

SingHaiyi Group (SHG SP)

Property - Real Estate

Market Cap: USD211m

Buy (Maintained)

 Target Price: **SGD0.14**

 Price: **SGD0.11**

Searching for the next Growth Engine

 Macro
 Risks
 Growth
 Value


Source: Bloomberg

Avg Turnover (SGD/USD)	0.03m/0.02m
Cons. Upside (%)	72.7
Upside (%)	33.3
52-wk Price low/high (SGD)	0.10 - 0.16
Free float (%)	27
Share outstanding (m)	2,863
Shareholders (%)	
Haiyi Holdings Pte Ltd	55.9
Hai Run Pte Ltd	8.3
Acquire Wealth Limited	7.7

Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(27.6)	1.0	(21.7)	(27.1)	(30.5)
Relative	(16.7)	(4.1)	(15.6)	(13.5)	(21.7)

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2QFY16 (Mar) results were in line. Maintain BUY with a lower RNAV-derived TP of SGD0.14 (from SGD0.16, 33% upside). Despite the negative publicity shrouding Pasir Ris One over narrow corridors and surface defects, sales for 90% of the total units has been recognized in 1HFY16. With persistent headwinds confronting the domestic front, we are eager to see more acquisitions in the US and other regions that may heighten its earnings resilience and diversification beyond the remaining two EC projects in Singapore.

- ◆ **1HFY16 (Mar) results in line.** 1HFY16 PATMI registered strong performance mainly due to contribution from the Pasir Ris One DBSS project (total 447 units) which was awarded Temporary Occupation Permit (TOP) in May. Another 3% sales of the total units of the project was recognized in 2QFY16. All in, SingHaiyi has recognized sales for 90% of the total units of this development. 1HFY16 gross profit margin declined by 43.8 ppt to 13.6% because of Pasir Ris One project which had a lower profit margin.
- ◆ **Two more ECs to go.** CityLife@Tampines EC (100% sold), which SingHaiyi has a 24.5% stake, is expected to TOP in 4QFY16 and the result is expected to be accounted for in FY16. We forecast an attributable PBT of SGD22.7m, which will be recognized in its entirety upon receiving TOP. On 18 July 2015, SingHaiyi also launched The Vales EC at Anchorvale Crescent, expected to TOP in 1H17. Average selling price is SGD784 psf (1QFY16: 787 psf) from the 128 transactions registered with URA as of Nov 2015, and we expect a revenue contribution of SGD351m in FY18.
- ◆ **More overseas exposure to lift earnings.** We roll forward our RNAV valuations to FY17. With progressive recognition of Pasir Ris One this year, SingHaiyi thus has lesser exposure to Singapore. The Singapore property development segment makes up 27% from 38% previously, while SG, US and Malaysia will now constitute 65%, 31% and 4% of FY17 RNAV exposure respectively. With the slowdown in the domestic front, we are awaiting more accretive acquisitions from overseas to drive future earnings. Maintain BUY with a lower RNAV-derived TP of SGD0.14 (upside 33.3%).

Forecasts and Valuations	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total turnover (SGDm)	57	21	259	84	377
Reported net profit (SGDm)	23.2	21.2	59.7	17.7	57.8
Recurring net profit (SGDm)	23.2	21.2	59.7	17.7	57.8
Recurring net profit growth (%)	1277.6	(8.5)	181.9	(70.4)	226.7
Recurring EPS (SGD)	0.01	0.01	0.02	0.01	0.02
DPS (SGD)	0.000	0.000	0.002	0.000	0.000
Recurring P/E (x)	13.0	14.2	5.1	17.1	5.2
P/B (x)	0.72	0.68	0.66	0.64	0.51
Dividend Yield (%)	0.0	0.0	1.9	0.0	0.0
Return on average equity (%)	8.1	4.9	13.2	3.8	10.9
Return on average assets (%)	4.3	2.2	4.5	1.2	3.9
Net debt to equity (%)	7.4	81.4	109.8	124.6	46.7
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

