

GuocoLand (GUOL SP)

Riding the Singapore Upcycle

BUY

Share Price SGD 1.99 SGD 2.75 (+39%) 12m Price Target

Tap Singapore's upcycle via this laggard - 39% upside

We initiate coverage on under-researched GuocoLand at BUY and SGD2.75 TP, implying a 22% discount to RNAV of SGD3.55. We believe its small free float, lower trading liquidity and limited analyst coverage are technical reasons for the underperformance and steeper valuation discount when compared to its larger peers. Fundamentally, we see a company with improving financials and attractive valuations. The stock trades at a 44% RNAV discount and 0.67x P/BV. Key risks could arise from a sharp fall in property prices in Singapore and China.

Structural improvements to financials

We see structural improvements to GuocoLand's financials. Earnings quality will improve as the gradual stabilisation of TPC will lift recurring EBITDA to over SGD140m a year from SGD40m in FY16. The market has not fully appreciated the structural improvements in its capital position post-disposal of Dongzhimen, which we argue has lowered the risk profile of the stock. We believe GuocoLand can sustain an 8% ROE in the next few years and see scope for higher DPS.

Beneficiary of a Singapore property price rebound

With Singapore accounting for almost 70% of its valuation, we believe GuocoLand is a good proxy to an impending rebound in property prices. We see it as a beneficiary of higher home prices as this submarket accounts for 25% of its valuation. Strong pre-sales at Sims Urban Oasis will underpin near-term earnings and the stock could react positively to improving residential sentiment as sales volume and ASPs rebound off a low base. Its stakes in Guoco Tower, 20 Collyer Quay and its reversionary interests in prime office space offers a 35% exposure to Singapore's office market, which could bottom out by early-2018.

Value-unlocking potential

The recent completion of TPC has opened up various options to unlock value in the property. While it could capitalise on strong investment demand today with an outright sale, we opine that establishing a REIT platform may be a better option as it could unlock SGD1.7b of value and retain decent recurring income after that. It would also provide a platform to recycle capital for future developments.

FYE Jun (SGD m)	FY15A	FY16A	FY17E	FY18E	FY19E
Revenue	1,160	1,060	955	1,222	1,726
EBITDA	309	243	214	300	383
Core net profit	227	135	374	294	314
Core EPS (cts)	20.4	12.1	33.7	26.5	28.3
Core EPS growth (%)	1.2	(40.6)	177.7	(21.4)	6.8
Net DPS (cts)	5.0	9.0	5.0	7.0	8.0
Core P/E (x)	9.7	16.4	5.9	7.5	7.0
P/BV (x)	0.8	0.7	0.6	0.6	0.5
Net dividend yield (%)	2.5	4.5	2.5	3.5	4.0
ROAE (%)	8.5	19.8	11.0	8.0	8.0
ROAA (%)	2.5	1.5	4.4	3.3	3.7
EV/EBITDA (x)	24.0	19.0	25.1	16.2	11.4
Net gearing (%) (incl perps)	140.1	69.7	69.7	53.3	38.1
Consensus net profit	-	-	na	na	na
MKE vs. Consensus (%)	-	-	na	na	na

Statistics

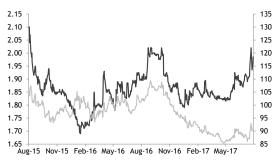
52w high/low (SGD)	2.02/1.79
3m avg turnover (USDm)	0.6
Free float (%)	23.4
Issued shares (m)	1,183
Market capitalisation	SGD2.3B
	USD1.7B
AA - Carriella and beat decree	

Major shareholders:

Guoco Group Ltd.	65.2%
Guocoland Executives Share Option Scheme	6.2%
KWEK LENG HAI	3.0%

65 7%

Price Performance

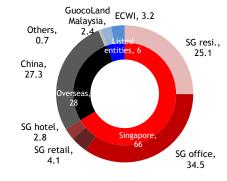


-GuocoLand - (LHS, SGD) -GuocoLand / Straits Times Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	5	8	4
Relative to index (%)	5	7	(9)

Source: FactSet

Exposure summary

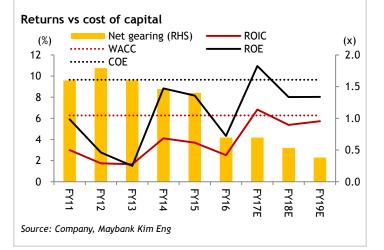


Source: Maybank Kim Eng

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Value Proposition

- Mid-cap property developer based in Singapore. It also has businesses in China, Malaysia and Vietnam.
- GuocoLand offers exposure to the mid to high-end residential market in Singapore.
- Returns could pick up as TPC turns operational and previously trapped capital in Dongzhimen is redeployed for better returns
- Owns an effective 68% stake in GuocoLand Malaysia and 27% of EcoWorld International (ECWI MK, HOLD, TP MYR1.12), both of which are listed on Bursa Malaysia.



Financial Metrics

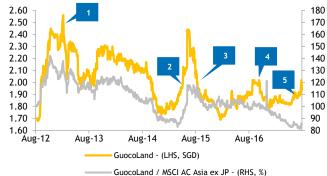
- Singapore will continue to account for the bulk of the group's profits.
- We expect development sales recognition to improve over the next three years as sales momentum in the high-end market gathers pace.
- Completion of TPC will enhance its recurring income base.
 We expect recurring EBITDA to rise over three-fold to SGD140m+ a year by FY19E.
- We value its investment properties by adopting cap rate assumptions of 3.50% for offices, and 4.75% for hotels and retail. Our SGD2,400 psf valuation of Guoco Tower is not aggressive when compared to high prices seen in recent transactions.

EBITDA breakdown



Price Drivers

Historical share price trend



Source: Factset, Company, Maybank Kim Eng

- 1. Stock peaked when market though the home-price rally was unsustainable and expected cooling measures.
- 2. Positive sector sentiment on privatisation of Keppel Land by Keppel Corp in early 2015.
- 3. Exit from troubled project Dongzhimen.
- 4. Company reported significant pick-up in pre-commitment levels for Guoco Tower.
- 5. Singapore government relaxes cooling measures in March 2017 for the first time since GFC.

Swing Factors

Upside

- Strong rebound in high-end home prices in Singapore.
- Pick-up in office prices.
- Monetisation of commercial assets with outright sale or spin-off into funds.

Downside

- Overpaying for land.
- Poor execution of development project.
- Sharp increase in interest rates, which could dampen demand for properties and drive down asset prices.

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Investment thesis

Structural improvement to its financials

GuocoLand's earnings quality will improve materially over the next few years. The gradual stabilisation of TPC will lift recurring EBITDA to over SGD140m or almost 40% of the group's income by FY19E. This is a marked improvement from the SGD40m EBITDA or 18% of earnings in FY16. Its capital position has also improved structurally post-disposal of Dongzhimen and we see gearing moving to 0.6x over FY16-19E, from 1.6x in FY11-15. This deleveraging has lowered the risk profile of the stock, in our view. Furthermore, returns on capital should improve with the release of SGD2.3b of trapped capital at Dongzhimen and the recent completion of SGD3b TPC. We see ROEs rising to an 8% range from prior years of about 5%. Lastly, with a stronger recurring income base and lower leverage, we believe GuocoLand can progressively raise DPS back to its historical levels of 8cts by FY19E.

Beneficiary of a Singapore property price rebound

With Singapore accounting for almost 70% of its valuation, we believe GuocoLand is a good proxy to an impending rebound in property prices. We see an inflection point in Singapore's residential market and expect GuocoLand to benefit from this development. Four residential projects, worth a combined GDV of SGD5b, accounts for 25% of its valuation. Strong pre-sales at Sims Urban Oasis provides good earnings visibility as the project gets completed in the year ahead. We believe it can ride on improving sentiment in Singapore's residential market and expect sales volume and ASPs to rebound off a low base. Its stakes in Guoco Tower, 20 Collyer Quay and its reversionary interests in prime office space offers a 35% exposure Singapore's office market, which could bottom out by early-2018.

Value-unlocking potential

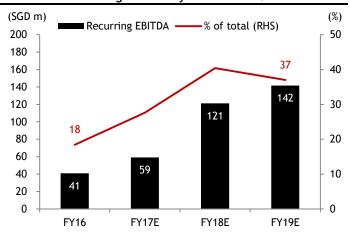
The recent completion of TPC has opened up various options to unlock shareholder value. Instead of holding this property for the long term, we believe it could capitalise on strong investment demand today with an outright sale. Alternatively, it could establish an S-REIT platform to partially monetize its stake. We believe the latter may be a better option as it could unlock SGD1.7b of value while retaining a stream of recurring income. Strategically, it builds another avenue to recycle capital in future developments. We lay out the pros and cons of each move in Figure 25.

Sector laggard with attractive valuation

GuocoLand has been a sector laggard with YTD returns of just 9%. This compares with the 31% return on the FTSE Straits Times Real Estate Development and Holding Index. We believe its small free float of 22%, lower trading liquidity and limited analyst coverage are technical reasons for the underperformance and steeper valuation discount when compared to its larger peers. At 44% RNAV discount and 0.67x P/BV, the stock's valuation is attractive when compared to the 19% RNAV discount and 0.96x P/BV for larger Singapore proxies - UOL (UOL SP, BUY, TP SGD9.05) and City Developments (CIT SP, BUY, TP SGD12.05). Fundamentally, we see a company with improving financials and expect the valuation gap to narrow.

