Hatten Land Limited

FY17 results update
21 August 2017

Overweight

Current Price	**S$0.200**
Fair Value	S$0.460
Up / (downside)	130.0%

Stock Statistics

Market cap	S$275.0m
52-low	S$0.181
52-high	S$0.285
Avg daily vol	2,066,081
No of share	1,375.1m
Free float	17.2%

Key Indicators

ROE 18F	36.7%
ROA 18F	7.1%
P/RNAV	0.27x
Net Debt-to-Total Assets FY17	20.8%

Major Shareholders

Hatten Holdings	82.8%
Tan June Teng Colin	82.8%
Tan Ping Huang Edwin	82.8%

Historical Chart

Source: Bloomberg

Liu Jinshu

(+65) 6236-6887
jinshu.liu@nracapital.com
www.nracapital.com

Making All the Right Moves

- **Unbilled revenue likely to have reached RM800m.** Following its listing in January, Hatten has followed through with the acquisition of two projects and has launched one of them. Steady marketing has led the company to deliver revenue of RM130m in 4Q17, while maintaining unbilled revenue at around 1.5 years of sales or RM662m. If we include sales from launches in July and August, we can assume that unbilled revenue would have been closer to RM800m. These measures give us confidence in projecting revenue growth of 49% CAGR over the next three years. Moreover, fast inventory movement reduces risk and raises return on capital.

- **Earnings exclude RM400m of fair value gains.** Hatten made approximately RM91.0m in operating profit after tax in FY17, excluding one off RTO expense of RM82.2m, beating our forecast by around 10%. What's interesting is that the company has not reclassified completed properties as investment properties. We noticed that the company has been focusing on the sale of serviced apartments and hotel units while retaining retail units as properties held for sale, probably for subsequent capital appreciation and rental income. We estimate that the unsold portion of the completed and soon-to-be-opened Elements Mall has a net development value of RM389.3m. The estimated net development value and unbilled revenue of RM800m sum up to RM1.2 billion or S$0.291 per share.

- **Steady pipeline of launches in FY18.** At the results briefing, the management shared that there is a lack of hotel rooms in Melaka, which explains for their focus on serviced apartments and hotels. Looking ahead, the company will launch for sale units at the Harbour City Luxury Hotel (a six star outfit), in addition to Satori in July. Hatten will generally have different themes for each of its developments. The next pipeline project to be launched in FY18 includes the MICC project (reported GDV of RM942.0m) which will be a trading hub targeted at businesses. Satori and MICC are two of five pipeline projects that Hatten had earlier said it would acquire.

- **Trading at unchallenging P/E multiple**. Hatten currently trades at 9.52x FY17 operating earnings and has declared a maiden dividend of 0.05 cents. Our updated model factors in both development profits and estimated rental income, but excludes fair value gains from forecasts; to yield a higher fair value per share of S$0.460 or around 20x P/E.

- **Risk qualification reduced from "high" to "average".** The risk is that investors make up for the bulk of buyers and sales may slow if the environment turns unfavourable. That said, Hatten is anchored by a strong portfolio of seafront properties and can diversify overseas for faster growth. As we see lower share price and forecasting risks now, we maintain our Overweight rating qualified by a "high return and average risk" classification.

Key Financial Data (RM m, FYE Jun)	2015	2016	2017	2018F	2019F
Sales	436.26	412.35	462.44	737.34	1080.41
Gross Profit	93.95	154.72	180.33	232.56	270.91
Net Profit	25.78	68.59	90.97**	99.88	102.79
EPS (cents)*	1.87	4.99	6.62	7.26	7.47
EPS growth (%)	32.2	166.1	32.6	9.8	2.9
PER (x)	33.60	12.63	9.52	8.67	8.43
NAV/share (cents)*	3.18	4.41	16.54	23.08	29.80
DPS (Singapore cents)	NA	NA	0.05	0.23	0.24
Div Yield (%)	NA	NA	0.25	1.15	1.19

