

# Singapore Company Focus

# Wing Tai Holdings Limited

Bloomberg: WINGT SP | Reuters: WTHS.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

27 Jun 2022

DBS is supported by the Research Talent Development Grant Scheme, which aims to groom research talent to expand research coverage of small to mid-cap SGX-listed companies.

**BUY** (Initiating Coverage)

Last Traded Price ( 24 Jun 2022): S\$1.76 (STI : 3,111.65)

Price Target 12-mth: S\$2.05 (16% upside)

Potential Catalysts: Strong new presales, tenders

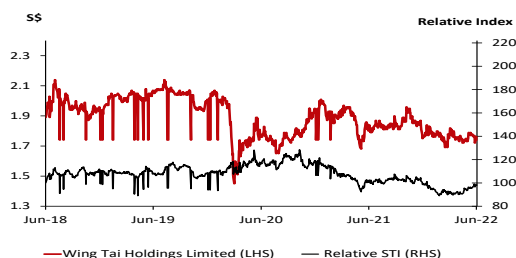
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### Price Relative



### Forecasts and Valuation

FY Jun (S\$m)	2020A	2021A	2022F	2023F
Revenue	371	461	472	480
EBITDA	82.7	121	123	129
Pre-tax Profit	26.8	75.3	77.7	80.2
Net Profit	3.10	30.7	38.8	40.2
Net Pft (Pre Ex.)	3.10	30.7	38.8	40.2
EPS (S cts)	0.40	3.99	4.88	5.07
EPS Pre Ex. (S cts)	0.40	3.99	4.88	5.07
EPS Gth (%)	(92)	890	22	4
EPS Gth Pre Ex (%)	(92)	890	22	4
Diluted EPS (S cts)	0.40	3.99	4.88	5.07
Net DPS (S cts)	3.00	5.00	3.00	3.00
BV Per Share (S cts)	418	414	401	403
PE (X)	436.9	44.1	36.1	34.7
PE Pre Ex. (X)	436.9	44.1	36.1	34.7
P/Cash Flow (X)	4.9	9.1	58.8	79.1
EV/EBITDA (X)	10.4	7.4	7.8	7.6
Net Div Yield (%)	1.7	2.8	1.7	1.7
P/Book Value (X)	0.4	0.4	0.4	0.4
Net Debt/Equity (X)	CASH	CASH	CASH	CASH
ROAE (%)	0.1	1.0	1.2	1.3

Other Broker Recs: B: 1 S: 0 H: 0

GIC Industry : Real Estate

GIC Sector: Real Estate Management & Development

Principal Business: Wing Tai Holdings ("Wing Tai" or the "Group") is an investment holding company with businesses in property development, property investment and retail management.

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

## Spreading Wings on Upcoming Tenders

- Diversified real estate portfolio across Asia Pacific valued at c.S\$2.7bn, with a premium retail franchise
- High % of inventory sold, shielding Wing Tai from a moderating property market as it builds its landbank, whilst Uniqlo JVs bring steady recurring income
- Attractive valuation at -1SD of pre-COVID P/NAV ratios
- Initiate with BUY recommendation and a TP of S\$2.05

Adding to landbank as property projects are substantially sold.

Wing Tai has substantially sold off its landbank in Singapore with a 95% sell-through rate, which, in our view, could shield the group against the moderation in Singapore's property sales volume in CY22/23 post property measures. Wing Tai remains on the hunt to replenish its landbank and will be selective in the upcoming government land sales (GLS)/en bloc tenders, following its recent successful tender for the collective sale of Lakeside Apartments. We anticipate Wing Tai to continue to build its development pipeline, catalysing an upside to its RNAV.

Premium retail franchise to bring recurring income. Uniqlo is a leading player within Southeast Asia's apparel industry, bringing ROEs of 20%-30% to Wing Tai. We estimate associate & JV income to grow at a CAGR of 9% by FY25F, which could bring recurring earnings as Wing Tai ramps up its property business.

Attractive valuation relative to pre-COVID ratios. Wing Tai is currently trading at a P/NAV ratio of 0.44x, which is at -1SD of its pre-COVID P/NAV ratios.

Catalysts to take flight. Successful GLS/en bloc tenders could catalyse a further upside to RNAVs. Potential M&As could also act as a positive catalyst, with c.S\$0.7bn in acquisition firepower based on a gearing ratio of 30%. Lastly, the group's privatisation story could be a longer term catalyst, with similar observations made vis-à-vis the partial offer in 2012.

### Valuation:

Our valuation is based on SOTP with a 50% holdings discount.

### Key Risks to Our View:

Sharp slowdown in property market.

### At A Glance

Issued Capital (m shrs)	761
Mkt. Cap (S\$m/US\$m)	1,340 / 967
Major Shareholders (%)	
Wing Sun Development Pte Ltd	29.2%
EMPIRE GATE HOLDINGS LTD	11.5%
Ascend Capital Ltd	9.0%
Free Float (%)	45.2%
3m Avg. Daily Val (US\$m)	0.22



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## Investment Summary

**Diversified real estate portfolio in Asia Pacific, with premium retail brand offerings.** Wing Tai (or the “group”) has development and investment properties in Singapore, Malaysia, Hong Kong, China, Japan, and Australia. The group’s retail arm houses well-known retail brands such as G2000, Adidas, Mango, Uniqlo, and more.

**(-) Recent property cooling measures as potential headwinds.** We observe a positive correlation between Wing Tai’s share price with (a) the number of private property sale units in Singapore and (b) the broader FTSE ST All-Share Real Estate Investment and Services (FSTREH) Index. We anticipate a multi-year moderation in property prices and sales volumes in CY22/23, given the recent property cooling measures, which could subsequently lead to a moderation of the FSTREH Index and Wing Tai’s share price.

**(-) Rising interest rates a potential concern.** We observe that the group has a negative correlation of -0.35 vis-à-vis the MAS 10-yr bond yield, which suggests that rising interest rate environments may not bode well for Wing Tai’s share price. We also observed that during the first leg of interest rate hikes between 2016-2018, the group’s share price underperformed its peers, suggesting potential downside risks to its share price with the upcoming rate hikes in 2022.

**(+) However, strong presales could shield the group from the moderating property market.** On a positive note, c.95% of Wing Tai’s development properties in Singapore have already been sold, versus some peers that have a higher % of unsold property. As such, Wing Tai should see less exposure from a property market that is expected to slow, in lieu of feeling the impact of the recent property cooling measures and upcoming interest rate hikes.

**(+) Growing property development pipeline.** Wing Tai announced that the group is a successful tenderer for the collective sale of Lakeside Apartments at 9E & 9F Yuan Ching Road for c.\$273.9m, spanning a land area of c.134,177sqft with a plot ratio of 2.1. Wing Tai has guided that the group will continue to build its development property pipeline. Additional successful land-banking activities and tenders could act as a positive catalyst for Wing Tai’s RNAV.

**(+) Premium retail franchise to bring recurring income.** Uniqlo is one of the key market leaders within Southeast Asia’s apparel industry, according to Euromonitor. Between FY15A to FY21A, profit generated by Uniqlo JVs grew at a six-year CAGR of 11%, driven by improving margins. We project associates & JV income to grow at a steady CAGR of 9% by FY25F, which could support the group’s near-term

earnings as Wing Tai builds its property development business.

**(+) Value-accretive acquisitions.** A gearing ratio of 0.30x is estimated to result in an additional S\$0.7bn in acquisition firepower. Management has guided that the group is looking for accretive investment opportunities, mostly within the property investment and development space, which could act as a positive catalyst.

**(+) Privatisation or takeover story a longer term catalyst.** The Cheng family currently holds a c.50% stake in the company. During the family’s partial offer in 2012, the group (1) had notably underperformed the FSTREH and STI indexes based on its one-year relative performance and was also (2) trading below its one-year average PNAV ratio. We believe the privatisation and/or takeover story could be near, given similar observations.

**Attractive valuation.** Wing Tai is currently trading at a PNAV ratio of 0.44x, which is near -1SD of its pre-COVID PNAV ratios.

**Initiate coverage with BUY, with TP of S\$2.05.** Our estimated TP is based on a 50% discount to our RNAV of S\$4.09. Our TP translates into an implied P/NAV ratio of 0.51x, which is aligned with +1SD of Wing Tai’s pre-COVID PNAV ratios.

### RNAV of Wing Tai

RNAV	\$m
Development Properties	2,060.5
Investment Properties	621.0
Retail	11.9
Investment & Others	-622.5
Joint Ventures	1,538.0
<b>SOTP</b>	<b>3,608.9</b>
Less: Net Debt	(292.2)
Less: MI	(68.7)
<b>RNAV</b>	<b>3,248.1</b>
RNAV/share	4.09
Holdings discount	50%
<b>TP</b>	<b>2.05</b>

Source: DBS Bank estimates

**Key risks** include (but are not limited to) the following:

- Moderation in the domestic property market due to Singapore’s recent property measures and rising interest rates
- Lack of development projects pipeline
- High capital intensity, and projects may take years to generate positive cash flows
- Financing and interest rate risks
- Risks surrounding commodity prices and contracts

## SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• <b>Established track record and an experienced management team</b> with more than 40 years of experience in property development as a reputable developer in luxury and high-end residential developments and 30 years of experience in apparel retailing.</li> <li>• <b>Diversified real estate portfolio business</b> across Singapore, Malaysia, Australia, Hong Kong SAR, People's Republic of China (PRC), Japan, and Australia.</li> <li>• <b>Premium development projects with a focus on quality and design.</b> Wing Tai has partnered world-renowned architects and designers for its property developments. Wing Tai has won numerous awards in recognition of its innovative design, architectural conservation, and environmentally sustainable practices, such as the President's Design Award for Design of the Year and the like.</li> <li>• <b>Strong presales act as a shield to a moderating property market.</b> As at FY21A, we estimate c.91% of Wing Tai's development properties in the region and c.95% of the group's development properties in Singapore have been sold. In our view, we believe this could shield Wing Tai from a moderating property market in the near term.</li> <li>• <b>Uniqlo JVs are the group's crown jewels,</b> with a return on equity of &gt;30% (pre-COVID-19 pandemic) and &gt;10% (during the COVID-19 pandemic). Between FY15A and FY21A, the group's Uniqlo JVs have seen its revenue grow at a six-year 11% CAGR y-o-y, with margins improving over the years. Uniqlo JVs are projected to bring in steady recurring income with a CAGR of 9% by FY25F, which can help the group tide through in terms of earnings as it navigates the property market.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Singapore's recent property measures to lead to moderation in the domestic property market.</b> The group is reliant on its property development business (c.77% of total revenue in FY21A), which is predominantly driven by Singapore's property sales. A moderating property market in light of Singapore's recent property cooling and taxation measures could lead to uncertainties in its outlook.</li> <li>• <b>Rising inflation and interest rates</b> may adversely impact property market sentiment and demand in CY22/CY23.</li> <li>• <b>Landbank inventory risks.</b> The group cannot assure investors that the measures it employs to manage land inventory risks will be successful and it cannot guarantee that suitable land plots and properties will always be available for acquisition, development, and/or investment. Delays in land bids and ramp up of development projects could impact medium-term earnings.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• <b>Robust balance sheets and gearing ratios.</b> We note that the group has among the lowest net gearing levels (0.07x in FY21A), relative to its peers.</li> <li>• <b>Additional government land sales and en bloc tenders</b> to catalyse a further upside to RNAVs.</li> <li>• <b>Value-accretive opportunities a catalyst.</b> Management has guided that the group is looking for accretive investment opportunities, mostly within the property investment and development space.</li> <li>• <b>Longer term privatisation story or takeover target as a catalyst.</b> The Cheng family currently holds a c.50% stake. The family's last partial offer was back in 2012.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Rising construction costs.</b> Developers are faced with rising construction costs due to rising commodity prices, labour shortages, and disruptions to supply chains. Rising construction costs could adversely impact developers' margins.</li> <li>• <b>Rising financing costs amidst a rising interest rate environment.</b> Whilst a gearing ratio of 30% could result in acquisition headroom of up to S\$0.7bn, the group's financials may be impacted by rising interest rates.</li> </ul>

Source: DBS Bank

## Potential Shield to a Moderating Property Market

Diversified real estate portfolio in Asia Pacific, with premium retail brand offerings. As at June 2021, Wing Tai had total assets of S\$4.5bn, split into development properties (50%), investment properties (46%), and retail (4%). Asset allocation is contributed predominantly by Singapore (49%), Hong Kong (35%), Malaysia (10%), Australia (4%), and China (2%).