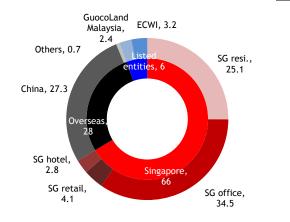
Focus charts

Fig 1: Expect better earnings quality with almost 40% of EBITDA from recurring sources by FY19E as TPC stabilises



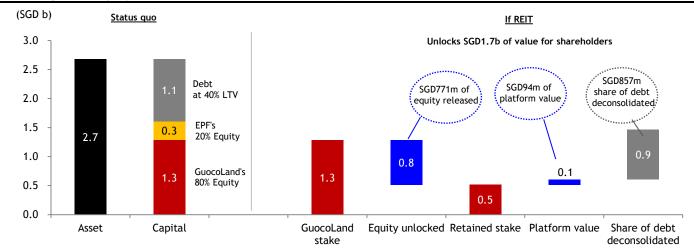
Source: Company, Maybank Kim Eng

Fig 3: Beneficiary of a rebound in Singapore property prices with the country accounting for almost 70% of its valuation



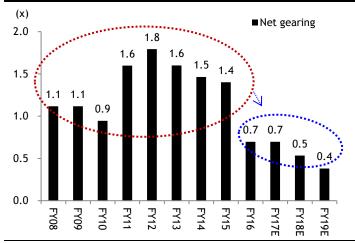
Source: Company, Maybank Kim Eng

Fig 5: Opportunity to unlock shareholder value Establishing an S-REIT platform with TPC can unlock SGD1.7b in value for GuocoLand shareholders



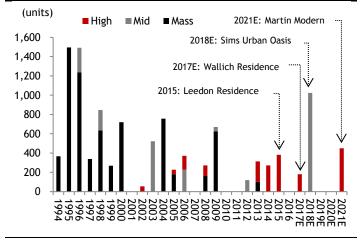
Source: Maybank Kim Eng

Fig 2: Structural improvement in capital position with the deleveraging of its balance sheet post-disposal of Dongzhimen



Source: Bloomberg, Maybank Kim Eng

Fig 4: Riding on strong residential sentiment with four projects with a combined GDV of SGD5b



Source: Company, Maybank Kim Eng

Valuation

Our TP of SGD2.75 implies a 22% discount to RNAV of SGD3.55. Key assumptions include: a) office cap rates of 3.50% and hotel & retail cap rates of 4.75%; b) SGD2,400 & SGD3,250 psf for Martin Modern and Wallich Residence respectively; c) Maybank KE TP of MYR1.12 for its stake in EcoWorld International; and d) market value of its stake in GuocoLand Malaysia. In deriving our target price, we apply no discount to Singapore residential (improving sentiment), 10% to its office and retail assets (strong demand), 25% discount for its overseas businesses (execution risks) & hotel assets (illiquid nature); and no discount to the market value of its listed entities. These discount rates are consistent across the sector. At 0.67x P/BV, the stock is trading at the low end of history. We believe the steep book value discount is unwarranted considering:

- Tanjong Pagar Centre. Strong demand for commercial properties in Singapore implies that newly-completed TPC could be sold at a significant premium to development cost. Our office cap rate of 3.5% remains conservative when compared to recent transactions of 3.2%.
- Reversionary interests in offices. We believe reversionary interests on 20 Collyer Quay and 61 Robinson Road will rise in value given elevated land prices and passing of time.
- SG Residential. Nearly 80% of Sims Urban Oasis has been sold and its development profits will be realised as construction progresses.
- Changfeng Residence. 90% of this joint venture project has been sold. Profits should be booked as it delivers the 664-unit project upon completion.
- Undeveloped land in Shanghai. With escalating land prices, we estimate the market value (net of LAT) of its undeveloped commercial land parcel in Changfeng has risen 2.8 folds since its acquisition in 2005.

Fig 6: GuocoLand's RNAV and TP

Valuation	2017E	% of total	per share	Remarks
	(SGD m)	(%)	(SGD)	
Singapore residential	1,913	25.1	1.72	Mid-to-high end projects.
Singapore investment properties	3,154	41.3	2.84	
Tanjong Pagar Centre	2,678	35.1	2.41	Office, hotel and retail.
20 Collyer Quay	383	5.0	0.35	3.5% cap rate for offices.
Reversionary interests	92	1.2	0.08	Reversionary interests on 20 Collyer Quay and 61 Robinson Road.
China projects	2,083	27.3	1.88	Shanghai and Chongqing.
Changfeng Residence	439	5.8	0.40	50% stake in Shanghai residential project.
Chongqing Project	916	12.0	0.83	Mixed development.
Guoman Centre	172	2.3	0.16	Shanghai retail mall.
Guoman Hotel	132	1.7	0.12	Shanghai hotel.
Undeveloped land parcel in Shanghai, net	424	5.6	0.38	Market value of undeveloped land in Changfeng, Shanghai.
GuocoLand Malaysia	182	2.4	0.16	68% stake at Market Price of MYR1.20. Implied P/BV of 0.6x.
EcoWorld International	242	3.2	0.22	27% stake at Maybank KE TP of MYR1.12.
Others	55	0.7	0.05	
Gross asset value	7,629	100.0	6.87	
Less: adjusted net liabilities	(3,691)			
RNAV	3,938			
Outstanding no. of shares (m)	1,110			
RNAV per share	3.55			
TP	2.75			
Implied discount to RNAV (%)	(22)			
GAV discount applied to derive TP (%)	•			
Singapore residential	0			
Singapore office and retail	(10)			
Singapore hotel	(25)			
Overseas projects	(25)			
Listed entities	0			
Others	(10)			

Source: Maybank Kim Eng

Sensitivity analysis. Valuation of the stock is most sensitive to our cap rate assumptions for its commercial properties in Singapore. Narrowing our cap rates by 50bps will lift our valuation by 44 cts or 12%. A 20% increase in our home price assumptions for its unsold stock in Singapore and China will drive a 5.5% and 5.6% respective increase in our RNAV estimate. Assuming property prices in both markets go on a bull run, the combined impact of a 50bps cap rate compression and a 20% increase in our ASPs will drive a SGD0.83 or 23% increase in our RNAV estimate.

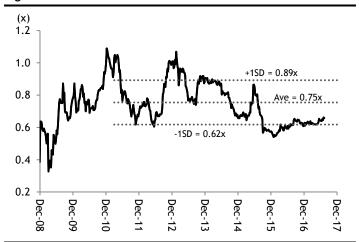
Fig 7: Sensitivity to key assumptions

Our RNAV is most sensitive to commercial cap rate assumptions in Singapore

2017E RNAV							
(1) Singapore office, retail and hotel cap rate (bp)	+75bp	+50bp	+25bp	Base	-25bp	-50bp	-75bp
RNAV	3.08	3.22	3.37	3.55	3.75	3.98	4.26
Variance from base case (%)	(13.2)	(9.3)	(5.0)	0.0	5. <i>7</i>	12.3	20.1
Variance from base case (SGD)	(0.47)	(0.33)	(0.18)	0.00	0.20	0.44	0.71
(2) ASP for unsold homes in Singapore (%)	-30%	-20%	-10%	Base	+10%	+20%	+30%
RNAV	3.27	3.36	3.45	3.55	3.64	3.74	3.84
Variance from base case (%)	(7.9)	(5.3)	(2.7)	0.0	2.7	5.5	8.2
Variance from base case (SGD)	(0.28)	(0.19)	(0.10)	0.00	0.10	0.19	0.29
(3) ASP for unsold homes in China (%)	-30%	-20%	-10%	Base	+10%	+20%	+30%
RNAV	3.38	3.43	3.49	3.55	3.61	3.75	3.81
Variance from base case (%)	(4.8)	(3.4)	(1.7)	0.0	1.7	5.6	<i>7</i> .5
Variance from base case (SGD)	(0.17)	(0.12)	(0.06)	0.00	0.06	0.20	0.27
Combination of (1) + (2) + (3)							
RNAV	2.63	2.91	3.22	3.55	3.91	4.38	4.82
Variance from base case (%)	(26.0)	(18.0)	(9.3)	0.0	10.1	23.3	35.8
Variance from base case (SGD)	(0.92)	(0.64)	(0.33)	0.00	0.36	0.83	1.27

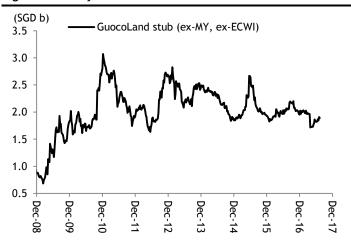
Source: Maybank Kim Eng

Fig 8: P/BV of 0.67x is at the low end of historical valuation



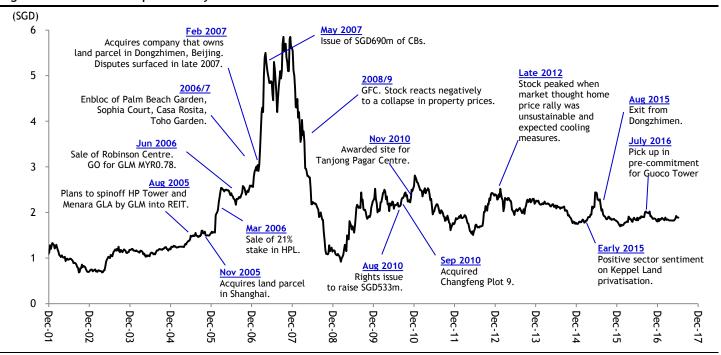
Source: Bloomberg

Fig 9: ...similarly for its stub value of SGD1.9b



Source: Bloomberg, Maybank Kim Eng

Fig 10: GuocoLand share price vs key events



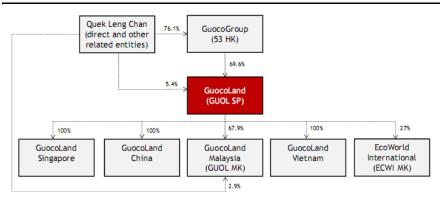
Source: Bloomberg, Company, Maybank Kim Eng

Company background

GuocoLand is the property development arm of Malaysian billionaire Tan Sri Quek Leng Chan. His stakes in the company are held through Hong Kong-listed Guoco Group (53 HK, Not Rated), which owns an effective 69.6% stake in the company, and other entities related to him owning another 5.4%. The stock, which has been listed on the Singapore Stock Exchange since 1978, has a market capitalisation of SGD2.2b and trades just under SGD1m a day.

