

16 May 2014

Amara Holdings Limited

1Q14 results muted, but expect better performance in 2H14

SINGAPORE | PROPERTY | COMPANY RESULTS



Rating: **Buy**

(Maintained At Buy)

- Lower 1Q14 revenue was posted at \$18mn (-27% yoy) due to no contribution from residential development projects this quarter; PATMI \$3.4mn (-32% yoy)
- Amara Bangkok on schedule to open in second half of 2014
- Maintain BUY with unchanged FY14 TP \$0.70

What is the news?

1Q14 earnings results revealed revenue at \$18mn (-27% yoy) and PATMI \$3.4mn (-32% yoy) as there was no residential sales in this quarter offset by slight improvement performance from the Hotel Investment and Management segment. This quarter PATMI is down 32% yoy, accounting for 12% PSR full year estimates, lower than our estimates as there has been a delay on the launch of 5 Jalan Mutiara residential project to later this year and slightly higher staff and operating expenses this quarter.

How we view this

HIM business segment continues to be the major contributor (estimated 70%) to the Group's revenue. The balance is contributed mainly from Amara's commercial assets which are enjoying stable rental income with office and retail outlook still going strong. We expect revenue from Amara's local properties to have a steady performance in FY14. Though the earnings is below our expectations this quarter, we expect earnings performance to improve in 2H14.

Looking at overseas investments, Amara Bangkok is still on schedule to start operations in the 2H14. Though there may be some political and social uncertainties in Thailand currently, we reckon this will not impact the valuation of the asset. As the hotel's revenue normalises, Amara Bangkok will contribute significantly to the earnings of Amara's Group.

Investment Action

With fundamentals intact, we believe that the share price of Amara is still undervalued and there is potential for further upsides. We lower FY14 earnings estimates by 8% to factor the slower residential sales recognition. The completion of the on-going projects (Amara Bangkok in 2014 and Amara Shanghai in end 2015) will significantly boost Amara's bottom-line and be earnings accretive to the shareholders. We reiterate our BUY rating with unchanged TP\$0.70 pegged at 40% discount to our RNAV of \$1.17.

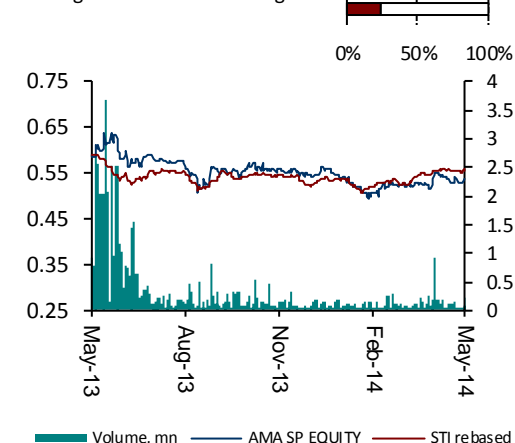
Target Price (SGD) 0.70
Forecast Dividend (SGD) 0.01
Last Done Price (SGD) 0.535
Potential Upside 31.4%

Company Description

Amara Holdings Limited is a home-grown integrated lifestyle group principally engaged in three business areas, namely, hotel investment and management, property investment and development, and specialty restaurants and food services.

Company Data

Raw Beta (Past 2yrs weekly data) 0.684
 Market Cap. (USD mn / SGD mn) 246 / 309
 3M Average Daily T/O (mn) 0.109
 Closing Price in 52 week range



Major Shareholders	(%)
1) Firstrust Equity Pte Ltd	53.4
2) Chew Chuan Teo	7.9
3) Chuan Teo Hin	5.7

