

YOMA STRATEGIC HOLDINGS LTD.

Acquiring more Money



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SINGAPORE | REAL ESTATE | UPDATE

- Acquisition of Telenor's 34.2% stake in Wave is at an attractive price of \$76.5mn, a 20% discount to our projected valuation of Wave.
- Yoma will become the controlling shareholder of Wave through Wave Holdco at 63.7%. Yoma's effective stake to increase up to 40.7% with a further US\$25mn investment. We expect deeper collaboration and integration with Yoma's other consumer businesses.
- Maintain BUY with an unchanged target price of \$0.46.

Acquisition Details

The aggregate consideration for the acquisition is US\$76.5mn in cash for Telenor's stake (34.2%) in Wave Money (Wave). Yoma intends to restructure the holding of its interest in Wave through a newly incorporated investment holding company in Singapore, Yoma MFS Holdings (Wave Holdco). Wave Holdco will hold the Group's existing interest (29.5%) in Wave.

As at 24 June 2020, Yoma plans to invest up to a further US\$25.0mn into Wave Holdco for an additional stake of up to 11.2% in Wave. A consortium of investors, as new shareholders of Wave Holdco, would contribute the remaining amount for the acquisition. The consortium comprises of private equity and financial institutions, most of which Wave has existing relations with. Upon completion of the acquisition, Wave HoldCo will hold up to 63.7% interest in Wave Money. Yoma's effective interest in Wave will be up to 40.7%.

Acquisition Impact:

+ Acquisition of stake at an attractive price of \$76.5mn for a 34% stake, a 20% discount to our projected valuation of Wave. Wave's over the counter (OTC) as well as e-wallet and digital payment business (WavePay) are currently valued at US\$162mn and US\$117mn respectively based on a EV/EBITDA metric of 9x and USD/MAU* metric of 90x (CY20**: OTC EBITDA – c.US\$18mn, CY20: WavePay's MAU – c.1.3mn). Over the past month, WavePay grew by more than 30% in MAU. Yoma is projecting for WavePay to hit its MAU target of 11.2mn by CY24.

+ Better strategic focus for Wave post-Telenor's exit. Telenor has made a strategic decision that telecommunications will continue to be their core business. It has divested several smaller businesses prior to the current Wave transaction. Nonetheless, Wave will remain the preferred e-wallet business for Telenor and their business relationship is expected to continue. Post Telenor's exit, Wave will be more focused in its strategy to grow, underpinned by Ant's strength in financial services and technology coupled with Yoma's local presence and expertise.

+ No change in management team or operations. In the early stages of Wave's growth, Wave leveraged on Telenor's network and technological infrastructure for its operations. However, within the past 2 years of operations, Wave successfully built its own standalone network and infrastructure. Although Wave's key management team comprises members originated from Telenor (e.g. Wave's CFO), the team has been with Wave since inception and has agreed contractually to stay for the next few years. Therefore, we are not expecting any change in the way Wave operates, nor in its management team.

*MAU = Monthly Active Users

** CY20 = Calendar Year 2020

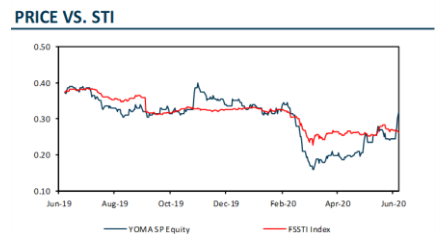
25 June 2020

BUY (Maintained)	
LAST CLOSE PRICE	SGD 0.300
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.460
TOTAL RETURN	53.3%

COMPANY DATA	
BLOOMBERG CODE:	YOMA SP
O/S SHARES (MN) :	2,231
MARKET CAP (USD mn / SGD mn) :	482 / 669
52 - WK HI/LO (SGD) :	0.42 / 0.16
3M Average Daily T/O (mn) :	7.86

MAJOR SHAREHOLDERS (%)	
SERGE PUN	28.2%
AYALA CORPORATION	14.9%
STANDARD LIFE ABERDEEN PLC	7.8%

PRICE PERFORMANCE (%)			
	1MTH	3MTH	1YR
COMPANY	29.3	(5.4)	(24.3)
STI RETURN	9.3	(3.9)	(8.2)



