



Business Brief | Last updated on January 21, 2014

Yoma Strategic Holdings (YOMA)

In August 2006, through a reverse takeover, Yoma Strategic Holdings became the first Myanmar company to be listed on the SGX. While it is a relatively diversified company, in the form of many other Asian family conglomerates, Yoma's primary business is in selling, developing and managing land and real estate projects.

In Myanmar, Yoma enjoys a prestigious position. No firm can match its reach or capital. Its top management, from its chairman Serge Pun downwards, is also considered to be apart from crony capitalism structure that exists in other large Myanmar conglomerates.

Yoma has easy access to foreign capital. Due to its strong local reputation, Yoma has been able to enter into one joint ventures after another with international companies looking to get a foothold in Myanmar. This has allowed Yoma to diversify its business even more.

Yoma has few competitors locally. In its primary business of real estate (from which it derives over 90% of its sales revenues), there are no peers of comparable size locally in Myanmar. International real estate developers are still face legal hurdles to operate in Myanmar. As the largest private real estate developer in Myanmar, Yoma is seen by international investors as the purest way to play Myanmar's development.

Yoma's future growth depends on Landmark project. Yoma hopes to get land lease extended for their Grand Meeyatha in downtown Yangon. There, they plan to develop 'Landmark' project – a mixed-use residential, office, retail and hospitality property. However, the proposal to extend land lease has been repeatedly delayed by the government.

YOMA	IN MYANMAR
RETURN ON EQUITY 4.18	LAND DEVELOPMENT RIGHTS \$ 168 million
PROFIT MARGIN 24%	SALES (FY13) \$ 60.5 million
DEBT-TO-EQUITY RATIO 16%	REAL ESTATE SALES (% of total) 95%
ASSET TURNOVER RATIO 13.1%	P/E RATIO (Mar-14E) 76x

Company Overview

(as of 20-Jan-2014)

Stock Price	S\$ 0.76
Listing	SGX
Sector	Real Estate
Shares Outstanding	1,157.12m
Market Cap	S\$879.41m
Market Cap	US\$689.09m
Liquidity (30-day ave)	US\$2.41m
EPS (Mar14E)	S\$0.01
P/E (Mar14E)	76x
P/BV (Sep13A)	2.41x
Beta	0.79

Source: Bloomberg

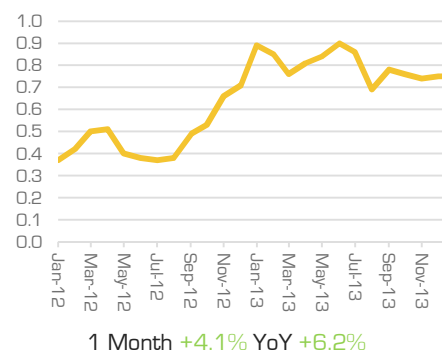
Earnings Fundamentals (m SGD)

FY runs from 1-Apr to 31-Mar

	FY12	FY13
Sales	39.21	60.47
Gross Margin	11.69	26.21
Net Income	6.14	14.26
Profit Margin	16%	24%

Source: Yoma Annual Report

Stock Performance (SGD)



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All figures are quoted from Bloomberg and Reuters.

Company Background

Yoma is founded by Mr. Serge Pun, Number 38 in Singapore's Richest 50 (as of August 2013) with a net worth of USD \$500 million.

Mr. Pun was born in Burma but migrated to China in the 1960s. In 1991, he returned to Yangon to establish SPA Myanmar, Yoma's parent company. Mr. Pun is the chairman of the Serge Pun & Associates Group, the Executive Chairman of Yoma Strategic Holdings, and the Chairman of First Myanmar Investments, a sister company.