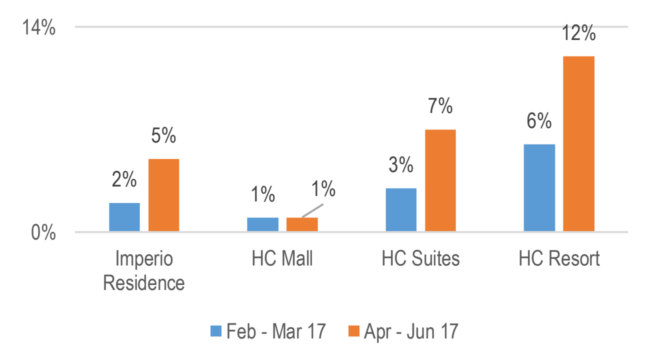
Source: Company, NRA Capital *Based on post-placement number of shares **exclude one off RTO expenses

Net saleable floor area sold rose 31% in 4Q17. During the quarter, the company sold 5% more of Imperio Residences, 1% of Harbour City Mall, 7% of Harbour City Suites and 12% of Harbour City Resort. In terms of net saleable area, average sales per month improved from 27,316 sq. ft. during Feb – Mar 2017 to 35,786 sq. ft. per month during 4Q FY17 (Apr to Jun 2017).

However, selling prices probably fell as unbilled revenue rose by only RM2m to RM662m during 4Q FY17 while revenue recognized fell from RM164.9m in 3Q FY17 to RM130m in 4Q FY17. During the quarter, construction progress occurred mainly at Harbour City whose completion rose from 12% (2% during Feb – Mar) at the end of 3Q FY17 to 15% (3% during Apr – Jun) as at 30 Jun. Imperio Mall and Residence was 88% completed as at 30 Jun, with progress slowing from 3% during Feb and Mar to 1% during 4Q FY17.

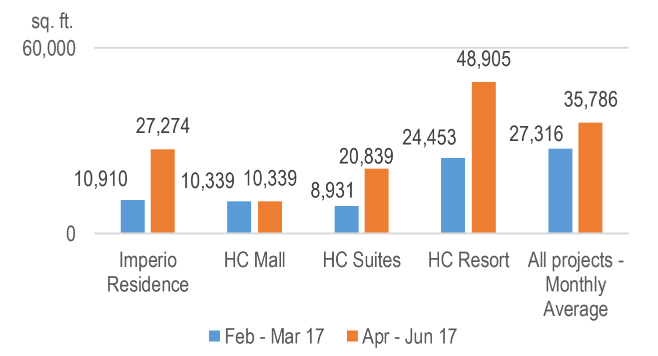
Construction progress at the other properties were not meaningful during 4Q FY17 and had marginal impact on revenue.

Figure 1A: Net Saleable Floor Area Sold (% of Total)



Source: Computed from Company Announcements HC=Harbour City

Figure 1B: Net Saleable Floor Area Sold (sq. ft.)



Source: Computed from Company Announcements HC=Harbour City

Updated model to reflect lower ASPs. In turn, we revised model ASPs from RM2,000 per sq. ft. (psf) to RM1,600 psf for all retail properties, except for the Harbour City Mall. We expect the Harbour City Mall to fetch a premium as it has an integrated water theme park to attract visitors. We also reduced the ASP for the serviced apartments and hotel properties from RM850 – RM1,000 psf to RM750 – RM850 psf, except for the Harbour City Luxury Hotel which we expect to sell at RM1,200 psf, from RM1,000 psf previously. This hotel is being positioned as a six-star asset. These changes bring our assumptions closer to consensus.[1] Secondly, these ASP assumptions yield an estimated unbilled revenue of RM670.7m, which is close to or 1.3% from the reported unbilled revenue of RM662m as of 30 June 2017.

Faster capital recycling reduces discount to RNAV. Finally, the lower ASPs are also in line with our understanding that Hatten has been actively marketing its projects where one project will be selected each month for special promotion/discount. This way, the company ensures continuous movement of inventory (and hence capital). Risk is managed by having all buyers pay a minimum of 10% deposit.

Faster sales and capital movement has a positive impact on valuation by reducing the discount on development profits and invested capital respectively; albeit offset by lower margin.

[1] Our review of online listings suggest that a range of selling prices exist and actual selling prices may differ from our assumptions, depending on market conditions and the timing of the transaction.