KEY FINANCIALS				
Y/E Sept (US\$'00c)	FY19	FY20e	FY21e	FY22e
Gross Rev	91,015	108,200	113,294	121,562
Gross Profit	45,289	42,073	49,100	52,836
EBITDA	8,519	27,764	42,874	44,501
NPAT	(37,154)	(4,900)	12,257	14,089
P/NAV (x)	1.18	0.84	0.84	0.83
P/E (x)	nm	nm	nm	48
ROE (%)	(5.40)	(0.62)	1.53	1.74

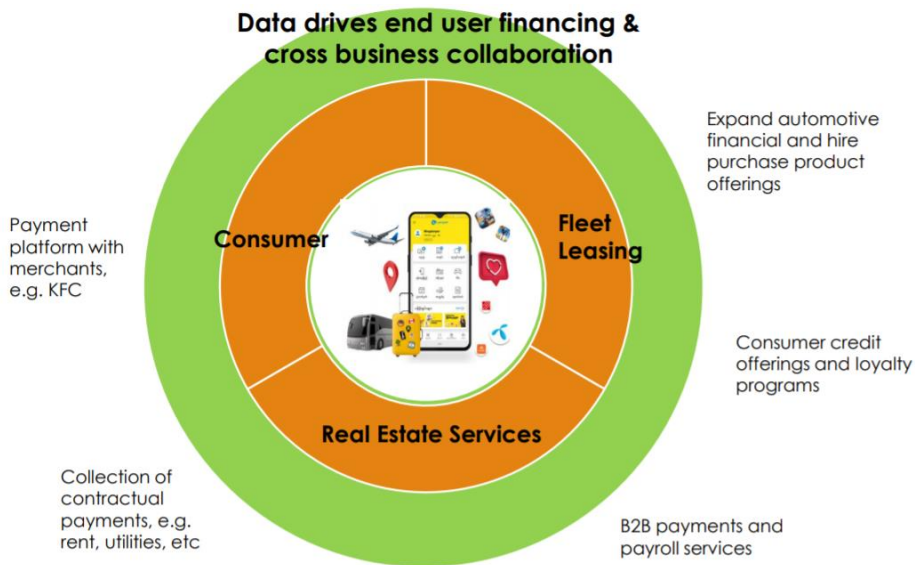
Source: Company, PSR

VALUATION METHOD
SOTP (20% conglomerate discount)

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+ Controlling stake to increase collaboration between WavePay and the Yoma’s existing business lines. The collection of data from WavePay’s digital payment business will help Yoma better identify the drivers behind Myanmar’s consumerism. Additionally, this collaboration is expected to drive potential end-user financing and integration with Yoma’s existing businesses through certain payment functions (e.g. in consumer and real estate services) as well as a closer alignment of new products and features on WavePay (e.g. in Yoma Fleet). (Fig. 1)

Figure 1: Synergies with Yoma's businesses



Source: Company

Maintain BUY with an unchanged TP of S\$0.460. Our target price translates to a total upside of 53.3%. We increased the valuation of Yoma’s stake in Wave Money, offset by a 15% devaluation in Pun Hlaing Estate’s land bank due to the expectation of a weaker outlook in the premium property space. Property and financial services will constitute 68% and 19% of the valuation respectively. A conglomerate discount of 20% has been applied (Fig.2).

The report is produced by Phillip Securities Research under the ‘Research Talent Development Grant Scheme’ (administered by SGX).

