

# Oxley Holdings (OHL SP)

## Profit Surge on reval. gain

### Maintain HOLD; TP raised 6% to SGD0.36

FY18 EBIT was in line at 91% of our full-year estimate. We update our model for its latest project completion timeline and raise our valuation for Chevron House after incorporating its latest AEI details. Our FY19/20E EPS is tweaked by +4%/-2% and we introduce FY21E forecasts (see Fig. 2). We roll-forward our valuation basis and lift our RNAV estimate to SGD0.71 from SGD0.68. Our TP is raised 2 cts to SGD0.36, based on an unchanged 50% RNAV discount. With a diversified geographical and business exposure, we believe Oxley can weather the headwinds to Singapore's residential market. Nonetheless, we expect its steep valuation discount to persist as the market remains cautious towards highly leveraged developers. Maintain HOLD.

### Revaluation gains at Chevron House led profit surge

Driven by the revaluation of Chevron House, the company booked fair value gains of SGD118m for the year. This lifted net profit by 31% to SGD285m for FY18. Management revealed updated AEI plans for Chevron House, which showed a 14% increase in NLA from our original estimates. As such, we update our model and lift our post-AEI valuation for the property to SGD950m (from SGD835m) and factor in a revised CAPEX guidance of SGD100m (from SGD35m).

### Improved gearing

Despite taking on another SGD0.1b of debt over the quarter, its net gearing improved by 22bps to 2.17x due to the increase in asset values. Nonetheless, Oxley's elevated gearing levels could limit its ability to take on more projects, in our view. We estimate debt headroom of SGD0.7b due to its debt covenant gross debt-to-asset limit of 0.70x.

### Strong pre-sales; Sticking to launch plans

Oxley achieved strong pre-sales of SGD1.15b for the five Singapore residential projects launched this year. On an aggregate basis, 27% of the 4,000 units in its development pipeline have already been sold. Despite the recent policy tightening, Oxley intends to launch another SGD3.9b worth of projects this year. Outside of Singapore, it has booked SGD0.8b of sales at Royal Wharf, KLCC (So Sofitel Resi), Dublin Landings, The Palms and The Peak, and expects to launch another SGD3.4b worth of other projects in the year ahead.

FYE Jun (SGD m)	FY17A	FY18A	FY19E	FY20E	FY21E
Revenue	1,343	1,189	1,587	1,682	1,763
EBITDA	323	157	235	255	436
Core net profit	218	285	191	195	319
Core EPS (cts)	7.5	7.3	4.7	4.8	7.9
Core EPS growth (%)	6.5	(2.5)	(35.0)	2.0	64.1
Net DPS (cts)	1.5	1.5	1.2	1.2	2.0
Core P/E (x)	4.9	6.7	7.4	7.3	4.4
P/BV (x)	1.0	1.4	0.9	0.8	0.7
Net dividend yield (%)	4.1	3.1	3.4	3.4	5.6
ROAE (%)	23.8	23.0	12.7	11.8	17.2
ROAA (%)	4.7	5.4	3.0	3.0	5.4
EV/EBITDA (x)	10.5	31.0	21.3	17.4	8.8
Net gearing (%) (incl perps)	187.9	217.0	219.2	168.3	116.2
Consensus net profit	-	-	184	198	na
MKE vs. Consensus (%)	-	-	4.0	(1.7)	na

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# HOLD

Share Price	SGD 0.35
12m Price Target	SGD 0.36 (+3%)
Previous Price Target	SGD 0.34

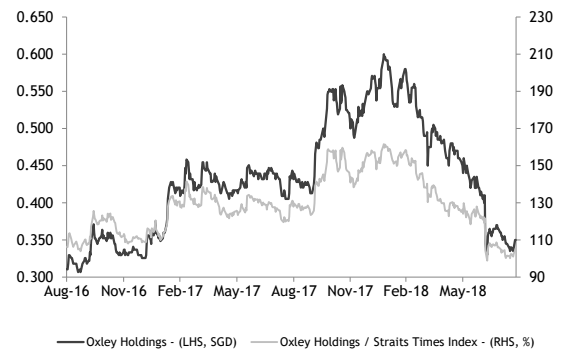
### Statistics

52w high/low (SGD)	0.60/0.33
3m avg turnover (USDm)	0.9
Free float (%)	19.7
Issued shares (m)	4,048
Market capitalisation	SGD1.4B
	USD1.0B

