

Ho Bee Investment Ltd

Results in-line

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Industry: Property

Phillip Securities Research Pte Ltd

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Report type: Quarterly Results

Company Overview

Ho Bee Investment Ltd is a real estate development and investment company with an extensive and diverse portfolio covering high quality residential, commercial and high-tech industrial projects.

- 3Q12 revenue \$59.1mn (+5.6%y-y), PATMI \$31.5mn (-3.5%y-y)
- Saw higher contribution from development projects but lack of divestment gain brought bottom-line lower
- Residential sales remained slow and The Metropolis has not secured tenant
- Maintain Neutral with higher target price of S\$1.44

What is the news?

Ho Bee reported its 3Q12 revenue of \$59.1mn, 5.6%y-y higher mainly due to higher recognition of revenue from development projects. Its JV project Parvis at Holland Hill obtained TOP in the quarter, which contributed positively to earnings from JV. PATMI of \$31.5mn was however 3.5%y-y lower mainly due to a gain of \$13.1mn on sale of investment property recognized in 3Q11.

Fig 1: Results summary

Income Statement	3Q12	3Q11	Y-Y %	9M12	9M11	Y-Y
	(restated)			(restated)		
(S\$ 'mn)						
Revenue	59.1	56.0	5.6%	244.9	272.3	-10.1%
Gross profit	18.1	17.1	5.9%	95.9	104.4	-8.2%
Associates	-0.2	0.7	N.M.	-0.3	0.6	N.M.
JV entities	20.2	7.6	165.4%	27.4	32.6	-16.0%
PBT	33.9	38.4	-11.8%	135.7	160.5	-15.4%
PATMI	31.5	32.6	-3.5%	120.2	137.6	-12.6%

Source: Company

How do we view this?

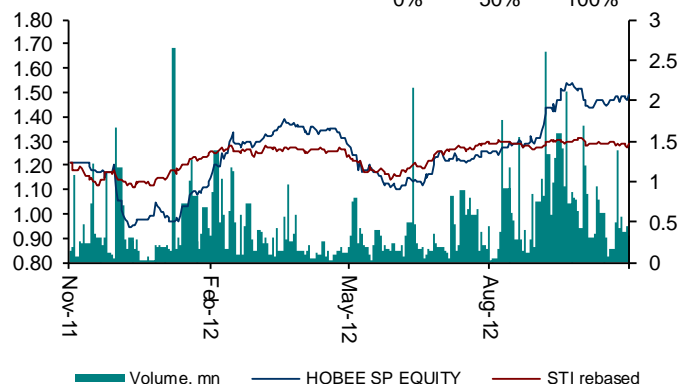
Results largely in-line with our expectations with the 9M12 revenue and PATMI form 53% and 84% of our FY12 estimates respectively. We expect its residential project Trilight, which TOP had been obtained in Oct, to close up the gaps.

Investment Actions?

We factor in a higher valuation for The Metropolis and the gain from sale of Hotel Windsor, RNAV is increased from \$3.17 to \$3.61. We ascribe the same 60% discount to RNAV to arrive at the higher fair value of \$1.44. Maintain Neutral.

Ho Bee Investment Ltd

Rating	3	Neutral
- Previous Rating	3	Neutral
Target Price (SGD)	1.44	
- Previous Target Price (SGD)	1.27	
Closing Price (SGD)	1.490	
Expected Capital Gains (%)	-3.1%	
Expected Dividend Yield (%)	1.3%	
Expected Total Return (%)	-1.8%	
Raw Beta (Past 2yrs weekly data)	0.81	
Market Cap. (USD mn / SGD mn)	855 / 1045	
Enterprise Value (USD mn / SGD mn)	1223 / 1512	
3M Average Daily T/O (mn)	0.7	
52 week range (SGD)	0.975 - 1.545	
Closing Price in 52 week range		



Major Shareholders

	(%)
1. Ho Bee Holdings Pte Ltd	68.5
2. Ho Bee Investment Ltd	5.3

Key Financial Summary

FYE	12/11	12/12F	12/13F	12/14F
Revenue (SGD mn)	342	458	102	239
Net Profit, adj. (SGD mn)	168	144	105	200
EPS, adj. (SGD)	0.23	0.20	0.15	0.28
P/E (X),adj.	6.4	7.3	10.0	5.2
BVPS (SGD)	2.34	2.50	2.63	2.90
P/B (X)	0.6	0.6	0.6	0.5
DPS (SGD)	0.04	0.02	0.02	0.04
Div. Yield (%)	2.7%	1.3%	1.3%	2.7%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

RNAV

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Residential sales update

Slow sales progress continued in 3Q12 for Ho Bee with 6 residential units sold in total. Note that its 2 completed projects at Sentosa Cove remained substantially unsold, though some of the units have been tenanted out. Another 35% JV project Pinnacle Collection, a 302-unit condominium at Sentosa Cove, which construction is expected to complete by mid-2013 but the management has not guided on the timeline for sales launch yet. Over in China, the project at Tangshan Nanhu Eco-City may be launched for sale in early next year, which could see partial contribution come in by end-FY13 when its first phase is completed. With that we see poor earnings quality from its property development segment for next year.

