

Sinarmas Land Limited

Minimal impact from BREXIT

SINGAPORE | REAL ESTATE | UPDATE

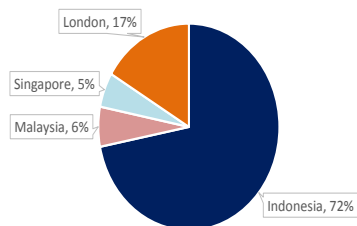
What's the news?

A referendum took place in the UK on 23 June 2016, where British citizens voted on whether the UK should leave or remain in the European Union. 52% of voters voted to leave while the rest voted to remain. Following referendum results, the GBP/SGD currency pair fell sharply to a low of 1.83 from 2.00, before finding support at 1.85.

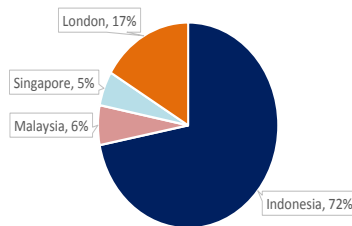
How do we view this?

- **Weaker GBP translation caused by BREXIT has minimal impact on group's overall performance.** Rental revenue from SML's two UK investment properties (Alphabeta Building and Warwick House) contributed less than 2% to Group's total revenue in FY15. The 8% depreciation in GBP/SGD (2.00 to 1.85) translates to a revenue decline of 0.2% in our revenue forecast which will have minimal impact on the group's overall performance.
- **Weaker GBP translation led to lower asset values of two UK properties and a reduction in projected RNAV.** Factoring in a weaker GBP translation in our FY16E RNAV projections and keeping the rest of our assumptions intact led to a downward adjustment of S\$0.02 to asset values of the two UK properties, representing a 1.2% reduction in total RNAV. These two properties made up 18% of the group's total RNAV before the adjustments were made and 17% after adjustments.

Breakdown of FY16E RNAV before Factoring Depreciation of GBP



Breakdown of FY16E RNAV after Factoring Depreciation of GBP



Source: Company Data, Phillip Securities Research (Singapore)

Investment Actions

We maintain our **BUY** rating with a \$0.02 reduction in TP to **\$0.72** (\$0.74 previously) based on our SOTP RNAV estimates, to take in account of a weaker contribution of rental income from the group's two UK properties which has led to lower asset values in our projections. In the grand scheme of things, the impact is minimal to the group's total revenue and prime offices in London will continue to benefit from the positive demand and supply dynamics in the near term (mentioned in a previous report published on [25-Apr-16](#)).

27 June 2016

BUY (Maintained)

CLOSING PRICE	SGD 0.46
FORECAST DIV	SGD 0.019
TARGET PRICE	SGD 0.72
TOTAL RETURN	62.4%

COMPANY DATA

O/S SHARES (MN) :	4,256
MARKET CAP (USD mn / SGD mn) :	1414 / 9316
52 - WK HI/LO (SGD) :	0.75 / 0.37
3M Average Daily T/O (mn) :	1.40

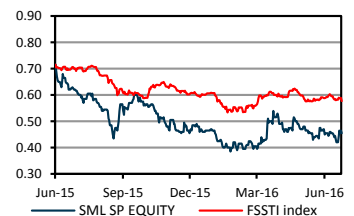
MAJOR SHAREHOLDERS (%)

FLAMBO INTERNATIONAL LTD	70.3%
DIMENSIONAL FUND ADVISORS LP	0.3%
VANGUARD GROUP INCORPORATED	0.1%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(1.1)	15.2	(38.8)
STI RETURN	(1.00)	9.80	(17.31)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY14	FY15	FY16e	FY17e
Revenue	829	958	764	816
EBITDA	413	462	320	294
NPAT (adj.)	241	144	125	106
EPS (adj.)	0.08	0.03	0.03	0.02
PER, x (adj.)	5.9	13.9	16.0	18.9
P/BV, x	0.4	0.6	0.6	0.6
DPS (SGD cents)	0.50	0.19	0.18	0.15
Div Yield, %	1.1%	0.4%	0.4%	0.3%
ROE, %	15%	8%	7%	6%

Source: Company Data, PSR est.

Valuation Method

SOTP

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	Properties	Valuation(\$'m)	Discount to RNAV (%)
Indonesia	BSDE	1,682	35%
	Land (excluding those in BSDE)	406	35%
	Office	176	15%
	Commercial	21	15%
	Hotel	14	20%
	Others	95	35%
Others	London	547	5%
	Malaysia	207	25%
	Singapore	180	10%
Total RNAV		<u>3,326</u>	
Add: Cash		821	
Add: Associates & JV		320	
Less: Debt		<u>-1,394</u>	
		3,073	
Outstanding shares (m)		<u>4,256</u>	
RNAV per share		<u>\$0.72</u>	
Discount to RNAV		0%	
Target Price		<u>\$0.72</u>	

Financials

Income Statement

Y/E Dec, SGD mn	FY13	FY14	FY15	FY16e	FY17e
Revenue	962	829	958	1,050	1,122
EBITDA	497	413	462	427	389
Depreciation & Amortisation	(17)	(21)	(30)	(35)	(38)
EBIT	479	392	432	392	351
Net Finance (Expense)/Inc	8	(15)	(38)	(11)	(8)
Other items	44	(4)	(9)	3	2
Associates & JVs	(42)	12	14	26	18
Exceptional Items	12	89	0	0	0
Profit Before Tax	501	475	400	410	363
Taxation	(59)	(47)	(69)	(71)	(63)
Profit After Tax	442	428	330	339	300
Non-Controlling Interest	(213)	(188)	(187)	(169)	(150)
Net Income, reported	229	241	144	169	150
Net Income, adj.	229	241	144	169	150

