

GuocoLand (GUOL SP)

Acquires Casa Meyfort

Raises SG residential exposure; Maintain HOLD

GuocoLand raised its exposure to the Singapore residential market with the acquisition of Casa Meyfort. With contributions from this project offset by lower market value of GuocoLand Malaysia, we lower our RNAV estimates marginally to SGD3.64 and retain our SGD2.00 TP, based on an unchanged RNAV discount of 45%. While the stock's valuation is not expensive, we expect the recently implemented policy tightening to weigh on sentiment for the sector. Maintain HOLD. Prefer UOL for sector exposure.

Acquires Casa Meyfort: Now or Never?

Unfazed by the recent policy tightening, GuocoLand announced the acquisition of Casa Meyfort, a freehold redevelopment site in the East Coast. The acquisition price of SGD319.9m is 6% below the vendor's asking price of SGD340m. Including the estimated development charge of SGD57.8m, the unit land rate for this property is c.SGD1,580 psf. As the option to purchase was exercised within three weeks of the implementation of the revised measures, it is likely not subjected to the [revised ABSD rates](#). This acquisition will lift its FY19E net gearing by 7bps to 0.76x.

Slight premium to comparable sites

The land rate is 3-4% higher than prices paid for other freehold properties in the vicinity. CityDev acquired Amber Park for SGD1,515 psf, while Sustained Land paid SGD1,539 psf for Parkway Mansion. It is also 23% higher than the land rate of SGD1,280 psf for leasehold property Katong Park Towers by Bukit Sembawang.

Strong locational attributes

The redevelopment of Casa Meyfort could potentially yield 300 condominium units. We believe the property has strong locational attributes with unblocked views of the East Coast Park to the south and landed housing estate to the north. It is also within 600m of the Katong Park MRT Station that is due to be completed in 2023. Assuming an eventual ASP of SGD2,350 psf, we estimate a development surplus of 2.8 cts per share from this deal. This assumption is reasonable as it is broadly in line with prices achieved at recently launched Amber 45 and at a slight premium to four year old The Meyerise.

FYE Jun (SGD m)	FY16A	FY17A	FY18E	FY19E	FY20E
Revenue	1,060	1,113	1,179	1,668	1,900
EBITDA	243	229	295	380	396
Core net profit	135	364	328	234	214
Core EPS (cts)	12.1	32.8	29.6	21.1	19.3
Core EPS growth (%)	(40.6)	170.5	(9.9)	(28.8)	(8.3)
Net DPS (cts)	9.0	7.0	7.0	8.0	8.0
Core P/E (x)	15.5	5.7	6.2	8.7	9.5
P/BV (x)	0.6	0.6	0.5	0.5	0.5
Net dividend yield (%)	4.8	3.7	3.8	4.3	4.3
ROAE (%)	19.8	10.5	9.0	7.0	6.3
ROAA (%)	1.5	4.3	3.4	2.3	2.2
EV/EBITDA (x)	19.0	24.6	22.3	16.5	13.9
Net gearing (%) (incl perps)	69.7	84.2	85.8	75.7	57.8
Consensus net profit	-	-	328	253	224
MKE vs. Consensus (%)	-	-	0.0	(0.1)	3.9

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HOLD

Share Price	SGD 1.84
12m Price Target	SGD 2.00 (+9%)
Previous Price Target	SGD 2.00

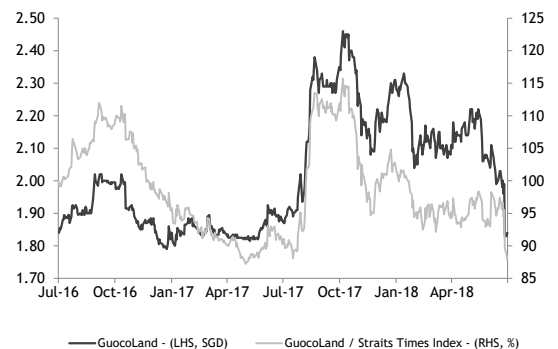
Statistics

52w high/low (SGD)	2.46/1.83
3m avg turnover (USDm)	0.8
Free float (%)	24.0
Issued shares (m)	1,183
Market capitalisation	SGD2.2B
	USD1.6B

Major shareholders:

Guoco Group Ltd.	65.2%
Guocoland Executives Share Option Scheme	6.2%
KWEK LENG HAI	3.0%