### Major shareholders:

CHING CHIAT KWONG	41.1%
LOW SEE CHING /HAFARY/	27.6%
TEE WEE SIEN	11.6%

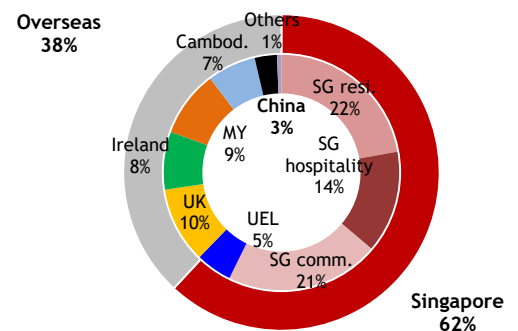
### Price Performance



	-1M	-3M	-12M
Absolute (%)	(5)	(24)	(20)
Relative to index (%)	(3)	(16)	(18)

Source: FactSet

### Exposure summary (% of valuation)



Source: Company, Maybank Kim Eng estimates

Fig 1: Quarterly profit and loss

FYE 30 June	4Q17	3Q18	4Q18	Change		FY18A (SGD m)	% of FY18E	FY18E (SGD m)
	(SGD m)	(SGD m)	(SGD m)	(QoQ %)	(YoY %)			
Revenue	224	239	233	(2.4)	3.9	1,189	99.1	1,200
EBITDA	46	40	23	(43.1)	(50.5)	157	91.7	171
D&A	(0)	(5)	(6)	18.5	>100	(14)	107.4	(13)
EBIT	46	35	17	(51.5)	(62.6)	143	90.5	158
Net interest income/(expense)	(7)	(14)	(21)	45.9	>100	(59)	122.8	(48)
Other items (recurring)	16	10	111	>100	>100	118	n.m.	0
Other items (exceptionals)	0	0	0	n.m.	n.m.	0	n.m.	0
Associates & JVs	2	(1)	30	n.m.	>100	103	115.5	89
PBT	57	30	137	>100	>100	305	152.9	200
Taxation	(14)	1	1	(5.0)	n.m.	(23)	105.1	(22)
MI	(2)	0	0	(23.4)	n.m.	3	n.m.	(1)
Net income	42	31	138	350.6	231.5	285	161.4	177

Source: Company, Maybank Kim Eng

Fig 2: Earnings revisions

Key financials	New			Old			Change (%)		
	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E	FY19E	FY20E	FY21E
Revenue	1,587	1,682	1,763	1,555	1,743	n.m.	2.1	(3.5)	n.m.
EBITDA	235	255	436	223	255	n.m.	5.3	(0.1)	n.m.
Net profit, adj.	191	195	319	184	198	n.m.	4.0	(1.7)	n.m.

Source: Maybank Kim Eng

Fig 3: Oxley's RNAV and TP

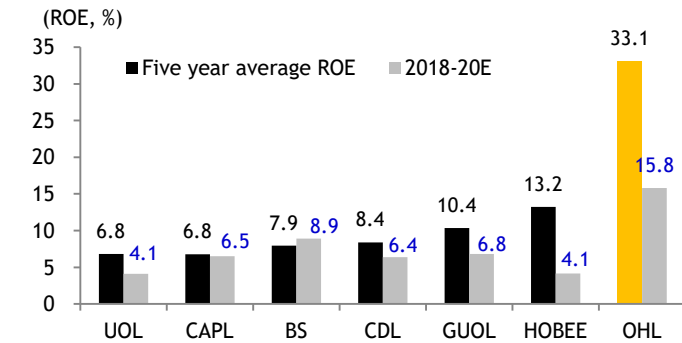
Valuation	2018E	% of total	per share	Remarks
	(SGD m)	(%)	(SGD)	
Singapore residential	1,471	22.2	0.36	Mid-to-mass market projects.
Singapore investment properties	2,329	35.1	0.58	
Hotels	930	14.0	0.23	Stevens Road hotels (SGD1.2m per key).
Office	1,008	15.2	0.25	Chevron House (SGD2,660 psf, post-AEI); Oxley Tower strata units.
Retail	186	2.8	0.05	
Industrial	205	3.1	0.05	Space @ Tampines. T-Space.
Overseas	2,485	37.5	0.61	
UK	691	10.4	0.17	Royal Wharf, Deanston Wharf and Galliard.
Ireland	527	7.9	0.13	Dublin Landings.
Malaysia	582	8.8	0.14	Oxley Towers KLCC. Other projects at cost.
Cambodia	442	6.7	0.11	The Peak, The Bridge and The Palms.
China	203	3.1	0.05	Gaobeidian.
Others	40	0.6	0.01	
United Engineers	328	4.9	0.08	19% stake at market price of SGD2.70.
Aspen	19	0.3	0.00	10% stake at market price of SGD0.20.
Gross asset value	6,632	100	1.64	
Less: adjusted net liabilities	(3,755)	(57)	(0.93)	
RNAV	2,877	43	0.71	
Outstanding no. of shares (m)	4,043			
RNAV per share	0.71			
TP	0.36			Rounded.
RNAV discount (%)	(50)			