### (-) Anticipated moderation in the property market.

Recently, the Singapore Government introduced new property cooling measures as well as higher marginal property tax rates for all non-owner-occupied residential properties and owner-occupied homes with an annual value of above S\$30,000 (effective in 2023). We anticipate investment demand to be clipped by higher acquisition costs and property taxes, while developers turn cautious on land-banking as the government ramps up supply in the HDB and primary supply space.

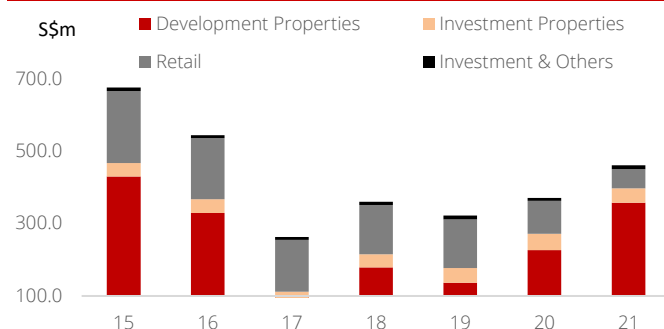
We note a positive correlation of +0.53 between the group's share price and the total no. of private property sales units. We anticipate a multi-year moderation in property prices and volumes in CY22/23, with a forecasted c.40% decline y-o-y in new private sales to c. 8,000-8,500 units in 2022 (from 14,633 in 2021 and 10,325 in 2020). The Property Price Index (PPI) is also expected to slow to 0%-3% in 2022 after an 8% rise in 2021. Cooling of the property market could moderate Wing Tai's share price.

(-) Impacted broader market sentiment. We note a positive correlation of +0.91 between the group's share price and the broader FSTREH Index. The FTSREH Index is currently trading at -1SD of its historical PNAV, following the recent property cooling measures. A moderation of the broader property market could moderate the group's share price.

(-) Rising interest rates a potential concern. A recent [survey](#) published in Feb 2022 by NUS Real Estate reported that nine out of 10 senior executives in real estate companies have flagged rising inflation and interest rates as the top potential risk factors that may adversely impact market sentiment and demand in CY22/CY23.

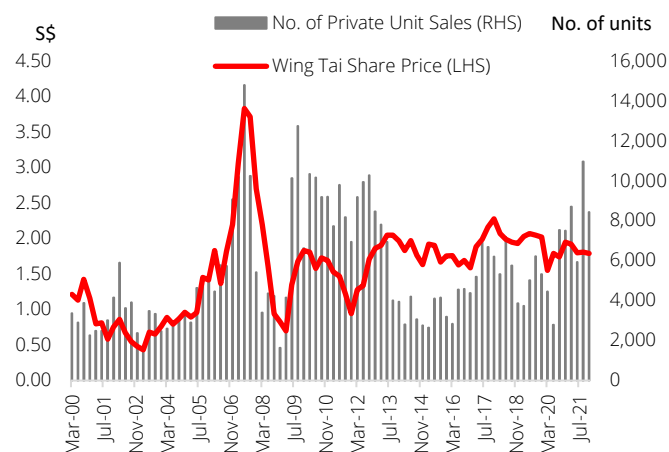
We identified historical rising interest rate environments (defined by rising US 10-yr yields) and have compared the performance of Wing Tai's share price vis-à-vis broader equity indexes (FSTREH Index and STI Index) (see next page).

### Revenue contribution by business segment



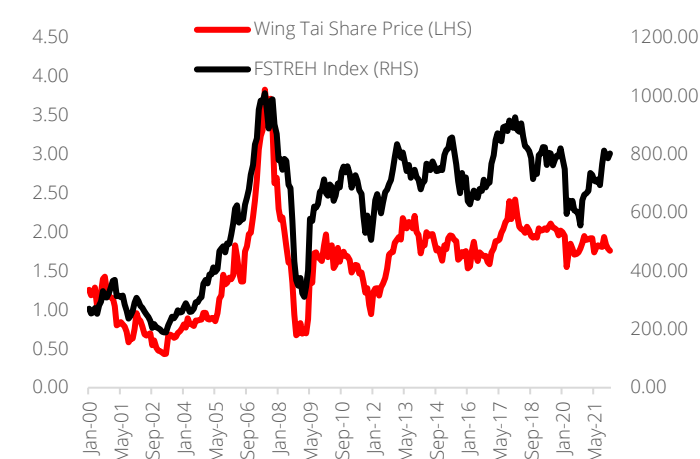
Source: Company, DBS Bank

### Critical factor 1: Wing Tai vs. quarterly private unit sales (correlation = +0.53)



Note: Total number of private unit sales includes both new private sales and resale units; source: URA, Bloomberg Finance L.P., DBS Bank

### Critical factor 2: Wing Tai vs. FSTREH Index (correlation = +0.91)



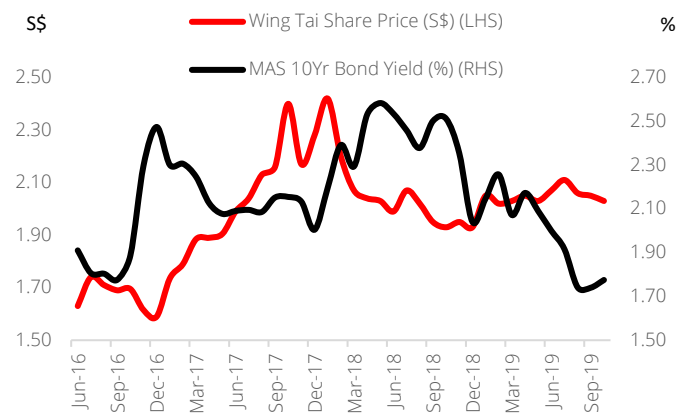
Source: Bloomberg Finance L.P., DBS Bank

**(-) Potential share price headwinds with the upcoming interest rate hikes.** We observed that during the first leg (during Jul 16-Feb 17) of interest rate hikes between 2016-2018, the group's share price underperformed its peers. Later, during Dec 17-Oct 18, the group's share price outperformed its peers slightly, albeit still showcasing negative share price performance in the second leg of the interest rate hikes.

If history repeats, we anticipate Wing Tai's share price to witness some adverse impacts during the first leg of the rising rate environment i.e., CY22, before potentially showcasing a slightly resilient share price performance in the latter stage of the interest rate hikes relative to its peers.

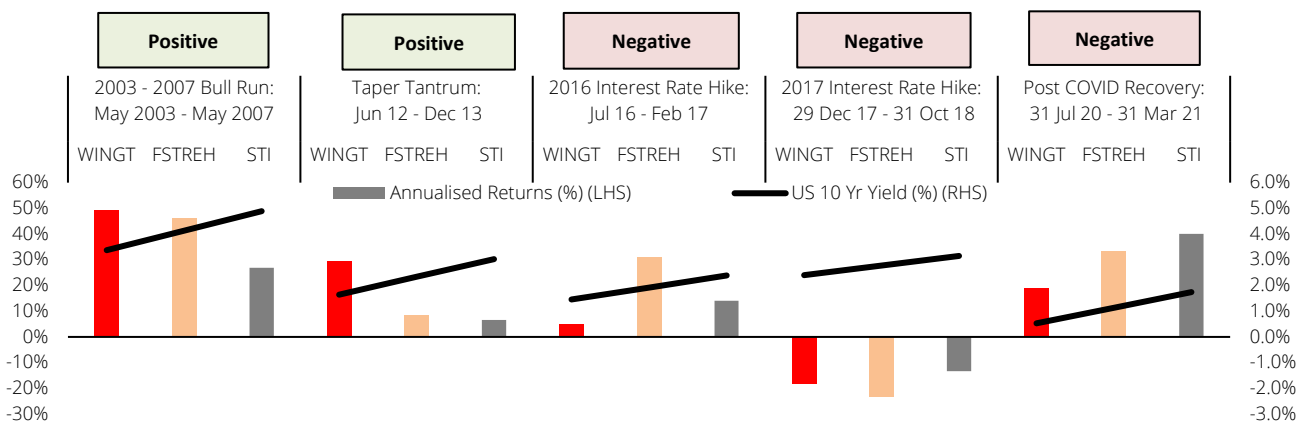
**(-) Negative correlation with MAS 10-yr bond yield.** We observe that the group's share price has a negative correlation of -0.35 vis-à-vis MAS 10-yr bond yield, based on data dating back since 2000. This suggests that rising interest rate environments (and subsequently rising yields) may not bode well for Wing Tai's share price.

**Critical factor 3: Wing Tai vs. MAS 10-yr bond yield (%) – 2016 & 2017 interest rate hikes (correlation = - 0.35)**



Source: Bloomberg Finance L.P., DBS Bank

**Rising interest rate environments**



Note: Rising interest rate environments are defined as periods that witnessed increases/spikes in US 10-year yields. Black line represents US 10-yr yields (%) at the start date and end date of each period. Bars illustrate annualised returns; returns are annualised to take into consideration the differing time periods. Source: Bloomberg Finance L.P., DBS Bank

**(+) However, strong presales could shield the group from the moderating property market, relative to its peers.** We find comfort that c.95% of the group's development properties in Singapore (as at FY21A) have been sold, versus some of its other peers that have a higher % of unsold property inventory. As such, Wing Tai should see minimal exposure/impact from a property market that is expected to slow, in lieu of an impact from the recent property cooling measures and upcoming interest rate hikes.