Price Performance



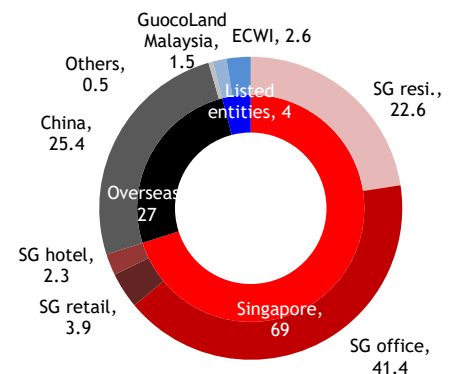
	-1M	-3M	-12M
Absolute (%)	(11)	(13)	(2)
Relative to index (%)	(5)	(6)	(1)

Source: FactSet

Companies mentioned

UOL (UOL SP, CP SGD6.72, BUY, TP SGD8.95)
 City Developments (CIT SP, CP SGD9.68, HOLD, TP SGD10.40)
 Bukit Sembawang (BS SP, CP SGD5.29, HOLD, TP SGD5.10)

Exposure summary (% of valuation)



Source: Maybank Kim Eng

Fig 1: GuocoLand's RNAV and TP

We incorporate Casa Meyfort and update our RNAV for the latest market value of GuocoLand Malaysia (MYR1.20 to MYR0.90) and TP of Eco World International (MYR1.10 to MYR1.11).

Valuation	2018E (SGD m)	% of total (%)	per share (SGD)	Remarks
Singapore residential	2,106	22.6	1.90	Mid- to high-end projects.
Singapore investment properties	4,432	47.5	3.99	
Tanjong Pagar Centre	2,678	28.7	2.41	Office, hotel and retail.
Beach Road Site	1,275	13.7	1.15	3.5% cap rate for offices.
20 Collyer Quay	383	4.1	0.35	3.5% cap rate for offices.
Reversionary interests	95	1.0	0.09	Reversionary interests on 20 Collyer Quay and 61 Robinson Road.
China projects	2,373	25.4	2.14	Shanghai and Chongqing.
Changfeng Residence	458	4.9	0.41	50% stake in Shanghai residential project.
Chongqing Project	1,187	12.7	1.07	Mixed development.
Guoman Centre	172	1.8	0.16	Shanghai retail mall.
Guoman Hotel	132	1.4	0.12	Shanghai hotel.
Undeveloped land parcel in Shanghai, net	424	4.5	0.38	Market value of undeveloped land in Changfeng, Shanghai.
GuocoLand Malaysia	137	1.5	0.12	68% stake at market price of MYR0.90.
EcoWorld International	240	2.6	0.22	27% stake at Maybank KE TP of MYR1.11.
Others	44	0.5	0.04	
Gross asset value	9,331	100.0	8.41	
Less: adjusted net liabilities	(5,290)			Including perps.
RNAV	4,042			
Outstanding no. of shares (m)	1,110			Excludes ESOS shares.
RNAV per share	3.64			
TP	2.00			Rounded.
RNAV discount (%)	(45)			

Note: RNAV = SGD3.61 if we use EcoWorld International's MYR0.93 market price instead of MBKE's TP of MYR1.11

Source: Maybank Kim Eng

Fig 2: Earnings revisions

We raise FY20E for contributions from Casa Meyfort

Key financials	New			Old			Change (%)		
	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E	FY18E	FY19E	FY20E
Revenue	1,179	1,668	1,900	1,179	1,668	1,704	0.0	0.0	11.5
EBITDA	295	380	396	295	380	379	0.0	0.0	4.5
Net profit, adj.	328	234	214	328	234	206	0.0	(0.1)	4.2