Fig 2. Sales progress summary for Singapore projects

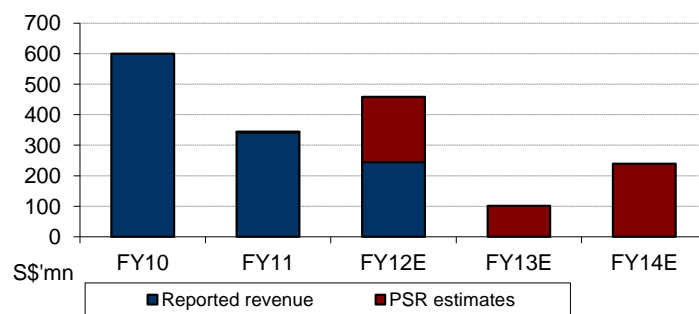
Projects (Singapore)	Total Units	Units Sold in 3Q11	Units Sold in 2Q12	Units Sold in 3Q12	Units Sold To Date	% Sold To Date
Residential						
The Orange Grove (Orange Grove Rd)	72	1	4	3	72	100%
Parvis (Holland Hill)	248	0	0	0	248	100%
Turquoise (Sentosa Cove)	91	-1	0	0	43	47%
Seascape (Sentosa Cove)	151	2	2	2	47	31%
Trilight (Newton Rd)	205	2	4	2	203	99%
Total		3	10	6		
Industrial						
One Pemimpin (Pemimpin Dr)	115	13			115	100%

Source: Company, PSR estimates

Another asset divestment

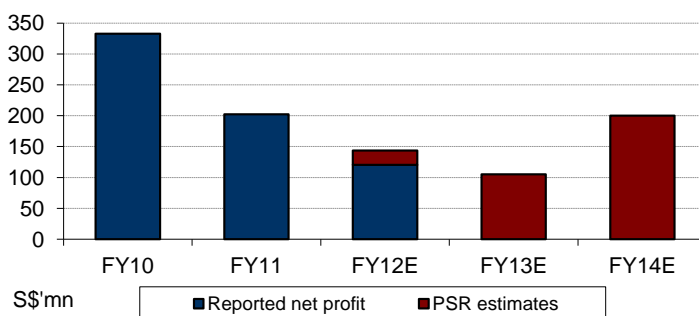
It was announced in Oct that Hotel Windsor was sold for \$163mn and Ho Bee will recognize a gain of \$25.9mn upon completion of sale, expected to be in May 2013. That translates to ~ S 3.7 cents gain per share. The divestment came after a series of asset sales (previously 4 industrial buildings and several floors of office space in CBD) in the past 2 years and the sale proceeds have been redeployed into its office development, The Metropolis, at One-North. The management guided that it has not secured any tenants for The Metropolis so far, but according to media report, potential tenants in negotiation include Shell, NOL and P&G.

Fig 3: Reported revenue is 53.4% of our FY12 estimate



Source: Company, PSR estimates

Fig 4: Reported PATMI is 83.6% of our FY12 estimate



Source: Company, PSR estimates

Maintain Neutral with fair value increased to \$1.44

We factor in the gain from sale of Hotel Windsor and further increase our value estimates for The Metropolis from \$835psf to \$1,071psf per GFA following the recent transaction of NOL Building at Alexandra Rd, which was sold at \$1,290psf per GFA. RNAV for Ho Bee is thus increased from \$3.17 to \$3.61. We ascribe the same discount to RNAV of 60% to arrive at fair value to \$1.44. Maintain Neutral on Ho Bee. Upside catalysts could come from better than expected sales from residential projects and take-up of The Metropolis office space.

Ho Bee Investment RNAV	
Surplus from investment properties (\$m)	343.4
Gain from divestment of investment properties	48.5
NPV surplus of development properties (\$m)	501.6
Book value in FY2011 (\$m)	1645.2
RNAV (\$m)	2538.7
Total shares issued (m)	703.4
RNAV per share (\$)	3.61
Discount (%)	60%
Fair value (\$)	1.44

