REAL ESTATE EQUITY RESEARCH

Roxy-Pacific Holdings Limited

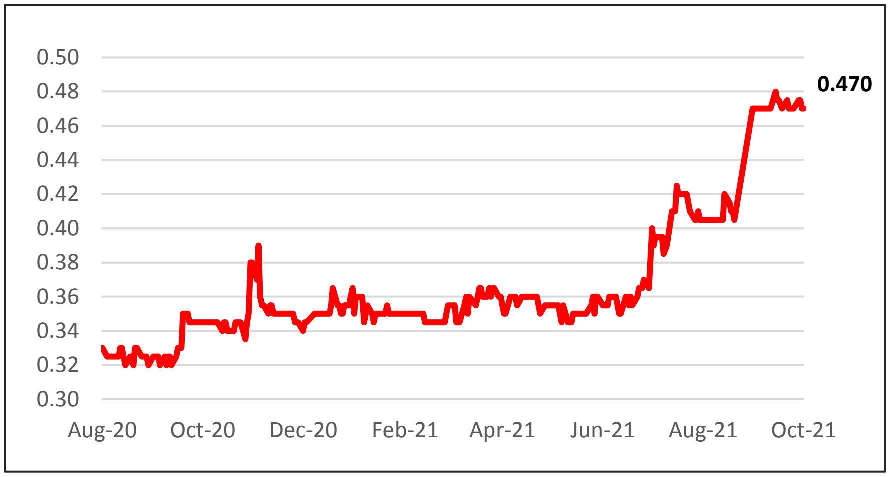
SGX: E8Z
Bloomberg: ROXY:SP
ISIN Code: SG1W66939735

RECOMMENDATION: TAKE PROFIT

Current Price: S$0.470
Issued Shares: 1,303.98 million
Market Capitalisation: S$612.87 million

52 Week Range: S$0.330 - S$0.500

PRICE PERFORMANCE



COMPANY DESCRIPTION

Roxy-Pacific Holdings Limited and its subsidiaries (collectively defined herein as Roxy) are principally engaged in the development and sale of residential and commercial properties. Roxy also has business operations in hotel ownership and property investment.

SUMMARY

For the half-year ended 30 June 2021 (1H2021), Roxy's revenue increased by 20% year-on-year (y-o-y) to S$141.2 million, mainly due to stronger performance from its property development and property investment segments. Gross profit rose by 43% y-o-y to S$25.4 million and resulting gross profit margin of 18% was higher than 15% a year ago. During the period, distribution & selling expenses rose by 5% y-o-y, while administrative expenses declined by 3% y-o-y. Other operating expenses rose by 2% y-o-y on lower depreciation, while finance costs fell by 25% y-o-y mainly due to lower interest rates. Share of results from associates and joint ventures fell by 80%, mainly due to absence of profit from the sale of property at Ginza, Japan which was completed in 1H2020. For the period, shareholders' profit amounted to S$5.9 million compared to S$2.8 million a year ago, translating to an earnings per share (EPS) of 0.45 cents. No dividend was declared for the period.

RECOMMENDATION

Since our initiation report issued on 13 August 2021, when Roxy's share price closed at S$0.410, we note that the share price has risen. From then till present, the share price is up by about 15%. The share price increase has mainly been due to a takeover offer announcement for Roxy by TKL & Family Pte Ltd (Offeror) issued on 20 September 2021. The Offeror is the bid vehicle of a consortium formed by 11 individuals, including Roxy's Chairman and Chief Executive Officer, Mr Teo Hong Lim. The offer price is S$0.485 which is a premium of 19.8% over the closing price of S$0.405 on 14 September 2021, the last full day of trading prior to the takeover offer announcement. It is also a premium of approximately 14.1% over the three-year highest closing price of S$0.425. On valuation terms, Roxy is currently trading at a P/NAV of 0.64x, above the peers' average P/NAV of 0.60x. If Roxy were to trade at the peers' average P/NAV, the estimated valuation would be S$0.439 per share. We believe that recent share acquisitions by a party acting in concert with the Offeror at S$0.470 could possibly suggest a successful takeover offer. However, there is still a possibility that the takeover offer may not proceed, given that the Pre-Condition (being the receipt of all consents necessary under the Overseas Investment Act 2005 (NZ) for or in connection with the takeover offer) may not be satisfied. Thus, existing shareholders may wish to sell shares now and take profit. At the current share price of S$0.470, it is worthwhile considering taking profit. All things considered, we will now issue a take profit recommendation on Roxy.

KEY FINANCIALS

Full year, ended Dec 31	Revenue (S$ million)	Shareholders' profit (S$ million)	EPS (cents)	P/E (x)	DPS (cents)	Dividend yield (%)	NAV per share* (S$)	P/NAV (x)
2019 actual	444.0	30.3	2.33	20.17	1.09	2.32	0.78	0.60
2020 actual	198.4	(29.5)	(2.26)	NM	-	-	0.72	0.65
2021 forecast**	329.8	20.7	1.59	29.56	0.80	1.70	0.73	0.64
2022 forecast	375.8	31.3	2.40	19.58	1.20	2.55	-	-

NM: not meaningful. P/E, P/NAV and dividend yield figures are computed based on the current price of S$0.470

**Based on adjusted net asset value per share which accounts for revaluation surplus of certain hotels and office premises*

***Adjusted NAV per share as at 30 June 2021*

Source: Roxy, FPA Financial

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FINANCIAL ANALYSIS

(I) Financial performance

For the half-year ended June 2021 (1H2021), Roxy reported a 20% y-o-y increase in revenue to S$141.2 million from S$118.1 million, mainly due to stronger performance from its property development and property investment segments.

Revenue from the property development segment, which made up 90% of total revenue in 1H2021, rose by 27.4% y-o-y to S$126.5 million from S$99.3 million. The increase was largely due to higher percentage of revenue recognition from several of the Group's residential projects in Singapore including RV Altitude, View at Kismis and 120 Grange. This was partially offset by absence of revenue recognition from Octavia Killara and West End Glebe in Australia which obtained Temporary Occupation Permit (TOP) in 2020. The breakdown of Roxy's property development revenue (in terms of contribution by its individual residential projects) in 1H2020 and 1H2021 are summarized in **Exhibit 1**.