Source: Maybank Kim Eng estimates

## Value Proposition

- Mid-cap Singapore-based property developer that has diversified in recent years into the UK, Ireland, Malaysia, Cambodia and China.
- Nimble in switching between asset classes and geographical markets. Willing to take on above-average leverage to fund growth.
- Highly geared to a rebound in Singapore's property market. Singapore accounts for over 60% of valuation.
- We forecast sector-leading ROEs of 13%/12%/17% in FY19/20/FY21 vs 6% for peers.

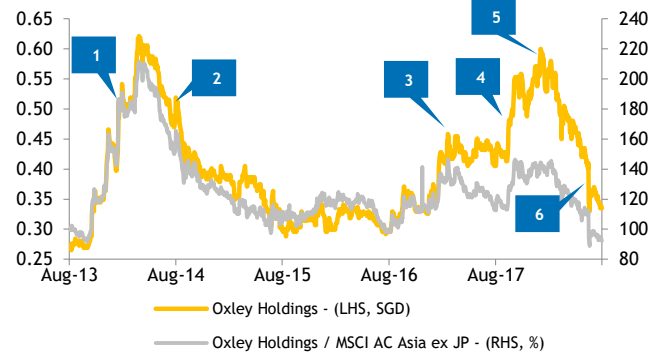
### Sector-leading ROEs



Five-year average ROE for FY13-17.  
Source: Company, Maybank Kim Eng

## Price Drivers

### Historical share price trend



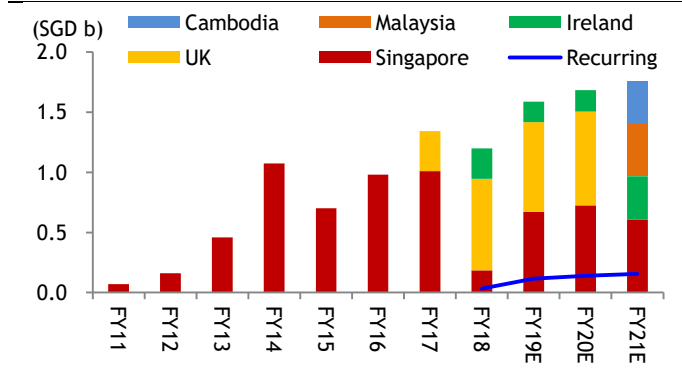
Source: Factset, Company, Maybank Kim Eng

1. Record earnings in FY14, strong launch of Royal Wharf and potential listing of overseas businesses. Stock more than doubled in the six months to Apr 2014.
2. Stock fell from euphoric levels as potential spin-off did not materialise.
3. Decisive return to Singapore market by acquiring 11 redevelopment sites between May 2017 and Mar 2018.
4. Enhanced stock liquidity after placement of treasury shares in Nov 2017 and new shares in Mar 2018. We estimate share base expanded 38% in FY18E.
5. Acquired Chevron House, a prime office property in Singapore, in Dec 2017.
6. Surprise policy tightening.

## Financial Metrics

- With a strong development pipeline, we expect revenue to sustain above SGD1.5b over next three years.
- Recently-acquired Chevron House adds to recurring income. Potential launch of SGD5b of local inventories in coming year.
- Near-term earnings underpinned by completions at Royal Wharf and office blocks at Dublin Landings. Cambodia and Malaysia to contribute from FY21E.
- We forecast cash interest cost of SGD140m for FY19E, 1.7x covered by EBITDA.

### Diversified revenue streams



Source: Company, Maybank Kim Eng

## Swing Factors

### Upside

- Sharp rise in Singapore home prices.
- Sales of investment properties or hotels.
- Successful execution of overseas pipeline.

### Downside

- Poor sales at Singapore residential projects.
- Spikes in interest rates.
- Poor overseas execution.

