

Ho Bee Land Limited

Overseas residential sales driving earnings

SINGAPORE | REAL ESTATE | 1Q17 RESULTS

- Increase in residential overseas projects in Australia and China drove earnings.
- Long WALE of 5 UK properties enables Group to ride out post-Brexit uncertainty. Management plans to continue holding these properties for recurring income.
- Group to continue with interim leasing strategy for three Sentosa Cove properties.
- Maintain ACCUMULATE with an unchanged RNAV-derived target price of S\$2.64.

Results at a glance

(SGD mn)/Dec Yr End	1Q17	1Q16	y/y (%)	Comments
Sale of development properties	6.8	-	↑	Higher profits from 2 Australian residential development properties in Melbourne and Gold Coast
Rental Income	35.6	37.2	↓ (4.3)	Lower rentals from investment properties in Singapore and
Share of Profits from Associates	32.7	9.3	↑ 251.8	Mainly from sales of China JV project Yanlord Western
Profit from continuing operations before tax	35.2	21.8	↑ 61.6	
Net Profit	56.5	18.4	↑ 207.6	

Source: Company, Phillip Securities Research (Singapore)

Updates on overseas residential projects. Ho Bee Land's (HBL's) residential projects in Shanghai, Zhuhai and Tangshan have maintained their positive sales momentum, despite the numerous cooling measures by the government. To date, 68% of Yanlord Western Garden, Shanghai, c.44% of Yanlord Marina Peninsula, Zhuhai and 86% of Yanlord HubinCheng, Tangshan (completed) has been sold. We note the rising asking prices for HBL's projects in Shanghai and Zhuhai over the last few years (refer to Figure 1) since launch and opine that the Chinese government's stricter capital controls for foreign property investments could entice potential buyers to look inward and consider domestic property purchases thereby boosting demand for domestic properties.

UK properties update post Brexit. The leases for HBL's five remaining assets in UK are on long tenures ranging from five to ten years, which will enable the Group to ride out uncertainties during the next 2-3 years of Brexit negotiation. HBL also has a natural hedge of 70% for its UK properties which buffers against any further depreciation of the GBP. Management has expressed their intention to continue holding the five remaining UK properties for recurring income.

Continuing with interim leasing strategy for three Sentosa Cove properties. HBL will continue with its interim leasing strategy for its three Sentosa Cove Condominiums pending the recovery of the high-end residential market. Average occupancy for the projects stand at c.70%.

Investment Action

At 0.55 P/NAV, HBL trades at a bigger discount to large cap peer average (market capitalisation >SGD 1bn) of 0.84. We opine that interest in high-end properties is returning as the divergence in prices between Singapore's and regional high-end property widens. The returning interest should narrow the P/NAV gap in HBL's share price as the negativity towards the Group's Sentosa Cove properties subsides. We maintain our ACCUMULATE call on Ho Bee Land with an unchanged RNAV-derived target price of S\$2.64.

26 April 2017

ACCUMULATE (Maintained)

LAST CLOSE PRICE	SGD 2.31
FORECAST DIV	SGD 0.07
TARGET PRICE	SGD 2.64
TOTAL RETURN	17.3%

COMPANY DATA

O/S SHARES (MN) :	666
MARKET CAP (USD mn / SGD mn) :	1104 / 1538
52 - WK HI/LO (SGD) :	2.47 / 2.01
3M Average Daily T/O (mn) :	0.16

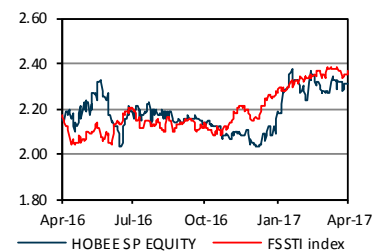
MAJOR SHAREHOLDERS (%)

HO BEE HOLDINGS PTE LTD	73.9%
DIMENSIONAL FUND ADVISORS LP	14%
CHOON LENG WOON	0.3%

PRICE PERFORMANCE (%)

	1M TH	3M TH	1Y R
COMPANY	1.3	6.9	9.5
STIRETURN	0.06	3.81	11.09

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY 15	FY 16	FY 17e	FY 18e
Revenue	130	299	208	182
EBITDA	118	130	112	115
NPAT (adj.)	55	113	97	88
EPS (adj.)	0.36	0.33	0.14	0.13
PER, x (adj.)	23.8	10.4	14.0	15.4
P/BV, x	0.5	0.5	0.5	0.4
DPS (SGD)	0.07	0.06	0.07	0.07
Div Yield, %	3.4%	3.0%	3.4%	3.4%
ROE, %	19%	3.8%	3.2%	2.9%

Source: Company Data, PSR est.