Exhibit 1: Breakdown of Roxy's property development revenue in 1H2021 and 1H2020

		1H2021		1H2020	
Property name	Effective interest (%)	Revenue [2] (S$ million)	% of total	Revenue [2] (S$ million)	% of total
RV Altitude	100%	48.9	39%	6.1	6%
View at Kismis	60%	28.9	23%	1.3	1%
120 Grange	90%	16.4	13%	2.4	2%
Harbour View Gardens	100%	10.8	9%	12.5	13%
Fyve Derbyshire	100%	10.7	8%	1.6	2%
Bukit 828	80%	5.8	5%	6.3	6%
Dunearn 386	100%	5.0	4%	2.4	2%
The Hensley [1]	100%	-	-	1.4	1%
Octavia Killara [1]	100%	-	-	42.4	43%
West End Residences [1]	100%	-	-	22.9	23%
Total	**-**	**126.5**	**100%**	**99.3**	**100%**

(1) Units' settlement were completed by 2020

(2) Refers to revenue attributable to the Group based on its effective interest

Source: Roxy, FPA Financial

Meanwhile, property investment revenue, comprising rental income from shop units in Roxy Square and NZI Centre, rose by 8.5% y-o-y to $4.0 million from S$3.7 million. This contributed to about 3% of total revenue during the period. However, revenue from the hotel ownership segment, which contributed 7% to total revenue in 1H2021, fell by 29.2% y-o-y to S$10.7 million from $15.1 million. The decline came as Roxy's hotel operations continued to be affected by the Covid-19 outbreak as many countries imposed border control measures, impacting the tourism industry. The breakdown of Roxy's total revenue in 1H2020 and 1H2021 are summarized in **Exhibit 2** on the next page.

Exhibit 2: Breakdown of Roxy's total revenue in 1H2020 and 1H2021

	1H2021		1H2020		
Segment	**Revenue (S$ million)**	**% of total**	**Revenue (S$ million)**	**% of total**	**% change, y-o-y**
Property development	126.5	89.6%	99.3	84.1%	27.4%
Hotel ownership	10.7	7.6%	15.1	12.8%	-29.1%
Property investment	4.0	2.8%	3.7	3.1%	8.1%
Total	**141.2**	**100.0%**	**118.1**	**100.0%**	**19.6%**

Source: Roxy

In line with the increase in total revenue, cost of sales rose by 16% y-o-y to $115.8 million from $100.3 million. As a result, gross profit amounted to S$25.4 million, which was 42% higher than S$17.8 million a year ago. Overall gross profit margin was 18.0%, higher than the 15.1% recorded in 1H2020, mainly due to higher contribution from the property development segment with an improved profit margin.

During the period, other operating income increased to S$10.3 million from S$5.1 million from a year ago. This was mainly contributed by higher fair value gain from Roxy's investment property at NZI Centre in New Zealand and higher foreign exchange gain. However, interest income was lower as compared to 1H2020 mainly due to lower interest rate on fixed deposits.

Meanwhile, distribution & selling expenses increased by 5% to S$2.1 million from S$2.0 million a year ago, while administrative expenses fell by 3% y-o-y to S$4.5 million. Other operating expenses, which comprise mainly depreciation and payroll expenses, rose by 2% y-o-y to S$12.6 million, as depreciation decreased slightly mainly due to depreciation of JPY and USD against SGD when translation of depreciation of property, plant & equipment in Japan and the Maldives. At the same time, finance costs fell by 25% y-o-y to S$9.6 million from S$12.7 million, mainly due to lower interest rates.

During the period, share of results from associates & joint ventures declined by 80% to S$2.4 million from S$11.9 million a year ago, mainly due to absence of profit from the sale of property at Ginza, Japan which was completed in 1H2020.

As a result, pre-tax profit recorded in 1H2021 was S$9.1 million, higher compared to S$3.0 million a year ago. During the period, Roxy incurred taxation of S$1.8 million, comprising of current tax expense of S$0.4 million and deferred tax expense of S$1.4 million in 1H2020. Net of taxation, Roxy reported a profit of S$7.4 million compared to S$2.2 million a year ago. This comprised S$5.9 million in profit attributable to shareholders and non-controlling interests of S$1.5 million which was mainly due to profit from the View At Kismis project. Given shareholder's profit of S$5.9 million, earnings per share (EPS) amounted to 0.45 cents in 1H2021 compared to 0.21 cents a year ago. No dividends were declared for the period.

Roxy's financial results for 1H2020 and 1H2021 are summarized in **Exhibit 3** on the next page.

Exhibit 3: Roxy's financial results for 1H2020 and 1H2021

[S$ million]	1H2021	1H2020	Change (%)
Revenue	141.2	118.1	20%
Cost of sales	(115.8)	(100.3)	16%
Gross profit	25.4	17.8	42%
Other operating income	10.3	5.1	>100%
Distribution & selling expenses	(2.1)	(2.0)	5%
Administrative expenses	(4.5)	(4.7)	-3%
Other operating expenses	(12.6)	(12.4)	2%
Finance costs	(9.6)	(12.7)	-25%
Share of results from associates and joint ventures (net of income tax)	2.4	11.9	-80%
Profit before taxation	9.1	3.0	>100%
Taxation	(1.8)	(0.8)	>100%
Profit after taxation	7.4	2.2	>100%
Profit attributable to:			
Equity holders of the Company	5.9	2.8	>100%
Non-controlling interests	1.5	(0.6)	NM
	7.4	2.2	>100%
Profit attributable to equity holders	5.9	2.8	>100%
Weighted average no. of shares in issue (million)	1,303.98	1,303.98	-
EPS (cents)	0.45	0.21	>100%

Figures have been rounded. NM: not meaningful

Source: Roxy, FPA Financial

(II) Capital management

Roxy reported total assets of S$1,655.7 million as at 30 June 2021, compared to S$1,616.3 million as at 31 December 2020. The increase in total assets was mainly contributed by a S$20.0 million increase in development properties for sale and a S$32.5 million increase in contract assets. The rise in development properties for sale was mainly due to completion of acquisition of development land at Jalan Molek in Singapore during 1H2021, partially offset by progress billing from existing on-going projects. At the same time, contract assets rose mainly as Roxy recognized the right to consideration for work completed at 120 Grange, Harbour View Gardens and Bukit 828, though this were not yet billed at the reporting date on the construction of development properties.

Meanwhile, total liabilities increased to S$1,171.5 million as at 30 June 2021 from S$1,138.8 million as at 31 December 2020. The higher total liabilities was mainly due to an increase in current borrowings of S$56.8 million to S$687.5 million. Taken together with non-current borrowings of S$340.5 million, total borrowings amounted to S$1,028.0 million as at 30 June 2021, of which S$290.4 million will be repayable within one year and S$737.6 million repayable after one year.

Consequently, Roxy recorded total equity of S$484.1 million as at 31 December 2020, compared to S$477.5 million a year ago. Equity attributable to shareholders was S$486.8 million after accounting for non-controlling interests. This translates to a net asset value (NAV) per share of 37.33 cents, based on approximately 1,304.0 million issued ordinary shares. A summary of Roxy's balance sheet as at 31 December 2020 and 30 June 2021 is shown in **Exhibit 4**.