Figure 2: Estimated Unbilled Revenue as of 30 June 2017

	Net Saleable Area (sq. ft.)	% sold	% completion	Uncompleted and sold NSA (sq. ft.)	Assumed ASP per NSA (RM psf)	Est. unbilled revenue(RM m)	Unsold NSA (sq. ft.)
	A	B	C	A x B x (1-C)	D	A x B x (1-C) x D	A x (1-B)
Elements Mall	686,682	34%	100%	0	1,600	0	453,210
SilverScape Residences	591,638	85%	100%	0	750	0	88,746
Hatten Suites	165,132	93%	100%	0	850	0	11,559
Imperio Mall	285,885	60%	88%	20,584	1,600	32.9	114,354
Imperio Residence	545,478	56%	88%	36,656	750	27.5 (Re-launched in 1Q FY18)	240,010
Vedro by the river	95,505	65%	99%	621	1,600	1.0	33,427
Harbour City Mall	1,033,914	18%	15%	158,189	1,800	284.7	847,809
Harbour City Suites	297,706	95%	15%	240,398	750	180.3	14,885
Harbour City Resort	407,545	49%	15%	169,742	850	144.3	207,848
Harbour City Luxury Hotel	233,055	0%	15%	0	1,200	0.0	233,055
Satori Suites	139,667	0%	0%	0	750	Launched in 3Q17	139,667
Satori Residences	81,872	0%	0%	0	850	Launched in 3Q17	81,872
Satori (Commercial)	85,520	0%	0%	0	1,600	Launched in 3Q17	85,520
MICC Project - Hotel/Serviced apts.	542,467*	0%	0%	0	850	NA	542,467
MICC Project - Mall	271,234*	0%	0%	0	1,600	NA	271,234
MOU Projects - Hotel/Serviced apts.	8,450,930*	0%	0%	0	800	Pending acquisition	8,450,930
MOU Projects - Mall	4,225,465*	0%	0%	0	1,600	Pending acquisition	4,225,465
					Total	**RM 670.7m**	
					As reported	**RM662m**	**As of 30 June**

The **MOU Projects** refer to the Cyberjaya Project, Movie-Town Project and Plot K to E Project. *The net saleable area of MICC and the MOU Projects is unavailable. We retained the net saleable area assumptions in our previous report for these projects, but allocated 2/3 for hotel and serviced apartments and 1/3 for malls. In general, we assume 50% efficiency for the MOU projects.

Cyberjaya. The company has signed a conditional sale and purchase agreement on 22 February 2017 for the acquisition of the Cyberjaya project which is being positioned as a medical tourism project. The plans for the hospital are being finetuned and may be expanded from 100 beds to 150 beds. The project is located near the Kuala Lumpur International Airport. It is also worth noting that Ali Baba may set up certain facilities in Cyberjaya, suggesting that demand for this property will likely be strong. Both the **Movie-Town** and **Plot K to E Projects** are still under the concept planning stage. Except for Cyberjaya, all projects are located within Melaka. The Movie-Town Project will tap onto expected growth in tourism with the development of Impression Melaka, which is anticipated to attract about 2,500 tourists per day to Melaka.[2]

Source Company

Figure 3: Plot K to E Project

Source: Company slides

[2] Based on anecdotal accounts from company staff.

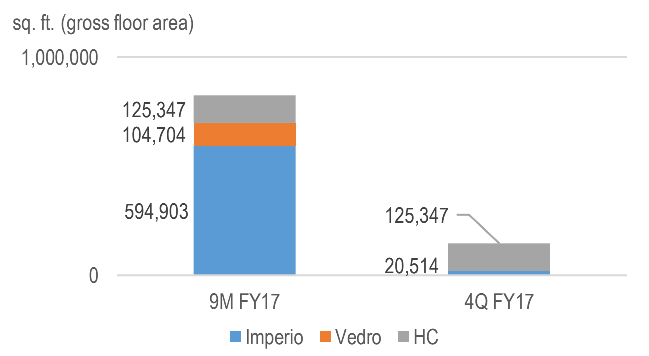
Hatten Land Limited

Development cost per sq. ft. fell to RM216 psf in 4Q17 due to subsidy. Based on the gross floor area of the respective projects, we estimate that the company completed approximately 970,815 sq. ft. of gross floor area in FY17, of which 145,861 sq. ft. was completed in 4Q17.

Adding cost of goods sold back to changes in development properties and plant, property and equipment (where carpark development costs are classified), we can derive that the company spent approximately RM32m to construct 145,861 sq. ft. in 4Q17 or approximately RM216.08 psf of gross floor, compared to RM415.04 psf in 9M FY17 and RM385.15 psf in FY17.

