

10 in 10 – Thakral Corporation (SGX Code: **AWI**)

10 Questions in 10 Minutes with SGX-listed companies



THAKRAL
CORPORATION LTD



10 Questions for Thakral Corporation

Company Overview

Thakral Corporation Ltd operates two core divisions – 1) Investment Division, with a portfolio covering Australia, Japan and Singapore real estate and other investment opportunities including property-backed financial instruments and 2) Lifestyle Division, focused on marketing and distributing beauty, wellness and lifestyle brands in China (including Hong Kong), Southeast Asia and India.

[Link to StockFacts company page.](#)

SGX Code: AWI	BBG: THK SP	RIC: THAK.SI
Market cap on 7 Feb (S\$m)		61.5
Price on 7 Feb (S\$)		0.470
52 wk high/low		0.56-0.415
ADTV (S\$)		22,690
Shares Outstanding (m)		130.9
Float		45.7%
P/E (LTM)		6.4
P/B (LTM)		0.5
Dividend Yield		8.5%

Source: Bloomberg (7 Feb 2020)

1. What are some notable developments that Thakral's shareholders can look forward to?

- Shareholders can look forward to positive developments from our Investment Division, which has widened its footprint in Australia, Japan and in 2018, to Singapore with an office property at The Riverwalk. We have capitalised on positive trends in these markets to generate good returns for shareholders.
- Through a 50-50 joint venture with the Puljich family, we have expanded into the development and management of retirement resorts in Australia under the GemLife brand, providing support for the ageing demographics. GemLife has seven resorts with more than 1,800 homes in various stages across the eastern seaboard and a pipeline of 8 to 10 more sites, which may add 1,700 homes to be built.
- Another of our key focus is in Osaka, Japan, which is enjoying a tourism boom and low interest rates. Our Japanese investment portfolio has grown over a five to six-year period and comprises commercial buildings, business hotels and a retail property. These properties in Osaka are generating a steady rental income and seeing strong capital appreciation as vacancy rates have fallen below 1% in the inner city where our properties are located.
- As opportunities arise, we will realise profits from some of our existing properties to re-invest with a view to improve the overall quality and returns of our portfolio.



GemLife Bribie Island Clubhouse



GemLife Retirement Living Resort – Typical Interior

2. How has Thakral evolved since it listed 25 years ago?

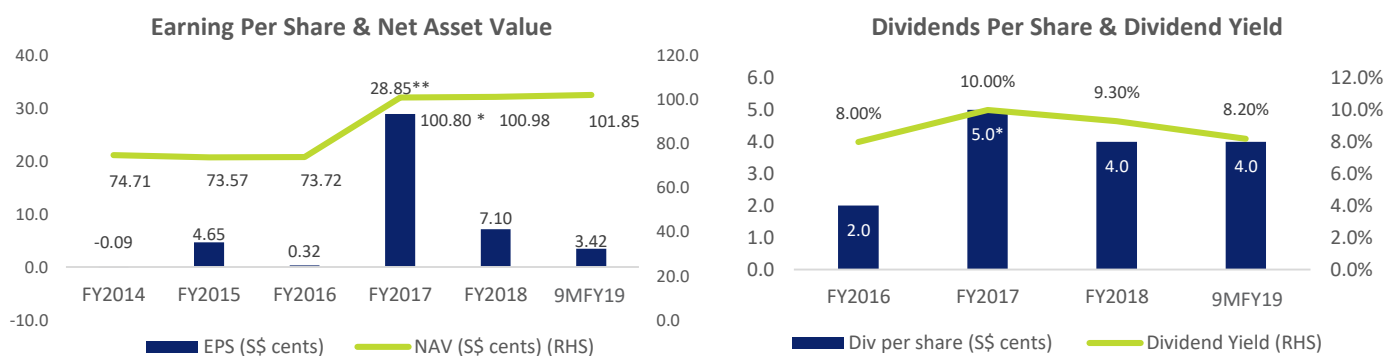
- Thakral has evolved over the years and is now well-positioned with a strong team focused to drive growth and deliver sustainable long-term value to our shareholders.
- Having broadened our income streams beyond China, and successfully diversified and expanded our investment business in Australia, Japan and to Singapore, our strong presence in these markets has given us positive and sustainable returns. Our Investment Division is now the Group's largest component in terms of net assets as well as profitability.
- We have a strong presence in Australia where we have created two niche brands:
 - **Thakral Capital (TCAP)** – operates as a finance partner with real estate developers, and provides value-added services including originating, packaging and managing investment projects. Our team has been involved in developments of over A\$4 billion.
 - **GemLife** – considered a leading brand name in the over-50s resort style retirement housing space in Australia, developed with the Puljich family as our partner, who has been in this business for over 30 years.
- Our current portfolio in Japan comprises 11 properties – seven commercial buildings, three hotels and a retail property. We continue to seek more investment opportunities.