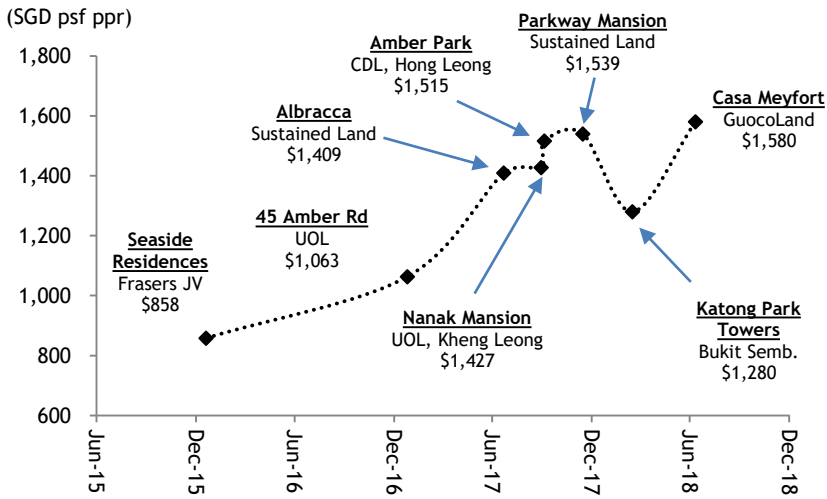
Source: Maybank Kim Eng

Fig 3: Location of comparable redevelopment sites



Source: OpenStreetMap, Companies, The Business Times, Maybank Kim Eng

Fig 4: Land prices in the East Coast

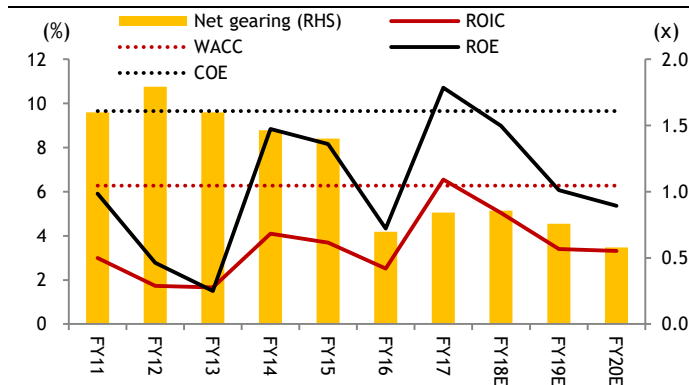


Source: Companies, The Business Times, Maybank Kim Eng estimates

Value Proposition

- Mid-cap property developer based in Singapore. It also has businesses in China, Malaysia and Vietnam.
- GuocoLand offers exposure to the mid to high-end residential market in Singapore.
- Returns could pick up as TPC turns operational and previously trapped capital in Dongzhimen is redeployed for better returns.
- Owens an effective 68% stake in GuocoLand Malaysia and 27% of EcoWorld International, both of which are listed on Bursa Malaysia.

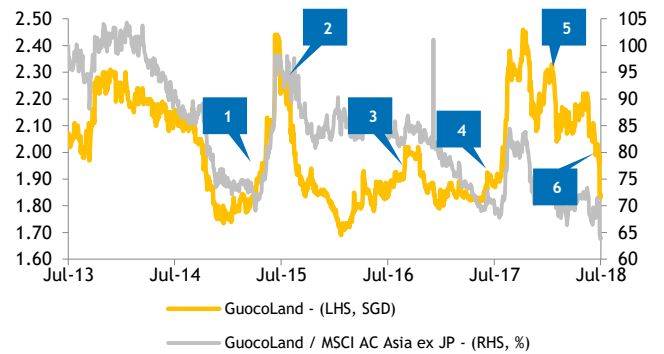
Returns vs cost of capital



Source: Company, Maybank Kim Eng

Price Drivers

Historical share price trend



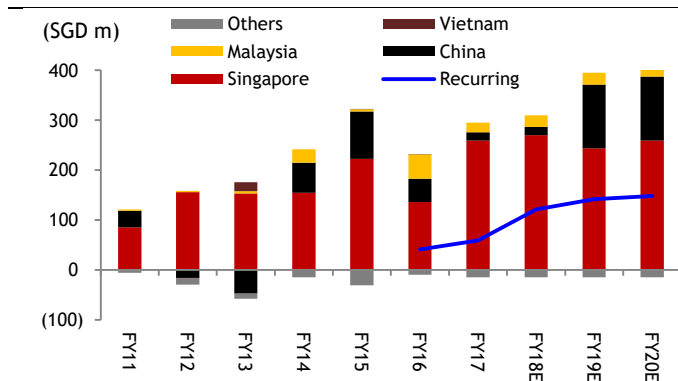
Source: Factset, Company, Maybank Kim Eng

- Positive sector sentiment on privatisation of Keppel Land by Keppel Corp in early 2015.
- Exit from troubled project Dongzhimen.
- Company reported significant pick-up in pre-commitment levels for Guoco Tower.
- Singapore government relaxes cooling measures in March 2017 for the first time since GFC.
- Strong pace of sales at Martin Modern. Wallich Residence achieved high ASP of SGD4,000 psf.
- Surprise policy tightening for Singapore's residential market.

Financial Metrics

- Singapore will continue to account for the bulk of the group's profits.
- We expect development sales recognition to improve over the next three years as sales momentum in the high-end market gathers pace.
- Completion of TPC will enhance its recurring income base. We expect recurring EBITDA to rise over three-fold to SGD140m+ a year by FY19E.
- We value its investment properties by adopting cap rate assumptions of 3.50% for offices, and 4.75% for hotels and retail. Our SGD2,400 psf valuation of Guoco Tower is not aggressive when compared to high prices seen in recent transactions.

