

Amara Holdings Ltd

It's Growing! Initiate with Buy

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Industry: Property

Phillip Securities Research Pte Ltd

24 June 2013

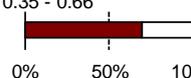
Report type: Initiation - Buy

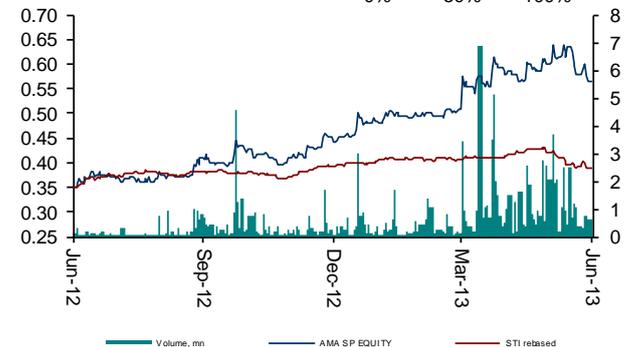
Company Overview

Amara Holdings Ltd is a recognized brand name in the property sector. It mainly invests in hotel assets, as well as retail, commercial assets and residential property development. While Amara has a hotel, luxury hotel, retail podium, and office tower in Singapore, growth is coming from substantial overseas developments.

- Key assets Amara Singapore, Amara Sanctuary and 100 AM are estimated to provide a base load of recurring earnings (PATMI) of nearly S\$26m a year.
- Visible growth profile from a pipeline of assets under development: Amara Bangkok (hotel) and Amara Signature, Shanghai (hotel, retail, commercial mixed development)
- The successful completion of the Shanghai mixed development and Bangkok hotel will be key factors to its expansion efforts, potentially adding up to S\$327.3m in Gross Asset Value from the current estimated S\$669.6m, an almost 50% increase.
- Earnings growth in FY2014 will be significant as (1) Amara Bangkok is expected to be opened, (2) Amara Singapore's RevPar will continue to normalize, and (3) residential developments Citylife@Tampines and Killiney 118 will be recognized.
- Current price of S\$0.565 is more than 50% discount to RNAV of S\$1.23, representing a value opportunity. Our target price of S\$0.74 is an excessive 40% to RNAV, which could narrow as the company continues to actively manage its hotel assets and embark on new exciting projects, investors should come to appreciate the actual value of these assets. The RNAV of S\$1.23 (excludes Myanmar investment) continue to present ample upside to the investor.
- Potential catalyst in MOU to develop hotel in Yangon, Myanmar. In April 2013, Amara Holdings Ltd entered into a Memorandum of Understanding with counterparties, Youth Force Hotel Co. and Youth Force Construction Co. Ltd., to develop hotels and real estate projects in Myanmar. The first project would be to develop and operate a hotel located in Dagon Township, Yangon, Myanmar and requires capital investment of S\$50mn. While we await further details on the investment, we believe this may provide greater positive impetus to the stock price

Amara Holdings Ltd

Rating	1	Buy
- Previous Rating	NA	Not Rated
Target Price (SGD)	0.74	
- Previous Target Price (SGD)	NA	
Closing Price (SGD)	0.565	
Expected Capital Gains (%)	30.9%	
Expected Dividend Yield (%)	1.1%	
Expected Total Return (%)	31.9%	
Raw Beta (Past 2yrs w weekly data)	1.06	
Market Cap. (USD mn / SGD mn)	256 / 326	
Enterprise Value (USD mn / SGD mn)	413 / 521	
3M Average Daily T/O (mn)	1.2	
52 week range (SGD)	0.35 - 0.66	
Closing Price in 52 week range		



Major Shareholders

	(%)
1) Firsttrust Equity Pte Ltd	53.4
2) Chew Chuan Teo	7.9
3) Chuan Teo Hin	5.7

Key Financial Summary

FYE	12/11	12/12	12/13F	12/14F
Revenue (SGD mn)	62	90	118	132
Net Profit, adj. (SGD mn)	12	20	21	39
EPS, adj. (SGD)	0.02	0.03	0.04	0.07
P/E (X), adj.	26.5	16.6	15.8	8.3
BVPS (SGD)	0.44	0.48	0.54	0.62
P/B (X)	1.3	1.2	1.1	0.9
DPS (SGD)	0.01	0.01	0.01	0.01
Div. Yield (%)	0.9%	1.1%	1.1%	1.1%

Source: Bloomberg, PSR est.

*All multiples & yields based on current market price

Valuation Method

RNAV

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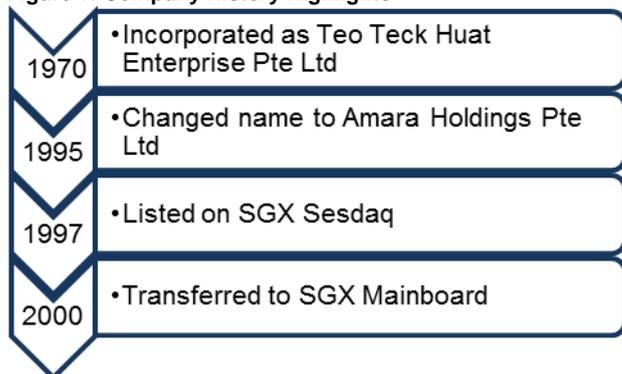
Background of Company

History

Mr. Teo Teck Huat founded the company in the 1970s. The company primarily engaged in the building-construction business and remained so till the mid-1980s. Then, the company expanded into the hotel and retail segment. Subsequently, the company included restaurants businesses into its portfolio to complement its hotel assets.

Today, Amara's main business segments spans across various real estate sub-sectors. It ranges from residential development & sales to hotel investment & management. The company's assets are geographically spread among Asia, with a high concentration in Singapore. The firm's overseas exposure includes Shanghai-China and Bangkok-Thailand. Most recently, it has indicated its intention to expand into Myanmar, developing and managing a hotel asset there.

Figure 1: Company History Highlights



Management

The company's management is largely fronted by Mr Albert Teo Hock Chuan, who serves as the Chief Executive Officer. Mr Teo joined the company in the formative years of the company as a non-executive director.

The interest of the management is largely aligned with other shareholders. Mr Teo and his family, jointly owns ~67% of the group. The CEO has demonstrated resolve in seeking operational excellence and has actively, albeit selectively, secured overseas projects.

