

18 April 2016

Property | Real Estate

## Yong Tai Bhd

**Not Rated**

### All Set To Make An Impression

We project a multi-fold rise in net profit as Yong Tai's business focus switches to property development. This would be underpinned by the Impression City project, which would see a potential total GDV rise to MYR6.1bn from MYR164m currently. This ought to keep the group busy for the next 8-10 years. *Impression Melaka* offers a further upside to both earnings and valuations. We estimate a valuation range of MYR1.03-1.18.

**Taking the next leap.** In line with the group's overall expansion plan into the property sector, Yong Tai has announced several proposals, key of which are:

- MYR37m acquisition of a 17 acre land plot in Melaka (Impression Land) for the development of a theatre to produce the *Impression Melaka* as well as the acquisition of PTS Impression (to hold a 30-year license to stage the show) for MYR3m;
- A joint venture (JV) agreement for the development of 100 acres of land adjacent to the Impression Land;
- A fund-raising exercise to raise >MYR300m.

The proposals are expected to be completed/take effect by 1HFY17 (Jun).

**Impression Melaka – first of its kind outside China.** *Impression Melaka* is a live cinematography show that utilises the latest light and sound technologies, modern art concepts and cultural performers. This is to be the first live large-scale *Impression Series* outside of China and is one of the "entry point project" within the National Key Economic Area (NKEA) initiative for the tourism sector. The performing arts centre is estimated to cost c.MYR300m, with completion targeted for end-2017. Management expects *Impression Melaka* to contribute MYR50m-60m pa in bottomline thereafter.

**Impression City to contribute MYR5.4bn to total GDV.** Concurrent with the construction of the theatre for *Impression Melaka*, Yong Tai is to develop the land adjacent to it (the development collectively known as Impression City). The mixed development project includes residential, commercial and retail units. The total GDV over an 8-10 year period is estimated to be c.MYR5.4bn. Management believes the *Impression Melaka* project would spur the growth of tourism and related industries such as real estate, hotels and eateries, ie catalysts for Impression City.

**Forecasts.** We project for Yong Tai to turn around and post a net profit of MYR14m in FY17, accelerating to MYR64m in FY18. This is underpinned by the progress of its property projects. Our forecasts do not factor in the contribution from *Impression Melaka*, which we have pushed to FY19.

**Investment case.** We derive an indicative valuation estimate range of MYR1.03-1.18 (fully diluted) based on SOP. The low end of our valuation range excludes *Impression Melaka* while, for its property development business, we have ascribed a 40% discount to its RNAV. The top end of our valuation range incorporates the show, where we estimate the business to be worth MYR107m based on DCF. We see upside to our valuation for *Impression Melaka* as execution risks ease. Our indicative valuation estimate range implies an FY18F P/E of 7-8x (10.6-12x, fully diluted).

Forecasts and Valuations	Jun-14	Jun-15	Jun-16F	Jun-17F	Jun-18F
Total turnover (MYRm)	48	97	56	203	661
Reported net profit (MYRm)	(5.7)	9.2	(0.2)	14.3	63.8
Recurring net profit (MYRm)	(1.6)	3.3	(0.2)	14.3	63.8
Recurring net profit growth (%)	(75.1)	na	(105.9)	na	346.4
Recurring EPS (MYR)	(0.03)	0.03	(0.00)	0.05	0.15
Recurring P/E (x)	na	26.3	na	17.6	5.8
P/B (x)	2.51	1.61	1.61	1.19	0.98
Return on average equity (%)	(29.5)	18.5	(0.2)	7.2	18.6
Return on average assets (%)	(8.0)	8.2	(0.1)	4.1	7.8
Net debt to equity (%)	153.5	(28.2)	(22.5)	(24.3)	54.4
Our vs consensus EPS (adjusted) (%)			0.0	0.0	0.0

Source: Company data, RHB

Target Price:	NA
Price:	MYR0.85
Market Cap:	USD34.6m
Bloomberg Ticker:	YTB MK

#### Share Data

Avg Daily Turnover (MYR/USD)	1.91m/0.47m
52-wk Price low/high (MYR)	0.45 - 0.85
Free Float (%)	81
Shares outstanding (m)	160
Estimated Return	NA

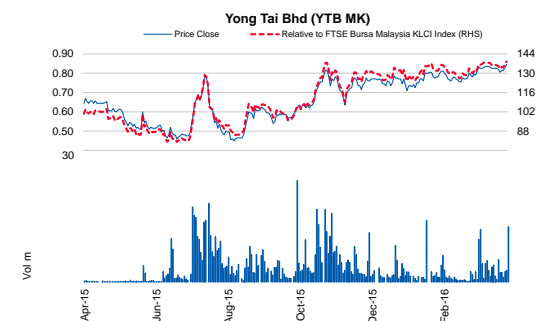
#### Shareholders (%)