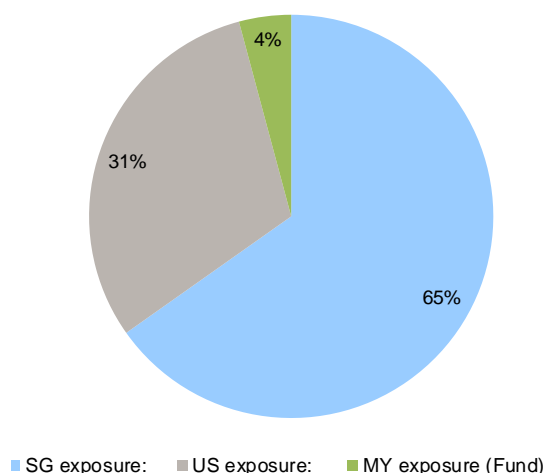
Source: Company data, RHB

Figure 1: Summary of SingHaiyi's 2QFY16 (Mar) results

(SGD m)	2QFY 15	1QFY 16	2QFY 16	%QoQ	%YoY	6MFY 15	6MFY 16	%Chg	Comments	RHB FY16F	%
Turnover	5.9	237.7	13.3	(94.4)	124.7	11.8	251.0	2,024.4	YoY increase was mainly due to contributions from the DBSS project, Pasir Ris One which was completed in 1QFY16, representing sales of ~90% of units.	258.9	97.0
(a) Property Development	1.9	233.8	9.3	(96.0)	381.4	4.5	243.1	5,268.2		246.6	98.6
(b) Rental Income	3.8	3.7	3.8	0.8	(0.3)	6.9	7.5	9.0		12.3	60.9
(c) Fund management	0.2	0.2	0.2	0.0	0.0	0.4	0.4	0.0		0.0	nm
Gross profit	3.5	30.6	3.6	(88.2)	1.7	6.8	34.2	404.5	YoY increase due to Pasir Ris One contribution	36.3	94.2
Other income	2.0	1.4	4.0	197.9	99.6	3.0	5.4	79.2	Mainly due to increase in net foreign exchange gain of approximately \$GD1.9m	15.4	35.1
Results from operating activities	3.4	27.4	4.5	(83.7)	29.4	4.4	31.8	624.7	Selling and marketing expenses increased mainly due to launching, advertising and marketing expenses of approximately \$GD2.3m when the Group's EC project, The Vales which was officially launched on 18 July 2015.	96.4	33.0
Share of results of associates & JVs	0.4	(0.1)	(0.6)	559.3	nm	0.7	(0.7)	nm		20.7	nm
PBT	2.3	26.7	0.6	(97.9)	(75.2)	3.3	27.2	720.9		98.8	27.6
Net profit	1.9	21.9	1.0	(95.6)	(48.6)	2.9	22.9	703.3		69.2	33.1
PATMI	1.9	17.5	0.9	(94.8)	(50.7)	2.9	18.4	531.0		59.7	30.9
Core PATMI	1.0	17.5	(1.9)	nm	nm	2.0	15.6	669.5		48.4	32.3
EPS (cents)	0.1	0.6	0.0	(94.8)	(50.8)	0.1	0.6	530.4		2.1	30.9
NAV (SGD)	14.7	16.0	16.1	0.3	nm	14.73	16.05	9.0		17.62	91.1
Annualised ROE (%)	1.8	15.3	0.8	(14.5)	(1.0)	1.8	0.8	(1.0)		13.04	6.1
Net Debt/Equity (x)	0.8	0.7	0.8	13.8	(6.9)	0.8	0.8	(6.9)		1.10	68.9
Gross margin: (%)	59.9	12.9	27.1	14.2	(32.8)	57.4	13.6	(43.8)	Declined by 43.8 ppt from 57.4% in 1H2015 to 13.6% in 1H2016 mainly due to contribution by Pasir Ris One project which had lower profit margin.	14.0	0.4
Oper. EBITDA margin: (%)	58.3	11.5	33.6	22.1	(24.7)	37.2	12.7	(24.5)		37.2	24.6
Net Profit margin (%)	31.6	9.2	7.2	(2.0)	(24.4)	24.1	9.1	(15.0)		26.7	17.6
PATMI margin (%)	31.5	7.4	6.9	(0.5)	(24.6)	24.7	7.3	(17.4)		23.1	15.7
Core PATMI margin: (%)	16.7	7.4	(14.2)	nm	nm	17.2	6.2	(11.0)		18.7	12.5
PBR (x)	0.70	0.64	0.64	(0.3)	(8.2)	0.70	0.64	(8.2)		0.58	109.8
Price-Book Prem./(Dis.) (%)	(30.1)	(35.6)	(35.8)	(0.2)	(5.8)	(30.1)	(35.8)	(5.8)		(41.5)	(5.7)
Price-RNAV Prem./(Dis.) (%)								(46.6)			

