16 April 2019

Business Trusts | Hotels, Restaurants & Leisure

Accordia Golf Trust (AGT SP)

Not Rated

Ground Checks: AGT's Yield Accretive Green

Target Price (Return)	N/A
Price:	SGD0.60
Market Cap:	USD488m
Avg Daily Turnover (SGD/USD)	0.7m/0.5m

- **We visited five of AGT's golf courses in early April and came away positive.** We note that the number of players and utilisation rates have improved, pointing to a positive 4Q18. Management revealed it is keen to acquire more accretive golf courses via debt and equity as well as offload underperforming golf courses to fund for these accretive acquisitions. The consensus dividend yield of FY19F stands at 7.1%, an improvement from FY18 despite a recovery in its share price**.**
- **Improving operating statistics point to potential improving yield.** From Jan-Mar 2019, the monthly number of players has increased by 18.4%, 12.6% and 8.7% YoY. At the same time, the monthly utilisation rates have increased by 4.3%, 3.3% and 4.6% YoY. These improving operating statistics all point to a positive 4Q18, as well as potentially better dividends for shareholders. Management will also inject further capex to further improve the performance of its golf courses.
- **Looking to acquire accretive golf courses.** Orix Corp (8591 JP, NR) announced in Nov 2018 that it has transferred its golf business to MBK Partners, the same owner of the sponsor of Accordia Golf Trust. This would make Accordia Golf Co Ltd the largest golf operator in Japan. Management mentioned that it is keen to acquire yield accretive golf courses following the refinancing of its debt to just two lenders, namely Aozora Bank (8304 JP, NR) and Orix Corp.

  It is also in the midst of exploring a few acquisition options and working on the ideal capital structure for these acquisitions. Management highlighted that it is open to both equity and debt sources to fund for these acquisitions. In addition, it is looking at selling some of the underperforming golf courses, especially those that can be converted into solar farms, which would yield a better selling price and plans to use the proceeds to fund the acquisition of accretive golf courses.

  Key risks include bad weather, natural disasters, and FX fluctuations.

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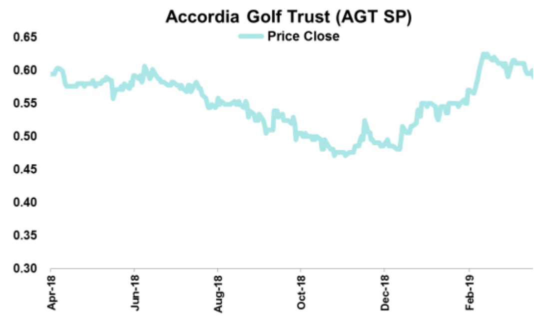
Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	18.8	1.7	10.1	15.4	(7.0)
Relative	10.4	(2.2)	6.6	6.2	(2.0)

52-wk Price low/high (SGD) 0.48 – 0.65



Source: Bloomberg

Historical Data	Mar-16	Mar-17	Mar-18
Total turnover (JPYm)	52,537	51,533	50,860
Recurring net profit (JPYm)	6,517	4,000	4,095
Recurring net profit growth (%)	151.6	(38.6)	2.4
Recurring P/E (x)	8.3	13.5	13.2
P/BV (x)	0.7	0.7	0.7
P/CF (x)	4.3	4.9	5.1
DPU Yield (%)	11.1	10.1	6.4
EV/EBITDA (x)	7.2	9.2	10.1
ROE (%)	8.0	5.0	5.1
Net debt to equity (%)	41.8	44.5	48.7
Interest coverage (x)	5.2	4.0	3.8

Source: Company data, RHB

Figure 1: Dai-Atsugi's main golf course

Source: RHB

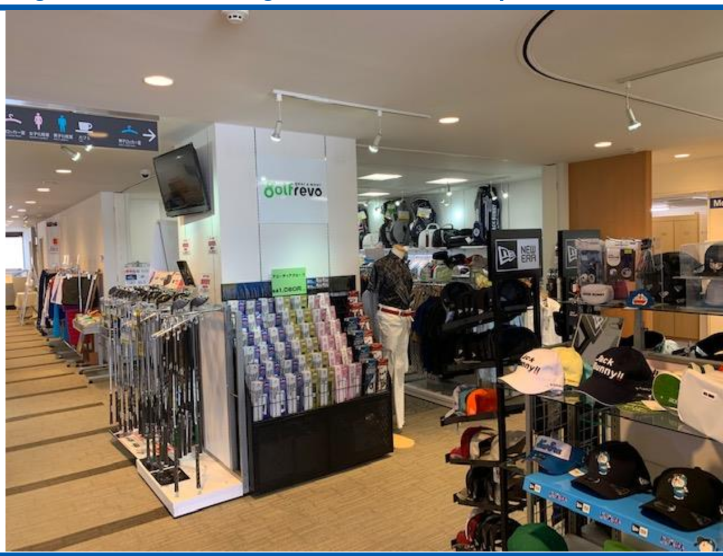
Figure 2: Players playing golf at Dai-Atsugi main golf course

Source: RHB

Figure 3: View from the course

Source: RHB

Figure 4: Outsourced golf accessories shop



Source: RHB

Figure 5: Cashier at the shop

Source: RHB

Figure 6: Accordia's golf auto paying machine

Source: RHB

Figure 7: Dai-Atsugi Sakura golf course

Source: RHB

Figure 8: Players playing golf at Dai-Atsugi Sakura course

Source: RHB

Figure 9: Players playing at Ashitaka 600 golf course

Source: RHB

Figure 10: View of the club restaurant

Source: RHB

Figure 11: Mount Fuji visible from Mishima golf course

Source: RHB

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