ROXY-PACIFIC: Our next moves are ..... (/index.php/story-archive-mainmenu-60/938-2016/10587-roxy-pacific)

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Published: 25 February 2016

ROXY-PACIFIC HOLDINGS achieved net profit of S$85.2 million in 2015, a 12% dip year-on-year largely due to the absence of one-off gains from the disposal of an investment property in HK.

Roxy-Pacific is keeping unchanged its final dividend of 1.297 cents a share as it did its interim dividend of 0.616 cents a share. The yield is of about 3.9% based on the recent stock price of 49 cents, which is substantially below the adjusted net asset value of 77.16 cents a share.

For more information, see the company's Powerpoint presentation materials.

(http://infopub.sgx.com/FileOpen/RPH_Ann_FullYear2015_PresentationSlides.ashx?App=Announcement&FileID=390538)Roxy-Pacific's future prospects depend on how the property cooling measures in Singapore are adjusted, if at all, as well as on how its major property acquisitions and investments overseas contribute.

We highlight comments -- forthcoming and insightful -- by the management in response to questions at a results briefing on Tuesday (23 Feb). (For more information on Roxy-Pacific's overseas property ventures, which have grown strongly in recent times, see also the links at the bottom of this story).

Executive chairman and CEO Teo Hong Lim on the Singapore property market: "Sales are still coming in. For example our Trilive project – we sold 20-30 units last year, it's slow but it's not stagnant. It's not like in the past financial crisis where you don't have any confidence to buy.

Roxy-Pacific executive chairman & CEO Teo Hong Lim speaking with some attendees after the FY15 results briefing.

Photo by Leong Chan Teik

"There's demand that's being held back by the government's cooling measures. There could be some relief but there won't be a total removal of the measures.

"The market is in oversupply and we have to identify choice locations to do our projects. Certain locations have a lot of supply and it will take a while to sell out there.

"All along our strategy has been to concentrate on freehold sites, which are rare as they can only come from individual sellers or en-bloc sales. Freehold sites are a natural differentiation while 99-year sites have to rely on location as a differentiating factor.

"We think the market can't get worse. There could be a bit of strengthening or at least stability, so it may be time to go back to buy some sites."

26, Sea Avenue site was bought by Roxy Pacific for S$21.5 million in Sept 2015 -- its first purchase of landbank in Singapore since June 2013.

News: Roxy-Pacific will launch two freehold low-rise apartment projects in Sea Avenue and Eunos in the 2H of this year.

Mr Teo on competition and pricing:"Sea Avenue is a rare location and we don't forsee many competitors. We can build 25 exclusive units. We could price our project in the $1,600 to $1,700 psf range.

"If you go to Amber, high rise units there are selling at about $2,000 psf. Next to us is Marine Blue where the last few transactions were about $1,800 psf… they are high-rise. Further down, UOL launched the St Patrick's project last year and they are 90% sold at about $1,600 psf."

"For our Eunos project, the price range would probably be around $1,400 psf, as we got the land cheaper."

Mr Teo on Roxy-Pacific's strategy in Australia: "We started in Australia three years ago with a JV with a superannuation fund there. We feel Sydney is the key market and started acquiring 59 Goulburn Street. It produces income and has a redevelopment story. We bought it for AUD90 m and gives us income of AUD7-8 m a year -- a good return.

"In Australia, we collect only 10% from buyers but we cannot really use this money, unlike in Singapore where progress payments fund the project. There's the challenge of getting bank financing and the risk that if prices drop and buyers walk away.

59 Goulburn Street, a 28-storey commercial building: Roxy-Pacific has been in talks with the authorities for permission to redevelop it to possibly 39 storeys.

"Our strategy -- in Brisbane, for example we are doing a JV to build a 20-over storey building – it’s not super highrise. If we can sell, we quickly build. The recent three sites we bought in Sydney are for 6-7 storeys. We try to financially manage or try to be cautious in our delivery. We want to do the project such that even if we can’t raise substantial amount of money, it won’t be a stretch for us.

"Of the three sites in Sydney, we have secured final approval for 2 and we could launch the projects for sale within 12 months. The third one, in Glebe, which is a goverment land sale, has stage 1 approval.

"In Sydney, we are sticking to quality locations. Sales used to be 80-90% in one weekend in the last few years but now it's 40-50%, which is still respectable."

Roxy-Pacific CFO and executive director Koh Seng Geok.
Photo by Leong Chan Teik

CFO Koh Seng Geok on hedging against forex risk: "Typically for overseas investments, we go for natural hedging. We try to secure 60-65% financing, and that will take care of the forex risk. For the remaining 35%, we have a multi-currency line in Singapore we can draw in Aussie dollars and pump the money into Australia. But we are reviewing this. The AUD has been falling and now there is a possibility it may come back. So internally we have to evaluate: When we next acquire a property, do we still want to hedge the 35%?"

Mr Teo on possible monetisation strategy for Perth landbank: "Our Australian JV partner is doing the conversion process and everything has been smooth. This is a 490,000 sq ft land (http://roxypacific.listedcompany.com/newsroom/20150323_172716_E8Z_43X9ZZA2EVUGIX89.2.pdf) that we bought for AUD59 million and we are converting it from industrial to a mixed-use site. On a plot ratio of 2 or 2.1 we can generate gross floor area of 1 m sq ft. The land cost works out to be just AUD50 psf ppr. Very likely we may cross the conversion and then just sell. We can sub-divide and sell with our JV partner."