

Singapore Industry Focus

Singapore Property

Refer to important disclosures at the end of this report

DBS Group Research . Equity

23 Apr 2018

Zeroing in on Oxley Group

- Oxley has one of the largest residential landbanks in Singapore valued at over S\$3.0bn
- Strong pre-sales locally or overseas should translate to higher share price
- Potential asset sales would greatly improve Oxley's financials

Holds one of the largest landbanks in Singapore with over S\$3.0bn worth of residential projects to be launched. After a 5-year hiatus, Oxley Holdings Limited (Oxley) returns with a bang, amassing a substantial residential landbank of nearly 4,000 units worth c.S\$3.0bn in attributable gross development value (GDV). The Group (and its partners) collectively own one of the largest residential landbanks in Singapore. Near-term tailwinds from an improved residential market sentiment coupled with the delivery of strong sell-through rates for its projects when launched over 2Q18-2019 should drive its share price higher. The stock trades at a deep 50% discount to RNAV and a 40% discount to our fair value of S\$0.68.

Share price drivers:

(1) Executing on its development projects in Singapore and overseas. With over 4,000 units to be launched in the coming quarters, representing over 12% of existing yet-to-be launched residential inventory, locking-in strong project sell-through rates will translate to improved earnings visibility and help to close the RNAV and NAV gap. In addition, with a large exposure to fairly untested markets for the Group, successful sales execution would also instill investor confidence on its overseas projects.

(2) Potential unlocking of Singapore hotel assets, which could fetch bids of S\$1.2m a key. The keen competition for hotel assets could offer an opportunity for Oxley's recently completed Novotel and Mercure hotels, estimated to be worth c.S\$910m (S\$1.2m/key). A sale would empower the Group with improved financial flexibility, lowering its debt-to-equity ratio towards peer average of 1.2x (vs 2.1x currently).

(3) Lowering its high gearing of 2.1x should instill investor confidence. Oxley's high debt-to-equity ratio of 2.1x (as of 2Q18) is one of the highest among peers, which implies that the Group would need to remain nimble and maintain a quick-asset-turn strategy. The Group's high debt level would be a concern in the event of an external shock or a slowdown in property sales momentum as it could undermine profits. Potentially higher interest costs upon refinancing of its bonds in 2019/2020 could mean a need to employ a quick-asset-turn strategy in this current property market upcycle.

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STOCKS

	Price S\$	Mkt Cap US\$m	12-mth Target Price S\$	Performance (%)		Rating
				3 mth	12 mth	
Oxley Holdings	0.485	1,434	0.68	(16.3)	13.3	NR
Lian Beng Group	0.625	237	0.85	(18.3)	5.0	NR

Source: DBS Bank, Bloomberg Finance L.P.

Closing price as of 20 Apr 2018

Oxley Holdings and its consortium

Dynamic developer. Oxley Holdings Limited (Oxley) is principally engaged in the business of property development and property investment. Listed back in Oct 2010, Oxley started out as a young and dynamic property group in Singapore and has expanded with a burgeoning presence across twelve geographical markets.

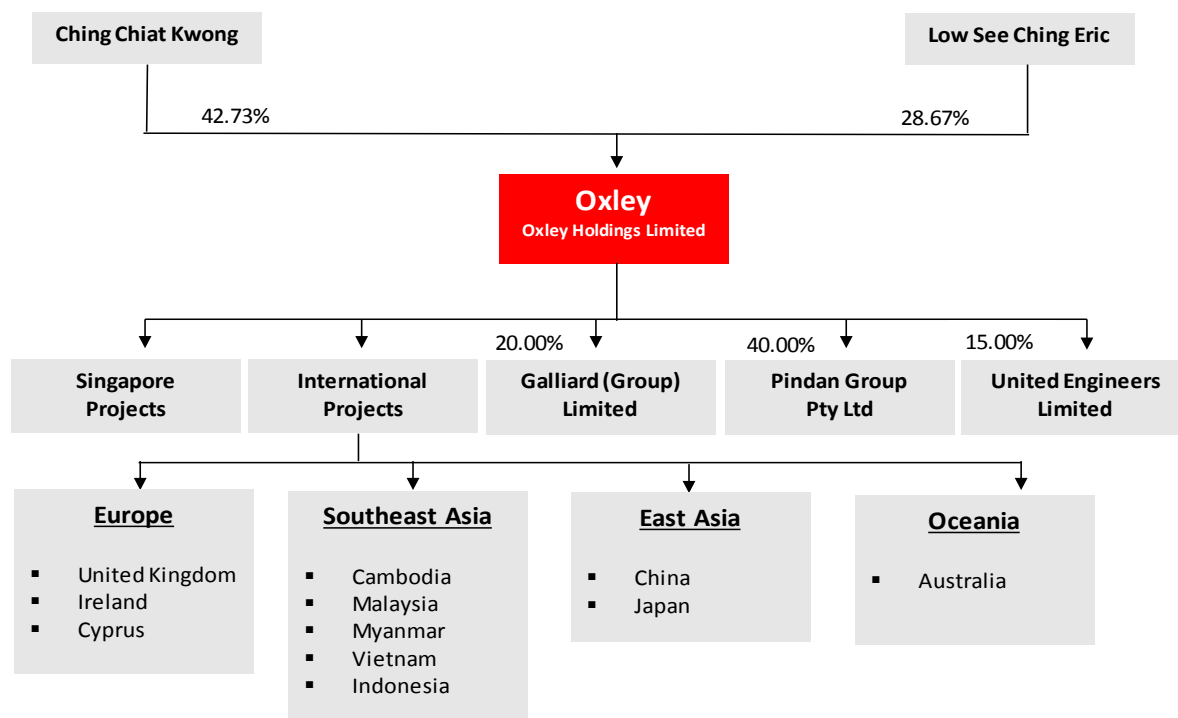
Oxley's property portfolio comprises of diversified development and investment projects in Singapore, the United Kingdom, Ireland, Cyprus, Cambodia, Malaysia, Indonesia, China, Myanmar, Australia, Japan and Vietnam. Oxley's expertise does not lie solely in property development; the Group also provides project management and consultancy expertise in Myanmar.

Building bridges locally and overseas. As part of its strategic expansion overseas, the Group has also entered into partnerships with reputable local and overseas developers as well as business partners.

In Singapore, Oxley regularly partners other developers/contractors to bid for land sites and has over time forged strong relationships with the likes of Lian Beng, KSH Holdings and other private investors. This allows Oxley to tap its partners' strengths in construction, financial strength, and diversify its exposure in selective sites in Singapore. The Group also acquired a c. 15% stake in United Engineers, a Singaporean property development and engineering company that was founded in 1912.

In 2013, the Group acquired a 20% stake in Galliard (Group) Limited, a leading property developer in the United Kingdom. Galliard (Group) is a property development, hospitality and management group overseeing a wide variety of developments across London and Southern England. Since then, Oxley has also acquired a 40% stake in Pindan Group Pty Ltd, an integrated project group based in Western Australia.

Corporate Holding structure



Source: Company, DBS Bank

Singapore asset or development sales to drive RNAV

Diversified asset base but anchored in Singapore. Over the past few years, the Group has amassed a development and commercial portfolio worth a projected gross development value (GDV) of S\$9.5bn. We estimate that 11 projects are at launch-ready stage and are expected to hit the market in the next 6-18 months, most of which are in Singapore. Based on our estimates, we revalued the Group net asset value (RNAV) at S\$3.2 bn, or S\$1.05 per share.

Building up recurring income. Over time, Oxley has also been building up its investment portfolio and is projected to grow its recurring income base to as high as S\$145m in 2020, providing

improved earnings visibility in the medium term. This provides the Group with consistent source of cashflow which can be redeployed into development projects.

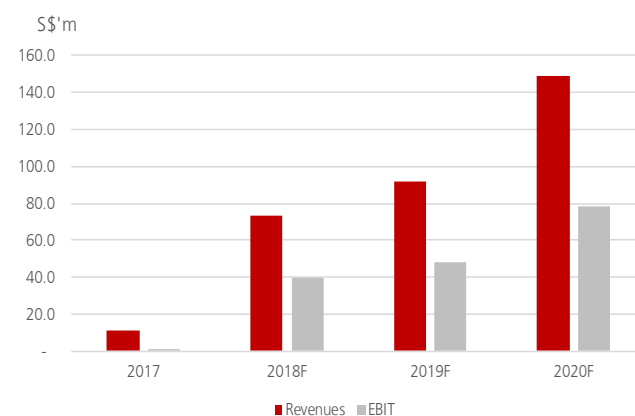
Potential sale of investment properties to lock in value? Of the Group's investment properties, we see most value in the Novotel and Mercure hotels at Stevens Road, Singapore. We value the property at close to S\$0.9bn. Given strong liquidity and high demand for hotel assets in Singapore, we believe that there will be good interest for these hotels if they are put onto the market. The sale will have a positive impact on the Group's financials and improve its balance sheet strength.

Breakdown of RNAV

	OMV (S\$'mn)
Surplus / deficit of assets:	
Development properties	1,170.1
Singapore	278.5
Overseas	891.6
Hotel properties	267.2
Investment properties	33.8
Investments in associates	478.4
Total Surpluses	1,949.4
NAV	1,292.0
RNAV	3241.44
No of shares	3082.28
RNAV per share (S\$)	1.05
Discount to RNAV	35%
Price Target (S\$)	0.68

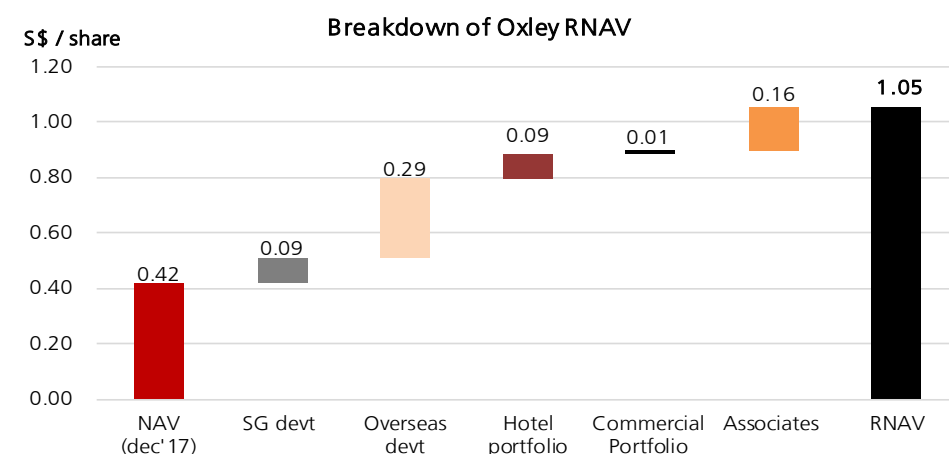
Source: Companies, DBS Bank

Increasing recurring income base



Source: Companies, DBS Bank

Breakdown of RNAV



Source: Companies, DBS Bank

Remarks

Oxley's NAV is expected to grow strongly on the back of sales of its Singapore residential projects (S\$0.09) and "mark-to-market" of its hotel portfolio (S\$0.09) upon stabilisation or potential sale. In addition, the Group derives another S\$0.09 from its stake in United Engineers (S\$0.09 of the S\$0.16 in its associates).

Strong project sell-through rates is a share price catalyst

In the current en-bloc cycle, Oxley had an early start in land-banking sites in 1H17. As of April 2018, Oxley and partners have invested S\$2.6bn into the Singapore residential market over the past two years and amassed 11 residential sites. Based on our estimates, these sites could yield close to c.4,000 units with an estimated gross development value (GDV) of S\$4.8bn on a 100% basis (c.S\$3.0bn on an attributable share basis). This makes Oxley one of the largest developers in terms of GDV and units in Singapore, after City Development.

The largest projects in the Group's stable are the consortium en-bloc deals of former HUDC estates Rio Casa and Serangoon Ville which were purchased for S\$783m and S\$694m respectively,

inclusive of development charges. Based on our estimates, the GDV for both projects could reach S\$1.5bn and S\$1.2bn respectively. On its own, Oxley has added the likes of former Mayfair Gardens (S\$363m), former Vista Park (S\$490m), former Lotus @ Pasir Panjang (S\$121m) and former Ampas Apartments (S\$100m).