Valuation Method

RNAV

Analyst

Caroline Tay

carolinetayyy@phillip.com.sg

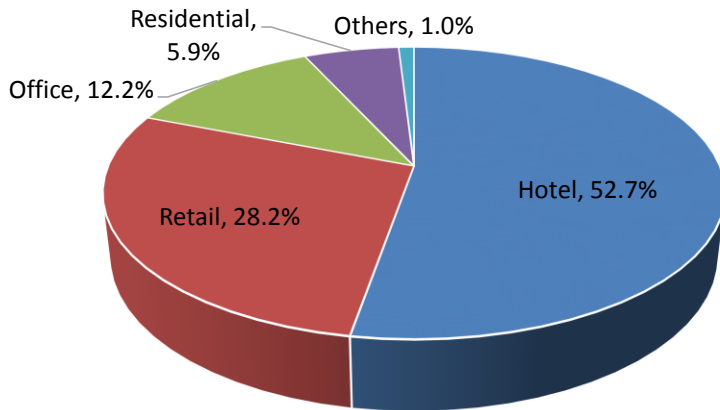
+65 6531 1792

Key Financial Summary

FYE DEC	FY11	FY12	FY13	FY14F	FY15F
Revenue (SGD mn)	62	90	81	91	118
PATMI, adj. (SGD mn)	34	29	27	30	39
EPS, adj. (SGD)	0.06	0.05	0.05	0.05	0.07
P/E (X),adj.	7.4	7.4	11.1	10.2	7.9
BVPS (SGD)	0.44	0.48	0.53	0.58	0.63
P/B (X)	1.0	0.8	1.0	0.9	0.8
DPS (SGD)	0.005	0.006	0.010	0.008	0.010
Div. Yield (%)	1.2%	1.6%	1.9%	1.5%	1.9%

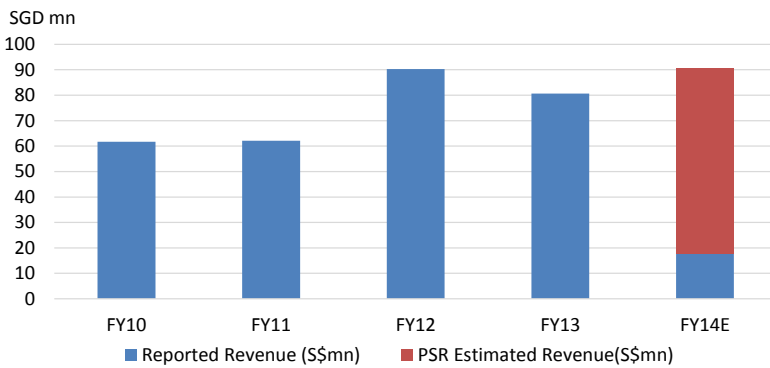
Source: Bloomberg, PSR est.