Boo Kuang Loon	9.4
Dato' Sri Lee Ee Hoe	9.2

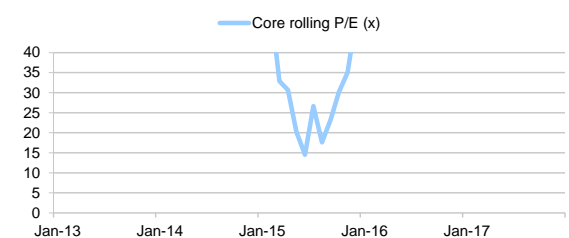
#### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	13.4	5.6	9.7	45.7	23.0
Relative	11.3	3.4	3.6	44.8	29.1

Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

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## Financial Exhibits

Profit & Loss (MYRm)	Jun-14	Jun-15	Jun-16F	Jun-17F	Jun-18F	Cash flow (MYRm)	Jun-14	Jun-15	Jun-16F	Jun-17F	Jun-18F
<b>Total turnover</b>	<b>48</b>	<b>97</b>	<b>56</b>	<b>203</b>	<b>661</b>	<b>Operating profit</b>	<b>(0)</b>	<b>2</b>	<b>8</b>	<b>32</b>	<b>108</b>
Cost of sales	(32)	(73)	(36)	(145)	(474)	Depreciation & amortisation	2	2	1	1	1
<b>Gross profit</b>	<b>16</b>	<b>24</b>	<b>20</b>	<b>58</b>	<b>187</b>	Change in working capital	3	18	(4)	(296)	(474)
Gen & admin expenses	(2)	(2)	(3)	(16)	(54)	<b>Operating cash flow</b>	<b>4</b>	<b>21</b>	<b>5</b>	<b>(263)</b>	<b>(365)</b>
Selling expenses	(11)	(12)	(6)	(6)	(22)	Interest paid	(2)	(2)	(1)	(1)	(12)
Other operating costs	(3)	(8)	(4)	(4)	(4)	Tax paid	(0)	(1)	-	(8)	(23)
<b>Operating profit</b>	<b>(0)</b>	<b>2</b>	<b>8</b>	<b>32</b>	<b>108</b>	<b>Cash flow from operations</b>	<b>2</b>	<b>18</b>	<b>4</b>	<b>(272)</b>	<b>(400)</b>
EBITDA	1	4	9	33	109	Capex	(1)	(1)	(2)	(2)	(2)
Depreciation of fixed assets	(2)	(2)	(1)	(1)	(1)	Other investing cash flow	(1)	(38)	-	-	-
<b>Operating profit</b>	<b>(0)</b>	<b>2</b>	<b>8</b>	<b>32</b>	<b>108</b>	<b>Cash flow from investing activities</b>	<b>(2)</b>	<b>(39)</b>	<b>(2)</b>	<b>(2)</b>	<b>(2)</b>
Net income from investments	-	-	(8)	(10)	(10)	Proceeds from issue of shares	-	61	-	220	-
Other recurring income	1	4	1	1	1	Increase in debt	2	(6)	(9)	-	315
Interest expense	(2)	(2)	(1)	(1)	(12)	Other financing cash flow	-	(0)	0	160	-
Other non-recurring income	(4)	7	-	-	-	<b>Cash flow from financing activities</b>	<b>2</b>	<b>54</b>	<b>(9)</b>	<b>380</b>	<b>315</b>
<b>Pre-tax profit</b>	<b>(6)</b>	<b>11</b>	<b>(0)</b>	<b>22</b>	<b>87</b>	Cash at beginning of period	1	1	43	29	126
Taxation	(0)	(1)	-	(8)	(23)	<b>Total cash generated</b>	<b>2</b>	<b>34</b>	<b>(7)</b>	<b>106</b>	<b>(87)</b>
Minority interests	0	-	-	-	-	<b>Implied cash at end of period</b>	<b>3</b>	<b>35</b>	<b>36</b>	<b>135</b>	<b>39</b>
<b>Reported net profit</b>	<b>(6)</b>	<b>9</b>	<b>(0)</b>	<b>14</b>	<b>64</b>						
<b>Recurring net profit</b>	<b>(2)</b>	<b>3</b>	<b>(0)</b>	<b>14</b>	<b>64</b>						

