SLB Development

Date: 1 June 2018

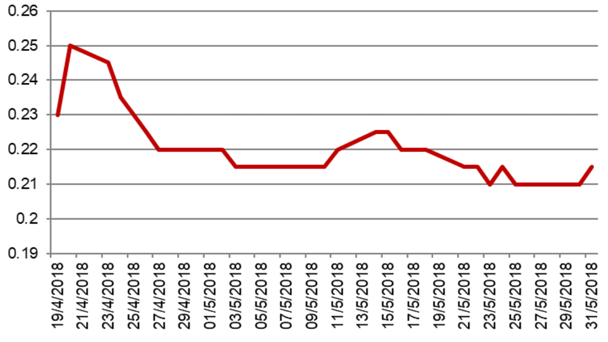
BUY

(Initiating coverage)

Target Price: S$0.28 (+28%)

SLB SP

Price: S$0.215 (as at 31 May 2018)



Share price	1M	3M	6M	1Y
SLB Development	-2.27	-6.52	-	-
Catalist Index	-3.16	-9.31	-11.41	-14.66

Market capitalisation	S$196.3million
Current Price	S$0.215
Shares outstanding	913 million
Free Float	16%
Major shareholder	Lian Beng Group Ltd (73.93%)
Recommendation of other brokers	N/A

Source: Company data, Bloomberg, SAC Advisors

Analyst

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Ripe to ride on the sector recovery

Well positioned for the improving property market. We believe Singapore's residential property market has bottomed given the low inventory levels and strong demand, which has in recent quarters led to improving property prices. Not only will SLB Development ("**SLB or the Company**") be able to ride on the improving property market, we see SLB as better positioned than its peers as the Company and its partners had acquired land and buildings relatively early in the property cycle. With assets purchased at cheaper prices, we expect lower development cost and higher margins for SLB, especially when home prices are improving.

Low-risk business model. SLB's projects are mostly developed with partners to manage investment risk. Apart from risk management, this business model also allows SLB and its partners to tap on each other's expertise in order to develop better projects. In terms of asset composition, by gross development value ("**GDV**"), SLB is most heavily focused on residential projects in Singapore. It nonetheless also has exposure to local industrial and retail developments as well as the China market via its Gaobeidian mixed-use development project.

More growth from China and undeveloped landbank. SLB has an effective equity interest of not more than 10% in the Sino-Singapore Health City project in Gaobeidian, Hebei, China. Due to Gaobeidian's proximity to Beijing, other main cities and the newly proposed special economic zone, Xiong'an New Area, we see strong demand for the properties in Gaobeidian. In the shorter term, the Group has large undeveloped landbank in Singapore to support the Company's earnings for the next 2-3 years. Having said that, the Company is actively looking for landbank to keep earnings flowing. Just recently, it exercised option to purchase "Pei-Fu Industrial Building".

Valuation. We value SLB at S$0.28 per share. We think that SLB deserves a premium to the sector average valuation given its large landbank, first mover advantage from acquiring assets early as well as its exposure to China. In fact, its local partners are mostly trading at a premium to the sector average.

Key Historical Financials

FYE May (S$ m)	FY2015A	FY2016A	FY2017A	FY2018F	FY2019F	FY2020F
Revenue	-	-	87.6	-	238.7	-
% Growth	-	-	-	-	-	-
Gross Profit	-	-	14.9	-	40.6	0.0
Gross Profit margin (%)	-	-	17.0%	-	17.0%	-
Profit before tax	29.3	68.9	19.6	5.0	37.4	30.8
Profit after tax	29.9	69.4	15.8	3.5	16.7	30.8
% Growth	-	132.41%	-77.17%	-78.10%	382.17%	83.80%
Profit after tax margin (%)	-	-	18.1%	-	7.0%	-
Basic EPS (S$ cents)	3.27	7.60	1.74	0.38	1.83	3.37
Diluted EPS (S$ cents)	3.27	7.60	1.74	0.38	1.83	3.37
P/E (x)	6.73	2.89	12.67	57.88	12.00	6.53
Net Debt/Equity (%)	157.8%	57.3%	129.8%	17.2%	Net cash	Net cash

Company Background

The history of SLB can be traced back to Lian Beng Group ("**LBG**"), the controlling shareholder of SLB which was established in Singapore in 1973 as a sub-contractor for small scale civil engineering and building projects. LBG has now grown into one of Singapore's major home-grown main contractors with integrated civil engineering and construction support service capabilities and was listed on the Main Board of SGX-ST on 15 April 1999. Over the years, LBG has established a strong track record in large scale building construction and civil engineering projects in the public and private sector, and diversified into property development, investment holding and dormitory businesses.

Leveraging on its construction business, LBG diversified into property development in Singapore in 2000 through the acquisition of 3 properties located at Derbyshire Road, Kew Drive and Balestier Road respectively. Since then, LBG has completed approximately 17 property development projects in Singapore which include residential, mixed-use, industrial and commercial projects in Singapore.

After LBG's restructuring, the property development business of LBG is now parked under SLB where the Company will continue to develop and sell residential, mixed-use, industrial and commercial development properties mainly in Singapore. SLB is one of the property developers in Singapore with experience in different types of development property projects such as small to large scale residential developments, mixed-use developments, industrial and commercial developments. Apart from Singapore, SLB has also expanded its business to China in 2014 through a joint-venture to invest in Gaobeidian project.

Residential development - LBG (including the Group before restructuring) had undertaken condominium developments ranging from small to large scale developments.

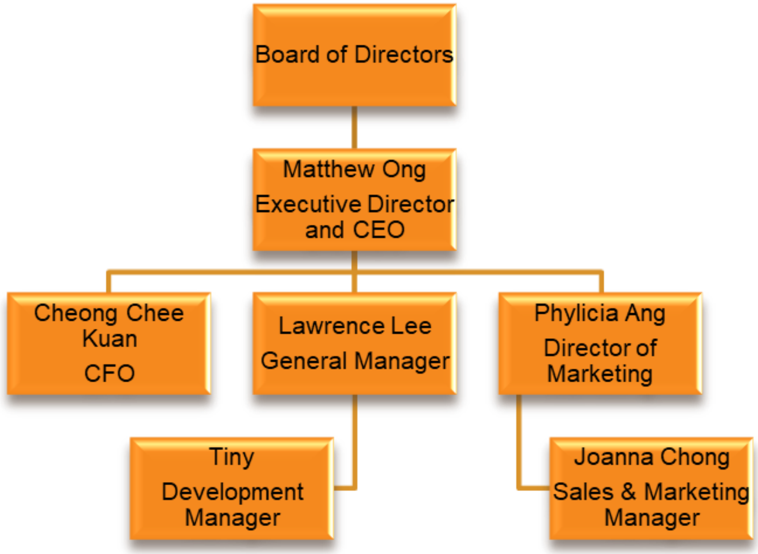
Mixed-use development – The Group's mixed-used property development projects tend to range between mid to high rise and mostly consist of retail and residential units. The Midtown & Midtown Residences is one of the projects developed by the Group and is a 12-storey mixed-use development comprising 107 commercial units and 160 residential units. Another property development project, KAP & KAP Residences is a 7-storey mixed-use development comprising 107 commercial units and 142 residential units.

Industrial development – The Group's industrial projects tend to range from small to large scale projects which exceed 700,000 square feet of gross floor area. One on-going industrial project is T-Space @ Tampines which is a 9-storey strata industrial development.

