

MONEY TALK

PACIFIC STAR DEVELOPMENT (PSTAR SP)

Riding On The Rising Affluence Of ASEAN

Pacific Star Development (PSD) started trading on the Singapore Exchange's Catalist board, after the completion of its reverse takeover of LH Group on 15 Feb 17. PSD's experienced management team has historically been originating deals, identifying prime projects for investment and development, and securing off-market prime land for future new pipeline projects. Through the reverse takeover, PSD also inherited its aluminium division. PSD is trading at a trailing 0.7x 2016F P/B, in line with peers.

INVESTMENT HIGHLIGHTS

- Riding on ASEAN's growth.** The ASEAN market is fuelled by a population base of 650m, with a growing middle income class and young demographic (eg half of Indonesia's population is below 30 years old). Management sees strong potential in capitalising on the rising affluence and urbanisation trends in ASEAN, by developing lifestyle real estate in major ASEAN cities, in the following areas, like prime luxury mixed-used projects, resort hotels and villas, branded residences, and resort retirement communities.
- PSD's execution is aided by its strong regional network,** in terms of local knowledge and experience, relationships (with dealmakers and landowners), as well as deal origination capabilities in securing off-market acquisition opportunities. On the ground, the company also has teams based in Kuala Lumpur, Johor Bahru and Bangkok and is eyeing new markets, like Jakarta and Ho Chi Minh in time to come.
- Roots in investment management and development.** Due to its fund management roots, PSD has accumulated a strong network of relationships with leading real estate players and investors throughout ASEAN which has opened doors for collaboration and new opportunities. For instance, PSD has partnered with DAMAC International (a leading developer in Dubai) to jointly develop luxury properties across key cities in Southeast Asia, and also with PT Kukuh Mandiri Lestari (KML) to jointly develop mixed-use high rise developments on 10 ha of prime seafront land in Pantai Indah Kapuk 2 (PIK 2) in Jakarta, Indonesia. Its fund manager background has also helped the firm in terms of familiarity with governance and reporting.
- Focus on luxury development space.** PSD operates primarily in the luxury development space, which are typically premium mixed-use, located in key high potential locations, fully fitted and in move-in-condition. Its current two projects include the Puteri Cove Residences and Quayside, and The Posh Twelve.

KEY FINANCIALS

Year to 31 Dec (\$m)	2013	2014	2015	2016
Net turnover	12.3	17.5	32.6	19.2
EBITDA	(5.1)	1.9	1.1	(3.9)
Operating profit	(6.0)	1.1	0.2	(4.7)
Net profit (rep./act.)	(5.4)	1.7	0.9	(4.6)
Net profit (adj.)	(5.4)	1.7	0.9	(4.6)
EPS	(11.7)	3.3	1.7	(9.7)
PE (x)	n.a.	7.8	15.6	n.a.
P/B (x)	0.6	0.5	0.4	0.5
EV/EBITDA (x)	n.a.	61.1	108.1	n.a.
Dividend yield (%)	n.a.	0.0	0.0	0.0
Net margin (%)	(44.4)	9.7	2.7	(23.8)
Net debt/(cash) to equity (%)	(69.8)	(0.9)	(32.5)	(54.7)
Interest cover (x)	(10.4)	5.6	36.5	(188.0)
ROE (%)	(26.1)	7.2	3.3	(18.2)

Source: Bloomberg, UOB Kay Hian

NOT RATED

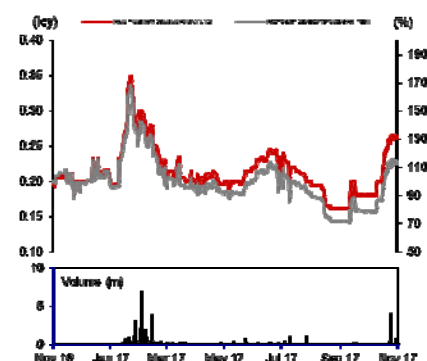
Share Price	S\$0.26
Target Price	n.a.
Upside	n.a.