Outside of its headquarters in Singapore, GuocoLand has businesses in China, Malaysia and Vietnam. Its Malaysian business is listed separately on Bursa Malaysia as GuocoLand Malaysia (GUOL MK, Not Rated) with GuocoLand owning an effective 68% stake. Beyond these core markets, it recently acquired a 27% stake in EcoWorld International (ECWI MK, HOLD, TP MYR1.12), which gives it exposure to the Australian and UK markets (See Wei Sum's recent initiation report: EcoWorld International - Growing Horizon (Initiation), dated 14 June 2017). In Singapore, GuocoLand offers exposure to the recovering mid to highend residential market and the recent completion of TPC has increased its exposure to a potential pick-up in Singapore's office market.

Fig 11: Corporate structure



 ${\it Effective stakes in various entities after adjustments for ESOS held by the companies.}$

Source: Companies, Maybank Kim Eng

Refreshed management team. GuocoLand has a refreshed management team with the current leaders assuming their appointments less than four years ago. The company is led by Group CEO Mr Raymond Choong - a career banker who joined the company in Sep 2015 from Hong Leong Financial Group. CFO Mr Richard Lai joined the company in March 2015 with extensive experience in the finance and property sector, including Mapletree Logistics Trust Management and Tee International. Mr Cheng Hsing Yao was appointed the head of its Singapore business in 2014 after a two-year stint as COO. Prior to that, he held leadership positions in the public sector, including the URA. Mr Hoon Teck Ming assumed the role of Country Head China in 2016 after 17 years of experience in that country with Wing Tai and CapitaLand. Datuk Edmund Kong was appointed Managing Director of GuocoLand Malaysia in 2016 after 26 years of experience in the property development and construction industry.

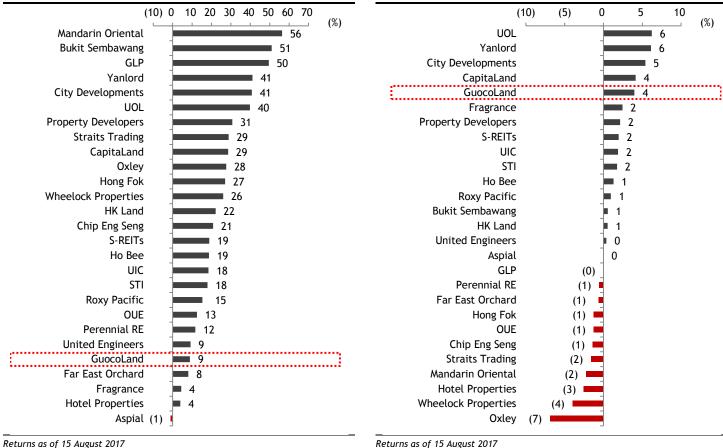
(Details of its board of directors and management team in Appendix A).

Sector laggard. Developer stocks performed strongly with the FTSE Straits Times Real Estate Development and Holding Index achieving total returns of 31% YTD. However, GuocoLand has been a laggard with returns of just 9%. We believe its small free float of 22%, lower trading liquidity and limited analyst coverage are technical reasons for the underperformance and steeper valuation discount when

compared to its larger peers. Fundamentally, we see a company with improving financials and expect the valuation gap to narrow.

Fig 12: Property developers - total return YTD

Fig 13: Property developers - total return past 1M



Returns as of 15 August 2017 Source: Bloomberg Returns as of 15 August 2017 Source: Bloomberg

Fig 14: Valuation comparison of property developers

Company	Rating	Price	TP	Upside	MC	ADTV	Free	RNAV	Curr.	Target	BVPS	P/BV	•	P/E (x)		Yield	Net
							Floa	t	prem/	prem/						(%)	gearing
								-	(disc)	(disc)							(ND/E)
		(SGD)	(SGD)	(%)	(SGD b)(SGD m)	(%)	(SGD)	(%)	(%)	(LC)	(x)	16E	17E	18E	16E	(%)
UOL	Buy	8.17	9.05	11	6.6	9.2	66	10.66	(23)	(15)	10.27	0.80	23.1	14.7	11.9	1.8	24
City Developments	Buy	11.52	12.05	5	10.5	17.8	65	13.48	(15)	(11)	10.25	1.12	16.0	16.5	15.9	1.4	18
GuocoLand	Buy	1.99	2.75	39	2.3	0.8	22	3.55	(44)	(23)	2.95	0.67	3.9	6.3	8.0	4.5	70
Ho Bee	Buy	2.37	3.00	27	1.6	0.3	25	4.23	(44)	(29)	4.45	0.53	7.3	11.0	13.6	2.5	44
CapitaLand	Hold	3.80	3.75	(1)	16.1	34.0	60	5.25	(28)	(29)	4.16	0.91	13.6	10.3	11.3	2.6	41
HK Land (USD)	NR	7.63			24.5	12.6	50				14.55	0.52	5.4	18.8	17.9	2.5	6
GLP	NR	3.23			15.2	55.4	37				2.59	1.25	14.0	35.7	31.8	2.1	34
UIC	NR	3.26			4.7	0.3	14				4.44	0.73	16.3	n.a.	n.a.	0.9	16
Yanlord	NR	1.77			3.4	4.0	32				2.14	0.83	6.2	6.4	5.5	2.4	17
Mand. Orient. (USD)	NR	1.96			3.4	1.4	22				0.97	2.02	44.7	41.9	34.2	2.0	25
Wheelock Properties	NR	1.83			2.2	1.3	24				2.53	0.72	37.4	n.a.	n.a.	3.3	(16)
United Engineers	NR	2.69			1.7	6.1	66				3.06	0.88	12.2	n.a.	n.a.	4.5	26
Hotel Properties	NR	3.87			2.0	0.0	15				3.45	1.12	19.5	n.a.	n.a.	2.1	43
OUE	NR	1.96			1.8	0.8	31				4.38	0.45	n.a.	20.5	15.9	2.6	54
Oxley	NR	0.55			1.6	0.4	16				0.32	1.73	7.8	n.a.	n.a.	3.5	250
Perennial RE	NR	0.90			1.5	0.1	21				1.62	0.55	42.5	20.2	>100	0.9	71
Bukit Sembawang	NR	6.44			1.7	1.4	74				4.93	1.31	23.0	n.a.	n.a.	5.1	(29)
Fragrance	NR	0.17			1.1	0.0	14				0.16	1.06	>100	n.a.	n.a.	0.6	77
Metro Holdings	NR	1.13			0.9	0.6	52				1.63	0.69	11.6	n.a.	n.a.	n.a.	(19)
Straits Trading	NR	2.43			1.0	0.2	30				3.37	0.72	14.7	n.a.	n.a.	2.5	15
Total			•	16	104	147			(31)	(21)		0.93	17.7	18.4	16.6	2.5	38

Prices as of 15 August 2017. NR = Not Rated.

Source: Bloomberg, Factset, Companies, Maybank Kim Eng

Capturing a rebound in Singapore's residential market (25% of valuation)

We see an inflection point in Singapore's residential market and expect home prices to pick-up by the end of the year. With four projects worth almost SGD5b under development, we see GuocoLand as a proxy to this positive trend. GuocoLand started out developing mid to mass-market homes in the 1990s catering to demand from HDB upgraders. Since the mid-2000s, it has shifted its focus to the high-end market with significantly fewer projects in the mass market. Including the four projects under development today, GuocoLand is responsible for building over 11,000 homes from 35 residential projects (see: Appendix A for a full list of projects developed). Strong pre-sales at mid-range project Sims Urban Oasis will underpin near-term earnings ahead of its completion in 2018. We believe it can ride on improving sentiment in Singapore's residential market and expect a rebound in sales volumes and higher ASPs off a low base. Nonetheless, with key cooling measures remaining in place, we believe a volume pick-up will remain contained and have built in fairly conservative forecasts. A stronger-than-expected rebound in sales volume presents upside risks to our forecasts.

Fig 15: GuocoLand's residential projects by completion year >11,000 homes from 35 projects since mid-1990s.

