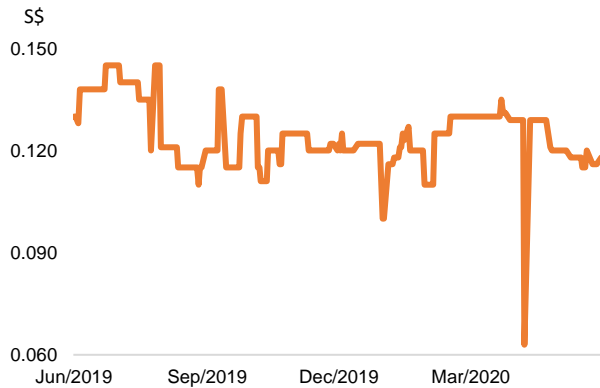


SLB Development

Date: 5 June 2020

SLB SP

Price: **S\$0.118** (as at 4 June 2020)



Share price	1M	3M	6M	1Y
SLB Development	-4.2%	6.6%	13.0%	-10.3%
Catalist Index	0.3%	-6.3%	-15.5%	-15.2%

Market capitalisation	S\$107.7million
Current Price	S\$0.118
Shares outstanding	913 million
Free Float	16.8%
Major shareholder	Lian Beng Group Ltd (74.11%)
Recommendation of other brokers	N/A

Source: Company data, SGX StockFacts, SAC Capital

The numbers for FY18 and FY19 have been adjusted to reflect the Company's adoption of the new Singapore Financial Reporting Standards International on 1 June 2018 and may not be comparable with the previous periods.

Analyst

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Key Historical Financials

FYE May (in S\$ m)	FY2015A	FY2016A	FY2017A	FY2018A	FY2019A
Revenue	-	-	87.6	154.4	47.6
% Growth	-	-	-	76.3%	-69.2%
Gross Profit	-	-	2.5	30.4	13.2
Gross Profit margin (%)	-	-	2.8%	19.7%	27.7%
Profit before tax	29.3	68.9	19.6	28.2	-2.2
Profit after tax	29.9	69.4	15.6	-5.0	16.7
Basic and diluted EPS (S\$ cents)	3.27	7.60	1.74	2.23	-0.55
P/E (x)	-	1.7	7.5	5.8	N/A
Net Debt/Equity (%)	157.8%	57.3%	129.8%	40.1%	35.0%

Source: Company data, Bloomberg, SAC Capital

Suspended Coverage

Suspension of coverage

SLB booked a 55.5% yoy revenue growth in 2QFY2020 (ended Nov 2019) to S\$12.1m, attributed to higher contribution from Mactaggart Foodlink, which more than offset an absence of revenue from T-Space @ Tampines, which was substantially completed in June 2018.

Net profit turned around from net loss of S\$0.7m in 2QFY2019 to net profit of S\$3.6m in 2QFY2020, also contributed mainly by industrial development Mactaggart Foodlink. Higher development profits from Affinity @ Serangoon and Riverfront Residences helped lower losses from associates and joint ventures from S\$1.8m to S\$0.3m.

SLB recorded S\$0.6m gain on disposal of an industrial building in Geylang for S\$13.5m. As a result, net gearing improved to 0.35x. Net asset value per share of S\$0.168 is 42.4% above the current share price.

Suspension of coverage. We are suspending coverage of SLB Development due to a re-allocation of research coverage in our team. Our last stock rating was BUY and last target price was S\$0.28. Our previous forecasts do not apply anymore and cannot be relied upon for your investment decisions.

Earnings turned around

SLB reported a 55.5% y-y increase in revenue in 2QFY2020 to S\$12.1m. The growth in revenue was attributed to an increase in revenue contribution from Mactaggart Foodlink, which more than offset an absence of revenue from T-Space @ Tampines in the quarter.

For 1HFY2020, the Group reported S\$19.8 million revenue for the half year ended 30 November 2019. This was a decline of S\$12.1m or 37.8% compared to S\$31.9m in 1HFY2019. The bulk of revenue and earnings contributions from 51%-owned T-Space @ Tampines was recognised in the prior year as it was substantially sold and achieved TOP in June 2018.

SLB turned around from net loss of S\$0.7m in 2QFY2019 to a net profit of S\$3.6m in 2QFY2020. Higher development profits from Affinity @ Serangoon and Riverfront Residences helped lower losses from associates and joint ventures from S\$1.8m to S\$0.3m.

SLB also recorded higher interest income from loans to associates of S\$0.5 million and a S\$0.6m gain on disposal of an industrial property at Lor 21 Geylang for S\$13.5m. As a result of this, net gearing improved to 0.35x. Net asset value per share as at end Nov 2019 was S\$0.168.

Suspension of coverage. We are suspending coverage of SLB Development due to a re-allocation of research coverage in our team. Our last stock rating was BUY and last target price was S\$0.28. Our previous forecasts do not apply anymore and cannot be relied upon for your investment decisions.

