

Roxy-Pacific Holdings Limited

22 September 2021

Non-Rated

Price: S\$0.470 (as at 21 September 2021)

BBG	ROXY SP
Market cap	S\$612.9 million
Price (21 Sep 2021)	S\$0.470
52-week range	S\$0.315 – S\$0.500
Target Price	Non-rated
Shares Outstanding	1,304.0 million
Free Float	21.9%
Major Shareholder	Kian Lam Investment Pte Ltd 40.01% Teo Hong Lim 11.85% Sen Lee Development 11.22% Sutantio 5.84% Teo Hong Wee 2.99% Teo Hong Yeow 2.43% Teo Hong Hee 2.34% Tan Tien Hin 0.93% Koh Seng Geok 0.53%
P/BV (06/21)	1.3x
Net debt to EBITDA (12/20)	NA

Source: Company data, Bloomberg, SAC Capital

Analyst

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Key Financials

FY ended 31 December	FY2016	FY2017	FY2018	FY2019	FY2020
Revenue (S\$m)	385.4	246.8	132.9	444.0	198.4
EBIT (S\$m)	77.3	65.5	39.3	65.0	-13.6
Net profit (S\$m)	49.8	31.7	21.3	30.3	-29.5
Basic EPS (S cents)	4.17	2.42	1.63	2.33	-2.26
Dividend per share (S cents)	1.8	1.4	1	0.9	1.1
Net cash / (debt)	-507.4	-549.4	-751.3	-584.1	-576.7
Valuation					
EBIT margin (%)	20.1	26.5	29.6	14.6	-6.9
ROIC (%)	6.1	4.3	2.7	3.9	-1.3
EV/EBITDA (x)	13.4	16.3	29.3	16.1	NA
P/E (x)	12.3	19.3	28.8	20.2	NA
Dividend yield (%)	3.8	3.0	2.1	1.9	2.3

Privatisation Offer

Offer to delist. Roxy-Pacific Holdings on 20 September announced a pre-conditional voluntary general offer from TKL & Family for all the issued ordinary shares in the company. The offeror is the bid vehicle of a consortium formed by 11 individuals, including the chairman and chief executive of Roxy-Pacific, Mr Teo Hong Lim. The pre-condition pertains to all necessary consents under the Overseas Investment Act of New Zealand.

The offer price of S\$0.485 is at a 33.4% discount to adjusted net asset value of S\$0.7287/share (as at 30 Jun 21). 31 Dec 20's ANAV was S\$0.7215/share. Currently, the undertaking parties hold 76.44% of the total number of issued shares.

Emerging from the trough. The Group posted 19.6% yoy increase in revenue to S\$141.2m in 1HFY21, from S\$118.1m a year ago. This was largely due to higher revenue from property development (+27.4%), offset by lower revenue from hotel ownership (-29.2%). Property investment segment increased slightly (+8.5%). 1HFY21 PATMI was S\$5.9m, doubled from S\$2.8m a year ago.

Property development. We believe that with residential prices holding up, along with Roxy-Pacific's unbooked contracted sales (S\$564.4m), topline will be firm for the Group. It has 2 properties under development with a forecasted gross development value of S\$224.1m.

Hotel ownership. Despite the global vaccination drive and higher vaccination rates, the world continues to grapple with the virus. We expect tourism to remain weak for the rest of 2021. Although there is hope of a possible return of travel when Singapore opens up to more countries under the VTL, large-scale leisure travel in 2022 remains an uncertainty.

We noted that Singapore-listed property developers are trading at a significant discount to their adjusted net asset values, ranging from discount rates of 15.0% to 73.6%.

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Property development

Roxy-Pacific has 2 upcoming development projects with a forecasted gross development value of S\$224.1m.

Project Location	Proposed Development	% Stake	Approximate Total Land Area (sq ft)	Approximate Total GFA (sq ft)	Approximate Attributable Land Cost	Forecasted GDV (Attributable)
Jalan Molek & Guillemard Rd	Residential 137 units	100%	37,131	103,967	\$93.0m	\$180m
Institution Hill	Residential 60 units	42%	14,300	40,040	\$23.8m	\$44.1m
Total	197 units		51,431	144,007	\$116.8m	\$224.1m

Source: Company Data, SAC Capital

We believe that with the firm prices of residential homes, along with Roxy-Pacific's unbooked contracted sales, topline will be firm for the Group. As at 30 June 2021, based on units sold from ongoing development projects, the Group had total attributable pre-sale revenue of S\$564.4m.

High construction costs and delays continue to pose as headwinds and squeeze property developers' margins. The manpower supply crunch may have slowly been easing but we see that the backlogs and delays are still ahead of the rate of manpower intake. The recent uptick in cases in foreign workers' dormitories also pose as a risk.