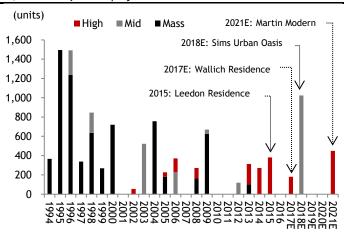


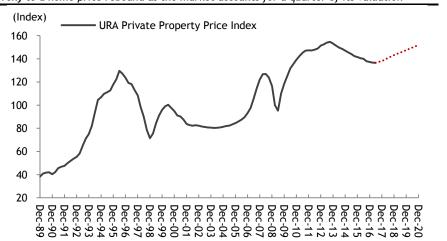
Fig 16: GuocoLand's residential projects in Singapore Over 2,000 homes worth almost SGD5b under development

Project	Stake	GDV	ASP	Total units	Sold	% sold
	(%)	(SGD b)	(SGD psf)	(no.)	(no.)	(%)
SG residential		4.9		2,036	1,166	57
Leedon Residence	100	1.8	2,000	381	343	90
Sims Urban Oasis	100	1.1	1,400	1,024	804	79
Wallich Residence	80	0.8	3,300	181	19	10
Martin Modern	100	1.1	2,400	450	0	0

ASPs rounded. Sales status as of June 2017. Source: Company, URA, Maybank Kim Eng

Source: Company, Maybank Kim Eng

Fig 17: Home prices in Singapore near an inflection point Proxy to a home price rebound as the market accounts for a quarter of its valuation



Source: URA, Maybank Kim Eng

Martin Modern. Martin Modern is a 450-unit luxury condominium project located in the River Valley locale, just off the popular Orchard Road. The development boasts of extensive greenery and offers a good mix of 2-bedroom to 4-bedroom apartments. The developer acquired the land parcel for SGD595m from a government land tender in July 2016. As the implied land cost of SGD1,239 psf per plot ratio (ppr) was a record high for a residential government land sales (GLS) site, there were concerns over the profitability of this project at the time of sale. However, a significant improvement in sentiment this year has led to escalating prices for land parcels at less attractive locations. For example, a mass market condominium site located near Woodleigh MRT was recently sold for SGD1,110 psf ppr or a mere 10% discount to that for Martin Modern, which is located in the prime area of Singapore. GuocoLand is riding on the improving sentiment and launched the project in July achieving credible sales of close to 90 units at an average price of SGD2,200 psf on the launch weekend. Given high replacement cost of inventory and the end of early bird discounts, we expect GuocoLand to raise prices for the remaining stock.

Fig 18: Model on display at the show flat of Martin Modern



Source: Maybank Kim Eng

Fig 19: Martin Modern boasts of extensive greenery in the development



Source: Company

Wallich Residence. Wallich Residence is the residential component of TPC, which sits on top of Tanjong Pagar MRT station in Singapore's central business district. The 181-unit luxury condominium is located from the 39th to 64th floor of the integrated development and is currently the tallest residential development in Singapore. It has a mix of 1-bedroom to 4-bedroom apartments, including four penthouses and one super penthouse. Only 10% of this project has been sold so far at a median price of SGD3,050 psf. As a GLS site, this project is not subjected to Qualifying Certificate (QC) requirements to sell all units within two years of completion. Furthermore, as the land parcel was acquired prior to the implementation of Additional Buyers Stamp Duties (ABSD) rules in Dec 2011, it is not subjected to the ABSD deadline to sell within five years of acquisition. Hence, as there is little time pressure to sell, we expect management to ride on the improving residential market in Singapore and raise prices over the next few years.

In particular, the super penthouse could potentially set a new record for home prices in Singapore. According to *The Business Times*, the penthouse of Sculptura Ardmore was recently sold for over SGD6,000 psf or more than SGD60m based on its strata area of 10,300 sf and is possibly the highest absolute price paid for a housing unit in Singapore. The previous record was for the SGD51m penthouse of Le Nouvel Ardmore that was sold in 2015. While the super penthouse at Wallich Residence has not been officially launched, we understand the price tag for this 21,106 sf triplex could be around SGD110m. If sold, this could breach the current record.

Fig 20: Wallich Residence



Source: Company

Sims Urban Oasis. This 1,024-unit development is located within five minutes' walk to Aljunied MRT Station, which is just three stops away from the city centre. This large-scale project caters to a wide range of home buyers and investors with a mix of 1-bedroom to 5-bedroom apartments. GuocoLand acquired this 99-year leasehold site for SGD531m or SGD688 psf ppr via a government land tender in April 2014. Sales of this city-fringe project have been brisk with almost 80% of the development sold ahead of its completion in 2018. We expect progressive delivery of this project to underpin earnings recognition in the year ahead.

Leedon Residence. The 381-unit Leedon Residence is located next to the Leedon Park Good Class Bungalow enclave. The site for this freehold condominium was acquired near the peak of Singapore's property market in 2007. The developer held back its launch till 2012 as demand dried up soon after due to the global financial crisis. As an enbloc site, the developer is required to sell all units in the project within two years of its completion in June 2015. Otherwise, it will be subjected to QC penalties to extend its project deadline. Fortunately, the pickup in residential sentiment over the past year accelerated sales at this project. With over 90% of the project now sold, we expect the remaining units to be sold in the year ahead with minimal penalties to extend its project deadline.

Fig 21: Sims Urban Oasis



Source: Company

Fig 22: Leedon Residence



Source: Company

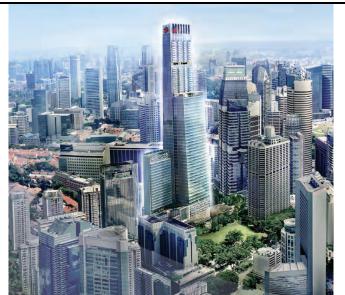
Proxy to a bottoming office market in Singapore (35% of valuation)

We expect Singapore's office market to bottom by early-2018 and believe investors should position ahead of this turning point. Developers have already turned more bullish on Singapore's office market. For example, the predominantly office site at Central Boulevard was sold in November last year to IOI Properties (IOI MK, Not Rated) for a record SGD1,689 psf ppr. This puts the replacement cost of an office building in Singapore at SGD2,800 psf NLA. Similarly, several property consultants have flagged a slight uptick in office rents in 2Q17. CapitaLand (CAPL SP, HOLD, TP SGD3.75), one of Singapore's largest office landlords, have also turned more bullish and it is targeting SGD12-14 psf rents for the redevelopment of Golden Shoe Carpark. This implies that it is pricing in a 30%+ increase in rents over the next 3-4 years. With office assets at 35% of its valuation, we see GuocoLand as a good proxy to a potential rebound in this market.

Guoco Tower. Guoco Tower is the office component of TPC. With 890,000 sf of net lettable area, it is amongst the newest office buildings in Singapore's CBD. The office building is 90% committed with tenants from a diverse trade mix including Uber, Accor Hotels and ING. As the majority of the tenants were signed near the recent trough of the office market in 2016, we estimate average committed rents of about SGD9 psf. With Singapore's office market showing signs of rebound, we see scope for the landlord to raise rents when leases are up for renewal in three years' time.

20 Collyer Quay and other reversionary interests. The 24-storey office building is located near Raffles Place MRT station and offers an excellent view of the Marina Bay area. It is currently leased to several international tenants, such as BNP Paribas, Munich Management and HL Bank Singapore. GuocoLand owns the majority of the 999-year leasehold building, but have disposed part of its interest via two separate tranches of 50-year and 99-year leases to third parties. Apart from these reversionary interests on 20 Collyer Quay, GuocoLand also holds reversionary interests on the freehold land at 61 Robinson Road. We believe these reversionary interests will rise in value given elevated land prices in Singapore and the passing of time.

Fig 23: Guoco Tower



Source: Company

Fig 24: 20 Collyer Quay



Source: Company

Plenty of options to unlock value for shareholders

With the completion of TPC, we see various options for GuocoLand to unlock value in this property for shareholders. Instead of holding this property for the long term, management could consider selling it to capitalise on strong investment demand today. Alternately, it could establish an S-REIT platform to partially monetize its stake. We lay out these options below and compare the pros and cons of each move. We believe the latter may be the best option for the company. While it requires substantial human capital investment into the platform, GuocoLand can unlock value in the asset while retaining a stream of recurring income. Strategically, it builds another avenue to recycle capital in future developments.

Fig 25: Options for Tanjong Pagar Centre

	Option 1: Outright sale	Option 2: Establish a REIT platform	Option 3: Holding for the long term
Pros	 Capitalise on strong investment demand to achieve the highest possible sale price. Releasing a substantial amount of capital will allow the company to deleverage further. 	 Unlock value in the property, yet enjoy recurring income stream from dividend payout. Tax transparency of property income. Builds a fund management platform to recycle capital. This opens up options when cost of capital rises in the future. 	stream. Enjoy full benefits of an impending upcycle. Maximum flexibility, including taking on higher leverage on the asset.
Cons	 Challenging to redeploy the large amount of capital from a sale. 	 Need to invest in human capital to run the platform. Subjected to REIT rulings. Will not enjoy full benefits of an upcycle. May not achieve the best possible sale price to accommodate yield hurdle from the REIT market. 	 Substantial capital is locked up in the property. Assumes all risks associated with the property.

Source: Maybank Kim Eng

Option 1: Outright sale

Driven by a global hunt for yields, investment demand for commercial assets in Singapore has been very strong with deals struck at very tight cap rates. The SGD3.4b sale of Asia Square Tower 1 in June 2016 has set a narrow benchmark cap rate of 3.2% for subsequent transactions. More recently, a 50% stake in One George Street was transacted at 3.2% and suburban mall Jurong Point was sold for 4.2%. With the buoyant investment market, we believe an outright sale could achieve the highest upfront return for the asset. However, the company will lose a substantial stream of recurring income and management may struggle to redeploy the large amount of capital released from a sale.

Fig 26: Recent transactions of commercial properties in Singapore

Building	Sector	Date	Price	Unit price N		Land	Buyer	Seller	Remarks
			(CCD)	(SCD =cf)	est.	Tenure			
			(SGD m)	(SGD psf)	(%)				
CapitaGreen (60%)	Office I	May-16	960	2,276	4.4	99 years	CCT	CAPL, MEA.	Balance lease of 57yrs.
Asia Square Tower 1	Office	Jun-16	3,380	2,704	3.2	99 years	Qatar IA.	BlackRock	Balance lease of 90yrs.
Straits Trading Building	Office	Jun-16	560	3,524	2.89	999 years	MYP	Sun Venture	
110 Robinson Road	Office	Sep-16	45	3,169	1.4	FH	Tahir	OCBC	
77 Robinson Road	Office	Nov-16	531	1,810	3.8	99 years(LSA Cap. Part.	SEB	Balance lease of 76yrs.
Capital Square	Office	Nov-16	476	2,450	n.a.	99 years	ARA Asset Mgt	Alpha Investment	
PWC Building	Office	Feb-17	747	2,100	n.a.	99 years	Manulife	DBS	Balance lease of 75.5yrs.
GSH Plaza (strata)	Office	Feb-17	725	2,900	n.a.	99 years	Fullshare	Plaza Venture	Balance lease of 73yrs.
Jurong Point	Retail	Apr-17	2,200	3,343	4.2	99 years	Mercatus Coop Lo	ee Kim Tah, Guthrie	Balance lease of 75.5/88 yrs.
One George St. (50%)	Office I	May-17	592	2,650	3.2	99 years	FWD Group	CCT	Balance lease of 85yrs.