Based on our estimates, on an attributable basis, 5 sites (former Lotus@Pasir Panjang, former Serangoon Ville, former Rio Casa, former Mayfair Gardens, former Vista Park) account for 89% of the Group's gross development value. Successful project launches should drive its share price higher.

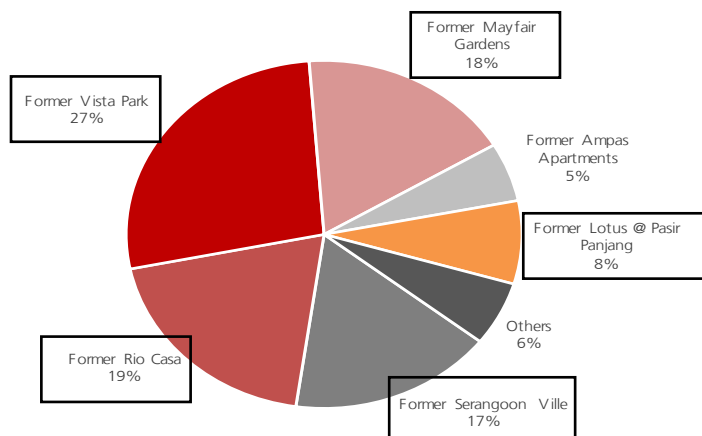
Project launch pipeline in Singapore

Project	District	Tenure	Stake	Tendered Date	Potential Launch Date	Est Units	GDV* (\$'m)	Ave Quantum (\$'m)
494 Upper East Coast Road	16	Freehold	100%	May-17	3Q18	26	26	1.3
Former Lotus @ Pasir Panjang	5	Freehold	100%	Jul-17	Launched	170	231	1.4
Former Serangoon Ville	19	99-year	40%	Jul-17	3Q18	1,103	1,164	1.1
Former Rio Casa	19	99-year	35%	May-17	3Q18	1,472	1,553	1.1
Vacant Land	12	Freehold	100%	Nov-17	3Q18	21	25	1.2
Former Toho Green	19	99-year	100%	Aug-17	2Q18	28	24	0.8
Former Apartment 8	12	Freehold	100%	Dec-17	4Q18	29	30	1.1
Former Mayfair Gardens	21	99-year	100%	Nov-17	4Q18	387	525	1.4
Former Vista Park	5	99-year	100%	Dec-17	4Q18	593	805	1.4
Former Ampas Apartments	12	Freehold	100%	Mar-18	2019	120	163	1.4
Sixteen35 Residences	14	99-year	100%	Feb-18	3Q18	45	66	1.5
Total / Average						3,995	4,620	1.2

*GDV shown on a 100% basis

Source: Companies, DBS Bank

Breakdown of GDV (Singapore) – Attributable basis



Source: Companies, DBS Bank

Remarks

5 sites (former Lotus@Pasir Panjang, former Serangoon Ville, former Rio Casa, former Mayfair Gardens, former Vista Park) account for 89% of the Group's gross development value.

Buffer for larger en bloc sites

Margins are better than peers. In our analysis, the Group should benefit from being early in the cycle as certain sites have built up a bit of “buffer” in achieving higher margins when launched. This is shown in the en blocs of former Serangoon Ville and Rio Casa sites for an all-in rate of S\$890 psf and S\$735 psf (estimated after accounting for DC rate charges) respectively back in 1H17. Based on the prices of sites that were tendered and sold through collective sales since the second half of 2017, land prices have crept up towards the S\$1,000 psf level.

Overall, we believe that these projects can potentially achieve gross margins of c.10%-20% or even higher if we peg to expected launch prices of competing projects in the district.

However, competition in District 19 is heating up. We note that supply is building up within District 19 with a potential launch pipeline of close to 5,181 units over the next 1-2 years. After accounting for a net displacement of c.964 households, the net increase is still more than 5 times the number of displaced units and there is concern if the absorption rate will be strong enough.

In addition, the supply entering the market represents close to 2 years’ worth of transactions in the district, which adds to the concern on the potential absorption.

En bloc sites in District 19 (former Serangoon Ville and Rio Casa) have margin “buffers”

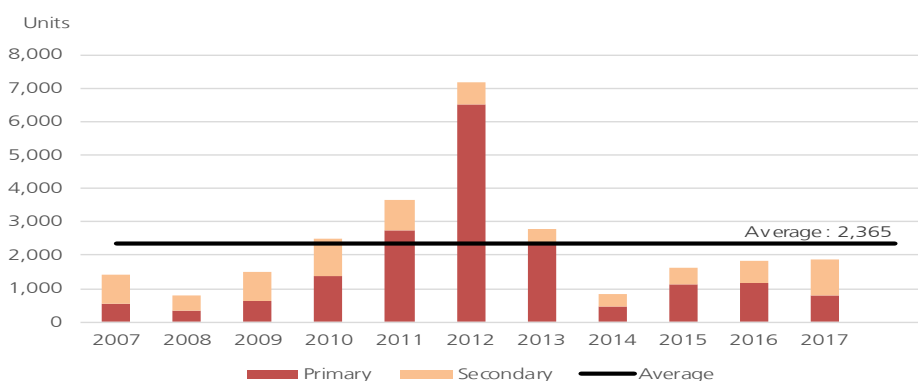
District 19	Location	Date	Developer	Tenure	Displaced Units	Estimated New Units	Land Prices (\$ psf)	Breakeven (\$ psf)	Launch Price (\$ psf)	Margins (%)
Former Serangoon Ville	HUDC	Jul-17	Oxley & Partners	99-LH	(244)	1,103	835	1,350	1,500	10%
Former Rio Casa	HUDC	May-17	Oxley & Partners	99-LH	(286)	1,472	735	1,235	1,500	20%
Average/Total					(530)	2,575	770	1,270	1,500	

Other sites:

Serangoon North Ave 1	Govt Land Sales	Aug-17	Wingtai / Keppel Land	99-LH	-	825	965	1,450	1,600	10%
Former Sun Rosier	Private	Sep-17	Singhaiyi	Freehold	(20)	271	1,325	1,830	2010	10%
Former How Sun Park	Private	Oct-17	Singhaiyi	Freehold	(78)	110	1,094	1,600	1760	10%
Former Florence Regency*	HUDC	Nov-17	Logan	99-LH	(336)	1,400	942	1,350	1485	10%
Average/Total					(434)	2,606	1,056	1,558		
Total new supply					(964)	5,181				

*DC rates rise in Sept’17 Source: Companies, DBS Bank

Historical transactions in District 19 (excluding executive condominiums)



Source: Companies, DBS Bank

Remarks

The supply pipeline in district 19 amounts to more than 2 years’ worth of supply, which will take time to be absorbed.

Buffer for its larger en bloc sites

For the Group's residential project pipeline, given that most of the projects were acquired early in the current en-bloc upcycle, we estimate that there is a profit margin buffer in excess of 20% for a number of projects that are launch ready in the coming months. This is based on our assessment of potential launch prices. This is in line with average margins that developers are able to achieve in the current market.

In the coming quarters, Oxley, together with its partners will potentially launch 11 projects, which are now in various stages in the preparatory work for launch. The 170-unit Verandah Residences garnered strong take-up rate of close to 129 sold on launch date (76% sell-through rate). Maintaining the sell-through rate for other projects will offer multiple re-rating catalysts for the stock when the projects hit the market.

Project margins for Oxley's Singapore residential portfolio

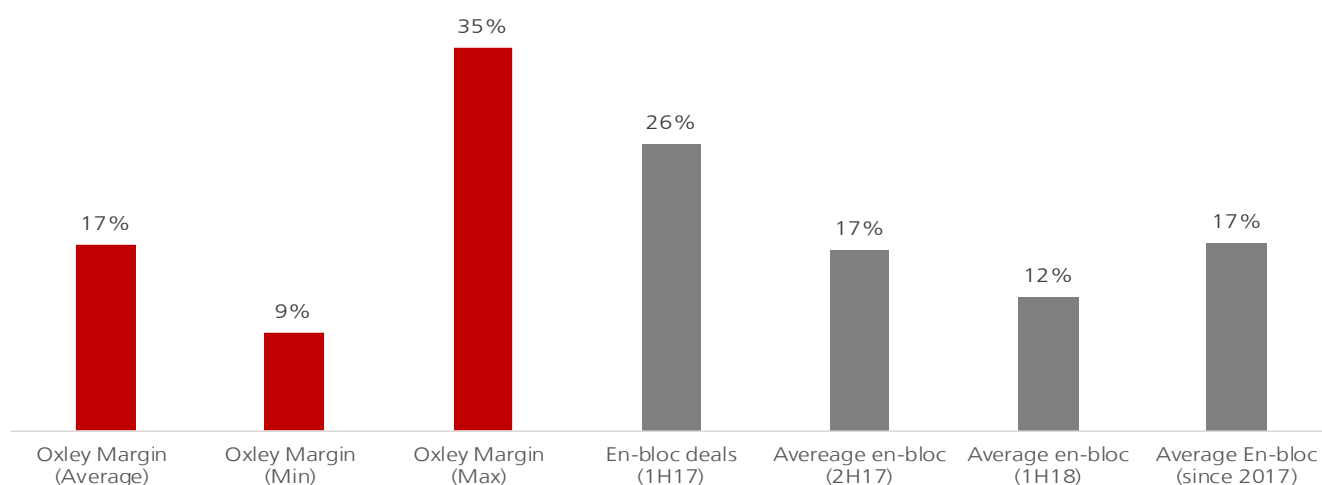
Project	District	Tenure	Est Units	Est Land Cost (\$ psf)	Est Breakeven (\$psf)	Est Launch Price (\$psf)	Margin (%)
494 Upper East Coast Road	16	Freehold	26	539	1,039	1,400	35%
Former Lotus @ Pasir Panjang	5	Freehold	170	944	1,444	1,800	25%
Former Serangoon Ville**	19	99-year	1,103	890	1,400	1,500	12%
Former Rio Casa**	19	99-year	1,472	735	1,235	1,500	20%
Vacant Land	12	Freehold	21	972	1,472	1,700	15%
Former Toho Green	19	99-year	28	424	924	1,200	30%
Former Apartment 8	12	Freehold	29	1,061	1,561	1,700	9%
Former Mayfair Gardens	21	99-year	387	1,244	1,744	1,900	9%
Former Vista Park	5	99-year	593	1,096	1,596	1,800	13%
Former Ampas Apartments	12	Freehold	120	1,074	1,574	1,750	11%
Sixteen35 Residences*	14	99-year	45	254	754	1,100	46%
Total / Average			3,995	832	1,350	1,568	17%

* If we account for the commercial space which will be returned to the owner, break-even cost could be higher at c.\$1,100psf.

** estimated given the rise in DC rates in Sept'17

Source: Companies, DBS Bank

Oxley 's project margins vs market comparables



Source: Companies, URA, DBS Bank's estimates

What are our concerns– high gearing

Gearing remains one of the highest amongst peers. Oxley's debt to equity ratio (gearing) stood at 2.1x as of 2QFY18 (FYE Jun), which is at the higher end in the developer space (ranging between 0.3x-2.1x; average of around 0.7x). The Group's high leverage is one of the key concerns among investors, as this would hurt earnings if the property market slows. However, we note that the Group's gearing has been declining over the past few years on the back of profit recognition of past sales.

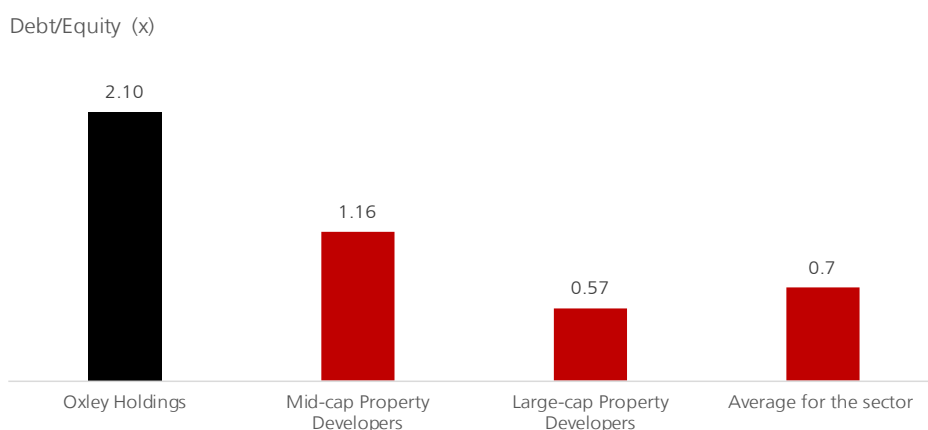
Looking ahead, taking into account the Group's purchase of development sites and Chevron House and after accounting for

the receipt of progressive billings and sales of Dublin Landings site, we estimate Oxley's gearing to remain at around 2.03x.

