

Aspen (Group) Holdings Limited

Entering into an opportune time

SINGAPORE | REAL ESTATE | SITE VISIT NOTE



StocksBnB.com

01 February 2018

Not Rated

LAST CLOSE PRICE

SGD 0.220

COMPANY DATA

BLOOMBERG CODE	ASPEN SP
O/S SHARES (MN) :	867
MARKET CAP (USD mn / SGD mn) :	146 / 191
52 - WK HI/LO (SGD) :	0.25 / 0.19
3M Average Daily T/O (mn) :	0.47

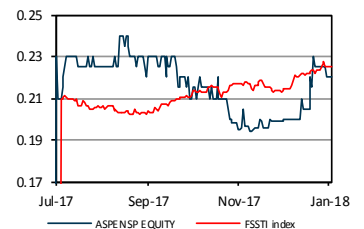
MAJOR SHAREHOLDERS (%)

Aspen Vision Group Sdn Bhd	55.65%
Kim Sun Oh	5.37%
Setia Batu Kawan Sdn	3.00%
Manokharan Murly	1.6%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	10.6	4.8	-
STI RETURN	5.61	6.63	20.65

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec, RM '000	FY 15	FY 16	9M FY 17
Revenue	52,506	99,653	245,948
EBITDA	8,822	5,486	71,673
NPAT	6,307	(398)	51,576
P/B	-	1.12	2.36
ROE, %	18.0%	-0.8%	-

Source: Bloomberg, Company

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We attended a site visit hosted by Aspen (Group) Holdings Limited ("Aspen") to its flagship project Aspen Vision City (GDV: RM10bn) on Mainland Penang, a few of their other development sites and a sales gallery of its ongoing and pipeline projects on Tuesday, 17 January 2018. We also met with the President & Group CEO, Dato' M. Murly, and the Chief Financial Officer, Christopher Looi, who shared with us more on the Group's developments and insights on the Malaysian property market.

Company Background

Listed on the SGX Catalist Board on 28 July 2017, Aspen (Group) Holdings Limited is a Malaysia-based property development group that develops affordable residential and mixed development properties. The Group's flagship project, 245-acre Aspen Vision City (in Bandar Cassia, Batu Kawan, Penang, Malaysia), is the result of its joint-venture partnership with Ikea Southeast Asia (Ikea) (through owner Ikano Pte Ltd).

Site Visit Highlights

- Aspen Vision City (AVC) to create new communities and opportunities**
 - Township complete with homes, offices, malls, schools, transport hub, industrial parks, medical facilities with robust infrastructure in place (located right at the mouth of Penang second bridge)
 - Creation of jobs with opening of factories, malls, and other services
- Benefiter of enlarged focus on affordable housing**
 - Aspen, as a provider of affordable homes, is well positioned to benefit from the increased focus on affordable housing in Malaysia's 2018 budget
 - High take-up of unique "value-add" packages ensures healthy bottom-line; 82.7% of units sold for a 3Q18 TOP launch and 64.61% for a 1Q21 TOP launch
 - Unbilled sales of RM1.02 billion to underpin revenue growth
- Strategic partnership with Ikea**
 - Aspen and Ikea have jointly developed AVC through a joint venture, with stakes of 80% and 20% respectively. Both entities also have a combined stake in Bandar Cassia Shopping Centre in AVC.
 - Ikea store in AVC will be the first in the Northern region of Peninsular Malaysia. It is slated to operate in 1Q19 and is expected to be one of AVC's main draws.
 - Track record and execution ability going forward has potential to pave the way for other similar partnerships with Ikea and/or other developers

Investment Actions

No stock rating or price target provided, as we do not have coverage on Aspen.

