

11 April 2019

Property | Real Estate

Yoma Strategic (Yoma SP)

Buy (Maintained)

Transitioning Into Next Growth Phase; BUY

Target Price (Return)	SGD0.57 (+78%)
Price:	SGD0.32
Market Cap:	USD450m
Avg Daily Turnover (SGD/USD)	0.86m/0.64m

- **BUY, SGD0.57 TP reflects 78% upside plus 1% FY19F (Mar) yield.** We believe Yoma Strategic is well-poised for its next leg of growth, with the steady expansion of its non-real estate segment offsetting weakness in its real estate unit. Key risks: slow pace of political and economic reforms, macroeconomic uncertainty and forex risks. TP reflects a 20% discount to our SOP valuation.

- **Yoma F&B – YKKO acquisition to immediately contribute to earnings.** In February, Yoma announced the acquisition of a 65% stake in Yankin Kyay Oh Group (YKKO). YKKO, one of the largest local restaurant chains (37 outlets) in Myanmar, is famous for its *Kyay-Oh*, a popular vermicelli and flat rice noodle-based dish. The total price consideration of USD12.6m, based on 10x FY2018 EV/EBITDA, is reasonable. There is more upside potential with earnings expected to grow by double digits in the next 2-3 years. On its KFC business, Yoma now runs 33 stores (as at Dec 2018), vs its 32-store target by Mar 2019. With growing scale and continued positive SSSG, management is confident of cash flow breaking even in FY20.

- **Real estate – building more affordable homes.** Due to a slowdown in its mid- to high-end residential properties business, Yoma recently expanded its offering with City Loft (affordable houses targeting the mid-income segment). The strategy proved effective, with Yoma selling ~90% of the 357 units launched. Earnings will kick in from FY20F, with construction having commenced early this year. While margins for City Loft are likely to be lower at ~25%, vs 35%-45% for high-end homes, it should provide much-needed earnings visibility. At Peninsula Residences Yangon, the Group has sold 11 units, with six more being reserved out of 30 units launched as at 3QFY19.

- **Yoma Motors impacted by strong monsoon season and slower agriculture growth.** Yoma's New Holland Tractor business, a key contributor of Yoma Motors, has been impacted by the strong monsoon season and slowdown in the agriculture sector. This led to 3QFY19/9MFY19 segmental revenue declining 25%/31%YoY. Management is currently broadening its product range to target a wider section of the agriculture sector.

- **Financial services segment showing healthy improvement.** Yoma's fleet size has increased by 40% since FY18 to 1,003 vehicles, resulting in 9MFY19 segmental revenue growth of 17%. Management remains optimistic on leasing activity prospects, with growth from organic and inorganic expansion. Wave Money's cash flow broke even in Sep 2018 and continues to see a double-digit MoM revenue and transaction growth (Figures 4 and 5).

- **Adjusting estimates.** We cut FY19-21F earnings by 12-14% to factor in the slowdown in Yoma's real estate and auto businesses.

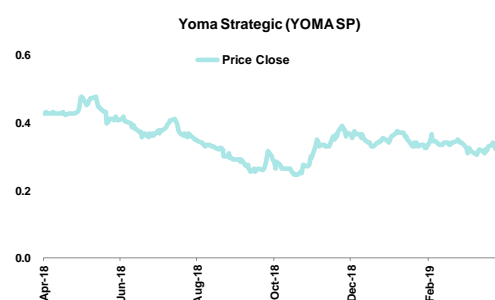
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(5.9)	(5.9)	(7.2)	12.3	(25.6)
Relative	(14.3)	(10.0)	(11.8)	6.0	(21.6)
52-wk Price low/high (SGD)	0.24 - 0.49				



Source: Bloomberg

Forecasts and Valuation	Mar-17	Mar-18	Mar-19F	Mar-20F	Mar-21F
Total turnover (SGDm)	124	108	159	237	295
Recurring net profit (SGDm)	36	27	34	43	53
Recurring net profit growth	(4)	(26)	29	26	23
Recurring EPS (SGD)	0.02	0.01	0.02	0.02	0.03
Recurring P/E (x)	16.8	23.6	18.3	14.5	11.8
P/BV (x)	0.9	0.9	0.8	0.8	0.8
DPS (SGD cents)	0.3	0.3	0.3	0.3	0.3
Dividend Yield (%)	0.8	0.8	0.8	0.9	0.9
ROAE (%)	6.9	5.1	6.6	8.3	10.3
Net debt to equity (%)	25.0	28.2	32.1	35.7	36.1
Interest coverage (x)	n.m	n.m	0.5	1.6	2.1

