

YOMA STRATEGIC HOLDINGS LTD.

Topline positive amidst COVID-19



SINGAPORE | REAL ESTATE | 3Q20 UPDATE

21 August 2020

- Overall revenue saw 3.2% growth YoY underpinned by 21.4% and 33.3% growth in Yoma Land and Yoma Motors respectively, offset by -30.9% YoY performance by Yoma F&B.
- Yoma Land's revenue is well supported by a backlog of unrecognized revenue, while Yoma Motors' growth is attributable to pent up demand in the Heavy Equipment segment.
- Maintain BUY with an unchanged target price of \$0.46.

BUY (Maintained)

LAST CLOSE PRICE	SGD 0.290
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.460
TOTAL RETURN	58.6%

COMPANY DATA

BLOOMBERG CODE:	YOMA SP
O/S SHARES (MN):	2,237
MARKET CAP (USD mn / SGD mn):	482 / 660
52 - WK HI/LO (SGD):	0.42 / 0.16
3M Average Daily T/O (mn):	13.55

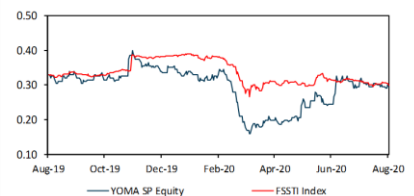
MAJOR SHAREHOLDERS (%)

SERGE PUN	28.2%
AYALA CORPORATION	14.9%
STANDARD LIFE ABERDEEN PLC	7.8%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	1.7	20.0	(9.1)
STI RETURN	(1.7)	1.0	(15.0)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept (US\$'000)	FY19	FY20e	FY21e	FY22e
Gross Rev	91,015	103,475	108,171	115,869
Gross Profit	45,289	40,029	46,743	50,154
EBITDA	8,519	28,258	43,134	44,669
NPAT	(37,154)	(4,396)	11,417	14,246
P/NAV (x)	1.18	0.82	0.81	0.80
P/E (x)	nm	nm	nm	45
ROE (%)	(5.40)	(0.55)	1.43	1.76

Source: Company, PSR

VALUATION METHOD

SOTP (20% conglomerate discount)

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Results at a glance

(US\$'mn)	3M-Jun19	3M-Jun20	YoY
Yoma Land	5.6	6.8	21.4%
Real estate development	3.3	4.8	45.5%
Real estate services	2.3	2.0	-13.0%
Yoma F&B	6.8	4.7	-30.9%
Yoma Financial Services	1.8	1.9	5.6%
Yoma Motors	4.2	5.6	33.3%
Investment and Corporate	0.2	0.2	-
Group Revenue	18.6	19.2	3.2%

The Positives

+ Yoma Land's revenue is well supported by backlog of unrecognized revenue. Although sales were minimal this quarter (8 units of CityLoft and 1 unit of Peninsula Residence) amidst cautiousness in big-ticket expenditure and delays in paperwork, Real Estate Development registered a 45.5% YoY revenue increase. It is largely attributable to the revenue recognized from the completion of City Loft. Unrecognized revenue now amounted to US\$17mn as at 3Q20 vis-à-vis more than US\$20mn in 2Q20. Real Estate Services revenue was lower YoY due to lower occupancy levels and rental rates at Pun Hlaing Estate and StarCity. However, the lower rental rates and the amenities and services offered amidst COVID-19 had driven a partial recovery in occupancy levels in recent months.

+ Yoma Motors registered revenue growth of 33.3% largely attributable to the Heavy Equipment segment; Passenger and Commercial Vehicles (PCV) segment held up. Despite the COVID-19 impact from border closures and falling crop prices, more tractors and implements were sold due to pent up demand after many quarters of weaknesses arising from the exceptionally heavy monsoon last year. New Holland sold 124 tractors in the quarter compared to 61 tractors in 3M-Jun2019. Higher PCV revenue was driven by the sale of 16 Volkswagen vehicles and 22 Ducati motorbikes. Mitsubishi and Hino also saw significant improvements with 184 Mitsubishi vehicles (65 vehicles in 3M-Jun19) and 26 Hino trucks (9 trucks in 3M-Jun19) being sold. Mitsubishi sales were boosted by the popular Xpander model and there remains c.US\$7.5mn backlog of unfilled orders.