Per share data (SGD)

	FY13	FY14	FY15	FY16e	FY17e
EPS, reported	0.08	0.08	0.03	0.04	0.04
EPS, adj.	0.08	0.08	0.03	0.04	0.04
DPS (SGD Cents)	0.50	0.50	0.19	0.25	0.22
BVPS	0.76	1.05	0.78	0.83	0.89

Cash Flows

Y/E Dec, SGD mn	FY13	FY14	FY15	FY16e	FY17e
CFO					
Profit before tax	501	475	400	410	363
Adjustments	15	(103)	42	(14)	(10)
WC changes	(151)	27	(159)	196	136
Cash generated from ops	365	420	313	626	528
Taxes paid, others	(51)	(77)	(113)	(77)	(60)
Cashflow from ops	315	343	200	549	468
CFI					
CAPEX, net	(9)	(32)	(23)	(21)	(25)
Others	(517)	(626)	(853)	(309)	(354)
Cashflow from investments	(527)	(658)	(876)	(331)	(379)
CFF					
Share issuance	0	0	0	0	0
Loans, net of repayments	223	54	397	0	0
Dividends	(12)	(15)	(15)	(8)	(10)
Others	95	(82)	331	245	(88)
Cashflow from financing	306	(44)	712	237	(99)
Net change in cash	94	(359)	36	456	(10)
Effects of exchange rates	(136)	81	3	0	0
CCE, end	618	555	589	1,043	1,036

Source: Company, PSR (Singapore) Estimates

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

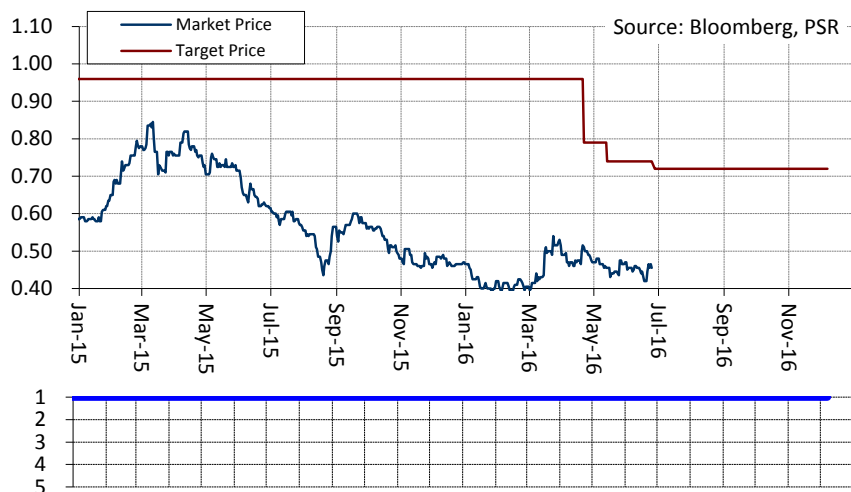
Balance Sheet

Y/E Dec, SGD mn	FY13	FY14	FY15	FY16e	FY17e
ASSETS					
Investment properties	535	497	1,073	1,192	1,306
Properties under dev for sale	859	1,739	1,591	1,787	1,964
Associates & JVs	592	223	221	226	223
Others	273	303	310	337	368
Total non-current assets	2,260	2,762	3,194	3,542	3,862
Current restricted cash	0	0	0	0	0
Accounts Receivables	12	14	16	17	17
Cash balance	688	875	908	1,043	1,036
Others	600	1,095	1,401	1,349	1,405
Total current assets	1,300	1,983	2,324	2,408	2,459
Total Assets	3,559	4,745	5,518	5,950	6,321
LIABILITIES					
Short term loans	136	157	218	1	100
Current trade payables	19	24	38	50	58
Bond payables	0	33	0	48	191
Others	380	616	576	780	926
Total current liabilities	535	830	832	879	1,276
Long term loans	194	239	565	781	683
Long term bond payables	309	310	608	560	417
Others	202	173	183	185	174
Total non-current liabilities	705	722	1,356	1,526	1,274
EQUITY					
Non-controlling interest	837	1,479	1,582	1,649	1,755
Common Shareholder Equity	1,483	1,715	1,749	1,896	2,017

Valuation Ratios

Y/E Dec, SGD mn	FY13	FY14	FY15	FY16e	FY17e
P/E (X), adj.	6.2	5.9	13.9	11.8	13.3
P/B (X)	0.6	0.4	0.6	0.6	0.5
EV/EBITDA (X)	6.5	7.8	7.0	7.5	8.3
Dividend Yield (%)	1.1%	1.1%	0.4%	0.5%	0.5%
Growth & Margins (%)					
Growth					
Revenue	58.5%	-13.9%	15.6%	9.7%	6.8%
EBITDA	143.1%	-16.8%	11.8%	-7.7%	-8.7%
EBIT	156.9%	-18.1%	10.1%	-9.3%	-10.4%
Net Income, adj.	159.5%	4.9%	-40.2%	17.7%	-11.4%
Margins					
EBITDA margin	51.6%	49.9%	48.3%	40.6%	34.7%
EBIT margin	49.8%	47.4%	45.1%	37.3%	31.3%
Net Profit Margin	45.9%	51.7%	34.5%	32.3%	26.8%
Key Ratios					
ROE (%)	15.4%	15.0%	8.3%	9.3%	7.7%
ROA (%)	6.6%	5.8%	2.8%	3.0%	2.4%
Net Debt/(Cash)	(358)	(478)	482	299	163
Net Gearing (X)	Net Cash	Net Cash	0.14	0.08	0.04

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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