3. Can you give us an update of Thakral's financial performance/profitability over the past 5 years?

- The Group's net profit grew substantially from S\$0.8 million in FY2014 to S\$20.2 million in FY2018.
- The robust performance of our Investment Division was the key contributor to this strong surge in profitability.
- Our net assets have also risen with our Net Asset Value (NAV) rising from 74.41 cents (FY2014) to 100.98 cents (FY2018), a 36% growth from 5 years ago.

4. What is the company's dividend policy? How do you reward your shareholders?

- The Group has been distributing dividends of 4 to 5 cents per share for the past three years, with a dividend yield of 8% to 10% per annum, which we believe is among the highest dividend yields for listed companies in Singapore. We look forward to continue issuing dividends twice yearly.



*Includes gain of S\$33.9 million from sale of warehouse properties in Hong Kong

**Enhancement in value from disposal of the warehouse properties as well as strong growth in the valuation of the Japanese Investment

Note: Dividend yield is calculated based on the Company's year end closing share price of each respective year.

*FY2017 dividend includes special dividend of 3 cents.

5. Thakral has invested significantly in Australia's retirement housing. What makes you excited about this segment?

- We are optimistic that GemLife is relatively immune to the upheavals in the wider property market. We believe that it is poised for steady growth ahead as current demand in this segment exceeds supply.
- We believe demand for retirement housing in Australia is expected to grow. The prime location of our resorts and the established GemLife brand makes us well-positioned to capture this growth.

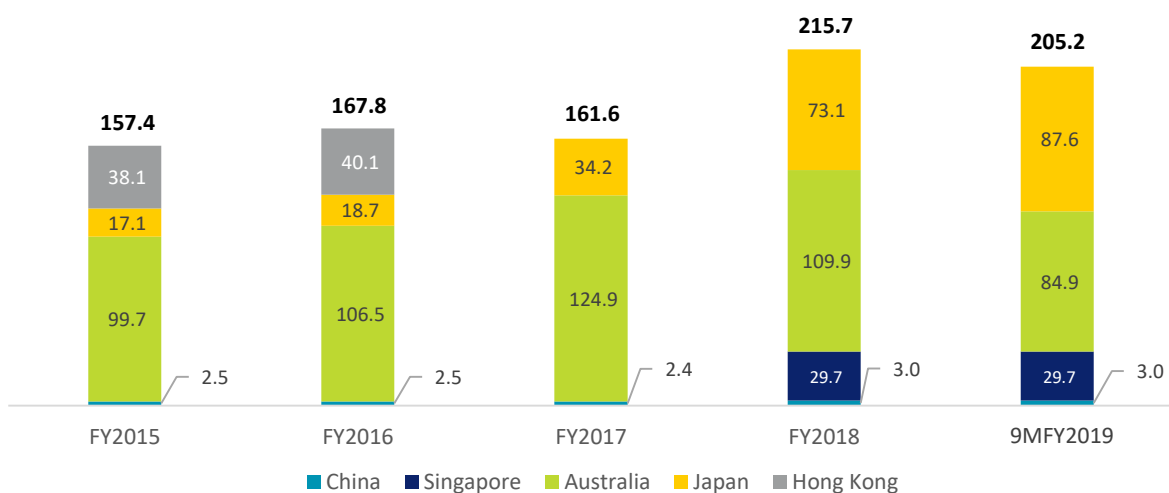
6. How does GemLife provide sustainable income?

- GemLife has several ways to enjoy income from its projects, including profits from the sale of homes and recurring income from regular site management fees.

7. Thakral has been actively expanding its real estate portfolio in Japan. Why are you bullish about Japan and are you looking to invest further in its property market?

- As the Japanese government revises up its foreign tourist targets for 2020 (40 million) and 2030 (60 million), and the convergence of major infrastructure and some of the biggest events (Osaka metro, railway expansion, 2020 Olympics, G20 Osaka Summit, Integrated Resorts licensing and development, 2025 World Expo), Osaka is expected to be a key beneficiary of the tourism boom.
- In view of this uptrend, coupled with rising commercial land prices and low interest rates, our Investment Division plans to expand its footprint in Japan.

