



Sing Holdings

(SING SP/SHDS.SI)

BUY - Maintain

Price as of 4 Apr 2018	0.42
12M target price (S\$)	0.68
Previous target price (S\$)	0.54
Upside (%)	62.8

Trading data

Mkt Cap (S\$m) / (US\$m)	168.4 / 128
Issued Shares (m)	401.0
Ave Daily Traded (3-Month) Vol / Val	0.4m / \$0.2m
52 week lo / hi	\$0.34 / \$0.52
Free Float	58.5%

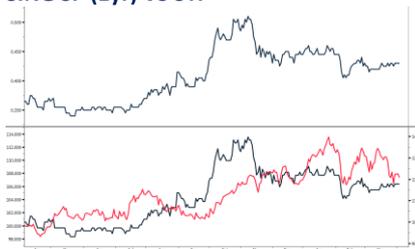
Major Shareholders

Lee Family	35.4%
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Previous Recommendations

Date	Rating	Share Price (S\$)	Target Price (S\$)
30-Aug-17	BUY	0.410	0.540

SING SP (1yr) VS STI



Source: Bloomberg

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See the last page for important disclosures.

Sales of Parc Botannia above expectations

Event

Parc Botannia sales above expectations. Sing Holdings launched the sale of its 735-unit private residential project Parc Botannia at Fernvale Road in Nov 2017. Going by the upturn in property prices and volume transactions, we expect it to be able to sell all the units over the next two years at an average price of S\$1,250 psf. It has already issued options to purchase up to 43% of the units as of 26 Feb 2018, just four months within launch. We estimate PATMI contribution of S\$130mn or S\$0.32/share from this project alone, making up an astounding 75% of Sing Holding's current market capitalisation.

Neighbouring development 100% sold. High Park Residences - developed by Chip Eng Seng and located just next to Parc Botannia - fully sold all 1,399 units within 20 months from launch despite a weak property market in 2015 and 2016.

Singapore property market recovery. Private home prices in Singapore rose 3.1% YoY in 1Q18, according to URA's flash estimates, adding on to the positive momentum of the 0.8% YoY increase in the previous quarter. We expect foreign investment demand and the robust en bloc sales to contribute positively to the property market sentiment in 2018.

Impact

The upward re-rating of property developers may continue. 1Q18 en bloc value more than doubled YoY to S\$2.3bn while foreign demand has returned to the local property market e.g. foreigners accounted for almost 60% of the 48 units sold at New Futura, City Developments' most luxurious residential development to date. We note this is on the high-end segment but we believe this could be a precursor for demand in the mass-market segment.

Singapore homes relatively undervalued to other countries. In 2017, private home purchases by foreigners that are non-PRs rose by 45% to 1,549 homes, accounting for 7% of total home sales, according to Edmund Tie & Company. The rising interest among foreign investors may partly be explained by the attractive valuations of Singapore's residential prices compared to other key Asian cities such as Melbourne, Sydney, Hong Kong and Tokyo.

Valuation & Action

Reiterate BUY; deep discount to eventually narrow in our view. We raise our ASP of its Parc Botannia project to S\$1,250 psf compared to our original S\$1,000 psf estimate. As a result, our fair value rises to S\$0.68 from our earlier estimate of S\$0.54, still based on a 30% discount to its RNAV of S\$0.98. Our fair value is an implied 1x FY17 P/B. It is currently trading at an attractively deep discount of more than 50% to its S\$0.98 RNAV, which we believe may eventually narrow upon progressive recognition of profits from Parc Botannia in 2018 and 2019.

Risks

Sing Holdings does not have any further pipeline of private residential projects in Singapore. The company has diversified into the Australian hospitality business but contributions to earnings may be limited in the short-mid term.

Figure 1: Parc Botania development and RNAV valuation

Parc Botania development		
Sing Holdings	70.0%	
Wee Hur	30.0%	
Land cost (psf ppr)	517	
Development cost (psf)	400	
Total costs	917	
Avg sale price (psf)	1250	Selling range between S\$1,200 - S\$1,000 psf
Profit (psf)	333	
Sellable area (sq ft)	555,288	
Profit (\$m)	185	26.6% Profit margins
Profit / sh (Parc Botania - 70% share)	0.32	
Profit / sh (Completed properties)	0.01	BizTech Centre

RNAV Valuation		
RNAV	0.98	Mainly contribution from Parc Botania
Discount	30.0%	
Target price	0.68	
Upside	59.0%	
Implied P/B	1.06x	

Source: Company data, KGI Research

Figure 2: Current projects

Parc Botania at Fernvale Road	This property is a 99-year leasehold property with a gross floor area of about 51,588 square metres. It is situated next to the Thanggam LRT station and is easily accessible via the Tampines Expressway. The site enjoys close proximity to schools and amenities such as The Seletar Mall, eateries along Jalan Kayu, Sengkang Sports Centre and Sengkang Riverside Park. The purchase price of the land was \$287m. The proposed private condominium development shall comprise 4 blocks of 22-storey buildings with about 735 apartment units. Construction is expected to commence in 2H2017. Sing Holdings has a 70% interest in this development project.
BizTech Centre	BizTech Centre is a light industrial building along Aljunied Road, across the upcoming Mattar MRT station. Sing Holdings currently owns 44 strata units in the building with a saleable area of 45,384 square feet, of which about 82% are tenanted.

