

Amara Holdings Ltd

Stellar 2Q13 results

In line with expectations

Bloomberg | Reuters | POEMS
HOBEE SP | HBEE.SI | HBI.SG
Industry: Property

Report type: Quarterly Results

Company Overview

Amara Holdings Limited is a home-grown integrated lifestyle group principally engaged in three business areas, namely, hotel investment and management, property investment and development, and specialty restaurants and food services.

- Stellar performance in 2Q13; 2Q13 revenue at \$17.9mn, recording a 15.1% y-y increase, 2Q13 PATMI at \$2.1mn, representing a 51.6% y-y growth.
- 1H13 revenue increased 33.8% to S\$42.5mn, 1H13 PATMI increased 107.9% to S\$7.1mn.
- Favorable financial performance can be mainly attributed to contributions from Property investment and Development segment; rental revenue from re-opening of 100AM in November 2012.
- Expect current levels of strong recurring income to continue. Maintain watch on oversea ventures. Buy call with fair value at \$0.74

What is the news?

Favorable financial performance in 2Q13. Earnings results revealed a 2Q13 PATMI of S\$2.1mn, 51.6% y-y increase, mainly attributed to higher revenue from property investment and development segment. Management has guided that there were no significant variance in revenue from the Hotel Investment and Management segment. Company continues to look towards overseas, hunting for profitable development projects, as exemplified by its April'13 signing of MOU for a potential business hotel development in Myanmar.

Fig 1: Results summary

Income Statement	2Q13	2Q12	Y-Y	1H13	1H12	Y-Y
(S\$ 'mn)						
Revenue	17.9	15.5	15.1%	42.5	31.7	33.8%
Gross profit	15.1	13.3	13.3%	33.0	27.1	22.0%
PBT	2.9	1.9	52.0%	8.9	4.4	102.4%
PATMI*	2.1	1.4	51.6%	7.1	3.4	107.9%

Source: Company

*attributable to owners of company

How do we view this?

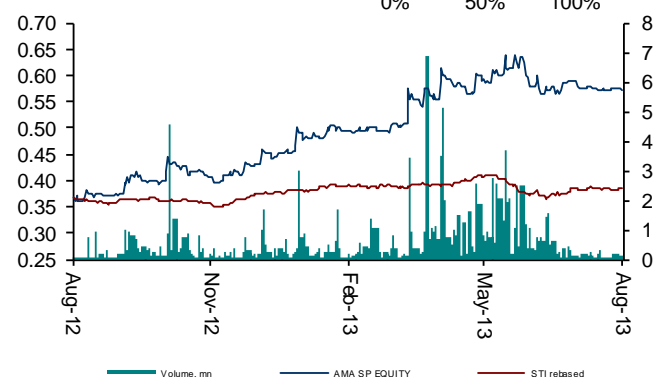
Promising 2Q13 financial performance is sustainable for the foreseeable future. We expect revenue growth to be supported by the newly reopened 100am retail mall. Largely in line with our forecast, 1H13 revenue formed 36.0% of FY13 estimates. While 1H13 PATMI accounts for a mere 21.2% of FY13 estimates, the traditionally stronger second half financial performance should make up for it. We remain positive as current RNAV-valuations are still cheap.

Investment Actions?

With fundamentals intact, strong recurring income is expected. Expect their hotel to weather the upcoming supply glut. Fair value at \$0.74 previously. Maintain Buy.

Amara Holdings Ltd

Rating	1 Buy
- Previous Rating	1 Buy
Target Price (SGD)	0.74
- Previous Target Price (SGD)	0.74
Closing Price (SGD)	0.570
Expected Capital Gains (%)	29.7%
Expected Dividend Yield (%)	1.1%
Expected Total Return (%)	30.8%
Raw Beta (Past 2yrs weekly data)	0.96
Market Cap. (USD mn / SGD mn)	259 / 329
Enterprise Value (USD mn / SGD mn)	416 / 524
3M Average Daily T/O (mn)	0.7
52 week range (SGD)	0.36 - 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

