

Singapore Equity Explorer

Amara Holdings

Bloomberg: AMA SP | Reuters: AMRA.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Jun 2013

NOT RATED S\$0.62 STI : 3,193.51

Return *: 1

Risk: Low

Potential Target * : 12-Month S\$ 0.75 (19% upside)

AnalystDerek TAN CPA +65 6398 7966
derek.tan@dbsvickers.comAiteng TAN + 65 6398 7967
aiteng@dbsvickers.com**Price Relative****Forecasts and Valuation**

FY Dec (\$\$ m)	2011A	2012A	2013F	2014F
Turnover	62	90	98	103
EBITDA	43	42	37	41
Pre-tax Profit	35	34	27	30
Net Profit	34	29	23	25
Net Pft (Pre Ex.)	34	29	23	25
EPS (S cts)	5.8	5.1	3.9	4.3
EPS Pre Ex. (S cts)	5.8	5.1	3.9	4.3
EPS Gth (%)	106	(13)	(23)	9
EPS Gth Pre Ex (%)	106	(13)	(23)	9
Diluted EPS (S cts)	5.8	5.1	3.9	4.3
Net DPS (S cts)	0.5	0.6	0.5	0.5
BV Per Share (S cts)	44.2	48.5	51.8	55.6
PE (X)	10.6	12.2	15.7	14.4
PE Pre Ex. (X)	10.6	12.2	15.7	14.4
P/Cash Flow (X)	27.1	nm	23.8	14.4
EV/EBITDA (X)	11.2	13.3	14.8	12.9
Net Div Yield (%)	0.8	1.0	0.8	0.8
P/Book Value (X)	1.4	1.3	1.2	1.1
Net Debt/Equity (X)	0.5	0.7	0.7	0.5
ROAE (%)	14.9	11.0	7.9	8.0

Other Broker Recs: B: 0 S: 0 H: 0

ICB Industry : Consumer Services

ICB Sector: Travel & Leisure

Principal Business: Operates hotel and restaurants, provides food and beverage catering services as well as develops and invests in properties. Core property is Amara Hotel.

Source of all data: Company, DBS Vickers, Bloomberg Finance L.P

Spreading its wings in Asia

- Household brand name with regional ambitions
- MOU to develop hotel business in Myanmar, significant potential upside in the longer term
- Fair value of S\$0.75

The Business

Household hotel brand in Singapore. Amara Holdings Ltd (Amara) is an Asian integrated lifestyle group with three key business areas: hotel investment and management, property investment and development, and specialty restaurants and food services. The completion of 100AM (formerly Amara Corporate Tower) will contribute positively to cashflows in 2013 while its regional hotel investments in Shanghai and Bangkok will display a steady growth profile when operational in 2014/2015.

MOU in Myanmar to grow its hospitality footprint. Further to its regional ambitions, the group intends to grow its hotel business in Myanmar through a JV with Youth Force Hotel Co. Ltd and Youth Force Construction Co. Ltd (established in Myanmar) to develop and operate a hotel in Dagon Township, Yangon, with capital of US\$50m. While discussions are still preliminary, the group has set its sights to establish its brand in Myanmar, where there is a dearth of quality, well managed hotels.

The Stock

Fair Value of S\$0.75. Our fair value of S\$0.75 is based on a 30% discount to its RNAV, implying an EV/EBITDA of 18x, in line with hospitality peers.

Further clarity on MOU a potential re-rating catalyst. Further clarity on the MOU in Myanmar, which we view as a significant investment by Amara could spark interest in the stock.

Downturn in outlook for hotels is a risk. Most of Amara's income is from Singapore. Thus a decline in the hospitality outlook will likely have a negative impact on stock price.