Source: Company data, RHB

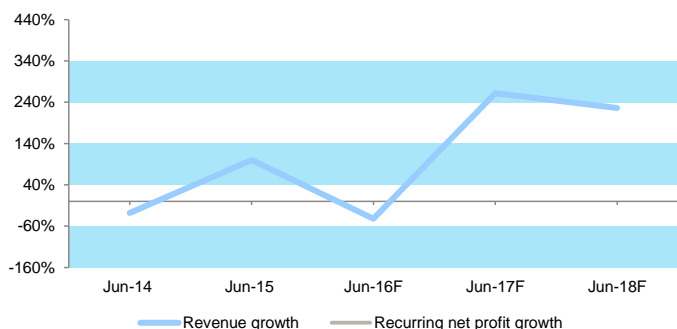
Key Ratios	Jun-14	Jun-15	Jun-16F	Jun-17F	Jun-18F
Revenue growth (%)	(28.0)	100.1	(42.3)	262.1	226.3
Operating profit growth (%)	(94.7)	0.0	288.2	305.2	240.5
Recurring net profit growth (%)	(75.1)	0.0	(105.9)	0.0	346.4
Recurrent EPS growth (%)	(75.1)	0.0	(103.8)	0.0	205.5
Gross margin (%)	33.2	24.5	35.9	28.6	28.3
Operating EBITDA margin (%)	2.6	3.6	16.5	16.3	16.5
Operating margin (%)	(0.7)	2.1	14.0	15.6	16.3
Recurring net profit margin (%)	(3.3)	3.4	(0.4)	7.0	9.6
Return on average assets (%)	(8.0)	8.2	(0.1)	4.1	7.8
Return on average equity (%)	(29.5)	18.5	(0.2)	7.2	18.6
Net debt to equity (%)	153.5	(28.2)	(22.5)	(24.3)	54.4
Interest cover (x)	(0.2)	0.9	7.8	45.2	9.2
Capex/Free cash flow (%)	75.4	5.7	48.2	(0.7)	(0.5)
BVPS (MYR)	0.34	0.53	0.52	0.71	0.86
Free cash flow per share (MYR)	0.01	0.16	0.01	(0.92)	(0.92)

Source: Company data, RHB

Balance Sheet (MYRm)	Jun-14	Jun-15	Jun-16F	Jun-17F	Jun-18F
Total cash and equivalents	1	43	29	126	30
Inventories	18	7	6	119	390
Accounts receivable	19	9	5	83	272
Other current assets	4	33	33	33	33
<b>Total current assets</b>	<b>42</b>	<b>92</b>	<b>74</b>	<b>362</b>	<b>725</b>
Total investments	12	47	35	185	335
Tangible fixed assets	17	16	16	17	18
Total non-current assets	29	63	51	202	353
<b>Total assets</b>	<b>71</b>	<b>155</b>	<b>125</b>	<b>564</b>	<b>1,078</b>
Short-term debt	17	17	5	5	320
Accounts payable	13	36	15	59	195
Other current liabilities	18	16	16	16	16
<b>Total current liabilities</b>	<b>47</b>	<b>68</b>	<b>36</b>	<b>81</b>	<b>531</b>
Total long-term debt	8	2	5	5	5
<b>Total non-current liabilities</b>	<b>8</b>	<b>2</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Total liabilities</b>	<b>55</b>	<b>71</b>	<b>41</b>	<b>86</b>	<b>536</b>
Share capital	40	80	80	218	218
Retained earnings reserve	(26)	(4)	(5)	10	73
Other reserves	2	8	8	83	83
<b>Shareholders' equity</b>	<b>16</b>	<b>84</b>	<b>84</b>	<b>310</b>	<b>374</b>
Other equity	-	-	-	168	168
<b>Total equity</b>	<b>16</b>	<b>84</b>	<b>84</b>	<b>478</b>	<b>542</b>
<b>Total liabilities &amp; equity</b>	<b>71</b>	<b>155</b>	<b>125</b>	<b>564</b>	<b>1,078</b>

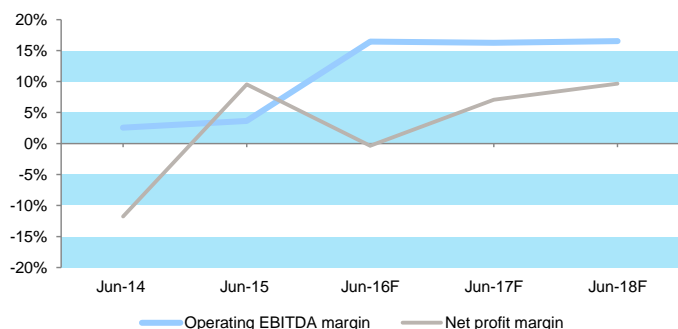
Source: Company data, RHB

Revenue growth vs Recurring net profit growth



Source: Company data, RHB

EBITDA margin vs Net profit margin



Source: Company data, RHB

## Banking On Property

### Background

Established in 1971, Yong Tai was a garment manufacturer whose businesses include the manufacturing and dyeing of fabrics, as well as trading and retailing of textile and garment products and related fashion accessories. However, the operating environment has turned increasingly challenging and since FY06, Yong Tai has generally been incurring annual losses.

