5.21
Core EPS (%)	5.40	7.18	20.15	8.91	5.21

Source: Company, KS estimates



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