Offer to delist

Overview of current projects

Property	Development Type	% Stake	Attributable total sale value S\$m	Balance attributable billings (from 1/7/2021) S\$m	% Sold (as at Jun 2021)
Singapore					
Harbour View Gardens	Residential	100%	\$73.7	\$1.9	100%
120 Grange	Residential	90%	\$92.3	\$49.0	100%
Bukit 828	Residential	80%	\$32.2	\$13.4	100%
Arena Residences	Residential	50%	\$67.1	\$40.6	100%
RV Altitude	Residential	100%	\$218.8	\$149.1	100%
Fyve Derbyshire	Residential	100%	\$95.9	\$74.3	75%
Wilshire Residences	Residential	40%	\$21.2	\$18.6	34%
Dunearn 386	Residential	100%	\$31.5	\$21.5	51%
View at Kismis	Residential	60%	\$139.5	\$115.0	98%
Neu at Novena	Residential	50%	\$64.0	\$56.8	83%
Malaysia					
Wisma Infinitum – The Colony	Residential	47%	\$59.4	\$15.1	80%
Wisma Infinitum – The Luxe	Residential		\$34.5	\$9.1	55%
Total			\$930.1	\$564.4	

Source: Company Data, SAC Capital

Hotel ownership

Grand Mercure Singapore Roxy hotel is a major asset of the Group. In addition, the Group has opened its upscale boutique hotels under the Noku hotels brand name in Kyoto and Osaka, Japan, and an upscale resort in Maldives. The Group's second upscale resort in Phuket, Thailand, is targeted to open in FY2022.

Despite the global vaccination drive and higher vaccination rates, the world continues to grapple with the virus. Singapore made progress by launching the vaccinated travel lane (VTL), although most of the trips were still done for business travellers rather than for leisure. Although there is hope of a possible return of travel when Singapore opens up to more countries under the VTL, large-scale leisure travel in 2022 remains an uncertainty, especially with the friction it comes with, i.e. high price tag for numerous Covid-19 tests in exchange to not to serve quarantine. We expect tourism to remain weak for the rest of 2021 and hotel owners to continue to be hit by border control measures in the tourism industry.

Property investment

Property investment made up the remaining 2.8% of revenue and comprises rental income from shop units in Roxy Square and NZI Centre. Occupancy ratios as at 30 June 2021 (based on lettable area) were 82% and 100% respectively.

Relative peer comparables

Name	Mkt Cap (\$ mil)	EV (\$ mil)	Last Traded Price (\$)	RNAV (\$)	Discount to RNAV	P/B	P/E
UOL GROUP LTD	5,842.59	14,320.70	6.920	11.76	41.2%	0.59	31.30
GUOCOLAND LTD	1,940.60	6,867.78	1.640	3.60	54.4%	0.45	10.60
HO BEE LAND LIMITED	1,892.45	4,479.31	2.850	5.58	48.9%	0.51	12.46
WINGTAI HOLDINGS LIMITED	1,407.97	1,433.15	1.830	4.14	55.8%	0.40	45.86
BUKIT SEMBAWANG ESTATES LTD	1,260.90	870.56	4.870	5.73	15.0%	0.85	6.66
OXLEY HOLDINGS LTD	889.68	3,233.50	0.210	0.2479	15.3%	0.89	17.95
HONG FOK CORPORATION LIMITED	658.85	1,965.77	0.780	2.9500	73.6%	0.26	-
ROXY-PACIFIC HLDGS LTD	612.87	1,272.20	0.470	0.7287	35.5%	1.26	-
SINGHAIYI GROUP LTD	425.41	1,309.21	0.101	0.1467	31.2%	0.69	-
CHIP ENG SENG CORP LTD	325.12	1,476.42	0.415	1.0131	59.0%	0.39	-
SLB DEVELOPMENT LTD	105.00	222.25	0.115	0.1886	39.0%	0.61	7.84
Mean	1,396.49	3404.62	1.84	3.28	42.6%	0.63	18.95
Median	889.68	1476.42	0.78	2.95	41.2%	0.59	12.46

Source: Bloomberg (22 Sep), Company data, SAC Capital

The offer price of S\$0.485 is at a 33.4% discount to its adjusted net asset value of S\$0.7287. This takes into account the fair value of the Grand Mercure Roxy Hotel, Noku Kyoto, Noku Osaka, hotel under development in Phuket, Noku Maldives and the head office premise, which were valued at S\$679.6m as at 30 June 2021 compared to net book value of S\$216.2m.

We noted that property developers are trading at significant discounts to adjusted net asset values, ranging from 15.0% to 73.6%, with the largest being Hong Fok Corp's 73.6% and Chip Eng Seng's 59.0%.

We also see Bukit Sembawang Estates as attractive, despite YTD 22.4% increase in share price. It has net cash of S\$391.1m (as at FY ended 31 March) which places them in a strong position to replenish land bank. They are also able to tap on unutilized bank facilities. In addition, it has a pipeline of residential launches. However, it trades at a smaller 15.0% discount to RNAV, the lower end of the average of 42.6% discount.

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