At A Glance

Issued Capital (m shrs)	577
Mkt. Cap (S\$m/US\$m)	358 / 286
Major Shareholders	
Firsttrust Equity (%)	53.4
Chew Chuan Teo (%)	7.9
Hin Chuan Teo (%)	5.7
Free Float (%)	33.0
Avg. Daily Vol.('000)	1,179

*This Equity Explorer report represents a preliminary assessment of the subject company, and does not represent initiation into DBSV's coverage universe. As such DBSV does not commit to regular updates on an ongoing basis. The rating system is distinct from stocks in our regular coverage universe and is explained further on the back page of this report.

Amara Holdings

REVENUE DRIVERS

Household hotel brand name in Singapore. Amara Holdings Ltd is an Asian integrated lifestyle group with three key business areas: hotel investment and management, property investment and development, and specialty restaurants and food services. Properties in Singapore under its signature 'Amara' brand name are flagship Amara Singapore Hotel (where its restaurant business is also located) and Amara Sanctuary Hotel. The company is growing its brand overseas and is developing hotels in Thailand and Shanghai. Amara recently signed a MOU to invest in a hotel in Myanmar.

It also develops and manages commercial and residential properties in Singapore. Some notable projects it has developed are Citylife@Tampines, The Abode@Devonshire, Killiney 118, The Linear, and Residences At Hythe Road. With 96% of its FY12 topline attributable to Hotel Investment and Management (62%) and Property Investment and Development (34%), Amara offers investors a diverse exposure to Singapore's hospitality, retail and property development sectors.

GROWTH PROSPECTS

Hospitality expertise and a growing brand in the region. The outlook for Singapore's tourism sector in 2013 continues to be promising with the opening of new major attractions like the Marine Life Park, River Safari. We expect visitor arrivals in Singapore to grow 7.7% y-o-y to 15.5m. Amara's core exposure is in Singapore's hospitality sector, through its flagship Amara Singapore Hotel (380 rooms) and Amara Sanctuary Resort Sentosa (140 rooms), which are strategically located in the CBD and on Sentosa Island, respectively, and would benefit from the growth in visitor arrivals in the coming quarters.

Within the region, Amara is currently developing the 251-room Amara Bangkok (target completion is end of FY14F), and will expand its hotel business into China with the opening of the 336-room mixed development, the Amara Signature Shanghai, in FY15F.

Rejuvenated Amara Corporate Tower is the new "100AM". Under its properties portfolio, Amara owns and manages 100AM, a retail cum office mixed development located in the Tanjong Pagar area which underwent a major make-over and achieved TOP in 4Q12 to new fanfare and offering a new retail experience. We believe that 100AM has the potential to be a key retail offering, supported by the new residential belt in Tanjong Pagar and the lack of competitive offerings at this point.

Table 1 : Revenue Breakdown (By segments)

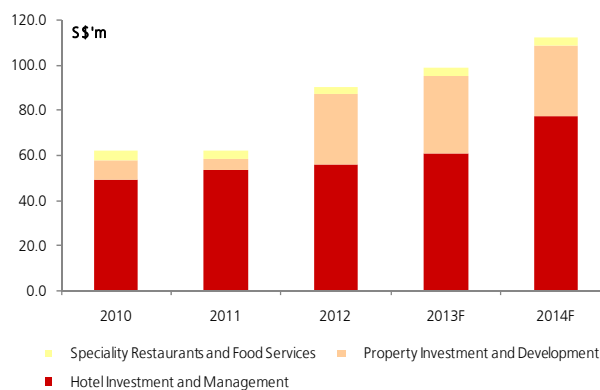


Table 2: Contribution of Operating Profit (by segments)