Exhibit 4: Summary of Roxy's balance sheet as at 31 Dec 2020 and 30 Jun 2021

[S$ million]	As at 31-Dec-20	As at 30-Jun-21
Total assets	1,616.3	1,655.7
Total liabilities	1,138.8	1,171.5
Total equity	477.5	484.1
Equity attributable to equity holders	482.1	486.8
No. of issued ordinary shares (million)	1,303.98	1,303.98
NAV per share (cents)	36.97	37.33

Figures have been rounded

Source: Roxy

Roxy's NAV as discussed above is based on Group's adoption of the cost model under SFRS(I)1-16 Property, Plant and Equipment, and measures its property, plan and equipment at cost less depreciation and impairment loss. If it had applied the fair value model under SFRS(I)1-16, a revaluation surplus would arise as a result of the excess of the fair value of its hotel properties (includes Grand Mercure Roxy Hotel in Singapore, Noku Kyoto Hotel in Kyoto, Japan, Noku Osaka Hotel in Osaka, Japan, Noku Maldives and hotel property in Phuket, Thailand) and own use premises, over their carrying amounts. As disclosed in Roxy-Pacific's 1H2021 financial statements, the fair value of these properties was estimated to be S$679.6 million as at 30 June 2021 (31 December 2020: $680.3 million) based on valuation carried out by independent valuers on 31 December 2020, using the direct comparison methods. Accordingly, the revaluation surplus is estimated to be approximately S$463.4 million (31 December 2020: $458.8 million).

Taking into account the revaluation surplus of S$463.4 million, the reported adjusted NAV amounted to S$950.2 million as at 31 December 2020, which translates to an adjusted NAV per share of 72.87 cents, as shown in **Exhibit 5** on the next page. Taking the summation of total borrowings of S$1,028.0 million and lease liabilities of S$29.1 million, and subtracting cash & bank balances of S$391.0 million, Roxy's net debt was S$666.1 million. Accordingly, the net debt to adjusted NAV ratio stood at 0.70 times as at 31 December 2020, as shown in **Exhibit 5** on the next page.

Exhibit 5: Roxy's adjusted NAV, net debt and net debt to adjusted NAV ratio

[S$ million]	As at 31-Dec-20	As at 30-Jun-21
Current borrowings	630.6	340.5
Non-current borrowings	341.7	687.5
Total borrowings	972.3	1,028.0
Lease liabilities (amortised cost)	28.8	29.1
Less: total cash and bank balances	(395.6)	(391.0)
Net debt	605.5	666.1
Equity attributable to equity holders	482.1	486.8
Revaluation surplus	458.8	463.4
Adjusted NAV	940.9	950.2
No. of issued ordinary shares (million)	1,304.0	1,304.0
Adjusted NAV per share (cents)	72.16	72.87
Net debt to adjusted NAV ratio (x)	0.64	0.70

Source: Roxy

RECENT KEY DEVELOPMENTS

On 20 September 2021, TKL & Family Pte Ltd (the Offeror) announced a pre-conditional voluntary general offer for all the issued ordinary shares in the capital of Roxy. The Offeror is the bid vehicle of a consortium formed by 11 individuals, including Roxy's Chairman and Chief Executive Officer, Mr Teo Hong Lim. The breakdown of the shareholders of the Offeror, as disclosed in the pre-conditional offer announcement (the Announcement) dated 20 September 2021 (the Announcement Date), is shown in **Exhibit 6**.

Exhibit 6: Shareholders of the Offeror as at 20 September 2021

No.	Name of individual	% of shares in the Offeror[1]
1.	Teo Hong Lim ("**THL**")	32.50
2.	Teo Hong Wee ("**THW**")	15.56
3.	Teo Hong Yeow Chris ("**THY**")	14.62
4.	Teo Hong Hee ("**THH**")	14.62
5.	Lim Swee Hah ("**LSH**")	6.29
6.	Teo Hong Khim ("**THK**")	5.25
7.	Teo Hong Ming ("**THM**")	5.25
8.	Cheong Fung Fai ("**CFF**")	3.41
9.	The estate of Lin Chu Liat ("**LCL**")[2]	1.41
10.	Cheong Kwai Fun ("**CKF**")	0.85
11.	Lim Guat Hah ("**LGH**")	0.22
	Total	**100.00**

(1) Any discrepancies between the listed percentages and the total thereof are due to rounding
Source: Announcement

The making of the voluntary conditional general offer for all the shares (other than those held by the Offeror) (the Offer) is subject to the receipt of all consents necessary under the Overseas Investment Act 2005 (NZ) for or in connection with the Offer (the Pre-Condition). The Offer will not be made unless and until the Pre-Condition has been satisfied on or before 5.00 pm on 20 February 2022 (or such other date as the Offeror may determine in consultation with the Securities Industry Council of Singapore).

The offer price is S$0.485 per share in cash. It exceeds all previous closing prices of Roxy's shares in the three-year period up to and including 14 September 2021, being the last full trading day of Roxy prior to the Announcement date (the Last Trading Date) and represents a premium of approximately 14.1% over the three-year highest closing price of S$0.425. The offer price also represents a premium of approximately 19.8% over S$0.405, the last traded price per share on the Last Trading Date, as shown in **Exhibit 7** on the next page. As highlighted in the Announcement, the offer price of S$0.485 is final and will not be revised by the Offeror.

Exhibit 7: Offer price premium over the historical trade prices of Roxy's shares

	Benchmark Price[7]	Premium of the Offer Price over the Benchmark Price[8]
	(S$)	(%)
Last traded price per Share as quoted on the SGX-ST on the Last Trading Date	0.405	19.8
VWAP of the Shares as transacted on the SGX-ST for the one (1)-month period up to and including the Last Trading Date	0.401	20.9
VWAP of the Shares as transacted on the SGX-ST for the three (3)-month period up to and including the Last Trading Date	0.393	23.4
VWAP of the Shares as transacted on the SGX-ST for the six (6)-month period up to and including the Last Trading Date	0.372	30.4
VWAP of the Shares as transacted on the SGX-ST for the twelve (12)-month period up to and including the Last Trading Date	0.354	37.0

(7) All the benchmark prices set out in this column are based on the data extracted from Bloomberg L.P. on the Last Trading Date and rounded to the nearest three decimal places
(8) Figures rounded to the nearest one decimal place
Source: Announcement

As at the Announcement Date, the Offeror has received irrevocable undertakings from Kian Lam Investment (KLI) and Sen Lee Development (SLD) as well as each of the consortium members except for the estate of LCL (collectively, the Undertaking Parties), pursuant to which the Undertaking Parties have undertaken to accept the Offer in respect of all shares held by each of them prior to and up to the close of the Offer. As at the Announcement Date, the Undertaking Parties hold in aggregate 996,761,459 shares in Roxy, representing approximately 76.44% of the total number of issued shares. Each of the consortium members has agreed to subscribe for new shares in the Offeror after the close of the Offer, set off against the obligations to pay KLI, SLD and the consortium members for their shares which are tendered in acceptance of the Offer.

In the event that as a result of the Offer or otherwise, the Offeror and its concert parties own or control more than 90% of the share in issue and Roxy is no longer able to comply with the free float requirement, it is the Offeror's intention to seek the delisting of Roxy from the Official List of the SGX-ST.

Currently, we note that the offer has yet to be made. As highlighted earlier, the offer will not be made unless and until this pre-condition has been satisfied on or before 5.00 pm on 20 February 2022 (or such other date as the Offeror may determine in consultation with the Securities Industry Council of Singapore). It was highlighted in the Announcement that shareholders should note that there is no certainty that the Pre-Condition will be satisfied and that the Offer will be made.