EBITDA breakdown



Source: Company

Swing Factors

Upside

- Strong rebound in high-end home prices in Singapore.
- Pick-up in office prices.
- Monetisation of commercial assets with outright sale or spin-off into funds.

Downside

- Overpaying for land.
- Poor execution of development project.
- Sharp increase in interest rates, which could dampen demand for properties and drive down asset prices.

FYE 30 Jun	FY16A	FY17A	FY18E	FY19E	FY20E
Key Metrics					
P/E (reported) (x)	3.5	5.8	6.2	8.1	8.8
Core P/E (x)	15.5	5.7	6.2	8.7	9.5
P/BV (x)	0.6	0.6	0.5	0.5	0.5
P/NTA (x)	0.6	0.6	0.5	0.5	0.5
Net dividend yield (%)	4.8	3.7	3.8	4.3	4.3
FCF yield (%)	23.0	nm	2.7	28.1	55.0
EV/EBITDA (x)	19.0	24.6	22.3	16.5	13.9
EV/EBIT (x)	19.8	25.3	23.4	17.1	14.4

INCOME STATEMENT (SGD m)

Revenue	1,059.8	1,113.2	1,178.5	1,668.4	1,899.9
Gross profit	232.7	222.1	280.9	366.4	382.3
EBITDA	242.8	228.6	294.9	380.4	396.3
Depreciation	(10.1)	(6.5)	(14.0)	(14.0)	(14.0)
EBIT	232.7	222.1	280.9	366.4	382.3
Net interest income / (exp)	(38.5)	(58.5)	(69.4)	(59.3)	(58.1)
Associates & JV	(2.7)	44.9	163.9	41.5	10.0
Exceptionals	562.0	(7.1)	0.0	0.0	0.0
Other pretax income	19.7	254.5	0.0	0.0	0.0
Pretax profit	773.2	455.8	375.5	348.6	334.2
Income tax	(150.7)	(43.2)	(38.5)	(61.9)	(64.7)
Minorities	(15.8)	(55.4)	(8.6)	(34.3)	(36.7)
Reported net profit	606.7	357.2	328.4	252.3	232.9
Core net profit	134.7	364.3	328.4	233.9	214.5
Preferred Dividends	(9.4)	0.0	0.0	(18.4)	(18.4)

BALANCE SHEET (SGD m)

Cash & Short Term Investments	1,430.2	1,118.5	979.4	464.4	745.9
Accounts receivable	401.8	199.0	200.0	300.0	400.0
Inventory	2,410.5	3,265.4	3,547.2	3,359.0	2,624.3
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	494.8	623.8	634.8	640.8	640.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	427.9	675.6	842.2	798.7	798.7
Other assets	2,741.4	3,073.4	4,307.1	4,394.3	4,502.5
Total assets	7,906.6	8,955.7	10,510.7	9,957.2	9,712.2
ST interest bearing debt	2,122.1	2,090.5	2,000.0	2,250.0	1,750.0
Accounts payable	339.4	377.3	400.0	500.0	600.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,708.2	2,254.0	3,000.0	1,900.0	1,900.0
Other liabilities	295.0	400.0	425.0	438.0	438.0
Total Liabilities	4,464.4	5,122.2	5,825.0	5,087.8	4,687.8
Shareholders Equity	3,276.1	3,529.9	3,780.6	3,936.9	4,062.5
Minority Interest	166.1	303.6	505.1	532.6	561.9
Total shareholder equity	3,442.2	3,833.4	4,285.7	4,469.4	4,624.4
Perpetual securities	0.0	0.0	400.0	400.0	400.0
Total liabilities and equity	7,906.6	8,955.7	10,510.7	9,957.2	9,712.2

CASH FLOW (SGD m)

Pretax profit	773.2	455.8	375.5	348.6	334.2
Depreciation & amortisation	10.1	6.5	14.0	14.0	14.0
Adj net interest (income)/exp	38.5	58.5	69.4	59.3	58.1
Change in working capital	484.4	(739.7)	(175.5)	274.4	804.7
Cash taxes paid	(184.8)	(59.2)	(38.5)	(61.9)	(64.7)
Other operating cash flow	(571.2)	(293.3)	(163.9)	(41.5)	(10.0)
Cash flow from operations	550.2	(571.3)	81.0	592.9	1,136.4
Capex	(67.8)	(98.5)	(25.0)	(20.0)	(14.0)
Free cash flow	482.3	(669.8)	56.0	572.9	1,122.4
Dividends paid	(55.5)	(99.9)	(77.7)	(77.7)	(88.8)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	(1,371.2)	523.2	655.5	(850.0)	(500.0)
Perpetual securities distribution	(9.4)	0.0	0.0	(18.4)	(18.4)
Other invest/financing cash flow	2,010.7	(73.8)	(772.9)	(141.8)	(233.7)
Net cash flow	1,056.9	(320.2)	(139.1)	(515.0)	281.5