In 2014, the group decided to embark on its diversification plan into property development. Its maiden project was a JV with Melaka-based PTS Properties SB to build a 29-storey luxury condominium hotel known as The Pines, which was fully sold. The Pines is located at the gateway of Melaka City's town centre at Jalan Tun Sri Lanang and within close distance to the main tourist attractions and heritage spots.

Currently, the group is developing its second project with PTS Properties, The Apple. This encompasses a 16-storey four-star hotel (managed by The Courtyard by Marriott) and a 32-storey service apartment in Melaka. With a total GDV of MYR234m, The Apple would incorporate the first dual-key system small office/home office (SOHO) in the state and is expected to be completed by end-2017.

Mr Wong Liew Lin, the founder of Yong Tai, stepped down from his position as managing director back in March. Mr Boo Kuang Loon is currently the key management person. He was appointed to the Board as an Executive Director in Oct 2015 and subsequently, re-designated as CEO on 12 Apr 2016. Mr Boo has a vast exposure in the property sector, having served in various property companies such as Malton (MALT MK, NR) and Jaya 33 Sdn Bhd. Subsequently, he established the PTS Properties group of companies in 2007. At present, Mr Boo is the largest shareholder of Yong Tai, with a 9.4% stake.



### The proposals

The group took another step further towards its ambition to become a major property developer with the announcement of several memorandums of understanding (MOUs) and proposals since Aug 2015. The key MOUs and proposals are:

- i. The acquisition of the entire equity interest in PTS Impression SB (PTSI) for MYR3m in cash, as well as the proposed capitalisation of MYR44m owed by PTSI to its creditors via the issuance of 54.8m new Yong Tai shares (issued at MYR0.80 per share). PTSI had secured a license in 2013 from China's Impression Wonders Art Development to produce and stage a live scale tourism stage performance known as *Impression Melaka* for a 30-year period;
- ii. Proposed acquisition of 17 acres of seafront land (Impression Land) located in Melaka for MYR37m. In Oct 2015, IVPS Property Consultant SB has appraised the land as having a market value of MYR39m. Impression Land is meant for the development of a theatre to stage *Impression Melaka*;
- iii. Proposed JV agreement with Admiral City SB for the master development of 100 acres of leasehold land located adjacent to Impression Land;
- iv. Two separate MOUs for the acquisition of two parcels of freehold land each located in Puchong (Selangor) and Johor Bahru (Johor);
- v. Proposed special issue for the subscription by Impression Culture Asia Ltd (Impression Culture) of 150m new Yong Tai shares at an issue price of MYR0.80 per share and 200m new irredeemable convertible preference shares (ICPS) at an issue price of MYR0.80. In total, the company is likely to raise MYR280m from the special issue;
- vi. Proposed placement of up to 70m new Yong Tai shares;
- vii. Proposed 1:10 bonus issue of ICPS to existing Yong Tai shareholders.

Figure 1: Location of Impression City



-  Approximate location of the Impression Land
-  Approximate location of the Melaka JV Land

Source: Company

### Impression Melaka – first of its kind outside China

Established in 1998, the *Impression Series* in China was co-founded by Ms Wang Chaowei, Mr Fan Yue and Mr Zhang Yimou – the trio behind the opening and closing ceremonies of the Beijing Olympic Games in 2008. This series is a new concept of performing arts, where the natural environment of real mountains, water and life is weaved in as its backdrop. Local culture and customs are also incorporated into the performance, along with lights, shadow and dance to complement the show. *Impression Melaka* would be the brand's 10<sup>th</sup> series and the first *Impression Series* outside of China. It would be staged indoors, integrating Melaka's history and modern day culture with characteristic music, while presenting lights, shadows, dance and fine arts. *Impression Melaka* has received endorsement of the Ministry of Tourism and Culture Malaysia as one of the "entry point projects" within the tourism sector's NKEA.

As mentioned above, *Impression Melaka* would be performed indoors in a theatre with a 360-degree revolving seating platform for 2,000 people. The show is expected to include a cast of 400-500 employees and local performers. The theatre is estimated to cost MYR300m (inclusive of land costs) and is expected to be completed by end-2017.