Figure 2: SOTP Model

Assets				
*	Yoma Land	Properties	Valuation (US\$)	Remarks
A)	Land Bank	Star City Development	\$129,500,000	Balance sheet cost
		Pun Hlaing Development	\$310,122,500	Balance sheet cost
B)	Investment Properties	Star City	\$122,920,000	Share of fair value
		Others	\$68,800,000	Share of fair value
C)	Development Properties	Yoma Central	\$122,000,000	Balance sheet cost
		Peninsula Yangon	\$28,000,000	Balance sheet cost
		City Loft	\$7,000,000	DCF
Yoma Land Valuation			\$788,342,500	
*	Yoma Financial Services		Valuation (US\$)	Remarks
A)	Yoma Fleet		\$106,400,000	Based on Tokyo Century Transaction Valuation
B)	Wave Money		\$113,553,000	Based on EV/EBITDA and USD/MAU
Yoma Financial Services Valuation			\$219,953,000	
*	Yoma F&B		Valuation (US\$)	Remarks
A)	Restaurants		\$43,174,000	P/Sales
B)	Logistics		\$6,000,000	Based on SF Transaction valuation
Yoma F&B Valuation			\$49,174,000	
*	Yoma Motors		Valuation (US\$)	Remarks
	Yoma Motors		\$18,740,000	P/Sales
Yoma Motors Valuation			\$18,740,000	
*	Other Investments		Valuation (US\$)	Remarks
Implied Valuation			\$75,470,000	
Total Assets			\$1,151,679,500	
Net Debt and Overheads			\$225,298,000	
Valuation			\$926,381,500	
No of shares			2,231,220,416	
Less: Conglomerate discount			20%	
USD/SGD			1.3882	
TP (S\$)			\$0.46	

Source: Company, PSR

Financials

Statement of Total Return and Distribution Statement

Y/E Sept, (\$'000)	FY18	FY19	FY20e	FY21e	FY22e
Revenue	99,631	91,015	108,200	113,294	121,562
Cost of sales	(67,940)	(45,726)	(66,127)	(64,194)	(68,726)
Gross Profit	31,691	45,289	42,073	49,100	52,836
Finance expenses	(11,896)	(29,605)	(17,342)	(17,342)	(17,342)
Administrative expenses	(53,945)	(50,255)	(62,591)	(60,761)	(65,051)
Other items	80,287	(140)	33,057	41,020	44,707
Total Return Before Tax	46,137	(34,711)	(4,804)	12,017	15,150
Taxation	(2,042)	(2,443)	(96)	240	(1,060)
Total Return After Tax	44,095	(37,154)	(4,900)	12,257	14,089
EBIT	58,033	(5,106)	12,538	29,359	32,492
EBITDA	67,649	8,519	27,764	42,874	44,501

Per unit data

Y/E Dec	FY18	FY19	FY20e	FY21e	FY22e
NAVPS (US\$)	0.38	0.27	0.36	0.36	0.36
EPU (US\$ cents)	2.33	(1.96)	(0.22)	0.55	0.63

Cash Flow

Y/E Sept, (\$'000)	FY18	FY19	FY20e	FY21e	FY22e
CFO					
Net income	45,111	(37,154)	(4,900)	12,257	14,089
Adjustments	(73,193)	62,289	33,179	26,422	26,110
WC changes	28,255	(41,007)	34,675	(87,962)	39,090
Cash generated from ops	173	(15,872)	62,954	(49,283)	79,289
Others	(1,551)	(833)	(96)	240	(1,060)
Cashflow from ops	(1,378)	(16,705)	62,858	(49,042)	78,228
CFI					
Additions to development properties	(137,224)	(74,684)	(21,900)	-	-
Additions to IP	(56,510)	(610)	-	-	-
Additions to PPE	(23,252)	(20,836)	-	-	-
Others	(44,396)	(39,031)	(25,000)	-	-
Cashflow from investments	(261,382)	(135,161)	(46,900)	-	-
CFF					
Proceeds from issuance of units	82,150	-	108,600	-	-
Proceeds from borrowings, net	105,256	123,338	(27,600)	-	-
Interest paid	(12,511)	(21,768)	(17,398)	(17,398)	(17,398)
Others	40,932	55,382	-	-	-
Cashflow from financing	215,827	156,952	63,602	(17,398)	(17,398)
Net change in cash	(46,933)	5,086	79,560	(66,440)	60,831
Cash at the start of the period	63,603	10,776	15,835	95,395	28,955
Currency translation	(1,825)	(27)	-	-	-
Others	17,734	14,146	14,146	14,146	14,146
Ending cash	32,579	29,981	109,541	43,101	103,932