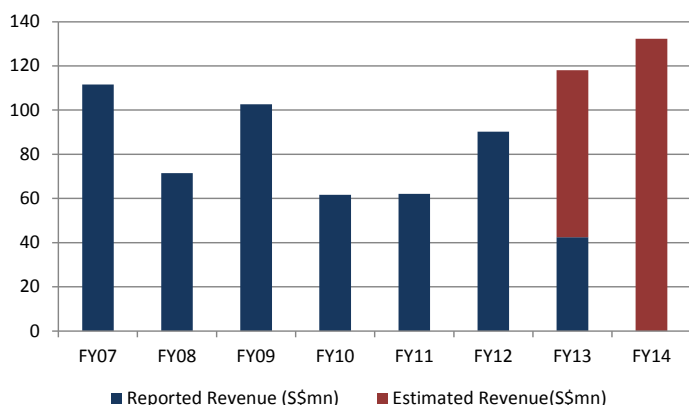
Valuation Method

RNAV

Analyst

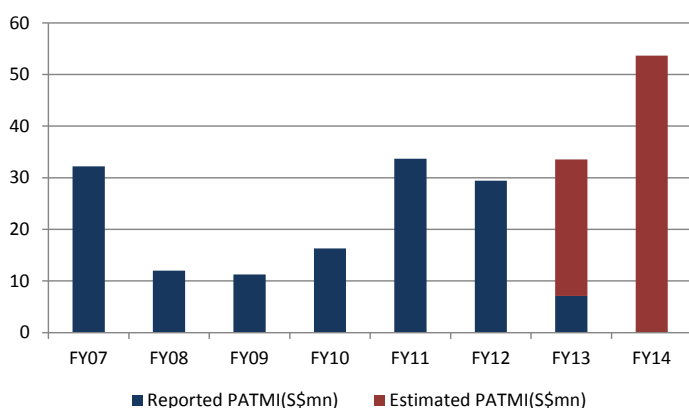
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Fig 1: Reported revenue is 36.0% of our FY13 estimate



Source: Company, PSR estimates

Fig 2: Reported PATMI is 21.2% of our FY13 estimate



Source: Company, PSR estimates

Accumulate with fair value at \$0.74

There were no major transactions or change in the company major assets. We maintain the discount to RNAV at 40%. Consequently, Fair value remained unchanged at S\$0.74.

We remained positive with a recommendation to Buy. We expect the 100am to continue to boost its recurring income and the adjoining hotel (Amara Singapore) RevPar to normalize. Additionally, opportunistic overseas development provides further upside.

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		59.7
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 component of Amara Shanghai	100%	63.4
Restaurants		
	100%	10.4
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
RNAV per share (S\$)		1.23
Discount to RNAV		40%
Fair value per share (S\$)		0.74
Excluding Overseas Propertie:		
GAV		669.3
Less: Holdco Net Debt (2012)		206.8
RNAV		462.5
RNAV per share (S\$)		0.80

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

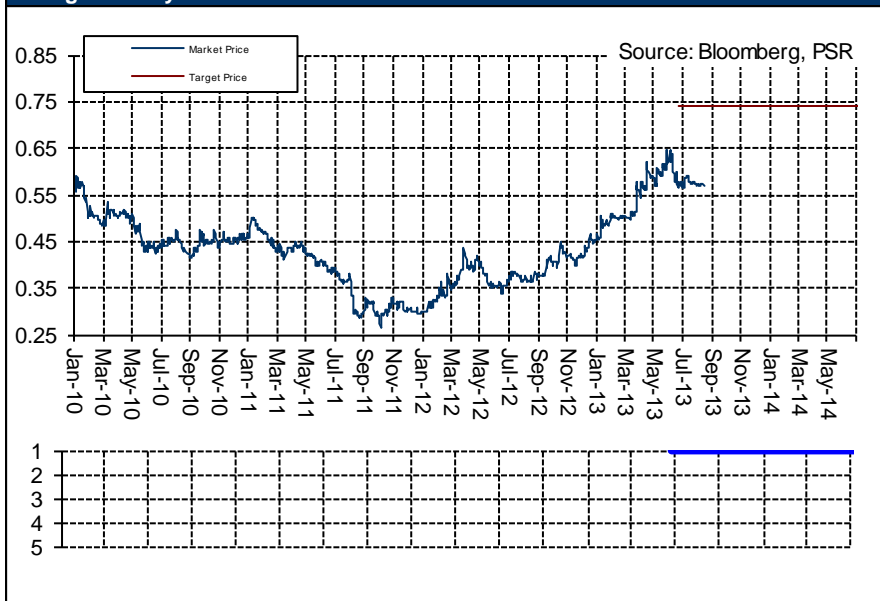
Cashflow Statements (SGD mn)

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 of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation.

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