**(+) Growing property development pipeline.** Wing Tai announced that the group is a successful tenderer for the collective sale of Lakeside Apartments at 9E & 9F Yuan

Ching Road for c.S\$273.9m, spanning a land area of c.134,177sqft with a plot ratio of 2.1. Wing Tai has guided that the group will continue to build its development property pipeline. Additional successful land-banking activities and tenders could act as a positive catalyst for Wing Tai's RNAV, and subsequently, its share price.

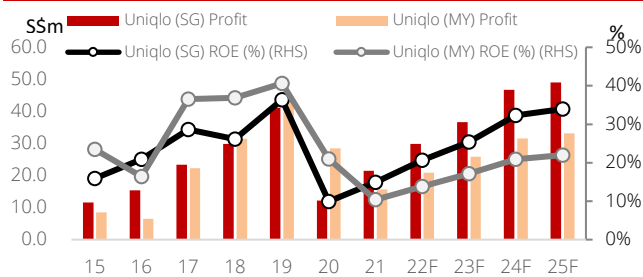
**(+) Healthy balance sheets to tide group through interest rate hikes.** We also like that Wing Tai has among the lowest net gearing ratios amongst its peers in Singapore, with a gearing ratio (incl. perpetual securities) of 0.07x, which, in our view, could help tide it through the upcoming interest rate hikes.



## Premium Retail Franchise to Lend Support

**(+) Recurring income to lend support.** We like Wing Tai's recurring sources of income from its joint ventures – Wing Tai Properties Limited, Uniqlo (Singapore), and Uniqlo (Malaysia), in which the group holds direct equity stakes of 33.1%, 49%, and 45%, respectively. Associate and JV income had contributed c.35% of Wing Tai's FY21A pre-tax income.

### Uniqlo JVs' profit & ROE (%)



Source: Company, DBS Bank; FY22F numbers are DBS Bank estimates

## Catalysts to Take Flight

**(+) Value-accretive acquisitions.** We like that the group has among the lowest net gearing ratios amongst its peers in Singapore, with a gearing ratio (incl. perp securities) of 0.07x. A gearing ratio of 0.30x could result in up to S\$0.7bn in acquisition firepower. Management has guided for accretive investment opportunities, mostly within the property investment and development space, which could act as a positive catalyst to Wing Tai's share price.

**(+) Potential privatisation story over the longer term.** The Cheng family currently holds a c.50% stake in Wing Tai. The family made a successful partial offer in 2012 at S\$1.39 per share for an additional c.15% stake, bringing its stake above 50%. The offer price of S\$1.39 was at a c.24% premium to the one-year average closing price between May - May 2012.

During the partial offer in 2012, we noted two observations: (A) The group's share price performance was notably lagging that of the FSTREH and STI indexes and (B) it was also trading below its one-year average PNAV ratio. We believe we are making similar observations (see right), which could suggest potential privatisation opportunities in the future.

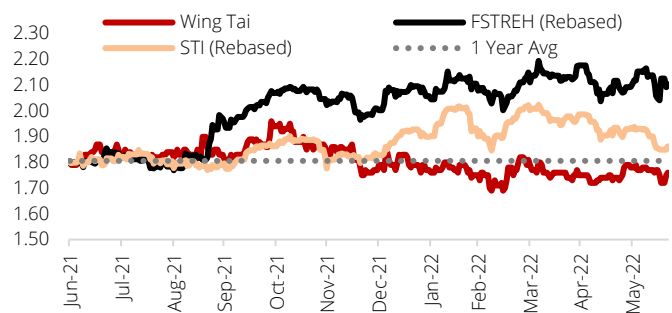
## Valuation & Peer Comparison

With a premium of 25%, this could set potential partial offers upwards of S\$2.25, based on the most recent one-year average closing share price. These estimates are assuming that potential partial offers (if any) in the future follow the same observations made in 2012.

**(+) Uniqlo JVs are crown jewels.** Uniqlo is one of the key market leaders within the Southeast Asian apparel market with a market share of 2.1%, above H&M at 1.4% and Inditex at 1.2%, according to Euromonitor's latest research as at 2018. Between FY15A to FY21A, total profit generated by Uniqlo (Singapore) and Uniqlo (Malaysia) grew at a six-year CAGR of 11%, albeit down from the four-year CAGR of 44% between FY15A to FY19A (pre-COVID-19 pandemic).

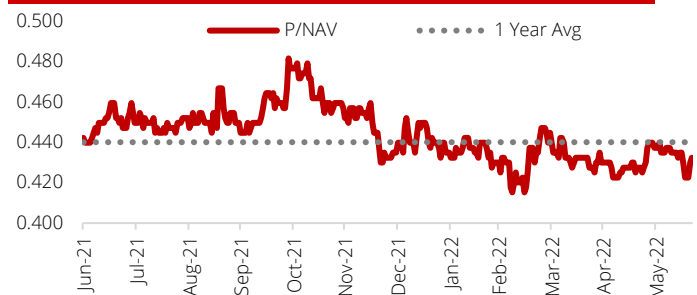
Over the years, the group's Uniqlo JVs have seen strong return on equity (ROE) of at least 20%-30% (see left), backed by improving margins. We project steady associate & JV income with a CAGR of 9% by FY25F, mainly driven by its Uniqlo JVs. Recurring income from its JVs could lend some support to the group's overall earnings as it navigates the property market and builds its property development pipeline.

### (A) 1-year relative performance (current)



Source: Bloomberg Finance L.P., DBS Bank

### (B) 1-year PNAV multiple trading range (current)



Source: Bloomberg Finance L.P., DBS Bank

### A. Valuation

**Revalued book per share of S\$4.09.** Our revalued NAV (RNAV) for the group stands at S\$4.09 per share. Our RNAV valuation includes our (i) realisable value estimates for the group's development projects, (ii) fair value estimates for its major investment properties, (iii) equity value estimates for its retail business segment, (iv) book value of its investments & others, and lastly, (iii) fair value estimates of its joint ventures – predominantly Wing Tai Properties Limited, Uniqlo (Singapore), and Uniqlo (Malaysia).

Using SOTP, we arrive at a revalued value of S\$3,609m. After considering the group's net debt and MI, we estimate a RNAV of S\$3,248m and a RNAV per share of S\$4.09. For a detailed breakdown of the RNAV valuation, refer to pages [9](#) and [10](#).

**Estimated target price of S\$2.05.** Our TP implies a holdings discount of 50% to its RNAV, a steeper discount relative to its larger developer peers. In our view, we believe the group's steeper discount is attributed to its other non-property businesses, namely, its retail franchise, as well as its smaller property development pipeline relative to its peers.

**Attractive valuation at -1SD of pre-COVID PNAV ratios.** Wing Tai is currently trading at a PNAV ratio of 0.44x, which is near -1SD of its pre-COVID PNAV ratios, which we believe to be an attractive valuation in light of the upcoming catalysts: (1) Additional GLS/en bloc tenders to lift RNAV, (2) potential M&A of value-accretive opportunities, and (3) possible privatisation play over the longer term.

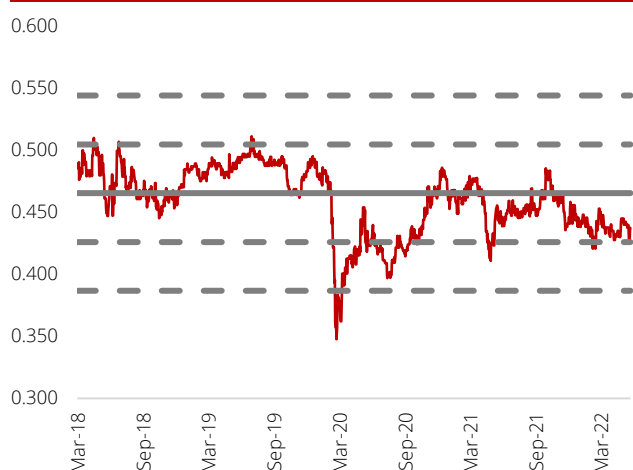
Our TP translates into an implied PNAV ratio of 0.51x, which is aligned with +1SD of Wing Tai's pre-COVID PNAV ratios.

#### RNAV of Wing Tai

RNAV	S\$m
Development Properties	2,060.5
Investment Properties	621.0
Retail	11.9
Investment & Others	-622.5
Joint Ventures	1,538.0
<b>SOTP</b>	<b>3,608.9</b>
Less: Net Debt	(292.2)
Less: MI	(68.7)
<b>RNAV</b>	<b>3,248.1</b>
RNAV/share	4.09
Holdings discount	50%
<b>TP</b>	<b>2.05</b>

Source: DBS Bank estimates; for more information on each segment's valuation, refer to pages [9](#) and [10](#).

#### Forward PNAV of Wing Tai (with pre-COVID average/SD)



#### Historical P/B of Wing Tai versus FSTREH Index



Source: Bloomberg Finance L.P., DBS Bank; note: Bands in the left chart represent average forward PNAV ratios and standard deviations in pre-COVID times



**Development properties: Estimated valuation**

Location	Stake	Gross floor area (sqft)	Estimated price per sqft p.a. (S\$)	Value (S\$m)
Le Nouvel Ardmore at Ardmore Park	100%	169,490	4,350	737
The M At Middle Road	100%	363,070	2,500	908
Lakeside Apartments	100%	281,773	2,000	564
<b>Singapore</b>				<b>2,209</b>
Le Nouvel KLCC	100%	421,895	1,000	422
Nobleton Crest	100%	27,136	450	12
Taman Bukit Minyak Utama (Phase 2)	100%	22,551	150	3
Taman Bukit Minyak Utama (Phase 4A)	100%	-	150	-
Taman Bukit Minyak Utama (Phase 5)	100%	-	150	-
Impiana Boulevard and Impiana Gallery	100%	94,260	80	8
Jesselton Hills (Phase 1A)	100%	497,135	80	40
Jesselton Hills (Phase 2)	100%	-	80	-
Jesselton Hills (Phase 4A)	100%	-	80	-
Jesselton Hills (Phase 4B)	100%	-	80	-
Jesselton Hills (Phase 5A)	100%	-	80	-
Jesselton Hills (Phase 3-5)	100%	-	80	-
Mahkota Impian, Bukit Mertajam	100%	71,333	120	9
Garden terraces, Machang Bubok	100%	157,337	150	24
Vacant land	100%	4,875,608	50	244
<b>Malaysia</b>				<b>761</b>
The Lakeside, Suzhou Industrial Park	75%	69,482	1,356	53
<b>PRC</b>				<b>53</b>
<b>Revalued</b>				<b>3,022</b>
Less: Capex				962
<b>RNAV</b>				<b>2,060</b>

