

YOMA STRATEGIC HOLDINGS LTD.

Collateral damage

SINGAPORE | REAL ESTATE | UPDATE

- 2Q21 to be washed out by political instability and Covid-19. Spillover into 3Q21 likely.
- Myanmar's political regression and ongoing violence to thwart Yoma's growth prospects.
- Downgrade to NEUTRAL from BUY with a revised TP of S\$0.156, down from S\$0.34. We change from SOTP to 0.45x P/B valuation, slightly above its average historical low in 2007-2010. This reflects the stock's negative outlook over the next one year amid violence, strikes and business disruptions.

2Q21 likely to be washed out by political instability and Covid-19

Since the coup on 1 February, peaceful protests have swiftly escalated into violent protests. The military has opened fire on demonstrators and conducted overnight raids to arrest residents. As of date, more than 50 people have been killed, which is more deadly than the Saffron Revolution in 2007. The 2007 protests were triggered by a decision of the military government to remove price subsidies for fuel. The number of casualties in that crisis was estimated at 13-31.

The situation is also not yet as bad as 1988 when over 3,000 people were killed across Burma, as Myanmar was then known. Before the crisis, Burma had been ruled by the repressive and isolated regime of General Ne Win since 1962. The 8888 uprising was triggered by the announcement of withdrawal of newly-replaced currency notes, which wiped out citizens' savings instantly.

Over the past month, state telecommunication services have been disabled intermittently. All major construction work has ceased. On 8 March 2021, Myanmar's biggest trade unions began widespread strikes in their latest attempt to force the country's generals to step down. At least 18 labour organisations representing industries such as construction, agriculture and manufacturing called on workers to stop work to restore Aung San Suu Kyi's elected government to power. The impact has been felt at every level of the national infrastructure, with hospitals, ministry offices and banks all unable to operate. Major shopping centres have also been closed and factories are not operating.

Apart from US sanctions against the top military brass, Britain has frozen the assets of a few military generals and imposed travel bans on them. Canada is imposing sanctions against nine military officials. The EU will press ahead with sanctions this month and withhold some development aid. Political instability is expected to damage investment sentiment and hurt economic growth in the country.

We are anticipating major business disruptions to affect at least a quarter of Yoma's FY21 revenue. There could be fewer Wave Money transactions as consumers conserve cash. F&B and Motors sales are also likely to be lacklustre. Given the pause in construction work, Yoma may not be able to recognise revenue from the completion of its property-development projects in the next 3-6 months. Yoma Land has US\$45mn worth of revenue yet to be recognised from City Loft @ Star City, The Peninsula Residences and Star Villas.



10 March 2021

NEUTRAL (Downgraded)

LAST CLOSE PRICE	SGD 0.157
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.156
TOTAL RETURN	-0.6%

COMPANY DATA

BLOOMBERG CODE:	YOMA SP
O/S SHARES (MN):	2,237
MARKET CAP (USD mn / SGD mn):	259 / 349
52 - WK HI/LO (SGD):	0.34 / 0.15
3M Average Daily T/O (mn):	9.66

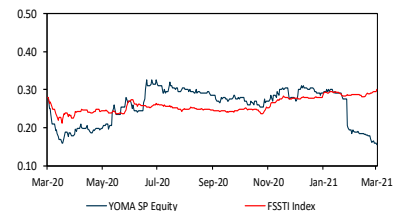
MAJOR SHAREHOLDERS (%)

SERGE PUN	28.1%
AYALA CORPORATION	14.9%
STANDARD LIFE ABERDEEN PLC	6.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(17.5)	(42.9)	(42.9)
STI RETURN	3.7	6.3	4.0

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Sept (US\$'000)	FY19	FY20	FY21e	FY22e
Gross Rev	91,015	103,358	81,864	108,336
Gross Profit	45,289	33,058	35,999	52,787
EBITDA	8,519	(23,021)	564	14,459
NPAT	(37,154)	(65,738)	(39,761)	(25,588)
P/NAV (x)	1.08	0.59	0.61	0.64
P/E (x)	nm	nm	nm	nm
ROE (%)	(5.30)	(8.28)	(4.99)	(3.34)