FYE 30 Jun	FY16A	FY17A	FY18E	FY19E	FY20E
Key Ratios					
Growth ratios (%)					
Revenue growth	(8.6)	5.0	5.9	41.6	13.9
EBITDA growth	(21.6)	(5.8)	29.0	29.0	4.2
EBIT growth	(22.5)	(4.6)	26.5	30.4	4.3
Pretax growth	142.6	(41.0)	(17.6)	(7.2)	(4.1)
Reported net profit growth	168.0	(41.1)	(8.1)	(23.2)	(7.7)
Core net profit growth	(40.6)	170.5	(9.9)	(28.8)	(8.3)
Profitability ratios (%)					
EBITDA margin	22.9	20.5	25.0	22.8	20.9
EBIT margin	22.0	19.9	23.8	22.0	20.1
Pretax profit margin	73.0	40.9	31.9	20.9	17.6
Payout ratio	16.5	21.7	23.7	35.2	38.1
DuPont analysis					
Net profit margin (%)	57.2	32.1	27.9	15.1	12.3
Revenue/Assets (x)	0.1	0.1	0.1	0.2	0.2
Assets/Equity (x)	2.4	2.5	2.8	2.5	2.4
ROAE (%)	19.8	10.5	9.0	7.0	6.3
ROAA (%)	1.5	4.3	3.4	2.3	2.2
Leverage & Expense Analysis					
Asset/Liability (x)	1.8	1.7	1.8	2.0	2.1
Net gearing (%) (incl perps)	69.7	84.2	85.8	75.7	57.8
Net gearing (%) (excl. perps)	69.7	84.2	93.8	82.5	62.8
Net interest cover (x)	6.0	3.8	4.0	6.2	6.6
Debt/EBITDA (x)	15.8	19.0	17.0	10.9	9.2
Capex/revenue (%)	6.4	8.8	2.1	1.2	0.7
Net debt/ (net cash)	2,400.0	3,226.0	4,020.6	3,685.6	2,904.1

Source: Company; Maybank

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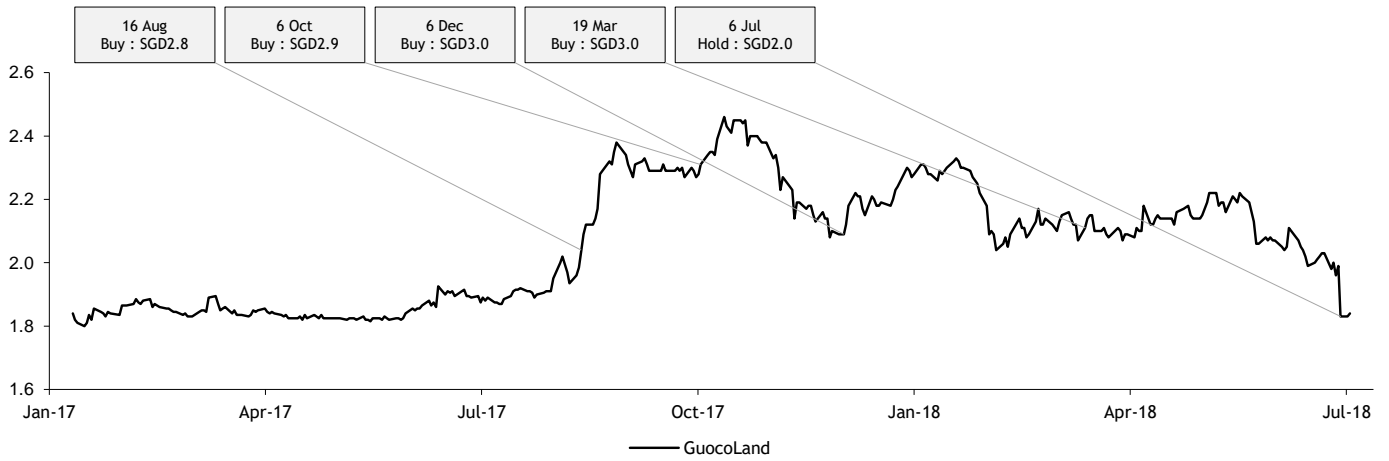
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