**Investment properties: Estimated valuation**

Location	Stake	NLA (Sqft)	Estimated Cap rate (%)	Value (S\$m)
Winsland House I at 3 Killiney Road (1 <sup>st</sup> -9 <sup>th</sup> floor)	100%	144,130	4.75%	117
Winsland House II at 163 Penang Road	100%	78,674	4.75%	64
Winsland House II at 165 Penang Road	100%	6,286	4.75%	5
Lanson Place Winsland Serviced Residences at 167 Penang Road	100%	54,756	4.75%	44
<b>Singapore</b>				<b>230</b>
Lorong Bukit Minyak Utama 2, Pulau Pinang	100%	35,144	6.00%	23
<b>Malaysia</b>				<b>23</b>
376-388 Flinders Street, Melbourne, Victoria	100%	102,398	5.00%	79
28 Thornton Crescent, Mitcham, Victoria	100%	42,475	5.00%	33
12 Brookhollow Avenue, Baulkham Hills, New South Wales	100%	42,335	5.00%	33
464 St Hilda Road, Melbourne, Victoria	50%	148,823	5.00%	57
4 Wesley Court, Melbourne, Victoria	100%	120,772	5.00%	93
<b>Australia</b>				<b>294</b>
1 Chome 11-6 Asakusa, Taito, Tokyo	100%	32,970	4.00%	32
Singa Plaza at 8 Jinji Hu Road, Suzhou Industrial Park (2 <sup>nd</sup> – 8 <sup>th</sup> floor)	75%	88,857	6.00%	43
<b>Japan &amp; PRC</b>				<b>74</b>
<b>Revalued</b>				<b>621</b>

Source: DBS Bank estimates

## Investment, others, &amp; JVs: Estimated valuation

Segment	Valuation Method	Estimated Equity value (\$m)	Notes
Retail	P/E – Peers	12	Earnings of S\$1.1m, with a P/E multiple of 11x
Investment & Others	RNAV	-622	Book value as of FY21A
Wing Tai Properties Limited	Market cap x Stake %	392	Effective stake of 43% (includes direct stake of 34% and indirect stake of 9% via its subsidiary Brave Dragon)
Uniqlo (Singapore)	Fast Retailing PE	635	Direct stake of 49%
Uniqlo (Malaysia)	Fast Retailing PE	511	Direct stake of 45%
<b>Subtotal</b>		<b>927</b>	

Source: DBS Bank estimates; note: Market capitalisation assumed for Wing Tai Properties Limited is based on last market close as of 20 June 2022

## B. Peer Comparison

The group is trading at a slight discount relative to its peers, based on the group's trailing P/B ratios (see table below).

According to DuPont Analysis, the group's relative discount could be attributed to its lower ROEs, mainly due to its lower profit margins relative to its peers (see right). Although, we like that Wing Tai has among the lowest leverage ratios amongst its peers.

## DuPont Analysis

Company	ROE	3-Yr ROE	Profit Margins	Turnover r (x)	Asset Leverage (%)
Wing Tai Holdings	1.2	1.0	9.4	0.12	20.4
Bukit Sembawang	5.6	8.3	28.8	0.16	8.9
City Developments Ltd	1.0	-4.8	3.7	0.11	122.2
GuocoLand	5.4	4.7	19.8	0.09	103.4
Ho Bee Land Ltd	8.8	7.4	95.1	0.05	64.5
Tuan Sing Holdings	6.9	5.1	34.1	0.08	107.0
UOL Group	3.1	2.7	12.0	0.12	36.0
<b>Average (ex WT)</b>	<b>5.6</b>	<b>4.3</b>	<b>30.8</b>	<b>0.1</b>	<b>77.3</b>
<b>Median (ex WT)</b>	<b>5.6</b>	<b>5.1</b>	<b>22.1</b>	<b>0.1</b>	<b>99.3</b>

Source: Bloomberg Finance L.P., DBS Bank; Last closing: 20 June 2022

## Relative valuation

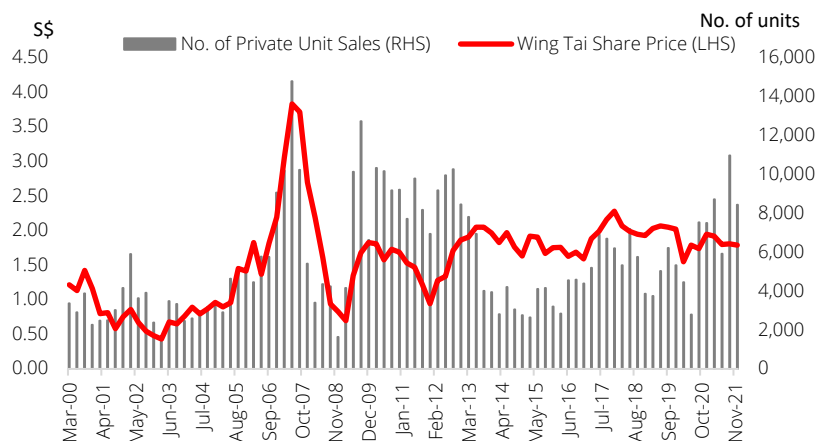
Company	Last Market Price (\$)	Market Cap (\$m)	Price-to-Earnings (x)			Price-to-Book (x)			EV/EBITDA			EV/Revenue			Dividend Yield (%)	
			CY22F	CY23F	TTM	CY22F	CY23F	TTM	CY22F	CY23F	TTM	CY22F	CY23F	TTM	CY22F	CY23F
Wing Tai Holdings	1.75	1,333	-	-	48.5x	-	-	0.4x	-	-	16.7x	-	-	2.5x	-	-
Bukit Sembawang	4.94	1,279	-	-	15.4x	-	-	0.9x	-	-	8.6x	-	-	3.1x	-	-
City Developments Ltd	8.16	7,400	12.7x	14.0x	86.8x	0.9x	0.8x	0.9x	26.8x	17.4x	27.6x	5.6x	4.9x	6.4x	1.6	1.9
GuocoLand	1.57	1,858	-	-	8.6x	-	-	0.4x	-	-	20.3x	-	-	7.1x	-	-
Ho Bee Land Ltd	2.79	1,853	-	-	5.6x	-	-	0.5x	-	-	14.9x	-	-	12.4x	-	-
Tuan Sing Holdings	0.38	450	22.1x	20.8x	5.3x	0.3x	0.4x	0.4x	17.8x	18.6x	13.2x	5.0x	4.6x	6.1x	1.6	1.6
UOL Group	7.29	6,156	17.0x	16.0x	20.0x	0.6x	0.6x	0.6x	19.8x	16.3x	25.6x	5.5x	5.3x	5.5x	2.3	2.3
<b>Average (ex WT)</b>			<b>17.8x</b>	<b>17.6x</b>	<b>21.1x</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.6x</b>	<b>22.7x</b>	<b>18.8x</b>	<b>19.6x</b>	<b>5.7x</b>	<b>5.4x</b>	<b>6.8x</b>	<b>2.0</b>	<b>2.1</b>
<b>Median (ex WT)</b>			<b>18.2x</b>	<b>17.7x</b>	<b>8.6x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>23.2x</b>	<b>18.0x</b>	<b>20.3x</b>	<b>5.5x</b>	<b>5.1x</b>	<b>6.4x</b>	<b>2.0</b>	<b>2.1</b>

Source: Bloomberg Finance L.P., DBS Bank; last closing: 20 June 2022; note: WT refers to Wing Tai

### Critical Factors

We have identified the factors that we believe are key to driving the group's financials and/or share price, as follows:

#### Critical factor 1: Wing Tai vs. quarterly private unit sales (correlation = +0.53) Comments



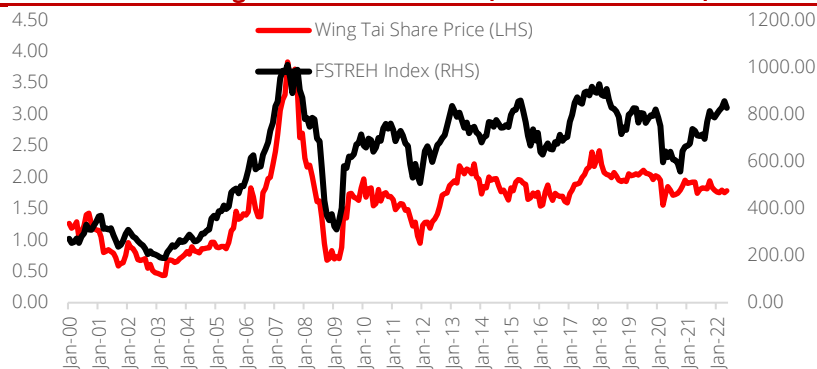
We note a positive correlation of +0.53 between the group's share price and the total no. of private property sales units.

In light of the recent property cooling and taxation measures in Singapore, we anticipate a multi-year moderation in property prices and volumes in CY22/23, with a forecasted c.40% decline y-o-y in new private sales to c.8,000-8,500 units in 2022 (from 14,633 in 2021 and 10,325 in 2020). Cooling of the property market could moderate the group's revenues and share price.

Note: Total number of private unit sales includes both new private sales and resale units.

Source: URA, Bloomberg Finance L.P., DBS Bank

#### Critical factor 2: Wing Tai vs. FSTREH Index (correlation = +0.91) Comments

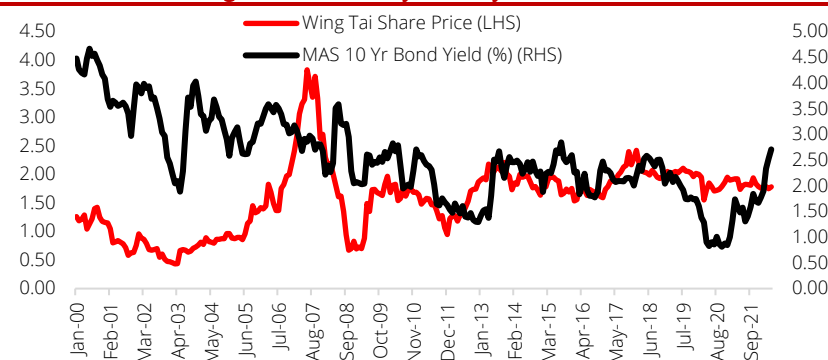


We note a positive correlation of +0.91 between the group's share price and the broader FSTREH Index.

A moderation of the broader property market could lead to a moderation of the group's share price. However, strong presales could shield the group from the moderating property market, relative to its peers.

Source: Bloomberg Finance L.P., DBS Bank

#### Critical factor 3: Wing Tai vs. MAS 10-yr bond yield (%) (correlation = - 0.35) Comments



We observe that the group's share price has a negative correlation of -0.35 vis-à-vis MAS 10-yr bond yield, based on data dating back since 2000.

This suggests that rising interest rate environments (and subsequently rising yields) may not bode well for the group's share price. However, strong presales could shield the group from the moderating property market, relative to its peers.

Source: Bloomberg Finance L.P., DBS Bank

## Key Risks

**Dependency on the health of the overall economy and the real estate market.** The success of the group's property development business depends heavily on the continued growth of the real estate market in Singapore and jurisdictions in which it operates. A downturn in the overall real estate market may lead to a decline in rental income and/or a decline in the capital value of the group's properties and development projects. Separately, changes in market/economic conditions could impact consumers' disposable income and discretionary consumer spending, which may impact the group's retail business.