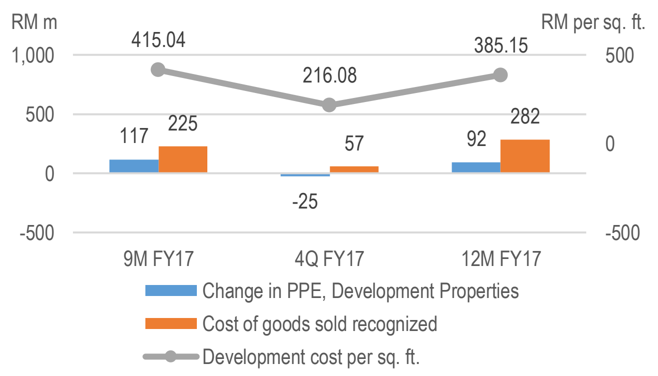
The lower cost was due to the write back of part of the development costs of Hatten City Phase 1 (Elements Mall, SilverScape Residence and Hatten Suites) after the company obtained approval for the local government's assistance scheme for qualifying infrastructure projects.

Figure 4A: Gross Floor Area Constructed



Source: Computed from Company Announcements HC=Harbour City

Figure 4B: Development Cost Incurred



Source: Computed from Company Announcements HC=Harbour City

Raising development cost assumption to RM380 psf for all projects. The higher unit cost of RM415.05 psf in 9M FY17 could also have been due to lower economies of scale from the smaller projects Hatten City Phase 2 (Imperio Mall and Imperio Residence) and Vedro by the River. To be prudent, we raised our development cost assumptions for all projects to RM380 psf of gross floor area, except for Hatten City Phase 1 which has already been completed and has received government approval for subsidy. The development cost for Harbour City includes land cost at RM40 psf of gross floor area in addition to construction cost of RM380 psf of gross floor area.

Figure 5: Development Costs and Net Development Value

RM per sq. ft.	Elements Mall, SilverScape & Hatten Suites	Imperio Mall & Residence	Vedro by the river	Harbour City	Satori	MICC Project	MOU Projects
Development cost per gross floor area (A)	300	380	380	420	382*	381*	380
Development cost per net saleable area (B = A x gross floor area / net saleable area, NSA)	741	938	1,225	890	643	761	760
RM, millions							
Unbilled revenue + GDV of unsold NSA (C = Unbilled revenue + ASP x Unsold NSA in Fig 2)	802	423	54	2,603	311	895	13,521
Development cost of unbilled and unsold NSA (D = B x (Sold and uncompleted NSA + unsold NSA from Fig 2)	410	386	42	1,665	198	619	9,634
Net development Value to be recognized (C - D)	391	37	13	937	114	276	3,887
Forecast gross margin (NDV / C)	**48.8%**	**8.8%**	**23.4%**	**36.0%**	**36.5%**	**30.9%**	**28.8%**

*Include RM 1.2m of costs for the acquisition of Satori and MICC projects. *Source: Assumptions by NRA Capital*

Estimating faster sales for accommodation/hospitality properties. We also tweaked our model to reflect the faster sale of non-retail units relative to retail units. There were no sales at Elements Mall, Imperio Mall and Vedro by the River in FY17 even though the two of them are nearing full completion and launch. Likely, the company may retain some retail units for capital appreciation and rental yield, holding for sale "at the right price".

It is a common strategy for developers to price residential units low to cover costs while holding onto retail units for rental yield and capital appreciation. Our computations suggest that part of the malls will still have to be sold to generate overall positive development profits based on our updated and selling price assumptions. Hence, we assume that 40% of Elements Mall and Imperio Mall, 35% of Vedro by the River, 70% of Harbour City Mall, MICC Mall and MOU Project (Mall) as well as 100% of Satori (Commercial) will be retained for rental income.