COMPANY DESCRIPTION

Pacific Star Development Limited is a property investment management and development firm. The Company invests and develops office, retail, and residential properties throughout Southeast Asia. Pacific Star Development also engages in the provision of aluminum works and the manufacturing of traction devices and vehicle parts.

GICS sector	Real Estate
Bloomberg ticker:	PSTAR SP
Shares issued (m):	499.7
Market cap (S\$m):	129.9
Market cap (US\$m):	96.5
3-mth avg t'over (US\$m):	0.0

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- **Puteri Cove Residences and Quayside** is expected to contribute RM1.5b in GDV and will be completed by 4Q17, with payments made progressively. The project is a freehold mixed-use development located in Iskandar Puteri, Malaysia. The development comprises 658 luxury apartments (nearly 75% sold) in two 32-storey tower blocks, as well as a separate tower of luxury serviced suites (managed by Pan Pacific Group) and 56 SOHO/loft units, 79 retail units, all overlooking Singapore's One°15 managed private marina.

PUTERI COVE RESIDENCES AND QUAYSIDE



Source: Pacific Star Development

- **The Posh Twelve** is expected to bring in Bt5b in GDV, with multi-country sales launched in 2Q17. The project is a freehold mixed-use development comprising mid-end condominiums and a lifestyle retail centre, located on Tiwanon Road, Bangkok. It is a three minutes walk away from the Ministry of Public Health MRT station along the Purple Line, 3-minute drive to Expressway connecting to the CBD, a 25-minute drive to Don Mueang Airport and a 45-minute drive to Suvarnabhumi International Airport.
- Unlike Singapore and Malaysia projects, in Thailand, payment for The Posh Twelve is collected in phased proportions with 20% collected at the point of signing the sales and purchase agreement and 80% at the point of completion.

THE POSH TWELVE



Source: Pacific Star Development

- **Project pipeline.** Management is focused on increasing pipeline projects in Malaysia and Bangkok (with negotiations in mid-advanced stages to develop 400,000sqm) in various prime locations, as well as some exploratory talks with landowners in Jakarta and Ho Chi Minh City.

PIPELINE PROJECTS



Source: Pacific Star Development

PUTERI COVE RESIDENCES AND QUAYSIDE- DEVELOPMENT DETAILS

Development Mix	Mixed-use development comprising luxury apartments, Pan Pacific Serviced Suites, SOHO and lifestyle retail centre.	
Location	Puteri Harbour, Iskandar Puteri, Iskandar Malaysia	
Land Tenure	Freehold	
Land Area	340,000 sq ft	
Expected TOP	Q4 2017	
Current Status	Tower 1 & Tower 2	Strata title units
	Tower 3	Serviced suites managed by Pan Pacific Hotels Group
	SOHO	Strata title units
	Retail Centre	To be leased

Source: Pacific Star Development

THE POSH TWELVE - DEVELOPMENT DETAILS

Development Mix	Mixed-use development comprising mid-end condominiums and lifestyle retail centre.
Location	Tiwanon Road, Bangkok, Thailand
Land Tenure	Freehold
Land Area	80,127 sq ft
Gross Floor Area	801,272 sq ft
Current Status	Multi-country sales launch in Q2 2017

Source: Pacific Star Development

PIPELINE PROJECTS (UNDER NEGOTIATION*)

Iskandar Puteri, Malaysia		
PROJECT 1	Development Mix	MICE and event venue integrated with retail mall, office tower, luxury 5-star class hotel, branded residences and apartments.
	Development Strategy	<ul style="list-style-type: none"> • Integrated mixed-use development with 5-star class hotel and apartments for sale to middle-upper income buyers from Singapore, Indonesia and Malaysia, China/Hong Kong, Korea etc. • Walking distance to Puteri Harbour International Ferry Terminal and within 10 minutes' drive to Gleneagles Hospital, Ascendas/Mitsui Techpark, Pinewood Studios and HSR Station.

