

# Ho Bee Land Limited

Relaunch of Sentosa properties to ride the market upcycle



StocksBnB.com

## SINGAPORE | REAL ESTATE | 1Q18 RESULTS

- Gross revenue within our forecast. Net profit outperformed because of higher contributions from associates, due to higher volume of handovers of sold units.
- Relaunch of Sentosa properties to take place this year.
- Metropolis remains 100% leased. 30% of leases due for expiries this year- Expect flat to low single digit reversions.
- Entry into Continental Europe with investment into property fund.
- Maintain ACCUMULATE with unchanged RNAV-derived target price of S\$2.98.

### Results at a glance

(SGD mn)/Dec Yr End	1Q18	1Q17	YoY (%)	Comments
Total Revenue	50.2	51.32	(2.1)	
-Sale of development properties	10.9	6.8	60.6	Sale of small site in Gold Coast in 1Q18 for A\$2.9mn profit.
-Rental Income	37.8	35.6	6.1	Stable recurring income portfolio. Additional contribution from office acquisition in London
Share of Profits from Associates and JVs	30.2	34.5	(12.4)	Mainly from higher recognition of sales from China JV project Yanlord Western Gardens
Profit from continuing operations bef. tax	55.5	63.7	(12.8)	Divestment gain of S\$7.4mn from Rose Court, London in FY17
Net Profit	49.6	56.5	(12.2)	

Source: Company, PSR

### The Positives

+ **Relaunch of Sentosa properties to take place this year.** The Group intends to market unsold units at Turquoise and Seascape (total 151 units) this year. We note the increase in secondary transacted volumes of Sentosa condominiums in 1Q18 at 17 units, highest since 2012 (Figure 1), although transacted prices are still languishing around S\$1,600psf. We assumed a conservative S\$1,500psf value for these properties in our RNAV forecast.

+ **Metropolis remains 100% leased. 30% of leases due for expiries this year- Expect flat to low single digit reversions.** Average rents for the project fall within the S\$7.50-S\$8 range. Management expressed optimism at achieving minimally flat to slightly positive rental reversions. Metropolis contributes c.55% of total rental income by our estimates.

+ **Entry into Continental Europe with investment into property fund.** The total EUR 90mn investment will be into a Credit Suisse European property fund and a commercial building in Munich. The fund's targeted net IRR could hit "double digit", management guided. Actual realised IRR to the Group could be higher with the use of Group balance sheet to lever up for the fund investment.

### The Negatives

- **No new addition to land bank inventory.** With rising land prices, management has adopted a conservative strategy in its bidding. We note that the Group has been largely absent from the various GLS bids over the past few years, with only the only bid coming in the Punggol EC land site. That came in 27% lower than CDL's winning bid of S\$583psf.

### Outlook

Outlook for the recurring income portfolio is stable. We continue to stay positive for its stable recurring income and undervalued high-end property portfolio. FY17 recurrent rental income is sufficient to cover 2.8x ordinary dividend of 8c/share in FY17. Successful re-launches and monetization for the Sentosa properties above our assumed S\$1,500psf capital value will be catalysts for a narrowing of the discount and upgrade in RNAV.

### Maintain ACCUMULATE with unchanged RNAV-derived target price of S\$2.98.

HBL trades at a steep 45% discount to NAV, below its post GFC average P/NAV of 0.63 and one of the steepest discounts amongst locally listed developers.

30 April 2018

### ACCUMULATE (Maintained)

LAST DONE PRICE	SGD 2.56
FORECAST DIV	SGD 0.08
TARGET PRICE	SGD 2.98
TOTAL RETURN	19.5%

### COMPANY DATA

BLOOMBERG CODE:	HOBEE SP
O/S SHARES (MN):	666
MARKET CAP (USD mn / SGD mn):	1285 / 1704
52 - WK HI/LO (SGD):	2.67 / 2.27
3M Average Daily T/O (mn):	0.11