Most recently, management has committed to innovating business operations and improving the profitability for investment properties. Additionally, the company will seek for more overseas projects, in an attempt to grow the company's earnings and increase their geographical spread.

Business Model & Business Segments

Business Model

Amara's business model is simple, straightforward and allows management to focus on its core competencies.

Purpose: There are two broad goals that Amara sets forth to achieve; 1) to source, secure and develop profitable residential projects, 2) to identify, develop and manage profitable hotel assets. These two objectives vary in nature. While the development of residential sites will allow the company to explore profitable opportunities during favorable times, the managing of hotel assets will provide management with recurring income.

Process: From the track records of its residential projects, Amara has demonstrated its ability to seek strategically located sites for development. For its hotel segment, the company focus on sites with strong real estate fundamentals that will aid in providing resilient regular income. Amara will develop and manage the hotel asset. For the residential sector, rental yields are the lowest amongst other real estate sub-sectors. Hence, Amara adopted a develop-and-sell strategy.

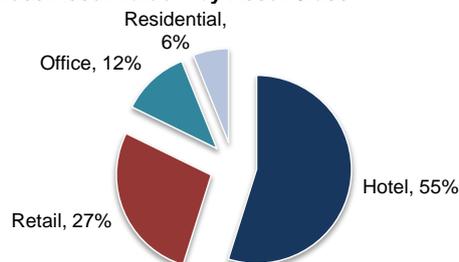
Product: Amara's aim is to "maintain excellence in all that they do, and offer long term benefits to their shareholders, customers and employees". This can be interpreted as the company focus on deriving the maximum amount of profit from their hotel operations and residential sales, while keeping the interest of other stakeholders in mind.

3 Business Segments

Amara Holdings is involved in 3 business segments; 1) Hotel Investment and Management ("HIM"), 2) Property Investment & Development ("PID"), 3) Specialty Restaurants & Food Services ("SRFS").

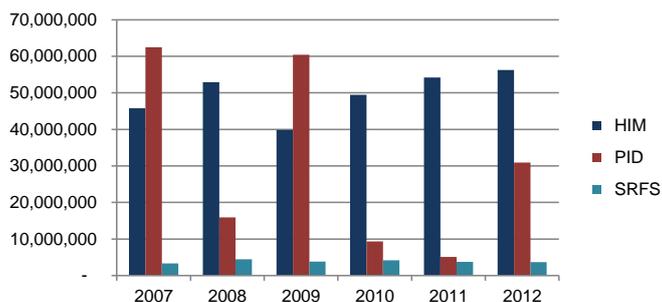
The following diagrams provides segmental information by Gross Asset Value, Revenue, Profits and Asset Values.

Figure 2: Gross Asset Value – by Asset Class



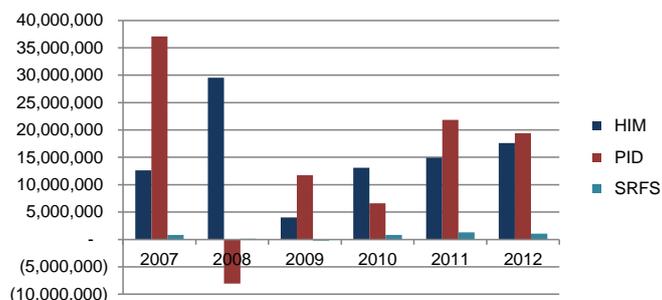
Source: Company, Phillip Securities Research

Figure 3: Business Segment - Revenue



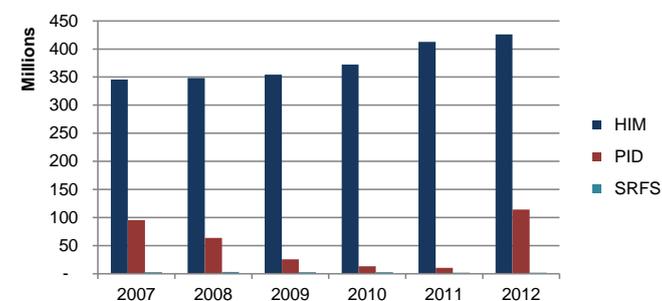
Source: Company, Phillip Securities Research

Figure 4: Business Segment - Profit



Source: Company, Phillip Securities Research

Figure 5 Business Segment - Assets



Source: Company, Phillip Securities Research

a) Hotel Investment and Management

Currently, HIM is largest contributor of Amara's Gross Asset Value ("GAV") at 54.8%. The company's strategy to hold onto and manage such assets for recurring income also exposes its performance to the broader Asia hospitality sector. With its largest asset being its flagship, Amara Singapore, the Singapore tourism sector would be of a largest factor in HIM segment's bottom line.

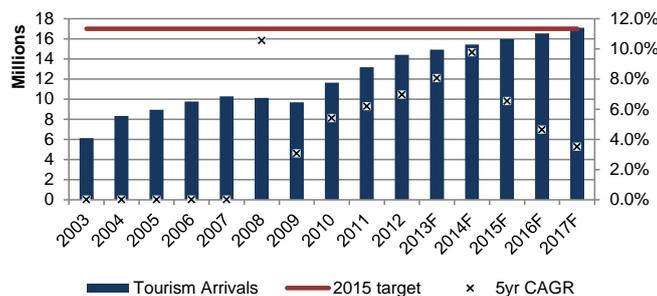
Singapore Hospitality outlook

Increasing Tourist Arrivals

Since 2010, Singapore Tourism Board ("STB") have targeted and worked towards luring 17 million annual international visitors by 2015. With Singapore achieving 14.4m tourist arrivals in 2012 and on track to achieve 15.4m in 2013, the once lofty target seems plausible now. Beyond 2015, STB estimates that Singapore can sustain a 3-4% growth in arrivals over the longer term. Although the target of 17 million is within reach, uncertainties in the global economy may affect the growth of tourist arrivals. In addition, as tourist arrival growth is coming from a

higher base, growth will be at a slower and more sustainable rate.