PROJECT 2	Development Mix	Integrated healthcare and retirement community
	Development Strategy	<ul style="list-style-type: none"> • Mixed-use development comprising office suites, medical suites, retail and branded hotel suites • Walking distance to world-class hospital • 10 minutes' drive to Puteri Harbour International Ferry Terminal, Ascendas/Mitsui Techpark and HSR Station. • 25 minutes drive away from Senai International Airport, which offers direct flights to and from major Indonesian and Chinese cities

Kuala Lumpur, Malaysia		
PROJECT 1	Development Mix	Mixed-use development comprising 5-star class hotel, luxury apartments, Grade A office and high-end retail centre
	Development Strategy	<ul style="list-style-type: none"> • Iconic design as a landmark project for sale to high end buyers from Singapore, China/Hong Kong, Korea, Indonesia and Malaysia etc. • Branding with luxury hotels

PROJECT 2	Development Mix	Integrated mixed-use development comprising office, luxury residences, serviced apartments and retail
	Development Strategy	<ul style="list-style-type: none"> • Iconic project • Branding with luxury brandnames

Bangkok, Thailand		
PROJECT 1	Development Mix	Luxury mixed-use project comprising high-end apartments and lifestyle commercial F&B premises
	Development Strategy	<ul style="list-style-type: none"> • Develop mixed-use projects in prime Bangkok residential areas for sale to affluent Thais and foreigners • Commercial premises shall be occupied by established F&B outlets and convenience stores.
PROJECT 2	Development Mix	Luxury Residences
	Development Strategy	For sale to affluent Thais and foreigners

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PROFIT & LOSS

Year to 31 Dec (S\$m)	2013	2014	2015	2016
Net turnover	17.5	32.6	19.2	12.6
EBITDA	1.9	1.1	(3.9)	(7.2)
Deprec. & amort.	0.8	0.9	0.8	0.1
EBIT	1.1	0.2	(4.7)	(7.3)
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	0.3	0.0	0.0	0.0
Pre-tax profit	1.2	0.3	(5.8)	(7.2)
Tax	0.0	(0.0)	(0.0)	(0.0)
Minorities	(0.4)	(0.6)	(1.2)	(1.8)
Net profit	1.7	0.9	(4.6)	(5.4)
Net profit (adj.)	1.7	0.9	(4.6)	(5.4)

CASH FLOW

Year to 31 Dec (S\$m)	2013	2014	2015	2016
Operating	(7.0)	1.9	3.5	3.1
Pre-tax profit	1.2	0.3	(5.8)	(7.2)
Tax	0.0	(0.0)	(0.0)	(0.0)
Deprec. & amort.	0.8	0.9	0.8	0.1
Associates	0.0	0.0	0.0	0.0
Working capital changes	(9.3)	0.6	7.3	7.5
Non-cash items	(0.1)	(0.5)	0.0	0.9
Investing	(0.3)	1.7	0.1	(2.9)
Capex (growth)	(0.5)	(0.3)	(0.1)	(0.1)
Investment	0.0	0.0	0.0	0.0
Others	0.2	2.0	0.1	(2.8)
Financing	(0.0)	(0.1)	0.0	(0.4)
Dividend payments	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.1	0.0
Loan repayment	(0.1)	(0.1)	(0.0)	0.0
Others/interest paid	(0.0)	0.0	(0.1)	(0.4)
Net cash inflow (outflow)	(7.3)	3.6	3.6	(0.2)
Beginning cash & cash equivalent	14.9	0.9	4.5	8.1
Ending cash & cash equivalent	0.9	4.5	8.1	7.9

BALANCE SHEET

Year to 31 Dec (S\$m)	2013	2014	2015	2016
Fixed assets	2.0	1.5	0.7	0.3
Other LT assets	2.0	1.9	0.6	0.0
Cash/ST investment	0.9	9.3	12.9	12.8
Other current assets	31.4	24.5	16.2	11.6
Total assets	36.3	37.2	30.4	24.8
ST debt	0.6	0.4	0.5	0.6
Other current liabilities	9.0	9.7	8.7	10.8
LT debt	0.0	0.0	0.0	0.0
Other LT liabilities	0.0	0.0	0.0	0.0
Shareholders' equity	26.3	27.4	22.7	16.8
Minority interest	0.3	(0.3)	(1.5)	(3.4)
Total liabilities & equity	36.3	37.2	30.4	24.8