Figure 1: Gross Asset Value by Asset Class



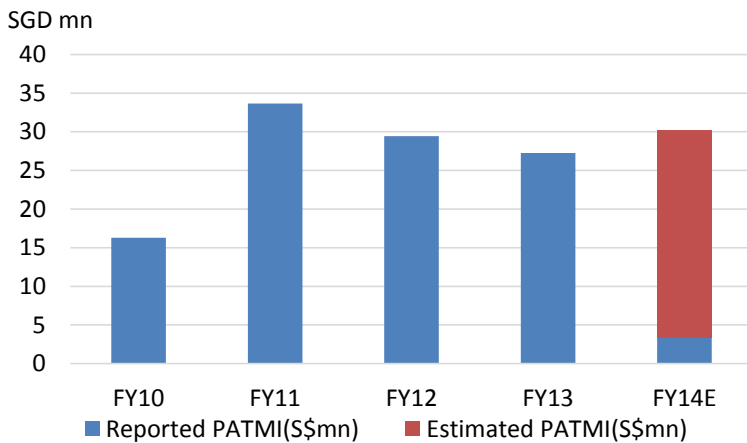
Source: Company, PSR estimates

Figure 2: Reported Revenue is 20% of our FY14 Estimate



Source: Company, PSR estimates

Figure 3: Reported PATMI is 12% of our FY14 Estimate



Source: Company, PSR estimates

Valuation

Figure 1: Amara RNAV Estimates

Realisable Net Asset Value		
In S\$'m	Stake	Valuation
Development Properties		
Killiney 118	100%	5.5
5 Jalan Mutiara	100%	22.2
29 Newton Road	100%	19.8
Citylife@Tampines	40%	5.9
9 Devonshire Road	100%	3.0
Total value		56.5
Investment Properties		
Hotel		Valuation
Amara Singapore	100%	246.8
Amara Sanctuary Resort	100%	108.0
Amara Signature Shanghai	100%	72.6
Amara Bangkok, Thailand	100%	79.2
Retail		
100AM	100%	159.1
Retail component of Amara Signature Shanghai	100%	111.9
Office		
Amara Corporate Tower	100%	53.9
Office component of Amara Shanghai	100%	63.4
Restaurants		
	100%	9.2
GAV		960.5
Less: Holdco net debt (2013)		216.8
Total pre holdco disc		743.7
Less: Holdco disc %		10%
RNAV		669.3
Book Value		307.0
RNAV per share (S\$)		1.16
Discount to RNAV		40%
Fair value per share (S\$)		0.70

Source: Company, PSR Estimates

FYE DEC	FY11	FY12	FY13	FY14F	FY15F
Income Statement (SGD mn)					
Revenue	62	90	81	91	118
EBITDA	43	43	37	44	55
Depreciation & Amortisation	5	4	3	3	3
EBIT	38	38	34	40	51
Net Finance (Expense)/Inc	(3)	(4)	(4)	(4)	(4)
Other items	0	0	0	0	0
Associates & JVs	0	0	0	0	0
Profit Before Tax	35	34	30	36	47
Taxation	(1)	(5)	(3)	(6)	(8)
Profit After Tax	34	29	27	30	39
Non-controlling Interest	0	0	0	0	0
PATMI, reported	34	29	27	30	39
PATMI, adj.	34	29	27	30	39

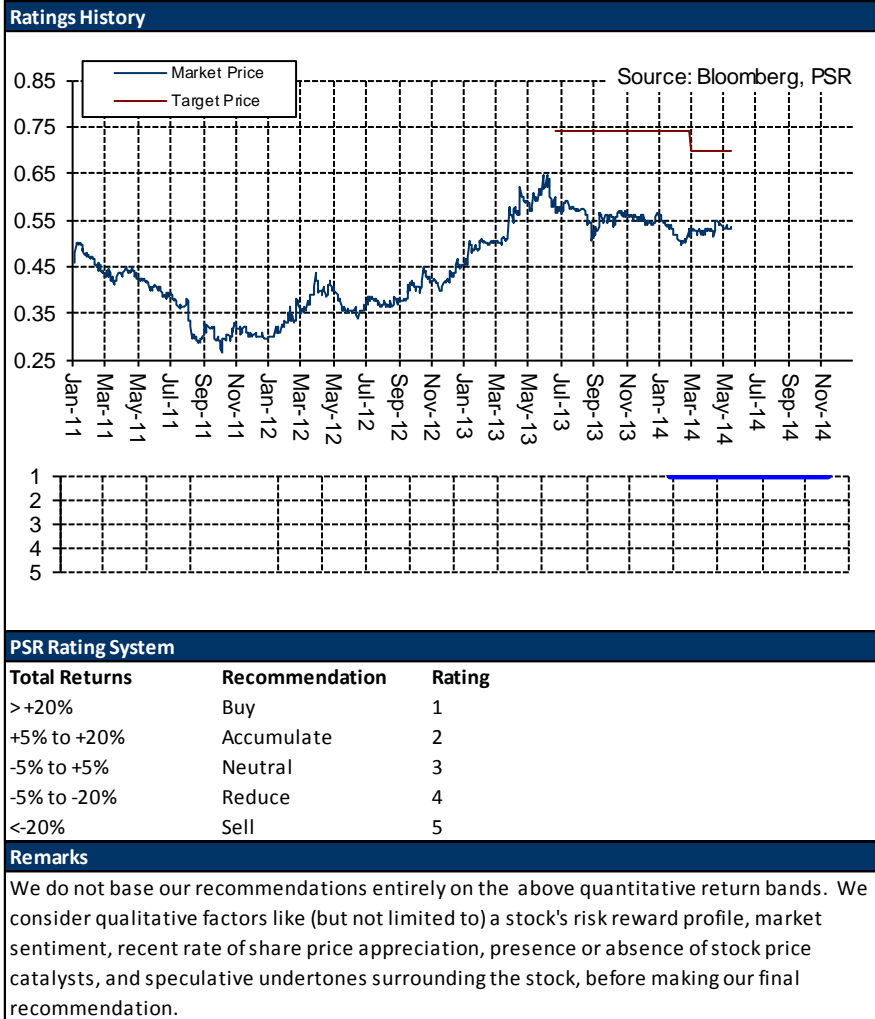
FYE DEC	FY11	FY12	FY13	FY14F	FY15F
Per share data (SGD)					
EPS, reported	0.06	0.05	0.05	0.05	0.07
EPS, adj.	0.06	0.05	0.05	0.05	0.07
DPS	0.005	0.006	0.010	0.008	0.010
BVPS	0.44	0.48	0.53	0.58	0.63