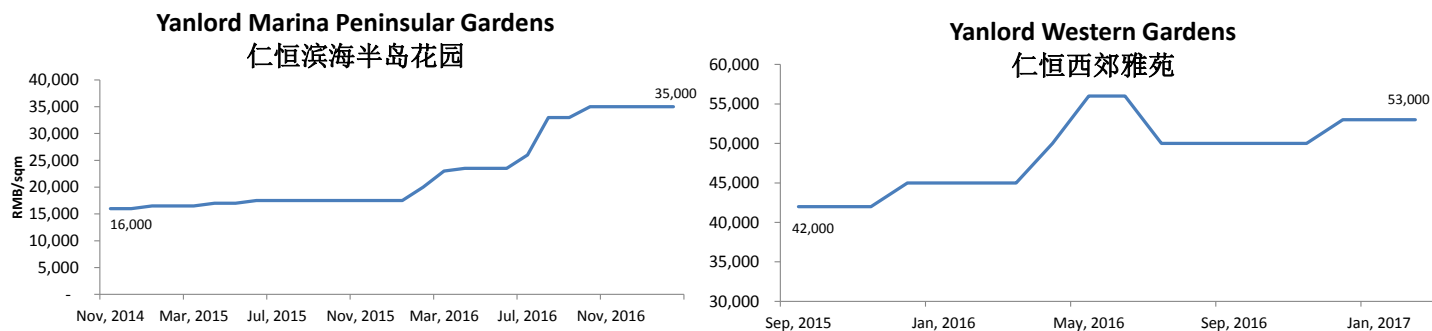
Valuation Method

RNAV

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Figure 1: Average asking prices for HBL's two main projects in Zhuhai and Shanghai rose substantially over the last few years



Source: Fang.com, Phillip Securities Research (Singapore)

Figure 2: RNAV Table

Ho Bee Land RNAV	
	Valuation (SGD m)
Investment Properties	
Singapore Commerical	1725.7
London Commerical	967.2
Residential Properties	
PV of Singapore Properties	591.2
PV of China Properties	402.4
PV of Australia Properties	113.1
Others	5.2
GAV	3804.7
Less FY2016 Net debt	1291.5
RNAV	2513.2
RNAV per share	3.77
Discount to RNAV	30.0%
Fair Value	2.64

Figure 2: RNAV Table

Name	Mkt Cap (SGD mn)	Last Px (SGD)	PSR CALL	TP	ROE (%)	ROA (%)	Dividend Yield	P/B	Debt/Assets (%)
HO BEE LAND LTD	1,571	2.36	ACCUMULATE	2.64	4.54	6.80	2.97	0.54	33.5
CAPITALAND LTD	15,714	3.7	ACCUMULATE	4.19	5.87	2.07	2.43	0.89	33.9
GLOBAL LOGISTIC PROPERTIES L	13,452	2.87	NEUTRAL	2.6	1.20	3.35	2.09	1.16	21.8
CITY DEVELOPMENTS LTD	9,739	10.71	ACCUMULATE	10.4	6.20	3.82	1.49	1.09	31.9
UOL GROUP LTD	5,771	7.17	ACCUMULATE	7.19	3.83	2.66	2.09	0.71	23.5
FRASERS CENTREPOINT LTD	5,376	1.85			8.05	2.57	4.65	0.78	41.2
UNITED INDUSTRIAL CORP LTD	4,470	3.15			4.69	3.65	0.95	0.72	16.0
YANLORD LAND GROUP LTD	3,612	1.865			11.49	2.35	0.82	0.85	21.1
WHEELLOCK PROPERTIES (S) LTD	2,244	1.875			3.38	1.49	3.20	0.75	12.9
GUOCOLAND LTD	2,171	1.835			3.72	7.36	4.90	0.62	48.4
BUKIT SEMBAWANG ESTATES LTD	1,533	5.92			6.03	6.13	5.57	1.20	0.0
WING TAI HOLDINGS LTD	1,431	1.85			0.09	0.14	3.24	0.45	27.7
Average					4.96	3.23	2.86	0.84	25.31