KEY METRICS

Year to 31 Dec (S\$m)	2013	2014	2015	2016
Profitability				
EBITDA margin	10.7	3.2	(20.6)	(57.2)
Pre-tax margin	7.2	1.0	(30.0)	(57.5)
Net margin	9.7	2.7	(23.8)	(43.4)
ROA	4.6	2.4	(13.5)	(19.8)
ROE	7.2	3.3	(18.2)	(27.6)
Growth				
Turnover	42.3	86.7	(41.2)	(34.5)
EBITDA	n.a.	(43.4)	n.a.	n.a.
Pre-tax profit	n.a.	(74.0)	n.a.	n.a.
Net profit	n.a.	(47.1)	n.a.	n.a.
Net profit (adj.)	n.a.	(47.1)	n.a.	n.a.
EPS	n.a.	(49.8)	n.a.	n.a.
Leverage				
Debt to total capital	1.8	1.0	1.7	2.3
Debt to equity	2.5	1.3	2.3	3.4
Net debt/(cash) to equity	(0.9)	(32.5)	(54.7)	(72.8)
Interest cover (x)	5.6	36.5	(188.0)	(358.8)

Source: Bloomberg

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Bloomberg Consensus

Recommendation	Buy	Sell	Hold	Valuation Ratios	12/15	12/16	12/17E	12/18E	
31/9/2017	-	-	-	P/E	-	-	-	-	
Target Price	-	-	-	EV/EBIT	-	-	-	-	
Upside	-	-	-	EV/EBITDA	-	-	-	-	
				P/S	0.4	2.2	-	-	
Income Statement	12/15	12/16	12/17E	12/18E	P/B	0.4	0.5	-	-
Revenue	19	13	-	-	Div Yield	0.0%	0.0%	-	-
Gross Income	(1)	1	-	-					
Operating Income	(5)	(7)	-	-	Profitability Ratios %	12/15	12/16	12/17E	12/18E
Pretax Income	(6)	(7)	-	-	Gross Margin	(7.2)	10.9	-	-
Net Income Adjusted*	(5)		-	-	EBITDA Margin	(20.6)	(57.2)	-	-
EPS Adjusted	(0.10)		-	-	Operating Margin	(24.5)	(58.2)	-	-
Dividends Per Share	0.00	0.00	-	-	Profit Margin	(23.8)	(43.4)	-	-
Payout Ratio (%)			-	-	Return on Assets	(13.5)	(19.8)	-	-
EBITDA	(4)	(7)	-	-	Return on Equity	(18.2)	(27.6)	-	-
Peer Comparison	Ticker	Price @ 22 Nov 16 (Icy)	Market Cap (US\$m)	PE		P/B		Yield	
				FY16 (x)	FY17 (x)	FY16 (x)	FY17 (x)	FY17F (%)	
Hong Fok Corp Ltd	HFC SP	0.84	543	8.0	n.a.	0.5	n.a.	n.a.	
Roxy-Pacific Hldgs Ltd	Roxy SP	0.52	460	12.5	n.a.	1.3	n.a.	n.a.	
Ho Bee Land Ltd	HOBEE SP	2.44	1,206	7.5	11.7	0.6	0.5	2.7	
Selangor Properties Berhad	SPR MK	4.79	400	24.4	29.9	0.7	0.7	2.7	
Hiap Hoe Ltd	HIAP SP	0.875	307	9.1	n.a.	0.6	n.a.	n.a.	
Pacific Star Development Ltd	PSTAR SP	0.26	96	n.a.	n.a.	0.7	n.a.	n.a.	
Average				12.3	20.8	0.7	0.6	2.7	

Source: Bloomberg, UOB Kay Hian

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