If and when the offer is made, the Board will appoint an independent financial adviser (IFA) to advise the directors of Roxy who are considered to be independent for the purposes of the offer, in respect of the offer. An announcement relating to the same will be made in due course. In addition, a circular containing, inter alia, the advice of the IFA and the recommendation of the independent directors in respect of the offer will be sent to shareholders within 14 days from the date of the despatch of the formal offer document to be issued by Oversea-Chinese Banking Corporation Limited (the sole financial adviser to the Offeror in connection with the Offer), for and on behalf of the Offeror, in relation to the Offer.

INDUSTRY OVERVIEW

Previously, we highlighted a positive outlook for Singapore's residential real estate market, given expected strong home sales momentum on the back of low interest rates. We also highlighted that rising residential land prices and strong land bid interests suggest developers' optimistic outlook on residential sales and prices. We will now provide an updated review to reflect the current market environment.

Private new home sales

In September 2021, Singapore's new private home sales declined amid fewer project launches by developers, re-tightened safe management measures and the seventh lunar month. During the month, sales of new private homes (excluding Executive Condominiums (ECs)) fell by 31.4% to 834 units from 1,216 units in August, according to latest data by the Urban Redevelopment Authority (URA). Compared to a year ago, when 1,329 units were sold, sales were down by 37.2% in September 2021. By market segments, 356 units were sold in the Outside Central Region (OCR); 310 in the Rest of Central Region (RCR); and 168 units in the Core Central Region (CCR). Despite the sales moderation, total new home sales during the first 3 quarters of 2021 reached 10,111 units, which has exceeded total sales of 9,982 units in the whole of 2020.

Private residential property prices

According to the latest URA flash estimate, prices of private residential properties rose by 0.9% quarter-on-quarter (q-o-q) in Q3 2021. This is reflected by an increase in the Property Price Index (PPI) to 165.0 in Q3 2021 from 163.5 in the previous quarter, as shown in **Exhibit 8**. Prices of non-landed properties rose by 0.5% q-o-q in Q3 2021, moderating from the 2.5% growth in Q2 2021. Within the non-landed segment, the Rest of Central Region (RCR) was the only segment that registered a price increase during the period, up by 2.2% q-o-q. We note from Knight Frank that price increases were observed in some RCR projects, such as Normanton Park, Avenue South Residences, Verdale and Meyer Mansion, where average unit prices rose between 0.9% to 1.7% over 446 transactions. Meanwhile, prices in the Core Central Region (CCR) and Outside Central Region (OCR) fell by 0.6% and 0.2% respectively on a q-o-q basis.

Exhibit 8: Comparison of PPI for Q2 2021 and Q3 2021

	Price Index (1)		q-o-q change	
	Q2 2021	Q3 2021	Q2 2021	Q3 2021
All Residential (Q1 2009=100)	163.5	**165.0**	3.3%	**0.9%**
Landed property	184.8	**189.4**	6.7%	**2.5%**
Non-landed property	158.8	**159.6**	2.5%	**0.5%**
CCR (1)	135.8	**135.0**	0.5%	**-0.6%**
RCR (2)	170.6	**174.4**	6.1%	**2.2%**
OCR (3)	189.1	**188.7**	1.1%	**-0.2%**

(1) Index for Q3 2021 is a flash estimate
(2) Core Central Region (CCR) comprises Postal Districts 9, 10, 11 Downtown Core Planning Area and Sentosa
(3) Rest of Central Region (RCR) comprises area within Central Region that is outside those covered by CCR
(4) Outside Central Region (OCR)
Source: URA

Outlook

Looking ahead, we note that commercial real estate firms are positive on the outlook of the Singapore residential real estate market. Colliers believes that the momentum of residential sales is likely to pick up and remain strong in Q4 2021. Despite potentially fewer new launches, Colliers sees stronger buying power potentially driving sales of existing projects. It expects developer sales to reach 12,000 units in 2021.

Similarly, CBRE expects to see healthy new home sales in the next few months, albeit to come mostly from ongoing projects with a few large launches for the rest of 2021. The firm highlighted that the expansion of the Vaccinated Travel (VTL) program will be conducive to the return of foreign demand. It also believes that as Singapore transitions into endemic living, Covid-19 curbs would no longer pose a headwind for developer sales. Latest CBRE forecasts expect 2021 developer sales in to come in between 11,000 and 12,000 units. Meanwhile, private home prices are expected to rise by 6-8% for full-year 2021, in line with the latest 2021 GDP forecast of 6-7% by the Ministry of Trade and Industry. Recent projections by Knight Frank suggest even stronger price growth, with overall private residential prices expect to increase by around 7-9% for the whole of 2021.

SHARE PRICE DEVELOPMENT REVIEW

Since our initiation report issued on 13 August 2021, when Roxy's share price closed at S$0.410, we note that the share price has risen. From then till present, the share price is up by about 15%. Recently, the share price has traded between S$0.470 to S$0.480. The 52-week low is S$0.330 reached on 4 November 2020 and the 52-week high is S$0.500 reached on 21 July 2021.

To a large extent, the share price rally has been due to the proposed takeover offer which was announced on 20 September 2021. On the same day, the share price surged to a closing of S$0.470 from S$0.405 on 14 September, which is the last full day of trading for Roxy's shares.

Since the announcement of the proposed takeover offer, we note that SLD has been acquiring shares of Roxy. Over the period from 20 September till time of writing, SLD acquired shares over 7 separate transactions at a price per share of S$0.470 for each transaction, as shown in **Exhibit 9**.

Exhibit 9: Share acquisitions by SLD

Date	Acquirer	No. of shares acquired	Price per share (S$)	Total cost (S$)
4-Oct-21	SLD	1,800,000	0.470	846,000
14-Oct-21	SLD	310,000	0.470	145,700
15-Oct-21	SLD	340,000	0.470	159,800
18-Oct-21	SLD	300	0.470	141
19-Oct-21	SLD	2,000	0.470	940
20-Oct-21	SLD	299,400	0.470	140,718
21-Oct-21	SLD	220,500	0.470	103,635
Total	**-**	**2,972,200**	**-**	**1,396,934**

Source: Roxy

As a result of the above share acquisitions, it is estimated that the Undertaking Parties currently hold 999,733,659 shares in Roxy, representing approximately 76.67% of the total number of issued shares.

FINANCIAL PROJECTION

Here, we will provide our revised projections for Roxy's revenue, earnings and dividends for 2021 and 2022.

(I) Revenue projection

As was done previously, we will estimate revenue generated by Roxy's individual business segments to derive a total projected revenue for each period.

Property development revenue

For property development revenue, we will provide our revised projections for Roxy's fully sold projects, projects which are not yet fully sold and the upcoming Mori Condo development.