Source: CBRE, Company, The Business Times, Straits Times, Maybank Kim Eng



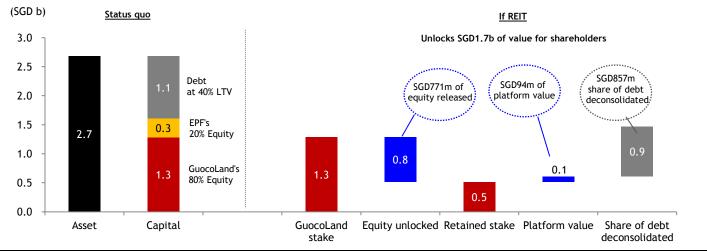
Option 2: Establishing an S-REIT platform

We believe establishing an S-REIT platform with TPC may be the best option for GuocoLand. While it may not be able to monetize its stake at the highest possible value in order to clear the yield hurdle of a REIT, we see multiple benefits of taking this option. By retaining a sizeable interest in the REIT, it can unlock capital within the property while enjoying a stream of recurring income from dividends and fund management fees. This is on top of the tax benefits of a REIT model. Furthermore, by establishing an S-REIT platform, the company can build another avenue to recycle its capital in future developments. This would open up more options for the company when the cost of capital rises from the current lows.

We estimate a combined value of SGD2.7b for TPC's office, retail and hotel components. This makes it slightly smaller than Raffles City Singapore, which was last valued at SGD3.3b. GuocoLand's 80% equity stake in the property is worth approximately SGD1.3b assuming a 40% gearing. A potential REIT will have a market capitalisation of about SGD1.6b, which makes it comparable to other established REITs, such as Starhill Global REIT (SGREIT SP, Not Rated) and CDLHT (CDLHT SP, Not Rated). It would in fact be larger than several listed office peers, such as Frasers Commercial Trust (FCOT SP, Not Rated) and OUE Commercial REIT (OUECT SP, Not Rated).

Assuming that GuocoLand pares down its stake to 32% (from 80%), this REIT will have a sizeable free float of 60%. This will release SGD771m of equity for its shareholders. Apart from this, another SGD94m in value will be created from the fund management platform. This assumes a 4% AUM valuation and 20x P/E multiple for the REIT manager. Together with the SGD857m share of debt deconsolidated into the REIT, we estimate that SGD1.7b of value can be unlocked for its shareholders. Proceeds from this deal can be used to deleverage its balance sheet, pay a special dividend or redeployed for better returns.

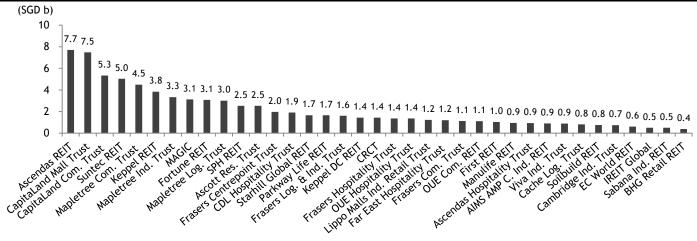
Fig 27: Value creation
Establishing an S-REIT platform with TPC can unlock SGD1.7b in value for GuocoLand shareholders



Source: Maybank Kim Eng

Fig 28: Market capitalisation of S-REITs

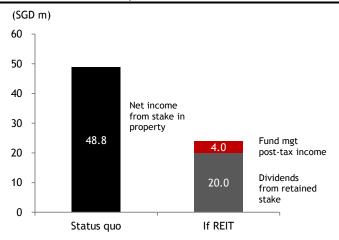
A potential REIT could have a market cap. of SGD1.6b, making it a mid-cap within the sector



Source: Bloomberg, Maybank Kim Eng

Although GuocoLand would incur transaction costs upfront and lose part of the recurring net profit contribution of SGD49m by paring down its stake, we opine that the post-divestment recurring income stream of SGD24m (SGD20m of dividends from its retained interest, SGD4m from fund management business) remains decent. Having said that, just like most office REITs, we believe the biggest challenge to establishing a REIT would be the yield hurdle that it has to clear. With a blended property yield of just 3.7%, we estimate that the platform can only achieve a DPU yield of 3.9%. This is low when compared with the typical trading yield of 5% for most office REITs. To clear the yield hurdle, we believe rental support may be needed to enhance its yield before a pick-up in market rents raises its underlying income. This yield hurdle could also be cleared if a sustained rally in office REIT prices drives down the trading yields of benchmarks in the market.

Fig 29: Recurring income stream will fall, but remains attractive at SGD24m a year



Source: Maybank Kim Eng

Fig 30: Sensitivity of key assumptions to REIT yield Clearing the REIT yield is the biggest challenge

	-		_	LTV (%)	_	
		25	30	35	40	45
	2.30	3.68	3.78	3.89	4.02	4.18
Interest	2.40	3.64	3.73	3.83	3.95	4.10
cost (%)	2.50	3.61	3.69	3.78	3.89	4.01
CO3C (70)	2.60	3.58	3.65	3.73	3.82	3.93
	2.70	3.54	3.60	3.67	3.75	3.85

Source: Maybank Kim Eng

Option 3: Hold for the long term

While we believe that substantial value can be unlocked from this property, management may choose to hold on to this asset for the long term in order to capture the full benefits of a potential pick up in Singapore's office market. It will continue to enjoy a regular bottom line contribution of SGD49m a year and would have maximum flexibility around it, such as taking a higher leverage on it.

China - Largest overseas market (27% of valuation)

China is GuocoLand's largest market outside of Singapore accounting for 27% of our valuation. All its properties are located in the Chinese cities of Shanghai and Chongqing. Two projects are currently under development, while another is in the planning stage.

Changfeng Residence. GuocoLand has a 50% stake in this 664-unit residential project in Changfeng, Shanghai, while its parent company Guoco Group (53 HK, Not Rated) holds the remaining stake. The partners acquired the land parcel in 2010 for CNY3.0b (CNY24,812 psm ppr) and have sold two thirds of the project over the past two years. The property is close to various subway lines and within 30mins drive from prominent landmarks such as People's Square, The Bund and Hongqiao International Airport. We believe the company has not recognised any of the profits from this project yet pending completion and handover to the buyers. We expect progressive handover and sales of the final phase in the project to drive an uptick in associate income in the next two years. Our CNY60,000 psm ASP assumption for all the entire project is not aggressive when compared to other projects in the locality. For example, UOL (UOL SP, BUY, TP SGD9.05) sold the first phase of Park Eleven at CNY77,000 psm last year.

Fig 31: Location of Changfeng Residence



Fig 32: Changfeng Residence's French-inspired design



Source: Company

Source: Company

Chongqing project. In November 2016, GuocoLand was awarded a mixed development site in Chongqing, China. The four land parcels for this project was awarded at a price of CNY3.6b (CNY7,088 psm ppr). The majority of this project will be for residential purposes with the balance for commercial use. GuocoLand will hold a 75% stake in this development with its ultimate parent Hong Leong Holdings (private) taking the remaining 25% stake. The property is located within the Liberation Square Commercial Belt and offers a view of the Yangtze River in Yuzhong District. Pending further details on the development, we have assumed a conservative blended ASP of CNY37,000 psm for the residential component. We believe this is reasonable when compared to other nearby projects. The residential component of Raffles City Chongqing was transacted at about CNY34,500 psm in 2Q17 and City Development's other project Eling Residence was sold for as much as CNY40,000 psm last year.

CHAOTIANMEN Raffles City XIGOU Chonging Hongya Cave Hongyadong Didu Plaza Parking Lot Liberation Square Yangtze River YUZHONG GLL (Line 1 & 2) Land

Fig 33: Location of GuocoLand's land parcels in Chongqing

Source: Company

Shanghai Guoson Centre Phase 2. GuocoLand has developed the first phase of this project into a 500,000 sqm integrated development that was completed in 2010. With the exception of a retail mall and hotel, it has sold other components in this project over the past few years. The remaining 76,510 sqm land parcel is under planning for a second phase of development that will comprise mainly offices and a retail mall. With planning details not available, we have valued this undeveloped land at its estimated current market value. GuocoLand acquired the land parcel of the entire development at CNY1.4b in 2005 or a land rate of about CNY5,000 psf ppr. Given the sharp appreciation in Shanghai's land prices over the years, this land parcel should be worth about CNY22,500 psm today. Excluding the applicable land appreciation taxes, we estimate that the value of this land parcel has risen 2.8x since its acquisition and is the basis for our valuation.