Peer Comparison – Aspen is trading at a lower P/B than industry average

	Mkt Cap	EBITDA Margin	EV/EBITDA	EV/EBITDA	P/E	P/E	Net D/E	ROA	ROE	P/B
Company	(SGD mn)	(%)	TTM	FY1	FY1	FY1	(%)	(%)	(%)	
ASPEN (GROUP) HOLDINGS LTD	190.7	8.8	NA	4.6	NA	6.9	34.6	-0.1	-0.8	2.4*
Malaysia										
ECO WORLD DEVELOPMENT GROUP	1,400.8	12.9	38.0	18.5	19.2	19.9	74.2	2.2	5.2	2.4
IVORY PROPERTIES GROUP BHD	52.1	3.6	9.3	NA	13.6	NA	12.7	1.3	2.5	0.3
MAH SING GROUP BERHAD	1,187.7	15.7	10.9	7.2	10.9	10.7	2.0	5.5	9.9	1.3
TAMBUN INDAH LAND BERHAD	143.3	40.7	3.8	3.9	4.1	4.7	3.2	13.7	18.8	0.7
Singapore										
ASTAKA HOLDINGS LTD	NA	12.1	15.0	NA	NA	21.6	12.4	5.1	13.7	NA
CAPITAL WORLD LTD	109.1	59.6	NA	NA	NA	NA	Net Cash	-21.3	-56.9	1.3
HATTEN LAND LTD	242.5	24.4	NA	7.4	NA	6.8	119.5	-22.3	-165.8	39.0
PACIFIC STAR DEVELOPMENT LTD	114.9	-57.2	NA	NA	NA	NA	Net Cash	0.3	1.4	3.7
Average	430.1	13.4	15.4	8.3	11.9	11.7	37.0	-1.7	-19.1	7.0

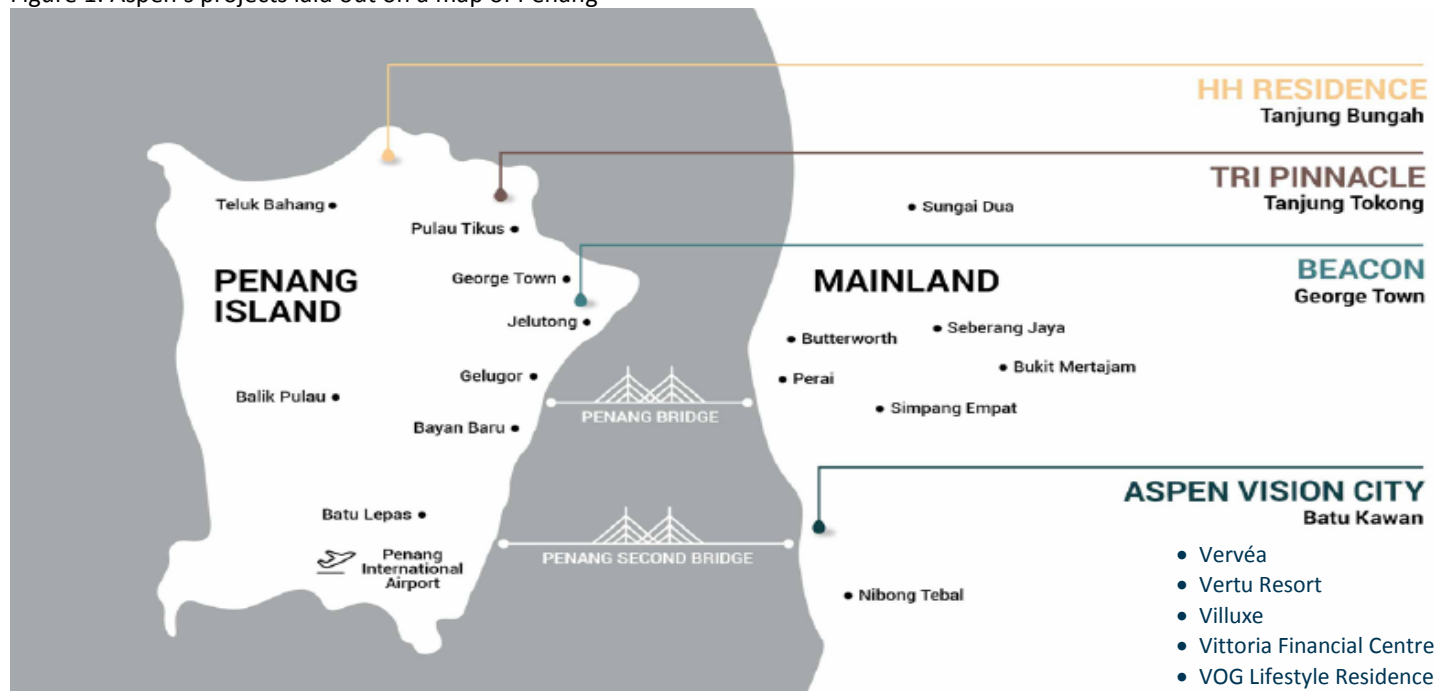
*Based on 9MFY2017 results

Source: Bloomberg

Background

Aspen currently has four ongoing projects and four in the pipeline. We visited the sites of two ongoing projects – Tri Pinnacle (Penang Island), Vervéa (AVC), Villuxe (AVC), and a showroom for Vertu Resort (AVC).