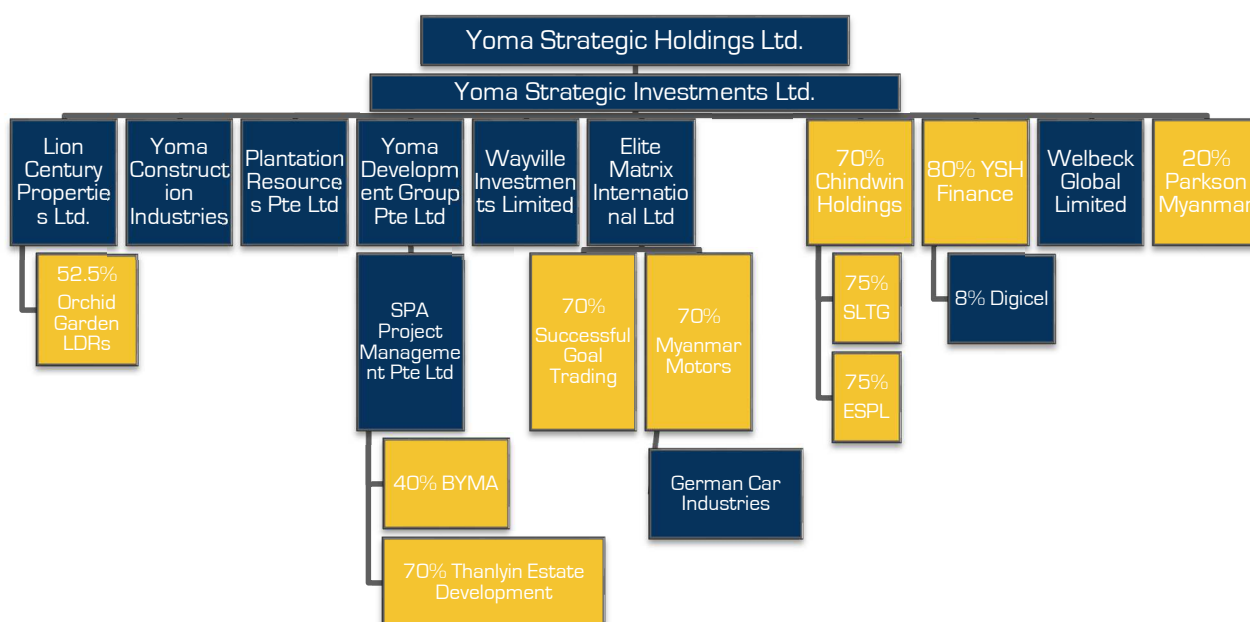
Yoma Strategic Holdings Ltd was listed in Singapore in 2006 through a reverse takeover. It is the only listed company with major exposure to Myanmar and has seen its share price quadruple since early 2012.

In real estate sector, Yoma's business plan is to buy **land development rights** (LDRs) in wholesale acres from the government. It then either sells the land directly to the locals or sells residences it built to buyers.

Chief Shareholders

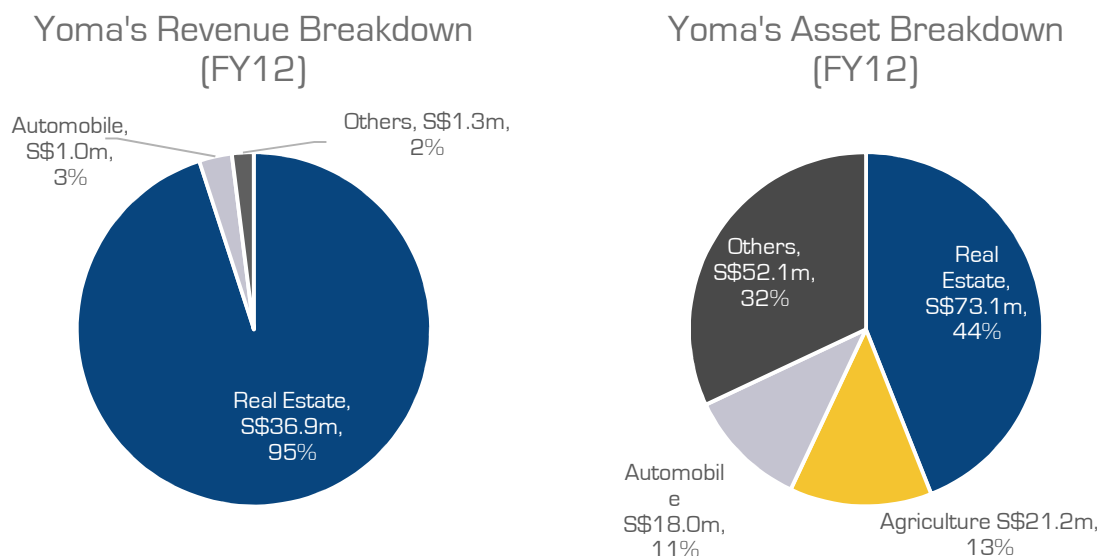
- Serge Pun: 41.67%
- Capital Group of Companies: 7.09%
- Aberdeen Asset Management: 5.41%