Figure 6 Tourist Arrivals

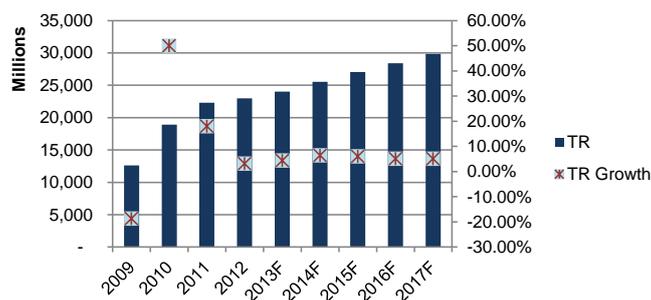


Source: STB, Phillip Securities Research

Greater Tourist Receipt, Greater hotel room demand

Tourist receipt is expected to increase in tandem or at a faster rate, as compared to the number of tourist arrivals. Although there is weakness in the growth of tourist arrivals, the tourism scene in Singapore is maturing. While there is a sizeable proportion stop-over trips, there is an increasing number of events to induce longer stay for tourists. STB has also spoken out to encourage tour agencies to plan trips that allowed tourists greater time to explore the island. Additionally, STB has launched the S\$5mn Kickstart Fund. This initiative is to provide financial support for the development of new events and ideas, which have huge tourism potential. Strong involvement of STB has proven vital in the outperformance of the local tourism industry thus far, and we believe that the trend will continue.

Figure 7: Tourist Receipts



Source: STB, Phillip Securities Research

Hotel Room – Demand vs Supply, Occupancy

There is a slate of new hotels or reopening of refurbished hotels in 2013. (Please see figure 8 for a list of hotel opening in 2013) In addition, the Singapore Government continues to encourage greater investments in the hotel sector. In 2H2012, the government placed 6 hotel sites up for tender. This influx of new hotel rooms will place some resistance to the growth of RevPar and some downward pressure on occupancy levels. However, we foresee resilient demand as tourist arrivals increase, and occupancy likely to remain at current levels.

Figure 8: List of hotel opening in 2013

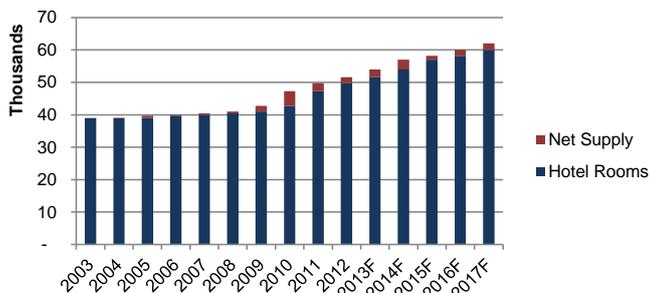
New Supply in 2013 (Hotel)	No. of Rooms
Traders Hotel	500
Ramada Singapore	390
Carlton Project	380
Connexion at Farrer Park	230
Holiday Inn Express Orchard	220
Fairy Hill P:Oint Hotel	175
Acqueen Tyrwhitt Hotel	160
Modena Frasers Suites	140
Sofitel Singapore	130
Acqueen Geylang Hotel	110
Total	2435

Source: Phillip Securities Research

Fundamental Changes

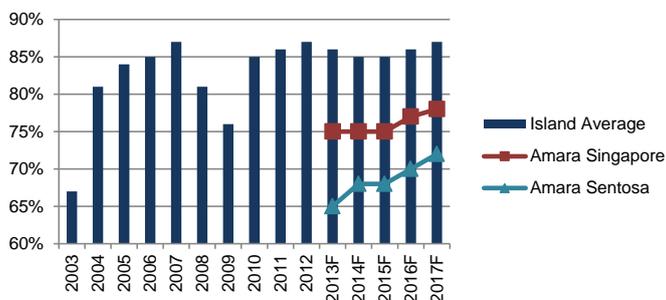
Singapore's tourism industry has seen some changes to its fundamentals since the licensing and opening of the two integrated resorts (IRs) in 2010. The introduction of another major form of entertainment has propelled hotel average occupancy back to the 85+% levels and it has never dipped below that watermark since. We think that this higher average occupancy range will persist for the foreseeable future, despite upcoming room supply.

Figure 9: Hotel Rooms Supply / Stock



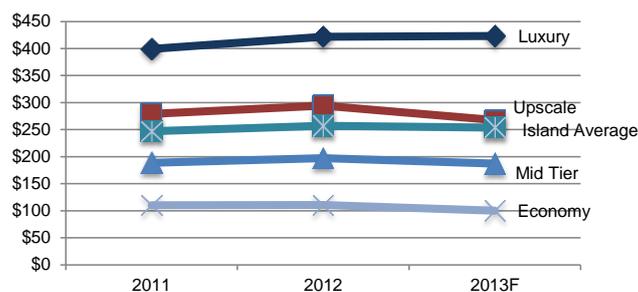
Source: STB, Phillip Securities Research

Figure 10: Hotel Occupancy



Source: STB, Phillip Securities Research

Figure 11: Average Room Rate

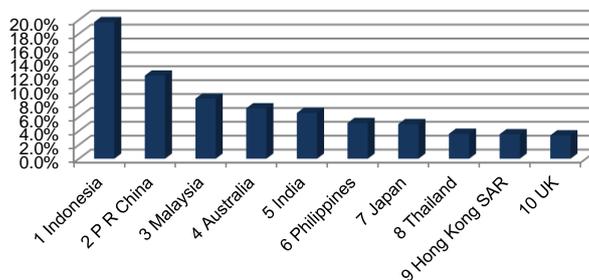


Source: STB, Phillip Securities Research

Sustainable short and long term growth implied

For 2013, occupancy is anticipated to remain at current level as the growth hotel demand continues to pace the increase in hotel room supply. Supporting the positive longer term outlook for the tourism industry, among the top five places of origin for Singapore's visitor arrivals, 4 of them are projected to have real GDP growth rates of at least 5.0% (Indonesia – 6.13% China – 7.8% Malaysia – 5.0% Australia – 2.5% India – 5.1%). This indicates a better quality of tourist visitors going forward. We remain optimistic of the longer term outlook for this sector.