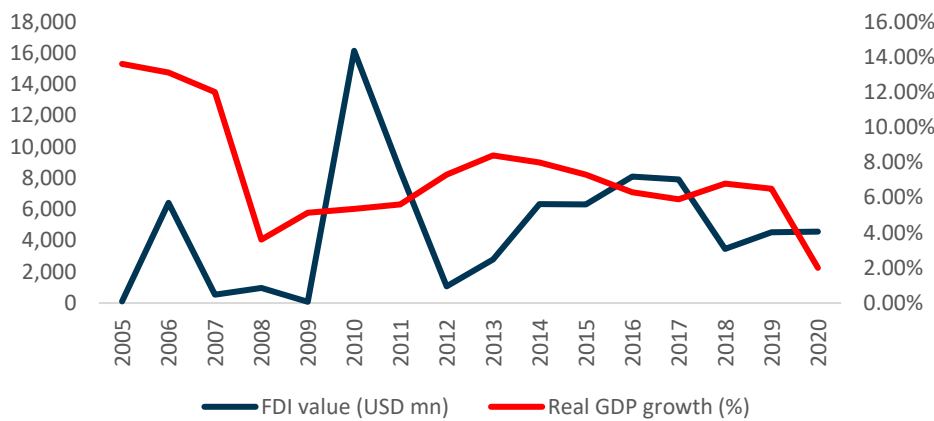
Source: Company, PSR

VALUATION METHOD

0.45x P/B (prev. SOTP, 20% conglomerate discount)

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Figure 1: Slowdown in FDIs to affect Myanmar's GDP growth



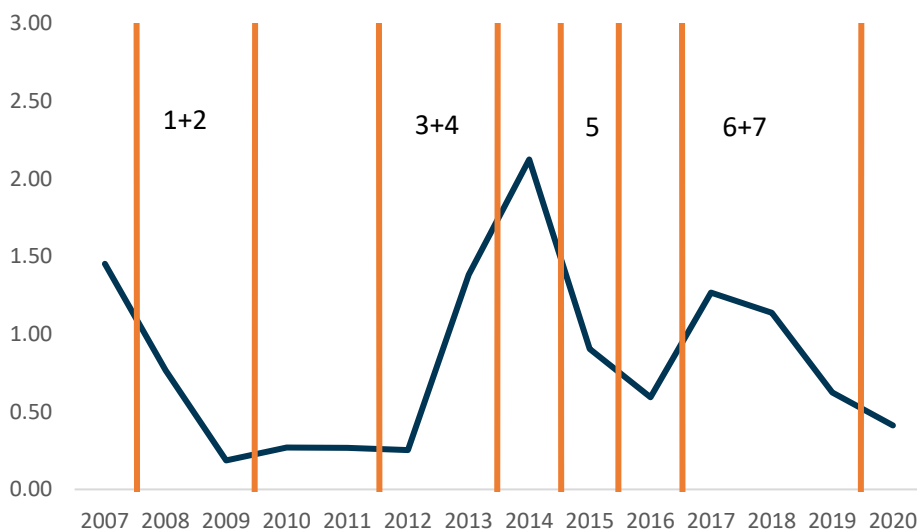
Source: CEIC, Trading Economics

Downgrade to Neutral with a revised TP of S\$0.156, from S\$0.340. We change our valuation from SOTP to P/B, using its average historical price tanks during major conflicts, political upheavals and natural disasters. Before the 2010 general election, Myanmar was under military rule. Given that the current state of emergency in Myanmar is expected to last a year and violent protests are not likely to cease in the near term, we believe a P/B discount of the similar magnitude as in 2007-2010 is warranted. Excluding 2007 when Yoma traded at its low of 1.45x P/B, its historical 2007-2010 had averaged lows of 0.41x P/B.