**Property cooling and tax measures in Singapore.** Recently, the Singapore Government introduced new property cooling measures (effective 16 Dec 2021), as well as higher marginal property tax rates for all non-owner-occupied residential properties and owner-occupied homes with an annual value of above S\$30,000 (effective in 2023). We believe that it is likely for Singapore's real estate market to see a multi-year moderation in property prices and volumes in 2022-2023. We find comfort that c.95% of the group's development properties in Singapore (as at FY21A) have been sold, which could shield it from the moderating market in the short term.

**Regulatory risks.** Regulatory approvals may be required for, among other things, labour, land and title acquisition, construction and mortgage financing, and refinancing. Some of these countries may also restrict the level, percentage, and manner of foreign ownership or may impose additional costs on foreigners seeking to invest/own properties. Delays or challenges surrounding regulatory approval or policies could result in material impacts to the group's operations.

**High capital intensity, and projects may take years to generate positive cash flows.** Property developments typically require substantial capital outlay during land acquisition and construction phases and may take years before positive cash flows may be generated. Changes in the business environment (e.g., government approvals) over the length of the project may affect the revenue and costs, and subsequently, profitability of the group's projects.

**Revaluation risks.** A decline in gross revenue or net property income earned from the group's properties can result in downward revaluation of such properties, which could negatively impact the group's gearing. This could, in turn, trigger loan covenants and/or impact the group's

ability to refinance its existing borrowings or secure additional borrowings.

**Landbank inventory risks.** The group replenishes and sources new land by participating in government tenders and auctions as well as acquiring plots of land from private owners. The group cannot assure investors that the measures it employs to manage land inventory risks will be successful and cannot guarantee that suitable land plots and properties will always be available for acquisition, development, and/or investment.

**Risks surrounding commodity prices and contracts.** The group enters into fixed or guaranteed maximum price construction contracts, which typically cover both the supply of the building materials and the construction of the facility during the construction period. The group or its contractors may amend existing construction contracts to consider significant movements in the price of construction materials. Should the price of building materials increase significantly prior to contract arrangements, or should its existing contractors fail to perform under their contracts, the group's results can be adversely affected.

**Financing and interest rate risks.** As the group's businesses require substantial capital outlays, the group is likely to have significant debt levels. Increases in the costs of financing will also affect the profitability of the group.

**Joint venture risks.** The group may not be able to control the decision-making process of JV projects. There is no assurance that any new JVs that the group enters into will yield the anticipated benefits. Further, disputes with JV partners that cannot be resolved amicably may escalate and become litigious, which could in turn adversely affect the group's business.

**Risks relating to changing consumer tastes.** The success of the group's retail products depends on its ability to anticipate, identify, and respond to changes in consumer tastes in a timely manner. If the group misjudges fashion trends and consumer preferences or fails to anticipate or respond to higher consumer demand for design and quality, its revenue and operating profits may be adversely affected.

**Rental rates and leases.** Increases in the rental rates of the group's retail outlets may affect its profit margin and hence its earnings. The group also faces the risk of not being able to renew its existing leases at all or on favourable terms.

## Financials

### Segmental Breakdown

FY Jun	2018A	2019A	2020A	2021A	2022F	2023F
<b>Revenues (\$m)</b>						
Development Properties	179	136	227	357	366	370
Investment Properties	35.9	41.3	45.2	40.6	41.6	44.0
Retail	136	134	91.5	53.0	54.1	55.2
Investment & Others	9.04	10.7	7.45	10.3	10.3	10.3
Others	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>360</b>	<b>323</b>	<b>371</b>	<b>461</b>	<b>472</b>	<b>480</b>

Mostly includes revenue recognised over the years (from units sold in prior years)

Rental income, assuming a 2.5% y-o-y increase

Assumes a 2% y-o-y increase

### Operating profit (\$m)

Development Properties	67.4	14.1	100	153	156	158
Investment Properties	198	53.0	(10.7)	(14.6)	28.6	30.1
Retail	34.3	40.2	6.90	13.4	13.7	14.0
Investment & Others	(28.8)	(40.4)	(42.4)	(48.3)	0.0	0.0
Others	(201)	(42.2)	(9.2)	(33.6)	(128)	(130)
<b>Total</b>	<b>70.0</b>	<b>24.6</b>	<b>45.0</b>	<b>69.6</b>	<b>70.7</b>	<b>72.0</b>

Fair value losses on investment properties

### Operating profit Margins (%)

Development Properties	37.6	10.3	44.2	42.7	42.7	42.7
Investment Properties	551.3	128.3	(23.6)	(36.0)	68.6	68.6
Retail	25.2	29.9	7.5	25.3	25.3	25.3
Investment & Others	(319.0)	(379.6)	(568.8)	(468.4)	0.0	0.0
Others	N/A	N/A	N/A	N/A	N/A	N/A
<b>Total</b>	<b>19.4</b>	<b>7.6</b>	<b>12.1</b>	<b>15.1</b>	<b>15.0</b>	<b>15.0</b>

Operating profit margins reported by company includes associate & JV income

Assumed constant

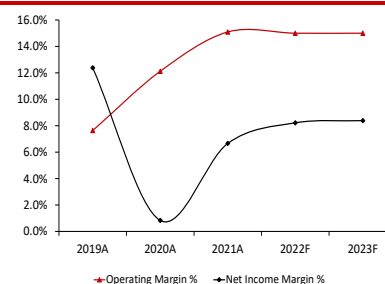
Source: Company, DBS Bank

## Income Statement (\$m)

FY Jun	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	360	323	371	461	472	480
Cost of Goods Sold	(177)	(175)	(191)	(290)	(288)	(293)
<b>Gross Profit</b>	<b>184</b>	<b>148</b>	<b>180</b>	<b>171</b>	<b>184</b>	<b>187</b>
Other Opng (Exp)/Inc	(114)	(123)	(135)	(101)	(113)	(115)
<b>Operating Profit</b>	<b>70.0</b>	<b>24.6</b>	<b>45.0</b>	<b>69.6</b>	<b>70.7</b>	<b>72.0</b>
Other Non Opg	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	208	52.5	12.1	36.3	38.4	41.7
Net Interest (Exp)/Inc	(32.5)	(30.9)	(30.3)	(30.7)	(31.5)	(33.5)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>246</b>	<b>46.3</b>	<b>26.8</b>	<b>75.3</b>	<b>77.7</b>	<b>80.2</b>
Tax	(18.6)	2.48	(11.1)	(33.3)	(34.2)	(35.3)
Minority Interest	(2.2)	(2.0)	0.26	1.62	1.67	1.72
Preference Dividend	(6.1)	(6.8)	(12.9)	(12.8)	(6.4)	(6.4)
<b>Net Profit</b>	<b>219</b>	<b>40.0</b>	<b>3.10</b>	<b>30.7</b>	<b>38.8</b>	<b>40.2</b>
Net Profit before	219	40.0	3.10	30.7	38.8	40.2
EBITDA	286	85.2	82.7	121	123	129
<b>Growth</b>						
Revenue Gth (%)	36.9	(10.5)	15.0	24.4	2.2	1.8
EBITDA Gth (%)	309.4	(70.2)	(2.9)	45.9	2.0	4.5
Opg Profit Gth (%)	(693.3)	(64.8)	82.6	54.9	1.6	1.8
Net Profit Gth (Pre-ex)	991.5	(81.8)	(92.2)	892.2	26.1	3.8
<b>Margins &amp; Ratio</b>						
Gross Margins (%)	51.0	45.8	48.6	37.1	39.0	39.0
Opg Profit Margin (%)	19.4	7.6	12.1	15.1	15.0	15.0
Net Profit Margin (%)	60.8	12.4	0.8	6.7	8.2	8.4
ROAE (%)	6.8	1.2	0.1	1.0	1.2	1.3
ROA (%)	4.8	0.9	0.1	0.7	0.9	0.9
ROCE (%)	4.3	0.2	(0.6)	0.0	0.2	0.2
Div Payout Ratio (%)	28.3	96.1	744.7	125.3	61.5	59.2
Net Interest Cover (x)	2.2	0.8	1.5	2.3	2.2	2.1

Source: Company, DBS Bank

## Margin Trend





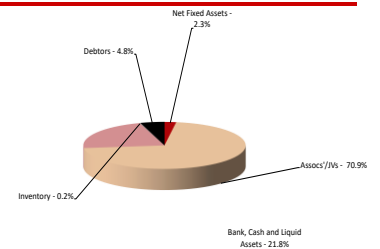
## Interim Income Statement (\$m)

FY Jun	2H2H	1H2020	2H2020	1H2021	2H2021	1H2022
Revenue	129	184	188	243	218	307
Cost of Goods Sold	(55.0)	(89.7)	(101)	(144)	(147)	(209)
<b>Gross Profit</b>	<b>73.7</b>	<b>93.8</b>	<b>86.5</b>	<b>99.9</b>	<b>71.2</b>	<b>97.3</b>
Other Oper. (Exp)/Inc	(49.6)	(75.8)	(59.5)	(49.4)	(52.1)	(46.3)
<b>Operating Profit</b>	<b>24.1</b>	<b>18.0</b>	<b>26.9</b>	<b>50.5</b>	<b>19.1</b>	<b>51.0</b>
Other Non Opg	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	20.6	35.8	(23.7)	38.5	(2.3)	21.5
Net Interest (Exp)/Inc	(14.9)	(14.3)	(16.0)	(16.8)	(13.9)	(13.2)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Pre-tax Profit</b>	<b>29.8</b>	<b>39.5</b>	<b>(12.7)</b>	<b>72.3</b>	<b>2.96</b>	<b>59.3</b>
Tax	0.10	(6.5)	(4.6)	(14.8)	(18.6)	(5.3)
Minority Interest	(1.4)	(0.2)	0.45	(0.8)	2.37	(0.2)
<b>Net Profit</b>	<b>24.7</b>	<b>26.4</b>	<b>(23.3)</b>	<b>50.3</b>	<b>(19.6)</b>	<b>47.3</b>
Net profit bef Except.	24.7	26.4	(23.3)	50.3	(19.6)	47.3
EBITDA	48.9	67.4	15.3	98.1	22.6	78.7
<b>Growth</b>						
Revenue Gth (%)	(33.7)	42.6	2.2	29.8	(10.5)	40.7
EBITDA Gth (%)	34.9	37.8	(77.3)	540.5	(77.0)	248.5
Opg Profit Gth (%)	4,245.7	(25.1)	49.2	87.7	(62.2)	166.8
Net Profit Gth (%)	61.5	6.8	(188.3)	(316.4)	(139.0)	(341.3)
<b>Margins</b>						
Gross Margins (%)	57.3	51.1	46.1	41.0	32.7	31.7
Opg Profit Margins (%)	18.7	9.8	14.4	20.8	8.8	16.6
Net Profit Margins (%)	19.2	14.4	(12.4)	20.7	(9.0)	15.4