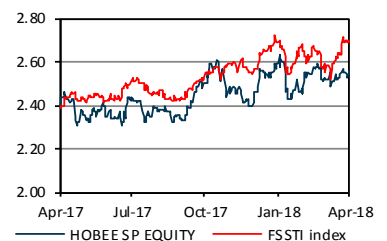
### MAJOR SHAREHOLDERS (%)

HO BEE HOLDINGS PTE LTD	74.1%
DIMENSIONAL FUND ADVISORS LP	17%
CHOON LENG WOON	0.3%

### PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	12	(19)	9.9
STIRETURN	5.0	0.8	16.1

### PRICE VS. STI



Source: Bloomberg, PSR

### KEY FINANCIALS

SGD MN	FY 16	FY 17	FY 18 e	FY 19 e
Revenue	299	165	167	169
EBITDA	130	133	103	122
NPAT (adj.)	113	173	95	90
EPS (adj.)	0.33	0.37	0.14	0.14
PER, x (adj.)	10.4	6.8	17.7	18.7
P/BV, x	0.5	0.5	0.5	0.5
DPS (SGD)	0.06	0.10	0.08	0.08
Div Yield, %	3.0%	4.0%	3.2%	3.2%
ROE, %	3.8%	5.5%	3.0%	2.8%

Source: Company, PSR

### Valuation Method

RNAV

Dehong Tan (+65 6212 1849)

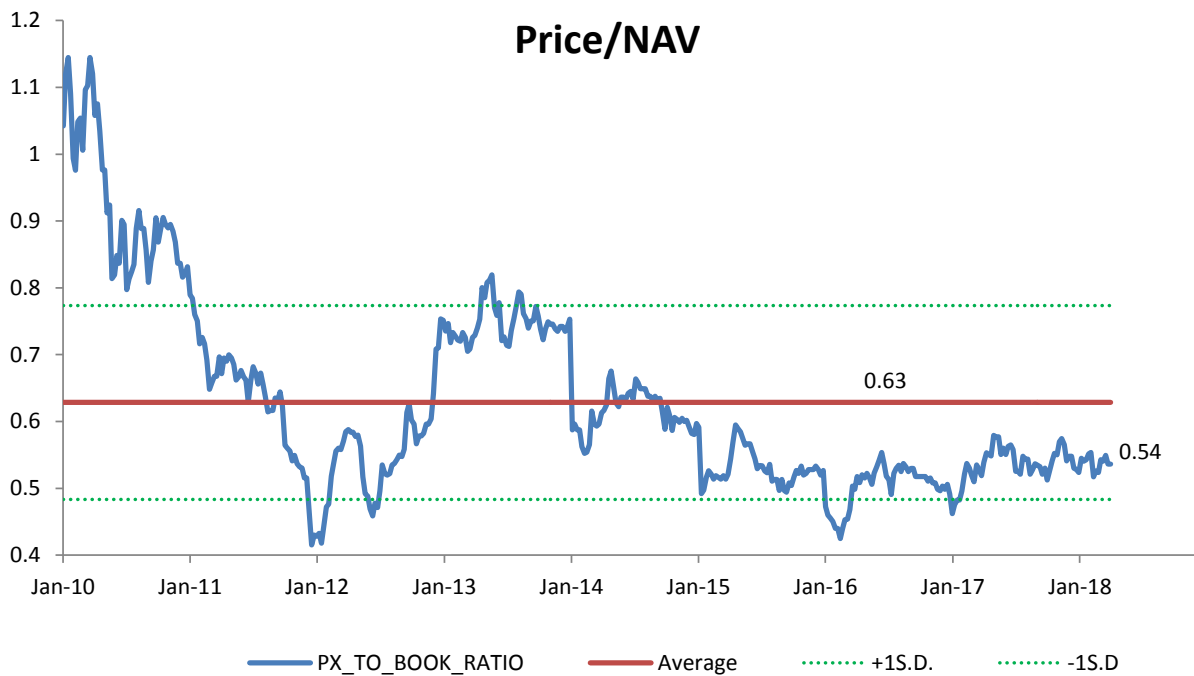
Investment Analyst

tandh@phillip.com.sg

Figure 1: RNAV Table

Ho Bee Land RNAV	
	Valuation (SGD m)
<b>Investment Properties</b>	
Singapore Commerical	1866.7
London Commerical	1195.2
<b>Residential Properties</b>	
PV of Singapore Properties	591.2
PV of China Properties	376.5
PV of Australia Properties	113.1
Others	5.2
GAV	4147.9
Less FY2018e Net debt	1318.5
RNAV	2829.4
RNAV per share	4.25
Discount to RNAV	30.0%
<b>Fair Value</b>	<b>2.98</b>