Yoma's Myanmar Businesses



Source: Yoma Annual Report (2013); Wholly-owned subsidiaries in blue; JVs in saffron.

Yoma's businesses at a glance



Source: Yoma's Annual Report, 2012

The following list is not exhaustive. We highlight major revenue drivers and joint ventures:

Real Estate

Real Estate division contains 44% of the company's assets and returns over 90% of its revenue. For their location, see refer to Map 1.

- **FMI City, Orchid Garden, and Pun Hlaing Golf Estate:** Yoma has begun land development in West Yangon since the late 1990s. Only a few plots remained undeveloped in FMI City and Orchid Garden.
- **Star City:** a 135-acre site in East Yangon, en route to the Special Economic Zone at Thilawa. Star City will have four zones. Zone A is sold out and finished. Currently, Yoma is selling and developing Zone B. (Out of 9000 residences to be built in Star City, over 1500 is already sold).
- **Landmark Project:** Yoma acquired 80% of the issued and paid up share capital of Meeyahta International Hotel Limited ("MIHL"). It plans to develop a mixed-use project in downtown Yangon that could cost around US\$350 million. The complex would have a total gross floor area of 2 million square feet, divided between two Grade-A office towers of 700,000 square feet, a retail centre of 400,000 square feet, and a hotel.