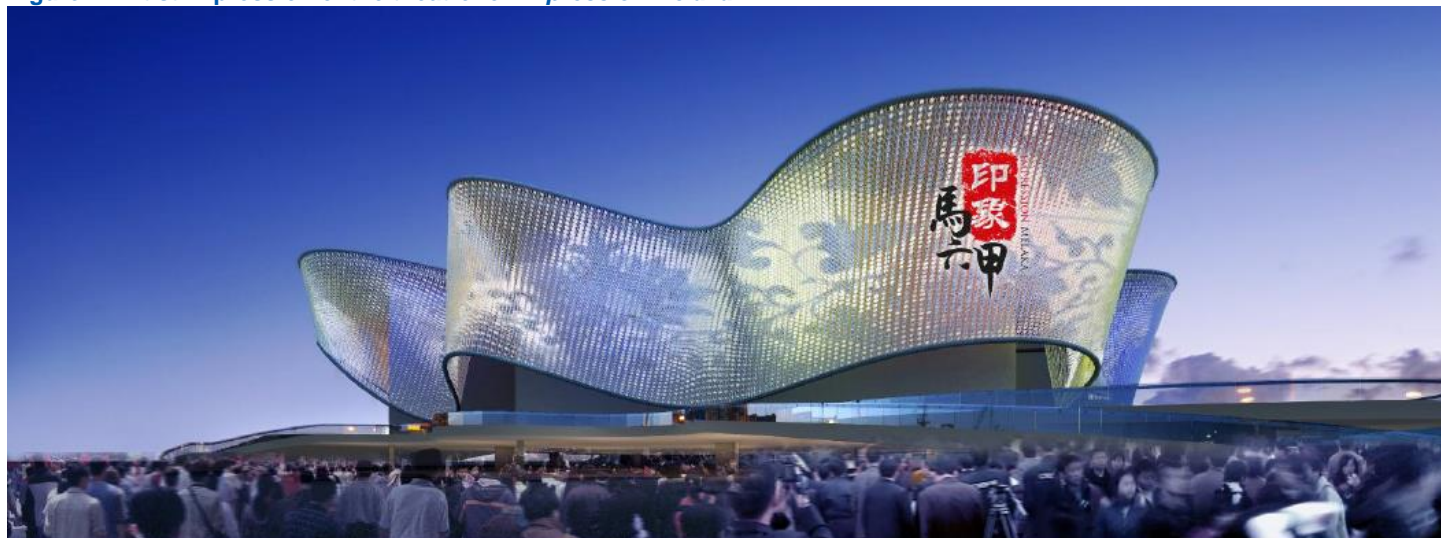
Management expects the project to attract 1.1m people from the 15m tourists expected to visit Melaka annually (implies c.75% utilisation, assuming two daily shows). Yong Tai targets tourists from China to account for 40% of the visitors. This is followed by:

- i. South-East Asia (30%);
- ii. Other parts of Asia (eg Hong Kong, Taiwan and Japan) (20%);
- iii. The US, Europe and the Middle East accounting for the remaining 10%.

While it is still early days, management has guided for ticket prices to average between MYR120 and MYR130. We note this would be cheaper relative to ticket prices of the series in China. For instance, ticket prices for *Impression Liu Sanjie* are in the range of CNY198-580 (MYR120-360). Main operating costs are royalty fees, personnel, as well as utilities and maintenance.

Yong Tai would enjoy investment tax allowances, giving rise to tax-free profits for the first five years. Management estimates a profit contribution of MYR50m-60m pa from 2018.

**Figure 2: Artist impression of the theatre for *Impression Melaka***



Source: Company

### **Impression City – riding on the pulling power of *Impression Melaka***

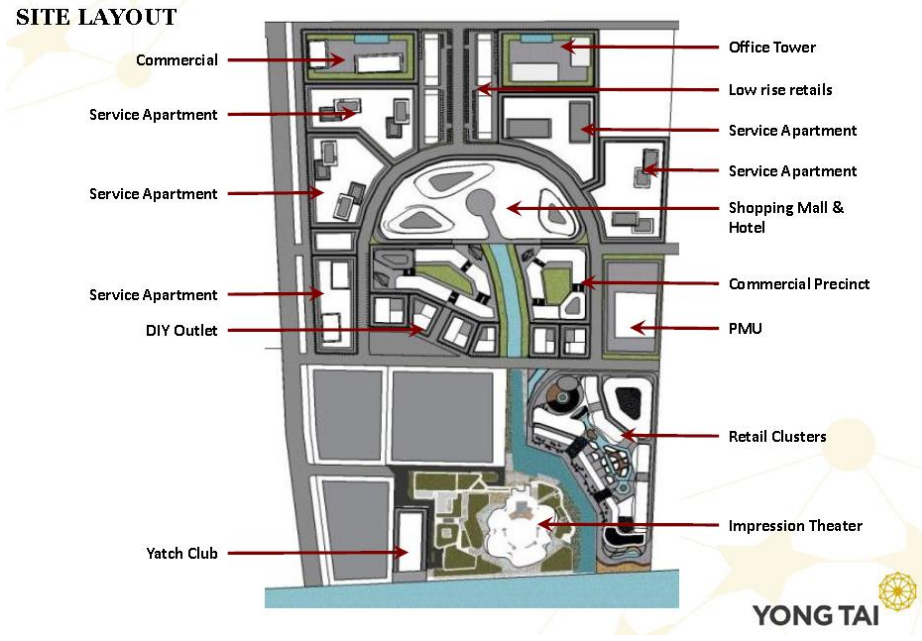
Yong Tai believes *Impression Melaka* would help spur the growth of tourism and related industries such as real estate, hotels, eateries, transportation and arts education in the state. Thus, concurrent with the construction of the theatre, Yong Tai intends to develop 100 acres of land adjacent to the Impression Land. This development is collectively known as Impression City. Phase 1 of the project would include retail shops, a cultural village, a do-it-yourself (DIY) workshop, an orchard farm and a resort. The second and third phases are likely to unveil the development of commercial lots and high-rise residential units. Phase 4, meanwhile, would focus on building a public institution. This is followed by a one-of-a-kind, eco-friendly retirement village. More residential homes are to be built to complete the final phase of Impression City. Overall, the master development is expected to take place over a period of 8-10 years and give rise to an estimated GDV of MYR5.4bn, with a gross development cost of MYR3.8bn. Such costs includes Admiral City's entitlement to the JV (21% of GDV).