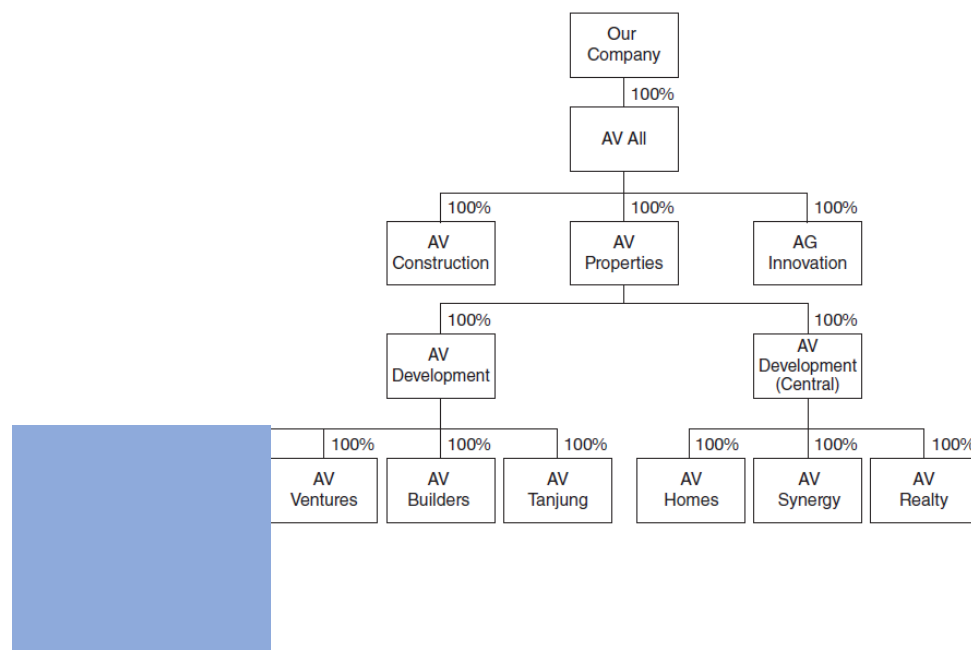
Figure 1: Aspen's projects laid out on a map of Penang



Source: Company, PSR

Group structure

Figure 2: Highlighted portion shows the JV structure between Aspen and Ikea



Ikea, through Ikano Pte Ltd, owns the remaining stake in AV City and Bandar Cassia Properties

Figure 3: Exterior of the AVC Sales Gallery



Source: PSR

Projects at a glance

Ongoing projects

Figure 4: Total GDV of ongoing projects stand at RM2.17bn, with RM1.1 bn in unbilled sales that is expected to be recognised over next 3 years.

Project	Location	Type	Total GDV (RM mil)	Total Units	% of Units sold	Price per sq ft	Confirmed sales / Unbilled sales (RM mil)	Expected date of T.O.P
Tri Pinnacle	Penang Island	Residential (Low Medium Cost units and Affordable Housing units)	520.9	1,317	82.69	111 – 374 (Excludes value-add option)	429.7 / 185.2	3Q 2018
Beacon Executive Suites		SOHO with a retail component	143.0	227	63.88	800	89.5 / 89.5	3Q 2020
Vervéa	AVC	Commercial and retail	845.2	441	88.51	550 - 600	705.3 / 347.4	3Q 2018
Vertu Resort		Residential	661.7	1,246	64.61	600	410.3 / 371.1	1Q 2021

Source: Company, PSR

Pipeline projects

Figure 5: Total GDV of pipeline projects stand at RM2.09 bn. HH Park and Viluxe slated to launch in the next two weeks.