Income Statement

FYE May (\$\$ m)	Fiscal Year Ended			
	FY2016	FY2017	FY2018	FY2019
Revenue	-	87.6	154.4	47.6
Cost of goods sold	-	(72.7)	(124.0)	(34.4)
Gross Profit	-	14.9	30.4	13.2
Other income	0.0	0.9	1.1	2.3
Administrative expenses	(0.1)	(0.3)	(2.9)	(3.3)
Sales and marketing expenses	(1.0)	(1.9)	(6.2)	(3.5)
Other operating expenses	(0.0)	(0.5)	(0.4)	(0.7)
FV gain on investment property	0.0	0.0	0.0	7.0
Finance costs	(1.7)	(0.8)	(3.4)	(2.8)
Interest income	1.3	0.7	0.0	0.0
JV/associate income	70.4	8.2	2.5	(7.3)
Exceptional item	0.0	(0.9)	0.2	(0.5)
Profit before tax	68.9	19.6	28.2	(2.2)
Income tax	(0.0)	(0.4)	(3.7)	(1.5)
Minority Interest	0.6	(3.4)	9.0	1.4
Net Profit	69.4	15.8	15.6	(5.0)

Cash Flow Statement

FYE May (\$\$ m)	Fiscal Year Ended			
	FY2016	FY2017	FY2018	FY2019
Profit before tax	68.9	19.6	28.2	(2.2)
Depreciation & amortisation	0.0	0.0	(6.1)	(2.3)
FV changes in investment property and derivatives	(1.3)	(0.7)	(7.4)	(0.0)
Interest expense	1.7	0.8	2.8	3.4
Share of results of associates and JV	(70.4)	(8.2)	(2.5)	7.3
Change in working capital	5.9	(1.3)	(40.5)	12.5
Others	(2.0)	0.3	10.1	1.5
Net Cash (used in)/ from operations	2.8	10.6	(15.4)	20.2
Purchase of PPE	0.0	0.0	0.3	0.2
Additional investment in investment properties	0.0	(32.0)	0.0	0.0
Others	(6.5)	66.1	(50.8)	10.7
Net Cash (used in)/ from investing	(6.5)	34.1	(50.5)	10.9
Net change in equity	0.0	0.0	52.6	0.0
Net change in debt	7.3	27.9	57.4	(74.9)
Others	(1.7)	(63.7)	(19.3)	29.1
Net Cash (used in)/ from financing	5.5	(35.8)	90.7	(45.8)

Balance Sheet

FYE May (\$\$ m)	Fiscal Year Ended			
	FY2016	FY2017	FY2018	FY2019
Investment property & PPE	0.0	31.1	0.3	0.5
Investment in joint ventures and associates	107.6	39.5	17.0	3.2
Other non-current assets	0.0	0.0	0.2	11.4
Total Non-Current Assets	107.6	71.0	17.3	7.8
Development properties	123.6	120.7	75.8	105.5
Trade receivables	2.7	10.8	10.7	4.3
Others	84.8	87.7	51.1	36.3
Cash and cash equivalents	17.4	26.3	213.8	167.1
Total current assets	228.5	245.5	351.4	313.2
Total Assets	336.1	316.5	368.7	321.0
Trade and other payables	35.2	36.7	5.2	2.3
Bank loans	0.0	10.0	82.1	9.5
Others	118.7	111.1	41.8	25.6
Total Current Liabilities	153.8	157.8	129.1	37.4
Bank loans	77.5	96.7	35.5	78.4
Others	0.0	0.0	38.1	46.9
Total Non-current Liabilities	77.5	96.7	73.6	125.3
Total Liabilities	231.3	254.5	202.7	162.7
Net Assets	104.8	62.0	166.0	158.3
Shareholder's Equity				
Share capital	32.7	33.6	146.2	146.2
Retained earnings	103.7	59.7	38.3	33.3
Others	(31.3)	(31.4)	(30.2)	(30.7)
Total equity attributable to shareholders of the company	105.1	62.0	154.3	148.8
Non-controlling interests	(0.3)	0.0	11.7	9.6
Total Equity	104.8	62.0	166.0	158.4

Ratios

FYE May	Fiscal Year Ended			
	FY2016	FY2017	FY2018	FY2019
Profitability (%)				
Operating profit margin	-	-	-	-
Profit before tax margin	-	22.4%	18.3%	(4.6%)
Profit after tax margin	-	18.1%	10.1%	-10.5%
Liquidity (x)				
Current ratio	1.5	1.6	2.7	8.4
Quick ratio	0.7	0.9	2.1	5.5
Interest coverage ratio	-	-	6.5	2.9
Net Debt to Equity (%)	57.3%	129.8%	40.1%	35.0%
Valuation (x)				
P/E	1.7	7.5	5.8	N/A
Core P/E	-	-	-	-
P/B	1.1	1.9	0.8	0.8
Returns (%)				
Return on equity	98.8%	19.0%	13.7%	(3.1%)
Return on asset	-	3.8%	-	8.4%
Dividend payout ratio	0.0%	0.0%	-	0.0%

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Company	Nature of business relation	Date of business relation
SLB Development Ltd	Continuing Sponsor	Ongoing relations

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Analyst name	Quantum of position
N/A	N/A

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