Figure 6: Development Revenue Projections (Based on Existing and MOU Projects only)

RM millions	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	Total Est. Sales	Gross margin	GDV of Balance Held for Sale (and rental income)
Elements Mall	190.4	95.2							285.7	53.7%	439.5
SilverScape	66.6								66.6	1.2%	0.0
Hatten Suites	9.8								9.8	12.8%	0.0
Imperio Mall	32.9								32.9	8.8%	183.0
Imperio Residence	138.3	69.2							207.5	8.8%	0.0
Vedro by the river	1.0								1.0	23.4%	53.5
Harbour City Mall	94.9	206.6	206.6						508.1	36.0%	1,302.7
Harbour City Suites	63.8	63.8	63.8						191.5	36.0%	0.0
Harbour City Resort	77.5	107.0	136.4						321.0	36.0%	0.0
Harbour City Luxury Hotel	46.6	93.2	139.8						279.7	36.0%	0.0
Satori Suites	3.1	33.5	68.1						104.8	14.2%	0.0
Satori Residences	0.7	16.7	52.2						69.6	24.3%	0.0
Satori (Commercial)	0.0	0.0	0.0						0.0	59.8%	136.8
MICC - Hotel/Serviced apts.		41.5	96.8	193.7	129.1				461.1	10.5%	0.0
MICC - Mall			39.1	54.7	36.5				130.2	52.5%	303.8
MOU - Hotel/Serviced apts.		338.0	676.1	1,352.1	1,690.2	2,028.2	676.1		6,760.8	5.0%	0.0
MOU - Mall				405.6	405.6	405.6	405.6	405.6	2,028.2	52.5%	4,732.5
Total	**725.8**	**1,064.7**	**1,478.9**	**2,006.1**	**2,261.4**	**2,433.9**	**1,081.7**	**405.6**	**11,458.2**	**30.4%**	**7,151.8**
Gross profit	**222.2**	**256.8**	**283.7**	**329.6**	**330.2**	**314.4**	**246.8**	**213.0**			
Gross margin	30.6%	24.1%	19.2%	16.4%	14.6%	12.9%	22.8%	52.5%			
Selling & distribution costs	-66.4	-97.2	-136.5	-188.9	-214.6	-233.1	-114.5	-62.7	@9% of group revenue		
General & Admin costs	-39.2	-43.1	-47.4	-52.1	-57.4	-63.1	-69.4	-76.3	@+10% pa		
PBT	116.6	116.5	99.9	88.6	58.2	18.2	62.9	73.9			
Tax	-28.0	-28.0	-24.0	-21.3	-14.0	-4.4	-15.1	-17.7			
PAT	88.6	88.5	75.9	67.4	44.2	13.9	47.8	56.2			
Capital Charge	-6.3	-6.3	-13.2	-27.3	-7.6	-26.0	-27.9	-51.7	@5% of beginning invested capital		
Residual income	82.3	82.2	62.7	40.1	36.7	-12.1	19.9	4.5			
Discount factor	1.15	1.32	1.52	1.75	2.01	2.31	2.66	3.06	@15% per annum		
Present value	71.6	62.2	41.2	22.9	18.2	-5.2	7.5	1.5			
Sum of PV of dev. profits	**219.8**	**RM m**	**(RM 146.1m, if MOU projects are excluded)**								
	As of FY17	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**			
Development properties	537.6	675.3	957.5	1,396.0	1,819.5	2,451.5	3,377.0	3,505.4			
Less cost of held for sale properties	-411.3	-411.3	-411.3	-1,244.8	-1,299.9	-1,893.9	-2,343.4	-2,793.0	Based on est. construction progress		
Capital invested	126.3	264.0	546.2	151.2	519.6	557.7	1,033.5	712.4			
Capital Charge	-6.3	-6.3	-13.2	-27.3	-7.6	-26.0	-27.9	-51.7			

Source: Assumptions by NRA Capital We have blended the gross margin for Imperio Mall and Residence and for the different components of Harbour City. We have assumed flat development costs for the different components of a project. As a result, some project components end up being unprofitable which may not necessarily be true.