Potential divestment of Singapore hotels could improve gearing.

The gearing level could potentially be brought down further if the Oxley divests its hotels in Singapore (estimated value of S\$0.9bn), which will bring gearing towards 1.2x, which in our view will improve investors' perception on the stock. In addition, strong pre-sales from its Singapore and overseas projects could potentially bring it lower over time.

Gearing vs peers

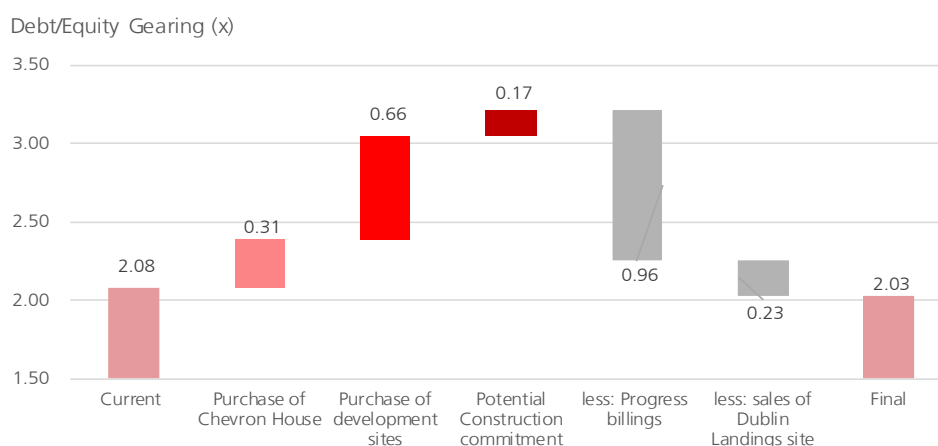


Source: Companies, DBS Bank

Remarks

Gearing is higher compared to other mid-cap property developer peers.

Projected gearing changes over time



Source: Companies, DBS Bank

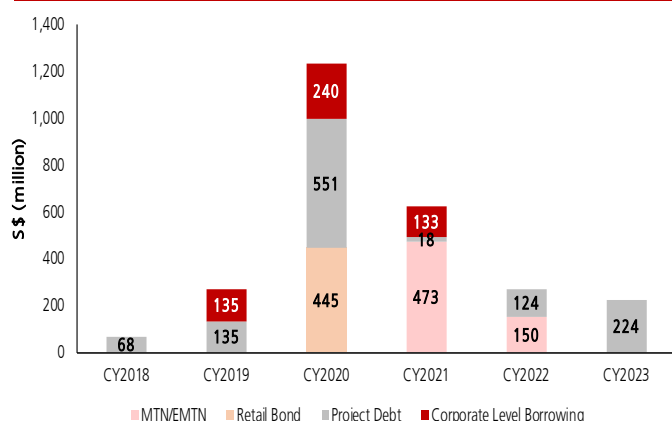
Remarks

While commitments on purchase of Chevron House and various development sites in Singapore will bring gearing close to 3.2x, we note that is likely to fall upon the recognition of progressive billings from the UK and post the completion of sale of Dublin Landings site.

Sources of funds. We note that Oxley's loans are taken up either at the corporate level through bonds or project financing for their various property developments. The Group has an estimated weighted average debt maturity of close to 3.1 years with a majority of the debt due for renewal only in the calendar year 2020.

Interest obligation. We note that Oxley has issued close to S\$1 bn in MTNs and bonds, at an average cost of 5.7%, implying a annual interest obligation of at least S\$57m per annum over the next few years for these bonds. Including estimated borrowings for all its project loans, total interest obligation could hit a high of S\$100m if sales for its development project slows, according to our estimates.

Debt Expiry profile



Source: Companies, DBS Bank

Uncertain execution of overseas investments

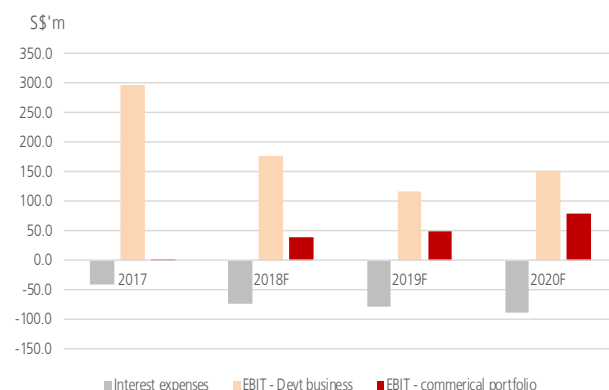
Execution risk in new markets. The Group's overseas investments form close to S\$6.4bn (S\$5bn for sale) in attributable gross development value. While the Group has been fairly successful in the launch of its Royal Wharf project and has secured sales at Dublin Landings (office) site, we note that most of the other development sites in Cambodia, Malaysia, Indonesia, China and Myanmar have not been launched at this juncture.

Handovers for the Royal Wharf project is expected to take place progressively from 2H18 onwards. Based on our estimates, out of the S\$6.5bn in attributable GDV (to be recognized and to be launched), the Group has secured only 22% pre-sales, which means that a majority of other projects are still not secured. Given the that the Group is still fairly new to these markets, most of which are fairly "frontier" in the ASEAN region, we believe that the Group's ability to execute on these projects is

Building up its recurring come over next 2 years. The purchase of Chevron House and contribution from Novotel and Mercure Stevens will bring recurring revenues to grow towards c. S\$94m by end of FY19F. We estimate that recurring cashflows (or EBIT) could potentially reach S\$50m).

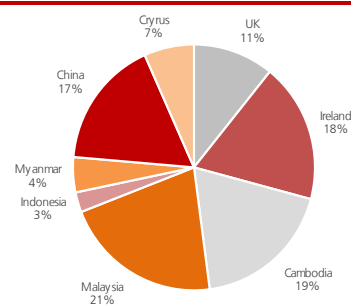
While the development business is more than sufficient to pay for the Group's interest obligations, given its lumpy nature, any slowdown in sales or collections could mean a draw down in cash resources. As such, the growth in recurring income will help to compensate Oxley's annual interest obligations.

EBIT and interest obligations



still not tested. Any slowdown in sales or changes to the macro-economic environment or change in the property sentiment in these countries could be a potential drag on earnings and profitability in the medium term.

Breakdown of Overseas Projects by country (S\$6.4bn)



Source: Company, DBS Bank

Overseas Development Portfolio

Project	Country	Stake	GFA	GDV S\$'m	Sold S\$'m	To be recognised S\$'m	To be launched S\$'m	Attributable GDV S\$'m
Royal Wharf	UK	100%	363,000	2,723	2,347	1,314	376	376
Deanston Wharf	UK	50%	60,000	0	0	0	646	323
Dublin Landings	Ireland	90%	25,545	0	0	0	352	317
The Peak	Cambodia	79%	208,750	487	188	0	298	236
The Palms	Cambodia	79%	65,592	0	0	0	126	99
The Bridge	Cambodia	79%	150,399	0	433	163	565	446
The Garage	Cambodia	79%	TBA	0	0	0	400	316
Oxley Towers Kuala Lumpur	Malaysia	100%	175,979	0	1	0	131	131
Section 16	Malaysia	100%	19,098	0	0	0	165	165
Medini	Malaysia	100%	17,300	0	0	0	216	216
Pepper Hill	Malaysia	70%	119,876	0	0	0	703	492
Robson	Malaysia	50%	7,710	0	0	0	24	12
Beverly	Malaysia	50%	61,588	0	0	0	247	124
Oxley Convention City	Indonesia	50%	208,373	0	0	0	341	171
Min Residences	Myanmar	50%	12,257	0	0	0	299	150
Mynamar Railway	Myanmar	TBA	TBA	TBA	TBA	TBA	TBA	TBA
Gaobeidian	China	27.5%	2,000,000	0	0	0	4,000	1,100
Limassol	Cyprus	50%	33,400	0	0	0	736	368
Total					2,970	1,477	9,625	5,040

Source : Company, DBS Bank

Investment Properties	Country	Type	Stake	Rooms / GFA	Completion	GDV (S\$'m)	Attributable GDV (S\$'m)
Jumeirah KL Hotel	Malaysia	Hotel	100%	181	TBC	120	120
Sofitel KL Hotel	Malaysia	Hotel	100%	207	TBC	113	113
Shangri-La Hotel	Cambodia	Hotel	79%	300	TBC	150	118.5
Limassol	Cyprus	Hotel	50%	250	TBC	128	64
Subtotal						511	415.5
Dublins Landings	Ireland		90%	50493		970	873
Total						1,481	1,289

Source : Company, DBS Bank

Singapore Equity Explorer

Oxley Holdings Limited

Bloomberg: N/A | Reuters: OXHL.SI

Refer to important disclosures at the end of this report

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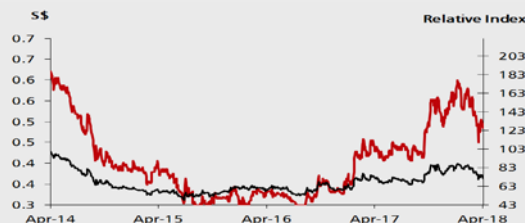
NOT RATED S\$0.485 STI : 3,573.38

Closing price as of 20 Apr 2018

Return *: 2

Risk: Moderate

Potential Target 12-mth* : 12-month S\$0.68 (38% upside)

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FY Jun (\$m)	2017A	2018F	2019F	2020F
Revenue	1,343	1,339	1,127	1,437
EBITDA	337	298	276	373
Pre-tax Profit	299	227	199	287
Net Profit	218	161	141	204
Net Pft (Pre Ex.)	217	161	141	204
EPS (S cts)	7.46	5.30	4.59	6.62
EPS Pre Ex. (S cts)	7.40	5.30	4.59	6.62
EPS Gth (%)	6	(29)	(13)	44
EPS Gth Pre Ex (%)	108	(28)	(13)	44
Diluted EPS (S cts)	7.46	5.23	4.59	6.62
Net DPS (S cts)	1.50	1.50	1.50	1.50
BV Per Share (S cts)	35.7	40.3	43.4	48.5
PE (X)	6.5	9.2	10.6	7.3
PE Pre Ex. (X)	6.6	9.2	10.6	7.3
P/Cash Flow (X)	3.1	nm	15.7	5.4
EV/EBITDA (X)	10.4	13.3	14.3	10.1
Net Div Yield (%)	3.1	3.1	3.1	3.1
P/Book Value (X)	1.4	1.2	1.1	1.0
Net Debt/Equity (X)	1.9	1.8	1.7	1.3
ROAE (%)	23.8	14.1	11.0	14.4

Consensus EPS (S cts):

5.4 6.6 7.4

Other Broker Recs:

B: 1 S: 0 H: 0

ICB Industry : Financials

ICB Sector: Real Estate

Principal Business: Oxley Holdings is property developer with a global presence in key gateway cities.

Riding on residential tailwinds

- One of the largest land banks with a substantial residential portion of c.4,000 units to be launched over 2018/2019
- Recurring income stream to grow strongly from an expanding commercial portfolio
- Strong sell-through rates and execution of its overseas ventures to alleviate concerns that financials are stretched
- Trading at 54% discount to RNAV; fair value of S\$0.68

The Business

Strong pipeline of residential profits. After a 5- year hiatus, Oxley returns to Singapore with a bang, amassing a substantial residential land bank of nearly 4,000 units worth c.S\$3.0bn in attributable gross development value (GDV). With tailwinds from an improved residential market, strong sell-through rates for its projects when launched over 2Q18-2019 could drive its share price higher. Outside Singapore, Oxley Towers KLCC and Deanston Wharf could contribute an additional c.S\$1.3bn when launched and sold.

