

3 January 2017

Property | Real Estate

Oxley Holdings

Buy (Maintained)

Record Profitability Ahead

Oxley has SGD2.7bn in total unbilled sales – the highest among Singapore developers – across its local/overseas projects, which would underpin record profits over the next few years. It now has a sizeable portfolio across eight countries outside of Singapore, with projects in the UK and Cambodia at advanced stages and a pipeline of upcoming launches in Kuala Lumpur, Dublin, Batam and Yangon. This would drive the next wave of NAV growth. We like the company for its dynamic management and ability to stay ahead of the curve while managing its risks well.

Record profitability in FY17 underpinned by SGD2.7bn of unbilled sales. Oxley has executed its project pipeline well and presold SGD2.7bn worth of properties across its local and overseas projects. High-yielding mixed development projects such as KAP & KAP Residences, NEWest, Midtown and Oxley Tower are on track for completion in the next few months, while the group has started handing over units at Royal Wharf since Aug 2016.

Solid progress in overseas launches. While sales from Singapore were the key driver in FY16, we expect the group's overseas projects to feature more prominently, going forward. Of the group's SGD2.7bn unbilled sales, SGD1.8bn are from overseas projects such as the UK and Cambodia. New launches in the pipeline include Oxley Towers KLCC in Malaysia, Min Residences in Myanmar and Batam Convention Centre. In Dublin, the group is developing a 60,000 sqm Grade-A office and over 200 apartments in the CBD, next to the proposed headquarters of the Central Bank of Ireland.

Building up a recurring income base. Oxley is also steadily growing its recurring income base with its first hospitality project in Singapore'2, The Pines, featuring two hotels (782 rooms) and commercial shop space, likely to be completed in the next 12 months. The company's newly-completed industrial building, Space@Tampines, is currently ~94%-leased and is likely to further bolster recurring income.

A Top Pick within the sector. The group's net gearing has fallen to 2.3x from 2.7x in the last 12 months, and we project this to decline to 1.5x by end-FY17 as cash continues to pour in from Royal Wharf and its Singapore project. We expect SGD1.9bn worth of projects receiving temporary occupation permits in the next 12 months. This would underpin a record year in FY17, with reported net profit of SGD325m. Oxley remains one of our Top Picks in the property sector, and we maintain our BUY recommendation with a TP of SGD0.85.

Target Price:	SGD0.85
Price:	SGD0.43
Market Cap:	USD871m
Bloomberg Ticker:	OHL SP

Share Data

Avg Daily Turnover (SGD/USD)	0.29m/0.21m
52-wk Price low/high (SGD)	0.39 - 0.49
Free Float (%)	17
Shares outstanding (m)	2,948
Estimated Return	98%

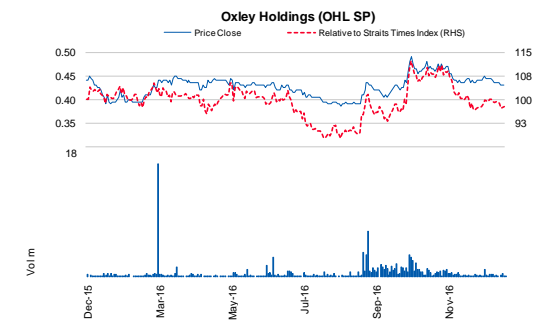
Shareholders (%)

Bullish Investment Pte Ltd	47.1
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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(2.3)	(3.4)	2.4	3.6	(5.5)
Relative	(2.2)	(2.6)	2.0	2.2	(5.3)

Source: Bloomberg



Source: Bloomberg

Forecasts and Valuations	Jun-14	Jun-15	Jun-16	Jun-17F	Jun-18F
Total turnover (SGDm)	1,074	702	981	1,050	1,143
Reported net profit (SGDm)	287	61	206	325	293
Recurring net profit (SGDm)	262	53	118	258	243
Recurring net profit growth (%)	321.2	(79.8)	122.6	119.0	(5.9)
Recurring EPS (SGD)	0.09	0.02	0.04	0.09	0.08
DPS (SGD)	na	na	na	na	na
Recurring P/E (x)	4.8	23.9	10.8	4.9	5.2
P/B (x)	3.02	1.87	1.62	1.24	1.00
Dividend Yield	na	na	na	na	na
Return on average equity (%)	87.1	11.1	28.1	36.0	25.6
Return on average assets (%)	9.3	1.7	5.2	7.7	7.4
Net debt to equity (%)	403.8	267.9	218.0	118.3	67.1
Our vs consensus EPS (adjusted)					

Source: Company data, RHB

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