Commercial development – As for commercial projects, they are mostly a mix of retail and office units. The Group's Hexacube commercial development project is a 5-storey development with retail and office units.

Land sites and buildings are usually acquired through tenders and private treaties (including by way of en-bloc) via joint ventures ("**JVs**").

Management and Board of Directors

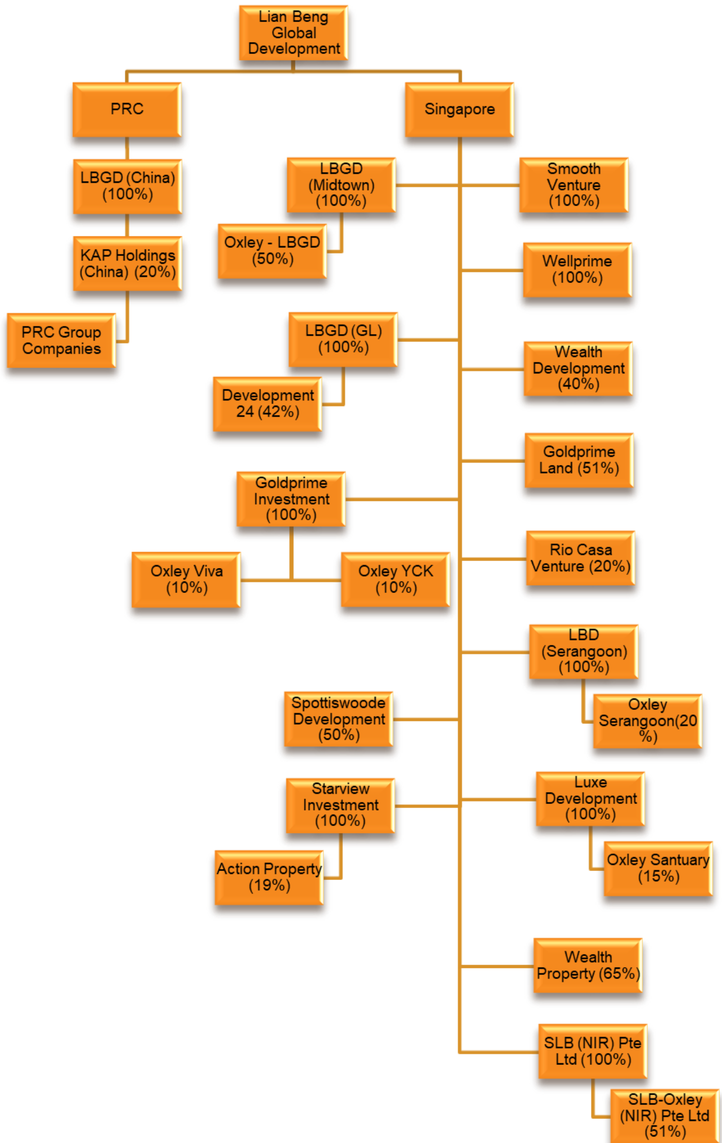


Source: Company data

SLB is helmed by Matthew Ong

Matthew Ong who is appointed as the Executive Director and CEO of SLB, first started out in the construction arm of LBG in 2006 and has accumulated more than 10 years of experience in the property and construction industry. Prior to his appointment as CEO, Matthew was the Director of Lian Beng's property division ("**LBP**"), where he headed LBP's business, overseeing the strategic planning, overall management and business of the property development business.

Group Structure



Source: Company data

Key Investment merits

Established track record. Having been in the industry for 17 years, SLB has a strong track record in selling their properties. As shown in the table below, the properties were typically almost fully sold before the projects were completed. To date, LBG has successfully completed approximately 17 property development projects, of which 8 were undertaken by the Group. SLB has won awards for Spottiswoode Suites (The Best Luxury Condo Architectural Design) and T-Space @ Tampines (The Best Industrial Development) in the PropertyGuru Asia Property Awards Singapore 2017. These are testaments to its strong deliverables. Since the recently spun-off SLB's management will remain intact, we believe its success story will be replicated by the new listed entity. This will also be supported by the likely recovery in the property market where demand and prices are expected to be robust given the low inventory levels and strong pent-up demand.

Past projects

Project names	Type of development	Equity Stake	Date of completion	% sold FY2015	% sold FY2016	% sold FY2017
Spottiswoode suites	Residential	50%	Sep-2017	78.0%	78.0%	82.0%
NEWest	Mixed-use development (residential and commercial units)	10%	Oct-2017	91.0%	100.0%	-
KAP & KAP Residences	Mixed-use development (residential and commercial units)	15%	May-2017	99.0%	99.2%	99.2%
Floravista, Floraview and Floraville	Mixed-use development (residential and commercial units)	10%	Aug-2017	36.0%	56.6%	84.5%
Eco-Tech @ Sunview	Industrial	19%	Oct-2015	97.0%	100.0%	-
The Midtown and The Midtown Residences	Mixed-use development (residential and commercial units)	50%	Mar-2017	97.0%	99.6%	99.6%
Hexacube	Retail & Office	40%	Aug-2017	56.0%	60.0%	61.6%
Mandai FoodLink	Industrial	65%	Nov-2017	98.0%	98.9%	100.0%

Source: LBG's annual reports

Experienced and dedicated management team. SLB is led by Matthew Ong, Executive Director and CEO, who has more than 10 years of experience in the property and construction industry. He is supported by a team of executive officers, each whom possesses several years of experience in their respective fields. SLB's management team is small, consisting of only 6 members. This facilitates efficient and quick communication and reduces the time required to make decisions. This also allows SLB to act before its competitors, giving the Company first-mover advantage, which is crucial when attempting to secure land sites or buildings. SLB has in fact managed to acquire most of its land earlier than its competitors, resulting in lower land cost which should translate into higher margins.

Joint-venture business model lowers investment risk. SLB's projects are undertaken mostly via joint-ventures ("**JVs**") with other developers. This helps to reduce investment risk and enables both parties to leverage on each other's expertise in order to develop better projects. Partnerships will also help to (i) enhance SLB's access to industry information on development sites which are available for sale, private tenders or auction, thereby allowing the Company to capitalize on suitable market opportunities faster than its competitors if possible and (ii) increase the success rate of land sites bidding. We believe SLB's partnership business model is a win-win strategy for all parties to ensure that projects achieve high quality standards, which will in turn help to attract demand while spreading risk across the various partners. We believe that going forward, SLB may continue to engage in strategic partnerships and JVs and remain open to undertaking more wholly-owned projects where suitable.

Diversified into different asset classes and geographies. While the bulk of SLB's portfolio is in residential developments, it also has exposure to local industrial and retail developments as well as the property market in China through the Sino-Singapore Health City project in Gaobeidian. Having exposure in different asset classes and countries also help to manage SLB's exposure to the fluctuations in demand and/or changes in regulations for each type of development. Although retail and industrial properties in Singapore are facing pressure from an oversupply, we believe the residential segment which SLB has the biggest exposure to is bottoming out. Hence, net impact to the Company should be positive. We also believe that SLB has assessed the risk and reward before entering into industrial and commercial projects.