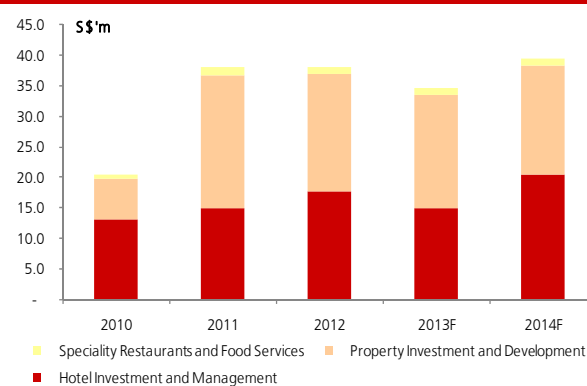


Table 3: EBITDA and EBITDA Margin

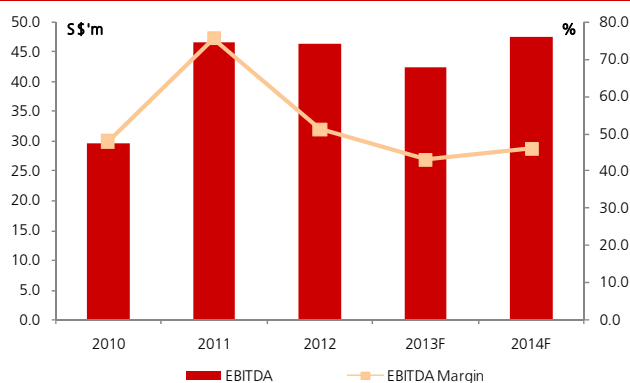
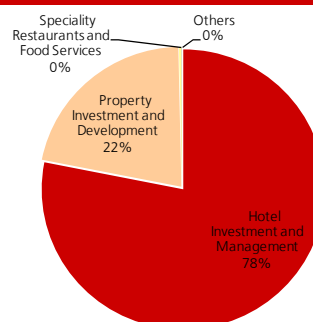


Table 4: Book Value (by Business Segments) as of end-2012



Source: Company, DBS Vickers

Near-term, Amara's key earnings driver will be 100 AM, which is understood to have achieved near 100% occupancy (100% for the office tower and is near full occupancy at the retail wing) and at higher rates compared to previous rental rates. The development's soft opening was in Nov 12, and is expected to contribute significantly to Amara's topline from FY13 onwards.

Accompanying Speciality Restaurant and Food Services. Synonymous with the Amara brand are the award winning specialty restaurants – Thanying Restaurant and Silk Road Restaurant in Singapore. While this segment is a small contributor to overall income, its significance lies in its culinary offerings and based on anecdotal evidence, the above restaurants are one of the key reasons for repeat visitors at the hotel.

Brisks sales at Killiney 118 and Citylife@ Tampines. Amara remains selective in its property ventures and its last site was at Tampines, which is zoned for the construction of a executive condominium, for S\$233m (S\$373 psf) through a consortium consisting of Amara (40%), SingXpress Holdings (30%) and Kay Lim Realty Pte Ltd (30%). The development, named as Citylife@Tampines, is fully sold and will complete by 2016. Other developments within its property arm include Killiney 118 (almost fully sold) and 2 other developments at Newton Road and 5 Jalan Mutiara, which are fairly small developments. The group is looking to launch these projects in the near horizon. With most of its income from property sales already locked in, we see minimal risks and once the developments achieved TOP in the coming years, will be one of the main drivers of earnings performance in the medium term.

MANAGEMENT & STRATEGY

Managed by founding members. Amara is helmed by Mr Albert Teo, the group's Chief Executive Officer. Mr Albert Teo and his family together own c67.9% of the group. Amara aims to create shareholder value through leveraging its "Amara" brand and expertise in developing and managing hospitality assets in Singapore and growing its brand overseas. In addition, the group is selective in its search for land sites for property investment and development.

MOU for a footprint in Myanmar. As part of its regional growth ambitions, in April 13, Amara signed a MOU with Youth Force Hotel Co. Ltd and Youth Force Construction Co. Ltd, companies incorporated in the Republic of the Union of Myanmar. The collaboration involves establishing a joint venture to develop and operate a hotel in Dagon Township, Yangon, with proposed capital of US\$50m, which in our view is a significant investment, as it forms c11% of its asset value (based on a S\$:US\$ exchange rate of S\$1.25:US\$1). The group will explore further real estate opportunities in Myanmar.