FYE DEC	FY11	FY12	FY13	FY14F	FY15F
Cashflow Statements (SGD mn)					
CFO					
PBT	35	34	30	36	47
Adjustments	(16)	(3)	(3)	7	7
Cash from ops before WC chan	18	31	27	44	55
WC changes	(2)	(31)	12	1	(3)
Cash generated from ops	17	(0)	39	45	52
Taxes paid, net	(4)	(2)	(3)	(6)	(8)
Cashflow from ops	13	(2)	36	39	44
CFI					
CAPEX, net	(14)	(9)	(30)	(37)	(50)
Proceeds from disposal of PPE	0	0	0	0	0
Purchase/sale of investments	0	(26)	(2)	0	0
Others	0	(32)	1	0	0
Cashflow from investments	(13)	(67)	(31)	(37)	(50)
CFF					
Share issuance	0	0	0	0	0
Interest paid	(3)	(4)	(4)	(4)	(4)
Loans, net of repayments	8	82	(0)	7	14
Dividends	(3)	(3)	(3)	(5)	(6)
Others	(1)	(1)	0	0	0
Cashflow from financing	1	73	(8)	(1)	4
Net change in cash	1	4	(3)	1	(2)
Effects of exchange rates	0	(0)	0	0	0
CCE, end	11	15	13	13	11

Source: PSR

FYE DEC	FY11	FY12	FY13	FY14F	FY15F
Balance Sheet (SGD mn)					
PPE	151	147	176	210	257
Intangibles	1	8	1	1	1
Associates & JVs	0	3	3	3	3
Investments	215	261	279	279	279
Others	9	31	39	39	39
Total non-current assets	375	451	498	532	578
Inventories	0	0	0	0	0
Accounts Receivables	7	8	13	11	14
Development property	36	68	45	51	56
Cash	11	15	13	13	11
Others	1	1	3	3	3
Total current assets	56	93	74	77	85
Total Assets	432	543	571	609	663
Short term loans	17	43	13	21	21
Accounts Payables	23	27	24	29	36
Others	3	3	6	6	6
Total current liabilities	43	73	43	56	62
Long term loans	124	179	209	208	222
Others	10	12	13	13	13
Total non-current liabilities	134	191	222	221	235
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
Shareholder Equity	255	280	307	333	366