FYE 30 Jun	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Key Metrics</b>					
P/E (reported) (x)	4.9	6.7	7.4	7.3	4.4
Core P/E (x)	4.9	6.7	7.4	7.3	4.4
P/BV (x)	1.0	1.4	0.9	0.8	0.7
P/NTA (x)	1.0	1.4	0.9	0.8	0.7
Net dividend yield (%)	4.1	3.1	3.4	3.4	5.6
FCF yield (%)	31.3	3.5	nm	51.3	51.5
EV/EBITDA (x)	10.5	31.0	21.3	17.4	8.8
EV/EBIT (x)	10.5	34.0	23.3	18.8	9.3

**INCOME STATEMENT (SGD m)**

Revenue	1,343.0	1,188.6	1,587.2	1,682.1	1,763.3
Gross profit	386.2	185.6	280.9	301.4	496.6
EBITDA	322.7	157.4	234.7	254.6	436.2
Depreciation	(0.7)	(14.1)	(20.0)	(20.0)	(20.0)
EBIT	322.0	143.3	214.7	234.6	416.2
Net interest income / (exp)	(39.1)	(58.8)	(68.2)	(65.8)	(64.0)
Associates & JV	0.3	103.0	74.6	60.7	60.7
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	16.3	117.8	0.0	0.0	0.0
Pretax profit	299.5	305.3	221.2	229.4	412.8
Income tax	(71.8)	(23.2)	(29.3)	(33.7)	(70.4)
Minorities	(9.5)	2.9	(1.0)	(1.0)	(22.9)
Reported net profit	218.1	285.0	190.9	194.7	319.5
Core net profit	218.1	285.0	190.9	194.7	319.5
Preferred Dividends	0.0	0.0	0.0	0.0	0.0

**BALANCE SHEET (SGD m)**

Cash & Short Term Investments	413.5	255.0	214.4	237.2	218.9
Accounts receivable	481.2	417.3	429.8	442.7	400.0
Inventory	2,017.3	2,261.9	2,740.2	2,335.5	1,699.0
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	910.6	971.9	956.9	941.9	926.9
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	216.2	286.8	361.4	391.8	422.1
Other assets	569.1	1,802.6	1,920.3	1,938.5	1,957.2
<b>Total assets</b>	<b>4,607.9</b>	<b>5,995.5</b>	<b>6,623.0</b>	<b>6,287.6</b>	<b>5,624.2</b>
ST interest bearing debt	609.6	246.8	350.0	300.0	300.0
Accounts payable	469.1	475.8	490.0	504.7	400.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	1,849.6	3,213.8	3,400.0	2,900.0	2,300.0
Other liabilities	591.0	582.0	770.0	822.0	574.0
<b>Total Liabilities</b>	<b>3,519.0</b>	<b>4,518.5</b>	<b>5,010.2</b>	<b>4,527.0</b>	<b>3,574.4</b>
Shareholders Equity	1,044.8	1,435.7	1,570.8	1,717.7	1,988.6
Minority Interest	44.1	41.3	42.1	42.9	61.2
<b>Total shareholder equity</b>	<b>1,088.9</b>	<b>1,477.0</b>	<b>1,612.9</b>	<b>1,760.6</b>	<b>2,049.8</b>
Perpetual securities	0.0	0.0	0.0	0.0	0.0
<b>Total liabilities and equity</b>	<b>4,607.9</b>	<b>5,995.5</b>	<b>6,623.0</b>	<b>6,287.6</b>	<b>5,624.2</b>

**CASH FLOW (SGD m)**

Pretax profit	299.5	305.3	221.2	229.4	412.8
Depreciation & amortisation	0.7	14.1	20.0	20.0	20.0
Adj net interest (income)/exp	39.1	58.8	68.2	65.8	64.0
Change in working capital	169.2	84.6	(236.3)	510.4	367.8
Cash taxes paid	(28.3)	(98.1)	(29.3)	(33.7)	(70.4)
Other operating cash flow	(18.8)	(254.9)	(74.6)	(60.7)	(60.7)
Cash flow from operations	461.3	109.9	(30.9)	731.3	733.6
Capex	(124.2)	(43.1)	(5.0)	(5.0)	(5.0)
Free cash flow	337.1	66.8	(35.9)	726.3	728.6
Dividends paid	(30.7)	(49.8)	(55.8)	(47.7)	(48.7)
Equity raised / (purchased)	(1.7)	88.7	0.0	0.0	0.0
Change in Debt	(194.9)	1,001.9	289.5	(550.0)	(600.0)
Perpetual securities distribution	0.0	0.0	0.0	0.0	0.0
Other invest/financing cash flow	(249.5)	(1,268.3)	(238.4)	(105.7)	(98.2)
Net cash flow	(139.7)	(160.6)	(40.6)	22.9	(18.3)