Revenue from fully sold projects – RV Altitude, Harbour View Gardens, 120 Grange and Bukit 828

Roxy's fully sold projects include RV Altitude, Harbour View Gardens, 120 Grange and Bukit 828. Unit sales for these projects are expected to be recognised upon their completion. Owing to recent tightened measures in Singapore, we could expect delay in construction progress for the projects. We had accounted for this previously by assuming that completion of the individual projects will be pushed back by one quarter. Thus, we will maintain our projection of S$87.8 million and S$125.6 million in revenue to be recognized across the 4 projects during 2H2021 and 2022 respectively, as shown in **Exhibit 10**.

Exhibit 10: Projected revenue to be recognized in 2H2021 and 2022 for fully sold projects

Project name	Projected revenue recognised (S$ million) 2H2021	Projected revenue recognised (S$ million) 2022 (1)
RV Altitude	59.6	89.5
Harbour View Gardens	1.9	-
120 Grange	19.6	29.4
Bukit 828	6.7	6.7
Total	**87.8**	**125.6**

(1) Or up till point of completion during the period
Source: FPA Financial

Revenue from projects not yet fully sold – Dunearn 386, Fyve Derbyshire and View at Kismis

Currently, we remain optimistic on sales performance for Roxy's residential projects in Singapore, given the overall positive outlook of the Singapore residential real estate market. As highlighted in the 'Industry Overview' section, home buying sentiment in Singapore has remained strong, albeit a moderation in private new home sales in September 2021. Year-to-date Q3 2021, new home sales (excluding ECs) reached 10,111 units, exceeding 9,982 units sold for the whole of 2020. Overall, residential prices have also risen, with URA flash estimates showing that the PPI index rose by 0.9% q-o-q in Q3 2021. Looking ahead, we note that new home sales are expected to remain strong. In particular, contribution from foreign demand is expected to rise amid the expansion of the VTL scheme. Latest projections by CBRE and Knight Frank indicate that new home sales could potentially reach 12,000 units in 2021. Meanwhile, home prices are also expected to rise in 2021, with CBRE and Knight Frank forecasting an increase of 6-8% and 7-9% respectively.

Meanwhile, we note mixed sales performance across Dunearn 386, Fyve Derbyshire and View at Kismis, which are Roxy's Singapore residential projects which have yet to be fully sold. According to URA data, a total of 15 units were sold across these projects over the period from 1 August 2021 till present, with a total sales price of S$30.7 million, as shown in **Exhibit 11**. Of the 15 total units sold across the projects, 12 units were contributed by Dunearn 386; 3 units by View at Kismis; and none at Fyve Derbyshire.

Exhibit 11: New sale transactions for Dunearn 386, Fyve Derbyshire and View at Kismis

	New sale transactions from 1 Aug 21 till present			
			Price psf (S$)	
Project name	No. of units	Total sales price ($ million)	Min.	Max.
Dunearn 386	12	24.3	2,101	2,608
Fyve Derbyshire (1)	-	-	-	-
View at Kismis	3	6.4	1,671	1,682
Total	**15**	**30.7**	**-**	**-**

(1) Last sale transaction was in April 2021

Source: URA

Taking into account the additional sales, Dunearn 386, Fyve Derbyshire and View at Kismis are 86%, 75% and 99% sold as at time of writing, as shown in **Exhibit 12**.

Exhibit 12: Current sales completion for Dunearn 386, Fyve Derbyshire and View at Kismis

Project name	Total no. of units	Current units sold	Sales percentage
Dunearn 386	35	30	86%
Fyve Derbyshire	71	53	75%
View at Kismis	186	185	99%
Total	**292**	**268**	**92%**

Source: FPA Financial

As highlighted previously, our projected total attributable sale value for Dunearn 386, Fyve Derbyshire and View at Kismis would be S$61.3 million, S$128.5 million and S$142.6 million respectively, as shown in **Exhibit 13**. Of which, S$10.0 million, S$21.6 million and S$24.5 million have been respectively recognized as at 30 June 2021. Accordingly, the balance attributable revenue available for recognition from 1 July 2021 till the completion of these projects would be S$51.3 million, S$106.9 million and S$118.1 million respectively, as shown in **Exhibit 13**.

Exhibit 13: Attributable revenue available for recognition from 1 July 2021 till completion

Project name	Projected attributable total sale value when fully sold	Revenue recognised up to 30 Jun 2021	Attributable revenue available for recognition from 1 Jul 2021 till completion
	S$ million	S$ million	S$ million
Dunearn 386	61.3	10.0	51.3
Fyve Derbyshire	128.5	21.6	106.9
View at Kismis	142.6	24.5	118.1

Source: Roxy, FPA Financial

To determine how much revenue would be recognized during 2H2021 and 2022, we will estimate the progression of sales. Previously, we had assumed a 5% sales completion per quarter during 2H2021 and 20% sales completion per quarter in 2022 and beyond. Accordingly, we had projected sales completion for Dunearn 386, Fyve Derbyshire and View at Kismis to be 61%, 85% and 100% at the end of 2021.

As it turns out, the actual sales progression for Dunearn 386 and View at Kismis were faster than what we had projected previously. At present, the two projects have achieved 86% and 99% sales completion respectively. Thus, we will revise our projected sales completion to reflect that both projects would be fully sold by the end of 2021, as shown in **Exhibit 14**. As for Fyve Derbyshire, we note that sales progress has stagnated since April 2021. Thus, we would moderate our projection to assume no sales for the rest of 2021, and thus 75% sales completion by the end of 2021. In 2022, we would assume a 5% sales completion per quarter, which would imply 95% sales completion by end of the year.

Exhibit 14: Projected sales progression for Dunearn 386, Fyve Derbyshire and View at Kismis

Project name	Current sales 21-Oct-21	Projected sales completion 31-Dec-21	31-Dec-22
Dunearn 386	86%	100%	100%
Fyve Derbyshire	75%	75%	95%
View at Kismis	99%	100%	100%

Source: Roxy, FPA Financial

Meanwhile, as was done previously, we would assume a constant rate of construction completion in each quarter for the projects starting from 1 July 2021. The adjusted expected completion date for Dunearn 386, Fyve Derbyshire and View at Kismis would be Q3 2022, Q1 2023 and Q2 2023 respectively, after extending completion by a quarter to take into account construction delays. Accordingly, the required number of quarters till completion (from 1 July 2021) for these projects would be 5, 7 and 8 respectively. Thus, the balance attributable revenue available for recognition for the projects will be evenly distributed over every quarter till completion.

For Dunearn 386, the balance attributable revenue of S$51.3 million would be recognized evenly across 5 quarters (Q3 2021 to Q3 2022). Accordingly, the sales revenue of S$20.5 million would be recognized for the project during 2H2021, as shown in **Exhibit 15**. This would imply a sales revenue recognition of 50% as at 31 December 2021. Adopting the same approach, the projected sales revenue recognized in 2H2021 would be S$30.5 million and S$29.5 million for Fyve Derbyshire and View at Kismis, as shown in **Exhibit 15**. Respectively, this translates to revenue recognition of 41% and 38% respectively as at 31 December 2021.