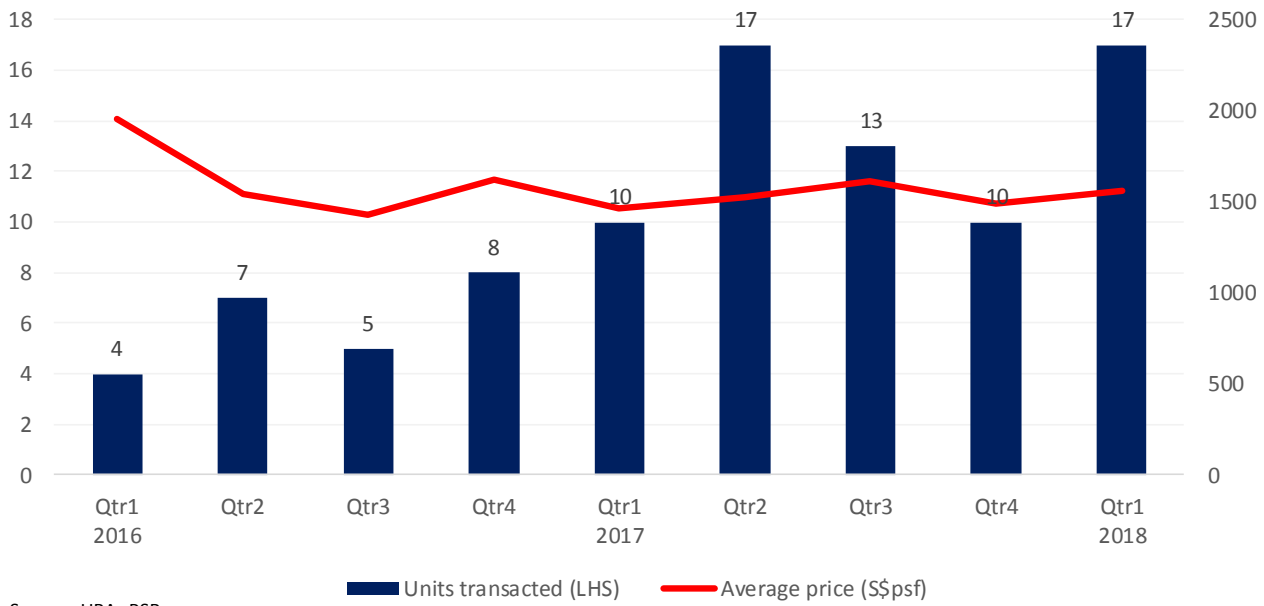
Figure 2: HBL trades at below post-GFC average P/NAV



Source: Bloomberg, PSR

Figure 3: Rebound in Sentosa Condominium transaction volumes in 1Q18

### Sentosa Condominium transactions



Source: URA, PSR

## Financials

### Income Statement

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
Revenue	130	299	165	167	169
Operating EBITDA	118	130	133	103	122
Depreciation & Amortisation	1	1	1	0	0
EBIT	117	129	132	103	122
Net Finance (Expense)/Inc	(23)	(30)	(25)	(21)	(21)
Other items	1	2	3	4	5
Associates & JVs	(23)	33	95	32	8
Revaluation Gains	186	104	78	0	0
Profit Before Tax	258	237	279	115	109
Taxation	(17)	(20)	(28)	(19)	(19)
Profit After Tax	241	217	251	95	90
Net Income, adj. excl reval gains	55	113	173	95	90