Potential unlocking of Singapore hotel assets, which could fetch bids of S\$1.2m a key. The keen competition for hotel assets could offer an opportunity for Oxley's recently completed Novotel and Mercure hotels, estimated at c.S\$910m (S\$1.2m/key), which we believe is not reflected in the share price. If a sale materialises, it would empower the group with improved financial flexibility, lowering its debt-to-equity ratio towards peer average of 1.2x (vs 2.1x as of 2Q18).

Addressing its high leverage of 2.1x should instil investor confidence.

Oxley's high debt-to-equity ratio of 2.1x stands out among peers, which means that the group needs to remain nimble and maintain a quick-asset-turn strategy. The group's high debt levels will not put it in good stead in the event of an external shock or a slowdown in property sales momentum as it could undermine profits. Potential higher interest costs upon refinancing of its bonds in 2019/2020 could mean that a quick-asset-turn strategy has to be employed in this current property market upcycle. Potential asset sales in Singapore and the UK will further strengthen its balance sheet.

The Stock

Trading at c.50% discount to RNAV. Our RNAV of S\$1.05 is derived after revaluing Oxley's existing investments and development projects. After imputing a 35% discount to RNAV (vs 10% discount for large-cap developers), we arrive at a fair value of S\$0.68.

Key risks include 1) execution of project launches, 2) policy risk, and 3) rising gearing levels and interest costs in a rising rate environment.

At A Glance

Issued Capital (m shrs)	3,892
Mkt. Cap (S\$m/US\$m)	1,887 / 1,434
Major Shareholders (%)	
Chiat Kwong Ching	41.1
See Ching Low	27.6
Wee Sien Tee	11.6
Free Float (%)	19.7
3m Avq. Daily Val (US\$m)	1.8

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

*This Equity Explorer report represents a preliminary assessment of the subject company, and does not represent initiation into DBSV's coverage universe. As such DBSV does not commit to regular updates on an ongoing basis. The rating system is distinct from stocks in our regular coverage universe and is explained further on the back page of this report.

REVENUE DRIVERS

Dynamic developer. Oxley Holdings Limited ("Oxley") is principally engaged in the business of property development and property investment. Listed back in October 2010, Oxley started out as a young and dynamic property group in Singapore and has since expanded into 11 other geographical markets - the United Kingdom, Ireland, Cyprus, Cambodia, Malaysia, Indonesia, China, Myanmar, Australia, Japan and Vietnam.

Revenues are primarily derived from its diversified portfolio of property development and investment projects but Oxley's expertise does not end there; the group also provides project management and consultancy services in Myanmar.

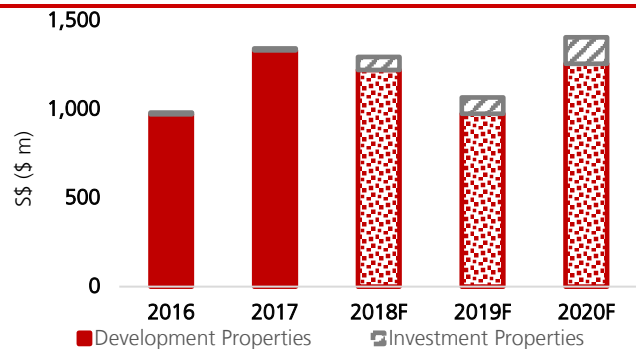
Prized overseas projects are key value drivers. Over the past few years, the group has amassed a development and commercial portfolio worth over S\$9.3bn in projected GDV, the majority of which stems from overseas markets. Based on our estimates, Oxley derives c.32.9% of its effective GDV from Singapore, and the remaining c.67% abroad. The group's UK flagship project The Royal Wharf alone makes up c.27.2% of effective GDV. Dublin Landings, a mixed-use development, represents a further c.9.4%. One of its upcoming office blocks ("No. 1 Dublin Landings"), which occupies c.35% of site GFA, is scheduled for sale in April 2018 for EUR164.2m, of which Oxley has a 77.53% share.

Impressive track record continues; Singapore launches to drive NAV growth. History shows that Oxley has been quick in reacting to market opportunities. The group has launched and completed 21 residential projects in Singapore, where sell-through rates have been impressive. We observe that eight in ten of Oxley's local projects were over 85% sold within three months of launch – a trend which is set to continue.

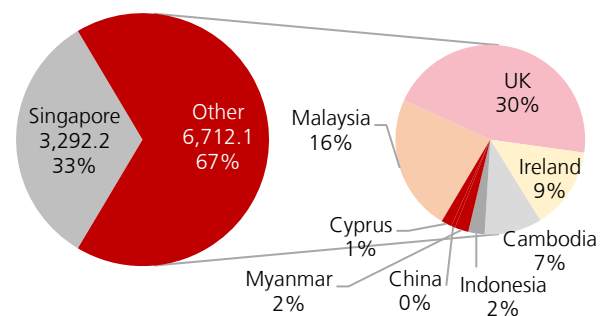
After a 5-year hiatus, Oxley has returned to the Singapore residential market where it has amassed substantial residential land bank of c.4,000 units worth c.S\$3.0bn in effective GDV. Its track record of being able to ride the property uptrend is displayed once again through the strong take-up rates for The Verandah Residences. About 76% of units were sold within two days of the official launch. With a pipeline of ten further projects that are launch-ready and expected to hit the market in the next 1-2 years, strong sales momentum will be a catalyst for its share price to re-rate.

Earnings visibility from over S\$2bn in unbilled contracts, and growing. As at end-2Q18, Oxley had locked in c.S\$2.1bn in unbilled contracts, which roughly represents 1-2 years of revenue. Of these, c.55% are to be derived from The Royal Wharf. The strong 2018 launch pipeline, which carries an effective GDV of c.S\$3.6bn for Oxley, should drive further earnings visibility ahead.

Revenue Breakdown



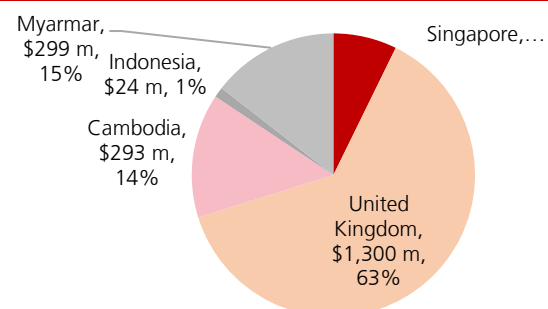
Nearly 70% of Potential GDV Comes from Overseas Projects



Strong project launch Pipeline – Majority are in Singapore

Project Name	Country	Launch Date	Attributable GDV (S\$m)
494 Upper East Coast Road	S'pore	3Q18	27
Former Lotus @ Pasir Panjang	S'pore	Launching	231
Former Serangoon Ville	S'pore	3Q18	499
Former Rio Casa	S'pore	3Q18	582
Vacant Land	S'pore	3Q18	25
Former Toho Green	S'pore	2Q18	24
Former Apartment 8	S'pore	4Q18	35
Former Mayfair Gardens	S'pore	4Q18	555
Former Vista Park	S'pore	4Q18	805
Former Ampas Apartments	S'pore	2019	163
Sixteen35 Residences	S'pore	3Q18	56
Deanston Wharf	UK	2H18	971
Oxley Towers KLCC	Malaysia	2H18	323
Oxley's Total Effective GDV (S\$ m):			4,296

Unbilled Sales-to-Market Cap of Less Than 1x*



* as at end-2Q18

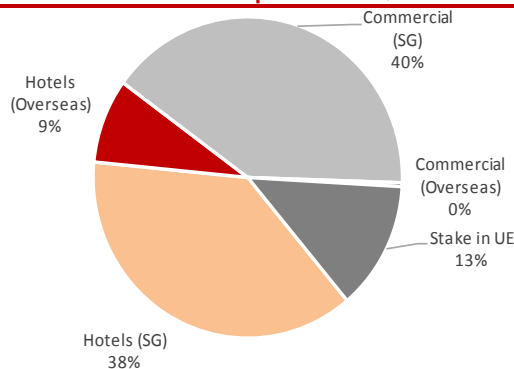
Source: Company, DBS Bank

KEY OPERATING ASSETS

Diversified portfolio of quality assets to grow recurring income by >10x over FY17-20F. Oxley's investment portfolio, initiated in FY15, has undergone rapid expansion and is currently valued at over S\$2.0bn. The commercial and hospitality segments remain the group's predominant exposure. Notably, prime commercial and hospitality assets - Chevron House, and Mercure/Novotel on Stevens hotels are main assets in the portfolio. We have classified Dublins Landings as "for sale" rather than in investment properties.

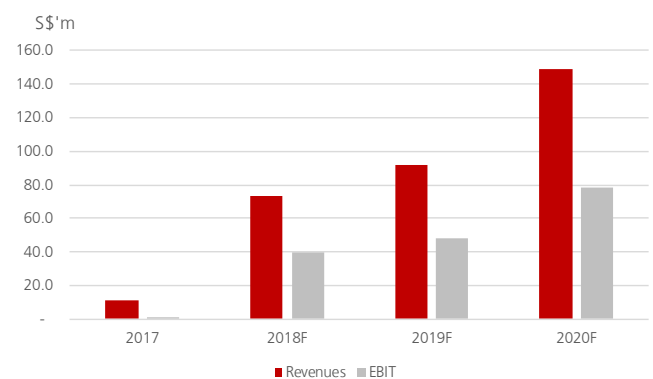
Recurring income had grown from just S\$0.6m (FY15) to S\$10.9m (FY17), and is set to grow at least fivefold in FY18F following the launch of the Mercure and Novotel hotels in Singapore in late 2017 and acquisition of Chevron House in March 2018. Based on the current pipeline, we project recurrent income streams to reach S\$149m p.a. by FY20F, forming over 10.6% of consolidated revenues (vs 0.8% in FY17), which should further enhance the stock's attractiveness.

Breakdown of Commercial portfolio S\$2.0bn



* based on indicative valuation as at end-2Q18
Source: Companies, DBS Bank

Increasing recurring income base



Source: Companies, DBS Bank

Summary of Ongoing Property Development Projects (as at end-2Q18)

Project Name	Country	Development Type	Stake %	Tenure	GFA (sqm)	Est. GDV (\$ m)	Year of Completion	% Sold
Royal Wharf	UK	Township Dev't	100%	LH 999	363,000	\$2,723.4	2017-2020	Phase 1A/1B: 99%/94%, Phase 2: 93%, Phase 3: 76%
The Bridge	Cambodia	Mixed Dev't	50%	FH	150,399	\$515.3	2018	Residential: 97%, SOHO: 92%, Retail: 86%
The Peak	Cambodia	Mixed Dev't	79%	FH	208,750 (incl. hotel)	\$478.6	2020	Residential (1): 48%, Residential (2): 35%, Office: 100%
Oxley Convention City	Indonesia	Mixed Dev't	50%	HGB 35	208,373	S\$373.1	2021	Phase 1: 25%
Min Residences	Myanmar	Mixed Dev't	50%	tbc	122,579	S\$156.5	tbc	tbc

Source: Company, DBS Bank

MANAGEMENT & STRATEGY

Visionary and bold leaders. Oxley was founded following a partnership between Mr Ching Chiat Kwong (CEO) and deputy CEO Mr Eric Low See Ching, who have been instrumental in the group's remarkable growth. Under their leadership, Oxley's PATMI has grown over 15x, from c.\$13.4m in FY11 to S\$218.1m in FY17.

We attribute this mainly to their bold strategies and larger risk appetite – they were among the first to venture abroad, but the group's immaculate timing and execution also played an important role. Most recently, the group continued to impress with its speed to market with The Verandah Residences (formerly Lotus @ Pasir Panjang), which was launched within eight months.

Management's interest well aligned with that of minority shareholders. At a glance, the c.70% y-o-y jump in the CEO's remuneration to S\$15.5-15.75m in FY17 may spark concern, especially given the large quantum. However, with only 2% (or c.\$300,000) tied to salary and the remaining 98% due from performance bonuses, Oxley's executive remuneration structure appears sustainable and fair.