**Figure 3: Mix development components of Impression City**

Phase 1	Impression Melaka, retail, DIY factory, cultural village, orchard farm and resort
Phases 2 and 3	Commercial and residential high-rise units
Phase 4	Public institution
Phase 5	Eco/retirement village
Phase 6	Residential

Source: Company

Figure 4: Layout for Impression City



Source: Company

Other projects

Apart from The Apple and its Impression City projects, Yong Tai has also entered into two separate MOUs for the acquisition of two parcels of freehold land each located in Puchong (Selangor) and Johor Bahru (Johor). The land in Puchong measures 1.5 acres in total and Yong Tai is eyeing a mixed development project involving one tower block of small office/versatile office (SOVO) units, one hotel tower, and a common podium housing offices and commercial retail units. The total GDV for the project is expected to be MYR173m (excluding the hotel block). As for the Johor land, this is approximately 1.77 acres in size, and the group intends to carry out a mixed development project comprising SOVO units, a hotel and office suites. The estimated GDV of the project is around MYR363m.

Figure 5: Puchong development



Source: Company

Figure 6: Johor development



Source: Company

## Funding

Given the size of the projects to be undertaken ahead, significant funding would be required. In Feb 2016, Yong Tai announced a proposed fund-raising exercise entailing:

- i. Proposed capitalisation of MYR44m in amount due by PTSI to its creditors (PTS Properties SB, Mr Boo, Apple Impression SB and Beijing Impression Wonders Culture Development Co) through the issuance of 54.8m new Yong Tai shares at an issue price of MYR0.80 each;
- ii. Proposed subscription agreement with Impression Culture for the subscription of 150m new Yong Tai shares (issued at MYR0.80 per share) and 200m new ICPS at MYR0.80 each;
- iii. Proposed private placement of up to 70m new Yong Tai shares.

Apart from the above, the group has also proposed a bonus issue of up to 20m new ICPS to existing shareholders on the basis of one new ICPS for 10 Yong Tai shares held.

Inclusive of the conversion of 40m outstanding warrants – and assuming the proposed private placement is carried out at MYR0.80 per share – we estimate that the group could raise a total of MYR400m. Meanwhile, post exercise, the number of shares outstanding could rise to 475m from 160m currently. The ICPS conversion carries a moratorium of three years from its issue date and a tenure of 10 years. Assuming a full conversion of the ICPS, the enlarged share base could rise further to 695m from 475m.

**Figure 7: Potential funding raised and impact on share base**

	No. of shares m	Funds raised MYRm
Current number of shares	160.3	-
Conversion of warrants	40.1	20
Proposed capitalisation of balance owed to PTSI's creditors	54.8	44
Proposed special issue	150.0	120
Proposed private placement	70.0	56
<b>Enlarged number of shares/Funding raised before ICPS</b>	<b>475.3</b>	<b>240</b>
Proposed issue of ICPS and subsequent conversion into shares	200.0	160
Proposed ICPS bonus issue and subsequent conversion into shares	20.1	-
<b>Enlarged share base/Total funding raised after ICPS</b>	<b>695.4</b>	<b>400</b>

Source: Company data, RHB

**Figure 8: Impact of fund-raising exercise on shareholding structure**

Shareholder	Existing		Proforma I		Proforma II	
	No. of shares m	% stake %	No. of shares m	% stake %	No. of shares m	% stake %
Boo Kuang Loon	15.0	9.4	54.6	11.5	56.1	8.1
Dato' Sri Lee Ee Hoe	14.7	9.2	20.9	4.4	22.4	3.2
Impression Culture	-	-	150.0	31.6	350.0	50.3

Note: As at 8 Apr 2016

Note II: Proforma I incorporates the conversion of warrants, proposed capitalisation, proposed special issue, and proposed private placement. The increase in Dato' Sri Lee's stake is due to his interest in Apple Impression

Note III: Proforma II incorporates the conversion of ICPS.

