

5 March 2019

## Amara (AMA SP)

### FY19: Growing Shanghai Revenue, Says Mgt

Consumer Cyclical | Consumer Services

**Buy** (Maintained)

Target Price (Return) SGD0.88 (+91%)  
 Price: SGD0.46  
 Market Cap: USD195m  
 Avg Daily Turnover (SGD/USD) 13,700/10,100

- **Maintain BUY with unchanged SGD0.88 TP pegged to a 35% discount to RNAV**, offering 91% upside plus 2% yield. We remain bullish after speaking to management. For 2019, Amara's Shanghai mall and office revenue contributions will commence. In addition, the stabilisation of Amara's Shanghai hotel operations (since opening in 1Q18) will also add to earnings. We believe Amara's Singapore hotels operations should remain steady from healthy visitor arrivals.
- **We raise FY19F net profit by 12% to SGD18m**, factoring in slightly more revenue from property investment and development. Our FY19F net profit is 44% lower YoY primarily due to our assumption of lower fair value gains. Stripping off fair value gains, the proforma FY19 PBT would be 14% higher YoY – reflecting good operating gains. We also raised FY20F net profit by 11%.
- **Stronger FY19 revenue to come** from Shanghai mall and office. After 2018 revenue rose 16%, driven mainly by the hotel investment and management segment (+21%), we remain bullish on further 2019 revenue expansion. Amara signed an office leasing contract in Jan 2019 with a single party, leasing out all of its Shanghai office space. 90% of its Shanghai mall has also been leased out.
- **4Q18 Amara Signature Shanghai occupancy was 70+%**. This high operating performance is positive on earnings, but depreciation charges led to a negative impact on 2018 P&L.
- **Amara's Singapore hotels recorded a slight increase in 2018 occupancy rate**, and average room rate (ARR) was stable. We expect earnings to remain stable.
- **Higher FY18 dividend**. The board of directors declared a final dividend of SGD0.01/share and a special dividend of SGD0.01/share. This gives an overall FY18 dividend yield of 4.3%. We did not assume any special dividend for FY19.
- **Key risks** are global economic fluctuations and geopolitical developments that could affect tourist arrivals.

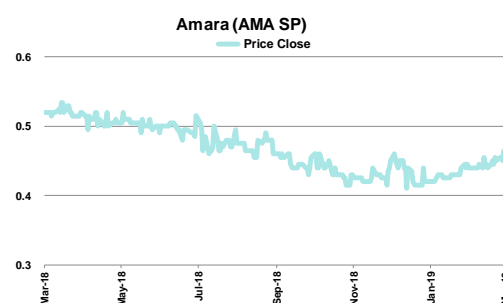
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#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	9.5	4.5	2.2	0.0	(13.2)
Relative	4.5	3.5	(1.1)	(0.3)	(4.9)
52-wk Price low/high (SGD)					0.41 – 0.55



Source: Bloomberg

Forecasts and Valuation	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (SGDm)	89.8	104.2	123.8	129.1	135.6
Recurring net profit (SGDm)	23.7	32.0	18.0	21.6	24.3
Recurring net profit gr (%)	(36.1)	35.0	(43.8)	20.4	12.3
Recurring P/E (x)	11.2	8.3	14.7	12.2	10.9
P/B (x)	0.70	0.66	0.65	0.63	0.60
P/CF (x)	221.7	8.8	7.9	7.0	5.9
Dividend Yield (%)	2.2	4.3	2.2	2.2	2.2
EV/EBITDA (x)	12.4	10.3	12.6	11.6	10.0
Return on average equity (%)	6.3	8.2	4.5	5.2	5.6
Net debt to equity (%)	83.8	78.8	78.9	70.2	61.5
Interest coverage	5.5	4.7	2.8	3.3	3.3

Source: Company data, RHB

Figure 1: Amara financial data and estimates

	FY2017	FY2018	FY2019F	FY2020F	FY2021F
<b>P&amp;L (SGD m)</b>					
Revenue	89.8	104.2	123.8	129.1	135.6
Gross Profit	101.7	117.9	116.1	117.5	125.2
EBIT	41.4	46.3	33.4	36.5	40.9
PBT	34.1	36.6	21.9	25.8	29.0
Profit attributable to owners	23.7	32.0	18.0	21.6	24.3

Source: Company data, RHB

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