Both Mr Ching and Mr Low are shareholders themselves, with c.41.1% and c.27.6% stakes in the company respectively. While Oxley does not have a fixed dividend policy, its steady record of dividend payments since its IPO in 2010 provides further affirmation of management's commitment towards the interest of minority shareholders.

Building bridges locally and abroad. In Singapore, Oxley regularly partners with leading developers/contractors to bid for land sites and has over time forged strong relationships with the likes of Lian Beng, KSH Holdings and other private investors. This allows Oxley to tap its partners' strengths in construction, financial resources, and to diversify its exposure selectively across the island. Upcoming projects include Rio Casa and Serangoon Ville.

As part of its strategic expansion overseas, the group leverages on its strengths and strong domestic track record to secure coveted deals with reputable and strategic partners abroad. This has allowed Oxley to remain nimble and capital-efficient, driving quick turnaround to maximise ROE and profit potential.

London's Royal Wharf and Dublin Landings in Ireland are key examples. Given attractive collaborative structures with Ballymore Group and low upfront capital requirements for these prime projects – which is rare for overseas developments given off-plan arrangements typically, we estimate that Oxley would be able to achieve record project ROEs in excess of 30%.

Oxley's Key Local Partners



Experienced and Dedicated Management Team

CEO	Ching Chiat Kwong	<ul style="list-style-type: none"> - Carries over two decades of industry experience - Responsible for the formulation of Oxley's corporate strategies, future direction, and overall performance - Prior to establishing the group, Mr Ching had already successfully invested in, developed and launched 13 residential property projects in Singapore
Deputy CEO	Low See Ching, Eric	<ul style="list-style-type: none"> - Appointed as Deputy CEO in Feb 2014 - Primarily responsible for business development, and supporting the CEO in the formulation of corporate strategies and future direction of the group - Prior to joining Oxley, Eric also served as the CEO of Hafary Group between 2005 and Dec 2013
Financial Controller	Ooi Chee Eng	<ul style="list-style-type: none"> - Carries over 15 years of experience in accounting and finance - Primarily responsible for the overall financial and accounting functions of the group - Prior to joining Oxley, Mr Ooi also held managerial positions in the finance divisions of United Fiber System and SunMoon Food Ltd.

Balanced Management Remuneration Structure

Remuneration Band (FY17)	Salary	Fees	Bonus	Total
S\$15.5m – S\$15.75m				
Mr Ching Chiat Kwong	2%	-	98%	100%
S\$2.5m – S\$2.75m				
Mr Low See Ching	10%	2%	88%	100%
Below S\$250,000				
Ms Ching Chiat Dee, Judy	81%	-	19%	100%
Mr Ooi Chee Eng	73%	-	27%	100%

Source: Company, DBS Bank

GROWTH PROSPECTS

Unlocking of value for commercial assets. The sale of No. 1 Dublin Landings, which was originally earmarked for injection into Oxley's property investment portfolio, will provide a boost to the group's profitability and cashflows in FY18F. Further upside from this prime commercial development could come from the successful expression of interest for adjacent building, No. 2 Dublin Landings.

Closer to home, the keen competition for hotel assets could drive realisable value for Oxley's recently completed Novotel and Mercure to at least S\$911m (S\$1.2m/key). This will crystallise the group's NAV and empowers the group with greater financial flexibility to deleverage. Given its proximity to the premier Orchard Road shopping belt and prospective yield of 5.3% (based on 88% occupancy rate) vs average hurdle rates of 3-4%, we believe the attractively valued asset could draw strong investor interest ahead.

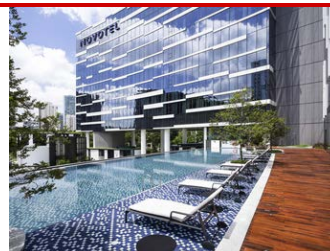
Untapped GFA and Asset Enhancement Initiatives (AEIs) to drive yields, particularly for the iconic 261,272-sqft commercial site Chevron House which was successfully acquired by Oxley for S\$660m in March 2018, at a net acquisition yield of c.3.8%.

Comprising both office and retail space, we see headroom for positive rental reversions ahead - especially with anchor tenant Chevron's lease due to expire in 2020, which could see an uplift from c.S\$7 psf currently to c.S\$9 psf, based on recent transactions for office leases in the vicinity. The group also sees potential for further optimisation of its untapped GFA (i.e. from closing up retail void) and has budgeted S\$30m for AEI, which we estimate could boost GFA by c.10% and drive rental income and yields closer to 5-6% in the coming years.

Upside from acquisitions. Over the years, Oxley has selectively acquired stakes in related businesses, mainly for their quality asset and development portfolios and/or synergistic properties. In 2015, the group acquired a 20% stake in Galliard (Group) Limited, a leading property developer in the United Kingdom overseeing a wide variety of developments across London and Southern England. Since then, Oxley has also acquired a 40% stake in Pindan Group Pty Ltd, an integrated project group based in Western Australia and a c.15% stake in United Engineers, a Singaporean property development and engineering company with an undervalued asset portfolio.

Apart from the potential for investment returns, these synergistic acquisitions could also lead to further business opportunities for Oxley ahead, and believe that the group could still be on the lookout for other complementary M&A opportunities to further its growth ambitions.

Novotel and Mercure Hotels Could Fetch Bids of Over S\$1.1m/Key



Novotel Singapore on Stevens



Mercure Singapore on Stevens

of Rooms: 254
Room Rate: S\$275
Est Occupancy: 80%
Cap Rate: 4.5%
Margin: 50%

Value/Key: S\$1.12m
OMV: S\$282.3m

of Rooms: 518
Room Rate: S\$275
Est Occupancy: 80%
Cap Rate: 4.5%
Margin: 50%

Value/Key: S\$1.12m
OMV: S\$577.7m

AEIs to Boost Chevron House's GFA by c.10%



Chevron House @ 30 Raffles Place

Type: Commercial (Office/Retail)

Recurring Income / Yield (%): S\$25 p.a. / 3.8%

GFA: 261,275 sqft (Current)

GFA (post AEI): 287,402 sqft

Key M&As



United Engineers

Stake: 15%
Cost: S\$255m

Rationale:
To gain access to a quality property portfolio which is undervalued considering current land bids in Singapore.



Galliard Group

Stake: 20%
Cost: GBP\$50m

Rationale:
To gain access to portfolio of >8,500 residential units and hotels, and c.750,000 sqft of commercial floor space in London and Southern England.



Pindan Group

Stake: 40%
Cost: A\$32m

Rationale:
To gain access to one of the leading property and construction companies in Western Australia.

Source: Company, DBS Bank

Segmental Breakdown

FY Jun	2015A	2016A	2017A	2018F	2019F	2020F
Revenues (\$m)						
Property Development	701	972	1,332	1,265	1,036	1,288
Commercial & Hotels	0.58	9.69	10.9	73.5	91.7	149
Others	0.0	0.0	0.0	0.0	0.0	0.0
Total	701	981	1,343	1,339	1,127	1,437

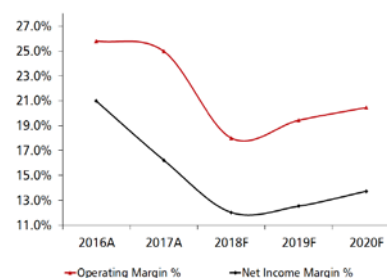
Driven by residential sales

Recurring income mainly from Chevron House and Hotels in Singapore

Income Statement (\$m)

FY Jun	2015A	2016A	2017A	2018F	2019F	2020F
Revenue	702	981	1,343	1,339	1,127	1,437
Cost of Goods Sold	(498)	(687)	(957)	(1,044)	(857)	(1,092)
Gross Profit	204	294	386	294	271	345
Other Opng (Exp)/Inc	(19.9)	(40.6)	(50.7)	(53.4)	(51.5)	(51.0)
Operating Profit	184	253	335	241	219	294
Other Non Op (Exp)/Inc	0.04	3.70	1.33	0.0	0.0	0.0
Associates & JV Inc	20.4	54.5	0.26	57.0	57.4	78.9
Net Interest (Exp)/Inc	(38.2)	(49.8)	(39.1)	(71.1)	(77.2)	(85.6)
Exceptional Gain/(Loss)	5.95	102	1.51	0.0	0.0	0.0
Pre-tax Profit	173	363	299	227	199	287
Tax	(39.8)	(68.0)	(71.8)	(43.1)	(37.9)	(54.6)
Minority Interest	(53.9)	(89.4)	(9.6)	(22.7)	(19.9)	(28.7)
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	78.8	206	218	161	141	204
Net Profit before Except.	72.8	104	217	161	141	204
EBITDA	205	312	337	298	276	373
Growth						
Revenue Gth (%)	(34.7)	39.8	36.9	(0.3)	(15.8)	27.5
EBITDA Gth (%)	(49.5)	52.0	8.1	(11.6)	(7.3)	34.9
Opg Profit Gth (%)	(53.2)	37.4	32.5	(28.2)	(9.1)	34.2
Net Profit Gth (Pre-ex) (%)	(74.3)	43.3	107.7	(25.6)	(12.2)	44.2
Margins & Ratio						
Gross Margins (%)	29.1	29.9	28.8	22.0	24.0	24.0
Opg Profit Margin (%)	26.3	25.8	25.0	18.0	19.4	20.5
Net Profit Margin (%)	11.2	21.0	16.2	12.0	12.5	14.2
ROAE (%)	14.4	28.1	23.8	14.1	11.0	14.4
ROA (%)	2.1	4.6	4.7	3.2	2.6	3.6
ROCE (%)	4.7	5.8	6.9	4.8	4.0	5.1
Div Payout Ratio (%)	22.1	27.1	20.1	28.7	32.7	22.7
Net Interest Cover (x)	4.8	5.1	8.6	3.4	2.8	3.4

Margins Trend



Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$m)

FY Jun	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018
Revenue	126	606	387	224	311	406
Cost of Goods Sold	(78.9)	(404)	(294)	(180)	(258)	(337)
Gross Profit	47.5	202	92.0	44.7	52.9	68.8
Other Oper. (Exp)/Inc	(6.7)	(29.7)	(13.0)	(2.8)	(12.4)	(18.2)
Operating Profit	40.8	172	79.0	41.8	40.5	50.6
Other Non Opg (Exp)/Inc	0.03	0.19	0.40	0.72	0.52	1.98
Associates & JV Inc	0.82	(4.5)	2.10	1.82	14.2	60.6
Net Interest (Exp)/Inc	(8.7)	(12.6)	(11.2)	(6.7)	(8.3)	(15.1)
Exceptional Gain/(Loss)	(13.2)	4.82	(8.2)	29.0	7.53	(13.9)
Pre-tax Profit	19.7	160	62.2	66.8	54.5	84.2
Tax	(4.4)	(37.1)	(16.7)	(13.6)	(8.6)	(16.0)
Minority Interest	(8.2)	0.57	0.19	(2.1)	2.81	(0.2)
Net Profit	7.12	124	45.7	51.0	48.7	68.0
Net profit bef Except.	20.3	119	53.9	22.0	41.2	81.9
EBITDA	41.8	168	81.7	44.7	55.7	116
Growth						
Revenue Gth (%)	(23.4)	379.0	(36.2)	(42.0)	38.5	30.7
EBITDA Gth (%)	(49.9)	302.3	(51.4)	(45.3)	24.8	108.1
Opg Profit Gth (%)	(11.9)	322.0	(54.1)	(47.1)	(3.3)	25.1
Net Profit Gth (%)	(89.9)	1,639.3	(63.1)	11.7	(4.5)	39.6
Margins						
Gross Margins (%)	37.6	33.3	23.8	19.9	17.0	17.0
Opg Profit Margins (%)	32.3	28.5	20.4	18.7	13.0	12.5
Net Profit Margins (%)	5.6	20.4	11.8	22.8	15.7	16.8

Source: Company, DBS Bank

Balance Sheet (\$m)