Project	Location	Type	Total GDV (RM mil)	Total Units	Price per sq ft	Launch date
HH Park Residence	Penang Island	Retail, commercial and residential	613	2 blocks urban condominium with shop offices and retail spaces	1,100 - 1,200	Feb 2018
Viluxe Designer Bungalows	AVC	Residential bungalows	440	144	600 - 650	Feb 2018
Vittoria Financial Centre		Commercial offices	238	5 blocks commercial building and 1 block of office tower	530 - 550	1H 2018
VOG Lifestyle Residence		Residential, hotel and offices	800	Mixed development: 1 block hotel and office suites, 2 blocks of condominium and retail space	600	2H 2018

Source: Company, PSR

Others

Figure 6: In addition to its development projects, Aspen also has in its portfolio the remaining site area of AVC as land bank, the Bandar Cassia Shopping Centre, as well as a few land developments.

Project	Location	Type	Total GDV (RM mil)
AVC remaining site area	AVC	Land bank	7,015
Bandar Cassia Shopping Centre	AVC	Investment property	896
Kajang development	Selangor	Land development (SOHO, serviced apartments, shop lots)	500
Logistics development	Selangor	Land development (integrated logistics, warehousing and e-commerce hub)	TBD
Seri Kembangan development	Selangor	Land development (serviced apartments)	300

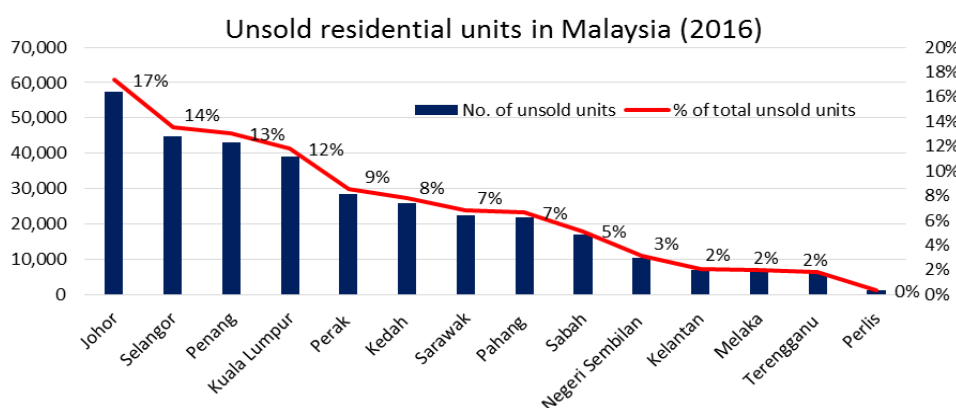
Source: Company, PSR

Value-add packages to boost affordable home return

- While Aspen provides homes at affordable price points, it also offers unit customisation (provision of household fixtures, white goods and appliances) and upgrade options (plaster ceilings, parking) at a separate fee
- High take-up rate (>80%) so far. These value-add options help bolster revenue despite initial baseline from the affordable housing price point.
- Buyers are enticed by this offering because of cost savings and hassle-free procedure, as opposed to procuring their own interior goods.
- Tie-ups with various complementary businesses: Most recently, Aspen had entered a strategic partnership with LG Electronics to provide technology solutions for all of its real estate developments in Malaysia and Southeast Asia.

Affordable housing scheme plays well to Aspen's business model

Figure 7: Johor currently has the highest proportion of unsold units in Malaysia (17%) followed by Selangor (14%), Penang (13%) and Kuala Lumpur (12%)



Source: CEIC, PSR

- Affordable housing quota: Developers to set aside 30% of development for low-cost housing
- Focus on affordable housing in Budget 2018 to address overhang in unsold units
 - Affordable housing (RM300,000 per unit) is now being offered by private property developers as well as government entities such as PR1MA (a housing development programme)
- "Moratorium" on luxury developments
 - On 19 Nov 2017, Second Finance Minister Johari Abdul Ghani announced a temporary freeze on approvals for shopping malls, commercial complexes and condominiums valued above RM1mn
 - Pre-approved luxury projects unaffected but selective approval for new ones
- MyDeposit scheme for first-time homebuyers
 - Government grant of 10% of property cost or up to a maximum of RM30,000
 - Applications for scheme opened in mid-Dec 2017