FYE 30 Jun	FY17A	FY18A	FY19E	FY20E	FY21E
<b>Key Ratios</b>					
<b>Growth ratios (%)</b>					
Revenue growth	36.9	(11.5)	33.5	6.0	4.8
EBITDA growth	25.3	(51.2)	49.1	8.5	71.3
EBIT growth	25.3	(55.5)	49.8	9.3	77.4
Pretax growth	(17.6)	2.0	(27.6)	3.7	80.0
Reported net profit growth	5.9	30.7	(33.0)	2.0	64.1
Core net profit growth	5.9	30.7	(33.0)	2.0	64.1
<b>Profitability ratios (%)</b>					
EBITDA margin	24.0	13.2	14.8	15.1	24.7
EBIT margin	24.0	12.1	13.5	13.9	23.6
Pretax profit margin	22.3	25.7	13.9	13.6	23.4
Payout ratio	20.1	20.6	25.0	25.0	25.0
<b>DuPont analysis</b>					
Net profit margin (%)	16.2	24.0	12.0	11.6	18.1
Revenue/Assets (x)	0.3	0.2	0.2	0.3	0.3
Assets/Equity (x)	4.4	4.2	4.2	3.7	2.8
ROAE (%)	23.8	23.0	12.7	11.8	17.2
ROAA (%)	4.7	5.4	3.0	3.0	5.4
<b>Leverage &amp; Expense Analysis</b>					
Asset/Liability (x)	1.3	1.3	1.3	1.4	1.6
Net gearing (%) (incl perps)	187.9	217.0	219.2	168.3	116.2
Net gearing (%) (excl. perps)	187.9	217.0	219.2	168.3	116.2
Net interest cover (x)	8.2	2.4	3.1	3.6	6.5
Debt/EBITDA (x)	7.6	nm	16.0	12.6	6.0
Capex/revenue (%)	9.2	3.6	0.3	0.3	0.3
Net debt/ (net cash)	2,045.6	3,205.5	3,535.6	2,962.8	2,381.1

Source: Company; Maybank

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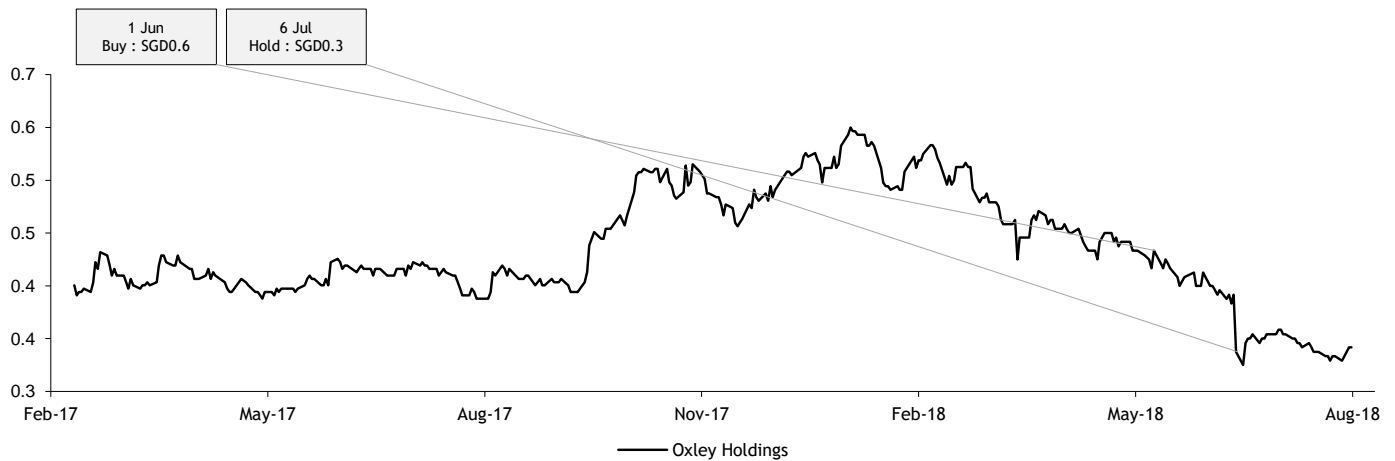
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