Exhibit 15: Projected revenue recognition up till 31 December 2021

Project name	Projected attributable total sale value when fully sold (S$ million)	Attributable revenue recognised up to 30-Jun-21 (S$ million)	Projected revenue recognised in 2H2021 (S$ million)	Projected revenue recognised Up till 31-Dec-21 S$ million	% recognition
Dunearn 386	61.3	10.0	20.5	30.5	50%
Fyve Derbyshire	128.5	21.6	30.5	52.1	41%
View at Kismis	142.6	24.5	29.5	54.0	38%
Total	**332.4**	**56.1**	**80.5**	**136.6**	**41%**

Source: Roxy, FPA Financial

By the end of 2022, full revenue recognition would be expected for Dunearn 386, given expected completion in Q3 2022. Accordingly, the project is estimated to recognize S$30.8 million in 2022, as shown in **Exhibit 16**.

Exhibit 16: Projected revenue recognition in 2H2021 and 2022 for Dunearn 386

Project name	Projected revenue recognised (S$ million)	
	2H2021	2022
Dunearn 386	30.5	30.8

Source: FPA Financial

Meanwhile, expected completion for Fyve Derbyshire and View at Kismis is beyond 2022. Based on the Housing Developers Rules in Singapore, payment of up to 60% of purchase price would be made prior to achieving the Temporary Occupation Permit (TOP). Within 14 days immediately after the TOP is received, payment of 25% of purchase price would be made. The payment of the last 15% of purchase price would be done upon completion date. As disclosed on the official project websites, Fvye Derbyshire is expected to attain TOP in November 2022, while that for View at Kismis is beyond 2022. This would suggest that the maximum sales revenue recognition for Fyve Derbyshire and View at Kismis as at the end of 2022 would be 85% and 60% respectively. Accordingly, the projected revenue up till 31 December 2022 for these projects would be S$109.2 million and S$85.6 million respectively, as shown in **Exhibit 17**.

Exhibit 17: Projected revenue recognition up till 31 Dec 2021 and 31 Dec 2022

Project name	Projected attributable total sale value when fully sold	Projected revenue recognised			
		Up till 31-Dec-21		Up till 31-Dec-22	
	(S$ million)	S$ million	% recognition	S$ million	% recognition
Dunearn 386	61.3	30.5	50%	61.3	100%
Fyve Derbyshire	128.5	52.1	41%	109.2	85%
View at Kismis	142.6	54.0	38%	85.6	60%
Total	**332.4**	**136.6**	**41%**	**256.1**	**77%**

Source: FPA Financial

Based on 85% and 60% sales revenue recognition for Fyve Derbyshire and View at Kismis respectively as at 31 December 2022, this would imply a projected revenue recognition of S$57.1 million and S$31.6 million respectively during 2022, as shown in **Exhibit 18**.

Exhibit 18: Projected revenue recognition in 2H2021 and 2022

Project name	Projected attributable total sale value when fully sold	Attributable revenue recognised up to 30-Jun-21	Projected revenue recognised		Projected revenue recognised	
			2H2021	2022	Up till 31-Dec-22	
	(S$ million)	(S$ million)	(S$ million)	(S$ million)	S$ million	% recognition
Dunearn 386	61.3	10.0	20.5	30.8	61.3	100%
Fyve Derbyshire	128.5	21.6	30.5	57.1	109.2	85%
View at Kismis	142.6	24.5	29.5	31.6	85.6	60%
Total	**332.4**	**56.1**	**80.5**	**119.5**	**256.1**	**77%**

Source: Roxy, FPA Financial

Total projected revenue recognition for Roxy's Singapore projects in 2H2021 and 2022

Given the projected figures across all of Roxy's Singapore projects, excluding those held by associates, the total projected revenue recognition would be S$168.4 million and S$245.0 million for 2H2021 and 2022 respectively, as shown in **Exhibit 19**.

Exhibit 19: Projected revenue recognition for Roxy's Singapore projects excluding those held by associates for 2H2021 and 2022

Project name	Projected revenue recognised (S$ million)	
	2H2021	2022
Dunearn 386	20.5	30.8
Fyve Derbyshire	30.5	57.1
View at Kismis	29.5	31.6
RV Altitude	59.6	89.5
Harbour View Gardens	1.9	-
120 Grange	19.6	29.4
Bukit 828	6.7	6.7
Total	**168.4**	**245.0**

Source: FPA Financial

Revenue from new Mori Condo development

Previously, we estimated total development sales of S$179.4 million for Roxy's Mori Condo at Jalan Molek and Guillemard Road. Given that the project is expected to launch in Q4 2021, we will consider the contribution to Roxy's property development revenue.

As was done previously, we would assume contribution to property development revenue starting in 2022, progressive sales recognition would only be expected then. We will maintain our assumption of 50% construction completion to be achieved in 2022. Accordingly, the projected revenue recognition for the period would be S$89.7 million = [50% x S$179.4 million]. As Roxy owns a 100% effective interest in the project, the total contribution to property development revenue in 2022 would be the full amount of S$89.7 million.

Total property development revenue projection for 2021 and 2022

Considering the projected revenue figures for Roxy's Singapore projects (excluding those held by associates) and Mori Condo, we would derive projected total property development revenue of S$294.9 million for 2021 and S$334.7 million = [S$245.0 million in projected revenue recognition for Roxy's Singapore projects (excluding those held by associates) + S$89.7 million in projected revenue recognition for Mori Condo] for 2022, as shown in **Exhibit 20** on the next page.

Exhibit 20: Projected property development revenue for 2021 and 2022

Period	Revenue (S$ million)	% change, y-o-y
1H2020 actual	99.3	-11%
2H2020 actual	66.5	-76%
2020 actual	**165.8**	**-57%**
1H2021 actual	126.5	27%
2H2021 forecast	168.4	20%
2021 forecast	**294.9**	**78%**
2022 forecast	**334.7**	**14%**

Source: Roxy, FPA Financial

Hotel ownership revenue

Since our initiation report, the global international travel outlook has improved as the spread of the Delta variant comes under better control. The virus situation in the US and Europe have broadly stabilized and that for Asia is also improving. Countries globally are taking further steps to reopen their borders and airlines are also increasing flight capacities in anticipation of a strong return of demand. Barring another severe global virus resurgence, there could be further normalization of international travel going forward, and this could kickstart a strong rebound in global hotel markets.

For instance, in Singapore where Roxy owns the Grand Mecure Roxy hotel, international visitor arrivals (IVA) rebounded in September 2021, as the government introduced the Vaccinated Travel Lane (VTL) scheme with Germany and Brunei from September 8. During the period, the total number of IVA was 18,995, an increase by about 20% from 15,879 in the previous month. On a y-o-y basis, IVA was up by 99.9% in September 2021. More recently, it was announced that the VTL scheme would be expanded to include a total of 11 countries. This is likely to support a stronger recovery in IVA numbers, and in turn hotel demand in the coming months. Domestically, as Singapore makes further progress towards endemic living, domestic hotel demand should also recover as Covid-19 restrictions are lifted.