+ Revenue from Yoma Financial Services increased by 5.6% YoY underpinned by an enlarged finance lease portfolio in Yoma Fleet; Wave Money remains EBITDA positive despite weaker transaction numbers. Vehicle numbers for Yoma Fleet grew by 11.1% year-on-year to 1,290 vehicles and third-party assets under management stood at US\$45.6 million as of 30 June 2020. As finance leases carry higher gross profit margins, we are expecting a larger flow-through from Yoma Fleet to the bottom line in 2H20. Due to the Thingyan holidays amidst the Myanmar New Year in April and COVID-19 measures, Wave Money's OTC business was largely affected, which resulted in a decline in revenue and transaction numbers of 16.5% and 25.3% respectively from the previous quarter. However, its e-wallet business continued to record double digit growth rate month-on-month as more people opt for cashless transactions and is on track to reach its 1.3 million MAUs target by December 2020. EBITDA for Wave Money remained positive due to economies of scale and cost control.

The Negatives

- **Yoma F&B revenue was down 31% YoY due to COVID-19 measures.** 3Q20 revenue declined 31% YoY due to government-imposed lock downs, curfews and prohibitions on dine-in between April to mid-May and temporary store closures in severely affected trade zones. The month of April was most affected as revenue fell 50% YoY. During the initial stages of COVID-19 there was a large shift towards delivery, which mitigated some of the shortfall in dine-in revenue. Delivery accounted for 40% of the total sales in April at the peak, which normalised to 15%-20% as restrictions eased and some of these customers return to restaurants. June recorded a smaller decline of c.25% YoY since the Myanmar government allowed restaurants to resume operations conditional upon adherence to certain guidelines at the end of May.

Outlook

Pre-COVID, CityLoft has been recording a healthy booking rate at >50 units per month. Amidst COVID-19, interest in the property remained high as the team continued to engage customers through virtual show flats. However, CityLoft's booking rate slowed significantly from April to May. As the economy started to reopen at the end of May, buying interest noted a recovery. Booking rate was nearing half of pre-COVID levels by July.

According to World Bank's June report, the agriculture sector had been resilient and is expected to grow by 0.7% for the year. This is mostly due to an increase in production of crops, such as rice, and beans and pulses. Meanwhile, the Myanmar government and NGOs are also supporting the agricultural industry by providing lower-interest loans for buying inputs and giving greater flexibility on loan repayments. These initiatives will spur demand for tractors which is beneficial for Yoma Motors.

During this period, Wave Money will continue to work with various organisations such as Myanmar Agricultural development to disburse loans for farmers and Social Security Board to disburse medical and COVID-19 quarantine relief through the adoption of Wave Pay. We are expecting the growth of the e-wallet business to be fast-tracked by these schemes to make up for fewer transactions in the OTC business.

Yoma F&B witnessed improved performance MoM as business starts to recover in the coming quarter. Sales for July was nearing-pre-COVID level with same store sales growth recorded in certain days. The accelerated adoption of delivery services positioned Yoma F&B better to capture sales thwarted due to dine-in prohibitions. Yoma's target of opening 2-3 KFCs by the end of 2020 remains unchanged.

Maintain BUY with an unchanged TP of S\$0.460. Our target price translates to a total upside of 58.6%. Property and financial services will constitute 68% and 19% of the valuation respectively. A conglomerate discount of 20% has been applied (Fig.1).

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

Figure 1: 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	103,475	108,171	115,869
Cost of sales	(67,940)	(45,726)	(63,446)	(61,428)	(65,715)
Gross Profit	31,691	45,289	40,029	46,743	50,154
Finance expenses	(11,896)	(29,605)	(17,342)	(17,342)	(17,342)
Administrative expenses	(53,945)	(50,255)	(60,054)	(58,144)	(62,201)
Other items	80,287	(140)	33,057	41,020	44,707
Total Return Before Tax	46,137	(34,711)	(4,310)	12,277	15,318
Taxation	(2,042)	(2,443)	(86)	(859)	(1,072)
Total Return After Tax	44,095	(37,154)	(4,396)	11,417	14,246
EBIT	58,033	(5,106)	13,032	29,619	32,660
EBITDA	67,649	8,519	28,258	43,134	44,669

Per unit data

Y/E Sept	FY18	FY19	FY20e	FY21e	FY22e
NAVPS (US\$)	0.38	0.27	0.36	0.36	0.36
EPU (US\$ cents)	2.33	(1.96)	(0.20)	0.51	0.64

Cash Flow

Y/E Sept, (\$'000)	FY18	FY19	FY20e	FY21e	FY22e
CFO					
Net income	45,111	(37,154)	(4,396)	11,417	14,246
Adjustments	(73,193)	62,289	33,169	27,522	26,122
WC changes	28,255	(41,007)	62,157	(112,436)	67,262
Cash generated from ops	173	(15,872)	90,930	(73,497)	107,629
Others	(1,551)	(833)	(86)	(859)	(1,072)
Cashflow from ops	(1,378)	(16,705)	90,844	(74,356)	106,557
CFI					
Additions to development propertie	(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	107,546	(91,754)	89,159
Cash at the start of the period	63,603	10,776	15,835	123,381	31,627
Currency translation	(1,825)	(27)	-	-	-
Others	17,734	14,146	14,146	14,146	14,146
Ending cash	32,579	29,981	137,527	45,773	134,933