While discussions are still preliminary, we see this as a positive development given immense opportunities in the hotel sector in Myanmar due to the lack of international operators at this point.

Table 5: Key Management Team

Manager	Current Appointment	Experience
Albert Teo	Chief Executive Officer	Oversees the management of the group
Susan Teo	Executive Director/ Company Secretary	Overall responsible for the corporate affairs of the group which includes finance, treasury, company secretarial matters, HR and administration
Lawrence Mok	Non Executive Director	Serves as member of Audit Committee as well as Remuneration Committee. Extensive experience in IT and engineering industries.
Chia Meng Teng	Non-Executive, Independent Director	Serves as Audit Committee Chairman. He is also a member of the Nominating and the Remuneration Committees. He has extensive experience in the Engineering sector and is a Registered, Licensed Professional Engineer
Richard Khoo	Non-Executive, Independent Director	Serves as Chairman of Nominating and the Remuneration Committees. He is a seasoned human resources practitioner with local and international experience in the service, air transport and knowledge industries
Alphonsus Chia	Non-Executive, Independent Director	Member of Audit Committee. Currently Deputy CEO of XMH Holdings Ltd, a company listed on the SGX. Has over 20 years experience in leading organisations in the public and private sectors

Table Directors' interest in shares of Debentures

Manager	Direct Interest (shares)	Deemed Interest (shares)
Albert Teo	1,000	308,156,010
Susan Teo	83,030	308,146,010
Lawrence Mok	710,030	308,508,010
Chia Meng Teng	10,000	-

Table 6: Management Remuneration Structure

Remuneration Band	2012	2011
S\$750k and above	1 Director	1 Director
S\$500k to below S\$750k		
S\$250k to below S\$500k	1 Director	1 Director
Below S\$250k	4 Directors	4 Directors
Total	6 Directors	6 Directors

Source: Company, DBS Vickers

Amara Holdings

Key Assumptions

FY Dec	2009A	2010A	2011A	2012A	2013F	2014F
Hotel RevPAR growth(%)					3%	3%
100AM rental growth					2%	2%

Segmental Breakdown

FY Dec	2009A	2010A	2011A	2012A	2013F	2014F
Revenues (\$\$ m)						
Hotel Investment and Management	39	49	53	56	61	68
Property Investment and Development	60	9	5	31	34	32
Specialty Restaurants	4	4	4	4	4	4
Total	103	62	62	90	98	103
EBIT (\$\$ m)						
Hotel Investment and Management	4	13	15	18	15	17
Property Investment and Development	12	7	22	19	16	18
Specialty Restaurants	0	1	1	1	1	1
Total	16	21	38	38	32	36
EBIT Margins (%)						
Hotel Investment and Management	10.2	26.7	27.9	31.5	25.3	24.7
Property Investment and Development	19.7	76.7	459.1	63.0	47.4	57.1
Specialty Restaurants	(4.5)	23.4	37.2	30.0	22.4	33.6
Total	15.2	33.4	61.6	42.2	32.9	34.9

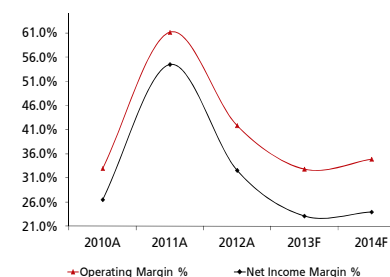
RevPAR growth from Amara Singapore and Sanctuary of c3% per annum. Completion of 251-room Amara Bangkok will start contributing to topline from 4Q14

Contribution to come largely from 100AM (2013F and 2014F; TOP : early 2013). This will more than offset the drop in income from its property development segment (Killiney 118), which was a major contributor in 2012

Income Statement (\$\$ m)