Source: Company, DBS Bank

**Balance Sheet (\$\$m)**

FY Jun	2018A	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	115	112	91.6	82.1	72.1	62.1
Invt in Associates & JVs	2,495	2,527	2,557	2,512	2,550	2,592
Other LT Assets	337	336	204	85.6	85.6	85.6
Cash & ST Invt	1,433	1,309	1,651	1,554	1,479	1,461
Inventory	23.7	19.6	14.7	7.63	11.1	11.2
Debtors	57.7	24.1	112	170	144	146
Other Current Assets	38.6	31.0	20.5	81.1	81.1	81.1
<b>Total Assets</b>	<b>4,499</b>	<b>4,360</b>	<b>4,651</b>	<b>4,492</b>	<b>4,423</b>	<b>4,440</b>
ST Debt	0.0	0.0	0.0	151	151	151
Creditor	96.5	61.9	57.8	66.6	61.6	62.7
Other Current Liab	63.3	33.8	151	81.4	68.3	69.5
LT Debt	780	627	788	575	675	675
Other LT Liabilities	50.1	54.1	69.1	63.0	63.0	63.0
Shareholder's Equity	3,437	3,509	3,510	3,483	3,333	3,350
Minority Interests	72.4	73.2	74.9	72.1	70.4	68.7
<b>Total Cap. &amp; Liab.</b>	<b>4,499</b>	<b>4,360</b>	<b>4,651</b>	<b>4,492</b>	<b>4,423</b>	<b>4,440</b>
Non-Cash Wkg. Capital	(39.7)	(21.1)	(61.9)	111	106	107
Net Cash/(Debt)	653	682	863	828	653	635
Debtors Turn (avg days)	50.2	46.3	66.7	111.4	121.5	110.4
Creditors Turn (avg)	256.4	173.4	132.3	82.4	85.5	81.7
Inventory Turn (avg)	46.5	47.4	37.9	14.8	12.5	14.7
Asset Turnover (x)	0.1	0.1	0.1	0.1	0.1	0.1
Current Ratio (x)	9.7	14.5	8.6	6.1	6.1	6.0
Quick Ratio (x)	9.3	13.9	8.4	5.8	5.8	5.7
Net Debt/Equity (X)	CASH	CASH	CASH	CASH	CASH	CASH
Net Debt/Equity ex MI	CASH	CASH	CASH	CASH	CASH	CASH
Capex to Debt (%)	1.0	0.8	0.3	(4.0)	0.5	0.6

**Asset Breakdown**

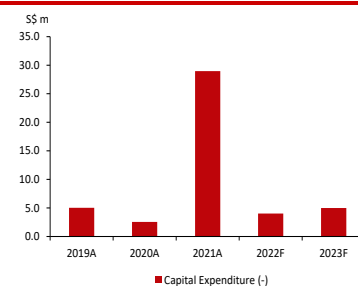
Source: Company, DBS Bank

## Cash Flow Statement (\$m)

FY Jun	2018A	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	246	46.3	26.8	75.3	77.7	80.2
Dep. & Amort.	7.56	8.06	25.6	14.8	14.0	15.0
Tax Paid	(16.0)	(13.5)	(0.2)	(16.9)	(47.3)	(34.2)
Assoc. & JV Inc/(loss)	(208)	(52.5)	(12.1)	(36.3)	(38.4)	(41.7)
Chg in Wkg.Cap.	(40.6)	1.50	29.9	(186)	17.7	(1.6)
Other Operating CF	117	(450)	207	299	0.0	0.0
<b>Net Operating CF</b>	<b>105</b>	<b>(460)</b>	<b>277</b>	<b>150</b>	<b>23.8</b>	<b>17.7</b>
Capital Exp.(net)	(7.6)	(5.0)	(2.6)	29.0	(4.0)	(5.0)
Other Invt.(net)	(66.9)	(53.5)	(49.5)	44.7	0.0	0.0
Invt in Assoc. & JV	196	0.0	(1.5)	(13.6)	0.0	0.0
Div from Assoc & JV	39.8	52.7	6.61	40.4	0.0	0.0
Other Investing CF	(97.0)	6.01	97.7	54.1	0.0	0.0
<b>Net Investing CF</b>	<b>63.8</b>	<b>0.16</b>	<b>50.8</b>	<b>155</b>	<b>(4.0)</b>	<b>(5.0)</b>
Div Paid	(46.5)	(61.4)	(38.5)	(23.1)	(38.5)	(23.8)
Chg in Gross Debt	(145)	(151)	155	(62.4)	100	0.0
Capital Issues	0.0	148	0.0	0.0	0.0	0.0
Other Financing CF	(42.7)	(45.4)	(58.1)	(52.9)	(156)	(6.4)
<b>Net Financing CF</b>	<b>(234)</b>	<b>(110)</b>	<b>58.8</b>	<b>(138)</b>	<b>(94.9)</b>	<b>(30.2)</b>
Currency Adjustments	4.49	(5.3)	1.31	1.67	0.0	0.0
Chg in Cash	(60.4)	(575)	388	167	(75.2)	(17.5)
Opg CFPS (S cts)	18.8	(60.1)	32.2	43.6	0.76	2.43
Free CFPS (S cts)	12.6	(60.6)	35.7	23.2	2.49	1.60

Source: Company, DBS Bank

## Capital Expenditure

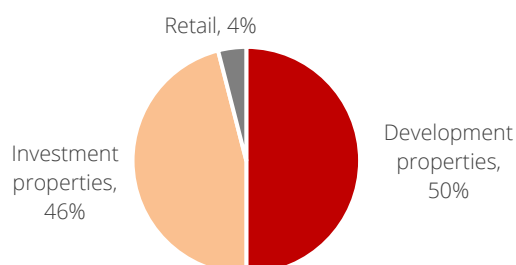


## Company Background

**Background.** Wing Tai was incorporated in Singapore as a private limited company on 9 August 1963, and was formerly known as Wing Tai Garment Manufactory (Singapore) Pte Ltd., before being converted into a public company and assuming its present name on 17 January 1989. Presently, the group is an investment holding company that engages in property development, investment and management, as well as hospitality and apparel retailing, with a regional business presence across Singapore, Malaysia, Hong Kong, China, Australia, and Japan.

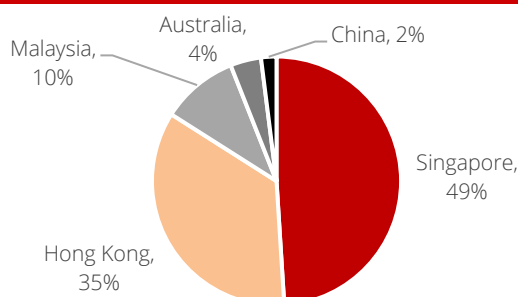
As at June 2021, the group has total assets of S\$4.5bn, split into development properties (50%), investment properties (46%), and retail (4%). The group's asset allocation is contributed predominantly by Singapore (49%), Hong Kong (35%), Malaysia (10%), Australia (4%), and China (2%) (see charts below).

### Asset allocation by business segment



Source: Company, DBS Bank

### Asset allocation by country



Source: Company, DBS Bank

**The property division** includes property development, investment, and hospitality management across Singapore, Malaysia, Hong Kong, China, Australia, and Japan; as follows:

- A) Singapore:** Wing Tai Holdings Limited is Singapore's leading property developer reputed for quality and design. Notable residential/commercial projects include Ascentia Sky by Tanglin, Le Nouvel Ardmore, Nouvel 18, and more. The group owns three properties for investment purposes, including Winsland House I, II, and III. The group's hospitality division in Singapore is operated as part of an international chain of serviced apartments under the brand name "Lanson Place".
- B) Malaysia:** Wing Tai Malaysia Sdn. Bhd. ("WTM"), formerly known as "DNP Holdings Berhad", is a subsidiary of Wing Tai Holdings Limited. Carving a niche for itself in Kuala Lumpur and Penang's high-end property segment, WTM has developed premier modern properties like Le Nouvel KLCC, Nobleton Crest and more. The hospitality division in Malaysia owns a total of 282 units in Lanson Place Condominium 8 and Lanson Place Bukit Ceylon Serviced Residences, which operates under the brand name "Lanson Place".
- C) Hong Kong:** Wing Tai Properties Limited is an associated company of Wing Tai in Hong Kong. Currently, WTP and its subsidiaries manage a total of 1,780 units in Singapore, Kuala Lumpur, Hong Kong, Chengdu, and Shanghai. WTP will continue to focus and grow the "Lanson Place" brand as a pan-Asian brand and explore investment and management opportunities in gateway cities in the Asia-Pacific region.
- D) People's Republic of China:** Wing Tai China Pte Ltd. and Suzhou Property Development Co., Ltd. are subsidiary companies of Wing Tai Holdings Limited. Currently, its property business activities in China are in Shanghai and Suzhou. In Suzhou, the group has The Lakeview and The Lakeside; and in Shanghai, the Malaren Gardens at Luodian New Town of the Baoshan district. The group operates its hospitality business under the "Lanson Place" brand of serviced apartments in Shanghai and Chengdu.
- E) Australia:** Wing Tai Holdings owns five commercial properties in Australia, chiefly in Melbourne and Sydney. The group's portfolio of properties include two commercial buildings in Melbourne and three data centres in Sydney and Melbourne.
- F) Japan:** Wing Tai Holdings acquired Red Planet Hotel Asakusa Tokyo as its first investment in Japan. The 134-room hotel is located in Tokyo's Asakusa district, in close proximity to the Sensō-ji temple.