*nm - not meaningful

Source: Company, Phillip Securities Research (Singapore) Estimates

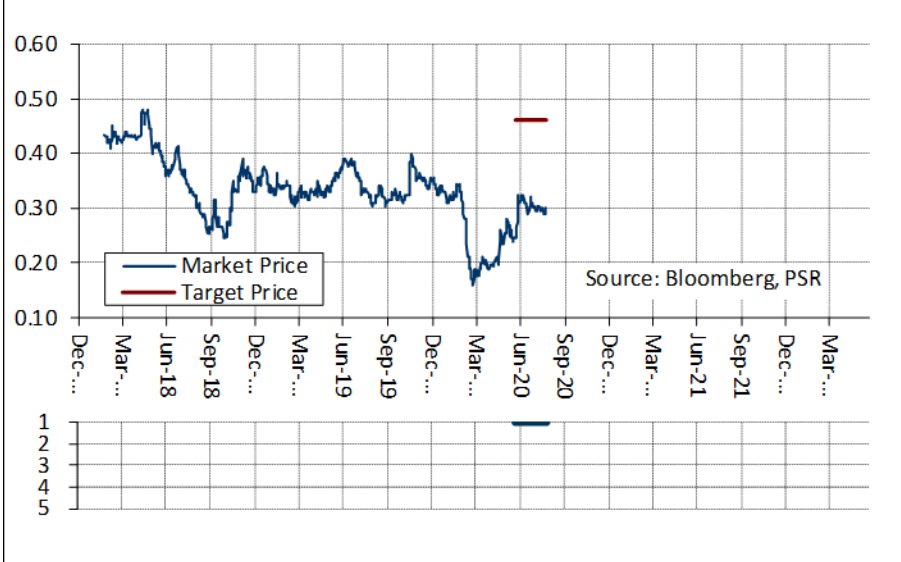
Balance Sheet

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	180,208	171,907	180,585
Total non-current assets	837,591	657,891	698,315	677,495	675,159
Development properties	330,028	290,276	395,247	321,387	446,246
Trade receivables	98,167	76,495	95,963	84,322	108,793
CCE	32,579	29,981	137,527	45,773	134,933
Inventories	26,061	19,287	23,010	17,942	25,868
Others	134,758	149,950	149,950	149,950	149,950
Total current assets	621,593	565,989	801,697	619,374	865,791
Total Assets	1,459,184	1,223,880	1,500,013	1,296,869	1,540,950
LIABILITIES					
Trade payables	136,214	75,208	242,023	65,120	263,456
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	337,867	160,964	359,300
LT borrowings	185,004	238,796	238,796	238,796	238,796
Others	104,770	98,042	130,297	96,889	132,746
Total non-current liabilities	289,774	336,838	369,093	335,685	371,542
Total liabilities	559,603	535,490	706,960	496,649	730,842
Net assets	899,581	688,390	793,053	800,220	810,108
Represented by:					
Share Capital	674,396	514,736	623,336	623,336	623,336
Retained profits	96,057	51,158	46,243	52,432	61,342
Others	129,128	122,496	123,474	124,452	125,430
Total equity	899,581	688,390	793,053	800,220	810,108

Valuation Ratios

Y/E Sept	FY18	FY19	FY20e	FY21e	FY22e
P/NAV (x)	0.71	1.18	0.82	0.81	0.80
P/E (x)	12	nm	nm	nm	45
EV/EBITDA (x)	14	129	36	26	23
Growth & Margins (%)					
Growth					
Revenue		-8.6%	13.7%	4.5%	7.1%
Gross profit		42.9%	-11.6%	16.8%	7.3%
EBITDA		-87.4%	231.7%	52.6%	3.6%
EBIT		nm	nm	127.3%	10.3%
Margins					
Gross profit margin	31.8%	49.8%	38.7%	43.2%	43.3%
EBITDA margin	67.9%	9.4%	27.3%	39.9%	38.6%
EBIT margin	58.2%	-5.6%	12.6%	27.4%	28.2%
Key Ratios					
ROE	4.9%	-5.4%	-0.6%	1.4%	1.8%
ROA	3.0%	-3.0%	-0.3%	0.9%	0.9%
Gearing (%)	38.4%	43.8%	47.1%	38.3%	47.4%

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

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