Strong support and expertise from controlling shareholder, LBG.
As part of LBG whose principal activities include construction, SLB's key management team is familiar with construction costs and processes of property development projects. Hence, it is able to better manage and control the construction costs of property development projects and leverage on the existing features of the land site or building in redevelopment, thereby adding value. For instance, its Hexacube project was developed through partial demolition of the original building on the land site by retaining the basement and first floors. The Company also undertook retro-fitting works and created a new façade to refresh the exterior of the development project. This helped SLB to save time and cost resulting in efficiency.

Ventured into China through Gaobeidian project. SLB, together with its Singaporean partners, invested in the Gaobeidian Project to develop a mixed-use property development project in Gaobeidian, Hebei Province which comprises residential developments, commercial spaces, a China Mountain Climbing Training Centre & Outdoor Sports Center Township and a Green Health Food Safety Testing Centre Township. Gaobeidian is strategically located along the Jinggang'ao Expressway which connects Gaobeidian to Beijing and other main cities in China.

Ample landbank to last the Company for the next 3 years. The bulk of SLB's projects are still at the planning stage and are expected to be launched in 2H of 2018 (FY2019). As construction of a property takes 2-3 years, SLB should see earnings flowing in gradually in the next 2-3 years. We understand that the margins of these projects are decent given the low land and building acquisition cost. Additionally, there is potential to increase GDV as the sector may have bottomed.

Actively replenishing landbank. Despite that SLB's landbank could last the Company for the next 3 years, it is their plan to keep looking for development sites to generate continuous earnings stream. In fact, shortly after its IPO, the Company announced that it exercised an option to purchase "Pei-Fu Industrial Building" at 24 New Industrial Road for a total sum of S$76.25m (51% stake). We expect more acquisitions to be announced in the near future.

Sale of launched projects progressing well. In the near term, the Company's launched projects such as Hexacube, Floravista, Floraview & Floraville and T-Space @ Tampines industrial project should help to support earnings. Floravista, Floraview and Floraville are substantially sold while Hexacube and T-Space @ Tampines are more than 60% sold.

Projects under the Group

Completed projects

Development Name	Location	Description	Effective interest held by SLB (%)	Approximate land area (sq m)
Hexacube	160 Changi Road	Commercial with retail and office units	40	1,594
Mandai Foodlink	5 Mandai Link	Industrial	65	6,891
Spottiswoode Suites	16 Spottiswoode Park Road	Residential	50	3,615
The Midtown & Midtown Residences	1187 and 1189 Upper Serangoon Road	Mixed-use development (residential and commercial units)	50	5,300
NEWest	1 and 3 West Coast Drive	Mixed-use development (residential and commercial units)	10	15,292
Floravista, Floraview and Floraville	1,3,5,7 Ang Mo Kio Street 66 and 2 Cactus Road	Mixed-use development (residential and commercial units)	10	8,241
KAP & KAP Residences	9 and 11 King Albert Park	Mixed-use development (residential and commercial units)	15	5,535
Eco-tech @ Sunview	1 Sunview Road	Industrial	19	28,173

Source: Company data

Ongoing projects

Development Name	Location	Description	Effective interest held by SLB (%)	Approximate land area (sq m)	Proposed/Expected GFA (sq m)	Status
T-Space @ Tampines	1 Tampines North Drive 1	Industrial	51	27,395	68,474	Ongoing
Khong Guan Industrial Building	20 Mactaggart Road	Industrial	100	1,962	5,279	Launched
-	50 Lorong 21 Geylang	Industrial	100	837	2,093	Planning stage
Serangoon Ville	128-134 Serangoon North Avenue 1	Residential	20	27,584	84,958	Planning stage
Rio Casa	344-350 Hougang Avenue 7	Residential	20	36,811	113,378	Planning stage
Sino-Singapore Health City	Gaobeidian, Hebei, PRC	Mixed-use development (residential and commercial units)	Not more than 10%	216,902	Determined upon receipt of the relevant approvals from the authorities	Planning stage
-	31 to 51 Lorong 24 Geylang	Residential	42	2,433	7,493	Planning stage
Pei-Fu Industrial Building	24 New Industrial Road	Industrial	51	5,792	-	In the process of acquisition

Source: Company data

Future plans

Acquire new development sites. While its current landbank could last the Company until 2021, it is essential to replenish land banks with suitable land parcels for future developments to ensure continuous inflow of earnings. SLB's plan is to continue sourcing for development sites that are located at vibrant and accessible areas with suitable amenities.

Launch and commence construction of ongoing projects. SLB aims to get approvals for these projects as soon as possible so that it can launch the projects and commence construction.

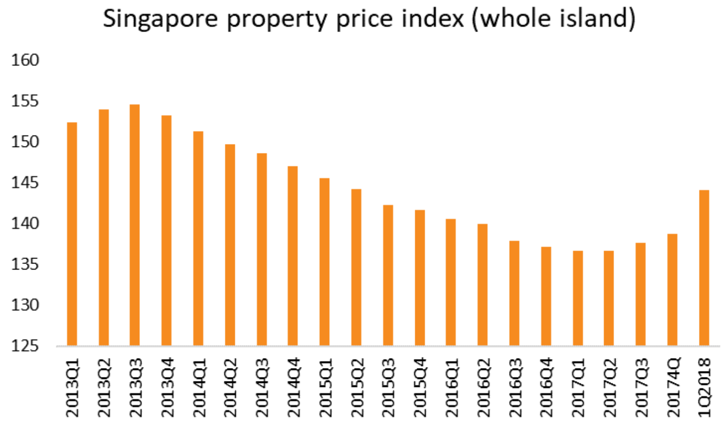
Venture beyond Singapore and China. Leveraging on its past experience and expertise in property development in Singapore, China and exploration into UK, Australia and Vietnam's markets through its controlling shareholder - LBG, SLB intends to expand further into overseas markets including the Asia-Pacific region, Western Europe and North America. Diversification into overseas markets will help to grow earnings and reduce dependency risk on Singapore's property market. To reduce investment risk, the Company intends to tap on its existing relationships with its JV partners and networks in these regions to expand its presence in the overseas markets.

Sector outlook

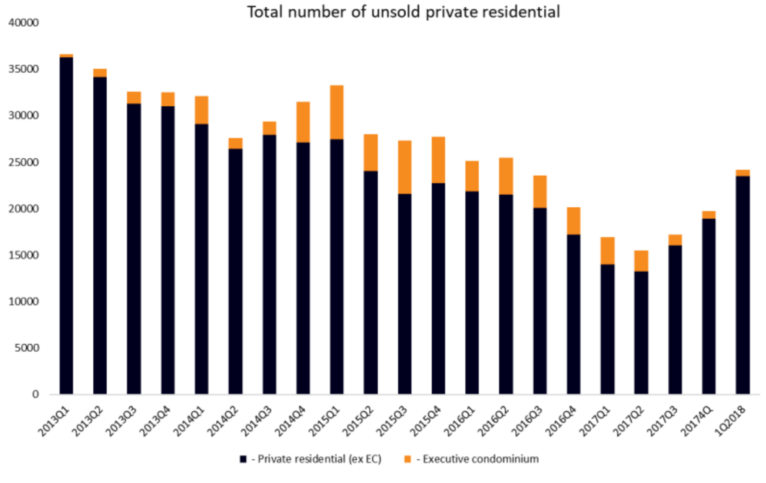
Singapore

Low inventory should support residential property prices. Based on the real estate statistics for the 1Q2018 released by the Urban Redevelopment Board ("URA"), prices for private residential properties (excluding executive condominium, EC) increased sharply qoq by 3.9% in 1Q2018 as compared to 0.7%-0.8% improvement in 2H2017. Prices of landed properties also rose by 1.9% in 1Q2018, compared with an increase of 0.5% in the previous quarter.