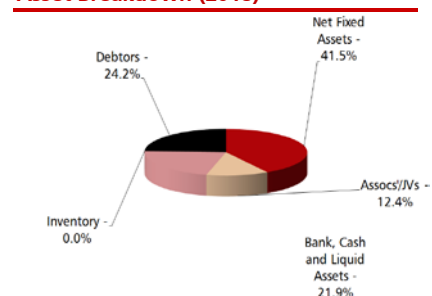
FY Jun	2015A	2016A	2017A	2018F	2019F	2020F
Net Fixed Assets	643	690	911	917	923	929
Invts in Associates & JVs	37.1	202	216	273	331	409
Other LT Assets	332	448	519	871	871	871
Cash & ST Invts	344	551	418	617	660	887
Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Debtors	286	359	481	496	418	532
Other Current Assets	2,502	2,482	2,063	2,298	2,301	2,184
Total Assets	4,144	4,733	4,608	5,471	5,502	5,812
ST Debt	823	1,421	610	610	610	610
Creditor	240	346	469	535	451	575
Other Current Liab	596	639	504	504	504	504
LT Debt	1,608	1,235	1,850	2,427	2,427	2,427
Other LT Liabilities	86.1	126	86.5	86.5	86.5	86.5
Shareholder's Equity	680	785	1,045	1,242	1,337	1,495
Minority Interests	111	181	44.1	66.8	86.7	115
Total Cap. & Liab.	4,144	4,733	4,608	5,471	5,502	5,812
Non-Cash Wkg. Capital	1,952	1,856	1,571	1,754	1,763	1,638
Net Cash/(Debt)	(2,087)	(2,104)	(2,041)	(2,419)	(2,377)	(2,150)
Debtors Turn (avg days)	355.6	120.0	114.2	133.2	147.8	120.6
Creditors Turn (avg days)	185.3	155.7	155.5	175.6	210.1	171.4
Inventory Turn (avg days)	N/A	N/A	N/A	N/A	N/A	N/A
Asset Turnover (x)	0.2	0.2	0.3	0.3	0.2	0.3
Current Ratio (x)	1.9	1.4	1.9	2.1	2.2	2.1
Quick Ratio (x)	0.4	0.4	0.6	0.7	0.7	0.8
Net Debt/Equity (X)	2.6	2.2	1.9	1.8	1.7	1.3
Net Debt/Equity ex MI (X)	3.1	2.7	2.0	1.9	1.8	1.4
Capex to Debt (%)	1.2	1.2	5.1	0.2	0.2	0.2

Source: Company, DBS Bank

Revenue Trend



Asset Breakdown (2018)

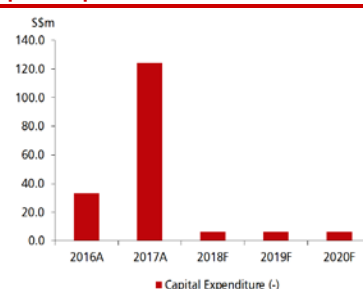


Cash Flow Statement (\$m)

FY Jun	2015A	2016A	2017A	2018F	2019F	2020F
Pre-Tax Profit	173	363	299	227	199	287
Dep. & Amort.	0.43	0.50	0.67	0.0	0.0	0.0
Tax Paid	(58.1)	(19.8)	(28.4)	(43.1)	(37.9)	(54.6)
Assoc. & JV Inc/(loss)	(20.4)	(79.7)	(0.3)	(57.0)	(57.4)	(78.9)
Chg in Wkg.Cap.	(128)	122	169	(183)	(9.1)	126
Other Operating CF	28.3	(58.3)	20.6	0.0	0.0	0.0
Net Operating CF	(5.5)	329	461	(56.4)	95.0	279
Capital Exp.(net)	(30.2)	(33.0)	(124)	(6.0)	(6.0)	(6.0)
Other Invt.(net)	(53.9)	(26.8)	(54.6)	(352)	0.0	0.0
Invt in Assoc. & JV	(0.5)	(127)	(37.7)	0.0	0.0	0.0
Div from Assoc & JV	0.0	41.4	18.3	0.0	0.0	0.0
Other Investing CF	(0.4)	25.1	7.43	0.0	0.0	0.0
Net Investing CF	(85.0)	(120)	(191)	(358)	(6.0)	(6.0)
Div Paid	(6.9)	(80.3)	(177)	(43.9)	(46.2)	(46.2)
Chg in Gross Debt	137	225	(195)	577	0.0	0.0
Capital Issues	0.0	(7.9)	(1.7)	80.0	0.0	0.0
Other Financing CF	(54.8)	(123)	(36.6)	0.0	0.0	0.0
Net Financing CF	75.5	14.0	(410)	613	(46.2)	(46.2)
Currency Adjustments	(0.9)	(15.2)	1.94	0.0	0.0	0.0
Chg in Cash	(16.0)	207	(138)	199	42.7	227
Opg CFPS (\$ cts)	4.16	7.04	9.98	4.17	3.37	4.99
Free CFPS (\$ cts)	(1.2)	10.1	11.5	(2.1)	2.89	8.87

Source: Company, DBS Bank

Capital Expenditure



VALUATIONS

Trading at premium to current NAV but at c.50% discount to RNAV. Owing to strong income generation on its iconic asset portfolio and unique overseas exposure – which offer above-average ROE, Oxley is one of few property developers trading at a premium to current NAV (P/NAV of 1.2x).

Oxley's Historical Forward P/BV



Source: Bloomberg Finance L.P., DBS Bank

Fair value of S\$0.68. Based on our estimates, we revalue the group's realisable net asset value (RNAV) at S\$3.8bn, implying a per share value of S\$1.05.

Our RNAV is based on the valuation of Oxley's existing investments, land bank and development projects, including the potential revaluation of the Novotel and Mercure hotels based on recent transactions for similar assets. After imputing a 35% discount to RNAV (vs 10% discount for large-cap developers), we arrive at a fair value of S\$0.68 for the company.

Assuming the 1.5-Sct dividend paid in FY17 is maintained for FY18F, this represents a prospective yield of nearly 3%.

Breakdown of RNAV (Surplus Method):

	OMV (\$m)
Surplus / deficit of assets:	
Development properties	1,170.1
Singapore	278.5
Overseas	891.6
Hotel properties	267.2
Investment properties	33.8
Investments in associates	478.4
	1,949.4
NAV	1,292.0
RNAV	3241.44
No of shares	3082.28
RNAV per share (\$)	1.05
Discount to RNAV	35%
Price Target (\$)	0.68

Source: DBS Bank, Bloomberg Finance L.P.

KEY RISKS

Uncertainty over sell-through rates. Eight of Oxley's residential development sites in Singapore are poised for launch in 2018. While slower take-up rates could further weigh on financing and constrain working capital, we believe the group's speed-to-market and bite-sized launches could help mitigate risk.

Gearing levels to rise further in subsequent quarters. While gearing (D/E) decreased sequentially from 2.27x in 1Q18 to 2.1x in 2Q18, we project that c.S\$1.8bn of Oxley's commitments remain unfunded. Assuming 85% funding for Chevron House and recently acquired land plots (Apartment 8, Vista Park and 3 Tessensohn Road), we estimate that gearing could rise to c.3.1x in subsequent quarters but fall back to 1.8x and below if the group is able to deliver strong sales.



Singapore Equity Explorer

Lian Beng Group

Bloomberg: LBG SP EQUITY | Reuters: LIBG.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

5 Dec 2017

NOT RATED S\$0.725 STI : 3,438.47

Closing price as of 4 Dec 2017

Return *: 2

Risk: Moderate

Potential Target 12-mth* : 12-Month S\$ 0.85
(17% upside)**Analyst**Derek TAN +65 6682 3716
derek.tan@db.s.comCarmen TAY +65 6682 3719
carmen.tay@db.s.com**Price Relative****Forecasts and Valuation**

FY May (\$m)	2016A	2017A	2018F	2019F
Revenue	445	282	280	421
EBITDA	135	80.3	93.0	129
Pre-tax Profit	112	70.2	64.8	98.5
Net Profit	103	53.2	56.6	85.7
Net Pft (Pre Ex.)	103	38.7	56.6	85.7
EPS (\$ cts)	20.4	10.7	11.3	17.2
EPS Pre Ex. (\$ cts)	20.4	7.74	11.3	17.2
EPS Gth (%)	(2)	(48)	6	52
EPS Gth Pre Ex (%)	90	(62)	46	52
Diluted EPS (\$ cts)	20.4	10.7	11.3	17.2
Net DPS (\$ cts)	3.00	2.25	2.25	2.25
BV Per Share (\$ cts)	108	118	127	142
PE (X)	3.6	6.8	6.4	4.2
PE Pre Ex. (X)	3.5	9.4	6.4	4.2
P/Cash Flow (X)	20.8	7.7	6.9	2.6
EV/EBITDA (X)	5.1	11.6	10.8	7.6
Net Div Yield (%)	4.1	3.1	3.1	3.1
P/Book Value (X)	0.7	0.6	0.6	0.5
Net Debt/Equity (X)	0.4	0.7	0.8	0.7
ROAE (%)	20.4	9.4	9.3	12.8

ICB Industry : Industrials

ICB Sector: Construction & Materials

Principal Business: Lian Beng is primarily a construction play with diversified exposures to several development projects (including Gaobeidian), and an investment portfolio valued at over S\$1 bn.

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Steering a path of stability and growth

- Steady proxy to a recovery in the property market
- Visibility from sizeable construction order book and sales pipeline
- Steady growth in recurring revenue streams on diversified investment portfolio, currently valued at over S\$1bn
- Trading at 47% discount to RNAV; fair value of S\$0.85 with possible upside from proposed spin-off and Gaobeidian

The Business

Diversified real estate play. Lian Beng is one of Singapore's leading construction groups and through successful forays and diversification into the complementary Property Development and Investment segments, has gained substantial scale and scope over the last four decades.

Strong earnings visibility from a construction order book of c.S\$836m; upcoming sales launches in 2018 to drive profitability. After bagging nearly S\$300m worth of contracts over a three-month period, Lian Beng's construction order book currently stands at c.S\$836m, providing visibility into FY21F.

Equity interests in upcoming launches Rio Casa and Serangoon Ville, which has an estimated combined GDV of c.S\$2.7bn (effective stake of 20%) and poised for launch in 2018, should boost the group's earnings in the medium term.

Cash-generative investment portfolio valued at over S\$1bn (and growing), offering stability. Lian Beng's diversified and growing investment portfolio has spurred remarkable growth in recurring income at 105% CAGR over FY13-17, and is set to remain on a steady growth path as contributions from recent acquisitions kick in, further strengthening the group's earnings profile.

The Stock

Fair value of S\$0.85. Our RNAV is based on the valuations of Lian Beng's investments and development properties. After imputing a 50% discount to RNAV and valuing its construction arm at peers' average of 8x FY18F PE, we arrive at a SOTP-based fair value of S\$0.85.

Further upside could come from the unlocking of shareholder value through the proposed spin-off of its property development business and attractive exposure to Gaobeidian (10% stake).

Key risks include uncertainty over sell-through rates for upcoming launches and margin pressures across key segments.

At A Glance

Issued Capital (m shrs)	500
Mkt. Cap (\$m/US\$m)	363 / 269
Major Shareholders (%)	
Ong Sek Chong & Sons	29.5
Pang Aik Ong	5.0
Free Float (%)	65.5
3m Avg. Daily Val (US\$m)	1.3

*This Equity Explorer report represents a preliminary assessment of the subject company, and does not represent initiation into DBSV's coverage universe. As such DBSV does not commit to regular updates on an ongoing basis. The rating system is distinct from stocks in our regular coverage universe and is explained further on the back page of this report.

REVENUE DRIVERS

Diversified real estate play. Established in 1973, Lian Beng continues to rank among Singapore's leading construction groups and through successful ventures and diversification into property development and investments, has gained substantial scale and scope over the last four decades.

Construction typically forms the bulk of Lian Beng's revenues, ranging between 56% and 95% over FY13-17, while Property Development sales tend to be lumpy – higher contributions in FY17 were mainly due to industrial properties Mandai Foodlink and Hexacube attaining TOP status. Contributions from Investment Holdings have also been on a steady uptrend.

Despite lower revenue shares, Investment Holdings and Property Development are key contributors from an earnings perspective – forming 47% and 25% of pre-tax profit in FY17. We attribute this mainly to Lian Beng's strategic preference for JVs and associate stakes in residential development projects, which mitigates project risk.