Figure 7: Rental Income Projections

	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25
Elements Mall - 40% of NSA	274,673	274,673	274,673	274,673	274,673	274,673	274,673	274,673
Imperio Mall – 40%	114,354	114,354	114,354	114,354	114,354	114,354	114,354	114,354
Vedro by the river – 35%	33,427	33,427	33,427	33,427	33,427	33,427	33,427	33,427
Harbour City Mall – 70%			723,740	723,740	723,740	723,740	723,740	723,740
Satori (Commercial) – 100%				85,520	85,520	85,520	85,520	85,520
MICC Project – Mall – 70%				189,864	189,864	189,864	189,864	189,864
MOU Projects - Mall – 70%				591,565	1,183,130	1,774,695	2,366,261	2,957,826
Total (sq. ft.)	**422,454**	**422,454**	**1,146,193**	**2,013,142**	**2,604,707**	**3,196,272**	**3,787,837**	**4,379,403**
Occupancy	45.5%	60.0%	51.1%	70.0%	70.0%	70.0%	70.0%	90.0%
Occupied NSA	**192,271**	**253,472**	**585,213**	**1,409,199**	**1,823,295**	**2,237,391**	**2,651,486**	**3,941,462**
Rental psf – 3% pa	**5.0**	**5.15**	**5.30**	**5.46**	**5.63**	**5.80**	**5.97**	**6.15**
Rental income	11.5	15.7	37.3	92.4	123.1	155.6	190.0	290.9
Perpetual component – 12.5% discount rate, 2% terminal growth								2,825.4
Discount factor @12.5% pa	1.13	1.27	1.42	1.60	1.80	2.03	2.28	2.57
PV	10.3	12.4	26.2	57.7	68.3	76.8	83.3	113.4
PV of perpetual component	1,101.2							
Sum of rental income (RM millions)	**1,549.4**	**(RM 586.5 m, if MOU projects are excluded)**						

Source: Assumptions by NRA Capital

Figure 8: RNAV and Fair Value Estimates

	Existing Projects	Existing Projects + MOU Projects
Book value of equity as of 30 June 2017	**227.4**	**227.4**
PV of development profits	146.1	219.8
PV of rental income	586.5	1,549.4
Total fair value (RM millions)	**959.9**	**1,996.6**
No of shares	1,375.1	1,375.1
Fair value per share (RM)	0.698	1.452
Fair value per share (S$)	**0.222**	**0.461**
Prior estimate (S$)	0.195	0.440
Variance	13.6%	4.8%
Book value of equity as of 30 June 2017	**227.4**	**227.4**
Gross development profits	1,768.8	5,656.2
Adjust for 12.6% opex*	-641.2	-1,703.7
Adjust for 24% tax	-270.6	-948.6
RNAV (RM millions)	1,084.4	3,231.3
RNAV per share (S$)	**0.250**	**0.746**
Prior estimate (S$)	0.310	1.238
Variance	-19.2%	-39.7%
Discount to RNAV	**-11.5%**	**-38.2%**

*Assuming 9% group revenue as selling and distribution expenses and 10% annual growth in admin costs, operating expenses work out to about 12.6% of our forecast horizon. *Source: Computations by NRA Capital*

Figure 8 show the variances in valuation following the changes to our assumptions and our modelling approach.

Explaining the changes to RNAV. In our previous report, we have valued Hatten based on “existing projects”, “SPA projects” and “MOU projects”. Stacking the three categories of projects together, we derived a RNAV of S$1.238 per share.

In this update, we re-organised the pipeline of projects into “existing projects” and “MOU projects”. The former “SPA projects” – Satori, MICC and Cyberjaya have been reallocated between the two categories with Cyberjaya being treated as a “MOU project”. With the completion of SPA or acquisition of Satori and MICC, we treat both projects as existing pipeline projects.

As we have reduced selling prices and raised development costs, overall RNAV has been affected, particularly that of the MOU projects. The construction cost of the MOU projects has been raised from RM250 psf to RM380 psf. Group RNAV is now estimated to be about S$0.746.

Valuation raised from S$0.440 to S$0.461 (rounded to S$0.460). However, we now assume a shorter forecast horizon of up to FY25 for the MOU projects instead of up to FY27. In fact, existing projects such as Harbour City are now expected to be completed by e.g. FY20 instead of FY22. The shorter forecast horizon reduces the overall discount applied to future development profits. Secondly, we also assume that some completed properties will be held for sale and for rental income. We applied a lower discount rate of 12.5% instead of 15% for these completed properties to factor in debt financing. We generally apply WACC for investment properties rather than cost of equity. Due to these changes, we derived a higher valuation.

Interest in Melaka property appears to be improving. Our valuation to some extent reflects our optimism over Hatten Land. A quick review of online articles suggest that other developers are eyeing the local market. For instance, Gromutual Bhd (mkt cap: RM157.8m) was reported to have acquired three pieces of land in Melaka for RM7.26m in Jul.[3] In Jun, Encorp Bhd partnered with Sinmah Capital Bhd to develop 77.9 acres of land in Bukit Katil into RM865m of mixed development.[4] These news suggest that Hatten is in the right market for now.