On the back of a further improved outlook for international travel, we will revise upwards our projection to reflect a 60% y-o-y increase in hotel ownership revenue, from 50% y-o-y previously, to S$16.3 million in 2H2021. Accordingly, the projected revenue generated by the hotel ownership segment for full-year 2021 would be S$27.0 million, as shown in **Exhibit 21**. For 2022, we will maintain a projected 20% y-o-y increase in hotel ownership revenue to S$32.4 million = [120% x S$27.0 million in projected revenue for 2021].

Exhibit 21: Projected hotel ownership revenue for 2021 and 2022

Period	Revenue (S$ million)	% change, y-o-y
1H2020 actual	15.1	-39%
2H2020 actual	10.2	-61%
2020 actual	25.2	-50%
1H2021 actual	10.7	-29%
2H2021 forecast	16.3	60%
2021 forecast	**27.0**	**7%**
2022 forecast	**32.4**	**20%**

Source: Roxy, FPA Financial

Property investment revenue

For property investment revenue, we will maintain the projected figure of S$7.9 million for 2021, based on the estimated combined annual gross income for Roxy Square and NZI Centre, as reported by Roxy. For 2022, we would also maintain the forecast of a 10% y-o-y increase in property investment revenue. Accordingly, the projected property investment revenue for the period would be S$8.7 million = [110% x S$7.9 million in projected revenue for 2021], as shown in **Exhibit 22**.

Exhibit 22: Projected property investment revenue for 2021 and 2022

Period	Revenue (S$ million)	% change, y-o-y
2020 actual	7.4	-4%
2021 forecast	7.9	7%
2022 forecast	8.7	10%

Source: Roxy, FPA Financial

Total revenue projection

Given the projected revenue figures for Roxy's individual segments in 2021 and 2022, the projected total revenue in the respective periods would be S$329.8 million and S$375.8 million, as summarized in **Exhibit 23**.

Exhibit 23: Summary of projected total revenue for 2021 and 2022

	2021 forecast		2022 forecast	
Segment	Revenue (S$ million)	% of total	Revenue (S$ million)	% of total
Property development	294.9	89.4%	334.7	89.1%
Hotel ownership	27.0	8.2%	32.4	8.6%
Property investment	7.9	2.4%	8.7	2.3%
Total	**329.8**	**100.0%**	**375.8**	**100.0%**

Source: FPA Financial

(II) Earnings projection

Given our projected revenue figures for 2021 and 2022, we now estimate Roxy earnings for these periods.

Gross profit

Previously, we reviewed Roxy's historical 5-year data and derived a key conclusion that the trend in gross margin for Roxy's overall business was closely in line with that for the property development segment, as shown in **Exhibit 24**.

Exhibit 24: Breakdown of historical gross margin for Roxy's individual business segments

	2016			2017			2018			2019			2020		
Segment	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)	Revenue (S$'m)	Gross profit ($'m)	Gross margin (%)
Property development	326.6	45.3	14%	191.8	28.0	15%	75.0	20.4	27%	385.9	75.2	19%	165.8	17.4	10%
Hotel ownership	46.3	26.9	58%	44.3	24.0	54%	50.0	25.0	50%	50.4	24.4	48%	25.2	9.9	39%
Property Investment	12.5	9.0	72%	10.8	7.6	70%	7.9	5.4	68%	7.7	6.6	86%	7.4	6.0	81%
Total	385.4	81.2	21%	246.8	59.5	24%	132.9	50.8	38%	444.0	106.2	24%	198.4	33.3	17%

Source: Roxy

We also highlighted that rising construction costs could negatively impact the profit margins for property developments. Thus, gross margin for Roxy's property development segment, and in turn the overall business, could remain low.

Thus, we will maintain the projected gross margin 18.0% for 2021 based on the level recorded in 1H2021. For 2022, we would assume a higher margin of 20% considering the potential for an improvement in gross margin for the hotel ownership segment with further recovery in international travel. If the Covid-19 situation in Asia – especially those which contribute significantly to Singapore's migrant workforce – stabilizes, there is also a possibility for a moderation in construction costs as labour shortages are gradually resolved. Accordingly, projected gross profit for 2021 and 2022 would be S$59.4 million and S$75.2 million respectively, as shown in **Exhibit 25**.

Exhibit 25: Projected gross profit for 2021 and 2022

Period	Revenue (S$ million)	Gross profit (S$ million)	Gross margin (%)
2020 actual	198.4	33.3	17%
2021 forecast	329.8	59.4	18%
2022 forecast	375.8	75.2	20%

Source: Roxy, FPA Financial

Meanwhile, we will maintain our projected figures for income statement items including other operating income, distribution & selling expenses, administrative expenses, other operating expenses and finance costs, as we do not foresee material revisions to be necessary.

Consequently, the projected profit before taxation and share of results from associates & joint ventures would be S$19.3 million for 2021 and S$29.2 million for 2022, as shown in **Exhibit 26**.

Exhibit 26: Projected profit before taxation and share of results from associates and joint ventures for 2021 and 2022

[S$ million]	FY2021 forecast	FY2022 forecast
Revenue	329.8	375.8
Cost of sales	(270.4)	(300.7)
Gross profit	59.4	75.2
Other operating income	20.6	20.6
Distribution & selling expenses	(6.0)	(7.2)
Administrative expenses	(9.1)	(10.9)
Other operating expenses	(25.9)	(25.9)
Finance costs	(19.7)	(22.6)
Profit before taxation and share of results from associates and joint ventures	**19.3**	**29.2**

Source: FPA Financial

Share of results of associates & joint ventures

For 2H2021, we would assume the same share of results as in 1H2021, implying a total share of results from associates & joint ventures of S$4.7 million for 2021. As highlighted previously, we would expect share of results from associates & joint ventures to improve in 2022, given the expectation of strong profit recognition from Arena Residences, Neu at Novena and Wilshire Residences, which are Roxy's Singapore properties under development held by associates. Further, there could also be potential profit recognition from the upcoming residential development on the amalgamated site at Institution Hill. As we note that the strong outlook for home sales in Singapore remains intact, we will maintain a projected 50% y-o-y increase in share of results to S$7.1 million = [150% x S$4.8 million projected in 2021] in 2022.

Taxation

In our projections, we would assume a 17% Singapore income tax rate on profit before taxation and share of results from associates & joint ventures to derive projected tax expenses of S$3.3 million and S$5.0 million for 2021 and 2022 respectively, as follows:

- Projected tax expense for 2021 = [17% x S$19.3 million] = S$3.3 million
- Projected tax expense for 2022 = [17% x S$29.2 million] = S$5.0 million

After-tax profit

Adjusting for the projected share of results from associates & joint ventures and tax expenses, the projected after-tax profit for 2021 and 2022 would be S$20.7 million and S$31.3 million respectively. Assuming zero non-controlling interests for both periods, the projected shareholders' profit would be S$20.7 million and S$31.3 million respectively. This translates to an EPS of 1.59 cents and 2.40 cents for 2021 and 2022 respectively.