The turnaround of property prices coupled with the low unsold inventory level which has dropped to a historical low of below 20,000 units in 1Q2017, signals that Singapore property may have bottomed and we should see strong demand ahead.



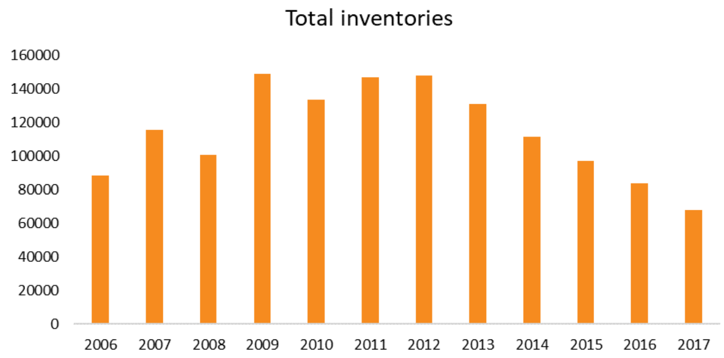
Source: URA

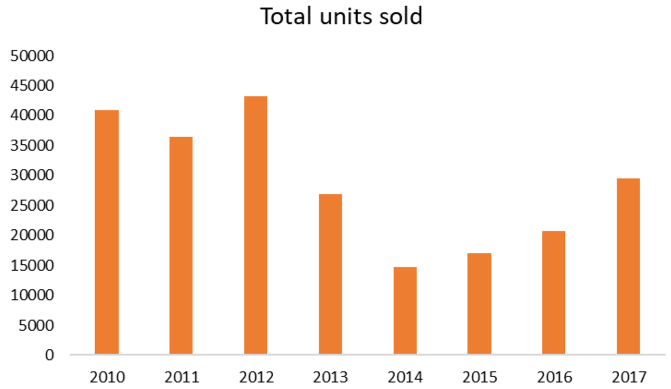


Source: URA

No concern on oversupply. En-bloc sales of existing sites have been very active in the past 1-2 years. Hence, there will be an increase in supply going forward. Specifically, in addition to the 24,193 unsold units with planning approval, there is a potential supply of about 20,100 units (including executive condominiums) from Government Land Sales (GLS) sites and awarded en-bloc sale sites that have not been granted planning approvals yet.

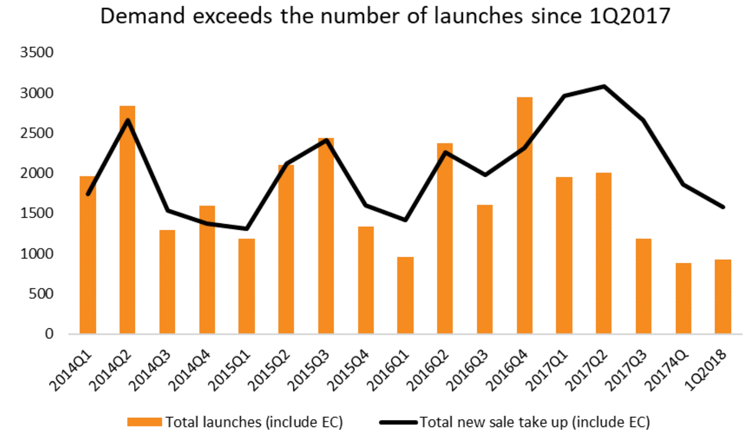
However, we believe the risk of oversupply is low in the near term given the (i) low inventory in the market which has been declining since 2012 and reached 66,000 units in 2017 versus the historical high of about 150,000 units in 2009 (ii) strong take up due to pent-up demand – annual number of sold units declined from an average of over 40,000 in 2010-2012 to slightly below 20,000 units in 2Q2017 before recovering to 29,000 units in end 2017 and (iii) the timing mismatch between demand from displaced en-bloc sellers and completion of the projects. We take comfort that based on URA statistics as of 1Q2018, >80% of the units planned for completion by 2019 have been sold.





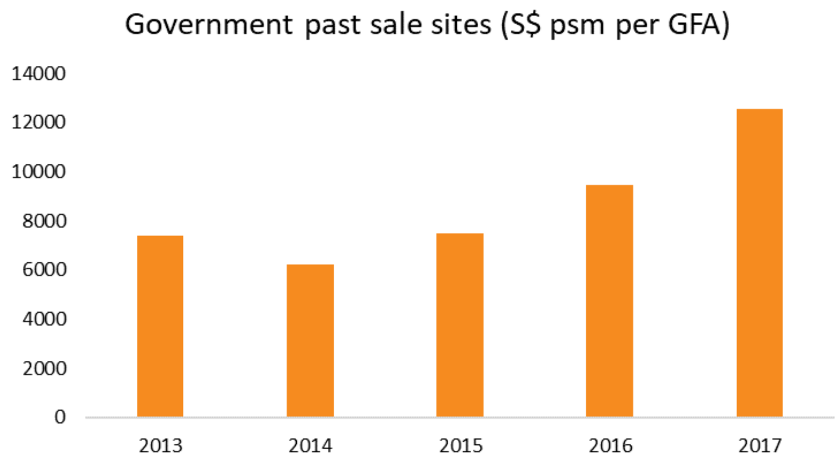
Source: URA

Strong demand to keep residential inventory level at bay. New home sales have been strong. With prices starting to recover, home buyers who have been staying at the sideline would start to scout for properties to ride on the price uptrend. Furthermore, the property owners that have sold their properties via enbloc sales would have to purchase another property.



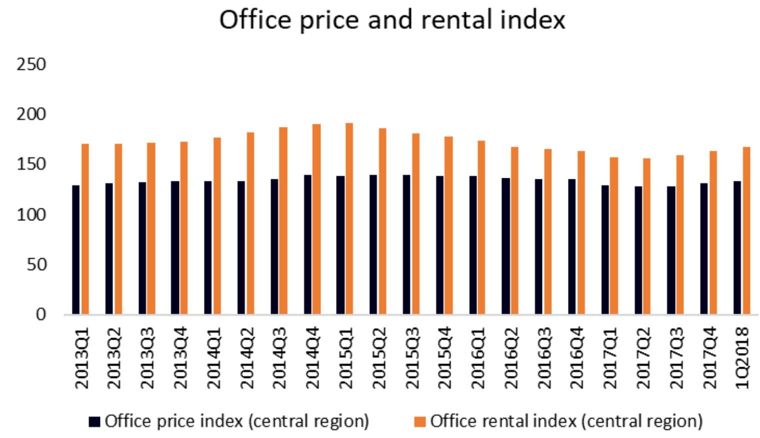
Source: URA

Residential land prices continue to increase. Given the strong demand, low inventory level and improving property prices, land prices continue to increase although at a slower pace. Nonetheless, this would not hurt the property developers' margins substantially as long as the property prices increase in tandem with the land prices. We understand that SLB purchased their land and buildings relatively early as compared to its peers. This indicates lower cost and should contribute positively to the Company's margin.