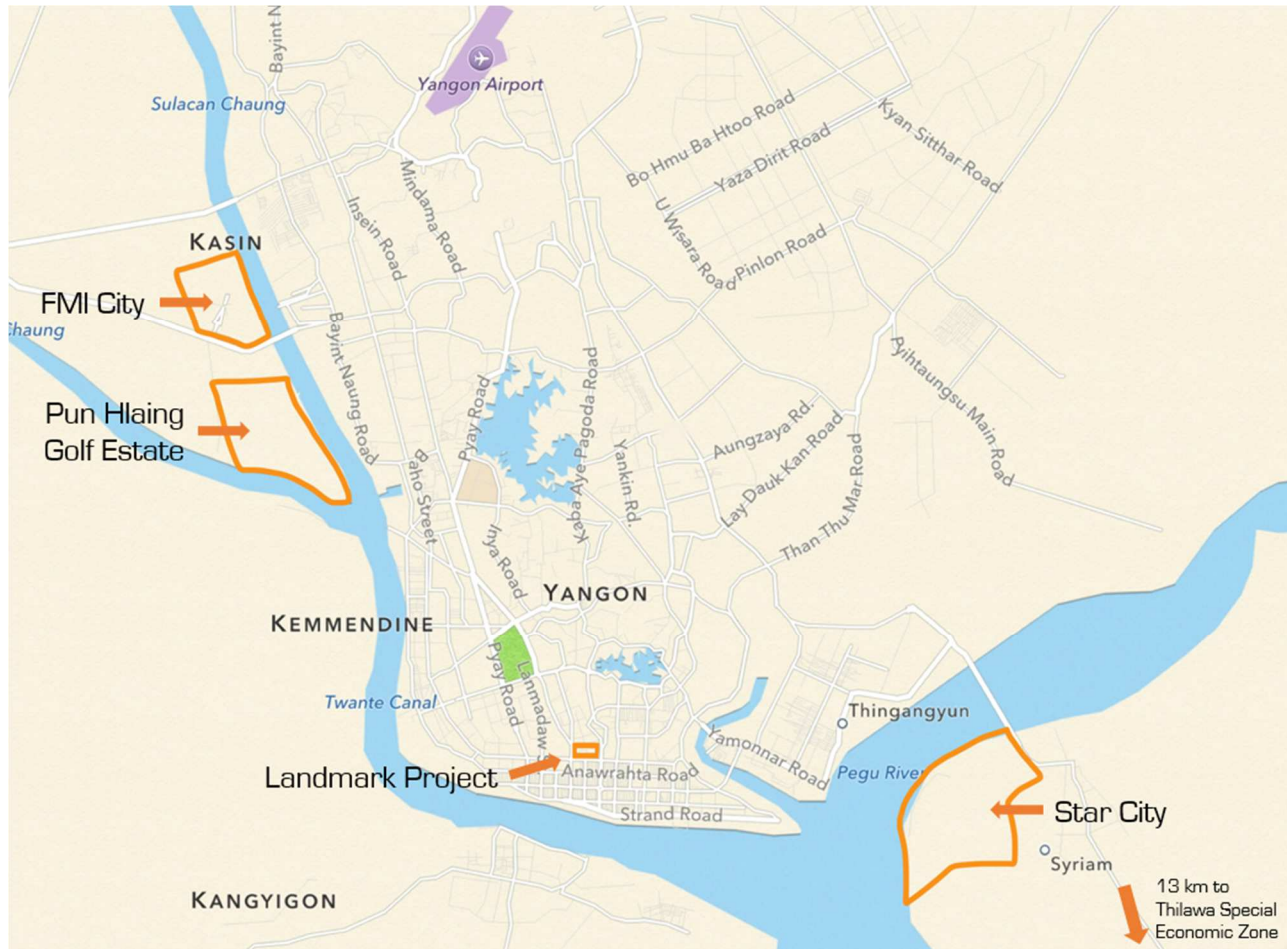
Agriculture

- **Plantation Resources Pte Ltd:** PPRL owns 70% stake in development of 100,000 acres of contiguous agricultural land on the Maw Tin estate in the Irrawaddy Division of Myanmar. It was once a loss-making political investment, mandated by the government, but Yoma has recently switched to a more profitable crop: black pepper.

Banking

- **YSH Finance Ltd:** In early 2013, Yoma formed a joint venture with FMI to establish YSH Finance Ltd, incorporated in the British Virgin Islands. The JV is 80% owned by Yoma.

Map 1: Yoma's Property Development Sites in Yangon



Source: Yoma; NCRA Research

Automobiles

- **GCI:** In April 2013, Yoma and FMI staged a 100% buyout of German Car Industries (GCI) for \$700,000. The acquisition was aimed at acquiring its management. Through GCI, Yoma manages a service centre for **Volkswagen**.
- Yoma, together with FMI and Mitsubishi Corporation opened the first **Mitsubishi Motors** After-Sales Service Center in Myanmar.

Retail

- **Parkson:** Yoma and FMI are in a joint venture with Parkson to operate department stores in Myanmar. Yoma owns 20% of the JV. FMI owns 10%.

Construction

- **BYMA:** In April 2013, Yoma formed a 40-60 joint venture with Dragages Singapore Pte Ltd to construct 1,043 residential units in Zone B of Star City.

Tourism

- In early 2013, Yoma set up Chindwin Holdings with FMI. Yoma owns 70% and FMI owns 30%.
- Chindwin has acquired a 75% interest in each of SLTG, ESPL and a call option over a piece of land in Bagan to be potentially constructed into and operated as a luxury boutique hotel.
- **Shwe Lay Ta Gun** (SLTG) operates the popular “Balloons Over Bagan” business in Bagan. The 75% stake cost \$10.7 million.
- **Eastern Safari Pte Ltd** (ESPL) is a Singapore company which operates luxury tours in Myanmar and Bhutan.