Figure 8: Showroom of Vertu Resort, AVC



Source: PSR

Figure 9: Showroom of Vertu Resort, AVC



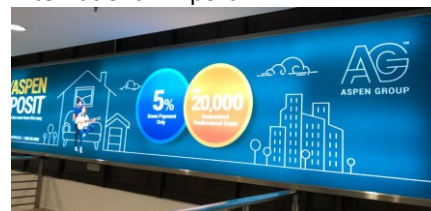
Source: PSR

Figure 10: Showroom of Vertu Resort, AVC



Source: PSR

Figure 11: Advertisement by Aspen for "MyDeposit" scheme at Penang International Airport



Source: PSR

About Aspen Vision City

- AVC is a 245-acre township in Bandar Cassia, Batu Kawan, Penang, Malaysia.
 - 170 acres is set aside as mixed development land
 - 51 acres for a regional integrated shopping centre
 - 24 acres for the first IKEA store in the Northern region of Peninsular Malaysia
- Freehold mixed development project through a JV between Aspen (80%) and Ikea (through owner Ikano Pte Ltd) (20%)
- Total GDV of RM10bn

AVC Masterplan: Creation of communities and opportunities

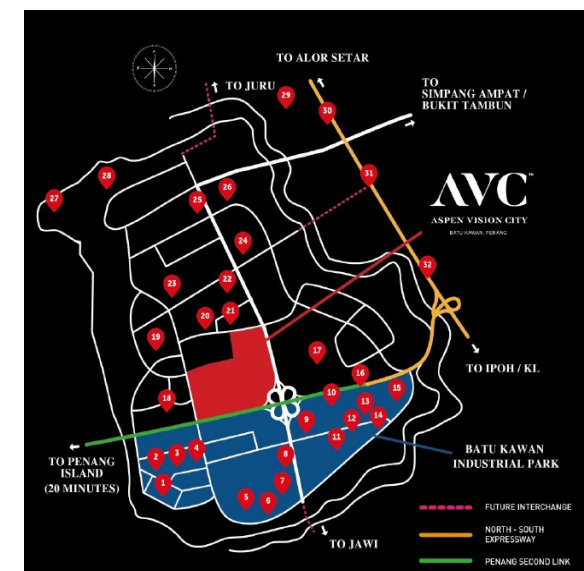
With the full works of residential, commercial, office, retail components as well as schools and medical facilities, AVC is set to welcome new communities of residents and workers alike. New employment will be created once the retail and industrial components come online.

Most of the applications for Aspen's residential units stem from Mainland Penang residents – and a notable proportion of which are first-time home buyers - which signal a migration of households to AVC.

Figure 12: Artist's impression of AVC



Source: Company



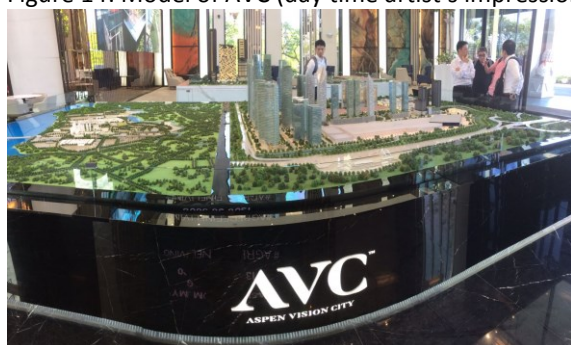
CBD of Batu Kawan

AVC (245 acres) is situated in the centre of Batu Kawan (total 6,000 acres) and is strategically located just off the Penang second bridge. It is slated to be the Batu Kawan's first and only Central Business District.

Figure 13: Batu Kawan Masterplan

Source: Company

Figure 14: Model of AVC (day time artist's impression)



Source: PSR

Figure 15: Model of AVC (night time artist's impression)



Source: PSR

Figure 16: Tri-Pinnacle under construction



Source: PSR

Figure 17: Model of Vervéa



Source: PSR

Surrounding "clean" industries

Entering into AVC, we took note of a few factories, which are in industries such as electronics (HP, Flextronics) and healthcare (Boston Scientific, Haemonetics).

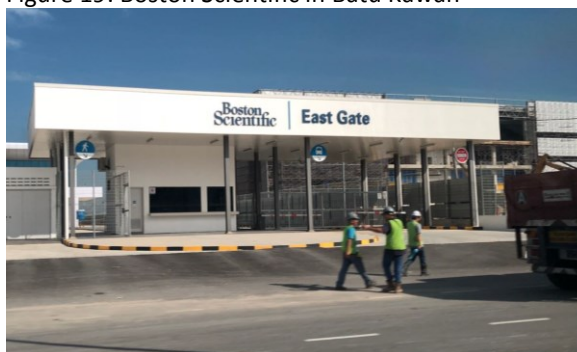
AVC could be a catchment area for workers or visitors of these factories.