Source: URA

Office and retail segments show signs of improvement. The outlook for both office and retail segments are also improving. While vacancy rates are still high, they are stabilizing. Prices of office space continued to rise for the third consecutive quarters by 1.3% in 1Q2018 versus 2.7% increase in 4Q2017 while prices for retail space increased for the first time (+0.1% qoq) in 1Q2018 after posting 4 consecutive quarters of price decline. SLB currently has one office project which is already 67.1% sold (as at Dec 2017).



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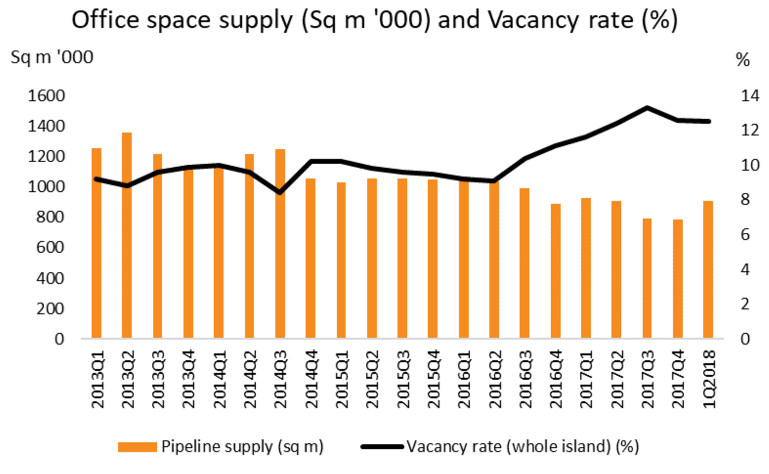

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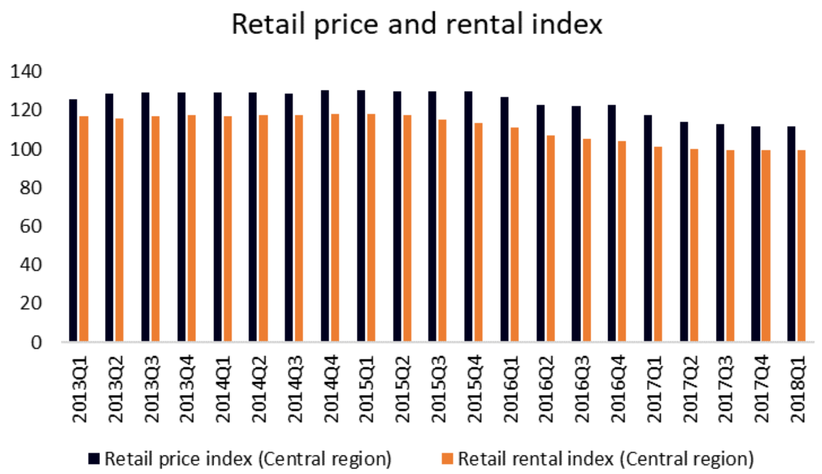
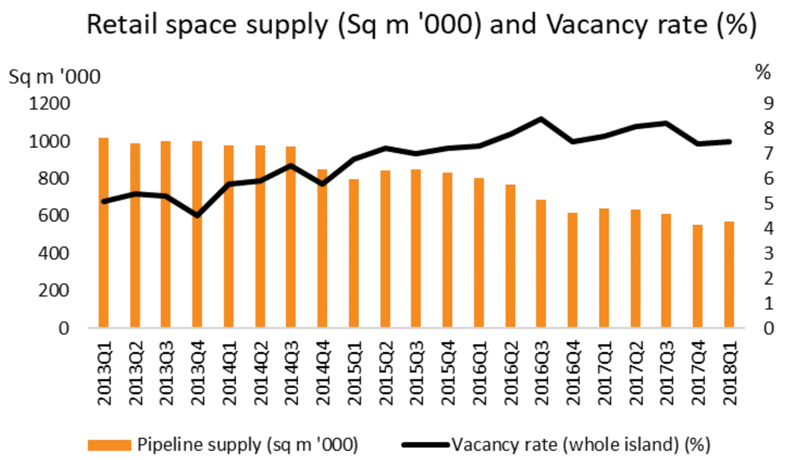


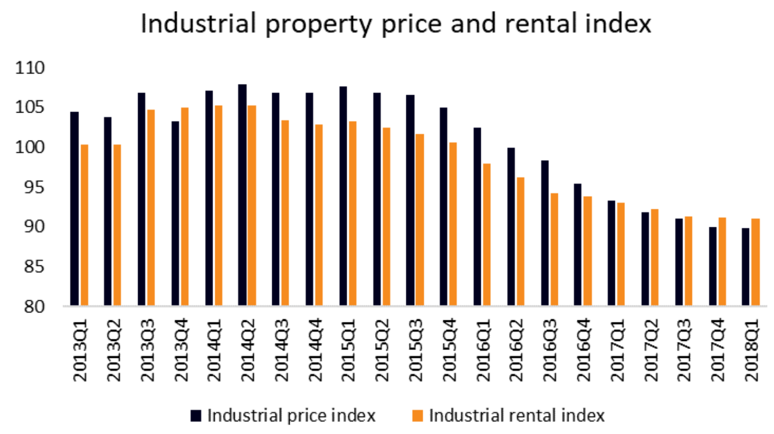
Source: URA



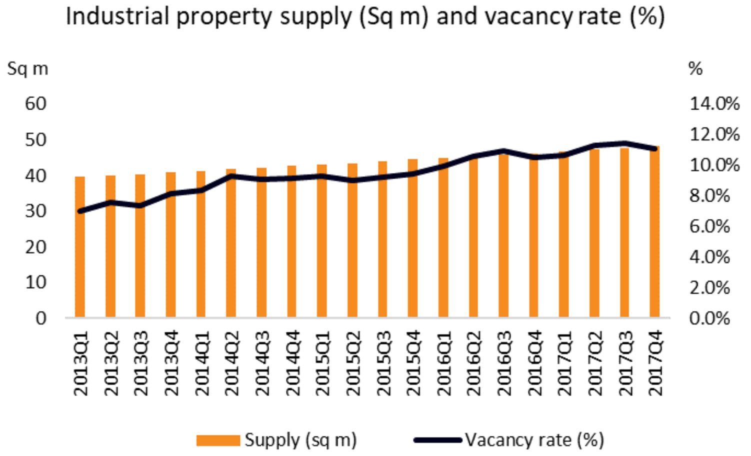
Source: URA

Industrial segment shows sign of stabilization. Although prices and rental continued to decline in 1Q2018, they were declining at a slower quantum due to stabilizing vacancy rate (flattish qoq in 1Q2018) and lower supply (-0.1% qoq in 1Q2018). In 2018, it is estimated that there will be another 1.4m sqm of industrial space coming on-stream. This is lower than the average annual supply of industrial space of 1.7m sqm in the past 3 years which should provide support to prices and rentals.

Currently, SLB has an on-going industrial project, T-Space @ Tampines which is already 68.9% sold (as at 15 Mar 2018). The group also has 3 other industrial projects in the pipeline. SLB is one of the developers in Singapore with experience in industrial property developments and the Company believes that it could develop suitable industrial property based on the market demand. Furthermore, industrial projects generally involve lower capital cost.