FY Dec	2009A	2010A	2011A	2012A	2013F	2014F
Revenue	103	62	62	90	98	103
Cost of Goods Sold	(48)	(6)	(6)	(21)	(9)	(7)
Gross Profit	55	56	55	70	90	97
Other Opng (Exp)/Inc	(39)	(35)	(17)	(32)	(57)	(60)
Operating Profit	15	20	38	38	32	36
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	0	0	0	0	0	0
Net Interest (Exp)/Inc	(3)	(3)	(3)	(4)	(5)	(6)
Exceptional Gain/(Loss)	0	0	0	0	0	0
Pre-tax Profit	12	18	35	34	27	30
Tax	(1)	(1)	(1)	(5)	(5)	(5)
Minority Interest	0	0	0	0	0	0
Preference Dividend	0	0	0	0	0	0
Net Profit	11	16	34	29	23	25
Net Profit before Except.	11	16	34	29	23	25
EBITDA	22	27	43	42	37	41
Growth						
Revenue Gth (%)	43.7	(39.9)	0.1	46.1	9.0	5.1
EBITDA Gth (%)	(21.3)	24.2	62.0	(2.4)	(11.6)	10.0
Opg Profit Gth (%)	(25.4)	32.4	85.7	0.0	(14.4)	11.6
Net Profit Gth (%)	(6.1)	45.3	105.9	(12.6)	(22.6)	8.9
Margins & Ratio						
Gross Margins (%)	53.2	90.3	89.5	77.1	91.1	93.4
Opg Profit Margin (%)	15.0	33.0	61.2	41.9	32.9	34.9
Net Profit Margin (%)	11.0	26.5	54.5	32.6	23.1	24.0
ROAE (%)	6.1	8.5	14.9	11.0	7.9	8.0
ROA (%)	2.7	4.1	8.1	6.0	4.2	4.7
ROCE (%)	3.7	5.1	9.5	7.1	5.2	5.7
Div Payout Ratio (%)	25.6	17.6	8.6	11.8	12.7	11.6
Net Interest Cover (x)	4.5	7.2	11.9	9.8	6.6	5.8

Margins Trend



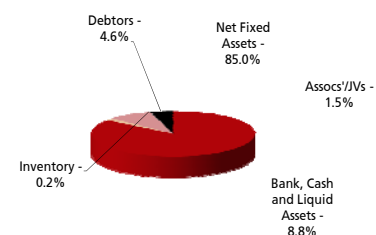
Topline growth since 2010 was largely from its hotels, supported by the contribution from newly renovated 100AM in 2013

Source: Company, DBS Vickers

Balance Sheet (\$\$ m)

FY Dec	2009A	2010A	2011A	2012A	2013F	2014F
Net Fixed Assets	142	141	151	147	144	140
Invt in Associates & JVs	0	0	0	3	3	3
Other LT Assets	196	200	224	301	301	301
Cash & ST Invt	25	10	11	15	11	16
Inventory	1	0	0	0	0	0
Debtors	7	8	7	8	9	9
Other Current Assets	34	35	38	69	63	64
Total Assets	403	395	432	543	529	533
ST Debt	19	34	17	43	43	43
Other Current Liab	25	29	26	30	11	8
LT Debt	138	100	124	179	164	149
Other LT Liabilities	33	35	10	12	12	12
Shareholder's Equity	188	197	255	280	299	321
Minority Interests	0	0	0	0	0	0
Total Cap. & Liab.	403	395	432	543	529	533
Non-Cash Wkg. Capital	16	14	19	48	61	66
Net Cash/(Debt)	(133)	(123)	(130)	(207)	(196)	(176)
Debtors Turn (avg days)	32.2	45.5	44.0	29.7	30.6	31.1
Creditors Turn (avg days)	193.6	(17,566.2)	9,754.5	561.8	1,633.3	925.5
Inventory Turn (avg days)	4.9	(382.5)	184.1	8.9	19.8	7.7
Asset Turnover (x)	0.2	0.2	0.1	0.2	0.2	0.2
Current Ratio (x)	1.5	0.9	1.3	1.3	1.5	1.8
Quick Ratio (x)	0.7	0.3	0.4	0.3	0.4	0.5
Net Debt/Equity (X)	0.7	0.6	0.5	0.7	0.7	0.5
Net Debt/Equity ex MI (X)	0.7	0.6	0.5	0.7	0.7	0.5
Capex to Debt (%)	1.3	5.4	9.6	3.9	0.6	0.7
Z-Score (X)	NA	NA	2.1	1.6	1.9	2.1