Source: Bloomberg (Updated 26 April 2017), Phillip Securities Research (Singapore)

Financials

Income Statement

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
Revenue	100	130	299	208	182
Operating EBITDA	65	118	130	112	116
Depreciation & Amortisation	1	1	1	1	0
EBIT	64	117	129	111	116
Net Finance (Expense)/Inc	(18)	(23)	(30)	(19)	(23)
Other items	0	1	2	3	4
Associates & JVs	(6)	(23)	33	47	11
Revaluation Gains	282	186	104	0	0
Profit Before Tax	322	258	237	139	105
Taxation	(7)	(17)	(20)	(24)	(18)
Profit After Tax	315	241	217	115	87
Net Income, adj. excl reval gains	33	55	113	115	87

Balance Sheet

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
PPE	22	22	22	23	24
Associates & JVs	802	789	792	839	850
Long-term investments	2,283	3,050	2,790	2,790	2,790
Others	275	289	290	273	273
Total non-current assets	3,382	4,150	3,895	3,925	3,937
Development property	230	321	414	390	418
Accounts Receivables	43	52	29	47	45
Cash balance	10	15	54	225	28
Others	20	21	0	0	0
Total current assets	302	408	500	663	491
Total Assets	3,684	4,558	4,395	4,588	4,427
LIABILITIES					
Short term loans	164	384	235	252	0
Accounts Payables	89	50	43	70	75
Others	40	67	36	36	36
Total current liabilities	293	501	313	358	110
Long term loans	752	1,195	1,111	1,195	1,195
Others	24	29	32	32	32
Total non-current liabilities	775	1,224	1,143	1,227	1,227
EQUITY					
Shareholder Equity	2,601	2,820	2,925	2,990	3,077
Non-controlling interest	15	13	14	14	14
Total Equity	2,616	2,834	2,939	3,004	3,091

Per share data (SGD)

Y/E Dec, SGD	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	0.47	0.36	0.33	0.17	0.13
DPS	0.05	0.07	0.06	0.07	0.07
BVPS	3.89	4.23	4.41	4.50	4.63