### Per share data (SGD)

Y/E Dec, SGD	FY15	FY16	FY17	FY18e	FY19e
EPS, reported	0.36	0.33	0.37	0.14	0.14
DPS	0.07	0.06	0.10	0.08	0.08
BVPS	4.23	4.41	4.70	4.76	4.82

### Cash Flows

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>CFO</b>					
Profit before tax	241	217	251	95	90
Adjustments	(139)	(78)	(128)	6	30
WC changes	(120)	71	10	(10)	(2)
Cash generated from ops	(18)	210	132	91	118
Taxes paid, others	(3)	(31)	(19)	(19)	(19)
Cashflow from ops	(21)	178	113	72	100
<b>CFI</b>					
CAPEX, net	(2)	(2)	(5)	(1)	(1)
Purchase/sale of investments	(577)	3	(0)	(47)	0
Dividends	1	1	37	1	1
Others	(0)	18	2	0	0
Cashflow from investments	(577)	21	(63)	(46)	1
<b>CFF</b>					
Purchase of treasury shares	(3)	(1)	0	0	0
Loans, net of repayments	640	(110)	(31)	44	(21)
Dividends paid	(34)	(47)	(40)	(67)	(53)
Others	0	0	0	0	0
Cashflow from financing	603	(158)	(71)	(22)	(74)
Net change in cash	5	41	42	4	26
Effects of exchange rates	(0)	(1)	(0)	0	0
CCE, end	15	54	97	101	127

Source: Company, Phillip Securities Research (Singapore) Estimates

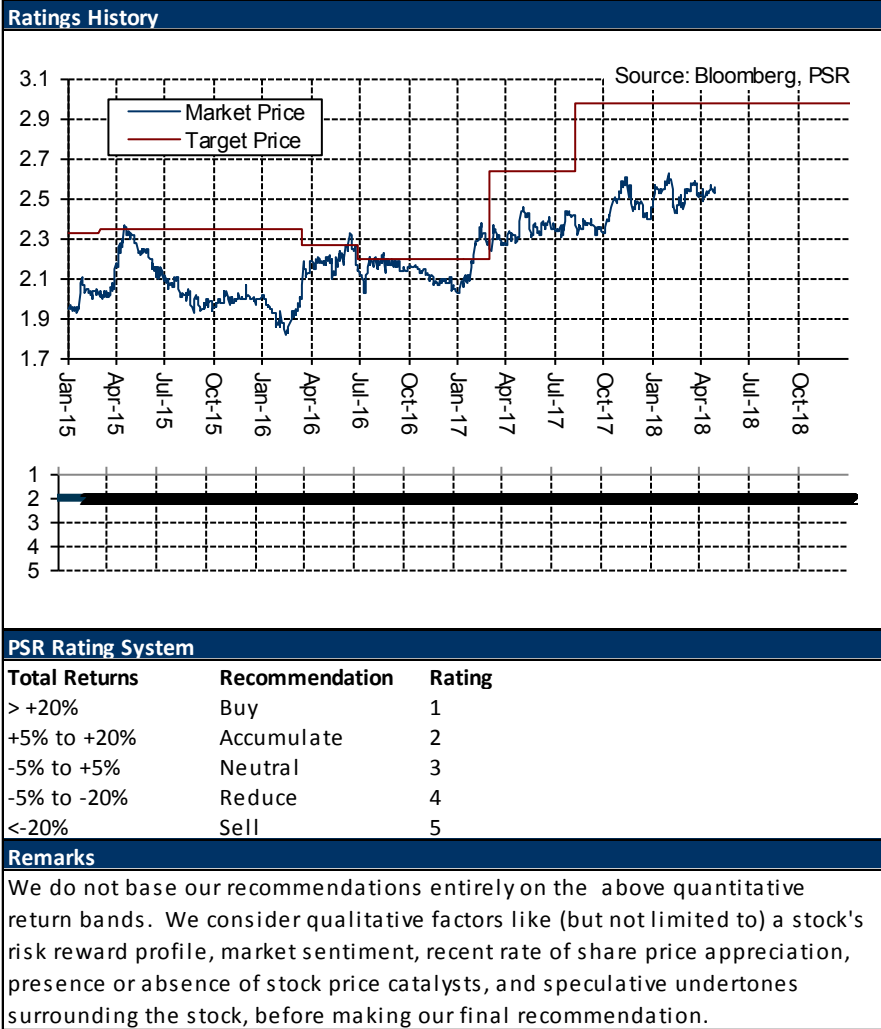
\*Forward multiples and yields are based on current market price; historical multiples and yields are based on historical market price.