Source: JTC



Source: JTC

China

Resilient property market in China. Despite the cooling measures imposed by the PRC government to rein in residential market, average home prices in mainland China rose by 5% yoy in Jan 2018. The increase in residential prices despite the cooling measures imposed by the PRC government is encouraging in light of the upcoming launch of the Company's Gaobeidian project which is in proximity with the recently proposed special economic zone, dubbed the Xiong'an New Area.

Investment risk

SLB is affected by the performance of property industry in the countries in which SLB carries out its property development business. The demand for SLB's projects in the countries affects the overall performance of the Company. The demand for properties in these countries typically follows a cyclical pattern and is generally affected by local and global economic conditions, local market sentiment and expectations, government regulations, competition from other property developers, and the extent of supply of properties for sale and availability of financing. So far, signs are generally pointing to improvement in the Singapore property sector. As for China, demand for properties have been resilient.

Exposed to foreign currency risks. Due to SLB's exposure to China, the Company is exposed to the fluctuation and/or control policies of RMB and as well as other currencies should the Company ventures into other countries. The fluctuations of RMB against S$ may affect the performance of the Company negatively. To lessen the risk of currency fluctuations, the Company employs forward contracts if the need arises. Having said that, it does not have a formal policy for hedging against foreign exchange exposure for now.

SLB may not be able to obtain all necessary licenses for development projects. Although SLB has been able to obtain the necessary approvals for the completed projects, there is no guaranty that the Company will be able to obtain licenses for its ongoing projects for which applications are currently under review.

The Company may not be able to source for new sites or complete a project. Although the Company's current landbank is sufficient to last the company until 2021, SLB is required to continue to source for new landbanks or development sites for future profit, failing of which will affect the Company's performance severely.

SLB is subject to risks associated with debt financing. Property development is a capital-intensive business and SLB finances a substantial portion of its property development projects through bank loans and credit facilities. SLB recognizes this risk and hence has been partnering with other property developers in developing projects.

Risks associated with joint ventures. While the formation of JVs with third parties would help to reduce risk, it also poses business risk such as the inability of JV partners to fulfill the obligations under the JV agreements and exposure to unknown liabilities incurred by the JV partners. Any disagreement and/or disputes with the JV partners may also cause a delay in the progress of the property development projects.

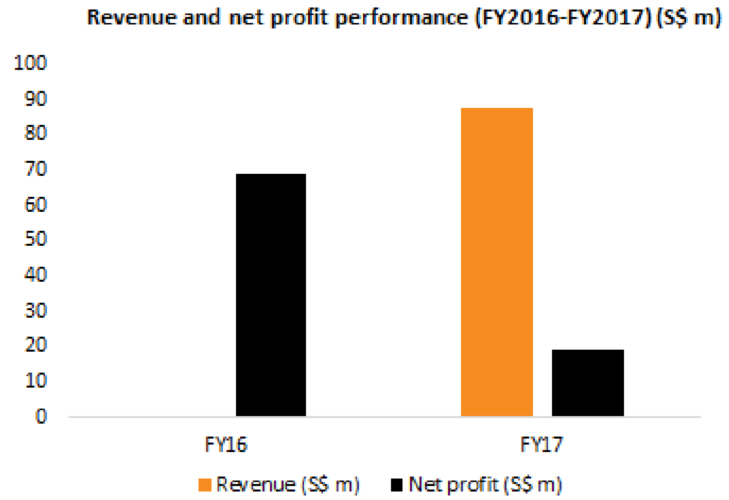
Financials

Financial performance in FY2016-FY2017

SLB recognizes revenue of its residential projects based on percentage of completion method and industrial projects based on completed method. Thus, in FY2016, there was no revenue recognized as SLB did not have any residential projects under its subsidiaries and had no industrial project under its subsidiaries which was completed and handed over to purchasers. As for FY2017, revenue was contributed by its industrial Mandai Foodlink project which obtained TOP and which was handed over to purchasers in April 2017.

Despite the absence of revenue in FY2016, SLB recognized profit after tax of S$68.9m mainly due to the contribution from its (i) 50%-owned JV project, “The Midtown & Midtown Residences” and (ii) 10%-owned “NEWest” which were 99.6% and 100% sold in FY2016 respectively, as well as (iii) 19%-owned Eco-Tec @ Sunview, the industrial development project which reached TOP.

As for FY2017, in spite of the recognition of revenue, net profit declined year-on-year mainly due to (i) decline in JV and associates profit recognition from the completed residential projects “The Midtown & Midtown Residences”; (ii) the absence of profit recognition from “Eco-Tech @ Sunview” as well as; (iii) increase in sales and marketing expenses due to higher sales commission expenses incurred for T-Space @ Tampines.



Properties which contributed to the historical performance

Project names	Type of development	Equity Stake	% sold		
			FY2015	FY2016	FY2017
Spottiswoode suites	Residential	50%	78.0%	78.0%	82.0%
NEWest	Mixed-use development (residential and commercial units)	10%	91.0%	100.0%	-
KAP & KAP Residences	Mixed-use development (residential and commercial units)	15%	99.0%	99.2%	99.2%
Floravista, Floraview and Floraville	Mixed-use development (residential and commercial units)	10%	36.0%	56.6%	84.5%
Eco-Tech @ Sunview	Industrial	19%	97.0%	100.0%	-
The Midtown and The Midtown Residences	Mixed-use development (residential and commercial units)	50%	97.0%	99.6%	99.6%
Hexacube	Retail & Office	40%	56.0%	60.0%	61.6%
Mandai FoodLink	Industrial	65%	98.0%	98.9%	100.0%

Source: Company data, LBG's annual reports

Going forward. We expect SLB to post a small net profit of S$3.5m in FY2018 due to a fair value gain from the reclassification of Khong Guan industrial project from an investment property to a development property. In FY2019, it should recognize a jump in profit to S$16.7m mainly due to revenue recognition from the T-Space industrial project which should be obtaining its TOP in FY2019. In FY2020, we are forecasting the company to report an even stronger net profit of S$30.8m as the company book more sales from Lorong 24 Geylang, Hexacube, Rio Casa and Serangoon Ville.

Projects in the pipeline

		Based on SLB's shareholding interets		FY18F		FY19F		FY20F	
Description	Type of development	Equity Stake (%)	Remainig GDV to be recognized(S$ m)	% sold	% of completion	% sold	% of completion	% sold	% of completion
Khong Guan Industrial Building	Industrial	100	71.2	0.0%	0.0%	75.0%	50.0%	100.0%	90.0%
50 Lorong 21 Geylang	Industrial	100	24.7	0.0%	0.0%	65.0%	30.0%	100.0%	85.0%
T Space @ Tampines	Industrial	51	121.7	70.5%	70.0%	100.0%	100.0%	-	-
Lorong 24 Geylang	Residential	42	43.6	0.0%	0.0%	85.0%	50.0%	100.0%	100.0%
Hexacube	Retail & office	40	19.1	70.0%	100.0%	90.0%	100.0%	100.0%	100.0%
Rio Casa	Residential	20	304.2	0.0%	0.0%	60.0%	30.0%	85.0%	50.0%
Serangoon Ville	Residential	20	254.3	0.0%	0.0%	60.0%	20.0%	85.0%	50.0%
Floravista, Floraview and Floraville	Mixed-use development	10	152.1	90.0%	100.0%	100.0%	100.0%	-	-
24 New Industrial Road*	Industrial	51	51.0			0.0%	25.0%	75.0%	50.0%

**GDV is based on SAC's estimates*

Source: Company data, SAC

Valuation

We value SLB at S$0.28 per share. We believe SLB deserves a premium versus sector average of 0.8x P/BV given its large landbank and potentially stronger margin as the Company started purchasing landbank earlier than its peers which lowers their land acquisition cost. This indicates that the Company should garner higher margin as compared to its peers, especially when property prices are improving. In fact, LB's business partners, namely Oxley Holdings Limited and Tee International Limited are trading at a premium to the sector which we believe is due to their large landbank, first mover advantage from acquiring assets early as well as their exposure to Gaobeidian, China.