Fig 34: Location of GuocoLand's Guoson Centre in Shanghai

Source: Company

Malaysia and other international markets (6% of valuation)

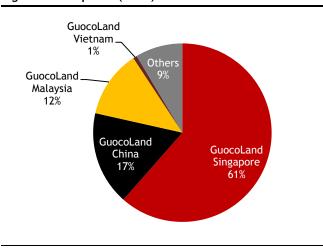
GuocoLand has other business units in Malaysia, Vietnam and other international markets. However, they are not material to the stock as they account for just 6% of our valuation. GuocoLand's Malaysia is held through a separately-listed entity GuocoLand Malaysia (GUOL MK, Not Rated). Adjusting for shares held by the company for Executives' Share Option Scheme (ESOS), we estimate that GuocoLand holds an effective 68% stake in this unit. It acquired a 27% stake in EcoWorld International recently, which gives it exposure to the Australian and UK market (See Wei Sum's recent initiation report: <u>EcoWorld International</u> - Growing Horizon (Initiation), dated 14 June 2017).

Financial analysis

Singapore and China are its largest markets. Singapore accounts for the bulk of its assets and earnings with China as its second largest market. While its revenue has been falling in recent years, we believe income contribution from newly-completed TPC and stronger home sales in Singapore will underpin a rebound. We see sales reaching a record SGD1.7b in FY19E with a kicker from its China business as it start to deliver on its Chongqing project. With EBITDA margins sustaining at around 20%, we believe the rebound in sales will also lead to a rising EBITDA profile.

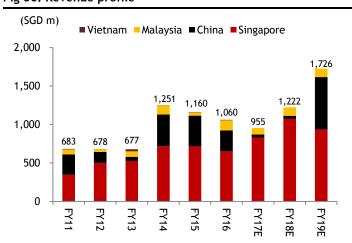
Improving earnings quality. We also see a significant improvement in GuocoLand's earnings quality over the next few years. The gradual stabilisation of TPC should lift its recurring income to over SGD140m a year from about SGD40m in FY16. With almost 40% of its EBITDA from recurring sources and a stronger balance sheet post-divestment of Dongzhimen, we believe the risk profile of the stock has improved structurally. FY16 has set a high net profit base of SGD607m due to disposal of the Dongzhimen project last year. Stripping out the estimated post-tax impact from its bottom line, we see a doubling of net profit to SGD374m in FY17E, which includes its share of fair value gain on completion of TPC. Beyond that, we see bottom line of about SGD290m.

Fig 35: Asset spread (FY16)



Source: Company

Fig 36: Revenue profile



Source: Company, Maybank Kim Eng

Fig 37: Stable at margins of 20%+ supports an improving EBITDA profile

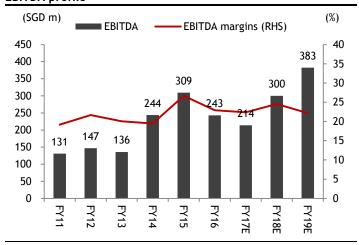
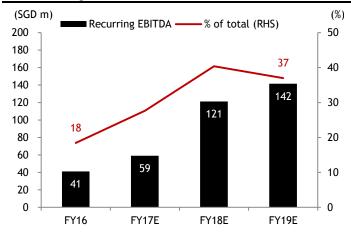


Fig 39: Sales forecasts for homes in Singapore and China Undemanding forecasts considering the improving sentiment in Singapore

Home sale volume (units)	FY16	FY17E	FY18E	FY19E
Wallich Residences	1	5	40	70
Martin Modern	0	0	150	150
Sims Urban Oasis	234	210	200	106
Leedon Residence	74	95	42	0
SG total	309	310	432	326
Chongqing residential	0	0	0	750
Changfeng Residence	221	221	222	0
China total	221	221	222	750

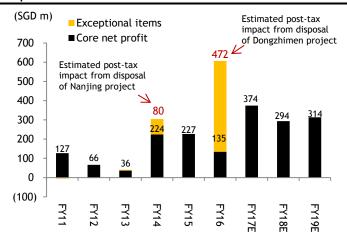
Source: Maybank Kim Eng estimates

Fig 38: Better earnings quality with almost 40% of EBITDA from recurring sources as TPC stabilises



Source: Company, Maybank Kim Eng

Fig 40: Core net profit will be driven by fair value gains on completion of TPC in FY17E



Source: Maybank Kim Eng

Stronger capital position. The market appears to have ignored the significant improvement in the company's capital position in recent years. Between 2008 and 2015, SGD2.3b of capital was trapped in a troubled Dongzhimen project in Beijing, China due to a long drawn legal dispute. Fortunately, after years of impasse, it managed to exit this project in August 2015 with a divestment gain of SGD561m in FY16. While this translates into a paltry annual return of 3% over the eight year holding period, we believe the release of trapped capital has allowed the company to deleverage its balance sheet and redeploy the proceeds into higher yielding projects. Furthermore, TPC's long gestation period has consumed over SGD3b of capital, which generated no income since 2011. With the recent completion of this mega project, we see stronger returns for the group with ROIC rising to over 5% from sub-3% in prior years. This should take ROEs up to an 8% range on lower leverage.

Fig 41: Significant improvement in capital position

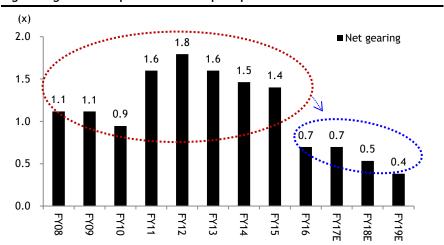


Fig 42: ROIC improves

(%)
8
ROIC
2016-19E: 5.1

2008-15: 2.8

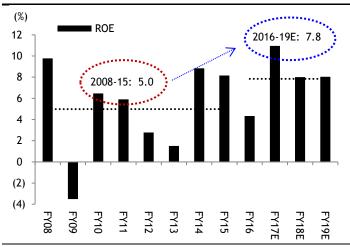
2016-19E: 5.1

2016-19E: 5.1

2016-19E: 5.1

Source: Bloomberg, Maybank Kim Eng

Fig 43: Lifting ROEs even on lower leverage



Source: Bloomberg, Maybank Kim Eng

Scope for higher dividends. With a stronger recurring income base and lower leverage, we believe GuocoLand has the capacity to progressively raise DPS back to its historical levels of 8 cts per share by FY19E, from a base DPS of 5cts in FY16. With recurring EBITDA of over SGD140m and net interest expense of about SGD50m a year, we believe this recurring income stream alone can comfortably support a dividend distribution of 8cts a share or SGD89m. This could enhance the yield appeal of the stock. As highlighted earlier, if GuocoLand capitalises on the strong investment demand with an outright sale or establishes a REIT with TPC, there is scope for a special payout.

Fig 44: Rising DPS profile

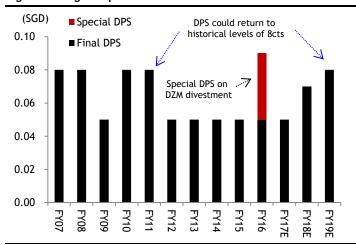
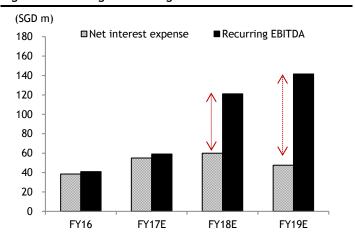


Fig 45: ...on stronger recurring income base



Source: Company, Maybank Kim Eng



Risks

Overpaying for land and cost overruns on developments. We believe this is the biggest risk factor for a property developer today. Competition for land is intense in its key markets of Singapore and China and overpaying for land could result in huge development losses for the company. The developer is subjected to cost overruns and other execution risks.

Sharp fall in Singapore's property prices. With nearly 70% exposure to this market, a sharp fall in property prices could lead to a decline in earnings and RNAV. With a large office exposure, trends in this market will have an outsized influence on the company. In the residential market, it is highly sensitive to developments in the luxury market as it accounts for the bulk of its unsold stock.

Sharp fall in property prices in Shanghai and Chongqing. China is its largest overseas market with all its properties located in Shanghai and Chongqing. As 90% of its Shanghai residential project is already sold, it is slightly less exposed to this market. On the other hand, the land parcels were only recently acquired in Chongqing and a sharp fall in property prices in the city would have significant impact on its earnings and valuation.

Regulatory risks. The property development business is highly regulated and policy changes could impact its business. For example, tightening measures could affect residential demand and our home sales forecasts may not materialise.

Interest rate risk. With over SGD4b of debt and 1.0x net gearing, a sharp increase in interest rates could lead to higher financing costs. This could erode its earnings.

