



ROXY-PACIFIC HOLDINGS | HOLD

MARKET CAP: USD 426M

AVG DAILY TURNOVER: USD 0.1M

14 Mar 2016
Company Update

EXECUTING ON DIVERSIFICATION STRATEGY

- Continues expansion in Australia
- Launched Noku Roxy hotel brand
- Prudent land-banking in SG

Building on diversification strategy and growing recurring income

The group continues to execute well on its diversification strategy in expanding overseas and increasing its source of recurring income. Over the last year, Roxy acquired four freehold assets in Sydney for approximately A\$151.0m. Three of these sites (No. 14 Cowper St, Bayswater Road and Buckingham Rd) are slated for residential development while the 14-storey commercial building in Sydney's CBD, in the the group owns a 50% interest, will be held for recurring income. Management indicates that they see Australia as suitable market for expansion given that it is a stable and well-regulated real estate market with attractive supply-demand dynamics. The group also launched its new hotel brand, Noku Roxy, over the last year with a hotel in Kyoto, Japan in Nov 2015 and will also launch one more in Phuket, Thailand under this umbrella brand in 2018.

Will prudently acquire choice freehold sites in Singapore

In Singapore, the group acquired freehold housing sites in Sea Avenue and Jalan Eunus over the last year and plans to develop 57 residential units on these sites. Management expects conditions in Singapore's residential market to remain challenging and does not expect cooling measures to be lifted over the nearer term. That said, we note that Roxy is sitting on S\$384.6m of attributable progress billings which will significantly buttress earnings ahead. Over FY15, the group's net profit dipped 12% to S\$85.2m, mostly due to an absence of a S\$43.3m one-time profit from the sale of strata retail floors at 8 Russell St, Hong Kong while FY15 topline surged 45% to S\$460.9m in FY15 due to a 54% and 85% increase in property development and property investment revenues, respectively. A final cash dividend of 1.297 S-cents was declared (total FY15 dividends: 1.913 S-cents). Maintain **HOLD** with an unchanged fair value estimate of S\$0.52.

Key financial highlights

Year Ended Dec 31 (S\$m)	FY14	FY15	FY16F	FY17F
Revenue	317.8	460.9	451.7	442.7
Cost of sales	-220.6	-331.3	-338.8	-332.0
Gross profit	97.2	129.7	112.9	110.7
PAT	96.8	85.2	78.3	76.9
Income tax	-13.5	-15.9	-14.6	-14.3
EPS (S-cents)	8.1	7.1	6.6	6.4
Cons. EPS (S-cents)	na	na	na	na
PER (x)	6.0	6.9	7.5	7.6
P/NAV (x)	1.5	1.3	1.1	1.0
Net gearing (%)	125.4	90.2	77.2	68.0

HOLD (maintain)

Fair value	S\$0.52
add: 12m dividend forecast	S\$0.02
versus: Current price	S\$0.49
12m total return forecast	9%

Analysts

Eli Lee • +65 6531 9112
elilee@ocbc-research.com
Andy Wong Teck Ching, CFA • +65 6531 9817
andywong@ocbc-research.com

Key information

Market cap. (m)	S\$585 / USD426
Avg daily turnover (m)	S\$0.1 / USD0.1
Avg daily vol. (m)	0.1
52-wk range (S\$)	0.445 - 0.54
Free float (%)	23.1
Shares o/s. (m)	1,193.6
Exchange	SGX
BBRG ticker	ROXY SP
Reuters ticker	RXYP.SI
ISIN code	E8Z
GICS Sector	Financials
GICS Industry	RE Mngt & Dev
Top shareholder	Kian Lam Inv: 48.3%

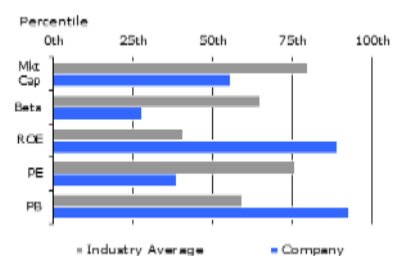
Relative total return	1m	3m	12m
Company (%)	1	-1	-4
STI-adjusted (%)	-10	-1	9

Price performance chart



Sources: Bloomberg, OIR estimates

Industry-relative metrics



Note: Industry universe defined as companies under identical GICS classification listed in exchanges in Asia Pacific.
Sources: Bloomberg, OIR estimates

Company financial highlights

Income statement

Year Ended Dec 31 (\$m)	FY14	FY15	FY16F	FY17F
Revenue	317.8	460.9	451.7	442.7
Cost of sales	-220.6	-331.3	-338.8	-332.0
Gross profit	97.2	129.7	112.9	110.7
Other operating income	6.4	12.3	0.0	0.0
Admin expenses	-17.4	-17.3	-17.0	-16.6
Other operating expenses	-19.6	-19.7	-29.4	-28.8
Share of assoc/JV profits (post-tax)	54.9	11.1	40.0	40.0
PBT	110.3	101.1	92.9	91.2
Income tax	-13.5	-15.9	-14.6	-14.3
PAT	96.8	85.2	78.3	76.9

Balance sheet

As at Dec 31 (\$m)	FY14	FY15	FY16F	FY17F
Cash and equivalents	415.3	395.0	430.2	487.5
Dev. Properties	541.8	516.5	516.5	516.5
Inv. Properties	175.7	179.8	179.8	179.8
Total Assets	1,433.3	1,408.8	1,493.7	1,600.6
Trade and other payables	75.7	96.6	98.7	96.8
Current financial liabilities	642.2	484.9	500.0	550.0
Non-current financial liabilities	275.0	322.8	330.0	330.0
Total Liabilities	1,032.5	950.6	975.0	1,023.1
Total Equity	400.3	457.6	518.1	577.1
Total equity and liabilities	1,433.3	1,408.8	1,493.7	1,600.6

Cash flow statement

Year Ended 31 Dec (\$m)	FY14	FY15	FY16F	FY17F
Profit before income tax	110.3	101.1	92.9	91.2
Reval and disposal of assets	-4.4	-8.4	0.0	0.0
Total change in working capital	117.5	62.5	3.4	-0.8
Cash flow from operations	177.0	152.5	54.1	49.0
Cash flow from investing	-117.3	-32.9	-15.0	-15.0
Dividends (paid)	-22.8	-22.8	-17.9	-17.9
Cash flow from financing	1.3	-222.2	-3.9	23.3
Opening balance	354.6	415.3	395.0	430.2
Change in cash	61.1	-102.6	35.2	57.3
Ending balance	415.3	395.0	430.2	487.5

KEY RATES & RATIOS

	FY14	FY15	FY16F	FY17F
EPS (S-cents)	8.1	7.1	6.6	6.4
NAV per share (S-cents)	33.5	38.3	43.4	48.4
PER (x)	6.0	6.9	7.5	7.6
P/NAV (x)	1.5	1.3	1.1	1.0
Gross profit margin (%)	30.6	28.1	25.0	25.0
Net profit margin (%)	30.5	18.5	17.3	17.4
Net gearing (%)	125.4	90.2	77.2	68.0
Dividend yield (%)	3.9	3.9	3.1	3.1
ROE (%)	24.2	18.6	15.1	13.3
ROA (%)	6.8	6.0	5.2	4.8

Sources: Company, OIR forecasts

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- For companies with market capitalization of S\$150m and below, OIR's BUY rating indicates a total expected return in excess of 30%; a HOLD rating indicates total expected returns within a +/-30% range; a SELL rating indicates total expected returns less than -30%.

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Carmen Lee
Head of Research
For OCBC Investment Research Pte Ltd

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