Source: Company data, RHB

Figure 1: City Loft @ StarCity pre-launch sale event



Source: Company

Figure 2: City Loft @ StarCity project model



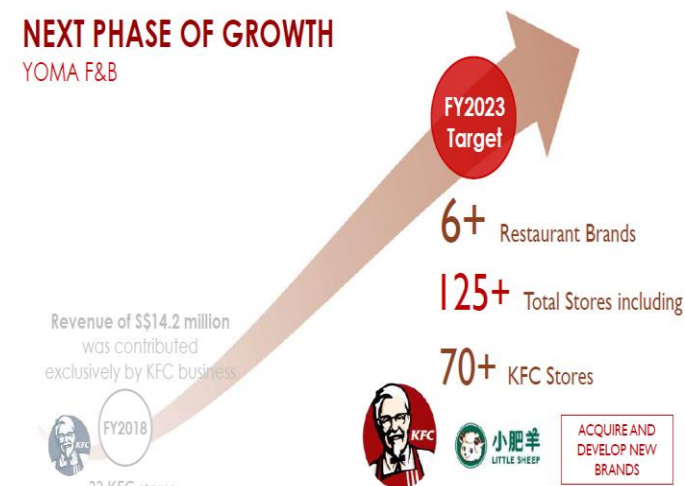
Source: Company

Figure 3: YKKO acquisition



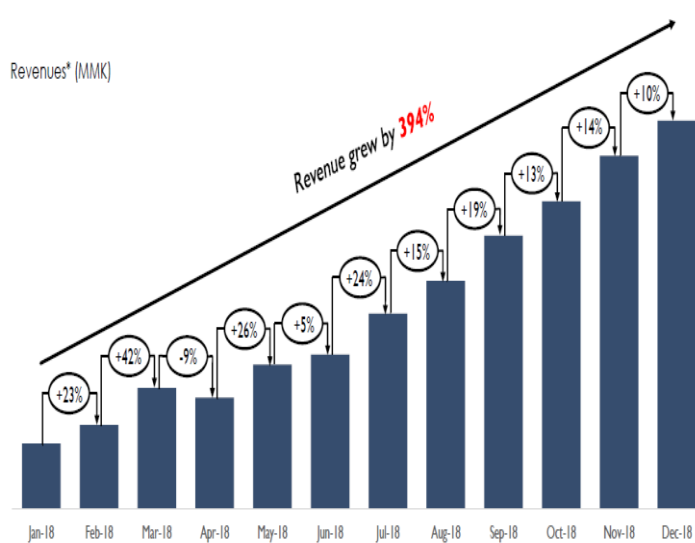
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Figure 4: F&B growth strategy



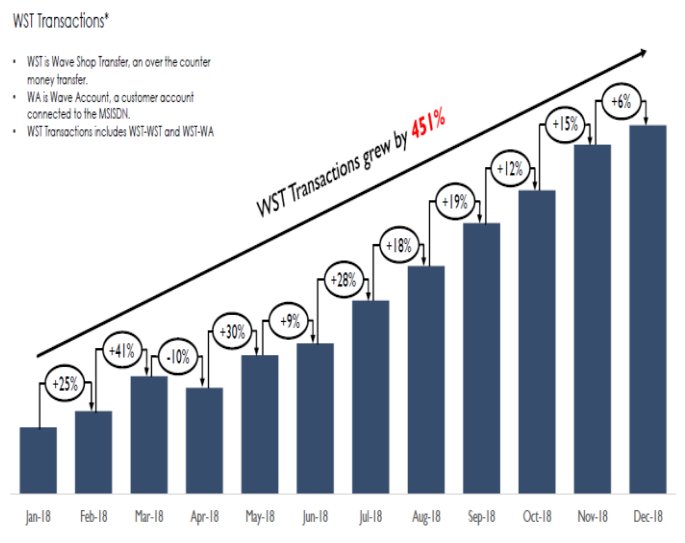
Source: Company

Figure 5: Wave Money revenue growth



Source: Company data

Figure 6: Growth of Wave Money transactions



Source: Company data

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Property | Real Estate

Figure 7: SOP valuation

Segment	Stake	SGDm	Comments
Property			
-Surplus from Property developments		462.3	Starcity, Pun Hlaing Golf Estate and Yoma Central
Consumer			
KFC business	100.0%	72.8	DCF valuation with 12% discount rate
YKKO	65.0%	17.0	At acquisition price
Automotive			
Yoma Fleet & New Case Holland	100.0%	76.8	10x P/E
Memories Group	33.0%	10.9	Based on market valuation
Shareholders' equity		714.7	
SOTP valuation (SGDm)		1354.5	
No of shares outstanding (m)		1894	
SOTP/share (SGD)		0.72	
Target Price (SGD)		0.57	based on 20% discount to factor in political and regulatory risks

Source: Company data, RHB

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