Fig 46: P&L and balance sheet

FYE June	2012	2013	2014	2015	2016	2017E	2018E	2019E
(SGD m)								
, ,								
Income statement	678	677	4 254	1 160	1,060	955	4 222	1 724
Revenue			1,251	1,160			1,222	1,726
Singapore China	500 143	527	717	715	651 272	829	1,073 40	935
	35	53 70	411 122	401 40	131	40 85	109	681 110
Malaysia								
Others	0	27	0	4	5	0	0	202
EBITDA	147	136	244	309	243	214	300	383
Depreciation & Amortisation	(9) 138	(9) 127	(8) 235	(9) 300	(10) 233	(12) 202	(14)	(14)
EBIT							286	369
Interest income	5	6	12	10	20	20	20	27
Interest expense	(56)	(88)	(86)	(65)	(59)	(75)	(80)	(75)
Other items (recurring)	4	32	123	72	20	270	0	0
Other items (exceptionals)	(3)	4	107	(0)	562	0	0	0
Results of Associates & JVs	9	17	19	1	(3)	45	116	90
PBT	97	99	410	319	773	462	342	411
Taxation	(32)	(55)	(77)	(75)	(151)	(30)	(39)	(62)
Net Income	64	43	333	244	622	432	302	349
MI	(1)	(3)	(29)	(17)	(16)	(58)	(8)	(35)
PATMI	63	40	304	226	607	374	294	314
Exceptionals	3	(4)	(80)	0	(472)	0	0	C
PATMI, adj.	66	36	224	227	135	374	294	314
Balance sheet								
PPE	397	399	406	435	495	563	574	580
Intangibles	0	0	0	0	0	0	0	C
Associates & JVs	492	492	496	462	428	707	732	762
LT Investments	1,875	2,056	2,305	2,487	2,711	2,981	2,981	2,981
Others	80	66	37	43	30	30	31	32
Non-current assets	2,844	3,013	3,244	3,426	3,664	4,281	4,319	4,356
Inventories	4,972	4,827	4,287	4,711	2,410	2,986	2,611	2,064
Accounts Receivables	81	381	472	561	402	200	300	600
ST Investments	0	0	0	0	0	0	0	0
Cash	862	934	716	663	1,430	1,443	1,512	1,048
Others	0	0	0	150	0	0	0	.,
Current assets	5,915	6,142	5,475	6,085	4,243	4,628	4,422	3,711
Total assets	8,759	9,155	8,719	9,512	7,907	8,910	8,741	8,067
Total assets	0,737	7,133	0,717	7,312	7,707	0,710	0,741	0,007
ST Loans	1,789	1,504	2,299	1,607	2,122	2,200	1,750	750
Accounts Payable	622	747	429	527	339	375	400	450
Others	22	70	47	181	71	50	52	53
Current liabilities	2,432	2,322	2,774	2,315	2,533	2,625	2,202	1,253
LT Loans	3,615	3,868	2,768	3,673	1,708	2,000	2,000	2,000
Others	179	190	203	227	224	330	340	350
Non-current liabilities	3,794	4,058	2,971	3,900	1,932	2,330	2,340	2,350
Total Liabilities	6,226	6,380	5,746	6,216	4,464	4,955	4,541	3,603
							·	
Shareholder Equity	2,396	2,447	2,621	2,936	3,276	3,550	3,789	4,025
Preferred Equity	0	199	200	200	0	0	0	0
Minority Interests	136	129	153	160	166	404	411	439
Total Equity	2,532	2,775	2,974	3,296	3,442	3,955	4,200	4,464
	8,759	9,155	8,719	9,512	7,907	8,910	8,741	8,067

Fig 47: Cashflow

FYE June	2012	2013	2014	2015	2016	2017E	2018E	2019
	2012	2013	2011	2015	2010	20172	20102	20171
(SGD m)								
Cashflow statement								
CFO PBT	97	99	410	319	773	462	342	411
	29	40						
Adjustments		138	(161) 249	(31) 288	(523) 251	(248) 214	(42) 300	(28 38 3
Cash from ops before WC changes	126							
WC changes	23 149	39 178	(24) 224	(140) 147	484 735	(252)	310 610	308 69 0
Cash generated from ops						(39)		
Taxes paid, net	(78)	(27) 150	(67) 157	(50) 97	(185) 550	(30)	(39) 571	(62
Cashflow from ops	71	150	157	97	550	(68)	3/1	628
CFI	(0)	(0)	(43)	(20)	((0)	(90)	(25)	(20
CAPEX, net	(8)	(9)	(13)	(29)	(68)	(80)	(25)	(20
Dividends from Associates & JVs	10	16	13	3	1	12	90	60
Dividends/Interest income	7	11	9	13	20	20	20	27
(Purchase)/Sale of investments	(77)	(18)	(75)	(202)	(197)	(2.46)	0	(
Investments in subs, associates & JVs	(313)	6	244	9	2,230	(246)	0	(
Others	(7)	(1)	(3)	(24)	33	0	0	(
Cashflow from investments	(389)	5	175	(231)	2,019	(294)	85	67
CFF	(1.40)	(4=4)	(100)	(1==)	(140)	(==)	(00)	
Interest expense	(149)	(176)	(193)	(177)	(160)	(75)	(80)	(75)
Share issuance	0	0	0	0	0	0	0	(
Purchase of treasury shares	0	0	0	0	0	0	0	(
Loans, net of repayments	366	(42)	(294)	262	(1,371)	370	(450)	(1,000
Dividends to shareholders	(89)	(55)	(55)	(55)	(55)	(100)	(55)	(78)
Dividends to preferred shareholders	0	0	(9)	(9)	(9)	0	0	(
Dividends to MI	(1)	(12)	(1)	(2)	(2)	(2)	(2)	(7)
Others	(368)	187	243	136	86	182	0	C
Cashflow from financing	(241)	(98)	(310)	155	(1,512)	375	(587)	(1,159)
Net change in cash	(559)	57	22	21	1,057	12	69	(464)
Key ratios								
Returns (%)								
ROE, adjusted	2.8	1.5	8.8	8.2	4.3	11.0	8.0	8.0
ROIC	1.7	1.7	4.1	3.7	2.5	6.8	5.4	5.7
Leverage								
Net debt/(cash) (SGD m)	4,542	4,438	4,351	4,617	2,400	2,757	2,238	1,702
Net gearing (x)	1.79	1.60	1.46	1.40	0.70	0.70	0.53	0.38
EBITDA interest coverage (x)	2.6	1.6	2.8	4.8	4.1	2.9	3.7	5.1
Marging (9/)								
Margins (%) EBITDA	21.7	20.0	19.5	26.7	22.9	22.4	24.5	22.2
EBIT	20.3	18.7	18.8	25.9	22.0	21.1	23.4	21.4
Per share (SGD)								
Per share (SGD) EPS, reported	0.06	0.04	0.27	0.20	0.54	0.34	0.26	0.28
	0.06 0.06	0.04 0.03	0.27 0.20	0.20 0.20	0.54 0.12	0.34 0.34	0.26 0.26	
EPS, reported								0.28 0.28 3.63
EPS, reported EPS, adjusted	0.06	0.03	0.20	0.20	0.12	0.34	0.26	0.28



Appendix A - Directors and key management

	Appointment	Remarks
Board of Directors		
Moses Lee Kim Poo	Chairman	Mr Lee was appointed Chairman in Nov 2013. He is also the Chairman of Singapore Totalisator Board, Chairman of Sentosa Development Corporation and a Director of M1. Prior work experience includes Commissioner of Inland Revenue Authority of Singapore and Permanent Secretary in the Ministries of Labour, Community Development and Health.
Raymond Choong Yew How	Group CEO	Mr Choong was appointed Group CEO in Sep 2015. He has over 30 years of experience in banking, majority of which is with Citibank in Malaysia. Prior to joining the company, he was the President and CEO of Hong Leong Financial Group Bhd.
Quek Leng Chan	Non-Independent Executive Director	Mr Quek is the majority shareholder of GuocoLand and has been on the Board since 1988. He is also the Chairman & CEO of Hong Leong Company (Malaysia) Bhd.
Kwek Leng Hai	Non-Independent Non-Executive Director	r Mr Kwek is the Executive Chairman of Guoco Group, the holding company of GuocoLand, and Chairman of Lam Soon (HK) Ltd. He is the brother of majority shareholder, Quek Leng Chan.
Timothy Teo Lai Wah	Independent Non-Executive Director	Mr Teo was appointed to the Board in Nov 2008. He is also on the board of GL Ltd, St Luke Elder Care and Jurong Health Fund. He has extensive experience in the financial sector, which includes stints at GIC and JP Morgan.
Francis Siu Wai Keung	Independent Non-Executive Director	Mr Siu was appointed to the Board in Dec 2010. He is also a director at Citic, China Communications Service Corp., CGN Power Co., China International Capital Corp. and BHG Retail REIT. He was previously a Partner at KPMG.
Lim Suat Jien	Independent Non-Executive Director	Ms Lim was appointed to the Board in May 2013. She is currently the GM Sentosa Leisure Management and was previously held positions at MediaCorp, Ministry of Community Development and Ministry of Health.
Abdullah Bin Tarmugi	Independent Non-Executive Director	Mr Abdullah was appointed to the Board in March 2012. He is also on the board of Goodhope Asia, The Islamic Bank of Asia, Pacific Insurance Bhd and is a partner in the Leadership Practice LLP. He was previously the Speaker of Parliament for Singapore and has extensive experience within the Singapore government.
Jennie Chua Kheng Yeng	Independent Non-Executive Director	Ms Chua was appointed to the Board in Aug 2013. She is also a on the board of GL Ltd and Far East Orchard. She has experience in the public and community sector, which includes Chairmanship of Alexandra Health System. She also has significant experience in the hospitality sector as the GM and Chairman of Raffles Hotel and President and CEO of the Ascott Group.
Tang Hong Cheong	Non-Independent Non-Executive Director	Mr Tang was appointed to the Board in Sep 2016. He is a Director and President & CEO of Guoco Group and a Director of Lam Soon (HK) Ltd. He has held various senior management positions in different companies within the Hong Leong Group. He is also the Chairman of the REIT manager of Tower REIT.
Senior Management Raymond Choong Yew How	Group CFO	As above.
naymona choong rew how	0.0up 010	
Richard Lai	Chief Financial Officer	Mr Lai joined the group in March 2015 and has over 20 years of experience in property, engineering, infrastructure and banking industries. Notably he spent nearly 13 years as a banker in various financial institutions and was previously with Mapletree Logistics Trust Management and Tee International.
Cheng Hsing Yao	Country Head Singapore	Mr Cheng joined the group in 2012 as the COO for Singapore and was appointed MD of GuocoLand Singapore in Aug 2014. Prior to joining the company, he held various leadership positions in the public service, such as the Urban Redevelopment Authority.
Hoon Teck Ming	Country Head China	Mr Hoon joined the group in May 2016 and has 30 years of experience in the property development and construction industry. Notably, he has over 17 years of experience in China with Wing Tai and CapitaLand.
Datuk Edmund Kong	Country Head Malaysia	Datuk Kong joined the company in Jan 2016. He has over 26 years of experience in the property development and construction industry. An architect by training, he had prior working experience with Perdana Parkcity Sdn Bhd, TA Global Bhd and Tropicana Corp Bhd.