Our 0.45x P/B TP is slightly above its 2007-2010 low of 0.41x, given that Yoma is now a bigger conglomerate with more resilient businesses such as Financial Services. Our FY21e book value is US\$0.257. We believe Ayala will proceed with its second tranche US\$46mn investment in Yoma. At US\$/S\$ rates of 1.35, our valuation translates to a TP of S\$0.156.

Re-rating catalysts could come from significant improvements in the political situation, a sanctions uplift and a return to normalcy.

Figure 2: Yoma's lowest P/B since listing in 2006 was 0.19x



Source: PSR, Company

Major conflicts, political events and natural disasters in Myanmar since Yoma's listing in 2006:

- 1: Saffron Revolution
 - August 2007 – November 2007, September 2008 – October 2008
 - Cause: military government removed price subsidies for fuel. Diesel and petrol prices jumped by 66-100%. The price of natural gas skyrocketed 500% in less than a week
 - Casualties: 13-31
2. Cyclone Nargis 2008
 - April 2008 – May 2008
 - Casualties: 84,537
3. 2012 Rakhine State riots
 - June 2012, October 2012
 - Casualties: 350 (June), 400 (October)
 - Cause: triggered by gang rape and murder of a Rakhine woman by Rohingya Muslims.
4. 2013 Myanmar anti-Muslim riots
 - March 2013 – October 2013
 - Cause: tensions between Buddhist and Muslim ethnic groups
 - Casualties: over 50
5. 2015 elections
 - November 2015
 - NLD won by a landslide and Aung San Suu Kyi assumed power as state counsellor
6. Rohingya genocide
 - October 2016 – January 2017, August 2017 – present
 - Cause: attacks on border police posts by Arakan Rohingya Salvation Army, historic mistreatment of Rohingya by the government, tensions between Buddhist and Muslim communities
 - Casualties: 10,000. 700,000 refugees fled abroad
7. Annual earthquakes, landslides and flash floods

Financials

Income Statement

Y/E Sept, (US\$'000)	FY18	FY19	FY20	FY21e	FY22e
Revenue	99,631	91,015	103,358	81,864	108,336
Cost of sales	(67,940)	(45,726)	(70,300)	(45,866)	(55,549)
Gross Profit	31,691	45,289	33,058	35,999	52,787
Finance expenses	(11,896)	(29,605)	(21,599)	(21,599)	(21,599)
Administrative expenses	(53,945)	(50,255)	(55,124)	(57,880)	(60,774)
Other items	80,287	(140)	(18,901)	4,500	4,500
Profit/(loss) before tax	46,137	(34,711)	(62,566)	(38,981)	(25,086)
Taxation	(2,042)	(2,443)	(3,172)	(780)	(502)
Profit/(loss) after tax	44,095	(37,154)	(65,738)	(39,761)	(25,588)
EBIT	58,033	(5,106)	(40,967)	(17,382)	(3,487)
EBITDA	67,649	8,519	(23,021)	564	14,459

Per unit data

Y/E Sept	FY18	FY19	FY20	FY21e	FY22e
NAVPS (US\$)	0.27	0.29	0.27	0.26	0.24
EPS (US\$ cents)	2.33	(1.96)	(2.61)	(1.70)	(1.09)
DPS (US\$ cents)	0.25	-	-	-	-