Others

- Serge Pun also owns one-third of Mizzima Media Group (MMG) a formerly exile news outlet once based in India that has moved operations into Burma

S.W.O.T Analysis

STRENGTHS

- Scarcity Premium
- First Mover Advantage
- Strong presence and knowledge of local business practices in Myanmar
- Reputation of the Group
- Access to Foreign Capital

WEAKNESSES

- Land development rights are very illiquid assets
- >95% of revenues come from 40% of assets
- Poor historical returns from non-real estate businesses

OPPORTUNITIES

- Joint Ventures with Foreign Firms
- Joint Ventures to diversify into different businesses
- Scarcity of quality real estate in Yangon drives demand and prices

THREATS

- Entry of International Real Estate Developers
- Delays over land-lease approval of Landmark project
- Real Estate bubble

In Myanmar, Yoma currently enjoys a prestigious position. There are a couple of local conglomerates prominent in construction and real estate sectors but none has Yoma's reach, capital, or management skills.

This can change in 2014. Thailand's Fragrant Property is planning to invest \$300 million in Yangon property market. Imac (Thailand), Goodland Group (Singapore), and Uni Global Power (Singapore) will all make investments into real estate and hotel sectors.

Beyond 2014, Yoma's Landmark project will face competition from Vietnam's HAGL, which has invested \$440 million into a mixed-used property development in Yangon, and from Hilton Group.

There is also the risk of a **real estate bubble**. Prices in downtown Yangon has ranged from \$70 - \$100 per square feet in the recent months. In October 2013, government imposed price ceilings which has cooled the market down.

Finally, there are **uncertainties regarding property ownership**. Myanmar laws do not allow foreigners to own land and apartments directly, and there is confusion on whether this law will change.

Yoma's Financials

Revenue recognition for home sales is based on the percentage-of-completion method, LDR sales are recognized fully upon sale.

Since Yoma has controlling interest in its joint ventures with its sister company, FMI, all land development rights are held on Yoma's books at cost.

Profit & Loss statement ('000 US\$)

	FY2012		FY2013		1HFY13		1HFY2014		Growth
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales	YoY
Sales	39,211		60,467		25,217		42,447		68%
Gross Margin	11,693	30%	26,207	43%	10,527	42%	18,161	43%	73%
Net Operating Income	722	2%	8,125	13%	-884	NM	8,115	19%	NM
Net Income	6,140	16%	14,261	24%	-1,953	NM	7,853	19%	NM

NM = Not Meaningful | Source: Yoma Quarterly Results

Balance Sheet ('000 USD)

	Oct-13	Apr-13	Portion	Growth
Total Assets	459,729	462,564	100%	-0.6%
Current Assets	164,795	178,909	36%	-7.9%
Non-Current Assets	294,934	283,655	64%	4.0%
Cash & Equivalents	51,832	106,179	11%	-51.2%
Trade Receivables	64,783	35,353	14%	83.2%
Inventories	883	1,699	0%	-48.0%
Land Development Rights	157,436	168,128	34%	-6.4%
Total Liabilities	63,367	66,444	100%	-4.6%
Current Liabilities	48,837	52,053	77%	-6.2%
Non-current liabilities	14,530	14,391	23%	1.0%
Trade Payables	46,319	35,102	73%	32.0%
Total Equity	396,362	396,120	100%	0.1%
Shareholder's Equity	358,162	357,465	90%	0.2%
Debt ratio	0.14	0.14		
Debt-to-Equity ratio	0.16	0.17		
Current ratio	3.37	3.44		

Source: Yoma Quarterly Results

Analyst Coverage

Research House	Rating	Target Price	Date	Analyst
OCBC Investment Research	Hold	S\$0.87	1 Aug 2013	Eli Lee
DBS Vickers Securities	Buy	S\$1.02	30 July 2013	Tan Ai Teng

Capital Collaboration Strategies

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