*nm - not meaningful

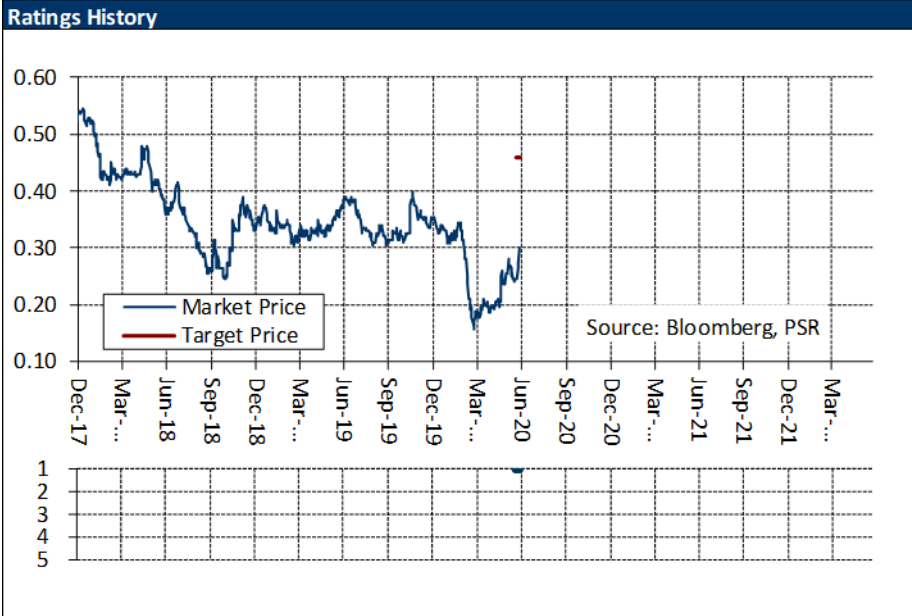
Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Sept, (\$'000)	FY18	FY19	FY20e	FY21e	FY22e
ASSETS					
Investment properties	366,637	242,960	264,860	264,860	264,860
Land development rights (NC)	210,144	149,130	149,130	149,130	149,130
PPE	71,563	118,347	104,117	91,598	80,584
Others	189,247	147,454	181,662	172,029	182,214
Total non-current assets	837,591	657,891	699,769	677,617	676,789
Development properties	330,028	290,276	426,550	324,024	481,327
Trade receivables	98,167	76,495	103,838	84,985	117,619
CCE	32,579	29,981	109,541	43,101	103,932
Inventories	26,061	19,287	24,798	17,998	27,819
Others	134,758	149,950	149,950	149,950	149,950
Total current assets	621,593	565,989	814,677	620,058	880,647
Total Assets	1,459,184	1,223,880	1,514,446	1,297,676	1,557,435
LIABILITIES					
Trade payables	136,214	75,208	255,428	65,542	278,089
ST borrowings	128,302	106,500	78,900	78,900	78,900
Others	5,313	16,944	16,944	16,944	16,944
Total current liabilities	269,829	198,652	351,272	161,386	373,933
LT borrowings	185,004	238,796	238,796	238,796	238,796
Others	104,770	98,042	131,829	96,937	134,419
Total non-current liabilities	289,774	336,838	370,625	335,733	373,215
Total liabilities	559,603	535,490	721,897	497,119	747,148
Net assets	899,581	688,390	792,549	800,556	810,287
Represented by:					
Share Capital	674,396	514,736	623,336	623,336	623,336
Retained profits	96,057	51,158	45,739	52,768	61,521
Others	129,128	122,496	123,474	124,452	125,430
Total equity	899,581	688,390	792,549	800,556	810,287

Valuation Ratios

Y/E Dec	FY18	FY19	FY20e	FY21e	FY22e
P/NAV (x)	0.71	1.18	0.84	0.84	0.83
P/E (x)	12	nm	nm	nm	48
EV/EBITDA (x)	14	129	38	26	24
Growth & Margins (%)					
Growth					
Revenue		-8.6%	18.9%	4.7%	7.3%
Gross profit		42.9%	-7.1%	16.7%	7.6%
EBITDA		-87.4%	225.9%	54.4%	3.8%
EBIT		nm	nm	134.2%	10.7%
Margins					
Gross profit margin	31.8%	49.8%	38.9%	43.3%	43.5%
EBITDA margin	67.9%	9.4%	25.7%	37.8%	36.6%
EBIT margin	58.2%	-5.6%	11.6%	25.9%	26.7%
Key Ratios					
ROE	4.9%	-5.4%	-0.6%	1.5%	1.7%
ROA	3.0%	-3.0%	-0.3%	0.9%	0.9%
Gearing (%)	38.4%	43.8%	47.7%	38.3%	48.0%



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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