

ROXY-PACIFIC: 89-cent RNAV, bulk of profit to come from overseas (/index.php/story-archive-mainmenu-60/938-2016/10995-roxy-pacific-89-cent-rnav-bulk-of-profit-to-come-from-overseas)

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Excerpts from analyst's report

NRA Capital analyst: Liu Jinshu

Estimated GDV of S\$1.54 billion. Excluding Harbour View Gardens, 54 & 85 Bracks Street and Jalan Kramat Raya No 110, Jakarta, we estimate that Roxy's ongoing and future development projects to have an attributable gross development value of S\$1.5 billion, of which S\$950.2m of properties have already been sold. We estimate unsold and unlaunched properties to have an attributable sales value of S\$589.3m.

Workings and estimates are shown in Figure 13. The excluded projects are mainly land bank sites with development plans yet to be finalized. Jalan Kramat Raya No 110, Jakarta is 49% owned by Roxy and was acquired for an attributable cost of S\$3.3m.

Currently, Roxy plans to develop this site into a 110-unit commercial development. We plan to study this site and incorporate this project into our model in a subsequent report. The



"Estimated net development value of S\$136m. After deducting for costs, we arrived at an estimated net development value of S\$136m, of which about S\$91.6m has yet to be recognized as profit.

"The bulk of these projected profits or S\$58.4m is expected to arise from overseas projects, thus showing that Roxy's geographical diversification strategy is about to yield results."

-- Liu Jinshu (photo)

challenge is that this project entails a new market that we would prefer to study in detail before committing to forecasts.

- ◆ Average profit of \$40.4 m between 2016-2018

Figure 17 shows that we expect Roxy to make net profit attributable to shareholders of S\$39.5m in 2016, followed by S\$40.4m in 2017. 2017 profitability will likely be driven by anticipated fair value gains from the revaluation of 59 Goulburn Street to S\$150m. In turn, FY18 profitability is expected to rise to S\$41.4m on completion from associated projects such as Wisma Infinitum and Bracks Street.

Valuation. Based on our updated assumptions, we derive a RNAV of S\$1.06 billion for Roxy or S\$0.890 per share. This RNAV takes into account the development upside of Roxy's pipeline, excluding Harbour View Gardens and Jalan Kramat Raya No 110, Jakarta. We have done relatively little work or have limited visibility over the profitability of these two projects right now.

Secondly, we have not revalued those hotel

projects that are currently under development, but rely on the revaluation surplus as provided by the company in its results announcement.

Compared to Roxy's reported adjusted net asset value (which excludes development gains and revaluation gains from the Sydney office properties) of S\$0.7855 per share, our estimated RNAV carries a 12 cent premium.

We next discounted Roxy's RNAV by 40% to S\$647m or S\$0.540 per share. We have previously discounted Roxy's RNAV by only 30%. The 40% discount is consistent with our treatment of another Singapore property developer.

Valuation	
Remaining NDV of properties	91.56
Rezoning gain from Bracks Street	7.2
59 Goulburn Street @ S\$7,884 psm	153.00
Less book value	-121.80
117 Clarence Street @S\$8,723 psm x 50%	54.48
Less book value (S\$88.2m x 50%)	-44.10
Revaluation surplus of hotels	467.10
Book value of common equity	470.36
RNAV	1,077.80
Discount	40%
Discounted RNAV	646.68
No of shares	1,193.37
Value per share	0.540
Current share price	0.450
Upside	20.0%
Source: NRA Capital	

Potential catalysts may arise from any decision to sell 59 Goulburn Street, which will help to streamline its balance sheet and free up resources for more development projects. Since our last update, Roxy's share price has fallen from S\$0.490 to S\$0.450. Our valuation implies an upside of 20%.



59 Goulburn St: Bought in 2014 for A\$90.2 million by Roxy-Pacific. Can it fetch nearly A\$150 million today with redevelopment approval? *Photo:*

www.commercialrealestate.com.au

Roxy Pacific Holdings

Share price:	RNAV:	Fair value:
45 c	89 c	54 c

Full report here.

(<http://www.nracapital.com/research/sgxresearchreport/1609wlp8nh>)