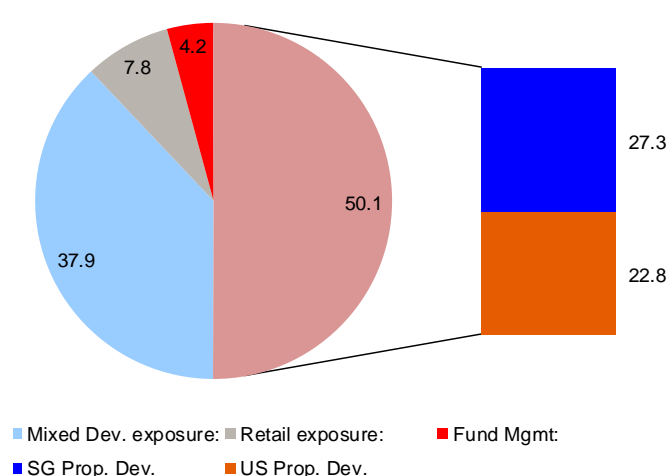
Source: RHB, Company

Figure 2: SingHaiyi RNAV breakdown by Geography (%)



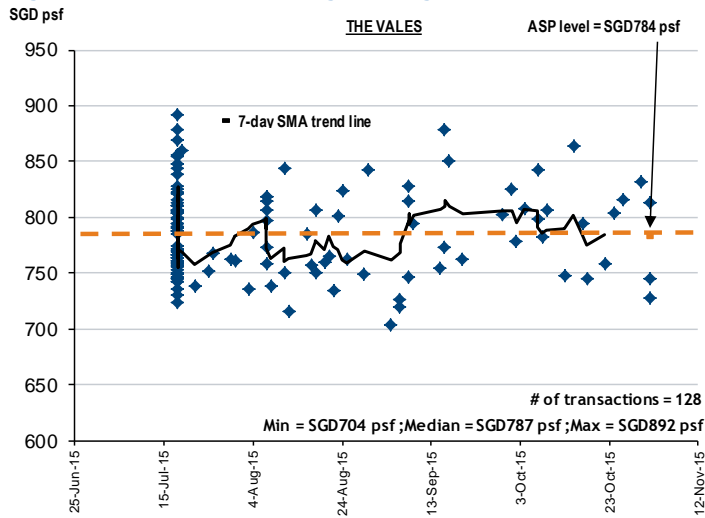
Source: RHB

Figure 3: SingHaiyi RNAV breakdown by Biz Segment (%)



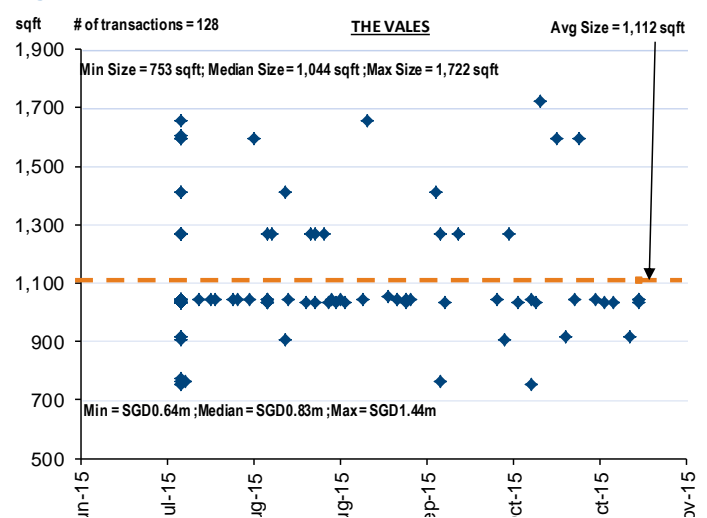
Source: RHB

Figure 4: THE VALES average selling price (ASP)



Source: URA REALIS

Figure 5: THE VALES transactions size breakdown



Source: URA REALIS

Figure 6: SingHaiyi - RNAV breakdown

	RNAV (SGD m)
Investment properties:	605.2
<u>Property Development (GDV):</u>	
Singapore	343.8
US	287.5
Fund Mgmt	52.5
Less: Net liabilities (incl any off b/s debt and capex)	(738.9)
RNAV:	550.1
No. of shares outstanding (m)	2,863.1
RNAV per share (S\$)	0.193
Premium/(Discount) (%)	(30)
Target price:	0.140
Current price (SGD)	0.105
Upside (%):	33.3