### Balance Sheet

Y/E Dec, SGD mn	FY15	FY16	FY17	FY18e	FY19e
<b>ASSETS</b>					
PPE	22	22	27	28	28
Associates & JVs	789	792	849	927	935
Long-term investments	3,050	2,790	3,114	3,114	3,114
Others	289	290	262	274	274
Total non-current assets	4,150	3,895	4,251	4,343	4,352
Development property	321	414	241	258	258
Accounts Receivables	52	29	28	33	34
Cash balance	15	54	97	101	127
Others	21	0	0	0	0
Total current assets	408	500	367	392	418
Total Assets	4,558	4,395	4,618	4,735	4,770
<b>LIABILITIES</b>					
Short term loans	384	235	173	224	224
Accounts Payables	50	43	47	71	69
Others	67	36	43	43	43
Total current liabilities	501	313	263	338	336
Long term loans	1,195	1,111	1,181	1,195	1,195
Others	29	32	32	32	32
Total non-current liabilities	1,224	1,143	1,213	1,227	1,227
<b>EQUITY</b>					
Shareholder Equity	2,820	2,925	3,128	3,156	3,193
Non-controlling interest	13	14	14	14	14
Total Equity	2,834	2,939	3,142	3,170	3,207

### Valuation Ratios

Y/E Dec	FY15	FY16	FY17	FY18e	FY19e
P/E (X), adj.	23.8	10.4	6.8	17.7	18.7
P/B (X)	0.5	0.5	0.5	0.5	0.5
EV/EBITDA (X)	24.7	20.4	22.2	16.4	13.8
Dividend Yield (%)	3.4%	3.0%	4.0%	3.2%	3.2%
<b>Growth &amp; Margins (%)</b>					
<b>Growth</b>					
Revenue	-62.0%	130.4%	-45.0%	1.6%	1.1%
EBITDA	-36.8%	9.8%	2.3%	-22.5%	18.3%
EBIT	-48.9%	10.0%	2.1%	-21.8%	18.3%
Net Income, adj.	-36.7%	106.3%	52.8%	-45.0%	-4.9%
<b>Margins</b>					
EBITDA margin	91.0%	43.4%	80.7%	61.5%	72.0%
EBIT margin	90.2%	43.1%	80.0%	61.5%	72.0%
Net Profit Margin	42.2%	37.7%	104.9%	56.8%	53.4%
<b>Key Ratios</b>					
ROE (%)	1.9%	3.8%	5.5%	3.0%	2.8%
ROA (%)	1.2%	2.6%	3.7%	2.0%	1.9%
Net Debt/(Cash)	1,564	1,291	1,257	1,319	1,292
Net Gearing (X)	0.34	0.29	0.27	0.28	0.27



<b>Head of Research</b> Paul Chew – <a href="mailto:paulchewkl@phillip.com.sg">paulchewkl@phillip.com.sg</a>	<b>Contact Information (Singapore Research Team)</b> <b>Research Associate</b> Alvin Chia - <a href="mailto:alvinchiawy@phillip.com.sg">alvinchiawy@phillip.com.sg</a>	<b>Research Operations Officer</b> Mohamed Amiruddin - <a href="mailto:amiruddin@phillip.com.sg">amiruddin@phillip.com.sg</a>
<b>Consumer   Healthcare</b> Soh Lin Sin - <a href="mailto:sohls@phillip.com.sg">sohls@phillip.com.sg</a>	<b>Oil &amp; Gas   Energy</b> Chen Guangzhi - <a href="mailto:chengz@phillip.com.sg">chengz@phillip.com.sg</a>	<b>Macro</b> Pei Sai Teng - <a href="mailto:peist@phillip.com.sg">peist@phillip.com.sg</a>
<b>Transport   REITs (Industrial)</b> Richard Leow - <a href="mailto:richardleowwt@phillip.com.sg">richardleowwt@phillip.com.sg</a>	<b>REITs (Commercial, Retail, Healthcare)   Property</b> Dehong Tan - <a href="mailto:tandh@phillip.com.sg">tandh@phillip.com.sg</a>	<b>Technical Analysis</b> Jeremy Ng - <a href="mailto:jeremyngch@phillip.com.sg">jeremyngch@phillip.com.sg</a>
<b>REITs (Commercial, Retail, Healthcare)   Property</b> Tara Wong - <a href="mailto:tarawongsj@phillip.com.sg">tarawongsj@phillip.com.sg</a>	<b>US Equity</b> Ho Kang Wei - <a href="mailto:hokw@phillip.com.sg">hokw@phillip.com.sg</a>	

