

## Singapore Property

### Analyst

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### Oxley: A much-needed Ang Pao

- Oxley accepts a non-binding LOI to purchase its Mercure and Novotel Hotels for S\$950m (S\$1.23m per key)
- The price is at a 5% premium to book value and the estimated gross yield is 4.7%
- The sale, if completed, would alleviate some concerns on debt repayment risks, especially its S\$450m retail bonds maturing in November 2019 and May 2020
- Other key concerns including i) 3,700 residential units of launch pipeline and unsold inventory, ii) potential receipts of proceeds from overseas projects, iii) potential divestment of Dublin properties.

### What's New

**Accepts non-binding LOI to purchase its Mercure and Novotel Hotels at S\$950m (S\$1.23m per key).** Oxley has just announced its acceptance of a non-binding letter of intent (LOI) to purchase its Mercure and Novotel Hotels on Stevens Road for S\$950m (S\$1.23m per key). The due diligence will be carried out during the period up to 15 April 2019.

**Premium to book value of 5%, ballpark estimation of 4.7% gross yield.** The price is 5% above the book value of S\$905m as at 30 June 2018. We estimate that the gross yield (based on annualised six months' revenue from opening up to June 2018) is 4.7%. The hotel started operations in 4Q17 and had hit 84% occupancy rate in

August 2018. It was still incurring an operating loss as at end-June 2018. The land tenure is 103 years leasehold from 18 July 2013.

As a comparison, the divestment of Ascott Raffles Place Singapore (a mature hotel on 999-year land lease), which was announced by ART yesterday, was priced at S\$2.4m per key with an estimated gross yield of low-to-mid 2%.

**The deal alleviates some concerns on debt repayment risks, especially its S\$450m retail bonds maturing in November 2019 and May 2020.** This is in line with our previous commentary (Singapore Property: Zeroing in on Oxley Group). We had previously wrote that "the potential unlocking of its Singapore hotel assets could fetch bids of S\$1.2m per key".

If the sale of the hotel is completed, we believe the cash proceeds will be able to alleviate some of Oxley's urgent cash requirements, especially in repaying its retail bonds (S\$300m expiring on 5 November 2019 and S\$150m expiring on 18 May 2020). The net debt-to-equity could potentially be reduced to 1.8x from 2.5x as at September 2018.

However, the key still lies on the sale performance of 3,700 residential units of launch pipeline (largest land bank in Singapore) and unsold inventory, potential receipts of proceeds from some of its overseas projects such as Royal Wharf and potential divestment of Dublin properties.



**Flash Note**Oxley's Mercure and Novotel on Stevens

Source: DBS Bank

**Flash Note**

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**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

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