Source: Company data, KGI Research

Diversification into Australian hospitality industry

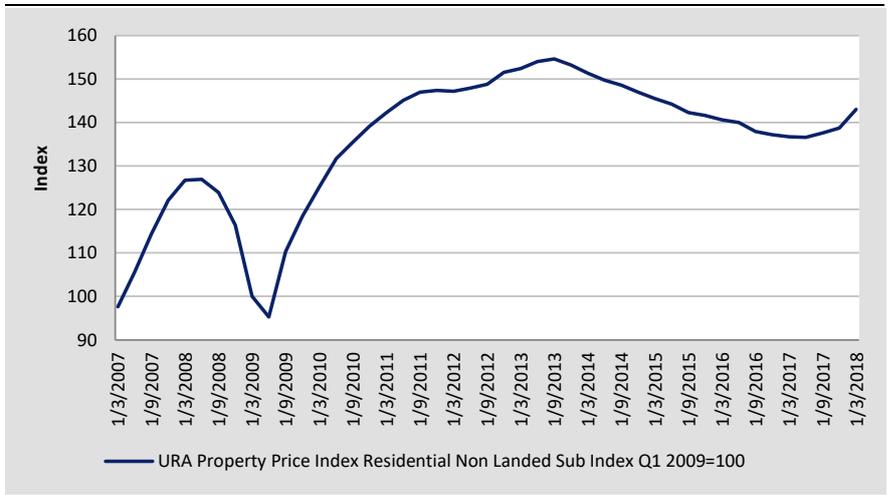
Travelodge Docklands is a freehold, 14-storey hotel in Docklands, Melbourne. It comprises 291 guestrooms, a food and beverage outlet, a business centre, meeting rooms and other basic amenities. The hotel is in the immediate vicinity of the Southern Cross Railway Station and within minutes' walk to the 53,000-seat all-purpose Etihad Stadium, the Melbourne Convention & Exhibition Centre and the Crown Casino. It is also near to many existing and upcoming corporate offices. The purchase price of the hotel is AUD107 million. The hotel is on a long-term lease to TFE Hotels group, one of Australia's largest hotel companies which operates hotels across Australia, New Zealand and Europe.

Upward re-rating to continue for property developers

Private home prices are rising once again. Singapore’s property price index rose 4.3 points to 138.7 points in 1Q18, representing an increase of 3.1% YoY and a significant increase from the 0.8% YoY increase in 4Q17. Prices of non-landed private residential properties increased 5.0% in the Core Central Region (CCR), 1.1% in the Rest of Central Region (RCR) and 3.8% in the Outside Central Region (OCR).

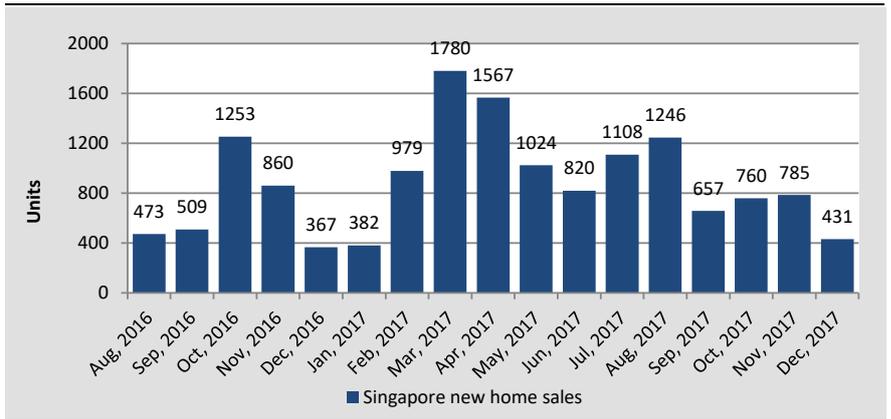
Driven by en bloc sales and foreign demand. The recovery in the local property market has partly been driven by the robust en bloc sales in 2017, which had continued in 1Q18. In 1Q18 alone, a total of 8 sites were sold en bloc for S\$2.3bn, a 120% YoY increase. Foreign investments is also helping to boost demand. Foreigners who were non-PRs saw an increase of 45% YoY to 1,549 of the total private home sales in 2017.

Figure 3: Singapore private property prices have started to recover since end 2017



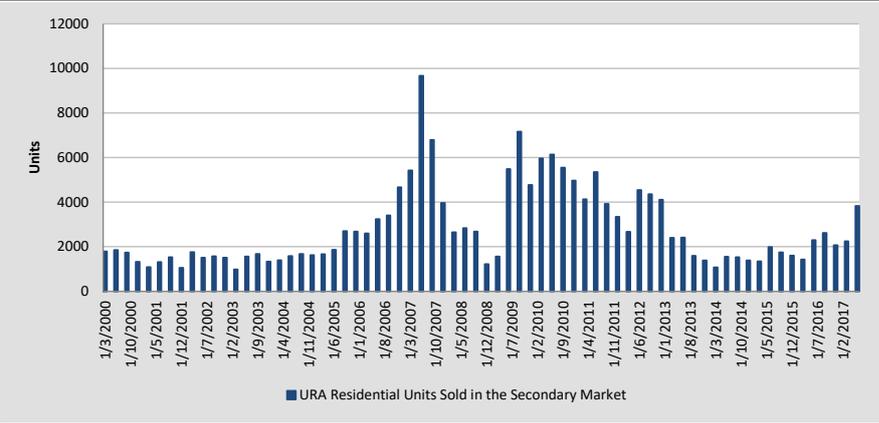
Source: Bloomberg, URA, KGI Research

Figure 4: Developers are pacing out the sales of new homes in anticipation of higher prices



Source: Bloomberg, URA, KGI Research

Figure 5: Transactions in the secondary market have picked up in 2017



Source: Bloomberg, URA, KGI Research

Figure 6: Artist impression of Parc Botannia



Source: Company

KGI's Ratings

Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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