Figure 12: Visitors' Origin



Hotel Assets review

1) Amara Singapore



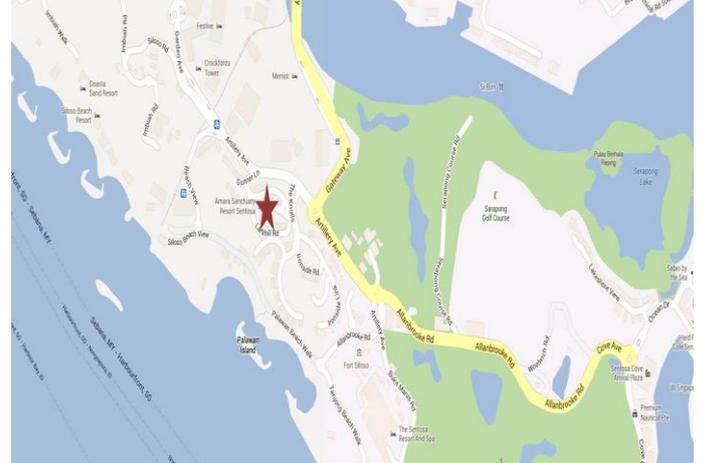
Source: Google Maps, Company

This is the flagship hotel and it forms the largest component (26.0%) of Amara's Gross Asset Value (GAV). This hotel is located in Singapore's thriving Central Business District, along Tanjong Pagar Road and Enggor Street, a stone throw away from Tanjong Pagar MRT station. The 4-star, 380-room hotel targets business travelers and runs on a 99 year lease that was effective since 1979.

RevPar Upside Previously, the hotel was only able to achieve 75% (estimated) occupancy. (please refer to figure 10) In 2012, the hotel went through an aesthetic refurbishment. In addition, its strategic location would render it amongst the top choice for the budget conscious business traveler. Furthermore, 100 AM, the retail mall (attached to the hotel) has completed its Asset Enhancement Initiatives. The mall features a better tenant mix with greater variety of retail solutions. This would further entice business travelers. We estimate a recovery of the RevPar from S\$155 in FY2012 to S\$180 in FY2013. This is in line with the average for upscale hotels, and back to the similar levels that the hotel achieved in FY2008.

We value Amara Singapore at S\$259.2mn or S\$682,100 per room. This is based on an estimated 2013 RevPar of S\$180 and a 6.0% capitalization rate.

2) Amara Sanctuary



Source: Google Maps, Company

Beside Amara Singapore, this is the only other hotel that is operational. This hotel asset contributes 13.0% of Amara's GAV.

Amara Sanctuary is a 140-room, 5-star luxury resort that is located on Sentosa. It is running on a 70 year lease, which started in January 2007. The increased commercialization of Sentosa has benefited this hotel. In 2011, Sentosa attracted 19.1mn visitors, a 144.9% increase compared to 7.8mn in 2010. In 2012, it is estimated that Sentosa attracted >20.0mn visitors. Major attractions on this island includes iFly, the world's largest skydiving simulator, ONE°15, a lifestyle and yacht club, and the integrated resort- Resort World Sentosa.

Amara Sanctuary's RevPar is estimated at S\$200 on average room rates of S\$240 and 75% occupancy. Upside for RevPar could come from a) increased number of attractions on Sentosa Island and b) upcoming trend of "stay-cation" amongst local and expats working in Singapore.

We value Amara Sanctuary at S\$129.3mn or S\$923,600 per room, based on our estimated 2013 RevPar of S\$225, and a 6.0% capitalization rate.

3) Amara Signature Shanghai (Under Development)



Source: Google Maps, Company

This hotel is under development. Upon completion, it could potentially form 7.9% of GAV.

The land site is located along Jiaozhou Road and Changshou Road in Puxi, Shanghai, and has a 40-year lease that expires in 2037. It is a mixed used development that will consist of hotel, retail and office components. Based on our estimates, the hotel, retail and office components have GFA of 205,000 sq ft, 130,000 sq ft and 80,000 sq ft respectively. The hotel component will boast of a 5-star, 336-room establishment.

In 1996, Amara purchased the land from Shanghai City Land Bureau. During its IPO, in 1997, Amara disclosed the presence of this site and their intention of developing it. In 2005, the management reiterated their intention of developing and completing it before the Beijing Olympics. However, there are no further updates on the construction progress to date. In the April 2013 corporate presentation, management indicated that the project is scheduled to be completed by 2015.

We value Amara Signature Shanghai at S\$79.0mn or S\$235,200 per room, based on a RevPar of S\$173 and a capitalization rate of 17.50%. In our valuation, we adopted an above-market capitalization rate. Due to the infancy of the development and the yet to be established overseas track record of the Amara management, the heightened risk levels warrant a higher capitalization rate. Should a similar hotel, sharing similar characteristics, achieve comparable levels of RevPar, it would be able to obtain a higher valuation.

4) Amara Bangkok (Under Development)



Source: Google Maps, Company

Amara Bangkok is the company's first development in Thailand. Currently under construction, this hotel potentially contributes 4.3% of Amara's GAV, when completed.

Located on Surawaong Road, parallel to Silom and Sathorn Roads, this hotel is strategically located in close proximity to the financial districts of Bangkok. The area is also known for its local entertainment and shopping activities. Management have indicated that this 251-room, 4-star hotel is designed to target both leisure and business travelers.

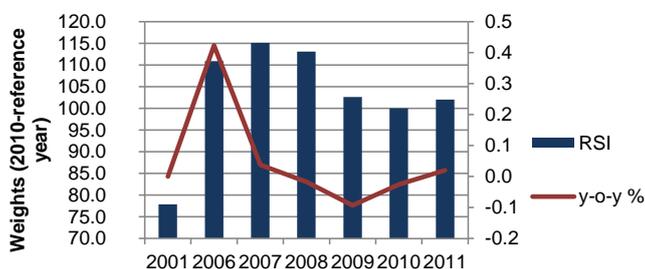
Management has guided that the expected completion would be in 2014. We value Amara Bangkok at S\$73.3mn or S\$292,000 per room based on RevPar of S\$160 and an 10% capitalization rate.

b) Property Investment and Development
Singapore Retail outlook

Despite the lackluster economy, the continued growth in the Singapore's tourism industry continues to lend strength to the local retail leasing market. This resulted in the retail rental rates continuing to remain at current high levels.