The retail division is predominantly in markets such as Singapore and Malaysia; as follows:

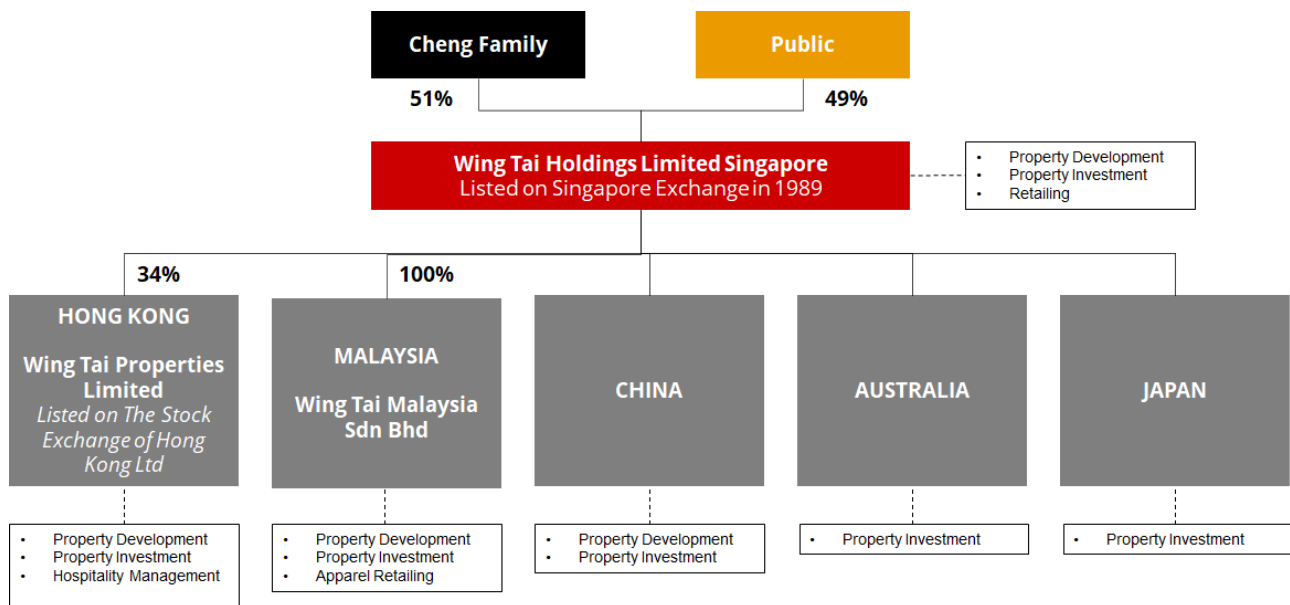
**A) Singapore:** Wing Tai made its foray into the lifestyle business in May 1997. Singapore’s retail division has a distribution network of approximately 100 stores in Singapore with a portfolio of 17 brands, including brand names such as Adidas, Cath Kidston, Du Pareil Au Meme, DPAM, FOX Kids & Babies, G2000, Lamalolly, Uniqlo, and more. The group’s online commerce, in partnership with Asian online fashion retailer Zalora, has continued to gain traction and grow substantially in terms of overall retail sales. The apparel and lifestyle operation is currently carried out through Wing Tai Retail Pte Ltd., together with its subsidiaries and

associated companies such as Wing Tai Clothing Pte Ltd. (Wing Tai Clothing), Wing Tai Fashion Apparel Pte Ltd. (Wing Tai Fashion), Uniqlo (Singapore) Pte Ltd. (Uniqlo), G2000 Apparel (Singapore) Pte Ltd. (G2000 Apparel), and Wing Tai Branded Lifestyle Pte Ltd.

**B) Malaysia:** The retail apparel and lifestyle business of the group in Malaysia is managed by its subsidiary, WTM, which manages a portfolio of 14 brands in over 100 stores, including Uniqlo, Du Pareil Au Meme, Topshop, Topman, Miss Selfridge, Burton, Dorothy Perkins, and more.

Refer to the corporate structure summary in the chart below.

**Corporate Structure Summary**

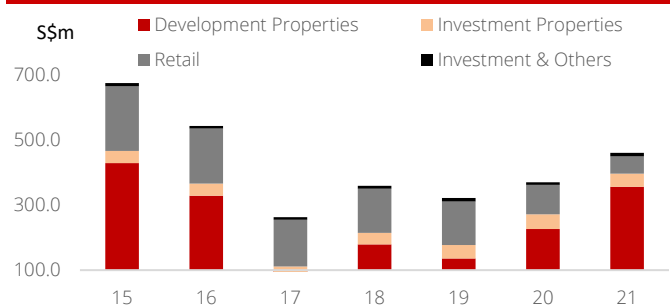


Source: Company, DBS Bank

**Key business segments.** The group is organised into three main business segments (namely, development properties, investment properties, and retail) and operates in six main geographical areas (namely, Singapore, Malaysia, Hong Kong, China, Japan, and Australia).

The group’s property development business contributed 77% of FY21A’s revenue, while retail was at 11%, investment properties at 9%, and lastly, investment and others at 2%. In terms of its geographic segments, Singapore contributed 85% of its FY21A revenue.

**Revenue contribution by business segment**



Source: Company, DBS Bank

**Established track record.** The group has an established track record with more than 40 years of experience in property development, having established itself as a reputable developer in luxury and high-end residential developments. Over the years, the group and its associated and joint venture companies have built up a significant number of quality residential developments. Separately, the group has more than 30 years of experience in apparel retailing, having launched successful and well-known brands such as G2000, Topman, Topshop, and Uniqlo in Singapore and Malaysia.

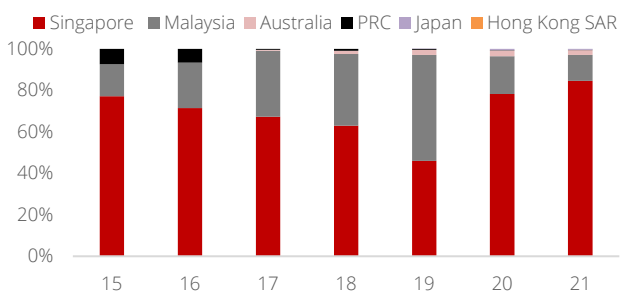
**Awards and accolades.** The group has won numerous awards in recognition of its innovative design, architectural conservation, and environmentally sustainable practices.

**Joint ventures.** Joint ventures predominantly include Wing Tai Properties Limited, Uniqlo (Singapore), and Uniqlo (Malaysia). Wing Tai Properties Limited is a Hong Kong-based property developer, operator of hospitality services, and owner of several tailoring factories. Listed on the Hong Kong Stock Exchange from formation in 1991, it operates hotels under the brand names of Wing Tai Asia and Lanson Place. The group holds a direct equity stake of c.34% as well as an indirect c.9% equity stake<sup>1</sup> in Wing Tai Properties Limited, bringing its effective stake to c.43%.

In April 2008, Wing Tai entered into a joint venture with Japan's Fast Retailing and launched the highly popular Uniqlo brand in Singapore. In November 2010, Uniqlo was later launched in Kuala Lumpur. The group holds direct equity stakes of 49% and 45% in Uniqlo (Singapore) and Uniqlo (Malaysia), respectively. The group continues to seek out opportunities to expand its retail store count to optimise its distribution network.

In FY21A, associate & JV income contributed c.35% of its pre-tax income

**Revenue contribution by geography**



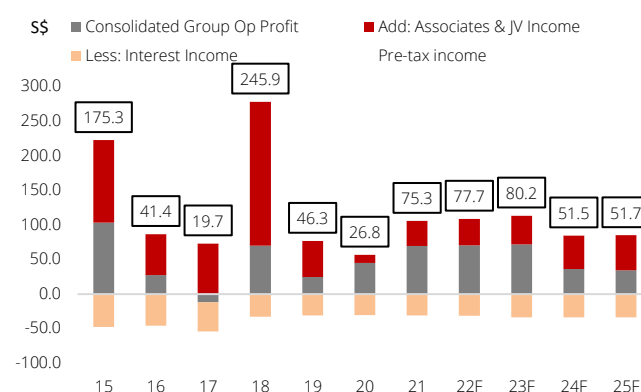
Source: Company, DBS Bank

**Awards & accolades**

Awards	Year
Building and Construction Authority Green Mark Gold Plus Award – The Garden Residences & Winsland House II	2019
President's Design Award for Design of the Year – The Tembusu	2018
EdgeProp Singapore Excellence Award for Top Developer	2017

Source: Company; note: list above is non-exhaustive

**Key financials from FY15A to FY25F**



Source: Company, DBS Bank; FY22F numbers are DBS bank estimates

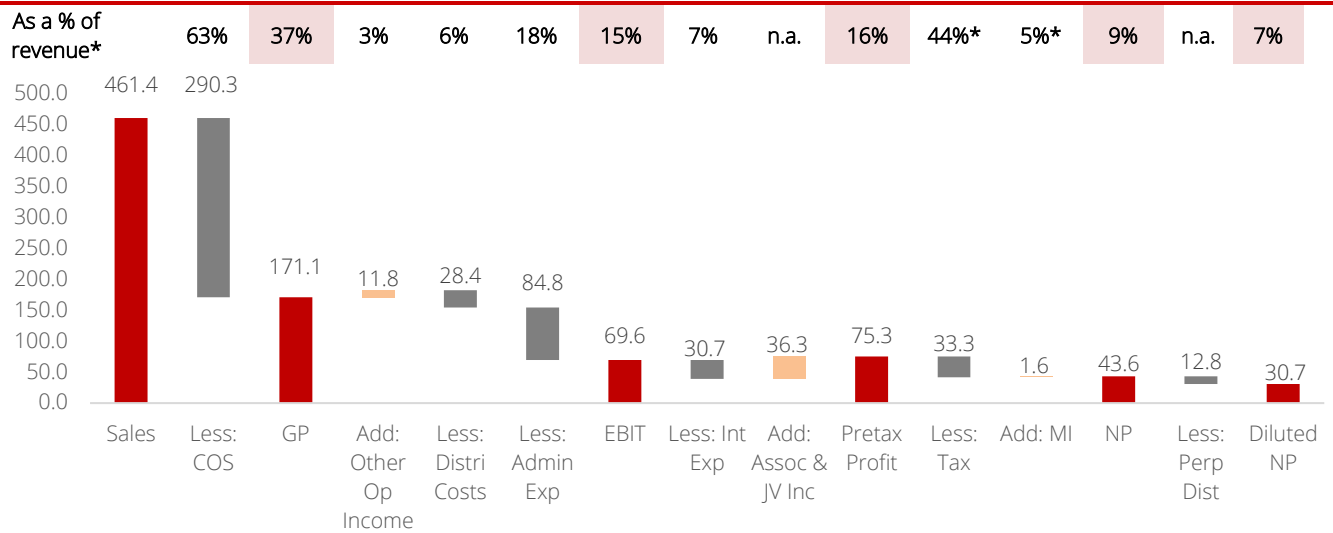
**Cost structure.** Its largest cost items include (1) cost of sales (63% of FY21A revenue), (2) distribution costs (6% of revenue), (3) administrative expenses (18% of revenue), (4) interest expenses (7% of revenue), and lastly, (5) taxes (44% of pre-tax income) (refer to chart below). Cost of sales predominantly captures development costs, raw materials, and finished goods related to the group's property development business.

As at FY21A, the group's effective interest cost and tax rate were at 4.1% and 44%, respectively, versus 4.3% and 41% as at FY20A. The group pays distributions (on a semi-annual basis) for its perpetual securities issued in 2017 and 2019 at a rate of 4.08% and 4.48% per annum, respectively. On aggregate, the group paid a distribution of S\$12.8m for its perpetual securities in FY21A.

<sup>1</sup> The Group has a direct equity stake of 90% in Brave Dragon, which holds a 10% equity stake in Wing Tai Properties Limited



**FY21A Key Financials**



Source: Company, DBS Bank, note: \* are represented as a % of pre-tax profit

## Management & Strategy

**Qualified and experienced management team.** The group has a strong management team which is well supported by a group of experienced executives who are actively involved in the daily operations of the group. Cheng Wai Keung has been the issuer's chairman since 1994 and has significant experience in the retail, hospitality, and property development industries. Edmund Cheng is the deputy chairman and deputy managing director of the issuer and has more than 30 years of experience in the industry. Both are well supported by a team of senior executives with extensive functional experience.