Appendix B - Residential projects in Singapore

Fig 49: Residential projects in Singapore

Location	High	Mid	Mass	Total units	Completion	Land tenure	Residential Projects	S/N
	(no.)	(no.)	(no.)	(no.)	(year)			
Elias Terrace			78	78	1994	999Y	Elias Terrace	1
Tanah Merah			288	288	1994	99Y	The Tanamera	2
Serangoon Ave 3			500	500	1995	99Y	Chiltern Park	3
Elias Road			419	419	1995	99Y	Elias Green	4
21 Telok Blangah Drive			154	154	1995	99Y	Harbour View Towers	5
Loyang View			423	423	1995	99Y	Loyang Villas	6
Pine Grove		254		254	1996	99Y	Cavendish Park	7
Kew Drive			6	6	1996	99Y	Kew Drive	8
Simei Road			1,232	1,232	1996	99Y	Melville Park	9
Jurong West			339	339	1997	99Y	Westville	10
Petir Road			636	636	1998	99Y	Maysprings	11
Tanglin Road		210		210	1998	99Y	Tanglin Regency	12
Tanah Merah			268	268	1999	99Y	Stratford Court	13
Bedok Reservoir			720	720	2000	99Y	Aquarius By The Park	14
1 Ladyhill Road	55			55	2002	FH	The Ladyhill	15
Tanjong Rhu		522		522	2003	99Y	Sanctuary Green	16
Bishan			756	756	2004	99Y	The Gardens at Bishan	17
Bishan			164	164	2005	99Y	Bishan Point	18
6 Cuscaden Walk	46			46	2005	FH	Boulevard Residence	19
Elias Terrace			17	17	2005	999Y	D'Elias	20
16 Nathan Road	46			46	2006	FH	Nathan Place	21
21 Leonie Hill	97			97	2006	99Y	Leonie Studio	22
Paya Lebar Road		228		228	2006	FH	Le Crescendo	23
71/73 Paterson Road	110			110	2008	FH	Paterson Residence	24
West Coast Road			162	162	2008	FH	The Stellar	25
Meyer Road		45		45	2009	FH	The View @ Meyer	26
Buangkok Drive			625	625	2009	99Y	The Quartz	27
Elliot Road		119		119	2012	FH	Elliot at the East Coast	28
Yio Chu Kang			103	103	2013	FH	The Waterline	29
Goodwood Hill	210			210	2013	FH	Goodwood Residence	30
32 Adis Road	272			272	2014	FH	Sophia Residence	31
Leedon Heights	381			381	2015	FH	Leedon Residence	32
Wallich Street	181			181	2017E	99Y	Wallich Residence	33
Sims Drive		1,024		1,024	2017E	99Y	Sims Urban Oasis	34
Martin Place	450	1,021		450	2021E	99Y	Martin Modern	35
1 1440	1,848	2,402	6,890	11,140		,,,		

Source: Company, Maybank Kim Eng



FYE 30 Jun	FY15A	FY16A	FY17E	FY18E	FY19E
Key Metrics	9.6	3.5	5.9	7.5	7.0
P/E (reported) (x) Core P/E (x)	9.6 9.7	3.5 16.4	5.9	7.5 7.5	7.0
P/BV (x)	0.8	0.7	0.6	0.6	0.5
P/NTA (x)	0.8	0.7	0.6	0.6	0.5
Net dividend yield (%)	2.5	4.5	2.5	3.5	4.0
FCF yield (%)	3.1	21.9	nm	24.8	27.6
EV/EBITDA (x)	24.0	19.0	25.1	16.2	11.4
EV/EBIT (x)	24.7	19.8	26.6	17.0	11.8
INCOME STATEMENT (SGD m)					
Revenue	1,159.9	1,059.8	954.7	1,222.1	1,726.1
Gross profit	300.4	232.7	201.8	286.0	368.6
EBITDA	309.5	242.8	213.8	300.0	382.6
Depreciation	(9.1)	(10.1)	(12.0)	(14.0)	(14.0)
EBIT	300.4	232.7	201.8	286.0	368.6
Net interest income /(exp)	(54.8)	(38.5)	(55.0)	(60.0)	(47.5)
Associates & JV	0.8	(2.7)	45.0	115.5	89.9
Exceptionals	(0.3)	562.0	0.0	0.0	0.0
Other pretax income	72.5	19.7	270.2	0.0	0.0
Pretax profit	318.7	773.2	462.0	341.5	411.0
Income tax	(74.8)	(150.7)	(29.7)	(39.3)	(62.3)
Minorities	(17.5)	(15.8)	(58.3)	(8.3)	(34.9)
Reported net profit	226.4	606.7	374.0	293.9	313.8
Core net profit	226.6	134.7	374.0	293.9	313.8
Preferred Dividends	(9.4)	(9.4)	0.0	0.0	0.0
BALANCE SHEET (SGD m)					
Cash & Short Term Investments	663.1	1,430.2	1,442.7	1,511.6	1,047.6
Accounts receivable	561.1	401.8	200.0	300.0	600.0
Inventory	4,711.0	2,410.5	2,985.6	2,610.7	2,063.7
Reinsurance assets	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equip (net)	435.2	494.8	562.8	573.8	579.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	461.5	427.9	706.9	732.5	762.4
Other assets	2,679.6	2,741.4	3,011.6	3,012.5	3,013.4
Total assets	9,511.6	7,906.6	8,909.6	8,741.1	8,066.9
ST interest bearing debt	1,607.0	2,122.1	2,200.0	1,750.0	750.0
Accounts payable	527.0	339.4	375.0	400.0	450.0
Insurance contract liabilities	0.0	0.0	0.0	0.0	0.0
LT interest bearing debt	3,673.0	1,708.2	2,000.0	2,000.0	2,000.0
Other liabilities	409.0	295.0	380.0	391.0	403.0
Total Liabilities	6,215.5	4,464.4	4,955.0	4,541.4	3,603.1
Shareholders Equity	2,936.4	3,276.1	3,550.3	3,788.7	4,024.8
Minority Interest	159.5	166.1	404.4	411.0	438.9
Total shareholder equity	3,096.0	3,442.2	3,954.6	4,199.7	4,463.7
Perpetual securities	200.3	0.0	0.0	0.0	0.0
Total liabilities and equity	9,511.8	7,906.6	8,909.6	8,741.1	8,066.9
CASH FLOW (SGD m)					
Pretax profit	318.7	773.2	462.0	341.5	411.0
Depreciation & amortisation	9.1	10.1	12.0	14.0	14.0
Adj net interest (income)/exp	54.8	38.5	55.0	60.0	47.5
Change in working capital	(140.5)	484.4	(252.4)	310.4	307.8
Cash taxes paid	(50.2)	(184.8)	(29.7)	(39.3)	(62.3)
Other operating cash flow	(94.9)	(571.2)	(315.2)	(115.5)	(89.9)
Cash flow from operations	96.9	550.2	(68.4)	571.0	628.2
Capex	(28.5)	(67.8)	(80.0)	(25.0)	(20.0)
Free cash flow	68.4	482.3	(148.4)	546.0	608.2
Dividends paid	(55.5)	(55.5)	(99.9)	(55.5)	(77.7)
Equity raised / (purchased)	0.0	0.0	0.0	0.0	0.0
Change in Debt	262.1	(1,371.2)	369.7	(450.0)	(1,000.0)
Perpetual securities distribution	(9.4)	(9.4)	0.0	0.0	0.0
Other invest/financing cash flow	(244.8)	2,010.7	(109.0)	28.3	5.5
Net cash flow	20.8	1,056.9	12.5	68.9	(464.0)



FYE 30 Jun	FY15A	FY16A	FY17E	FY18E	FY19E
Key Ratios					
Growth ratios (%)					
Revenue growth	(7.3)	(8.6)	(9.9)	28.0	41.2
EBITDA growth	27.0	(21.6)	(12.0)	40.3	27.5
EBIT growth	27.7	(22.5)	(13.3)	41.8	28.9
Pretax growth	(22.3)	142.6	(40.3)	(26.1)	20.4
Reported net profit growth	(25.6)	168.0	(38.4)	(21.4)	6.8
Core net profit growth	1.2	(40.6)	177.7	(21.4)	6.8
Profitability ratios (%)					
EBITDA margin	26.7	22.9	22.4	24.5	22.2
EBIT margin	25.9	22.0	21.1	23.4	21.4
Pretax profit margin	27.5	73.0	48.4	27.9	23.8
Payout ratio	24.5	16.5	14.8	26.4	28.3
DuPont analysis					
Net profit margin (%)	19.5	57.2	39.2	24.0	18.2
Revenue/Assets (x)	0.1	0.1	0.1	0.1	0.2
Assets/Equity (x)	3.2	2.4	2.5	2.3	2.0
ROAE (%)	8.5	19.8	11.0	8.0	8.0
ROAA (%)	2.5	1.5	4.4	3.3	3.7
Leverage & Expense Analysis					
Asset/Liability (x)	1.5	1.8	1.8	1.9	2.2
Net gearing (%) (incl perps)	140.1	69.7	69.7	53.3	38.1
Net gearing (%) (excl. perps)	149.1	69.7	69.7	53.3	38.1
Net interest cover (x)	5.5	6.0	3.7	4.8	7.8
Debt/EBITDA (x)	17.1	15.8	19.6	12.5	7.2
Capex/revenue (%)	2.5	6.4	8.4	2.0	1.2
Net debt/ (net cash)	4,616.9	2,400.0	2,757.3	2,238.4	1,702.4

Source: Company; Maybank

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