Cash Flows

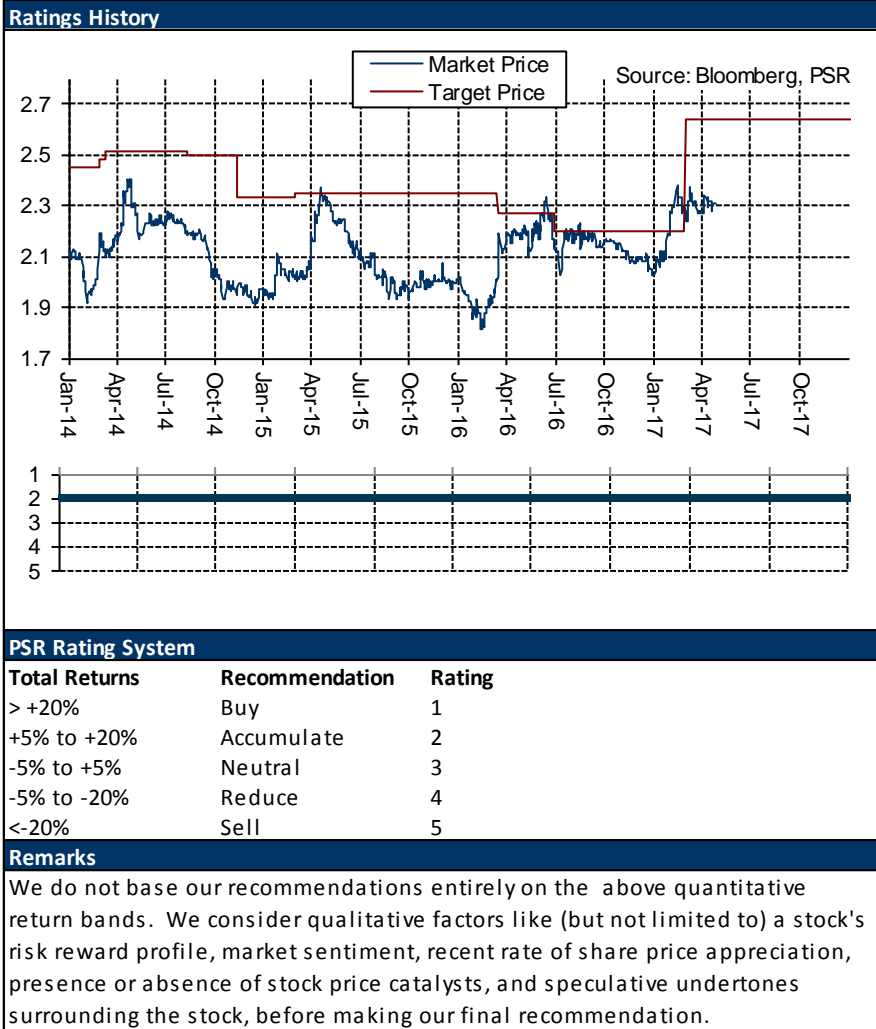
Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit before tax	315	241	217	115	87
Adjustments	(251)	(139)	(78)	(5)	28
WC changes	(49)	(120)	71	49	(21)
Cash generated from ops	15	(18)	210	159	94
Taxes paid, others	(17)	(3)	(31)	(24)	(18)
Cashflow from ops	(3)	(21)	178	136	76
CFI					
CAPEX, net	(2)	(2)	(2)	(1)	(1)
Purchase/sale of investments	(485)	(577)	3	0	0
Dividends	1	1	1	1	1
Others	(0)	(0)	18	0	0
Cashflow from investments	(486)	(577)	21	0	1
CFE					
Purchase of treasury shares	(6)	(3)	(1)	0	0
Loans, net of repayments	443	640	(110)	82	(274)
Dividends paid	(56)	(34)	(47)	(47)	0
Others	0	0	0	0	0
Cashflow from financing	381	603	(158)	35	(274)
Net change in cash	(108)	5	41	171	(198)
Effects of exchange rates	0	(0)	(1)	0	0
CCE, end	10	15	54	225	28

Valuation Ratios

Y/E Dec, SGD mn	FY14	FY15	FY16	FY17e	FY18e
P/E (X), adj.	39.1	23.8	10.4	11.8	15.6
P/B (X)	0.5	0.5	0.5	0.5	0.4
EV/EBITDA (X)	34.1	24.7	20.4	23.1	11.6
Dividend Yield (%)	2.5%	3.4%	3.0%	3.4%	3.4%
Growth & Margins (%)					
Growth					
Revenue	-28.5%	30.5%	130.4%	-30.6%	-12.4%
EBITDA	-65.1%	81.1%	9.8%	-14.0%	4.3%
EBIT	-65.3%	82.3%	10.0%	-14.0%	5.0%
Net Income, adj.	-80.4%	65.9%	106.3%	1.9%	-24.6%
Margins					
EBITDA margin	65.6%	91.0%	43.4%	53.7%	63.9%
EBIT margin	64.6%	90.2%	43.1%	53.3%	63.9%
Net Profit Margin	33.1%	42.2%	37.7%	55.4%	47.6%
Key Ratios					
ROE (%)	1.3%	1.9%	3.8%	3.8%	2.8%
ROA (%)	0.9%	1.2%	2.6%	2.5%	2.0%
Net Debt/(Cash)	905	1,564	1,291	1,221	1,167
Net Gearing (X)	0.25	0.34	0.29	0.27	0.26

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.



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