**Staying vigilant in Singapore.** As at FY21A, Singapore contributes c.85% of Wing Tai's revenue. The group intends to focus on marketing existing residential projects and selective land acquisition either through government land sales or collective sales.

**Develop and expand the group's core business outside Singapore.** Depending on market opportunities, the group intends to expand its property development and property investment business in other countries in which the group has a presence, namely Malaysia, Hong Kong, China, Japan, and Australia. The group will also selectively look for opportunities to introduce new fashion brands and open new outlets for existing brands in Malaysia.

**Continue to create landmark projects and innovative concepts.** To distinguish itself from its competitors, the group will continue to create and develop landmark

projects with innovative designs and environmentally sustainable practices. Some of the group's projects incorporating such innovative concepts include The Garden Residences, The Tembusu, The Crest at Prince Charles Crescent, Belle Vue Residences at Oxley Road, and Le Nouvel Ardmore at Ardmore Park.

**Maintain a balanced approach of maximising profit and managing cash flow and gearing.** The group will actively review its portfolio and sales schedule from time to time so as to strike a balance between profit maximisation and maintaining a healthy cash flow and gearing. In managing its capital, the group may employ an appropriate mix of debt and equity in the financing of acquisitions and property enhancements, secure diversified funding sources from financial institutions and capital markets, minimise the cost of debt funding, and manage the exposure to fluctuations in interest rates and foreign exchange through appropriate hedging strategies.

**Further integrating the group's financial and operational resources.** Wing Tai Malaysia Sdn. Bhd. (WTM) was delisted from the Main Board of the Bursa Malaysia Securities Berhad on 30 August 2017 and became a wholly owned subsidiary of the group on 19 October 2017. This has allowed the group to integrate its financial and operational resources, achieving better operational efficiencies and cost savings for WTM and its subsidiaries.

### Board of Directors

Name and designation	Milestones
<b>Cheng Wai Keung</b> Chairman and managing director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>Bachelor of Science, Indiana University, USA</li> <li>Master of Business Administration, University of Chicago, USA</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Temasek Holdings (Private) Limited (deputy chairman)</li> <li>MOH Holdings Pte Ltd. (director)</li> <li>Singapore Health Services Pte Ltd. (director)</li> <li>Singapore-Suzhou Township Development Pte Ltd. (vice chairman)</li> <li>Kidney Dialysis Foundation Limited (director)</li> <li>Sumitomo Mitsui Banking Corporation Singapore (advisor)</li> </ul>
<b>Edmund Cheng Wai Wing</b> Deputy chairman and deputy managing director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>Bachelor of Engineering (Civil Engineering), Northwestern University, USA</li> <li>Master of Architecture, Carnegie Mellon University, USA</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Mapletree Investments Pte Ltd. (chairman)</li> <li>Civil Aviation Authority of Singapore (chairman)</li> <li>Singapore Art Museum (chairman)</li> <li>Yellow Ribbon Fund Main Committee (chairman)</li> </ul>
<b>Cheng Man Tak</b> Non-executive director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>Bachelor of Science, University of Southern California, USA</li> <li>Master of Business Administration, Pepperdine University, USA</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Kato (Hong Kong) Holdings Limited (listed on the Stock Exchange of Hong Kong)</li> <li>12th National Committee of Yunnan Province (member of the National Committee of the Chinese People's Political Consultative Conference)</li> <li>Federation of Hong Kong Garment Manufacturers (president) and Clothing Industry Training Authority (chairman)</li> <li>Federation of Hong Kong Industries – Group 24 (Woven Garments and other Woven Made-Up Goods) (chairman)</li> <li>Hong Kong Trade Development Council – Garment Advisory Committee (member)</li> <li>Employees Retraining Board – Wearing Apparel and Textile Industry Consultative Network (member)</li> <li>Hong Kong Asia Youth Association (honorary president)</li> <li>Friends of The Community Chest Wan Chai District (vice chairman)</li> <li>Wan Chai Friendship Association Ltd (honorary president)</li> </ul>
<b>Paul Hon To Tong</b> Lead independent director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>Barrister-at-Law, Middle Temple, England</li> <li>Bachelor of Science (Economics) (Honours), University of London, England</li> <li>Certificate of Management Studies, University of Oxford, England</li> <li>Certified Public Accountant of The Hong Kong Institute of Certified Public Accountants</li> <li>Associate Member of The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators)</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Chinney Investments Limited (listed on the Stock Exchange of Hong Kong)</li> </ul>

Name and designation	Milestones
<b>Christopher Lau Loke Sam</b> Independent non-executive director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>Barrister-at-Law, Gray's Inn, England</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Independent arbitrator</li> <li>Mediator</li> <li>Vice president, LCIA Court</li> </ul>
<b>Guy Daniel Harvey-Samuel</b> Independent non-executive director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>An associate of the Chartered Institute of Bankers (accountancy law relating to banking services, monetary economics, and nature of management)</li> <li>Qualified Marshall Goldsmith Leadership Coach</li> <li>Executive Diploma in Directorship, Singapore Management University</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Capella Hotel Group Pte Ltd. (chairman)</li> <li>M1 Limited (director)</li> <li>Surbana Jurong Private Limited (director)</li> <li>Clifford Capital Holdings Pte Ltd. (director)</li> <li>Clifford Capital Pte Ltd. (director)</li> <li>Board of Trustees of the National Youth Achievement Award Advisory Board (chairman)</li> <li>National Parks Board (member)</li> <li>ESG Tech Private Ltd. (advisor)</li> <li>Vice president, LCIA Court</li> </ul>
<b>Tan Sri Zulkurnain Bin Awang</b> Independent non-executive director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>Bachelor of Economics (Honours), University of Malaya, Malaysia</li> <li>Master of Arts in International Affairs Management, Ohio University, USA</li> <li>Master of Arts in Political Science, Ohio University, USA</li> <li>Certificate in Public Administration, Ohio University, USA</li> <li>PhD, University of Leeds, England</li> <li>Harvard Advanced Management Programme, Harvard Business School, Boston, USA</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Wing Tai Malaysia Sdn. Bhd. (chairman)</li> <li>Asia Metropolitan University Sdn. Bhd. (chairman)</li> </ul>
<b>Sim Beng Mei Mildred (Mildred Tan)</b> Independent non-executive director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>Bachelor of Arts (Honours), Middlesex University, UK</li> <li>Master of Education, University of Sheffield, UK</li> <li>HR Executive Programme, Cornell University, USA</li> <li>Harvard Executive Leadership Programme, Harvard Business School, Boston, USA</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>Council of Presidential Advisers (member)</li> <li>Singapore Totalisator Board (chairman)</li> <li>Singapore University of Social Sciences Board of Trustee (chairman)</li> <li>Council for Board Diversity (co-chair)</li> <li>MAS Appeal Advisory Panels (member)</li> <li>AIA Singapore Pte Ltd. (director)</li> <li>National University Health System (director)</li> </ul>

Name and designation	Milestones
<b>Eric Ang Teik Lim</b> Independent non-executive director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>• Bachelor of Business Administration (Honours), National University of Singapore</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>• Sembcorp Marine Ltd.</li> <li>• Raffles Medical Group Ltd.</li> <li>• Surbana Jurong Private Limited (director)</li> <li>• NetLink NBN Management Pte Ltd. (trustee of NetLink NBN Trust) (director)</li> <li>• SGX Disciplinary Committee (co-chairman)</li> </ul>
<b>Tan Hwee Bin</b> Non-executive director	Academic and professional qualification(s) <ul style="list-style-type: none"> <li>• Bachelor of Accountancy, National University of Singapore</li> <li>• Chartered Accountant of Singapore</li> <li>• Harvard Advanced Management Programme, Harvard Business School, Boston, USA</li> </ul> Current directorships in other listed companies and other principal commitments <ul style="list-style-type: none"> <li>• Singapore Labour Foundation (director)</li> <li>• NTUC Enterprise Co-operative Limited (director)</li> <li>• NTUC FairPrice Co-operative Limited (director)</li> <li>• Singapore National Employers Federation</li> </ul>

Source: Company

### Key Management Team

Name, designation, and company	Milestones
<b>Ng Kim Huat</b> Group chief financial officer <i>Wing Tai Holdings Limited</i>	<ul style="list-style-type: none"> <li>Oversees financial reporting and controls, treasury, tax, and information technology functions</li> <li>More than 10 years' auditing experience with an international public accounting firm in Singapore</li> <li>Bachelor of Accountancy (Honours), National University of Singapore; Chartered Accountant of Singapore</li> </ul>
<b>Karine Lim</b> Group chief human resource officer <i>Wing Tai Holdings Limited</i>	<ul style="list-style-type: none"> <li>More than 20 years' human resource management experience in the retail, property, and public transport industries</li> <li>Bachelor of Arts (Honours), National University of Singapore; Diploma in Human Resource Management, Singapore Human Resource Institute</li> </ul>
<b>Helen Chow</b> Director <i>Wing Tai Property Management Pte Ltd.</i>	<ul style="list-style-type: none"> <li>Held various positions in the company since 1975</li> <li>Responsible for marketing and sales functions in the property division; develops and implements strategies to achieve optimal marketing mix for property products and manages sales operations across geographies to achieve revenue goals</li> <li>Bachelor of Arts, Mills College, Oakland, California, USA</li> </ul>
<b>Joseph Quek</b> Head – property management & customer service <i>Wing Tai Property Management Pte Ltd.</i>	<ul style="list-style-type: none"> <li>Responsible for property management &amp; customer service, facility management, quality control &amp; quality assurance, and costs &amp; contracts of the company's portfolio of residential and commercial properties in Singapore, Malaysia, and China</li> <li>Over 30 years' experience in property &amp; customer service, facility management, and quality assurance in Asia and the Middle East</li> <li>Master of Science in Real Estate, National University of Singapore</li> </ul>
<b>Stacey Ow Yeong</b> Head – marketing <i>Wing Tai Property Management Pte Ltd.</i>	<ul style="list-style-type: none"> <li>Responsible for sales and marketing for the company's portfolio of residential properties in Singapore, Malaysia, and China</li> <li>Over 30 years of marketing and sales experience, including 15 years in the residential and integrated properties industry in Asia and the Middle East</li> <li>Bachelor of Arts, National University of Singapore</li> </ul>
<b>Jim Lau</b> Head – project management <i>Wing Tai Property Management Pte Ltd.</i>	<ul style="list-style-type: none"> <li>Responsible for project management for the company's portfolio of residential and commercial properties in Singapore, Malaysia, and China</li> <li>25 years of project management experience in Singapore, Malaysia, China, Cambodia, Australia, and USA</li> <li>Bachelor of Design Studies &amp; Bachelor of Architecture (Honours), University of Queensland, Australia; registered APEC Architect and Registered Architect, Australia</li> </ul>

Source: Company



DBS Bank recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**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 share price catalysts within this time frame)

\*Share price appreciation + dividends

Completed Date: 27 Jun 2022 05:49:01 (SGT)

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