We have summarized our projected earnings for 2021 and 2022 in **Exhibit 27**.

Exhibit 27: Earnings projection for 2021 and 2022

[S$ million]	2021 forecast	2022 forecast
Revenue	329.8	375.8
Cost of sales	(270.4)	(300.7)
Gross profit	**59.4**	**75.2**
Other operating income	20.6	20.6
Distribution & selling expenses	(6.0)	(7.2)
Administrative expenses	(9.1)	(10.9)
Other operating expenses	(25.9)	(25.9)
Finance costs	(19.7)	(22.6)
Profit before taxation and share of results from associates and joint ventures	19.3	29.2
Share of results from associates & joint ventures (net of income tax)	4.7	7.1
Taxation	(3.3)	(5.0)
Profit after taxation	**20.7**	**31.3**
Profit attributable to:		
Equity holders of the Company	**20.7**	**31.3**
Non-controlling interests	-	-
	20.7	31.3
Profit attributable to equity holders	20.7	31.3
Weighted average no. of shares in issue (million)	1,304.0	1,304.0
EPS (cents)	**1.59**	**2.40**

Source: FPA Financial

(III) Dividends projection

With reference to Exhibit 42, we note that Roxy's payout ratio was about 40.0% during 2016 and 2017, before increasing to 55.2% in 2018, and maintaining at the same level in 2019. For 2020, no dividends were declared amid the negative impact of the Covid-19 pandemic.

However, given positive earnings projected for 2021 and 2022, we will expect dividends to be declared for these periods. Considering that no dividends were paid in 2020, we will now assume a payout ratio of 50% for 2021 and 2022. Accordingly, the projected DPS would be 0.80 cents and 1.20 cents for 2021 and 2022 respectively, as shown in **Exhibit 28**.

Exhibit 28: Projected dividends for 2021 and 2022

	For year ended Dec 31						
	2016	2017	2018	2019	2020	2021F	2022F
EPS (cents)	4.17	2.42	1.63	2.33	(2.26)	1.59	2.40
DPS (cents)*	1.67	0.99	0.90	1.29	-	0.80	1.20
Payout ratio (%)	40.0%	40.7%	55.2%	55.2%	-	50.0%	50.0%

**Includes final and special dividends*

Source: Roxy, FPA Financial

VALUATION ANALYSIS

We will perform an updated peer comparison analysis to account for the changes in the financial position of Roxy and its selected peer companies. The results of our updated peer comparison analysis are summarized in **Exhibit 29**.

Exhibit 29: Peer comparison analysis

Company	SGX code	Closing price (S$) as at 21 Oct 21	Market cap (S$ million)	EPS [1] (cents)	P/E (x)	DPS [2] (cents)	Dividend yield (%)	NAV per share [3] (S$)	P/NAV (x)
Roxy-Pacific Holdings Ltd [4]	E8Z	0.470	612.87	(2.03)	NM	-	-	0.73	0.64
Peer companies:									
City Developments Ltd	C09	7.380	6,692.92	(216.70)	NM	15.00	2.03	9.22	0.80
GuocoLand Ltd	F17	1.700	1,886.61	13.52	12.57	6.00	3.53	3.60	0.47
Ho Bee Land	H13	2.840	1,885.82	22.89	12.41	10.00	3.52	5.58	0.51
UOL Group Ltd	U14	7.310	6,171.69	22.12	33.05	15.00	2.05	11.76	0.62
Peers' average	-	-	-	-	**19.34**	-	**3.03**	-	**0.60**

Figures have been rounded
(1) Trailing 12-month diluted EPS
(2) Trailing 12-month or last annual DPS
(3) NAV per share as at 30 Jun 2021, unless stated otherwise
(4) Based on adjusted NAV per share of 72.57 cents as at 30 Jun 2021
Source: Respective company data, FPA Financial

The results in **Exhibit 29** above show that Roxy is currently trading at a P/NAV of 0.64x, based on its adjusted NAV per share of S$0.7287. This is higher compared to the peers' average P/NAV of 0.60x. If Roxy were to trade at the peers' average P/NAV, the estimated valuation would be S$0.439 per share.

- Estimated value per share = 0.60 x adjusted NAV per share of S$0.7257 = S$0.439

As highlighted earlier on page 12, SLD has been acquiring shares of Roxy at an average of S$0.470. This could possibly suggest that the Offeror and its concert parties are confident that the takeover offer could be completed successfully.

However, it is still important to note that there is still a possibility that the takeover offer may not proceed, given that the Pre-Condition may not be satisfied. Existing shareholders may wish to sell shares now and take profit. At the current share price of S$0.470, it is worthwhile considering taking profit.

INVESTMENT RECOMMENDATION

Since our initiation report issued on 13 August 2021, when Roxy's share price closed at S$0.410, we note that the share price has risen. From then till present, the share price is up by about 15%. The share price increase has mainly been due to a proposed takeover offer for Roxy at S$0.485 per share which was announced on 20 September 2021. The offer price is a premium of 19.8% over the closing price of S$0.405 on 14 September 2021, the last full day of trading prior to the takeover announcement. It is also a premium of approximately 14.1% over the three-year highest closing price of S$0.425.

On valuation terms, Roxy is currently trading at a P/NAV of 0.64x based on its adjusted NAV per share of S$0.7287, which above the peers' average P/NAV of 0.60x. If Roxy were to trade at the peers' average P/NAV, the estimated valuation is S$0.439 per share.

We believe that recent share acquisitions by SLD at S$0.470 could possibly suggest a successful takeover offer. However, there is still a possibility that the takeover offer may not proceed, given that the Pre-Condition may not be satisfied. Existing shareholders may wish to sell shares now and take profit. At the current share price of S$0.470, it is worthwhile considering taking profit.

Considering the above, we will now issue a take profit recommendation on Roxy. Our current recommendation implies upside risks which we would highlight in the next section.

UPSIDE RISKS TO OUR RECOMMENDATION

Below, we highlight the upside risks to our recommendation to take profit at the current share price of S$0.470.

(I) Successful takeover offer

Clearly, one potential upside risk is that the takeover offer eventually succeeds. In this case, taking profit now would mean losing out on the upside of the offer price of S$0.485 over the current price of S$0.470.

(II) Strong earnings surprise due to accelerated easing of Covid-19 measures

As highlighted in our financial projection, we believe the outlook of the Singapore residential real estate market is robust and home sales are expected to remain underpinned. In turn, we forecast strong sales at Roxy's Singapore residential projects, including the upcoming Mori Condo development. If the overall Covid-19 situation stabilizes sooner-than-expected, current virus-related measures may be eased at an accelerated pace. This will allow for quicker construction progress, and in turn revenue recognition for unit sales at Roxy's residential projects. Moreover, the improved international travel backdrop amid countries' further steps to reopen their borders suggest a positive outlook for hotel markets. Barring another severe global virus resurgence, there is a possibility of accelerated border re-openings which could catalyse a strong recovery in hotel demand. Overall, there could be possibility of a strong earnings surprise which may potentially drive a strong rally in the share price.

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