Asset Breakdown (2012)

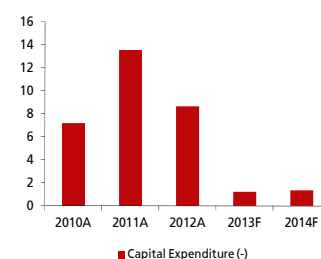


Amara Singapore is stated at valuation as of Dec' 1987 while Amara Sanctuary, Amara Signature Shanghai and Amara Bangkok are based on historical costs and will be depreciated annually.

Cash Flow Statement (\$\$ m)

FY Dec	2009A	2010A	2011A	2012A	2013F	2014F
Pre-Tax Profit	12	18	35	34	27	30
Dep. & Amort.	6	6	6	5	5	5
Tax Paid	(3)	(5)	(5)	(3)	(3)	(5)
Assoc. & JV Inc/(loss)	0	0	0	0	0	0
Chg in Wkg.Cap.	27	2	(3)	(29)	(14)	(5)
Other Operating CF	4	1	(20)	(9)	0	0
Net Operating CF	46	22	13	(3)	15	25
Capital Exp.(net)	(2)	(7)	(14)	(9)	(1)	(1)
Other Invt.(net)	0	0	0	0	0	0
Invt in Assoc. & JV	0	0	0	(3)	0	0
Div from Assoc & JV	0	0	0	(30)	0	0
Other Investing CF	0	0	0	(26)	0	0
Net Investing CF	(2)	(7)	(13)	(67)	(1)	(1)
Div Paid	(3)	(3)	(3)	(3)	(3)	(3)
Chg in Gross Debt	(41)	(20)	8	82	(15)	(15)
Capital Issues	0	0	0	0	0	0
Other Financing CF	(4)	(6)	(4)	(5)	0	0
Net Financing CF	(48)	(29)	1	73	(18)	(18)
Currency Adjustments	2	0	0	0	0	0
Chg in Cash	(2)	(14)	1	4	(5)	6
Opg CFPS (\$ cts)	3.3	3.5	2.8	4.6	5.1	5.3
Free CFPS (\$ cts)	7.6	2.6	(0.1)	(2.0)	2.4	4.1

Capital Expenditure



Estimated capex for its investments in Shanghai and Bangkok; we have not factored in any investments into Myanmar at this point

Source: Company, DBS Vickers

Amara Holdings

Quarterly / Interim Income Statement (S\$ m)

FY Dec	4Q2011	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013
Revenue	16	16	16	21	38	25
Cost of Goods Sold	(11)	(2)	(2)	(5)	(11)	(7)
Gross Profit	14	14	13	16	26	18
Other Oper. (Exp)/Inc	14	(10)	(11)	(10)	(1)	(11)
Operating Profit	27	3	3	6	26	7
Other Non Opg (Exp)/Inc	0	0	0	0	0	0
Associates & JV Inc	0	0	0	0	0	0
Net Interest (Exp)/Inc	(1)	(1)	(1)	(1)	(1)	(1)
Exceptional Gain/(Loss)	0	0	0	0	0	0
Pre-tax Profit	27	3	2	5	25	6
Tax	0	(1)	0	(1)	(2)	(1)
Minority Interest	0	0	0	0	0	0
Net Profit	27	2	1	4	22	5
Net profit bef Except.	27	2	1	4	22	5
EBITDA	29	5	4	7	27	8

Revenue Trend



Contribution from 100AM in 1Q13. Topline growth in 4Q12 was largely due to recognition of sales from residential development (Killiney 118).