Construction order book of c.\$836m offers revenue visibility into FY21F. Lian Beng was recently awarded a c.\$137m contract for a private residential project at Potong Pasir Avenue 1, bringing its total construction order book to c.\$836m (as at 28 November 2017), which will provide the group with a sustainable flow of construction activity through FY21F.

While Construction (including related businesses) revenues have fallen sharply over the last two years on the back of the industry slowdown, the progressive ramp-up on recent tender wins – particularly the high-profile S\$435m contract awarded by HDB in March 2017, could take the Construction segment back into growth trajectory.

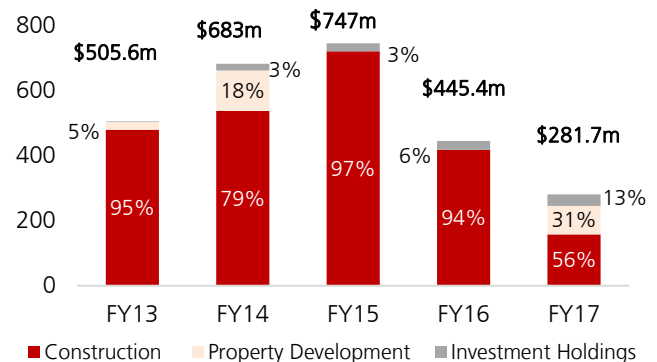
Assuming that at least 50% of its order book is recognised by FY19F, we project Construction revenues to grow c.60% to S\$267.5m by FY19F.

Investment portfolio valued at over S\$1bn; growing recurring income pool strengthens earnings profile. Through active management of its diversified investment portfolio – comprising c.S\$850m of investment properties and S\$165m in investment securities, contributions from Investment Holdings have grown at a remarkable 105% CAGR over FY13-17, representing 13% of group revenue in FY17.

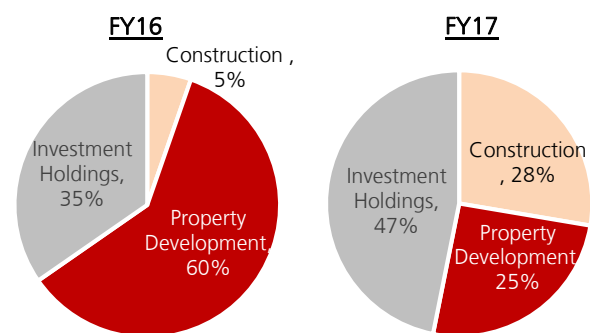
Of which, Dormitories had the largest share (64% in FY17) – as 55%-owned Westlite Mandai and 49%-owned ASPRI-Westlite Papan maintained high occupancies, while rental income on Investment Properties (33% share in FY17) tripled y-o-y following the acquisition of Khong Guan Industrial Building and four additional properties in October/November 2016. Interest and dividend income from Investment Securities made up the remaining 3%.

With these new acquisitions contributing to full-year FY18F, and possible rental reversions on selected commercial assets, Lian Beng's recurring revenue pool is set to grow a further 21.6% to S\$43.2m by FY19F.

Breakdown of Revenue by Segments (FY13-FY17)



Breakdown of Pre-tax Profit by Segments (FY16 vs FY17)

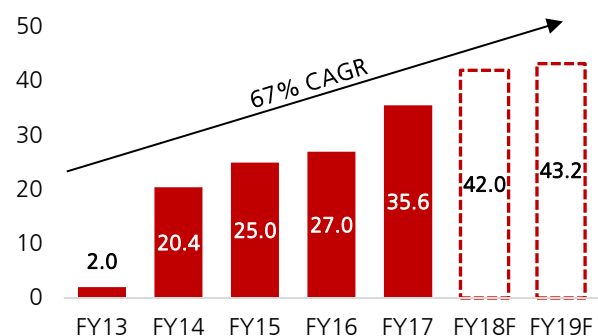


Series of Tender Wins Takes Net Order Book Over S\$800m

Project Name	Contract Value	Awarding Entity	Proj. Start	Proj. End (Est.)
T-Space at Tampines North	undisclosed	Lian Beng	n.a.	Aug 2018
Defu Industrial City	S\$435m	HDB	Jun 2017	Jun 2020
Industrial Building @ Leng Kee Road	undisclosed	Lian Beng	n.a.	n.a.
Martin Place Condominium	S\$162m	Private Company	Sep 2017	April 2020
Potong Pasir Avenue 1	S\$136.8m	Private Company	Dec 2017	Jan 2021

Net Construction Order Book: S\$836m (as at 28 Nov 2017)

Steady Growth in Recurring Revenue Streams



Source: Company, DBS Bank

GROWTH PROSPECTS

Pick-up in sales for existing developments; upcoming sales launches to drive JV and associate contributions. While the majority of Lian Beng's development properties have already been substantially sold, we believe the recent robust residential sales bode well for its Spottiswoode Suites and Floraville projects, which could see a pick-up in sales in subsequent quarters. Strong interest in the office sector also implies positive prospects for Hexacube. Sales for industrial development T-Space @ Tampines have also progressed well, and is 42.6% sold as at end-FY17 vs 19.9% a year ago.

Lian Beng holds a 20% equity interest in upcoming launches Rio Casa and Serangoon Ville. Poised for launch in April and June 2018 respectively, with an estimated combined GDV of c.\$2.7bn, they should boost the group's earnings in the medium term.

Attractive exposure to Gaobeidian to bear fruit over the longer term. The group has a 10% stake in Sino-Singapore Health City, a development project with a planned land size of approximately 8,000 mu (or 5.3m sqm) and strategically located in Gaobeidian -c.40km away from China's newly announced special economic zone, Xiongan New Area.

According to Oxley (which has a 27.5% effective stake in the project), residential prices in the vicinity have since tripled to c.Rmb12,000 psm and could even reach Rmb20,000 psm levels within the next two years. While this is generally positive for the group, it will likely take time for these prospective gains to materialise as property sales curbs imposed by Beijing creates an overhang.

Further growth could also come from new tender wins, acquisition of new investment properties (such as Wilkie Edge, which was completed in September 2017) and further diversification into complementary business verticals.

MANAGEMENT & STRATEGY

Managed by founding Ong family. Lian Beng was founded by Mr Ong Sek Chong and currently helmed by his son, Mr Ong Pang Aik, who has been actively involved in the business since its early days and played an integral role in the transformation of the company from a family business into one of Singapore's largest home-grown construction groups.

He is supported by several other members of the Ong family, who have also assumed key roles in the organisation, as well as industry veteran - including Mr Jeffrey Teo.

Strong dividend record. While Lian Beng does not have a fixed dividend policy, we observe that the company has paid at least 2 Scts p.a. since FY15, and rewarded shareholders with special dividends (1 Sct each in FY15 and FY16) when earnings were strong.

At current prices, a 2 Sct dividend represents a prospective 3.1% yield, which is decent.

Property Projects (as at 31 May 2017)

Project Name	Development Type	% Equity Stake	% Sold
Available-for- sale Properties			
Lincoln Suites	Residential	25%	96.6%
Spottiswoode Suites	Residential	50%	82%
Midtown Residences / The Midtown	Residential & Commercial	50%	99.6%
KAP Residences / KAP	Residential & Commercial	15%	99.2%
Floraville / Floraview / Floravista	Residential & Commercial	10%	84.5%
Hexacube	Retail & Office	40%	61.6%
Mandai FoodLink	Industrial	65%	100%
T-Space @ Tampines	Industrial	51%	42.6%
Upcoming Launches			
Rio Casa	Residential	20%	-
Serangoon Ville	Residential	20%	-

Key Management Team

Mr Ong Pang Aik (BBM)	Chairman, Managing Director	<ul style="list-style-type: none"> - Joined the group in 1978 and has been instrumental in the transformation of the business from a subcontractor into an A1-graded contractor today. - Mr Ong is also recognised for his contributions to the community and was awarded the Public Service Medal and Public Service Star Medal in 2001 and 2008, respectively.
Mr Jeffrey Teo Wee Jin	Construction Director	<ul style="list-style-type: none"> - Mr Teo carries nearly three decades of experience in the construction industry. - He is also an integral part of the management team overseeing Lian Beng's Construction division, with special focus on its quality management and productivity enhancement.
Ms Ong Lay Koon	Executive Director; Finance and Property Development	<ul style="list-style-type: none"> - Ms Ong joined the group in 1992 and currently heads Lian Beng's Accounting and Finance, Human Resource and Corporate Affairs departments. - She also manages the Property Development division and plays a vital role in the group's investment decisions.

Source: Company, DBS Bank

Segmental Breakdown

FY May	2014A	2015A	2016A	2017A	2018F	2019F
Revenues (\$\$m)						
Construction Contract	426	624	346	103	150	268
Sale of Development	125	0.0	0.0	87.6	34.4	60.1
Revenue from Sale of	110	93.9	70.4	54.1	51.4	48.8
Rental and Service	18.2	22.4	23.2	22.9	23.3	24.0
Others	2.24	2.53	3.77	11.7	17.7	18.2
Total	683	747	445	282	280	421

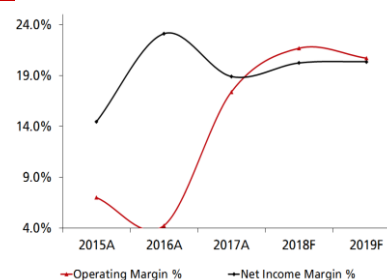
Mainly driven by ramp-up on outstanding contraction order book of c.\$836m

Contributions mainly from industrial development T-Space @ Tampines

Income Statement (\$\$m)

FY May	2014A	2015A	2016A	2017A	2018F	2019F
Revenue	683	747	445	282	280	421
Cost of Goods Sold	(558)	(668)	(389)	(207)	(193)	(290)
Gross Profit	125	79.3	56.1	74.9	86.7	130
Other Opng (Exp)/Inc	(24.1)	(26.9)	(37.1)	(25.9)	(26.0)	(43.3)
Operating Profit	101	52.4	19.0	49.0	60.6	87.2
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	4.18	43.6	99.7	15.8	12.8	21.0
Net Interest (Exp)/Inc	(2.3)	(4.7)	(6.9)	(9.1)	(8.6)	(9.7)
Exceptional Gain/(Loss)	37.2	52.4	(0.1)	14.6	0.0	0.0
Pre-tax Profit	140	144	112	70.2	64.8	98.5
Tax	(13.3)	(7.6)	(3.4)	(7.4)	(6.9)	(10.4)
Minority Interest	(39.9)	(28.0)	(5.4)	(9.5)	(1.4)	(2.4)
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	87.1	108	103	53.2	56.6	85.7
Net Profit before Except.	49.9	55.7	103	38.7	56.6	85.7
EBITDA	117	112	135	80.3	93.0	129
Growth						
Revenue Gth (%)	35.1	9.4	(40.4)	(36.8)	(0.8)	50.6
EBITDA Gth (%)	102.5	(4.5)	21.1	(40.8)	15.9	39.0
Opg Profit Gth (%)	126.9	(48.2)	(63.8)	158.5	23.7	43.8
Net Profit Gth (Pre-ex) (%)	26.5	11.5	85.2	(62.5)	46.3	51.5
Margins & Ratio						
Gross Margins (%)	18.3	10.6	12.6	26.6	31.0	31.0
Opg Profit Margin (%)	14.8	7.0	4.3	17.4	21.7	20.7
Net Profit Margin (%)	12.8	14.5	23.1	18.9	20.2	20.4
ROAE (%)	24.8	25.2	20.4	9.4	9.3	12.8
ROA (%)	10.2	9.8	7.7	3.5	3.3	4.5
ROCE (%)	8.5	6.9	10.1	2.4	3.4	4.8
Div Payout Ratio (%)	13.7	14.4	14.7	21.1	19.9	13.1
Net Interest Cover (x)	44.8	11.1	2.8	5.4	7.1	9.0

Margins Trend



Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$\$m)