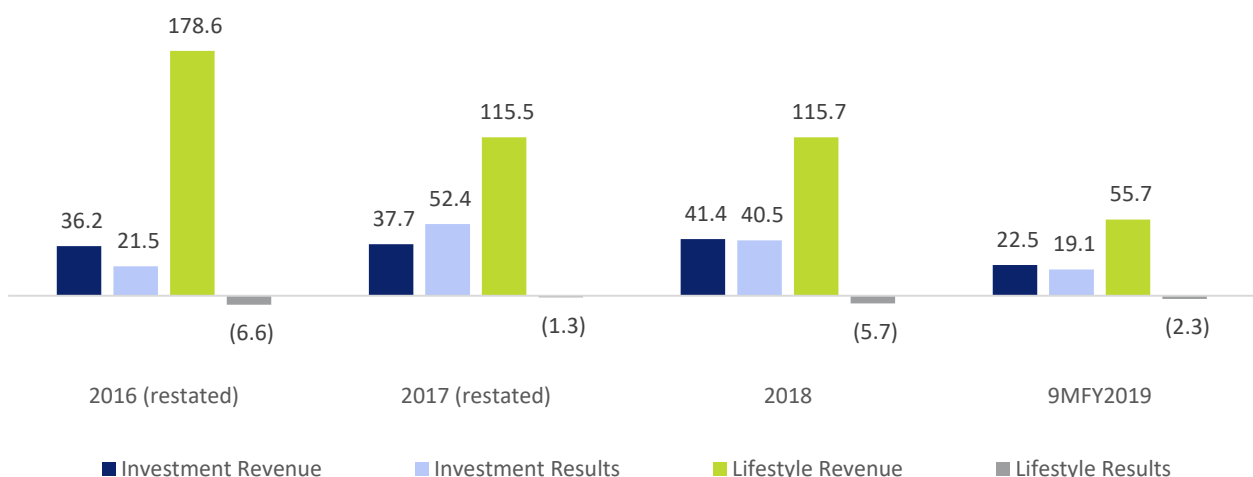
Geographical Real Estate Related Investments (\$m)



8. While Thakral is bullish on Japan, you have recently sold a property there. Will Thakral be selling more properties and why?

- We believe unlocking value of our properties and generating profits for shareholders. By selling some of our properties at the opportune time, we are able to lock in profits from capital appreciation and recycle our capital for re-investment in other attractive deals, enhance portfolio quality, improve overall returns as well as cash flow management.

Segment Revenue and Results (\$m)



9. How will Thakral continue to deliver sustainable growth over the long term and what are the plans for your Lifestyle Division?

- The Group will continue to scout for good market opportunities to drive growth in all its key markets:

Investment Division

- **Australia** – Since 2010, the Group has invested and committed more than A\$420 million of capital into residential development projects with an end value surpassing A\$4 billion. To date, the Group has successfully completed 17 projects, with another two in the pipeline. The Group will participate in higher yielding, niche high-end property projects in gateway cities such as Sydney, Melbourne and Brisbane.
- **Japan** – The Group will continue to ride on the growing tenant demand in Osaka and rising real estate values as we believe real estate values are on an upward trend due to limited supply of quality assets and the country's low interest rates.

Lifestyle Division

- Our Lifestyle Division's investment in brand building efforts over the past years enabled us to branch into beauty and wellness categories and offer a large portfolio of at-home beauty and wellness products, strengthening our leadership position in these market segments.
- The brands distributed by this division include Panasonic, DermaWand, Philips, T3 and Slendertone; skin and hair care brand John Masters Organics; fragrance brand Maison Margiela, as well as lifestyle brand DJI.

10. What is Thakral's value proposition to its shareholders and potential investors? What are the Group's new growth drivers?

- We believe that our shareholders have benefited from the dividend payouts and capital gains from the stock. Those who invested in Thakral shares three years ago would have seen Total Shareholder Returns of 138% (as at 6 Jan 2020).
- The stock is also currently trading below its NAV (0.5x P/B ratio as of 7 Feb 2020).
- The Group's main growth driver for the months ahead is expected to come from its Investment Division – in particular, Japan and Australia.

Source: Company data

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Designed to be a short read, 10 in 10 provides insights into SGX-listed companies through a series of 10 Q&As with management. Through these Q&As, management will discuss current business objectives, key revenue drivers as well as the industry landscape. Expect to find wide-ranging topics that go beyond usual company financials.

This report contains factual commentary from the company's management and is based on publicly announced information from the company.

For more, visit sgx.com/research.

For company information, visit <http://www.thakralcorp.com/>
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Notes

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