Figure 18: Boon Siew Honda in Batu Kawan



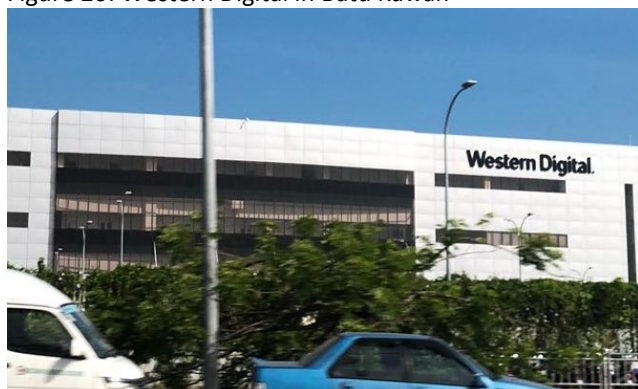
Source: PSR

Figure 19: Boston Scientific in Batu Kawan



Source: PSR

Figure 20: Western Digital in Batu Kawan



Source: PSR

Figure 21: Hewlett-Packard (HP) in Batu Kawan



Source: PSR

Partnership with Ikea

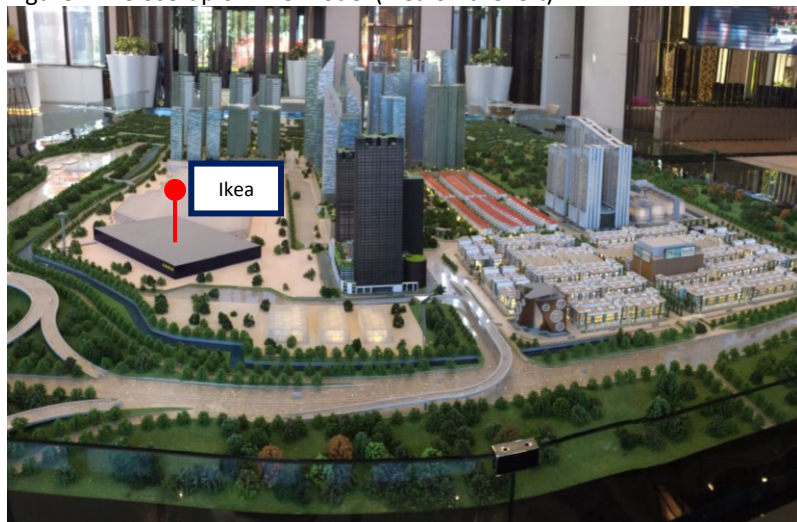
- AVC is the resultant project of the mega joint venture between Aspen (80%) and Ikea (20%)
- First IKEA store in the Northern region of Peninsular Malaysia which is slated to operate in 1Q19 will be housed in AVC, and is expected to be the crowd-drawer
- Aspen (30%) and Ikea (70%) also have a combined stake in the Bandar Cassia Shopping Centre

Ikea brand name lends Aspen the clout it needs to put AVC/Batu Kawan on the map.

In addition, the presence of the Ikea store in AVC serves as a catchment area for residents and shoppers in surrounding areas. It will act as catalyst for uptick in property values.

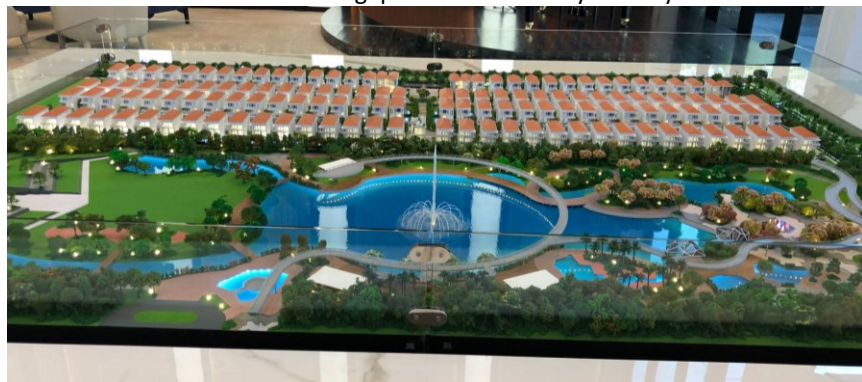
While we note that c.70% of GDV (figure 4) from ongoing projects currently stem from AVC, we believe earnings will be diversified as Aspen's strategic tie-up with Ikea anchors its presence within the industry and enable the Group to pivot towards other regions - on its own or through other strategic partnerships - with ease.