RNAV breakdown	
Property development surplus (S$ m)	133.0
Forecasted NAV - as at end-FY18 (S$ m)	132.0
RNAV (S$ m)	265.0
Shares outstanding (m)	913.0
RNAV per share (S$)	**0.29**
RNAV discount (%)	5%
Discounted RNAV per share (S$)	**0.28**

Peer comparison

Name	Tkr & Exch	Mkt Cap (S$'M)	Last Px (SGD)	Revenue: Latest FY (S$'M)	Gross Profit: Latest FY (S$'M)	GM: Latest FY	EBITDA: Latest FY (S$'M)	NI / Profit: Latest FY (S$'M)	PM: Latest FY	EV/EBITDA : Trailing 12M (X)	Price/EBITDA: Latest Year (X)	P/E: Latest FY (X)	P/E: Trailing 12M (X)	P/B: Latest FY (X)	Dividend Yield: Trailing 12M	Debt Ratio: Latest FY
HONGKONG LAND HOLDINGS LTD	HKL SP	23,005.2	9.8	2,705.9	1,417.0	52.37	7,720.10	7,711.68	285.00	3.4	3.0	3.0	3.1	0.45	2.75	9.71
CAPITALAND LTD	CAPL SP	14,631.7	3.5	4,609.8	1,838.1	39.87	2,234.25	1,550.75	33.64	19.5	6.7	9.7	10.0	0.82	3.44	35.31
CITY DEVELOPMENTS LTD	CIT SP	10,329.7	11.4	3,821.3	1,677.6	43.90	1,017.46	538.22	14.08	15.1	11.2	21.6	19.9	1.23	1.58	25.75
UOL GROUP LTD	UOL SP	6,959.0	8.3	2,073.4	670.3	32.33	518.96	891.01	42.97	24.0	14.0	8.2	7.6	0.79	2.12	19.60
UNITED INDUSTRIAL CORP LTD	UIC SP	4,641.2	3.2	1,292.2	441.4	34.16	368.70	301.46	23.33	16.1	12.8	15.7	15.3	0.73	0.93	6.43
YANLORD LAND GROUP LTD	YLLG SP	3,245.0	1.7	5,242.3	2,462.6	46.98	2286.62	657.67	12.55	3.6	1.4	4.7	5.1	0.67	4.05	31.20
GUOCOLAND LTD	GUOL SP	2,508.6	2.1	1,113.2	252.7	22.70	386.53	357.19	32.09	14.9	5.4	5.9	4.9	0.59	3.30	48.51
WHEELOCK PROPERTIES (S) LTD	WP SP	2,141.8	1.8	520.4	114.3	22.0	93.1	115.2	22.1	11.9	24.4	19.7	15.7	0.73	3.4	0.0
OXLEY HOLDINGS LTD	OHL SP	1,819.8	0.5	1,343.0	386.2	28.8	341.0	218.1	16.2	27.0	5.0	7.8	9.2	1.62	2.8	53.4
HO BEE LAND LTD	HOBEE SP	1,631.0	2.5	164.7	-	-	194.3	249.3	151.4	15.3	8.4	6.6	6.7	0.52	4.1	29.3
WING TAI HOLDINGS LTD	WINGT SP	1,595.4	2.1	263.1	136.7	52.0	-18.7	20.1	7.6	233.3	-	76.8	17.0	0.47	2.9	20.1
BUKIT SEMBAWANG ESTATES LTD	BS SP	1,584.5	6.1	98.1	69.3	70.6	62.9	55.3	56.4	22.8	25.1	28.6	28.7	1.27	5.4	0.0
PERENNIAL REAL ESTATE HOLDIN	PREH SP	1,429.2	0.9	74.5	48.4	65.0	167.0	100.3	134.6	46.0	8.7	14.5	21.4	0.52	1.2	35.4
GSH CORP LTD	GSH SP	959.9	0.5	110.3	51.0	46.3	105.4	87.5	79.3	11.0	9.3	11.2	10.7	2.33	4.6	37.4
STRAITS TRADING CO LTD	STRTR SP	840.7	2.1	473.6	50.3	10.6	17.8	48.1	10.2	86.2	53.7	19.8	23.4	0.65	2.9	31.6
FIRST SPONSOR GROUP LTD	FSG SP	817.5	1.3	336.6	105.2	31.3	56.3	88.3	26.2	12.6	14.8	9.4	9.0	0.77	1.7	29.0
ROXY-PACIFIC HLDGS LTD	ROXY SP	661.0	0.5	246.8	59.5	24.1	45.6	29.4	11.9	32.4	14.0	21.7	21.6	1.27	1.8	57.5
FAR EAST ORCHARD LTD	FEOR SP	607.9	1.4	151.2	51.8	34.2	27.2	21.6	14.3	23.3	23.4	29.4	25.7	0.51	4.2	10.6
CHIP ENG SENG CORP LTD	CHIP SP	577.5	0.9	859.7	152.5	17.7	103.9	35.5	4.1	16.8	5.8	17.0	16.3	0.78	4.3	56.2
TUAN SING HOLDINGS LTD	TSH SP	498.5	0.4	357.9	65.0	18.2	40.4	62.7	17.5	34.1	13.2	8.5	7.6	0.54	1.4	55.3
SINGHAIYI GROUP LTD	SHG SP	417.6	0.1	458.8	60.1	13.1	47.0	32.3	7.0	6.1	6.0	8.8	9.0	0.63	3.0	14.4
HIAP HOE LTD	HIAP SP	411.5	0.9	249.1	-	-	77.9	80.5	32.3	10.1	5.3	5.1	5.7	0.52	1.7	37.5
KSH HOLDINGS LTD	KSHH SP	364.6	0.6	199.3	47.4	23.8	27.9	41.0	20.6	16.8	9.0	6.1	10.8	0.78	4.7	12.9
LIAN BENG GROUP LTD	LBG SP	309.8	0.6	281.6	74.8	26.6	57.0	53.2	18.9	15.7	5.2	5.6	6.3	0.51	3.6	42.0
ASPEN GROUP HOLDINGS LTD	ASPEN SP	216.8	0.2	145.5	58.0	39.9	44.1	27.4	18.9	3.8	3.4	5.5	6.0	1.84	-	15.4
HWA HONG CORP LTD	HWAH SP	199.2	0.3	12.5	8.0	64.2	7.6	7.4	59.2	24.4	27.3	28.3	40.7	1.06	3.6	20.3
HEETON HOLDINGS LTD	HTON SP	180.5	0.6	57.1	26.2	45.9	31.9	71.0	124.3	11.7	5.8	2.6	2.4	0.45	2.9	35.4
SING HOLDINGS LIMITED	SING SP	174.4	0.4	41.2	16.3	39.5	6.5	3.3	8.0	37.3	27.4	54.0	31.4	0.70	2.3	52.1
GOODLAND GROUP LTD	GOOD SP	86.6	0.2	69.8	9.5	13.5	5.5	17.7	25.3	138.0	15.4	4.8	5.0	0.45	5.0	28.4
TEE LAND LTD	TEEL SP	78.2	0.2	94.7	23.3	24.6	12.1	-1.0	-1.1	487.7	7.4	-	-	0.57	-	46.0
POLLUX PROPERTIES LTD	POLUX SP	69.0	0.0	15.3	3.8	25.0	60.4	51.8	338.3	-	0.6	0.7	1.2	0.38	-	48.3
FIGTREE HOLDINGS LTD	FIGT SP	49.3	0.1	17.6	11.7	66.7	8.0	5.6	31.7	8.6	7.3	10.5	20.9	1.13	4.3	3.7
OKH GLOBAL LTD	OKH SP	40.6	0.0	134.5	13.1	9.7	-64.4	-70.3	-52.3	-	-	-	-	0.58	-	51.6
Average		**2,517.7**		**837.4**	**335.6**	**35.0**	**487.6**	**407.9**	**49.3**	**17.9**	**11.2**	**11.8**	**13.5**	**0.81**	**3.1**	**30.3**

