

18 December 2019

Real Estate | Real Estate Management & Development

Oxley Holdings (OHL SP)

Buy (Maintained)

Boost From Sale of No. 3 Dublin Landings

| | |
|------------------------------|----------------|
| Target Price (Return) | SGD0.43 (+21%) |
| Price: | SGD0.355 |
| Market Cap: | USD1104.3m |
| Avg Daily Turnover (SGD/USD) | 1.4m/1.1m |

- **Reiterate BUY, SGD0.43 TP implies 21% upside and c.9% yield.** Oxley has entered a memorandum of agreement with Iput for the sale of the 297-year leasehold interest in No. 3 Dublin Landings in Dublin 1, Ireland, for EUR115m. Proceeds from the sale will contribute positively to FY20F cash flow. We expect much stronger quarters ahead, due to the recognition of the remaining Chevron House sales as well as its Dublin and Singapore projects.

- **Dublin Landings No. 3 sale for EUR115m.** With the proposed sale, Oxley is entitled to receive c.77.8% of the sale proceeds, while the rest will be received by National Asset North Quay DAC. A deposit of EUR11m has been paid by the purchaser upon signing of the contract and held in escrow. The property is one of five commercial buildings developed by the group at Dublin Landings, a new commercial centre in the heart of the Irish capital with more than 1m sqf of office, residential and retail space. The other four commercial buildings have been sold. In addition to the commercial space, Oxley has developed 298 residential apartments which have been sold and are to be delivered progressively from Nov 2019 to Jun 2020. The total consideration from the development and sale of the commercial and residential developments is EUR745.4m, and the group is entitled to EUR591.5m while National Asset North Quays DAC will receive the balance.

- **Singapore portfolio selling well.** As of 3Q19, the company has sold c.67% of its portfolio, with sales averaging about 100 units a month for 2019 YTD. Management has also noticed that the property market has picked up and is more positive on the Singapore property market for 2020. Oxley has raised prices in a few of its existing projects by 1-2% due to new launches around the same area likely to be selling at much higher prices. Management expects to clear most of its Singapore portfolio by the end of 2020.

- **A record FY20F, coupled with potential special dividends.** Management guided that excess cash – after paring down gearing – will be used to reward shareholders with special dividends if there are no other suitable opportunities at that time. The counter is trading at a deep 52% discount to our RNAV of SGD0.74. This, together with an c.9% FY20F dividend yield, as well as a record FY20F compels us to maintain on the stock.

- **Key risks** include further cooling measures affecting the property market, and rising interest rates.

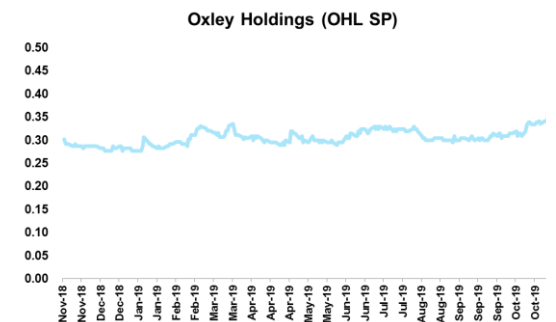
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Share Performance (%)

| | YTD | 1m | 3m | 6m | 12m |
|----------------------------|-------------|-----|------|------|------|
| Absolute | 17.2 | 6.3 | 11.5 | 11.5 | 11.5 |
| Relative | 11.0 | 1.6 | 8.6 | 11.9 | 5.2 |
| 52-wk Price low/high (SGD) | 0.28 - 0.36 | | | | |



Source: Bloomberg

| Forecasts and Valuation | Jun-18 | Jun-19 | Jun-20F | Jun-21F | Jun-22F |
|-----------------------------|---------|--------|---------|---------|---------|
| Total turnover (SGDm) | 1,188.6 | 686.1 | 2,827.2 | 1,423.8 | 876.5 |
| Recurring net profit (SGDm) | 285.0 | 146.3 | 375.1 | 264.6 | 188.4 |
| Recurring net profit growth | 30.7 | (48.7) | 156.4 | (29.5) | (28.8) |
| Recurring P/E (x) | 5.2 | 10.1 | 3.9 | 5.6 | 7.8 |
| P/BV (x) | 1.0 | 1.0 | 0.8 | 0.8 | 0.7 |
| P/CF (x) | 6.9 | (4.6) | 1.9 | (4.1) | 3.3 |
| Dividend yield (%) | 4.2 | 2.8 | 8.5 | 4.2 | 4.2 |
| EV/EBITDA (x) | 13.7 | 17.0 | 6.6 | 10.5 | 13.2 |
| ROE (%) | 19.9 | 9.7 | 21.4 | 13.5 | 9.1 |
| Net debt to equity (%) | 217.0 | 205.5 | 104.8 | 122.9 | 102.7 |
| Interest coverage (x) | 5.6 | 2.5 | 5.3 | 4.7 | 4.2 |