Figure 22: Close-up of AVC model (Ikea on the left)



Source: PSR

Figure 23: 25-acre Central Island Park, with Villuxe bungalows in the background. Central Island Park can be likened to Singapore's "Gardens by the Bay" attraction.



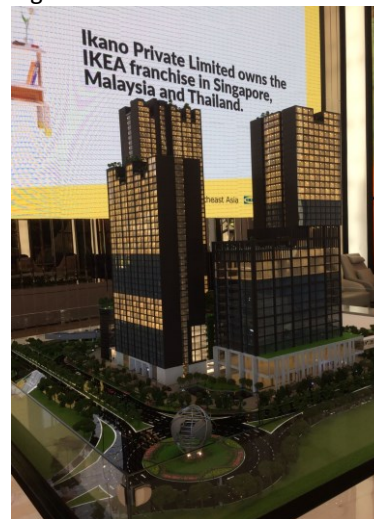
Source: PSR

Figure 24: Inside the AVC Sales Gallery



Source: PSR

Figure 25: Model of Vertu Resorts



Source: PSR

Figure 26: Advertisement for AVC

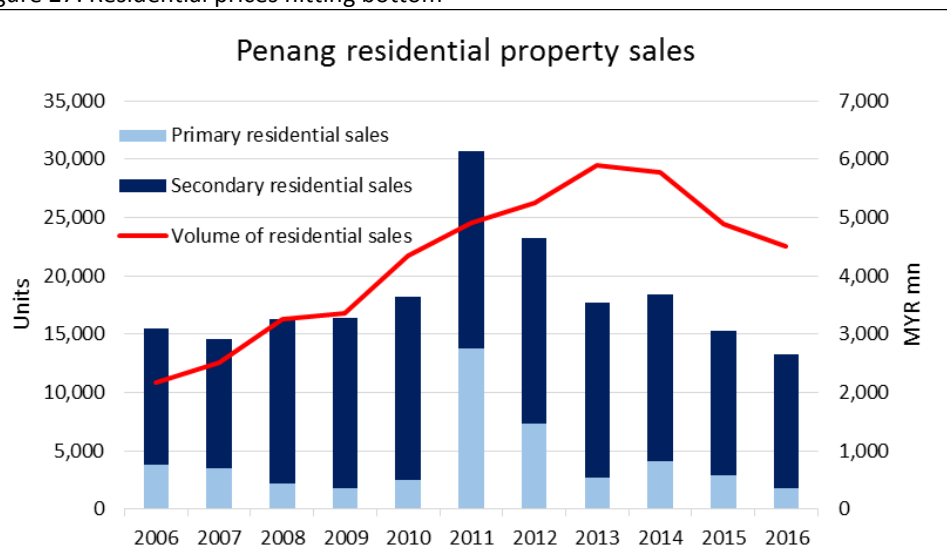


Source: PSR

Industry

- Pricing and location key to lifting residential demand
 - Government intervention to ease home affordability on track to ensure sustainable price equilibrium
 - Tapering supply of luxury properties, on the back of the moratorium, to help allay current oversaturation and help raise pertinence of location factor for new pre-approved projects
 - Further initiatives in place: most recently, Putrajaya has said in Jan 2018 that it will submit a proposal to Bank Negara Malaysia to lower mortgage interest rates in a bid to reduce the overall financial burden of Malaysian homeowners

Figure 27: Residential prices hitting bottom



- Batu Kawan's full potential yet to materialise
 - Penang's third satellite city only in its infancy stage; further infrastructure development and population growth to be timed with developments coming on stream
 - We believe the presence of MNCs such as Flextronics, HP and Western Digital will see other industrial players follow suit, attract FDI inflow and set the tone for an uptick in property prices

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