FYE DEC	FY11	FY12	FY13	FY14F	FY15F
Valuation Ratios					
P/E (X), adj.	7.4	7.4	11.1	10.2	7.9
P/B (X)	1.0	0.8	1.0	0.9	0.8
EV/EBITDA (X), adj.	8.7	10.0	13.7	12.0	9.9
Dividend Yield (%)	1.2%	1.6%	1.9%	1.5%	1.9%
Growth & Margins (%)					
Growth					
Revenue	0.7%	45.4%	-10.6%	12.4%	29.8%
EBITDA	62.3%	-1.9%	-11.9%	16.5%	24.9%
EBIT	85.7%	0.6%	-10.2%	18.1%	26.9%
Net Income, adj.	106.7%	-12.6%	-7.4%	10.9%	29.9%
Margins					
EBITDA margin	69.8%	47.1%	46.5%	48.2%	46.4%
EBIT margin	61.0%	42.2%	42.4%	44.5%	43.6%
Net Profit Margin	54.2%	32.6%	33.8%	33.3%	33.4%
Key Ratios					
ROE (%)	14.1%	11.0%	9.3%	9.4%	11.2%
ROA (%)	8.1%	6.0%	4.9%	5.1%	6.2%
Net Debt/(Cash)	130	207	209	216	232
Net Gearing (X)	0.51	0.74	0.68	0.65	0.63



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Contact Information (Singapore Research Team)		
Management		
Chan Wai Chee (CEO, Research - Special Opportunities)	+65 6531 1231	Research Operations Officer Jermaine Tock +65 6531 1240
Joshua Tan (Head, Research - Equities & Asset Allocation)	+65 6531 1249	
Macro Asset Allocation Equities	Commodities Offshore & Marine	US Equities
Joshua Tan +65 6531 1249	Nicholas Ong +65 6531 5440	Wong Yong Kai +65 6531 1685
Telecoms	Real Estate	Real Estate
Colin Tan +65 6531 1221	Caroline Tay +65 6531 1792	Lucas Tan +65 6531 1229
Market Analyst Equities	Finance	Transport
Kenneth Koh +65 6531 1791	Benjamin Ong +65 6531 1535	Richard Leow, CFTe +65 6531 1735

Contact Information (Regional Member Companies)		
SINGAPORE	MALAYSIA	HONG KONG
Phillip Securities Pte Ltd Raffles City Tower 250, North Bridge Road #06-00 Singapore 179101 Tel +65 6533 6001 Fax +65 6535 6631 Website: www.poems.com.sg	Phillip Capital Management Sdn Bhd B-3-6 Block B Level 3 Megan Avenue II, No. 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur Tel +603 2162 8841 Fax +603 2166 5099 Website: www.poems.com.my	Phillip Securities (HK) Ltd 11/F United Centre 95 Queensway Hong Kong Tel +852 2277 6600 Fax +852 2868 5307 Websites: www.phillip.com.hk
JAPAN	INDONESIA	CHINA
Phillip Securities Japan, Ltd. 4-2 Nihonbashi Kabuto-cho Chuo-ku, Tokyo 103-0026 Tel +81-3 3666 2101 Fax +81-3 3666 6090 Website: www.phillip.co.jp	PT Phillip Securities Indonesia ANZ Tower Level 23B, Jl Jend Sudirman Kav 33A Jakarta 10220 – Indonesia Tel +62-21 5790 0800 Fax +62-21 5790 0809 Website: www.phillip.co.id	Phillip Financial Advisory (Shanghai) Co Ltd No 550 Yan An East Road, Ocean Tower Unit 2318, Postal code 200001 Tel +86-21 5169 9200 Fax +86-21 6351 2940 Website: www.phillip.com.cn
THAILAND	FRANCE	UNITED KINGDOM
Phillip Securities (Thailand) Public Co. Ltd 15th Floor, Vorawat Building, 849 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand Tel +66-2 6351700 / 22680999 Fax +66-2 22680921 Website www.phillip.co.th	King & Shaxson Capital Limited 3rd Floor, 35 Rue de la Bienfaisance 75008 Paris France Tel +33-1 45633100 Fax +33-1 45636017 Website: www.kingandshaxson.com	King & Shaxson Capital Limited 6th Floor, Candlewick House, 120 Cannon Street, London, EC4N 6AS Tel +44-20 7426 5950 Fax +44-20 7626 1757 Website: www.kingandshaxson.com
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