The property market in Melaka is not just about the local population, but also about the provision of accommodation for some 16m tourists annually. We understand that Hatten's buyers comprise of approximately 70% Malaysians, 11% Singaporeans and roughly 5% PRCs. Malaysian buyers comprise of an even mix of locals and visitors from Selangor, Kuala Lumpur and Johor Bahru.

Risk factors. There is the risk that the Melaka market is overly reliant on investment demand from other states as Malaysians flock to Melaka in search of capital gains following the development of projects such as the Melaka Gateway project etc. Moreover, some of these projects have been sold via the offer of guaranteed rental schemes. When we visited Melaka in July, reclamation works appears to be still ongoing at the Melaka Gateway site.

In response, the management has remarked at the briefing that the local government is exploring ways to grow the local population and to rebalance the economy and reduce reliance on tourism, by for example encouraging more industries. A recent coup is the set up of Infineon's facility in Melaka.[5] We noted that investment demand in Melaka properties is justified by the shortage of hotel rooms locally. Another risk factor is that competition has become more keen, with competitors matching price discounts etc.

Company strengths outweigh risks. Overall, we are mindful that risks remain given Hatten's concentration on the Melaka market. However, Hatten boasts of well-located sites within the city centre of Melaka. Secondly, Hatten differentiates its products with themes e.g. wellness, water theme park, tallest building in Melaka, etc to attract buyers. Finally, Hatten can leverage on its recent success to enter into new markets such as China.

Moreover, we would expect the high-speed rail project to take place as there is clear demand for high speed transportation between Melaka, Kuala Lumpur and Johor. Currently, it takes about three to four hours to travel from Johor to Melaka.

Trading at conservative multiples. Based on a share price of around S$0.200 and SGDMYR rate of 3.15, Hatten trades at 8.7x FY18 P/E or 9.5x FY17 net operating profit. Conversely, our valuation of S$0.460 is equivalent to about 20.2x FY18 P/E which may not be unreasonable if Hatten is able to achieve an attractive ROI over its properties. Our forecasts imply that Hatten's average annual ROE from FY18 to FY20 is about 29.3%.

On balance, we maintain our overweight rating on Hatten, but reclassify the company from "high return and high risk" to "high return and average risk" following the recent share price correction.

[3] http://www.theedgemarkets.com/article/gromutual-buys-three-pieces-land-melaka-rm726m

[4] http://www.propertyguru.com.my/property-news/2017/6/154361/encorp-sinmah-capital-to-built-rm865m-development-in-malacca

[5] http://www.thestar.com.my/business/business-news/2017/08/09/infineon-opens-rm240m-facility-in-melaka/

Hatten Land Limited

Profit & Loss (RM m, FYE Jun)	2015	2016	2017	2018F	2019F	2020F
Revenue	436.26	412.35	462.44	737.34	1080.41	1516.15
Operating expenses	-400.98	-322.67	-354.76	-605.21	-943.38	-1375.04
EBITDA	35.28	89.68	107.68	132.13	137.03	141.11
Depreciation & amortisation	-3.76	-4.54	-3.46	-5.11	-6.45	-7.73
EBIT	31.52	85.14	104.22	127.02	130.58	133.39
Net interest & invt income	5.53	11.30	8.44	4.41	4.67	4.16
Associates' contribution	0	0	0	0	0	0
Exceptional items	0.00	0.00	-82.25	0.00	0.00	0.00
Pretax profit	**37.05**	**96.44**	**30.41**	**131.42**	**135.24**	**137.55**
Tax	-11.27	-27.85	-21.69	-31.54	-32.46	-33.01
Minority interests	0	0	0	0	0	0
Net profit	**25.78**	**68.59**	**8.72**	**99.88**	**102.79**	**104.54**
Shares at year-end (m)	NA	NA	1,375.08	1,375.08	1,375.08	1,375.08