Source: Company data, RHB

18 December 2019

Real Estate | Real Estate Management & Development

Financial Exhibits

| | | | | | | |
|---|-------------------------------------|---------------|---------------|----------------|----------------|----------------|
| Asia | Financial summary | Jun-18 | Jun-19 | Jun-20F | Jun-21F | Jun-22F |
| Singapore | Core EPS (SGD) | 0.07 | 0.04 | 0.09 | 0.06 | 0.05 |
| Real Estate | EPS (SGD) | 0.07 | 0.04 | 0.09 | 0.06 | 0.05 |
| Oxley Holdings | DPS (SGD) | 0.02 | 0.01 | 0.03 | 0.02 | 0.02 |
| Bloomberg OHL SP | BVPS (SGD) | 0.37 | 0.36 | 0.42 | 0.47 | 0.50 |
| Buy | ROE (%) | 19.9 | 9.7 | 21.4 | 13.5 | 9.1 |
| | ROA (%) | 4.7 | 2.3 | 6.1 | 5.0 | 3.9 |
| Valuation basis | Valuation metrics | Jun-18 | Jun-19 | Jun-20F | Jun-21F | Jun-22F |
| 45% discount to RNAV of SGD0.74 | Core P/E (x) | 5.2 | 10.1 | 3.9 | 5.6 | 7.8 |
| Key drivers | P/B (x) | 1.0 | 1.0 | 0.8 | 0.8 | 0.7 |
| i. Sale of investment properties | Dividend yield (%) | 4.2 | 2.8 | 8.5 | 4.2 | 4.2 |
| ii. Lowering of net gearing; | EV/EBITDA (x) | 13.7 | 17.0 | 6.6 | 10.5 | 13.2 |
| iii. Special dividends; | | | | | | |
| iv. Gains from property developments | | | | | | |
| Key risks | Income statement (SGDm) | Jun-18 | Jun-19 | Jun-20F | Jun-21F | Jun-22F |
| The downside risks include: | Total turnover | 1189 | 686 | 2827 | 1424 | 876 |
| i. Lumpy revenue; | Gross profit | 186 | 135 | 565 | 285 | 175 |
| ii. Exposure to performance of the Singapore property market; | EBITDA | 344 | 270 | 504 | 369 | 274 |
| iii. High gearing; | Operating profit | 364 | 255 | 488 | 352 | 257 |
| iv. Subject to government regulations; | Net interest | -59 | -94 | -86 | -69 | -55 |
| v. Disputes and possible legal claims with buyers; | Exceptional items | 0 | 0 | 0 | 0 | 0 |
| vi. Property assets are relatively illiquid. | Pre-tax profit | 305 | 161 | 402 | 283 | 202 |
| | Taxation | -23 | -17 | -31 | -22 | -15 |
| | Net profit | 282 | 144 | 371 | 262 | 187 |
| | Core net profit | 285 | 146 | 375 | 265 | 188 |
| Company Profile | Cash flow (SGDm) | Jun-18 | Jun-19 | Jun-20F | Jun-21F | Jun-22F |
| Oxley Holdings is a home-grown property developer with a diversified portfolio of businesses that include property development, property investment and project management. The group has a business presence across 12 markets including Singapore, the UK, Ireland, Cyprus, Australia, Cambodia, Malaysia, Indonesia, China, Japan and Myanmar. | Cash flow from operations | 115 | -318 | 651 | -450 | 381 |
| | Capex | -31 | -50 | -50 | -50 | -50 |
| | Cash flow from investing activities | -1154 | 111 | 737 | -50 | -50 |
| | Cash flow from financing activities | 879 | 428 | -1065 | -543 | -462 |
| | Cash at beginning of period | 414 | 255 | 474 | 797 | -246 |
| | Net change in cash | -161 | 221 | 323 | -1044 | -132 |
| | Ending balance cash | 255 | 474 | 797 | -246 | -378 |
| | Balance sheet (SGDm) | Jun-18 | Jun-19 | Jun-20F | Jun-21F | Jun-22F |
| | Total cash and equivalents | 255 | 474 | 797 | -246 | -378 |
| | Tangible fixed assets | 972 | 1021 | 1056 | 1089 | 1122 |
| | Intangible assets | 0 | 0 | 0 | 0 | 0 |
| | Total investments | 1881 | 1171 | 1205 | 1253 | 1301 |
| | Total other assets | 2887 | 3527 | 2983 | 3149 | 2714 |
| | Total assets | 5995 | 6194 | 6040 | 5244 | 4759 |
| | Short-term debt | 247 | 1342 | 1342 | 1342 | 1342 |
| | Total long-term debt | 3214 | 2238 | 1298 | 817 | 417 |
| | Total liabilities | 4518 | 4683 | 4282 | 3287 | 2677 |
| | Shareholders' equity | 1436 | 1507 | 1753 | 1953 | 2077 |
| | Minority interests | 41 | 5 | 5 | 5 | 5 |
| | Total equity | 1477 | 1511 | 1758 | 1957 | 2082 |
| | Total liabilities & equity | 5995 | 6194 | 6040 | 5244 | 4759 |
| | Key metrics | Jun-18 | Jun-19 | Jun-20F | Jun-21F | Jun-22F |
| | Revenue growth (%) | -11.5 | -42.3 | 312.1 | -49.6 | -38.4 |
| | Core net profit growth (%) | 30.7 | -48.7 | 156.4 | -29.5 | 0.0 |
| | Core EPS growth (%) | 28.7 | -50.8 | 152.1 | -29.5 | -28.8 |
| | Gross margin (%) | 15.6 | 19.7 | 20.0 | 20.0 | 20.0 |
| | Core net profit margin (%) | 24.0 | 21.3 | 13.3 | 18.6 | 21.5 |
| | Dividend payout ratio (%) | 21.0 | 28.0 | 33.0 | 24.0 | 33.0 |

Source: Company data, RHB

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| | |
|---------------------|--|
| Buy: | Share price may exceed 15% over the next 12 months |
| Trading Buy: | Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain |
| Neutral: | Share price may fall within the range of +/- 10% over the next 12 months |
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