Note:

excluded from statistical computation

Source: Bloomberg

Income Statement

	Fiscal Year Ended				
FYE May (S$ m)	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Revenue	**-**	**87.6**	**-**	**238.7**	**-**
Cost of goods sold	-	(72.7)	-	(198.1)	-
Gross Profit	**-**	**14.9**	**-**	**40.6**	**-**
Other income	0.0	0.2	0.3	0.1	0.2
Administrative expenses	(0.1)	(0.3)	(2.0)	(2.4)	(2.5)
Sales and marketing expenses	(1.0)	(1.9)	(2.6)	(5.3)	(3.0)
Other operating expenses	(0.0)	(0.5)	(0.4)	(0.5)	(0.5)
Depreciation and amortization	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Finance costs	(1.7)	(0.8)	(1.6)	(1.0)	(0.6)
Interest income	1.3	0.7	2.8	3.3	5.2
JV/associate income	70.4	8.2	1.5	2.6	32.0
Exceptional item	0.0	(0.9)	7.0	0.0	0.0
Profit before tax	**68.9**	**19.6**	**5.0**	**37.4**	**30.8**
Income tax	(0.0)	(0.4)	(0.9)	(6.4)	0.0
Minority Interest	0.6	(3.4)	(0.7)	(14.3)	0.0
Profit for the year/period	**69.4**	**15.8**	**3.5**	**16.7**	**30.8**

Cash Flow Statement

	Fiscal Year Ended				
FYE May (S$ m)	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Profit before tax	68.9	19.6	5.0	37.4	30.8
Depreciation & amortisation	0.0	0.0	0.0	0.0	0.0
Interest income	(1.3)	(0.7)	(2.8)	(3.3)	(5.2)
Interest expense	1.7	0.8	1.6	1.0	0.6
Share of results of associates and JV	(70.4)	(8.2)	(1.5)	(2.6)	(32.0)
Change in working capital	5.9	(1.3)	(51.4)	95.9	45.3
Others	(2.0)	0.3	(9.5)	(7.4)	(0.6)
Net Cash (used in)/ from operations	**2.8**	**10.6**	**(58.6)**	**121.1**	**38.9**
Purchase of PPE	0.0	0.0	0.0	0.0	0.0
Additional investment in investment properties	0.0	(32.0)	39.7	1.0	0.6
Others	(6.5)	66.1	(24.0)	3.3	5.2
Net Cash (used in)/ from investing	**(6.5)**	**34.1**	**15.6**	**4.3**	**5.8**
Net change in equity	0.0	0.0	107.9	0.0	0.0
Net change in debt	7.3	27.9	9.0	(30.0)	(20.0)
Others	(1.7)	(63.7)	(43.0)	(1.0)	(0.6)
Net Cash (used in)/ from financing	**5.5**	**(35.8)**	**73.9**	**(31.0)**	**(20.6)**

Balance Sheet

	Fiscal Year Ended				
FYE May (S$ m)	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Investment property	0.0	31.1	0.0	0.0	0.0
Investment in joint ventures	67.1	32.2	0.0	0.0	0.0
Investment in associates	40.5	7.3	8.8	11.4	43.4
Deferred tax assets	0.0	0.5	0.5	0.5	0.5
Total Non-Current Assets	**107.6**	**71.0**	**9.4**	**12.0**	**43.9**
Development properties	123.6	120.7	237.4	52.0	16.1
Trade receivables	2.7	10.8	10.7	24.1	14.2
Others	84.8	87.7	111.0	111.0	111.0
Cash and cash equivalents	17.4	26.3	57.2	151.6	175.6
Total current assets	**228.5**	**245.5**	**416.3**	**338.6**	**316.9**
Total Assets	**336.1**	**316.5**	**425.7**	**350.6**	**360.8**
Trade and other payables	35.2	36.7	101.9	25.8	25.2
Bank loans	0.0	10.0	50.0	20.0	10.0
Others	118.7	111.1	111.1	111.1	111.1
Total Current Liabilities	**153.8**	**157.8**	**263.0**	**156.9**	**146.3**
Bank loans	77.5	96.7	30.0	30.0	20.0
Total Non-current Liabilities	**77.5**	**96.7**	**30.0**	**30.0**	**20.0**
Total Liabilities	**231.3**	**254.5**	**293.0**	**186.9**	**166.3**
Net Assets	**104.8**	**62.0**	**132.7**	**163.8**	**194.5**
Shareholder's Equity					
Share capital	32.7	33.6	141.5	141.5	141.5
Retained earnings	103.7	59.7	21.8	38.6	69.3
Others	-31.3	-31.4	-31.4	-31.4	-31.4
Total equity attributable to shareholders of the company	**105.1**	**62.0**	**132.0**	**148.8**	**179.5**
Non-controlling interests	-0.3	0.0	0.7	15.0	15.0
Total Equity	**104.8**	**62.0**	**132.7**	**163.8**	**194.5**

Ratios

	Fiscal Year Ended				
FYE May	FY2016	FY2017	FY2018F	FY2019F	FY2020F
Profitability (%)					
Operating profit margin	-	14.2%	-	13.6%	-
Profit before tax margin	-	22.4%	-	15.7%	-
Profit after tax margin	-	18.1%	-	7.0%	-
Liquidity (x)					
Current ratio	1.5	1.6	1.6	2.2	2.2
Quick ratio	0.7	0.8	0.7	1.8	2.1
Interest coverage ratio	-	15.8	-	32.5	-
Net Debt to Equity	57.3%	129.8%	17.2%	Net cash	Net cash
Valuation (x)					
P/E	2.9	12.7	57.9	12.0	6.5
Core P/E	2.9	12.0	-	12.0	6.5
P/B	1.9	3.2	1.5	1.4	1.1
Returns					
Return on equity	98.8%	19.0%	3.6%	11.3%	17.2%
Return on asset	-	3.8%	-	8.4%	-
Dividend payout ratio	0.0%	356.9%	-	0.0%	0.0%

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Company	**Nature of business relation**	**Date of business relation**
SLB Development Ltd	Continuing Sponsor	Ongoing relations
SLB Development Ltd	Issue Manager, Underwriter and Placement Agent	20 April 2018

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