Growth

Revenue Gth (%)	(2.1)	2.9	(3.9)	33.8	81.4	(34.9)
EBITDA Gth (%)	425.4	(84.0)	(13.6)	73.9	287.2	(69.9)
Opg Profit Gth (%)	568.0	(87.5)	(17.1)	105.6	339.5	(72.7)
Net Profit Gth (%)	911.1	(92.4)	(30.8)	163.5	507.0	(77.7)

Margins

Gross Margins (%)	87.9	84.9	85.9	78.0	69.5	72.9
Opg Profit Margins (%)	174.6	21.2	18.3	28.1	68.0	28.5
Net Profit Margins (%)	169.6	12.5	9.0	17.7	59.2	20.3

Source: Company, DBS Vickers

VALUATIONS

Trading at a 40% discount to RNAV. Hotel stocks in Singapore are generally not well covered due to their trading illiquidity. Given that Amara records its hotel on a historical cost basis rather than based on current market transactions and value, we believe there is significant value within the group. We derive a fair value of S\$0.75 based on a 30% discount to its RNAV of S\$1.07. This implies 17-18x EV/EBITDA FY13F/14F, which is in line with peers.

Risk Assessment: Moderate

Category	Risk Rating 1 (Low) - 3 (High)	Wgt	Wgtd Score
Earnings	1	40%	0.4
Financials	2	20%	0.4
Shareholdings	1	40%	0.4
Overall			1.2

Expect steady earnings growth. Topline should remain relatively steady in FY13/14, backed by stable performance from its hotels, supported by contributions from its hotels in Bangkok and Shanghai as these complete in 2014 and 2015 respectively. In addition, cashflows from 100AM, which recently achieved TOP status, will start to flow in.

Chart 1: RNAV

Stake	Cap Rate	# rooms # NLA	Valuation	
Investment Properties- Surplus				
Amara Medical Suites	100%	4.50%	51,439	48.3
100AM	100%	5.25%	131,714	212.7
R6-J Block Rumbia	100%			
Amara Shanghai (Office)	100%	7%	70,000	
Amara Shanghai (Retail)	100%	7%	110,000	
Total Value of Investment properties				261.0
Less: BV	100%			(261.0)
				0.0
Residential - Surplus profits				
Killiney 118	100%			8.8
5 Jalan Mutiara	100%			-
45 Newton	100%			-
CityLife@Tampines	40%			17.0
Total Surpluses (residential)				25.8
Hotels (attributable profits - Hotel Room)				
AMARA SINGAPORE	100%	5.75%	380	270.6
Amara Sanctuary Sentosa	100%	5.75%	121	105.9
Amara Shanghai	100%	8.00%	400	85.0
Amara Thailand	100%	8.0%	251	-
Less Book				(147.0)
Surplus				314.5
Total Surpluses				
Book NAV				279.7
RNAV				620.0
Fully Diluted Share base (m)				576.9
Fully Diluted RNAV per share				1.07
Premium/(Discount)				30%
Target Price				0.75

Source: DBS Vickers, Bloomberg Finance L.P

DBSV Equity Explorer return ratings reflect return expectations based on an assumed earnings profile and valuation parameters:

- | | |
|---|---|
| 1 | (>20% potential returns over the next 12 months) |
| 2 | (0 - 20% potential returns over the next 12 months) |
| 3 | (negative potential return over the next 12 months) |

The risk assessment is qualitative in nature and is rated as either high, low or moderate risk. (see section on risk assessment)

Note that these assessments are based on a preliminary review of factors deemed salient at the time of publication. DBSV does not commit to ongoing coverage and updated assessments of stocks covered under the Equity Explorer product suite. Such updates will only be made upon official initiation of regular coverage of the stock.

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DBS Vickers Research (Singapore) Pte Ltd

12 Marina Boulevard, Level 40, Marina Bay Financial Central Tower 3, Singapore 018982
 Tel. 65-6327 2288
 Company Regn. No. 198600295W