With Singapore increasingly being one of the top choice for tourists, retailers continues to show great interest in opening new stores, F&B outlets and retail malls. Over the recent 12 month period, Singapore saw numerous international brands opening retail outlets along the prime shopping belt. These brand names include Mulberry, Paul Smith and Celio, amongst others. On the F&B front, there are also various diners that have entered the local market, like Morganfield's, Boston Seafood Shack, Ruth's Chris Steak House and Korean BBQ-themed restaurants. With the increasing array of shopping and dining options afforded by these openings, consumer spending started to recover and showed positive growth in 2013.

Figure 13: Retail Sales Index



Source: STB, Phillip Securities Research

Buoyant leasing activity, coupled with resilient consumer spending patterns will continue to lend strength to the current rental rates. Looking ahead, with the Government's continual focus on the tourism industry, the retail scene will continue to flourish and rents are projected to hold up at current levels.

Retail Assets review

1) 100AM - Retail



Source: Company

Again, this is the retail mall that is attached to Amara Singapore. This mall was formerly known as Amara Shopping Centre before it underwent renovation. The management decided to take on Asset Enhancement Initiatives (AEI) for this development to tap into the mall's greater potential value. Total cost for the reinvention of the mall cumulated to S\$30mn. It was completed in 4Q2012.

Upon completion of the AEI, the retail podium currently enjoys 121,000 sq ft of Net Leasable Area. Management was very successful on the leasing front, with the mall enjoy full occupancy.

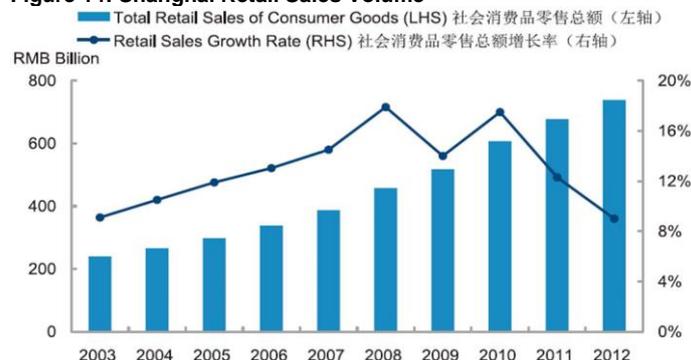
While the mall is fully leased, further upside to its valuation could be uncovered when numerous condominium projects are completed in 2014-2016. These include Altex, Skysuites and PS100. The increase of footfall traffic from the greater catchment of residences may tempt greater interest and demand from retailers for the spaces. Hence, base rental rates should increase over the next 2-3 years.

At present, our valuation indicates that 100 AM contributes 16.0% of Amara's GAV. We valued 100 AM at S\$159.1mn, or S\$1,315 psf NLA, based on gross rents of S\$9.0 psf pm, and a capitalization rate of 5.75%.

2) Amara Signature Shanghai – retail component

The retail outlook for Shanghai continues to look promising. Although the growth in Shanghai retail sales slowed in 2012 to 9% y-o-y, it continued to outperform the other regional cities. The stellar performance in the retail sales volume is indicative of the consumers' growing purchasing power and confidence.

Figure 14: Shanghai Retail Sales Volume



Source: Colliers – Shanghai Retail Property Market / Shanghai Statistics Bureau

The demand for retail space in Shanghai has not faltered since 2004. With strong economic fundamentals, increasing consumer spending powers and a high level of tourist visitation, retailers continue to seek new spaces to launch their products or increase their product penetration in this city. The vacancy level in this city has remained low at 8.8% in 2013. We expect strong retailers' interest to persist, spurring great demand for retail space in this thriving city.

Figure 15: Shanghai Retail – Supply, Take up, Vacancy Levels



Source: Colliers – Shanghai Retail Property Market / Shanghai Statistics Bureau

Puxi is the historic center of Shanghai and continues to house the largest proportion of residents within the city. Amara Signature Shanghai's location in this region is highly favorable for its retail component. Strong demand for retail space is present.

At the moment, our valuation indicates Amara Signature Shanghai retail component contributes 11.2% of Amara's GAV. It is valued at S\$111.9mn, or S\$1,017 psf NLA, based on gross rents of S\$7.50 psf pm, and a capitalization rate of 5.75%.

Office assets review

1) 100 AM Medical Offices (former Amara Corporate Towers)

The 12-storey office tower provides 36,632 sq ft of NLA, with a 99 year lease effective from Aug 79. Due to the recent influx of new office space, management has decided to embark on a separate strategy. It is intending to convert the office annex to a medical themed retail services development. To complement the repositioning initiative, management has expressed its intention to rename the building to 100 AM Medical Centre. We believe the new tenant mix will provide upside to current rental rates.

However, we remain conservative on our valuation and have adopted passing rents of S\$9.0 psf pm. We value the development at \$51.6mn or S\$1,409 psf NLA. This is based on a 5.75% capitalization rate.

2) Amara Signature Shanghai – Office Tower

We estimate that the office component of Amara Signature Shanghai will take up GFA 80,000 sq ft.

In Shanghai, we do not anticipate rental rates to correct significantly. Amidst a resilient strong demand from local firms, the impending glut of new office space supply will exert a downward pressure on rising rents.

In our valuation of the office component of this development, we use market-level passing rents of S\$5.5 psf pm, applied a cap rate of 4.0% and value the asset at S\$63.4mn or S\$990 psf NLA.

Residential

With regards to residential development and sales, Amara remains one of the smaller players in the market. It is highly selective of its project and tends to take on smaller scale projects.

Its most recent venture was a 40% stake in the development of an executive condominium, located at Tampines, Singapore. The other joint venture partners are SingXpress Holdings (30%) and Kay Lim Realty Pte Ltd (30%). The condominium, which is named Citylife@Tampines, is currently fully sold and will be completed in 2016. With the cost land, development and sales estimated at S\$633 psf, and the reported average selling price of S\$770 psf, the project is very successful for the current residential market.

Other residential developments are located at Killiney 118 (almost fully sold) and 5 Jalan Mutiara and 29 Newton Road. These projects are relatively small scale as compared to the aforementioned executive condominium. Management is looking forward to launching these projects in the near term.

