

Company Name : Asian Pac Holdings Berhad  
 Date : 24 November 2014  
 Source : The Edge

# Imago Mall a game-changer for Asian Pac

BY KAMARUL AZHAR

Imago Mall, the latest shopping mall to be opened in Kota Kinabalu next year, could be valued at about RM850 million, outstripping the enterprise value of its developer Asian Pac Holdings Bhd.

As at last Friday, Asian Pac's market capitalisation stood at RM267.5 million, at 27 sen per share. Its total debts of RM283.6 million gives it an enterprise value of RM501.3 million, after taking into account RM49.8 million of cash and equivalents.

In an email reply to *The Edge's* questions last Friday, Asian Pac chief executive Dr Raymond Yu Tat Loong says the mall is valued at about RM850 million, with a net yield of at least 6% per annum.

"We expect rental income from Imago to contribute significantly to group revenue, especially for financial year ending March 31, 2016 (FY2016)," says Yu, without providing the forecast annual rental revenue from the mall.

According to various media, Asian Pac's management guided that Imago Mall, with a net leasable area of 800,000 sq ft, will contribute RM70 million in annual rental revenue to the group. It will be the largest non-strata, lease-only mall in the city. Yu's calculation of 6% net yield on the mall's value of RM850 million could imply a net rental income of about RM51 million.

At RM850 million, Imago Mall is valued at about RM1,063 psf. This does not include the value of the 2,500 lots car park that comes with the property.

According to Asian Pac chairman Tan Sri Megat Najmuddin Megat Khas, Imago Mall has achieved an 80% rental take-up rate. The group is targeting for a full tenancy when the mall is opened to the public in January.

"We have already reached critical mass in terms of rental take-up, and I think it is just a matter of time that the whole [of the] lots will be tenanted. The mall is situated within KK Times Square, and it has a large catchment area," says Najmuddin when contacted by *The Edge*.

"Kota Kinabalu is booming with a lot of investments, including those by Petroliam Nasional Bhd. Kota Kinabalu International Airport is the second busiest in Malaysia, and the city is seeing huge tourist arrivals which will further spur its growth."

As the mall will only start operation early next year, which is the fourth quarter of Asian Pac's FY2015, the impact from the rental income will only be wholly recognised in FY2016.

The positive impact that Imago Mall would have on Asian Pac has not gone unnoticed by investors. Over the last one year, Asian Pac's



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share price has rallied 94% to 27 sen as at last Friday, from only 13.9 sen. It reached 34.7 sen, the highest level in one year, on Aug 19.

Despite the stock having almost doubled in value over the last 52 weeks, there could still be upside considering that Asian Pac could double its earnings in FY2016 with rental income from mall, say market observers.

According to a broker, Asian Pac stands to reap at least RM33 million in net profit per year from the mall. This is almost equivalent to the group's net profit of RM38.8 million in FY2014.

"Assuming constant earnings from current business activities, group earnings could reach over RM70 million in FY2016, when contribution from the mall is fully recognised. This translates into an earnings per share of about 7.1 sen," says the broker.

At last Friday's market price of 27 sen per share, Asian Pac was valued at a mere 3.8 times forward earnings. EPS in FY2014 was 3.98 sen, which gives the stock a historical price-earnings ratio of 6.78 times.

In the quarter ended June 30, 2014 (1QFY2015), Asian Pac recorded RM3.97 million in net profit, an increase of 32.2% over the same quarter last

year. Revenue increased 71.2% to RM61.8 million.

Beside Imago Mall, other property development projects by Asian Pac include commercial units at Dataran Larkin Phase 2 in Johor Baru, and serviced residences Fortune Perdana @ Lakeside in Kepong and Damansara 8 condominiums in Damansara Damai.

On top of that, the group still has 399.8 acres of vacant leasehold land in Seremban, and 50 acres in Gombak. The group also completed the acquisition of 91.37 acres of freehold land in Semenyih for RM17.5 million in August 2014.

"Starting with Imago Mall, we are aiming to strengthen our property investment portfolio to generate stable recurring income. This will provide us a stable platform to broaden our property development scope to potentially include township developments and other classes of properties in and around Klang Valley while continuing to explore opportunities elsewhere," says Yu.

Kota Kinabalu and its adjacent urban areas offer 4.6 million sq ft of retail space spread across 17 buildings, with an average occupancy rate of 86.3%, according to real estate consultant Knight Frank.

## Asian Pac Holdings



The company, through its subsidiaries, provides property investment and development as well as rents out bungalows.

FYE MARCH	2014	2013
Ebitda (RM mil)	45.6	10.9
Net profit (RM mil)	38.5	17.6
EPS (sen)	4	1.8
ROE (%)	10.2	5.15

AS AT NOV 21	
Market cap (RM mil)	267.5
Shares outstanding (mil)	990.8
Price/book (times)	0.73
PE forward (times)	NA
PE historical (times)	6.65
Dividend yield (%)	NA
Estimated free float (%)	59.36

Besides Imago Mall, at least four other malls are set to be opened in the next two years — Oceanus Waterfront Mall with about 260,000 sq ft of net floor area, Riverson Walk (115,000 sq ft NFA), Jesselton Mall (75,000 sq ft NFA) and Pacific Parade (630,000 sq ft NFA).

Asked whether there is an oversupply of retail space in greater Kota Kinabalu, an urban agglomeration of about 650,000 people, Yu says there is a lack of supply of quality retail space that is non-strata sold.

"When retail space is strata-sold, it becomes difficult to manage trade and tenant mix with many individual landlords who seek only to maximise their investment. Imago Mall fills this gap by becoming a 100% lease-only shopping mall in Kota Kinabalu," says Yu.

Asian Pac's single largest shareholder is Mah Sau Cheong, who held a 17.94% stake as at Oct 29, after raising his shareholding from 17.59% as at Aug 4. Another notable shareholder is Datuk Mustapha Buang with 3.43%. ■