Cash Flow Statement

Y/E Sept, (US\$'000)	FY18	FY19	FY20	FY21e	FY22e
CFO					
Net income	45,111	(37,154)	(65,738)	(39,761)	(25,588)
Adjustments	(73,193)	62,289	73,527	33,173	32,895
WC changes	28,255	(41,007)	40,071	16,523	(41,093)
Cash generated from ops	173	(15,872)	47,860	9,935	(33,786)
Others	(1,551)	(833)	1,046	(780)	(502)
Cashflow from ops	(1,378)	(16,705)	48,906	9,156	(34,288)
CFI					
Additions to development properties	(137,224)	(74,684)	(64,153)	-	-
Additions to IP	(56,510)	(610)	(4,726)	-	-
Additions to PPE	(23,252)	(20,836)	(26,385)	-	-
Others	(44,396)	(39,031)	(44,040)	-	-
Cashflow from investments	(261,382)	(135,161)	(139,304)	-	-
CFF					
Proceeds from issuance of units	82,150	-	108,573	46,000	-
Proceeds from borrowings, net	105,256	123,338	(6,529)	-	-
Interest paid	(12,511)	(21,768)	(19,605)	(18,302)	(18,302)
Others	40,932	55,382	26,456	-	-
Cashflow from financing	215,827	156,952	108,895	27,698	(18,302)
Net change in cash	(46,933)	5,086	18,497	36,854	(52,590)
Cash at the start of the period	63,603	10,776	15,835	35,414	72,268
Currency translation	(1,825)	(27)	1,082	-	-
Others	17,734	14,042	10,944	11,004	11,004
Ending cash	32,579	29,877	46,358	83,272	30,682

*nm - not meaningful

Source: Company, Phillip Securities Research (Singapore) Estimates

Balance Sheet

Y/E Sept, (US\$'000)	FY18	FY19	FY20	FY21e	FY22e
ASSETS					
Investment properties	366,637	310,359	273,379	273,379	273,379
Land development rights (NC)	210,144	150,530	149,789	149,789	149,789
PPE	71,563	65,066	182,434	165,486	148,538
Others	189,247	151,172	152,362	146,094	159,363
Total non-current assets	837,591	677,127	757,964	734,748	731,069
Development properties	330,028	276,944	299,465	382,736	339,505
Trade receivables	98,167	85,776	114,313	49,415	86,005
CCE	32,579	29,877	46,418	83,272	30,682
Inventories	26,061	18,401	24,594	20,004	34,010
Others	134,758	113,753	100,861	100,861	100,861
Total current assets	621,593	524,751	585,651	636,288	591,063
Total Assets	1,459,184	1,201,878	1,343,615	1,371,036	1,322,132
LIABILITIES					
Trade payables	136,214	76,129	86,502	96,960	88,204
ST borrowings	128,302	116,156	77,201	77,201	77,201
Others	5,313	4,143	10,469	10,469	10,469
Total current liabilities	269,829	196,428	174,172	184,630	175,874
LT borrowings	185,004	218,493	274,612	274,612	274,612
Others	104,770	85,368	100,897	115,475	104,770
Total non-current liabilities	289,774	303,861	375,509	390,087	379,382
Total liabilities	559,603	500,289	549,681	574,718	555,256
Net assets	899,581	701,589	793,934	796,319	766,876
Represented by:					
Share Capital	674,396	513,716	624,890	670,890	670,890
Retained profits	96,057	90,313	(9,919)	(54,179)	(84,267)
Others	129,128	97,560	178,963	179,608	180,253
Total equity	899,581	701,589	793,934	796,319	766,876

Valuation Ratios

Y/E Sept	FY18	FY19	FY20	FY21e	FY22e
P/NAV (x)	1.17	1.08	0.59	0.61	0.64
P/E (x)	14	nm	nm	nm	nm
EV/EBITDA (x)	16	123	-37	1472	61

Growth & Margins

	FY18	FY19	FY20	FY21e	FY22e
Growth					
Revenue	-29.1%	-8.6%	13.6%	-20.8%	32.3%
Gross profit	-46.0%	42.9%	-27.0%	8.9%	46.6%
EBITDA	-3.4%	-87.4%	nm	nm	2463.5%
EBIT	-1.2%	nm	nm	nm	nm
Margins					
Gross profit margin	31.8%	49.8%	32.0%	44.0%	48.7%
EBITDA margin	67.9%	9.4%	-22.3%	0.7%	13.3%
EBIT margin	58.2%	-5.6%	-39.6%	-21.2%	-3.2%
Key Ratios					
ROE	4.9%	-5.3%	-8.3%	-5.0%	-3.3%
ROA	3.0%	-3.1%	-4.9%	-2.9%	-1.9%
Gearing	38.4%	41.6%	40.9%	41.9%	42.0%



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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