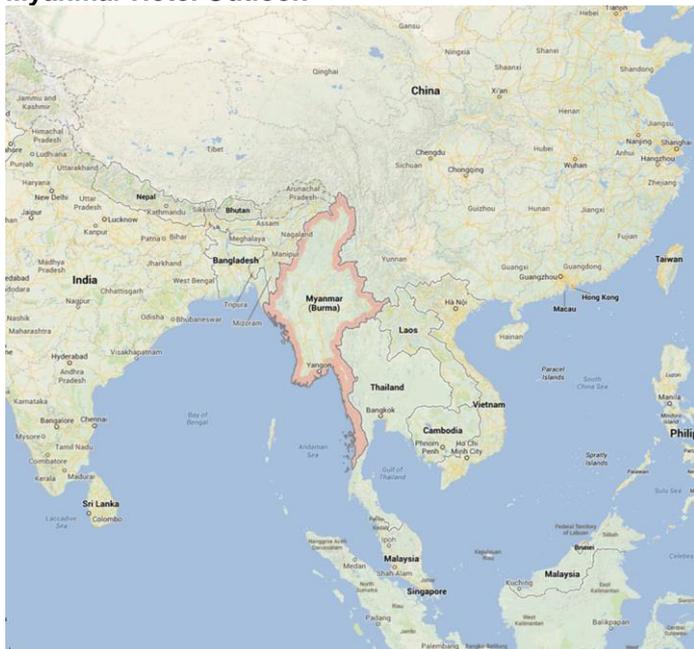
With most of the income from residential developments already recognized, and the development sites all located in Singapore, there is little risk in this business segment. However, pending new projects, we see little value contribution from the remaining sales of unsold units.

c) Specialty Restaurants and Food Services

Amara operates three specialty restaurants under the brands of Thanying and Silk Road Restaurants. The restaurants operate within the hotels and compliment the services that the hotel experience for the guests. However, the restaurants do not contribute significantly to Amara's income.

We value Amara's chain of specialty restaurants at S\$10.4mn, based on estimated earnings of S\$1.15mn and 9x P/E.

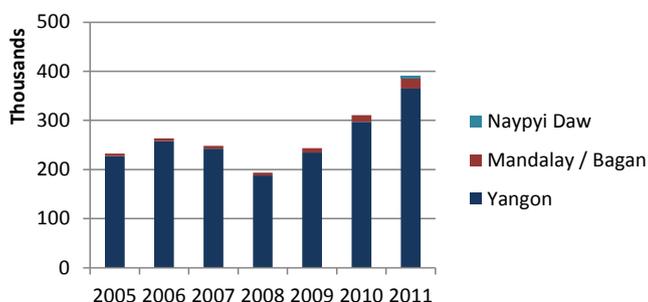
Potential Myanmar Hotel Investment
Myanmar Hotel Outlook



Source: Google Maps

Myanmar is a country in Southeast Asia, surrounded by China, Thailand, Laos, Bangladesh, Bay of Bengal (Sea) and the Adaman Sea. The country boasts of a long coastline and numerous cultural attractions. With the country moving towards a democratic rule, and the US and Euro removing most of the trade sanctions, Myanmar is seemingly attracting the interest of foreign investment. Earlier this year, the Japan and Korean governments have expressed interest in assisting in the country's effort to beef up their infrastructure while committing to lending half a billion dollar each. The progress made by the country in recent years is exciting and will have a spillover effect on its tourism sector.

Figure 16: Tourism arrivals by airport- Myanmar

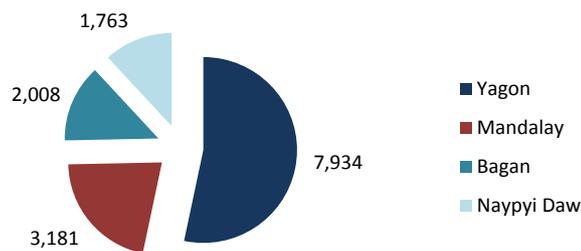


Source: <http://www.iesingapore.gov.sg>

In 2011, the number of tourist arrival totaled 391,200. It is less than impressive, as compared to neighboring countries. However, the triple consecutive trend of 25+% y-o-y growth in tourist arrival is very encouraging. While the country continues to focus on building its economy and infrastructure, business travelers will increase. In addition, there will also be an increase in leisure tourists should the country continue to open up following Aung

San Suu Kyi's reversal of her boycott on tourism previously.

Figure 17: Number of hotel rooms



Source: <http://www.iesingapore.gov.sg>

While there is a general lack of data on the hotel industry, there are several tell-tale signs. In Keppel Land's FY 2012, it is mentioned that "the average room rate for Sedona Hotel Yangon more than doubled in 2012" and Keppel Land's management has plans to refurbish the hotel and further expand it to include 400 additional rooms. From the number of hotel rooms and the population of tourist arrivals in Yangon, it is evident that there is an attractive hotel investment opportunity.

Potential: Investment in Hotel

To date, management has only disclosed that the company has entered into a Memorandum of Understanding ("MOU") to form a Joint Venture (Amara 40%) with Youth Force Hotel Co. Ltd. and Youth Force Construction Co. Ltd. to develop and operate a hotel located in Dagon Township, Yangon, Myanmar and the proposed total investment is estimated to be about US\$50 million.

From the proposed investment value, and the track record of its hotels, we are anticipating a 250-room hotel. In addition, we believe the management will stick to its core competency and continue to focus on business travelers.

As yet, due to the lack of details, we are not factoring this potential investment in our valuations or earnings forecasts.

Financials Review

Capital Expenditure

We estimate that S\$100.3mn capital expenditure is required over the next 3 years. The construction of Amara Shanghai will require ~S\$50mn while Amara Bangkok will require another ~S\$24.3 mil. In addition, the upcoming hotel in Myanmar will require another ~S\$26mn. This is based on RLB's estimates of construction and includes other relevant fees.

Additional Debt

Based on its 1Q2013 results, Amara lowered its total borrowings to S\$210.9mn from S\$222.0mn in 2012. Currently, the net gearing is 0.68x. Historically, Amara has

taken on higher gearing of up to 1.5-1.6x (FY 2006) during the construction of Amara Sanctuary. However, given that cash flows are expected to be strong in FY13 and FY14 we reckon that on-going projects can be largely internally funded with non-significant increases in debt.

Earnings Forecast

We do not expect to see significant growth in adjusted net income for FY 2013 of S\$21m from FY 2012's S\$20m, but we expect to see significant earnings growth to S\$39m in FY 2014. (Note: adjusted net income excludes non-core and non-recurring gains which stem mainly from fair value adjustments to assets and other holdings.)

