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Symphony Life a hidden gem

It is said to be trading at a "very large" discount with unbilled sales of close to RM1 bil



by Clint Loh

SYMPHONY Life Bhd, a property development company helmed by corporate bigwig Tan Sri Azman Yahya is set to see better times.

A chunk of the company's unbilled sales of close to RM1 bil will be recognised as profits starting from the current financial year.

Some from the investment community have also identified Symphony Life as a hidden gem among smaller-capitalisation property stocks.

They say the company is trading at a "very large" discount to its intrinsic value - mainly from it owning a 161ha piece of land in Sungai Long, Selangor, which value is set to be unlocked in the coming years.

"In the next 12-18 months, Symphony Life's unbilled sales of about RM1 bil will mean its profits will move in one direction only, which is up," says a fund manager at Island Asset Management Pte Ltd, a fund management company in Singapore.

Symphony Life chief financial officer Hazurin Harun tells **FocusM** the company was able to recognise only a small portion of its high unbilled sales in FY16 ended March 30, because its major high-rise property projects were constructed at the foundation level only.

In FY16, Symphony Life's earnings fell to RM13.2 mil from RM43.9 mil a year ago on the back of revenue declining to RM144.3 mil from RM286.1 mil.

Profit growth

Hazurin says profits from property projects are recognised based on the percentage of completion.

With the foundation level completed, construction progress of the entire project will be much faster, and hence, profit recognition from the projects will as well, he says.

This is reflected in Symphony Life's Q1 ended June 30, which was released last week. Its net profit grew more than two-fold to RM4.6 mil from RM2.04 mil a year ago, on the back of revenue climbing 19% to RM47.5 mil.

The company's high unbilled sales are mostly attributed to encouraging sales of its high-end property projects, namely TWY@Mont Kiara and Star Residences.

TWY@Mont Kiara, the first phase of its project in Mont Kiara, Kuala Lumpur, comprises 484 units of all duplex condominiums.

The project, with a gross development value (GDV) of about RM400 mil, saw a take-up rate of about 90% and is expected to be completed in 2019.

Star Residences, located at the Kuala Lumpur City Centre, is a 50-50 joint venture with UM Land Bhd. It has an expected GDV of close to RM3 bil.

The development consists of three



Star Residences, located at the intersection of Jalan Mayang and Jalan Yap Kwan Seng, is Symphony Life's RM3 bil joint-venture development



Azman helms Symphony Life



Hazurin says Symphony Life is "severely undervalued"

project between Symphony Life and the landowner at Signal Hill, Kota Kinabalu, has also obtained the necessary approvals.

The 4ha project was initially expected to be launched last year with an estimated GDV of RM450 mil. It comprises two towers of luxury condominiums and three-storey landed luxury villas.

Hazurin says the company will make changes to the proposed development to better suit market conditions in Sabah.

Hidden value

Apart from a steady growth in profits, some investors like Symphony Life for its hidden value.

The company's 161ha in Sungai Long, which is located close to Bandar Mahkota, Cheras, is said to be its "jewel in the crown".

"Symphony Life may not be the fastest growing property company, but we see long-term investment value with the company's land in Sungai Long," says the Singapore fund manager.

The land, which has a net book value of RM144.8 mil or just RM8.40 per sq ft, is a substantial asset relative to Symphony Life's market capitalisation of RM215 mil, says an analyst.

Development of the land has been delayed over the years. Last year, a parcel of land measuring about 9ha was compulsorily acquired by the state government for the East Klang Valley Expressway (EKVE).

Hazurin says the authorities acquired the land for about RM15 per sq ft, but Symphony Life has appealed for RM30 per sq ft as it believes the land is worth more than the price it was acquired for.

"Assuming the land is valued at RM30 per sq ft, the 161ha is worth RM519 mil. That is a surplus of RM374 mil or about RM1.30 per share over its net book value of RM145 mil.

"That means Symphony Life's net assets per share of RM2.08 does not quite reflect its true value," says the analyst.

Hazurin concurs and says Symphony Life's shares are "severely undervalued".

Detailed development plans for the Sungai Long land, he says, will be carried out once the company has more details on how the EKVE will be laid out.

"We want to better prepare the site to have a better township."

Although the EKVE has further delayed the development, Hazurin says on the upside, the expressway will add value to the development by improving accessibility.

Based on previous preliminary plans, the GDV of the township development at Sungai Long was estimated at RM6-8 bil.

towers of luxury apartments and five blocks of retail spaces.

The first, known as Residential Tower 1, has seen a 93% take-up. The recently launched Residential Tower 2 is about 40% sold. The retail portion, called Signature Retail, is about 53% taken up.

The third residential tower with a GDV of about RM1 bil is yet to be launched. Unbilled sales for the project now stands at about RM1.1 bil.

In addition to its unbilled sales,



TWY@Mont Kiara which has a GDV of about RM400 mil is 90% sold.

Symphony Life's future profits will also be supported by upcoming projects worth RM3 bil in GDV. The company targets sales of RM400 mil in FY17, says Hazurin.

Symphony Life's future launches include phase two of its Mont Kiara project, with an estimated GDV of RM400 mil. Another project, Union Suites@Sunway at Bandar Sunway, has a GDV of about RM420 mil.

"Over the years the company has sold its projects while replenishing its land bank," says the fund manager.

He says Symphony Life has been delivering profits since Tan Sri Azman Yahya took control of the company. He holds an indirect stake of 19.4% in Symphony Life through Gajahrimau Capital Sdn Bhd.

Azman joined Symphony Life (previously known as Bolton Bhd) in 2005. He spent the first few years undertaking a massive clean-up of the company's assets and liabilities, including reducing its high gearing and disposing of non-core assets and businesses.

He is also the founder and chief executive officer of business outsourcing company Symphony House Bhd, which was taken private in December last year.

Issues resolved

Moving forward, another positive note for Symphony Life is that obstacles relating to two of its projects have been resolved.

The company's 607ha Bandar Amanjaya township in Sungai Petani, Kedah, had a few years of inactivity due to regulatory approval issues.

But in March, it launched and fully sold its latest phase comprising 417 units of single-storey terrace houses on some 16ha of freehold land. The project has a GDV of about RM70 mil.

With the latest launch, Symphony Life has some 150ha of remaining land to be developed in Bandar Amanjaya.

For the next launch, which is expected next year, Hazurin says the company plans to build semi-detached and bungalow units. Average selling prices are quoted plans are still at the "conceptual stage".

Tijani Signal Hill, a 51:49 joint-venture

SYMPHONY LIFE BHD

KEY BOARD MEMBERS AND MANAGEMENT
TAN SRI AZMAN YAHYA (executive chairman)
HAZURIN HARUN (chief financial officer)
STEWART TEW (chief operating officer)

MAJOR SHAREHOLDERS
 Gajahrimau Capital Sdn Bhd 19.4%
 RHB Trustees Bhd 8.9%
 Chin Jit Png 4.06%

MARKET CAP (Sept 1) RM215.2m
SHARE PRICE (Sept 1) 69.5 sen
52-WEEK HIGH (Nov 9, 2015) 84.5 sen
52-WEEK LOW (June 27) 67 sen

FINANCIAL RESULTS (Q1 ended June 30, 2016)
REVENUE RM47.5m
NET PROFIT RM4.6m