Source: Company data, RHB

### Who is Impression Culture?

Post the fund-raising exercises above, Impression Culture would emerge as Yong Tai's largest shareholder. Impression Culture is a wholly-owned subsidiary of Sino Haijing Holdings (1106 HK, NR), a company listed on the HKEX. The group mainly focuses on the production and sale of expanded polystyrene products for household electrical appliances in China.

In March, it acquired an 85% stake in Master Race Ltd for HKD135m. A subsidiary of Master Race, Shenzhen Qianhai Chengkai Culture Development Co Ltd (Qianhai Chengkai), had entered into an exclusive ticket agency agreement with Guilin Guangwei Wenhua Tourism and Culture Industry Co Ltd (Guangwei Wenhua). Under the agreement, the former would act as an exclusive ticketing agency for the *Impression Liu Sanjie* cultural show for a term of 20 years. Other terms of the deal are:

- i. The average annual ticket sales of *Impression Liu Sanjie* should also not be less than 1.3m tickets for each of the years between 2016-2018;
- ii. Not less than a 2% annual increase in ticket sales in 2019-2020.

In the event the annual 1.3m ticket sales target is not achieved, Qianhai Chengkai would pay Guangwei Wenhua CNY10m. If the annual sales growth of 2% in 2019-2020 is not achieved, the former would need to indemnify the latter CNY10m pa.

We do not discount the possibility that a similar performance undertaking could be arranged between Yong Tai and Impression Culture, with respect to minimum ticket commitments for tourists from China. Given that a substantial portion of ticket sales for *Impression Melaka* is expected to go to tourists from China, such an arrangement should bode well for Yong Tai.

### Risks

The key risk is if the proposals fall through. The proposed acquisitions and fundraising exercise are subject to approval from, among others, the shareholders of Yong Tai (EGM targeted for June). Assuming all relevant approvals are obtained, the fundraising exercise is expected to be completed in 1QFY17, while the proposed acquisitions are expected to be completed by end-2QFY17.

Apart from the above, execution is a risk for property development. Meanwhile, execution and lower-than-expected audiences are risks for *Impression Melaka*.

### Forecasts

We project for Yong Tai to break even in FY16, followed by net profits expanding rapidly to MYR14m in FY17 and MYR64m in FY18. This would be underpinned by the group's property development projects. Our forecasts assume the legacy garment business is fully disposed of by end-FY16. Also, we have not factored in any contributions from *Impression Melaka* in our forecast horizon. We assume that contributions from the show would only kick in from FY19.

Balance sheet-wise, as at 31 Dec 2015, Yong Tai had a relatively clean balance sheet with net gearing of just 6%. That said, we expect the size of the balance sheet to change significantly upon completion of the fundraising exercises and good progress of its property development projects. We expect net gearing to rise to 54% in FY18, as property development works accelerate.

Yong Tai has not been declaring any dividends in recent years as it has been incurring losses – the last dividend paid out was for FY02. However, with the expected turnaround in prospects, we have pencilled in a DPS of 2.5 sen in FY18, which translates into a yield of 3%.



### Investment case

We value the property development business at MYR317m, which is based on a 40% discount to its RNAV (Figures 9 and 10).

As for *Impression Melaka*, we value the business based on DCF. This is because we believe the valuation method better captures the near-term high capex spending. We have used a WACC of 9.9%, with the key assumptions being a risk-free rate of 4.3% and market risk premium of 8.7%. Due to the unique nature of the *Impression Melaka* show, our market risk premium assumption factors in an additional 200bps in risk premiums. Based on DCF valuation, we estimate *Impression Melaka* to be worth MYR107m.

Overall, we derive an indicative, fully-diluted valuation estimate range of MYR1.03-1.18 per share based on SOP. The low end of our valuation range excludes *Impression Melaka*, while the top end of our valuation range incorporates the show. Our indicative valuation estimate range implies an FY18F P/E of 7-8x (10.6-12x, fully diluted).

We see *Impression Melaka* as a swing factor in our indicative valuation estimate. In our view, management would have the option of either keeping the business to enjoy the recurring income stream or selling off *Impression Melaka* for a one-time, upfront boost to earnings and cash flow. Once the heavy investments are completed and the additional 200bps risk premium is removed, we estimate *Impression Melaka* could be worth north of MYR500m, or at least 72 sen per share over the base case, fully diluted per share valuation of MYR1.03. If the rights and the theatre are sold off, this may fetch Yong Tai over MYR800m, or MYR1.15 per share (fully diluted).