Source: RHB

Financial Exhibits

Profit & Loss (SGDm)	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total turnover	57	21	259	84	377
Cost of sales	(35)	(8)	(223)	(72)	(324)
Gross profit	22	12	36	12	53
Other operating costs	11	12	60	40	45
Operating profit	34	25	96	51	98
Operating EBITDA	34	25	96	51	98
Depreciation of fixed assets	(0)	(0)	-	-	-
Operating EBIT	34	25	96	51	98
Net income from investments	0	1	21	2	12
Interest income	1	4	1	0	0
Interest expense	(0)	(6)	(20)	(29)	(10)
Other non-recurring income	(0)	-	-	(0)	-
Pre-tax profit	34	23	99	25	100
Taxation	(11)	(2)	(30)	(8)	(30)
Minority interests	(1)	0	(9)	-	(13)
Profit after tax & minorities	23	21	60	18	58
Reported net profit	23	21	60	18	58
Recurring net profit	23	21	60	18	58

Source: Company data, RHB

Cash flow (SGDm)	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Operating profit	34	25	96	51	98
Depreciation & amortisation	0	0	-	-	-
Change in working capital	(102)	(147)	261	(84)	336
Other operating cash flow	(22)	(24)	0	(1)	(1)
Operating cash flow	(89)	(145)	357	(34)	433
Cash flow from operations	(89)	(145)	357	(34)	433
Capex	(0)	(0)	(0)	(0)	(0)
Other new investments	(35)	-	-	-	-
Other investing cash flow	(169)	(162)	(73)	(29)	(30)
Cash flow from investing activities	(204)	(162)	(73)	(29)	(30)
Dividends paid	-	(1)	6	-	-
Proceeds from issue of shares	237	-	-	-	-
Increase in debt	28	351	140	250	(533)
Other financing cash flow	86	(27)	9	(34)	(28)
Cash flow from financing activities	350	323	154	216	(560)
Cash at beginning of period	86	143	163	10	163
Total cash generated	57	16	438	153	(158)
Forex effects	(0)	4	-	-	-
Implied cash at end of period	143	163	602	163	5

Source: Company data, RHB

Financial Exhibits

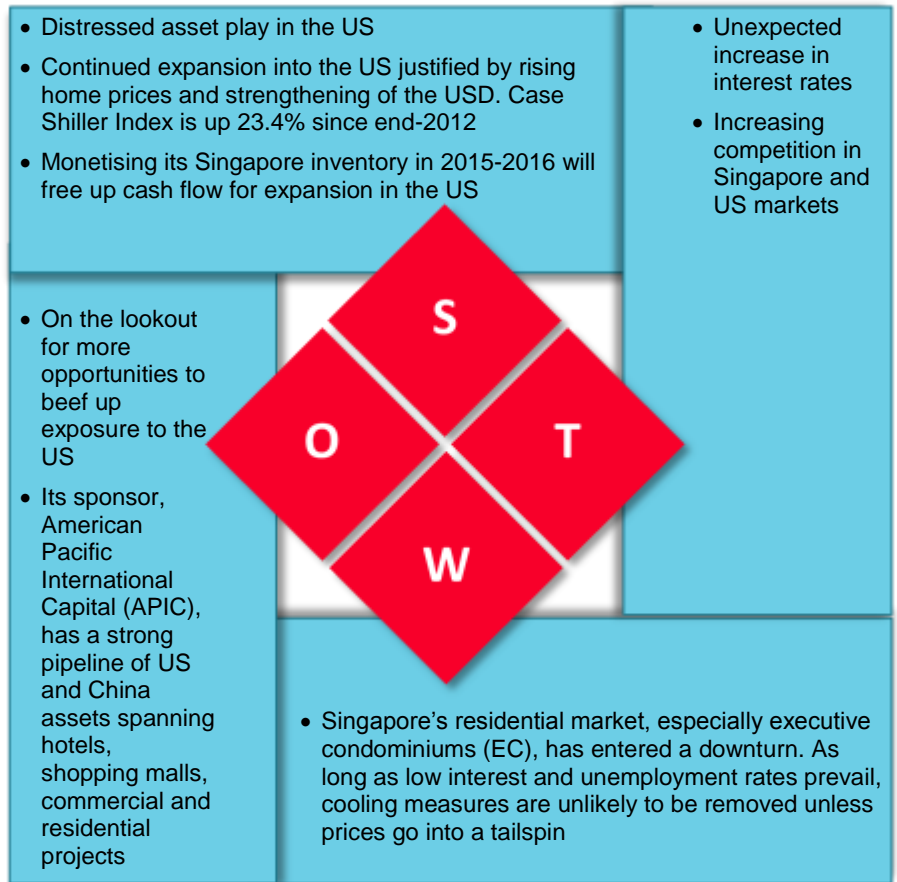
Balance Sheet (SGDm)	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Total cash and equivalents	143	163	10	163	5
Accounts receivable	56	28	255	82	371
Other current assets	280	771	467	480	263
Total current assets	479	962	731	725	639
Total investments	168	125	128	129	130
Total other assets	90	67	620	649	680
Total non-current assets	258	192	748	778	810
Total assets	737	1,154	1,479	1,503	1,449
Short-term debt	54	242	151	151	151
Accounts payable	76	136	360	116	525
Other current liabilities	28	17	4	4	4
Total current liabilities	158	396	514	270	679
Total long-term debt	120	281	414	664	132
Other liabilities	42	34	45	45	45
Total non-current liabilities	162	315	459	709	176
Total liabilities	320	711	974	980	856
Share capital	382	382	382	382	382
Other reserves	34	62	76	89	211
Shareholders' equity	416	444	458	471	594
Minority interests	1	(0)	48	52	-
Other equity	0	(0)	-	-	-
Total equity	418	443	506	523	594
Total liabilities & equity	737	1,154	1,479	1,503	1,449