**Contact Information (Regional Member Companies)****SINGAPORE**

**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](http://www.poems.com.sg)

**JAPAN**

**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](http://www.phillip.co.jp)

**THAILAND**

**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](http://www.phillip.co.th)

**UNITED STATES**

**Phillip Capital Inc**  
141 W Jackson Blvd Ste 3050  
The Chicago Board of Trade Building  
Chicago, IL 60604 USA  
Tel +1-312 356 9000  
Fax +1-312 356 9005  
Website: [www.phillipusa.com](http://www.phillipusa.com)

**INDIA**

**PhillipCapital (India) Private Limited**  
No.1, 18th Floor, Urmi Estate  
95, Ganpatrao Kadam Marg  
Lower Parel West, Mumbai 400-013  
Maharashtra, India  
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969  
Website: [www.phillipcapital.in](http://www.phillipcapital.in)

**CAMBODIA**

**Phillip Bank Plc**  
Ground Floor of B-Office Centre, #61-64,  
Norodom Blvd Corner Street 306, Sangkat  
Boeung Keng Kang 1, Khan Chamkamorn,  
Phnom Penh, Cambodia  
Tel: 855 (0) 7796 6151/855 (0) 1620 0769  
Website: [www.phillipbank.com.kh](http://www.phillipbank.com.kh)

**MALAYSIA**

**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](http://www.poems.com.my)

**INDONESIA**

**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](http://www.phillip.co.id)

**FRANCE**

**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](http://www.kingandshaxson.com)

**AUSTRALIA**

**Phillip Capital Limited**  
Level 10, 330 Collins Street  
Melbourne, Victoria 3000, Australia  
Tel +61-03 8633 9803  
Fax +61-03 8633 9899  
Website: [www.phillipcapital.com.au](http://www.phillipcapital.com.au)

**TURKEY**

**PhillipCapital Menkul Degerler**  
Dr. Cemil Bengü Cad. Hak Is Merkezi  
No. 2 Kat. 6A Caglayan  
34403 Istanbul, Turkey  
Tel: 0212 296 84 84  
Fax: 0212 233 69 29  
Website: [www.phillipcapital.com.tr](http://www.phillipcapital.com.tr)

**HONG KONG**

**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](http://www.phillip.com.hk)

**CHINA**

**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](http://www.phillip.com.cn)

**UNITED KINGDOM**

**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](http://www.kingandshaxson.com)

**SRI LANKA**

**Asha Phillip Securities Limited**  
2<sup>nd</sup> Floor, Lakshmans Building,  
No. 321, Galle Road,  
Colombo 03, Sri Lanka  
Tel: (94) 11 2429 100  
Fax: (94) 11 2429 199  
Website: [www.ashaphillip.net](http://www.ashaphillip.net)

**DUBAI**

**Phillip Futures DMCC**  
Member of the Dubai Gold and  
Commodities Exchange (DGEX)  
Unit No 601, Plot No 58, White Crown Bldg,  
Sheikh Zayed Road, P.O.Box 212291  
Dubai-UAE  
Tel: +971-4-3325052 / Fax: + 971-4-3328895

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

- (i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and
- (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.