FY2013 earnings will mainly come from: (1) Amara Singapore's RevPar and occupancy rate both trending toward normalization (as discussed on Pg.5) which have been affected by its own refurbishment and 100 AM's asset enhancement works in 2012, as well as. (2) full year earnings contribution of 100 AM. While 100 AM was fully leased by the end of FY2012, tenants only started moving in during 2H2012. We expect full year rental revenue and annual rental reversion to provide greater income in 2013 and beyond.

In 2014, the considerable rise in net income will stem from (1) the completion of Amara Bangkok, (2) the continued RevPar normalization for Amara Singapore, and (3) recognition of earnings from Citylife@Tampines (fully sold) and Killiney 118 (close to fully sold). For Amara Bangkok we do not expect the asset to launch in 1Q2014, thus we are a factoring in 65% occupancy over half a year.

Dividend

From FY2007 to date, management has kept the dividend range bound between 0.5 cents to 0.8 cents. Amara's management is still aggressive in expanding and growing into overseas markets. Hence, it is more likely that dividends will be held around current levels as management remains confident of seeking out new profitable ventures.

Valuations

Amara is currently trading 1.2x P/B and at a 50% discount to RNAV of S\$1.23 (see Pg.12). However, this can be largely attributed to Amara reflecting hotel assets at historic costs. This is due to a lack of current market transactions and liquidity of such assts.

In our valuation, we adopted conservative estimates of rental rates/RevPar, comparable capital values, relevant capitalization rates and occupancy rates to arrive at individual valuation of the assets. We applied heavier discount to valuation where assets are still under development or are located overseas to better reflect the greater risk undertaken and the potential downside of such projects.

Upon analyzing and performing the valuation of all their relevant assets to arrive at a Gross Asset Value, deducting net debt and applying a 40% discount to the

RNAV of S\$1.23, we derived a fair value of S\$0.74, representing over 30% gain over the last traded price of S\$0.565. We therefore believe that there is a significant upside to current market price, should the price converge to reflect the full value of its assets.

Risks

Amara Shanghai will not be realized.

With the site located in a prime location, valuation for such development indicates that it potentially contributes 26.3% of Amara's GAV. Due to the limited number of assets, this development project is a significant value driver. From the track records, it is evident that there is a general lack of transparency regarding the progress of this project.

First foray in Myanmar

It is worthy to note that the management is still actively looking to expand and grow the company and increase income-recurring assets. However, expansion into new geographical market represents risks and uncertainties. Management familiarity with local government and policies is yet to be proven. We did not include the value of this project in our valuation because the acquisition of the land site has not been completed.

Macroeconomic risk

Currently our macro team is expecting a pickup in activity in the US, EZ and Japan, a slight moderation in ASEAN, while the wild card is China as prospects of a hard landing re-emerge. A downturn in the global economy will undoubtedly put pressure on Amara's hospitality and retail businesses.

Key Management Team

Name	Appointment	Key Tasks
Albert Teo	CEO	Oversees management of the group
Susan Teo	Executive Director / Company Secretary	Responsible for the corporate affairs of the Group which includes finance, treasury, company secretarial matters, human resource and administration
Lawrence Mok	Non-Executive Director	Member of the Audit Committee Member of the Remuneration Committee Possess 30 years of experience in the IT and Engineering industries Experience includes financial and management accounting, treasury management, corporate planning, change management, general business management, quality process management and customer service operations management
Chang Meng Teng	Non-Executive Independent Director	Audit Committee Chairman Member of Nominating Member of Remuneration Committee Active in the engineering fraternity and civic organizations. President, Institution of Engineers, Singapore (1990 to 1992) President of Society of Project Managers (2004 to 2008) Honorary M & E Advisor - Real Estates and Developers Association (1991 to 2006) Conferred Public Service Star (1987) Conferred BBM (L) – (2012) Appointed a Justice of The Peace (1989)
Richard Khoo	Non-Executive Independent Director	Audit Committee member since September 2002 Serves as Chairman of the Nominating and Remuneration Committees since 2003 A seasoned human resources practitioner with local and international experience in the service, air transport, and knowledge industries Held various senior management posts in his 29 years with the Singapore Airlines Group (SIA) including country general manager for South-West USA, New Zealand and India, and Chief Executive of SATS Passenger Services
Alphonsus Chia	Non-Executive Independent Director	Audit Committee member. Deputy Chief Executive Officer of XMH Holdings Ltd, a company listed on the Mainboard of the SGX-ST Previous position: Chief Executive Officer of Singapore Cooperation Enterprise (SCE)

Directors' interest in shares of Debentures

Name	Direct Interest (shares)	Deemed Interest (shares)
Albert Teo	1,000	308,156,010
Susan Teo	83,030	308,146,010
Lawrence Mok	710,030	308,146,010
Chia Meng Teng	10,000	0

Remuneration Structure

Remuneration Category	No. of Director
S\$750,000 and above	1
S\$500,000 to S\$749,999	1
S\$250,000 to S\$499,999	4
Below S\$250,000	6

Realisable Net Asset Value In S\$m	Stake	Valuation
Development Properties		
Killiney 118	100%	0.5
5 Jalan Mutiara	100%	25.3
29 Newton Road	100%	18.3
Citylife@Tampines	40%	12.0
9 Devonshire Road	100%	3.6
Total value		<u>59.7</u>
Investment Properties		
Hotel		
Amara Singapore	100%	259.2
Amara Sanctuary Resort	100%	129.3
Amara Signature Shanghai	100%	79.0
Amara Bangkok, Thailand	100%	73.3
Retail		
100AM	100%	159.1
Retail component of Amara Signature Shanghai	100%	111.9
Office		
Amara Corporate Tower	100%	51.6
Office componenet of Amara Shanghai	100%	63.4
Restaurants		
		10.4
		<u>996.9</u>
GAV		996.9
Less: Holdco net debt (2012)		206.8
Total pre holdco disc		790.1
Less: Holdco disc %		10%
RNAV		711.1
Book Value		279.6
		<u>1.23</u>
RNAV per share (S\$)		1.23
Discount to RNAV		40%
Fair value per share (S\$)		0.74