Source: Company data, RHB

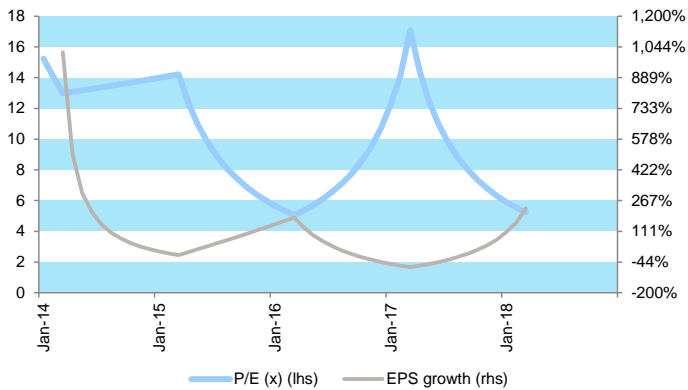
Key Ratios (SGD)	Mar-14	Mar-15	Mar-16F	Mar-17F	Mar-18F
Revenue growth (%)	234.5	(63.3)	1139.8	(67.7)	351.3
Operating profit growth (%)	1034.2	(26.2)	287.4	(46.7)	90.4
Net profit growth (%)	1277.6	(8.5)	181.9	(70.4)	226.7
EPS growth (%)	1017.0	(8.6)	181.2	(70.4)	226.7
BVPS growth (%)	173.9	6.4	2.9	2.9	26.1
Operating margin (%)	59.2	119.2	37.2	61.5	26.0
Net profit margin (%)	40.7	101.5	23.1	21.2	15.3
Return on average assets (%)	4.3	2.2	4.5	1.2	3.9
Return on average equity (%)	8.1	4.9	13.2	3.8	10.9
Net debt to equity (%)	7.4	81.4	109.8	124.6	46.7
DPS	0.000	0.000	0.002	0.000	0.000
Recurrent cash flow per share	(0.03)	(0.05)	0.12	(0.01)	0.15

Source: Company data, RHB

SWOT Analysis

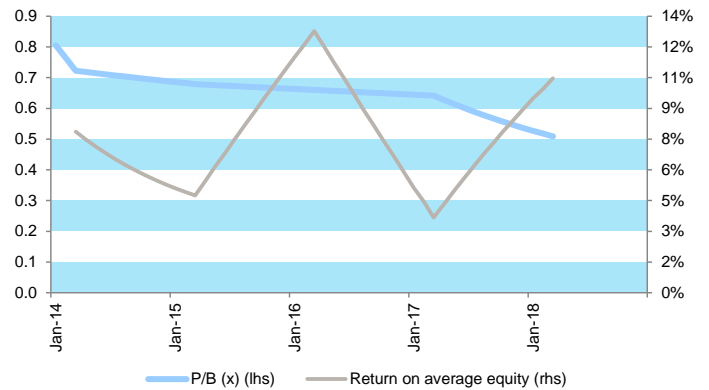


P/E (x) vs EPS growth



Source: Company data, RHB

P/BV (x) vs ROAE



Source: Company data, RHB

Company Profile

SingHaiyi Group Ltd, through its subsidiaries, focuses on property development and investments.

Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2015-08-14	Buy	0.16	0.13
2015-05-28	Buy	0.18	0.14
2015-03-25	Buy	0.19	0.15

Source : RHB, Bloomberg

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% 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

Take Profit: Target price has been attained. Look to accumulate at lower levels

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