Balance Sheet (RM m, as at Jun)	2015	2016F	2017	2018F	2019F	2020F
PPE	39.08	64.10	94.64	119.53	143.07	165.35
Other long-term assets	39.08	51.29	61.31	61.31	61.31	61.31
Total non-current assets	**78.16**	**115.40**	**155.95**	**180.84**	**204.39**	**226.66**
Cash and equivalents	24.12	81.93	83.63	86.61	23.13	31.34
Development properties	479.81	476.35	537.61	675.26	957.47	1396.01
Trade debtors	352.22	212.55	476.45	505.03	740.01	1038.46
Other current assets	43.09	47.08	51.20	51.20	51.20	51.20
Total current assets	**899.24**	**817.91**	**1148.89**	**1318.09**	**1771.80**	**2517.02**
Trade creditors	464.30	288.99	431.84	691.49	776.23	1149.64
Short-term borrowings	40.36	51.90	56.95	60.00	150.00	240.00
Other current liabilities	189.99	159.89	103.48	103.48	103.48	103.48
Total current liabilities	**694.64**	**500.78**	**592.27**	**854.96**	**1029.71**	**1493.12**
Long-term borrowings	98.45	198.57	298.50	140.00	350.00	560.00
Other long-term liabilities	140.64	173.34	186.67	186.67	186.67	186.67
Total long-term liabilities	**239.09**	**371.91**	**485.16**	**326.67**	**536.67**	**746.67**
Shareholders' funds	**43.67**	**60.62**	**227.41**	**317.30**	**409.81**	**503.90**
Minority interests	0	0	0	0	0	0
NAV/share (S$) (based on 1,375m shares)	0.032	0.044	0.165	0.231	0.298	0.366
Total Assets	**977.40**	**933.31**	**1304.84**	**1498.93**	**1976.19**	**2743.68**
Total Liabilities + S'holders' funds	**977.40**	**933.31**	**1304.84**	**1498.93**	**1976.19**	**2743.68**

Cash Flow (RM m, FYE Jun)	2015	2016F	2017	2018F	2019F	2020F
Pretax profit	37.05	96.44	30.41	131.42	135.24	137.55
Depreciation & non-cash adjustments	2.36	2.62	81.02	5.11	6.45	7.73
Working capital changes	-41.19	-54.91	-205.34	93.43	-432.44	-363.60
Cash tax paid	-10.65	-17.48	-35.73	-31.54	-32.46	-33.01
Cash flow from operations	**-12.43**	**26.67**	**-129.64**	**198.42**	**-323.20**	**-251.33**
Capex	-19.36	-36.26	-36.98	-30.00	-30.00	-30.00
Net investments & sale of FA	8.68	7.23	2.42	0.00	0.00	0.00
Others	NA	NA	NA	NA	NA	NA
Cash flow from investing	**-10.68**	**-29.03**	**-34.56**	**-30.00**	**-30.00**	**-30.00**
Debt raised/(repaid)	4.16	111.66	85.52	-155.45	300.00	300.00
Equity raised/(repaid)	25.00	0.00	80.05	0.00	0.00	0.00
Dividends paid	-0.32	-51.49	0.00	-9.99	-10.28	-10.45
Others	NA	NA	NA	NA	NA	NA
Cash flow from financing	**28.84**	**60.17**	**165.57**	**-165.44**	**289.72**	**289.55**
Change in cash	**5.73**	**57.81**	**1.37**	**2.98**	**-63.48**	**8.21**
Change in net cash/(debt)	**1.57**	**-53.85**	**-103.28**	**158.43**	**-363.48**	**-291.79**
Ending net cash/(debt)	**-114.69**	**-168.54**	**-271.82**	**-113.39**	**-476.87**	**-768.66**

KEY RATIOS (FYE Jun)	2015	2016F	2017F	2018F	2019F	2020F
Revenue growth (%)	78.0	-5.5	12.1	59.4	46.5	40.3
EBITDA growth (%)	37.0	154.2	20.1	22.7	3.7	3.0
Pretax margins (%)	8.5	23.4	6.6	17.8	12.5	9.1
Net profit margins (%)	5.9	16.6	1.9	13.5	9.5	6.9
Effective tax rates (%)	30.4	28.9	71.3	24.0	24.0	24.0
Net dividend payout (%)	1.2	75.1	0.0	10.0	10.0	10.0
ROE (%)	139.7	131.5	6.1	36.7	28.3	22.9
Free cash flow yield (%)	-8.4	-0.9	-59.7	61.2	-128.4	-102.3

Source: Company, NRA Capital