Source: Company, Phillip Securities Research

FYE Dec	FY10	FY11	FY12	FY13F	FY14F
Valuation Ratios					
P/E (X), adj.	30.2	26.5	16.6	15.8	8.3
P/B (X)	1.5	1.3	1.2	1.1	0.9
EV/EBITDA (X), adj.	19.5	12.0	12.3	11.0	7.4
Dividend Yield (%)	0.9%	0.9%	1.1%	1.1%	1.1%
Per share data (SGD)					
EPS, reported	0.03	0.06	0.05	0.06	0.09
EPS, adj.	0.02	0.02	0.03	0.04	0.07
DPS	0.01	0.01	0.01	0.01	0.01
BVPS	0.38	0.44	0.48	0.54	0.62
Growth & Margins (%)					
Growth					
Revenue	-39.9%	0.7%	45.4%	30.8%	12.1%
EBITDA	24.2%	62.3%	-1.9%	11.2%	49.0%
EBIT	32.2%	85.7%	0.6%	12.5%	54.2%
Net Income, adj.	18.0%	13.6%	59.4%	5.5%	89.8%
Margins					
EBITDA margin	43.3%	69.8%	47.1%	40.1%	53.3%
EBIT margin	33.1%	61.0%	42.2%	36.3%	49.9%
Net Profit Margin	26.4%	54.2%	32.6%	28.4%	40.5%
Key Ratios					
ROE (%)	8.0%	14.1%	11.0%	11.4%	16.0%
ROA (%)	4.1%	8.1%	6.0%	5.9%	8.7%
Net Debt/(Cash)	123	130	207	182	199
Net Gearing (X)	0.56	0.51	0.74	0.59	0.55
Income Statement (SGD mn)					
Revenue	62	62	90	118	132
EBITDA	27	43	43	47	71
Depreciation & Amortisation	6	5	4	4	4
EBIT	20	38	38	43	66
Net Finance (Expense)/Income	(3)	(3)	(4)	(4)	(4)
Other items	0	0	0	0	0
Associates & JVs	0	0	0	0	0
Profit Before Tax	18	35	34	39	62
Taxation	(1)	(1)	(5)	(5)	(8)
Profit After Tax	16	34	29	34	54
Non-controlling Interest	0	0	0	0	0
Net Income, reported	16	34	29	34	54
Net Income, adj.	11	12	20	21	39

^Restated

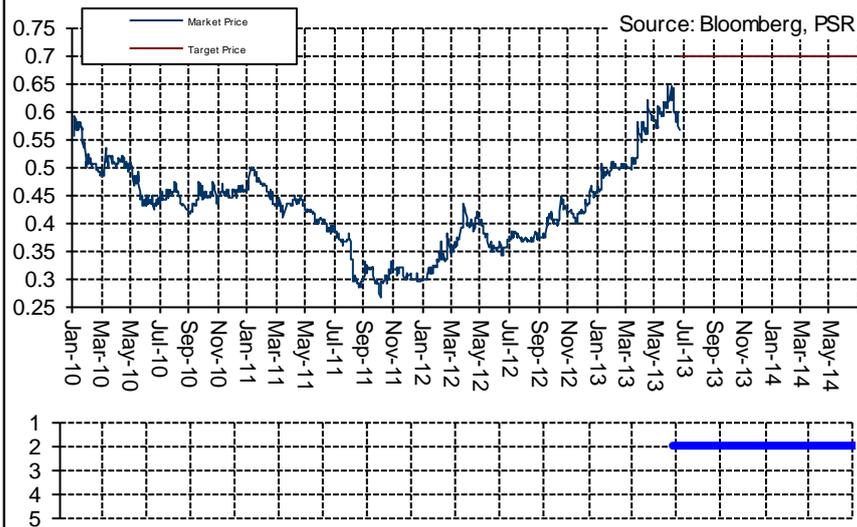
Source: PSR

FYE Dec	FY10 [^]	FY11	FY12	FY13F	FY14F
Balance Sheet (SGD mn)					
PPE	141	151	147	189	230
Intangibles	1	1	8	8	8
Associates & JVs	0	0	3	3	3
Investment/Development Property	190	215	261	261	261
Others	9	9	31	31	31
Total non-current assets	341	375	451	492	533
Inventories	0	0	0	0	0
Accounts Receivables	8	7	8	13	14
Investment property/Property held for sale	34	36	68	43	71
Cash	10	11	15	40	23
Others	2	1	1	1	1
Total current assets	54	56	93	97	109
Total Assets	395	432	543	589	642
Short term loans	34	17	43	43	43
Accounts Payables	25	23	27	42	45
Others	5	3	3	3	3
Total current liabilities	63	43	73	88	91
Long term loans	100	124	179	179	179
Others	11	10	12	12	12
Total non-current liabilities	111	134	191	191	191
Non-controlling interest	(0)	(0)	(0)	(0)	(0)
Shareholder Equity	221	255	280	310	360
Cashflow Statements (SGD mn)					
CFO					
Pretax Profit	18	35	34	39	62
Depreciation	6	5	4	4	4
Adjustments	(4)	(22)	(7)	4	4
Cash from ops before WC changes	20	18	31	47	71
WC changes	1	(2)	(31)	36	(26)
Cash generated from ops	21	17	(0)	83	45
Taxes paid, net	1	(4)	(2)	(5)	(8)
Cashflow from ops	22	13	(2)	78	37
CFI					
Capex	(7)	(14)	(9)	(46)	(46)
Proceeds from disposal of PPE	0	0	0	0	0
Net proceeds / (outlay) of investment propertie	0	0	(26)	0	0
Decrease / (increase) in asscs and JVs	0	0	(32)	0	0
Interest received	0	0	0	0	0
Others	0	0	0	0	0
Cashflow from investments	(7)	(13)	(67)	(46)	(46)
CFF					
Share issuance	0	0	0	0	0
Interest paid	(3)	(3)	(4)	(4)	(4)
Dividend paid	(3)	(3)	(3)	(3)	(3)
Net proceeds / (repayment) from bank borrow i	(23)	8	82	0	0
Others	1	(1)	(1)	0	0
Cashflow from financing	(27)	1	73	(8)	(8)
Net change in cash	(12)	1	4	24	(17)
Effects of exchange rates	(0)	0	(0)	0	0
CCE, end	10	11	15	40	23

[^]Restated

Source: PSR

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence o

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