**Figure 9: Yong Tai's RNAV estimate for property development**

Projects	Acres	GDV	Effective stake	Net surplus @
		MYRm		11%
		MYRm		MYRm
The Apple	n.a.	234	70%	13.4
Impression City	100	5,400	100%	379.6
Puchong	1.5	170	100%	15.9
Johor Baharu	1.8	363	100%	34.0
<b>Subtotal</b>				<b>442.9</b>
Shareholders' equity				84.9
<b>Total RNAV</b>				<b>527.7</b>

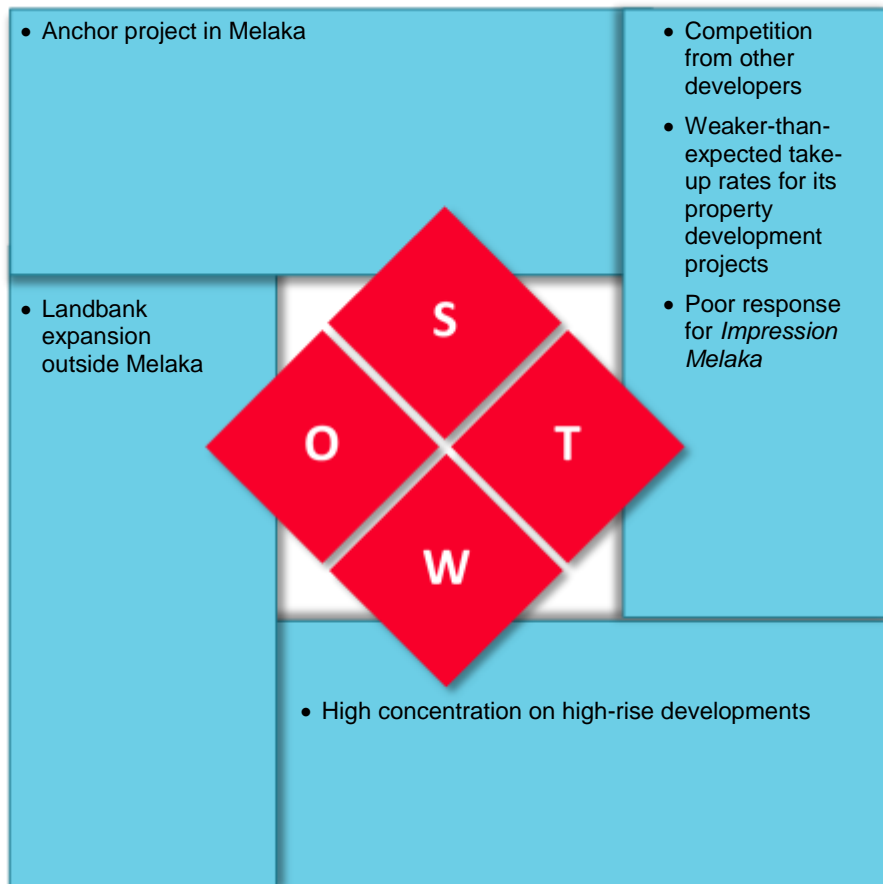
Source: Company data, RHB

Figure 10: Yong Tai's SOP estimate

	Value	Valuation	Discount	Value	Value
	MYRm	method		(ex-Impression Melaka) MYRm	(with Impression Melaka) MYRm
Property development	527.7	RNAV	40%	316.6	316.6
Impression Melaka	107.0	DCF	-	-	107.0
				<b>316.6</b>	<b>423.6</b>
Warrant proceeds @ MYR0.50				20.1	20.1
Special issue @ MYR0.80				120.0	120.0
ICPS @ MYR0.80				160.0	160.0
Private placement @ MYR0.80				56.0	56.0
Settlement of debts				43.8	43.8
				<b>716.5</b>	<b>823.5</b>
Outstanding no. of shares (m)				160.3	160.3
Warrants (m)				40.1	40.1
Special issue (m)				150.0	150.0
ICPS (m)				200.0	200.0
Private placement (m)				70.0	70.0
Bonus ICPS (m)				20.0	20.0
Proposed capitalisation of debts (m)				54.8	54.8
<b>No. of shares – fully diluted (m)</b>				<b>695.3</b>	<b>695.3</b>
<b>Fully diluted SOP/share estimate (MYR)</b>				<b>1.03</b>	<b>1.18</b>

Source: Company data, RHB

## SWOT Analysis



## Recommendation Chart



Source: RHB, Bloomberg

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