FYE Dec	FY10 [^]	FY11	FY12F	FY13F	FY14F
Valuation Ratios					
P/E (X), adj.	3.9	6.4	7.3	10.0	5.2
P/B (X)	0.7	0.6	0.6	0.6	0.5
EV/EBITDA (X), adj.	4.3	8.1	10.1	16.9	9.7
Dividend Yield (%)	2.7%	2.7%	1.3%	1.3%	2.7%
Per share data (SGD)					
EPS, reported	0.45	0.28	0.20	0.15	0.28
EPS, adj.	0.38	0.23	0.20	0.15	0.28
DPS	0.04	0.04	0.02	0.02	0.04
BVPS	2.00	2.34	2.50	2.63	2.90
Growth & Margins (%)					
Growth					
Revenue	-48.2%	-43.1%	34.2%	-77.8%	135.0%
EBITDA	-29.7%	-47.1%	-19.9%	-40.4%	75.4%
EBIT	-29.8%	-47.5%	-20.0%	-40.9%	77.6%
Net Income, adj.	-17.6%	-39.4%	-14.6%	-27.0%	90.9%
Margins					
EBITDA margin	59.0%	54.8%	32.7%	87.8%	65.5%
EBIT margin	58.7%	54.2%	32.3%	86.1%	65.1%
Net Profit Margin	57.3%	59.7%	31.7%	106.2%	87.7%
Key Ratios					
ROE (%)	24.9%	13.0%	8.4%	5.8%	10.3%
ROA (%)	15.6%	8.6%	6.0%	4.2%	7.5%
Net Debt/(Cash)	675	452	464	315	252
Net Gearing (X)	0.45	0.27	0.26	0.17	0.12
Income Statement (SGD mn)					
Revenue	600	342	458	102	239
EBITDA	354	187	150	89	157
Depreciation & Amortisation	2	2	2	2	1
EBIT	353	185	148	88	156
Net Finance (Expense)/Income	(2)	(3)	(4)	(6)	(6)
Other items	0	0	0	0	0
Associates & JVs	52	46	30	48	103
Profit Before Tax	402	228	175	130	253
Taxation	(58)	(24)	(30)	(22)	(43)
Profit After Tax	344	204	145	108	210
Non-controlling Interest	11	1	2	3	9
Net Income, reported	333	203	144	105	200
Net Income, adj.	278	168	144	105	200

[^]Restated

Source: PSR

FYE Mar	FY10	FY11	FY12F	FY13F	FY14F
Balance Sheet (SGD mn)					
PPE	594	732	668	648	630
Intangibles	462	489	223	212	201
Associates & JVs	225	228	257	286	410

FYE Dec	FY10^	FY11	FY12F	FY13F	FY14F
Balance Sheet (SGD mn)					
PPE	102	113	114	70	69
Intangibles	0	0	0	0	0
Associates & JVs	297	380	410	458	562
Investment/Development Property	637	649	730	842	954
Others	614	581	581	581	581
Total non-current assets	1,650	1,722	1,836	1,952	2,166
Inventories	0	0	0	0	0
Accounts Receivables	49	51	37	8	19
Investment property/Property held for sale	646	418	459	307	207
Cash	75	57	95	226	373
Others	6	58	58	58	58
Total current assets	777	585	649	599	658
Total Assets	2,426	2,307	2,485	2,551	2,824
Short term loans	142	118	80	2	47
Accounts Payables	73	45	57	49	50
Others	69	47	47	47	47
Total current liabilities	284	210	184	97	144
Long term loans	609	391	478	540	578
Others	34	41	41	41	41
Total non-current liabilities	642	432	519	580	618
Non-controlling interest	23	21	21	22	24
Shareholder Equity	1,476	1,645	1,761	1,852	2,038
Cashflow Statements (SGD mn)					
CFO					
Profit for the period	344	204	145	108	210
Adjustments	(95)	(95)	(23)	(50)	(58)
Cash from ops before WC changes	249	109	122	58	151
WC changes	186	158	(14)	173	89
Cash generated from ops	435	267	108	231	240
Taxes paid, net	(114)	(51)	(30)	(22)	(43)
Interest paid	0	0	0	0	0
Cashflow from ops	321	216	78	209	198
CFI					
CAPEX, net	(427)	(49)	(115)	(44)	(112)
Dividends from associates & JVs	1	26	0	0	0
Dividends/Interest from Investments	3	4	5	5	5
Purchase/sale of investments	182	157	48	0	0
Investments in subs & associates	(488)	(55)	5	0	0
Others	0	0	0	0	0
Cashflow from investments	(729)	84	(57)	(38)	(106)
CFF					
Share issuance	0	0	0	0	0
Purchase of treasury shares	0	(43)	0	0	0
Loans, net of repayments	345	(248)	46	(23)	77
Dividends to minority interests	(10)	(4)	(1)	(3)	(7)
Dividends to shareholders & capital reduction	(22)	(22)	(28)	(14)	(14)
Others	(0)	0	0	0	0
Cashflow from financing	312	(317)	17	(40)	56
Net change in cash	(96)	(18)	38	131	147
Effects of exchange rates	(0)	0	0	0	0
CCE, end	75	57	95	226	373

^Restated

Source: PSR



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