FY May	4Q2016	1Q2017	2Q2017	3Q2017	4Q2017	1Q2018
Revenue	78.3	70.8	49.2	36.2	125	37.2
Cost of Goods Sold	(65.0)	(52.3)	(38.4)	(26.2)	(89.9)	(24.8)
Gross Profit	13.2	18.5	10.8	9.99	35.5	12.4
Other Oper. (Exp)/Inc	(15.1)	(8.9)	(5.3)	(6.0)	(4.8)	0.76
Operating Profit	(1.9)	9.63	5.51	4.01	30.7	13.2
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	36.5	8.07	4.44	1.70	1.55	3.19
Net Interest (Exp)/Inc	(2.2)	(2.1)	(2.0)	(2.8)	(3.2)	(3.2)
Exceptional Gain/(Loss)	(0.1)	0.0	0.0	0.0	14.6	0.0
Pre-tax Profit	32.2	15.6	8.00	2.95	43.7	13.1
Tax	(1.0)	(2.1)	(1.2)	1.03	(5.2)	(3.1)
Minority Interest	(0.9)	(0.9)	(1.1)	(1.1)	(6.5)	(1.1)
Net Profit	30.4	12.7	5.72	2.87	32.0	8.94
Net profit bef Except.	30.5	12.7	5.72	2.87	17.4	8.94
EBITDA	38.9	21.8	13.7	9.48	36.3	20.0

Growth

Revenue Gth (%)	(22.9)	(9.5)	(30.5)	(26.4)	246.4	(70.4)
EBITDA Gth (%)	51.3	(44.0)	(37.0)	(30.9)	282.6	(44.7)
Opg Profit Gth (%)	(138.1)	(617.7)	(42.8)	(27.3)	665.9	(57.1)
Net Profit Gth (%)	74.5	(58.3)	(54.9)	(49.8)	1,013.8	(72.0)

Margins

Gross Margins (%)	16.9	26.2	22.0	27.6	28.3	33.4
Opg Profit Margins (%)	(2.4)	13.6	11.2	11.1	24.5	35.4
Net Profit Margins (%)	38.8	17.9	11.6	7.9	25.5	24.0

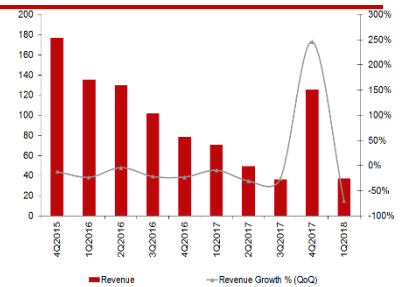
Source: Company, DBS Bank

Balance Sheet (\$\$m)

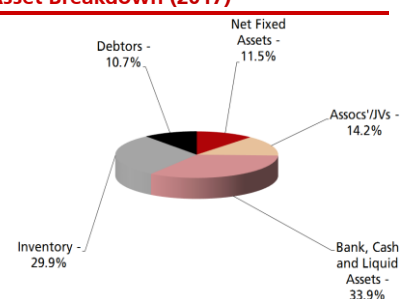
FY May	2014A	2015A	2016A	2017A	2018F	2019F
Net Fixed Assets	82.0	91.6	78.1	63.6	166	245
Invt in Associates & JVs	5.80	39.0	140	78.5	91.3	112
Other LT Assets	362	406	556	872	872	872
Cash & ST Invt	149	232	192	195	215	321
Inventory	26.8	103	168	166	174	172
Debtors	133	160	109	59.1	83.4	126
Other Current Assets	208	213	192	203	176	176
Total Assets	966	1,244	1,434	1,637	1,778	2,024
ST Debt	52.1	65.9	111	258	258	258
Creditor	148	211	190	174	169	255
Other Current Liab	172	198	178	109	107	111
LT Debt	126	211	318	422	522	602
Other LT Liabilities	11.8	13.4	8.53	6.57	6.57	6.57
Shareholder's Equity	395	464	545	588	634	708
Minority Interests	60.8	81.3	84.3	79.4	80.8	83.2
Total Cap. & Liab.	966	1,244	1,434	1,637	1,778	2,024
Non-Cash Wkg. Capital	46.4	67.2	101	145	157	108
Net Cash/(Debt)	(28.7)	(44.7)	(236)	(485)	(566)	(540)
Debtors Turn (avg days)	74.5	71.4	110.1	108.9	93.0	90.6
Creditors Turn (avg days)	93.6	100.5	196.1	346.4	361.1	287.5
Inventory Turn (avg days)	12.6	36.4	132.8	318.2	357.5	234.2
Asset Turnover (x)	0.8	0.7	0.3	0.2	0.2	0.2
Current Ratio (x)	1.4	1.5	1.4	1.2	1.2	1.3
Quick Ratio (x)	0.8	0.8	0.6	0.5	0.6	0.7
Net Debt/Equity (X)	0.1	0.1	0.4	0.7	0.8	0.7
Net Debt/Equity ex MI (X)	0.1	0.1	0.4	0.8	0.9	0.8
Capex to Debt (%)	19.2	22.5	13.2	40.9	15.6	11.6

Source: Company, DBS Bank

Revenue Trend



Asset Breakdown (2017)

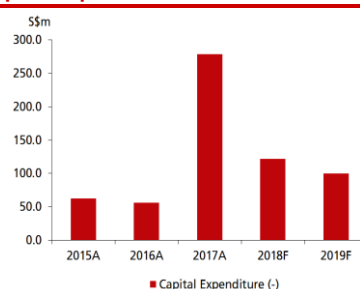


Cash Flow Statement (\$m)

FY May	2014A	2015A	2016A	2017A	2018F	2019F
Pre-Tax Profit	140	144	112	70.2	64.8	98.5
Dep. & Amort.	11.8	15.8	16.8	15.5	19.6	21.0
Tax Paid	(35.2)	(7.7)	(27.2)	(34.2)	(8.7)	(6.9)
Assoc. & JV Inc/(loss)	(4.2)	(43.6)	(99.7)	(15.8)	(12.8)	(21.0)
Chg in Wkg.Cap.	(62.2)	(12.6)	(16.0)	(4.3)	(10.2)	45.2
Other Operating CF	(11.8)	(61.5)	32.0	15.4	0.0	0.0
Net Operating CF	38.7	34.1	17.6	46.8	52.8	137
Capital Exp.(net)	(34.1)	(62.4)	(56.5)	(279)	(122)	(100.0)
Other Invt.(net)	(82.2)	(7.2)	(2.6)	(28.7)	0.0	0.0
Invt in Assoc. & JV	(1.2)	(1.0)	(5.2)	0.0	0.0	0.0
Div from Assoc & JV	0.0	9.88	0.0	76.2	0.0	0.0
Other Investing CF	61.5	3.09	(54.5)	16.7	0.0	0.0
Net Investing CF	(56.0)	(57.6)	(119)	(214)	(122)	(100.0)
Div Paid	(15.9)	(25.6)	(17.5)	(29.5)	(11.2)	(11.2)
Chg in Gross Debt	48.3	111	111	241	100	80.0
Capital Issues	(1.1)	(12.8)	(5.0)	0.0	0.0	0.0
Other Financing CF	(6.4)	(9.8)	(14.6)	(16.0)	0.0	0.0
Net Financing CF	24.9	62.4	74.3	195	88.8	68.8
Currency Adjustments	0.01	0.0	(0.1)	0.07	0.0	0.0
Chg in Cash	7.72	38.8	(26.9)	27.7	19.6	106
Opg CFPS (\$ cts)	19.0	9.01	6.67	10.2	12.6	18.3
Free CFPS (\$ cts)	0.88	(5.5)	(7.7)	(46.4)	(13.8)	7.39

Source: Company, DBS Bank

Capital Expenditure



VALUATIONS

Fair value of S\$0.85; possible upside from 10% stake in Gaobeidian Currently trading at a 15% discount to SOTP valuation and 0.6x P/NAV, we see Lian Beng as a diversified but steady (albeit smaller-cap) proxy to a recovery in the local property market.

Our RNAV of S\$1.37 per share is based on the valuation of its existing investments (recently revalued in May 2017) and fair value for its development properties, with upside from its 10% stake in Gaobeidian - which we have yet to factor into our estimates - over the longer term.

After imputing a 50% discount to RNAV and valuing its construction business at peers' average of 8x FY18F PE, we arrive at a SOTP-based fair value of S\$0.85 for Lian Beng. Assuming a 2-Sct dividend is maintained, a prospective 3.1% yield is also on offer.

Proposed spin-off of the Property Development business could unlock further value for shareholders. Based on our estimates, we believe that the Property Development business could be worth c.20-25% of the company's RNAV on a standalone basis.

Given limited disclosures, we have not factored in any upside from this initiative. However, we opine that the listing of the Property Development business, if it materialises, could help create value for shareholders and facilitate independent access to capital markets.

Breakdown of RNAV

Breakdown of RNAV	OMV (\$m)
Investment Properties	
Investment Properties (Revalued)	851#
less book value	-851
Surplus / Deficit	0
Investment Securities	
less book value	-165
Surplus / Deficit	0
Development Properties	
NPV of Development Profits	63
Book NAV	623
RNAV	686
Total Shares	500
RNAV / Share (\$)	1.37
Discount	50%
Discounted RNAV / Share (\$)	0.69
SOTP Valuation	S\$
Discounted RNAV / Share (\$)	0.69
Value of Construction Business / Share	0.16
SOTP-based Fair Value (\$):	0.85

includes acquisition of 50% owned Wilkie Edge
Source: DBS Bank

Developers Historical P/NAV and Discount to RNAV // Peer Comparisons

Company	FYE	Mkt Cap	Price 30/11/2017		Target Price	Upside	RNAV	*Assumed	P/ RNAV	P/ NAV
		(\$ bn)	(\$)	Rcmd	(\$)	%	(\$)	Discount (%)	(x)	(x)
Developers										
City Dev	Dec	11.01	12.11	BUY	14.03	16%	14.03	0%	0.86	1.18
Frasers Centrepoint Ltd	Sep	5.93	2.04	BUY	2.29	12%	2.86	-20%	0.89	0.71
UOL	Dec	7.16	8.90	BUY	10.14	17%	12.67	-20%	0.88	0.88
Average						14%			0.88	0.93
Non-Covered										
Guocoland	Dec	2.31	2.08	-	-	-	-	-	na	0.65
UIC	Dec	4.81	3.39	-	-	-	-	-	na	0.77
Ho Bee	Dec	1.65	2.48	-	-	-	-	-	na	0.56
Wheelock	Dec	2.27	1.90	-	-	-	-	-	na	0.76
Wing Tai	Jun	1.68	2.17	-	-	-	-	-	na	0.53
Bukit Sembawang	Dec	1.55	5.98	-	-	-	-	-	na	1.21
United Engineers	Dec	1.62	2.62	-	-	-	-	-	na	0.86
Hiap Hoe	Dec	0.41	0.88	-	-	-	-	-	na	0.58
Hotel Properties	Dec	1.98	3.80	-	-	-	-	-	na	1.10
Average									na	0.78
Average sector										0.82

Source: Bloomberg Finance L.P., DBS Bank

KEY RISKS

Tighter margins on higher land banking costs. Breakeven prices for recently awarded en-bloc tender sites at Rio Casa and Serangoon Ville are expected to be at a c.15% premium to prevailing property prices, which could further weigh on the already thinning margins faced by developers if recovery in the property market remains nascent.

Additionally, while the strategic preference for minority/associated stakes in residential projects helps mitigate the group's exposure to project-specific risks, we acknowledge that in times of uncertainty or weakness, the benefits of diversification could be potentially offset by the lack of effective influence over these investments.

Risk of writedowns if rental rates do not improve. Through a 50:50 JV with Apricot Capital, Lian Beng acquired commercial property Wilkie Edge at a 39% premium above its valuation of S\$201m in September 2017, and could be subject to writedowns if rental rates do not improve.

Competition in Construction sector remains keen.

Heightened competition in the local construction sphere could lead to more aggressive bidding among contractors and ultimately, compression of margins ahead.

Category	Risk Rating 1 (Low) - 3 (High)	Wgt	Wgtd Score
Earnings	2	40%	0.8
Financials	1	20%	0.2
Shareholdings	1	40%	0.4
Overall			1.4

Source: DBS Bank

DBS Bank Equity Explorer return ratings reflect return expectations based on an assumed earnings profile and valuation parameters:

- | | |
|---|---|
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| 2 | (0 - 20% potential returns over the next 12 months) |
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